

29. Employee benefit obligations

PLN '000	Note	Dec 31 2014	Dec 31 2013 (restated)	Jan 31 2013 (restated)
Non-current obligations				
Post-employment benefits	29.1	41,510	32,741	26,286
Length-of-service awards and other benefits	29.1	143,941	118,684	103,576
Total	29.1	185,451	151,425	129,862
Current obligations				
Post-employment benefits	29.1	3,681	3,869	6,201
Length-of-service awards and other benefits	29.1	11,716	11,966	9,553
Bonuses, awards and unused holidays		51,520	71,547	77,934
Salaries and wages payable		17,121	16,591	16,283
Total		84,038	103,973	109,971
Total obligations		269,489	255,398	239,833

29.1 Obligations under length-of-service awards and post-employment benefits

In accordance with the Group's remuneration systems, the Group employees are entitled to post-employment benefits upon retirement. Length-of-service awards are paid after a specific period of employment. Therefore, based on valuations prepared by professional actuary firms or based on own estimates, the Group recognises the present value of obligations under length-of-service awards and post-employment benefits. The table below provides information on the amount of the obligations and reconciliation of changes in the obligations during the reporting period.

PLN '000	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
Jan 1 2014		32,808	130,650	163,458
Current service cost		1,206	9,289	10,495
Cost of discount	9.6; 29.3	1,251	5,103	6,354
Past service cost		47	362	409
Benefits paid		(1,840)	(12,575)	(14,415)
Actuarial (gain)/loss under profit or loss	29.3	-	29,953	29,953
Actuarial (gain)/loss under other comprehensive income	29.3	8,850	-	8,850
Dec 31 2014		42,322	162,782	205,104
<i>including:</i>				
<i>non-current</i>		38,723	150,586	189,309
<i>current</i>		3,599	12,196	15,795
Obligations under length-of-service awards and post-employment benefits at foreign companies ⁽¹⁾		4,832	-	4,832
Reclassification to liabilities directly associated with assets held for sale (or disposal groups)	17	(1,963)	(7,125)	(9,088)
Dec 31 2014	29.2	45,191	155,657	200,848
<i>including:</i>				
<i>non-current</i>		41,510	143,941	185,451
<i>current</i>		3,681	11,716	15,397

PLN '000	Note	Post-employment benefits	Length-of-service awards and other benefits	Total
Jan 1 2013		32,018	113,129	145,147
Current service cost		1,804	17,277	19,081
Cost of discount	9.6; 29.3	1,158	4,980	6,138
Past service cost		(152)	(793)	(945)
Benefits paid		(2,206)	(11,236)	(13,442)
Actuarial (gain)/loss under profit or loss	29.3	-	7,680	7,680
Actuarial (gain)/loss under other comprehensive income	29.3	225	-	225
Dec 31 2013		32,847	131,037	163,884
<i>including:</i>				
<i>non-current</i>		29,132	119,033	148,165
<i>current</i>		3,715	12,004	15,719
Obligations under length-of-service awards and post-employment benefits at foreign companies ⁽¹⁾		3,802	-	3,802
Deconsolidation (LOTOS Tank Sp. z o.o.)		(39)	(387)	(426)
Dec 31 2013	29.2	36,610	130,650	167,260
<i>including:</i>				
<i>non-current</i>		32,741	118,684	151,425
<i>current</i>		3,869	11,966	15,835

⁽¹⁾ Given the different nature of pension plans operated by the Group's foreign companies – LOTOS Exploration and Production Norge AS and the companies of the AB LOTOS Geonafra Group – and their negligible effect on the Group's obligations under length-of-service awards and post-employment benefits, such companies' obligations are presented separately as *Obligations under length-of-service awards and post-employment benefits at foreign companies*.

29.2 Present value of future employee benefit obligations

(PLN '000)	Note	Present value of future employee benefit obligations
Dec 31 2014	29.1	200,848
Dec 31 2013	29.1	167,260
Dec 31 2012		145,616
Dec 31 2011		131,801
Dec 31 2010		107,829

Present value of future employee benefit obligations is equal to their carrying amount.

29.3 Total cost of future employee benefit payments charged to profit or loss

PLN '000	Note	year ended Dec 31 2014	year ended Dec 31 2013
Items recognised in profit or loss:		51,960	35,593
Length-of-service awards, retirement and other post-employment benefits	9.2	45,606	29,455
- <i>current service cost</i>		10,495	19,081
- <i>past service cost</i>		409	(945)
- <i>effect of foreign operations</i>		4,749	3,639
- <i>actuarial (gain)/loss</i>	29.1	29,953	7,680
Cost of discount	9.6; 29.1	6,354	6,138
Items recognised in other comprehensive income:		8,933	188
Actuarial (gain)/loss	29.1	8,850	225

Effect of foreign operations	83	(35)
Deconsolidation (LOTOS Tank Sp. z o.o.)	-	(2)
Total comprehensive income	60,893	35,781

29.4 Actuarial assumptions

The table below presents the key assumptions adopted by the actuary as at the balance-sheet date to calculate the amount of the obligation.

	Dec 31 2014	Dec 31 2013
Discount rate (%)	2.70%	4.30%
Expected inflation rate (%)	2.50%	2.50%
Employee turnover ratio (%)	2.43%	2.49%
Expected growth rate of salaries and wages (%) in the following year	4.00%	0.00%
Expected growth rate of salaries and wages (%) in the following years	2.50%	2.76%

- The employee attrition probability is based on the historical data on employee turnover at the Group and statistical data on employee attrition in the industry. The employee turnover ratios applied by the actuary were determined separately for men and women and broken down into nine age categories. The employee turnover ratio is now calculated on an average basis.
- The mortality and life expectancy ratios are based on the Life Expectancy Tables of Poland for 2013, published by the Polish Central Statistics Office (GUS), and assume that the Group's employee population is representative of the average Polish population in terms of mortality (December 31st 2013: Life Expectancy Tables of Poland for 2012).
- The changes resulting from amendments to the Act on Pensions and Disability Pensions from Social Security Fund (Pensions Act) were accounted for, in particular changes relating to the retirement age of women and men, including its extension over a defined period to 67 years for both women and men. The amendments to the Pensions Act resulted in a change in the operation of individual benefit plans, giving rise to additional past service costs.
- It was assumed that employees would retire in accordance with the standard procedure, as prescribed by the Pensions Act, with the exception of employees who, according to the information provided by the Company, meet the conditions for early retirement entitlement.
- Based on the historical data, it was assumed that in 60% of cases half of the full amount of death benefits is paid.
- The discount rate on future benefits was assumed at 2.7%, i.e. reflecting the assumptions made at the corporate level (December 31st 2013: 4.3%, the average yield of the lowest-risk long-term securities traded on the Polish capital market).

29.5 Termination benefits

In 2014, termination benefits and compensation payable in respect of non-compete obligation totalled PLN 3,363 thousand (2013: PLN 3,984 thousand).

In 2014, provisions for termination benefits totalled PLN 69 thousand (2013: PLN 74 thousand).

29.6 Sensitivity analysis

The table below presents results of calculations for changed key actuarial assumptions: the salaries and wages growth rate and the discount rate.

Initial obligation balance

PLN '000 Salaries and wages growth rate	Discount rate	Length-of- service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total ⁽¹⁾
base	base	148,623	37,766	10,524	8,191	205,104
base + 1%	base	163,597	42,695	11,656	9,813	227,761
base - 1%	base	137,729	33,823	9,596	6,947	188,095
base	base + 0.5%	142,855	35,599	10,013	7,517	195,984
base	base - 0.5%	157,237	40,367	11,136	8,987	217,727

The table below presents results of calculations for changed key actuarial assumptions: the salaries and wages growth rate, medical care contributions, and the discount rate.

Current service cost projected for 2015

PLN '000 Salaries and wages growth rate	Discount rate	Length-of- service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total ⁽¹⁾
base	base	11,876	2,216	833	335	15,260
base + 1%	base	13,371	2,638	954	448	17,411

base - 1%	base	10,614	1,879	731	254	13,478
base	base + 0.5%	11,209	2,038	780	292	14,319
base	base - 0.5%	12,608	2,418	890	387	16,303

Cost of discount projected for 2015

PLN '000 Salaries and wages growth rate	Discount rate	Length-of- service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total ⁽¹⁾
base	base	3,737	926	267	215	5,145
base + 1%	base	4,111	1,056	297	258	5,722
base - 1%	base	3,413	816	242	181	4,652
base	base + 0.5%	4,209	1,025	300	232	5,766
base	base - 0.5%	3,210	809	231	192	4,442

Total current service cost and cost of discount projected for 2015

PLN '000 Salaries and wages growth rate	Discount rate	Length-of- service awards	Old-age and disability retirement severance payments	Death benefits	Social benefits fund	Total ⁽¹⁾
base	base	15,613	3,142	1,100	550	20,405
base + 1%	base	17,482	3,694	1,251	706	23,133
base - 1%	base	14,027	2,695	973	435	18,130
base	base + 0.5%	15,418	3,063	1,080	524	20,085
base	base - 0.5%	15,818	3,227	1,121	579	20,745

⁽¹⁾ Given the different nature of pension plans operated by the Group's foreign companies – LOTOS Exploration and Production Norge AS and the companies of the AB LOTOS Geonafra Group – and their negligible effect on the Group's obligations under length-of-service awards and post-employment benefits, such companies' obligations were not presented in the review.

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)