

Recovery of the tax shield related to the YME field

In view of the persistently macroeconomic environment, including unstable conditions on the commodities market and sharp declines in crude oil prices, the LOTOS Group intends to initiate measures to improve the efficiency and ensure financial stability of its upstream segment. Apart from focus on the key projects, this will involve using cash flows from the Heimdal and Sleipner fields to recover the capital locked in the tax asset in Norway based on the cash flows from Heimdal and Sleipner fields.

In June 2015, the Norwegian Ministry of Petroleum and Energy (MPE) approved the request not to submit a Revised Development Plan and start the process of planning the field liquidation, made by Repsol of Spain, the operator of the YME licence. As at December 31st 2015, a decommissioning plan for the Yme field for 2016–2020 was to be provided to MPE for approval by the end of 2016. However, when OKEA, a new player on the Norwegian market, declared its intention to buy an interest in the YME field and proceed with its development, the decommissioning process was suspended and a reassessment of the field development options was commenced. The Operator has carried out efforts to prepare the Field Development Project (PDO), planned for 1Q 2017. The LOTOS Group supports the Operator in the activities likely to increase the market value of the YME asset by avoiding the field liquidation and return to the development.

Grupa LOTOS is monitoring the situation on an ongoing basis to choose the best solution for the YME project.