10. Accounting policies

These consolidated financial statements have been prepared in accordance with the historical cost principle, except with respect to financial derivatives, which are measured at fair value. The consolidated statement of cash flows is prepared using the indirect method.

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

10.1. Basis of consolidation

These consolidated financial statements have been prepared on the basis of the financial statements of the Parent and financial statements of the entities it controls, prepared as at December 31st 2011.

The financial statements of the subsidiaries, subject to the restatements made to ensure compliance with the IFRS, are prepared for the same reporting period as the financial statements of the Parent, with the use of consistent accounting policies and in accordance with uniform accounting policies applied for transactions and economic events of a similar nature. Adjustments are made in order to eliminate any discrepancies in the adopted accounting policies.

Unrealised losses are eliminated unless they are indicative of an impairment of value. All significant balances and transactions between the Group's entities, including significant unrealised profits on intra-group transactions, have been eliminated in their entirety. Unrealised losses are eliminated unless they are indicative of an impairment of value.

Subsidiaries are consolidated starting from the date when the Group assumes control over them and cease to be consolidated when control is lost. The Company is deemed to exert control when it holds, directly or through its subsidiaries, more than 50% of votes in a given entity unless it is possible to prove that the ownership of over 50% of votes is not tantamount to exerting control. The Company's ability to influence a given entity's financial and operational policies is also deemed exerting control.

10.2. Investments in associates

Investments in associates are equity-accounted. Associates are the entities over which the Parent has significant influence, either directly or indirectly through its subsidiaries, and which are neither its subsidiaries nor interests in joint ventures. The financial statements of associates serve as a basis for the equity method valuation of the shares held by the Parent. Associates' financial years coincide with the Parent's financial year.

Investments in associates are recognised in the statement of financial position at cost, adjusted for subsequent changes in the Parent's share in the net assets of the associates, and reduced by impairment losses, if any. The statement of financial position includes the Parent's share of the profits and losses of the associates. In the case of a change recognised directly in an associate's equity, the Parent recognises its share in such change and, if applicable, discloses it in the statement of changes in equity.

10.3. Intangible assets

Intangible assets are recognised if the Group is likely to obtain future economic benefits attributable directly to the assets. Intangible assets are initially recognised at cost, if they are acquired in separate transactions. Intangible assets acquired as part of a business combination are capitalised at their fair value on acquisition date. Intangible assets acquired as part of a business combination are capitalised at their fair value on acquisition date.

The Group capitalises and recognises as an intangible asset both the fees under the licences for crude oil and natural gas exploration and the royalties under the concluded mining use agreements granting the right to conduct crude oil and natural gas exploration. Exploration work cannot be conducted without obtaining a relevant licence and executing the mining use agreement.
Intangible assets are amortised using the straight-line method over their estimated useful lives.

Licences obtained during the step acquisition of AB LOTOS Geonafta are 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 in reference to forecasts of crude oil production from a given field. If the estimated reserves change significantly as at the balance-sheet date, amortisation per unit of produced crude oil is remeasured. Then, starting from the new financial year, the remeasured amortisation rate is applied.

The expected useful lives of the Group's intangible assets range from 2 to 33 years.

The amortisation period and the amortisation method for an intangible asset are reviewed at the end of each financial year. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in the asset are reflected by changing the amortisation period or amortisation method, as appropriate, and are treated as changes in accounting estimates.

Useful lives are also reviewed each year and, if required, they are adjusted with effect from the beginning of the following financial year.

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

10.4. Goodwill related to subordinated entities

The acquirer recognises goodwill on acquisition, equal to the excess of the sum of (i) consideration transferred, measured at its acquisition-date fair value, (ii) the amount of any non-controlling interests in the acquiree, and (iii) in the case of a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed, measured at fair values. 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, if any, 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 any impairment of value by estimating the recoverable value of the cash-generating unit relevant to a given part of goodwill. If the recoverable value 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 business of the cash-generating unit, the goodwill connected with 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.

10.5. 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 in the accounting books.

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

Tangible assets (including their components), other than land and tangible assets used for crude oil production, are depreciated using the straight-line method over their estimated useful lives, which are as follows:

Buildings and structures	1–80 years
Plant and equipment	1–25 years
Vehicles	1–15 years
Other tangible assets	1–10 years

Tangible assets used in petroleum production are depreciated using the units-of-production depreciation method, i.e. depreciation per unit of produced crude oil is charged to expenses. The depreciation rate is estimated in reference to forecasts of crude oil production from a given geological area. If the estimated reserves (2P – proved and probable reserves) change significantly as at the balance-sheet date, depreciation per unit of produced crude oil is remeasured. Then, starting from the new financial year, the remeasured depreciation rate is applied.

An item of property, plant and equipment may be removed from the statement of financial position if it is sold or if the company does not expect to realise any economic benefits from its further use. Any gains or losses on removal 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 removal.

The residual value, useful economic life and depreciation method are reviewed on an annual basis and adjusted – if required –

with effect from the beginning of the next financial year.

The costs of each overhaul are included in the carrying amount of property, plant and equipment, if relevant recognition criteria are fulfilled.

In its consolidated financial statements, under tangible assets the Group discloses an asset corresponding to the value of provision for the decommissioning of Offshore Oil and Gas Facilities. The asset was 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 Offshore Oil and Gas Facilities results directly from the reasons specified in IAS 16. Under Paragraph 63 of the same standard, the entities applying the IAS are obliged to test the value of the asset periodically, at least at each balance-sheet date. It should further be emphasised that the International Financial Reporting Interpretations Committee (IFRIC) has issued Interpretation IFRIC 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities. The Interpretation directly refers to, inter alia, IAS 16, including in particular to the revaluation of the asset recognised as future decommissioning cost.

Revaluation of the asset so recognised may be caused by:

- change in estimated cash outflow necessary to ensure performance of the decommissioning obligation,
- change in the current market discount rate,
- increase in the value resulting from the passage of time – shortening of the time remaining until decommissioning, leading to the adjustment of the discount rate.

The Group complied with IFRIC's requirement in this respect, therefore these consolidated financial statements show the asset at its present value.

10.6. Tangible assets under construction

Tangible assets under construction are measured at the amount of aggregate costs directly attributable to the acquisition or production of such assets, including finance expenses, less impairment losses, if any. Tangible assets under construction are not depreciated until completed and placed in service.
Tangible assets under construction comprise tangible assets which are under construction or assembly and are recognised at cost.

Finance expenses capitalised in tangible assets under construction include costs of servicing the debt incurred to finance the assets, in accordance with the policy described in Note 10.23 (/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/10.-accounting-policies#10-23).

The cost of exploration for crude oil and natural gas is capitalised as tangible assets under construction until the size of an oil/gas field and the economic viability of production are determined. Upon confirmation of the existence of reserves whose extraction is technically and economically viable, the expenditure incurred on exploration is transferred to tangible assets and is subsequently depreciated. If exploration drillings do not result in discovery of any reserves whose extraction is technically and economically viable, impairment losses on tangible assets under construction are recognised in the profit or loss of the period in which it is found that commercial production from the discovered fields is not viable.

10.7. Exploration and evaluation assets

Exploration and evaluation assets are exploration and evaluation expenditures recognised as assets in accordance with the Group's accounting policy. Exploration and evaluation expenditures are expenditures incurred by the Group in connection with the exploration for and evaluation of mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable. Exploration for and evaluation of mineral resources is the search for mineral resources, including oil, natural gas and similar non-regenerative resources after the entity has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resource. The Group classifies the exploration and appraisal 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. When the technical feasibility and commercial viability of extracting a mineral resource is demonstrable, exploration and appraisal assets are no longer classified as such. The Group presents and discloses impairment losses on exploration and appraisal assets in accordance with IFRS 6 and evaluates such assets in accordance with IAS 36. Impairment losses are recognised in profit or loss, in accordance with IAS 36.

The Group examines the need to recognise impairment losses on exploration and appraisal assets by considering, inter alia, the following circumstances in relation to a specific area:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- no substantive expenditure on further exploration for and evaluation of mineral resources is anticipated;
- exploration for and evaluation of mineral resources have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities;
- sufficient data exist to indicate that, although a 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.

10.8. Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership onto the lessee. All other types of leases are treated 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 the given reporting period 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 lessor's net investment outstanding in respect of the finance lease.
Income from operating leases is recognised in the statement of financial position 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 at initial recognition are measured at fair value 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 expense is charged to statement of comprehensive income.
Operating lease payments are recognised in the statement of comprehensive income on a straight-line basis over the lease term.

10.9. Assets held for sale

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

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

10.10. Impairment losses on non-financial non-current assets

As at each balance-sheet date, the Group assesses whether there is any evidence of impairment of any of its assets. If the Group finds that there is such evidence, or if the Group is required to perform annual impairment tests, the Group estimates the recoverable value of the given asset.

The recoverable value of an asset is equal to the higher of the fair value of the asset or cash generating unit, less the transaction costs, or its value in use. The recoverable value is determined for the individual assets, unless a given asset does not generate separate cash inflows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable value, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable value. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses related to the assets used in the continued operations are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

As at each balance-sheet date, the Group assesses whether there is evidence that any impairment loss recognised in the previous periods with respect to a given asset is no longer necessary or should be reduced. If there is such evidence, the Group estimates the recoverable value of the given asset. The recognised impairment loss is reversed only when following the recognition of the last impairment loss there has been a change in the estimates used to determine the recoverable value of the asset. In such a case, the carrying amount of the asset is increased up to its recoverable value. The increased value may not exceed the carrying amount of the asset that would have been determined (net of accumulated amortisation/depreciation) if the impairment loss related to that asset had not been recognised in the previous years. Reversal of an asset impairment loss is immediately recognised as income in the statement of comprehensive income. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to the given asset is adjusted so that over the remaining useful life of that asset its revised carrying amount, less its residual value, can be regularly written off.

10.11. 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, include 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.

10.12. 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 conditions are accounted for in the following manner:

- materials and goods for resale – acquisition cost calculated on weighted average basis,
- finished goods and work-in-progress – the cost of direct materials and labour and an appropriate portion of indirect production costs, established on the basis of normal capacity, calculated on weighted average basis.

Net realisable value is the selling price estimated as at the balance sheet date net of VAT, excise duty and fuel charge, less any rebates, discounts and other similar items, and less the estimated costs to complete and costs to sell.

Mandatory stocks are disclosed as non-current assets given their turnover in a short term.

10.13. Trade and other receivables

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 using a pre-tax discount rate reflecting the current market estimates of the time value of money. If the discount method is applied, an increase in receivables over time is recognised as finance income.

10.14. Foreign currency transactions

Since January 1st 2011, transactions denominated in foreign currencies have been reported in the functional currency of the Group (Polish złoty) as at the transaction date, using the following exchange rates:

1. 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;
2. the mid-exchange rate quoted for a given currency by the National Bank of Poland 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 in item 1, and in the case of other transactions.

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

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

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

- operating income or expenses: in the case of foreign exchange gains and losses related to settlement of trade receivables and liabilities,
- finance income or expenses: in the case of borrowings, other debt instruments, investment commitments, and cash.

Exchange differences arising on valuation, as at the balance-sheet date, of short-term investments (e.g. shares, other securities, loans advanced, cash and other monetary assets) and receivables and liabilities denominated in foreign currencies, are charged to finance income or expenses and operating income or expenses.

The financial statements of foreign entities are translated into the Polish currency 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 balance-sheet date;
- 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 days ending each financial month. The resulting currency-translation differences are recognised directly in equity as a separate component.

The resulting exchange differences are recognised directly in equity and other comprehensive income as a separate component, taking into account the effect of deferred income tax.

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 net 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 deferred currency-translation differences recognised in equity and relating to this foreign entity are transferred to the statement of comprehensive income.

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 at the exchange rate effective as at the balance-sheet date.

Exchange rates applied for the purposes of balance-sheet valuation:

Mid-exchange rate quoted by the NBP for:	Dec 31 2011 [1]	Dec 31 2010
USD	3.4174	2.9641
EUR	4.4168	3.9603
NOK	0.5676	0.5071
LTL	1.2792	1.1469

[1] Table of mid-exchange rates of December 31st 2011.

The financial statements of foreign entities are translated into the Polish currency 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 balance-sheet date

items of the statement of comprehensive income and the statement of cash flows – at the exchange rate computed as the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland for the days ending each financial month, as presented in the table below:

	Dec 31 2011	Dec 31 2010
USD	2.9679	3.0402
NOK	0.5315	0.5001
LTL	1.1991	1.1597

The resulting currency-translation differences are recognised directly in equity as a separate component.

At the time of disposal of a foreign entity, the accumulated deferred currency-translation differences recognised in equity and relating to this foreign entity are transferred to the statement of comprehensive income.

10.15. Cash and cash equivalents

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

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

10.16. Accruals and deferrals

The Group recognises prepayments if they relate to future reporting periods.

Accrued expenses are recognised at probable values of current-period liabilities.

Employees of the Group companies are entitled to holidays in accordance with the rules set forth in the Polish Labour Code, The Group recognises the cost of employee holidays on an accrual basis using the liability method, The amount of the provision for unused holidays is calculated on the basis of the difference between the balance of holidays actually used and the balance of holidays used established proportionately to the passage of time.

10.17. Equity

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

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.

10.18. Provisions

Provisions are recognised when the Group has an obligation (legal or following from commercial practice) resulting from past events, and when it is probable that the discharge of this obligation will cause an outflow of funds representing economic benefits, and the amount of the obligation may be reliably estimated. If the Group anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, the recovery of such funds is recognised as a separate item of assets, 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

gross discount rates reflecting the current market estimates of the time value of money and risks, if any, related to a given obligation. If the discount method is applied, an increase in provisions as a result of lapse of time is recognised as finance expenses. Provisions are charged against operating expenses, other operating expenses, or finance expenses, depending on what circumstances the future obligation relates to.

10.19. Retirement severance payments and length-of-service awards

In accordance with the company remuneration systems applied by the LOTOS Group companies, the Group's employees are entitled to length-of-service awards and severance payments upon retirement due to old age or disability. 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. The Group recognises a provision for future liabilities under retirement severance payments and length-of-service awards in order to assign costs to the periods in which they are incurred. According to IAS 19 Employee Benefits, length-of-service awards are classified as other long-term employee benefits, while retirement severance payments – as defined post-employment benefit plans. The present value of the obligations as at each balance-sheet date is calculated by an independent actuary. The calculated value of the obligations is equal to the amount of discounted future payments, taking into account the employment turnover, and relate to the period ending at the given balance-sheet date. Information concerning demographics and employment turnover is sourced from historical data. Actuarial gains and losses are recognised in profit or loss.

Furthermore, the Group companies recognise provisions for the benefits to which employees and other eligible persons are entitled as part of the Company Social Benefits Fund.

10.20. Assets for social purposes and liabilities of the Company's Social Benefits Fund

The Act on Company's Social Benefits Fund of March 4th 1994 (as amended), stipulates that an employer should set up a Social Benefits Fund if it employs over 20 full-time staff. In accordance with the statute and internal rules of procedure, the Company and the Group companies create such fund and make regular contributions to the fund, which are charged to costs. The purpose of the Social Benefits Fund is to subsidise social activities of the Company and the Group companies, finance loans to employees and other corporate social spending. The Company offsets the Social Benefits Fund's assets against its liabilities towards the Fund, as the Fund's assets are not fully controlled by the Company. The excess of the Fund's liabilities over the Fund's assets is disclosed under other receivables. The excess of the Fund's assets over the Fund's liabilities is disclosed under other payables.

The Company and the Group companies recognise provisions for contributions to the Company's Social Benefits Fund made for the benefit of old-age and disability retirees covered by the Company's and the Group companies' social aid programmes (including current employees, who will become eligible for social aid in the future). The amount of the provision represents a sum of products of the expected undiscounted value of annual contribution in each successive year (taking into account the expected growth of average remuneration in the national economy), the discounting factor for a given year and the likelihood that a given employee will remain with the Company or the Group companies until a given year. The amount of the provision is amortised over time against the length of service of a given employee at the Company and the Group companies.

10.21. Profit distribution for employee benefits and special accounts

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

10.22. OInterest-bearing bank borrowings and other debt instruments

All bank borrowings and other debt instruments are initially recognised at cost, equal to the fair value, less cost of obtaining the borrowing.

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

10.23. Borrowing costs

Borrowing costs are disclosed as the costs of the period in which they were incurred, except for the costs which relate directly to the acquisition, construction or production of an asset being completed, which are capitalised as a part of the cost of such an asset.

To the extent that the 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 loan in a given period and the proceeds from temporary investments of the borrowed funds.

To the extent that the 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 capital expenditure on that asset.

The accounting policies with respect to capitalisation of currency exchange differences are described in Note 10.14 (/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/10.-accounting-policies#10-14) Foreign Currency Transactions.

10.24. Government grants

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

If a subsidy 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 statement of comprehensive income over the estimated useful life of the asset.

10.25. Carbon dioxide (CO_2) emission allowances

The Group recognises carbon dioxide (CO2) emission allowances in its financial statements based on the net liability method – the Group recognises only those liabilities that result from exceeding the limit of emission allowances granted, and the liability is recognised only after the Company actually exceeds the limit. The Group analyses the limits granted to it on an annual period basis. Income from the sale of unused emission allowances is credited against the statement of comprehensive income at the time of sale.

10.26. Taxes

10.26.1 Income tax

Mandatory decrease of profit/(increase of loss) comprises: current income tax (CIT) and deferred income tax. The current portion of the income tax is calculated based on the net profit/(loss) (taxable income) for a given financial year. The net profit (loss) established for tax purposes differs from the net profit (loss) established for financial reporting purposes to the extent of the income which is taxable and costs which are deductible in future years and the expenses and income items which will never be subject to deduction/taxation. The tax charges are calculated based on the tax rates effective for a given financial year.

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

Deferred tax liabilities are recognised for all taxable temporary differences:

- except to the extent that the deferred tax liabilities arise 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 profit nor taxable profit (tax loss), and
- in the case of taxable temporary differences associated with investments in subsidiaries 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 difference 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 profit nor taxable profit (tax loss), and
- in the case of deductible temporary differences associated with investments in subsidiaries 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 each balance-sheet date and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of the deferred tax assets would be generated.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or release of particular provision, based on tax rates (and tax legislation) effective as at the balance-sheet date or tax rates (and tax legislation) certain to be effective as at the balance-sheet date 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 the amount obtained after they are offset for particular entities consolidated within the Group.

10.26.2 Value-added tax, 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 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 the given asset or as part of the cost item, and
- except in the case of receivables and payables, which are recognised inclusive of the VAT, excise duty and fuel charge.

The net amount of the VAT, excise duty and fuel charge which is recoverable from or payable to tax authorities is carried in the balance sheet as part of receivables or liabilities.

10.27. Financial assets

Financial assets are classified into the following categories:

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

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,
- which qualify as loans and receivables.

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

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

a) it is classified as held for trading. Financial assets are classified as held for trading if they:

- have been acquired principally for the purpose of being sold in the near future,
- are part of a portfolio of identified financial instruments that are managed together and for which there is probability of profit-taking in the near future,
- are derivatives (except for those which are part of hedge accounting or financial guarantee contracts),

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

Financial assets at fair value through profit or loss are measured at fair value, based on their market value on the balance-sheet date, without reflecting sales transaction costs. Any changes in the value of these instruments are recognised in the statement of comprehensive income as finance income or expenses. An entire contract can be designated as financial assets as at fair value through profit or loss if it contains one or more embedded derivatives. The above does not apply when an embedded derivative has no significant impact on the cash flows generated under the contract or when it is clear without an analysis or following a superficial analysis that if a similar hybrid instrument was first considered, separation of the embedded derivative would have been prohibited. Financial assets may be designated as financial assets as 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.

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

Financial assets available for sale are financial assets that are not derivative instruments, and have been classified as available for sale or do not belong to any of the previous three categories. Financial assets available for sale are recognised at fair value increased by the transaction costs which may be directly attributed to an acquisition or issue of a financial asset. If quoted market prices from an active market are not available and the fair value cannot be reliably measured using alternative methods, available-for-sale financial assets are measured at cost less impairment. The positive or negative differences between the fair value of available-for-sale financial assets (if they have a market price derived from an active 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 expenses.

Any purchase or sale of financial assets is recognised at the transaction date. On initial recognition, financial assets are recognised at fair value including – in the case of financial assets other than those at fair value through profit or loss – transaction costs directly attributable to the purchase.
Financial assets are derecognised when the Group loses control over contractual rights comprising particular financial instruments; this is usually the case when a financial instrument is sold or when all the cash flows related to a given instrument are transferred to a third party.

10.28. Impairment of financial assets

As at each balance-sheet date the Group determines whether there is objective evidence of impairment of a financial asset or a group of financial assets.

Assets carried at amortised cost

If there is objective evidence 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 a financial asset and the present value of estimated future cash flows (excluding future losses relating to irrecoverable receivables, which have not yet been incurred), discounted using the initial effective interest rate (i.e. the interest rate used at the time of initial recognition). The carrying amount of an asset is reduced directly or by creating relevant provisions. The amount of loss is recognised in the statement of comprehensive income.
First the Group determines whether there exists objective evidence 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 evidence 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 it for impairment together with the other assets from this group. Assets which are tested for impairment individually, and with respect to which an impairment loss has been recognised or a previously recognised loss is deemed to remain unchanged, are not taken into account when a group of assets are jointly tested for impairment.

If an impairment loss decreases in the next period, and the decrease may be objectively associated with an event that occurred subsequent to the impairment loss recognition, the recognised impairment loss is reversed. The subsequent reversal of an impairment loss is recognised in the statement of comprehensive income to the extent that the carrying amount of the asset does not exceed its amortised cost as at the reversal date.

Financial assets carried at cost

If there exists objective evidence 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 value of the financial asset and the present value of estimated future cash flows discounted with the market rate applicable to similar financial assets prevailing at a given time.

Financial assets available for sale

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

10.29. Derivative financial instruments

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

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

10.30. Hedge accounting

As of January 1st 2011, the Parent introduced cash flow hedge accounting with respect to a USD-denominated borrowing designated as a hedge of future USD-denominated sales transactions.

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

revenue generated after the previously designated portion of sales revenue in USD in a given calendar month, or if the amount of sales revenue in a given month is lower than the amount of the designated instalment of the principal – a subsequent portion of sales 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 selected hedging instruments cover an obligation to repay a USD-denominated borrowing, whose settlement dates fall on business days of specified calendar months, as provided in the principal repayment schedule.

Changes in the fair value of financial derivatives selected to hedge cash flows, to the extent representing an effective hedge, are posted directly to revaluation reserve. Changes in the fair value of financial derivatives selected to hedge cash flow, to the extent not representing an effective hedge, are charged to other finance income or expenses in the reporting period.

At the time when a hedge is undertaken, the Company formally designates and documents the hedging relationship, as well as its risk management objective and strategy for undertaking the hedge.

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

10.31. Trade and other payables

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

Other financial liabilities, not classified as financial liabilities at fair value through profit or loss, are carried at amortised cost using the effective interest method.
The Group removes a financial liability from the balance sheet 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 in the terms of a contract concerning an existing financial liability are presented as extinguishment of the former and recognition of a new financial liability. Any differences in the respective carrying amounts arising in connection with the replacement are charged to profit or loss

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

10.32. Recognition of revenue

Revenue is recognised in the amount of probable economic benefits to be derived by the Group which may be reliably estimated.

10.33. Sales of products, goods for resale and services

Sales revenue is disclosed at the fair value of payments received or due, and it represents the accounts receivable for the products, goods for resale and services provided in the ordinary course of business, less discounts, VAT and other sales-related taxes (excise duty, fuel charge). The sales of products and goods for resale are recognised at the moment of delivery, when material risk and benefits resulting from the ownership of the products and goods have been transferred to the purchaser.

10.34. Interest

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

10.35. Dividends

Dividend is recognised as finance income as of the date on which the appropriate governing body of the Company adopts a

resolution concerning distribution of profit, unless the resolution specifies another dividend record date.

10.36. Material values based on the Management Board's professional judgement and estimates

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

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

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

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

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

Measurement of provisions

Provisions for employee benefits are estimated using actuarial methods. The assumptions adopted for the measurement of provisions are described in more detail in Note 29.1 (/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/29.-employee-benefits#29-1).

Depreciation/amortisation charges

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, on the basis of current estimates.

Fair value of financial instruments

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

The assumptions adopted for the measurement of fair value of financial instruments are described in Note 36 (http://raportroczny.lotos.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/36.-provisions/).

Deferred tax assets

The Group recognises deferred tax assets if it is assumed that taxable profit 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 the changes in the factors on which such estimates were based, new information and past experience.

The assumptions adopted for the measurement of deferred tax assets are described in Note 13.4. (/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/13.-corporate-income-tax#13-4)

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

As at each balance-sheet date, in accordance with IAS 36, cash-generating units and individual items of property, plant and equipment are tested for any indications of impairment. Indications of impairment may be based on external sources and relate to market variables (including fluctuations in prices, FX rates, stock prices, interest rates and other variables related to current economic trends), as well as plans, actions and developments at the Group, such as decisions concerning change, discontinuation, limitation or development of its business, technological changes, efficiency and investment initiatives.

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

For information on impairment of property, plant and equipment and intangible assets, see Notes 17 (http://raportroczny.lotos.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/17.-property-plant-and-equipment-and-tangible-assets-under-construction/), 18 (http://raportroczny.lotos.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/18.-intangible-assets/) and 20 (http://raportroczny.lotos.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/20.-goodwill/).

Following the analysis of cash flows generated by individual cash-generating units and impairment tests of selected assets, which in the Management Board's opinion required such tests (including: refineries, CHP plant operated by Energobaltic Sp. z o.o., waterproofing materials production plant in Jasło, LOTOS Paliwa Sp. z o.o.'s goodwill, production assets at the YME field), the Company made necessary adjustments to the value of the assets for which there was material evidence of impairment.

Crude oil production forecasts

On the basis of geological data and identified reservoir characteristics, as well as test production, subsequent production data and the schedule of work adopted for the long-term strategy, the Group evaluates, revises and updates its 2P (proved and probable) reserves and forecast production volumes from the individual fields, which serve as the basis for calculation of depreciation (using the units-of-production depreciation method) of the Offshore Oil and Gas Facility assets. For information on crude oil reserves, see Note 17 (http://raportroczny.lotos.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/17.-property-plant-and-equipment-and-tangible-assets-under-construction/).

Provision for decommissioning of offshore oil and gas facilities and provision for land reclamation

As at each balance-sheet date, the Group analyses the costs necessary to decommission the Offshore Oil and Gas Facilities in the Baltic Sea and the Norwegian Continental Shelf, and the costs to be incurred on future land reclamation. As a result of these analyses, the Group corrects the value of the land reclamation provision set up in previous years by adjusting its value to the amount of indispensable future costs. Any changes in the time value of money are also reflected in the increase of the provision amount. For information of crude oil reserves, see Note 36 (http://raportroczny.lotos.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/36.-provisions/).

10.37. Net earnings/(loss) per share

Earnings/(loss) per share for each period are calculated by dividing the net profit/(loss) for a given period by the weighted average number of shares in this reporting period. If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue, or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented is adjusted retrospectively. If such changes occur after the balance sheet date but before the financial statements are authorised for issue, the earnings per share calculations for those and any prior period financial statements presented are based on the new number of shares.

The Group does not disclose the diluted earnings/(loss) per share, since there are no dilutive instruments outstanding.

10.38. Contingent liabilities and receivables

A contingent liability is understood as a duty to discharge an obligation which is conditional upon the occurrence of certain circumstances. 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 funds embodying economic benefits is negligible. Contingent receivables are not recognised in the statement of financial position, however information on them is disclosed if the inflow of funds embodying economic benefits is likely to occur.

10.39. Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control (strategic financial, operating and political decisions relating to the activity require the unanimous consent of the venturers). When a Group member becomes directly involved in activities as part of a joint venture, the Group's share of jointly controlled assets and liabilities incurred jointly with the other venturers is disclosed in the financial statements of such Group member and classified in accordance with its nature. Liabilities and costs incurred directly in connection with a share in jointly controlled assets are accounted for using the accrual method. Income from the sale or use of the Group's share of the output produced by jointly controlled assets and the share of expenses incurred by the joint venture are recognised when the inflow/transfer by the Group of the economic benefits connected with relevant transactions becomes probable, provided that they can be measured reliably.

10.40. Segment reporting

International Financial Reporting Standard 8 Operating Segments ("IFRS 8") requires the disclosure of information on the Group's operating segments based on internal reports that are regularly reviewed by the chief operating decision makers to make decisions about resources to be allocated to each segment and to assess the segments' performance.

For management purposes, the LOTOS Group is divided into business units which correspond to the business segments.

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 operating segments are identified at the Group level. The Parent is included in the downstream segment. The upstream segment is comprised of the LOTOS Petrobaltic Group (excluding Energobaltic Sp. z o.o.).

Segment performance is assessed on the basis of sales revenue,
EBIT (= operating profit/(loss))
and EBITDA (= operating profit/(loss) before depreciation and amortisation).

The segments' sales revenue, EBIT and EBITDA do not account for intersegment adjustments.

Financial information of the operating segments used by the chief operating decision makers to assess their performance is presented in Note 11 (http://raportroczny.lotos.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/11.-business-segments/).

This is a translation of a document originally issued in Polish.