



Consolidated Financial Results of the LOTOS Group Q2 2012 (IFRS)

Management Board of Grupa LOTOS

21 August 2012

1 Key highlights

2 Market Conditions

3 Upstream

4 Downstream

5 Overall financial results

KEY HIGHLIGHTS 2Q 2012 IN A NUTSHELL



Core business related

- ❑ Improvement of the refining macro environment – increased margins, decreased crude oil prices
- ❑ Following the assesment of the situation on the YME project, an impairment of PLN 935m has been performed, negatively influencing the net profit by PLN 285m on the consolidated level
- ❑ Successful reversal of the unfavorable trend within retail – first quarter with positive EBIT since 3Q 2010

Other

- ❑ Election of the new term of the Management Board – 4 current members re-elected and one new member – Mr. Zbigniew Paszkowicz, responsible for exploration and production
- ❑ Consecutive inclusion into the Respect Index, within companies listed on the Warsaw Stock Exchange, proving high standards within Corporate Social Responsibility

KEY HIGHLIGHTS 2Q 2012 OVERALL FIGURES



- ❑ Crude oil production amounted to **5,624 bbl/d** (65.9 k tonnes)
- ❑ Crude oil throughput amounted to **2,416 k tonnes**
- ❑ Consolidated sales at the level of **2,591 k tonnes**
- ❑ Normalised LIFO EBITDA at **PLN 443m**, comparing with PLN 227m of the second quarter of 2011 (excluding one off effect: impairment of the YME project investment in the amount of PLN 935m)
- ❑ LOTOS model refining margin **increased by 75.8%** qoq from 3.71 to 6.52 USD/bbl and increased by 123.6% yoy
- ❑ Average Brent Dtd price amounted to **108.29 USD/bbl** (-7.5% yoy)
- ❑ Brent/Ural spread decreased **from 2.86 USD/bbl to 2.11 USD/bbl** (-26.2% yoy)



1 Key highlights

2 **Market Conditions**

3 Upstream

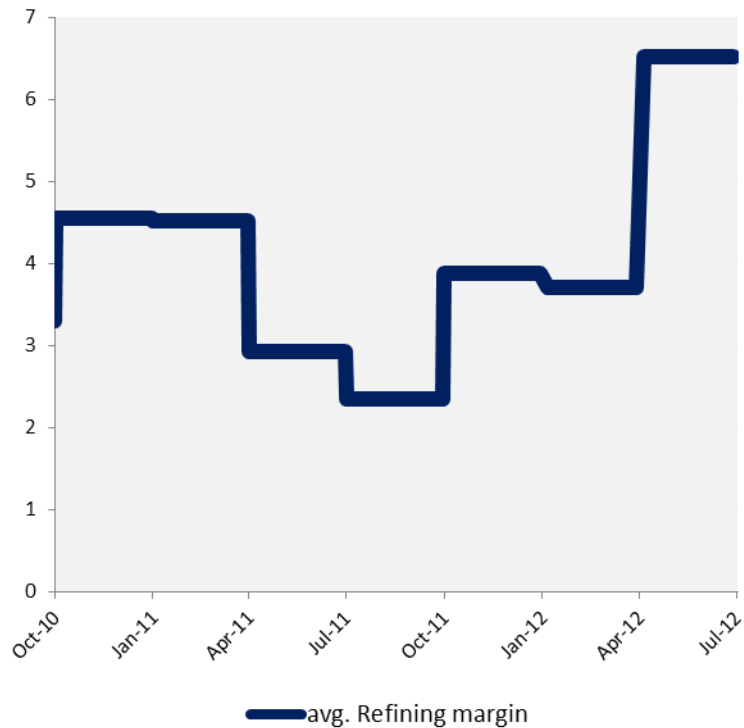
4 Downstream

5 Overall financial results

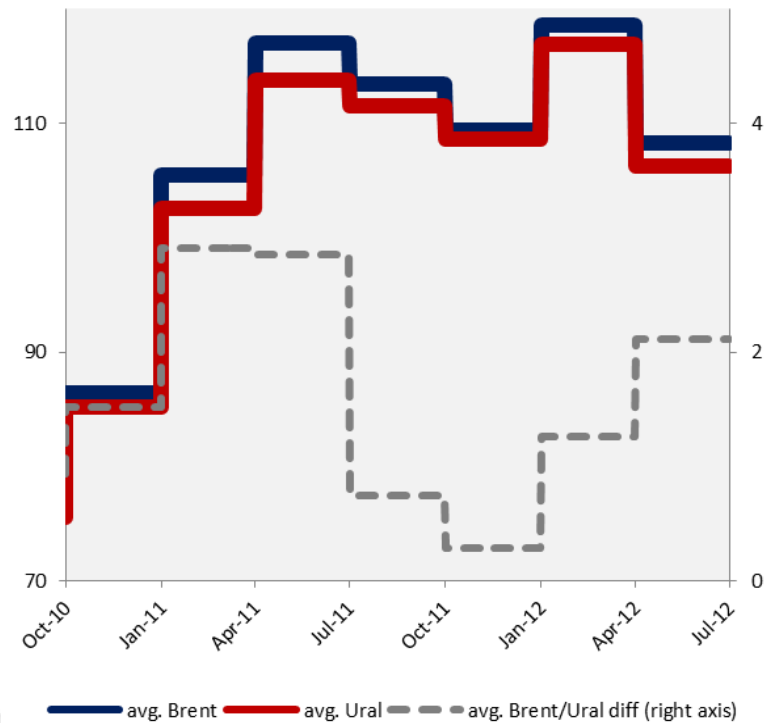
MARKET CONDITIONS

KEY FACTORS

Refining margin



Crude Oil Prices

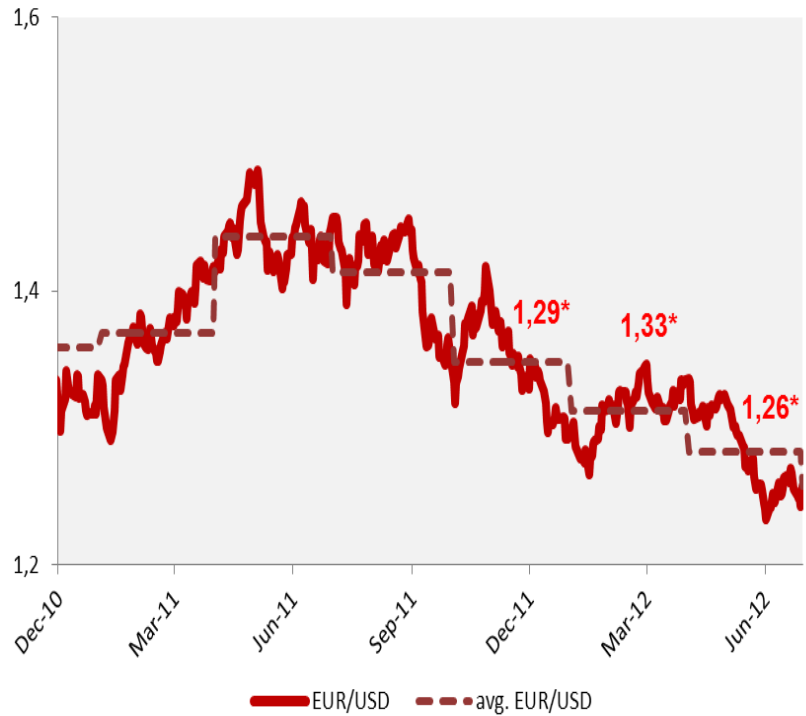


- ❑ Positive impact of increase in Brent/Ural spread in comparison with Q1'12, lower however comparing with Q2'11
- ❑ Positive impact of increase in refining margin yoy
- ❑ Decrease in crude oil prices yoy

MARKET CONDITIONS

KEY FACTORS

FX rates development



*end of period values

□ The EUR/USD decrease qoq, while the USD/PLN rate increased qoq

1 Key highlights

2 Market conditions

3 **Upstream**

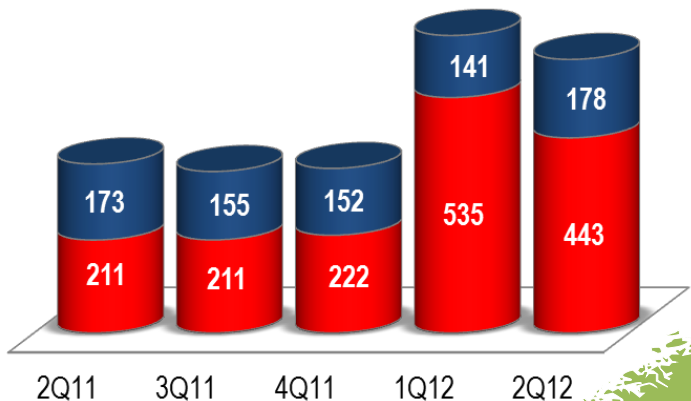
4 Downstream

5 Overall financial results

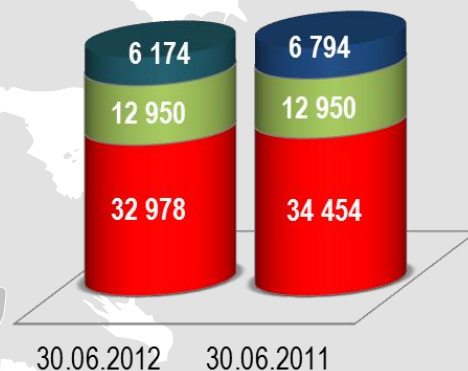
UPSTREAM

GEOGRAPHICAL COVERAGE OF LOTOS' UPSTREAM OPERATIONS

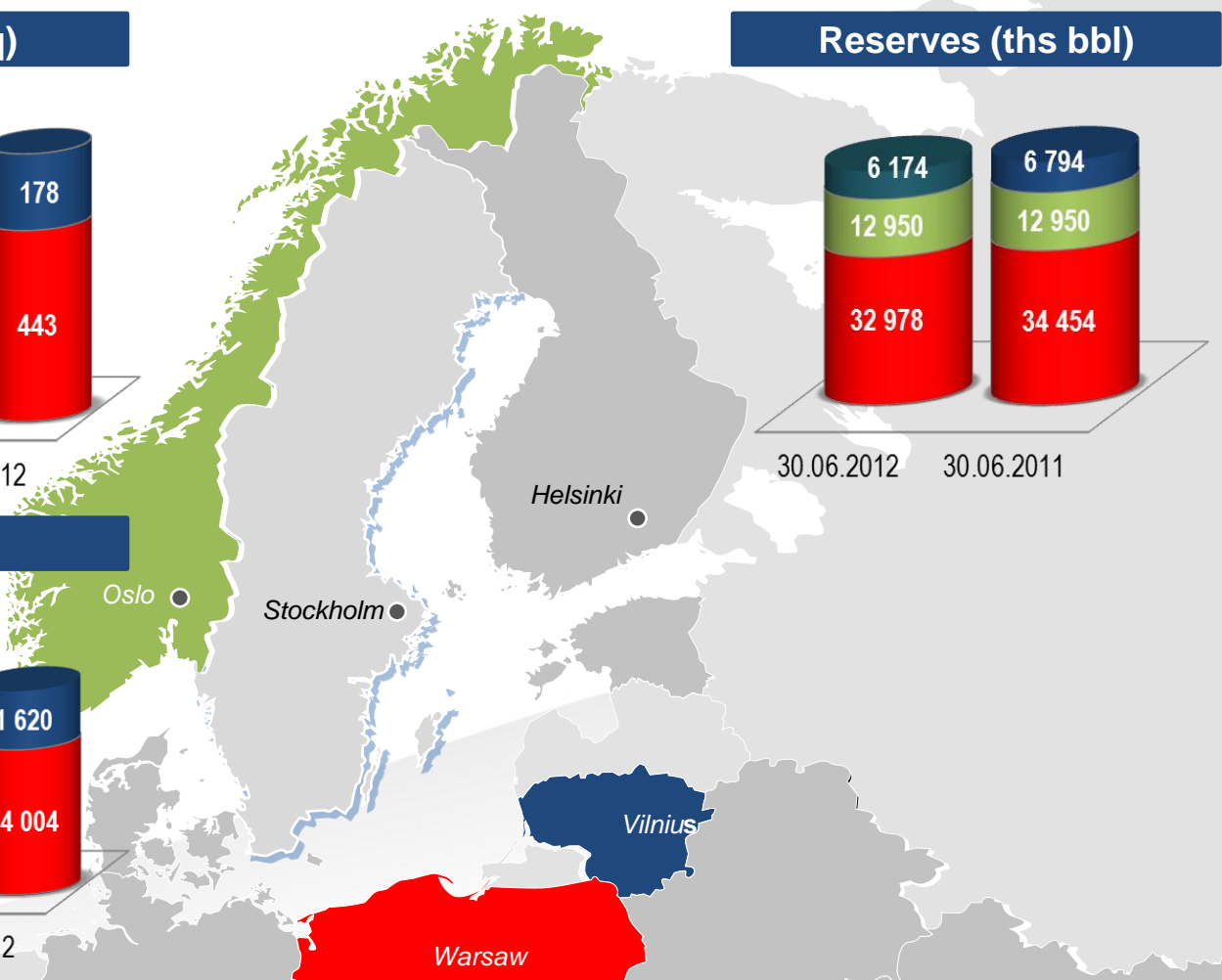
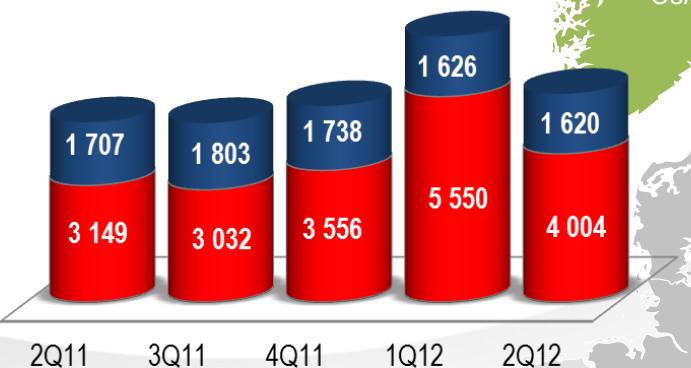
Sales volumes (ths bbl/q)



Reserves (ths bbl)

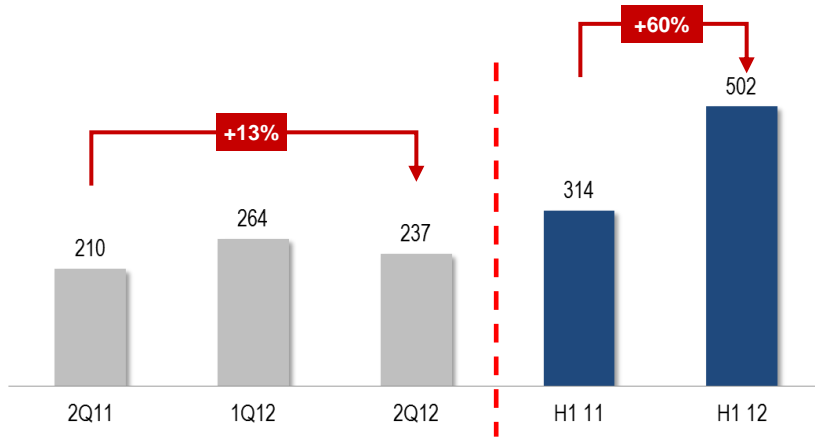


Production (bbl/d)

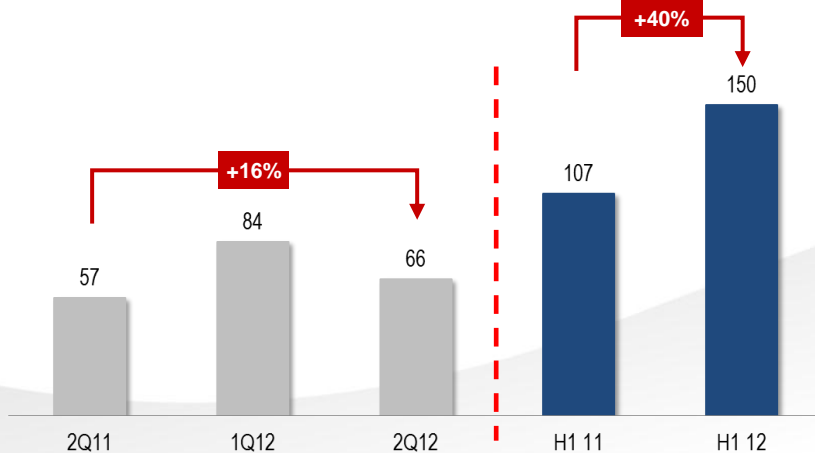


UPSTREAM SALES AND PRODUCTION FIGURES

Net Sales (PLN m)



Crude oil production (k tonnes)



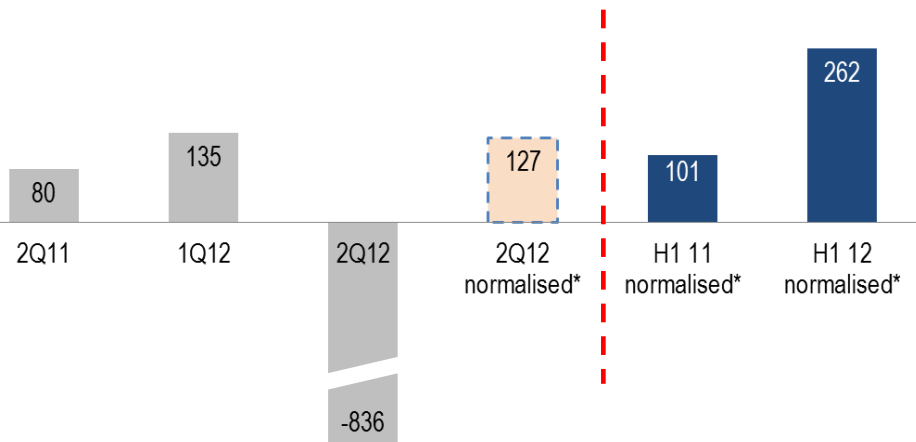
Comments

- Solid increase of the net sales within the segment 60% y/y and 13% q/q following appreciation of the USD vs PLN and higher production
- Higher volumes by 40% y/y thanks to the test production from B8 field in the first 4 months of 2012

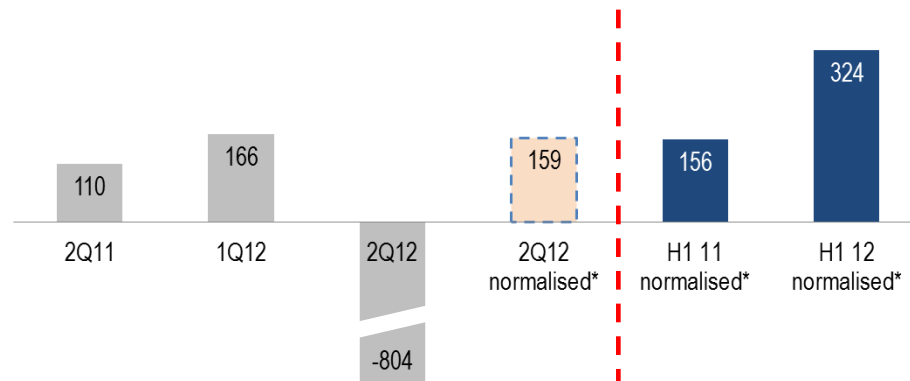
UPSTREAM

EBIT & EBITDA DEVELOPMENT

EBIT (PLN m)



EBITDA (PLN m)



* 2012 – excluding the negative impact of PLN 913m YME impairment ; 2011 – excluding the positive impact of the settlement of AB Geonafta acquisition

Comments

- ❑ Impairment of PLN 935m in Q2 '12 heavily impacting the result of LOTOS Norge, however due to deferred tax effect the impact on the net result is reduced to PLN 285m
- ❑ Evaluation of acquisition possibilities of oil production fields at Norway Sea – in order to leverage on the cumulated deferred tax assets from the YME project, which is amounting to PLN 1 051m

1 Key highlights

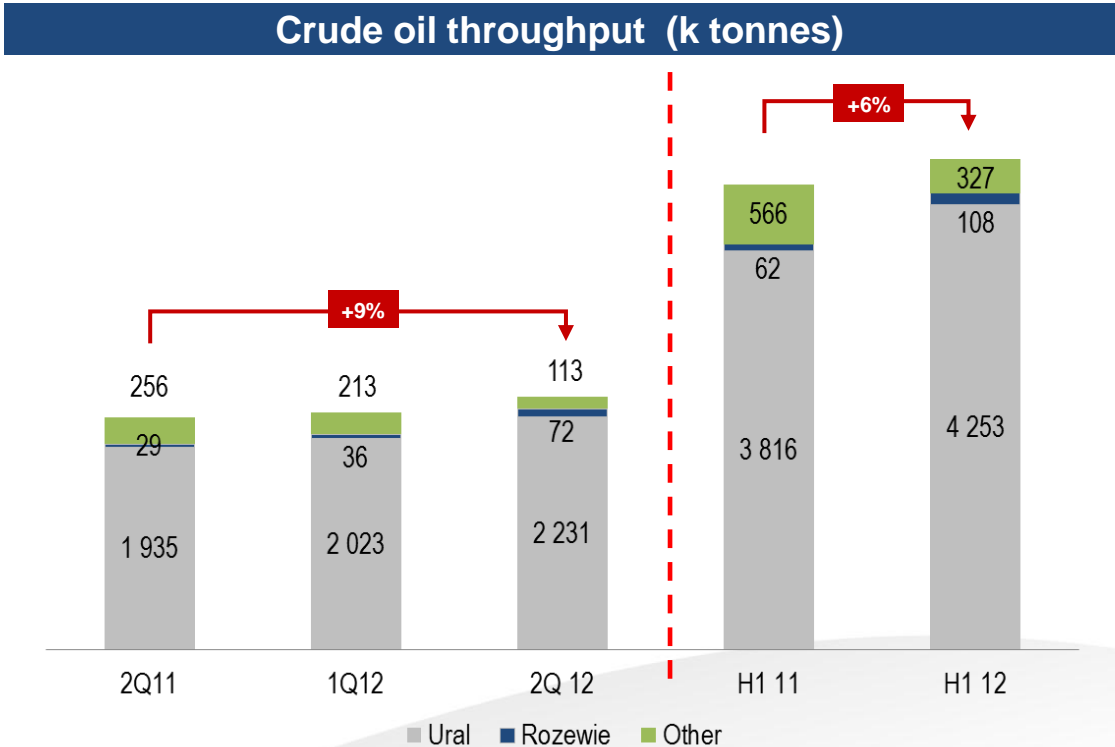
2 Market conditions

3 Upstream

4 **Downstream**

5 Overall financial results

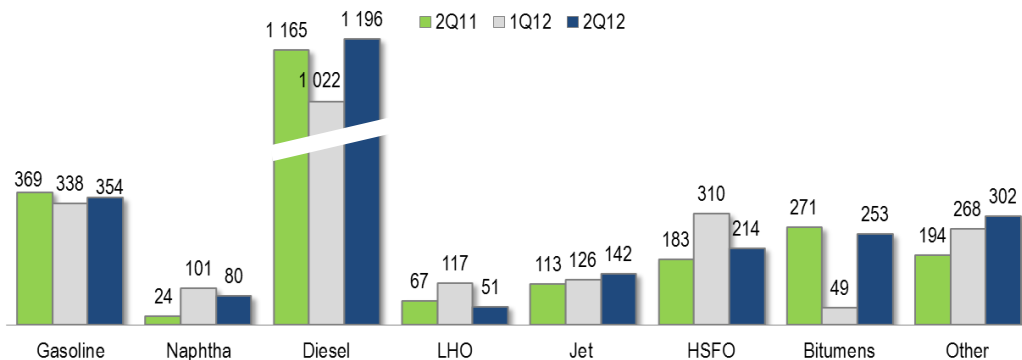
DOWNSTREAM CRUDE OIL THROUGHPUT



- ❑ Keeping the trend of gradual increase of the oil throughput – for the first half of 2012 almost at 4.7 mln tonnes, which is by 6% more than in the first half of the previous year
- ❑ In the analysed quarter more Ural crude was processed than in Q1 '12 and Q2 '11

DOWNSTREAM SALES OF PRODUCTS AND GOODS

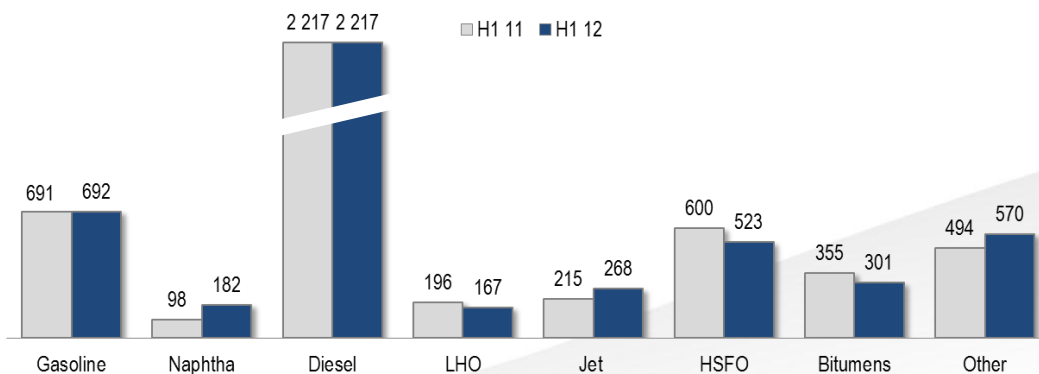
Quarterly sales (k tonnes)



Comments

- ❑ In Q2 '12 total sales reached 2 591 thousand tonnes (+9% y/y)
- ❑ The increase in the position 'other' is mainly own crude oil trading
- ❑ Following up improved margins, q/q increase of the Diesel sales

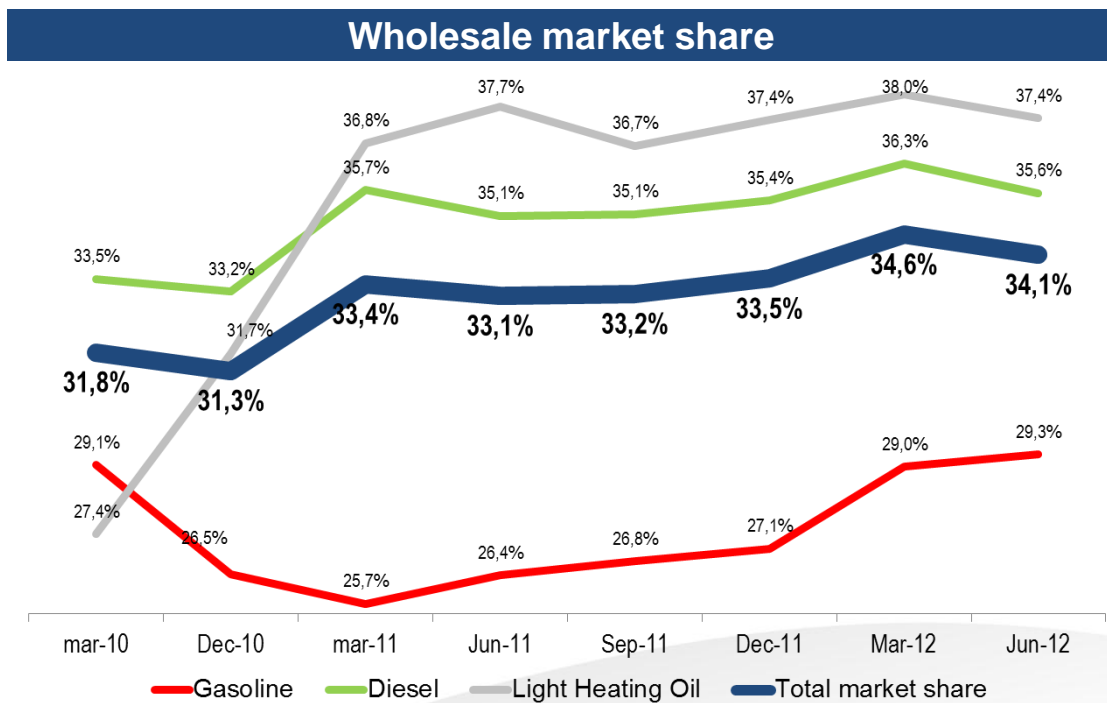
Half year sales (k tonnes)



Comments

- ❑ For the first half of 2012 total sales reached 4.9 m tonnes, which is slightly higher than in the first half of 2011
- ❑ Improved product slate thanks to higher portion of jet fuel and lower sales of HSFO

DOWNSTREAM OVERALL MARKET SHARE EVOLUTION

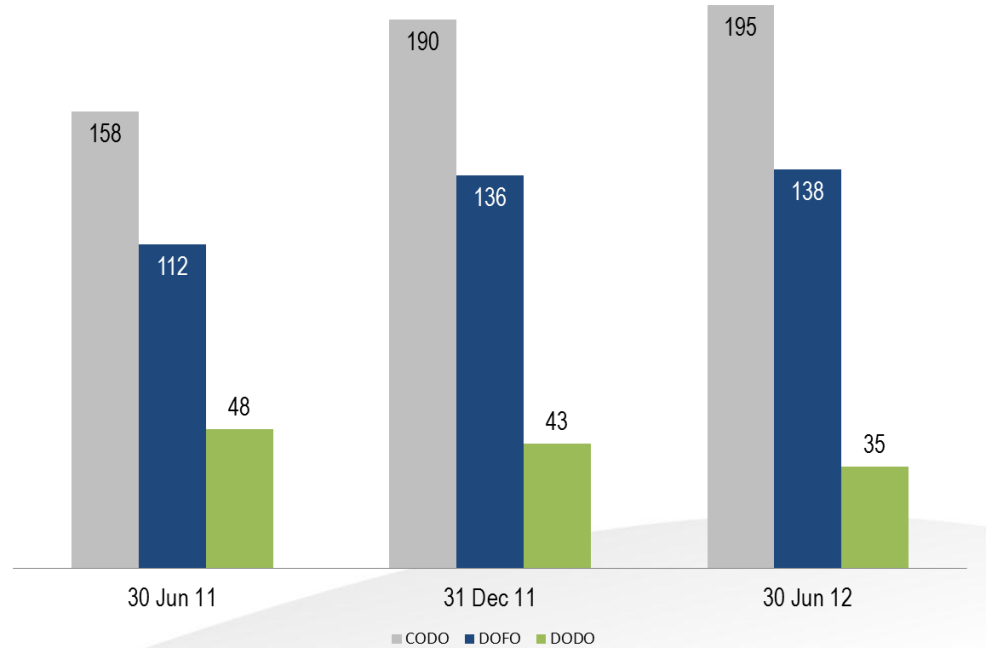


- ❑ A slight decrease of the market share comparing with the end Q1 '12, still however remaining on the very high level above the strategic target of 30%
- ❑ A slight increase of the market share for gasoline q/q and by almost 3 p.p. y/y

DOWNSTREAM RETAIL MARKET SHARE AND NETWORK



Petrol station network development

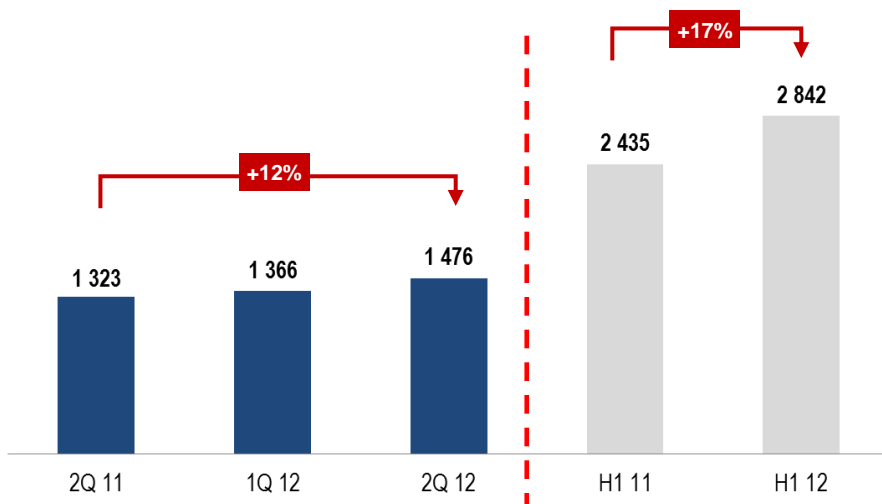


❑ Total number of petrol stations as 30 of Jun 2012 reaching 368, including 56 LOTOS Optima stations

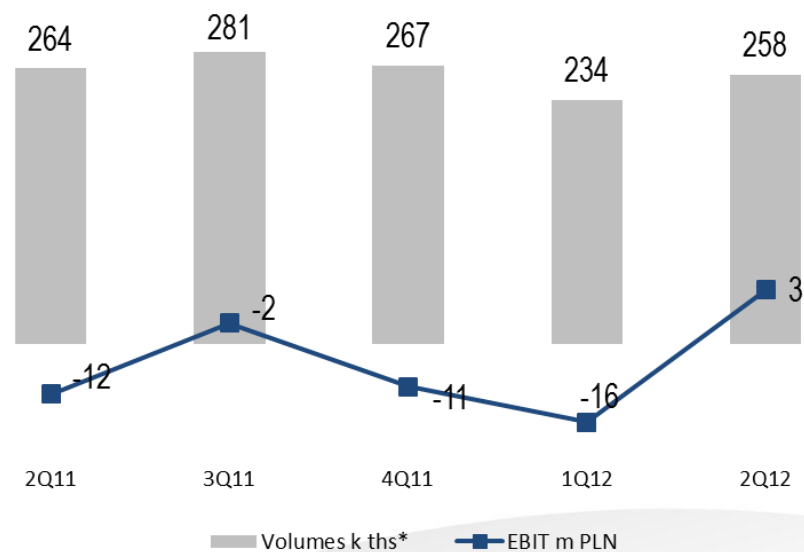
❑ The total number of DODO stations decreased to 35 units

DOWNSTREAM RETAIL RESULTS

Retail Net Sales (PLN m)



Retail EBIT & Sales Volumes



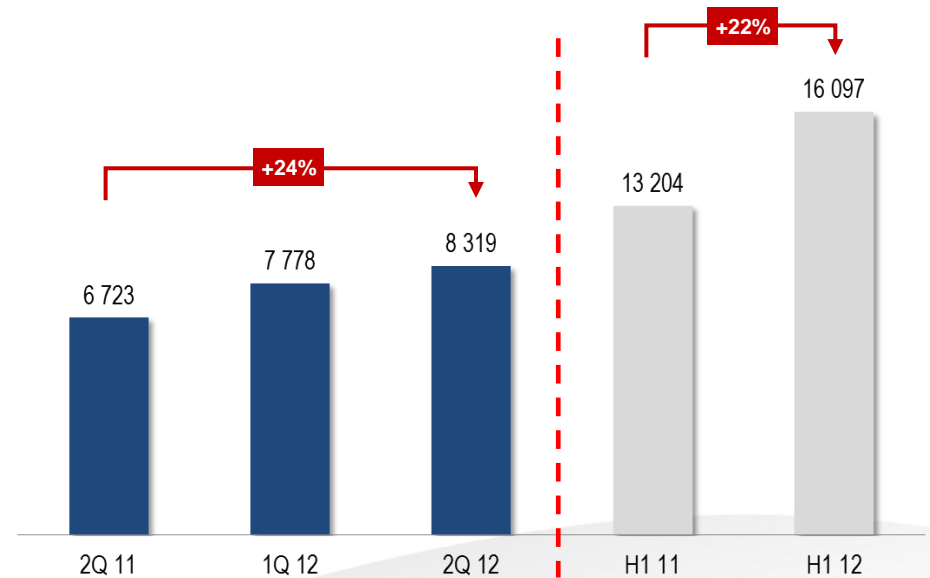
* Including LPG

- Continuingly increasing retail net sales q/q – leveraging on the increase in the number of petrol stations
- First quarter with positive EBIT since Q3 '10

DOWNSTREAM FINANCIAL RESULTS – QUARTERLY VIEW



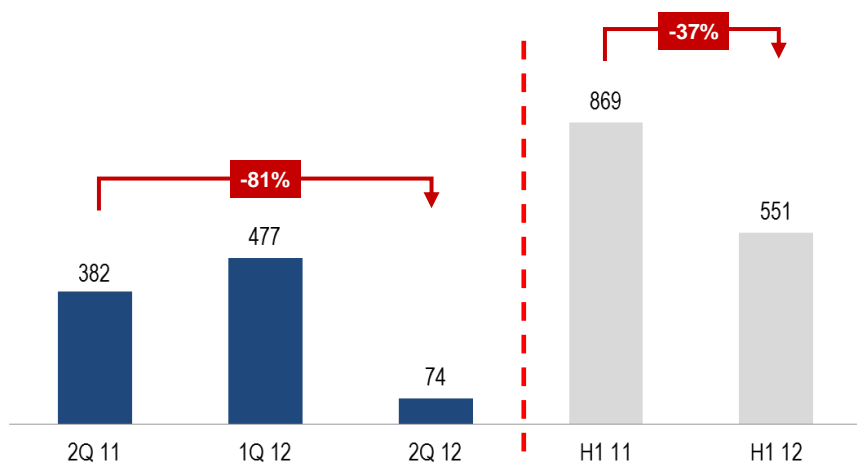
Downstream Net Sales (PLN m)



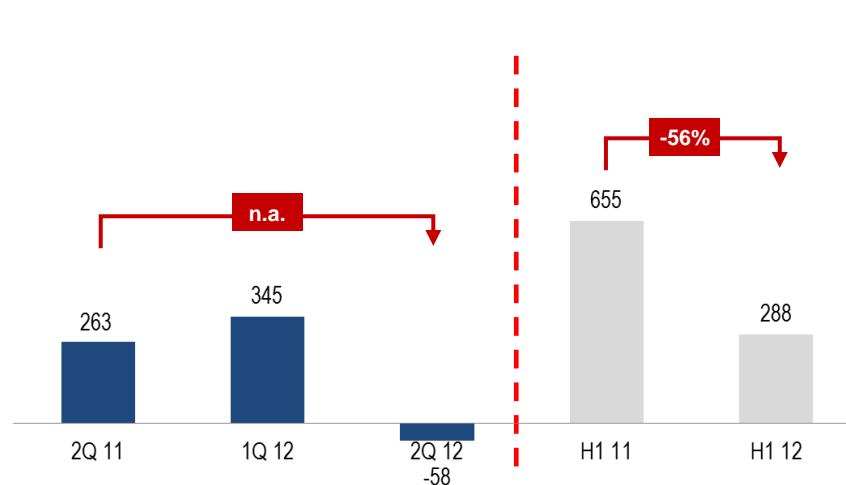
- ❑ Cumulative half year sales reaching a record high figure of PLN 16 097 m in the H1 2012
- ❑ In the second quarter sales revenues exceeded PLN 8.3bn, which is by 24% higher in comparison with Q2 '11

DOWNSTREAM FINANCIAL RESULTS – EBITDA & EBIT

Downstream EBITDA (PLN m)



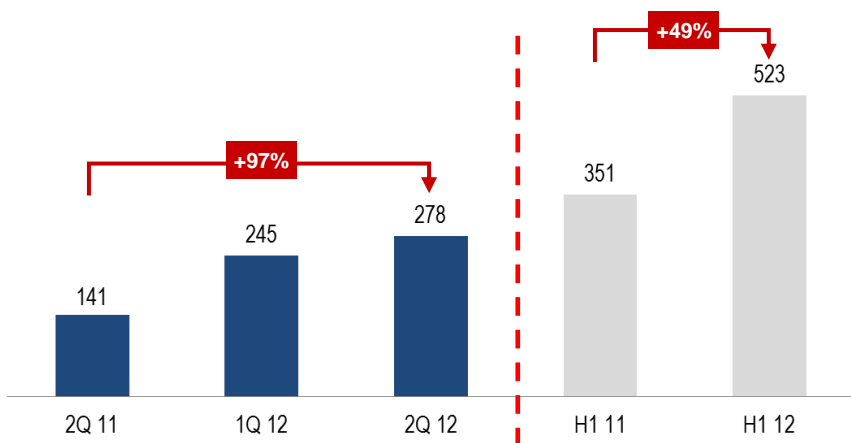
Downstream EBIT (PLN m)



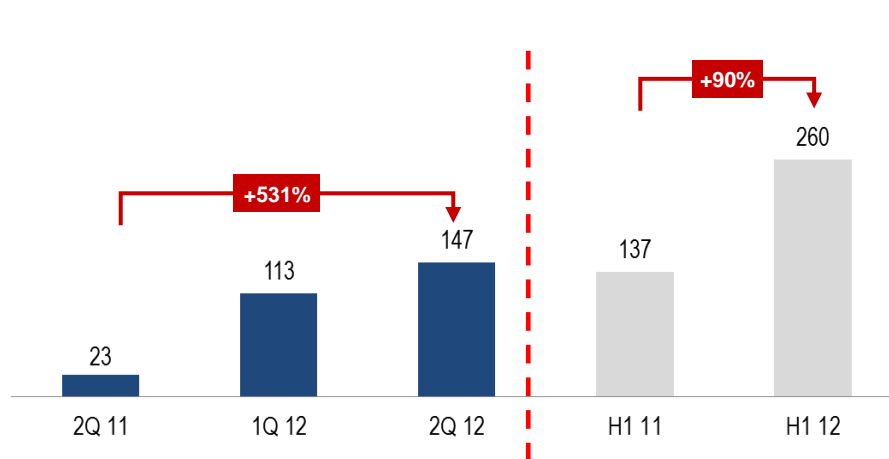
Reported EBITDA and EBIT adversely affected by the decrease of crude oil prices

DOWNSTREAM LIFO EBITDA & EBIT ANALYSIS

LIFO EBITDA Downstream (PLN m)



LIFO EBIT Downstream (PLN m)



- ❑ Stripping out the LIFO effect from the reported results, a clearly visible improvement of downstream segment's performance
- ❑ Half year LIFO EBITDA of the segment higher by 49% y/y, whereas Q2' 12 result up by 97% comparing with Q1' 11
- ❑ Downstream's LIFO EBIT for the first half of the year at PLN 260m, which is by 90% higher than in the first half of 2011

1 Key highlights

2 Market conditions

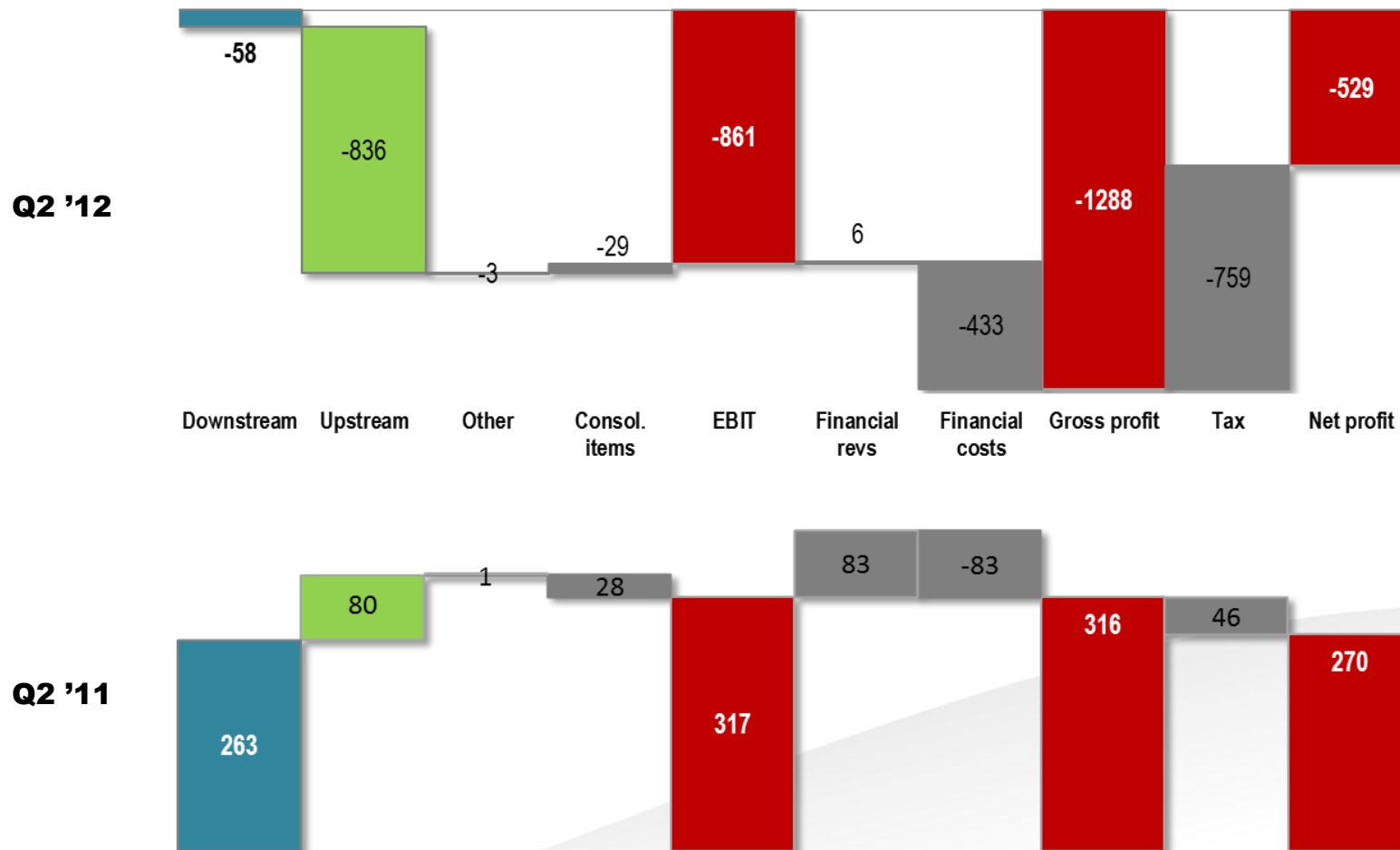
3 Upstream

4 Downstream

5 Overall financial results

OVERALL FINANCIAL RESULTS

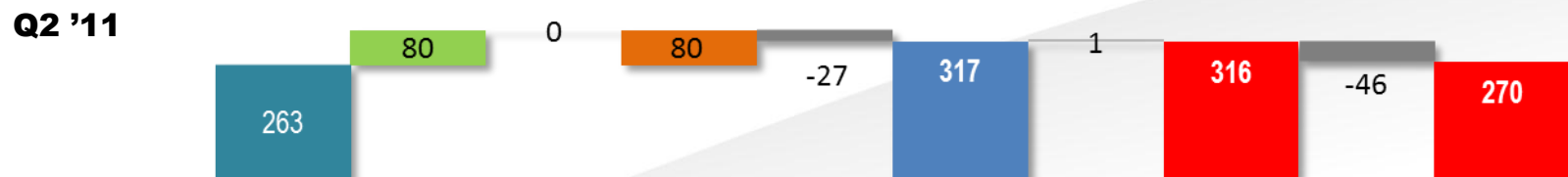
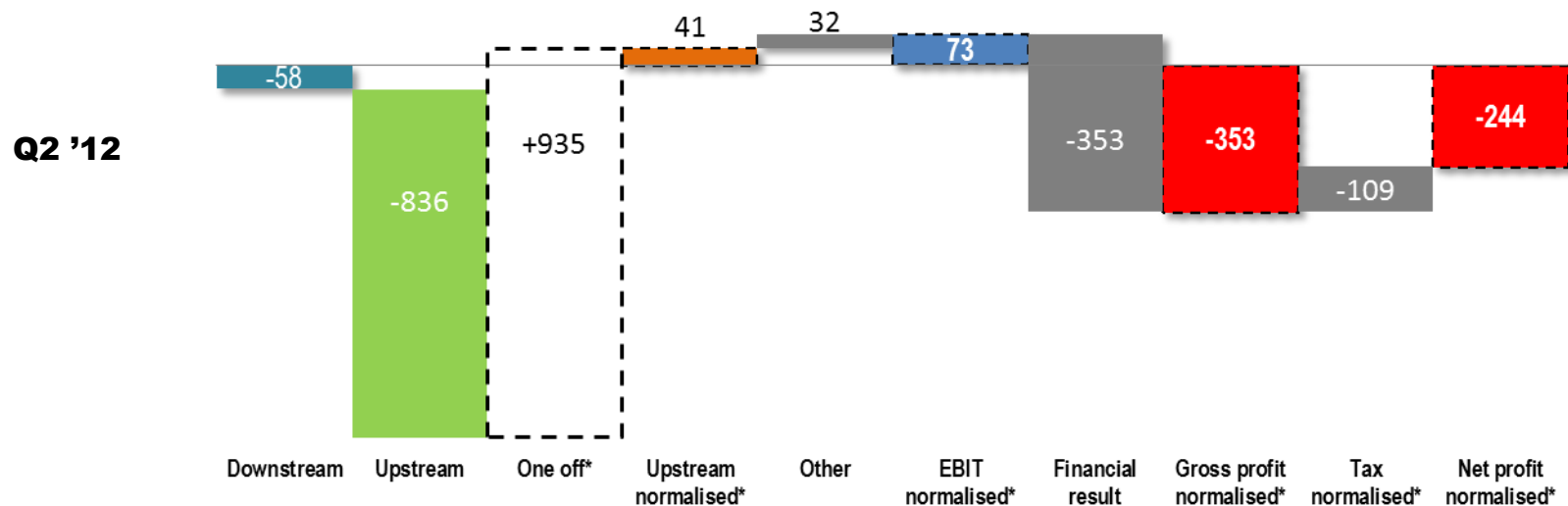
Q2 '12 REPORTED RESULT BREAKDOWN



Q2 '12 results influenced by 935m PLN write-off connected to the YME field (impacting EBIT upstream), lowering the net result by PLN 289m

OVERALL FINANCIAL RESULTS

Q2 '12 NORMALISED REPORTED RESULT BREAKDOWN

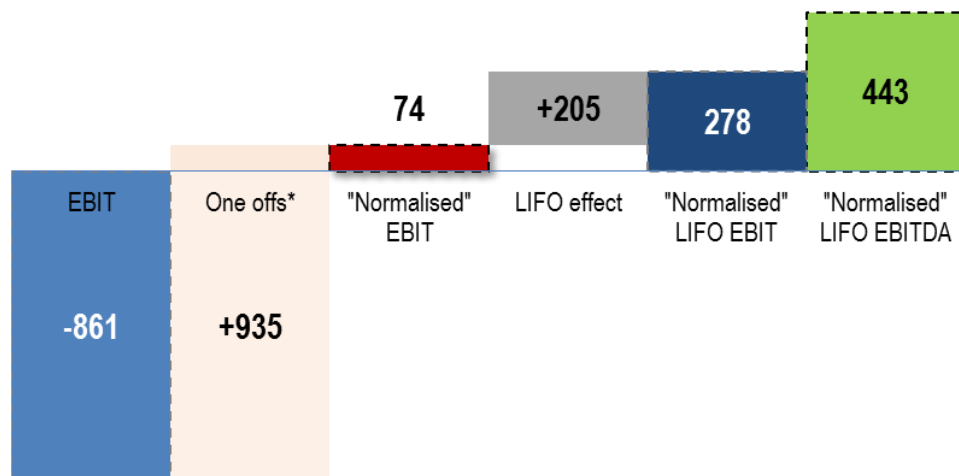


* 2012 negatively impacted by PLN 935m of YME field impairment investment (net result impact of PLN -285m)

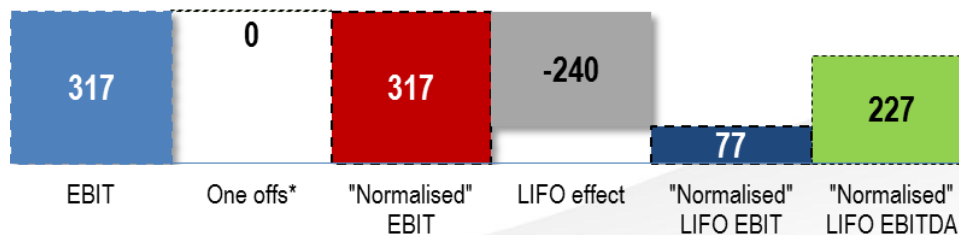
OVERALL FINANCIAL RESULTS

QUARTERLY LIFO EFFECT ANALYSIS

Q2 2012 LIFO EFFECT



Q2 2011 LIFO EFFECT



* One off impairments within upstream; mainly the write-off on the YME project

Comments

- ❑ Decrease in the oil prices causing favorable LIFO effect of PLN 205m in the Q2 '12
- ❑ In order to present the real commercial performance of the company we show the normalised P&L figures (excluding the YME write-off)
- ❑ „Normalised” LIFO EBITDA up by 95% vs Q2 '11

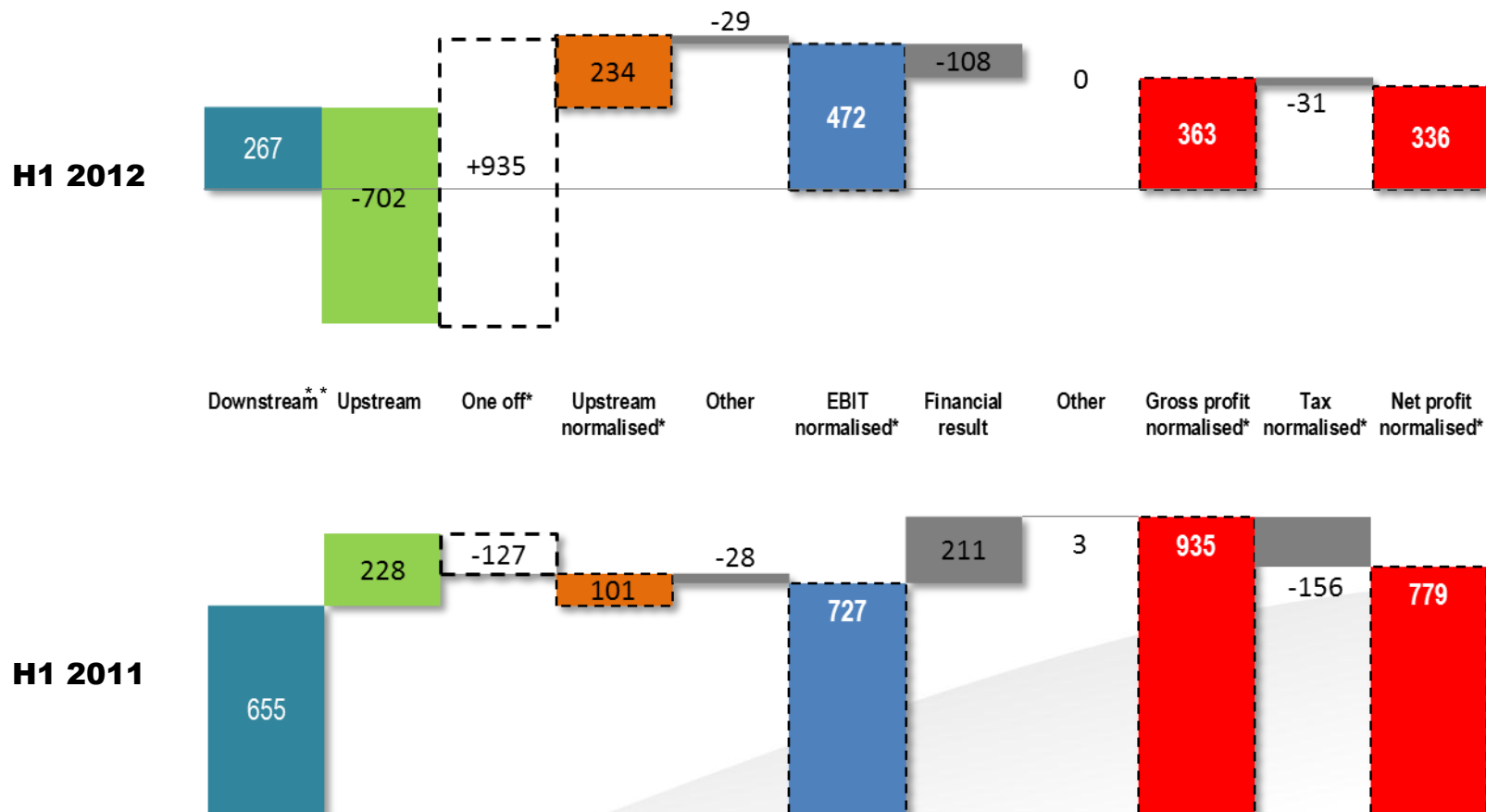
OVERALL FINANCIAL RESULTS

HALF YEAR RESULT BREAKDOWN



OVERALL FINANCIAL RESULTS

NORMALISED HALF YEAR RESULT BREAKDOWN



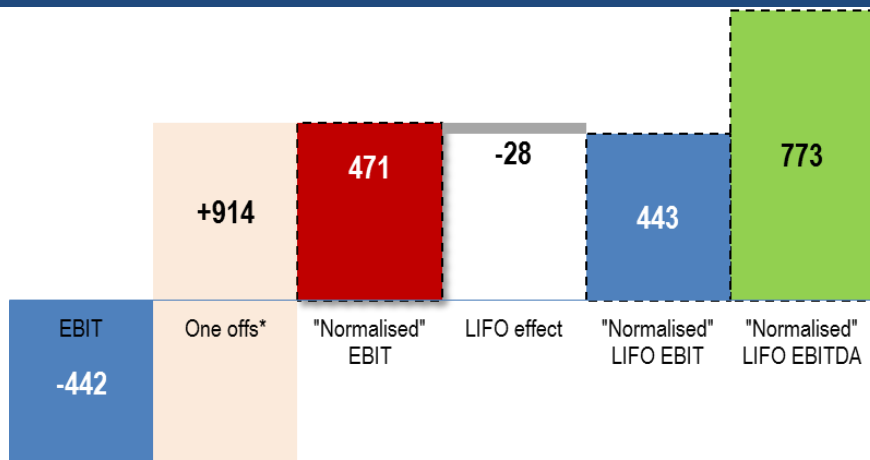
* 2012 mainly negatively impacted by PLN 935m of YME field impairment investment (net result impact of PLN -285m); 2011 upstream segment results positively impacted by the settlement of AB Geonafta acquisition

** 2012 excluding PLN 21m (sale of LOTOS Parafiny)

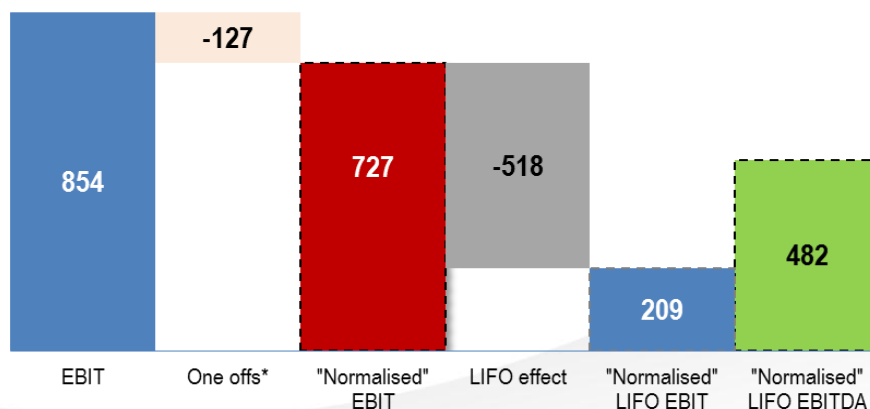
OVERALL FINANCIAL RESULTS

HALF YEAR LIFO EFFECT ANALYSIS

HALF YEAR 2012 LIFO EFFECT



HALF YEAR 2011 LIFO EFFECT



* 2012 mainly write-off on the YME project PLN 935m; 2011 - the effect of the settlement of Geonafta acquisition

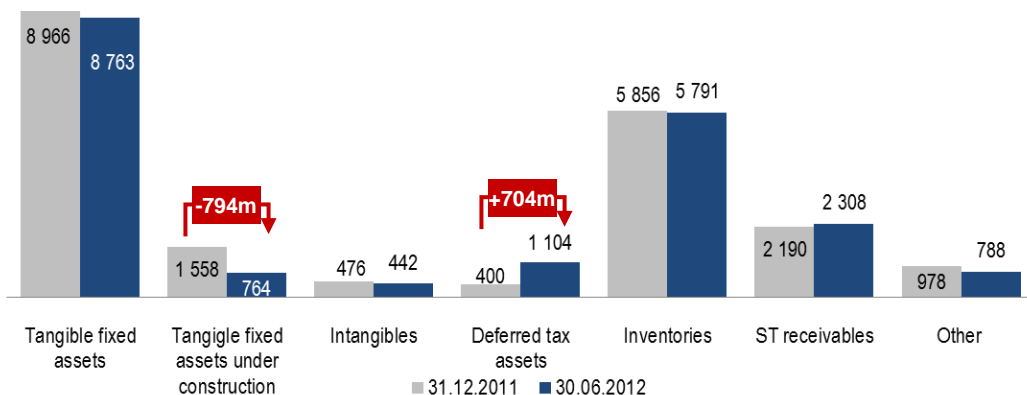
Comments

- Half year „normalised” LIFO EBIT at PLN 444m up by 112% comparing with H1 2011
- Normalised LIFO EBITDA for the half year 2012 (excluding the impact of YME write-off and the sale of LOTOS Parafiny) at a level of PLN 773m, which is 60% higher than in H1 2011 (excluding the effect of the settlement of AB Geonafta acquisition)

OVERALL FINANCIAL RESULTS

BALANCE SHEET EVOLUTION

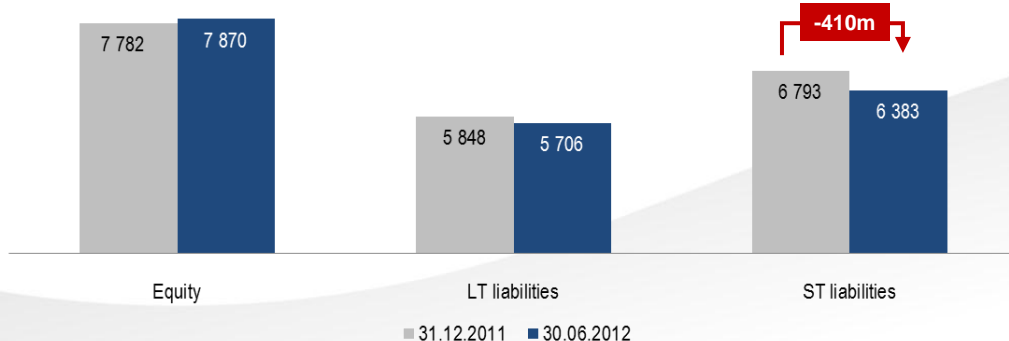
ASSETS



Comments

- The decrease of assets under construction as a consequence of YME write-off
- The above mentioned impairment triggering the increase of the deferred tax assets

LIABILITIES



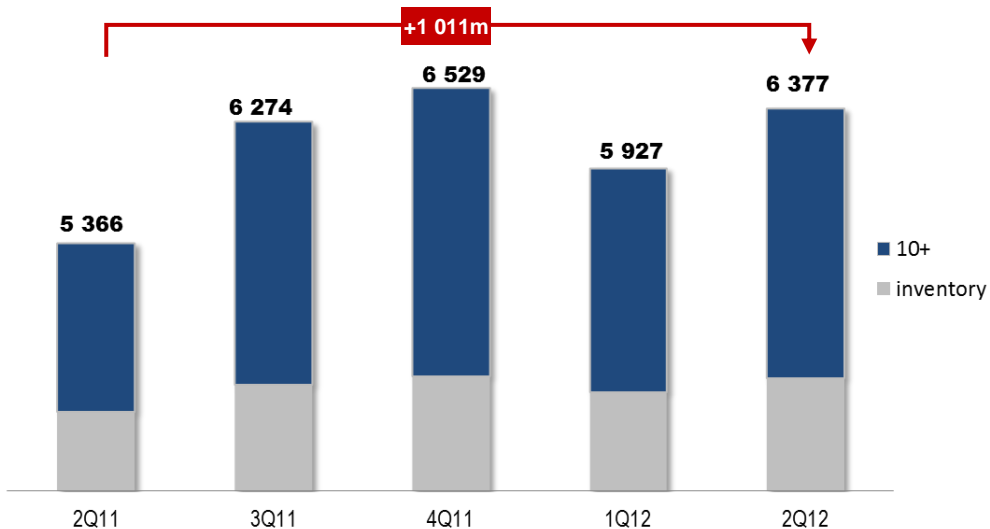
Comments

- Fairly stable equity comparing with 31 Dec 2011; despite operating loss of PLN 442m, the deferred tax effect assuring net profit of PLN 68m for the first half of 2012
- ST liabilities lower by PLN 410m as an effect of lower crude oil payables comparing with the end of 2011

OVERALL FINANCIAL RESULTS

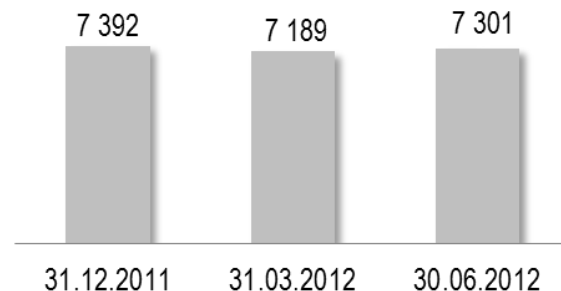
FINANCIAL DEBT

10 + related debt denominated in USD (PLN m)

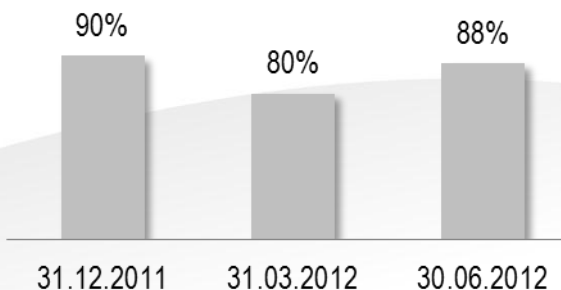


- Level of indebtedness of the company fluctuating following the development of USD/PLN FX rate – mark to market revaluation of the 10+related USD denominated debt

Financial debt (PLN m)



Gearing ratio



Thank You



Investor Relations

tel: +48 58 308 73 93

fax: +48 58 346 22 35

e-mail: ir@grupalotos.pl



LEGAL DISCLAIMER

- This presentation regarding the consolidated financial results of Grupa LOTOS S.A. after the second quarter of 2012 („Presentation") has been prepared by Grupa LOTOS S.A. ("Company"). The Presentation nor any copy hereof may be copied, distributed or delivered directly or indirectly to any person for any purpose without the Company's knowledge and consent. The copying, distribution or delivery of this Presentation to any person in other jurisdictions may be subject to legal restrictions, and the persons who may receive this Presentation should familiarise themselves with any such restrictions and abide by them. Failure to observe such restrictions may be deemed infringement of applicable laws.
- This Presentation contains neither a complete nor a comprehensive description of the Company. Nor does it present the Company's position or prospects in a complete or comprehensive manner. This Presentation, as well as the attached slides and descriptions thereof may contain forward-looking statements. However, such statements must not be understood as the Company's assurances or projections concerning future expected results of the Company or companies of LOTOS Group. The Company communicates its complete perception of LOTOS Group, presented to the best knowledge of the Management.
- No warranties or representations can be made as to the comprehensiveness or reliability of the information contained in this Presentation. Neither the Company, nor its Shareholders, subsidiary undertakings, advisers or representatives of such persons shall have any liability that might arise in connection with any use of this Presentation. Furthermore, no information contained herein constitutes an obligation or representation of the Company, its Shareholders, subsidiary undertakings, advisers or representatives of such persons.
- This Presentation was prepared for information purposes only and is neither a purchase or sale offer, nor a solicitation of an offer to purchase or sell any securities or financial instruments or an invitation to participate in any commercial venture. This Presentation is neither an offer nor an invitation to purchase or subscribe for any securities in any jurisdiction and no statements contained herein may serve as a basis for any agreement, commitment or investment decision, or may be relied upon in connection with any agreement, commitment or investment decision.