



Consolidated Financial Results of the LOTOS Group Q1 2013

Management Board of Grupa LOTOS S.A.

7th May 2013

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- 2 Market Conditions**
- 3 Upstream**
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- 5 Overall financial results**

KEY HIGHLIGHTS

Q1 2013 IN A NUTSHELL



Upstream highlights

- ❑ Negotiations over removing the defective platform from Yme field – succesful outcome bringing **USD 470m in damages for Yme licence holders** (20% stake of Grupa LOTOS); signed on 12 march 2013
- ❑ Agreement on the supply of Geonafta oil to the Gdansk refinery

Downstream highlights

- ❑ Commencement of the maintenance shutdown at Gdańsk refinery on the 29th of March
- ❑ Change in the financial performance mainly due to the preparation for the shutdown down period – buliding up the stock of finished goods for the upcoming quarter
- ❑ Decline in local demand influencing the profitability and sales levels

KEY HIGHLIGHTS

Q1 2013 OVERALL FIGURES



- ❑ **Crude oil production** amounted to **4,517 bbl/d** (53.5k tonnes)
- ❑ **Crude oil throughput** amounted to **2,282 k tonnes**
- ❑ **Consolidated sales** at the level of **2,293 k tonnes**
- ❑ LOTOS model refining margin at the level of 4.46 USD/bbl, **increased by 20.2%** yoy from 3.71 USD/bbl, but **dropped by 17.6%** qoq from 5.41
- ❑ Average Brent Dtd price at the level of **112,57 USD/bbl** (-5.0% yoy and +2.3% qoq)
- ❑ Brent/Ural spread up **from 1.09 USD/bbl to 1.73 USD/bbl**

1 Key highlights

2 **Market Conditions**

3 Upstream

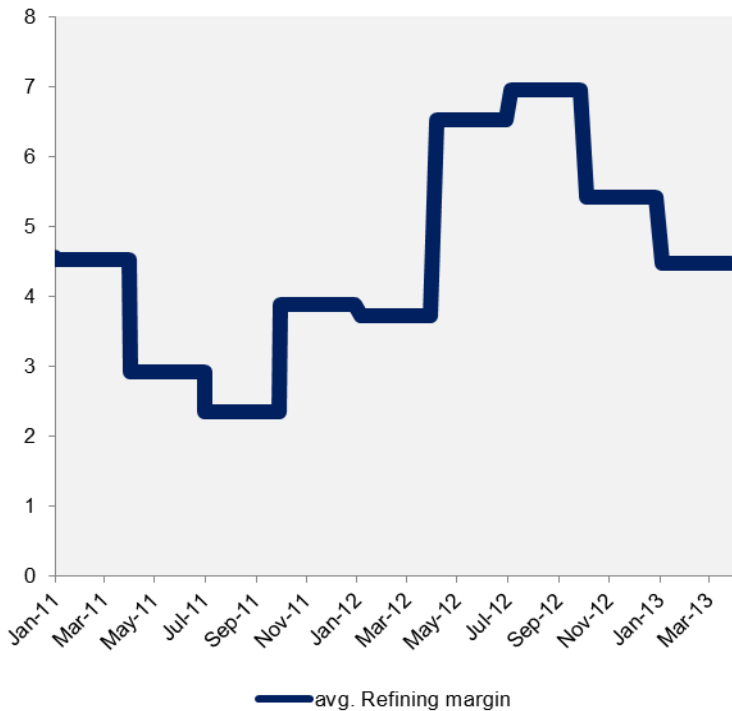
4 Downstream

5 Overall financial results

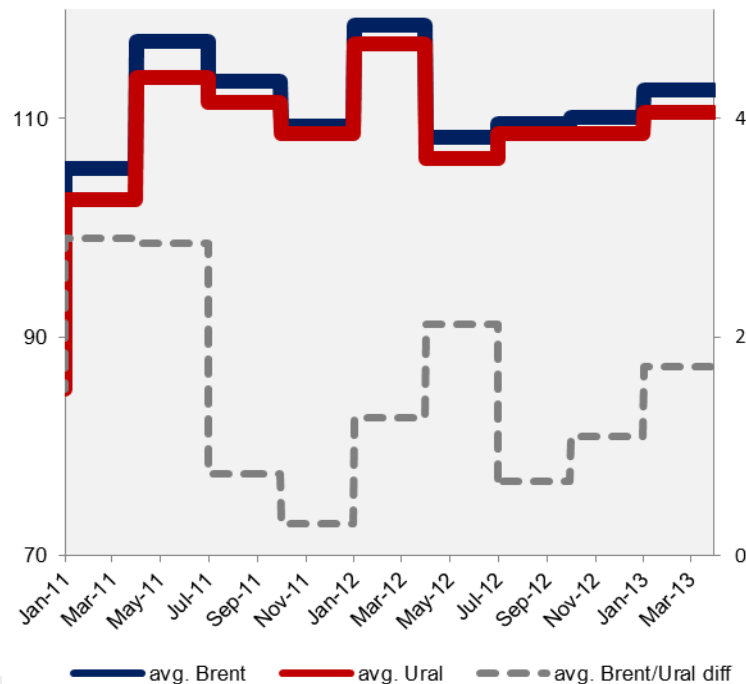
MARKET CONDITIONS

KEY FACTORS

Refining margin



Crude Oil Prices

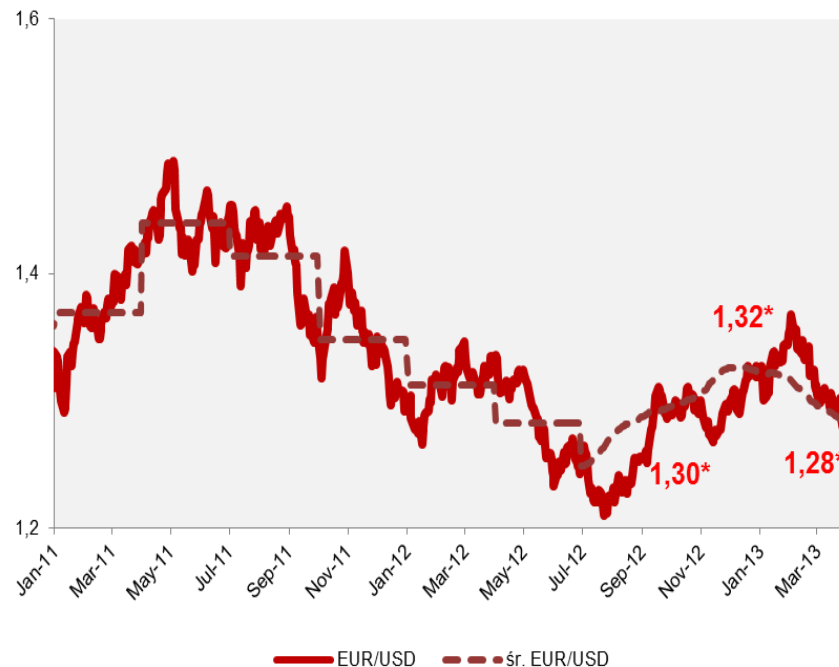
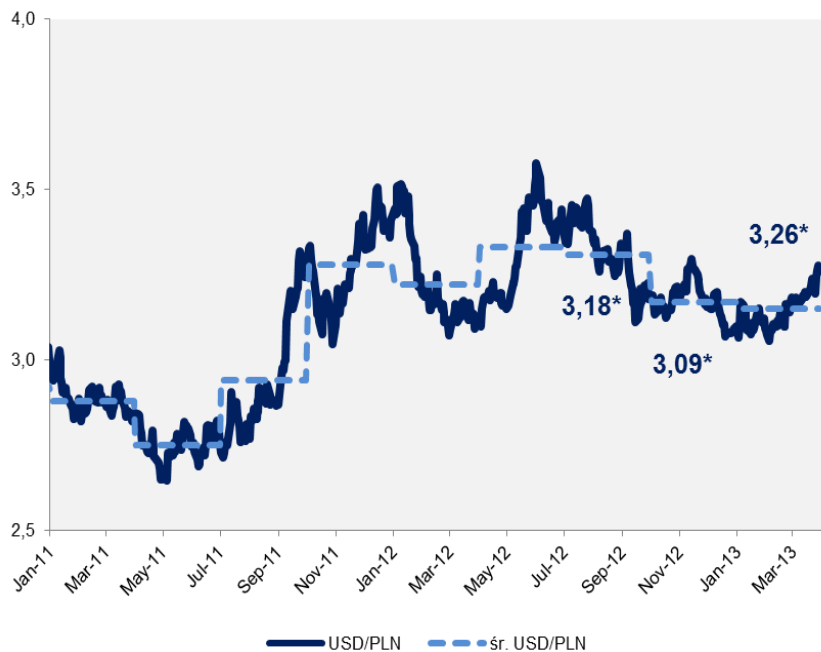


- ❑ Increase in Brent/Ural spread in comparison with Q4'12 and Q1'12
- ❑ Positive impact of increase in refining margin yoy, however a decrease qoq

MARKET CONDITIONS

KEY FACTORS

FX rates development



*end of period values

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

1 Key highlights

2 Market conditions

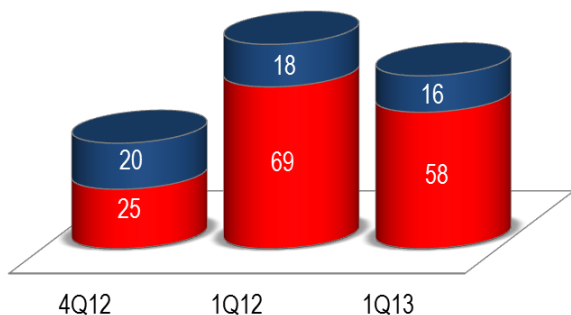
3 **Upstream**

4 Downstream

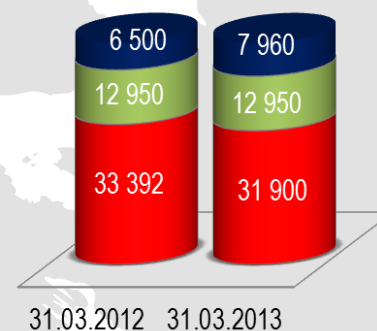
5 Overall financial results

UPSTREAM GEOGRAPHICAL COVERAGE OF LOTOS' UPSTREAM OPERATIONS

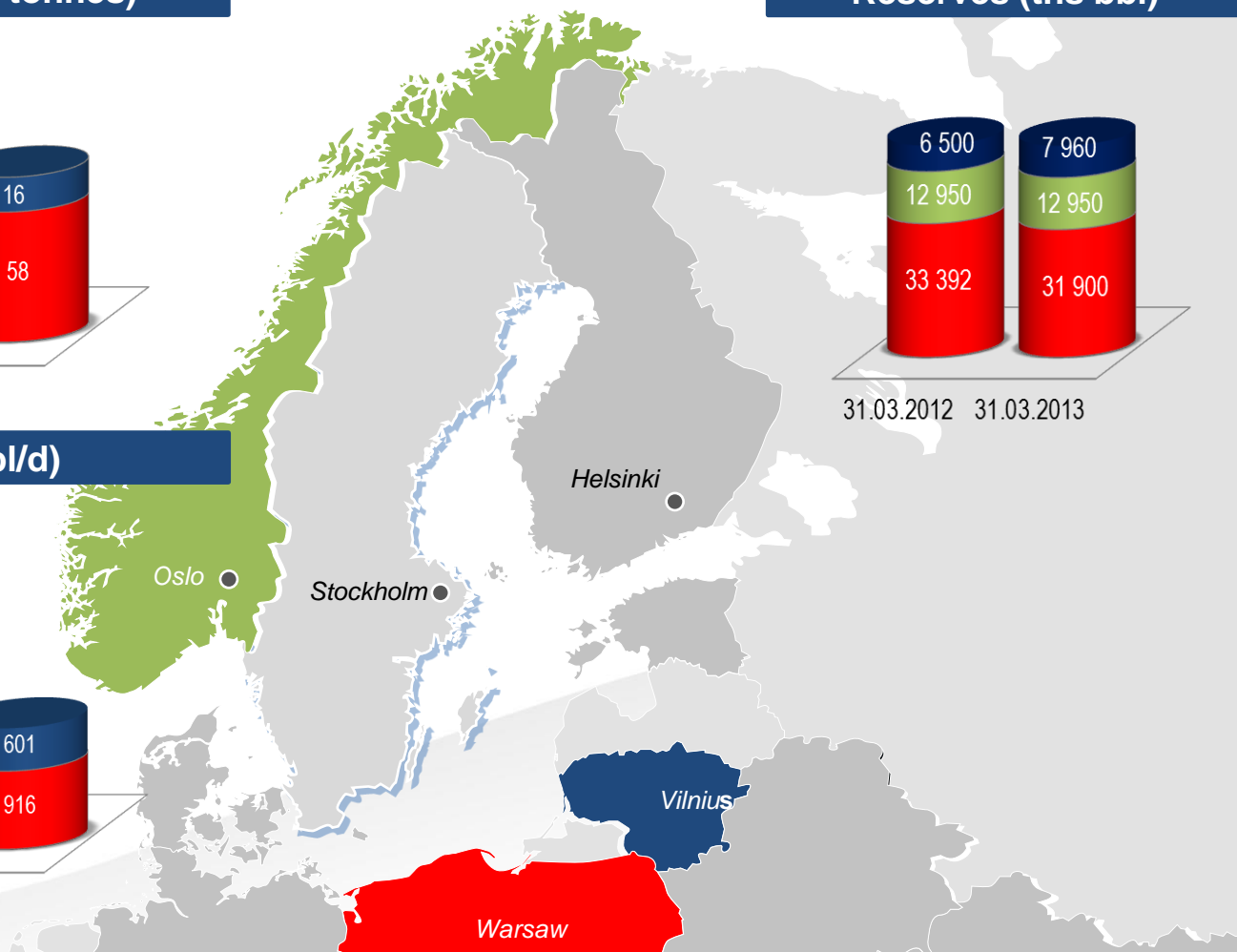
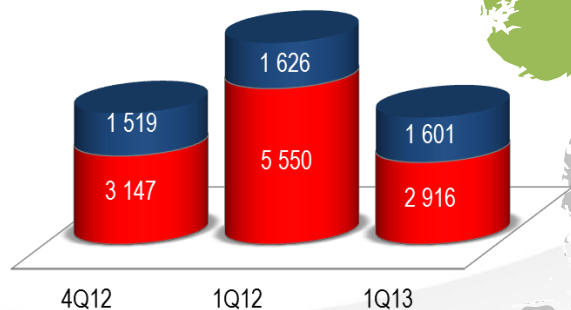
Sales volumes (ths tonnes)



Reserves (ths bbl)



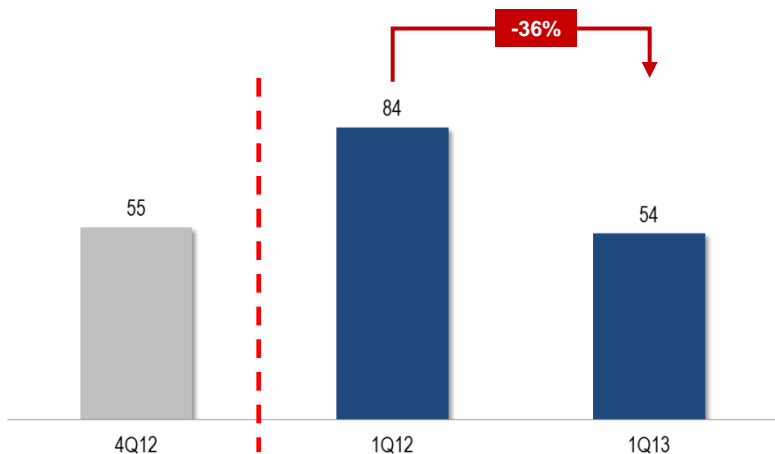
Production (bbl/d)



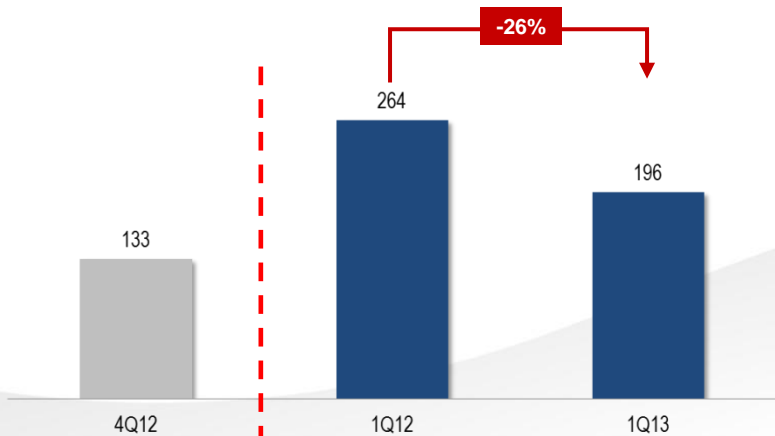
UPSTREAM

UPSTREAM SALES AND PRODUCTION

Crude oil production (k tonnes)



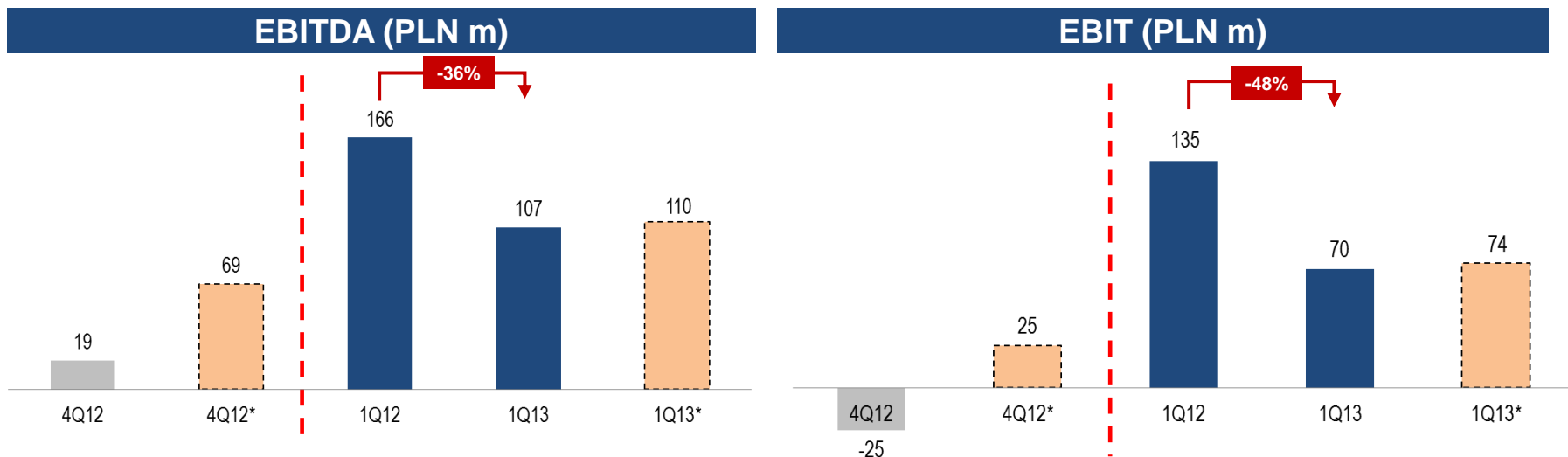
Net sales (PLN m)



Commentary

- Higher level of production in 1Q 12 due to test production from B8 field and slightly higher volumes from Lithuania
- 1Q 13 revenues up vs 4Q12 thanks to much higher level of sales of Rozewie crude

UPSTREAM EBIT DEVELOPMENT & NORMALISED EBIT



Commentary

- ❑ The quarterly upstream EBIT at a level of PLN 70m, higher than in 4Q 12 and lower than in 1Q 13 (no B8 production, lower sales from AB Geonafta)
- ❑ The results of 4Q were strongly affected by one-off non cash items (e.g. settlement of UAB Manifoldas acquisition, and write-offs on the exploration licences in Norway)
- ❑ Compensation related to YME did not influence 1Q 2013 EBIT

*excluding one-off, non cash items

1 Key highlights

2 Market conditions

3 Upstream

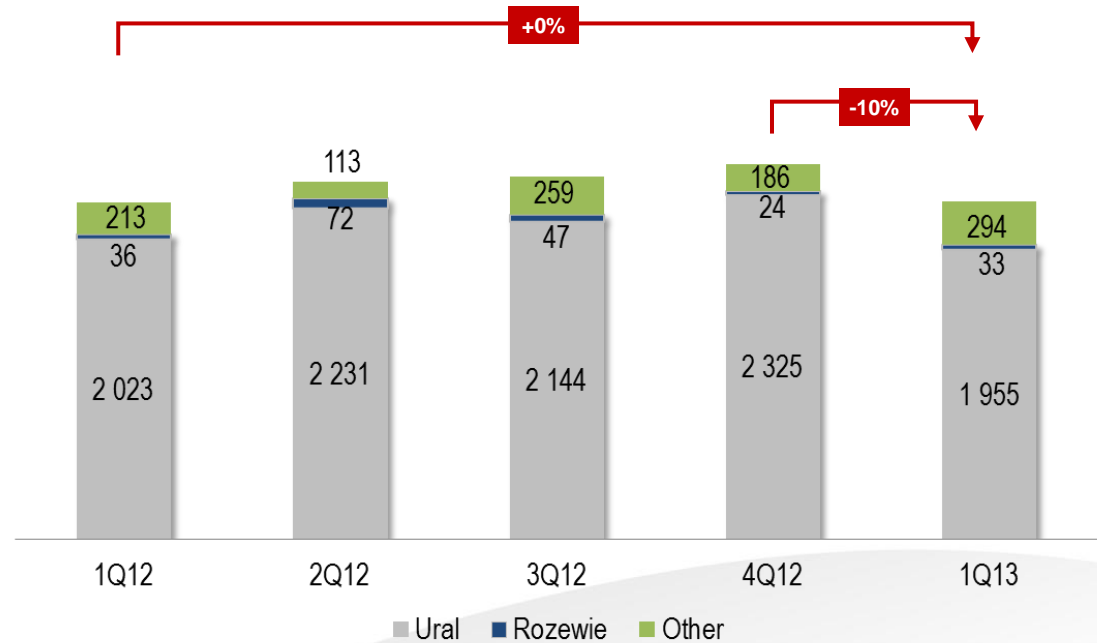
4 **Downstream**

5 Overall financial results

DOWNSTREAM REFINERY THROUGHPUT



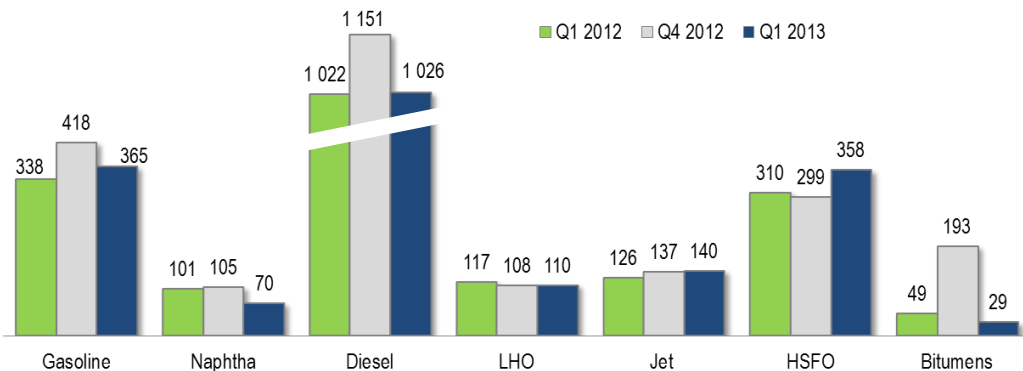
Crude oil throughput (k tonnes)



- ❑ Lower quarterly throughput than in 4Q12, marked by lower share of Russian oil in the overall structure
- ❑ Stable y/y throughput figures

DOWNSTREAM SALES OF PRODUCTS AND GOODS

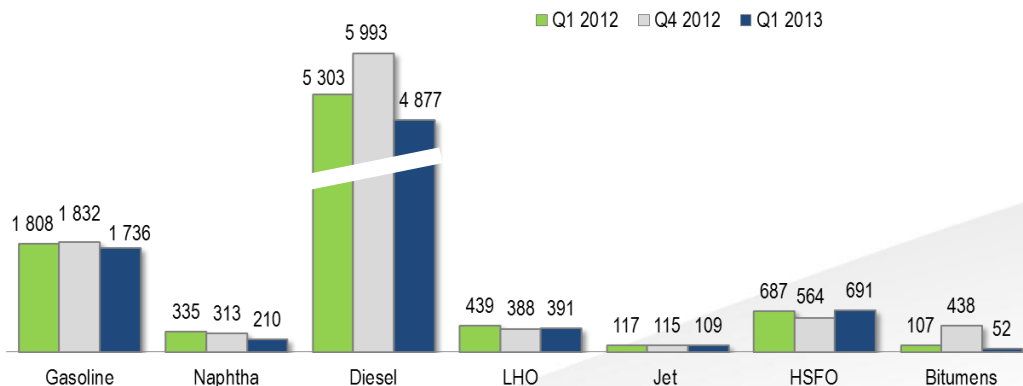
Volume of sales (k tonnes)



Commentary

- ❑ In Q1 '13 total sales reached 2 294k tonnes (-1.5% y/y)
- ❑ The drop q/q due to seasonality and lower demand
- ❑ Seasonally lower sales of bitumens y/y

Sales revenues (m PLN)

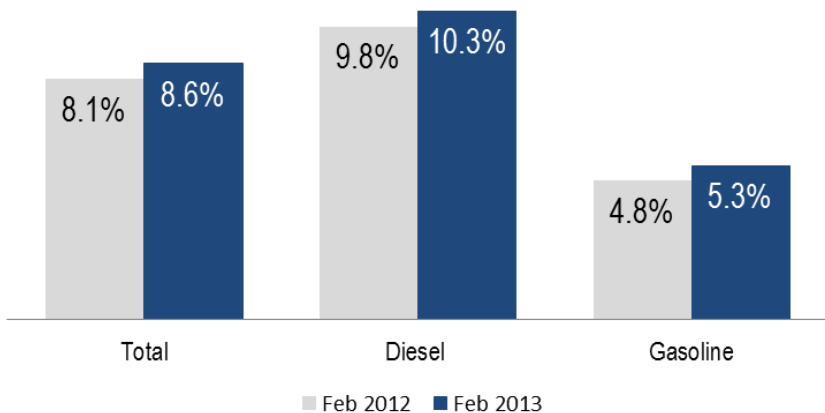


Commentary

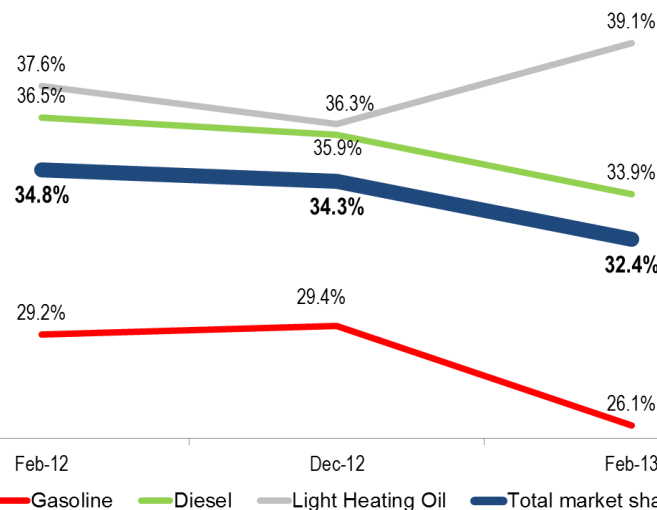
- ❑ Quarterly sales revenues drop by 8.4% y/y and 13.8% q/q (diesel by 8.0% y/y and 18.6% q/q)
- ❑ Lower revenues following lower market prices and altered geographical structure of sales
- ❑ Drop in bitumens net sales by over 50% y/y due to more severe winter

DOWNSTREAM RETAIL MARKET SHARE

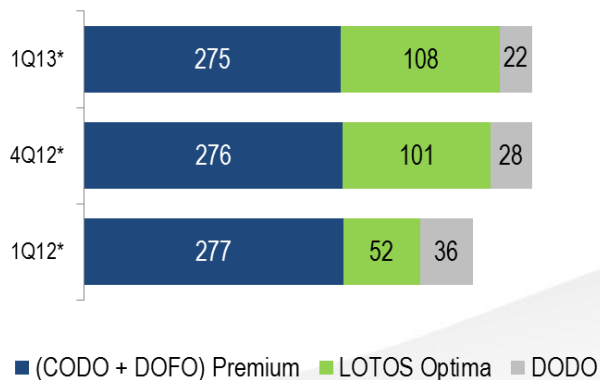
Retail market share



Wholesale market share



Petrol station network by type

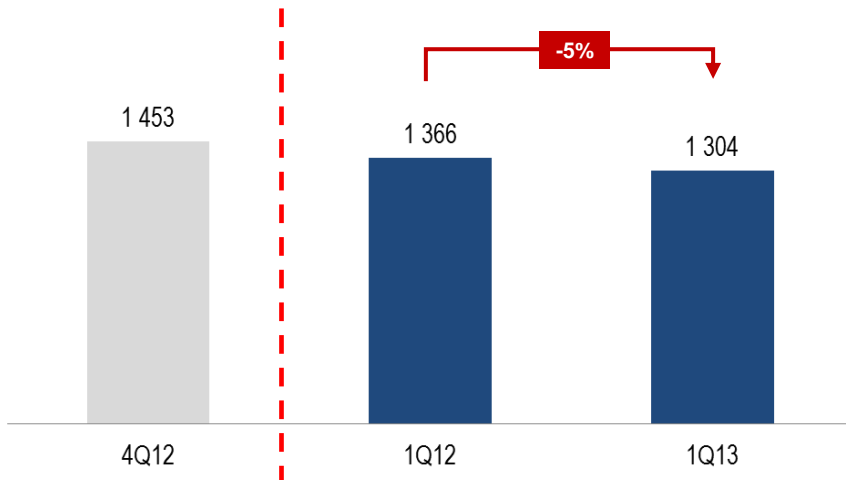


- ❑ Visible drop in the overall market wholesale share
- ❑ Continuously increasing market share in terms of retail (following the development of the petrol station network)

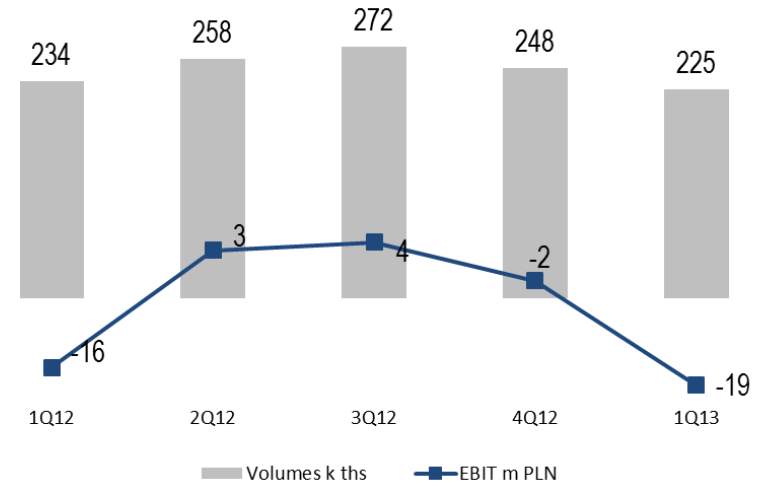
* End of period

DOWNSTREAM RETAIL RESULTS

Retail Net Sales (PLN m)



Retail EBIT & Sales Volumes

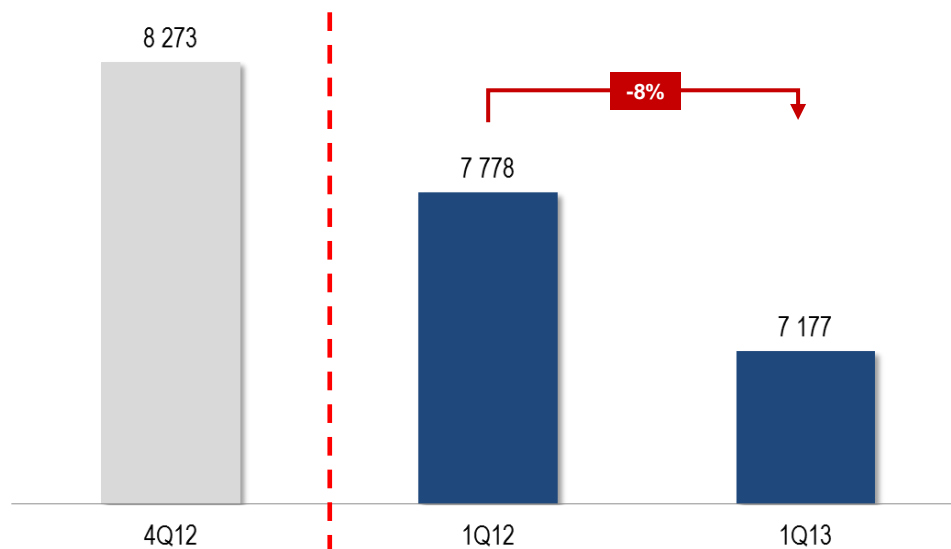


- ❑ Total 2012 retail sales down by 5% y/y with the market however declining at a stronger pace; the retail sales of the CODO stations up by 6% y/y
- ❑ The newly opened stations still to gain their full business potential, therefore their effect is not yet visible
- ❑ Retail's EBIT below break even – operating loss at the level of PLN -19m

DOWNSTREAM FINANCIAL RESULTS – QUARTERLY VIEW



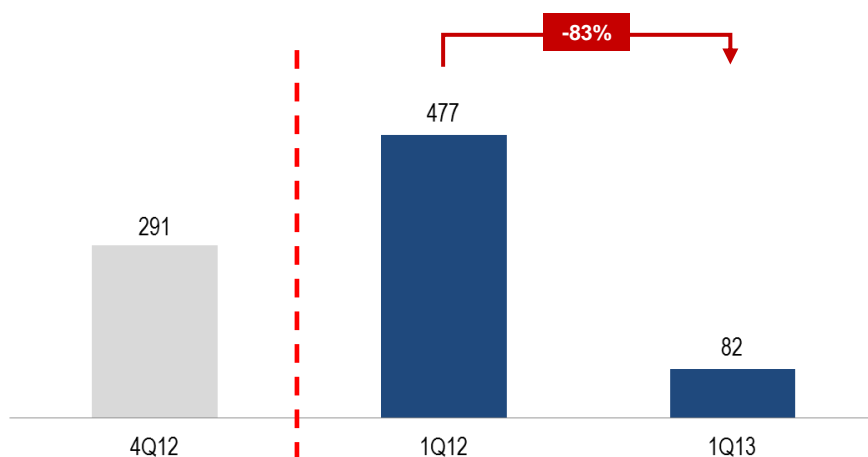
Downstream Net Sales (PLN m)



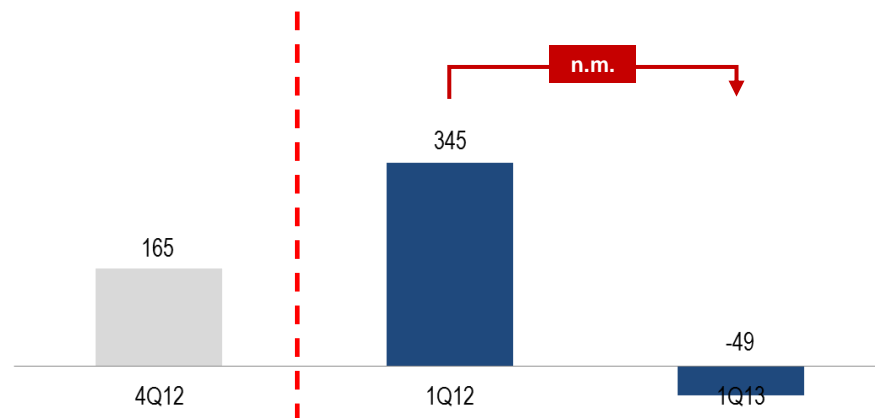
- ❑ Decrease of the net sales in the downstream area, due to lower local demand and the preparation for the maintenance shutdown

DOWNSTREAM FINANCIAL RESULTS – EBITDA & EBIT

Downstream EBITDA (PLN m)



Downstream EBIT (PLN m)

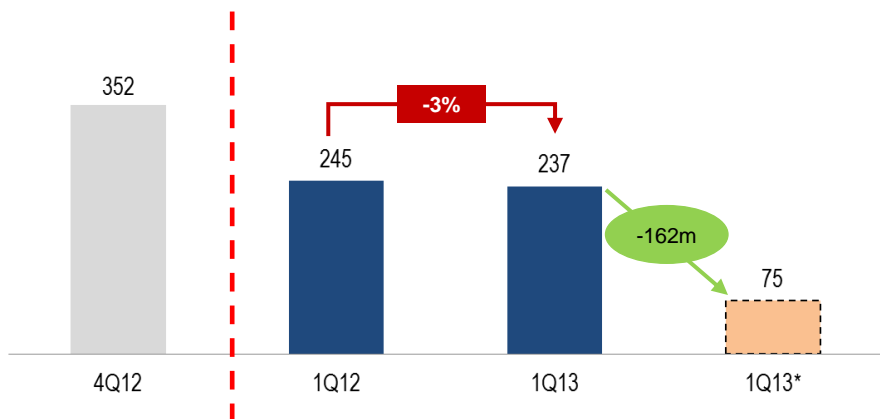


- Reported quarterly EBITDA and EBIT of the segment at the level of respectively PLN 82m and PLN -49m, significantly lower than in 1Q 2012

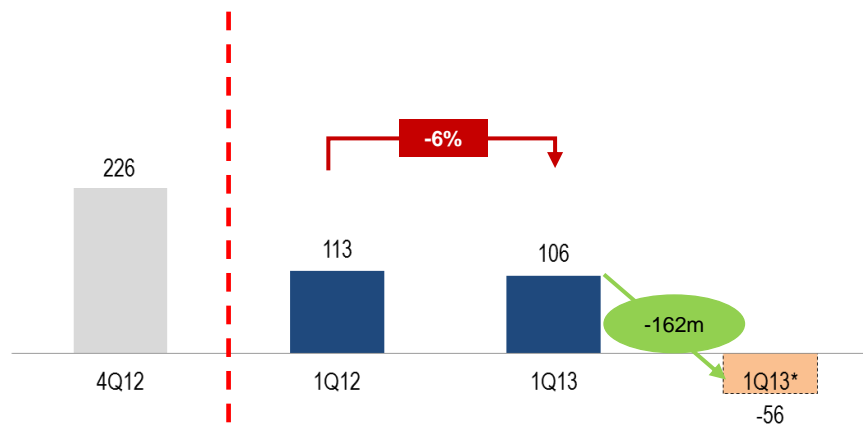
DOWNSTREAM

LIFO EBITDA & EBIT ANALYSIS

LIFO EBITDA Downstream (PLN m)



LIFO EBIT Downstream (PLN m)



- ❑ The LIFO EBITDA and LIFO EBIT at the respective levels of PLN 237m and PLN 106m
- ❑ The LIFO effect distorted by the decrease of oil inventories in preparation for the maintenance shutdown ~ PLN 162m
(cost of Russian oil used for LIFO effect calculation taking into account lower prices from previous periods (2008-2009))

* LIFO result including the distortion of lower oil prices

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OVERALL FINANCIAL RESULTS

1Q 2013 EBIT ANALYSIS

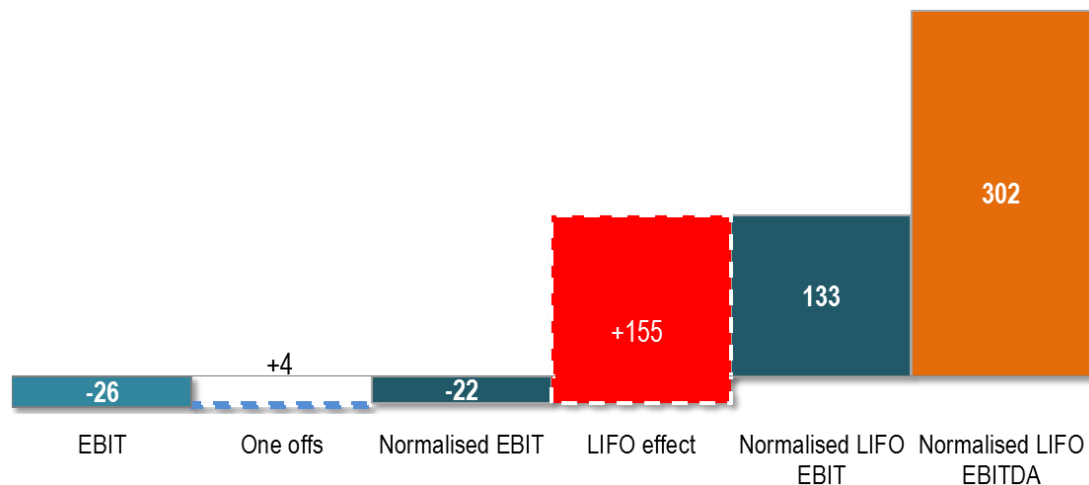
KEY ITEMS NEGATIVELY INFLUENCING THE REPORTED EBIT OF 1Q 2013

- ❑ Preparation for the maintenance shutdown:
 - Direct maintenance shutdown costs of PLN 13m
 - Unrealised margin rolled onto the following quarter (products in the inventory kept for the maintenance shutdown period) PLN 45m
- ❑ Negative effect of foreign exchange operational differences PLN 32m
- ❑ Negative impact of consolidation items (PLN 47m), out of which PLN 46m relates to the unrealised margin on crude oil
- ❑ Effect of unfavorable development of the oil purchase prices in PLN vs benchmark oil prices PLN 42m

OVERALL FINANCIAL RESULTS

LIFO EFFECT ANALYSIS

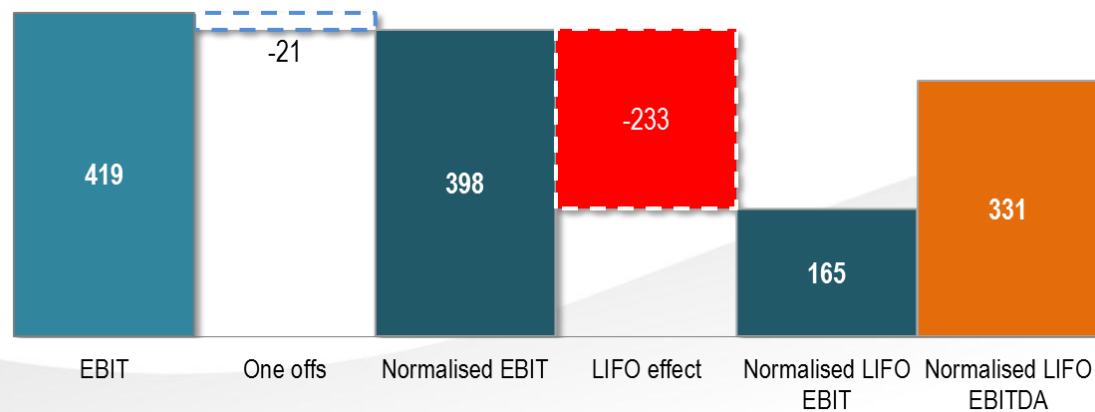
1Q 2013 LIFO effect analysis



Commentary

- ❑ 1Q 2013 below the previous year with Normalised LIFO EBITDA reaching the level of PLN 302m
- ❑ Negative EBIT in 1Q 2013 mainly due to worse performance of the downstream segment (described in detail on the previous slide)

1Q 2012 LIFO effect analysis



OVERALL FINANCIAL RESULTS

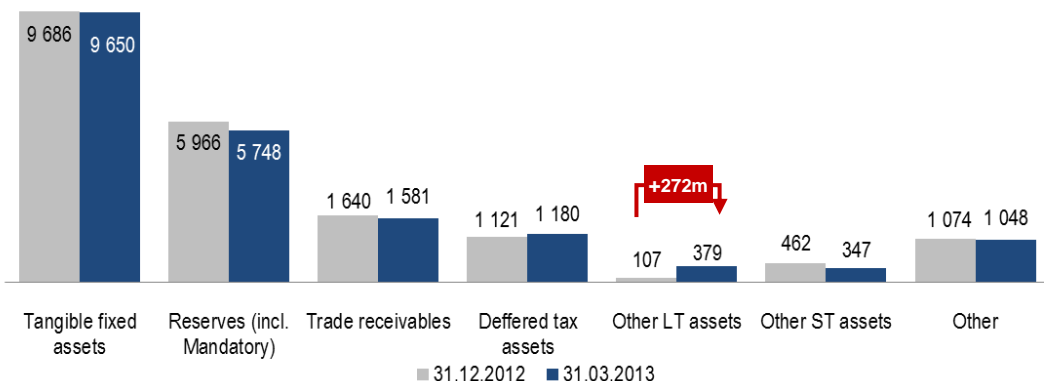
QUARTERLY SEGMENT CONTRIBUTION



OVERALL FINANCIAL RESULTS

BALANCE SHEET EVOLUTION

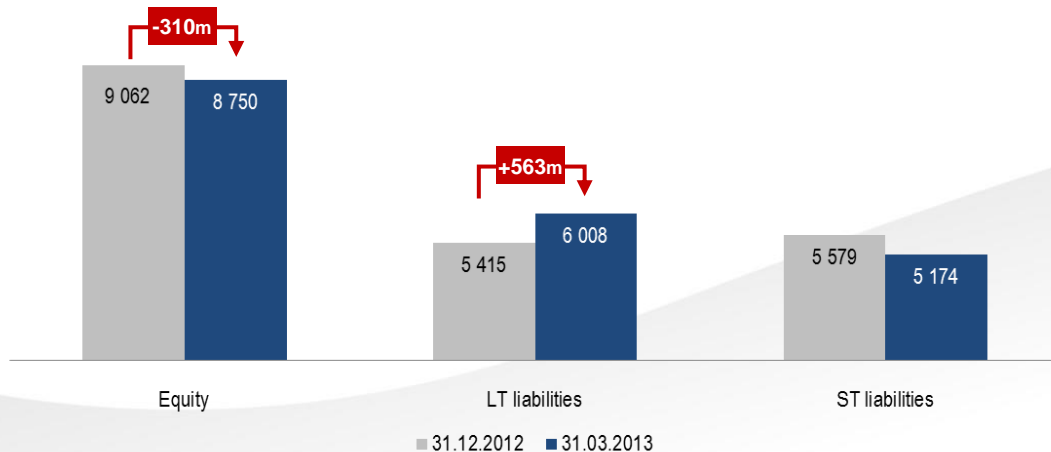
Assets



Commentary

- The increase in the position of Other LT assets due to the compensation on the YME project

Liabilities



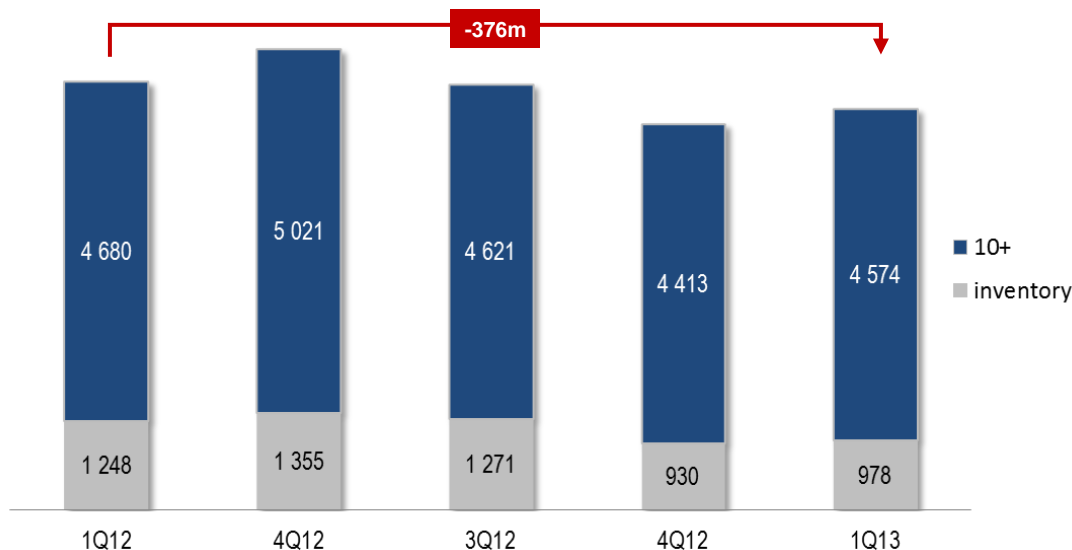
Commentary

- Decrease of the equity by PLN 310m due to net loss in the period and revaluation of USD denominated lowering reserve capital position
- LT liabilities higher by PLN 563m mainly due to increase in non-current interest-bearing borrowings and the compensation from the YME project

OVERALL FINANCIAL RESULTS

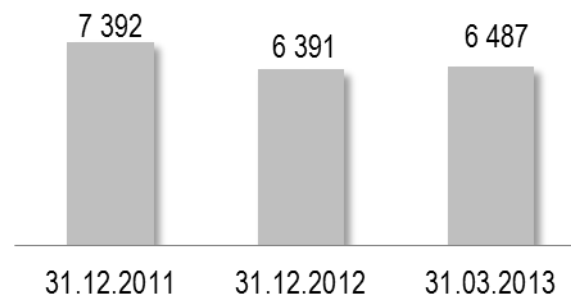
FINANCIAL DEBT

10 + related debt denominated in USD (PLN m)

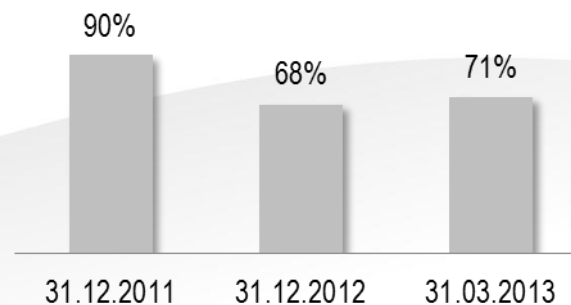


□ End of the period appreciation of USD vs PLN causing a slight increase of the 10+ debt

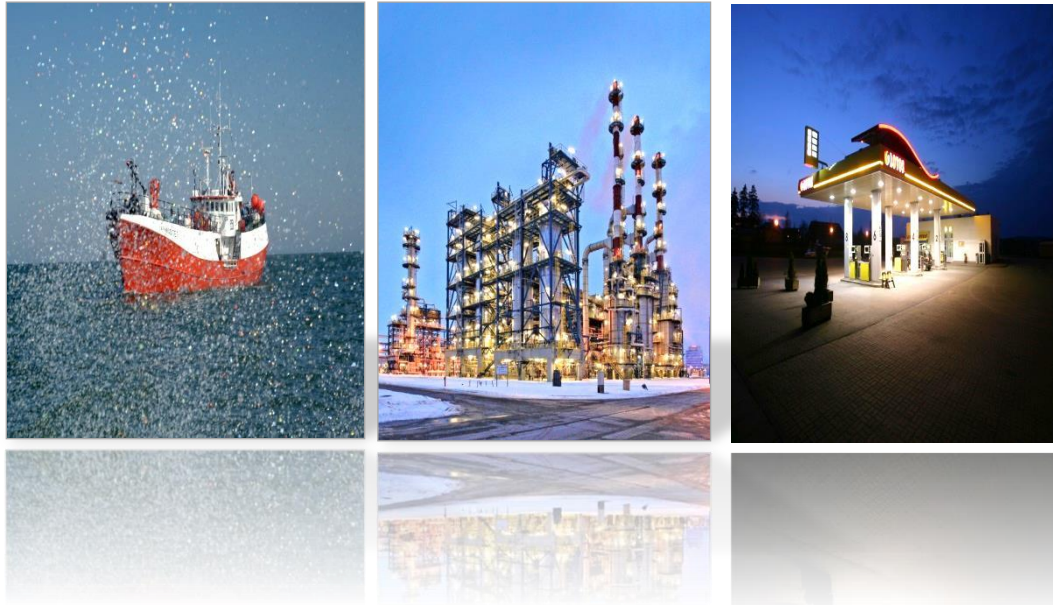
Financial debt (PLN m)



Gearing ratio



Thank You



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