

## 18. Intangible assets

PLN '000	Dec 31 2011	Dec 31 2010
Development expense	184	184
Software	2,312	3,914
Patents, trademarks and licences, including	464,839	81,136
- licences of the AB LOTOS Geonafta Group <sup>(1)</sup>	361,975	-
Other	8,245	9,591
<b>Total</b>	<b>475,580</b>	<b>94,825</b>

<sup>(1)</sup> In 2011, LOTOS Petrobaltic S.A. executed a transaction to acquire control over Lithuanian assets. The interest of LOTOS Petrobaltic S.A. in AB LOTOS Geonafta increased from 40.59% to 100% (see Note 2 (<http://raportroczny.lotos.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/2.-composition-of-the-group/>)).

### Changes in intangible assets

PLN '000	Development expense	Software	Patents, trademarks and licences	Other	Prepayments for intangible assets	Total	- including: exploration and appraisal assets <sup>(1)</sup> (restated)
Gross carrying amount as at Jan 1 2010	528	14,901	134,054	11,415	-	160,898	41,146
Increase	-	1,589	33,090	5,544	-	40,223	26,160
- purchase	-	965	21,873	3,040	-	25,878	21,872
- transfer from investments	-	551	10,009	2,504	-	13,064	3,080
- exchange differences on translating foreign operations	-	40	1,208	-	-	1,248	1,208
- other	-	33	-	-	-	33	-
Decrease	-	(126)	(95)	(28)	-	(249)	-
- sale	-	(45)	-	-	-	(45)	-
- liquidation	-	(81)	(47)	(28)	-	(156)	-
- other	-	-	(48)	-	-	(48)	-
Gross carrying amount as at Dec 31 2010	528	16,364	167,049	16,931	-	200,872	67,306
Gross carrying amount as at Jan 1 2011	528	16,364	167,049	16,931	-	200,872	67,306
Increase	-	2,547	471,646	910	-	475,103	21,176
- purchase	-	131	12,836	92	79	13,138	12,836
- transfer from investments	-	247	47,210	352	-	47,809	456
- acquisition of control over the AB	-	1,669	378,436	438	47	380,590	-

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Group

- transfer	-	(32)	-	-	-	(32)	-
- exchange differences on translating foreign operations	-	378	33,164	28	-	33,570	7,884
- settled prepayments	-	126	-	-	(126)	-	-
- other	-	28	-	-	-	28	-
<b>Decrease</b>	-	<b>(816)</b>	<b>(700)</b>	<b>(838)</b>	-	<b>(2,354)</b>	<b>(602)</b>
- sale	-	(11)	-	(3)	-	(14)	-
- liquidation	-	(399)	(616)	(558)	-	(1,573)	(602)
- reclassification into non-current assets held for sale	-	(406)	(15)	(277)	-	(698)	-
- other	-	-	(69)	-	-	(69)	-
<b>Gross carrying amount as at Dec 31 2011</b>	<b>528</b>	<b>18,095</b>	<b>637,995</b>	<b>17,003</b>	-	<b>673,621</b>	<b>87,880</b>
<b>Accumulated amortisation as at Jan 1 2010</b>	<b>371</b>	<b>10,079</b>	<b>49,207</b>	<b>6,076</b>	-	<b>65,733</b>	<b>4,280</b>
Increase	-	2,364	8,533	1,288	-	12,185	981
- amortisation	-	2,345	8,517	1,288	-	12,150	981
- exchange differences on translating foreign operations	-	19	-	-	-	19	-
- other	-	-	16	-	-	16	-
<b>Decrease</b>	-	<b>(123)</b>	<b>(47)</b>	<b>(24)</b>	-	<b>(194)</b>	-
- sale	-	(45)	-	-	-	(45)	-
- liquidation	-	(78)	(47)	(24)	-	(149)	-
<b>Accumulated amortisation as at Dec 31 2010</b>	<b>371</b>	<b>12,320</b>	<b>57,693</b>	<b>7,340</b>	-	<b>77,724</b>	<b>5,261</b>
<b>Accumulated amortisation as at Jan 1 2011</b>	<b>371</b>	<b>12,320</b>	<b>57,693</b>	<b>7,340</b>	-	<b>77,724</b>	<b>5,261</b>
Increase	-	4,115	51,780	2,007	-	57,902	1,497
- amortisation	-	2,219	49,166	1,541	-	52,926	1,497
- acquisition of control over the AB LOTOS Geonaftha Group	-	1,610	-	438	-	2,048	-
- transfer	-	(32)	-	-	-	(32)	-
- exchange differences on translating foreign operations	-	289	2,614	28	-	2,931	-
- other	-	29	-	-	-	29	-
<b>Decrease</b>	-	<b>(705)</b>	<b>(631)</b>	<b>(589)</b>	-	<b>(1,925)</b>	<b>(602)</b>
- sale	-	(12)	-	-	-	(12)	-
- liquidation	-	(324)	(616)	(558)	-	(1,498)	(602)
- reclassification into non-current assets held for sale	-	(369)	(15)	(31)	-	(415)	-
<b>Accumulated amortisation</b>	<b>371</b>	<b>15,730</b>	<b>108,842</b>	<b>8,758</b>	-	<b>133,701</b>	<b>6,156</b>

as at Dec 31 2011							
Impairment losses as at Jan 1 2010	(27)	136	5,816	-	-	5,925	5,813
Increase	-	-	21,950	-	-	21,950	21,950
Foreign exchange differences on translating foreign operations	-	-	454	-	-	454	454
Decrease	-	(6)	-	-	-	(6)	-
Impairment losses as at Dec 31 2010	(27)	130	28,220	-	-	28,323	28,217
Impairment losses as at Jan 1 2011	(27)	130	28,220	-	-	28,323	28,217
Increase	-	-	30,646	-	-	30,646	30,646
Foreign exchange differences on translating foreign operations	-	-	5,448	-	-	5,448	5,448
Decrease	-	(77)	-	-	-	(77)	-
Impairment losses as at Dec 31 2011	(27)	53	64,314	-	-	64,340	64,311
Net carrying amount Jan 1 2010	184	4,686	79,031	5,339	-	89,240	31,053
Net carrying amount Dec 31 2010	184	3,914	81,136	9,591	-	94,825	33,828
Net carrying amount Dec 31 2011	184	2,312	464,839	8,245	-	475,580	17,413

(1) The value of exploration and appraisal assets comprises the value of expenses capitalised until technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

In the year ended December 31st 2011, the cost of amortisation of intangible assets in respect of which technical feasibility and commercial viability of extracting a mineral resource have been demonstrated amounted to PLN 39,981 thousand (December 31st 2010: PLN 804 thousand).

The cost of amortisation of exploration and appraisal assets recognised under intangible items amounted to PLN 1,497 thousand in the year ended December 31st 2011 (December 31st 2010: PLN 981 thousand).

In the year ended December 31st 2011, cash flows used in investing activities related to exploration and appraisal assets amounted to PLN 12,114 thousand (2010: PLN 26,581 thousand).

In the year ended December 31st 2011, impairment losses on exploration and appraisal assets recognised under intangible assets amounted to PLN 30,646 thousand and are related to the PL 455 licence described below (December 31st 2010: PLN 21,950 thousand).

As at December 31st 2011, LOTOS Exploration and Production Norge AS held the following exploration licence interests: 45% interest in licence PL 455, 10% interest in licence PL 497/497B, 25% interest in licence PL 498, 25% interest in licence PL 503/503B, and 20% interest in licence PL 515.

Under "Intangible assets" LOTOS Exploration and Production Norge AS recognised expenditure incurred on the exploration licences. As at December 31st 2011, the expenditure was NOK 140,042 thousand (PLN 79,488 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2011) (2010: NOK 115,892 thousand as at December 31st 2010 (PLN 58,769 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2010)), and was incurred primarily on the PL 455 licence. As drillings under the PL 455 licence produced no positive outcome, on December 31st 2011 (the balance-sheet date) the company recognised impairment losses on capitalised costs of exploration work related to this licence of NOK 57,660 thousand (PLN 32,728 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2011) (2010: NOK 55,646 thousand as at December 31st 2010 (PLN 28,218 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2010)). As at December 31st 2011, the net value of intangible assets related to exploration licences, net of impairment loss, amounted to NOK 26,737 thousand (the equivalent of PLN 15,176 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2011), see [Note 46 \(http://raportroczny.lotus.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/46.-](http://raportroczny.lotus.pl/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/46.-)

[material-events-subsequent-to-the-balance-sheet-date/](#)) (2010: NOK 60,246 thousand as at December 31st 2010 (PLN 30,551 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2010)).

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