

26. Trade payables, other liabilities and provisions

	Note	Dec 31 2016	Dec 31 2015
Non-current financial liabilities:		23,281	8,906
Investment commitments		2,955	8,070
Liabilities towards the Polish National Foundation ⁽¹⁾		19,019	-
Other		1,307	836
Current financial liabilities		1,941,687	1,405,335
Trade payables		1,718,178	1,232,510
Investment commitments		147,696	110,710
Settlements under joint operations (Norwegian fields) ⁽²⁾		57,801	43,792
Liabilities towards the Polish National Foundation ⁽¹⁾		5,000	-
Other		13,012	18,323
Financial liabilities		1,964,968	1,414,241
Non-current non-financial liabilities:		1,177,641	1,283,665
Provisions	26.1	1,164,360	1,269,053
Grants		10,093	11,157
Other		3,188	3,455
Current non-financial liabilities:		1,395,567	1,230,920
Provisions	26.1	92,711	143,291
Value-added tax payable		443,199	337,431
Excise duty and fuel charge payable		698,110	604,528
Other liabilities to the state budget other than corporate income tax		73,890	61,430
Grants		24,311	23,924
Prepaid deliveries		5,254	3,925
Liabilities under the NAVIGATOR loyalty programme		15,767	12,655
Settlements under joint operations (Norwegian fields) ⁽²⁾		5,455	12,125
Provision for deficit in CO ₂ emission allowances		9,790	1,059

Other	27,080	30,552
Non-financial liabilities	2,573,208	2,514,585
Total	4,538,176	3,928,826
including:		
non-current	1,200,922	1,292,571
current:	3,337,254	2,636,255
- trade payables	1,718,178	1,232,510
- other	1,619,076	1,403,745

⁽¹⁾ As one of the founders of the Polish National Foundation created in 2016 ("PFN"; number in the National Court Register: KRS 0000655791), Grupa LOTOS S.A. is required to make annual contributions for the next 10 years to finance the activities provided for in the foundation's constitutional documents. The total amount of the Company's commitment to finance PFN's activities was established at the amount of discounted future payments, equal to PLN 29,019 thousand (see [Note 9.4](#)). On December 30th 2016, the Company contributed PLN 5,000 thousand to PFN's founding capital, and the amount of the outstanding commitment under PFN's constitutional documents as at December 31st 2016 was PLN 24,019 thousand (including PLN 5,000 thousand presented under current financial liabilities and PLN 19,019 thousand presented under non-current financial liabilities).

⁽²⁾ Liabilities of LOTOS Exploration and Production Norge AS (LOTOS Petrobaltic Group, the upstream segment) under mutual settlements between the operator and consortium members in relation to individual Norwegian fields.

Trade payables do not bear interest and are typically paid in 7-60 days. Other liabilities do not bear interest, and their average payment period is one month. Amounts resulting from the difference between value added tax receivable and value added tax payable are paid to the relevant tax authorities on a monthly basis. Interest payable is usually settled on a monthly basis during a financial year.

For currency risk sensitivity analysis of trade payables and other liabilities, see [Note 28.3.1](#).

For information on maturities of trade payables and other liabilities, see [Note 28.5](#).

26.1 Provisions

	Provisions for decommissioning and reclamation costs							Other provisions	Total
	Note	Provision for oil and gas extraction facilities			Provisions for retired refining and other units	Total			
		Poland	Norway	Lithuania					
Jan 12016		191,837	986,439	14,133	25,770	1,218,179	194,165	1,412,344	
Recognised		-	-	-	-	-	29,310	29,310	
Remeasurement of decommissioning costs		(11,254)	(119,901) ⁽¹⁾	(1,523)	-	(132,678)	-	(132,678)	
Remeasurement of estimated provision for contingent payments		-	-	-	-	-	(27,513)	(27,513)	
Change in provisions for liabilities attributable to approaching maturity date (discount unwinding effect)	9.6	5,639	40,349	826	75	46,889	2,238	49,127	
Interest on Oil and Gas Facility Decommissioning Fund		310	-	-	-	310	-	310	
Exchange differences on translating foreign operations		-	93,610	532	-	94,142	11,491	105,633	
Used		-	(41,861)	-	(158)	(42,019)	(105,652) ⁽²⁾	(147,671)	

Reversed	-	-	-	(10,499)	(10,499)	(21,292)	(31,791)
Dec 31 2016	186,532	958,636	13,968	15,188	1,174,324	82,747	1,257,071
including:							
non-current	186,532	944,339	13,968	13,805	1,158,644	5,716	1,164,360
current	-	14,297	-	1,383	15,680	77,031	92,711

Provisions for decommissioning and reclamation costs

Provision for oil and gas extraction facilities in Poland – a provision for future costs of decommissioning of the oil and gas extraction facilities in the B-3 and B-8 licence areas, and the Oil and Gas Extraction Facility Decommissioning Fund, set up to cover future costs of decommissioning of oil and gas extraction facilities, in accordance with the Geological and Mining Law of February 4th 1994 and the Minister of Economy's Regulation of June 24th 2002.

Provision for oil and gas extraction facilities in Norway – a provision for future costs of decommissioning of the oil extraction facilities in the YME field (including provision for future cost of MOPU removal), and the oil and gas extraction facilities in the Heimdal and Sleipner fields.

Provision for oil and gas extraction facilities in Lithuania – a provision for future costs of decommissioning of the Lithuanian oil extraction facilities.

Provisions for retired refining units and other installations – a provision for land reclamation and the cost of disassembly and decommissioning of the retired installations at LOTOS Terminale S.A., a provision for estimated cost of disassembly of the subsea pipeline operated by a subsidiary Energobaltic Sp. z o.o. (a company of the LOTOS Petrobaltic Group), as well as for land reclamation and clean-up.

⁽¹⁾ The amount includes mainly remeasurement of provisions for future costs of decommissioning of crude oil and gas extraction facilities related to the Heimdal and Sleipner assets.

⁽²⁾ Including PLN 103,003 thousand (NOK 217,995 thousand) related to a provision for contingent payments under the Sleipner assets acquisition agreement.

	Provisions for decommissioning and reclamation costs							Total
	Note	Provision for oil and gas extraction facilities			Provisions for retired refining and other units	Total	Other provisions	
		Poland	Norway	Lithuania				
Jan 12 2015		183,579	497,194	14,302	30,504	725,579	52,849	778,428
Recognised		-	610,121 ⁽¹⁾	361	512	610,994	150,353 ⁽³⁾	761,347
Remeasurement of decommissioning costs		5,574	17,253	(1,245)	(2,319)	19,263	-	19,263
Remeasurement of estimated provision for contingent payments		-	-	-	-	-	4,794	4,794
Change in provisions for liabilities attributable to approaching maturity date (discount unwinding effect)	9.6	4,965	15,943	720	64	21,692	510	22,202
Interest on Oil and Gas Facility Decommissioning Fund		469	-	-	-	469	-	469
Exchange differences on translating foreign operations		-	(59,326)	(5)	-	(59,331)	(8,587)	(67,918)
Used		-	(94,746) ⁽²⁾	-	(480)	(95,226)	(2,008)	(97,234)
Reversed		(2,750)	-	-	(2,511)	(5,261)	(3,746)	(9,007)
Dec 31 2015		191,837	986,439	14,133	25,770	1,218,179	194,165	1,412,344
including:								
non-current		191,837	882,753	14,133	24,142	1,112,865	156,188	1,269,053
current		-	103,686	-	1,628	105,314	37,977	143,291

Provisions for decommissioning and reclamation costs

Provision for oil and gas extraction facilities in Poland – a provision for future costs of decommissioning of the oil and gas extraction facilities in the B-3 and B-8 licence areas.

Provision for oil and gas extraction facilities in Norway – a provision for future costs of decommissioning of the oil extraction facilities in the YME field (including provision for future cost of MOPU removal), and the oil and gas extraction facilities in the Heimdal and Sleipner fields.

Provision for oil and gas extraction facilities in Lithuania – a provision for future costs of decommissioning of the Lithuanian oil extraction facilities.

Provisions for retired refining units and other installations – a provision for land reclamation and the cost of disassembly and decommissioning of the retired installations at LOTOS Terminale S.A., a provision for estimated cost of disassembly of the subsea pipeline operated by a subsidiary Energobaltic Sp. z o.o. (a company of the LOTOS Petrobaltic Group), as well as for land reclamation and clean-up.

⁽¹⁾ Recognition of a provision for decommissioning in connection with the acquisition of the Sleipner assets (see [Note 13.1.3](#) to the *Consolidated financial statements for 2015*).

⁽²⁾ The amount mainly includes PLN 62,043 thousand of used provisions for future costs of removal of the MOPU and disassembly of plant and equipment in the YME field. The provision was recognised in connection with an agreement between Talisman (the YME field operator) and SBM (rig owner) made in March 2013 (see also [Note 30.1](#) and [13.2.2](#)).

⁽³⁾ Including PLN 133,157 thousand related to a provision for contingent payments under the Sleipner assets acquisition agreement (see [Note 13.1.3](#) to the *Consolidated financial statements for 2015*).

Provision for oil and gas extraction facilities – Norway

Provision for decommissioning and reclamation of oil extraction facility in the YME field

As at December 31st 2016, the provision for decommissioning and reclamation of the extraction facility in the YME field, totalling PLN 159,156 thousand, was disclosed under other liabilities and provisions and reflected the current estimate, made based on the Group's best knowledge, of future costs of removal of the YME infrastructure and costs of land reclamation, assuming that the project is decommissioned in 2031. As at December 31st 2015, the provision was PLN 141,407 thousand.

Provision for removal of the defective MOPU from the YME field

As described in [Note 30.1](#), in March 2013, the operator of the YME field, Talisman Energy Norge AS ("Talisman," "Operator"), and the supplier of the Mobile Offshore Production Unit (MOPU) to be operated in the YME field, Single Buoy Moorings Inc. ("SBM"), announced that an agreement had been reached to remove the defective MOPU (evacuated in mid-July 2012) from the YME field and to terminate all existing contracts and agreements between the parties in connection with the YME project. Following the agreement, the Group recognised a provision for the future removal of the MOPU from the YME field, in the amount of PLN 281,859 thousand. The provision was gradually used in subsequent years. In 2016, the provision amount was increased as a result of an increase of PLN 8,905 thousand in the estimated cost of the removal, see [Note 9.4](#). As at December 31st 2016, the provision was PLN 13,065 thousand. In 2016, the Group used PLN 37,905 thousand of the provision.

For information on the YME project and details of the provision for decommissioning of the remaining subsea infrastructure associated with the YME field, see also [Note 13.2.2](#).

Provision for decommissioning and reclamation of gas extraction facilities in the YME field

Decommissioning of the non-current assets of the offshore oil and gas extraction facility in the Heimdal field and reclamation work are scheduled for 2016–2035. As at December 31st 2016, the provision was disclosed in the Group's statement of financial position under other liabilities and provisions at PLN 203,636 thousand. As at December 31st 2015, the provision was PLN 230,767 thousand.

Provision for decommissioning and reclamation of gas extraction facilities in the Sleipner field

Decommissioning of the non-current assets of the offshore oil and gas extraction facility in the Sleipner field and reclamation work are scheduled for 2016–2033. As at December 31st 2016, the provision was disclosed in the Group's statement of financial position under other liabilities and provisions at PLN 582,739 thousand. As at December 31st 2015, the provision was PLN 575,178 thousand.

Other provisions

As at December 31st 2016, the provision for contingent payments under the Heimdal assets acquisition agreement was PLN 33,685 thousand. As at December 31st 2015, the provision was PLN 29,379 thousand.

As at December 31st 2016, the provision for contingent payments under the Sleipner assets acquisition agreement was PLN 5,413 thousand. As at December 31st 2015, the provision was PLN 126,506 thousand.

26.2 Grants

	2016	2015
At beginning of period	35,081	41,918
Grants received in period	5,047	516
Deferred grants	(5,724)	(7,353)
At end of period	34,404	35,081
including:		
non-current	10,093	11,157
current	24,311	23,924

The grants are primarily related to licences received free of charge and grants from the Eco Fund for the use of waste gas from an offshore oil extraction facility for heating purposes.

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)