



# LOTOS Group 3Q 2016 consolidated financial results

October 27, 2016



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# Key highlights

## Key Highlights 3Q 2016

PLN m	EBITDA reported	Clean <sup>(1)</sup> EBITDA LIFO	y/y % change Clean EBITDA LIFO
<b>Consolidated</b>	<b>670</b>	<b>641</b>	<b>+ 5%</b>
upstream	103	117	+29%
downstream	568	525	+1%

Operating cash flow

**1 177 m PLN (+108% y/y)**

Crude oil throughput

**2 716 k tons (+2.5% y/y)**

Upstream production<sup>(2)</sup>

**28 696 boe/d (+144% y/y)**

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

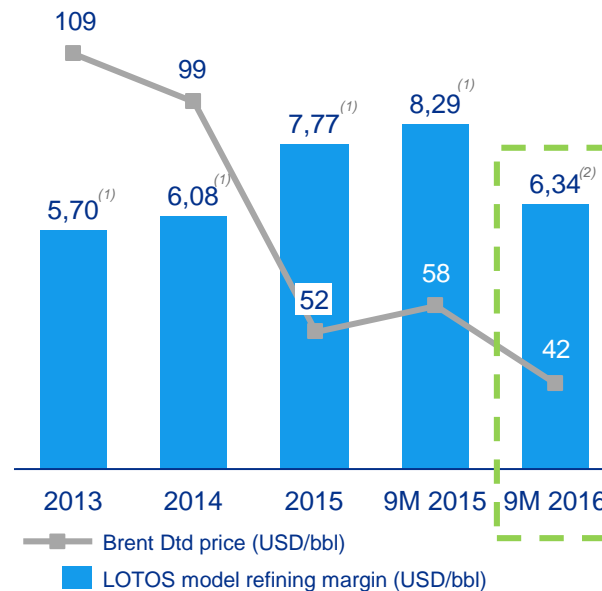
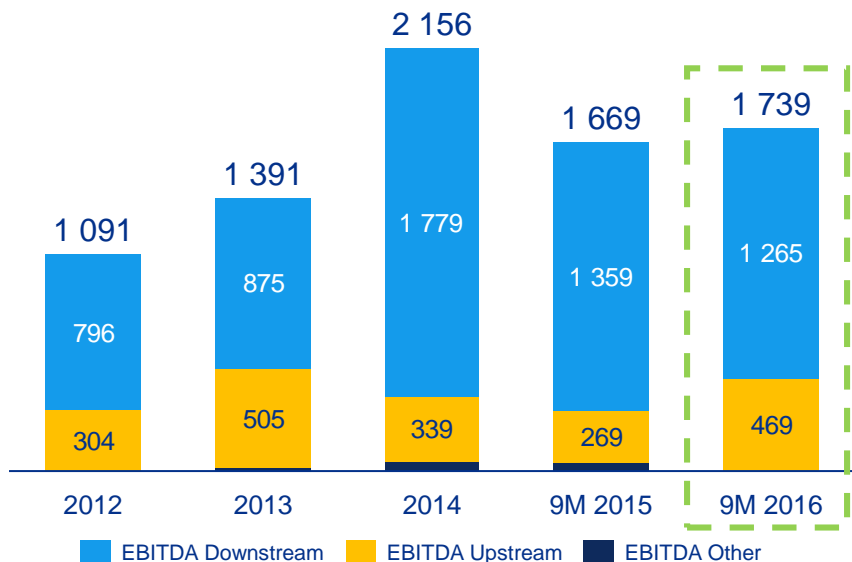
1) *Excluding one-off items*

2) *Calculated on the days of effective production*

## Key Highlights – Clean EBITDA LIFO and key macro factors

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

m PLN

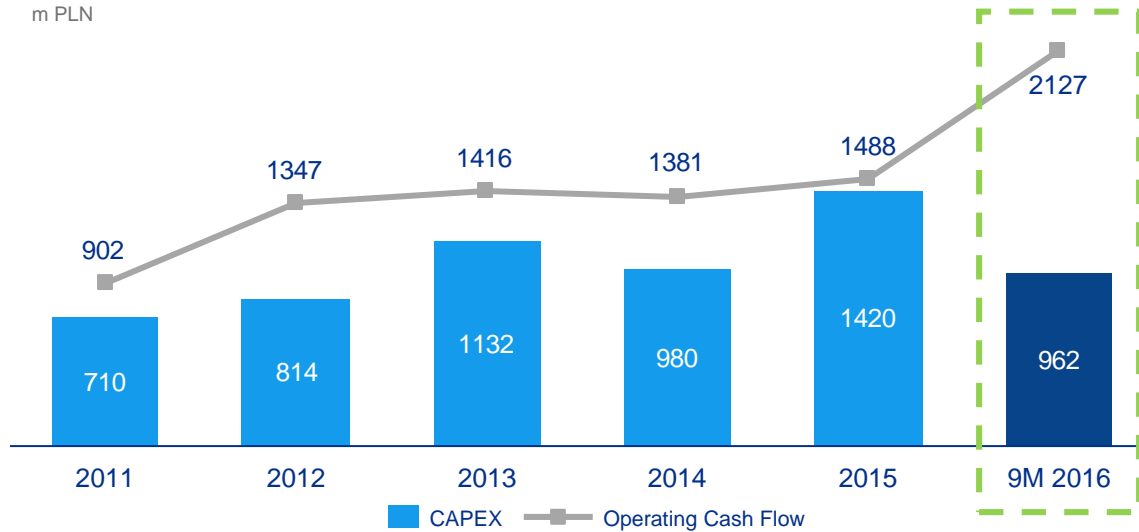


1) Model refining margin = 14.14% gasoline + 4.24% naphtha + 4.53% LPG + 49.57% diesel + 5.34% jet + 18.11% HSFO – Urals crude – natural gas consumption (3 USD/bbl)

2) Model refining margin = 14.14% gasoline + 4.24% naphtha + 4.53% LPG + 49.57% diesel + 5.34% jet + 18.11% HSFO – Urals crude – natural gas consumption (estimated cost basing on the gas index quoted on the Polish Power Exchange)

## Financial highlights – CAPEX vs Operating Cash Flow

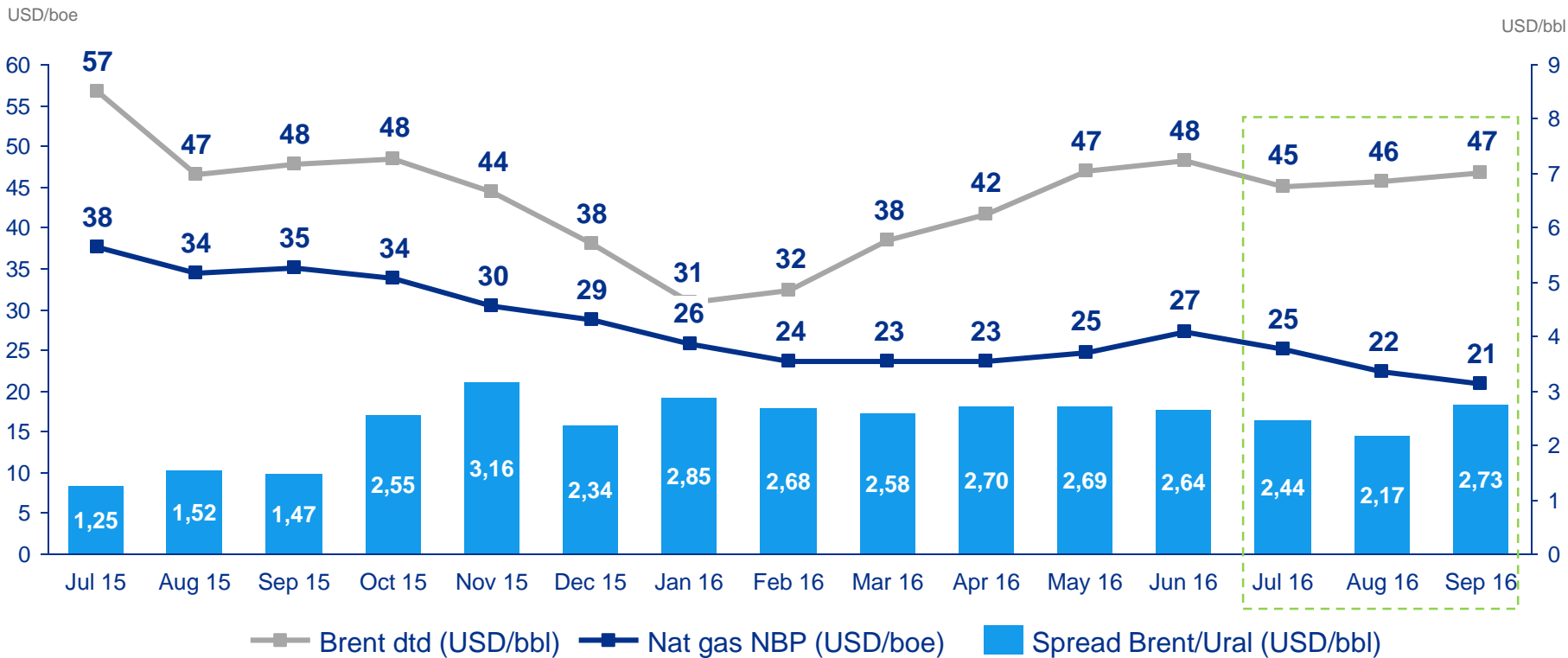
Generating sufficient cash flow to finance the development program





# External environment

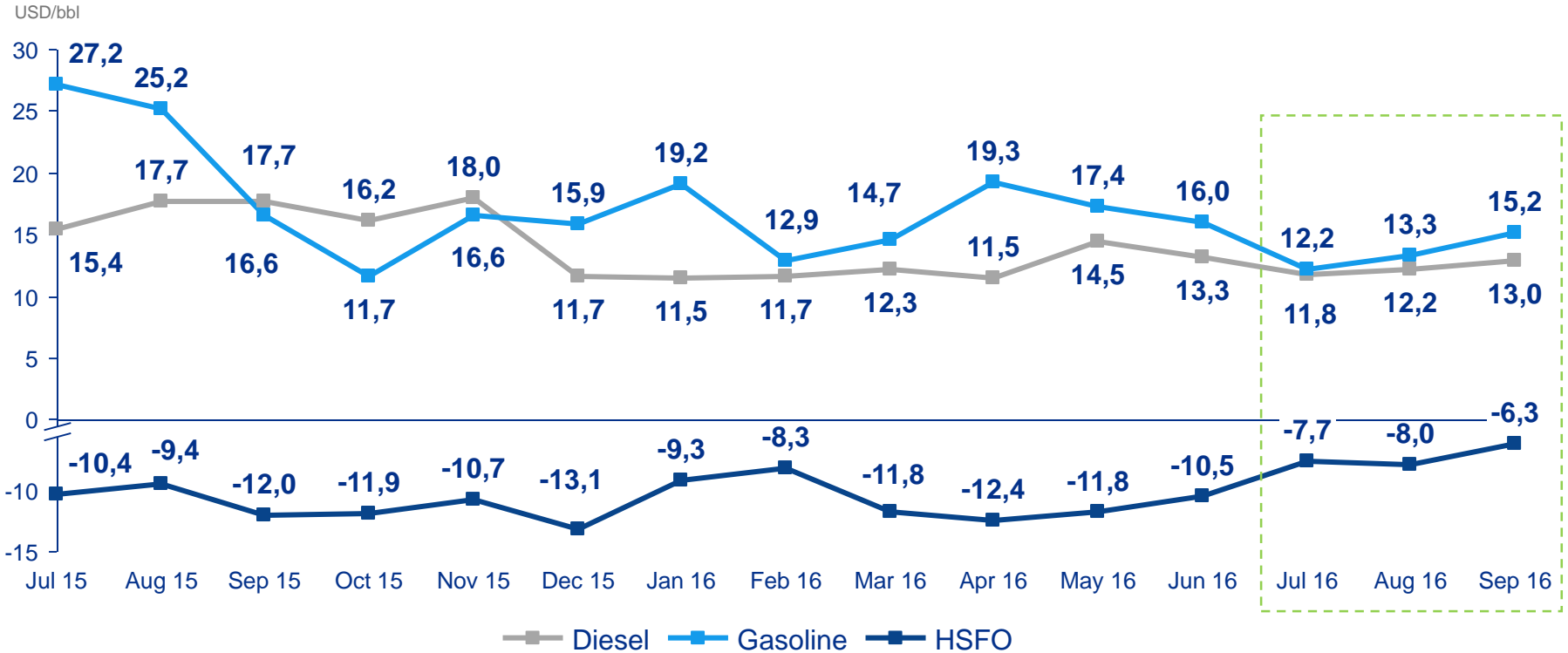
## External environment - crude oil prices and natural gas prices



Source : Thomson Reuters

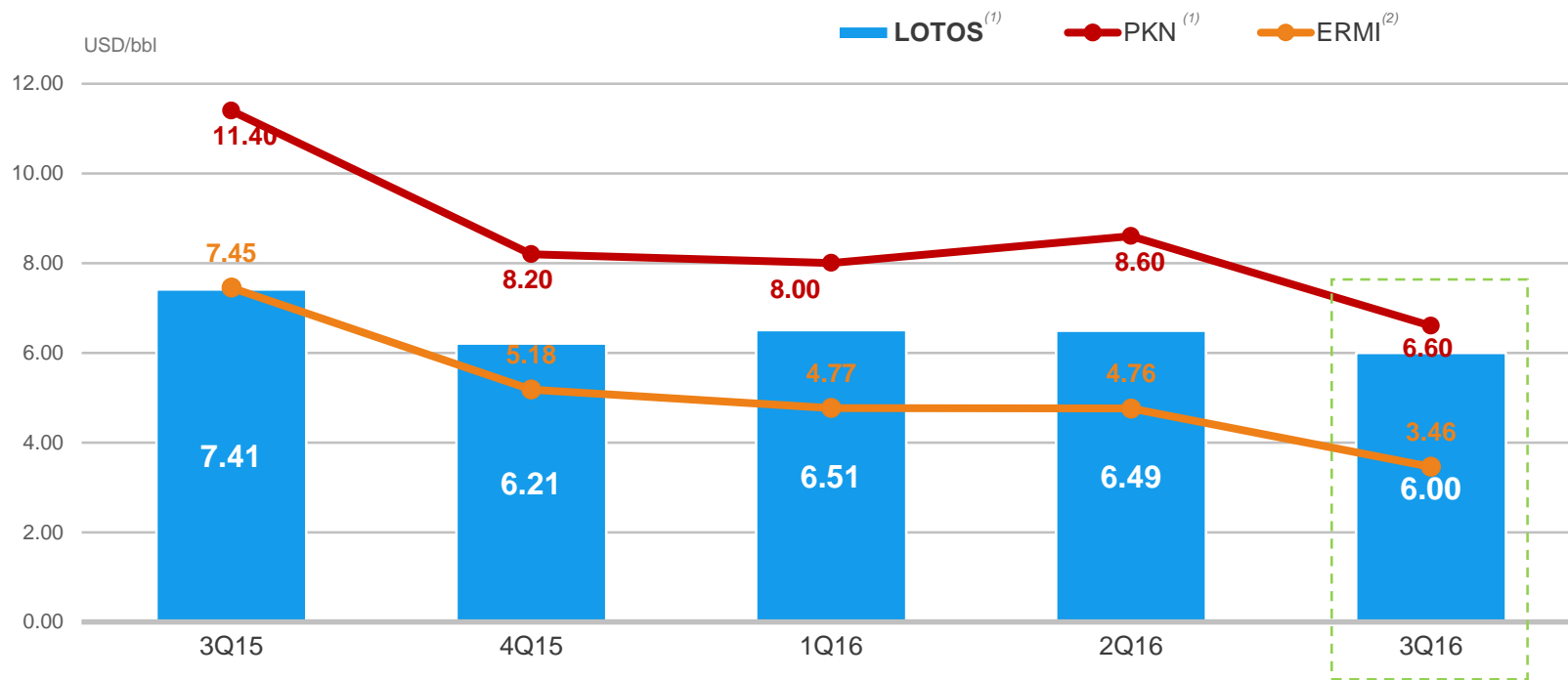


## External environment - key product crack spreads



Source : Thomson Reuters

## Model refining margin vs. peers



(1) Source: Company data; based on websites of the companies; LOTOS methodology explained on slide no 5

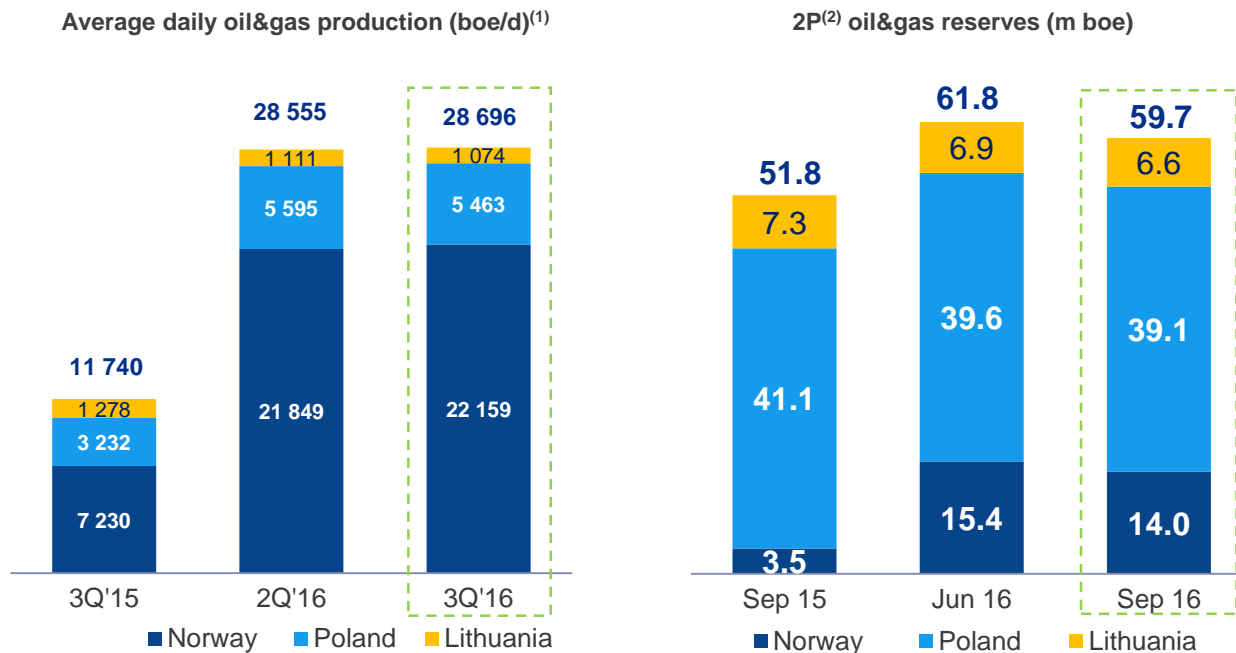
(2) Source: Total; European Refining Margin Indicator (ERMI) is an indicator intended to represent the margin after variable costs for a hypothetical complex refinery located around Rotterdam in Northern Europe that processes a mix of crude oil and other inputs commonly supplied to this region to produce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





# Upstream

## Hydrocarbons reserves and production figures

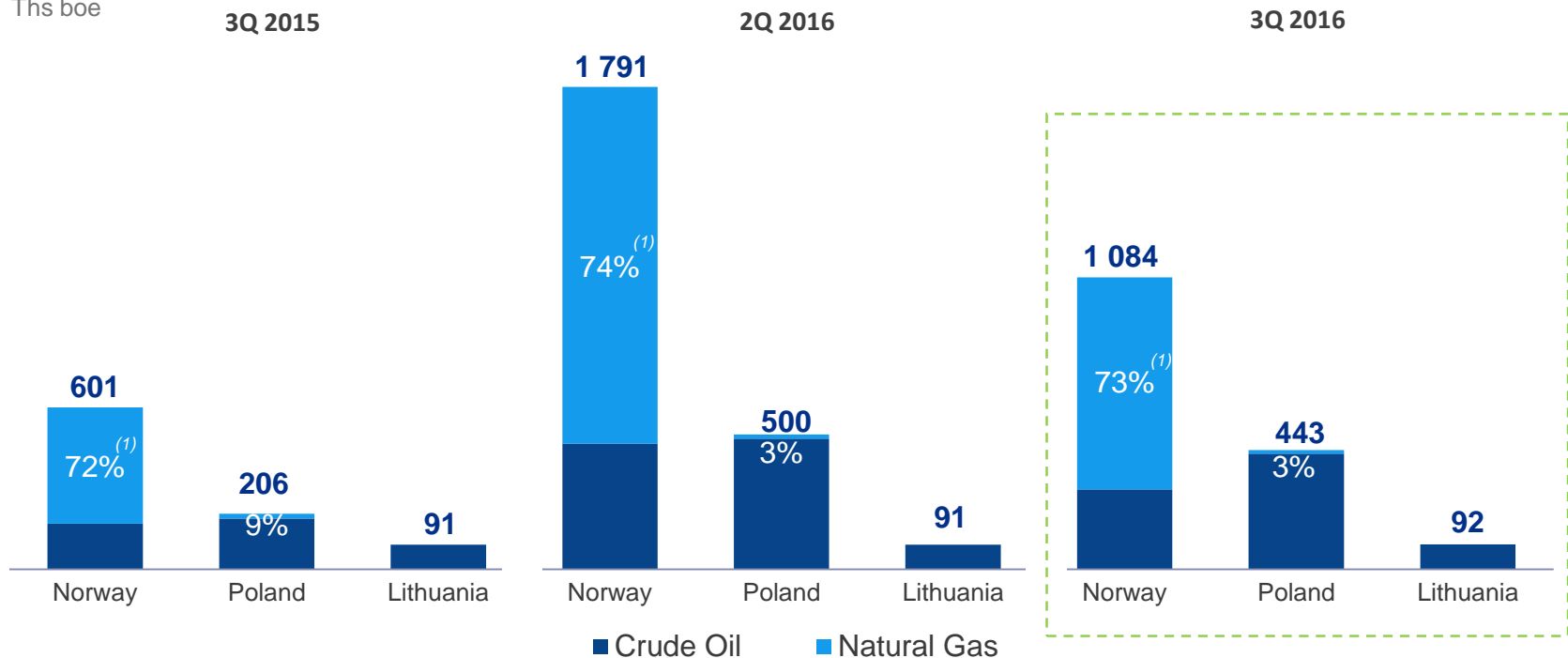


(1) Calculated on effective production days : technical stopover for Sleipner – 22 days, Heimdal – unplanned stopover of 60 days

(2) 2P reserves (proved and probable)

## Quarterly sales split by products and countries

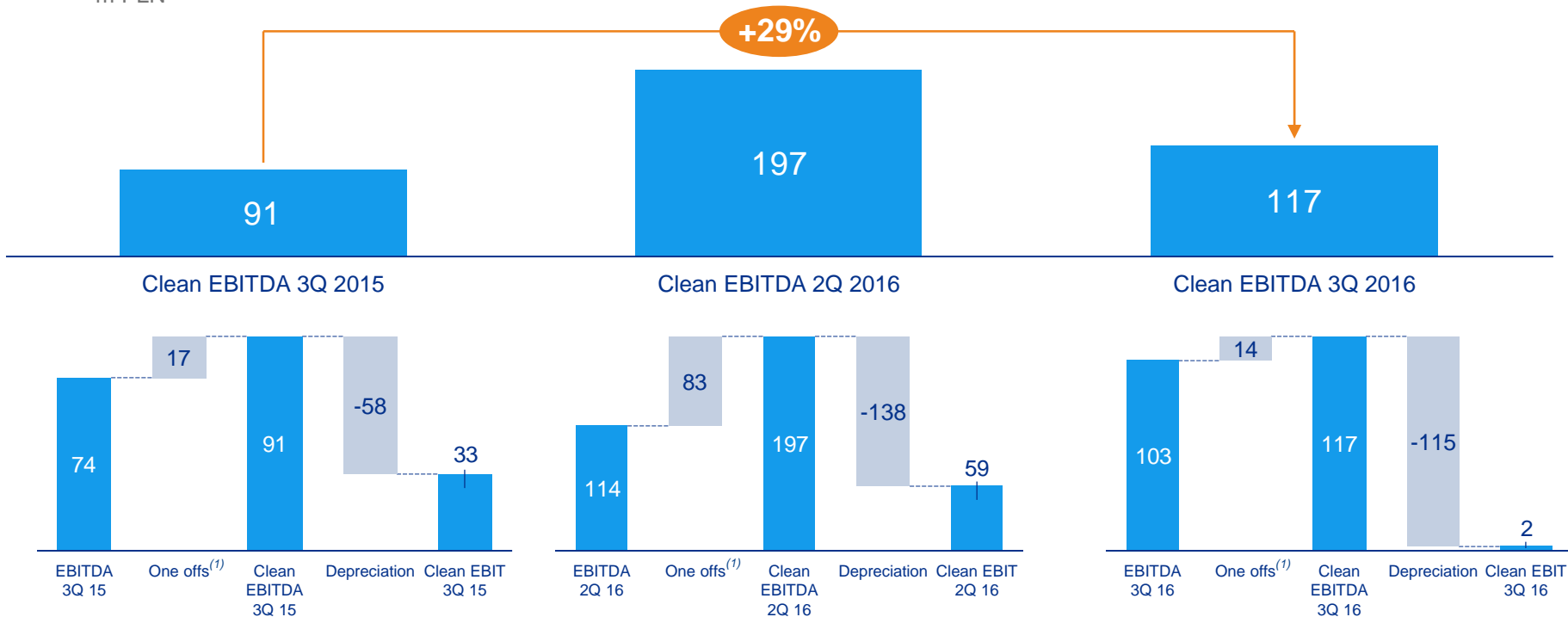
Ths boe



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

## Upstream: quarterly clean EBITDA

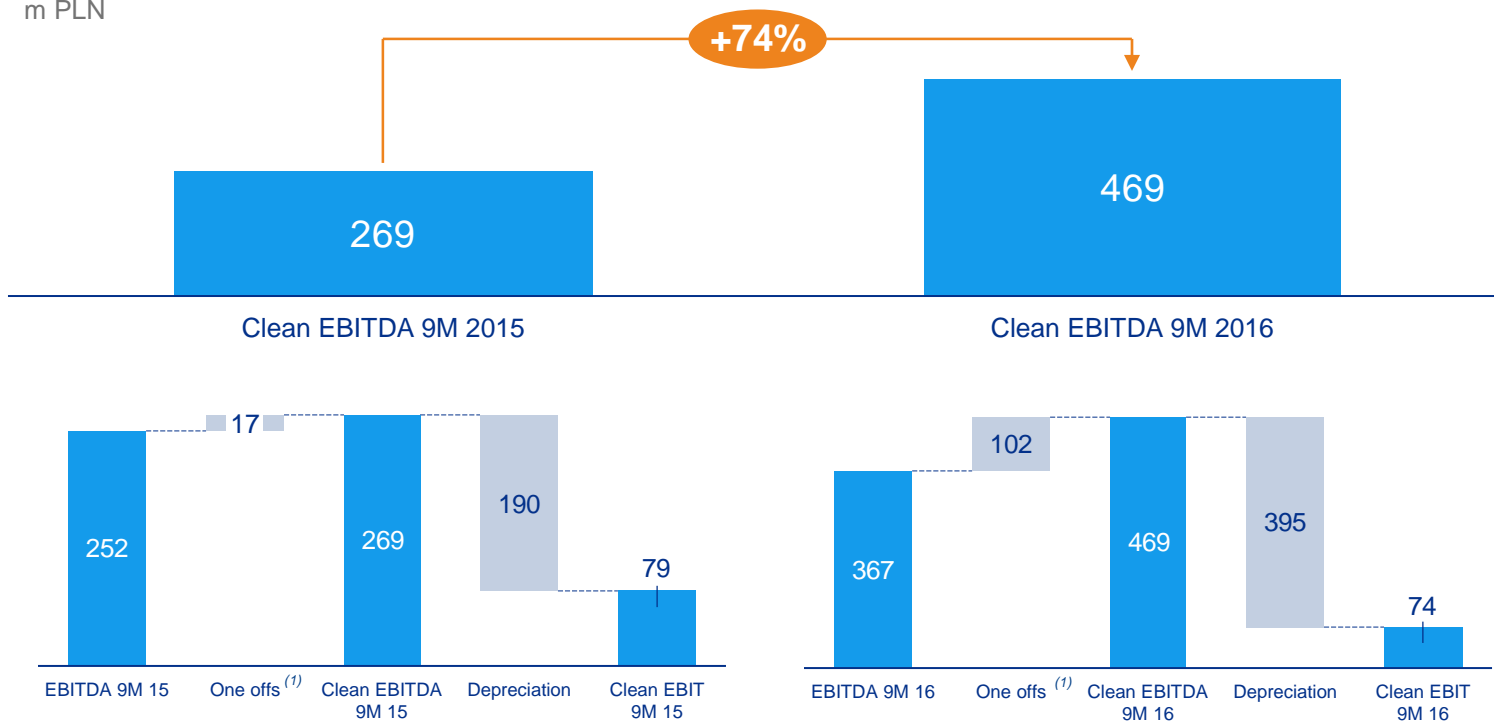
m PLN



(1) Assets impairments

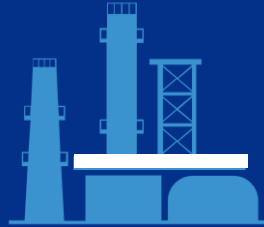
## Upstream: cumulative 9 month clean EBITDA

m PLN



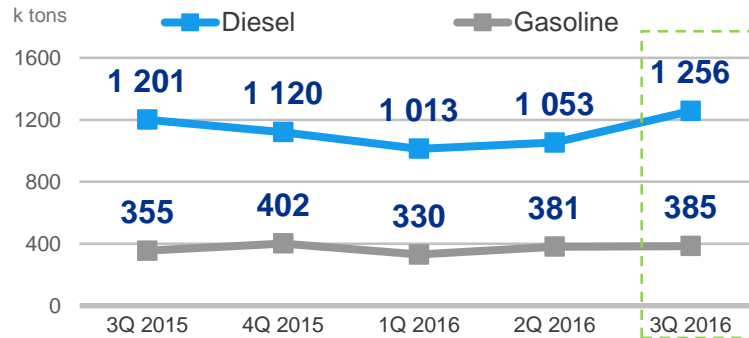
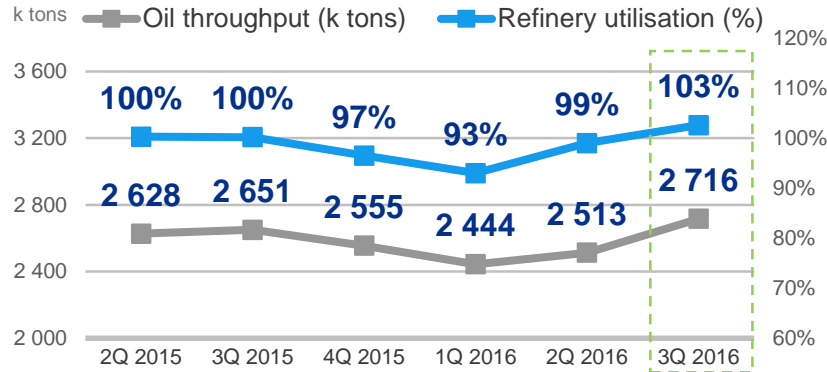
(1) Assets impairments





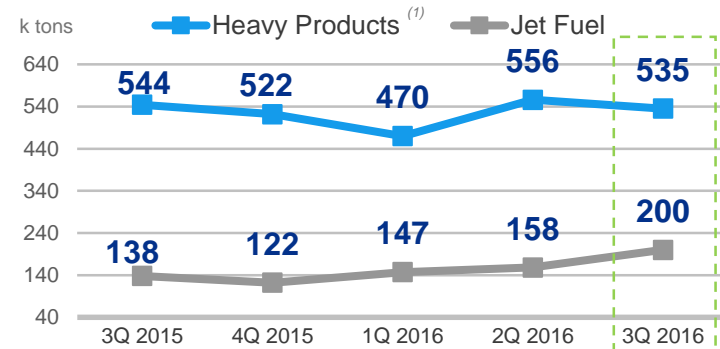
# Downstream

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



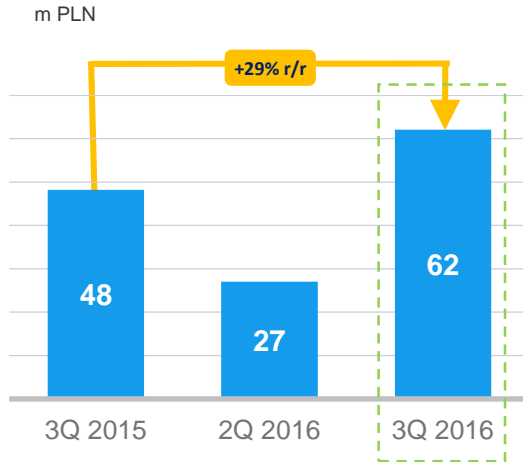
(1) Heavy Sulfur Fuel Oil + Bitumens

Crude oil throughput at 2 716 k tons,  
with capacity utilisation rate at c.103%

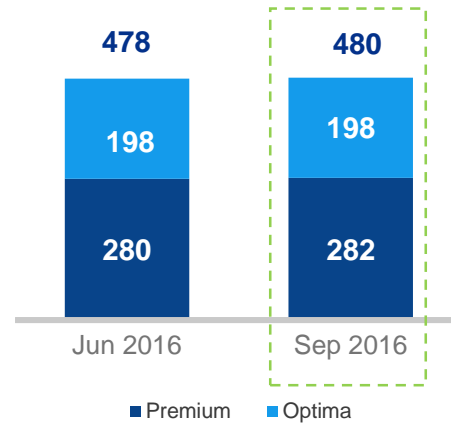


## Retail performance and domestic fuel sales

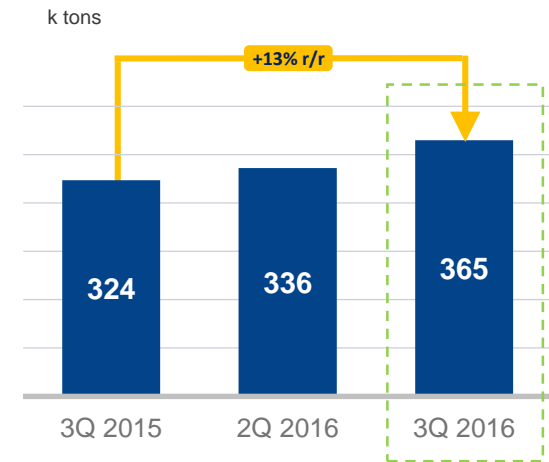
Quarterly retail EBITDA<sup>(1)</sup>



Petrol stations network (no. of units)



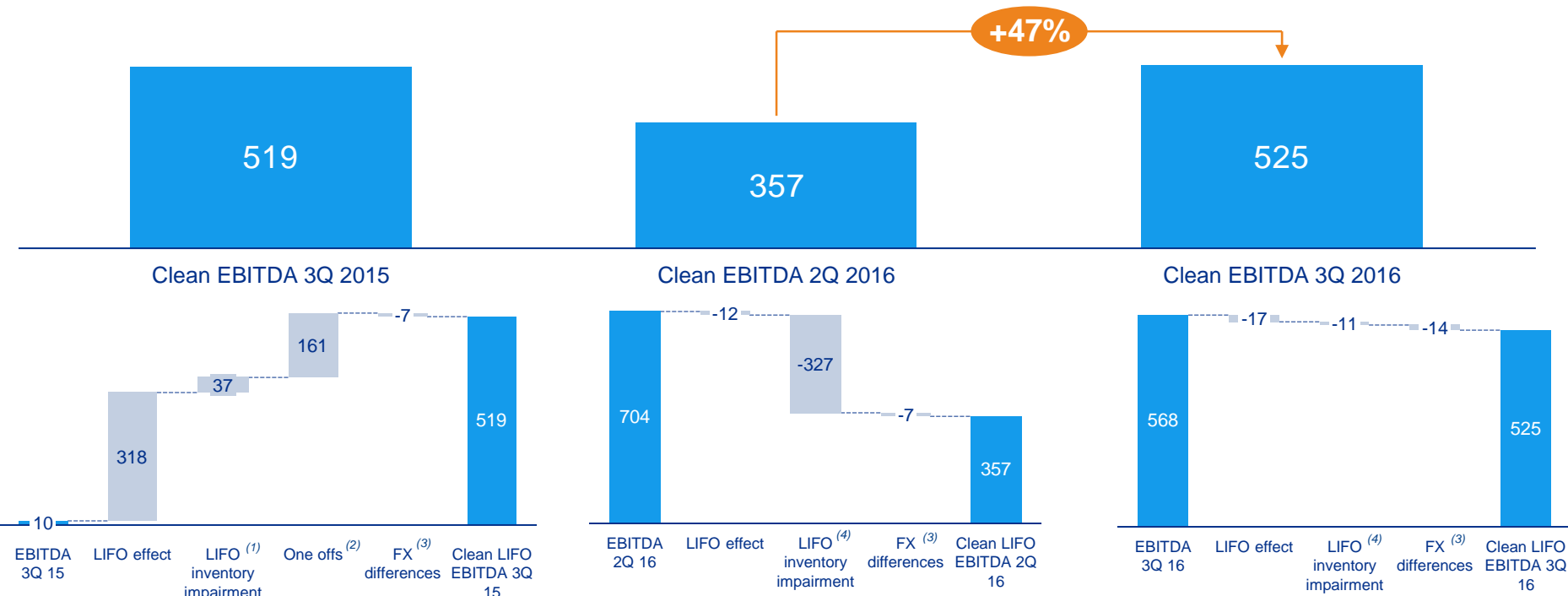
Quarterly retail sales volumes<sup>(1)</sup>



(1) Including SDS units (Self Diesel Service)

## Downstream : Quarterly clean EBITDA LIFO

m PLN



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

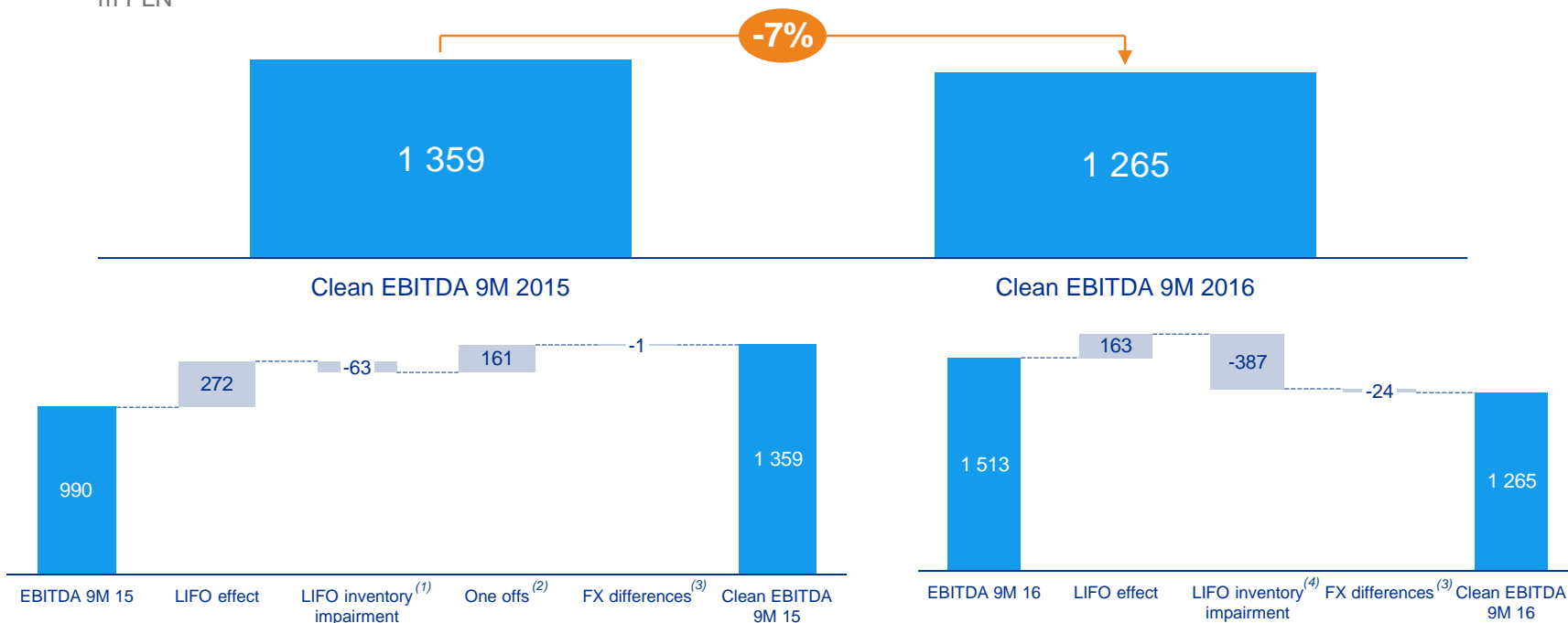
(2) Return of wrongly deducted VAT, according to the Tax Chamber decision

(3) FX operational differences

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

## Downstream : Cumulative 9 month clean EBITDA LIFO

m PLN



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

(2) Return of wrongly deducted VAT following the Tax Chamber decision

(3) FX operational differences

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

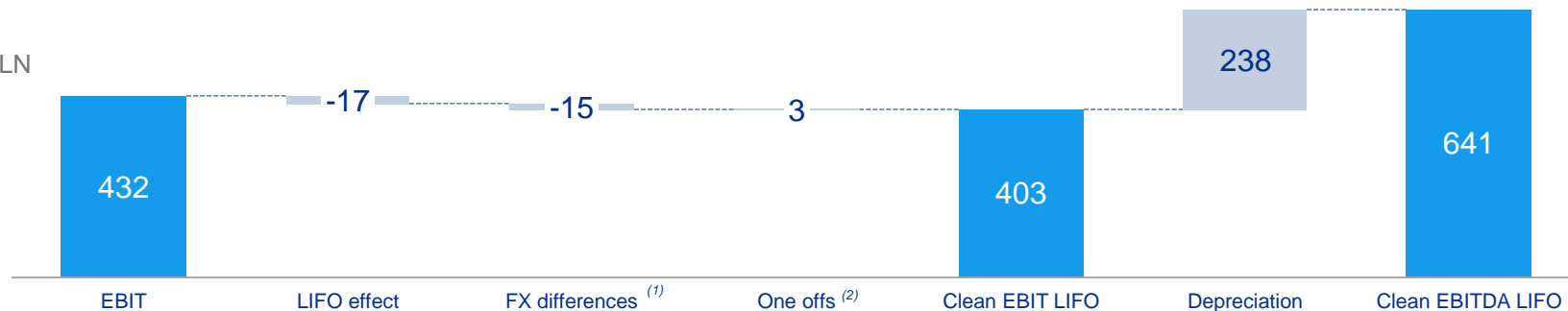


# Consolidated financial results

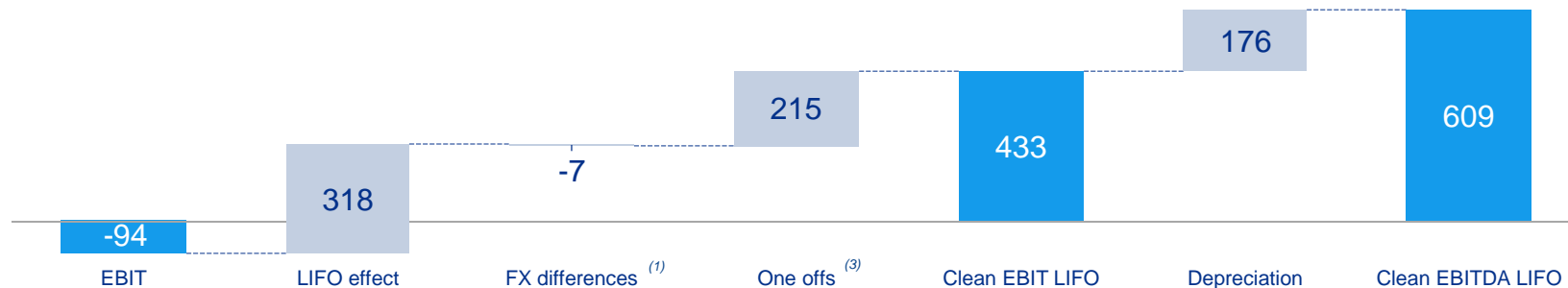
## Decomposition of consolidated quarterly operational results

3Q 2016

m PLN



3Q 2015



(1) FX operational differences

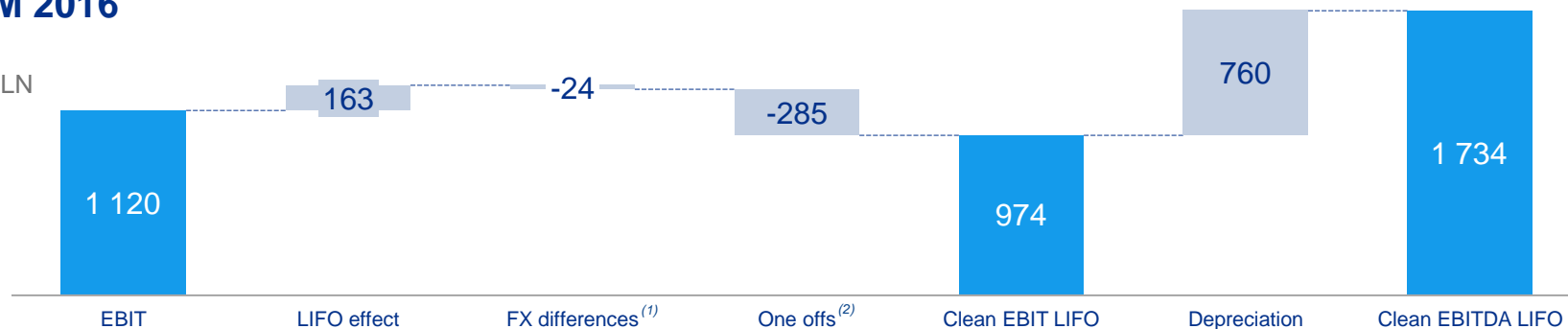
(2) Including : -327m PLN effect of the difference in the balance of LIFO inventory valuation : partial „reversal“ of the impairments from 31.12.2015 and +83m PLN of upstream's assets impairments

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

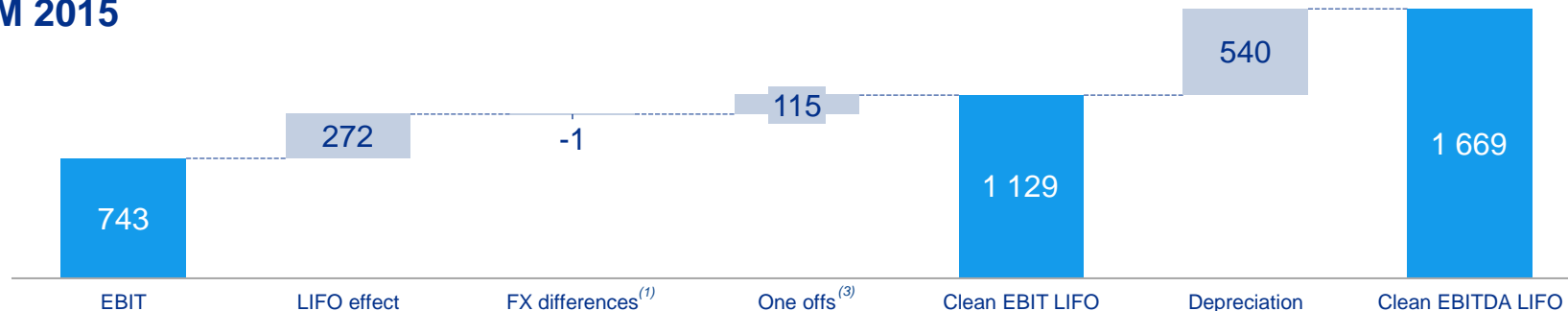
## Decomposition of consolidated 9 month cumulative operational results

### 9M 2016

m PLN



### 9M 2015



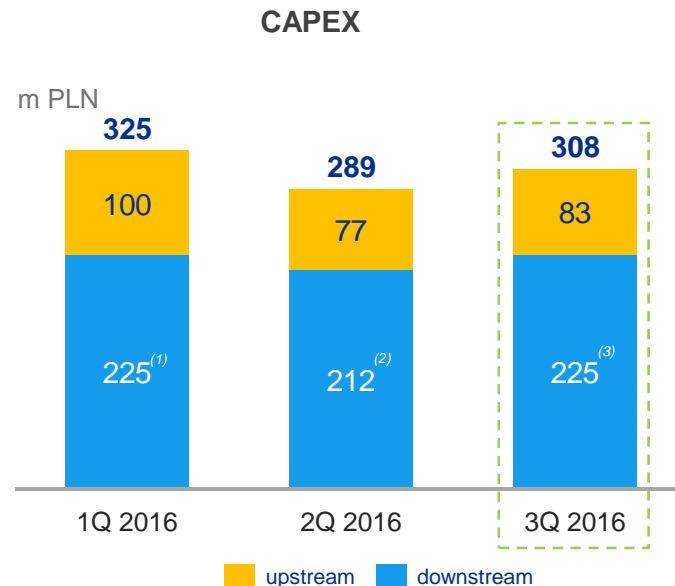
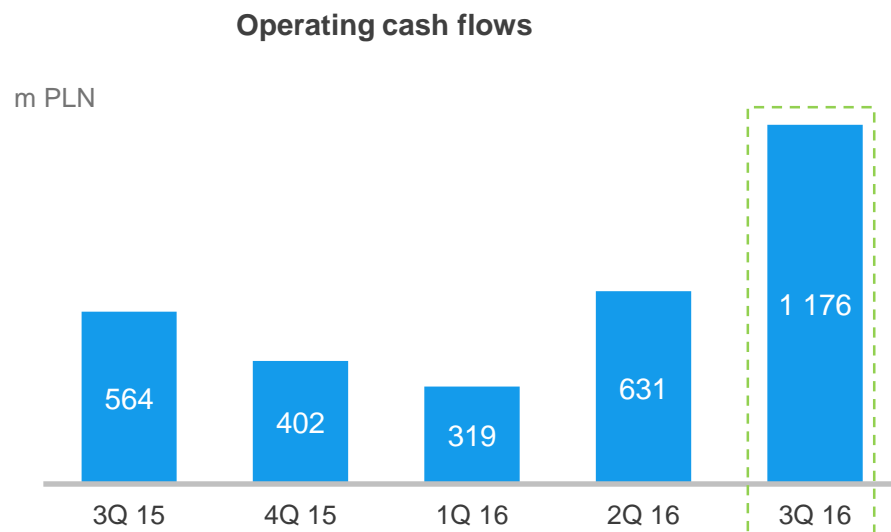
(1) FX operational differences

(2) Including : -386m PLN effect of the difference in the balance of LIFO inventory valuation : partial „reversal” of the impairments from 31.12.2015 and +102m PLN of upstream’s assets impairments

(3) Including: -63m pln Effect of the difference in the balance of LIFO inventory valuation : partial „reversal” of the impairments from 31.12.2014, +161m PLN return of wrongly deducted VAT following the Tax Chamber decision and +17m PLN of upstream’s assets impairments



## Quarterly operating cash flows and CAPEX

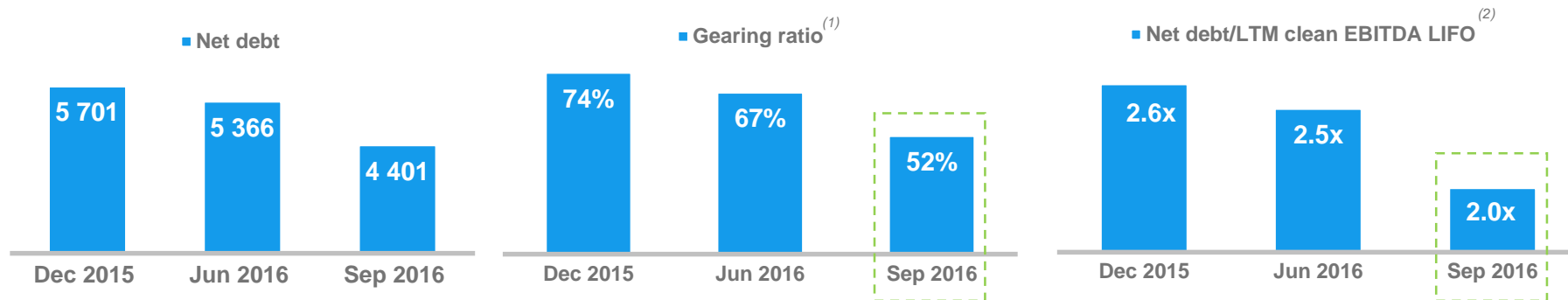


(1) Including EFRA Programme – PLN 189m

(2) Including EFRA Programme – PLN 130m

(3) Including EFRA Programme – PLN 173m

## Debt



- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds less cash&cash equivalents (including cash earmarked to finance the objectives of the issue of Series D shares)
- The current gearing ratio at a level of 52%

(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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