

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	Description of business	The Group's ownership interest		Carrying amount of shares (PLN '000)	
			Dec 31 2016	Dec 31 2015	Dec 31 2016	Dec 31 2015
Downstream segment						
LOTOS-Air BP Polska Sp. z o.o.	Gdańsk	Sale of aviation fuel and logistics services	50.00%	50.00%	19,527	16,274
Upstream segment						
Baltic Gas Sp. z o.o.	Gdańsk	Oil and gas production (support activities for oil and gas production)	49.99%	49.99%	24	11
Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. ⁽¹⁾	Gdańsk	Crude oil and gas production	44.90%	43.96%	78,536	54,460
UAB Minijos Nafta ⁽²⁾	Lithuania, Gargždai	Crude oil exploration and production	49.99%	49.99%	-	-
Total					98,087	70,745

⁽¹⁾ The ownership interests as at December 31st 2016 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 2015: 0.001%),
- LOTOS Petrobaltic S.A. (limited partner) 44.908% (December 31st 2015: 43.968%),
- CalEnergy Resources Poland Sp. z o.o. ("CalEnergy") (limited partner) 55.091% (December 31st 2015: 56.031%).

The Group's indirect ownership interest in Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. (jointly-controlled entity) is 44.90% (December 31st 2015: 43.96%).

In 2016, CalEnergy Resources Poland Sp. z o.o. and LOTOS Petrobaltic S.A. made the agreed cash contributions to Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp. k. of PLN 27,163 thousand and PLN 24,515 thousand, respectively, which changed the Group's ownership interest in the company. Furthermore, in the current reporting period, the shareholders acquired new shares in the increased (by PLN 81 thousand) share capital of Baltic Gas Sp. z o.o. The expenditure of PLN 24,365 thousand, representing the cash contributions made by LOTOS Petrobaltic S.A. to these companies, was disclosed in the consolidated statement of cash flows under cash contributions equity-accounted joint ventures.

	The Group's share in the companies' net profit or loss	
	2016	2015
Downstream segment		
LOTOS-Air BP Polska Sp. z o.o.	3,358	1,755
Upstream segment		
Baltic Gas Sp. z o.o.	(25)	(21)
Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. ⁽¹⁾	(439)	(644)
UAB Minijos Nafta ⁽²⁾	-	(32,156) ⁽²⁾
Total	2,894	(31,066)

⁽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 Petrobaltic S.A. holds a 50.9995% share in profit and
- 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).

⁽²⁾ Following impairment tests, in 2015 the Group recognised an impairment loss on the interest held in UAB Minijos Nafta. In 2015, the impairment loss amounted to PLN 28,457 thousand and brought the cost of the project to zero. The impairment loss on the interest held in UAB Minijos Nafta was disclosed in the consolidated statement of comprehensive income under *Share in net profit/loss of equity-accounted joint ventures*.

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.	Baltic Gas Sp. z o.o. i wspólnicy sp.k.	UAB Minijos Nafta
	2016			
Revenue	240,322	-	-	28,757
Cost of sales	(206,815)	-	(626)	(25,208)
Gross profit/(loss)	33,507	-	(626)	3,549
Distribution costs	(20,507)	-	-	(888)
Administrative expenses	(4,262)	(49)	(260)	(4,843)
Net other income/(expenses)	18	-	(2)	91
Operating profit/(loss)	8,756	(49)	(888)	(2,091)
Net finance income/(costs)	(434)	-	9	(250)

Pre-tax profit/(loss)	8,322	(49)	(879)	(2,341)
Income tax	(1,608)	-	-	4
Net profit/(loss)	6,714	(49)	(879)	(2,337)
Other comprehensive income/(loss), net	17	-	-	-
Total comprehensive income/(loss)	6,731	(49)	(879)	(2,337)
Depreciation and amortisation	(902)	-	(626)	(6,876)

Statement of comprehensive income	LOTOS - Air BP Polska Sp. z o.o.	Baltic Gas Sp. z o.o.	Baltic Gas Sp. z o.o. i wspólnicy sp.k.	UAB Minijos Nafta
	2015			
Revenue	221,388	-	-	31,658
Cost of sales	(197,125)	-	(626)	(33,124)
Gross profit/(loss)	24,263	-	(626)	(1,466)
Distribution costs	(15,175)	-	-	(824)
Administrative expenses	(4,476)	(42)	(730)	(5,144)
Net other income/(expenses)	(159)	-	-	45
Operating profit/(loss)	4,453	(42)	(1,356)	(7,389)
Net finance income/(costs)	(101)	-	68	(164)
Pre-tax profit/(loss)	4,352	(42)	(1,288)	(7,553)
Income tax	(842)	-	-	2
Net profit/(loss)	3,510	(42)	(1,288)	(7,551)
Other comprehensive income/(loss), net	32	-	-	-
Total comprehensive income/(loss)	3,542	(42)	(1,288)	(7,551)
Depreciation and amortisation	(820)	-	(626)	(9,882)

Statement of financial position	Note	LOTOS - Air BP Polska Sp. z o.o.	Baltic Gas Sp. z o.o.	Baltic Gas Sp. z o.o. i wspólnicy sp.k.	UAB Minijos Nafta
		Dec 31 2016			
Non-current assets		12,599	1	173,293	60,451
Current assets, including:		41,440	53	10,243	18,034
Cash and cash equivalents		16,161	17	8,692	10,073
Total assets		54,039	54	183,536	78,485
Non-current liabilities		5,457	-	-	16,552

Current liabilities		22,635	6	8,554	4,113
Total liabilities		28,092	6	8,554	20,665
Net assets		25,947	48	174,982	57,820
		50.00%	49.99%	*	49.99%
Share of net assets		12,974	24	78,536	28,904
Impairment loss on shares		-	-	-	-
Fair value measurement		6,736 ⁽¹⁾	-	-	(28,904)
Elimination of intercompany transactions		(183)	-	-	-
Interest in joint ventures	14	19,527	24	78,536	-

Statement of financial position	Note	LOTOS - Air BP Polska Sp. z o.o.	Baltic Gas Sp. z o.o.	Baltic Gas Sp. z o.o. i wspólnicy sp.k.	UAB Minijos Nafta
		Dec 31 2015			
Non-current assets		10,698	1	125,589	66,077
Current assets, including:		29,232	31	8,700	15,025
Cash and cash equivalents		12,790	5	6,359	6,946
Total assets		39,930	32	134,289	81,102
Non-current liabilities		4,228	-	-	18,274
Current liabilities		16,487	11	9,918	4,860
Total liabilities		20,715	11	9,918	23,134
Net assets		19,215	21	124,371	57,968
		50.00%	49.99%	*	49.99%
Share of net assets		9,608	11	54,460	28,978
Impairment loss on shares		-	-	-	28,978
Fair value measurement		6,736 ⁽¹⁾	-	-	-
Elimination of intercompany transactions		(70)	-	-	-
Interest in joint ventures	14	16,274	11	54,460	-

* 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 1; see [Note 14](#) above).

⁽¹⁾ PLN 6,736 thousand 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 31.1](#).

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)