



# **LOTOS Group 1Q 2015 consolidated financial results**

29 April 2015



# Agenda

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## Key highlights



## Key highlights – 1Q 2015

<b>EBITDA : PLN 446m</b>		<b>Clean<sup>(1)</sup> EBITDA LIFO : PLN 461m</b>
upstream: PLN 75m		upstream : PLN 75m
downstream: PLN 317m		downstream <sup>(1)</sup> : PLN 333m

Operating cash flow : **321m PLN (+27% y/y)**

Upstream average daily production : **12 689 boe/d<sup>(2)</sup> (+1% y/y)**

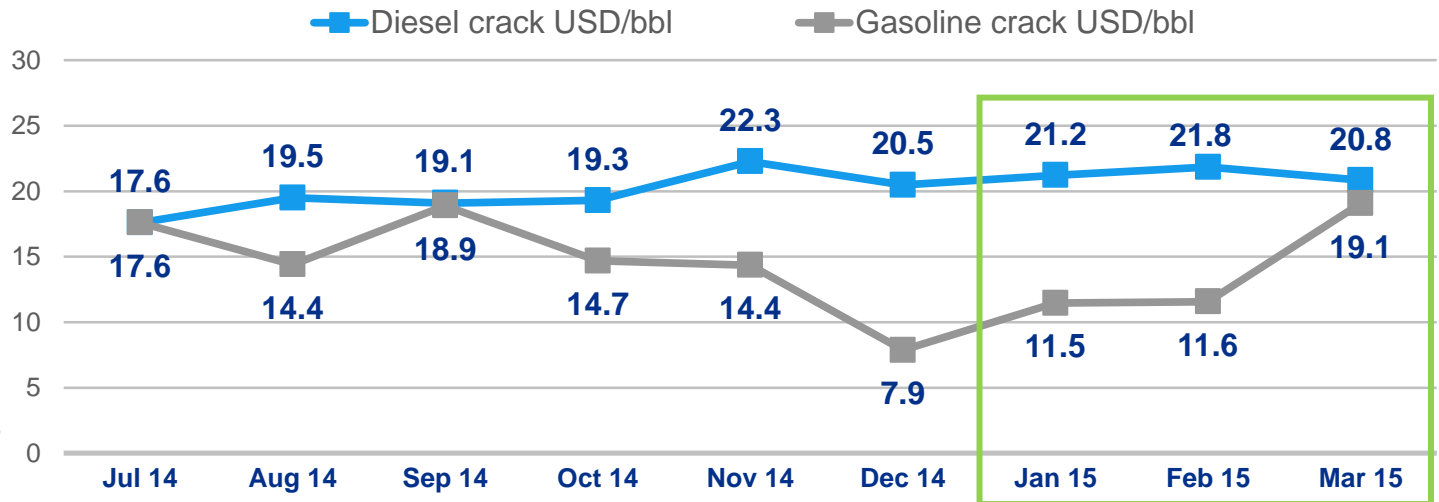
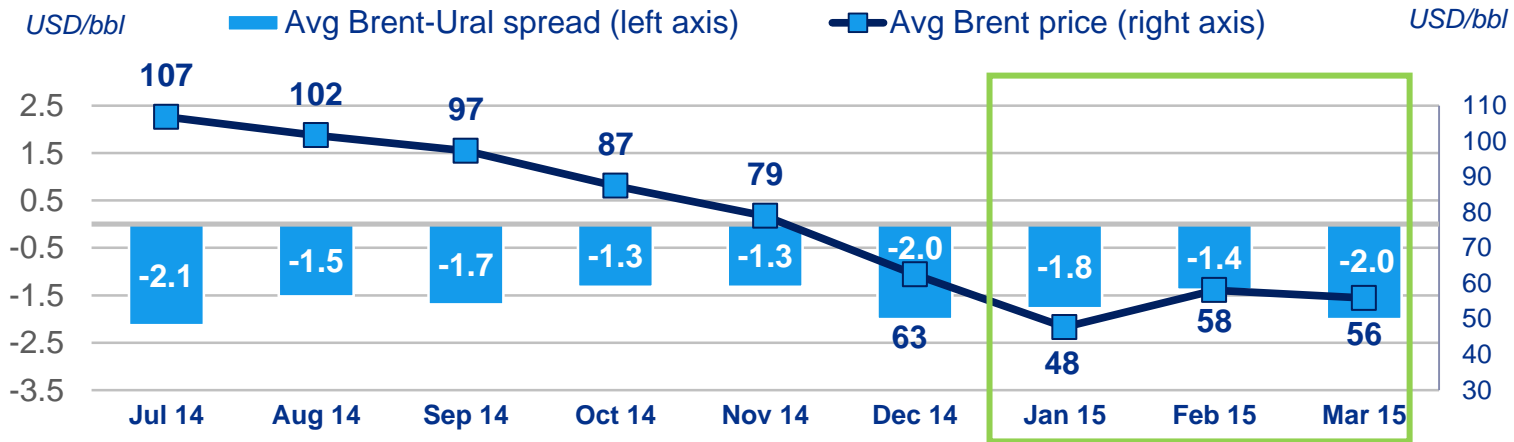
(1) Excluding : PLN 42.5m „reversal“ of LIFO inventory impairment and PLN 43.3m FX rate operational differences

(2) Calculated per days of effective production



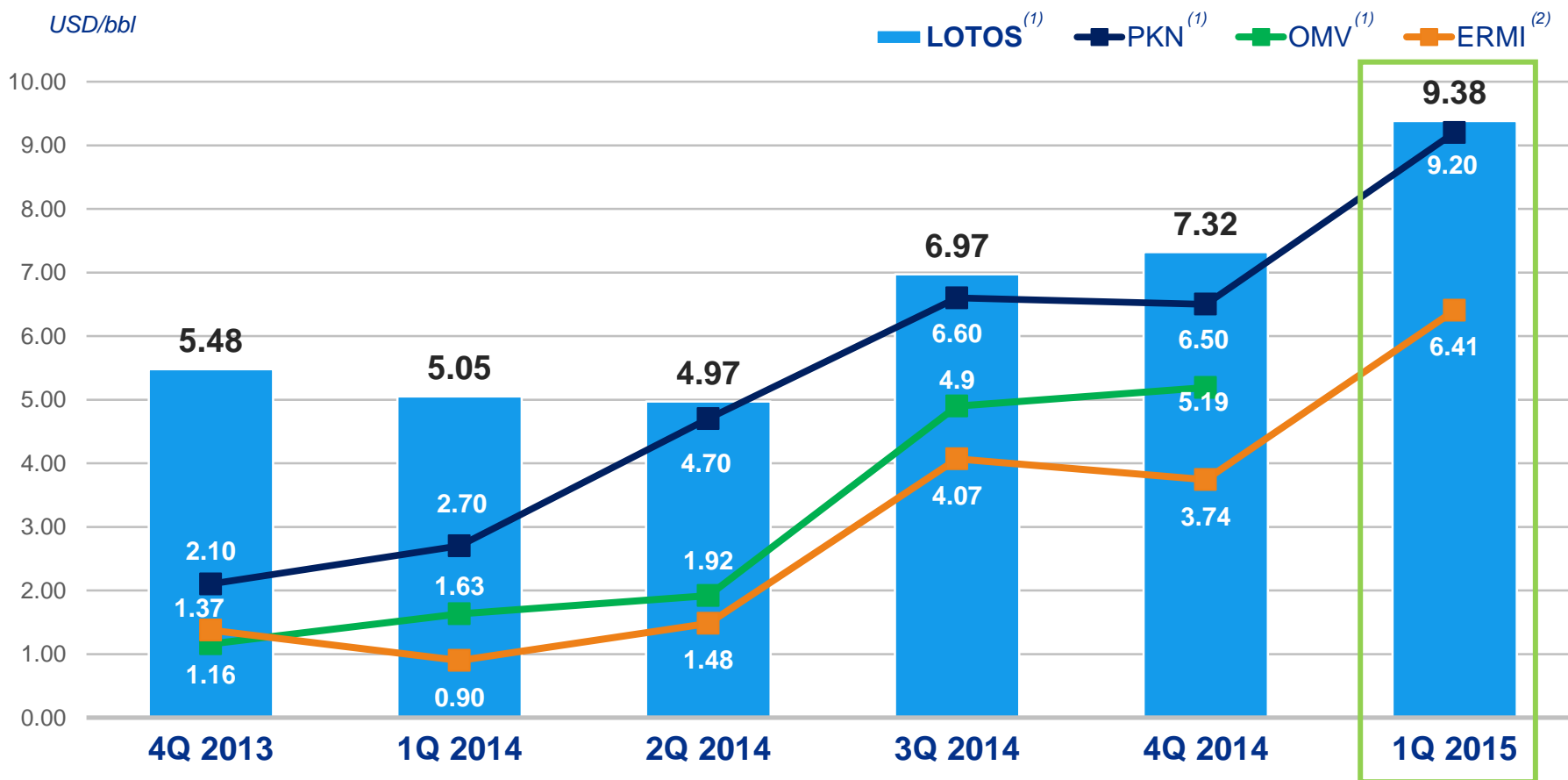
# External environment

# External environment – oil prices & product cracks



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

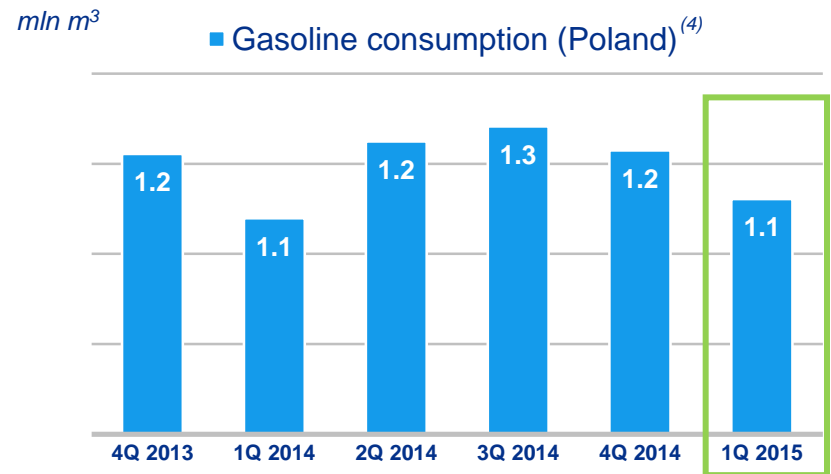
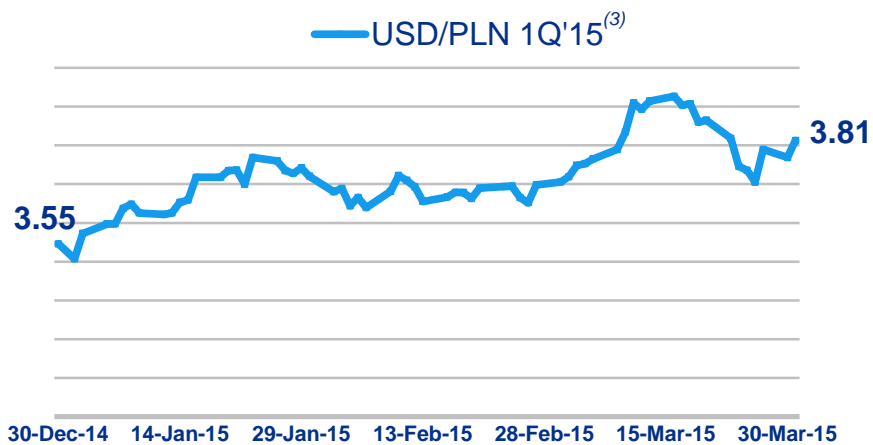
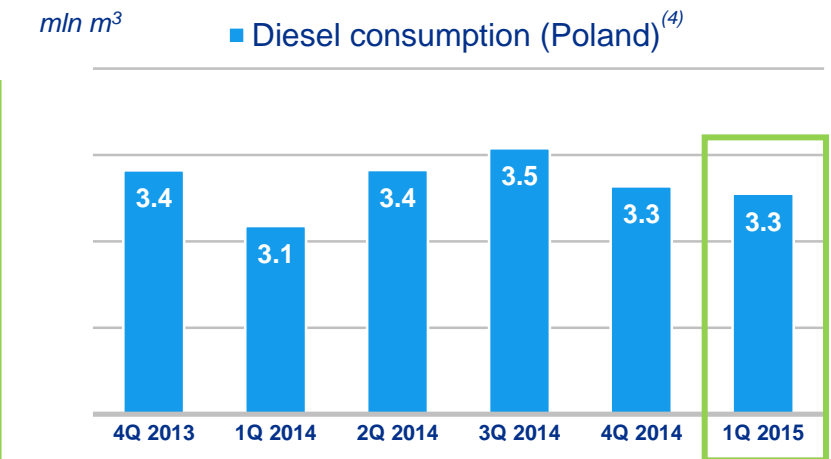
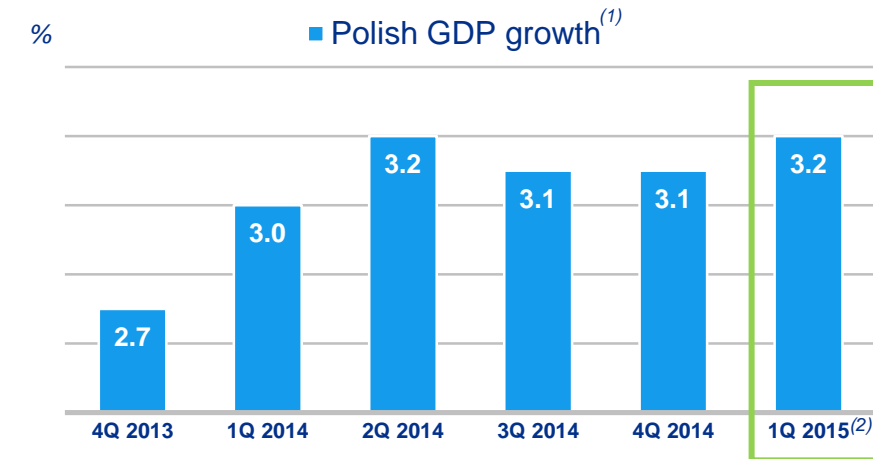
## Model refining margin vs. peers



(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 (GUS)
- (2) Company's estimate based on the market consensus
- (3) National Bank of Poland
- (4) POPIHN – Organisation for Oil Trade and Industry

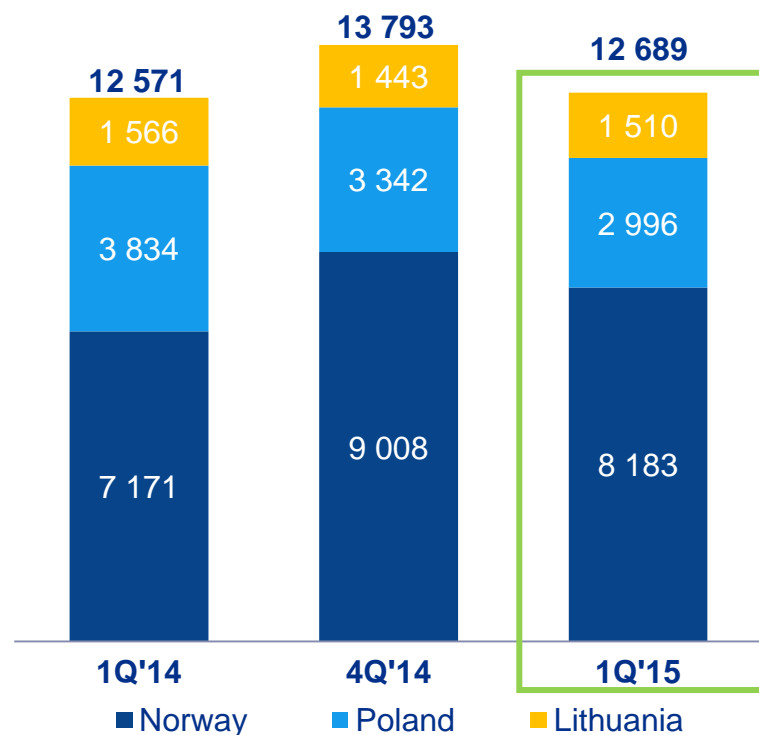




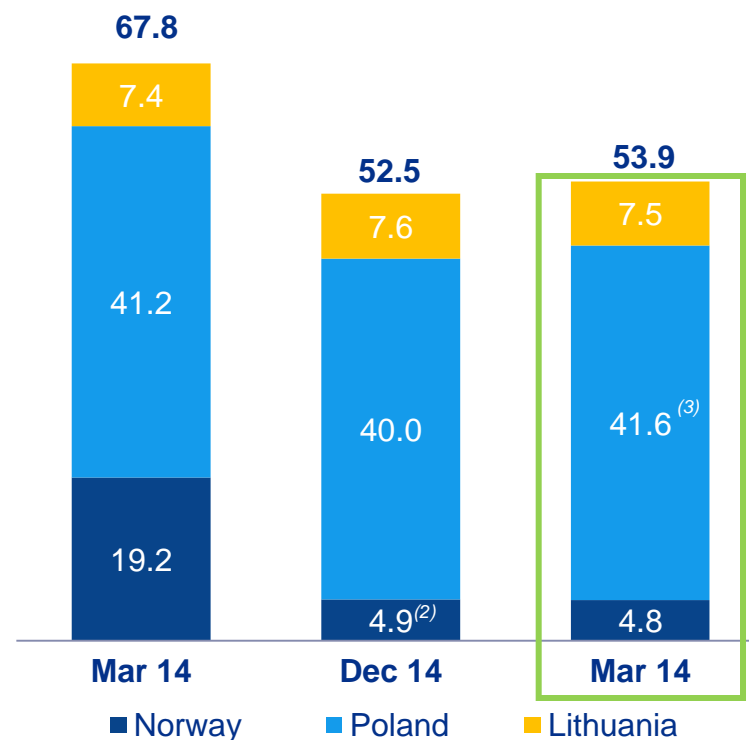
# Upstream

# Hydrocarbons reserves and production figures

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



2P oil&gas reserves (m boe)



- Average daily production at a level of c.12.7k boe in 1Q 2015

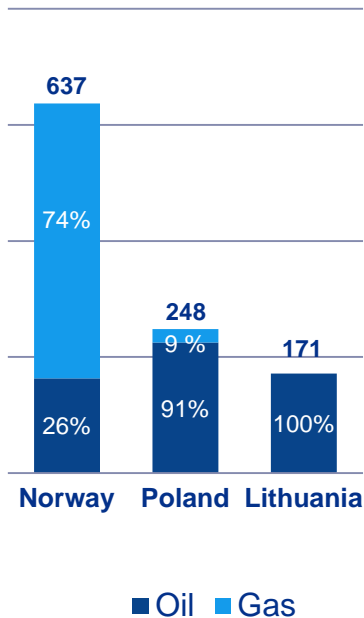
(1) Calculated on effective production days

(2) Decrease due to YME field reclassification from 2P resources

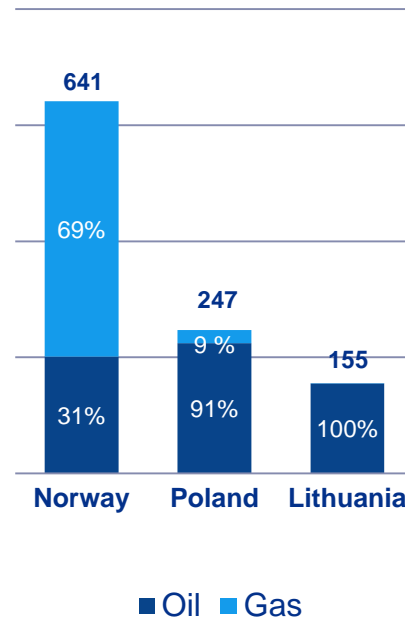
(3) Increase of 2P reserves in the B8 field in Poland due to reclassification from 2C

## Quarterly sales split by products and countries

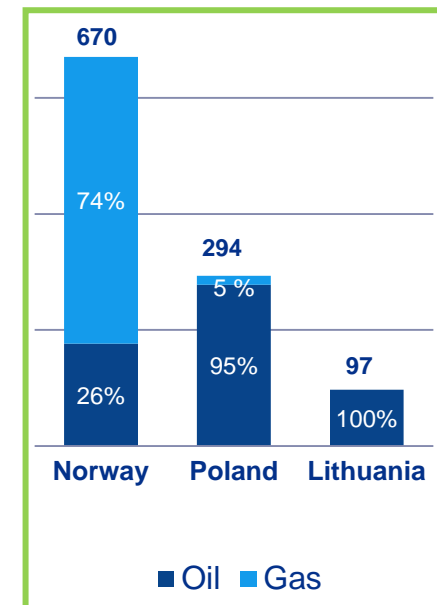
1Q 2014 sales (ths boe)



4Q 2014 sales (ths boe)

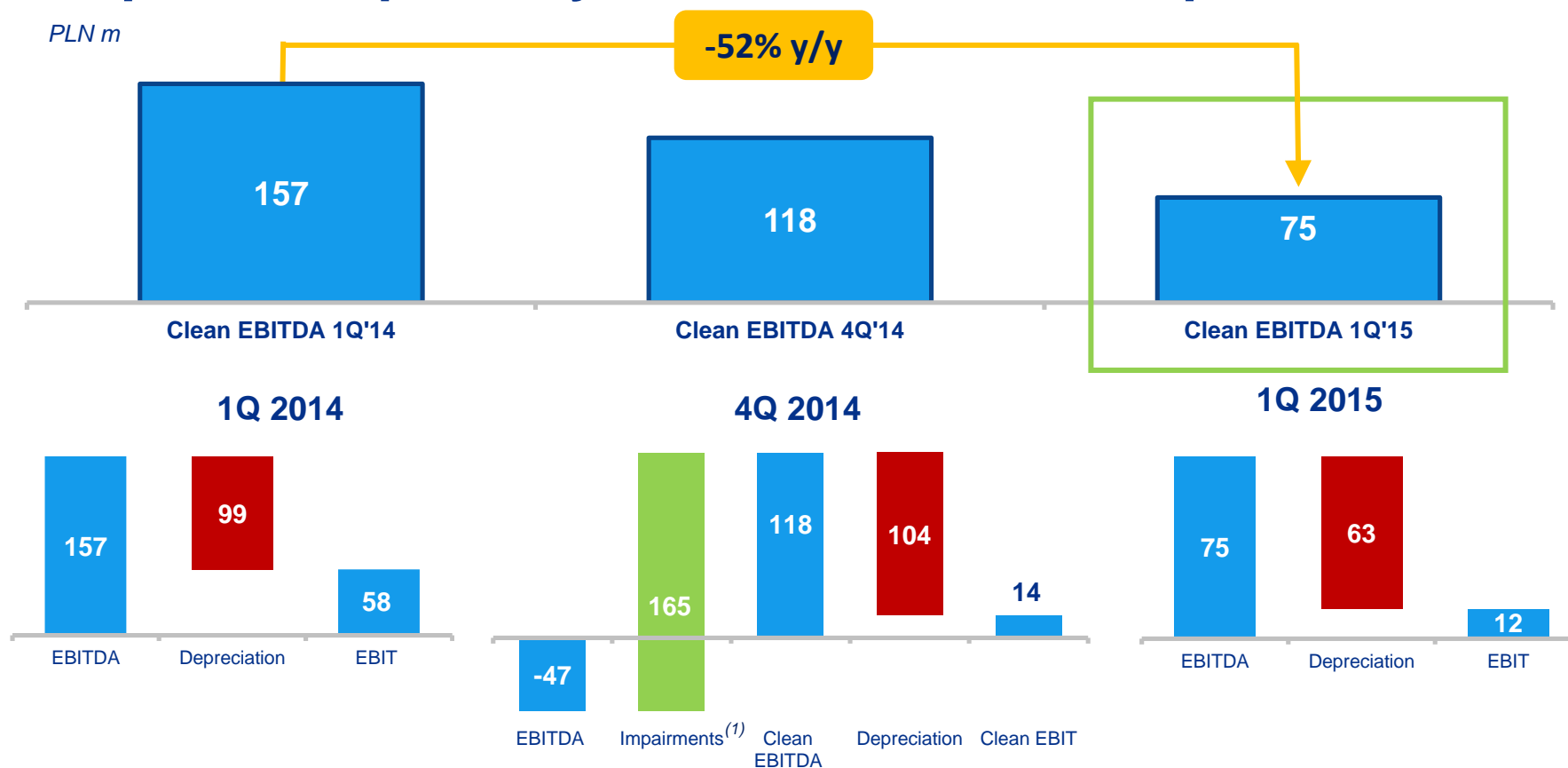


1Q 2015 sales (ths boe)



- Overall total 1Q'15 sales exceeded 1m boe, despite slightly worse contribution from Lithuania

## Upstream quarterly clean EBITDA development

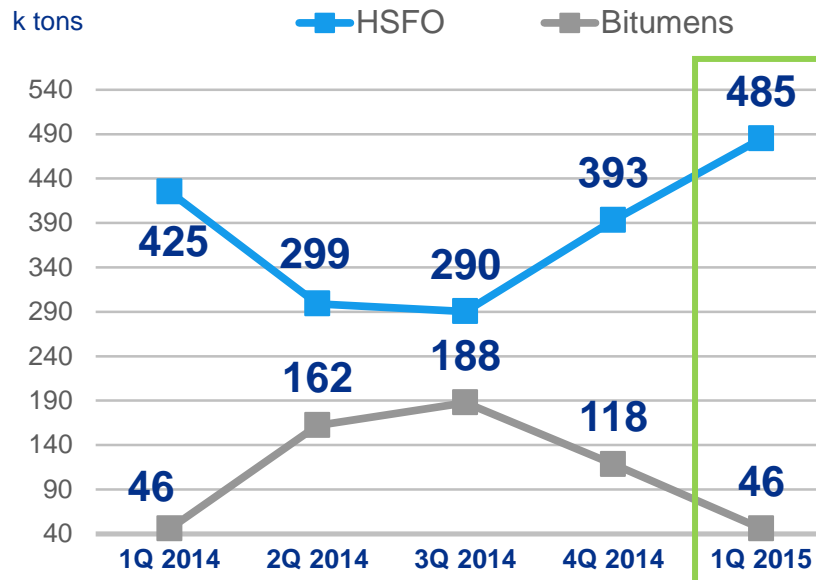
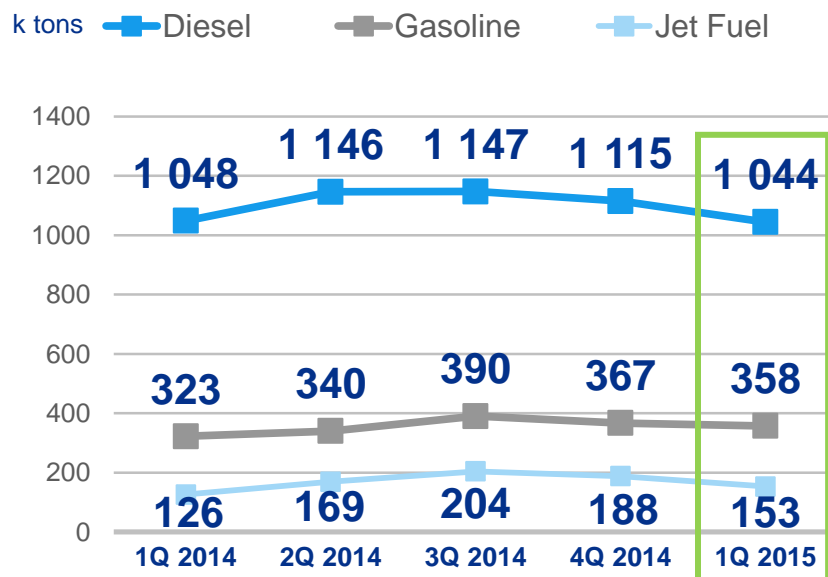


- Clean EBITDA at PLN 75m, down 52% y/y.



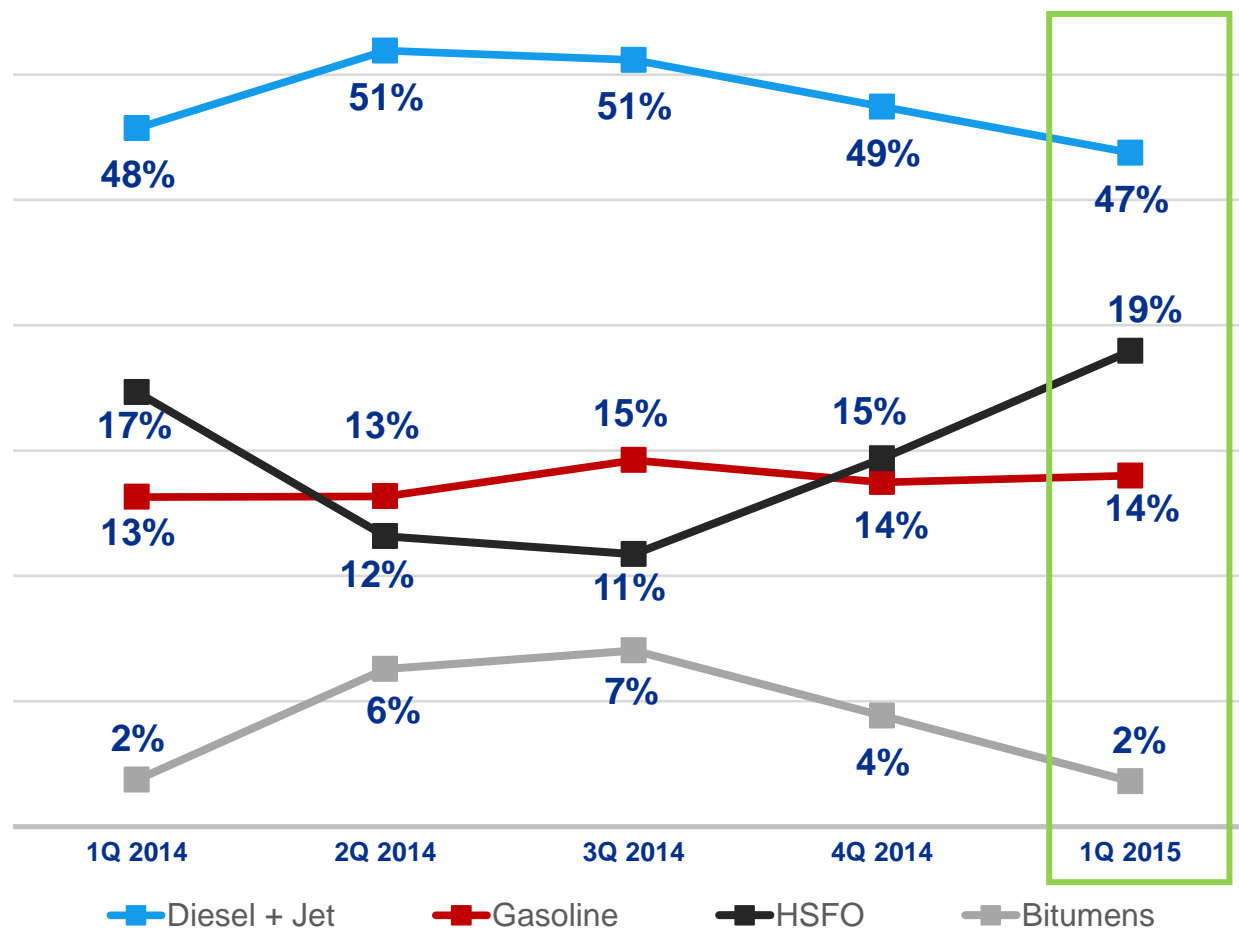
# Downstream

## Refinery production - volumes of key products



- Oil throughput at 2 379 k tons, with capacity utilisation rate close to 93%
- Lower production of diesel q/q and fairly stable on the yearly basis
- Seasonally low bitumens demand implies increased HSFO production
- Higher volume of HSFO as a result of processing cheaper, heavier type of crude

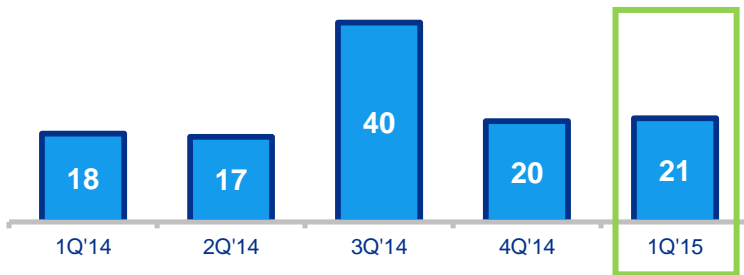
## Share of key products in the overall refinery throughput



# Retail performance and market share evolution

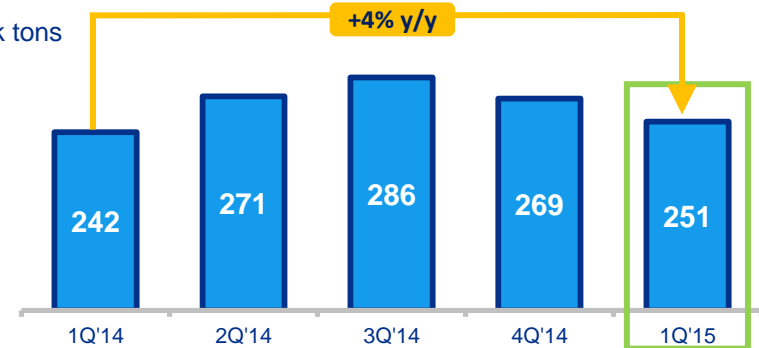
Quarterly retail EBITDA (excl. asset impairments)<sup>(1)</sup>

m PLN

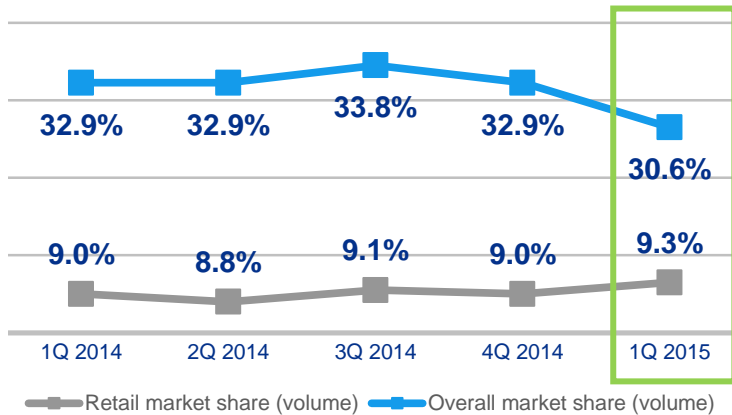


Quarterly retail sales volumes

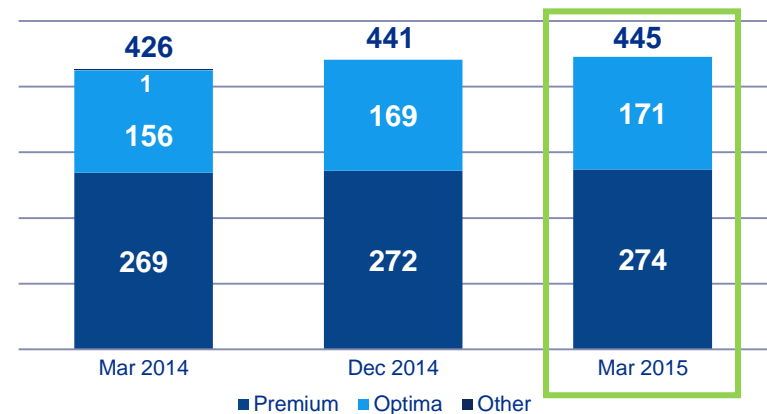
k tons



Market share (volume)

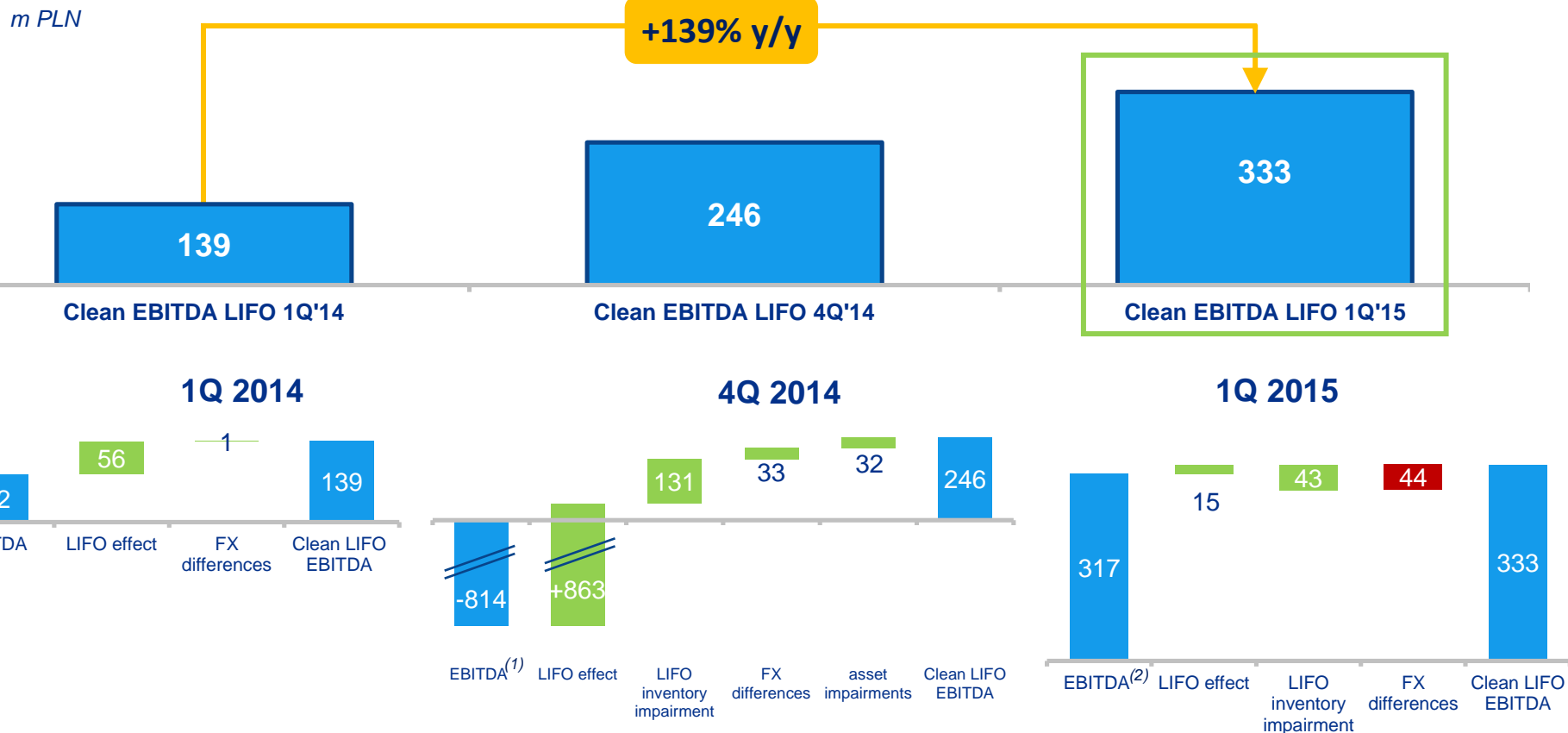


Petrol station network (no of units)





# Downstream segment quarterly clean EBITDA LIFO



- Clean EBITDA at PLN 333m, up 139% y/y.

(1) Including -451m PLN inventory impairment

(2) Including +411m PLN „reversal” of inventory impairment from 4Q 2014

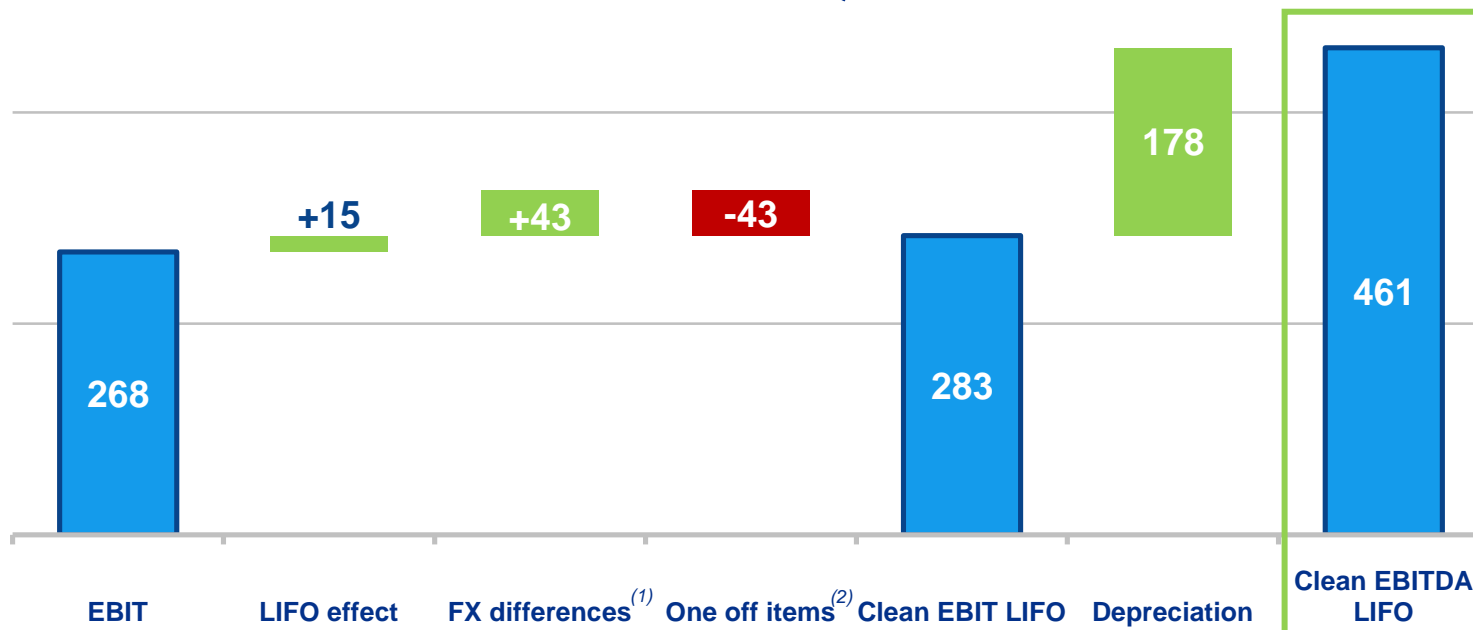


# Consolidated financial results

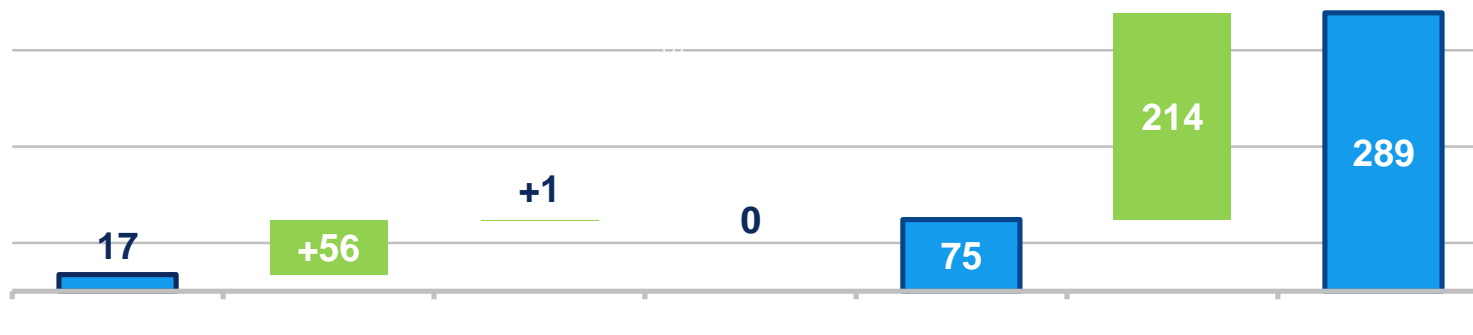
## 1Q 2015 results breakdown vs 1Q 2014

PLN m

1Q 2015



1Q 2014



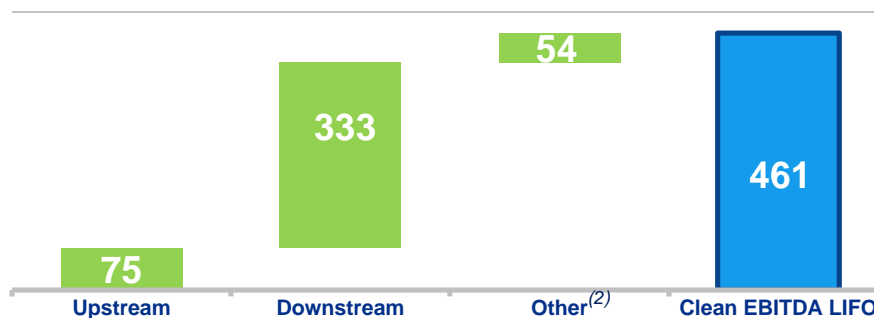
(1) Operational foreign exchange rate differences included in the cost of sales

(2) Partial „reversal” of LIFO inventory impairment as of 31 Dec 2014

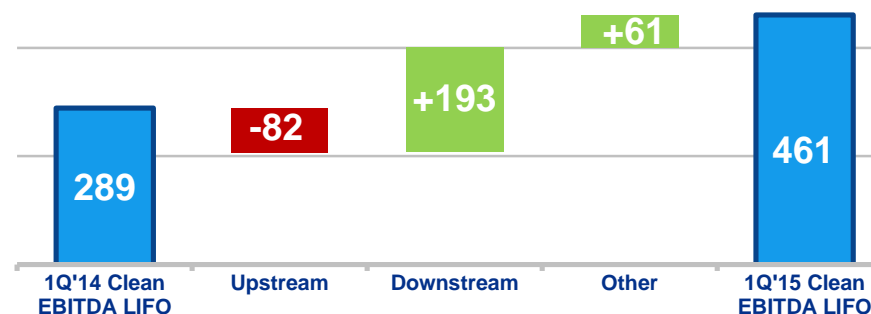
## Quarterly clean EBITDA LIFO<sup>(1)</sup> by segments

PLN m

### 1Q 2015 segment results



### Changes to segment results<sup>(3)</sup>



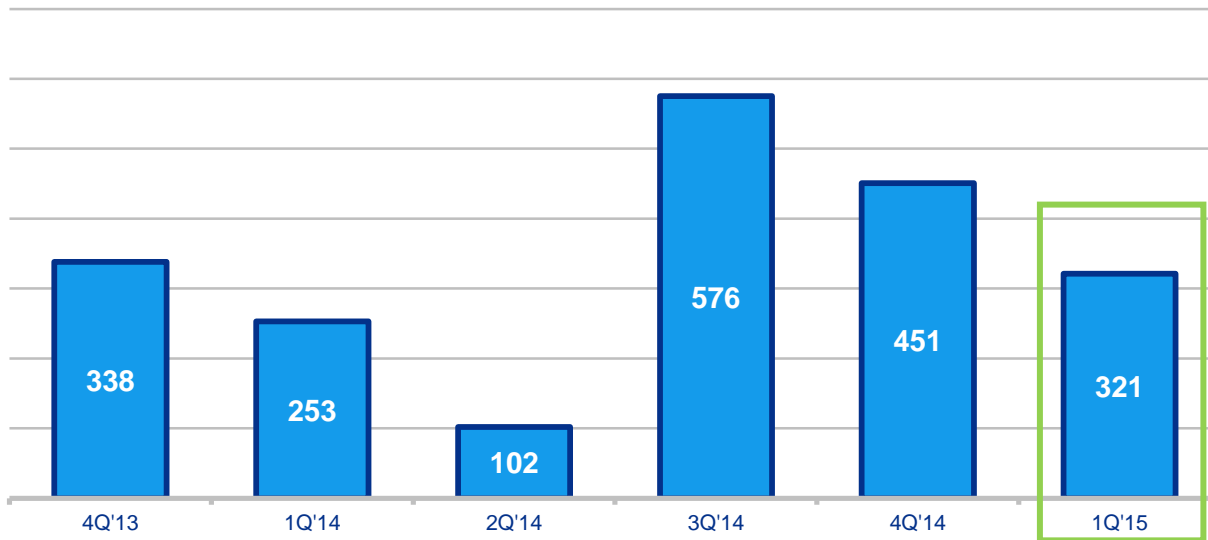
(1) All figures excluding one – off non cash items & FX operational differences . Figures may not add up due to rounding

(2) Other = consolidation adjustments + segment Other

(3) Respective blocks represent changes within each business segment between 1Q 2014 and 1Q 2015

## Quarterly operating cash flow

PLN m

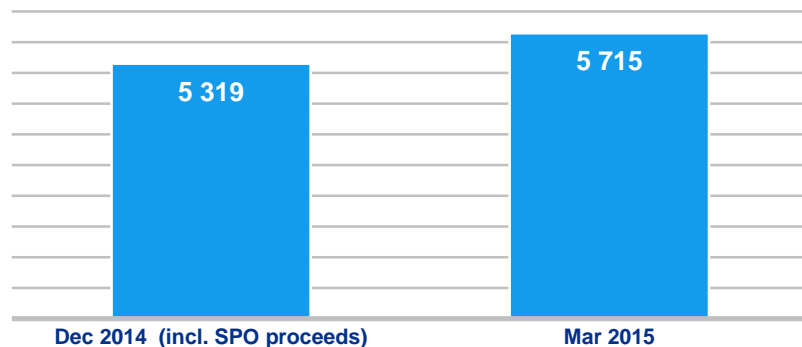


- LOTOS proves a solid operating cash flow generation capability in turbulent times

## Indebtedness

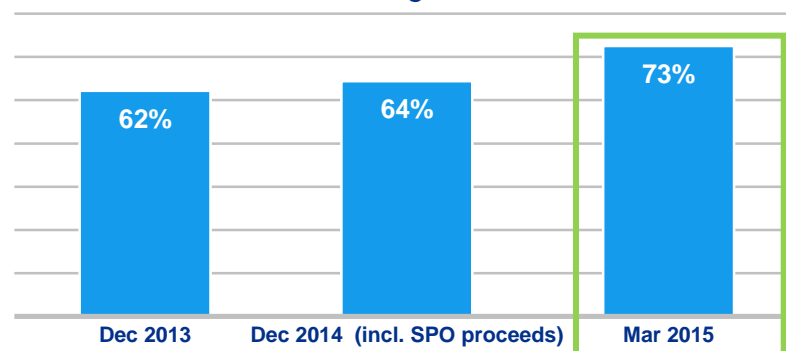
PLN m

■ Net debt<sup>(1)</sup>



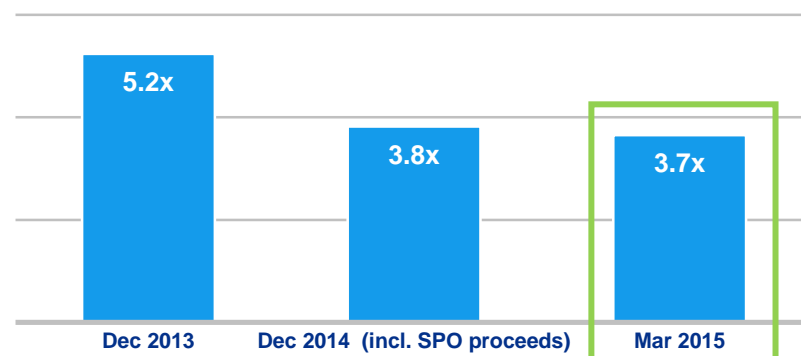
%

■ Gearing ratio<sup>(2)</sup>



- Net debt figures include: interest bearing loans, borrowings, leasing and bonds
- The current gearing ratio is significantly higher, due to : increased net debt position (stronger USD vs PLN) and lowered total equity balance (i.e. reserve capital position according to the hedge accounting methodology)

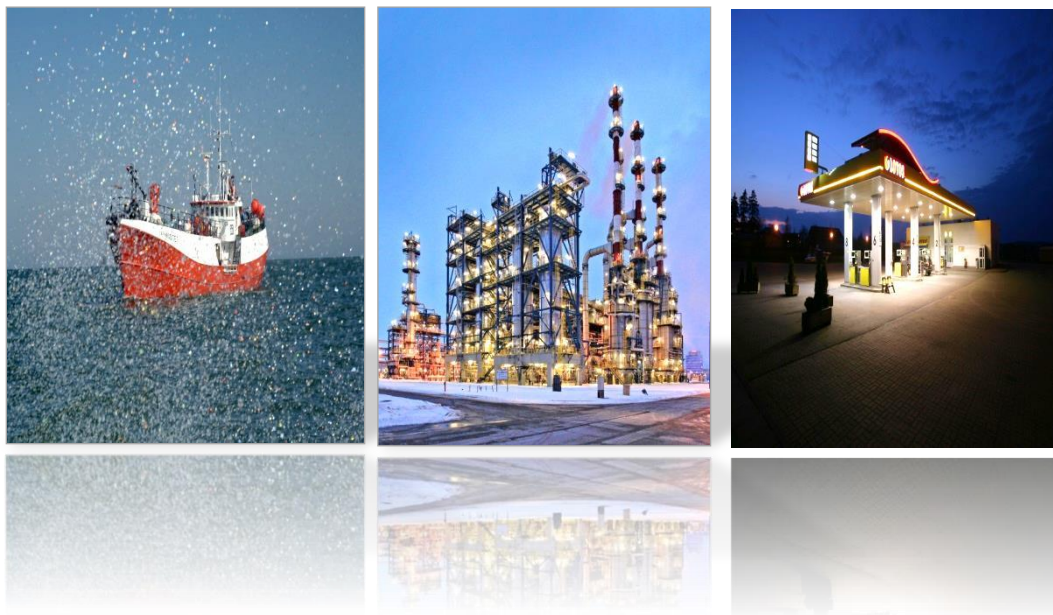
■ Net debt/LTM clean EBITDA LIFO



(1) Dec 2014 net debt includes proceeds from the capital increase completed in January 2015

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

# Thank You



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