Petroplus Refining & Marketing Limited ("PRML") (in Administration)

Meeting of the holders of Senior Notes and Convertible Bonds guaranteed by PRML

12 March 2012

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Agenda

1. Key messages
2. Background
3. Progress to date
4. Options for the company:
    a) Option 1 – closure of the refinery
    b) Option 2 – immediate sale
    c) Option 3 – refinancing and restructuring
5. Delivering a refinancing and restructuring
6. Next steps
7. Q&A

Steven Anthony Pearson and Stephen Mark Oldfield were appointed as Joint Administrators ("the Joint Administrators") of Petroplus Refining & Marketing Limited on 24 January 2012 to manage the affairs, business and property of PRML (the "Company") as agents, without personal liability. Steven Anthony Pearson and Stephen Mark Oldfield are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Key messages

Key messages

- PRML owns and operates the Coryton refinery in Essex, England
- The Administrators were appointed on 24 January 2012:
  - Critical to sustain refining
  - Exceptionally challenging hurdles have been cleared to date
  - Margin EoDs in tolling
- But, absent a transaction in the short-term it faces closure:
  - No equity cushion
  - Substantial market and operational risks
  - On closure recoveries by creditors would be minimal
- Pursuing an active M&A process
  - Extensive exercise undertaken
  - Active negotiations ongoing

Key messages

- Refinancing and restructuring creates the prospect of a optimal recovery:
  - Refinery is sufficiently attractive; even a low refining margin refinery can generate EBITDA
  - Requires c.$1billion of financing; turnaround year (TAR) – capex of $150m
  - New risk money requires equity
  - Existing creditors convert to equity
- Risks mean time is short for either M&A or restructuring
- A robust contingency plan is ready to close the refinery

Background

Background

- PRML is an English company incorporated in November 2000

2007

- Acquired Coryton refinery, financed by c.$1.2bn equity and a $305m Eurobond issue
- Equity in part funded by $1.2bn group-issued loan notes guaranteed by PRML

2008

- Guaranteed $500m of group-issued notes, primarily to part fund acquisition of the French refineries

2009

- Guaranteed a further $550m of group-issued notes, used to part refinance group debt
- 2008 guarantee cancelled
- Note guarantees total $1.75bn

Background

- Company acted solely as a tolling facility for PMAG
  - Processed oil for cost + recovery
  - Day-to-day operations funded by PMAG
- Owns no oil stock or oil-related accounts receivable
- Became insolvent following the withdrawal of group credit facilities

Summary Balance sheet

Book Value* 31/12/2011	$m
Fixed assets	1,307
Investments	71
Accounts receivable	247
Other assets	28
Total assets	**1,653**
Trade creditors	72
Unsecured Loan Note guarantee	1,750
Intercompany loans	395
Provisions	17
Contingent liabilities	100
Total liabilities	**2,334**

* unaudited

Highly illiquid assets:

- Refinery
- Inter-company receivables total c.$247m
- No cash
- No working capital assets

Extensive liabilities:

- Notes
- Intercompany including PMAG, PIBV and Eurobond
- Trade suppliers
- Contingent liabilities

Administration

- Regime under the Insolvency Act 1986
- Qualified and licensed insolvency practitioner is appointed to manage the affairs of the company
- Objective is to maximise returns to creditors
- Power to do anything necessary or expedient for the management of the affairs, business and property of the company
- Administrator is an officer of the court and an agent of the company

Progress to date

Administrators' strategy

- Our immediate strategy was shaped by delivering optimal value and managing risk

Option	Prospective value indicator	Ease of implementation
Closure of the refinery	🔴	🟢
Immediate sale of the refinery	🟠	🟠
Refinancing and restructuring	🟢	🔴

- Immediate actions focused on sustaining refining
- This created other options

Administrators faced a number of immediate and challenging issues

- The company had no cash or any liquid assets
- Refinery is unattractive asset to use as short-term loan collateral
- It operated as a tolling facility and was entirely dependent on PMAG
- It is a COMAH (Control of Major Accident Hazards) site
- It had immediate cash needs:
  - Operate - $7m cash costs p.w. (plus crude of c.$150m p.w.)
  - Squatting - $7m cash costs p.w. (no crude required)
  - Safe closure – up to $50m (excluding redundancy and clean-up costs)
- Working capital need on a business-as-usual basis is c.$750m

Immediate objective was to gain time and continue refining to fully assess and implement the best option for creditors

We have successfully continued refining

- Secured immediate funding for essential costs
- Reached agreement with PMAG receiver re: handling oil on site
- Negotiated and executed an off-take arrangement
- Commenced negotiations on tolling and business sale
- Agreed interim oil financing
- Sourced short term oil (3 cargoes)
- Reached a conditional 90 day tolling arrangement
- Maintained normal operations on site
- Maintained the option to prepare the TAR project for September 2012
- Continued engagement with political, industry and market players

Actions required to deliver optimal value

- Sustain refinery
  - EoDs on tolling
  - Manage and direct operations on site
  - Manage complex risks including TAR

- Enhance trading competencies

- Consult key stakeholders and gain ongoing support

- In parallel:
  - Design, test and implement a comprehensive refinancing and restructuring; and
  - Progress M&A process

Option 1 – closure of the refinery

Value	Ease
● (red)	● (green)

Option 1 – closure of the refinery

Considerations

- Absent funding, this is the only option
- Extensive and costly make-safe programme:
  - Cooling
  - De-gassing
  - Emptying and cleaning of tanks
  - Disposal of oil product
  - De-commissioning
- Wide-scale redundancies
- Closure of jetty, terminal and racks
- Ongoing site safety and surveillance costs
- Make-safe – c.$50m excluding redundancy and clean up costs

Status

- Planning well advanced
- Abandonment as fall-back

Option 2 – immediate sale

Value	Ease
●	●

Option 2 – immediate sale

Considerations

- Average refinery sale process extends beyond 12 months
- Stressed seller environment
- Poor current refining environment reflected in bids
- Few credible, well-capitalised bidders
- Complex diligence exercise
- Extensive holding costs during the sales process
- Refinery vs terminal

Status

- Extensive process: IM, data room, management presentations, etc
- Over 50 parties contacted
- Bids confidential
- Distressed discount
- Clear process defined to completion
- Credible exit

Option 3 – refinancing and restructuring

Value	Ease
● (green)	● (red)

Option 3 – refinancing and restructuring

1. Generic refinery valuation drivers
2. Refining market characteristics
3. Coryton attributes
4. Base assumptions for business planning
5. EBITDA profile

Necessary to consider these dimensions in more detail

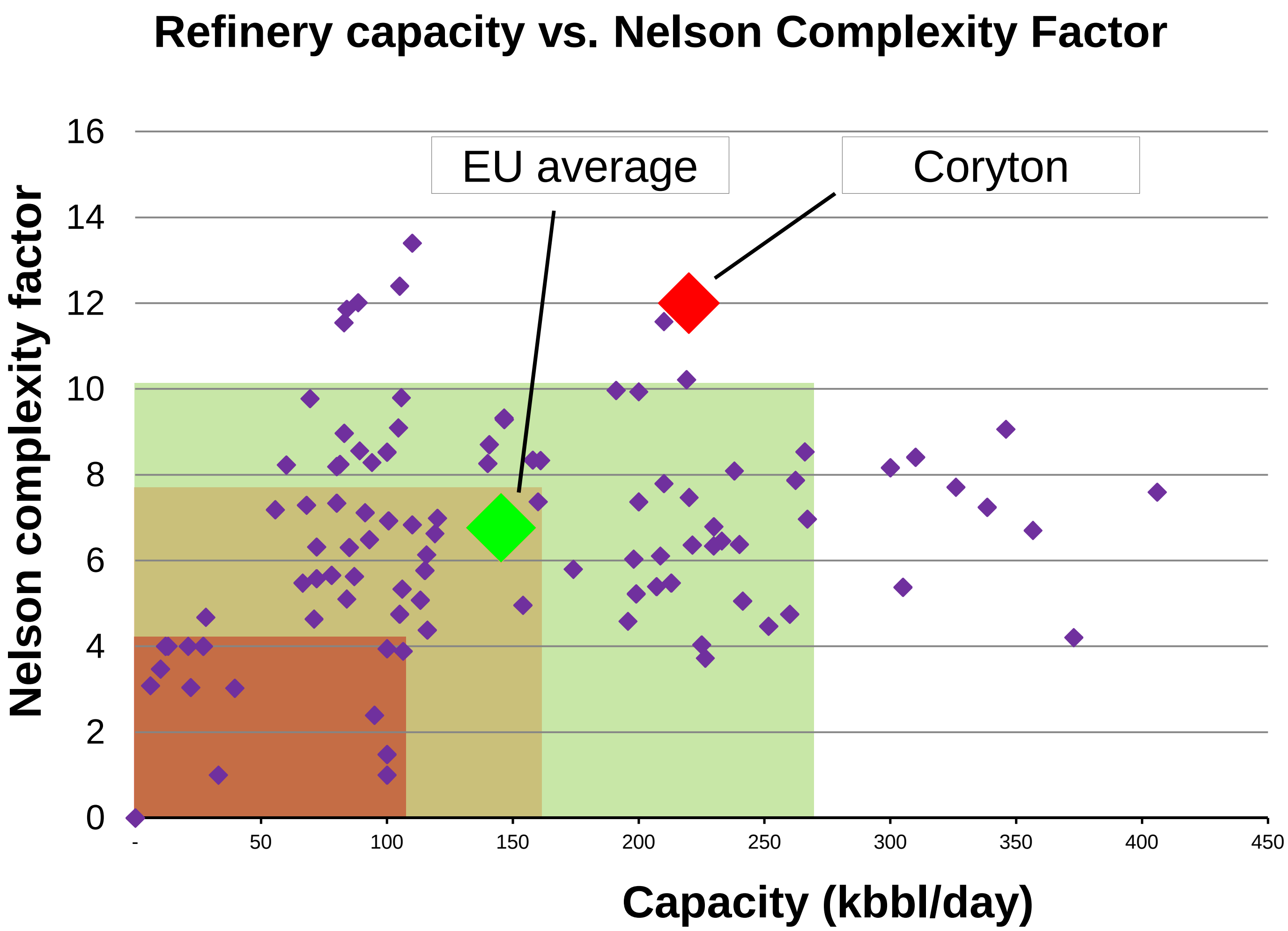
Generic refinery valuation drivers

Complexity	• Crude flexibility • Product yields	Cost	• Cost versus competition • Energy costs
Scale	• Scale economies	Investment needs	• High capex • High working capital
Location	• Connection to local market • Ability to trade	High operational leverage	• Drives cash returns over the cycle

Refining market characteristics

- Market undergoing extensive restructuring
- Commentators predict up to 30% European capacity is closing
- Fall in demand – Europe and other OECD
- Supply and demand imbalances in Europe
- Competition from Asia and the Middle East
- Well differentiated refineries will survive

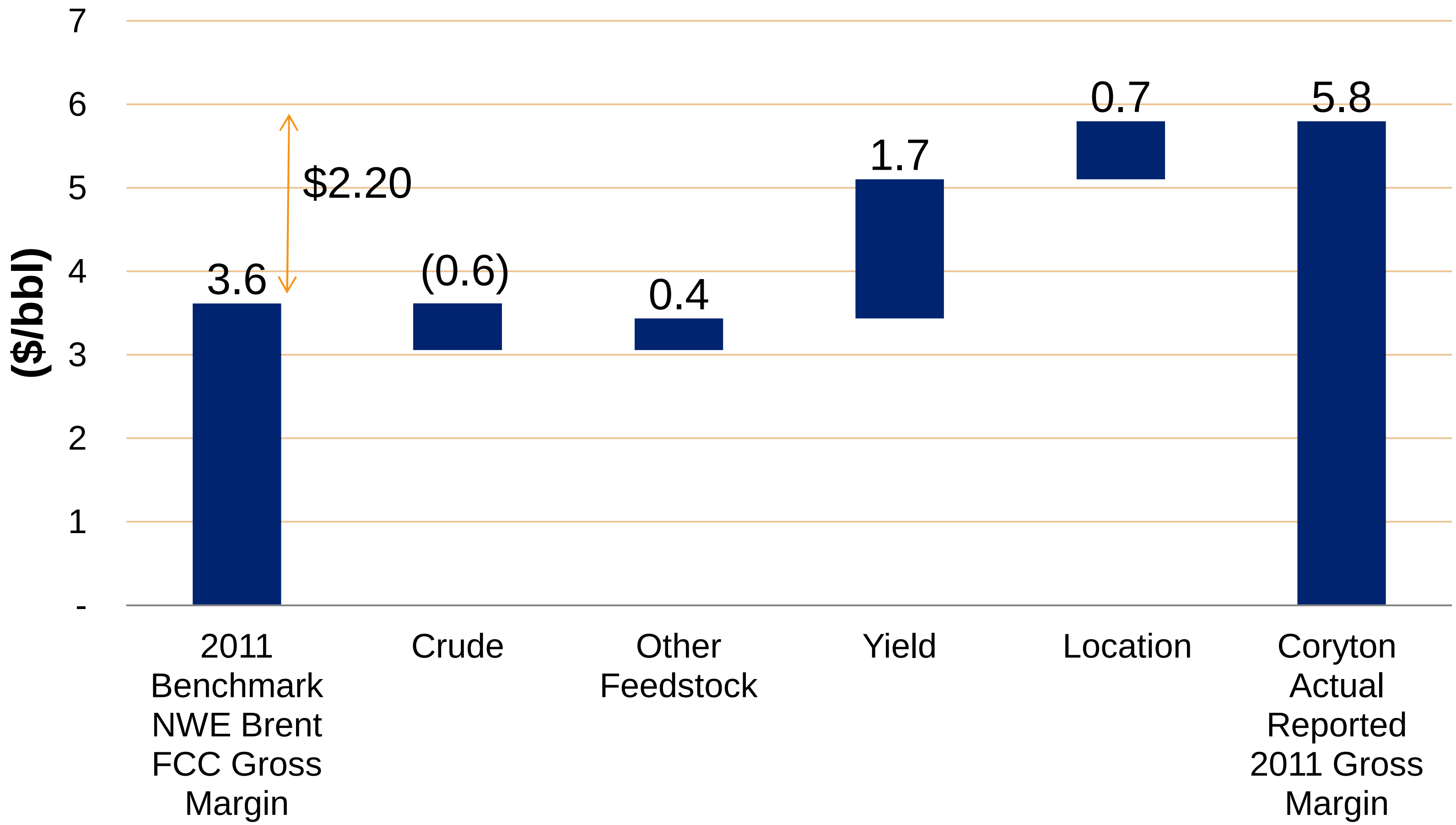
Coryton attributes - scale and complexity



Source: Worldwide Refining Survey, Oil & Gas Journal, management

- Coryton larger & more complex than majority of European peers
- Sub-scale and low complexity units are most vulnerable
- NCF has gasoline bias

Coryton attributes – economic advantage above benchmark $2.20/bbl

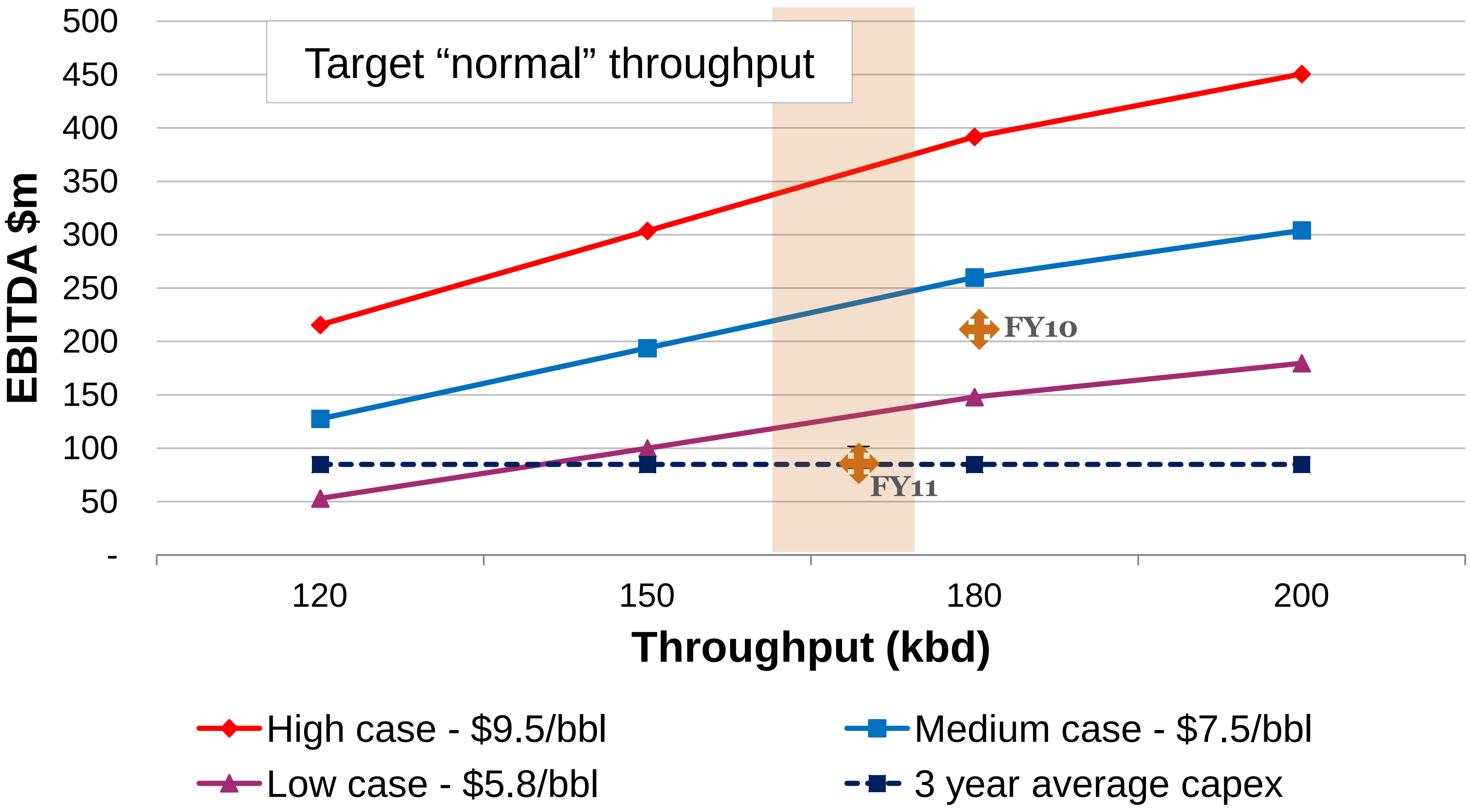


Source: International Energy Agency, management

Base assumptions for business planning

Assumption	
Low case gross margin	$5.80/bbl
Medium case gross margin	$7.50/bbl
High case gross margin	$9.50/bbl
Opex	$250-280m
Capex	$85m

EBITDA profile – under different margin scenarios



Delivering a refinancing and restructuring

Delivering a refinancing and restructuring

Includes:

1. Financing needs
2. Conversion of debt to equity
3. Transaction structuring
4. Operational investment

1. Financing needs

Working capital

- Secured on inventory and trade receivables
- Lowest credit risk
- Maybe funded via CSA (Crude Supply Agreement)

Capex

- FY12 is a TAR year - every three years
- FY12 capex of $150m
- FY13 capex of c.$50m

Other

- Absorb market risks
- Costs of restructuring / Administration
- Working capital funding gap
- Equity buffer
- Priced as equity

Indicative funding needs		
$750m	$150m	$100m +

2. Conversion of debt to equity

Creditor	$m
Public notes	1,750
Group creditors	395
Trade creditors & provisions	89
Contingent creditors	100
	2,334

- All known creditors converted to equity
- New money equity participation likely

3. Transaction structuring

- Legal mechanic for implementing the restructuring
- Two options:
  - Company Voluntary Arrangement under the Insolvency Act 1986
  - Hive down by Administrators with a distribution mechanic
- Factors being considered:
  - Tax
  - Speed
  - Consents
  - Certainty
- Wide powers of Administrators

4. Operational investment

- Robust existing operational capability
- Need to enhance competencies
  - Oil sourcing
  - Risk management
  - Treasury
- Standalone, fit for purpose governance:
  - Chairman and non-execs
  - Executive committee structure
  - Risk committees, etc
- Investment in systems, policies, etc

Next steps

Next steps

- Creditors’ meeting under Insolvency Act 1986 on 21 March 2011
  - Administrators’ proposals put to vote
- More developed proposition over the coming weeks
  - Extensive data room available to restricted parties
  - Creditors’ committee likely to receive further data
- Noteholders’ preferences identified
  - Willingness to become restricted
  - Manner of undertaking further diligence
- Coordinating call for all Noteholders

Summary

- Absent a transaction in the short-term, the refinery faces closure:
  - Margin EoD in tolling agreement
  - No equity cushion
  - Substantial market and operational risks
  - On closure, recoveries by creditors would be minimal

- Pursuing an active M&A process
  - Extensive exercise undertaken
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Summary

- Refinancing and restructuring creates the prospect of a optimal recovery:
  - Refinery is sufficiently attractive; even a low refining margin refinery can generate EBITDA
  - Requires c.$1billion of financing; TAR year - $150m
  - New risk money requires equity
  - Existing creditors convert to equity

- Risks mean time is short for either M&A or restructuring

- A robust contingency plan is ready to close the refinery

Q&A

Please identify yourself at the start of your question

Appendices

1. Delivered operating cost improvements

Delivered 2008-2011	$/bbl
Fixed costs	0.5
Energy efficiency	0.5
LPG recovery	0.3
Bitumen capability	0.3
FCC residual processing	0.1
New crudes / high pour crudes	0.2
DHT capability & utilization	0.3
Total opex improvement	**2.2**

2. Key margin improvement projects (5 years)

Variable cost projects - $0.50/bbl upside

- More than 10 projects are developed for further variable cost reductions
- Benefits c. $31m p.a. ($0.50/bbl)
- Total remaining costs c. $40m
- High project IRRs - range from 40% - 900%

Gross margin projects - $1.00/bbl upside

- 9 projects are developed for further gross margin improvements
- Benefits c. $63m p.a. ($0.50/bbl)
- Total remaining costs c. $41m
- High project IRRs - range from 40% - >2000%

3. Breakeven margin

Basis: 180 TBD

m	GBP	USD @1.55 Forex	$/bbl
Fixed	87.7	135.9	2.0
Variable (inc CO2)	70.4	109.1	1.7
Annualised CapEx*	54.8	85.0	1.3
Total	**213**	**330**	**5.0**

Note 1 – excludes treasury / trading / marketing costs

Note 2 – excludes marine costs included gross margin cost of product

* 3 year cycle annualised capex

4. Margin estimates

Commentators consistently predict an improvement in margins

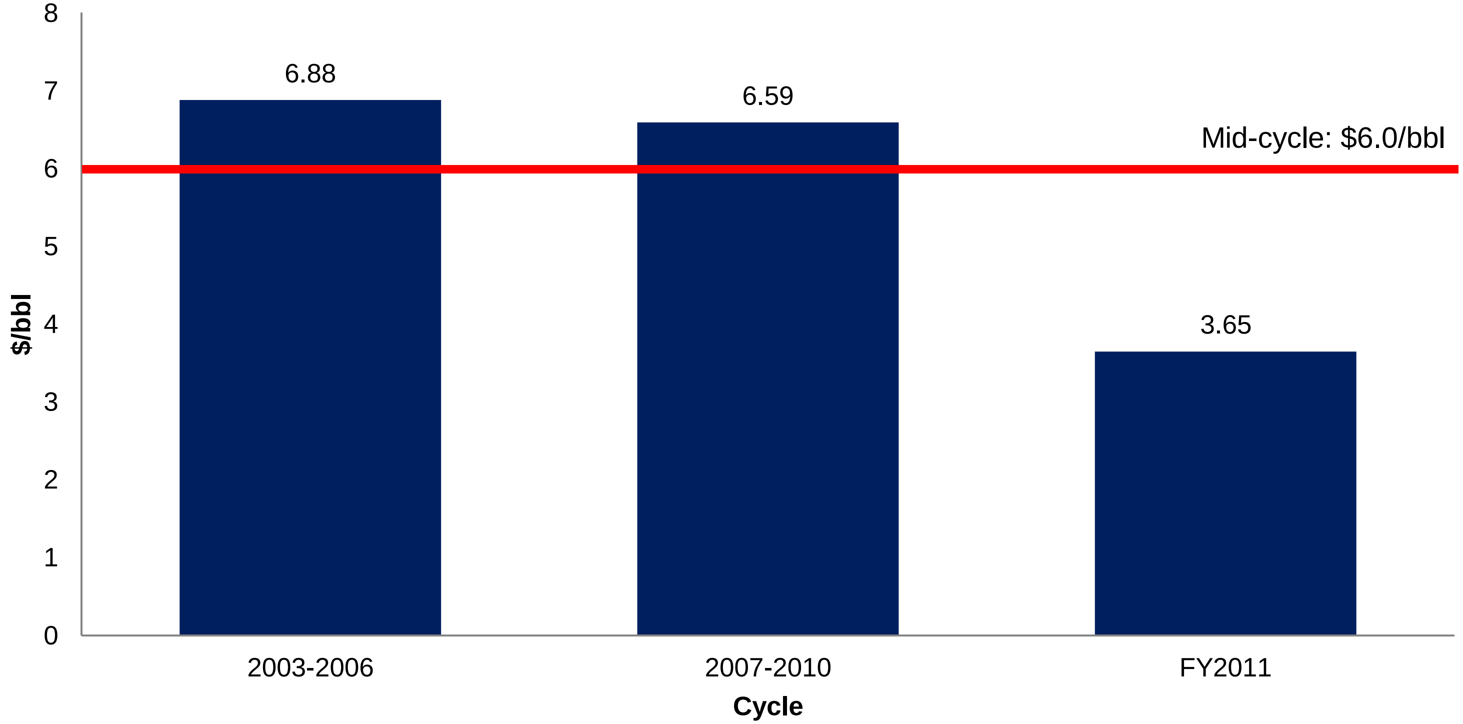
Historic and forecast gross margins

Source: IEA, CERA, broker reports, Wood Mackenzie

4. Margin estimates

A mid-cycle view of $6.0/bbl is therefore conservative

Average 4 year gross margins compared to FY'11 and mid cycle (IEA NEW Brent cracking benchmark)



Source: IEA