

PLN '000	Dec 31 2009	Dec 31 2008	
<b>Non-current provisions</b>			
Provision for land reclamation		26,656	33,795
Length-of-service awards and retirement severance pays	87,961		82,587
Provision for the Offshore Oil Rigs	160,026		122,019
Other provisions	414		29,502
<b>Total non-current provisions</b>	<b>275,057</b>		<b>267,903</b>
<b>Current provisions</b>			
Provision for land reclamation	2,744		4,988
Length-of-service awards and retirement severance pays	10,733		9,505
Provision for Offshore Oil Rigs	2,400		2,400
Other provisions	23,020		63,577
<b>Total current provisions</b>	<b>38,897</b>		<b>80,470</b>
<b>Total</b>	<b>313,954</b>		<b>348,373</b>

The Group's computation of the provisions for employee benefits was based on the following assumptions:

- the long-term annual growth rate of remuneration: within the range 0% – 6.1%; in the following years: 1.5% – 7% (December 31st 2008: the long-term annual growth rate of remuneration: within the range 4% – 13%; in the following years: 1.5% – 7%),
- the discount rate for future payments of employee benefits is 6.2%(i.e. it equals the return on the safest long-term securities traded on the Polish capital market as at the valuation date) (December 31st 2008: 5.5%),
- the probability of employee attrition is based on the historical data on employee turnover at the Group and statistical data on employee attrition in the industry,
- the adopted mortality and life expectancy ratios are based on the Life Expectancy Tables of Poland for 2008, 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 2008: Life Expectancy Tables of Poland for 2007),

- it is assumed that the Group employees will retire according to the standard system, i.e. men – after reaching the age of 65, women – after reaching the age of 60, except for those employees who, based on the information provided by the Group, meet the conditions for early retirement.

The changes in provisions were as follows:

PLN '000	Provision for land reclamation <sup>(1)</sup>	Length-of-service awards and retirement severance pays	Provision for the Offshore Oil Rigs <sup>(2)</sup>	Other provisions <sup>(3)</sup>	Total
<b>As at Jan 1 2008</b>	<b>39,005</b>	<b>69,183</b>	<b>92,201</b>	<b>82,473</b>	<b>282,862</b>
Increase	-	28,815	32,218	17,087	78,120
Release	(222)	(1,333)	-	(3,629)	(5,184)
Use	-	(4,573)	-	(2,852)	(7,425)
<b>As at Dec 31 2008</b>	<b>38,783</b>	<b>92,092</b>	<b>124,419</b>	<b>93,079</b>	<b>348,373</b>
<b>As at Jan 1 2009</b>	<b>38,783</b>	<b>92,092</b>	<b>124,419</b>	<b>93,079</b>	<b>348,373</b>
Increase, including:	7,800	26,171	39,792	5,823	79,586
-changes in Group structure	5,255	35	-	829	6,119
Release	(3,068)	(12,993)	(1,785)	(51,437)	(69,283)
Use, including:	(14,115)	(6,576)	-	(24,031)	(44,722)
-changes in Group structure	-	-	-	(8,587)	(8,587)
<b>As at Dec 31 2009</b>	<b>29,400</b>	<b>98,694</b>	<b>162,426</b>	<b>23,434</b>	<b>313,954</b>

<sup>(1)</sup> In connection with the sale of the perpetual usufruct right to land by the LOTOS Czechowice Group to an unrelated third party, and considering that LOTOS Czechowice S.A. was freed from all obligations under any administrative decisions relating directly to the said land,

a portion of the provision for land reclamation was released (PLN 3,068 thousand) and a portion of the provision was used to pay the purchaser of the land a fee of PLN 14,115 thousand to cover the cost of performance of the obligations assumed by the purchaser.

<sup>(2)</sup> As at December 31st 2009, the Management Board of Petrobaltic S.A. analysed the costs needed to be incurred to decommission the Offshore Oil Rigs in the B-3 and B-8 mining areas, which were also worked in the previous years. The analysis found that the costs necessary to be incurred in future on the decommissioning of the Offshore Oil Rigs in the B-3 mining area increased relative to the value of the provision created for this purpose and presented in the statement of financial position as at December 31st 2008. The increase amounted to PLN 20,269 thousand and reflected, on the one hand, the changes in the expected expenses due to price changes, and on the other – the passage of time and the related change in the time value of money. The change in the time value of money was determined by applying a 6% discount rate to the value of the provision for decommissioning of the B-3 Offshore Oil Rigs as at December 31st 2008 (PLN 104,809 thousand). The amount so computed, i.e. PLN 6,288 thousand, was charged to finance expenses for 2009. The value of the provision created for the first time as at December 31st 2006 in connection with the launch of production activities in the B-8 mining area was, following the cost analysis, increased by PLN 2,632 thousand as at the end of 2009. The change in the time value of money was determined by applying a 6% discount rate to the value of the provision for decommissioning of the B-8 Offshore Oil Rigs as at December 31st 2008 (PLN 12,660 thousand). The discount amount so computed, i.e. PLN 760 thousand, which increased the provision for decommissioning of Offshore Oil Rigs operating on the B-8 field, was charged to finance expenses for 2009. 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 Oil Rig 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 2009, the contribution was calculated at PLN 1,471 thousand in the case of the [B3 field](#) and PLN 314 thousand in the case of the [B8 field](#). As at December 31st 2009 the provision for decommissioning of the B-3 and B-8 Offshore Oil Rigs totalled PLN 138,585 thousand, and the value of the related asset was PLN 83,311 thousand.

<sup>(3)</sup> The item "Other provisions" includes the following:

PLN '000	Provision for RN GLIMAR <sup>(4)</sup>	Provision for Energobal tic <sup>(5)</sup>	Special Account <sup>(6)</sup>	Other	Total	
<b>As at Jan 1 2008</b>	<b>15,853</b>			<b>23,949</b>	<b>-</b>	<b>42,671</b>
						<b>82,473</b>

Increase	-	4,363	2,500	10,224	17,087
Release	-	-	-	(3,629)	(3,629)
Use	-	(2,239)	(366)	(247)	(2,852)
<b>As at Dec 31 2008</b>	<b>15,853</b>	<b>26,073</b>	<b>2,134</b>	<b>49,019</b>	<b>93,079</b>
<b>As at Jan 1 2009</b>	<b>15,853</b>	<b>26,073</b>	<b>2,134</b>	<b>49,019</b>	<b>93,079</b>
Increase, including:	-	-	-	5,823	5,823
-changes in Group structure	-	-	-	829	829
Release	(15,853)	(26,073)	-	(9,511)	(51,437)
Use, including:	-	-	(671)	(23,360)	(24,031)
-changes in Group structure	-	-	-	(8,587)	(8,587)
<b>As at Dec 31 2009</b>	<b>-</b>	<b>-</b>	<b>1,463</b>	<b>21,971</b>	<b>23,434</b>

<sup>(4)</sup> Grupa LOTOS S.A. and Rafineria Nafty GLIMAR S.A. signed loan agreements for the aggregate amount of PLN 90m, providing for the financing of Rafineria Nafty GLIMAR S.A.'s operating and investing activities, including in particular, the Glimar Hydrocomplex investment project. By December 31st 2004, Grupa LOTOS S.A. had advanced PLN 48m to Rafineria Nafty Glimar S.A. under the agreements. On January 19th 2005, the District Court of Nowy Sącz declared Rafineria Nafty Glimar S.A. of Gorlice bankrupt. As at December 31st 2009 and December 31st 2008, the assets under the advanced loans were fully covered by a recognised impairment charge. As at December 31st 2008, Grupa LOTOS S.A. carried a provision for other liabilities under these agreements in the amount of PLN 15,853 thousand, which was released in the year ended on December 31st 2009.

<sup>(5)</sup> In connection with the business combination described in [Note 17](#), Petrobaltic S.A. released a provision for business risk. The release of the provision, which covered debt claims under an agreement for a loan extended by Stablewood Power Ventures (Wladyslawowo) Ltd. to Energobaltic Sp. z o.o. and the par value of shares in Energobaltic Sp. z o.o. held by Stablewood Power Ventures (Wladyslawowo) Ltd., was recognised as finance income.

<sup>(6)</sup> On June 30th 2008, the General Shareholders Meeting of Grupa LOTOS S.A. adopted a resolution on distribution of the 2007 net profit. Under the resolution, a portion of the Company's net profit, in the amount of PLN 2,500 thousand, was transferred to the special account designated for financing [corporate social responsibility](#) (CSR) projects. The Company created a provision for the special account and

charged it against other operating expenses. In the year ended December 31st 2009, the Company had used funds in the amount of PLN 671 thousand (in 2008: PLN 366 thousand).

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