Cooperation Inspires Change

Grupa LOTOS S.A.
Integrated Annual Report 2014

PDF version

Grupa LOTOS S.A.
Integrated Annual Report 2014

The Organization and its Report

The Organization and its Report

39.3%
increase of crude oil production

A WSE prize for the highest public share offering value

Investment
in the upstream sector and in the EFRA Project

5,100
employees in the LOTOS Group

Reporting in accordance with
GRI G3.1.
and the Oil and Gas Sector Supplement

firma DOBRZE WIDZIANA

A Well Perceived Company

IN THIS CHAPTER:

Key data 2014

With revenue of ca. PLN 28.5bn in 2014, we rank fourth in the group of 500 largest businesses in Poland.

Letter from the Chairman of the Supervisory Board

In 2014, the most important project of key significance to the Company's further development was its Secondary Public Offering (SPO), which turned out to be a spectacular success. The State Treasury, Grupa LOTOS' majority shareholder, subscribed for all new shares it was entitled to, as did other shareholders.

Letter from the President of the Board

The success of the Grupa LOTOS' SPO was a measure of trust of our shareholders and potential investors in our capacity to effectively operate amid economic and political turmoil. It was a resounding vote of trust of our shareholders and investors in the development strategy of Grupa LOTOS.

The Organization

Apart from Grupa LOTOS (the parent and operator of the Gdańsk-based refinery), the LOTOS Group comprises 14 other companies operating under the LOTOS name. Two of them are based outside Poland, in Lithuania and Norway.

Integrated reporting

Our reporting model follows the guidelines included in Directive 2014/95/EU of the European Parliament and of the Council of October 22nd 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

Awards and distinctions

According to the Chapter of the ninth edition of 'The Best Annual Report' contest, the 2013 Integrated Annual Report of Grupa LOTOS exemplifies a publication based on which investment decisions can be made at a relatively minimal risk.

Membership in organizations

Representatives of Grupa LOTOS take part in the work of different organizations and we treat our membership in them as strategically important. The goals of these organizations are e.g. to develop new legislative solutions for the energy sector and to actively participate in public consultation of draft acts regulating the sector.

Key data 2014

GRUPA LOTOS – selected information*

FINANCIALS	Unit	For the year ended Dec 31 2014	For the year ended Dec 31 2013	Change
				(restated)
Revenue	PLN '000	26,243,106	26,697,179	-2%
Operating profit/(loss)	PLN '000	(1,294,183)	(352,799)	-
Pre-tax profit/(loss)	PLN '000	(1,545,869)	(77,525)	-
Net profit/(loss)	PLN '000	(1,285,910)	(14,774)	-
Total comprehensive income/(loss)	PLN '000	(1,762,097)	83,242	-2,217%
Net cash from operating activities	PLN '000	561,327	733,621	-23%
Net cash from investing activities	PLN '000	(137,277)	51,026	-369%
Net cash from financing activities	PLN '000	(392,823)	(597,916)	-
Total net cash flow	PLN '000	31,227	186,731	-83%
Basic earnings/(loss) per share	PLN	(8.87)	(0.10)	-
Charitable donations	PLN '000	705	1,811	-61%
Pro-environmental investment	PLN '000	16,040	63,012	-74.5%

FINANCIALS	Unit	As at Dec 31 2014	As at Dec 31 2013	Change
Total assets	PLN '000	14,339,743	15,559,412	-8%
Equity	PLN '000	6,346,776	7,135,595	-11%

NON-FINANCIAL DATA	Unit	Year ended Dec 31 2014	Year ended Dec 31 2013	Change
				(comparative data)
Employees 1/	Number of employees	1,343	1,334	0.7%
Employee turnover	%	9.55	11.8	-2.25 pp.
Lost Time Injury Frequency LTIF index (per 1 million hours worked) 2/		0.9	4.5	-
Total water consumption	m^3	3,610,693	3,737,302	-3.4%
CO_2 emissions	thousand tonnes per year	1,820	1,689	7.8%

THE LOTOS GROUP – selected consolidated data**

FINANCIALS	Unit	For the year ended Dec 31 2014	For the year ended Dec 31 2013	Change
				(restated)
Revenue	PLN '000	28,501,887	28,559,165	0%
Operating profit/(loss)	PLN '000	(1,393,008)	166,600	-936%
Pre-tax profit/(loss)	PLN '000	(2,123,715)	(58,676)	-
Net profit/(loss)	PLN '000	(1,466,372)	39,428	-3,819%
Net profit/(loss) attributable to owners of the Parent	PLN '000	(1,466,326)	39,415	-3,820%
Net profit/(loss) attributable to non-controlling interests	PLN '000	(46)	13	-454%

Total comprehensive income/(loss)	PLN '000	(1,902,137)	123,450	-1,641%
Total comprehensive income/(loss) attributable to owners of the Parent	PLN '000	(1,902,096)	123,439	-1,641%
Total comprehensive income attributable to non-controlling interests	PLN '000	(41)	11	-473%
Net cash from operating activities	PLN '000	1,380,488	1,416,277	-3%
Net cash from investing activities	PLN '000	(958,338)	(931,051)	-
Net cash from financing activities	PLN '000	(597,271)	(243,864)	-
Total net cash flow	PLN '000	(175,121)	241.362	-173%
Basic earnings/(loss) per share	PLN	(10.11)	0.28	-3,711%
Charitable donations	PLN '000	1,169	2,131	-45%
Pro-environmental investment	PLN '000	17,665	66,348	-73%
FINANCIALS	**Unit**	**As at Dec 31st 2014**	**As at Dec 31st 2013**	**Change**
Total assets	PLN '000	18,947,157	20,284,754	-7%
Equity attributable to owners of the Parent	PLN '000	8,258,288	9,189,307	-10%
Non-controlling interests	PLN '000	175	289	-39%
Total equity	PLN '000	8,258,463	9,189,596	-10%
NON-FINANCIAL DATA	**Unit**	**Year ended Dec 31 2014**	**Year ended Dec 31 2013**	**Change**
				(comparative data)
Employees [1/]	Number of employees	4,789	4,773	0.33%
Lost Time Injury Frequency LTIF index (per 1 million hours worked) [2/]		2.3	4.4	-
Share in the fuel market	%	33.1	33.2	0.1 pp
Crude oil production	thousand tonnes	305.2	219.1	39.3%
Natural gas production	million Nm^3	239.2	16.8	1,324%

[*] For information on Grupa LOTOS' financial performance, please see our financial statements. (See more <http://inwestor.lotos.pl/en/1744/reports__key_data/annual_reports/2014>)

[**] For information on the LOTOS Group's financial performance, please see the LOTOS Group's financial statements. (See more <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014>)

[1/] Average annual headcount.

[2/] LTIF – number of occurrences resulting in inability to work x 10^6 / number of hours worked, for the average annual headcount.

RELATED CONTENT:

Letter from the Vice-President of the Board

2014 ushered in a series of challenges for the companies in the fuel sector. The decisions made by the LOTOS Group have demonstrated that we are able to take rapid steps to adapt to a demanding environment and ensure the desired profitability for our projects.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/letter-from-the-vice-president-of-the-board>

Consolidated Financial Statements for 2014

Go to the page » <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014>

Letter from the Chairman of the Supervisory Board


Wiesław Skwarko - Chairman of the Supervisory Board

Ladies and Gentlemen,

It is with immense satisfaction that we present the 2014 Integrated Annual Report of Grupa LOTOS. It confirms the right choices we have made for the Company's development, but first and foremost, it proves the managerial skills and high competence of its Board members.

In 2014, the most important project of key significance to the Company's further development was its Secondary Public Offering (SPO). Immaculately prepared and carried out, it turned out to be a spectacular success putting Grupa LOTOS ahead of other companies which have launched an SPO on the capital market in recent years. The State Treasury, Grupa LOTOS' majority shareholder, subscribed for all new shares it was entitled to, as did other shareholders. As a result, the reduction rate for additional orders was 98.33%. Having raised considerable funds in the challenging market environment and having won the trust of shareholders for new investment projects, the Board demonstrated its responsibility for the Company not only in the short term, but also in the long-term perspective. The issue proceeds will be applied towards financing of the EFRA Project (i.e. construction of a delayed coking unit with auxiliary infrastructure) and towards development of the B4/B6 gas fields in the Baltic Sea. These projects will be the drivers of shareholder value creation, strengthening the Company's competitive edge in the coming years.

The Company's transparency, accountability and effectiveness in all areas of operation are of utmost importance to its shareholders. Therefore, in 2014 LOTOS continued to work on projects under its Corporate Social Responsibility (CSR) strategy, but also effectively supported initiatives aimed to improve the living conditions of local communities and protect the natural environment. Once again, the Company won the recognition of its stakeholders, and its outreach initiatives were held up as a model of corporate citizenship of the 21st century.

Looking back from the vantage point of 2015, it is clear that 2014 was a year spent wisely and diligently on building solid foundations for further growth of the entire LOTOS Group. The organization's strategy for the next five years will be communicated to the shareholders and capital market in the second half of 2015. Therefore, congratulations are owed to everyone who contributed to the success of LOTOS in the previous year, when foundations were laid for a new and exciting stage of the Company's development. Words of appreciation go to the Grupa LOTOS Board for taking the Company through a challenging period, and to all employees, whose commitment was one of the forces strengthening the position of LOTOS among the leaders of Poland's economy.

Yours faithfully,

Wiesław Skwarko

Wiesław Skwarko
Chairman of the Supervisory Board
Grupa LOTOS

RELATED CONTENT:

The Supervisory Board

Members of the Supervisory Board are appointed by the General Meeting. The Supervisory Board performs its duties collectively, but may also set up ad hoc or standing committees to exercise supervision of specific areas of the Company's activities.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board>

Shareholding structure

The State Treasury holds ordinary bearer shares in Grupa LOTOS representing 53.19% of its share capital and the same proportion of voting rights at its GM whereas 8.6% of Grupa LOTOS share capital belongs to ING OFE. In 2014, the remaining 38.21% of the share capital was free float.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/shareholding-structure>

Strategic objectives

The LOTOS Group's Strategy is designed to strengthen our position as a strong, innovative and efficient business which plays a major role in ensuring national energy security.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/strategic-objectives>

Letter from the President of the Board

Paweł Olechnowicz - President of the Board, Chief Executive Officer

Ladies and Gentlemen,

It is a great honour for me to be able to present to you the 2014 Integrated Annual Report of Grupa LOTOS. The document reflects the dramatic developments which shook the oil and currency markets, particularly in the second half of the year. The repercussions of these events posed an enormous challenge to many oil companies, which were forced to react fast to the emerging threats and review their plans.

Although the implementation process of our strategy had to be adapted to these challenging conditions, our development programmes and investment projects were not abandoned, but rather optimised. The situation on global markets is still unstable, but we already know that LOTOS is poised to navigate the turbulence safely, gather momentum and make progress.

The financial performance of the LOTOS Group in 2014 was significantly affected by the changes on the crude oil and currency markets: the oil price slump and the resulting decline of refining product prices (oil price down from USD 111 on June 30th 2014 to USD 55 on December 31st 2014), and the appreciation of USD against PLN by more than PLN 0.20. The situation made recognition of certain impairment losses necessary and affected the size of the Company's debt denominated in USD. Nonetheless, these were purely accounting matters and had no material effect on the financial standing of LOTOS.

As evidenced by the successful public offering of Grupa LOTOS shares, our shareholders believe that we are capable of effective performance in a turbulent market environment. This equity issue also clearly demonstrates that our management strategy is an effective one. We are proud that such a large offering, carried out in challenging circumstances, was a complete success. Among those who cast this important vote of confidence in the Company's growth plans was the Ministry of State Treasury, a majority shareholder of Grupa LOTOS, which subscribed for all of the shares it was entitled to.

With close to PLN 1bn raised, this was the largest equity offering on the Warsaw Stock Exchange in 2014. The proceeds will be applied towards financing of the EFRA Project, which involves construction of a delayed coking unit with auxiliary infrastructure, and development of B4 and B6 gas fields in the Baltic Sea.

The new facility to be created under the EFRA Project will intensify our crude processing capacities and improve our refining margin by some USD 2/bbl. The total cost of the EFRA Project is estimated at ca. PLN 2.34bn, and the issue proceeds are expected to contribute PLN 530m-650m to the project's financing. We plan to complete the project in 2018.

The second objective of the issue is to co-finance the development of the B4 and B6 gas fields in the Baltic Sea, which hold approximately 4bn m^3 of natural gas. The project's total capex is projected in the region of PLN 800m. The Company intends to apply PLN 350m-470m from the issue proceeds towards co-financing of the project. We plan to launch production from the fields in late 2017 or early 2018.

The two investment projects will strengthen the position of LOTOS on the increasingly competitive market and help further build the Company's value – to the benefit of its shareholders.

Last year saw LOTOS become more involved in activities designed to support society and its needs, with a view to sustainable development of the environment in which we operate. Thanks to our freshly developed and consistently implemented CSR strategy, we can address social and environmental challenges, contributing to improving the life quality of our key stakeholder groups. Driven by our responsible approach to doing business, we have developed in Poland a modern sports sponsorship model. The model centres around strict adherence to law, transparency and clear-cut rights and responsibilities of both sides of the relationship. 2014 was an especially successful year, as the athletes sponsored by Grupa LOTOS – Kamil Stoch and Justyna Kowalczyk – won three gold medals at the Winter Olympics in Sochi, in what has been Poland's best result in the history of the Winter Olympic Games. It has also been for the first time that a Polish athlete picked up two gold medals during the winter games. Through our CSR programme entitled 'In Search for the Champion's Successors', we gathered a group of talented ski jumpers, who now enjoy great success and make millions of Polish fans happy. Another of our initiatives – 'White and Green Future with LOTOS' – helps foster future football talents and encourages children and youths to take up the sport. On February 17th 2015, as a crowning achievement in our football adventure, we signed an agreement with the Polish Football Association (PZPN) which saw us become the sponsor of Poland's football team. We hope that our support will help our players advance to the final tournament of the UEFA European Championship, which will be held next year in France.

Experts believe that the only good thing about a crisis is that it is bound to end eventually. Keeping a close eye on the market, we can already see the first signs of normalisation. It gives me great satisfaction to say that LOTOS, once again, has not only drawn the right conclusions, but has also been able to implement effective mechanisms to protect us in this challenging macroeconomic environment. Thanks to these actions, we can now conduct business operations in a stable manner, as well as enhance our competitive position by investing in technological facilities designed to intensify our crude oil processing capabilities and by expanding operations in the upstream sector.

LOTOS is growth and life. The motto has been our guiding principle since the very beginning, enabling us to create a robust and resilient organism, capable of withstanding the most challenging of circumstances. We will continue to deliver the same performance, working together, supported by motivation and commitment, to achieve success again.

Ladies and Gentlemen,

Reviewing our operation in 2014, I wish to thank all employees of the LOTOS Group. Our growing market position is a tangible confirmation of their dedication and commitment to work for the benefit of LOTOS. We put a lot of effort into building our internal and external relations in line with the concept of corporate social responsibility. Our system of ethical values, such as cooperation, respect, professionalism and transparency, supports us in achieving these goals. To the LOTOS stakeholders, our values are a guarantee of high standards of conduct.

With kindest regards,

Paweł Olechnowicz
President of the Board
Chief Executive Officer
Grupa LOTOS

RELATED CONTENT:

The Board

The Board is appointed by the Supervisory Board. It manages the Company's affairs and represents it in relation to all its business, with the exception of matters reserved for the General Meeting or Supervisory Board, as well as matters falling outside the scope of ordinary management of the business.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos>

System of values

At the LOTOS Group, in our business and CSR activities we are guided by the key principle of legal compliance and responsibility for the impact of our operations on the world around us. We improve our organizational culture by rooting it in a strong and coherent value system.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics/system-of-values>

Awards and distinctions

According to the Chapter of the ninth edition of 'The Best Annual Report' contest, the 2013 Integrated Annual Report of Grupa LOTOS exemplifies a publication based on which investment decisions can be made at a relatively minimal risk.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/awards-and-distinctions>

The Organization

About us

The LOTOS Group's main market is Poland, but our foreign sales are also steadily rising. In 2014, we ranked third among Poland's largest exporters.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/about-us>

Shareholding structure

The State Treasury holds ordinary bearer shares in Grupa LOTOS representing 53.19% of its share capital and the same proportion of voting rights at its GM whereas 8.6% of Grupa LOTOS share capital belongs to ING OFE. In 2014, the remaining 38.21% of the share capital was free float.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/shareholding-structure>

Structure

Within the LOTOS Group, the role of Grupa LOTOS is to integrate the key management and support functions. To perform its role, Grupa LOTOS has implemented a segmental management model.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/structure>

About us

This 2014 Integrated Annual Report provides an overview of the activities of the LOTOS Group (the "LOTOS Group"), with a particular focus on the LOTOS Group's parent – Grupa LOTOS S.A. ("Grupa LOTOS", the "Company" or "we").

We are one of Europe's major and most efficient oil companies and the second largest producer of fuels in Poland. We are the sole company producing hydrocarbons in the Polish Exclusive Economic Zone of the Baltic Sea, and have almost exclusive rights to carry out exploration and production work in the Baltic Sea. We also produce crude oil in the Norwegian Continental Shelf and have access to onshore oil deposits in Lithuania. Our refinery in Gdańsk is one of the newest and most advanced refineries in Europe in terms of applied technologies and environmental protection.

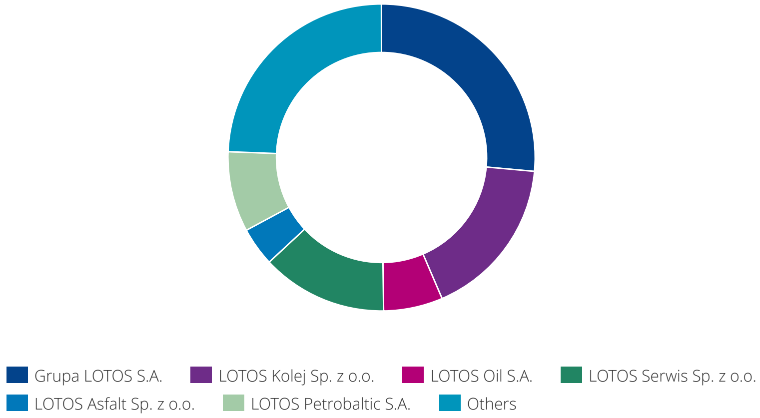
With revenue of ca. PLN 28.5bn in 2014, we rank fourth in the group of 500 largest businesses in Poland. [1]

Grupa LOTOS shares have been listed on the Warsaw Stock Exchange since June 2005. Since November 2009, LOTOS shares have also been a constituent of the Warsaw Stock Exchange's RESPECT Index of socially responsible companies.

The LOTOS Group employs more than 5,000 people in Poland and abroad.

[1] 500 largest companies listed by the *Rzeczpospolita* daily as at May 13th 2015.

LOTOS Group workforce structure by key companies
As at December 31st 2014

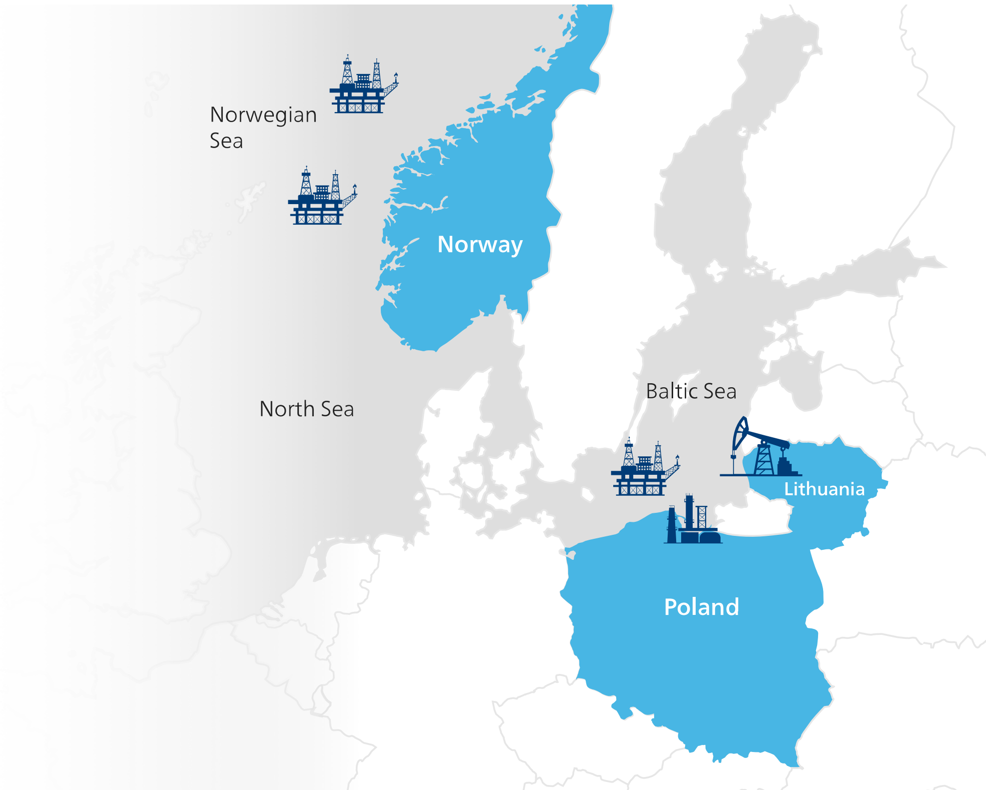


LOTOS Group workforce structure by sex as at December 31st 2014

Item	Men	Women	Total
blue-collar jobs	2,537	168	**2,705**
white-collar jobs	1,409	992	**2,401**
Total	**3,946**	**1,160**	**5,106**

Apart from Grupa LOTOS (the parent and operator of the Gdańsk-based refinery with a nominal throughput capacity of 10.5m tonnes of crude oil per year), the LOTOS Group comprises 14 other companies operating under the LOTOS name. Two of them are based outside Poland, in Lithuania and Norway.

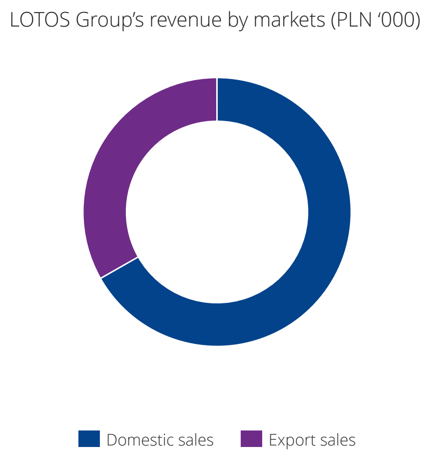
Territory of the LOTOS Group's operations



The LOTOS Group's Strategy is designed to strengthen our position as a strong, innovative and efficient business which plays a major role in ensuring national energy security. Our operations consist in crude oil production and processing, as well as wholesale and retail sale of petroleum products. We achieve our business objectives with due regard to corporate social responsibility and sustainable development, and contribute to the development of local communities in the areas where we are present and economic growth of the entire country. In 2014, the LOTOS Group paid taxes in the total amount of PLN 11,403,606,000.

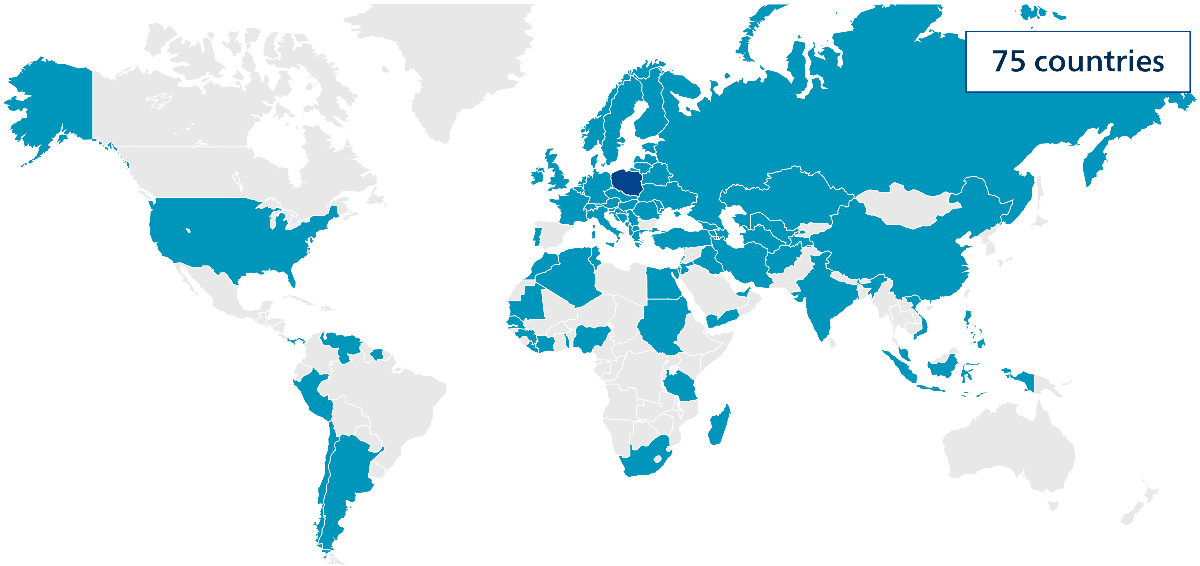
The LOTOS Group's main market is Poland, but our foreign sales are also steadily rising. In 2014, we ranked third among Poland's largest exporters, with exports revenue of ca. PLN 9.5bn. [2]

[2] 500 largest companies listed by the *Rzeczpospolita* daily as at May 13th 2015.



We export our products to 75 countries all over the world.

Exports of LOTOS brand products



Poland's third largest chain of service stations operates under the LOTOS brand. Through this chain, we offer products and services in the premium segment, which also comprises motorway service stations. One-third of our stations operate in the economy segment, under the LOTOS Optima brand. Expansion of the LOTOS chain and enhanced sales strengthened the LOTOS Group's presence on the retail market, pushing its share up to 9% at the end of 2014 (vs. 8.5% in 2013).

RELATED CONTENT:

System of values

At the LOTOS Group, in our business and CSR activities we are guided by the key principle of legal compliance and responsibility for the impact of our operations on the world around us. We improve our organizational culture by rooting it in a strong and coherent value system.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics/system-of-values>

Business model

Our operations consist in crude oil production and processing, as well as wholesale and retail sale of petroleum products, among which are: fuels (unleaded gasoline, diesel oil and light fuel oil), heavy fuel oil, bitumens, aviation fuel, naphtha, propane-butane LPG and base oils.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/business-model>

Employees

Our objective is to ensure the availability of highly qualified staff required for successful implementation of the LOTOS Group's business strategy and enhancement of the corporate culture based on adopted values. It is our priority to raise awareness and commitment among our employees and contractors to improving their work safety.

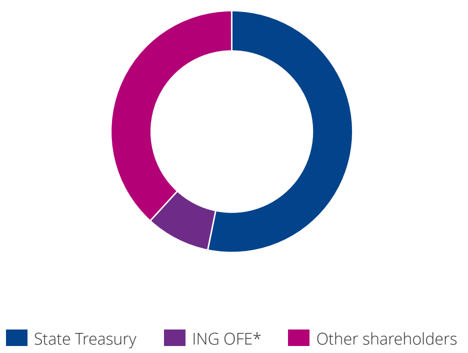
Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/employees>

Shareholding structure

The share capital of Grupa LOTOS did not change relative to 2013 and comprised 129,873,362 fully paid-up ordinary shares with a par value of PLN 1 per share. Each share confers the right to one vote at the General Meeting (GM) and carries the right to dividend.

On April 29th 2013, the Company was notified that, as a result of acquisition of Grupa LOTOS shares in transactions on the Warsaw Stock Exchange settled on April 24th 2013, the open-end pension fund ING Otwarty Fundusz Emerytalny increased its shareholding in the Company so that it exceeded the threshold of 5% of the total voting rights at theCompany's General Meeting. ING OFE announced that as at December 31st 2014 it held 8.57% of total voting rights at the Company's General Meeting.

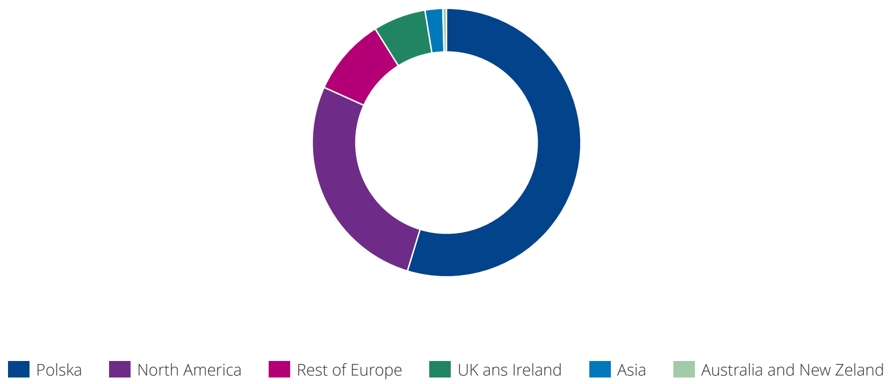
Shareholding structure of Grupa LOTOS as at the end of 2014



*Based on the investment funds' annual asset structures as at December 31st 2014 (Polish Press Agency).

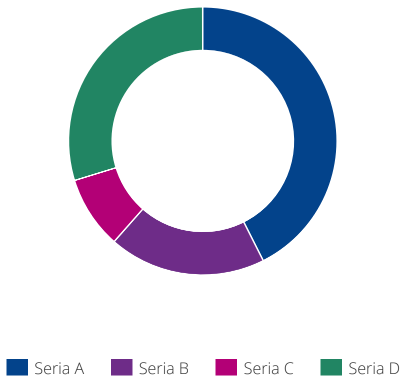
On January 9th 2015, the District Court for Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register, registered an increase in the share capital of Grupa LOTOS from PLN 129,873,362 to PLN 184,873,362, effected through the issue of 55,000,000 Series D ordinary bearer shares with 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.

Geographical distribution of non-controlling interests



At present, the share capital of Grupa LOTOS comprises 184,873,362 fully paid-up ordinary shares with a par value of PLN 1 per share. Each share carries the right to one vote at the General Meeting of Shareholders and the right to dividend.

Grupa LOTOS share capital structure by series



In 2013-2014 and until the date of this Report, the State Treasury held ordinary bearer shares in Grupa LOTOS representing 53.19% of its share capital and the same proportion of voting rights at its General Meeting. As at December 31st 2014, ING OFE held 8.6% of Grupa LOTOS share capital. In 2014, the remaining 38.21% of the share capital was free float.

Shareholders holding 5% or more of total voting rights at the Annual General Meeting as at June 30th 2014

Entity	Number of Grupa LOTOS shares	% of total voting rights at GM	% of share capital held
State Treasury	69,076,392	79.06	53.19
ING OFE	8,000,000	9.16	6.16

One share in Grupa LOTOS confers the right to one vote at its GM. However, pursuant to the Company's Articles of Association, the voting rights of Company shareholders are limited so that none of them can exercise more than 10% of total voting rights at the Company as at the date of the General Meeting, with the proviso that for the purpose of determining the obligations of buyers of major holdings of shares provided for in the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organized Trading and Public Companies of July 29th 2005 and the Act on Insurance Activity of May 22nd 2003, such limitation of voting rights is deemed non-existent.

RELATED CONTENT:

Letter from the Chairman of the Supervisory Board

In 2014, the most important project of key significance to the Company's further development was its Secondary Public Offering (SPO), which turned out to be a spectacular success. The State Treasury, Grupa LOTOS' majority shareholder, subscribed for all new shares it was entitled to, as did other shareholders.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/letter-from-the-chairman-of-the-supervisory-board>

Stock exchange

In 2014, Grupa LOTOS issued 55,000,000 Series D ordinary bearer shares in a public offering. The issue price of offered shares was set at PLN 18.10 per share. The issue proceeds will be applied towards co-financing of the EFRA Project, i.e. construction of a delayed coking unit at the Gdańsk refinery, and towards the development of our gas fields in the Baltic Sea.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/stock-exchange>

Structure

As at December 31st 2014, the LOTOS Group comprised Grupa LOTOS (the parent), as well as 35 production and service companies, including:

- 14 direct subsidiaries of Grupa LOTOS,
- 21 indirect subsidiaries of Grupa LOTOS.

Composition of the LOTOS Group

Name	Registered office	Principal business activity	Ownership interest (%)	
			Dec 31 2014	Dec 31 2013
Parent				
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable
Direct subsidiaries				
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station chain	100.00%	100.00%
LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and plasticisers, and sale of base oils	100.00%	100.00%
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, overhaul and repair services	100.00%	100.00%
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire service activities	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Security services	100.00%	100.00%
LOTOS Terminale S.A. (parent of another group)	Czechowice-Dziedzice	Storage and distribution of fuels	100.00%	100.00%
LOTOS Infrastruktura S.A. (parent of another group) (1)	Jasło	Storage and distribution of fuels; renting and management of own or leased real estate	66.95% (2)	100.00%
LOTOS Petrobaltic S.A. (parent of another group)	Gdańsk	Acquisition of crude oil and natural gas deposits, extraction of hydrocarbons	99.99% (3)	99.98%
LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation) (4)	Jasło	Dormant	100.00%	100.00%
Infrastruktura Kolejowa Sp. z o.o.	Gdańsk	Dormant	100.00% (5)	-
Indirect subsidiaries				
RCEkoenergia Sp. z o.o. (1)	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	100.00%	100.00%
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	100.00%	100.00%
Miliana Shipholding Company Ltd (parent of another group)	Nicosia Cyprus	Storage and transport of crude oil, other maritime transport services and management of own financial assets	99.99% (3)	99.98%
Technical Ship Management Sp. z o.o. (parent of another group)	Gdańsk	Maritime transport support activities, ship operation advisory services	99.99% (3), (6)	1.00% (6)
SPV Baltic Sp. z o.o.	Gdańsk	Drilling services on oil and gas fields	99.99% (3), (6)	1.00% (6)

Miliana Shipmanagement Ltd	Nicosia, Cyprus	Provision of sea transport and related services	99.99% (3)	99.98%
Miliana Shipping Group Ltd (parent of another group)	Nicosia, Cyprus	Management of own assets	99.99% (3)	99.98%
Kambr Navigation Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% (3)	99.98%
Petro Aphrodite Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% (3)	99.98%
Petro Icarus Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% (3)	99.98%
Granit Navigation Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% (3)	99.98%
St. Barbara Navigation Company Ltd	Nicosia, Cyprus	Ship chartering	99,99% (3)	99.98%
Bazalt Navigation Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% (3)	99.98%
LOTOS Exploration and Production Norge AS	Stavanger, Norway	Oil exploration and production on the Norwegian Continental Shelf, provision of services related to oil exploration and production	99.99% (3)	99.98%
Aphrodite Offshore Services N.V.	Curaçao, Netherlands Antilles	Dormant	99.99% (3)	99.98%
Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99% (3)	99.98%
AB LOTOS Geonafta (parent of another group)	Gargždai, Lithuania	Crude oil exploration and production, drilling services	99.99% (3)	99.98%
UAB Genciu Nafta	Gargždai, Lithuania	Crude oil exploration and production	99.99% (3)	99.98%
UAB Manifoldas	Gargždai, Lithuania	Crude oil exploration and production	99.99% (3)	99.98%
B8 Sp. z o.o.	Gdańsk	Mining and production support activities	99.99% (3)	99.98%
B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Gdańsk	Crude oil and natural gas exploration and production	99.99% (3)	99.98%
Equity-accounted joint ventures				
LOTOS-Air BP Polska Sp. z o.o.	Gdańsk	Trade in aviation fuel	50.00%	50.00%
Baltic Gas Sp. z o.o.	Gdańsk	Oil and gas production and support activities for oil and gas production (7)	49.995% (3)	49.99%
Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k.	Gdańsk	Crude oil and gas production	*partnership*	*partnership*
UAB Minijos Nafta	Gargždai, Lithuania	Crude oil exploration and production	49.995% (3)	49.99%

Moreover, Grupa LOTOS holds an 8.97% interest in P.P.P.P. NAFTOPORT Sp. z o.o. (a subsidiary of PERN Przyjaźń S.A. based in Płock).

As at December 31st 2014 and December 31st 2013, the share of the total voting rights held by Grupa LOTOS in its subsidiaries equalled its equity interests.

(1) On January 28th 2014, LOTOS Terminale S.A. sold its entire shareholding in RCEkoenergia Sp. z o.o. (28,305 shares) to LOTOS Infrastruktura S.A. The transaction changed the shareholding structure of RCEkoenergia Sp. z o.o.: LOTOS Infrastruktura S.A. became its majority shareholder with 28,305 shares (99.996% of the company's shares), and Grupa LOTOS, with 1 share (an interest of 0.004%) – its minority shareholder.

(2) On November 26th 2013, LOTOS Infrastruktura S.A. and LOTOS Terminale S.A. signed an agreement on acquisition of shares through private placement. Under the agreement, LOTOS Terminale S.A. acquired 2,962,335 new Series B shares in LOTOS Infrastruktura S.A. On January 7th 2014, the District Court in Rzeszów, 12th Division of the National Court Register, registered an increase of the share capital of LOTOS Infrastruktura S.A. pursuant to Resolution No. 3/2013 of its Extraordinary General Meeting. The share capital was increased from PLN 48,000,000 to PLN 71,698,680 (up by PLN 23,698,680) and is divided into 8,962,335 shares:

- 6,000,000 Series A registered shares with a par value of PLN 8 per share,
- 2,962,335 Series B registered shares with a par value of PLN 8 per share.

The transaction changed the shareholding structure of LOTOS Infrastruktura S.A.: Grupa LOTOS became its majority shareholder with 6,000,000 Series A shares (66.95% of the company's shares), while LOTOS Terminale S.A. became its minority shareholder with 2,962,335 series B shares (33.05% of the company's shares).

(3) In Q2 2014, the squeeze-out of shares in LOTOS Petrobaltic S.A. from natural persons was completed (squeeze-out process under Article 418 of the Commercial Companies Code). Since June 12th 2014, Grupa LOTOS has held a total of 9,938,913 shares in LOTOS Petrobaltic S.A., and since June 18th 2014 it may exercise its voting rights from the last 286 shares entered in the share register of LOTOS Petrobaltic S.A. (in total, from 9,938,913 shares). Since June 12th 2014, the shareholding structure of LOTOS Petrobaltic S.A. has been as follows:

- Grupa LOTOS - 99.99% (9,938,913 shares),
- the State Treasury - 0.01% (1,087 shares).

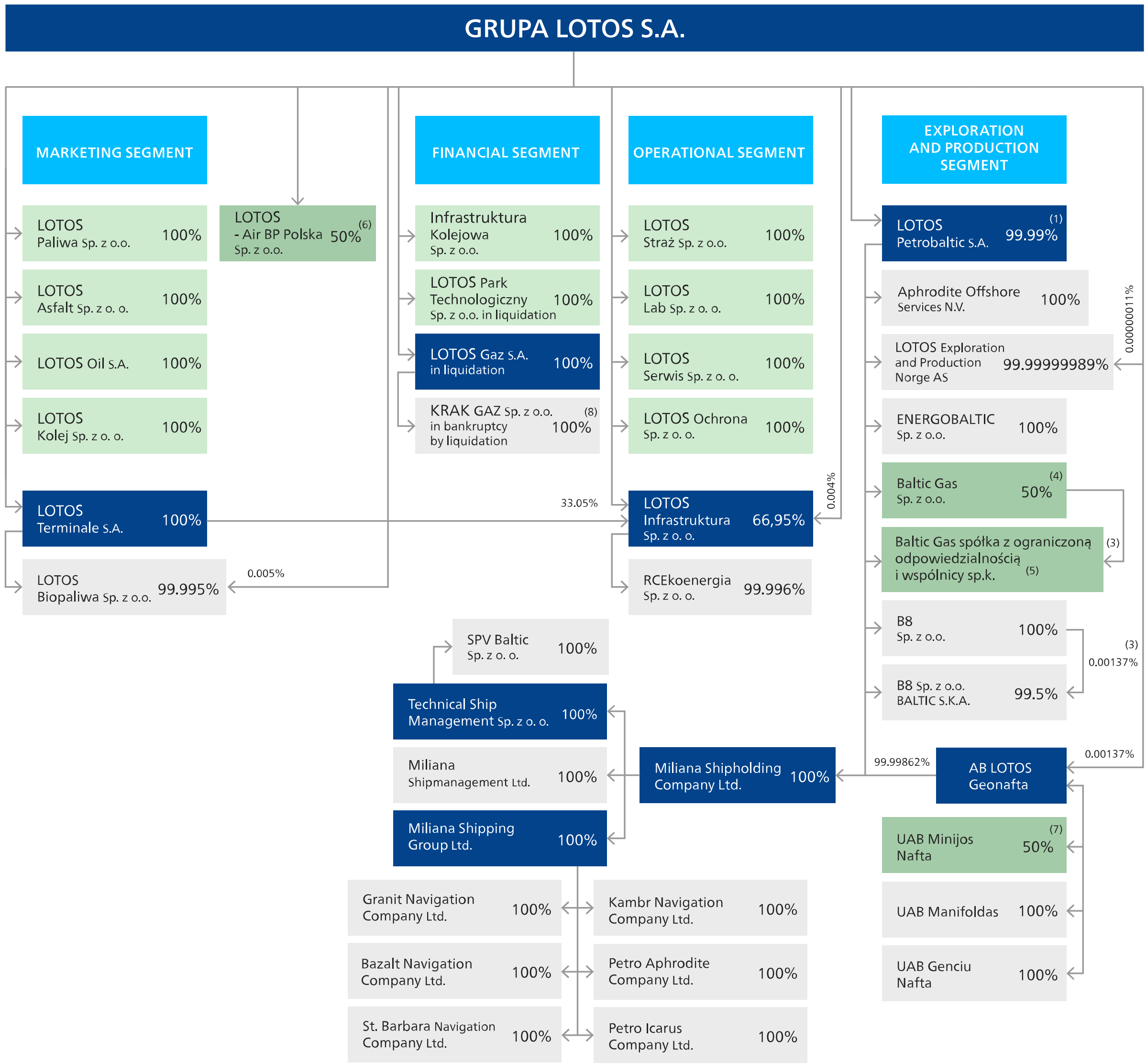
(4) On March 20th 2014, pursuant to a decision of the Extraordinary General Meeting, LOTOS Park Technologiczny Sp. z o.o. was put in liquidation. As of that day, the company operates as LOTOS Park Technologiczny Spółka z ograniczoną odpowiedzialnością w likwidacji (in liquidation). On December 8th 2014, the Extraordinary General Meeting of LOTOS Park Technologiczny Sp. z. o.o. w likwidacji passed a number of resolutions, including a resolution on approval of the company's liquidation report. As at December 31st 2014, the company was entered in the register of businesses of the National Court Register.

(5) On October 6th 2014, Grupa LOTOS acquired 100% of shares in Infrastruktura Kolejowa Sp. z o.o. from Kancelaria Prawna Domański i Wspólnicy s.k. Under its Articles of Association of July 23rd 2014, the principal business activity of Infrastruktura Kolejowa Sp. z o.o. consists in inland transport support services. From the day of its acquisition until December 31st 2014, the company was dormant.

(6) On September 6th 2013, the Extraordinary General Meeting of Technical Ship Management Sp. z o.o. passed a resolution on reducing the company's share capital to PLN 5,000 through voluntary cancellation of 9,900 shares with the total par value of PLN 495,000. On September 6th 2013, Technical Ship Management Sp. z o.o. (the buyer) and Miliana Shipholding Company Ltd (the seller) executed an agreement for sale of 9,900 shares with a total value of PLN 495,000; the shares were cancelled. Miliana Shipholding Company Ltd has full control of Technical Ship Management Sp. z o.o. The 1% interest results from the Company's own shares. The reduction of the share capital was registered in the National Court Register on January 23rd 2014 by the District Court for Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register.

(7) In 2014, the company commenced operations.

The LOTOS Group's organisational chart as at December 31st 2014



(1) State Treasury – 0.01%
(2) Limited partner
(3) General partner
(4) CalEnergy Resources Poland Sp. z o.o. – 50%
(5) CalEnergy Resources Poland Sp. z o.o. – Limited partner
(6) BP Europa SE – 50%
(7) Odin Energi A/S – 50%
(8) Entity controlled by a bankruptcy administrator; a non-Group company

Entities classified as joint ventures accounted for using the equity method, which are non-Group companies

Additionally, Group LOTOS S.A. hold 8.97% shares in P.P.P.P. NAFTOPORT Sp. z o.o. (a company of the PERN Przyjaźń group of Płock).

Within the LOTOS Group, the role of Grupa LOTOS as the parent is to integrate the key management and support functions. To perform its role, Grupa LOTOS has implemented a segmental management model. A segment is a separate area of operations managed within the LOTOS Group by a designated member of the Grupa LOTOS Board.

This model enhances management efficiency, delivering cost and revenue synergies across the organization. Segmental management provides for implementation of a uniform strategy, coordinated planning and controlling, integrated operational management and maintenance of uniform corporate standards.

The LOTOS Group comprises the following segments:

Management segment

- **Head:** President of the Board of Grupa LOTOS
- **Tasks:** increasing the LOTOS Group's value through overall management of its operations, including coordination of efforts aimed to formulate corporate strategies, define development directions for the individual business areas and coordinate the process support function.

Exploration and production segment

- **Head:** Vice-President of the Management Board of Grupa LOTOS, Exploration & Production.
- **Tasks:** formulation of development strategies for the LOTOS Group in oil and gas exploration and production, as well as management and supervision of these activities.
- **Companies:** LOTOS Petrobaltic with subsidiaries and affiliates.

Operational segment

- **Head:** Vice-President of the Management Board of Grupa LOTOS, Chief Operation Officer.
- **Tasks:** formulation of a strategy for maintenance and extension of production facilities, supervision and coordination of all matters related to the processing of crude oil, refinery production and technologies, definition of refinery production policy objectives, supervision of production-related R&D work, coordination of technical and technological development projects, ensuring the required technical performance of assets, supervision of environmental protection processes, OHS, safety processes and physical protection.
- **Companies:** LOTOS Infrastruktura and its subsidiary, LOTOS Lab, LOTOS Ochrona, LOTOS Serwis and LOTOS Straż.
- **Changes in 2014:** LOTOS Infrastruktura established its own group of by acquiring shares in RCEkoenergia from LOTOS Terminale. The transaction changed the shareholding structure of RCEkoenergia Sp. z o.o. so that LOTOS Infrastruktura became its majority shareholder.

Marketing segment

- **Head:** Vice-President of the Management Board of Grupa LOTOS, Chief Commercial Officer.
- **Tasks:** formulation of marketing strategies as well as effective management of sales, supplies and distribution of crude oil and petroleum products, development of trading and optimisation activities.
- **Companies:** LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa and LOTOS Terminale and its subsidiary.
- **Changes in 2014:** LOTOS Terminale sold its entire shareholding in RCEkoenergia to LOTOS Infrastruktura. The transaction changed the shareholding structure of RCEkoenergia so that LOTOS Infrastruktura became its majority shareholder holding 99.996% of the company's shares.

Financial segment

- **Head:** Vice-President of the Board, Chief Financial Officer.
- **Tasks:** monitoring of implementation of the LOTOS Group's strategies and overall management of financial and accounting processes, including formulation of financial, legal and insurance strategies and monitoring of their implementation, management of budgeting and controlling, development and implementation of financial risk management strategies, and overall management of assets and restructuring processes.
- **Companies:** LOTOS Park Technologiczny w likwidacji (in liquidation), LOTOS Gaz w likwidacji (in liquidation) and its subsidiary, and Infrastruktura Kolejowa, acquired in 2014, which remains dormant.

For the purpose of analysing the economic efficiency and clear presentation of financial statements, the LOTOS Group's operational activities have been divided into two major reportable segments:

- Upstream operations segment – comprising activities related to the acquisition of crude oil and natural gas reserves, and crude oil and natural gas production.
- Downstream and marketing operations segment – comprising production and processing of refined petroleum products and their wholesale and retail sale, as well as auxiliary, transport and service activities.

In 2014, there were no significant changes in the management structure of Grupa LOTOS. The organizational changes, resulting from the Effective and Rising Programme launched in 2013, and were aimed to:

- Consolidate and optimise the areas related to the support of procurement as well as social and cultural matters,
- Enhance the communication process at the LOTOS Group,
- Minimise management costs,
- Improve segmental reporting,
- Improve decision-making powers and accountability of corporate departments.

The Grupa LOTOS corporate management structure reflects the division of responsibilities and relations between various functions and tasks at the Company, determining the reporting hierarchy of organizational units and management hierarchy. As at December 31st 2014, the Company's corporate structure comprised the following units:

- 16 divisions, including 5 divisions reporting directly to the Chief Executive Officer,
- 35 offices,
- 15 departments,
- 8 complexes.

Operational segments as at December 31st 2014

Grupa LOTOS

Marketing segment

LOTOS Paliwa Sp. z o.o., LOTOS Asfalt Sp. z o.o.,
LOTOS Oil S.A., LOTOS Kolej Sp. z o.o.
LOTOS Terminale S.A.

Exploration and production segment

LOTOS Petrobaltic S.A.

Management segment

Operational segment

LOTOS Straż Sp. z o.o., LOTOS Lab Sp. z o.o.,
LOTOS Serwis Sp. z o.o., LOTOS Ochrona Sp. z o.o.,
LOTOS Infrastruktura S.A.

Financial segment

LOTOS Park Technologiczny Sp. z o.o.,
LOTOS Gaz S.A. *(in liquidation)*,
Infrastruktura Kolejowa Sp. z o.o.

RELATED CONTENT:

Management systems

In 2014, we continued to pursue our Effective and Rising Programme, supported by the well-designed, effective and constantly improved Integrated Management System, linked integrally to the organization’s business objectives.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/approach-to-management/management-systems>

Integrated reporting

The 2014 LOTOS Group Annual Report is an integrated report on the organization's operations in the 2014 financial year, which coincides with the calendar year. The previous integrated annual report was released in April 2014.

Prior to 2010, when the Board of Grupa LOTOS resolved to implement a new integrated reporting model for presenting management approach and performance across all aspects of our business, we had published our financial and non-financial (CSR) reports separately. This year's is our sixth integrated report.

We have adopted an integrated approach to presenting our performance so that the stakeholders are able to comprehensively evaluate our sustainable development efforts over the course of the year. Our approach is in line with the best communications practices expected of listed companies:

- **in the area of financial reporting, we follow the International Financial Reporting Standards (IFRS)** as endorsed by the European Union, published and effective as at December 31st 2014;
- **in the area of non-financial reporting, we follow the Global Reporting Initiative's Sustainability Reporting Framework and Guidelines (G3.1 GRI and the Oil and Gas Sector Supplement), and the United Nations Global Compact's Principles**. We have declared the A+ Application Level [1] under the GRI's tripartite classification.
  Our reporting model also follows the guidelines included in **Directive 2014/95/EU of the European Parliament and of the Council of October 22nd 2014 as regards disclosure of non-financial and diversity information by certain large undertakings and groups** ('non-financial directive', amending Directive 2013/34/EU). The member states will be required to implement the directive into their respective legal frameworks as of December 2016, and domestic regulations necessary for the performance of the directive are to be applied to the indicated entities from 2017.
- **As regards integrated reporting, we strive to follow the guidelines of the International Integrated Reporting Committee (IIRC)**. According to the IIRC, companies should combine their financial performance data with information on the social, environmental and economic setting in which they operate to enable their stakeholders to evaluate their long-term profitability.

When preparing this Report, we adhered to the core principles of accuracy, relevance, completeness, comparability, balance, and reliability. All information presented in this Report has been gathered in a reliable and responsible manner and verified as true.

The consolidated financial statements of the LOTOS Group included in this Report have been audited by Ernst & Young Audyt Polska in accordance with Section 7 of the Accountancy Act of September 29th 1994 (Dz.U. of 2009, No. 152, item 1223, as amended) and the Polish Financial Auditing Standards issued by the National Chamber of Statutory Auditors (Krajowa Rada Biegłych Rewidentów).

To ensure appropriate transparency and reliability of the non-financial data, independent limited-scope external assurance was carried out in 2015 by PwC in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information. ISAE 3000, issued by the International Federation of Accountants (IFAC), is based on the IFAC Code of Conduct and International Standards on Quality Control (ISQC-1), and is used for assuring CSR reports. It defines the key rules and procedures for assurance services, also those limited in scope. The 2014 Integrated Annual Report is our fourth report to undergo independent assurance of CSR data.

In addition to the procedure described above, we seek to ensure an appropriate quality of the reporting data collection process through the management systems in place at our organization.

This Report is published in electronic form only for environmental reasons, as well as to give the readers access to a variety of functionalities so that they can carry out their own analyses with ease. The readers can display selected numerical data by periods, GRI indicators, business segments, and other categories. The information presented in the publication is integrated with the contents of the organization's website, including earlier reports. The readers can also provide feedback. Additional functionalities have been implemented for the disabled, elderly and vision impaired, including a web reader, high-contrast option and adjustable font sizes. Economical printing option is also available to protect the environment.

The Board of Grupa LOTOS resolved to adopt an annual reporting cycle. Earlier reports are available from the www.lotos.pl <http://www.lotos.pl/en/> website. For contact details, see the 'Useful information' chapter of this Report. (See more <http://raportroczny.lotos.pl/en/useful-information>)

[1] The individual Application Levels are marked as C (lowest), C+ ('+' indicating that the report has been externally assured by an independent body), B, B+, A, and A+. The reporting criteria associated with each Application Level are a measure of the implementation of the Global Reporting Initiative's Sustainability Reporting Framework and Guidelines.

Stakeholder engagement to improve the reporting process

The functionalities implemented in the digital version of the Report and the method of selecting and presenting information are subject to continuous improvement, for example on the basis of opinion surveys carried out among the stakeholders and analysis of traffic on the Report's website.

Integrated Annual Report 2013

the best aspects of the Report

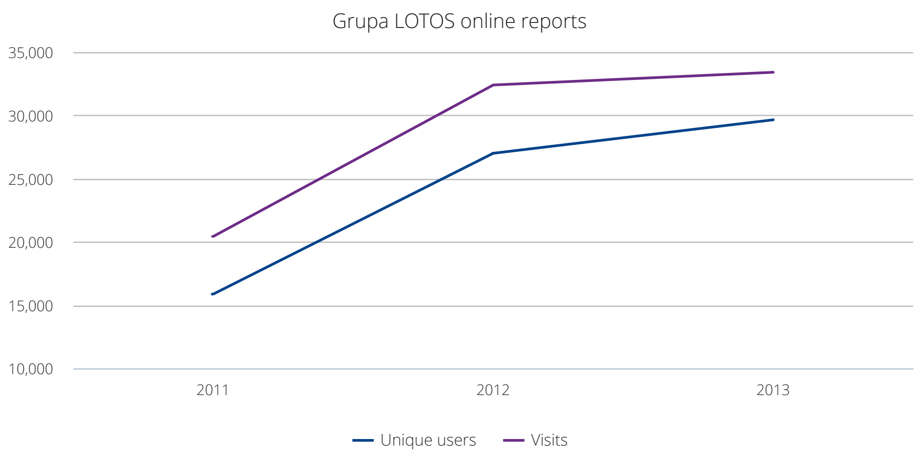
useful information, visual presentation, clear language / balanced information

the most useful information

the Organization and its Report, Human capital, Financials / Financial statements, Approach to management

the most useful functionalities

interactive data, clipboard – saving and printing pages of the Report, my Report – downloading specific chapters in the PDF format / interactive table, GRI content / search option, larger font size, book-style navigation



In the 'Best Annual Report 2013' competition held by the Accounting and Tax Institute, our previous report made the third place in the 'Main Awards for Companies' category.

2014 also saw the announcement of the results of the third edition of the 'ESG Analysis of Companies in Poland' project, organised by the Polish Association of Listed Companies, GES and Crido Business Consulting. The aim of the initiative was to improve the transparency of non-financial data reporting on the Polish capital market by educating listed companies on how to communicate ESG (E – environment; S - social; G – governance) data effectively and build their CSR strategies. Once the results have been summed up, a ranking of listed companies that best reported their ESG data was prepared, where three top companies were selected in two, one sector-based and one index-based, categories. Grupa LOTOS emerged as an ESG reporting leader in both classifications. Additionally, our misconduct risk management policy presented in the 2013 Integrated Annual Report was singled out as an example of good practice in non-financial reporting. A total of 897 companies listed on the Warsaw Stock Exchange were evaluated in terms of their reporting of ESG data.

RELATED CONTENT:

GRI and UN Global Compact Content Index

The Index can prove helpful in finding the exact place where specific information or result data required by the Global Reporting Initiative as well as resulting from the adoption and implementation of ten principles of the United Nations Global Compact by Grupa LOTOS has been published in the Report.

Go to the page » <http://raportroczny.lotos.pl/en/useful-information/gri-content-index>

Stock exchange

In 2014, Grupa LOTOS issued 55,000,000 Series D ordinary bearer shares in a public offering. The issue price of offered shares was set at PLN 18.10 per share. The issue proceeds will be applied towards co-financing of the EFRA Project, i.e. construction of a delayed coking unit at the Gdańsk refinery, and towards the development of our gas fields in the Baltic Sea.

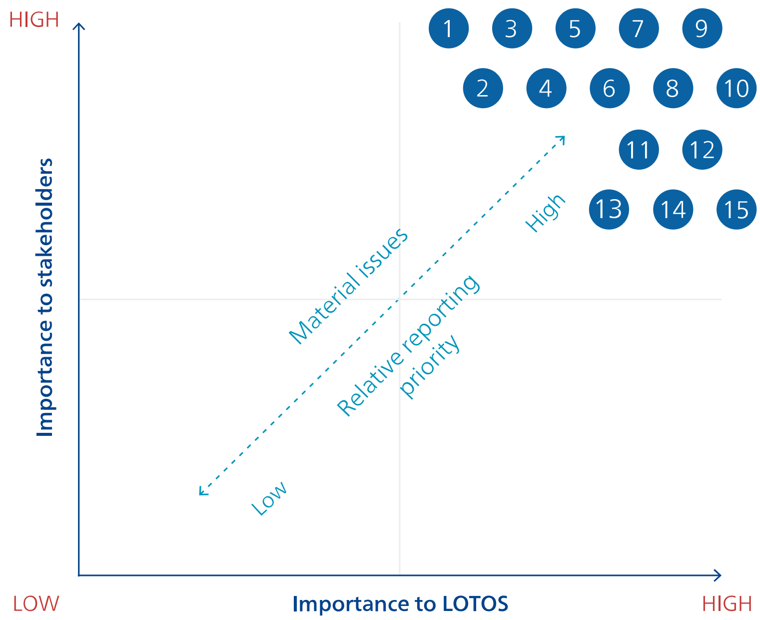
Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/stock-exchange>

Scope and extent

When choosing what to include in the Annual Report's chapters devoted to the organization's non-financial performance, we followed the GRI's Sustainable Reporting Framework and the IIRC's integrated reporting guidelines. The Report's contents were chosen based on the principle of materiality, which is understood as the significance and weight that a given variable has for the operation of a company in accordance with the sustainability principles and for external stakeholders, who expect credible, comparable and reliable information on which to base their decisions.

To determine the expected contents of our Integrated Annual Reports, we organised workshops with the stakeholders who had a key role to play in improving our reporting model, where we identified issues particularly important to the organization and its surroundings.

Materiality matrix



(1) The Company's role in the national and regional energy security system
(2) High reliability of production units and installations
(3) Acquisition and development of new production licences
(4) End product quality
(5) New investment projects
(6) Environmental monitoring in the areas where the Company operates
(7) Investment projects compliant with the Best Available Techniques (BAT)
(8) Promotion of the best practices among the supply chain actors
(9) Development of the Ethical Conduct Programme
(10) Development of a public consultation system
(11) Building the value of the LOTOS brand
(12) Implementation of new technologies
(13) Career development opportunities for employees
(14) Fostering appropriate relations with employees
(15) Contributing to social and economic development in the region

In this Report, insofar as it presents our non-financial achievements, we have utilised the majority of GRI core and additional performance indicators covering economic, environmental and social aspects of our business.

As its predecessors, the 2014 Report includes additional indicators from the GRI Oil & Gas Sector Supplement.

For the purpose of calculating the financial data presented in this Report, we have adopted the same methods as in the LOTOS Group's consolidated financial statements for 2014, which are consistent with the International Financial Accounting Standards effective as at December 31st 2014.

In the vast majority of the subjects discussed, the non-financial information and data presented in this Report relate to the parent, i.e. Grupa LOTOS. However, we have made every effort to also include consolidated data on the LOTOS Group wherever possible. In areas of key importance to social and environmental responsibility, we have also presented data on the Group's largest companies from the marketing segment and, as the Sector Supplement was used, also on the LOTOS Petrobaltic Group. In every case, relevant information is provided to indicate which LOTOS Group company is referred to.

The largest (both in terms of revenue and headcount) marketing segment companies of the LOTOS Group are taken to be LOTOS Asfalt, LOTOS

Kolej, LOTOS Oil, and LOTOS Paliwa. In the LOTOS Petrobaltic Group, the largest exploration and production companies, apart from the parent (Poland-based LOTOS Petrobaltic), are LOTOS Geonafta of Lithuania and LOTOS E&P Norge of Norway. Another important entity of the LOTOS Petrobaltic Group covered by this Report is Energobaltic, whose business includes managing the CHP plant in Władysławowo.

In the reporting period, there were no changes or other important circumstances affecting the Group companies which would influence the overall assessment of the organization in certain aspects or relative to other Polish companies operating in the same industry.

Compared to the previous Report, we have made the following changes in the form and scope of the presented data:

- change in EN3 presentation for LOTOS Petrobaltic: based on production reports, the indicator has been expanded to cover gas consumed by the boiler house at the company's onshore facility;
- change in EN16 presentation for LOTOS Petrobaltic: emissions reports now only cover the company's onshore facility;
- exclusion from the EN22 indicator for LOTOS Petrobaltic and LOTOS Geonafta of drilling cuttings and mud, as they are reported through dedicated indicators.

GRI performance indicators are reported by the companies of the LOTOS Group (LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa) and the LOTOS Petrobaltic Group [2] (LOTOS Petrobaltic, LOTOS Geonafta, LOTOS E&P Norge, Energobaltic)

GRI aspects	GRI indicators reported in 2012	Subsidiaries
Products and services	EN26	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Petrobaltic
	EN27	LOTOS Asfalt, LOTOS Oil, LOTOS Paliwa
Transport	EN29	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Petrobaltic (Group)
Customer health and safety	PR1	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa
Process safety	OG13	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Petrobaltic
Product and service labelling	PR3, PR5	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa
Marketing communications	PR6	LOTOS Oil, LOTOS Paliwa
	PR7	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa
Customer privacy	PR8	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa
Compliance	PR2, PR4, PR9	LOTOS Asfalt, LOTOS Oil, LOTOS Paliwa, LOTOS Kolej
Biodiversity	EN11, EN12, EN13, EN14, OG4	LOTOS Asfalt, LOTOS Oil, LOTOS Paliwa, LOTOS Petrobaltic
Emissions, effluents, and waste	EN16, EN17, EN18, EN19, EN20, EN21, EN22, EN23, OG5, OG7	LOTOS Petrobaltic (Group)
Indirect economic impacts	EC9	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Petrobaltic, LOTOS Geonafta
Local community	OG11	LOTOS Petrobaltic (Group)
Reserves	OG1	LOTOS Petrobaltic (Group)
Materials	EN1	LOTOS Petrobaltic (Group)
Energy	EN3, EN4	LOTOS Petrobaltic (Group)
Water	EN8, EN9	LOTOS Petrobaltic (Group)
Market presence	EC5, EC6, EC7	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Petrobaltic (Group)
Employment	LA1, LA2, LA8, LA13, LA14	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Petrobaltic (Group), LOTOS-Air BP Polska
	LA1, LA2, LA8	LOTOS Paliwa
Human rights	HR1, HR2	LOTOS Asfalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Petrobaltic (Group)

[2] Where the performance of all companies of the LOTOS Petrobaltic Group is reported, the phrase 'LOTOS Petrobaltic (Group)' is used, and where a specific indicator is only reported by some companies, names of the relevant companies are given.

A total of 87 GRI indicators were covered in the 2014 Annual Report. We resolved not to report 9 indicators – core indicators HR5, HR9, HR10, HR11, EN2, OG2, OG3, OG9 and additional indicator HR6 – as they are not relevant in the context of our operations.

For an index of specific performance indicators and descriptions of relevant matters, see the GRI content and UN Global Compact table in the 'Useful information' chapter of this Report. (See more <http://raportroczny.lotos.pl/en/useful-information>)

Auditing and reviews

TRANSLATION ONLY

pwc

Limited assurance report

To the Management Board of LOTOS Group S.A.

Subject matter and criteria

We have been engaged by the Management Board of LOTOS Group S.A. ("the Company") in accordance with our agreement dated 4 February 2013 (the "Agreement") to perform a limited assurance engagement on correctness of selected non-financial data marked with a check symbol, presented in the "LOTOS Group S.A. 2014 Integrated Annual Report – Economy, Society, Environment – Cooperation Inspires Change" ("2014 Integrated Report") prepared for the period of 1 January to 31 December 2014.

The Company's management prepared 2014 Integrated Report ensuring its adherence to the Sustainability Reporting Guidelines of the Global Reporting Initiative version 3.1 and Oil & Gas Sector Supplement (together the "GRI G3.1 criteria, "reporting criteria").

Management's Responsibility

The Company's Management is responsible for the preparation of the 2014 Integrated Report in accordance with the GRI G3.1 criteria.

The responsibility of the Company's Management includes the selection and application of appropriate methods to prepare the non-financial data and the design, implementation and maintenance of systems and processes which ensure the adherence to the GRI G3.1 criteria relevant for the preparation of the non-financial data using assumptions and estimates which are reasonable in the circumstances.

Our Responsibility

Our responsibility is to express a limited assurance conclusion as to the correctness of selected indicators marked with a check symbol and presented in 2014 Integrated Report. We chose performed procedures based on our judgment and take under consideration our assessment of the risk of material misstatement of the selected indicators.

We conducted our work in accordance with International Standard on Assurance Engagements 3000 "Assurance engagements other than audits or reviews of historical financial information" („ISAE 3000").

PricewaterhouseCoopers Sp. z o.o.,
Al. Armii Ludowej 14, 00-638 Warszawa, Poland
T: +48 (22) 523 4000, F: +48 (22) 523 4040, www.pwc.com

Summary of work performed

Our limited assurance procedures included:

- Interviews with management and persons responsible for the reporting of the non-financial data,
- Analytical procedures for the selected non-financial data marked with a check symbol ,
- Obtaining sample evidence for the selected indicators marked with the check symbol . Sample analyzed documents included invoices, reports from external service providers, and internal reports including reports from the Company's IT-systems.

In a limited assurance engagement the evidence-gathering procedures are more limited than in a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on performed procedures, nothing has come to our attention that causes us to believe that the selected indicators marked with the check symbol as presented in the 2014 Integrated Report have not been prepared, in all material respects, in accordance with the GRI G3.1 criteria.

Limitation of use and distribution

Our limited assurance report prepared by PricewaterhouseCoopers Sp. z o.o. („PwC") for LOTOS Group S.A. in respect of the Agreement is directed to sole use of the LOTOS Group S.A. Management Board. It should not be used to other purposes.

PwC does not take any responsibility in respect of this report (contractual, tort (including that for negligence) or any other) in respect of any parties other than LOTOS Group S.A. Respectively, regardless of the form of the actions, whether in contract, tort or other, within the capacity allowed by the law, PwC does not take any responsibility, and any consequences coming out of the report for any person (excluding the Company, based on rules described above) or for any other decision taken based on this report.

The 2014 Integrated Report should be read together with the Sustainability Reporting Guidelines of the GRI G3.1.

TRANSLATION ONLY

PricewaterhouseCoopers Sp. z o.o.
Warsaw 8 June 2015

Awards and distinctions

In 2014, LOTOS Group companies were honoured with awards and accolades in the key areas of business management, corporate social responsibility, and quality of products and services.

Management quality

1. Paweł Olechnowicz, President of the Grupa LOTOS Board, received the **Crystal Laurel of Skills and Competence** from the Regional Chamber of Commerce in Katowice in recognition of excellence in combining business with social responsibility goals and contribution to Poland's economic growth.
2. For another consecutive year, LOTOS Terminale and LOTOS Lab were awarded **Forbes' Diamonds** in the category of companies with revenue of PLN 50m or less. For the eighth time, the *Forbes* monthly together with Bisnode Polska, a business intelligence agency, compiled a list of companies with the fastest value growth.
3. Grupa LOTOS took the top position in the **Pillars of Polish Economy** ranking, in the Province of Gdańsk. The ranking was compiled by the *Puls Biznesu* daily's editorial team, under the auspices of the Ministry of State Treasury, Polish Investments Programme, and Polish Agency for Enterprise Development. The winner was selected by local governments.
4. The judging panel of the 20th edition of the '**Business Person of the Year in the Pomerania Region**' competition awarded the 'Business Person of the Last 25 Years (1989–2014) in the Pomerania Region' titles to six business people whose achievements gained the highest rating - including Paweł Olechnowicz, President of the Grupa LOTOS Board.
5. The **Polish Success Academy**, run by the Polish Business Club Association, awarded a **Gold Medal** and granted membership to Paweł Olechnowicz, President of the Grupa LOTOS Board, in recognition of his innovative business projects.
6. The winner of **2014 Polish Individual Quality Award** in the Practice category was Halina Stasiewicz, Process Management Office Director, Grupa LOTOS. The awards are organized by the National Chamber of Commerce. The award, named after Professor Edward Kindlarski, is presented to individuals who have made an outstanding contribution to the development of the Total Quality Management concept, succeeded in implementing quality systems in their organizations or made a meaningful contribution to TQM training.
7. Grupa LOTOS received the **Super Leader** award at the 10th Congress of the National Association for the Protection of Classified and Business Information and Personal Data.
8. Grupa LOTOS received a **Top Quality Human Resources** Certificate from the Polish Human Resources Management Association, for implementing the organization's business strategy through the creation of an engaging workplace.
9. Another **Best Annual Report** award was granted to Grupa LOTOS. Having stated that the 2013 Integrated Annual Report of Grupa LOTOS exemplifies a publication based on which investment decisions can be made at a relatively minimal risk, the Chapter of the ninth edition of the contest ranked our Company in the third place in the 'Main Prizes for Large Companies' category.
10. At the grand gala event of the 10th edition of the Nafta/Chemia Conference, the '**Man of the Decade – who Changed the Polish Oil and Chemical Industry**' titles were awarded, with Paweł Olechnowicz, President of the Grupa LOTOS Board, as one of this year's honorees.
11. Paweł Olechnowicz was among Poland's top 20 CEOs with the most successful track records according to *Bloomberg Businessweek Polska*. The **top 20 managers ranking** is based on a survey, with the final rank depending on the overall number of votes cast by respondents (other managers) in favour of a candidate.

1. Grupa LOTOS received the **Patron of Gdańsk Culture** title for its support, as a strategic partner, of projects run by the Baltic Opera House in Gdańsk.
2. Four Grupa LOTOS initiatives were highlighted in the publication by the **Responsible Business Forum (FOB)** on best CSR practices. The Supplier portal was among the 20 examples included in the Fair Operating Practices subject. The Development Initiation Forum, co-founded by LOTOS, and the 'White and Green Future with LOTOS' ('Biało-zielona przyszłość z Lotosem') programme, are our initiatives recognised as part of the Community Involvement and Development subject. The 'Let's Talk About LOTOS' ('Porozmawiajmy o LOTOSIE') practice was presented as part of the long-term Labour Practices subject.
3. Grupa LOTOS topped the **8th Responsible Companies Ranking** in the Fuels, Energy and Mineral Production category, and ranked fifth overall. The Responsible Companies Ranking draws on a comprehensive list of the largest companies in Poland, assessing them for the quality of their Corporate Social Responsibility management. The authors of the ranking are representatives of the Business Ethics Centre of the Akademia Leona Koźminskiego (Kozminski University) and the *Dziennik Gazety Prawnej* daily newspaper, while PwC is responsible for checking and verification. Patronage of the ranking is held by the Responsible Business Forum.
4. For the second consecutive time, Grupa LOTOS received the **CSR Golden Leaf** in a ranking of companies whose CSR policies adhere to the ISO 26000 standard, compiled under the auspices of the *POLITYKA* weekly and PwC.
5. For the 15th time, the Pomeranian business community recognised the best companies in the region. In recognition of our consistent and regular sponsorship and patronage of locally-based cultural projects, Grupa LOTOS receives the special **Pomeranian Griffin** award.
6. At the Chemical Industry Forum, the '**Diamonds of the Polish Chemical Industry**' awards were presented, with two equal ranking 'CSR Leader' titles granted to Grupa LOTOS and BASF Polska.
7. Grupa LOTOS won the title of **Sports Patron of Independent Poland**. The award was collected on behalf of the Company by Paweł Olechnowicz, President of the Grupa LOTOS Board, during the 'Sporting Success at the 25th Anniversary of Poland's Independence' gala event.
8. Grupa LOTOS secured a top place in the ranking of listed companies with the best ESG (environmental, social and governance) disclosure standards, compiled as part of the **The ESG Analysis of Companies in Poland** project, aimed to provide comprehensive information on the quality of sustainability reporting by WSE-listed companies and to educate businesses and investors on the importance of non-financial performance.
9. Grupa LOTOS was declared '**A Well-Perceived Company**' in the fifth edition of a contest organized by the Business Centre Club. The purpose of the competition is to honour companies which conduct their business in a socially responsible way and to promote knowledge of CSR and effective methods of its communication. The competition was organized under the honorary patronage of the Ministry of Labour and Social Policy.
10. The Maritime Education Programme, with Grupa LOTOS as one of the partners, received the **EKO Inspiracja 2014** award in the 'Partnership' category.
11. Grupa LOTOS was awarded the title of **Gdańsk Sports Sponsor** at the 12th Gdańsk Sports Gala as the sponsor of the Lechia Gdańsk football team and the LOTOS Trefl volleyball team, and organizer of the 'White and Green Future with LOTOS' ('Biało-zielona przyszłość z Lotosem') initiative sponsoring a number of training centres for young football players.
12. LOTOS Terminale received its fourteenth **Fair Play Company** certificate in what is Poland's longest running business ethics and CSR certification programme.
13. Once again, Grupa LOTOS was included in the **RESPECT Index** of the most socially responsible WSE-listed companies, in its eighth edition. The Company has been part of the Index since its inception in 2009.
14. LOTOS Infrastruktura received a **Patron of Culture 2014** award, which was presented to the company by the mayor of Jasło Ryszard Pabian.
15. LOTOS Petrobaltic received a **Safe Division 2014** award for the Maritime Operations Team in the Logistics and Dispatchers Office. The competition is organized by the State Mining Authority together with the Professor W. Cybulski 'Safe Mining' Foundation. The award means that the Team is considered one of ten safest divisions in Poland's mining sector.

Quality of products and services

1. LOTOS was recognised as the **Top Brand 2013** in the engine oils category of the **Consumer Laurel** 2013 competition. The title was awarded based on the popularity of brands present on the Polish market, as well as their growth dynamics in the last five years. The award confirms the awareness and popularity of the brand among Polish customers.
2. LOTOS-Air BP received an award for the **Most significant event on the ground handling services market at Chopin Airport** in the 'Development of competition in jet fuel supplies' category. The awards are presented by Chopin Airport to its key business partners.
3. The LOTOS brand was named **Leader of the Decade** in the nationwide **Consumer Laurel** award programme in the engine oils category. The title was awarded based on the popularity of brands present on the Polish market, as well as their growth dynamics.
4. In the 2013/2014 edition, LOTOS received the **Business Superbrands** title in recognition of its strong brand image, as well as the special Created in Poland Business Superbrands award, given to Polish brands that have developed an outstanding image enabling them to successfully compete against foreign brands. The Superbrands title, awarded for 18 years in over 87 countries, is granted by Superbrands Ltd., an independent international organization. The purpose of the initiative is to promote and award brands that have achieved success on the market thanks to their unique qualities.
5. The Ministry of Economy and the Office of Technical Inspection awarded enterprises leading in terms of business initiative, growth and technical safety. A recognition certificate and statuette **In Recognition of High Technical Safety Standard** were awarded to Grupa LOTOS.
6. In the 11th **Most Valuable Polish Brands Ranking**, the LOTOS brand was valued at PLN 1,245.3m, and Grupa LOTOS entrenched its position among Poland's top ten most valuable brands.
7. LOTOS Oil was again presented with the **European Medal** award, which honours companies making products and providing services to the highest European standards. The award-winning TRANSMIL EXTRA XSP was the first mineral oil available on the global market to meet the stringent SIEMENS/FLENDEAR Rev.13 criteria. It took the company five years to bring the product to the market.
8. LOTOS Oil won the **2014 Ambassador of the Polish Economy** title in the Exporters category. LOTOS Oil sells its oil and lubricant products to customers in most European and Asian markets, consistently expanding its presence in South America and Middle East. The awards are organized by Business Centre Club and held under the auspices of the Minister of Foreign Affairs.
9. The Modbit 25/55-60CR rubber-modified bitumen product received a distinction at the **20th International Road Construction Fair**. LOTOS Asfalt was additionally recognised for the attractive and original design of its fair stand.
10. The MODBIT 25/55-60CR bitumen received recognition at the **10th Autostrada-Poland Fair**, the 2014 edition. The judging panel headed by prof. dr hab. inż. Wiesław Trąmpczyński of the Kielce University of Technology recognised the technology for producing the rubber-modified bitumen at the refinery for its innovative quality and excellent usability.
11. LOTOS topped the 'Best Economy Service Station Operated by a Fuel Company' category in the third edition of the **Service Station of the Year 2014** ranking. During the 14th PetroTrend Fuel Market Forum 2014, a distinction was awarded to the LOTOS Optima station in Marki.
12. At a gala event held to celebrate the **Railwaymen's Day 2014**, twelve LOTOS Kolej employees received **medals** for their outstanding service to the Polish transport industry and railway industry from the Minister of Infrastructure and Development.
13. LOTOS Kolej received the **MediaKreator 2014** statuette, in an awards programme run by KOW media&marketing, the publisher of the *Kurier Kolejowy* biweekly, for the rail industry's best information and advertising policy. LOTOS Kolej won the first place in the 'Event' category for its Railway Equipment Days organized as part of the Children's Day 2014 celebrations.
14. LOTOS Asfalt received a distinction in the **Construction Company of the Year 2014** competition, and its CEO Piotr Przyborowski won an award in the **Industry Personality** ranking organized by the *Builder* monthly. The company was recognised for bringing innovative products to the market, including WMAs, delivering investment projects (Energy Management System), running education initiatives on modern road building technologies, and implementing efficiency improvements in manufacturing, logistics and trade.

RELATED CONTENT:

Calendar of important events 2014

Go to the page » <http://raportroczny.lotos.pl/en/useful-information/calendar-of-important-events-2014>

Membership in organizations

We are a member of Polish and international trade, business and specialist associations. Through these memberships, we can create a platform for cooperation between energy sector companies, both in Poland and in Europe, actively participate in legislation processes in Poland and in the European Union as well engage in the work on promoting best CSR practices.

Trade associations

Central Europe Energy Partners, CEEP

We are a founding member of CEEP, an international non-profit organization with a regional coverage, registered in 2010 in Belgium, with offices in Brussels and Berlin. CEEP represents energy-intensive companies and the wider energy sector (including oil, gas, coal, power, power networks, renewable energy sources, nuclear energy, etc.) from Central Europe. CEEP's stated mission is to promote the integration of Central Europe's energy and energy-intensive sectors within the framework of the common EU energy and security policy applicable to these sectors. The association brings together 25 members from Poland, Lithuania, the Czech Republic, Romania, Croatia and Ukraine. At the end of 2014, CEEP members had a total headcount of around 300,000 employees and total turnover of close to EUR 50bn. CEEP is in advanced talks with potential new members from other Central European countries.

Grupa LOTOS CEO Paweł Olechnowicz serves as Chairman of the CEEP Board of Directors.

European Petroleum Refiners Association, AISBL – FuelsEurope - CONCAWE

In order to improve the EU refining industry's efficiency and cut operating costs of two large European industry associations CONCAWE and EUROPIA, a single entity was founded with common administration and with two separate yet complementary divisions:

- FuelsEurope, which since June 2014 has been the new name of the European Petroleum Refiners Association (EUROPIA), registered in 1989 in Brussels, which represents pure-play oil refiners from the EU in dealings with EU institutions,
- CONCAWE (Conservation of Clean Air and Water in Europe), founded in 1963 by leading oil companies to carry out detailed and specialist research on environmental, health and safety issues relevant to the oil industry. CONCAWE is currently involved in research related to REACH legislation.

The members of European Petroleum Refiners Association are all the 42 refinery operators located within the European Economic Area. Its mission is to promote economically and environmentally sustainable refining, supply and use of petroleum products in the EU, by providing input and expert advice to EU institutions, Member State governments and the wider community, thus contributing in a constructive way to development and implementation of stable EU policies and regulations.

Polska Organizacja Przemysłu i Handlu Naftowego, POPiHN (Polish Organization of Oil Industry and Trade)

We have been the founding member of the Polish Organization of Oil Industry and Trade since 2003. One of the key objectives of our activity within POPIHN is the sustainable creation and development of a competitive fuel market in Poland, which we achieve by promoting business standards compliant with EU law and equal rights for all participants in the Polish fuel market. These objectives are pursued by initiating own draft bills, as well as providing opinions and comments on draft bills submitted by Polish legislative bodies and on legal acts implementing EU law. Our POPiHN membership allows us to present our stance on various issues directly to members of the parliament, government and government agencies.

Grupa LOTOS has its representatives on the POPiHN management board.

Stowarzyszenie Naukowo-Techniczne Inżynierów i Techników Przemysłu Naftowego i Gazownictwa, SITPNiG (Polish Association of the Oil and Gas Industry Engineers and Technicians)

Through our subsidiaries LOTOS Petrobaltic and LOTOS Terminale we are a supporting member of SITPNiG, an association which furthers the interests of the oil and gas industry and of its members by promoting social value in public projects. The association inspires scientific, technical and organizational projects that benefit the national economy and help deliver environmental protection and sustainable development goals. SITPNiG's aim is to raise the professional qualifications of its members, advance knowledge, technical culture and environmental awareness, and educate the public on the tradition and history of the oil and gas industry.

Windsor Energy Group, WEG

Windsor Energy Group, which we joined in 2009, is an independent think-tank based in London that addresses issues related to the building of security and order within the international energy sector, with a particular focus on the oil and gas and alternative energy subsectors. WEG consists of former policy makers, ambassadors to oil-producing countries, government advisers, and CEOs of oil exploration and production companies. Our membership in WEG is a vital part of our activities in supporting the development of the European energy sector and advocating the position of energy companies from Central Europe in the EU arena.

Paweł Olechnowicz, President of the Grupa LOTOS Board, is a member of WEG's International Advisory Panel.

World Petroleum Council – Polish National Committee

We are part of the Polish National Committee. Formed in 1933, the World Petroleum Council is the only international organization which represents all branches of the oil industry. Its main purpose is to facilitate dialogue amongst internal and external stakeholders aimed at seeking solutions to key technical, social, environmental and management challenges. WPC includes 60 member countries, which account for 95% of oil and gas produced and consumed worldwide.

Organizacja Polskiego Przemysłu Poszukiwawczo-Wydobywczego, OPPPW (Polish Exploration and Production Industries Organization)

We are a founding member of the Polish Exploration and Production Industries Organization, whose focus is on representing the Polish upstream industry in the public dialogue on issues concerning the oil and gas sector. OPPPW actively participates in the social dialogue and provides a platform for sharing knowledge and experiences between national and international experts on conventional and unconventional hydrocarbons resources. The organization was established in 2010.

Atlantic Council

Since 2013, we have been a member of Atlantic Council, a US-based organization promoting constructive leadership and engagement in international affairs in the areas of energy, environment, global economy and economics, as well as cooperation within the Atlantic Community. Through the papers it writes, the programmes it runs and the communities it builds, the Council shapes policy choices and strategies to create a more secure and prosperous world. The Atlantic Council is among the most recognised think-tanks in Washington, known for its extensive experience in the field of transatlantic cooperation, but first and foremost for its effective advocacy policies serving to influence key decision makers.

Business associations

Business Centre Club, BCC

We have been a member of Business Centre Club since 2000. We focus our work in BCC on initiatives designed to foster development of the Polish economy, create jobs and provide assistance to businesses. We support BCC in creating platforms of communication between different social groups in matters that are key to Poland’s development, placing a strong focus on promoting the idea of corporate social responsibility.

European League for Economic Cooperation (ELEC), the Polish National Section

We have been a member of the European League for Economic Cooperation since 2002. ELEC is a non-governmental organization with a mission to promote economic integration, strengthen the social and cultural identity of European societies and work towards increasing the role of Europe in the international arena.

Paweł Olechnowicz, President of the Grupa LOTOS Board, is a member of the Board of the Polish National Section of ELEC.

Gdański Klub Biznesu (Gdańsk Business Club)

We have been a member of Gdańsk Business Club, an association of entrepreneurs, business owners and CEOs of leading corporations in the Pomerania region, since 2002. The association’s mission is to invigorate the economy in all aspects that have an impact on the financial position of its member companies, as well as to share support in business projects and promote the development of entrepreneurship, infrastructure, culture, education and healthcare for the benefit of Pomerania’s local community.

Paweł Olechnowicz, President of the Grupa LOTOS Board, is a member of the Board of Gdańsk Business Club.

Klub Polskiej Rady Biznesu (Polish Business Roundtable Club)

We have been a member of the Polish Business Roundtable Club since 2005. The Club was founded in 1997 on the initiative of the Polish Business Roundtable, an association of Polish entrepreneurs committed to promoting the economic development and integration of the business community in Poland.

Polskie Forum Akademicko-Gospodarcze, PFAG (Polish Higher Education-Business Forum)

We have been a member of the Polish Higher Education-Business Forum since 2004. The association works to strengthen the links between higher education institutions and business, and to promote innovation and knowledge-based economy. It was founded as a platform for building closer ties between academic circles and business community with the ultimate goal of promoting innovative projects financed with domestic and EU funds. The association is a forum for exchanging views and forming opinions on matters important for the country. People involved in the Forum’s work are representatives of business and leading universities in Poland.

Stowarzyszenie Pomorskie w Unii Europejskiej (‘Pomorskie in the European Union’ Association)

We have been a member of the ‘Pomorskie in the European Union’ Association since 2010. The Association aims to support local government institutions, universities and businesses from the Gdańsk province in the European Union.

Pracodawcy Pomorza (Employers of Pomerania)

Our membership in the organization dates back to 2004. Its main objective is long-term and dynamic economic development of the region and representing the employers’ interests in front of the legislative and executive bodies as well as regulatory and controlling institutions.

CSR advocacy groups

Forum Odpowiedzialnego Biznesu, FOB (Responsible Business Forum)

We have been a strategic partner of the Responsible Business Forum since 2008. The Forum has a mission to promote corporate social responsibility among Polish businesses as a standard that serves to enhance competitiveness, social well-being and environmental protection. It runs projects that contribute to the development of CSR in Poland and engages in initiatives promoting corporate responsibility and sustainable development.

United Nations Global Compact (UNGC)

We have been a member of the United Nations Global Compact since 2009. It is a global policy initiative calling on businesses to align their operations with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. The organization also supports the implementation of the UN's general goals, including its Millennium Development Goals. Its members include over 12,000 companies and non-government organizations from 145 countries.

Specialist associations

Pracodawcy RP (Employers of Poland)

We have been a member of Employers of Poland since 2004. The association works to further common interests of the business community, supporting initiatives that seek to bolster the role of employers in Poland. By providing opinion on draft legislation, it strives to ensure that both employers and employees can benefit from economic growth, fair and stable employment, job security and social order.

Polskie Stowarzyszenie Zarządzania Kadrami, PSZK (Polish Human Resources Management Association)

In 2014, we joined the Polish Human Resources Management Association as its strategic member. PSZK is Poland's largest and oldest professional association focused on developing and promoting the highest standards in HR management at corporations and other organizations in Poland. It has established a membership network of HR practitioners, by organizing nationwide campaigns, conferences and meetings with experts on the labour market and human resources management.

Stowarzyszenie Emitentów Giełdowych, SEG (Polish Association of Listed Companies)

We have been a member of the Polish Association of Listed Companies since 2006. Representing companies listed on the Warsaw Stock Exchange, the Association provides advice and expertise on stock market regulation and on rights and obligations of stock market participants. As an expert organisation, it aims to advance and share knowledge to further the development of the capital market and a modern market economy in Poland. It connects listed companies and fosters cooperation in building a civic society.

Polskie Towarzystwo Ekonomiczne, PTE (Polish Economic Society)

We are a member of the Polish Economic Society, an independent, professional association of economic practitioners and theoreticians that has a national reach. Its key objectives are to promote economic knowledge, act as an opinion leader, and enhance the qualifications and seek integration of the economist community.

Klub Polskie Forum ISO 14000 (ISO 14000 Polish Forum Club)

We have been a member of ISO 14000 Polish Forum Club since 1997. One of its goals is to develop and promote initiatives, attitudes and actions contributing to development and promotion of environmental management systems, chiefly those based on ISO 14001 and the EMAS Regulation. The association is also engaged in education on environmental protection and environmental management systems, connects people involved in environmental management, and supports organizations implementing environmental management systems. The Club is an independent organization, and membership is voluntary.

Klub Polskie Forum ISO 9000 (ISO 9000 Polish Forum Club)

We have been a member of ISO 9000 Polish Forum Club since 1993. The association brings together manufacturers and service providers who want to implement, refine and further develop their management and compliance assessment systems based on international ISO 9000 standards for quality management systems, other normative documents relating to organization and management systems and the new approach directives. The Club is an independent organization, and membership is voluntary.

Stowarzyszenie Księgowych w Polsce (Accountants Association in Poland)

We are a member of the Accountants Association in Poland, an association of accounting and finance professionals, which is committed to furthering the development of accounting and financial auditing practice to make sure it reflects the changing reality and meets the requirements of globally recognised standards.

Polska Okręgowa Izba Inżynierów Budownictwa (Polish Chamber of Civil Engineers)

We have been a member of the Polish Chamber of Civil Engineers since 2001. The duties of the Chamber as a professional association are to represent and safeguard the interests of its members, particularly by submitting initiatives to legislative and executive bodies to create proper conditions supporting the construction industry, to protect the role of engineers in the process, and to forge partnerships with other professional and engineering organizations active in the field of construction.

RELATED CONTENT:

Energy security

An example of best practice which combines building our international relations with supporting initiatives aimed to improve the energy security in Europe was the publication of the 'Completing Europe - From the North-South Corridor to Energy, Transportation and Telecommunications Union' report in 2014.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/energy-security>

Ethics and corporate governance

Ethics and corporate governance

POLISH QUALITY AWARD

PROGRAM ETYCZNY GRUPY KAPITAŁOWEJ LOTOS

1,000
employees attended meetings with the Ethics Officer

6
Members of the Supervisory Board

8th
term in office of the Board

We act in compliance with the rules defined in the "Best Practice for WSE Listed Companies"

IN THIS CHAPTER:

Approach to management

Management systems are integral and mutually complementary elements of the business. At the LOTOS Group, it is our strong opinion that strategic business objectives cannot be met without efficient organization. In 2014, our efforts to improve management systems won recognition from the Judging Panel of the Polish Quality Award.

Ethics

The LOTOS Group's Code of Ethics, which was put in place over two years ago, is the cornerstone of the organization's comprehensive Ethical Conduct Programme, designed to make business ethics the highest standard in the management of our organization.

Corporate supervision

For us, corporate governance is about promoting integrity, responsibility and transparency in the relations between company owners and management staff to ensure shareholder control over the way in which their invested capital is used.

The Supervisory Board

Members of the Supervisory Board are appointed by the General Meeting. The Supervisory Board performs its duties collectively, but may also set up ad hoc or standing committees to exercise supervision of specific areas of the Company's activities.

The Board

The Board is appointed by the Supervisory Board. It manages the Company's affairs and represents it in relation to all its business, with the exception of matters reserved for the General Meeting or Supervisory Board, as well as matters falling outside the scope of ordinary management of the business.

Approach to management

Management systems as well as enterprise risk management are integral and mutually complementary elements of the business. At the LOTOS Group, it is our strong opinion that strategic business objectives cannot be met without efficient organization, good understanding of risks inherent in the business and productive processes supported by effective management systems. In 2014, our efforts to improve management systems won recognition from the Judging Panel of the Polish Quality Award. (See more <http://raportroczny.lotos.pl/en/the-organization-and-its-report/awards-and-distinctions#nagroda-stasiewicz>)

RELATED CONTENT:

Risk and opportunities

At the LOTOS Group, we identify a range of diverse risks, which may affect all areas of our business. The key risks in terms of their impact on our operations are the financial risks as well as risks affecting the exploration and production area. In the analysis of the risks, we also factor in issues related to sustainable development.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities>

Management systems

Well-designed and coherent management and operational processes at the LOTOS Group are focused on ensuring the expected quality of our products and services, protecting the natural environment – a resource we both use and affect in the course of our operations – and providing safe working conditions for our staff.

Management systems at the LOTOS Group as at December 31st 2014

Company	Management systems in place
Grupa LOTOS	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented requirements of the Energy Management System based on ISO 50001, the Internal Control System for trading in strategic materials consistent with the PN-N-19001 standard and the AQAP 2110 (Allied Quality Assurance Publication).
LOTOS Asfalt	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented and certified Site Production Control system.
LOTOS Kolej	Implemented and certified Integrated Management System compliant with ISO 9001, ISO 14001, and PN-N-18001, Railway Transport Security Management System (SMS) compliant with Directive 2004/49/EC and national regulations, Rail Vehicle Maintenance Management System (MMS) compliant with Directive 2004/49/EC and Regulation (EU) 445/2011, quality in welding management system compliant with the DIN EN ISO 3834-2 (EN 729-2) and EN 15085-2 standards, and system of Maintaining Freight Cars in accordance with the VPI requirements.
LOTOS Lab	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Polish Centre for Accreditation certificate of compliance with the PN-EN ISO/IEC 17025:2005 standard.
LOTOS Ochrona	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Oil	Implemented and certified Integrated Quality Management System compliant with the ISO 9001 standard and AQAP 2110 (Allied Quality Assurance Publication). Implemented requirements of ISO 14001 and PN-N-18001.
LOTOS Petrobaltic	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented ISM Code (for compliance with the International Management Code for the Safe Operation of Ships and for Pollution Prevention) and ISPS Code (International Ship and Port Facility Security System).
LOTOS Serwis	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards. Implemented and certified requirements of the quality in welding management system compliant with the PN-EN ISO 3834-2:2007 standard.
LOTOS Straż	Implemented and certified Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Terminale	Implemented Integrated Management System compliant with the ISO 9001, ISO 14001, and PN-N-18001 standards.
LOTOS Paliwa	Implemented and certified Integrated Management System compliant with the ISO 9001 standard. Implemented requirements of ISO 14001 and PN-N-18001.
LOTOS Infrastruktura	The company is in the process of implementing the Integrated Management System.

Audits are the main tool used by Grupa LOTOS to improve its Integrated Management System, as they provide us with valuable and objective feedback on the operation of individual areas within the organization. Based on the audit results, Grupa LOTOS takes corrective, preventive and remedial actions.

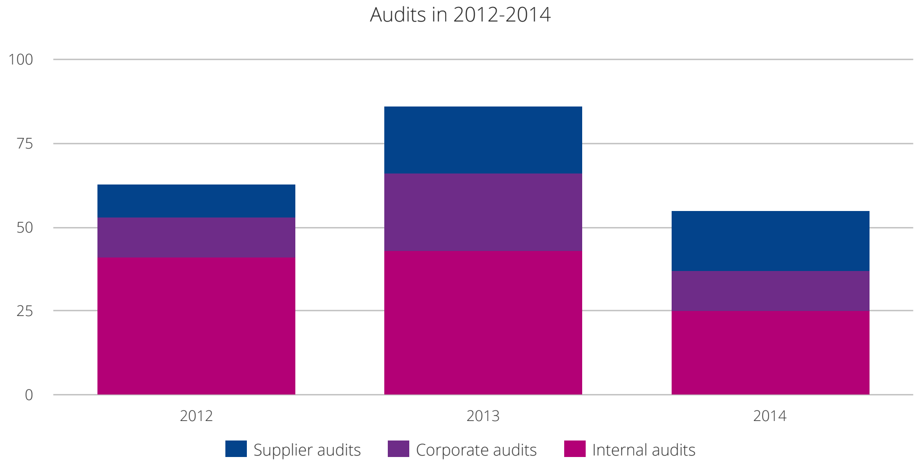
In 2012-2014, over 200 audits were conducted at Grupa LOTOS, including:

- internal audits,
- corporate audits, and
- supplier audits.

Audits carried out at Grupa LOTOS in 2012-2014

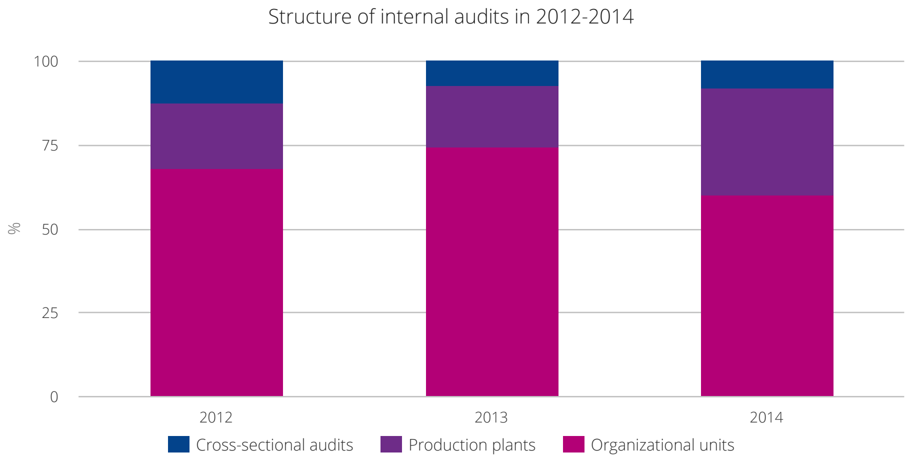
Audit type	2012	2013	2014
Internal audits	41	43	25
Organizational units	28	32	15
Production plants	8	8	8
Cross-sectional audits	5	3	2
Corporate audits	12	23	12
Supplier audits	10	20	18

Total audits	**63**	**86**	**55**



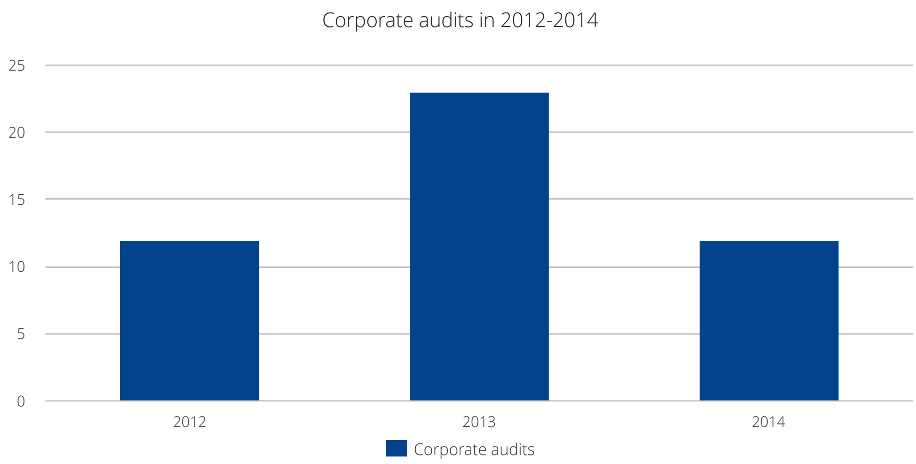
Source: In-house analysis of Grupa LOTOS.

The findings of **internal audits** provide information on the effectiveness of our system, but also help identify areas which still need improvement, supplying the management staff with information about compliance with applicable regulations and efficiency of the systemic and organizational solutions in place.



Source: In-house analysis of Grupa LOTOS.

Corporate audits carried out at subsidiaries of Grupa LOTOS assess the degree to which they have implemented the relevant corporate requirements and standards. In 2014, several unscheduled audits of the Visual Identity System for the LOTOS Group were carried out in LOTOS Group companies.



Source: In-house analysis of Grupa LOTOS.

Following the audits, in many areas we have undertaken long-term improvement work, requiring the involvement of persons from different organizational units, which proves that we are an organization that values information and can learn and improve based on feedback.

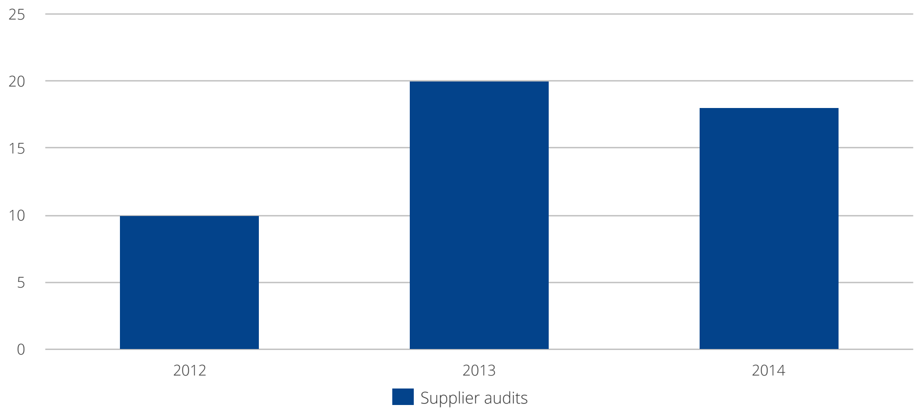
The audit programme covering internal, corporate and supplier audits is adapted to any new needs or changes relevant to the LOTOS Group's operation.

Depending on their needs and requirements of their management systems, Grupa LOTOS subsidiaries also carry out internal, corporate and supplier audits.

Experienced auditors are key to the success of audits. At present, there are over 100 active auditors in the LOTOS Group. In 2012-2014, nearly 60 experts honed their skills in the Auditor School.

Supplier audits provide us with information on the degree to which any given supplier meets our key requirements. Grupa LOTOS sees such audits as an additional tool for supervising contract performance and assessing its suppliers. An audit report delivered to a trading partner contains detailed and well-grounded feedback on the reviewed areas, as well as a list of potential improvements. Such audits help both parties strengthen their mutual relations and learn more about each other's expectations and capabilities, while promoting constructive problem solving. (See more <http://raportroczny.lotos.pl/en/business-strategy-and-model/brand>)

Supplier audits in 2012-2014



Source: In-house analysis of Grupa LOTOS.

To ensure compliance with the most exacting safety standards on the premises of the Grupa LOTOS refinery, we use a dedicated website **"Grupa LOTOS' Requirements for Contractors"** to communicate with our trading partners, inform them of selected internal regulations they have to comply with while performing contract works, and provide them with relevant forms. The website is also a platform enabling Grupa LOTOS and its trading partners to exchange information on occupational health and safety issues and procedures to be observed on the Company's premises.

Key changes in process management systems and structures in 2014

Enterprise Risk Management (ERM)	To ensure secure and effective pursuit of our strategic and operational objectives, we have successfully implemented the Enterprise Risk Management system at the LOTOS Group. In 2014, we took steps to streamline our risk identification and assessment solutions, for instance by improving the IT tools used for this purpose. We also launched several systemic and operational initiatives to mitigate known risks. (See more)
Process management	In 2014, we communicated the results of process monitoring and data required to carry out a review of the Integrated Management System. We also reviewed all process indicators at Grupa LOTOS for their suitability and usefulness, seeking to ensure that the indicators also show how effective the relevant processes are. In addition, we made several improvements to the IMS website to help process owners access relevant data, facilitating communications within the Company.
Project management	In implementing project management at the LOTOS Group, our objective was to ensure efficient project execution and effective monitoring of project status and deliverables in the case of projects run in accordance with established corporate policies. Proper reporting was equally important. In 2014, we continued to deploy an IT tool to support project management throughout the LOTOS Group.
Energy Management System (EnMS)	2014 was the first effective year of new internal regulations based on the ISO 50001 standard at Grupa LOTOS, and the first year in which the standard was applied to selected energy management activities, i.e.: • defining new environmental protection and energy objectives (the two areas have a shared set of objectives because of the synergies between environmental protection and energy efficiency) and drafting the relevant implementation programmes divided into stages and tasks, • developing and adjusting energy efficiency indicators of different production areas to current needs, combined with ongoing monitoring and reporting, • initiating and performing the first energy audits, • developing guidelines for the 'Energy criteria applicable to projects, repair works and procurement of products and services at Grupa LOTOS' manual, in view of the material effect of energy efficiency analyses on project execution and procurement, • carrying out a series of awareness-raising sessions under the 'Energy-efficient house and office – day-to-day energy management' programme, which is part of the organization's LOTOS Academy training system, focusing on good practices in energy consumption to deliver savings in both professional roles and private lives.

In 2015, as in previous years, our primary objective will be to ensure efficient and effective communication within the LOTOS Group.

Given the rapidly changing market environment and dynamic growth of the LOTOS Group itself, we will continue to improve our operations, for instance by deploying advanced IT tools, suited to the organization's needs and friendly for users.

As part of our plans, we intend to:

- Enhance the Enterprise Risk Management (ERM) system by performing detailed risk analyses for individual processes and operational objectives at Grupa LOTOS, as well as by developing the ERM portal in response to needs that may emerge in connection with the growing maturity of the ERM system;
- With respect to the energy management system – extend the energy management system to include the remaining five production plants of Grupa LOTOS, continue to implement the environmental and energy objectives, develop a system for ongoing monitoring and reporting of energy efficiency indicators, provide required training, and raise overall awareness of energy issues among staff;
- Maintain and improve the project management system, continue to deploy an IT tool designed to support project management within the LOTOS Group and raise the competences of staff involved in project management and execution;
- Implement an improved IT process monitoring tool relevant to the users' needs and introduce new indicators reflecting process efficiency;
- Implement an effective and user-friendly IT tool for supervising corrective and preventive measures.

In 2015, we will continue to pursue our Effective and Rising Programme, supported by the well-designed, effective and constantly improved Integrated Management System, linked integrally to the organization's business objectives.

RELATED CONTENT:

Enterprise risk management policy

To ensure secure and effective pursuit of our strategic and operational objectives, we have put in place an Enterprise Risk Management system at the LOTOS Group.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/enterprise-risk-management-policy>

Membership in organizations

Representatives of Grupa LOTOS take part in the work of different organizations and we treat our membership in them as strategically important. The goals of these organizations are e.g. to develop new legislative solutions for the energy sector and to actively participate in public consultation of draft acts regulating the sector.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/membership-in-organizations>

Organizational maturity

Every year at Grupa LOTOS, the Internal Audit Office assesses the Company's organizational maturity.

> Organizational maturity is understood as the level of professionalism of key organizational solutions, processes and activities, as well as their consistency with the best operating and management practices, which underpin the organization's potential to achieve success in terms of protection and creation of value for its stakeholders.

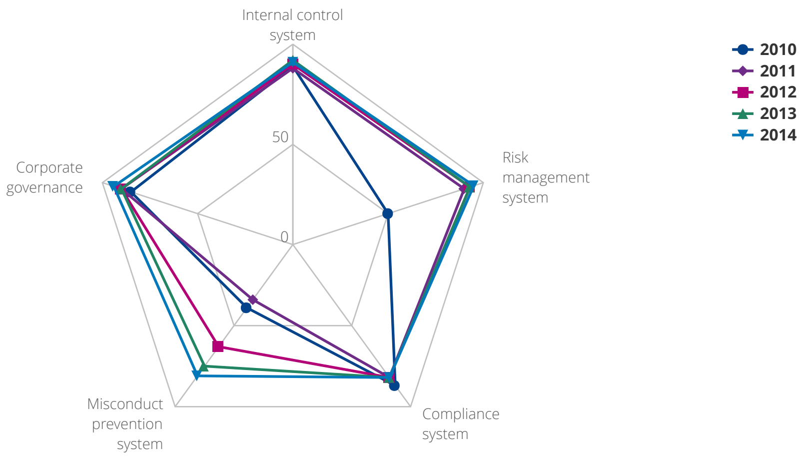
Organizational maturity depends on the company's systems and their constituent solutions which are crucial to the creation of value for stakeholders, relevant to the protection of company value, and key to its ability to operate on a day-to-day basis without any disruptions and in compliance with the law.

The following systems of Grupa LOTOS meet these criteria to the greatest extent:

- internal control system,
- risk management system,
- compliance system,
- misconduct prevention system,
- corporate governance.

Following the 2014 maturity assessment, separate opinions were issued on the operation of each system, along with a comprehensive assessment for the entire Company.

Results of the organizational maturity assessments carried out at Grupa LOTOS in 2010, 2012 and 2014



The results of the **overall assessment of the Company's organizational maturity** testify to the fact that Grupa LOTOS is an organization oriented towards professionalism and adoption of the best operating and management practices. We take steps to protect Company value, as evidenced by our well-developed internal control system and corporate governance solutions, as well as by our implementation of the misconduct prevention system. We also focus on being able to operate without disruptions and in compliance with the law. All these efforts are reflected in the current complexity and development level of the systems.

Grupa LOTOS organizational maturity assessment for individual systems

Internal control system	We have put in place key organizational and process solutions making up the internal control framework. The processes defined and deployed by Grupa LOTOS are characterised by a high level of organizational maturity, as evidenced by the fact that the controls have been designed in alignment with the objectives. The key control solutions have been formally established and written into the Company's internal regulations. They work efficiently towards protecting Company value and allowing Grupa LOTOS to operate in a systematic and effective manner.
Risk management system	We have established key solutions for the system's correct operation, which play a crucial part in ensuring the delivery of its main objective to support the management process and creation of added value. To ensure that the system operates properly, we have communicated the Enterprise Risk Management Policy, and designated participants of the risk management process, including risk owners, the Enterprise Risk Management Coordinator and Enterprise Risk Management Committee. Detailed internal regulations have also been established defining the activities and procedures within the framework of the risk management system. In addition, in the second half of 2014 we launched workshops designed to identify operational risks for individual processes defined formally within the organization.

Compliance system	We take steps to ensure compliance of our activities and internal regulations with the generally applicable laws. We also take care to ensure compliance of our actions with the requirements laid down in our internal regulations.
Misconduct prevention system	In 2014, we continued managing the risk of misconduct in a comprehensive and structured manner, while fostering a corporate culture of ethics. Solutions are in place to mitigate the risk of both external and internal misconduct. We are building up knowledge relating to misconduct involved in our activities and developing a systemic approach to identifying and monitoring solutions and mechanisms to prevent and detect misconduct. Our consistent efforts to foster a culture of ethics by continually raising the awareness of desirable attitudes fully support and help develop the misconduct prevention system.
Corporate governance	We have established most of our key governance solutions, including those governing the relations between the Company's corporate bodies and other internal relations (connected with the approach to managing the organization and its resources), in conformity with the applicable standards and best practices. The solutions adopted with respect to the Company's corporate bodies and their mutual relations are generally consistent with the requirements defined in the 'Code of Best Practice for WSE Listed Companies'.

The relatively high score achieved by Grupa LOTOS in the organizational maturity assessment was largely the result of steps taken in the last few years and in 2014 to secure the Company's value and operations, demonstrated by the effectively working internal control system as well as corporate governance and compliance solutions.

RELATED CONTENT:

Key objectives

We achieve our business objectives with due regard to corporate social responsibility and sustainable development by the best possible use of the organization's resources and capabilities to generate economic and social value for the benefit of the Company and its environment.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/key-objectives>

Ethics

System of values

At the LOTOS Group, in our business and CSR activities we are guided by the key principle of legal compliance and responsibility for the impact of our operations on the world around us. We improve our organizational culture by rooting it in a strong and coherent value system.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics/system-of-values>

Improvement of the organization

One of the key objectives of the LOTOS Group's CSR Strategy is to improve management by ensuring ethical conduct and transparency of business processes, as well as protecting the organization against the risk of irregularities that may threaten its operations. We plan to achieve this through our Ethical Conduct Programme and Misconduct Risk Management Programme.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics/improvement-of-the-organization>

System of values

Our mission is to pursue innovation-driven, sustainable development in the exploration, production and processing of hydrocarbons and marketing of high-quality products, which is conducive to creating lasting value for shareholders, ensuring customer satisfaction, enhancing and leveraging the employee potential, and which is responsible towards society, environmentally friendly and consistent with the energy security policy.

In our business and CSR activities, we are guided by the key principle of legal compliance and responsibility for the impact of our operations on the world around us. We improve our organizational culture by rooting it in a strong and coherent value system, comprising transparency, openness, innovativeness and responsibility. It is further supported by ethical values we undertook to follow by adopting the LOTOS Group's Code of Ethics in 2013. These include: professionalism, respect, transparency and cooperation.

transparency - openness - innovativeness - responsibility - professionalism - respect - transparency - cooperation

As a corporate citizen, in all areas of our activity we endorse and abide by the principles of the **United Nations Global Compact**, a voluntary international corporate citizenship initiative of unprecedented reach. We adhere to the following United Nations Global Compact principles:

1. Businesses should support and respect the protection of internationally proclaimed human rights;
2. Businesses should make sure they are not complicit in human rights abuses;
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
4. Businesses should uphold the elimination of all forms of forced and compulsory labour;
5. Businesses should uphold the effective abolition of child labour;
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation;
7. Businesses should support a precautionary approach to environmental challenges;
8. Businesses should undertake initiatives to promote greater environmental responsibility;
9. Businesses should encourage the development and diffusion of environmentally friendly technologies;
10. Businesses should work against corruption in all its forms, including extortion and bribery.

In 2014, Grupa LOTOS became a signatory of the UN Global Compact's new initiative – **Call to Action on Anti-Corruption**, which is a joint appeal to governments to take steps to prevent all forms of corruption. The UN initiative's postulates are very close to what we believe in, as demonstrated by the LOTOS Group's Ethical Conduct Programme and Misconduct Risk Management Programme. Taking part in that international initiative, we have reaffirmed Grupa LOTOS's commitment to counteracting corruption by:

- Incorporating an anti-corruption policy into our business strategy,
- Building a corporate culture based on ethical values,
- Zero tolerance by the Board to bribery and corruption,
- Exchange of knowledge and experience in combating corruption,
- Collaboration with other participants of the UN Global Compact,
- Promoting and enhancing transparency in business.

In 2014, we continued our involvement in the **Vision of Sustainable Development of Polish Businesses until 2050**, a joint initiative of the Minister of Economy, the Minister of Environment, the Responsible Business Forum, and PwC, a consultancy. Modelled on the international initiative pursued by the World Business Council for Sustainable Development (WBCSD), the project aims to integrate Polish businesses around the idea of sustainable development, making the business community aware of the importance of sustainable development to their organizations' long-term growth, and to foster dialogue between government authorities and businesses so that specific solutions can be worked out to further Poland's development goals. Grupa LOTOS played a part in developing Vision 2050, ultimately becoming a signatory of the associated Declaration of Polish Businesses for Sustainable Development in 2012. In 2014, the Company's delegates joined the working groups established in the third stage of Vision 2050 to promote social innovation and use of renewable energy sources.

RELATED CONTENT:

Social impact

2014 was outstanding in terms of the number of CSR programmes and campaigns as well as activities undertaken by the LOTOS Group under the cross-sectoral cooperation model. It was also a period of initiatives aimed to establish a responsible supply chain.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/social-impact>

Improvement of the organization

At the LOTOS Group, we strive to consistently improve our organization, for example by implementing a system for misconduct prevention. The system was developed based on 'Managing the Business Risk of Fraud: A Practical Guide' – a manual prepared by professional organizations dedicated to preventing and detecting misconduct, such as the Institute of Internal Auditors, the American Institute of Certified Public Accountants, and the Association of Certified Fraud Examiners.

We strive to ensure an optimum degree of immunity to misconduct within the LOTOS Group. Immunity to misconduct is achieved by companies which utilise their awareness of real and perceived misconduct threats arising in the course of their operations to implement and apply the solutions that are best adapted to the scale and nature of the risk, and that are geared towards preventing, detecting and responding to such threats.

The purpose of these efforts is to secure the organization's ability to:

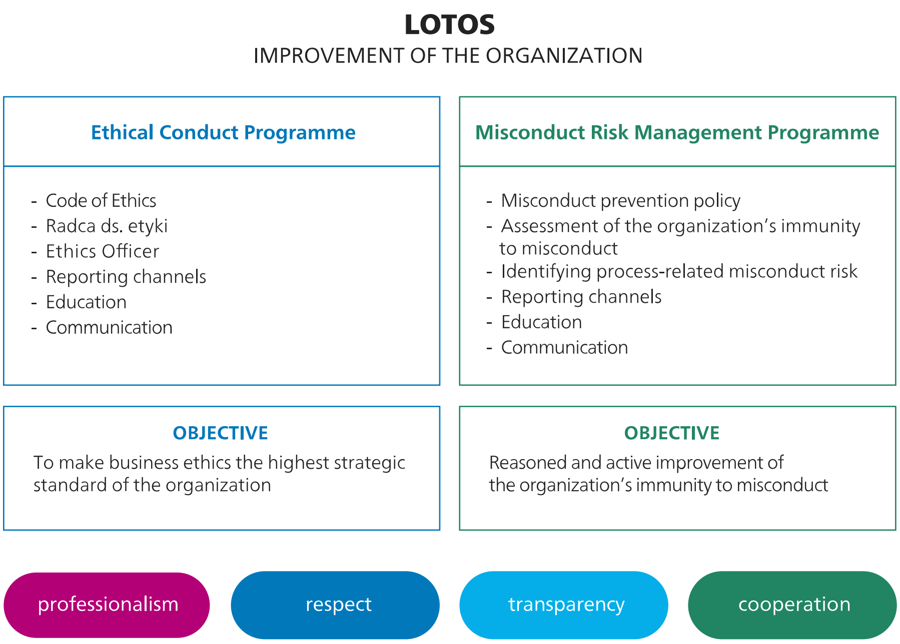
- Mitigate the risk of misconduct,
- Reduce the harmful effects of misconduct,
- Mobilise resources to accelerate the organization's return to its pre-misconduct state.

The implementation of the comprehensive misconduct risk management system was confirmed as a valid course of action by the Association of Certified Fraud Examiners in its 2012 Report to the Nations, which presented the results of research into the nature and scale of occupational misconduct (fraud) in individual industries. Oil and gas companies rank fourth in terms of losses incurred as a result of individual cases of occupational misconduct and second in terms of the number of corruption incidents. The latter accounted for some 50% of all misconduct cases. The Report also explores various misconduct detection methods, highlighting the importance and effectiveness of internal auditing procedures and independent reviews carried out by management staff. Such efforts are essential components of a well-designed and effective misconduct prevention system.

Therefore, the Enterprise Risk Management system covers the risk of misconduct, understood as the risk of an intentional act or omission which constitutes a violation of the generally applicable laws, committed to secure an unlawful gain or leading to the Company sustaining a loss (including any forms of corruption).

Increasing our organization's immunity to misconduct by 2015 is part of the key objective of the LOTOS Group's Corporate Social Responsibility Strategy. This objective is to improve management by ensuring ethical conduct and transparency of business processes, as well as protecting the organization against the risk of irregularities that may threaten its operations. We plan to achieve this through our Ethical Conduct Programme and Misconduct Risk Management Programme. By pursuing these programmes effectively and comprehensively, we intend to safeguard the Company's reputation and assets, as well as to ensure that our decisions are effective and the Company value is consistently enhanced.

The Ethical Conduct Programme covers initiatives aimed to encourage the LOTOS Group's employees to behave in accordance with the appropriate ethical culture. The Misconduct Risk Management Programme, directed primarily at the management staff, consists in the coordination of misconduct prevention and detection measures implemented as part of individual business processes.



Ethical Conduct Programme

In effect since the beginning of 2013, the LOTOS Group's Code of Ethics is the cornerstone of the organization's comprehensive Ethical Conduct Programme, designed to make business ethics the highest standard in corporate management. Apart from ethics education and communication initiatives, the Programme comprises channels for reporting violations of the Code of Ethics, and institutions – the Ethics Board and Ethics Officer – whose duty is to uphold the accepted standards of ethical conduct. Established in 2013, the Ethics Board is a collective body composed of representatives of the organization's business segments. The Ethics Officer, who, like the Ethics Board, is not remunerated for this role, was first appointed in June 2014.

One of the Ethics Board's key tasks in 2014 was to set the criteria based on which the Ethics Officer would be appointed and to provide recommendations in this respect to the President of the Board of Grupa LOTOS. Importantly, throughout the process the Ethics Board was engaged in consultation with LOTOS Group employees, who decided that the Ethics Officer should be elected from within the organization. In collaboration with the newly appointed Ethics Officer, the Ethics Board also prepared an internal regulation detailing rules whereby the Ethical Conduct Programme would be implemented within the LOTOS Group. As a result, each of the Programme's components is subject to very specific regulations, which encourages trust in and enhances transparency of the methods used to promote ethical conduct within the organization. In addition, periodic reports about the Programme's performance and information on activities taken by the Ethics Officer are communicated to all employees.

The Ethics Officer, alongside members of the Ethics Board, is responsible for actively fostering an organizational culture based on ethical values and the rules of conduct set out in the LOTOS Group's Code of Ethics.

The Ethics Officer's responsibilities within the organization are to:

- clarify doubts regarding the provisions of the Code of Ethics, by responding to any submitted questions and issues;
- help resolve any issues submitted by employees to their line managers;
- maintain procedures for accepting and investigating reports of breaches of the Code of Ethics;
- consider employee proposals of amendments to the Code of Ethics;
- share the knowledge of any breaches of the Code of Ethics and measures taken to address such breaches with parties from inside and outside the organization.

The newly appointed Ethics Officer's priority is to hold direct meetings with employees. In 2014, within the first six months of the appointment, the Ethics Officer held 27 such meetings, with some 1,000 employees (approximately 20% of the LOTOS Group's total headcount). Reports from these meetings were made available through corporate media, attracting considerable interest. Questions and doubts raised during the meetings, as well as in telephone calls and letters addressed to the Ethics Officer, were answered on an ongoing basis. In the first months following the appointment, 49 cases were submitted to the Ethics Officer, more than a half of which were requests for an explanation, opinion or interpretation and reports of potential violations. The submitted reports and queries concerned in particular:

- communication between superiors and employees,
- the procurement process,
- potential conflicts of interests,
- employee matters,
- labour relations at LOTOS service stations.

Those who approached the Ethics Officer received feedback as to the correct interpretation of the Code of Ethics, including rationale for the position adopted by the Ethics Officer. Relevant remedial measures were recommended in those cases where a breach was confirmed.

STATEMENT

While the majority of LOTOS employees believe an ethics culture is important in their everyday work, nearly half of them regard the existing standards of ethical conduct as insufficient. Further efforts to improve our corporate practices in this respect are therefore necessary.

Marta Zbucka
LOTOS Group Ethics Officer, Corporate Contracting Office Head,
Grupa LOTOS

Most importantly, an appropriate ethics culture must be promoted through each employee's own behaviour, regardless of their position and place of work. Employees of the LOTOS Group agree they should react to unethical behaviour of their colleagues. Expected to set an example, the management staff play a particularly vital role in promoting desirable conduct.

Talking to employees is the most important part of my responsibilities. They should know the Ethics Officer so they can ask for advice and report problematic incidents without hesitation. In the first months of serving as the Ethics Officer, I started to hold meetings on an 'open door' basis in Grupa LOTOS and organised regular meetings devoted to specific issues in individual companies. At all times, direct contact with the organization's employees at their place of work was of key importance. It is our common goal to ensure a positive working environment, which naturally draws my attention to issues that particularly concern employees.

At the same time, a large portion of my efforts is focused on relations with the organization's external stakeholders. Areas that need to be supported in the course of our ethics education include the supply chain and the effect of our ethical standards on relations with our trading and social partners. Also, what needs to be communicated more clearly is how important ethical conduct is to the LOTOS Group in its contacts with trading partners, including those managing LOTOS service stations.

For me, the Code of Ethics is the starting point and mainstay of my duties as the Ethics Officer. I believe it is particularly important to maintain the atmosphere which we created during the first year following adoption of the Code of Ethics by the Board of Grupa LOTOS, and to ensure that the principles and values contained in the Code of Ethics are cultivated in our day-to-day work and become a hallmark of the LOTOS Group's market conduct.

Selected methods of contacting the LOTOS Group Ethics Officer

- telephone call or voicemail (+48 58 308 80 70);
- email to: liniaetyki@grupalotos.pl;
- online form available from: www.lotos.pl;
- open door policy (Thursdays, from 13.00 to 14.30 PM);
- traditional mail to: Rzecznik ds. etyki (Ethics Officer), Grupa LOTOS S.A., ul. Elbląska 135, 80-718 Gdańsk, Poland.

Misconduct Risk Management Programme

We have prepared and communicated a misconduct prevention policy and appointed persons coordinating and responsible for misconduct prevention activities. Channels for reporting suspected misconduct were established, alongside organizational arrangements and processes (suspected misconduct report database, investigation and reporting system, rules of explanatory proceedings).

The channels dedicated to reporting suspected misconduct are available to all employees, as well as external stakeholders. According to the Misconduct Prevention Policy, every LOTOS Group employee is obliged to immediately report any such suspicion.

Reporting channels

Immediate superior Internal Audit Office Director	By email: audyt@grupalotos.pl Reporting form on www.lotos.pl	By telephone: 58 308 87 87

A report is passed on to the Internal Audit Office

In 2014, we launched a project to precisely asses the risk of misconduct within the organization. The project included a survey carried out among management staff, workshops and training sessions designed to increase awareness of certain threats, and overview of defined misconduct categories to identify process gaps.

In line with the adopted Corporate Social Responsibility Strategy for 2014–2015, we are taking steps to extend the misconduct risk management process across the entire LOTOS Group. Furthermore, we monitor all media for signals of alleged misconduct in the Company, as well as identify irregularities and incidents of misconduct in other companies, particularly those operating in the same industry as we do.

As part of the misconduct prevention system, we conduct periodic assessments of the organization's immunity to misconduct. In line with the adopted method of managing misconduct risk, set out in the Enterprise Risk Management Policy, such assessment is carried out at least once every three years. In the first assessment, conducted in 2013, we examined the risk of corruption. In line with the adopted methodology, the heads of individual organizational units were asked to comment on all processes in place at the Company. Companies of the LOTOS Group were not subject to the assessment. One of the expected effects of the current Misconduct Risk Management Programme is to enable a group-wide evaluation of the organization's immunity to misconduct. The first such assessment is to be carried out after the end of 2015.

Business units of the LOTOS Group assessed for corruption risk in 2013	
Total number of units	15
Percentage of units subject to assessment	7%

Furthermore, education and awareness initiatives were undertaken among management staff, focusing on misconduct prevention and the relevance of the system. The purpose is to educate them about losses and risks the organization may incur due to misconduct, how misconduct is committed, as well as how it can be identified and prevented. In 2014, training courses covered computer crime and data theft, and workshops were held on misconduct risks, including risk of corruption in the procurement process.

Percentage of employees trained in the organization's anti-corruption policies and procedures

Position type	2012	2013	2014
Grupa LOTOS			
Management positions	62.5	32	77
Other	5.7	7	3.8
LOTOS Group			
Management positions	-	-	54
Other	-	-	4.3

In 2014, there was no single dismissal or disciplinary action at the LOTOS Group on charges of corruption, nor were there any instances of a business contract not being renewed because of a breach of the anti-corruption rules.

In line with the adopted Corporate Social Responsibility Strategy, 2015 will see continued efforts in this area, directed at the management staff and other employees, both in Grupa LOTOS and its subsidiaries. The Misconduct Risk Management Programme's progress is periodically reported to the Audit Committee of the Company's Supervisory Board.

STATEMENT

For the last two years, the LOTOS Group has been undertaking comprehensive actions in order to shape an appropriate ethics culture across the entire organization. The Ethical Conduct Programme we have put in place in 2013 has allowed us to build a strong foundation for the system protecting our organization from the risk of misconduct.

Beata Ossowska-Lango
President of the Ethics Committee of the LOTOS Group, Internal Audit Office Director, Grupa LOTOS

However, one should bear in mind that in this day and age no company is completely immune to such risk.

The practice proves that the best and most effective way of managing the risk of misconduct is to create an effective and comprehensive misconduct prevention system which is deeply rooted in the maturity of the organization's management processes. It is one of the premises which guides us in our efforts to build appropriate awareness within this area through educational and preventive actions addressed to our employees and their superiors.

Our objective is, first and foremost, to sensitize our management staff to threats connected with misconduct as it is them who play the most important part in creating adequate corporate governance processes and shaping a desired organizational and ethics culture in the organization.

During numerous meetings with employees, representatives of Management Boards of the LOTOS Group companies confirm their zero tolerance towards any kinds of misconduct and stress their willingness to broaden their knowledge about its symptoms and responsibility stemming from the obligation to report and react to any irregularities observed. They also emphasize that equally important is the awareness of employees and alerting them to any indications of misconduct in everyday processes, as our constant alertness and non-routine approach to them are the best protection from threats to the company's business. As an organization, we keep learning how to quickly and adequately react to the risk of misconduct, among others thanks to an effective flow of information, greater openness in talking about what can happen to us and formulating conclusions for future based on what we can observe on the market.

RELATED CONTENT:

Enterprise risk management policy

To ensure secure and effective pursuit of our strategic and operational objectives, we have put in place an Enterprise Risk Management system at the LOTOS Group.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/enterprise-risk-management-policy>

Corporate supervision

Corporate governance strengthens the credibility of Grupa LOTOS as an entity listed on the WSE's regulated market, which enhances the competitive position of the entire LOTOS Group. We make every effort to ensure that our disclosure policy is compliant with best practices and supports the objectives of corporate governance principles, i.e. transparency of the Company's operations as a listed company, trust in stakeholder relations, and consistency in creating value for shareholders.

From its stock market debut in June 2005, Grupa LOTOS adhered to most of the recommendations set out in the document 'Best Practices for Public Companies 2005'. Then, since 2008, it has followed the 'Code of Best Practice for WSE Listed Companies', as amended by the WSE's Supervisory Board in its Resolutions of October 19th 2011 and November 21st 2012, the current version of which has been in force since the beginning of 2013.

In line with the relevant disclosure requirements, we report instances of incidental or permanent non-compliance with corporate governance rules. The reports are published through the Electronic Information Base (EBI), similarly to current reports, and released in two languages on the Company's investor relations website.

Our relations with investors and stakeholders are forged and fostered based on equality and dialogue, in a manner satisfactory to both parties. We review and gradually introduce new investor relation tools, continually improve the content and form of communications, and use a broad range of IR tools, including mailing, newsletters, webcasts, participation in conferences for institutional and individual shareholders and brokers, conference calls, one-on-one meetings, open-house days for analysts and investors, and inclusion in the RESPECT Index.

In 2014, the Investor Relations Team supported the Company's Board in organizing meetings with investors and maintaining regular contact with capital market participants. In the second half of the year, the Team coordinated work on the Series D shares issue project.

As part of our relations with individual shareholders, we collaborate with the Polish Association of Retail Investors. In 2014, we attended the 18th Wall Street Conference of retail investors, organized by the Polish Association of Retail Investors in Karpacz on June 6th-8th.

In addition, Grupa LOTOS operates an investor relations website. This bilingual (Polish-English) service is updated on an ongoing basis to provide foreign investors and analysts with equal access to information. The website contains information and tools grouped into four thematic blocks:

1. **Company** – this section of the website presents the LOTOS Group, its strategy, share capital structure and CSR activities.
2. **Reports and Key Data** – this section organizes financial and non-financial information (includes an easily downloadable excel file databook), as well as the LOTOS Group's current and periodic reports published via the Warsaw Stock Exchange.
3. **Investors** – this section contains information on the method of calculating the model refining margin of Grupa LOTOS and its quarterly updated values, information on the Company's dividend policy and dividend payouts, investor tools (calculator, historical LOTOS stock prices). It also contains downloadable files, i.e. periodic reports, strategy and efficiency improvement presentations, and the issue prospectus. The section also lists equity analysts covering the Company and their most recent recommendations for the LOTOS securities traded on the WSE. The corporate events calendar (quarterly reports, General Meeting dates, open-house days, and other events relevant for shareholders which might impact the price of Company shares) is published in the 'Investor Calendar' tab.
4. **Corporate Governance** – this section contains information concerning the Company's compliance with the requirements of the 'Best Practice for WSE Listed Companies'. It also provides information on the composition, powers and rules of procedure of the Board, Supervisory Board and General Meeting of Grupa LOTOS, and contains the Company's constitutional documents.

The Best Practices section of the Company's website contains information on corporate governance, including the Company's and LOTOS Group's annual Statements of Compliance with corporate governance principles and reports released via the EBI system. Since 2007, the Board has been publishing Statements of Compliance with corporate governance principles, listing instances of the Company's non-compliance, along with relevant explanations. This practice is in line with the 'comply-or-explain' principle, which provides that public companies should either comply with corporate governance rules or explain any instances of incidental or permanent non-compliance. (See more <http://inwestor.lotos.pl/en/1001/corporate_governance/best_practices>)

In 2014, Grupa LOTOS did not publish any reports on instances of non-compliance with obligatory corporate governance rules.

> Corporate governance is about promoting integrity, responsibility and transparency in the relations between company owners and management staff to ensure shareholder control over the way in which their invested capital is used.
>
> **Paweł Bujnowski**
> Investor Relations Office Head, Grupa LOTOS

By making our disclosure policy and investor relations compliant with corporate governance principles, we declare that as a listed company we care about mutually satisfying communication with investors in the spirit of partnership. The key objectives of corporate governance at Grupa LOTOS are to guarantee the transparency of its operations as a listed company, build trust in its relations with Stakeholders, ensure openness and consistent building of value for Shareholders.

We make a conscious effort to apply corporate governance standards defined in the Code of Best Practice for WSE Listed Companies, which represents a valuable tool for building trust by raising the Company's credibility in the eyes of capital market participants. Adherence to the Code not only significantly improves our competitiveness, but also helps us raise capital for investments, as evidenced by the success of Grupa LOTOS public share offering.

As regards investor relations, we focus on maintaining high reporting standards. In practice, this means we seek to reach the widest group of Stakeholders. We take part in large events, such as the Polish Capital Market conference organized by the PKO BP brokerage house in London, where we present Grupa LOTOS to investment banks. At the same time, we also reach out to retail investors, for instance by attending the Wall Street conference of the Polish Association of Retail Investors (PARI), held annually in Karpacz.

We make every effort to present to investors an accurate, reliable and clear picture of the Company's operations, strategy and financial standing, taking into account the principles of commitment, availability and equal treatment of all investors. We give no preference to large financial institutions, as evidenced by the fact that we refrained from disclosing our financial performance forecasts during one-on-one meetings or in the course of the roadshow promoting Grupa LOTOS new shares, which took place in November.

We think of investor relations as an effort to build proper understanding of the LOTOS Group's 'equity story' on the capital market by explaining the Board's strategies and defining the path towards its strategic objectives. This assumption is the basis for all our corporate materials, which are made freely available on the Company's investor relations website. Feel free to visit the 'Investors' section, where you can find releases and tools useful to investors big and small, including presentations from industry conferences attended by representatives of the Grupa LOTOS Board. We also publish newsletters for financial analysts and excel files facilitating work on our operating and financial data.

With retail investors accounting for fifteen percent or so of the total trading volume on the WSE, we have expanded the scope of our cooperation with the Polish Association of Retail Investors by launching diverse channels of communication with retail investors (including online chats with Vice-President M. Machajewski following release of the LOTOS Group's Q4 2014 results).

In the second half of 2014, we were working on the issue of Series D shares to raise nearly PLN 1bn for strategic investments. The Grupa LOTOS share issue was an unqualified success, and knowing that it was driven by the trust in the Company Board's investment plans we have helped foster makes us all the more proud.

Ever since November 19th 2009, Grupa LOTOS has been a constituent of the WSE's RESPECT Index of socially responsible companies, which demonstrates the Company's adherence to high reporting standards. On December 18th 2014, Grupa LOTOS was included in the RESPECT Index, currently composed of 24 companies, for the eighth consecutive time.

Mechanisms have been put in place to enable shareholders and employees to submit their proposals and comments directly to corporate bodies responsible for supervising the organization's management. They are discussed in detail in the Grupa LOTOS Articles of Association and Rules of Procedure for the General Meeting (compliant with the Commercial Companies Code), which define the rules of participation in the General Meeting and exercising the voting rights by shareholders, the procedure for convening and cancelling a General Meeting, and for opening and holding its proceedings.

In line with these guidelines, shareholders have the right to influence decisions on the Company's operations and hold to account its management and supervisory bodies.

One of the key shareholder rights is the right to attend the General Meeting, which is granted only if the potential participant is a Company shareholder on the record date, i.e. 16 days before the date of the General Meeting. Holders of rights under registered shares or provisional certificates (*świadectwa tymczasowe*) as well as pledgees and usufructuaries holding voting rights are entitled to participate in the General Meeting if they are entered in the Share Register on the record date.

Along with the right to participate in the General Meeting, shareholders are also granted the right to:

- Submit motions before and during the General Meeting,
- Request that certain matters be included in the agenda of the General Meeting,
- Submit draft resolutions concerning items included in the agenda of the General Meeting or matters to be added to the agenda prior to the date of the General Meeting,
- Submit draft resolutions concerning items included in the agenda of the General Meeting or added to the agenda in the course of the General Meeting,
- Take the floor and speak at the General Meeting,
- Raise objections to and appeal against resolutions of the General Meeting.

Shareholders representing at least 1/20 of the Company's share capital may also request that an Extraordinary General Meeting be convened and that certain items be placed on its agenda.

In addition to those provided for in applicable laws, the 'Code of Best Practice for WSE Listed Companies' also defines mechanisms designed to improve investor communications and enhance protection of shareholder rights, including in areas not regulated by law.

Such mechanisms include:

- Posting notices related to the General Meeting on the corporate website – which may concern cancellation of a General Meeting or change of its date or agenda, together with reasons, adjournment of a General Meeting, and shareholders' questions on items included in the agenda raised before and during the General Meeting, along with answers,
- Participation in the General Meeting of the Board and Supervisory Board members,
- Setting the time and venue of the General Meeting so as to enable participation of the largest possible group of shareholders,
- Admitting members of the press to the General Meeting.

In 2014, three General Meetings were held. On June 30th 2014, the Annual General Meeting of Grupa LOTOS was held, and two Extraordinary General Meetings took place on September 8th and November 25th. All the three General Meetings were convened by the Company's Board.

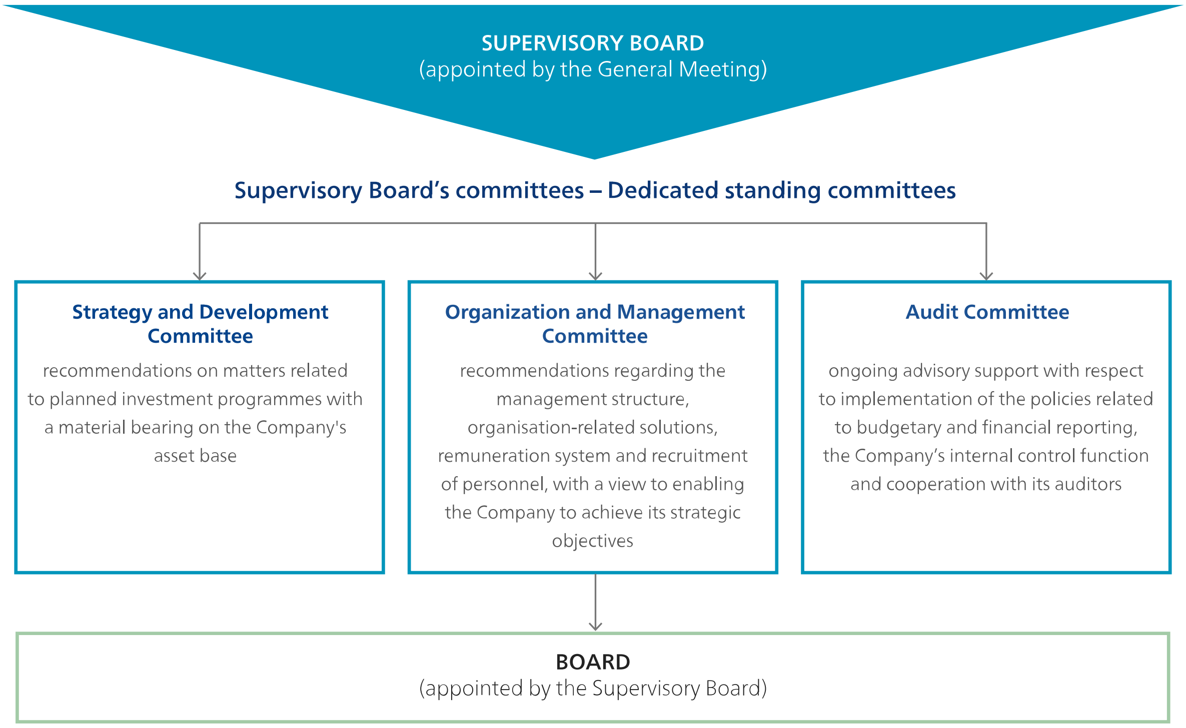
The Annual General Meeting reviewed and approved the financial statements and the Directors' Report on the operations of the Company and the LOTOS Group in 2013, and granted discharge to members of its Board and Supervisory Board. The Annual General Meeting also approved the purchase of real properties for future investment projects and resolved to grant a length-of-service award to the President of the Board for 35 years of service. Furthermore, as the eighth term of office of the Supervisory Board expired, the Annual General Meeting set the number of Supervisory Board members of the ninth term of office at seven and exercised its right to appoint six Supervisory Board members.

During the Meeting, Mr B. Kamola, a retail shareholder, exercised his right to take the floor. His proposals and comments concerned the Company's operations, in particular financial matters, exploration and production, marketing in the context the Company's presence on the domestic retail fuel market, as well as effectiveness of its maritime logistics restructuring. Questions raised by the shareholder along with answers provided by the Board have been posted on the Company website. Mr Kamola also exercised his right to object to the General Meeting's resolution concerning approval of the Directors' Report on the operations of Grupa LOTOS in 2013.

The Extraordinary General Meeting of September 8th 2014 resolved to increase the Company's share capital by way of issue of new shares; the increase was registered by the Court on January 9th 2015.

The Extraordinary General Meeting of November 25th 2014 approved the disposal of perpetual usufruct right to land to LOTOS Asfalt and disposal of an organised part of business of Grupa LOTOS in the form of a fuel depot in Poznań.

Corporate governance structure of Grupa LOTOS



RELATED CONTENT:

Stock exchange

In 2014, Grupa LOTOS issued 55,000,000 Series D ordinary bearer shares in a public offering. The issue price of offered shares was set at PLN 18.10 per share. The issue proceeds will be applied towards co-financing of the EFRA Project, i.e. construction of a delayed coking unit at the Gdańsk refinery, and towards the development of our gas fields in the Baltic Sea.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/stock-exchange>

Business model

Our operations consist in crude oil production and processing, as well as wholesale and retail sale of petroleum products, among which are: fuels (unleaded gasoline, diesel oil and light fuel oil), heavy fuel oil, bitumens, aviation fuel, naphtha, propane-butane LPG and base oils.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/business-model>

The Supervisory Board

Powers of the Supervisory Board

Pursuant to the ‘Code of Best Practice for WSE Listed Companies’, members of the Supervisory Board should possess appropriate expertise and experience, and should perform their duties to a professional standard of care.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/powers>

Composition of the Supervisory Board

The State Treasury is entitled to directly appoint and remove one member of the Grupa LOTOS Supervisory Board as long as it remains a shareholder in the Company.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/composition-of-the-supervisory-board>

Standing committees of the Supervisory Board

Standing committees of the Supervisory Board of Grupa LOTOS include the Audit Committee, Strategy and Development Committee, and Organization and Management Committee.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/standing-committees-of-the-supervisory-board>

Remuneration of the Supervisory Board

In 2014, members of the Supervisory Board were entitled to receive monthly remuneration calculated on the basis of the average monthly salary in the non-financial corporate sector in the fourth quarter of 2009.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/remuneration>

Independence status of the Supervisory Board

Independent members of the Supervisory Board are persons who are not linked in any way to the shareholders, the Company or its employees, as such relations could potentially result in a conflict of interests.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/independence-status>

Avoidance of conflicts of interest

Grupa LOTOS is not aware of any conflicts of interest that arose or could have arisen in 2014, which the member concerned should have notified the Supervisory Board about.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/avoidance-of-conflicts-of-interest>

Commitment to sustainable development

The committees of the Supervisory Board, viewing sustainability as an essential process for the Company and appreciating the importance of a responsible approach to business, brought matters related to sustainable development under discussion while performing their duties in 2014.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/supervisory-board/commitment-to-sustainable-development>

Powers of the Supervisory Board

The Supervisory Board of Grupa LOTOS exercises ongoing supervision of the Company's business, across all areas of its operations. It performs its duties collectively, but may also set up ad hoc or standing committees to exercise supervision of specific areas of the Company's activities. Standing committees of the Supervisory Board include the Audit Committee, Strategy and Development Committee, and Organization and Management Committee. The Supervisory Board may delegate its members to individually perform certain tasks or functions.

The procedures followed by the Supervisory Board of Grupa LOTOS are defined in the Company's Articles of Association and Rules of Procedure for the Supervisory Board.

Articles of Association of Grupa LOTOS S.A. (PDF) <http://inwestor.lotos.pl/repository/45906/en/>

Regulations of The General Assemblies of Grupa LOTOS S.A. (PDF) <http://inwestor.lotos.pl/pobierz_plik/37542/>

By-Laws of the Supervisory Board of Grupa LOTOS (PDF) <http://inwestor.lotos.pl/pobierz_plik/37177/>

Members of the Supervisory Board of Grupa LOTOS should perform their duties to a professional standard of care. Pursuant to the Rules of Procedure for the General Meeting and the 'Code of Best Practice for WSE Listed Companies', members of the Supervisory Board should also possess appropriate expertise and experience, and be able to devote the time necessary to perform their duties.

Composition of the Supervisory Board

Data has been verified > See full text of the Independent Assurance Report

Wiesław Skwarko

Chairman of the Supervisory Board

Mr Skwarko has continuously served on the Supervisory Board of Grupa LOTOS since June 30th 2008, as a Member of the Board of the 7th, 8th and 9th term of office. He was appointed for the 9th joint term of office as the Chairman of the Board by virtue of a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014.

As Chairman of the Board, Mr Skwarko coordinates the work of and presides over the Supervisory Board, and represents it before the Company's other governing bodies and third parties. He is also actively engaged in the work of Supervisory Board committees, in the capacity of chairman of the Strategy and Development Committee and member of the Audit Committee.

Qualifications, professional experience and achievements:

Mr Skwarko graduated from the Faculty of Foreign Trade of the Warsaw School of Economics.

In 1987–1994, he was employed as assistant lecturer at the Warsaw School of Economics. From 1990 to 1999, he was a partner at Access Sp. z o.o., then became Member of the Management Board of Rothschild Polska Sp. z o.o. In 2005–2006, he served as Head of the Privatisation Office at Nafta Polska S.A. In 2006, he took the position of Financial Strategy and Capital Development Director, initially at CTL Maczki Bór of Sosnowiec and then at CTL Logistics S.A. of Warsaw. From January 10th 2008 to December 31st 2009, he served as Member of the Management Board of Nafta Polska S.A., and from January 1st 2010 until the end of April 2011 he was the liquidator of Nafta Polska S.A. w likwidacji (in liquidation). From October 27th 2010 to July 31st 2012, he served as Vice-President of the Management Board of ZAK S.A. of Kędzierzyn Koźle. Since September 10th 2012, he has served as President of the Management Board of Kędzierzyńsko-Kozielski Park Przemysłowy Sp. z o.o.

Agnieszka Trzaskalska

Deputy Chairperson of the Supervisory Board

Ms Trzaskalska has continuously served on the Grupa LOTOS Supervisory Board since February 29th 2012, as a Member of the Board of the 8th and 9th term of office. She was appointed for the 9th joint term of office by a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014.

By the Supervisory Board's decision, she has served as Deputy Chairperson of the Supervisory Board of the 9th joint term of office since July 28th 2014. In this capacity, she has the right to exercise all the powers of the Chairperson set forth in the Company's Articles of Association and the Rules of Procedure for the Supervisory Board of Grupa LOTOS, provided she is authorised to do so by the Chairperson or is acting in the Chairperson's absence. She also chairs the Organization and Management Committee, and works on the Strategy and Development Committee.

Qualifications, professional experience and achievements:

She has completed doctoral studies at the Faculty of Law and Administration of the Warsaw University; she holds a graduate diploma in law from the Faculty of Law and Administration of the University of Silesia.

Since 1999, she has been employed at the Ministry of the State Treasury, where she has held various posts in owner supervision, corporate supervision and ownership transformations. At present, she serves as Deputy Head of the Ownership Transformation and Privatisation Department, where she coordinates the sale of shares in state-owned or partially state-owned companies.

Ms Trzaskalska has many years of experience in corporate law, owner supervision and corporate transformations, as well as extensive experience gained on the supervisory bodies of commercial-law companies and other entities, including as: Member of the Supervisory Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. (May–July 2014), Deputy Chairperson of the Supervisory Board and subsequently Member of the Supervisory Board of TAURON POLSKA ENERGIA S.A. (2007–2014); Deputy Chairperson of the Supervisory Board of LOTOS Petrobaltic S.A. (2007–2012), and Board Member of the Foundation of the Polish Students' Parliament of Warsaw (2000–2003). Currently, she serves as Deputy Chairperson of the Supervisory Board of PLL LOT S.A. Moreover, since March 31st 2015 she has also been a Member of the Supervisory Board of Jastrzębska Spółka Węglowa.

Oskar Pawłowski
Secretary of the Supervisory Board

Mr Pawłowski has continuously served on the Grupa LOTOS Supervisory Board since February 11th 2010, as a Member of the Board of the 7th, 8th and 9th term of office. He was appointed for the 9th joint term of office by virtue of a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014.

By the Supervisory Board's decision he has served as Secretary of the Supervisory Board of the 9th joint term of office since July 28th 2014. He also held this position on the Board of the 7th and 8th term of office. As Secretary of the Board, he is responsible for organising and documenting the Supervisory Board's work and providing it with administrative and technical support. He also remains a member of the Organization and Management Committee and the Audit Committee of the Supervisory Board.

Given the ongoing restructuring of the Company's North Sea projects, the Supervisory Board, by virtue of its decision of May 23rd 2013, delegated Mr Pawłowski to independent supervision of the restructuring of the Norwegian assets of the LOTOS Group's Exploration & Production Segment. The Supervisory Board of the 9th joint term of office, by virtue of its decision of July 28th 2014, maintained Mr Pawłowski's powers of delegation to supervise the restructuring of the Norwegian assets. Mr Pawłowski is a Member of the Board of Directors of LOTOS Exploration & Production Norge A.S. (as an observer).

Qualifications, professional experience and achievements:

Mr Pawłowski is a graduate of the Faculty of Law and Administration of the Adam Mickiewicz University of Poznań and Cambridge University, where he graduated in British and EU law.

In 2006, he completed legal counsel training held by the Board of the District Chamber of Legal Counsels in Poznań and was entered in the register of legal counsels.

Mr Pawłowski was a lawyer at Kancelaria Prawna Głowacki, Grynhoff, Hałaziński s.j. (in 2000–2002), at D. Janczak i Wspólnicy Sp. k./Domański Zakrzewki Palinka Sp. k. – Ernst & Young Law Alliance – Energy Group (in 2002–2003) and at the Law Office of Legal Counsel Włodzimierz Głowacki (in 2003–2007). Currently, Mr Pawłowski is a Managing Partner at the Oskar Pawłowski i Wspólnicy Sp. k. law firm.

He has over 10 years of experience in legal counsel services. His expertise includes, in particular, the regulatory environment of the energy sector and legal services in property trading and investment. Mr Pawłowski has extensive experience in corporate law as well as mergers and acquisitions.

He also serves as Energy Arbitrator at the Arbitration Court of the Chamber of Industrial Power and Energy Customers. He is a Member of the Tribunal of the Polish Automobile and Motorcycle Association. He speaks fluent English. He has authored the following papers: 'Rights of Electricity Consumers and Methods of Their Protection' (Rynek Energii 2/2009) and 'Legal Due Diligence in Property Transactions' (Inwestor 1/2010).

Magdalena Bohusz-Boguszewska
Member of the Supervisory Board

Ms Bohusz-Boguszewska has been a Member of Grupa LOTOS Supervisory Board since June 30th 2014. She was appointed for the 9th joint term of office by the Annual General Meeting of Grupa LOTOS. Ms Bohusz-Boguszewska works on the Strategy and Development Committee and the Audit Committee.

By virtue of the Supervisory Board resolution of August 22nd 2014, she was delegated to independently exercise detailed and ongoing supervision of the Project "Construction of a Delayed Coking Unit (DCU) and Auxiliary Installations", including the process of negotiation and selection of main contractors and arrangement of financing.

Qualifications, professional experience and achievements:

A graduate of Law from the European School of Law and Administration (Europejska Wyższa Szkoła Prawa i Administracji).

In October 2014, she became Head of the Strategy and Development Department at Agencja Rozwoju Przemysłu S.A. She has worked at the Polish Ministry of State Treasury since 2012. Until October 2014 she served at the Ministry as Head of the Supervision, State Aid and Assistance Division of the Restructuring and State Aid Department, overseeing and coordinating work related to the supervision of state-owned enterprises, corporate restructuring, as well as state aid and assistance considered non-public aid granted to entrepreneurs by the Minister of State Treasury. Between 2004 and 2012, she was employed at the Polish Ministry of Economy, where her responsibilities included the supervision of state-owned coal mining companies, and then legislative work to prepare draft amendments to the existing legal framework reflecting the government's strategies towards the coal mining industry. She has experience as a supervisory board member, having served in that capacity at a number of companies, including H. Cegielski – Poznań S.A. and Stomil – Poznań S.A.

Małgorzata Hirszel
Member of the Supervisory Board

Ms Hirszel has served on the Grupa LOTOS Supervisory Board since June 30th 2008, as a Member of the Board of the 7th, 8th and 9th term of office.

She was appointed for the 9th joint term of office by a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014. Ms Hirszel works on the Supervisory Board's Organization and Management Committee and the Strategy and Development Committee.

Qualifications, professional experience and achievements:

Ms Hirszel is a graduate of the Faculty of Law and Administration of the University of Warsaw; she has also completed a post-graduate course in European Studies at the Faculty of Journalism and Political Science of the University of Warsaw. Currently, she is pursuing doctoral studies at the Institute of Legal Sciences of the Polish Academy of Sciences.

In 2000, she joined the Chancellery of the Prime Minister, where she has served as Head of the Council of Ministers Committee Department and as Secretary of the Council of Ministers Standing Committee since 2007.

Michał Rumiński
Member of the Supervisory Board

Member of the Grupa LOTOS Supervisory Board since February 11th 2010, as a Member of the Board of the 7th, 8th and 9th term of office. He was appointed for the 9th joint term of office by virtue of a resolution of the Annual General Meeting of Grupa LOTOS dated June 30th 2014. Mr Rumiński serves as Chairman of the Audit Committee, and sits on the Strategy and Development Committee and the Organization and Management Committee.

Qualifications, professional experience and achievements:

Mr Rumiński is a graduate of the University of Chicago Booth School of Business, the Warsaw School of Economics, and the University of Warsaw, Faculty of Law and Administration.

Since 2012, he has been President of the Management Board and Managing Partner of EEC Ventures, specialising in asset management and capital advisory services, including specialised financial services in clean tech and sustainability investments. From 2007 to 2012, Mr Rumiński was associated with MCI Euroventures (an investment fund), in the following positions: Investment Partner, Member and then President of the

Management Board of ABC Data S.A. – the largest portfolio company, and member of the supervisory boards of other companies. In 2000–2007, he worked for the KBC Group, where he completed a number of equity transactions as well as public and private equity investment projects. From 2004, he held the position of Corporate Finance Director at KBC Securities S.A. and was responsible for developing the strategy and forming the corporate finance department at the KBC Securities investment bank in Poland. Before that, Mr Rumiński had served as Head of the Investment Banking Division at Kredyt Bank S.A. He has authored a number of publications dealing with the Polish and global capital market.

Under the Company's Articles of Association, the Supervisory Board may comprise five to nine members, appointed for a joint three-year term of office by the General Meeting in a secret ballot, by an absolute majority of votes, from an unlimited number of candidates. The number of Supervisory Board members is determined by the General Meeting. The Chairperson of the Supervisory Board is appointed by the General Meeting, while the Deputy Chairperson and the Secretary are elected by the Supervisory Board from among its other members. Any or all Supervisory Board members may be removed at any time prior to expiry of their term of office.

Notwithstanding the foregoing, pursuant to Article 11.2 of the Articles of Association, the State Treasury is entitled to directly appoint and remove one member of the Supervisory Board as long as it remains a shareholder in the Company.

From January 1st 2014 to June 30th 2014, the Supervisory Board (of the eighth term) was composed of the following members:

1. Wiesław Skwarko – Chairman,
2. Marcin Majeranowski – Deputy Chairman,
3. Oskar Pawłowski – Secretary,
4. Agnieszka Trzaskalska – Member,
5. Małgorzata Hirszel – Member,
6. Michał Rumiński – Member.

In connection with expiry of the eighth term of office of the Supervisory Board, on June 30th 2014 the Annual General Meeting of Grupa LOTOS, acting in accordance with Article 11.1 of the Company's Articles of Association and Resolution No. 21, set the number of members of the Supervisory Board of the ninth term of office at seven, and in accordance with Articles 385.1 and 385.2 of the Commercial Companies Code as well as Articles 9.4 and 11.2 of the Articles of Association, appointed new members to the Supervisory Board of the ninth term:

- Wiesław Skwarko – as Chairman,
- Magdalena Bohusz-Boguszewska,
- Małgorzata Hirszel,
- Agnieszka Trzaskalska,
- Oskar Pawłowski,
- Michał Rumiński.

The State Treasury, represented by the Minister of State Treasury, did not exercise its right to directly appoint one Supervisory Board member by the date of this Report.

The Supervisory Board of the ninth term of office was established at its first meeting. Ms Agnieszka Trzaskalska was appointed Deputy Chairperson of the Supervisory Board (Resolution No. 1/IX/2014), and Mr Oskar Pawłowski was appointed Secretary of the Supervisory Board (Resolution No. 2/IX/2014).

In the period from July 28th to December 31st 2014 and as at the release date of this Report, the Supervisory Board of the ninth term was thus composed of the following persons:

1. Wiesław Skwarko – Chairman,
2. Agnieszka Trzaskalska – Deputy Chairperson,
3. Oskar Pawłowski – Secretary,
4. Magdalena Bohusz-Boguszewska – Member,
5. Małgorzata Hirszel – Member,
6. Michał Rumiński – Member.

Members of the Supervisory Board delegated to independently perform certain functions:

Marcin Majeranowski – delegated by virtue of Supervisory Board Resolution No. 66/VIII/2013 of January 11th 2013 to independently supervise the execution of the LOTOS Group's capital restructuring programme and its schedule. As the eighth term of office of the Supervisory Board expired, his powers of delegation lapsed.

Oskar Pawłowski – delegated by virtue of Supervisory Board Resolution No. 98/VIII/2013 of May 23rd 2013 to independently supervise the restructuring of the Norwegian assets of the exploration and production segment. As the eighth term of office of the Supervisory Board expired, these powers of delegation lapsed. The Supervisory Board of the ninth joint term of office, by virtue of its decision of July 28th 2014 (Resolution No. 6/IX/2014), again granted to Mr Pawłowski, within the scope of individual supervision, same powers of delegation as before.

Magdalena Bohusz-Boguszewska – delegated by virtue of Supervisory Board Resolution No. 10/IX/2014 of August 22nd 2014 to independently exercise detailed and ongoing supervision of the Project "Construction of a Delayed Coking Unit (DCU) and Auxiliary Installations", including the process of negotiation and selection of main contractors and arrangement of financing.

At present, the Supervisory Board of Grupa LOTOS consists of six members.

Number of women and men on the Supervisory Board of Grupa LOTOS in 2012–2014

Year	Period	Total members	Number of women	Number of men
2012	Jan 1–Jan 27	6	1	5
	Jan 27–Feb 29	5	1	4

	Feb 29–Dec 31	6	2	4
2013	Jan 1–Dec 31	6	2	4
2014	Jan 1–Jun 30	6 ✓	2 ✓	4 ✓
	Jun 30–Dec 31	6 ✓	3 ✓	3 ✓

Standing committees of the Supervisory Board

Standing committees of the Supervisory Board of Grupa LOTOS, acting as supporting, advisory and consultative bodies, include the Audit Committee, Strategy and Development Committee, and Organization and Management Committee.

Each committee is composed of three to five persons, appointed by the Supervisory Board from among its members. The committees are headed by chairpersons, who are appointed by the Supervisory Board from among the committee members. All Supervisory Board members have the right to participate in the meetings of each committee.

The Audit Committee has been established to advise the Supervisory Board on proper implementation of the budget reporting, financial reporting and internal control standards, and to collaborate with the Company's auditors.

The Strategy and Development Committee's role is to provide the Supervisory Board with opinions and recommendations regarding planned investment projects with a potentially material effect on the Company's assets, related to its long-term strategies.

The Organization and Management Committee provides the Supervisory Board with opinions and recommendations regarding the Company's management structure, including organizational solutions, remuneration scheme and choice of personnel, to enable the Company to achieve its strategic objectives.

The specific powers and duties of the committees are defined by the Rules of Procedure for the Supervisory Board and the Rules of Procedure for the individual committees.

In 2014, the committees of the Supervisory Board were composed of the following persons:

Audit Committee of the Supervisory Board

In the period from January 1st to June 30th 2014 (until the end of the eighth term of office), the Audit Committee of the Supervisory Board was composed of the following persons:

1. Michał Rumiński – Chairman *(appointed chairman of the committee on August 11th 2011)*,
2. Wiesław Skwarko – Member,
3. Oskar Pawłowski – Member,
4. Marcin Majeranowski – Member.

Following appointment by the General Meeting on June 30th 2014 of the Supervisory Board for the ninth joint term of office, during its first meeting on July 28th 2014 the Supervisory Board elected members of the Audit Committee, appointing Michał Rumiński as the chairman (Resolution No. 3/IX/2014). In the period from July 28th to December 31st 2014 and as at the release date of this Report, the Audit Committee was thus composed of the following persons:

1. Michał Rumiński – Chairman,
2. Wiesław Skwarko – Member,
3. Oskar Pawłowski – Member,
4. Magdalena Bohusz-Boguszewska – Member.

Strategy and Development Committee of the Supervisory Board

In the period from January 1st to June 30th 2014 (until the end of the eighth term of office), the Strategy and Development Committee of the Supervisory Board was composed of the following persons:

1. Wiesław Skwarko – Chairman *(appointed chairman of the committee on August 11th 2011)*,
2. Małgorzata Hirszel – Member,
3. Michał Rumiński – Member,
4. Agnieszka Trzaskalska – Member,
5. Marcin Majeranowski – Member.

Following appointment by the General Meeting on June 30th 2014 of the Supervisory Board for the ninth joint term of office, during its first meeting on July 28th 2014 the Supervisory Board elected members of the Strategy and Development Committee, appointing Wiesław Skwarko as the chairman (Resolution No. 4/IX/2014). In the period from July 28th to December 31st 2014 and as at the release date of this Report, the Strategy and Development Committee was thus composed of the following persons:

1. Wiesław Skwarko – Chairman,
2. Małgorzata Hirszel – Member,
3. Michał Rumiński – Member,
4. Agnieszka Trzaskalska – Member,
5. Magdalena Bohusz-Boguszewska – Member.

Organization and Management Committee

In the period from January 1st to January 18th 2014, the Organization and Management Committee of the Supervisory Board was composed of the following persons:

1. Agnieszka Trzaskalska – Chairperson *(appointed chairperson of the committee on March 8th 2012)*
2. Małgorzata Hirszel – Member,
3. Oskar Pawłowski – Member,
4. Marcin Majeranowski – Member.

By way of its decision of January 18th 2014 (Resolution No. 110/VIII/2014), the Supervisory Board appointed Michał Rumiński to the Organization and Management Committee. In the period from January 18th to June 30th 2014 (until the end of the eighth term of office), the committee was composed of the following persons:

1. Agnieszka Trzaskalska – Chairperson,
2. Małgorzata Hirszel – Member,
3. Oskar Pawłowski – Member,
4. Marcin Majeranowski – Member,
5. Michał Rumiński – Member.

Following appointment by the General Meeting on June 30th 2014 of the Supervisory Board for the ninth joint term of office, during its first meeting on July 28th 2014 the Supervisory Board elected members of the Organization and Management Committee, appointing Agnieszka Trzaskalska as the chairperson (Resolution No. 5/IX/2014). In the period from July 28th to December 31st 2014 and as at the release date of this Report, the Organization and Management Committee was thus composed of the following persons:

1. Agnieszka Trzaskalska – Chairperson,
2. Małgorzata Hirszel – Member,
3. Oskar Pawłowski – Member,
4. Marcin Majeranowski – Member,
5. Michał Rumiński – Member.

Remuneration of the Supervisory Board

The rules of remuneration for members of the Supervisory Board are defined by the General Meeting.

Remuneration of the Grupa LOTOS Supervisory Board members is subject to limitations and conditions prescribed under the Act on Remunerating Persons Who Manage Certain Legal Entities of March 3rd 2000 (Dz.U. of 2000 No 26, item 306, as amended). In accordance with the Act, in 2000 the

Extraordinary General Meeting defined a remuneration policy for Supervisory Board members. Pursuant to the policy:

- Supervisory Board members receive monthly remuneration equal to the average monthly salary in the non-financial corporate sector, net of bonuses paid from profit, in the fourth quarter of the preceding year, as announced by the President of the GUS (Central Statistics Office),
- The remuneration is payable irrespective of the frequency of Supervisory Board meetings, except if, in a given month, a member of the Supervisory Board is absent from all meetings held in that month without valid reasons,
- If a Supervisory Board member is appointed or removed from office during a calendar month, the remuneration amount is calculated according to their number of days in office,
- The Company reimburses any expenses incurred by the Supervisory Board members in connection with the performance of their duties, and – pursuant to the Personal Income Tax Act – calculates and deducts personal income tax prepayments from their remuneration.

In line with the provisions of the afore-mentioned Act, in 2014 the Supervisory Board members were entitled to receive monthly remuneration calculated on the basis of the average monthly salary in the non-financial corporate sector, net of bonuses paid from profit, in the fourth quarter of 2009.

Remuneration of the Supervisory Board members in 2014

Name and surname	Amount (PLN)
Wiesław Skwarko	38,000
Agnieszka Trzaskalska	38,000
Oskar Pawłowski	38,000
Małgorzata Hirszel	38,000
Magdalena Bohusz-Boguszewska	17,000
Michał Rumiński	38,000
Marcin Majeranowski	21,000
Total	**228,000**

Independence status of the Supervisory Board

The term 'independent members of the supervisory board' in reference to public companies was introduced in the 'Code of Best Practice for WSE Listed Companies', which is designed to foster transparency in listed companies.

In accordance with Rule 6, Section III of the Code, at least two supervisory board members should meet the independence criteria set out in Annex II to the Commission Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board. In addition, a person who is an employee of the company, its subsidiary company or its associated company, or has an actual and significant relationship with any shareholder who has the right to exercise at least 5% of all votes at the general meeting, cannot be deemed to meet these independence criteria.

Therefore, independent members of the supervisory board are persons who are not linked in any way to the shareholders, the company or its employees, as such relations could potentially result in a conflict of interests.

According to the representations made for the purposes of the Grupa LOTOS Prospectus, approved by the Polish Financial Supervision Authority on November 7th 2014, and as at the date of the Prospectus, the following members of the Supervisory Board met the criteria of independence, within the meaning of Annex II to the Commission Recommendation of February 15th 2005 and Section III.6 of the Code of Best Practice: Wiesław Skwarko, Oskar Pawłowski, Małgorzata Hirszel, Michał Rumiński, and Magdalena Bohusz-Boguszewska.

The independence criteria within the meaning of the Act on Qualified Auditors were satisfied by: Wiesław Skwarko, Agnieszka Trzaskalska, Oskar Pawłowski, Małgorzata Hirszel, and Michał Rumiński.

Avoidance of conflicts of interest

Members of the Supervisory Board of Grupa LOTOS make IFRS-compliant disclosures on related-party transactions in accordance with IAS 24 Related Party Disclosures for the purposes of the Company’s financial statements. According to the representations made in the first half of the year, two members of the Company’s Supervisory Board were employed at the Ministry of State Treasury, which they both claimed had no influence on their duties on the Supervisory Board. At present (since June 30th 2014), one member of the Supervisory Board is employed at the Ministry of State Treasury and upholds his previous representation that this has no influence on his duties on the Supervisory Board. The remaining Supervisory Board members declare they have no economic links, family ties or other relations with a shareholder holding 5% or more of the total vote at the General Meeting of Grupa LOTOS and which might sway their position on matters decided by the Supervisory Board.

The Company is not aware of any conflicts of interest that arose or could have arisen in 2014, which the member concerned should have notified the Supervisory Board about, and as a result of which the member should refrain from taking the floor and voting on resolutions pertaining to the matter giving rise to such conflict of interest.

In addition to the above requirements, upon appointment, members of the Company’s Supervisory Board are required to make a representation to the effect that they are not engaged in any activities competing with the Company’s business, and that they are not partners in any competing partnership under civil law or another type of partnership, nor members of a governing body of an incorporated company or of any other competing legal entity.

Commitment to sustainable development

The Supervisory Board and its committees are an important element of the system assessing the performance, opportunities and risks of Grupa LOTOS, and ensuring that the Company's sustainability-related activities remain transparent.

Aiming to meet the highest standards of sustainable development, the Supervisory Board reviewed the core issues and areas of the Company's operations, both in the context of natural resources, as well as the Company's social and environmental impact.

In 2014, the Supervisory Board held eight meetings and passed 43 resolutions. Key matters pertaining to the Company's performance, opportunities and risks in the area of sustainable development brought under discussion by the Supervisory Board included:

- Implementation of the '2013-2015 Effective and Rising Programme', which aims to expand and restructure the LOTOS Group,
- Share capital increase at the Company,
- IImplementation of investment projects, including the preparatory work on launching the EFRA – Effective Refining Project, and purchase of land properties for future investment projects,
- Exploration and production operations in line with the Polish Geological and Mining Law, including the portfolio of licences held,
- Current financial performance of Grupa LOTOS and its subsidiaries, and spending under the 2014 budget,
- The budget for 2015,
- Refinancing of the Company's inventories,
- Financing of CSR projects by Grupa LOTOS, including plans to establish a corporate foundation,
- The Company's sponsorship activities.

In 2014, the committees of the Supervisory Board, viewing sustainability as an essential process for the Company and appreciating the importance of a responsible approach to business, performed their advisory and supportive duties by bringing the following matters under discussion:

- Performance of the LOTOS Group's Strategy,
- Results of the review and audit of the LOTOS Group's financial statements,
- Financial performance of Grupa LOTOS and its subsidiaries in individual periods,
- The objectives and budget for 2015,
- Debt servicing projections and liquidity management plan,
- Hedge accounting,
- The Company's internal audit function,
- Assessment of organizational maturity,
- Management of risks, including the misconduct risk,
- Profitability of the service station chain,
- Status of exploration and production projects.

The activities of the Supervisory Board are evaluated by the General Meeting, which has the authority to grant discharge to members of the Supervisory Board in respect of performance of their duties. The basis for the granting of such discharge is a report containing an assessment of the Company's standing, covering the sustainable development issues detailed above, presented annually by the Supervisory Board pursuant to the Rules of Procedure for the Supervisory Board and the 'Code of Best Practice for WSE Listed Companies'.

The Board

Powers of the Board

The Board of Grupa LOTOS operates on the basis of the Grupa LOTOS Articles of Association and its Rules of Procedure. These documents are available to the public on the Company's website.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos/powers>

Composition of the Board

In 2014, the Board of Grupa LOTOS in its eight joint term consisted of 5 members.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos/composition>

Remuneration of the Board

In line with the amended so-called Compensation Cap Act, in 2014 the Grupa LOTOS Board members were entitled to receive monthly remuneration calculated on the basis of the average monthly salary in the non-financial corporate sector in the fourth quarter of 2009.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos/remuneration>

Avoidance of conflicts of interest

Avoidance of a potential or actual conflict of interest arising is one of the key principles of the LOTOS Group's Code of Ethics.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/the-board-of-grupa-lotos/avoidance-of-conflicts-of-interest>

Powers of the Board

The Board of Grupa LOTOS represents the Company before third parties and manages its corporate affairs. In addition, individual Board members perform their duties in line with the division of powers and responsibilities resulting from their operational functions within the Company. Each member of the Board is authorised to represent the Company in court and out of court in relation to its business, with the exception of matters reserved for the General Meeting or Supervisory Board under the Commercial Companies Code or the Company's Articles of Association, as well as matters falling outside the scope of ordinary management of the business where they require the Board's prior resolution and matters within the powers of another member of the Board.

The Board operates on the basis of the Grupa LOTOS Articles of Association and its Rules of Procedure.

Articles of Association of Grupa LOTOS S.A. (PDF)
<http://inwestor.lotos.pl/repository/45906/en/>

Management Board Regulations of Grupa LOTOS (PDF)
<http://inwestor.lotos.pl/pobierz_plik/37296/>

Composition of the Board

Paweł Olechnowicz
President of the Board

Mr Olechnowicz has held the position of President of the Board of Grupa LOTOS since March 12th 2002, as member of the Boards of the fourth, fifth, sixth, seventh and eighth term. Since September 2007, he has served as Chairman of the Board of Directors of LOTOS Exploration and Production Norge AS and since April 2011 – Chairman of the Board of Directors of AB LOTOS Geonafta.

He is in charge of, and takes responsibility for, the overall management and direction of the LOTOS Group's operations.

Qualifications, professional experience and achievements:

Graduated from Kraków University of Technology (the Faculty of Technology and Mechanisation of Foundry Engineering), completed a post-graduate course in Organization, Economics and Industrial Management at Gdańsk University of Technology, holds an MBA from INSEAD in Fontainebleau, and attended a number of courses in management, both in Poland and abroad.

In 1977, Mr. Olechnowicz began his professional career in Zakłady Mechaniczne Zamech of Elbląg (renamed ABB Zamech Sp. z o.o. in 1990). In 1990–1996, he was President of the Management Board and Director General of ABB Zamech Ltd.; concurrently, in 1994–1996, also served as Vice-President of ABB Polska. Subsequently, for two years Mr Olechnowicz worked at the headquarters of ABB Ltd. Zurich, Switzerland, as Vice-President for Central and Eastern Europe. In 1999–2000, Mr Olechnowicz was Vice-President and Deputy Director General of ZML Kęty S.A., and from 2001, managed his own consultancy firm, Paweł Olechnowicz-Consulting. He was one of the founders of Central Europe Energy Partners (CEEP), an expert organisation established in 2010 in Brussels to represent the interests of energy companies from Central and Eastern Europe. He serves as Chairman of the Board of Directors of CEEP.

After taking the position of President of the Board of Grupa LOTOS, Mr Olechnowicz began the dynamic process of modernising the Company's structures and developing its production and marketing potential. He was responsible for the Company's business consolidation with Petrobaltic, an exploration and production company, and the Czechowice-Dziedzice and Jasło refineries. He also floated Grupa LOTOS shares on the Warsaw Stock Exchange (June 9th 2005) and used the IPO proceeds (approximately PLN 1bn) to carry out the 10+ Programme which involved construction of state-of-the-art liquid fuel production installations at the Gdańsk refinery and increased its throughput capacity from 6 to 10.5 million tonnes. The 10+ Programme, carried out in 2007–2011 and valued at nearly EUR 1.5bn, was one of the largest investment projects to be implemented in Poland in the last 25 years. Mr Olechnowicz led the implementation of the cost-cutting Package of Anti-Crisis Measures developed jointly by the Company's management and staff (2009), as well as the efficiency-enhancement and cost-cutting Optimal Expansion Programme (2012). In late 2014 and early 2015, Mr Olechnowicz as CEO of Grupa LOTOS led a successful follow-up issue of the Company shares. The Company raised approximately PLN 1bn from the issue and plans to use the proceeds to finance investment projects under the '2013-2015 Effective and Rising' Programme. These include mainly the construction of a Delayed Coking Unit (DCU) and auxiliary installations as part of the EFRA Project, and development of the B4/B6 gas fields in the Baltic Sea. In 2014, at the 'Nafta i Chemia' conference devoted to the oil and chemical industries, President of Grupa LOTOS Paweł Olechnowicz was awarded the 'Man of the Decade' title.

Mariusz Machajewski
Vice-President of the Board

Mr Machajewski has held the position of Vice-President of the Board of Grupa LOTOS since June 19th 2006, serving as a member of the Board of the sixth, seventh and eight term. Since 2006, he has served as Deputy Chairman of the Supervisory Board of LOTOS Paliwa Sp. z o.o., and since 2010 – as Chairman of the Supervisory Board of RCEkoenergia Sp. z o.o.

Since 2013, Mr Machajewski has also been member of the Supervisory Board of Stowarzyszenie Emitentów Giełdowych (Polish Association of Listed Companies).

He is mainly in charge of, and takes responsibility for, the overall management of the Company's economic, financial and accounting activities, as well as all matters related to its asset base and restructuring processes. In addition, he also exercises supervision over matters related to the formulation of corporate guidelines and standardisation of procedures related to the conclusion of agreements, selection and evaluation of trading partners, as well as development of IT systems and telecommunication services.

Qualifications, professional experience and achievements:

Mr Machajewski is a graduate of the Faculty of Economics at Gdańsk University. He also attended a number of courses in management and economics in Poland and abroad.

In 1994–1997, he worked at Stocznia Gdynia S.A. (Gdynia Shipyard). In 1997, he joined Grupa LOTOS (formerly Rafineria Gdańska S.A.), where he was placed in charge of the Company's controlling functions in 1999. Since mid-2002, he has held the position of Chief Financial Officer. From April 2005 to June 2006, he also served as the Company's commercial proxy. Appointed to the Board in June 2006. He was involved in the Company's internal restructuring, which led to the creation (in 2005) of the Finance and Accounting Centre, a body primarily intended to provide accounting services to Grupa LOTOS and its subsidiaries. He assisted in preparations before the floatation of Grupa LOTOS shares on the Warsaw Stock Exchange on June 9th 2005. Mr Machajewski played an instrumental role in formulating and arranging the financing framework for the 10+ Programme. The credit facility executed in June 2008 to finance the 10+ Programme was the largest transaction in the Company's history. It was declared transaction of the year in the European oil industry and named the Best Financing Project of the year by a number of prestigious specialist journals. Mr Machajewski prepared and oversaw the implementation of the cost-cutting Package of Anti-Crisis Measures (2009) and the efficiency-enhancement and cost-cutting Optimal Expansion Programme (2012). In charge of restructuring processes, he is responsible for the implementation of the LOTOS Group's development and capital restructuring programme '2013-2015 Effective and Rising', and oversees the exercise of corporate supervision at subsidiary companies. He supervised the processes of share capital increase at the Company carried out in 2014 and development of the framework for arranging financing for the ongoing 'EFRA – Effective Refining' Project.

Zbigniew Paszkowicz
Vice-President of the Management Board

Mr Paszkowicz has held the position of Vice-President of the Management Board of Grupa LOTOS since June 28th 2012, when he was appointed by the Supervisory Board to the Board of the eighth term.

In October 2012, he was appointed President of the Management Board of LOTOS Petrobaltic and since January 2013 has served on the Board of Directors of LOTOS E&P Norge AS.

He is in charge of, and takes responsibility for, the overall management of the LOTOS Group's exploration and production segment. As part of this role, he is charged with the oversight of companies in that segment.

Qualifications, professional experience and achievements:

In 1989, Mr Paszkowicz completed mechanics studies at the Ship-building Institute of the Gdańsk University of Technology. Graduate of Ecole Nationale Superieure du Petrole et des Moteurs, where in 1991 he obtained engineer's diploma at the Faculty of Petroleum and Internal Combustion Engines.

His career with Grupa LOTOS (formerly Rafineria Gdańska S.A.) commenced in 1992, initially as a specialist in the Maintenance Planning and Preparation Department. In 2002–2004, he was head of the Plant Engineering Unit, in charge of reorganisation of overhaul services and maintenance of refinery operation based on advanced prevention methods. In 2004, he was appointed Technical Director of Grupa LOTOS and was directly responsible for the preparation and execution of the Spring 2005 maintenance shutdown, during which the plant's annual processing capacity was increased from 4.5m to 6m tonnes of crude oil. In 2006, he was appointed Head of Refinery Expansion, in charge of execution of the 10+ Programme, the largest industrial project of the last decade in Poland. After completion of the Programme, in April 2011 he took the position of Deputy CEO of Grupa LOTOS, and his responsibilities included monitoring of implementation of the Company's Strategy; supervision of support functions for the Company's governing bodies; development of corporate guidelines and uniform contracting procedures; development of IT and telecommunication systems, and security and physical protection. He also provided support to the CEO within his remit. In January 2012, he was appointed Chairman of the Supervisory Board of LOTOS Petrobaltic. In June 2012, he was appointed Vice-President of Grupa LOTOS, and since October 2012 he has also served as President of the Management Board of LOTOS Petrobaltic. His primary area of focus is development of the exploration and production operations. Since June 2012, he has been directly involved in development of the strategy for and successful completion of negotiations (with Talisman of Canada, licence operator) on removal of a defective rig from the YME field and recovery of invested funds (March 2013). He also monitored the acquisition of an interest in the Heimdal field, which is the hub for processing and distribution of natural gas extracted from the Norwegian Continental Shelf (November 2013). Mr Paszkowicz supervises intensive appraisal work on hydrocarbon deposits in the Baltic Sea to enable full use of the potential and resources available in the Polish economic zone. He supervised the final phase of development of the B8 field, involving in particular conversion of the Petrobaltic drilling rig into a production platform, and construction of subsea production infrastructure. As part of strategy implementation, in March 2014, the then newly acquired LOTOS Petrobaltic rig was transported to the Baltic Sea.

Marek Sokołowski

Vice-President of the Management Board

Mr Sokołowski has served as Vice-President of the Management Board of Grupa LOTOS since April 19th 2002, as member of the Boards of the fourth, fifth, sixth, seventh and eighth term.

Between 2002 and 2009, he was the Chairman of the Supervisory Board of LOTOS Kolej. Since May 2005, he has served as Chairman of the Supervisory Board of LOTOS Terminale (formerly LOTOS Czechowice) and since December 2010 – as Chairman of the Supervisory Board of LOTOS Biopaliwa.

He is in charge of management of production, technical, and technology development units; investments related to technical and technological development; supervision of the processing business in the LOTOS Group.

Qualifications, professional experience and achievements:

Mr Sokołowski graduated from Gdańsk University of Technology (Faculty of Electrical Engineering), completed a post-graduate course in industrial investments and a number of management courses in Poland and abroad.

He has worked at Grupa LOTOS (formerly Rafineria Gdańska S.A.) since 1973. In 1990, Mr Sokołowski was appointed to the Management Board and took the position of Technical Director, in charge of plant engineering and execution of investment projects. At the end of 1994 and beginning of 1995, he participated in the development of the 'Technical Development Programme for Rafineria Gdańska S.A. until 2000', designed to increase the refinery's annual crude processing capacity from 3m to 4.5m tonnes, and to construct conversion installations, including the hydrocracking unit. From 1996, he managed execution of the Programme until its completion at the end of 1999. Until April 2002 Mr Sokołowski held the position of Chief of Technical Services, concurrently serving as the Company's commercial proxy. In April 2002, he was appointed Vice-President of the Management Board of Grupa LOTOS. In 2004–2011, he was responsible for refinery expansion as part of the 10+ Programme (formerly the Comprehensive Technical Development Programme), officially launched in August 2007 by laying the cornerstone for the diesel oil hydrodesulfurisation (HDS) unit.

Once all the new installations built as part of the 10+ Programme came on stream, the refinery's crude processing capacity, depth of crude processing, and feedstock flexibility improved considerably. Completion of the 10+ Programme placed Grupa LOTOS in the elite group of the most advanced refineries in Europe. In recent years, Marek Sokołowski has been the promoter of the idea of enhancing the refinery's energy security by connecting it to mains gas network. Another of his initiatives was organisational changes as part of the Operational Excellence Programme, whose implementation resulted in the Gdańsk refinery being evaluated by international auditors (Solomon Inc.) as one of the most efficient refineries in Europe. Currently, Mr Sokołowski is involved in efforts aimed at building a new unit under the 'EFRA – Effective Refining' Project, the purpose of which is to achieve a significant improvement in refining margin thanks to an increased crude distillate yield. Mr Sokołowski has been a member of the Board of the Polish Chamber of Chemical Industry.

Maciej Szozda

Vice-President of the Management Board

Mr Szozda has served as Vice-President of the Management Board of Grupa LOTOS since July 1st 2009, as member of the Boards of the seventh and eighth terms.

Since August 2009, he has chaired the Supervisory Board of LOTOS Paliwa., and since December 2010 he has served as Deputy Chairman of the Supervisory Board of LOTOS Biopaliwa.

He is responsible for overall management of and responsibility for marketing, procurement and distribution processes at the LOTOS Group. He is also charged with oversight of companies allocated to the LOTOS Group's marketing segment.

Qualifications, professional experience and achievements:

Maciej Szozda graduated from the Warsaw School of Economics (Faculty of Trade).

In 1980, he began work at PHZ Labimex. In 1983–1984, he was Managing Director at KMW Engineering. Then, until 1986, he worked in the United States as contract manager. In 1986, he joined Przedsiębiorstwo Zagraniczne Ipaco, where he held the position of Director, and in

1987–1989 he was Export Manager for Sinexim Gmbh of West Berlin. From 1989, he operated as a sole trader, working for Easy Garments UK Ltd. (Easy Jeans) as Head of its Representative Office for Poland and the CIS countries. In 2002, he joined PKN Orlen, where he served as (in chronological order) Director of the Retail Network Planning and Development Office, Director of the Retail Network Development Office – Europe, and Retail Sales Executive Director. From October 2008 to February 2009, Mr Szozda was a member of the Supervisory Board of Orlen Deutschland AG. From 2007 to March 2009, he served as a member and then President of the Management Board of AB VENTUS NAFTA of Vilnius, a company of the ORLEN Group.

He joined Grupa LOTOS in 2009. He supervises efforts aimed at increasing the LOTOS Group's share in the fuel market through development of the service station network, and continued improvement of the stations' efficiency, involving implementation of uniform operating standards.

The network development is also a result of capital expenditure on Motorway Service Areas, which have been built since October 2009 at various motorway sections in Poland. Their current number is 17. LOTOS Dynamic fuels, marketed across the network, became available in all larger Polish towns in December 2009, and won the first place in the fifth edition of the 'Consumer Laurel 2009' programme in the Premium Fuel category.

Mr Szozda implemented the concept of OPTIMA budget service stations, where basic fuels are available at attractive prices. In 2011, the Company beat the national record for the number of stations opened within one year by adding as many as 68 new locations to its network. Between 2009 and 2015, the number of stations in the network doubled. In 2012, LOTOS stations won the prestigious Crystal Emblem of European Trusted Brands. Mr Szozda's other responsibilities include efforts to maintain LOTOS' leading position on the domestic lubricants market; continuous improvement of other products' market shares; and development of aviation fuel sales, which in 2013 resulted in the formation of a joint venture LOTOS-Air BP Polska.

In accordance with the Articles of Association of Grupa LOTOS, the Board may consist of three to seven members. The Supervisory Board appoints and determines the number of members of the Board. Board members are appointed for a joint term of three years.

From January 1st to December 31st 2014 and as at the release date of this Report, the composition of the Board of Grupa LOTOS in its eighth term was as follows:

Paweł Olechnowicz	President of the Board, Chief Executive Officer
Mariusz Machajewski	Vice-President of the Board, Chief Financial Officer
Zbigniew Paszkowicz	Vice-President of the Management Board, Exploration & Production
Marek Sokołowski	Vice-President of the Management Board, Chief Operations Officer
Maciej Szozda	Vice-President of the Management Board, Chief Commercial Officer

Positions held by members of the Board of Grupa LOTOS at other companies in 2014, as at the release date of this Report

Name and surname	Position on the Board of Grupa LOTOS	Company	Function at the company	Term of office
Paweł Olechnowicz	President of the Board	LOTOS Exploration and Production Norge AS	Chairman of the Board of Directors	January 1st–December 31st 2014
Paweł Olechnowicz	President of the Board	LOTOS Geonafta	Chairman of the Board of Directors	January 1st–December 31st 2014
Marek Sokołowski	Vice-President of the Management Board	LOTOS Terminale S.A.	Chairman of the Supervisory Board	January 1st–December 31st 2014
Marek Sokołowski	Vice-President of the Management Board	LOTOS Biopaliwa Sp. z o.o.	Chairman of the Supervisory Board	January 1st–December 31st 2014
Mariusz Machajewski	Vice-President of the Board	LOTOS Paliwa Sp. z o.o.	Deputy Chairman of the Supervisory Board	January 1st–December 31st 2014
Mariusz Machajewski	Vice-President of the Board	RCEkoenergia Sp. z o.o.	Chairman of the Supervisory Board	January 1st–December 31st 2014
Maciej Szozda	Vice-President of the Management Board	LOTOS Paliwa Sp. z o.o.	Chairman of the Supervisory Board	January 1st–December 31st 2014
Maciej Szozda	Vice-President of the Management Board	LOTOS Biopaliwa Sp. z o.o.	Deputy Chairman of the Supervisory Board	January 1st–December 31st 2014
Zbigniew Paszkowicz	Vice-President of the Management Board	LOTOS Exploration and Production Norge AS	Member of the Board of Directors	January 1st–December 31st 2014
Zbigniew Paszkowicz	Vice-President of the Management Board	LOTOS Petrobaltic S.A.	President of the Management Board	January 1st–December 31st 2014

Remuneration of the Board

As the State Treasury's equity interest in the Company exceeds 50% (50% of the total number of shares), remuneration paid to members of the Board of Grupa LOTOS is regulated by the Act of March 3rd 2000 on Remunerating Persons Who Manage Certain Legal Entities (Dz.U. of 2000 No. 26, item 306, as amended). In accordance with the Act, the President of the Board's monthly remuneration is determined by the General Meeting, while the remuneration of the remaining Board members is set by the Supervisory Board in line with the Company's Articles of Association.

On November 13th 2009, the Supervisory Board set the remuneration of the Vice-Presidents of the Company's Board at six times the average monthly salary in the non-financial corporate sector, net of bonuses paid from profit, in the fourth quarter of the preceding year, as announced by the President of the Central Statistics Office (GUS), and proposed to the General Meeting the monthly remuneration of the President of the Board. On December 17th 2009, concurring with the proposal of the Supervisory Board, the General Meeting determined the same level of remuneration for the President of the Board.

Furthermore, in accordance with their individual employment contracts, members of the Board of Grupa LOTOS are entitled to the following additional benefits:

- Life insurance costs (including monthly insurance premiums),
- Access to additional non-public healthcare, both in Poland and abroad, for the Board member and their family.

Although the President of the Board and the Vice-President of the Management Board, Chief Commercial Officer, who reside outside the city where the Company's registered office is located, are entitled to a furnished apartment in the Gdańsk-Gdynia-Sopot metropolitan area (with lease and service costs covered by the Company), they are not using this additional benefit.

Furthermore, in accordance with the Act of March 3rd 2000 and the Regulation of the Minister of State Treasury of March 12th 2001 on specific rules of awarding an annual bonus to persons who manage certain legal entities and the award procedure (Dz.U. of 2001 No. 22, item 259), members of the Board may be awarded an annual bonus equal to no more than three times the average monthly salary in the year preceding the award.

The decision whether to award an annual bonus to the President of the Board is made by the General Meeting, on recommendation of the Supervisory Board. As regards the other Board members, such decision is made by the Supervisory Board.

An annual bonus may be awarded provided that the financial statements are approved by the General Meeting, and the Company has:

- Improved its financial performance,
- Improved its market or industry position,
- Implemented its restructuring or growth plans effectively,
- Not exceeded the maximum average monthly remuneration growth rate,
- Repaid its liabilities to the state budget is a timely manner.

A Board member may be awarded an annual bonus provided that they served on the Board for a full financial year and did not commit a gross breach of their professional duties in that period, their employment contract was not terminated for reasons attributable to the Board member, or their management contract was not terminated and the Board member was not removed from their position for reasons constituting grounds whereby their employment contract could be terminated without notice.

In line with the amended afore-mentioned Act on Remunerating Persons Who Manage Certain Legal Entities (Compensation Cap Act), in 2014 the Board members were entitled to receive monthly remuneration calculated on the basis of the average monthly salary in the non-financial corporate sector, net of bonuses paid from profit, in the fourth quarter of 2009.

Remuneration of the Grupa LOTOS Board members in 2014

Name and surname	Amount (PLN)
Paweł Olechnowicz	297,000
Marek Sokołowski	254,000
Mariusz Machajewski	273,000
Maciej Szozda	261,000
Zbigniew Paszkowicz	261,000
Total	**1,346,000**

Avoidance of conflicts of interest

With a view to avoiding conflicts of interest, the Company observes the provisions of the Commercial Companies Code, the Rules of Procedure for the Board, as well as the Code of Best Practice for WSE Listed Companies.

In compliance with the Rules of Procedure for the Board, and pursuant to Art. 377 of the Commercial Companies Code, if a conflict of interests arises between the Company and a Board member or persons with whom the member has personal ties, the member should refrain from swaying the Company's decisions on matters which have given rise to such conflict. Additionally, in compliance with the Code of Best Practice for WSE Listed Companies, a Board member should notify the Board of any actual or potential conflicts of interest and should refrain from taking part in the discussion and from voting on a resolution concerning the issue which has given rise to such conflict of interest. In compliance with the Rules of Procedure for the Board, members of the Board who wish to serve on management or supervisory bodies of other companies are required to seek the approval of the Company's Supervisory Board. In addition, we apply the provisions of the Commercial Companies Code (Art. 387) stating that Board members are prohibited from serving on the Supervisory Board during their term of office on the Board. This also applies to other persons reporting directly to a Board member.

Risk and opportunities

Risk and opportunities

ERM
204 audits
in 2012-2014

Mitigation of all types of risk

2x
Doubled hydrocarbon production

Record-high volume of crude oil processed

Activity of the Price Risk and Trading Committee

One of the fastest growing service station chains in Poland

IN THIS CHAPTER:

Enterprise risk management policy

To ensure secure and effective pursuit of our strategic and operational objectives, we have put in place an Enterprise Risk Management system at the LOTOS Group.

Management segment

In the management segment, we identify political, legal, reputation and social risks as well as the risk of misconduct.

Exploration and production segment

In the Exploration and Production segment, we identify exploration risks, technical and production risks, risks related to exploration and production projects and financial risk.

Operational (refining) segment

In the operational (refining) sector, we identify operational risks related to the refinery and environmental risks, including risks related to carbon emission caps.

Financial segment

In the financial segment, we identify the risk related to prices of raw materials and petroleum products, the risk related to prices of carbon allowances, liquidity risk, currency risk, interest rate risk, credit risk in financial and trade transactions, the risk of limited access to external financing or changes in lending terms and the risk related to debt servicing as well as the risk of adverse changes in tax regulations, interpretations or court rulings.

Marketing segment

In the marketing segment, we identify the risk of crude supply interruptions or reduced crude supply, the risk of changes in margins on product sale and the risk of decline in domestic demand.

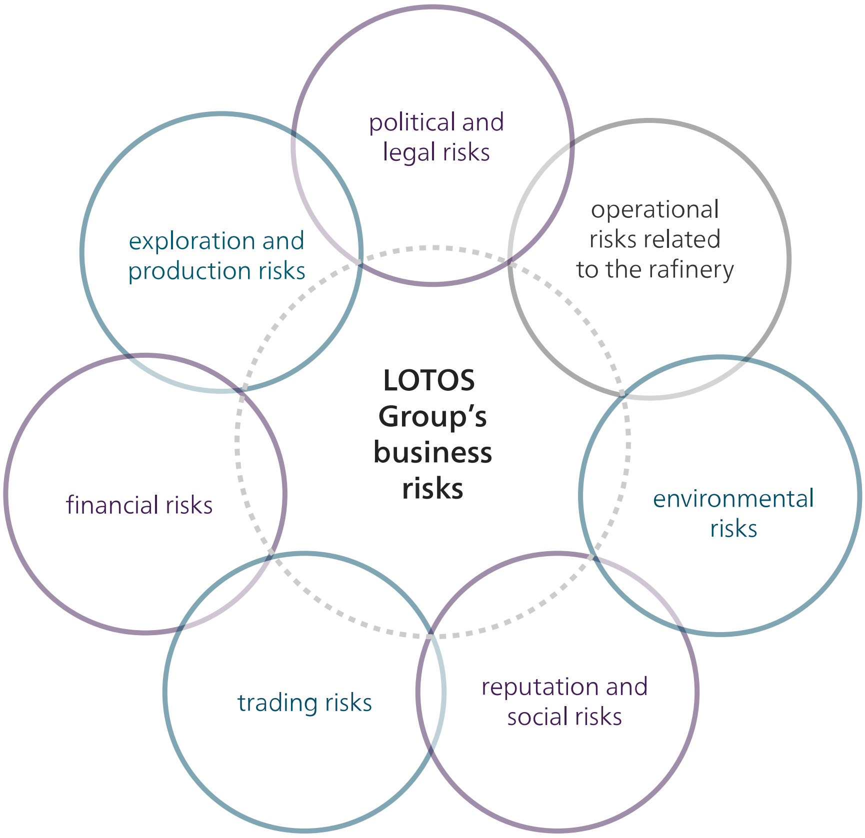
Enterprise risk management policy

Throughout 2014, as part of the ERM (Enterprise Risk Management) system, we implemented a number of risk mitigation measures at the LOTOS Group, reducing the probability that specific risks might materialise. In the case of risks that did materialise, we applied pre-defined action plans, mitigating their adverse consequences. In addition, we identified new risks, associated primarily with projects of crucial importance to the LOTOS Group, such as the EFRA Project, or delayed coking (DCU), and B8 field development. We also managed to improve the risk management tools, including risk identification, assessment and monitoring methodologies.

Our enterprise risk management enables us to undertake activities optimal for the LOTOS Group's business (within the acceptable risk limits). Also, we have tools to identify and leverage the emerging business opportunities.

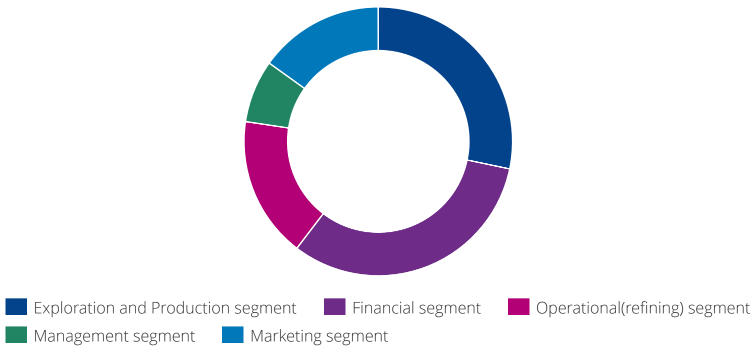
At the LOTOS Group, we identify a range of diverse risks, which may affect all areas of our business.

Key risks for the LOTOS Group



Since many of those risks are interrelated, we analyse their interactions and strive to minimise their impact. In accordance with the adopted criteria, the financial risks as well as risks affecting the exploration and production area are the key risks in terms of their impact on the LOTOS Group's operations.

Key risks at the LOTOS Group by business segments



Source: In-house analysis of Grupa LOTOS.

In place at the LOTOS Group since 2011, the Enterprise Risk Management system is designed to facilitate safe operation of the organization and achievement of its strategic and operational objectives. Within the ERM system, we have established internal procedures and regulations. The Enterprise Risk Management Policy defines the general scope of responsibility within the system and key risk management principles. The implemented procedure specifies detailed rules for risk identification and assessment, as well as monitoring and reporting methods designed to evaluate the effectiveness of mitigating actions taken.

Risk management process at the LOTOS Group

RELATED CONTENT:

Organizational maturity

Grupa LOTOS is an organization oriented towards professionalism and adoption of the best operating and management practices. We take steps to protect Company value, as evidenced by our well-developed internal control system and corporate governance solutions.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/approach-to-management/organizational-maturity>

Structure

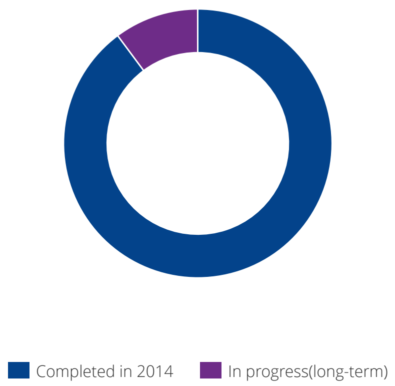
Within the LOTOS Group, the role of Grupa LOTOS is to integrate the key management and support functions. To perform its role, Grupa LOTOS has implemented a segmental management model.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/structure>

Key instruments

Risk management principles at the LOTOS Group
I. Risks are identified in reference to the strategic and operational objectives pursued by the organization and assessed from the annual and long-term perspectives. Risks are evaluated in terms of their potential consequences for the organization’s financial standing and reputation, as well as for the environment and people’s health.
In 2014, we introduced an additional criterion for operational risks, which are now assessed also in terms of their impact on processes within Grupa LOTOS. We also began identifying operational risks affecting specific processes, with the detailed identification and assessment of process risks to be continued in 2015.
II. A course of action, controls and protection measures are defined for each of the risks. If a risk is deemed material, detailed risk management charts are prepared. The charts specify how a given risk should be mitigated and what actions to take should it materialise. Key risk indicators (KRI) are defined, by means of which the risk can be monitored in accordance with established guidelines. Risks are managed by the respective risk owners.
III. Twice a year, all the defined risks are reviewed and updated.
IV. We have implemented appropriate standards for communicating and reporting the results at each stage of the process.

Actions mitigating key risks



Participants in the Enterprise Risk Management system

Supervisory Board
Monitors the effectiveness of the risk management system.

Board
Makes key ERM decisions and approves Risk Maps.

Segment heads
Comprehensively supervise and monitor risk management activities in the respective segments (with respect to management, operational, exploration and production, financial, and trading risks).

Enterprise Risk Management Committee
Recommends ERM actions and monitors their progress. The Committee is composed of representatives of each segment.

Enterprise Risk Management Coordinator
Coordinates and supports risk management activities within the LOTOS Group.

Risk owners
Manage individual risks, defining a course of action with respect to each risk and monitoring its levels.

Employees
Implement mitigation measures and identify new risks.

Internal Audit Office
Carries out audits to review the implemented controls and evaluate their effectiveness, identifies and assesses threats to the organization's operations, and carries out annual evaluations of the risk management system's effectiveness as part of the organizational maturity assessment.

Business Process Management Office
Reviews risk management strategies adopted with respect to individual risks as part of audits of the Integrated Management System.

Enterprise risk management initiatives at the LOTOS Group are supported by the ERM Portal, an IT tool. The Portal is used to record risks, assess them and prepare risks maps, to monitor current risk indicators and the progress of planned actions, as well as for reporting purposes. Audit results are also recorded in the Portal if the relevant audits involve the review of individual risk management processes and specific incidents.

Evaluation of the system

We evaluate the ERM system's effectiveness every year, as part of our organizational maturity assessment, the conclusions and recommendations of which are used to further improve the system. A final assessment score, expressed as a percentage, reflects:

- the degree to which the system designed for the Company complies with best practices,
- compliance with planned functions.

ERM evaluation as part of the annual organizational maturity assessment

Year	'Planned' score [%]	'Compliance with planned' score [%]	Total score* [%]
2014	97	97	95
2013	96	97	93
2012	96	97	93

* The total is the product of the 'planned' and 'compliance with planned' scores.

Implementation costs of hedging strategies

Enterprise risk management initiatives at the LOTOS Group are supported by the ERM Portal, an IT tool. The Portal is used to record risks, assess them and prepare risks maps, to monitor current risk indicators and the progress of planned actions, as well as for reporting purposes. Audit results are also recorded in the Portal if the relevant audits involve the review of individual risk management processes and specific incidents.

Management segment

In 2014, the main sources of political and legal risks included the Ukrainian crisis and the newly proposed EU legislation, especially plans to tighten the EU climate policy until 2030. The Polish regulatory framework, on the other hand, posed a lesser business risk. In 2014, Polish legislation was evolving in the direction conducive to the petroleum industry (e.g. the new act on mandatory oil and fuel stocks, and regulations governing the exploration and production of hydrocarbons). In addition, a deepening of the dialogue between law makers and industry representatives (both businesses and trade organisations) helped mitigate the business risk associated with the Polish regulatory framework. Nevertheless, our involvement in the legislative process, through public consultations of draft laws and government-coordinated working groups, is still very important.

1. Political risks

A major political risk that could affect our trade flows was the escalating tension between Ukraine and Russia and the resulting EU sanctions on Moscow. We closely monitored the geopolitical developments and their consequences. In 2014, the EU sanctions did not affect either the crude oil procurement or trade in petroleum products. The only noticeable effect, resulting from the earlier US sanctions, was that banks tended to be more cautious when intermediating in settlements with Russian entities.

2. Legal risks

EU's 2030 climate policy

A substantial risk is posed by the solutions of January 22nd 2014 prepared by the European Commission and designed to tighten the climate policy until 2030. The European Union proposes that the greenhouse gas emissions reduction target be doubled to 40%, the share of renewable energy sources (RES) in electricity consumption be raised to 27%, and the annual rate of CO_2 emissions reduction in the emissions trading system (ETS) be increased from 1.7% to 2.2%. Additionally, energy-intensive industry sectors have strong concerns that they may be included in the ETS, in which case they would face bankruptcy.

If operating costs of European enterprises go up as a result of more stringent regulations on CO_2 emissions, Europe will become an importer of fuels and chemicals from countries where such limits do not apply. We are already seeing a decline in EU companies' competitiveness relative to market players operating without CO_2 emissions limits. A case in point is the refining industry, currently in serious crisis (especially in the EU15 countries). Since 2009, the number of refineries in the EU has dropped from 98 to 87, and crude oil throughput is expected to go down by almost 30% by 2020, bringing about further shutdowns.

Although members of the government administration and representatives of the oil industry are engaged in regular consultations on draft EU legislation and present the Polish position on the forum of the EU, in many cases the Polish voice has gone unheard. This stems from an inability to forge alliances with other countries to back certain initiatives. The Polish administration should find ways to support not only local, but also international groups whose business goals converge with Poland's national interests. As the interests of individual EU member states vary considerably, the adopted legislation does not always correspond with the needs and expectations of the Polish refiners.

Poland's Energy Policy until 2050

In 2014, the Ministry of Economy commenced work on Poland's Energy Policy until 2050 and invited industry organisations, including CEEP (co-founded by Grupa LOTOS), to cooperate in the project. One result of this cooperation is that the draft policy includes provisions which, if maintained, will support:

- Protection of the domestic fuel market, including maintenance of the government's control of key elements of crude oil and fuel infrastructure, and ensuring that internal demand is covered with domestic production to the maximum possible extent;
- Taking further coordinated steps to curb the 'grey market' in fuel trading;
- Reducing the burden on entities operating in the crude oil sector, including possible continuation of the current changes in the mandatory stocks system;
- Extending the catalogue of biocomponents and manufacturing technologies for alternative liquid fuels, including technologies relying on co-hydrogenation.

No comprehensive legal framework for the oil sector

Lack of a uniform regulatory framework for the oil sector represents a risk factor. The sector is regulated under multiple legal acts, compliance with which is overseen by different departments, which hampers the industry's smooth functioning. One of important proposals put forward during the work on Poland's Energy Policy until 2050 concerns preparation of Petroleum Law – a single legal act which would include all regulations governing operation of the oil and fuel sector in Poland.

3. Reputation risks

Reputation risks are related to events that may affect the perception of the LOTOS Group and value of the LOTOS brand. Impairment or loss of reputation may be caused by circumstances outside Grupa LOTOS' control (e.g. impaired reputation of the entire industry), or directly by the Company's activities (e.g. in the event of disruptions to product supplies, material deterioration of product quality, intentional misconduct or violations resulting in losses to us or our trading partners), or by failures resulting in injury to people or contamination of the natural environment. We are aware that loss of stakeholders' trust may translate into negative perception of the LOTOS Group and its operations, and thus adversely affect its performance. For this reason, we have assessed each risk identified at the LOTOS Group in terms of its effect on the reputation, and have drawn up a separate map of reputation risks. For each major reputation risk, we implement a mitigation plan.

4. Social risks

Social risks are related to the effect of our operations on the social environment, our employees, and employees of our trading partners. Open and fair communication of the projects being executed and planned is intended to make stakeholders aware of the LOTOS Group's activity and is one of the tools used to mitigate potential risks. For instance, in connection with the launch of work on the EFRA Project, we organised meetings with local communities to present the project objectives and consequences. Furthermore, we are implementing the '2013-2015 Effective and Rising' Programme to increase efficiency and support continued dynamic development of all LOTOS Group companies. The planned changes, in particular those involving restructuring, may cause concerns and be disapproved of by employees and the immediate environment. For this reason, periodic meetings are being held between our employees and members of the Board of Grupa LOTOS/management boards of its subsidiaries to address doubts and concerns relating to the ongoing processes. (To learn more, see Integrated Annual Report 2013 <http://2013.raportroczny.lotos.pl/en/value-growth-strategy/social-capital/stakeholders-engagement>)

5. Risk of misconduct

Misconduct risk is the risk of an intentional act or omission which constitutes a violation of the generally applicable laws or the rules in place in the LOTOS Group, committed to secure an unlawful gain or leading to the Company sustaining a loss (including any forms of corruption). To minimise this risk, we have implemented a systemic approach to preventing misconduct, consisting in comprehensive and organised efforts aimed at identifying and assessing the risk. This includes solutions for preventing and identifying misconduct and minimising its consequences. The Misconduct Prevention System is subject to an annual survey as part of an analysis of the Company's organizational maturity, and its consistently improving assessment proves the effectiveness of the solutions applied. (See more <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance>)

RELATED CONTENT:

Brand

Our strategic goal is to build lasting customer relationships by focusing on understanding customers' needs and ensuring expected product quality and safety. Our ambition is to create a brand that is dynamic and competent, friendly and trustworthy for our customers.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/brand>

Organizational maturity

Grupa LOTOS is an organization oriented towards professionalism and adoption of the best operating and management practices. We take steps to protect Company value, as evidenced by our well-developed internal control system and corporate governance solutions.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/approach-to-management/organizational-maturity>

Employees

Our objective is to ensure the availability of highly qualified staff required for successful implementation of the LOTOS Group's business strategy and enhancement of the corporate culture based on adopted values. It is our priority to raise awareness and commitment among our employees and contractors to improving their work safety.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/employees>

Exploration and production segment

1. Exploration risks

Risks from estimating the resources and reserves of hydrocarbons discovered by exploration wells

Due to uncertainty involved in the evaluation of formation properties affecting the volume of resources, we provide three estimate cases for reserves (1P/2P/3P [1]) and for undiscovered prospective resources (P10/P50/P90 [2]), in accordance with the SPE 2007 international classification framework.

It is possible that the presence of resources inferred from geological and seismic data is not confirmed after a well is drilled and the estimated resources will be smaller than expected. After a discovery is tested through successive wells, there is also a risk that its estimated resources will be reduced due to unfavourable changes in the formation properties. One of the methods of ongoing risk management in the estimation of reserves and resources is to identify and map the distribution of formation properties indicating the presence of hydrocarbon accumulations, i.e. area and thickness, porosity and hydrocarbon saturation. Estimates are also made after a new well is drilled on a prospect or after events occur that may affect the size of reserves.

Risk of drilling a dry well (without hydrocarbon flow)

In assessing the chance of success and discovery of a hydrocarbon accumulation, we use the PoS (probability of success) metric. PoS is calculated based on the assessment of the four factors listed above (area and thickness, porosity and hydrocarbon saturation), which are assigned probability on a scale of 0% – 100%. A multiple based on these factors is a measure of the probability of success. Another method of ongoing risk management is to perform geological analyses for an exploration well. For a production well, reservoir engineering analyses and depleted zone simulations are performed before a decision is made whether and where to drill a production well.

2. Technical and production risks

Risk of failure of production equipment and facilities due to their limited durability or improper operation

Should this risk materialise, it may result in financial losses due to production stoppages. To effectively manage this risk, we take a number of measures, including regular overhauls, repairs and measurements, regular internal inspections of the equipment, and supervision performed by certification and administrative bodies.

Risks from infrastructure operation

Risks of oil spill, sea collision, fire or blowout may cause environmental contamination, serious injury or death of an employee, downsizing or stoppage of production, as well as entail significant costs to remedy the resulting damage or pay fines. This risk is the function of the quality of E&P infrastructure operation, use of adequate technical solutions as well as staff's and subcontractors' awareness and skills, and so we take a number of measures to prevent such accidents from occurring.

3. Risks related to exploration and production projects

Risk of limited control of joint ventures

Since at least two partners are involved in joint venture projects, there is a risk that they will not be executed in accordance with the LOTOS Group's expectations. We mitigate this risk by properly defining the acceptable conditions on which we can become involved in a project, and by vetting the other interest holders, their goals, motivation, financial standing, ownership structure and perception. Another important thing is to properly define the common interests, analyse the legal, tax and business regulations in a due diligence process, and study the provisions of partnership agreements to ensure our interests are secured. The risk is also minimised by devising an appropriate negotiation strategy at the time of entering into a new partnership and while it continues, as well as by ongoing monitoring of contractual provisions, evaluating and approving budgets and schedules, appointing committees, and recommending decisions to be made by the relevant governing bodies.

All of the activities listed above were carried out in 2014 on all licences held in Norway and Poland.

- Projects implemented jointly with partners include the Norwegian projects: Frigg Gamma Delta and Fulla, as well as joint application in the APA 2014 licensing round.
- An example of such a project on the Baltic Sea is the partnership with CalEnergy Resources in the development of the B4 and B6 gas fields.

In 2014, the cooperation in all of these projects ran smoothly, in line with the action plan prepared for each project.

Risk of involving capital in unsatisfactory projects

This risk is associated with the execution of partnership agreements and may result in financial losses. To counteract this risk, we take care to properly define goals and acceptable conditions on which Grupa LOTOS can participate in a project, and to select appropriate partners. For each project, we define the acceptable economic viability framework and implement proper analytic tools to assess the project. We set up multidisciplinary teams to estimate the economic, legal, tax and technical risks.

Risk of increased liabilities in relation to the YME project

Given the significance of the YME project and its impact on the our past performance, it is under special supervision, with a number of measures implemented to mitigate the attendant risks connected with additional unjustified costs. Currently, efforts are being made to sell the interests in the YME field. Two sub-projects have been defined – removal of the MOPU (Mobile Offshore Production Unit) from the field, and submission of a new YME field development plan to Norway's Ministry of Petroleum and Energy to raise the value of the interests we intend to sell. To mitigate the risk related to the removal of the MOPU, an agreement was signed with Single Buoy Moorings Inc., the MOPU's producer, under which it agreed to cover the costs of the unit's removal from the field and paid compensation to the consortium members. Of the amount transferred to the YME project escrow account, USD 81.78m was attributable to LOTOS Norge. As at the date of this Report, the estimated cost of the MOPU removal did not exceed the funds held in the account. The planned completion of the MOPU removal activities is scheduled by the Operator for the end of Q3/the beginning of Q4 2015.

In 2014, we evaluated the quality of work performed by the operator in the YME field, helped to build an agreement between those partners that were not consortium operators in order to strengthen our position, engaged international advisers, and created the YME Task Force at LOTOS Norge to provide ongoing support to the project manager. We also held talks with the Norwegian authorities to clearly confirm our intention to continue operations on the Norwegian Continental Shelf. At the time of preparing this Report, there was no unanimous decision of the YME consortium members as to further steps to be taken in relation to the field. As proposed by the controlling group of interest holders, a plan is to be prepared by the end of 2015 for complete decommissioning of the field infrastructure, which may prevent recovery of the invested capital through the sale of interests in the option of field development. However, LOTOS Norge continues work on persuading the partners in the licence to further analyse the possible options for development of the field. The rationale for and amount of further capital expenditure on development of the YME field are the subject of thorough analyses and assessments of the risk involved.

4. Financial risk related to the upstream business

Macroeconomic risk

Risks related to macroeconomic factors were crucial for the functioning of the exploration and production segment in 2014. These included in particular a plunge in crude oil prices, resulting in deterioration of the economic parameters and profitability of investments in the upstream business, and affecting the availability and terms of external financing for such projects.

Currently, funding is being raised for a new large project in the segment, i.e. development of the B8 field in the Baltic Sea. On August 25th 2014, agreements were executed for the financing of the project with Polskie Inwestycje Rozwojowe, Bank Gospodarstwa Krajowego, and Bank Pekao S.A. The project is at the stage of fulfilling the conditions precedent to the disbursement of funding. Moreover, in Q4 2014 Grupa LOTOS raised approximately PLN 1bn through the issue of shares to finance its two key projects, including development of the B4/B6 gas fields.

[1] 1P reserves – proved reserves, having a 90% probability of being produced; 2P – proved and probable reserves, having a 50% probability of being produced; 3P – proved, probable and possible reserves, having a 10% probability of being produced.

[2] P90 – volumes with a 90% certainty/probability of being produced, P50 – volumes with a 50% certainty/probability of being produced, P10 – volumes with a 10% certainty/probability of being produced.

RELATED CONTENT:

Exploration and production

In 2014, our annual crude oil and natural gas output reached more than 500 thousand tonnes of oil equivalent. The higher output was in large part attributable to the production assets on the Norwegian Continental Shelf purchased as part of the Heimdal portfolio.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/exploration-and-production>

Glossary of industry terms

Go to the page » <http://raportroczny.lotos.pl/en/useful-information/glossary-of-industry-terms>

Operational (refining) segment

1. Operational risks related to the refinery

Technical risks related to possible occurrence of serious industrial failures or irreparable damage to infrastructure

Any materialisation of this risk may seriously affect operations and financial performance of Grupa LOTOS by necessitating additional expenditure on repair or replacement of installations or equipment, or by causing interruptions and interferences in the production process. We implement a number of measures to mitigate the risk. We prioritise installations and equipment based on their criticality. The technologies and equipment which we use are in line with the Best Available Techniques (BAT). We have automatic emergency shutdown systems in place to prevent uncontrollable escalation of incidents, and our process units are also fitted with their own safety and fire protection systems. In addition, in order to raise standards for assessment of the technical condition of high-pressure installations and equipment, we implemented – in cooperation with the Office of Technical Inspection – the Risk-Based Inspection methodology in selected areas. Work is also under way on implementing the Risk-Based Work Selection methodology, which supports planning maintenance work on the basis of risk analyses prepared earlier for individual units. Having implemented these methodologies, we will be able to manage the Company's infrastructure in a better and more efficient way.

Work safety risk

Work safety risk relates to potential occurrence of accidents and other threats involving exposure of employees to dangerous and onerous factors. We continuously improve and implement new technical and organizational measures in order to ensure safe working conditions for anyone visiting the premises or working there for the Company. Grupa LOTOS' internal requirements in this respect are communicated to our trading partners via a dedicated website 'Grupa LOTOS' Requirements for Contractors'. Relevant rules of conduct are regularly monitored for compliance, for instance during OHS inspections and supplier audits, and post-inspection requirements are enforced. In addition, we take a number of initiatives to raise the employees' awareness of safety standards and to encourage them to observe these standards at work. (See more <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/safe-workplace>)

Risk related to legislative changes with respect to REACH

A new Annex XIV to the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) has been in effect since August 21st 2014. Among substances that require authorisation, the Annex lists EDC (1,2-Dichloroethane), a solvent which is used by Grupa LOTOS. This means that in order to be able to use EDC after November 2017, the Company will need an authorisation. If such authorisation is not received, the Company will not be able to perform the process in which this solvent is currently used. In order to minimise the probability of this risk materialising, we have launched a project with a view to preparing the required documentation to apply for an authorisation to use EDC. We are cooperating with the EDC DU consortium, an association of downstream users of the EDC solvent. Apart from that, we also plan to modernise the installations of our Oil Unit to ensure that they comply with all the mandatory technical and legal requirements enabling further use of the EDC.

2. Environmental risks

Risks related to carbon (CO_2) emission caps

Risks related to CO_2 emission limits involve an increase in prices and insufficient allocation of CO_2 emission allowances, which would force the Company to incur additional costs to purchase allowances on the market to cover the deficit. 2014 was another period of intense activity for the EU Emissions Trading Scheme and its participants. In January, the European Commission published a package of documents concerning EU's strategy beyond 2020, setting three new targets on Europe's way to a low-carbon economy:

- reduction of greenhouse gas emissions by at least 40% (compared with 1990 levels),
- increase in the share of renewable energy in total energy consumption to at least 27%,
- improvement of energy efficiency by at least 27% relative to future energy consumption forecasts.

In line with the Commission's proposal, the main instrument to achieve these targets should be a reformed ETS, working to reduce the surplus of CO_2 emission allowances built up in recent years to spur a growth in their prices. However, structural changes must be made to the ETS to put in place a permanent solution for balancing of the supply and demand. The Commission has proposed that a market stability reserve (MSR) of allowances should be built at the beginning of the next trading period in 2021, but the date of MSR's entry into force is still being debated by the European Parliament. The discussions and negotiations related to the proposed reform of the EU ETS commenced in autumn 2014 and will continue in 2015. A temporary solution consisting in postponing the auctioning of a part of CO_2 allowances to stimulate an increase in their prices (back-loading) was agreed in February 2014. The first auction with allowance volumes reduced as part of the back-loading mechanism was held in March last year. The back-loading and the European Commission's legislative work on the proposed reform led to an increase in the prices of allowances in 2014.

The volume of free allowances allocated to Grupa LOTOS under National Allocation Plan III is not sufficient to cover the forecast emissions from the Company's existing and planned installations, which amount to an average of 1,779,653 annually in 2013–2020. In 2014, as part of the National Allocation Plan, Grupa LOTOS received additional free allowances in respect of its new projects, as a result of which its average annual allowance volume until the end of the trading period reached 1,435,242. Given the changes already in effect as well as the planned ones, Grupa LOTOS is exposed to the risk of incurring higher costs to purchase CO_2 allowances required to cover the deficit. Moreover, it is uncertain whether the Company will obtain any free allowances in respect of other new projects it is planning.

With a view to reducing emissions and the need to purchase additional allowances, we implemented a number of investment projects which enabled us to considerably reduce CO_2 emissions from our production units and CHP plant relative to 2013. (See more <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/environmental-impact>)

Risks related to the need to obtain new or amend existing permits

Grupa LOTOS is required to operate under the terms of an integrated permit obtained for installations whose operations – due to their nature or scale – may lead to significant pollution of the environment as a whole or of its individual components.

In 2014, we applied for amendment of the integrated permit regulating the Company's operations, following extension of the infrastructure for unloading rail cars, construction of a hydrogen recovery unit, changes in the types and volumes of emissions from one of the emission sources, and changes in land plot boundaries and numbers caused by new investment projects carried out on the refinery's premises. Legal regulations regarding environmental protection and the use of the environment by companies are subject to relatively frequent changes. The Act of July 21st 2014 amending the Polish Environment Protection Law implemented Directive 2010/75/EU of the European Parliament and of the Council on industrial emissions (known as the IED Directive). In 2014, the new regulations imposed a new requirement that an application for an integrated permit or amendment of an existing integrated permit must be accompanied by a baseline report containing information on contamination of the soil and water environment with hazardous substances. In December 2014, Grupa LOTOS, as the first company in the Province of Gdańsk, filed such a report as an attachment to the application for amendment of its integrated permit, and in January 2015 the Marshal Office of the Province of Gdańsk issued a decision amending the existing integrated permit. In order to reduce the risk associated with the process of obtaining any requisite permits or decisions, the required application documentation is prepared well in advance, in consideration of the risk that administrative proceedings may last longer than expected. In addition, monitoring of both Polish and European Community laws and regulations allows the Company to make early adjustments in order to comply with any new regulations.

Risks related to compliance with new regulations on the implementation of Best Available Techniques (BAT)

Grupa LOTOS' installations requiring an integrated permit should meet the BAT requirements, as specified in the BAT Reference Notes (BREFs) or directly in the applicable laws as well as other technical specifications and standards. The BAT Reference Notes serve as recommendations, but the adaptation of installations, as well as relevant technologies, procedures and practices, to the BAT requirements is an important condition for obtaining an integrated permit. In accordance with the Industrial Emissions Directive, compliance with the so called BAT conclusions is the reference for setting integrated permit conditions and for determining the admissible emission levels. On October 9th 2014, a European Commission Implementing Decision establishing BAT conclusions for the refining of crude oil and gas in accordance with the IED was published. The new requirements relating to BAT conclusions are more stringent, necessitating significant capital expenditure to ensure compliance. There is a risk that some of Grupa LOTOS' units or installations may not be ready to comply with the new requirements by the deadlines set out in the BAT regulations, and investment processes will need to be launched to adapt them.

RELATED CONTENT:

Processing operations

The LOTOS Group operates one of the most advanced and youngest refineries in Europe. 2014 was yet another record year in terms of crude oil processed by our refinery.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/processing-operations>

Glossary of industry terms

Go to the page » <http://raportroczny.lotos.pl/en/useful-information/glossary-of-industry-terms>

Financial segment

Grupa LOTOS' structures include the Financial Risk Management Office responsible for coordinating and supervising steps taken to ensure that decisions made by LOTOS Group companies are optimised in terms of financial risks. Its activities are designed to ensure that the financial risk management policy is up-to-date, consistent and in line with Grupa LOTOS' strategic objectives, and to provide for operational efficiency, effectiveness and security of the financial risk management process. The Company also has in place a Price Risk and Trading Committee, whose main task is to supervise and support price risk management at Grupa LOTOS in relation to prices of crude oil, petroleum products (including biofuels and biocomponents), natural gas and other raw materials, as well as prices of CO_2 emission allowances and electricity. (See more <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements>)

1. Risk related to prices of raw materials and petroleum products

Grupa LOTOS' revenue from sale of petroleum products is largely dependent on the difference between the price of petroleum products and the price of crude oil. The prices may be subject to significant fluctuations in response to developments that are outside the Company's control, including mainly changes in the global and regional supply and demand, the geopolitical situation, and the related market expectations. Movements in the prices of crude oil and other feedstock used in the refinery business (including natural gas) and fluctuations in the prices of Grupa LOTOS' petroleum products may not be correlated in time, which may cause significant volatility of our refining margin.

To better manage the feedstock and petroleum products price risk, in 2014 we implemented a new ETRM (*Energy Trading and Risk Management*) system. In February 2015, a new feedstock and petroleum products price risk policy was approved.

2. Risk related to prices of carbon (CO_2) allowances

In 2014, Grupa LOTOS managed the entire phase III of the EU CO_2 Emissions Trading Scheme covering the 2013–2020 trading period. In the previous year, year 2020 was not included in the risk management horizon given the lack of liquidity on the futures market and the instability of the underlying position. (See more <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/32.-objectives-and-policies-of-financial-risk-management#note-32-2>)

3. Liquidity risk

This is one of the key risks to the security of the Company's operations, involving its ability to discharge all liabilities in a timely manner. It may result from a mismatch between the streams of receivables and payables or inadequate sources of financing. Liquidity is managed for the entire organization based on current liquidity forecasts. The process consists in using an appropriate selection of financial instruments (including cash pooling and diversified sources of financing), optimising the working capital position (including payment terms at LOTOS Group companies and under trading contracts) and applying IT solutions to improve the security and effectiveness of the process.

4. Currency risk

The Polish złoty (PLN) is the reporting and functional currency for Grupa LOTOS and the majority of other LOTOS Group companies, while the trading prices of crude oil and petroleum products are generally denominated in, or tied to, the US dollar (USD). Therefore, we have 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 or credit facility repayment). Moreover, the US dollar was chosen by most of the LOTOS Group companies as the currency for contracting and repaying long-term investment facilities. A document entitled 'The Strategy of Currency Risk Management at Grupa LOTOS' was formally adopted by the Company to manage its currency risk. The LOTOS Group also operates a so-called Group Bank that allows LOTOS Group companies to enter into FX transactions with Grupa LOTOS, improving the efficiency of currency risk management.

5. Interest rate risk

Grupa LOTOS is exposed to interest rate risk, with interest rates growth translating into increased costs of servicing debt under floating-rate bank and non-bank borrowings. The risk is related primarily to the expected schedule of payments under the loans taken out to finance inventories and the 10+ Programme and the resulting amount of interest accruing at USD LIBOR.

6. Credit risk in financial transactions

When entering into transactions with financial institutions, we take into account the risk of the counterparty's default. We mitigate the risk by transacting only with creditworthy financial institutions or companies, or by executing transactions on the basis of guarantees issued by a financial institution or company with an appropriate credit rating and meeting the relevant requirements of Grupa LOTOS. Credit limits in financial transactions are determined with reference to the Company's equity and a ratio calculated based on agency credit ratings updated on an ongoing basis. The utilisation of credit limits is regularly monitored.

7. Credit risk in trade transactions

In the course of our trading operations, we sell products and services to businesses on a deferred payment basis, which may give rise to a risk of the customer's default. We adopted an internal procedure whereby creditworthiness of trading partners seeking an open credit limit must be verified. Grupa LOTOS grants such limits based on assessment of partners' creditworthiness, taking into account the available data and information. The final decision on the amount of trade credit limit is made by persons responsible for credit decisions in line with their assigned responsibilities. The utilisation of credit limits is monitored on an ongoing basis.

8. Risk of limited access to external financing or changes in lending terms, and risk related to debt servicing

Some of Grupa LOTOS' investment projects and, to a limited extent, day-to-day activities of some of the Company's subsidiaries are (or are intended to be) financed with debt. Therefore, there is a risk that the LOTOS Group companies may find it difficult to raise new financing or obtain financing in the required amount or on acceptable terms. This may be due to an unstable situation on financial and capital markets in Poland and abroad, more restrictive policies adopted by lenders with respect to new agreements or interpretation and performance of existing agreements, adverse economic developments in Poland or abroad, and non-performance or improper performance of contractual obligations under the financing agreements by LOTOS Group companies.

The ability to secure new debt financing is also limited by the LOTOS Group companies' obligations related to servicing of existing debt. In addition, debt agreements impose a number of non-financial obligations and restrictions on the companies, related in particular to their ability to engage or refrain from engaging in certain activities or operations during the repayment period, as well as the requirement to comply with certain disclosure obligations towards the financing institutions. Any failure by a LOTOS Group company to make timely payments as required under the terms of financing or to meet non-financial obligations may result in acceleration of the debt, along with debt incurred under other financial agreements or instruments. The lenders may also enforce their claims against security, including collateral established over the companies' assets.

We mitigate the risk through integrated reporting on current and planned liquidity of LOTOS Group companies (including expected deficits which may require arrangement of debt or intra-Group financing). The majority of LOTOS Group companies participate in a cash pooling arrangement. In addition, the financial functions at the companies monitor the obligations assumed by a given company under debt financing agreements on an ongoing basis, including obligations relating to debt service, information disclosure, maintenance of certain financial ratios and covenants as well as discharge of other obligations towards financial institutions. We maintain relationships with a diversified group of creditworthy partners, and we secure debt financing (or amend existing debt financing agreements) using the 'Procedure for managing debt and coordinating debt financing at the LOTOS Group', which applies to all LOTOS Group companies. The credit rating and overall standing of the banks providing financing are also monitored, as are any factors driven by developments on the global financial markets that may threaten the LOTOS Group's ability to raise financing domestically and globally.

9. Risk of adverse changes in tax regulations, interpretations or court rulings

This risk may result in higher tax burden (excise duty, real estate tax, CIT), and give rise to tax risk in transactions where such risk was previously non-existent. Frequent amendments to the tax legislation and difficulties in interpreting and applying tax laws hinder Grupa LOTOS' day-to-day work and smooth tax planning at the organization. They are also a source of uncertainty as to the application of tax regulations in the Company's everyday business and give rise to the risk of errors. In addition, tax laws are often interpreted and applied by tax authorities in an inconsistent manner.

For fuel sector companies, excise duty is the most problematic tax, given the substantial amount of the tax liability and the complex nature of excise regulations. Excise tax legislation is detailed, imposes a large number of diverse obligations on the taxpayers, and contains regulations which are mutually contradictory (sometimes even within the same legal act). Property tax laws also give rise to numerous interpretation uncertainties, in particular with respect to the tax base and the determination of items subject to the tax.

Given the above, LOTOS Group companies which operate substantial technical infrastructure equipment located on properties are exposed to the risk of disputes with tax authorities, in particular with respect to the interpretation and application of the definition of a structure under the Local Taxes and Charges Act (Dz.U. of 1991 No. 9 item 31). Where a tax risk arises from possible disparate interpretations of a law, we request the Minister of Finance to present a binding interpretation of such law. As a member of respectable organizations of employers and entrepreneurs, we also voice our opinions on proposed bills and are thus able to respond appropriately to the changing legal environment. In light of the numerous changes in interpretation of the tax laws and the introduction of new regulations, we regularly update our internal procedures to ensure compliance with legal requirements and to identify and mitigate any tax risks, particularly their effect on the LOTOS Group's financial statements.

RELATED CONTENT:

Letter from the Vice-President of the Board

2014 ushered in a series of challenges for the companies in the fuel sector. The decisions made by the LOTOS Group have demonstrated that we are able to take rapid steps to adapt to a demanding environment and ensure the desired profitability for our projects.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/letter-from-the-vice-president-of-the-board>

Key data 2014

With revenue of ca. PLN 28.5bn in 2014, we rank fourth in the group of 500 largest businesses in Poland.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/key-data-2014>

Marketing segment

1. Risk of crude supply interruptions or reduced crude supply

As the output from its own production assets does not fully cover its processing feedstock requirements, Grupa LOTOS relies on crude oil purchased from external suppliers. Approximately 92% of oil supplies are sourced from Russia. Crude oil is supplied via the network of pipelines operated by PERN (the Druzhba and Pomorski pipelines) and by sea through the Naftoport oil terminal; in 2014 we also made our first purchase of crude oil shipped by rail. Considering the above, the key risks that may cause uncertainty in crude oil supply include the political situation in oil exporting and transit countries, as well as the availability and the working condition of transport infrastructure.

The possible causes of disruptions to Grupa LOTOS' crude oil supplies include:

- technical failures, including failures of the pipeline system used to supply crude oil, terrorist acts, acts of sabotage, riots, wars, natural disasters, adverse weather conditions and other force majeure events,
- irregular crude oil deliveries leading to a temporary reduction in work-in-process inventory, which in turn is likely to affect the refinery's throughput volumes.

We are consistently pursuing our policy to diversify the directions and sources of our crude oil supplies by focusing on:

- security of supplies – through progressive expansion of its presence on the international oil markets, regular contracting of various crudes transported by sea, creating conditions to increase the share of such crudes in total supplies to the refinery in case of any disruption of supplies from the main import market, and expanding the share of own production in total feedstock volumes,
- improvement of competitive position – by fully capitalising on the coastal location of our refinery in Gdańsk and the possibility of sourcing crude supplies through two independent channels: Russian oil through the Druzhba Pipeline and various types of oil available through Naftoport (an offshore oil terminal),
- use of crude oil transport by rail, with new crude oil rail unloading stations built at the refinery in 2014.

An appropriate selection of crude types and supply directions is a result of continuous efforts to maximise the integrated margin.

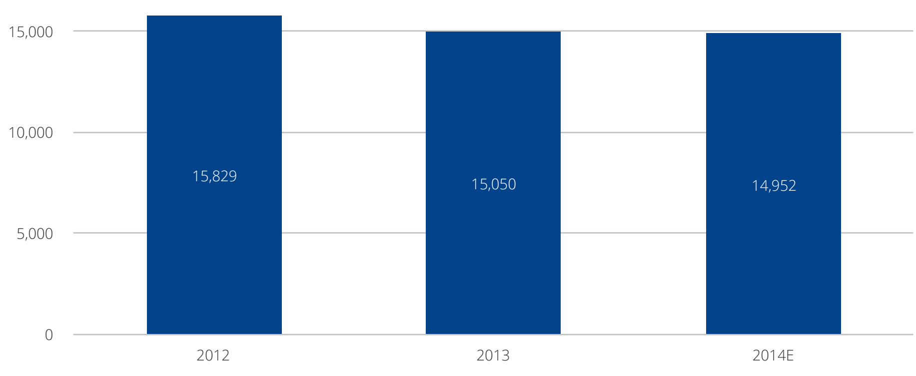
2. Risk of changes in margins on product sale

The principal risk factors include progressing market consolidation leading to intensified price competition on the Polish fuel market, and the rapidly changing global macroeconomic environment. In order to mitigate this risk, we are continuously refining our tools for monitoring variables affecting prices and margins. In retail sales, we are pursuing market diversification, including diversification into segments less prone to competition-induced margin erosion, as well as other initiatives aimed at building lasting relationships with customers.

3. Risk of decline in domestic demand

Certain macroeconomic factors, such as slow economy, declining industrial output and investment, and high unemployment, have been driving down fuel consumption in Poland since 2012 while at the same time an increased activity of the grey market, in which fuel is sold, is observed. Diversification of the available distribution channels, implementation of a pro-active pricing policy for price-competitive products, and optimisation of operating costs are the key elements of the strategy aimed at minimising the impact of this risk on our operations.

Gasoline and diesel oil consumption in Poland (`000 tonnes)



Source: In-house analysis of Polish Organization of Oil Industry and Trade (POPiHN) data.

RELATED CONTENT:

Marketing operations

The expansion of the LOTOS service station chain and increased efficiency of sales strengthened our presence on the retail market, pushing our share up to 9% at the end of 2014 (against 8.5% in 2013).

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/marketing-operations>

Glossary of industry terms

Go to the page » <http://raportroczny.lotos.pl/en/useful-information/glossary-of-industry-terms>

Business strategy and model

Business strategy and model

An efficiently managed, vertically-integrated oil concern

Building shareholder value

3rd year of our CSR strategy implementation

30.0 kg CO_2/CWT carbon emissions reduction

TRI*M Index 75% High customer satisfaction

HR najwyższej jakości

Top Quality Human Resources

IN THIS CHAPTER:

Business model

Our operations consist in crude oil production and processing, as well as wholesale and retail sale of petroleum products, among which are: fuels (unleaded gasoline, diesel oil and light fuel oil), heavy fuel oil, bitumens, aviation fuel, naphtha, propane-butane LPG and base oils.

Strategic objectives

The LOTOS Group's Strategy is designed to strengthen our position as a strong, innovative and efficient business which plays a major role in ensuring national energy security.

Key objectives

We achieve our business objectives with due regard to corporate social responsibility and sustainable development by the best possible use of the organization's resources and capabilities to generate economic and social value for the benefit of the Company and its environment.

Employees

Our objective is to ensure the availability of highly qualified staff required for successful implementation of the LOTOS Group's business strategy and enhancement of the corporate culture based on adopted values. It is our priority to raise awareness and commitment among our employees and contractors to improving their work safety.

Environment

We seek to reduce the environmental risk of our operations and continually minimise our environmental impact. We support initiatives designed to enhance energy sector security in a socially and environmentally responsible manner.

Brand

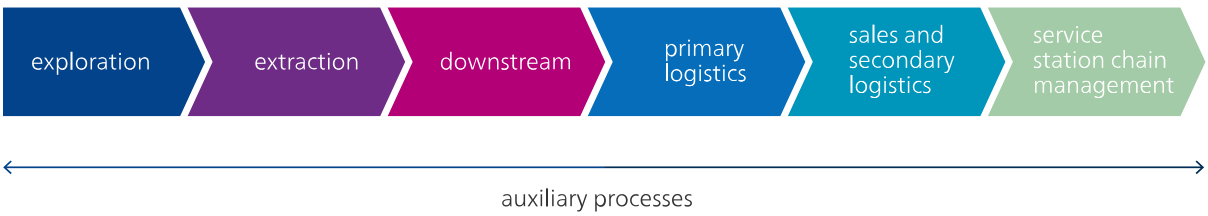
Our strategic goal is to build lasting customer relationships by focusing on understanding customers' needs and ensuring expected product quality and safety. Our ambition is to create a brand that is dynamic and competent, friendly and trustworthy for our customers.

Business model

The LOTOS Group operates in the upstream and downstream segments. The downstream segment comprises production and processing of refined petroleum products and their wholesale and retail sale, as well as auxiliary, transport and service activities. Key markets for refined petroleum products include Poland and countries in Western and Northern Europe, such as Germany, the Netherlands, Belgium, Sweden, United Kingdom, France, Estonia, Denmark and the Czech Republic.

The upstream segment comprises activities related to the exploration for and acquisition of crude oil and natural gas reserves, and crude oil and natural gas production and sale. Crude oil production is concentrated in Poland and Lithuania. All the natural gas produced is flared or sold to LOTOS Group companies. Natural gas produced in Norway is marketed to the United Kingdom and Continental Europe, with the entire condensate volume exported to the UK.

The LOTOS Group value chain



Crude oil and natural gas exploration and production

Through LOTOS Petrobaltic and its subsidiaries and jointly-controlled entities operating in Poland, the LOTOS Group held at the end of 2014 eleven licences for exploration or exploration and appraisal of hydrocarbons and hydrocarbon production from Baltic Sea deposits, with a total area of over 7.3 thousand km^2. At the same time, Grupa LOTOS is the only oil company producing hydrocarbons in the Polish exclusive economic zone of the Baltic Sea. Consequently, the LOTOS Group has exclusive rights to carry out exploration and production work in this area. Long experience in exploration and production activities in the Baltic, progress of the LOTOS Group's work in this area and the know-how about the methods, conditions and economic viability of exploration and production in the Polish exclusive economic zone of the Baltic Sea, paired with extensive technical resources, including own drilling rigs, offer an important edge over prospective competitors.

In addition, following the acquisition of Heimdal assets in 2013, the LOTOS Group acquired interests in 14 exploration and production licences through LOTOS Exploration and Production Norge AS and gained direct access to one of the key gas hubs on the Norwegian Continental Shelf, which is also one of the strategic areas for export of natural gas from Norway to Western Europe and the United Kingdom and accounts for some 15-20% of Norwegian natural gas exports. The acquisition of Heimdal assets allowed Grupa LOTOS to materially diversify its production assets, secured its ability to carry out exploration and production work in the promising and hydrocarbon-rich part of the Norwegian Continental Shelf, and increased its raw materials base and supply diversification options. They also contributed to the increase in crude oil and natural gas production in 2014.

Refining

The LOTOS Group operates one of the most advanced and youngest refineries in Europe.

Its plant in Gdańsk is a fuel and oil refinery integrated with bitumen production units, delivering a wide variety of products, including liquefied gases, petrochemical feedstock gasoline, unleaded motor gasolines, reformate, xylens, jet fuel, diesel oils, fuel oils, bitumens, base oils, paraffin products, plasticisers and sulfur.

The refinery has an annual processing capacity of approximately 10.5 million tonnes of crude oil and is one of the youngest and most advanced refineries in Europe. This has been confirmed by a number of distinctions: the World Refining Association named it the CEE Refinery of the Year in 2008, and in the Solomon Associates' ranking comparing the energy efficiency of refineries all over the world it was recognised as the most energy efficient refinery in Central and Southern Europe in 2012. Moreover, in 2013 the Company won the award of the World Refining Association for "outstanding contribution to the industry", granted based on the data on its performance, growth and market reputation.

The Gdańsk refinery also records a high distillate rate, i.e. a large share of fuels in the product mix, and focuses on medium distillates, which enables the Company to successfully adjust its output to the domestic demand structure and exports opportunities. The technological configuration of the refinery combined with its favourable location enable Grupa LOTOS to flexibly and efficiently process various types of crude, and thus vary the production volumes for particular finished product groups in line with changes in the domestic demand structure and export opportunities.

The refinery's location on the coast of the Baltic Sea is a strategic advantage given the proximity of and the direct pipeline connection with the handling infrastructure of Port Północny (a part of the Gdańsk Seaport located on the Gdańsk Bay), and gives the Company a major competitive edge in the region in terms of logistics (access to feedstock and product sales channels). The location close to the handling terminal gives Grupa LOTOS direct access to international markets, enabling it to export its petroleum products primarily to Scandinavia, north-western Europe and

Baltic states. It also supports optimisation of sales channels and efficient purchases of various types of crude oil and various petroleum products used by the refinery to manufacture finished goods.

The refinery also benefits from a unique combination of supply channels, guaranteeing it simultaneous access to feedstock supplies by road (from Russia) and via PERN's pipeline network, as well as by sea, from numerous countries and the LOTOS Group's own fields. With access to two supply channels, the Company is able to use different supply sources and respond flexibly to changes in petroleum product and crude oil prices, and can effectively diversify the types of crude processed at the refinery. Maintaining two crude oil supply channels ensures stability of feedstock supplies at Grupa LOTOS. In particular, the Company can substitute the entire volume of onshore supplies with crude shipped by sea.

In 2014, the Company completed a project at the refinery consisting in construction of an unloading terminal for crude oil and other heavy hydrocarbon raw materials to enable their transport to the refinery by rail tank cars. Thanks to this investment, Grupa LOTOS will be able to further diversify its raw material supply sources, including in the event of availability of oil from unconventional sources or other raw materials which can be transported only by rail.

Products

Key groups of products offered by the LOTOS Group and obtained from crude oil processing at the refinery are fuels (unleaded gasoline, diesel oil and light fuel oil), heavy fuel oil, bitumens, aviation fuel, naphtha, propane-butane LPG and base oils.

Products
Unleaded gasoline is used in spark-ignition engines. Our unleaded gasolines include premium gasoline – **LOTOS DYNAMIC 98**, containing antioxidants and washing additives which support better cleaning of the engine, lengthen its useful life and economise fuel consumption. The fuel is dedicated solely to LOTOS service stations.
Diesel oil is used in compression-ignition engines. This product group includes premium diesel oil – **LOTOS DYNAMIC DIESEL**, which, owing to the use of friction-reducing components, offers more power efficiency of the engine and guarantees start-up at -32°C. The fuel is dedicated solely to LOTOS service stations.
Light fuel oil is designed for use in heating equipment. With a low sulfur content and unique additives, the product shows great performance in terms of oxidation resistance, anti-corrosive action, maintaining cleanness of nozzles, and reduction of emissions of noxious combustion products.
LPG – mixture of liquefied hydrocarbons, consisting primary of propane and butane. With both gasses mixed in correct proportions, the LPG can offer optimum working parameters.
Heavy fuel oil may be used for three purposes: as fuel for power generation, bunker fuel, and feedstock for further processing, including in coking units.
In the **bitumens** product group, the key product is **road bitumen** used in construction and maintenance of roads, airports and other hard surfaces. Apart from the road construction industry, bitumens are also used in the manufacturing of construction materials with waterproofing properties, with **industrial bitumens** being the most popular component.
Aviation fuel is designed for use in jet engines.
Naphtha is used as a raw material in the petrochemical industry and in production of motor gasolines. The entire naphtha output is exported.
Base oils – the key products include Group I base oils, which are used as feedstock in the production of lubricating oils, including motor and industrial oils. **The primary motor oil product** lines include: **LOTOS Quazar** – premium synthetic oils for cars (distributed only in authorised service centres), **LOTOS Thermal Control** – mineral, semisynthetic and synthetic oils dedicated for cars, and **LOTOS Turdus** – mineral, semisynthetic and synthetic oils dedicated for HGVs. **The key product lines of industrial oils are Hydromil, Transmil and Remiz**, which make up a full category of hydraulic, turbine and machine oils, as well as industrial lubricants.

Important new additions to the Grupa LOTOS product portfolio include xylenes and Group II base oils, introduced in 2012 and 2013, respectively. Xylene serves as feedstock for the production of polyesters which are used in the manufacture of plastics, including popular PET packaging and textile products. It is also used in the production of solvents for the paint and varnish industry. Group II base oils are used as feedstock for the production of high-quality lubricant oils. Group II base oils have sulfur content of less than 0.03%, viscosity index of 80-120 and saturator content of more than 90%.

Sales and logistics

Grupa LOTOS sells fuels and other petroleum products directly and through its subsidiaries.

Fuel sales are handled by Grupa LOTOS and LOTOS Paliwa (unleaded gasoline, diesel oil and light fuel oil). Fuels are sold by the Company on the domestic and international markets. Key customers in Poland include multinational fuel companies such as Shell, Statoil and BP, whereas internationally the Company supplies fuels to global trading companies and integrated fuel companies. LOTOS Paliwa operates solely on the domestic market, and its main customers include Polish fuel companies and LOTOS service station chain.

Sale of other petroleum products is carried out by the Company and its subsidiaries LOTOS Oil, LOTOS Asfalt and LOTOS-Air BP Polska. The Company offers heavy fuel oil, aviation fuel, naphta and base oils, selling the products internationally, for instance to global trading companies. LOTOS Oil sells lubricating oils in Poland and abroad, chiefly through distributors and authorised customer service points. LOTOS Asfalt offers road bitumens to customers in Poland and abroad, mostly construction companies. LOTOS-Air BP focuses on domestic aviation fuel sales to airlines ('into plane' segment), but also operates on the Polish wholesale market for aviation fuel.

Naphtha is sold chiefly to integrated fuel companies and petrochemical companies in Germany and to the Amsterdam-Rotterdam-Antwerp oil hub (ARA), whereas motor gasoline is marketed to the ARA hub and to Sweden. Aviation fuel is exported mainly to Scandinavian and Baltic markets, but also to the Czech Republic (deliveries by land). Diesel oil is marketed chiefly to Germany, United Kingdom and France, whereas heavy fuel oil is delivered to storage depots of global trading companies in Estonia, Denmark and the Netherlands for further sale outside of Europe.

A vast majority of exported products are transported by sea, using the Naftoport's infrastructure, and the rest is transported by land.

Other business

Apart from exploration, production and processing of crude oil and natural gas, as well as sale and distribution of a wide range of petroleum products, LOTOS Group companies also perform support activities auxiliary to the core operations. Key subsidiaries in this area include RCEkoenergia, Energobaltic, LOTOS Serwis, LOTOS Infrastruktura, LOTOS Terminale and Miliana Shipholding Group companies.

The support activities include maintenance of plant, electrical installations and I&C systems, overhauls, generation and distribution of electricity, heat, LPG and gas condensate, fuel storage and distribution, rental and management of own or leased property, sea transport services consisting in the receipt and storage of crude oil from production areas, transport of crude from the field to the port and providing emergency rescue services for offshore rigs.

RELATED CONTENT:

About us

The LOTOS Group's main market is Poland, but our foreign sales are also steadily rising. In 2014, we ranked third among Poland's largest exporters.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/about-us>

Structure

Within the LOTOS Group, the role of Grupa LOTOS is to integrate the key management and support functions. To perform its role, Grupa LOTOS has implemented a segmental management model.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/structure>

Glossary of industry terms

Go to the page » <http://raportroczny.lotos.pl/en/useful-information/glossary-of-industry-terms>

Strategic objectives

The overriding strategic objective of the LOTOS Group is to create value for shareholders through optimised deployment of human and material resources and implementation of development programmes in exploration and production, processing and marketing. These programmes are pursued in compliance with the principles of sustainable growth.

The operational priorities and development directions for the LOTOS Group until 2020 are set forth in the strategy for 2011–2015.

Exploration and production

In the exploration and production area, the LOTOS Group is intensifying its efforts to expand the resource base in order to take advantage of the high margins projected for this sector in the long term.

Strategic objectives:

- Increase production of hydrocarbons in line with the priorities of Poland's energy policy until 2030,
- Increase the production potential to 24 thousand boe (barrel of oil equivalent) daily (or 1.2m tonnes of crude oil annually) in 2015.

The activities undertaken to meet these objectives are based on a continuous expansion of operations in the Baltic Sea, the Norwegian Continental Shelf and onshore areas in Poland and Lithuania, in particular by:

Poland:

- Increasing production from the existing fields,
- Fully appraising hydrocarbon potential of the Baltic Sea assets,
- Expanding onshore activities.

Norway:

- Exploring, developing and producing from the existing offshore licence areas,
- Acquiring new producing fields.

Lithuania:

- Developing the existing onshore licence areas.

Processing operations

As part of processing operations the LOTOS Group focuses on effective utilisation of the Gdańsk refinery's processing capacities. Growth-oriented activities are also undertaken to further enhance the refinery's efficiency and benefit from possible synergies with the Polish petrochemical industry.
Strategic objectives:

- Achieve world-class standards of production and maintain strong competitive position among European refineries,
- Make optimum use of assets held and acquired as part of the growth strategy,
- Ensure safe and stable operation of production and ancillary facilities, with a target of 98% minimum annual availability,
- Further increase the conversion ratio and intensify feedstock processing.

The overriding strategic objective is effective utilisation of the Gdańsk refinery's capacities.

Marketing operations

The LOTOS Group's strategy for its marketing operations assumes that all marketing activities should lead to improvement of the integrated margin and ultimately translate into higher shareholder value.

The strategic objectives are being pursued in many areas of operations.

- As regards fuel sales, the key objective is to further reinforce market presence and the key goals here are to:
  - Maintain a 30% share in the domestic fuel market,
  - Achieve sales 15% in excess of the fuel production capacities of the Grupa LOTOS refinery,
  - Secure a 10% share in the domestic retail market through development of the service station chain and enhanced sales from the existing chain.
- In sales of lubricating oils, the key objective is to retain our leading position on the domestic market.
- In sales of other products, the key objective is to optimise financial performance by leveraging our resources and market conditions.

The achievement of the above strategic objectives will be possible only with optimum management of the supply chain, including planning, procurement, production and distribution. Moreover, given its large processing capacities the LOTOS Group is continuing its policy of diversifying directions and sources of crude oil supplies.

Key areas of focus and development for the LOTOS Group until 2020:

- Further optimisation of the management model to achieve the highest available efficiency.
- Access to proven recoverable reserves of hydrocarbons of approximately 330m boe in 2020.
- Production growth to approximately 110 thousand boe/day (equivalent of 5m tonnes of crude a year).
- Maintaining at least 30% share in the domestic fuel market.
- Maintaining fuel sales 15% above the refinery's fuel production capacity.
- Maintaining at least 10% share in the domestic retail fuel market.
- Further improvement of the economic efficiency of crude processing, ensuring full utilisation of the assets.
- Steps to optimise energy management at the refinery by expanding connections with other power systems.

Our growth-oriented activities and efficiency improvement projects implemented in identified areas are geared towards increasing the LOTOS Group's value through innovative and sustainable development, with due regard to the principles and values supported by our stakeholders.

EFRA
EFEKTYWNA RAFINACJA

EFRA (Effective Refining)

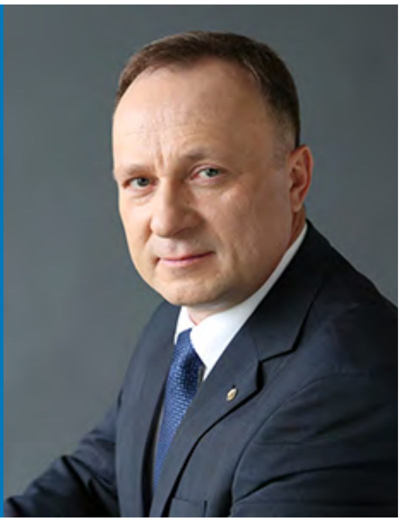
One of the LOTOS Group's key investment projects undertaken with a view to achieving the objectives of its strategy for 2011–2015 and growth directions until 2020 is the EFRA Project.

Under the project, LOTOS Asfalt and Grupa LOTOS plan to construct a delayed coking unit with auxiliary infrastructure at the refinery, which would make it possible to convert the refinery's heavy residue output into final products for which there is a strong demand on the market, such as diesel oil, LPG and pyrolysis gasoline. As a result, the share of low-margin bitumens and heavy fuel oils produced from heavy residue in the total output would be reduced or even eliminated, while the share of high-margin final products would increase, adding 900,000 tonnes of high-margin products per annum.

In 2014, preparatory work under the EFRA Project was well advanced, both in the area of financing and awarding contracts for unit construction. A positive environmental decision was received, and a procedure to select contractors for the key units was completed. Final completion of the project and commissioning is planned for 2018.

In the near future, LOTOS Asfalt will play a vital role in the LOTOS Group's development plans. In addition to its current operations – bitumen production and sales – the company will be responsible for another crucial endeavour, namely the Effective Refining (EFRA) Project, designed to further modernise the Grupa LOTOS refinery in Gdańsk.

Piotr Przyborowski
President of the Management Board of LOTOS Asfalt



Given its technological structure, EFRA is highly consistent with LOTOS Asfalt's scope of operations. The project will enable more efficient and flexible use of heavy residue for production of bitumens or coking, which will help the company adjust to changing market conditions. For the LOTOS Group, it represents a natural and reasonable direction of sustainable and secure development.

EFRA will be carried out jointly by Grupa LOTOS and LOTOS Asfalt, acting as the main project owner. Following the project's completion in 2018, LOTOS Asfalt will be able to process vacuum residue and add liquid fuels to its product mix.

The company will still produce bitumens, but only in economically justified quantities meeting the current demand. The project will drive up LOTOS Asfalt's profits by reducing the seasonality effect related to bitumen sales, which reflect the cyclical nature of road construction works. EFRA is a great challenge for our company, requiring its reorganization and a wholly new strategy.

The Project, unprecedented on the Polish market, is a chance for the LOTOS Group to gain a technological edge. EFRA covers a number of key units, including the Delayed Coking Unit (DCU), the Coking Naphtha Hydrotreating Unit (CNHT), the Hydrogen Generation Unit () and the HCB Vacuum Distillation Unit (HVDU – at Grupa LOTOS). Total annual output of the project units will be approximately 800 thousand tonnes of fuels and 350 thousand tonnes of coke. Following EFRA's implementation, the LOTOS Group will phase out the production of heavy fuel oil.

> The name EFRA (Effective Refining) refers to the project being currently implemented by the LOTOS Group which uses the delayed coking technology. Delayed coking is an effective refining technology which will enable deeper conversion of crude oil at our refinery, maximising the volume of high-margin products produced in our refinery, such as diesel oil and aviation fuel while reducing the output of low-margin products such as bitumens and heavy fuel oils.

Grzegorz Hrycyna
Investment Project Director, Grupa LOTOS

The processing configuration of the refining units will allow for flexible optimization of production depending on the current market prices of raw materials and products – from discontinuing the production of heavy products altogether when the margins are low, up to producing substantial amounts of bitumen when customers willing to pay attractive prices place their orders.

While estimating the rate of return on our investment, we assumed cautiously that most streams of refinery products manufactured by the EFRA Project will be placed on international markets, which are more liquid than the Polish market. The location of the refinery in Gdańsk allows us to effect deliveries within the region of the Baltic Sea and Western Europe. However, given the right demand for fuels in Poland, there will not be any obstacles to place these products on the domestic market. The investment will therefore improve the organization's competitive position and allow it to secure a long-term foothold on the increasingly challenging fuel market in Europe, which must face growing pressures from refineries in the US, the Middle East and Russia.

The Project's key advantage is its ability to utilise the MHC capacities developed as part of the 10+ Programme. Consequently, our capital expenditure will be lower than that incurred by other refineries embarking on similar projects. As the project has been adapted to perfectly fit the refinery's existing infrastructure, only minor adjustments will be required to connect the new units.

The Project is also economically attractive, as confirmed by lending institutions, the owner and stock-exchange investors, who decided to acquire Grupa LOTOS new shares in 2014. Last but not least, the project will be based on tested and often innovative process licences developed by renowned companies, and the state-of-the-art solutions (e.g. hermetically sealed coke off take) will help us mitigate the environmental impact of Grupa LOTOS refinery.

EFRA Project will be carried out by an experienced team of experts which has successfully managed Grupa LOTOS' investment projects since the 1990s, including the recent 10+ Programme. For Grupa LOTOS and LOTOS Asfalt, the next three years will be a period of intensive work. We are prepared to handle the increased workload in terms of both technical and organizational resources. Initial and integration designs have all been completed, and we have the relevant personnel and a project schedule ready to be implemented.

Our objective is to deliver the project in such a way as to secure added value for the LOTOS Group and its key stakeholders, while also maintaining our ability to meet credit facility repayments. To ensure that this happens, we need to design and construct the project units so as to ensure their safe, efficient and flexible operation. The LOTOS Group is more than ready to handle this challenge.

RELATED CONTENT:

Letter from the President of the Board

The success of the Grupa LOTOS' SPO was a measure of trust of our shareholders and potential investors in our capacity to effectively operate amid economic and political turmoil. It was a resounding vote of trust of our shareholders and investors in the development strategy of Grupa LOTOS.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/letter-from-the-president-of-the-board>

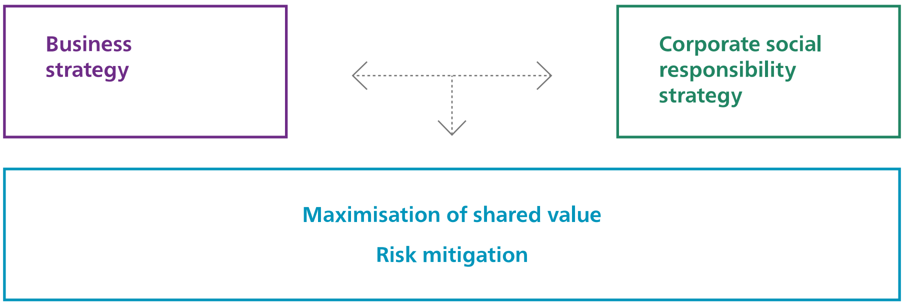
Key objectives

The concept of corporate social responsibility is a part of the vision of the LOTOS Group's operations, and is reflected in both the business strategy and the corporate social responsibility strategy. In 2012, the Board of Grupa LOTOS approved the revised corporate social responsibility strategy for the LOTOS Group, effective – just like the business strategy – until 2015.

The primary goal of the LOTOS Group's CSR strategy is to support the organization in meeting the objectives provided for in its business strategy by optimum use of the organization's resources and capabilities to generate economic and social value for the benefit of the LOTOS Group and its environment.

To ensure successful delivery of that goal, the social, environmental, ethical and human rights concerns included in the CSR strategy were incorporated into the LOTOS Group's core operations and business strategy. In this way, we have created a mechanism to:

- Maximise the building of shared value for the shareholders, our other stakeholders and society as a whole,
- Identify, prevent and mitigate the possible negative effects of our operations.



The efforts undertaken by the LOTOS Group in the social and business spheres, in our relations with key stakeholders and in corporate governance are aimed principally to:

- Ensure compliance with the law and ethical standards,
- Increase our positive contribution to social development,
- Mitigate possible adverse impacts of our operations and the associated risks,
- Maximise our chances for sustainable development over the long term.

The LOTOS Group's CSR strategy until 2015 defined the key objectives to be achieved in individual areas of activity. For each of these objectives, a set of targets and action plans has been developed to support the achievement of the results envisaged in the strategy.

- **In the area of investment** in human resources our objective is to ensure the availability of highly qualified staff required to successfully implement the business strategy and enhance the corporate culture based on adopted values.
- **As regards health and safety improvement**, our priority is to increase the awareness and involvement in work safety improvement among the management staff, employees and contractors.
- **As regards integration with the local community**, our principal goal is to undertake initiatives that help to ensure lasting solutions to social and environmental issues vital to our local communities.
- **In the area of management of natural resources in the production process**, we seek to reduce environmental risk and continually minimise the environmental impact of the LOTOS Group's operations.
- **In terms of ethics and the prevention of misconduct**, we seek to improve our management by ensuring ethical conduct and the transparency of business processes, as well as by protecting the organization against misconduct.
- **Our strategic goal with respect to partnership relations with the market environment** is to build lasting customer relationships by focusing on understanding customers' needs and ensuring expected product quality and safety.
- **As regards energy sector security**, our objective is to support initiatives designed to enhance energy sector security in a socially and environmentally responsible manner.
- **As regards communication**, we aim to ensure that communication with employees is timely and appropriate to their various needs. We also seek to build organizational culture based on multi-directional, open communication, including through the development of a system of public consultations within the LOTOS Group.

2014 was the third full year of implementation of the LOTOS Group's corporate social responsibility strategy, which, just like our business strategy, spans the period to 2015.

Jowita Twardowska
Communication and CSR Director, Grupa LOTOS

Therefore, we are about to update our objectives concerning social and environmental impacts, corporate governance and human rights protection. This will be an excellent opportunity for us to review our more than eight-year performance, since analyses underlying the development of our first CSR strategy were started in early 2007, as part of a series of important changes driven by the growth of the LOTOS Group as an integrated oil corporation.

Our approach to CSR is long-term and comprehensive, since it has become an element of the management process. The synergy of its business and social aspects has been ensured through the development of detailed operational plans and measures of the CSR strategy performance against targets in all of its key areas. Performance against targets is supervised by leaders of particular areas, reporting to the Board. For the purpose of performance reporting, we have developed a method to monitor the implementation of the CSR strategy, similar to that used for analysing the effects of our business strategy. Our CSR practices, similarly to practices in other key management areas, are additionally assessed for maturity, and evaluated by the management on a regular basis during our yearly 'CSR Day'. Recent analyses show a high level of achievement of the CSR targets, in excess of 90%.

Our approach consistently strengthens the LOTOS Group's reputation as a desirable employer, trading partner of choice, and trusted capital market participant, as well as a responsible neighbour, a business in symbiosis with its environment, committed to improving the well-being of its neighbourhood, resolving issues and responding to the challenges that emerge in the vicinity of its plants.

We strongly support the approach set out in the PN-ISO 26000 standard, where corporate social responsibility is defined as an element of the management process which takes into consideration a company's responsibility for the environment in which it operates. We identify, assess, measure and mitigate our social and environmental impacts. It is worth noting here that the precautionary measures we take depend on the results of analyses of how particular risks affect the functioning of the organization and its surroundings. Therefore, we measure not only our impacts, but also the impacts of external factors on the operation and effectiveness of the LOTOS Group.

We perceive our involvement with the affairs of the environment in which we operate as our duty and commitment towards the stakeholders. We believe in building the LOTOS Group value while catering to the needs and expectations of local communities. In fact, one of the eight pillars of the LOTOS Group's CSR strategy is integration with local communities. We understand it as contribution to ensuring lasting solutions to social and environmental issues vital to our local communities.

To translate this approach into effective action, we need to identify actual needs and expectations of our key stakeholders. And this is how the LOTOS Group works – we consult our decisions and priorities with local communities. A case in point is the consultation of our CSR strategy with the stakeholders. Also, everyone can share their views on our integrated annual reports or report an incident that involves a potential violation of our Code of Ethics.

Transparent ongoing communication, being open to public dialogue and transparent reporting on the implementation of the CSR strategy are also vital to creating lasting relations with the stakeholders.

LOTOS' sound financial and market position proves that we successfully bring benefits to the organization and simultaneously build value for our environment.

RELATED CONTENT:

Social impact

2014 was outstanding in terms of the number of CSR programmes and campaigns as well as activities undertaken by the LOTOS Group under the cross-sectoral cooperation model. It was also a period of initiatives aimed to establish a responsible supply chain.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/social-impact>

Awards and distinctions

According to the Chapter of the ninth edition of 'The Best Annual Report' contest, the 2013 Integrated Annual Report of Grupa LOTOS exemplifies a publication based on which investment decisions can be made at a relatively minimal risk.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/awards-and-distinctions>

Membership in organizations

Representatives of Grupa LOTOS take part in the work of different organizations and we treat our membership in them as strategically important. The goals of these organizations are e.g. to develop new legislative solutions for the energy sector and to actively participate in public consultation of draft acts regulating the sector.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/membership-in-organizations>

Employees

Data has been verified > See full text of the Independent Assurance Report

STATEMENT

High competences and commitment of employees build our strength, and employee potential is reflected in the Company's development.

Joanna Tyszka
Human Resources Office Director, Grupa LOTOS, CSR Strategy Leader in the Investment in Human Resources area

Our concern for professional advancement and improvement of employees' skills and expertise goes hand in hand with our efforts to foster a good working atmosphere and friendly relations between colleagues. We value open communication, teamwork and partnership between the management and employees.

Employees are a company's most important asset. Therefore, effective human resources management involves due care for the advancement of their skills and qualifications and creation of opportunities for the employees to support the values crucial to our corporate culture. The Code of Ethics, which has been in place since 2013, reflects this approach.

As provided for in our CSR strategy for 2012–2015, the objective of the LOTOS Group's HR policy is to ensure the availability and development of highly qualified staff required for successful implementation of the LOTOS Group's business strategy and enhancement of the corporate culture based on adopted values. We seek to ensure growth of our organization through continuous development and use of our employees' potential.

In our human resources policy, we are guided by the principles of accessibility for employees, consistency across systems and solutions, flexibility in relation to business needs, and above all responsibility for work results. Our HR policy is long-term in nature and is based on good practices and best HR standards and tools, such as employer branding, responsible recruitment and employment, quick adaptation to the working environment, continuous improvement of employee training and professional advancement systems, creation of an engaging workplace, fair assessment, and appropriate motivation and rewarding of employees.

One of the key skill-raising tools are our in-house training programmes dedicated to specific employee groups, designed as part of the LOTOS Academy initiative, which has been carried out for 10 years. Our training and skill-raising activities are designed to improve the various competencies of our employees, identify talent across the organization, disseminate expert knowledge and foster increased involvement and job satisfaction.

Our staff education methods, techniques and tools include a broad range of open and closed training courses, both in hard and soft skills, which are run based on annual schedules in the form of conferences, seminars, workshops, symposia and forums. We rely on advanced education techniques and technologies, such as simulation games or e-learning.

Since accessibility is one of the main features of our training policy, the target groups of our training opportunities include senior and middle management, as well as supervisors, coordinators and specialists. Additionally, among the solutions applied are those based on coaching and mentoring, the latter chiefly in the production area, where skill learning is the longest process, requiring many years of experience. Our coaches and mentors are experienced instructors from the operating training team, who – by direct interaction – pass on their knowledge to younger colleagues working as equipment operators. Our employees are also familiar with knowledge sharing workshops, at which they can share knowledge relating to the organization's various operational areas. In addition, at least twice a year, we hold seminars dedicated to management staff, to acquaint them with the most recent solutions in management by attractively integrating theory with practice.

To ensure the continuity of management in key positions at the LOTOS Group, we train successors within the framework of the

Succession Programme, the Managers Academy and the Master Programme. In 2015, we intend to continue the initiatives already in place and develop objectives for a new advancement programme dedicated to employees with 3-5 years of service. We are going to promote the e-learning formula given the increasing percentage of employees aged 25-35, who prefer to use modern IT tools. Fostering of knowledge-sharing culture and age management will become essential components of our employee training policy.

The initiatives we carry out have earned us reputation of a reliable and highly valued employer propagating the principles of corporate social responsibility, as confirmed by the Friendly Recruitment Zone certificate awarded to Grupa LOTOS. The certificate is granted to employers recruiting their staff in compliance with the standards of the Code of Good Recruitment Practices. What is more, having audited our recruitment practices, the Polish Human Resources Management Association awarded us the Top Quality Human Resources Certificate, thus acknowledging the top quality standards of our human resources management processes.

Workforce of the LOTOS Group companies

Company	Dec 31 2012	Dec 31 2013	Dec 31 2014
Grupa LOTOS – parent	1,349	1,345	1,350
LOTOS Asfalt	254	202	208
LOTOS Terminale [1] and its subsidiaries	236	245	169
LOTOS Gaz in liquidation	1	1	1
LOTOS Infrastruktura [2] and its subsidiaries	75	75	152
LOTOS Kolej	812	833	874
LOTOS Lab	153	156	160
LOTOS Ochrona	161	162	160
LOTOS Oil	338	317	318
LOTOS Paliwa	270	272	272
LOTOS Park Technologiczny	1	1	1
LOTOS Petrobaltic and its subsidiaries	553	557	624
LOTOS Serwis	697	684	678
LOTOS Straż	89	89	89
LOTOS-Air BP [3]	26	44	50

[1] Before 2013 LOTOS Czechowice.
[2] Before 2013 LOTOS Jasło.
[3] Before 2013 LOTOS Tank.

The LOTOS Group's workforce by type of employment contract (2014) [4] – men

Company	Fixed-term contracts: full-time employees	Fixed-term contracts: part-time employees	Open-ended contracts: full-time employees	Open-ended contracts: part-time employees
Grupa LOTOS	123	2	792	13
LOTOS Asfalt	14	0	148	0
LOTOS Kolej	156	9	621	1
LOTOS Oil	22	0	203	1
LOTOS Paliwa	22	0	111	0
LOTOS Petrobaltic and its subsidiaries	121	3	365	2
LOTOS-Air BP	32	0	10	0

[4] Thanks to the implementation of the SAP HCM system across the LOTOS Group in 2013, we are gradually extending the scope of reported HR data. We intend to report HR data for all companies as of 2015.

The LOTOS Group's workforce by type of employment contract (2014) – women

	Fixed-term contracts: full-	Fixed-term contracts: part-	Open-ended contracts: full-	Open-ended contracts: part-

Company	time employees	time employees	time employees	time employees
Grupa LOTOS	63	1	351	5
LOTOS Asfalt	9	0	37	0
LOTOS Kolej	23	1	63	0
LOTOS Oil	9	0	83	0
LOTOS Paliwa	34	0	102	3
LOTOS Petrobaltic and its subsidiaries	32	1	76	1
LOTOS-Air BP	4	0	4	0

The LOTOS Group's workforce by type of employment contract (2014) – total number of employees

Company	Fixed-term contracts	Open-ended contracts
Grupa LOTOS	189	1,161
LOTOS Asfalt	23	185
LOTOS Kolej	189	685
LOTOS Oil	31	287
LOTOS Paliwa	56	216
LOTOS Petrobaltic and its subsidiaries	157	444
LOTOS-Air BP	36	14

RELATED CONTENT:

Responsible employer

Our training policy is based around long-term, consistently implemented development plans. In 2014, we celebrated the tenth anniversary of the LOTOS Academy, our comprehensive employee training and development project, which is highly valued in the world of science and business.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/responsible-employer>

Safe workplace

In accordance with our strategy, safety at work and health protection, with respect to both our own employees and the employees of our cooperating partners, are priorities for the LOTOS Group. In 2014, we achieved a 46% decrease in the accident rate compared to 2013.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/safe-workplace>

Ethics

The LOTOS Group's Code of Ethics, which was put in place over two years ago, is the cornerstone of the organization's comprehensive Ethical Conduct Programme, designed to make business ethics the highest standard in the management of our organization.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics>

Environment

STATEMENT

Further reduction of CO_2 emissions, with the current structure of (low emission) fuels, will be made possible through enhancement of the energy management system in accordance with the ISO 50001 standard.

Wojciech Blew
Technology Development and HSE Director, Grupa LOTOS, CSR Strategy Leader in the Management of Natural Resources in the Production Process area

Through continuous effort to mitigate our environmental footprint, implementation of solutions reducing energy consumption, cooperation with academic centres, open dialogue with all groups of stakeholders and other initiatives described above, we have been fulfilling the obligations resulting from the Declaration of Polish Businesses for Sustainable Development we signed three years ago, as well as the adopted United Nations Global Compact principles of preventive approach to the natural environment, undertaking initiatives aimed to promote eco-responsibility, and application and dissemination of environmentally friendly technologies.

In the fourth year of implementation of our current business strategy and the accompanying CSR strategy, we proved that mitigating environmental risks and seeking ways to minimise environmental impacts never cease to be our major goals.

In 2014, the last, fourth boiler in our CHP plant was upgraded, which means that now all the boilers of Grupa LOTOS are adapted to burning natural gas – the fuel which generates the least pollution.

The switchover to natural gas as a source of energy and a feedstock in the production of hydrogen has enabled us to considerably reduce emissions from our production units and CHP plant and cut carbon dioxide emissions, expressed in kg CO_2/CWT (complexity weighted tonne), relative to previous years. The right type of fuel and appropriate solutions have driven our performance to a level higher than the target set under the strategic objective of carbon emissions reduction (actual emission at 30.0 kg CO_2/CWT against the target of 33.6 CO_2/CWT).

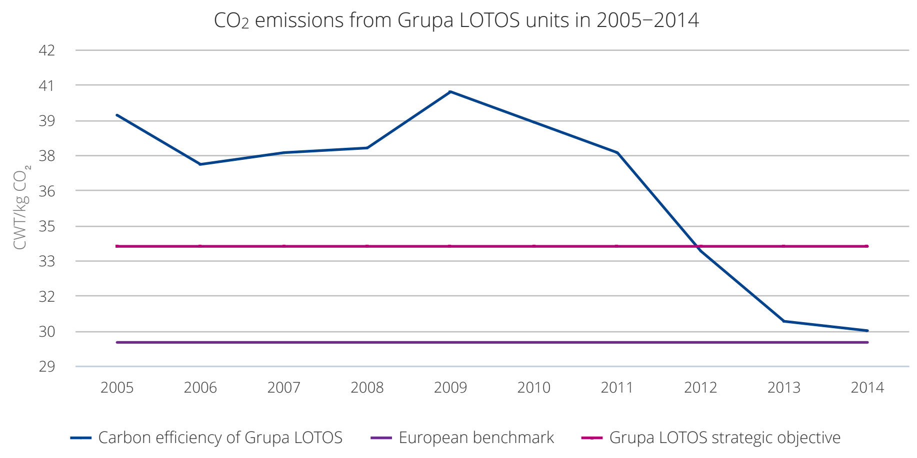
Further reduction of CO_2 emissions, with the current structure of (low emission) fuels, will be made possible through enhancement of the energy management system in accordance with the 50001 standard.

For this purpose, we have appointed the Energy Efficiency Team, whose responsibilities will include implementation of two closely related environmental objectives: improvement of energy efficiency of the interplant pipeline steam heating system (to be achieved in 2015) and reduction of primary energy consumption at the Grupa LOTOS refinery – analysis of energy efficiency of the plant and equipment, with a special focus on some of the older process furnaces and their possible replacement (to be achieved, possibly, by 2019).

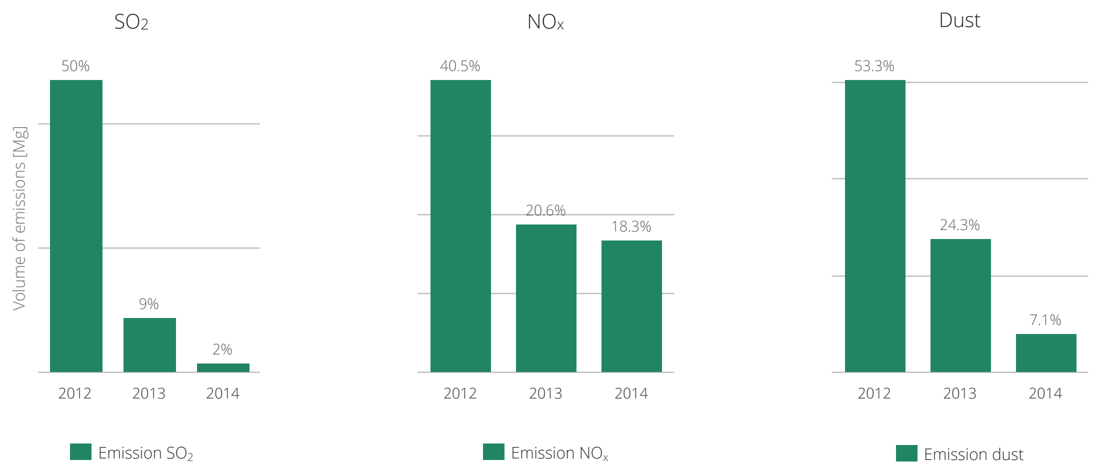
We continue promoting awareness of best environmental practices and standards among all LOTOS Group employees as well as local communities. One of the initiatives worth mentioning here is the voluntary comprehensive environmental survey carried out in the area of operation of Grupa LOTOS (the refinery, 2.5 km^2 and its surroundings (ca. 12.1 km^2) as well as the surroundings of the raw water retention reservoir, located ca. 2.5 km from the refinery (area of 2.4 km^2). The product of the survey was a report detailing all the identified fungi, lichen, plant and animal species, with a particular focus on species or natural habitats protected by Polish and EU laws. The environmental survey performed voluntarily and on such a large scale was one of the first such projects to be completed in Poland.

Apart from many trips for secondary school and university students, we organized a series of lectures and seminars at the Faculty of Chemistry of the Gdańsk University of Technology, during which environmental protection experts discussed a number of environmental aspects of the refinery's operation, including the legal requirements and the actual security measures taken to protect the environment from negative impacts of our operation and enabling us to fulfil, by a wide margin, the requirements of the environmental license (integrated permit).

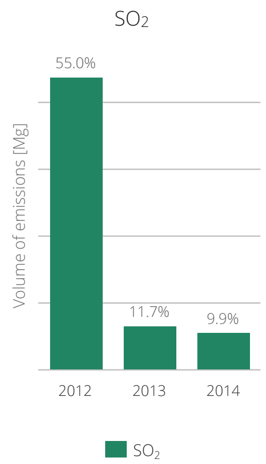
Grupa LOTOS was the first company in the Gdańsk Province to fulfil one of the new obligations on protection of soil and underground water, imposed on the operators of IPPC installations by the Industrial Emissions Directive (Directive 2010/75/EU of the European Parliament and of the Council of November 14th 2010) and by new Polish legislation – Act of July 21st 2014 on amendment of the Environment Protection Law and certain other acts. The IED Directive and the aforementioned Polish legislation imposed a new requirement that an application for an integrated permit or amendment of an existing integrated permit must be accompanied by a baseline report containing information on contamination of the soil and water environment with hazardous substances. In December 2014, the Company applied for amendment of the integrated permit regulating its operations and submitted a baseline report, as an integral part of the application, to the Marshall Office. As of the effective date of the new requirement, no integrated permit may be issued if the baseline report is not provided. The amendment was required following extension of the infrastructure for unloading rail cars, construction of a hydrogen recovery unit, changes in the types and volumes of emissions from one of the emission sources, and changes in land plot boundaries and numbers caused by new investment projects carried out on the refinery's premises. In January 2015, the Marshall Office issued a decision amending the existing integrated permit.

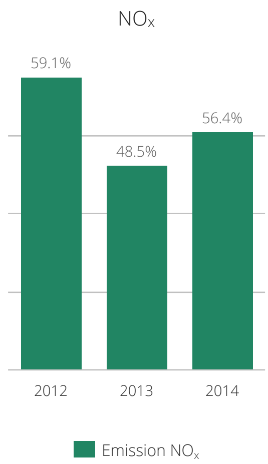


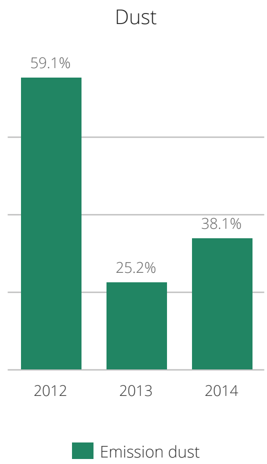
Emissions of main pollutants from Grupa LOTOS CHP plant to the air relative to permitted values



Emissions of main pollutants from Grupa LOTOS refinery units to the air relative to permitted values







RELATED CONTENT:

Environmental impact

Our carbon emissions were reduced to levels seen only at the best European refineries. Grupa LOTOS refinery's advanced environmental solutions have curbed our environmental impacts while delivering notable financial benefits, in the form of lower fees for the use of the environment, resulting from our commitment to reducing the amount of emitted pollutants.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/environmental-impact>

Operational (refining) segment

In the operational (refining) sector, we identify operational risks related to the refinery and environmental risks, including risks related to carbon emission caps.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/operational-refining-segment>

Brand

STATEMENT

A strong brand is a valuable corporate asset, playing an important part as a source of competitive advantage and value growth. Higher shareholder value is delivered by companies with strong brands, which are associated with good offering for customers, fair treatment of employees and positive CSR performance.

Anna Goliszewska
Brand Management Office Director, Grupa LOTOS, CSR Strategy Leader in the Market Partnership to Raise LOTOS Brand Awareness area

Appropriate management of customer relationships, good relations with stakeholders and community outreach initiatives may yield measurable benefits to a company by strengthening its reputation and image.

Fostering the image and strength of the LOTOS brand is one of the priorities for Grupa LOTOS. Our ambition is to create a brand that is dynamic and competent, friendly and trustworthy, and associated not only with offering top quality goods and services, but also with striving to meet the expectations of its stakeholders so they can pursue their own goals and dreams. The LOTOS brand has been consistently supporting promotion of product brands by establishing lasting relations with customers and linking the respective brand messages with areas of our core expertise as an oil company.

We support every area of the LOTOS Group's activities, be they of strategic importance, such as the '2013–2015 Effective and Rising' Programme, or non-strategic outreach and sports projects. Seeking to associate the LOTOS brand with positive emotions, we sponsor the National Ski Jumping Development Programme for the youngest ski-jumping hopefuls, entitled 'In Search of the Champion's Successors'. We are proud to say that last year its beneficiaries proved their worth by competing successfully during the winter Olympics. Another ambitious and exciting initiative spearheaded by the LOTOS brand is the newly launched cooperation with the Polish Football Association and the support for the Polish national football team, whose attitude and successful performance unite all Poles.

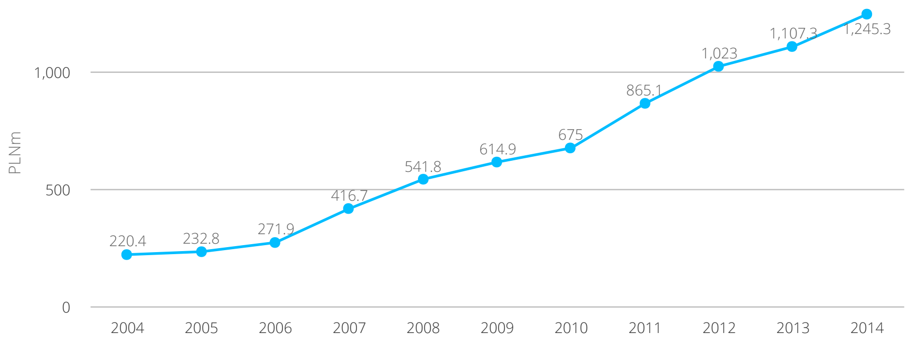
The 2014 image campaign 'LOTOSTORY – The world of the LOTOS brand' shows the brand's close relationship with people and their needs. Our story combined the spectacular scale of the Company's operations with sincere human feelings, because we want our customers to see that the LOTOS brand is more than the refinery, service stations and drilling rigs – it is also an innovative, helpful and friendly business supporting people in their everyday travels.

All of these image-building initiatives are reflected in the brand's value. In the 11th edition of Poland's Most Valuable Brands ranking, published by the Rzeczpospolita daily, the LOTOS brand was valued at PLN 1.245bn. Since 2014, its value has increased by over one billion złoty, driven by our consistent efforts to maximise the brand's strength, and our innovative approach to image building. LOTOS entrenched its position among Poland's top ten most valuable brands.

In monitoring the brand's standing and the progress of our CSR strategy, we also measure the social capital index which indicates whether the LOTOS Group is considered an environmentally-minded business, supporting culture and engaging in community outreach projects.

Our policy of enhancing brand value and image was fully acknowledged in 2014, when Grupa LOTOS received two Superbrand titles for the strongest and most recognisable brands in Poland – the Business Superbrand award for the best business brand, and the '2013/2014 Created in Poland' award, given to Polish brands that have developed an outstanding public image enabling them to compete against foreign brands.

Value of the LOTOS brand (PLNm)



Source: Rzeczpospolita daily, November 2014.

RELATED CONTENT:

Management segment

In the management segment, we identify political, legal, reputation and social risks as well as the risk of misconduct.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/management-segment>

Social impact

2014 was outstanding in terms of the number of CSR programmes and campaigns as well as activities undertaken by the LOTOS Group under the cross-sectoral cooperation model. It was also a period of initiatives aimed to establish a responsible supply chain.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/social-impact>

Marketing operations

The expansion of the LOTOS service station chain and increased efficiency of sales strengthened our presence on the retail market, pushing our share up to 9% at the end of 2014 (against 8.5% in 2013).

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/marketing-operations>

Grupa LOTOS S.A.
Integrated Annual Report 2014

Results and prospects

Results and prospects

3.4%
GDP growth

0.62%
liquidity

10.17 m tonnes
of products sold

Golden CSR Leaf

IN THIS CHAPTER:

Business environment

The key factor that had a strong impact on both the global and Polish petroleum markets in 2014, with significant consequences for the LOTOS Group's performance, was the price of crude oil, which also determined the price of petroleum products.

Letter from the Vice-President of the Board

2014 ushered in a series of challenges for the companies in the fuel sector. The decisions made by the LOTOS Group have demonstrated that we are able to take rapid steps to adapt to a demanding environment and ensure the desired profitability for our projects.

Segment performance

The segmental management model we have implemented enhances management efficiency, delivering cost and revenue synergies across the organization.

Sustainable development

Our efforts undertaken in the social and business spheres, in our relations with key stakeholders and in corporate governance are aimed principally to increase our positive contribution to social development, to mitigate possible adverse impacts of our operations and to maximise our chances for sustainable development over the long term.

Business environment

The global economic situation in 2014 was below market expectations. The world's leading economies kept expanding, but the growth rates were often lower than anticipated. The United States was a notable exception – the country's economic recovery was faster and stronger than predicted by the market. In contrast, Japan lagged behind other major economies. Developed economies were supported by loose monetary policies and efforts to maintain market liquidity. In 2014, global economy continued on a growth path, with the estimated growth rate (3.4%) slightly below that forecast in April last year. In 2014, eurozone GDP growth rate was 0.9%, whereas Poland's real GDP grew at a rate of 3.4%, faster than in 2013 by 1.7pp.

GDP growth in 2012–2014

	EU	USA	Japan	China	Russia	World
2012	-0.4%	2.3%	1.8%	7.8%	3.4%	3.4%
2013	0.1%	2.2%	1.6%	7.8%	1.3%	3.4%
2014E	1.4%	2.4%	-0.1%	7.4%	0.6%	3.4%

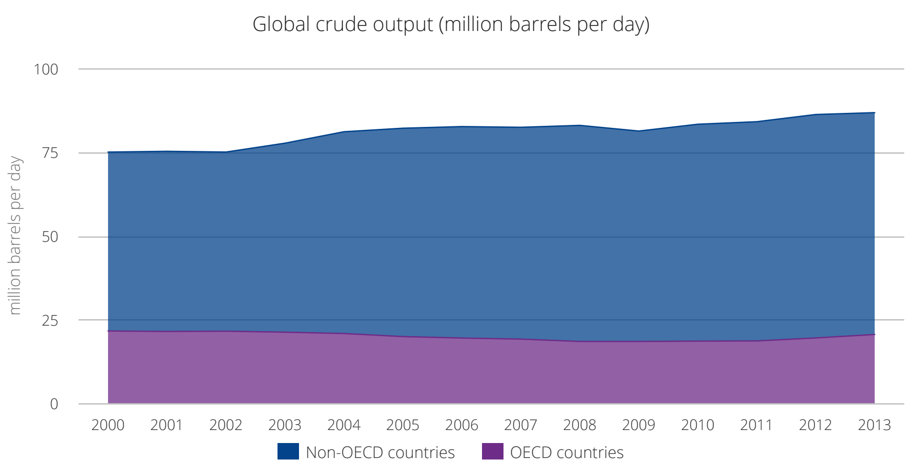
The key factor that had a strong impact on the global and Polish petroleum markets in 2014, with significant consequences for the LOTOS Group's performance, was the price of crude oil, which also determined the price of petroleum products. In mid-2014, the upward trend in crude oil prices reversed. Contrary to the market expectations, the decline in crude prices did not decelerate after OPEC failed to issue a decision on limiting production. Consequently, between June and December 2014 crude prices fell by approximately 50%, disrupting market stability, in particular in the production segment, and leading to bankruptcies of smaller production and service companies, chiefly in the US. The sudden downward trend emerged after nearly four years of stable prices.

This unstable crude market forced many international companies to adopt cost-cutting measures and substantially reduce capital expenditure, for instance by putting off investments until the market stabilises again.

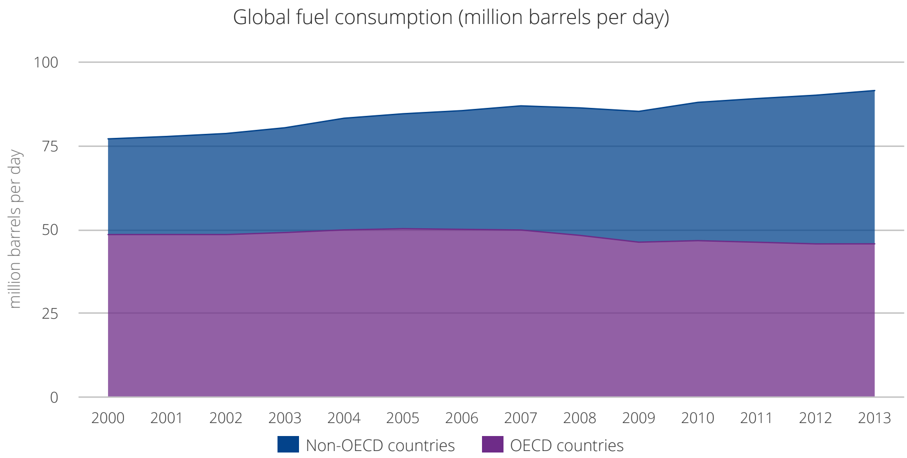
Further, it was observed that resources available at low production cost will become depleted in the long term. New deposits require a lot more capital outlay, which drives up the per-barrel price of the oil produced. At present, hydrocarbon exploration and production activity is concentrated in the US shale plays, offshore areas with deposits located at great depths, and offshore polar regions. The expected increase in production of oil and gas from those sources will require higher expenditure per barrel of oil equivalent, which may be reflected in hydrocarbon market prices.

Global refining market

For a number of years, global crude oil production and consumption has been on the rise. The trend has been accompanied by a shift of fuel consumption to non-OECD developing countries.

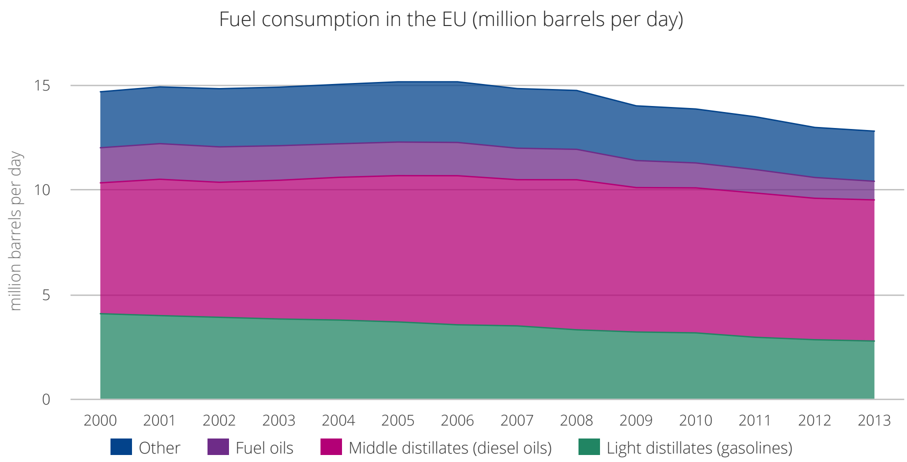


Source: In-house analysis based on BP data.



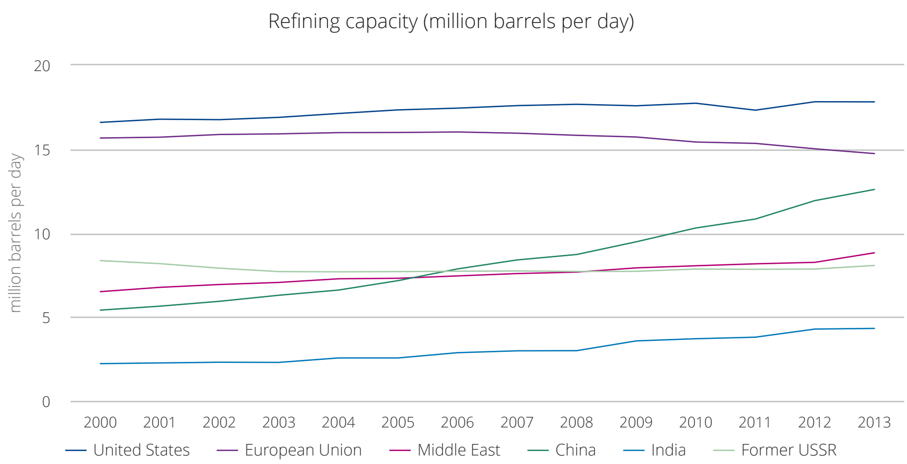
Source: In-house analysis based on BP data.

The consequence of changes in the global economy, including in demography, were particularly felt in Europe. Demand for fuels in the EU has consistently declined since 2007.



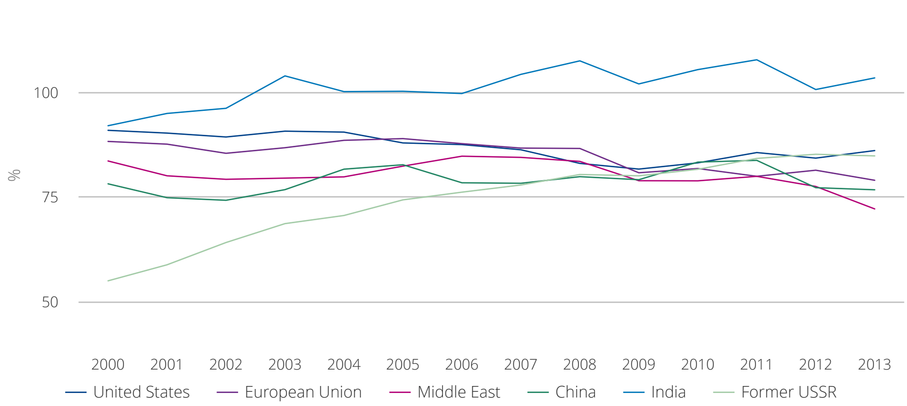
Source: In-house analysis based on BP data.

The rising demand for fuels, in particular in Asia, results in expansion of refining capacities, with major projects executed in China and India, the two largest developing economies. EU's refineries show a rather different trend – it is necessary to reduce the least effective units.



Source: In-house analysis based on BP data.

Refining capacity utilisation (%)



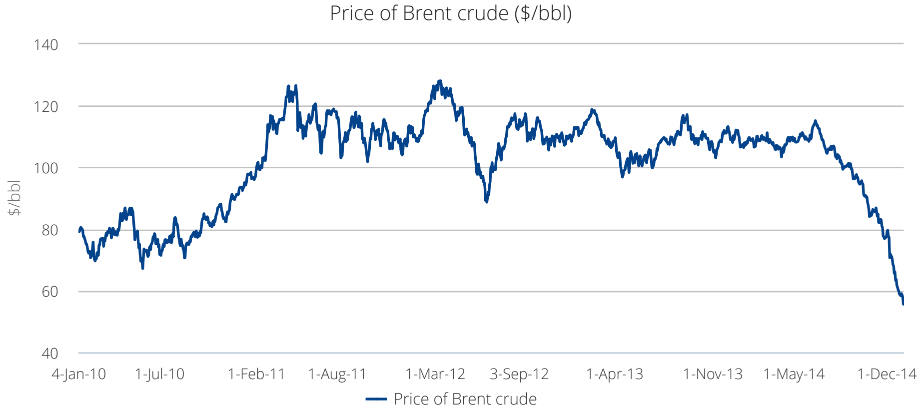
Source: In-house analysis based on BP data.

To ensure a balanced fuel market in Europe, fuel producers shut down several refineries in recent years. However, this scaling back still seems to be insufficient, as many European refineries generate small returns, and their processing capacities are relatively low. Small refineries with low complexity are particularly exposed to the risk of closure, given their high unit operating costs.

Year of shutdown	Refinery	Capacity ('000 bbl/d)	Owner	Country
2015	Collombey	72	Tamoil	Switzerland
2015	Gela	105	Eni	Italy
2014	Milford Haven	135	Murphy Oil	United Kingdom
2014	Stanlow	55	Essar Energy	United Kingdom
2014	Mantova	57	Eni	Italy
2014	Paramo	20	Unipetrol	Czech Republic
2013	Harburg	90	Shell	Germany
2013	Porto Marghera	80	Eni	Italy
2012	Coryton	172	Petroplus	United Kingdom
2012	Fawley	80	ExxonMobil	United Kingdom
2012	Kherson	138	Alliance Oil Co.	Ukraine
2012	Drogobich	78	Ukraine Oil Co.	Ukraine
2012	Petit Couronne	154	Petroplus	France
2012	Berre l'Etang	105	LyondellBasel	France
2012	Roma	85	Total ERG	Italy

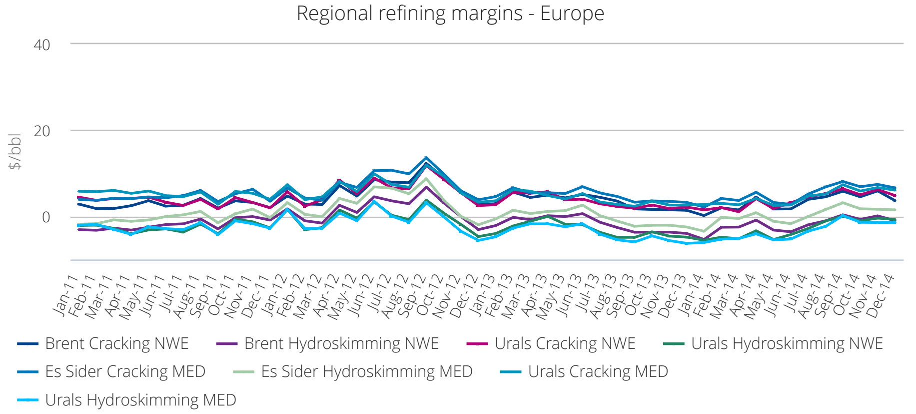
Source: In-house analysis based on JBC data.

A significant change in that landscape occurred in late 2014, spurred by a significant fall of oil prices, from approximately 110 USD/bbl to less than 60 USD/bbl. The price decline was chiefly driven by the structural oversupply of oil in the market (according to the International Energy Agency, the oversupply reached about 0.7m boe/d, i.e. 0.7%-0.8% of global demand), increased geopolitical risk, OPEC's abandonment of the policy of balancing global oil demand and supply, and appreciation of the US dollar.

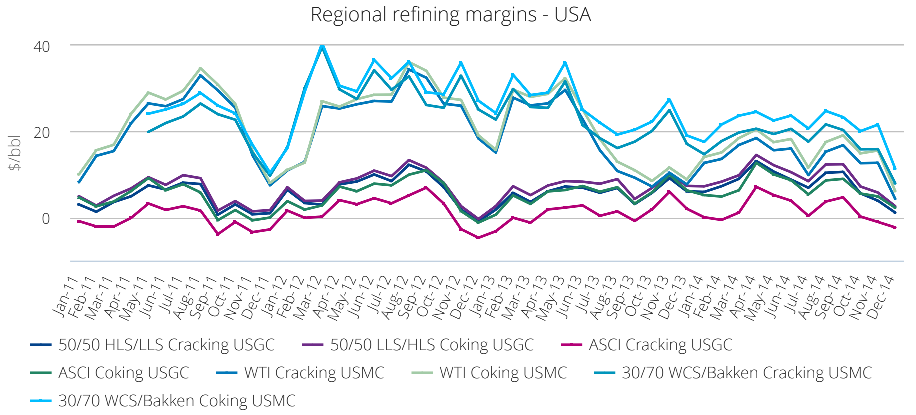


Source: In-house analysis based on Thomson Reuters data.

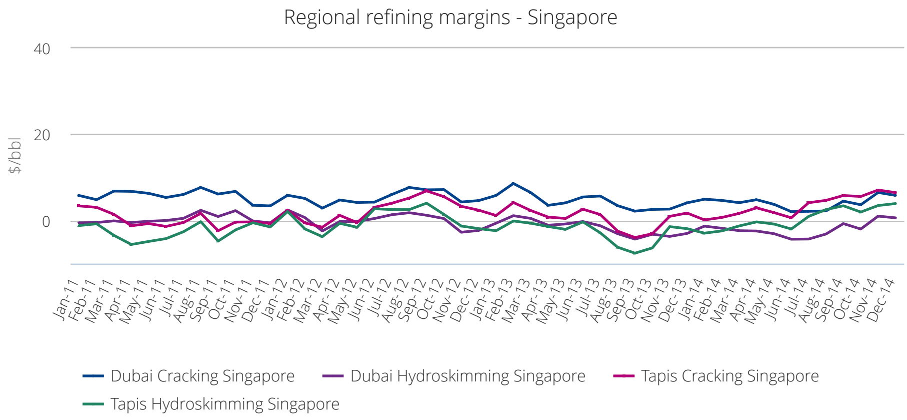
The US refineries very quickly lost one of their major elements of competitive advantage – inexpensive oil (shale oil produced in the United States had been much cheaper than oil traded on the international market). On the other hand, cheaper fuel encouraged a higher number of consumers to travel, boosting demand. In effect, the competitiveness of European refineries greatly improved. Refining margins earned by European refineries approached a level similar to that of refineries located in other parts of the world.



Source: In-house analysis based on International Energy Agency data.



Source: In-house analysis based on International Energy Agency data.



Source: In-house analysis based on International Energy Agency data.

International fuel market

Demand for oil refining products in 2014 rose by 0.9% globally. Stronger demand was seen in the gasolines (1.4%) and diesel oil (3.1%) segments. The estimated consumption of LPG and jet fuel also increased (by 1.0% and 1.9%, respectively). However, the demand for light fuel oil fell (by 5.4%).

Global consumption of fuels ['000 bbl/d]

	2012	2013	2014E
Gasolines	**22,824**	**23,183**	**23,514**
Diesel oil	**20,470**	**21,256**	**21,911**
JET	**6,435**	**6,530**	**6,658**
LPG (Liquefied Petroleum Gas)	**7,520**	**7,964**	**8,047**
Light fuel oil	**5,710**	**5,302**	**5,013**

Source: In-house analysis based on JBC data, April 2015.

According to forecasts, the overall global consumption of refining products is expected to grow by over 6.5% until 2020. It is estimated that demand for LPG, diesel oil, and JET fuel will grow significantly over the 2014 consumption (up 14%, 13% and 12%, respectively). The global consumption should rise slightly (4%). Light fuel oil consumption is expected to fall by 21%.

Forecast global consumption of fuels ['000 bbl/d]

	2014E	2015P	2020P
Gasolines	**23,514**	**23,945**	**24,463**
Diesel oil	**21,911**	**22,497**	**24,680**
JET	**6,658**	**6,805**	**7,463**
LPG (Liquefied Petroleum Gas)	**8,047**	**8,299**	**9,189**
Light fuel oil	**5,013**	**4,911**	**3,968**

Source: In-house analysis based on JBC data, April 2015.

Consumption of petroleum products in Europe declined in 2014 by 1.0%. However, diesel oil, JET fuel and LPG saw an increase of 1.2% and 1.6% respectively. Consumption of gasolines, light fuel oil and LPG fell by 1.5%, 9.7% and 1.0% respectively. The changes in fuel consumption in Europe reflect the economic conditions in EU Member States and the Eurozone countries.

The demand for oil refining products is forecast to fall in Europe by 2.7% until 2020. According to estimates, one of the reasons behind the decline will be a significant drop in consumption of gasolines, exceeding 11%. Lower consumption is also expected to affect the light fuel oil market (-18%). Concurrently, a strong increase is expected in consumption of LPG – by 7.3%, JET fuel – by 6.8%, and diesel oil – by 2.2%.

Forecast consumption of fuels in Europe ['000 bbl/d]

	2014E	2015P	2020P
Gasolines	2,110	2,071	1,877
Diesel oil	5,391	5,521	5,508

JET	1,260	1,269	1,346
LPG (Liquefied Petroleum Gas)	1,104	1,114	1,184
Light fuel oil	1,046	1,063	862

Source: In-house analysis based on JBC data, April 2015.

In the European car market, new car registrations grew by 5% in 2014, to 13m new cars. A marked improvement was also recorded in the utility vehicles segment, with new registrations up by 7% (to 1.9m new vehicles). In the group of registered new cars, there is a continued growing interest in diesel-fuelled cars. The share of such cars in total new car registrations in Western Europe was more than 53% in 2013 (compared with 46% in 2009).

Polish fuel market

Domestic demand for fuels is shaped by the general economic situation in Poland and the region. In the last three years, the Polish fuel market has been faced with the challenge of the growing grey market driven by high fuel prices and the economic slowdown observed in the recent years. In 2014, the Polish government's efforts involving the implementation of a stricter control regime and change in regulations, including in the energy law, coupled with falling prices in the second half of the year, limited the growth of the grey market compared with the previous years, with official diesel oil consumption at 11,297 thousand tonnes, down 0.3% year on year. The real market for diesel oil is determined by the constantly growing number of vehicles running on diesel oil (by 7% per annum on average) and continued increase in transport activity. It is estimated that the present diesel oil consumption is similar to that recorded in 2011, when the number of diesel oil-fuelled vehicles on the market was smaller by approximately 1.5m.

Gasoline sales on the Polish market in 2014 followed the trends prevailing in other parts of Europe and continued to fall. The demand for gasoline dropped by 1.7%, to 3,655 thousand tonnes. Weaker demand is mainly attributable to improved effectiveness of vehicles and the growing attractiveness of alternative air transport. The economic conditions, including reduced unemployment and falling fuel prices recorded in the second half of the year, contributed to the fact that the decline in demand for gasoline was not as severe as in 2013.

The consumption of LPG, which serves as a substitute of gasoline, dropped in 2014 by 1.3%, to 2,292 thousand tonnes. The LPG market in Poland may be recognised as mature, with consumption at approximately 2,200 thousand tonnes in the last five years.

Demand for light fuel oil in 2014 continued to fall, and contracted by 15.5%, to 712 thousand tonnes. This market segment was affected by increased interest in alternative heating fuels and higher average temperatures in the heating season.

The fastest growing market was the aviation fuel market. Consumption of aviation fuel in 2014 rose 15.4%. Thanks to the growing number of airline services, expansion of new airlines and consistent increase in the number of passengers, the market is viewed as promising and is expected to grow in the years to come.

Consumption of fuels in Poland ['000 tonnes]

	2013	2014E
Diesel oil	**11,332**	**11,297**
Gasolines	**3,719**	**3,655**
Light fuel oil	**843**	**712**
LPG (Liquefied Petroleum Gas)	**2,323**	**2,292**
Aviation fuel	**541**	**624**

Source: In-house analysis of Polish Organization of Oil Industry and Trade (POPiHN) data.

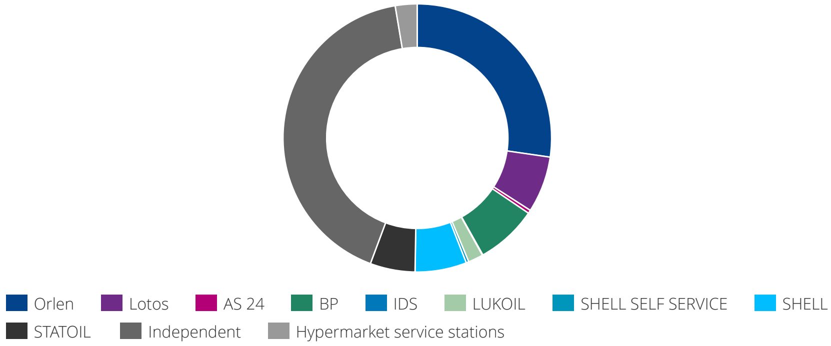
Polish retail fuel market

In 2014, there were nearly 6,500 service stations operating in Poland. As in the previous years, more than one third of the stations belonged to domestic operators, 22% were owned by international corporations, while 42% operated independently. The chains owned by oil companies were developed by opening both own stations (CODO) and partner stations (DOFO).

In 2014, according to POPiHN's estimates, 240 independent stations disappeared from the market, in most cases owing to the new technical requirements applicable to service stations. Over the same period, there was also a decline in the number of oil-company-owned stations, attributable mainly to Shell's sale of some of the stations purchased from Neste in the previous year.

Expansion of Poland's motorway network has been accompanied by the appearance of a growing number of motorway service stations. At the end of the year, there were 71 Motorway Service Areas (MSAs) in Poland.

Service stations in Poland in 2014



Source: Polish Organization of Oil Industry and Trade (POPiHN).

RELATED CONTENT:

Letter from the President of the Board

The success of the Grupa LOTOS' SPO was a measure of trust of our shareholders and potential investors in our capacity to effectively operate amid economic and political turmoil. It was a resounding vote of trust of our shareholders and investors in the development strategy of Grupa LOTOS.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/letter-from-the-president-of-the-board>

Letter from the Vice-President of the Board

Mariusz Machajewski - Vice-President of the Board, Chief Financial Officer

Dear Stakeholders,

For the global fuel sector, 2014 was a year of dynamic transformations in the macroeconomic environment, the most important of which was the plunge in crude oil prices seen in the second half of the year (Brent DTD down from USD 111/bbl as at June 30th 2014 to USD 55/bbl as at December 31st 2014), which precipitated a similar decline in refining product prices. These changes had a bearing on the operations of the LOTOS Group, both in terms of the execution of its business strategy and the consolidated financial performance reported by the Company.

In 2014, we put particular focus on giving the LOTOS Group appropriate foundations for delivering its growth objectives. A rights issue was carried out to increase the Company's share capital. In what was the largest public offering on the Warsaw Stock Exchange in 2014, we generated proceeds of PLN 1bn, which will be applied towards financing of a delayed coking unit with auxiliary infrastructure to be constructed under the EFRA Project (the total cost of the project is estimated at ca. PLN 2.34bn, with the issue proceeds expected to contribute PLN 530m –650m), and development of the Baltic Sea's B4 and B6 fields, which hold gas reserves of up to 4 billion cubic metres (the project's estimated total capex is put in the region of PLN 800m, of which PLN 350m–470m will be covered using the issue proceeds). Testament to the success of the transaction is the considerable interest it attracted from the shareholders, who exercised 98.3% of their pre-emptive rights, and the equally high, at over 98%, reduction in the number of additional subscription orders, which shows the trust placed in us by our shareholders and their support of the strategic projects we are pursuing to enhance the value of Grupa LOTOS.

The consolidated financial performance under IFRS was negative, with 2014 closing with an operating loss (EBIT) of PLN -1,393m. It needs to be noted, however, that the weak result was attributable to a series of one-off non-cash events associated primarily with changes in the price of crude oil and key refining products, leading to a remeasurement of inventories, as well as an impairment loss for the full amount of the capital expenditure on the YME field recognised in June 2014. However, net of these events, the LIFO effect (measurement of inventories based on weighted average cost) and other non-cash events, LIFO-based EBIT would have amounted to more than PLN 580m. Before amortisation and depreciation, this would have yielded a normalised LIFO-based EBITDA of nearly PLN 1.4bn. These figures demonstrate the LOTOS Group's ability to generate cash in very challenging market conditions. This potential is fully supported by the operating cash flow of PLN 1,381m.

In the upstream segment, work continued on the development of the B8 field. It was decided that the scope of modernization of the 'Petrobaltic' platform consisting in converting the rig into a production centre would be changed. The goal was to achieve a reasonable rate of return from the investment amid the difficult situation on the global oil market. Following a series of analyses, relevant cost assumptions were revised to restore the original viability framework of the project. This will help achieve the expected increase in the economic viability of the project of field development. Thanks to reduced capital expenditure, the project is able to deliver a satisfactory rate of return despite significantly lower crude oil prices. In August 2014, B8 Sp. z o.o., Baltic S.K.A. (SPV), Polskie Inwestycje Rozwojowe S.A., Bank Gospodarstwa Krajowego, and Bank Pekao S.A. entered into a series of project finance agreements related to the financing of the development of the B8 field.

As for the segment's other key projects:

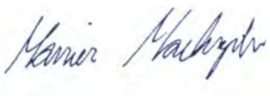
- The development concept for the B4 and B6 gas fields was chosen (ensuring off take of the natural gas produced and transported onshore by pipeline will be vital to the execution of the project);
- Production of gas and condensate from the Heimdal fields (Alta, Vale, and Skirne) was continued on the Norwegian Continental Shelf;
- Following completion of the overhaul of the Heimdal platform in June 2014 (Heimdal Extension Life Program or HELP), the life of the platform was extended until 2034.

The downstream segment's key growth-oriented task is the EFRA Project, which provides for the construction of a delayed coking unit (DCU) with auxiliary infrastructure. The LOTOS Group is currently in the final stages of preparation for the construction of the unit, which will directly enhance processing efficiency by minimising production of unprofitable heavy fuel oil. Following the project's completion, the annual output of high-margin products will grow by 900 thousand tonnes. We estimate that the launch of the DCU will add ca. 2 USD/bbl to its refining margin thanks to increased depth of crude processing and the resultant improved yield structure as well as synergies between the DCU unit and the upgraded and extended refinery. By the end of 2016, we also intend to complete a hydrogen recovery unit (HRU), which will further increase the refining margin.

In 2014, we continued the expansion of our service station chain, which grew to 441 locations as at the year’s end. Moreover, by eliminating the obsolete patronage (DODO) stations, we were able to improve the overall quality of the chain. This brought us closer to our strategic objective of securing a 10% share in the retail fuel market, at the same time increasing the chain’s profitability by a significant margin.

The past year ushered in a series of challenges for the companies in the fuel sector. The decisions made by the LOTOS Group have demonstrated that we are able to take rapid steps to adapt to a demanding environment and ensure the desired profitability for our projects. Thanks to the trust placed in us by the shareholders, we obtained funds to finance a variety of promising growth-oriented investment projects, whose expected returns will ensure further value growth and reinforce our position as a dynamically-growing player in the oil industry in this part of Europe.

Yours sincerely,



Mariusz Machajewski
Vice-President of the Board
Chief Financial Officer
Grupa LOTOS

RELATED CONTENT:

Financial segment

In the financial segment, we identify the risk related to prices of raw materials and petroleum products, the risk related to prices of carbon allowances, liquidity risk, currency risk, interest rate risk, credit risk in financial and trade transactions, the risk of limited access to external financing or changes in lending terms and the risk related to debt servicing as well as the risk of adverse changes in tax regulations, interpretations or court rulings.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/financial-segment>

Segment performance

Exploration and production

In 2014, our annual crude oil and natural gas output reached more than 500 thousand tonnes of oil equivalent. The higher output was in large part attributable to the production assets on the Norwegian Continental Shelf purchased as part of the Heimdal portfolio.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/exploration-and-production>

Processing operations

The LOTOS Group operates one of the most advanced and youngest refineries in Europe. 2014 was yet another record year in terms of crude oil processed by our refinery.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/processing-operations>

Marketing operations

The expansion of the LOTOS service station chain and increased efficiency of sales strengthened our presence on the retail market, pushing our share up to 9% at the end of 2014 (against 8.5% in 2013).

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/marketing-operations>

Stock exchange

In 2014, Grupa LOTOS issued 55,000,000 Series D ordinary bearer shares in a public offering. The issue price of offered shares was set at PLN 18.10 per share. The issue proceeds will be applied towards co-financing of the EFRA Project, i.e. construction of a delayed coking unit at the Gdańsk refinery, and towards the development of our gas fields in the Baltic Sea.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/stock-exchange>

Exploration and production

STATEMENT

2014 brought many positive developments in the LOTOS Group's upstream segment. However, it was also a time when we had to cope with the implications of the changed business environment, in particular on the global oil market.

Zbigniew Paszkowicz
Vice-President of the Management Board, Exploration & Production, Grupa LOTOS, President of the Management Board, LOTOS Petrobaltic

The LOTOS Group's hydrocarbon production potential doubled last year, following the acquisition of Heimdal assets by LOTOS E&P Norge in December 2013. In February, the 'GSF Monitor' rig purchased in late 2013 was deployed in the Baltic Sea. With a capacity to drill to the depth of up to 9,000 m, it is more technologically-advanced than the 'Petrobaltic' rig (drilling to the depth of up to 6,000 m). Longer legs make it suitable for operation in areas with water depth of up to 106 m, or even up to 120 m with extended legs. This means that we can use the rig for drilling exploration wells in all our off-shore licence areas. After quick adjustment to the operating conditions in the Baltic Sea, in the spring the new rig, named 'LOTOS Petrobaltic', began to drill for oil and gas.

LOTOS Petrobaltic obtained extension of its production licence for the B3 field, from which we will produce oil and gas until 2026, that is ten years longer than assumed under the previous licence and plans. We now estimate that the field will yield one million tonnes of oil more, ensuring steady revenue streams and stable financial position. All this was made possible by our employees' expertise and experience in optimum hydrocarbon production.

In 2014, we signed an agreement with a consortium of banks and financial institutions for the financing of the development of the B8 field. Another milestone was the successful issue of Grupa LOTOS shares. A significant part of the issue proceeds are earmarked for the development of the B4 and B6 gas fields under a project executed jointly with CalEnergy, our world-class partner.

Last year, we also began onshore exploration activities. We partnered with Polskie Górnictwo Naftowe i Gazownictwo S.A. and signed an agreement on joint operations in the Górowo Iławeckie and Kamień Pomorski licence areas. Together we will carry out 2D seismic surveys.

In Norway, in 2014 LOTOS E&P Norge applied for new exploration licences in the APA 2014 licensing round, and won an interest in a licence as its operator.

In Lithuania, we stabilised oil production by LOTOS Geonafta and LOTOS Geonafta Group companies. It is worth noting that LOTOS Geonafta, the largest oil exploration and production company in Lithuania, with rightful pride and satisfaction celebrated the 50th anniversary of its operations.

The Miliana Group companies and TSM provided effective and efficient offshore logistics services to our rigs. In 2014, strong results were posted by Energobaltic, converting natural gas from the B3 field into LPG and environmentally friendly electricity and heat, which are then supplied to Władysławowo and the neighbouring towns and villages.

Since the second half of 2014, we have been operating under more challenging economic conditions. Given the rapid fall of oil prices on global markets, which started in August 2014, we made a professional assessment of our development plans and budgets, and revised them accordingly. Hydrocarbon exploration and production projects, especially on subsea deposits, are cost intensive and long-term in nature. We reviewed our projections in detail, taking into account the new economic reality and long-term forecasts, according to which oil prices may not return to pre-crisis levels in the years to come.

However, in this new environment we have made a key assumption: LOTOS will not give up investing in hydrocarbon exploration and production. This applies primarily to our strategic projects executed in the Baltic Sea, namely the development of the B8 oil field, and the B4 and B6 gas fields. The projects will be much more challenging and their implementation will require high flexibility, their scopes and deadlines may need to be adjusted to the present market situation, but we shall maintain our resolve to implement them.

Our achievements in 2014, including the ability to react quickly to the rapid changes in the economic environment, are the effect of the qualifications, commitment and hard work of employees of all LOTOS Group companies operating in the upstream segment. In difficult conditions, the value of people is put to a test. The developments in late 2014 again confirmed that people are LOTOS' most valuable asset.

Grupa LOTOS is engaged in exploration and production through the LOTOS Petrobaltic Group in the following countries:

- **Poland** – LOTOS Petrobaltic and its subsidiaries (B8 Sp z o.o., B8 Sp. z o.o Baltic SKA, Baltic Gas Sp. z o.o. i Wspólnicy SK, Baltic Gas Sp. z o.o.),
- **Lithuania** – AB LOTOS Geonafta and its subsidiaries (UAB Minijos Nafta, UAB Manifoldas, UAB Genciu Nafta),
- **Norway** – LOTOS Exploration and Production Norge AS.

(See more <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization>)

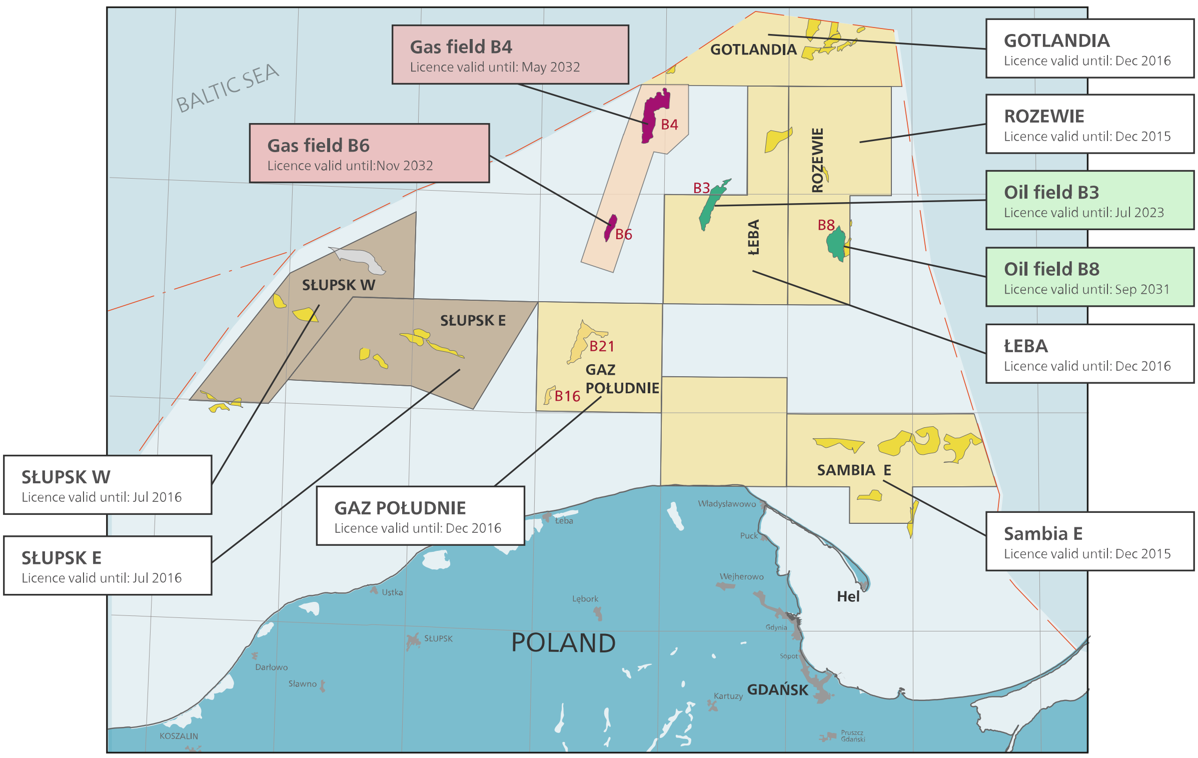
The LOTOS Petrobaltic Group includes companies conducting support activities: the Miliana Group, Energobaltic Sp. z o.o. and Aphrodite Offshore Services N.V., based in Curaçao, the Netherlands Antilles (which was dormant in 2014).

The Miliana Group renders sea logistics services to LOTOS Petrobaltic, including crude oil storage and transport, rescue and anti-spill assistance, geotechnical surveying, and intermediary services in organizing air transport services to the rig, using six own vessels: Icarus III tanker, multi-purpose vessels St. Barbara, Kambr and Aphrodite I, Granit and Bazalt tugboats, as well as tonnage chartered from third-party shipowners. In 2014, the services were extended to include those provided by the 'LOTOS Petrobaltic' rig.

Energobaltic's business comprises management of associated gas produced from the B3 oil field and – in the future – from other hydrocarbon accumulations located in the Baltic Sea. At the Władysławowo CHP Plant, the company produces electricity, heat, LPG and natural gas condensate using associated gas from an offshore oil production facility (the B3 field).

Licences in Poland – Baltic Sea

Licences in Poland – Baltic Sea



LOTOS Petrobaltic holds:

- licences for the production of crude oil and natural gas from the B3 field,
- through Baltic Gas Sp. z o.o. i Wspólnicy SK – interests in licences for the production of natural gas from the B4 and B6 fields,
- through B8 Sp. z o.o. Baltic S.K.A. – interest in a licence for the production of crude oil and natural gas from the B8 field.

The total area covered by the production licences spans more than 147.84 km^2.

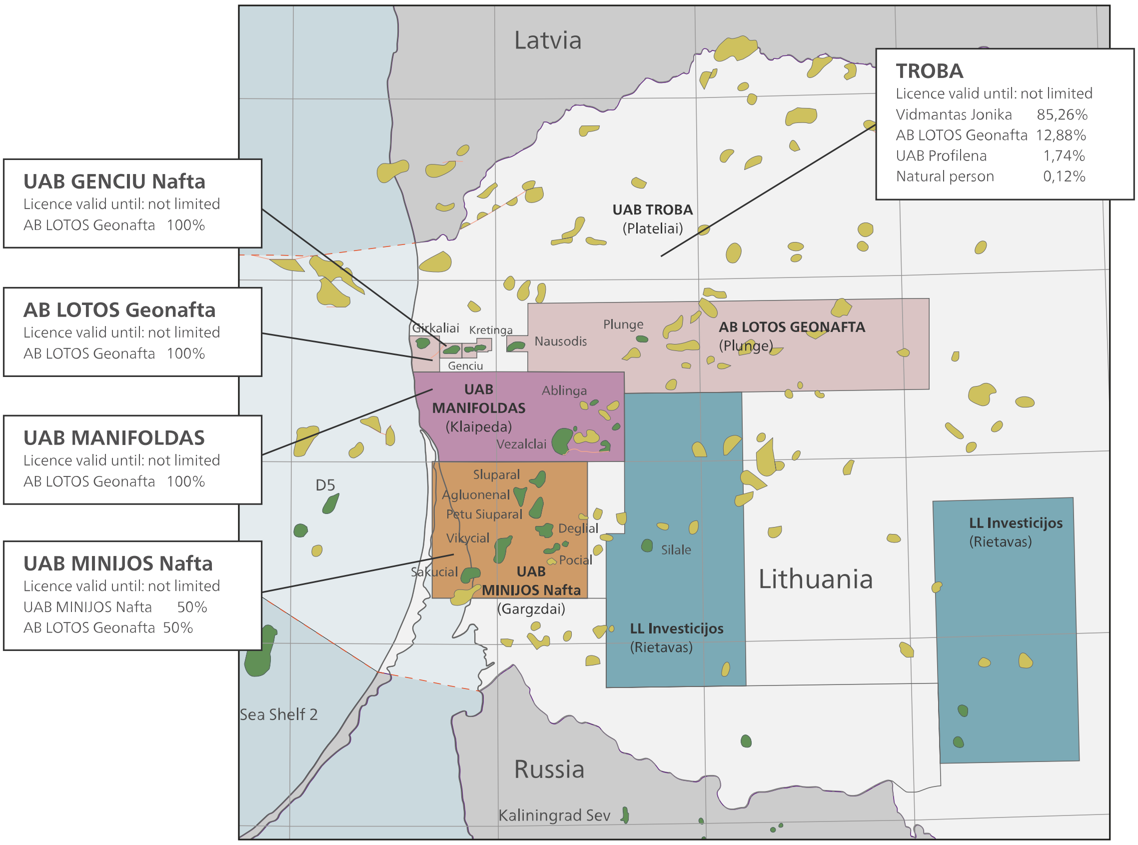
LOTOS Petrobaltic holds oil and gas exploration and production licences in the Polish economic zone of the Baltic Sea in the following regions: Gotlandia, Łeba, Rozewie, Gaz Południe, Sambia E, Słupsk W and Słupsk E.

The total area covered by these exploration and appraisal licences is more than 7,300 km^2.

In 2014, the company discontinued its exploration activities in the Sambia W region as there were no prospects for oil production, which resulted in the expiry of the relevant licence.

Licences in Lithuania

Licences in Lithuania



In Lithuania, LOTOS Petrobaltic conducts its activities through its subsidiary AB LOTOS Geonafta, in which it holds a 99.99% interest (1 share is held by Grupa LOTOS).

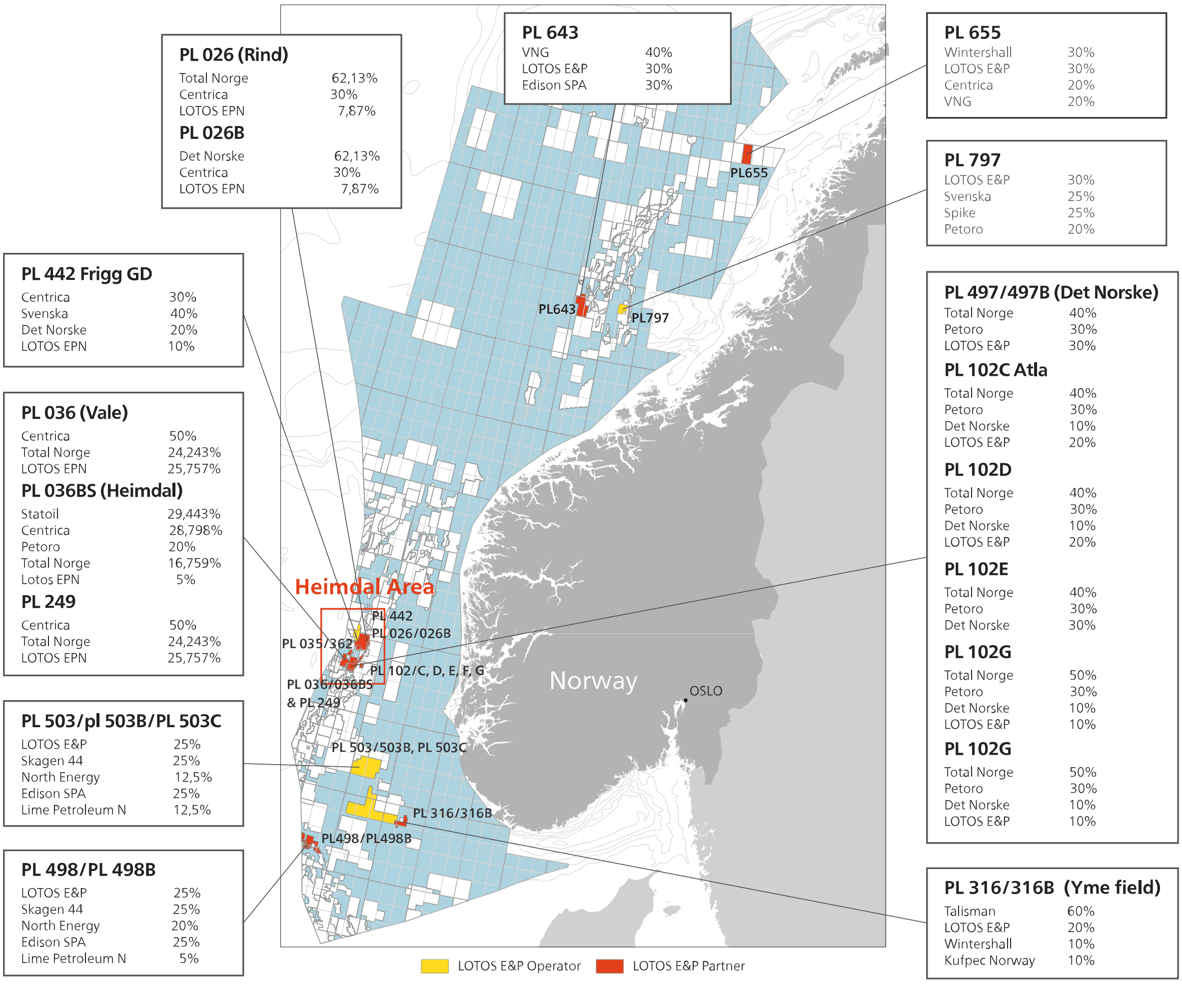
The AB LOTOS Geonafta Group comprises:

- UAB Genciu Nafta (a 100% share),
- UAB Manifoldas (a 100% share),
- UAB Minijos Nafta (a 50% share).

The core business of the AB LOTOS Geonafta Group is exploration for and production of crude oil and provision of drilling services in Lithuania. The company is also engaged in crude oil trading. In aggregate, as at the end of 2014 AB LOTOS Geonafta Group companies produced hydrocarbons from 15 onshore oil fields.

Licences in Norway – Norwegian Continental Shelf

Licences in Norway – Norwegian Continental Shelf



LOTOS Exploration & Production Norge AS (LOTOS E&P Norge) of Stavanger, Norway, is the subsidiary responsible for our operations on the Norwegian Continental Shelf.

Following the acquisition of Heimdal assets, LOTOS E&P Norge holds interests in 23 oil exploration and production licences in the Norwegian Continental Shelf, including: PL 498, PL 498B, PL 503, PL 503B, PL 503C, PL 643, PL 655, PL 442 FRIGG GD, PL 362 FULLA, PL 316/PL 316B YME, PL 249 VALE, PL 026 RIND, PL 026B FRIGG GD, PL 035B FULLA, PL 036 VALE, PL 036BS HEIMDAL, PL 102 SKIRNE BYGGVE, PL 102C ALTA, PL 102D, PL 102E SKIRNE, PL 102F TRELL, and PL 102G TRELL.

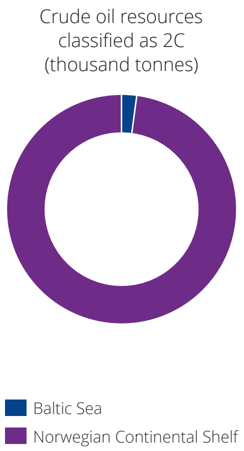
The company is the operator under seven licences: PL 498, PL 498B, PL 503, PL 503B, PL 503C, PL 362, and PL 035B.

Oil and gas reserves

As at the end of 2014, the LOTOS Petrobaltic Group's 2P crude oil reserves totalled 6.1m tonnes and 2C resources amounted to 3.985m tonnes. In the Baltic Sea, on the Norwegian Continental Shelf and in Lithuania, 2P oil reserves were 4.9m tonnes, 0.23m tonnes and 0.98m tonnes, respectively, while 2C oil resources were 0.085m tonnes in the Baltic Sea and 3.9m tonnes on the Norwegian Continental Shelf.

Natural gas reserves and resources were 0.9 billion cubic metres (2P) and 6.4 billion cubic metres (2C). In the Baltic Sea and on the Norwegian Continental Shelf, 2P natural gas reserves were 0.39 billion cubic metres and 0.51 billion cubic metres, respectively, while 2C natural gas resources amounted to 3 billion cubic metres and 3.4 billion cubic metres, respectively.

> As at December 31st 2014, total crude oil and natural gas reserves and resources amounted to 6.8 million toe (tonnes of oil equivalent) in oil reserves classified as 2P and 9.3 million toe in oil resources classified as 2C.



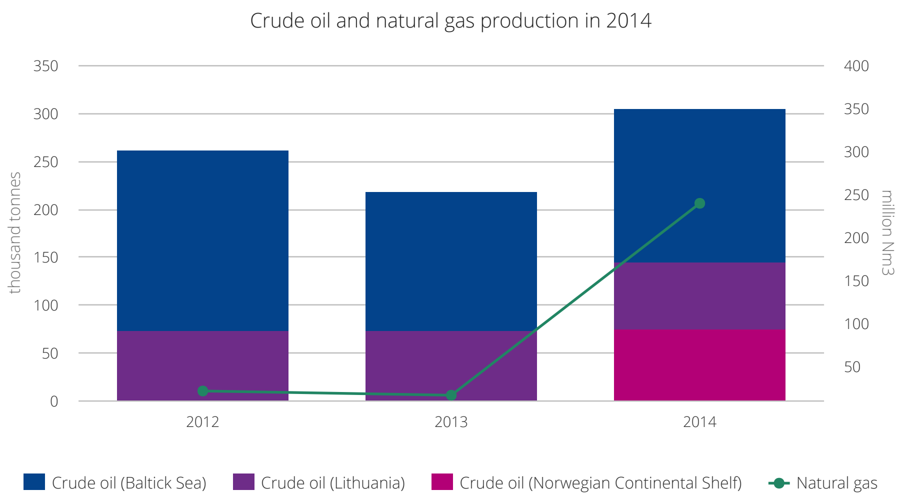
Crude oil and natural gas production in 2014

In 2014, crude oil was produced from the B3 field in the Baltic Sea, from onshore fields in Lithuania, and on the Norwegian Continental Shelf. The production totalled 305.2 thousand tonnes, including 160.1 thousand tonnes from the Baltic Sea fields, 70 thousand tonnes in Lithuania, and 75.1 thousand tonnes on the Norwegian Continental Shelf. The output was 86 thousand tonnes higher than in 2013 (219 thousand tonnes).

Natural gas was produced from the B3 field in the Baltic Sea and on the Norwegian Continental Shelf. The output totalled 239.2 million cubic metres, including 17.8 million cubic metres from the B3 field, and 221.4 million cubic metres on the Norwegian Continental Shelf. Total output was 222.4 million cubic metres higher than in 2013 (16.8 million cubic metres).

The higher output was in large part attributable to the production assets on the Norwegian Continental Shelf purchased as part of the Heimdal portfolio.

In 2014, the annual crude oil and natural gas output reached more than 500 thousand tonnes of oil equivalent.



Operations in 2014

Development of upstream operations has been a priority under the LOTOS Group's Strategy for 2011–2015. Our activities in this area are focused on increasing production from own fields and improving the security of oil and gas supplies by ensuring direct access to new hydrocarbon deposits (acquisition of own resources under exploration licences and establishment of cooperation with partners that have access to oil and gas deposits). The following steps were taken in pursuance of this strategic goal in 2014:

In Poland:

- **Production from the B3 field**
  Production of crude oil and associated gas from the B3 field continued. Pursuant to the Ministry of Environment's decision of May 23rd 2014, the term of the licence for crude oil and natural gas production from the B3 field was extended to 32 years starting from the licence issue date, i.e. until July 29th 2026.
- **Development of the B8 field**
  Development work on the B8 field was continued in line with the schedule. Financing was secured by executing project finance agreements between B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A. (B8 SPV), Polskie Inwestycje Rozwojowe S.A., Bank Gospodarstwa Krajowego, and Bank Pekao S.A. The Minister of the Environment issued a decision to transfer the licence for production of crude oil and associated natural gas from the B8 field located in the Polish exclusive economic zone of the Baltic Sea from LOTOS Petrobaltic to B8 SPV. A share capital increase through a share issue was registered at the target company, B8. The newly issued shares were fully acquired by LOTOS Petrobaltic and paid for in the form of cash and in-kind contribution, including the right to use geological data of the B8 field, assets produced by LOTOS Petrobaltic for the development of the B8 field, and the 'Petrobaltic' drilling rig.
- **Development of the B4 and B6 gas fields**
  Preparatory work on the B4/B6 gas fields was continued in partnership with CalEnergy Resources Poland. The process of selection of the development concept was completed: production wells are to be drilled using the 'LOTOS Petrobaltic' platform. Work was underway on the front-end engineering design of the onshore and offshore installations and on securing onshore transmission capacities.
- **Seismic surveys in the Baltic Sea**
  Intensive exploration and appraisal work was performed in the Polish exclusive economic zone of the Baltic Sea. In 2014, geological work was conducted in all areas covered by LOTOS Petrobaltic's licences for exploration or exploration and appraisal of crude oil and natural gas. In the Gotlandia and Gaz Południe licence areas geological work was conducted consisting in drilling two wells: the exploration well B27-1 and the appraisal well B21-2. The exploration well proved dry whereas the appraisal well confirmed the presence of gas and condensate in the B21 accumulation on the main tank level – Cambrian sandstones as well as indicated the oil potential on the additional, carbonate tank level. In the remaining five licence areas, design and analytical work was underway. The terms of the Łeba licence were amended and an annex to the working interest agreement was signed. The amendment extended the licence term until December 14th 2016 and changed the scope of geological work. With respect to the Gaz Południe licence, on December 12th 2014 its terms were amended and working interest under the licence was approved. Under the amendment, the licence term was extended until June 14th 2016. The activities we are undertaking are aimed at exploring the oil potential in the licence areas and acquiring detailed data on the geological structure of potential prospects to mitigate the exploration risk before making a decision to drill exploration or appraisal wells. In September 2014, we filed an application with the Ministry of the Environment for an onshore oil and gas exploration and appraisal licence covering the Młynary area, together with the related plan of geological operations.
- **Cooperation with PGNiG**
  As part of expanding operations under onshore licences, a joint operations agreement was executed with Polskie Górnictwo Naftowe i Gazownictwo S.A. concerning the Górowo-Iławeckie licence in north-eastern Poland. The cooperation involves the acquisition of a total of 200.4 km of 2D seismic data. Results of the work done are expected to be known in mid 2015. On the basis of those results, a decision will be made whether to proceed with any further work in the Górowo-Iławeckie licence area. The objective of the project is to discover potential oil accumulations in Cambrian formations. Cooperation in this licence area is a continuation of the activities initiated under the agreement on cooperation in exploration activities of April 2013.

  The cooperation with Polskie Górnictwo Naftowe i Gazownictwo also takes place in the Kamień Pomorski licence in north-western Poland. In 2014, the cooperation consisted in executing e.g. a 3D seismic survey of the total area covering 110 km2. Results of the survey will be assessed in the mid-2015. On the basis of those results, a decision will be taken whether to drill an exploration well in this licence. The objective of the project is to discover potential oil accumulations in the main dolomite formations and potential natural gas accumulations in the red sandstone (Rotliegend) sediments. The basis for all work in the Kamień Pomorski licence is the agreement on joint operations concluded between PGNiG and LOTOS Petrobaltic in 2013.

In Norway:

- **Production from the Heimdal field**
  Production of gas and condensate from the Heimdal fields (Alta, Vale, and Skirne) continued. Following an overhaul of the Heimdal rig finished in June 2014, the rig's life was extended until 2034, as confirmed by a relevant certificate issued by the Petroleum Safety Authority Norway.
- **YME project**
  Under the YME project, LOTOS Petrobaltic is analysing the possible scenarios of recovering the invested capital. In particular, it is considering an option involving redevelopment of the field.
- **New licence**
  The company applied for new exploration licences in the APA 2014 licensing round, and won an interest in licence 797, the operator of which is LOTOS Norge.

In Lithuania:

- **Exploration and production**

  AB LOTOS Geonafta and UAB Genciu Nafta produced crude oil from the Girkaliai, Kretinga, Nausodis and Genciu onshore fields.

  UAB Manifoldas produced oil from Auksoras, Liziai, Veziaciai and Ablinga onshore fields, while UAB Minijos Nafta recovered oil from Vilkyciai, Pietu Siupariai, Degliai, Pociai, Sakuciai, Agluonei and Siupariai onshore fields.

  In 2014, the AB LOTOS Geonafta Group focused its geological work on appraisal of the oil potential of the Klaipeda block (owned by UAB Manifoldas). Two exploration and appraisal wells and two production wells were drilled. As one of the exploratory wells proved dry, the project was removed from the list of prospects. Production was launched from the remaining wells.

Objectives for 2015

The principal strategic goal for the exploration and production segment is to increase the production potential to 24 thousand boe (barrel of oil equivalent) daily (or 1.2m tonnes of crude oil annually) in 2015. The LOTOS Group's plans provide for continuous expansion of operations in the Baltic Sea, the Norwegian Continental Shelf and onshore areas in Poland and Lithuania.

We plan to undertake the following key initiatives as part of our strategy:

Poland

- Continued production from the B3 field on the Baltic Sea using the PG-1 rig.
- Continued work on the development of the B8 oil field located in the Polish exclusive economic zone of the Baltic Sea with a view to launching commercial production.
- Exploration and appraisal work to assess the Baltic Sea's full production potential.
- Further work to develop the B4/B6 gas fields with a view to launching commercial production.
- Further cooperation with PGNIG to participate in the exploration for and appraisal of conventional and unconventional oil and gas resources under onshore licences. The decision whether or not to drill an exploration well will depend on the results obtained.

Norway

- Development of and production from the fields forming part of the Heimdal portfolio.
- Further steps to recover capital invested in the YME project.
- Evaluation of further asset purchase opportunities in the Norwegian Continental Shelf.

Lithuania

- To fully develop our onshore licence areas, a production drilling programme will be implemented.
- Evaluation of possible licence acquisitions in Lithuania.

Development prospects until 2020

Our key focus until 2020 will be to increase the production potential to approximately 100 thousand boe (barrel of oil equivalent) per day, or 5 million tonnes of oil per year, and to secure approximately 330 million boe of proved recoverable reserves.

In 2016–2020, the development focus will be primarily on Poland, where we plan to appraise the full production potential of the Baltic Sea assets. Concurrently, we intend to intensify our onshore activity. On international markets, we plan to build a sustainable asset portfolio and gradually boost organic growth. We are also considering intensifying production from production fields in Poland and Lithuania using the Enhanced Oil Recovery (EOR) technologies.

The development of our exploration and production segment in 2016–2020 in Poland will involve:

- Continued oil production from the B3 and B8 fields on the Baltic Sea.
- Launch of gas production from the B4 and B6 fields on the Baltic Sea.
- Full appraisal of the hydrocarbon potential of the Baltic Sea assets: completion of the seismic survey programme and drilling of exploration and appraisal wells on promising plays.
- Preparation and execution of projects to develop the Baltic Sea areas with confirmed resources.
- Production from onshore fields, expansion of onshore operations through faster development of oil and gas discoveries.
- Assessment of the possibility to intensify production from the production fields in Poland and Lithuania using EOR technologies.

Key areas of focus of international expansion plans for 2016–2020 are to:

- Carry out projects to develop formations with confirmed resources.
- Acquire production assets and undeveloped assets with confirmed resources which can be brought on stream by 2020.
- Continue and increase production activities in Lithuania, e.g. by developing new prospects with confirmed resources.
- Explore development opportunities in new geographical areas.

RELATED CONTENT:

Exploration and production segment

In the Exploration and Production segment, we identify exploration risks, technical and production risks, risks related to exploration and production projects and financial risk.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/exploration-and-production-segment>

Awards and distinctions

According to the Chapter of the ninth edition of 'The Best Annual Report' contest, the 2013 Integrated Annual Report of Grupa LOTOS exemplifies a publication based on which investment decisions can be made at a relatively minimal risk.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/awards-and-distinctions>

Glossary of industry terms

Go to the page » <http://raportroczny.lotos.pl/en/useful-information/glossary-of-industry-terms>

Processing operations

STATEMENT

In 2014, Grupa LOTOS continued work to optimise the use of its refining assets. In the refining business, the key challenge is to adjust operations to the current levels of demand and margins prevailing on the market, while keeping operating expenses in check.

Marek Sokołowski
Vice-President of the Management Board, Chief Operation Officer, Grupa LOTOS

Given that cost of energy represents the largest item in the refinery's total operating costs, it required a particularly close analysis.

As natural gas prices did not reflect the rapid declines in the price of raw materials and refining products seen in the second half of 2014, active steps were taken in that period to minimise the consumption of natural gas for power generation and hydrogen production purposes. Although gas could not be abandoned completely for contractual reasons, the flexibility in using contracted capacities was fully utilised.

The Company also took steps to further optimise operations of its key refining units. They included higher utilisation of the new crude oil distillation facility, which offers much better performance in terms of energy efficiency than the old crude oil distillation unit. In 2014, a test run was performed, which officially confirmed that the new facility was able to process 585 tonnes of crude oil per hour, without any negative impact on product quality or mechanical integrity. This means that approximately 114% of the nominal processing capacity was reached. As a consequence, by making maximum use of the new oil distillation facility, energy consumption per tonne of crude oil processed by LOTOS was successfully reduced.

To fully leverage the benefits offered by the successful completion of the 10+ Programme, the LOTOS Group planned a number of investment projects. Currently, it is in the final stages of preparation for the construction of a delayed coking unit (DCU) at the Gdańsk refinery, which will directly enhance processing efficiency by discontinuing production of unprofitable heavy fuel oil. Following the project's completion, the annual output of high-margin products will grow by 900 thousand tonnes, and Grupa LOTOS will start manufacturing a new product, coking coal, in annual quantities of approximately 400 thousand tonnes. The DCU is planned to be brought on stream in H1 2018. The Company estimates that the launch of the DCU will add over 2 USD/bbl to its refining margin thanks to increased depth of crude processing and the resultant improved yield structure as well as synergies between the DCU unit and the upgraded and extended refinery.

An important project completed in 2014 was the construction of the Oil Unloading Railway Terminal. In December 2014, the terminal was successfully tested and received final acceptance, which will enable the Grupa LOTOS refinery to process crude transported by rail. The first batch of Polish oil, supplied by PGNiG, was delivered in the same month.

By the end of 2016, Grupa LOTOS also intends to complete a Hydrogen Recovery Unit (HRU). The HRU is designed to increase the output of hydrogen required to intensify the operation of hydro-conversion units, further expanding the refining margin.

In 2014, Grupa LOTOS' total capital expenditure in the processing segment, including on the EFRA Project, was PLN 80.25m.

We also completed investigatory work on the Additional Stage of the Feasibility Study for the petrochemical complex. Analyses were carried out to optimise the Project's configuration and product and feedstock slates, which improved its profitability. The positive results of the study were approved by the Steering Committee in December 2014. The project is profitable and has high NPV and IRR, making it attractive to investors and the banking sector.

The difficult situation on the oil market, a slump in petrochemical product prices in 2014, and price changes resulting from the shale revolution in the US, mean that the project partners need to first verify their strategic objectives and plans, and adjust them to market conditions.

Given the project's capex and the possibilities of obtaining the required financing by the project partners, it may be necessary to seek additional partners.

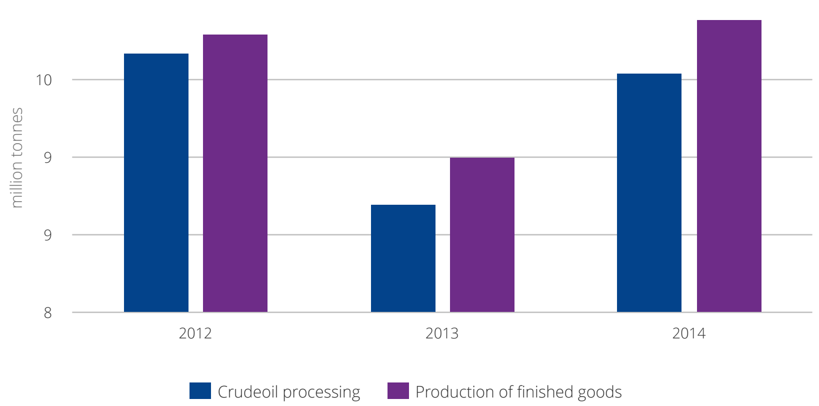
In 2015, Grupa LOTOS will continue to work on a concept for the application of naphtha in the manufacturing of high-margin products.

The LOTOS Group's processing segment comprises the operations of the Gdańsk refinery – our largest production plant, and the subsidiaries involved in production or support functions: LOTOS Infrastruktura with its subsidiary RCEkoenergia Sp. z o.o., LOTOS Serwis, LOTOS Lab, LOTOS Straż, and LOTOS Ochrona.

Operations in 2014

2014 was yet another record year for the Grupa LOTOS refinery in Gdańsk, which processed 9.55 million tonnes of crude oil. The refinery's capacity utilisation rate thus increased to 94.2%, which was largely an effect of high refining margins seen in the second half of the year.

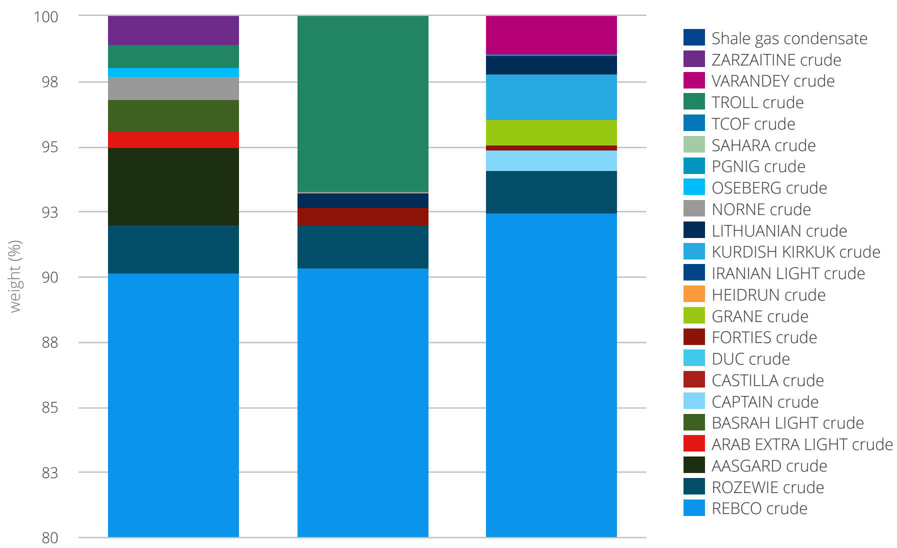
Crude oil processing and production of finished goods at Grupa LOTOS refinery



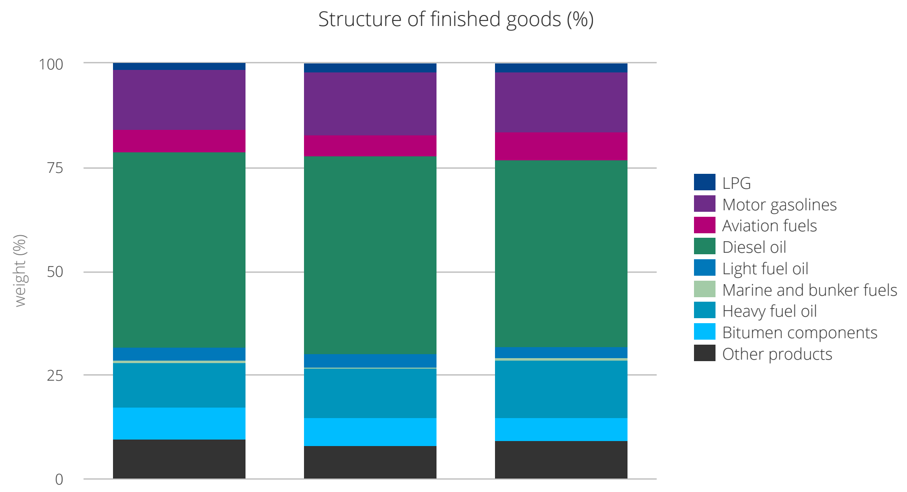
As in previous years, the main type of crude processed was Russian REBCO, whose share in the total volume was close to 92.5% and was higher than in previous years. The increase was largely attributable to the Urals/Brent differential remaining at favourable levels for the most part of 2014.

Crude oil imported by sea, including over 220 thousand tonnes supplied by LOTOS Petrobaltic, accounted for the balance of the crude feed. The choice of crudes for processing was motivated by the production optimisation process, aimed at taking advantage of opportunities for increasing the refinery's processing margins.

Crude slate (%)



The structure of finished goods is driven by pricing levels on the market and demand for individual products. Production of aviation fuel, a product whose prices were particularly favourable in 2014, increased visibly relative to previous years, while less bitumen was manufactured due to declining domestic demand. As a result, the refinery had to sell most of its heavy fuel oil stocks.



Research and development

In terms of research and development, the LOTOS Group concentrates primarily on projects geared towards improving its refinery's efficiency and developing technologies for manufacturing special products, which will ensure higher margins on the processing of crude oil, upgrade of existing products and development of innovative products. We also carry out innovative projects involving implementation of advanced techniques for controlling technological units and conduct research related to the development of the upstream segment.

In the past year, research and development activities of Grupa LOTOS were focused on the development of the production technology for Group II oil bases. In 2014, a number of laboratory research projects were carried out to optimise the production technology for the type 350N oil. A research project was also launched to obtain high-purity organic solvents based on crude oil processing distillates. The above research projects will be continued in 2015.

STATEMENT

The LOTOS Group runs research and development projects in several key areas, including development and optimisation of refining products and processes, hydrocarbons exploration and production technologies, construction materials technologies (in particular road surface technologies), and solutions for mitigating environmental impact.

Jan Biedroń
Technology Office Head, Grupa LOTOS

In 2014, in Grupa LOTOS research focused on developing niche product technologies which – given their advanced applications – can generate higher margins than mass products. In particular, steps were taken to develop technologies for manufacturing low-sulfur Group II oil bases and high-purity organic solvents.

Especially one new group of products is noteworthy in the LOTOS Group – Warm Mix Asphalts, or WMAs, used in road surface construction. WMAs are manufactured and laid down at lower temperatures, which represents a vital advantage producing measurable financial and environmental benefits. In addition, these asphalts can be successfully applied in adverse climates.

Search for and implementation of new technological solutions and product innovations benefit greatly from cooperation with research and development institutions. Grupa LOTOS has cooperated with key academic centres and industry organizations for many years.

2014 also marked the beginning of projects carried out in large consortia between partners representing science and industry.

Grupa LOTOS executed a partnership agreement for the construction of a hydrogen generation and storage unit using renewable energy sources (RES), which was qualified to receive co-financing from the National Centre for Research and Development. We also have ambitious plans to secure funding under the new EU Financial Framework for 2015-2020. LOTOS Group companies are active members of consortia developing the regional and national Smart Specialisation network. As a result of our efforts, on April 9th 2015 the Local Government of the Gdańsk Province recommended that 'Eco-efficient technologies in production, transmission, distribution and consumption of energy and fuels' be one of the region's four specialisations. In my opinion, this decision represents a vital step towards transformation of our ideas into innovative solutions for the energy segment, and is a great achievement for both the Company and its local partners.

Best practice

In 2014, Grupa LOTOS and a number of other parties entered into an agreement on the HESTOR project. The project was submitted by a research and industry consortium to the GEKON (Generator of Ecological Concepts) programme and was qualified to receive co-financing from the National Centre for Research and Development. The consortium includes Grupa LOTOS and GAZ SYSTEM as industry partners as well as AGH University of Science and Technology of Kraków, Ośrodek Badawczo-Rozwojowy Górnictwa Surowców Chemicznych CHEMKOP, the Silesian University of Technology, and the Warsaw University of Technology as research partners. The purpose of the HESTOR project is to assess the viability of storing hydrogen generated using renewable energy sources (RES) in salt caverns and its further use for power-generation or industrial process purposes. An important task will be to perform an economic viability analysis of the project.

The project provides for the production of hydrogen through electrolysis of water with the use of surplus electricity generated by wind farms and solar power plants (RES). Hydrogen produced in that way and stored in salt caverns would be used (thereby enhancing energy efficiency) in:

- Refinery technological processes – reducing the need to produce hydrogen from natural gas, and streamlining and optimising the hydrogen and natural gas management processes;
- Power generation – as a fuel for gas turbines during electricity peak demand times.

As regards road bitumen production technologies, research work was focused on finding new applications for innovative bitumen products and confirming their usefulness in making durable and environmentally friendly bitumen surfaces. In particular, research work covered the following products and their planned applications:

- Rubber-modified bitumens – recommended for low-noise and durable bitumen surfaces;
- Highly-modified bitumens – specialised products dedicated to surfaces with very high fatigue-resistance requirements and very high traffic loads and to the so-called 'long-life' surfaces;
- WMA bitumens – products with a very wide scope of applications, including the construction of hot-rolled road surfaces, construction of hot-rolled road surfaces in adverse climate conditions (longer construction work season), construction of road surfaces using bitumen granulate from recycled bitumen surfaces.

In 2014, development work was also carried out on oil products manufactured by LOTOS Oil. The most important lubricant-related R&D activities included:

- Development of production technologies for new motor oils for cars (application for approvals – implementation in the first quarter of 2015),
- Extension of 72 approvals for lubricants,
- Obtaining of 5 approvals for new oils.

RELATED CONTENT:

Operational (refining) segment

In the operational (refining) sector, we identify operational risks related to the refinery and environmental risks, including risks related to carbon emission caps.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/operational-refining-segment>

Safe workplace

In accordance with our strategy, safety at work and health protection, with respect to both our own employees and the employees of our cooperating partners, are priorities for the LOTOS Group. In 2014, we achieved a 46% decrease in the accident rate compared to 2013.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/safe-workplace>

Environment

We seek to reduce the environmental risk of our operations and continually minimise our environmental impact. We support initiatives designed to enhance energy sector security in a socially and environmentally responsible manner.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/environment>

Glossary of industry terms

Go to the page » <http://raportroczny.lotos.pl/en/useful-information/glossary-of-industry-terms>

Marketing operations

STATEMENT

2014 was another consecutive year in which our share in the fuel market exceeded the strategic target of 30%. We are a key fuel supplier for all international service station chains operating in Poland.

Maciej Szozda,
Vice-President of the Management Board, Chief Commercial Officer, Grupa LOTOS

We have maintained our position in the B2B channel and consistently expanded our share in the retail market. With a restructured B2B customer portfolio and more efficient and intensified non-fuel sales at our service stations, we were able to deliver higher profit margins, both in wholesale and in retail.

The dynamic expansion of our retail chain brought us closer to reaching the strategic target of a 10% market share in 2015. Last year saw completion of the process of phasing out the patronage (DODO) fuel distribution system, replacing it with a more efficient franchise-based model of cooperation with dealers. At the end of 2014, 441 service stations, including 17 motorway service areas (MSA), operated under LOTOS and LOTOS Optima brands.

In 2014, the LOTOS Group maintained the leading position in sales of technologically advanced bitumens despite prevalent stagnation on the road infrastructure market. Our offering was expanded to include cutting-edge bitumen technologies – paving-grade Warm Mix Asphalts (WMA) and highly-modified bitumens. Testament to the quality of our products is the participation of LOTOS Asfalt in Poland's most important investment projects involving construction of motorways and airports. As a pioneer of innovation and responsible partner, the LOTOS Group has been strengthening its competitive position on the road construction market.

We also maintained the leading position on the Polish market for lubricating oils. LOTOS Oil concentrated mainly on improving sales margins through such activities as the restructuring of its product portfolio and distribution channels. In 2014, the LOTOS brand was recognised in the oil product category and awarded the 'Consumer Laurel – Leader of the Decade' title.

In the aviation fuel segment, our market share rose to 26%, up 10pp year on year, in recognition of which we were awarded 'Wings of Success' in the 'Most significant event on the ground handling services market' category by the Warsaw Chopin Airport.

In logistics, the completion and commissioning of the new fuel depot in Poznań, Poland's most advanced facility of this kind, was a particular success. The project is an important element of our consistent efforts to offer competitive customer service quality and strengthen our position in the Poznań Province, which is one of the most important markets for the LOTOS Group in Poland.

We also completed a project to fully automate our road tanker filling operations. It involved the application of homogeneous solutions, resulting in the standardisation of work and improved product release safety.

In 2014, LOTOS Kolej maintained the second position among Polish rail carriers in terms of tonne-kilometres (the company transported over 10.6m tonnes of cargo). It was yet another year in which the share of the haulage services performed by the company for customers outside the LOTOS Group increased. External customers accounted for over 50% of the company's transport volumes.

Despite unfavourable market conditions, 2014 was yet another good year for the marketing segment, bringing us closer to reaching our strategic objectives for 2015.

The LOTOS Group's marketing activities in 2014 were carried out by Grupa LOTOS and its subsidiaries: LOTOS Paliwa, LOTOS Oil, LOTOS Asfalt, and LOTOS-Air BP Polska. Grupa LOTOS conducted its marketing business domestically (sales to foreign companies) and through export sales, by sea and by land, while its subsidiaries' production and sales were targeted at the fuel, lubrication oil and bitumen industries.

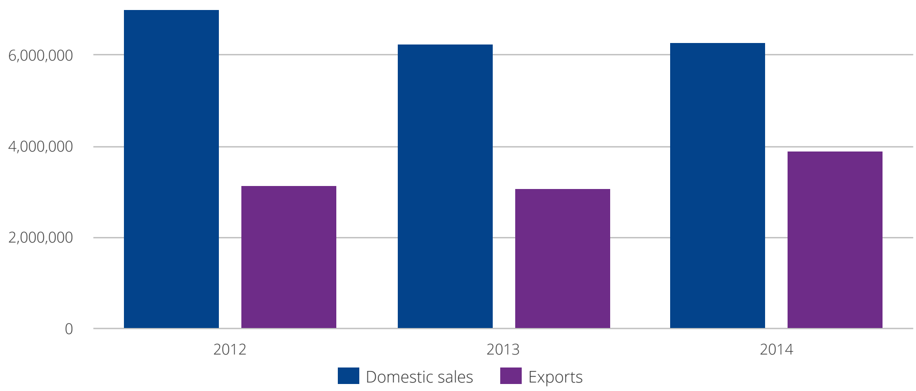
In 2014, we also provided logistics services through Grupa LOTOS (management of storage capacities) and its subsidiaries: LOTOS Terminale, LOTOS Infrastruktura (management of storage depots and media), and LOTOS Kolej (primary logistics).

Operations in 2014

In 2014, the LOTOS Group's share in the fuel market (gasoline, diesel oil, light fuel oil) was 33.1%, and in the retail market – 9%.

The LOTOS Group sold 10.17 million tonnes of products, up 8.9% year on year. The increase in sales was driven chiefly by higher exports, up 26.2%, as domestic sales increased only slightly, by +0.4%. Export sales grew across all product groups, except for bitumens. The year-on year growth in exports was driven by the continued high level of refining margins in 2014, which was conducive to maximising production, and the base effect – in 2013 exports were strongly affected by a maintenance shutdown. The slight increase recorded on the domestic market was directly attributable to higher sales of gasoline and aviation fuel. In 2014, the grey market continued to expand, which translated into another year of declining registered demand for diesel oil.

Sales of the LOTOS Group (tonnes)

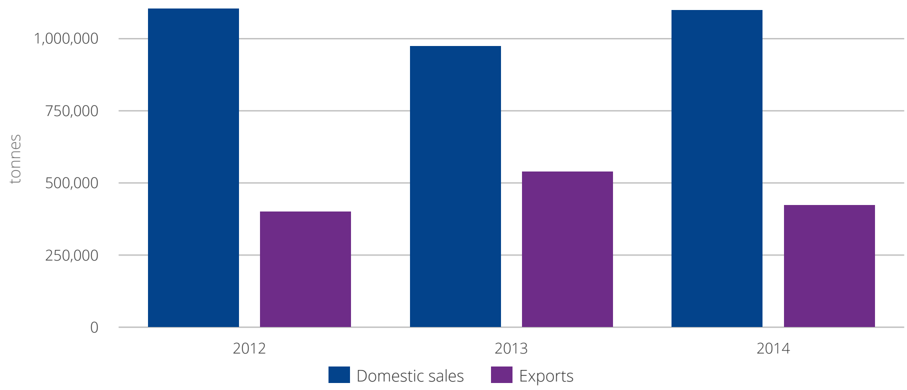


Source: In-house analysis.

Sales of motor fuels

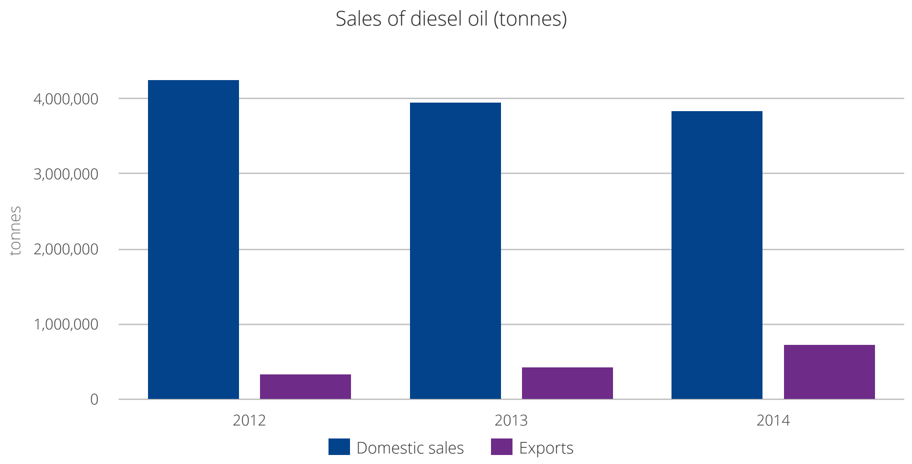
In 2014, the LOTOS Group sold 1.5 million tonnes of gasolines, up 0.5% year on year. The gasoline sales structure changed relative to 2013, with sales volumes increasing significantly on the domestic market (up 13%). This was driven by higher demand from international companies and PKN Orlen (due to Orlen's maintenance shutdown in 2014) and the LOTOS Group's policy of dynamic retail chain expansion. Export sales of gasolines fell 22% relative to 2013 as a result of optimised production process and the Company's decision to focus on the domestic market as the more profitable distribution channel.

Sales of gasolines (tonnes)



Source: In-house analysis.

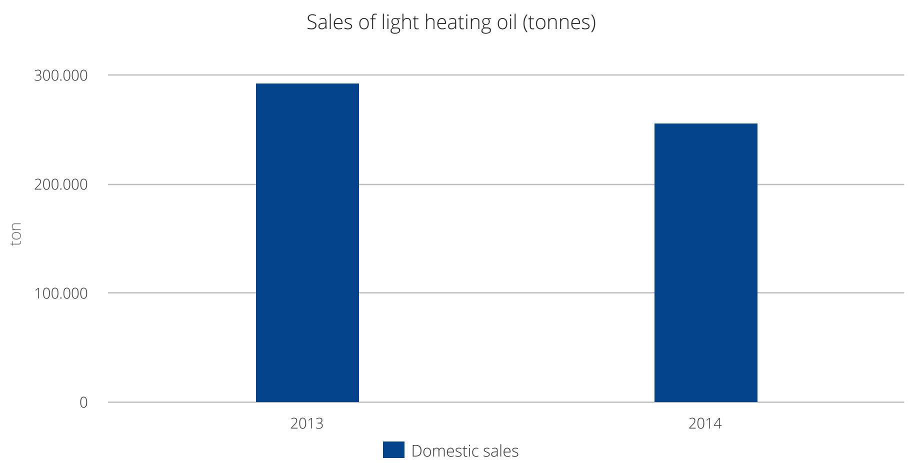
In 2014, total sales of diesel oil increased 4.6% year on year. Export sales grew substantially, by 73%, with the key contributing factors being optimisation decisions and high refining margins, driving increased production of middle distillates. To note, the increase was also attributable to the base effect, as in 2013 the Gdańsk refinery underwent a maintenance shutdown and consequently less diesel oil was produced for export. On the domestic market, the LOTOS Group's sales of diesel oil dropped 2.6% year on year, which followed from continued expansion of the grey market, leading to weaker registered demand.



Source: In-house analysis.

Sales of light fuel oil

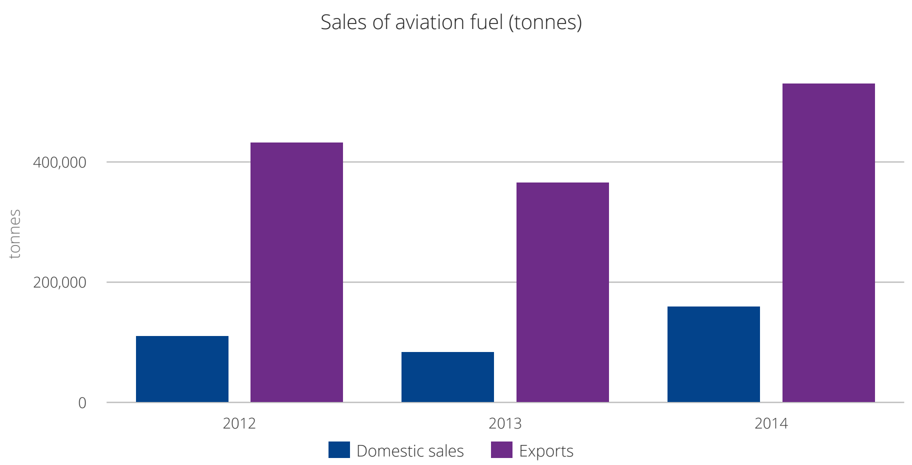
A slide in domestic demand for light fuel oil in favour of alternative heating fuels caused our 2014 sales of the product to shrink 12.5% year on year, to 256 thousand tonnes.



Source: In-house analysis

Sales of aviation fuel

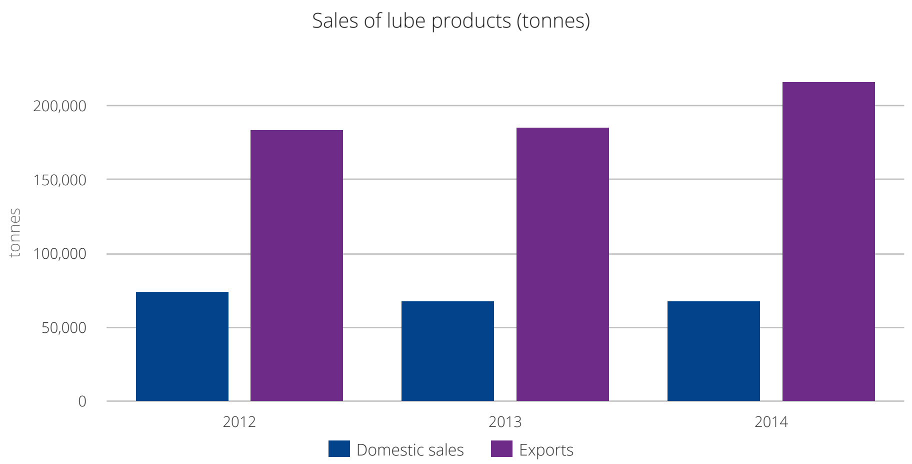
In 2014, the LOTOS Group recorded a 54% increase in aviation fuel sales, with higher volumes sold both domestically and internationally. In Poland, sales grew nearly twofold, by 92%, chiefly due to the consistently pursued expansion on the domestic airport market in the 'into plane' segment. In the same period, export sales were up 45%, driven by optimisation decisions concerning production volumes in excess of the domestic demand. As with other products, higher export sales were also attributable to the base effect.



Source: In-house analysis.

Sales of lube products

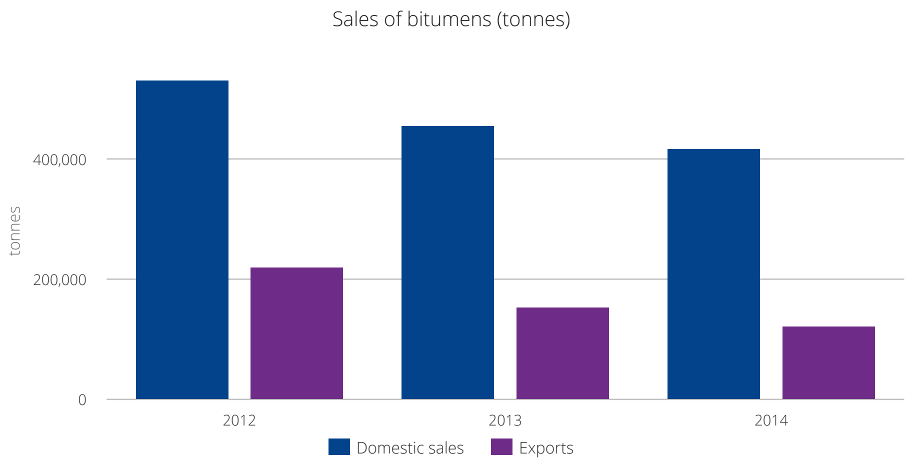
In 2014, the LOTOS Group sold 284 thousand tonnes of lube products, up 12% year on year. The increase was fuelled by export sales, which grew 16% on the back of favourable contracts with international trading companies. The main foreign markets for our lubricating oils were EU countries, as well as countries in Central Asia, the Middle East, and Africa. Sales on the Polish market declined slightly, by 0.8%, and were carried out chiefly through wholesale and direct sales.



Source: In-house analysis.

Sales of bitumens

In 2014, total sales of bitumens dropped 11% year on year, with the decline visible both in domestic sales (-8%) and in exports (-20%). The decrease was related to another consecutive year of stagnation on the road infrastructure market, which in turn followed from the fact that investments provided for in the new EU financial framework are currently at the bidding or design stage. Similarly to previous years, in 2014 road bitumen had the largest share in total bitumen sales (75%). The LOTOS Group also offered modified and industrial bitumens. Only road bitumens were exported, chiefly to European countries, including Germany, Lithuania, Switzerland and the United Kingdom.

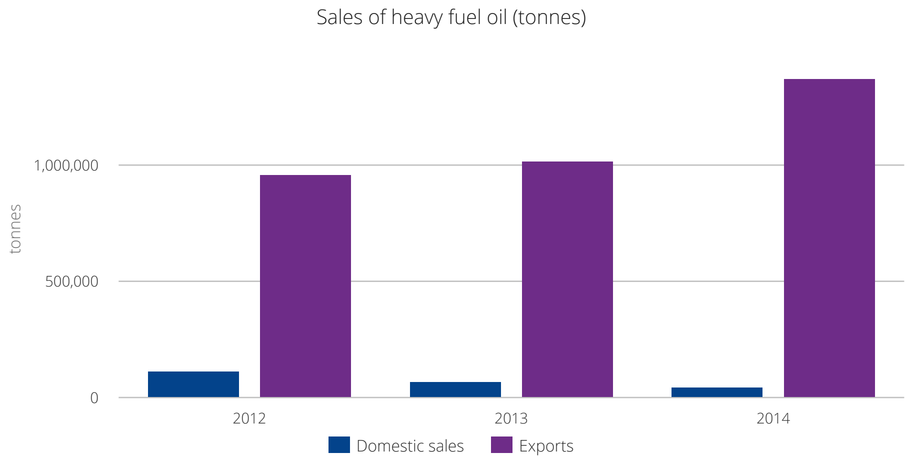


Source: In-house analysis.

Sales of heavy fuel oil

2014 saw a 31% increase in sales of heavy fuel oil, which – next to diesel oil and gasolines – is a key product sold by the LOTOS Group. The increase was attributable to 35.3% higher export sales, driven by the optimisation process, types of processed crude, and overall higher year on year processing output, as well as the base effect. Exports included chiefly sales to international trading companies.

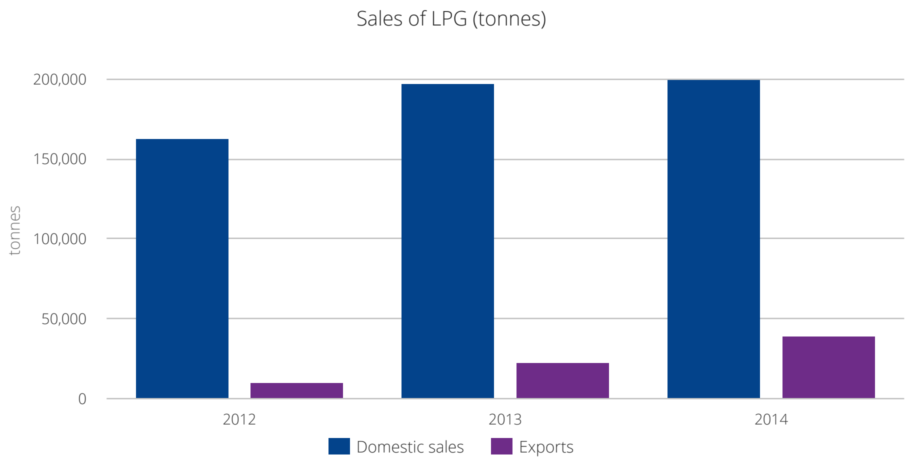
In Poland, heavy fuel oil was sold primarily to power sector companies.



Source: In-house analysis.

Sales of LPG

In 2014, for another year running, Grupa LOTOS recorded an increase in LPG sales, which went up by 8%, with sales figures growing both in Poland (+1.2%) and on foreign markets (+71%). High exports were attributable to the optimisation process, the base effect, and the structure of processed crudes. In 2014, the key export markets for the product included Germany and Serbia.



Source: In-house analysis.

Logistics

The LOTOS Group consistently adapts its logistics operations to the requirements of its marketing operations and builds an efficient distribution system that meets expectations of its customers, but also helps reduce costs. The purpose of those measures is to build a logistics chain that would function optimally in the constantly changing external and internal environments.

The biggest logistics challenge faced by the LOTOS Group in 2014 was the launch of the fuel depot in Poznań after the completion of upgrade work, and the introduction of self-service fuel collection at all fuel depots of Grupa LOTOS.

The structure of mandatory stocks was optimised to ensure minimum cost of their maintenance, taking into account revenue from the provision of stock ticket service based on the Company's crude oil production capabilities.

In 2014, with a view to improving its logistics assets' efficiency, the LOTOS Group continued consolidation of its fuel terminals. In 2014, construction work was completed on the comprehensive upgrade of Grupa LOTOS Poznań fuel depot, transferred in Q2 2015 to LOTOS Terminale together with the management, operation and distribution activities.

Consolidation of assets in this area is scheduled to conclude in 2016, after the Jasło fuel depots have been transferred to LOTOS Terminale.

In 2014, work was completed on fully automating road tanker filling operations. The project involved application of homogeneous solutions at LOTOS Group companies, which enabled them to achieve work standardisation and to implement uniform interfaces for the exchange and reporting of data and processes relating to the release of products at its fuel terminals. The project also included implementation of an electronic system for training drivers in self-service road tanker filling. Furthermore, work safety was enhanced at the Gdańsk Fuel Terminal through implementation of a system for reporting times spent by drivers in specified zones of the terminal.

In the secondary logistics area, trilateral agreements were signed with LOTOS Paliwa and carriers, providing for the delivery of fuels to customers all over the country. Currently, LOTOS-Air BP is responsible for the arrangement of supplies of the JET A-1 aviation fuel.

A comprehensive LPG delivery system was developed in 2015 as part of preparations for retail and semi-wholesale sales of LPG by Grupa LOTOS.

Efforts were being made to secure financing for the project involving construction of a petroleum product handling terminal on the Martwa Wisła. When completed, the terminal will handle exports and imports of feedstock components and product loads with unit volumes of up to 5,000 tonnes from Grupa LOTOS own wharf.

Railway transport

Rail transport of products from the refinery in Gdańsk is a mainstay of the LOTOS Group's production security. Comprehensive services in the area of rail logistics are provided by LOTOS Kolej, a company specialising in such services.

In 2014, LOTOS Kolej provided the following railway services:

- Efficient and safe rail transport all over the country,
- Transport in entire drafts of cars or separate cars,
- Management of railway sidings for the LOTOS Group,
- Maintenance of rail infrastructure,
- Maintenance of rolling stock,
- Eco-friendly cleaning of rail tank cars.

Thanks to its well-developed freight forwarding operations, LOTOS Kolej also ships products by rail abroad.

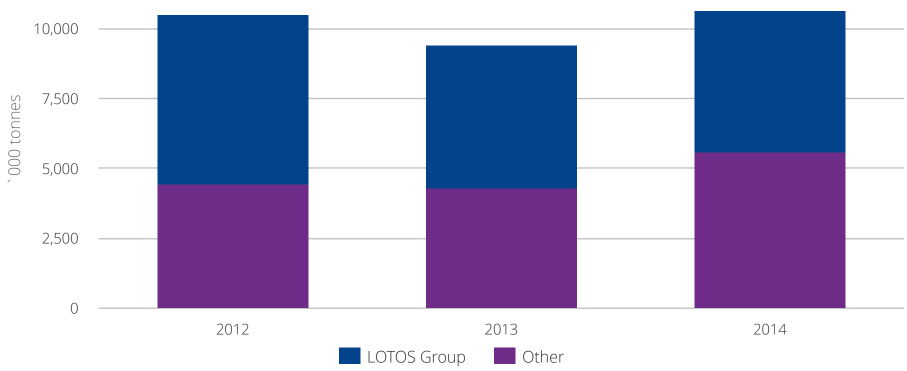
LOTOS Kolej is constantly enhancing its portfolio of transport services, introducing innovative and unique technological solutions supporting and optimising rail logistics. Transport management, including all loading and unloading operations, is controlled by the Rail Logistics System. All LOTOS Kolej's locomotives are fitted with mobile IT systems making it possible to transmit operational data and train documents from any place within the PKP network, which is a pioneer solution in Poland. Trains are monitored in real time using GPS equipment in conjunction with the Operational Work Recording System of PKP Polskie Linie Kolejowe. These solutions enable customers to continuously track their shippings. In 2014, LOTOS Kolej enhanced the functionality of the Rail Logistics System in the customer service area by offering the customers online access to their trade data, including submitted requests for proposal, proposals, orders, balance of receivables, etc. Apart from making additional functions available to the customers, the modernised IT solution also streamlined the work of sales force where it relates to the drafting and approval of documents, which significantly shortened the time required to prepare business proposals.

In terms of using state-of-the-art locomotives, LOTOS Kolej is among top leaders of the domestic market of rail services. In 2014, the company added new six-axle electric E6ACT Dragon locomotives supplied by Newag Gliwice to its fleet. The main advantage of those locomotives, namely their very high tractive force enabling them to pull heavy cargo drafts (up to 4,000 tonnes), is material to increasing the efficiency of the company's transport services. The company also arranged for upgrading some of its shunters. The new locomotives streamlined the execution of contracted shunting and transport services, and contributed to the reduction of fuel cost.

In 2014, LOTOS Kolej increased its market share from 7.76% to 8.87% year-on-year (in terms of tonne-kilometres, based on the Railway Transport Authority's data), thus maintaining the second position among rail cargo carriers. The company also increased its share in the intermodal transport segment (from 14.83% in 2013 to 19.17% at the end of 2014, in terms of tonne-kilometres).

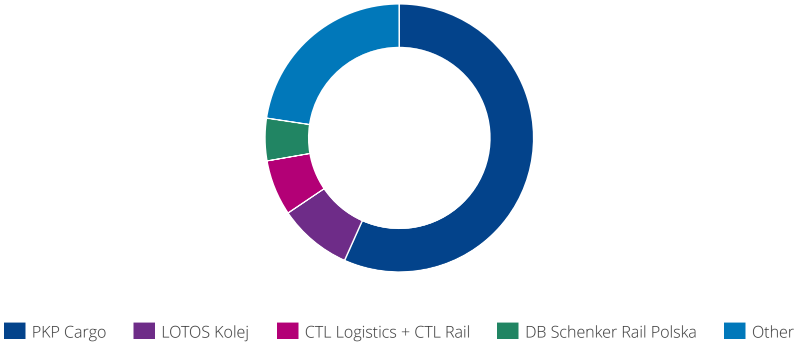
In 2014, the company transported over 10.6m tonnes of cargo. Its performance was significantly driven up by increased cooperation with third-party customers in the area of both domestic and international transport. Another important development was the conclusion of a two-year transport services agreement with PCC Intermodal, valued at PLN 54.4m.

Transport services performed by LOTOS Kolej (`000 tonnes)



Source: In-house analysis.

Interest LOTOS Kolej on the domestic market of rail cargo transport in 2014 (`000 tonnes)



Source: In-house analysis based on data from the Railway Transport Authority (Urząd Transportu Kolejowego), January 2015.

In December 2014, the business model of cooperation between Grupa LOTOS and LOTOS Kolej was changed. Grupa LOTOS obtained a safety certificate for the user of a railway siding in Gdańsk Olszynka. Consequently, LOTOS Kolej discontinued railway siding services at this siding and currently provides operator services. LOTOS Kolej's scope of responsibilities includes maintaining traffic at the siding, shunting trains for loading and unloading, and preparing shipment for transport.

Similar steps are planned to be taken at the LOTOS Group's other railway sidings.

Sea transport

Freight transport by sea is a vital element of the LOTOS Group's logistics chain. The Company enjoys considerable advantages thanks to lower transport costs resulting from the direct access to product pipelines linking the Gdańsk refinery to the liquid fuel handling facilities at Port Północny. Maritime transport is the Company's main mode of exporting petroleum products and also accounts for a significant portion of deliveries of raw materials and components. 2014 was yet another record year for Grupa LOTOS both in terms of the volume of cargo handled at sea ports and the number of tankers handled at the ports, which for the first time in the Company's history exceeded 370.

The Liquid Fuel Handling Terminal owned by Naftoport is able to handle tankers with a maximum draught of 15 metres and a capacity to load up to 150,000 tonnes of crude oil or petroleum products. This allows Grupa LOTOS to export surplus products and sell them mainly on the markets of Scandinavia, northern and western Europe and the Baltic states. The direct connection to the port also facilitates import deliveries of additional feedstock, including semi-finished products for further deep processing at the Gdańsk refinery, and fuel components. The coastal location allows the Company to respond quickly and flexibly to changing market conditions. Apart from the Naftoport fuel depot, Grupa LOTOS also uses the Maritime Bulk Terminal in Gdynia and the Siarkopol terminal in Gdańsk to handle smaller cargoes.

Grupa LOTOS enjoys the advantage of having a refinery at a short distance from a cargo handling terminal, which allows it to diversify its supply sources and facilitates the shipping of crude oil from the Company's own fields under the Baltic Sea and in Lithuania, and – in the future – crude oil produced from under the North Sea.

The Company is consistent in its efforts to assume the responsibility for transport in sea freight shipment operations, seeking to control the transport process along as much of the supply chain as possible, from the affreightment of ships to the formal handling of sea transport. This ensures greater control and helps streamline the planning of cargo handling at sea ports, thus allowing the Company to reduce the frequency of ship detention and optimise the related costs.

LOTOS service stations

In 2014, work continued on expanding the LOTOS chain by adding new company owned (CODO) and franchise operated (DOFO) stations. In both cases, the concept of LOTOS Optima budget stations was also dynamically developed. In line with decisions taken in previous years, the operation of patronage (DODO) retail stations was discontinued completely in 2014.

In 2014, the LOTOS service station chain was the third largest in Poland, after Orlen's and BP's.

Number of LOTOS and LOTOS Optima service stations at the end of 2014

LOTOS	LOTOS Premium segment	144 CODO stations 17 MSAs 111 DOFO stations
LOTOS optima	LOTOS Optima Economy segment	108 CODO stations 61 DOFO stations

The expansion of the LOTOS chain and increased efficiency of sales strengthened the LOTOS Group's presence on the retail market, pushing its share up to 9% at the end of 2014 (8.5% in 2013). The current rate of growth in retail sales will enable LOTOS to pursue its strategic goal of achieving a 10% share in the market by the end of 2015.

In 2014, efforts were focused on standardisation of the chain and promotion of a uniform image of the LOTOS brand. Last year the company also completed the long-running process of phasing out the patronage (DODO) fuel distribution system, replacing it with a more efficient franchise-based model of cooperation with dealers.

Efficiency-oriented initiatives were accompanied by expansion of the service station chain based on the LOTOS Optima brand, with 18 new stations added in 2014. The premium segment was also developed, especially with respect to non-fuel services, including catering services and the Navigator loyalty programme.

Other achievements in the service station chain segment in 2014 included:

- Standardisation of the chain and station image;
- Improvement of customer service quality;
- Consistent development of non-fuel services, including the Cafe Punkt concept;
- Implementation of initiatives designed to promote sales at service stations, including introduction of an offering for motorcycle riders (Motorcycle Rider Card Navigator) and large families (discounts on fuels and non-fuel services for holders of the Large Family Card);
- Implementation of the 'LOTOS for the Driver' ('LOTOS dla kierowcy') mobile application.

RELATED CONTENT:

Marketing segment

In the marketing segment, we identify the risk of crude supply interruptions or reduced crude supply, the risk of changes in margins on product sale and the risk of decline in domestic demand.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/marketing-segment>

Brand

Our strategic goal is to build lasting customer relationships by focusing on understanding customers' needs and ensuring expected product quality and safety. Our ambition is to create a brand that is dynamic and competent, friendly and trustworthy for our customers.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/brand>

Awards and distinctions

According to the Chapter of the ninth edition of 'The Best Annual Report' contest, the 2013 Integrated Annual Report of Grupa LOTOS exemplifies a publication based on which investment decisions can be made at a relatively minimal risk.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/awards-and-distinctions>

Stock exchange

Grupa LOTOS shares have been listed on the Warsaw Stock Exchange since June 9th 2005. In 2005, 78,700,000 ordinary Series A shares with a par value of PLN 1 per share and 35,000,000 ordinary Series B shares with a par value of PLN 1 per share were introduced to public trading under the Issue Prospectus.

Following the issue of Series B shares, on June 28th 2005, an increase in the Company's share capital to PLN 113,700,000 was registered.

The issue price was set at PLN 29. After trading had started, the market price rose to PLN 32, i.e. by 10.34%.

Grupa LOTOS raised proceeds of PLN 1,015,000,000 through the public offering. These were applied towards the acquisition of shares in Rafineria Czechowice (80.04% ownership interest), Rafineria Jasło S.A. (80.01%), Rafineria Nafty Glimar S.A. (91.54%) and Petrobaltic S.A. (69%).

On July 17th 2009, another increase in Grupa LOTOS' share capital was registered after the issue of 16,173,362 ordinary Series C shares covered by a non-cash contribution in the form of shares in LOTOS Petrobaltic, LOTOS Jasło and LOTOS Czechowice.

In 2014, Grupa LOTOS issued 55,000,000 Series D ordinary bearer shares in a public offering. The issue price of offered shares was set at PLN 18.10 per share. The issue proceeds will be applied towards co-financing of the EFRA Project (i.e. construction of a delayed coking unit at the Gdańsk refinery) and towards the development of the B4 and B6 gas fields in the Baltic Sea.

The total number of Company shares as at December 31st 2014 is 129,873,362.

On January 9th 2015, Grupa LOTOS' share capital was increased from PLN 129,873,362 to PLN 184,873,362, effected through the issue of 55,000,000 ordinary shares.

Share price (PLN) and trading volume (number of shares) since first listing on the WSE

Grupa LOTOS share price performance vs. index performance

2014 was a successful year for investors trading on stock markets in the U.S. and South Asia. Key stock exchange indices in the U.S. climbed by over 10%, with S&P 500 and Nasdaq up by 11.4% and 13.4%, respectively. These high rates of return were driven by positive signals from the American economy. However, the highest rates of return in 2014 were brought by equities listed on the Chinese Shanghai Stock Exchange, where the Shanghai Composite Index rose by 52.9%, also on the back of positive information from the Chinese market.

At the same time, global capital shifted away from emerging markets, whose sluggish economic growth, growing political risk, and weaker local currencies discouraged investments (China being the sole exception). Given the geographical location of Poland in the vicinity of Russia and Ukraine and lower liquidity of the stock exchange market, the year saw only slight movements in the WSE indices.

The index of all companies listed on the Main Market, WIG, gained 0.3%, and the annual change in WIG-20 was negative at -3.5%. The lowest rate of return was delivered by the WIG250 small-cap index, which was down 16.8%.

Looking at stock performance by sector, the best-performing WIG-ENERGIA power sector index gained 23.5%, with the WIG-PALIWA fuels sector index up 5.2%.

The RESPECT corporate social responsibility index increased by over 4.4% during 2014.

The price of Grupa LOTOS shares followed general market trends in H1 2014, but later fell sharply when the Board announced plans to issue new

Series D shares. Throughout the year Grupa LOTOS shares traded within the PLN 24.05–40.96 range, and closed the year at PLN 25.50.

In 2014, the average number of LOTOS shares changing hands in a trading session was 203,839, down 11% year on year. The total value of trading in the stock was in excess of PLN 1.6bn, representing 0.7% of total WSE trading, with an average of 851 trades per session.

The Company's market capitalisation as at the end of 2014 was just over PLN 3.3bn.

Grupa LOTOS shares

	2009	2010	2011	2012	2013	2014
Free float shares (million shares)	**129.87**	**129.87**	**129.87**	**129.87**	**129.87**	**129.87**
Price of Grupa LOTOS shares (PLN)						
Low	7.21	25.05	22.26	21.30	32.97	**24.05**
High	32.80	37.85	49.50	43.78	45.45	**40.96**
Closing price	31.80	36.35	23.30	41.20	35.45	**25.50**
Rate of return at end of period (%)	166.11	14.31	-35.9	76.82	-13.96	**-28.07**

	2009	2010	2011	2012	2013	2014
Trade in Grupa LOTOS shares						
Trading value (PLN m)	3,642.56	3,684.33	3,299.07	2,013.15	2,211.43	**1,588.52**
Share in trading volume (%)	1.11	0.88	1.31	1.07	1.00	**0.77**
Average trading volume per session	381,938	234,464	377,048	282,163	229,877	**203,839**
Average number of trades per session	945	699	967	810	877	**851**

	2009	2010	2011	2012	2013	2014
Company valuation						
Market capitalisation at end of period (PLN m)	4,130.80	4,720.80	3,026.00	5,351.00	4,603.89	**3,311.69**
Book value (PLN m)	6,846.20	7,513.50	7,782.40	9,066.40	9,189.60	**8,258.50**
EV (PLN m)	9,513.72	10,679.70	10,232.00	11,642.30	10,319.79	**9,627.39**
Valuation ratios						
Earnings per share (PLN)	7.44	5.23	5.03	7.11	0.30	**-**
P/E (x)	4.27	6.95	4.66	5.80	118.00	**-**
P/BV (x)	0.60	0.63	0.38	0.59	0.50	**0.40**
EV/EBITDA (x)	12.32	7.06	5.70	11.58	12.85	**-**

Source: In-house analysis based on WSE and Company data.

* EV (Enterprise Value) – market capitalisation plus debt, non-controlling interests, and preferred shares, minus cash and cash equivalents.

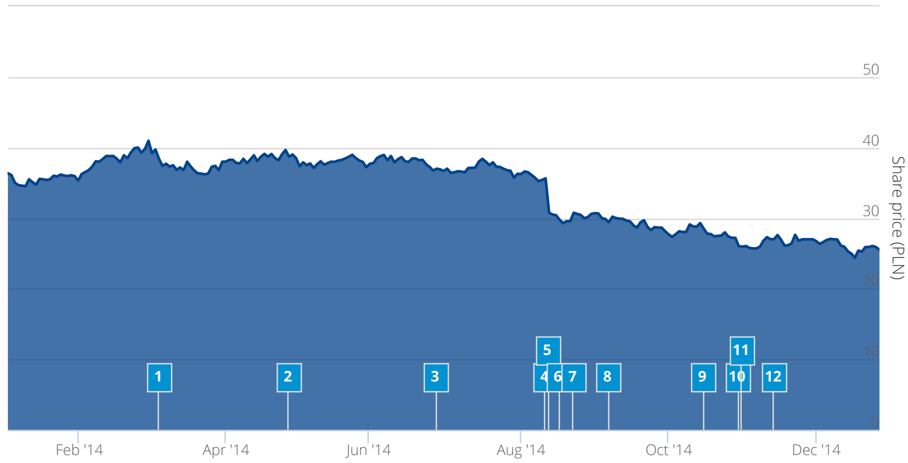
* P/E – Price/Earnings.

* P/BV – Price/Book Value.

* EV/EBITDA – Enterprise Value/EBITDA.

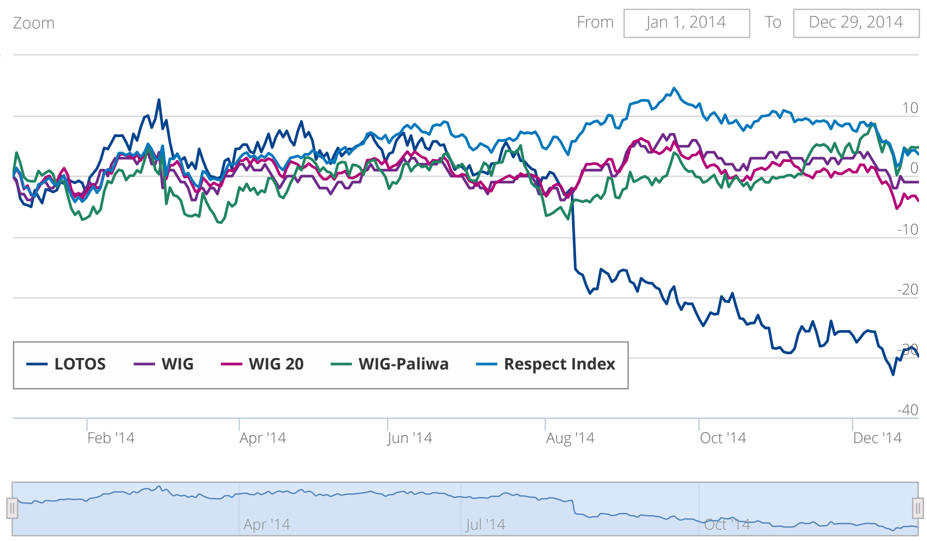
Share price (PLN) and trading volume (number of shares) in 2014

Effect of important events at the Company on the market price of Grupa LOTOS shares



Grupa LOTOS share price performance vs. index performance in 2014

* Rebased (100 = closing price at December 30th 2013)



Dividend policy

Dividend distributions under the 2011–2015 business strategy depend on the optimisation of the financing structure of the LOTOS Group. Grupa LOTOS' financial strategy provides for distribution of up to 30% of net profit as dividend.

The Grupa LOTOS Board proposed to fully cover the 2013 net loss of PLN 14,774,128.10 from the Company's statutory reserve funds.

Taking into consideration the Board's proposal, on June 30th 2014, the General Meeting resolved to fully cover Grupa LOTOS' 2013 net loss of PLN 14,774,128.10 from the Company's statutory reserve funds.

Dividend and dividend yield (PLN)

Financial year	Dividend	Dividend per share	Share price at year end	Dividend yield
2005	0.0	0.0	44.2	-
2006	40,932,000.0	0.4	49.3	0.7
2007	0.0	0.0	44.5	-
2008	0.0	0.0	12.0	-
2009	0.0	0.0	31.8	-
2010	0.0	0.0	36.4	-
2011	0.0	0.0	23.3	-
2012	0.0	0.0	41.2	-
2013	**0.0**	**0.0**	**35.5**	**-**

Source: In-house analysis based on Company data.

* Dividend yield – dividend per share to price per share.

Historical dividend per share

Financial year	Dividend per share	% of net profit	Dividend record date	Dividend payment date
2005	0.0	0.0	-	-
2006	0.4	10.1	Jun 11 2007	not later than Jul 31 2007
2007	0.0	0.0	-	-
2008	0.0	0.0	-	-
2009	0.0	0.0	-	-
2010	0.0	0.0	-	-
2011	0.0	0.0	-	-
2012	0.0	0.0	-	-
2013	**0.0**	**0.0**	**-**	**-**

Source: In-house analysis based on Company data.

* Dividend record date – the date on which the list of shareholders entitled to receive dividend for a given financial year is determined.

* Dividend payment date – the date on which dividend is paid to the Company's shareholders.

Brokers' recommendations on Grupa LOTOS shares

Recommendations on Grupa LOTOS shares are issued by 16 investment houses (including brokerage houses and investment banks):

Based in Poland	Based abroad
Citi	Deutsche Bank
DM mBanku	Erste Bank
DM BZ WBK	Raiffeisen Centrobank
DM BOŚ	Societe Generale
DM PKO BP	Wood & Co.
DM BDM	
DI Investors	
Espirito Santo Investment Bank	
ING Securities	
Ipopema Securities	

To the Company's knowledge, brokers issued 18 recommendations on the Company shares in 2014:

- 9 BUY recommendations
- 6 HOLD recommendations
- 1 REDUCE recommendation
- 1 SELL recommendation
- 1 NEUTRAL recommendation.

In addition, two brokers initiated coverage of Grupa LOTOS.

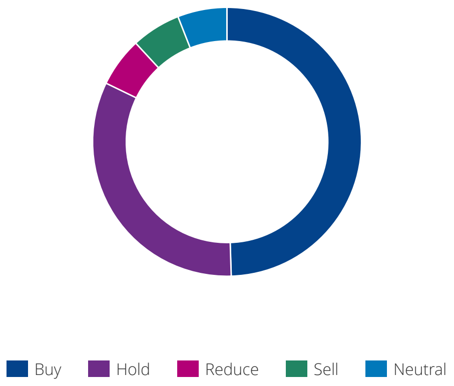
* BUY – total expected rate of return will exceed 15% in 12 months

* HOLD – total expected rate of return will be between -5% and +5% in 12 months

* REDUCE – total expected rate of return will be between -5% and -15% in 12 months

* SELL – total expected rate of return will be more than -15% in 12 months

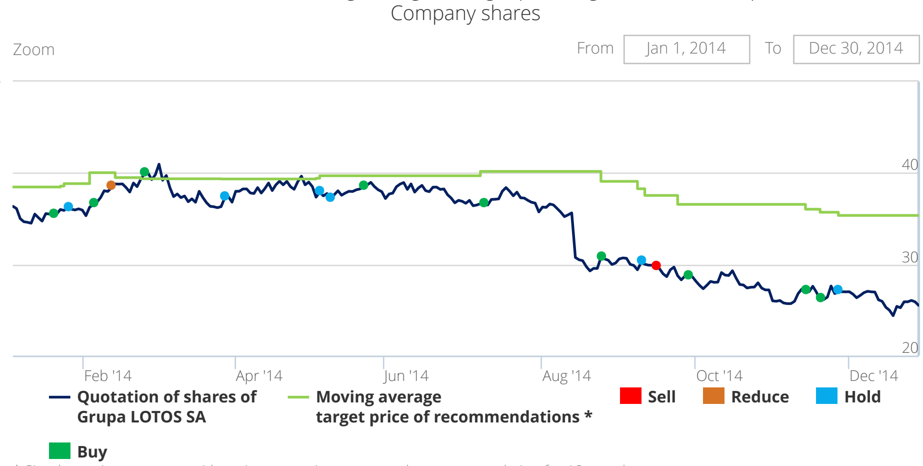
Structure of broker recommendations on Grupa LOTOS shares in 2014



The target price of Grupa LOTOS shares in brokers' research reports fluctuated from PLN 25.80 to PLN 54.07, compared with PLN 29.50 to PLN 56.30 in 2013. The average target price in 2014 was PLN 37.90 (2013: PLN 37.70).

Grupa LOTOS shares traded within the range from PLN 24.05 to PLN 40.96. The year-end closing price in 2014 was PLN 25.50.

Recommendations and moving average of target prices against the market price of the Company shares



* Simple moving average - arithmetic mean price target on the recommendation for 12 months (excluding renovation of recommendations older than 6 months).

Grupa LOTOS in the RESPECT Index

On November 19th 2009, the Warsaw Stock Exchange launched the first Central and Eastern European index of socially responsible companies – the RESPECT Index (Responsibility, Ecology, Sustainability, Participation, Environment, Community, Transparency). The index was designed to promote responsible management among listed companies and investors, encouraging the development of a socially responsible investment market in Poland.

Grupa LOTOS has been continuously included in the index since its inception, and each of the values included in the 'RESPECT' name is reflected in the Company's everyday business practices.

The RESPECT Index is composed of WSE-listed companies which meet the compliance criteria in the area of corporate governance, information policy and investor communication. This is consistent with global trends, which assume that transparent reporting of environmental, social and corporate governance data positively affects a company's valuation.

As of the beginning of 2014, the rules governing admission to the RESPECT Index and the frequency of surveys have changed. At present, the verification process covers three areas – environmental, social and governance, and the index is updated once a year. The RESPECT Index constituents are chosen from among the largest companies listed in the WIG30, mWIG40 and sWIG80 indices, but in its new form, the Index is also open to foreign companies.

The Company's responsible approach to business and policies based on ethical values allow Grupa LOTOS to gain the trust of its neighbours, customers, trading partners and shareholders. For our stakeholders, continued presence in the prestigious RESPECT Index is proof that Grupa LOTOS operates in compliance with the highest standards and minimises investment risk.

Areas reviewed in the RESPECT Index qualification process:

Environmental:	Social:	Governance:
• Environmental management • Environmental impact mitigation • Biodiversity • Environmental aspects of products and services	• OHS • HR management • Supplier relations • Dialogue with stakeholders • CSR reporting	• Strategic management • Code of conduct • Risk management and misconduct risk management • Internal audit and control system • Customer relations

In 2014, Grupa LOTOS underwent an external review of compliance with the index's criteria. Since December 18th 2014, we have been included in the 8th RESPECT Index, which is composed of a record-breaking number of 24 companies.

RELATED CONTENT:

Ethics and corporate governance

The key objectives of Corporate Governance at Grupa LOTOS are to guarantee the transparency of its operations as a listed company, build trust in its relations with stakeholders, ensure openness and consistent building of shareholder value. In our activities in this area, we are guided by the system of values defined in the LOTOS Group's Code of Ethics and in the Code of Best Practice for WSE Listed Companies.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance>

Shareholding structure

The State Treasury holds ordinary bearer shares in Grupa LOTOS representing 53.19% of its share capital and the same proportion of voting rights at its GM whereas 8.6% of Grupa LOTOS share capital belongs to ING OFE. In 2014, the remaining 38.21% of the share capital was free float.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/the-organization/shareholding-structure>

Key objectives

We achieve our business objectives with due regard to corporate social responsibility and sustainable development by the best possible use of the organization's resources and capabilities to generate economic and social value for the benefit of the Company and its environment.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/key-objectives>

Sustainable development

Responsible employer

Our training policy is based around long-term, consistently implemented development plans. In 2014, we celebrated the tenth anniversary of the LOTOS Academy, our comprehensive employee training and development project, which is highly valued in the world of science and business.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/responsible-employer>

Safe workplace

In accordance with our strategy, safety at work and health protection, with respect to both our own employees and the employees of our cooperating partners, are priorities for the LOTOS Group. In 2014, we achieved a 46% decrease in the accident rate compared to 2013.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/safe-workplace>

Environmental impact

Our carbon emissions were reduced to levels seen only at the best European refineries. Grupa LOTOS refinery's advanced environmental solutions have curbed our environmental impacts while delivering notable financial benefits, in the form of lower fees for the use of the environment, resulting from our commitment to reducing the amount of emitted pollutants.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/environmental-impact>

Social impact

2014 was outstanding in terms of the number of CSR programmes and campaigns as well as activities undertaken by the LOTOS Group under the cross-sectoral cooperation model. It was also a period of initiatives aimed to establish a responsible supply chain.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/social-impact>

Energy security

An example of best practice which combines building our international relations with supporting initiatives aimed to improve the energy security in Europe was the publication of the 'Completing Europe - From the North-South Corridor to Energy, Transportation and Telecommunications Union' report in 2014.

Go to the page » <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/energy-security>

Responsible employer

Data has been verified > See full text of the Independent Assurance Report

In line with the key objectives of our corporate social responsibility strategy for 2014, we continued to secure highly qualified employees in a number required to successfully implement the LOTOS Group's business strategy, and worked on improving our organizational culture based on adopted values.

STATEMENT

Enhancing our corporate culture based on adopted values is one of the main objectives of our CSR strategy for 2012-2015. To a large extent, its implementation relies on the conclusions and opinions of our staff, for instance those gathered during the 2013-2014 employee engagement and satisfaction survey performed at the LOTOS Group, which was a valuable source of information.

Iwona Stankiewicz-Dąbek
HR Processes Team Manager, Grupa LOTOS

The aim of the survey, carried out using Aon Hewitt's methodology, was to learn about the employees' opinions and attitudes and to monitor their satisfaction and engagement to create a work environment that would facilitate the achievement of business objectives.

The survey results allowed us to see our strengths and weaknesses and to prepare Improvement Plans for all LOTOS Group companies with a view to raising staff efficiency in the long run. The survey and the Improvement Plans are conscious efforts to create an organization based on modern management practices and owing its competitive edge to the ability to optimally harness and channel its employees' commitment. The Plans are being implemented in accordance with the rules worked out together with the employees and management staff.

As the scores for employee engagement achieved in the survey were high (65% on average), i.e. typical of the group of best employers, our current actions are focused on improving communication in teams and executing action points related to e.g. enhancing processes or perfecting management skills.

Steps taken in 2014 to meet the stated objectives:

HR Portal – For the first time, in Grupa LOTOS we conducted an employment planning process using solely electronic applications submitted through the newly launched self-service portal for employees and managers (SAP HCM). TheThe system allows applicants to follow the progress of their applications, while providing HR staff with easy access to all documents and ability to monitor staff requisitions. The HR Portal will also feature tools for i.a. employee assessment combined with training session planning, currently under construction.

Website www.kariera.lotos.pl – With prospective employees in mind, we improved our professional website, www.kariera.lotos.pl, presenting Grupa LOTOS as a prospective employer and informing candidates about the recruitment process, internship and work placement opportunities, cooperation with universities and schools, as well as ways of applying for jobs or internships. To meet the needs of our target audience, we introduced state-of-the-art and friendly forms of communication with candidates such as a modern video presentation preparing them for filing their job applications, or a film entitled 'LOTOS – Dynamic people – PROCESS OPERATOR' familiarising candidates with the most commonly offered post at the Company.

Social media – To establish the Company's image as a sought-after employer, we have created a professional account on LinkedIn, a business-oriented social networking site. In addition to image promotion, the website is used to inform candidates of specialist recruitment processes, supporting our search for employees with the expertise required to meet our business objectives. Furthermore, to enhance our positive image as a future employer among university students from Gdańsk, Sopot and Gdynia, who will enter the labour market within the next few years, we have partnered with a student organization AIESEC, e.g. by participating in the Aim.Act.Achieve conference. A LOTOS ambassador was appointed from among the students and a Facebook fan page 'Start with LOTOS' was launched to promote the Company and liaise with the student community.

E-recruitment – To ensure that our employees possess the required skills, we consistently raise our recruitment standards. In 2014, we continued to develop the e-recruitment system first deployed in 2012, which has increased the impartiality and efficiency of recruitment processes across the LOTOS Group. We also prepared a Recruitment and Selection Standards Handbook for the heads of organizational units looking to hire new employees, developed a Hiring Roadmap and implemented the Code of Best Recruitment Practice related to our participation in the Coalition for Friendly Recruitment. Thanks to these efforts, Grupa LOTOS received a Friendly Recruitment Zone certificate.

Good Start for Beginners – honing our induction programme. Following a name contest among employees, our training programme for new employees was renamed 'Good Start for Beginners' and launched with a fresher formula and new visual identity. We also continued to take steps to fill undesirable vacancies as soon as possible and accelerate employee induction, and modified the induction training curriculum to include issues related to corporate social responsibility and our Code of Ethics. In addition, an Induction Programme for new hires was implemented at further companies, i.e. LOTOS Paliwa, LOTOS-Air BP and LOTOS Ochrona.

The Good Start for Beginners programme was also an example of successful involvement of staff members aged over 50, who were given an opportunity to share their experience and expertise as mentors of newly hired employees or lecturers at internal training sessions. Initiatives designed to make our senior staff more active are an element of our corporate social responsibility strategy. We seek to promote a knowledge sharing culture, drawing on the expertise of employees aged over 50 and involving them in the professional advancement of other staff. The strategic indicator showing the utilisation of the potential of such employees was 4.6% in 2014, having risen from 4% in 2012.

Improving HR policies – To retain the most valuable talent, we perform systematic reviews of terminations and eliminate those attrition factors which are within our control. As part of our efforts to improve the incentive scheme, in 2014 we mapped all jobs and positions within Grupa LOTOS. Individual positions were assigned to universal pay grades, which in the future will enable a comparison of salaries and wages offered by Grupa LOTOS with those earned elsewhere in Poland, thanks to the largest domestic pay database maintained by Hay Group, one of the world's top HR consultancies.

Professional development – Grupa LOTOS continued to focus on systematic development of staff's specialist knowledge. The staff were given opportunities to gain or expand their expertise and job qualifications based on the 2014 Employee Training Plan, prepared with reference to the objectives and targets agreed during the latest periodic employee evaluation, taking into account the findings of the recent employee satisfaction and engagement survey. Costs of specialist training and postgraduate education of employees were fully financed by Grupa LOTOS. We also covered 50% of costs of employees' studies at higher education institutions, taken up to complement their education, and 50% of costs of foreign language courses, if the command of a given language was recommended in a given position. On average, there were 3.5 days (28 hours) of training per employee annually, with training costs totalling about PLN 1,600 per person and a ratio of training expenditure to employee pay at 1.7%.

As a socially responsible business, we attach great importance to the protection of human rights, which is why human rights issues are often addressed during training sessions for newly hired employees and periodic health and safety drills. In 2014, Grupa LOTOS provided 473 hours of lectures on human rights protection policies and procedures applicable to its operations, which were attended by 15.5% of all employees. In total, the LOTOS Group provided 1,964 hours of such courses, covering 18.5% of all employees (excluding LOTOS Petrobaltic subsidiaries). At LOTOS Ochrona, the LOTOS Group company responsible for security services, the courses on human rights were attended by 85% of all staff in 2014.

Average annual number of training hours per person, by Grupa LOTOS employment category

Employment category	2012	2013	2014
Senior management	41.9	43	44
Lower management	42.8	43.7	48
Back-office staff	25.8	25.4	30
Production staff	17.7	12.1	19.3

Average annual number of training hours in Grupa LOTOS, by sex

Sex	Year	Number of employees	Number of training hours	Average number of training hours
Women	**2012**	417	11,096	26.6
Men	**2012**	932	21,936	23.5
Women	**2013**	416	12,039	28.9
Men	**2013**	929	17,811	19.2
Women	**2014**	420	12,084	28.8
Men	**2014**	930	25,300	27.2

LOTOS Academy – an in-house training and development programme designed to improve the various competencies of our employees, identify and develop talent across the organization, disseminate expert knowledge and foster increased involvement and job satisfaction. Under the LOTOS Academy training schedule, i.a. staff's interpersonal, communication, negotiation, management, IT and language were being developed.

- The training and skill raising activities carried out under the LOTOS Academy project were focused on individual development plans of participants of the **LOTOS Group Succession Programme**. The preparation of Successors guarantees that the LOTOS Group's business strategy will be successfully delivered by ensuring continuity of management in key positions, clearly defining promotion paths and reducing the risk of choosing the wrong candidates for promotion. In 2014, we coordinated the selection of forms and methods of Successors' development in line with the awarded development vouchers. In addition, the Successors' individual development plans were being monitored and revised. Tutors were supported in coaching their Successors, and the staff bulletin presented participants of the Succession Programme, their approach to personal development and to subordinates, motivation, passions and commitment – thus promoting good role models and professional advancement among the LOTOS Group employees.
- In 2014, we launched the 2nd edition of the **Master Programme**. Its purpose is to establish uniform methods of selecting, preparing and training candidates for the position of supervisors at production plants. We carried out workshop sessions with production unit heads and supervisors to determine a set of desirable qualifications for the position of a supervisor, based on which the heads selected candidates to participate in an assessment performed by the Development Centre, marking the first, selective stage of the Programme. The currently implemented 2nd, fine-tuned edition of the MASTER Programme:
  - makes it possible to assess employees' potential and prepares those with the greatest potential for the position of a supervisor,
  - contributes to development and enhancement of standards of recruiting and training of future supervisors,
  - is a perfect instrument fostering employee motivation,
  - promotes integration of participants working in different production units.
- We coordinated the 2nd edition of the **LOTOS Kolej Managers Academy** programme. The programme helps the company's management identify the potential of its employees, provides them with an incentive to develop the competences essential from the employer's point of view, contributes to increasing employees' productivity and helps to better prepare them for assuming key positions with the company.
- At LOTOS Ochrona, the **Manager as Team Leader** programme was implemented, aimed at developing soft skills in the management of a diversified team, teaching effective management techniques to overcome the problems of group work, including any difficulties related to motivation, enforcement, and establishment or maintenance of the leader's authority.

Best practice

Our training policy is based around long-term, consistently implemented development plans. In 2014, we celebrated the tenth anniversary of the LOTOS Academy, a comprehensive employee training and development project, whose goal is to create a partnership-based team while building a modern, efficient and competitive organization. The LOTOS Academy's goal is to improve the staff's competences in various fields, to identify and develop talent, to disseminate expert knowledge and to foster a culture conducive to increasing the staff's satisfaction and involvement.

This initiative is highly valued in the world of science and business. The LOTOS Academy's key feature is its availability to all employees of the LOTOS Group who express an interest in the programme *(Training Schedule)*. Moreover, staff development is a continuous and consistent process, linked with the Periodic Employee Evaluation System, career paths, development programmes for individual professions and succession plans. Also, our long-term programmes are flexible, allowing us to respond to changes in the Company's business environment and to meet new requirements for staff qualifications.

Our training and development programmes are consulted with renowned authorities, members of the LOTOS Academy Scientific Council, including Prof. Jerzy Hausner, Prof. Witold Orłowski, Prof. Janusz Rachoń, Dr. Mirosław Gronicki, Prof. Wojciech Rybowski, Dr. Jan Szomburg, and Prof. Edmund Wittbrodt.

To celebrate the tenth anniversary of the LOTOS Academy, in 2014 the Board of Grupa LOTOS, the LOTOS Academy Scientific Council and the LOTOS Group's management staff were presented a summary of staff training and development activities in the period. The anniversary was an opportunity to present changes in the staff training and development process and the role of human resources within the organization. The event participants attended a lecture of Prof. dr hab. Jerzy Hausner, member of the LOTOS Academy Scientific Council, entitled 'Factors affecting the value of a company'.

Periodic Employee Evaluation – In 2014, we implemented a new, uniform Periodic Employee Evaluation System for most of the LOTOS Group companies. The system covers: evaluation of key competences and those related to management and specialist positions, evaluation of progress and setting of professional and development objectives, training schedule and final evaluation. The new Periodic Employee Evaluation System is an internally developed element of the SAP HCM programme, which facilitates monitoring of the evaluation process and provides for advanced reporting and analysis of results. Thanks to modern IT solutions, electronic document circulation was introduced for the purposes of the Periodic Employee Evaluation and employees were granted access to an electronic evaluation sheet on the HR portal. In 2014, the evaluation schedule was aligned across the LOTOS Group, with the process now scheduled for the third quarter and is closely linked with planning training. In connection with the introduction of the new model, we provided training to 4,000 employees, who were either subject to the evaluation or were the evaluators. In addition, handbooks were distributed to participants of the evaluation process and an instructional video was shown to assist them in performing the evaluation. Periodic evaluation at the LOTOS Group is performed with respect to all employees working under employment contracts whose length of service in a given organizational unit at the time of the evaluation is at least six months. Persons performing the evaluation must likewise have at least six months' experience in a given position.

Employees covered by the Periodic Employee Evaluation System in 2014 (%)

Grupa LOTOS	
Women	27.71*
Men	64.92
Total	92.63
LOTOS Group **	
Women	21.94

Men	69.95
Total	91.89

* The reason for the significantly lower percentage of evaluated women compared with men is the employment structure at the Company and a large number of maternity leaves in the reporting period.

** Excluding LOTOS Kolej, where the new evaluation model is to be implemented in 2016.

Employees actually evaluated vs. covered by the Periodic Employee Evaluation System in 2014 (%)

Grupa LOTOS	
Women	96.65
Men	98.10
LOTOS Group	
Women	97.81
Men	97.77

The new Periodic Employee Evaluation System was audited to eliminate any irregularities resulting from its incorrect design or inadequate preparation of the evaluators or evaluated employees. The results of the audit will also identify possible areas for improvement in the future. Also, an opinion survey on the system was conducted among the management staff, which will help to further improve the Periodic Employee Evaluation System to meet the needs of our business.

Continuity of employment and measures to facilitate retiring – the LOTOS Group provides adequate conditions for effective development and practical application of the knowledge and skills required of all employees throughout their employment. All employees, irrespective of their age and time of planned retirement, are offered opportunities to take part in training designed to help them acquire and enhance their knowledge and professional qualifications, and develop general skill sets. The base monthly salary of employees who decide to retire within two years prior to their acquisition of pension rights can be raised by 8.5% under a relevant amendment to employment contracts. Moreover, retiring employees are entitled to a one-off cash severance payment, in an amount depending on their length of service. This cash payment may range from an amount equal to an employee's monthly pay when their length of service is up to 15 years, to 500% of the base pay amount if the employee has worked for 35 years. Former employees of the LOTOS Group are associated within the Senior Employees and Pensioners Club, which has been active for 30 years, funded by the Board of Grupa LOTOS. Twice a year, the Club's board organizes trips around Poland and to other regions of Europe for its physically active members, giving them an opportunity to visit new places while promoting a healthy lifestyle. Former employees are also provided with medical care and social benefits.

The EFRA Staff – in 2014, we began to prepare the EFRA Staff Programme. Its purpose will be to acquire properly qualified employees to complete the objectives of the EFRA (Effective Refining) operational excellence project, implemented as part of Grupa LOTOS's wider Effective and Rising Programme. The programme is scheduled for 2015–2017. In connection with the planned extension of our refinery in Gdańsk, it is expected that new employees will be hired from the external labour market and some employees will be transferred within the LOTOS Group to support the preparation and implementation of the project and ensure the refinery's continuous operation.

Development of the B8 field – in 2014, LOTOS Petrobaltic started recruiting employees for the new production centre in order to build in good time their competence, enable them to acquire adequate training, experience and required mining supervision. An additional element of the staff's competence building is training they are offered on operating new installations. Thanks to the close cooperation with suppliers of equipment and services in the upstream sector, the company's employees can regularly visit the suppliers' premises where they can make themselves familiar with latest equipment and new technologies. Apart from that, in 2014 staff were hired for performing work on the newly-purchased 'LOTOS Petrobaltic' platform during the time when three platforms are operated simultaneously as well as efforts were started to build up the staff necessary to work on the 'Petrobaltic' platform after its conversion is finished as a crucial element of implementing the strategic project in the upstream area which is the development of the B8 field.

LOTOS service stations – LOTOS service stations are an element of the LOTOS Group's corporate social responsibility strategy. Members of their personnel are LOTOS ambassadors in relations with the outside world, even though they are not LOTOS employees. In order to exert a positive influence on the employment practices, incentives and value-based work ethics at LOTOS service stations, in 2014 we executed a plan of initiatives to support their processes of recruitment, provision of incentives and fostering of a proper work culture. We developed profiles for a sales assistant and station manager, which – combined with the adopted standards for job interviews and training for area managers – facilitates the process of recruitment and selection of individuals working for a service station. The www.lotos.pl <http://www.lotos.pl> website provides clear information on how to apply for work at our service stations. We provided training to area managers, management staff and sales assistants on professional customer service. In 2015, we plan to provide e-learning courses to service station staff.

Best practice

In 2014, we carried out a programme entitled 'One Day at a Service Station', under which each employee of LOTOS Paliwa worked at a service station for one day, participating in customer service, encouraging customers to buy products, replenishing stocks, and assisting in the operation of fuel dispensers, which stressed the importance of work performed at a service station. The nature of work performed by employees of the LOTOS Group's subsidiary responsible for the LOTOS service stations is very diverse – their duties include management of the LOTOS service station chain and customer service (retail sale and wholesale, fleet programme management, development of uniform customer service standards, etc.). People who do not work directly at a service station do not have enough insight into the challenges of customer service and the key purpose of the company's business. Meanwhile, the service stations are an important part of the LOTOS image in its relations with the general public. A good practice is to improve employees' qualifications and create opportunities for them to better understand the nature of the company's core business. Employees participate in the programme to gain new experience, get a fuller picture of the company's business and better understand the relations between different functions within the organization and how they influence the service stations.

In 2014, 216 employees took part in the 'One Day at a Service Station' programme. In a survey carried out among its participants, as much as 85% of them admitted it had improved their knowledge on the operation of service stations and work of station personnel. Also, more than a half of the employees supported the idea of repeating the programme in future years.

Volunteering – In 2014, we expanded our programme of volunteer work through one-off initiatives. Under the 'Chronimy NATURĘ na Wyspie Sobieszewskiej' ('Protect the Wildlife of the Sobieszewo Island') project, we organized a clean-up of the Mewia Łacha reserve carried out by volunteers from among the LOTOS Group's employees. More than 50 employees and their families cleaned the area from rubbish thrown out by the sea and left on the shore by tourists. The initiative covered renovation of certain facilities, including the viewing tower and information boards along the educational trail. 2,400 litres of rubbish were collected and fencing was set up around protected areas which are habitats of sandwich tern *(Sterna Sandvicensis)* and common ringed plover *(Charadrius hiaticula)*. We also continued the 'Nakręcony LOTOS' ('LOTOS Collects Screw Caps') initiative, which reached beyond the LOTOS Group's premises. Plastic screw caps are now collected at 20 venues, including schools, pre-schools, cultural centres and stores, and full bags of them are delivered to Grupa LOTOS in Gdańsk. In 2014, we managed to collect 7,500 tonnes of caps, and proceeds from sale of the plastic were transferred to the account of our female employee's grandson suffering from incurable muscular dystrophy.

Working environment

The LOTOS Group ensures that all its employees, whether working on an open-ended or fixed-term basis, full time or part time, are offered the same package of fringe benefits guaranteed by the Collective Bargaining Agreement for Grupa LOTOS employees and by the Rules of Participation in the Company Social Benefits Fund. The Collective Bargaining Agreement covers 95.6% of the Grupa LOTOS employees. The remaining employees are part of the Company's top management, whose terms of employment and remuneration are agreed individually with the Company's Board, in consideration of the applicable labour laws. All companies of the LOTOS Group have their own Collective Bargaining Agreements or Remuneration Policies identical with the relevant provisions of the Collective Bargaining Agreements, with the percentage of staff covered by these documents ranging between 99.5% and 99.9%.

Owing to the fact that Grupa LOTOS has in place a Collective Bargaining Agreement, the employment and payroll rules and the contents of individual employment contracts are set out in an act based on a consensus reached more than ten years ago by the employer and employees. An advantage of that framework is the ability to adjust the agreement to the changing environment. Among other things, the Collective Bargaining Agreement prescribes a procedure for changing the remuneration amounts. It was agreed that every year a possible pay raise would be determined by mutual agreement, but the unions agreed to negotiate any such pay raise taking into account the employer's capabilities in a given period. This provision ensures a high degree of social security and confidence, which are key elements of collective labour law. In 2014, after a series of consultations, in view of the macroeconomic situation the parties agreed not to change the remuneration amounts.

As part of the dialogue at Grupa LOTOS, an important practice is to hold monthly meetings with the Employee Council, which ensures that a notice period of at least 30 days is given for any information that needs to be consulted, as is the case with trade unions.

Under the Collective Bargaining Agreement, as part of the health plan financed by the employer, every employee can take advantage of additional medical care provided by private healthcare institutions, and of dental care. All parental leaves for mothers and fathers and additional parental leaves are granted in accordance with legal regulations.

Parental leaves at Grupa LOTOS

	Number of employees who took parental leave		Number of employees who returned to work after parental leave		Number of employees whose employment was terminated within twelve months after return to work	
Year	Women	Men	Women	Men	Women	Men
2012	19	2	14	2	-	-
2013	22	0	17	0	0	0
2014	26	2	18	2	0	0

We offer other social support in the form of loans, allowances, and partial financing of holidays for employees and their children. In addition, Grupa LOTOS offers gym and sports club membership cards under the Benefit Programme and the Multikarnet OK scheme. The large variety of sports and leisure activities available under these schemes allow our employees to choose those they like best, thus improving their physical fitness and mental wellbeing.

We try to offer attractive base salaries, but we also need to take into account the conditions on the Polish labour market and internal factors involved in our operations. In 2014, the ratio of average base salary of men to that of women at Grupa LOTOS was 128%, compared with 130%

in 2013.

Ratio of the base and actual salary of women to men by position held [as at December 31st 2014]

Employment category	Ratio of base salary of men to base salary of women [%]	Ratio of average /actual salary of men to average salary of women [%]
Grupa LOTOS		
Senior management	75	94
Lower management	83	129
Back-office staff	120	143
Production staff	65	163
LOTOS Asfalt		
Senior management	60	96
Lower management	78	149
Back-office staff	88	146
Production staff	63	122
LOTOS Kolej		
Senior management	100	105
Lower management	100	109
Back-office staff	59	131
Production staff	100	154
LOTOS Oil		
Lower management	100	102
Back-office staff	111	123
Production staff	89	152
LOTOS-Air BP		
Senior management	88	67
Lower management	80	83
Back-office staff	119	127
LOTOS Paliwa		
Senior management	108	138
Lower management	83	95
Back-office staff	100	134
LOTOS Petrobaltic		
Senior management	106	156
Lower management	131	162
Back-office staff	133	145
Production staff	70	121
LOTOS Geonafta		
Senior management	91	145
Lower management	58	81
Back-office staff	214	126
Production staff	36	96
LOTOS Norge		
Lower management	90	140
Back-office staff	137	117
Energobaltic		

Production staff	73	102

We provide our employees with an opportunity to join pension plans. Currently, 13 LOTOS Group companies can take advantage of unit-linked group life insurance, which is fully funded by the employer. Participation in the scheme is voluntary and available to all staff members employed under employment contracts. The Pillar 3 retirement savings scheme is an essential aspect of responsible planning for one's financial future. Should any employee wish to increase their savings, they can also make private contributions to the fund.

As at the end of 2014, 80.2% of the LOTOS Group employees were covered by the unit-linked group life insurance, with the number reaching 88.2% in Grupa LOTOS.

Premiums paid under unit-linked insurance policies (Pillar 3 of the Polish pension system) in PLN '000

	2012	2013	2014
Grupa LOTOS	3,519	3,587	3,591
LOTOS Group	11,182	11,261	15,018

Useful information

Newly hired employees in 2014

Grupa LOTOS	LOTOS Asfalt	LOTOS Kolej	LOTOS Oil	LOTOS-Air BP	LOTOS Paliwa	LOTOS Petrobaltic with its subsidiaries LOTOS Geonafta, LOTOS Norge, and Energobaltic
68	10	74	11	11	25	181

Employees hired and dismissed, and staff turnover rate in 2014

	Grupa LOTOS		LOTOS Asfalt		LOTOS Kolej		LOTOS Oil		LOTOS-Air BP		LOTOS Paliwa	
	number	turnover rate [%]	number	turnover rate [%]	number	turnover rate [%]	number	turnover rate [%]	number	turnover rate [%]	number	turnover rate [%]
Sex												
Women	45	3.33	4	1.92	10	1.14	5	1.57	4	8	29	10.66
Men	84	6.22	11	5.29	100	11.44	16	5.03	15	30	22	8.09
Age												
Below 30	39	2.89	0	0	20	2.28	8	2.52	7	14	8	2.94
30 to 50	65	4.81	0	0	66	7.55	9	2.83	12	24	34	12.5
Over 50	25	1.85	0	0	24	2.75	4	1.26	0	0	9	3.31
Total	**129**	**9.55**	**0**	**0**	**110**	**12.58**	**21**	**6.61**	**19**	**38**	**51**	**18.75**

Employees hired and dismissed, and staff turnover rate in 2014 at the LOTOS Petrobaltic Group

	LOTOS Petrobaltic*		LOTOS Geonafta		LOTOS Norge		Energobaltic	
	number	turnover rate [%]	number	turnover rate [%]	number	turnover rate [%]	number	turnover rate [%]
Sex								
Women	31	7.2	5	5.4	0	0	0	0
Men	195	45.1	9	9.72	1	4.5	2	6.06
Age								
Below 30	77	17.8	4	4.32	0	0	1	3.03
30 to 50	98	22.7	9	9.72	0	0	0	0
Over 50	51	11.8	1	1.08	1	4.5	1	3.03
Total	**226**	**52.3**	**14**	**14**	**1**	**4**	**2**	**6.06**

* Due to the specific nature of LOTOS Petrobaltic's business activity (work performed in a continuous system on drilling rigs), external back-up staff must be hired every year as temporary replacement of rig operators. It often happens that one person is hired more than once under the same or different terms of employment. As a result, the company reports high staff turnover rates.

The composition of management staff, by sex and age [as at December 31st 2014]

Employee age	Employment category	Percentage of total workforce	Percentageof total workforce in the age category	Percentage of total women	Percentage of total women in the age category	Percentage of total men	Percentage of total men in the age category
Grupa LOTOS							
Below 30	**Lower management**	0.07	0.70	0.00	0.00	0.11	0.97
Below 30	**Back-office**						

	staff	4.59	43.36	9.52	100.00	2.37	21.36
Below 30	Production staff	5.93	55.94	0.00	0.00	8.60	77.67
Below 30	TOTAL	10.59	100.00	9.52	100.00	11.08	100.00
30 to 50	Board	0.15	0.24	0.00	0.00	0.22	0.35
30 to 50	Senior management	1.78	2.88	0.95	1.50	2.15	3.53
30 to 50	Lower management	4.96	8.04	6.19	9.77	4.41	7.23
30 to 50	Back-office staff	30.75	49.82	56.19	88.72	19.25	31.57
30 to 50	Production staff	24.07	39.02	0.00	0.00	34.94	57.32
30 to 50	TOTAL	61.71	100.00	63.33	100.00	60.97	100.00
Over 50	Board	0.22	0.80	0.00	0.00	0.32	1.15
Over 50	Senior management	1.33	4.81	0.71	2.63	1.61	5.77
Over 50	Lower management	3.19	11.50	3.10	11.40	3.23	11.54
Over 50	Back-office staff	12.74	45.99	23.10	85.09	8.06	28.85
Over 50	Production staff	10.22	36.90	0.24	0.88	14.73	52.69
Over 50	TOTAL	27.70	100.00	27.15	100.00	27.95	100.00

Employee age	Employment category	Percentage of total workforce	Percentage of total workforce in the age category	Percentage of total women	Percentage of total women in the age category	Percentage of total men	Percentage of total men in the age category
LOTOS Asfalt							
Below 30	Lower management	0.48	5.88	2.17	20.00	0.00	0.00
Below 30	Back-office staff	4.81	58.82	8.70	80.00	3.70	50.00
Below 30	Production staff	2.88	35.29	0.00	0.00	3.70	50.00
Below 30	TOTAL	8.17	100.00	10.87	100.00	7.40	100.00
30 to 50	Senior management	3.85	4.94	2.17	2.63	4.32	5.65
30 to 50	Lower management	7.21	9.26	4.35	5.26	8.02	10.48
30 to 50	Back-office staff	29.81	38.27	73.92	89.47	17.28	22.58
30 to 50	Production staff	37.02	47.53	2.17	2.63	46.93	61.29
30 to 50	TOTAL	77.89	100.00	82.61	100.00	76.55	100.00
Over 50	Management Board	0.48	3.45	0.00	0.00	0.62	3.85
Over 50	Senior management	1.44	10.34	0.00	0.00	1.85	11.54
Over 50	Lower management	0.96	6.90	0.00	0.00	1.23	7.69
Over 50	Back-office staff	2.88	20.69	6.52	100	1.85	11.54
Over 50	Production staff	8.18	58.62	0.00	0.00	10.50	65.38
Over 50	TOTAL	13.94	100	6.52	100.00	16.05	100.00

Employee age	Employment category	Percentage of total workforce	Percentage of total workforce in the age category	Percentage of total women	Percentage of total women in the age category	Percentage of total men	Percentage of total men in the age category
LOTOS Kolej							
Below 30	Lower management	0.23	2.08	1.15	3.85	0.13	1.43
Below 30	Back-office staff	1.83	16.67	9.20	30.77	1.02	11.43
Below 30	Production staff	8.92	81.25	19.54	65.38	7.74	87.14
Below 30	TOTAL	10.9	100.00	29.98	100.00	8.89	100.00
30 to 50	Senior management	0.11	0.20	1.15	2.13	0.00	0.00
30 to 50	Lower management	2.40	4.19	8.05	14.89	1.78	3.08
30 to 50	Back-office staff	4.81	8.38	17.24	31.91	3.43	5.95
30 to 50	Production staff	50.00	87.23	27.57	51.06	52.48	90.97
30 to 50	TOTAL	57.32	100.00	54.01	100	57.69	100.00

Over 50	Management Board	0.11	0.36	0.00	0.00	0.13	0.38
Over 50	Senior management	0.69	2.17	1.15	7.14	0.64	1.90
Over 50	Lower management	1.26	3.97	1.15	7.14	1.27	3.80
Over 50	Back-office staff	3.43	10.83	6.90	42.86	3.05	9.13
Over 50	Production staff	26.21	82.67	6.90	42.86	28.34	84.79
Over 50	TOTAL	31.70	100.00	16.10	100.00	33.42	100.00

Employee age	Employment category	Percentage of total workforce	Percentage of total workforce in the age category	Percentage of total women	Percentage of total women in the age category	Percentage of total men	Percentage of total men in the age category
LOTOS Oil							
Below 30	Back-office staff	4.40	50.00	6.52	100.00	3.54	36.36
Below 30	Production staff	4.40	50.00	0.00	0.00	6.19	63.34
Below 30	TOTAL	8.80	100.00	6.52	100.00	9.73	100.00
30 to 50	Management Board	0.31	0.48	0.00	0.00	0.44	0.71
30 to 50	Senior management	1.26	1.92	0.00	0.00	1.77	2.84
30 to 50	Lower management	5.66	8.65	5.43	7.46	5.75	9.22
30 to 50	Back-office staff	35.54	54.33	53.27	73.13	28.32	45.39
30 to 50	Production staff	22.64	34.62	14.13	19.40	26.11	41.84
30 to 50	TOTAL	65.41	100	72.83	100	62.39	100
Over 50	Senior management	0.63	2.44	0.00	0.00	0.88	3.17
Over 50	Lower management	2.52	9.76	1.09	5.26	3.10	11.11
Over 50	Back-office staff	5.66	21.95	11.95	57.89	3.10	11.11
Over 50	Production staff	16.98	65.85	7.61	36.84	20.80	74.60
Over 50	TOTAL	25.79	100.00	20.65	100.00	27.88	100.00

Employee age	Employment category	Percentage of total workforce	Percentage of total workforce in the age category	Percentage of total women	Percentage of total women in the age category	Percentage of total men	Percentage of total men in the age category
LOTOS Paliwa							
Below 30	Back-office staff	11.30	100.00	17.99	100.00	3.76	100.00
Below 30	TOTAL	11.30	100.00	17.99	100.00	3.76	100.00
30 to 50	Senior management	2.57	3.30	1.44	1.89	3.76	4.72
30 to 50	Lower management	8.09	10.38	4.32	5.66	12.03	15.09
30 to 50	Back-office staff	67.28	86.32	70.50	92.45	63.91	80.19
30 to 50	TOTAL	77.94	100.00	76.26	100.00	79.70	100.00
Over 50	Management Board	0.00	3.33	0.00	0.00	0.75	4.55
Over 50	Senior management	1.47	13.33	1.44	25.00	1.5	9.09
Over 50	Lower management	1.1	10.00	0.00	0.00	2.26	13.64
Over 50	Back-office staff	8.09	73.33	4.32	75.00	12.03	72.73
Over 50	TOTAL	11.30	100.00	5.76	100.00	16.54	100.00

Employee age	Employment category	Percentage of total workforce	Percentage of total workforce in the age category	Percentage of total women	Percentage of total women in the age category	Percentage of total men	Percentage of total men in the age category
LOTOS Petrobaltic							
Below 30	Lower management	0.46	3.45	1.25	5.00	0.00	2.63
Below 30	Back-office staff	8.10	60.34	21.25	85.00	5.11	47.37
Below 30	Production staff	4.86	36.21	2.50	10.00	5.40	50.00
Below 30	TOTAL	13.43	100.00	25.00	100.00	10.80	100.00
30 to 50	Management Board	0.00	0.69	0.00	0.00	0.57	0.84

30 to 50	Senior management	4.17	6.19	8.75	13.21	3.13	4.62
30 to 50	Lower management	6.48	9.62	1.25	1.89	7.67	11.34
30 to 50	Back-office staff	25.00	37.11	56.25	84.91	17.90	26.47
30 to 50	Production staff	31.25	46.39	0.00	0.00	38.35	56.72
30 to 50	TOTAL	67.36	100.00	66.25	100.00	67.61	100.00
Over 50	Management Board	0.23	1.20	0.00	0.00	0.28	1.32
Over 50	Senior management	1.85	9.64	2.50	28.57	1.70	7.89
Over 50	Lower management	1.16	6.02	0.00	0.00	1.42	6.58
Over 50	Back-office staff	5.09	26.51	6.25	71.43	4.83	22.37
Over 50	Production staff	10.88	56.63	0.00	0.00	13.35	61.84
Over 50	TOTAL	19.21	100.00	8.75	100.00	21.59	100.00

The LOTOS Group employs its senior management staff according to the profile and requirements of each position. Management positions are filled only with candidates meeting the relevant criteria to the largest extent. Senior management positions are often offered to persons selected in an internal recruitment process.

95.2% of senior management staff employed in the Company's key business locations were recruited from the local markets. Pomerania is also the local recruitment market for LOTOS Kolej, where 100% of the senior staff are local residents.

The companies' key locations are locations where the number of employees represents a significant percentage of the total workforce, with provinces being basic local markets.

In 2014, LOTOS Asfalt and LOTOS Oil ran their business in three locations: in Southern Poland in Jasło (LOTOS Asfalt) and in Czechowice as well as in Northern Poland in Gdańsk. At LOTOS Asfalt, 100% of the staff have been recruited from the local communities of Jasło and Czechowice and 82% from Gdańsk. At LOTOS Oil in Czechowice and in Gdańsk, the indicator is 100% for all locations. Given the nature of LOTOS Paliwa's operations, its management staff across Poland are recruited on an as-needed basis. At LOTOS Petrobaltic, 62% of the senior management staff have been sourced from Gdańsk, where the company is registered. At LOTOS Geonafta, 82% of senior officers have been recruited from the company's area of operation, whereas at LOTOS Norge most employees come from Norway, a market with substantial experience in oil and gas exploration and production.

Ratio of minimum base pay at Grupa LOTOS to minimum national pay

	Minimum base pay (PLN)	Minimum pay in Poland (PLN)	Ratio (%)
Dec 31 2014	2,500	1,680	149
Dec 31 2013	2,715	1,600	170
Dec 31 2012	2,500	1,500	167

Ratio of minimum base pay at LOTOS Kolej to minimum national pay

	Minimum base pay (PLN)	Minimum pay in Poland (PLN)	Ratio (%)
Dec 31 2014	1,760	1,680	105
Dec 31 2013	2,700	1,600	169
Dec 31 2012	2,657	1,500	177

Ratio of minimum base pay at LOTOS Asfalt to minimum national pay

	Minimum base pay (PLN)	Minimum pay in Poland (PLN)	Ratio (%)
Dec 31 2014 Gdańsk	2,800	1,680	167
Dec 31 2014 Czechowice-Dziedzice	2,960	1,680	176
Dec 31 2014 Jasło	2,650	1,680	158
Dec 31 2013 Gdańsk	3,160	1,600	198
Dec 31 2013 Czechowice-Dziedzice	2,960	1,600	185
Dec 31 2013 Jasło	2,400	1,600	150
Dec 31 2012 Gdańsk	2,800	1,500	187
Dec 31 2012 Czechowice-Dziedzice	2,500	1,500	167

Dec 31 2012 Jasło	1,976	1,500	132

Ratio of minimum base pay at LOTOS Oil to minimum national pay

	Minimum base pay (PLN)	Minimum pay in Poland (PLN)	Ratio (%)
Dec 31 2014 Gdańsk	2,600	1,680	155
Dec 31 2014 Czechowice-Dziedzice	2,652	1,680	158
Dec 31 2013 Gdańsk	2,700	1,600	169
Dec 31 2013 Czechowice-Dziedzice	2,652	1,600	166
Dec 31 2012 Gdańsk	2,760	1,500	184
Dec 31 2012 Czechowice-Dziedzice	2,491	1,500	166
Dec 31 2012 Jasło* (operations in this location started in May 2013)	2,413	1,500	161

Ratio of minimum base pay at LOTOS-Air BP to minimum national pay

	Minimum base pay (PLN)	Minimum pay in Poland (PLN)	Ratio (%)
Dec 31 2014	2,700	1,680	161

Ratio of minimum base pay at LOTOS Paliwa to minimum national pay

	Minimum base pay (PLN)	Minimum pay in Poland (PLN)	Ratio (%)
Dec 31 2014	2,760	1,680	164
Dec 31 2013	2,760	1,600	172.5
Dec 31 2012	2,760	1,500	184

Ratio of minimum base pay at LOTOS Petrobaltic to minimum national pay

	Minimum base pay (PLN)	Minimum pay in Poland (PLN)	Ratio (%)
Dec 31 2014	3,000	1,680	179
Dec 31 2013	3,064	1,600	192
Dec 31 2012	3,000	1,500	200

Ratio of minimum base pay at LOTOS Geonafta to minimum national pay in Lithuania

	Minimum base pay (LTL)	Minimum pay in Lithuania (LTL)	Ratio (%)
Dec 31 2014	1,036	1,035	100
Dec 31 2013	1,000	1,000	100
Dec 31 2012	910	850	107

Ratio of minimum base pay at Energobaltic to minimum national pay

	Minimum base pay (PLN)	Minimum pay in Poland (PLN)	Ratio (%)
Dec 31 2014	3,800	1,680	227
Dec 31 2013	3,585	1,600	243
Dec 31 2012	3,465	1,500	231

The indicator does not apply to LOTOS Norge. Under Norwegian law, there is no minimum pay.

RELATED CONTENT:

Employees

Our objective is to ensure the availability of highly qualified staff required for successful implementation of the LOTOS Group's business strategy and enhancement of the corporate culture based on adopted values. It is our priority to raise awareness and commitment among our employees and contractors to improving their work safety.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/employees>

Ethics

The LOTOS Group's Code of Ethics, which was put in place over two years ago, is the cornerstone of the organization's comprehensive Ethical Conduct Programme, designed to make business ethics the highest standard in the management of our organization.

Go to the page » <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics>

Management segment

In the management segment, we identify political, legal, reputation and social risks as well as the risk of misconduct.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/management-segment>

Results and prospects > Sustainable development > Safe workplace

Safe workplace

Data has been verified > See full text of the Independent Assurance Report

STATEMENT

Safety and health protection are among the LOTOS Group's priorities. Our key principle states that 'no job is too important or urgent that it cannot be done safely'.

Jarosław Jóźwiak
Occupational Safety and Health Office Head, Grupa LOTOS, CSR Strategy Leader in the Improvement of Health and Safety area

We consistently introduce new technical and organizational solutions with the purpose of raising the staff's awareness and commitment, and to guarantee safe working conditions to all those staying and working at our organization.

All actions we take are in compliance with Polish law, but we also monitor EU regulations as well as international standards and guidelines. In designing and implementing different OSH solutions, we apply the knowledge and experience of our employees – it is them who submit ideas for improving safety and health in their workplaces and suggest actions the employer should take to maintain a high level of safety. We also keep track of what is going on in the refining industry globally – we analyse hazardous incidents, accidents and failures, taking immediate measures to prevent similar situations at our organization. We draw on the health and safety experience of other companies and advisors to implement modern technologies and solutions improving occupational safety. We also learn from our own experience, analysing all hazardous incidents recorded on the premises of the LOTOS Group.

We have been building a strong occupational safety culture for years. We should keep in mind that an enterprise with a high safety culture is characterised by communication based on knowledge, experience, mutual trust and personal responsibility of all employees for everyday matters of safety. In our actions, we place emphasis on education, employee commitment and stimulating the involvement of management, who are obliged to guarantee safe working conditions to employees and motivate them to participate in building a positive work culture. By working closely with contractors and undertaking a number of safety initiatives, the LOTOS Group improves, both directly and indirectly, the standards of safe work also for its contractors and their subcontractors.

We trust our employees, but all the same we follow the principle of zero tolerance for ignoring rules and failing to observe requirements related to occupational safety. Having learnt the lesson from tragic industrial incidents, accidents and failures recorded all around the world, we try not to repeat them. The health and life of our employees, contractors and guests is our paramount concern, but we are aware that the work safety culture we have been arduously developing for years could be easily compromised.

In accordance with our business and CSR strategies, safety at work and health protection are priorities for the LOTOS Group, with respect to both our own employees and the employees of our cooperating partners. Particular attention is given to efforts aiming to maintain high safety standards, minimise risks and reduce accident rates.

Every year, goals and targets are set for the LOTOS Group companies aimed at improving safety at work, adopting uniform standards across the LOTOS Group, and sharing expertise and experience between the OSH specialists. Our CSR strategy in the health and safety area is based on the achievement of a key goal, which is to raise the awareness of and commitment to safety improvement among management staff and employees of all levels as well as subcontractors.

Achievement of this goal is measured by the number of completed occupational safety and health protection projects, the number of educational actions promoting safe working conditions and the LTIF rate. We advance this goal through a set of operational objectives which include:

- implementation of projects to improve safety at work and protect health,
- increasing employees' influence on the safety and ergonomics of their working environment,
- lowering the accident rate,
- building a safety-at-work culture at the LOTOS Group, based on the management's increased involvement in promotion of relevant attitudes.

> One of the main indicators of the key goal is the achievement of a required LTIF rate, which measures the number of accidents at work per million hours worked. In 2014, the LOTOS Group recorded the LTIF rate of 2.3, against 4.4 in the previous year. 21 accidents were reported, with medical leave taken in 19 cases. This means an about 46% decrease in the accident rate compared with 2013.

Last year, no severe or group accidents treated as accidents at work or confirmed occupational diseases were recorded at the organization. There was, however, one fatal accident of an employee of LOTOS Kolej, which was a result of improper securing of rail cars during shunting work. The company analysed the circumstances of the accident and strengthened supervision over the work of shunting and traction teams.

In addition, four employees of contractors performing tasks for Grupa LOTOS were involved in accidents.

Most accidents occurred when employees were moving around production units, on publicly available roads and in office buildings. Accidents in this category represented 38% of all such events. They were mostly stumbles and slips resulting in ankle or knee injuries. An additional analysis undertaken to identify the causes of accidents revealed that nearly 59% of them were directly attributable to human error, while technical and organizational factors accounted for 29% and 12% of the total, respectively.

Accidents at work

Grupa LOTOS	2012	2013	2014
Number of employees 1/	1,323	1,344	1,343
Accidents at work, including:	13 2/	12	3
Fatal	0	0	0
Women	2	1	0
Men	11	11	3
Post-accident absenteeism (calendar days) 3/**, including:**	253	302	102
Women	28	11	0
Men	225	291	102
Occupational diseases	None	None	None
Lost Time Injury Frequency (LTIF) 4/ (per 1 million hours worked)	4.3	4.5	0.9
Lost Day Rate (LDR) 5/ (per 200,000 hours worked)	0.9	0.9	0.2
The LOTOS Group 6/	**2012**	**2013**	**2014**
Number of employees 1/	4,795	4,773	4,788
Accidents at work, including:	34	39 7/	21 8/
Fatal	0	0	1
Women	5	7	2
Men	29	32	19 9/
Post-accident absenteeism (calendar days) 4/**, including:**	1,651 10/	1,238	784
Women	196	174	79
Men	1,455	1,064	705
Occupational diseases	None	None	None
Lost Time Injury Frequency (LTIF) 4/ **(per 1 million hours worked)**	3.3	4.4	2.3
Lost Day Rate (LDR) 5/ **(per 200,000 hours worked)**	0.7	0.9	0.5

1/ Average number of employees at companies reporting OSH metrics.

2/ Including 1 accident treated as an accident at work.

[3] Lost days are counted from the day when medical leave is taken.

[4] LTIF – number of occurrences resulting in inability to work x10^6/number of hours worked.

[5] LDR – number of occurrences resulting in inability to work x2*10^5/number of hours worked.

[6] Companies reporting OSH metrics in 2014: Grupa LOTOS, LOTOS Asfalt, LOTOS Kolej, LOTOS Lab, LOTOS Oil, LOTOS Serwis, LOTOS Straż, LOTOS Ochrona, LOTOS Paliwa, LOTOS Infrastruktura, LOTOS Terminale, RCEkoenergia, LOTOS Biopaliwa, LOTOS Petrobaltic. In 2012–2013, LOTOS Tank (currently LOTOS-Air BP) was also taken into account, but due to ownership changes it has been excluded from the list.

[7] In 2013, the LOTOS Group recorded 39 accidents at work (including 5 accidents treated as accidents at work), with medical leave taken in 36 cases.

[8] In 2014, the LOTOS Group recorded 21 accidents at work, with medical leave taken in 19 cases.

[9] Including one fatal accident at LOTOS Kolej in Gdańsk.

[10] Including 380 days of absence due to accidents which occurred in 2011.

A downtrend in the LTIF rate within the LOTOS Group proves we have been taking appropriate prevention measures. It should be noted that a considerable part of our staff perform particularly hazardous work in such places as workshops, active production units, offshore rigs, chemical laboratories or railway tracks. We therefore treat occupational safety as our priority, especially by implementing solutions which go beyond the legal requirements and draw on the world's best practices in OSH.

In 2014, we pursued our objectives through:

- checks of workplace safety standards at the LOTOS Group companies operating in Poland,
- information and education campaigns promoting workplace safety,
- development of uniform standards on making contractors and guests aware of risks at our companies,
- implementation of the OSH Portal of the LOTOS Group, an electronic tool for monitoring accidents at work and hazardous situations recorded at the organization,
- educational materials concerning accidents at work,
- internal training sessions for the LOTOS Group management to remind them of their OSH responsibilities and duties,
- selection of the safest company and the safest production plant of the LOTOS Group – the titles were awarded to LOTOS Biopaliwa and the Railcars Loading Complex, respectively.

We place emphasis on prevention and education, by means of training, awareness and preventive initiatives designed to minimise the consequences of diseases which may affect our staff.

Every year, Grupa LOTOS monitors the health of its employees, while also providing them with preventive medical care in line with applicable laws. In 2014, no occupational diseases were reported or suspected at the Company.

In 2014, we undertook additional preventive healthcare initiatives for employees of the LOTOS Group, by organizing:

- **the 5th Day for Safety and Health at Work**, which involved **a preventive campaign focusing on anti-cancer tests**. Interested employees were able to undergo tests and consult medical professionals. Workshops for women and men, 'Mysteries and myths of cancer' and 'Cervical cancer prevention and breast self-examination' were also organized;
- **training courses on the correct use of automatic AED defibrillators** located in publicly available areas on the premises of Grupa LOTOS in Gdańsk;
- **practical training for employees of the production area as part of the First-Aid Rescue Team**. The course was held in training rooms and at production units. Thanks to regular exercises, employees are prepared to provide aid to their colleagues when accidents occur;
- **fire training involving fire-extinguishing equipment (fire extinguishers, mobile trolley units) and first-aid provision** for employees participating in periodic OSH training courses irrespective of their position and type of work;
- **training on correct response to industrial failures**, including evacuation exercises, which makes employees aware of how to leave an endangered area safely and quickly;
- **education events** concerning issues such as diabetes prevention, healthy lifestyle, first aid, physical activity and exercises, office ergonomics, organization of work in the working environment, safe use of chemical substances and noise protection;
- **health-related publications, brochures and posters** concerning cancer prevention;
- **identification of threats and assessment of occupational risks in the working environment**, i.e. thorough examination and assessment of threats that might occur at work. This systematic assessment allows to continuously monitor whether threat mitigation measures applied at a specific work station are adequate;
- **employees are made aware of chemical hazards** every time a new chemical substance is introduced in the workplace. Our constantly updated electronic record contains safety data sheets and information on the products and chemicals of Grupa LOTOS, and those purchased to support the Company's operations. This solution enables almost immediate retrieval of information on chemicals (their chemical properties, required protection measures, methods of use or storage) to employees who come into contact with such substances in the course of performing their duties. Apart from safety data sheets and product information, the record includes details concerning the classification of individual substances. By looking at the list of safety data sheets, it is possible to easily identify substances causing specific threats;
- **using appropriate collective and individual protection measures** in working environments which may negatively impact an employee's health. Each employee is equipped with protective clothing and personal protection equipment.

Best practice

Concerned about the safety of its employees, in 2014 LOTOS Paliwa organized a second-degree Safe Driving course for the employees whose duties involve frequent business travels as part of the working relationships with representatives of the LOTOS service station chain. The course was attended by 110 persons.

The purpose of the specially designed course was to ensure a higher level of safety to persons who not only must be excellent drivers, but sometimes must perform their business duties while driving. The programme included a refresher course on the key rules of safe driving, correct turning techniques, emergency braking, lane changing in demanding road conditions and recovering from a skid. It ended with a performance test to check the participants' knowledge.

The second-grade Safe Driving course was a follow-up to the first-grade Safe Driving course organized in 2013. Both courses were conducted by the Driving School of Michał Kościuszko, a racing driver.

The participants' driving safety has improved thanks to the course. Since the beginning of 2014, no road accidents involving the LOTOS Paliwa's employees have been recorded. In the evaluation questionnaires, the course participants rated the training very highly both with respect to the content and to its organization.

As part of improving our OSH activities, we launch a number of initiatives in partnership with external stakeholders. Such initiatives include:

- cooperation with research institutions, e.g. through a project of learning from actual events occurring at the refineries of Statoil Norway and Grupa LOTOS;
- cooperation with a view to improving occupational safety in the oil and gas industry, in accordance with the declaration signed at the General Labour Inspectorate in 2011 by Grupa LOTOS and other sector companies, The declaration includes a statement of cooperation with the aim to continuously improve and maintain a high level of safety at work in the oil and gas industry. Its signing marked the beginning of partnership between the sector's major companies: Grupa LOTOS, PKN Orlen, PGNiG, PERN and OLPP;
- joint, regular exercises involving response to crisis situations (industrial failures) and evacuation, performed together with external units of the National Fire Service or the Police,
- sharing OSH experience with representatives of other external companies,
- participation in external conferences in the role of speakers promoting a culture of occupational safety and sharing their experience.

At Grupa LOTOS, there is an **Occupational Safety and Health Committee (OSH Committee)**, serving as an advisory and consultative body to the employer. It is composed of employer representatives, an occupational physician and workforce representatives selected by trade unions active at the Company.

The Committee reviews working conditions, evaluates the status of occupational safety and advises on measures to be taken by the employer to prevent accidents at work and occupational diseases.

In 2014, the OSH Committee was involved in a review of the working conditions at the Railcars Loading Complex and at the Hydrogen and Sulfur Production Complex of Grupa LOTOS. It also discussed other matters including:

- occupational risk scorecards for individual positions,
- the content of procedures and instructions, e.g. on running OSH training courses, reporting and investigating accidents, use of scaffolding, etc.

Improvement plans

We are consistent in setting ourselves new goals and tasks to make LOTOS a leader of safe work not only in the chemical and refining industries, but also among all Polish employers. Our short-term plans include:

- implementation of the Lockout-Tagout safety system for certain types of work at all the Company's production plants,
- implementation of a risk assessment methodology for hazardous situations registered at the LOTOS Group,
- implementation of a workstation self-check system based on thematic checklists,
- development of an electronic tool for monitoring the work safety system (the OSH Portal of the LOTOS Group),
- revision of OSH and fire safety requirements and standards for contractors,
- consultations within the OSH Committee aimed at reviewing working conditions, periodic assessment of occupational safety and health status, giving opinions on measures undertaken by the employer to prevent accidents at work and occupational diseases, making proposals to improve working conditions and cooperating with the employer in fulfilling its safety and health obligations,
- running regular training courses for employees on the correct use of automatic AED defibrillators,
- modification of the programme of exercises teaching employees how to respond to accidents at work, chemical hazard alerts and evacuation, and conduct of emergency drills using simulated threats,
- implementation of a methodology for calculating accident costs taking into account technical, organizational and human causes, in all companies of the LOTOS Group.

RELATED CONTENT:

Operational (refining) segment

In the operational (refining) sector, we identify operational risks related to the refinery and environmental risks, including risks related to carbon emission caps.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/operational-refining-segment>

Employees

Our objective is to ensure the availability of highly qualified staff required for successful implementation of the LOTOS Group's business strategy and enhancement of the corporate culture based on adopted values. It is our priority to raise awareness and commitment among our employees and contractors to improving their work safety.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/employees>

Environmental impact

Data has been verified > See full text of the Independent Assurance Report

The business activity of the LOTOS Group involves significant environmental impacts, through emissions of pollutants into the air, generation of waste, use of water and discharge of effluent to waterways or into the ground. The scale and nature of our environmental impacts are regulated under the environmental protection laws. In connection with their activities, companies of the LOTOS Group hold a number of permits, including integrated permits, which regulate the operational and environmental aspects of the LOTOS Group installations.

We have taken a strategic approach to minimising our environmental impacts, which is why the Grupa LOTOS refinery, our major plant, is now one of the most environmentally friendly refineries in the territory of the European Union, Switzerland and Norway. The switchover to natural gas as the key fuel for the Grupa LOTOS refinery in 2012, accompanied by other investments reducing energy consumption, such as the construction of a flare gas recovery unit and installation of new furnaces in the gasoline and lubricating oil units, reduced the sulfur and dust emissions from the CHP plant down to almost zero and brought the carbon emissions to levels seen only at the best European refineries. The refinery's advanced environmental solutions have curbed our environmental impacts while delivering notable financial benefits, in the form of lower fees for the use of the environment, resulting from our commitment to reducing the amount of emitted pollutants.

Gas emissions are the most critical source of environmental nuisance caused by our plants, both for their immediate environment and areas located further away. Therefore, we are increasingly concerned to ensure that the processes involving greenhouse gas emissions are based on the best available technologies and practices reducing the amount of emissions.

2014 was another demanding period for the EU Emissions Trading Scheme (EU ETS) and its participants. The European Commission commenced legislative work to introduce a permanent mechanism balancing the demand for and supply of emission allowances, which would result in structural changes of the EU ETS. The discussions and negotiations related to the proposed reform of the EU ETS commenced in autumn 2014 and are continued in 2015. A temporary solution consisting in postponing the auctioning of a part of CO_2 allowances to stimulate an increase in their price (back-loading) was agreed in February 2014. The first auction with allowance volumes reduced as part of the back-loading mechanism was held in March last year. The back-loading and the European Commission's legislative work on the proposed reform led to an increase in the prices of EUA in 2014. What it means to the EU ETS participants is that if they do not take steps and make investments to reduce the amount of emissions from their installations, they will have to incur the costs of offsetting the emissions with a higher price of CO_2 allowances. (See more <http://raportroczny.lotos.pl/en/risk-and-opportunities/management-segment#legal-risks>)

As in previous years, the only greenhouse gas generated by Grupa LOTOS was carbon dioxide emitted in the process of burning fuel in furnaces and boilers, steam cracking of light hydrocarbons in hydrogen plants and burning of hydrocarbons in flare stacks.

The emission amounts are assessed on the basis of measurements of burnt fuels, feedstocks or flared hydrocarbons, and the corresponding emission rates calculated on the basis of laboratory analyses or reference values.

The emissions reported by Grupa LOTOS for 2014 are significantly higher than those for 2013, which is attributable to a month-long maintenance shutdown in the first half of 2013.

Type of CO_2 emissions in Grupa LOTOS [thousand tonnes per year]

Type of emission	2012	2013	2014
Direct	1,979	1,689	1,820
Indirect	400	373	411
Total	2,379	2,062	2,231

The only source of indirect emissions in Grupa LOTOS is the purchase and use of electricity.

Greenhouse gases emitted by the LOTOS Petrobaltic offshore rigs are produced in the process of burning diesel oil and other fuels in power systems, steam boilers and crane engines. All gas produced on the 'Petrobaltic' rig is burned in flare stacks, which are designed to minimise the emissions of harmful substances. All of its CO_2 emissions come from the combustion of natural gas and fuel oil in the generation of electricity and heat. Natural gas extracted from under the Baltic Sea bed does not contain any chemical compounds or substances the combustion of which could produce emissions of any greenhouse gases other than CO_2. The methane which is a component of fuel gas is burnt up and is not emitted into the atmosphere. Other products of gas separation do not contain greenhouse gases and do not produce emissions of any gases other than CO_2 when used by end users.

Emissions of gases produced in the course of exploration and production operations are not regulated under the Polish or international law, and so are not monitored.

CO_2 emissions in 2014 [tonnes]	Amount
LOTOS Petrobaltic - excluding offshore activities*	1,076
Energobaltic (CHP plant in Władysławowo)	12,747

* Operations in the Polish Economic Zone are not subject to reporting to the National Centre for Emissions Balancing and Management (KOBiZE).

2014 was one more year in which we did not use any ozone-depleting substances. The only substance with such properties is Halon 1302 in the fixed fire extinguishing system on the LOTOS Petrobaltic rig. There, Halon is kept in sealed bottles and was not released in 2014. Its import and use have been authorised under a licence granted by the European Commission. Use of this type of Halon is permitted in installations such as the one on the LOTOS Petrobaltic rig until 2020.

In 2014, we did not offer for sale any products which, when put to use, would produce or emit any ozone-depleting compounds, neither do we offer such products now.

2014 saw a continued effort to maximise the switchover from heavy fuel oil to fuel gas and natural gas in our refinery and the CHP plant in Gdańsk. Natural gas was still used as feedstock in the production of hydrogen. Further reduction of CO_2 emissions from Grupa LOTOS installations was made possible as a result of upgrading the fourth, and thus the last, boiler at the CHP plant. All the CHP plant boilers are now finally adapted to burning natural gas.

As a result of these investments, the emission intensity of our installations, expressed in kg CO_2/CWT, dropped to 30.0 from 30.4 in 2013. It is worth noting here that in 2014 we came even closer to the European benchmark of 29.5 kg CO_2/CWT, attained by only 10% of Europe's least emission-intensive refineries.(See more <http://raportroczny.lotos.pl/en/business-strategy-and-model/environment>)

Under the integrated permit, Grupa LOTOS is required to monitor its emissions of sulfur dioxide (SO_2), nitrogen oxides (NO_x), and particulate matter (PM). The permit specifies the maximum permissible emissions separately for the CHP plant and the refinery in Gdańsk.

In compliance with the legal requirements applicable to this type of installations, the CHP plant features a continuous measurement system, for ongoing monitoring of pollutant concentration in exhaust gases to estimate the amount of emissions into the air.

The legal requirements applicable to the refinery are less strict. There, emissions are measured from each process emitter twice a year, during the heating and non-heating season, by a specialist company.

Despite the maintenance shutdown in 2013, 2014 saw a drop in sulfur dioxide emissions. It was possible thanks to the fact that in July 2014 we ceased burning heavy fuel oil at the CHP plant, while its use in the refinery was reduced to a minimum. Natural gas became the main fuel for the CHP plant, and fuel gas – for the refinery.

Pollutant emissions in Grupa LOTOS [tonnes per year]:

Substance	2012 E_s	2012 E_d	2013 E_s	2013 E_d	2014 E_s	2014 E_d
SO_2	3,370	6,342	548	5,169	313	5,169
NO_x	1,308	2,501	843	2,264	927	2,264
PM	264	461	91	366	96	366

E_s - actual level of emissions from Grupa LOTOS installations
E_d - permissible level of emissions

Pollutants emitted from the LOTOS Petrobaltic Group installations are produced in the process of burning fuels.

Pollutant emissions in the LOTOS Petrobaltic Group* [tonnes per year]

Substance	2012	2013	2014
LOTOS Petrobaltic			
SO_2	0.007**	4.53	527.47
NO_x	0.30**	26.88	2,458.70
Dust	-	2.88	452.16
LOTOS Geonafta			
SO_2	0.40	0.46	0.39
NO_x	4.00	2.95	2.50
VOC (volatile organic compounds)	100.00	69.54	68.84
Dust	3.00	0.29	0.24
Energobaltic			
SO_2	0.10	0.004	0.013
NO_x	11.90	11.23	12.20
Dust	0.20	0.005	0.11

* LOTOS Norge did not conduct any operational activities.
** Emissions excluding offshore activities.

In 2014, members of the local community who watch the flare stacks of our refinery in Gdańsk could see a regular flame at the top only occasionally. A series of minor investment projects and enhancements implemented during the maintenance shutdown, combined with the launch of a flare gas recovery unit in 2013, allowed us to significantly decrease the amount of flare gas.

Amount of discharge – amount of flare gas in Grupa LOTOS [thousand cubic metres per year]

Source	2012	2013	2014
Flare stack 3500	19,388	16,363	5,594
Flare stack 3550	3,603	5,499	4,069
Total	22,991	21,862	9,663

In July 2014, we carried out optimisation work in the refinery's Hydrocracking Unit, which resulted in shutting down one of its three process furnaces. It has enabled us to use process heat in the hydrocracking process rather than energy generated by burning fuels. On the basis of available process data, we estimate that fuel consumption at this installation has dropped by ca. 10%.

Thanks to some new measurement points placed throughout the refinery, corrective measures were taken in spots with high consumption of workshop air. As a result, the refinery's requirement for this medium dropped by ca. 50% (900 Nm^3/h) within a short period of time. We also managed to permanently reduce the amount of active electric power consumed by the compressors by 126 KW.

In 2014, we developed and implemented energy efficiency guidelines for the planning of all investment activities. The document entitled 'Energy criteria applicable to projects, repair works and procurement of products and services at Grupa LOTOS' was incorporated into the Integrated Management System.

Direct energy consumption of Grupa LOTOS in 2014, by primary energy source [GJ]

Item	Direct, purchased energy	Direct, produced energy	Direct, soldenergy	Direct, totalenergy consumption
Natural gas	9,606,628			**9,606,628**
Fuel gas		10,761,377	141,164	**10,620,213**
Residual gas		3,527,961		**3,527,961**
HSFO+Bleed fuel oil		0		**0**
LSFO	0	885,398		**885,398**
Light fuel gas (HON)		2,931		**2,931**
Electricity			0	**0**
Heat			106,290*	**- 106,290**
Total	**9,606,628**	**15,177,667**	**247,454**	**24,536,841**

* - 106,290 GJ represents primary energy consumed to produce sold heat (usable forms of energy) in the amount of 89,103 GJ.

Indirect energy consumption of Grupa LOTOS, by primary energy source - energy purchased from the National Power Grid [GJ]	2012	2013	2014
	4,407,590	4,036,944	4,342,487

Electricity purchased	MWh	491,666
	GJ	1,769,998
Primary energy used for production of purchased electricity (indirect)	GJ	4,342,487

Gas separated from the formation fluid on the production platform is pumped via a gas pipeline to the Energobaltic gas power station, where it is converted into energy.

The main source of energy used on drilling platforms is diesel oil, delivered by supply vessels. Production platforms also use natural gas, extracted together with oil. On drilling platforms, energy is generated by a system of engines and generators running on diesel oil, which meets the legal requirement of less than 1% sulfur content, applicable since January 2015.

The generated energy is distributed across the platform by means of power equipment. On the Baltic Beta platform, energy is additionally generated by gas turbines running on gas separated from the formation fluid, composed chiefly of crude oil. The energy turbine powers the entire Baltic Beta platform and the PG-1 wellhead platform, while the other turbine drives a pump injecting water into the reservoir. LOTOS Petrobaltic's offshore units were powered by fuel containing 0.1% of sulfur as early as in 2014. In LOTOS Geonafta, energy on the rigs is produced by a diesel generator.

Direct energy consumption of LOTOS Petrobaltic in 2014, by primary energy source [GJ]

Item	Direct – purchased energy	Direct – produced energy	Direct – sold energy	Direct – total energy consumption
Natural gas	5,023	941,873	663,615	283,281
Diesel oil	153	0	0	153
Total	**5,176**	**941,873**	**663,615**	**283,434**

Direct energy consumption of LOTOS Geonafta in 2014, by primary energy source [GJ]

Item	Direct – purchased energy	Direct – produced energy	Direct – sold energy	Direct – total energy consumption
Natural gas	2,559	0	0	2,559
Fuel gas	0	17,606	0	17,606
Diesel oil	20,987	0	0	20,987
Total	**23,546**	**17,606**	**0**	**41,152**

In Energobaltic, gas is used to generate heat in heating boilers. Natural fuel gas is obtained in the process of separation of waste natural gas. This fuel is used for co-generation of heat and electricity, as well as for heat generation in boilers. The medium which carries the heat transferred, for a payment, to end users of the municipal heating network in Władysławowo, is hot water.

Direct energy consumption of Energobaltic in 2014, by primary energy source (GJ)

Item	Direct - purchased energy	Direct - produced energy	Direct - sold energy	Direct - total energy consumption
Natural gas type E (GZ 50)	10,353	0	0	10,353
Natural fuel gas (dry)	0	297 538	0	297,538
Light fuel oil	357	0	0	357
Electricity	0	62,215	59,582	2,633
Heat	0	131,888	103,055	28,833
Total	**10,710**	**491,641**	**162,637**	**339,714**

Indirect energy consumption of the LOTOS Petrobaltic Group, by primary energy source [GJ]

	2012	2013	2014
LOTOS Petrobaltic			
Energy purchased for the land base's operations	6,398	5,948	6,085
LOTOS Geonafta			
Energy purchased for administrative purposes	4,465	1,256	1,224
Energy for production purposes	12,071	11,826	13,493
Total	**16,536**	**13,082**	**14,717**
Energobaltic			
Electricity purchased	25,776	26,539	29,165

Materials used

The main raw materials used in exploration and production drilling include drilling mud components and cement used to bind casing to the drilled rock. LOTOS Petrobaltic does not use oil-based muds for drilling, and relies only on water-based muds.

The main raw materials used in the production process also include chemical substances added to the formation and produced water pumping system and materials used as filter inserts. Formation water is saturated brine, mostly chlorine, sodium and calcium brine.

In order to protect the Baltic Sea, LOTOS Petrobaltic re-injects produced water back into the field. This solution does not interfere with the marine environment or with the field formation. The Baltic Sea is particularly sensitive, which is why operations on the Baltic Sea are governed by rigorous regulations. Consequently, the parameters of water around the platforms have to be continually monitored to ensure that they meet the relevant environmental requirements.

Raw materials and consumables used by the LOTOS Petrobaltic Group, by weight and volume

LOTOS Petrobaltic

Injected and formation water	2012 [tonnes]	2013 [tonnes]	2014 [tonnes]
Biocides	8.90	10.17	5.57
Coagulants	2.11	1.69	2.60
De-emulsifiers	6.55	8.84	5.23
Other	2.35	15.16	48.41
Total	**19.91**	**35.90**	**61.81**
Drilling mud			
Bentonite	4.66	19.3	3.50
Salts (drilling mud and packer fluid)	54.39	78.8	55.00
Hydroxides	3.09	2.9	2.60
Other (for maintaining appropriate properties - viscosity, filtration, etc.)	18.17	22.8	34.39
Total	**80.31**	**123.80**	**95.49**
Cement slurry			
Cement	217.45	430.6	224.16
Processing agents	1.84	14.4	29.97
Total	**219.29**	**445.0**	**254.13**
Total use	**319.51**	**604.7**	**411.43**
Substances used in the transport of gas from platform through pipeline to Władysławowo			
Methanol	**5.66**	**8.08**	**9.18**

LOTOS Geonafta

Substances used in the drilling process	2012 [tonnes]	2013 [tonnes]	2014 [tonnes]
Acid inhibitors	3.83	6.95	3.66
Drilling mud additives	60.03	111.40	136.34
Polymers	30.56	48.31	57.65
Blockers	54.95	29.25	48.80
Lubricants	2.03	1.40	1.20
Cement	62.02	162.42	200.12
Extraction additives	25.21	111.40	-
Total	**238.63**	**471.13**	**447.77**
Substances used in the production process			
Corrosion inhibitors	0.88	2.16	1.71
De-emulsifiers	23.42	29.28	25.11
Oxidants	0.60	0.20	0.20
Total	**24.90**	**31.65**	**27.02**
Total use	**263.53**	**502.78**	**474.78**

Energobaltic

Stage I - Gas Compressor Station	2012	2013	2014
Input material: waste gas [Nm^3]	10,350,433	9,790,352	10,884,082
Indirect production material: methanol [l]	11,400	10,200	11,600
Stage II - Gas/Input Material Separator Station			
Input material: waste natural gas (wet) for LPG production [tonnes]	5,332.4	4,966.58	5,474

Input material: natural gas condensate	1,550.5	1,613.51	1,719
Obtained natural fuel gas (dry) as a fuel for heat and electricity generation [Nm3]	5,572,326	5,250,374	5,950,766

Raw materials and consumables used by Grupa LOTOS, by weight and volume [tonnes]

Raw materials	2012	2013	2014
Crude oil	9,673,647	8,702,622	9,545,307
Raw materials and components	833,610	834,114	909,379
Enhancing additives	2,091	1,994	1,980

Water consumption

The refinery in Gdańsk draws process water into a retention tank with a capacity of 350,000 m^3, constructed in the Motława oxbow lake. Underground water is sourced from Cretaceous and Quaternary formations. Cretaceous water is an important source of water for human use. Because of its quality, Quaternary water is used solely for industrial purposes and not classified as a material source of water.

The economic use of water resources is based on relevant water use and integrated permits. Analyses of the environmental impact of our water abstraction confirm that it does not affect any protected sites or areas of great environmental value, and that the amount of water abstracted is substantially below permitted volumes.

Total freshwater abstracted by Grupa LOTOS, by source [m^3/year]

Source	2012	2013	2014
Underground water	189,217	162,511	156,161
Surface water	3,532,113	3,574,791	3,454,532
Total	3,721,330	3,737,302	3,610,693

Grupa LOTOS processes consuming large quantities of water

	2012	2013	2014
CHP plant - utilities production	2,936,080	2,778,592	3,053,329
Refinery – circulatory cooling water	1,503,995	1,418,925	1,444,183

None of the companies of the LOTOS Petrobaltic Group are depleting water resources through excessive abstraction.

In the production process, formation fluid is withdrawn from the reservoir, and subsequently separated into crude oil, natural gas and formation water. Before the water injection system was installed on the Baltic Beta platform, formation water had been purified of oil components to a level below 15 ppm (parts per million) and discharged into the sea. At the same time, an appropriate amount of sea water was pumped into the reservoir to maintain pressure. At present, in line with the environmental requirements set forth in the Baltic Sea Action Plan, we do not discharge oily formation water into the sea, but pump it back into the reservoir in place of sea water. Since the volume of formation water does not suffice to maintain reservoir pressure, we continue to use sea water, too.

Total freshwater abstracted by LOTOS Petrobaltic, by source

	Amount of water abstracted [m^3]		
Source	2012	2013	2014
Freshwater – own intake	19,988	27,645	32,631
Freshwater – municipal water supply	1,392	2,467	4,127
Seawater	311,972	303,121	411,188
Formation water	75,712	94,366	166,752
Total	**409,064**	**427,599**	**614,814**

Total freshwater abstracted by LOTOS Geonafta, by source

	Amount of water abstracted [m^3]		
Source	2012	2013	2014
Freshwater	2,553	3,012	3,335
Water for process purposes	1,146	1,855	2,968

Total		3,699	4,867	6,303

Total freshwater abstracted by Energobaltic, by source

	Amount of water abstracted [m^3]		
Source	2012	2013	2014
Water from municipal network	5,538	4,853	4,755

Our goal is to continue to reduce the amount of water abstracted from the environment, for instance by increasing the consumption of recycled water. In 2014, the share of water recycled by Grupa LOTOS under its water and wastewater management system was high, as in previous years.

Volume of water recycled in Grupa LOTOS [m^3]

	2012	2013	2014
Industrial water produced from treated wastewater	1,254,556	1,368,844	1,374,123
Pure condensate volume	2,207,217	2,237,300	2,412,540

Total volume of water recycled in Grupa LOTOS

	Unit	2012	2013	2014
Total volume of recycled water	m^3	3,461,773	3,606,144	3,786,663
Percentage of recycled water	%	48.2	49.1	51.2

Treated wastewater from Grupa LOTOS is discharged to the Martwa Wisła river (process wastewater, oil-containing water and sanitary waste) and Rozwójka river (drainage water and rainwater). The Martwa Wisła waters in the refinery area are classified as internal seawaters, whereas the Rozwójka river is an element of the Żuławy Gdańskie hydrological improvement system and a tributary of the Martwa Wisła.

In 2014, there were no changes in the environmental classification of our receiving waters. Neither of them is protected or has high biodiversity value in the discharge area. Moreover, the long-term monitoring has confirmed that wastewater discharged by Grupa LOTOS has no material impact on them. Additionally, the operation of the refinery does not seem to negatively affect any of the habitats located in the vicinity of its discharge areas. On the contrary, a sort of natural balance has been achieved.

The separate treatment lines allow us to redirect almost the entire volume of treated oily rainwater to produce industrial water, which is fed back to the plant and reused. Only excess volumes of treated oily rainwater are discharged, together with technical and sanitary wastewater, to the receiving body.

For years, Grupa LOTOS has maintained a high quality of treated wastewater, with most indicators below 50% of the maximum levels defined in our permit.

Total volume of wastewater from Grupa LOTOS, by quality and destination [m^3]

	2012	2013	2014
Rozwójka	4,305,910	4,220,723	3,684,925
Martwa Wisła	1,293,596	1,273,851	1,198,759
Total	**5,599,506**	**5,494,574**	**4,883,684**

Treated wastewater discharged by Grupa LOTOS into the Martwa Wisła river

Indicator	Unit	2012 W_r	2013 W_r	2014 W_r	2012-2014 W_d
pH	-	7.79	7.56	7.49	6.50-9.00
Biological Oxygen Demand	mg O_2/dm^3	2.56	2.99	3.68	25.00
COD	mg O_2/dm^3	30.20	44.10	60.0	125.00
Total suspended solids	mg/dm^3	6.38	7.89	6.61	35.00
Volatile phenols	mg/dm^3	<0.005*	<0.005*	<0.005*	0.10
Petroleum ether extractables	mg/dm^3	0.74	0.73	1.64	50.00
Petroleum hydrocarbons	mg/dm^3	1.93	0.23	0.08	5.00
Total Nitrogen	mg/dm^3	2.40	4.30	5.10	30.00
Total Phosphorus	mg/dm^3	1.03	0.57	0.69	3.00
Sulfides	mg/dm^3	0.006	0.009	0.008	0.200

Nickel	**mg/dm³**	0.0102	0.0175	0.0033	0.5000
Vanadium	**mg/dm³**	0.0289	0.0191	0.0037	2.000
Aluminium	**mg/dm³**	0.0624	0.0690	0.0588	3.000

Treated wastewater discharged by Grupa LOTOS into the Rozwójka river

Indicator	Unit	2012 W_r	2013 W_r	2014 W_r	2012-2014 W_d
Total suspended solids	**mg/dm³**	10.71	9.50	7.12	35.00
Petroleum hydrocarbons	**mg/dm³**	2.15	0.74	0.20	5.00

W_r- actual average annual level

W_d - permissible average annual level

* result below the quantification limit in the analytical method used in a given year

On LOTOS Petrobaltic rigs, only treated wastewater and cooling water is discharged into the sea, with the condition of sea water around the platform monitored on a daily basis. Similarly, no wastewater produced by LOTOS Geonafta in its drilling operations is discharged directly into natural bodies of water. All process wastewater and greywater/blackwater is stored and subsequently transported to a wastewater treatment plant.

Volume of wastewater from the LOTOS Petrobaltic Group, by destination [m³]

	2012	2013	2014
LOTOS Petrobaltic			
Greywater/blackwater	7,365	7,546	13,497
LOTOS Geonafta			
Greywater/blackwater	2,553	3,012	2,842
Energobaltic			
Greywater/blackwater	1,231	617	958

All formation water produced by LOTOS Petrobaltic in the oil extraction process is pumped back into the reservoir, whereas in LOTOS Geonafta formation water is stored on the rig and then transferred for disposal.

Volume and disposal method of formation water and water produced in the oil extraction process [m³]

	2012	2013	2014
LOTOS Petrobaltic			
Water injected back into the reservoir	47,227	94,366	165,634
LOTOS Geonafta			
Formation water	180	246,333	255,081

Waste management

Grupa LOTOS complies with all national and EU regulations and decisions, making every effort to manage its waste in an environmentally safe manner.

In 2014, there was an increase in the amount of hazardous waste generated by the Company, and a decrease in non-hazardous waste volumes. The ongoing efforts to increase the depth of oil conversion and regular cleaning of tanks at the wastewater treatment plant have resulted in higher amounts of hazardous waste generated. The year-on-year difference in non-hazardous waste volumes was attributable to the completion of maintenance work at the refinery.

Waste generated by Grupa LOTOS - quantity [tonnes/year]

Waste generated by Grupa LOTOS	2012	2013	2014
Waste stored at the end of the previous year	2,195	1,777	1,409
Hazardous waste generated	6,784	6,478	8,282
Non-hazardous waste generated	5,574	6,659	5,886
Total waste generated	**12,358**	**13,137**	**14,168**
Volumes permitted by the integrated permit	89,627	89,627	89,627

Waste generated by contractors	4,154	3,170	1,512

Waste management methods applied by Grupa LOTOS - quantity [tonnes/year]

Waste management method	2012	2013	2014
Waste recycled	12,749	13,504	14,342
Waste treated or disposed of	28	0	0.14
Incineration	27	0	0
Landfilling	1	0	0.14
Waste stored on site at the end of the year	1,777	1,410	1,235
Hazardous	1,503	1,376	1,224
Non-hazardous	274	34	11

The only hazardous waste sent abroad by Grupa LOTOS are spent catalysts. In 2014, the share of hazardous waste shipped internationally remained relatively unchanged. Spent catalysts were transferred to a specialist company for recycling.

Type of hazardous waste generated by Grupa LOTOS [tonnes]	2012	2013	2014
Hazardous waste transported from external sources (from outside the LOTOS Group) to the refinery	0	0	0
Hazardous waste transported from the refinery to external sources in Poland	7,258	6,352	8,159
Hazardous waste transported from the refinery to external sources abroad	0	253	275
Total hazardous waste transported	7,258	6,605	8,433
Share of hazardous waste shipped internationally	0	3.8	3.3

In 2014, there were no leaks with a material environmental impact at any of the LOTOS Group companies.

Drill cuttings (small pieces of rock fragmented by the advancing drill bit) are the main waste product of the drilling process. Once carried to the surface, they are directed to the drilling mud treatment system. Drill cuttings do not contain any of the substances listed in Annex 1 to the Helsinki Convention. Drill cuttings with drilling mud from primary and secondary treatment are discharged to the seabed after being separated and washed, whereas drill cuttings from tertiary treatment are carried ashore and transferred to a waste management company. Each batch of disposed drill cuttings is tested for toxic content. Drilling mud, on the other hand, is recycled so it can be reused in the drilling process. When drilling mud is not suitable for recycling, it is also taken ashore and transferred to a waste management company.

LOTOS Petrobaltic platforms generate drilling waste and other waste, of which the latter is transported ashore to an authorised handler.

Waste generated by LOTOS Petrobaltic - quantity [tonnes/year]

Generated waste*	2012	2013	2014
Hazardous waste generated	11	38	189
Non-hazardous waste generated	451	644	984
Total waste generated	**462**	**682**	**1,173**

* without municipal waste

Waste generated by LOTOS Geonafta - quantity [tonnes/year]

Generated waste	2012	2013	2014
Hazardous waste generated	5	22	41
Non-hazardous waste generated	9.6	3,966	55
Total waste generated	**14.6**	**3,988**	**96**

Waste generated by Energobaltic - quantity [tonnes/year]

Generated waste	2012	2013	2014
Waste stored at the end of the previous year	-	0.07	0.146

Hazardous waste generated	0.2	0.42	0.277
Non-hazardous waste generated	0.1	0.808	0.178
Total waste generated	**0.3**	**1.30**	**0.455**

Waste management methods [tonnes/year]

LOTOS Petrobaltic	2013	2014
Waste recycled	141	89.932
Landfilling	541	20.42
Waste stored on site at the end of the year	0	0
LOTOS Geonafta	**2013**	**2014**
Waste treated or disposed of	3,988	4,288
Landfilling	0	0
Waste stored on site at the end of the year	0	0
Energobaltic	**2013**	**2014**
Waste treated or disposed of	0.65	0
Waste recycled	0.40	0
Landfilling	0.25	0.231
Waste stored on site at the end of the year, including:	0.146	0.370
- hazardous waste	0.101	0.242
- non-hazardous waste	0.045	0.128

All muds used in the drilling process are water-based – we do not use oil-based muds on the Baltic Sea. All drilling muds circulate within a closed system. Also, the drilling process generates drill cuttings, i.e. small pieces of drilled rock, containing 5%-10% of drilling mud. The amount of drill cuttings depends on the depth and diameter of a well.

The drilling muds were tested for their impact on the marine environment (a study entitled 'Determination of the potential impact of drilling mud on the marine environment of the Baltic Sea' prepared at the Gdańsk University of Technology) and considered environmentally non-toxic.

They do not contain any of the substances listed in Annex 1 to the Helsinki Convention. Drill cuttings from primary and secondary treatment are discharged to the seabed after being separated from the drill mud and washed, whereas drill cuttings from tertiary treatment are carried ashore and transported to the municipal landfill. Each batch of disposed drill cuttings is tested for toxic content. In extraordinary circumstances related to technical or technological issues, small amounts of drilling muds may be released into the sea. However, they are non-toxic and have no material impact on the natural environment. Drilling muds and drill cuttings were managed by a third party.

Total weight of waste [tonnes]

LOTOS Petrobaltic	2012	2013	2014
Drill cuttings:			
transferred as waste	-	94	170
discharged to the sea	-	1,054	1,507
Total	**68**	**1,148**	**1,677**
Drilling mud:			
in circulation	-	1,141	2,127
transferred as waste	-	340	410
recycled to be reused	-	144	447
Total	**237**	**1,625**	**2,984**
LOTOS Geonafta	**2012**	**2013**	**2014**
Drill cuttings	669	1,601	1,934
Drilling mud and process water	1,561	2,322	2,259
Total	**2,230**	**3,924**	**4,193**

In accordance with applicable regulations, the LOTOS Group companies have engaged recycling contractors for recovery and recycling of packaging introduced to the domestic market. The aggregate recovery rates for packaging waste were in line with the statutory requirements.

Sustainable transport

We seek to mitigate the environmental impact of transport services provided by or for the LOTOS Group.

Initiatives taken to minimise the environmental impact of road transport of fuel products, irrespective of the legal requirements in place, included:

- developing safety requirements for delivery sites,
- defining safe loading, unloading and transport procedures for fuels and performing regular inspections to ensure they are complied with,
- setting emergency response rules,
- checking third-party vehicles for compliance with technical requirements,
- supervising selection and training of staff responsible for transport of products.

Road and rail transport of fuel products are strictly governed by the Polish and international regulations on transport of dangerous materials (ADR and RID), designed to reduce the negative environmental impact of transport.

All bitumen and heavy fuel oil transport is coordinated by LOTOS Asfalt. In 2014, road tankers carried nearly 445 thousand tonnes of products, covering more than 5 million loaded kilometres and consuming approximately 2 million litres of fuel.

To limit exhaust emissions, the company's products are first transported to distribution centres by rail, and only then dispatched to customers in road tankers. Products in LOTOS Asfalt depots are reloaded in modern handling terminals, where harmful vapour emissions are minimised. Loading stations for road tankers are air-tight, which minimises atmospheric emissions of harmful gases, such as hydrogen sulfide. In addition, the air-tightening of connections between the loading station and tankers has substantially improved workplace safety for loading staff. The volume of loaded product is precisely measured using mass flowmeters, which ensure that the regulatory maximum total weight of a vehicle has not been exceeded. Such measures help reduce road wear from overloaded vehicles. LOTOS Asfalt hires specialist transport companies to deliver bitumens to its customers, with every contractor meeting the highest environmental and service quality standards. Such third-party transport companies operate modern fleets compliant with EU requirements, which ensure safe, competitively-priced and environmentally-friendly delivery.

LOTOS Asfalt vehicles are systematically replaced with new Euro 6-compliant truck tractors, which consume less fuel and produce substantially less harmful emissions. Vehicles used for international road transport have certificates confirming compliance with noise emission standards.

Innovative solutions and top-quality insulation materials effectively prevent temperature loss in transported bitumen. Consequently, customers do not have to reheat it before use, which substantially reduces energy consumption and environmental pollution.

In 2014, the total weight of bitumens shipped by sea was in excess of 21.5 thousand tonnes. Because of the economies of scale, sea transport helps reduce harmful emissions and fuel consumption per product unit.

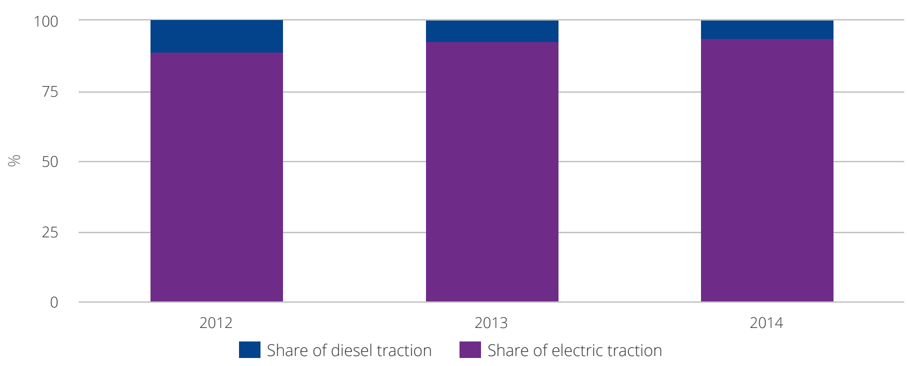
LOTOS Oil, which is also a marketing company, does not have its own fleet, relying solely on selected transport companies. During the selection process, the company pays special attention to certificates confirming compliance with a number of regulations, including environmental protection standards, as well as vehicle fleet quality. At present, most transport companies operate Euro 6-compliant trucks, which means that vehicles used to transport oil products meet the most stringent EU standards of exhaust emissions.

Transport of liquid fuels sold by LOTOS Paliwa is also outsourced to specialist companies. Out of the total volume of fuels sold in 2014, 213 thousand m^3 (5%) was transported by rail and 1,190 thousand m^3 (28%) by road tankers, with the balance collected from storage depots by customers using their own means of transport.

In 2014, no fuel spills were reported in road or rail transport.

LOTOS Kolej, which provides rail transport services to the LOTOS Group and other customers, keeps increasing the share of electric traction transport and gradually replacing diesel locomotives in an effort to protect the environment. At the end of 2014, LOTOS Kolej operated more than 100 locomotives, of which 60% were electric engines.

Share of electric and diesel traction services performed by LOTOS Kolej



Source: In-house analysis.

Due to traction issues, a portion of transport and shunting work is still carried out using diesel locomotives. In 2014, the volume of fuel used by diesel locomotives fell to 4,229 thousand litres, down 13% year on year. The volume of traction electricity used by electric locomotives operated by the company totalled 85,925 MWh.

Mitigation of environmental impact

All Grupa LOTOS fuel products meet the quality requirements prescribed by law, and in some environmentally relevant respects they even exceed the legally required standards. Consequently, the environmental impact of our fuels is well below regulatory limits.

Key products of Grupa LOTOS, which include both gasolines and diesel oils manufactured by the refinery in Gdańsk, have a sulfur content substantially below the legal threshold. The average annual sulfur content in motor gasolines and diesel oils is 3.3 ppm and 6.2 ppm, respectively, considerably below the required maximum of 10 ppm. This results in substantially lower sulfur dioxide emissions.

Substances hazardous to human health and the environment in Grupa LOTOS fuels

Substance	Unit	2012 - volume	2012 - volume (average)	2013 - volume	2013 - volume (average)	2014 - volume	2014 - volume (average)
Benzene (in gasolines)	% V/V	0.5 - 1.0	0.8	0.4 - 1.0	0.9	0.5 - 1.0	0.8
Sulfur (in gasolines)	mg/kg	1.0 - 9.9	3.9	0.1 - 7.9	3.3	0.1 - 8.7	3.3
Sulfur (in diesel oil)	mg/kg	1.4 - 9.5	5.5	2.0 - 10.0	5.5	2.7 - 9.9	6.2

Another long used method of mitigating the environmental impact of fuels is the use of biocomponents, which can be considered a renewable energy source, and therefore limit the impact of fuel combustion on the environment.

Given the requirements of the Act on Biocomponents and Liquid Biofuels, the Grupa LOTOS refinery's fuel products contain biocomponents: ethanol and ethyl tert-butyl ether are used in gasoline production, whereas fatty acid methyl esters are added to diesel oils. According to the current quality requirements for liquid fuels, the permitted ethanol and ethyl tert-butyl ether content in gasoline is 5% and 15%, respectively. Similarly, the volume of fatty acid methyl esters in diesel oils must not exceed 7%.

The total required content of biocomponents in motor fuels is set by the state. In 2013, the Council of Ministers issued a Regulation on National Indicative Targets (NIT) until 2018, whereby the NIT for 2013–2016 was set at 7.10%, which means that biocomponents must account for 7.10% of the energy content of fuels marketed in Poland.

In 2014, Grupa LOTOS was allowed to meet a lower NIT of 6.035%, having fulfilled the statutory requirement whereby at least 70% of the total biocomponent volume used for liquid fuel and biofuel production has to be supplied by producers listed in the register of the Agricultural Market Agency.

For more detailed information on the properties and composition of our fuel products, see the product descriptions and Data Sheets available on the Company's website at www.lotos.pl <http://www.lotos.pl> .
(See more <http://www.lotos.pl/126/dla_biznesu/reach>)

Data Sheets are also provided at a customer's request on LOTOS service stations.

Bitumens

LOTOS Asfalt is taking steps to eliminate the release of hydrocarbons related to production, storage and transport of bitumens, which produce olfactory nuisance, especially within the production plants. The majority of these projects were delivered in 2013. In 2014, the second stage of tank tightening was completed in Jasło and the pre-mixer of the bitumen modification unit was connected to the vapour extraction system in Gdańsk.

Investment projects were also carried out to reduce energy consumption per production unit. As a result, inverters lowering electricity consumption were mounted on circulating pumps at the Jasło and Czechowice production plants, which is to translate into annual savings of PLN 94,000.

Best practice

The lifespan of bitumens and bitumen binders may reach several dozen years, and so it is essential to assess their health and safety impacts at every stage of their life. Every project which involves the marketing of a new product includes an analysis of potential threats the product's use may pose to the environment and users.

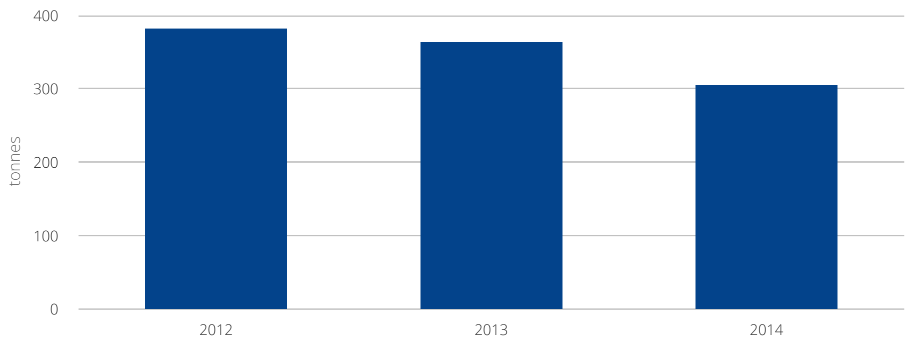
In 2014, the company launched new products, Warm Mix Asphalts (WMA), used to build hot-rolled road surfaces, which reduce energy consumption and emissions, and improve working conditions. The composition of the new bitumens is also compliant with guidelines according to which petroleum fractions should not contain additives with a negative impact on the environment and people's safety.

As far as bitumen products are concerned, the industry is discussing the issue of harmful effects of bitumen fumes generated when the product is used in high temperatures. Although there is no scientific evidence proving such harmful effects, and, according to binding regulations, petroleum bitumens are not classified as hazardous substances, LOTOS Asfalt in its materials (Information Sheets concerning substances or components of mixtures which do not require Safety Data Sheets) presents the latest recommendations related to safe use of the products. To ensure their safe use, safety enhancement measures have also been extended to transport and distribution. The company's employees have access to manuals and videos on how to safely handle bitumens during loading, unloading and transport, while providers of transport services are assessed for compliance with safety standards.

Rail operations

In 2014, LOTOS Kolej streamlined the rail car cleaning process, bringing down the washing time by nearly 30% and reducing the temperature of washing water, which resulted in energy savings and lower waste emissions. The sources of light on the railway siding in Gdańsk were replaced in order to limit electricity consumption. As a consequence, energy consumption dropped by 30%.

Waste generated by LOTOS Kolej (tonnes)



Source: In-house analysis.

Thanks to efficient sorting of municipal and industrial waste, accompanied by growing staff awareness, the amount of waste generated in 2014 was 16% lower than a year before.

LOTOS Kolej considers safety as one of its priorities, given the character of its services involving permanent contact with hazardous chemical substances. The company tries to mitigate all identified threats by introducing various security measures and monitoring. For instance, all locomotives in service are equipped with monitoring devices which reduce the risk of accidents.

Cases involving rail traffic are considered the biggest threats. Thanks to preventive measures, in 2014 LOTOS Kolej recorded only two cases of a second degree threat to process safety, namely a leak of fuel oil from heating equipment of a tank car standing near a loading station and a leak of gas (butane) during the loading of a tank car near a LPG loading station. Emergency procedures and additional security measures were introduced to minimise the negative consequences of any incidents.

Oils

The environmental impact of products and packaging produced by LOTOS Oil is greater after the end of their useful lives than during the production process. In 2014, a recycling organization, on the company's behalf, ran public education campaigns on the subject. We also joined an agreement with the Marshal of the Province of Gdańsk to create and maintain a system of collection, transport, recycling or disposal of packaging waste from hazardous substances.

In 2014, the branch in Czechowice-Dziedzice was working on solutions to limit soil, surface water and groundwater contamination by its materials or products, and reduced heat emissions from its production units. At the branch in Gdańsk, the source of cooling for packaging production was replaced.

Best practice

Certain lubricants and oil products are treated as environment-unfriendly or even harmful to human health. They are, therefore, subject to statutory classification and labelling. The most extensive document addressing these issues is a *Safety Data Sheet for a Product / Substance or Information on mixture components* (for non-hazardous products). The obligation to apply these documents is imposed by REACH, a Regulation of the European Parliament and of the Council.

Manufacturers of chemical substances and mixtures are obliged to hand such documents over in their supply chains and to register their chemical products with the European Chemicals Agency. Furthermore, the labels of packed products must have symbols (pictograms) specifying the nature of threats involved.
Under these requirements, nearly 40% of the LOTOS Oil products have special labels.

In line with LOTOS Oil's product policy, some products marketed by the company exceed the statutory requirements with respect to environment and health protection. The QUANTILUS T50 and QUANTILUS 60 plasticisers, placed on the market over the last three years, may serve as a case in point, since they meet all requirements related to mutagenicity level and content of carcinogenic agents, as confirmed by independent laboratories. Another example is the upgrading of motor oil lines in accordance with the ACEA specifications, requiring such products' conformity with the exhaust after treatment systems in passenger cars and trucks.

At LOTOS Oil, all irregularities in the operation of production units whose escalation might result in industrial failures are reported and immediately eliminated, in compliance with the approved plant engineering practice. The company has in place a procedure for responding to failures and emergency situations to ensure efficient and effective crisis management, including by containing and minimising their impacts on people's health and lives, and on the environment.

In 2014, one case of uncontrolled substance release into the environment was reported. All facilities and units were inspected for the presence of such threat, and measures to eliminate the risk in the future were taken. 22 cases of a second degree threat to process safety were also recorded.

Fuels

In 2014, LOTOS Paliwa continued to invest in mitigating the environmental impact of LOTOS service stations. To protect the environment against spills of petroleum products into the ground and groundwater, worn fuel pumps were replaced at selected locations. A number of upgrades to the stations' infrastructure were also carried out to mitigate their environmental emissions and improve other aspects.

To guarantee access to information on the impact of its products on the environment and customers' health, LOTOS Paliwa provides Safety Data Sheets, which include information on the hazardous properties of substances or mixtures, and on the rules and recommendations concerning their safe use. The same is done in the case of products sold at service stations, where substances requiring Safety Data Sheets account for 5% to 15% of the total number of products.

The company sells and delivers fuels to retailers (service stations) and wholesalers. Fuel deliveries by road are supervised and coordinated by employees of LOTOS Paliwa, but executed by subcontractors. In 2014, no threats were recorded to process safety in fuel transport outsourced by the company.

The safety of fuel sale at service stations is supervised, monitored and assessed at every stage. This applies to design, construction, reconstruction or purchase of service stations, technical supervision over the infrastructure of own (CODO) stations, monitoring and reporting of hazardous situations, procedures in case of emergencies and accidents, customer service and fuel sale.

The safety of fuel sale at service stations is monitored and assessed during OHS inspections, technical audits, safety inspections, service station audits carried out by relevant Area Managers, and the system for reporting and investigating hazardous situations. The assessments result in improvements or implementation of new procedures and in corrective or preventive measures designed to reduce the risk of threats and mitigate their effects at service stations.

In 2014, one case of a serious threat to process safety, which involved damage to an LPG installation at a service station, and 29 cases of a second degree threat were recorded at LOTOS Paliwa. All the hazardous situations were analysed by station managers and reported to the company's OHS Team to take preventive measures.

Upstream

One of the most important aspects of upstream operations is to protect the environment from contamination. We make every effort to avoid spills and mitigate the environmental impact of chemicals used in drilling. We also take measures to eliminate the risk of failures and, should they occur, mitigate their possible consequences. Pollution levels are constantly monitored to ensure safety. The bottom sediments and sea water within the range of a platform's environmental impact are tested for the contents of hydrocarbons and other pollutants.

Once a year, LOTOS Petrobaltic carries out an oil spill response drill, often in cooperation with the Maritime Search and Rescue Service (SAR) and the Maritime Office in Gdynia. In 2014, the drill was held on the B3 field to exercise an oil spill recovery operation during transshipment of crude oil from one tanker vessel to another.

Our activities comply with the 'Oil Spill Response Plan for Spills Resulting from Exploration and Production Work Conducted within LOTOS Petrobaltic's licence areas', agreed upon with the SAR and approved by the Head of the Maritime Office in Gdynia, which was updated in 2014. Additionally, we have emergency procedures in place, to be followed for example in the event of an eruption, and each platform has its own 'Oil Pollution Emergency Plan'.

To minimise the risk of gas leakage, we perform regular preventive check-ups. Platform crews monitor the operating parameters of installations on an ongoing basis to eliminate the risk or minimise the consequences of the opening of a pressure relief valve. If the maximum permissible parameters are exceeded, system operators take appropriate preventive measures.

For the purpose of fire prevention, we have implemented rules to minimise the risk of accidental fire during work and rest time on platforms. For example, one of the rules is that works entailing a potential risk of fire are permitted only upon authorisation. Smoking is prohibited on platforms and in port facilities, outside of designated areas, and use of open fire is prohibited in all buildings. All the rules applicable in the facilities are set out in a dedicated guide. Additionally, to mitigate risks related to the activities of our subcontractors, each subcontractor agreement includes a Safety Annex, the provisions of which are binding to all representatives of subcontractors working in our port facilities and on our platforms.

Moreover, we have carried out a review of the installations to be deployed on the 'Petrobaltic' platform, which is currently under alterations. It has allowed us to identify the risk of an accidental substance release into the environment and implement solutions minimising this risk as early as at the design and assembly stage.

In 2014, no events were recorded at the LOTOS Petrobaltic Group where process safety would be compromised by an accidental or uncontrolled release of substances, including non-toxic or non-flammable materials, into the immediate environment.

Assessment and prevention

The activities carried out in our key locations and products of Grupa LOTOS meet very strict legal requirements, including those which relate to the use of best available techniques (BAT) in the refining sector, as well as applicable product standards. In regular operating conditions, our products have no impacts on biodiversity of protected areas or other areas of high biodiversity value. The refinery itself is also neutral in this respect, because areas of high biodiversity value are located at a significant distance from the plant.

Some important locations of the biological network in the vicinity of the refinery include the Martwa Wisła, Czarna Łacha and Motława together with its oxbow lake. There are also legally protected areas at a certain distance from the refinery. Our retention reservoir in the village of Przejazdowo lies in the proximity of the Żuławy Gdańskie Protected Landscape Area, and to the east of the refinery is the Sobieszewo Island Protected Landscape Area. In close proximity of the refinery are the Ptasi Raj and Mewia Łacha nature reserves, as well as Natura 2000 sites: 'Zatoka Pucka', 'Ujście Wisły' and 'Ostoja w Ujściu Wisły'.

Best practice

Until recently, we had no information on biodiversity of the refinery grounds and surrounding areas. Surveys were taken for the purpose of planned investment projects; however, they failed to deliver any representative data on the condition of the natural environment in the area of the Company's direct environmental impacts, or on how the refinery's operation affects the surrounding wildlife.

In 2014, we commissioned a voluntary comprehensive wide-area survey of wildlife, covering the parts of the Gdańsk and Pruszcz Gdański municipalities where Grupa LOTOS operates or which may be directly affected by its operations.

The survey covered the refinery grounds (2.5 km^2), areas surrounding the refinery (approximately 12.1 km^2), and the area of the Company's retention reservoir in Przejazdowo (2.4 km^2, 2.5 km from the boundaries of the complex). The product of the survey was a report detailing all the identified fungi, lichen, plant and animal species, with a particular focus on species or natural habitats protected by Polish and EU laws.

The report contains an assessment of our impacts on various significant or valuable components of the environment, and specifies ways to minimise them. The components identified as particularly valuable or sensitive to anthropogenic pressures include locations which will be surveyed regularly to monitor changes in the refinery's environmental impact.

A wildlife survey conducted voluntarily on such a large scale is, according to its authors, who have extensive experience in this type of work, the first or one of the first such projects in Poland. The report provided information which had been unavailable even to the offices and authorities dealing with environmental protection in the municipalities of Gdańsk and Pruszcz Gdański. Among the identified species were both those under protection, entered in the Polish Red Data Books, and those which had never been spotted before in that part of the region, or even in the country.

By conducting the wildlife survey and preparing an initial assessment of the refinery's impacts on the surrounding environment, we opened a new chapter in the strengthening of our environmental responsibility as one of the pillars of our strategy of corporate social responsibility. Having identified the most valuable and sensitive components of the environment in the refinery's surroundings, we will be able to monitor them or initiate procedures to bring them under protection. It is worth noting that such procedure has already been initiated with respect to one area close to the refinery, which will be probably granted the status of an ecological site.

We believe that our initiative will take the best environmental practice of large industrial plants to a higher level, and we hope to inspire other organizations to take a deeper interest in the surrounding nature.

The 2014 wildlife survey has confirmed our conviction that the refinery's surroundings, in spite of being an industrial area, have a vibrant wildlife. The grounds of our plant in Gdańsk and the retention reservoir in Przejazdowo have become a habitat of many protected species. In total, the following species have been identified in the surveyed areas: 118 animal species (3 of which are entered in the Red List of Threatened Species of the International Union for Conservation of Nature (IUCN)) and 4 plant species under strict protection, as well as 50 animal and 11 plant species under partial protection.

STATEMENT

The Institute of Environmental Protection - National Research Institute was commissioned by Grupa LOTOS to conduct a wildlife survey on the grounds of its refinery in Gdańsk and in surrounding areas. The survey covered valuable natural resources of the area, including natural habitats, species of plants, fungi and lichen, avifauna, insects, fishes, molluscs, amphibians, reptiles and mammals (including bats).

Agnieszka Kuśmierz, PhD and Jan Borzyszkowski, PhD
Institute of Environmental Protection - National Research Institute

As a result, threats to the identified habitats and species posed by the refinery and use of the surrounding areas, as well as measures to protect them from these negative impacts and minimise the nuisance, have been specified.

The rules of protecting natural habitats as well as plant and animal species are set out in the Nature Conservation Act of April 16th 2004 with secondary legislation, while the responsibilities of an industrial plant with regard to environmental protection are set out in the Environmental Protection Law and the Act on Preventing and Remedying Environmental Damage.

The initiative taken by Grupa LOTOS to perform the wildlife survey is not typical of companies whose operations may have significant impacts on the condition of the local environment. Few companies go an extra mile in their efforts to protect the environment in the area of their operations over and above their obligations resulting from applicable laws, decisions and rulings of relevant authorities. The standard approach is to merely meet the imposed requirements: use facilities to reduce pollutant emissions, conduct monitoring and pay fees for the use of the environment.

The identification and survey of wildlife components have enabled us to assess the current level of biodiversity and track its development. It is especially valuable and important in industrial urban areas, where degradation of the environment is most common.

One of the important findings of the work is the discovery of saline soils in the area of Wiślinka. Even before the survey was completed, Grupa LOTOS had taken steps to bring the area under protection as an ecological site.

The survey and the resulting initiatives, as well as earlier environmental initiatives by Grupa LOTOS (a nesting box for a couple of peregrine falcons on the chimney of the CHP plant), reveal high environmental awareness of the Company's employees.

The habitats as well as plant and animal species identified in the survey show a relatively high level of biodiversity for an area adjacent to a large industrial plant, such as the refinery. We can see it as a positive example of how of a large industrial plant can function in the natural environment.

The LOTOS service stations, similarly to the production plants, do not have significant impacts on protected areas. The design, construction and operation of our service stations limit their environmental impacts to the property boundaries, and the majority of them are located in urban areas.

To mitigate the risk of uncontrolled environmental impact, LOTOS Paliwa has undertaken to monitor each station's environmental impact beyond mandatory measures. In line with our Corporate Social Responsibility Strategy for 2012–2015, we have reviewed the archives of all operated service stations. The locations of selected stations will be assessed in terms of protected areas, in order to identify such areas and pinpoint any possible risks posed by the stations. The first stage of the work, i.e. a review of 50% of the selected service stations, was completed in 2014. The locations of the remaining stations included in the project will be assessed in 2015. Additionally, the same assessment will be performed for facilities incorporated into the LOTOS service station chain from the secondary market, as their environmental impacts were not assessed at the design and construction stage.

In 2014, we did not conduct any activities related to active protection or revitalisation of habitats. However, we do support various large-scale projects involving this type of activities, in partnership with environmental organizations and authorities.

- We cooperate with the **Society for Wild Animals 'Falcon'**, whose goal is to recover the population of the peregrine falcon in Poland. We started to cooperate more closely two years ago, when a couple of falcons set up their nest in a nesting box mounted for that purpose on the chimney of our CHP plant in Gdańsk.
- The wide-area comprehensive wildlife survey of the refinery's grounds and surrounding areas, commissioned last year, started to bring tangible effects. **Halophyte habitats, valuable for their biodiversity**, were located east of the refinery. In 2014, we held a meeting with representatives of the Pruszcz Gdański municipality and the Regional Directorate for Environmental Protection in Gdańsk to discuss this discovery. There are plans to grant the area the status of an ecological site. As such, it will be covered by environmental monitoring, regularly mown and tidied up; pedestrian and vehicular traffic will be properly channelled, and infrastructure will be built for the purposes of tourism and education, to facilitate its use while preserving optimal conditions of the habitats.
- In 2014, we got involved in efforts to help injured wild animals in the Gdańsk-Gdynia-Sopot agglomeration. As a result, we established a partnership with OTOZ Animals, which is working to create a **Wild Animals Rescue Centre** in the Gdańsk district of Górki Zachodnie. We hope that northern Poland will soon have a centre where every injured wild animal will receive professional veterinary help. Under the partnership, we provided financial support to the **'Falco gedanense - kestrels from the backstreets of Gdańsk' project**, run by OTOZ Animals together with the 'Polish Birds' Association. The project's objective was to create nesting places for kestrels within the city to boost its biodiversity.

'Headed for the Baltic'

As our refinery is located at the coast of the Baltic Sea, we pay particular attention to cooperating with partners specialising in issues related specifically to the region's environmental conditions. These partners include: the Foundation for the Development of the Gdańsk University (FRUG) and the Marine Station of the Gdańsk University's Institute of Oceanography (SMIOUG) in Hel. Together with these institutions, for years we have implemented projects aimed at protecting the natural riches of the Baltic Sea under the common name of 'LOTOS Protects the Baltic Sea's Wildlife'. Another key initiative covering areas of great natural value within the Natura 2000 network is the long-term 'Protect the Wildlife of the Sobieszewo Island' programme. It is implemented together with the KULING Waterbird Research Group, Ornithology Station of the Museum and Institute of Zoology of the Polish Academy of Sciences, Stowarzyszenie Przyjaciół Wyspy Sobieszewskiej (Association of Sobieszewo Island Lovers), the Marine Station of the Gdańsk University and – starting from 2015 – with the 'Wyspa Skarbów' ('Treasure Island') Gdańsk Archipelago of Culture.

Since 2014, in close cooperation with expert partners, we have implemented the Kierunek Bałtyk ('Headed for the Baltic') project, sharing the potential of human resources, financial resources and skills. The project links all our environmental efforts undertaken under the 'LOTOS protects the Baltic Sea's Wildlife' and 'Protect the Wildlife of the Sobieszewo Island' programmes.

The 'Headed for the Baltic' initiative originated from the need to gather all information in one place – most importantly, the audio and video materials held by the partners, and the need to create a database and calendar of events related to the Baltic Sea. The Baltic Sea is the primary focus of the established partnerships as well as one of the key areas covered by the LOTOS Group's Corporate Social Responsibility Strategy for 2012–2015.

'LOTOS Protects the Baltic Sea's Wildlife'

The main objective of the programme, which has been in place for six years, is the recovery and protection of the endangered species of marine fauna, in particular mammals: the porpoise and the grey seal. The Marine Station of the Gdańsk University's Institute of Oceanography conducts research projects on the biology and ecology of coastal fish in the Baltic Sea as well as of marine mammals, their habitats and interaction with human activity.

The equipment purchased in the course of our cooperation has been used to support research on the presence of harbour porpoises under the project entitled 'Biological and ecological research of marine organisms and habitats with a view to implementing more effective methods of managing their resources and protection'. Our joint efforts to protect the natural resources of the Baltic Sea also led to the purchase of special cod pots for testing purposes, which are safe for harbour porpoises and seals and also make it possible to catch living fish. Grupa LOTOS's support manifested in co-financing of equipment and modernisation of the Zelint research vessel significantly aided the research on the presence, distribution and habitat preferences of the Baltic Sea porpoises. Still in the first half of the 20th century, the population of harbour porpoises was so large that the authorities introduced a bonus for catching or killing one. In 1922–1933, at least 600 porpoises were caught in Polish waters.

In late 2014, research results were published according to which the Baltic Sea is now home to approximately 450 porpoises, whose number – before the research was conducted – had been estimated at around 100. It is still an extremely low number and our intention is to contribute to its increase.

Thanks to our support the 'Headed for the Baltic' educational website was set up, where anyone can watch the other endangered species of marine mammals – the seal. Also, a Facebook page under the same name was launched. A camera has been installed in Hel to provide a live online video broadcast of the Seal Centre in Hel. It allows users to watch growing animals while they acquire new skills needed to survive in the Baltic Sea. In 2014, more than 35,000 users subscribed to the educational Facebook Fanpage. The www.kierunekbaltyk.pl website was viewed by 81,605 users, and its www.sledzfoki.pl section with live streaming from the Seal Centre was viewed by 56,450 users.

'Protect the Wildlife of the Sobieszewo Island'

The second pillar of the 'Headed for the Baltic' project is a long-term programme supported by environmental organizations: the Kuling Waterbird Research Group, Institute of Zoology of the Polish Academy of Sciences, Stowarzyszenie Przyjaciół Wyspy Sobieszewskiej (Association of Sobieszewo Island Lovers), and since 2014 – the Gdańsk University's Biological Station.

The programme is aimed at protecting nature, in particular the endangered bird species (including the sandwich tern (Thalasseus sandvicensis) and the common ringed plover (Charadrius hiaticula)), and educating the public about biological diversity of the nature reserves located within the Sobieszewo Island in Gdańsk. The local 'Ptasi Raj' and 'Mewia Łacha' reserves are part of a very important international ecological hub, which throughout a year is a stopover site for a vast number of migrating aquatic and wetland birds.

The programme, launched in 2009, has resulted in the construction of protective infrastructure, including development of an educational eco-route within the 'Mewia Łacha' reserve. The specially designed route, away from bird breeding grounds and protected flora, is marked with educational info-boards and enables visitors to see the reserve all year round.

Under the programme, all partners run regular ecological education projects for both local residents and tourists. The Kuling Waterbird Research Group actively conducts educational sessions at such events as 'Biodiversity – learn to preserve', 'Baltic Science Festival' and 'Edu-picnic'. Apart from that, it constantly monitors the 'Mewia Łacha' Nature Reserve, where in 2014 alone it recorded 2,200 visitors, who were informed about the natural riches of the reserve, its protected species and habitats. As the administrator of the reserve, Kuling also conducts a survey among visitors to the reserve to test their knowledge of the area and of the protected species residing there. The level of knowledge about the natural riches of the reserve was high – as many as 84% of the respondents said that they had heard of and visited the place, and 72% had heard of and could name actions taken to protect the environment under the 'Protect the Wildlife of the Sobieszewo Island' programme.

In conjunction with the Ornithological Station, for years we have helped organize free-of-charge lectures for students of Gdańsk schools devoted to 'The Sobieszewo Island and Natura 2000 Nature Protection Area. Protection of birds and their habitats'. The objective is, among other things, to draw their attention to environmental protection and promote the European Natura 2000 Network, with a special focus on the role of the protected areas of the Sobieszewo Island in the preservation of biodiversity.

In 2014, over 2,500 people took part in educational visits to the 'Mewia Łacha' Nature Reserve as part of the 'Protect the Wildlife of the Sobieszewo Island' programme, while lectures organized at the Ornithological Station were attended by 2,000 pupils from 31 primary and junior high schools from the Gdańsk-Gdynia-Sopot agglomeration.

Capital expenditure on environmental protection

	Costs and expenditure [PLN '000]		
Item	**2012**	**2013**	**2014**
Grupa LOTOS			
Costs			
Cost of environmental management	3,143	2,137	2,852
Spending on environmental protection	23,555	22,336	22,569
Financing of pro-environmental efforts of third-party institutions	525	509	544
Expenditure			
Pro-environmental investment	67,606	63,012	16,040
Expenditure on property, plant and equipment	141,913	202,314	134,572
LOTOS Group			

Costs			
Cost of environmental management	4,729	4,695	4,442
Spending on environmental protection	26,716	28,336	33,254
Financing of pro-environmental efforts of third-party institutions	547	509	544
Environmental insurance*	105	194	0
Expenditure			
Pro-environmental investment	75,515	66,348	17,665
Expenditure on property, plant and equipment	814,264	1,130,446	980,174

* Environmental insurance premiums are paid at the LOTOS Group level. The structure of the insurance contract effective in 2014 does not allow to explicitly determine the part of the insurance premium paid for the environmental protection cover. Therefore, costs related to environmental insurance are not reported for 2014.

			Expenditure [PLN '000]
Item	**2012**	**2013**	**2014**
Grupa LOTOS			
Air emissions	2,980	1,256	1,265
Water abstraction	140	162	150
Wastewater discharge	298	316	333
Waste landfilling	0	0	0
Total	3,418	1,734	1,748
LOTOS Group			
Air emissions	3,218	1,651	1,622
Water abstraction	173	240	220
Wastewater discharge	388	511	537
Waste landfilling	0	0	0
Total	**3,779**	**2,402**	**2,379**

RELATED CONTENT:

Environment

We seek to reduce the environmental risk of our operations and continually minimise our environmental impact. We support initiatives designed to enhance energy sector security in a socially and environmentally responsible manner.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/environment>

Key objectives

We achieve our business objectives with due regard to corporate social responsibility and sustainable development by the best possible use of the organization's resources and capabilities to generate economic and social value for the benefit of the Company and its environment.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/key-objectives>

Operational (refining) segment

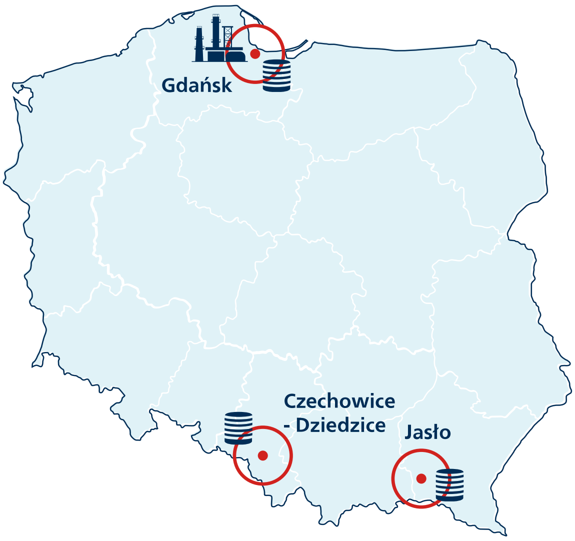
In the operational (refining) sector, we identify operational risks related to the refinery and environmental risks, including risks related to carbon emission caps.

Go to the page » <http://raportroczny.lotos.pl/en/risk-and-opportunities/operational-refining-segment>

Social impact

In 2014, we carried out a wide-scale survey to engage our stakeholders in the evaluation of activities undertaken by the LOTOS Group under its Corporate Social Responsibility Strategy in terms of their intended outcomes. The survey covered local inhabitants and entrepreneurs in our key operating regions, i.e. the towns of Jasło and Czechowice-Dziedzice in the south of Poland, and the Gdańsk Province in the north.

Territorial scope of the survey

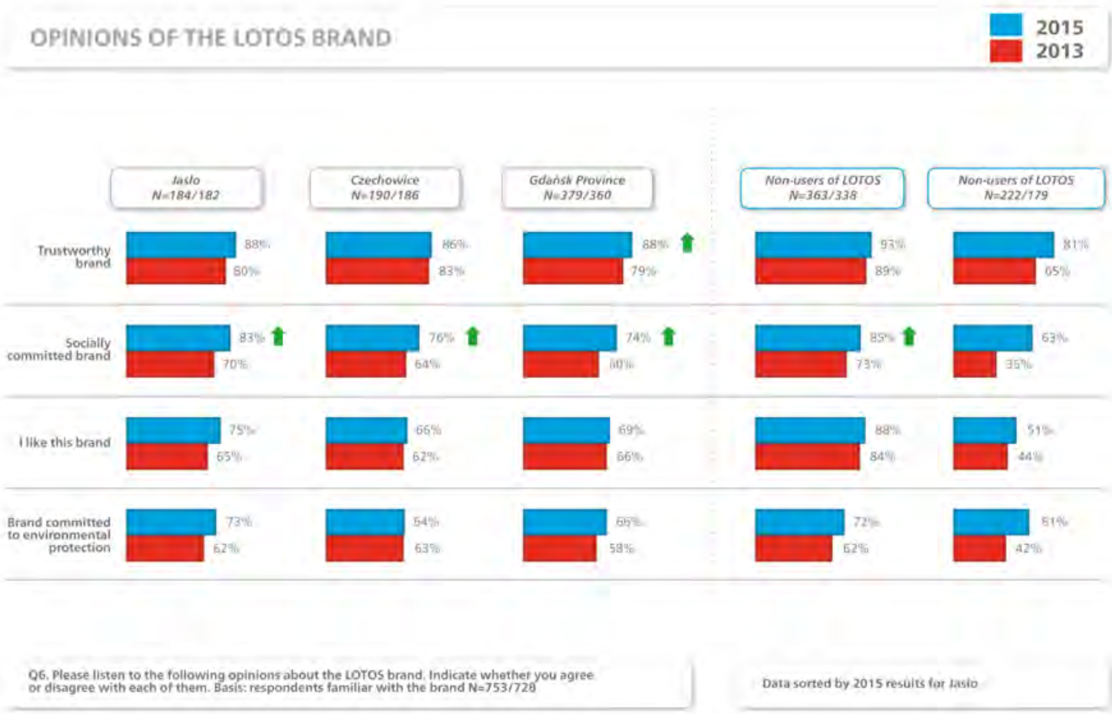


Key stakeholders of the LOTOS Group

Internal stakeholders	Social environment	Market environment
Employees	Local communities	Contractors and subcontractors
LOTOS Group companies	NGOs	Suppliers
Trade unions	Local government institutions	Customers
Employee Council	Government administration	Trade partners
	Science and research institutes, and educational centres	Competitors
	Employer organizations	Industry organizations and international institutions
	Media	Regulatory and monitoring organizations
	Natural environment	Participants of the capital market

(more <http://2012.raportroczny.lotos.pl/en/the-organization-and-its-report/stakeholders/stakeholders-involvement>)

Opinion ratings of the LOTOS brand directly related to its mission of social responsibility were higher than in 2013. Questions about the perception of Grupa LOTOS's social and environmental commitment were answered affirmatively by 83% of the respondents in Jasło, 76% – in Czechowice-Dziedzice and 74% – in the Gdańsk Province. In each stakeholder group, we noted a more than 10% growth in affirmative responses compared with the previous year.

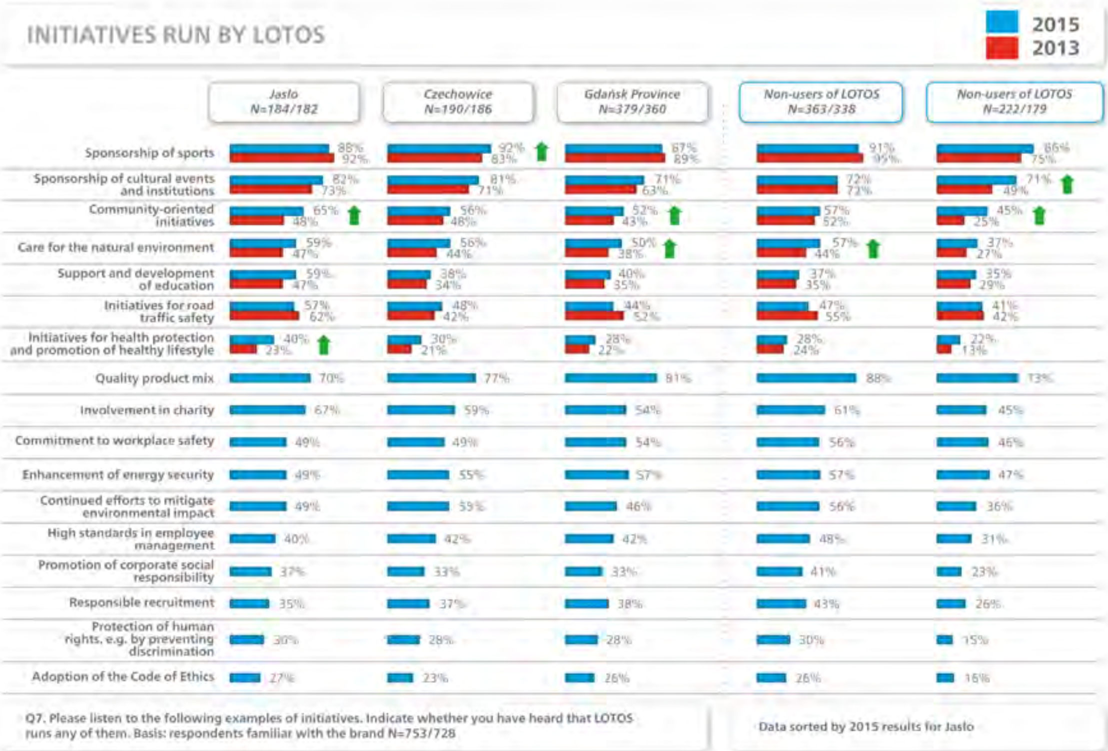


CSR and environmental protection programmes

The awareness of our environmental protection programmes has grown compared with previous years. This means that the organization's activities have been recognised and appreciated by local communities, who are their direct beneficiaries.

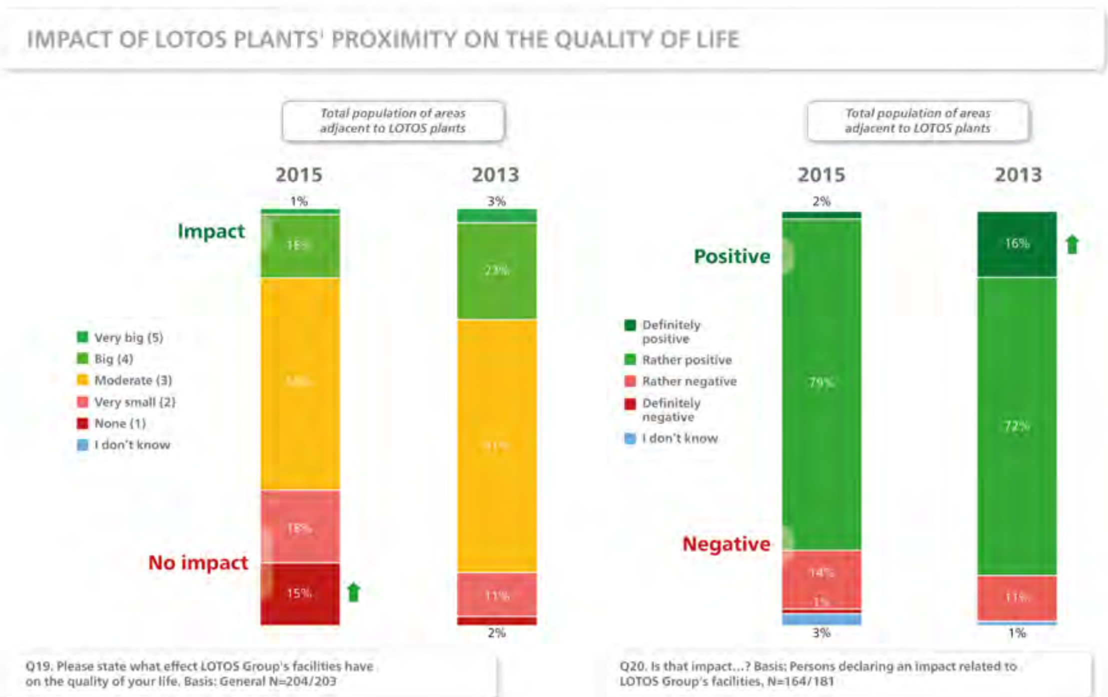
Awareness of Grupa LOTOS's activities

The awareness of CSR activities undertaken by Grupa LOTOS was discussed with our stakeholders. Compared with 2013, a considerable growth in awareness of our key CSR programmes carried out for the benefit of local communities is seen in the Gdańsk Province and the towns of Jasło and Czechowice-Dziedzice (up by 10%, on average, in each group covered by the survey). An increase in the area of education has also been noted.



Impact of production plants' proximity on the quality of life

In 2014, local communities in the vicinity of the LOTOS Group's production facilities reported a perceived increase in their negative impacts. These survey results challenge us to intensify our efforts in working for the benefit of local communities and educating them on how we actually mitigate the impact of our operations on the quality of their lives.



Among all respondents, those living in direct vicinity of the plants declare the lowest awareness of the LOTOS Group's CSR activities – a result which has remained unchanged since 2011. These stakeholders tend to perceive LOTOS in terms of the nuisance of living near to a large industrial plant. However, the inhabitants of individual regions in general showed increased awareness of our activities for the benefit of local communities and the natural environment.

INDICATOR:
AWARENESS OF **CSR ACTIVITIES** OF THE LOTOS GROUP

Although the operation of the LOTOS Group's facilities does not have a considerable negative impact on the environment or local communities, we continually seek to minimise our overall influence and ensure prompt response to any possible incidents. All companies of the LOTOS Group hold the required environmental permits and meet their conditions by a wide margin. We have a dedicated, trained chemical response team, which is on stand-by in case of any incidents involving chemical substances. We are also in contact with relevant authorities, representatives of public utility facilities and of local communities, providing them with information on any incidents, both planned and unexpected, which may affect our environment. We respond to every nuisance reported (e.g. odour or noise) which may be caused by our plants. In response, we carry out an inspection of the relevant area, looking for sources and causes of the nuisance, and keep the reporting person posted on the progress of this work. If a complaint if found to be justified, we take action to eliminate the source of the nuisance or at least to minimise its impact.

In 2014, we completed an environmental impact assessment for the heavy residue processing unit, scheduled to be launched at the refinery in 2018. One of the requirements of the environmental impact assessment procedure was to give the public an opportunity to participate. In order to obtain the opinions and agreements required to be included in the environmental impact report from all groups of stakeholders, we carried out a series of public consultations with local communities, public officials and businesses in the neighbourhood.

In January 2015, we also consulted our key partners, who cooperate with us in our CSR programmes and initiatives, on the level of satisfaction with our dialogue, frequency of meetings and contacts, and quality of communication. The majority (93%) of the over thirty stakeholders, including representatives of NGOs, self-governments, universities and cultural institutions, rated the communication and flow of information as very good. Close to 100% of the respondents answered affirmatively to the question about fulfilment of Grupa LOTOS' commitments and obligations related to our cooperation in 2014.

Customer satisfaction

In line with our Corporate Social Responsibility Strategy, our primary objective is to build lasting customer relationships through a focus on understanding customer needs and delivering the expected product quality and safety, measured as the level of customer satisfaction with the LOTOS Group's marketing segment companies. Progress in this area is monitored by means of regular surveys on factors taken into consideration in the selection of supplier, supplier accessibility and competences, quality and availability of products, time of response to requests for proposal, price levels compared with other suppliers and the brand image.

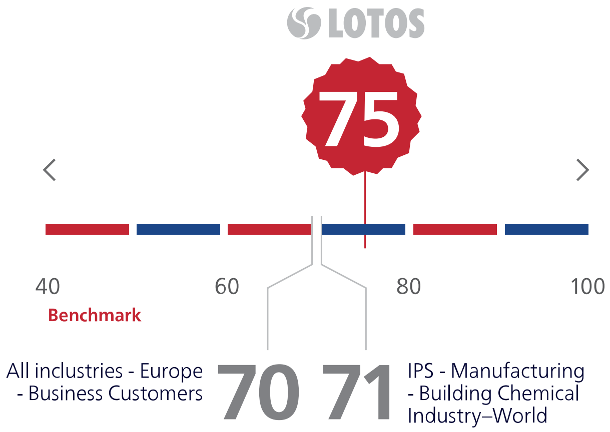
Satisfaction surveys among the LOTOS Group's customers

Company	Survey frequency (number / year)	Customer segments
Grupa LOTOS	1	B2B
LOTOS Asfalt	1	B2B – bitumen and heavy fuel oil
LOTOS Kolej	2	LOTOS Group, forwarding companies, direct customers
LOTOS Oil	1	B2B
LOTOS Paliwa	1	B2B

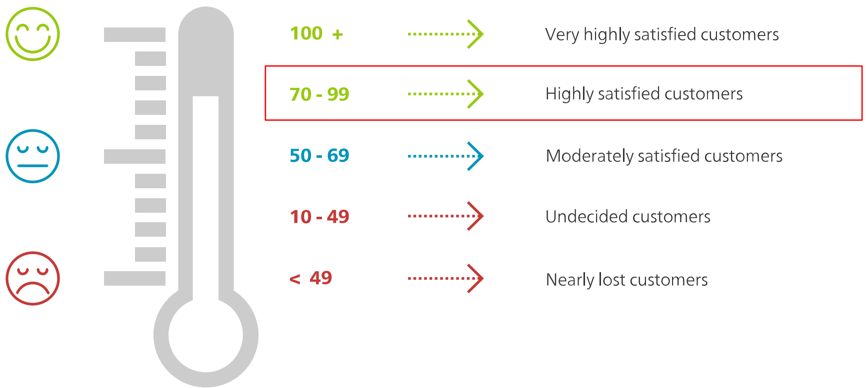
At most of the marketing segment's companies, satisfaction surveys are conducted using the CAWI (Computer-Assisted Web Interview) technique. The result analysis is based on the TRI*M methodology developed by TNS Polska, the TRI*M Index being a single number score which measures customer satisfaction and loyalty levels. The TRI*M Index questions relate to overall satisfaction, probability of recommendation, repurchase intent and competitive advantage. The TRI*M Index is a measure of customer retention levels – the higher it is, the more customers are attached to the brand and the less likely to transfer their business to competition.

The 2014 overall customer satisfaction rating, as captured by the TRI*M Index, reached 75 points, which testifies to the high level of customer satisfaction. Moreover, the score improved slightly on last year's result.

TRI*M Index



* The aggregated score for the LOTOS Group has been calculated based on the ratings of separate LOTOS Group companies, as adjusted for the number of their customers.



The 2014 customer relations and loyalty rating indicates a high level of customer satisfaction among the customers of **Grupa LOTOS**. As compared to previous years, their readiness to recommend the Company's services has increased and now 84% would definitely recommend cooperation with Grupa LOTOS to other businesses. Moreover, a higher percentage of customers declare that they would definitely choose the Company again as their supplier. Grupa LOTOS customers tend to be very loyal and strongly attached to the LOTOS brand. That means that the percentage of customers who are mostly price-oriented in their purchasing decisions has shrunk.

In 2014, the satisfaction survey among **LOTOS Asfalt** customers was extended to include a sample of foreign customers. Also, the percentage of customers who took part in the survey increased almost fourfold. At present, the satisfaction and loyalty rating (as captured by the TRI*M Index) testifies to a high level of customer satisfaction with their cooperation with LOTOS Asfalt. The company's customers are satisfied and loyal, with almost half of them being classified as apostles, i.e. customers with strong emotional attachment to the brand. The high level of satisfaction finds is confirmed by the fact that most customers would recommend cooperation with LOTOS Asfalt to their business partners and choose the company again as their supplier. According to the respondents, the biggest strength of LOTOS Asfalt is timeliness of deliveries. Moreover, they believe that the company is reliable and trustworthy (score: 8.8 out of 10), has a comprehensive offer (8.5/10) and treats its customers fairly (8.4/10). Also, the customers perceive the company as concerned about environmental protection and eco-friendly.

LOTOS Oil conducts customer satisfaction surveys covering two primary areas of the company's operations: the indirect and the indirect sales channel. This year's satisfaction rating, as captured by the TRI*M Index, indicates a high level of satisfaction and loyalty among LOTOS Oil customers. The score is high both for the direct and indirect sales channel, with all TRI*M Index dimensions (general and for individual sales channels) improving year-on-year. The higher loyalty of LOTOS Oil customers is proven by the increase in customers declaring that they would definitely recommend the cooperation with the company to others (53%, up 13pp on previous year) as well as those who would choose LOTOS Oil again as their supplier. LOTOS Oil provides high quality products. Customers are also very satisfied with their availability. The image of the company in all dimensions is assessed positively.

The satisfaction survey among **LOTOS Paliwa** institutional customers has revealed a significant improvement of its customer service. A substantial increase in scores for almost all dimensions of service has been observed and the overall rating is higher than achieved by competitors. The customers tend to be very satisfied with their cooperation with the company; they are also strongly attached to the brand (brand apostles) and likely to recommend the cooperation with LOTOS Paliwa to other businesses. Moreover, customers are satisfied with consistency between their orders and deliveries, product availability and clarity of invoices.

The survey conducted at LOTOS Paliwa in 2014 among individual customers, including about their knowledge of fuel brands and use of the service stations and of advanced fuel brands, was prepared based on the OMNIBUS method. The results of the survey show that the LOTOS brand awareness remained virtually unchanged on 2013's ratings, at +/-5% compared to other oil companies with a similar number of service stations. The awareness of the LOTOS Optima brand is still on a growing trend, and the use of the economy segment stations remains stable. The level of knowledge and use of the LOTOS Dynamic advanced fuel has also remained unchanged year-on-year.

For **LOTOS Kolej**, top quality of its freight services is of key importance. The level of customer satisfaction depends mainly on specialist staff, timely and predictable deliveries, service quality, up-to-date and reliable shipment status tracking, customer-oriented approach and flexible terms of business, adjusted to customer needs.

Customer satisfaction ratings are obtained by direct interaction with the customers. Another tool used for measuring customer satisfaction is a questionnaire-based evaluation system. Its results are analysed during the annual review of the Integrated Management System.

The new customer satisfaction survey form introduced in 2014 organizes the various aspects of the company's operation in a more systematic manner. In terms of overall satisfaction, LOTOS Kolej was rated 8.55 (good - very good). The individual areas were rated as follows: freight services 8.69, sales support 8.34, rolling stock and technical service 8.64. The survey covered 12 customers.

These results show that, despite certain issues related to commercial speed and frequent closing of railway lines in Poland, the service quality is still one of the company's fortes. Flexibility, willingness to respond to customer needs, consultation of delivery schedules and scope of service are the strengths on which the company builds its customer relations, order book and market reputation. In 2013–2014, LOTOS Kolej took over a lot of traffic from other carriers, in spite of quoting higher prices. The factors of key importance here were the high service quality and timely deliveries. One of the company's strengths is the availability and quality of its rolling stock.

Social aspects

Last year, we ran a number of initiatives to support local communities and entrepreneurship in close vicinity of the LOTOS Group's plants. Organized in the form of programmes implemented consistently for several years and compatible with our competence areas defined in consultation with stakeholders, they can make a real contribution to improving some aspects of life vital to the local communities.

2014 was:

- **outstanding in terms of the number of CSR programmes and campaigns as well as activities undertaken under the cross-sectoral cooperation model, for instance with the social economy, education and scientific sectors;**
- **a period of initiatives aimed to establish a responsible supply chain;**
- **an important period of strengthening the LOTOS brand reputation as a socially responsible brand.**

Road traffic safety

Commitment to increasing road traffic safety has always been one of the crucial elements of the LOTOS Group's Corporate Social Responsibility Strategy.

Social issue

Poland ranks among the countries with the highest risk of road traffic accidents. Last year, nearly 3.5 thousand road accidents were reported involving children aged up to 14, resulting in nearly 3.9 thousand casualties (including 90 fatalities), of which 72% were children aged up to 6 who accounted for as much as 58% of all under-aged casualties of road accidents. Findings of research institutes and checks performed by the Police have revealed numerous cases of incorrect fastening of safety belts or of under-aged passengers transported in child safety seats in an inappropriate manner.

Partners

The social partners of the LOTOS Safety Belt Champions programme are the National Road Traffic Safety Centre and the fotelik.info web portal. The project is run under the auspices of the Gdańsk Province Commandant of the State Fire Service and Chief of Police, the Head (Voivod) of the Gdańsk Province, as well as the Road Transport Institute and the National Road Safety Council.

Objective

The LOTOS Safety Belt Champions programme is meant to ingrain and strengthen the good habits of correct seat belt fastening, and to remind people just how important it is for their children's lives to transport them in correctly installed child safety seats. Through preventive and educational activities, we would like to draw the interest of all car users, both drivers and passengers.

Activities

The pilot edition of the programme, run in 2014 in the Gdańsk Province, showed how desirable the initiative was. The inspections at pit-stops, set up at selected LOTOS service stations and in other places, revealed that an astounding 70% of those inspected badly needed our expert advice on how to fasten their safety belts correctly. Additionally, we organized a series of seminars at which almost 4,000 people learned how to properly fasten their seatbelts and how to select and install a child safety seat. We also reached out to the youngest passengers, as more than

2,200 schoolchildren from over 100 schools entered our 'Fasten Your Seatbelt' road sign design competition.

Ensuring equal opportunities and preventing social exclusion

For many years, we have been committed to ensuring equal opportunities and preventing social exclusion, especially among children and youth.

Good Neighbour programme

Objective

We take responsibility for the wellbeing of children and young people growing up in the vicinity of our plants, especially the refinery in Gdańsk. The programme's objective is to tackle social inequalities, prevent social exclusion, engage and integrate local communities and support education of the youngest through equal access.

Selected activities

Science Children's Day

In 2014, we held the Science Children's Day family festival in the refinery's neighbouring district of Przeróbka. The thematic scope of the event, which attracted about one thousand people, included experiments, new technologies and crude oil processing at the refinery.

Partners

The event was co-organized by LOTOS Lab, Vocational and Lifelong Learning Centre No. 2 in Gdańsk, basketball players of LOTOS Trefl and Primary School No. 11 in the Gdańsk district of Przeróbka.

Results

Almost all (95%) parents, teachers and local inhabitants who attended the festival expressed their overall satisfaction with its quality. 88% of them admitted that Grupa LOTOS cared for its neighbourhood, and 80% expressed an opinion that the event met social needs and expectations.

Supporting the needy

Under the Good Neighbour programme, we cooperate with NGOs working in our immediate vicinity to support people in need, with a special focus on children and youngsters. The key projects run in 2014 included our activities for the benefit of participants of the 'Osiedle Sitowie' project.

Best practice

'Osiedle Sitowie' is a project run in the Gdańsk district of Rudniki, located in the vicinity of the LOTOS Group refinery. It promotes social inclusion, helps find employment and provides housing to over 40 persons socially excluded due to temporary incapacity for work, loss of means of support, problems with social adjustment or disability. Osiedle Sitowie has become home to single mothers, young people who have left residential institutions and begin to live on their own, as well as persons suffering from mental disorders. The project is run by the Family Support Centre (Miejski Ośrodek Pomocy Rodzinie) of Gdańsk, in association with NGOs acting for socially-excluded persons. Each organization employs a coordinator supervising a specific group of participants. The overall objective of the project is to prepare its participants, within two years, for self-reliant living and create jobs for them both in the social economy sector and on the open labour market.

Grupa LOTOS has supported the programme since 2013 with in-kind (used computer hardware) and financial donations (financing summer holidays for children). It has also helped five permanently unemployed persons return to the labour market through its cooperation with Ambra (a long-term subcontractor of Grupa LOTOS providing comprehensive cleaning and maintenance services in the facilities of the LOTOS Group) and coordinators of the Osiedle Sitowie project.

Large Family Card

We support people with low incomes by making our products more affordable to the less well-off. In 2014, we joined the government-sponsored Large Family Card scheme, the first nationwide programme of support to large families. Thanks to the Polish government's cooperation with businesses and institutions, each family with at least three children can obtain special discounts and offers. The chain of LOTOS service stations offers high quality products and services at affordable prices to almost 630,000 Polish families with many children, of whom many are car users.

Contribution to society

We support initiatives aimed to improve the quality of life for members of our local communities. Selection of projects is usually preceded by consultations with local governments or our social partners.

The funds we provided in 2014 were spent on medical equipment for public health facilities, equipment necessary for ecological and environmental protection, educational equipment for schools, and investment projects improving security of local communities and road traffic safety. All these investments were on a pro bono basis.

Involvement of the LOTOS Group in initiatives for the benefit of local communities in 2014

No.	Entity	City/town	Purpose of grant
1	Foundation for the Development of the Gdańsk University (FRUG)	Gdańsk	Co-financing of research projects
2	Ornithological Station, Museum and Institute of Zoology of the Polish Academy of Sciences	Gdańsk	Co-financing of activities set out in the charter, including purchase of educational materials
3	Stowarzyszenie Przyjaciół Wyspy Sobieszewskiej (Association of Sobieszewo Island Lovers)	Gdańsk	Co-financing of sports and leisure infrastructure
4	University Clinical Centre	Gdańsk	Purchase of medical equipment
5	Copernicus Sp. z o.o.	Gdańsk	Purchase of medical equipment
6	Długie Ogrody Housing Cooperative	Gdańsk	Co-financing of purchase and installation of a platform for transport of the disabled
7	Fundacja z Pompą – Pomóż Dzieciom z Białaczką (Help Children with Leukemia Foundation)	Gdańsk	Purchase of medical equipment
8	Vocational and Lifelong Learning Centre No. 2 in Gdańsk	Gdańsk	Purchase of educational equipment
9	Fundacja Bezpieczni w Ruchu Drogowym (Safe in Road Traffic Foundation)	Gdańsk	Purchase of specialist equipment
10	Fundacja Innowacji Społecznej (Social Innovation Foundation)	Gdańsk	Purchase of hostel furniture and fittings under a social economy project
11	Primary School No. 29	Bielsko-Biała	Purchase of educational equipment
12	Public Junior High School No. 1	Czechowice-Dziedzice	Purchase of educational equipment
13	Public Junior High School in Przejazdowo	Przejazdowo	Co-financing of school infrastructure renovation
14	Fundacja Dla Dzieci Niepełnosprawnych 'Nadzieja' ('Hope' Foundation for Disabled Children)	Słupsk	Purchase of equipment for therapeutic sessions
15	Volunteer Fire Brigade	Szymbark	Purchase of specialist equipment

Development of intellectual capital

Given the nature of our business and the key role we play in ensuring Poland's energy security, we share our knowledge and experience with students, because we feel committed to securing the future of our industry by training the next generation of experts. We carry out such projects in approximately 40% of the LOTOS Group's locations.

Since 2013, we have been implementing the 'Talent with LOTOS' project consisting of two programmes – 'Pomeranian Talent' in the Gdańsk Province and 'Jasło Science League with LOTOS' in the administrative district of Jasło.

'Jasło Science League with LOTOS' is a unique educational initiative aiming to find Jasło's most able schoolchildren and give them an opportunity to foster their talents. The project encourages schoolchildren to seek for their own answers to a given set of questions, through a number of research activities carried out under the eye of their teachers, with their work evaluated by a panel of experts and prominent academics. During the 2013–2014 school year, it was joined by 248 schoolchildren from 10 of Jasło's primary schools, 5 junior high schools and 8 municipal preschools, as well as 496 parents and 45 teachers, who registered a total of 93 research projects.

The 'Pomeranian Talent' programme supports Pomerania's teachers and nearly 1,200 pupils exceptionally gifted in mathematics, physics, and IT, by providing them with opportunities for comprehensive development. The pupils attend after-school classes and meetings held at universities or in science and technology parks, and participate in competitions as well as task-oriented events. The most talented of them are covered by mentoring programmes run by academic staff. In 2014, the programme featured a summer science camp, after-school classes, teacher training, mentoring programmes and academic meetings.

As part of our cooperation with higher education providers, we also offer unpaid internships and summer work placements, giving students an opportunity to expand their knowledge under the supervision of a tutor – an industry expert. In 2014, we continued to cooperate with the Gdańsk University of Technology, the University of Gdańsk, AGH University of Science and Technology of Kraków, the Cracow University of Economics and the Cracow University of Technology. Considering our business profile, we offered opportunities mainly for students of the faculties of chemistry, drilling, oil and gas, electrical engineering and automatics, electronics, telecommunications and informatics, mechanical engineering as well as finance and accounting.

In 2012–2014, we offered 512 internships and work placements at Grupa LOTOS, LOTOS Petrobaltic, LOTOS Serwis, LOTOS Lab, LOTOS Oil, LOTOS Kolej and LOTOS Asfalt.

Internships and work placements at the LOTOS Group	2012	2013	2014
STUDENT INTERNSHIPS	135	145	131
WORK PLACEMENTS OUTSIDE OF PROGRAMMES	8	16	15

GRASZ O STAŻ (PLAY TO WIN INTERNSHIP)	-	-	3
SUMMER WORK PLACEMENT	12	20	23
AKADEMIA ENERGII (ENERGY ACADEMY)	-	2	2
TOTAL	**155**	**183**	**174**

In 2011–2014, we sponsored scholarships and awards to undergraduate and postgraduate students of the Gdańsk University of Technology and AGH University of Science and Technology in Kraków, in the total amount of PLN 195,000.

We work with vocational schools, student organizations and scientific institutions to support technical faculties and help young people entering the labour market. Our activities in 2014 included:

- a work placement programme launched by Grupa LOTOS in association with the Foundation of Economy and Public Administration (GAP) at the Department of Economy and Public Administration of the Cracow University of Economics;
- LOTOS Serwis's patronage over the industrial automatics class at the Communications School Complex (Zespół Szkół Łączności) in Gdańsk;
- LOTOS Kolej's patronage over special classes training students to become railway transport technicians at Technical Secondary School No. 3 of the K. Kałużewski and J. Sylla School Complex in Zduńska Wola;
- cooperation of Grupa LOTOS with the Vocational and Lifelong Learning Centre No. 2 in Gdańsk;

Best practice

In 2014, Grupa LOTOS in association with Kaszubski Uniwersytet Ludowy (the Kashubian Folk University) held a workshop entitled 'How to cope on the labour market? The secrets of recruitment', addressed to participants of the 'My goal - work' project. It was designed to help the unemployed under 30, primarily from the administrative districts of Kartuzy and Kościerzyce, re-enter the labour market.

The meeting was an opportunity to present the Company as an employer, explain its work culture and requirements expected of candidates. At the workshop, participants could learn about the recruitment process – what to pay attention to when reading a job offer, how to write a CV and covering letter and how to prepare for a job interview. They took part in interesting exercises and, in an open discussion, willingly shared their experience and talked about problems they encountered while looking for a job. The knowledge they have gained will help them cope on the labour market.

(See more <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/responsible-employer>)

E(x)plory Festival

Objective

The nationwide E(x)plory Festival is a programme supporting scientific innovations, creativity and curiosity about the world. It promotes the achievements of science among children and youngsters, while addressing the challenges of modern times, such as the need for innovation and development of the next generation of professionals.

Activities

In 2014, Grupa LOTOS acted as a patron of the festival, which featured a competition for young scientists, technology fair, engineering design shows, workshops for students and teachers, lectures for representatives of business and science and scientific conferences. The festival stimulates the development of Polish science, while fostering links between business and science.

Results

So far, the festival has attracted more than 12,000 participants. Winners of the E(x)plory competition for young scientists succeed in international competitions, promoting Polish science. In 2014, a 17-year-old female winner of E(x)plory came fourth in the prestigious Intel International Science and Engineering Fair (Intel ISEF), the world's largest international pre-college science competition held in the United States.

STATEMENT

Our Research Group brings together some 40 students in various fields of study and from various universities. A primary focus of our activities has long been on community projects.

President of the 'Strateg' Student Research Group in 2013-2014, and Piotr Wróbel, Supervisor of the 'Strateg' Student Research Group
participants of the ENACTUS Poland Programme, awarded in the 'Responsibly with LOTOS' grant contest

This has made students attentive to social needs around them. But, even when we think we have identified a problem that needs to be tackled, we always put a great deal of effort to better understand the circumstances of the people involved. Things are rarely the same on the inside as they look on the outside.

The project called 'Give waste a second chance' can serve as a perfect example here. Our task was to collect PET bottles at schools and have them recycled into 300 duvets and 300 pillows, which were then donated to night shelters in the cities of Gdańsk, Gdynia and Sopot. Before we got down to work, we consulted our plans with the City Office of Gdańsk and the Gdańsk Materials Recovery Facility to get a better insight into the challenges we could face in promoting selective waste collection among members of the public. We also engaged in talks with the St. Brother Albert's Aid Society to understand who the homeless people are and what they need.

It is worth emphasising that we seek assistance from knowledgeable partners, mainly from the NGO sector, for the majority of our projects. We are well aware that complex problems require cooperation from different parties. Our key partner is Grupa Lotos, which co-sponsored the 'Give waste a second chance' project last year. Also, Grupa LOTOS employees helped us fine-tune the project's details by sharing their experience and ideas.

Dialogue with project beneficiaries and participants is vital for us. At schools, we were telling children about the benefits of selective waste collection. Our campaign was run as a competition, which got whole families engaged in collecting plastic containers. This was our way of promoting pro-environmental behaviours. At the ceremony marking the end of the project, children met with a representative of the St. Brother Albert's Aid Society to learn more about the lives of the homeless.

ENACTUS Poland

Objective

In the 2013–2014 academic year, Grupa LOTOS became a partner of ENACTUS Poland, the Polish branch of an international organization bringing together students, tutors and representatives of the business world. Students in the programme compete on business projects designed to support local communities. Their activities are a response to economic, environmental and social challenges, with the objective of improving the living conditions and standards of the target group. The best projects are entered into the Polish finals of the competition, and may go on to compete in the ENACTUS world cup. As part of the programme, students are mentored by their tutors, as well as business managers, who offer assistance and advice.

Activities

In Poland, there are currently 15 university teams implementing about 40 projects in an academic year. In 2014, there were nearly 60 jury members and about 200 students in the Polish edition.

As part of the cooperation, we announced the 'Responsibly with LOTOS' grant contest, with the purpose of selecting the best CSR projects prepared by students of Polish universities whose objectives would be consistent with those of the LOTOS Group's Corporate Social Responsibility Strategy. 2014 saw the first edition of the contest and implementation of the winning project. Thanks to our engagement, students associated within the Strateg Scientific Society of the University of Gdańsk were able to spread their wings, using the awarded grant to implement the Ekorywalizacja (Eco-competition) project. Also known as SLOW – Second Life Of Waste, the project is aimed primarily to encourage pro-environmental behaviour among pupils in Gdańsk primary schools. The students carried out a series of classes and competitions on waste sorting and processing. The collected plastics and waste-paper were processed into filling for duvets, which were handed over to the needy and to charities. More than 200 duvets made from the collected plastic waste were donated to night shelters in Gdańsk.

The second edition of the contest was announced in November 2014. The jury awarded a grant in the total amount of PLN 10,000 to two student organizations winning jointly: the ENACTUS Group of the Warsaw University of Life Sciences SGGW, for the Aphasia project, and the Enactus Group of the University of Gdańsk, who developed a cross-sectoral project 'Furniture Anew' ('Meble od Nowa').

Best practice

The theme of the project prepared by students of Warsaw's SGGW ENACTUS Group for the 'Responsibly with LOTOS' grant contest was aphasia, and its target group – people suffering from aphasia, their families and friends. Aphasia is a loss of the previously acquired skill of speaking and/or impairment of the ability to understand speech, read and write, usually as a result of a cerebral stroke. The greatest challenge for aphasics is the lack of ability to communicate. To overcome it, the students have designed a prototype application which enables aphasics to communicate by means of simple symbols and signs. Its users can create simple notes and share them on a specially simplified version of Facebook. The application will be freely available to download from official mobile stores to all platforms. Additionally, the project envisages the construction and promotion of a multilingual website which will be a source of knowledge for the families and friends of aphasics. In Poland alone, about 50,000 people have a stroke every year, with one in every three of them suffering from aphasia.

The other project selected by Grupa LOTOS has been developed by students associated within the ENACTUS Group of the University of Gdańsk. It combines a labour-market re-entry plan for the disabled with recycling of plastics and used furniture and with road safety education of children in the Province of Gdańsk. The students reached out to the coordinators of the 'Osiedle Sitowie' programme, implemented by the Family Support Centre of Gdańsk together with Grupa LOTOS. The project is addressed to several groups at risk of social exclusion, such as people with mental disorders, single mothers and challenging adolescents, and aims to help them re-enter the labour market and/or integrate into society. To increase the chances of employment for inhabitants of the 'Osiedle Sitowie' housing estate, the students have developed a long-term project to establish a furniture repair shop, where old furniture would be renovated, and new pieces designed and constructed under the supervision of an experienced professional and creative students of the Academy of Fine Arts in Gdańsk. Moreover, the project participants would produce safety reflectors from recycled plastics, enhancing the safety of children on the roads. The reflectors would be delivered to schools in small municipalities and villages of the Gdańsk Province.

fundusz inicjowania rozwoju
www.forumrozwoju.org.pl

Development Initiation Forum

Objective

In 2014, we continued our cooperation under the Development Initiation Forum, which supports development of the Pomerania region, where most of the LOTOS Group companies are based. The Development Initiation Forum is an initiative born out of experience and needs of three sectors: local self-governments, businesses and NGOs. Aimed to drive the social and economic development of the region, the initiative is to be implemented through cross-sectoral projects. The binding element for all its activities is an annual conference.

In 2014, a grant fund - Development Initiation Fund – was launched. The idea of the Fund is to support cross-sectoral projects which respond to the actual needs of the Pomerania region, thus contributing to its development. Cooperation with the Development Initiation Foundation of the Development Initiation Forum in the launch of the Grant Fund resulted in the appropriation of a total of PLN 140,000 for cross-sectoral projects. Three of the five grantees are social enterprises which employ socially excluded individuals.

Activities

The Development Initiation Forum is a long-term initiative, successfully implemented since 2011. Its key results include cross-sectoral partnership of about 20 entities, represented by the Programme Board comprising representatives of NGOs, businesses and public institutions; three conferences on cross-sectoral cooperation (the 2014 edition saw a turnout of 300), and more than ten direct partnerships between entities.

50 projects submitted for the 2014 Grant Contest organized by the Development Initiation Forum confirm that social activity and cross-sectoral cooperation in the province are on the rise. In line with the cross-sectoral character of the project, Grupa LOTOS supported it not only financially, but first and foremost by providing expert knowledge during the contest, including in the evaluation of entries.

Best practice

The Development Initiation Fund, inaugurated in October 2014, is a cross-sectoral partnership programme, directed at businesses, public institutions and NGOs. Only non-governmental entities were eligible to lead a partnership and apply for grants. The winners would receive up to PLN 25,000 as financing for their project. The jury awarded grants to the following entities: Spółdzielnia Socjalna Dalba of Puck, Fundacja Mamy z Morza of Gdynia, Pomorski Inkubator Przedsiębiorczości of Kościerzyna, Stowarzyszenie Grupa Kolarska Starogard Gdański, and Spółdzielnia Socjalna Kooperacja of Sopot.

This means that in 2015 the Development Initiation Fund will fuel a variety of interesting cross-sectoral initiatives, important to local communities and the entire Gdańsk Province. For example, the Fund will finance the next edition of the Kociewie Szlakiem MTB marathon, which is a unique initiative combining elements of sports, tourism and cultural heritage. The Fund will also help young parents through Pomorskie Kluby Rodzica (parents' clubs), which will be set up in new areas – Puck, Kartuzy and Kościerzyn. The jury decided the initiative was of vital importance given the demographic challenges faced by the region. It also resolved that the Fund would help finance initiatives aimed at promoting entrepreneurship, employment and social inclusion. Among the projects which can address these challenges in a particularly original and effective way is the Kashubia Business Academy (Kaszubska Akademia Przedsiębiorczości), where partners will engage in cross-sectoral collaboration to promote the spirit of entrepreneurship in the region of Kashubia. Deserving of special recognition are two projects to promote employment and social inclusion of those affected by long-term unemployment or disabilities: the Luk Luk Charity Shop ('Luk Luk Sklep Charytatywny') and a cooperative brewery ('Browar Spółdzielczy - kooperatywa, która warzy więcej').

Responsibility in the supply chain

Management of the supply chain at Grupa LOTOS consists in coordinating the procurement process for raw materials and components, production planning and logistics associated with the delivery of raw materials and distribution of products. These business processes underlie the Company's value chain. Grupa LOTOS follows an integrated approach to managing its supply chain. This philosophy is implemented in such a way as to maximise the integrated economic effects of our operations, while meeting the expectations of all our stakeholders.

The supply chain is an international environment where Grupa LOTOS connects with its suppliers and customers. Given the large scale of the Company's operations, our network of relationships with suppliers and customers is a complex structure spanning various aspects, both at the operational and, in the case of certain partners, strategic levels. When engaging in long-term business relationships, Grupa LOTOS pays attention to the market position and CSR records of its prospective partners. Many of our partners are international oil companies which have pioneered the industry's commitment to corporate social responsibility and business ethics.

As a vertically-integrated oil company, we take active steps to control the flow of raw materials, products, information, and cash within the organization, from the moment a raw material is extracted, through production and distribution, to consumption of the final product by its end user. We seek to strengthen our vertical integration by pursuing key strategic objectives and striving to enhance our position both in the upstream segment and in the retail market. This approach supports our ability to ensure equally high CSR standards across all levels of the supply chain.

Aware of the importance of working with a local supplier base, we strive to partner with companies which offer the expected competencies and meet our standards of cooperation. For instance, we seek to minimise the negative impact of fossil fuels in transport by sourcing 72% of the biocomponents (bioethanol and FAME) we use to produce our fuels from local suppliers.

We observe the highest quality and safety standards. Entities, including local businesses, which render services at our production facilities are provided with technical standards applicable to the works they are to perform, containing detailed information on the relevant technologies. Also, personnel employed by those companies undergo regular, mandatory training in safety awareness. Our trading partners are invited to meetings at which they learn about the standards and values we adhere to and the rules of conduct applicable at the LOTOS Group. (See more <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/ethics/system-of-values>)

For example, in 2014 we held meetings with medium-sized and small enterprises at the Pomerania science and technology parks, where start-up companies often operate. The purpose of the meetings was to demonstrate that, as the region's largest company, we are open to collaboration with smaller enterprises, building such relations based on the principle of partnership. We also share our best practice and information when choosing a trading partner, and in the course of day-to-day business relations.

In 2014, we made consistent efforts to increase the scale of our operations through dynamic expansion of the LOTOS service station chain, thus creating further new jobs. The station chain's expansion involved both the construction of new service stations and acquisition of existing sites. After taking over existing service stations, LOTOS Paliwa, which is responsible for the development of the retail network, significantly expands their business with the addition of new services, introduction of modern management methods and improvement of customer service quality. In the end, all these efforts translate into increased staffing levels, which is of particular importance in regions affected by high unemployment.

At CODO stations staff are employed by the Dealer who has entered into a station management agreement with LOTOS Paliwa, whereas at DOFO stations they are employed by the Franchisee running the station. Employees working at the existing and newly acquired stations attend a series of courses to raise their qualifications.

For the last four years, we have also been gradually expanding our economy service station chain, which offers less expensive fuels, with 17 new locations added to the chain in 2014. Since 2011, we have launched a total of 169 LOTOS Optima service stations, both under the CODO and Franchise models, with a total headcount of approximately 1,440 persons.

Such strong expansion of the chain also translates into higher demand for our general construction work.

As a result of both legal and procedural considerations, including the principle of equal treatment of all business entities, the selection of suppliers is chiefly based on their business profile, contract delivery potential, knowledge and experience, lead times and pricing. The Polish law precludes any explicit preference for local suppliers, understood as trading partners based in the provinces where companies of the LOTOS Group are located, i.e. principally in the Gdańsk Province. Accordingly, local suppliers who take part in competitive bid procedures may only do so on terms equal with other bidders. Nevertheless, we keep monitoring the markets, including local markets, as a result of which we invite and select local suppliers to do business with. We evaluate them on the basis of their work, creating a list of eligible suppliers of goods and services that meet our requirements.

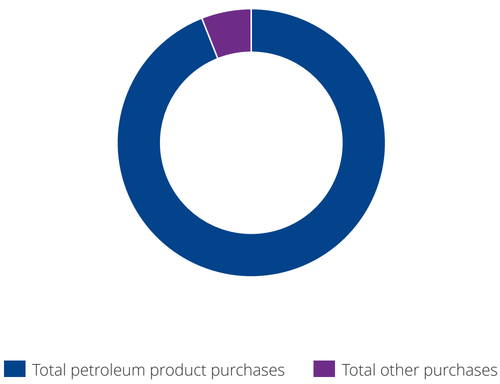
In the process of executing contracts for products and services, Grupa LOTOS takes into account all business entities, including those operating locally in the Province of Gdańsk. Purchases from local suppliers accounted for 4.69% of all purchases made in 2014, while purchases from related entities located in the Province of Gdańsk represented 58.42% of total purchases made from all related entities. It needs to be emphasised, though, that the products which are essential to the Company's operations and represent the largest proportion of its procurement costs (94%) are not available on the Gdańsk Province's local market (crude oil, petroleum products and specialist equipment). It is also true for companies of the marketing segment, such as LOTOS Asfalt, LOTOS Oil and LOTOS Kolej (rolling stock), as well as those of the upstream segment, such as LOTOS Petrobaltic. These companies rely on the local markets only for non-strategic products and services.

Share of local companies of the Gdańsk Province in total supplies procured in 2014 (%)	
Grupa LOTOS (main location)	
Other entities	1.40
Related entities	58.42
Total	4.69
LOTOS Kolej (main location)	13.00
LOTOS Petrobaltic*	42.00

* Data from the SAP system since 2014

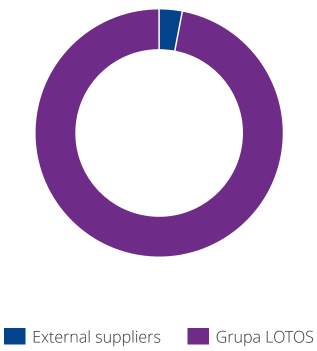
In purchases of energy utilities, such as electricity and gas, favourable terms of business are the primary factor behind the choice of a supplier. It is worth noting that a significant amount is allocated to purchase electricity, all of which was supplied by Energa Obrót, a company based in the Province of Gdańsk, while all gas purchases, associated with PGNiG, were made in the Province of Warsaw.

Purchases of Grupa LOTOS in 2014.

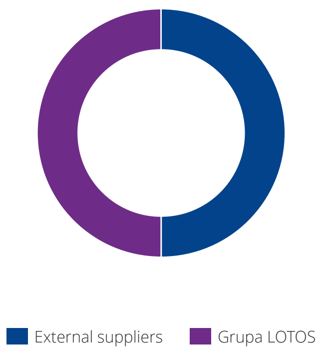


Given the nature of their businesses, suppliers working with LOTOS Asfalt and LOTOS Oil have their offices throughout Poland and the European Union.

Bitumen components purchased by LOTOS Asfalt in 2014, by origin

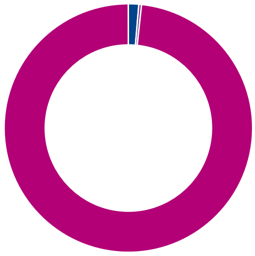


LOTOS Asfat suppliers of heavy fuel oil in 2014, by share



Supplies of raw meterials and packaging to LOTOS Oil in 2014, excluding Grupa LOTOS

Supplies of raw meterials and packaging to LOTOS Oil in 2014, including Grupa LOTOS



LOTOS Paliwa purchases 100% of its fuel stocks from Grupa LOTOS, with the vast majority of the fuel being produced domestically, at the refinery in Gdańsk. Rail transport of fuels is handled entirely by LOTOS Kolej, also based in Gdańsk, while road transport is fully outsourced to third parties. In the case of fuel shipments to LOTOS service stations, the company works with entities with a countrywide presence, specialised in supplying service stations. Fuel deliveries to wholesalers are additionally handled by local carriers, because they are familiar with their regions and local transport considerations. LOTOS Paliwa's wholesale deliveries were outsourced to local freight service providers in the Provinces of Wrocław, Rzeszów, Gdańsk, Szczecin and Olsztyn (where local carriers handle all deliveries).

In the business environment in which we operate, human rights issues are governed by a legal framework. We maintain relations only with entities that operate legally and are required to comply with law, including regulations on human and employee rights. An agreement is considered material if it meets one of the following criteria:

- the relationship with the trading partner is long-term,
- the agreement has additional risks associated with it, e.g. access to sensitive data,
- the value of the contract is linked to a given procurement category,
- the agreement is related to a key area of the Company's operations.

In 2014, we sought to include provisions ensuring the highest standards of legal compliance in all our agreements with suppliers. We also amended our internal regulations so that relevant audits could be carried out to verify our trading partners. This approach was recommended to all companies of the LOTOS Group.

Due to the priority we give to occupational health and safety, fire safety and physical security, agreements executed with our suppliers include mandatory provisions requiring these entities to comply with the relevant regulations. For instance, in the course of choosing our trading partners, we require that all candidates provide documents certifying that they pay the required social insurance contributions for their employees. In 2014, this requirement was met by all trading partners carrying out contracts on the premises of our key production plants.

In 2014, we carried out 18 supplier audits. Having been audited, each supplier received a report, which included our comments on any identified failings. No gross violations of human rights were identified in the course of these audits. All our comments and recommendations were provided to the suppliers.

In 2015, Grupa LOTOS wants to carry out more supplier audits, through measures such as mandatory provisions included in our agreements. (See more <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/approach-to-management/management-systems>)

STATEMENT

The LOTOS Group's business operations are inextricably linked with its trading partners, who are all treated on equal footing.

Halina Stasiewicz
Business Process Management Office Director, Grupa LOTOS

We aim to make our key values – such as mutual respect and understanding of each other's business needs and objectives, mutual support, especially during economic downturns, and the principles of ethical conduct, including respect for fair competition and human rights – equally important to all companies we work with.

It is equally vital that trading partners meet our quality standards. We also seek to ensure and promote occupational safety and environmental protection. Even when calling for tenders, we clearly communicate our requirements, building good market practice. We wish to partner only with entities that make every effort to observe our rules of conduct in areas where we set the bar very high for ourselves. As we hope to encourage our trading partners to do the same, we monitor all entities contracted to do work for the Company.

We also promote safety at work, which is why our agreements with trading partners include appropriate provisions on compliance with the Company's internal safety regulations. Our requirements are openly communicated to customers and trading partners through a dedicated website 'Grupa LOTOS' Requirements for Contractors'. We release relevant publications and organize training for our trading partners to promote these standards and ensure they are observed, thus contributing to creating higher standards in safety and environmental protection. We wish to promote good practice that we have ourselves tried and tested. Audits are an important tool in this respect, as they allow us to evaluate our suppliers, identify areas that need to be improved and communicate with them about the required work. Our suppliers and trading partners have our support at every stage of the process. This approach has a positive effect on the local market, promoting appropriate conduct along our value chain.

Socially committed brand

Fostering the image and strength of the LOTOS brand is one of Grupa LOTOS's top priorities. Our goal is to enhance the LOTOS brand value by building its image as a brand which:

- relies on the key values of modernity, development and partnership,
- has secured an international presence,
- represents top quality products,
- stands for corporate social responsibility.

Efforts are always made to increase consumer awareness of the brand and to position Grupa LOTOS as an organization recognised for its professional management style that builds on its quality, innovation, environmental awareness and security. This objective is supported by the Company's lasting commitment to sponsorship. (See more <http://raportroczny.lotos.pl/en/business-strategy-and-model/brand>)

In accordance with the sponsorship rules adopted by Grupa LOTOS and its subsidiaries, we act as sponsors mainly in those administrative districts and provinces where our offices are located and where LOTOS Group companies conduct their business. Sponsorship may be also carried out abroad, in locations where the LOTOS Group or its key social and business partners are particularly active.

Sponsor of culture and social initiatives

We are actively involved in initiatives of vital importance to the communities living in areas where LOTOS Group companies are located, i.e. in the Gdańsk Province and the districts of Jasło and Bielsko-Biała. Such events often reach beyond regional borders. The key criterion based on which we choose to support a cultural event is its social, artistic and promotional effect.

In 2014, the majority of cultural events sponsored by the LOTOS Group were ongoing projects from previous years. Working with the same partners under a proven model was a guarantee of successful and consistent implementation of goals. Because of their cyclical nature and repetitive formats, such events allowed us to reinforce our promotional message to specific groups of stakeholders which are key to the LOTOS Group's development.

Our actions help us establish and strengthen the image of a socially committed business investing in the future and good relations with our social environment. Furthermore, by sponsoring culture and arts and by becoming engaged in social outreach and environmental initiatives, we also implement the LOTOS Group's Corporate Social Responsibility Strategy. One of its key objectives is to integrate with local communities, by ensuring favourable attitudes among locals and strengthening the Company's reputation as a socially committed business, for instance by undertaking initiatives designed to provide lasting solutions to the locally relevant social and environmental issues.

Our social and environmental efforts focus on three key areas, as defined in the Corporate Social Responsibility Strategy:

- **environmental and ecological protection, with a special focus on conservation of the environment and natural values of the Baltic Sea, and protection of areas directly adjacent to our plants,**
- **road traffic safety,**
- **ensuring equal opportunities through initiatives for children and youth at risk of social exclusion**.

In 2014, the LOTOS Group sponsored 29 cultural and artistic initiatives, including several major projects in the Gdańsk Province, especially in Gdańsk, Sopot and Gdynia, by becoming a Strategic Partner of the Baltic Opera House and the Baltic Sea Culture Centre in Gdańsk, and supporting events such as the Solidarity of Arts Festival, World Gdańsk Reunion, Siesta Festival, Sopot Street of Art, Two Theatres Festival of the Polish Radio and Polish Television and the Daisy Chain Wonders - Summer Begins in Gdynia event.

In Southern Poland, key events sponsored by LOTOS included LOTOS Jazz Festival – Bielska Zadymka Jazzowa, Jasło Days, Czechowice-Dziedzice Days, Autumn Theatre Days, and the international Łemkowska Watra Lemko Culture Festival.

Also, in 2014 Grupa LOTOS collaborated with the Adam Mickiewicz Institute on the 'I, CULTURE Orchestra' project, supporting a group of talented young musicians from Poland and Eastern Partnership countries. Since its inception in 2011, the project has focused on culture as a medium for strengthening relations between the European Union and Eastern Partnership countries. In addition, sponsorship activities of the LOTOS Group include LOTOS Petrobaltic's support for cultural events in Lithuania.

Sponsor of sports

In the eyes of external parties, our continuing involvement in sponsorship of sports and sports projects with a social agenda is proof of our social outreach, availability and commitment to supporting different forms of activity, not necessarily related to sport. The aim is to project the Company's values and enhance the LOTOS brand by associating it with dynamic change, action, growth and victory. This strategy reinforces the attributes of our products more credibly than any traditional form of advertising. The brand's image relies to a large extent on its ability to invoke empathy and familiarity, as well as on the image of the LOTOS Group as a socially responsible organization which develops its business while seeing people as its top priority.

With our sponsorship projects, which are consistent with our CSR approach, we promote physical activity, healthy lifestyles, recreational sport and sports education for children. In terms of business, we benefit from these initiatives financially through strong media coverage (advertising value equivalent).

Grupa LOTOS's sports sponsorship is used to showcase the Company's mission and values, while strengthening the association between our product brands and quality. In this area, we focus on sports embodying the values which are of particular importance to the market and social positioning of the LOTOS brand.

Sponsorship activities related to sports are consistent with the LOTOS Brand Strategy and the LOTOS Group's Corporate Social Responsibility Strategy, forming part of the Company's wider communication and promotional efforts.

In 2014, we continued to build and foster the LOTOS brand's image by engaging in sponsorship of professional and amateur sports. We also became involved in sports projects combined with social themes, as well as the most important sporting events in Poland, Europe and the world. Relative to 2013, the number of LOTOS-backed initiatives decreased from 27 to 25, falling into the following categories:

- **Motor rallying** – continuation of certain motorsports projects, particularly the support of Robert Kubica, for whom LOTOS became an Official Partner during the World Rally Championship. Another rally initiative involved the LOTOS Rally Team, comprising European Rally Championship contender Kajetan Kajetanowicz. Apart from rally drivers, we also sponsored the largest motoring event in Poland – the 71st LOTOS Rally Poland, a qualifying round for the World Rally Championship, as well as the Polish Rally Championship and the Barbórka Rally.
- **Sporting initiatives at regional and national level** – like in previous years, we were involved in football projects carried out with the Lechia Gdańsk club, and supported LOTOS Trefl Gdańsk and Trefl Sopot volleyball and basketball teams. We also became the General Sponsor of Poland's Nordic Skiing, and sponsored Tour de Pologne, the largest national cycling event, the Polish Rugby Association and several golf tournaments. As regards local initiatives, we supported the LOTOS Baltic Cup International Dance Festival, Sopot Athletics Club, Małgorzata Dydek Memorial Tournament and Saint Dominic's Run.
- **Physical education among children and teenagers** – as a socially committed business we continued our involvement with sports projects with a social agenda, addressed to children and teenagers, focusing mainly on football ('White and Green Future with LOTOS' programme organised together with the Lechia Gdańsk Football Academy), winter sports (National Ski Jumping Development Programme – 'In Search for the Champion's Successors' programme implemented together with the Polish Ski Association), basketball (Gdynia Basketball Talents), mini speedway (GKŻ Wybrzeże) and sailing (Gdańsk Sailing Club).

In our sponsorship, we adhere to standards spelled out in voluntary codes of conduct, e.g. those published by business organizations of which we are members. The quality of our communications with the market is also subject to the standards of conduct defined in the LOTOS Group's Code of Ethics. We do not engage in any events which might cause damage to objects or facilities of historical or artistic value, or events which could have an adverse environmental impact. We conduct our operations without using any discriminatory or controversial content that might offend certain social groups or abuse the trust of recipients of our communications, and without inciting negative emotions.

The above corporate practices in marketing communications are applicable to Grupa LOTOS and all its marketing companies, i.e. those companies which, given their business profiles, target their messages regarding products and services at wider audiences.

RELATED CONTENT:

Key objectives

We achieve our business objectives with due regard to corporate social responsibility and sustainable development by the best possible use of the organization’s resources and capabilities to generate economic and social value for the benefit of the Company and its environment.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/key-objectives>

Brand

Our strategic goal is to build lasting customer relationships by focusing on understanding customers’ needs and ensuring expected product quality and safety. Our ambition is to create a brand that is dynamic and competent, friendly and trustworthy for our customers.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/brand>

Awards and distinctions

According to the Chapter of the ninth edition of 'The Best Annual Report' contest, the 2013 Integrated Annual Report of Grupa LOTOS exemplifies a publication based on which investment decisions can be made at a relatively minimal risk.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/awards-and-distinctions>

Energy security

STATEMENT

Grupa LOTOS actively supports the state policy for the energy sector. Representatives of the Company are members of expert teams appointed by the government to develop new legislative solutions for the energy sector, and actively participate in public consultation of draft acts regulating the sector.

Marcin Bodio
International Relations Office Director, Grupa LOTOS, CSR Strategy Leader in the Energy Security area

We support the Ministry of Economy, Ministry of State Treasury, Ministry of Environment and Ministry of Foreign Affairs in the organization of government and state meetings, by providing them with information and expert knowledge on the energy sector.

In 2014, representatives of Grupa LOTOS participated as experts in meetings of the Polish Parliament's Special Committee for Energy and Energy Resources and the State Treasury Commission, where important matters concerning Poland's oil sector were discussed. There, we had an opportunity present to the law makers the industry's current situation and key challenges resulting from the enacted and planned EU regulations.

Grupa LOTOS monitors, on an ongoing basis, all EU regulations concerning the energy sector, and cooperates with the government on drafting documents implementing EU directives in Poland. Being a member of Central Europe Energy Partners (CEEP) and Fuels Europe, Grupa LOTOS is also able to influence the shape of the EU regulations.

In 2014, through CEEP, we supported the process of negotiation between the EU and USA of the Transatlantic Trade and Investment Partnership (TTIP). We seek free access to the North American oil and gas market, which should help EU refineries compete with those outside the EU, which have access to less expensive gas and oil.

We are facing new challenges brought about by the recurring debate over the use of renewable energy sources in transport. The debate will take place in three main areas: amendment of the EU's Renewable Energy Directive (RED), a European discussion on the role of renewable energy sources in transport by 2030, and a national debate on solutions related to reaching a 10% share of renewable energy sources (RES) in the transport sector by 2020.

Other issues which require our attention are the EU's proposals to reform the Emissions Trading Scheme (ETS) and implementation of the Market Stability Reserve (MSR), which would maintain a high price of CO_2 emission allowances. We have been monitoring the energy sector across Poland's eastern border, where customers for our oil products operate (Russia, Belarus, Ukraine, Kazakhstan and Azerbaijan). We take part in the work of Intergovernmental Committees concerning countries of the region, which set out the possibilities and directions of bilateral economic cooperation.

One of the major events we participated in last year was the publication of the 'Completing Europe - From the North-South Corridor to Energy, Transportation and Telecommunications Union' report, drawn up by CEEP and the Atlantic Council think tank. Economic growth and energy security determine the EU's strength. We should seek to strengthen the competitiveness of European economies through construction of adequate infrastructure that would allow Europe to successfully compete with other economies of the world.

We consider as priority the investment project concerning the creation of the North-South Corridor, i.e. an integrated network of interconnections in the energy, transport and telecommunications sectors extending from the Baltic Sea to the Adriatic and

Black Seas, and linking the region with the rest of the EU.

The LOTOS Group realises its business strategy and corporate social responsibility goals by increasing its role in strengthening Poland's energy security. With this end in mind, we carry out multiple projects aimed to increase the production of hydrocarbons and oil distillate yields, improve Poland's fuel balance and exploit synergies between refining and the energy sector.

In 2014, we were actively involved in the efforts to strengthen the energy security through various areas of our operation.

Development of the exploration and production segment

We continued our work on development of the B8 oil field located in Poland's Exclusive Economic Zone of the Baltic Sea with a view to launching commercial production. This project will allow us to diversify our oil supply sources. On August 25th 2014, we signed relevant agreements under the Senior Note Programme with Bank Pekao S.A. and Bank Gospodarstwa Krajowego, and under the Subordinated Note Programme with Polskie Inwestycje Rozwojowe and Bank Pekao S.A.

LOTOS Petrobaltic continued its work, carried out jointly with CalEnergy Resources Poland, on development of the B4 and B6 gas fields located in Poland's Exclusive Economic Zone of the Baltic Sea. The project's objective is to launch commercial production of natural gas from the fields by 2018, with a 51% share of LOTOS Petrobaltic in the production. The project will help diversify the sources of natural gas supplies to Grupa LOTOS. In 2014, the engineering design for 2015–2017 was developed and a phased launch of production from the fields (B6 and B4) was analysed.

In May 2014, LOTOS Norge and PGNiG Upstream International signed a letter of intent concerning their joint operation on the Norwegian Continental Shelf, according to which both companies are planning to jointly review possible acquisitions, acquire assets and take part in licensing rounds held by the Norwegian Petroleum and Energy Ministry.

Last year, the Heimdal field development project was at a preparatory stage to determine its most profitable scenario. Development of the hydrocarbon discoveries acquired by LOTOS Norge in the Heimdal portfolio, i.e. Fulla, Frigg Gamma Delta and Rind, will lead to increased production of hydrocarbons in the Norwegian Continental Shelf and higher revenue from foreign sales.

Development of onshore oil and gas deposits in Poland was carried out in cooperation with PGNiG. Activities in this area were focused on raising the production of hydrocarbons from conventional deposits and further diversifying the sources of feedstock supply to the Grupa LOTOS refinery. The project, carried out under the 2013 agreement between LOTOS Petrobaltic and PGNiG on joint operations in the Kamień Pomorski onshore licence area, was in the phase of exploration and appraisal, as part of which seismic surveys were performed. (See more <http://raportroczny.lotos.pl/en/results-and-prospects/segment-performance/exploration-and-production>)

Influencing Poland's and the EU's energy policy

In 2014, Grupa LOTOS was actively involved in promoting the policy of energy security. Activities in this area were conducted mostly through our membership in the association Fuels Europe and in Central Europe Energy Partners (CEEP).

A valuable initiative of the Ministry of Economy was to commence work on Poland's Energy Policy until 2050. Several industry organizations, including CEEP (co-founded by Grupa LOTOS), were invited to contribute. In May 2014, during the European Economic Congress in Katowice, Grupa LOTOS and CEEP organized a panel discussion entitled 'Single Energy Market in Europe', to present the idea and challenges of creating on our continent a single energy market.

The issue was further investigated during a panel discussion 'An Energy Union for Europe – Competitiveness, Growth, Security and Solidarity', organized by CEEP and Grupa LOTOS during the Economic Forum in Krynica-Zdrój, in September 2014.

Another major European event in 2014 was the '29 + 1' debate, held in April in Budapest and attended by representatives of 29 leading energy companies from Central Europe as well as the EU Commissioner for Energy. The initiative was under the auspices of Romania's Prime Minister Victor Ponta. The idea behind the '29+1' meetings is to ensure that Central European energy companies have a say in developing the EU's joint position and policy on energy security.

Last but not least, the Energy and Economic Summit, held in November 2014 in Istanbul, Turkey, was an opportunity to present the 'Completing Europe - From the North-South Corridor to Energy, Transportation and Telecommunications Union' report drawn up by the Atlantic Council and CEEP.

Best practice

An example of best practice which combines building our international relations with supporting initiatives aimed to improve the energy security in Europe was the publication of the 'Completing Europe - From the North-South Corridor to Energy, Transportation and Telecommunications Union' report.

This strategic document was drawn up thanks to the cooperation between CEEE and the Atlantic Council, with the expert input provided by Grupa LOTOS, PERN "Przyjaźń and Kulczyk Investment. The Atlantic Council was founded in the 1960s and is a special, nonpartisan American think tank committed to promoting transatlantic cooperation and international security.

The report focuses on the role of oil, gas, transportation and telecommunications interconnectors in strengthening the security of the European energy sector, improving its competitiveness and creating common energy market.

The report was first presented at the Energy and Economic Summit, held in November 2014 in Istanbul.

The document is available on the Central Europe Energy Partners' website at www.ceep.be.

In 2015, Grupa LOTOS is planning to continue its exploration and production work. Moreover, we envisage further involvement in the work on drafting Poland's Energy Policy until 2050 and the legislative processes (at the national and EU levels) concerning the energy sector.

RELATED CONTENT:

Membership in organizations

Representatives of Grupa LOTOS take part in the work of different organizations and we treat our membership in them as strategically important. The goals of these organizations are e.g. to develop new legislative solutions for the energy sector and to actively participate in public consultation of draft acts regulating the sector.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/membership-in-organizations>

Key objectives

We achieve our business objectives with due regard to corporate social responsibility and sustainable development by the best possible use of the organization's resources and capabilities to generate economic and social value for the benefit of the Company and its environment.

Go to the page » <http://raportroczny.lotos.pl/en/business-strategy-and-model/key-objectives>

Grupa LOTOS S.A.
Integrated Annual Report 2014

Financial information

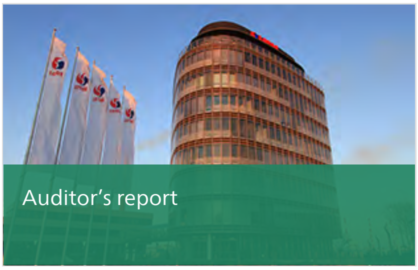
Financial information

IN THIS CHAPTER:


Financial highlights - consolidated the LOTOS Group


Consolidated Financial Statements for 2014


Auditor’s opinion


Auditor’s report


Management’s discussion and analysis


Interactive LOTOS Databook

Financial highlights - consolidated the LOTOS Group

	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	28,501,887	28,559,165	6,803,496	6,782,039
Operating profit/(loss)	(1,393,008)	166,600	(332,516)	39,563
Pre-tax loss	(2,123,715)	(58,676)	(506,938)	(13,934)
Net profit/(loss)	(1,466,372)	39,428	(350,028)	9,363
Net profit/(loss) attributable to owners of the Parent	(1,466,326)	39,415	(350,017)	9,360
Net profit/(loss) attributable to non-controlling interests	(46)	13	(11)	3
Total comprehensive income/(loss)	(1,902,137)	123,450	(454,047)	29,316
Total comprehensive income/(loss) attributable to owners of the Parent	(1,902,096)	123,439	(454,037)	29,313
Total comprehensive income/(loss) attributable to non-controlling interests	(41)	11	(10)	3
Net cash from operating activities	1,380,488	1,416,277	329,527	336,328
Net cash from investing activities	(958,338)	(931,051)	(228,759)	(221,100)
Net cash from financing activities	(597,271)	(243,864)	(142,571)	(57,911)
Total net cash flow	(175,121)	241,362	(41,803)	57,317
Basic earnings/(loss) per share (PLN/EUR)	(10.11)	0.28	(2.41)	0.07
Diluted earnings/(loss) per share (PLN/EUR)	(10.11)	0.28	(2.41)	0.07

	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	18,947,157	20,284,754	4,445,289	4,891,193
Equity attributable to owners of the Parent	8,258,288	9,189,307	1,937,519	2,215,786
Non-controlling interests	175	289	41	70
Total equity	8,258,463	9,189,596	1,937,560	2,215,856

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

Consolidated Financial Statements for 2014

CONTENTS:

Consolidated statement of comprehensive income

Consolidated statement of comprehensive income for 2014

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Revenue	8	28,501,887	28,559,165
Cost of sales	9.1	(27,466,614)	(26,878,863)
Gross profit		**1,035,273**	**1,680,302**
Distribution costs	9.1	(1,162,071)	(1,106,186)
Administrative expenses	9.1	(447,055)	(429,177)
Other income	9.3	26,707	30,869
Other expenses	9.4	(845,862)	(22,680)
Loss of control of subsidiary		-	13,472
Operating profit/(loss)		**(1,393,008)**	**166,600**
Finance income	9.5	21,740	135,159
Finance costs	9.6	(727,982)	(342,304)
Share in net profit/loss of equity-accounted joint ventures	16	(24,465)	(18,131)
Pre-tax loss		**(2,123,715)**	**(58,676)**
Corporate income tax	10.1	657,343	98,104
Net profit/(loss)		**(1,466,372)**	**39,428**
Other comprehensive income/(loss):			
Items that may be reclassified to profit/loss:		**(428,448)**	**84,174**
Exchange differences on translating foreign operations		45,106	(13,646)
Cash flow hedges	23	(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:		**(7,317)**	**(152)**
Actuarial gain/(loss) under post-employment benefits		(8,974)	(188)
Corporate income tax relating to actuarial gain/(loss) under post-employment benefits	10.1	1,657	36

Other comprehensive income/(loss), net		**(435,765)**	**84,022**
Total comprehensive income/(loss)		**(1,902,137)**	**123,450**
Net profit (loss) attributable to:			
Owners of the Parent	11	(1,466,326)	39,415
Non-controlling interests	26	(46)	13
		(1,466,372)	**39,428**
Total comprehensive income/(loss) attributable to:			
Owners of the Parent		(1,902,096)	123,439
Non-controlling interests	26	(41)	11
		(1,902,137)	**123,450**
Earnings/(loss) per share attributable to owners of the Parent (PLN)			
Weighted average number of shares ('000)	11	145,027	142,717
- basic	11	(10.11)	0.28
- diluted	11	(10.11)	0.28

The Notes to the consolidated financial statements are an integral part of the statements.
(This is a translation of a document originally issued in Polish)

Consolidated statement of financial position

Consolidated statement of financial position for 2014

PLN '000	Note	Dec 31 2014	Dec 31 2013 (restated)	Jan 1 2013 (restated)
ASSETS				
Non-current assets				
Property, plant and equipment	13	9,485,654	10,009,073	9,644,600
Goodwill	14	46,688	46,688	46,688
Other intangible assets	15	553,687	658,797	496,386
Equity-accounted joint ventures	16	99,599	129,798	85,214
Deferred tax assets	10.3	1,488,901	924,534	1,121,314
Other non-current assets	18	107,288	210,981	107,232
Total non-current assets		**11,781,817**	**11,979,871**	**11,501,434**
Current assets				
Inventories	19	3,917,129	5,728,884	5,963,027
- including mandatory stocks	*19.2*	*2,243,655*	*4,250,530*	*4,353,207*
Trade receivables	18	1,406,501	1,591,649	1,625,715
Current tax assets		59,596	76,711	90,566
Derivative financial instruments	28	4,430	73,935	121,334
Other current assets	18	1,419,034	337,071	434,400
Cash and cash equivalents	20	348,215	495,839	266,104
Total current assets		**7,154,905**	**8,304,089**	**8,501,146**
Non-current assets held for sale (or disposal groups)	17	10,435	794	2,428
Total assets		**18,947,157**	**20,284,754**	**20,005,008**
EQUITY AND LIABILITIES				
Equity				
Share capital	21	184,873	129,873	129,873
Share premium	22	2,229,626	1,311,348	1,311,348
Cash flow hedging reserve	23	(412,535)	61,019	(36,801)
Retained earnings	24	6,190,989	7,666,833	7,627,427
Exchange differences on translating foreign operations	25	65,335	20,234	33,878
Equity attributable to owners of the Parent		**8,258,288**	**9,189,307**	**9,065,725**
Non-controlling interests	26	175	289	699
Total equity		**8,258,463**	**9,189,596**	**9,066,424**

Non-current liabilities				
Borrowings, other debt instruments and finance lease liabilities	27	4,495,562	4,496,190	4,462,098
Derivative financial instruments	28	62,626	52,876	88,325
Deferred tax liabilities	10.3	55,527	275,823	313,716
Employee benefit obligations	29	185,451	151,425	129,862
Other liabilities and provisions	30	657,563	705,688	405,687
Total non-current liabilities		**5,456,729**	**5,682,002**	**5,399,688**
Current liabilities				
Borrowings, other debt instruments and finance lease liabilities	27	2,168,106	1,715,196	2,094,602
Derivative financial instruments	28	135,917	21,277	91,000
Trade payables	30	1,692,839	2,395,237	2,169,408
Current tax payables		4,667	8,823	5,752
Employee benefit obligations	29	84,038	103,973	109,971
Other liabilities and provisions	30	1,137,310	1,168,650	1,068,163
Total current liabilities		**5,222,877**	**5,413,156**	**5,538,896**
Liabilities directly associated with non-current assets (or disposal groups) held for sale	17; 29.1	9,088	-	-
Total liabilities		**10,688,694**	**11,095,158**	**10,938,584**
Total equity and liabilities		**18,947,157**	**20,284,754**	**20,005,008**

Consolidated statement of cash flows

Consolidated statement of cash flows for 2014

prepared using the indirect method

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Cash flows from operating activities			
Net profit		**(1,466,372)**	**39,428**
Adjustments:		**2,904,163**	**1,388,160**
Income tax	10.1	*(657,343)*	*(98,104)*
Share in net loss of equity-accounted associates	16	*24,465*	*18,131*
Depreciation and amortisation	9.1	*808,941*	*642,480*
Foreign exchange (gains)/losses		*366,720*	*119,591*
Interest and dividends		*168,177*	*170,636*
(Gain)/loss from investing activities		*16,356*	*(6,401)*
Impairment losses on property, plant and equipment and other intangible assets	9.3; 9.4	*806,141*	*(550)*
Settlement and valuation of financial instruments	9.5; 9.6	*197,849*	*(112,861)*
Decrease in trade receivables		*185,148*	*18,998*
(Increase)/decrease in other assets		*(6,376)*	*4,453*
Decrease in inventories		*1,811,755*	*232,487*
(Decrease)/increase in trade payables		*(702,398)*	*242,659*
(Decrease)/increase in other provisions and liabilities		*(120,389)*	*140,907*
Increase in employee benefit obligations		*5,117*	*15,734*
Income tax paid		(57,303)	(11,311)
Net cash from operating activities		**1,380,488**	**1,416,277**
Cash flows from investing activities			
Dividends received - equity-accounted joint ventures	16.1	7,280	6,098
Dividends received from other entities		894	680
Interest received		6,033	6,988
Sale of property, plant and equipment and other intangible assets		14,015	9,428
Sale of organised part of business		4,880	3,722
Sale of shares - equity-accounted joint ventures	16.1	-	3
Loss of control of LOTOS - Air BP Polska Sp. z o.o., net of cash disposed		-	14,907
Effect of final accounting for the acquisition of Heimdal assets	6	12,443	-
Purchase of property, plant and equipment and other intangible assets		(1,002,131)	(975,709)
Accounting for acquisition of shares in Energobaltic Sp. z o.o.		-	(13,112)
Cash contributions - equity-accounted joint ventures	16.1	(339)	(448)
Acquisition of shares in related entities		(23)	-
Security deposit (margin)		10,035	134
Funds contributed to the oil and gas extraction facilities decommissioning			

fund		(407)	(1,654)
Settlement of derivative financial instruments		(11,018)	17,912
Net cash from investing activities		**(958,338)**	**(931,051)**
Cash flows from financing activities			
Proceeds from bank borrowings	27.1	562,963	963,045
Proceeds from non-bank borrowings	27.2	106,900	-
Issue of notes	27.3	-	203,050
Cash flows attributable to changes in interest in subsidiaries not resulting in loss of control		(1,681)	(278)
Grants received		1,239	-
Return of a deposit provided as security for repayment of credit facility at Energobaltic Sp. z o.o.		2,111	-
Repayment of borrowings	27.1	(1,030,408)	(1,256,798)
Repayment of non-bank borrowings	27.2	(12,983)	(6,750)
Redemption of notes	27.3	(17,397)	-
Interest paid		(181,297)	(169,123)
Decrease in finance lease liabilities		(18,830)	(16,811)
Settlement of derivative financial instruments		4,439	39,801
Share issue costs		(12,327)	-
Net cash from financing activities		**(597,271)**	**(243,864)**
Total net cash flow		**(175,121)**	**241,362**
Effect of exchange rate fluctuations on cash held		11,509	(1,553)
Change in net cash		**(163,612)**	**239,809**
Cash at beginning of the period		**(3,075)**	**(242,884)**
Cash at end of period	20	**(166,687)**	**(3,075)**

Consolidated statement of changes in equity

Consolidated statement of changes in equity for 2014

PLN '000	Note	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Exchange differences on translating foreign operations	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Jan 1 2014		**129,873**	**1,311,348**	**61,019**	**7,666,833**	**20,234**	**9,189,307**	**289**	**9,189,596**
Net loss		-	-	-	*(1,466,326)*	-	*(1,466,326)*	*(46)*	*(1,466,372)*
Other comprehensive income/(loss), net		-	-	*(473,554)*	*(7,317)*	*45,101*	*(435,770)*	*5*	*(435,765)*
Total comprehensive income/(loss)		-	-	(473,554)	(1,473,643)	45,101	(1,902,096)	(41)	(1,902,137)
Issue of shares	2; 21	55,000	-	-	-	-	55,000	-	55,000
Share premium	22	-	940,500	-	-	-	940,500	-	940,500
Issue cost	22	-	(22,222)	-	-	-	(22,222)	-	(22,222)
Purchase of non-controlling interests	2	-	-	-	(2,179)	-	(2,179)	(83)	(2,262)
Other changes in interest in subsidiaries not resulting in loss of control	26	-	-	-	(10)	-	(10)	10	-
Other		-	-	-	(12)	-	(12)	-	(12)
Dec 31 2014		**184,873**	**2,229,626**	**(412,535)**	**6,190,989**	**65,335**	**8,258,288**	**175**	**8,258,463**
Jan 1 2013 (restated)		**129,873**	**1,311,348**	**(36,801)**	**7,627,427**	**33,878**	**9,065,725**	**699**	**9,066,424**
Net profit		-	-	-	*39,415*	-	*39,415*	*13*	*39,428*
Other comprehensive income/(loss), net		-	-	*97,820*	*(152)*	*(13,644)*	*84,024*	*(2)*	*84,022*
Total comprehensive income/(loss)		-	-	97,820	39,263	(13,644)	123,439	11	123,450
Squeeze-out in LOTOS Petrobaltic S.A. from non-controlling shareholders		-	-	-	143	-	143	(421)	(278)
Dec 31 2013		**129,873**	**1,311,348**	**61,019**	**7,666,833**	**20,234**	**9,189,307**	**289**	**9,189,596**

The Notes to the consolidated financial statements are an integral part of the statements.
(This is a translation of a document originally issued in Polish)

Notes to the financial statements

STATEMENT NOTES INDEX:

1. General information

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

The principal business activity of the LOTOS Group (the "LOTOS Group" or the "Group") consists in the production and processing of refined petroleum products and their wholesale and retail sale. The Group's business also includes acquisition of crude oil and natural gas deposits and oil and gas production. Based on the classification applied by the Warsaw Stock Exchange, Grupa LOTOS S.A. is included in the fuel sector.

2. Composition of the Group and its changes

The LOTOS Group comprises 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.

The Group also holds shares in equity-accounted joint ventures.

Contact data and brief description of the principal business activity of these entities, as well as the Group's ownership interests and the applied consolidation method are presented below.

Name	Registered office	Principal business activity	The Group's ownership interest	
			Dec 31 2014	Dec 31 2013
Parent				
Downstream segment				
• Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable
Direct fully-consolidated subsidiaries				
Upstream segment				
• 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% (1)	99.98%
Downstream segment				
• 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%
• LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and lubricants, and sale of base oils	100.00%	100.00%
• LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	100.00%	100.00%
• LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%	100.00%
• LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, overhaul and repair services	100.00%	100.00%
• LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	100.00%	100.00%
• LOTOS Straż Sp. z o.o.	Gdańsk	Fire service activities	100.00%	100.00%
• LOTOS Ochrona Sp. z o.o.	Gdańsk	Security services	100.00%	100.00%
• LOTOS Terminale S.A. (parent of another group: LOTOS Terminale Group) (2)	Czechowice-Dziedzice	Storage and distribution of fuels	100.00%	100.00%
• LOTOS Infrastruktura S.A. (parent of another group: LOTOS Infrastruktura Group)	Jasło	Storage and distribution of fuels Renting and operating of own or leased real estate	100.00%	100.00%
Other				
• LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%
• LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation) (3)	Jasło	Dormant	100.00%	100.00%
Non-consolidated direct subsidiaries				

• Infrastruktura Kolejowa Sp. z o.o.	Gdańsk	Dormant	100.00% (4)	-
Indirect fully-consolidated subsidiaries				
Downstream segment				
LOTOS Infrastruktura Group				
• RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	100.00%	100.00%
LOTOS Terminale Group				
• LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	100.00%	100.00%
Upstream segment				
• *LOTOS Petrobaltic Group*				
• LOTOS Exploration and Production Norge AS	Norwegia, Stavanger	Oil exploration and production on the Norwegian Continental Shelf, provision of services incidental to oil and gas exploration and production	99.99% (5)	99.98%
• Aphrodite Offshore Services N.V.	Curaçao	Sea transport services (dormant)	99.99% (5)	99.98%
• B8 Sp. z o.o.	Gdańsk	Support activities for extraction and quarrying operations	99.99% (5)	99.98%
• B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Gdańsk	Exploration for and production of crude oil and natural gas	99.99% (5)	99.98%
• Miliana Shipholding Company Ltd. (parent of another group: Miliana Shipholding Group)	Cypr, Nikozja	Storage and transport of crude oil, other sea transport services	99.99% (5)	99.98%
• Technical Ship Management Sp. z o.o. (parent of another group: Technical Ship Management Group)	Gdańsk	Sea transport support activities, ship operation advisory services	99.99% (5)	99.98%
• SPV Baltic Sp. z o.o.	Gdańsk	Provision of sea transport and related services	99.99% (5)	99.98%
• Miliana Shipmanagement Ltd.	Cypr, Nikozja	Provision of sea transport and related services	99.99% (5)	99.98%
• Miliana Shipping Group Ltd. (parent of another group: Miliana Shipping Group Group)	Cypr, Nikozja	Management of own assets	99.99% (5)	99.98%
• Bazalt Navigation Co. Ltd.	Cypr, Nikozja	Ship chartering	99.99% (5)	99.98%
• Granit Navigation Company Ltd.	Cypr, Nikozja	Ship chartering	99.99% (5)	99.98%
• Kambr Navigation Company Ltd.	Cypr, Nikozja	Ship chartering	99.99% (5)	99.98%
• St. Barbara Navigation Company Ltd.	Cypr, Nikozja	Ship chartering	99.99% (5)	99.98%
• Petro Icarus Company Ltd.	Cypr, Nikozja	Ship chartering	99.99% (5)	99.98%
• Petro Aphrodite Company Ltd.	Cypr, Nikozja	Ship chartering	99.99% (5)	99.98%
• AB LOTOS Geonafta (parent of another group: AB LOTOS Geonafta Group)	Litwa, Gargždai	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	99.99% (5)	99.98%
• UAB Genciu Nafta	Litwa, Gargždai	Crude oil exploration and production	99.99% (5)	99.98%
• UAB Manifoldas	Litwa, Gargždai	Crude oil exploration and production	99.99% (5)	99.98%
Other				
GK LOTOS Petrobaltic S.A.				
• Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99% (5)	99.98%

Equity-accounted joint ventures				
• LOTOS - Air BP Polska Sp. z o.o. (6)	Gdańsk	Sale of aviation fuel and logistics services	50.00%	50.00%
LOTOS Petrobaltic Group				
• Baltic Gas Sp. z o.o. (7)	Gdańsk	Oil and gas production (support activities for oil and gas production)	49.99%	49.99%
• Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. (7)	Gdańsk	Crude oil and gas production	62.40% (5, 7)	81.68%
AB LOTOS Geonafta Group				
• UAB Minijos Nafta	Litwa, Gargždai	Crude oil exploration and production	49.99% (5, 8)	49.99%

(1) In H1 2014, Grupa LOTOS S.A. completed squeeze-out of shares in LOTOS Petrobaltic S.A. to acquire equity interests held by non-controlling shareholders (excluding shares held by the State Treasury). In H1 2014, the Company acquired 429 shares with a total value of PLN 54 thousand. As a result of the transactions completed in H1 2014, the amount of non-controlling interests decreased by PLN 83 thousand, and PLN 29 thousand was recognised as retained earnings attributable to the Parent. Expenditure on the acquisition of the shares in LOTOS Petrobaltic S.A. was PLN 54 thousand and was disclosed in the consolidated statement of cash flows under *Cash flows attributable to changes in interest in subsidiaries not resulting in loss of contro*l.

(2) In connection with the ruling of July 9th 2014 of the District Court for Katowice-Wschód in Katowice, 8th Commercial Division of the National Court, issued in an action for change of valuation of LOTOS Terminale S.A. shares acquired by Grupa LOTOS S.A. in 2011 in a squeeze-out process, Grupa LOTOS S.A. is required to pay to former shareholders of LOTOS Terminale S.A. (non-controlling interests) a total amount of PLN 2,208 thousand. As a result, the Group's retained earnings decreased by PLN 2,208 thousand. As at December 31st 2014, the amount of liabilities outstanding under the transaction was PLN 581 thousand. Expenditure incurred under the transaction in 2014, of PLN 1,627 thousand, was presented in the statement of cash flows from financing activities under *Cash flows attributable to changes in interest in subsidiaries not resulting in loss of control*.

(3) Liquidation proceedings with respect to LOTOS Park Technologiczny Sp. z o.o., opened by virtue of a decision of April 11th 2014, were registered under the relevant entry in the business register maintained by the District Court of Rzeszów, 12th Commercial Division of the National Court Register. The liquidation proceedings were opened to achieve one of the objectives of the 2013–2015 Efficiency and Growth Programme, which is to streamline the structure of the LOTOS Group. As at December 31st 2014, the liquidation proceedings concerning LOTOS Park Technologiczny Sp. z o.o. were completed.

(4) On October 6th 2014, a share purchase agreement was executed between Grupa LOTOS S.A. and law office Kancelaria Prawna Domański i Wspólnicy sp.k., under which Grupa LOTOS S.A. acquired 100% of shares in Infrastruktura Kolejowa Sp. z o.o. The company was excluded from consolidation because the figures reported in its financial statements as at December 31st 2014 were immaterial to fulfilling the obligation provided for in IFRS 10 Consolidated Financial Statements.

(5) The shareholding changes described in item (1) above had effect on the indirect equity interests held by the Group in the LOTOS Petrobaltic Group entities.

(6) 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.

(7) A special purpose vehicle established in connection with the cooperation between LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o. on development of the B-4 and B-6 fields.
In 2014, the change in the Group's ownership interest in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. was attributable to payment of the PLN 10,183 thousand cash contribution by CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") in accordance with the notary deed of August 21st 2013 and increase in the agreed contributions by limited partners: CalEnergy and LOTOS Petrobaltic S.A. The increase was effected by the limited partners providing their cash contributions in the following amounts: CalEnergy - PLN 44,205 thousand (contribution increased from PLN 21,865 thousand to PLN 66,071 thousand); LOTOS Petrobaltic S.A. - PLN 348 thousand (contribution increased from PLN 52,300 thousand to PLN 52,648 thousand). As a result, the ownership interests in Baltic Gas, measured as a percentage of the amount of contributions made by individual partners to total contributions as at December 31st 2014, were as follows: Baltic Gas Sp. z o.o. (general partner): 0.001%; LOTOS Petrobaltic S.A. (limited partner): 62.403%; CalEnergy (limited partner): 37.596%. For IFRS purposes, Baltic Gas Sp. z o.o. i wspólnicy sp.k and Baltic Gas Sp. z o.o. are entities jointly controlled by the Group (equity-accounted joint arrangement under IFRS 11; see Note 2 to the consolidated financial statements for 2013).

(8) At December 31st 2014, in accordance with IFRS 11 Joint Arrangements, the interest in UAB Minijos Nafta was equity-accounted. This approach was applied retrospectively. In the approved consolidated financial statements for the year ended December 31st 2013, the company was consolidated proportionately.

3. Basis of preparation

These consolidated financial statements ("consolidated financial statements", "financial statements") were prepared in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Union which were in effect as at December 31st 2014. Given the ongoing process of implementation of the IFRSs in the European Union and the scope of the Group's business, as far as the accounting policies applied by the Group 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 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/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 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),

Application of IFRS 11 Joint Arrangements had a material impact resulting in a change of the Group's accounting policies described in the consolidated financial statements for 2013 (in particular in Notes 7.11 and 7.30). The standard replaced the previously applicable IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled entities – Non-monetary contributions by venturers.

IFRS 11 defines a joint arrangement as an arrangement of which two or more parties have joint control, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

IFRS 11 distinguishes two types of joint arrangements: joint operations and joint ventures. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement.

If under the joint arrangement the parties with joint control of the arrangement have rights to the net assets of the arrangement, then it is a joint venture, which in principle requires the establishment of a separate vehicle. As at December 31st 2014, the Group's joint ventures included LOTOS – Air BP Polska Sp. z o.o., a jointly-controlled entity operating in the downstream segment, and the following entities operating in the upstream segment: Baltic Gas Sp. z o.o., Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k., and UAB Minijos Nafta.

As of January 1st 2014, all joint arrangements that meet the definition of a joint venture are equity-accounted. Under IFRS 11, proportionate consolidation, applied in past periods, is no longer allowed. For a description of the rules of equity-accounting for interests in entities and of proportionate consolidation (no longer in use), see Note 7.11 to the consolidated financial statements for 2013.

In these consolidated financial statements prepared as at December 31st 2014, the Group accounted for the interests in UAB Minijos Nafta, as well as LOTOS-Air BP Polska Sp. z o.o., Baltic Gas Sp. z o.o. and Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k., using the equity method (in approved financial statements for periods ending before January 1st 2014, the interests in UAB Minijos Nafta were accounted for with the proportionate method).

Joint arrangements under which the parties with joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, are defined as joint operations. As at December 31st 2014, the Group held interests in joint operations in the upstream segment through LOTOS Exploration and Production Norge AS of Norway, a company of the LOTOS Petrobaltic Group.

In accordance with IFRS 11, the Group recognises its interest in assets, liabilities, costs and expenses related to its joint operations in Norway, as reflected in relevant items of these consolidated financial statements. Before January 1st 2014, the operations in Norway were accounted for in accordance with the rules applicable to joint ventures within the meaning of IAS 31 as jointly controlled assets and liabilities (see Note 7.30 to the consolidated financial statements for 2013). The application of IFRS 11 did not result in any restatements or change in the Group's comparative data related to these operations as the existing and previously applicable IFRS requirements concerning accounting for such jointly controlled activities are similar.

Regardless of the changes in accounting policies under the new IFRSs introduced as of January 1st 2014, given that the reporting period ended December 31st 2014 was the first period when the Group recognised revenue from sale of crude oil and natural gas in Norway, the Company selected and approved new accounting policies to measure and account for such revenue (see Note 7 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/7.-accounting-policies>). The relevant revenue generated in the reporting period was derived from sales of natural gas produced from the Skirne, Vale and Atla fields, interests in which were acquired by the Group on December 30th 2013 (see Note 13 to the consolidated financial statements for 2013 – Acquisition of interests in Norwegian production and exploration licences – Heimdal).

These consolidated financial statements have been prepared on the assumption that the Group companies 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 Group companies' continuing as a going concern.

The Parent's functional currency and the presentation currency of these consolidated financial statements is the Polish złoty ("złoty", "zł", "PLN"). These consolidated 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; it is important to note that the effective date of these amendments has been tentatively postponed, and as at the issue date of these financial statements no decision has been made as to the timing of the individual stages of the endorsement process),
- 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 Group 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 Group and on the Group’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.

The professional judgement of the management, as well as accounting estimates and underlying assumptions, were 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 29.4.

Depreciation/amortisation

Depreciation/amortisation charges are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually, based on current estimates. The relevant estimate update which had an effect on the Group's financial statements for 2014 chiefly involved a PLN 23,472 thousand decrease in depreciation at the Parent.

Depreciation of the assets of onshore and offshore oil and natural gas extraction facilities is calculated (using the units-of-production depreciation method) based on 2P hydrocarbon reserve estimates (proved and probable reserves), evaluated, revised and updated by the Group, as well as forecast production volumes from the individual oil and gas fields based on geological data, test production, subsequent production data and the schedule of work adopted in the long-term strategy.

Following the purchase of a portfolio of Heimdal assets on the Norwegian Continental Shelf in December 2013, the estimated oil and gas resources increased, which has affected the depreciation/amortisation (with the unit-of-production method) of the Group's production assets since January 1st 2014.

Fair value of financial instruments

Fair value of financial instruments for which no active market exists is measured with the use of appropriate valuation methods. In selecting the methods and assumptions appropriate for these objectives, the Group relies on professional judgement.

For more information on the assumptions adopted for the measurement of fair value of financial instruments, see Note 7.23.

Deferred tax assets

The Group recognises deferred tax assets if it is assumed that taxable income will be generated in the future against which the asset can be utilised. If taxable profit deteriorates in the future, this assumption may prove invalid. The Parent'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. Impairment indicators may be external and may relate to market variables (including fluctuations in prices, FX rates, stock prices, interest rates and other variables related to current economic trends), and may also follow from plans, actions and developments at the Group, such as decisions concerning change, discontinuation, limitation or development of its business, technology changes, or efficiency and investment initiatives.

If there is any indication of impairment, the Group is required to estimate 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.

Following an analysis of cash flows for individual cash-generating units and the required impairment tests for assets, the Group made necessary adjustments to assets and presented the effect of those adjustments in these consolidated financial statements.

For information on property, plant and equipment, goodwill and other intangible assets, see Notes 13 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/13.-

property-plant-and-equipment> , 14 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/14.-goodwill> and 15 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/15.-other-intangible-assets> , which also describe the assumptions and results of impairment tests of these assets performed by the Group in 2014 and in the comparative period.

For information on impairment of the Group's investments in joint ventures, see Note 16 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/16.-equity-accounted-joint-ventures> .

Provision for decommissioning of the upstream segment's facilities and land reclamation

As at the end of the reporting period, the Group analyses the costs necessary to decommission oil and natural gas extraction facilities and the expenditure to be incurred on future land reclamation. As a result of those analyses, the Group adjusts the value of the land reclamation provision recognised in previous years to reflect the amount of estimated necessary future costs. Any changes in the estimated time value of money are also reflected in the amount of the provision. For information on the rules for recognition of these provisions and information on provisions disclosed in these financial statements for 2014 see Note 7.27.1 and Note 30.1, respectively.

Recognition of revenue from sales of crude oil and natural gas derived from joint operations in Norway

In line with the Group's accounting policy, revenue from sales of hydrocarbons produced from the fields on the Norwegian Continental Shelf in which the Group holds interests is recognised using the entitlements method (see Note 7.2), in proportion to the Group's entitlement to production from a given field. Revenue from oil and gas sales disclosed in the statement of comprehensive income for a given reporting period is estimated based on up-to-date data on production from the individual fields in the reporting period. Any differences between the amount of actual revenue from sales of crude oil produced from the Skirne, Vale and Atla fields and the Group's revenue estimated based on the contractual share of production from the fields are recognised in the statement of financial position under trade receivables and trade payables, which in 2014 amounted to PLN 5,730 thousand and PLN 704 thousand, respectively.

Control of an investee

According to IFRS 10 Consolidated Financial Statements, the Group controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. When assessing whether it controls an investee the Group considers all relevant facts and circumstances, including the entity's purpose and design, its relevant activities and decision-making process, and the significant rights of the investor (excluding protective rights) giving it the current ability to direct the relevant activities, as well as the nature of its relationship with other parties in respect of such entity. The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control: power over the investee, exposure (or rights) to variable returns, and the ability to use its power over the investee. As at the end of the reporting period, the Group controls all of the entities presented in these financial statements as subsidiaries (see Note 2 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/2.-composition-of-the-group-and-its-changes>).

Collective control of an investee or operation

The Group and two or more investors collectively control an investee when they must act together to direct the relevant activities. In such cases, because no investor can direct the activities without the cooperation of other investors, no investor individually controls the investee. The Group assesses whether it shares control of an arrangement, which – according to IFRS 11 Joint Arrangements – may be defined either as a joint venture or a joint operation, taking into consideration whether all parties to the relevant arrangement have control of it, whether they share exposure, or rights, to variable returns from their involvement with the investee, and whether they have the ability to jointly use their power over the investee to affect the amount of their returns. As at the end of the reporting period, the Group was involved in joint operations under projects carried out in Norway, and was involved in joint ventures (see Note 2 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/2.-composition-of-the-group-and-its-changes> and Note 16 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/16.-equity-accounted-joint-ventures>), of which, considering all facts and circumstances, it had shared control.

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

In order to ensure transparency and comparability with the earlier financial data as at and for the period ended December 31st 2013 and as at January 1st 2013, a detailed list of all the necessary restatements of individual items of the financial statements is presented in the table in Note 6.4 below. Explanation of the reasons for these restatements is provided in Notes 6.1, 6.2 and 6.3.

6.1 Change of data following final accounting for the acquisition of interests in Norwegian production and exploration licences – Heimdal

On October 18th 2013, LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS"), a LOTOS Petrobaltic Group company, entered into an agreement with Centrica Resources (Norge) AS and Centrica Norway Limited, subsidiaries of Centrica Plc. of the UK, to acquire the Heimdal assets on the Norwegian Continental Shelf.

On December 30th 2013, all conditions precedent to the agreement were fulfilled and all material risks and rewards related to the ownership of the acquired Heimdal assets were transferred to LOTOS E&P Norge AS (see Note 13 to the consolidated financial statements for 2013).

In accordance with the agreement, as at March 31st 2014 the parties finally settled the transaction (within three months of the acquisition date). The transaction had no impact on the consolidated profit or loss. The effect of the final accounting was applied retrospectively; accordingly, in these consolidated financial statements, the comparative data as at December 31st 2013 was adjusted. The finally determined amounts and their effect on the data as at December 31st 2013, are presented below.

	Initial accounting as at Dec 31 2013		Final accounting as at Mar 31 2014		Effect of final accounting for the acquisition recognised as adjustment in the statement of financial position as at Dec 31 2013	
Reporting item	**NOKm**	**PLNm**	**NOKm**	**PLNm**	**NOKm**	**PLNm**
I. Property, plant and equipment	634.2	314.1	628.2	311.1	(6.0)	(3.0)
II. Intangible assets	303.6	150.4	303.6	150.4	-	-
Value of acquired Heimdal assets after pro and contra settlement, taking into account capitalised transaction costs and estimated future conditional payments (I + II)"	**937.8**	**464.5**	**931.8**	**461.5**	**(6.0)**	**(3.0)**
III. Decommissioning asset	496.0	245.7	496.0	245.7	-	-
Total (I + II + III)	**1,433.8**	**710.2**	**1,427.8**	**707.2**	**(6.0)**	**(3.0)**
Settlement of acquisition price (A + B):	**910.5**	**450.9**	**904.5**	**447.9**	**(6.0)**	**(3.0)**
A. *Price paid after pro and contra settlement* ***(USD 175.8m - USD 77m)***	631.6	312.8	606.8	300.5	(24.8)	(12.3)
B. Tax resulting from pro and contra settlement, on cash flows generated in the transitional period (amount paid by Centrica to the Norwegian tax authorities, settled against deferred tax asset of LOTOS E&P Norge AS)	278.9	138.1	297.7	147.4	18.8	9.3
Capitalised transaction costs (C + D):	**27.3**	**13.6**	**27.3**	**13.6**	**-**	**-**
C. Amount of conditional future payments as per agreement	10.2	5.1	10.2	5.1	-	-
D. Capitalised transaction costs	17.1	8.5	17.1	8.5	-	-
E. Decommissioning provision	**496.0**	**245.7**	**496.0**	**245.7**	**-**	**-**

Total (A+B+C+D+E)	**1,433.8**	**710.2**	**1,427.8**	**707.2**	**(6.0)**	**(3.0)**

6.2 The change of data following discontinuation of the proportionate consolidation and application of the equity method to account for the Group's interest in joint venture UAB Minijos Nafta as at December 31st 2013.

Among the new IFRSs effective as of January 1st, the one that had a material impact resulting in a change of the Group's accounting policies is IFRS 11 Joint Arrangements (see Note 3 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/3.-basis-of-preparation>).

To ensure comparability of data presented in the consolidated financial statements for 2014, in accordance with IFRS 11 applied in the preparation of these financial statements, the interest held by the Group as at December 31st 2013 in UAB Minijos Nafta, a joint venture within the meaning of IFRS 11, was accounted for using the equity method, and the comparative data was appropriately restated.

In the approved financial statements as at December 31st 2013, UAB Minijos Nafta was consolidated using the proportionate method under IAS 31 Interests in Joint Ventures, which was applied in the past.

Under the proportionate method, all assets, liabilities, income and expenses of a jointly controlled entity were combined, line by line, with similar items in the financial statements in accordance with the Group's share of the net assets of the company. However, given that proportionate consolidation can no longer be applied under IFRS 11, the Group made appropriate changes in this respect.

Under the equity method applied in preparing these financial statements, investments in joint ventures within the meaning of IFRS 11 are recognised in the statement of financial position at cost, adjusted for subsequent changes in the Group's share of the net assets of such entities, less impairment losses, if any. The statement of comprehensive income reflects the share in the results of operations of such entities, and if a change is recognised directly in their equity, the Group recognises its share in each change and, if applicable, discloses it in the statement of changes in equity (see Accounting Policies, Note 7.11).

The change of the accounting method applied to UAB Minijos Nafta in the consolidated statement of financial position resulted in a decrease in total assets as at December 31st 2013 by PLN 14,863 thousand compared with the previously released data (January 1st 2013: PLN 22,557 thousand). Compared with the previously released data, the Group's revenue for 2013 was down by PLN 38,177 thousand. In consequence, the Group's operating profit for 2013 increased by PLN 20,106 thousand against the previously released data.

The change of the accounting method, however, had no effect on the Group's equity or net profit for 2013. As at December 31st 2013, the Group's share of the net assets of UAB Minijos Nafta and their changes in the amount of PLN 63,576 thousand was recognised in the statement of financial position under *Equity-accounted joint ventures* (January 1st 2013: PLN 85,214 thousand). The Group's share in UAB Minijos Nafta's net loss for 2013 in the amount of PLN 17,123 thousand was recognised in the statement of comprehensive income under *Share in net profit/loss of equity-accounted joint ventures*.

6.3 Other material changes

Due to the final settlement in 2014 of the corporate income tax (CIT) for 2013 at LOTOS Exploration and Production Norge AS (LOTOS Petrobaltic Group), the Group recognised income tax receivables as at December 31st 2013, which resulted in reclassification of relevant data as at December 31st 2013. Data was restated for *Deferred tax assets*, which decreased by PLN 46,424 thousand and *Current tax assets*, which increased by the same amount.

6.4 List of all restatements of previously published financial data as at and for the period ended December 31st 2013 and as at January 1st 2013

Consolidated statement of financial position as at December 31st 2013

PLN '000	Dec 31 2013* (audited)	Dec 31 2013 (restated)	Effect of change, including:	*Effect of change of the consolidation method applied for UAB Minijos Nafta*	*Effect of final accounting for the acquisition of Heimdal assets*	*Effect of other changes*
Non-current assets, including:	**12,038,771**	**11,979,871**	**(58,900)**	**(153)**	**(12,323)**	**(46,424)**
Property, plant and equipment	*10,048,374*	*10,009,073*	*(39,301)*	*(36,298)*	*(3,003)*	-
Other intangible assets	*686,222*	*658,797*	*(27,425)*	*(27,431)*	*6*	-
Equity-accounted joint ventures	*66,222*	*129,798*	*63,576*	*63,576*	-	-
Deferred tax assets	*980,284*	*924,534*	*(55,750)*	-	*(9,326)*	*(46,424)*
Current assets, including:	**8,260,052**	**8,304,089**	**44,037**	**(14,710)**	**12,323**	**46,424**
Inventories	*5,731,851*	*5,728,884*	*(2,967)*	*(2,967)*	-	-
Trade receivables	*1,594,746*	*1,591,649*	*(3,097)*	*(3,097)*	-	-
Current tax assets	*30,755*	*76,711*	*45,956*	*(468)*	-	*46,424*
Other current assets	*325,079*	*337,071*	*11,992*	*(331)*	*12,323*	-

Cash and cash equivalents	*503,686*	*495,839*	*(7,847)*	*(7,847)*	-	-
Assets held for sale	*794*	*794*	-	-	-	-
Total assets	**20,299,617**	**20,284,754**	**(14,863)**	**(14,863)**	**-**	**-**
Equity	**9,189,596**	**9,189,596**	**-**	**-**	**-**	**-**
Non-current liabilities, including:	**5,693,643**	**5,682,002**	**(11,641)**	**(11,641)**	**-**	**-**
Deferred tax liability	*281,307*	*275,823*	*(5,484)*	*(5,484)*	-	-
Other liabilities and provisions	*711,845*	*705,688*	*(6,157)*	*(6,157)*	-	-
Current liabilities, including:	**5,416,378**	**5,413,156**	**(3,222)**	**(3,222)**	**-**	**-**
Trade payables	*2,396,086*	*2,395,237*	*(849)*	*(849)*	-	-
Employee benefit obligations	*105,057*	*103,973*	*(1,084)*	*(1,084)*	-	-
Other liabilities and provisions	*1,169,939*	*1,168,650*	*(1,289)*	*(1,289)*	-	-
Total liabilities	**11,110,021**	**11,095,158**	**(14,863)**	**(14,863)**	**-**	**-**
Total equity and liabilities	**20,299,617**	**20,284,754**	**(14,863)**	**(14,863)**	**-**	**-**

* (Audited) data as at December 31st 2013 is derived from the audited consolidated financial statements for the year ended December 31st 2013, released March 5th 2014.

Consolidated statement of financial position as at January 1st 2013

PLN '000	Jan 1 2013* (audited)	Jan 1 2013 (restated)	Effect of the change of the consolidation method applied for UAB Minijos Nafta
Non-current assets, including:	**11,509,743**	**11,501,434**	**(8,309)**
Property, plant and equipment	*9,685,850*	*9,644,600*	*(41,250)*
Other intangible assets	*548,659*	*496,386*	*(52,273)*
Equity-accounted joint ventures	-	*85,214*	*85,214*
Current assets, including:	**8,515,394**	**8,501,146**	**(14,248)**
Inventories	*5,966,203*	*5,963,027*	*(3,176)*
Trade receivables	*1,632,837*	*1,625,715*	*(7,122)*
Current tax assets	*90,566*	*90,566*	-
Other current assets	*436,121*	*434,400*	*(1,721)*
Cash and cash equivalents	*268,333*	*266,104*	*(2,229)*
Assets held for sale	*2,428*	*2,428*	-
Total assets	**20,027,565**	**20,005,008**	**(22,557)**
Equity	**9,066,424**	**9,066,424**	**-**
Non-current liabilities, including:	**5,415,418**	**5,399,688**	**(15,730)**
Deferred tax liability	*322,873*	*313,716*	*(9,157)*
Other liabilities and provisions	*412,260*	*405,687*	*(6,573)*
Current liabilities, including:	**5,545,723**	**5,538,896**	**(6,827)**
Trade payables	*2,174,451*	*2,169,408*	*(5,043)*
Employee benefit obligations	*110,930*	*109,971*	*(959)*
Other liabilities and provisions	*1,068,988*	*1,068,163*	*(825)*
Total liabilities	**10,961,141**	**10,938,584**	**(22,557)**
Total equity and liabilities	**20,027,565**	**20,005,008**	**(22,557)**

* (Audited) data as at January 1st 2013 is derived from the audited consolidated financial statements for the year ended December 31st 2013, released March 5th 2014.

Consolidated statement of comprehensive income for the year ended December 31st 2013

PLN '000	year ended Dec 31 2013* (audited)	year ended Dec 31 2013 (restated)	Effect of change, including:	*Effect of the change of the consolidation method applied for UAB Minijos Nafta*	*Effect of other changes*
Revenue	*28,597,342*	*28,559,165*	*(38,177)*	*(38,177)*	-
Cost of sales	*(26,913,268)*	*(26,878,863)*	*34,405*	*34,405*	-
Gross profit	**1,684,074**	**1,680,302**	**(3,772)**	**(3,772)**	**-**
Distribution costs	*(1,106,746)*	*(1,106,186)*	*560*	*560*	-
Administrative expenses	*(433,984)*	*(429,177)*	*4,807*	*4,807*	-
Other income	*30,337*	*30,869*	*532*	*(19)*	*551*
Other expenses	*(40,659)*	*(22,680)*	*17,979*	*18,530*	*(551)*
Loss of control of subsidiary	*13,472*	*13,472*	-	-	-
Operating profit	**146,494**	**166,600**	**20,106**	**20,106**	**-**
Finance income	*135,162*	*135,159*	*(3)*	*(3)*	-
Finance costs	*(342,627)*	*(342,304)*	*323*	*323*	-
Share in net profit/loss of equity-accounted joint ventures	*(1,008)*	*(18,131)*	*(17,123)*	*(17,123)*	-
Pre-tax loss	**(61,979)**	**(58,676)**	**3,303**	**3,303**	**-**
Corporate income tax	*101,407*	*98,104*	*(3,303)*	*(3,303)*	-
Net profit	**39,428**	**39,428**	**-**	**-**	**-**
Other comprehensive income (net)	**84,022**	**84,022**	**-**	**-**	**-**
Total comprehensive income	**123,450**	**123,450**	**-**	**-**	**-**

* (Audited) data for the year ended December 31st 2013 is derived from the audited consolidated financial statements for the year ended December 31st 2013, released March 5th 2014.

Consolidated statement of cash flows for the year ended December 31st 2013

PLN '000	year ended Dec 31 2013* (audited)	year ended Dec 31 2013 (restated)	Effect of change, including:	*Effect of the change of the consolidation method applied for UAB Minijos Nafta*	*Effect of other changes*
Net cash from operating activities	1,436,496	1,416,277	(20,219)	(12,981)	(7,238)
Net cash from investing activities	(938,414)	(931,051)	7,363	7,363	-
Net cash from financing activities	(251,102)	(243,864)	7,238	-	7,238
Total net cash flow	**246,980**	**241,362**	**(5,618)**	**(5,618)**	**-**

* (Audited) data for the year ended December 31st 2013 is derived from the audited consolidated financial statements for the year ended December 31st 2013, released March 5th 2014.

7. Accounting policies

These consolidated 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 most important accounting policies applied by the Group are presented below. As indicated in Note 3 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/3.-basis-of-preparation> , in the reporting period ended December 31st 2014 there was a change in the accounting policies following application of a new standard, IFRS 11 Joint Arrangements (see Notes 7.11 and 7.30). New accounting policies were also selected and approved to measure and account for revenue from the sale of crude oil and natural gas in Norway, as 2014 was the first reporting period in which the Group recorded such revenue (see Note 7.2).

7.1 Basis of consolidation

These consolidated financial statements have been prepared on the basis of the financial statements of the Parent and financial statements of its subsidiaries and jointly-controlled entities, prepared as at December 31st 2014.

All significant balances and transactions between the related entities, including material unrealised profits on transactions, have been eliminated in their entirety. Unrealised losses are eliminated unless they are indicative of impairment.

Subsidiaries are fully consolidated starting from the date when the Group assumes control over them and cease to be consolidated when the control is lost. According to IFRS 10 Consolidated Financial Statements, the Group controls an investee when it is exposed or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group and two or more investors collectively control an investee when they must act together to direct the relevant activities. In such cases, because no investor can direct the activities without the cooperation of other investors, no investor individually controls the investee. Given the application of IFRS 11 Joint Arrangements (see Note 3 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/3.-basis-of-preparation> and Note 6.2), interests in joint ventures held by the Group as at December 31st 2013 are accounted for with the equity method (see Note 7.11).

7.2 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 rewards resulting from the ownership of the products and merchandise have been transferred to the purchaser, with the proviso that revenue from sale of crude oil and natural gas in Norway is recognised and disclosed using the entitlements (rights) method.

The entitlements method is one of two methods for recognition of revenue commonly applied by oil and gas producers (with the sales method as the alternative) and allowed under IFRS. The Management Board believes that the entitlements method provides for a fair and accurate presentation of the assets, financial performance and profitability of the Group's joint operations carried out at oil and gas producing fields.

For logistical reasons, when hydrocarbons are produced from a field by many participants there are naturally occurring differences between the volumes actually received by individual participants and their respective contractual share of production (to which participants are entitled under relevant agreements). Thus, it is necessary to apply a special mechanism to account for such discrepancies. In accordance with the entitlements method applied by the Group, revenue is always recognised in the Group's accounting books in proportion to its entitlement to production from the field. The correct amount of revenue in the financial statements is arrived at in such manner that an overlift party, i.e. a participant which in a given period receives hydrocarbons in excess of its contractual share of production from a field, recognises the excess in its accounting books not as revenue but as a liability. Conversely, if in a given period the underlift party, i.e. a participant that receives less than its entitlement, recognises the underlift as a receivable (revenue). In the consolidated statement of financial position, assets and liabilities under the entitlements method are presented as *trade receivables and trade payables.* For more information on estimates related to the application of the entitlements method, see Note 5 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/5.-material-judgements-and-estimates> .

7.3 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.

7.4 Interest income

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

7.5 Taxes

7.5.1 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. Net profit (loss) for tax purposes differs from 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 which will never be accounted for in tax settlements. Tax charges are calculated based on the tax rates effective for a given financial year.

For the purposes of financial reporting, the Group 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 disclosed in the consolidated 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 each reporting period and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for its partial or full realisation 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.

Deferred tax assets and deferred tax liabilities are presented in the statement of financial position in an amount obtained after they are offset for particular consolidated entities.

7.5.2 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.

7.6 Foreign currency transactions

Business transactions denominated in foreign currencies are reported in the consolidated financial statements after translation into the Group's presentation currency (Polish złoty) at 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 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 for 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 (including intra-Group foreign currency transactions), 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,
- finance gain or loss: in the case of borrowings, investment commitments, and cash and cash equivalents.

Exchange differences on valuation as at the end of the reporting period of short-term investments (e.g. shares and other securities, 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 financial statements of foreign entities are translated into the presentation currency of the consolidated financial statements at the following exchange rates:

- items of the statement of financial position – at the mid-exchange rate quoted by the National Bank of Poland for the end of the reporting period (NBP's mid-exchange rate for the end of the reporting period),
- items of the statement of comprehensive income – at the exchange rate computed as the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the end of each month in the reporting period (NBP's average mid-exchange rate in the reporting period).

The resulting exchange differences are recognised as a separate component in equity and other comprehensive income.

Exchange differences arising on a monetary item that forms a part of a reporting entity's net investment in a foreign operation are recognised in equity and other comprehensive income, and on disposal of the investment they are reclassified to consolidated profit or loss in the statement of comprehensive income.

At the time of disposal of a foreign entity, the accumulated exchange differences recognised in equity and relating to this foreign entity are disclosed in profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets or liabilities of the foreign operation and are translated into the presentation currency of the financial statements at the exchange rate effective for the end of the reporting period.

The following exchange rates were used in the valuation of items of the statement of financial position:

NBP's mid-exchange rate quoted for:	Dec 31 2014 (1)	Dec 31 2013 (2)
USD	3.5072	3.0120
EUR	4.2623	4.1472
NOK	0.4735	0.4953
LTL	1.2344	1.2011

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

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

The following exchange rates were used in the valuation of items of the statement of comprehensive income:

NBP's average exchange rate for the reporting period	ended Dec 31 2014 (1)	ended Dec 31 2013 (2)
USD	3.1784	3.1653
EUR	4.1893	4.2110
NOK	0.5001	0.5357
LTL	1.2133	1.2196

(1) Based on the arithmetic mean of the mid-exchange rates quoted by the NBP for the last day of each full month in the period January 1st–December 31st 2014.

(2) Based on the arithmetic mean of the mid-exchange rates quoted by the NBP for the last day of each full month in the period January 1st–December 31st 2013.

7.7 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 or overhauls or operating fees, are expensed in the reporting period in which they were incurred.

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

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

Items of property, plant and equipment comprising production infrastructure used in crude oil and natural gas extraction are depreciated using the units-of-production depreciation method, i.e. depreciation per unit of produced crude oil or natural gas is charged to expenses. The depreciation rate is estimated by reference to forecasts of crude oil and gas production from a given geological area. If the estimated hydrocarbon reserves (2P – proved and probable reserves) change materially as at the end of the reporting period, depreciation per unit of produced crude oil or natural gas is remeasured. Then, starting from the new financial year, the revised depreciation rate is applied (see also Note 5 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/5.-material-judgements-and-estimates>).

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the entity 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.

As part of its property, plant and equipment comprising production infrastructure, the Group discloses assets corresponding to the provision for decommissioning of oil and gas production facilities (see also Note 7.27.1). These assets are recognised in accordance with IAS 16 Property, Plant and Equipment, which reads: "The cost of an item of property, land and equipment comprises […] the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period". The Group's obligation to incur costs of decommissioning of the oil and gas extraction facilities results directly from the reasons specified in IAS 16. Under section 63 of the standard, entities are obliged to test the value of the asset periodically, at least as at the end of the reporting period.

Revaluation of assets so recognised may be caused by:

- change in the estimated cash outflow necessary to ensure performance of the decommissioning obligation,
- change in the current market discount rate,
- change in the inflation rate.

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 (including assembly) are recognised at cost.

Finance costs capitalised in property, plant and equipment under construction include costs recognised in line with the policies described in Note 7.22.

Expenditure on property, plant and equipment used in exploration for and evaluation of crude oil and natural gas resources is capitalised until the deposit volume and the economic viability of production are determined; such expenditure is presented in a separate item of property, plant and equipment in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources. Upon confirmation of existence of reserves in the case of which extraction is technically feasible and economically viable, such expenditure is transferred to relevant items of property, plant and equipment related to development and production of hydrocarbons, and is subsequently depreciated using the units-of-production method (see above) based on the volume of reserves present and actual production.

If expenditure on property, plant and equipment under construction does not result in discovery of any reserves in the case of which extraction is technically feasible and economically viable, impairment losses on property, plant and equipment under construction are recognised and charged to profit or loss of the period in which it is found that commercial production from the deposits is not viable.

7.8 Goodwill

The acquirer recognises the aquiree's goodwill on acquisition, equal to the excess of the difference between (A) the amount of consideration transferred, measured at its acquisition-date fair value, including the value of any non-controlling interests in the acquiree, (B) the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree (in the case of a business combination achieved in stages), and (C) the net of the acquisition-date amount, including all identifiable assets acquired and the liabilities assumed, measured at fair values as at the transaction date.

Goodwill = (C) - (A) - (B)

In the case of a business combination achieved in stages, the acquirer remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognises the resulting gain or loss in the statement of comprehensive income.

Following the initial recognition, goodwill is carried at cost less cumulative impairment losses. Goodwill is tested for impairment once a year. It is not amortised.

As at the date of assuming control, the acquired goodwill is allocated to every identifiable cash-generating unit. The Group calculates impairment of value by estimating the recoverable amount of the cash-generating unit relevant to a given part of goodwill. If the recoverable amount of a cash-generating unit is lower than its carrying amount, the Group recognises an impairment loss. If goodwill comprises a part of a cash-generating unit and the Group sells a part of the cash-generating unit's business, the goodwill pertaining to the sold business is included in the carrying amount of the sold business for the purpose of calculating gains or losses on disposal of the part of business. In such a case, goodwill pertaining to the sold business should be measured using the relative value of the sold business, pro-rata to the interest in the retained part of the cash-generating unit.

7.9 Other intangible assets

Intangible assets other than goodwill comprise oil exploration and production licences in Lithuania acquired as part of a business combination, expenditure incurred on oil and gas exploration licences on the Norwegian Continental Shelf, other production and exploration licences in Poland, software licences, patents, trademarks and acquired CO_2 emission allowances.

Intangible assets are initially recognised at cost if they are acquired in separate transactions. Intangible assets acquired as part of a business combination are recognised at fair value as at the transaction date. Subsequent to initial recognition, measurement of intangible assets accounts for accumulated amortisation and impairment losses.

Licences obtained in Lithuania during the step acquisition of the AB LOTOS Geonafta Group companies are disclosed in intangible assets related to development and production of hydrocarbon reserves and amortised using the unit-of-production method, i.e. amortisation per unit of produced crude oil is charged to expenses. The amortisation rate is estimated by reference to forecasts of hydrocarbon production from a given field. If the estimated hydrocarbon reserves (2P – proved and probable reserves) change materially as at the end of the reporting period, amortisation per unit of produced crude oil or natural gas is remeasured. Then, starting from the new financial year, the revised amortisation rate is applied.

Expenditure on oil and gas exploration licences on the Norwegian Continental Shelf is presented in a separate item of intangible assets, as required under IFRS 6 Exploration for and Evaluation of Mineral Resources, and is not amortised until the technical feasibility and commercial viability of extraction is demonstrated. For more information on the accounting policies concerning expenditure on exploration for and evaluation of mineral resources, see Note 7.10.

Other intangible assets are amortised using the straight-line method over their estimated useful lives. The expected useful lives of the Group'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 generation of the future economic benefits embodied in an intangible asset are reflected by changing the amortisation period or amortisation method, as appropriate, and are treated as changes in accounting estimates (see Note 5 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/5.-material-judgements-and-estimates>).

Except capitalised development expenditure, expenditure on intangible assets produced by the Company is not capitalised but is charged to expenses in the period in which it was incurred.

7.10 Exploration and evaluation expenditures

Exploration for and evaluation (appraisal) of mineral resources means the search for crude oil and natural gas resources, and determination of the technical feasibility and commercial viability of their extraction.

From the moment of obtaining the exploration right to a given area to the moment of determination of the technical feasibility and commercial viability of extracting mineral resources, expenditure directly connected with exploration for and evaluation of oil and gas resources is recognised in accordance with IFRS 6 Exploration for and Evaluation of Mineral Resources in a separate item of non-current assets. The expenditure includes the costs of acquisition of exploration rights, costs of exploration rigs, salaries and wages, consumables and fuel, insurance, costs of geological and geophysical surveys, as well as costs of other services.

The Group classifies its hydrocarbon exploration and evaluation assets as property, plant and equipment or intangible assets, depending on the type of the acquired assets, and applies this classification policy in a consistent manner.

Once the size of a deposit is confirmed and its production plan is approved, the expenditure is transferred to appropriate items of property, plant and equipment or intangible assets related to development and production of resources (see also Note 7.7 and Note 7.9).

The Group examines the need to recognise impairment losses on exploration and evaluation assets by considering whether in relation to a specific area:

- whether the period for which the Group has the right to explore in the specific area has expired during the current financial year or will expire in the near future, and is not expected to be renewed,
- no substantial expenditure on further exploration for and appraisal of mineral resources is anticipated,
- exploration for and appraisal of mineral resources have not led to discovery of commercially viable quantities of mineral resources and the Group has decided to discontinue such activities,
- sufficient data exist to indicate that, although development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

7.11 Equity-accounted joint ventures

Investments in joint ventures measured in accordance with IFRS 11 Joint Arrangements are accounted for with the equity method and recognised in the statement of financial position at cost, adjusted for subsequent changes in the Group's share of the net assets of such entities, less impairment losses, if any. The statement of comprehensive income reflects the share in the results of operations of such entities, and if a change is recognised directly in their equity, the Group recognises its share in each change and, if applicable, discloses it in the statement of changes in equity.

7.12 Leases

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

The Group as a lessor

Finance leases are disclosed in the statement of financial position as receivables, at amounts equal to the net investment in the lease less the principal component of lease payments for a given financial year calculated based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance lease.

Finance income from interest on a finance lease is disclosed in the relevant reporting periods based on a pattern reflecting a constant periodic rate of return on the net investment outstanding in respect of the finance lease.

Income from operating leases is recognised in the statement of comprehensive income on a straight-line basis over the lease term.

The Group as a lessee

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

7.13 Impairment of non-financial non-current assets

As at the end of the reporting period, the Group assesses whether there is an indication of impairment of any of its assets. If the Group finds that there is such indication, or if the Group is required to perform annual impairment tests, the Group 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 in which such asset is used, less cost to sell, or
- the value in use of the asset or cash generating unit in which such asset is used.

The recoverable amount is determined for the individual assets, unless a given asset does not generate separate cash flows 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 (at 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 the reporting period, the Group assesses whether there is an indication that any impairment loss recognised in the previous periods with respect to a given asset should be reduced or reversed in full. If there is such indication, the Group again estimates the recoverable amount of the asset and the recognised impairment loss is reversed accordingly only if following the recognition of the most recent 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 Group offsets corresponding items of other income and expenses, including impairment losses and their reversals, in accordance with IAS 1 Presentation of Financial Statements (Section 34) and recognises them in the statement of comprehensive income on a net basis.

7.14 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:

- materials and merchandise – at cost,
- 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.

Net realisable value is the selling price estimated as at the end of the reporting period, net of value added tax, excise duty and fuel charge, less any rebates, discounts and other similar items, and less the estimated costs to complete and costs to sell.

Decrease in inventories is established with the weighted average method.

Mandatory stocks are disclosed as current assets given their short turnover cycle. For more information on mandatory stocks, see Note 19.2.

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 Group estimates (based on an individual assessment of the usefulness of inventories for the purposes of the Group's business) the value of write-down of stored materials. Following a decline in prices of crude oil and refining products, the Group recognises a write-down of 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.

7.15 Investment property

Investment property is measured at cost less accumulated depreciation and impairment losses.

Investment property, including investments in land, perpetual usufruct of land, buildings and structures, is property which the Group does not use for its own purposes but which will generate benefits in the form of value appreciation or rent income.

7.16 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 significant, the value of receivables is determined by discounting the 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. If the discount method is applied, an increase in receivables over time is recognised as finance income.

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

7.17 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 consolidated 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 placements.

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

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

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

7.19 Equity

quity is recognised in the consolidated financial statements by categories, in accordance with applicable laws and constitutional documents of the consolidated entities.

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

7.20 Borrowings and other debt instruments

All borrowings and other debt instruments are initially recognised at cost, equal to the fair value, less cost of obtaining the financing.

Following initial recognition, borrowings and other debt instruments are measured at amortised cost, using the effective interest rate method. Amortised cost includes the cost of obtaining financing and discounts, as well as premiums obtained on settlement of the liability. Upon removal of the liability from the statement of financial position or recognition of impairment losses, gains or losses are recognised in the statement of comprehensive income.

7.21 Employee benefit obligations

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

In accordance with the Collective Bargaining Agreement, the Group's 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 Group's social benefits are entitled to benefits from a separate social fund, which is established pursuant to applicable national 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 currently retired employees 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 the 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 leaving 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.

Employees of the Group companies are also entitled to holidays in accordance with the rules set forth in the Polish Labour Code. The Group 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 Group'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 include bonuses and awards granted as part of the Group's incentive pay systems.

For detailed information on employee benefits, see Note 29 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/29.-employee-benefit-obligations> , containing the individual items of employee benefit obligations and employee benefit expenses, actuarial assumptions, as well as an analysis of sensitivity of estimates to changes of these assumptions. The Group recognises the cost of discount on its employee benefit obligations in finance costs.

Given the different nature of pension plans operated by the Group's foreign companies – LOTOS Exploration and Production Norge AS and the companies of the AB LOTOS Geonafta Group – and their negligible effect on the Group's obligations under length-of-service awards and post-employment benefits, those companies' obligations are presented separately as *Obligations under length-of-service awards and post-employment benefits at foreign companies*.

7.21.2 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 to which the profit distribution relates.

7.22 Borrowing costs

Borrowing costs (i.e. interest and other costs incurred in connection with borrowings) are expensed in the period in which they were incurred, except costs which relate directly to the acquisition, construction or production of an asset being completed (including foreign exchange losses on interest, and foreign exchange losses on fees and commissions), which are capitalised as part of the cost of such asset (an asset being completed is an asset whose preparation for use or sale requires a significant amount of time).

To the extent that funds are borrowed specifically for the purpose of acquiring the asset being completed, the amount of the borrowing costs which may be capitalised as part of such asset is determined as the difference between the actual borrowing costs incurred in connection with a given credit facility or loan in a given period and the proceeds from temporary investments of the borrowed funds.

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

7.23 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 are non-derivative financial assets with fixed or determinable payments and fixed maturities, which are quoted on an active market and which the Group 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 in accordance with IAS 39 Financial Instruments: Recognition and Measurement upon initial recognition.

Measurement of financial assets at fair value through profit or loss consists in recognition of such assets at fair value by reference to their market value as at the end of the reporting period, 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 a financial asset at fair value through profit or loss if it contains one or more embedded derivatives. The above does not apply when an embedded derivative has no significant impact on the cash flows generated under the contract or when it is clear that if a similar hybrid instrument was first considered, separation of the embedded derivative would be prohibited under IFRS.

Financial assets may be designated as financial assets at fair value through profit or loss on initial recognition if the following criteria are met:
(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch); or
(ii) the assets are part of a group of financial assets that are managed and measured based on fair value, according to a well-documented risk management strategy; or
(iii) the assets contain embedded derivatives which should be presented separately.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities initially designated as financial liabilities at fair value through profit or loss. Financial liabilities are classified as held for trading if they were acquired for the purpose of being sold in the near future. Derivative financial instruments, including separated embedded instruments, are also classified as held for trading, unless they are considered as effective hedges.

Financial liabilities may be designated as financial liabilities at fair value through profit or loss on initial recognition if the following criteria are met:
(i) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring liabilities or recognising the gains and losses on them on different bases, or
(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 liabilities contain embedded derivatives which should be presented separately.

Financial liabilities classified as financial liabilities at fair value through profit or loss are measured 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 Group classifies its individual financial assets and liabilities according to the following levels (fair value hierarchy):

- 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 when all significant input data is observable on the market either directly (unadjusted market prices) or indirectly (data based on market prices).
- Level 3: Financial assets and liabilities whose fair values are measured using measurement models when the input data is not based on observable market data (unobservable input data).

The Group 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.

The Group's financial assets and liabilities held for trading include the following types of derivatives: options, forward contracts (in particular forward rate agreements), futures contracts, swaps (in particular interest-rate swaps) and spot contracts. All the above types of forward transactions classified as derivatives are executed by the Group as part of its risk management policy (see below).

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 is 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 from 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 Group 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 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 Group 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 Group through physical delivery, with the intention to potentially use the allowances to offset the Group'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 Group 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 Group, see Note 34 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/34.-carbon-dioxide-co2-emission-allowances> . For a description of the Group's risk management process, see Note 32.2.

The Group 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 financial derivatives and hedge accounting, see Notes 7.25 and 7.26.

Loans advanced and receivables,

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

The category includes: trade receivables, cash and cash equivalents, deposits, security deposits, investment receivables, security deposits receivable, finance lease 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, 7.16 and 7.17.

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 market or their fair value can be established in any other reliable manner) and their cost are recognised net of deferred tax in other comprehensive income. Impairment losses on available-for-sale financial assets are recognised in finance costs.

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

A financial asset is removed from the statement of financial position when the Group loses control over the contractual rights embodied in the financial instrument. This usually takes place when the instrument is sold or when all cash flows generated by the instrument are transferred to a non-related third party.

This category includes shares in other entities; in the statement of financial position they are posted under *Other financial assets*.

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 bank and non-bank borrowings, bonds/notes, finance lease liabilities, trade payables, investment commitments, and other liabilities. These liabilities are recognised in the statement of financial position under: *Borrowings, other debt instruments and finance lease liabilities, Trade payables, Other liabilities and provisions*. For information on recognition and measurement of the above classes in this category of instruments, see Note 7.12, 7.20 and 7.26.

7.24 Impairment of financial assets

As at the end of the reporting period the Group 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 at 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 Group 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 Group includes the asset into the group of financial assets with similar credit risk profile and tests such group for impairment as a whole. Assets which are tested for impairment individually, and with respect to which an impairment loss has been recognised or a previously recognised loss is deemed to remain unchanged, are not taken into account when a group of assets are jointly tested for impairment.

If an impairment loss decreases in the next period, and the decrease may be objectively associated with an event that occurred subsequent to the impairment loss recognition, the recognised impairment loss is reversed. The subsequent reversal of an impairment loss is recognised in the statement of comprehensive income to the extent that the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets available for sale

If there exists an objective indication of impairment of a financial asset classified as an asset available for sale, the amount of the difference between (A) the cost of that asset (less any principal payments and depreciation/amortisation charges) and its (B) current fair value, reduced by any impairment losses previously recognised in the statement of comprehensive income, (A – B) is derecognised from equity and charged to the statement of comprehensive income. Reversal of impairment losses concerning equity financial instruments classified 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.

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, or of a related derivative instrument which must be settled by delivery of such non-traded equity instrument, the amount of impairment loss is established as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

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.

Derivative financial instruments

Derivative instruments used by the Group to hedge against currency risk include in particular FX forwards. The Group also uses commodity swaps to hedge its exposure to raw material and petroleum product prices, futures contracts to manage its exposure to prices of carbon dioxide (CO_2) emission allowances, and interest rate swaps (IRSs) and forward rate agreements (FRAs) to hedge its interest rate exposure.

Such financial derivatives are measured at fair value in line with the fair value hierarchy discussed above in the section devoted to financial asset and liability measurement policies. 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.

7.25 Hedge accounting

As of January 1st 2011, the Parent commenced cash flow hedge accounting with respect to a USD-denominated credit facility designated as a hedge of future USD-denominated sales transactions. In the second half of 2012, the scope of application of cash flow hedge accounting was extended to include new hedging relationships established with respect to foreign-currency denominated facilities 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 identifies (i) the hedging instrument, (ii) the hedged item or transaction, (iii) the nature of the hedged risk, and (iv) specifies 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.

7.26 Provisions

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

7.26.1 Provisions for decommissioning and reclamation costs

Provisions for decommissioning and reclamation costs are recognised when the Group has an obligation to decommission oil and gas extraction facilities or to demolish, disassemble or remove other property, plant and equipment and restore the site to its original condition, and when a reliable estimate can be made of the amount of the obligation.

If a decommissioning obligation arises with respect to new property, plant and equipment, such as production and transport infrastructure (pipelines) or refinery installations, it is recognised on completion of construction or installation. If a decommissioning obligation arises with respect to a production well, it is recognised on completion of drilling, irrespective of the hydrocarbon flow recorded.

A decommissioning obligation may be further adjusted over the useful life of a well, production or transport infrastructure, etc. to reflect changes in applicable laws or a decision to suspend certain operations. The recognised amount of the obligation is the present value of future expenditures, estimated for the local conditions and requirements.

On recognition of a decommissioning obligation, a matching decommissioning asset is recognised in the same amount under property, plant equipment, which is subsequently depreciated in line with the asset subject to decommissioning.

The amount of the decommissioning provision and its corresponding asset is adjusted to reflect changes to the present value of estimated decommissioning and reclamation costs, other than provision discount reversals. Adjustments are also made for foreign exchange gains or losses arising from translation of a decommissioning obligation denominated in a foreign currency when it is certain that the obligation will be settled in that currency.

Periodic discount unwinding is recognised as finance costs in the statement of comprehensive income.
Deferred tax assets and liabilities are recognised in respect of the decommissioning provision and the corresponding decommissioning asset.

Under the Polish Geological and Mining Law of February 4th 1994 (Dz.U.05.228.1947, as amended), the Group is required to operate an Oil and Gas Extraction Facility Decommissioning Fund, whose financial resources may only be used to cover the cost of decommissioning of an oil and gas extraction facility or its designated part.

The amount of contribution to the Fund is calculated separately for each facility and represents an equivalent of 3% or more of the depreciation charge recognised on the facility's property, plant and equipment, determined in accordance with applicable corporate income tax laws. The Company is required to deposit the contributions in a separate bank account until decommissioning start date.

7.27 Trade and other payables, and accruals and deferred income

Current trade and other payables are reported at nominal amounts payable.

The Group 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 Group 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 value added tax, 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 tangible assets, 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 Group discloses accruals and deferred income under other non-financial liabilities or, if they refer to employee benefits, under employee benefit obligations.

7.28 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.

7.29 Joint Arrangements

IFRS 11 defines a joint arrangement as a contractual arrangement under which the business of two or more parties is subject to joint control. Joint control exists only when decisions about the relevant activities under the arrangement require the unanimous consent of all the parties.

Joint arrangements are classified into two types – joint operations and joint ventures. The distinction between the two is based on different rights and obligations of the parties under the joint arrangement.

If under the joint arrangement the parties with joint control of the arrangement have rights to the net assets of the arrangement, then it is a joint venture, which in principle requires the establishment of a separate vehicle. The Group's joint ventures include LOTOS-Air BP Polska Sp. z o.o., a jointly-controlled entity operating in the downstream segment, and the following entities operating in the upstream segment: Baltic Gas Sp. z o.o., Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k., and UAB Minijos Nafta, all of which are equity-accounted (See Note 7.11).

Joint arrangements under which the parties with joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement, are defined as joint operations. The Group holds interests in joint operations in the upstream segment through a Norwegian company, LOTOS Exploration and Production Norge AS, a subsidiary of LOTOS Petrobaltic S.A.

In accordance with IFRS 11, the Group recognises its interest in assets, liabilities, costs and expenses related to its joint operations in Norway.

7.30 Segment reporting

For management purposes, the LOTOS Group is divided into business units which correspond to the business segments, whereas for financial reporting purposes the Group's operating activity comprises two main reportable operating segments:

- upstream segment – comprising activities related to the acquisition of crude oil and natural gas reserves, and crude oil and natural gas production,
- downstream segment – comprising the production and processing of refined petroleum products and their wholesale and retail sale, as well as auxiliary, transport and service activities.

The reportable operating segments are identified at the Group level. The Parent is included in the downstream segment. The upstream segment comprises companies of the LOTOS Petrobaltic Group (excluding Energobaltic Sp. z o.o.).

Segment performance is assessed on the basis of revenue, EBIT and EBITDA.
EBIT is operating profit/(loss).
and EBITDA is operating profit/(loss) before depreciation and amortisation.

The segments' revenue, EBIT and EBITDA do not account for inter segment adjustments.

Financial information of the operating segments used by the chief operating decision makers to assess the segments' performance is presented in Note 8 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/8.-business-segments> .

7.31 Contingent liabilities and assets

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

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

Examples of contingent assets and liabilities include liabilities or receivables related to pending court disputes whose future outcomes are neither known not fully controlled by the entity. For more information on pending court disputes and other contingent liabilities, see Note 35.1 and Note 35.2, respectively.

7.32 Carbon dioxide (CO_2) emission allowances

CO_2 emission allowances are presented by the Group in its financial statements in accordance with the net liability approach, which means that the Group recognises only those liabilities that result from exceeding the limit of emission allowances granted. The Group 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 following exchange rates were used in the valuation of items of the statement of financial position:

PLN '000	Upstream segment	Downstream segment	Other (1)	Consolidation adjustments	Consolidated
	year ended Dec 31 2014				
Revenue:	**906,279**	**28,157,947**	**25,535**	**(587,874)**	**28,501,887**
Intersegment sales	*523,278*	*47,559*	*17,037*	*(587,874)*	*-*
External sales	*383,001*	*28,110,388*	*8,498*	*-*	*28,501,887*
Operating profit/(loss) **(EBIT)**	**(624,120)** (2)	**(774,492)** (3)	**6,914**	**(1,310)**	**(1,393,008)**
Amortisation	344,141	459,449	7,137	(1,786)	808,941
Operating profit/(loss) before amortisation and depreciation **(EBITDA)**	**(279,979)**	**(315,043)**	**14,051**	**(3,096)**	**(584,067)**

PLN '000	Upstream segment	Downstream segment	Other (1)	Consolidation adjustments	Consolidated
	Dec 31 2014				
Total assets	**3,944,812**	**16,028,893**	**112,330**	**(1,138,878)**	**18,947,157**
including:					
- assets related to exploration for and evaluation of crude oil and natural gas resources	*241,445*	*-*	*-*	*-*	*241,445*
- assets related to development and production of crude oil and natural gas resources	*1,331,027*	*-*	*-*	*-*	*1,331,027*

PLN '000	Upstream segment	Downstream segment	Other (1)	Consolidation adjustments	Consolidated
	year ended Dec 31 2013 (restated)				
Revenue:	**585,759**	**28,587,306**	**24,474**	**(638,374)**	**28,559,165**
Intersegment sales	*578,369*	*43,093*	*16,912*	*(638,374)*	*-*
External sales	*7,390*	*28,544,213*	*7,562*	*-*	*28,559,165*
Operating profit/(loss) **(EBIT)**	**174,036**	**13,902**	**13,937**	**(35,275)**	**166,600**
Amortisation	133,607	500,804	9,860	(1,791)	642,480
Operating profit/(loss) before amortisation and depreciation **(EBITDA)**	**307,643**	**514,706**	**23,797**	**(37,066)**	**809,080**

PLN '000	Upstream segment	Downstream segment	Other (1)	Consolidation adjustments	Consolidated
	Dec 31 2013 (restated)				
Total assets	**4,101,632**	**17,059,568**	**120,425**	**(996,871)**	**20,284,754**
including:					
- assets related to exploration for and evaluation of crude oil and natural gas resources	*368,357*	*-*	*-*	*-*	*368,357*
- assets related to development and production of crude oil and natural gas resources	*1,894,133*	*-*	*-*	*-*	*1,894,133*

(1) Includes LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

(2) Including an impairment loss on YME field assets, of PLN 578,448 thousand (see Note 13 <http://raportroczny.lotos.pl/en/financial-information/consolidated-

financial-statements-for-2014/notes-to-the-financial-statements/13.-property-plant-and-equipment>).

(3) Including an inventory write-down of PLN 450,891 thousand (see Note 19.1).

Geographical structure of sales

PLN '000	Upstream segment	Downstream segment	Other (1)	Consolidated
	year ended Dec 31 2014			
Domestic sales:	**3,921**	**19,019,321**	**8,498**	**19,031,740**
products and services	*3,719*	*18,315,224*	*8,498*	*18,327,441*
merchandise and materials	*202*	*704,097*	*-*	*704,299*
Export sales:	**379,080**	**9,091,067**	**-**	**9,470,147**
products and services	*378,404*	*8,673,940*	*-*	*9,052,344*
merchandise and materials	*676*	*417,127*	*-*	*417,803*
Total	**383,001**	**28,110,388**	**8,498**	**28,501,887**

PLN '000	Upstream segment	Downstream segment	Other (1)	Consolidated
	year ended Dec 31 2013 (restated)			
Domestic sales:	**6,491**	**20,370,299**	**7,562**	**20,384,352**
products and services	*6,257*	*18,804,309*	*7,562*	*18,818,128*
merchandise and materials	*234*	*1,565,990*	*-*	*1,566,224*
Export sales:	**899**	**8,173,914**	**-**	**8,174,813**
products and services	*606*	*7,835,360*	*-*	*7,835,966*
merchandise and materials	*293*	*338,554*	*-*	*338,847*
Total	**7,390**	**28,544,213**	**7,562**	**28,559,165**

(1) Includes LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

The year-on-year increase in the upstream segment's sales in 2014 was attributable to the launch of sales of oil and gas produced from the Heimdal area fields, acquired in December 2013.

The year-on-year decline in revenue from sales of merchandise in 2014 was due to the fact that continuity of supplies to the Group's trading partners was maintained during the refinery's overhaul shutdown in Q1 2013.

Sales by products, merchandise and services

PLN '000	Upstream segment	Downstream segment	Other (1)	Consolidated
	year ended Dec 31 2014			
Gasolines	-	4,660,642	-	4,660,642
Naphtha	-	750,974	-	750,974
Diesel oils	-	13,608,087	-	13,608,087

Bunker fuel	-	108,467	-	108,467
Light fuel oil	-	757,506	-	757,506
Heavy fuel oil	-	2,349,680	-	2,349,680
Aviation fuel	-	2,044,246	-	2,044,246
Lubricants	-	345,702	-	345,702
Base oils	-	580,307	-	580,307
Bitumens	-	1,055,843	-	1,055,843
LPG	-	629,750	-	629,750
Crude oil	156,103	-	-	156,103
Natural gas	218,843	-	-	218,843
Reformate	-	28,689	-	28,689
Other refinery products, merchandise and materials	-	553,505	-	553,505
Other products, merchandise and materials	881	320,948	8,457	330,286
Services	7,174	324,034	41	331,249
Effect of cash flow hedge accounting	-	*(7,992)*	-	*(7,992)*
Total	**383,001**	**28,110,388**	**8,498**	**28,501,887**

	Upstream segment	Downstream segment	Other [1]	Consolidated
PLN '000	**year ended Dec 31 2013 (restated)**			
Gasolines	-	5,010,064	-	5,010,064
Naphtha	-	824,241	-	824,241
Diesel oils	-	14,365,265	-	14,365,265
Bunker fuel	-	124,661	-	124,661
Light fuel oil	-	942,434	-	942,434
Heavy fuel oil	-	2,037,899	-	2,037,899
Aviation fuel	-	1,474,528	-	1,474,528
Lubricants	-	380,218	-	380,218
Base oils	-	485,887	-	485,887
Bitumens	-	1,246,061	-	1,246,061
LPG	-	564,540	-	564,540
Other refinery products, merchandise and materials	-	517,155	-	517,155
Other products, merchandise and materials	530	292,630	7,523	300,683
Services	6,860	291,082	39	297,981
Effect of cash flow hedge accounting	-	*(12,452)*	-	*(12,452)*
Total	**7,390**	**28,544,213**	**7,562**	**28,559,165**

(1) Includes LOTOS Park Technologiczny Sp. z o.o., LOTOS Gaz S.A. w likwidacji (in liquidation) and Energobaltic Sp. z o.o.

In 2014 and 2013, there were no customers whose share in the LOTOS Group's total revenue would significantly exceed 10%.

9. Income and expenses

9.1 Expenses by nature

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Depreciation and amortisation	8	808,941	642,480
Raw materials and consumables used		24,734,942	24,219,317
- including exchange differences [1]	*31.3*	*65,110*	*(76,694)*
Services		1,280,200	1,244,694
Taxes and charges		179,710	171,720
Employee benefits expense	9.2	681,865	670,817
Other expenses by nature		344,315	158,095
Merchandise and materials sold		978,764	1,751,978
Total expenses by nature		**29,008,737**	**28,859,101**
Change in products and adjustments to cost of sales		67,003	(444,875)
Total		29,075,740	28,414,226
including:			
Cost of sales		27,466,614	26,878,863
Distribution costs		1,162,071	1,106,186
Administrative expenses		447,055	429,177

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

9.2 Employee benefits expense

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Current salaries and wages		491,466	491,366
Social security and other employee benefits		144,793	149,996
Length-of-service awards, retirement and other post-employment benefits	29.3	45,606	29,455
Total employee benefits expense	**9.1**	**681,865**	**670,817**
Change in products and adjustments to cost of sales		(20,579)	(8,209)
Total		**661,286**	**662,608**
including:			
Cost of sales		388,563	389,908
Distribution costs		30,301	34,218
Administrative expenses		242,422	238,482

9.3 Other income

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Reversal of impairment losses on property, plant and equipment and other			

intangible assets:		-	550
Reversal of impairment losses:		-	57,214
- on property, plant and equipment related to exploration for and evaluation of crude oil and natural gas resources		-	*48,672*
- on assets related to the B-4 and B-6 fields, transferred to Baltic Gas as a contribution in kind	*13.1.1*	-	*48,273*
- on other assets		-	*399*
- on intangible assets related to exploration for and evaluation of crude oil and natural gas resources		-	*542*
- on Norwegian exploration licences		-	*542*
- on refinery and other property, plant and equipment:		-	*8,000*
- Waterproofing Materials Production Plant assets	*13.2*	-	*8,000*
Impairment losses:		-	*(56,664)*
- on property, plant and equipment related to production		-	*(26,842)*
- on assets related to the B-28 field	*13.1.1*	-	*(26,842)*
- on property, plant and equipment related to development of crude oil and natural gas resources		-	*(1,794)*
- on other assets		-	*(1,794)*
- on intangible assets related to exploration for and evaluation of crude oil and natural gas resources		-	*(4,744)*
- on Norwegian exploration licences	*15.1.1*	-	*(4,744)*
- on intangible assets related to development and production of crude oil and natural gas resources:		-	*(7,943)*
- on Lithuanian assets	*15.1.2*	-	*(7,943)*
- on refinery and other property, plant and equipment:		-	*(15,341)*
- on service stations	*13.2*	-	*(11,912)*
- on other assets		-	*(3,429)*
Gain on disposal of non-financial non-current assets		3,521	-
Grants	30.2	1,889	2,075
Provisions:		-	2,900
- provision for deficit in CO_2 emission allowances	*34*	-	*(1,527)*
- other provisions		-	*(1,276)*
- reversal of provisions for retired refinery installations	*30.1*	-	*5,077*
- reversal of other provisions		-	*626*
Remeasurement of estimated provision related to the offshore oil extraction facility in the YME field in Norway		-	6,447
Compensation		14,025 (1)	7,970
Gain on sale of organised part of business		-	379
Reimbursed excise duty		896	6,143 (2)
Other		6,376	4,405
Total		**26,707**	**30,869**

(1) Including PLN 7,927 thousand received as compensation in connection production stoppage in the Atla field (one of the Heimdal area assets).

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

9.4 Other expenses

	Year ended	Year ended

PLN '000	Note	Dec 31 2014	Dec 31 2013 (restated)
Impairment loss on property, plant and equipment and other intangible assets:		806,141	-
Impairment losses:		*806,562*	-
- on property, plant and equipment related to exploration for and evaluation of crude oil and natural gas resources		*31.853*	-
- on assets related to the B-27 field	*13.1.1*	*29,914*	-
- on assets related to the B-28 field	*13.1.1*	*1,939*	-
- on property, plant and equipment related to development of crude oil and natural gas resources		*578.448*	-
- on assets related to the YME field	*13.1.2*	*578,448*	-
- on property, plant and equipment related to production		*48,562*	-
- on Heimdal assets	*13.1.3*	*45,854*	-
- on Lithuanian assets	*13.1.3*	*2,708*	-
- on intangible assets related to exploration for and evaluation of crude oil and natural gas resources		*14.439*	-
- on Heimdal assets	*15.1.1*	*13,823*	-
- on other Norwegian licences	*15.1.1*	*616*	-
- on intangible assets related to development and production of crude oil and natural gas resources:		*100.604*	-
- on Lithuanian assets	*15.1.2*	*100,604*	-
- on refinery and other property, plant and equipment:		*32.656*	-
- on service stations	*13.2*	*15,765*	-
- on assets related to bitumen production unit at the LOTOS Asfalt Branch in Jasło	*13.2*	*15,893*	-
- on other assets		*998*	-
Reversal of impairment losses:		*(421)*	-
- on refinery and other property, plant and equipment		*(421)*	-
Loss on disposal of non-financial non-current assets		-	1,863
Loss on discontinued projects		11,935 (1)	1,236
Impairment losses on receivables:	18.1; 31.3	13,078	6,012
- impairment losses		*15,928*	*7,291*
- reversal of impairment losses		*(2,850)*	*(1,279)*
Provisions:		4,761	-
- provision for deficit in CO_2 emission allowances	*34*	*2,784*	-
- reversal of provision for deficit in CO_2 emission allowances	*34*	*(1,527)*	-
- other provisions		*8,935*	-
- reversal of other provisions		*(5,431)*	-
Fines and compensation		1,512	1,277
Property damage incurred during ordinary course of business		1,041	2,516
Cost brought forward		567	2,947
Charitable donations		1,067	2,483
Other		5,760	4,346
Total		**845,862**	**22,680**

(1) Of which PLN 5,937 thousand relates to the Sambia W field (the Baltic Sea) and PLN 5,772 thousand relates to the Zvaginai well (Lithuania).

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

9.5 Finance income

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Dividend received		1,103	840
Interest:		19,096	17,358
- on trade receivables	*31.3*	*6,349*	*5,995*
- on finance lease receivables	*31.3*	*166*	*193*
- on cash	*31.3*	*1,249*	*1,264*
- on deposits	*31.3*	*9,360*	*8,413*
- other		*1,972*	*1,493*
Revaluation of financial assets:		-	112,861
- valuation of derivative financial instruments	*31.3*	-	*55,148*
- settlement of derivative financial instruments	*31.3*	-	*57,713*
Other		1,541	4,100
Total		**21,740**	**135,159**

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

9.6 Finance costs

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Interest:		202,503	202,921
- on borrowings	*31.3*	*141,584*	*151,874*
- on non-bank borrowings	*31.3*	*9,576*	*575*
- on notes	*31.3*	*3,373*	*423*
- on trade payables	*31.3*	*87*	*53*
- on finance lease liabilities	*31.3*	*12,142*	*16,132*
- on factoring arrangements		*7,400*	*11,823*
- on other financial liabilities	*31.3*	-	*125*
- discount related to provisions for oil production facilities and for land reclamation, and other provisions	*30.1*	*20,426*	*15,023*
- cost of discount on employee benefits obligations	*29.1; 29.3*	*6,354*	*6,138*
- other		*1,561*	*755*
Exchange differences:		307,020	115,489
- on borrowings	*31.3*	*222,455*	*(8,142)*
- on translation of intra-Group borrowings (1)	*31.3*	*68,284*	*119,223*
- on realised foreign-currency transactions in bank accounts	*31.3*	*16,530*	*(7,330)*
- on notes (1)	*31.3*	*43,698*	*15,767*
- on cash	*31.3*	*(11,564)*	*3,516*
- on cash blocked in bank accounts (2)	*31.3*	*(37,630)*	*(15,075)*
- on investment commitments	*31.3*	*4,675*	*7,563*
- on other financial assets and liabilities	*31.3*	*(3,062)*	*(33)*
- other		*3,634*	-
Revaluation of financial assets, including:		197,849	-

- valuation of derivative financial instruments	*191,271*	-
- settlement of derivative financial instruments	*6,578*	-
Bank fees	17,287	19,349
Other	3,323	4,545
Total	**727,982**	**342,304**

(1) According to IAS 21 – The Effects of Changes in Foreign Exchange Rates, foreign exchange gains and losses on intra-group foreign currency transactions are recognised in the Group's net profit or loss.

(2) This relates to funds held in an escrow account in connection with the agreement on removal of the defective MOPU from the YME field, to which LOTOS Exploration and Production Norge AS is a party; for more information on the agreement, see Note 35.1.

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

10. Income tax

10.1 Tax expense

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Current tax		69,377	81,911
Deferred tax	10.3	(726,720)	(180,015)
Total income tax charged to net profit or loss	**10.2**	**(657,343)**	**(98,104)**
Tax expense recognised in other comprehensive income (net), including:		(112,756)	22,909
- cash flow hedging	*23*	*(111,099)*	*22,945*
- actuarial gain/(loss) relating to post-employment benefits		*(1,657)*	*(36)*

For the entities operating in Poland, the current and deferred portion of income tax was calculated at the rate of 19% of taxable income..

In the case of Norwegian subsidiary LOTOS Exploration and Production Norge AS, the marginal tax rate is 78% of the tax base. LOTOS Exploration and Production Norge AS's activities are subject to taxation under two parallel tax systems: the corporate income tax system (27% tax rate) and the petroleum tax system (additional tax rate of 51%).

In the case of Lithuanian subsidiaries (AB LOTOS Geonafta Group), the current and deferred portion of income tax was calculated at the rate of 15%.

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

PLN '000	Dec 31 2014	Year ended Dec 31 2013 (restated)
Pre-tax loss	(2,123,715)	(58,676)
Income tax at 19%	**(403,506)**	**(11,148)**
Permanent differences	3,869	5,355
Unrecognised deferred tax asset under tax loss carry-forward	60,145	-
Tax effect of tax losses incurred in the period	-	1,418
Tax effect of tax losses deducted in the period	(1,416)	(395)
Tax effect of share in profit of equity-accounted entities	4,648	3,445
Tax effect of the bio-component tax credit (1)	-	(10,935)
Adjustments disclosed in current year related to tax for previous years	454	178
Difference resulting from the application of tax rates other than 19%:	(322,100)	(86,528)
- Norway	*(322,323)*	*(83,220)*
- Lithuania	*968*	*(1,594)*
- Cyprus	*(746)*	*(1,713)*
- Netherlands Antilles	*1*	*(1)*
Other differences	563	506
Income tax expense	**(657,343)**	**(98,104)**

(1) The Group used higher tax credit than was expected based on the preliminary estimates which served as the basis for recognition of the relevant deferred tax assets. Therefore, as at December 31st 2013, the deferred tax assets related to bio-component tax credit were recognised on the basis of the full amount of tax credit left to be used in the coming years. In 2014, the Group used the full available tax credit amount and reversed the related deferred tax asset. For more information on the basis and rules for the use of bio-component tax credit, see Note 30.2.

10.3 Deferred income tax

PLN '000	Note	Statement of financial position: Dec 31 2014	Statement of financial position: Dec 31 2013 (restated)	Change
Deferred tax assets		1,488,901	924,534	564,367
Deferred tax liabilities		(55,527)	(275,823)	220,296
Net deferred tax assets/(liabilities)	**10.3.1**	**1,433,374**	**648,711**	**784,663**
Exchange differences on translating deferred tax of foreign operations				65,745
Deferred tax disclosed under other comprehensive income/(loss), net	10.1			(112,756)
Other differences:				(10,932)
- uplift [1]				*(6.337)*
- reclassification to non-current assets held for sale (or disposal groups)				*1,727*
- other				*(6,322)*
Deferred tax expense recognised in net profit or loss	**10.1**			**726,720**

[1] Tax credit applicable in Norway (uplift). The determined uplift rate is 5.5% pa. The uplift is calculated based on the capitalised investment expenditure (offshore production installation) and is settled against taxable income over a period of four years from the year the expenditure was incurred. Any uplift unused in a given period may be settled in the future until fully used, with no time limit. The amount of LOTOS Production and Exploration Norge AS's unused uplift increased the deferred tax asset under the Group's tax losses carried forward, and had no effect on tax disclosed in the consolidated statement of comprehensive income.

10.3.1 Deferred tax assets and liabilities

PLN '000	Note	Dec 31 2013 (restated)	Deferred tax charged to net profit or loss	Deferred tax disclosed under other comprehensive income/(loss)	Exchange differences on translating deferred tax of foreign operations	Other differences	Dec 31 2014
Deferred tax assets							
Employee benefit obligations		49,561	3,038	1,657	(232)	(1,724)	52,300
Inventory write-downs		564	85,593	-	1	-	86,158
Impairment losses on property, plant and equipment and other intangible assets		115,837	17,213	-	(7,901)	-	125,149
Impairment losses on assets related to the YME field		714,882	(714,882) [1]	-	-	-	-
Negative fair value of derivative financial instruments		13,734	6,182	-	-	-	19,916
Exchange differences on revaluation of foreign-currency denominated items		6,446	(6,292)	-	226	-	380
Impairment losses on receivables		16,200	1,225	-	-	-	17,425
Finance lease liabilities		28,068	(3,735)	-	-	-	24,333
Provisions for decommissioning of oil and gas facilities and land reclamation		187,827	100,157	-	(12,426)	-	275,558
Unrealised margin assets		8,545	619	-	-	-	9,164
Tax losses carried forward		1,089,325	947,917 [1]	-	(74,829)	12,656	1,975,069
Other provisions		9,619	1,529	-	-	-	11,148
Bio-component tax credit		4,463	(4,463)	-	-	-	-
Cash flow hedge accounting		-	-	96,787	-	-	96,787
Other		16,919	10,218	-	(470)	-	26,667
Total		**2,261,990**	**444,319**	**98,444**	**(95,631)**	**10,932**	**2,720,054**
Deferred tax liabilities							
Difference between the current tax value and carrying amount of property, plant and equipment and other intangible assets		1,493,672	(273,812)	-	(30,900)	-	1,188,960
Positive fair value of derivative financial instruments		140	(140)	-	-	-	-
Tax liabilities associated with the acquired exploration and production licences in Lithuania		49,522	(20,905)	-	1,010	-	29,627
Cash flow hedge accounting		14,312	-	(14,312)	-	-	-

Accrued interest		43,966	12,937	-	2	-	56,905
Other		11,667	(481)	-	2	-	11,188
Total		**1,613,279**	**(282,401)**	**(14,312)**	**(29,886)**	**-**	**1,286,680**
Net deferred tax assets/(liabilities)	**10.3**	**648,711**	**726,720**	**112,756**	**(65,745)**	**10,932**	**1,433,374**

(1) In connection with the recognition in 2014 of impairment losses on all capital expenditure on the YME development project (see Note 13.1.2) and in relation to cease of tax depreciation of those assets in accordance with Norwegian tax regulations all deferred tax assets related to the impairment losses on capital expenditure on the YME project were transferred to tax losses carried forward.

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 63,025 thousand (December 31st 2013: PLN 6,452 thousand).

11. Earnings/(loss) per share

	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Net profit/(loss) attributable to owners of the Parent (PLN ‘000) (A)	(1,466,326)	39,415
Weighted average number of shares (‘000) (B)	145,027	142,717
Earnings/(loss) per share (PLN) (A/B)	**(10.11)**	**0.28**

Earnings/(loss) per share for each reporting period are calculated by dividing net profit/(loss) for the reporting period by the weighted average number of shares in the reporting period. The weighted average number of shares as at December 12th 2014 includes the new Series D shares in Grupa LOTOS S.A. (see Note 21 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/21.-share-capital>).

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 earnings/(loss) per share are equal to basic earnings/(loss) per share as the Company 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 issue of these consolidated financial statements, the Company's Management Board has not passed a resolution on coverage of the net loss for 2014.

13. Property, plant and equipment

PLN '000	Dec 31 2014	Dec 31 2013 (restated)	Jan 1 2013 (restated)
Property, plant and equipment related to exploration for, development and production of crude oil and natural gas resources			
Property, plant and equipment related to exploration for and evaluation of crude oil and natural gas resources	44,769	182,681	134,677
Property, plant and equipment related to development of crude oil and natural gas resources	522,350	681,596	713,178
Property, plant and equipment related to production of crude oil and natural gas resources	600,390	879,500	351,610
Total	**1,167,509**	**1,743,777**	**1,199,465**
Refinery and other property, plant and equipment			
Land	475,666	456,390	428,922
Buildings, structures	3,151,731	3,241,992	3,304,305
Plant and equipment	3,851,578	4,000,393	4,090,413
Vehicles, other	569,425	309,646	341,284
Property, plant and equipment under construction	269,745	256,875	280,211
Total	**8,318,145**	**8,265,296**	**8,445,135**
Total	**9,485,654**	**10,009,073**	**9,644,600**

13.1 Property, plant and equipment related to exploration for, evaluation, development and production of crude oil and natural gas resources

		Property, plant and equipment related to exploration for and evaluation of crude oil and natural gas resources			Property, plant and equipment related to development of crude oil and natural gas resources			Property, plant and equipment related to production of crude oil and natural gas				
PLN '000	Note	Poland	Lithuania	Total	Poland	Norway	Total	Poland	Norway	Lithuania	Total	Total
Gross carrying amount Jan 1 2014 (restated)		**224,532**	**617**	**225,149**	**196,741**	**1,572,207**	**1,768,948**	**527,959**	**563,107**	**112,881**	**1,203,947**	**3,198,044**
Purchase		*70,756*	*10,061*	*80,817*	*209,388*	*349*	*209,737*	*5,751*	*6,385*	*14,902*	*27,038*	*317,592*
Exchange differences on translating foreign operations		*-*	*7*	*7*	*-*	*(71,001)*	*(71,001)*	*-*	*(27,286)*	*3,473*	*(23,813)*	*(94,807)*
Recognition of assets related to future costs of decommissioning of crude oil and natural gas production facilities	*13.1.4*	*-*	*-*	*-*	*642*	*-*	*642*	*-*	*-*	*1,074*	*1,074*	*1,716*
Estimated cost related to decommissioning of oil and gas extraction facilities	*13.1.4*	*-*	*-*	*-*	*-*	*27,743*	*27,743*	*(36,396)*	*33,455*	*(844)*	*(3,785)*	*23,958*
Reclassification of oil and gas exploration and evaluation assets to production assets [1]		*(176,425) [2]*	*(10,685) [3]*	*(187,110)*	*176,425 [2]*	*-*	*176,425*	*-*	*-*	*10,685 [3]*	*10,685*	*-*
Expenditure written off due to project discontinuation		*(33,097) [4]*	*-*	*(33,097)*	*-*	*-*	*-*	*-*	*-*	*(5,772) [5]*	*(5,772)*	*(38,869)*

Sale	*-*	*-*	*-*	*-*	*(2,504)*	*(2,504)*	*-*	*-*	*(75)*	*(75)*	*(2,579)*
Other	*6,164*	*-*	*6,164*	*(5,150)*	*8,291*	*3,141*	*(195)*	*7,190*	*(219)*	*6,776*	*16,081*
Gross carrying amount Dec 31 2014	**91,930**	**-**	**91,930**	**578,046**	**1,535,085**	**2,113,131**	**497,119**	**582,851**	**136,105**	**1,216,075**	**3,421,136**
Accumulated depreciation Jan 1 2014 (restated)	**-**	**-**	**-**	**52,007**	**-**	**52,007**	**284,532**	**-**	**33,532**	**318,064**	**370,071**
Depreciation	*-*	*-*	*-*	*3,579*	*-*	*3,579*	*28,505*	*210,962*	*16,208*	*255,675*	*259,254*
Exchange differences on translating foreign operations	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(11,221)*	*1,210*	*(10,011)*	*(10,011)*
Sale	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(75)*	*(75)*	*(75)*
Other	*-*	*-*	*-*	*110*	*-*	*110*	*(684)*	*-*	*(2)*	*(686)*	*(576)*
Accumulated depreciation Dec 31 2014	**-**	**-**	**-**	**55,696**	**-**	**55,696**	**312,353**	**199,741**	**50,873**	**562,967**	**618,663**
Impairment losses Jan 1 2014 (restated)	**42,468**	**-**	**42,468**	**-**	**1,035,345**	**1,035,345**	**-**	**-**	**6,383**	**6,383**	**1,084,196**
Recognised	*31,853*	*-*	*31,853*	*-*	*578,447*	*578,447*	*-*	*45,854*	*2,708*	*48,562*	*658,862*
Exchange differences on translating foreign operations	*-*	*-*	*-*	*-*	*(76,203)*	*(76,203)*	*-*	*(2,439)*	*224*	*(2,215)*	*(78,418)*
Used/Reversed	*(27,160)*	*-*	**(27,160)**	*-*	*(2,504)*	*(2,504)*	*-*	*-*	*(12)*	*(12)*	*(29,676)*
Impairment losses Dec 31 2014	**47,161**	**-**	**47,161**	**-**	**1,535,085**	**1,535,085**	**-**	**43,415**	**9,303**	**52,718**	**1,634,964**
Net carrying amount Dec 31 2014	**44,769**	**-**	**44,769**	**522,350**	**-**	**522,350**	**184,766**	**339,695**	**75,929**	**600,390**	**1,167,509**

(1) Exploration and evaluation assets relating to mineral resources with demonstrable technical feasibility and commercial viability of extraction.

(2) B-8 field.

(3) Ablinga field and a well in Zvaginai formation.

(4) Decommissioning of the B-28 well and exploration and evaluation assets related to the Sambia W field.

(5) Decommissioning of a well in Zvaginai formation.

		Property, plant and equipment related to exploration for and evaluation of crude oil and natural gas resources			Property, plant and equipment related to development of crude oil and natural gas resources			Property, plant and equipment related to production of crude oil and natural gas				
PLN '000	**Note**	**Poland**	**Lithuania**	**Total**	**Poland**	**Norway**	**Total**	**Poland**	**Norway**	**Lithuania**	**Total**	**Total**
Gross carrying amount Jan 1 2013 (restated)		**198,975**	**-**	**198,975**	**171,141**	**1,768,634**	**1,939,775**	**530,870**	**-**	**86,589**	**617,459**	**2,756,209**
Purchase		*75,838*	*627*	*76,465*	*26,956*	*11,530*	*38,486*	*13,408*	*6,804*	*25,000*	*45,212*	*160,163*
Acquisition of Heimdal assets (1)		*-*	*-*	*-*	*-*	*-*	*-*	*-*	*336,769*	*-*	*336,769*	*336,769*
Exchange differences on translating foreign operations		*-*	*(10)*	*(10)*	*-*	*(190,679)*	*(190,679)*	*-*	*(46,175)*	*865*	*(45,310)*	*(235,999)*
Estimated cost related to decommissioning of oil and gas extraction facilities	*13.1.4*	*-*	*-*	*-*	*(1,356)*	*11,995*	*10,639*	*(48)*	*265,709*	*717*	*266,378*	*277,017*
Contribution of B-4 and B-6 field development assets to Baltic Gas Sp. z o.o. i wspólnicy sp.k. (2)		*(48,287)*	*-*	*(48,287)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(48,287)*
Reclassification to non-current assets (or disposal groups) held for sale (3)		*-*	*-*	*-*	*-*	*(29,273)*	*(29,273)*	*-*	*-*	*-*	*-*	*(29,273)*
Sale		*-*	*-*	*-*	*-*	*-*	*-*	*(214)*	*-*	*-*	*(214)*	*(214)*
Decommissioning		*-*	*-*	*-*	*-*	*-*	*-*	*(19)*	*-*	*(27)*	*(46)*	*(46)*
Other		*(1,994)*	*-*	*(1,994)*	*-*	*-*	*-*	*(16,038)*	*-*	*(263)*	*(16,301)*	*(18,295)*
Gross carrying amount Dec 31 2013 (restated)		**224,532**	**617**	**225,149**	**196,741**	**1,572,207**	**1,768,948**	**527,959**	**563,107**	**112,881**	**1,203,947**	**3,198,044**
Accumulated depreciation Jan 1 2013 (restated)		**-**	**-**	**-**	**47,323**	**-**	**47,323**	**241,677**	**-**	**17,880**	**259,557**	**306,880**
Depreciation		*-*	*-*	*-*	*4,684*	*-*	*4,684*	*43,009*	*-*	*15,774*	*58,783*	*63,467*
Exchange differences on translating foreign operations		*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(15)*	*(15)*	*(15)*
Sale		*-*	*-*	*-*	*-*	*-*	*-*	*(139)*	*-*	*-*	*(139)*	*(139)*
Decommissioning		*-*	*-*	*-*	*-*	*-*	*-*	*(15)*	*-*	*-*	*(15)*	*(15)*
Other		*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(107)*	*(107)*	*(107)*
Accumulated depreciation Dec 31 2013 (restated)		**-**	**-**	**-**	**52,007**	**-**	**52,007**	**284,532**	**-**	**33,532**	**318,064**	**370,071**

Impairment losses Jan 1 2013 (restated)	**64,298**	**-**	**64,298**	**-**	**1,179,274**	**1,179,274**	**-**	**-**	**6,292**	**6,292**	**1,249,864**
Recognised	*26,842*	*-*	*26,842*	*-*	*1,794*	*1,794*	*-*	*-*	*-*	*-*	*28,636*
Exchange differences on translating foreign operations	*-*	*-*	*-*	*-*	*(125,868)*	*(125,868)*	*-*	*-*	*91*	*91*	*(125,777)*
Used / Reversed	*(48,672)*	*-*	*(48,672)*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*(48,672)*
Reclassification to non-current assets (or disposal groups) held for sale (3)	*-*	*-*	*-*	*-*	*(19,855)*	*(19,855)*	*-*	*-*	*-*	*-*	*(19,855)*
Impairment losses Dec 31 2013 (restated)	**42,468**	**-**	**42,468**	**-**	**1,035,345**	**1,035,345**	**-**	**-**	**6,383**	**6,383**	**1,084,196**
Net carrying amount Dec 31 2013 (restated)	**182,064**	**617**	**182,681**	**144,734**	**536,862**	**681,596**	**243,427**	**563,107**	**72,966**	**879,500**	**1,743,777**

(1) Acquisition of the Heimdal area assets in Norway (see Note 13 to the consolidated financial statements for 2013).

(2) Joint venture operated jointly with CalEnergy Resources Poland Sp. z o.o., related to development of the B-4 and B-6 gas fields (see Note 2 to the consolidated financial statements for 2013).

(3) YME field assets.

13.1.1 Property, plant and equipment related to exploration for and evaluation of crude oil and natural gas resources

The Group's expenditure on property, plant and equipment related to exploration for and evaluation of mineral resources amounted to PLN 80,817 thousand in 2014 (2013: PLN 76,465 thousand). Cash flows associated with that expenditure amounted to PLN 74,822 thousand (2013: PLN 75,318 thousand), whereas the amount of outstanding investment commitments was PLN 8,110 thousand as at December 31st 2014 (December 31st 2013: PLN 2,115 thousand).

Property, plant and equipment are carried as exploration and evaluation property, plant and equipment until the technical feasibility and commercial viability of extracting the discovered mineral resources are demonstrated.

Poland

As at December 31st 2014, property, plant and equipment related to exploration for and evaluation of crude oil and natural gas resources included mostly expenditure incurred on the B-21, B-23, B-27 and B-28 fields in the Baltic Sea.

The Group also holds interests in a joint venture operated in the form of a special purpose vehicle under the name of Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. (“Baltic Gas”, see Note 2 to the consolidated financial statements for 2013). The venture is operated by the Group jointly with CalEnergy Resources Poland Sp. z o.o. as part of further activities related to the B-4 and B-6 gas condensate formations in the Baltic Sea.

In 2014, expenditure incurred by the Group on the B-21, B-27 and B-28 fields reached PLN 70,756 thousand. The expenditure made in 2013, of PLN 75,838 thousand, related mainly to the B-8 and B-28 fields.

Given a very low volume of potential recoverable reserves, in 2014 the Group decided to recognise an impairment loss of PLN 29,914 thousand on the expenditure incurred in 2014 on the B-27 well (see Note 9.4) and an impairment loss of PLN 1,939 thousand on the expenditure incurred on the B-28 well and formation. The total amount of impairment losses was PLN 31,853 thousand (see Note 9.4).

The Group also decided to plug and abandon the well in the B-28 field. It used previously recognised impairment losses of PLN 27,160 thousand to write off the discontinued projects, and thus the write-off did not affect the Group's consolidated net profit or loss for 2014.

Moreover, as the Group decided to discontinue further investments in the Sambia W block and its mining usage rights to the block expired, as at December 31st 2014 the Group wrote off its expenditure on hydrocarbon exploration and evaluation in the area of PLN 5,937 thousand (see Note 9.4).

Given that no commercial hydrocarbon flows were recorded on the B-28 field, in 2013 LOTOS Petrobaltic S.A. decided to recognise a PLN 26,842 thousand impairment loss on the expenditure incurred in relation to the formation and well (see Note 9.3).

Following a decision made in 2013 to continue operations in the B-4 and B-6 fields, in the first half of 2013 LOTOS Petrobaltic S.A. reversed a PLN 48,273 thousand impairment loss on assets related to the fields (see Note 9.3), and contributed these assets to special purpose vehicle Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k, its joint venture with CalEnergy Resources Poland Sp. z o.o., set up for the purpose of further development of the B-4 and B-6 fields (see Note 2 to the consolidated financial statements for 2013). Impairment losses were recognised for the full amount of expenditure on gas exploration conducted on the B-4 and B-6 fields, incurred in previous years by LOTOS Petrobaltic S.A.

Lithuania

In 2014, the Group incurred expenditure on property, plant and equipment related to exploration for and evaluation of crude oil and natural gas resources in Lithuania in the amount of PLN 10,061 thousand (in 2013: PLN 637 thousand). The expenditure in 2014 related chiefly to the Ablinga field and the well in the Zvaginai formation.

13.1.2 Property, plant and equipment related to development of crude oil and natural gas resources

Poland

B-8 field

The Group's crude oil and natural gas development assets include expenditure incurred on the B-8 field, which is located in the Baltic Sea, about 70 km north of Jastarnia (in the vicinity of the B-3 field).

Given that the Group made a decision that development of the B-8 field would be conducted on a project finance basis, in December 2013 a separate special purpose vehicle named B8 Spółka z ograniczoną odpowiedzialnością BALTIC spółka komandytowo-akcyjna ("SPV B-8") was established within the Group. In 2014, LOTOS Petrobaltic S.A. contributed to SPV B-8 mining usage rights, the right to use geological data, and the property, plant and equipment related to the project, including the Petrobaltic drilling platform. B-8 SPV will carry out further work related to development of the field, including preparation of subsea installations and other tasks necessary to make the site ready for production. In August 2014, SPV B-8, Polskie Inwestycje Rozwojowe S.A., Bank Gospodarstwa Krajowego and Bank Pekao S.A. entered into agreements on financing of the B-8 project through a note issue programme (see Note 2 to the consolidated financial statements for 2013 and Note 27 to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2014). As at December 31st 2014, the financing had not yet been made available (see Note 27.3).

In 2014, the Group's expenditure on development of the B-8 field amounted to PLN 209,388 thousand, and related mainly to the drilling of production wells and water injectors, as well as conversion of the Petrobaltic platform. The expenditure incurred in 2013 was spent on conversion of the platform and construction of the pipeline infrastructure, and amounted to PLN 26,956 thousand.

Norway

YME field

The Group holds a 20% interest in two licences covering the YME field, which is situated 120 km to the south-west off the Norwegian coast (Egersund), in the southern part of the North Sea. The Group has not yet commenced production from the YME field due to technical defects in the mobile operating and production unit (MOPU).

As at December 31st 2014, property, plant and equipment associated with development of the YME field included expenditure of PLN 1,551m (NOK 3,275m) incurred by LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS"), a LOTOS Petrobaltic Group company, on acquisition of interests in production licences and on development of the field.

In the first half of 2014 and in previous periods due to significant delays in the implementation of the project, cost overruns, and defects of the MOPU that had been intended to be used to produce hydrocarbons from the YME field, the Group tested the YME assets for impairment, which resulted in impairment losses being recognised on those assets. More details on the impairment tests performed in the previous years and the resulting impairment losses recognised on the YME assets are included in the Group's financial statements for 2013 (see Note 13) and 2012 (see Note 13).

As discussed in Note 35.1 of these financial statements, in March 2013 Talisman Energy Norge AS, the YME field operator ("Talisman", "Operator") and Single Buoy Moorings Inc. ("SBM"), supplier of the MOPU which was to be used to conduct production from the YME field, announced that an agreement had been reached to remove the defective MOPU (evacuated in mid-July 2012) from the YME field and to terminate all existing contracts and agreements between the parties in connection with the project.

As the decision-making process concerning the choice of the YME field development concept protracts (the decision was originally expected at the end of Q1 2014) and no development scenario has been selected by the YME consortium partners, the Group decided to re-analyse the development prospects for its YME assets and, consequently, recognise further impairment loss reducing the carrying amount of its YME assets to zero. The analysis accounted for the following facts:

- continued uncertainty and risks resulting from the protracted process of selecting Plans for Development and Operation of the YME field, originally expected to be completed by the end of Q1 2014,
- lack of decision as to the YME field development scenario,
- absence of an approved version of the budget for further YME field development,
- delay of the estimated production launch at the YME field.

Considering the above circumstances, on June 30th 2014 an impairment loss was recognised in relation to all capital expenditure on the YME project. This means that impairment losses presented in these consolidated financial statements, taking into account the effect of currency exchange, are PLN 1,551m (NOK 3,275m). Impairment losses on the expenditure associated with the YME project include impairment recognised in respect of the decommissioning asset increase after the Operator provided an updated estimate of the cost of decommissioning of the YME field production infrastructure, which resulted in a concurrent increase in decommissioning asset charged to other expenses in the consolidated statement of comprehensive income of PLN 28m (NOK 55m). Accordingly, operating loss on the impairment of the YME field assets, including the remeasurement of the estimated provision for future decommissioning costs, recognised in the statement of comprehensive income for 2014 was PLN 578m (NOK 1,157m), whereas the effect on net profit (after accounting for the deferred tax effect) was PLN 196m (NOK 392m).

The impairment loss on the YME project disclosed in these consolidated financial statements has no effect on the future ability to develop other LOTOS E&P Norge AS assets related to other production and exploration licences.

Given the nature of the Joint Operating Agreement between the YME project partners and the guarantees issued by LOTOS Petrobaltic S.A. for the benefit of the Norwegian government with respect to LOTOS E&P Norge AS's exploration and production activities on the Norwegian Continental Shelf, the impairment loss does not preclude further capital expenditure on the YME field or the necessity to revalue the expected decommissioning costs, in particular once the YME field development concept is selected or decision is made to abandon the field and the Norwegian government approves a revised Plan for Development and Operation or abandonment decision.

As at December 31st 2014, there was no unanimous decision of the YME consortium members as to further steps to be taken in relation to the field. Pursuant to a decision of a majority of the consortium members, a plan of complete decommissioning of the YME field infrastructure is currently being developed, which will then serve as the basis for further decisions regarding the YME project. It has been preliminarily assumed that the YME decommissioning process will be completed by 2019.

In the opinion of LOTOS E&P Norge AS, the amount of the provision for decommissioning of the infrastructure associated with the YME field (see

Note 30.1) reflects the necessary commitment by LOTOS E&P Norge AS if the scenario of earlier complete decommissioning materialises by 2019. This is a consequence of the phase (currently under way) of preparation of the YME field infrastructure decommissioning plan, adopted by the consortium with the votes of the majority of its members and reflected in the project budget to be approved for 2015, taking into account a reduction in the decommissioning cost estimate for 2016-2019 in connection with a drop in the market cost of such services in Norway following the decline in market prices of hydrocarbons. At the same time, LOTOS E&P Norge AS has been involved in a number of steps to abandon the early decommissioning scenario and redevelop the field using a production platform operating in a different field.

Furthermore, work related to removal of the defective MOPU from the YME field, for which the partners obtained financing under an agreement with SBM, is still under way. The scheduled removal date of the MOPU remains unchanged (July 2015), while the amount of expected costs of the operation (most of which have been already contracted) has been properly reflected in these financial statements by updating relevant provisions in accordance with the best current knowledge of the Company's Management Board as at the date of these statements (see Note 30.1).

Taking into account the recognised impairment losses on the YME expenditure and the incurred tax losses that may be carried forward, in the consolidated statement of financial position as at December 31st 2014 the Group recognised a deferred tax asset. The total amount of the tax asset related to the Group's operations in Norway was PLN 1,307m (NOK 2,759m) as at December 31st 2014. Given that under the Norwegian tax legislation tax losses can be carried forward indefinitely, and that on December 30th 2013 the Group acquired interests in the Heimdal assets, including interests in producing fields from which the Group derives revenue, the Management Board believes that the deferred tax asset recognised as at December 31st 2014 is fully realisable at the amount disclosed in these consolidated financial statements. The effect of impairment losses recognised in 2014 on the YME field assets has been presented in Note 10.3.1.

13.1.3 Property, plant and equipment related to production of crude oil and natural gas resources

Poland

Offshore oil and gas production facility in the B-3 field

Property, plant and equipment related to crude oil and natural gas production in Poland comprises the assets of the offshore production facility in the B-3 field, located in the Baltic Sea area, approximately 70 km north off Cape Rozewie.

LOTOS Petrobaltic S.A.'s production infrastructure in the B-3 field includes the Baltic Beta production platform, the PG-1 unmanned riser platform, as well as subsea installations of the B3-6 and B3-9 nodes. This infrastructure supports the operation of more than ten production and injection wells, as well as separator facilities.

Crude oil produced from the field (Rozewie crude) is transported via subsea pipelines to a tanker or carrier vessel and sold entirely to the Company. Natural gas extracted together with crude oil is transported via a pipeline to an onshore CHP plant in Władysławowo operated by Energobaltic Sp. z o.o. (a company of the LOTOS Petrobaltic Group).

In 2014, capital expenditure on the offshore oil production facility in the B-3 field amounted to PLN 5,751 thousand and was incurred mainly on classification surveys of the PG-1 and Baltic Beta platforms. Capital expenditure on property, plant and equipment related to crude oil and natural gas production incurred by the Group in 2013, totalling PLN 13,408 thousand, related mainly to a classification survey of the Baltic Beta platform. In addition, in 2013 the Group made an adjustment to capital expenditure incurred on the work to unearth the legs of the Baltic Beta platform of PLN 16,038 thousand considering the pending dispute with the contractor, AGR Subsea Ltd ("AGR", see Note 35.1), and reversal of the related liability recognised in the previous reporting periods, as the risk of unfavourable resolution of the dispute in court is negligible.

Norway

Heimdal offshore gas and condensate production facility

Skirne/Byggve, Atla and Vale fields

The upstream operations in Norway are carried out by LOTOS Production and Exploration Norge (LOTOS E&P Norge AS, a company of the LOTOS Petrobaltic Group) on the Norwegian Continental Shelf.

The Group's key production assets located in the area include interests in gas-condensate fields: Skirne/Byggve (30%), Alta (20%) and Vale (25.75%), acquired together with an interest (5%) in the Heimdal gas and condensate processing and export hub as part of a portfolio comprising a total of 14 licences in the central part of the North Sea (see Note 13 to the consolidated financial statements for 2013).

The entire volume of gas and condensate produced by the Group from these fields is sold to external customers via a pipeline network delivering the products to various off take points in the UK and continental Europe.

The production infrastructure of the Heimdal offshore facility comprises the Heimdal production platform with ancillary infrastructure (the Heimdal gas and condensate processing and export hub) and subsea production wells.

As at December 31st 2014, the Group tested the assets for impairment and determined their recoverable amount as their value in use measured using the discounted future cash flows method.

Key assumptions underlying computation of the recoverable amount of the tested property, plant and equipment:

- the cash flow projection period was assumed to equal the asset's planned life,
- the discount rate was assumed to equal the weighted average cost of capital, and was calculated at 7.5% after taxation with the 78% marginal tax rate (applicable in Norway),
- production and sales volumes, capital expenditure, operating expenses and field decommissioning costs were assumed as projected by the field operators,

The following price assumptions were adopted for the purposes of the estimates:

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

- 2015–2018 – prices in line with the price assumptions for the available market scenarios,
- 2019 and beyond – prices remaining stable in the long term on par with the 2018 level, adjusted for inflation.

- for natural gas in p/th (pence/thermal units):

- 2015–2020 – prices in line with the price assumptions for the available market scenarios, and in 2021 and beyond – prices remaining stable in the long term on par with the 2020 level, adjusted for inflation;

Due to significant market volatility, in particular with respect to oil and gas prices, the adopted assumptions might be subject to justifiable changes, and such changes may in the future cause a change of the carrying amounts of assets held by LOTOS E&P Norge. To determine the effect of key factors on the test results, the Group carried out an analysis of sensitivity to a -15%/+15% change of oil and gas price, -15%/+15% change in production volumes, and -15%/+15% change in the USD/NOK exchange rate.

Following the impairment tests, an impairment loss was recognised on the property, plant and equipment related to hydrocarbon production (Heimdal, Vale, Skirne, Atla) in a total amount of PLN 45,854 thousand (NOK 91,690 thousand); see Note 9.4.

Following the impairment tests, an impairment loss of PLN 13,823 thousand (NOK 27,640 thousand) was also recognised on the Heimdal portfolio's intangible assets related to exploration for and evaluation of hydrocarbon resources in the Rind field; see Note 15.1.1 and Note 9.4.

Lithuania

Onshore oil production facilities

The upstream operations in Lithuania are carried out by the AB LOTOS Geonafta Group, which comprises AB LOTOS Geonafta, UAB Genciu Nafta and UAB Manifoldas. The Group also holds interests in UAB Minijos Nafta, a joint venture.

Property, plant and equipment related to Lithuanian production operations include onshore production facilities of the AB LOTOS Geonafta Group companies, which comprise surface and underground infrastructure such as production wells, pumps, pipelines, crude oil and formation water tanks and a gas separation system. The production wells are fitted with surface and downhole pumps. Oil from the production facility is fed to a pipeline system connected to a storage centre, from where it is shipped by land to a marine terminal in Liepāja (Latvia). The oil is then transported to Gdańsk on a tanker ship and sold to the Company.

In 2014, the Group's capital expenditure on property, plant and equipment related to Lithuanian production infrastructure was PLN 14,902 thousand (LTL 12,282 thousand), compared with PLN 25,000 thousand (LTL 20,499 thousand) in 2013.

Based on the results of an impairment test of the Lithuanian onshore production facilities performed as at December 31st 2014, the Group recognised an impairment loss of PLN 2,708 thousand (LTL 2,232 thousand) on production infrastructure associated with the Ablinga field (see Note 9.4.) The method and assumptions used to determine the recoverable amounts of the assets were consistent with those applied to determine the recoverable amounts of the Lithuanian production licences, tested as at December 31st 2014 (see Note 15.1.2.).

In addition, in 2014 the Group wrote off expenditure on property, plant and equipment related to the Zvaginai well of PLN 5,772 thousand (LTL 4,757 thousand) (see Note 9.4.).

13.1.4 Assets related to future costs of decommissioning of crude oil and natural gas production facilities

PLN '000	Dec 31 2014	Dec 31 2013 (restated)	Jan 1 2013 (restated)
Assets related to development of crude oil and natural gas resources	24,573	132,125	134,134
Assets related to production of crude oil and natural gas resources	178,162	288,746	53,571
Total	**202,735**	**420,871**	**187,705**

As part of its production assets related to production and development of oil and gas resources, the Group discloses decommissioning assets for future costs of decommissioning of oil and gas production facilities depreciated with the units-of-production method. These assets are recognised along with the recognition and remeasurement of provisions for decommissioning of oil and gas extraction facilities.

		Assets related to development of crude oil and natural gas resources			Assets related to production of crude oil and natural gas resources				
PLN '000	Note	Poland	Norway	Total	Poland	Norway	Lithuania	Total	Total
Gross carrying amount Jan 1 2014 (restated)		**27,929**	**108,194**	**136,123**	**108,954**	**245,671**	**2,224**	**356,849**	**492,972**
Recognised	*13.1; 30.1*	*642*	*-*	*642*	*-*	*-*	*1,074*	*1,074*	*1,716*
Estimated cost related to decommissioning of oil and gas extraction facilities	*13.1; 30.1*	*-*	*27,743*	*27,743*	*(36,396)*	*33,455*	*(844)*	*(3,785)*	*23,958*
Exchange differences on translating foreign operations		*-*	*(6,238)*	*(6,238)*	*-*	*(12,592)*	*62*	*(12,530)*	*(18,768)*
Other		*-*	*-*	*-*	*-*	*-*	*(218)*	*(218)*	*(218)*
Gross carrying amount Dec 31 2014		**28,571**	**129,699**	**158,270**	**72,558**	**266,534**	**2,298**	**341,390**	**499,660**
Accumulated amortisation/depreciation Jan 1 2014 (restated)		**3,998**	**-**	**3,998**	**67,378**	**-**	**725**	**68,103**	**72,101**
Amortisation and depreciation		*-*	*-*	*-*	*4,839*	*95,129*	*194*	*100,162*	*100,162*
Exchange differences on translating foreign operations		*-*	*-*	*-*	*-*	*(5,060)*	*23*	*(5,037)*	*(5,037)*
Accumulated amortisation/depreciation Dec 31 2014		**3,998**	**-**	**3,998**	**72,217**	**90,069**	**942**	**163,228**	**167,226**
Impairment losses									

Jan 1 2014		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recognised		-	136,985	136,985	-	-	-	-	136,985
Exchange differences on translating foreign operations		-	(7,286)	(7,286)	-	-	-	-	(7,286)
Used/Reversed		-	-	-	-	-	-	-	-
Impairment losses Dec 31 2014		**-**	**129,699**	**129,699**	**-**	**-**	**-**	**-**	**129,699**
Net carrying amount Dec 31 2014		**24,573**	**-**	**24,573**	**341**	**176,465**	**1,356**	**178,162**	**202,735**

		Assets related to development of crude oil and natural gas resources			Assets related to production of crude oil and natural gas resources				
PLN '000	**Note**	**Poland**	**Norway**	**Total**	**Poland**	**Norway**	**Lithuania**	**Total**	**Total**
Gross carrying amount Jan 1 2013 (restated)		**29,285**	**108,847**	**138,132**	**109,002**	**-**	**1,789**	**110,791**	**248,923**
Acquisition of Heimdal assets	*13.1; 30.1*	-	-	-	-	265,709	-	265,709	265,709
Estimated cost related to decommissioning of oil and gas extraction facilities	*13.1; 30.1*	(1,356)	11,995	10,639	(48)	-	717	669	11,308
Exchange differences on translating foreign operations		-	(12,648)	(12,648)	-	(20,038)	20	(20,018)	(32,666)
Other		-	-	-	-	-	(302)	(302)	(302)
Gross carrying amount Dec 31 2013 (restated)		**27,929**	**108,194**	**136,123**	**108,954**	**245,671**	**2,224**	**356,849**	**492,972**
Accumulated amortisation/depreciation Jan 1 2013 (restated)		3,998	-	3,998	56,491	-	729	57,220	61,218
Amortisation and depreciation		-	-	-	10,887	-		10,887	10,887
Exchange differences on translating foreign operations		-	-	-	-	-	27	27	27
Other		-	-	-	-	-	(31)	(31)	(31)
Accumulated amortisation/depreciation Dec 31 2013 (restated)		**3,998**	**-**	**3,998**	**67,378**	**-**	**725**	**68,103**	**72,101**
Impairment losses Jan 1 2013		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Recognised		-	-	-	-	-	-	-	-
Used/Reversed		-	-	-	-	-	-	-	-
Impairment losses Dec 31 2013		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net carrying amount Dec 31 2013		**23,931**	**108,194**	**132,125**	**41,576**	**245,671**	**1,499**	**288,746**	**420,871**

13.2 Refinery and other 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 (restated)	**472,934**	**4,392,014**	**5,532,666**	**699,067**	**279,532**	**11,376,213**
Purchase	-	47	1,202	20,029	600,442	621,720
Transfer from property, plant and equipment under construction	23,039	107,813	101,346	323,335	(577,323)	(21,790)
Borrowing costs	-	-	-	-	2,803	2,803
Exchange differences on translating foreign operations	-	50	1,131	21,010	(255)	21,936
Estimated cost of decommissioning, land reclamation and clean-up [1]	-	(762)	-	-	-	(762)
Reclassification to non-current assets (or disposal group) held for sale [2]	(764)	(6,771)	(6,010)	(27,639)	-	(41,184)
Sale	(1,881)	(1,362)	(12,890)	(2,279)	(4,050)	(22,462)
Decommissioning	-	(1,782)	(11,985)	(6,964)	-	(20,731)
Expenditure written off due to project discontinuation	-	-	-	-	(255)	(255)
Other	167	(590)	1,878	(6,495)	(8,515)	(13,555)
Gross carrying amount Dec 31 2014	**493,495**	**4,488,657**	**5,607,338**	**1,020,064**	**292,379**	**11,901,933**
Accumulated depreciation Jan 1 2014 (restated)	**15,499**	**1,134,001**	**1,531,793**	**387,626**	**-**	**3,068,919**
Depreciation	1,530	171,185	243,783	76,004	-	492,502

Exchange differences on translating foreign operations	*-*	*8*	*810*	*16,515*	*-*	*17,333*
Reclassification to non-current assets (or disposal group) held for sale [2]	*(24)*	*(2,601)*	*(4,278)*	*(23,614)*	*-*	*(30,517)*
Sale	*(121)*	*(583)*	*(12,541)*	*(2,077)*	*-*	*(15,322)*
Decommissioning	*-*	*(1,630)*	*(10,529)*	*(6,471)*	*-*	*(18,630)*
Other	*(122)*	*(920)*	*1,246*	*(305)*	*-*	*(101)*
Accumulated depreciation Dec 31 2014	**16,762**	**1,299,460**	**1,750,284**	**447,678**	**-**	**3,514,184**
Impairment losses Jan 1 2014 (restated)	**1,045**	**16,021**	**480**	**1,795**	**22,657**	**41,998**
Recognised	*150*	*24,918*	*6,014*	*1,565*	*5*	*32,652*
Exchange differences on translating foreign operations	*-*	*-*	*-*	*-*	*-*	*-*
Used/Reversed	*(13)*	*(1,968)*	*(1,015)*	*(36)*	*(28)*	*(3,060)*
Reclassification to non-current assets (or disposal group) held for sale [2]	*(115)*	*(1,505)*	*(3)*	*(363)*	*-*	*(1,986)*
Impairment losses Dec 31 2014	**1,067**	**37,466**	**5,476**	**2,961**	**22,634**	**69,604**
Net carrying amount Dec 31 2014	**475,666**	**3,151,731**	**3,851,578**	**569,425**	**269,745**	**8,318,145**

[1] Estimated cost of site reclamation and clean-up nad of dismantling of a subsea pipeline operated by subsidiary Energobaltic Sp. z o.o. (LOTOS Petrobaltic Group).

[2] Jasło and Czechowice-Dziedzice Branches operating as separate, organised parts of business in Jasło and Czechowice-Dziedzice; see Note 17 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/17.-non-current-assets-or-disposal-groups-held-for-sale> .

PLN '000	Land	Buildings, structures	Plant and equipment	Vehicles, other	Property, plant and equipment under construction	Total
Gross carrying amount Jan 1 2013 (restated)	**443,869**	**4,290,909**	**5,399,440**	**847,128**	**303,570**	**11,284,916**
Purchase	*1,234*	*9,020*	*6,694*	*16,057*	*365,958*	*398,963*
Transfer from property, plant and equipment under construction	*29,692*	*125,822*	*157,536*	*56,605*	*(385,129)*	*(15,474)*
Exchange differences on translating foreign operations	*-*	*27*	*(397)*	*(3,821)*	*(267)*	*(4,458)*
Borrowing costs	*-*	*-*	*-*	*-*	*1,842*	*1,842*
Contribution of B-4 and B-6 field development assets to Baltic Gas Sp. z o.o. i wspólnicy sp.k. [1]	*-*	*-*	*-*	*-*	*(2,363)*	*(2,363)*
Sale	*(952)*	*(3,449)*	*(6,715)*	*(2,430)*	*(33)*	*(13,579)*
Decommissioning	*-*	*(5,968)*	*(12,998)*	*(186,257)*	*(37)*	*(205,260)*
Reclassification to non-current assets (or disposal groups) held for sale [2]	*(923)*	*(23,556)*	*(21,676)*	*(1,717)*	*-*	*(47,872)*
Expenditure written off due to project discontinuation	*-*	*-*	*-*	*-*	*(1,828)*	*(1,828)*
Deconsolidation (LOTOS Tank Sp. z o.o.) [3]	*-*	*(3,987)*	*(1,944)*	*(8,026)*	*(5)*	*(13,962)*
Other	*14*	*3,196*	*12,726*	*(18,472)*	*(2,176)*	*(4,712)*
Gross carrying amount Dec 31 2013 (restated)	**472,934**	**4,392,014**	**5,532,666**	**699,067**	**279,532**	**11,376,213**
Accumulated depreciation Jan 1 2013 (restated)	**14,006**	**962,379**	**1,291,954**	**504,598**	**-**	**2,772,937**
Depreciation	*1,492*	*180,153*	*262,510*	*73,921*	*-*	*518,076*
Exchange differences on translating foreign operations	*-*	*1*	*(135)*	*(2,970)*	*-*	*(3,104)*
Sale	*(4)*	*(1,070)*	*(5,069)*	*(2,075)*	*-*	*(8,218)*

Decommissioning	*-*	*(3,546)*	*(11,570)*	*(185,946)*	*-*	*(201,062)*
Reclassification to non-current assets (or disposal groups) held for sale [(2)]	*(70)*	*(3,734)*	*(4,806)*	*(960)*	*-*	*(9,570)*
Deconsolidation (LOTOS Tank Sp. z o.o.) [(3)]	*-*	*(831)*	*(694)*	*(241)*	*-*	*(1,766)*
Other	*75*	*649*	*(397)*	*1,299*	*-*	*1,626*
Accumulated depreciation Dec 31 2013 (restated)	**15,499**	**1,134,001**	**1,531,793**	**387,626**	**-**	**3,068,919**
Impairment losses Jan 1 2013 (restated)	**941**	**24,225**	**17,073**	**1,246**	**23,359**	**66,844**
Recognised	*952*	*13,866*	*2,058*	*593*	*30*	*17,499*
Used/Reversed	*(179)*	*(6,849)*	*(5,040)*	*(91)*	*(732)*	*(12,891)*
Reclassification to non-current assets (or disposal groups) held for sale [(2)]	*(669)*	*(15,221)*	*(13,611)*	*(201)*	*-*	*(29,702)*
Other	*-*	*-*	*-*	*248*	*-*	*248*
Impairment losses Dec 31 2013 (restated)	**1,045**	**16,021**	**480**	**1,795**	**22,657**	**41,998**
Net carrying amount Dec 31 2013	**456,390**	**3,241,992**	**4,000,393**	**309,646**	**256,875**	**8,265,296**

(1) Joint venture operated jointly with CalEnergy Resources Poland Sp. z o.o., related to development of the B-4 and B-6 gas fields (see Note 2 to the 2013 consolidated financial statements).

(2) Including assets associated with the Waterproofing Materials Production Plant sold by LOTOS Asfalt Sp. z o.o. in 2013.

(3) Sale of shares in LOTOS Tank Sp. z o.o. (currently LOTOS-Air BP Polska Sp. z o.o.) to a third party (see Note 2 to the consolidated financial statements for 2013). Currently, a joint venture agreement between Grupa LOTOS S.A. and BP Europe SE to conduct activity consisting in supply of aviation fuel through LOTOS - Air BP Polska Sp. z o.o.

Refinery and other property, plant and equipment include chiefly Group's assets related to downstream and support activities, such as the service station network, rolling stock, storage depots, refinery infrastructure and property on which the production plants, production units, pipelines and office buildings are located. The item also comprises other upstream segment assets, including ships and a multi-purpose mobile drilling rig.

In 2014, capital expenditure incurred by the Group on refinery and other property, plant and equipment was PLN 621,720 thousand, and related mainly to the extension of the fuel depot in Poznań, construction of the Hydrogen Recovery Unit and extension of the service station network. The PLN 398,963 thousand of capital expenditure made in 2013 concentrated chiefly on extension of the service station network and modernisation work performed during the overhaul shutdown in Q2 2013. The capital expenditure incurred by the Group is related to the 2013–2015 Efficiency and Growth Programme.

Impairment losses on refinery and other property, plant and equipment

In 2014, the Group made a revaluation of its refinery and other property, plant and equipment. The impairment losses totalled PLN 32,652 thousand (2013: PLN 17,499 thousand), while impairment loss reversals amounted to PLN 421 thousand (2013: PLN 10,056 thousand). In 2014, impairment losses and reversal of impairment losses were presented under *Other expenses* (see Note 9.4), whereas in 2013 they had been disclosed under *Other income* (see Note 9.3).

In 2014, LOTOS Paliwa Sp. z o.o. recognised an impairment loss on service station assets in the amount of PLN 15,765 thousand; see Note 9.4 (2013: PLN 11.912 thousand; see Note 9.3). The recoverable amount of property, plant and equipment related to the service station network was determined based on the value in use of each station, calculated with the discounted cash flow method. Future cash flows were calculated based on five-year cash-flow projections, prepared using budget projections for 2015 (in 2013: for 2014) and the cash inflow and outflow plan for subsequent years, based on the development strategy until 2018. The residual value for the discounted cash flows was calculated using the growing perpetuity formula. A fixed growth rate of 1.0% (2013: 1.84%) was used to extrapolate cash-flow projections beyond the five-year period. The extrapolation was based on a quantitative forecast of the fuel consumption growth rate in Poland in 2013–2021. LOTOS Paliwa Sp. z o.o.'s net weighted average cost of capital (WACC) was assumed at 6.13% (2013: 7.16%), based on the company's capital structure. Discounted cash flows calculated separately for each cash-generating unit were grossed up.

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

- gross margin, which depends on average values of unit margins in the period preceding the budget period (an 8% average year-on-year decline of the margin was assumed),
- discount rates, reflecting risks typical to the cash-generating unit (the median price for five-year PLN-denominated notes quoted in November 2014 was adopted),
- volumes based on fuel consumption growth rate (a 4% increase was assumed),
- market share in the budget period (a stable market share was assumed),
- growth rate used to extrapolate cash-flow projections beyond the budget period, based on a quantitative forecast of the fuel consumption growth rate in Poland in 2013–2021, prepared using GUS, NBP and JBC reports (for gasolines), and based on GDP market consensus.

As regards the calculation of the service stations' value in use, the Management Board is of the opinion that no reasonably probable change to any of the key assumptions listed above will result in the carrying amount of the service station assets exceeding their recoverable amount to a significant extent.

As at December 31st 2014, LOTOS Asfalt Sp. z o.o. tested for impairment its Jasło and Czechowice plant assets. As a result of the test, LOTOS Asfalt Sp. z o.o. recognised an impairment loss of PLN 15,893 thousand on its Jasło plant assets (see Note 9.4). The impairment loss was recognised based on the assumption that the bitumen business would be restructured after the launch of the EFRA Project, and such restructuring would involve suspending the operation of the Jasło and Czechowice plants' infrastructure, while holding the relevant production capacities on stand-by in Gdańsk. The impairment test was performed using the discounted cash flow method. The analysis covered the planned cash flows in 2015–2017. The test assumed a sales volume growth in 2016–2017 (by about 27% in 2016 compared with 2015 and a further 9% in 2017 compared with 2016), expected in connection with Poland's absorption of funds available from the new EU budget until 2020 on development of its road infrastructure. The sales growth assumed for 2016 was based on the new EU financial framework and the schedule of investment projects planned as part of the National Road Construction Programme 2014–2020, which envisages considerable expenditure on road infrastructure. The company has taken into account the negative impact of the cement technology on its sales growth, however given that the road construction process involving this technology is quite advanced, the cementing work should not peak before the end of 2018. In 2016–2017 margins were assumed to remain roughly unchanged from their budgeted 2015 level, the net weighted average cost of capital (WACC) was put at 9%, and fixed costs were assumed to remain stable as were distribution costs per unit (comprising mainly costs of transport); the computations were performed using fixed prices (inflation was eliminated both from revenue/costs and the discount rate).

In 2013, in connection with the sale of the Waterproofing Materials Production Plant assets, LOTOS Asfalt Sp. z o.o. reversed an impairment loss of PLN 8,000 thousand on these assets (see Note 9.3).

13.3 Other information concerning property, plant and equipment

	Property, plant and equipment used under finance lease	
PLN '000	**Dec 31 2014**	**Dec 31 2013**
Gross carrying amount	198,557	198,737
Accumulated depreciation	47,328	47,379
Net carrying amount	151,229	151,358

The Group uses finance leases to finance primarily rolling stock assets (downstream segment).

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	654,683	490,215
Distribution costs	63,030	58,575
Administrative expenses	17,128	21,450
Change in products and adjustments to cost of sales	16,915	11,303
Total	**751,756**	**581,543**

In 2014, the Group capitalised finance costs of PLN 2,803 thousand as property, plant and equipment under construction (2013: PLN 1,842 thousand)(see note 13.2). As at December 31st 2014, financing costs capitalised as property, plant and equipment totalled PLN 5,719 thousand (December 31st 2013: 43,009 thousand).

As at December 31st 2014, the Group's contractual commitments, not disclosed in the statement of financial position, concerning future expenditure on property, plant and equipment amounted to PLN 808.860 thousand and related mostly to the conversion of a drilling platform into a production platform at LOTOS Petrobaltic S.A., a delayed coking unit (the EFRA Project), construction of a Hydrogen Recovery Unit (HRU) at the Refinery, and extension of the service station network.

As at December 31st 2013, the Group's contractual commitments, not disclosed in the statement of financial position, concerning future expenditure on property, plant and equipment amounted to PLN 582,966 thousand and related mostly to acquisition of a new drilling rig by SPV Baltic Sp. z o.o., conversion of a drilling platform into a production platform at LOTOS Petrobaltic S.A., a delayed coking unit (the EFRA Project), and extension of the fuel depot in Poznań.

The Group's future contractual commitments follow from the 2013–2015 Efficiency and Growth Programme.

As at December 31st 2014, property, plant and equipment serving as collateral for the Group's liabilities was PLN 7,038,347 thousand (December 31st 2013: PLN 7,877,463 thousand).

14. Goodwill

Goodwill is allocated to cash-generating units, as presented in the table below.

PLN '000	Dec 31 2014	Dec 31 2013
Goodwill arising on the acquisition of an organised part of business by LOTOS Paliwa Sp. z o.o.:		
- LOTOS Gaz S.A. (wholesale of fuels)	10,009	10,009
- ESSO service stations network	31,759	31,759
- Slovnaft Polska service stations network	1,932	1,932
Total	**43,700**	**43,700**
Goodwill arising on the acquisition of:		
- LOTOS Partner Sp. z o.o.	1,862	1,862
- Energobaltic Sp. z o.o.	1,126	1,126
Total	**2,988**	**2,988**
Total goodwill	**46,688**	**46,688**

As at December 31st 2014 and December 31st 2013, impairment tests of individual cash-generating units to which goodwill was allocated did not reveal any impairment indicators.

The Group determines the recoverable amount of cash-generating units based on their respective values in use, calculated on the basis of a five-year cash flow projection. The residual value for the discounted cash flows was calculated using the growing perpetuity formula. A fixed growth rate of 1% (2013: 1.84%) was used to extrapolate cash-flow projections beyond the five-year period. The extrapolation was based on a quantitative forecast of the fuel consumption growth rate in Poland in 2013–2021. The discount rate adopted for the calculation reflects net WACC of 6.13% (2013: 7.16%). Discounted cash flows calculated separately for each cash-generating unit were grossed up.

The most material factors affecting the estimated values in use of cash-generating units were: gross margin, discount rate, volumes forecast, projected market shares in the budget period and estimated growth rate beyond the forecast period.

The Group believes that no reasonably probable change in the key parameters identified above would result in goodwill impairment.

15. Other intangible assets

PLN '000	Dec 31 2014	Dec 31 2013 (restated)	Jan 1 2013 (restated)
Intangible assets related to exploration for, development and production of crude oil and natural gas resources			
Assets related to exploration for and evaluation of crude oil and natural gas resources	196,676	185,676	15,356
Crude oil and natural gas development and production licences	208,287	333,037	382,127
Total	**404,963**	**518,713**	**397,483**
Other intangible assets			
Licences, patents and trademarks	101,251	93,607	91,286
Other	47,473	46,477	7,617
Total	**148,724**	**140,084**	**98,903**
Total	**553,687**	**658,797**	**496,386**

15.1 Intangible assets related to exploration for and evaluation of, as well as development and production of, crude oil and natural gas resources

	Assets related to exploration for and evaluation of crude oil and natural gas resources				Crude oil and natural gas development and production licences			
PLN '000	Poland	Norway	Lithuania	Total	Poland	Lithuania	Total	Total
Gross carrying amount Jan 1 2014 (restated)	**9,608**	**297,589**	**11,645**	**318,842**	**6,459**	**477,207**	**483,666**	**802,508**
Purchase	*5,119*	*27,278*	*39*	*32,436*	*3,183*	*-*	*3,183*	*35,619*
Exchange differences on translating foreign operations	*-*	*(14,801)*	*293*	*(14,508)*	*-*	*13,260*	*13,260*	*(1,248)*
Reclassification of oil and gas exploration and evaluation assets to production assets(1)	*-*	*-*	*(1,764)* (2)	*(1,764)*	*-*	*1,764* (2)	*1,764*	*-*
Liquidation	*(1,172)* (3)	*-*	*-*	*(1,172)*	*-*	*-*	*-*	*(1,172)*
Other	*(543)*	*4,740*	*-*	*4,197*	*6,079*	*-*	*6,079*	*10,276*
Gross carrying amount Dec 31 2014	**13,012**	**314,806**	**10,213**	**338,031**	**15,721**	**492,231**	**507,952**	**845,983**
Accumulated amortisation Jan 1 2014 (restated)	**7,215**	**-**	**-**	**7,215**	**3,566**	**124,828**	**128,394**	**135,609**
Amortisation	*1,777*	*-*	*-*	*1,777*	*164*	*40,517*	*40,681*	*42,458*
Exchange differences on translating foreign operations	*-*	*-*	*-*	*-*	*-*	*4,166*	*4,166*	*4,166*
Liquidation	*(1,172)* (3)	*-*	*-*	*(1,172)*	*-*	*-*	*-*	*(1,172)*
Other	*(543)*	*-*	*-*	*(543)*	*1,218*	*-*	*1,218*	*675*
Accumulated amortisation	**7,277**	**-**	**-**	**7,277**	**4,948**	**169,511**	**174,459**	**181,736**

Dec 31 2014								
Impairment losses Jan 1 2014 (restated)	**-**	**125,951**	**-**	**125,951**	**-**	**22,235**	**22,235**	**148,186**
Recognised	*-*	*14,439*	*-*	*14,439*	*-*	*100,604*	*100,604*	*115,043*
Exchange differences on translating foreign operations	*-*	*(6,312)*	*-*	*(6,312)*	*-*	*2,367*	*2,367*	*(3,945)*
Used/Reversed	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Impairment losses Dec 31 2014	**-**	**134,078**	**-**	**134,078**	**-**	**125,206**	**125,206**	**259,284**
Net carrying amount Dec 31 2014	**5,735**	**180,728**	**10,213**	**196,676**	**10,773**	**197,514**	**208,287**	**404,963**

(1) Exploration and evaluation assets relating to mineral resources with demonstrable technical feasibility and commercial viability of extraction.

(2) Seismic surveys of the Ablinga field.

(3) Liquidation of the Sambia W licence and mining usage rights.

	Assets related to exploration for and evaluation of crude oil and natural gas resources				Crude oil and natural gas development and production licences			
PLN '000	**Poland**	**Norway**	**Lithuania**	**Total**	**Poland**	**Lithuania**	**Total**	**Total**
Gross carrying amount Jan 1 2013 (restated)	**8,580**	**150,725**	**-**	**159,305**	**6,786**	**470,412**	**477,198**	**636,503**
Purchase	*2,458*	*13,797*	*11,824*	*28,079*	*-*	*-*	*-*	*28,079*
Acquisition of Heimdal assets (1)	*-*	*162,634*	*-*	*162,634*	*-*	*-*	*-*	*162,634*
Exchange differences on translating foreign operations	*-*	*(29,567)*	*(179)*	*(29,746)*	*-*	*6,795*	*6,795*	*(22,951)*
Contribution of B-4 and B-6 field development assets to Baltic Gas Sp. z o.o. i wspólnicy sp.k. (2)	*(1,430)*	*-*	*-*	*(1,430)*	*(327)*	*-*	*(327)*	*(1,757)*
Gross carrying amount Dec 31 2013 (restated)	**9,608**	**297,589**	**11,645**	**318,842**	**6,459**	**477,207**	**483,666**	**802,508**
Accumulated amortisation Jan 1 2013 (restated)	**7,121**	**-**	**-**	**7,121**	**3,484**	**77,379**	**80,863**	**87,984**
Amortisation	*1,411*	*-*	*-*	*1,411*	*169*	*47,046*	*47,215*	*48,626*
Exchange differences on translating foreign operations	*-*	*-*	*-*	*-*	*-*	*403*	*403*	*403*
Contribution of B-4 and B-6 field development assets to Baltic Gas Sp. z o.o. i wspólnicy sp.k. (2)	*(1,317)*	*-*	*-*	*(1,317)*	*(87)*	*-*	*(87)*	*(1,404)*
Accumulated amortisation Dec 31 2013 (restated)	**7,215**	**-**	**-**	**7,215**	**3,566**	**124,828**	**128,394**	**135,609**
Impairment losses Jan 1 2013	**-**	**136,828**	**-**	**136,828**	**-**	**14,208**	**14,208**	**151,036**
Recognised	*-*	*4,744*	*-*	*4,744*	*-*	*7,943*	*7,943*	*12,687*
Exchange differences on translating foreign operations	*-*	*(15,079)*	*-*	*(15,079)*	*-*	*84*	*84*	*(14,995)*
Used/Reversed	*-*	*(542)*	*-*	*(542)*	*-*	*-*	*-*	*(542)*
Impairment losses Dec 31 2013 (restated)	**-**	**125,951**	**-**	**125,951**	**-**	**22,235**	**22,235**	**148,186**
Net carrying amount Dec 31 2013 (restated)	**2,393**	**171,638**	**11,645**	**185,676**	**2,893**	**330,144**	**333,037**	**518,713**

(1) Acquisition of the Heimdal area assets in Norway (see Note 13 to the consolidated financial statements for 2013).

(2) Joint venture operated jointly with CalEnergy Resources Poland Sp. z o.o., related to development of the B-4 and B-6 gas fields (see Note 2 to the consolidated financial statements for 2013).

15.1.1 Intangible assets related to exploration for and evaluation of crude oil and natural gas resources

The Group's expenditure on intangible assets related to exploration for and evaluation of mineral resources amounted to PLN 32,436 thousand in 2014 (2013: PLN 190,713 thousand). Cash flows associated with that expenditure amounted to PLN 48,574 thousand (2013: PLN 169,480 thousand), whereas the amount of outstanding investment commitments was PLN 5,095 thousand as at December 31st 2014 (December 31st 2013: PLN 21,233 thousand).

Intangible exploration and evaluation assets are carried until the technical feasibility and commercial viability of extracting the mineral resources is demonstrated.

Poland

In 2014, the Group held eight hydrocarbon exploration or exploration and appraisal licences covering areas in the Baltic Sea. These included the Gotlandia, Rozewie, Łeba, Sambia E, Sambia W, Gaz Południe, Słupsk E and Słupsk W licence areas.

In 2014, the Group incurred expenditure of PLN 5,119 thousand on extension of licences and licence-related mining usage rights (2013: PLN 2,458 thousand).

As at December 31st 2014, the Sambia W licence and mining usage rights had expired. The value of liquidated intangible assets related to this licence area was PLN 1,172 thousand.

Norway

Heimdal exploration licences

As at December 31st 2014, the Group tested for impairment its Heimdal area assets acquired in December 2013 by LOTOS E&P Norge (LOTOS Petrobaltic Group), including interests in the newly discovered hydrocarbon accumulations awaiting development: Frigg Gamma Delta (10%), Fulla (50%) and Rind (7.87%).

Based on the results of the impairment test performed as at December 31st 2014, the Group determined the recoverable amount of these assets as their value in use, measured using the discounted future cash flows method. The computation of the recoverable amount was based on assumptions consistent with those used to determine the recoverable amount of the property, plant and equipment associated with production of hydrocarbons from the Heimdal assets, as described in Note 13.1.3.

As a result of the tests, as at December 31st 2014 the Group recognised an impairment loss on intangible assets related to the Rind field, in an aggregate amount of PLN 13,823 thousand (NOK 27,640 thousand).

In 2014, the Group's expenditure on hydrocarbon exploration and evaluation in the Heimdal licence area totalled PLN 21,518 thousand, and related mainly to the Trell licence (PL 102FG). In 2013, the Group's expenditure of PLN 162,634 thousand was attributable chiefly to acquisition of the Heimdal assets (see Note 13 to the consolidated financial statements for 2013).

Other exploration licences in Norway

In 2014 and 2013, the Group recognised an impairment loss on capitalised exploration expenses related to surveys performed within the PL 498 and PL 497 licence areas in the North Sea. In 2014, the impairment loss on the licences was PLN 616 thousand (NOK 1,231 thousand) (see Note 9.4), while in 2013 it was PLN 4,744 thousand (NOK 8,856 thousand) (see Note 9.3).

Expenditure incurred by the Group in 2014 on exploration for and evaluation of hydrocarbons in other Norwegian licence areas was PLN 5,760 thousand (2013: PLN 13,797 thousand).

15.1.2 Crude oil and natural gas development and production licences

Poland

Under intangible assets related to development and production of hydrocarbons, the Group discloses licences for the B-3 and B-8 fields located in the Baltic Sea.

Expenditure incurred on these assets in 2014 amounted to PLN 3,183 thousand and included the cost of acquiring the mining usage right to the B-3 field.

Lithuania

The Group holds interests in 17 onshore oil fields in Lithuania, which are located within seven onshore licence areas (Plunge, Klaipėda, Girkalai, Kretinga, Nausodis, Genciu and Gargzdai). 13 of these fields are on production.

The production operations are carried out by companies of the AB LOTOS Geonafta Group, comprising AB LOTOS Geonafta, UAB Genciu Nafta and UAB Manifoldas. The Group also holds interests in UAB Minijos Nafta, a joint venture.

Key assets held by those companies include the following fields: Genciai (UAB Genciu Nafta), Girkalai, Kretinga, Nausodis (AB LOTOS Geonafta), Ablinga, Liziai, Siaures Vezaiciai, Auksoras (UAB Manifoldas), Agluonenai, Degliai, Pietu Siupariai, Pociai, Sakuciai, Siupariai, Uoksai, and Vilkyciai (UAB Minijos Nafta). In the Siaures Vezaiciai, Auksoras and Uoksai fields, production has been suspended.

As at December 31st 2014, production licences held by companies of the AB LOTOS Geonafta Group (AB LOTOS Geonafta (Girkaliai, Kretinga and Nausodis fields), UAB Manifoldas (Vėžaičiai, Ližiai and Ablinga fields)) were tested for impairment.

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

Key assumptions underlying computation of the recoverable amount of the tested intangible assets in Lithuania as at December 31st 2014 were as follows:

- the cash flow projection period was assumed to equal the asset's planned life,
- the discount rate was assumed to equal the weighted average cost, at 10%,
- production volumes were assumed to be in line with a competent person report prepared by Miller & Lents based on available current geological information,
- capital expenditure was assumed to match the projected production volumes.

The following crude oil price assumptions (USD/bbl) were adopted for the purposes of the estimates:

- 2015–2018 – prices in line with the price assumptions for the available market scenario,
- 2019 and beyond – prices remaining stable on par with the 2018 level, adjusted for inflation.

Due to significant market volatility, in particular with respect to crude oil prices, the adopted assumptions might be subject to justifiable changes, and such changes may in the future cause a change on the carrying amounts of assets held by the AB LOTOS Geonafta Group. To determine the effect of key factors on the test results, the Group carried out an analysis of sensitivity to a -15%/+15% change of crude oil price, -15%/+15% change in production volumes, and -15%/+15% change in the USD/LTL exchange rate.

As a result of the impairment tests, as at December 31st 2014 an impairment loss totalling PLN 100,604 thousand (LTL 82,918 thousand) was recognised on production licences covering the Girkaliai, Kretinga, Vėžaičiai, Ližiai, and Ablinga fields; another impairment loss, of PLN 2,708 thousand (LTL 2,232 thousand), was recognised on the property, plant and equipment comprising production infrastructure of the Ablinga field; see Note 13.1.3 and Note 9.4.

As at December 31st 2013, production licences held by companies of the AB LOTOS Geonafta Group (AB LOTOS Geonafta (Girkaliai, Kretinga and Nausodis fields), UAB Genciu Nafta (Genciu field)) were tested for impairment. The Group determined the recoverable amount of the tested assets as their value in use measured using the discounted future cash flows method.

The production assets of UAB Manifoldas (Klaipėda, Troba fields) were not tested for impairment in 2013, as the key assumptions relating to the allocation of cost for AB LOTOS Geonafta's acquisition of controlling interest in UAB Manifoldas as at December 31st 2014 were not materially different from the estimates made in connection with the final accounting for the transaction made in 2013.

Key assumptions underlying computation of the recoverable amount of the tested intangible assets in Lithuania as at December 31st 2013 were as follows:

- the cash flow projection period was assumed to equal the asset's planned life,
- the discount rate was assumed to equal the weighted average cost, at 11%,
- production volumes were assumed to be in line with a competent person report prepared by Miller & Lents based on available current geological information,
- capital expenditure was assumed to match the projected production volumes.

The following crude oil price assumptions (USD/bbl) were adopted for the purposes of the estimates:

- 2014–2016 – in line with the price assumptions adopted for the purposes of calculating budgets of the LOTOS Group companies, taking into account the average annual price in 2011–2013,
- 2017 and beyond – crude prices reflect the assumptions made for the purposes of acquisition of an interest in Heimdal assets by LOTOS E&P Norge AS (for more information on the acquisition of Heimdal assets, see Note 13 to the consolidated financial statements for 2013).

Due to significant market volatility, in particular with respect to crude oil prices, to determine the effect of key factors on the results of the impairment test performed in 2013, the Group carried out an analysis of their sensitivity to a -15%/+15% change of crude oil price, -15%/+15% change in production volumes, and -15%/+15% change in the USD/LTL exchange rate. As at December 31st 2013, following the performance of impairment tests a PLN 7,943 thousand (LTL 6,513 thousand) impairment loss was recognised on assets related to the Girkaliai field (see Note 9.3).

15.2 Other intangible assets

PLN '000	Patents, trademarks and licences	Other	Total
Gross carrying amount Jan 1 2014 (restated)	**175,733**	**67,118**	**242,851**
Purchase	-	*2,440*	*2,440*
Transfer from property, plant and equipment under construction	*17,048*	*4,742*	*21,790*
Exchange differences on translating foreign operations	-	*(837)*	*(837)*
Reclassification to non-current assets (or disposal groups) held for sale (1)	*(114)*	-	*(114)*
Sale	-	*4*	*4*
Liquidation	*(40)*	*(38)*	*(78)*
Other	*(150)*	*(60)*	*(210)*
Gross carrying amount Dec 31 2014	**192,477**	**73,369**	**265,846**

Accumulated amortisation Jan 1 2014 (restated)	**82,123**	**20,615**	**102,738**
Amortisation	*9,222*	*5,505*	*14,727*
Exchange differences on translating foreign operations	-	*(267)*	*(267)*
Reclassification to non-current assets (or disposal groups) held for sale [(1)]	*(86)*	-	*(86)*
Sale	-	*4*	*4*
Liquidation	*(40)*	*(21)*	*(61)*
Other	-	*52*	*52*
Accumulated amortisation Dec 31 2014	**91,219**	**25,888**	**117,107**
Impairment losses Jan 1 2014	**3**	**26**	**29**
Recognised	*4*	-	*4*
Used/Reversed	-	*(18)*	*(18)*
Impairment losses Dec 31 2014	**7**	**8**	**15**
Net carrying amount Dec 31 2014	**101,251**	**47,473**	**148,724**

[(1)] Jasło and Czechowice-Dziedzice Branches operating as separate, organised parts of business in Jasło and Czechowice-Dziedzice; see Note 17 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/17.-non-current-assets-or-disposal-groups-held-for-sale> .

PLN '000	Patents, trademarks and licences	Other	Total
Gross carrying amount Jan 1 2013 (restated)	**163,587**	**26,079**	**189,666**
Purchase	-	*39,379*	*39,379*
Transfer from property, plant and equipment under construction	*12,562*	*2,912*	*15,474*
Exchange differences on translating foreign operations	-	*(1,518)*	*(1,518)*
Liquidation	*(179)*	*(14)*	*(193)*
Other	*(237)*	*280*	*43*
Gross carrying amount Dec 31 2013 (restated)	**175,733**	**67,118**	**242,851**
Accumulated amortisation Jan 1 2013 (restated)	**72,298**	**18,436**	**90,734**
Amortisation	*10,249*	*2,062*	*12,311*
Exchange differences on translating foreign operations	-	*(293)*	*(293)*
Liquidation	*(172)*	*(10)*	*(182)*
Other	*(252)*	*420*	*168*
Accumulated amortisation Dec 31 2013 (restated)	**82,123**	**20,615**	**102,738**
Impairment losses Jan 1 2013	**3**	**26**	**29**
Recognised	-	-	-
Used/Reversed	-	-	-
Impairment losses Dec 31 2013	**3**	**26**	**29**
Net carrying amount Dec 31 2013 (restated)	**93,607**	**46,477**	**140,084**

Other intangible assets comprise licences relating to technological processes, including licences for technologies used in the refinery, licences for fuel production, storage and trading, software licences, patents, trademarks and acquired CO_2 emission allowances.

15.3 Other information on intangible assets

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 (restated)
Cost of sales	42,570	49,160
Distribution costs	530	472
Administrative expenses	14,447	11,197
Change in products and adjustments to cost of sales	(362)	108
Total	**57,185**	**60,937**

As at December 31st 2014, intangible assets serving as collateral for the Group's liabilities were PLN 155,525 thousand (December 31st 2013: PLN 150,364 thousand). The collateral was created over the Heimdal assets acquired in 2013 (for more information on the acquisition of the Heimdal assets, see Note 13 of the consolidated financial statements for 2013).

As at December 31st 2014, the Group's future contractual commitments not disclosed in the statement of financial position and related to expenditure on intangible assets (specifically software licences) amounted to PLN 552 thousand. As at December 31st 2013, the Group's future investment commitments, of PLN 9,263 thousand, were chiefly related to the EFRA project, consisting in construction of a Delayed Coking Unit (DCU) and auxiliary installations, as well as to the Energy Trading and Risk Management (ETRM) system and other licences.

16. Equity-accounted joint ventures

The Group holds interests in equity-accounted joint ventures, which include:

- 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.**
- Agreement on cooperation between LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o. with respect to development and production of gas and condensate reserves from the B-4 and B-6 fields in the Baltic Sea, performed through special purpose vehicles **Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. and Baltic Gas Sp. z o.o.** (general partner).
- Joint venture set up for the purpose of oil exploration and production operations in Lithuania, operated in the form of **UAB Minijos Nafta**.

For key information on equity-accounted joint ventures, see Note 2 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/2.-composition-of-the-group-and-its-changes> .

	The Group's ownership interest ownership interest			Carrying amount of (PLN '000)		
	Dec 31 2014	**Dec 31 2013**	**Jan 1 2013**	**Dec 31 2014**	**Dec 31 2013**	**Jan 1 2013**
Downstream segment						
LOTOS-Air BP Polska Sp. z o.o.	50.00%	50.00%	-	14,551	14,419	-
Upstream segment (LOTOS Petrobaltic Group)						
Baltic Gas Sp. z o.o.	49.99%	49.99%	-	12	7	-
Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. (1)	62.40%	81.68%	-	51,433	51,796	-
UAB Minijos Nafta	49.99%	49.99%	49.98%	33,603	63,576	85,214
Total				**99,599**	**129,798**	**85,214**

(1) The ownership interests as at December 31st 2014 were determined based on the value of contributions made by individual partners relative to the sum of all contributions:

- Baltic Gas Sp. z o.o. (general partner) 0.001%, (December 31st 2013: 0.002%),
- LOTOS Petrobaltic S.A. (limited partner) 62.403% (December 31st 2013: 81.693%),
- CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") (limited partner) 37.596% (December 31st 2013: 18.305%).

The Group's indirect ownership interest in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. (jointly-controlled entity) is 62.40% (December 31st 2013: 81.68%).

	The Group's share in the companies' net profit or loss	
PLN '000	**Year ended Dec 31 2014**	**Year ended Dec 31 2013**
Downstream segment		
LOTOS - Air BP Polska Sp. z o.o.	185	(488)
Upstream segment (LOTOS Petrobaltic Group)		
Baltic Gas Sp. z o.o.	(25)	(15)
Baltic Gas spółka z ograniczoną odpowiedzialnościąi wspólnicy sp.k. (1)	(711)	(505)
UAB Minijos Nafta	(23,914) (2)	(17,123)
Total	**(24,465)**	**(18,131)**

(1) In the partnership agreement, the shares of each of the partners in the profit or loss of Baltic Gas Sp. z o.o. i wspólnicy sp.k. were defined as follows:

- Baltic Gas Sp. z o.o. holds a 0.001% share in profit and a 100% share in loss,
- LOTOS Petrobaltic S.A. holds a 50.9995% share in profit and
- CalEnergy holds a 48.9995% share in profit.

Accordingly, for IFRS purposes, Baltic Gas Sp. z o.o. i wspólnicy sp.k is an entity jointly controlled by the Group (equity-accounted joint arrangement under IFRS 11; see Note 2 to the consolidated financial statements for 2013).

(2) Including an impairment loss on the interest in UAB Minijos Nafta of PLN 21,983 thousand (LTL 18,118 thousand), see Note 16.1.

16.1 Change in shareholdings in equity-accounted joint ventures

Downstream segment

LOTOS – Air BP Polska Sp. z o.o.

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning the period	**14,419**	**-**
Acquisition price	-	14,907
Share in net profit/(loss)	185	(488)
Share in other comprehensive income/(losses), net (actuarial losses on post-employment benefits)	(30)	-
Share in losses on intra-Group transactions	(23)	-
At end of the period	**14,551**	**14,419**

Upstream segment (LOTOS Petrobaltic Group)

Baltic Gas Sp. z o.o.

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning the period	**7**	**-**
Consolidation	-	5
Share capital increase	30	20
Sale of shares	-	(3)
Share in net loss	(25)	(15)
At end of the period	**12**	**7**

On April 10th 2014, the share capital of Baltic Gas Sp. z o.o. was increased from PLN 45 thousand to PLN 105 thousand, i.e. by PLN 60 thousand, through the issue of 1,200 new shares with a par value of PLN 50 per share. All new shares were paid for in cash and acquired by the company's existing shareholders, i.e. LOTOS Petrobaltic S.A. and CalEnergy. LOTOS Petrobaltic S.A. acquired 600 shares with a total par value of PLN 30 thousand. The expenditure of PLN 30 thousand, representing the cash contribution made by LOTOS Petrobaltic S.A., has been disclosed in the consolidated statement of cash flows from investing activities under *Cash contributions – equity-accounted joint ventures*. The share capital increase was registered on May 27th 2014.

Baltic Gas Sp. z o.o. i wspólnicy sp.k.

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning the period		**51,796**	**-**
Consolidation		-	5
Contributions made:		-	52,296
- contribution of assets for the development of B-4 and B-6 fields		-	*51,700*
- cash contribution		-	*428*
- unpaid contribution		-	*168*
Share capital increase	2	348	-
Share in net loss		(711)	(505)
At end of the period		**51,433**	**51,796**

In 2014, the expenditure on cash contributions made to Baltic Gas Spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. totalled PLN 309 thousand, of which PLN 168 thousand was attributable to contributions made in 2013. The expenditure on these cash contributions was presented in the statement of cash flows from investing activities under *Cash contributions – equity-accounted joint ventures.* As at December 31st 2014, the Group recognised PLN 207 thousand in liabilities under an increase in the contributions in 2014.

UAB Minijos Nafta

	Year ended	Year ended

PLN '000	Dec 31 2014	Dec 31 2013 (restated)
At beginning the period	**63,576**	**85,214**
Dividends paid	(7,280)	(6,098)
Share in net loss:	(23,914)	(17,123)
- share in net loss of joint venture	*(1,931)*	*(17,123)*
- impairment loss on interests held in joint venture	*(21,983)*	-
Exchange differences on translating foreign operations	1,221	1,583
At end of the period	**33,603**	**63,576**

The interest held in UAB Minijos Nafta (the AB LOTOS Geonafta Group) were tested for impairment as at December 31st 2014. The Group determined the recoverable amount of the tested assets as their value in use measured using the discounted future cash flows method.

The key assumptions underlying computation of the recoverable amount of the tested assets are consistent with the assumptions used to compute the recoverable amount of the Lithuanian production licences held by companies of the AB LOTOS Geonafta Group (AB LOTOS Geonafta (Girkaliai, Kretinga and Nausodis fields), UAB Manifoldas (Vėžaičiai, Ližiai and Ablinga fields)) tested for impairment as at December 31st 2014, see Note 15.1.2.

Following the impairment tests, the Group recognised an impairment loss on the interest held in UAB Minijos Nafta for a total amount of PLN 21,983 thousand (LTL 18,118 thousand). The impairment loss on the interest held in UAB Minijos Nafta was disclosed in the consolidated statement of comprehensive income under *Share in net profit/loss of equity-accounted joint ventures*.

16.2 Condensed financial information on equity-accounted joint ventures

Statement of comprehensive income

	LOTOS – Air BP Polska Sp. z o.o.	Baltic Gas Sp. z o.o.	Baltic Gas Sp. z o.o. i wspólnicy sp.k.	UAB Minijos Nafta
PLN '000	Year ended Dec 31 2014			
Revenue	478,279	-	-	57,212
Cost of sales	(457,504)	-	(626)	(47,228)
Gross profit/(loss)	**20,775**	**-**	**(626)**	**9,984**
Distribution costs	(15,849)	-	-	(1,088)
Administrative expenses	(4,347)	(50)	(615)	(14,488)
Net other income/(expenses)	56	-	(123)	(148)
Operating profit/(loss)	635	(50)	(1,364)	(5,740)
Net finance income/(costs)	(137)	-	(58)	289
Pre-tax profit/(loss)	**498**	**(50)**	**(1,422)**	**(5,451)**
Income tax expense	(129)	-	-	1,076
Net profit/(loss)	**369**	**(50)**	**(1,422)**	**(4,375)**
Amortisation and depreciation	*(779)*	-	*(626)*	*(10,900)*

Statement of comprehensive income

	LOTOS – Air BP Polska Sp. z o.o.	Baltic Gas Sp. z o.o.	Baltic Gas Sp. z o.o. i wspólnicy sp.k.	UAB Minijos Nafta
PLN '000	year ended Dec 31 2013			
Revenue	19,478	-	-	76,354
Cost of sales	(19,103)	-	(530)	(68,810)
Gross profit/(loss)	**375**	**-**	**(530)**	**7,544**
Distribution costs	(1,108)	-		(1,120)
Administrative expenses	(388)	(30)	(479)	(9,614)
Net other income/(expenses)	(3)	-	-	(37,022)
Operating loss	**(1,124)**	**(30)**	**(1,009)**	**(40,212)**
Net finance income/(costs)	(36)	-	-	(640)

Pre-tax loss	**(1,160)**	**(30)**	**(1,009)**	**(40,852)**
Income tax expense	184	-	-	6,606
Net loss	**(976)**	**(30)**	**(1,009)**	**(34,246)**
Amortisation and depreciation	*(126)*	-	*(530)*	*(27,170)*

Statement of financial position

PLN '000	Note	LOTOS – Air BP Polska Sp. z o.o.	Baltic Gas Sp. z o.o.	Baltic Gas Sp. z o.o. i wspólnicy sp.k.	UAB Minijos Nafta
		Dec 31 2014			
Non-current assets		11,598	1	97,869	122,455
Current assets, including:		37,046	25	7,596	13,401
Cash and cash equivalents		*6,220*	*9*	*3,375*	*2,791*
Total assets		**48,644**	**26**	**105,465**	**135,856**
Non-current liabilities		5,081	-	-	18,031
Current liabilities		27,888	2	23,859	5,889
Total liabilities		**32,969**	**2**	**23,859**	**23,920**
Net assets		**15,675**	**24**	**81,606**	**111,936**
		50%	**49.99%**	*	**49.99%**
Share of net assets		7,838	12	51,433	55,968
Impairment loss on shares		-	-	-	(22,365)
Fair value measurement		6.736 (1)	-	-	-
Elimination of intra-Group transactions		(23)	-	-	-
Interest in joint ventures	**16**	**14,551**	**12**	**51,433**	**33,603**

Statement of financial position

PLN '000	Note	LOTOS – Air BP Polska Sp. z o.o.	Baltic Gas Sp. z o.o.	Baltic Gas Sp. z o.o. i wspólnicy sp.k.	UAB Minijos Nafta
		Dec 31 2013			
Non-current assets		12,013	1	67,750	127,458
Current assets, including:		27,213	15	3,032	29,420
Cash and cash equivalents		*4,327*	*10*	*740*	*15,694*
Total assets		**39,226**	**16**	**70,782**	**156,878**
Non-current liabilities		5,186	-	-	23,282
Current liabilities		18,675	2	7,975	6,444
Total liabilities		**23,861**	**2**	**7,975**	**29,726**
Net assets		**15,365**	**14**	**62,807**	**127,152**
		50%	**49.99%**	*	**49.99%**
Share of net assets		7,683	7	51,796	63,576
Fair value measurement		6.736 (1)	-	-	-
Interest in joint ventures	**16**	**14,419**	**7**	**51,796**	**63,576**

* For IFRS purposes, Baltic Gas Sp. z o.o. i wspólnicy sp.k is an entity jointly controlled by the Group (equity-accounted joint arrangement under IFRS 11); see Note 16 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/16.-equity-accounted-joint-ventures> above.

(1) PLN 6,736 thousand gain on fair value measurement of a retained interest in a previously controlled entity as at the date of loss of control (see Note 2 to consolidated financial statements for 2013).

For information on transactions with joint ventures in which the Group holds interests, see Note 36.1.

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

PLN '000	Dec 31 2014	Dec 31 2013
Upstream segment	1,661	794
Downstream segment	8,774	-
Total	**10,435**	**794**

Upstream segment

As at December 31st 2014, two helicopters were classified as non-current assets held for sale. As at December 31st 2013, non-current assets held for sale comprised two residential units with the attached interest in land, which were sold by the Group in H1 2014. Cash proceeds from the sale of the residential units in 2014 amounted to PLN 1,805 thousand and were presented in the statement of cash flows under *Sale of property, plant and equipment and other intangible assets.*

Downstream segment

As at December 31st 2014, disposal groups comprised the Jasło and Czechowice-Dziedzice Branches, operating as separate, organised parts of business, offering services in the area of maintenance of mechanical and electrical operations and controlling devices, overhaul and repair services, and technical tests and analyses. The Group's liabilities related to these assets, amounting to PLN 9,088 thousand (see Note 29.1), were recognised in the statement of financial position under *Liabilities directly associated with non-current assets (or disposal groups) held for sale*. The planned sale of the assets follows from the 2013–2015 Efficiency and Growth Programme.

18. Trade receivables and other assets

18. Trade receivables and other assets

PLN '000	Note	Dec 31 2014	Dec 31 2013 (restated)	Jan 1 2013 (restated)
Financial assets				
Non-current financial assets				
Other financial assets:	31.1	71,102	194,002	86,435
Security deposits receivable		*20,631*	*23,089*	*28,555*
Finance lease receivables	*18.2*	*9,111*	*8,061*	*6,180*
Shares		*9,752*	*9,746*	*9,756*
Oil and Gas Extraction Facility Decommissioning Fund (1)	*32.4.1*	*30,911*	*29,866*	*27,481*
Security deposits (margins)	*32.4.1*	-	*11,029*	*11,163*
Cash blocked in bank accounts	*32.3.1; 32.4.1*	-	*110,379*	-
Other receivables		*697*	*1,832*	*3,300*
Total		**71,102**	**194,002**	**86,435**
Current financial assets				
Trade receivables	31.1	1,406,501	1,591,649	1,625,715
- including from related entities	*36.1*	*23,318*	*16,670*	*5,014*
Other financial assets:	31.1	1,260,931	197,631	172,787
Security deposits receivable		*10,085*	*23,089*	*10,483*
Deposits	*32.4.1*	*31,432*	*29,593*	*122,501*
Cash blocked in bank accounts	*32.3.1; 32.4.1*	*179,377*	*103,559*	*18,320*
Adjustment to the pro and contra settlement of acquisition of Heimdal assets	*6.1*	-	*12,323*	-
Settlements under joint operations (Norwegian fields) (2)		*26,100*	-	-
Investment receivables		*86*	*13,144*	*2,457*
Security deposits (margins) related to the use of gas fuel distribution and transmission system		*7,342*	-	-
Restricted cash - issue of shares		*996,939*	-	-
Other receivables		*9,570*	*15,923*	*19,026*
Total		**2,667,432**	**1,789,280**	**1,798,502**
Total financial assets		**2,738,534**	**1,983,282**	**1,884,937**
Non-financial assets				
Non-current non-financial assets				
Prepayments for lease of railway locomotives		-	6,663	8,990
Fees and commissions related to B8 project financing		23,839	-	-
Other		12,347	10,316	11,807
Total		**36,186**	**16,979**	**20,797**

Current non-financial assets			
Value-added tax receivable	71,262	51,895	165,152
Other receivables from the state budget other than income tax	178	632	2,114
Property and other insurance	16,729	4,522	5,704
Prepayments for lease of railway locomotives	2,336	2,336	2,336
Settlements under joint operations (Norwegian fields) (2)	357	27,158	41,756
Excise duty on inter-warehouse transfers	36,661	27,237	29,678
Prepaid deliveries	9,457	9,503	7,523
Other	21,123	16,157	7,350
Total	**158,103**	**139,440**	**261,613**
Total non-financial assets	**194,289**	**156,419**	**282,410**

Total	**2,932,823**	**2,139,701**	**2,167,347**
including:			
non-current	*107,288*	*210,981*	*107,232*
current:	*2,825,535*	*1,928,720*	*2,060,115*
- trade payables	*1,406,501*	*1,591,649*	*1,625,715*
- other	*1,419,034*	*337,071*	*434,400*

(1) Cash deposited in the bank account of the Oil and Gas Extraction Facility Decommissioning Fund (created pursuant to the Geological and Mining Law of February 4th 1994 and the Minister of Economy's Regulation of June 24th 2002) to cover future costs of decommissioning of oil extraction facilities (see *Decommissioning Fund for the Oil and Gas Extraction Facility in the Baltic Sea* in Note 30.1).

(2) Receivables of LOTOS Exploration and Production Norge AS (LOTOS Petrobaltic Group, the upstream segment) under mutual settlements between the operator and consortium members concerning specific Norwegian fields. Information on the Group's interests and status in joint operations in Norway is presented in Note 13 to the consolidated financial statements for 2013 (see 'Acquisition of interests in Norwegian production and exploration licences – Heimdal').

As at December 31st 2014 and December 31st 2013, the item Deposits included the Parent's deposits securing payments of interest under credit facilities contracted for the financing of projects executed under the 10+ Programme, as well as for financing and refinancing of inventories, referred to in Note 27.1.

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 21 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/21.-share-capital>) until the day of registration of the share capital increase (see Note 37 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/37.-material-events-after-the-reporting-period>). 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 B-4 and B-6 gas fields.

As at December 31st 2014, *Cash blocked in bank accounts* comprised cash held in an escrow account associated with the agreement concluded between the parties involved in the YME Project in Norway (for more details on the agreement, see Note 35.1, see also Note 30.1 and Note 13 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/13.-property-plant-and-equipment>). As at December 31st 2014, the blocked cash totalled PLN 179,377 thousand (December 31st 2013: PLN 213,938 thousand).

As at December 31st 2013, *Investment receivables* included mainly receivables of LOTOS Exploration and Production Norge AS under the sale of a drilling rig and receivables of LOTOS Asfalt Sp. z o.o. under the sale of assets related to the Waterproofing Materials Production Plant in Jasło. The receivables of Lotos Asfalt Sp. z o.o. were collected in 2014. Cash proceeds of the transaction were disclosed in the statement of cash flows from investing activities under *Sale of organised part of business*.

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

As at December 31st 2014, the Group's receivables of PLN 31,676 thousand (December 31st 2013: PLN 3,156 thousand) were assigned by way of security for the Group's liabilities.

For a description of the financial instruments, see Note 7.23. For a description of objectives and policies of financial risk management, see Note 32 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/32.-objectives-and-policies-of-financial-risk-management> .

For currency risk sensitivity analysis of financial assets, see Note 32.3.1.

For interest rate risk sensitivity analysis of financial assets, see Note 32.4.1.

The maximum credit risk exposure of financial assets is presented in Note 32.6.

18.1 Change in impairment losses on receivables

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning the period	**175,293**	**177,152**
Recognised	18,077	11,955
Exchange differences on translating foreign operations	12	34
Used	(11,222)	(10,974)
Deconsolidation (LOTOS Tank Sp. z o.o.) (1)	-	(735)
Reversed	(4,604)	(2,141)
Other	138 (2)	2
At end of the period	**177,694**	**175,293**

(1) In November 2013, the Group sold 50% of shares in LOTOS-Air BP Polska Sp. z o.o. (formerly *LOTOS Tank Sp. z o.o.) to a third party.*

(2) Additional amounts awarded in court proceedings.

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). In the statement of comprehensive income, recognised and reversed impairment losses on receivables are presented on a net basis under: Other income/expenses (in accordance with the adopted accounting policy the Group offsets corresponding items of Other income and Other expenses in line with Section 34 and 35 of IAS 1 Presentation of Financial Statements).

Recognised impairment losses included PLN 15,928 thousand under the principal (2013: PLN 9,584 thousand) and PLN 2,149 thousand under interest (2013: PLN 2,371 thousand).

Reversed impairment losses include PLN 2,850 thousand on the principal portion (2013: PLN 1,279 thousand) and PLN 1,754 thousand on the interest portion (2013: PLN 862 thousand).

In 2014, the Group disclosed the recognised and reversed impairment losses on the principal under Other expenses in the amount of PLN 13,078 thousand, including: PLN 15,928 thousand under recognised impairment losses, and PLN 2,850 thousand under impairment loss reversal (see Note 9.4).

In 2013, the Group disclosed the recognised and reversed impairment losses on the principal under Other expenses in the amount of PLN 6,012 thousand, including: PLN 7,291 thousand under recognised impairment losses, and PLN 1,279 thousand under impairment loss reversal (see Note 9.4).

Moreover, in 2013 the Group offset the impairment losses for the principal of PLN 2,293 thousand against corresponding Other income items.

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	41,973	47,503
From 1 to 3 months	5,752	8,051
From 3 to 6 months	956	5,694
From 6 months to 1 year	385	4,948
Over 1 year	24	6,341
Total	**49,090**	**72,537**

No impairment losses were recognised on past due receivables because they are secured against credit risk with a mortgage, pledge, insurance policy, bank guarantee or surety.

As at December 31st 2014 and December 31st 2013, the share of trade receivables from the Group's five largest customers as at the end of the reporting period was approximately 25% and 27%, respectively, of total trade receivables (individually: 2%–12%). In the Group's opinion, with the exception of receivables from the above-mentioned customers, there is no material concentration of credit risk. The Group's maximum exposure to credit risk as at the end of the reporting period is best represented by the carrying amounts of those instruments.

18.2 Finance lease receivables

The Group has developed and operates the "LOTOS Family" Franchise Programme, which defines the procedures for managing service stations. The Group has entered into franchise agreements with entities operating service stations at their own risk and for their own account (Partners).

Receivables under franchise agreements represent mainly expenditure on the design of DOFO service stations operated by dealers under agreements executed for periods from 5 to 10 years.

	Minimum lease payments		Present value of minimum lease payments	
PLN '000	**Dec 31 2014**	**Dec 31 2013**	**Dec 31 2014**	**Dec 31 2013**
Up to 1 year [1]	4,429	3,437	4,394	3,406
From 1 to 5 years	8,951	7,604	8,881	7,534
Over 5 years	232	532	230	527
Total	**13,612**	**11,573**	**13,505**	**11,467**
Less unrealised finance income	(107)	(106)	-	-
Present value of minimum lease payments	**13,505**	**11,467**	**13,505**	**11,467**
including:				
non-current			*9,111*	*8,061*
current			*4,394*	*3,406*

[1] Present value of minimum lease payments is disclosed under Trade receivables.

19. Inventories

PLN '000	Dec 31 2014	Dec 31 2013 (restated)	Jan 1 2013 (restated)
Finished goods	1,184,960	1,755,310	1,800,560
Semi-finished products and work in progress	556,424	671,636	751,935
Merchandise	223,540	284,497	256,875
Materials	1,952,205	3,017,441	3,153,657
Total	**3,917,129**	**5,728,884**	**5,963,027**
including inventories measured:			
at cost	*469,201*	*5,722,868*	*5,957,532*
at net realisable value	*3,447,928*	*6,016*	*5,495*

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

Following a decline in prices of crude oil and refining products, the Group recognised a write-down on inventories as at December 31st 2014 to reflect their net realisable value (see Note 19.1).

As at December 31st 2014, the value of inventories serving as collateral for the Parent's liabilities under the inventory refinancing and financing facility discussed in Note 27.1 was PLN 3,330,652 thousand (December 31st 2013: PLN 5,032,009 thousand).

19.1 Change in inventory write-downs

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
At beginning the period	**2,919**	**1,407**
Recognised	451,551 [1]	2,651
Exchange differences on translating foreign operations	1	-
Used	(892)	(265)
Reversed	(170)	(874)
At end of the period	**453,409**	**2,919**
including:		
Finished goods	*200,340*	*311*
Semi-finished products and work in progress	*40,913*	*2*
Merchandise	*5,834*	*68*
Materials	*206,322*	*2,538*

[1] Following a decline in prices of crude oil and refining products, the Group recognised a PLN 450,891 thousand write-down on inventories to adjust their carrying amount to net realisable value in accordance with IAS 2.

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

19.2 Mandatory stocks

The Group maintains mandatory stocks as required by the following acts:

- Act on Stocks of Crude Oil, Petroleum Products and Natural Gas, and on the Rules to be Followed in the Event of Threat to National Fuel Security or Disruptions on the Petroleum Market of February 16th 2007 (Dz.U. of 2007, No. 52, item 343, dated March 23rd 2007, as amended).
- Regulation of the Minister of Economy, Labour and Social Policy, on fuel stocks at power utility companies, dated February 12th 2003 (Dz.U. No. 39, item 338, as amended).

These regulations define the rules for creating, maintaining and financing stocks of crude oil, petroleum products and fuels at power utility companies.

The Group's mandatory stocks include crude oil, petroleum products (liquid fuels), LPG and coal. In the downstream segment, mandatory stocks are maintained mainly by the Parent. As at December 31st 2014, the carrying amount of mandatory stocks was PLN 2,243,655 thousand (December 31st 2013: PLN 4,250,530 thousand).

20. Cash and cash equivalents

PLN '000	Dec 31 2014	Dec 31 2013 (restated)	Jan 31 2013 (restated)
Cash at bank	345,493	494,729	265,473
Cash in hand	400	335	342
Other cash	2,322	775	289
Total cash and cash equivalents in the statement of financial position	**348,215**	**495,839**	**266,104**
Overdraft facilities	(514,902)	(498,914)	(508,988)
Total cash and cash equivalents in the statement of cash flow	**(166,687)**	**(3,075)**	**(242,884)**

Cash at banks bears interest at variable rates linked to short-term interest rates prevailing on the interbank market. Short-term deposits are placed for a range of maturities, from one day to one month, depending on the Group's current cash needs, and bear interest at interest rates set for them.

As at December 31st 2014, the amount of undrawn funds available to the Group under 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 27.1) was PLN 676,138 thousand (December 31st 2013: PLN 683,147 thousand).

As at December 31st 2014, cash in bank accounts serving as security for the LOTOS Group's liabilities was PLN 3,197 thousand (December 31st 2013: PLN 2,629 thousand).

21. Share capital

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning the period	**129,873**	**129,873**
Issue of Series D shares	55,000	-
At end of the 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 37 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/37.-material-events-after-the-reporting-period>). 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.

22. 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**

23. 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.

24. Retained earnings

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

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

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 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/12.-dividends> .

24.1Restricted ability of subsidiaries of the LOTOS Group to transfer funds to the Parent in the form of dividends

In 2013 and 2014, the ability of subsidiaries of the LOTOS Group to transfer funds to Grupa LOTOS S.A. in the form of dividends was restricted due to the following arrangements:

- Under credit facility agreements, 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.
- At AB LOTOS Geonafta, there are restrictions on dividend payment under credit facility agreements, which make such payment conditional upon the bank's prior consent.
- At LOTOS Exploration and Production Norge AS, there are restrictions on dividend payment under credit facility agreements, which make such payment conditional upon the bank's prior consent.

The dividend restrictions were binding as at December 31st 2014 and December 31st 2013.

25. Exchange differences on translating foreign operations

Exchange differences on translating foreign operations comprise exchange differences resulting from the translation into PLN of the financial statements of foreign companies and groups of companies.

26. Non-controlling interests

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning the period		**289**	**699**
Share in profit/(loss)		*(46)*	*13*
Share in other comprehensive income/(loss), net		*5*	*(2)*
Share in total comprehensive income/(loss)		(41)	11
Change in share of net assets of LOTOS Petrobaltic S.A [1]		10	-
Sale of shares in LOTOS Petrobaltic S.A. to the Parent	2	(83)	(421)
At end of the period		**175**	**289**

[1] Change following Grupa LOTOS S.A.'s increase of the share capital of LOTOS Petrobaltic S.A.

27. Borrowings, other debt instruments and finance lease liabilities

PLN '000	Note	Dec 31 2014	Dec 31 2013
Bank borrowings:	27.1	6,215,612	5,851,809
- investment credit facilities		*4,650,868*	*4,512,290*
- working capital facilities		*784,214*	*831,739*
- inventory refinancing and financing facilities		*1,052,449*	*753,296*
- funds in bank deposits securing repayment of interest and principal instalments		*(271,919)*	*(245,516)*
Loans	27.2	102,783	10,306
Notes	27.3	213,479	198,240
Finance lease liabilities	27.4	131,794	151,031
Total		**6,663,668**	**6,211,386**
including:			
non-current		*4,495,562*	*4,496,190*
current		*2,168,106*	*1,715,196*

27.1 Bank borrowings

Bank borrowings by currency and maturity

	Currency of credit facility advanced to the Group			
Dec 31 2014PLN '000	**EUR**	**USD**	**PLN**	**Total**
2015	9,550	1,687,928	419,909	2,117,387
2016	-	724,077	34,304	758,381
2017	-	464,917	34,872	499,789
2018	-	549,642	35,473	585,115
2019	-	591,468	28,029	619,497
po 2019	-	1,535,223	100,220	1,635,443
Total	**9,550**	**5,553,255**	**652,807**	**6,215,612**

	Currency of credit facility advanced to the Group			
Dec 31 2013PLN '000	**EUR**	**USD**	**PLN**	**Total**
2014	2,448	1,226,142	442,845	1,671,435
2015	2,444	432,606	59,657	494,707
2016	-	404,569	24,750	429,319
2017	-	801,939	24,750	826,689
2018	-	470,697	24,750	495,447
po 2018	-	1,894,326	39,886	1,934,212
Total	**4,892**	**5,230,279**	**616,638**	**5,851,809**

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 property, plant and equipment,
- 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 rights under licence agreements,
- assignment of rights under agreements for sale of products,
- assignment of rights under crude oil sales agreements,
- shares in subsidiaries,
- representation on voluntary submission to enforcement,
- blank promissory note,
- bank guarantees.

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,
- 1M or 3M EURIBOR – in the case of EUR-denominated facilities,
- O/N, 1M or 3M WIBOR - in the case of PLN-denominated facilities.

Bank margins on the contracted facilities are within the range of 0.30pp. – 3.75pp.

As at December 31st 2014, the average effective interest rate for the credit facilities denominated in USD and EUR was approximately 2.42% (2.48% as at December 31st 2013). The average effective interest rate for PLN-denominated facilities (excluding the syndicated facilities contracted by the Parent) was approximately 3.88% (3.99% as at December 31st 2013).

For sensitivity analysis of borrowings with respect to currency and interest rate risks, see Notes 32.3.1 and 32.4.1, respectively.

For analysis of contractual maturities of the borrowings, see Note 32.5.

Bank borrowings by lender

PLN '000	Dec 31 2014	Dec 31 2013
Pekao S.A.	20,315	20,077
ING Bank Śląski S.A.	-	298
PKO BP S.A.*	677,184	619,321
Bank Millennium S.A.	-	6,529
Nordea Bank Litwa	33,619	43,254
Bank Ochrony Środowiska S.A.	4,844	9,688
mBank S.A.**	-	396
Bank Syndicate (1)	1,052,449	753,296
Bank Syndicate (2)	2,974,259	2,868,182
Bank Syndicate (3)	1,092,447	1,046,085
Bank Syndicate (4)	428,209	444,268
Bank Syndicate (5)	141,696	193,485
Bank Syndicate (6)	62,509	92,446
Funds in bank deposits securing payment of interest and principal***	(271,919)	(245,516)
Total	**6,215,612**	**5,851,809**
including:		
non-current	*4,098,225*	*4,180,374*
current	*2,117,387*	*1,671,435*

Bank Syndicate (1):
Pekao S.A., mBank S.A., ING Bank Śląski S.A., Société Générale S.A., Bank Handlowy w Warszawie S.A., Bank Zachodni WBK 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 (dawniej 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., Sumitomo Mitsui Banking Corporation Europe Ltd.,

Bank Syndicate (3):

Banco Bilbao Vizcaya Argentaria S.A., BNP Paribas S.A.,

Bank Syndicate (4):

Pekao S.A., PKO BP S.A., BNP Paribas S.A., ING Bank Śląski S.A., Nordea Bank Polska S.A., Rabobank Polska S.A., Bank Gospodarki Żywnościowej S.A.,

Bank Syndicate (5):

Pekao S.A., PKO BP S.A.,

Bank Syndicate (6):

Nordea Bank Finland Plc. Lithuania Branch, Nordea Bank Polska S.A.

* including credit facilities advanced by Nordea Bank Polska S.A. (acquired by PKO BP S.A.).

** formerly BRE Bank S.A.

*** In accordance with IAS 32, Grupa LOTOS S.A. offsets a financial asset (cash reserved for repayment of the facilities) against a financial liability under the facilities, because it holds a valid legal title to set off the amounts and intends to realise the asset and settle the liability at the same time. 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.

Bank borrowings of the Parent

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, advanced by Bank Syndicate (1), 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 Tangible Consolidated Net Worth (TCNW) 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 covenants were complied with.

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 Grupa LOTOS S.A.'s inventories of October 10th 2012, providing for a revolving credit facility of up to USD 400m (i.e. PLN 1,268m, as translated at the mid rate quoted by the National Bank of Poland for October 10th 2012).

The other terms of the credit facility 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 Company had drawn (in nominal terms) PLN 4,102.6m (USD 1,169.8m) under investment facilities advanced by Bank Syndicates (2) and (3). 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 credit facilities incurred to finance the 10+ Programme, Grupa LOTOS S.A. has been required to maintain the Tangible Consolidated Net Worth (TCNW) ratio of no less than specified in the facility agreements. As at December 31st 2014 and December 31st 2013, the requirement was complied with.

Working-capital facilities

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

The Parent 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.

Bank borrowings of other Group companies

The aggregate liabilities under bank borrowings of other Group companies as at December 31st 2014 were PLN 940.2m (December 31st 2013: PLN 985.5m). The outstanding amount comprised mainly liabilities incurred by LOTOS Paliwa Sp. z o.o. and companies of the LOTOS Petrobaltic Group.

Borrowings of the LOTOS Petrobaltic Group companies

As at December 31st 2014, LOTOS Exploration and Production Norge AS disclosed PLN 281.6m (USD 80m) in liabilities under the investment facility for financing of the acquisition of Heimdal assets, advanced by PKO BP S.A. (agreement of December 11th 2013). As at December 31st 2013, liabilities under the agreement were PLN 316.9m (USD 105.0m).

In addition, LOTOS Exploration and Production Norge AS uses a facility contracted with PKO BP S.A., which is intended for the financing of its day-to-day operations and investment activities. As at December 31st 2014, the outstanding amount under the credit facility agreement was PLN 206.8m (USD 58.8m), while as at December 31st 2013 it was PLN 240.4m (USD 79.8m).

On January 31st 2014, SPV Baltic Sp. z o.o. executed an investment facility agreement with Nordea Bank Polska S.A. (currently PKO BP S.A.) to finance the purchase of a drilling rig (agreement of December 20th 2013). As at December 31st 2014, liabilities under this credit facility were PLN 92.6m.

As at December 31st 2014, AB LOTOS Geonafta's liabilities under the investment facility agreement with Nordea Bank Lithuania of September 27th 2012, contracted to finance the acquisition of shares in UAB Manifoldas (the transaction was executed in 2012), stood at PLN 33.6m (USD 9.7m), while its liabilities under the working capital facility of April 5th 2012, advanced by Bank Syndicate (6), stood at PLN 62.5m (USD 18m). As at December 31st 2013, liabilities under these agreements were PLN 43.3m (USD 14.5m) and PLN 92.5m (USD 31m), respectively.

Bank borrowings of LOTOS Paliwa Sp. z o.o.

Liabilities of LOTOS Paliwa Sp. z o.o. under bank borrowings are associated primarily with investment facilities granted by PKO BP S.A. and Pekao S.A for the refinancing and financing of acquisition of service stations. As at December 31st 2014, liabilities under the agreements totalled PLN 168.9m (December 31st 2013: PLN 223.8m).

In addition, as at December 31st 2014, LOTOS Paliwa Sp. z o.o. disclosed PLN 61.3m in liabilities under working capital facilities granted by PKO BP S.A. and Pekao S.A.

Proceeds from and repayment of bank borrowings

In 2014, proceeds from the credit facilities contracted by the Group were PLN 562,963 thousand (2013: PLN 963,045 thousand), while cash outflows on repayment of borrowings were PLN 1,030,408 thousand (2013: PLN 1,256,798 thousand). These amounts are presented in the consolidated statement of cash flows as cash flows from financing activities under *Proceeds from borrowings and Repayment of borrowings*, respectively.

In 2014, proceeds from bank borrowings related mainly to:

- credit facility for financing and refinancing of the Parent's inventories (PLN 154,145 thousand),
- working capital facilities of the Parent (PLN 45,600 thousand),
- working capital facilities of AB LOTOS Geonafta (PLN 219,480 thousand).
- investment facility of SPV Baltic Sp. z o.o. (PLN 100,000 thousand),
- credit facilities of LOTOS Exploration and Production Norge AS (PLN 43,738 thousand)

In 2014, repayments of bank borrowings related mainly to:

- investment credit facilities of the Parent (PLN 447.820 thousand),
- working capital facilities of the Parent (PLN 45,600 thousand),
- investment credit facilities of LOTOS Paliwa (PLN 54,780 thousand),
- credit facilities of LOTOS Exploration and Production Norge AS (PLN 192,137 thousand)
- credit facilities of AB LOTOS Geonafta (PLN 276,235 thousand).

In 2014 and 2013, none of the Group companies defaulted on their borrowings. As at December 31st 2014, AB LOTOS Geonafta defaulted on one of its debt covenants. However, at the company's request, the bank agreed to waive the covenant. As a result, it had no effect on data disclosed in these financial statements.

27.2 Loans

PLN '000	Dec 31 2014	Dec 31 2013
National Fund for Environmental Protection and Water Management -	-	6,056
Provincial Fund for Environmental Protection and Water Management of Gdańsk	10,150	4,250
Agencja Rozwoju Przemysłu S.A.	92,633	-
Total	102,783	10,306
including:		
non-current	*92,146*	*3,250*
current	*10,637*	*7,056*

Repayment of the above loans is secured with:

- registered pledge over assets,
- registered and financial pledges over shares,
- assignment of rights under insurance policies,
- assignment of rights under agreements for sale of services,
- blank promissory notes,
- representation on voluntary submission to enforcement,
- sureties issued by Group companies.

The loans bear interest based on 1M WIBOR or the promissory note rediscount rate.

As at December 31st 2014, the average effective interest rate for the loans was approximately 4.96% (December 31st 2013: 3.12%).

For interest rate risk sensitivity analysis of the loans, see Note 32.4.1.

For analysis of contractual maturities of the loans, see Note 32.5.

Loans by maturity

Dec 31 2014 PLN '000	PLN-denominated loans advanced to the Group
2015	10,637
2016	11,180
2017	11,997
2018	11,349
2019	11,985
after 2019	45,635
Total	**102,783**

Dec 31 2013 PLN '000	PLN-denominated loans advanced to the Group
2014	7,056
2015	1,000
2016	1,000
2017	1,250
2018	-
after 2018	-
Total	**10,306**

Loans advanced to the LOTOS Petrobaltic Group

On January 31st 2014, SPV Baltic Sp. z o.o. entered into an agreement for a loan of up to PLN 100m with Agencja Rozwoju Przemysłu S.A. to finance the purchase of an offshore drilling rig (agreement of December 20th 2013). As at December 31st 2014, liabilities under the loan agreement were PLN 92.6m.

Loans of other Group companies

On June 16th 2014, LOTOS Kolej Sp. z o.o. executed a PLN 6.9m loan agreement with the Provincial Fund for Environmental Protection and Water Management of Gdańsk, as co-financing of the upgrade of locomotives. As at December 31st 2014, liabilities under the loan agreement were PLN 6.9m. The company also has a loan from the Provincial Fund for Environmental Protection and Water Management of Gdańsk (agreement of December 21st 2011) as co-financing for the upgrade of a rail tank car cleaning facility. As at December 31st 2014, liabilities under the loan agreement were PLN 3.3m (December 31st 2013: PLN 4.3m).

On December 20th 2014, LOTOS Biopaliwa Sp. z o.o. (subsidiary of LOTOS Terminale S.A.) made its last repayment under the loan from the National Fund for Environmental Protection and Water Management (agreement of June 29th 2007), which had been advanced as co-financing of the construction of the installation for production of fatty acid methyl esters (FAME). The last repayment under the loan had been reduced by PLN 0.6m pursuant to a decision of the Management Board of the National Fund for Environmental Protection and Water Management (the liability was partially cancelled as part of de minimis aid). As at December 31st 2013, liabilities under the loan agreement were PLN 6.1m.

Proceeds from and repayment of loans

In 2014, proceeds from loans contracted by the Group were PLN 106,900 thousand, which was primarily attributable to the PLN 100,000 thousand loan from Agencja Rozwoju Przemysłu S.A. to SPV Baltic Sp. z o.o., while cash outflows on repayment of loans were PLN 12,983 thousand (2013: PLN 6,750 thousand).

These amounts were disclosed in the consolidated statement of cash flows from financing activities under *Proceeds from non-bank borrowings and Repayment of non-bank borrowings*, respectively.

27.3 Notes

Notes issued by the LOTOS Petrobaltic Group

As at December 31st 2014, an amount of PLN 213.5m (December 31st 2013: PLN 198.2m) was outstanding under notes issued by the Group.

The outstanding amount was associated with LOTOS Petrobaltic S.A.'s issue of medium-term notes carried out in 2013 (Series: A, B, C, D, and E notes with a total nominal value of USD 65.9m). Pursuant to the agreement concluded on October 29th 2013 with Bank Pekao S.A., which acquired the notes, LOTOS Petrobaltic S.A. may receive financing in USD up to the equivalent of PLN 200m.

Proceeds and payments related to notes

Proceeds from the issue of notes in 2013, amounting to PLN 203,050 thousand, were presented in the statement of cash flows from financing activities of the Group, under Issue of notes.

In December 2014, the Series A notes with a total nominal value of USD 5m were redeemed. The related expenses, of PLN 17,397 thousand, were presented in the statement of cash flows from financing activities of the Group, under *Redemption of notes*.

Notes by maturity date

Dec 31 2014 PLN '000	Notes of the Group issued in USD
2015	17,587
2016	35,045
2017	160,847
2018	-
2019	-
after 2019	-
Total	**213,479**

Dec 31 2013 PLN '000	Notes of the Group issued in USD
2014	15,069
2015	14,960
2016	30,034
2017	138,177
2018	-
after 2018	-
Total	**198,240**

For sensitivity analysis of the notes with respect to currency and interest rate risks, see Notes 32.3.1 and 32.4.1, and for information on their maturities see Note 32.5.

On August 25th 2014, B8 Spółka z ograniczoną odpowiedzialnością BALTIC spółka komandytowo-akcyjna ("B8 SPV", a subsidiary of LOTOS Petrobaltic S.A.) executed the following agreements with Polskie Inwestycje Rozwojowe S.A., Bank Gospodarstwa Krajowego and Bank Pekao S.A. to finance development of the B-8 oil field in the Baltic Sea: the Senior Note Programme Agreement and the Subordinated Note Programme Agreement (see also Note 27 to the interim condensed consolidated financial statements for the three and nine months ended September 30th 2014). Due to the conditions precedent for the financing, the programme had not been launched by the date of these financial statements, and as at December 31st 2014, no liabilities related to the programme were recognised by the Group. The arrangement fees paid in connection with the agreements were presented in Note 18 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/18.-trade-receivables-and-other-assets> under *Non-current non-financial assets*.

Notes of other Group companies

In addition, LOTOS Asfalt Sp. z o.o. has operated a short-term note issue programme since 2010. The term of the programme is five years. In 2014 or in 2013, LOTOS Asfalt Sp. z o.o. did not issue or redeem any notes under the programme. As at December 31st 2014 and December 31st 2013, LOTOS Asfalt Sp. z o.o. did not carry any liabilities under issue of notes.

27.4 Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
PLN '000	Dec 31 2014	Dec 31 2013	Dec 31 2014	Dec 31 2013
Up to 1 year	35,286	34,994	22,495	21,636
From 1 to 5 years	109,607	122,836	91,178	96,764
Over 5 years	18,511	33,816	18,121	32,631
Total	**163,404**	**191,646**	**131,794**	**151,031**
Less finance costs	(31,610)	(40,615)	-	-
Present value of minimum lease payments	**131,794**	**151,031**	**131,794**	**151,031**
including:				
non-current			*109,299*	*129,395*
current			*22,495*	*21,636*

The Group uses finance leases primarily to finance rolling stock assets.

27.4.1 Undisclosed liabilities under operating lease agreements

As at December 31st 2014 and December 31st 2013, future minimum lease payments under non-cancellable operating leases were as follows:

PLN '000	Dec 31 2014	Dec 31 2013
Up to 1 year	107,960	35,107
From 1 to 5 years	128,309	36,426
Over 5 years	12,866	157
Total	**249,135**	**71,690**

The Group uses operating leases primarily to finance rolling stock assets.

28. Derivative financial instruments

PLN ’000	Dec 31 2014	Dec 31 2013
Financial assets		
Current financial assets		
Commodity swaps (commodities and petroleum products)	-	736
Currency forward and spot contracts	536	34,924
Currency swap	3,894	38,275
Total financial assets	**4,430**	**73,935**
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	56,365	1,017
Interest rate swap (IRS)	22,341	19,387
Currency swap	37,357	873
Total	**135,917**	**21,277**
Total financial liabilities	**198,543**	**74,153**

Derivative financial instruments used by the Group are contracted by the Parent. For a description of the derivative financial instruments, see Note 7.25. For a description of objectives and policies of financial risk management, see Note 32 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/32.-objectives-and-policies-of-financial-risk-management> . For the classification of derivative financial instruments by fair value hierarchy, see Note 31.2.

For market risk sensitivity analysis of derivative financial instruments related to changes in prices of petroleum commodities and products, see Note 32.1.1.

For currency risk sensitivity analysis of derivative financial instruments, see Note 32.3.1.

For interest rate sensitivity analysis of derivative financial instruments, see Note 32.4.1.

For maturities of derivative financial instruments, see Note 32.5.

For information on the maximum credit risk exposure of derivative financial instruments (financial assets), see Note 32.6.

29. Employee benefit obligations

PLN '000	Note	Dec 31 2014	Dec 31 2013 (restated)	Jan 31 2013 (restated)
Non-current obligations				
Post-employment benefits	29.1	41,510	32,741	26,286
Length-of-service awards and other benefits	29.1	143,941	118,684	103,576
Total	**29.1**	**185,451**	**151,425**	**129,862**
Current obligations				
Post-employment benefits	29.1	3,681	3,869	6,201
Length-of-service awards and other benefits	29.1	11,716	11,966	9,553
Bonuses, awards and unused holidays		51,520	71,547	77,934
Salaries and wages payable		17,121	16,591	16,283
Total		**84,038**	**103,973**	**109,971**
Total obligations		**269,489**	**255,398**	**239,833**

29.1 Obligations under length-of-service awards and post-employment benefits

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

PLN '000	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
Jan 1 2014		**32,808**	**130,650**	**163,458**
Current service cost		1,206	9,289	10,495
Cost of discount	9.6; 29.3	1,251	5,103	6,354
Past service cost		47	362	409
Benefits paid		(1,840)	(12,575)	(14,415)
Actuarial (gain)/loss under profit or loss	29.3	-	29,953	29,953
Actuarial (gain)/loss under other comprehensive income	29.3	8,850	-	8,850
Dec 31 2014		**42,322**	**162,782**	**205,104**
including:				
non-current		*38,723*	*150,586*	*189,309*
current		*3,599*	*12,196*	*15,795*
Obligations under length-of-service awards and post-employment benefits at foreign companies (1)		4,832	-	4,832
Reclassification to liabilities directly associated with assets held for sale (or disposal groups)	17	(1,963)	(7,125)	(9,088)
Dec 31 2014	29.2	**45,191**	**155,657**	**200,848**
including:				
non-current		*41,510*	*143,941*	*185,451*
current		*3,681*	*11,716*	*15,397*

PLN '000	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
Jan 1 2013		**32,018**	**113,129**	**145,147**
Current service cost		1,804	17,277	19,081
Cost of discount	9.6; 29.3	1,158	4,980	6,138
Past service cost		(152)	(793)	(945)
Benefits paid		(2,206)	(11,236)	(13,442)
Actuarial (gain)/loss under profit or loss	29.3	-	7,680	7,680
Actuarial (gain)/loss under other comprehensive income	29.3	225	-	225
Dec 31 2013		**32,847**	**131,037**	**163,884**
including:				
non-current		*29,132*	*119,033*	*148,165*
current		*3,715*	*12,004*	*15,719*
Obligations under length-of-service awards and post-employment benefits at foreign companies [1]		3,802	-	3,802
Deconsolidation (LOTOS Tank Sp. z o.o.)		(39)	(387)	(426)
Dec 31 2013	**29.2**	**36,610**	**130,650**	**167,260**
including:				
non-current		*32,741*	*118,684*	*151,425*
current		*3,869*	*11,966*	*15,835*

[1] Given the different nature of pension plans operated by the Group's foreign companies – LOTOS Exploration and Production Norge AS and the companies of the AB LOTOS Geonafta Group – and their negligible effect on the Group's obligations under length-of-service awards and post-employment benefits, such companies' obligations are presented separately as *Obligations under length-of-service awards and post-employment benefits at foreign companies*.

29.2 Present value of future employee benefit obligations

(PLN '000)	Note	Present value of future employee benefit obligations
Dec 31 2014	29.1	200,848
Dec 31 2013	29.1	167,260
Dec 31 2012		145,616
Dec 31 2011		131,801
Dec 31 2010		107,829

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

29.3 Total cost of future employee benefit payments charged to profit or loss

PLN '000	Note	year ended Dec 31 2014	year ended Dec 31 2013
Items recognised in profit or loss:		**51,960**	**35,593**
Length-of-service awards, retirement and other post-employment benefits	9.2	45,606	29,455
- current service cost		*10,495*	*19,081*
- past service cost		*409*	*(945)*
- effect of foreign operations		*4,749*	*3,639*
- actuarial (gain)/loss	*29.1*	*29,953*	*7,680*
Cost of discount	9.6; 29.1	6,354	6,138
Items recognised in other comprehensive income:		**8,933**	**188**
Actuarial (gain)/loss	29.1	8,850	225

Effect of foreign operations	83	(35)
Deconsolidation (LOTOS Tank Sp. z o.o.)	-	(2)
Total comprehensive income	**60,893**	**35,781**

29.4 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. 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 Group'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.
- Based on the historical data, it was assumed that in 60% of cases half of the full amount of death benefits is paid.
- 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).

29.5 Termination benefits

In 2014, termination benefits and compensation payable in respect of non-compete obligation totalled PLN 3,363 thousand (2013: PLN 3,984 thousand).

In 2014, provisions for termination benefits totalled PLN 69 thousand (2013: PLN 74 thousand).

29.6 Sensitivity analysis

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

Initial obligation balance

PLN '000 Salaries and wages growth rate	Discount rate	Length-of-service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total (1)
base	base	148,623	37,766	10,524	8,191	205,104
base + 1%	base	163,597	42,695	11,656	9,813	227,761
base - 1%	base	137,729	33,823	9,596	6,947	188,095
base	base + 0.5%	142,855	35,599	10,013	7,517	195,984
base	base - 0.5%	157,237	40,367	11,136	8,987	217,727

The table below presents results of calculations for changed key actuarial assumptions: the salaries and wages growth rate, medical care contributions, and the 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 payments	Death benefits	Social benefits fund	Total (1)
base	base	11,876	2,216	833	335	15,260
base + 1%	base	13,371	2,638	954	448	17,411

base - 1%	base	10,614	1,879	731	254	13,478
base	base + 0.5%	11,209	2,038	780	292	14,319
base	base - 0.5%	12,608	2,418	890	387	16,303

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 payments	Death benefits	Social benefits fund	Total (1)
base	base	3,737	926	267	215	5,145
base + 1%	base	4,111	1,056	297	258	5,722
base - 1%	base	3,413	816	242	181	4,652
base	base + 0.5%	4,209	1,025	300	232	5,766
base	base - 0.5%	3,210	809	231	192	4,442

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 payments	Death benefits	Social benefits fund	Total (1)
base	base	15,613	3,142	1,100	550	20,405
base + 1%	base	17,482	3,694	1,251	706	23,133
base - 1%	base	14,027	2,695	973	435	18,130
base	base + 0.5%	15,418	3,063	1,080	524	20,085
base	base - 0.5%	15,818	3,227	1,121	579	20,745

(1) Given the different nature of pension plans operated by the Group's foreign companies – LOTOS Exploration and Production Norge AS and the companies of the AB LOTOS Geonafta Group – and their negligible effect on the Group's obligations under length-of-service awards and post-employment benefits, such companies' obligations were not presented in the review.

30. Trade payables, other liabilities and provisions

PLN '000	Note	Dec 31 2014	Dec 31 2013 (restated)	Jan 1 2013 (restated)
Financial liabilities				
Non-current financial liabilities				
Other financial liabilities:	31.1	5,549	235	1,204
Investment commitments		*4,539*	*235*	*-*
Other		*1,010*	*-*	*1,204*
Total		**5,549**	**235**	**1,204**
Current financial liabilities				
Trade payables	31.1	1,692,839	2,395,237	2,169,408
Other financial liabilities:	31.1	191,295	189,494	247,231
Investment commitments		*120,498*	*158,385*	*178,074*
Liabilities to insurers (1)		*19,244*	*3,764*	*3,077*
Settlements under joint ventures (Norwegian fields) (2)		*39,668*	*15,926*	*58,077*
Other		*11,885*	*11,419*	*8,003*
Total		**1,884,134**	**2,584,731**	**2,416,639**
Total financial liabilities		**1,889,683**	**2,584,966**	**2,417,843**
Non-financial liabilities				
Non-current non-financial liabilities				
Provisions	30.1	638,209	692,684	391,394
Grants		12,263	11,987	13,089
Other		1,542	782	-
Total		**652,014**	**705,453**	**404,483**
Current non-financial liabilities				
Provisions	30.1	140,219	162,938	21,256
Liabilities to the state budget other than corporate income tax (3)		723,762	719,204	685,772
Grants		29,655	30,582	26,359
Settlements under joint ventures (Norwegian fields) (2)		-	721	55,092
Prepaid deliveries		1,553	31,711	4,427
Liabilities under the NAVIGATOR loyalty programme		13,367	10,961	6,006
Other		37,459	23,039	22,020
Total		**946,015**	**979,156**	**820,932**
Total non-financial liabilities		**1,598,029**	**1,684,609**	**1,225,415**
Total		**3,487,712**	**4,269,575**	**3,643,258**
including:				
non-current		*657,563*	*705,688*	*405,687*

current:	*2,830,149*	*3,563,887*	*3,237,571*
- trade payables	*1,692,839*	*2,395,237*	*2,169,408*
- other	*1,137,310*	*1,168,650*	*1,068,163*

(1) Liabilities towards insurers increased mainly due to the execution by LOTOS Petrobaltic S.A. of an insurance agreement covering works related to the development of the B-8 field in 2014-2016.

(2) Liabilities of LOTOS Exploration and Production Norge AS (LOTOS Petrobaltic Group, the upstream segment) under mutual settlements between the operator and consortium members concerning specific Norwegian fields. Information on the Group's interests and status in joint operations in Norway is presented in Note 13 to the consolidated financial statements for 2013 (see 'Acquisition of interests in Norwegian production and exploration licences – Heimdal').

(3) Including PLN 586,199 thousand in excise duty and fuel charge liabilities (December 31st 2013: PLN 541,957 thousand).

Trade payables do not bear interest and are, as a rule, paid in 7-60 days. Other liabilities do not bear interest, and their average payment period is one month. Amounts resulting from the difference between value added tax receivable and value added tax payable are paid to the relevant tax authorities on a monthly basis. Interest payable is usually settled on a monthly basis during a financial year.

For currency risk sensitivity analysis of trade payables and other liabilities, see Note 32.3.1.

For information on maturities of trade payables and other liabilities, see Note 32.5.

30.1 Provisions

		Provisions for decommissioning and reclamation costs						
		Provision for oil & gas extraction facilities						
PLN '000	**Note**	**Poland (1)**	**Norway**	**Lithuania**	**Provisions for retired refinery and other installations**	**Total**	**Other provisions**	**Total**
Jan 1 2014 (restated)		**216,666**	**562,268**	**13,026**	**36,128**	**828,088**	**27,534**	**855,622**
Recognised		*642*	*-*	*1,074*	*685*	*2,401*	*29,898 (5)*	*32,299*
Remeasurement of decommissioning costs		*(36,396) (2)*	*61,198 (3)*	*(844)*	*(762)*	*23,196*	*-*	*23,196*
Change in provisions for liabilities attributable to approaching maturity date (discount reversal effect)	9.6	*2,008*	*17,043*	*669*	*274*	*19,994*	*432*	*20,426*
Interest on Oil and Gas Facility Decommissioning Fund		*659*	*-*	*-*	*-*	*659*	*-*	*659*
Exchange differences on translating foreign operations		*-*	*(22,482)*	*377*	*-*	*(22,105)*	*(1,396)*	*(23,501)*
Used		*-*	*(120,833) (4)*	*-*	*(1,257)*	*(122,090)*	*(2,752)*	*(124,842)*
Reversed		*-*	*-*	*-*	*(4,564)*	*(4,564)*	*(867)*	*(5,431)*
Dec 31 2014		**183,579**	**497,194**	**14,302**	**30,504**	**725,579**	**52,849**	**778,428**
including:								
non-current		*183,579*	*384,153*	*14,302*	*27,403*	*609,437*	*28,772*	*638,209*
current		*-*	*113,041*	*-*	*3,101*	*116,142*	*24,077*	*140,219*

Provisions for decommissioning and reclamation costs:

Provision for the Polish oil and gas extraction facilities – a provision for future costs of decommissioning of the oil and gas extraction facilities in the B-3 and B-8 licences areas.

Provision for the Norwegian oil and gas extraction facilities – a provision for future costs of decommissioning of the oil extraction facilities in the YME field, and the oil and gas extraction facilities in the Heimdal fields.

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

Provisions for retired refinery installations and other installations – a provision for land reclamation and the cost of disassembly and decommissioning of the retired installations at LOTOS Terminale S.A., a provision for estimated cost of disassembly of the subsea pipeline operated by a subsidiary Energobaltic Sp. z o.o. (of the LOTOS Petrobaltic Group), as well as for land reclamation and clean-up.

(1) Including the Oil and Gas Facility Decommissioning Fund, set up to cover future costs of decommissioning of oil and gas facilities, in accordance with the Geological and Mining Law of February 4th 1994 and the Minister of Economy's Regulation of June 24th 2002.

(2) As at December 31st 2014, in connection with the extension of the production license B-3 from 2016 to 2026, received in 2014, the Group analysed the costs necessary to decommission the oil production facility in the Baltic Sea in the B-3 licence area . According to the analysis, the costs necessary to decommission the offshore oil extraction facility in this area are lower than the previous year's estimates by PLN 36,396 thousand.

(3) Including the effect of remeasurement of the provision for future costs of decommissioning of the offshore oil extraction facilities in the YME field, which resulted in an increase of decommissioning asset, charged to operating costs as a one-off expense of PLN 27,743 thousand in the consolidated statement of comprehensive income (see Note 13.1 and 13.1.4).

(4) The amount mainly includes PLN 98,611 thousand of used provisions for future costs of removal of the MOPU and disassembly of plant and equipment at the YME field. The provision was recognised in connection with the agreement between Talisman (the YME field operator) and SBM (rig owner) reached in March 2013 (see also Note 35 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/35.-contingent-liabilities-and-assets> and 13.1.2).

(5) Including PLN 21,901 from remeasurement of the provision for contingent payments under the Heimdal assets acquisition agreement (for more information on the transaction, see Note 13 to the consolidated financial statements for 2013).

		Provisions for decommissioning and reclamation costs						
		Provision for oil & gas extraction facilities						
PLN '000	Note	Poland [1]	Norway	Lithuania	Provisions for retired refinery and other installations	Total	Other provisions	Total
Jan 1 2013 (restated)		**208,298**	**117,132**	**11,695**	**41,770**	**378,895**	**33,755**	**412,650**
Recognised		-	*265,709* [2]	-	-	*265,709*	*8,373*	*274,082*
Remeasurement of decommissioning costs		*(1,404)*	*11,995*	*717*	-	*11,308*	-	*11,308*
Change in provisions for liabilities attributable to approaching maturity date (discount unwinding effect)	*9.6*	*9,041*	*5,085*	*634*	*263*	*15,023*	-	*15,023*
Interest on Oil and Gas Facility Decommissioning Fund		*731*	-	-	-	*731*	-	*731*
Exchange differences on translating foreign operations		-	*(49,975)*	*157*	-	*(49,818)*	*(990)*	*(50,808)*
Estimated costs of removal of the MOPU from the YME field		-	*281,859*	-	-	*281,859*	-	*281,859*
Used		-	*(69,537)*	-	*(828)*	*(70,365)*	*(8,067)*	*(78,432)*
Reversed		-	-	*(177)*	*(5,077)*	*(5,254)*	*(5,537)*	*(10,791)*
Dec 31 2013 (restated)		**216,666**	**562,268**	**13,026**	**36,128**	**828,088**	**27,534**	**855,622**
including:								
non-current		*216,666*	*419,085*	*13,026*	*35,854*	*684,631*	*8,053*	*692,684*
current		-	*143,183*	-	*274*	*143,457*	*19,481*	*162,938*

Provisions for decommissioning and reclamation costs:

Provision for the Polish oil and gas extraction facilities – a provision for future costs of decommissioning of the oil and gas extraction facilities in the B-3 and B-8 licences areas.

Provision for the Norwegian oil and gas extraction facilities – a provision for future costs of decommissioning of the oil extraction facilities in the YME field, and the oil and gas extraction facilities in the Heimdal fields.

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

Provisions for retired refinery installations and other installations – a provision for land reclamation and the cost of disassembly and decommissioning of the retired installations at LOTOS Terminale S.A., a provision for estimated cost of disassembly of the subsea pipeline operated by a subsidiary Energobaltic Sp. z o.o. (of the LOTOS Petrobaltic Group), as well as for land reclamation and clean-up.

(1) Including the Oil and Gas Facility Decommissioning Fund, set up to cover future costs of decommissioning of oil and gas facilities, in accordance with the Geological and Mining Law of February 4th 1994 and the Minister of Economy's Regulation of June 24th 2002.

(2) Recognition of a decommissioning provision related to the acquisition of Heimdal assets – see Note 13 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/13.-property-plant-and-equipment> to the consolidated financial statements for 2013 ('Acquisition of interests in Norwegian production and exploration licences – Heimdal').

Provision for oil & gas production facilities – Norway

Provision for decommissioning and reclamation of oil production facility in the YME field

As at December 31st 2014, the provision for decommissioning and reclamation of the oil production facility in the YME field, totalling PLN 146,816 thousand (NOK 310,065 thousand), was disclosed under *Other liabilities and provisions* and reflected the current estimate, made based on the Group's best knowledge, of future costs of removal of the YME infrastructure and costs of land reclamation, assuming that the project is decommissioned in 2031. As at December 31st 2013, the provision was PLN 120,278 thousand (NOK 242,839 thousand).

In the opinion of the Company's Management Board, the disclosed value of the provision for the costs of decommissioning of the infrastructure associated with the YME field and land reclamation following the facility's decommissioning reflects the necessary commitment by LOTOS E&P Norge AS if the scenario of earlier complete decommissioning materialises. This is a consequence of the phase (currently under way) of preparation of the YME field infrastructure decommissioning plan, adopted by the Consortium with the votes of the majority of its members and reflected in the project budget to be approved for 2015, taking into account a reduction in the decommissioning cost estimate in connection with a drop in the market cost of such services. At the same time, LOTOS E&P Norge AS has been involved in a number of steps to abandon the early decommissioning scenario and redevelop the field using a production platform operating in a different field.

Provision for removal of the defective MOPU from the YME field

As described in Note 35.1, in March 2013, the operator of the YME field, Talisman Energy Norge AS ("Talisman," "Operator") and the supplier of the Mobile Operating and Production Unit (MOPU) to be operated on the YME field, Single Buoy Moorings Inc. ("SBM"), announced that an agreement had been reached to remove the defective MOPU (evacuated in mid-July 2012) from the YME field and to terminate all existing contracts and agreements between the parties in connection with the YME project. Following the agreement, the Group recognised a provision for future removal of the MOPU from the YME field, in the amount of PLN 281,859 thousand (NOK 526,151 thousand). In 2013–2014, the provision was partially used. In 2013 and 2014, PLN 69,527 thousand (NOK 129,787 thousand) and PLN 98,611 thousand (NOK 197,183 thousand), respectively, were used under the provision. As at December 31st 2014, the provision was PLN 94,312 thousand (NOK 199,181 thousand). As at December 31st 2013, the provision was PLN 196,319 thousand (NOK 396,364 thousand).

The amount of the provision for removal of the MOPU from the YME field disclosed in the statement of financial position as at December 31st 2014 was determined based on the following assumptions:

- the MOPU will be removed from the YME field not later than in 2015;
- the provision fully covers the unspent, as at December 31st 2014, budget for removing the MOPU, approved by the interest holders of the YME licence.

For information on the YME project and details of the provision for decommissioning of the remaining subsea infrastructure associated with the YME field, see also Note 13.1.2.

Provision for decommissioning and reclamation of gas production facilities in the YME field

In connection with the acquisition in 2013 of new production assets on the Norwegian Continental Shelf, a provision for future costs of decommissioning of the acquired production assets was recognised at PLN 265,709 thousand (NOK 496,004 thousand) (see Note 13 to the consolidated financial statements for 2013 – 'Acquisition of interests in Norwegian production and exploration licences – Heimdal'). Decommissioning of the newly acquired non-current assets of the offshore oil and gas extraction facility at the Heimdal field and reclamation work are scheduled for 2014–2035. As at December 31st 2014, the provision was disclosed in the Group's statement of financial position under *Other liabilities and provisions* at PLN 256,066 thousand (NOK 540,794 thousand). As at December 31st 2013, the provision was PLN 245,671 thousand (NOK 496,004 thousand).

Other provisions

As at December 31st 2014, the Group recognised a provision for contingent payments under the Heimdal assets acquisition agreement, of PLN 26,010 thousand (NOK 54,932 thousand). As at December 31st 2013, the provision was PLN 5,089 thousand (NOK 10,275 thousand).

The Group recognised a provision for the unavoidable costs under an agreement it made earlier for collection and transport of the crude oil produced from the YME field. This provision was recognised in 2012, in the amount of PLN 12,492 thousand (NOK 22,500 thousand), and was then partly released as a result of negotiations and the shortening of the contract term. In 2013, the provision amount used was PLN 5,353 thousand (NOK 9,992 thousand) and the amount released was 4,912 thousand (NOK 9,170 thousand). As at December 31st 2013, the provision was PLN 1,653 thousand (NOK 3,338 thousand). The provision was fully used in 2014.

Furthermore, as at December 31st 2014 and December 31st 2013, the Group also disclosed a provision of PLN 15,318 thousand related to court proceedings instigated by WANDEKO, to which LOTOS Paliwa Sp. z o.o. is a party (see Note 35.1).

30.2 Grants

PLN '000	Note	Year ended Dec 31 2014	Year ended Dec 31 2013
At beginning the period		**42,569**	**39,448**
Received during the year		1,238	5,196
Recognised in consolidated profit or loss	9.3	(1,889)	(2,075)
At end of the period		**41,918**	**42,569**
including:			
non-current		*12,263*	*11,987*
current		*29,655*	*30,582*

The grants are primarily related to licences received free of charge and grants from the Eco Fund for the use of waste gas from an offshore oil and gas extraction facility for heating purposes.

The Group receives also government assistance within the meaning of IAS 20 Accounting for Government Grants and Disclosure.

Until April 30th 2011, the Group benefited from tax credit available to producers of bio-components under Art. 19a of the Corporate Income Tax Act of February 15th 1992 (consolidated text: Dz.U. of 2011, No. 74, item 397). The state aid awarded in line with the laws referred to above was approved by virtue of the European Commission's Decision No. 57/08 of September 18th 2009 concerning authorisation for the grant of state operating aid for biofuels. This relief has enabled biofuel producers to deduct from their income tax payable up to 19% of the surplus value of their produced biofuels over the value of their produced liquid fuels of the same calorific value, calculated at average prices. European Commission's approval for the tax relief expired on April 30th 2011, and the unsettled amount of the relief is accounted for in current prepayments for corporate income tax. The deferred tax associated with the biocomponent tax credit is presented in Note 10.3.

The Group benefited from 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 tax credit enabled the Group to deduct from taxable income up to 50% of expenditure incurred on new technologies. It was settled at the end of 2014 and its effect on these financial statements of the Group was immaterial.

31. Financial instruments

31.1 Carrying amount

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 (1)	Financial liabilities at amortised cost	Total
Classes of financial instruments						
Financial assets						
Derivative financial instruments	28; 31.2	4,430	-	-	-	4,430
Trade receivables	18	-	1,406,501	-	-	1,406,501
Cash and cash equivalents	20	-	348,215	-	-	348,215
Other financial assets	18	-	1,322,281	9,752	-	1,332,033
Total		**4,430**	**3,076,997**	**9,752**	**-**	**3,091,179**
Financial liabilities						
Borrowings, other debt instruments and finance lease liabilities	27	-	-	-	6,663,668	6,663,668
Derivative financial instruments	28; 31.2	198,543	-	-	-	198,543
Trade payables	30	-	-	-	1,692,839	1,692,839
Other financial liabilities	30	-	-	-	196,844	196,844
Total		**198,543**	**-**	**-**	**8,553,351**	**8,751,894**

Dec 31 2013 (restated) PLN '000	Note	Categories of financial instruments: Financial assets/liabilities at fair value through profit or loss – held for trading	Loans and receivables	Financial assets available for sale (1)	Financial liabilities at amortised cost	Total
Classes of financial instruments						
Financial assets						
Derivative financial instruments	28; 31.2	73,935	-	-	-	73,935
Trade receivables	18	-	1,591,649	-	-	1,591,649
Cash and cash equivalents	20	-	495,839	-	-	495,839
Other financial assets	18	-	381,887	9,746	-	391,633
Total		**73,935**	**2,469,375**	**9,746**	**-**	**2,553,056**
Financial liabilities						
Borrowings, other debt instruments and finance lease liabilities	27	-	-	-	6,211,386	6,211,386
Derivative financial instruments	28; 31.2	74,153	-	-	-	74,153
Trade payables	30	-	-	-	2,395,237	2,395,237
Other financial liabilities	30	-	-	-	189,729	189,729
Total		**74,153**	**-**	**-**	**8,796,352**	**8,870,505**

(1) As at December 31st 2014 and December 31st 2013, the Group 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.

31.2 Fair value hierarchy

	Dec 31 2014	Dec 31 2013
PLN '000	**Level 2**	
Financial assets		
Commodity swap	-	736
Currency forward and spot contracts	536	34,924
Currency swap	3,894	38,275
Total	**4,430**	**73,935**
Financial liabilities		
Commodity swap	29,337	-
Currency forward and spot contracts	56,365	1,017
Interest rate swap (IRS)	75,484	72,263
Currency swap	37,357	873
Total	**198,543**	**74,153**

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

		Categories of financial instruments				
Year ended Dec 31 2014 PLN '000	**Note**	**Financial assets/ liabilities at fair value through profit or loss – held for trading**	**Loans and receivables**	**Financial assets available for sale**	**Financial liabilities at amortised cost**	**Total**
Classes of financial instruments						
Trade receivables:		**-**	**27,055**	**-**	**-**	**27,055**
Interest income	9.5	-	*6,349*	-	-	*6,349*
Foreign exchange (gains)/losses recognised in cost of sales	9.1	-	*32,523*	-	-	*32,523*
Foreign exchange gains/(losses)	9.6	-	*1,261*	-	-	*1,261*
Impairment losses	9.4	-	*(13,078)*	-	-	*(13,078)*
Cash and cash equivalents:		**-**	**12,813**	**-**	**-**	**12,813**
Interest income	9.5	-	*1,249*	-	-	*1,249*
Foreign exchange gains/(losses)	9.6	-	*11,564*	-	-	*11,564*
Other financial assets:		**-**	**214,615**	**-**	**-**	**214,615**
Interest income	9.5	-	*9,526*	-	-	*9,526*
Foreign exchange gains/(losses)	9.6	-	*205,089*	-	-	*205,089*
Derivative financial instruments (financial assets/liabilities):		**(197,849)**	**-**	**-**	**-**	**(197,849)**
Gains/(losses) on fair value measurement of derivative financial instruments	9.6	*(191,271)*	-	-	-	*(191,271)*
Gains/(losses) on realisation of derivative financial instruments	9.6	*(6,578)*	-	-	-	*(6,578)*
Borrowings, other debt instruments and finance lease liabilities		**-**	**-**	**-**	**(1,276,431)**	**(1,276,431)**
Interest expense	9.6	-	-	-	*(166,675)*	*(166,675)*

Gains/(losses) on cash flow hedge accounting charged to revenue	*8*	-	-	-	*(7,992)*	*(7,992)*
Foreign exchange gains/(losses)	*9.6*	-	-	-	*(517,111)*	*(517,111)*
Gains/(losses) on measurement of cash flow hedges recognised in other comprehensive income	*23*	-	-	-	*(584,653)*	*(584,653)*
Trade and other payables		**-**	**-**	**-**	**(96,993)**	**(96,993)**
Interest expense	*9.6*	-	-	-	*(87)*	*(87)*
Foreign exchange (gains)/losses recognised in cost of sales	*9.1*	-	-	-	*(97,633)*	*(97,633)*
Foreign exchange gains/(losses)	*9.6*	-	-	-	*727*	*727*
Other financial liabilities:		**-**	**-**	**-**	**(4,916)**	**(4,916)**
Foreign exchange gains/(losses)	*9.6*	-	-	-	*(4,916)*	*(4,916)*
Total		**(197,849)**	**254,483**	**-**	**(1,378,340)**	**(1,321,706)**

		Categories of financial instruments				
Year ended Dec 31 2013 PLN '000	**Note**	**Financial assets/ liabilities at fair value through profit or loss – held for trading**	**Loans and receivables**	**Financial assets available for sale**	**Financial liabilities at amortised cost**	**Total**
Classes of financial instruments						
Trade receivables:		**-**	**1,111**	**-**	**-**	**1,111**
Interest income	*9.5*	-	*5,995*	-	-	*5,995*
Foreign exchange (gains)/losses recognised in cost of sales	*9.1*	-	*766*	-	-	*766*
Foreign exchange gains/(losses)	*9.6*	-	*362*	-	-	*362*
Impairment losses	*9.4*	-	*(6,012)*	-	-	*(6,012)*
Cash and cash equivalents:		**-**	**(2,252)**	**-**	**-**	**(2,252)**
Interest income	*9.5*	-	*1,264*	-	-	*1,264*
Foreign exchange gains/(losses)	*9.6*	-	*(3,516)*	-	-	*(3,516)*
Other financial assets:		**-**	**(26,237)**	**-**	**-**	**(26,237)**
Interest income	*9.5*	-	*8,606*	-	-	*8,606*
Foreign exchange gains/(losses)	*9.6*	-	*(34,843)*	-	-	*(34,843)*
Derivative financial instruments (financial assets/liabilities):		**112,861**	**-**	**-**	**-**	**112,861**
Gains/(losses) on fair value measurement of derivative financial instruments	*9.5*	*55,148*	-	-	-	*55,148*
Gains/(losses) on realisation of derivative financial instruments	*9.5*	*57,713*	-	-	-	*57,713*
Borrowings, other debt instruments and finance lease liabilities		**-**	**-**	**-**	**(144,905)**	**(144,905)**
Interest expense	*9.6*	-	-	-	*(169,004)*	*(169,004)*
Gains/(losses) on cash flow hedge accounting charged to revenue	*8*	-	-	-	*(12,452)*	*(12,452)*
Foreign exchange gains/(losses)	*9.6*	-	-	-	*(84,214)*	*(84,214)*
Gains/(losses) on measurement of cash flow hedges recognised in other comprehensive income	*23*	-	-	-	*120,765*	*120,765*
Trade and other payables:		**-**	**-**	**-**	**75,800**	**75,800**
Interest expense	*9.6*	-	-	-	*(53)*	*(53)*
Foreign exchange (gains)/losses recognised in cost of sales	*9.1*	-	-	-	*75,928*	*75,928*
Foreign exchange gains/(losses)	*9.6*	-	-	-	*(75)*	*(75)*
Other financial liabilities:		**-**	**-**	**-**	**6,672**	**6,672**

Interest expense	*9.6*	-	-	-	*(125)*	*(125)*
Foreign exchange gains/(losses)	*9.6*	-	-	-	*6,797*	*6,797*
Total		**112,861**	**(27,378)**	**-**	**(62,433)**	**23,050**

The Notes to the consolidated financial statements are an integral part of the statements.
(This is a translation of a document originally issued in Polish)

32. Objectives and policies of financial risk management

The Group 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 Parent operates a Financial Risk Management Office, which coordinates and exercises ongoing supervision of the Group's financial risk management processes.

Furthermore, the Price Risk and Trading Committee, appointed by the Management Board, supervises the work on development of 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, the Group has put in place relevant tools and developed a number of documents, approved at the relevant decision-making levels, defining the framework for ensuring effectiveness and safety of the Group'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.

The Parent monitors and reports all managed market risks on an ongoing basis. Grupa LOTOS S.A. uses liquid derivatives 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 risks which do not arise as part of the Group's core business is prohibited.

In 2014, the Parent 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).

32.1 Risk related to prices of raw materials and petroleum products

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

The Company 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 Group has implemented a system whereby the risk may be transferred from customers to the Group. This requires simultaneous execution of appropriate derivative 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 Group 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 settled partly in the year when they were entered into, and partly in the coming years.

Open commodity swaps as at December 31st 2014:

				Fair value (PLN '000)	
Type of contract	**Underlying index**	**Valuation period**	**Amount in tonnes in the valuation period**	**Financial assets**	**Financial liabilities**
Commodity swap	3.5 PCT Barges FOB Rotterdam	Apr 2015–Sep 2017	41,690	-	(29,338)
Total				**-**	**(29,338)**

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:

				Fair value (PLN '000)	
Type of contract	**Underlying index**	**Valuation period**	**Amount in tonnes in the valuation period**	**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 Group 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 Group implemented an ERTM (Energy Trading and Risk Management) IT system in 2014.

32.1.1 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 Change			Dec 31 2013 Change
PLN '000	**Carrying amount**	**+34,22%**	**-34.22%**	**Carrying amount**	**+10%**	**-10%**
Financial assets [(1)]	-	-	-	736	3,695	(3,695)
Financial liabilities [(1)]	(29,338)	15,325	(15,325)	-	-	-
Total	**(29,338)**	**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 transactions open at December 31st 2014 are based, posted on the SuperDerivatives website. 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.

32.2 Risk related to prices of carbon (CO_2) allowances

The risk related to prices of carbon dioxide emissions allowances is managed within the Parent 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 Group 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 Parent 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 Parent 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 Parent held surplus emissions allowances for 486,898 tonnes.

To manage risk related to carbon dioxide emission allowances, the Group 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 Group through physical delivery, with the intention to potentially use the allowances to offset the Group'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 Group 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 Group considered likely to be settled through physical delivery and used for the Group'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 Group 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:

				Fair value (PLN '000)*	
Type of contract	**Contract settlement period**	**Number of allowances in the period**	**Phase**	**Financial assets**	**Financial liabilities**
Futures EUA	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:

				Fair value (PLN '000)*	
Type of contract	**Contract settlement period**	**Number of allowances in the period**	**Phase**	**Financial assets**	**Financial liabilities**
Futures EUA	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 34 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/34.-carbon-dioxide-co2-emission-allowances> .

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

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

The Group 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.

32.3 Currency risk

The Group manages currency risk 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 Group 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.

The Group 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.

The Group 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:

					Fair value (PLN '000)	
Type of contract	**Purchase/sale**	**Contract settlement period**	**Currency pair (base/quote)**	**Amount in base currency ('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	16,000	-	(331)
Currency forward	Purchase	Feb 2015	EUR/PLN	5,000	253	-
Currency forward	Purchase	Mar-15	EUR/USD	5,000	-	(1,386)
Currency forward	Sale	Jan–Sep 2015	USD/PLN	(251,000)	-	(53,938)
Currency forward	Sale	Feb 2015	EUR/PLN	(5,000)	11	(86)
Currency forward	Sale	Mar-15	EUR/USD	(3,500)	272	-
Currency swap	Purchase	Feb 2015	USD/PLN	16,000	3,894	-
Currency swap	Purchase	Apr 2015	EUR/USD	5,500	-	(672)
Currency swap	Sale	Jan–Jul 2015	USD/PLN	(207,300)	-	(36,685)
				Total	**4,430**	**(93,722)**

Open currency contracts as at December 31st 2013:

					Fair value (PLN '000)	
Type of contract	**Purchase/sale**	**Contract settlement period**	**Currency pair (base/quote)**	**Amount in base currency ('000)**	**Financial assets**	**Financial liabilities**
Currency spot	Purchase	Jan 2014	USD/PLN	21,000	-	(125)
Currency spot	Purchase	Jan 2014	EUR/PLN	1,500	-	(4)
Currency forward	Purchase	Jan–Nov 2014	USD/PLN	20,000	-	(783)
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	25,000	-	(845)
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	Jan 2014	EUR/USD	(7,500)	-	(10)
				Total	**73,199**	**(1,890)**

32.3.1 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		61,228	214,662	5,076	21,652	236,314
Cash and cash equivalents		8,965	33,745	9,990	42,508	76,253
Notes		65,418	229,434	-	-	229,434
Other financial assets:		317,964	1,137,610	1,454	6,198	1,143,808
Loans advanced to related entities		*264,274*	*926,790*	*1,410*	*6,010*	*932,800*
Deposits		*8,962*	*31,432*	-	-	*31,432*
Cash blocked in bank accounts	*18*	*44,725*	*179,377*	-	-	*179,377*
Other receivables		*3*	*11*	*44*	*188*	*199*
Total		**453,575**	**1,615,451**	**16,520**	**70,358**	**1,685,809**
Financial liabilities						
Borrowings		1,869,172	6,575,835	2,241	9,550	6,585,385
Notes		126,359	443,978	-	-	443,978
Finance lease liabilities		-	-	18,764	79,976	79,976
Trade payables		375,997	1,318,705	8,750	37,255	1,355,960
Other financial liabilities		7,985	28,768	4,701	19,988	48,756
Total		**2,379,513**	**8,367,286**	**34,456**	**146,769**	**8,514,055**

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

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		121,143	364,884	10,922	45,112	409,996
Cash and cash equivalents		23,338	70,277	8,492	28,635	98,912
Notes		59,268	178,516	-	-	178,516
Other financial assets:		436,078	1,313,611	9,976	41,376	1,354,987
Loans advanced to related entities		*361,974*	*1,090,321*	*7,208*	*29,895*	*1,120,216*
Deposits		*3,105*	*9,352*	*603*	*2,501*	*11,853*
Security deposit (margin)		-	-	*2,150*	*8,917*	*8,917*
Cash blocked in bank accounts	*18*	*70,999*	*213,938*	-	-	*213,938*
Other receivables		-	-	*15*	*63*	*63*
Total		**639,827**	**1,927,288**	**29,390**	**115,123**	**2,042,411**
Financial liabilities						
Borrowings		2,096,295	6,320,969	1,180	4,892	6,325,861

Notes	125,211	377,210	-	-	377,210
Finance lease liabilities	-	-	21,259	88,164	88,164
Trade payables	641,265	1,931,493	12,510	50,877	1,982,370
Other financial liabilities	9,240	27,829	3,909	16,211	44,040
Total	**2,872,011**	**8,657,501**	**38,858**	**160,144**	**8,817,645**

For the purposes of sensitivity analysis, the currency structure presented above also accounts for intra-Group foreign currency transactions sensitive to changes in foreign exchange rates, which affect the Group's currency risk pursuant to IAS 21 The Effects of Changes in Foreign Exchange Rates with respect to recognition of relevant foreign exchange gains or losses in the Group's net profit or loss.

Apart from the instruments listed above, the Group held foreign-currency derivatives, including commodity swaps, interest-rate swaps, futures, as well as spot contracts, forwards and currency swaps. Depending on the type of derivative, the Group 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 derivatives (for more detailed information on the derivative measurement methods see Note 7.25).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 PLN '000	Effect of exchange rate increase/decrease on net profit/loss for the year			
	+12,142%	+7,2%	-12.142%	-7.2%
	USD	EUR	USD	EUR
Classes of financial instruments				
Financial assets				
Derivative financial instruments	6,099	(307)	(6,099)	307
Trade receivables	26,064	1,559	(26,064)	(1,559)
Cash and cash equivalents	4,097	3,061	(4,097)	(3,061)
Notes	27,858	-	(27,858)	-
Other financial assets:	138,128	447	(138,128)	(447)
Loans advanced to related entities	*112,531*	*433*	*(112,531)*	*(433)*
Deposits	*3,816*	-	*(3,816)*	-
Cash blocked in bank accounts	*21,780*	-	*(21,780)*	-
Other receivables	*1*	*14*	*(1)*	*(14)*
Total financial assets	**202,246**	**4,760**	**(202,246)**	**(4,760)**
Financial liabilities				
Borrowings	307,057 (1)	688	(307,057) (1)	(688)
Notes	53,908	-	(53,908)	-
Finance lease liabilities	-	5,758	-	(5,758)
Derivative financial instruments	185,269	(3,374)	(185,269)	3,374
Trade payables	160,117	2,682	(160,117)	(2,682)
Other financial liabilities	3,493	1,439	(3,493)	(1,439)
Total financial liabilities	**709,844**	**7,193**	**(709,844)**	**(7,193)**
Total	**(507,598)**	**(2,433)**	**507,598**	**2,433**

(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 PLN '000	Effect of exchange rate increase/decrease on net profit/loss for the year			
	+4%	+4%	-4%	-4%
	USD	EUR	USD	EUR
Classes of financial instruments				
Financial assets				
Derivative financial instruments	(75,226)	(41)	75,226	41
Trade receivables	14,595	1,804	(14,595)	(1,804)
Cash and cash equivalents	2,811	1,145	(2,811)	(1,145)
Notes	7,141	-	(7,141)	-
Other financial assets:	52,545	1,656	(52,545)	(1,656)
Loans advanced to related entities	*43,613*	*1,196*	*(43,613)*	*(1,196)*
Deposits	*374*	*100*	*(374)*	*(100)*
Security deposits (margins)	-	*357*	-	*(357)*
Cash blocked in bank accounts	*8,558*	-	*(8,558)*	-
Other receivables	-	*3*	-	*(3)*
Total financial assets	**1,866**	**4,564**	**(1,866)**	**(4,564)**
Financial liabilities				
Borrowings	96,997 [1]	196	(96,997) [1]	(196)
Notes	15,088	-	(15,088)	-
Finance lease liabilities	-	3,527	-	(3,527)
Derivative financial instruments	(13,591)	(132)	13,591	132
Trade payables	77,260	2,035	(77,260)	(2,035)
Other financial liabilities	1,113	648	(1,113)	(648)
Total financial liabilities	**176,867**	**6,274**	**(176,867)**	**(6,274)**
Total	**(175,001)**	**(1,710)**	**175,001**	**1,710**

[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.

32.4 Interest rate risk

The Parent is exposed to the risk of changes in cash flows caused by interest rate movements, as certain assets and liabilities held by the Parent 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 Parent 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 27.1).

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)**

32.4.1 Market risk sensitivity analysis: fluctuations in interest rates

Below is presented an analysis of the Group's sensitivity to interest rate risk as at December 31st 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	20	348,215	2,507	(2,507)
Other financial assets:		241,720	1,741	(1,741)
Oil and gas extraction facility decommissioning fund	18	30,911	223	(223)
Deposits	18	31,432	226	(226)
Cash blocked in bank accounts	18	179,377	1,292	(1,292)
Total		**589,935**	**4,248**	**(4,248)**
Financial liabilities				
Bank borrowings	27.1	6,215,612	36,963 (1)	(36,963) (1)
Loans	27.2	102,783	740	(740)
Notes	27.3	213,479	1,537	(1,537)
Finance lease liabilities	27.4	131,794	949	(949)
Derivative financial instruments (2)	28	75,484	(20,063)	20,681
Total		**6,739,152**	**20,126**	**(19,508)**

(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%, 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%, in the second case the curve is moved down 0.72%).

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	20	495,839	992	(992)
Other financial assets:		284,426	569	(569)
Oil and gas extraction facility decommissioning fund	*18*	*29,866*	*60*	*(60)*
Deposits	*18*	*29,593*	*59*	*(59)*
Security deposits (margins)	*18*	*11,029*	*22*	*(22)*

Cash blocked in bank accounts	*18*	*213,938*	*428*	*(428)*
Total		**780,265**	**1,561**	**(1,561)**
Financial liabilities				
Bank borrowings	27.1	5,851,809	9,642 (1)	(9,642) (1)
Loans	27.2	10,306	21	(21)
Notes	27.3	198,240	396	(396)
Finance lease liabilities	27.4	151,031	302	(302)
Derivative financial instruments (2)	28	72,263	(6,017)	6,081
Total		**6,283,649**	**4,344**	**(4,280)**

(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 0.2%, 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 0.2%, in the second case the curve is moved down 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 historical volatility data for the interest rates of interest rate swaps (IRS) with a 6-month interest payment period and 3-year expiry term, 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.

32.5 Liquidity risk

The liquidity risk management process at the Group 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 the Parent manages the 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 Group observes 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)	27.1	5,700,710	6,470,152	394,908	1,596,229	857,460	1,924,878	1,696,677
Overdraft facilities	27.1	514,902	514,902	514,902	-	-	-	-
Loans	27.2	102,783	122,641	3,306	12,343	13,782	47,123	46,087
Notes	27.3	213,479	213,732	-	17,687	35,072	160,973	-
Finance lease liabilities	27.4	131,794	163,404	17,500	17,786	35,441	74,166	18,511
Trade payables	30	1,692,839	1,692,839	1,692,755	84	-	-	-
Other financial liabilities	30	196,844	196,844	183,552	8,754	4,538	-	-
Total		**8,553,351**	**9,374,514**	**2,806,923**	**1,652,883**	**946,293**	**2,207,140**	**1,761,275**

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

Dec 31 2013 (restated) PLN '000	Note	Carrying amount	Contractual cash flows	Up to 6 months	6–12 months	1–2 years	2–5 years	Over 5 years
Borrowings (other than overdraft facilities)	27.1	5,352,895	6,148,523	256,245	1,276,268	604,337	1,967,022	2,044,651
Overdraft facilities	27.1	498,914	498,914	498,914	-	-	-	-
Loans	27.2	10,306	10,698	3,769	3,519	1,084	2,326	-
Notes	27.3	198,240	198,485	-	15,060	15,060	168,365	-
Finance lease liabilities	27.4	151,031	191,646	18,032	16,962	33,213	89,623	33,816
Trade payables	30	2,395,237	2,395,237	2,393,681	1,556	-	-	-
Other financial liabilities	30	189,729	189,729	120,615	68,879	235	-	-
Total		**8,796,352**	**9,633,232**	**3,291,256**	**1,382,244**	**653,929**	**2,227,336**	**2,078,467**

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	28	(29,337)	(29,337)	(2,414)	(17,440)	(7,670)	(1,813)	-
Currency forward and spot contracts	28	(55,829)	(52,648)	(43,928)	(8,720)	-	-	-
Interest rate swap (IRS)	28	(75,484)	(76,610)	(23,975)	1,629	(20,792)	(33,472)	-
Currency swap	28	(33,463)	(31,655)	(27,983)	(3,672)	-	-	-
Total		**(194,113)**	**(190,250)**	**(98,300)**	**(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	28	736	736	409	327	-	-	-
Currency forward and spot contracts	28	33,907	41,180	24,229	16,951	-	-	-
Interest rate swap (IRS)	28	(72,263)	(73,301)	(20,446)	1,055	(17,772)	(33,866)	(2,272)
Currency swap	28	37,402	43,863	29,416	14,447	-	-	-
Total		**(218)**	**12,478**	**33,608**	**32,780**	**(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).

32.6 Credit risk

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

The counterparties must have an appropriate credit rating assigned by leading rating agencies or hold guarantees from institutions meeting the minimum rating requirement. The Group 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 the Group did not exceed PLN 284.174 thousand and PLN 249.010 thousand, respectively (i.e. 4.44% and 3.49% of the Parent's equity). For information on the structure of the Group's borrowings by lender, see Note 27.1.

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 Parent 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 the Group did not exceed PLN 141,880 thousand and PLN 161,066 thousand, respectively (i.e. 2.21% and 2.26% of the Parent'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 (restated)
Derivative financial instruments	28; 31.2	4,430	73,935
Trade receivables	18	1,406,501	1,591,649
Cash and cash equivalents	20	348,215	495,839
Other financial assets	31.1	1,332,033	391,633
Total	**31.1**	**3,091,179**	**2,553,056**

In the Management Board's opinion, the risk related to non-performing financial assets is reflected in the recognised impairment losses. For information on impairment of financial assets, see Notes 9.4 and 18.1.

For information on concentrations of trade receivables credit risk, see Note 18.1.

For ageing analysis of receivables past due but not impaired, see Note 18.1.

33. Capital management

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

This is achieved through constant effort to develop the desired capital structure at the Group level.

The LOTOS Group uses the debt to equity ratio, calculated as net debt to equity, to monitor its financing structure.

Net debt comprises borrowings, notes and liabilities under finance leases less cash and cash equivalents. Equity includes equity attributable to owners of the Parent plus non-controlling interests.

PLN '000	Note	Dec 31 2014	Dec 31 2013 (restated)
Non-current liabilities			
Bank borrowings	27.1	4,098,225	4,180,374
Loans	27.2	92,146	3,250
Notes	27.3	195,892	183,171
Finance lease liabilities	27.4	109,299	129,395
Total		**4,495,562**	**4,496,190**
Current liabilities			
Bank borrowings	27.1	2,117,387	1,671,435
Loans	27.2	10,637	7,056
Notes	27.3	17,587	15,069
Finance lease liabilities	27.4	22,495	21,636
Total		**2,168,106**	**1,715,196**
Restricted cash - issue of shares [1]	18	(996,939)	-
Cash and cash equivalents	20	(348,215)	(495,839)
Net debt		**5,318,514**	**5,715,547**
Equity attributable to owners of the Parent		8,258,288	9,189,307
Non-controlling interests	26	175	289
Total equity		**8,258,463**	**9,189,596**
Net debt to equity		**0.64**	**0.62**

[1] 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 21 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/21.-share-capital>) until the day of registration of the share capital increase (see Note 37 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/37.-material-events-after-the-reporting-period>).

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, that is 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.

34. Carbon dioxide (CO2) 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)	1,766	1,688	1,652	1,613	1,576	1,540	1,505	1,461	12,801
Actual CO_2 emissions	1,745	1.875 (2)	-	-	-	-	-	-	3,620

(1) The number of free CO_2 allowances in 2013–2020 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 based on the production data for the installations covered by the emission trading scheme. 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 Group reported a deficit of allocated CO_2 emission allowances, and therefore recognised a PLN 2,784 thousand provision in 2014 (December 31st 2013: PLN 1,527 thousand). The PLN 1,257 thousand effect of the provision on operating profit (after reversal of the provision of PLN 1,527 thousand recognised in the previous reporting period) was disclosed under other expenses (see Note 9.4)

Moreover, to cover the deficit, in 2013 the Group acquired 923 thousand of CO_2 emission allowances (EUA, ERU), valued at PLN 23,430 thousand, which were disclosed in its statement of financial position under *Other intangible assets* (see Note 15 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/15.-other-intangible-assets>).

In total, the Group was allocated 1,766 thousand of CO_2 emission allowances for 2013, while the Group's actual CO_2 emissions in the period totalled 1,745 thousand tonnes.

For information on the risk related to prices of CO_2 emission allowances, see Note 32.2.

35. Contingent liabilities and assets

35.1 Material court, arbitration or administrative proceedings and other risks of the Parent or its subsidiaries

Material court proceedings to which the Parent is a party

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 JV 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 reimbursement of the costs of the 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

Grupa LOTOS S.A. 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 m^2, 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 consolidated 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.

Court proceedings instigated by or against Group companies

Proceedings involving a LOTOS Petrobaltic Group company

Agreement signed by LOTOS Exploration and Production Norge AS

LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS") was a party to proceedings held before an arbitration court in Norway in connection with claims filed by Single Buoy Moorings Inc. ("SBM"), the supplier of a MOPU (Mobile Offshore Production Unit) for the operation of the YME field, against Talisman Energy Norge AS, the operator of the YME field ("Talisman", the "Operator") and the other YME licence holders. The share of SBM's claims attributable to LOTOS E&P Norge AS was 20%.

On March 12th 2013, Talisman (the YME field operator) and SBM (the owner of the MOPU) announced that an agreement was reached to terminate all existing contracts and agreements executed by the parties in connection with the YME project and remove the MOPU from the YME field. Under the agreement, SBM paid USD 470m to the joint venture partners. On behalf of the licence holders, Talisman agreed to make the necessary preparations, remove the MOPU from the field and transport it to the handover point. SBM agreed to be responsible for towing and scrapping the unit onshore. Following completion of certain works, the ownership of elements of the YME field in situ subsea infrastructure delivered by SBM will be transferred to the consortium members, who will be required to perform reclamation (and disassembly) activities related to the infrastructure after the end of the production phase. The parties will cover the costs of decommissioning work as set out in the agreement. The agreement was approved by all partners in the YME licence, including LOTOS E&P Norge AS. The agreement provided for the terms of termination of all pending arbitration proceedings (between SBM and Talisman and the other YME licence holders).

In accordance with the provisions of the agreement with SBM, USD 12.22m has been paid to LOTOS E&P Norge AS's bank account by March 31st 2013. The payment represented a part of LOTOS E&P Norge AS's 20% interest in the amount of USD 470m, paid by SBM to the consortium members. The balance of the Group's share in the amount due to the consortium members under the agreement, that is USD 81.78m, was transferred to the escrow account of the YME project, to be gradually released to finance the removal of the MOPU and related infrastructure from the field, in accordance the agreement. On December 4th 2013, Talisman and Excalibur Maritime Contractors („EMC") signed an agreement to remove the Mobile Offshore Production Unit (MOPU) from the YME field. On February 5th 2014, Talisman notified LOTOS E&P Norge AS of the execution of an agreement between EMC and Single Buoy Moorings Inc. ("SBM") for the transport of the MOPU. In June 2014, Talisman notified LOTOS E&P Norge AS of the execution of an agreement between Veolia Environmental Services and Single Buoy Moorings Inc. ("SBM") concerning the scrapping of the rig.

In 2014, work on removal of the MOPU proceeded according to schedule.

As at December 31st 2014, available cash deposited in the escrow account, denominated in the presentation currency, was recognised in the amount of PLN 179,377 thousand under Other assets. The available provision for future costs of removal of the MOPU and disassembly of the related fixed assets was recognised in the amount of PLN 94,312 thousand under the current portion of *Other liabilities and provisions*. As the amount of the provision is the Management Board's best estimate as at the reporting date, the assumptions may be subject to reasonable changes that may in the future cause the need to remeasure the provisions for future costs of decommissioning of the platform.

Proceedings involving LOTOS Petrobaltic S.A.

On March 11th 2013, LOTOS Petrobaltic S.A. received a payment notice for approximately GBP 6.5m from AGR Subsea Ltd. ("AGR"). The claim concerns AGR's remuneration for the performance of a contract to unearth the legs of the 'Baltic Beta' platform. LOTOS Petrobaltic S.A. questioned the amount demanded by AGR as remuneration for the services and has proposed to pay PLN 16m (the equivalent of GBP 3.2m, translated at the mid rate quoted by the National Bank of Poland for December 31st 2012) to AGR under the claim. The dispute concerns the nature of the contract, the reasons of its delayed and incomplete performance, as well as the grounds for LOTOS Petrobaltic S.A. to terminate the contract and demand reimbursement of costs incurred by LOTOS Petrobaltic S.A. to hire replacement contractors to complete the work. AGR Subsea Ltd. did not accept the settlement and brought the case to court. On November 4th 2013, LOTOS Petrobaltic S.A. received a claim brought by AGR for payment of GBP 6.5m. The dispute was referred to mediation by virtue of the court's decision, which was accepted by LOTOS Petrobaltic S.A. Mediation meetings between AGR and LOTOS Petrobaltic S.A. were scheduled for April 22nd 2014.At a joint request of both parties, on June 20th 2014 the court agreed to extend the mediation proceedings until July 31st 2014. LOTOS Petrobaltic S.A. moved for extension of the mediation proceedings until September 30th 2014. The court ordered AGR to respond whether it supports the request for extension. As at December 31st 2014, AGR had not responded to the request.

On October 31st 2013, LOTOS Petrobaltic S.A. filed a claim against AGR to the Regional Court of Gdańsk for payment of GBP 5.6m to cover the costs of hiring the replacement contractors. On March 25th 2014, the Regional Court, 9th Commercial Division in Gdańsk, in writ-of-payment proceedings, issued an order for payment which was served to LOTOS Petrobaltic S.A. on April 17th 2014. The order along with the claim were served on the respondent on November 14th 2014. AGR raised an objection to the payment order and filed a follow-up preparatory plea on December 31st 2014.

As at December 31st 2014 and 2013, no liability towards AGR Subsea Ltd. was recognised by the Group in these consolidated financial statements.

Given the complex nature of the dispute, it is difficult to assess the risk arising in relation to the court proceedings, because if the judgement is unfavourable to one of the parties, that party may have to incur additional expenses related to the proceedings, including costs of legal representation and costs of enforcement.

Completion of recovery proceedings at Energobaltic Sp. z o.o.

On April 7th 2014, the District Court for Gdańsk issued a decision to register completion of recovery proceedings at Energobaltic Sp. z o.o. with the National Court Register in light of the decision of the District Court for Gdańsk-Północ confirming performance of the arrangement executed at the meeting of creditors of June 29th 2009 as part of the recovery proceedings between Energobaltic Sp. z o.o. and its creditors (see Note 17 to the consolidated financial statement for 2009).

Proceedings involving other Group companies

WANDEKO vs. LOTOS Paliwa Sp. z o.o.

Court proceedings are pending against LOTOS Paliwa Sp. z o.o., instigated by Mr Andrzej Wójcik conducting business as WANDEKO. On October 28th 2009, the Regional Court of Gdańsk, 9th Commercial Division, issued a default judgment awarding PLN 1,921 thousand plus contractual interest from the company to the plaintiff. In 2009, LOTOS Paliwa Sp. z o.o. recognised a PLN 15,318 thousand provision for the court-awarded amount plus interest. The company appealed against the judgment by lodging an objection to the default judgment with the Regional Court of Gdańsk on November 10th 2009. By virtue of its decision of December 28th 2010, the Court of Appeals dismissed Mr Andrzej Wójcik's complaint against the decision issued by the Regional Court of Gdańsk refusing to reverse the decision to lift the court order making the default judgment immediately enforceable, and awarded reimbursement of the cost of the proceedings to LOTOS Paliwa Sp. z o.o. In the reporting period ended December 31st 2013, following earlier decisions rendered in the case by the Regional Court in Gdańsk and the Court of Appeals in Gdańsk, the Court Enforcement Officer issued a decision reversing the earlier seizure of receivables from LOTOS Paliwa Sp. z o.o.'s bank account in the amount of PLN 18,320 thousand, which had been established to secure the plaintiff's claims in 2009. Accordingly, the Group ceased to disclose that amount as *Cash blocked in bank accounts under Current financial assets*.

The most recent hearing in the case was held on January 28th 2015. The court postponed entry of the ruling until May 25th 2015. As at the date of approval of these consolidated financial statements, the case was pending. As at December 31st 2014, LOTOS Paliwa Sp. z o.o. recognised a provision (see Note 30.1) for the court-awarded amount plus interest accrued in previous years, as specified above.

Proceedings involving LOTOS Gaz S.A. w likwidacji (in liquidation)

On July 23rd 2009, the District Court for Kraków-Śródmieście in Kraków opened bankruptcy by liquidation of assets of KRAK-GAZ Sp. z o.o. (a subsidiary of LOTOS Gaz S.A., currently LOTOS Gaz S.A. w likwidacji (in liquidation)). As the company's estate is managed by a bankruptcy administrator, LOTOS Gaz S.A. w likwidacji (in liquidation) lost control of KRAK-GAZ Sp. z o.o. KRAK-GAZ Sp. z o.o. has not been consolidated since 2009 (see Note 17 to the consolidated financial statements for 2009). On September 24th 2009, LOTOS Gaz S.A. w likwidacji (in liquidation) lodged its claims in the proceedings. On March 13th 2012, the judge commissioner conducting the bankruptcy proceedings of KRAK-GAZ Sp. z o.o. issued a decision recognising the claims of LOTOS Gaz S.A. w likwidacji (in liquidation) for a total amount of PLN 23,695 thousand, including a principal of PLN 21,435 thousand, and acknowledged that claims of PLN 21,132 thousand were secured with mortgages. The decision is final. On March 27th 2014, in accordance with a separate plan for the distribution of funds obtained as part of the bankruptcy proceedings, LOTOS Gaz S.A. w likwidacji (in liquidation) (was awarded PLN 3,067 thousand). As at the date of approval of these consolidated financial statements, the bankruptcy proceedings are pending.

35.2 Other contingent liabilities

- Since August 20th 2014, the Parent 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.
- An unconditional and irrevocable guarantee issued by LOTOS Petrobaltic S.A. for the benefit of the government of Norway on June 17th 2008, concerning the activities of LOTOS Exploration and Production Norge AS related to its exploration and production operations on the Norwegian Continental Shelf, was effective as at December 31st 2014 and December 31st 2013. In the guarantee, LOTOS Petrobaltic S.A. undertook to assume any financial liabilities which may arise in connection with the operations of LOTOS Exploration and Production Norge AS on the Norwegian Continental Shelf, consisting in exploration for and extraction of the natural resources from the sea bottom, including their storage and transport using means of transport other than ships.
- On May 13th 2014, LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") entered into an arrangement concerning conditional reimbursement of the costs of the Baltic Gas project (for more information, see Note 2 to the 2013 consolidated financial statements), whereby LOTOS Petrobaltic S.A. agreed to reimburse contributions made and documented by CalEnergy related to the performance of the second part of design work, as well as the remuneration payable to LOTOS Petrobaltic S.A. by CalEnergy, in the event of revocation of the B-4 and B-6 licences (valid until May 11th 2032 and November 7th 2032, respectively) within 12 months of the date of the arrangement. The total amount of contingent liabilities will not exceed USD 13,900 thousand (VAT exclusive).

36. Related parties

36.1 Transactions with related entities in which the Group holds shares

PLN '000	Year ended Dec 31 2014	Year ended Dec 31 2013 (restated)
Equity-accounted joint ventures		
Sale	456,244	20,103
Purchases	510	1,032
Purchase of property, plant and equipment	14	-
Interest income	2	-

PLN '000	Note	Dec 31 2014	Dec 31 2013 (restated)	Jan 1 2013 (restated)
Equity-accounted joint ventures				
Receivables	18	23,318	16,670	5,014
Liabilities	30	208	215	276

In 2014 and 2013, the Group traded primarily with LOTOS-Air BP Polska Sp. z o.o. The transactions involved sale of aviation fuel. The aggregate value of these transactions executed in 2014 was PLN 455,578 thousand (2013: PLN 19,533 thousand). As at December 31st 2014, the balance of outstanding receivables under these transactions was PLN 23,291 thousand (December 31st 2013: PLN 16,321 thousand).

In addition, in 2013 LOTOS Petrobaltic S.A. (upstream segment), as the other limited partner in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k., increased its equity interest in the partnership in exchange for contributions, including an in-kind contribution worth PLN 51,700 thousand in the form of non-current assets related to the B-4 and B-6 fields.

For general information on joint ventures in which the Group holds interests see Note 2 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/2.-composition-of-the-group-and-its-changes> , and for key information on equity-accounted joint ventures, see Note 16 <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/notes-to-the-financial-statements/16.-equity-accounted-joint-ventures> .

36.2 Entity having control of the Group

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

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

In 2014, the Group 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 Group's regular business activities 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	640,112	353,978
Purchases	1,447,552	1,649,885

PLN '000	Dec 31 2014	Dec 31 2013
Receivables	27,205	39,231
Liabilities	134,198	241,626

36.3 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.

36.4 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:	26,918	30,187
- annual bonus paid	*3,331* (1)	*5,606* (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	12,190	8,886
Current liabilities under annual bonus	3,875	7,163
Loans and other similar benefits	31	6
Total	**16,096**	**16,055**

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

37. 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.

38. Approval of the consolidated financial statements

These consolidated 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

Auditor's opinion

The Polish original should be referred to in matters of interpretation.
Translation of auditors' report originally issued in Polish.

INDEPENDENT AUDITORS' OPINION

To the Supervisory Board of Grupa LOTOS S.A.

1. We have audited the attached consolidated financial statements of LOTOS Capital Group ('the Group'), for which the holding company is Grupa LOTOS S.A. ('the Company') located in Gdańsk at 135 Elbląska Street, for the year ended 31 December 2014 containing, the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014 and notes to the financial statements ('the attached consolidated financial statements').

2. The truth and fairness[1] of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies and whether they truly and fairly[2] reflect, in all material respects, the financial position and results of the operations of the Group.

3. We conducted our audit of the attached consolidated financial statements in accordance with:
   - chapter 7 of the Accounting Act,
   - national auditing standards issued by the National Council of Statutory Auditors,

   in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.

4. The consolidated financial statements for the prior financial year ended 31 December 2013 were subject to our audit and on 3 March 2014 we have issued an unqualified opinion with an emphasis of matter on these financial statements concerning the uncertainty indicated by the Company's Management relating to the recoverability of the assets recognized due to YME field project development in Norway.

---

[1] Translation of the following expression in Polish: '*rzetelność i jasność*'
[2] Translation of the following expression in Polish: '*rzetelne i jasne*'

5. In our opinion, the attached consolidated financial statements, in all material respects:
   - present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2014 to 31 December 2014, as well as its financial position[3] as at 31 December 2014;
   - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
   - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
6. Without qualifying our audit opinion on the attached consolidated financial statements, we draw attention to point 13.1.2 of the explanatory notes to those consolidated financial statements, which describes among other issues related to YME field in Norway, including current status of YME field project development, further scenarios under consideration, as well as the impairment loss recognized in the attached financial statements on the full remaining value of capital expenditures related to this project in the total amount of PLN 578 million. The impact of recognized impairment of YME assets on the consolidated net income, after including the deferred tax effect, amounts to PLN 196 million.
7. We have read the 'Directors' Report for the period from 1 January 2014 to 31 December 2014 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2014.133 with subsequent amendments).

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor

Marcin Zieliński
certified auditor
No. 10402

Warsaw, 5 March 2015

[3] Translation of the following expression in Polish: '*sytuacja majątkowa i finansowa*'

Auditor's report

LOTOS CAPITAL GROUP

LONG-FORM AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

I. GENERAL NOTES

1. Background

The holding company of LOTOS Capital Group (hereinafter 'the Group' or 'the Capital Group') is Grupa LOTOS S.A. ('the holding company', 'the Company').

The holding company was incorporated on the basis of a Notarial Deed dated 18 September 1991. The Company's registered office is located in Gdańsk at 135 Elbląska Street.

The holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, Polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with The International Financial Reporting Standards as adopted by the EU. This requirement relates to the consolidated financial statements for the financial year beginning in 2005 and later.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000106150 on 10 April 2002.

The Company was issued with tax identification number (NIP) 5830000960 on 9 June 1993 and statistical number (REGON) 190541636 on 25 February 1998.

The principal activities of the holding company are as follows:

- production of crude oil and natural gas (PKD 06)
- manufacturing and processing of coke and crude oil refined products (PKD 19),
- manufacturing of technical gases (PKD 20.11),
- production of other basic inorganic chemicals (PKD 20.13),
- production of other basic organic chemicals (PKD 20.14),
- production of basic plastics (PKD 20.16),
- production and supply of electricity, gas, steam, hot water and air for air-conditioning systems (PKD 35),
- uptake, treatment, and supply of water (PKD 36),
- works relating to pipeline, telecommunication line and Power line construction (PKD 42.2),
- electrical, water and sewage as well as other construction installations (PKD 43.2),
- wholesale of fuels and derivatives products (PKD 46.71),
- wholesale of chemical products (PKD 46.75),
- railway transport of goods (PKD 49.2),
- pipeline transport (PKD 49.5),
- reloading of goods (PKD 52.24),
- warehousing and storage of goods (PKD 52.1),
- technical test and analyses (PKD 71.2),
- other scientific and technical research and development(PKD 72.19).

The scope of activities of the Group's subsidiaries and jointly controlled entities are similar to this of the holding company.

(in thousand zlotys)

1. Background (continued)

As at 31 December 2014, the Company's issued share capital amounted to 184.873 thousand zlotys. Equity as at that date amounted to 8.258.463 thousand zlotys.

In accordance with article 69 Act on the public offer and conditions for introduction of financial instruments to the organized trading system and public companies dated 25 July 2005 (Journal of Law No. 184 from 2005, item 1539, with amendments), in accordance with the current report no 38/2014 dated 25 November 2014 the ownership structure of the Company's issued share capital was as follows:

	Number of shares	Number of votes	Per value of shares	% of issued share capital
State Treasury	69.076.392	69.076.392	69.076.392	53,19%
ING OFE	7.800.000	7.800.000	7.800.000	6,01%
Other shareholders	52.996.970	52.996.970	52.996.970	40,80%
Total	129.873.362	129.873.362	129.873.362	100,00%

Movements in the share capital of the Company in the financial year were as follows:

	Number of shares	Par value of shares
Opening balance	129.873.362	129.873.362
Increase in share capital	55.000.000	55.000.000
Closing balance	184.873.362	184.873.362

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.

1. Background (continued)

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 5 March 2015, the holding company's Management Board was composed of:

Paweł Olechnowicz	- President, General Director
Marek Sokołowski	- Vice-President, Director of Production and Development
Mariusz Machajewski	- Vice-President, Finance Director
Maciej Szozda	- Vice-President, Sales Director
Zbigniew Paszkowicz	- Vice-President, Director of Exploration and Production

There were no changes in the Company's Management Board composition during the reporting period as well as from the balance sheet date to the date of the opinion.

(in thousand zlotys)

2. Group Structure

As at 31 December 2013, LOTOS Capital Group consisted of the following subsidiaries (direct or indirect):

Entity name	consolidation method	type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
LOTOS Paliwa Sp. z o.o	Purchase accounting	Unqualified opinion	Ernst & Young Audyt Polska Sp. z o.o. sp.k.	31.12.2014
LOTOS Oil S.A.	Purchase accounting	Unqualified opinion	Ernst & Young Audyt Polska Sp. z o.o. sp.k.	31.12.2014
LOTOS Asfalt Sp. z o.o.	Purchase accounting	Unqualified opinion	Ernst & Young Audyt Polska Sp. z o.o. sp.k.	31.12.2014
LOTOS Kolej Sp. z o.o.	Purchase accounting	Unqualified opinion	Ernst & Young Audyt Polska Sp. z o.o. sp.k.	31.12.2014
LOTOS Petrobaltic S.A. (the holding company has its own capital group)	Purchase accounting	Unqualified opinion with an emphasis of matter	Ernst & Young Audyt Polska Sp. z o.o. sp.k.	31.12.2014
Energobaltic Sp. z o.o.	Purchase accounting	Unqualified opinion	Ernst & Young Audyt Polska Sp. z o.o. sp.k.	31.12.2014
B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Purchase accounting	Unqualified opinion with an emphasis of matter	Ernst & Young Audyt Polska Sp. z o.o. sp.k.	31.12.2014
LOTOS Serwis Sp. z o.o.	Purchase accounting	Unqualified opinion	FY Audit Sp. z o.o.	31.12.2014
LOTOS Lab Sp. z o.o.	Purchase accounting	Unqualified opinion	FY Audit Sp. z o.o.	31.12.2014
LOTOS Straż Sp. z o.o.	Purchase accounting	No audit obligation	No audit obligation	31.12.2014
LOTOS Ochrona Sp. z o.o.	Purchase accounting	No audit obligation	No audit obligation	31.12.2014
LOTOS Terminale S.A. (the holding company has its own capital group)	Purchase accounting	Unqualified opinion with an emphasis of matter	Rewit Południe Sp. z o.o.	31.12.2014
LOTOS Biopaliwa Sp. z o.o.	Purchase accounting	Unqualified opinion	Rewit Południe Sp. z o.o.	31.12.2014

(in thousand zlotys)

2. Group structure (continued)

LOTOS Infrastruktura S.A (the holding company has its own capital group)	Purchase accounting	Unqualified opinion	Rewit Południe Sp. z o.o.	31.12.2014
RCEkoenergia Sp. z o.o.	Purchase accounting	Unqualified opinion	Rewit Południe Sp. z o.o.	31.12.2014
LOTOS Exploration and Production Norge AS	Purchase accounting	Unqualified opinion	Ernst & Young AS, Norway	31.12.2014
AB LOTOS Geonafta (the holding company has its own capital group)	Purchase accounting	Unqualified opinion	Ernst & Young Baltic UAB, Lithuania	31.12.2014
UAB Genciu Nafta	Purchase accounting	Unqualified opinion	Ernst & Young Baltic UAB, Lithuania	31.12.2014
UAB Manifoldas	Purchase accounting	Unqualified opinion	Ernst & Young Baltic UAB, Lithuania	
B8 Sp. z o.o.	Purchase accounting	No audit obligation	No audit obligation	31.12.2014
Miliana Shipping Company Ltd. (the holding company has its own capital group)	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2014
Technical Ship Management Sp. z o.o. the (holding company has its own capital group)	Purchase accounting	No audit obligation	No audit obligation	31.12.2014
SPV Baltic Sp. z o.o.	Purchase accounting	No audit obligation	No audit obligation	31.12.2014
Miliana Shipmanagement Ltd.	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2014
LOTOS Gaz S.A. company in liquidation	Purchase accounting	No audit obligation	No audit obligation	31.12.2014
LOTOS Park Technologiczny Sp. z o.o. company in liquidation	Purchase accounting	No audit obligation	No audit obligation	31.12.2014
Apgrodite Offshore Services N.V.	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2014
Bazalt Navigation Co. Ltd.	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2014

2. Group structure (continued)

Granit Navigation Company Ltd.	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2014
St. Barbara Navigation Company Ltd.	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2014
Petro Icarus Company Ltd.	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2014
Petro Aphrodite Company Ltd.	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2014

As at 31 December 2013 shares in the following joint-venture (direct and indirect) were recognised in the Group's consolidated financial statements using the equity method:

Entity name	Type of activity
UAB Minijos Nafta	Oil exploration, prospecting and production
LOTOS-Air BP Polska Sp. z o.o.	Sale of aviation fuel and logistics services
Baltic Gas Sp. z o.o.	Oil and gas production (support activities for oil and gas production)
Baltic Gas sp. z o.o. i wspólnicy sp.k	Crude oil and gas production

Details of the type and impact of changes in entities included in the consolidation as compared to the prior year may be found in Note 2 of the notes to the consolidated financial statements of the Group for the year ended 31 December 2014.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated financial statements

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. was appointed by Supervisory Board on 31 October 2012 to audit the Group's financial statements.

Ernst & Young Audyt Polska spółka z ograniczoną odpowiedzialnością sp. k. and the key certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 30 July 2013 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2014.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued an unqualified auditors' opinion with an emphasis of matter dated 5 March 2014, stating the following:

'To the General Shareholders Meeting and the Supervisory Board of Grupa LOTOS S.A.

1. We have audited the attached consolidated financial statements of LOTOS Capital Group ('the Group'), for which the holding company is Grupa LOTOS S.A. ('the Company') located in Gdańsk at 135 Elbląska Street, for the year ended 31 December 2014 containing, the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014 and notes to the financial statements ('the attached consolidated financial statements').

2. The truth and fairness[1] of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that

[1] Translation of the following expression in Polish: '*rzetelność i jasność*'

3.1 Auditors' opinion and audit of consolidated financial statements (continued)

the attached consolidated financial statements and the Directors' Report meet the of the Accounting Act dated 29 September 1994 (Journal of Laws 2013.330 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies and whether they truly and fairly[2] reflect, in all material respects, the financial position and results of the operations of the Group.

3. We conducted our audit of the attached consolidated financial statements in accordance with:
   - chapter 7 of the Accounting Act,
   - national auditing standards issued by the National Council of Statutory Auditors,

   in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Company's Management Board, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.

4. The consolidated financial statements for the prior financial year ended 31 December 2013 were subject to our audit and on 3 March 2014 we have issued an unqualified opinion with an emphasis of matter on these financial statements concerning the uncertainty indicated by the Company's Management relating to the recoverability of the assets recognized due to YME field project development in Norway.

5. In our opinion, the attached consolidated financial statements, in all material respects:
   - present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2014 to 31 December 2014, as well as its financial position[3] as at 31 December 2014;
   - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
   - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.

6. Without qualifying our audit opinion on the attached consolidated financial statements, we draw attention to point 13.1.2 of the explanatory notes to those consolidated financial statements, which describes among other issues related to YME field in Norway, including current status of YME field project development, further scenarios under consideration,

[2] Translation of the following expression in Polish: *'rzetelne i jasne'*
[3] Translation of the following expression in Polish: *'sytuacja majątkowa i finansowa'*

3.1 Auditors' opinion and audit of consolidated financial statements (continued)

as well as the impairment loss recognized in the attached financial statements on the full remaining value of capital expenditures related to this project in the total amount of PLN 578 million. The impact of recognized impairment of YME assets on the consolidated net income, after including the deferred tax effect, amounts to PLN 196 million.

7. We have read the 'Directors' Report for the period from 1 January 2014 to 31 December 2014 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2014.133 with subsequent amendments)."

We conducted the audit of the consolidated financial statements during the period from 8 April 2014 to 5 March 2015. We were present at the Company's head office from 14 April 2014 to 18 April 2014, from 21 July 2014 to 1 August 2014, from 13 October 2014 to 22 October 2014, from 17 November 2014 to 21 November 2014 and from 2 February 2015 to 13 February 2015.

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness[4] of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 5 March 2015, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete,
- all contingent liabilities had been disclosed in the consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the consolidated financial statements,

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements.

At the same time we declare that during the audit of the financial statements, there were no limitations of scope.

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2013 were audited by Marcin Zieliński, key certified auditor no. 10402, acting on behalf of Ernst & Young Audyt spółka z ograniczoną odpowiedzialnością sp. k., with its registered office in Warsaw, at Rondo ONZ 1, registered on the list of entities authorised to audit financial statements conducted by National Chamber of Statutory Auditors under no. 130.

The key certified auditor issued an unqualified opinion with an emphasis of matter on the consolidated financial statements for the year ended 31 December 2013. The emphasis of matter concerned the uncertainty indicated by the holding company's Management relating to the recoverability of the assets recognized due to YME field project development in Norway.

The consolidated financial statements for the year ended 31 December 2014 were approved by the General Shareholders' Meeting of Grupa LOTOS S.A. on 30 June 2014.

The consolidated financial statements of the Group for the financial year ended 31 December 2012, together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 7 July 2014 with the National Court Register.

[4] Translation of the following expression in Polish: *"rzetelność i jasność"*

(in thousand zlotys)

4 Analytical Review

4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2012 – 2014. The ratios were calculated on the basis of financial information included in the financial statements for years ended 31 December 2014 and 31 December 2013, taking into consideration the impact of the change of UAB Minijos Nafta consolidation method on presented financial information for the year ended 31 December 2012.

	2014	2013	2012
Total assets	18 947 157	20 284 754	20 005 008
Shareholders' equity	8 258 463	9 189 596	9 066 424
Net profit	(1 466 372)	39 428	927 876
Return on assets (%)	(7,7)%	0,2%	4,6%
Net profit x 100% / Total assets			
Return on equity (%)	(16,0)%	0,4%	11,9%
Net profit x 100% / Shareholders' equity at the beginning of the period			
Profit margin (%)	(5,1)%	0,1%	2,8%
Net profit x 100% / Sales of finished goods, goods for resale and raw materials			
Liquidity I	1,37	1,53	1,26
Current assets / Short-term creditors			
Liquidity III	0,07	0,09	0,04
Cash and cash equivalents / Short-term creditors			
Debtors days	18 days	20 days	18 days
Trade debtors x 365 days / Sales of finished goods, goods for resale and raw materials			

(in thousand zlotys)

	2014	2013	2012
Creditors days	21 days	31 days	25 days
Trade creditors x 365 days / Costs of finished goods, goods for resale and raw materials sold			
Inventory days	49 days	74 days	68 days
Inventory x 365 days / Costs of finished goods, goods for resale and raw materials sold			
Stability of financing (%)	72,4%	73,3%	72,3%
(Equity + long-term provisions and liabilities) x 100% / Total liabilities, provisions and equity			
Debt ratio (%)	56,4%	54,7%	54,7%
(Total liabilities and provisions) x 100% / Total assets			
Rate of inflation:			
Yearly average	0,00%	0,90%	3,70%
December to December	(1,00)%	0,70%	2,40%

4.2 Comments

Based on the analysis of the above data and financial ratios, the following trends may be observed in 2014:

All profitability ratios was negative in 2014 due to net loss in 2014 in comparison to the net profit in previous years.

Return on assets ratio in 2012 amounted to 4,6% and decreased in next year by 4,4 pp to the level of 0,2% and then decreased in 2014 to (7,7)%.

Return on equity ratio also has decreased to (16,0)% in 2014 from 0,4% in 2013 and from 11,9% in 2012. Profit margin amounted to (5,1)% in 2014 and decreased than 0,1% in 2013 and 2,8% in 2012.

Liquidity I ratio decreased to 1,37 as at 31 December 2014 in comparison to 2013 year end, when it amounted to 1,53, however it increased in comparison to 2012 year end, when it amounted to 1,26. Movement was caused by decrease in current assets.

4.2 Comments (continued)

Liquidity III ratio increased in 2014 up to 0,07 in comparison to 2013 year, when it amounted to 0,09, however it increased in comparison to 2012 year, when it amounted to 0,04. Decrease in comparison to 2013 is caused by the lower level of cash and cash equivalents.

Debtors days ratio in 2014 decreased from 26 days in 2013 to the level from 2012 year end, while it amounted to 18 days. The reason behind this change in 2014 is decrease of short term receivables accompanied by lower level of decrease in revenues.

Creditors days ratio amounted to 21 days in 2014 and it was shorter than in 2013 when it amounted to 31 days. In 2012 this ratio amounted to 25 days. The decrease in 2014 in comparison to prior year was caused by decrease of trade payables at 2014 year end.

The inventory days ratio decreased in 2014 to 49 days in comparison to 2013, when amounted to 74 days, and in 2012 when amounted to 68 days. The reason behind ratio decrease in 2014 in comparison to prior year was caused by decrease of inventories, accompanied by lower level of operating costs.

The Group's stability of financing ratio and the debt ratio at 31 December 2014 indicates the higher share of the constant capital in the Group's financing structure in comparison to the comparable position at the end of previous years. The Company's stability of financing ratio amounted to 72,4% at 31 December 2014 in comparison with 73,3% in 2013 year end and 72,3% in 2012 year end. Its decrease in 2014 in comparison with 2013 is caused by higher increase of liabilities in comparison to the increase of shareholder equity.

Debt ratio in 2014 has increased by 1,7 pp in comparison to 2013 and also to 2012, while amounted 56,4%. The analysed increase was caused by lower level of shareholder equity.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2014 as a result of an intended or compulsory withdrawal from a substantial limitation in its current operations.

The Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least twelve months subsequent to 31 December 2014 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note 7 of notes to the Group's consolidated financial statements for the year ended 31 December 2014.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2014.

The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method of determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note 14 of the notes to the financial statements.

3.2 Shareholders' funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. Non-controlling interest amounted to 175 thousand zlotys as at 31 December 2014. It was correctly calculated and is consistent with the consolidation documentation.

Information on shareholders' funds has been presented in notes from 21 to 26 of notes to the financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2014 and include the financial data for the period from 1 January 2014 to 31 December 2014.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

In financial year ended 31 December 2014 the Group did not sell any shares in subordinated entities.

6. Items which have an impact on the group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2014.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting.

8. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the consolidated financial statements for the year ended 31 December 2014 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

9. Directors' Report

We have read the 'Directors' Report for the period from 1 January 2014 to 31 December 2014 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant provisions of art. 49 para 2 of the Accounting Act and the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws 2014.133 with subsequent amendments).

10. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association were breached during the financial year.

11. Work of Experts

During our audit we have taken into account the results of the work of independent experts:

- independent actuaries responsible for the calculation of the present value of the Group's future liabilities towards employees, other than salaries.
- specialists in the oil reserves' estimates for production licenses held.

on behalf of
Ernst & Young Audyt Polska spółka
z ograniczoną odpowiedzialnością sp. k.
Rondo ONZ 1, 00-124 Warsaw
Reg. No 130

Key Certified Auditor

Marcin Zieliński
certified auditor
No. 10402

Warsaw, 5 March 2015

Management’s discussion and analysis

This chapter presents Management's Discussion and Analysis of Q4 2014 Consolidated Financial Results as well as the Directors' Report on the Operations of the LOTOS Group in 2014.

Director's Report on the Operations of the LOTOS Group in 2014
(PDF, 3.95 MB) <http://raportroczny.lotos.pl/en/?
ACT=24&lv=49mSC%2BReqZFy8iyL1yOA7aZmX1lsLqbDsaLBFfV5zg4MrbXrICHIKnLDhdIdpcHu5eMOoOdG2wZ5RtIrUgXU%2FUEuO8woBSN%2BOrl%2BccjiYFx2EQT6OBc7E9J8tg%2F9nFcCEkHfqDCzlXkhfXGYJsAV9L5ybYn8r

Management's Discussion and Analysis of Q4 2014 Consolidated Financial Results
(PDF, 1.26 MB) <http://raportroczny.lotos.pl/en/?
ACT=24&lv=mD%2BYoL4kP7PQH2s%2FCoV34tuNbX4ZbVMlCFvkeOR0Gi4QHhC6hrznoH2sYeio0tF1%2B8%2BfvabxBArO4knYffWX7SSPE6kxrNx915o3ychL5nlv6nN1Ij5EsyJMCQVZqJL2OfFggYqwPDZxHzyb5pBVIv2V1Ilv0Cbx

Interactive LOTOS Databook

This chapter contains a set of interactive data of Grupa LOTOS. Column data tables can be moved for convenient comparison. You can also select only interesting periods, sort the data in ascending or descending order.

INDEX:

Financial information > Interactive LOTOS Databook > Capital Market

Capital Market

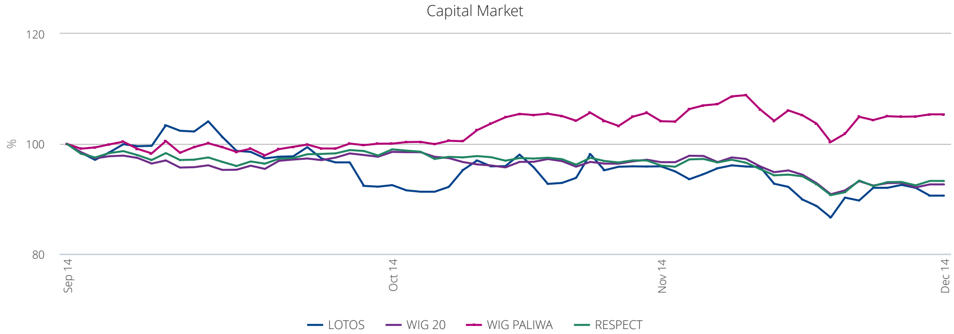
Grupa LOTOS S.A. share price against Warsaw Stock Exchange Indices

ISIN	Warsaw Stock Exchange	Thomson Reuters	Bloomberg
PLLOTOS00025	LTS	LTOS.WA	LTS PW

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Price per share at end of period	PLN	**35.0**	**26.5**	**26.9**	**12.0**	**16.5**	**20.2**	**24.5**	**31.8**	**29.5**	**28.9**	**31.2**	**36.4**
Min	PLN	31.0	24.9	24.7	11.0	7.2	15.4	18.3	23.6	22.1	28.0	28.4	30.0
Max	PLN	45.5	36.0	29.4	27.3	17.3	24.4	26.3	32.8	33.5	33.5	34.9	37.9
Number of common shares	mln	**113.7**	**113.7**	**113.7**	**113.7**	**113.7**	**113.7**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**
Weighted average number of shares	mln	-	-	-	-	-	-	-	121.1	-	-	-	-
Market capitalization at end of period	PLN m	**3979.5**	**3013.1**	**3056.3**	**1358.7**	**1880.6**	**2296.7**	**3181.3**	**4130.8**	**3831.2**	**3746.7**	**4051.9**	**4720.8**
Change qoq	%									-7.3	-2.2	8.1	16.5
WIG-20	PLN	**2981.1**	**2591.1**	**2384.2**	**1789.7**	**1511.9**	**1862.4**	**2192.4**	**2388.7**	**2495.6**	**2271.0**	**2615.2**	**2744.2**
Change qoq	%		-13.1	-8.0	-24.9	-15.5	23.2	17.7	9.0	4.5	-9.0	15.2	4.9
WIG-PALIWA	PLN	**2858.6**	**2320.1**	**2401.1**	**1889.5**	**1799.6**	**2065.0**	**2222.5**	**2435.5**	**2679.4**	**2482.8**	**2756.9**	**3079.4**
Change qoq	%		-18.8	3.5	-21.3	-4.8	14.7	7.6	9.6	10.0	-7.3	11.0	11.7
RESPECT	PLN								**1709.4**	**1787.6**	**1628.8**	**1942.5**	**2259.2**
Change qoq	%									4.6	-8.9	19.3	16.3

Reset Sort ascending Sort descending		1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Price per share at end of period	PLN	**44.2**	**45.2**	**25.2**	**23.3**	**27.3**	**27.9**	**31.4**	**41.2**	**40.9**	**35.9**	**36.8**	**35.4**	**37.9**	**37.0**	**28.2**	**25.5**
Min	PLN	35.0	43.1	23.7	22.3	21.3	22.7	24.0	29.5	36.7	33.8	32.9	32.9	34.0	36.7	28.2	**24.1**
Max	PLN	44.3	49.5	46.4	30.0	29.0	31.9	32.0	43.8	45.5	43.5	39.7	45.4	40.9	39.9	38.4	**29.6**
Number of common shares	mln	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**	**129.9**
Weighted average number of shares	mln	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	**-**
Market capitalization at end of period	PLN m	**5733.8**	**5863.6**	**3277.9**	**3026.0**	**3545.5**	**3623.4**	**4077.9**	**5351.0**	**5,312.9**	**4,663.4**	**4,780.3**	**4,603.9**	**4,923.2**	**4,806.3**	**3,656.7**	**3,311.7**
Change qoq	%	21.5	2.3	-44.1	-7.7	17.2	2.2	12.5	31.2	0.0	-12.2	2.5	-3.7	6.9	-2.4	-23.9	**-9.4**
WIG-20	PLN	**2817.0**	**2802.0**	**2188.7**	**2144.5**	**2286.5**	**2275.3**	**2371.4**	**2583.0**	**2,370.1**	**2,245.6**	**2,391.5**	**2,401.0**	**2,462.5**	**2,408.8**	**2,500.3**	**2,315.9**
Change qoq	%	2.7	-0.5	-21.9	-2.0	6.6	-0.5	4.2	8.9	-8.2	-5.3	6.5	0.4	2.5	-2.2	3.8	**-7.4**
WIG-PALIWA	PLN	**3506.6**	**3554.7**	**2675.3**	**2567.6**	**2747.0**	**2744.1**	**3094.2**	**3571.1**	**3,693.7**	**3,524.1**	**3,571.0**	**3,215.1**	**3,155.3**	**3,280.2**	**3,209.1**	**3,381.2**
Change qoq	%	13.9	1.4	-24.7	-4.0	7.0	-0.1	12.8	15.4	3.4	-4.6	1.3	-9.9	-1.9	3.9	-2.2	**5.4**
RESPECT	PLN	**2450.2**	**2494.5**	**2054.6**	**2005.1**	**2204.8**	**2182.0**	**2391.8**	**2591.2**	**2,399.3**	**2,334.2**	**2,599.9**	**2,559.2**	**2,634.1**	**2,736.1**	**2,867.4**	**2,674.1**
Change qoq	%	8.5	1.8	-17.6	-2.4	10.0	-1.0	9.6	8.3	-0.1	-2.7	11.4	-1.6	2.9	3.9	4.8	**-6.7**

Capital Market



Share capital structure

End of period

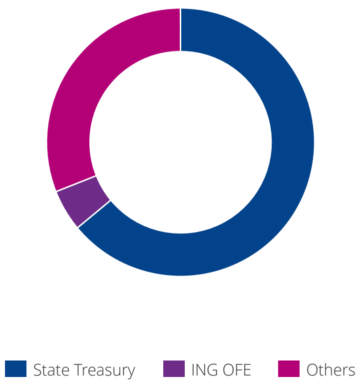
Reset
Sort ascending
Sort descending

Shareholders (large holdings of shares)	2008		2009		2010		2011		2012		2013		2014
	%	*no. of shares*	%	*no. of shares*	%	*no. of shares*	%	*no. of shares*	%	*no. of shares*	%	*no. of shares*	%
Nafta Polska	51.9	59,025,000	-	-	-	-	-	-	-	-	-	-	**-**
State Treasury	6.9	7,878,030	64.0	83,076,392	53.2	69,076,392	53.2	69,076,392	53.2	69,076,392	53.2	69,076,392	**53.2**
ING OFE	-	-	5.0	6,524,479	5.0	6,524,479					5.3	6,893,079	**8.6***
Others	41.2	46,796,970	31.0	40,272,491	41.8	54,272,491	46.8	60,796,970	46.8	60,796,970	41.5	53,903,891	**38.2**
Total	**100.0**	**113,700,000**	**100.0**	**129,873,362**	**100.0**	**129,873,362**	**100.0**	**129,873,362**	**100.0**	**129,873,362**	**100.0**	**129,873,362**	**100.0**

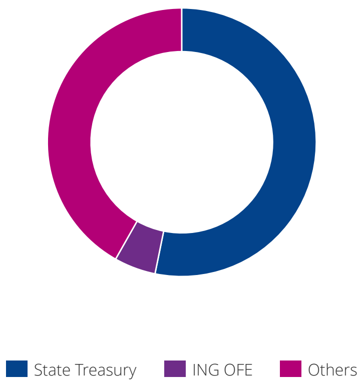
* Based on the annual assets structures as at December 31st 2014

Share capital structure end of period 2008

Share capital structure end of period 2009

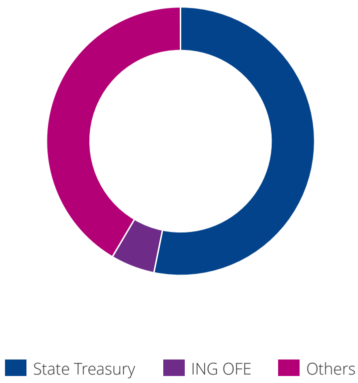


Share capital structure end of period 2010

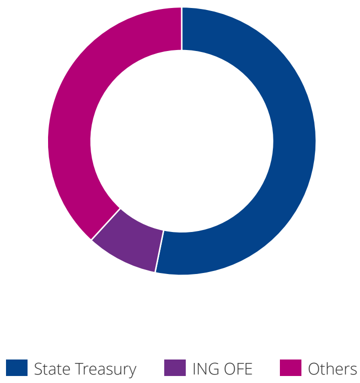


Share capital structure end of period 2011/2012

Share capital structure end of period 2013



Share capital structure end of period 2014

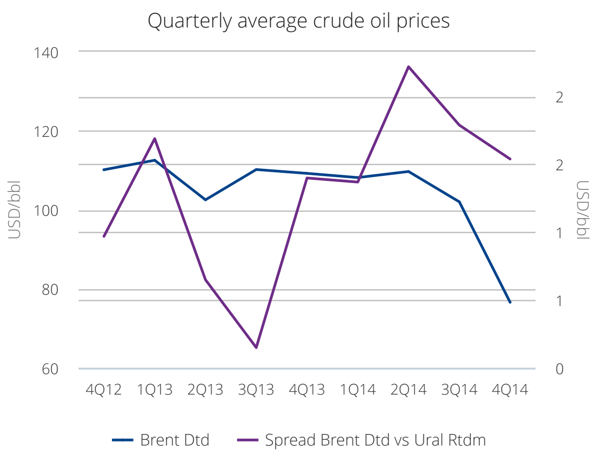


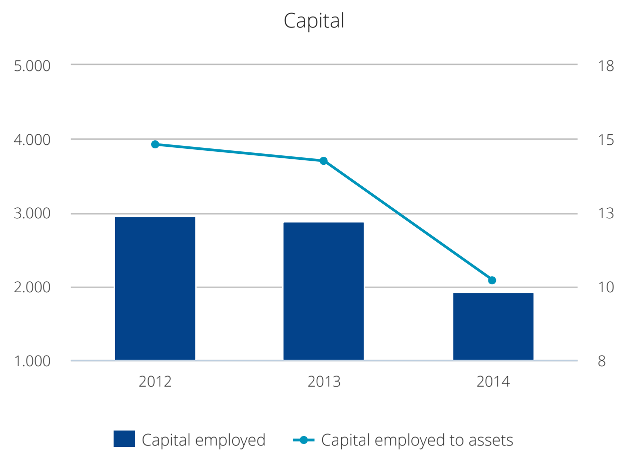
Macro environment

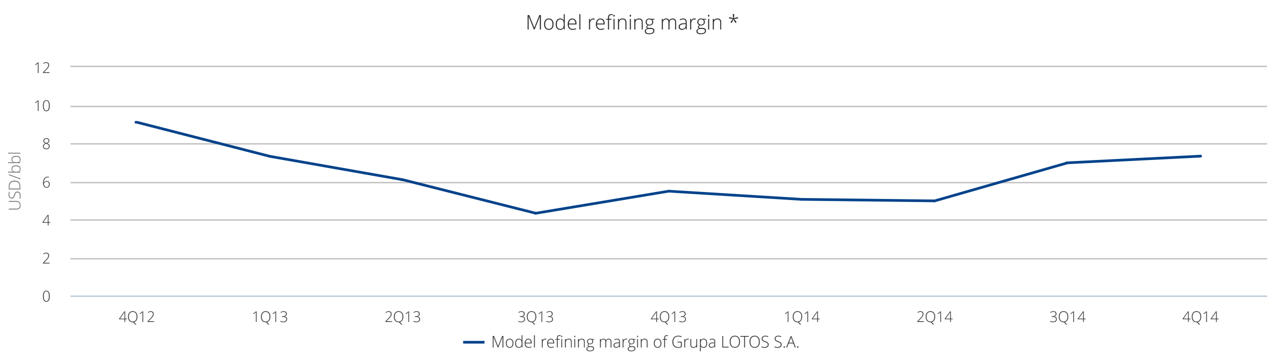
Crude oil prices and foreign exchange rates, model refining margin of Grupa LOTOS S.A.

Reset Sort ascending Sort descending		1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Quarterly average crude oil prices																					
Brent Dtd	USD/bbl	76.34	78.24	76.74	86.43	105.45	116.92	113.23	109.39	118.63	108.02	109.60	110.14	112.54	102.53	110.19	109.22	108.16	109.69	102.02	**76.63**
Spread Brent Dtd vs Ural Rtdm	USD/bbl	1.41	1.74	0.92	1.51	2.93	2.83	0.67	0.26	1.20	1.97	0.69	0.97	1.69	0.65	0.15	1.40	1.37	2.22	1.79	**1.54**
Quarterly average FX rates																					
USD	PLN	2.88	3.16	3.10	2.92	2.88	2.75	2.94	3.28	3.22	3.33	3.31	3.17	3.15	3.21	3.21	3.07	3.06	3.04	3.15	**3.37**
EUR	PLN	3.99	4.01	4.01	3.97	3.95	3.96	4.15	4.42	4.23	4.26	4.14	4.11	4.16	4.20	4.25	4.19	4.19	4.17	4.17	**4.21**
Model refining margin																					
Model refining margin *	USD/bbl											9.68	9.10	7.31	6.08	4.32	5.48	5.05	4.97	6.97	**7.32**

* In order to facilitate assessment of the impact of global commodity and product prices on the profitability of Grupa LOTOS S.A.'s refinery, the Company revised its model refining margin for Q3 2013 and comparative periods. For a description of the new method of estimating the refining margin, see Current Report No. 25/2013 of October 29th 2013.







* In order to facilitate assessment of the impact of global commodity and product prices on the profitability of Grupa LOTOS S.A.'s refinery, the Company revised its model refining margin for Q3 2013 and comparative periods.
For a description of the new method of estimating the refining margin, see Current Report No. 25/2013 of October 29th 2013.

Financial information > Interactive LOTOS Databook > Consolidated statement of comprehensive income - quarterly

Consolidated statement of comprehensive income - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
Sales revenue	PLN m	**3,561.5**	**4,217.9**	**4,764.2**	**3,751.1**	**2,716.6**	**3,447.9**	**4,132.0**	**4,024.5**	**3,904.9**	**4,742.7**	**5,279.8**	**5,735.4**	**6,515.2**	**6,781.4**
Cost of sales	PLN m	-3,216.0	-3,559.0	-4,461.7	-4,078.3	-2,467.0	-3,038.1	-3,658.1	-3,612.6	-3,498.2	-4,137.2	-4,605.7	-5,028.1	-5,783.7	-6,130.2
Gross profit	PLN m	**345.5**	**658.9**	**302.5**	**-327.2**	**249.6**	**409.8**	**473.9**	**411.9**	**406.7**	**605.5**	**674.1**	**707.3**	**731.5**	**651.2**
Goodwill impairment allowance	PLN m	0.0	0.0	0.0	-12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distribution costs	PLN m	-161.1	-185.9	-187.0	-203.3	-158.9	-169.2	-193.0	-205.3	-176.0	-218.6	-236.6	-241.2	-222.3	-246.9
Administrative expenses	PLN m	-85.4	-67.1	-67.8	-96.5	-81.8	-68.9	-75.6	-106.3	-78.8	-86.3	-94.6	-117.4	-100.5	-97.5
Other operating profit/(loss)	PLN m	-4.3	-20.2	-8.5	-25.8	3.8	-13.7	-21.0	-35.5	-19.9	-8.3	-10.6	-43.9	1.5	10.1
Effect of accounting for step acquisition of control (AB LOTOS Geonafta Group)	PLN m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	126.4	0.0
Loss of control over subsidiary	PLN m	0.0	0.0	0.0	0.0	0.0	0.0	30.8	-0.2	0.0	0.0	0.0	0.0	0.7	0.0
Operating profit/(loss)	PLN m	**94.7**	**385.7**	**39.2**	**-665.4**	**12.7**	**158.0**	**215.1**	**64.6**	**132.0**	**292.3**	**332.3**	**304.8**	**537.3**	**316.9**
Profit/(loss) on financing activities	PLN m	255.4	137.1	-319.1	-457.8	-791.6	763.0	514.3	165.3	-131.2	-1,114.9	966.4	-78.4	211.4	-0.7
Share in net profit of equity-accounted joint ventures	PLN m	0.0	0.0	0.0	26.5	0.0	0.0	0.0	8.2	0.0	0.0	0.0	18.6	2.9	0.0
Pre-tax profit/(loss)	PLN m	350.1	522.8	-279.9	-1,096.7	-778.9	921.0	729.4	238.1	0.8	-822.6	1,298.7	245.0	751.6	316.2
Corporate income tax	PLN m	-71.3	-99.8	56.0	229.4	121.4	-160.3	-149.9	-9.0	23.4	176.9	-247.3	6.5	-115.0	-46.2
Net profit/(loss)	PLN m	**278.8**	**423.0**	**-223.9**	**-867.3**	**-657.5**	**760.7**	**579.5**	**229.1**	**24.2**	**-645.7**	**1,051.4**	**251.5**	**636.6**	**270.0**
- attributable to Owners of the parent	PLN m	267.9	398.0	-237.8	-881.6	-650.1	744.7	578.9	227.3	22.9	-646.0	1,051.0	251.3	636.3	270.0
- attributable to Non-controling interests	PLN m	10.9	25.0	13.9	14.3	-7.4	16.0	0.6	1.8	1.3	0.3	0.4	0.2	0.3	0.0
Other comprehensive Income	PLN m									**-8.1**	**28.3**	**-18.9**	**-4.1**	**128.2**	**69.5**
- exchange differences on translating foreign operations	PLN m									-8.1	28.3	-18.9	-0.4	-7.5	2.1
- cash flow hedges	PLN m									0.0	0.0	0.0	-0.8	165.7	83.7
- income tax on the comprehensive income	PLN m									0.0	0.0	0.0	-2.9	-30.0	-16.3
Excise duty an fuel tax															
Excise duty an fuel tax	PLN m	1,285.2	1,435.1	1,653.7	1,749.0	1,473.1	1,709.6	1,980.0	1,821.9	1,774.0	1,947.9	2,259.0	2,279.6	1,987.5	2,316.4
EBITDA															
Depreciation	PLN m	79.6	78.2	79.0	78.2	62.4	67.5	72.5	82.4	79.8	91.4	102.3	116.4	123.5	149.9
EBITDA	PLN m	174.3	463.9	118.2	-587.2	75.1	225.5	287.6	147.0	211.8	383.7	434.6	421.2	660.8	466.8

Reset Sort ascending Sort descending	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Sales revenue	**7,597.5**	**8,365.5**	**7,832.3**	**8,384.1**	**8,568.8**	**8,288.5**	**7,168.7**	**6,106.2**	**7,787.4**	**7,496.8**	**7,177.0**	**7,199.3**	**7,549.8**	**6,575.8**
Cost of sales	-7,149.3	-7,509.2	-7,088.2	-7,947.0	-7,596.2	-7,686.6	-6,828.1	-5,945.4	-7,041.0	-7,064.3	-6,795.1	-6,650.5	-7,001.4	**-7,019.6**
Gross profit	**448.2**	**856.3**	**744.1**	**437.1**	**972.6**	**601.9**	**340.6**	**160.8**	**746.4**	**432.5**	**381.9**	**548.8**	**548.4**	**-443.8**
Goodwill impairment allowance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Distribution costs	-260.6	-270.5	-241.9	-262.9	-265.7	-280.9	-251.6	-258.2	-302.8	-293.6	-267.9	-291.5	-287.9	**-314.7**
Administrative expenses	-100.0	-134.3	-102.7	-98.7	-104.7	-136.6	-108.7	-89.5	-103.5	-127.5	-101.0	-114.0	-114.2	**-117.9**
Other operating profit/(loss)	0.6	-308.4	-1.5	-936.9	1.6	-99.1	-6.4	86.6	0.1	-72.1	4.3	-558.3	-66.7	**-198.5**
Effect of accounting for step acquisition of control (AB LOTOS Geonafta Group)	0.0	0.0	0.0	0.0	0.0	61.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Loss of control over subsidiary	0.0	0.0	21.0	0.0	0.0	0.0	0.0	0.0	0.0	13.5	0.0	0.0	0.0	**0.0**
Operating profit/(loss)	**88.2**	**143.1**	**419.0**	**-861.4**	**603.8**	**146.9**	**-26.1**	**-100.3**	**340.2**	**-47.2**	**17.3**	**-415.0**	**79.6**	**-1,074.9**
Profit/(loss) on financing activities	-525.2	-222.5	318.0	-426.3	145.2	16.8	-196.2	-66.9	39.3	16.7	-38.1	-90.8	-175.1	**-402.3**
Share in net profit of equity-accounted joint ventures	0.0	0.0	0.0	0.0	0.0	4.1	1.7	-5.3	7.9	-22.4	-0.3	-0.1	1.5	**-25.4**
Pre-tax profit/(loss)	-437.0	-79.4	737.0	-1,287.7	749.0	167.8	-220.6	-172.5	387.4	-52.9	-20.8	-505.9	-94.0	**-1,502.6**
Corporate income tax	105.7	153.4	-139.9	758.7	-123.0	66.0	73.3	46.4	-50.2	28.5	-11.3	383.4	59.0	**226.2**
Net profit/(loss)	**-331.3**	**74.0**	**597.1**	**-529.0**	**626.0**	**233.8**	**-147.3**	**-126.1**	**337.2**	**-24.4**	**-32.4**	**-122.5**	**-35.0**	**-1,276.4**
- attributable to Owners of the parent	-331.4	74.1	597.0	-528.8	625.9	233.8	-147.3	-126.1	337.2	-24.4	-32.4	-122.5	-35.0	**-1,276.4**
- attributable to Non-controling interests	0.1	-0.1	0.1	-0.2	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Other comprehensive Income	**-428.3**	**-141.1**	**250.9**	**-231.7**	**248.1**	**89.0**	**-164.7**	**-57.6**	**199.6**	**106.8**	**-19.4**	**-17.3**	**-241.1**	**-158.0**
- exchange differences on translating foreign operations	56.4	6.8	-32.1	13.5	-8.7	-11.8	16.0	6.0	-20.6	-15.0	5.1	-5.1	4.0	**41.1**
- cash flow hedges	-585.3	-181.0	341.8	-299.5	315.0	114.9	-223.1	-78.5	271.8	150.5	-30.2	-15.1	-302.6	**-236.8**
- income tax on the comprehensive income	100.6	33.1	-58.8	54.3	-58.2	-13.0	42.4	14.9	-51.6	-28.5	5.7	2.9	57.5	**46.7**
Excise duty an fuel tax														
Excise duty an fuel tax	2,549.7	2,514.9	2,229.9	2,481.3	2,613.7	2,494.4	1,953.5	2,285.3	2,508.5	2,327.2	2,062.8	2,257.9	2,373.5	**2,223.2**
EBITDA														
Depreciation	166.4	168.8	165.3	164.6	164.5	163.1	166.8	158.9	154.7	162.1	214.3	172.6	203.9	**218.1**
EBITDA	254.6	311.9	584.3	-696.8	768.3	310.0	140.7	58.6	494.9	114.9	231.6	-242.4	283.5	**-856.8**

Financial information > Interactive LOTOS Databook > Consolidated statement of comprehensive income - cumulative

Consolidated statement of comprehensive income - cumulative

Reset Sort ascending Sort descending		1Qc08	2Qc08	3Qc08	4Qc08	1Qc09	2Qc09	3Qc09	4Qc09	1Qc10	2Qc10	3Qc10	4Qc10	1Qc11	2Qc11
Sales revenue	PLN m	**3,561.5**	**7,779.4**	**12,543.6**	**16,294.7**	**2,716.6**	**6,164.5**	**10,296.5**	**14,321.0**	**3,904.9**	**8,647.6**	**13,927.4**	**19,662.8**	**6,515.2**	**13,296.6**
Cost of sales	PLN m	-3,216.0	-6,775.0	-11,236.7	-15,315.0	-2,467.0	-5,505.1	-9,163.2	-12,775.8	-3,498.2	-7,635.4	-12,241.1	-17,269.2	-5,783.7	-11,913.9
Gross profit	PLN m	**345.5**	**1,004.4**	**1,306.9**	**979.7**	**249.6**	**659.4**	**1,133.3**	**1,545.2**	**406.7**	**1,012.2**	**1,686.3**	**2,393.6**	**731.5**	**1,382.7**
Goodwill impairment allowance	PLN m	0.0	0.0	0.0	-12.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Distribution costs	PLN m	-161.1	-347.0	-534.0	-737.3	-158.9	-328.1	-521.1	-726.4	-176.0	-394.6	-631.2	-872.4	-222.3	-469.2
Administrative expenses	PLN m	-85.4	-152.5	-220.3	-316.8	-81.8	-150.7	-226.3	-332.6	-78.8	-165.1	-259.7	-377.1	-100.5	-198.0
Other operating profit/(loss)	PLN m	-4.3	-24.5	-33.0	-58.8	3.8	-9.9	-30.9	-66.4	-19.9	-28.2	-38.8	-82.7	1.5	11.6
Effect of accounting for step acquisition of control (AB LOTOS Geonafta Group)	PLN m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	126.4	126.4
Loss of control over subsidiary	PLN m	0.0	0.0	0.0	0.0	0.0	0.0	30.8	30.6	0.0	0.0	0.0	0.0	0.7	0.7
Operating profit/(loss)	PLN m	**94.7**	**480.4**	**519.6**	**-145.8**	**12.7**	**170.7**	**385.8**	**450.4**	**132.0**	**424.3**	**756.6**	**1,061.4**	**537.3**	**854.2**
Profit/(loss) on financing activities	PLN m	255.4	392.5	73.4	-384.4	-791.6	-28.6	485.7	651.0	-131.2	-1,246.1	-279.7	-358.1	211.4	210.7
Share in net profit of equity-accounted joint ventures	PLN m	0.0	0.0	0.0	26.5	0.0	0.0	0.0	8.2	0.0	0.0	0.0	18.6	2.9	2.9
Pre-tax profit/(loss)	PLN m	**350.1**	**872.9**	**593.0**	**-503.7**	**-778.9**	**142.1**	**871.5**	**1,109.6**	**0.8**	**-821.8**	**476.9**	**721.9**	**751.6**	**1,067.8**
Corporate Income tax	PLN m	-71.3	-171.1	-115.1	114.3	121.4	-38.9	-188.8	-197.8	23.4	200.3	-47.0	-40.5	-115.0	-161.2
Net profit/(loss)	PLN m	278.8	701.8	477.9	-389.4	-657.5	103.2	682.7	911.8	24.2	-621.5	429.9	681.4	636.6	906.6
- attributable to Owners of the parent	PLN m	267.9	665.9	428.1	-453.5	-650.1	94.6	673.5	900.8	22.9	-623.1	427.9	679.2	636.3	906.3
- attributable to Non-controling interests	PLN m	10.9	35.9	49.8	64.1	-7.4	8.6	9.2	11.0	1.3	1.6	2.0	2.2	0.3	0.3
Other comprehensive Income	PLN m									**-8.1**	**20.2**	**1.3**	**-2.8**	**128.2**	**197.7**
- exchange differences on translating foreign operations	PLN m									-8.1	20.2	1.3	0.9	-7.5	-5.4
- cash flow hedges	PLN m									0.0	0.0	0.0	-0.8	165.7	249.4
- income tax on other comprehensive income	PLN m									0.0	0.0	0.0	-2.9	-30.0	-46.3
Excise duty an fuel tax															
Excise duty an fuel tax	PLN m	1,285.2	2,720.3	4,374.0	6,123.0	1,473.1	3,182.7	5,162.7	6,984.6	1,774.0	3,721.9	5,980.9	8,260.5	1,987.5	4,303.9
EBITDA															
Depreciation	PLN m	79.6	157.8	236.8	315.0	62.4	129.9	202.4	284.8	79.8	171.2	273.5	389.9	123.5	273.4
EBITDA	PLN m	174.3	638.2	756.4	169.2	75.1	300.6	588.2	735.2	211.8	595.5	1,030.1	1,451.3	660.8	1,127.6

Reset Sort ascending Sort descending		3Qc11	4Qc11	1Qc12	2Qc12	3Qc12	4Qc12	1Qc13	2Qc13	3Qc13	4Qc13	1Qc14	2Qc14	3Qc14	4Qc14
Sales revenue	PLN m	**20,894.1**	**29,259.6**	**7,832.3**	**16,216.4**	**24,785.2**	**33,073.7**	**7,168.7**	**13,274.9**	**21,062.3**	**28,559.2**	**7,177.0**	**14,376.3**	**21,926.1**	**28,501.9**
Cost of sales	PLN m	-19,063.2	-26,572.4	-7,088.2	-15,035.2	-22,631.4	-30,318.0	-6,828.1	-12,773.5	-19,814.5	-26,878.9	-6,795.1	-13,445.6	-20,447.0	**-27,466.6**
Gross profit	PLN m	**1,830.9**	**2,687.2**	**744.1**	**1,181.2**	**2,153.8**	**2,755.7**	**340.6**	**501.4**	**1,247.8**	**1,680.3**	**381.9**	**930.7**	**1,479.1**	**1,035.3**
Goodwill impairment allowance	PLN m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Distribution costs	PLN m	-729.8	-1,000.3	-241.9	-504.8	-770.5	-1,051.4	-251.6	-509.8	-812.6	-1,106.2	-267.9	-559.4	-847.4	**-1,162.1**
Administrative expenses	PLN m	-298.0	-432.3	-102.7	-201.4	-306.1	-442.7	-108.7	-198.2	-301.7	-429.2	-101.0	-215.0	-329.1	**-447.0**
Other operating profit/(loss)	PLN m	12.2	-296.2	-1.5	-938.4	-936.8	-1,035.9	-6.4	80.2	80.3	8.2	4.3	-554.0	-620.7	**-819.2**
Effect of accounting for step acquisition of control (AB LOTOS Geonafta Group)	PLN m	126.4	126.4	0.0	0.0	0.0	61.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Loss of control over subsidiary	PLN m	0.7	0.7	21.0	21.0	21.0	21.0	0.0	0.0	0.0	13.5	0.0	0.0	0.0	**0.0**
Operating profit/(loss)	PLN m	**942.4**	**1,085.5**	**419.0**	**-442.4**	**161.4**	**308.3**	**-26.1**	**-126.4**	**213.8**	**166.6**	**17.3**	**-397.7**	**-318.1**	**-1,393.0**
Profit/(loss) on financing activities	PLN m	-314.5	-537.0	318.0	-108.3	36.9	53.7	-196.2	-263.1	-223.8	-207.1	-38.1	-128.8	-303.9	**-706.3**
Share in net profit of equity-accounted joint ventures	PLN m	2.9	2.9	0.0	0.0	0.0	4.1	1.7	-3.6	4.3	-18.2	-0.3	-0.5	1.0	**-24.4**
Pre-tax profit/(loss)	PLN m	**630.8**	**551.4**	**737.0**	**-550.7**	**198.3**	**366.1**	**-220.6**	**-393.1**	**-5.7**	**-58.7**	**-21.1**	**-527.0**	**-621.0**	**-2,123.7**
Corporate Income tax	PLN m	-55.5	97.9	-139.9	618.8	495.8	561.8	73.3	119.7	69.5	98.1	-11.3	372.1	431.1	**657.3**
Net profit/(loss)	PLN m	575.3	649.3	597.1	68.1	694.1	927.9	-147.3	-273.4	63.8	39.4	-32.4	-154.9	-189.9	**-1,466.4**
- attributable to Owners of the parent	PLN m	574.9	649.0	597.0	68.2	694.1	927.9	-147.3	-273.4	63.8	39.4	-32.4	-154.9	-189.9	**-1,466.3**
- attributable to Non-controling interests	PLN m	0.4	0.3	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**-0.1**
Other comprehensive Income	PLN m	**-230.6**	**-371.7**	**250.9**	**19.2**	**267.3**	**356.3**	**-164.7**	**-222.3**	**-22.7**	**84.0**	**-19.4**	**-36.7**	**-277.8**	**-435.8**
- exchange differences on translating foreign operations	PLN m	51.0	57.8	-32.1	-18.6	-27.3	-39.1	16.0	22.0	1.4	-13.7	5.1	0.0	4.0	**45.1**
- cash flow hedges	PLN m	-335.9	-516.9	341.8	42.3	357.3	472.2	-223.1	-301.6	-29.8	120.8	-30.2	-45.3	-347.9	**-584.7**
- income tax on other comprehensive income	PLN m	54.3	87.4	-58.8	-4.5	-62.7	-75.7	42.4	57.3	5.7	-22.9	5.7	8.6	66.1	**112.8**
Excise duty an fuel tax															
Excise duty an fuel tax	PLN m	6,853.6	9,368.5	2,229.9	4,711.2	7,324.9	9,819.3	1,953.5	4,238.8	6,747.3	9,074.5	2,062.8	4,320.7	6,694.2	**8,917.4**
EBITDA															
Depreciation	PLN m	439.8	608.6	165.3	329.9	494.4	657.5	166.8	325.7	480.4	642.5	214.3	386.9	590.8	**808.9**
EBITDA	PLN m	1,382.2	1,694.1	584.3	-112.5	655.8	965.8	140.7	199.3	694.2	809.1	231.6	-10.8	272.7	**-584.1**

Consolidated statement of financial position

Reset Sort ascending Sort descending		31.03.2008	30.06.2008	30.09.2008	31.12.2008	31.03.2009	30.06.2009	30.09.2009	31.12.2009	31.03.2010	30.06.2010	30.09.2010	31.12.2010	31.03.2011	30.06.2011
Assets	PLN m	**10,292.2**	**11,102.5**	**13,057.9**	**12,319.9**	**13,141.0**	**14,507.4**	**14,952.4**	**15,216.0**	**15,761.6**	**17,091.6**	**17,016.4**	**17,727.4**	**19,044.3**	**19,576.7**
Fixed assets	PLN m	5,062.2	5,423.4	6,552.8	7,273.3	8,508.3	8,971.2	9,603.9	10,091.9	10,412.5	10,852.5	10,737.7	10,872.1	11,228.9	11,270.8
Current assets, including:	PLN m	5,225.7	5,674.9	6,499.5	5,038.0	4,624.3	5,531.9	5,344.1	5,118.9	5,344.6	6,234.7	6,273.1	6,847.4	7,815.4	8,196.1
Inventories	PLN m	2,881.2	3,072.3	3,376.7	2,447.2	2,509.3	2,918.8	2,936.2	3,023.1	3,088.3	3,806.8	3,850.5	4,506.8	4,742.1	5,270.9
Trade receivables	PLN m	1,455.6	1,780.0	1,863.1	1,216.0	1,280.6	1,583.3	1,729.8	1,460.8	1,701.7	1,753.7	1,853.3	1,740.9	2,287.2	2,266.6
Cash and cash equivalents	PLN m	786.4	703.3	1,047.1	674.1	442.8	610.5	410.1	345.1	398.9	436.3	407.3	382.6	520.1	342.0
Assets held for sale	PLN m	4.3	4.2	5.6	8.6	8.4	4.3	4.4	5.2	4.5	4.4	5.6	7.9	0.0	109.8
Equity and liabilities	PLN m	**10,292.2**	**11,102.5**	**13,057.9**	**12,319.9**	**13,141.0**	**14,507.4**	**14,952.4**	**15,216.0**	**15,761.6**	**17,091.6**	**17,016.4**	**17,727.4**	**19,044.3**	**19,576.7**
Share capital	PLN m	113.7	113.7	113.7	113.7	113.7	113.7	129.9	129.9	129.9	129.9	129.9	129.9	129.9	129.9
Share premium	PLN m	971.0	971.0	971.0	971.0	971.0	971.0	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3
Cash flow hedging reserve	PLN m												-0.7	133.5	201.4
Retained earnings	PLN m	5,139.3	5,537.3	5,299.4	4,430.2	3,780.1	4,524.8	5,116.9	5,353.9	5,390.5	4,742.6	5,794.7	6,046.0	6,685.3	6,956.6
Exchange differences on translating foreign operations	PLN m	-11.1	-13.7	-10.0	7.0	126.2	31.4	28.3	14.3	6.3	34.4	15.6	12.3	6.3	7.8
Equity - shareholders of dominant entity	PLN m	**6,212.9**	**6,608.3**	**6,374.1**	**5,521.9**	**4,991.0**	**5,640.9**	**6,586.4**	**6,809.4**	**6,838.0**	**6,218.2**	**7,251.5**	**7,498.8**	**8,266.3**	**8,607.0**
Non-controlling interests	PLN m	345.6	367.8	381.8	396.1	388.6	404.5	35.0	36.8	17.1	15.8	14.6	14.7	3.4	1.0
Shareholders equity	PLN m	**6,558.5**	**6,976.1**	**6,755.9**	**5,918.0**	**5,379.6**	**6,045.4**	**6,621.4**	**6,846.2**	**6,855.1**	**6,234.0**	**7,266.1**	**7,513.5**	**8,269.7**	**8,608.0**
Liabilities	PLN m	**3,733.7**	**4,126.4**	**6,302.0**	**6,401.9**	**7,761.4**	**8,462.0**	**8,331.0**	**8,369.8**	**8,906.5**	**10,857.6**	**9,750.3**	**10,213.9**	**10,774.6**	**10,968.7**
Non-current borrowings, other debt instruments and finance lease liabilities	PLN m	1,011.4	1,124.8	1,822.0	3,412.2	4,786.5	4,714.6	4,677.8	4,942.6	5,247.4	6,245.4	5,536.6	4,403.5	4,385.8	4,381.3
Current borrowings, other debt instruments and finance lease liabilities	PLN m	274.7	489.2	1,410.4	507.4	509.9	618.7	660.6	748.6	591.1	894.7	648.0	1,923.3	1,828.8	2,219.7
Debt and Capital employed*															
Financial debt	PLN m	1,286.1	1,614.0	3,232.4	3,919.6	5,296.4	5,333.3	5,338.4	5,691.2	5,838.5	7,140.1	6,184.6	6,326.8	6,214.6	6,601.0
Net debt	PLN m	499.7	910.7	2,185.3	3,245.5	4,853.6	4,722.8	4,928.3	5,346.1	5,439.6	6,703.8	5,777.3	5,944.2	5,694.5	6,259.0
Capital employed	PLN m	7,058.2	7,886.8	8,941.2	9,163.5	10,233.2	10,768.2	11,549.7	12,192.3	12,294.7	12,937.8	13,043.4	13,457.7	13,964.2	14,867.0

Reset Sort ascending Sort descending		30.09.2011	31.12.2011	31.03.2012	30.06.2012	30.09.2012	31.12.2012	31.03.2013	30.06.2013	30.09.2013	31.12.2013	31.03.2014	30.06.2014	30.09.2014	31.12.2014
Assets	PLN m	**20,466.1**	**20,396.6**	**20,472.4**	**19,959.0**	**20,357.9**	**20,005.0**	**19,932.1**	**20,249.9**	**19,961.0**	**20,284.8**	**19,652.6**	**19,633.6**	**19,935.1**	**18,947.3**
Fixed assets	PLN m	11,565.7	11,582.2	11,478.8	11,231.3	11,215.3	11,501.4	11,796.3	11,618.6	11,556.2	11,979.9	12,260.4	11,917.4	12,007.5	**11,781.9**
Current assets, including:	PLN m	8,782.2	8,705.3	8,991.8	8,726.0	9,140.9	8,501.2	8,134.2	8,621.6	8,393.6	8,304.1	7,391.4	7,715.9	7,925.6	**7,154.9**
Inventories	PLN m	5,766.2	5,855.8	6,190.6	5,790.6	5,834.8	5,963.0	5,747.8	5,801.9	5,404.9	5,728.9	4,703.0	5,073.7	4,911.2	**3,917.1**
Trade receivables	PLN m	2,322.5	2,071.3	2,070.3	2,167.0	2,388.0	1,625.7	1,581.1	1,950.4	2,257.8	1,591.7	1,889.5	1,644.2	2,112.1	**1,406.5**
Cash and cash equivalents	PLN m	390.2	383.7	301.7	367.5	480.8	266.1	285.1	345.9	306.3	495.8	336.0	441.8	404.0	**348.2**
Assets held for sale	PLN m	118.2	109.1	1.8	1.7	1.7	2.4	1.6	9.7	11.2	0.8	0.8	0.3	2.0	**10.5**
Equity and liabilities	PLN m	**20,466.1**	**20,396.6**	**20,472.4**	**19,959.0**	**20,357.9**	**20,005.0**	**19,932.1**	**20,249.9**	**19,961.0**	**20,284.8**	**19,652.6**	**19,633.6**	**19,935.1**	**18,947.2**
Share capital	PLN m	129.9	129.9	129.9	129.9	129.9	129.9	129.9	129.9	129.9	129.9	129.9	129.9	129.9	**184.9**
Share premium	PLN m	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	1,311.3	**2,229.6**
Cash flow hedging reserve	PLN m	-272.6	-419.3	-142.4	-385.1	-129.9	-36.8	-217.5	-281.1	-60.9	61.0	36.6	24.3	-220.7	**-412.5**
Retained earnings	PLN m	6,625.2	6,700.4	7,297.5	6,768.6	7,394.6	7,627.4	7,476.2	7,350.1	7,687.4	7,666.8	7,634.5	7,512.0	7,476.9	**6,191.0**
Exchange differences on translating foreign operations	PLN m	53.6	59.1	33.1	44.1	37.0	33.9	49.9	55.9	35.3	20.3	25.2	20.2	24.3	**65.3**
Equity - shareholders of dominant entity	PLN m	**7,847.4**	**7,781.4**	**8,629.4**	**7,868.8**	**8,742.9**	**9,065.7**	**8,749.8**	**8,566.1**	**9,103.0**	**9,189.3**	**9,137.5**	**8,997.7**	**8,721.7**	**8,258.3**
Non-controlling interests	PLN m	1.1	1.0	1.0	0.9	0.9	0.7	0.4	0.4	0.3	0.3	0.3	0.2	0.2	**0.2**
Shareholders equity	PLN m	**7,848.5**	**7,782.4**	**8,630.4**	**7,869.7**	**8,743.8**	**9,066.4**	**8,750.2**	**8,566.5**	**9,103.3**	**9,189.6**	**9,137.8**	**8,997.9**	**8,721.9**	**8,258.5**
Liabilities	PLN m	**12,617.6**	**12,614.2**	**11,842.0**	**12,089.3**	**11,614.1**	**10,938.6**	**11,181.9**	**11,683.4**	**10,857.7**	**11,095.2**	**10,514.8**	**10,635.7**	**11,213.2**	**10,688.7**
Non-current borrowings, other debt instruments and finance lease liabilities	PLN m	6,311.8	5,161.5	4,647.2	5,051.7	4,513.4	4,462.1	4,858.2	4,851.1	4,502.0	4,496.2	4,565.5	4,326.2	4,464.5	**4,495.6**
Current borrowings, other debt instruments and finance lease liabilities	PLN m	998.5	2,427.2	2,720.4	2,526.8	2,322.3	2,094.6	1,793.8	1,610.6	1,535.9	1,715.2	1,766.9	2,135.0	2,040.2	**2,168.1**
Debt and Capital employed*															
Financial debt	PLN m	7,310.3	7,588.7	7,367.6	7,578.5	6,835.7	6,556.7	6,652.0	6,461.7	6,037.9	6,211.4	6,332.4	6,461.2	6,504.7	**6,663.7**
Net debt	PLN m	6,920.1	7,205.0	7,065.9	7,211.0	6,354.9	6,290.6	6,366.9	6,115.8	5,731.6	5,715.6	5,996.4	6,019.4	6,100.7	**6,315.5**
Capital employed	PLN m	14,768.6	14,987.4	15,696.3	15,080.7	15,098.7	15,357.0	15,117.1	14,682.3	14,834.9	14,905.2	15,134.2	15,017.3	14,822.6	**14,574.0**

* As of 31.12.2011 financial debt includes current and non-current borrowings, other debt instruments and finance lease liabilities

Consolidated statement of cash flows - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
Net operating cash flow	PLN m	**83.5**	**(84.9)**	**21.6**	**290.9**	**57.1**	**450.0**	**149.3**	**38.6**	**410.6**	**55.0**	**357.4**	**59.7**	**316.1**	**(585.7)**
Net profit	PLN m	278.8	423.0	(223.9)	(867.3)	(657.5)	760.7	579.5	229.1	24.2	(645.7)	1,051.4	251.5	636.6	270.0
Depreciation	PLN m	79.6	78.2	79.0	78.2	62.4	67.5	72.5	82.4	79.8	91.4	102.3	116.4	123.5	149.9
Interest and dividends	PLN m	6.9	(8.4)	(1.2)	15.2	12.0	(5.8)	2.8	28.4	(2.5)	4.2	37.3	19.3	20.4	42.8
Settlement of financial instruments	PLN m	(129.8)	(61.0)	247.5	186.9	221.8	(219.7)	(30.5)	26.9	97.0	225.0	(119.1)	(9.9)	(93.1)	34.7
Other	PLN m	(79.6)	4.8	(23.4)	(5.3)	415.6	(382.0)	(256.0)	(195.6)	(6.8)	733.4	(621.5)	67.8	(192.9)	(143.8)
Changes in working capital	PLN m	(72.4)	-521.5	(56.4)	883.2	2.8	229.3	(219.0)	(132.6)	218.9	-353.3	(93.0)	-385.4	(178.4)	(939.3)
Capex	PLN m	**(433.3)**	**(358.6)**	**(674.8)**	**(953.2)**	**(861.0)**	**(1,109.5)**	**(834.7)**	**(528.4)**	**(373.0)**	**(265.6)**	**(275.1)**	**(141.9)**	**(225.8)**	**(178.2)**
Cash from financial activity	PLN m	**463.7**	**163.1**	**456.4**	**848.5**	**635.8**	**684.0**	**533.8**	**327.9**	**275.5**	**(17.5)**	**213.1**	**(12.4)**	**288.9**	**4.2**
Change in net cash	PLN m	107.2	(278.2)	(195.2)	192.6	(165.2)	60.7	(191.0)	(159.3)	307.6	(223.5)	288.6	(88.9)	376.0	(760.5)
Cash at end of period	PLN m	570.0	291.8	96.6	289.2	124.0	184.7	(6.3)	(165.6)	142.0	(81.5)	207.1	118.2	494.2	(266.3)

Reset Sort ascending Sort descending		3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Net operating cash flow	PLN m	**473.2**	**698.8**	**(308.8)**	**530.6**	**729.6**	**395.7**	**505.1**	**384.8**	**195.6**	**338.0**	**252.7**	**101.7**	**575.5**	**450.6**
Net profit	PLN m	(331.3)	74.0	597.1	(529.0)	626.0	233.8	(147.3)	(126.1)	337.2	(24.4)	(32.4)	(122.5)	(35.0)	**(1,276.5)**
Depreciation	PLN m	166.4	168.8	165.3	164.6	164.5	172.1	166.8	158.9	154.8	162.0	214.3	172.6	203.9	**218.1**
Interest and dividends	PLN m	37.2	45.5	48.1	53.0	47.6	49.1	45.7	46.9	48.0	52.3	46.5	44.3	41.0	**36.4**
Settlement of financial instruments	PLN m	130.8	58.0	(143.5)	153.2	(99.7)	(27.8)	82.1	(15.4)	(101.2)	(78.4)	11.7	9.8	72.2	**104.1**
Other	PLN m	267.3	187.7	(138.3)	376.0	7.1	(24.4)	(28.3)	(70.6)	20.9	99.3	(38.9)	210.5	(6.9)	**334.4**
Changes in working capital	PLN m	202.8	164.8	(837.5)	312.8	-15.9	(7.1)	386.1	391.1	(264.1)	127.2	51.5	(213.0)	300.3	**1,034.1**
Capex	PLN m	**(188.3)**	**(254.6)**	**(138.7)**	**(149.8)**	**(201.0)**	**(348.6)**	**(196.5)**	**(138.5)**	**(107.4)**	**(488.7)**	**(477.2)**	**(145.0)**	**(141.6)**	**(194.5)**
Cash from financial activity	PLN m	**(29.2)**	**(299.5)**	**12.6**	**(232.1)**	**(257.5)**	**(406.3)**	**(80.5)**	**(76.8)**	**(60.7)**	**(33.1)**	**219.9**	**(220.4)**	**(253.6)**	**(343.2)**
Change in net cash	PLN m	279.0	148.9	(456.8)	173.5	248.0	(367.0)	241.2	179.7	7.4	(188.5)	(5.0)	(263.3)	183.7	**(79.0)**
Cash at end of period	PLN m	12.7	161.6	(295.2)	(121.7)	126.3	(240.7)	(1.7)	178.0	185.4	(3.1)	(8.1)	(271.4)	(87.7)	**(166.7)**

Consolidated statement of cash flows - cumulative

Reset Sort ascending Sort descending		1Qc08	2Qc08	3Qc08	4Qc08	1Qc09	2Qc09	3Qc09	4Qc09	1Qc10	2Qc10	3Qc10	4Qc10	1Qc11
Net operating cash flow	PLN m	**83.5**	**(1.4)**	**20.2**	**311.1**	**57.1**	**507.1**	**656.4**	**695.0**	**410.6**	**465.6**	**823.0**	**882.7**	**316.1**
Net profit	PLN m	278.8	701.8	477.9	(389.4)	(657.5)	103.2	682.7	911.8	24.2	(621.5)	429.9	681.4	636.6
Depreciation	PLN m	79.6	157.8	236.8	315.0	62.4	129.9	202.4	284.8	79.8	171.2	273.5	389.9	123.5
Interest and dividends	PLN m	6.9	(1.5)	(2.7)	12.5	12.0	6.2	9.0	37.4	(2.5)	1.7	39.0	58.3	20.4
Settlement of financial instruments	PLN m	(129.8)	(190.8)	56.7	243.6	221.8	2.1	(28.4)	(1.5)	97.0	322.0	202.9	193.0	(93.1)
Other	PLN m	(79.6)	(74.8)	(98.2)	(103.5)	415.6	33.6	(222.4)	(418.0)	(6.8)	726.6	105.1	172.9	(192.9)
Changes in working capital	PLN m	(72.4)	(593.9)	(650.3)	232.9	2.8	232.1	13.1	(119.5)	218.9	-134.4	-227.4	-612.8	(178.4)
Capex	PLN m	**(433.3)**	**(791.9)**	**(1,466.7)**	**(2,419.9)**	**(861.0)**	**(1,970.5)**	**(2,805.2)**	**(3,333.6)**	**(373.0)**	**(638.6)**	**(913.7)**	**(1,055.6)**	**(225.8)**
Cash from financial activity	PLN m	**463.7**	**626.8**	**1,083.2**	**1,931.7**	**635.8**	**1,319.8**	**1,853.6**	**2,181.5**	**275.5**	**258.0**	**471.1**	**458.7**	**288.9**
Change in net cash	PLN m	107.2	(171.0)	(366.2)	(173.6)	(165.2)	(104.5)	(295.5)	(454.8)	307.6	84.1	372.7	283.8	376
Cash at end of period	PLN m	570	291.8	96.6	289.2	124	184.7	(6.3)	(165.6)	142.0	(81.5)	207.1	118.2	494.2

		2Qc11	3Qc11	4Qc11	1Qc12	2Qc12	3Qc12	4Qc12	1Qc13	2Qc13	3Qc13	4Qc13	1Qc14	2Qc14	3Qc14	4Qc14
Net operating cash flow	PLN m	**(269.6)**	**203.6**	**902.4**	**(308.8)**	**221.8**	**951.4**	**1,347.1**	**505.1**	**889.9**	**1,085.5**	**1,423.5**	**252.7**	**354.4**	**929.9**	**1,380.5**
Net profit	PLN m	906.6	575.3	649.3	597.1	68.1	694.1	927.9	(147.3)	(273.4)	63.8	39.4	(32.4)	(154.9)	(189.9)	**(1,466.4)**
Depreciation	PLN m	273.4	439.8	608.6	165.3	329.9	494.4	666.5	166.8	325.7	480.5	642.5	214.3	386.9	590.8	**808.9**
Interest and dividends	PLN m	63.2	100.4	145.9	48.1	101.1	148.7	197.8	45.7	92.6	140.6	192.9	46.5	90.8	131.8	**168.2**
Settlement of financial instruments	PLN m	(58.4)	72.4	130.4	(143.5)	9.7	(90.0)	(117.8)	82.1	66.7	(34.5)	(112.9)	11.7	21.5	93.7	**197.8**
Other	PLN m	(336.7)	(69.4)	118.3	(138.3)	237.7	244.8	220.4	(28.3)	(98.9)	(78.0)	21.3	(38.9)	171.6	164.7	**499.1**
Changes in working capital	PLN m	(1,117.7)	(914.9)	-750.1	(837.5)	-524.7	-540.6	-547.7	386.1	777.2	513.1	640.3	51.5	(161.5)	138.8	**1,172.9**
Capex	PLN m	**(404.0)**	**(592.3)**	**(846.9)**	**(138.7)**	**(288.5)**	**(489.5)**	**(838.1)**	**(196.5)**	**(335.0)**	**(442.4)**	**(931.1)**	**(477.2)**	**(622.2)**	**(763.8)**	**(958.3)**
Cash from financial activity	PLN m	**293.1**	**263.9**	**(35.6)**	**12.6**	**(219.5)**	**(477.0)**	**(883.3)**	**(80.5)**	**(157.3)**	**(218.0)**	**(251.1)**	**219.9**	**(0.5)**	**(254.1)**	**(597.3)**
Change in net cash	PLN m	(384.5)	(105.5)	43.4	(456.8)	(283.3)	(35.3)	(402.3)	241.2	420.9	428.3	239.8	(5.0)	(268.3)	(84.6)	**(163.6)**
Cash at end of period	PLN m	(266.3)	12.7	161.6	(295.2)	(121.7)	126.3	(240.7)	(1.7)	178.0	185.4	(3.1)	(8.1)	(271.4)	(87.7)	**(166.7)**

Downstream operational data - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
capacity utilisation	%	103.1	102.9	104.3	102.2	97.3	97.9	101.1	103.1	102.7	81.1	85.7	84.0	86.2	99.7	92.1	89.2	86.8	92.2	98.7	95.8	89.8	84.4	90.6	93.1	87.5	90.8	91.3	**93.9**
(adjusted to the refinery operating days)																													
Total throughput of crude oil, including:	'000 t	**1,542.1**	**1,538.7**	**1,577.4**	**1,545.3**	**1,159.7**	**1,229.0**	**1,514.4**	**1,558.4**	**1,614.8**	**2,060.8**	**2,196.2**	**2,223.9**	**2,222.9**	**2,220.0**	**2,359.7**	**2,362.1**	**2,272.5**	**2,415.5**	**2,450.3**	**2,535.3**	**2,281.5**	**1,557.1**	**2,398.2**	**2,465.8**	**2,266.5**	**2,378.9**	**2,416.5**	**2,482.4**
Ural crude	'000 t	1,470.0	1,421.9	1,379.4	1,372.3	1,024.8	1,183.7	1,484.7	1,305.6	1,412.6	1,949.5	1,731.1	1,833.4	1,880.9	1,934.9	2,245.8	2,300.9	2,022.9	2,230.5	2,144.4	2,324.6	1,954.7	1,486.4	2,024.1	2,399.2	2,142.9	2,135.6	2,375.9	**2,170.3**
Rozewie crude	'000 t	55.0	38.1	20.4	94.9	35.6	0.3	0.1	122.1	83.4	43.6	41.8	49.0	32.9	28.7	51.8	28.5	36.3	71.6	46.6	24.3	32.8	32.3	44.2	33.0	44.6	50.1	28.8	**33.2**
Lithuanian crude	'000 t																					5.8	9.6	15.3	17.1	19.3	20.4	11.6	**16.5**
Other crude	'000 t	17.1	78.7	177.6	78.1	99.3	45.0	29.6	130.7	118.8	67.7	423.3	341.5	309.1	256.4	62.1	32.7	213.3	113.4	259.3	186.4	288.2	28.8	314.6	16.5	59.7	172.8	0.2	**262.4**
Ural crude share in total throughput		95.32%	92.41%	87.45%	88.80%	88.4%	96.3%	98.0%	83.8%	87.5%	94.6%	78.8%	82.4%	84.6%	87.2%	95.2%	97.4%	89.0%	92.3%	87.5%	91.7%	85.7%	95.5%	84.4%	97.3%	94.5%	89.8%	98.3%	**87.4%**
Rozewie crude share in total throughput		3.57%	2.48%	1.29%	6.14%	3.1%	0.0%	0.0%	7.8%	5.2%	2.1%	1.9%	2.2%	1.5%	1.3%	2.2%	1.2%	1.6%	3.0%	1.9%	1.0%	1.4%	2.1%	1.8%	1.3%	2.0%	2.1%	1.2%	**1.3%**
Lithuanian crude share in total throughput																						0.3%	0.6%	0.6%	0.7%	0.9%	0.9%	0.5%	**0.7%**
Other crude share in total throughput		1.11%	5.11%	11.26%	5.05%	8.6%	3.7%	2.0%	8.4%	7.4%	3.3%	19.3%	15.4%	13.9%	11.5%	2.6%	1.4%	9.4%	4.7%	10.6%	7.4%	12.6%	1.8%	13.1%	0.7%	2.6%	7.3%	0.0%	**10.6%**
Product output																													
Gasoline	'000 t	275.4	322.0	322.7	325.4	264.9	269.0	381.8	366.6	311.8	371.3	366.9	375.2	296.4	342.8	372.3	363.4	314.0	370.8	368.0	388.8	346.6	237.0	376.5	388.3	322.6	340.0	390.4	**367.4**
Naphtha	'000 t											31.3	74.7	74.8	23.6	24.4	51.7	101.4	80.1	69.4	104.6	69.8	68.1	67.2	80.5	80.6	91.2	56.7	**57.0**
Xylenes	'000 t																		0.1	10.8	16.8	22.3	11.7	22.5	26.1	28.5	25.5	21.6	**24.3**
Diesel	'000 t	569.8	655.2	804.0	891.4	624.8	737.1	935.0	927.8	831.8	1,014.8	1,080.9	1,122.9	1,035.5	1,178.4	1,245.3	1,201.8	1,045.5	1,157.6	1,230.0	1,148.3	1,007.7	810.1	1,242.9	1,216.3	1,048.3	1,145.9	1,146.9	**1,114.9**
Light heating oil	'000 t	96.2	56.9	72.7	109.9	132.9	65.6	67.3	120.6	105.8	46.1	77.0	152.9	131.5	64.3	81.4	127.0	116.5	47.4	59.3	115.2	109.1	38.7	54.3	82.3	77.0	38.7	50.0	**89.6**
Jet fuel	'000 t	123.5	121.9	122.5	126.4	99.2	91.7	113.8	65.5	74.3	58.1	75.2	51.8	107.6	101.4	140.6	113.3	115.0	153.4	130.7	130.6	159.3	66.8	126.5	117.5	126.0	169.3	204.3	**188.4**
Liquid gas	'000 t	9.3	21.4	20.0	9.3	9.4	18.4	19.5	8.2	9.1	15.6	20.8	14.4	16.2	18.3	15.9	13.6	14.4	22.2	43.0	37.3	41.2	26.5	44.9	37.1	37.0	47.5	47.2	**36.8**
HFO (including own consumption)	'000 t	377.4	145.7	75.2	187.3	266.8	74.1	52.9	166.6	369.4	275.6	171.9	348.6	482.5	245.5	202.9	215.3	368.9	258.2	272.8	306.0	380.3	207.5	197.9	334.3	425.1	299.0	290.3	**392.7**
Ship fuel	'000 t	27.3	60.8	104.4	49.2	-0.1	0.0	0.0	5.4	6.6	9.9	6.5	12.6	9.2	11.2	8.1	10.0	8.7	10.1	17.8	14.3	11.8	11.3	11.7	12.1	10.8	12.4	10.5	**11.6**
Bitumens	'000 t	65.4	265.1	311.2	188.5	61.1	232.5	297.7	194.4	55.6	256.1	334.9	212.3	95.9	276.8	337.3	267.6	78.0	250.2	241.9	186.6	63.7	104.5	256.4	166.9	45.7	162.1	187.7	**118.3**
Other	'000 t	158.7	140.8	148.9	148.8	83.5	88.9	135.1	132.5	168.2	186.9	186.1	204.5	231.2	212.0	225.7	244.4	285.5	234.0	223.9	244.1	218.3	148.8	227.1	245.9	252.0	249.6	265.9	**274.2**
Total	'000 t	**1,703.0**	**1,789.8**	**1,981.6**	**2,036.2**	**1,542.5**	**1,577.3**	**2,003.1**	**1,987.6**	**1,932.6**	**2,234.4**	**2,351.5**	**2,569.9**	**2,480.8**	**2,474.3**	**2,653.9**	**2,608.1**	**2,447.9**	**2,584.1**	**2,667.6**	**2,692.6**	**2,430.1**	**1,731.0**	**2,627.9**	**2,707.3**	**2,453.6**	**2,581.2**	**2,671.5**	**2,675.2**

Financial information > Interactive LOTOS Databook > Upstream operational data - quarterly

Upstream operational data - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Crude oil production	'000 t	**71.8**	**67.1**	**61.1**	**56.9**	**33.1**	**38.0**	**43.5**	**60.9**	**76.4**	**38.5**	**37.5**	**34.1**	**50.3**	**56.9**	**57.3**	**62.7**	**84.1**	**65.9**	**57.0**	**55.3**	**53.5**	**53.5**	**53.5**	**58.9**	**81.9**	**67.1**	**78.3**	**77.9**
B3 oil field	'000 t	46.5	43.5	40.0	36.4	30.1	38.0	43.5	45.6	45.4	38.5	37.5	34.1	34.0	36.9	36.0	38.6	38.1	38.8	38.3	37.3	34.6	36.0	35.0	40.0	40.8	41.0	41.9	**36.4**
B8 oil field	'000 t	25.3	23.6	21.1	20.5	3.0	0.0	0.0	15.3	31.0	0.0	0.0	0.0	0.0	0.0	0.0	3.6	27.0	8.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	**0.0**
Norge AS fields	'000 t													0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	22.6	9.1	19.2	**24.2**
AB Geonafta Group fields	'000 t													16.3	20.0	21.3	20.5	19.0	19.0	18.7	18.0	18.9	17.5	18.5	18.6	18.4	17.0	17.3	**17.3**
Liquid gas production	m3 m	**8.1**	**7.6**	**6.9**	**6.7**	**3.8**	**4.2**	**4.8**	**6.8**	**8.7**	**4.2**	**4.1**	**3.7**	**3.7**	**3.8**	**4.0**	**4.6**	**7.3**	**5.3**	**4.2**	**4.1**	**3.8**	**3.9**	**3.9**	**5.2**	**80.1**	**28.9**	**56.1**	**74.1**
B3 oil field	m3 m	5.0	4.8	4.4	4.1	3.4	4.2	4.8	4.9	4.9	4.2	4.1	3.7	3.7	3.8	4.0	4.2	4.2	4.3	4.2	4.1	3.8	3.9	3.9	4.4	4.5	4.5	4.7	**4.1**
B8 oil field	m3 m	3.1	2.8	2.5	2.6	0.4	0.0	0.0	1.9	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.4	3.1	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**
Norge AS fields	m3 m													0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.8	75.6	24.4	51.5	**70.0**
LOTOS Petrobaltic Group crude sales	'000 t	**51.3**	**82.4**	**53.2**	**40.7**	**38.8**	**57.6**	**28.1**	**56.5**	**87.6**	**51.0**	**28.6**	**26.1**	**46.1**	**79.9**	**47.2**	**48.1**	**87.0**	**80.0**	**43.3**	**44.9**	**73.6**	**50.6**	**43.7**	**65.9**	**73.5**	**89.2**	**60.4**	**75.8**
Sales of Rozewie crude to Grupa LOTOS	'000 t	51.3	82.4	53.2	40.7	38.8	57.6	28.1	56.5	87.6	51.0	28.6	26.1	28.7	57.7	27.2	28.6	68.9	57.1	27.9	25.3	58.1	29.0	28.4	44.7	28.9	60.9	34.8	**28.8**
Norge AS crude oil sales	'000 t													0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.6	11.9	9.2	**26.4**
AB Geonafta Group fields	'000 t													17.4	22.2	20.0	19.5	18.1	22.9	15.4	19.6	15.5	21.6	15.3	21.2	22.0	16.4	16.3	**20.6**
LOTOS Petrobaltic Group liquid gas sales	m3 m	**3.4**	**3.1**	**2.8**	**2.4**	**0.4**	**2.7**	**3.7**	**3.4**	**3.1**	**2.9**	**2.4**	**2.3**	**2.1**	**2.2**	**2.5**	**2.8**	**2.4**	**2.9**	**2.5**	**2.6**	**2.6**	**3.1**	**2.9**	**2.9**	**78.3**	**28.0**	**54.2**	**72.6**
Sales of liquid gas to Energobaltic	m3 m	3.4	3.1	2.8	2.4	0.4	2.7	3.7	3.4	3.1	2.9	2.4	2.3	2.1	2.2	2.5	2.8	2.4	2.9	2.5	2.6	2.6	3.1	2.9	2.9	2.7	2.8	2.8	**2.6**
Norge AS liquid gas sales	m3 m													0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	75.6	25.2	51.5	**70.0**
AB Geonafta Group gas sales	m3 m													0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**0.0**

Retail - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Petrol stations at end of period		**346**	**348**	**351**	**355**	**315**	**318**	**324**	**304**	**313**	**318**	**317**	**324**	**316**	**318**	**324**	**369**	**365**	**368**	**368**	**405**	**405**	**407**	**416**	**439**	**426**	**430**	**432**	**441**
- CODO		133	134	137	139	141	142	142	144	148	153	153	154	156	158	161	190	191	195	198	223	228	232	238	256	261	265	266	**269**
including LOTOS Optima												0	0	0	0	3	33	33	37	38	71	76	82	88	100	105	106	106	**108**
- DOFO		72	76	76	79	84	87	95	98	103	103	102	109	112	112	117	136	138	138	135	154	155	154	157	166	164	165	166	**172**
including LOTOS Optima												0	0	0	0	2	17	19	19	15	30	32	34	39	51	51	52	54	**61**
signed franchise agreements		91	88	88	92	97	104	108	107	107	107	109	113	116	116	121	139	142	147	152	155	156	158	163	170	168	169	169	**176**
- DODO		141	138	138	137	90	89	87	62	62	62	62	61	48	48	46	43	36	35	35	28	22	21	21	17	1	0	0	**0**
Volume of retail sales																													
CODO, DOFO, DODO and SDS	'000 t	197.1	226.6	237.5	227.9	203.3	242.4	260.8	246.6	214.3	247.3	272.9	259.7	226.9	264.5	280.6	267.1	234.0	258.1	271.8	248.1	225.0	252.3	277.6	262.2	242.2	270.8	285.9	**269.0**

Consolidated sales - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Sales volume																													
Gasoline	'000 t	324.7	343.9	340.7	329.5	279.6	340.9	350.6	340.4	331.3	371.5	386.1	364.3	321.9	369.3	388.9	365.8	338.1	354.1	398.4	417.7	365.2	297.1	428.4	423.1	359.3	346.2	406.4	**409.9**
Naphtha	'000 t	0	0	0	0	0	0	0.0	0.0	0.0	0.0	31.3	74.6	74.8	23.5	24.5	51.7	101.4	80.1	69.4	104.6	69.8	68.1	67.2	80.5	80.6	91.2	56.7	**57.0**
Reformat	'000 t	54.4	30.2	30.3	36.6	12.1	6	44.8	48.9	37.2	30.2	36.6	49.9	51.0	37.1	32.8	42.7	74.8	30.8	6.1	18.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**12.6**
Diesel (ULSD)	'000 t	601.7	659.8	860.3	901	763.1	883.1	1,030.2	1,069.3	885.2	967.5	1,133.1	1,121.1	1,052.4	1,164.9	1,260.7	1,267.1	1,021.5	1,195.8	1,223.9	1,151.0	1,025.5	1,052.0	1,153.2	1,139.9	1,134.9	1,143.3	1,148.4	**1,145.5**
Bunker fuel	'000 t	28.4	59.9	100.9	46.7	18.5	26.2	6.9	11.7	6.0	7.6	7.8	13.2	10.9	13.1	9.6	9.1	7.0	9.1	8.6	9.1	9.2	9.1	10.8	11.0	8.7	10.7	8.2	**11.1**
Light heating oil	'000 t	100.3	53.5	74.2	110.7	115.9	47.5	60.5	106.3	107.4	49.3	78.6	152.8	129.3	66.8	73.5	133.6	116.7	50.6	62.2	108.3	109.6	44.3	52.3	86.6	79.0	39.3	50.9	**87.1**
HSFO	'000 t	340.4	103.5	57.6	151.9	229.2	44.4	28.8	127.1	320.9	226.8	133.5	306.8	417.6	182.5	147.6	162.2	309.5	213.6	252.8	299.3	357.7	196.4	201.6	330.2	426.8	299.1	296.6	**396.5**
Jet fuel	'000 t	122.9	120.6	121.7	126.7	89	98.3	116.4	61.4	74.2	61.9	68.2	46.5	101.7	112.8	139.2	102.9	125.9	142.3	137.3	137.4	140.0	78.0	123.6	108.5	125.4	172.1	209.5	**185.0**
Lubricants	'000 t	17.5	23.1	21.2	15.9	12.5	21.6	17.5	16.6	14.3	18.7	15.1	14.6	16.1	17.8	14.8	15.9	18.1	16.9	18.0	16.3	16.9	20.3	18.8	16.2	17.7	17.7	16.7	**15.3**
Base oils	'000 t	23	26.3	22.1	26.7	19.7	24.6	35.7	26.1	30.5	33.9	28.2	28.9	39.4	24.5	36.9	47.1	38.7	30.6	46.5	36.4	50.0	27.0	36.5	38.5	47.7	36.9	46.4	**50.6**
Bitumens	'000 t	47.9	275.9	306.6	209.6	38	233.1	315.5	212.3	41.8	238.4	334.1	226.8	83.9	271.2	346.9	289.2	48.7	252.7	258.7	193.0	29.2	121.5	260.2	199.1	34.5	150.3	204.1	**151.0**
LPG	'000 t	43.8	50.1	65.6	29.8	40.5	46.3	38.1	19.4	16.9	24.5	29.2	22.6	23.0	25.0	24.0	20.8	21.8	32.6	59.5	58.7	52.6	44.9	70.6	52.0	51.4	71.8	67.0	**48.5**
Crude oil	'000 t													14.3	30.2	23.8	22.9	22.7	28.9	16.2	23.0	3.2	3.2	3.1	2.8	22.6	6.9	9.2	**29.4**
Natural gas	000 toe																									63.5	-0.9	43.3	**59.3**
Other refining good and products	'000 t	28.5	27	28.7	26.5	26.9	28.7	36.4	31.9	33.7	44.0	45.3	38.0	145.1	46.1	52.7	47.9	84.9	152.9	41.6	64.2	65.0	36.9	64.8	67.4	70.4	69.4	65.0	**72.4**
Total	'000 t	**1,733.5**	**1,773.8**	**2,029.9**	**2,011.6**	**1,645**	**1,800.7**	**2,081.4**	**2,071.4**	**1,899.4**	**2,074.3**	**2,327.1**	**2,460.1**	**2,481.4**	**2,384.8**	**2,575.9**	**2,578.9**	**2,329.8**	**2,591.0**	**2,599.2**	**2,637.6**	**2,293.9**	**1,998.8**	**2,491.1**	**2,555.8**				
Consolidated net sales																													
Gasoline	PLN m	1,223.6	1,425.9	1,433.1	1,144.8	956.6	1,399.3	1,423.1	1,300.1	1,331.2	1,544.8	1,571.0	1,531.6	1,417.3	1,740.6	1,870.8	1,822.5	1,807.9	1,912.1	2,098.4	1,835.1	1,736.2	1,511.5	2,044.7	1,876.8	1,671.6	1,779.6	1,939.3	**1,655.4**
Naphtha	PLN m	0	0	0	0	0	0	0.0	0.0	0.0	0.0	64.9	175.0	195.5	66.6	67.6	150.4	335.4	235.8	212.9	313.0	209.9	183.6	198.9	231.8	227.1	262.2	155.8	**105.9**
Reformat	PLN m	111.9	69	69.3	51.9	17.9	13.4	85.4	94.9	78.4	70.4	81.8	117.1	135.2	109.0	99.9	133.2	267.6	108.8	22.0	60.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**28.7**
Diesel (ULSD)	PLN m	2,193.6	2,699.9	3,258.2	2,956.2	2,340.4	2,779.8	3,378.0	3,245.9	3,097.5	3,714.0	4,308.2	4,437.4	4,556.7	5,267.5	5,839.6	6,286.5	5,303.0	5,969.7	6,311.6	5,993.0	4,877.0	5,090.1	5,772.8	5,374.5	5,019.1	5,114.2	5,219.4	**4,627.3**
Bunker fuel	PLN m	50.7	133.2	214.4	69.8	23.3	37.1	12.0	34.5	11.5	17.7	15.7	29.6	27.3	34.1	26.3	28.2	23.5	29.6	28.9	29.3	29.6	27.6	34.4	33.1	26.1	31.6	24.4	**27.9**
Light heating oil	PLN m	249.3	151.9	202.5	236.1	228.6	95.9	126.2	229.9	243.8	125.3	197.2	405.8	389.2	210.0	241.7	489.1	438.8	183.6	229.1	388.2	390.9	148.1	185.1	298.8	271.6	131.8	168.7	**255.8**
HSFO	PLN m	357.1	120	68.8	111.3	170.3	49.4	41.1	163.0	410.8	310.9	182.7	427.3	671.3	314.2	278.9	337.8	686.7	445.0	532.0	564.4	691.0	369.7	388.3	589.8	749.5	531.7	532.5	**536.8**
Jet fuel	PLN m	276.3	327.5	318.7	231.9	144.9	175.9	211.5	119.6	152.2	149.6	157.0	108.7	292.0	336.3	423.0	349.7	437.9	485.4	473.8	462.8	468.2	246.6	413.8	348.2	386.3	525.2	635.1	**497.7**
Lubricants	PLN m	78.3	114.2	107.2	69.1	64	104.2	83.5	64.7	63.0	94.3	86.8	85.6	78.1	96.7	84.3	91.7	96.2	99.1	104.5	91.3	92.3	115.1	105.8	90.8	93.5	94.8	95.8	**84.8**
Base oils	PLN m	50	63.8	71.5	102	36.7	44.6	78.7	59.9	71.5	94.0	90.6	97.2	128.6	97.3	154.0	171.9	139.2	135.4	170.0	124.2	151.8	95.6	120.4	118.1	148.1	123.5	156.8	**151.9**
Bitumens	PLN m	55.1	323.8	416.1	298.4	41.1	287.3	458.0	322.8	53.9	356.9	516.4	351.4	128.7	488.1	672.9	622.7	107.1	593.8	591.3	438.1	51.9	247.9	539.2	407.1	68.3	301.9	402.2	**283.4**
LPG	PLN m	119.6	131.1	136.9	104.4	77.7	81.7	85.6	54.2	50.0	65.6	84.0	71.8	74.1	84.9	81.8	78.7	79.1	114.2	188.7	179.5	146.4	119.3	192.1	163.0	153.4	192.3	206.1	**140.3**
Crude oil	PLN m													38.0	65.8	59.7	60.8	62.8	71.2	45.0	60.8	8.7	9.3	8.9	5.2	56.1	20.7	29.7	**43.3**
Natural gas	PLN m																									79.8	21.0	50.0	**68.0**
Other refining good and products	PLN m	48.4	51.9	64.1	52.6	47.1	49.6	59.1	63.0	59.0	77.6	85.2	68.7	290.0	92.9	119.1	96.2	181.3	383.7	60.6	141.8	144.4	87.6	149.2	137.5	144.6	154.1	130.0	**132.3**
Other goods and materials	PLN m	15.6	16.3	35.7	32	21.9	20.9	46.4	41.4	22.2	28.1	50.4	58.1	22.0	34.5	63.1	94.0	30.8	26.4	54.6	69.4	66.1	72.6	84.0	78.3	72.6	86.2	88.6	**83.2**
Services	PLN m	19.2	29.5	27	27	21.7	26.6	29.1	36.1	33.9	41.4	46.9	49.7	58.7	59.3	64.5	67.1	68.3	73.7	67.6	72.0	67.1	81.3	72.8	83.5	70.9	87.1	88.2	**85.7**
Other adjustments	PLN m	-2	-5	-5.6	12.6	-2.5	-8.2	-5.7	16.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	-3.4	-2.1	-8.5	-3.1	-0.6	-1.8	-5.6	-4.5	1.2	-0.7	0.7	**-9.4**
Excise and fuel tax	PLN m	-1,285.2	-1,435.1	-1,653.7	-1,749	-1,473.1	-1,709.6	-1,980.0	-1,821.9	-1,774.0	-1,947.9	-2,259.0	-2,279.6	-1,987.5	-2,316.4	-2,549.7	-2,514.9	-2,229.9	-2,481.3	-2,613.7	-2,494.4	-1,953.5	-2,285.3	-2,508.5	-2,327.2	-2,062.8	-2,257.9	-2,373.5	**-2,223.2**
Total	PLN m	**3,561.5**	**4,217.9**	**4,764.2**	**3,751.1**	**2,716.6**	**3,447.9**	**4,132.0**	**4,024.5**	**3,904.9**	**4,742.7**	**5,279.8**	**5,735.4**	**6,515.2**	**6,781.4**	**7,597.5**	**8,365.5**	**7,832.3**	**8,384.1**	**8,568.8**	**8,325.8**	**7,177.4**	**6,118.8**	**7,796.3**	**7,504.8**	**7,177.0**	**7,199.3**	**7,549.8**	**6,575.8**

* Other adjustments until 3Qc2009 related to bonuses and previously not settled for products; adjustment in 4Qc2011 is an effect of cash flow hedge accounting settlement

Financial information > Interactive LOTOS Databook > Consolidated sales - cumulative

Consolidated sales - cumulative

Reset Sort ascending Sort descending		1Qc08	2Qc08	3Qc08	4Qc08	1Qc09	2Qc09	3Qc09	4Qc09	1Qc10	2Qc10	3Qc10	4Qc10	1Qc11	2Qc11	3Qc11	4Qc11	1Qc12	2Qc12	3Qc12	4Qc12	1Qc13	2Qc13	3Qc13	4Qc13	1Qc14	2Qc14	3Qc14	4Qc14
Sales volume																													
Gasoline	'000 t	324.7	668.6	1009.3	1338.8	279.6	620.5	971.1	1,311.5	331.3	702.8	1,088.9	1,453.2	321.9	691.2	1,080.1	1,445.9	338.1	692.2	1,090.6	1,508.3	365.2	662.3	1,090.7	1,513.8	359.3	705.5	1,111.9	**1,521.8**
Naphtha	'000 t									0.0	0.0	31.3	105.9	74.8	98.3	122.8	174.5	101.4	181.5	250.9	355.5	69.8	137.9	205.1	285.6	80.6	171.8	228.5	**285.5**
Reformat	'000 t	54.4	84.6	114.9	151.5	12.1	18.1	62.9	111.8	37.2	67.4	104.0	153.9	51.0	88.1	120.9	163.6	74.8	105.6	111.7	130.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**12.6**
Diesel (ULSD)	'000 t	601.7	1261.5	2121.8	3022.8	763.1	1,646.2	2,676.4	3,745.7	885.2	1,852.7	2,985.8	4,106.9	1,052.4	2,217.3	3,478.0	4,745.1	1,021.5	2,217.3	3,441.2	4,592.2	1,025.5	2,077.5	3,230.7	4,370.6	1,134.9	2,278.2	3,426.6	**4,572.1**
Bunker fuel	'000 t	28.4	88.3	189.2	235.9	18.5	44.7	51.6	63.3	6.0	13.6	21.4	34.6	10.9	24.0	33.6	42.7	7.0	16.1	24.7	33.8	9.2	18.3	29.1	40.1	8.7	19.4	27.6	**38.7**
Light heating oil	'000 t	100.3	153.8	228	338.7	115.9	163.4	223.9	330.2	107.4	156.7	235.3	388.1	129.3	196.1	269.6	403.2	116.7	167.3	229.5	337.8	109.6	153.9	206.2	292.8	79.0	118.3	169.2	**256.3**
HSFO	'000 t	340.4	443.9	501.5	653.4	229.2	273.6	302.4	429.5	320.9	547.7	681.2	988.0	417.6	600.1	747.7	909.9	309.5	523.1	775.9	1,075.2	357.7	554.1	755.7	1,085.9	426.8	725.9	1,022.5	**1,419.0**
Jet fuel	'000 t	122.9	243.5	365.2	491.9	89	187.3	303.7	365.1	74.2	136.1	204.3	250.8	101.7	214.5	353.7	456.6	125.9	268.2	405.5	542.9	140.0	218.0	341.6	450.1	125.4	297.5	507.0	**692.0**
Lubricants	'000 t	17.5	40.6	61.8	77.7	12.5	34.1	51.6	68.2	14.3	33.0	48.1	62.7	16.1	33.9	48.7	64.6	18.1	35.0	53.0	69.3	16.9	37.2	56.0	72.2	17.7	35.4	52.1	**67.4**
Base oils	'000 t	23	49.3	71.4	98.1	19.7	44.3	80.0	106.1	30.5	64.4	92.6	121.5	39.4	63.9	100.8	147.9	38.7	69.3	115.8	152.2	50.0	77.0	113.5	152.0	47.7	84.6	131.0	**181.6**
Bitumens	'000 t	47.9	323.8	630.4	840	38	271.1	586.6	798.9	41.8	280.2	614.3	841.1	83.9	355.1	702.0	991.2	48.7	301.4	560.1	753.1	29.2	150.7	410.9	610.0	34.5	184.8	388.9	**539.9**
LPG	'000 t	43.8	93.9	159.5	189.3	40.5	86.8	124.9	144.3	16.9	41.4	70.6	93.2	23.0	48.0	72.0	92.8	21.8	54.4	113.9	172.6	52.6	97.5	168.1	220.1	51.4	123.2	190.2	**238.7**
Crude oil	'000 t													14.3	44.5	68.3	91.2	22.7	51.6	67.8	90.8	3.2	6.4	9.5	12.3	22.6	29.5	42.7	**72.1**
Natural gas	000 toe																									63.5	62.6	126.9	**186.2**
Other refining good and products	'000 t	28.5	55.5	84.2	110.7	26.9	55.6	92.0	123.9	33.7	77.7	123.0	161.0	145.1	191.2	243.9	291.8	84.9	237.8	279.4	343.6	65.0	101.9	166.7	234.1	70.4	139.8	202.4	**274.8**
Total	'000 t	**1733.5**	**3507.3**	**5537.2**	**7548.8**	**1645**	**3,445.7**	**5,527.1**	**7,598.5**	**1,899.4**	**3,973.7**	**6,300.8**	**8,760.9**	**2,481.4**	**4,866.2**	**7,442.1**	**10,021.0**	**2,329.8**	**4,920.8**	**7,520.0**	**10,157.6**	**2,293.9**	**4,292.7**	**6,783.8**	**9,339.6**				
Consolidated net sales																													
Gasoline	PLN m	1223.6	2649.5	4082.6	5227.4	956.6	2,355.9	3,779.0	5,079.1	1,331.2	2,876.0	4,447.0	5,978.6	1,417.3	3,157.9	5,028.7	6,851.2	1,807.9	3,720.0	5,818.4	7,653.5	1,736.2	3,247.7	5,292.4	7,169.2	1,671.6	3,451.2	5,390.5	**7,045.9**
Naphtha	PLN m											64.9	239.9	195.5	262.1	329.7	480.1	335.4	571.2	784.1	1,097.1	209.9	393.5	592.4	824.2	227.1	489.3	645.1	**751.0**
Reformat	PLN m	111.9	180.9	250.2	302.1	17.9	31.3	116.7	211.6	78.4	148.8	230.6	347.7	135.2	244.2	344.1	477.3	267.6	376.4	398.4	458.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	**28.7**
Diesel (ULSD)	PLN m	2193.6	4893.5	8151.7	11107.9	2340.4	5,120.2	8,498.2	11,744.1	3,097.5	6,811.5	11,119.7	15,557.1	4,556.7	9,824.2	15,663.8	21,950.3	5,303.0	11,272.7	17,584.3	23,577.3	4,877.0	9,967.1	15,739.9	21,114.4	5,019.1	10,133.3	15,352.6	**19,979.8**
Bunker fuel	PLN m	50.7	183.9	398.3	468.1	23.3	60.4	72.4	106.9	11.5	29.2	44.9	74.5	27.3	61.4	87.7	115.9	23.5	53.1	82.0	111.3	29.6	57.2	91.6	124.7	26.1	57.7	82.1	**110.0**
Light heating oil	PLN m	249.3	401.2	603.7	839.8	228.6	324.5	450.7	680.6	243.8	369.1	566.3	972.1	389.2	599.2	840.9	1,330.0	438.8	622.4	851.5	1,239.7	390.9	539.0	724.1	1,022.9	271.6	403.4	572.1	**827.9**
HSFO	PLN m	357.1	477.1	545.9	657.2	170.3	219.7	260.8	423.8	410.8	721.7	904.4	1,331.7	671.3	985.5	1,264.4	1,602.2	686.7	1,131.7	1,663.7	2,228.1	691.0	1,060.7	1,449.0	2,038.8	749.5	1,281.2	1,813.7	**2,350.5**
Jet fuel	PLN m	276.3	603.8	922.5	1154.4	144.9	320.8	532.3	651.9	152.2	301.8	458.8	567.5	292.0	628.3	1,051.3	1,401.0	437.9	923.3	1,397.1	1,859.9	468.2	714.8	1,128.6	1,476.8	386.3	911.5	1,546.6	**2,044.3**
Lubricants	PLN m	78.3	192.5	299.7	368.8	64	168.2	251.7	316.4	63.0	157.3	244.1	329.7	78.1	174.8	259.1	350.8	96.2	195.3	299.8	391.1	92.3	207.4	313.2	404.0	93.5	188.3	284.1	**368.9**
Base oils	PLN m	50	113.8	185.3	287.3	36.7	81.3	160.0	219.9	71.5	165.5	256.1	353.3	128.6	225.9	379.9	551.8	139.2	274.6	444.6	568.8	151.8	247.4	367.8	485.9	148.1	271.6	428.4	**580.3**
Bitumens	PLN m	55.1	378.9	795	1093.4	41.1	328.4	786.4	1,109.2	53.9	410.8	927.2	1,278.6	128.7	616.8	1,289.7	1,912.4	107.1	700.9	1,292.2	1,730.3	51.9	299.8	839.0	1,246.1	68.3	370.2	772.4	**1,055.8**
LPG	PLN m	119.6	250.7	387.6	492	77.7	159.4	245.0	299.2	50.0	115.6	199.6	271.4	74.1	159.0	240.8	319.5	79.1	193.3	382.0	561.5	146.4	265.7	457.8	620.8	153.4	345.7	551.8	**692.1**
Crude oil	PLN m												0.0	38.0	103.8	163.5	224.3	62.8	134.0	179.0	239.8	8.7	18.0	26.9	32.1	56.1	76.8	112.8	**156.1**
Natural gas	PLN m																									79.8	100.8	150.8	**218.8**
Other refining good and products	PLN m	48.4	100.3	164.4	217	47.1	96.7	155.8	218.8	59.0	136.6	221.8	290.5	290.0	382.9	502.0	598.2	181.3	565.0	625.6	767.4	144.4	232.0	381.2	518.7	144.6	298.7	422.4	**554.7**
Other goods and materials	PLN m	15.6	31.9	67.6	99.6	21.9	42.8	89.2	130.6	22.2	50.3	100.7	158.8	22.0	56.5	119.6	213.6	30.8	57.2	111.8	181.2	66.1	138.7	222.7	301.0	72.6	158.8	247.4	**330.6**
Services	PLN m	19.2	48.7	75.7	102.7	21.7	48.3	77.4	113.5	33.9	75.3	122.2	171.9	58.7	118.0	182.5	249.6	68.3	142.0	209.6	281.6	67.1	148.4	221.2	304.7	70.9	158.0	246.2	**331.9**
Other adjustments*	PLN m	-2	-7	-12.6		-2.5	-10.7	-16.4					0.0	0.0	0.0	0.0	-0.1	-3.4	-5.5	-14.0	-17.1	-0.6	-2.4	-8.0	-12.5	1.2	0.5	1.3	**-8.0**
Excise and fuel tax	PLN m	-1285.2	-2720.3	-4374	-6123	-1473.1	-3,182.7	-5,162.7	-6,984.6	-1,774.0	-3,721.9	-5,980.9	-8,260.5	-1,987.5	-4,303.9	-6,853.6	-9,368.5	-2,229.9	-4,711.2	-7,324.9	-9,819.3	-1,953.5	-4,238.8	-6,747.3	-9,074.5	-2,062.8	-4,320.7	-6,694.2	**-8,917.4**
Total	PLN m	**3561.5**	**7779.4**	**12543.6**	**16294.7**	**2716.6**	**6,164.5**	**10,296.5**	**14,321.0**	**3,904.9**	**8,647.6**	**13,927.4**	**19,662.8**	**6,515.2**	**13,296.6**	**20,894.1**	**29,259.6**	**7,832.3**	**16,216.4**	**24,785.2**	**33,111.0**	**7,177.4**	**13,296.2**	**21,092.5**	**28,597.3**	**7,177.0**	**14,376.3**	**21,926.1**	**28,501.9**

* Other adjustments until 3Qc2009 related to bonuses and previously not settled for products; adjustment in 4Qc2011 is an effect of cash flow hedge accounting settlement

Results in operational segments - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Net sales	PLN m	**3561.5**	**4217.9**	**4764.2**	**3751.1**	**2,716.6**	**3,447.9**	**4,132.0**	**4,024.5**	**3,904.9**	**4,742.7**	**5,279.8**	**5,735.4**	**6,515.2**	**6,781.4**	**7,597.5**	**8,365.5**	**7,832.3**	**8,384.1**	**8,568.8**	**8,288.5**	**7,168.7**	**6,106.2**	**7,787.5**	**7,496.8**	**7,177.0**	**7,199.3**	**7,549.8**	**6,575.8**
Upstream	PLN m	81.5	147	96	57.2	35.8	73.2	43.5	82.8	134.1	93.5	51.4	48.1	103.8	210.3	128.9	139.3	264.3	237.3	125.4	95.5	187.4	124.0	109.5	164.9	258.8	240.1	198.1	**209.3**
Downstream	PLN m	3589.5	4271.6	4817.1	3770.8	2,736.6	3,478.7	4,171.9	4,047.1	3,906.9	4,748.6	5,286.4	5,742.8	6,481.2	6,723.1	7,544.6	8,313.4	7,778.1	8,318.6	8,530.3	8,272.9	7,176.9	6,110.8	7,794.8	7,504.8	7,047.7	7,158.2	7,480.5	**6,471.5**
including: retail	PLN m	794.2	991.9	1028.4	861.7	710.5	893.8	990.6	938.7	869.9	1,072.6	1,162.8	1,142.0	1,112.3	1,323.1	1,439.7	1,469.8	1,366.1	1,476.2	1,583.8	1,453.0	1,304.1	1,419.0	1,602.6	1,480.3	1,369.0	1,509.2	1,595.1	**1,401.4**
Others	PLN m	0.9	0.7	0.3	0.9	0.0	0.1	0.0	2.0	6.2	5.2	4.4	5.3	5.2	5.6	5.2	7.3	7.0	7.3	5.7	7.2	5.8	5.5	5.4	7.7	6.9	6.2	6.4	**6.0**
Consolidation items	PLN m	-110.4	-201.4	-149.2	-77.8	-55.8	-104.1	-83.4	-107.4	-142.3	-104.6	-62.4	-60.8	-75.0	-157.6	-81.2	-94.5	-217.1	-179.1	-92.6	-87.1	-201.4	-134.1	-122.2	-180.6	-136.4	-205.2	-135.2	**-111.0**
EBIT	PLN m	**94.7**	**385.7**	**39.2**	**-665.4**	**12.7**	**158.0**	**215.1**	**64.6**	**132.0**	**292.3**	**332.3**	**304.8**	**537.3**	**316.9**	**88.2**	**143.1**	**419.0**	**-861.4**	**603.8**	**146.9**	**-26.1**	**-100.3**	**340.2**	**-47.2**	**17.3**	**-415.0**	**79.6**	**-1,074.9**
Upstream	PLN m	35.6	88.4	41.4	-0.3	-15.4	10.1	4.2	-5.6	39.4	35.1	6.1	-55.9	147.7	80.0	39.0	-245.0	134.5	-835.8	46.4	-24.8	68.3	120.0	7.1	-21.4	57.6	-483.3	-46.9	**-151.5**
Downstream	PLN m	52.7	339.3	15.9	-745.6	-1.8	166.3	221.1	89.9	98.9	271.6	293.5	339.3	391.3	263.4	55.6	351.0	345.4	-57.5	524.2	172.0	-47.4	-224.7	299.3	-13.3	-31.6	92.6	92.6	**-928.1**
including: retail	PLN m	-12.5	-3.5	10.1	-1.7	4.0	16.6	31.5	3.5	-2.6	8.0	12.3	-3.8	-12.8	-12.3	-2.1	-11.2	-16.3	2.7	4.0	-2.2	-19.2	-3.1	5.5	-7.3	3.4	2.7	23.3	**-11.5**
Others	PLN m	-0.6	0.3	-1.1	-1.1	-0.1	-0.1	0.0	-0.2	0.1	-1.0	-0.1	-0.4	-1.2	1.1	-0.5	3.7	1.4	2.5	0.7	0.8	0.1	0.8	1.3	11.7	2.9	1.4	1.2	**1.4**
Consolidation items	PLN m	7	-42.3	-17	81.6	30.0	-18.3	-10.2	-19.5	-6.4	-13.4	32.8	21.8	-0.5	-27.6	-5.9	33.4	-62.3	29.4	32.5	-1.1	-47.1	3.6	32.5	-24.2	-11.6	-25.7	32.7	**3.3**
Amortization	PLN m	**79.6**	**78.2**	**79**	**78.2**	**62.4**	**67.5**	**72.5**	**82.4**	**79.8**	**91.4**	**102.3**	**116.4**	**123.5**	**149.9**	**166.4**	**168.8**	**165.3**	**164.6**	**164.5**	**163.1**	**166.8**	**158.9**	**154.7**	**162.0**	**214.3**	**172.6**	**203.9**	**218.1**
Upstream	PLN m	13	12.2	12	11.4	10.9	12.0	12.6	17.9	15.8	15.2	14.8	14.3	25.5	29.6	32.1	32.8	31.2	31.6	30.7	35.4	34.2	31.3	32.7	35.4	99.0	53.5	87.8	**103.8**
Downstream	PLN m	66.6	65.9	67.1	66.7	51.6	55.7	60.0	63.8	62.0	73.7	85.5	100.0	95.9	118.1	132.2	134.1	132.0	131.0	131.5	125.6	130.7	125.6	120.1	124.4	113.7	117.3	114.3	**114.3**
including: retail	PLN m	11	10.9	11.1	10.5	11.1	11.6	11.9	13.3	11.9	12.7	12.3	12.6	12.0	11.9	12.0	12.0	12.4	12.3	12.6	13.5	12.9	13.7	15.1	14.6	14.2	14.3	16.5	**15.8**
Others	PLN m	0.1	0	0	0.2	0.0	0.0	0.0	0.9	2.4	2.8	2.3	2.5	2.4	2.5	2.5	2.3	2.5	2.5	2.7	2.6	2.4	2.4	2.4	2.7	2.1	2.3	2.2	**0.5**
Consolidation items	PLN m	-0.1	0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	-0.4	-0.3	-0.3	-0.4	-0.3	-0.3	-0.4	-0.4	-0.4	-0.5	-0.4	-0.5	-0.5	-0.4	-0.5	-0.5	-0.5	-0.5	-0.4	**-0.5**
EBITDA	**PLN m**	**174.3**	**463.9**	**118.2**	**-587.2**	**75.1**	**225.5**	**287.6**	**147.0**	**211.8**	**383.7**	**434.6**	**421.2**	**660.8**	**466.8**	**254.6**	**311.9**	**584.3**	**-696.8**	**768.3**	**310.0**	**140.7**	**58.6**	**494.9**	**114.8**	**231.6**	**-242.4**	**283.5**	**-856.8**
Upstream	PLN m	48.6	100.6	53.4	11.1	-4.5	22.1	16.8	12.3	55.2	50.3	20.9	-41.6	173.2	109.6	71.1	-212.2	165.7	-804.2	77.1	10.6	102.5	151.3	39.8	14.0	156.6	-429.8	40.9	**-47.7**
Downstream	PLN m	119.3	405.2	83	-678.9	49.8	222.0	281.1	153.7	160.9	345.3	379.0	439.3	487.2	381.5	187.8	485.1	477.4	73.5	655.7	297.6	83.3	-99.1	419.4	111.1	82.1	209.9	206.9	**-813.8**
including: retail	PLN m	-1.5	7.4	21.2	8.8	15.1	28.2	43.4	16.8	9.3	20.7	24.6	8.8	-0.8	-0.4	9.9	0.8	-3.9	15.0	16.6	11.3	-6.3	10.6	20.6	7.3	17.6	17.0	39.8	**4.3**
Others	PLN m	-0.5	0.3	-1.1	-0.9	-0.1	-0.1	0.0	0.7	2.5	1.8	2.2	2.1	1.2	3.6	2.0	6.0	3.9	5.0	3.4	3.4	2.5	3.2	3.7	14.4	5.0	3.7	3.4	**1.9**
Consolidation items	PLN m	6.9	-42.2	-17.1	81.5	29.9	-18.5	-10.3	-19.7	-6.8	-13.7	32.5	21.4	-0.8	-27.9	-6.3	33.0	-62.7	28.9	32.1	-1.6	-47.6	3.2	32.0	-24.7	-12.1	-26.2	32.3	**2.8**

Results in operational segments - cumulative

Reset Sort ascending Sort descending		1Qc08	2Qc08	3Qc08	4Qc08	1Qc09	2Qc09	3Qc09	4Qc09	1Qc10	2Qc10	3Qc10	4Qc10	1Qc11	2Qc11	3Qc11	4Qc11
Net sales	PLN m	**3,561.5**	**7,779.4**	**12,543.6**	**16,294.7**	**2,716.6**	**6,164.5**	**10,296.5**	**14,321.0**	**3,904.9**	**8,647.6**	**13,927.4**	**19,662.8**	**6,515.2**	**13,296.6**	**20,894.1**	**29,259.6**
Upstream	PLN m	81.5	228.5	324.5	381.7	35.8	109.0	152.5	235.3	134.1	227.6	279.0	327.1	103.8	314.1	443.0	582.3
Downstream	PLN m	3,589.5	7,861.1	12,678.2	16,449.0	2,736.6	6,215.3	10,387.2	14,434.3	3,906.9	8,655.5	13,941.9	19,684.7	6,481.2	13,204.3	20,748.9	29,062.3
including: retail	PLN m	794.2	1,786.1	2,814.5	3,676.2	710.5	1,604.3	2,594.9	3,533.6	869.9	1,942.5	3,105.3	4,247.3	1,112.3	2,435.4	3,875.1	5,344.9
Others	PLN m	0.9	1.6	1.9	2.8	0.0	0.1	0.1	2.1	6.2	11.4	15.8	21.1	5.2	10.8	16.0	23.3
Consolidation items	PLN m	-110.4	-311.8	-461.0	-538.8	-55.8	-159.9	-243.3	-350.7	-142.3	-246.9	-309.3	-370.1	-75.0	-232.6	-313.8	-408.3
EBIT	PLN m	**94.7**	**480.4**	**519.6**	**-145.8**	**12.7**	**170.7**	**385.8**	**450.4**	**132.0**	**424.3**	**756.6**	**1,061.4**	**537.3**	**854.2**	**942.4**	**1,085.5**
Upstream	PLN m	35.6	124.0	165.4	165.1	-15.4	-5.3	-1.1	-6.7	39.4	74.5	80.6	24.7	147.7	227.7	266.7	21.7
Downstream	PLN m	52.7	392.0	407.9	-337.7	-1.8	164.5	385.6	475.5	98.9	370.5	664.0	1,003.3	391.3	654.7	710.3	1,061.3
including: retail	PLN m	-12.5	-16.0	-5.9	-7.6	4.0	20.6	52.1	55.6	-2.6	5.4	17.7	13.9	-12.8	-25.1	-27.2	-38.4
Others	PLN m	-0.6	-0.3	-1.4	-2.5	-0.1	-0.2	-0.2	-0.4	0.1	-0.9	-1.0	-1.4	-1.2	-0.1	-0.6	3.1
Consolidation items	PLN m	7.0	-35.3	-52.3	29.3	30.0	11.7	1.5	-18.0	-6.4	-19.8	13.0	34.8	-0.5	-28.1	-34.0	-0.6
Amortization	PLN m	**79.6**	**157.8**	**236.8**	**315.0**	**62.4**	**129.9**	**202.4**	**284.8**	**79.8**	**171.2**	**273.5**	**389.9**	**123.5**	**273.4**	**439.8**	**608.6**
Upstream	PLN m	13.0	25.2	37.2	48.6	10.9	22.9	35.5	53.4	15.8	31.0	45.8	60.1	25.5	55.1	87.2	120.0
Downstream	PLN m	66.6	132.5	199.6	266.3	51.6	107.3	167.3	231.1	62.0	135.7	221.2	321.2	95.9	214.0	346.2	480.3
including: retail	PLN m	11.0	21.9	33.0	43.5	11.1	22.7	34.6	47.9	11.9	24.6	36.9	49.5	12.0	23.9	35.9	47.9
Others	PLN m	0.1	0.1	0.1	0.3	0.0	0.0	0.0	0.9	2.4	5.2	7.5	10.0	2.4	4.9	7.4	9.7
Consolidation items	PLN m	-0.1	0.0	-0.1	-0.2	-0.1	-0.3	-0.4	-0.6	-0.4	-0.7	-1.0	-1.4	-0.3	-0.6	-1.0	-1.4
EBITDA	PLN m	**174.3**	**638.2**	**756.4**	**169.2**	**75.1**	**300.6**	**588.2**	**735.2**	**211.8**	**595.5**	**1,030.1**	**1,451.3**	**660.8**	**1,127.6**	**1,382.2**	**1,694.1**
Upstream	PLN m	48.6	149.2	202.6	213.7	-4.5	17.6	34.4	46.7	55.2	105.5	126.4	84.8	173.2	282.8	353.9	141.7
Downstream	PLN m	119.3	524.5	607.5	-71.4	49.8	271.8	552.9	706.6	160.9	506.2	885.2	1,324.5	487.2	868.7	1,056.5	1,541.6
including: retail	PLN m	-1.5	5.9	27.1	35.9	15.1	43.3	86.7	103.5	9.3	30.0	54.6	63.4	-0.8	-1.2	8.7	9.5
Others	PLN m	-0.5	-0.2	-1.3	-2.2	-0.1	-0.2	-0.2	0.5	2.5	4.3	6.5	8.6	1.2	4.8	6.8	12.8
Consolidation items	PLN m	6.9	-35.3	-52.4	29.1	29.9	11.4	1.1	-18.6	-6.8	-20.5	12.0	33.4	-0.8	-28.7	-35.0	-2.0

Reset Sort ascending Sort descending		1Qc12	2Qc12	3Qc12	4Qc12	1Qc13	2Qc13	3Qc13	4Qc13	1Qc14	2Qc14	3Qc14	4Qc14
Net sales	PLN m	**7,832.3**	**16,216.4**	**24,785.2**	**33,073.7**	**7,168.7**	**13,274.9**	**21,062.3**	**28,559.2**	**7,177.0**	**14,376.3**	**21,926.1**	**28,501.9**
Upstream	PLN m	264.3	501.6	627.0	722.5	187.4	311.4	420.9	585.8	258.8	498.9	697.0	**906.3**
Downstream	PLN m	7,778.1	16,096.7	24,627.0	32,899.9	7,176.9	13,287.7	21,082.5	28,587.3	7,047.7	14,205.9	21,686.5	**28,157.9**
including: retail	PLN m	1,366.1	2,842.3	4,426.1	5,879.1	1,304.1	2,723.1	4,325.7	5,806.0	1,369.0	2,878.2	4,473.3	**5,874.7**
Others	PLN m	7.0	14.3	20.0	27.2	5.8	11.3	16.7	24.5	6.9	13.1	19.5	**25.5**
Consolidation items	PLN m	-217.1	-396.2	-488.8	-575.9	-201.4	-335.5	-457.8	-638.4	-136.4	-341.6	-476.9	**-587.8**
EBIT	PLN m	**419.0**	**-442.4**	**161.4**	**308.3**	**-26.1**	**-126.4**	**213.8**	**166.6**	**17.3**	**-397.7**	**-318.1**	**-1,393.0**
Upstream	PLN m	134.5	-701.3	-654.9	-679.7	68.3	188.3	195.4	174.0	57.6	-425.7	-472.6	**-624.1**
Downstream	PLN m	345.4	287.9	812.1	984.1	-47.4	-272.1	27.2	13.9	-31.6	61.0	153.6	**-774.5**
including: retail	PLN m	-16.3	-13.6	-9.6	-11.8	-19.2	-22.3	-16.8	-24.1	3.4	6.1	29.4	**17.9**
Others	PLN m	1.4	3.9	4.6	5.4	0.1	0.9	2.2	13.9	2.9	4.4	5.5	**6.9**
Consolidation items	PLN m	-62.3	-32.9	-0.4	-1.5	-47.1	-43.5	-11.0	-35.2	-11.6	-37.4	-4.6	**-1.3**
Amortization	PLN m	**165.3**	**329.9**	**494.4**	**657.5**	**166.8**	**325.7**	**480.4**	**642.5**	**214.3**	**386.9**	**590.8**	**808.9**
Upstream	PLN m	31.2	62.8	93.5	128.9	34.2	65.5	98.2	133.6	99.0	152.5	240.3	**344.1**
Downstream	PLN m	132.0	263.0	394.5	520.1	130.7	256.3	376.4	500.8	113.7	230.9	345.2	**459.5**
including: retail	PLN m	12.4	24.7	37.3	50.8	12.9	26.6	41.7	56.3	14.2	28.5	45.0	**60.8**
Others	PLN m	2.5	5.0	7.7	10.3	2.4	4.8	7.2	9.9	2.1	4.4	6.6	**7.1**
Consolidation items	PLN m	-0.4	-0.9	-1.3	-1.8	-0.5	-0.9	-1.4	-1.8	-0.5	-0.9	-1.3	**-1.8**
EBITDA	PLN m	**584.3**	**-112.5**	**655.8**	**965.8**	**140.7**	**199.3**	**694.2**	**809.1**	**231.6**	**-10.8**	**272.7**	**-584.1**
Upstream	PLN m	165.7	-638.5	-561.4	-550.8	102.5	253.8	293.6	307.6	156.6	-273.2	-232.3	**-280.0**
Downstream	PLN m	477.4	550.9	1,206.6	1,504.2	83.3	-15.8	403.6	514.7	82.1	291.9	498.8	**-315.0**
including: retail	PLN m	-3.9	11.1	27.7	39.0	-6.3	4.3	24.9	32.2	17.6	34.6	74.4	**78.7**
Others	PLN m	3.9	8.9	12.3	15.7	2.5	5.7	9.4	23.8	5.0	8.8	12.1	**14.0**
Consolidation items	PLN m	-62.7	-33.8	-1.7	-3.3	-47.6	-44.4	-12.4	-37.0	-12.1	-38.3	-5.9	**-3.1**

Operational FX changes effect for Lotos Group - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
FX operational changes	PLN m	**33.5**	**-36.0**	**-129.4**	**-187.2**	**-104.4**	**-0.6**	**-10.0**	**-71.9**	**-16.5**	**-102.2**	**70.0**	**84.3**	**-20.6**	**-3.8**	**-282.7**	**-12.3**	**-1.5**	**-91.3**	**64.4**	**-2.8**	**-32.2**	**18.3**	**63.7**	**26.9**	**-1.2**	**-4.2**	**-26.3**	**-33.4**
out of which: Grupa LOTOS SA	PLN m	30.1	-29.8	-127.8	-189.0	-104.8	1.3	-4.1	-71.1	-14.1	-96.8	76.8	78.1	-20.2	-3.0	-284.1	-10.5	0.0	-87.7	64.1	-1.4	-31.7	15.9	65.8	27.2	-1.3	-4.1	-27.5	**-32.1**

LIFO effect - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
EBIT	PLN m	94.7	385.7	39.2	-665.4	12.7	158	215.1	64.6	132	292.3	332.3	304.8	537.3	316.9	88.2	143.1	419	-861.4	603.8	151.4	-26.1	-100.3	340.2	-47.2	17.3	-415	79.6	**-1074.9**
LIFO effect	PLN m	-45.2	-211.8	-24.1	893.3	-100.9	-186.9	-63	-97.3	-69.3	-253.2	81.7	-177.7	-278.1	-240.1	-124.5	-348.5	-232.7	204.6	22.2	60.8	155.3	86.3	55.3	79.7	56.0	-9.5	52.3	**863.3**
LIFO EBIT	PLN m	**49.5**	**173.9**	**15.1**	**227.9**	**-88.2**	**-28.9**	**152.1**	**-32.7**	**62.7**	**39.1**	**414**	**127.1**	**259.2**	**76.8**	**-36.3**	**-205.4**	**186.3**	**-656.8**	**626.0**	**212.2**	**129.2**	**-14.0**	**395.5**	**32.5**	**73.3**	**-424.5**	**131.9**	**-211.6**

Hedging transactions - quarterly

Reset Sort ascending Sort descending		1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
Closed positions	PLN m	**260.8**	**-7.3**	**-175.4**	**-313.1**	**-64.4**	**91.1**	**108.6**	**80.7**	**-62.6**	**-44.4**	**-14.9**	**4.8**	**-72.7**	**-15.7**	**31.1**	**-63.4**	**-25.5**	**-15.4**	**2.2**	**-2.6**	**-42.4**	**68.1**	**0.0**	**29.4**	**-7.8**	**19.5**	**-4.0**	**-14.4**
Product prices hedging transactions	PLN m	9.0	-67.8	-84.3	-30.1	27.6	33.4	57.7	4.5	0.0	-0.4	-3.0	-1.4	0.3	5.6	11.8	6.2	0.0	-5.0	-7.4	-1.7	9.3	38.9	-12.2	-8.8	-2.7	0.1	0.3	**-1.1**
FX and CO2 hedging transactions	PLN m	251.8	60.5	-91.1	-286.3	-90.3	57.7	36.8	80.2	17.1	-43.9	-17.7	8.2	31.4	14.1	18.0	-69.6	15.3	-10.4	2.7	-0.9	-0.8	29.3	10.5	38.2	15.7	19.4	-5.4	**-13.3**
Interest rate hedging transactions	PLN m	0.0	0.0	0.0	3.3	-1.7	0.0	14.1	-4.0	-79.7	-0.1	5.8	-2.0	-104.4	-35.4	1.3	0.0	-40.8	0.0	6.9	0.0	-50.9	-0.1	1.7	0.0	-20.8	0.0	1.1	**0.0**
Open positions	PLN m	**-132.2**	**53.7**	**-105.7**	**172.0**	**-157.4**	**128.6**	**-78.1**	**-107.6**	**-34.5**	**-180.5**	**134.0**	**5.1**	**165.8**	**-19.0**	**-161.9**	**5.3**	**169.0**	**-137.7**	**97.4**	**30.4**	**-39.7**	**-52.7**	**101.3**	**48.9**	**-3.9**	**-29.3**	**-68.2**	**-89.8**
Product prices hedging transactions	PLN m	-71.7	28.1	-27.4	169.1	36.9	-65.2	-79.7	2.6	-2.0	-14.0	10.4	3.6	15.3	-2.4	-7.8	-4.9	-1.1	-15.3	15.2	0.9	2.5	-44.7	32.5	10.7	1.1	2.3	-4.3	**-26.5**
FX and CO2 hedging transactions	PLN m	-60.4	19.0	-75.6	161.0	-140.5	114.2	18.2	-90.5	-75.7	-87.9	146.6	-23.3	43.2	-28.5	-95.6	20.8	121.9	-92.5	92.5	25.8	-89.4	-26.0	72.6	35.2	-22.4	-24.3	-61.4	**-52.5**
Interest rate hedging transactions	PLN m	-0.1	6.6	-2.7	-158.1	-53.8	79.6	-16.6	-19.7	43.2	-78.6	-23.0	24.8	107.3	11.9	-58.5	-10.6	48.2	-29.9	-10.3	3.7	47.2	18.0	-3.8	3.0	17.4	-7.3	-2.5	**-10.8**

Employment - in headcounts

Reset Sort ascending Sort descending	1Q08	2Q08	3Q08	4Q08	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10	1Q11	2Q11
LOTOS Group	4,764	4,843	4,864	4,878	4,915	4,886	4,910	4,949	4,985	5,014	4,994	5,010	5,096	5,198
Grupa LOTOS	1,098	1,159	1,191	1,246	1,268	1,290	1,297	1,305	1,311	1,316	1,307	1,310	1,314	1,314

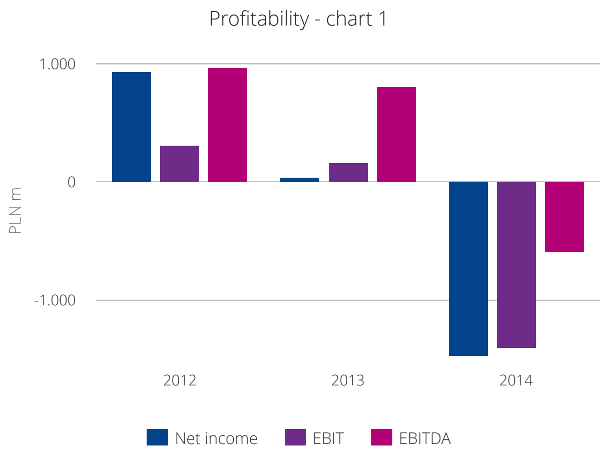
Reset Sort ascending Sort descending	3Q11	4Q11	1Q12	2Q12	3Q12	4Q12	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14	3Q14	4Q14
LOTOS Group	5,191	5,168	4,935	4,945	4,939	5,015	4,988	5,008	4,957	4,983	5,000	5,082	5,078	**5,106**
Grupa LOTOS	1,317	1,329	1,329	1,324	1,335	1,349	1,355	1,359	1,354	1,345	1,355	1,347	1,352	**1,350**

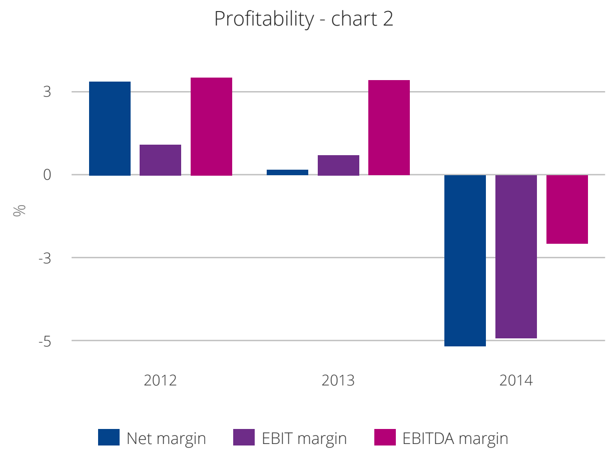
Profitability ratios

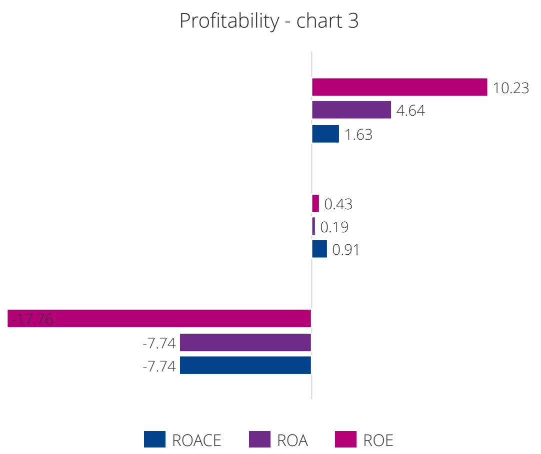
Reset Sort ascending Sort descending		2009	2010	2011	2012	2013	2014
Income margin							
Sales	PLN m	14,321.0	19,662.8	29,259.6	33,073.7	28,559.2	**28,501.9**
Operating profit	PLN m	450.4	1,061.4	1,085.5	308.3	166.6	**-1,393.0**
Pre-tax profit	PLN m	1,109.6	721.9	551.4	366.1	-58.7	**-2,123.7**
Net income	PLN m	911.8	681.4	649.3	927.9	39.4	**-1,466.4**
Pretax margin	%	7.75	3.67	1.88	1.11	-0.21	**-7.45**
Net margin	%	6.37	3.47	2.22	2.81	0.14	**-5.14**
EBIT and EBITDA							
Net income	PLN m	911.8	681.4	649.3	927.9	39.4	**-1,466.4**
Income tax expense	PLN m	197.8	40.5	-97.9	-561.8	-98.1	**-657.3**
Financial income	PLN m	-954.9	-23.4	-22.3	-302.0	-135.2	**-21.7**
Financial costs	PLN m	303.9	381.5	559.3	248.4	342.3	**728.0**
Interest in investments in associated undertakings	PLN m	-8.2	-18.6	-2.9	-4.1	18.2	**24.4**
EBIT	PLN m	450.4	1,061.4	1,085.5	308.3	166.6	**-1,393.0**
Depreciation and amortization	PLN m	284.8	389.9	608.6	657.5	642.5	**808.9**
EBITDA	PLN m	735.2	1,451.3	1,694.1	965.8	809.1	**-584.1**
EBIT margin, %	%	3.15	5.40	3.71	0.93	0.58	**-4.89**
EBITDA margin, %	%	5.13	7.38	5.79	2.92	2.83	**-2.05**
Return on equity							
Stockholders' equity	PLN m	6,846.2	7,513.5	7,782.4	9,066.4	9,189.6	**8,258.5**
Net income	PLN m	911.8	681.4	649.3	927.9	39.4	**-1,466.4**
Return on equity	%	13.32	9.06	8.34	10.23	0.43	**-17.76**
Return on assets							
Assets	PLN m	15,216.0	17,727.4	20,396.6	20,005.0	20,284.8	**18,947.3**
Net income	PLN m	911.8	681.4	649.3	927.9	39.4	**-1,466.4**
Return on assets	%	5.99	3.84	3.18	4.64	0.19	**-7.74**
Return on average capital employed (ROACE)							
Operating profit	PLN m	450.4	1,061.4	1,085.5	308.3	166.6	**-1,393.0**
Effective income tax rate	%	19.0	19.0	19.0	19.0	19.0	**19.0**
Stockholders' equity	PLN m	6,846.2	7,513.5	7,782.4	9,066.4	9,189.6	**8,258.5**
Net debt	PLN m	5,346.1	5,944.2	7,205.0	6,290.6	5,715.6	**6,315.5**

ROACE	%	2.99	6.39	5.87	1.63	0.91	**-7.74**

EBIT margin - operating profit/(loss) to net sales
EBITDA margin - EBITDA to net sales
Pretax margin - pretax margin to net sales
Net margin - net profit/(loss) to net sales
Return on equity (ROE) - net profit/(loss) to equity at the end of period
Return on assets (ROA) - net profit/(loss) to assets at the end of period
Return on average capital employed (ROACE) - operating profit/(loss) after tax to equity plus net debt (as at the end of the period)



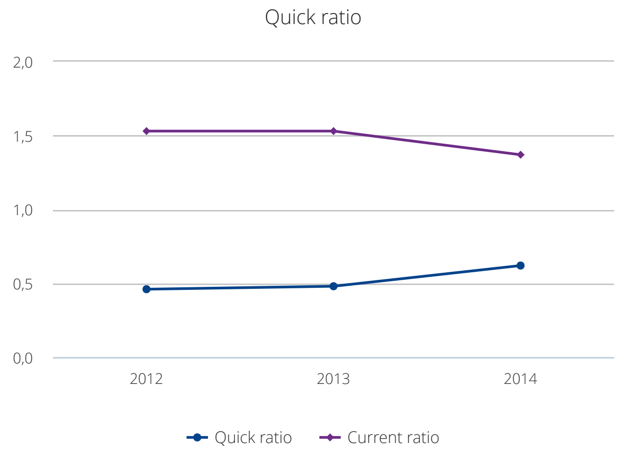


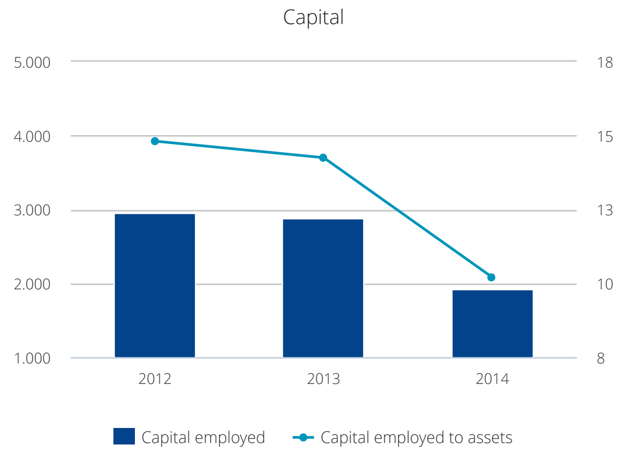


Liquidity ratios

Reset Sort ascending Sort descending		2009	2010	2011	2012	2013	2014
Quick ratio							
Current assets	PLN m	5,118.9	6,847.4	8,705.3	8,501.2	8,304.1	**7,154.9**
Inventories	PLN m	-3,023.1	-4,506.8	-5,855.8	-5,963.0	-5,728.9	**-3,917.1**
Current liabilities	PLN m	2,769.5	5,150.5	6,726.3	5,538.9	5,413.2	**5,222.9**
Quick ratio		0.76	0.45	0.42	0.46	0.48	**0.62**
Current ratio							
Current assets	PLN m	5,118.9	6,847.4	8,705.3	8,501.2	8,304.1	**7,154.9**
Current liabilities	PLN m	2,769.5	5,150.5	6,726.3	5,538.9	5,413.2	**5,222.9**
Current ratio		1.85	1.33	1.29	1.53	1.53	**1.37**
Capital employed							
Current assets	PLN m	5,118.9	6,847.4	8,705.3	8,501.2	8,304.1	**7,154.9**
Current liabilities	PLN m	-2,769.5	-5,150.5	-6,726.3	-5,538.9	-5,413.2	**-5,222.9**
Capital employed		2,349.0	1,696.9	1,979.0	2,962.3	2,890.9	**1,932.0**
Capital employed to assets							
Total assets	PLN m	15,216.0	17,727.4	20,396.6	20,005.0	20,284.8	**18,947.3**
Capital employed	PLN m	2,349.0	1,696.9	1,979.0	2,962.3	2,890.9	**1,932.0**
Capital employed to assets		15.44	9.57	9.70	14.81	14.25	**10.20**
Assets to equity							
Total assets	PLN m	15,216.0	17,727.4	20,396.6	20,005.0	20,284.8	**18,947.3**
Stockholders' equity	PLN m	6,846.2	7,513.5	7,782.4	9,066.4	9,189.6	**8,258.5**
Assets to equity		2.22	2.36	2.62	2.21	2.21	**2.29**

Quick ratio - current assets net of inventories to current liabilities (as at the end of the period)
Current ratio - current assets to current liabilities (as at the end of the period)
Capital employed - current assets net of current liabilities (as at the end of the period)
Capital employed to total assets - capital employed to total assets (as at the end of the period)
Assets to equity - total assets (as at the end of period) to stockholders' equity

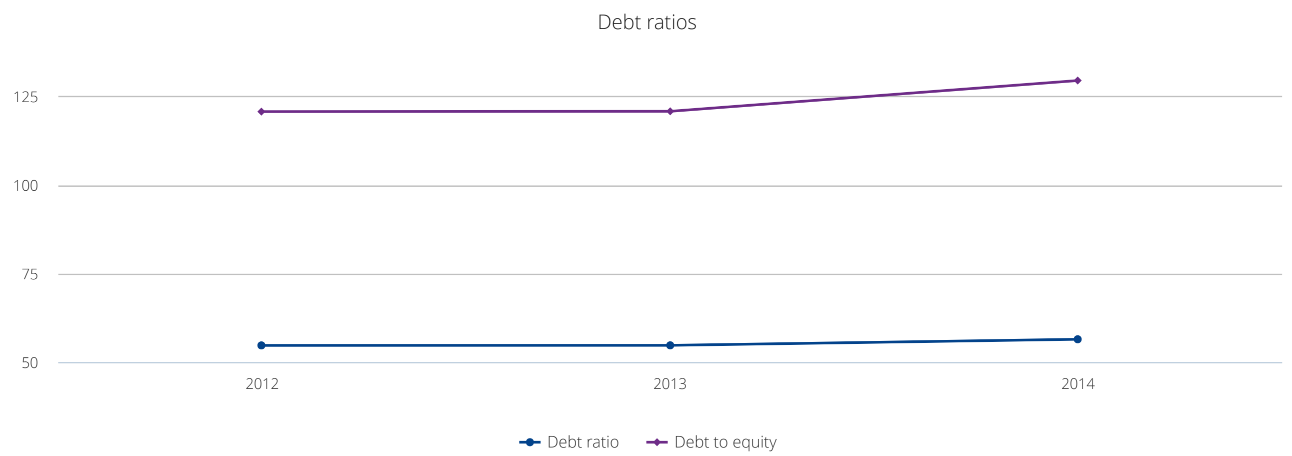

Quick ratio
2,0
1,5
1,0
0,5
0,0
2012
2013
2014
Quick ratio
Current ratio


Capital
5.000
4.000
3.000
2.000
1.000
18
15
13
10
8
2012
2013
2014
Capital employed
Capital employed to assets

Debt ratios

Reset Sort ascending Sort descending		2009	2010	2011	2012	2013	2014
Debt ratio							
Total liabilities	PLN m	8,369.8	10,213.9	12,614.2	10,938.6	11,095.2	**10,688.7**
Total assets	PLN m	15,216.0	17,727.4	20,396.6	20,005.0	20,284.8	**18,947.3**
Debt ratio	%	55.01	57.62	61.84	54.68	54.70	**56.41**
Debt to equity							
Total liabilities	PLN m	8,369.8	10,213.9	12,614.2	10,938.6	11,095.2	**10,688.7**
Stockholders' equity	PLN m	6,846.2	7,513.5	7,782.4	9,066.4	9,189.6	**8,258.5**
Debt to equity	%	122.25	135.94	162.09	120.65	120.74	**129.43**

Debt ratio - total liabilities to total assets (as at the end of the period)
Debt to equity ratio - total liabilities to equity (as at the end of the period)



Valuation ratios

Reset Sort ascending Sort descending		2009	2010	2011	2012	2013	2014
Enterprise Value							
Market capitalization*	PLN m	4,130.8	4,720.8	3,026.0	5,351.0	4,603.9	**3,311.7**
Non-current borrowings, other debt instruments and finance lease liabilities	PLN m	4,942.6	4,403.5	5,161.5	4,462.1	4,496.2	**4,495.6**
Current borrowings, other debt instruments and finance lease liabilities	PLN m	748.6	1,923.3	2,427.2	2,094.6	1,715.2	**2,168.1**
Non-controlling interests	PLN m	36.8	14.7	1.0	0.7	0.3	**0.2**
Cash and cash equivalents	PLN m	-345.1	-382.6	-383.7	-266.1	-495.8	**-348.2**
EV	PLN m	9,513.7	10,679.7	10,232.0	11,642.3	10,319.8	**9,627.4**
EV/EBITDA							
EV	PLN m	9,513.7	10,679.7	10,232.0	11,642.3	10,319.8	**9,627.4**
EBITDA	PLN m	735.2	1,451.3	1,694.1	979.3	802.6	**-856.8**
EV/EBITDA		12.94	7.36	6.04	11.89	12.85	**-**
Price to earnings (P/E)							
Share price *	PLN	31.8	36.4	23.3	41.2	35.4	**25.5**
Basic earnings per share	PLN	7.4	5.2	5.0	7.1	0.3	**-**
P/E		4.27	6.95	4.66	5.80	118.00	**-**
Market capitalization to book value (P/BV)							
Market capitalization*	PLN m	4,130.8	4,720.8	3,026.0	5,351.0	4,603.9	**3,311.7**
Book value	PLN m	6,846.2	7,513.5	7,782.4	9,066.4	9,189.6	**8,258.5**
P/BV		0.60	0.63	0.38	0.59	0.50	**0.40**
Market capitalization to sales (P/S)							
Market capitalization*	PLN m	4,130.8	4,720.8	3,026.0	5,351.0	4,603.9	**3,311.7**
Sales	PLN m	14,321.0	19,662.8	29,259.6	33,073.7	28,559.2	**28,501.9**
P/S		0.29	0.24	0.10	0.16	0.16	**0.12**
Market capitalization to assets							
Market capitalization*	PLN m	4,130.8	4,720.8	3,026.0	5,351.0	4,603.9	**3,311.7**
Total Assets	PLN m	15,216.0	17,727.4	20,396.6	20,005.0	20,284.8	**18,947.3**
Market capitalization to assets		0.27	0.27	0.15	0.27	0.23	**0.17**
Market capitalization to CFO							

Market capitalization*	PLN m	4,130.8	4,720.8	3,026.0	5,351.0	4,603.9	**3,311.7**
Cash flow from operating activities	PLN m	695.0	882.7	902.4	1,347.1	1,423.5	**1,421.7**
Market capitalization to CFO		5.94	5.35	3.35	3.97	3.23	**2.33**

* close price on the WSE on December 31

Enterprise value - market capitalization plus long-term and short-term debt, and minority interest, net of cash and cash equivalents

Grupa LOTOS S.A.
Integrated Annual Report 2014

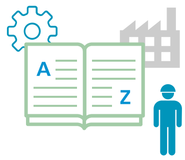
Useful information

Useful information

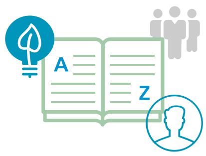
IN THIS CHAPTER:

Calendar of important events 2014

GRI and UN Global Compact Content Index



Glossary of industry terms



Glossary of social terms

Contact

Calendar of important events 2014

9 january 2014

LOTOS takes off at the Katowice Airport

LOTOS-Air BP Polska begins operations at the Katowice Pyrzowice International Airport as a supplier of aviation fuels 'at the wing-tip'.

9 january 2014

Top Brand award for LOTOS

LOTOS is recognised as the Top Brand 2013 in the engine oils category, the most prestigious distinction granted in the nationwide 'Consumer Laurel 2013' competition.

10 january 2014

LOTOS partners with ENACTUS

Grupa LOTOS becomes a partner of the ENACTUS programme, which mobilises students to pursue business projects to the benefit of local communities.

10 january 2014

Self-service LPG refuelling

The chain of LOTOS service stations begins to offer self-service LPG refuelling facilities, with the SP320 located in Gdynia-Redłowo at Al. Zwycięstwa 165 as the first such service station in the Gdynia-Gdańsk-Sopot agglomeration.

16
january
2014

Towing of the 'Petrobaltic' oil rig

Following completion of work on the B3 field next to the unmanned PG-1 oil rig (so-called jacket), the 'Petrobaltic' oil rig is towed to the B8 field to drill the B8-6K directional well with a target length of 2,370 metres, vertical depth of 2,257 metres, and deviation from the vertical of 627.5 metres.

30
january
2014

New LOTOS licences on the Norwegian Shelf

LOTOS Exploration and Production Norge is awarded two new exploration licences on the Norwegian Continental Shelf.

5
february
2014

LOTOS Serwis' high qualifications confirmed

A representative of the Office of Technical Inspection's certifying body presents the Czechowice-Dziedzice Branch of LOTOS Serwis with a certificate authorising it to operate a UDT-CERT Welders Examination Centre for the PN-EN 287-1: 2011 standard. A welder who passes such examination is authorised to modernise and repair pressure equipment under the purview of the Office of Technical Inspection.

7
february
2014

Tenth anniversary of LOTOS Kolej in the south of Poland

In 2004, LOTOS Kolej launched its operations in southern Poland through its new branches in Czechowice-Dziedzice and Jasło. Initially, their primary role was to provide railway services to LOTOS southern refineries; over time, they have taken over a number of other functions, including single-car freight services or international railway services.

10
february
2014

Kamil Stoch, sponsored by Grupa LOTOS, becomes the Winter Olympic Games Champion

Kamil Stoch outperforms the competition and wins the Gold medal in the Men's Ski Jumping Normal Hill at the Olympic Winter Games in Sochi.

13 february 2014

Justyna takes the Gold

After a phenomenal performance in the women's 10 km classic cross-country skiing race, Justyna Kowalczyk wins the Olympic Gold Medal despite a fractured foot. Justyna's is the second Gold medal for Poland at the Olympic Winter Games in Sochi, and also the second Gold won by an athlete sponsored by LOTOS.

14 february 2014

LOTOS-Air BP Polska awarded 'Wings of Success'

LOTOS-Air BP receives an award for the 'Most significant event on the ground handling services market at Warsaw Chopin Airport in 2013'.

15 february 2014

Double Gold for Stoch

Kamil Stoch, sponsored by Grupa LOTOS, makes history as he completes a gold medal sweep in the ski jumping competition at the Sochi Winter Olympic Games.

17 february 2014

Launch of the 'Kierunek Bałtyk' ('Headed for the Baltic') online platform

The environmental awareness platform 'Kierunek Bałtyk' ('Headed for the Baltic') is officially launched. In addition to the overall shared goals, the environmental institutions involved in the project cooperate with Grupa LOTOS in delivering our CSR programmes.

http://www.kierunekbaltyk.pl <http://www.kierunekbaltyk.pl>
http://www.facebook.com/kierunekbaltyk <http://www.facebook.com/kierunekbaltyk>

http://www.sledzfoki.pl <http://www.sledzfoki.pl>

18 february 2014

LOTOS Jazz Festival

The 16th 'Bielska Zadymka Jazzowa' ('Bielsko Jazz Blizzard') festival is on. Grupa LOTOS has been the patron of the event for the past eleven years – which is why the festival is known under two names: LOTOS Jazz Festival - Bielska Zadymka Jazzowa.

See video » <https://www.youtube.com/watch?v=1hO1zCklhYI>

24 february 2014

Crude oil discovered in LOTOS Norge licence area

Following the drilling of an exploration well in the Trell prospect, presence of crude oil is confirmed in the PL 102F licence area. This marks the first time oil has been discovered in a Polish-held Norwegian licence area.

24 february 2014

New Lechia Gdańsk Football Academy centre in Kokoszki

In the Municipal Office of Gdańsk, a letter of intent to open a Lechia Gdańsk Football Academy centre in the Kokoszki housing estate in Gdańsk is officially signed. In total, ten Lechia Gdańsk Football Academy centres have already been opened in the province of Gdańsk as part of the 'Biało-zielona przyszłość z LOTOSEM' ('White and Green Future with LOTOS') project.

See video » <https://www.youtube.com/watch?v=Xb4ekwfjNsg>

26
february
2014

LOTOS' new offshore platform now in the Baltic

A new offshore platform purchased by LOTOS Petrobaltic, the sole company conducting hydrocarbon exploration and production work in the Polish zone of the Baltic Sea, arrives in Poland. Financing for the project was provided by Agencja Rozwoju Przemysłu S.A. and Nordea Bank Polska S.A.

See video » <https://www.youtube.com/watch?v=VnNKAhGfM9w>

3
march
2014

Enter the DRAGON at LOTOS Kolej

LOTOS Kolej puts into operation the first of five DRAGON locomotives it has ordered. Manufactured by NEWAG Gliwice S.A., the DRAGON is a modern six-axle electric locomotive, the first of its kind to be manufactured in Poland in some 25 years.

11
march
2014

Tenth anniversary of LOTOS Serwis

An event marking the tenth anniversary of LOTOS Serwis is held at the Hilton Hotel in Gdańsk. Gold medals are presented by Michał Owczarczak, Deputy Governor of the Province of Gdańsk, and Paweł Olechnowicz, President of the Board of Grupa LOTOS.

See video » <https://www.youtube.com/watch?v=SXRB3k6poME>

14
march
2014

LOTOS named the '2013 Patron of Gdańsk Culture'

Grupa LOTOS receives the '2013 Patron of Gdańsk Culture' title for its support, as a strategic partner, of projects run by the Baltic Opera House in Gdańsk.

20
march
2014

'2014 Consumer Laurel' awarded to LOTOS

The LOTOS brand is named ‘Leader of the Decade’ in the nationwide ‘Consumer Laurel’ ('Laur Konsumenta') competition in the engine oils category.

---

27 - 29
march
2014

Nationwide Finals of the E(x)plory Science Competition

Under the auspices of Grupa LOTOS, the Nationwide Finals of the E(x)plory Science Competition are held at the Pomeranian Science and Technology Park. During the event, young scientists present their innovative projects, including a new pancreatic cancer treatment method, a steam-powered car, and a waste sorting machine.

1
april
2014

LOTOS recognised for its Best Practices

Four Grupa LOTOS initiatives are highlighted in the latest publication by the Responsible Business Forum (FOB) on best CSR practices.

4
april
2014

'LOTOS for Drivers' mobile application is launched

With the ‘LOTOS dla kierowcy’ ('LOTOS for Drivers') application, drivers are able to locate the nearest service station offering a specific service, gain access to the LOTOS Navigator loyalty programme account, or check special offers currently available at hundreds of LOTOS service stations.

http://dlakierowcy.lotos.pl <http://dlakierowcy.lotos.pl>

9
april
2014

Grupa LOTOS at the Job Fair

Grupa LOTOS takes part in the International Pomeranian Metropolitan Job and Entrepreneurship Fair, organized by the County Job Centre and the Provincial Job Centre of Gdańsk.

14
april
2014

'Lotos Petrobaltic' starts drilling operations

The 'LOTOS Petrobaltic' platform launches exploration drilling on the B27 prospect located in the Gotland licence area.

24
april
2014

LOTOS Serwis partners with Polski Rejestr Statków S.A. (Polish Shipping Register)

LOTOS Serwis and Polski Rejestr Statków S.A. (Polish Shipping Register) sign a letter of intent in which they declare their intention to cooperate and use each other’s services in supervision over the construction and repairs of offshore units, periodic inspections of such units, or preparation of technical expert reports.

25
april
2014

Improved reliability and safety of the LOTOS refinery

Grupa LOTOS is the first in Poland to introduce an RBI system for pressure equipment at the refinery in Gdańsk, having signed a relevant agreement with the Office of Technical Inspection (UDT). With the new system in place, the period of the refinery's uninterrupted operation may be extended from four to five or six years.

28
april
2014

Grupa LOTOS on top of the 8th Responsible Companies Ranking

In this year's Responsible Companies Ranking, held by the Responsible Business Forum and PwC, Grupa LOTOS ranks first in the 'Fuel, Energy and Mining' industry category.

---

6 may 2014

Diagnostic video ultrasonography equipment for a hospital in Gdańsk-Zaspa

With the support of Grupa LOTOS, the Specialist St. Adalbert Hospital in Gdańsk acquires state-of-the-art video sonography equipment.

See video » <https://www.youtube.com/watch?v=lEfsGiZ-V3A>

---

10 may 2014

‘White and Green Future with LOTOS’ opens its eleventh academy

An eleventh branch of the Lechia Gdańsk Football Academy opens in Elbląg as part of the ‘Biało-zielona przyszłość z LOTOSEM’(‘White and Green Future with LOTOS’) project.

See video » <https://www.youtube.com/watch?v=6Yl_f4s0SZw>

---

12 may 2014

LOTOS and PGNiG partner in Norway

LOTOS Exploration & Production Norge and PGNiG Upstream International sign a letter of intent for collaboration in projects on the Norwegian Continental Shelf. Under the letter, the companies will jointly secure new acquisitions and enter licensing rounds held by the Norwegian Petroleum and Energy Ministry.

---

14 may 2014

LOTOS wins the 'Golden CSR Leaf'

For the second consecutive year, Grupa LOTOS wins the 'Golden CSR Leaf' in a ranking organized under the auspices of the *Polityka* weekly and PwC.

---

19 may 2014

LOTOS Kolej signs a contract with PCC Intermodal

LOTOS Kolej and PCC Intermodal sign an agreement on intermodal rail transport services. The contract, valid until March 31st 2016, sets out the terms of cooperation and transport rates for intermodal rail services.

19
may
2014

Opinion poll at Grupa LOTOS

An opinion poll is launched across the LOTOS Group. We are determined to work together towards a positive and stimulating work environment to the benefit of us all; to that end, we must gain an insight into the needs and expectations of our staff.

20
may
2014

LOTOS among the most environmentally-friendly refineries

The switchover to natural gas as the key fuel at the LOTOS refinery has driven carbon emissions down to levels seen only at the best European refineries.

24
may
2014

Campaign for the 'Mewia Łacha' bird reserve

Volunteers from the LOTOS Group, along with their families and friends, gather in Świbno to work together for the sake of the 'Mewia Łacha' bird reserve. Over a weekend morning, they collect more than twenty 120-litre bags of rubbish, plastics, bottles, and even a refrigerator.

24
may
2014

Paweł Olechnowicz named the Business Person of the Last 25 Years

The Judging Panel of the 20th edition of the 'Business Person of the Year in the Pomerania Region' competition awards the 'Business Person of the Last 25 Years (1989 – 2014) in the Pomerania Region' titles to six business people whose achievements have gained the highest rating - including Paweł Olechnowicz, President of the Grupa LOTOS Board.

---

25 may 2014

LOTOS opens new service stations on A4 and A2 motorways

The month of May sees the opening of three new LOTOS service stations in Motorway Service Areas located on A4 and A2 motorways.

---

25 may 2014

LOTOS Petrobaltic at the Baltic Science Festival

'How crude oil formed under the Baltic Sea' – is the theme of an exhibition showcased by the LOTOS Petrobaltic staff at the 12th edition of the Baltic Science Festival.

---

27 may 2014

'LOTOS protects the Baltic Sea wildlife'

The 'LOTOS protects the Baltic Sea's wildlife' programme is run by Grupa LOTOS, the Foundation for the Development of the University of Gdańsk and the Marine Station in Hel. As part of the initiative, the Company supports conservation of the most endangered animal species in the Baltic Sea. This time, three young seals from the Hel Seal Centre are released into the sea.

27
may
2014

'Griffin' award for LOTOS

For the fifteenth time, the Pomeranian business community recognises the best companies in the region. In recognition of our consistent and regular sponsorship and patronage of cultural projects in the region, Grupa LOTOS receives the special 'Pomeranian Griffin' award.

28
may
2014

Grupa LOTOS names the safest company

The safest company of the LOTOS Group and the safest plant of Grupa LOTOS in 2013 are selected. The titles are awarded to LOTOS Biopaliwa and the Railcars Loading Complex, respectively.

28
may
2014

‘Super Leader’ award for Grupa LOTOS

Grupa LOTOS receives the ‘Super Leader’ award at the 10th Congress of the National Association for the Protection of Classified and Business Information and Personal Data.

29
may
2014

Tenth anniversary of LOTOS Straż

The refinery fire services celebrate the tenth anniversary of their company, with many of the firemen receiving high honours awarded by the Polish State.

31
may
2014

LOTOS Kolej for kids

The 'Railway Technology Days' event is held on the premises of LOTOS Kolej in Gdańsk on the Children's Day. Kajetan Kajetanowicz, the four-time champion of the Polish Rally Championships, pays an unexpected visit to the event.

2
june
2014

Launch of the LOTOS Kids platform

LOTOS launches kids.lotos.pl – an online games platform for the youngest passengers on board.

4
june
2014

LOTOS named 'Sports Patron of Independent Poland'

Grupa LOTOS wins the title of 'Sports Patron of Independent Poland'. The award is collected on behalf of the Company by Paweł Olechnowicz, President of the Grupa LOTOS Board, during the 'Sporting Success at the 25th Anniversary of Poland's Independence' gala event held on June 2nd.

4
june
2014

New Lechia Gdańsk Football Academy centre in Kokoszki

A twelfth branch of the Lechia Gdańsk Football Academy opens in Kokoszki as part of the 'Biało-zielona przyszłość z LOTOSEM' ('White and Green Future with LOTOS') programme, offering an alternative training location to Gdańsk. Adam Nawałka, the coach of Poland's national football team, and Kajetan Kajetanowicz, the LOTOS Rally Team driver, both make an appearance at the event.

See video » <https://www.youtube.com/watch?v=g62YS1NV138>

4
june
2014

Opening of the Freedom Motorway

At an official event at the LOTOS service station in Brwinów near Warsaw, President of the Republic of Poland Bronisław Komorowski and President of Germany Joachim Gauck unveil a memorial plaque and open the Warsaw-Berlin A2 motorway.

5
june
2014

LOTOS wins two Superbrands awards

LOTOS receives two prestigious Superbrands awards for the strongest and most recognisable brands in Poland.

10
june
2014

Launch of the ‘LOTOS Safety Belt Champions’ programme

Grupa LOTOS launches a new CSR project in association with the National Road Traffic Safety Centre and the fotelik.info website. The ‘LOTOS - Mistrzowie w pasach' ('LOTOS Safety Belt Champions’) prevention and awareness programme focuses on the correct fastening of seat belts and child safety seats. Kajetan Kajetanowicz has agreed to become the ambassador of the programme.

10
june
2014

Partnership with the Communications School Complex in Gdańsk

LOTOS Serwis signs an agreement with the Zespół Szkół Łączności (Communications School Complex) in Gdańsk, taking one of the classes under its patronage.

12
june
2014

25. Conference at the AGH University of Science and Technology

The International Scientific and Technical Conference DRILLING-OIL-GAS AGH 2014 is one of most important gatherings of researchers and practitioners in the field of hydrocarbon exploration and production. Lectures and presentations delivered by LOTOS Petrobaltic representatives attract much attention from conference participants.

16
june
2014

Growing sales of bitumens by LOTOS Asfalt

After the first five months of the year, LOTOS Asfalt more than doubles its domestic sales of bitumens, reporting a four-fold growth in the sales of advanced modified bitumens.

---

18 june 2014

Final round of the 'Jasło Science League with LOTOS'

The Jasło Cultural Centre hosts the final round of the first edition of the 'Jasło Science League with LOTOS' competition.

See video » <https://www.youtube.com/watch?v=_fQvPxiFFss>

---

21 june 2014

First event under the 'LOTOS Safety Belt Champions' programme

A large-scale child safety seat and safety belt inspection campaign takes place at the Przymorze Shopping Mall in Gdańsk, the first such event under the 'LOTOS - Mistrzowie w pasach' ('LOTOS Safety Belt Champions') programme. The programme ambassador, Kajetan Kajetanowicz, makes an appearance as a special guest.

See video » <https://www.youtube.com/watch?v=OHs_b5T6A88>

---

22 june 2014

LOTOS Junior Cup 2014 finals

The football stadium in Traugutta Street in Gdańsk hosts the LOTOS Junior Cup 2014 finals. Gdańsk wins in the tournament, having beaten Starogard Gdański at 1:0. At the award ceremony, the most talented participants of the 'Biało-zielona przyszłość w LOTOSEM' ('White and Green Future with LOTOS') project are also awarded scholarships.

See video » <https://www.youtube.com/watch?v=eR5QdFmA8QQ>

---

24 june 2014

Recap of the 2013/2014 'Pomeranian Talent' project

The 'Zdolni z Pomorza' ('Pomeranian Talent') programme offers support to Pomerania's teachers and nearly 1,200 pupils exceptionally gifted in mathematics, physics, and IT. The most talented of them are covered by mentoring programmes run by academic staff.

---

25 june 2014

Modern fuel depot in Poznań

The new fuel depot is located in a critical spot near the A2 motorway junction and in the area where both Grupa LOTOS and other fuel companies have the largest number of service stations.

---

25 june 2014

Recap of the spring round of cruises under the Maritime Education programme

The spring round of the Maritime Education programme cruises is now over, and participants meet with Mateusz Kusznierewicz — the Olympic Champion and mastermind behind that project, and also Ambassador for Maritime Affairs of the City of Gdańsk.

See video » <https://www.youtube.com/watch?v=tvhMzZpseMw>

---

26 - 29 june 2014

71st LOTOS Rally Poland

The 71st LOTOS Rally Poland hits the roads of Poland and Lithuania; the rally is also the 7th round of the FIA World Rally Championship. Grupa LOTOS is involved in the event both as the titular sponsor and also as the official partner of Robert Kubica, who competes in the rally.

---

26 june 2014

Launch of the 'Emotions to the Full' ('Emocje do pełna') website

The www.emocjedopelna.pl website presents all information and updates on sports events, coming from various social media sources. From now on, fans of all sports teams sponsored by Grupa LOTOS will be able to stay up to date and cheer on their favourite athletes.

---

30 june 2014

Appointment of Supervisory Board for the ninth term of office

The Annual General Meeting of Grupa LOTOS appoints Supervisory Board members for the ninth term of office. The following members are reappointed: Wiesław Skwarko as Chairman, Małgorzata Hirszel, Agnieszka Trzaskalska, Oskar Pawłowski, and Michał Rumiński. A new member, Magdalena Bohusz-Boguszewska, is also appointed to serve on the Supervisory Board as the representative of the Ministry of State Treasury.

5
july
2014

'LOTOS Safety Belt Champions' in Koszwały

As part of the 'LOTOS - Mistrzowie w pasach' ('LOTOS Safety Belt Champions') programme, road safety experts attend an event organized at the Grupa LOTOS service station in Koszwały near Gdańsk. All customers can have their safety belts and child safety seats inspected for free.

See video » <https://www.youtube.com/watch?v=7DCRUi-QBG4>

9
july
2014

LOTOS wins a prestigious gold

Having defeated nine other teams, the LOTOS team takes the gold medal in the Lechia Gdańsk Prestige Cup tournament held at PGE Arena in Gdańsk.

12
july
2014

Gold Medal of the Polish Success Academy for Paweł Olechnowicz

The Polish Success Academy awards a Gold Medal and grants membership to Paweł Olechnowicz, President of the Grupa LOTOS Board, in recognition of his innovative business projects.

15
july
2014

LOTOS Kolej with a new locomotive

The new locomotive is the first 6Dg unit at LOTOS Kolej, with two more such locomotives to appear on the Gdańsk railway siding in July. The new shunting locomotive is a former SM42 diesel unit upgraded by Newag.

See video » <https://www.youtube.com/watch?v=WGiCD3nKokQ>

16
july
2014

Motorcycle Rider Card Navigator and more

The LOTOS service station chain introduces a dedicated loyalty card for motorcycle owners. As a bonus to fuel purchase, they will receive disposable wipes to clean their motorcycle helmets, and special helmet hangers will be installed in toilets at the LOTOS service stations.

See video » <https://www.youtube.com/watch?v=wsINySvZovc>

---

17 july 2014

'LOTOS Optima' – three years on the market

With 158 economy service stations opened in just three years and effective management of its service station chain, LOTOS has markedly strengthened its position in the retail market.

---

21 - 23 july 2014

LOTOS Polish Open 2014

The International Men's Polish Open Championships are held at the Sand Valley Golf & Country Club in Pasłęk near Elbląg. The champion title is claimed by Berni Reiter of Austria, who was a favourite from round one.

See video » <https://www.youtube.com/watch?v=Mqe6FUApdN0>

---

24 july 2014

Contract for the construction of a Hydrogen Recovery Unit is signed

The Hydrogen Recovery Unit, a new installation at Grupa LOTOS, is expected to add to the Gdańsk refinery's total output a further 100 thousand tonnes of LPG, 9 thousand tonnes of hydrogen and 25 thousand tonnes of naphtha per year. The project is to be launched in the spring of 2015 and completed by the American company AMCS Corporation on a turn-key basis.

---

24 july 2014

LOTOS Geonafta turns fifty

Nearly 150 guests from Lithuania, Poland, Germany, Norway and the USA gather in the courtyard of the Michał Ogiński Palace in Płungiany (Plunge) to celebrate the 50th anniversary of LOTOS Geonafta.

---

9 august 2014

Transshipment at open sea

On the B3 oil field, a third open-see transshipment operation in the history of LOTOS Petrobaltic takes place. Crude oil extracted from the B3 field is loaded from Icarus III to the Solando tanker and transported to the Gdańsk port and ultimately to the Grupa LOTOS refinery.

---

14 august 2014

Pit Stop at the Baltic Opera

A special Pit Stop is set up at the LOTOS service station near the Baltic Opera in Gdańsk as part of the 'LOTOS Safety Belt Champions' campaign. About 50 motorists and passengers opt for an inspection, owing to which three of them avoid a certain death.

---

25 august 2014

First transaction by Polskie Inwestycje Rozwojowe

A special purpose vehicle, wholly-owned by LOTOS Petrobaltic, enter into agreements with Polskie Inwestycje Rozwojowe, Bank Gospodarstwa Krajowego and Bank Pekao S.A. for the financing of development of the B8 field in the Baltic Sea. The transaction is the first production project in Central Europe to be funded on a project finance basis.

See video » <https://www.youtube.com/watch?v=OwixF48E8w4>

25 august 2014

Włodzimierz Karpiński, Minister of the State Treasury, visits the 'LOTOS Petrobaltic' offshore rig

Włodzimierz Karpiński, Minister of the Polish State Treasury, and Rafał Baniak, Under-Secretary of State at the Ministry of State Treasury, visit one of the four LOTOS Petrobaltic's drilling rigs operating in the Baltic Sea.

See video » <https://www.youtube.com/watch?v=IMpzszaXXao>

27 august 2014

New crude oil unloading railway terminal

As of 2015, the LOTOS refinery will process crude oil extracted by PGNiG (primarily from its new production site in Lubiatów). First, however, crude oil must be transported and unloaded; to that end, a new railway unloading terminal, with a capacity of more than 500 thousand tonnes per year, will be built at the refinery.

1 september 2014

Thirteenth ‘White and Green Future with LOTOS’ centre

A new branch of the Lechia Gdańsk Football Academy is officially opened in Słupsk. More than 160 young football players of the KS Gryf Słupsk football club have joined the ‘Biało-zielona przyszłość z LOTOSEM’ (‘White and Green Future with LOTOS’) project.

See video » <https://www.youtube.com/watch?v=77JJoOHR9_U>

4 september 2014

First contract under the EFRA Project

Grupa LOTOS and LOTOS Asfalt sign a contract with Fluor S.A. for the design and support related to contracting, procurement, and construction site management, in connection with the integration of newly built facilities with the refinery. It is the first contract under the EFRA Project related to the construction of a coking unit.

8 september 2014

Green light given to LOTOS share issue

The Extraordinary General Meeting of Grupa LOTOS approves an increase of the Company's share capital by issuing new shares. The proceeds will be used to finance the Company’s strategy, which envisages further investments to increase the Gdańsk refinery's complexity and step up hydrocarbon production.

See video » <https://www.youtube.com/watch?v=8Al4x7x8VHw>

11 september 2014

'Top-Quality Human Resources' Certificate awarded to Grupa LOTOS

Grupa LOTOS receives a 'Top-Quality Human Resources' Certificate from the Polish Human Resources Management Association, in recognition of its implementation of the organization's business strategy through creating an engaging workplace.

17 september 2014

LOTOS Oil - Ambassador of the Polish Economy

In the fourth edition of the Ambassador of the Polish Economy award, LOTOS Oil wins in the ‘Partner of Foreign Companies’ category. The company is distinguished in this prestigious competition for the third time running.

23 september 2014

LOTOS Kolej at the InnoTrans 2014 fair

The InnoTrans fair in Berlin has grown into a meeting point for all major industry players and the venue of choice for the majority of world premieres. This year, the Berlin fair hosts demonstrations of as many as 145 vehicles, including the E6ACT Dragon made by NEWAG Gliwice and used by LOTOS Kolej on a daily basis.

See video » <https://www.youtube.com/watch?v=amJtGI4i8cw>

25 september 2014

Five million cubic metres of oil extracted from the B3 field

The volume of crude oil produced from the B3 field has exceeded 5 million cubic metres. The Baltic Beta platform crew celebrate this milestone together with the Management Board of LOTOS Petrobaltic.

27 september 2014

A new branch of the Lechia Gdańsk Football Academy opens in Malbork

the fourteenth branch opened as part of the 'Biało-zielona przyszłość z LOTOSEM' (‘White and Green Future with LOTOS’) programme in just two years.

See video » <https://www.youtube.com/watch?v=uiFKIjqQx5U>

5 october 2014

LOTOS Petrobaltic helps recover Douglas A-20 wreck from the Baltic Sea bottom

Research vessel St. Barbara raises the wreck of a Douglas A-20 plane from the bottom of the Baltic Sea, bringing the recovery operation, carried out by the Ministry of Culture and National Heritage and the National Maritime Museum in Gdańsk in collaboration with the Polish Navy and LOTOS Petrobaltic, to a successful conclusion.

See video » <https://www.youtube.com/watch?v=zCWG2rIPJlQ>

---

10 october 2014

New image-building campaign at LOTOS

Grupa LOTOS launches a new image-building project, based on a TV spot and a wide-ranging campaign on the Internet, including the www.lotostory.pl website with an interactive image-building spot.

See video » <https://www.youtube.com/watch?v=e6ed27h7NGM>

---

15 october 2014

LOTOS becomes a partner of the Large Family Card project

LOTOS is the first service station chain to join the ‘Karta Dużej Rodziny’ ('Large Family Card') scheme.

---

15 october 2014

The State Treasury to subscribe for new shares of Grupa LOTOS

Acting as the State Treasury's representative, the Minister of State Treasury enters into an agreement with Grupa LOTOS for assistance in the form of non-public aid of up to PLN 530m to finance the construction of a Delayed Coking Unit (DCU) and auxiliary installations (‘EFRA Project’). Under the Agreement, the State

Treasury will subscribe for new shares of Grupa LOTOS by exercising its pre-emptive rights.

17 october 2014

Another 'Best Annual Report' award for Grupa LOTOS

For the third consecutive time, Grupa LOTOS is included in the group of companies whose annual reports are rated as most useful to shareholders and investors. Having stated that the '2013 Integrated Annual Report of Grupa LOTOS' exemplifies a publication based on which investment decisions can be made at a relatively minimal risk, the jury of the ninth edition of the contest ranks our company in the third place in the 'Main Prizes for Large Companies' category.

21 october 2014

LOTOS' high technical safety standard awarded

The Ministry of Economy and the Office of Technical Inspection have decided to award enterprises leading in terms of business initiative, growth and technical safety. A recognition certificate and statuette 'In Recognition of High Technical Safety Standard' are awarded to Grupa LOTOS.

30 october 2014

Polish shipyards to convert the Petrobaltic platform

LOTOS Petrobaltic signs a contract for the conversion of its drilling rig into a production unit. The consortium of the project's contractors consists of companies controlled by Polska Grupa Zbrojeniowa S.A. (Energomontaż – Północ Gdynia and Nauta Shiprepair Yard) and a domestically-owned shipyard, Crist.

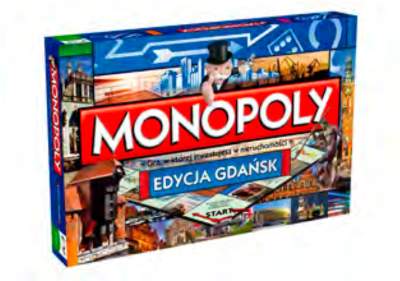
See video » <https://www.youtube.com/watch?v=hlnhbA8UovA>

4 november 2014

LOTOS' high safety standard awarded

A recognition certificate and statuette 'In Recognition of High Technical Safety Standard' are awarded to Grupa LOTOS.

15 november 2014



Grupa LOTOS on the Monopoly gameboard

Gdańsk is Poland's and CEE's first city to have its own version of the popular Monopoly game. The Grupa LOTOS refinery and office building are obvious choices to feature on the gameboard, both being the city's landmarks welcoming all those travelling to Gdańsk from Elbląg and Warsaw.

---

17 november 2014

Great LOTOS Paliwa Fuel Lottery is on

All LOTOS and LOTOS Optima service stations hold a nationwide sales promotion. The Great Lottery is a remarkable project in terms of the number and value of prizes, with the prize pool including six Ford Ka passenger cars, 100 Samsung Galaxy Alpha smart phones, and 260 thousand discount coupons redeemable at service stations.

---

20 november 2014

'Diamonds of the Polish Chemical Industry' awarded to LOTOS

The ‘Diamonds of the Polish Chemical Industry’ awards are presented at the Chemical Industry Forum. Two equal ranking 'CSR Leader' titles are granted to Grupa LOTOS and BASF Polska.

---

20 november 2014

Two years of the ‘White and Green Future with LOTOS’ programme

The PGE Arena in Gdańsk hosts a press conference to recap the two years of the ‘Biało-zielona przyszłość z LOTOSEM’ (‘White and Green Future with LOTOS’) programme.

---

25 november 2014

LOTOS named 'A Well-Perceived Company'

Grupa LOTOS is declared 'A Well-Perceived Company' in the fifth edition of a contest organized by the Business Centre Club.

26 november 2014

Tenth anniversary of the LOTOS Academy

LOTOS Academy is a comprehensive staff education project highly valued in the world of science and business.

See video » <https://www.youtube.com/watch?v=Gbw0DXMG_KM>

28 november 2014

LOTOS makes it to the Most Valuable Polish Brands Ranking

In the 11th 'Most Valuable Polish Brands' Ranking, the LOTOS brand is valued at PLN 1,245.3m, and Grupa LOTOS entrenches its position among Poland's top ten most valuable brands.

28 november 2014

Final gala of the pilot 'LOTOS Safety Belt Champions' programme

Two and a half thousand kids take part in the fun&learn event at the Arena Gdynia centre at the final gala of the awareness programme run by Grupa LOTOS and the National Road Traffic Safety Centre. The 'LOTOS - Mistrzowie w pasach' ('LOTOS Safety Belt Champions') project promotes the correct fastening of seat belts as well as optimum selection and fastening of child safety seats.

See video » <https://www.youtube.com/watch?v=GciCFrLVvCM>

28 november 2014

First screening of 'Dynamic people - the Process Operator'

The film is a new information tool developed by the Human Resources Office of Grupa LOTOS. From now on, it will be used to support the process of recruitment of candidates for this extremely challenging job, which is also of key importance to the refinery.

See video » <https://www.youtube.com/watch?v=3tGQpeNJjr8>

1 december 2014

LOTOS Trefl Gdańsk volleyball team at the Gdańsk refinery

The team, coaching staff and managers of LOTOS Trefl Gdańsk, the sensation of the current volleyball season, pay a visit at Grupa LOTOS. After a site tour and meeting with the LOTOS Straż staff, those with no fear of heights or low temperatures decide to take a bird's-eye view of the refinery from the fire truck's cherry picker.

See video » <https://www.youtube.com/watch?v=sOHSjXT_GHc>

---

3 december 2014

Maritime Education Programme with the 'EKO Inspiracja 2014' award

The Maritime Education Programme, with Grupa LOTOS as one of the partners, receives the 'EKO Inspiracja 2014' award in the 'Partnership' category.

---

9 december 2014

Grupa LOTOS recognised for sports sponsorship in Gdańsk

Grupa LOTOS is awarded at the 12th Gdynia Sports Gala as the sponsor of the Lechia Gdańsk football team and the LOTOS Trefl volleyball team, and organizer of the 'Biało-zielona przyszłość z LOTOSEM' ('White and Green Future with LOTOS') initiative sponsoring of a number of training centres for young football players.

---

9 december 2014

Authorised Economic Operator status for LOTOS

Grupa LOTOS takes the first steps to adjust the Company's organizational structure to receive an AEO Certificate, under which a company is assigned the Authorised Economic Operator status and may enjoy certain privileges in accordance with the EU customs law.

---

10 december 2014

Grupa LOTOS public share offering successfully completed

Shareholders of Grupa LOTOS will acquire all the Company new shares on a pre-emptive basis. Thanks to the successful public offering, the Company has been able to raise its target gross proceeds of PLN 995.5m.

10 december 2014

Grupa LOTOS signs the 'Call to Action on Anti-Corruption' initiative

The 'Call to Action on Anti-Corruption' is an initiative uniting businesses in a concerted effort to fight corruption. The official signing of the document takes place in New York, and is the highlight of celebrations marking the 10th Anniversary of the 10th Principle of the UN Global Compact.

10 december 2014

Paweł Olechnowicz as the Man of the Decade

At the grand gala event of the 10th edition of the Nafta/Chemia Conference, the 'Man of the Decade – who Changed the Polish Oil and Chemical Industry' titles are awarded, with Paweł Olechnowicz, President of Grupa LOTOS Board, as one of this year's honorees.

11 december 2014

Grupa LOTOS as a socially responsible company

For the third time, Grupa LOTOS is a regional partner of the 'CSR Academy. Towards Responsible Business' conference organized by the *Puls Biznesu* daily newspaper in Gdańsk. The event is another opportunity to share our best CSR practice with micro, small and medium-sized businesses of the Pomerania region.

14 december 2014

Paweł Olechnowicz among Poland's top 20 managers

BloombergBusinessweek Polska recognises Poland's top CEOs with the most successful track records. The top 20 managers ranking is based on a survey, with the final rank depending on the overall number of votes cast in favour of a candidate.

---

18 december 2014

Grupa LOTOS in the RESPECT Index again

Once again, Grupa LOTOS is included in the RESPECT Index of the most socially responsible companies, in the project's eighth edition.

---

21 december 2014

LOTOS named the 'Patron of Culture' in Jasło

LOTOS Infrastruktura receives one of the three 'Patron of Culture 2014' awards. The statuettes are awarded by Ryszard Pabian, the Mayor of Jasło, during a Christmas meeting at the Jasło Cultural Centre.

---

1 january 2015

LOTOS-Air BP launches operations in Lublin

As of the beginning of 2015, LOTOS-Air BP Polska starts offering aircraft refuelling services at the Lublin airport. The airport authorities decide to introduce the new company-recommended fuel sales management system, which is an innovation on the Polish aviation fuel market.

---

8 january 2015

Polish crude oil from Lubiatów reaches the LOTOS refinery

36 tankers with 1,500 tonnes of crude oil from the PGNiG production site in Lubiatów reach the LOTOS refinery in Gdańsk in early January, the first delivery under a 5-year contract signed with an intention of diversifying the Company's crude oil supply sources. Under the contract, the refinery will receive 25

thousand tonnes high-quality low-sulfur crude oil per month.

See video » <https://www.youtube.com/watch?v=-iMqJ6k86qQ>

9 january 2015

Joint PGNiG and LOTOS Petrobaltic exploration project in north-eastern Poland

LOTOS Petrobaltic and PGNiG sign a joint operations agreement concerning the Górowo-Iławeckie licence in north-eastern Poland.

30 january 2015

Grupa LOTOS as a 'Friendly Recruitment Zone'

Grupa LOTOS, as a member of the Coalition for Friendly Recruitment, receives a 'Friendly Recruitment Zone' certificate in recognition of its candidate-friendly recruitment processes and compliance with the Code of Good Recruitment Practices.

2 february 2015

Stronger cooperation between LOTOS Kolej and PGNiG

Under contracts signed by PGNiG and LOTOS Kolej for the provision of end-to-end railway siding services on PGNiG's side tracks leading to Barnówko (in the province of Szczecin) and Wierzbno (in the province of Zielona Góra), LOTOS Kolej will deploy four SM30 shunting locomotives (dubbed 'Duckies' by the railway personnel).

12 february 2015

Award for LOTOS Asfalt

Piotr Przyborowski, the CEO of LOTOS Asfalt, receives the 'Personality of the Year 2014 in the Construction Industry' award and LOTOS Asfalt is recognised as the 'Construction Company of the Year 2014', both awards granted by the publisher of the *Builder PWB Media* monthly.

16 february 2015

Meeting with the authorities of the town of Władysławowo and county of Puck

LOTOS Petrobaltic, CalEnergy and their subsidiaries are actively at work on a project related to the development of the B4 and B6 gas fields (Baltic Gas Project). Gas produced from these fields will be transported to shore, to Energobaltic in Władysławowo.

17 february 2015

Grupa LOTOS becomes the Major Sponsor of the Polish National Football Team

An agreement is signed at the National Stadium in Warsaw appointing Grupa LOTOS the Major Sponsor of the Polish national football team. The contract between Grupa LOTOS and the Polish Football Association will remain in force until December 31st 2018.

Zobacz video » <https://www.youtube.com/watch?v=Dlk10nsfjKs>

19 february 2015

LOTOS as the capital market leader

On the back of the largest public offering of shares, Grupa LOTOS makes it to the list of leaders of the Polish capital market in 2014. Paweł Olechnowicz, President of Grupa LOTOS Board, accepts the award from Paweł Tamborski, President of the Warsaw Stock Exchange Management Board at the official gala ceremony.

23 february 2015

Fuel quality at LOTOS service stations approved by UOKiK

Inspections carried out by the Office of Competition and Consumer Protection (UOKiK) in 2014 covered 71 LOTOS service stations located all around the country. The quality of fuels at all the LOTOS services stations inspected by UOKiK is in line with the standards.

---

23 february 2015

17. LOTOS Jazz Festival – Bielska Zadymka Jazzowa

Over the seven festival days, Poland's jazz stars and world-class jazz artists appear on the stage to present a medley of styles and trends in jazz music. For the first time ever, the festival reaches out of Bielsko-Biała to locations such as Katowice and Kaunas. Grupa LOTOS has sponsored the event since 2004.

---

23 february 2015

Baby seals at the Hel Seal Centre

Unda Marina, one of the three pregnant grey seals due to deliver pups this year at the Hel Seal Centre of the Marine Station of the Gdańsk University's Institute of Oceanography, gives birth to a male pup named Neptune. The other two females, Ania and Agata, are still waiting for the birth of their pups.

---

26 february 2015

Strong performance after one year of operating DRAGON locomotives

One year after putting the new DRAGON locomotives in service, both the manufacturer (NEWAG S.A.) and the client (LOTOS Kolej) are proud to report excellent results. Over the past year, the DRAGONs have covered more than 850 thousand kilometres with an average reliability ratio at 99.3%, meeting world-class standards.

See video » <https://www.youtube.com/watch?v=gtkNOD2wE-4>

---

28 february 2015

Bronze medal for Poland in Falun

Kamil Stoch, Piotr Żyła, Klemens Murańka and Jan Ziobro win the Bronze medal in the ski jumping team event at the Nordic World Ski Championships in Falun.

---

3 march 2015

LOTOS Trefl Gdańsk in the semi finals!

After a 3:1 win over Transfer Bydgoszcz, the LOTOS Trefl volleyball team advance to the semi finals of the PlusLiga play-offs, for the first time in the club's history. In the semis, they will face the defending champion PGE Skra Bełchatów.

---

5 march 2015

Launch of the second edition of the 'LOTOS Safety Belt Champions' programme

During an event at Warsaw's Torwar, visitors find out more about the correct fastening of seat belts and child safety seats. Kajetan Kajetanowicz, multiple Polish rally champion and the programme ambassador, makes an appearance at the event.

---

10 march 2015

'LOTOS Petrobaltic' is back at the shipyard after workover of the B3-5 well

Workover of the B3 field's B3-5 well is successfully completed. Designed to enable continued production from the well, the project was of particular importance, as the B3-5 well accounted for approximately 20% of the field's total production in the past.

---

13 march 2015

'Golden Quality Laurel' for LOTOS Asfalt

LOTOS Asfalt receives a 'Golden Quality Laurel' in the Pomeranian Quality Award Competition, which recognises Pomeranian companies that achieve their business goals through continuous improvement and raising the bar on quality management standards.

---

17 march 2015

Launch of official partnership between Grupa LOTOS and Centrum Kształcenia Zawodowego i Ustawicznego (Vocational and Lifelong Learning Centre No. 2)

The 'Gdański Tydzień Zawodowca' ('Gdańsk Professionals Week') provides an excellent opportunity for the official signing of a cooperation agreement between Grupa LOTOS and Centrum Kształcenia Zawodowego i Ustawicznego (Vocational and Lifelong Learning Centre No. 2). The history of partnership between LOTOS and the former Zespół Szkół Przemysłu Spożywczego i Chemicznego w Gdańsku (Food and Chemical Industry School Complex in Gdańsk), currently the Vocational and Lifelong Learning Centre No. 2, dates back to the 1970s.

---

18 march 2015

Grupa LOTOS awarded in the 'Gdańsk Vocational School-Friendly Employer' competition

Grupa LOTOS is recognised for outstanding achievements in the promotion and sponsorship of the vocational education and successful cooperation in the field of education to the benefit of the local labour market. LOTOS Serwis has also made it to the short list of the competition, receiving a diploma for its successful partnership with the Zespół Szkół Łączności (Communications School Complex).

---

20 march 2015

Biało-zielona przyszłość z LOTOSEM

LOTOS

'White and Green Future with LOTOS' starts to bear fruit

Two young football players born in 2001, Marcin Wiśniewski and Mariusz Czajkowski, who have so far trained in the branch training centres in Starogard (KP Starogard Gdański) and in Bytów (U-2 Bytów), have moved to Lechia Gdańsk and will wear the club's white-and-green jerseys in the C2 First Provincial League, starting in the spring round of the 2014/15 season.

---

25 - 28 march 2015

E(x)plory 2015

The Nationwide Finals of the E(x)plory Science Competition 2015 are held at the Pomeranian Science and Technology Park. Of the 27 short-listed projects, the judging panel composed of 16 representatives of Poland's scientific and business community has selected winners of this year's competition.

RELATED CONTENT:

Awards and distinctions

According to the Chapter of the ninth edition of 'The Best Annual Report' contest, the 2013 Integrated Annual Report of Grupa LOTOS exemplifies a publication based on which investment decisions can be made at a relatively minimal risk.

Go to the page » <http://raportroczny.lotos.pl/en/the-organization-and-its-report/awards-and-distinctions>

GRI and UN Global Compact Content Index

The Table below can prove helpful in finding the exact place where specific information or result data required by the Global Reporting Initiative as well as resulting from the adoption and implementation of ten principles of the United Nations Global Compact by Grupa LOTOS has been published in the Report.

Reporting application level indicators:

+ full   + / − partial   − none

Global Reporting Initiative (GRI) Indicator	Reporting Application Level	Chapter of The 2013 Annual Report	Comments	Un Global Compact Principles	Assurance
Strategy and Analysis					
1.1. Statement from the most senior decision-maker of the organization about the relevance of sustainability to the organization and its strategy.	+	The Organization and its Report [1]			
1.2. Description of key impacts, risks, and opportunities.	+	Risks and opportunities [1]			
Organizational Profile					
2.1. Name of the organization.	+	The Organization and its Report [1]			
2.2. Primary brands, products, and/or services.	+	Business strategy and model [1]			
2.3. Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	+	The Organization and its Report [1]			
2.4. Location of organization's headquarters.	+	The Organization and its Report [1] Useful information [2]			
2.5. Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	+	The Organization and its Report [1]			
2.6. Nature of ownership and legal form.	+	The Organization and its Report [1] [2]			
2.7. Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries.	+	Business strategy and model [1]			
2.8. Scale of the reporting organization.	+	Business strategy and model [1]			
2.9. Significant changes during the reporting period regarding size, structure, or ownership.	+	The Organization and its Report [1]			

2.10. Awards received in the reporting period.	+	The Organization and its Report [1] Useful information [2]

Report Parameters

Report Profile		
3.1. Reporting period.	+	The Organization and its Report [1]
3.2. Date of most recent previous report.	+	The Organization and its Report [1]
3.3. Reporting cycle.	+	The Organization and its Report [1]
3.4. Contact point for questions regarding the report or its contents.	+	Useful information [1]
3.5. Process for defining report content, including: • Determining materiality; • Prioritizing topics within the report; and • Identifying stakeholders the organization expects to use the report.	+	The Organization and its Report [1]
3.6. Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	+	The Organization and its Report [1]
3.7. State any specific limitations on the scope or boundary of the report.	+	The Organization and its Report [1]
3.8. Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	+	The Organization and its Report [1]
3.9. Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	+	The Organization and its Report [1]
3.10. Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	+	The Organization and its Report [1]
3.11. Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	+	The Organization and its Report [1]
GRI Content Index		
3.12. Table identifying the location of the Standard Disclosures in the report.	+	GRI and UN Global Compact Content Index

Assurance		
3.13. Policy and current practice with regard to seeking external assurance for the report.	+	The Organization and its Report [1] [2]

Governance, Commitments, and Engagement

Governance		
4.1. Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	+	Ethics and corporate governance [1] [2] [3]
4.2. Indicate whether the Chair of the highest governance body is also an executive officer.	+	Ethics and corporate governance [1]
4.3. For organizations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.	+	Ethics and corporate governance [1] [2]
4.4. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	+	Ethics and corporate governance [1]
4.5. Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	+	Ethics and corporate governance [1] [2]
4.6. Processes in place for the highest governance body to ensure conflicts of interest are avoided.	+	Ethics and corporate governance [1] [2]
4.7. Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.	+	Ethics and corporate governance [1]
4.8. Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	+	Business strategy and model [1]
4.9. Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and	+	Ethics and corporate governance [1]

social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.		
4.10. Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	+	Ethics and corporate governance [1]
Commitments To External Initiatives		
4.11. Explanation of whether and how the precautionary approach or principle is addressed by the organization.	+	Risks and opportunities [1] [2] [3] Business strategy and model [4]
4.12. Externally developed economic, environmental,and social charters, principles, or other initiatives to which the organization subscribes or endorses.	+	Ethics and corporate governance [1]
4.13. Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: • Has positions in governance bodies; • Participates in projects or committees; • Provides substantive funding beyond routine membership dues; • Views membership as strategic.	+	The Organization and its Report [1]
Stakeholder Engagement		
4.14. List of stakeholder groups engaged by the organization.	+	Results and prospects [1]
4.15. Basis for identification and selection of stakeholders with whom to engage.	+	Results and prospects [1]
4.16. Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	+	Results and prospects [1]
4.17. Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	+	Results and prospects [1]

Management Approach and Performance Indicators

Economy	+	Results and prospects [1]
Environment	+	Business strategy and model [1]

Labor Practices & Decent Work	+	Business strategy and model [1] <http://raportroczny.lotos.pl/en/business-strategy-and-model/employees> Results and prospects [2] <http://raportroczny.lotos.pl/en/results-and-prospects/sustainable-development/safe-workplace>	
Human Rights	+	Business strategy and model [1] Results and prospects [2]	
Society	+	Business strategy and model [1] Results and prospects [2]	
Product Responsiblity	+	Business strategy and model [1]	

Performance Indicators

ECONOMIC PERFORMANCE INDICATORS

Aspect: Economic Performance			
EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community Investments, retained earnings, and payments to capital providers and governments.	+	GRI and UN Global Compact Content Index The Organization and its Report [1] <http://raportroczny.lotos.pl/en/the-organization-and-its-report/key-data-2014> Consolidated statement of comprehensive income [2] <http://raportroczny.lotos.pl/en/financial-information/consolidated-financial-statements-for-2014/consolidated-statement-of-comprehensive-income>	In 2014, Grupa LOTOS paid PLN 10,900,341 thousand in taxes to the Polish state (including corporate income tax, value added tax, excise tax, fuel charge and property tax). In 2014, the LOTOS Group paid PLN 11,403,606 thousand in taxes to the states in which it operates taxes (including corporate income tax, value added tax, excise tax, fuel charge and property tax).
EC2. Financial implications and other risks and opportunities for the organization's activities due to climate change.	+	Risks and opportunities [1] [2]	
EC3. Coverage of the organization's defined benefit plan obligations.	+	Results and prospects [1]	
EC4. Significant financial assistance received from government.	+	GRI and UN Global Compact Content Index Consolidated Financial Statement [1] [2]	

Grupa LOTOS	2012	2013	2014
			PLN '000
Grants received in the year	2,186	5,196	-
Grants settled in the year	733	720	720
Carrying amount of grants at the end of the year	25,033	29,509	28,789

Grants are mainly licences received free of charge.

LOTOS Group	2012	2013	2014
			PLN '000
Grants received in the year	2,186	5,196	1,238
Grants settled in the year	2,059	2,075	1,889
Carrying amount of grants at the end of the year	39,448	42,569	41,918

Grants are mainly licences received free of charge and grants received from EcoFund for the use of waste gas from the offshore oil production

			facility for heating purposes. Moreover, the LOTOS Group makes use of government assistance, as regulated by IAS 20 concerning "Accounting for Government Grants and Disclosure of Government Assistance". Until April 30th 2011, Grupa LOTOS was a beneficiary of tax relief available to producers of biocomponents, under the Act of February 15th 1992, Corporate Income tax (consolidated text: Dz.U. of 2011, No 74, item 397) - Art. 19a. The public assistance granted within the quoted regulations was approved by the decision of the European Commission No. N 57/08 of September 18th 2009, concerning authorisation for state operated assistance in the area of biofuels. This relief has enabled biofuel producers to deduct from their payable income tax up to 19% of the surplus value of their produced biofuels, over the value of their produced liquid fuels of the same calorific value, calculated at average prices. European Commission approval for the tax relief expired on April 30th 2011, and the unsettled amount of the relief is accounted for in current prepayments for corporate income tax. The deferred tax resulting from the biocomponent relief was presented in Note 10.3 and its tax effect in Note 10.2 of Additional information and clarifications to the LOTOS Group's Consolidated Financial Statement for the year 2014. The LOTOS Group is also taking advantage of the relief for acquiring new technologies under the Act of February 15th 1992 on corporate income tax (consolidated text: Dz. U. of 2011, No. 74, item 397) - Art. 18b. This enables the LOTOS Group to deduct from payable income tax no more than 50% of its expenditure on the purchase of new technologies. The effect of this relief for the LOTOS Group's Consolidated Financial Statements for the year 2014 was insignificant.
Aspect: Market presence including local content			
EC5. Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	+	Results and prospects [1]	
EC6. Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	+	Results and prospects [1]	
EC7. Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	+	Results and prospects [1]	
Aspect: Indirect economic impacts			
EC8. Development and impact of infrastructure	+	Results and prospects [1] [2]	

investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.					
EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts.	+	Results and prospects [1] [2]			
Aspect: Reserves					
OG1. Volume and type of estimated proved reserves and production.	+	Results and prospects [1]			
ENVIRONMENTAL PERFORMANCE INDICATORS					
Aspect: Materials					
EN1. Materials used by weight or volume.	+	Results and prospects [1]		8	✓
EN2. Percentage of materials used that are recycled input materials.	–	GRI and UN Global Compact Content Index	The specific operations of Grupa LOTOS allow us to use recycled products to only a marginal degree. Each LOTOS Group entity involved in the production business is required by law to submit used materials for recycling, through third-party Recovery Organizations. However, even under this framework, the potential for reuse of recycled products is negligible. The related GRI indicator is therefore not reported.	8	
Aspect: Energy					
EN3. Direct energy consumption by primary energy source.	+	Results and prospects [1]		8	✓
OG2. Total amount invested in renewable energy.	–	GRI and UN Global Compact Content Index	LOTOS Group did not invest in renewable energies in 2014. This indicator is therefore not reported.		
OG3. Total amount of renewable energy generated by source.	–	GRI and UN Global Compact Content Index	LOTOS Group does have any renewable energy sources (RES) connected to its energy network, so no renewable energy was generated in 2014. This indicator is therefore not reported.		
EN4. Indirect energy consumption by primary source.	+	Results and prospects [1]		8	✓
EN5. Energy saved due to conservation and efficiency improvements.	+ / –	Results and prospects [1]		9	
EN6. Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives.	+	Results and prospects [1]		9	
EN7. Initiatives to reduce indirect energy consumption and reductions achieved.	+	Results and prospects [1]		8	
Aspect: Water					
EN8. Total water withdrawal by source.	+	Results and prospects [1]		8	✓
EN9. Water sources significantly affected by withdrawal of water.	+	Results and prospects [1]			

EN10. Percentage and total volume of water recycled and reused.	+	Results and prospects [1]			
Aspect: Ecosystem services, including biodiversity					
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	+	Results and prospects [1]		8	
EN12. Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	+	Results and prospects [1]		8	
EN13. Habitats protected or restored.	+	Results and prospects [1]		8	
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	+	Results and prospects [1]		8	
EN15. Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	+	Results and prospects [1]			
OG4. Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored.	+	GRI and UN Global Compact Content Index	The refinery in Gdańsk is the only significant operating site for Grupa LOTOS. In 2014, a comprehensive wide-area survey of wildlife commissioned on the premises of the refinery and its vicinity helped us assess the risk to biodiversity presented by our operations.	8	
Aspect: Emissions, effluents and waste					
EN16. Total direct and indirect greenhouse gas emissions by weight.	+	Results and prospects [1]		8	✓
EN17. Other relevant indirect greenhouse gas emissions by weight.	+	Results and prospects [1]		8	
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.	+	Results and prospects [1]		8	
EN19. Emissions of ozone-depleting substances by weight.	+	Results and prospects [1]		8	
EN20. NOx, SOx, and other significant air emissions by type and weight.	+	Results and prospects [1]		8	✓
EN21. Total water discharge by quality and destination.	+	Results and prospects [1]		8	✓
OG5. Volume of formation or produced water.	+	Results and prospects [1]			✓
EN22. Total weight of waste by type and disposal method.	+	Results and prospects [1] [2]		8	✓
EN23. Total number and volume of significant spills.	+	Results and prospects [1]		8	✓
OG6. Volume of flared	+	Results and prospects [1]		8	✓

and vented hydrocarbon.					
OG7. Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	+	Results and prospects [1]		8	✓
EN24. Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	+	Results and prospects [1]		8	✓
EN25. Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff.	+	Results and prospects [1]		8	
Aspect: Products and services					
EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	+	Results and prospects [1]		7, 8, 9	
OG8. Benzene, lead and sulfur content in fuels.	+	Results and prospects [1]			✓
EN27. Percentage of products sold and their packaging materials that are reclaimed by category.	+	GRI and UN Global Compact Content Index	In accordance with applicable regulations, the LOTOS Group companies have engaged recycling contractors for recovery and recycling of packaging introduced to the domestic market. The aggregate recovery rates for packaging waste were in line with the statutory requirements.	8	
Aspect: Compliance					
EN28. Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations.	+	GRI and UN Global Compact Content Index	In 2014, no significant fines or non-monetary sanctions were imposed on any of the LOTOS Group companies for legal or regulatory non-compliance regarding environmental protection.	8	
Aspect: Transport					
EN29. Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce.	+	Results and prospects [1]		8	
Aspect: Overall					
EN30. Total environmental protection expenditures and investments by type.	+	Results and prospects [1]		8	✓
SOCIAL PERFORMANCE INDICATORS					
LABOR PRACTISES AND DECENT WORK					
Aspect: Employment					
LA1. Total workforce by employment type, employment contract,	+	Business strategy and model [1]		6	✓

and region, broken down by gender.				
LA2. Total number and rate of new employee hires and employee turnover by age group, gender, and region.	+	Results and prospects [1]	6	
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	+	Results and prospects [1]	6	
LA15. Return to work and retention rates after parental leave, by gender.	+	Results and prospects [1]		
Aspect: Labor/management relations				
LA4. Percentage of employees covered by collective bargaining agreements.	+	Results and prospects [1]	3	
LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	+	Results and prospects [1]	3	
Aspect: Occupational health and safety				
LA6. Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	+	Results and prospects [1]	6	
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	+	Results and prospects [1]	6	✓
LA8. Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	+	Results and prospects [1]	6	
LA9. Health and safety topics covered in formal agreements with trade unions.	+	Results and prospects [1]	3	
Aspect: Training and education				
LA10. Average hours of training per year per employee by gender, and by employee category.	+	Results and prospects [1]	6	✓
LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	+	Results and prospects [1]	6	
LA12. Percentage of employees receiving regular performance and career development reviews, by gender.	+	Results and prospects [1]	6	✓

Aspect: Diversity and equal opportunity					
LA13. Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	+	Ethics and corporate governance [1] Results and prospects [2]		6	✓
Aspect: Equal remuneration for women and men					
LA14. Ratio of basic salary and remuneration of women to men by employee category.	+	Results and prospects [1]		6	
HUMAN RIGHTS					
Aspect: Investment and procurement practices					
HR1. Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have undergone human rights screening.	+	Results and prospects [1]		1, 2	
HR2. Percentage of significant suppliers, contractors, and other business partners that have undergone human rights screening, and actions taken.	+	Results and prospects [1]		1, 2, 3, 4, 5, 6	
HR3. Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	+	Results and prospects [1]		1, 2, 3, 4, 5, 6	
Aspect: Non-discrimination					
HR4. Total number of incidents of discrimination and corrective actions taken.	+	GRI and UN Global Compact Content Index	In 2014, there were no instances of discrimination against employees of the LOTOS Group on account of their race, colour, sex, religion, political leanings, national origins or social background.	6	
Aspect: Freedom of association and collective bargaining					
HR5. Operations and significant suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.	–	GRI and UN Global Compact Content Index	Grupa LOTOS has no tools with which to review suppliers in terms of risks posed to the right to exercise freedom of association, and does not identify any such risks in its environment. This indicator is therefore not reported.		
Aspect: Child labor					
HR6. Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	–	GRI and UN Global Compact Content Index	Grupa LOTOS advocates the worldwide abolition of child labor. The Company does not report this GRI Performance Indicator because it is not involved in any such activity. In 2014, like in previous years, in the LOTOS Group there were no operations deemed as involving significant risk for incidents of child labor.	5	
Aspect: Forced and compulsory labor					
HR7. Operations and significant suppliers	–	GRI and UN Global Compact Content Index	Grupa LOTOS advocates the elimination of all forms of	4	

identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.			forced or compulsory labor. In 2014, like in previous years, in the LOTOS Group there were no incidents of forced or compulsory labor.	
Aspect: Security practices				
HR8. Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations.	+	Results and prospects [1]		1, 2
Aspect: Indigenous rights				
HR9. Total number of incidents of violations involving rights of indigenous people and actions taken.	–	GRI and UN Global Compact Content Index	Grupa LOTOS advocates and observes human rights. The Company does not report this GRI Performance Indicator because the problem of violations of rights of indigenous people does not apply to it.	1, 2
OG9. Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.	–	GRI and UN Global Compact Content Index	LOTOS Group has not identified any groups in its operating territory whose identity differs from the mainstream society's. This indicator is therefore not reported.	
Aspect: Assessment				
HR10. Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.	–	GRI and UN Global Compact Content Index	LOTOS Group does not consider observance of human rights as a criterion in locating its facilities, because it does not operate in areas where increased risk of human rights violations is present. The indicator is therefore not reported.	
Aspect: Remediation				
HR11. Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.	–	GRI and UN Global Compact Content Index	In 2014, LOTOS Group did not identify any risk of grievances concerning the impact of its operations and decisions on human rights. This indicator is therefore not reported.	
SOCIETY				
Aspect: Local communities				
SO1. Percentage of operations with implemented local community engagement, impact assessments, and development programs.	+	Results and prospects [1]		
SO9. Operations with significant potential or actual negative impacts on local communities	+	Results and prospects [1]		
SO10. Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.	+	Results and prospects [1]		
OG10. Number and description of significant disputes with local communities and indigenous peoples.	–	GRI and UN Global Compact Content Index	In 2014, the LOTOS Group was not involved in any significant disputes related to environmental protection with the local community.	
OG11. Number of sites	+	GRI and UN Global Compact Content Index	In 2014, geological	

that have been decommissioned and sites that are in the process of being decommissioned.			examinations showed that there was no significant hydrocarbon potential within the Sambia W licence. As LOTOS Petrobaltic did not take any action to extend the Sambia W licence, on December 14th 2014 the relevant licence for exploration and appraisal of oil and natural gas deposits in the Sambia W area expired.	
Aspect: Corruption				
SO2. Percentage and total number of business units analyzed for risks related to corruption.	+	Ethics and corporate governance [1]		10
SO3. Percentage of employees trained in organization's anti-corruption policies and procedures.	+	Ethics and corporate governance [1]		10
SO4. Actions taken in response to incidents of corruption.	+	Ethics and corporate governance [1]		10
Aspect: Public policy				
SO5. Public policy positions and participation in public policy development and lobbying.	+	Risks and opportunities [1] [2] Results and prospects [3]		10
SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	+	GRI and UN Global Compact Content Index	In accordance with the LOTOS Group's Code of Ethics, we are apolitical, which is evidenced by the fact that we do not support any political groups.	10
Aspect: Anti-competitive behavior				
SO7. Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes.	+	GRI and UN Global Compact Content Index Integrated Annual Report 2010/Consolidated non-financial statement/Social performance/Public policy/Anti-competitve behaviour [1]	In 2014, Grupa LOTOS was a party to proceedings described in greater detail in the 2010 Annual Report (link), initiated following a petition filed in 2001 by PETROECCO JV Sp. z o.o., in which PETROECCO JV Sp. z o.o. sought to be awarded PLN 6,975 thousand, together with statutory interest from May 1st 1999, as compensation for damage it had allegedly suffered as a result of the Company's monopolistic practices, which involved selling BS base oils in a manner favouring some customers, whose orders were executed to a disproportionately higher extent than the orders of PETROECCO JV Sp. z o.o. On February 22nd 2013, PETROECCO JV's action was dismissed entirely. On June 26th 2013, PETROECCO JV Sp. z o.o. lodged an appeal against this sentence. Grupa LOTOS sent its reply to the appeal on March 11th 2014. The Appelate Court in Gdańsk, in its verdict of August 28th 2014, dismissed the appeal of the plaintiff and awarded to Grupa LOTOS legal costs from the plaintiff. On January 2015, PETROECCO JV Sp. z o.o. applealed to the court of cassation. The case is pending.	10
Aspect: Compliance				
SO8. Monetary value of	+	GRI and UN Global Compact Content Index	In 2014, neither Grupa	

significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations.			LOTOS nor any LOTOS Group company paid any significant fines, nor were significant non-monetary sanctions imposed on any of them for legal or regulatory non-compliance.	
Aspect: Involuntary resettlement				
OG12. Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihoods were affected in the process.	+	GRI and UN Global Compact Content Index	No involuntary resettlement took place in 2014 as a result of operations carried out by the LOTOS Group.	
Aspect: Asset integrity and process safety				
OG13. Number of process safety events, by business activity.	+	Risks and opportunities [1] [2] Results and prospects [3] [4] [5] [6]		
PRODUCT RESPONSIBILITY				
Aspect: Customer health and safety				
PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	+	Results and prospects [1] 2013 Integrated Annual Report/Value growth strategy/Relationship capital/Value chain [2]	This subject was widely covered in the 2013 Integrated Annual Report.	
PR2. Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	+	GRI and UN Global Compact Content Index	In 2014, no incidents of non-compliance with regulations, legal provisions and codes concerning health and safety impact of a product were recorded in the LOTOS Group companies from the marketing segment.	1
Aspect: Product and service labelling				
PR3. Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	+	2013 Integrated Annual Report/Value growth strategy/Relationship capital/Value chain [1]	In 2014, no incidents of non-compliance with regulations and voluntary codes concerning product labelling and information on products and services were recorded in the LOTOS Group companies from the marketing segment.	10
PR4. Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	+	GRI and UN Global Compact Content Index	In 2014, no incidents of non-compliance with regulations and voluntary codes concerning product labelling and information on products and services were recorded in the LOTOS Group companies from the marketing segment.	
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	+	Results and prospects [1]		
Aspect: Marketing communications				
PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.	+	Results and prospects [1]		
PR7. Total number of incidents of non-compliance with regulations and	+	GRI and UN Global Compact Content Index	In 2014, no incidents of non-compliance with regulations and voluntary codes concerning marketing	

voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.			communications, including advertising, promotion, and sposorships, were recorded in the LOTOS Group companies from the marketing segment.
Aspect: Customer privacy			
PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	+	GRI and UN Global Compact Content Index	In 2014, no complaints regarding breaches of customer privacy and no leak, theft or loss of customer data were reported in the LOTOS Group.
Aspect: Compliance			
PR9. Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services.	+	GRI and UN Global Compact Content Index	In 2014, no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services were reported in the LOTOS Group.
Aspect: Fossil fuel substitutes			
OG14. Volume of biofuels produced and purchased meeting sustainability criteria.	+	Results and prospects [1]	

Glossary of industry terms

A

ACEA

European Automobile Manufacturers' Association; it establishes quality criteria for engine oils, applicable across Europe. ACEA European Oil Sequences 2008 are the published quality criteria for all engine oils on the European market, including the requirements to be met by engine oils for new cars. The document categorises oils and specifies all physical and chemical parameters, as well as engine tests for each quality category. ACEA requires that any claims for oil performance to meet the ACEA standards must be based on credible data and controlled tests in accredited test laboratories.

APC

(Advanced Process Control) is a computerized manufacturing process control system in place in the Gdańsk Refinery since 2001. APC simultaneously controls a large number of technological process parameters at the industrial plant. With the help of this system, one can optimize the plant operations, increasing the yield of the desired products and keep the plant working safely.

ARA

the market with its territory delineated by the ports of Antwerp – Rotterdam – Amsterdam.

Atmospheric distillation

a physicochemical process used to separate component products of a mixture, using differences in the boiling point temperatures of individual components. In the process of atmospheric distillation, individual fractions of gases, benzene, paraffin and diesel oils become separated. Heavier hydrocarbons constitute so-called atmospheric remnants. Atmospheric distillation is a process carried out at a pressure close to atmospheric pressure.

Audit recertifying the Integrated Management System (renewal)

an audit aimed at assessing the compliance of the management system with the requirements of the standards. A recertifying audit is carried out in the period determined by the certifying entity to extend the validity or issue a new IMS certificate.

B

B3 Oil Field

a marine natural gas and oil field located about 73 km north of Rozewie. In operation since 1992, it hosts the Marine Oil Mine (Morska Kopalnia Ropy). It is the main source of crude oil produced by LOTOS Petrobaltic.

B8 Oil Field

a marine natural gas and oil field located about 68 km northeast of Rozewie.

B100

B100 (fuels) - a determination of fuels produced solely from a biocomponent.

Barrel

(of crude oil) - a primary unit of measure used in crude oil production. One barrel encompasses around 159 litres.

Base oil

unrefined oil, without improvers, obtained in the processing of crude oil. It represents the base raw material in the manufacture of lubricant oils.

BAT

Best Available Technique is, within the meaning of the definition contained in Directive 96/61/EC, the most effective and advanced stage in the development of activities and their methods of operation which indicate the practical suitability of particular techniques for providing in principle the basis for emission limit values designed to prevent, and where that is not practicable, generally to reduce emissions and their impact on the environment as a whole.

Biocomponent

an additive used in fuel production made in biomass processing of e.g. oil plants or corn.

Biofuel

fuel manufactured by adding more than 7% biocomponents to gasoline or diesel oil.

BREF

(BAT Reference Notes) - BAT guidelines developed by the European IPPC (Integrated Pollution Prevention and Control) Bureau in Seville, Spain. They are not binding legal regulations, but guidelines to be followed in the assessment of applications for integrated permits and issuance of integrated permits.

C

CD Process

(Continuous Deglycerolization Process) - a manufacturing process of fatty acid methyl esters used at the installation located in Czechowice-Dziedzice.

CDU/VDU

(installation) - a basic installation system used for crude oil processing comprising a Crude Distillation Unit (CDU) and Vacuum Distillation Unit (VDU).

Ceresin

product of deoiling of heavy slack waxes. Ceresin is a complex mixture of n-paraffin hydrocarbons with a solidification point of approximately 73°C. It may be used as feedstock in the production of lubricants, proofing and protective products in the chemical industry and, after a purifying process, in the cosmetics and pharmaceutical industries.

CLP Regulation

Classification, Labelling and Packaging Regulation - regulation under which a new system for the classification, labelling and packaging of substances and mixtures has been implemented in the European Union, based on the Globally Harmonised System of Classification and Labelling of Chemicals created by the United Nations in 2003. The CLP Regulation supplements the REACH Regulation and replaces the system provided for in Directives 67/548/EEC and 1999/45/EC. The Regulation took effect on January 20th 2009 and is binding directly, without the need to be implemented into Polish law.

CODO stations

(company-owned, dealer-operated) - stations owned by LOTOS Paliwa and managed by external companies.

Component for bitumen production

usually a heavy vacuum distillate fraction obtained from crude oil, which can be further processed on the installation for bitumen manufacture.

Confirmed resources
the volume of oil production that may be estimated based on geological analyses and engineering data with reasonable certainty as commercially available for production since a specific date, from the known deposit horizons and in specific economic conditions, using the defined operational methods and based on determined administrative regulations.

Conversion
conversion processes usually involve technological cracking processes. In such processes, components with high boiling temperatures (heavy distillates) are used to manufacture light products used for fuel production. The most common conversion processes are thermal cracking, catalytic cracking and hydrocracking.

Crude oil
naturally occurring liquid, recovered from beneath Earth's surface. I consists mainly of hydrocarbons with various molecular weights and various chemical structure with minor quantities of organic compounds of nitrogen, oxygen, sulphur and some other elements. Crude oil is a main feedstock for oil refineries and is processed towards fuels and other hydrocarbon based products.

D

DAO
(De-Asphalted Oil) - oil produced with an SDA installation used as a raw material for further refining. It may be the basis for producing base oils or an input for a cracking process.

DODO stations
(dealer-owned, dealer-operated) - stations operating under the logo of the Gdańsk Refinery under patronage contracts.

DOFO stations
(dealer-owned, franchise-operated) - stations operating under the LOTOS brand within trading partnership under long-term franchise agreements.

E

ETBE
(Ethyl Tert-Butyl Ether) - the name of a high-octane biocomponent used in gasoline production. It is manufactured in petrochemical complexes with ethanol and isobutylene.

Ethanol
ethyl alcohol used e.g. as a biocomponent for producing fuels and biofuels used in cars with ignition engines.

European Chemical Agency
the EC agency responsible for the implementation of the REACH (Registration, Evaluation and Authorisation of Chemicals) Regulation as regards the establishment and administration of a registration system, assessment of, issuance of authorisations for, and imposition of restrictions in the use of, chemical substances at the EU level. Its main task is to manage the database of chemicals submitted for registration: initial registration of a substance (the process already completed) and proper registration of a substance. Under the European Council's decision of 2004, the registered office of the European Chemicals Agency (ECHA) is located in Helsinki, Finland.

F

FAME

(Fatty Acid Methyl Ester) - such esters are biocomponents used to manufacture fuels and biofuels for diesel engine vehicles. FAME is manufactured by the transesterification of oil with methanol in the presence of a catalyst.

Forties Blend

a type of crude oil from the North Sea. Forties Blend is light petroleum with a low content of sulphur and a high potential in gasoline production.

Furfurol extraction

a technology applied to increase the quality of base mineral oils. During the process unfavourable aromatic hydrocarbons are separated, which increases the so-called viscosity index.

G

Gasoline isomerisation

a refining process that creates a higher octane number of the gasoline fraction by changing the chemical structure of particles.

Gasoline natural gas

natural gas that contains, apart from methane and ethane, a certain quantity of heavier hydrocarbons.

Gasoline reforming

a refining process that involves a reaction with a catalyst creating high-octane aromatic hydrocarbons and hydrogen.

General nitrogen

the content of nitrogen for nitrogen bound in all possible chemical forms.

H

HDS

(Hydrodesuplhurisation Diesel Unit) - a system for the hydrodesulphurization of diesel oils.

Heavy fuel oil

an oily liquid representing a residue from the distillation of crude oil. Heavy fuel oil finds its use in industrial installations of large manufacturing or processing facilities, as well as in combined power plants. It is also used as bunker fuel for ships.

HGU

(Hydrogen Generation Unit) - a system for hydrogen production.

Hydrocracking

a refining process used to produce high quality fuel components during the reaction of vacuum distillates with hydrogen with a catalyst. Hydrocracking processes usually take place at a very high pressure and provide components that are free of sulphur and contaminations.

Hydrorefining (of slack wax)

a process of purifying paraffin during the reaction with hydrogen in a catalyst.

I

ISO

International Organization for Standardization.

J

Jet A1

aviation fuel for jet and turbine engines.

K

KAS

(installation) - an amine-sulphur complex of installations for purifying refining gases of hydrogen sulphide and for the production of liquid sulphur.

L

LCA

(Life Cycle Assessment) - the assessment of a product life aimed at determining the environmental impact (emission of greenhouse gases during individual stages of production, processing and transport). LCA also determines the environmental impact resulting from obtaining biomass, transport and its processing into biofuels vs. the impacts that occur in the life cycle of fossil fuels.

Light fuel oil

a product obtained in crude oil processing characterized by a lower sulphur content and density than heavy heating oil. The light fuel oil is mainly used in household boiler rooms, in SMEs and institutions. It is also successfully used as the heating fuel in the boiler rooms of residential estates.

LPG

(Liquefied Petroleum Gas) - a liquefied gas, being a mixture of propane and butane, obtained in the processing of crude oil. Among its other applications, LPG is used as engine fuel or as fuel for household gas stoves.

LPG amine washing installation

a system for removing hydrogen sulphide from the liquid gas fractions.

Lubricant oils

a composition of base oil and improvers. The quantity, type and relative proportions of these components are decisive for the class of the oil manufactured. Their main task is to reduce friction between the surfaces of the movable parts of mechanical devices that touch each other and work together. Lubricant oils are used in the automotive industry and for industrial applications.

M

Mechanical Completion (MC)

completing building-assembly work by signing a protocol between the ordering party and the contractor, which confirms that all work has been completed in compliance with the design and applicable regulations.

MHC

(Mild Hydrocracking) - a hydrocracking installation that operates in slightly milder conditions than a standard hydrocracking system.

Modified asphalts
asphalts characterized by improved quality parameters, thanks to the interaction between asphalt and an applied modifier.

MTBE
(Methyl Tert-Butyl Ether) - a high-octane component used for gasoline production. Unlike ETBE, it is not a biocomponent.

N

Naphtha
a fluid fraction of crude oil composed of hydrocarbons whose particles contain 9-16 atoms of carbon. Naphtha can be processed into aviation fuel and diesel oils.

National Index Target
a minimum share of biocomponents in the total volume of liquid fuels and liquid biofuels used during a calendar year in transport, calculated according to the caloric value.

O

Oil transesterification
a chemical reaction resulting in the formation of fatty acid methyl esters. The transesterification reaction of oils is a reaction of oil with methanol in the presence of a catalyst.

P

Paraffin
a mixture of solid saturated hydrocarbons, separated from the fractions of crude oil. It is used, among others, to manufacture candles, as a floor polish and as an insulation material.

Paraffin fraction
unreacted oil from hydrocracking of a mixture of vacuum distillates and oil from the solvent de-asphalting process of heavy residue. Paraffin fraction is a mixture of n-paraffin, iso-paraffin and cyclic saturated hydrocarbons. It has a low sulphur content (below 100 mg/kg) and may be used as feedstock in the production of oil bases, or in catalytic cracking or hydrocracking yielding additional volumes of fuels.

Plasticizers
plasticizing improvers added to polymer products. Grupa LOTOS manufactures hydrocarbon plasticizers for the rubber industry.

Ppm
(parts per million) - a popular measuring method used to express the concentration of extremely diluted solutions of chemical compounds. This measure tells how many particles of a chemical compound are to be found among one million particles of the solution.

R

REACH
Regulation of the European Parliament and Council concerning the safe application of chemicals through their registration and assessment and in some cases granting commercial permits and restrictions as regards the application. It came into force on 1 June 2007 and replaces several dozen previous community legal acts, both regulations and directives introduced into Polish legislation with the Act of 11 January 2001 on chemical substances and preparations.

Ready For Start Up (RFSU)

the condition of readiness for start-up achieved by the system (introduction of production media).

REBCO

(Russian Export Blend Crude Oil) - a commercial name of Russian crude oil from the Ural.

Red chemicals

are those which have pollution category Y and are on the list of chapter 17 of the IBC Code or on MEPC.2/Circ. currrently in force.These chemicals deemed to present a hazard to marine resources or human health or cause harm to amenities or legitimate uses of the sea.

Reformate

high-octane number component, with octane number of 96–100, used in the manufacture of engine gasolines. Reformate is a product of catalytic reforming of desulphurised naphta.

ROSE

(Residual Oil Supercritical Extraction) - a technology used at the Gdańsk Refinery in the SDA installation.

S

SDA

(Solvent Deasphalting) - an installation used to separate vacuum remnants after crude oil processing into lighter fractions, i.e. deasphalted oil (DAO) and heavier fractions, namely a bitumen component.

Shale gas

refers to natural gas that is trapped within shale formations. Shales are fine-grained sedimentary rocks that can be rich resources of petroleum and natural gas. Sedimentary rocks are rocks formed by the accumulation of sediments at the Earth's surface and within bodies of water. Common sedimentary rocks include sandstone, limestone, and shale.

Slack wax

a semi-product received in crude oil processing. It is used to produce wax.

Stakeholder

A person or entity interested in the operation of a firm and incurring various types of risks related to its business or the persons or entities that are affected by a firm through its activities. Unlike shareholders, who are primarily interested in the profits of the company, stakeholders include a much wider group, e.g. employees, customers, creditors, suppliers, government administration and, in a wider context, local communities, the natural environment and public opinion. The term was first introduced by the Stanford Research Institute in 1963.

Stock ticket service

service consisting in the creation and maintenance of mandatory reserves of fuels on behalf of customers. A customer using the service meets the legal requirements without stocking its own fuels.

T

Troll Blend

a type of crude oil from the North Sea. The Troll Blend is an average crude oil with a low sulphur content and a high potential within the production of diesel oils.

V

Vacuum distillate

a fraction of hydrocarbons separated from a more complex mixture with distillation under a reduced atmospheric pressure. Vacuum distillates produced from crude oil are usually used to produce base oil, and also as input for cracking processes.

Vacuum distillation

a process analogical to the process of atmospheric distillation, conducted, however, at a reduced ambient pressure. It uses a physical property, whereby the boiling point decreases as the ambient pressure is reduced. It makes it possible to separate vacuum distillates in the atmospheric residuals. Heavy remnants of the distillation process are so-called vacuum residuals.

Glossary of social terms

B

Business ethics

Taking account of the moral aspect in business, i.e. applying solutions that combine moral requirements with the strategic interests of a firm. Business ethics determines ethical standards of behaviour, norms and values as well as conduct in a business.

C

Code of ethics

A set of rules that regulate moral life. A code of ethics in business indicates specific 'behaviours' of an organization, in addition to general guidelines concerning reliability and integrity required in business and actions that are conducive to social development and not contradictory to moral standards and collective customs.

Corporate community involvement

Involvement of a firm in social issues and participating in solutions of social problems. This concept is narrower than corporate social responsibility and it refers to different activities of a company in a community. It includes various forms of involvement, such as financial support, material assistance and voluntary work of employees. Community involvement makes a firm more reliable in the eyes of the general public and builds a positive image.

Corporate social responsibility

The strategy that provides for a firm to take account voluntarily of social interests while trying to achieve its economic aims, taking decisions and actions. CSR includes the consideration for ethical rules, rights of employees and human rights as well as the social and natural environment. It is assumed that the corporate social responsibility should be an integral part of the business policy, together with its economic objectives.

Corporate volunteering

his involves employees of a firm in voluntary work for social organizations. Employees (volunteers) perform various types of work for those in need, by using their skills and abilities and developing their talents in such areas. A firm supports its employees in such actions and, depending on its organizational culture, appoints employees to work as a volunteers during working time or provides material assistance or logistic and financial support.

D

Donation

A form of an agreement by which a donor undertakes to provide free-of-charge performance with its assets. A donation may be granted by individuals or corporations. The subject matter of the donation may include real properties, movables, money as well as rights or may involve free provision of services.

G

Global Compact

The world's largest initiative of the Secretary General of the United Nations for corporate responsibility and sustainable development. The Polish Global Compact Local Network is coordinated by the United Nations Development Programme (UNDP) Project Office. Since it was launched in 2000, over 9,000 members from 135 countries have joined the initiative. Global Compact calls on companies to embrace in their activities ten principles in the areas of: human rights, labor rights, environmental protection, counteracting corruption and promoting corporate social responsibility.

GRI

The Global Reporting Initiative (GRI) is an independent institution with its seat in the Netherlands that develops and promotes so-called Sustainability Reporting Guidelines. GRI Guidelines are applied all over the world. They may be used by all companies that are ready to submit comprehensive reports on their economic, environmental and social activity. Since 2006, the third version of the GRI Guidelines applies, so-called G3. The organization has introduced a three-level system of applications: from the highest that includes the largest scope of revealed information, i.e. about 80 reporting indexes (A, A+), to the smallest, with less than 40 indexes (C, C+). A plus before each level means the external verification of the report by an independent certifying authority.

H

Human capital

Employees of a firm who contribute to its operation and development and have specific knowledge, skills and talents.

L

Local community

The group of people who live in the area and are connected by social bonds, common tradition and culture. A local community is formed by inhabitants of villages, towns, cities or municipalities.

M

Mission

A set of fixed aims and targets of a firm. It contains values that are upheld by the management board and are the basis for determining its actions. The mission determines the identity of a firm and its organizational culture.

N

Non-governmental organization (NGO)

A voluntary organization that operates independently of state or political structures and whose operation is not profit oriented. It works for social issues and development. Its operation is based mostly on voluntary work.

O

Organizational culture

Organizational culture A set of standards, values, forms of behaviour, attitudes, premises and symbols that determine the mode of thinking and acting in a company and define standards of communication and conduct.

S

Social dialogue

The exchange of information and presentation of positions concerning social problems and issues between parties that may be public institutions, entrepreneurs or NGOs. It is a form of representing the interests of parties. The source of success is reliable information exchanged between the parties and cooperation.

Social programme

Planned actions aimed at solving or counteracting a specific social problem. They may be implemented jointly or independently by public institutions, businesses or social organizations.

Social report

A report issued by a firm that presents its whole strategy and social policy. It takes account of economic, social and ecological aspects of its operations.

Sponsoring

Joint obligations of two parties – a sponsor and a sponsoree. A sponsor provides funds, material assistance or services to the sponsoree in return for promotion. Sponsoring is a planned and conscious act aimed at creating a positive image of a firm. It is often a part of the long-term marketing strategy of a business.

Sustainable development

The path of social and economic development that is in harmony with the natural environment. The idea of sustainability provides for the skilful use of resources (social, human and natural), so that they can be used in the future.

Contact

Additional information about the economic activity as well as the social and environmental aspects of the LOTOS Group's activities are available on the Grupa LOTOS website - www.lotos.pl/en

Please contact the Company at its main office under the following address:

Grupa LOTOS S.A.
ul. Elbląska 135
PL 80-718 Gdańsk

Please direct your questions concerning the CSR of the Company to Grupa LOTOS to:
Patrycja Zbytniewska
CSR Coordinator
e-mail: csr@grupalotos.pl

Please direct your questions about investor relations of the Company to Grupa LOTOS to:
Investor Relations Office
e-mail: ir@grupalotos.pl

Please send your questions concerning media relations of the Company to Grupa LOTOS to:
Information Office
e-mail: informacje@grupalotos.pl

Informacje kontaktowe Grupy LOTOS <http://www.lotos.pl/en/692/lotos_group/contact>

Grupa LOTOS S.A.
ul. Elbląska 135
PL 80-718 Gdańsk
www.lotos.pl