



## **The Open Day for Analysts and Investors**

***Paweł Olechnowicz – President of The Management Board***

***Mariusz Machajewski – Vice President, CFO***

***Marek Sokołowski – Vice President, COO***

**Gdańsk, 17 October 2008**

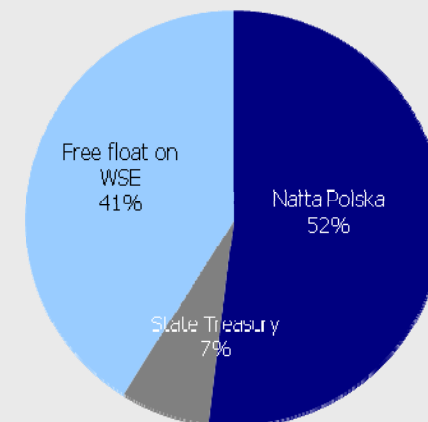
- **Corporate Overview**

- Upstream
- Downstream
- Financial Strategy

### Shareholding structure

#### Current shareholding structure of Grupa LOTOS

Shareholding structure after IPO	Number of shares	Stake (%)
Nafta Polska	59,025,000	51.9%
State Treasury	7,878,030	6.9%
Free float on WSE (including Series B shares)	46,796,970	41.2%
<i>Series B shares</i>	<i>35,000,000</i>	<i>30.8%</i>
<b>Total</b>	<b>113,700,000</b>	<b>100.0%</b>



### Management (Since 2002)



**Paweł Olechnowicz**  
President & CEO



**Mariusz Machajewski**  
Vice President & CFO



**Marek Sokołowski**  
Vice President & COO



- **One of the most modern refineries in the CEE**
  - Refining capacity of 6 mln tonnes p.a.
  - Technologically advanced and environmentally friendly
- **Strong position on the national fuel market**
  - Network of 352 stations, including 137 CODO, 138 DODO and 77 DOFO stations (as of 13 October 2008)
  - One of the leading fuel product distributors and retailers on the Polish market
- **Entry into E&P segment**
  - Acquisition of Petrobaltic in 2005 and entry into E&P
  - LOTOS E&P Norge AS – acquisition of YME field and purchase of PL 455 exploration licence (2008)



# Corporate Overview

## Regional Positioning and Diversification of Oil Supplies

### LOTOS Group in the Baltic Region

#### Regional Positioning

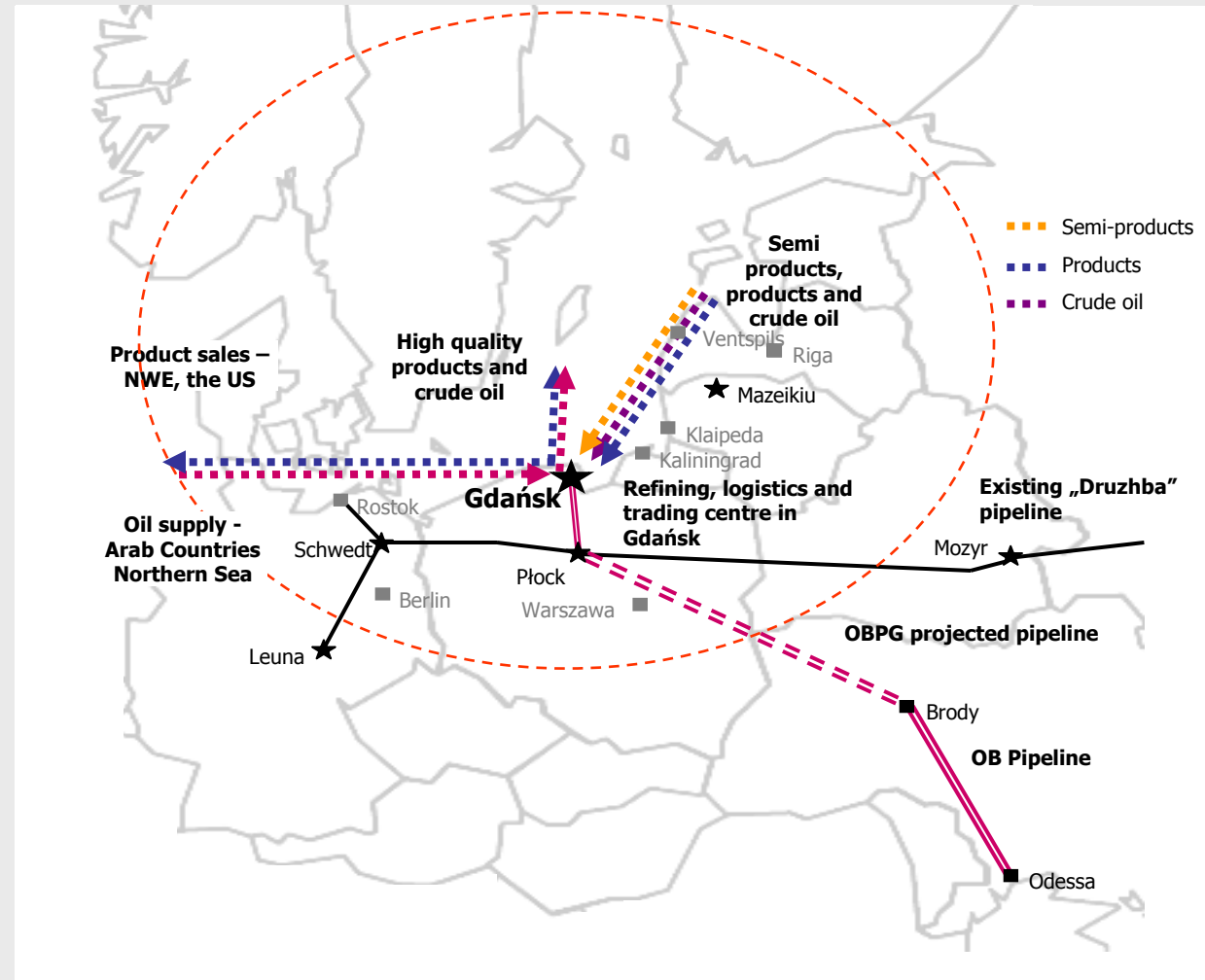
- Refining, logistics and trading centre in Gdańsk
- Oil supplies by pipeline and by sea
- Trading in crude oil, semi-products and products in the Baltic Sea region

#### Diversification of oil supplies from 2010 – 2012

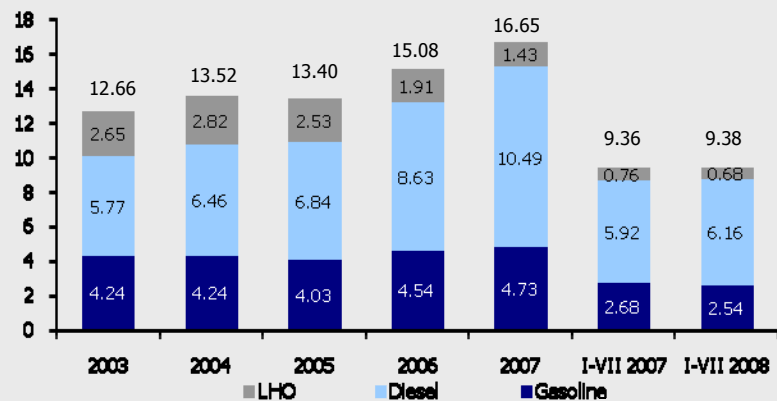
- Oil production (around 1 m tonnes p.a.)
- Baltic sea import via Naftoport (up to 3 mln tonnes p.a.)

#### Other potential sources of oil supply

- E&P investments
- Odessa-Brody-Płock-Gdańsk Pipeline

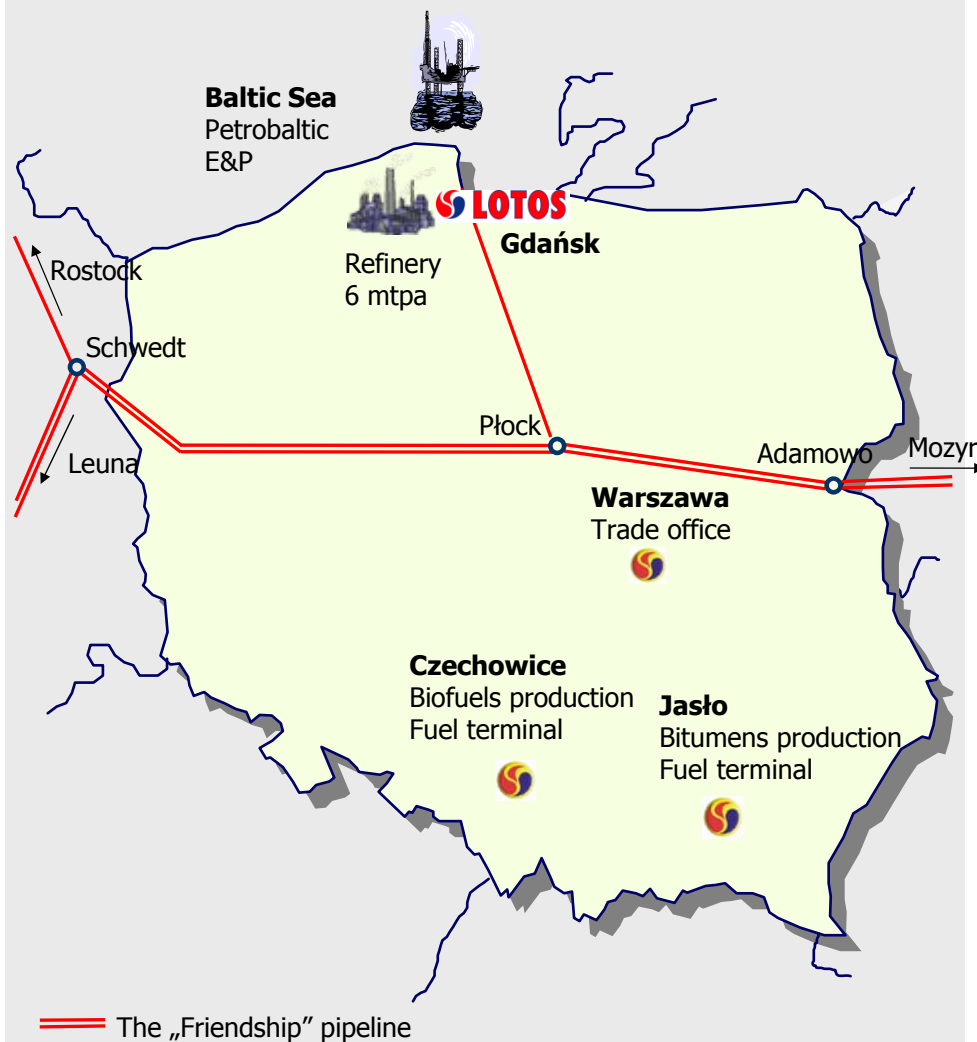


### National Fuel Consumption (m tonnes)



Source: 2003-2005: Nafta Polska, ARE; 2006-2008: POPIHN

### Structure of national operations



### Fuel balance of Poland in 2007 (000 tonnes)

Product	Consumption	Net imports	Import as % of consumption
Gasoline	4 729	475	10.0%
Diesel	10 490	3 690	35.2%
LHO	1 434	180	12.6%
<b>TOTAL</b>	<b>16 653</b>	<b>4 345</b>	<b>26.1%</b>

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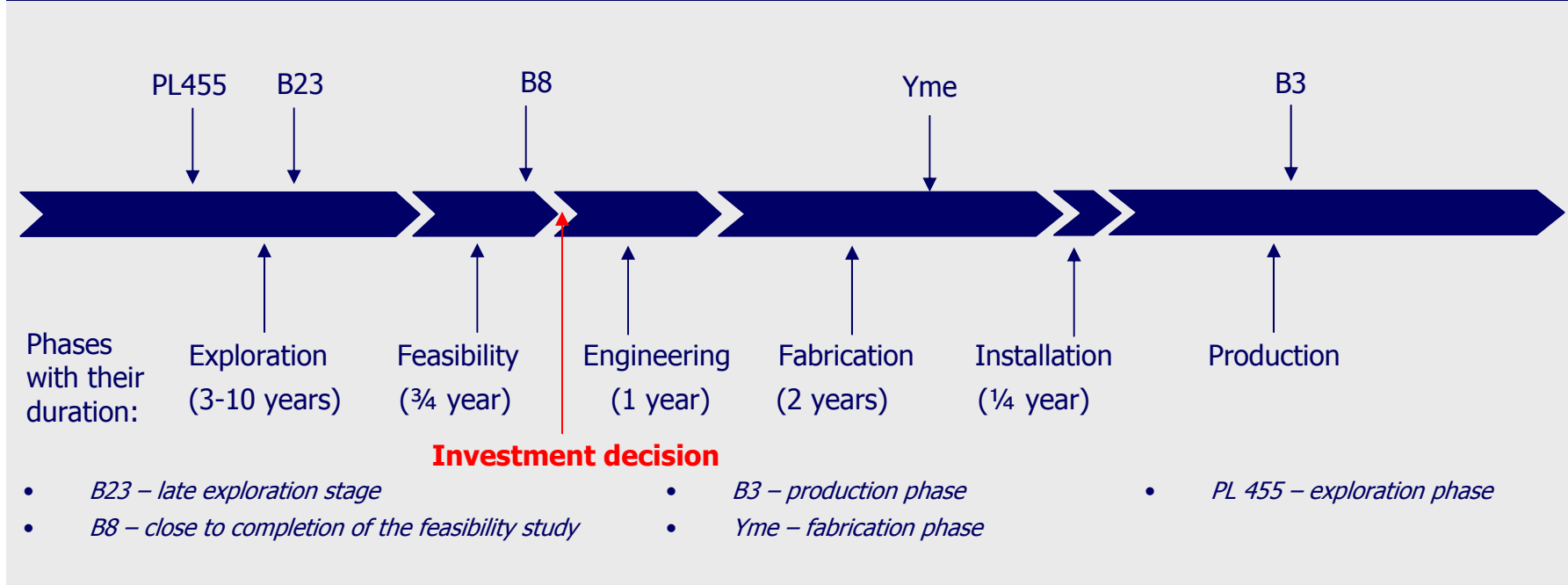
# Upstream

## Strategic objectives and status of key existing projects

### E&P – Strategic objectives

- Total production at a minimum level of 10% of crude oil throughput of the LOTOS Group in 2012, increase to over 20% by 2015 with a further growth in the following years.
- The average level of ROACE for the E&P area expected to exceed 15%.
- Building of international E&P area with diversified risk and different development phases, mainly in the regions of the Baltic Sea, Northern Sea and Norwegian Sea.

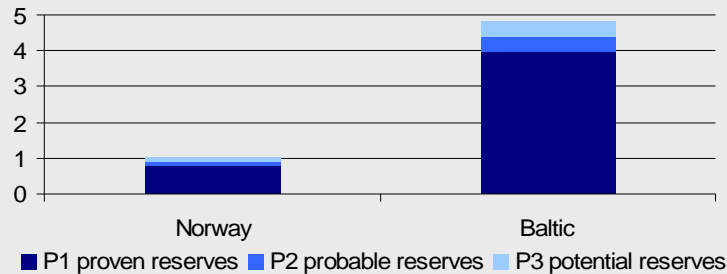
### E&P – Current status of key existing projects



# Upstream

## Operations and Investment Plans

### Oil reserves (m tonnes)



	Norway	Baltic
P1	0.76	3.96
P2	0.15	0.43
P3	0.13	0.44

### Total oil and gas reserves and resources

Classification*	Oil (m tonnes)	Gas (m m <sup>3</sup> )
2P reserves**	5.30	4 441
Contingent resources	0.42	2 368
Prospective resources	28.05	2 646

\* Society of Petroleum Engineers/World Petroleum Council Classification

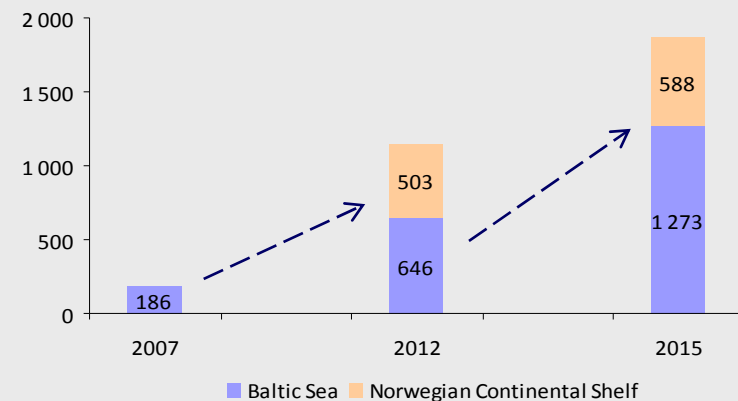
\*\* 2P=P1+P2; 2P are classified as commercial reserves

Source: Grupa LOTOS

### Analysed reserves and resources

- The analysis encompasses the following reserves and resources:
  - Norway: 10% of Yme and 20% of PL 455,
  - Baltic (Polish shelf): B3, B4, B6, B8, B21, B22, B23, B28 and B101,
  - Lithuania: 42.7% shares of Naftos Gavyba.
- All LOTOS Group's reserves and resources of natural gas are located on the Polish Shelf of the Baltic Sea.

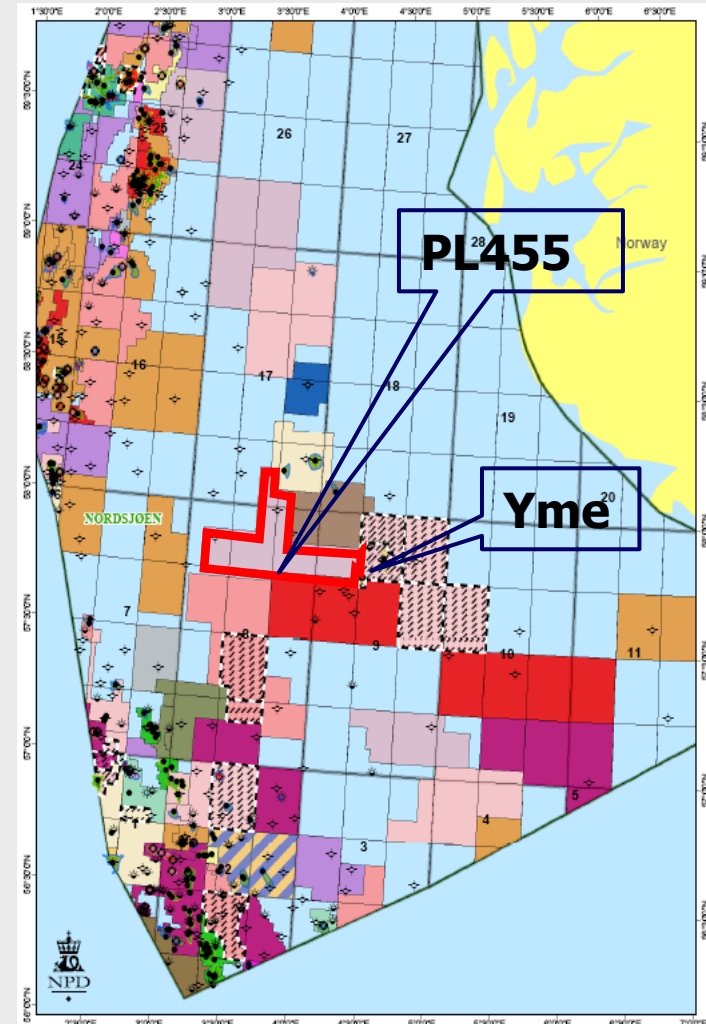
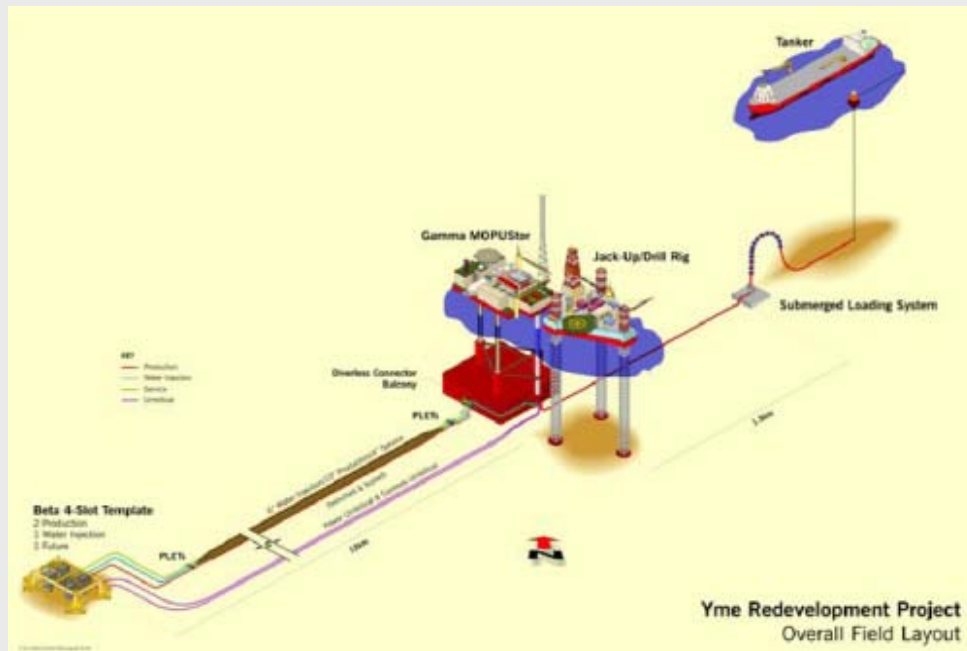
### Oil production (in thousand tonnes)



# Upstream Norwegian Continental Shelf

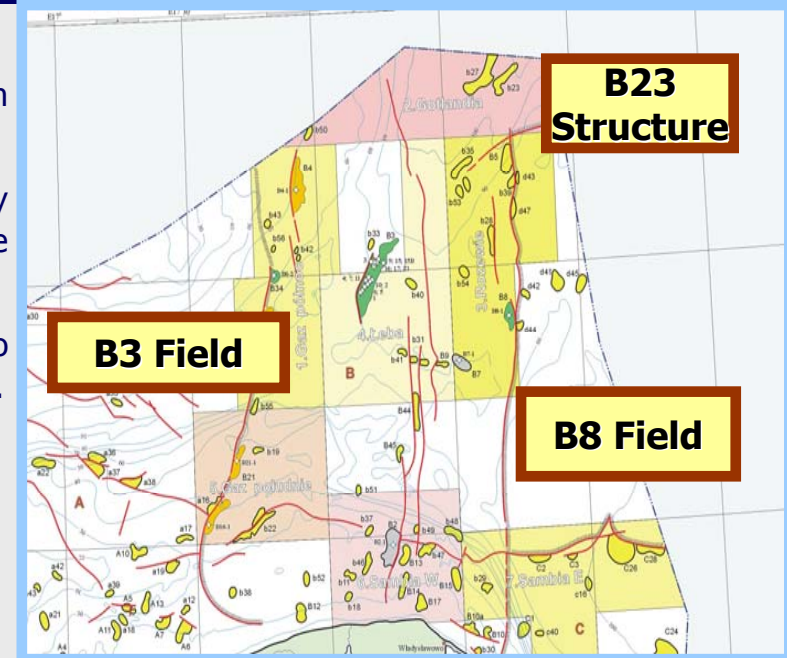
## Achievements on the Norwegian Continental Shelf

- P10% in Yme. Production start in 2009
- 20% in exploration license PL 455. Drilling in 2010
- Participating in 2 licensing rounds in 2008



### Production and exploration potential on the Polish Shelf of the Baltic Sea

- Polish Baltic Shelf – potential that has not been utilised.
  - Independent experts assume that more than 1 billion boe are in place.
  - Petrobaltic is the owner of 12 licences (approximately 25-30% of crude oil resources on the Polish Shelf are covered by these licences).
  - Petrobaltic will launch an exploration programme to verify these estimates (PLN 442 million in 2008 to 2009).
  - 3D seismic programme in 2008.
  - 5 wells will be drilled.
  - Major prospect is B23 field in the Gothlandia licence.
  - Drill prospects in the fields: B-22, B-101, B-28.

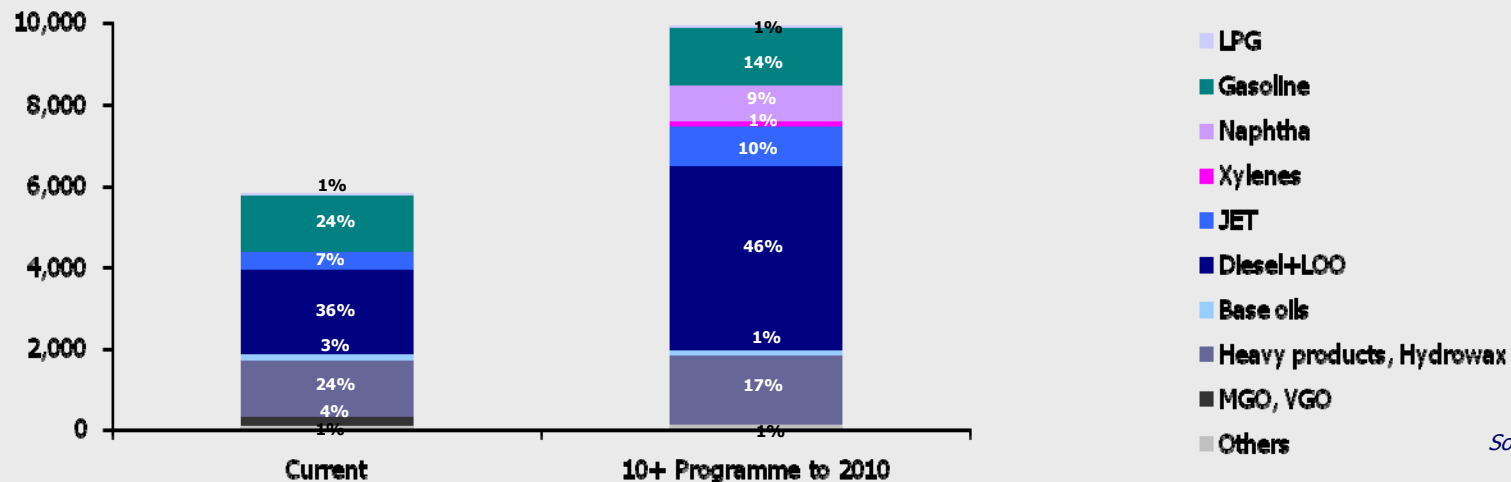


### Capex in E&P in 2008-2012 (in mln PLN)

Specification	Capex
The Baltic Sea	3 371
The Norwegian Continental Shelf	1 637
Total capex	5 008

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- **Downstream**
- Financial Strategy

## Product structure of the Refinery in Gdansk (volume)

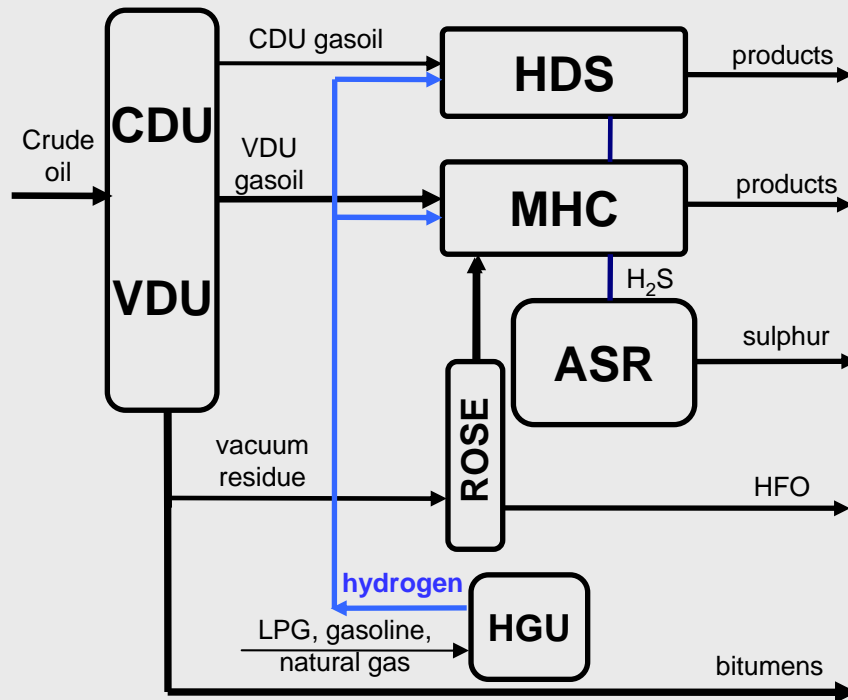


Source: LOTOS Group

## 10+ Programme Contract Structure

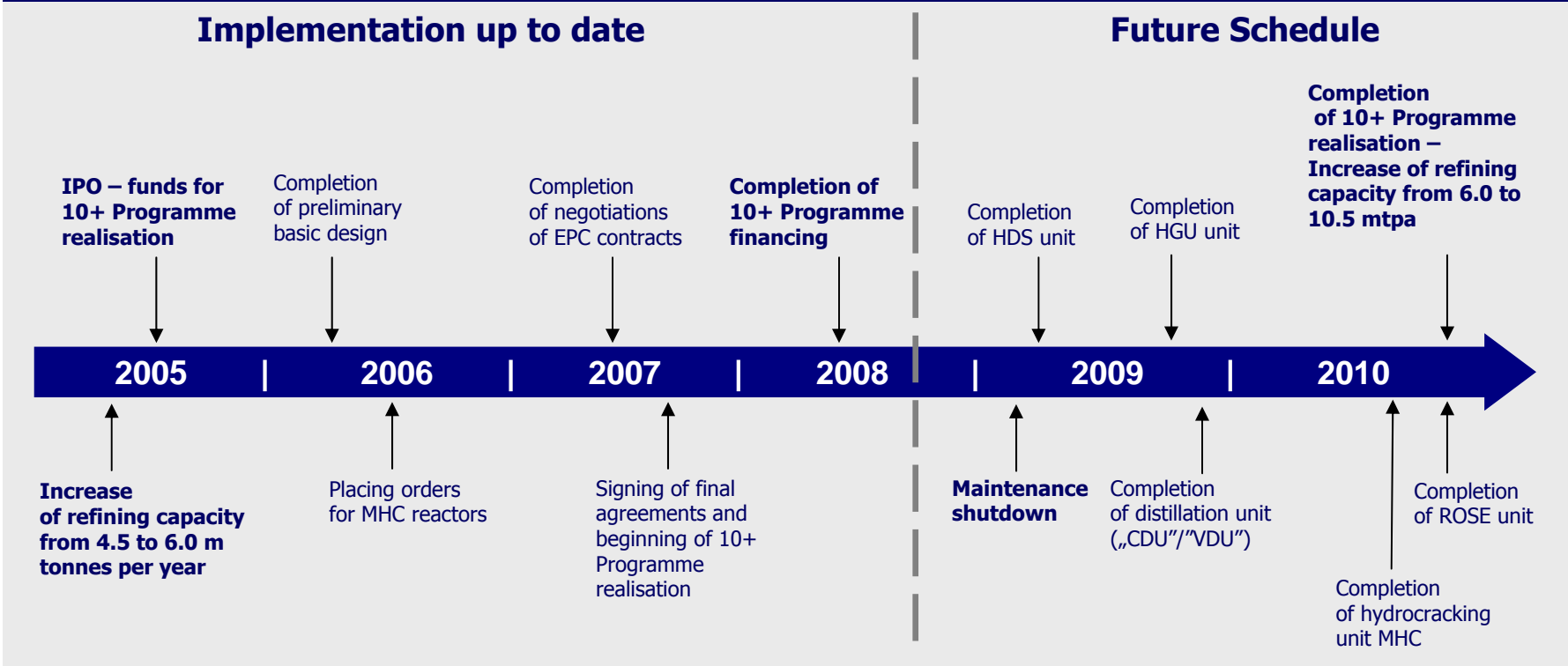
Unit	Contractor	Type	Proven licenses/ technologies	Final contract date
HDS	ABB	LSTK	Chevron Lummus Global	18.10.2006
MHC	Technip	LSTK	Shell Global Solutions	21.06.2007
ASR	Technip	LSTK	Technip KTI	21.06.2007
HGU	Lurgi	LSTK	Lurgi AG	28.06.2007
CDU/VDU	Lurgi	EPCM	UHDE GmbH	19.07.2007
ROSE	Technip	EP/LSTK	Kellog Brown & Root	10.09.2008
U&O	Fluor	C+F		19.06.2007
PMC	Technip	C+F		31.08.2007

## Construction of new units



- CDU – Crude Distillation Unit
- VDU – Vacuum Distillation Unit
- MHC – Mild-Hydrocracking Unit
- HDS – Diesel Hydrodesulphurisation Unit
- ROSE – Heavy Residue Processing Unit
- HGU – Hydrogen Generation Unit
- ASR – Amine-Sulphur Recovery Unit

## Schedule of commissioning of the 10+ Programme units



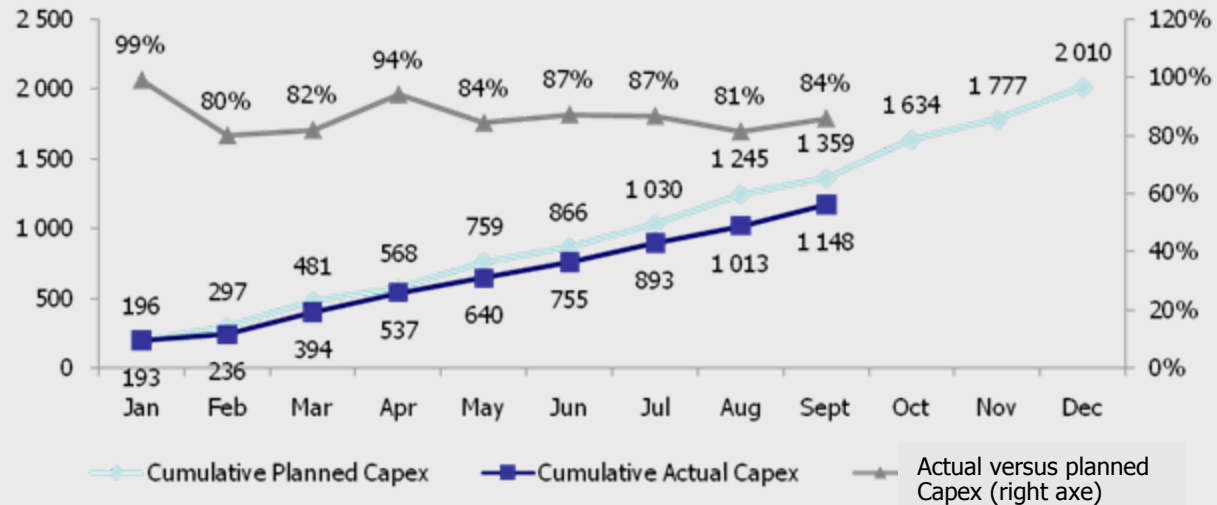
## Commentary

- The implementation of the 10+ Programme is not expected to affect operating activities of the existing Gdańsk refinery units.
- All interconnections between the new units and the existing refinery are scheduled during the refinery maintenance shutdown in Spring 2009.
- Capex in refining segment in 2008-2012: PLN 6 700 m.

# Downstream

## Level of the 10+ Programme realisation

### 10+ Programme 2008 Capex – planned and actual expenditures



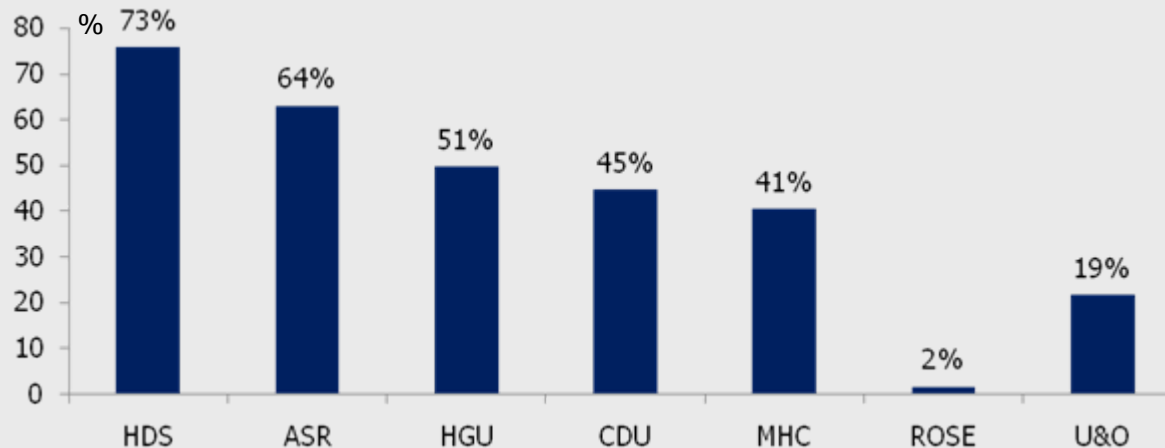
### Key figures

10+ Programme from 9 August 2007 to 30 September 2008

- 1.46 m man-hours
- 40 contractors and subcontractors
- 2 054 workers
- PLN 2 287 m – total expenditures

Source: Grupa LOTOS

### Level of completion of units as of 30 September 2008 (%)



### Abbreviations

*HDS – Diesel Hydrodesulphurisation Unit*

*MHC – Mild-Hydrocracking Unit*

*ASR – Amine-Sulphur Recovery Unit*

*HGU – Hydrogen Generation Unit*

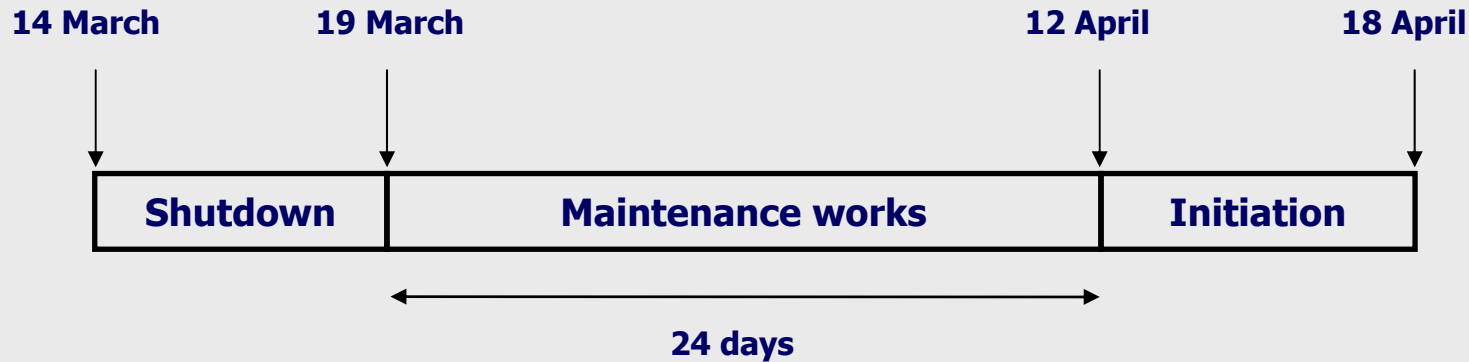
*CDU – Crude Distillation Unit*

*VDU – Vacuum Distillation Unit*

*ROSE – Heavy Residue Processing Unit*

*U&O - Utilities and off-sites*

## Shutdown schedule – Spring 2009



## Commentary

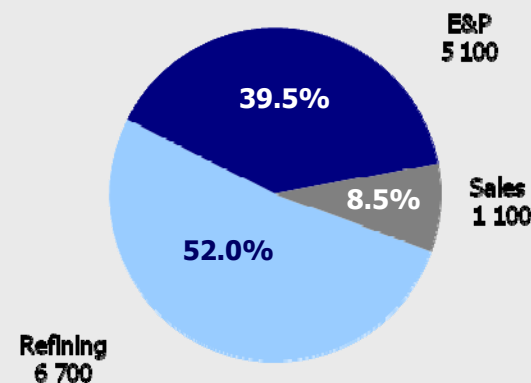
- Total effective duration: 34 days.
- Duration of maintenance work: 24 days.
- Total cost: PLN 74 m.
- Critical works: repairs of furnaces, completion of new control centre, replacement of reactor catalyst, selected modernisation works and preparation of interconnections between the new units and the existing refinery units.

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### CAPEX

- Total CAPEX for 2006 to 2012 amounts to PLN 12.9 bln.
- Ring fencing of all projects.
- Potential forms of financing of E&P Capex:
  - Equity of Petrobaltic.
  - Inter-group cash flows.
  - Credit market.
  - Capital market.
  - Providing stakes in licenses to external partners.
- Financing of refining CAPEX: loans secured by refinery assets and inventory.

### Investment Programme 2006-2012 (in PLN m)



### Areas of operation and CAPEX as in the LOTOS Group Strategy to 2012 (in PLN m)

	2006-2007	2006-2012
<b>Exploration and Production</b>	<b>100</b>	<b>5 100</b>
<b>Refining &amp; other activities, including</b>	<b>1 500</b>	<b>6 700</b>
10+ Programme (refinery upgrade)	1 000	5 200
<b>Sales and Marketing</b>	<b>300</b>	<b>1 100</b>
<b>Total</b>	<b>1 900</b>	<b>12 900</b>

Source: Grupa LOTOS

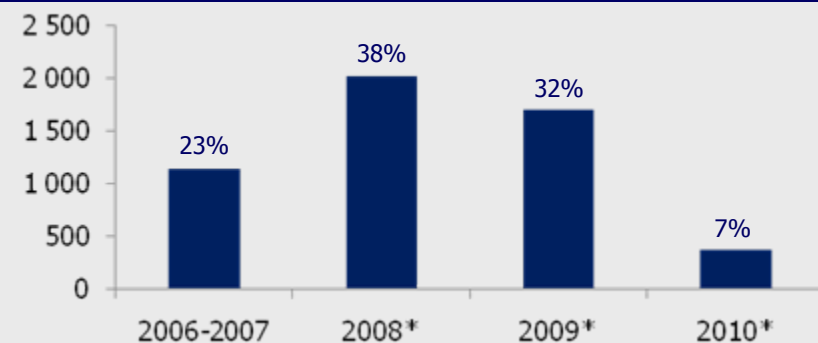
### Financing of the 10+ Programme and financing of working capital

- Loan contracts signed on 27th June 2008.
- The debt package of total USD 1.75 bn comprises a USD 1.55 bn 12.5 year investment loan and a USD 0.2 bn working capital facility.
- The debt is secured on the existing and future (acquired over the period of implementation of the 10+ Programme) refinery assets as well as cash flows.
- Possibility of early repayment in cash sweep mechanism.
- Participation of 17 financial institutions (excluding SACE).
- The loan will be granted by the following institutions: Caja Madrid, Calyon, BTMU, BBVA, BNP Paribas, Bank Pekao, ING, DNB Norbank, Fortis, KBC/KredytBank, Nordea, PKO BP, RBS, Societe Generale, Bank Zachodni WBK, Rabobank/BGŻ, SMBC and SACE.

### Execution of loan contracts up to date

- Fulfilling of contract conditions was completed in August.
- First withdrawing from working capital facility took place on 19th August.
- First withdrawing from investment loan facility took place on 26th August.
- Investment loan facility is used up to the level of USD 245 m (15.8%).

### Yearly 10+ Programme Capex (PLN m)



\* Planned Capex

Source: Grupa LOTOS

## Strategic objectives

### **Increase of profitability**

- ROACE to 12%.
- EBITDA margin to 9%.

### **Financing structure optimisation**

- Capital expenditure in 2006-2012 of PLN 12.9 bn.
- Debt/Equity ratio expected not to exceed 0.8.

### **Dividend policy**

- During the implementation of major strategic programmes  $\leq 10\%$  of net profit.
- After the completion of the programmes – 30% of net profit.

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