



# Consolidated Financial Results of the LOTOS Group Q2 2010 (IFRS)

**Mariusz Machajewski – Vice President of the Management Board**

**26th August 2010**

**1** Q2'10 overall figures

**2** Market position

**3** Market Conditions

**4** Upstream

**5** Downstream

**6** Overall financial results

## Q2'10 OVERALL FIGURES

- **Average benchmark refining margin in Q2'10 was 3.96 USD/bbl (+5.6% yoy),**
- **Average Brent dtd price amounted to 78.24 USD/bbl (+32.3% yoy)**
- **Brent/Ural differential increased by 97.0% yoy to 1.32 USD/bbl**
- **Crude oil production in the upstream segment amounted to 38.5 thousand tonnes**
- **Crude oil throughput in the downstream segment amounted to 2,061 thousand tonnes**
- **Consolidated sales amounted to 2,074 thousand tonnes**
- **Operating profit in Q2 2010 reached PLN 230.4 mln, while net loss was equal to PLN 645.6 mln**

1

Q2'10 overall figures

2

Market position

3

Market Conditions

4

Upstream

5

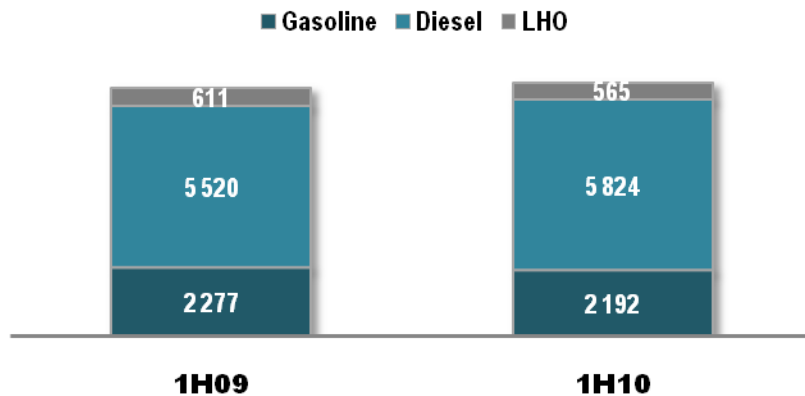
Downstream

6

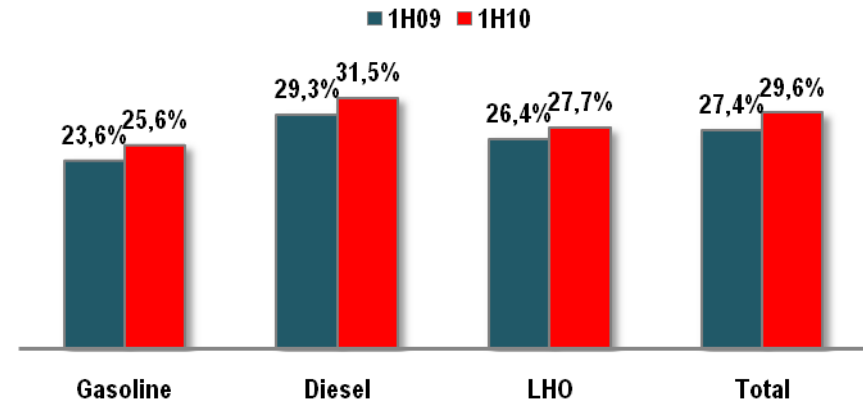
Overall financial results

## MARKET POSITION LOTOS ON THE POLISH MARKET

Fuel Consumption in Poland ('000t)



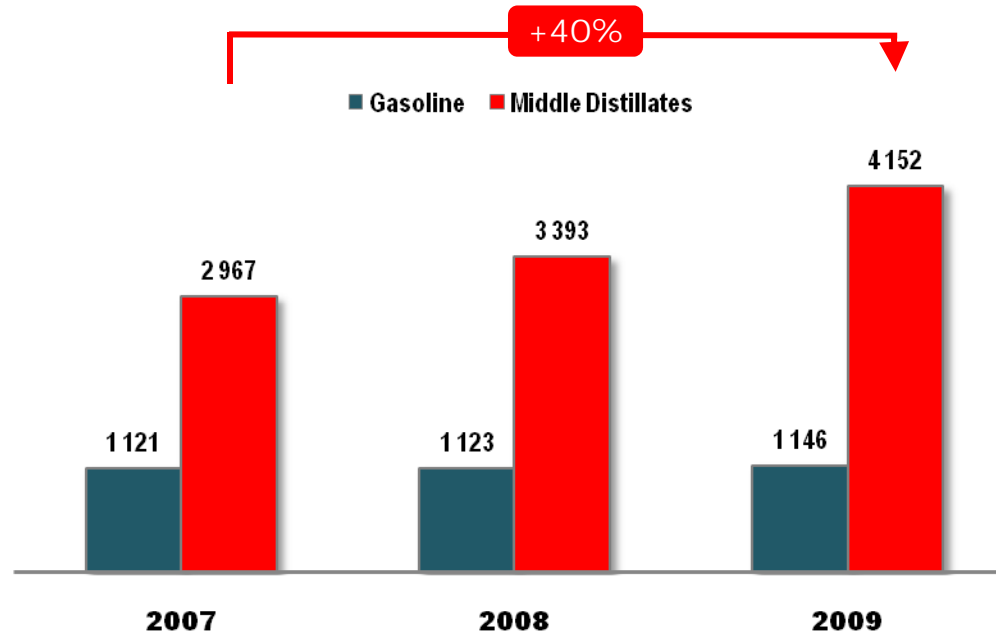
Grupa LOTOS share in wholesale market in Poland



- The changes on the Polish market are as predicted by Grupa LOTOS: the middle distillates consumption is growing, gasoline consumption is constant or even decreasing, while the total consumption of fuels is slightly growing.
- LOTOS Group's share in gasoline, diesel and LHO wholesale markets increased yoy, accounting for a total market share increase by almost 2.2 pp. to 29.6% at end of June 2010

# MARKET POSITION DOMESTIC SALES

Domestic sales of key products (000't)



- The above graph shows an increase in domestic sales of middle distillates in years 2007-2009 with a stable figure of gasoline sales

## MARKET POSITION IMPORT

Middle distillates Grupa LOTOS	2009
Net import (000't)	1,170

- **As a result of growing production the share of middle distillates import in our domestic sales of these products is decreasing**
- **The large figure from 2009 shows how Grupa LOTOS secured market for its new products**

Middle distillates Poland	2009
Net import (000't)	3,559

- **Despite the growing production of Grupa LOTOS the Polish market of middle distillates remains unbalanced**

1

Q2'10 overall figures

2

Market position

3

Market Conditions

4

Upstream

5

Downstream

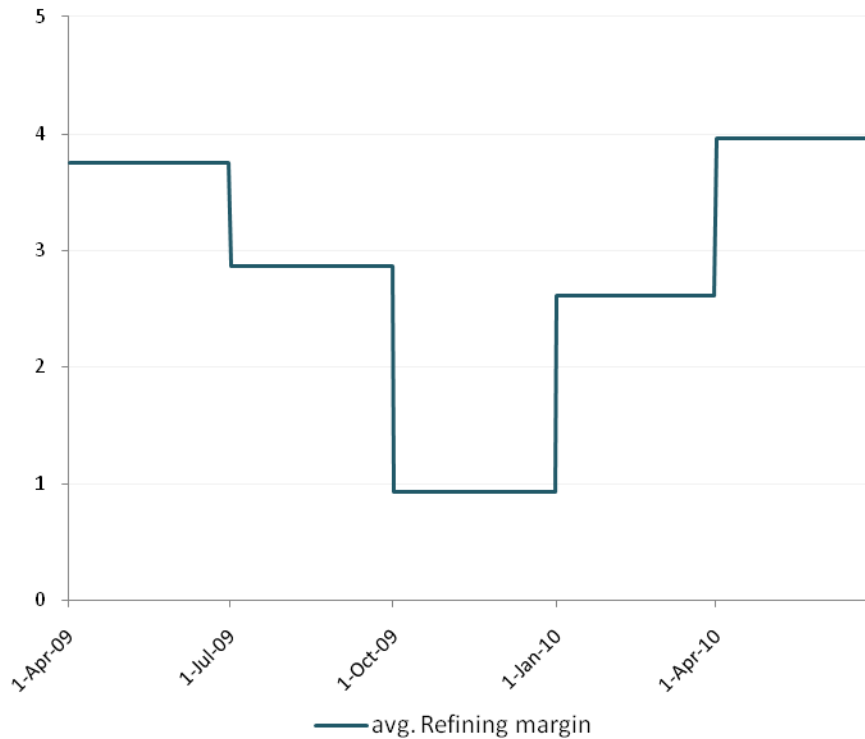
6

Overall financial results

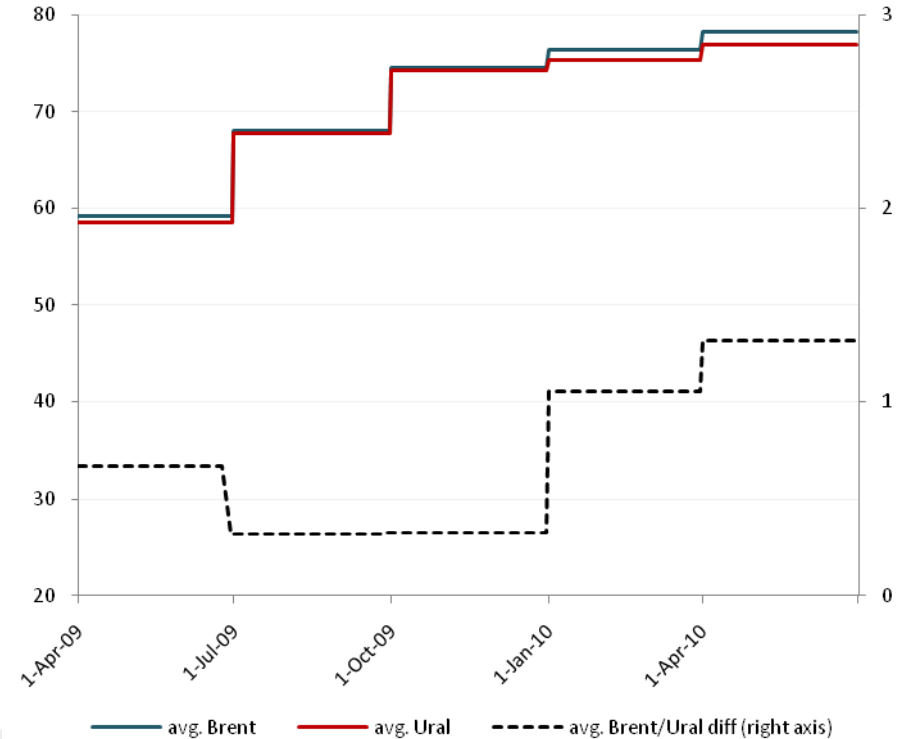


# MARKET CONDITIONS KEY FACTORS

## Refining margin



## Crude oil prices

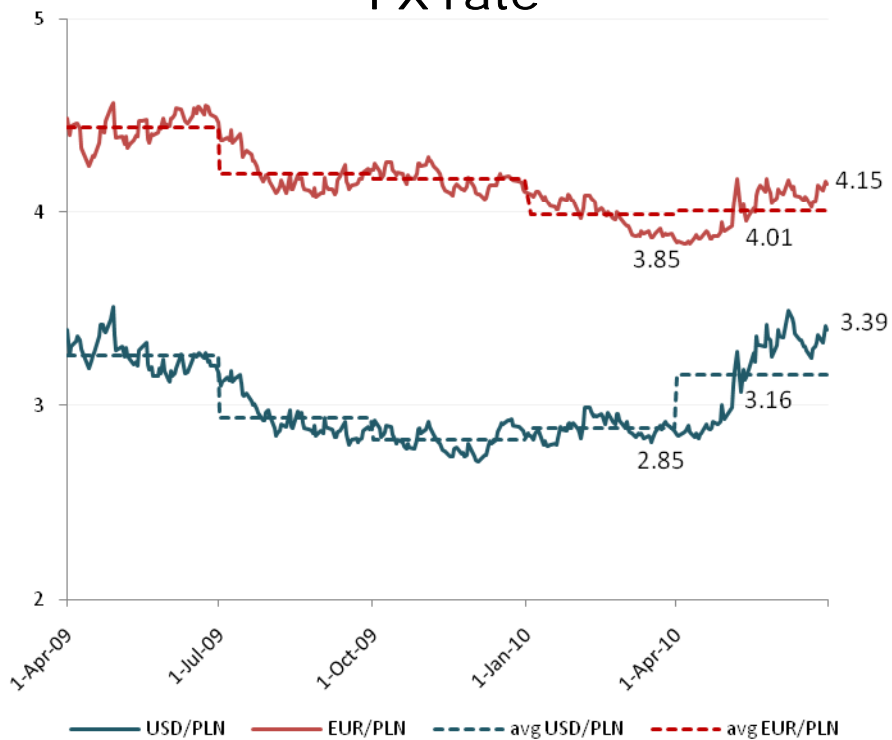


- Positive impact of increase in Brent/Ural differential in comparison with Q2'09
- Positive impact of great increase in refining margin qoq and a small increase yoy
- Significant increase in crude oil prices yoy, small increase qoq

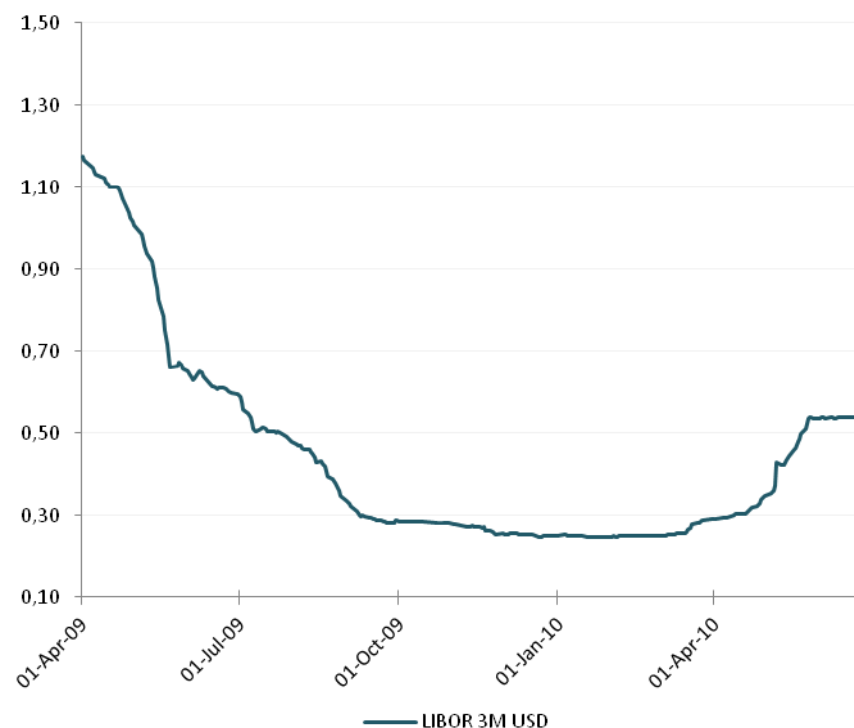
# MARKET CONDITIONS

## KEY FACTORS

### FX rate



### LIBOR 3M USD



- The EUR/USD FX rate decreased by 9.4% qoq (end of Q1'10 to end of Q2'10)

**1**

**Q2'10 overall figures**

**2**

**Market position**

**3**

**Market Conditions**

**4**

**Upstream**

**5**

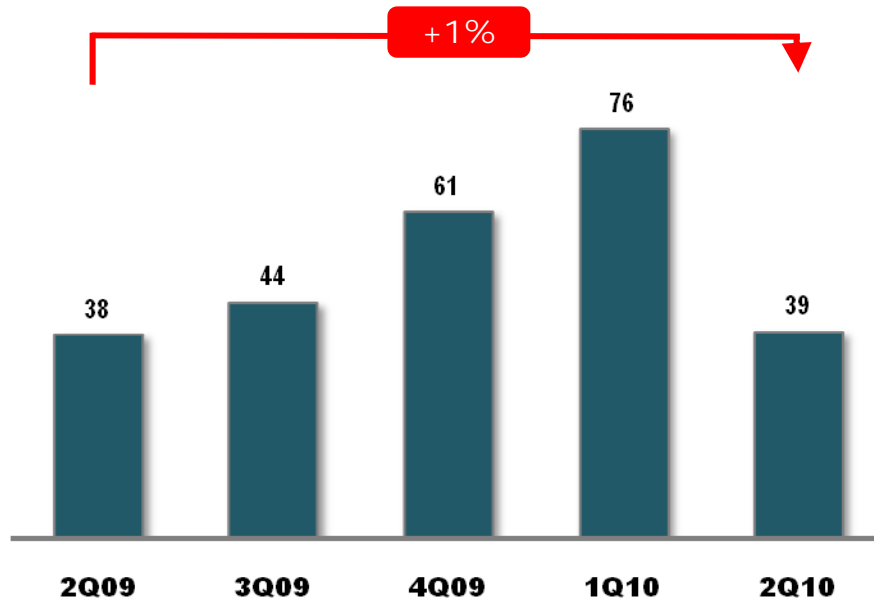
**Downstream**

**6**

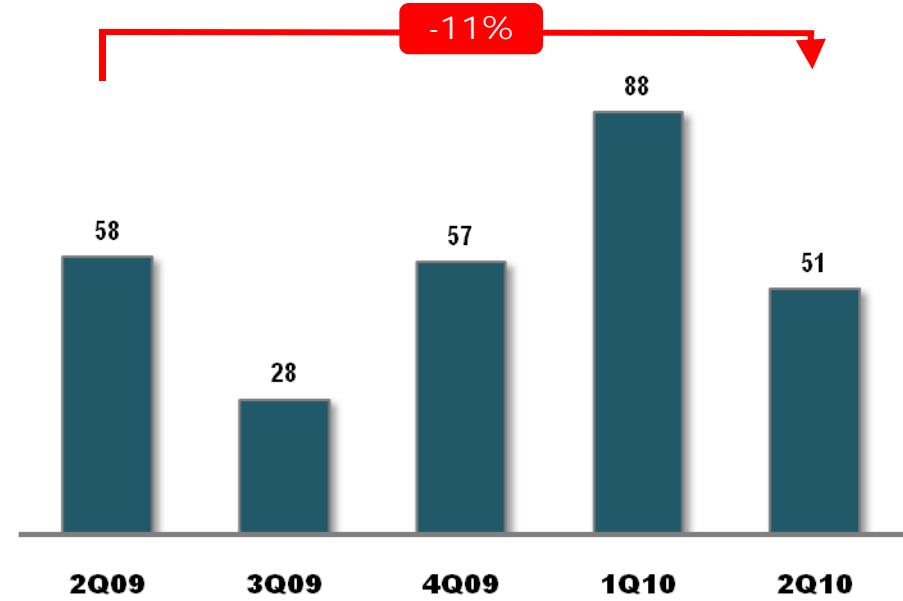
**Overall financial results**

## UPSTREAM CRUDE OIL PRODUCTION AND SALES

Crude oil production ('000t)



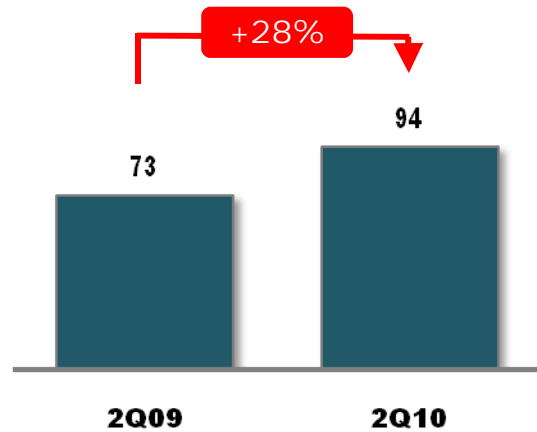
Crude oil sales ('000t)



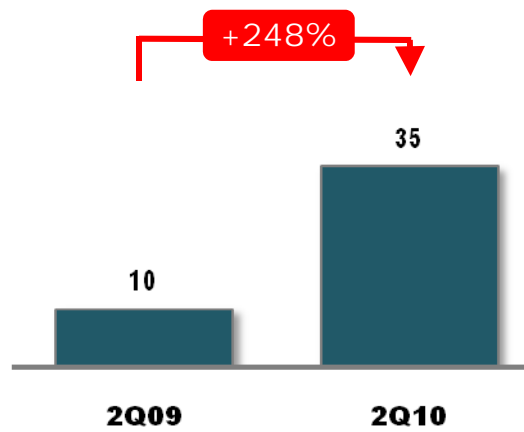
- Production qoq decreased due to suspended production from B8 field
- The production figures for Q2 remain stable yoy
- YME Project: oil platform left Abu Dhabi, beginning of production planned in the end of 2010 if weather conditions are good

## UPSTREAM FINANCIAL RESULTS

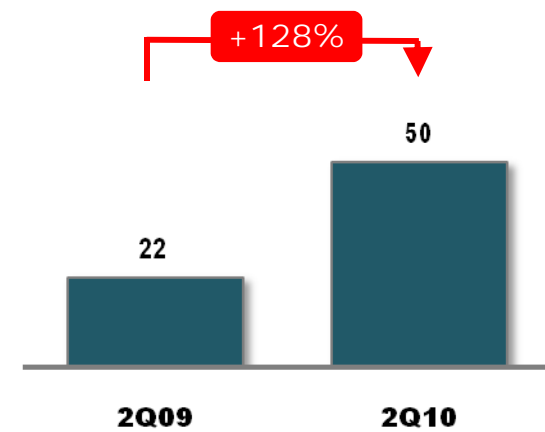
Net sales (PLN m)



EBIT (PLN m)



EBITDA (PLN m)



- Increase in net sales and overall results of the upstream segment resulted from an increase in Brent dtd crude oil prices of 32.3% yoy

**1** Q2'10 overall figures

**2** Market position

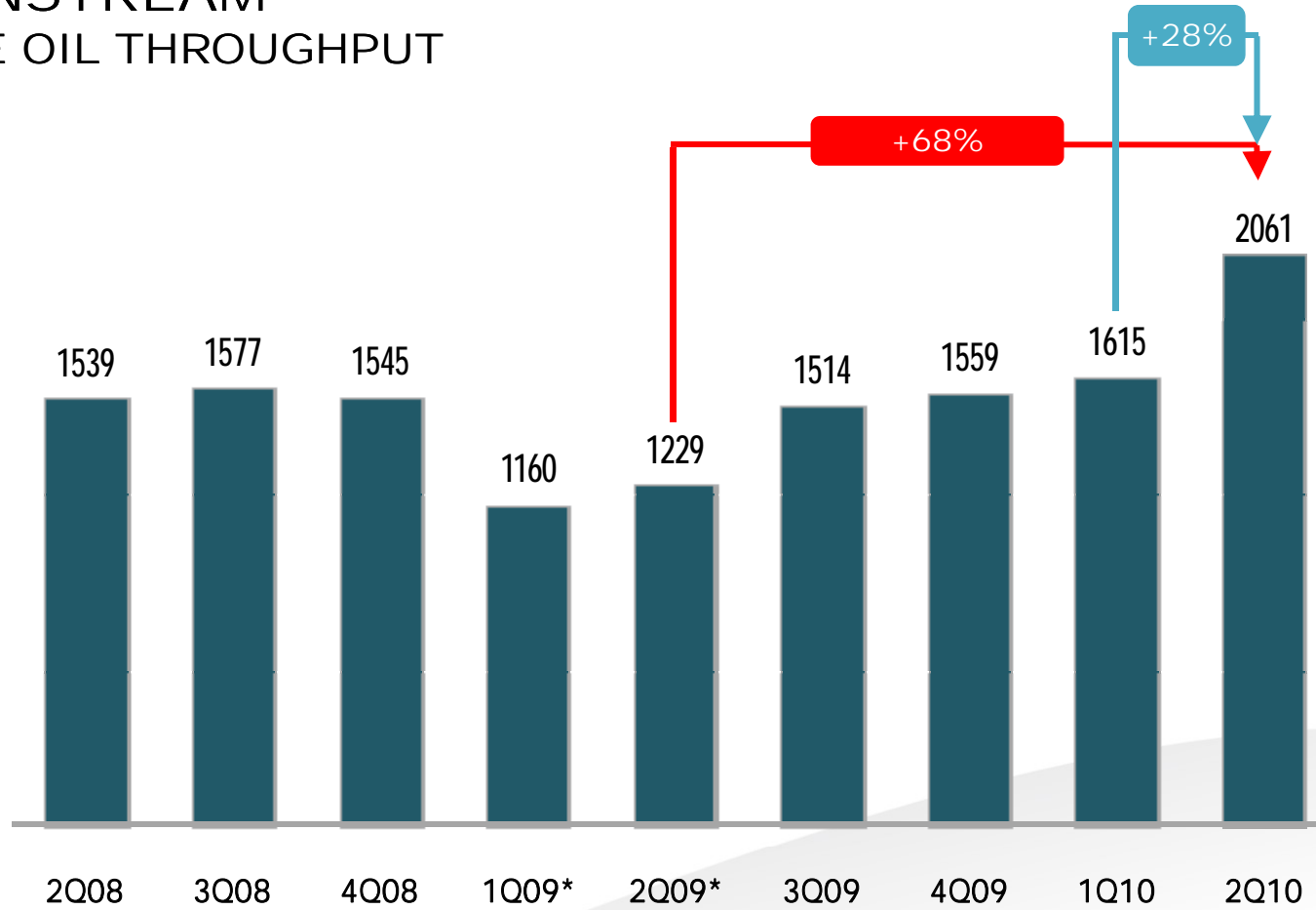
**3** Market Conditions

**4** Upstream

**5** Downstream

**6** Overall financial results

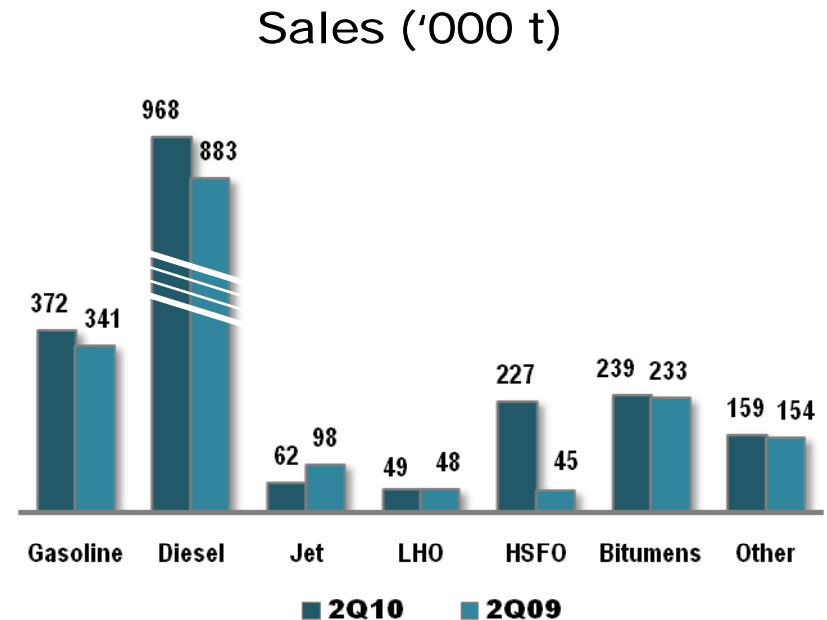
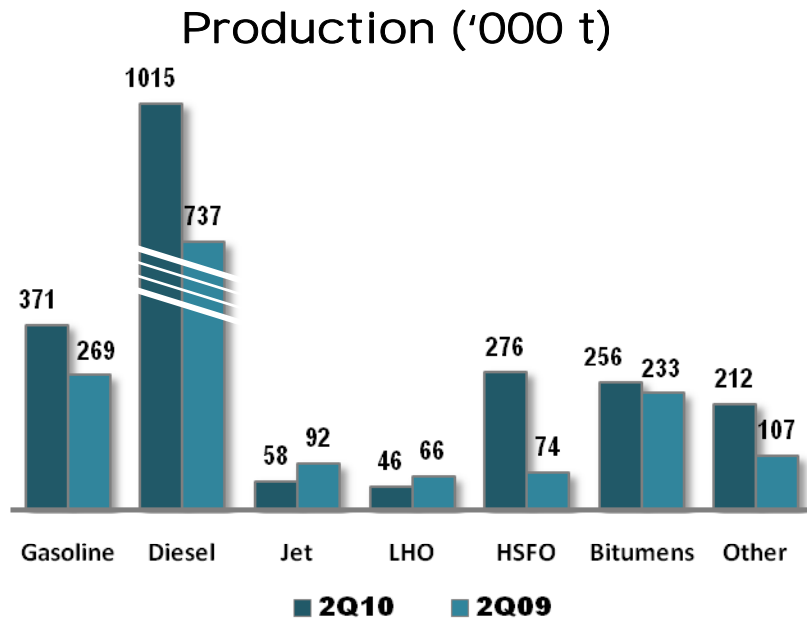
## DOWNSTREAM CRUDE OIL THROUGHPUT



\* Lower throughput in Q1 and Q2'09 due to maintenance shutdown

- Significant increase in crude oil throughput due to operating CDU/VDU unit

# DOWNSTREAM PRODUCTION AND SALES OF PRODUCTS AND GOODS

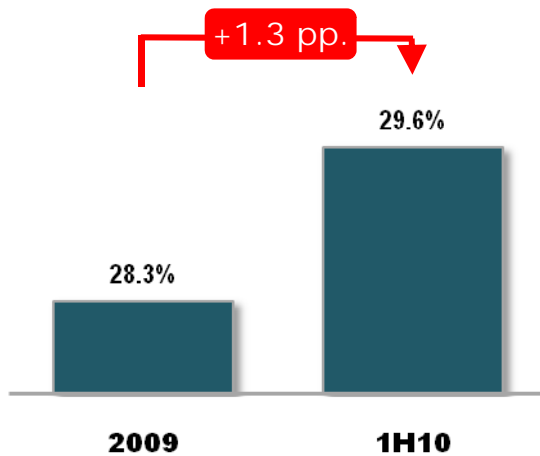


- Total sales reached 2,074 thousand tonnes (+15.2% yoy)
- Total production reached 2 234 thousand tonnes (+41.7% yoy)

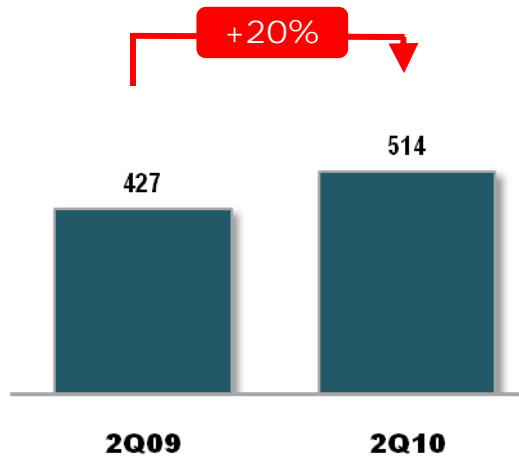


## DOWNSTREAM MARKET SHARE AND RETAIL SALES

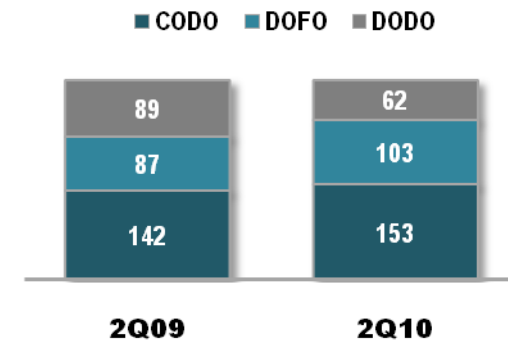
Total market share



Retail Sales (PLN m)



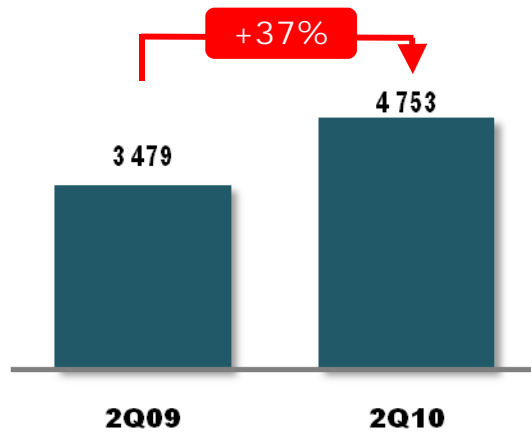
Retail Network



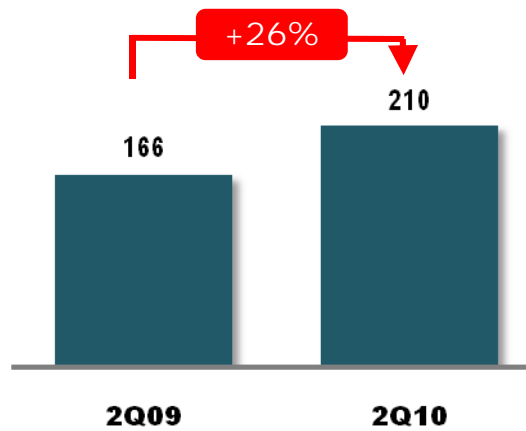
- Volume of retail sales increased by 4.6% yoy
- In comparison with Q2'09 the number of CODO and DOFO stations increased by 11 and 16 respectively, whereas 27 DODO station contracts have expired
- As of June 30th 2010 107 franchise agreements were signed

## DOWNSTREAM FINANCIAL RESULTS

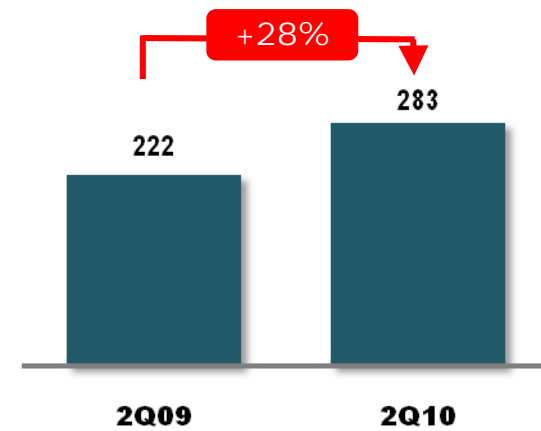
Net sales (PLN m)



EBIT (PLN m)



EBITDA (PLN m)



- Increase in net sales of the downstream segment yoy was caused by higher crude oil and product prices as well as by an increase in sales volume.
- Increase in EBIT yoy was a result of higher margins for middle distillates than in Q2 2009
- The EBIT in retail was PLN 3.7 m (vs -1.9 in Q2 2009)

1

Q2'10 overall figures

2

Market position

3

Market Conditions

4

Upstream

5

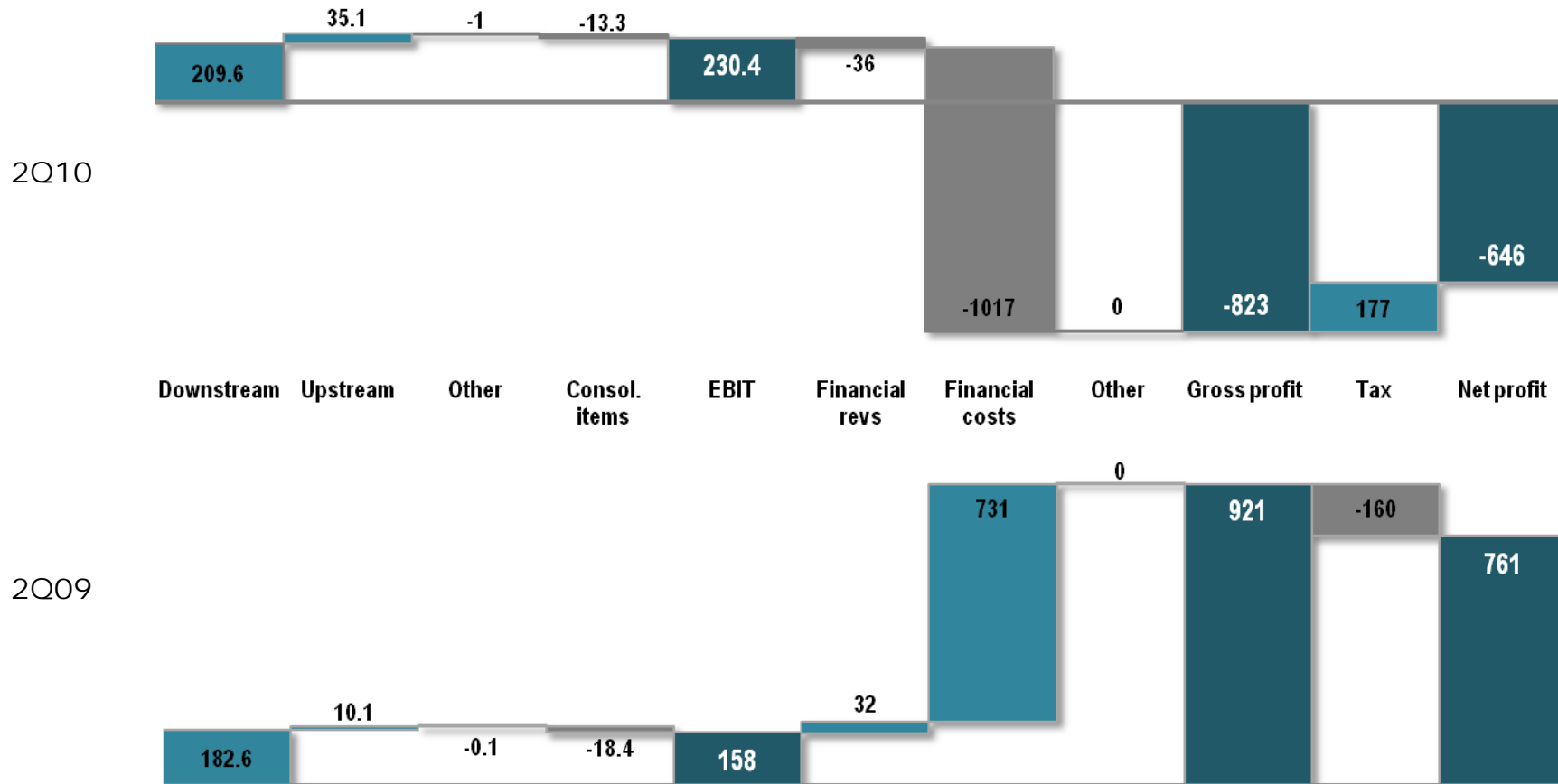
Downstream

6

Overall financial results

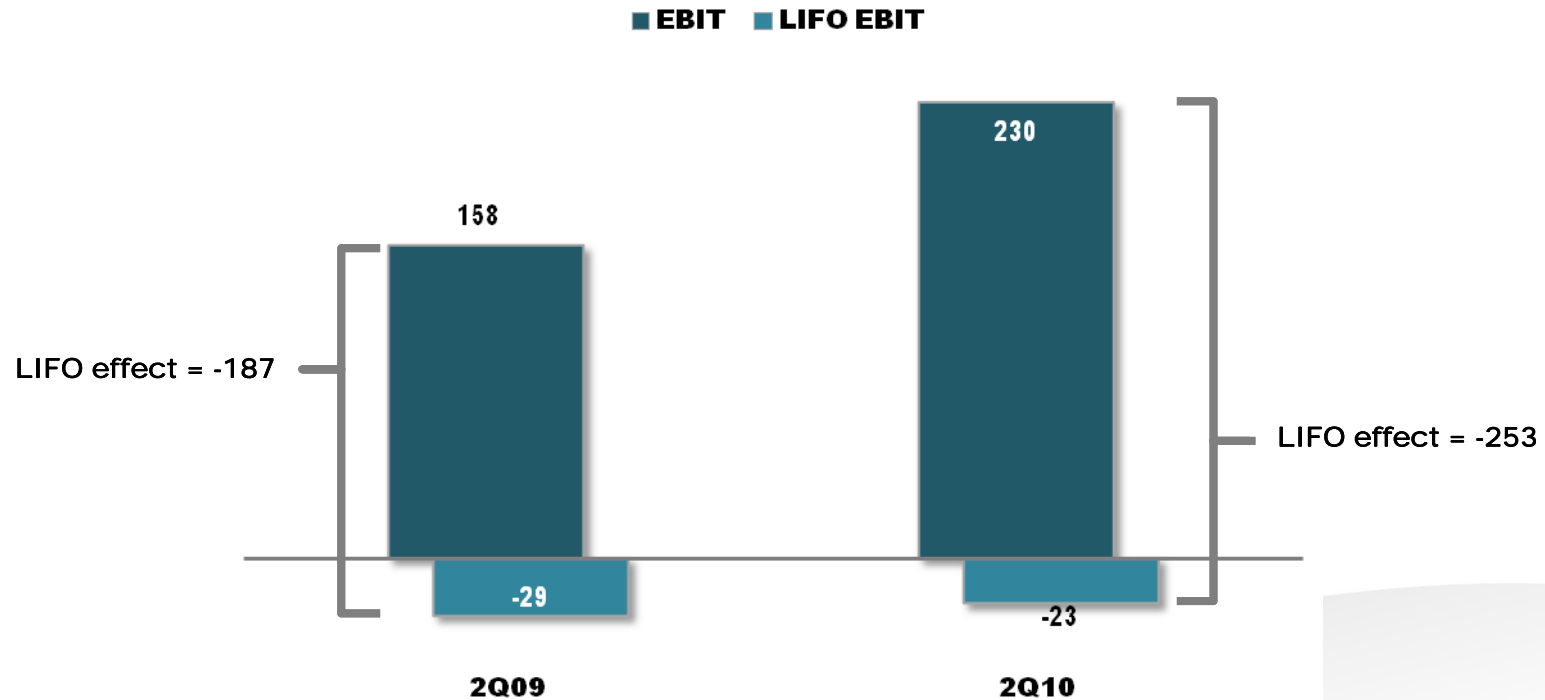
# OVERALL FINANCIAL RESULTS

## Q2'10 FINANCIAL RESULTS



# OVERALL FINANCIAL RESULTS

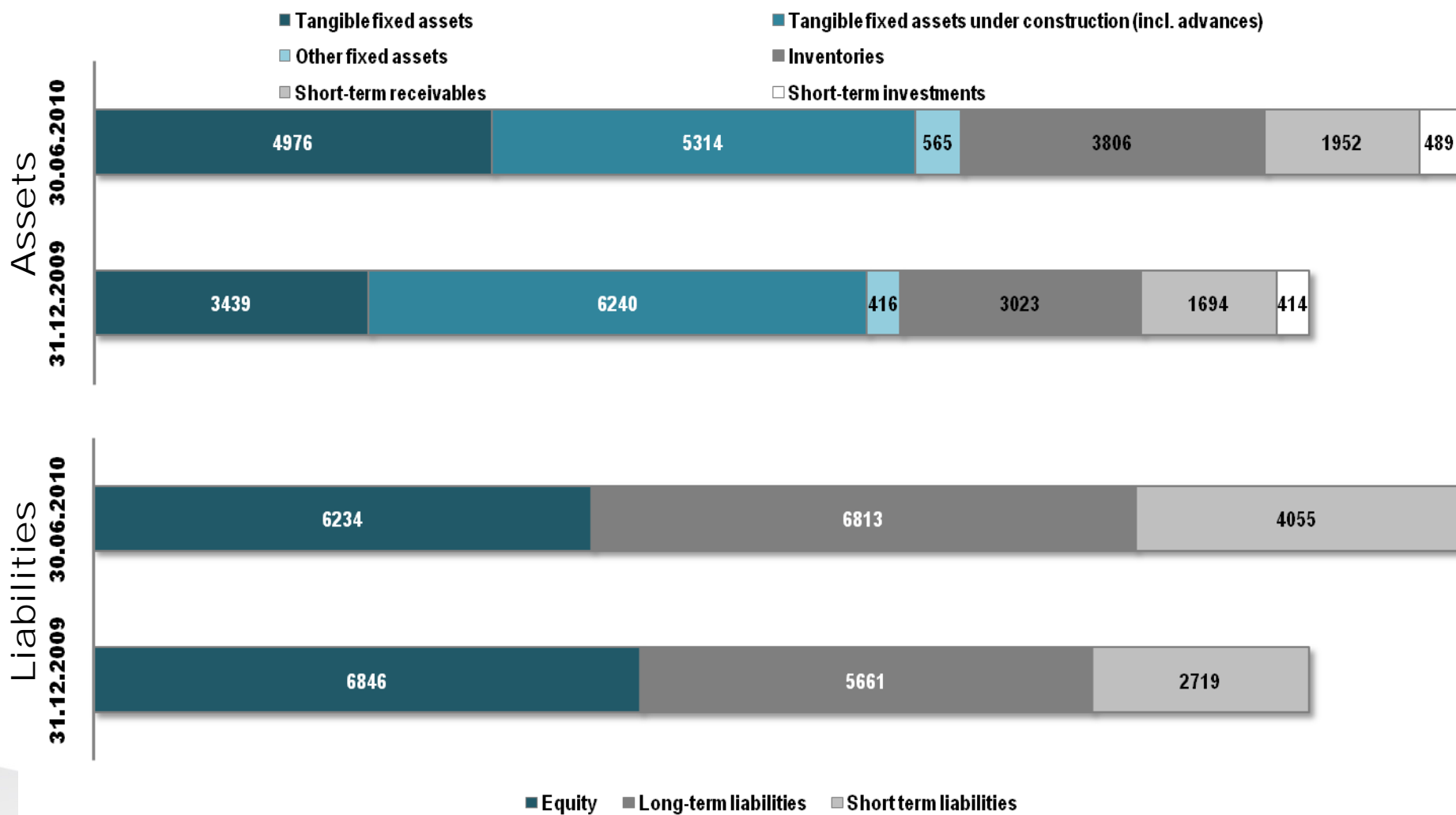
## OPERATING PROFIT ACCORDING TO LIFO INVENTORY VALUATION



- As a result of weakening PLN vs. USD in Q2 2010 and growing crude oil prices the LIFO effect was negative and amounted to PLN -253.2 m

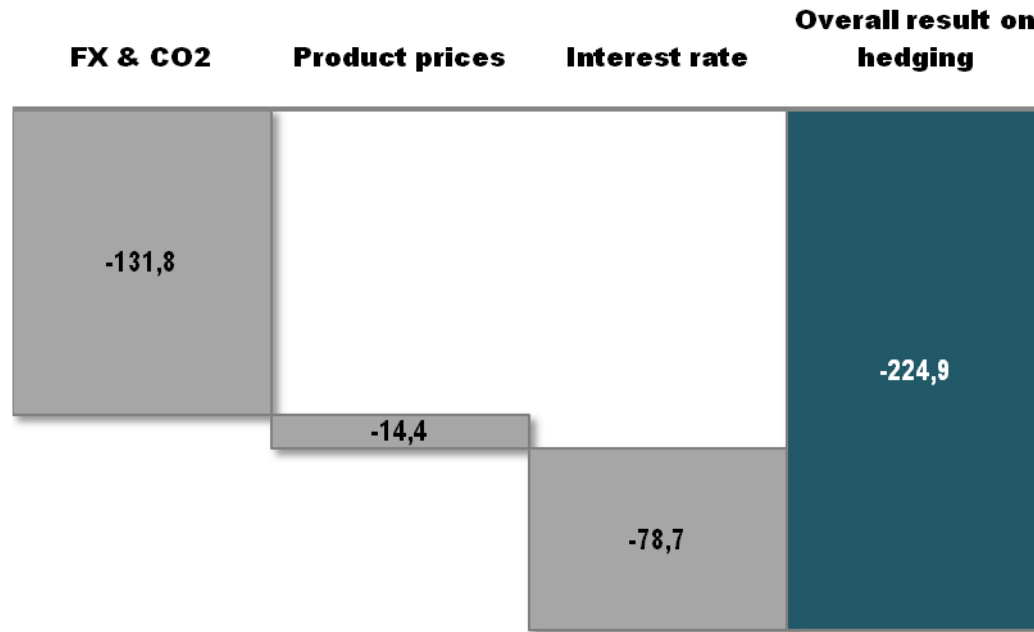
# OVERALL FINANCIAL RESULTS

## BALANCE SHEET



# OVERALL FINANCIAL RESULTS

## Q2'10 RESULT ON HEDGING

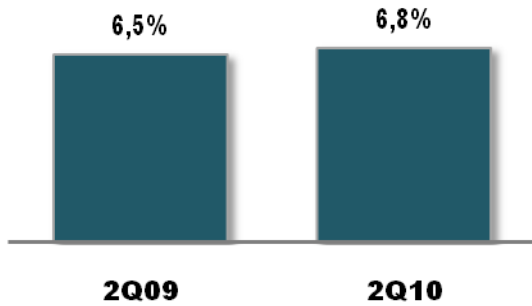


- The EUR/USD FX rate decrease (by 9.4% qoq) negatively impacts the result on hedging

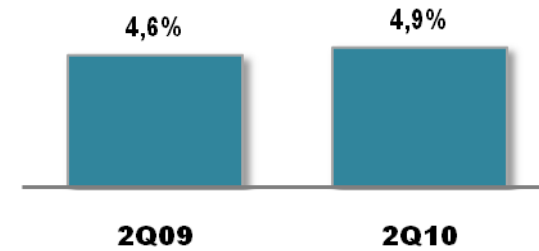
# OVERALL FINANCIAL RESULTS

## Q2'10 RATIOS

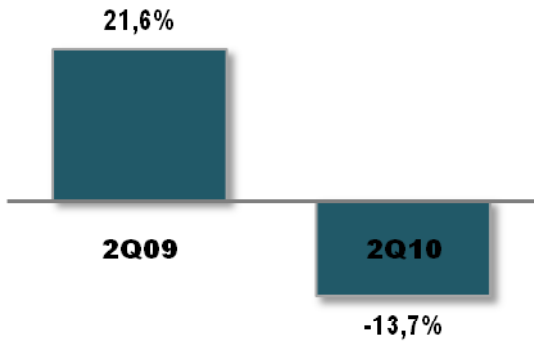
### EBITDA margin



### EBIT margin



### Net margin



### Gearing ratio

