GRUPA LOTOS S.A.
FINANCIAL HIGHLIGHTS

	PLN'000		EUR'000	
	Year ended Dec 31 2014	**Year ended Dec 31 2013 (restated)**	**Year ended Dec 31 2014**	**Year ended Dec 31 2013 (restated)**
Revenue	26,243,106	26,697,179	6,264,318	6,339,867
Operating loss	(1,294,183)	(352,799)	(308,926)	(83,780)
Pre-tax loss	(1,545,869)	(77,525)	(369,004)	(18,410)
Net loss	(1,285,910)	(14,774)	(306,951)	(3,508)
Total comprehensive income/(loss)	(1,762,097)	83,242	(420,618)	19,768
Net cash from operating activities	561,327	733,621	133,991	174,215
Net cash from investing activities	(137,277)	51,026	(32,768)	12,117
Net cash from financing activities	(392,823)	(597,916)	(93,768)	(141,989)
Total net cash flow	31,227	186,731	7,455	44,343
Basic loss per share (PLN/EUR)	(8.87)	(0.10)	(2.12)	(0.02)
Diluted loss per share (PLN/EUR)	(8.87)	(0.10)	(2.12)	(0.02)

	PLN'000		EUR'000	
	As at Dec 31 2014	**As at Dec 31 2013 (restated)**	**As at Dec 31 2014**	**As at Dec 31 2013 (restated)**
Total assets	14,339,743	15,559,412	3,364,320	3,751,787
Total liabilities	6,346,776	7,135,595	1,489,050	1,720,581

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 2014	**As at Dec 31 2013**
1 EUR = 4.2623 PLN	**1 EUR = 4.1472 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 2014	**Year ended Dec 31 2013**
1 EUR = 4.1893 PLN	**1 EUR = 4.2110 PLN**

GRUPA LOTOS S.A.

FINANCIAL STATEMENTS FOR 2014
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 2014

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Revenue	9.1	26,243,106	26,697,179
Cost of sales	9.2	(26,660,350)	(26,214,651)
Gross profit/(loss)		**(417,244)**	**482,528**
Distribution costs	9.2	(667,323)	(614,354)
Administrative expenses	9.2	(205,731)	(224,935)
Other income	9.4	6,164	12,125
Other expenses	9.5	(10,049)	(8,163)
Operating loss		**(1,294,183)**	**(352,799)**
Finance income	9.6	169,581	412,140
Finance costs	9.7	(421,267)	(144,528)
Gain on disposal of investments		-	7,662
Pre-tax loss		**(1,545,869)**	**(77,525)**
Income tax expense	10.1	259,959	62,751
Net loss		**(1,285,910)**	**(14,774)**
Other comprehensive income/(loss)			
Items that may be reclassified to profit/loss:		**(473,554)**	**97,820**
Cash flow hedges	22	(584,653)	120,765
Corporate income tax relating to cash flow hedges	10.1	111,099	(22,945)
Items that will not be reclassified to profit/loss:		**(2,633)**	**196**
Actuarial gain/(loss) under post-employment benefits	26.1	(3,251)	242
Corporate income tax relating to actuarial gain/(loss) under post-employment benefits	10.1	618	(46)
Other comprehensive income/(loss) net		**(476,187)**	**98,016**
Total comprehensive income/(loss)		**(1,762,097)**	**83,242**
Loss per share			
Weighted average number of shares ('000)	11	145,027	142,717
- basic	11	(8.87)	(0.10)
- diluted	11	(8.87)	(0.10)

GRUPA LOTOS S.A.
STATEMENT OF FINANCIAL POSITION
as at December 31st 20142014

PLN '000		Dec 31 2014	Dec 31 2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	6,299,421	6,572,705
Intangible assets	14	120,388	114,448
Shares	16	1,220,535	910,649
Deferred tax assets	10.3	164,952	-
Other non-current assets	17	240,484	439,537
Total non-current assets		**8,045,780**	**8,037,339**
Current assets			
Inventories	18	3,573,922	5,544,460
- including mandatory stocks	*18.2*	*2,153,696*	*4,247,822*
Trade receivables	17	1,248,777	1,584,750
Current tax assets		502	10,296
Derivative financial instruments	25	11,203	73,956
Other current assets	17	1,170,921	84,580
Cash and cash equivalents	19	239,642	224,031
Total current assets		**6,244,967**	**7,522,073**
Non-current assets (or disposal groups) held for sale	15	**48,996**	**-**
Total assets		**14,339,743**	**15,559,412**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	184,873	129,873
Share premium	21	2,229,626	1,311,348
Cash flow hedging reserve	22	(412,535)	61,019
Retained earnings	23	4,344,812	5,633,355
Total equity		**6,346,776**	**7,135,595**
Non-current liabilities			
Bank borrowings	24	3,613,674	3,538,779
Derivative financial instruments	25	62,626	52,876
Deferred tax liabilities	10.3	-	206,817
Employee benefit obligations	26	67,267	53,300
Total non-current liabilities		**3,743,567**	**3,851,772**
Current liabilities			
Bank borrowings	24	1,661,771	1,327,536
Derivative financial instruments	25	146,006	28,297
Trade payables	27	1,664,882	2,436,614
Employee benefit obligations	26	26,692	33,582
Other liabilities and provisions	27	750,049	746,016
Total current liabilities		**4,249,400**	**4,572,045**
Total liabilities		**7,992,967**	**8,423,817**
Total equity and liabilities		**14,339,743**	**15,559,412**

The Notes to the financial statements, presented on pages 8 to 82,
are an integral part of the statements.

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

GRUPA LOTOS S.A.
STATEMENT OF CASH FLOWS
for 2014
prepared using the indirect method

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Cash flows from operating activities			
Net loss	11	**(1,285,910)**	**(14,774)**
Adjustments:		**1,848,127**	**757,299**
Income tax expense	10.1	*(259,959)*	*(62,751)*
Amortisation	9.2	*350,901*	*391,069*
Foreign exchange (gains)/losses		*143,063*	*(5,467)*
Interest and dividends		*(63,101)*	*(156,829)*
(Gain)/loss from investing activities		*1,461*	*(7,007)*
Settlement and valuation of derivative financial instruments	9.6; 9.7	*180,035*	*(101,728)*
Decrease in trade receivables		*335,973*	*83,743*
(Increase)/decrease in other assets		*(29,413)*	*190,086*
Decrease in inventories		*1,970,538*	*161,257*
(Decrease)/increase in trade payables		*(771,732)*	*274,704*
(Decrease) in other provisions and liabilities		*(13,465)*	*(15,783)*
Increase in employee benefit obligations		*3,826*	*6,005*
Corporate income tax paid		(890)	(8,904)
Net cash from operating activities		**561,327**	**733,621**
Cash flows from investing activities			
Dividends received		151,452	269,051
Interest received		6,012	6,518
Sale of property, plant and equipment and intangible assets		687	29
Sale of shares in related entities		-	14,907
Sale of organised part of business to related entities	17; 33.1	13,817	-
Repayment of loans advanced to related parties		30	-
Cash pool income		38	-
Purchase of property, plant and equipment and intangible assets		(147,373)	(204,735)
Acquisition of shares in related entities	16.1	(2,214)	-
Capital increase at related entities	16.1	-	(6,945)
Loans advanced to related parties	33.1	(100,080)	(30,220)
Security deposit (margin)		10,035	134
Cash pool expenses		(72,626)	(37)
Settlement of derivative financial instruments		2,945	2,324
Net cash from investing activities		**(137,277)**	**51,026**
Cash flows from financing activities			
Proceeds from borrowings	24	199,745	189,965
Repayment of borrowings	24	(493,421)	(708,975)
Expenses related to the issue of Grupa LOTOS shares		(7,867)	-
Interest paid		(95,887)	(118,637)
Settlement of derivative financial instruments		4,607	39,731
Net cash from financing activities		**(392,823)**	**(597,916)**
Total net cash flow		**31,227**	**186,731**
Effect of exchange rate fluctuations on cash held		442	(609)
Change in net cash		**31,669**	**186,122**
Cash at beginning of period		**(220,237)**	**(406,359)**
Cash at end of period	19	**(188,568)**	**(220,237)**

GRUPA LOTOS S.A.
STATEMENT OF CHANGES IN EQUITY
for 2014

PLN '000	Note	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total equity
Jan 1 2014		**129,873**	**1,311,348**	**61,019**	**5,633,355**	**7,135,595**
Net loss	*11*	-	-	-	*(1,285,910)*	*(1,285,910)*
Other comprehensive loss, net		-	-	*(473,554)*	*(2,633)*	*(476,187)*
Total comprehensive loss		-	-	(473,554)	(1,288,543)	(1,762,097)
Issue of shares	20	*55,000*	-	-	-	*55,000*
Share premium	21	-	*940,500*	-	-	*940,500*
Issue cost	21	-	*(22,222)*	-	-	*(22,222)*
Dec 31 2014		**184,873**	**2,229,626**	**(412,535)**	**4,344,812**	**6,346,776**
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/(loss)		-	-	97,820	(14,578)	83,242
Dec 31 2013		**129,873**	**1,311,348**	**61,019**	**5,633,355**	**7,135,595**

The Notes to the financial statements, presented on pages 8 to 82,
are an integral part of the statements.

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

Grupa LOTOS S.A.'s business comprises production, services and trading activities. The Company's principal business activity consists in the 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 2014 was composed of Grupa LOTOS S.A. (the "Parent") and a number of production, service and trading companies which are direct or indirect subsidiaries of Grupa LOTOS S.A.

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

The consolidated financial statements of the LOTOS Group for 2014 were approved for issue by the Company's Management Board on March 5th 2015.

3. Basis of preparation

These financial statements were prepared in accordance with the International Financial Reporting Standards ("IFRSs") endorsed by the European Union which were in effect as at December 31st 2014.
Given the ongoing process of implementation of the IFRSs in the European Union and the scope of the Company's business, as far as the accounting policies applied by the Company are concerned, there is no difference between the IFRSs which have come into force and the IFRSs endorsed by the European Union for 2014, save for the principles which have been modified or introduced as a result of applying new IFRS regulations for annual periods beginning on or after January 1st 2014 (see Note 4).

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 2014 and have been applied by the Company:

- 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),

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

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

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"):

- 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) − in the EU effective for annual periods beginning on or after February 1st 2015,
- 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) − in the EU effective for annual periods beginning on or after January 1st 2015,
- Amendments to IAS 19 Employee Benefits: Defined Benefit Plans − Employee Contributions (effective for annual periods beginning on or after July 1st 2014) − in the EU effective for annual periods beginning on or after February 1st 2015,
- IFRIC 21 Levies, published on May 20th 2013 (applicable to annual periods beginning on or after January 1st 2014 – in the EU effective for annual periods beginning on or after June 17th 2014).

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

- IFRS 9 Financial Instruments, published on July 24th 2014 (effective for annual periods beginning on or after January 1st 2018).
- IFRS 14 Regulatory Deferral Accounts, published on January 30th 2014 (effective for annual periods beginning on or after January 1st 2016),
- IFRS 15 Revenue from Contracts with Customers, published on May 28th 2014 (effective for annual periods beginning on or after January 1st 2017),
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests in Joint Operations, published on May 6th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation, published on May 12th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments to IAS 16 Property, Plant and Equipment and IAS 41 Agriculture: Bearer Plants, published on June 30th 2014 (effective for annual periods beginning on or after January 1st 2016).
- Amendments to IAS 27 Separate Financial Statements: Equity method in separate financial statements, published on August 12th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture; published on September 11th 2014 (effective for annual periods beginning on or after January 1st 2016; the effective date has been postponed and by the date of release of these financial statements no decision had been made as to when the individual stages of work leading to the endorsement of this standard will be carried out),
- Amendments introduced as part of the Improvements to IFRSs 2012-2014 cycle, published on September 25th 2014 (effective for annual periods beginning on or after July 1st 2016).
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 28 Investments in Associates and Joint Ventures − Investment Entities: Applying the Consolidation Exception, published on December 18th 2014 (effective for annual periods beginning on or after January 1st 2016),
- Amendments to IAS 1 Presentation of financial statements − Disclosures, published on December 18th 2014 (effective for annual periods beginning on or after January 1st 2016).

The Company has not elected to early adopt any of the standards, interpretations, or amendments endorsed by the EU which have not yet become effective. The Company's Management Board is analysing and assessing the effect of the new standards and interpretations on the accounting policies applied by the Company and on the Company's future financial statements.

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 was 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 in making the estimates are described in the relevant notes to these financial statements.

While making assumptions, estimates and judgements, the Company's Management Board (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 professional judgement of the management 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 2014 and resulted in a decrease in the related depreciation/amortisation charges by PLN 23,472 thousand.

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 against which the asset can be utilised will be generated in the future. 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 it is assessed whether there are any indicators of impairment 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.

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

In 2014, the Company did not change any data presented in the previous reporting period.

7. 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 products and merchandise are 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 adopts a resolution concerning distribution of profit, unless the resolution specifies another dividend record date.

7.3 Interest income

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 income tax (CIT) and deferred income tax. The current portion of income tax is calculated based on 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 tax payer 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
- except 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 value-added tax, excise duty and fuel charge 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 2014 (1)	Dec 31 2013 (2)
USD	3.5072	3.0120
EUR	4.2623	4.1472

(1) NBP's mid-exchange rates table, effective for December 31st 2014.
(2) NBP's mid-exchange rates table, effective for December 31st 2013.

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.

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 is under construction or assembly and is recognised at cost.

Finance costs capitalised in tangible assets under construction include costs 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. Subsequent to initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses.

Intangible assets other than goodwill include software licences, patents, trademarks, and acquired CO_2 emission allowances.

Intangible assets other than goodwill are amortised over their estimated useful lives, using the straight-line method. 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 Company as operating leases.

The Company as a lessee

Assets used under a finance lease are recognised as Company assets and 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 a 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 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 an impairment loss on 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 a 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.

Impairment losses on products or semi-finished products, resulting from revaluation based on net realisable value rather than purchase price or production cost, are posted to production costs. Impairment losses on merchandise are charged to merchandise sold in the statement of comprehensive income.

As at the end of the reporting period, the Company estimates (based on an individual assessment of the usefulness of inventories for the purposes of the Company's business) the value of write-down of stored materials. Following a decline in prices of crude oil and refining products, the Company recognises an impairment loss on inventories to adjust their carrying amount, given the difference between their production cost and net realisable value, in accordance with IAS 2. Write-downs of stored materials made due to their impairment are charged to production costs.

If the reason for making an inventory write-down no longer exists, an equivalent of the entire or part of the write-down increases the value of the inventory item. If a write-down is used, write-down reversal is reflected in operating activities for the sake of clarity and due to its economic nature.

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 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 Non-current assets (or disposal groups) 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 Company's management intends to complete the sale within one year from the change of its classification.

Non-current assets (or 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 Company's Articles of Association.

The share capital of Grupa LOTOS S.A. 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 employee benefits

In accordance with the Collective Bargaining Agreement, 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.

The value of future employee benefit obligations includes length-of-service awards, old-age and disability retirement severance payments, social fund benefits payable to retired employees and pensioners, and estimated value of death benefits.

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.

Actuarial gains and losses on post-employment benefits are recognised in other comprehensive income.

Company employees 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

In accordance with the business practice in Poland, shareholders have the right to allocate a part of profit to employee benefits by making contributions to the Company's social benefits fund and to other special accounts. However, in the financial statements, such distributions are charged to operating expenses of 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 to 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.

7.19 Financial assets and liabilities

Financial assets and liabilities are classified into the following categories:

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

Financial assets held to maturity

Financial assets held to maturity, being 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,
- that 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 derivative instruments (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 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 derivative instruments. 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 derivative instruments 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 derivative instruments: 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).

To manage risk related to carbon dioxide emission allowances, the Company assesses, on a case-by-case basis, the risk of expected deficit of emission allowances allocated free of charge under the carbon emission reduction system referred to in Note 5, and manages the risk of changes in the price of emission allowance traded on an active market.

To hedge against the risk of changes in the price of CO_2 emission allowances, the Company enters into EUA, CER and ERU futures contracts. The fair value of the contracts is estimated based on the difference between the market price of a contract as quoted on the valuation date by the Intercontinental Exchange (ICE) and the actual transaction price. (Level 1 in the fair value hierarchy).

If required, futures contracts to purchase carbon dioxide emission allowances open as at the last day of the reporting period are settled by the Company through physical delivery, with the intention to potentially use the allowances to offset the Company's actual CO_2 emissions. The valuation of futures contracts to purchase carbon dioxide emission allowances to be settled through physical delivery is not disclosed under 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 the effectiveness of its CO_2 risk management (off balance sheet).

For information on the limit of free carbon dioxide emission allowances allocated to the Company, see Note 31. For a description of the Company's risk management process, see Note 29.2.

The Company applies hedge accounting. Changes in the fair value of derivative financial instruments 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, derivative financial instruments 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 derivative financial instruments and hedge accounting, see Notes 7.21 and 7.22.

Loans advanced and receivables

Loans advanced and receivables are financial assets with fixed or determinable payments not classified as derivative financial instruments 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 the 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 plus – 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 of the contractual rights comprising a particular financial instrument. Loss of control usually takes place when a financial instrument is sold or when all 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 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 and 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 as gains or losses under other income/expenses or finance income/costs, depending on the class of financial instruments.

7.21 Derivative financial instruments

Derivative financial instruments 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 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 derivative financial instruments 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 derivative financial instruments 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 passage 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 and other payables, and accruals and deferred income

Current trade and other 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 IFRSs, 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, but 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 nor 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 a deficit existing on the date of settling the annual limit of emission allowances, the allowances thus used are offset 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 2014 results of operating segments are presented in Note 8 to Consolidated Financial Statements for 2014. 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 2014	Year ended Dec 31 2013
Revenue from sale of products	25,674,929	25,340,531
- including the effect of cash flow hedge accounting	*(7,992)*	*(12,452)*
Revenue from rendering of services	125,765	125,248
Total revenue from sale of products and rendering of services	**25,800,694**	**25,465,779**
Revenue from sale of merchandise	438,840	1,226,439 (1)
Revenue from sale of materials	3,572	4,961
Total revenue from sale of merchandise and materials	**442,412**	**1,231,400**
Total	**26,243,106**	**26,697,179**
- including to related entities	*11,785,044*	*12,906,993*

(1) Higher revenue from sale of merchandise was related to uninterrupted supplies to the Company’s trading partners during the refinery’s maintenance shutdown in Q1 2013.

PLN ’000	Year ended Dec 31 2014	Year ended Dec 31 2013
Domestic sales:	**17,832,184**	**19,264,209**
products and services	*17,466,243*	*18,033,031*
merchandise and materials	*365,941*	*1,231,178*
Export sales:	**8,410,922**	**7,432,970**
products and services	*8,334,450*	*7,432,747*
merchandise and materials	*76,472*	*223*
Total	**26,243,106**	**26,697,179**
Gasolines	4,565,083	4,927,995
Naphtha	750,973	824,241
Diesel oil	13,163,501	13,921,390
Light fuel oil	736,883	928,000
Heavy fuel oil	2,297,781	1,962,997
Aviation fuel	2,044,246	1,467,215
Bunker fuel	121,379	139,361
Bitumen production components	712,311	927,698
Base oils	712,307	610,817
Liquid gas	451,070	398,124
Reformate	28,689	-
Other refinery products, merchandise and materials	533,063	466,844
Other merchandise and materials	8,047	9,701
Services	125,765	125,248
Effect of cash flow hedge accounting	*(7,992)*	*(12,452)*
Total	**26,243,106**	**26,697,179**

In both 2014 and 2013, LOTOS Paliwa Sp. z o.o. (wholly owned by Grupa LOTOS S.A.) was Grupa LOTOS S.A.’s largest customer, with a ca. 40% share in the Company’s total revenue. In both periods, there were no other customers whose share in the Company’s total revenue would significantly exceed 10%.

9.2 Expenses by nature

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Amortisation and depreciation		350,901	391,069
Raw materials and consumables used		24,440,400	24,514,794
- including exchange differences [(1)]	*28.3*	*65,131*	*(77,257)*
Services		908,524	919,451
Taxes and charges		105,205	103,169
Employee benefits expense	9.3	198,569	206,416
Other expenses by nature		107,310	76,676
Merchandise and materials sold		418,833	1,178,221
Total expenses by nature		**26,529,742**	**27,389,796**
Change in products and adjustments to cost of sales		1,003,662	(335,856)
Total		**27,533,404**	**27,053,940**
including:			
Cost of sales		26,660,350	26,214,651
Distribution costs		667,323	614,354
Administrative expenses		205,731	224,935

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

9.3 Employee benefits expenses

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Current salaries and wages		143,029	155,675
Social security and other employee benefits		41,090	40,777
Length-of-service awards, retirement and other post-employment benefits	26.3	14,450	9,964
Total employee benefits expenses	9.2	**198,569**	**206,416**
Change in products and adjustments to cost of sales		1,217	(1,090)
Total		**199,786**	**205,326**
including:			
Cost of sales		83,089	81,251
Distribution costs		8,885	9,939
Administrative expenses		107,812	114,136

9.4 Other income

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Grants	27.1	720	720
Compensation		3,481	3,034
Gain on sale of organised part of business		-	948
Reimbursed excise duty		884	6,143 [(1)]
Income brought forward		609	239
Other		470	1,041
Total		**6,164**	**12,125**

(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.

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

9.5 Other expenses

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Loss on disposal of non-financial non-current assets		1,280	1,365
Impairment losses on receivables	17.1; 28.3	3,748	161
Fines and compensation		585	646
Charitable donations		638	2,099
Property damage incurred during ordinary course of business		69	885
Membership fees		1,003	949
Cost brought forward		541	262
Provision for deficit in CO_2 emission allowances	31	1,257	1,527
Other		928	269
Total		**10,049**	**8,163**

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

9.6 Finance income

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Dividend received:		151,662	269,211
- from related entities	*33.1*	*150,559*	*268,371*
- from other entities		*1,103*	*840*
Interest:		17,919	15,905
- on trade receivables	*28.3*	*160*	*920*
- on cash	*28.3*	*12*	*94*
- on deposits	*28.3*	*6.938*	*6,062*
- on loans advanced	*28.3; 33.1*	*10,270*	*8,204*
- on cash pool	*28.3; 33.1*	*539*	*625*
Exchange differences:		-	25,516
- on borrowings	*28.3*	*-*	*22,419*
- on loans advanced	*28.3*	*-*	*(1,865)*
- on realised foreign-currency transactions in bank accounts	*28.3*	*-*	*7,598*
- on cash	*28.3*	*-*	*(2,478)*
- on other financial assets and liabilities	*28.3*	*-*	*(158)*
Revaluation of financial assets:		-	101,508
- valuation of derivative financial instruments	*28.3*	*-*	*59,673*
- settlement of derivative financial instruments	*28.3*	*-*	*42,055*
- other	*28.3*	*-*	*(220)*
Total		**169,581**	**412,140**

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

9.7 Finance costs

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Interest:		110,374	126,443
- on borrowings	*28.3*	*104,405*	*119,692*
- on trade payables	*28.3*	*34*	*8*
- on factoring arrangements		*3,509*	*4,585*
- cost of discount on employee benefits obligations	*26.3*	*2,292*	*2,144*
- on liabilities to the state budget		*134*	*-*
- other		*-*	*14*
Exchange differences:		114,514	-
- on foreign-currency denominated bank borrowings	*28.3*	*107,319*	*-*
- on foreign-currency denominated loans	*28.3*	*(7,714)*	*-*
- on realised foreign-currency transactions in bank accounts	*28.3*	*16,193*	*-*
- on cash	*28.3*	*(1,030)*	*-*
- other exchange differences	*28.3*	*(254)*	*-*
Revaluation of financial assets:		180,165	-
- valuation of derivative financial instruments	*28.3*	*187,588*	*-*
- settlement of derivative financial instruments	*28.3*	*(7,553)*	*-*
- revaluation of shares	*16.1*	*50*	*-*
- other	*28.3*	*80*	*-*
Bank fees		13,006	15,198
Bank guarantees		2,776	2,887
Issue proceeds management fee		432	-
Total		**421,267**	**144,528**

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

10. Income tax

10.1 Tax expense

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Current tax		93	(433)
Deferred tax	10.3	(260,052)	(62,318)
Total income tax charged to net profit or loss		**(259,959)**	**(62,751)**
Tax expense recognised in other comprehensive income/(loss) (net), including:		(111,717)	22,991
- cash flow hedging	*22*	*(111,099)*	*22,945*
- actuarial gain/(loss) relating to post-employment benefits		*(618)*	*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 2014	Year ended Dec 31 2013
Pre-tax loss	(1,545,869)	(77,525)
Income tax at 19%	**(293,715)**	**(14,730)**
Tax effect of dividends received	(28,816)	(51,150)
Tax effect of other permanent differences:	1,969	2,771
- abnormal waste	*354*	*503*
- representation and entertainment	*832*	*950*
- donations	*121*	*399*
- other permanent differences	*662*	*919*
Dividend tax	210	160
Adjustments disclosed in current year related to tax for previous years	248	198
Unrecognised deferred tax assets under tax losses settled over time	60,145	-
Income tax expense	**(259,959)**	**(62,751)**
Effective tax rate	**16.8%**	**80.9%**

10.3 Deferred income tax

PLN ’000	Note	Statement of financial position Dec 31 2014	Dec 31 2013	Jan 1 2013	Statement of comprehensive income for the year ended Dec 31 2014	Dec 31 2013
Deferred tax assets						
Employee benefit obligations		17,620	17,093	15,237	527	1,856
Impairment losses on inventories		117,100	-	-	117,100	-
Impairment losses on receivables		9,588	8,877	8,847	711	30
Impairment losses on property, plant and equipment		4,266	4,266	3,037	-	1,229
Negative fair value of derivative financial instruments		19,916	13,730	28,905	6,186	(15,175)
Tax loss carried forward		379,893	292,159	136,994	87,734	155,165
Cash flow hedges		96,787	-	8,633	96,787	(8,633)
Other		634	685	1,620	(51)	(935)
Total		**645,804**	**336,810**	**203,273**	**308,994**	**133,537**
Deferred tax liabilities						
Difference between the current tax value and carrying amount of property, plant and equipment and intangible assets		480,540	526,300	446,148	(45,760)	80,152
Positive fair value of derivative financial instruments		-	140	2,159	(140)	(2,019)
Cash flow hedges		-	14,312	-	(14,312)	14,312
Other		312	2,875	1,110	(2,563)	1,765
Total		**480,852**	**543,627**	**449,417**	**(62,775)**	**94,210**
Deferred tax expense recognised in:					**371,769**	**39,327**
- net profit or loss	*10.1*				*260,052*	*62,318*
- other comprehensive (income)/loss, net	*10.1*				*111,717*	*(22,991)*
Net deferred tax assets/(liabilities)		**164,952**	**(206,817)**	**(246,144)**		
including:						
Deferred tax assets		*645,804*	*336,810*	*203,273*		
Deferred tax liabilities		*(480,852)*	*(543,627)*	*(449,417)*		

Taxable temporary differences are expected to expire in 2015–2083.

As at December 31st 2014, the amount of unrecognised deferred tax assets under losses carried forward was PLN 60,145 thousand (December 31st 2013: PLN 0 thousand).

11. Net loss per share

	Year ended Dec 31 2014	Year ended Dec 31 2013
Net loss (PLN '000) (A)	(1,285,910)	(14,774)
Weighted average number of shares ('000) (B)	145,027	142,717
Net loss per share (PLN) (A/B)	**(8.87)**	**(0.10)**

Net loss per share for each reporting period is calculated by dividing net loss for a given reporting period by the weighted average number of shares in the reporting period. As of December 12th 2014, the weighted average number of shares includes the new Grupa LOTOS shares (Series D, see Note 20).

Following the issue of pre-emptive rights to Series D shares and allotment of shares offered in the exercise of pre-emptive rights, in accordance with IAS 33 Earnings per share, the Company calculated earnings per share including the result of the issue of pre-emptive rights (bonus issue at a price of 18.10 PLN per share as compared to the Company's share price of 25.95 PLN at that time), with a retrospective application to comparative data for 2013.

Diluted net loss per share is equal to basic net loss per share as the Group carries no instruments with a dilutive effect.

12. Dividends

As at December 31st 2014 and December 31st 2013, Grupa LOTOS S.A. was restricted in its ability to distribute funds in the form of dividends. The restrictions followed from the credit facility agreement executed on June 27th 2008 for the financing of the 10+ Programme, whereby dividend amounts are subject to certain conditions, including generation of sufficient free cash and achievement of certain levels of financial ratios.

On June 30th 2014, the General Meeting of Grupa LOTOS S.A. passed a resolution on coverage of the Company's net loss for 2013. In accordance with the resolution, the net loss for 2013 of PLN 14,774 thousand was covered from the Company's statutory reserve funds.

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 2014.

13. Property, plant and equipment

PLN '000	Dec 31 2014	Dec 31 2013
Land	188,733	176,582
Buildings, structures	2,340,505	2,450,168
Plant and equipment	3,662,189	3,816,213
Vehicles, other	34,765	34,532
Property, plant and equipment under construction	73,229	95,210
Total	**6,299,421**	**6,572,705**

As at December 31st 2014, borrowing costs capitalised as cost of property, plant and equipment under construction were PLN 1,268 thousand (December 31st 2013: PLN 1,417 thousand).

In2014, borrowing costs capitalised as cost of property, plant and equipment under construction were PLN 1,324 thousand (2013: PLN 1,828 thousand).

Change in property, plant and equipment

PLN '000	Land	Buildings, structures	Plant and equipment	Vehicles, other	Property, plant and equipment under construction	Total
Gross carrying amount						
Jan 1 2014	**177,207**	**3,247,772**	**5,065,776**	**102,155**	**117,660**	**8,710,570**
Purchase	-	-	-	*8,990*	*124,155*	*133,145*
Transfer from property, plant and equipment under construction	*14,236*	*38,136*	*79,319*	*214*	*(147,412)*	*(15,507)*
Reclassification to non-current assets (or disposal groups) held for sale [(1)]	*(1,993)*	*(29,519)*	*(18,013)*	*(28)*	-	*(49,553)*
Borrowing costs	-	-	-	-	*1,324*	*1,324*
Sale	-	*(49)*	*(256)*	*(541)*	-	*(846)*
Liquidation	-	*(1,162)*	*(3,602)*	*(90)*	-	*(4,854)*
Other	-	-	*24*	*(478)*	*(48)*	*(502)*
Gross carrying amount						
Dec 31 2014	**189,450**	**3,255,178**	**5,123,248**	**110,222**	**95,679**	**8,773,777**
Accumulated depreciation						
Jan 1 2014	**625**	**797,604**	**1,249,563**	**67,623**	**-**	**2,115,415**
Depreciation	*99*	*117,701*	*215,369*	*8,947*	-	*342,116*
Reclassification to non-current assets (or disposal groups) held for sale [(1)]	*(7)*	*(456)*	*(412)*	*(7)*	-	*(882)*
Sale	-	-	*(252)*	*(538)*	-	*(790)*
Liquidation	-	*(176)*	*(3,233)*	*(90)*	-	*(3,499)*
Other	-	-	*24*	*(478)*	-	*(454)*
Accumulated depreciation						
Dec 31 2014	**717**	**914,673**	**1,461,059**	**75,457**	**-**	**2,451,906**
Impairment losses						
Jan 1 2014	**-**	**-**	**-**	**-**	**22,450**	**22,450**
Recognised	-	-	-	-	-	-
Used / Reversed	-	-	-	-	-	-
Impairment losses						
Dec 31 2014	**-**	**-**	**-**	**-**	**22,450**	**22,450**
Net carrying amount						
Dec 31 2014	**188,733**	**2,340,505**	**3,662,189**	**34,765**	**73,229**	**6,299,421**

[(1)] Liquid fuel depot and land designated for the construction of a delayed coking unit (EFRA Project)., see Note 15.

PLN '000	Land	Buildings, structures	Plant and equipment	Vehicles, 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 non-current assets (or disposal groups) 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 non-current assets (or disposal groups) 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) Sale of liquid fuel depots in Piotrków Trybunalski and Rypin to LOTOS Terminale S.A. (a wholly-owned subsidiary of Grupa LOTOS S.A.), see Note 17 and 33.1.
(2) Including disposal of spent catalysts (PLN 180,429 thousand).

In 2014, the Company incurred capital expenditure of PLN 133,145 thousand, mainly in connection with the extension of the fuel depot in Poznań and construction of a Hydrogen Recovery Unit (HRU).

In 2013, the Company's capital expenditure amounted to PLN 177,042 thousand and was mainly related to the construction of a delayed coking unit (EFRA Project) and extension of the fuel depot in Poznań.

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

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
Cost of sales	327,569	354,530
Distribution costs	6,949	6,860
Administrative expenses	12,011	15,532
Change in products and adjustments to cost of sales	(4,413)	4,701
Total	**342,116**	**381,623**

As at December 31st 2014, the value of property, plant and equipment used as collateral for the Company's liabilities referred to in Note 24 was PLN 6,146,059 thousand (December 31st 2013: PLN 6,409,835 thousand).

As at December 31st 2014, Grupa LOTOS S.A.'s future contractual commitments for expenditure on property, plant and equipment, not disclosed in the statement of financial position, totalled PLN 112,531 thousand. The contractual commitments were mainly related to the construction of a delayed coking unit (EFRA Project) and construction of a Hydrogen Recovery Unit (HRU) at the Refinery, which enabled further conversion of waste gases previously used as fuel gas in the Refinery furnaces.

As at December 31st 2013, Grupa LOTOS S.A.'s future contractual commitments for expenditure on property, plant and equipment, not disclosed in the statement of financial position, totalled PLN 44,117 thousand. The amount was chiefly attributable to the construction of a delayed coking unit (EFRA Project) and extension of the fuel depot in Poznań.

14. Intangible assets

PLN ’000	Dec 31 2014	Dec 31 2013
Goodwill	1,862	1,862
Licences, patents and trademarks	90,736	84,538
Carbon dioxide (CO_2) emission allowances	23,911	23,911
Other	3,879	4,137
Total	**120,388**	**114,448**

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

PLN ’000	Year ended Dec 31 2014	Year ended Dec 31 2013
Cost of sales	3,985	3,046
Distribution costs	152	102
Administrative expenses	5,092	6,202
Change in products and adjustments to cost of sales	(444)	96
Total	**8,785**	**9,446**

Change in intangible assets

PLN '000	Goodwill	Licences, patents and trademarks	Carbon dioxide (CO_2) emission allowances	Other	Total
Gross carrying amount Jan 1 2014	**1,862**	**154,554**	**23,911**	**11,175**	**191,502**
Purchase	-	-	-	*103*	*103*
Transfer from property, plant and equipment under construction	-	*15,360*	-	*147*	*15,507*
Reclassification to non-current assets (or disposal groups) held for sale (1)	-	*(359)*	-	-	*(359)*
Other	-	*(559)*	-	-	*(559)*
Gross carrying amount Dec 31 2014	**1,862**	**168,996**	**23,911**	**11,425**	**206,194**
Accumulated amortisation Jan 1 2014	**-**	**70,016**	**-**	**7,038**	**77,054**
Amortisation	-	*8,277*	-	*508*	*8,785*
Reclassification to non-current assets (or disposal groups) held for sale (1)	-	*(33)*	-	-	*(33)*
Accumulated amortisation Dec 31 2014	**-**	**78,260**	**-**	**7,546**	**85,806**
Net carrying amount Dec 31 2014	**1,862**	**90,736**	**23,911**	**3,879**	**120,388**
Gross carrying amount Jan 1 2013	**1,862**	**144,583**	**481**	**11,010**	**157,936**
Purchase	-	-	*23,430*	*14*	*23,444*
Transfer from property, plant and equipment under construction	-	*10,103*	-	*155*	*10,258*
Liquidation	-	*(132)*	-	*(4)*	*Amortisation*
Gross carrying amount Dec 31 2013	**1,862**	**154,554**	**23,911**	**11,175**	**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**	**23,911**	**4,137**	**114,448**

(1) Liquid fuel depot, see Note 15.

In 2013-2014, the Company did not recognise any impairment losses on intangible assets. As at December 31st 2014 and 2013, no impairment losses were recognised on intangible assets.

As at December 31st 2014, there were no future contractual commitments for expenditure on intangible assets not disclosed in the statement of financial position (December 31st 2013: PLN 9,033 thousand.)

15. Non-current assets (or disposal groups) held for sale

As at December 31st 2014, Grupa LOTOS S.A.'s non-current assets (or disposal groups) held for sale of PLN 48,996 thousand comprised an organised part of business in the form of the liquid fuel depot in Poznań under the logistics optimisation project at the LOTOS Group as part of the 2013–2015 Efficiency and Growth Programme (for more details see the Issue Prospectus published on November 13th 2014) and land designated for the construction of a delayed coking unit with auxiliary infrastructure (EFRA Project). As at December 31st 2013, the Company carried no non-current assets (or disposal groups) held for sale.

16. Shares

PLN '000	Note	Dec 31 2014	Dec 31 2013
Shares in related entities	16.1	1,214,223	904,337
- including investments in joint-ventures [(1)]	16.1	*6,945*	*6,945*
Shares in other entities	28.1; 29.6	6,312	6,312
Total		**1,220,535**	**910,649**

[(1)] Joint venture agreement between Grupa LOTOS S.A. and BP Europe SE on joint operations related to supply of aviation fuel through LOTOS - Air BP Polska Sp. z o.o.

16.1 Shares in related entities

Name	Registered office	Principal business activity	Ownership interest (%)		Carrying amount of shares (PLN '000)	
			Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013
LOTOS Petrobaltic S.A. (parent of another group: LOTOS Petrobaltic Group)	Gdańsk	Acquisition of crude oil and natural gas deposits, extraction of hydrocarbons	99.99%	99.98%	1,049,375	741,653
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 testing	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 Terminale S.A. (parent of another group: LOTOS Terminale Group)	Czechowice-Dziedzice	Storage and distribution of fuels	100.00%	100.00%	28,252	26,044
LOTOS Infrastruktura S.A. (parent of another group: LOTOS Infrastruktura Group)	Jasło	Storage and distribution of fuels Renting and operating of own or leased real estate	66.95% [(1)]	100.00%	5,786	5,786
LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation)	Jasło	Dormant	100.00%	100.00%	-	50
LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%	-	-
Infrastruktura Kolejowa Sp. z o.o.	Gdańsk	Dormant	100.00%	-	6	-

continued on next page

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

Name	Registered office	Principal business activity	Ownership interest (%)		Carrying amount of shares (PLN ’000)	
			Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013
continued from previous page						
AB LOTOS Geonafta (parent of another group: AB LOTOS Geonafta Group, company of the LOTOS Petrobaltic 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. (LOTOS Terminale Group)	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	0.005%	0.005%	3	3
RCEkoenergia Sp. z o.o. (LOTOS Infrastruktura Group)	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	0.004% (2)	0.005%	1	1
LOTOS Exploration and Production Norge AS (LOTOS Petrobaltic Group)	Stavanger, Norway	Oil exploration and production on the Norwegian Continental Shelf, provision of services incidental to oil and gas exploration and production	0.00000011%	0.00000011%	0	0
Investments in joint-ventures						
LOTOS-Air BP Polska Sp. z o.o.	Gdańsk	Sale of aviation fuel and logistics services	50.00%	50.00%	6,945	6,945
Total					**1,214,223**	**904,337**

(1) Change in ownership interest following a share capital increase at LOTOS Infrastruktura S.A. carried out by LOTOS Terminale S.A. (a wholly-owned subsidiary of Grupa LOTOS S.A.). Grupa LOTOS S.A.'s pre-emptive right to acquire the new shares was waived. The event had no effect on the data disclosed in these financial statements.

(2) Change in ownership interest following a share capital increase at RCEkoenergia Sp. z o.o. carried out by LOTOS Terminale S.A. (a wholly-owned subsidiary of Grupa LOTOS S.A.). Grupa LOTOS S.A.'s pre-emptive right to acquire the new shares was waived. The event had no effect on the data disclosed in these financial statements.

16.1.1 Change in shares in related entities

PLN ’000	Note	Shares in related entities
Jan 1 2014		**904,337**
Acquisition of shares in LOTOS Petrobaltic S.A. (1)		54
Share capital increase at LOTOS Petrobaltic S.A.(2)		307,668
Acquisition of shares in LOTOS Terminale S.A.(3)		2,208
Acquisition of shares in Infrastruktura Kolejowa Sp. z o.o.		6
Revaluation of shares in LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation)(4)	9.7	(50)
Dec 31 2014		**1,214,223**
Jan 1 2013		**904,208**
Acquisition of shares in LOTOS Petrobaltic S.A. (1)		429
Share capital increase at LOTOS Tank Sp. z o.o. (5)		6,945
Sale of shares in LOTOS Tank Sp. z o.o.		(7,245)
Dec 31 2013		**904,337**

(1) Acquisition of shares in LOTOS Petrobaltic S.A. through a squeeze-out process (excluding shares held by the State Treasury). The squeeze-out of minority shareholders of LOTOS Petrobaltic S.A. was commenced in 2012 and completed in H1 2014.

(2) Acquisition by Grupa LOTOS S.A. of 1,183,337 new shares, with a value of PLN 260 per share, following a share capital increase at LOTOS Petrobaltic S.A. with a total value of PLN 307,668 thousand. On November 28th 2014, Grupa LOTOS S.A. and LOTOS Petrobaltic S.A. signed a an agreement on the set-off of mutual claims whereby the amounts due to Grupa LOTOS S.A. under loans advanced in 2012-2014 to LOTOS Petrobaltic S.A. (for further details, see Note 33.1) were offset against the amount of PLN 307,668 thousand due to LOTOS Petrobaltic S.A. in connection with the acquisition of its shares.

(3) Additional payment for shares in LOTOS Terminale S.A acquired by Grupa LOTOS S.A. in 2011 in a squeeze-out process, under a ruling of the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court Register, in an action for change of share valuation.

(4) As at December 31st 2014, the Company recognised an impairment loss for shares in LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation), following completion of its liquidation. The impairment loss was charged to finance costs (see Note 9.7).

(5) Acquisition by Grupa LOTOS S.A. of 1,000 new shares, with a par value of PLN 6,945 per share, following a 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 2013 and 2014, LOTOS Paliwa Sp. z o.o. was subject to restrictions on dividend payments imposed under credit facility agreements, 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.

17. Trade receivables and other assets

PLN '000	Note	Dec 31 2014	Dec 31 2013
Financial assets			
Non-current financial assets			
Other financial assets:		237,700	436,385
Additional contributions to LOTOS Paliwa Sp. z o.o.'s equity		*237,700*	*237,700*
Amounts due on acquisition of shares in LOTOS Petrobaltic S.A.		*-*	*54*
Loans advanced to LOTOS Petrobaltic S.A.	*28.1*	*-*	*189,714*
Security deposit (margin)	*28.1*	*-*	*8,917*
Total		**237,700**	**436,385**
Current financial assets			
Trade receivables	28.1	1,248,777	1,584,750
- including from related entities	*33.1*	*772,388*	*976,882*
Other financial assets:		1,113,101	49,888
Additional contributions to LOTOS Kolej Sp. z o.o.'s equity		*4,281*	*4,281*
Deposits	*28.1; 29.3.1*	*31,432*	*29,593*
Cash pool	*28.1 33.1*	*72,767*	*97*
Security deposits (margins) related to the use of gas fuel distribution and transmission system	*28.1*	*7,342*	*-*
Restricted cash - issue of shares	*28.1*	*996,939*	*-*
Amounts due from related entities from sale of organised part of business	*28.1 33.1*	*-*	*13,817*
Other receivables	*28.1*	*340*	*2,100*
Total		**2,361,878**	**1,634,638**
Total financial assets		**2,599,578**	**2,071,023**
Non-financial assets			
Non-current non-financial assets			
Other		2,784	3,152
Total		**2,784**	**3,152**
Current non-financial assets			
Property and other insurance		13,451	955
Excise duty on inter-warehouse transfers		35,811	26,758
Prepaid deliveries		3,747	2,784
Fees for access to specialist information sites		2,600	2,148
Other		2,211	2,047
Total		**57,820**	**34,692**
Total non-financial assets		**60,604**	**37,844**
Total		**2,660,182**	**2,108,867**
including:			
non-current		*240,484*	*439,537*
current:		*2,419,698*	*1,669,330*
- trade payables		*1,248,777*	*1,584,750*
- other		*1,170,921*	*84,580*

As at December 31st 2014 and December 31st 2013, *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 2014, *Restricted cash - issue of shares* comprised cash proceeds from the issue of Series D shares in Grupa LOTOS S.A., deposited in a separate bank account of the Polish National Depository for Securities (see Note 20) until the day of registration of the share capital increase (see Note 34). The objectives of the issue of Series D shares, outlined in the Prospectus published on November 13th 2014, included the construction of a delayed coking unit (EFRA Project) and development of the B4 and B6 gas fields.

As at December 31st 2013, amounts due from related entities from sale of organised part of business stood at PLN 13,817 thousand. They related to the sale in 2013 of the liquid fuel depots in Piotrków Trybunalski and Rypin to LOTOS Terminale S.A. (a wholly-owned subsidiary of Grupa LOTOS S.A.) (see Note 33.1). The sale proceeds in cash were received by Grupa LOTOS S.A. in 2014 (see *Sale of organised part of business to related entities* in the statement of cash flows).

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

As at December 31st 2014, 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 777,217 thousand (December 31st 2013: PLN 957,749 thousand).

For a description of the financial instruments, see Note 7.19. For a 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 2014		Year ended Dec 31 2013	
At beginning of the period	**76,730**		**86,685**	
Recognised	3,851	(1)	347	
Used	(329)		(10,068)	(2)
Reversed	(99)		(234)	
At end of the period	**80,153**		**76,730**	

(1) Including a PLN 3,781 thousand impairment loss on receivables from a foreign trading partner in bankruptcy.
(2) 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 3,781 thousand on the principal portion (2013: PLN 216 thousand) and PLN 70 thousand on the interest portion (2013: PLN 131 thousand).

Reversed impairment losses include PLN 33 thousand on the principal portion (2013: PLN 55 thousand) and PLN 66 thousand on the interest portion (2013: PLN 179 thousand).

In 2014, recognised and reversed impairment losses on the principal portion were posted by the Company under other expenses at PLN 3,748 thousand (2013: PLN 161 thousand).

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

PLN '000	Dec 31 2014	Dec 31 2013
Up to 1 month	5,570	1,548
From 1 to 3 months	37	2,086
From 3 to 6 months	318	38
From 6 months to 1 year	577	-
Over 1 year	-	13
Total	**6,502**	**3,685**

As at December 31st 2014 and December 31st 2013, the share of trade receivables from the Company's largest customer, LOTOS Paliwa Sp. z o.o. (a wholly-owned subsidiary of Grupa LOTOS S.A.), as at the end of the reporting period did not exceed 60% of total trade receivables. As at December 31st 2014 and December 31st 2013, the combined share of trade receivables from the Company's second and third largest customers, Shell Group and Statoil Group companies, as at the end of the reporting period was close to 20% of total trade receivables (the share of neither of them significantly exceeded 10% of the total). 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 2014	Dec 31 2013
Finished goods	1,045,725	1,633,910
Semi-finished products and work in progress	467,608	596,311
Merchandise	193,663	255,106
Materials	1,866,926	3,059,133
Total	**3,573,922**	**5,544,460**
including inventories measured:		
at cost	*253,614*	*5,544,460*
at net realisable value	*3,320,308*	*-*

Inventories are measured at the lower of cost or cost less write-downs to net realisable value less cost to sell.

Following a decline in prices of crude oil and refining products, the Company recognised a write-down on inventories as at December 31st 2014 to reflect their net realisable value (see Note 18.1).

As at December 31st 2014, 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 3,255,171 thousand (December 31st 2013: PLN 5,071,234 thousand).

18.1 Change in inventory write-downs

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning of period	**2,003**	**470**
Recognised	614,912	2,003
Used	(601)	(40)
Reversed	-	(430)
At end of period	**616,314**	**2,003**
- including:		
Finished goods	*233,473*	-
Semi-finished products and work in progress	*83,700*	-
Merchandise	*5,723*	-
Materials	*293,418*	*2,003*

Following a decline in prices of crude oil and refining products, the Company recognised a write-down to adjust the carrying amount of inventory to the net realisable value, in accordance with IAS 2.

The effect of revaluation of inventories is taken to cost of sales.

18.2 Mandatory stocks

The Company complies with the mandatory stocks regulations effective since April 7th 2007, introduced by virtue of the Act on Stocks of Crude Oil, Petroleum Products and Natural Gas, and on Procedures 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 stocks of crude oil and petroleum products. The mandatory stocks include crude oil, petroleum products (liquid fuels) and LPG. As at December 31st 2014, the carrying amount of mandatory stocks was PLN 2,153,696 thousand (December 31st 2013: PLN 4,247,822 thousand).

19. Cash and cash equivalents

PLN '000	Dec 31 2014	Dec 31 2013
Cash at bank	239,622	224,006
Cash in hand	20	25
Total cash and cash equivalents in the statement of financial position	**239,642**	**224,031**
Overdraft facilities	(428,210)	(444,268)
Total cash and cash equivalents in the statement of cash flows	**(188,568)**	**(220,237)**

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 requirement, and earn interest at rates set for them.

As at December 31st 2014, 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 324,656 thousand (December 31st 2013: PLN 212,066 thousand).

As at December 31st 2014, cash in bank accounts over which registered pledges were created to secure Grupa LOTOS S.A.'s liabilities under credit facilities was PLN 1,672 thousand (December 31st 2013: PLN 2,629 thousand).

20. Share capital

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning of period	**129,873**	**129,873**
Issue of Series D shares	55,000	-
At end of period	**184,873**	**129,873**
including:		
Series A shares	*78,700*	*78,700*
Series B shares	*35,000*	*35,000*
Series C shares	*16,173*	*16,173*
Series D shares	*55,000*	-

On September 8th 2014, the Company's Extraordinary General Meeting passed Resolution No. 2 on increasing the Company's share capital by way of issue of new shares, public offering of new shares, setting the record date for determining the pre-emptive rights to new shares for November 18th 2014, conversion into book-entry form and seeking admission of pre-emptive rights, allotment certificates and new shares to trading on the regulated market of the Warsaw Stock Exchange, amending the Company's Articles of Association and authorising the Supervisory Board to prepare a consolidated text of the Company's Articles of Association

By Resolution No. 1396/2014 of December 11th 2014, the Management Board of the Warsaw Stock Exchange resolved to introduce 55,000,000 allotment certificates for Series D ordinary bearer shares in the Company, with a par value of PLN 1 per share, assigned code PLLOTOS00074 by the Polish NDS, to trading on the main market, by way of the ordinary procedure, with effect from December 12th 2014.

As at December 31st 2014, the share capital was divided into 184,873,362 ordinary shares paid in full, with a par value of PLN 1 per share, including 55,000,000 Series D shares and 129,873,362 Series A, Series B and Series C shares from previous issues. One share confers the right to one vote at the General Meeting and carries the right to dividend.

January 9th 2015 saw the registration of Grupa LOTOS S.A.'s share capital increase from PLN 129,873,362 to PLN 184,873,362 (see Note 34). Following the entry of the share capital increase in the National Court Register, the total number of voting rights conferred by all shares issued by Grupa LOTOS S.A. as at the issue date of these financial statements was 184,873,362.

21. Share premium

Share premium represents the excess of the issue price over the par value of Series B, C and D shares, net of costs directly attributable to the share issue.

Dec 31 2014 PLN '000	Series B	Series C	Series D	Total
Share premium	980,000	340,773	940,500	2,261,273
Costs directly attributable to the share issue	(9,049)	(376)	(22,222)	(31,647)
Total	**970,951**	**340,397**	**918,278**	**2,229,626**

Dec 31 2013 PLN '000	Series B	Series C	Series D	Total
Share premium	980,000	340,773	-	1,320,773
Costs directly attributable to the share issue	(9,049)	(376)	-	(9,425)
Total	**970,951**	**340,397**	**-**	**1,311,348**

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.

Changes in the fair value of derivative financial instruments designated to hedge cash flows, to the extent representing an effective hedge are charged to the cash flow hedging reserve, while the ineffective portion is charged to finance income or costs in the reporting period.

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning of the period		**61,019**	**(36,801)**
Valuation of cash flow hedging instruments		(584,653)	120,765
- effective portion		*(584,731)*	*120,765*
- ineffective portion (1)		*78*	*-*
Income tax on valuation of cash flow hedging instruments	10.1	111,099	(22,945)
At end of the period		**(412,535)**	**61,019**

(1) The ineffective portion, charged to finance costs.

23. Retained earnings

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

As at December 31st 2014 and December 31st 2013, 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/(loss) net* in the statement of comprehensive income.

24. Bank borrowings

PLN '000	Dec 31 2014	Dec 31 2013
Inventory financing and refinancing facility *(Bank Syndicate (1))*	1,052,449	753,296
Investment facilities:	4,066,706	3,914,267
Bank Syndicate (2)	*2,974,259*	*2,868,182*
Bank Syndicate (3)	*1,092,447*	*1,046,085*
Working capital facilities (Bank Syndicate (4))	428,209	444,268
Funds in bank deposits securing payment of interest and principal*	(271,919)	(245,516)
Total	**5,275,445**	**4,866,315**
including:		
non-current	*3,613,674*	*3,538,779*
current	*1,661,771*	*1,327,536*

Bank Syndicate (1):
Pekao S.A., ING Bank Śląski S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., Bank Zachodni WBK S.A., mBank S.A.

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., 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 has a legal right to offset the amounts and intends to realise the asset and settle the liability simultaneously. Accumulation of funds for the repayment of credit facilities is expressly provided for in the documentation relating to the investment facilities obtained to finance the 10+ Programme, as well as the inventory financing and refinancing facility. The Company is required to set aside and maintain funds for repayment of principal instalments and interest due over the next six months. 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 2014, the nominal amount drawn under the credit facility for the refinancing and financing of inventories amounted to PLN 1,052.2m (USD 300m).

In connection with the credit facility incurred to finance and refinance inventories, Grupa LOTOS S.A. is required to maintain the Consolidated Tangible Net Worth (CTNW) as specified in the facility agreement. The Company is also required to comply with the covenant requiring it to maintain the Loan to Pledged Inventory Value Ratio at a level not higher than specified in the facility agreement. As at December 31st 2014 and December 31st 2013, the Company complied with the covenants.

Amendments to the inventory refinancing and financing facility

On October 29th 2014, Grupa LOTOS S.A. and Bank Syndicate (1) signed an amendment extending by 12 months, i.e. until December 20th 2015, the term of the credit facility agreement for refinancing and financing of inventories of October 10th 2012, providing for a revolving credit facility of USD 400m (i.e. PLN 1,268m, as translated at the mid rate quoted by the National Bank of Poland for October 10th 2012).

The other terms of the agreement, as well as its provisions concerning penalties, did not change, and do not differ from those commonly applied in agreements of such type.

Investment facilities

As at December 31st 2014, the nominal amount drawn under the investment facilities financing the 10+ Programme was PLN 4,102.6m (USD 1,169.8m). As at December 31st 2013, the nominal amount drawn under the facilities was PLN 3,960.9m (USD 1,315.0m).

In connection with the investment facilities, Grupa LOTOS S.A. is required to maintain the Consolidated Tangible Net Worth (CTNW) as specified in the facility agreements. As at December 31st 2014 and December 31st 2013, the Company complied with the requirement.

Working-capital facilities

The working-capital facility was made available to Grupa LOTOS S.A. in the form of overdraft facilities, used by the Company on an as-needed basis.

The Company may also finance its working capital requirements of up to PLN 400m with funds available under credit facilities from PKO BP S.A. (a PLN 300m credit facility agreement of June 26th 2009, as amended) and Pekao S.A. (a PLN 100m credit facility agreement of May 16th 2012, as amended). As at December 31st 2014 and December 31st 2013, the Company carried no liabilities under these facilities.

Proceeds from and repayment of bank borrowings

In 2014, cash provided by credit facilities obtained by the Company totalled PLN 199,745 thousand (2013: PLN 189,965 thousand), and comprised cash borrowed under the inventory financing and refinancing facility (PLN 154,145 thousand) and the working-capital facility with Pekao S.A. In 2014, the Company used PLN 493,421 thousand (2013: PLN 708,975 thousand) to repay its bank borrowings, including mainly its investment facilities (PLN 447,821 thousand) and the working-capital facility with Pekao S.A. These amounts were presented in the statement of cash flows from financing activities under *Proceeds from borrowings* and *Repayment of borrowings*, respectively.

Bank borrowings by currency and maturity

Dec 31 2014		**Bank borrowings**		**Total**
PLN '000	**in EUR**	**in USD**	**in PLN**	
2015	7,038	1,355,079	299,654	1,661,771
2016	-	472,424	-	472,424
2017	-	464,917	-	464,917
2018	-	549,642	-	549,642
2019	-	591,468	-	591,468
after 2019	-	1,535,223	-	1,535,223
Total	**7,038**	**4,968,753**	**299,654**	**5,275,445**

Dec 31 2013		Bank borrowings		Total
PLN '000	in EUR	in USD	in PLN	
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**

Bank borrowings 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 0.85pp. – 1.15pp.

As at December 31st 2014, the average effective interest rate for the credit facilities denominated in USD and EUR was approximately 2.20% (2.28% as at December 31st 2013).

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 2014	Dec 31 2013
Financial assets			
Current financial assets			
Commodity swaps (commodities and petroleum products)		-	736
Currency forward and spot contracts		693	34,924
- including from related entities	*33.1*	*157*	-
Currency swap		10,510	38,296
- including from related entities	*33.1*	*6,616*	*21*
Total financial assets		**11,203**	**73,956**
Financial liabilities			
Non-current financial liabilities			
Commodity swaps (commodities and petroleum products)		9,483	-
Interest rate swap (IRS)		53,143	52,876
Total		**62,626**	**52,876**
Current financial liabilities			
Commodity swaps (commodities and petroleum products)		19,854	-
Currency forward and spot contracts		66,454	1,686
- including to related entities	*33.1*	*10,089*	*668*
Interest rate swap (IRS)		22,341	19,387
Currency swap		37,357	7,224
- including to related entities	*33.1*	-	*6,352*
Total		**146,006**	**28,297**
Total financial liabilities		**208,632**	**81,173**

Derivative financial instruments are described in Note 7.21. For a 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 currency risk sensitivity analysis of derivative financial instruments, see Note 29.3.1.

For an 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	Note	Dec 31 2014	Dec 31 2013
Non-current liabilities			
Post-employment benefits	26.1	14,739	11,444
Length-of-service awards and other benefits	26.1	52,528	41,856
Total	**26.1**	**67,267**	**53,300**
Current liabilities			
Post-employment benefits	26.1	1,772	1,679
Length-of-service awards and other benefits	26.1	4,736	3,954
Bonuses, awards and unused holidays		17,301	25,307
Salaries and wages payable		2,883	2,642
Total		**26,692**	**33,582**
Total liabilities		**93,959**	**86,882**

26.1 Future employee benefit obligations

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

PLN '000	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
Jan 1 2014		**13,123**	**45,810**	**58,933**
Current service cost		615	2,950	3,565
Cost of discount	9.7; 26.3	493	1,799	2,292
Benefits paid		(971)	(4,180)	(5,151)
Actuarial (gain)/loss under profit or loss	26.3	-	10,885	10,885
Actuarial (gain)/loss under other comprehensive income	26.3	3,251	-	3,251
Dec 31 2014	**26.2**	**16,511**	**57,264**	**73,775**
including:				
non-current	*26*	*14,739*	*52,528*	*67,267*
current	*26*	*1,772*	*4,736*	*6,508*

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; 26.3	428	1,716	2,144
Benefits paid		(694)	(3,979)	(4,673)
Actuarial (gain)/loss under profit or loss	26.3	-	3,838	3,838
Actuarial (gain)/loss under other comprehensive income	26.3	(242)	-	(242)
Dec 31 2013	**26.2**	**13,123**	**45,810**	**58,933**
including:				
non-current	*26*	*11,444*	*41,856*	*53,300*
current	*26*	*1,679*	*3,954*	*5,633*

26.2 Present value of future employee benefit obligations

PLN '000	Note	Present value of future employee benefit obligations
Dec 31 2014	26.1	73,775
Dec 31 2013	26.1	58,933
Dec 31 2012		51,740
Dec 31 2011		48,200
Dec 31 2010		36,393

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	Year ended Dec 31 2014	Year ended Dec 31 2013
Items recognised in profit or loss:		**16,742**	**12,108**
Length-of-service awards, retirement and other post-employment benefits	9.3	14,450	9,964
- current service cost		*3,565*	*6,126*
- actuarial (gain)/loss	26.1	*10,885*	*3,838*
Cost of discount	9.7; 26.1	2,292	2,144
Items recognised in other comprehensive (income)/loss:		**3,251**	**(242)**
Actuarial (gain)/loss	26.1	3,251	(242)
Total comprehensive income		**19,993**	**11,866**

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 2014	Dec 31 2013
Discount rate (%)	2.70%	4.30%
Expected inflation rate (%)	2.50%	2.50%
Employee turnover ratio (%)	2.43%	2.49%
Expected growth rate of salaries and wages (%) in the following year	4.00%	0.00%
Expected growth rate of salaries and wages (%) in the following years	2.50%	2.76%

- 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 2013, 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 2013: Life Expectancy Tables of Poland for 2012).
- 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.
- Additionally, the provision for death benefits as at December 31st 2013 was revaluated. The effect of this revaluation is presented in Note 26.1 under Current service cost.
- The discount rate on future benefits was assumed at 2.7%, i.e. reflecting the assumptions made at the corporate level (December 31st 2013: 4.3%, the average yield of the lowest-risk long-term securities traded on the Polish capital market).

26.5 Termination benefits

In 2014, termination benefits and compensation payable in respect of non-compete obligations totalled PLN 1,571 thousand (2013: PLN 1,079 thousand).

26.6 Sensitivity analysis of changes in actuarial assumptions on employee benefits

The table below presents the 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	52,175	14,959	3,444	3,197	73,775
base + 1%	base	57,137	16,692	3,814	3,756	81,399
base - 1%	base	47,889	13,517	3,127	2,756	67,289
base	base + 0.5%	49,731	14,148	3,266	2,956	70,101
base	base - 0.5%	54,835	15,859	3,639	3,470	77,803

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

Current service cost projected for 2015

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	3,803	734	242	91	4,870
base + 1%	base	4,308	878	280	124	5,590
base - 1%	base	3,377	620	212	68	4,277
base	base + 0.5%	3,580	674	226	79	4,559
base	base - 0.5%	4,048	802	260	106	5,216

Cost of discount projected for 2015

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	1,290	356	87	83	1,816
base + 1%	base	1,424	403	97	98	2,022
base - 1%	base	1,175	317	78	71	1,641
base	base + 0.5%	1,451	396	97	90	2,034
base	base - 0.5%	1,110	310	75	73	1,568

Total current service cost and cost of discount projected for 2015

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	5,093	1,090	329	174	6,686
base + 1%	base	5,732	1,281	377	222	7,612
base - 1%	base	4,552	937	290	139	5,918
base	base + 0.5%	5,031	1,070	323	169	6,593
base	base - 0.5%	5,158	1,112	335	179	6,784

27. Trade and other payables, and provisions

PLN '000	Note	Dec 31 2014	Dec 31 2013
Current financial liabilities			
Trade payables	28.1	1,664,882	2,436,614
- including to related entities	*33.1*	*153,252*	*229,615*
Other financial liabilities:		30,054	45,527
Investment commitments	*28.1*	*26,060*	*39,637*
- including to related entities	*33.1*	*1,505*	*493*
Liabilities to insurers	*28.1*	*762*	*2,439*
Other liabilities	*28.1*	*3,232*	*3,451*
Total financial liabilities		**1,694,936**	**2,482,141**
Current non-financial liabilities			
Other provisions		205	954
Liabilities to the state budget other than corporate income tax(1)		683,560	663,723
Grants	27.1	28,789	29,509
Environmental charges		1,840	1,737
Provision for deficit in CO_2 emission allowances	9.5; 31	2,784	1,527
Other		2,817	3,039
Total non-financial liabilities		**719,995**	**700,489**
Total		**2,414,931**	**3,182,630**
including:			
- trade payables		*1,664,882*	*2,436,614*
- other		*750,049*	*746,016*

(1) Including PLN 584,577 thousand in liabilities related to excise duty and fuel charge (December 31st 2013: PLN 540,582 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 2014	Year ended Dec 31 2013
At beginning the period		**29,509**	**25,033**
Received during the year		-	5,196
Recognised in profit or loss	9.4	(720)	(720)
At end of the period		**28,789**	**29,509**

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 2014		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	11,203	-	-	-	11,203
Trade receivables	17	-	1,248,777	-	-	1,248,777
Cash and cash equivalents	19	-	239,642	-	-	239,642
Other financial assets:		-	1,108,820	-	-	1,108,820
Deposits	*17*	-	*31,432*	-	-	*31,432*
Cash pool	*17*	-	*72,767*	-	-	*72,767*
Security deposits (margins) related to the use of gas fuel distribution and transmission system	*17*	-	*7,342*	-	-	*7,342*
Restricted cash - issue of shares	*17*	-	*996,939*	-	-	*996,939*
Other receivables	*17*	-	*340*	-	-	*340*
Total		**11,203**	**2,597,239**	**6,312**	**-**	**2,614,754**
Financial liabilities						
Bank borrowings	24	-	-	-	5,275,445	5,275,445
Derivative financial instruments	25	208,632	-	-	-	208,632
Trade payables	27	-	-	-	1,664,882	1,664,882
Other financial liabilities	27	-	-	-	30,054	30,054
Total		**208,632**	**-**	**-**	**6,970,381**	**7,179,013**

(1) As at December 31st 2014, the Company held shares in other undertakings, measured at historical cost less impairment.

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*
Amounts due from related entities from 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.

As at December 31st 2014 and December 31st 2013, the fair value of financial assets and liabilities did not materially differ from their carrying amounts.

28.2 Fair value hierarchy

	Dec 31 2014	Dec 31 2013
PLN '000	Level 2	Level 2
Financial assets		
Commodity swap	-	736
Currency forward and spot contracts	693	34,924
Currency swap	10,510	38,296
Total	**11,203**	**73,956**
Financial liabilities		
Commodity swap	29,337	-
Currency forward and spot contracts	66,454	1,686
Interest rate swap (IRS)	75,484	72,263
Currency swap	37,357	7,224
Total	**208,632**	**81,173**

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

Year ended Dec 31 2014 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:		**-**	**28,925**	**-**	**-**	**28,925**
Interest income	9.6	-	160	-	-	160
Foreign exchange gains/(losses)	9.2	-	32,513	-	-	32,513
Impairment losses	9.5	-	(3,748)	-	-	(3,748)
Cash and cash equivalents:		**-**	**1,042**	**-**	**-**	**1,042**
Interest income	9.6	-	12	-	-	12
Foreign exchange gains/(losses)	9.7	-	1,030	-	-	1,030
Other financial assets:		**-**	**26,185**	**-**	**-**	**26,185**
Interest income	9.6	-	17,747	-	-	17,747
Foreign exchange gains/(losses)	9.7	-	8,518	-	-	8,518
Revaluation	9.7	-	(80)	-	-	(80)
Derivative financial instruments (financial assets/liabilities):		**(180,035)**	**-**	**-**	**-**	**(180,035)**
Gains/(losses) on fair value measurement of derivative financial instruments	9.7	(187,588)	-	-	-	(187,588)
Gains/(losses) on realisation of derivative financial instruments	9.7	7,553	-	-	-	7,553
Bank borrowings:		**-**	**-**	**-**	**(820.562)**	**(820.562)**
Interest expense	9.7	-	-	-	(104,405)	(104,405)
Revenue-adjusting gains/(losses) on cash flow hedge accounting	9.1	-	-	-	(7,992)	(7,992)
Foreign exchange gains/(losses)	9.7	-	-	-	(123,512)	(123,512)
Gains/(losses) on measurement of cash flow hedges recognised in other comprehensive income	22	-	-	-	(584,653)	(584,653)
Trade and other payables		**-**	**-**	**-**	**(97,678)**	**(97,678)**
Interest expense	9.7	-	-	-	(34)	(34)
Foreign exchange gains/(losses)	9.2	-	-	-	(97,644)	(97,644)
Other financial liabilities:		**-**	**-**	**-**	**(550)**	**(550)**
Foreign exchange gains/(losses)	9.7	-	-	-	(550)	(550)
Total		**(180,035)**	**56,152**	**-**	**(918.790)**	**(1,042.673)**

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						
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*
Bank borrowings:		**-**	**-**	**-**	**18,638**	**18,638**
Interest expense	*9.7*	-	-	-	*(119,692)*	*(119,692)*
Revenue-adjusting gains/(losses) on cash flow hedge accounting	*9.1*	-	-	-	*(12,452)*	*(12,452)*
Foreign exchange gains/(losses)	*9.6*	-	-	-	*30,017*	*30,017*
Gains/(losses) on measurement of cash flow hedges recognised in other comprehensive income	*22*	-	-	-	*120,765*	*120,765*
Trade and other payables:		**-**	**-**	**-**	**76,146**	**76,146**
Interest expense	*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**	**-**	**94,573**	**208,638**

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 of the LOTOS Group's financial risk management processes.

Furthermore, the Price Risk and Trading Committee, appointed by the Management Board, supervises the work on development of policies and procedures, and monitors implementation of the Group's strategy in the area of its responsibilities. 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 cash flow volatility,
- ensure short-term financial liquidity,
- maximise the result on market risk management within the assumed risk level limits,
- support operating, investment and financial processes, and create value in the long term.

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

- the methodology for quantifying exposures to particular risks,
- the time horizon for hedging a given risk,
- 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 derivative financial instruments which can be measured by applying commonly used valuation models. The valuation of the underlying position and derivative financial instruments 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.

In 2014, the Company continued to apply the hedge accounting policies implemented in 2011 and 2012 with respect to its cash flows (i.e. foreign-currency facilities used to finance the 10+ Programme, designated as hedges of future USD-denominated petroleum product sale transactions).

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 factors of this risk:

- volatility of the refining margin, measured as the difference between the liquid index of a reference petroleum product basket (e.g. aviation fuel, gasoline, diesel oil, fuel oil) and the liquid index of reference feedstock (e.g. Urals crude),
- 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. Urals-Brent differential, i.e. the difference between different types of crude oil),
- use of non-standard pricing formulae in commercial contracts.

To secure petroleum product prices for future deliveries to customers, the Company has implemented a system whereby the risk may be transferred from customers to the Company. This requires simultaneous execution of appropriate price risk hedging transactions and application of procedures ensuring credit and operational security.

As part of the activities described above, in 2014, in connection with its sale of bitumen components at fixed prices, the Company entered into commodity swap contracts for 2014–2017, which enabled it to retain its original price risk profile. The swap contracts concluded in that period were partly settled in the year when they were entered into, while the remaining ones will be settled in the coming years.

Open commodity swaps as at December 31st 2014:

Type of contract	Underlying index	Valuation period	Amount in tonnes in the valuation period	Fair value (PLN '000)	
				Financial assets	Financial liabilities
Commodity swap	3.5 PCT Barges FOB Rotterdam	Apr 2015–Sep 2017	41,690	-	(29,337)
			Total	**-**	**(29,337)**

The above swap transactions for a total of 41,690 tonnes based on the 3.5 PCT Barges FOB Rotterdam liquid index in the period from April 2015 to September 2017 were 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.

Open commodity swaps as at December 31st 2013:

Type of contract	Underlying index	Valuation period	Amount in tonnes in the valuation period	Fair value (PLN '000)	
				Financial assets	Financial liabilities
Commodity swap	3.5 PCT Barges FOB Rotterdam	Mar–Oct 2014	20,989	736	-
			Total	**736**	**-**

The above swap transactions for a total of 20,989 tonnes based on the 3.5 PCT Barges FOB Rotterdam liquid index in the period from March to October 2014 were 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 Company has been steadily growing. Given the need to manage new processes and enhance the efficiency of ongoing operations in this area, as well as to improve operational safety, the Company implemented an ERTM (Energy Trading and Risk Management) IT system in 2014.

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 Company's financial transactions to the risk of fluctuations in prices of raw materials and petroleum products as at December 31st 2014 and December 31st 2013, assuming a price change of +/- 34.22% and +/- 10% respectively:

	Dec 31 2014			Dec 31 2013		
	Carrying	Change		Carrying	Change	
PLN '000	**amount**	**34.22%**	**-34.22%**	**amount**	**10%**	**-10%**
Financial assets [1]	-	-	-	736	3,695	(3,695)
Financial liabilities [1]	(29,337)	15,325	(15,325)	-	-	-
Total	**(29,337)**	**15,325**	**(15,325)**	**736**	**3,695**	**(3,695)**

[1] Commodity swaps.

This sensitivity analysis has been performed with reference to the instruments held as at December 31st 2014 and December 31st 2013. With respect to the instruments held as at December 31st 2014, the above deviations of underlying index prices have been calculated based on the annual implied volatility of the index on which the executed transactions of December 31st 2014 are based, published by SuperDerivatives. For the instruments held as at December 31st 2013, the calculation is based on a hypothetical +/- 10% price change. The effect of the underlying index price changes on the fair value has been examined assuming that the currency exchange rates remain unchanged. The purpose of taking a different approach to setting the percentage deviation of prices in 2014 was to better reflect the fluctuations in market prices of raw materials and petroleum products as at December 31st 2014.

29.2 Risk related to prices of carbon (CO_2) allowances

The risk related to prices of carbon dioxide emissions allowances is managed within the Company on an ongoing basis in line with the assumptions set forth in the strategy for managing the risk related to prices of carbon dioxide (CO_2) approved by the Management Board of Grupa LOTOS S.A. The Company balances its future CO_2 emission allowance deficits and surpluses depending on the market situation and within defined limits. In line with the approved strategy and limits, the Company executes the following transactions for emission units:

- EUA (Emission Unit Allowance) – represents an allowance to emit one tonne of CO_2,
- 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,
- ERU (Emission Reduction Unit) – represents one tonne of CO_2 equivalent (tCO_2e) effectively reduced. ERUs are certified emission units, obtained through investment projects implemented in countries where the CO_2 reduction costs are lower.

As at December 31st 2014, the deficit of allowances in the 2013–2020 trading period (Phase III) was 573,770 tonnes. Taking into account derivative transactions for a total of 1,149,000 tonnes, however, the Company holds surplus emissions allowances for 575,230 tonnes, which have been purchased in view of the market situation and the anticipated strategic deficit in emission allowances after 2020.

As at December 31st 2013, the deficit of allowances in the 2013–2020 trading period (Phase III) was 1,209,102 tonnes. Taking into account derivative transactions for a total of 1,696,000 tonnes, however, the Company held surplus emissions allowances for 486,898 tonnes.

To manage risk related to carbon dioxide emission allowances, the Company evaluates the risk of deficit of free emission allowances allocated under the NAP on a case-by-case basis.

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

EUA futures contracts open as at December 31st 2014 which the Company considered likely to be settled through physical delivery and used for the Company's own purposes are not disclosed in the financial statements as at the last day of the reporting period, and their fair value is recorded only as an off-balance sheet item.

In 2014, the Company swapped its ERUs for 29,000 tonnes for EUAs due to the spread between those two types of emission allowances.

Contract position as at December 31st 2014 and December 31st 2013:

Open CO_2 allowances contracts as at December 31st 2014:

Type of contract	Contract settlement period	Number of allowances in the period	Phase	Fair value (PLN '000)*	
				Financial assets	Financial liabilities
EUA Futures	Dec 2015–Dec 2018	1,149,000	Phase III	6,062	(402)
			Total	**6,062**	**(402)**

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

Open CO_2 allowances contracts as at December 31st 2013:

Type of contract	Contract settlement period	Number of allowances in the period	Phase	Fair value (PLN '000)*	
				Financial assets	Financial liabilities
EUA Futures	Dec 2014−Dec 2017	1,696,000	Phase III	1,182	(5,230)
			Total	**1,182**	**(5,230)**

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

For information on CO_2 emission allowances, see Note 31.

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

As at December 31st 2014 and December 31st 2013, the Company held futures for the purchase of carbon dioxide (CO_2) emission allowances.

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 its own allowance deficits under the carbon emission reduction system. Therefore, no sensitivity analysis has been performed with reference to the EUA futures held as at December 31st 2014 and 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. In its operations the Company is exposed to currency risks related to:

- trading in raw materials, petroleum products and other commodities,
- investment cash flows,
- cash flows from financing activities, including deposits and borrowings,
- valuation of derivative instruments,

indexed to or denominated in a currency other than the functional currency.

Grupa LOTOS S.A. actively manages its currency exposure within defined limits, taking into account expected market developments.

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.

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).

Each currency swap comprises a pair of transactions, which in this analysis are assigned to purchase or sale under currency swap.

Open currency contracts as at December 31st 2014:

Type of contract	Purchase/sale	Contract settlement period	Currency pair (base/quote)	Amount in base currency ('000)	Fair value (PLN '000)	
					Financial assets	Financial liabilities
Currency spot	Purchase	Jan 2015	USD/PLN	14,000	-	(548)
Currency spot	Purchase	Jan 2015	EUR/PLN	3,000	-	(76)
Currency forward	Purchase	Jan−Feb 2015	USD/PLN	17,537	157	(331)
Currency forward	Purchase	Feb 2015	EUR/PLN	5,000	253	-
Currency forward	Purchase	Mar 2015	EUR/USD	5,000	-	(1,386)
Currency forward	Sale	Jan−Sep 2015	USD/PLN	(317,135)	-	(64,027)
Currency forward	Sale	Feb 2015	EUR/PLN	(5,000)	11	(86)
Currency forward	Sale	Mar 2015	EUR/USD	(3,500)	272	-
Currency swap	Purchase	Feb 2015	USD/PLN	80,598	10,510	-
Currency swap	Purchase	Apr 2015	EUR/USD	5,500	-	(672)
Currency swap	Sale	Jan–Jul 2015	USD/PLN	(207,300)	-	(36,685)
				Total	**11,203**	**(103,811)**

Open currency contracts as at December 31st 2013:

Type of contract	Purchase/sale	Contract settlement period	Currency pair (base/quote)	Amount in base currency ('000)	Fair value (PLN '000)	
					Financial assets	Financial liabilities
Currency spot	Purchase	Jan 2014	USD/PLN	21,000	-	(125)
Currency spot	Purchase	Jan 2014	EUR/PLN	2,050	-	(4)
Currency forward	Purchase	Jan–Nov 2014	USD/PLN	26,149	-	(1,452)
Currency forward	Purchase	Jan 2014	EUR/PLN	4,700	-	(105)
Currency forward	Sale	Mar–Oct 2014	USD/PLN	(169,000)	34,924	-
Currency swap	Purchase	Jan–Nov 2014	USD/PLN	84,623	1	(7,196)
Currency swap	Purchase	Jan 2014	EUR/USD	1,850	-	(18)
Currency swap	Sale	Jan–Dec 2014	USD/PLN	(393,450)	38,275	-
Currency swap	Sale	Feb 2014	EUR/PLN	(800)	20	-
Currency swap	Sale	Jan 2014	EUR/USD	(7,500)	-	(10)
				Total	**73,220**	**(8,910)**

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

Currency structure of selected financial instruments as at December 31st 2014:

Dec 31 2014 (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		51,760	181,531	255	1,089	182,620
Cash and cash equivalents		2,183	7,655	28	121	7,776
Other financial assets:		8,962	31,432	-	-	31,432
Deposits	*17*	*8,962*	*31,432*	-	-	*31,432*
Total		**62,905**	**220,618**	**283**	**1,210**	**221,828**
Financial liabilities						
Bank borrowings	*24*	1,411,980	4,968,753	1,651	7,038	4,975,791
Trade payables		370,706	1,300,140	6,108	26,036	1,326,176
Other financial liabilities		2,417	8,478	1,203	5,127	13,605
Total		**1,785,103**	**6,277,371**	**8,962**	**38,201**	**6,315,572**

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**

Apart from the instruments listed above, the Company held foreign-currency derivative financial instruments, 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 the appropriate method of fair value measurement, which also determines the method of calculating the effect of changes of foreign exchange rates on the value of individual derivative financial instruments (for more detailed information on the derivative measurement methods see Note 7.21).The tables below, presenting sensitivity of financial instruments to currency risk as at December 31st 2014 and December 31st 2013, also present the effect of currency rate changes on the carrying amounts of the derivative financial instruments.

Below is presented an analysis of the Company's sensitivity to currency risk as at December 31st 2014, along with the effect on the net profit or loss, assuming a 12.142% increase or decrease in the USD/PLN exchange rate and a 7.2% increase or decrease in the EUR/PLN exchange rate.

Dec 31 2014	**Effect of exchange rate increase/decrease on net profit/loss for the year**			
	+12.142%	**-7.2%**	**-12.142%**	**-7.2%**
PLN '000	**USD**	**EUR**	**USD**	**EUR**
Classes of financial instruments				
Financial assets				
Trade receivables	22,042	78	(22,042)	(78)
Derivative financial instruments	34,244	(307)	(34,244)	307
Cash and cash equivalents	930	9	(930)	(9)
Other financial assets:	3,817	-	(3,817)	-
Deposits	*3,817*	-	*(3,817)*	-
Total financial assets	**61,033**	**(220)**	**(61,033)**	**220**
Financial liabilities				
Bank borrowings	111,925 (1)	-	(111,925) (1)	-
Trade payables	157,863	1,875	(157,863)	(1,875)
Derivative financial instruments	226,142	(3,374)	(226,142)	3,374
Other financial liabilities	1,029	369	(1,029)	(369)
Total financial liabilities	**496,959**	**(1,130)**	**(496,959)**	**1,130**
Total	**(435,926)**	**910**	**435,926**	**(910)**

(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 12.142% change of the USD/PLN exchange rate, the effect of cash flow hedge accounting would potentially lead to a change of PLN (498,143) thousand/PLN 498,143 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 6,762 thousand/PLN (6,762) thousand in the fair value of borrowings, assuming a 12.142% 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 an implied annual change of the exchange rates as at December 31st 2014 by 12.142% (USD/PLN) and 7.2% (EUR/PLN), published by Reuters. This sensitivity analysis has been performed with reference to the balance of instruments held as at December 31st 2014. The purpose of taking a different approach to setting the percentage change in exchange rates in 2014 was to better reflect the fluctuations in exchange rates on financial markets.

Below is presented an analysis of the Company's sensitivity 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.

Dec 31 2013	**Effect of exchange rate increase/decrease on net profit/loss for the year**			
	+4%	**+4%**	**-4%**	**-4%**
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)
Other receivables	-	-	-	-
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.

29.4 Interest rate risk

Grupa LOTOS S.A. is exposed to the risk of changes in cash flows caused by interest rate movements, as certain assets and liabilities held by the Company have interest income and expense driven by floating interest rates. This position is driven primarily by the expected repayment schedules under the credit facilities obtained to finance and refinance stocks and to finance investments under the 10+ Programme, as well as the amount of interest computed with reference to the floating LIBOR USD rate. The Company manages the interest rate risk within the granted limits using interest rate swaps.

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).

Open interest rate contracts as at December 31st 2014:

Type of contract	**Period**	**Notional amount (USD '000)**	**Company receives**	**Financial assets (PLN '000)**	**Financial liabilities (PLN '000)**
Interest rate swap (IRS)	Jul 2011–Jan 2018	200,000	6M LIBOR	-	(69,290)
Interest rate swap (IRS)	Jan 2015–Jan 2019	50,000	3M LIBOR	-	(6,194)
			Total	**-**	**(75,484)**

Open interest rate contracts as at December 31st 2013:

Type of contract	Period	Notional amount (USD '000)	Company receives	Financial assets (PLN '000)	Financial liabilities (PLN '000)
Interest rate swap (IRS)	Jul 2011–Jan 2018	200,000	6M LIBOR	-	(70,543)
Interest rate swap (IRS)	Jan 2015–Jan 2019	50,000	3M LIBOR	-	(1,720)
			Total	**-**	**(72,263)**

29.4.1 Market risk sensitivity analysis: fluctuations in interest rates

Below is presented an analysis of the Company's sensitivity to interest rate risk as at December 31st 2014, assuming a 0.72% change in interest rates:

Dec 31 2014 PLN '000	Note	Carrying amount	Change +0.72%	 -0.72%
Classes of financial instruments				
Financial assets				
Cash and cash equivalents	19	239,642	1,725	(1,725)
Other financial assets:		1,101,138	7,928	(7,928)
Deposits	*17*	*31,432*	*226*	*(226)*
Cash pool	*17*	*72,767*	*524*	*(524)*
Restricted cash - issue of shares	*17*	*996,939*	*7,178*	*(7,178)*
Total		**1,340,780**	**9,653**	**(9,653)**
Financial liabilities				
Bank borrowings	24	5,275,445	30,207 (1)	(30,207) (1)
Derivative financial instruments (2)	25	75,484	(20,063)	20,681
Total		**5,350,929**	**10,144**	**(9,526)**

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

Dec 31 2013 PLN '000	Note	Carrying amount	Change +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*	*-*	*-*
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 rate borrowings and paid arrangement 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 0.72% or 0.2%, arises at the time of calculating and discounting future cash flows (relating to the contract settlement) as at the valuation date. The cash flows are discounted at different interest rates (in the first case the interest rate curve is moved up 0.72% or 0.2%, in the second case the curve is moved down 0.72% or 0.2%).

This sensitivity analysis has been performed with reference to the balance of instruments held as at December 31st 2014 and December 31st 2013. The effect of the interest rate changes on the fair value has been examined assuming that the currency exchange rates remain unchanged. In the case of derivative instruments held as at December 31st 2014, for the purpose of interest rate sensitivity analysis the interest rate curve is moved up or down by the annual historical volatility as at December 31st 2014, calculated based on the information on historical volatility of interest on IRSs paying interest every six months and with a maturity period of three years, published by Reuters. As regards the instruments held as at December 31st 2013, a hypothetical change of reference interest rates (3M LIBOR, 6M LIBOR) was used. The purpose of taking a different approach to setting the percentage change in interest rates in 2014 was to better reflect the fluctuations in interest rates on financial markets.

29.5 Liquidity risk

The liquidity risk management process at the Company consists in monitoring projected cash flows and the portfolio of financial assets and liabilities, matching maturities of the assets and liabilities, analysing working capital, and optimising cash flows within the Group. This process requires that units operating in different business areas closely cooperate in activities undertaken in order to ensure safe and effective allocation of the liquidity.

The majority of the Group's Polish subsidiaries participate in a real cash-pooling arrangement, whereby Grupa LOTOS S.A. manages the subsidiaries' 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 derivative financial instrument 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.

Contractual maturities of financial liabilities as at December 31st 2014 and December 31st 2013:

Contractual maturities of financial liabilities as at December 31st 2014:

Dec 31 2014 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	4,847,236	5,554,711	222,589	1,370,594	558,908	1,807,009	1,595,611
Overdraft facilities	24	428,209	428,209	428,209	-	-	-	-
Trade payables	27	1,664,882	1,650,423	1,650,423	-	-	-	-
Other financial liabilities	27	30,054	30,002	28,925	1,077	-	-	-
Total		**6,970,381**	**7,663,345**	**2,330,146**	**1,371,671**	**558,908**	**1,807,009**	**1,595,611**

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	5,150,761	183,624	1,026,223	455,957	1,480,747	2,004,210
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**	**8,077,170**	**3,110,033**	**1,026,223**	**455,957**	**1,480,747**	**2,004,210**

Maturity structure of derivative financial instruments as at December 31st 2014:

Dec 31 2014 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	(29,337)	(29,337)	(2,414)	(17,440)	(7,670)	(1,813)	-
Currency forward and spot contracts		(65,761)	(62,195)	(53,475)	(8,720)	-	-	-
Currency swap		(26,847)	(25,431)	(21,759)	(3,672)	-	-	-
Interest rate swap (IRS)		(75,484)	(76,610)	(23,975)	1,629	(20,792)	(33,472)	-
Total		**(197,429)**	**(193,573)**	**(101,623)**	**(28,203)**	**(28,462)**	**(35,285)**	**-**

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)**

* 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 (excluding CO_2 emission allowance futures purchased to be used for settlement).

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, measurement of derivative financial instruments, and granted security.

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 2014 and December 31st 2013, the concentration of credit risk exposure to any single counterparty in financial transactions of Grupa LOTOS S.A. did not exceed PLN 284,174 thousand and PLN 249,010 thousand, respectively (4.44% and 3.49% 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 2014 and December 31st 2013, the concentration of credit risk exposure to any single counterparty in trade transactions of Grupa LOTOS S.A. did not exceed PLN 141,880 thousand and PLN 161,066 thousand, respectively (2.21% and 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 2014	Dec 31 2013
Shares	16	6,312	6,312
Derivative financial instruments	25	11,203	73,956
Trade receivables	17	1,248,777	1,584,750
Cash and cash equivalents	19	7,342	224,031
Other financial assets:		1,108,820	244,238
Loans advanced to related entities	*17*	*-*	*189,714*
Deposits	*17*	*31,432*	*29,593*
Security deposit (margin)	*17*	*-*	*8,917*
Cash pool	*17*	*72,767*	*97*
Security deposits (margins) related to the use of gas fuel distribution and transmission system	*17*	*7,342*	*-*
Restricted cash - issue of shares	*17*	*996,939*	*-*
Amounts due from related entities from sale of organised part of business	*17*	*-*	*13,817*
Other receivables	*17*	*340*	*2,100*
Total		**2,382,454**	**2,133,287**

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 ageing 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 2014	Year ended Dec 31 2013
Non-current borrowings	24	3,613,674	3,538,779
Current borrowings	24	1,661,771	1,327,536
Restricted cash - issue of shares [1]	17	(996.939)	-
Cash and cash equivalents	19	(239,642)	(224,031)
Net debt		**4,038,864**	**4,642,284**
Total equity		**6,346,776**	**7,135,595**
Net debt to equity		**0.64**	**0.65**

[1] Cash from the issue of D series shares in Grupa LOTOS S.A., deposited in a separate account of the Polish National Depository for Securities (see Note 20) until the day of registration of the share capital increase (see note 34).

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 CO_2 emission allowances for 2013-2020 presented below account for allowances granted pursuant to the Regulations of the Council of Ministers, as well as for other free allowances allocated by the European Commission.

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]	1,677	1,645	1,612	1,576	1,541	1,508	1,475	1,435	12,469
Actual CO_2 emissions[2]	1,689	1,820	-	-	-	-	-	-	3,509

[1] The number of free CO_2 allowances allocated to Grupa LOTOS S.A. in 2013–2019 as part of the National Allocation Plan (NAP) under the Regulation of the Council of Ministers of March 31st 2014 (Dz.U. of 2014, item 439) and the Regulation of the Council of Ministers of April 8th 2014 (Dz.U. of 2014, item 472), containing a list of installations covered by the greenhouse gas emission allowance trading system along with the number of allowances allocated to them. The figures also account for additional free emission allowances from the European Commission reserve, allocated in connection with the expansion of the refinery's production capacities following the introduction of natural gas to produce hydrogen.

[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 20th 2015 presenting data as at December 31st 2014. The data for 2014 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 2014, based on the limit of allowances for 2014 to be allocated under the EU ETS system and the actual volume of emissions, the Company reported a deficit of allocated CO_2 emission allowances, and therefore recognised a PLN 2,784 thousand provision as at December 31st 2014 (December 31st 2013: PLN 1,527 thousand). The effect of the provision on the operating result was PLN 1,257 thousand (reflecting the reversal of the provision recognised in the previous reporting period) and was disclosed under other expenses (see Note 9.5).

Furthermore, in order to cover the deficit, in 2013 the Company purchased 923 thousand CO_2 emission allowances (EUA, ERU) for PLN 23,430 thousand, which were disclosed in the statement of financial position under *Intangible assets* (see Note 14).

In total, Grupa LOTOS S.A. was allocated 1,677 thousand CO_2 emission allowances for 2013, while the Company's actual CO_2 emissions in the period totalled 1,689 thousand tonnes.

For information on the risk related to prices of CO_2 emission 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 May 18th 2001, PETROECCO JV Sp. z o.o. brought an action against the Company seeking the court's decision awarding it 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 some customers by fulfilling their orders to a disproportionately larger extent than the orders of PETROECCO JV Sp. z o.o. The alleged use of the monopolistic practices by the Company was confirmed by a decision of the Anti-Monopoly Office of September 26th 1996, in which the Office ordered the Company to abandon such practices. The Company was also ordered to abandon the monopolistic practices pursuant to a decision of October 22nd 1997 issued by the Provincial Court of Warsaw – the Anti-Monopoly Court.

The Regional Court of Gdańsk, by virtue of its decision of December 21st 2002, dismissed the action for compensation filed by PETROECCO JV Sp. z o.o., fully complying with the Company's objection referring to the statute of limitation. However, this decision was overruled on December 4th 2003 by the Gdańsk Court of Appeals and remanded for re-examination by the Regional Court. The Company questioned whether any damage had been incurred by PETROECCO JV Sp. z o.o., the amount of the alleged damage, and the existence of the cause and effect relationship between the monopolistic practices and the damage. After two further hearings at which expert witnesses provided their evidence, by virtue of a ruling of April 20th 2007 the action was dismissed. Following the appeal and cassation proceedings in 2007, initiated by PETROECCO JV Sp. z o.o., the case was remanded for re-examination by the Regional Court of Gdańsk. As a result of further hearings (held on November 3rd 2009, October 1st 2010, December 6th 2012, February 8th 2013), after evidence was taken based on an opinion of the expert witness of Instytut Nafty i Gazu (Oil and Gas Institute) of Kraków, which was favourable to Grupa LOTOS S.A., and after the parties exchanged process letters, the action filed by PETROECCO J. Sp. z o.o. was dismissed by the Court in its entirety. On June 26th 2013, PETROECCO JV Sp. z o.o. filed an appeal against the ruling. Grupa LOTOS S.A. responded to the appeal on March 11th 2014. On August 28th 2014, the Court of Appeals in Gdańsk issued a decision dismissing the appeal and awarding a refund of the costs of proceedings to Grupa LOTOS S.A. On January 19th 2015, PETROECCO JV Sp. z o.o. filed a cassation appeal against the ruling of the court of second instance. As at the date of approval of these financial statements, the case is pending.

Assuming 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.

Administrative and administrative court proceedings initiated upon a motion to declare invalid a decision expropriating certain property for the benefit of the State Treasury

The Company is a party to the proceedings against the State Treasury for declaring invalid the expropriation decision, based on which the Company acquired the perpetual usufruct right to land and ownership rights to buildings erected thereon.

The proceedings concern a property with a total area of 87,000 m², where a part of the Refinery's tank farm and its wastewater treatment plant are situated. The proceedings were initiated upon a motion of the former owners of the property. The motion of December 18th 2006 calls for declaring invalid the expropriation decision issued by the President of the City of Gdańsk on June 14th 1983 in its entirety or, failing that, declaring it invalid with respect to the amount of compensation paid. On September 9th 2014, the Gdańsk Province Governor issued a decision refusing to declare the expropriation decision invalid. On October 24th 2014, the former owners appealed against the decision. The Company responded to the appeal on November 3rd 2014. Currently, the case is being reviewed by the Minister of Infrastructure. As at the date of approval of these financial statements, the decision is not final.

The Company believes the risk of an adverse conclusion of the proceedings to be low and without any effect on these financial statements.

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 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

Since August 20th 2014, the Company has had a PLN 240,000 thousand own blank promissory note deposited at the Customs Office in Gdańsk as lump-sum security for excise duty of PLN 800,000 thousand. The security expiry date is August 19th 2015. As at December 31st 2014, the Company had another PLN 240,000 thousand own promissory note deposited with the Head of the Customs Office in Gdańsk. The promissory note will be returned to the Company upon formal settlement of the previous lump-sum security for excise duty of PLN 800,000 thousand, which was valid from August 20th 2013 to September 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 2014	Year ended Dec 31 2013
Subsidiaries			
Sale		11,330,012	12,887,586
Purchases		1,435,693	1,565,759
Sale of property, plant and equipment and intangible assets		548	13,817 [(1)]
Purchase of property, plant and equipment and intangible assets		6,735	14,681
Dividend received	9.6	150,559	268,371
Interest income on loans advanced	9.6	10,270	8,204
Income on cash pool interest	9.6	539	625
Other interest income		82	810
Other interest expenses		2	-
Joint ventures			
Sale		455,190	19,533
Purchases		-	-
Other interest income		2	-

PLN '000	Note	Dec 31 2014	Dec 31 2013
Subsidiaries			
Receivables		749,156	974,378
Cash pool	17	72,767	97
Loans advanced	17	-	189,714
Currency swaps (financial assets)	25	6,773	21
Liabilities	27	154,757	230,108
Currency forwards and swaps (financial liabilities)	25	10,089	7,020
Joint ventures			
Receivables		23,232	16,321
Liabilities		-	-

(1) Sale of an organised part of business comprising liquid fuel depots in Piotrków Trybunalski and Rypin to LOTOS Terminale S.A. Proceeds from the sale were received by Grupa LOTOS S.A. in 2014 (see *Sale of organised part of business to related entities* in the statement of cash flows).

As at December 31st 2014, assigned trade receivables from related entities amounted to PLN 768,773 thousand (December 31st 2013: PLN 957,749 thousand).

In 2013 and 2014, the Company did not provide any sureties for the benefit of related entities.

As at December 31st 2014 and December 31st 2013, the Company carried no sureties issued for the benefit of its related entities.

In 2014, loans advanced by the Company to related entities totalled PLN 100,080 thousand (2013: PLN 30,220 thousand). 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 2014:

Related entity	Agreement date	Principal as per loan agreement		Maturity date	Security	Financing terms (interest)
		PLN thousand	Currency			
Subsidiaries						
LOTOS Petrobaltic S.A.	Jan 23 2014	100,000	-	Dec 31 2017	blank promissory note with a 'protest waived' clause and promissory note declaration	The loan bears interest at a variable annual rate based on 6M WIBOR plus margin.
LOTOS Gaz S.A. w likwidacji (in liquidation)	Feb 28 2014	80	-	Dec 31 2014	blank promissory note with a 'protest waived' clause and promissory note declaration	The loan bears interest at a fixed annual rate based on 3M WIBOR plus margin.

On November 28th 2014, Grupa LOTOS S.A. and LOTOS Petrobaltic S.A. signed a set-off agreement, whereby amounts due to Grupa LOTOS S.A. under loans advanced to LOTOS Petrobaltic S.A. between 2012 and 2014, in the aggregate amount of PLN 307,698 thousand (the carrying amount of the principal and the interest accrued until November 28th 2014, substantially equal to their fair value) were offset against the amounts due to LOTOS Petrobaltic S.A. in connection with the acquisition of LOTOS Petrobaltic S.A. shares by Grupa LOTOS S.A. (see Note 16.1.1). Following the set-off, PLN 307,668 thousand of the amounts due to Grupa LOTOS S.A. under the loans was cancelled. The balance of PLN 30 thousand was paid by LOTOS Petrobaltic S.A. and recognised by Grupa LOTOS S.A. in cash flows from investing activities under *Repayment of loans advanced to related parties*. As at December 31st 2014, Grupa LOTOS S.A. carried no receivables under the loans to LOTOS Petrobaltic S.A.

In 2013, no loan repayments were made by related entities.

33.2 Entity exercising control of the Company

As at December 31st 2014 and December 31st 2013, the State Treasury held a 53.19% equity interest in Grupa LOTOS S.A. In 2013 and 2014, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

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

In 2014, 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.

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
Sale	403,134	63,117
Purchases	1,267,718	1,467,052

PLN '000	Dec 31 2014	Dec 31 2013
Receivables	5,559	3,339
Liabilities	120,482	233,796

33.3 Remuneration of members of the Management and Supervisory Boards, along with 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 2014	Year ended Dec 31 2013
Management Board		
Short-term employee benefits (salaries), including:	1,346	1,580
- annual bonus paid	*-*	*249* [(1)]
- length-of-service awards (jubilee benefits)	*57*	*41*
Management Board – subsidiaries [(2)]		
Short-term employee benefits (salaries and wages)	3,646	3,562
Supervisory Board		
Short-term employee benefits (salaries and wages)	228	246
Total [(3)]	**5,220**	**5,388**

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

Other employee benefits

PLN '000	Dec 31 2014	Dec 31 2013
Management Board		
Post-employment benefits, length-of-service awards and other benefits	631	522
Current liabilities under annual bonus [(1)]	156	311
Total	**787**	**833**

[(1)] Pursuant to the Act on Remunerating Persons Who Manage Certain Legal Entities (the Public Sector Salary Cap Act).

In 2014 and 2013, 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 2014	Year ended Dec 31 2013
Short-term employee benefits (salaries), including:	17,712	19,598
- annual bonus paid	*2,642* [(1)]	*3,982* [(2)]

[(1)] Remuneration paid in 2014 on account of annual bonus for 2013.
[(2)] Remuneration paid in 2013 on account of annual bonus for 2012.

Other employee benefits

PLN '000	Dec 31 2014	Dec 31 2013
Post-employment benefits, length-of-service awards and other benefits	8,432	6,595
Current liabilities under annual bonus	2,595	5,103
Loans and other similar benefits	31	5
Total	**11,058**	**11,703**

In 2014, the Company granted loans to members of key management staff for a total amount of PLN 30 thousand. In 2013, the Company did not provide any loans or similar benefits to members of its key management staff.

33.5 Transactions with related parties of members of the Management Board and the Supervisory Board

In 2014, Grupa LOTOS S.A. executed transactions with parties related to it through members of the Supervisory Board. 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 purchase of natural gas in Q2 and Q3 2014 for PLN 160,176 thousand. In 2013, Grupa LOTOS S.A. did not execute any material transactions with parties related to it through members of the Supervisory Board.

In 2013 and 2014, the Company did not execute any material transactions with parties related to it through members of the Management Board.

34. Material events after the reporting period

- On January 9th 2015, the District Court for Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register, registered the following: (i) increase of the Company share capital from PLN 129,873,362 to PLN 184,873,362, effected through the issue of 55,000,000 Series D ordinary bearer shares with a par value of PLN 1 per share, pursuant to Resolution No. 2 of the Extraordinary General Meeting of September 8th 2014 on increasing the Company's share capital by way of issue of new shares, public offering of new shares, setting the record date for determining the pre-emptive rights to new shares for November 18th 2014, conversion into book-entry form and seeking admission of pre-emptive rights, allotment certificates and new shares to trading on the regulated market of the Warsaw Stock Exchange, amending the Company's Articles of Association and authorising the Supervisory Board to prepare a consolidated text of the Company's Articles of Association, which was made available to the public in Current Report No. 19/2014 of September 8th 2014 ("Share Issue Resolution") and (ii) amendments to the Company's Articles of Association made under the Share Issue Resolution.

  As at January 9th 2015, the total number of voting rights attached to Company shares issued and outstanding upon registration of the share capital increase and Series D shares is 184,873,362, and the share capital comprises 184,873,362 ordinary shares with a par value of PLN 1 per share, including: (i) 78,700,000 Series A shares; (ii) 35,000,000 Series B shares; (iii) 16,173,362 Series C shares, and (iv) 55,000,000 Series D shares.

35. Financial statements by types of energy business – selected items

As an energy company, Grupa LOTOS S.A., acting in compliance with Art. 44 of the Act Amending the Energy Law and Certain Other Acts, dated July 26th 2013 (Dz.U. of 2013, item 984), identifies four types of the energy business, for which it separately records revenue and expenses, profits and losses, as well as items of the statement of financial position.

In accordance with the licences it has been granted, the Company's energy business comprises:
- generation of energy in the form of heat,
- transmission of energy in the form of heat,
- transmission of energy in the form of electricity,
- trading in energy in the form of electricity.

Revenue from sale of the energy products and costs of the energy products are allocated directly to the respective types of the energy business, whereas the general overhead costs, other income and expenses and finance income and costs are apportioned based on appropriate allocation keys. Costs are distributed proportionately to the cost of products sold, while revenue − according to net revenue.

Items of the statement of financial position are allocated directly to the respective types of the energy business, or apportioned based on appropriate allocation keys.

Property, plant and equipment and intangible assets relate directly to assets used for energy production. Their value has been assigned to the individual types of the energy business based on a ratio of the energy volume sold to energy volume produced.
Deferred tax assets or liabilities include deferred tax related to employee provisions and the difference between tax and accounting depreciation/ amortisation of assets used in energy production. These items have been apportioned to the respective types of the energy business based on the volume ratio defined above.
Inventories assigned to the energy business include materials and semi-finished products. The key to their allocation is a ratio of the cost of energy products sold to total cost of all products sold.
Receivables are assigned directly to the individual types of the energy business on the basis of sale invoices.
Cash and cash equivalents have been allocated to the respective types of the energy business pro rata to revenue generated from this business.

Items presented under 'Retained earnings' include net profits or losses from the individual types of the energy business as reported in the statement of comprehensive income, accumulated profits brought forward and components balancing assets and equity and liabilities.
Employee benefits and other liabilities and provisions have been apportioned among the individual types of the energy business based on a ratio of the energy volume sold to energy volume produced.
For trade payables, the allocation key is a ratio of the cost of energy products sold to total cost of all products sold.

A separate statement of comprehensive income for 2014 and statement of financial position as at December 31st 2014 with a breakdown of items by types of the energy business, along with selected additional notes, are presented below.

GRUPA LOTOS S.A.
STATEMENT OF COMPREHENSIVE INCOME
for 2014

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Revenue	9.1; 35.1.1	26,243,106	26,697,179
- from principal business		26,234,431	26,687,844
- from heat generation business		2,986	3,149
- from heat transmission business		289	296
- from electricity transmission business		2,104	2,183
- from electricity trading business		3,296	3,707
Cost of sales	9.2	(26,660,350)	(26,214,651)
- from principal business		(26,650,145)	(26,202,637)
- from heat generation business		(5,333)	(6,543)
- from heat transmission business		(884)	(979)
- from electricity transmission business		(544)	(603)
- from electricity trading business		(3,444)	(3,889)
Gross profit/(loss)		**(417,244)**	**482,528**
- from principal business		**(415,714)**	**485,207**
- from heat generation business		**(2,347)**	**(3,394)**
- from heat transmission business		**(595)**	**(683)**
- from electricity transmission business		**1,560**	**1,580**
- from electricity trading business		**(148)**	**(182)**
Distribution costs	9.2	(667,323)	(614,354)
- from principal business		(667,323)	(614,354)
- from heat generation business		-	-
- from heat transmission business		-	-
- from electricity transmission business		-	-
- from electricity trading business		-	-
Administrative expenses	9.2	(205,731)	(224,935)
- from principal business		(205,652)	(224,833)
- from heat generation business		(41)	(56)
- from heat transmission business		(7)	(8)
- from electricity transmission business		(4)	(5)
- from electricity trading business		(27)	(33)
Other income	9.4; 35.1.3	6,164	12,125
- from principal business		6,162	12,121
- from heat generation business		1	1
- from heat transmission business		-	-
- from electricity transmission business		-	1
- from electricity trading business		1	2
Other expenses	9.5; 35.1.4	(10,049)	(8,163)
- from principal business		(10,046)	(8,160)
- from heat generation business		(2)	(2)
- from heat transmission business		-	-
- from electricity transmission business		-	-
- from electricity trading business		(1)	(1)
Operating profit/(loss)		**(1,294,183)**	**(352,799)**
- from principal business		**(1,292,573)**	**(350,016)**
- from heat generation business		**(2,389)**	**(3,451)**
- from heat transmission business		**(602)**	**(692)**
- from electricity transmission business		**1,556**	**1,575**
- from electricity trading business		**(175)**	**(215)**
Finance income	9.6	169,581	412,140
- from principal business		169,525	411,994
- from heat generation business		19	49
- from heat transmission business		2	5

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
- from electricity transmission business		14	34
- from electricity trading business		21	58
Finance costs	9.7	(421,267)	(144,528)
- from principal business		(421,106)	(144,463)
- from heat generation business		(84)	(36)
- from heat transmission business		(14)	(5)
- from electricity transmission business		(9)	(3)
- from electricity trading business		(54)	(21)
Gain on disposal of investments		-	7,662
Pre-tax profit/(loss)		**(1,545,869)**	**(77,525)**
- from principal business		**(1,544,154)**	**(74,822)**
- from heat generation business		**(2,454)**	**(3,438)**
- from heat transmission business		**(614)**	**(692)**
- from electricity transmission business		**1,561**	**1,606**
- from electricity trading business		**(208)**	**(179)**
Income tax expense	10.1	259,959	62,751
- from principal business		260,197	63,013
- from heat generation business		11	3
- from heat transmission business		11	5
- from electricity transmission business		(260)	(270)
- from electricity trading business		-	-
Net profit/(loss)		**(1,285,910)**	**(14,774)**
- from principal business		**(1,283,957)**	**(11,792)**
- from heat generation business		**(2,443)**	**(3,441)**
- from heat transmission business		**(603)**	**(698)**
- from electricity transmission business		**1,301**	**1,336**
- from electricity trading business		**(208)**	**(179)**

GRUPA LOTOS S.A.
STATEMENT OF FINANCIAL POSITION
as at December 31st 20142014

PLN '000		Dec 31 2014	Dec 31 2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	6,299,421	6,572,705
- principal business		6,291,662	6,564,327
- heat generation business		1,575	1,025
- heat transmission business		1,374	1,654
- electricity transmission business		4,810	5,699
- electricity trading business		-	-
Intangible assets	14	120,388	114,448
- principal business		120,387	114,447
- heat generation business		1	1
- heat transmission business		-	-
- electricity transmission business		-	-
- electricity trading business		-	-
Shares	16	1,220,535	910,649
Deferred tax assets	10.3	164,952	-
- principal business		165,243	-
- heat generation business		(34)	-
- heat transmission business		(8)	-
- electricity transmission business		(249)	-
- electricity trading business		-	-
Other non-current assets	17	240,484	439,537
Total non-current assets		**8,045,780**	**8,037,339**
- principal business		**8,038,310**	**8,028,960**
- heat generation business		**1,542**	**1,026**
- heat transmission business		**1,367**	**1,654**
- electricity transmission business		**4,561**	**5,699**
- electricity trading business		**-**	**-**
Current assets			
Inventories	18	3,573,922	5,544,460
- principal business		3,573,018	5,542,714
- including mandatory stocks	*18.2*	*2,153,696*	*4,247,822*
- heat generation business		481	912
- heat transmission business		384	764
- electricity transmission business		39	70
- electricity trading business		-	-
Trade receivables	17	1,248,777	1,584,750
- principal business		1,247,989	1,583,841
- heat generation business		306	389
- heat transmission business		44	40
- electricity transmission business		169	180
- electricity trading business		269	300
Current tax assets		502	10,296
Derivative financial instruments	25	11,203	73,956
Other current assets	17	1,170,921	84,580
Cash and cash equivalents	19	239,642	224,031
- principal business		239,551	223,926
- heat generation business		30	31
- heat transmission business		5	9
- electricity transmission business		26	34
- electricity trading business		30	31
Total current assets		**6,244,967**	**7,522,073**
- principal business		**6,243,183**	**7,519,313**
- heat generation business		**817**	**1,333**
- heat transmission business		**434**	**812**

PLN ’000		Dec 31 2014	Dec 31 2013
- electricity transmission business		**234**	**284**
- electricity trading business		**299**	**331**
Non-current assets held for sale (or disposal groups)	15	**48,996**	**-**
Total assets		**14,399,743**	**15,559,412**
- principal business		**14,390,490**	**15,548,272**
- heat generation business		**2,359**	**2,359**
- heat transmission business		**1,800**	**2466**
- electricity transmission business		**4,795**	**5984**
- electricity trading business		**299**	**331**
EQUITY AND LIABILITIES			
Equity			
Share capital	20	184,873	129,873
Share premium	21	2,229,626	1,311,348
Cash flow hedging reserve	22	(412,535)	61,019
Retained earnings	23	4,344,812	5,633,355
- principal business		4,335,829	5,623,739
- heat generation business		2,217	1,467
- heat transmission business		1,782	2,323
- electricity transmission business		4,765	5,628
- electricity trading business		219	198
Total equity		**6,346,776**	**7,135,595**
- principal business		**6,337,793**	**7,125,979**
- heat generation business		**2,217**	**1,467**
- heat transmission business		**1,782**	**2,323**
- electricity transmission business		**4,765**	**5,628**
- electricity trading business		**219**	**198**
Non-current liabilities			
Bank borrowings	24	3,613,674	3,538,779
Derivative financial instruments	25	62,626	52,876
Deferred tax liabilities	10.3	-	206,817
- principal business		-	206,427
- heat generation business		-	49
- heat transmission business		-	21
- electricity transmission business		-	320
- electricity trading business		-	-
Employee benefit obligations	26	67,267	53,300
- principal business		67,200	53,242
- heat generation business		51	44
- heat transmission business		4	4
- electricity transmission business		12	10
- electricity trading business		-	-
Total non-current liabilities		**3,743,567**	**3,851,772**
- principal business		**3,743,500**	**3,851,324**
- heat generation business		**51**	**93**
- heat transmission business		**4**	**25**
- electricity transmission business		**12**	**330**
- electricity trading business		**-**	**-**
Current liabilities			
Bank borrowings	24	1,661,771	1,327,536
Derivative financial instruments	25	146,006	28,297
Trade payables	27	1,664,882	2,436,614
- principal business		1,664,699	2,435,560

PLN ’000		Dec 31 2014	Dec 31 2013
- heat generation business		77	783
- heat transmission business		13	117
- electricity transmission business		13	20
- electricity trading business		80	134
Employee benefit obligations	26	26,692	33,582
- principal business		26,689	33,578
- heat generation business		2	3
- heat transmission business		-	-
- electricity transmission business		1	1
- electricity trading business		-	-
Other liabilities and provisions	27	750,049	746,016
- principal business		750,032	745,998
- heat generation business		12	13
- heat transmission business		1	1
- electricity transmission business		4	4
- electricity trading business		-	-
Total current liabilities		**4,249,400**	**4,572,045**
- principal business		**4,249,197**	**4,570,969**
- heat generation business		**91**	**799**
- heat transmission business		**14**	**118**
- electricity transmission business		**18**	**26**
- electricity trading business		**80**	**133**
Total liabilities		**7,992,967**	**8,423,817**
- principal business		**7,992,697**	**8,422,293**
- heat generation business		**142**	**892**
- heat transmission business		**18**	**143**
- electricity transmission business		**30**	**356**
- electricity trading business		**80**	**133**
Total equity and liabilities		**14,399,743**	**15,559,412**
- principal business		**14,390,490**	**15,548,272**
- heat generation business		**2,359**	**2,359**
- heat transmission business		**1,800**	**2,466**
- electricity transmission business		**4,795**	**5,984**
- electricity trading business		**299**	**331**

35.1 Income and expenses

35.1.1 Revenue

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
Revenue from sale of products	25,674,929	25,340,531
- including the effect of cash flow hedge accounting	*(7,992)*	*(12,452)*
Revenue from rendering of services	125,765	125,248
- with respect to heat generation	2,986	3,149
- with respect to heat transmission	289	296
- with respect to electricity transmission	2,104	2,183
- other	120,386	119,620
Total revenue from sale of products and rendering of services	**25,800,694**	**25,465,779**
Revenue from sale of merchandise	438,840	1,226,439 (1)
- electricity	3,296	3,707
- other merchandise	435,544	1,222,732
Revenue from sale of materials	3,572	4,961
Total revenue from sale of merchandise and materials	**442,412**	**1,231,400**
Total	**26,243,106**	**26,697,179**
- including to related entities	*11,785,044*	*12,906,993*

(1) Higher revenue from sale of merchandise was due to the fact that continuity of supplies to the Company's trading partners was maintained during the refinery's overhaul shutdown in Q1 2013.

35.1.2 Expenses by nature

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
Amortisation and depreciation		350,901	391,069
- from principal business		350,056	390,071
- from heat generation business		97	149
- from heat transmission business		449	496
- from electricity transmission business		299	353
- from electricity trading business		-	-
Raw materials and consumables used		24,440,400	24,514,794
- from principal business		24,435,408	24,508,829
- including exchange differences [(1)]	*28.3*	*65,131*	*(77,257)*
- from heat generation business		4,943	5,913
- from heat transmission business		2	24
- from electricity transmission business		47	28
- from electricity trading business		-	-
Services		908,524	919,451
- from principal business		908,196	919,005
- from heat generation business		123	237
- from heat transmission business		90	93
- from electricity transmission business		115	116
- from electricity trading business		-	-
Taxes and charges		105,205	103,169
- from principal business		104,860	102,795
- from heat generation business		21	28
- from heat transmission business		284	301
- from electricity transmission business		40	45
- from electricity trading business		-	-
Employee benefits expense	9.3	198,569	206,416
- from principal business		198,320	206,090
- from heat generation business		148	198
- from heat transmission business		58	66
- from electricity transmission business		43	62
- from electricity trading business		-	-
Other expenses by nature		107,310	76,676
- from principal business		107,229	76,558
- from heat generation business		42	74
- from heat transmission business		8	7
- from electricity transmission business		4	4
- from electricity trading business		27	33
Merchandise and materials sold		418,833	1,178,221
- from principal business		415,389	1,174,332
- from electricity trading business		3,444	3,889
Total expenses by nature		**26,529,742**	**27,389,796**
- from principal business		**26,519,458**	**27,377,680**
- from heat generation business		**5,374**	**6,599**
- from heat transmission business		**891**	**987**
- from electricity transmission business		**548**	**608**
- from electricity trading business		**3,471**	**3,922**
Change in products and adjustments to cost of sales		1,003,662	(335,856)
Total		**27,533,404**	**27,053,940**
- from principal business		**27,523,120**	**27,041,824**
- from heat generation business		**5,374**	**6,599**
- from heat transmission business		**891**	**987**
- from electricity transmission business		**548**	**608**
- from electricity trading business		**3,471**	**3,922**

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

35.1.3 Other income

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
Other income	**6,164**	**12,125**
- from principal business	**6,162**	**12,121**
- from heat generation business	**1**	**1**
- from heat transmission business	**-**	**-**
- from electricity transmission business	**-**	**1**
- from electricity trading business	**1**	**2**

35.1.4 Other expenses

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
Other expenses	**10,049**	**8,163**
- from principal business	**10,046**	**8,160**
- from heat generation business	**2**	**2**
- from heat transmission business	**-**	**-**
- from electricity transmission business	**-**	**-**
- from electricity trading business	**1**	**1**

36. Approval of the financial statements

These financial statements were authorised for issue by the Management Board on March 5th 2015.

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