

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
- Sloznaft 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.

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)