

20. Goodwill

PLN '000	Dec 31 2011	Dec 31 2010
Carrying amount of consolidation goodwill:		
- LOTOS Partner Sp. z o.o.	1,862	1,862
- LOTOS Gaz S.A. ⁽¹⁾	10,009	10,009
- Energobaltic Sp. z o.o.	1,126	1,126
Total	12,997	12,997
Carrying amount of acquisition goodwill: (from the acquisition of an organised part of business) ⁽²⁾		
- purchase of ESSO service stations network	31,759	31,759
- purchase of Slovnaft Polska service stations network	1,932	1,932
Total	33,691	33,691
Total goodwill	46,688	46,688

⁽¹⁾ The goodwill relates to an organized part of LOTOS Gaz S.A.'s business (wholesale of fuels) acquired by LOTOS Palwa Sp. z o.o.

⁽²⁾ The Group determines the recoverable amount of goodwill of service stations acquired from ExxonMobile Poland and Slovnaft Polska based on the value in use, using the discounted cash flow method. Future cash flows were calculated based on five-year cash-flow projections. The residual value for the discounted cash flows was calculated using the growing perpetuity formula. A fixed growth rate of 1.84% (2010: 2.23%) 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 2009–2015. To test goodwill for impairment, the Group assumed net weighted average cost of capital (WACC) of 8.73% (2010: 8.61%). Discounted cash flows calculated separately for each cash-generating unit were grossed up.

As at December 31st 2011 and December 31st 2010, the Group tested its assets for impairment. As at December 31st 2011 and December 31st 2010, no additional impairment loss on the goodwill was recognised (impairment tests of goodwill allocated to individual cash-generating units did not reveal the need to recognise any impairment losses).

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