



**Consolidated Financial Results
of the LOTOS Group
Q1 2012 (IFRS)**

Management Board of Grupa LOTOS

8 May 2012

1 Key highlights

2 Market Conditions

3 Upstream

4 Downstream

5 Overall financial results

KEY HIGHLIGHTS GENERAL HIGHLIGHTS



- ❑ Market share increase :
 - Retail – up to 8.2% (in terms of volumes as of the end of February)
 - Wholesale – up to 35.1%
- ❑ Further improvement of the product slate comparing with Q1 2011 – ROSE unit fully operational
- ❑ Record high production and sales level of the upstream segment
- ❑ Execution of the Optimal Expansion Programme above the projected target (i.e. cost savings and efficiency improvement)

KEY HIGHLIGHTS

Q1'12 OVERALL FIGURES



- ❑ Crude oil production amounted to **7,176 bbl/d** (84.1k tonnes)
- ❑ Crude oil throughput amounted to **2,273k tonnes**
- ❑ Consolidated sales at the level of **2,330k tonnes**
- ❑ Normalised EBITDA at **PLN 563m** higher by PLN 29m yoy (excluding one off effects: 2011 +126.4m of the settlement of AB Geonafta acquisition; 2012 +21 sale of LOTOS Parafiny)
- ❑ LOTOS model refining margin **decreased by 4.3%** qoq from 3.88 to 3.71 USD/bbl and decreased by 18% yoy
- ❑ Average Brent Dtd price amounted to **118.6 USD/bbl** (+12.5% yoy)
- ❑ Brent/Ural spread decreased **from 2.91 USD/bbl to 1.26USD/bbl** (-57% yoy)

1 Key highlights

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3 Upstream

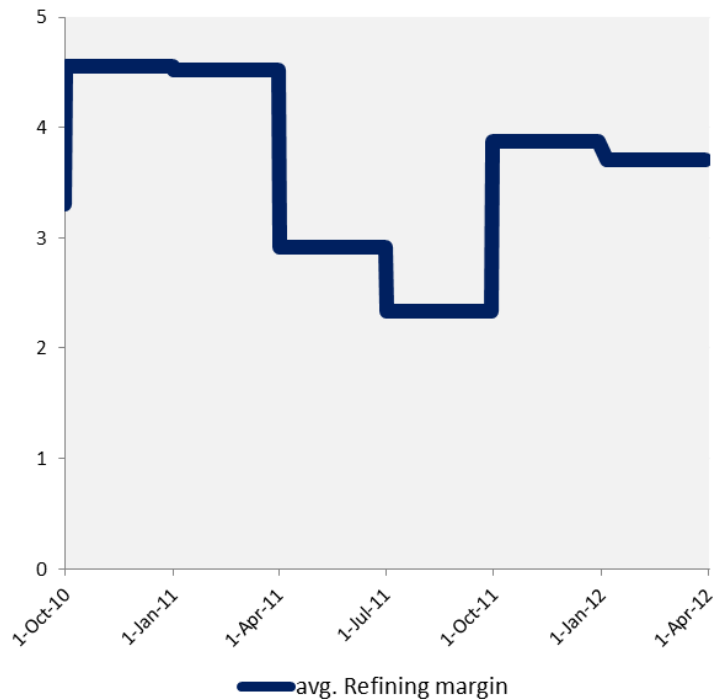
4 Downstream

5 Overall financial results

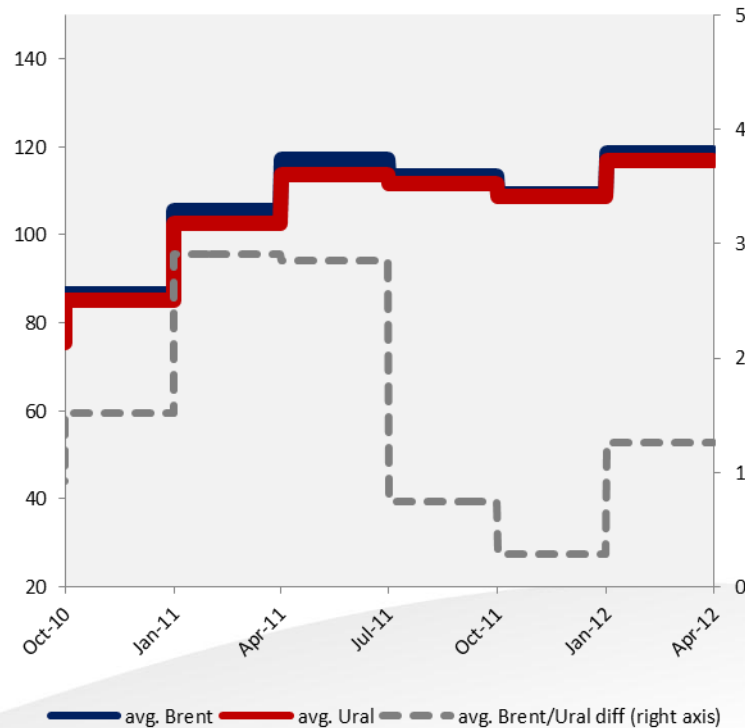
MARKET CONDITIONS

KEY FACTORS

Refining margin



Crude Oil Prices

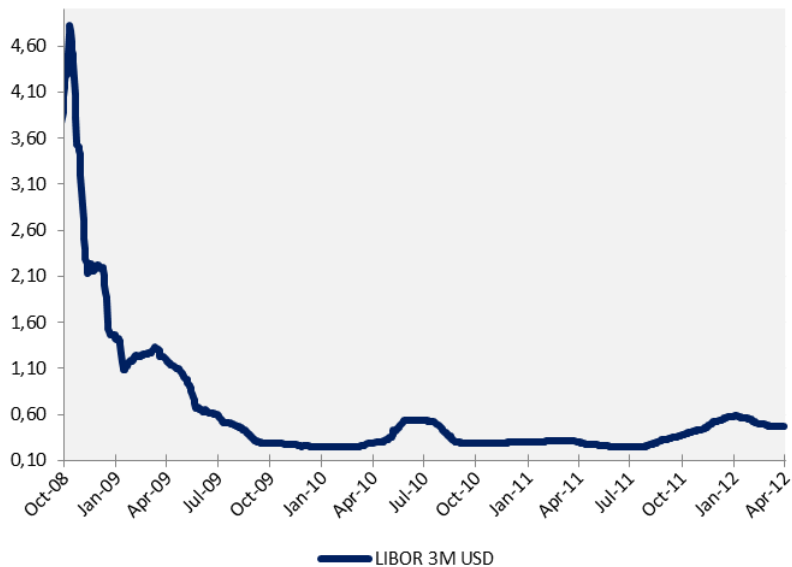


- ❑ Positive impact of increase in Brent/Ural spread in comparison with Q4'11, significantly lower however comparing with Q1'11
- ❑ Negative impact of decrease in refining margin yoy
- ❑ Increase in crude oil prices yoy

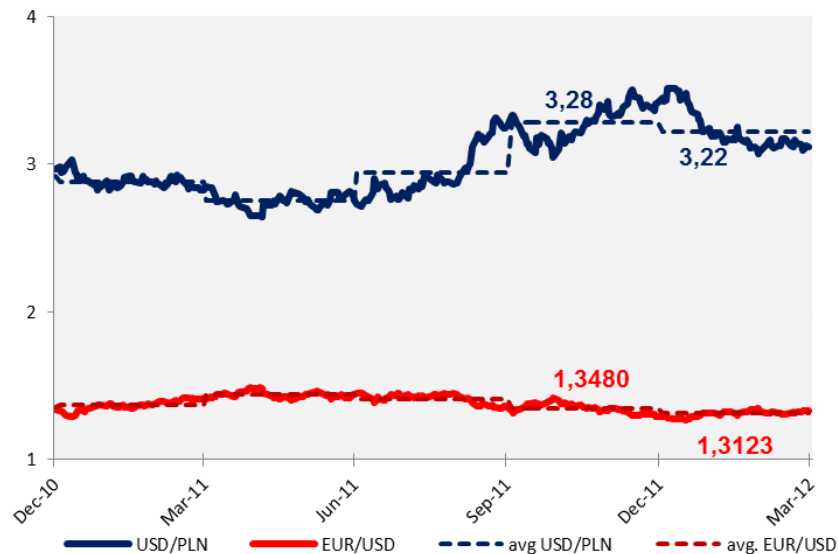
MARKET CONDITIONS

KEY FACTORS

LIBOR 3M USD



FX rates development



❑ The EUR/USD remained stable qoq, while the USD/PLN rate increased qoq

❑ Downward trend of 3M USD LIBOR rate from beginning of October 2008

1 Key highlights

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3 **Upstream**

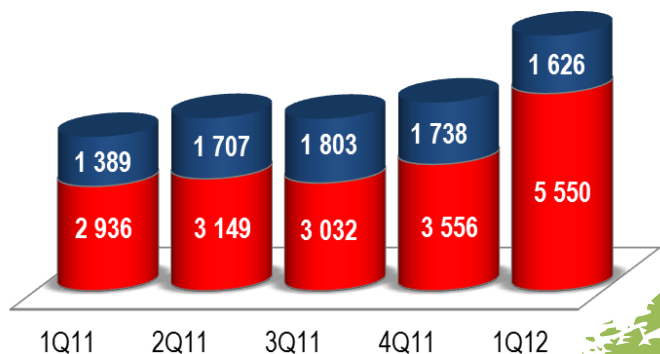
4 Downstream

5 Overall financial results

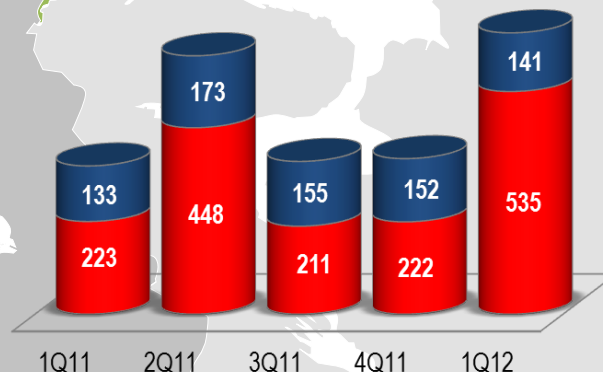
UPSTREAM

GEOGRAPHICAL COVERAGE OF LOTOS' UPSTREAM OPERATIONS

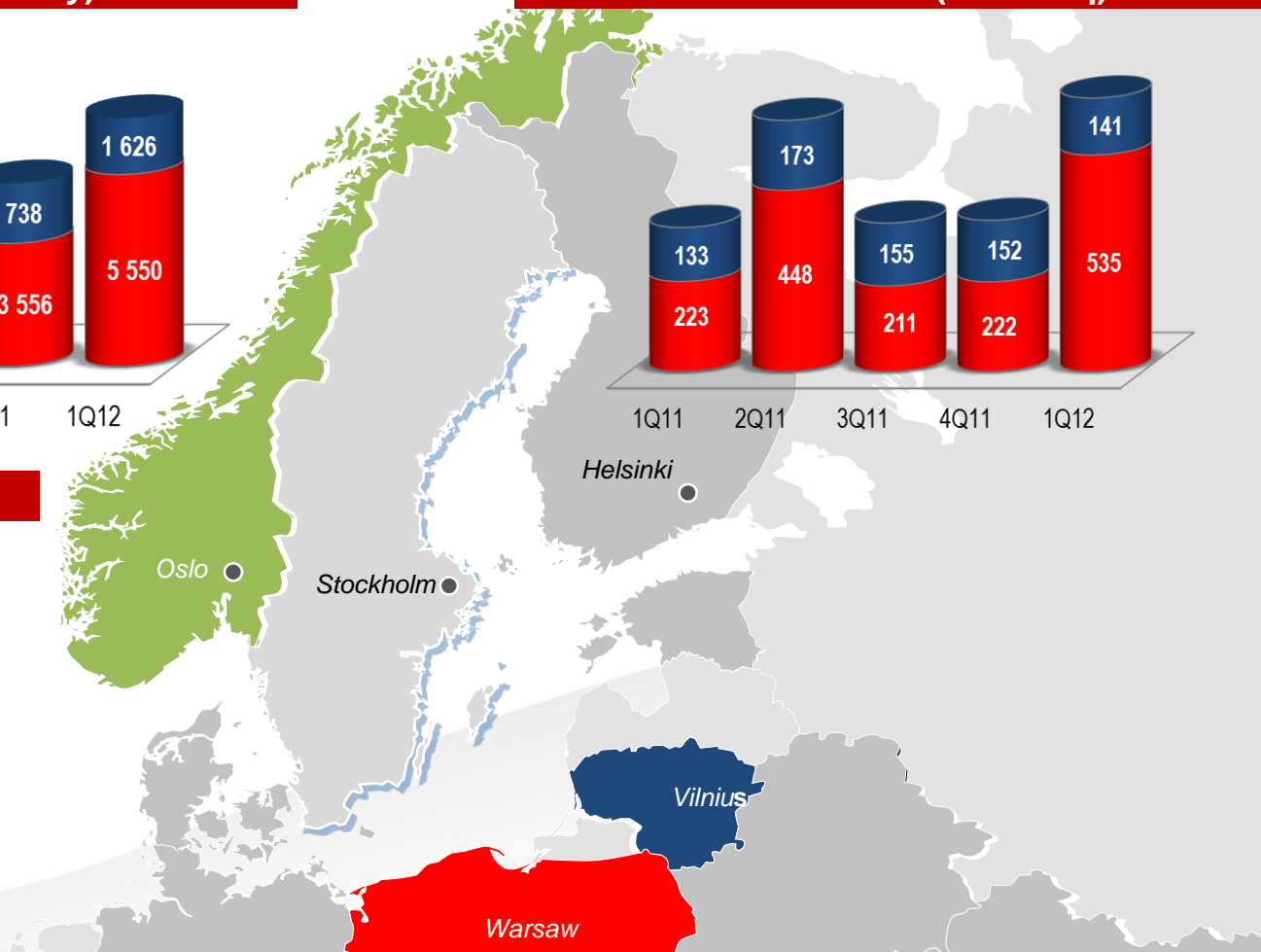
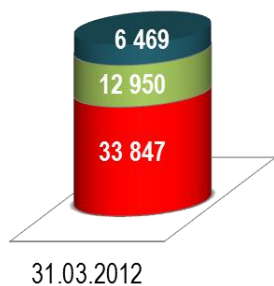
Production (bbl/day)



Sales volumes (ths bbl/q)

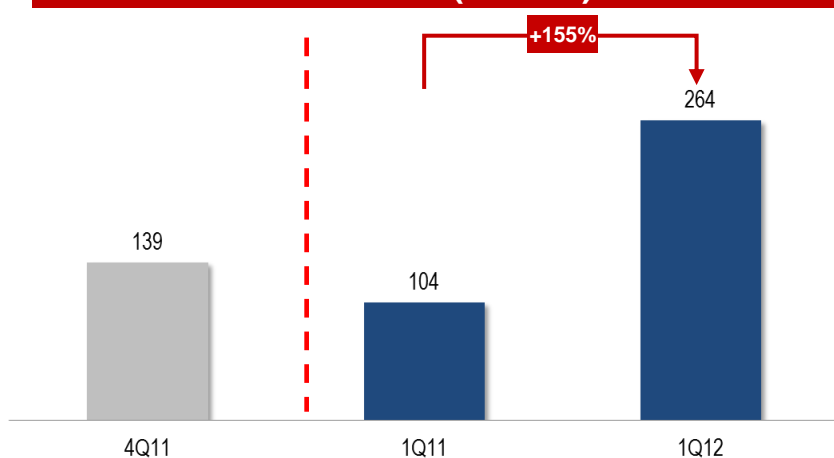


Reserves (ths bbl)

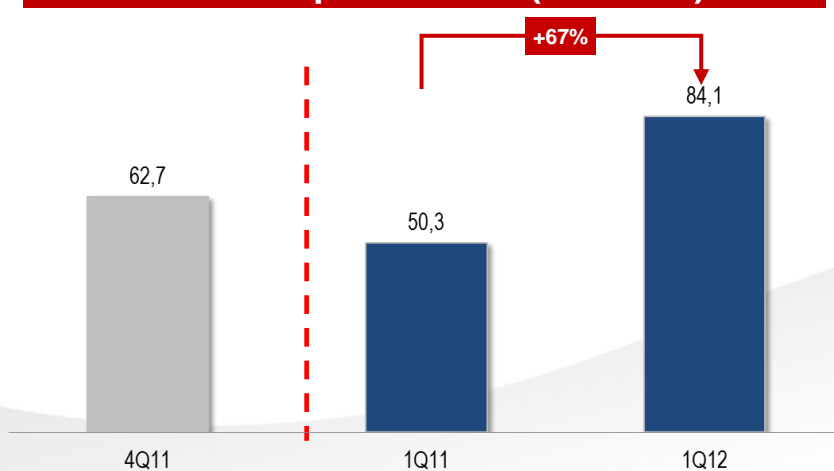


UPSTREAM SALES AND PRODUCTION FIGURES

Net Sales (PLN m)



Crude oil production (k tonnes)



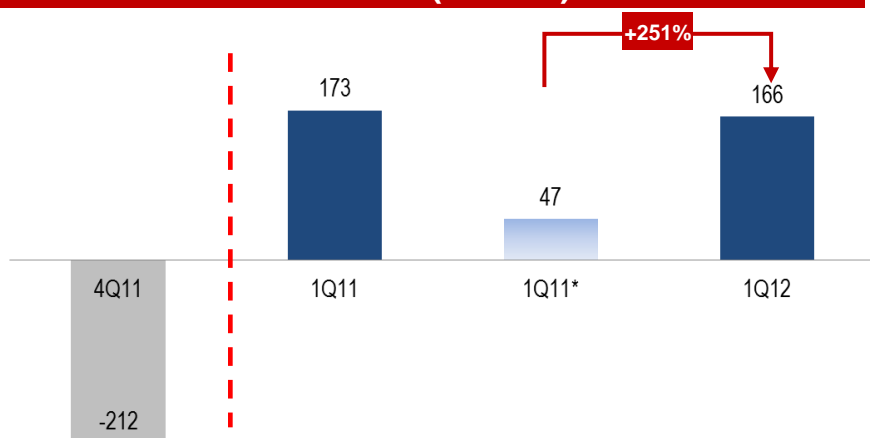
Comments

- Dynamic increase in the net sales level deriving from higher crude oil production and higher market prices +155% y/y
- Increase of production y/y due to test B8 field production (27 k tonnes) and full inclusion of AB Geonafta's production

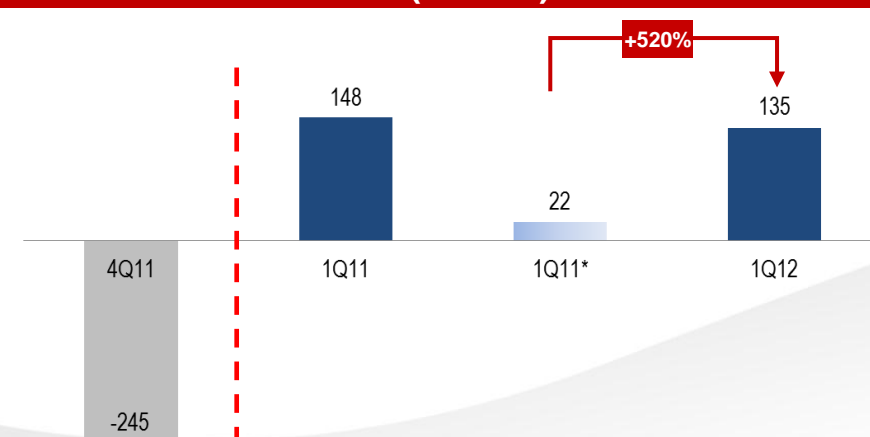
UPSTREAM

EBIT DECOMPOSITION PER DIFFERENT ENTITIES

EBITDA (PLN m)



EBIT (PLN m)



* Normalised EBITDA and EBIT in Q1 2011



Comments

- EBIT and EBITDA fairly stable y/y in nominal terms; a strong increase y/y comparing with the normalised level in 1Q 2011 – excluding the effect of the settlement of AB Geonafta acquisition

1 Key highlights

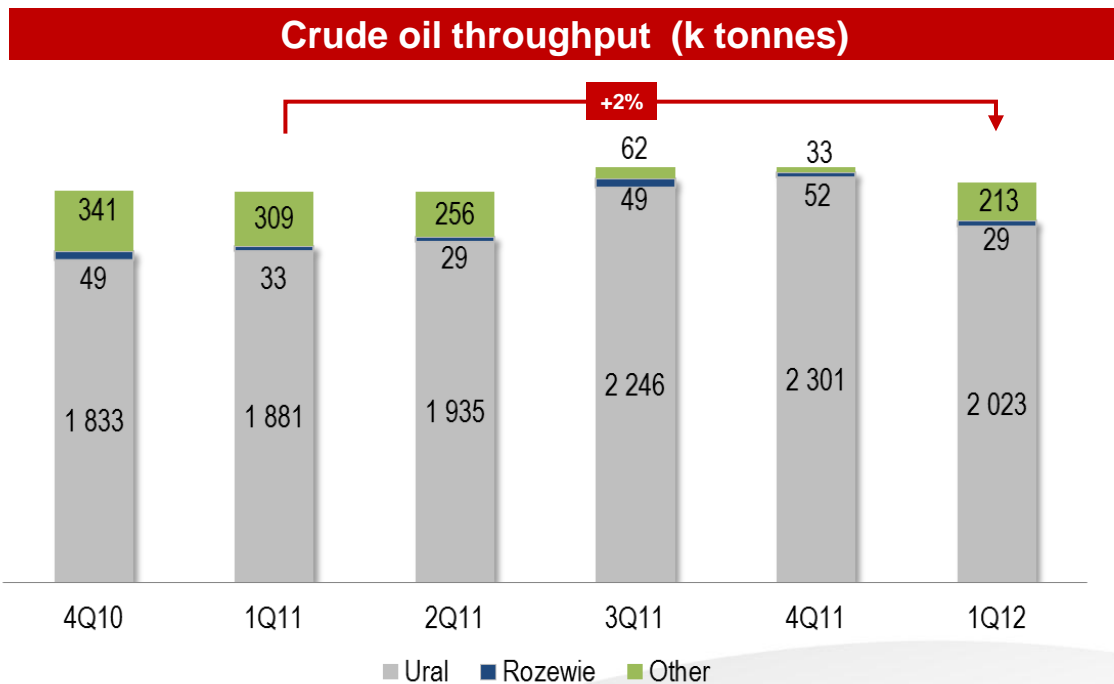
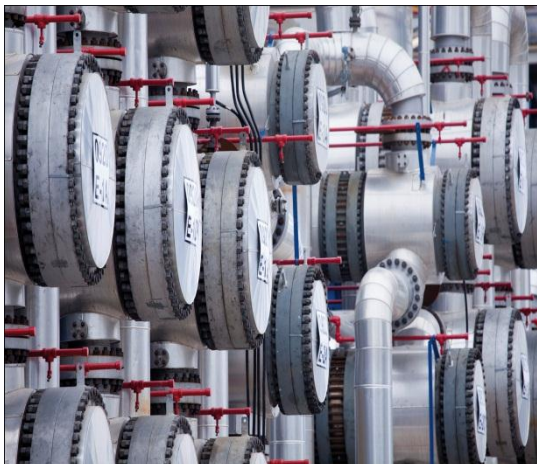
2 Market conditions

3 Upstream

4 **Downstream**

5 Overall financial results

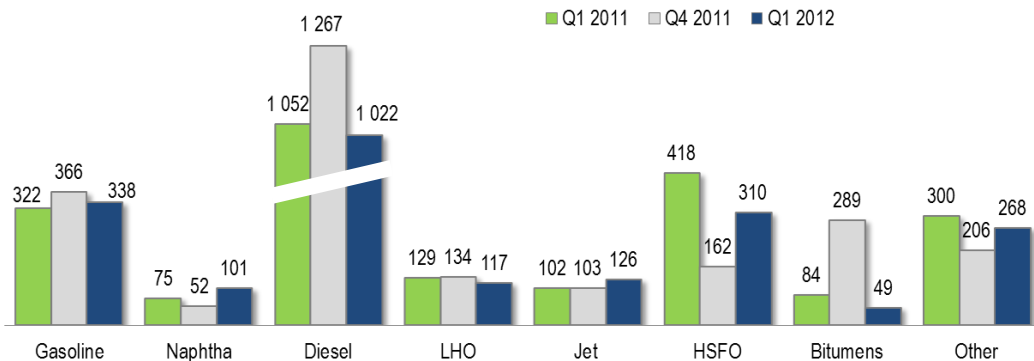
DOWNSTREAM CRUDE OIL THROUGHPUT



- ❑ Year on year increase of the total throughput by 2%, reaching 2,273k tonnes in 1Q 2012
- ❑ After very strong throughput during the month of January, lower figures in February and March, responding to worsening market situatuion

DOWNSTREAM SALES OF PRODUCTS AND GOODS

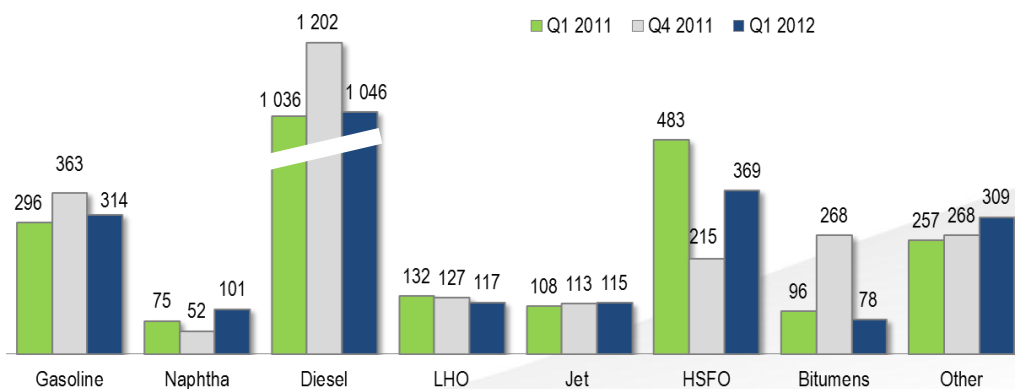
Quarterly production (k tonnes)



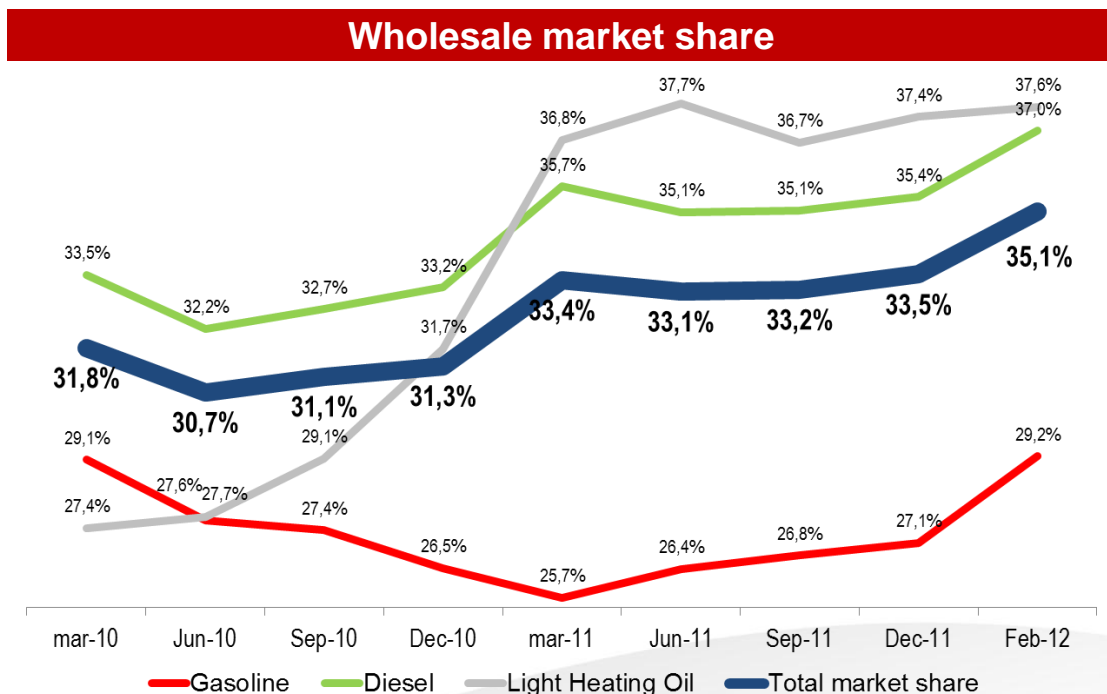
Comments

- ❑ In Q1 2012 total production reached 2,448 thousand tonnes (-1.3% yoy)
- ❑ In Q1 2012 total sales were at the level of 2,330 thousand tonnes (-6.1% yoy)
- ❑ The overall product output structure improved, as strongest decline was noticed for the products with negative margins, i.e. fuel oil and bitumens

Quarterly sales (k tonnes)



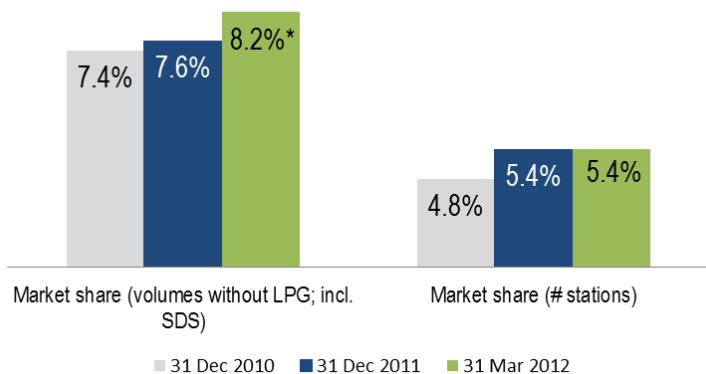
DOWNSTREAM OVERALL MARKET SHARE EVOLUTION



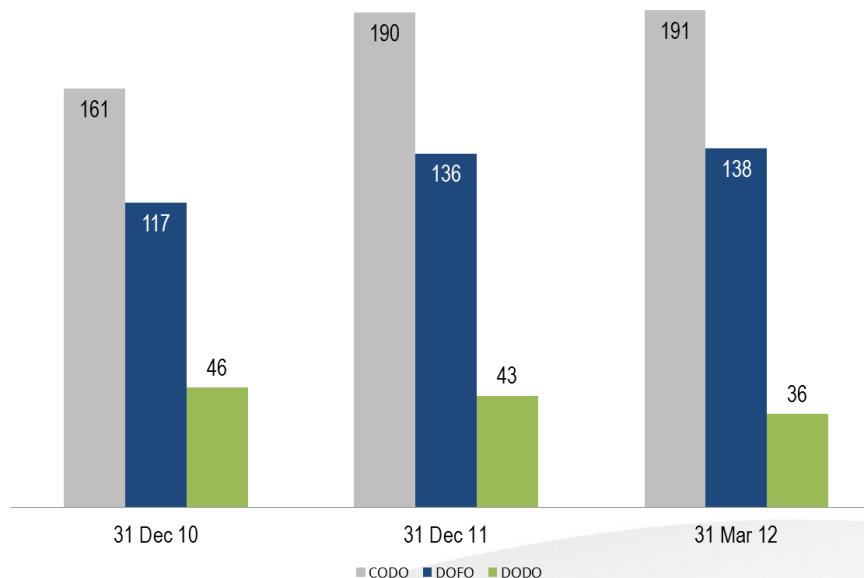
- ❑ Visibly favorable trend in terms of total market share since June 2010
- ❑ Gaining market in the beginning of 2012 + 1.6 p.p. – mostly thanks development of the petrol station network
- ❑ Solid and stable performance in terms of market share, with total market share at 35.1% (as of the end of February 2012) - above the strategic target of 30%

DOWNSTREAM RETAIL MARKET SHARE AND NETWORK

Retail market share



Petrol station network development

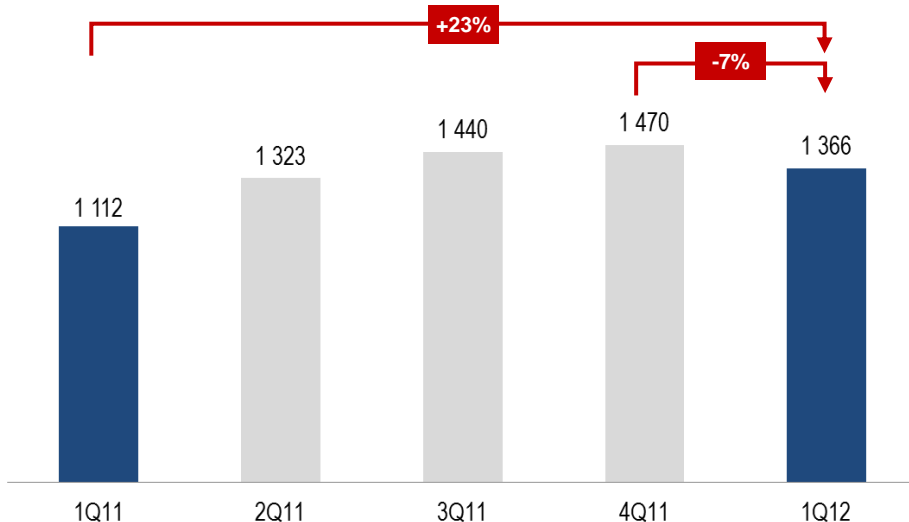


- ❑ Total number of petrol stations as 31 of Mar 2012 reached 365, lower as of 31.12.2011, but once again improving the structure: less 4 DODO stations, 2 more Optima stations
- ❑ Already capitalising on the previously opened Optima stations – a visible increase of market share – to the level of 8.2% in terms of volumes as of the end of February

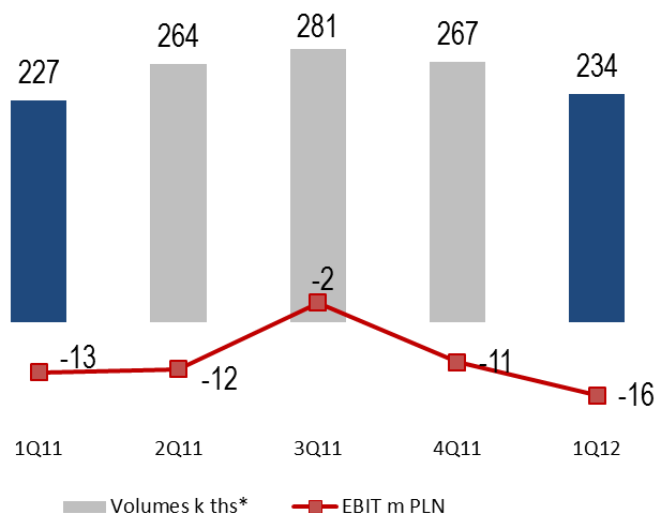
* As of 29 of February

DOWNSTREAM RETAIL RESULTS

Retail Net Sales (PLN m)



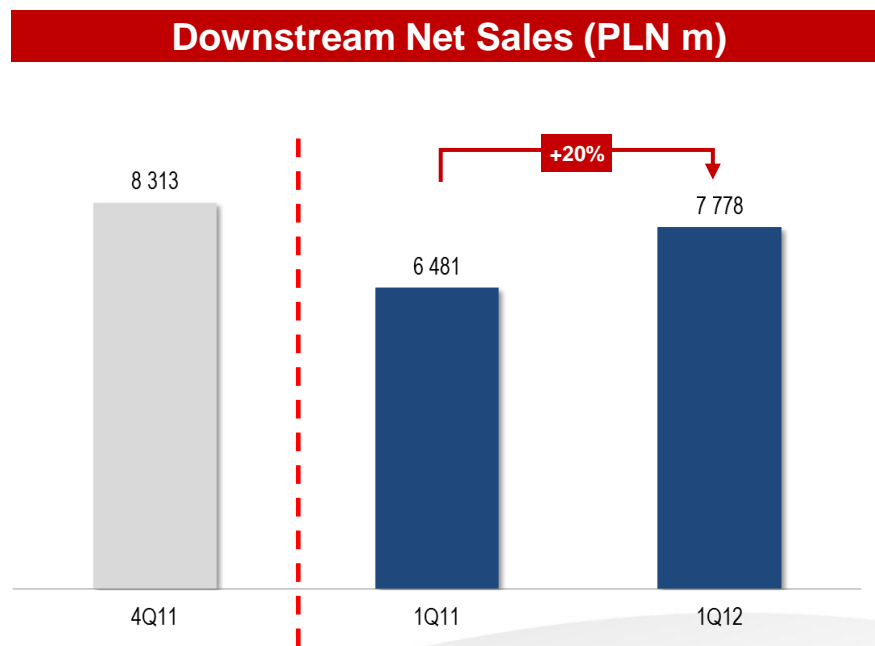
Retail EBIT & Sales Volumes



* Including LPG

- ❑ Solid increase in terms of net sales y/y, and a slight drop q/q due to seasonal factors
- ❑ A recurring negative quarterly EBIT loss due to unfavourable market conditions and pressure on margins

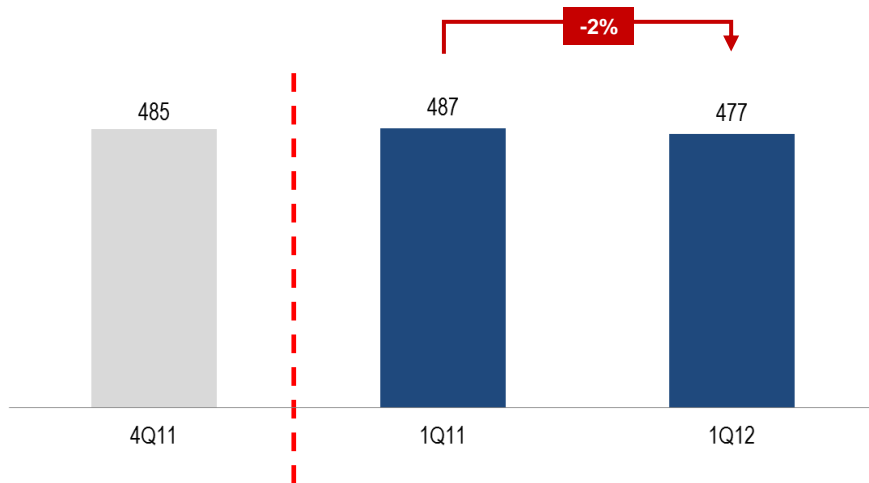
DOWNSTREAM FINANCIAL RESULTS – QUARTERLY VIEW



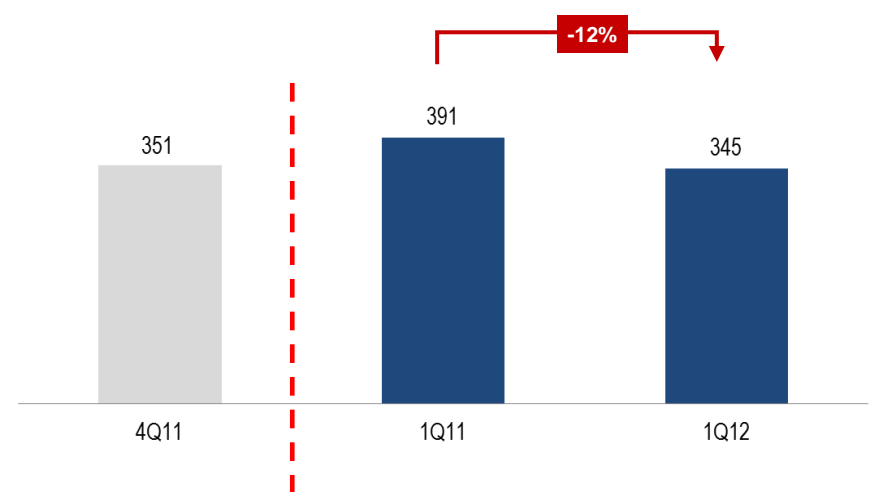
- ❑ Downstream net sales higher by 20% comparing with 1Q 2011
- ❑ Lower sales comparing to the previous quarter, due to lower overall production and lower volume of diesel sales

DOWNSTREAM FINANCIAL RESULTS – EBITDA & EBIT

Downstream EBITDA (PLN m)



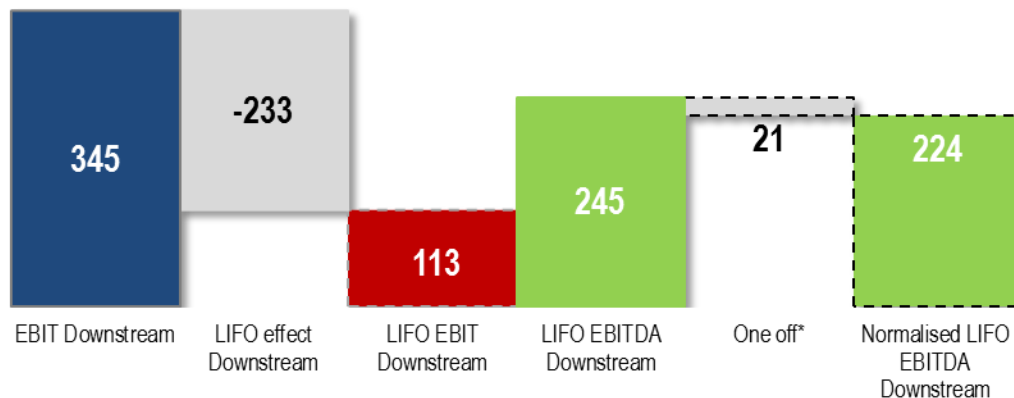
Downstream EBIT (PLN m)



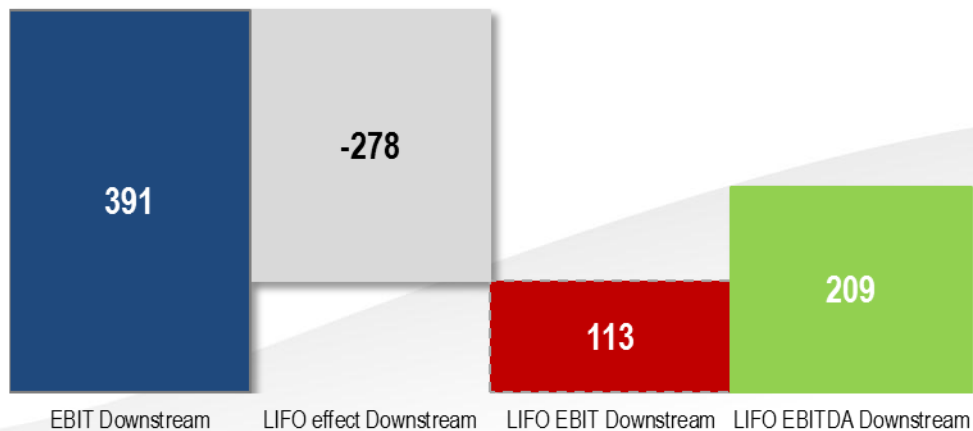
- ❑ Stable level of EBITDA reaching PLN 477m
- ❑ Slight decrease of the EBIT y/y, due to higher level of amortisaztion (10+ programme completion)

DOWNSTREAM LIFO EFFECT

1Q 2012 DOWNSTREAM LIFO EFFECT



1Q 2011 DOWNSTREAM LIFO EFFECT



* 2012 – effect of the sale of LOTOS Parafiny

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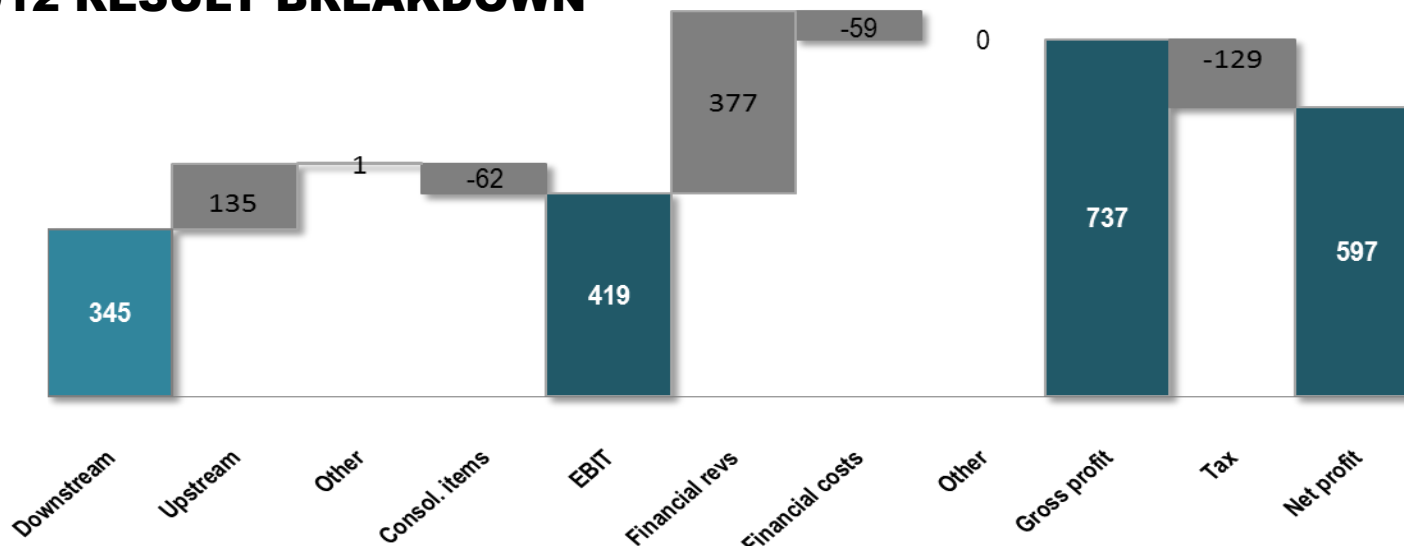
4 Downstream

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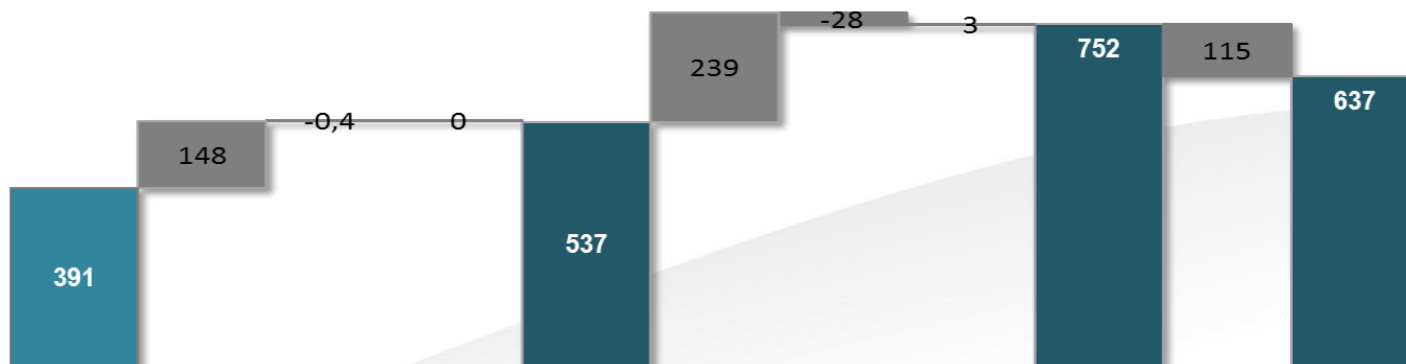
OVERALL FINANCIAL RESULTS

Q1 2012 RESULT BREAKDOWN

Q1 12



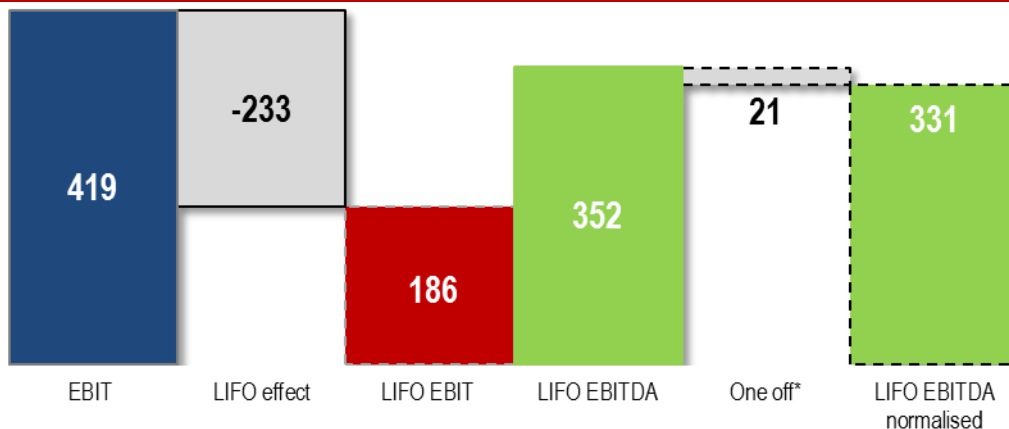
Q1 11



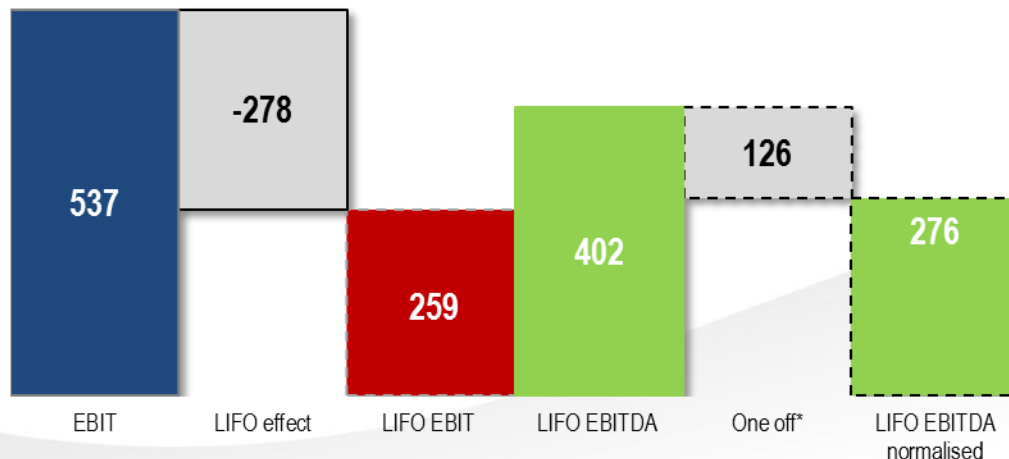
OVERALL FINANCIAL RESULTS

LIFO EFFECT

1Q 2012 LIFO EFFECT



1Q 2011 LIFO EFFECT



* 2012 – effect of the sale of LOTOS Parafiny; 2011 - effect of the settlement of Geonafta acquisition

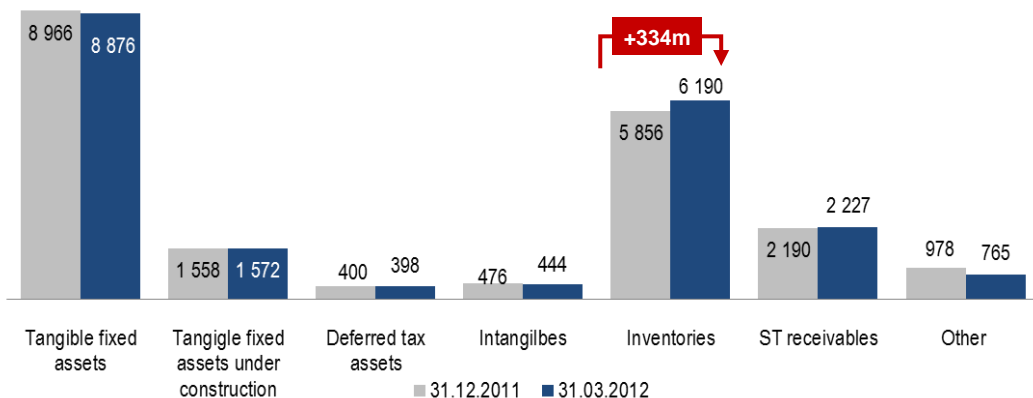
Comments

- ❑ LIFO effect lower than in the 1Q 2011 by -45m PLN, and also substantially lower than in 4Q 2011
- ❑ Normalised LIFO EBITDA (stripping out the one off effects of the settlement of Geonafta acquisition and sale of LOTOS Parafiny) at a solid PLN 331m, above the level of 1Q 2011, despite high oil prices and strong USD vs PLN

OVERALL FINANCIAL RESULTS

BALANCE SHEET EVOLUTION

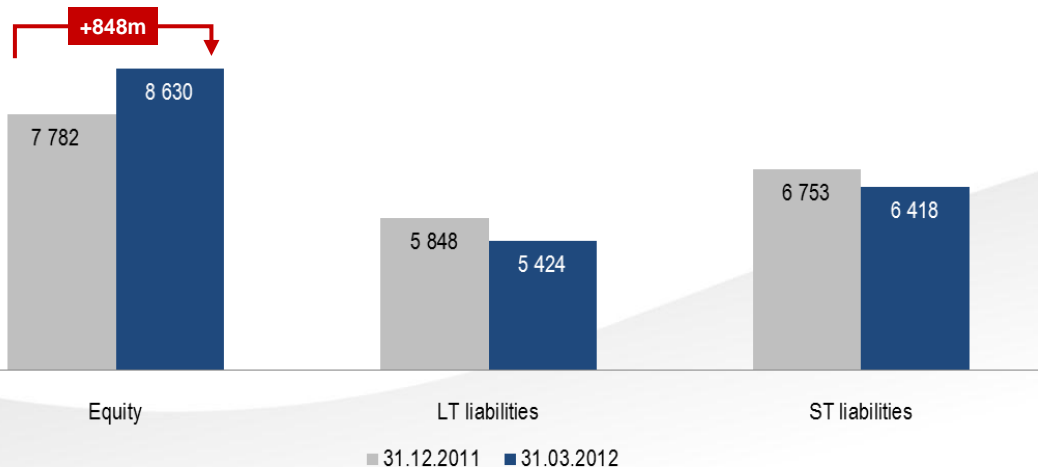
ASSETS



Comments

- Stable assets evolution comparing with the previous quarter
- Increase of inventories by 334m PLN following higher prices of oil and products

LIABILITIES



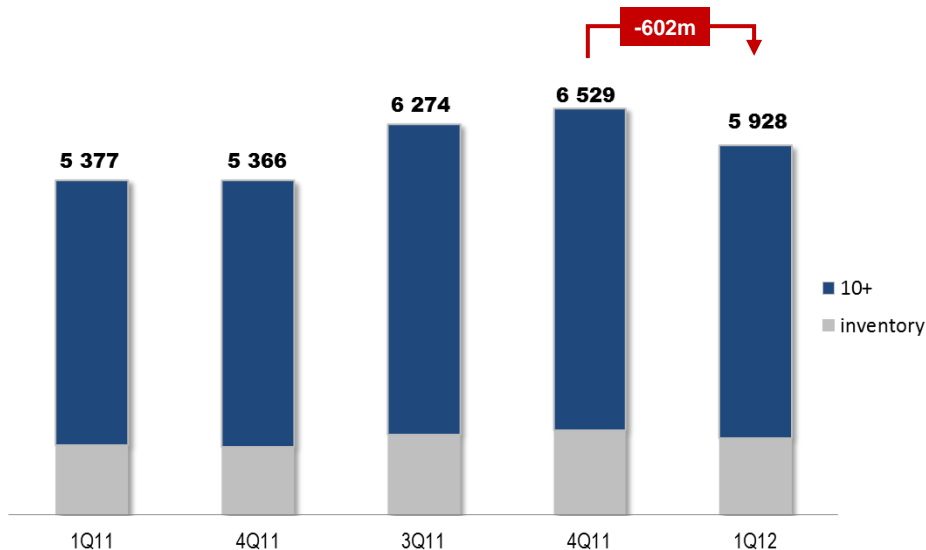
Comments

- Higher equity by +848m, due to retained earnings and hedge accounting effect of FX loan revaluation

OVERALL FINANCIAL RESULTS

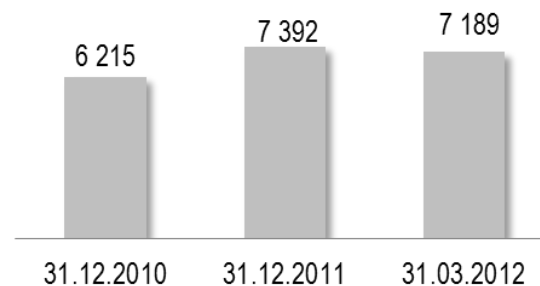
FINANCIAL DEBT

10 + related debt denominated in USD (PLN m)

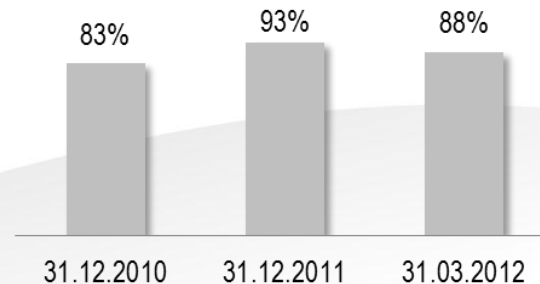


- Favorable development of USD/PLN FX rate positively influencing the level of indebtedness of the company – mark to market revaluation lowering the 10+related USD denominated debt by 602m (to PLN 5 928m)

Financial debt (PLN m)



Gearing ratio



THANK YOU



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