



# **Consolidated Financial Results of the LOTOS Group Q2 2013**

**Management Board of Grupa LOTOS S.A.**

**13th August 2013**

**1 Key highlights**

**2 Market Conditions**

**3 Upstream**

**4 Downstream**

**5 Overall financial results**

# KEY HIGHLIGHTS

## Q2 2013 IN A NUTSHELL



### Operational highlights

- ❑ Maintenance shutdown in the Gdańsk refinery impacting the overall consolidated results
- ❑ Persistently difficult macro surrounding – deterioration of model refining margin and unfavorable development of margins for key products
- ❑ Beginning of construction of Hydrogen Recovery Unit in the Gdansk refinery

### Financial highlights

- ❑ Strong operational cash flow in the second consecutive quarter, at PLN +381m in Q2 2013
- ❑ Direct costs of the maintenance shutdown at the level of PLN 92m (including PLN 79m booked in the Q2 2013); estimated loss of the overall margin at PLN 127m (out of which, PLN 80m estimated for Q2 2013)

## KEY HIGHLIGHTS

### Q2 2013 OVERALL FIGURES



- ❑ **Crude oil production** amounted to **4,586 bbl/d** (53.5k tonnes)
- ❑ **Crude oil throughput** amounted to **1,557 k tonnes**
- ❑ **Consolidated sales** at the level of **1,999 k tonnes**
- ❑ LOTOS model refining margin at the level of 4.08 USD/bbl, **decreased by 37.4%** yoy from 6.53 USD/bbl, and **dropped by 8.5%** qoq from 4.46 USD/bbl in Q1 2013
- ❑ Average Brent Dtd price at the level of **102,43 USD/bbl** (-5.4% yoy and -9.0% qoq)
- ❑ Brent/Ural differential down **from 1.73 USD/bbl to 0.73 USD/bbl**

**1** Key highlights

**2** **Market Conditions**

**3** Upstream

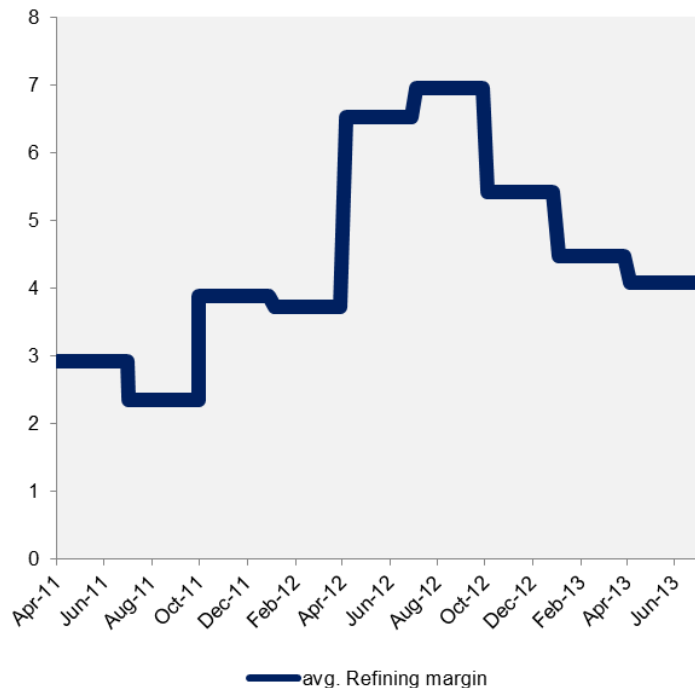
**4** Downstream

**5** Overall financial results

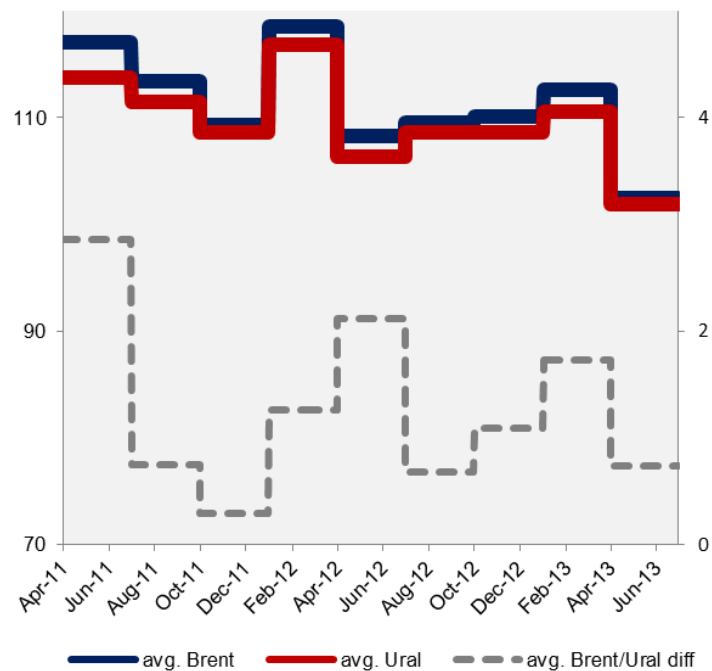
# MARKET CONDITIONS

## KEY FACTORS

### Refining margin



### Crude Oil Prices



- ❑ Decrease in Brent/Ural spread in comparison with Q1'13 and Q2'12
- ❑ Negative impact of decrease in refining margin both on annual and quarterly basis

# MARKET CONDITIONS

## KEY FACTORS

### FX rates development



\*end of period values

□ The EUR/USD rate increased qoq, while the USD/PLN continued the increasing trend from the previous quarter

**1** Key highlights

**2** Market conditions

**3** **Upstream**

**4** Downstream

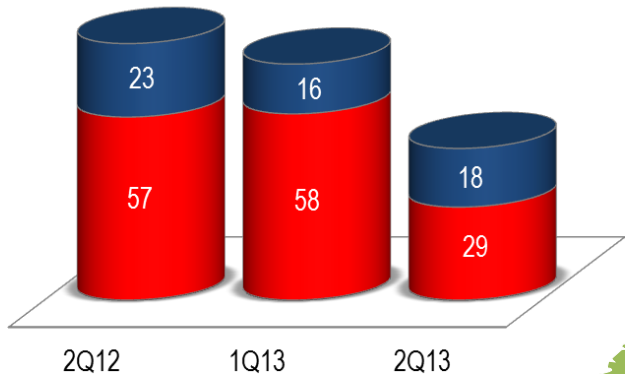
**5** Overall financial results



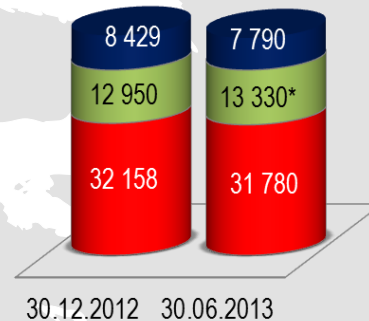
# UPSTREAM

## GEOGRAPHICAL COVERAGE OF LOTOS' UPSTREAM OPERATIONS

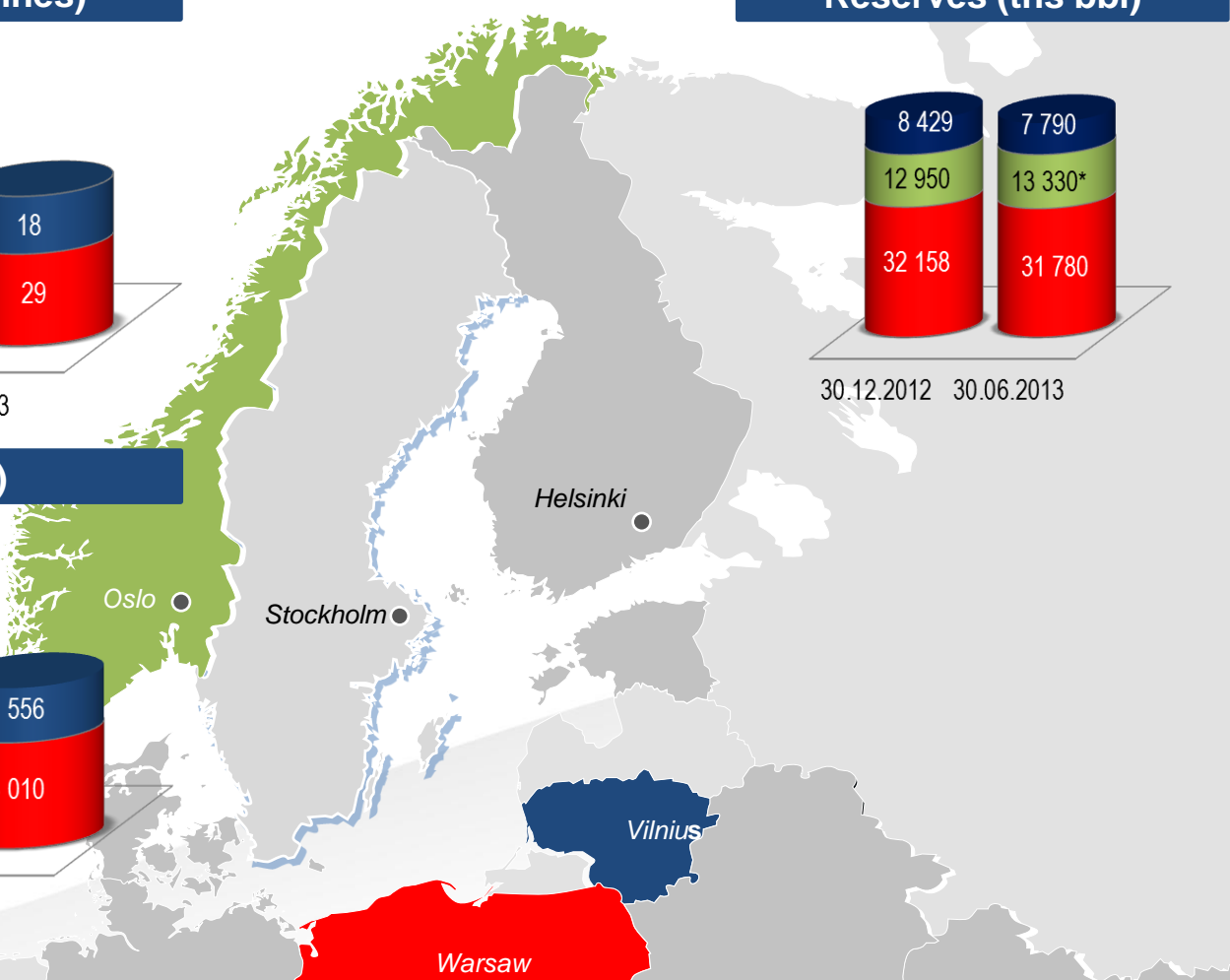
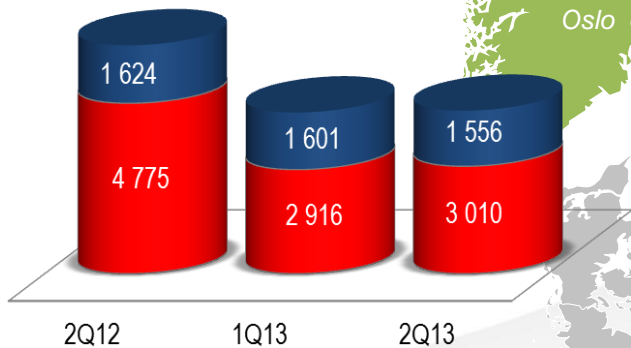
Sales volumes (ths tonnes)



Reserves (ths bbl)



Production (bbl/d)

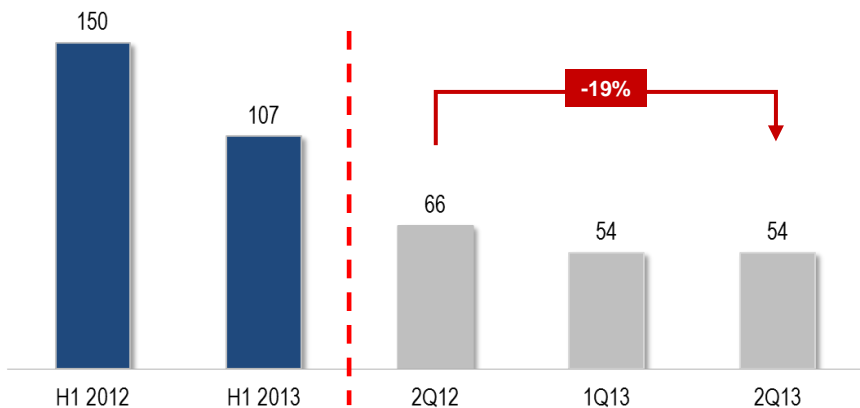


\* increase in the level of 2P reserves in Norway – following methodological changes to way of calculation; no physical increase in the level of reserves

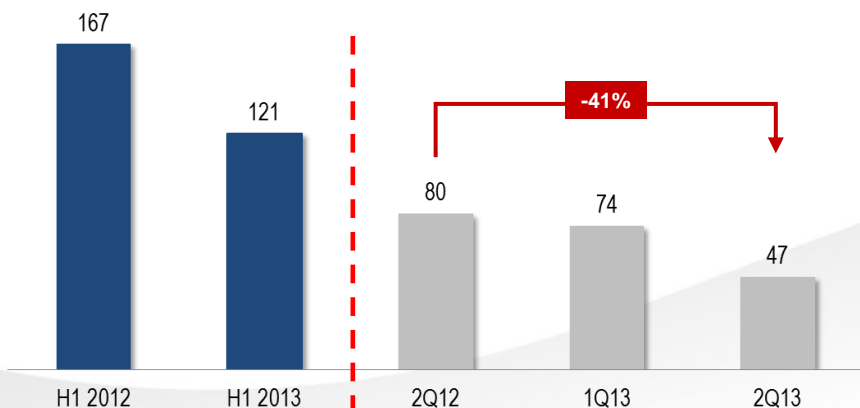
# UPSTREAM

## UPSTREAM SALES AND PRODUCTION

### Crude oil production (k tonnes)



### Net sales (k tonnes)

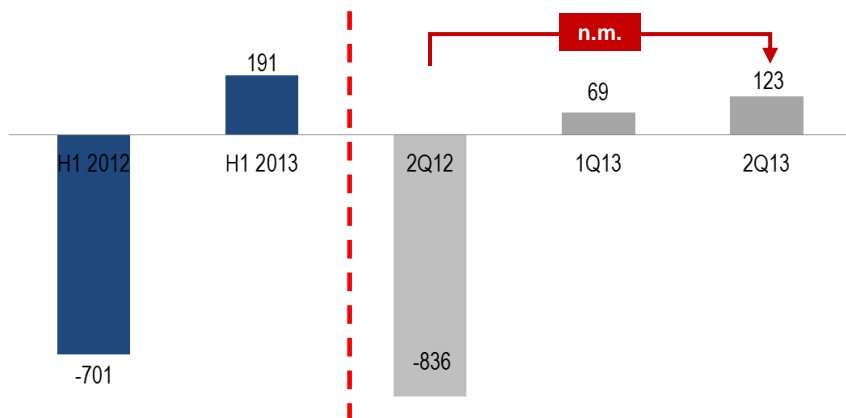


### Commentary

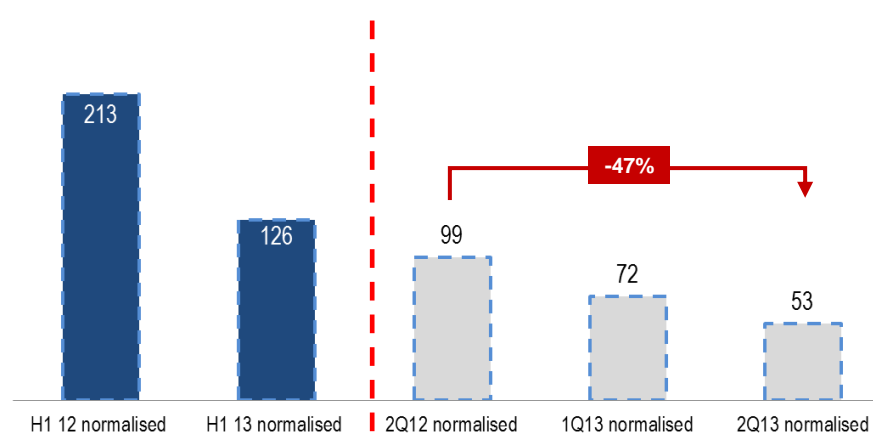
- ❑ Stable q/q production; -19% lower y/y mainly due to test production from B8 in Q2 2012
- ❑ Level of sales down by 41% y/y

# UPSTREAM EBIT DEVELOPMENT & NORMALISED EBIT

EBIT UPSTREAM (PLN m)



NORMALISED EBIT UPSTREAM (PLN m)



## Commentary

- ▣ The quarterly upstream EBIT at a level of PLN 123m, higher than in Q1'13 and significantly higher than in Q2'12; influenced positively by one-off effects – reversal of impairment related to B4 and B6 fields (PLN 48m), and revaluation of estimated provision for offshore oil and gas facilities in Norway (PLN 22m)
- ▣ Second quarter of 2012 including the effect of the impact of YME impairment in the amount of PLN 935m

**1** Key highlights

**2** Market conditions

**3** Upstream

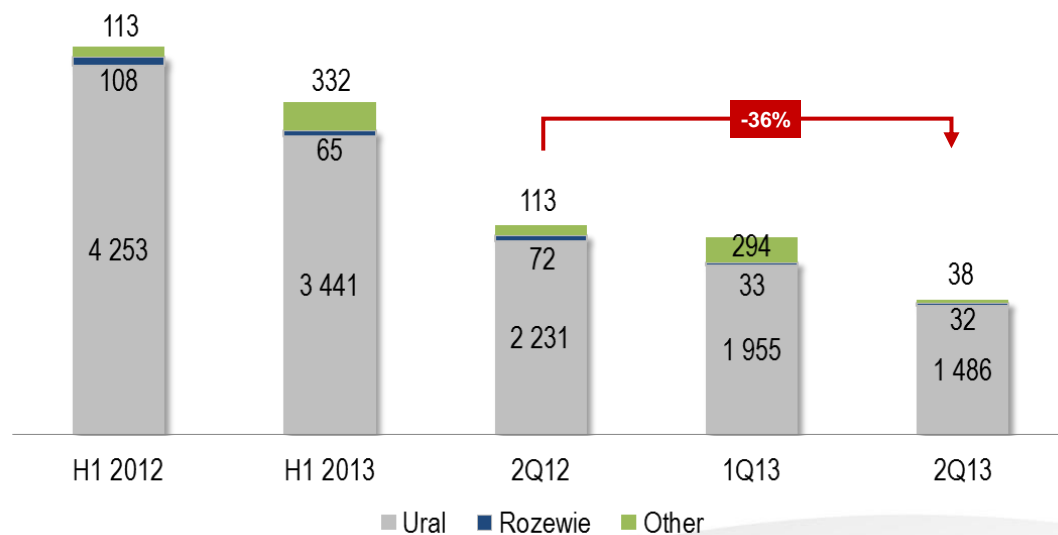
**4** **Downstream**

**5** Overall financial results

# DOWNSTREAM REFINERY THROUGHPUT



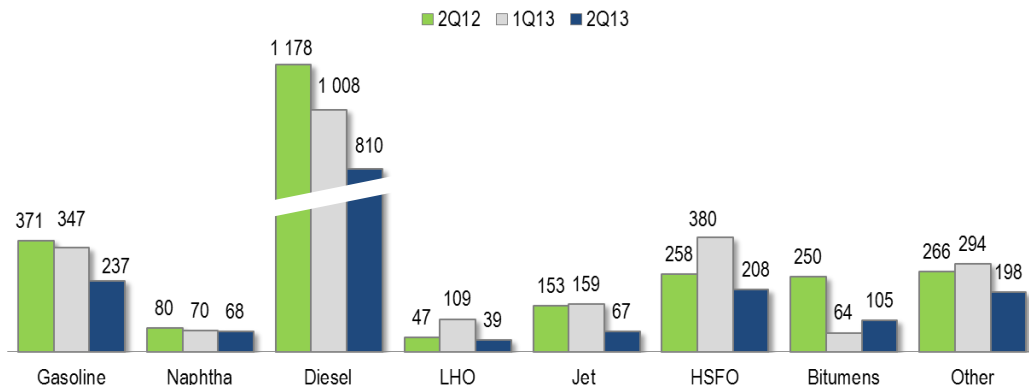
Crude oil throughput (k tonnes)



- As anticipated, the impact of the maintenance shutdown resulting in lowering of the quarterly throughput – by almost 900k tonnes comparing with the Q2 2012

# DOWNSTREAM PRODUCTION & SALES DATA OF PRODUCTS AND GOODS

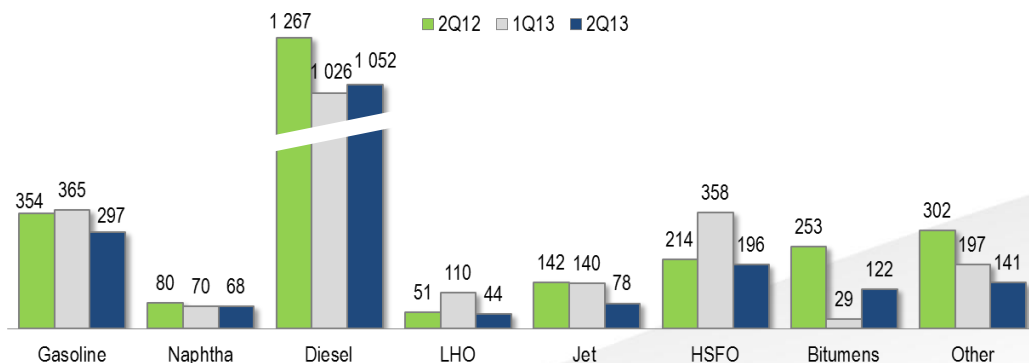
## Volume of production (k tonnes)



## Commentary

- ❑ The Q2 13 production level was at the level 1 731k tonnes (-33% y/y)
- ❑ Visible y/y drop of bitumens sales – lower by 145k tonnes

## Volume of sales (k tonnes)

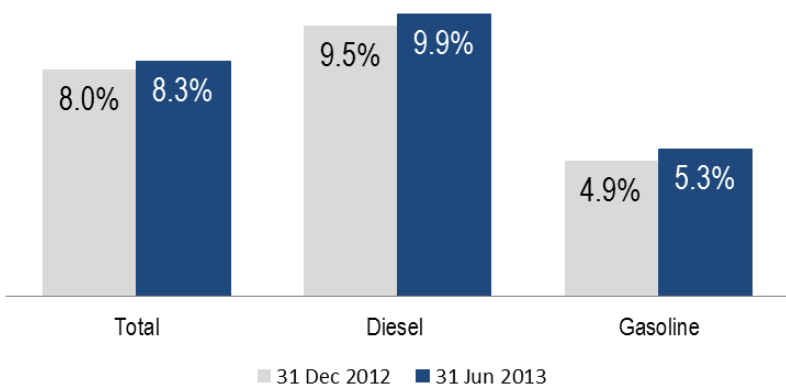


## Commentary

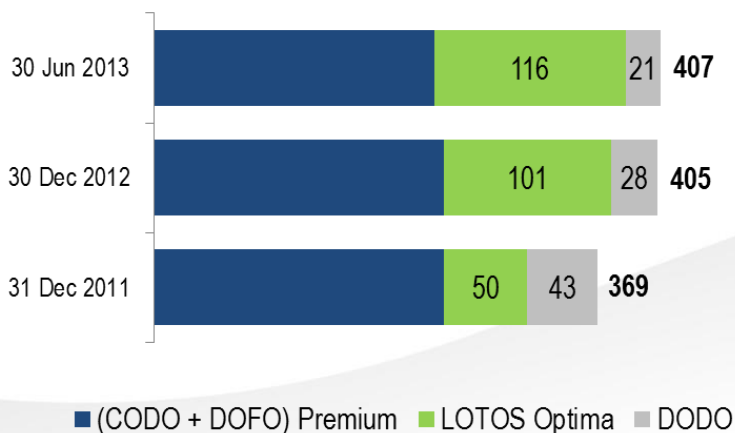
- ❑ In Q2 13 total sales reached 1 999k tonnes (-23% y/y)
- ❑ As anticipated, higher sales figures for gasoline and diesel comparing with production data (respectively by 30% and 25% q/q)
- ❑ The above mentioned achieved thanks to the accumulated stock of products from 1Q 13

# DOWNSTREAM RETAIL MARKET SHARE

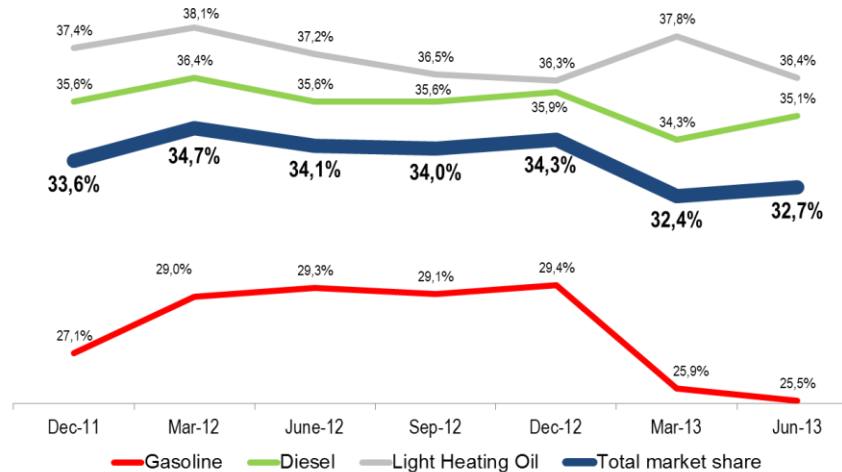
Retail market share



Petrol station network by type



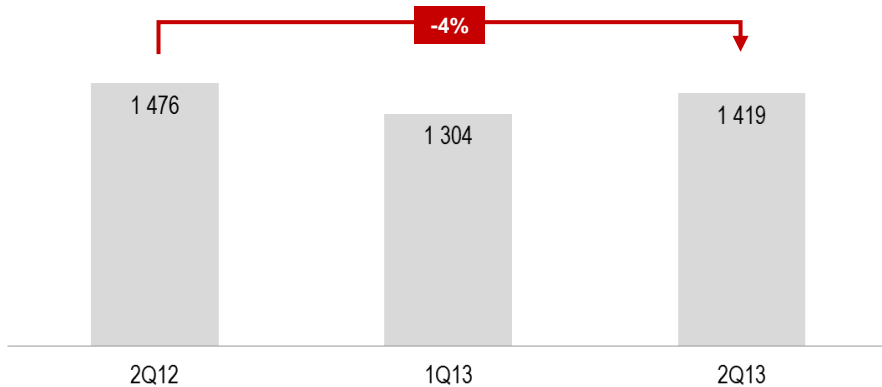
Wholesale market share



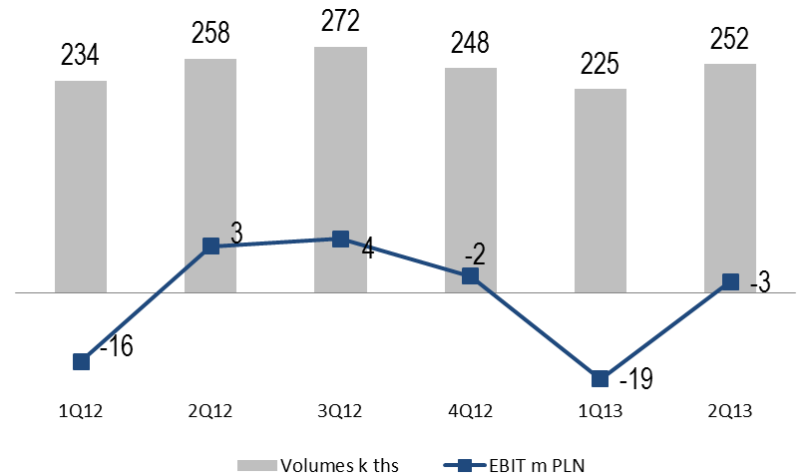
- ❑ After a decrease in terms of wholesale market share in the Q1 2013 a slight increase in the Q2 2013
- ❑ Continuously increasing market share in terms of retail (following the development of the petrol station network)

# DOWNSTREAM RETAIL RESULTS

## Retail Net Sales (PLN m)



## Retail EBIT & Sales Volumes



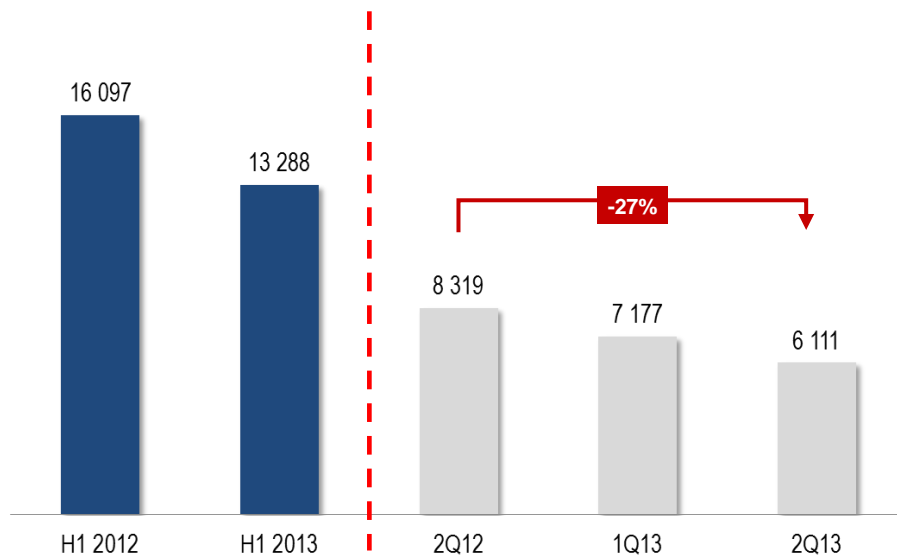
- ❑ Total H1 2013 retail sales down by 4% y/y
- ❑ The persistently difficult market conditions with the continued influence of the „grey market” impacting the profitability of the retail segment
- ❑ Improved q/q sales volumes and lower operational loss PLN -3m



# DOWNSTREAM FINANCIAL RESULTS – QUARTERLY VIEW



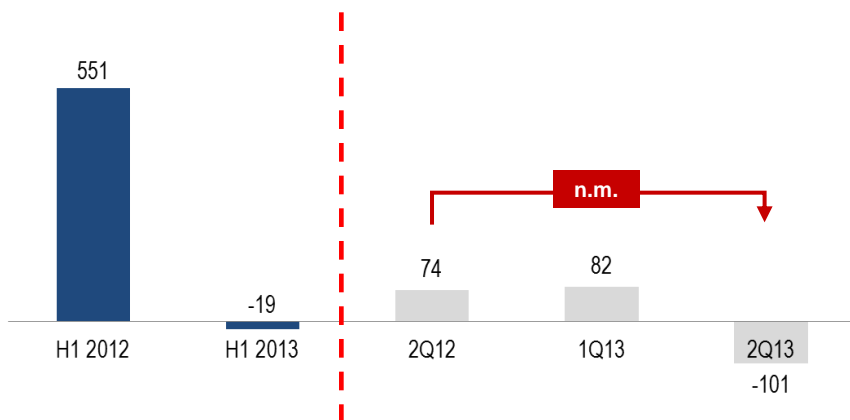
Downstream Net Sales (PLN m)



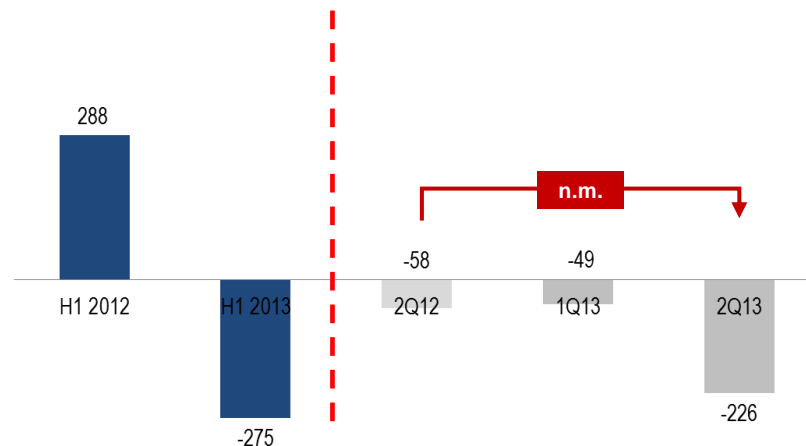
- 27% decrease in terms of quarterly net sales year on year following lower sales volumes, stronger USD vs PLN and lower market prices of main petroleum products

# DOWNSTREAM FINANCIAL RESULTS – EBITDA & EBIT

## Downstream EBITDA (PLN m)



## Downstream EBIT (PLN m)

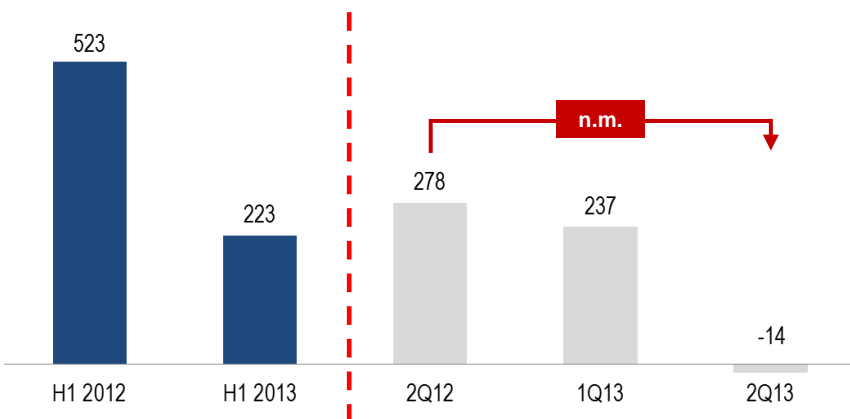


- ❑ Reported EBITDA and EBIT impacted by the direct maintenance shutdown costs, as well as lost margin due to lower overall throughput and sales level
- ❑ Half year results including an estimated PLN 127m loss of the refining margin due to maintenance shutdown, and PLN 92m of direct costs related to the shutdown

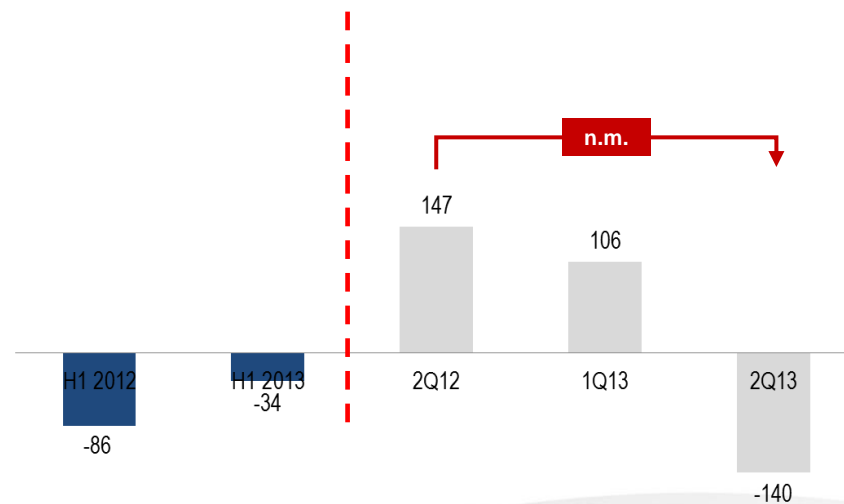
# DOWNSTREAM

## 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 -14m and PLN -140m

**1** Key highlights

**2** Market conditions

**3** Upstream

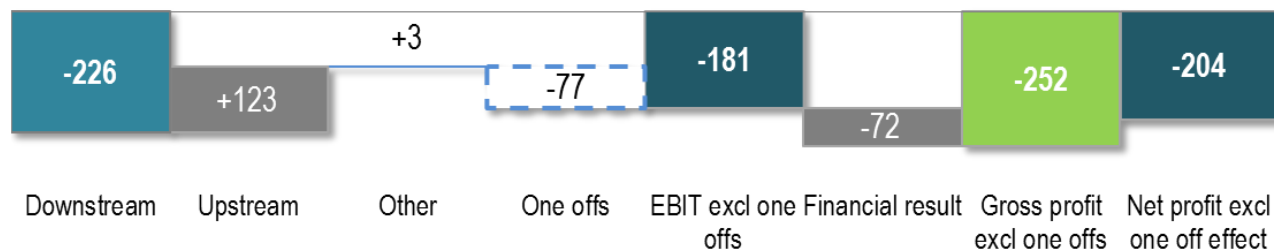
**4** Downstream

**5** Overall financial results

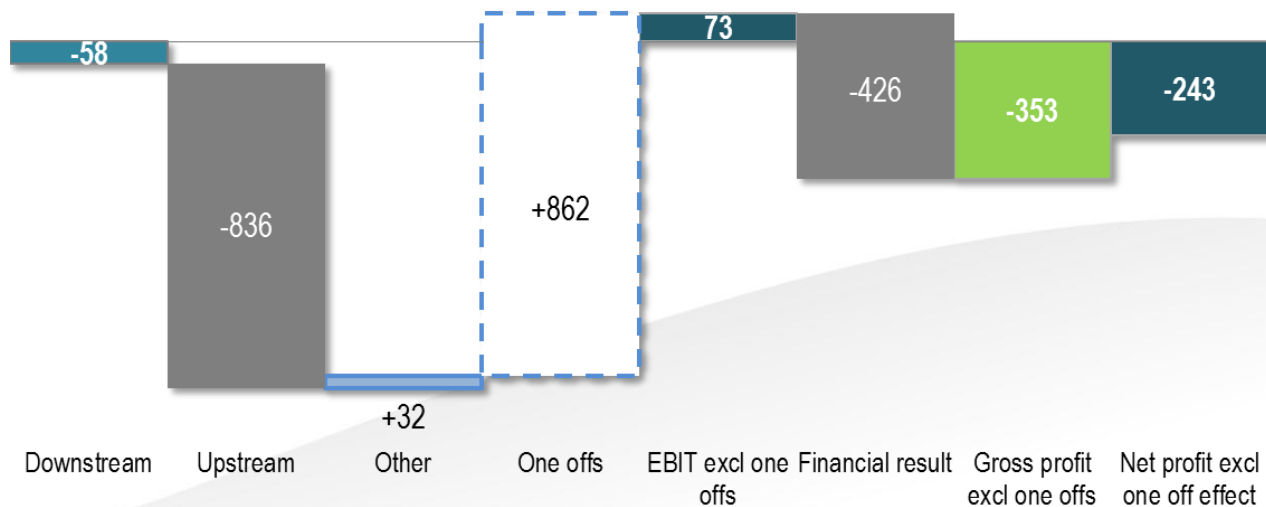
# OVERALL FINANCIAL RESULTS

## QUARTERLY SEGMENT CONTRIBUTION

Q2 2013



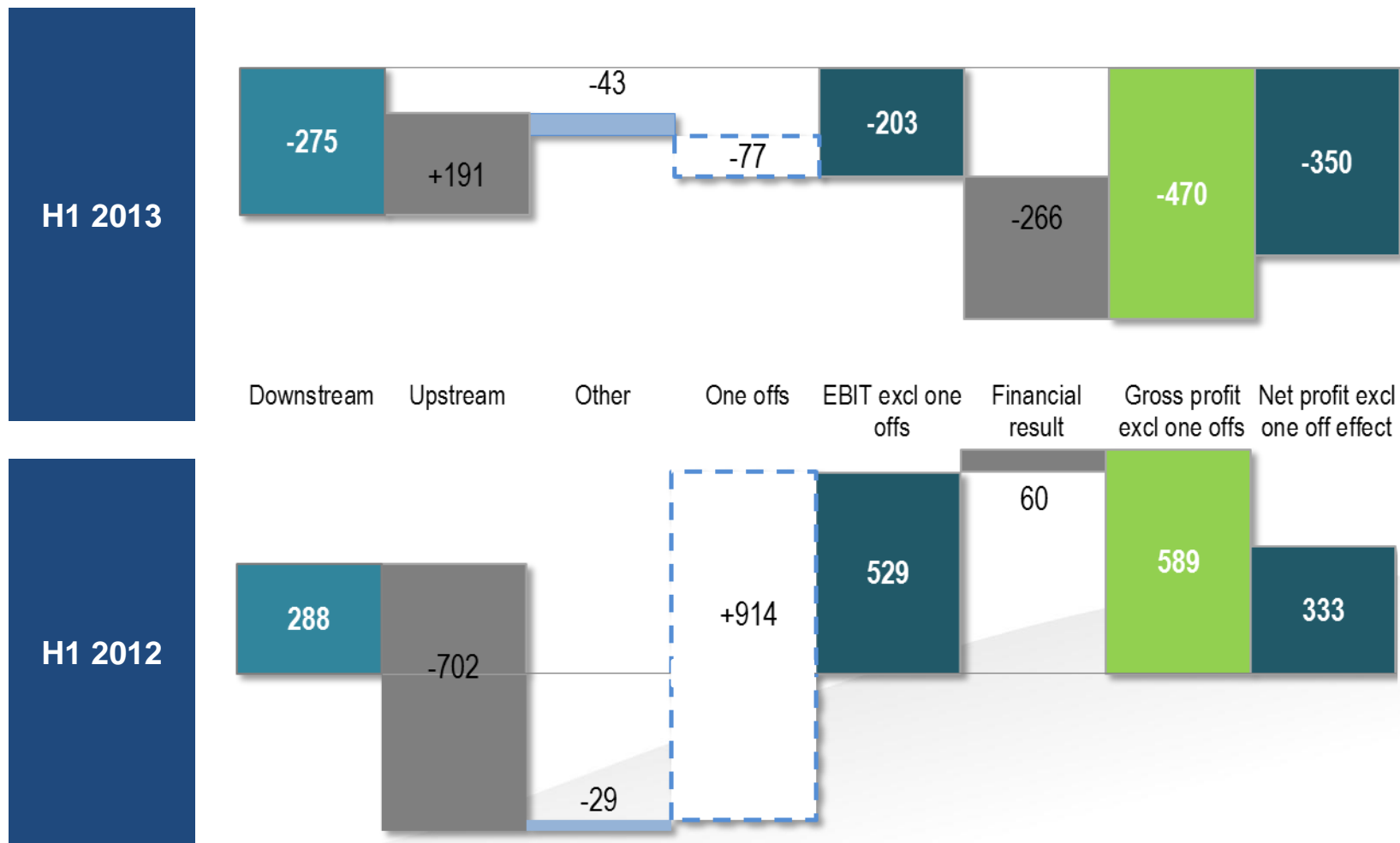
Q2 2012



\*Q2 2013: reversal of impairment related to B4 and B6 fields, and revaluation of estimated provision for offshore oil and gas facilities in Norway  
 Q2 2012: write down related to YME project

# OVERALL FINANCIAL RESULTS

## HALF YEAR SEGMENT CONTRIBUTION

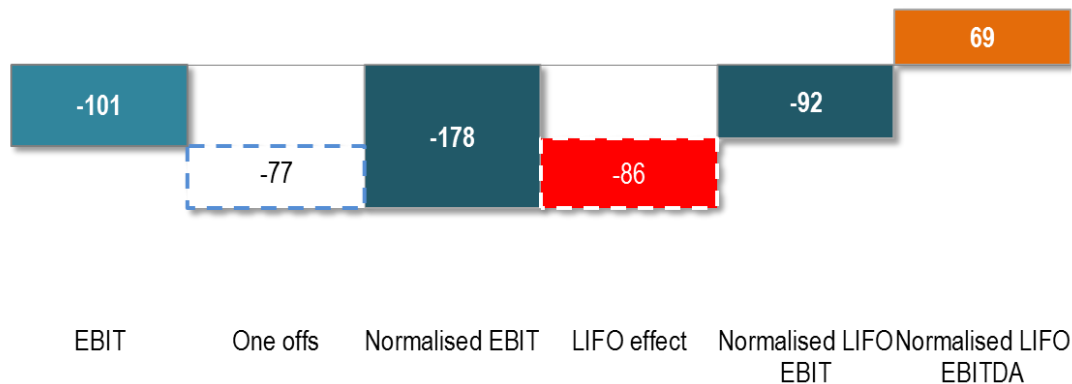


\*H1 2013: reversal of impairment related to B4 and B6 fields, and revaluation of estimated provision for offshore oil and gas facilities in Norway  
H1 2012: write down related to YME project

# OVERALL FINANCIAL RESULTS

## LIFO EFFECT ANALYSIS

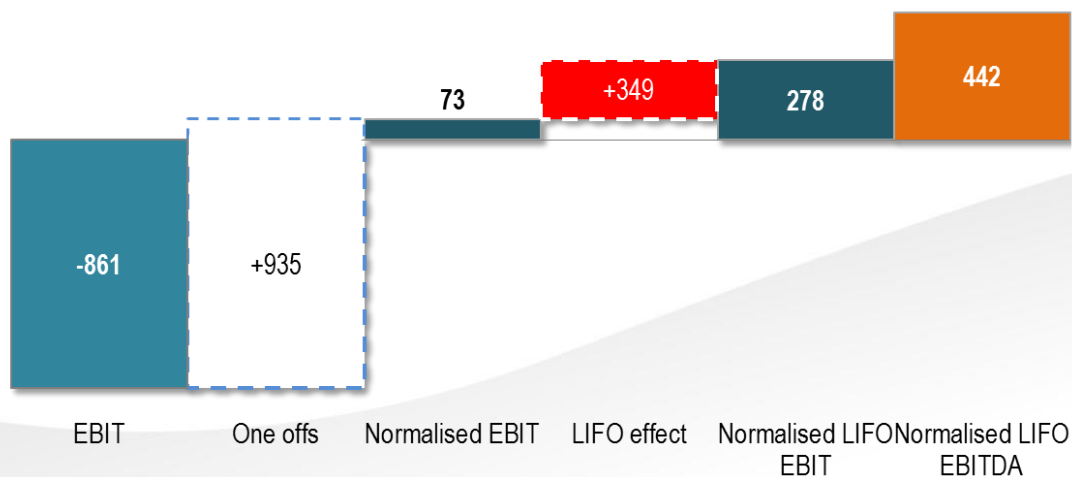
### Q2 2013 LIFO effect analysis



### Commentary

- Normalised LIFO EBITDA at the level of PLN 69m in Q2 2013, comparing with PLN 442m in Q2 2012
- The worse performance in the Q2 2013 period was the effect of maintenance shutdown (lower sales and direct costs of the shutdown) and the overall worse market situation

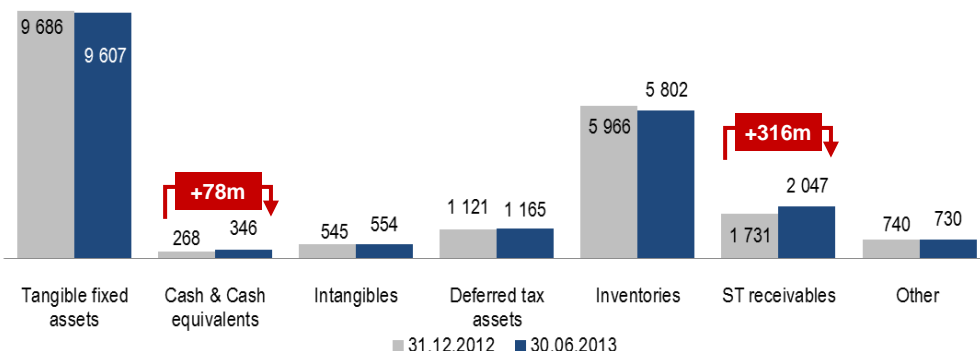
### Q2 2012 LIFO effect analysis



# OVERALL FINANCIAL RESULTS

## BALANCE SHEET EVOLUTION

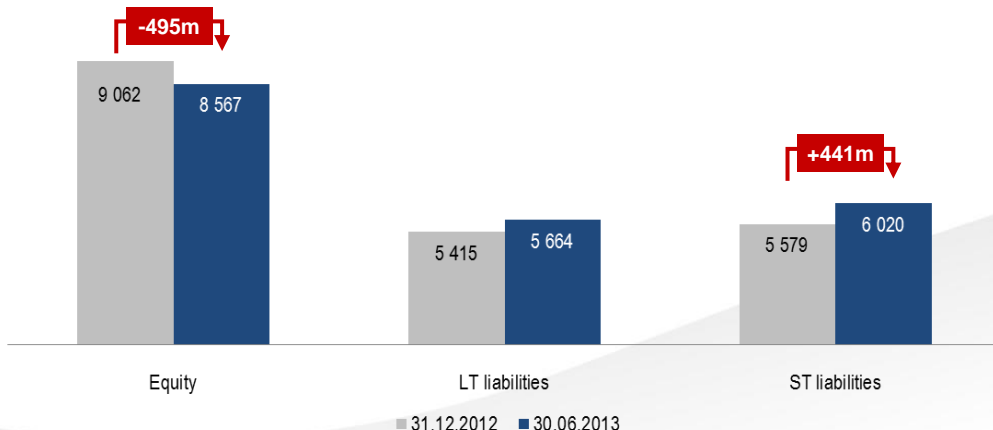
### Assets



### Commentary

- The increase of cash by PLN 78m
- Increase in the level of ST receivables by PLN 316m mainly due to higher sales volumes comparing with Decemeber 2012 (LOTOS Paliwa and LOTOS Asphalt)

### Liabilities



### Commentary

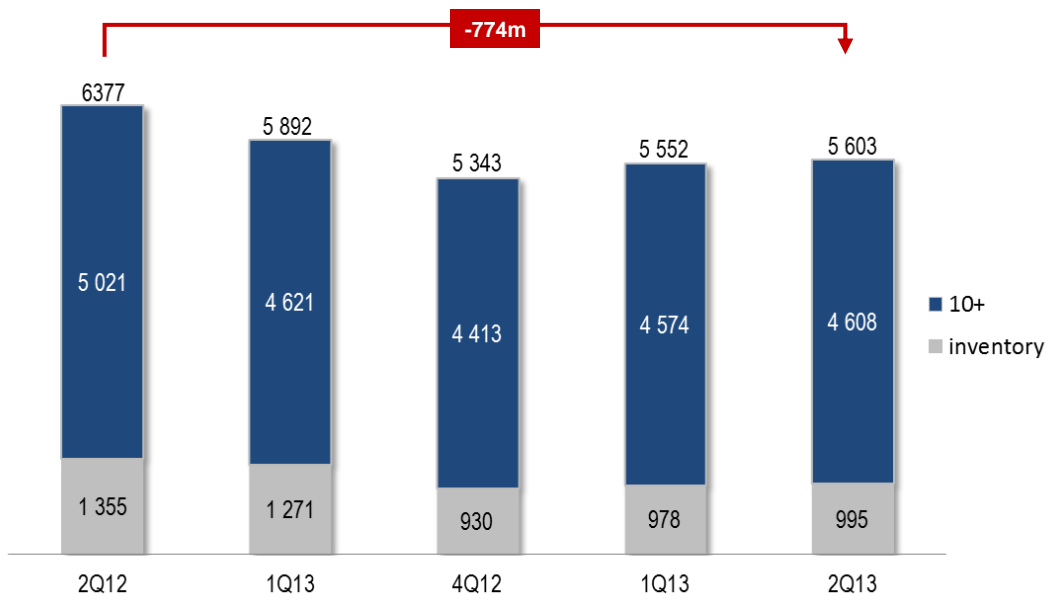
- Decrease of the equity by PLN 495m due to net loss in the first half of 2013 and revaluation of USD denominated debt lowering reserve capital position
- ST liabilities higher by PLN 441m



# OVERALL FINANCIAL RESULTS

## FINANCIAL DEBT

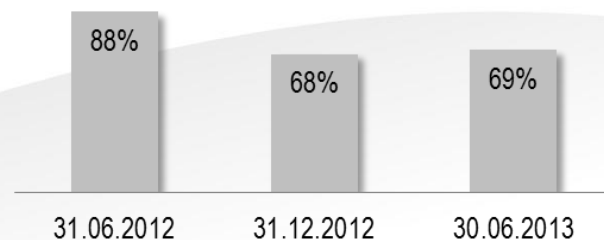
### 10 + related debt denominated in USD (PLN m)



### Financial debt (PLN m)

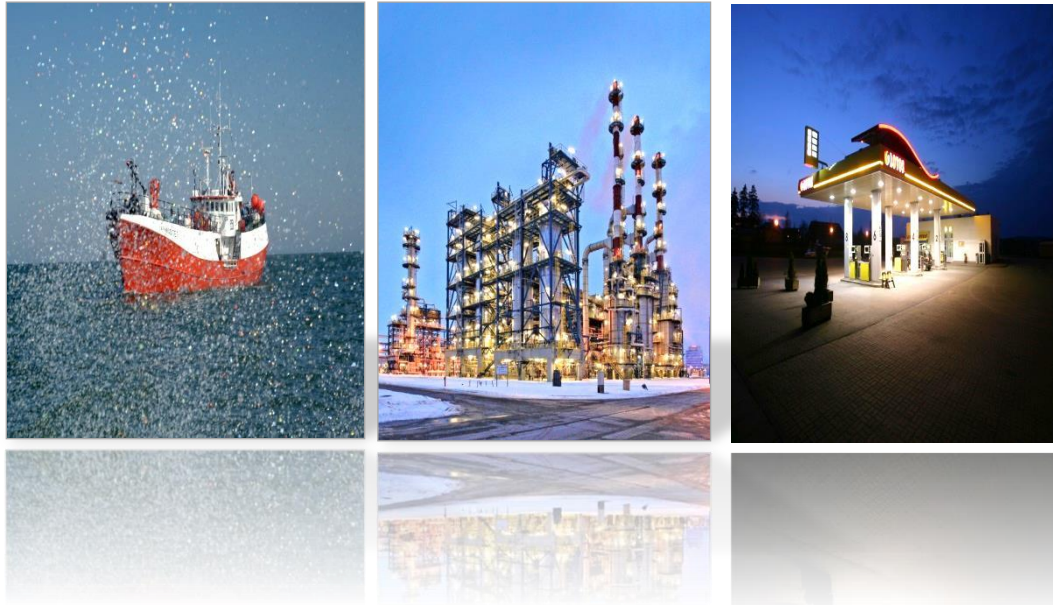


### Gearing ratio



- Fairly stable level of the indebtedness – slight decrease comparing with the end of 2012
- Gearing ratio at a stable level, despite more than a 7% depreciation USD/PLN rate vs end of 2012

# Thank You



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