Consolidated financial results for 2017 and 4th quarter 2017

March 7th, 2018
Summary

2017 – key highlights

- Record high LIFO EBITDA (1) of 3.1bn PLN
- Operating cash flow of 3.1 bn PLN
- 186m PLN of dividend paid out (1 PLN/share)
- Delivery of WTI and canadian crude oils
- Net debt/LIFO EBITDA (1) of 0.8x

(1) Net of one off items
Summary

4Q – key highlights

- LIFO EBITDA \(^{(1)}\) of 754 m PLN, despite lower refining margins and seasonally weaker quarter
- Improving structure of sales (more diesel, less heavy products)
- Strong operating cash flow of 1.0 bn PLN

\(^{(1)}\) Net of one-off items
Consolidated financial results for 2017 and 4th quarter 2017

Summary

Macroeconomic environment (1) vs strategic assumptions (2)

Brent DTD

<table>
<thead>
<tr>
<th></th>
<th>2017 strategy</th>
<th>2017 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/bbl</td>
<td>50</td>
<td>54</td>
</tr>
<tr>
<td>+8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Natural gas

<table>
<thead>
<tr>
<th></th>
<th>2017 strategy</th>
<th>2017 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/boe</td>
<td>28</td>
<td>32</td>
</tr>
<tr>
<td>+15%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Product crack spreads

Gasoline

<table>
<thead>
<tr>
<th></th>
<th>2017 strategy</th>
<th>2017 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/boe</td>
<td>148</td>
<td>146</td>
</tr>
<tr>
<td>-1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Diesel

<table>
<thead>
<tr>
<th></th>
<th>2017 strategy</th>
<th>2017 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/ton</td>
<td>75</td>
<td>87</td>
</tr>
<tr>
<td>+16%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Heavy fuel oil

<table>
<thead>
<tr>
<th></th>
<th>2017 strategy</th>
<th>2017 actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD/ton</td>
<td>-132</td>
<td>-112</td>
</tr>
<tr>
<td>+15%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(1) Source: Thomson Reuters
(2) Average annual 2017 strategic assumptions adopted by LOTOS
Summary
4Q 2017 – key figures

LIFO EBITDA (1)

<table>
<thead>
<tr>
<th></th>
<th>Downstream</th>
<th>Upstream</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q 2016</td>
<td>636</td>
<td>221</td>
</tr>
<tr>
<td>3Q 2017</td>
<td>750</td>
<td>168</td>
</tr>
<tr>
<td>4Q 2017</td>
<td>547</td>
<td>217</td>
</tr>
</tbody>
</table>

-12%

Downstream - crude oil throughput

<table>
<thead>
<tr>
<th></th>
<th>4Q 2016</th>
<th>3Q 2017</th>
<th>4Q 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>m PLN</td>
<td>k tons</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4Q 2016</td>
<td>2,714</td>
<td>2,785</td>
<td>2,700</td>
</tr>
</tbody>
</table>

Net debt / LIFO EBITDA (2)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>m PLN</td>
<td>2.6x</td>
<td>1.9x</td>
<td>0.8x</td>
</tr>
</tbody>
</table>

Upstream – daily hydrocarbons production (3)

<table>
<thead>
<tr>
<th></th>
<th>4Q 2016</th>
<th>3Q 2017</th>
<th>4Q 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>boe/d</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4Q 2016</td>
<td>26,919</td>
<td>21,065</td>
<td>20,728</td>
</tr>
</tbody>
</table>

(1) excluding one off items; segment results may not sum up due to consolidation adjustments
(2) excluding one off items
(3) barrels of oil equivalent (crude oil + natural gas); total production for the period / number of calendar days

Consolidated financial results for 2017 and 4th quarter 2017
Summary
2017 – Full year results

LIFO EBITDA\(^{(1)}\)

\[\begin{array}{ccc}
\text{downstream} & \text{upstream} \\
2015 & 2156 & 1781 \\
 & 344 & \\
2016 & 2589 & 1901 \\
 & 688 & 863 \\
2017 & 3051 & 2198 \\
 & & +18\%
\end{array}\]

Downstream - crude oil throughput

\[\begin{array}{ccc}
\text{k tons} \\
2015 & 10213 \\
2016 & 10387 \\
2017 & 9626 \\
\end{array}\]

Operating cash flow

\[\begin{array}{ccc}
\text{m PLN} \\
2015 & 1488 \\
2016 & 2654 \\
2017 & 3127 \\
\end{array}\]

Upstream – daily hydrocarbons production\(^{(2)}\)

\[\begin{array}{ccc}
\text{boe/d} \\
2015 & 11887 \\
2016 & 26650 \\
2017 & 22881 \\
\end{array}\]

\(^{(1)}\) excluding one off items; segment results may not sum up due to consolidation adjustments

\(^{(2)}\) barrels of oil equivalent (crude oil + natural gas); total production for the period / number of calendar days

Consolidated financial results for 2017 and 4th quarter 2017
Macroeconomic environment
**Consolidated financial results for 2017 and 4th quarter 2017**

**FX USD/PLN average rate**

- 4Q 2016: 4.06
- 1Q 2017: 4.06
- 2Q 2017: 3.83
- 3Q 2017: 3.63
- 4Q 2017: 3.60

**Polish GDP growth**

- 4Q 2016: 2.7%
- 1Q 2017: 4.1%
- 2Q 2017: 4.0%
- 3Q 2017: 4.9%
- 4Q 2017: 5.1%

**Diesel domestic consumption**

- 4Q 2016: 4.6
- 1Q 2017: 4.3
- 2Q 2017: 5.0
- 3Q 2017: 5.3
- 4Q 2017: 5.0

**Gasoline domestic consumption**

- 4Q 2016: 1.4
- 1Q 2017: 1.3
- 2Q 2017: 1.5
- 3Q 2017: 1.5
- 4Q 2017: 1.5

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(1) Source: National Bank of Poland
(2) Source: GUS (Central Statistical Office)
(3) Source: POPiHN – Polish Organisation for Oil Trade and Industry

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10 Consolidated financial results for 2017 and 4th quarter 2017
External environment

Crude oil, natural gas and product crack spreads

**Crude oil and nat gas prices**

USD

<table>
<thead>
<tr>
<th></th>
<th>4Q 2016</th>
<th>1Q 2017</th>
<th>2Q 2017</th>
<th>3Q 2017</th>
<th>4Q 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brent DTD (USD/bbl)</td>
<td>49</td>
<td>54</td>
<td>50</td>
<td>52</td>
<td>61</td>
</tr>
<tr>
<td>nat gas NBP (USD/boe)</td>
<td>32</td>
<td>33</td>
<td>27</td>
<td>30</td>
<td>38</td>
</tr>
</tbody>
</table>

**Key product crack spreads**

USD/t

<table>
<thead>
<tr>
<th></th>
<th>4Q 2016</th>
<th>1Q 2017</th>
<th>2Q 2017</th>
<th>3Q 2017</th>
<th>4Q 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>gasoline</td>
<td>132</td>
<td>139</td>
<td>152</td>
<td>165</td>
<td>127</td>
</tr>
<tr>
<td>diesel</td>
<td>89</td>
<td>77</td>
<td>79</td>
<td>98</td>
<td>95</td>
</tr>
<tr>
<td>HSFO</td>
<td>-108</td>
<td>-117</td>
<td>-98</td>
<td>-100</td>
<td>-131</td>
</tr>
</tbody>
</table>

(1) Source: National Balancing Point
(2) Source: Thomson Reuters

Consolidated financial results for 2017 and 4th quarter 2017
Upstream

Producing fields – 2017 operational parameters

<table>
<thead>
<tr>
<th>Field</th>
<th>2017 Production (boe/d)</th>
<th>Δ vs 2016</th>
<th>% of Crude Oil</th>
<th>2P Reserves (boe)</th>
</tr>
</thead>
<tbody>
<tr>
<td>B3 Baltic Sea</td>
<td>2,106</td>
<td>-19%</td>
<td>92%</td>
<td>8.3m</td>
</tr>
<tr>
<td>B8 Baltic Sea</td>
<td>2,781</td>
<td>-4%</td>
<td>90%</td>
<td>36.9m</td>
</tr>
<tr>
<td>Sleipner North Sea</td>
<td>13,465</td>
<td>-14%</td>
<td>27%</td>
<td>15.5m</td>
</tr>
<tr>
<td>Heimdal North Sea</td>
<td>3,564</td>
<td>-18%</td>
<td>21%</td>
<td>2.7m</td>
</tr>
<tr>
<td>AB Geonafta Lithuania</td>
<td>968</td>
<td>-12%</td>
<td>100%</td>
<td>3.6m</td>
</tr>
</tbody>
</table>

- **ca. 29 USD/boe** (5)
- **ca. 9 USD/boe**
- **ca. 13 USD/boe**

(1) total production / calendar days; barrels of oil equivalent
(2) share of crude oil in the overall hydrocarbons production of the fields
(3) proved oil and gas reserves (2P) as at December 31, 2017
(4) approximate direct costs per barrel related to oil production for 2017; average figures per country of operation
(5) including leasing costs of the temporary production platform located on the B8 field
Upstream

Overall production and sales volumes

### Quarterly production

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Crude Oil</th>
<th>Natural Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>4Q 2016</td>
<td>10,703</td>
<td>16,216</td>
</tr>
<tr>
<td>3Q 2017</td>
<td>9,239</td>
<td>11,827</td>
</tr>
<tr>
<td>4Q 2017</td>
<td>9,349</td>
<td>11,379</td>
</tr>
</tbody>
</table>

-23% growth

### Full year overall production

<table>
<thead>
<tr>
<th>Year</th>
<th>Norway</th>
<th>Poland</th>
<th>Lithuania</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>4.4</td>
<td>0.5</td>
<td>2.5</td>
</tr>
<tr>
<td>2016</td>
<td>7.3</td>
<td>2.0</td>
<td>0.4</td>
</tr>
<tr>
<td>2017</td>
<td>8.4</td>
<td>1.8</td>
<td>0.4</td>
</tr>
</tbody>
</table>

-14% decrease
Consolidated financial results for 2017 and 4th quarter 2017

**Upstream**

**Overall reserves**

**2P reserves changes**

- **m boe**

<table>
<thead>
<tr>
<th></th>
<th>Lithuania</th>
<th>Poland</th>
<th>Norway</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Dec 2016</td>
<td>27.6</td>
<td>6.5</td>
<td>38.6</td>
</tr>
<tr>
<td>Production 2017</td>
<td>-2.2</td>
<td>-0.3</td>
<td>-6.2</td>
</tr>
<tr>
<td>changes Lithuania (1)</td>
<td>-2.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>changes Poland (2)</td>
<td>8.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>changes Norway (3)</td>
<td>17.9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 Dec 2017</td>
<td>88.1</td>
<td>3.6</td>
<td>39.3</td>
</tr>
</tbody>
</table>

(1) Following the audit performed by Miller and Lents on UAB Minijos Nafta
(2) Following the revision of the overall reserves volume
(3) +12.9 m boe as a result of YME PDO approval + 5.0m of additional Sleipner and Heimdal reserves identified
Upstream
Quarterly EBITDA evolution

EBITDA 4Q 2016

-10
221
39

EBITDA 4Q 2016

4Q 2017 (2)

168
99

EBIT 3Q 17

Depreciation

Clean EBIT 4Q 16

-182

EBIT 3Q 17

Clean EBITDA 4Q 17

217

4Q 2017

178

-75

Clean EBIT 4Q 17

142

EBITDA 4Q 17

one offs (1)

EBITDA 4Q 17

(1) Balance of assets impairments and other revaluations
(2) No one offs in the reported period

Consolidated financial results for 2017 and 4th quarter 2017
### Consolidated financial results for 2017 and 4th quarter 2017

<table>
<thead>
<tr>
<th></th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>One offs</td>
<td>18</td>
<td>49</td>
</tr>
<tr>
<td>Depreciation</td>
<td>582</td>
<td>307</td>
</tr>
<tr>
<td>EBITDA 2016</td>
<td>600</td>
<td>814</td>
</tr>
<tr>
<td>Clean EBITDA 2016</td>
<td>688</td>
<td>863</td>
</tr>
<tr>
<td>EBIT 2017</td>
<td>507</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA 2017</td>
<td></td>
<td>814</td>
</tr>
<tr>
<td>Clean EBITDA 2017</td>
<td></td>
<td>863</td>
</tr>
</tbody>
</table>

(1) Balance of assets impairments and other revaluations

**Upstream**

**Full year cumulative EBITDA evolution**

![Graph showing EBITDA evolution from 2016 to 2017 with a +25% increase](image)
Downstream

Volume of sales of key refining products

<table>
<thead>
<tr>
<th></th>
<th>4Q 2016</th>
<th>1Q 2017</th>
<th>2Q 2017</th>
<th>3Q 2017</th>
<th>4Q 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>gasoline</td>
<td>609</td>
<td>386</td>
<td>433</td>
<td>531</td>
<td>542</td>
</tr>
<tr>
<td>middle distillates</td>
<td>1,504</td>
<td>1,239</td>
<td>1,434</td>
<td>1,665</td>
<td>1,584</td>
</tr>
<tr>
<td>heavy products</td>
<td>436</td>
<td>355</td>
<td>372</td>
<td>421</td>
<td>409</td>
</tr>
</tbody>
</table>

(1) middle distillates including: diesel, light heating oil and jet fuel
(2) heavy products: heavy sulfur fuel oil and bitumens
Consolidated financial results for 2017 and 4th quarter 2017

Downstream
Quarterly downstream EBITDA evolution

4Q 2016
- Retail
EBITDA 4Q 16: 809
LIFO effect: -86
One offs: -88
Clean LIFO EBITDA 4Q 16: 636

4Q 2017
- Retail
EBITDA 4Q 17: 761
LIFO effect: -198
One offs: -16
Clean LIFO EBITDA 4Q 17: 547

3Q 2017
- Retail
EBITDA 3Q 17: 783
LIFO effect: 12
One offs: -45
Clean LIFO EBITDA 3Q 17: 750

3Q 2016
- Retail
EBITDA 3Q 16: 783
LIFO effect: 12
One offs: -45
Clean LIFO EBITDA 3Q 16: 750

4Q 2016 one offs
- Retail
EBITDA 4Q 16: 809
LIFO effect: -86
One offs: -88
Clean LIFO EBITDA 4Q 16: 636

4Q 2017 one offs
- Retail
EBITDA 4Q 17: 761
LIFO effect: -198
One offs: -16
Clean LIFO EBITDA 4Q 17: 547

3Q 2017 one offs
- Retail
EBITDA 3Q 17: 783
LIFO effect: 12
One offs: -45
Clean LIFO EBITDA 3Q 17: 750

3Q 2016 one offs
- Retail
EBITDA 3Q 16: 783
LIFO effect: 12
One offs: -45
Clean LIFO EBITDA 3Q 16: 750

(1) Release of provisions for the full cost of the maintenance shutdown completed in 2Q 2017

Consolidated financial results for 2017 and 4th quarter 2017 | 20
Consolidated financial results for 2017 and 4th quarter 2017

**Downstream**

**Full year cumulative EBITDA evolution**

- **m PLN**
  - 2016:
    - EBIT 2016: 1,835
    - Depreciation: 487
    - EBITDA 2016: 2,322
    - One offs: -498
    - LIFO effect: 77
    - Clean EBITDA LIFO 2016: 1,901
  - 2017:
    - EBIT 2017: 1,730
    - Depreciation: 538
    - EBITDA 2017: 2,268
    - One offs: 101
    - LIFO effect: -171
    - Clean EBITDA LIFO 2017: 2,198

- **EBITDA evolution**
  - Retail:
    - 2016: 1,835
    - 2017: 1,730
    - Increase: +15.6%

- **2016 one offs**
  - Assets impairments: -508
  - LIFO inventory impairment: -3
  - FX differences: 12

- **2016 one offs**
  - Assets impairments: 29
  - LIFO inventory impairment: -38
  - Other: -10
  - Maintenance shutdown: 120

**LIFO effect**

- Retail:
  - 2016: -171
  - 2017: -171

**One offs**

- Retail:
  - 2016: -101
  - 2017: 101

**Clean EBITDA**

- Retail:
  - 2016: 1,901
  - 2017: 2,198
**Model refining margin evolution (USD/bbl)**

1) LOTOS model refining margin = 14.14% gasoline + 4.24% naphtha + 4.53% LPG + 49.57% diesel + 5.34% jet + 18.11% HSFO – Brent dtd – Brent Ural differential – natural gas consumption (estimated cost basing on the gas index quoted on the Polish Power Exchange).

2) Total; European Refining Margin Indicator (ERMI) – indicator intended to represent the margin after variable costs for a hypothetical complex refinery located around Rotterdam in Northern Europe that processes a mix of crude oil and other inputs commonly supplied to this region to produce and market the main refined products at prevailing prices in this region.

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**Consolidated financial results for 2017 and 4th quarter 2017**
Consolidated financial results for 2017 and 4th quarter 2017
### Consolidated financial results

#### Quarterly results evolution

<table>
<thead>
<tr>
<th></th>
<th>4Q 2016</th>
<th>4Q 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>m PLN</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT 4Q 2016</td>
<td>735</td>
<td>723</td>
</tr>
<tr>
<td>LIFO effect</td>
<td>-86</td>
<td>-198</td>
</tr>
<tr>
<td>One offs</td>
<td>-98</td>
<td>-23</td>
</tr>
<tr>
<td>Depreciation</td>
<td>308</td>
<td>205</td>
</tr>
<tr>
<td>Clean EBITDA LIFO 4Q 2016</td>
<td>859</td>
<td>754</td>
</tr>
<tr>
<td>Net profit 4Q 2016</td>
<td>304</td>
<td>485</td>
</tr>
</tbody>
</table>

**EBIT 4Q 2016**:
- LIFO effect: -86 m PLN
- One offs: -98 m PLN (4Q 2016 one offs)
- Depreciation: 308 m PLN
- Clean EBITDA LIFO 4Q 2016: 859 m PLN
- Net profit 4Q 2016: 304 m PLN

**EBIT 4Q 2017**:
- LIFO effect: -198 m PLN
- One offs: -23 m PLN
- Depreciation: 205 m PLN
- Clean EBITDA LIFO 4Q 2017: 754 m PLN
- Net profit 4Q 2017: 485 m PLN

#### Notes

- **Release of provisions for the full cost of the maintenance shutdown completed in 2Q 2017**

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(1) Release of provisions for the full cost of the maintenance shutdown completed in 2Q 2017
Consolidated financial results

Cumulative 2017 results evolution

m PLN

2016

- EBIT 2016: 1.855
- LIFO effect: 77
- One offs: -410
- Depreciation: 1.068
- Clean EBITDA LIFO 2016: 2.590
- Net profit 2016: 1.015

2017

- EBIT 2017: 2.229
- LIFO effect: -171
- One offs: 149
- Depreciation: 844
- Clean EBITDA LIFO 2017: 3.051
- Net profit 2017: 1.672

One offs of which:
- 2016: -410
- 2017: 149
- of which:
  - 2016:
    - Upstream assets impairment: -3
    - Downstream assets impairment: 12
    - LIFO inventory impairment: -508
  - 2017:
    - Upstream assets impairment: 49
    - Downstream assets impairment: 29
    - LIFO inventory impairment: -38
    - Other: -10
    - Maintenance shutdown: 120
Consolidated financial results
Operating cash flows vs CAPEX

Quarterly

m PLN

4Q 2016 1Q 2017 2Q 2017 3Q 2017 4Q 2017

CAPEX upstream

CAPEX downstream

CAPEX Other

CAPEX EFRA

Operating cash flows

Consolidated financial results for 2017 and 4th quarter 2017
Consolidated financial results for 2017 and 4th quarter 2017

Debt

**Net debt**

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.90</td>
<td>4.18</td>
<td>3.48</td>
</tr>
</tbody>
</table>

**Gearing ratio**

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>74%</td>
<td>56%</td>
<td>23%</td>
</tr>
</tbody>
</table>

**Net debt / clean LIFO EBITDA**

<table>
<thead>
<tr>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.6x</td>
<td>1.9x</td>
<td>0.8x</td>
</tr>
</tbody>
</table>

- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds less cash & cash equivalents.
- The current net debt/EBITDA ratio at 0.8x.

(1) End of period
(2) Gearing ratio = net debt / total shareholders equity
(3) LIFO EBITDA for the last 12 months net of one off items.