

13.3 Other information on property, plant and equipment and intangible assets

| | Property, plant and equipment used under finance lease | |
|--------------------------|--|--------------------|
| | December 31st 2018 | December 31st 2017 |
| Gross carrying amount | 389.0 | 323.1 |
| Accumulated depreciation | 173.0 | 141.5 |
| Net carrying amount | 216.0 | 181.6 |

The Group uses finance leases to finance primarily rolling stock assets (downstream segment); see also Note 22.4.

| | 2018 | 2017 |
|---|--------------|--------------|
| Allocation of depreciation | | |
| Cost of sales | 611.2 | 716.6 |
| Distribution costs | 73.2 | 77.8 |
| Administrative expenses | 28.5 | 37.1 |
| Change in products and adjustments to cost of sales | 9.8 | 12.8 |
| Total | 722.7 | 844.3 |

In 2018, the Group capitalised finance costs of PLN 84.6m as property, plant and equipment under construction and intangible assets under development (2017: PLN 49.8m); see Notes 13.1.1 and 13.1.3. As at December 31st 2018, finance costs capitalised as property, plant and equipment under construction, intangible assets under development, and property, plant and equipment related to oil and gas production totalled PLN 140.8m (December 31st 2017: PLN 57.5m).

As at December 31st 2018, property, plant and equipment as well as intangible assets serving as collateral for the Group's liabilities totalled PLN 8,611.0m (December 31st 2017: PLN 8,569.6m).

As at December 31st 2018, the Group's future contractual commitments related to purchases of property, plant and equipment and intangible assets, undisclosed in the statement of financial position, totalled PLN 383.4m (December 31st 2017: PLN 395.0m). As at December 31st 2018, the contracted expenditure was related, among others, to the EFRA Project, the B-8 field development, the hydrogen recovery unit (HRU), upgrade of the unit for solvent-based removal of paraffins, as well as modernisation of locomotives.

14. Equity-accounted joint ventures

The Group holds interests in equity-accounted joint ventures, which include:

- Joint venture agreement between Grupa LOTOS S.A. and BP Europe SE on joint operations related to supply of aviation fuel through **LOTOS - Air BP Polska Sp. z o.o.**
- Agreement on cooperation between LOTOS Petrobaltic S.A. and CalEnergy Resources Poland Sp. z o.o. with respect to development and production of gas and condensate reserves from the B-4 and B-6 fields in the Baltic Sea, performed through special purpose vehicles **Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k.** and **Baltic Gas Sp. z o.o.** (general partner).
- Joint venture set up for the purpose of oil exploration and production operations in Lithuania, operated in the form of **UAB Minijos Nafta**.

| | Registered office | Business profile | Group's ownership interest | | Carrying amount (PLNm) | |
|---|---------------------|--|----------------------------|--------------------|------------------------|--------------------|
| | | | December 31st 2018 | December 31st 2017 | December 31st 2018 | December 31st 2017 |
| Downstream segment | | | | | | |
| LOTOS-Air BP Polska Sp. z o.o. | Gdańsk | Sale of aviation fuel and logistics services | 50.00% | 50.00% | 25.0 | 23.2 |
| Upstream segment | | | | | | |
| Baltic Gas Sp. z o.o. | Gdańsk | Oil and gas production (support activities for oil and gas production) | 49.99% | 49.99% | - | - |
| Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. ⁽¹⁾ | Gdańsk | Crude oil and gas production | 45.04% | 44.78% | 92.2 | 83.3 |
| UAB Minijos Nafta | Lithuania, Gargždai | Crude oil exploration and production | 49.99% | 49.99% | - | - |
| Total | | | | | 117.2 | 106.5 |

⁽¹⁾ The ownership interests as at December 31st 2018 were determined based on the value of contributions made by individual partners relative to the sum of all contributions:

- Baltic Gas Sp. z o.o. (general partner) 0.001% (December 31st 2017: 0.001%),
- LOTOS Upstream Sp. z o.o. (limited partner) 44.049% (December 31st 2017: LOTOS Petrobaltic S.A.: 44.786%),
- CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") (limited partner) 54.951% (December 31st 2017: 55.214%).

The Group's indirect ownership interest in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. (jointly-controlled entity) is 45.04% (December 31st 2017: 44.78%).

In 2018, CalEnergy Resources Poland Sp. z o.o. and LOTOS Upstream Sp. z o.o. made the agreed cash contributions to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. of PLN 8.1m and PLN 7.6m, respectively, which changed the Group's ownership interest in the company. The expenditure on cash contributions made by LOTOS Upstream Sp. z o.o. was disclosed by the Group in the consolidated statement of cash flows under **Cash contributions – equity-accounted joint ventures**.

As at December 31st 2018, LOTOS Upstream Sp. z o.o.'s outstanding liabilities under the contributions made to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. amounted to PLN 1.7m.

| | Group's share in the companies' net profit or loss | |
|---|--|------------|
| | 2018 | 2017 |
| Downstream segment | | |
| LOTOS-Air BP Polska Sp. z o.o. | 3.6 | 3.7 |
| Upstream segment | | |
| Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. ⁽¹⁾ | (0.3) | (0.5) |
| Total | 3.3 | 3.2 |

⁽¹⁾ In the partnership agreement, the shares of each of the partners in the profit or loss of Baltic Gas Sp. z o.o. i wspólnicy sp.k. were defined as follows:

- Baltic Gas Sp. z o.o. holds a 0.001% share in profit and a 100% share in loss,
- LOTOS Upstream Sp. z o.o holds a 50.9995% share in profit,
- CalEnergy holds a 48.9995% share in profit.

Accordingly, for IFRS purposes, Baltic Gas Sp. z o.o. i wspólnicy sp.k is an entity jointly controlled by the Group (equity-accounted joint venture under IFRS 11).

14.1 Condensed financial information on equity-accounted joint ventures

| Statement of comprehensive income | LOTOS-Air BP Polska Sp. z o.o. | Baltic Gas Sp. z o.o. i wspólnicy sp.k. | UAB Minijos Nafta |
|--|-----------------------------------|--|-------------------|
| | 2018 | | |
| Revenue | 680.9 | - | 30.4 |
| Cost of sales | (627.5) | (0.2) | (23.7) |
| Gross profit/(loss) | 53.4 | (0.2) | 6.7 |
| Distribution costs | (38.0) | - | (0.2) |
| Administrative expenses | (4.8) | (0.2) | (6.7) |
| Net other income/(expenses) | 0.1 | - | - |
| Operating profit/(loss) | 10.7 | (0.4) | (0.2) |
| Net finance income/(costs) | (1.7) | - | 0.4 |
| Pre-tax profit/(loss) | 9.0 | (0.4) | 0.2 |
| Income tax | (1.7) | - | - |
| Net profit/(loss) | 7.3 | (0.4) | 0.2 |
| Total comprehensive income/(loss) | 7.3 | (0.4) | 0.2 |
| Depreciation and amortisation | (1.2) | (0.2) | (4.2) |

| Statement of comprehensive income | LOTOS-Air BP Polska Sp. z o.o. | Baltic Gas Sp. z o.o. i wspólnicy sp.k. | UAB Minijos Nafta |
|--|-----------------------------------|--|-------------------|
| | 2017 | | |
| Revenue | 470.6 | - | 29.1 |
| Cost of sales | (427.5) | (0.6) | (23.3) |
| Gross profit/(loss) | 43.1 | (0.6) | 5.8 |
| Distribution costs | (32.1) | - | (0.7) |
| Administrative expenses | (4.1) | (0.4) | (4.0) |
| Net other income/(expenses) | - | - | - |
| Operating profit/(loss) | 6.9 | (1.0) | 1.1 |
| Net finance income/(costs) | 2.3 | - | (0.8) |
| Pre-tax profit/(loss) | 9.2 | (1.0) | 0.3 |
| Income tax | (1.8) | - | - |
| Net profit/(loss) | 7.4 | (1.0) | 0.3 |
| Total comprehensive income/(loss) | 7.4 | (1.0) | 0.3 |
| Depreciation and amortisation | (1.2) | (0.6) | (5.0) |

LOTOS GROUP
Consolidated financial statements for 2018
Notes to the financial statements

(PLNm)

| Statement of financial position | Note | LOTOS-Air BP Polska Sp. z o.o. | Baltic Gas Sp. z o.o. i wspólnicy sp.k. | UAB Minijos Nafta |
|--|------|-----------------------------------|--|-------------------|
| | | December 31st 2018 | | |
| Non-current assets | | 10.5 | 195.7 | 12.1 |
| Current assets, including: | | 63.5 | 9.8 | 19.9 |
| Cash and cash equivalents | | 6.9 | 8.3 | 10.0 |
| Total assets | | 74.0 | 205.5 | 32.0 |
| Non-current liabilities | | 3.2 | - | 14.6 |
| Current liabilities | | 33.9 | 3.8 | 6.7 |
| Total liabilities | | 37.1 | 3.8 | 21.3 |
| Net assets | | 36.9 | 201.7 | 10.7 |
| | | 50.00% | * | 49.99% |
| Share of net assets | | 18.5 | 92.2 | 5.3 |
| Fair value measurement | | 6.7 ⁽¹⁾ | - | (5.3) |
| Elimination of intercompany transactions | | (0.2) | - | - |
| Interest in joint ventures | 14 | 25.0 | 92.2 | - |

| Statement of financial position | Note | LOTOS-Air BP Polska Sp. z o.o. | Baltic Gas Sp. z o.o. i wspólnicy sp.k. | UAB Minijos Nafta |
|--|------|-----------------------------------|--|-------------------|
| | | December 31st 2017 | | |
| Non-current assets | | 11.5 | 186.6 | 16.7 |
| Current assets, including: | | 67.8 | 4.6 | 19.6 |
| Cash and cash equivalents | | 19.4 | 3.2 | 10.6 |
| Total assets | | 79.3 | 191.2 | 36.3 |
| Non-current liabilities | | 4.5 | - | 14.3 |
| Current liabilities | | 41.4 | 4.7 | 4.9 |
| Total liabilities | | 45.9 | 4.7 | 19.2 |
| Net assets | | 33.4 | 186.5 | 17.1 |
| | | 50.00% | * | 49.99% |
| Share of net assets | | 16.7 | 83.3 | 8.5 |
| Fair value measurement | | 6.7 ⁽¹⁾ | - | (8.5) |
| Elimination of intercompany transactions | | (0.2) | - | - |
| Interest in joint ventures | 14 | 23.2 | 83.3 | - |

* For IFRS purposes, Baltic Gas Sp. z o.o. i wspólnicy sp.k is an entity jointly controlled by the Group (equity-accounted joint venture under IFRS 11; see Note 14 above).

⁽¹⁾ PLN 6.7m in gain on fair value measurement of a retained interest in a previously controlled entity as at the date of loss of control.

For information on transactions with joint ventures in which the Group holds interests, see Note 30.1.