



LOTOS Group
4Q 2014 and FY 2014
consolidated financial
results

6 March 2015



Agenda

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Key highlights



Key highlights – 4Q 2014

EBITDA : - 857m PLN  **Clean⁽¹⁾ EBITDA LIFO : + 368m PLN**
upstream: - 48m PLN upstream : + 118m PLN
downstream: - 814m PLN downstream : + 246m PLN

Operating cash flow : **451m PLN (36% y/y)**

Upstream average daily production : **13 793 boe/d⁽²⁾ (+56% y/y)**

Assets impairments : 198m PLN
upstream: 166m PLN
downstream: 32m PLN

(1) Excluding : assets impairments, inventory impairments, FX differences, and other

(2) Calculated per days of effective production



Key highlights – FY 2014

EBITDA : - 584m PLN  **Clean⁽¹⁾ EBITDA LIFO : +1 391m PLN**
upstream: - 280m PLN upstream : + 505m PLN
downstream: - 315m PLN downstream : + 875m PLN

Operating cash flow : 1 381m PLN

Upstream average daily production : 12 674 boe/d⁽²⁾ (+48% y/y)

Retail Clean⁽³⁾ EBITDA: 95m PLN (+116% y/y)

(1) Excluding : assets impairments, inventory impairments, FX differences, and other

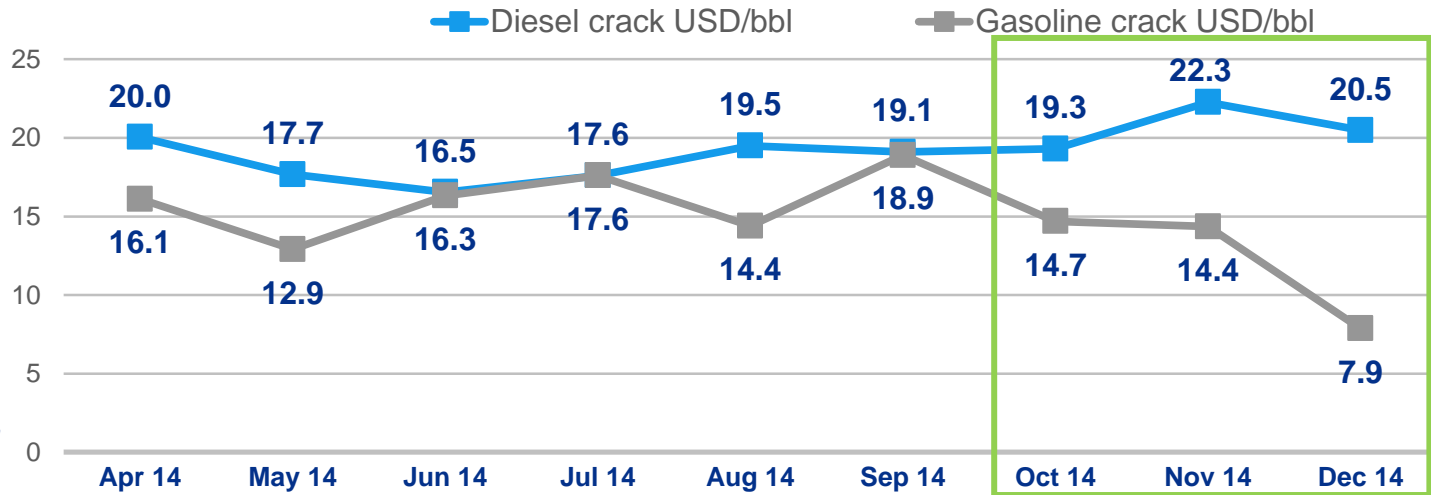
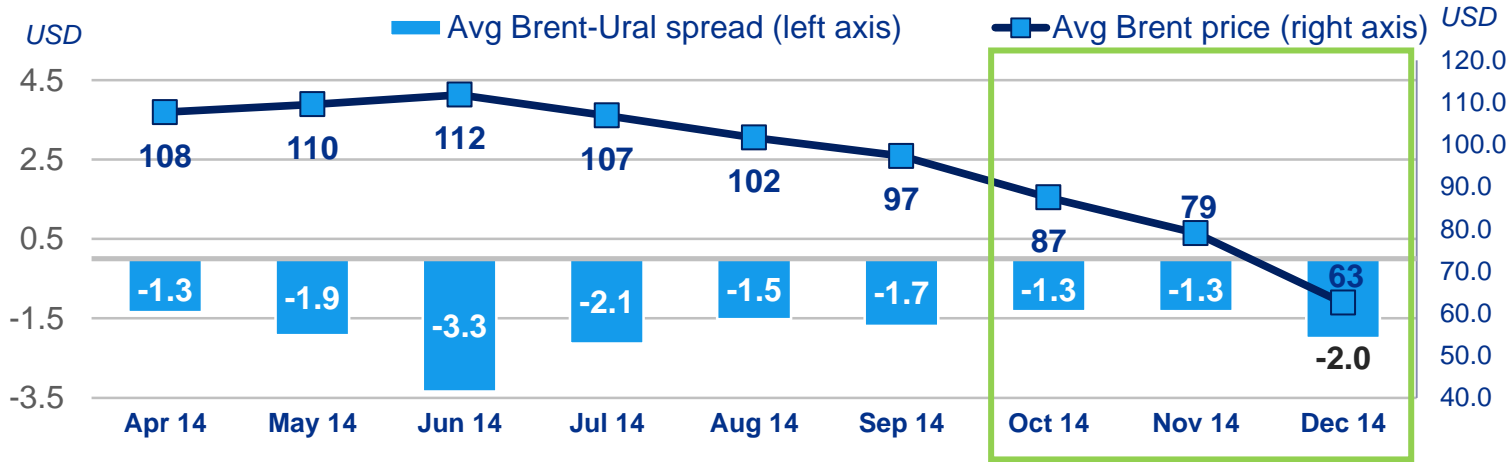
(2) Calculated per days of effective production

(3) Excluding asset impairments



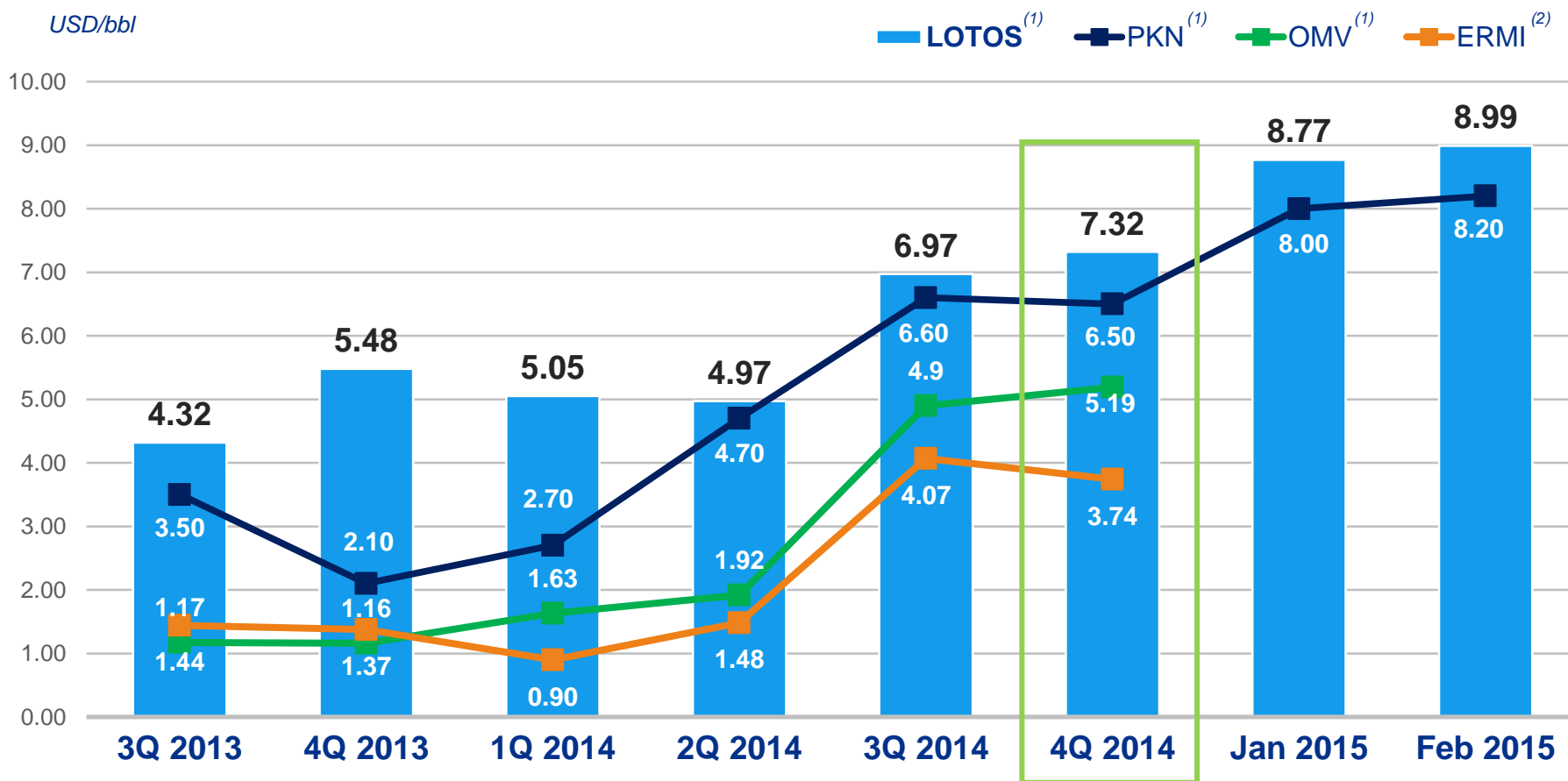
External environment

External environment – oil prices & product cracks



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

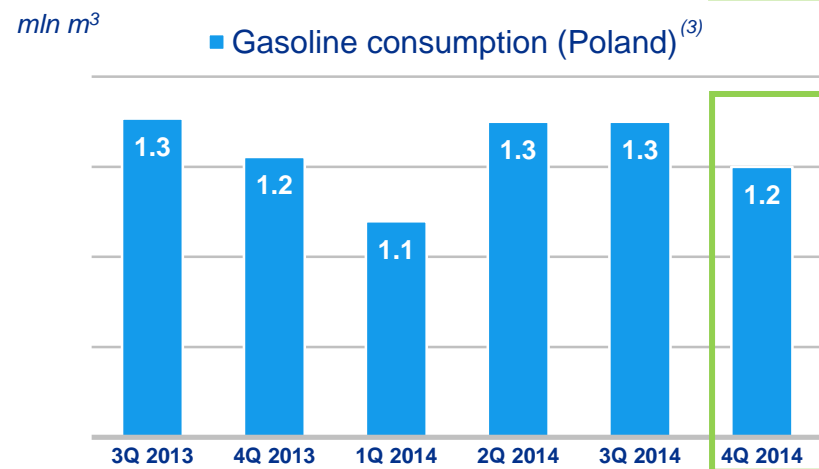
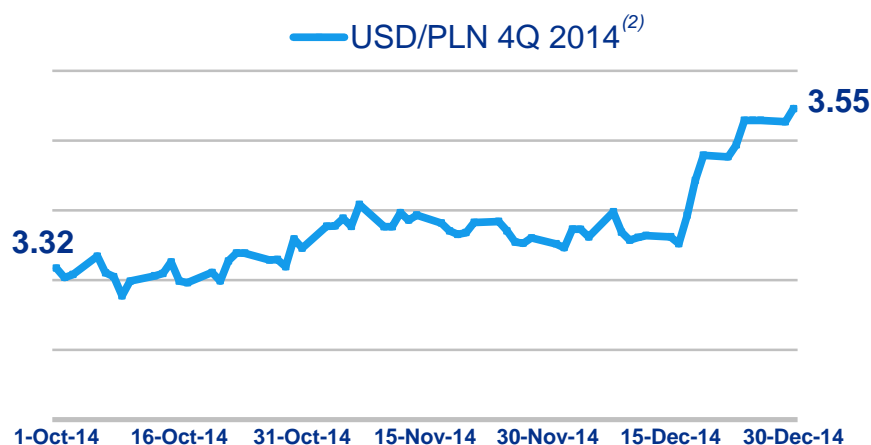
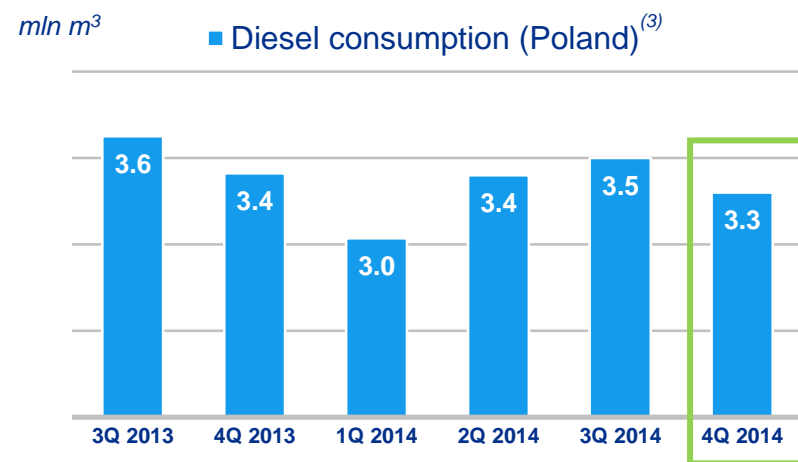
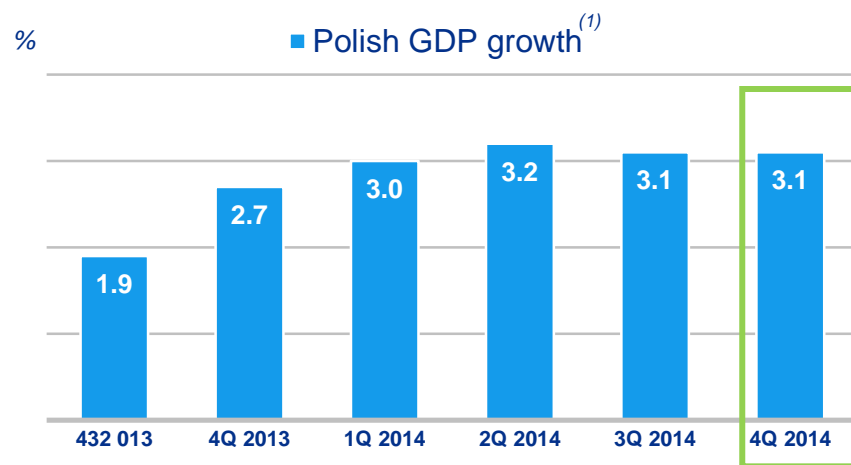
Model refining margin vs peers



(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.

External environment – GDP growth & FX development



Source:

(1) National Statistics Bureau, National Bank of Poland

(2) POPIHN – Organisation for Oil Trade and Industry

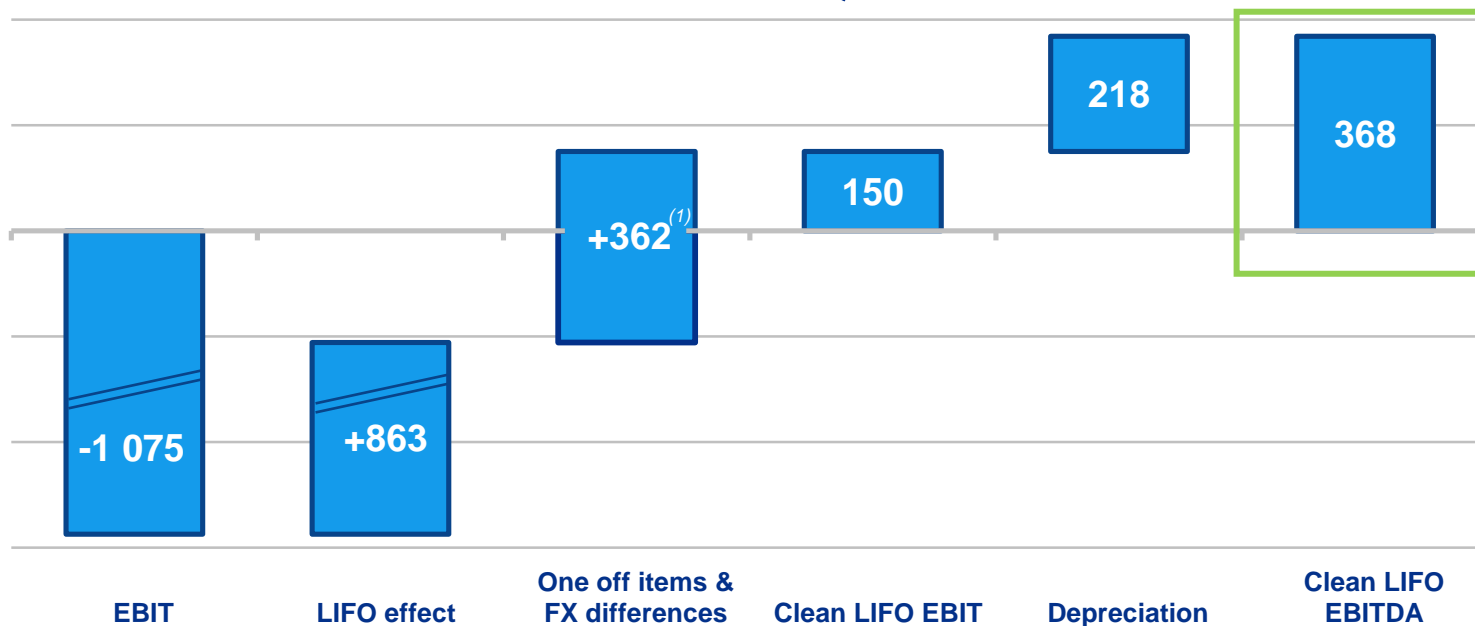


Consolidated financial results

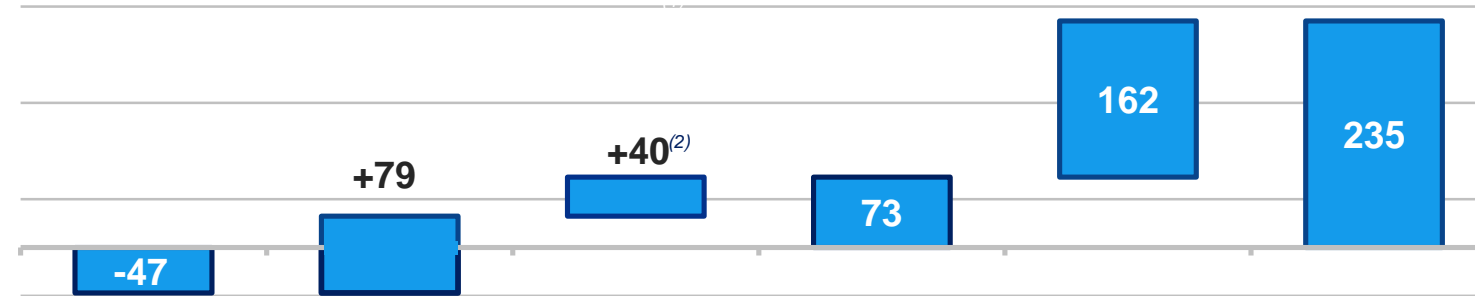
4Q 2014 results breakdown vs 4Q 2013

m PLN

4Q 2014



4Q 2013



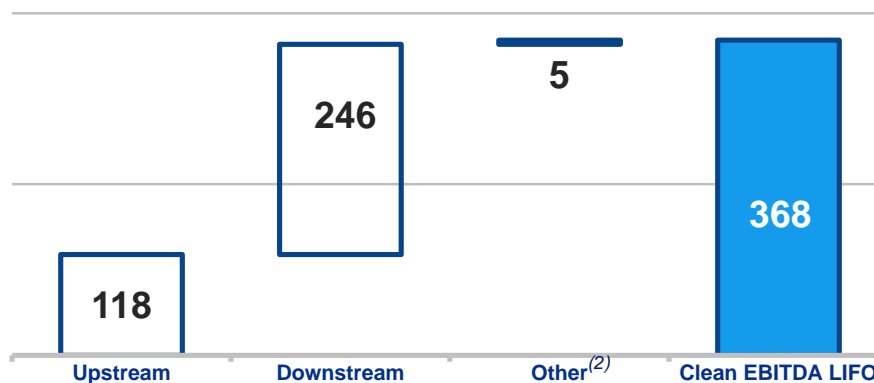
(1) Out of which: 196m PLN downstream (131m PLN inventory LIFO impairment, 33m PLN FX operational differences, 32m PLN asset impairment), 165m PLN upstream (60m PLN Heimdal asset impairment, 103m PLN AB Geonafra asset impairment and 2m PLN balance of other impairments)

(2) Out of which: (i) elements decreasing reported results: 69m PLN upstream assets impairment, 12m PLN downstream assets impairment, 0.5m PLN maintenance shutdown costs; (ii) elements increasing reported results: 13.5m PLN effect of LOTOS tank partial divestment, 27m PLN of FX operational differences

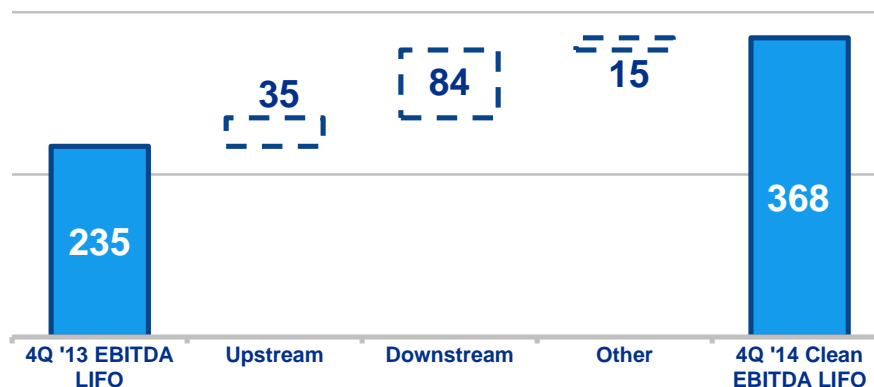
Quarterly clean EBITDA LIFO⁽¹⁾ by segments

m PLN

4Q 2014 segment results



Changes to segment results⁽³⁾



(1) All figures excluding one – off non cash items & FX operational differences . Figures may not add up due to rounding

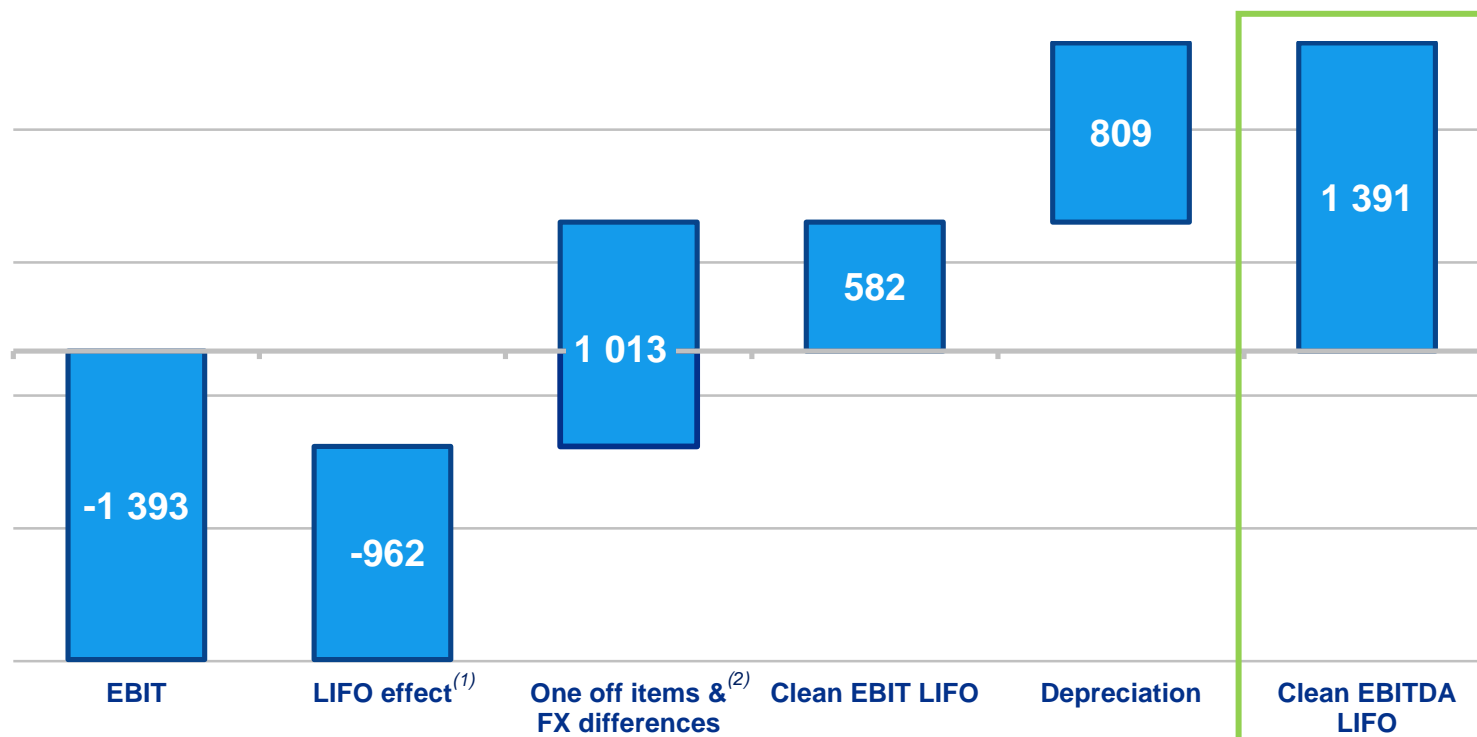
(2) Other = consolidation adjustments + segment Other

(3) Respective blocks represent increases within each segment between 4Q 2013 and 4Q 2014

Full year 2014 operational result breakdown

m PLN

2014



- Clean EBITDA LIFO at c. PLN 1.4bn, up by 300m y/y (details on the following slide) proving LOTOS capabilities of cash generation

(1) Including 450m PLN inventory impairment in downstream segment

(2) Out of which:

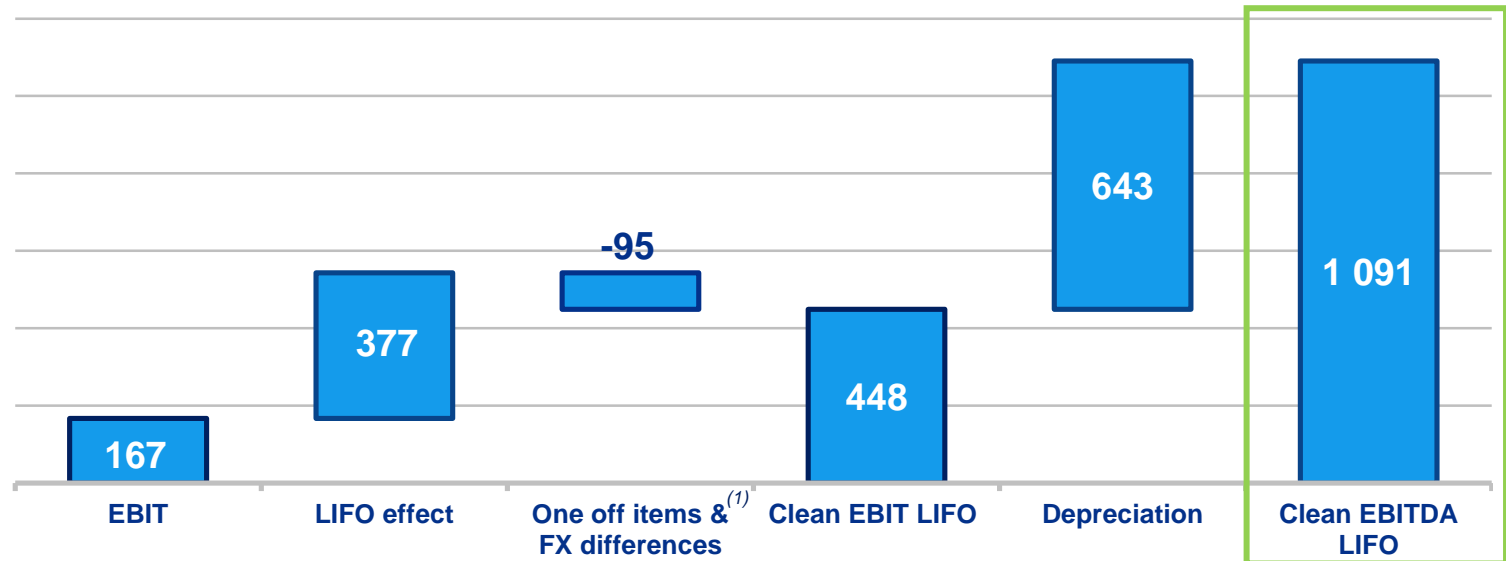
+ 228m PLN downstream (131m PLN inventory LIFO impairment, 65m PLN FX operational differences, 32m PLN asset impairment)

+ 785m PLN upstream (578m PLN YME related write off and impairment, 60m PLN Heimdal asset impairment, 103m PLN AB Geonafra asset impairment, 32m PLN impairments related to B-27 and B-28 fields on the Baltic Sea and 12m PLN other impairments)

Full year 2013 operational results breakdown

m PLN

2013



(1) Out of which:

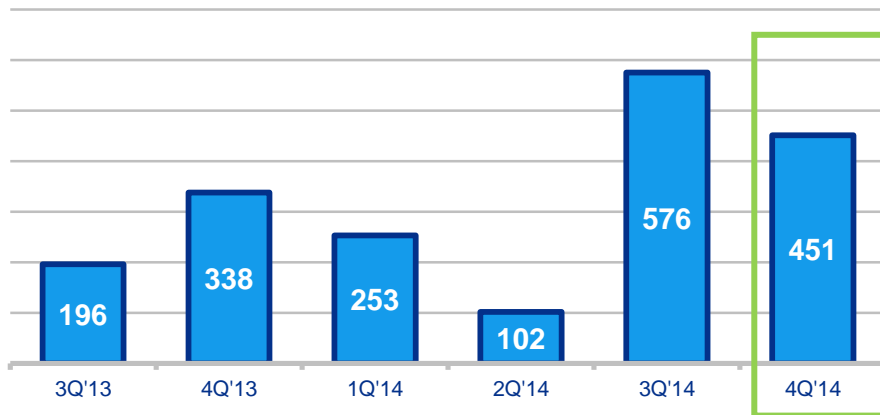
- +95m PLN maintenance shutdown direct expenses
- 103 m PLN „cheap oil” used in the calculation of LIFO result in 3Q 2013, which improved the reported EBIT
- 77m PLN FX operational differences, which improved the reported EBIT
- +10 PLN balance of other impairments and non-cash settlement

Source: Company

Operational cash flow on – FY and quarterly basis

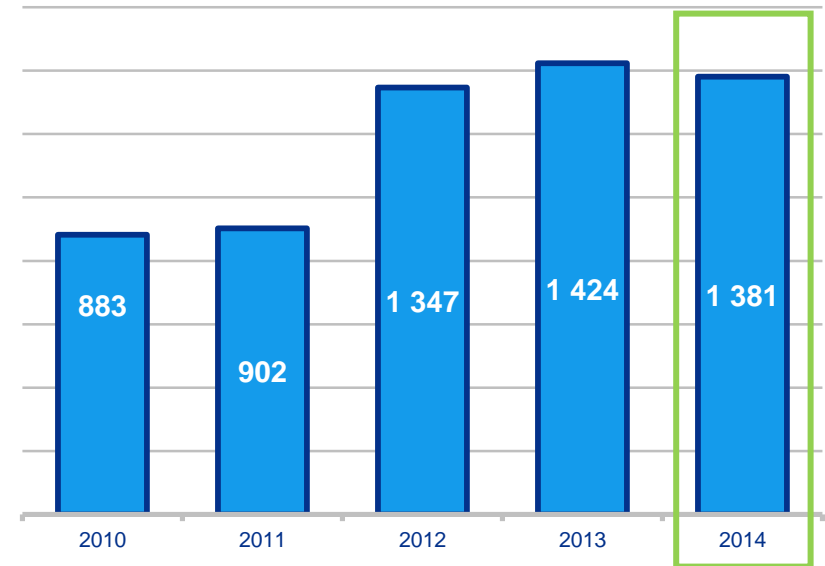
Quarterly operational cash flow

m PLN



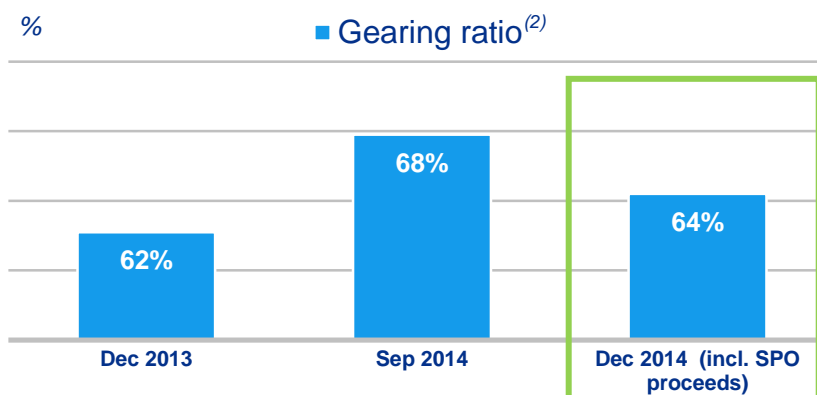
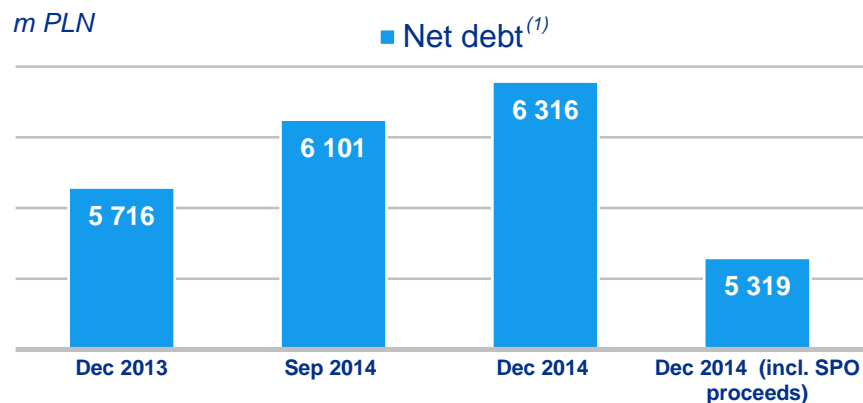
Annual operational cash flow

m PLN

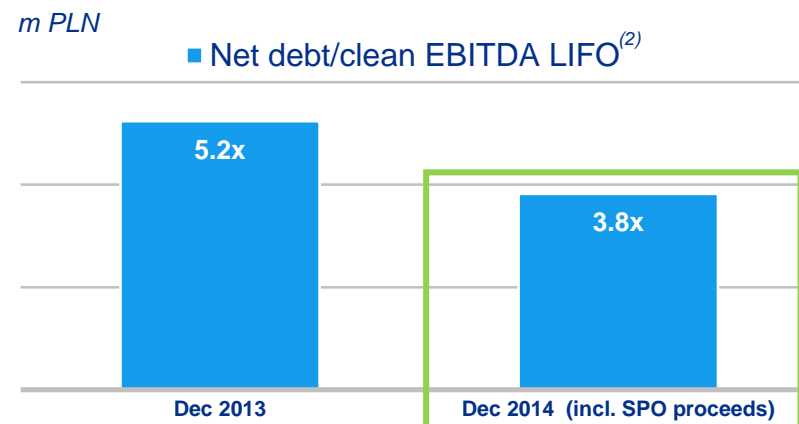


- Despite a combination of factors that were impacting reported results throughout passed quarters and years, the operational cash flow proves solid and stable cash generation capability
- Above 1bn PLN of operational cash flow in the last 2 quarters

Indebtedness



- Financial and net debt figures including interest bearing loans, borrowings, leasing and bonds
- Indebtedness ratios were affected by the dynamic USD appreciation at the end of the year



(1) Dec 2014 net debt including proceeds from capital increase completed in January

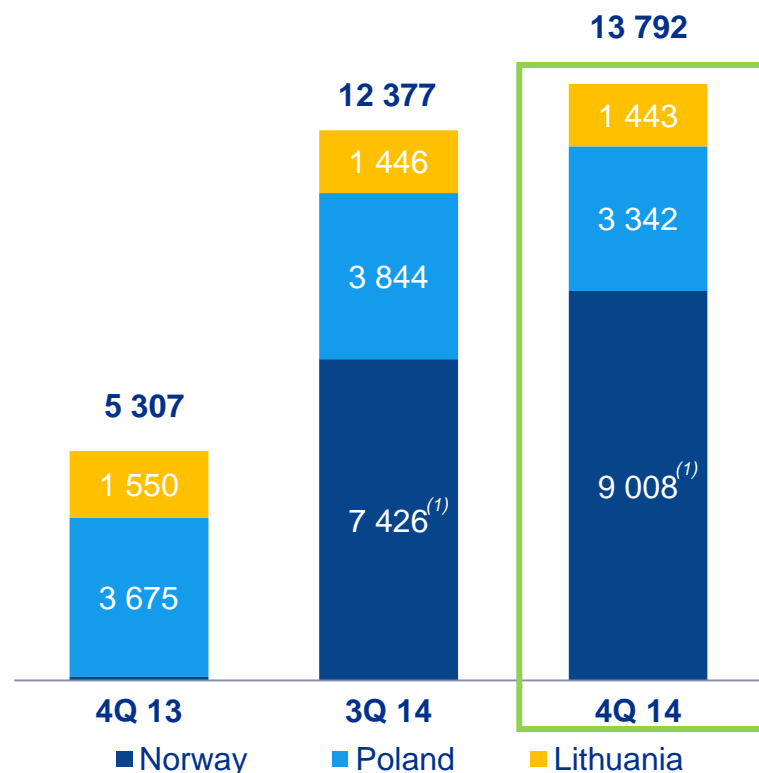
(2) Gearing ratio = net debt / total shareholders equity



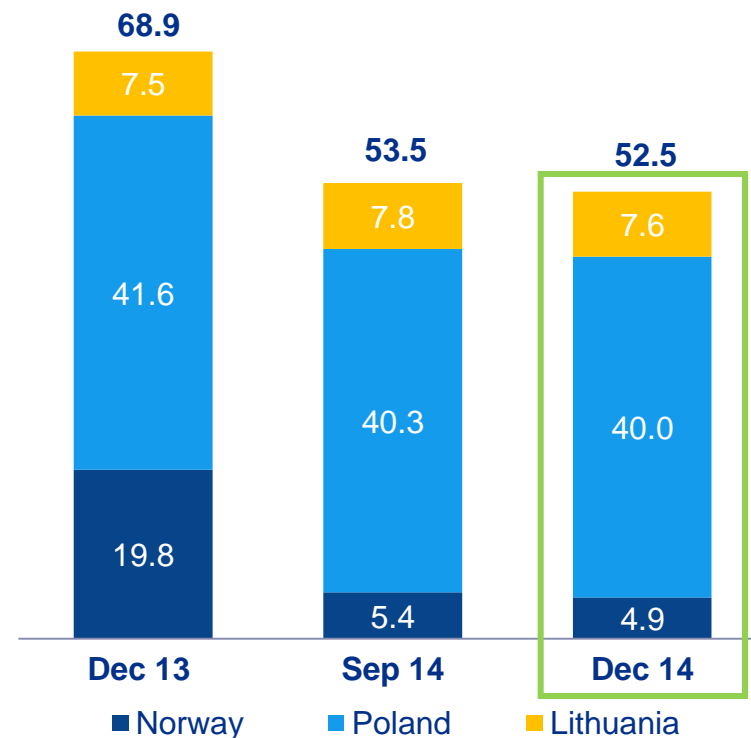
Upstream

Hydrocarbons reserves and production figures

Average daily oil&gas production (boe/d)



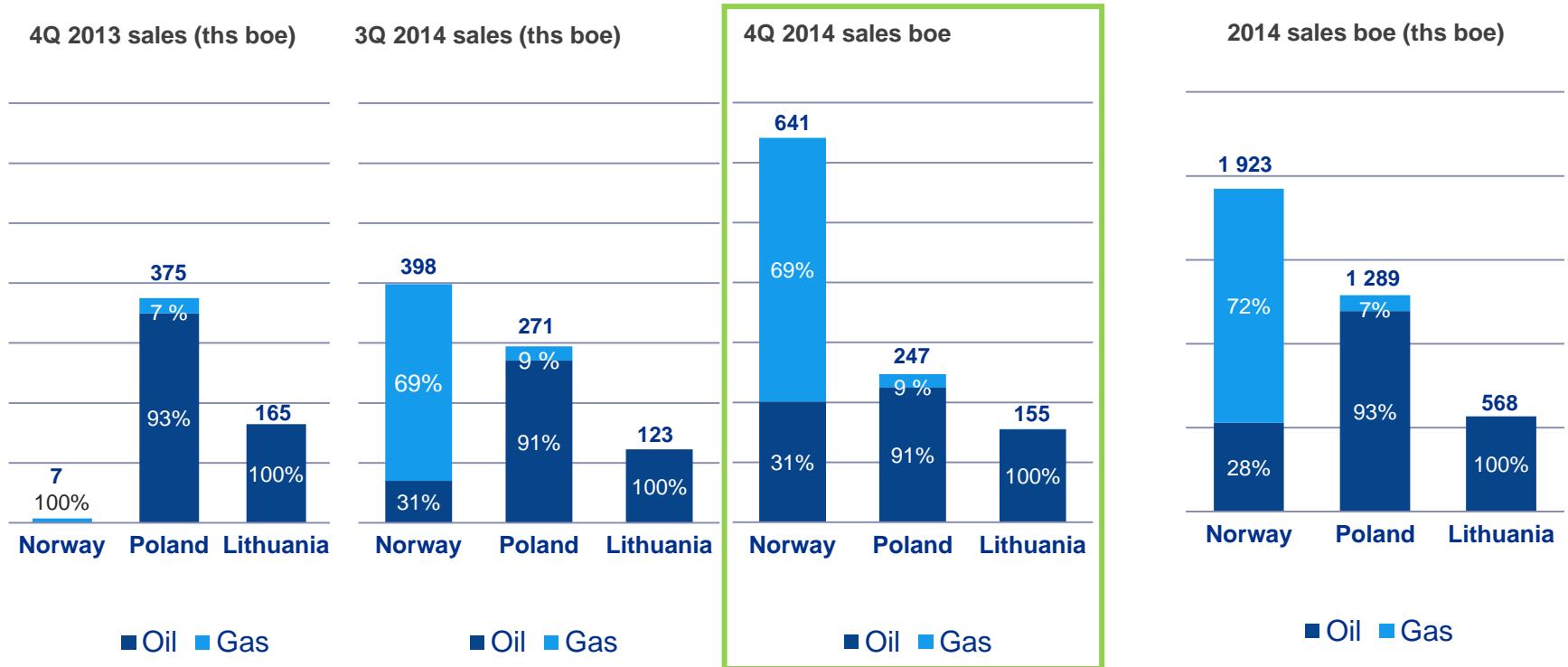
2P oil&gas reserves (m boe)



- Average daily production at a historically highest level of almost 14k boe in 4Q 2014

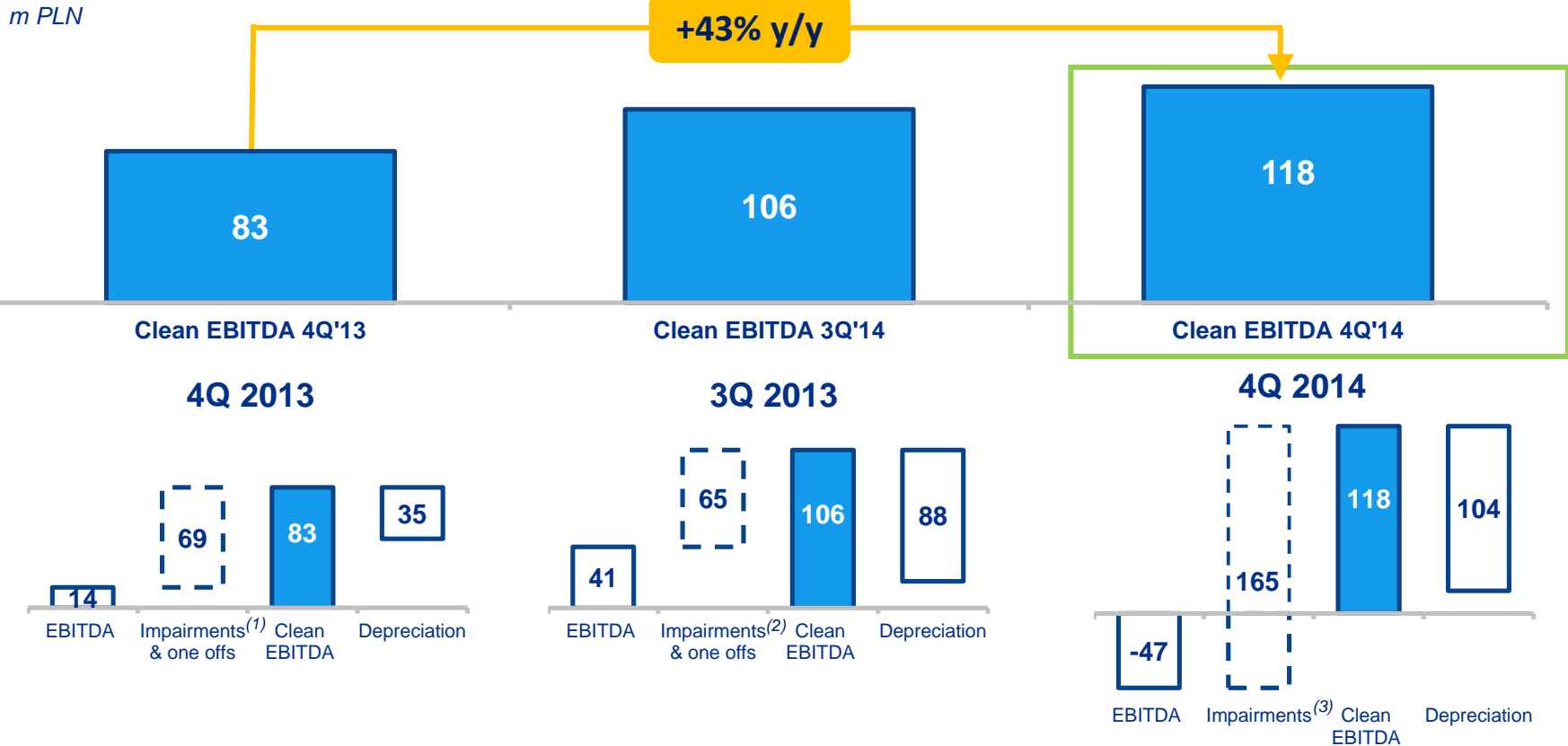
(1) For Norway – calculated on effective production days : 71 days in 3Q 2014, 69 days in 4Q 2014

Quarterly sales split by products and countries



- Overall total 4Q'14 sales exceeded 1m boe, despite slightly worse contribution from Poland
- Overall FY 2014 sales at almost 3.8m boe

Upstream quarterly clean EBITDA development



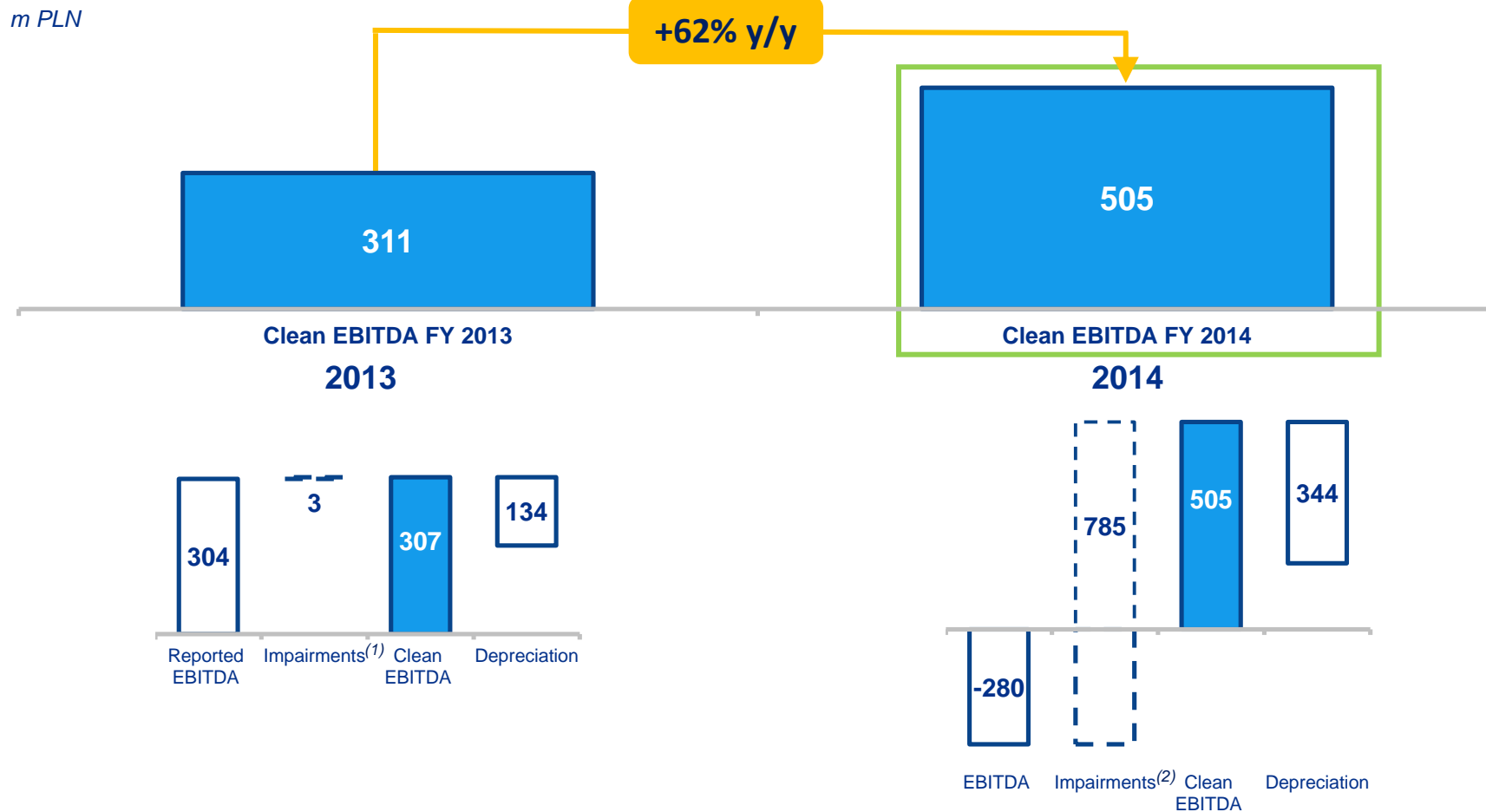
- Clean EBITDA at 118, PLN, up 43% y/y, despite strong oil price decrease (Brent DTD down by -30% y/y)

(1) 69m PLN (16m PLN LOTOS Norge reserve, 27m PLN Poland asset impairment and 26m PLN AB Geonafra impairment)

(2) 65m PLN (28m PLN LOTOS Norge reserve, 31m PLN Poland asset impairment and 6m PLN AB Geonafra impairment)

(3) 165m PLN (60m PLN Heimdal asset impairment, 103m PLN AB Geonafra asset and 2m PLN balance of other asset impairment)

Upstream 2014 FY clean EBITDA development



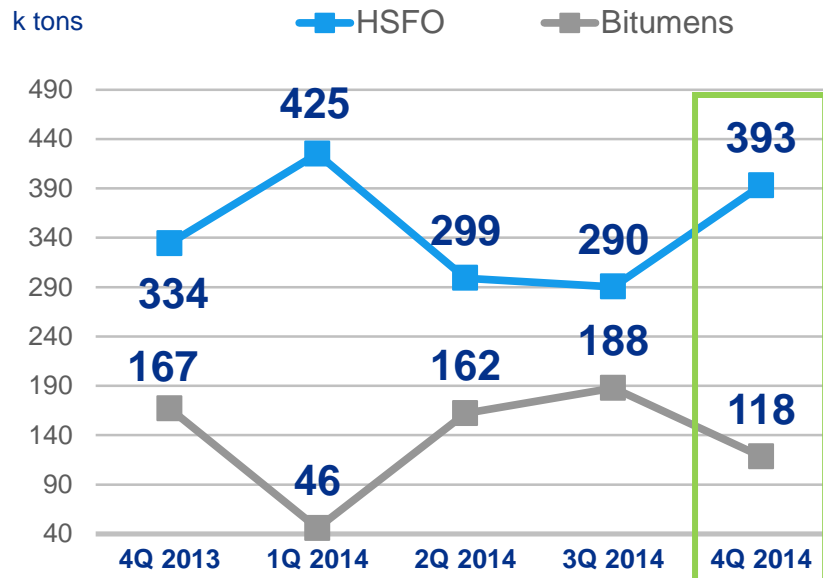
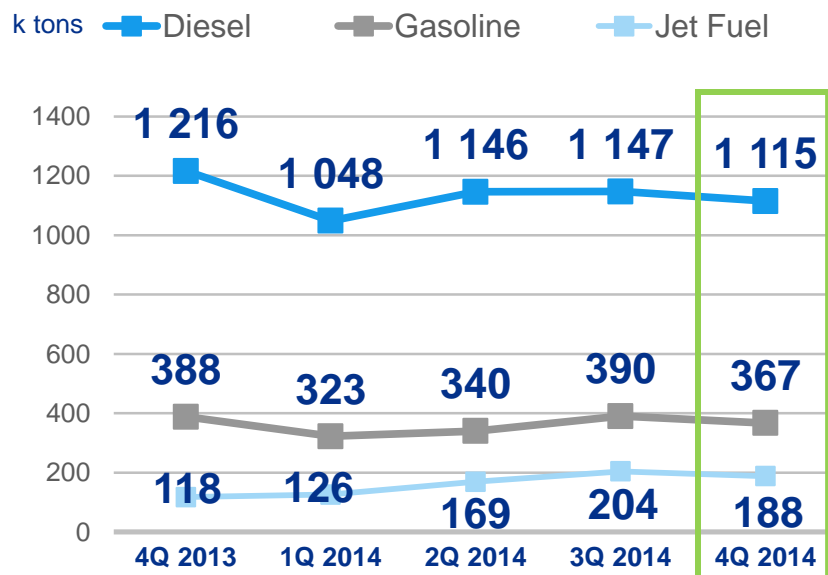
(1) 3m PLN (balance of impairments and new reserves)

(2) 785m PLN (578m PLN YME related write off and impairment, 60m PLN Heimdal asset impairment, 103m PLN AB Geonafra asset impairment, 32m PLN impairments related to B-27 and B-28 fields on the Baltic Sea and 12m PLN other impairments)



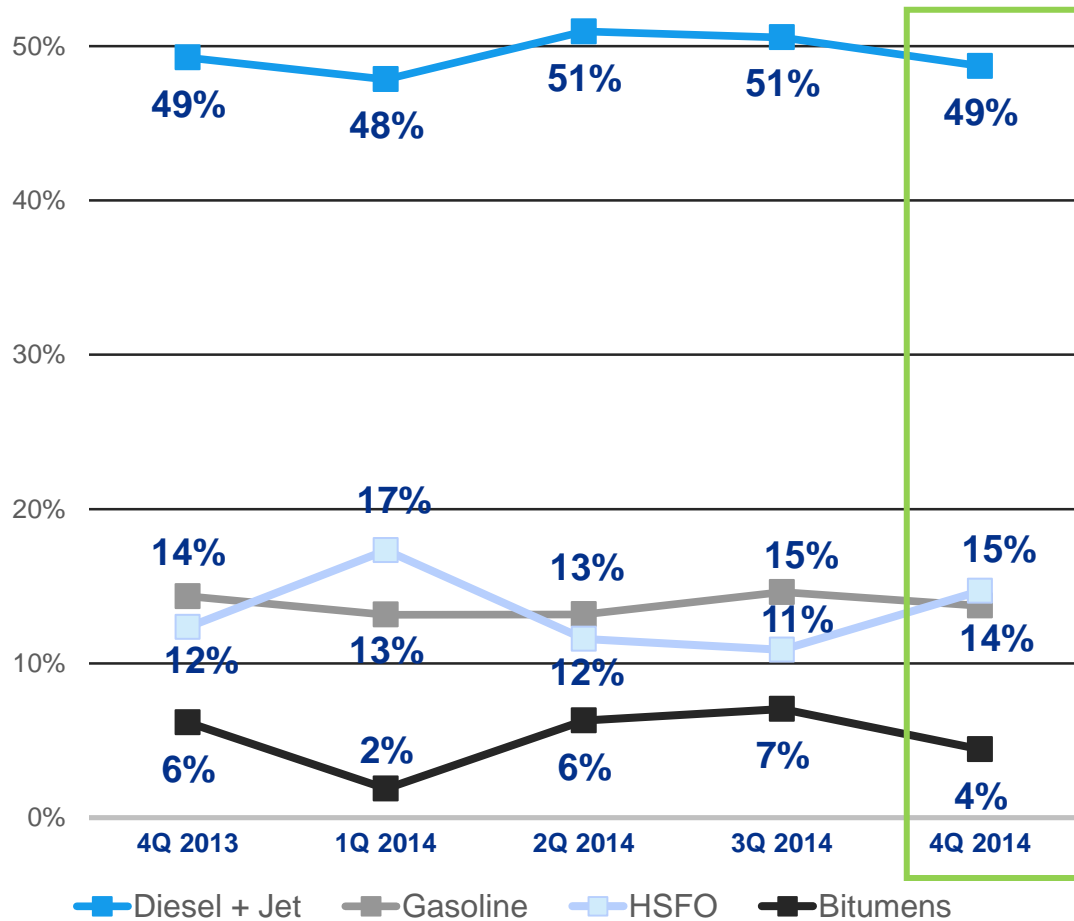
Downstream

Refinery production - volumes of key products



- Lower production of diesel q/q and on the yearly basis, as a consequence of increased level of HSFO production
- Low bitumens demand forcing increased HSFO production

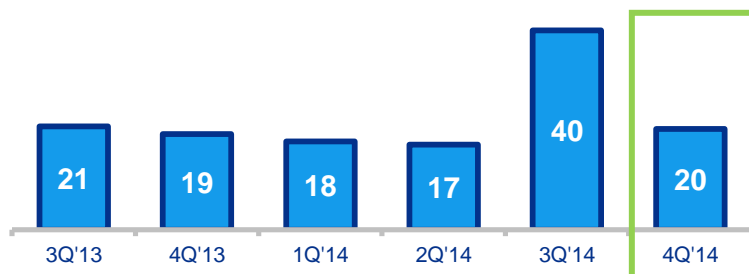
Share of key products in the overall refinery throughput



Retail performance and market share evolution

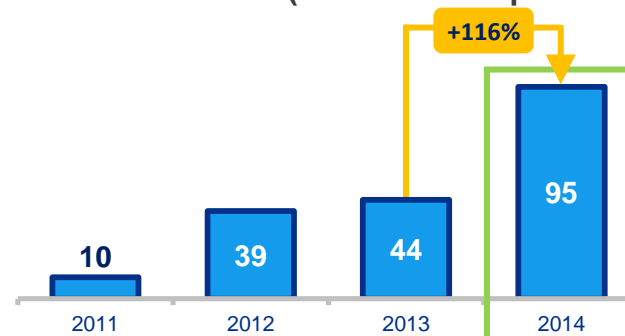
Quarterly Retail EBITDA (excl. Asset impairments)⁽¹⁾

m PLN

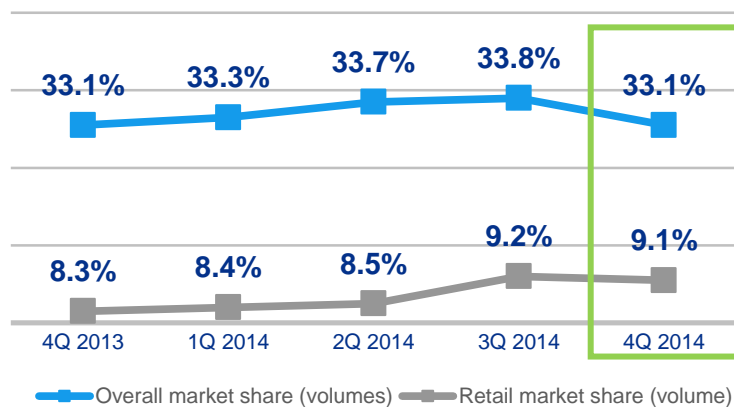


Annual Retail EBITDA (excl. Asset impairments)⁽²⁾

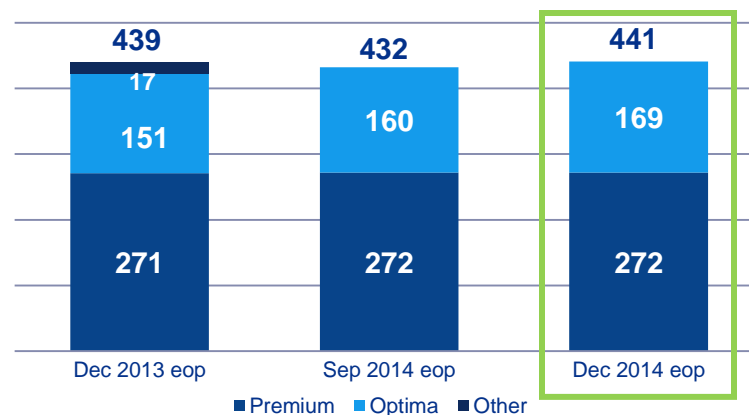
m PLN



Market share



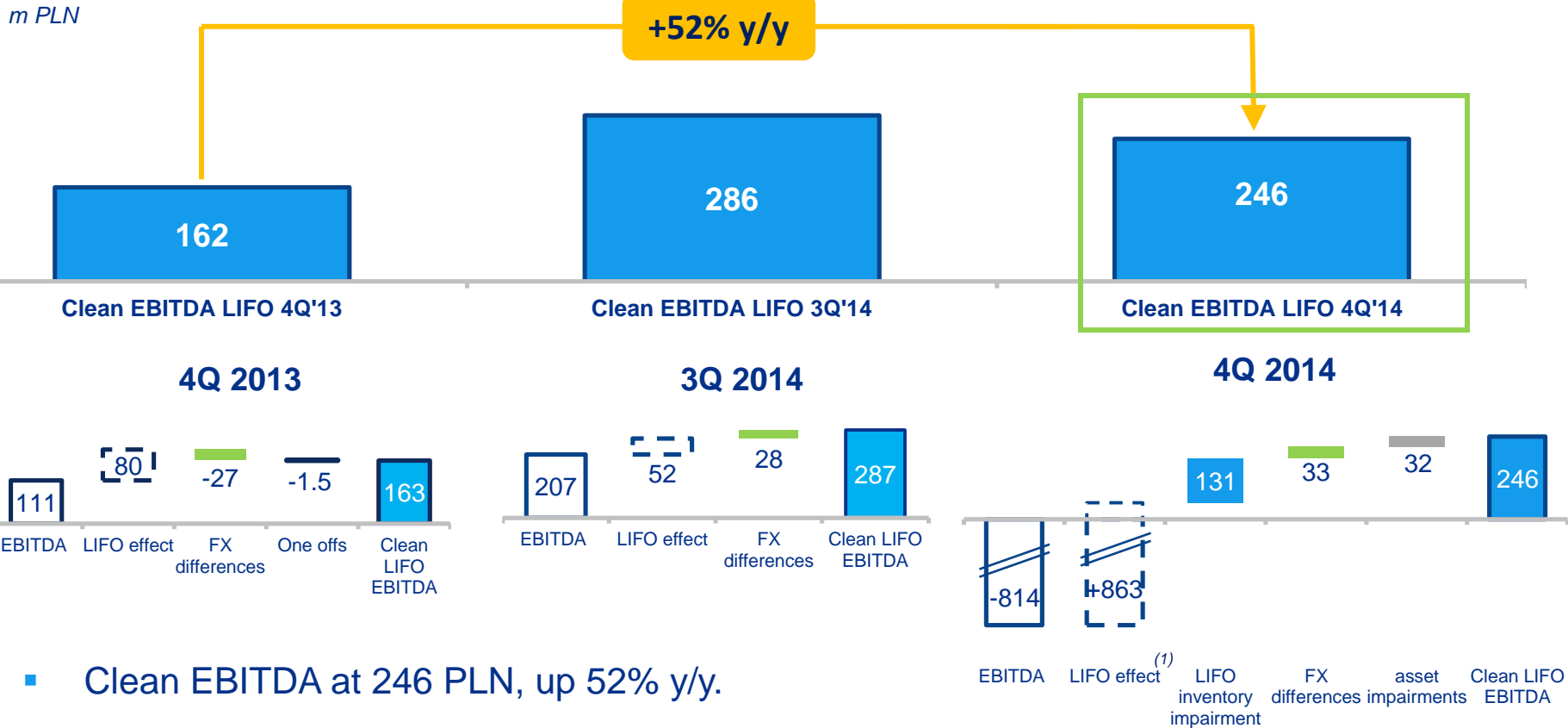
Petrol station network (no of units)



(1) Assets impairments : -11.8m PLN in 4Q 2013 and -15.9m PLN in 4Q 2014

(2) Assets impairments : -11.8m PLN 2013 and -15.9m PLN in 2014

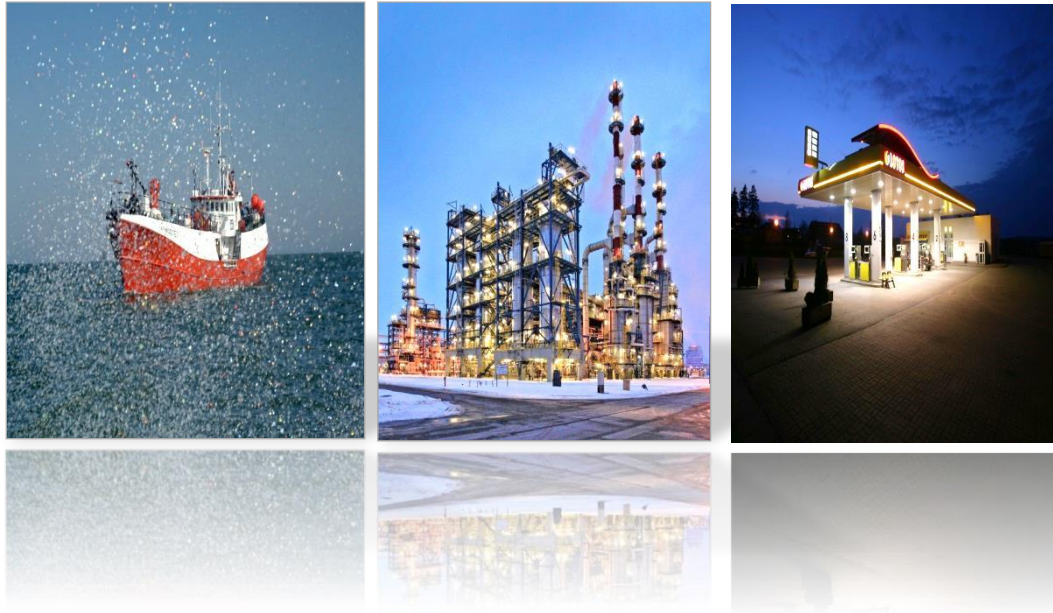
Downstream segment quarterly clean EBITDA LIFO



- Clean EBITDA at 246 PLN, up 52% y/y.

(1) Including – 451m PLN inventory impairment

Thank You



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