



**Consolidated Financial Results
of the LOTOS Group
Q3 2012 (IFRS)**

Management Board of Grupa LOTOS

30th October 2012

1 Key highlights

2 Market Conditions

3 Upstream

4 Downstream

5 Overall financial results

KEY HIGHLIGHTS

3Q 2012 IN A NUTSHELL



Core business related

- ❑ LOTOS model refining margin at the average level of 6.95 USD/bbl (reaching 10.95 USD/bbl in the last week of September)
- ❑ 9 month LIFO EBITDA (excluding one-off items) at the record high level of PLN 1.6bn proving high value generation capacity by LOTOS
- ❑ Q3 '12 EBIT of PLN 604m driven by downstream segment performance
- ❑ Record high sales amounting to PLN 8 569m
- ❑ Subsequent quarter of solid retail EBIT of PLN 4m due to the economy oriented OPTIMA network expansion (LOTOS – Polish market leader in terms of station number increase yoy)

Other highlights

- ❑ Connection of the refinery to the natural gas grid, tigerring future ecological, financial and busines benefits
- ❑ Xylenes unit added to the refinery
- ❑ Company rewarded in Best Annual Report 2011 IRIP contest



Institut Rachunkowości i Podatków
organizuje konkurs na
The Best Annual Report 2011

KEY HIGHLIGHTS Q3'12 OVERALL FIGURES



- ❑ Crude oil production amounted to **4,812 bbl/d** (57 k tonnes)
- ❑ Crude oil throughput amounted to **2,450 k tonnes**
- ❑ Consolidated sales at the level of **2,599 k tonnes**
- ❑ EBITDA at the level of **PLN 768m** higher by PLN 514m yoy
- ❑ LOTOS model refining margin **increased by 6.6%** qoq from 6.52 to 6.95 USD/bbl and increased by 197% yoy
- ❑ Average Brent Dtd price amounted to **109.5 USD/bbl** (-3.4% yoy)
- ❑ Brent/Ural spread decreased **from 0.75 USD/bbl to 0.68 USD/bbl** (-9.2% yoy)

1 Key highlights

2 **Market Conditions**

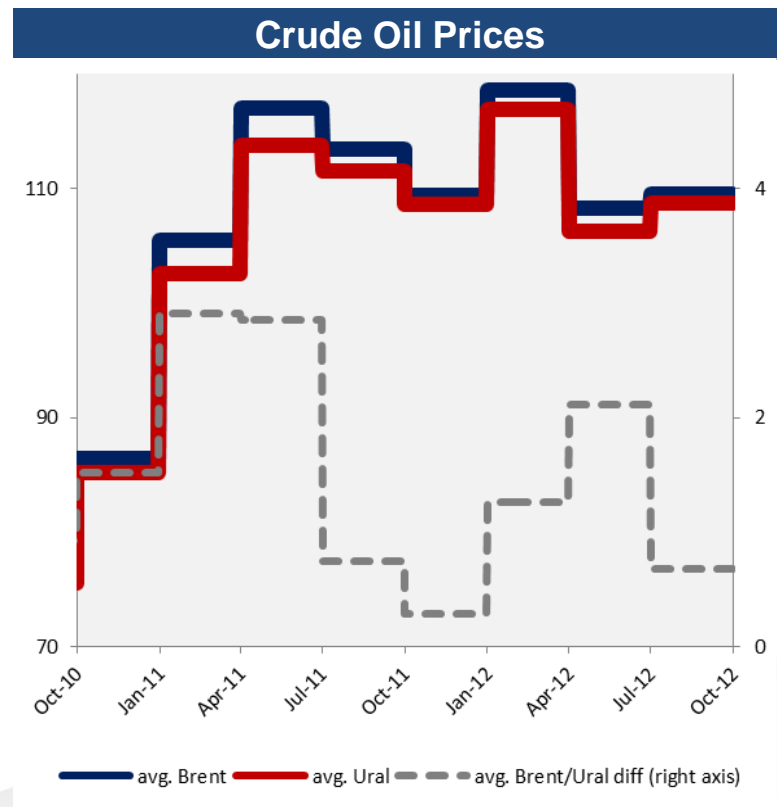
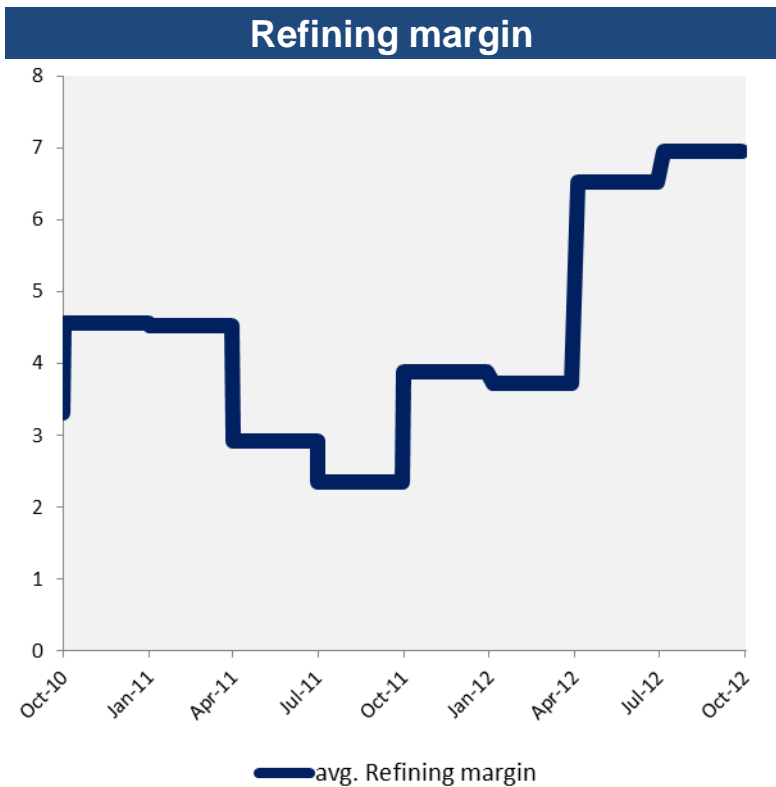
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MARKET CONDITIONS

KEY FACTORS

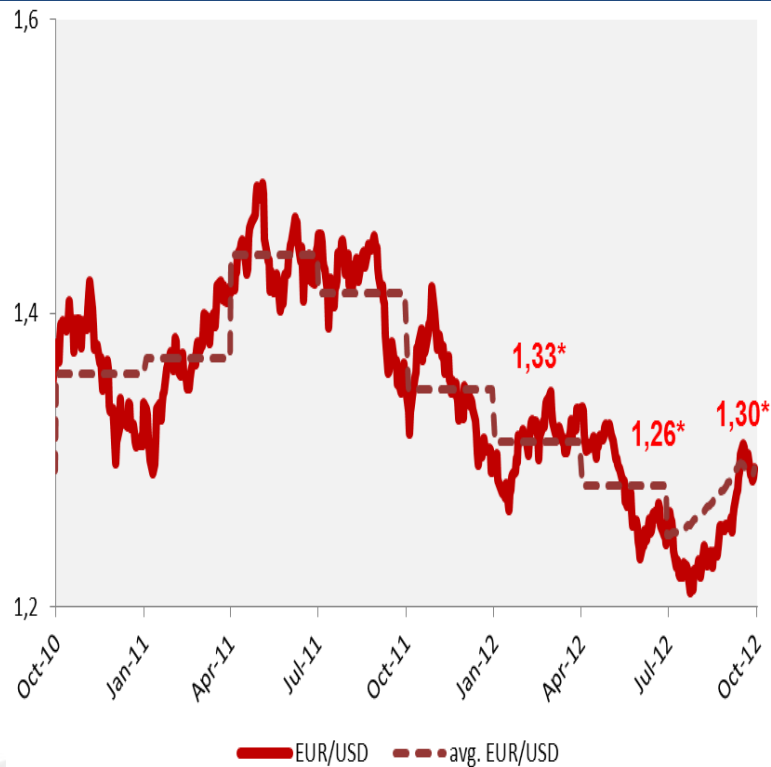
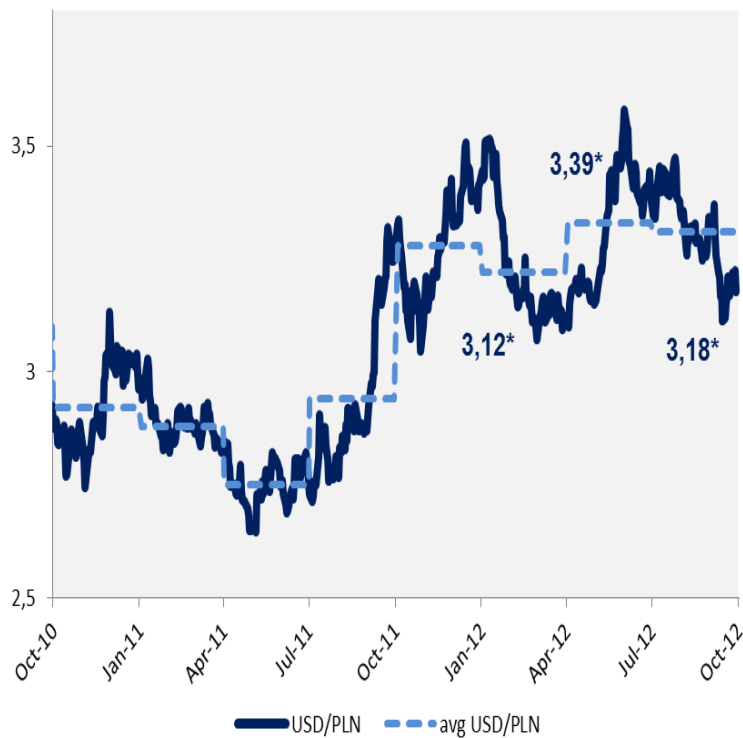


- ❑ Negative impact of decrease in Brent/Ural spread in comparison with Q2'12, comparable level in regards to Q3'11
- ❑ Positive impact of increase in refining margin yoy
- ❑ Decrease in crude oil prices yoy

MARKET CONDITIONS

KEY FACTORS

FX rates development



*end of period values

☐ The EUR/USD rate increase qoq while the USD/PLN rate decreased qoq

1 Key highlights

2 Market conditions

3 **Upstream**

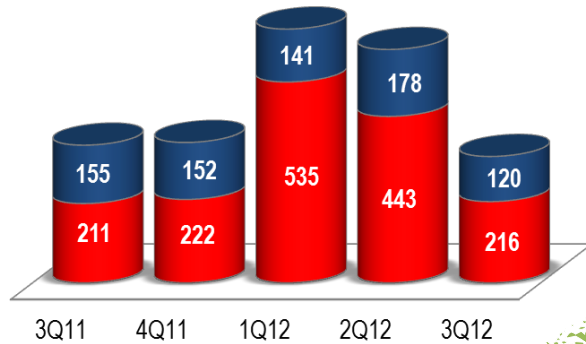
4 Downstream

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UPSTREAM

GEOGRAPHICAL COVERAGE OF LOTOS' UPSTREAM OPERATIONS

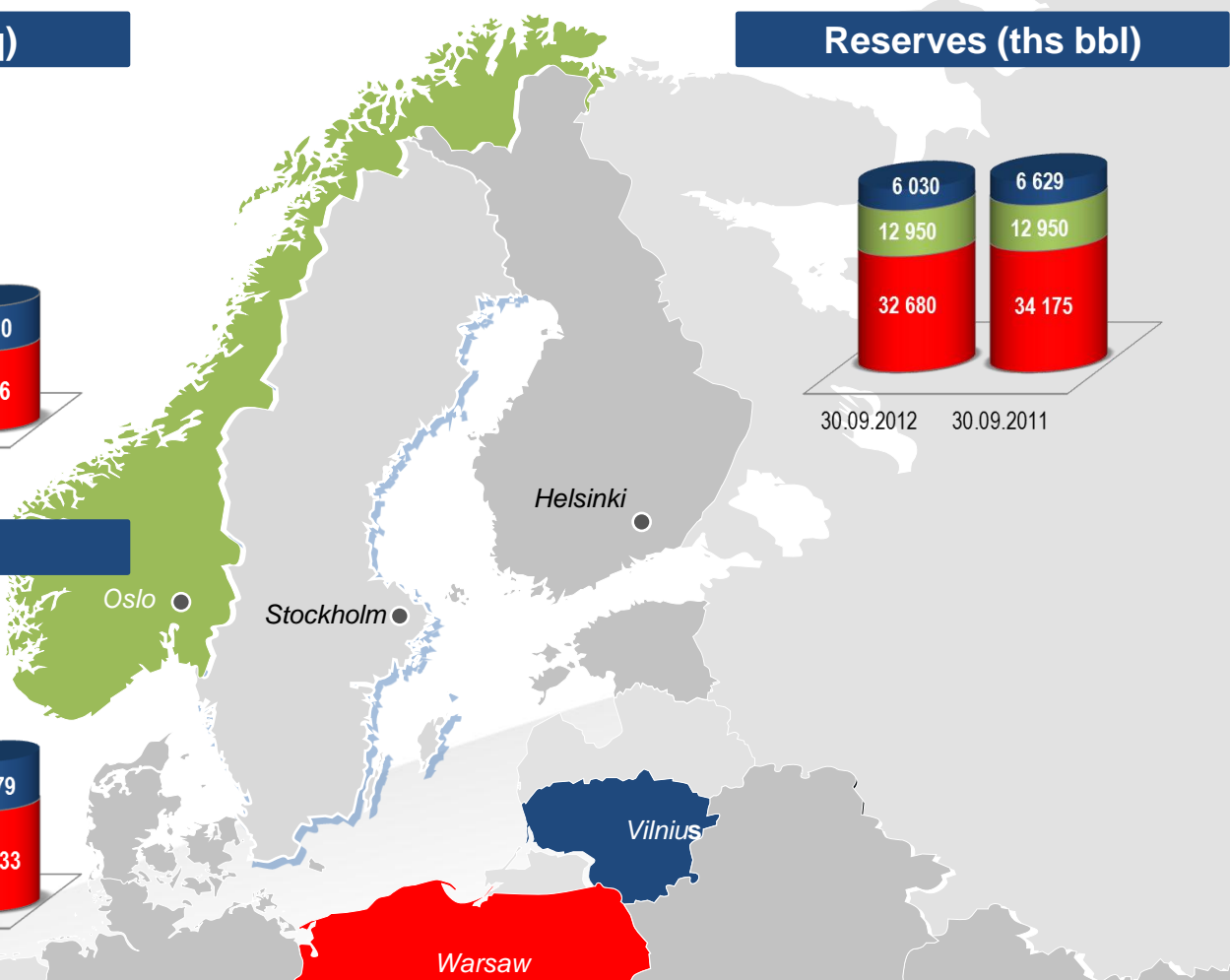
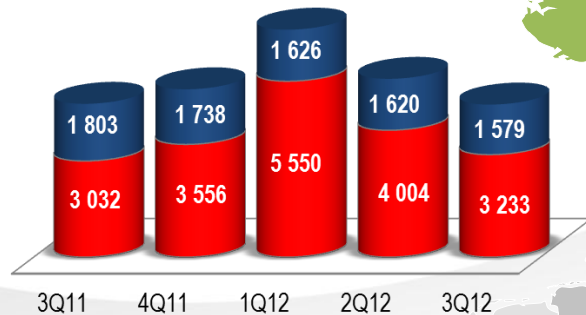
Sales volumes (ths bbl/q)



Reserves (ths bbl)

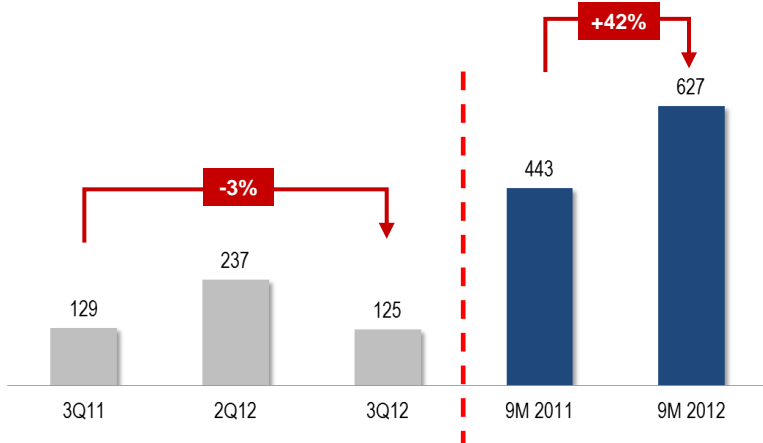


Production (bbl/d)

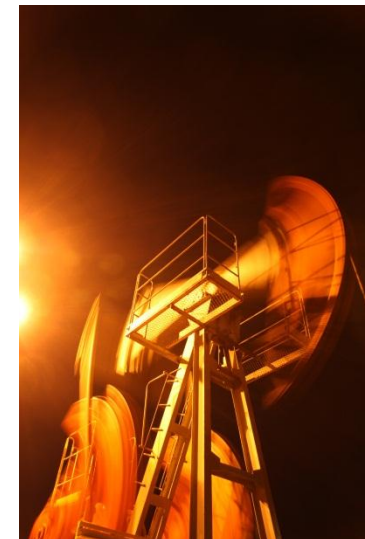
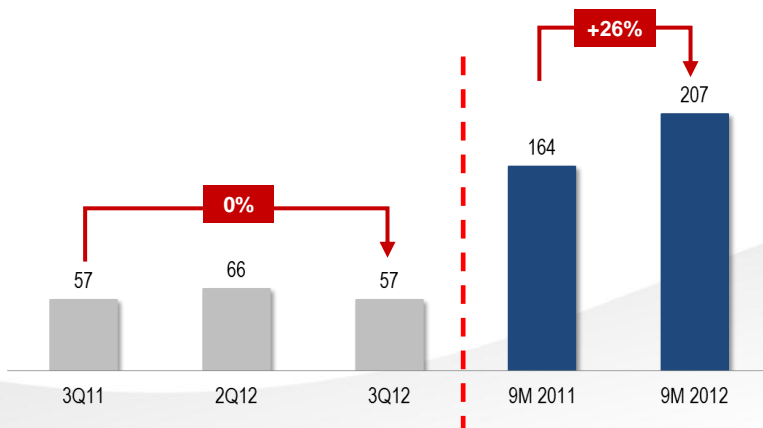


UPSTREAM SALES AND PRODUCTION FIGURES

Net Sales (PLN m)



Crude oil production (k tonnes)



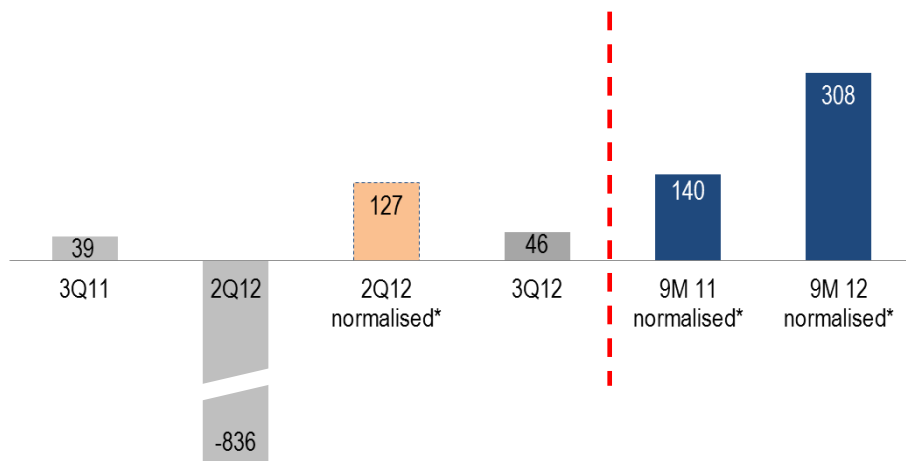
Comments

- Slightly lower sales y/y, mainly due to lower sales from LOTOS Petrobaltic
- Increase of the cumulative net sales by 42% y/y, following higher level of crude oil production volumes

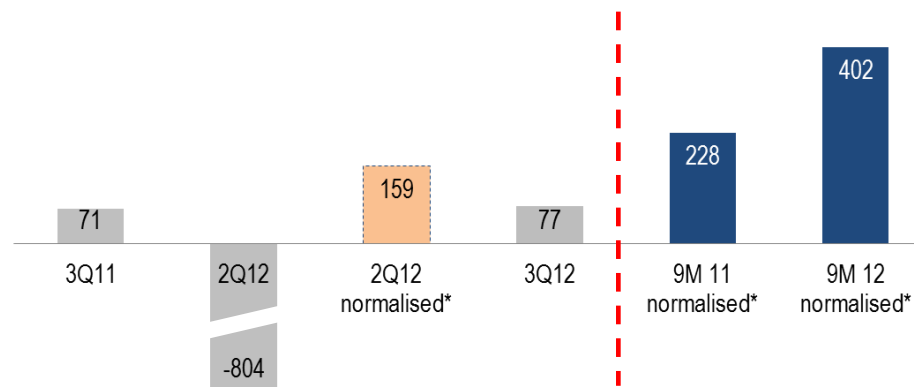
UPSTREAM

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 Geonafra acquisition

Comments

- ❑ 3Q 2012 figures for EBIT and EBITDA on a similar level as in the comparable period of 2011
- ❑ The normalised cumulative figures showing an improvement vs 2011 (excluding the large one – off items both in 2011 and 2012)

1 Key highlights

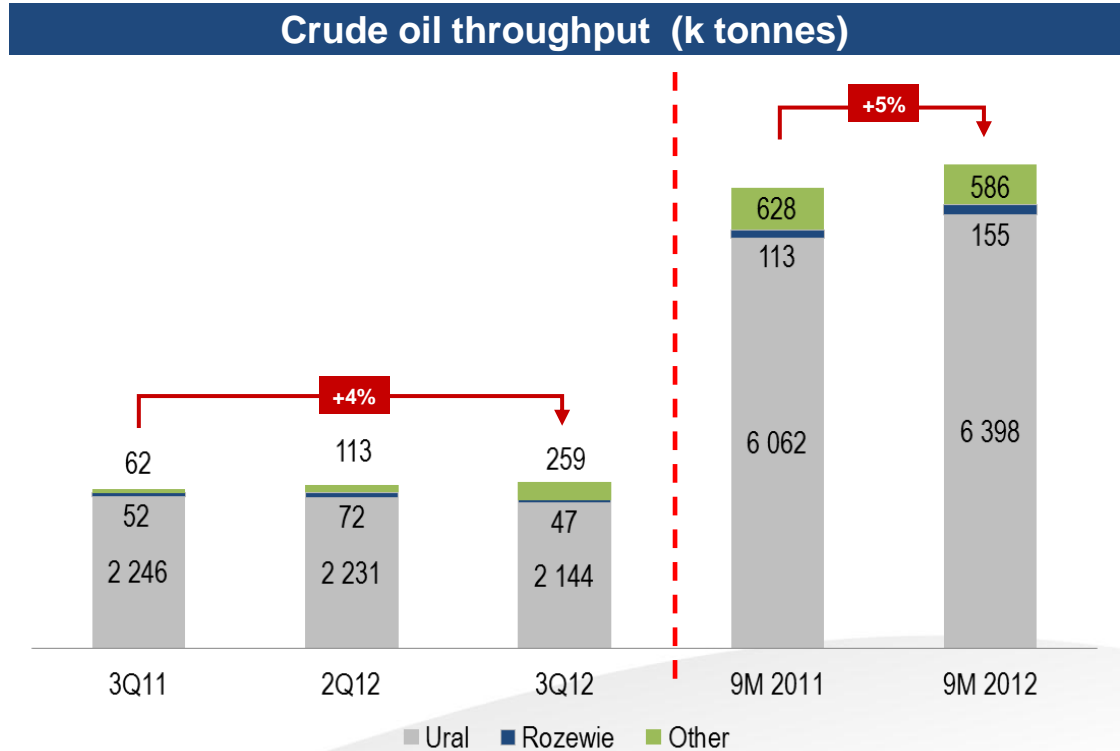
2 Market conditions

3 Upstream

4 **Downstream**

5 Overall financial results

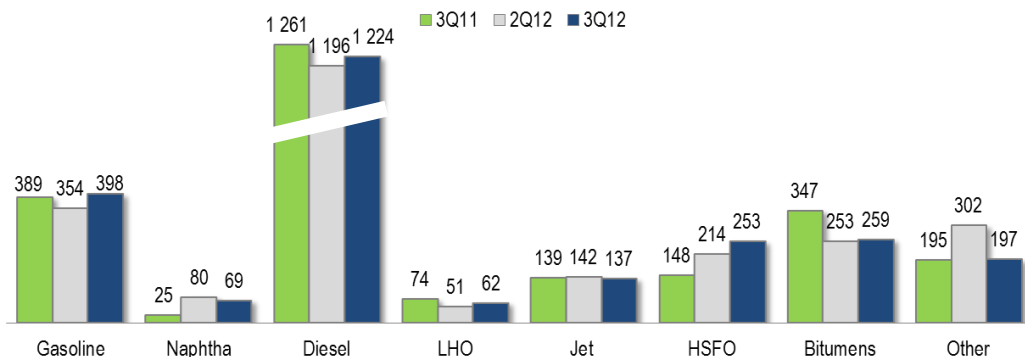
DOWNSTREAM CRUDE OIL THROUGHPUT



- Record high throughput of oil at the level of 2 450 k tonnes, responding to the high level of margins in the market
- Cumulative oil throughput for 9 months of 2012 reaching 7 138 k tonnes, which is higher by 5% comparing with 2011

DOWNSTREAM SALES OF PRODUCTS AND GOODS

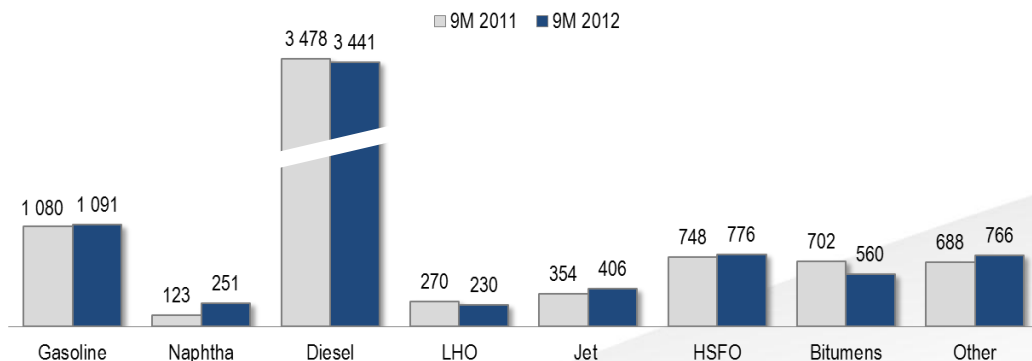
Quarterly sales (k tonnes)



Comments

- In Q3 '12 total sales reached 2 599 thousand tonnes (+1% y/y)
- Second consecutive quarter of record high sales
- Following up improved margins, q/q increase of the Diesel sales

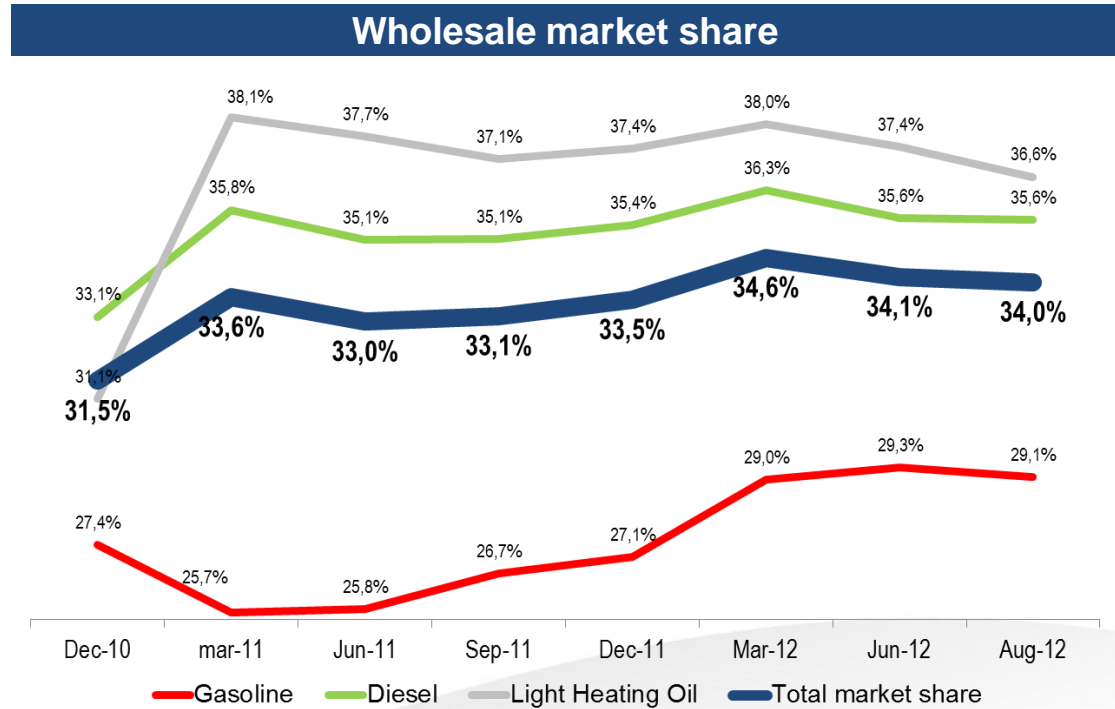
9 month sales (k tonnes)



Comments

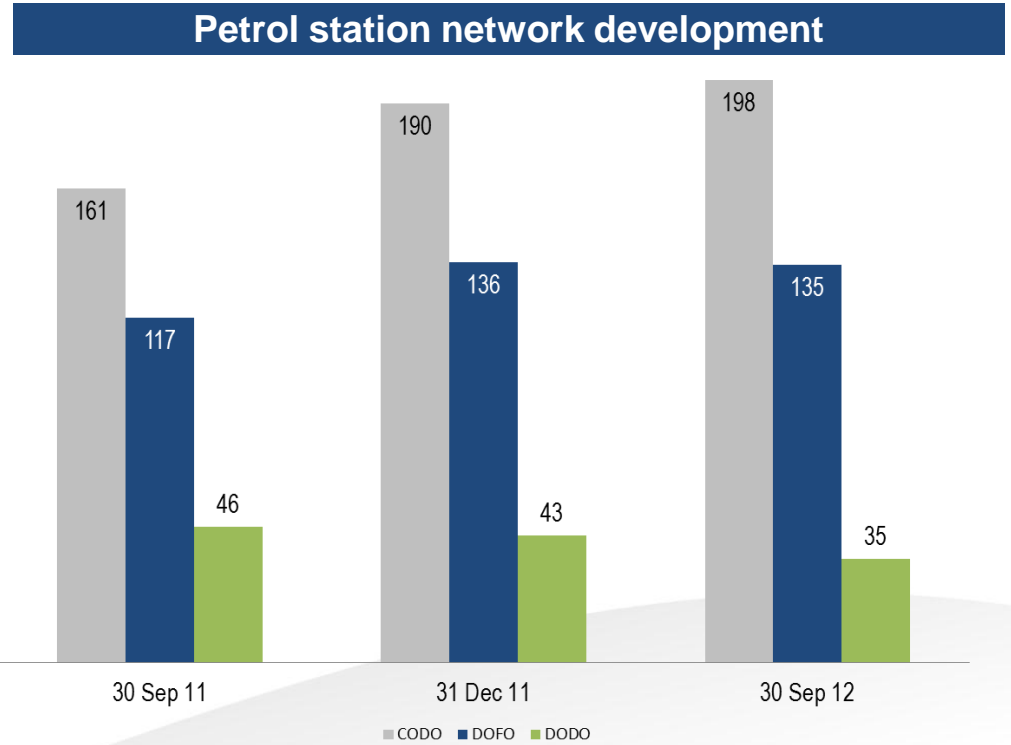
- Cumulative year to date sales figures at the level of 7 520 k tonnes by 1% higher comparing with 9 months of 2011
- Increase of the naphtha sales by 104% y/y
- Lower volume of bitumes sold – decrease by 20% y/y

DOWNSTREAM OVERALL MARKET SHARE EVOLUTION



□ Stable level of the overall market share - above the strategic target of 30%

DOWNSTREAM RETAIL MARKET SHARE AND NETWORK

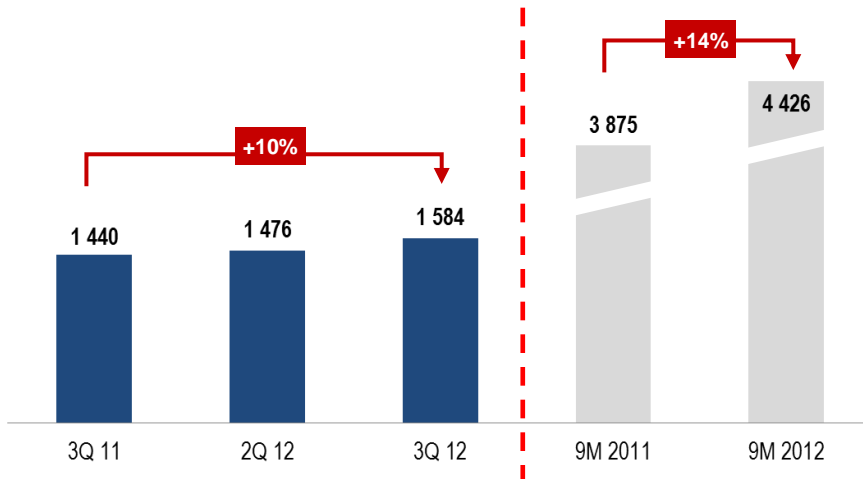


❑ Total number of petrol stations reaching 368 (as of 30 Sep 2012)

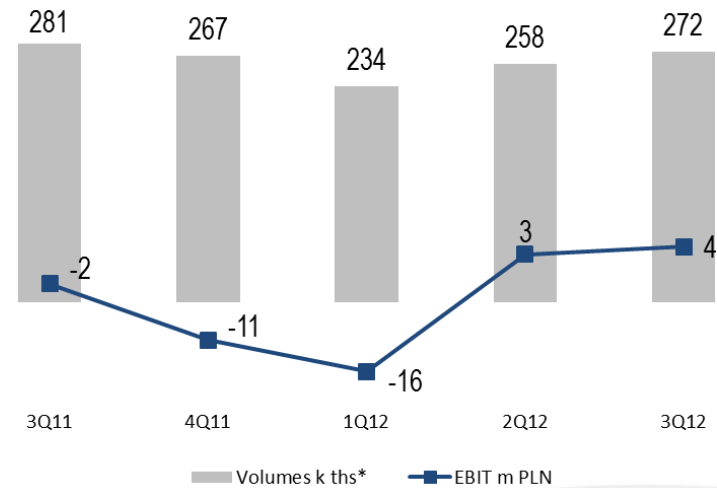
❑ The total number of DODO stations decreased to 35 units

DOWNSTREAM RETAIL RESULTS

Retail Net Sales (PLN m)



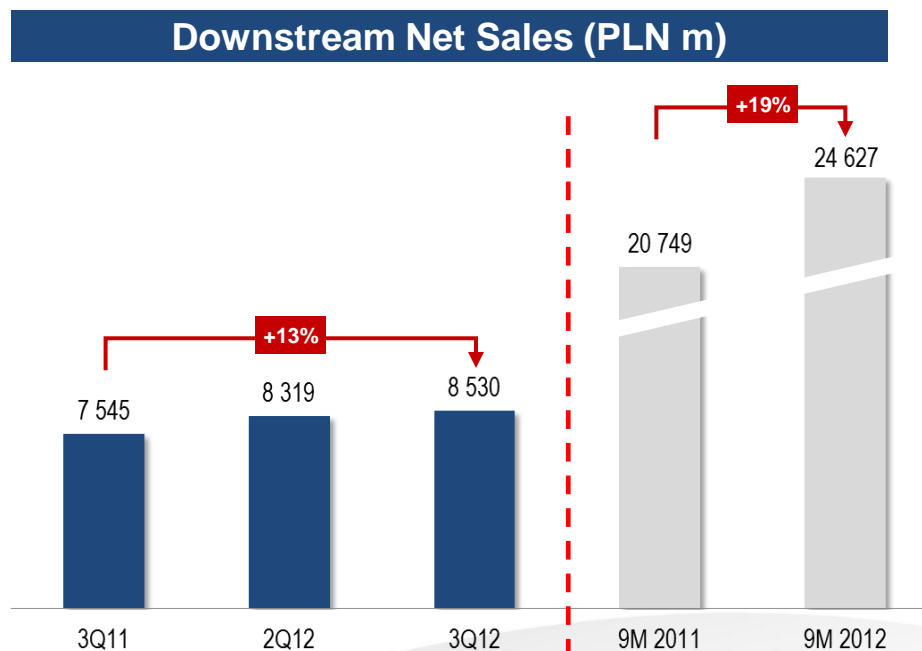
Retail EBIT & Sales Volumes



* Including LPG

- Another quarter confirming substantial growth of LOTOS retail business; cumulative retail net sales result up by 14% comparing with 2011
- Less severe margin pressure bringing second consecutive quarter with a positive EBIT result

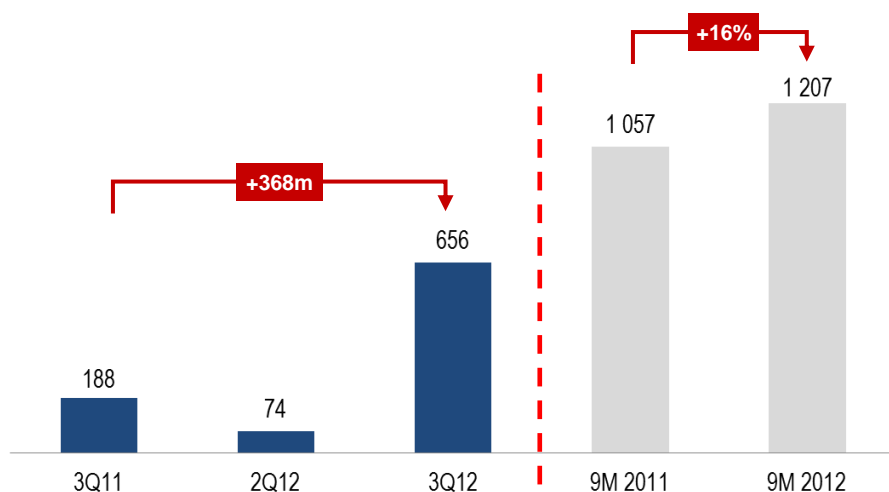
DOWNSTREAM FINANCIAL RESULTS – QUARTERLY VIEW



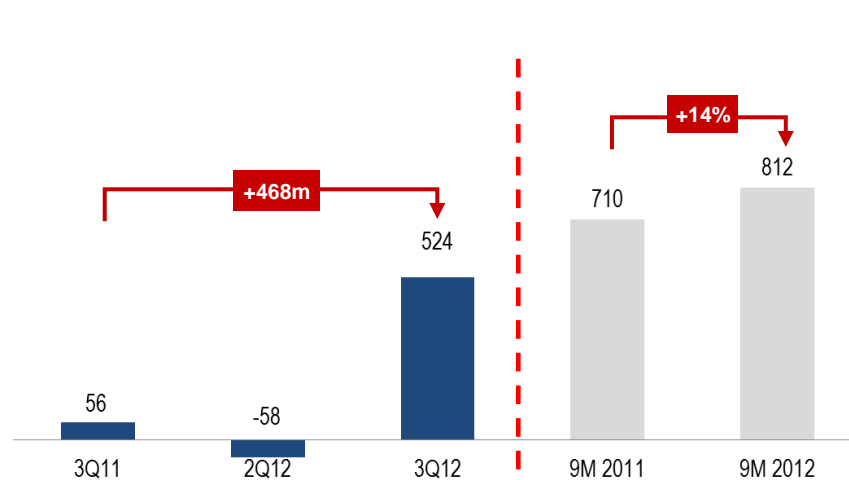
- ❑ Cumulative 9month 2012 sales reaching a record high figure of PLN 24.6bn, which is up by 19% comparing with 2011
- ❑ In the third quarter sales revenues exceeded PLN 8.5bn (+13% in comparison with Q3 '11)

DOWNSTREAM FINANCIAL RESULTS – EBITDA & EBIT

Downstream EBITDA (PLN m)



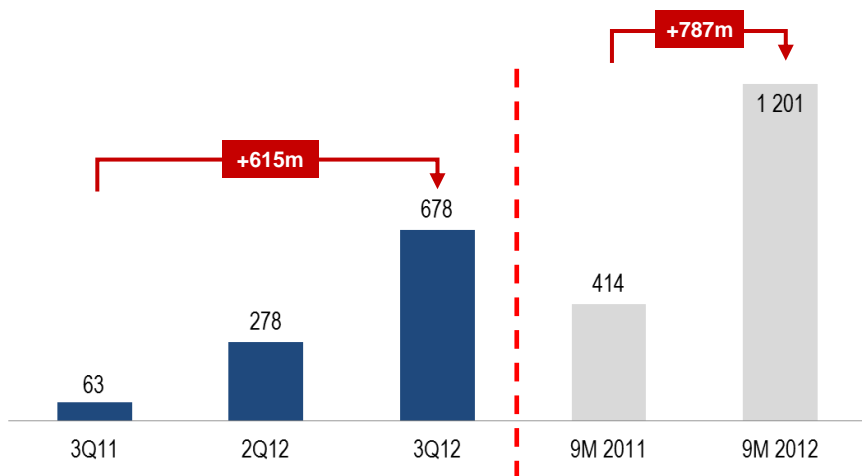
Downstream EBIT (PLN m)



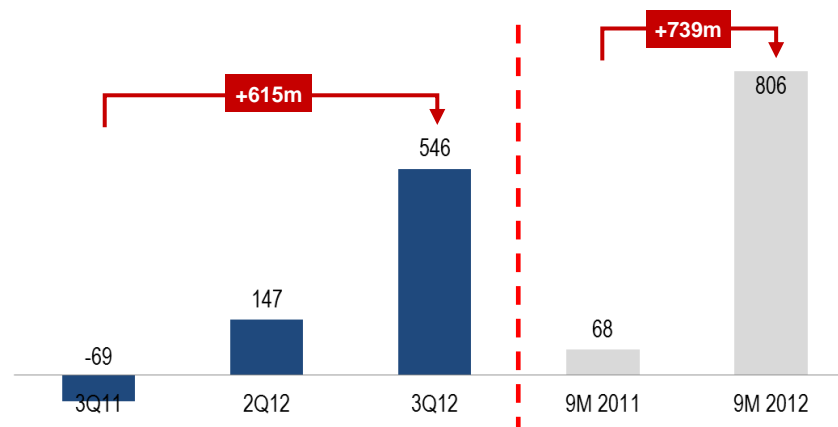
Reported EBITDA and EBIT at the level of respectively PLN 656m and PLN 524m, proving the capability of taking advantage of favorable market conditions

DOWNSTREAM LIFO EBITDA & EBIT ANALYSIS

LIFO EBITDA Downstream (PLN m)



LIFO EBIT Downstream (PLN m)



- ❑ Good results of the downstream segment thanks to high level of production and sales, capturing the market opportunities in the high margin environment
- ❑ 9M LIFO EBITDA of the segment exceeding PLN 1.2bn, whereas LIFO EBIT is over PLN 0.8bn
- ❑ Third quarter of 2012 bringing record high operational result of PLN 546m

1 Key highlights

2 Market conditions

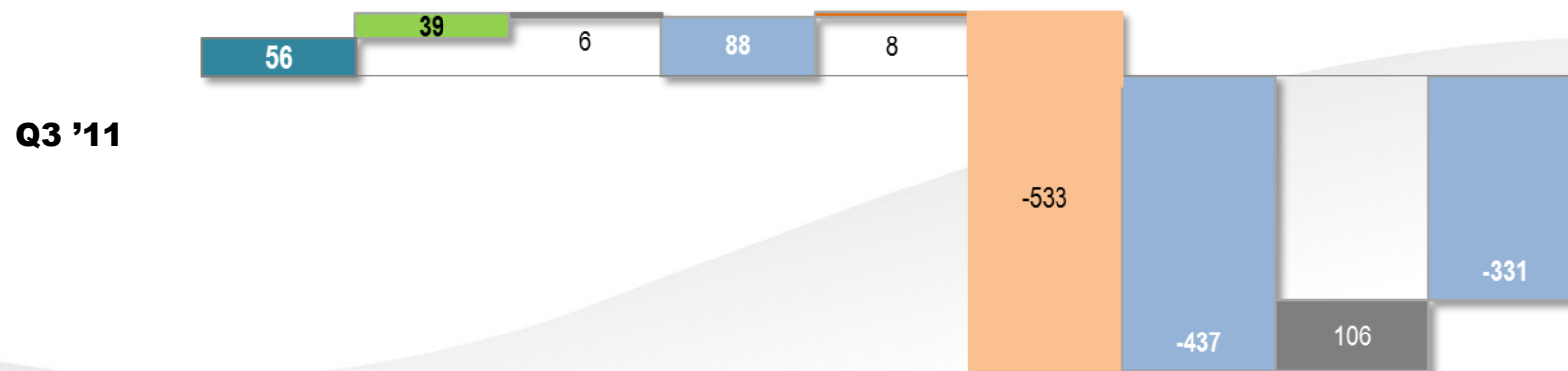
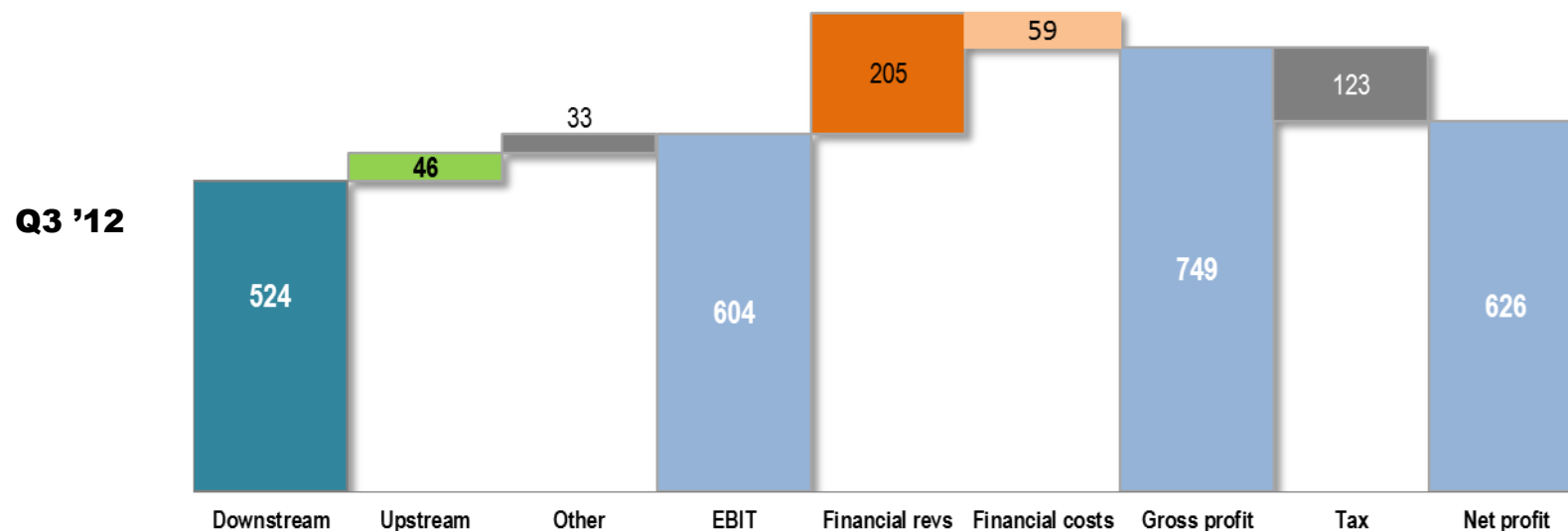
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OVERALL FINANCIAL RESULTS

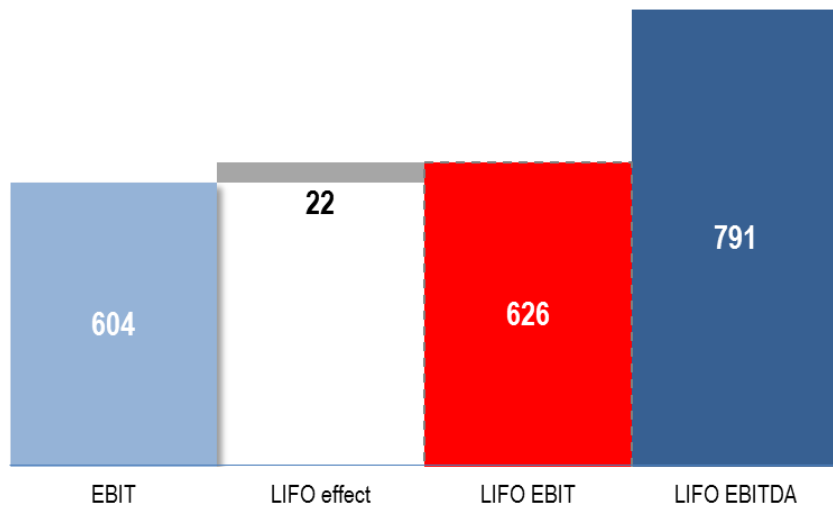
Q3' RESULTS BREAKDOWN



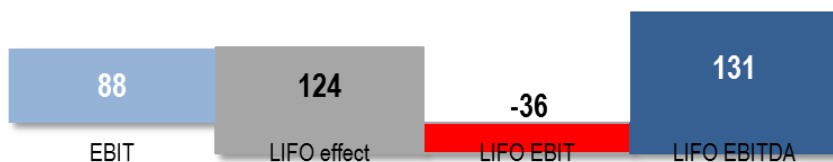
OVERALL FINANCIAL RESULTS

QUARTERLY LIFO EFFECT ANALYSIS

Q3 2012 LIFO EFFECT



Q3 2011 LIFO EFFECT

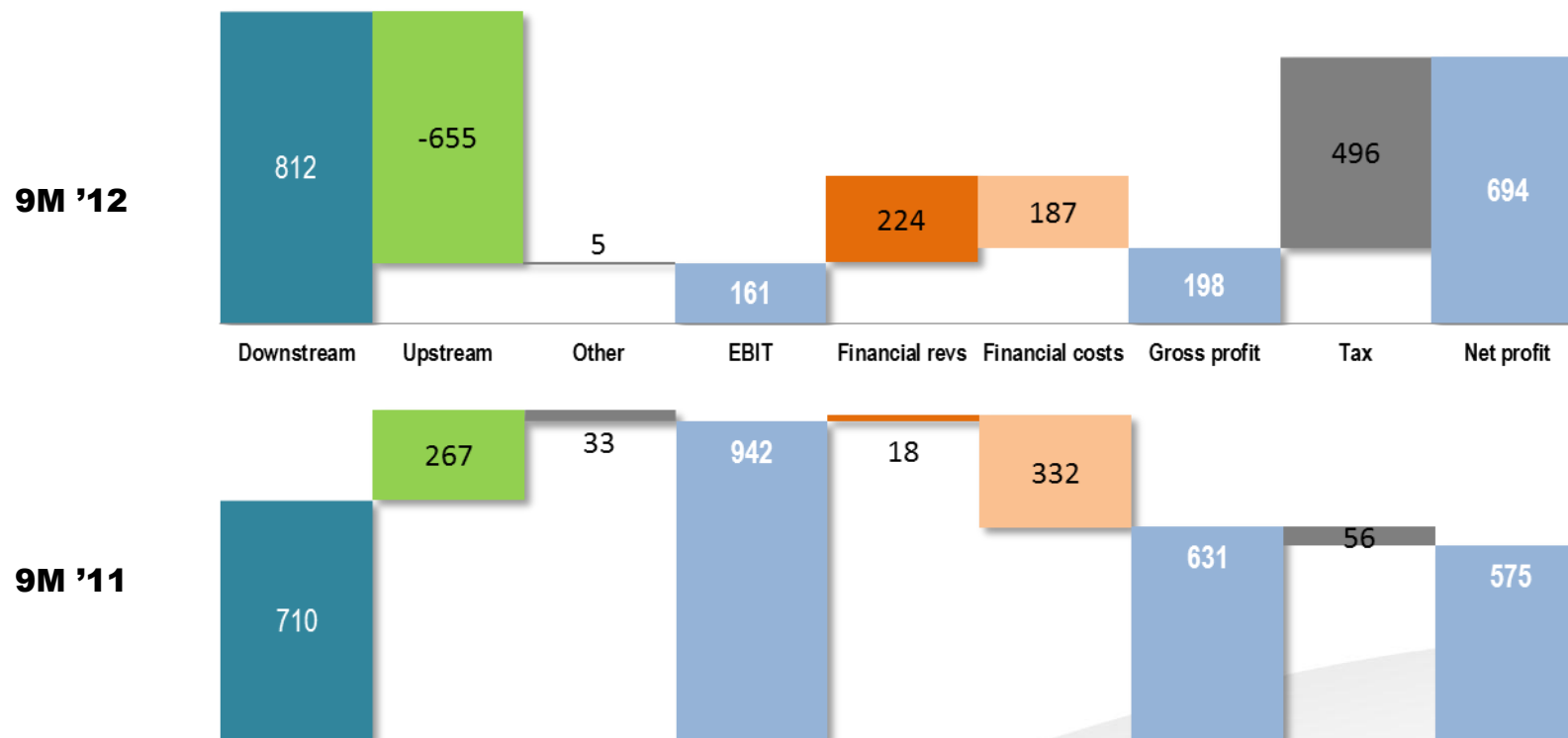


Comments

- ▣ The reported EBIT almost in line with the LIFO EBIT – the LIFO effect of PLN 22m on the Q3 2012
- ▣ LIFO EBITDA at the level of PLN 791m, by PLN 660m higher than in the Q3 2011
- ▣ High level of margins in the market providing very high results, contrasting with very low margin environment of the comparable quarter of 2011

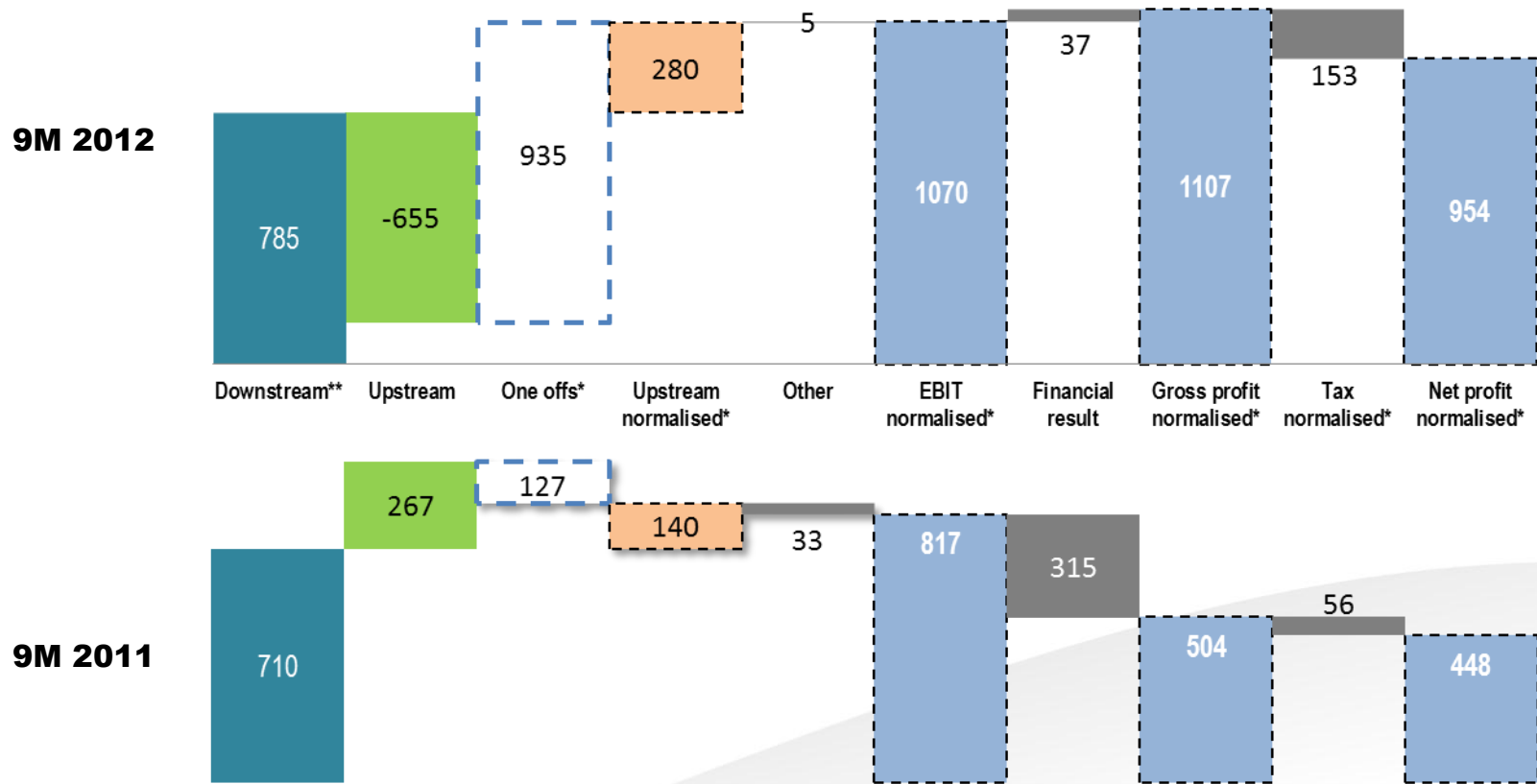
OVERALL FINANCIAL RESULTS

9M CUMULATIVE RESULTS



OVERALL FINANCIAL RESULTS

9M 2012 NORMALISED REPORTED RESULT BREAKDOWN



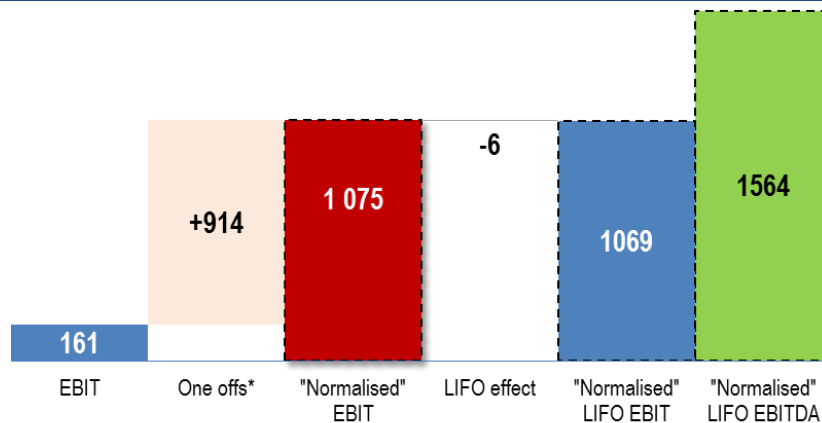
*2012 negatively impacted by PLN 935m of YME field impairment investment (net result impact of PLN -285m); 2011 results boosted by PLN 127m of the settlement of LOTOS Geonafra acquisition

** Excluding PLN 21m of LOTOS Parafiny disposal

OVERALL FINANCIAL RESULTS

9 MONTH LIFO EFFECT ANALYSIS EXCLUDING ONE OFF ITEMS

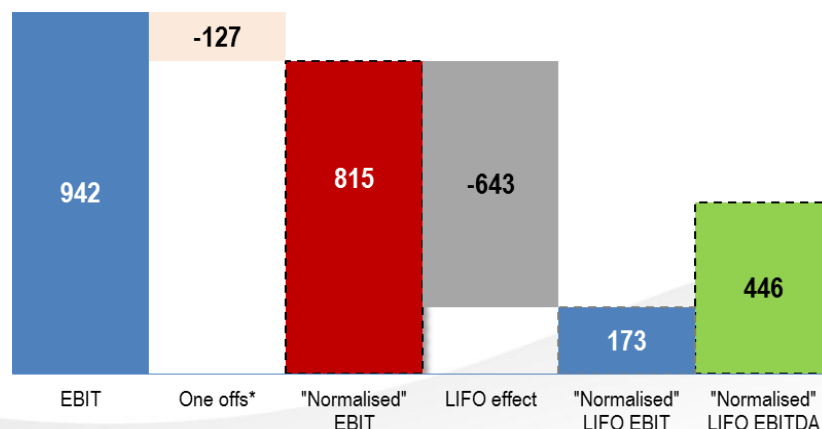
9M 2012 LIFO EFFECT



Comments

- Cumulative 9 month „normalised” LIFO EBIT at PLN 1.1bn, up by almost PLN 0.9bn comparing to 2011
- Cumulative normalised LIFO EBITDA for 9 month of 2012 (excluding the impact of YME write-off and the sale of LOTOS Parafiny) at the level of almost PLN 1.6bn, which is by over 1.1bn higher than in the comparable period of 2011

9M 2011 LIFO EFFECT

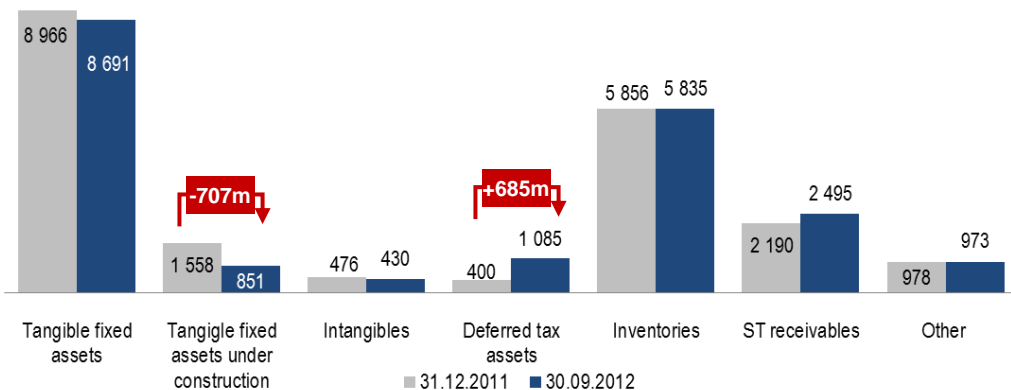


* 2012 mainly write-off on the YME project PLN 935m; 2011 - the effect of the settlement of Geonafta acquisition

OVERALL FINANCIAL RESULTS

BALANCE SHEET EVOLUTION

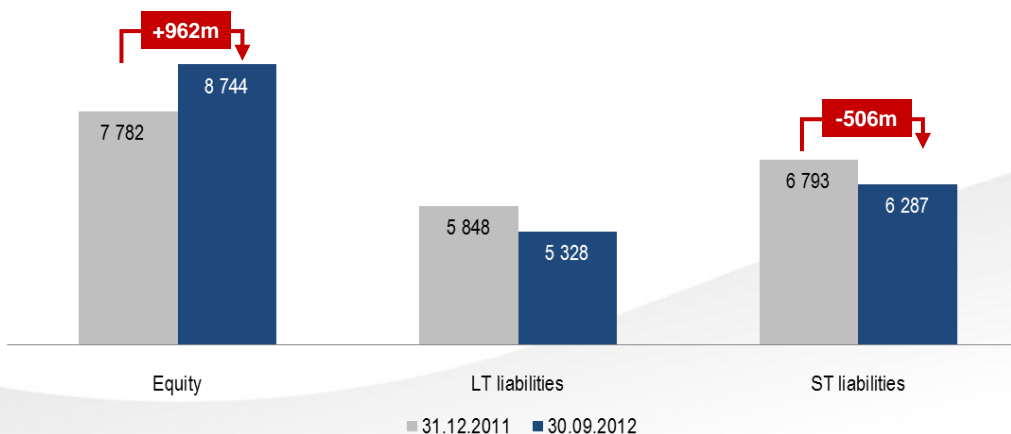
ASSETS



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



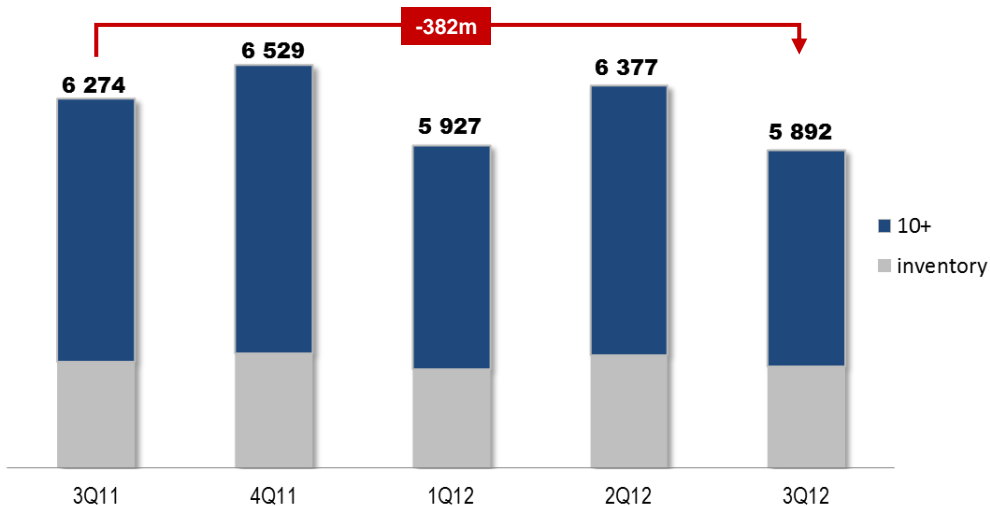
Comments

- Increase of the equity by PLN 962m as a consequence of posting net profit of PLN 694m and revaluation of foreign debt improving reserve capital position
- ST liabilities lower by PLN 506m mainly as an effect of lower crude oil payables comparing with the end of 2011

OVERALL FINANCIAL RESULTS

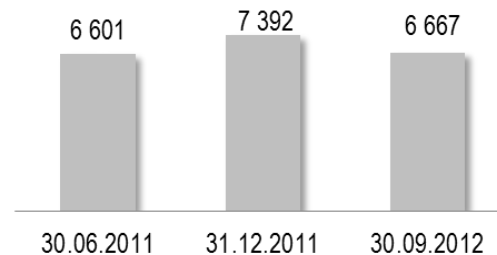
FINANCIAL DEBT

10 + related debt denominated in USD (PLN m)

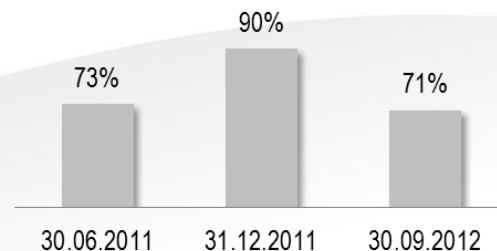


- Level of indebtedness of the company fluctuating following the development of USD/PLN FX rate – mark to market revaluation of the 10+related USD denominated debt

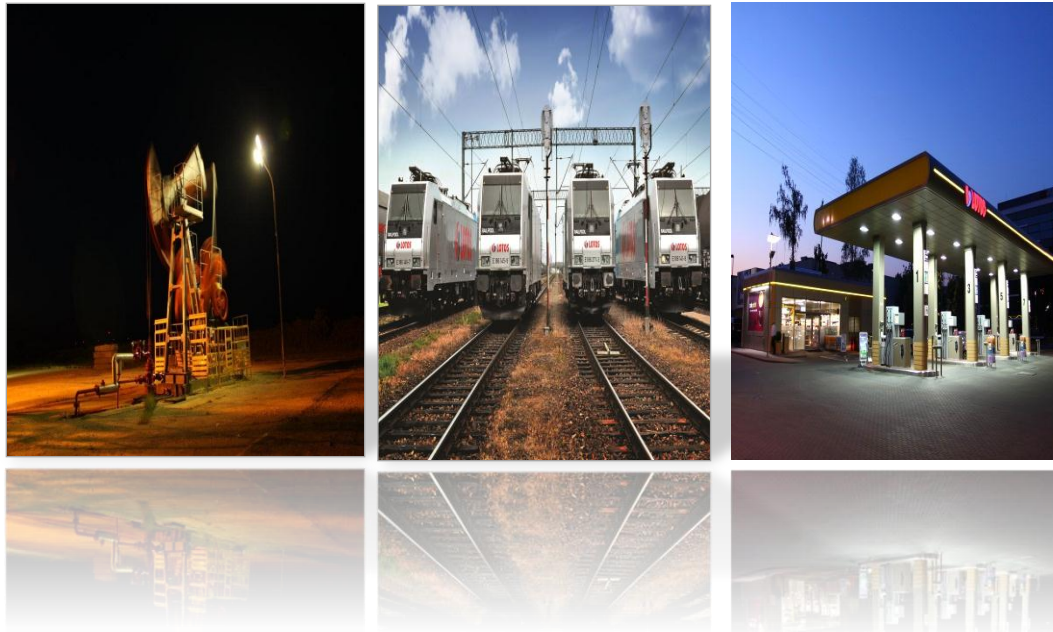
Financial debt (PLN m)



Gearing ratio



Thank You



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