



LOTOS Group 2Q 2015 consolidated financial results

August 11th, 2015



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Key highlights



Key highlights 2Q 2015



| EBITDA | PLN 755 m | Clean ⁽¹⁾ EBITDA LIFO | PLN 599 m (+95% y/y) |
|------------|-----------|----------------------------------|----------------------|
| upstream | PLN 103 m | upstream | PLN 103 m (+37% q/q) |
| downstream | PLN 664 m | downstream ⁽¹⁾ | PLN 508 m (+97% y/y) |

Crude oil throughput **2 628k tons** (100% utilisation rate) **(+10% y/y)**

Upstream average daily production **12 425 boe/d** ⁽²⁾ **(+0.4% y/y)**

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

(1) Excluding : PLN 57.9m effect of LIFO inventory impairment from 4Q 2014 and PLN 37.5m FX rate operational differences

(2) Calculated per days of effective production

EFRA Programme milestones



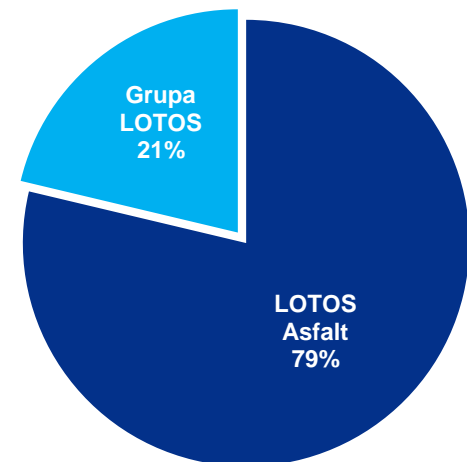
EFRA Programme ready for execution

Key milestones achieved within the EFRA Programme :

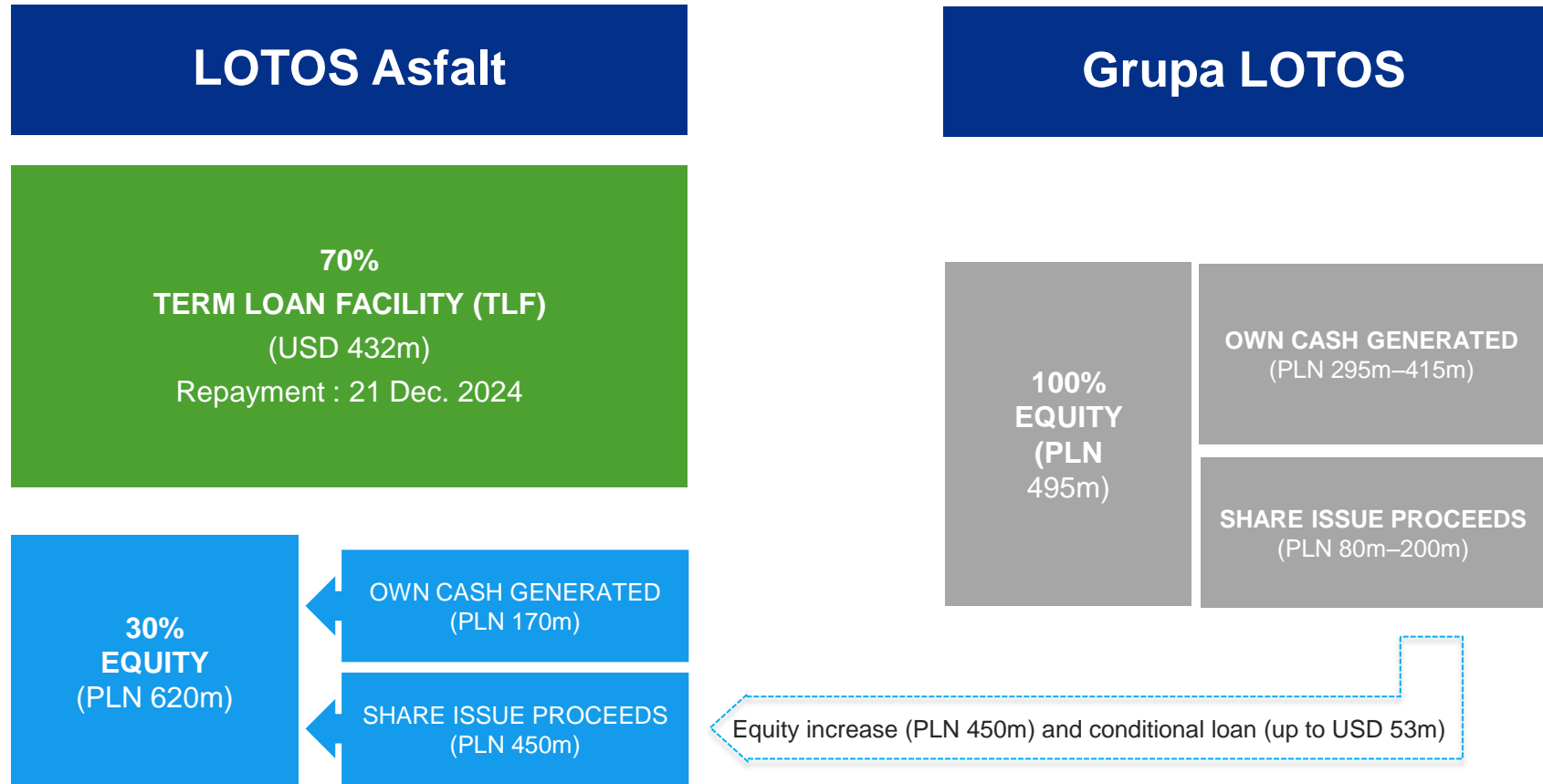
- January 2015 - proceeds from the share issue of max PLN 650m (including the support from the Ministry of State Treasury c. PLN 530m)
- June 2015 - execution of the financing agreement (credit facility provided to LOTOS Asphalt) worth c. PLN 1.9bn, of which:
 - (i) investment facility of c. PLN 1.6bn (financing of the CAPEX), and
 - (ii) working capital facility of up to PLN 0.3bn (incl. full refinancing the existing LOTOS Asphalt working capital)
- July 2015 - execution of the contract for engineering, procurement and construction (EPC) of the Programme's main units: Delayed Coking Unit (DCU), Hydrogen Generation Unit (HGU) and Coker Naphtha Hydrotreating Unit (CNHT). Estimated value of the contract c. PLN 1.26bn, which is c. 60% of the overall CAPEX.

Total capital expenditure: EUR 517,754,000
Construction deadline: 2Q 2018

CAPEX
EUR 517.8m

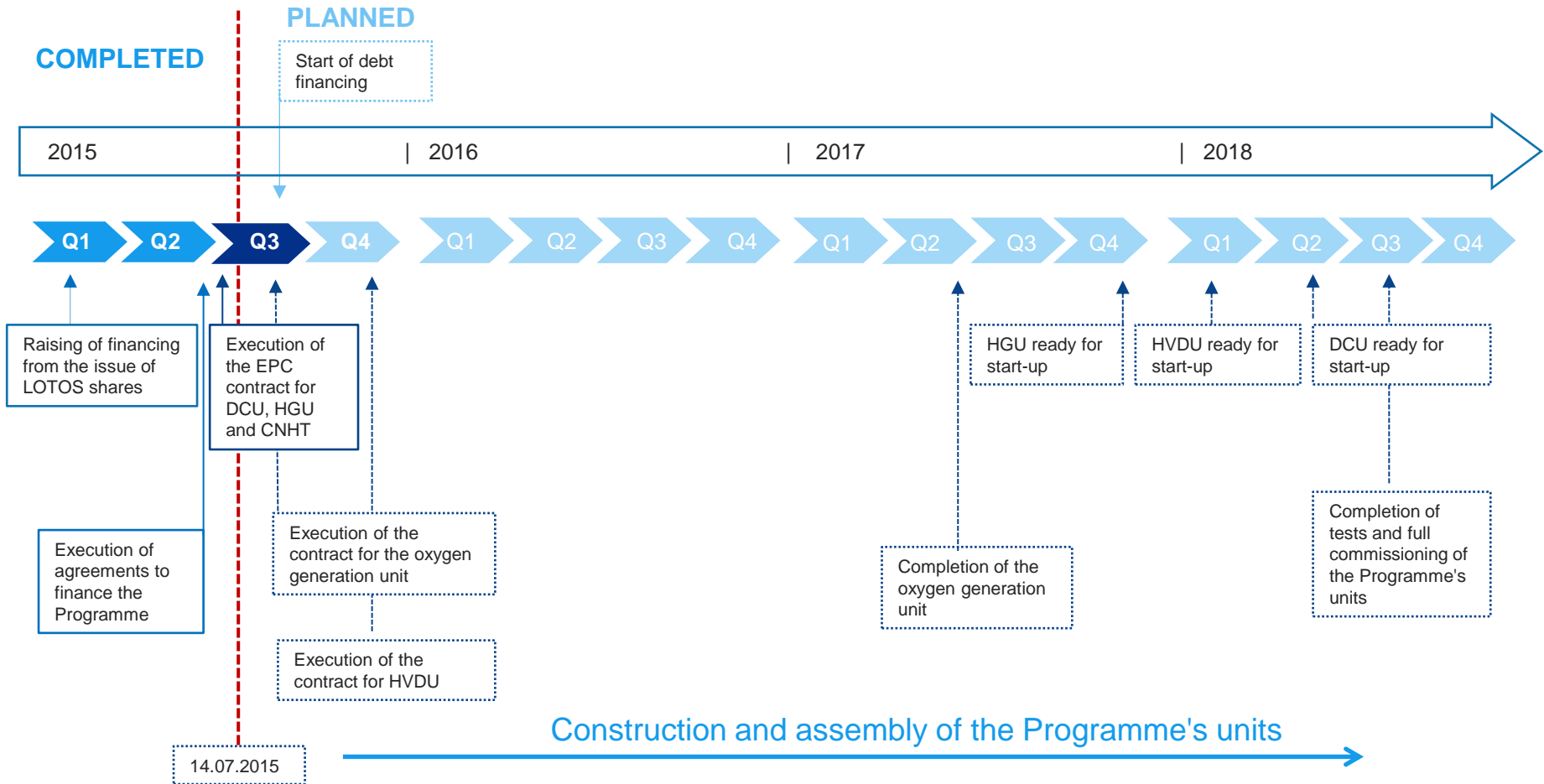


EFRA Programme financing structure



Note: the structure depicts the total amount of the financing, incl. the financing costs and funds deposited in the reserve accounts

EFRA Programme implementation and financing schedule



EFRA Programme – Summary

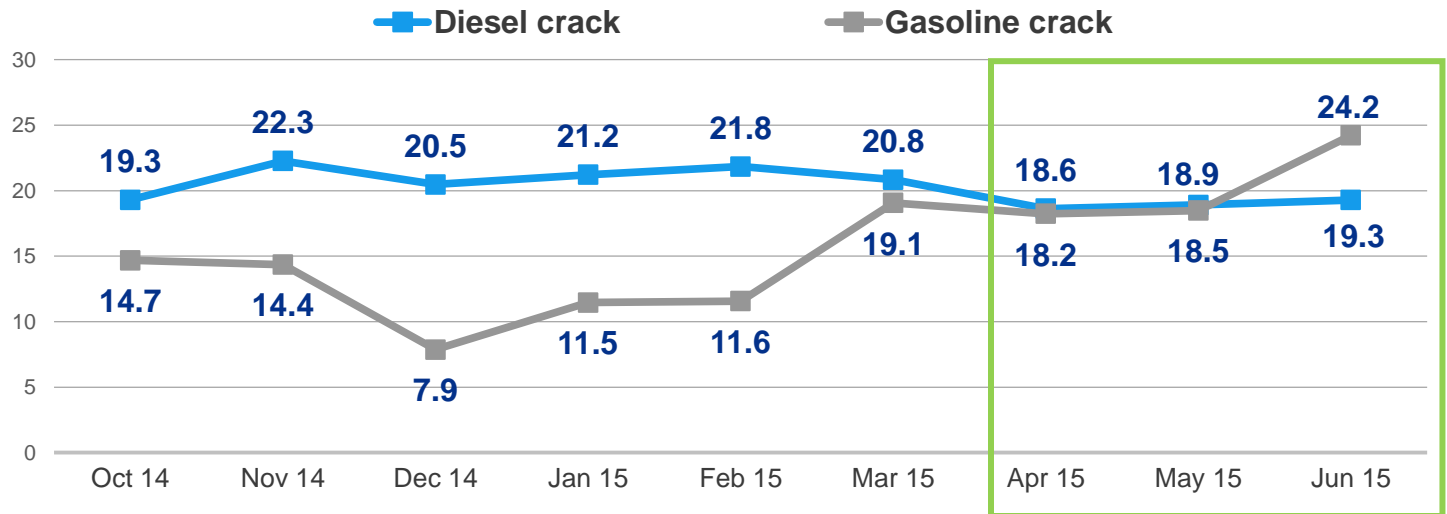
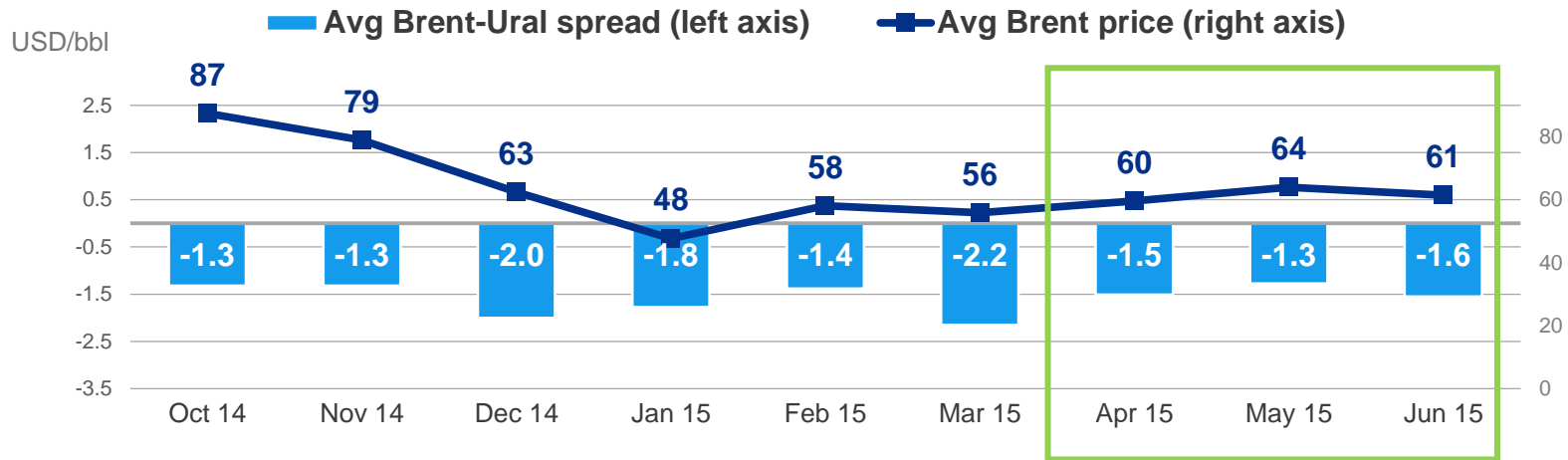
- The increase of Grupa LOTOS' refining margin by c. USD 2/bbl
- Considerable growth in fuel output at stable oil volumes thanks to improved distillate yields and greater refining efficiency
- Effective solution to the production of negative margin HSFO⁽¹⁾
- Bitumen production still possible in the future
- Key terms of long-term coke sales contract already agreed with the customer – the support for profitability of the programme
- Positive environmental impact and cutting-edge technologies – elimination of dust and gas emissions during coke unloading

⁽¹⁾ Further extension of restrictions under EU regulations concerning use of high sulfur fuel oil (HSFO) – stricter sulfur emission limits in marine areas

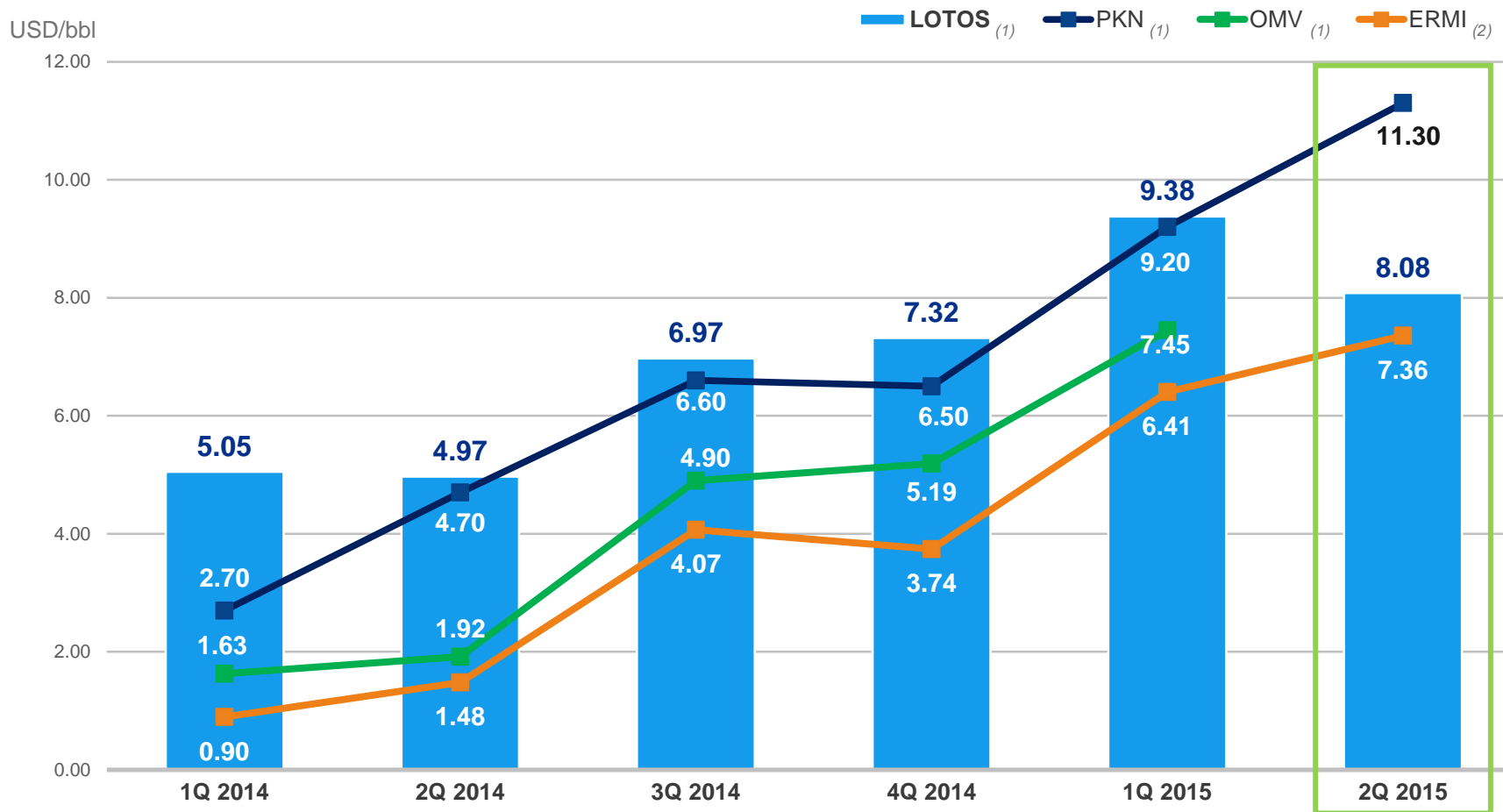
External environment



External environment - oil prices & product cracks



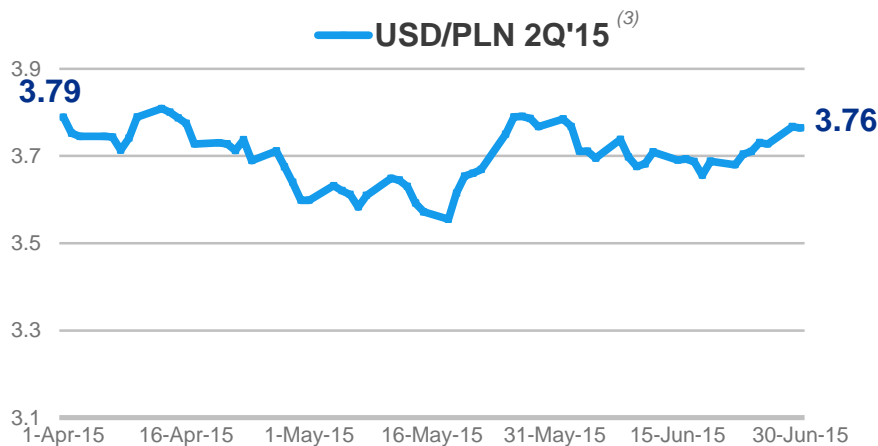
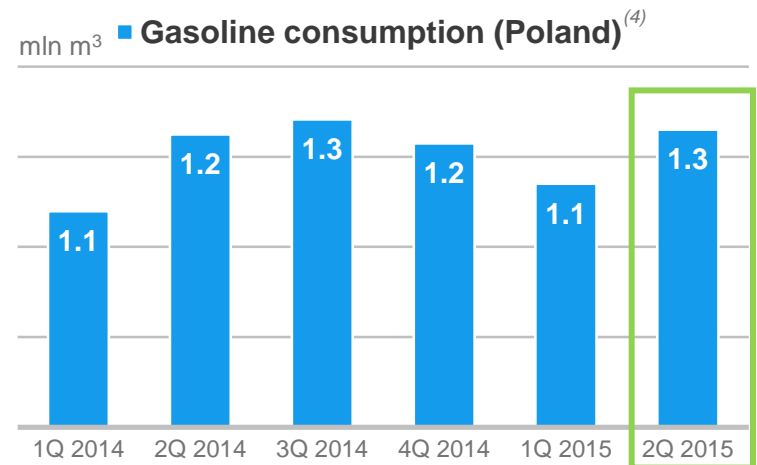
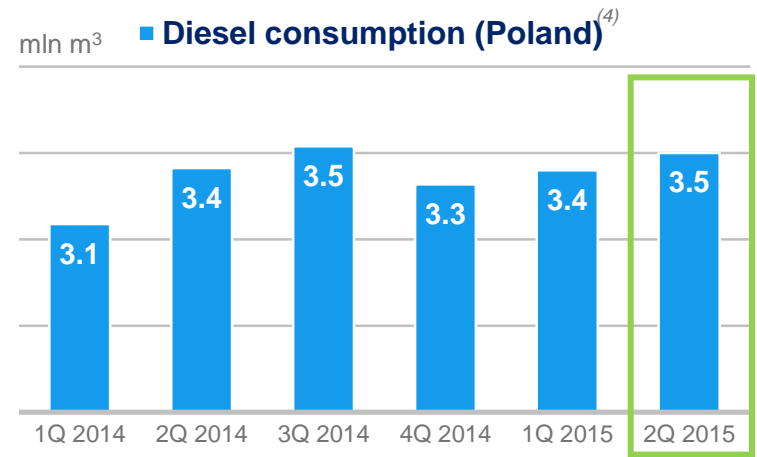
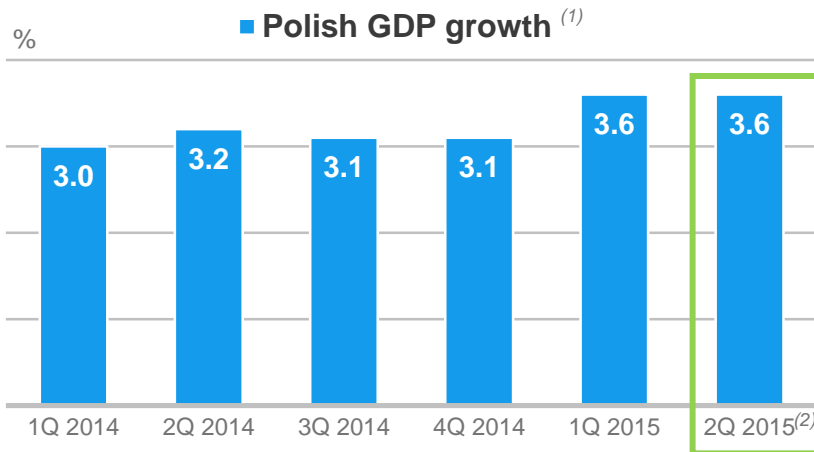
Model refining margin vs. peers



(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



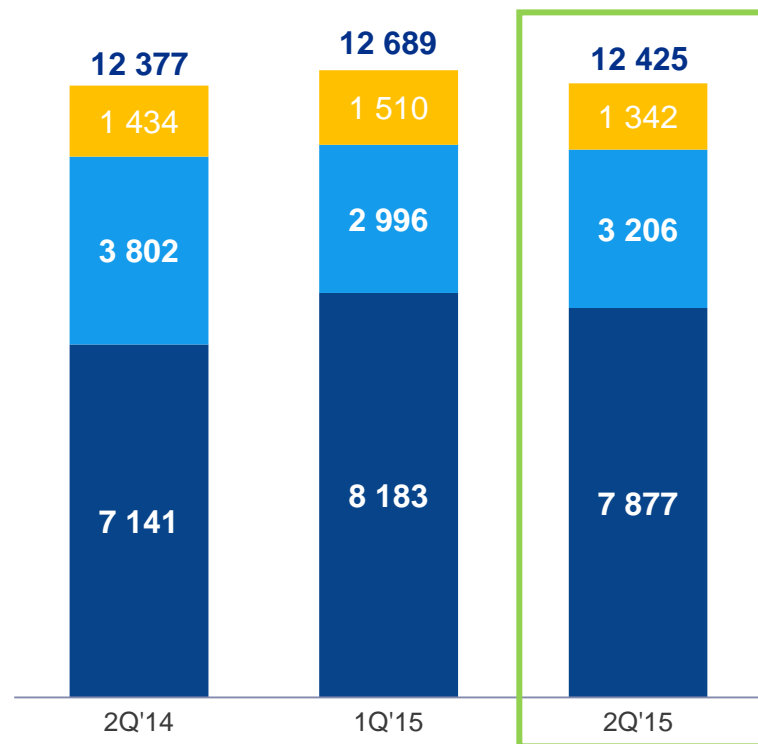


Upstream

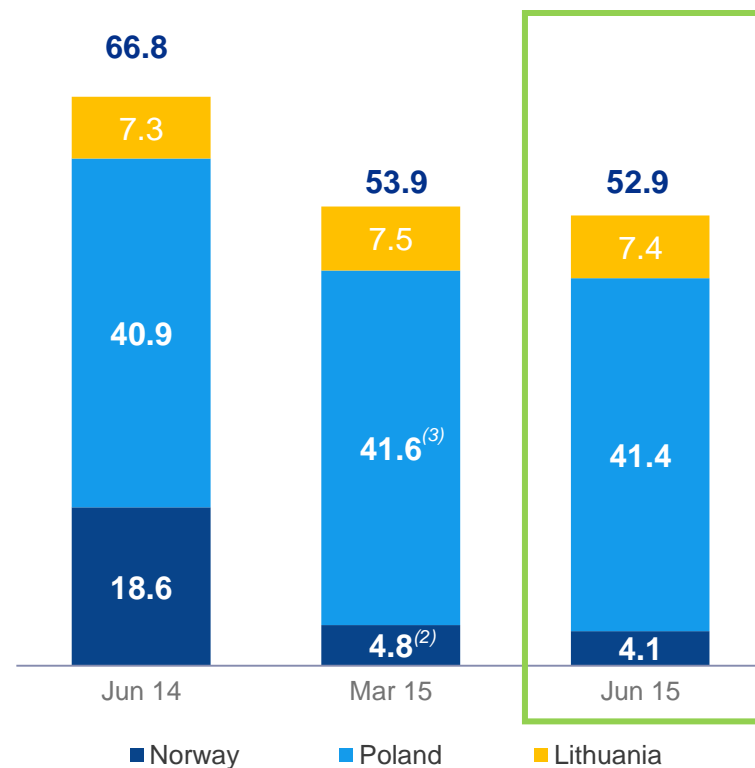


Hydrocarbons reserves and production figures

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



2P oil&gas reserves (m boe)



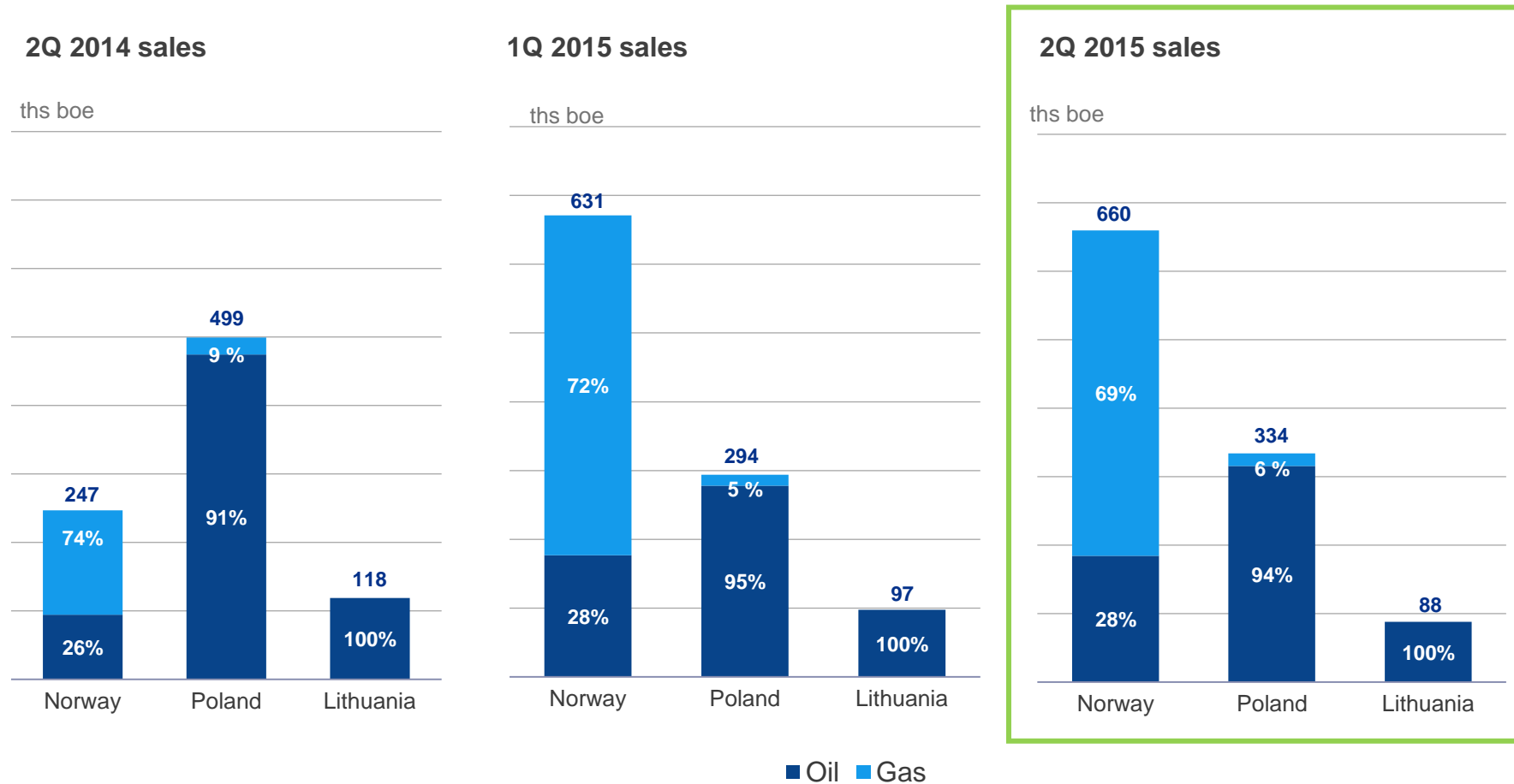
Average daily production at a level of c.12.4k boe in 2Q 2015

(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

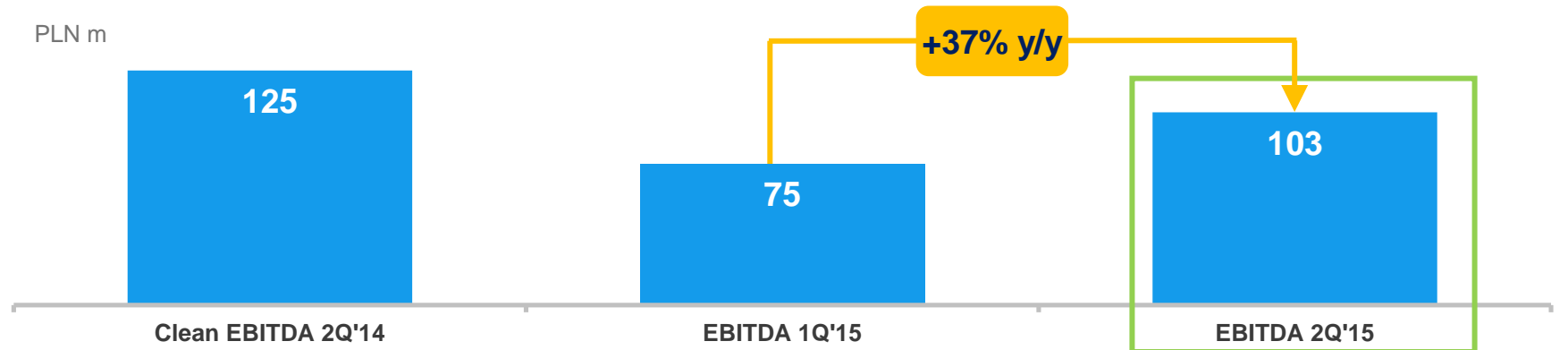
Quarterly sales split by products and countries



Overall total 2Q 2015 sales exceeded 1m boe, with stable performance q/q

Upstream quarterly clean EBITDA development

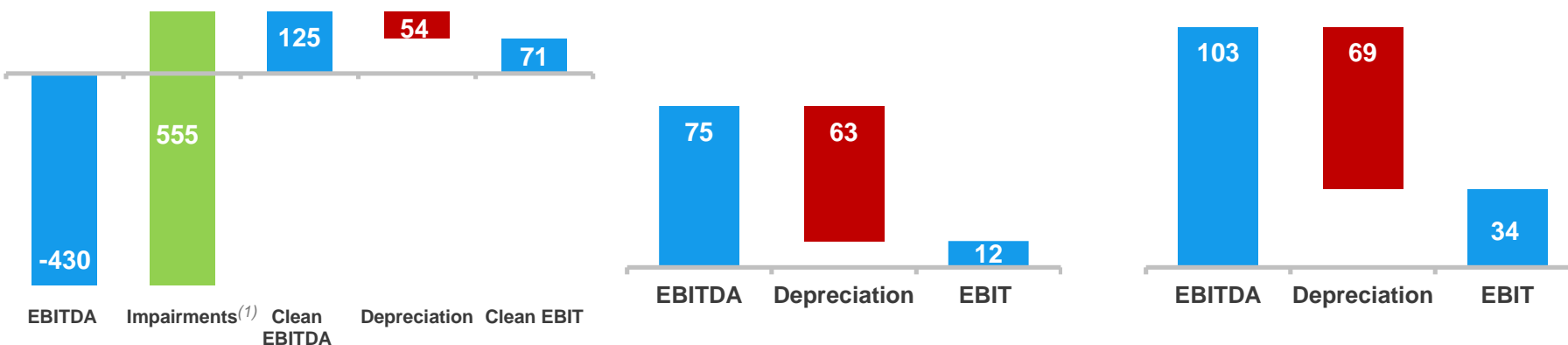
PLN m



2Q 2014

1Q 2015

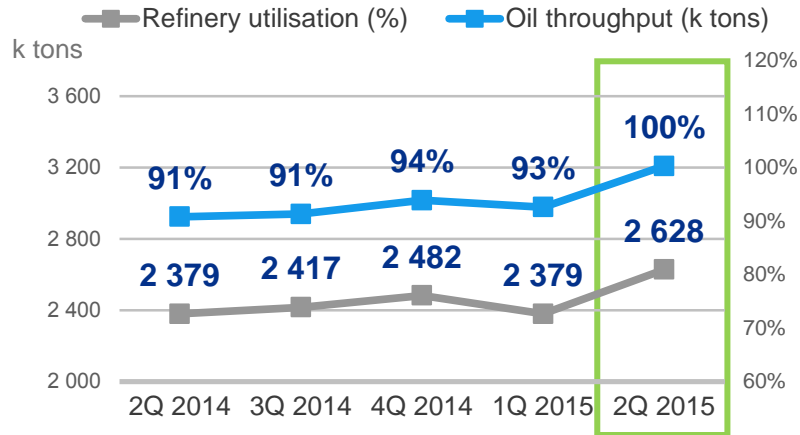
2Q 2015



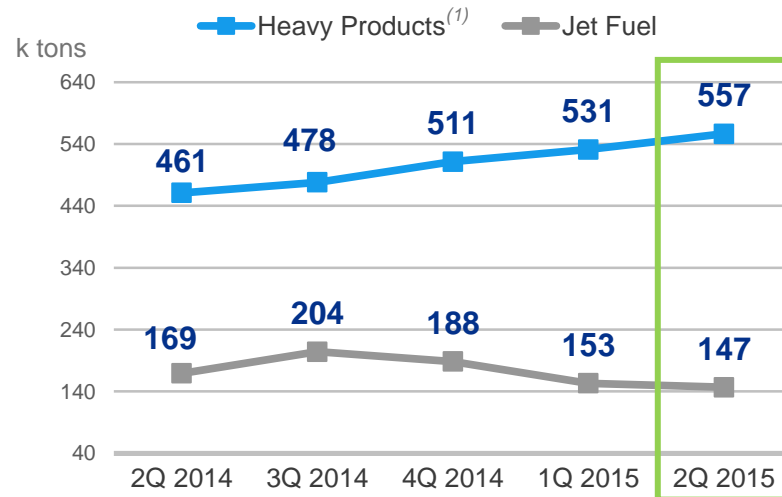
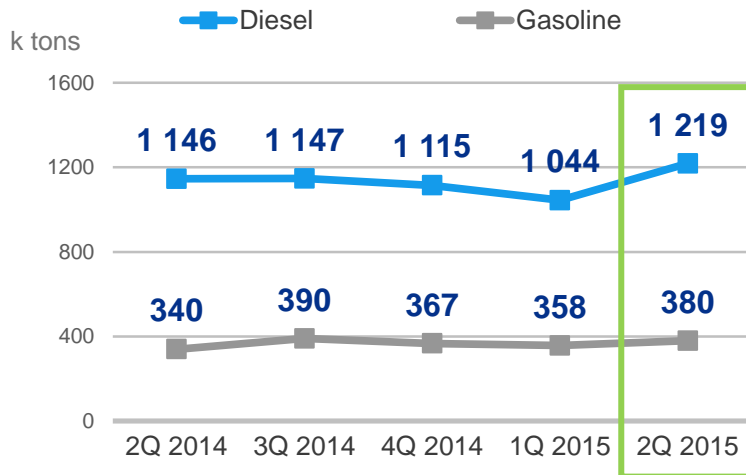
Clean EBITDA at PLN 103m, up 37% q/q

Downstream

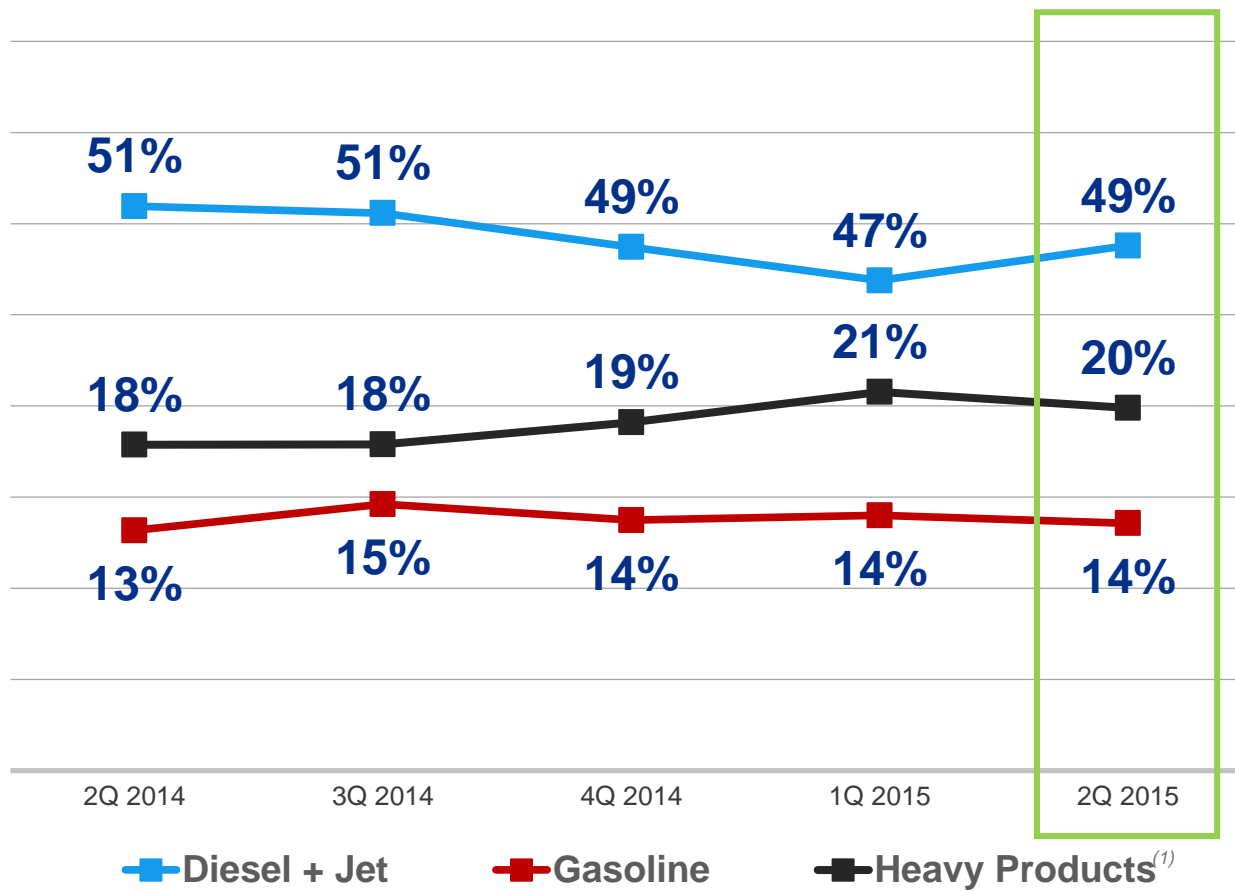
Refinery production - volumes of key products, oil throughput and utilisation rate



Oil throughput at 2 628 k tons, with capacity utilisation rate 100%



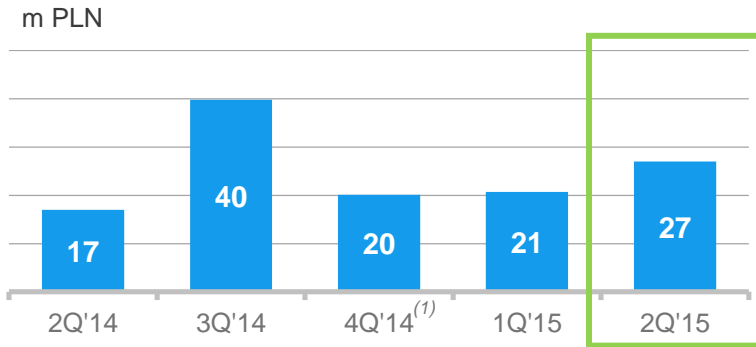
Share of key products in the overall refinery throughput



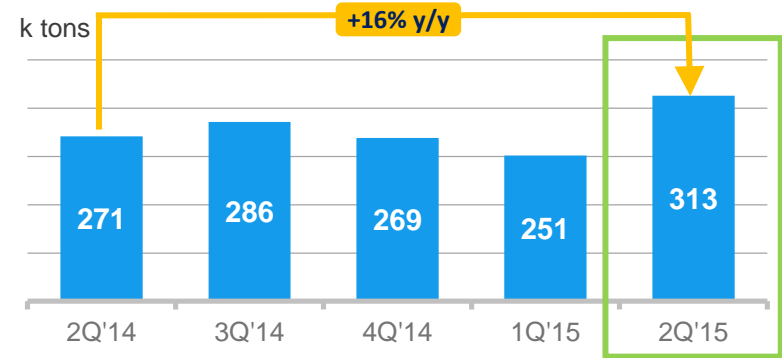
(1) Heavy Sulfur Fuel Oil + Bitumens

Retail performance and market share evolution

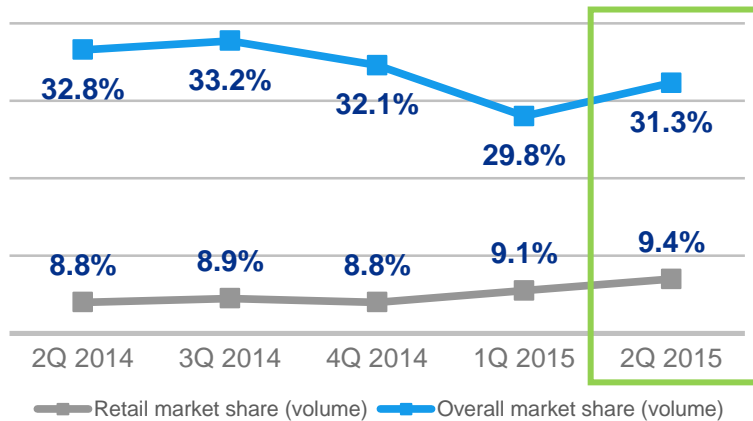
Quarterly retail EBITDA



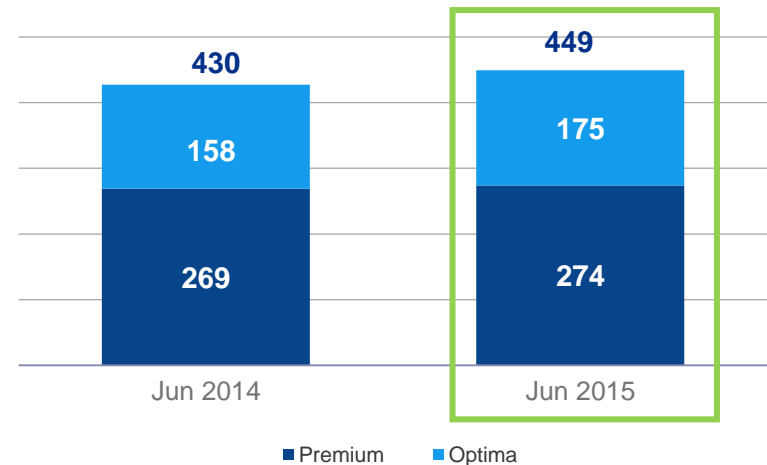
Quarterly retail sales volumes



Market share (volume)



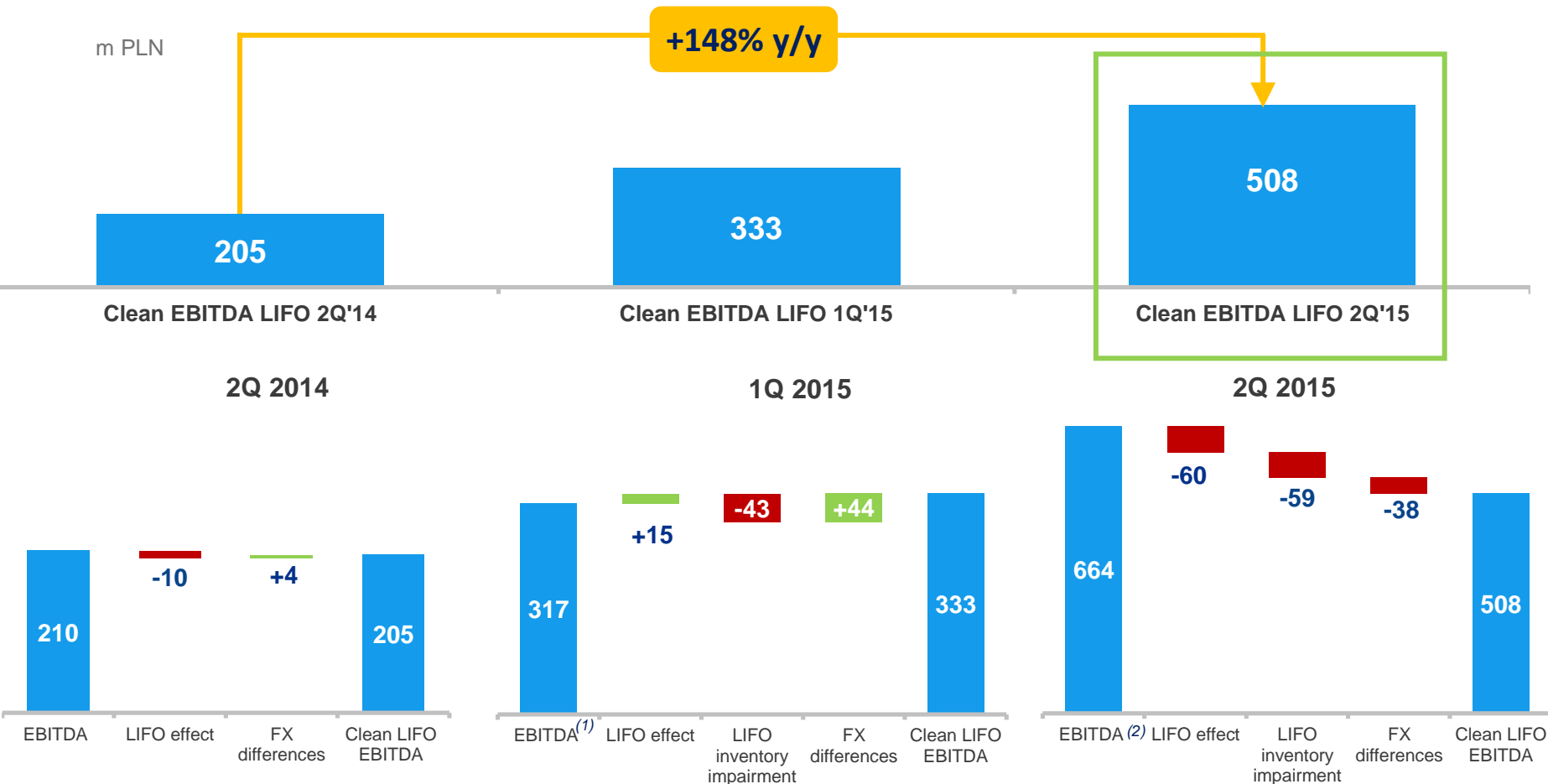
Petrol station network (no. of units)



Downstream segment quarterly clean EBITDA LIFO

m PLN

+148% y/y

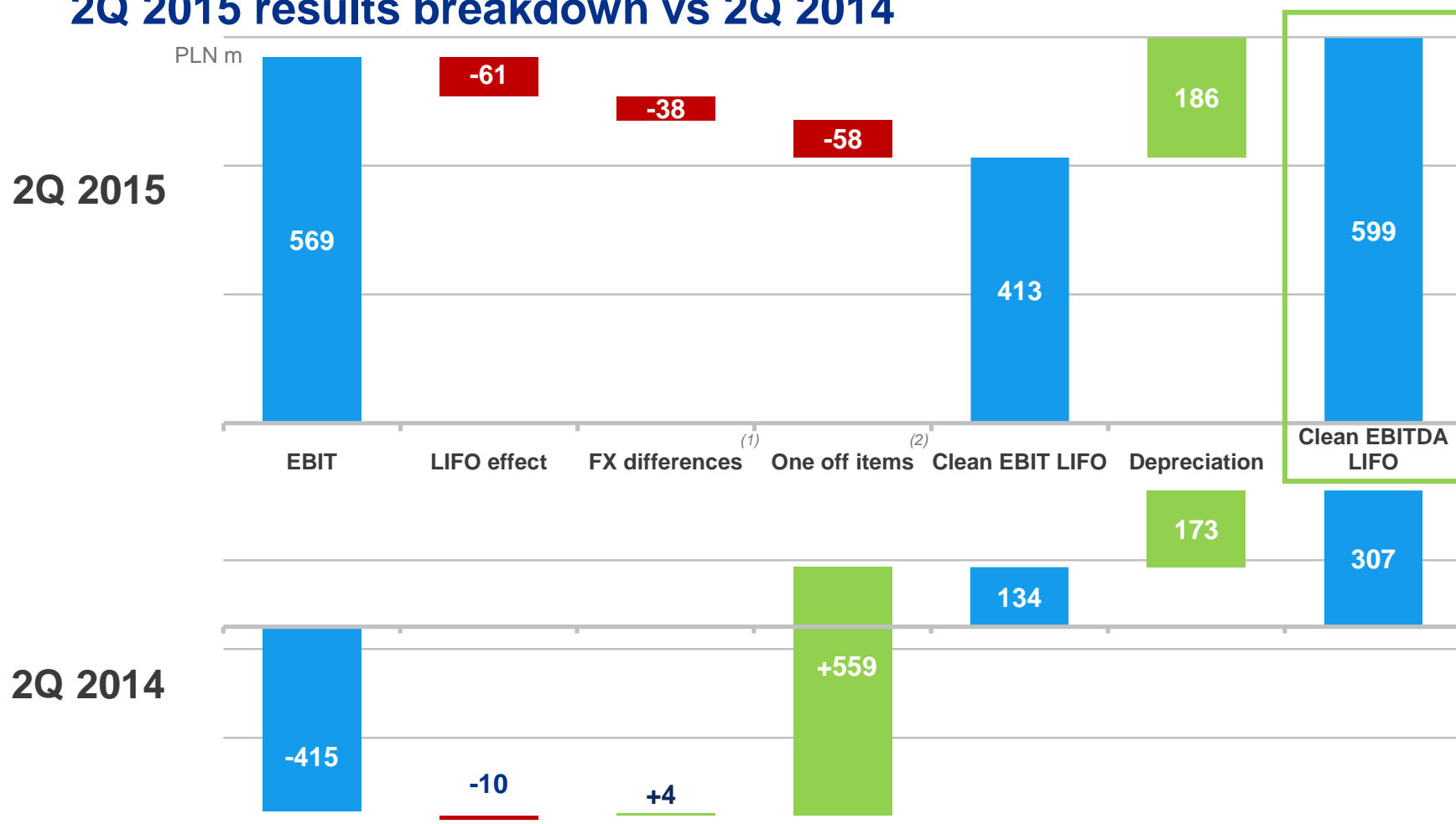


Clean EBITDA at PLN 508m, up 148% y/y.

Consolidated financial results



2Q 2015 results breakdown vs 2Q 2014



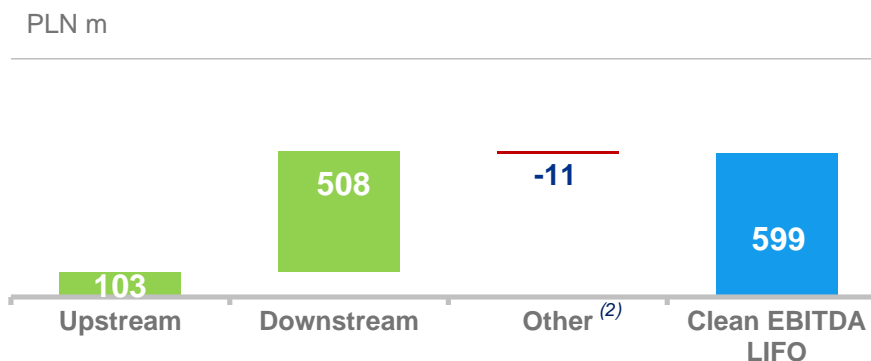
(1) Operational foreign exchange rate differences included in the cost of sales

(2) 2Q 2015 : effect of inventory impairment from 4Q 2014

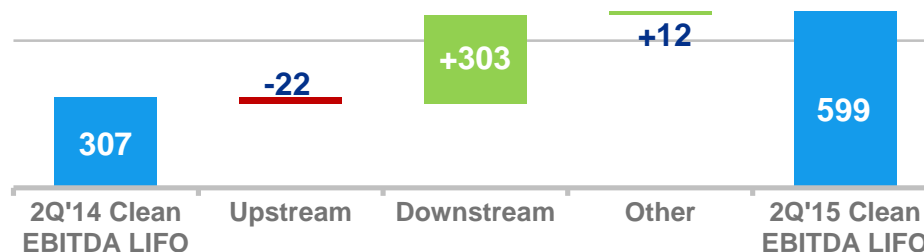
2Q 2014 : YME write off standing for almost 100% of the amount

Quarterly clean EBITDA LIFO⁽¹⁾ by segments

2Q 2015 segment results



Changes to segment results⁽³⁾

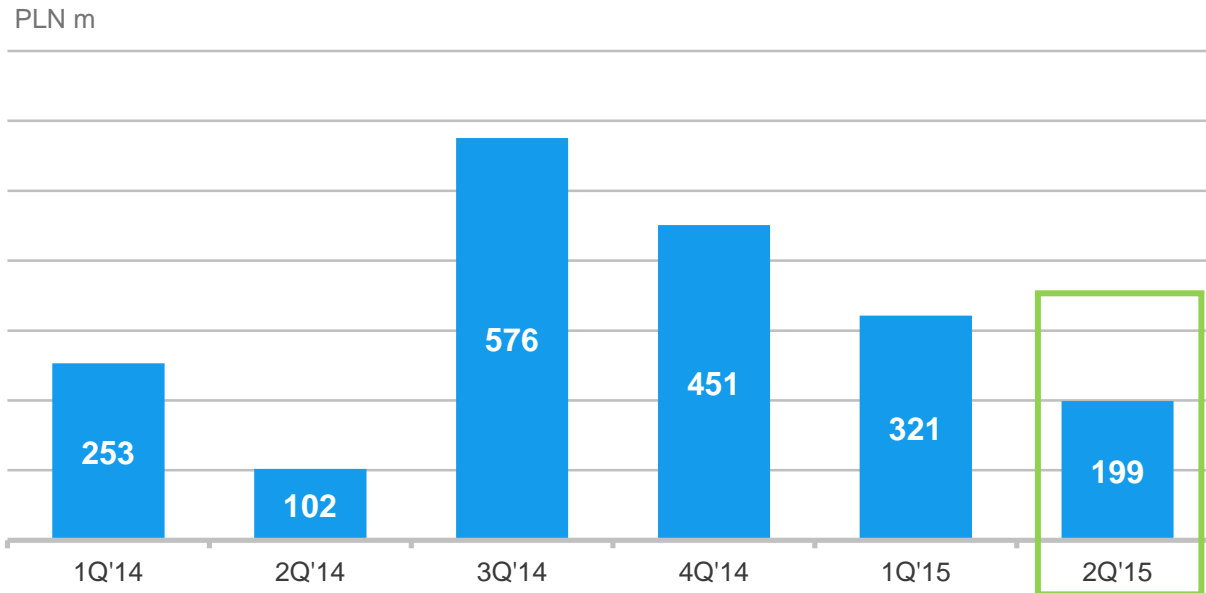


(1) All figures excluding one – off non cash items & FX operational differences . Figures may not add up due to rounding

(2) Other = consolidation adjustments + segment Other

(3) Respective blocks represent changes within each business segment between 2Q 2014 and 2Q 2015

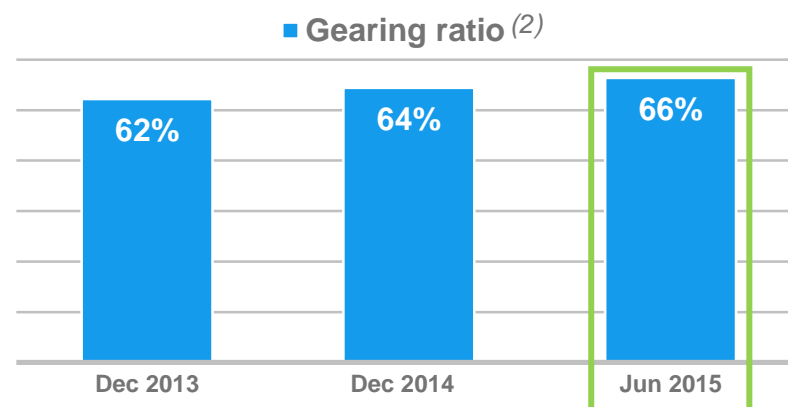
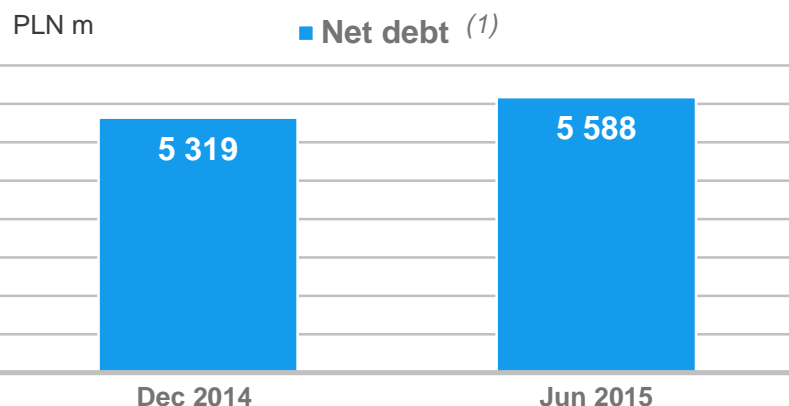
Quarterly operating cash flow



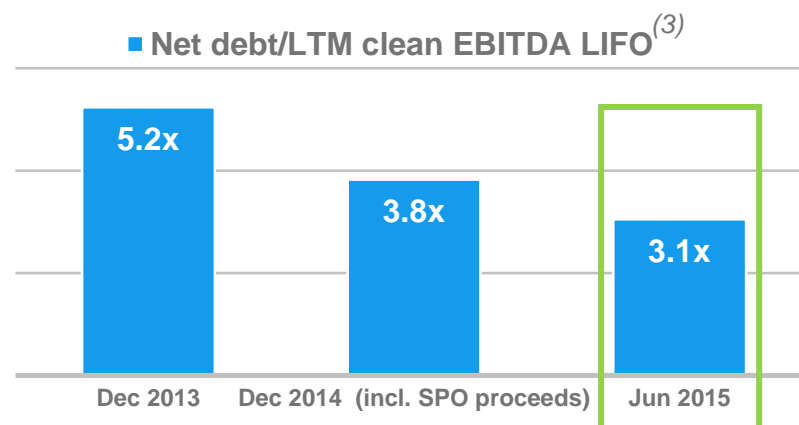
There were two elements influencing the net position of the operating cash flow in 2Q 2015 :

- The increase of inventories caused by the investment in the crude oil reserves, acquired to benefit from the favourable situation on the commodity derivative market
- The increase of payables due to the extension of VAT payment period (different approach to VAT settlement after receiving AEO Certificate – Authorised Economic Operator)

Indebtedness



- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds
- The current gearing ratio at a slightly higher level, mainly due to the stronger USD vs PLN (+25gr vs Dec 2014)



(1) Net debt includes proceeds from the capital increase completed in January 2015

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

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



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