



LOTOS Group

FINANCIAL REPORT FOR THE FIRST QUARTER OF 2019



I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED MARCH 31ST 2019, PREPARED IN ACCORDANCE WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED BY THE EUROPEAN UNION.....	3
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**I. INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE
THREE MONTHS ENDED MARCH 31ST 2019, PREPARED IN ACCORDANCE
WITH THE INTERNATIONAL FINANCIAL REPORTING STANDARDS ENDORSED
BY THE EUROPEAN UNION**

LOTOS GROUP
Interim condensed consolidated financial statements
for the three months ended March 31st 2019
(PLNm)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	3 months ended Mar 31 2019 (unaudited)	3 months ended Mar 31 2018 (unaudited)
Revenue	8	6,741.0	6,324.7
Cost of sales	9	(5,943.0)	(5,464.3)
Gross profit		798.0	860.4
Distribution costs	9	(323.2)	(305.5)
Administrative expenses	9	(116.2)	(106.4)
Other income	10	7.7	4.6
Other expenses	11	(4.0)	(5.3)
Operating profit		362.3	447.8
Finance income	12	26.4	95.8
Finance costs	13	(96.2)	(44.1)
Share in net profit/(loss) of equity-accounted joint ventures		(0.3)	(0.4)
Profit before tax		292.2	499.1
Corporate income tax	14.1	(119.7)	(178.3)
Net profit		172.5	320.8
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss:			
Exchange differences on translating foreign operations		11.7	1.2
Cash flow hedges		(16.0)	55.4
Corporate income tax relating to cash flow hedges	14.1	3.0	(10.5)
Other comprehensive income/(loss), net		(1.3)	46.1
Total comprehensive income/(loss)		171.2	366.9
Net profit attributable to:			
Owners of the Parent		172.5	320.8
Total comprehensive income/(loss) attributable to:			
Owners of the Parent		171.2	366.9
Net profit attributable to owners of the Parent per share (PLN)			
Weighted average number of shares (million)		184.9	184.9
- basic	15	0.93	1.73
- diluted	15	0.93	1.73

The Notes to the interim condensed consolidated financial statements, presented on pages 8 to 25, are an integral part of the statements

(This is a translation of a document originally issued in Polish)

LOTOS GROUP
Interim condensed consolidated financial statements
for the three months ended March 31st 2019
(PLNm)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Mar 31 2019 (unaudited)	Dec 31 2018 (audited)
ASSETS			
Non-current assets			
Property, plant and equipment of the Downstream segment		9,771.4	8,742.4
Intangible assets of the Downstream segment		149.1	151.9
Property, plant and equipment of the Upstream segment		3,196.8	3,044.0
Intangible assets of the Upstream segment		359.1	338.0
Equity-accounted joint ventures		116.9	117.2
Deferred tax assets	14.2	143.7	149.6
Derivative financial instruments		16.4	9.1
Other non-current assets		537.9	525.8
Total non-current assets		14,291.3	13,078.0
Current assets			
Inventories		4,525.0	4,848.9
- including emergency stocks		3,051.5	2,886.9
Trade receivables		2,653.0	1,880.4
Current tax assets		16.6	2.4
Derivative financial instruments		38.4	15.3
Other current assets		374.3	457.6
Cash and cash equivalents	19	2,084.1	1,941.3
Total current assets		9,691.4	9,145.9
Total assets		23,982.7	22,223.9
EQUITY AND LIABILITIES			
Equity			
Share capital		184.9	184.9
Share premium		2,228.3	2,228.3
Cash flow hedging reserve		(301.2)	(288.2)
Retained earnings		9,998.6	9,826.1
Translation reserve		95.3	83.6
Equity attributable to owners of the Parent		12,205.9	12,034.7
Non-controlling interests		0.1	0.1
Total equity		12,206.0	12,034.8
Non-current liabilities			
Borrowings, other debt instruments and lease liabilities	20	3,252.8	2,345.3
Derivative financial instruments		1.8	6.9
Deferred tax liabilities	14.2	353.8	324.9
Employee benefit obligations		173.3	170.4
Other liabilities and provisions		1,226.5	1,196.8
Total non-current liabilities		5,008.2	4,044.3
Current liabilities			
Borrowings, other debt instruments and lease liabilities	20	1,794.5	1,538.7
Derivative financial instruments		61.1	47.4
Trade payables		2,116.3	1,913.7
Current tax payables		472.3	565.3
Employee benefit obligations		133.8	156.2
Other liabilities and provisions		2,190.5	1,923.5
Total current liabilities		6,768.5	6,144.8
Total liabilities		11,776.7	10,189.1
Total equity and liabilities		23,982.7	22,223.9

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Interim condensed consolidated financial statements
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(PLNm)

CONSOLIDATED STATEMENT OF CASH FLOWS

(prepared using the indirect method)

	Note	3 months ended Mar 31 2019 (unaudited)	3 months ended Mar 31 2018 (unaudited)
Cash flows from operating activities			
Net profit		172.5	320.8
Adjustments:		503.0	(380.4)
Income tax	14.1	119,7	178.3
Share in net profit/(loss) of equity-accounted joint ventures		0.3	0.4
Depreciation and amortisation	8; 9	213,1	183.1
Foreign exchange (gains)/losses		31.9	(53.5)
Interest and dividends		43.9	32.1
(Gain)/loss from investing activities		2.8	1.6
Settlement and measurement of financial instruments	12	(16,4)	(9.3)
(Increase) in trade receivables		(772.6)	(90.2)
Decrease/(Increase) in other assets		69.3	(65.9)
Decrease/(Increase) in inventories		321.6	(445.1)
Increase/(Decrease) in trade payables		202.6	(116.9)
Increase in other liabilities and provisions		306.3	24.3
(Decrease) in employee benefit obligations		(19.5)	(19.3)
Income tax paid		(181.0)	(76.6)
Net cash from operating activities		494.5	(136.2)
Cash flows from investing activities			
Interest received		1.9	1.1
Sale of property, plant and equipment and intangible assets		0.1	0.4
Purchase of property, plant and equipment and intangible assets		(211.5)	(210.1)
Cash contributions – equity-accounted joint ventures		(1,3)	-
Security deposit (margin)		(29.4)	23.3
Settlement of derivative financial instruments		9.6	0.9
Net cash from investing activities		(230.6)	(184.4)
Cash flows from financing activities			
Proceeds from bank borrowings	20	162,2	109.7
Repayment of bank borrowings	20	(150,5)	(229.7)
Repayment of non-bank borrowings	20	(3,3)	(3.2)
Redemption of notes	20	-	(113.8)
Interest paid	20	(60,3)	(44.6)
Finance lease payments	20	(51,9)	(9.8)
Settlement of derivative financial instruments		(16.3)	57.5
Net cash from financing activities		(120.1)	(233.9)
Total net cash flow		143.8	(554.5)
Effect of exchange rate fluctuations on cash held		1.9	0.3
Change in net cash		145.7	(554.2)
Cash at beginning of period		1,938.3	1,920.6
Cash at end of period	19	2,084.0	1,366.4

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Translation reserve	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Note								
January 1 2019 (audited)	184.9	2,228.3	(288.2)	9,826.1	83.6	12,034.7	0.1	12,034.8
Net profit	15	-	-	172.5	-	172.5	-	172.5
Other comprehensive income/(loss), net	-	-	(13.0)	-	11.7	(1.3)	-	(1.3)
Total comprehensive income/(loss)	-	-	(13.0)	172.5	11.7	171.2	-	171.2
Mar 31 2019 (unaudited)	184.9	2,228.3	(301.2)	9,998.6	95.3	12,205.9	0.1	12,206.0
Jan 1 2018 (audited)	184.9	2,228.3	(225.2)	8,432.2	92.2	10,712.4	0.1	10,712.5
Net profit	15	-	-	320.8	-	320.8	-	320.8
Other comprehensive income/(loss), net	-	-	44.9	-	1.2	46.1	-	46.1
Total comprehensive income/(loss)	-	-	44.9	320.8	1.2	366.9	-	366.9
March 31 2018 (unaudited)	184.9	2,228.3	(180.3)	8,753.0	93.4	11,079.3	0.1	11,079.4

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NOTES TO THE FINANCIAL STATEMENTS

1. General information

Grupa LOTOS Spółka Akcyjna ("Grupa LOTOS S.A.", the "Company", the "Parent"), was established on September 18th 1991. The Company's registered address is: ul. Elbląska 135, 80-718 Gdańsk, Poland.

The principal business activity of Grupa LOTOS S.A.'s Group (the "LOTOS Group" or the "Group") consists in the manufacturing and processing of refined petroleum products and their wholesale and retail sale. The Group's business also includes acquisition of crude oil and natural gas deposits and oil and gas production. Based on the classification applied by the Warsaw Stock Exchange, Grupa LOTOS S.A. is included in the fuel sector.

2. Composition of the Group

The LOTOS Group comprises: Grupa LOTOS S.A. (the Parent), a number of production, service and trading companies which are direct or indirect subsidiaries of Grupa LOTOS S.A., and the foundation.

In addition, the Group holds interests in equity-accounted joint ventures.

Information on the registered addresses and business profiles of the aforementioned entities, as well as on the Group's ownership interests in those entities, is presented below.

Name	Registered office	Business profile	The Group's ownership interest		
			Mar 31 2019	Dec 31 2018	Mar 31 2018
Parent					
Downstream segment					
• Grupa LOTOS S.A.	Gdańsk	Manufacturing and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable	Not applicable
Direct fully-consolidated subsidiaries					
Upstream segment					
• LOTOS Upstream Sp. z o.o. (parent of another group: LOTOS Upstream Group)	Gdańsk	Activities of head offices and holdings	100.00%	100.00%	100.00%
• LOTOS Petrobaltic S.A. (parent of another group: LOTOS Petrobaltic Group)	Gdańsk	Acquisition of crude oil and natural gas deposits, extraction of hydrocarbons	99.99%	99.99%	99.99%
Downstream segment					
• LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station network	100.00%	100.00%	100.00%
• LOTOS Oil Sp. z o.o.	Gdańsk	Manufacturing and sale of lubricating oils and lubricants, and sale of base oils	100.00%	100.00%	100.00%
• LOTOS Asphalt Sp. z o.o.	Gdańsk	Manufacturing and sale of bitumens	100.00%	100.00%	100.00%
• LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%	100.00%	100.00%
• LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, overhaul and repair services	100.00%	100.00%	100.00%
• LOTOS Lab Sp. z o.o. (parent of another group: LOTOS Lab Group)	Gdańsk	Laboratory testing	100.00%	100.00%	100.00%
• LOTOS Straż Sp. z o.o.	Gdańsk	Fire service activities	100.00%	100.00%	100.00%
• LOTOS Ochrona Sp. z o.o.	Gdańsk	Security services	100.00%	100.00%	100.00%
• LOTOS Terminale S.A. (parent of another group: LOTOS Terminale Group)	Czechowice-Dziedzice	Storage and distribution of fuels	100.00%	100.00%	100.00%
• LOTOS Infrastruktura S.A. (parent of another group: LOTOS Infrastruktura Group)	Jasło	Storage and distribution of fuels, renting and operating of own or leased real estate	100.00%	100.00%	100.00%
• LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%	100.00%
Non-consolidated direct subsidiaries ⁽¹⁾					
• Infrastruktura Kolejowa Sp. z o.o. w likwidacji (in liquidation) ⁽²⁾	Gdańsk	Dormant	100.00%	100.00%	100.00%
• LOTOS Foundation	Gdańsk	Socially beneficial activity within the scope of public tasks defined in the Act on Public Benefit and Volunteer Work. The Foundation does not conduct any business activity.	100.00%	100.00%	100.00%

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Notes to the financial statements

(PLNm)

Name	Registered office	Business profile	Group's ownership interest		
			Mar 31 2019	Dec 31 2018	Mar 31 2018
Indirect fully-consolidated subsidiaries					
Downstream segment					
LOTOS Lab Group					
• LOTOS Vera Sp. z o.o.	Warsaw	Manufacture of passenger cars	100.00%	100.00%	100.00%
LOTOS Infrastruktura Group					
• RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	100.00%	100.00%	100.00%
LOTOS Terminale Group					
• LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	100.00%	100.00%	100.00%
Upstream segment					
LOTOS Upstream Group					
• LOTOS Exploration and Production Norge AS	Norway, Stavanger	Oil exploration and production on the Norwegian Continental Shelf, provision of services incidental to oil and gas exploration and production	100.00%	100.00%	100.00%
• AB LOTOS Geonafta (parent of another group: AB LOTOS Geonafta Group)	Lithuania, Gargždai	Crude oil exploration and production, drilling services, and purchase and sale of crude oil	100.00%	100.00%	100.00%
• UAB Genciu Nafta	Lithuania, Gargždai	Crude oil exploration and production	100.00%	100.00%	100.00%
• UAB Manifoldas	Lithuania, Gargždai	Crude oil exploration and production	100.00%	100.00%	100.00%
• LOTOS Upstream UK Ltd.	London, United Kingdom	Exploration for and production of crude oil and gas	100.00%	100.00%	100.00%
LOTOS Petrobaltic S.A.					
• Aphrodite Offshore Services N.V.	Curaçao	Dormant	-	- ⁽³⁾	99.99%
• B8 Sp. z o.o.	Gdańsk	Support activities for extraction and quarrying operations	99.99%	99.99%	99.99%
• B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Gdańsk	Exploration for and production of crude oil and natural gas	99.99%	99.99%	99.99%
• Miliana Shipholding Company Ltd. (parent of another group: Miliana Shipholding Company Group)	Nicosia, Cyprus	Storage and transport of crude oil, other sea transport services	99.99%	99.99%	99.99%
• Technical Ship Management Sp. z o.o. (parent of another group: Technical Ship Management Group)	Gdańsk	Sea transport support activities, ship operation advisory services	99.99%	99.99%	99.99%
• SPV Baltic Sp. z o.o.	Gdańsk	Provision of sea transport and related services	99.99%	99.99%	99.99%
• SPV Petro Sp. z o.o.	Gdańsk	Support activities for oil and gas production, sea transport, ship operation advisory services	99.99%	99.99% ⁽⁴⁾	-
• Miliana Shipmanagement Ltd.	Nicosia, Cyprus	Provision of sea transport and related services	99.99%	99.99%	99.99%
• Miliana Shipping Group Ltd. (parent of another group: Miliana Shipping Group)	Nicosia, Cyprus	Management of own assets	99.99%	99.99%	99.99%
• Bazalt Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Granit Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Kambr Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• St. Barbara Navigation Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Petro Icarus Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Petro Aphrodite Company Ltd.	Nicosia, Cyprus	Ship chartering	99.99%	99.99%	99.99%
• Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99%	99.99%	99.99%

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Notes to the financial statements

(PLNm)

Name	Registered office	Business profile	The Group's ownership interest of shares		
			Mar 31 2019	Dec 31 2018	Mar 31 2018
Equity-accounted joint ventures					
Downstream segment					
LOTOS-Air BP Polska Sp. z o.o. ⁽⁵⁾	Gdańsk	Sale of aviation fuel and logistics services	50.00%	50.00%	50.00%
Upstream segment					
Baltic Gas Sp. z o.o. ⁽⁶⁾	Gdańsk	Oil and gas production (support activities for oil and gas production)	50.00%	50.00%	49.99%
Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k. ⁽⁶⁾	Gdańsk	Crude oil and gas production	45.12%	45.04%	44.78%
UAB Minijos Nafta ⁽⁷⁾	Lithuania, Gargždai	Crude oil exploration and production	50.00%	50.00%	50.00%

⁽¹⁾ The companies were deconsolidated due to immateriality of the amounts disclosed in their financial statements as at March 31st 2019 from the point of view of the Group meeting the requirements specified in IFRS 10 Consolidated Financial Statements.

⁽²⁾ On June 28th 2018, the Extraordinary General Meeting of Infrastruktura Kolejowa Sp. z o.o. passed a resolution to dissolve the company and put it into liquidation.

⁽³⁾ In H1 2018, the company was liquidated.

⁽⁴⁾ A new company with a share capital of PLN 5 thousand; a wholly-owned subsidiary of Technical Ship Management Sp. z o.o.

⁽⁵⁾ 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.

⁽⁶⁾ Agreement on cooperation between LOTOS Upstream Sp. z o.o. 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). As at March 31st 2019, 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 0.4m (December 31st 2018: PLN 1.7m).

Within the meaning of IFRS 11, Baltic Gas Sp. z o.o. i wspólnicy sp.k. and Baltic Gas Sp. z o.o. are the Group's equity-accounted joint ventures.

⁽⁷⁾ Joint venture set up for the purpose of oil exploration and production in Lithuania, operated in the form of UAB Minijos Nafta.

3. Changes in the entity's structure in the interim period, including changes which follow from mergers, acquisitions or sale of subsidiaries, long-term investments, restructuring or discontinuation of business

Since the end of the previous financial year, i.e. December 31st 2018 (see Note 2 to the consolidated financial statements for 2018), there have been no material changes in the structure of the Group.

4. Basis of preparation and presentation

These interim condensed consolidated financial statements of the LOTOS Group (the "interim consolidated financial statements", "interim financial statements", "consolidated financial statements", "financial statements") have been prepared in accordance with EU-endorsed International Accounting Standard 34 *Interim Financial Reporting* ("IFRS 34").

These interim condensed consolidated financial statements present the financial position of the Group as at March 31st 2019 and December 31st 2018, results of the Group's operations for the three months ended March 31st 2019 and March 31st 2018, and cash flows for the three months ended March 31st 2019 and March 31st 2018.

These interim financial statements should be read in conjunction with the audited [consolidated financial statements of the LOTOS Group for 2018](#), issued on March 7th 2019 (the "consolidated financial statements for 2018,").

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements for issue, no circumstances were identified which would indicate any threat to the Group companies' continuing as going concerns.

The Parent's functional currency and the reporting currency of these interim consolidated financial statements is the Polish zloty, and all amounts presented herein, unless indicated otherwise, are stated in millions of zloty.

4.1 Accounting policies

The accounting policies and calculation methods applied in the preparation of these interim condensed consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for 2018 (see Note 7 to the consolidated financial statements for 2018), except for the policies which were introduced following the adoption, as of January 1st 2019, of the new standard IFRS 16 *Leases*. For a discussion of the effect of the new standards on the Group's accounting policies, see Note 4 to the consolidated financial statements for 2018 and below.

Overview of the standard

IFRS 16 Leases

IFRS 16 is effective for annual periods beginning on or after January 1st 2019 and has been endorsed by the European Union. It replaces the previously applied IAS 17 as well as IFRIC 4, SIC-15 and SIC-27.

The new standard introduces a single lease accounting model in the lessee's accounting books, which is similar to the recognition of finance leases under IAS 17. Under IFRS 16, a contract is a lease or contains a lease component if it transfers the right to control the use of the identified asset for a given period for consideration.

An essential element that differentiates the definitions of lease under IAS 17 and IFRS 16 is the requirement to exercise control over a specific asset used, identified in the contract explicitly or implicitly. The right-of-use is conveyed where the lessee has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use in the period.

If the definition of lease is satisfied, the lessee recognises a right-of-use asset and a lease liability, initially measured at the present value of the lease payments to be made over the lease term.

Expenditure related to the use of leased assets, previously largely included in cost of services, is now classified as depreciation and interest expense.

Right-of-use assets are depreciated using the straight-line method, while lease liabilities are accounted for using the effective interest rate.

Selected accounting policies

The Company as a lessee

The Group uses a single accounting model for leases under which the lessee recognises right-of-use assets and lease liabilities for all leases except short-term leases and leases of low-value assets.

Short-term leases are leases with a term of 12 months or less, containing no purchase options. In particular, the Group defines as short-term leases contracts made for an indefinite term which may be terminated on a short notice (up to 12 months) without any significant penalty imposed on the party.

The materiality level defined by the Group to identify low-value leases is PLN 20 thousand for entities whose functional currency is PLN, and the equivalent of USD 5 thousand for entities whose functional currency is other than PLN. The value of the underlying asset is measured based on the value of the asset when it is new, regardless of the age of the leased asset.

An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

The Group recognises a right-of-use asset and a lease liability upon commencement of a contract under which control of the use of specified assets is transferred for a certain period of time. The date of commencement of a lease contract is the date on which the leased asset is made available to the Group as the lessee.

A right-of-use asset is initially measured at cost which includes:

- the amount of the lease liability initially measured,
- any lease payments made at or prior to commencement, less any lease incentives received,
- any initial direct costs incurred by the lessee,
- the initial estimate of the costs of dismantling and removing the underlying asset and restoring the site on which it is located.

Right-of-use assets are recognised in the statement of financial position as property, plant and equipment ([property, plant and equipment of the Downstream segment](#) and [property, plant and equipment of the Upstream segment, as appropriate](#)).

Perpetual usufruct right to land acquired for a consideration or received free of charge is recognised in the same manner as other lease contracts (as right-of-use assets and lease liabilities). To calculate assets and liabilities related to perpetual usufruct, the Group conducts an analysis to determine the anticipated term of perpetual usufruct. Once the anticipated term of perpetual usufruct has been determined, the lease liability is calculated in accordance with general principles. The perpetual usufruct rights to land recognised as at December 31st 2018 have been reclassified as right-of-use assets and recognised based on the amount determined before the date of transition to IFRS 16.

After the lease commencement date, the right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment losses. If there is a lease modification, the right-of-use asset is adjusted to the remeasurement of the lease liability (reflecting changes resulting from the lease modification or revision of the discount rate).

Decommissioning costs are capitalised as part of the right-of-use asset and amortised over the estimated useful life of the asset. The fair value of decommissioning costs is estimated by the Group in accordance with the methodology specified in IFRIC 1.

A lease liability is initially measured at the present value of lease payments outstanding at that date, including:

- fixed lease payments net of any lease incentives;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if exercise of that option by the lessee is reasonably certain;
- lease termination penalties if the lessee is entitled to exercise the option to terminate the lease.

Lease payments do not include variable charges that depend on external factors. Variable lease payments not included in the initial measurement of a lease liability are recognised directly in profit or loss.

After initial recognition, the Group measures lease liabilities by:

- increasing the carrying amount to reflect interest on the lease liability,
- reducing the carrying amount to reflect the lease payments made, and
- remeasuring the carrying amount in order to take into account a lease reassessment or modification, or to take account of revised substantially fixed lease payments, including increases or reductions due to index changes in the case of index-linked contracts.

Upon lease commencement, and to the extent that the costs are not included in the carrying amount of another asset in accordance with applicable standards other than IFRS 16, the lessee recognises in profit or loss both interest on the lease liability and variable lease payments not included in the measurement of the lease liability in the period in which the event or condition that triggers payment occurs.

Lease payments are discounted using the interest rate implicit in the lease or the Group's incremental borrowing rate when the interest rate implicit in the lease cannot be readily determined. To determine the incremental borrowing rate, the Group takes into account the type of contract, the duration of the contract, the currency of the contract and the potential margin it would have to pay to external financial institutions if it wanted to enter into such a transaction on the financial market.

The Group determined incremental borrowing rates in a breakdown by contract currency and taking into account contract term, based on the time brackets presented below:

- short-term contracts (12 months or shorter),
- contracts for a term of 1 to 2 years (inclusive),
- contracts for a term of 2 to 5 years (inclusive),
- contracts for a term of 5 to 10 years (inclusive),
- contracts for a term of more than 10 years.

The process of determining a current incremental borrowing rate consists of the following steps:

- an analysis of the lessee's current financing structure (e.g., the debt instruments held by the lessee and their terms);
- determination of the appropriate reference rate – assuming specific currency, economic conditions and lease term;
- analysis of other material lease terms, including the nature of the underlying assets.

To calculate discount rates for the purposes of IFRS 16, the Group assumes that the discount rate should reflect the cost that it would have to pay to borrow the funds necessary to purchase the leased asset.

The Group enters into lease contracts based on the three principal currencies to which it has assigned the base discount rate, i.e., PLN with the WIBOR base rate for a specific term, EUR with the EURIBOR base rate for a specific term, and USD with the LIBOR base rate for a specific term. These base rates apply to short-term foreign-currency leases. Base discount rates for long-term leases are determined on a case-by-case basis.

Effect of IFRS 16 on the financial statements

The Group carried out an analysis aimed at identifying the agreements under which it uses assets owned by third parties. Each of the agreements so identified was reviewed in terms of satisfying the criteria to be classified as a lease in accordance with IFRS 16. Based on the review, the effect of IFRS 16 on the individual items of the Group's financial statements was calculated.

The Group also made appropriate changes to its accounting policies and operational procedures. It developed and implemented methodologies for correct identification of agreements which are leases as well as for collection of data necessary to correctly account for such transactions.

The Group decided to implement the standard starting from January 1st 2019. In accordance with the transitional provisions of IFRS 16, the new policies were adopted retrospectively: the cumulative impact of applying IFRS 16 was accounted for as an adjustment to equity as at January 1st 2019. Accordingly, the comparative data for the financial year 2018 have not been restated (modified retrospective approach).

IFRS 16 introduces a new definition of lease. However, the Company used a practical expedient for transition and did not re-assess whether the contracts previously classified included leases. Therefore, the definition of lease compliant with IAS 17 and IFRIC 4 will continue to apply to lease contracts, concluded or amended before January 1st 2019.

Below are presented the individual adjustments made due to the implementation of IFRS 16.

Recognition of lease liabilities

Upon adopting IFRS 16, the Group recognised lease liabilities related to agreements previously classified as operating leases in accordance with the requirements of IAS 17. These liabilities have been measured at the present value of lease payments outstanding at the start of application of IFRS 16, discounted using the Group's interest rate as at the date of adoption of the standard.

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Lease liability	Jan 1 2019
Operating lease liabilities as at December 31st 2018	1,372.0
Effect of discounting using the Group's incremental borrowing rate as at January 1st 2019	(486.5)
Financial liabilities under finance leases recognised as at December 31st 2018	180.0
Short-term leases recognised as expense in the period	(37.0)
Leases of low-value assets recognised as expense in the period	(0.4)
Other ⁽¹⁾	243.5
Total lease liabilities	1,271.6

⁽¹⁾ Applicable mainly to perpetual usufruct of land not classified as operating lease as at December 31st 2018.

Use of practical expedients

When first applying IFRS 16, the Group applied the following practical expedients available under the standard:

- application of a single discount rate to a portfolio of leases with similar characteristics,
- treatment of operating leases whose remaining term as at January 1st 2019 was less than 12 months as short-term leases,
- exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application, and
- use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

Effect on the statement of financial position

Effect of implementation of IFRS 16 on the recognition of additional right-of-use assets and related financial liabilities:

	IAS 17 Dec 31 2018	Effect of accounting policy change	IFRS 16 Jan 1 2019
ASSETS			
Non-current assets			
Property, plant and equipment of the Downstream segment	8,742.4	1,024.0	9,766.4
Property, plant and equipment of the Upstream segment	3,044.0	67.6	3,111.6
Total	11,786.4	1,091.6	12,878.0
EQUITY AND LIABILITIES			
Non-current liabilities			
Borrowings, other debt instruments and lease liabilities	2,345.3	885.6	3,230.9
Total	2,345.3	885.6	3,230.9
Current liabilities			
Borrowings, other debt instruments and lease liabilities	1,538.7	206.0	1,744.7
Total	1,538.7	206.0	1,744.7
Total liabilities	3,884.0	1,091.6	4,975.6

Effect on equity

The implementation of IFRS 16 had no effect on retained earnings or equity as at January 1st 2019 due to the fact that the right-of-use assets and lease liabilities were recognised in the same amount.

Effect on financial ratios

Given the fact that practically all leases were recognised in the consolidated statement of financial position, the implementation of IFRS 16 by the Group affected its balance sheet ratios, including the debt to equity ratio. In addition, the implementation of IFRS 16 resulted in changes to the profits metrics (e.g. operating profit, EBITDA) and to cash flows from operating activities. The Group analysed the implications of these changes for the fulfilment of covenants contained in its credit facility agreements. No risk of default was identified.

4.2 New standards and interpretations which have been published but are not yet effective

The Group has not elected to early adopt any of the standards, interpretations or amendments which have not taken effect. The Company's Management Board is analysing the effect of the new standards, interpretations and amendments on the accounting policies applied by the Group and on the Group's future financial statements.

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4.3 Exchange rates

The following exchange rates, determined on the basis of the exchange rates quoted by the National Bank of Poland (the "NBP"), have been used for the purpose of valuation of items of the statement of financial position and translation of the financial statements of foreign entities and corporate groups into the Polish zloty:

NBP's mid rate quoted for:	Mar 31 2019 ⁽¹⁾	Dec 31 2018 ⁽²⁾
USD	3.8365	3.7597
EUR	4.3013	4.3000
GBP	4.9960	4.7895
NOK	0.4433	0.4325

⁽¹⁾ NBP's mid rates table effective for March 31st 2019.

⁽²⁾ NBP's mid rates table effective for December 31st 2018.

NBP's average mid rate for the reporting period	3 months ended Mar 31 2019 ⁽¹⁾	3 months ended Mar 31 2018 ⁽²⁾
USD	3.7830	3.3882
EUR	4.2978	4.1784
GBP	4.9733	4.7511
NOK	0.4433	0.4345

⁽¹⁾ Based on the arithmetic mean of the mid rates quoted by the NBP for the last day of each full month in the period January 1st–March 31st 2019.

⁽²⁾ Based on the arithmetic mean of the mid rates quoted by the NBP for the last day of each full month in the period January 1st–March 31st 2018.

5. Seasonality and cyclical of business in the reporting period

There was no seasonality or cyclical in the Group's business in the reporting period.

6. Material changes to reporting items, including amounts which significantly affect assets, liabilities, equity, net profit/(loss) or cash flows and which are non-typical due to their nature, value, effect or frequency

All material changes to reporting items after the end of the last annual reporting period, i.e. 2018, are presented in the key sections of the financial statements and supplemented with additional information contained in the relevant notes to the financial statements.

For a discussion of changes to material reporting items and factors with a bearing on the Group's financial performance in the reporting period, as well as a short summary of results achieved by each business segment, see the Management's Discussion and Analysis of the Q1 2019 consolidated financial performance.

7. Changes to estimates reported in previous interim periods of the current financial year or in previous financial years, where they have a material effect on the current interim period

The Group recorded no material changes of estimated amounts reported in prior periods, where such changes would have a material effect on the current interim reporting period.

8. Business segments

	Upstream segment		Downstream segment		Consolidation		Consolidated	
	3 months ended Mar 31							
	2019	2018	2019	2018	2019	2018	2019	2018
	(unaudited)							
Revenue:	310.7	296.7	6,533.8	6,091.2	(103.5)	(63.2)	6,741.0	6,324.7
Intersegment sales	94.3	50.5	9.2	12.7	(103.5)	(63.2)	-	-
External sales	216.4	246.2	6,524.6	6,078.5	-	-	6,741.0	6,324.7
Operating profit/(loss) (EBIT)	153.1	146.0	216.1	290.3	(6.9)	11.5	362.3	447.8
Depreciation and amortisation	52.5	58.7	160.6	124.4	-	-	213.1	183.1
Operating profit/(loss) before depreciation and amortisation (EBITDA)	205.6	204.7	376.7	414.7	(6.9)	11.5	575.4	630.9

	Mar 31 2019	Dec 31 2018	Mar 31 2019	Dec 31 2018	Mar 31 2019	Dec 31 2018	Mar 31 2019	Dec 31 2018
	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)	(unaudited)	(audited)
Total assets	4,808.5	4,604.6	21,494.3	19,751.9	(2,320.1)	(2,132.6)	23,982.7	22,223.9

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Type of goods or services	Upstream segment		Downstream segment		Consolidated	
	3 months ended Mar 31					
	2019	2018	2019	2018	2019	2018
	(unaudited)					
Revenue from contracts with customers:	216.4	246.2	6,546.0	6,088.1	6,762.4	6,334.3
Products and services	216.3	246.0	6,247.8	5,534.1	6,464.1	5,780.1
Merchandise and materials	0.1	0.2	298.2	554.0	298.3	554.2
Effect of cash flow hedge accounting	-	-	(21.4)	(9.6)	(21.4)	(9.6)
Total revenue	216.4	246.2	6,524.6	6,078.5	6,741.0	6,324.7

Geographical structure of sales	Upstream segment		Downstream segment		Consolidated	
	3 months ended Mar 31					
	2019	2018	2019	2018	2019	2018
	(unaudited)					
Poland	2.7	3.4	4,977.4	4,546.1	4,980.1	4,549.5
Belgium	-	-	105.3	124.7	105.3	124.7
Czech Republic	-	-	39.2	36.9	39.2	36.9
Denmark	-	-	53.0	48.4	53.0	48.4
Netherlands	-	-	774.0	704.8	774.0	704.8
Germany	16.3	12.2	44.0	98.0	60.3	110.2
Norway	185.9	202.3	18.0	46.6	203.9	248.9
Sweden	-	-	255.7	224.9	255.7	224.9
United Kingdom	11.3	27.7	75.8	158.0	87.1	185.7
Other countries	0.2	0.6	203.6	99.7	203.8	100.3
Effect of cash flow hedge accounting	-	-	(21.4)	(9.6)	(21.4)	(9.6)
Total	216.4	246.2	6,524.6	6,078.5	6,741.0	6,324.7

Sales by type of products, merchandise and services	Upstream segment		Downstream segment		Consolidated	
	3 months ended Mar 31					
	2019	2018	2019	2018	2019	2018
	(unaudited)					
Gasolines	-	-	928.4	987.2	928.4	987.2
Naphtha	-	-	205.3	302.8	205.3	302.8
Diesel oils	-	-	3,484.9	2,777.0	3,484.9	2,777.0
Bunker fuel	-	-	47.9	40.8	47.9	40.8
Light fuel oil	-	-	186.0	202.9	186.0	202.9
Heavy fuel oil	-	-	671.7	514.4	671.7	514.4
Aviation fuel	-	-	285.7	285.1	285.7	285.1
Lubricants	-	-	72.2	72.0	72.2	72.0
Base oils	-	-	131.8	134.3	131.8	134.3
Bitumens	-	-	53.3	26.1	53.3	26.1
LPG	-	-	112.0	98.3	112.0	98.3
Crude oil	36.6	77.7	-	320.8	36.6	398.5
Natural gas	163.9	154.0	0.5	0.3	164.4	154.3
Xylene fraction	-	-	71.2	47.7	71.2	47.7
Other refinery products, merchandise and materials	-	-	82.6	73.4	82.6	73.4
Other products, merchandise and materials	2.5	2.8	119.4	109.3	121.9	112.1
Services	13.4	11.7	93.1	95.7	106.5	107.4
Effect of cash flow hedge accounting	-	-	(21.4)	(9.6)	(21.4)	(9.6)
Total	216.4	246.2	6,524.6	6,078.5	6,741.0	6,324.7

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9. Expenses by nature

	Note	3 months ended	3 months ended
		Mar 31 2019	Mar 31 2018
		(unaudited)	(unaudited)
Depreciation and amortisation	8	213.1	183.1
Raw materials and consumables used ⁽¹⁾		5,259.0	4,708.4
Services		301.1	331.3
Taxes and charges		130.8	137.4
Employee benefits expense		218.6	197.8
Other expenses by nature		34.6	52.0
Merchandise and materials sold		261.1	488.1
Total expenses by nature		6,418.3	6,098.1
Change in products and adjustments to cost of sales		(35.9)	(221.9)
Total		6,382.4	5,876.2
including:			
Cost of sales		5,943.0	5,464.3
Distribution costs		323.2	305.5
Administrative expenses		116.2	106.4

⁽¹⁾ Including PLN 25.1m of foreign exchange losses from operating activities, recognised in cost of sales (three months ended March 31st 2018: PLN 5.8m of foreign exchange losses).

10. Other income

	3 months ended	3 months ended
	Mar 31 2019	Mar 31 2018
		(unaudited)
Gain on disposal of non-financial non-current assets	-	0.1
Grants	-	0.4
Reversal of impairment losses on receivables	1.3	0.4
Compensation	3.4	1.1
Lease modifications	1.8	-
Other	1.2	2.6
Total	7.7	4.6

11. Other expenses

	3 months ended	3 months ended
	Mar 31 2019	Mar 31 2018
		(unaudited)
Gain on disposal of non-financial non-current assets	0.7	-
Fines and compensation	0.3	0.5
Damage to property arising in ordinary course of business	0.7	0.3
Membership fees	1.4	0.6
Charitable donations	0.1	2.4
Other	0.8	1.5
Total	4.0	5.3

12. Finance income

	3 months ended	3 months ended
	Mar 31 2019	Mar 31 2018
		(unaudited)
Interest:	10.0	7.8
• interest on assets measured at amortised cost:	10.0	7.4
- on trade receivables	0.8	0.8
- on cash	1.3	0.6
- on deposits	7.9	6.0
• other interest	-	0.4
Exchange differences:	-	76.6
- on bank borrowings	-	31.2
- on translation of intercompany loans ⁽¹⁾	-	19.8
- on realised foreign-currency transactions in bank accounts	-	29.1
- on notes, including intercompany notes ⁽¹⁾	-	(0.9)
- on deposits and other cash	-	(2.4)
- other	-	(0.2)
Revaluation of financial assets:	16.4	9.3
- measurement of derivative financial instruments	23.1	(49.1)
- settlement of derivative financial instruments	(6.7)	58.4
Other	-	2.1
Total	26.4	95.8

⁽¹⁾ According to IAS 21 The Effects of Changes in Foreign Exchange Rates, foreign exchange gains and losses on intercompany foreign currency transactions are recognised in the Group's net profit or loss.

The Group offsets similar transaction items in accordance with IAS 1 *Presentation of Financial Statements*, sections 34 and 35. Material items of income and expenses charged to profit or loss are disclosed separately, as presented in the table above.

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13. Finance costs

	Note	3 months ended	3 months ended
		Mar 31 2019	Mar 31 2018
		(unaudited)	(unaudited)
Interest:		57.9	40.5
• interest on liabilities measured at amortised cost:		27.5	26.3
- on bank borrowings		21.9	23.0
- on non-bank borrowings		0.6	0.8
- on notes		4.7	2.5
- other		0.3	-
• other interest:		30.4	14.2
- on lease liabilities		19.6	4.1
- discount on provisions for oil and natural gas production facilities and for site restoration, and other provisions	21	9.3	8.6
- cost of discount on employee benefit obligations		1.2	1.4
- other		0.3	0.1
Exchange differences:		21.9	-
- on bank borrowings		28.3	-
- on translation of intercompany loans ⁽¹⁾		(11.9)	-
- on realised foreign-currency transactions in bank accounts		3.7	-
- on notes		4.8	-
- on deposits and other cash		(3.1)	-
- other		0.1	-
Bank fees		15.4	3.5
Tax risk provision		1.0	-
Other		-	0.1
Total		96.2	44.1

⁽¹⁾ According to IAS 21 The Effects of Changes in Foreign Exchange Rates, foreign exchange gains and losses on intercompany foreign currency transactions are recognised in the Group's net profit or loss.

The Group offsets similar transaction items in accordance with IAS 1 *Presentation of Financial Statements*, sections 34 and 35. Material items of income and expenses charged to profit or loss are disclosed separately, as presented in the table above.

14. Income tax

14.1 Tax expense

	3 months ended	3 months ended
	Mar 31 2019	Mar 31 2018
	(unaudited)	(unaudited)
Current tax	80.7	129.8
Deferred tax	39.0	48.5
Total income tax charged to net profit or loss	119.7	178.3
Tax expense recognised in other comprehensive income/(loss), net, relating to cash flow hedges	(3.0)	10.5

For the entities operating in Poland, the current and deferred portion of income tax was calculated at the rate of 19%.

In the case of Norwegian subsidiary LOTOS Exploration and Production Norge AS, the marginal tax rate is 78% of the tax base. Income earned by this subsidiary is subject to taxation under two parallel tax systems: the corporate income tax system (24% tax rate) and the petroleum tax system (additional tax rate of 54%).

In the case of Lithuanian subsidiaries (AB LOTOS Geonafra Group), the current and deferred portion of income tax was calculated at the rate of 15%.

14.2 Deferred income tax

	Statement of financial position		Change
	Mar 31 2019	Dec 31 2018	
	(unaudited)	(audited)	
Deferred tax assets	143.7	149.6	(5.9)
Deferred tax liabilities	(353.8)	(324.9)	(28.9)
Net deferred tax assets/(liabilities)	(210.1)	(175.3)	(34.8)
Exchange differences on translating deferred tax of foreign operations			(1.2)
Deferred tax disclosed under other comprehensive income/(loss), net			(3.0)
Deferred tax expense charged to net profit or loss			(39.0)

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14.2.1 Deferred tax assets and liabilities

Given that the Group companies are separate taxpayers, the deferred tax (deferred tax assets and liabilities) is calculated separately by individual companies. The Group companies offset deferred tax assets against deferred tax liabilities. Deferred tax assets (liabilities) before set-off comprised the following items:

	Dec 31 2018	Deferred tax disclosed under net profit or loss	Deferred tax disclosed under other comprehensive income/(loss), net	Exchange differences on translating deferred tax of foreign operations	Mar 31 2019
	(audited)				(unaudited)
Deferred tax assets					
Employee benefit obligations	59.9	(3.8)	-	-	56.1
Provisions for/assets related to decommissioning of oil and gas extraction facilities and site restoration	573.7	13.9	-	13.7	601.3
Finance lease liabilities	34.9	188.0	-	-	222.9
Cash flow hedge accounting	67.7	-	3.0	-	70.7
Other	65.0	10.8	-	-	75.8
	801.2	208.9	3.0	13.7	1,026.8
Deferred tax liabilities					
Difference between current tax value and carrying amount: of property, plant and equipment and intangible assets	837.2	241.0	-	10.0	1,088.2
Difference between current tax value and carrying amount of settlements under joint operations (Norwegian fields)	4.4	7.4	-	0.1	11.9
Other	134.9	(0.5)	-	2.4	136.8
	976.5	247.9	-	12.5	1,236.9
Net deferred tax assets/(liabilities)	(175.3)	(39.0)	3.0	1.2	(210.1)

Taxable temporary differences are expected to expire in 2019–2090.

15. Earnings per share

	3 months ended Mar 31 2019	3 months ended Mar 31 2018
	(unaudited)	(unaudited)
Net profit attributable to owners of the Parent (PLNm) (A)	172.5	320.8
Weighted average number of shares (million) (B)	184.9	184.9
Earnings per share (PLN) (A/B)	0.93	1.73

Earnings per share for each reporting period are calculated by dividing net profit for the reporting period by the weighted average number of shares outstanding in the reporting period.

Diluted earnings per share are equal to basic earnings per share as there are no instruments with a dilutive effect.

16. Dividends

As at March 31st 2019 and December 31st 2018, Grupa LOTOS S.A. was restricted in its ability to distribute funds in the form of dividends. The restrictions followed from the credit facility agreement executed on June 27th 2008 for the financing of the 10+ Programme, whereby dividend payment and amounts are subject to certain conditions, including generation of sufficient free cash and achievement of certain levels of financial ratios.

On April 29th 2019, the Management Board of Grupa LOTOS S.A. passed a resolution on the proposed distribution of the Company's 2018 profit of PLN 1,333.9m. In the resolution, the Company's Management Board proposes to distribute the 2018 net profit as follows:

- PLN 554.6m for dividend payment
- PLN 779.3m to statutory reserve funds

The dividend per share is PLN 3, pre-tax.

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17. Impairment losses

	Non-current assets of the Upstream segment		Non-current assets of the Downstream segment		Inventories		Receivables		Total	
	3 months ended Mar 31									
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
At beginning of period (audited)	1,578.9	1,863.3	118.2	89.8	8.7	4.0	109.9	104.2	1,815.7	2,061.3
Recognised	-	-	-	-	0.5	0.9	7.5	1.1	8.0	2.0
Exchange differences on translating foreign operations	30.7	45.0	-	-	-	-	-	-	30.7	45.0
Used / Reversed	-	-	-	-	(4.8)	(0.8)	(5.3)	(2.8)	(10.1)	(3.6)
At end of period (unaudited)	1,609.6	1,908.3	118.2	89.8	4.4	4.1	112.1	102.5	1,844.3	2,104.7

In accordance with IAS 2, inventories are measured at the lower of cost and cost less write-downs to net realisable value.

Changes in impairment losses on property, plant and equipment and intangible assets are recognised under other income or expenses. The effect of revaluation of inventories is taken to cost of sales. The amounts resulting from recognition or reversal of impairment losses on receivables are presented under other income or other expenses (the principal portion) and under finance income or finance costs (the default interest portion).

18. Acquisition and sale of property, plant and equipment and intangible assets

	3 months ended Mar 31 2019 (unaudited)	3 months ended Mar 31 2018 (unaudited)
Purchase of Upstream segment assets	113.9	80.0
Purchase of Downstream segment assets	94.2	102.0
Total	208.1	182.0

In the three months ended March 31st 2019, as well as in the comparative period, purchases made in the Upstream segment related mainly to the B-8 field in the Baltic Sea and production from the Sleipner and YME fields in Norway. Purchases in the Downstream segment were mostly associated with the EFRA Project.

As at March 31st 2019, the Group's future contractual commitments related to purchases of property, plant and equipment and intangible assets, undisclosed in the statement of financial position, were PLN 329.2m (December 31st 2018: PLN 383.4m). As at March 31st 2019, the contracted expenditure was related, among others, to the EFRA Project, the B-8 field development, the hydrogen recovery unit (HRU), expansion of the service station chain, as well as modernisation of locomotives.

In the three months ended March 31st 2019 and March 31st 2018, the Group did not sell any material items of property, plant and equipment or intangible assets.

19. Cash and cash equivalents

	Mar 31 2019 (unaudited)	Mar 31 2018 (unaudited)
Cash and cash equivalents in the statement of financial position	2,084.1	1,470.4
Overdraft facilities	(0.1)	(104.0)
Total cash and cash equivalents in the statement of cash flows	2,084.0	1,366.4

20. Borrowings, other debt instruments and lease liabilities

	Mar 31 2019 (unaudited)	Dec 31 2018 (audited)
Bank borrowings:	3,490.0	3,421.2
- investment facilities contracted for a specific purpose	3,156.6	3,078.4
- working-capital facilities	2.2	8.8
- inventory financing and refinancing facility	773.2	752.8
- funds in bank deposits securing payment of interest and principal	(442.0)	(418.8)
Non-bank borrowings	52.5	55.8
Notes	236.3	227.0
Lease liabilities	1,268.5	180.0
Total	5,047.3	3,884.0
including:		
non-current	3,252.8	2,345.3
current	1,794.5	1,538.7

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	Bank borrowings	Non-bank borrowings	Notes	Lease liabilities	Total
Dec 31 2018 (audited)	3,421.2	55.8	227.0	180.0	3,884.0
Effect of changes in accounting policies	-	-	-	1,091.6	1,091.6
Jan 1 2019 (unaudited)	3,421.2	55.8	227.0	1,271.6	4,975.6
Net proceeds	162.2	-	-	-	162.2
Net repayments	(150.5)	(3.3)	-	(51.9)	(205.7)
Interest, fees and commissions paid	(40.8)	(0.6)	(0.2)	(18.7)	(60.3)
New leases	-	-	-	36.6	36.6
Interest, fees and commissions accrued	43.7	0.6	4.7	18.8	67.8
Prepayments and accruals	5.5	-	-	-	5.5
Exchange differences	74.9	-	4.8	1.0	80.7
Change in overdraft facilities	(2.9)	-	-	-	(2.9)
Change in deposits securing payment of interest and principal	(23.3)	-	-	-	(23.3)
Other	-	-	-	11.1	11.1
Mar 31 2019 (unaudited)	3,490.0	52.5	236.3	1,268.5	5,047.3

	Bank borrowings	Non-bank borrowings	Notes	Lease liabilities	Total
Jan 1 2018 (audited)	3,903.0	68.3	313.0	141.6	4,425.9
Net proceeds	109.7	-	-	-	109.7
Net repayments	(229.7)	(3.2)	(113.8)	(9.8)	(356.5)
Interest, fees and commissions paid	(36.9)	(0.8)	(2.5)	(4.4)	(44.6)
Interest, fees and commissions accrued	39.2	1.0	2.5	4.4	47.1
Prepayments and accruals	4.1	-	-	-	4.1
Exchange differences	(73.8)	-	0.9	0.3	(72.6)
Change in overdraft facilities	103.9	-	-	-	103.9
Change in deposits securing payment of interest and principal	(13.8)	-	-	-	(13.8)
Other	-	-	-	(0.2)	(0.2)
Mar 31 2018 (unaudited)	3,805.7	65.3	200.1	131.9	4,203.0

In the three months ended March 31st 2019, proceeds from bank borrowings incurred by the Group amounted to PLN 162.2m and were related to the investment credit facility of LOTOS Asfalt Sp. z o.o. (PLN 152.8m) and the working capital facility of AB LOTOS Geonafta (PLN 9.4m). In the same period, repayments of bank borrowings amounted to PLN 150.5m and mainly included repayments under investment credit facilities of the Parent (PLN 126.3m) and credit facilities of AB LOTOS Geonafta (PLN 13.2m, chiefly in connection with debt refinancing). These amounts are presented in the statement of cash flows as cash flows from financing activities under: [Proceeds from bank borrowings](#) and [Repayment of bank borrowings](#), respectively.

The Group did not contract any non-bank borrowings in the three months ended March 31st 2019. Repayments of non-bank borrowings in the period amounted to PLN 3.3m and were primarily related to a loan contracted in 2014 in the upstream segment to finance the purchase of a drilling platform. This amount was disclosed in cash flows from financing activities under [repayment of non-bank borrowings](#).

In the three months ended March 31st 2019, the Group did not issue or redeem any notes.

In 2016, the SPV B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A. (upstream segment) concluded agreements with Bank Gospodarstwa Krajowego S.A. (BGK) and Polski Fundusz Rozwoju S.A. (Fundusz Inwestycji Infrastrukturalnych – Dłużny Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych) for the financing of the development of the B8 oil field in the Baltic Sea, including senior notes and subordinated notes programme agreements. On July 25th 2018, B8 spółka z ograniczoną odpowiedzialnością Baltic S.K.A. and BGK concluded an annex to the senior note programme agreement and annexes to the terms and conditions of the notes issued by the company and acquired by BGK. On July 27th 2018, B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A. issued notes with a total nominal value of USD 30m. The issue proceeds were used to redeem all notes acquired by Polski Fundusz Rozwoju S.A. As at March 31st 2019, the company had the right to issue additional notes for USD 27.9 under the agreement. All the issued notes are due at dates falling in the period from September 30th 2020 to June 30th 2022. In relation to the outstanding notes of B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A., because as at March 31st 2019 the time limit to provide an item of required security was breached, the non-current portion of liabilities under the agreement, amounting to PLN 236.3m, was presented under current liabilities. As at March 31st 2019, BGK did not accelerate the liabilities.

As at March 31st 2019, the liability under the outstanding notes issued by B8 Spółka z ograniczoną odpowiedzialnością Baltic S.K.A., net of issue costs, was PLN 236.3m (December 31st 2018: PLN 227.0m).

In the three months ended March 31st 2019 and March 31st 2018, there were no defaults other than mentioned above under any credit facility, loan or lease agreements, or breaches of any material provisions of those agreements having an effect on the Group's financial statements.

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21. Provisions

	Note	Provisions for decommissioning and site restoration costs				Total	Other provisions	Total
		Provision for oil and gas extraction facilities			Provisions for retired refining and other units			
		Poland	Norway	Lithuania				
Jan 1 2019 (audited)		228.2	863.4	15.6	12.8	1,120.0	161.3	1,281.3
Recognised		-	-	-	3.3	3.3	1.5	4.8
Change in provisions attributable to approaching due date of liability (discount unwinding effect)	13	-	8.6	0.2	-	8.8	0.5	9.3
Interest on Oil and Gas Facility Decommissioning Fund		0.1	-	-	-	0.1	-	0.1
Transfer		-	-	-	-	-	0.1	0.1
Exchange differences on translating foreign operations		-	21.6	-	-	21.6	1.8	23.4
Used		-	(0.2)	-	-	(0.2)	(22.6)	(22.8)
Reversed		-	-	-	-	-	(0.1)	(0.1)
Mar 31 2019 (unaudited)		228.3	893.4	15.8	16.1	1,153.6	142.5	1,296.1
including:								
non-current		228.3	882.5	15.8	16.0	1,142.6	52.5	1,195.1
current		-	10.9	-	0.1	11.0	90.0	101.0
Jan 1 2018 (audited)		196.9	814.8	13.1	12.5	1,037.3	37.0	1,074.3
Recognised		-	-	-	-	-	0.2	0.2
Remeasurement of estimated provision for contingent		-	-	-	-	-	(0.2)	(0.2)
Change in provisions attributable to approaching due date of liability (discount unwinding effect)	13	-	8.3	0.2	-	8.5	0.1	8.6
Interest on Oil and Gas Facility Decommissioning Fund		0.1	-	-	-	0.1	-	0.1
Exchange differences on translating foreign operations		-	23.4	0.1	-	23.5	0.1	23.6
Used		-	-	-	-	-	(11.4)	(11.4)
Reversed		-	-	-	(0.1)	(0.1)	(2.1)	(2.2)
March 31 2018 (unaudited)		197.0	846.5	13.4	12.4	1,069.3	23.7	1,093.0
including:								
non-current		197.0	841.9	13.4	12.3	1,064.6	1.3	1,065.9
current		-	4.6	-	0.1	4.7	22.4	27.1

Provisions for decommissioning and site restoration 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, 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 and other units – a provision for site restoration and the cost of disassembly and decommissioning of the retired units 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 site restoration and clean-up.

22. Changes in the fair value determination method applied to financial instruments measured at fair value and in the classification of financial assets

In the three months ended March 31st 2019, the Group made no changes to the method of fair value measurement applied to financial instruments measured at fair value (for description of the method, see Note 7.20 to the consolidated financial statements for 2018), made no transfers of financial instruments between fair value hierarchy levels (see Note 23.1 to the consolidated financial statements for 2018), and did not reclassify any of its financial instruments. As at March 31st 2019 and December 31st 2018, the Group held derivative instruments classified as fair value hierarchy Level 2.

As at March 31st 2019 and December 31st 2018, the fair values of financial assets and liabilities did not materially differ from their carrying amounts.

Fair value hierarchy (Level 2)	Mar 31 2019 (unaudited)	Dec 31 2018 (audited)
Financial assets		
Commodity swap	50.0	13.8
Currency forward and spot contracts	3.1	-
Interest rate swap (IRS)	1.6	7.8
Currency swap	0.1	2.8
Total	54.8	24.4
Financial liabilities		
Commodity swap	5.1	21.6
Currency forward and spot contracts	30.8	21.8
Interest rate swap (IRS)	1.0	7.1
Currency swap	26.0	3.8
Total	62.9	54.3

23. Contingent liabilities and assets

23.1 Material court, arbitration or administrative proceedings, other risks to the Parent or its subsidiaries, and material settlements under court proceedings

In the period between the end of the previous financial year, i.e. December 31st 2018, and the date of issue of these interim financial statements, there were no significant changes with respect to pending material court, arbitration, and administrative proceedings or with respect to other risks to the Company or its subsidiaries. For information on pending material proceedings, see Note 29.1 to the consolidated financial statements for 2018.

Tax settlements

In 2015, the Company's VAT settlements for 2010 were subject to inspection by tax inspection authorities. On June 23rd 2015, the Company received a post-inspection report and challenged some of the findings contained in the report. On September 30th 2015, the Company received a decision issued by the Director of the Tax Audit Office in Bydgoszcz, in which the Tax Audit Office assessed the VAT amount payable by the Company for the period from January to December 2010, identifying VAT arrears of PLN 48.4m. The Company dismissed the allegations of the Director of the Tax Audit Office as entirely groundless and on October 14th 2015 filed an appeal with the Director of the Tax Chamber in Gdańsk. The Director of the Tax Chamber in Gdańsk upheld the decision of the Director of the Tax Audit Office in Bydgoszcz, whereas the complaint lodged by the Company with the Provincial Administrative Court on June 8th 2016 was dismissed. On August 25th 2016, the Company lodged a cassation complaint with the Supreme Administrative Court of Warsaw. On April 17th 2019, the Supreme Administrative Court dismissed the Company's complaint against the ruling of the Provincial Administrative Court of Gdańsk.

Agreement to which LOTOS Exploration and Production Norge AS is a party

LOTOS Exploration and Production Norge AS ("LOTOS E&P Norge AS") was a party to proceedings held before an arbitration court in Norway in connection with claims filed by Single Buoy Moorings Inc. ("SBM"), the supplier of the MOPU (Mobile Offshore Production Unit) for operation of the YME field, against Talisman Energy Norge AS, the operator of the YME field ("Talisman", "Operator") and the other YME licence holders. The share of SBM's claims attributable to LOTOS E&P Norge AS was 20%.

In 2013, Talisman Energy Norge AS ("Talisman", the then operator of the YME field) and Single Buoy Moorings Inc. ("SBM", owner of the MOPU) announced that an agreement was reached to terminate all existing contracts and agreements executed by the parties in connection with the YME project and remove the defective MOPU from the YME field.

SBM paid USD 470m to the consortium members, and Talisman Energy, on behalf of the licence holders, agreed to make the necessary preparations and remove the platform from the field. Under the agreement, SBM was responsible for towing the MOPU to the port and its scrapping, whereas following completion of certain works, the ownership of elements of the YME field in situ subsea infrastructure delivered by SBM should be transferred to the consortium members, who would be required to perform site restoration (and disassembly) activities related to the subsea infrastructure. Each of the parties will cover the costs of its scope of decommissioning work as set out in the agreement.

In accordance with the agreement made with SBM, the balance of the Group's share in the amount due to the consortium members under the agreement (USD 81.8m) was transferred to the YME project escrow account, to be gradually released to finance the removal of the MOPU and related infrastructure from the field, in accordance with the agreement.

On August 22nd 2016, the YME project partners completed evacuation of the defective MOPU from the field. In Q1 2017, the caisson (element of the subsea infrastructure) was inspected. As a result of the inspection it was found that the caisson can stand without additional support until 2019 (provided that it is inspected on a semi-annual basis and its condition remains unimpaired).

As at March 31st 2019, available cash deposited in the escrow account, denominated in the presentation currency, was recognised in the amount of PLN 0.7m under other assets in the statement of financial position. The remaining provision for future costs of removal of the

MOPU and disassembly of the related fixed assets amounted to PLN 2.4m and was recognised under the short-term portion of **Other liabilities and provisions**.

On August 11th 2017, SBM Offshore confirmed the conclusion of an agreement with a majority of MOPU insurers to settle insurance claims relating to the faulty execution of the MOPU. On September 10th 2018, SBM announced that the insurance claim concerning the YME project was fully and finally settled. The gross amount received by SBM as insurance compensation was USD 390m. The share of LOTOS E&P Norge AS (net of the cost of legal services and other expenses) was expected at USD 30.7m. In 2018, the Group recognised its share in the compensation under Other income, in the amount of PLN 118.3m.

On March 5th 2019, LOTOS E&P Norge AS received cash of USD 31.1m as the final settlement of insurance claims.

In the three months ended March 31st 2019, there were no material settlements under court or other proceedings, save for those presented above.

23.2 Other contingent liabilities

In the period between the end of the previous financial year, i.e. December 31st 2018, and the date of issue of these interim financial statements, there were no changes in the Company's or its subsidiaries' other material contingent liabilities.

24. Related parties

24.1 Transactions with joint ventures in which the Group holds interests

In the three months ended March 31st 2019 and March 31st 2018, the Group made material transactions with LOTOS-Air BP Polska Sp. z o.o., involving mainly sale of aviation fuel. The aggregate value of the transactions executed in the three months ended March 31st 2019 was PLN 72.2m (three months ended March 31st 2018: PLN 90.2m). As at March 31st 2019, the balance of outstanding receivables under those transactions was PLN 21.1m (December 31st 2018: PLN 23.1m).

Moreover, the Group executed transactions with UAB Minijos Nafta, with the total value of PLN 6.2m (for the three months ended March 31st 2018: PLN 3.4m). The transactions were crude oil purchases. As at March 31st 2019, the balance of outstanding payables under those transactions was PLN 4.9m (December 31st 2018: PLN 5.2m).

24.2 Entity having control of the Group

As at March 31st 2019 and December 31st 2018, the State Treasury held a 53.19% interest in Grupa LOTOS S.A. In the three months ended March 31st 2019 and March 31st 2018, no transactions were concluded between Grupa LOTOS S.A. and the State Treasury.

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(PLNm)

24.2.1 Transactions with related entities of which the State Treasury has control or joint control or on which the State Treasury has significant influence

In the three months ended March 31st 2019 and March 31st 2018, the Group executed transactions with parties related to it through the State Treasury. The aggregate value of the transactions was material. They were concluded on an arm's length basis in the course of the Group's day-to-day operations and involved mainly purchase and sale of fuels, purchase of crude oil and natural gas, and transport services.

	3 months ended Mar 31 2019 (unaudited)	3 months ended Mar 31 2018 (unaudited)
Sales	48.0	63.3
Purchases	440.8	453.0
	Mar 31 2019 (unaudited)	Dec 31 2018 (audited)
Receivables	40.4	47.4
Liabilities	246.5	202.8

In addition, the Group has liabilities under bank borrowings, non-bank borrowings, notes and finance leases towards banks and financial institutions of which the State Treasury has control or joint control or over which it exercises significant influence. These entities include PKO BP S.A., PEKAO S.A., Bank Gospodarstwa Krajowego, and Agencja Rozwoju Przemysłu S.A.

	Mar 31 2019 (unaudited)	Dec 31 2018 (audited)
Bank borrowings	1,631.9	1,304.7
Non-bank borrowings	52.5	55.8
Notes	236.3	227.0
Finance lease liabilities	18.5	20.3
Total	1,939.2	1,607.8

24.3 Remuneration of members of the Company's governing bodies and its key management staff

	3 months ended Mar 31 2019 (unaudited)	3 months ended Mar 31 2018 (unaudited)
Remuneration paid to members of the Parent's Management and Supervisory Boards		
Management Board		
Short-term employee benefits (salaries), including:	0.87	0.84
Mateusz Bonca	0.18	0.17
Patryk Demski	0.17	-
Jarosław Kawula	0.17	0.17
Robert Sobków	0.18	-
Jarosław Wittstock	0.17	-
Marcin Jastrzębski ⁽¹⁾	-	0.41
Mariusz Machajewski ⁽²⁾	-	0.09
Supervisory Board		
Short-term employee benefits (salaries), including:	0.17	0.14
Piotr Ciach	0.02	0.02
Dariusz Figura	0.02	0.02
Mariusz Golecki	0.02	0.02
Beata Kozłowska-Chyła	0.03	0.02
Katarzyna Lewandowska	0.02	0.02
Adam Lewandowski	0.02	0.02
Grzegorz Rybicki	0.02	-
Agnieszka Szklarczyk-Mierzwa	0.02	0.02
Total ⁽³⁾	1.04	0.98

⁽¹⁾ Including a severance pay for termination of the employment contract paid in 2018.

⁽²⁾ In 2018, non-compete compensation was paid.

⁽³⁾ The amount reflects changes in the composition of the Company's Management and Supervisory Boards.

In the three months ended March 31st 2019 and March 31st 2018, the Group did not enter into any transactions with any Management Board or Supervisory Board members, did not advance any loans, make any advance payments, issue any guarantees for or conclude any other agreements with any Management Board or Supervisory Board member, which could have a material bearing on these financial statements or were advanced, made, issued or concluded otherwise than on an arm's length basis.

Based on representations submitted by members of the Company's Management and Supervisory Boards, in the three months ended March 31st 2019 and March 31st 2018, Grupa LOTOS S.A. did not become aware of any transactions concluded with the Company or a company of the LOTOS Group by the spouses, relatives, or relatives by affinity in the direct line up to the second degree, of the members of the Management and Supervisory Boards or persons related to them through guardianship or adoption or other persons with whom they have personal relationships.

	3 months ended Mar 31 2019 (unaudited)	3 months ended Mar 31 2018 (unaudited)
Remuneration paid to members of key management staff (other than members of the Grupa LOTOS Management Board)		
Short-term employee benefits (salaries), including:	8.0	8.2
- annual bonus paid	0.2 ⁽¹⁾	0.3 ⁽²⁾
- length-of-service award paid	-	0.1

⁽¹⁾ Remuneration paid in 2019 on account of the annual bonus for 2018.

⁽²⁾ Remuneration paid in 2018 on account of the annual bonus for 2017.

In the three months ended March 31st 2019 and March 31st 2018, the Group did not provide any loans or similar benefits to other members of its key management staff.

24.4 Transactions with related parties of members of the Management Board and the Supervisory Board

In the three months ended March 31st 2019, the Group entered into transactions with parties related to it through members of the Management and Supervisory Boards. The transactions were connected with the Group's day-to-day operations and consisted mainly in the purchase of civil liability and property insurance policies for PLN 1.9m (three months ended March 31st 2018: PLN 2.0m). As at March 31st 2019, unsettled transactions with parties related to the Company through members of the Management or Supervisory Boards totalled PLN 4.4m (December 31st 2018: PLN 3.7m).

Moreover, as at March 31st 2019 the Group disclosed liabilities of PLN 4.1m under a loan (December 31st 2018: PLN 4.3m).

All transactions with parties related to the Group through members of the Management Board and the Supervisory Board were executed on an arm's length basis.

25. Events subsequent to the reporting date

On March 21st 2019, LOTOS Exploration and Production Norge AS signed an RBL credit facility agreement (financing for upstream projects) with a bank syndicate, with a limit of up to USD 220m. The consortium comprises BNP Paribas, Skandinaviska Enskilda Banken AB, PKO BP S.A., PEKAO S.A. and Bank Gospodarstwa Krajowego. Under the RBL, the banks issued guarantees for a total amount of NOK 1,140m, following which Nordea Bank Norge ASA released funds from the escrow account in the amount of NOK 995m, recognised as at March 31st 2019 under [other non-current assets](#).

II. QUARTERLY FINANCIAL INFORMATION OF THE PARENT FOR THE THREE MONTHS ENDED MARCH 31ST 2019

GRUPA LOTOS S.A.
Quarterly financial information
for the three months ended March 31st 2019
(PLNm)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	3 months ended Mar 31 2019 (unaudited)	3 months ended Mar 31 2018 (unaudited)
Revenue	6,072.6	5,645.6
Cost of sales	(5,671.8)	(5,170.9)
Gross profit	400.8	474.7
Distribution costs	(187.3)	(175.8)
Administrative expenses	(60.9)	(55.3)
Other income	1.8	0.7
Other expenses	(2.1)	(3.5)
Operating profit	152.3	240.8
Finance income	33.4	55.1
Finance costs	(39.3)	(26.8)
Profit before tax	146.4	269.1
Corporate income tax	(25.0)	(50.6)
Net profit	121.4	218.5
Other comprehensive income/(loss)		
Items that may be reclassified to profit or loss:		
Cash flow hedges	(16.0)	55.3
Corporate income tax relating to cash flow hedges	3.0	(10.5)
Other comprehensive income/(loss), net	(13.0)	44.8
Total comprehensive income/(loss)	108.4	263.3

Earnings per share (PLN)

Weighted average number of shares (million)	184.9	184.9
- basic	0.66	1.18
- diluted	0.66	1.18

GRUPA LOTOS S.A.
Quarterly financial information
for the three months ended March 31st 2019
(PLNm)

SEPARATE STATEMENT OF FINANCIAL POSITION

	Mar 31 2019	Dec 31 2018
	(unaudited)	(audited)
ASSETS		
Non-current assets		
Property, plant and equipment	5,900.5	5,836.4
Intangible assets	84.4	86.4
Shares	2,654.5	2,654.5
Derivative financial instruments	15.9	2.1
Other non-current assets	98.7	7.8
Total non-current assets	8,754.0	8,587.2
Current assets		
Inventories	4,199.4	4,530.1
- including emergency stocks	3,057.6	2,874.2
Trade receivables	2,822.9	1,815.4
Derivative financial instruments	37.3	14.1
Other current assets	192.5	140.9
Cash and cash equivalents	961.1	1,193.7
Total current assets	8,213.2	7,694.2
Total assets	16,967.2	16,281.4
EQUITY AND LIABILITIES		
Equity		
Share capital	184.9	184.9
Share premium	2,228.3	2,228.3
Cash flow hedging reserve	(301.2)	(288.2)
Retained earnings	7,974.7	7,853.3
Total equity	10,086.7	9,978.3
Non-current liabilities		
Bank borrowings	1,187.6	1,295.6
Derivative financial instruments	1.8	6.6
Deferred tax liabilities	283.6	260.9
Employee benefit obligations	62.1	60.6
Other liabilities and provisions	137.9	15.7
Total non-current liabilities	1,673.0	1,639.4
Current liabilities		
Bank borrowings	1,006.7	990.3
Derivative financial instruments	56.1	46.8
Trade payables	2,139.1	1,900.7
Current tax payables	125.2	156.9
Employee benefit obligations	44.9	53.0
Other liabilities and provisions	1,835.5	1,516.0
Total current liabilities	5,207.5	4,663.7
Total liabilities	6,880.5	6,303.1
Total equity and liabilities	16,967.2	16,281.4

GRUPA LOTOS S.A.
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SEPARATE STATEMENT OF CASH FLOWS

(prepared using the indirect method)

	3 months ended Mar 31 2019 (unaudited)	3 months ended Mar 31 2018 (unaudited)
Cash flows from operating activities		
Net profit	121.4	218.5
Adjustments:	(14.5)	(524.6)
Income tax	25.0	50.6
Depreciation and amortisation	96.0	91.0
Foreign exchange (gains)/losses	36.4	0.5
Interest and dividends	22.2	13.4
(Gain)/loss from investing activities	0.2	-
Settlement and valuation of derivative financial instruments	(24.2)	3.0
(Increase) in trade receivables	(1,007.5)	(153.7)
(Increase)/Decrease in other assets	(48.9)	5.5
Decrease/(Increase) in inventories	330.4	(377.2)
Increase/(Decrease) in trade payables	238.4	(129.6)
Increase/(Decrease) in other liabilities and provisions	324.1	(23.5)
(Decrease) in employee benefit obligations	(6.6)	(4.6)
Income tax paid	(30.9)	(34.9)
Net cash from operating activities	76.0	(341.0)
Cash flows from investing activities		
Dividends received	1.9	0.2
Interest received	1.9	1.2
Purchase of property, plant and equipment and intangible assets	(24.1)	(47.3)
Acquisition of shares in LOTOS Upstream Sp. z o.o.	-	(56.0)
Loans advanced to related parties	(91.3)	-
Security deposit (margin)	(29.6)	23.3
Cash flows under cash pooling arrangement	-	(5.8)
Settlement of derivative financial instruments	9.6	0.9
Net cash from investing activities	(131.6)	(83.5)
Cash flows from financing activities		
Repayment of bank borrowings	(126.3)	(107.7)
Interest paid	(23.8)	(21.7)
Finance lease payments	(6.2)	-
Settlement of derivative financial instruments	(19.2)	48.9
Net cash from financing activities	(175.5)	(80.5)
Total net cash flow	(231.1)	(505.0)
Effect of exchange rate fluctuations on cash held	1.4	1.7
Change in net cash	(229.7)	(503.3)
Cash at beginning of period	1,190.7	828.0
Cash at end of period	961.0	324.7

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SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Cash flow hedging reserve	Retained earnings	Total equity
Jan 1 2019 (audited)	184.9	2,228.3	(288.2)	7,853.3	9,978.3
Net profit	-	-	-	121.4	121.4
Other comprehensive income/(loss), net	-	-	(13.0)	-	(13.0)
Total comprehensive income/(loss)	-	-	(13.0)	121.4	108.4
Mar 31 2019 (unaudited)	184.9	2,228.3	(301.2)	7,974.7	10,086.7
Jan 1 2018 (audited)	184.9	2,228.3	(225.2)	6,704.3	8,892.3
Net profit	-	-	-	218.5	218.5
Other comprehensive income/(loss), net	-	-	44.8	-	44.8
Total comprehensive income/(loss)	-	-	44.8	218.5	263.3
March 31 2018 (unaudited)	184.9	2,228.3	(180.4)	6,922.8	9,155.6

AUTHORISATION OF QUARTERLY FINANCIAL REPORT FOR ISSUE

This quarterly financial report was authorised for issue by the Management Board on April 29th 2019.

Signatures of the Management Board members and the person responsible for keeping the accounting books of Grupa LOTOS S.A.

President of the Management Board

Mateusz Aleksander Bonca

Vice President of the Management Board,
Chief Investment and Innovation Officer

Patryk Demski

Vice President of the Management Board,
Chief Refining and Marketing Officer

Jarosław Kawuła

Vice President of the Management Board,
Corporate Affairs

Jarosław Wittstock

Vice President of the Management Board,
Chief Financial Officer

Robert Sobków

Finance and Accounting Centre Director - Chief Accountant

Tomasz Południewski