

## 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
<b>Total</b>		<b>6,663,668</b>	<b>6,211,386</b>
<i>including:</i>			
<i>non-current</i>		4,495,562	4,496,190
<i>current</i>		2,168,106	1,715,196

### 27.1 Bank borrowings

#### Bank borrowings by currency and maturity

Dec 31 2014 PLN '000	Currency of credit facility advanced to the Group			Total
	EUR	USD	PLN	
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
<b>Total</b>	<b>9,550</b>	<b>5,553,255</b>	<b>652,807</b>	<b>6,215,612</b>

Dec 31 2013 PLN '000	Currency of credit facility advanced to the Group			Total
	EUR	USD	PLN	
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
<b>Total</b>	<b>4,892</b>	<b>5,230,279</b>	<b>616,638</b>	<b>5,851,809</b>

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)
<b>Total</b>	<b>6,215,612</b>	<b>5,851,809</b>
<i>including:</i>		
<i>non-current</i>	<i>4,098,225</i>	<i>4,180,374</i>
<i>current</i>	<i>2,117,387</i>	<i>1,671,435</i>

**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
<i>including:</i>		
<i>non-current</i>	92,146	3,250
<i>current</i>	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
<b>Total</b>	<b>102,783</b>

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	-
<b>Total</b>	<b>10,306</b>

#### 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	-
<b>Total</b>	<b>213,479</b>

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	-
<b>Total</b>	<b>198,240</b>

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.lotost.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 Asphalt 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 Asphalt Sp. z o.o. did not issue or redeem any notes under the programme. As at December 31st 2014 and December 31st 2013, LOTOS Asphalt Sp. z o.o. did not carry any liabilities under issue of notes.

## 27.4 Finance lease liabilities

PLN '000	Minimum lease payments		Present value of minimum lease payments	
	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
<b>Total</b>	<b>163,404</b>	<b>191,646</b>	<b>131,794</b>	<b>151,031</b>
Less finance costs	(31,610)	(40,615)	-	-
<b>Present value of minimum lease payments</b>	<b>131,794</b>	<b>151,031</b>	<b>131,794</b>	<b>151,031</b>
<i>including:</i>				
<i>non-current</i>			109,299	129,395
<i>current</i>			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:

<b>PLN '000</b>	<b>Dec 31 2014</b>	<b>Dec 31 2013</b>
Up to 1 year	107,960	35,107
From 1 to 5 years	128,309	36,426
Over 5 years	12,866	157
<b>Total</b>	<b>249,135</b>	<b>71,690</b>

The Group uses operating leases primarily to finance rolling stock assets.

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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)