

36. Provisions

PLN '000	Dec 31 2011	Dec 31 2010
Long-term provisions		
Provision for land reclamation ⁽¹⁾	60,324	40,986
Length-of-service awards and retirement severance payments	115,914	95,370
Provision for Offshore Oil and Gas Facilities	222,586	186,350
Other provisions	280	416
Total long-term provisions	399,104	323,122
Short-term provisions		
Provision for land reclamation	233	130
Length-of-service awards and retirement severance payments	15,887	12,459
Other provisions	5,238	5,229
Total short-term provisions	21,358	17,818
Total	420,462	340,940

⁽¹⁾ including PLN 34,792 thousand (December 31st 2010: PLN 34,599 thousand) comprising the value of the provision for land reclamation and the cost of dismantlement and decommissioning of retired installations at LOTOS Czechowice S.A. An assessment of the land and water environment, geological structure of the area and an analysis of the potential costs of land reclamation methods used at LOTOS Czechowice S.A., carried out by an independent entity as at December 31st 2010, enabled the Group to determine a revalued amount of the provision at PLN 18,900 thousand, which in the Group's opinion, is a reliable estimate. As at December 31st 2011, the value of the provision did not change. At LOTOS Czechowice S.A. the cost of dismantlement and decommissioning of retired installations was also estimated by a qualified property appraiser. As at December 31st 2011, the remeasured provision for the costs of dismantlement and decommissioning of permanently retired installations amounted to PLN 15,699 thousand. In 2011, the value of provision increased by PLN 193 thousand. As at December 31st 2011, the value of provision was PLN 15,892 thousand.

For actuarial assumptions, see [Note 29.1 \(/en/financial-data/consolidated-financial-statements-2011/notes-to-the-financial-statements/29.-employee-benefits#29-1\)](#).

36.1 Change in provisions

The changes in provisions were as follows:

PLN '000	Provision for land reclamation	Length-of-service awards and retirement severance payments	Provision for Offshore Oil Facilities ⁽¹⁾	Other provisions ⁽²⁾	Total
Jan 1 2010	29,400	98,694	162,426	23,434	313,954
Increase, including:	15,210	32,695	25,774	4,778	78,457
- currency translation differences on foreign operations	-	-	716	2	718
Release	(3,494)	(6,332)	(1,836)	(17,272)	(28,934)
Use	-	(17,228)	(14)	(5,295)	(22,537)
Dec 31 2010	41,116	107,829	186,350	5,645	340,940
Jan 1 2011	41,116	107,829	186,350	5,645	340,940
Increase, including:	19,668	42,013	38,148	4,001	103,830
- acquisition of control over the AB LOTOS Geonafta Group	14,703	555	-	66	15,324
- currency translation differences on foreign operations	1,184	70	5,328	-	6,582
Release	(227)	(4,179)	(1,898)	(875)	(7,179)

Use	-	(10,386)	(14)	(2,973)	(13,373)
Reclassification into non-current assets held for sale	-	(3,476)	-	(280)	(3,756)
Dec 31 2011	60,557	131,801	222,586	5,518	420,462

(1) As at December 31st 2011, the Management Board of Petrobaltic S.A. analysed costs of decommissioning the Offshore Oil Facilities in the B-3 and B-8 mining areas, which were also worked in the previous years. It was concluded that the costs necessary to be incurred in future on decommissioning of the Offshore Oil Facilities in the mining areas increased in 2011 due to changes in the expected expenses caused by price changes - by PLN 2,967 thousand (2010: PLN 8,906 thousand), and due to the passage of time and the related change in the time value of money - by PLN 8,760 thousand, charged to finance expenses in 2011 (2010: PLN 8,038 thousand).

As at the balance-sheet date, i.e. December 31st 2011, LOTOS Exploration and Production Norge AS recognised a provision for future costs related to the decommissioning of the Offshore Oil and Gas Facilities at the YME field of NOK 104,060 thousand (or PLN 59,065 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2011). The liquidation of non-current assets of the Offshore Oil and Gas facilities at the YME field and land reclamation are scheduled for 2021. Compared with the provision of NOK 64,400 thousand (or PLN 32,657 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2010) assessed as at December 31st 2010, the provision was increased by an upward adjustment in the estimated future costs amounting to NOK 35,823 thousand (PLN 20,333 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2011) (2010: NOK 12,129 thousand, PLN 6,151 thousand translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2010) and by a discount representing the estimated changes in the time value of money amounting to NOK 3,864 thousand (PLN 2,193 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2011) (2010: NOK 4,097 thousand, PLN 2,078 thousand translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2010). The amount of the provision was reduced due to the use of NOK 27 thousand (PLN 15 thousand, translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2011) (2010: NOK 27 thousand, PLN 14 thousand translated at the mid-exchange rate for NOK quoted by the National Bank of Poland for December 31st 2010).

Another change in the provision resulted from the fact that the amount corresponding to the contributions calculated and transferred to the bank account of the Mining Facilities Decommissioning Fund (pursuant to the Geological and Mining Law of February 4th 1994 and the Minister of Economy's Regulation of June 24th 2002) was released from the provision. For 2011, this amount totalled PLN 1,898 thousand (2010: PLN 1,836 thousand) jointly in respect of the B-3 and B-8 fields. As at December 31st 2011 the provision for decommissioning of the B-3 and B-8 Offshore Oil Facilities totalled PLN 163,522 thousand (December 31st 2010: PLN 153,693 thousand), and the value of the related asset was PLN 76,241 thousand as at December 31st 2011 (December 31st 2010: PLN 82,901 thousand).

(2) The item "Other provisions" includes the following:

PLN '000	Special Account ⁽³⁾	Provision for business risk	Restructuring provision	Other	Total
Jan 1 2010	1,463	12,300	2,464	7,207	23,434
Increase, including:	1,000	-	-	3,778	4,778
- currency translation differences on foreign operations	-	-	-	2	2
Release	-	(12,103)	(1,028)	(4,141)	(17,272)
Use	(1,966)	-	(292)	(3,037)	(5,295)
Dec 31 2010	497	197	1,144	3,807	5,645
Jan 1 2011	497	197	1,144	3,807	5,645
Increase, including:	1,500	21	1,576	904	4,001
- acquisition of control over the AB LOTOS Geonafta Group	-	-	-	66	66
Release	-	-	-	(875)	(875)
Use	(844)	-	(393)	(1,736)	(2,973)
Reclassification into non-current assets held for sale	-	-	-	(280)	(280)
Dec 31 2011	1,153	218	2,327	1,820	5,518

(3) On June 27th 2011, the General Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of profit for 2010. Pursuant to the resolution, PLN 1,500 thousand was transferred to the Company's special account used by Grupa LOTOS S.A. to finance CSR projects. Amounts contributed to the special account provision are charged against other operating expenses. In the year ended December 31st 2011, the Company used funds from the special account of PLN 844 thousand (2010: PLN 1,966 thousand).

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