



LOTOS Group

2Q 2016

consolidated financial results

August 11, 2016



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Strategic update

Strategic update – Key strategic assumptions

Key assumptions underlying the LOTOS Group's strategy

- Resume **dividend payments** and sustain long-term dividend paying capacity
- Sustainably and effectively **develop complementary business segments**
- Continue efforts to **optimise integrated margin**
- Advance Poland's **energy security** thanks to economic benefits from **diversified supplies**

Short term (until 2018)

Strategy

- Identify **strategic growth directions and formulate development plans**
- Assess **current assets** for long-term **capacity to generate value** for the Group

Implementation

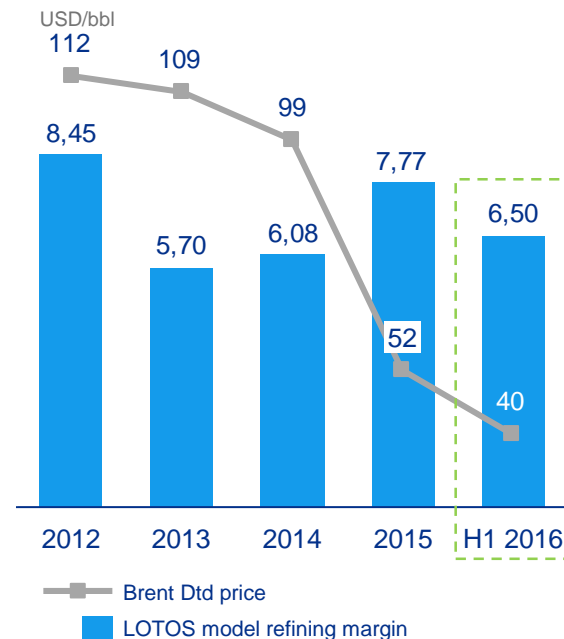
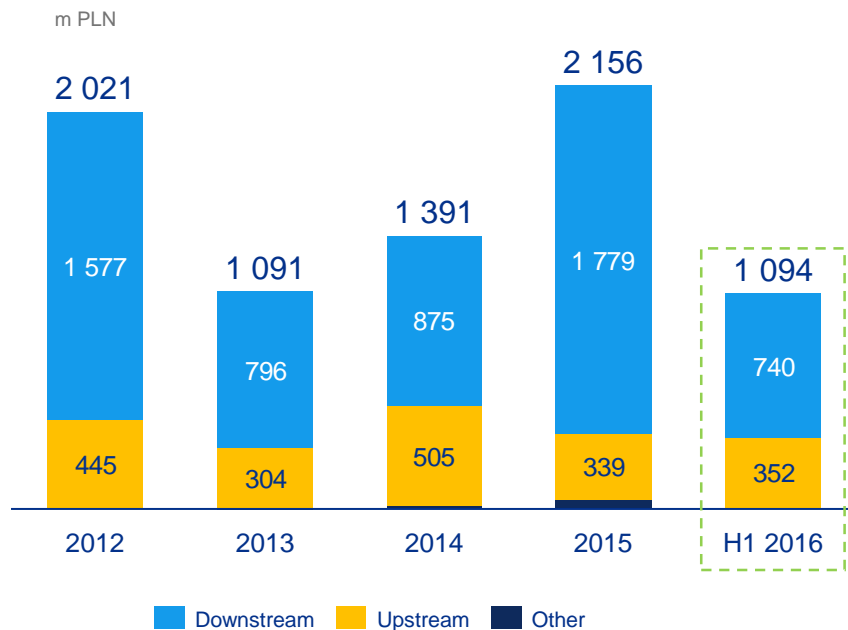
- **Launch EFRA units**, achieve **full production rates from the B8 field** and complete **economic viability appraisal of the B4/B6 gas fields**
- Progressively **deploy organisational improvements and cost saving projects**
- Foster a **culture of innovation** in line with the **country's re-industrialisation goals**

Long term (2018+)

- **Pursue further development projects** without compromising a capacity to sustain future dividends
- **Keep optimising the target operational, capital and legal infrastructure**
- **Carry on selected investments and divestments** in line with the announced strategy

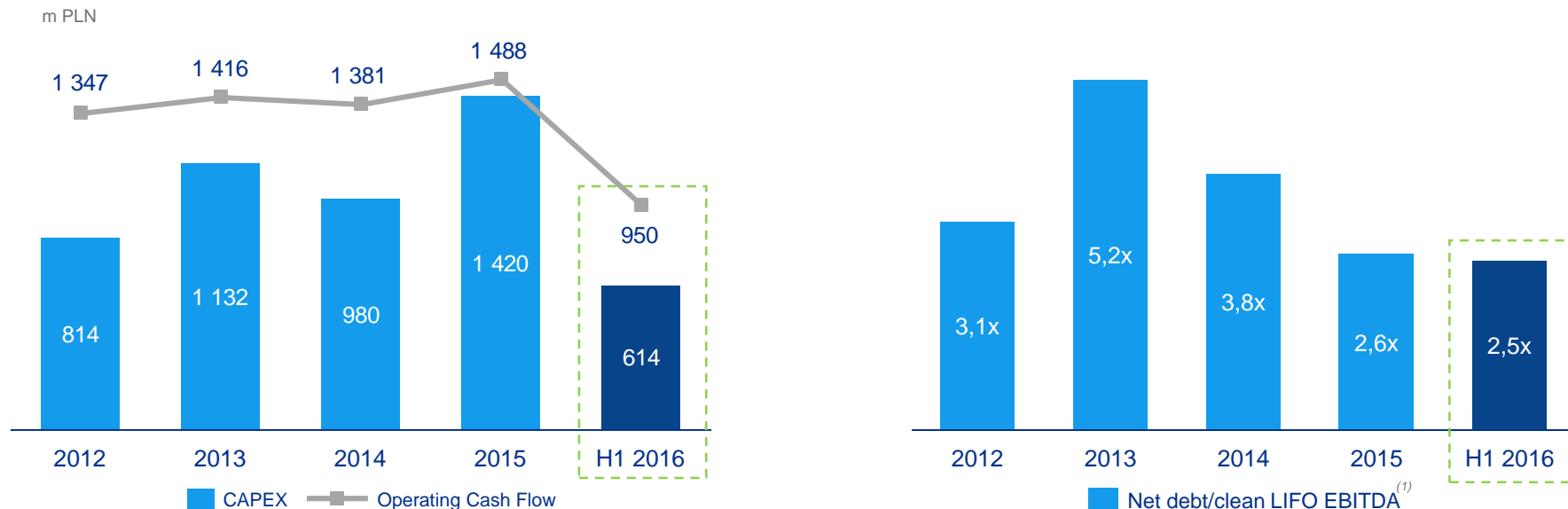
Strategic update – Clean EBITDA LIFO and key macro factors

On the continuous path of operational result improvement despite deteriorating macro environment



Strategic update – CAPEX vs Operating Cash Flow and Net Debt/clean LIFO EBITDA

Generating sufficient cash flow to finance the development program



(1) EBITDA for the last 12 months, according to the LIFO valuation, net of one off items



Key highlights

Key highlights 2Q 2016

PLN m	EBITDA reported	Clean ⁽¹⁾ EBITDA LIFO	y/y % change Clean EBITDA LIFO
Consolidated	810	546	-9%
upstream	114	197	+92%
downstream	704	357	-30%

Operating cash flow

631 m PLN

Crude oil throughput

2 513 k tons

Upstream production

28 555 boe/d

Note : Values for the segments above do not sum up due to balancing effect of other segment and consolidation items

(1) Excluding one-off items

Key highlights 1HY 2016

PLN m	EBITDA reported	Clean ⁽¹⁾ EBITDA LIFO	y/y % change Clean EBITDA LIFO
Consolidated	1 211	1 094	+3%
upstream	264	352	+98%
downstream	946	740	-12%

Operating cash flow

950 m PLN

Crude oil throughput

4 957 k tons

Upstream production

29 016 boe/d

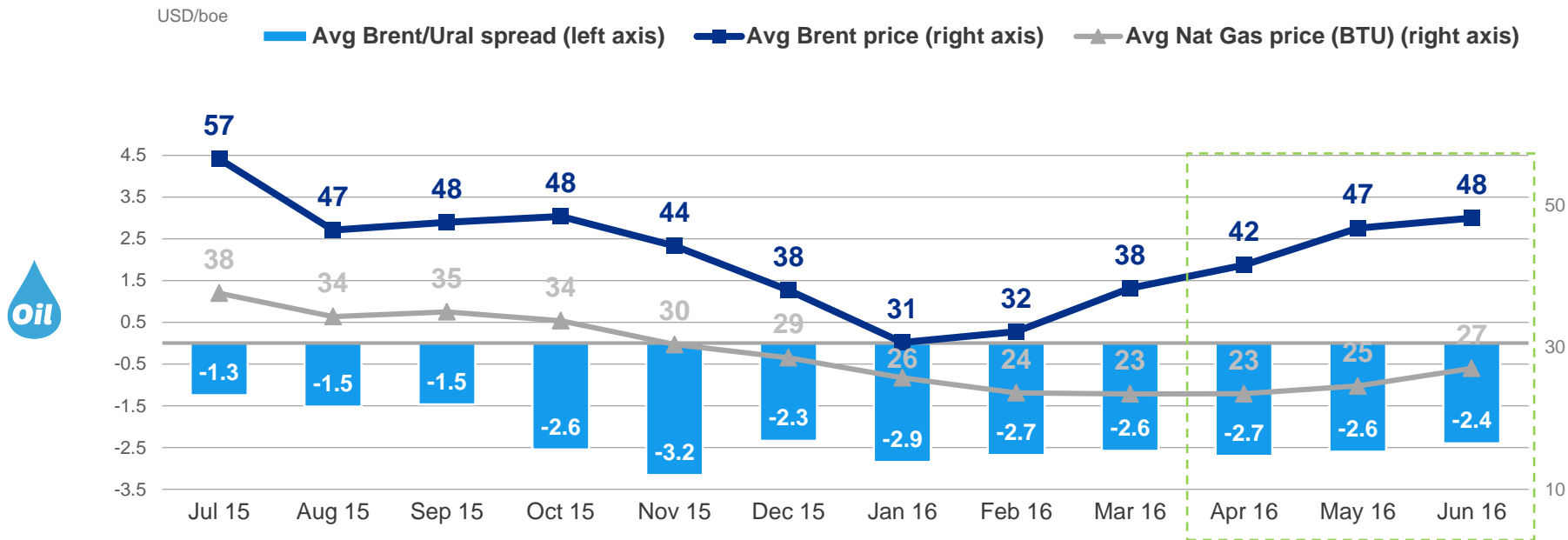
Note : Values for the segments above do not sum up due to balancing effect of other segment and consolidation items

(1) Excluding one-off items



External environment

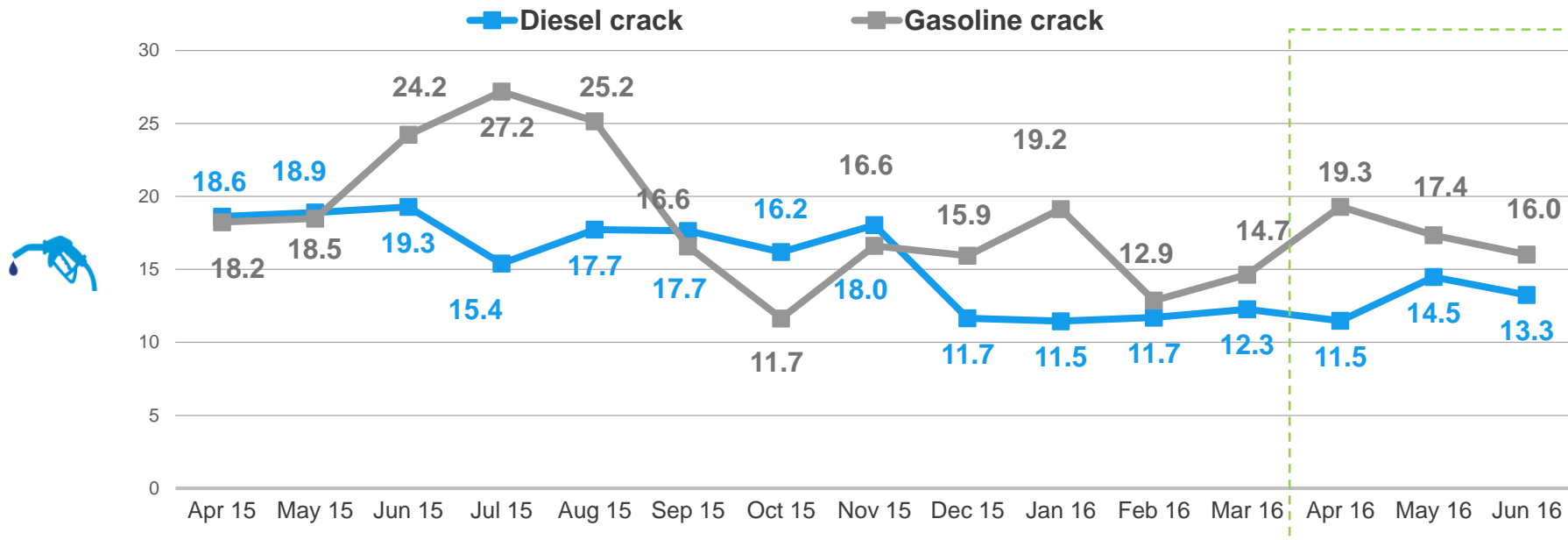
External environment - crude oil prices and natural gas prices



Source: Average monthly data, based on Thomson Reuters. Product cracks including Brent/Ural spread

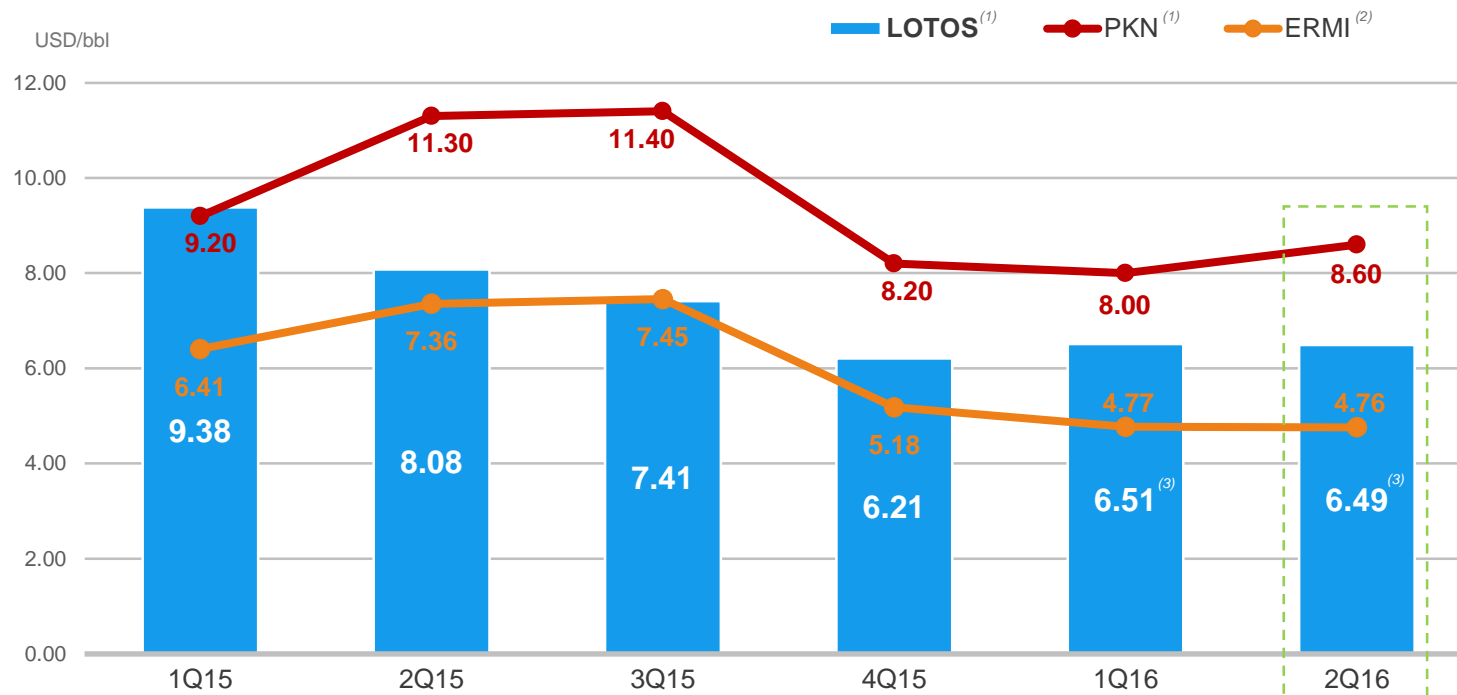
External environment - product crack spreads

USD/bbl



Source: Average monthly data, based on Thomson Reuters. Product cracks including Brent/Ural spread

Model refining margin vs. peers

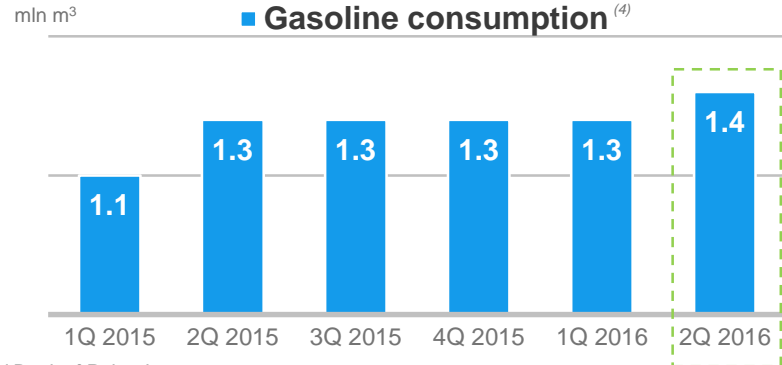
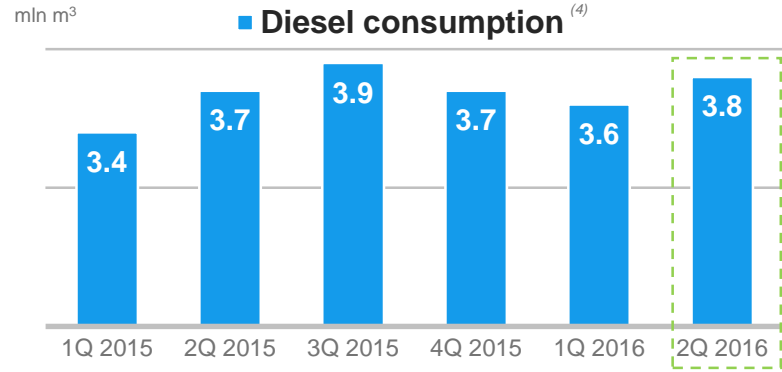
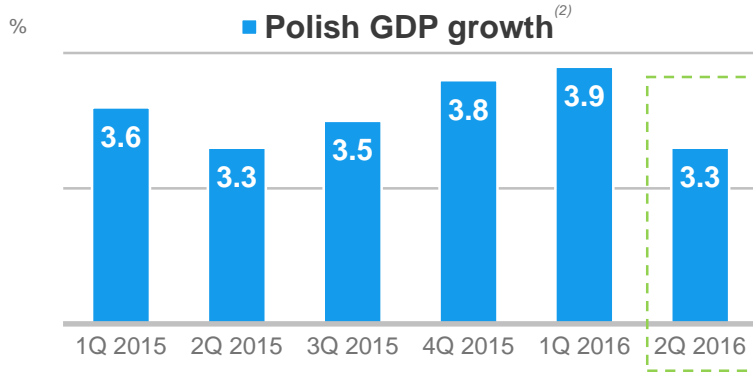


(1) Source: Company data; based on websites of the companies

(2) Source: Total; European Refining Margin Indicator (ERMI) is an indicator intended to represent the margin after variable costs for a hypothetical complex refinery located around Rotterdam in Northern Europe that processes a mix of crude oil and other inputs commonly supplied to this region to produce and market the main refined products at prevailing prices in this region.

(3) According to the new methodology published on the 27th of June 2016

External environment – GDP growth, FX development & domestic fuel consumption



(1) National Statistics Bureau (GUS)

(2) Forecast of IBNGR (Instytut Badań nad Gospodarką Rynkową – Institute for Market Economics)

(3) National Bank of Poland

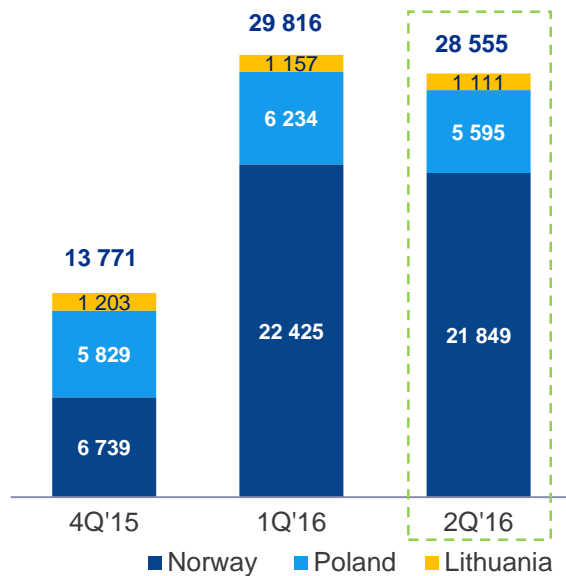
(4) POPIHN – Organisation for Oil Trade and Industry



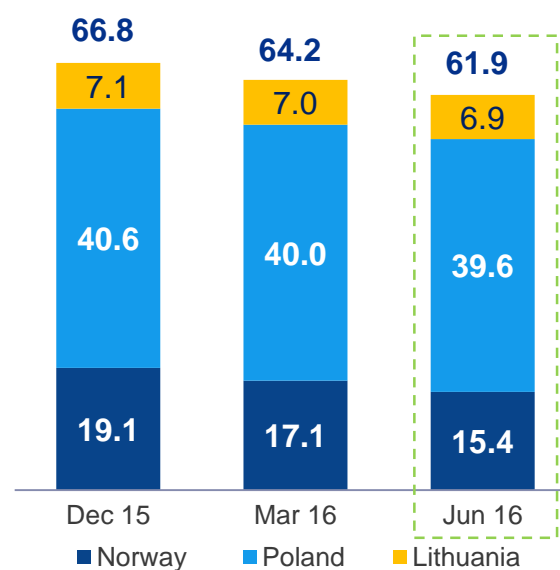
Upstream

Hydrocarbons reserves and production figures

Average daily oil&gas production (boe/d)⁽¹⁾



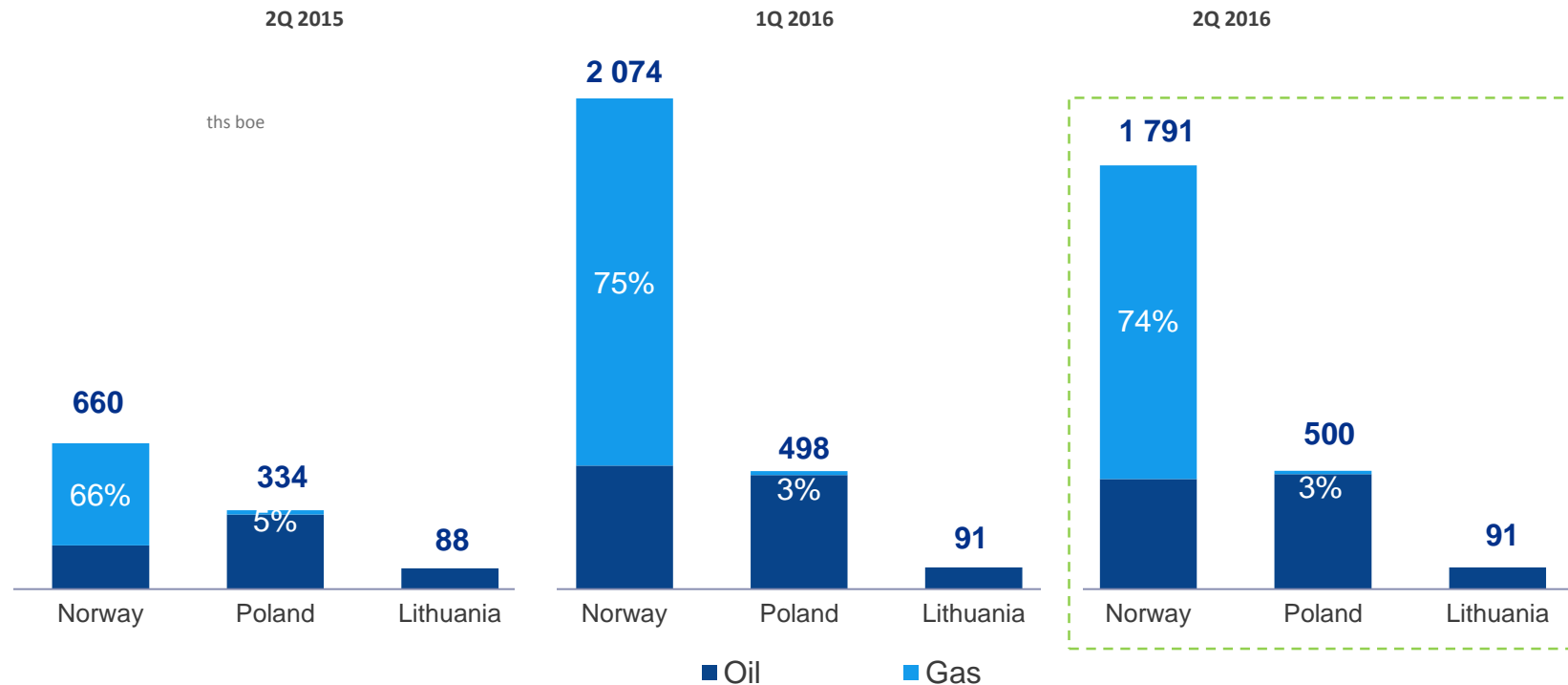
2P⁽²⁾ oil&gas reserves (m boe)



(1) Calculated on effective production days

(2) 2P reserves (proved and probable)

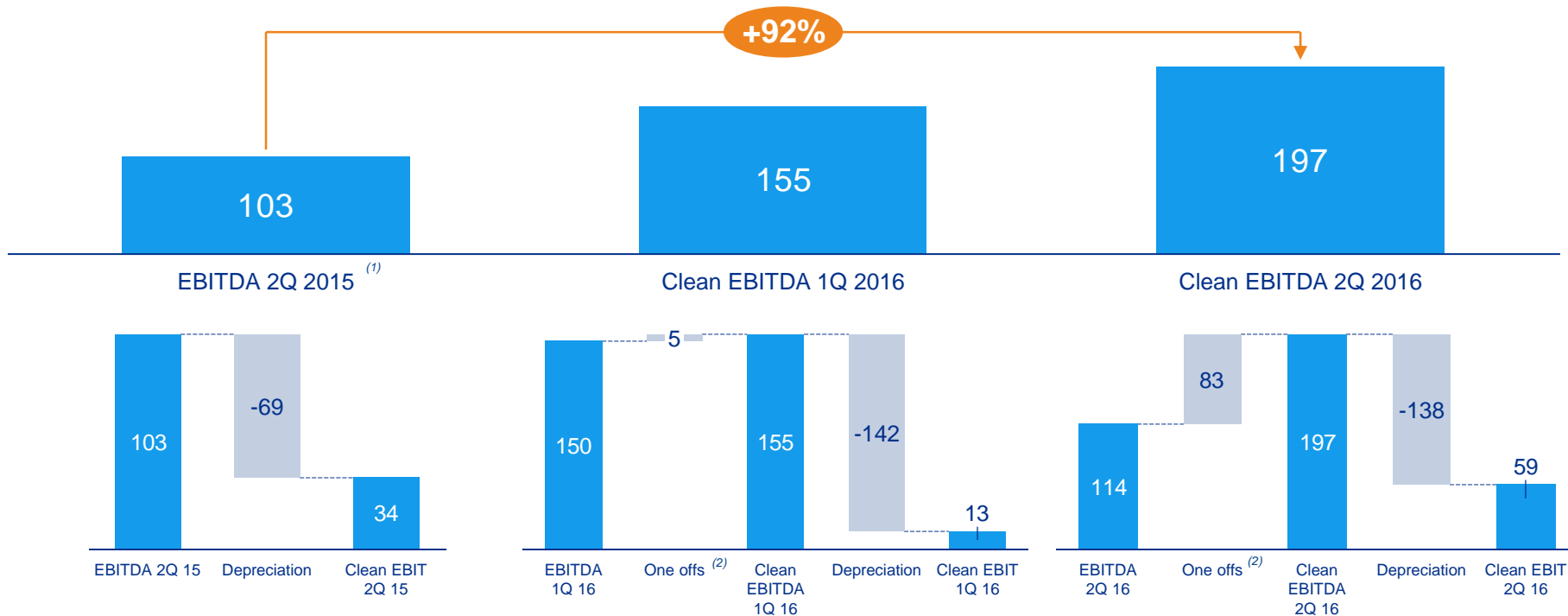
Quarterly sales split by products and countries



(1) share of natural gas in total sales (in %)

Quarterly upstream's EBITDA

m PLN

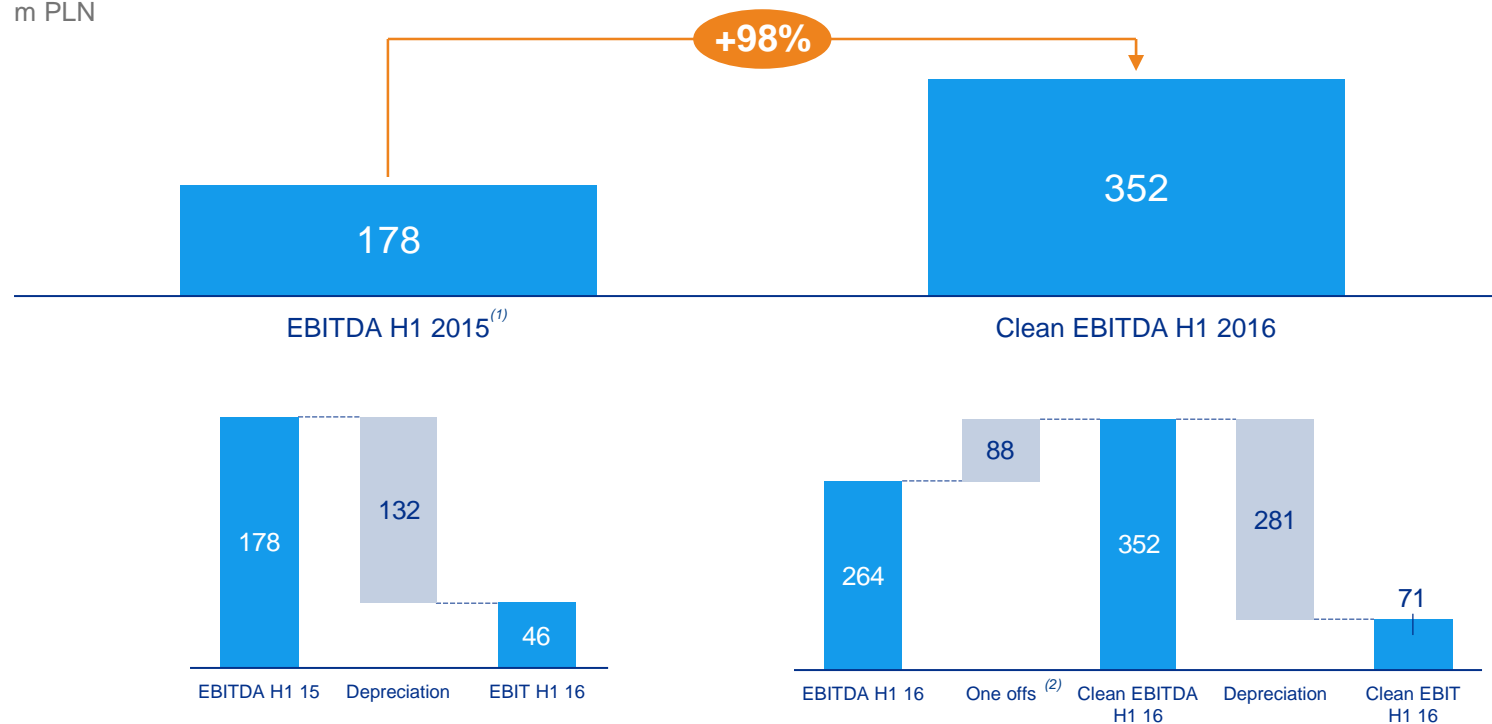


(1) No one offs in the reported period

(2) Assets impairments

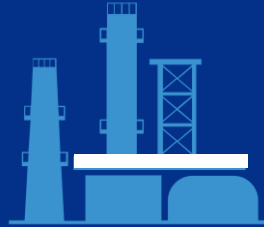
Half year upstream's EBITDA

m PLN



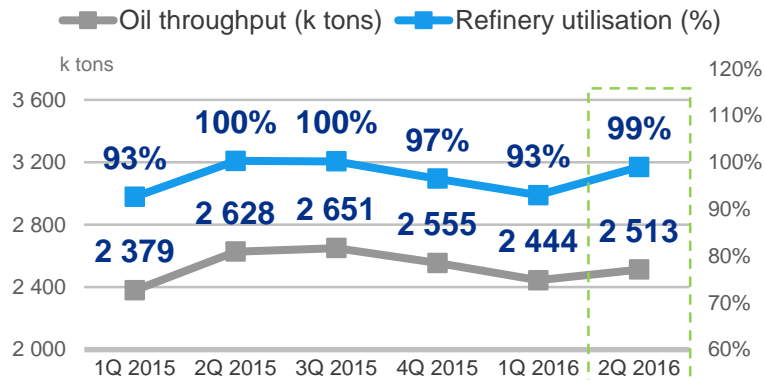
(1) No one offs in the reported period

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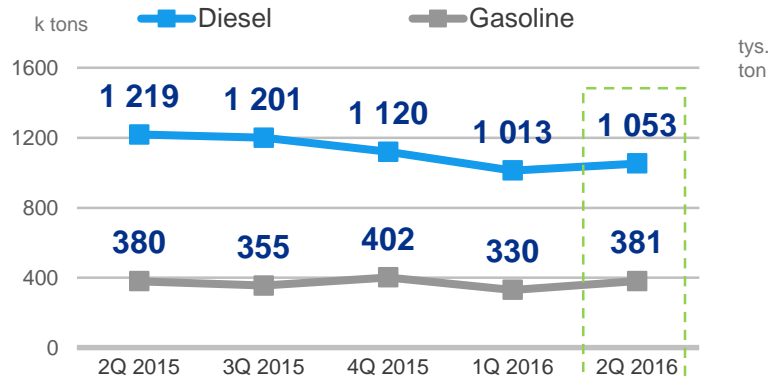


Downstream

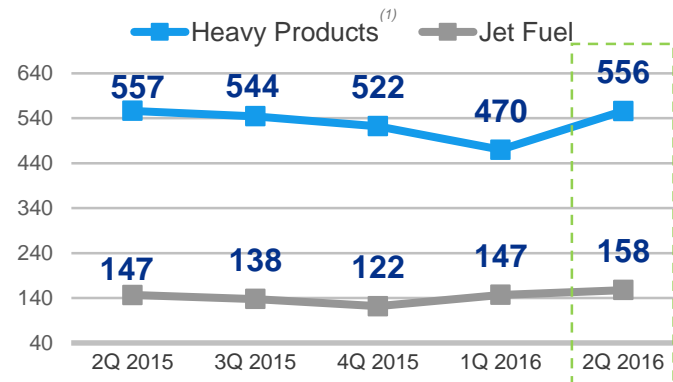
Refinery production - volumes of key products, crude oil throughput & utilisation rate



Crude oil throughput at 2 629 k tons,
with capacity utilisation rate at c. 99%



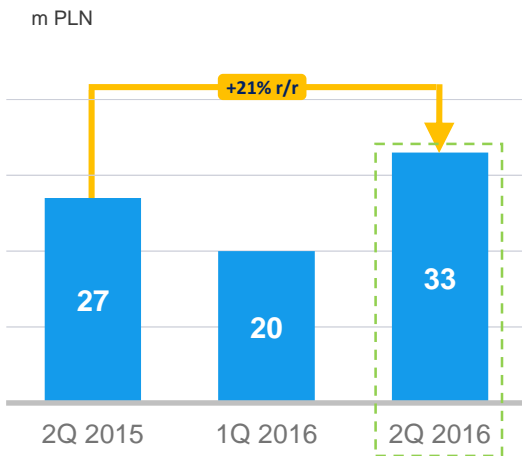
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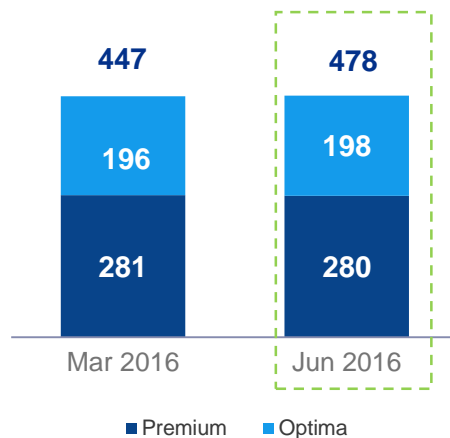
(1) Heavy Sulfur Fuel Oil + Bitumens

Retail performance and domestic fuel sales

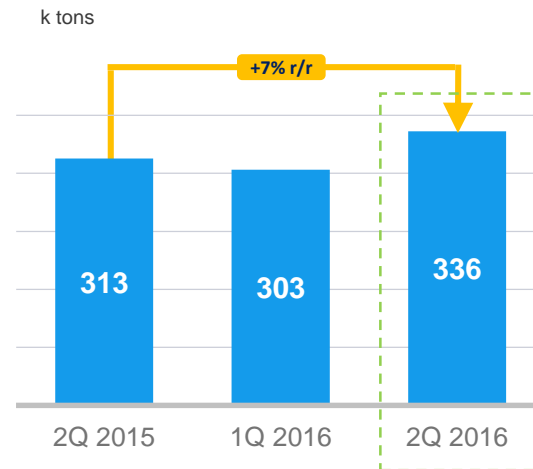
Quarterly retail EBITDA



Petrol stations network (no. of units)

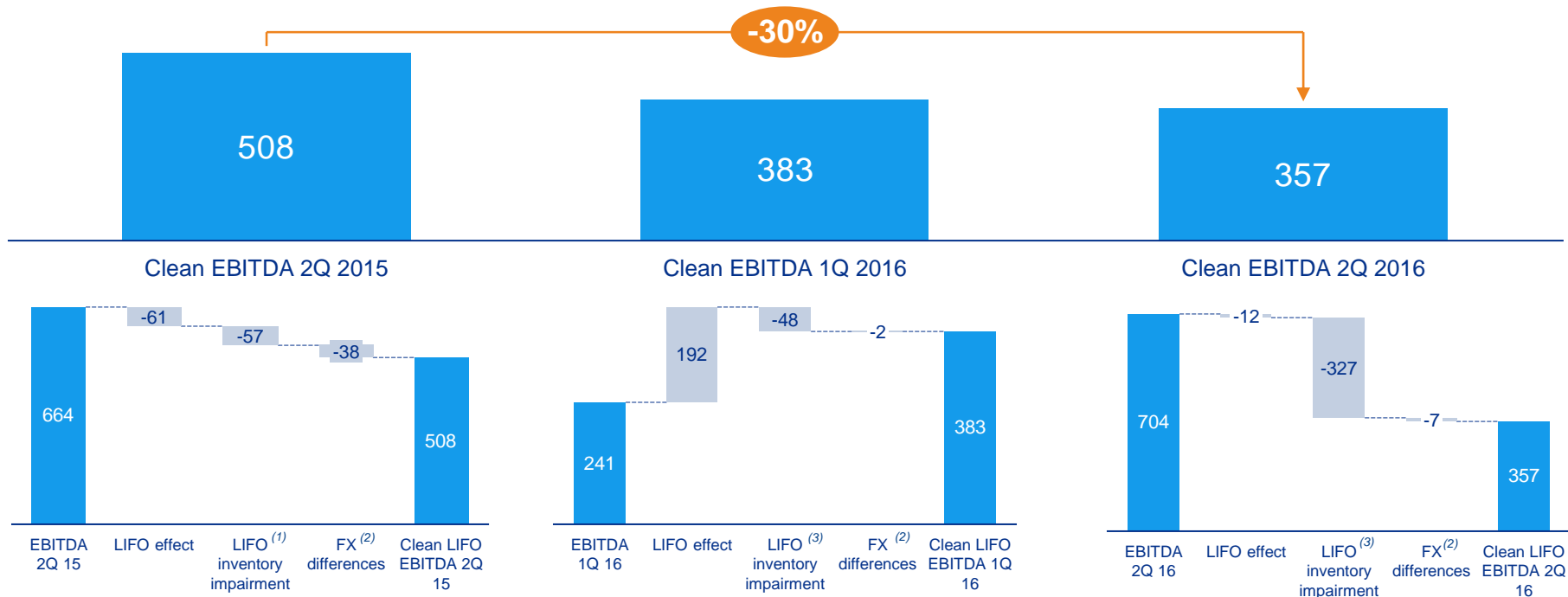


Quarterly retail sales volumes



Quarterly downstream's EBITDA

m PLN



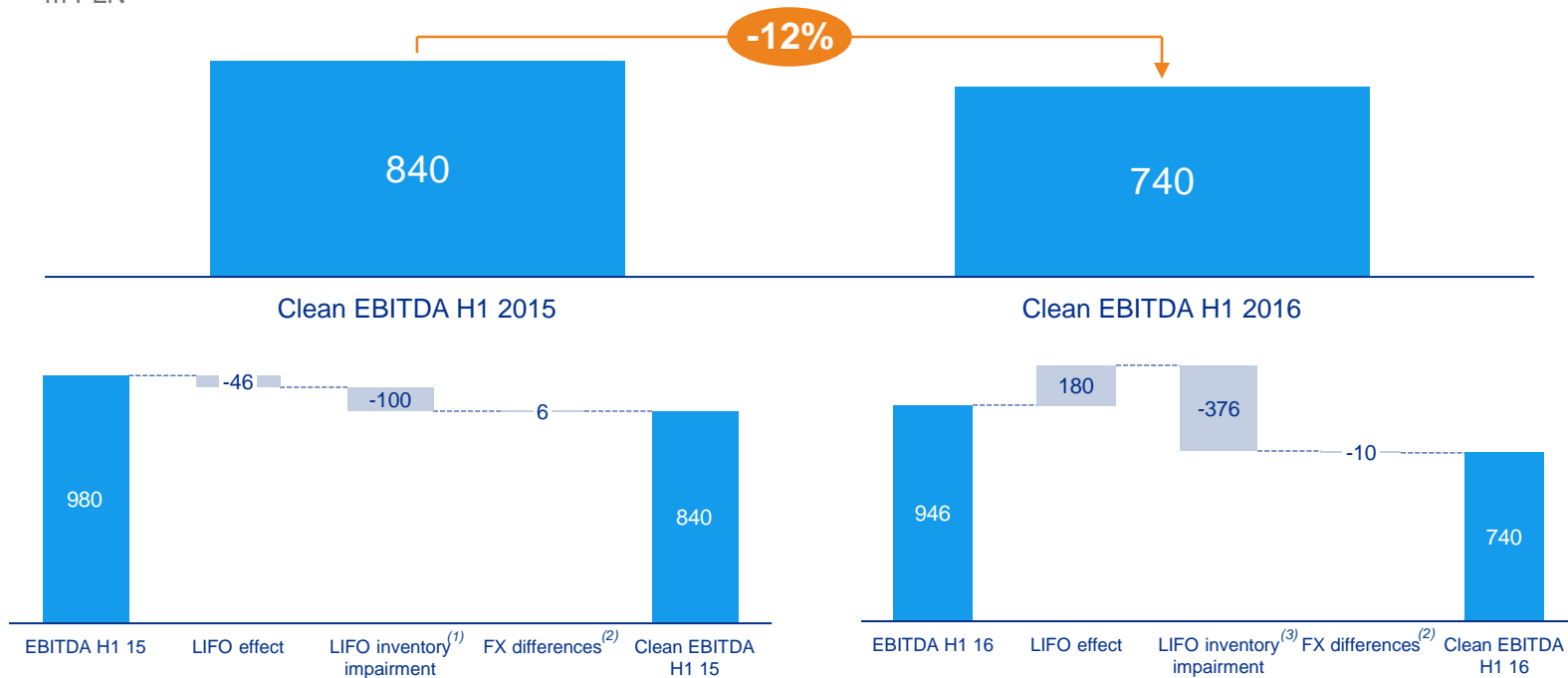
(1) Effect of the difference in the balance of LIFO inventory valuation : partial „reversal“ od the impairments from 31.12.2014

(2) FX operational differences

(3) Effect of the difference in the balance of LIFO inventory valuation : partial „reversal“ od the impairments from 31.12.2015

Half year downstream's EBITDA

m PLN



(1) Effect of the difference in the balance of LIFO inventory valuation : partial „reversal” od the impairments from 31.12.2014

(2) FX operational differences

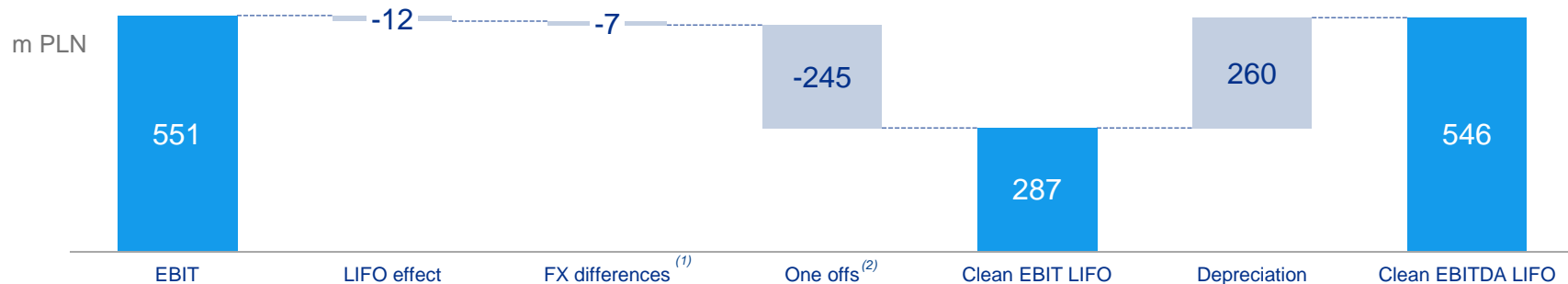
(3) Effect of the difference in the balance of LIFO inventory valuation : partial „reversal” od the impairments from 31.12.2015



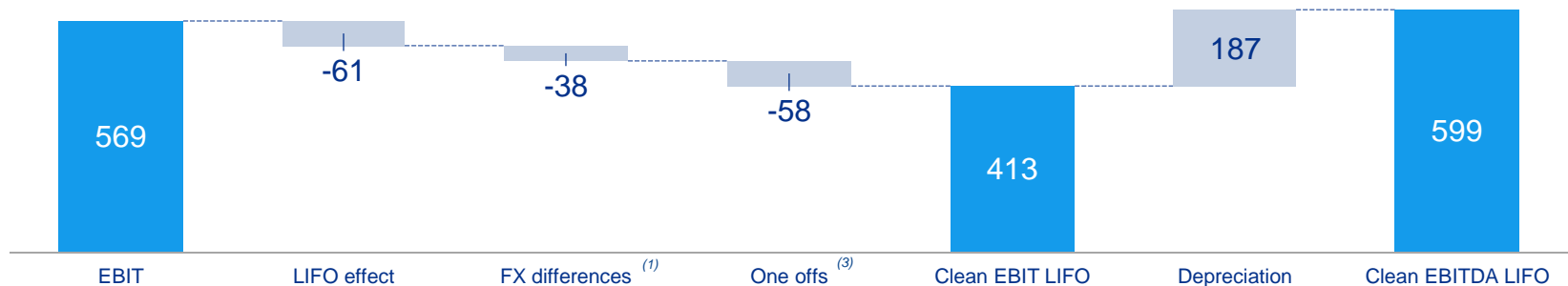
Consolidated financial results

Decomposition of consolidated quarterly operational results

2Q 2016



2Q 2015



(1) FX operational differences

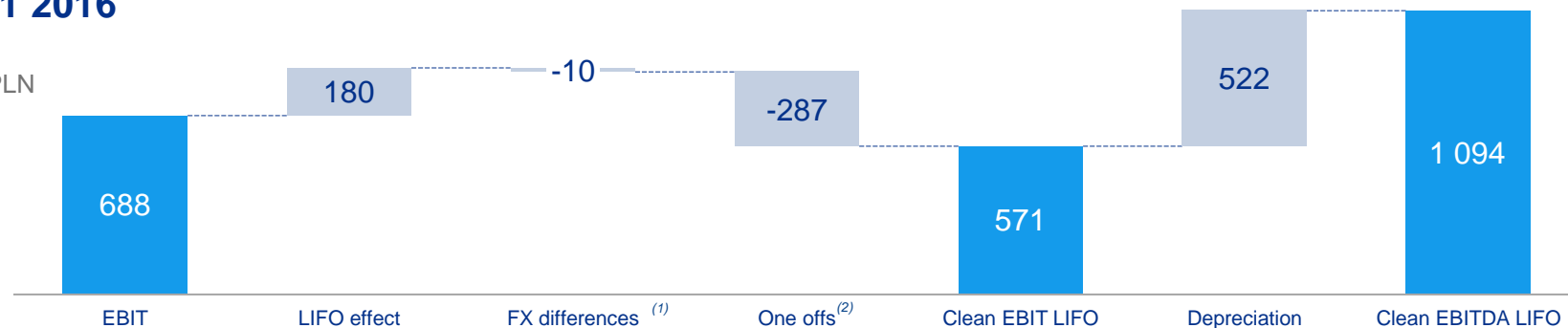
(2) Including : -327m PLN effect of the difference in the balance of LIFO inventory valuation : partial „reversal” of the impairments from 31.12.2015 and +83m PLN of upstream's assets impairments

(3) Effect of the difference in the balance of LIFO inventory valuation : partial „reversal” of the impairments from 31.12.2014

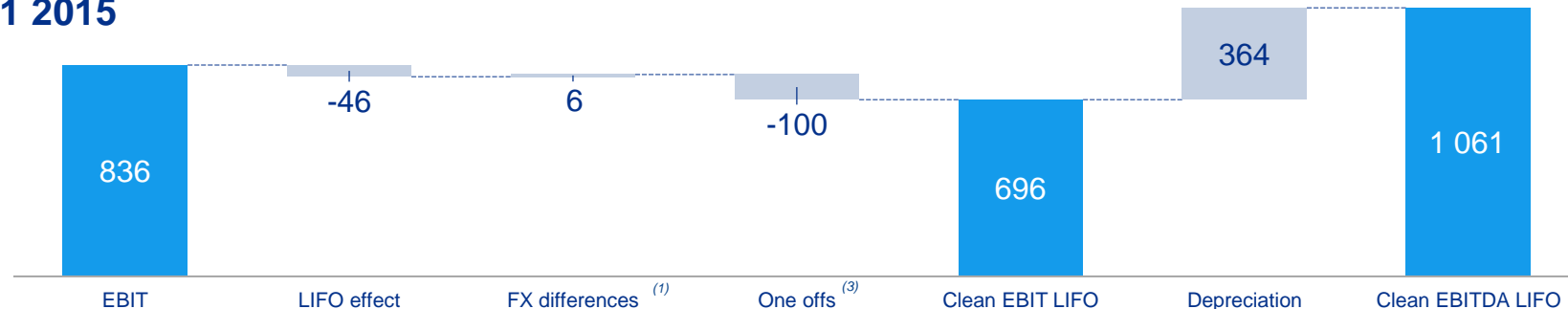
Decomposition of consolidated half year operational results

H1 2016

m PLN



H1 2015



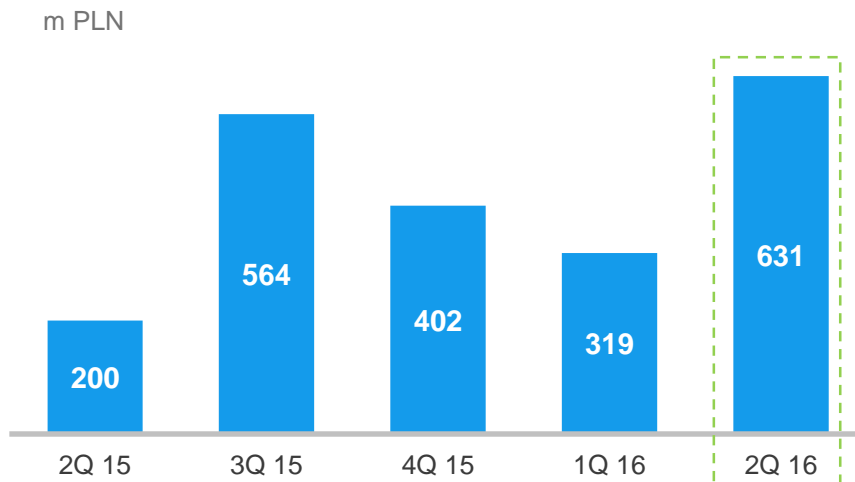
(1) FX operational differences

(2) Including : -375m PLN effect of the difference in the balance of LIFO inventory valuation : partial „reversal” of the impairments from 31.12.2015 and +88m PLN of upstream’s assets impairments

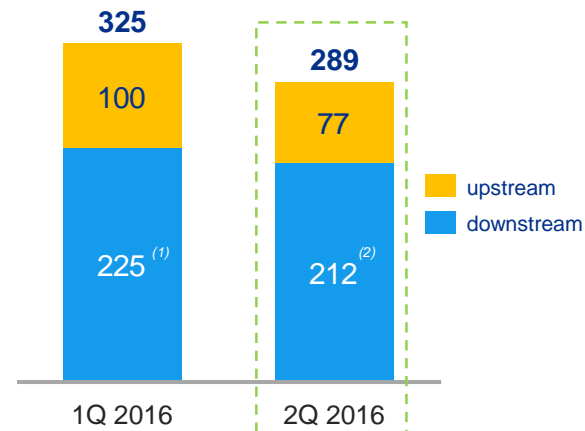
(3) Effect of the difference in the balance of LIFO inventory valuation : partial „reversal” of the impairments from 31.12.2014

Quarterly operating cash flows and CAPEX

Operating cash flows



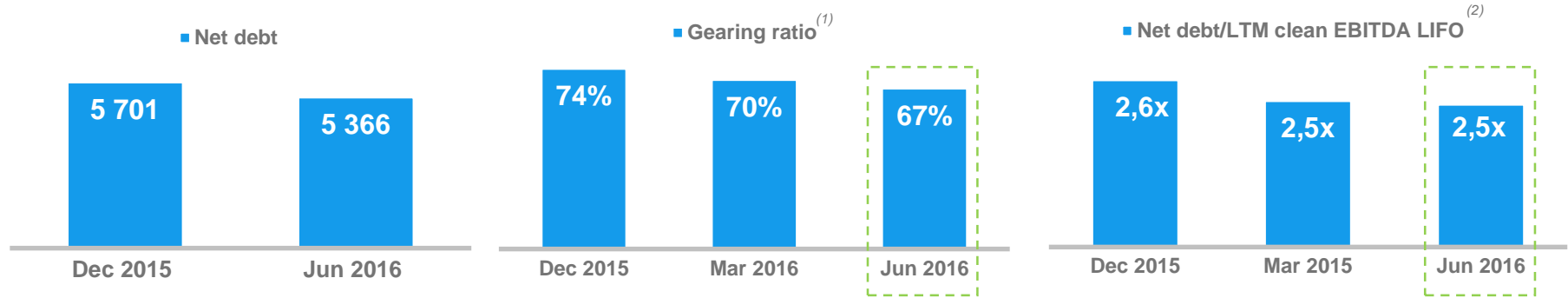
Capital Expenditures



(1) Including EFRA Programme – PLN 189m

(2) Including EFRA Programme – PLN 130m

Debt



- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds
- The current gearing ratio at a level of 67%

(1) Gearing ratio = net debt / total shareholders equity

(2) Estimated EBITDA for the last 12 months, according to the LIFO valuation, net of one off items.



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