



# **LOTOS Group Consolidated Financial Results**

**1<sup>st</sup> Quarter 2014**

**Management Board of Grupa LOTOS S.A.**

**29 April 2014**

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## Key highlights Q1 2014

### Upstream

- First full quarter of oil & gas production on Norwegian Continental Shelf
- Further expansion of E&P assets portfolio - two exploration licenses on the North Sea acquired in Norwegian APA 2013 licensing round

### Trade

- Growing both overall fuel market share in Poland at the level of 33.7% (+1.7 pp yoy) and retail market share at 9.2% (+0.8pp yoy)

### Retail

- EBITDA of 18m PLN (+24m y/y), EBIT of 3m PLN

### Financial results

- Strong contribution of reported upstream EBITDA to the overall result - at the level of 66%, out of the total consolidated EBITDA for Q1 2014



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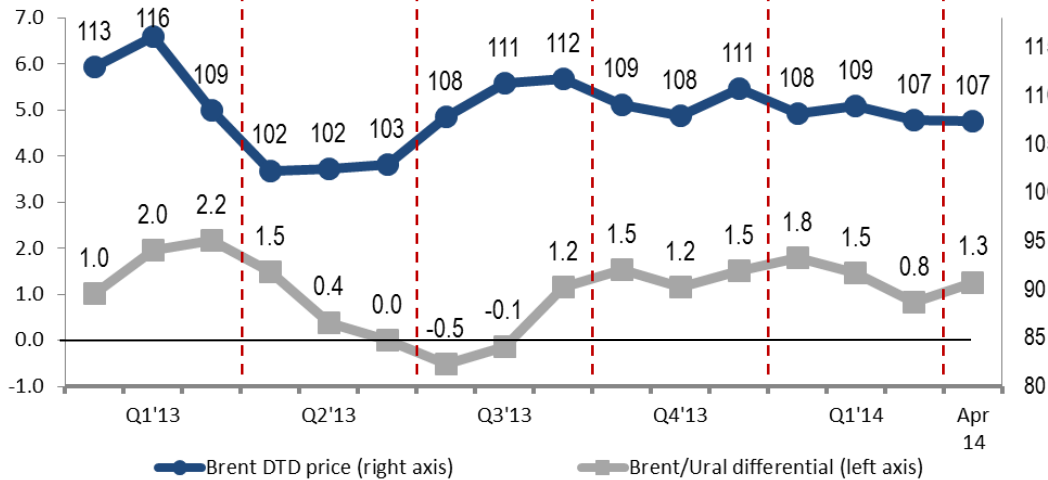
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# External environment

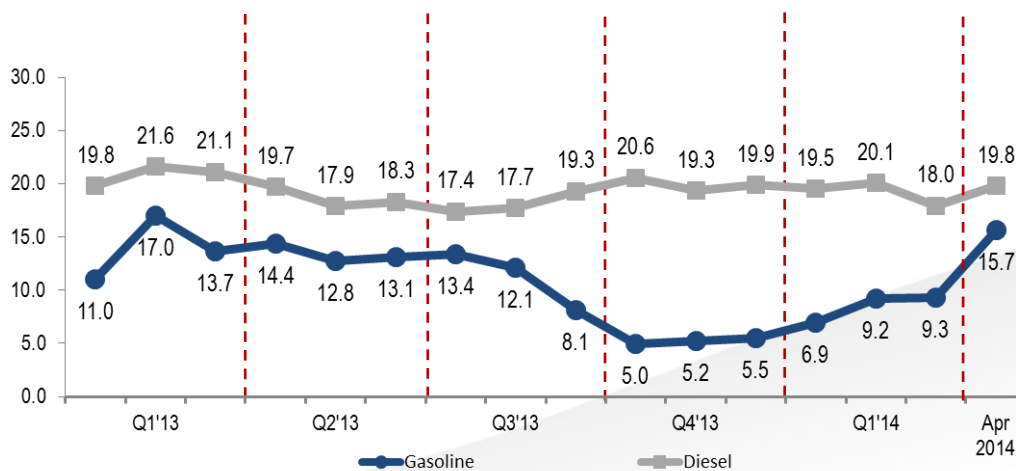
## Crude oil, Brent/Ural spread, fuel cracks

Brent oil (USD) & Brent/Ural spread (USD/bbl)



- Brent oil price slightly lower comparing with the previous quarter
- Brent/Ural differential for the second quarter above 1 USD – average 1.37 USD/bbl for the quarter

Gasoline & Diesel fuel cracks (USD/bbl)



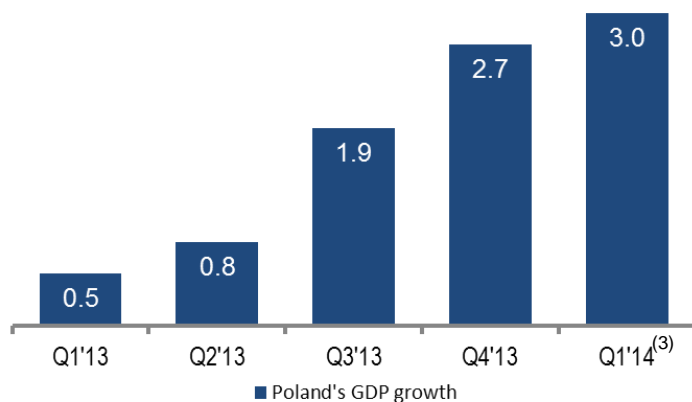
- Diesel cracks fairly stable q/q
- Slight improvement of gasoline cracks q/q
- Visible improvement of the gasoline crack in April 2014

Source: Based on Thomson Reuters data.  
Fuel cracks including Brent/Ural spread

# External environment

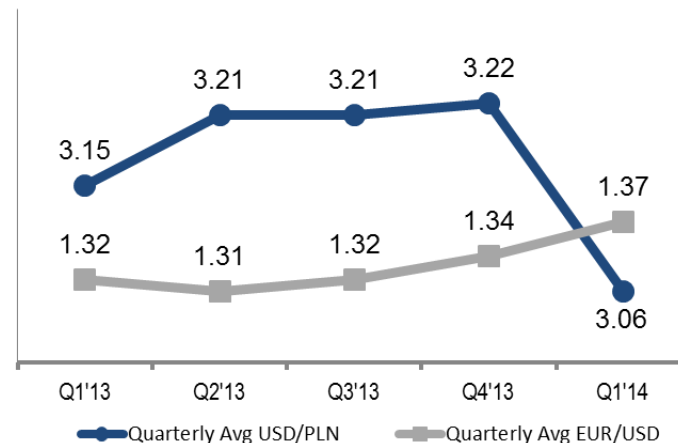
## GDP growth, FX rates

Polish GDP growth (% increase y/y) <sup>(1)</sup>



- According to the latest forecast Polish quarterly GDP growth should exceed 3%, still fuel consumption is well below expected dynamics

FX average quarterly rates<sup>(2)</sup>



- EUR slightly appreciating vs USD q/q
- Polish zloty stronger against the USD in Q1'14

(1) Source: National Statistics Bureau (GUS)

(2) Source: NBP (Central Bank of Poland)

(3) Forecast of NBP

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# Upstream

## First quarter of Heimdal production in place

Heimdal features and plan to extend the life of the platform

- Heimdal: PDQ<sup>(1)</sup> for satellite fields
- One of the key gas hubs in Norway c.a. **15 - 20%** of total Norway export capacity
- Gas processing capacity c.a. **13-14m m<sup>3</sup>/day**; condensate c.a. **7-8k tons/day**
- Project HELP<sup>(2)</sup> (currently under implementation) aims to upgrade the hub in order to extend its operation for additional 20 years

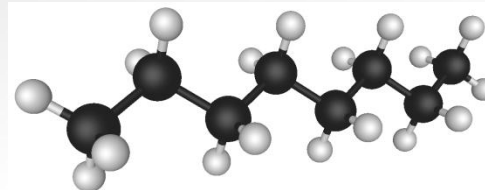
Depth of the drillings

- On the **production** fields respectively:
  - Skirne  **2 370m**
  - Vale  **3 700m**
  - Atla  **2 700m**
- On the **exploration** field in Q1 2014:
  - Trell  **2 240m**



Characteristics of the produced hydrocarbons

- Produced **condensate** composed mainly of light fractions, density c.a. **750 kg/m<sup>3</sup>**
- The heating value of **gas** c.a. **40 MJ/m<sup>3</sup>**

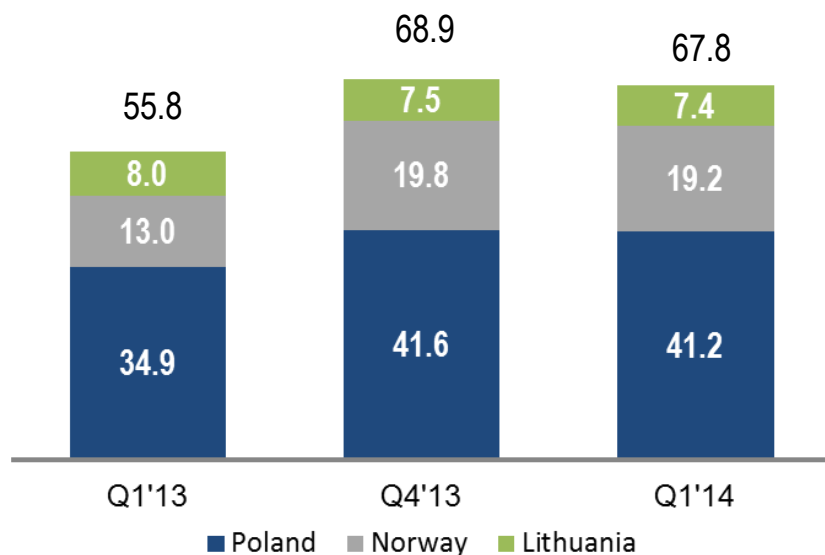


(1) Process, Drilling, Quarter  
 (2) Heimdal Extension Life Program

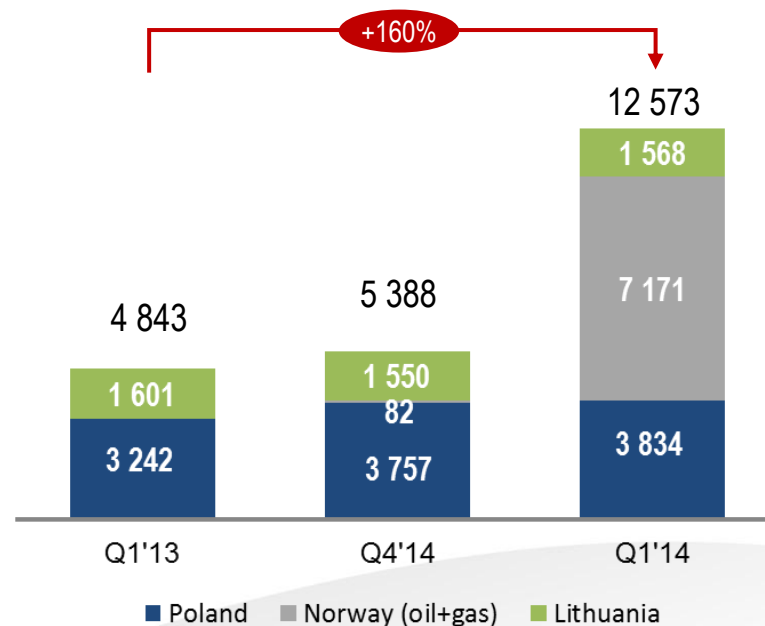


# Upstream Hydrocarbons reserves and production figures

2P hydrocarbon reserves (gas + oil) (mln boe eop)

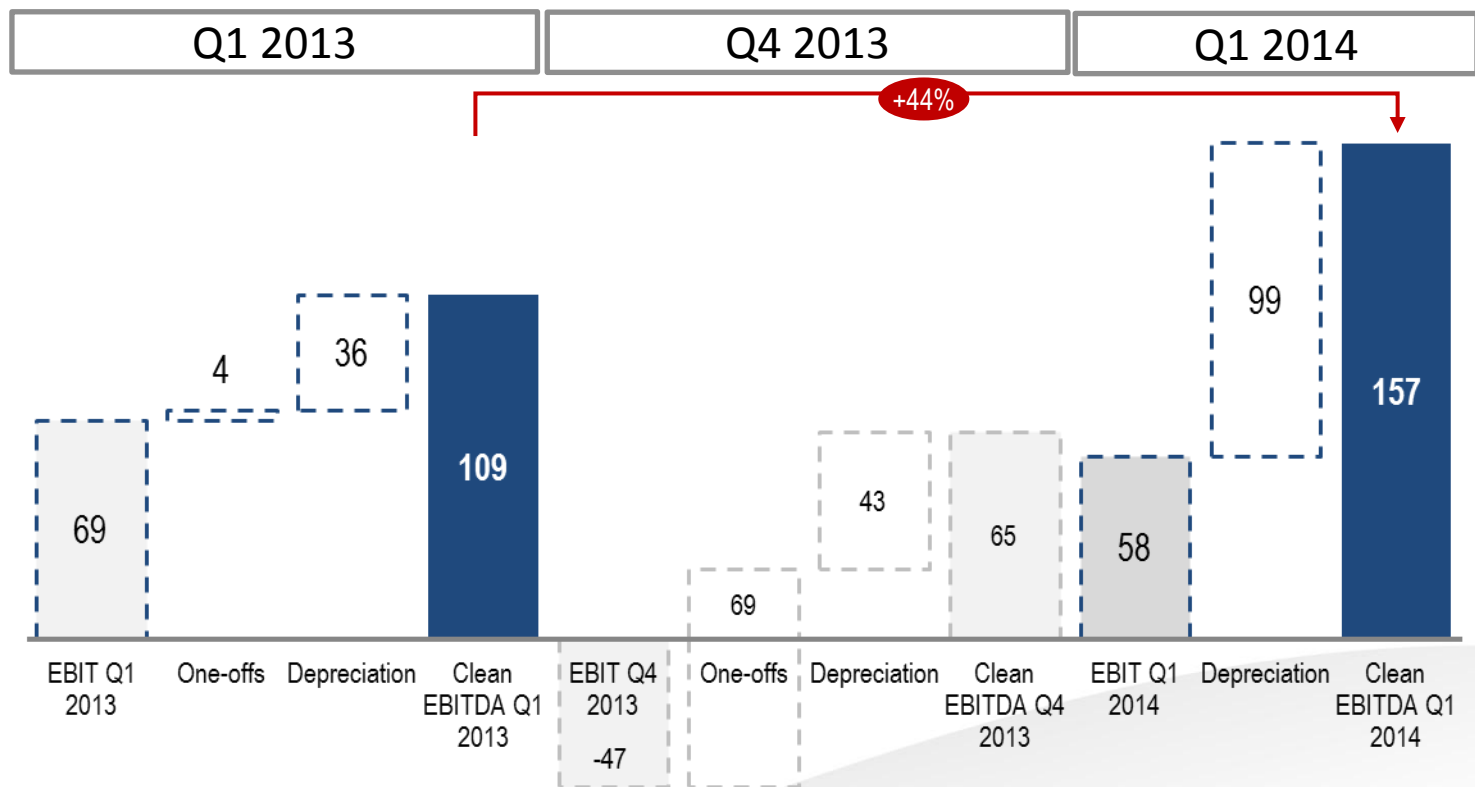


Average daily hydrocarbons production (boe/d)



■ Quarterly production figures including first full quarter of Norwegian production from the Heimdal assets package



# Upstream Quarterly EBITDA and EBIT dynamics



- Clean EBITDA comparison showing a 44% increase y/y, clearly following the impact of Heimdal assets production
- Increased level of depreciation as a result of higher than expected depreciation from LOTOS Norge

## Upstream Current exploration plans

Oil discovery + APA awards in Norway

- New oil discovery on the Trell license (part of the Heimdal package) – level of 2P reserves to be confirmed
- Awarded new exploration licenses in the January Awards in Pre-defined Areas (APA) 2013 (both cases as an operator):
  - 503C  **25% stake** (partners: Edison International, North Energy, Lime Petroleum and Skagen44)
  - 498B  **25% stake** (partners: Edison International, North Energy, Lime Petroleum and Skagen44)



Leveraging on the newly acquired offshore jack-up rig – „LOTOS Petrobaltic”

- Acquired from Transocean<sup>(1)</sup>, capable to perform drillings at **350ft deep (105m)**, with possible extension to **400 ft (120m)**
- Exploratory wells to be drilled in Q2'14 scheduled for B27 („Gotlandia”) and B21 („Gaz Południe”) licenses



Other

- B4&B6 gas fields – expected in 2014: closing of the „Concept Select” phase, engineering project (FEED) and investment decision (FID)
- Data processing from exploration licenses – Łeba, Rozewie, Sambia W, Sambia E



(1) Transocean Offshore Gulf of Guinea Ltd

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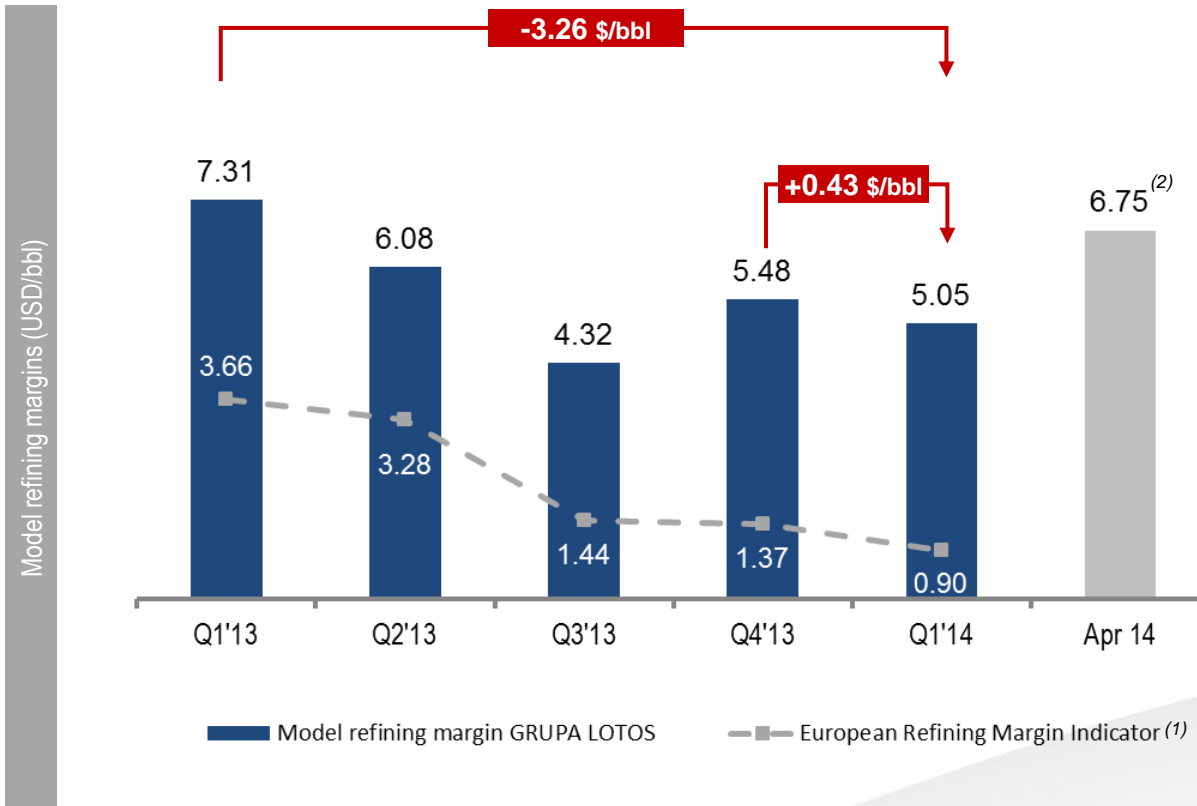
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# Downstream Grupa LOTOS model refining margin



(1) Source: Total; European Refining Margin Indicator (ERMI) - 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.

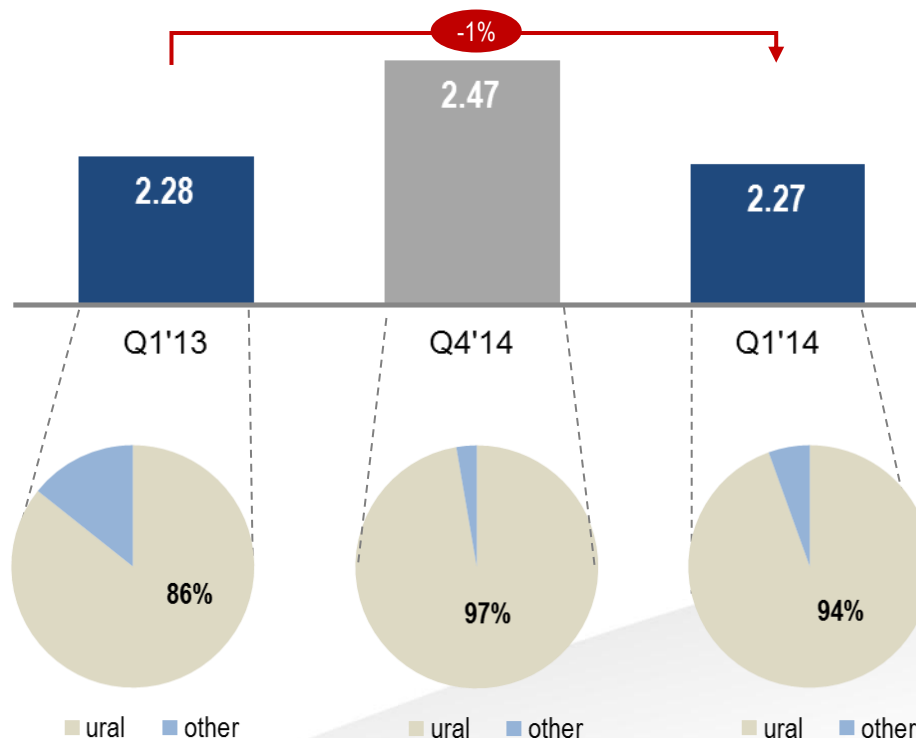
(2) Until 28.04.2014

■ Model refining margin slightly slightly down q/q

■ Grupa LOTOS model refining margin substantially higher vs European benchmark

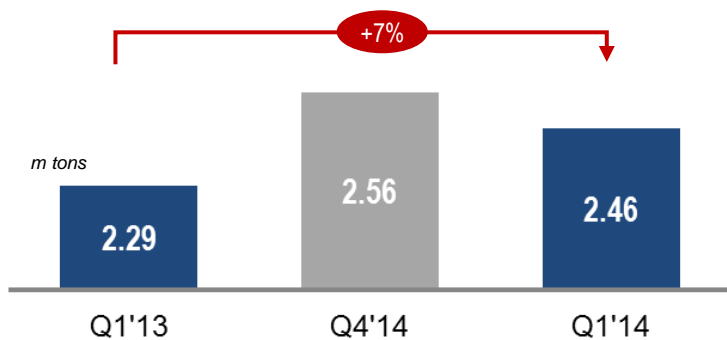
# Downstream Refinery throughput and feedstock structure

Quarterly oil throughput (m tons)

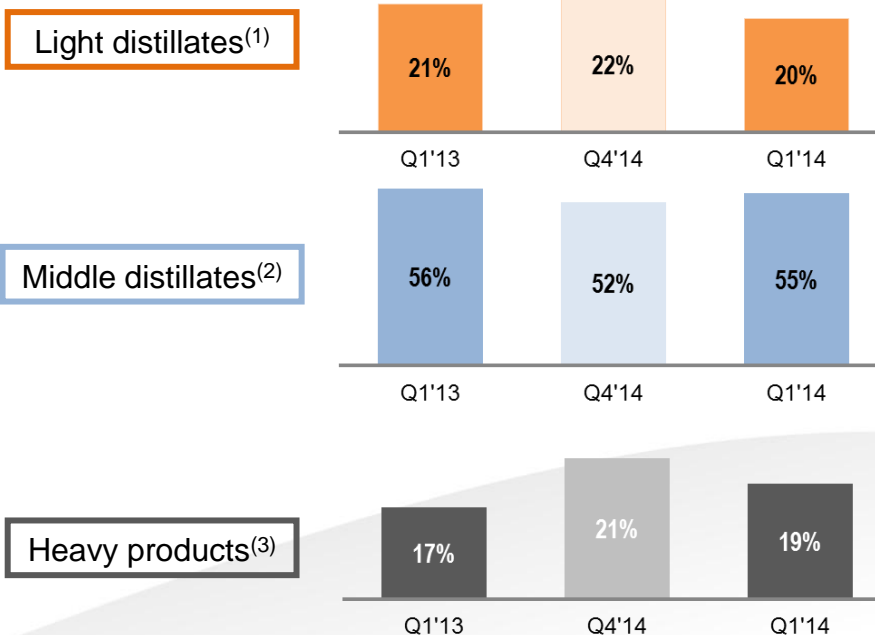


# Downstream Sales volumes and share of key products

Quarterly sales volumes



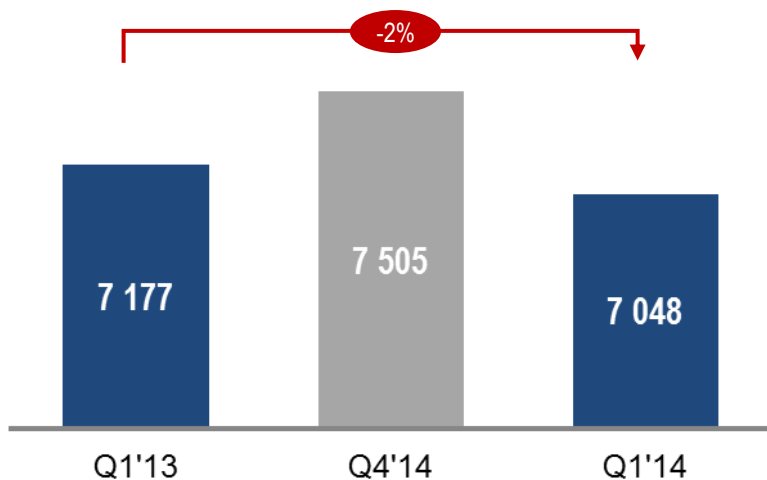
Share of key product groups (% of total sales volume)<sup>(4)</sup>



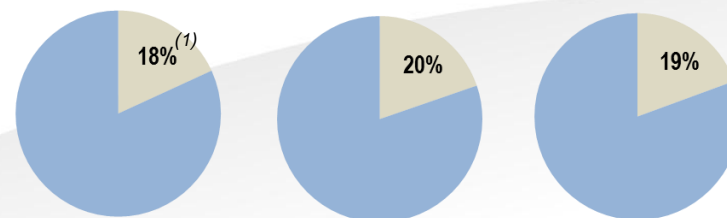
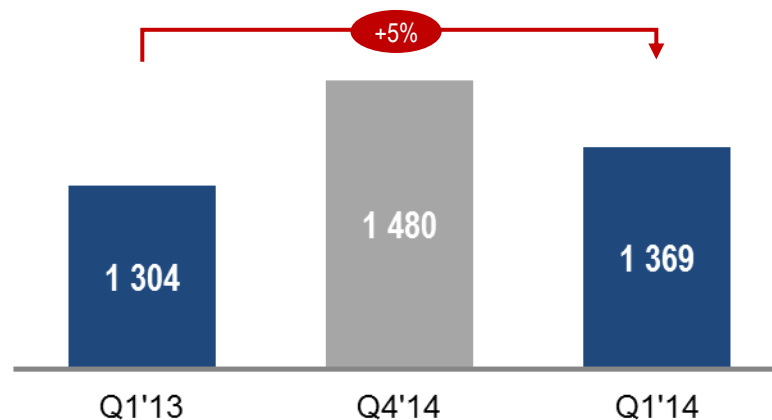
(1) Gasoline, Naphtha, LPG  
 (2) Diesel, Jet, LHO  
 (3) HSFO, Bitumens, Bunker fuel  
 (4) Percentages intentionally do not sum up to 100%

# Downstream Segment sales revenues

Quarterly consolidated sales (m PLN)



Out of which: retail sales (m PLN)

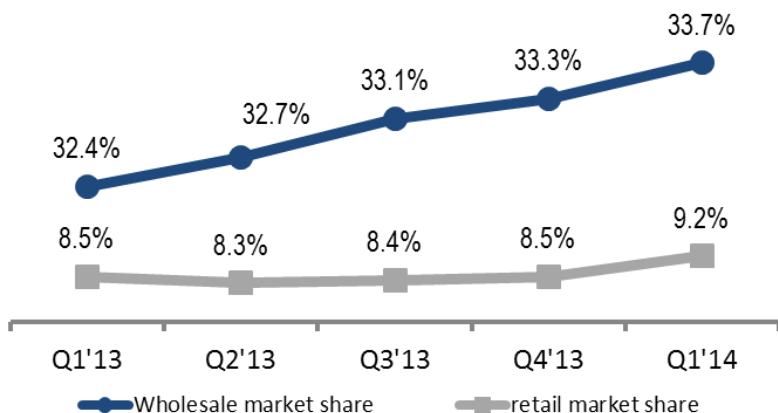


(1) Retail sales share in total downstream sales

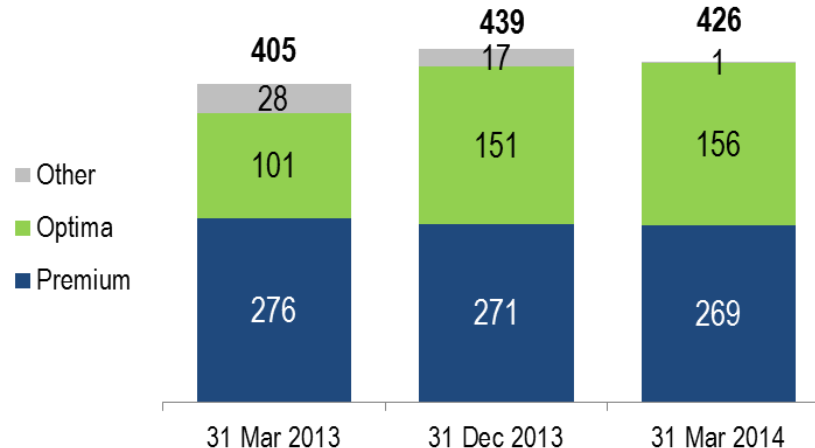


# Downstream Market share evolution and petrol station network

Market share development

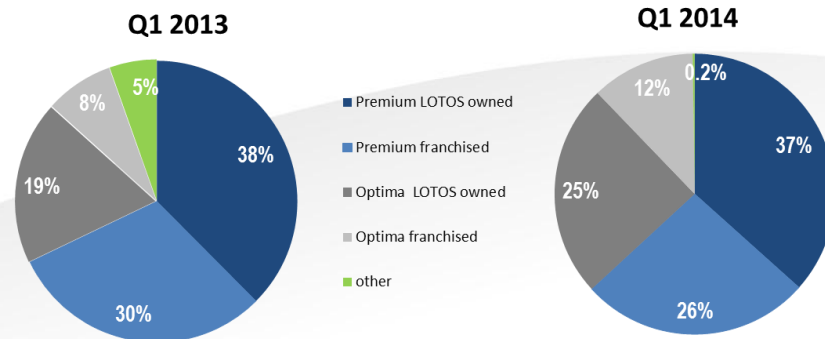


Petrol station network development (No. of units)

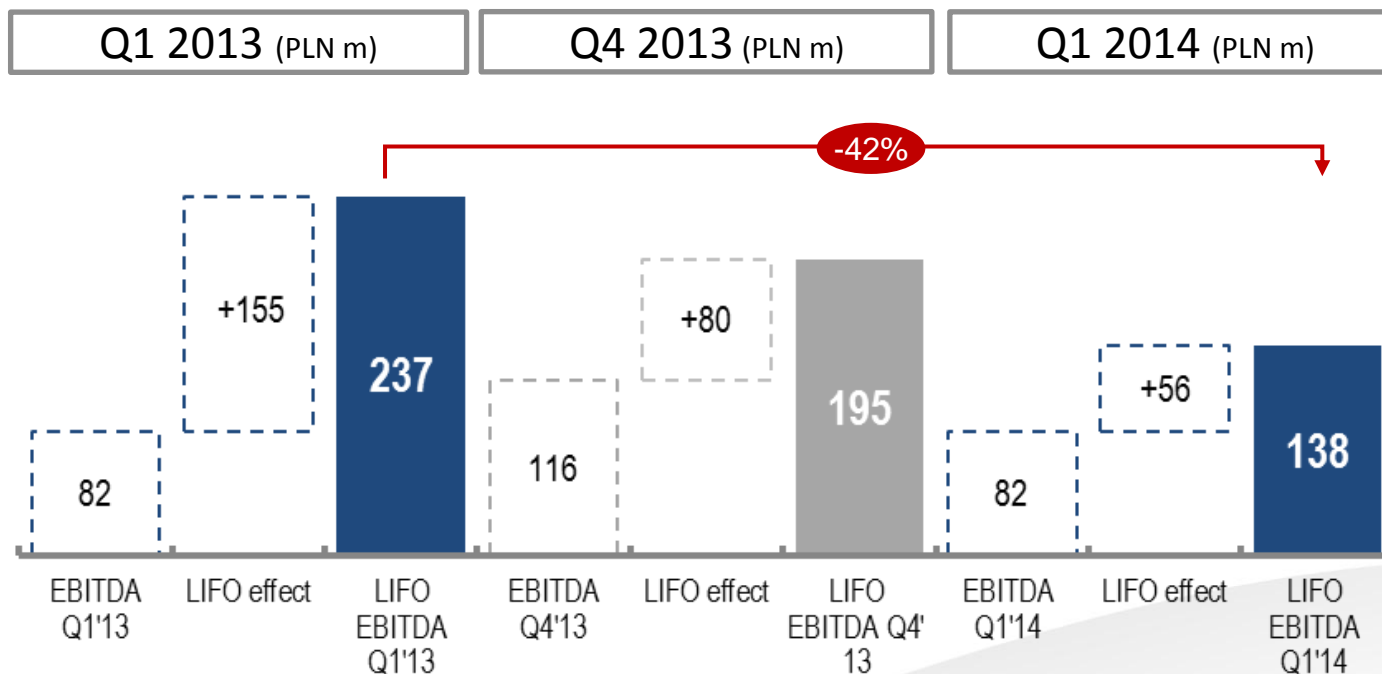


- Retail market share on steadily growing curve, exceeding 9.2%
- Overall decrease of the number of petrol stations, with an improvement structure (further reduction of the DODO stations)

Ownership structure of petrol station network



# Downstream LIFO EBITDA development



- LIFO EBITDA in Q1 2014 below Q1 2013 due to lower margins for key refining products
- Q1 2014 worse than Q4 2013 due to seasonal factors (higher share of HSFO in the overall product slate)

# Downstream

## Further steps in execution of the DCU project

### DCU project key upsides

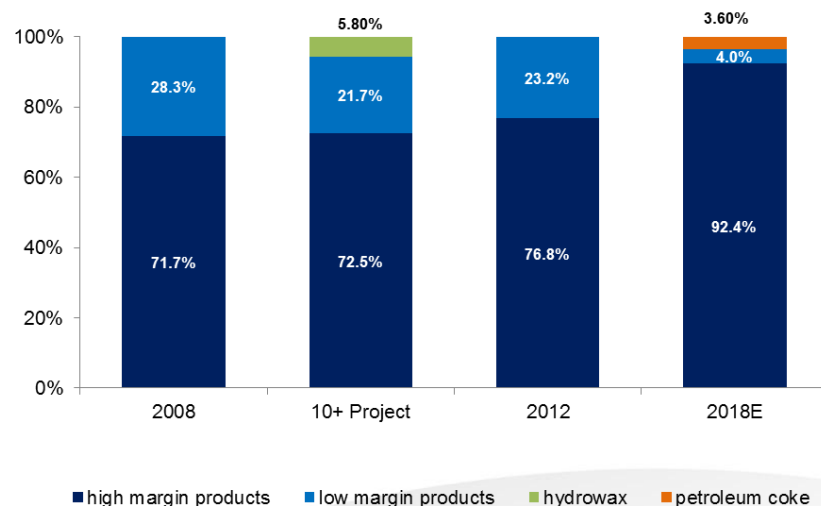
- Enables **full conversion** of crude oil heavy residue
- Ensures flexible adjustment to current market conditions by switching between **two options** of heavy residue processing:
  - production of fuels using DCU
  - production of bitumens

### Status of the project

- Key investor for project: **LOTOS Asphalt** - subsidiary experienced in heavy residue processing and trading
- Detailed bankable Project structure in preparation

### Next steps

- Preparation and issuance of Project Information Package to prospective lenders
- Selection and negotiations of **EPC contracts**
- DCU project **financing closure** scheduled for Q4'14



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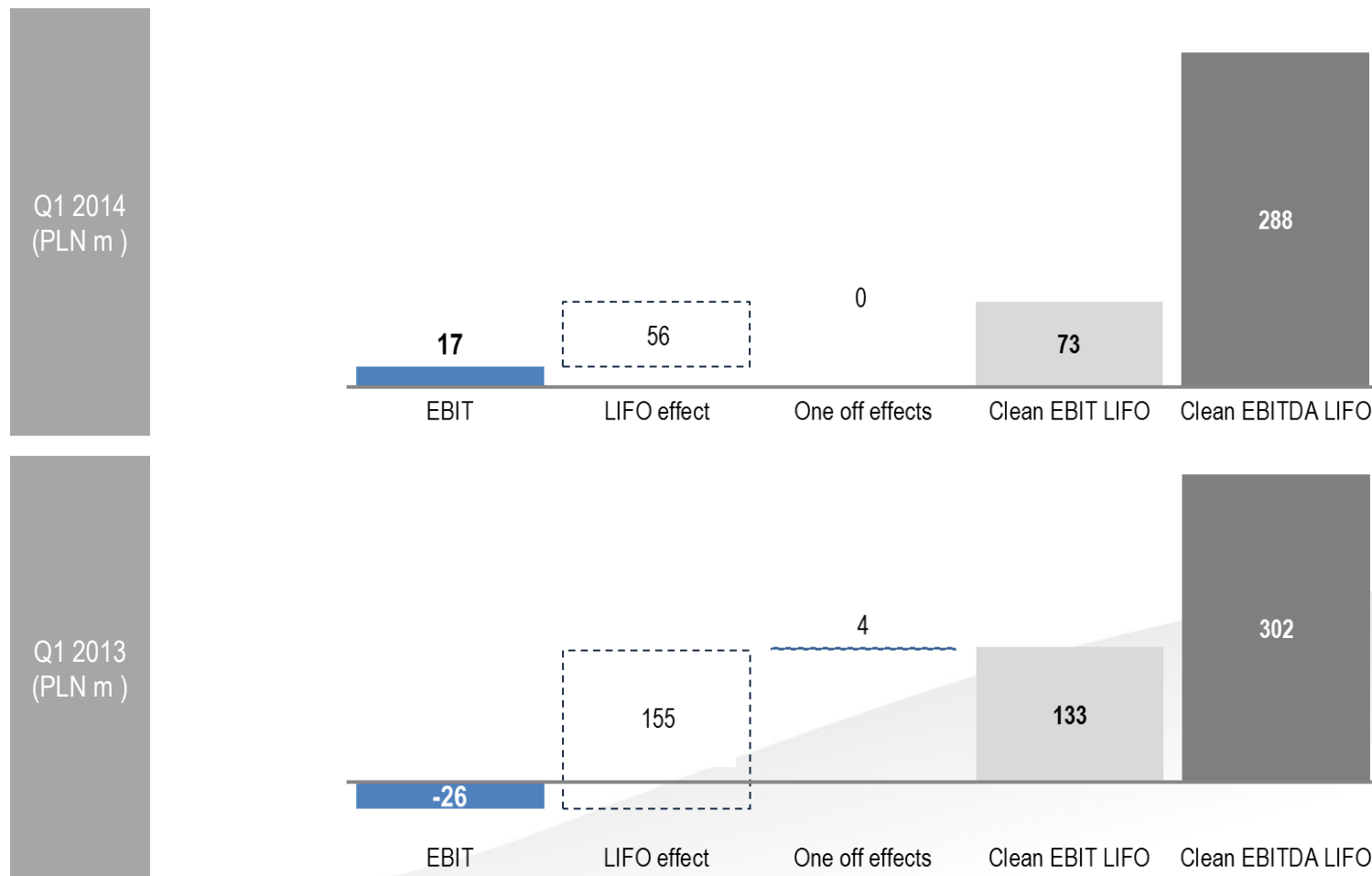
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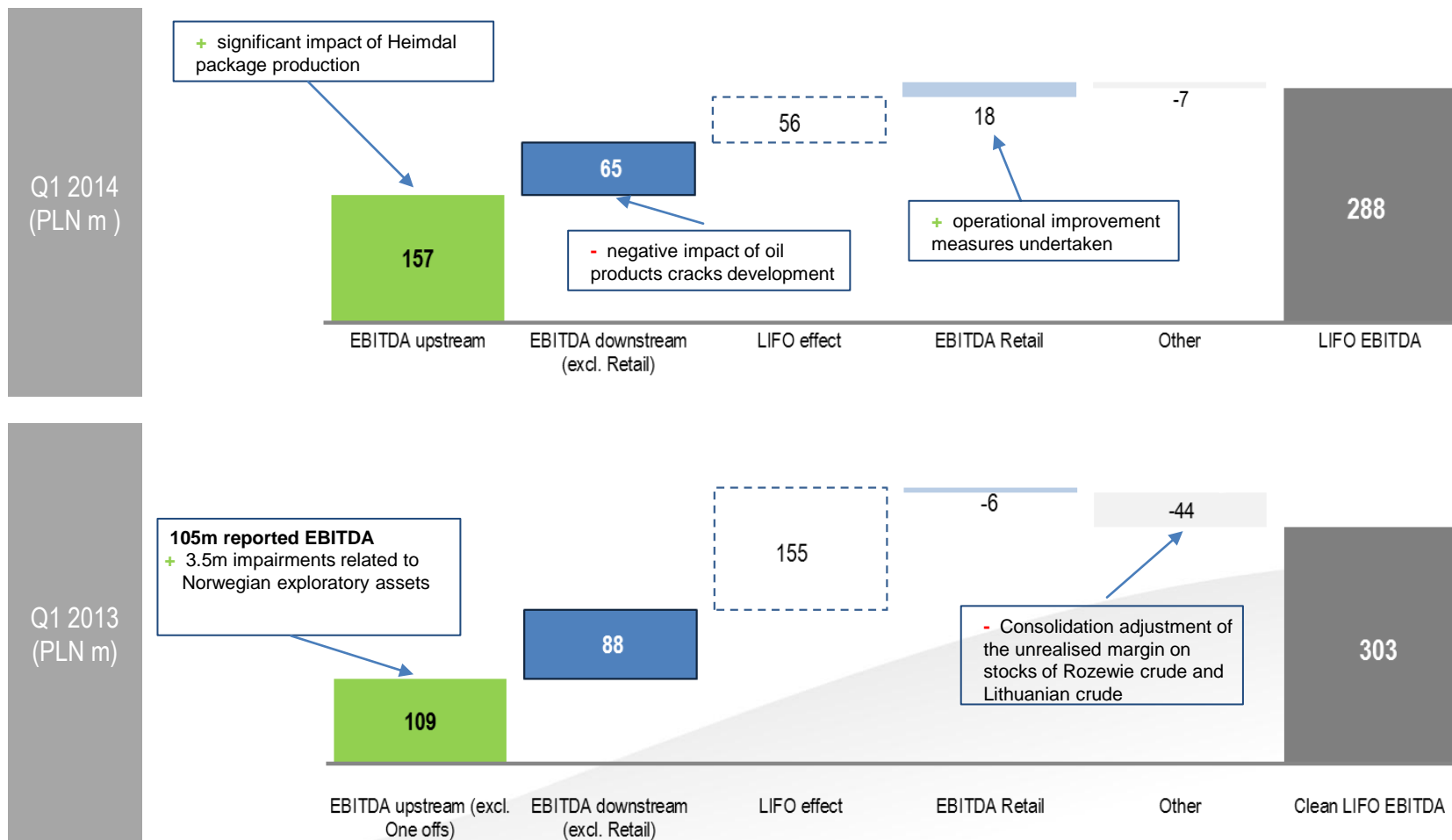
# Consolidated financial results

## Q1 2014 results breakdown vs Q1 2013



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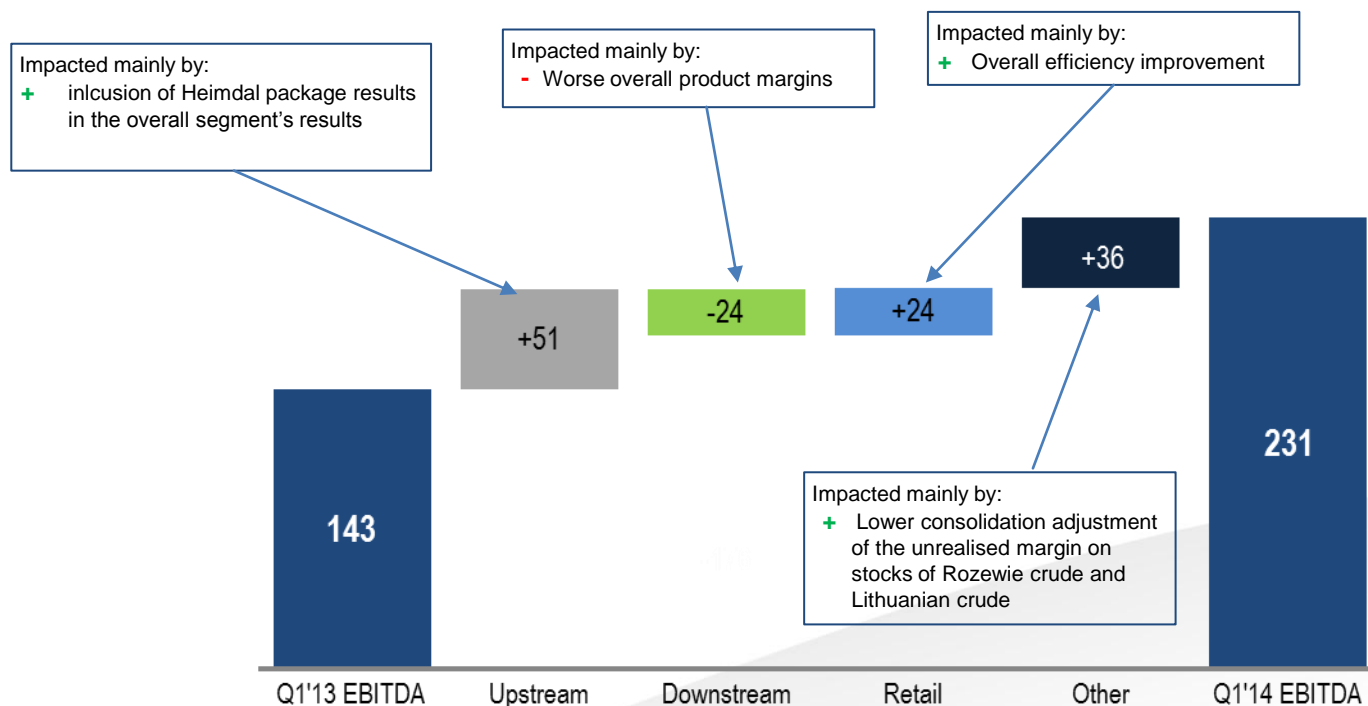
## Clean EBITDA breakdown



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## Changes in reported segment EBITDA results

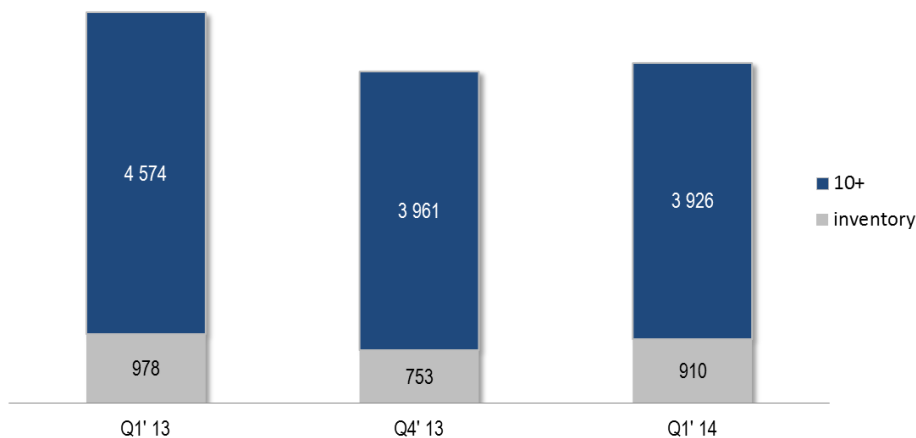
Quarterly view (m PLN)



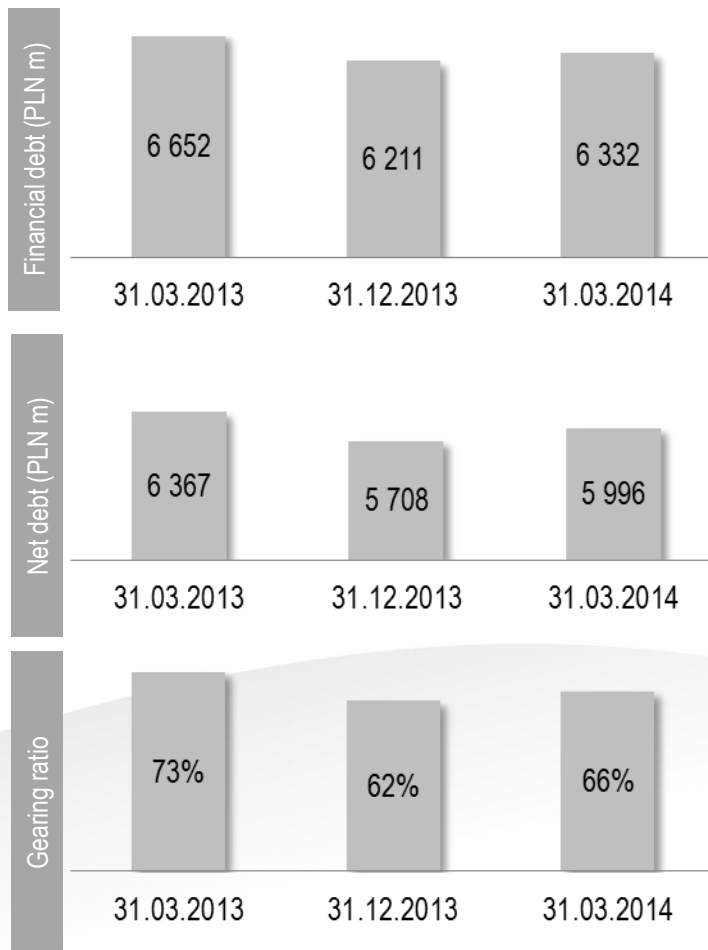
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## Debt and financing

10+ and inventory debt financing

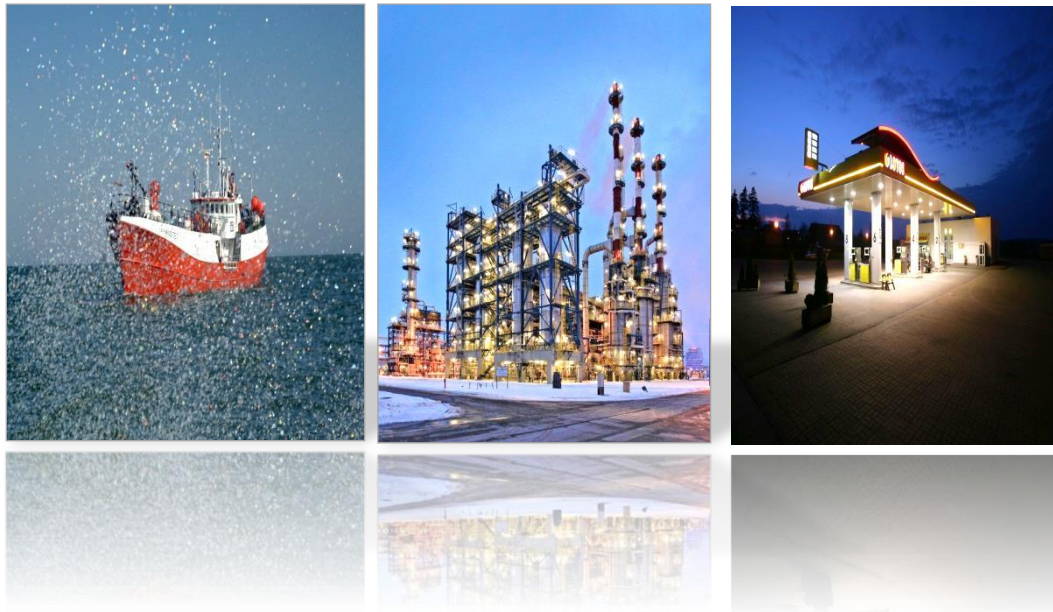


- Decreased gearing ratio at 66%
- Financial and net debt figures including loans, borrowings, leasing and bonds





# Thank You



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