

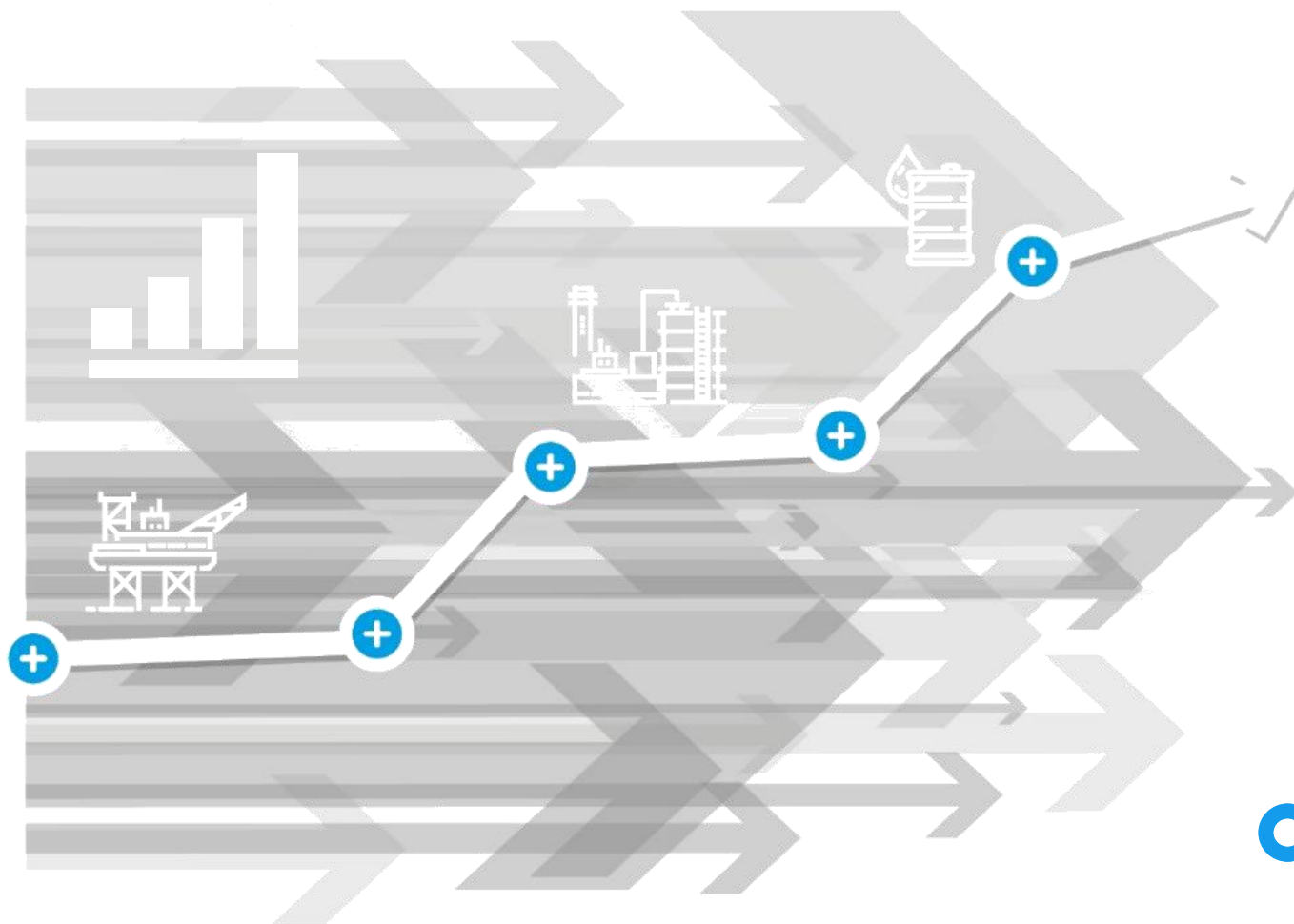


Financial results 2016 and 4Q 2016



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Financial results 2016 and 4Q 2016



Key highlights

Financial results 2016 and 4Q 2016

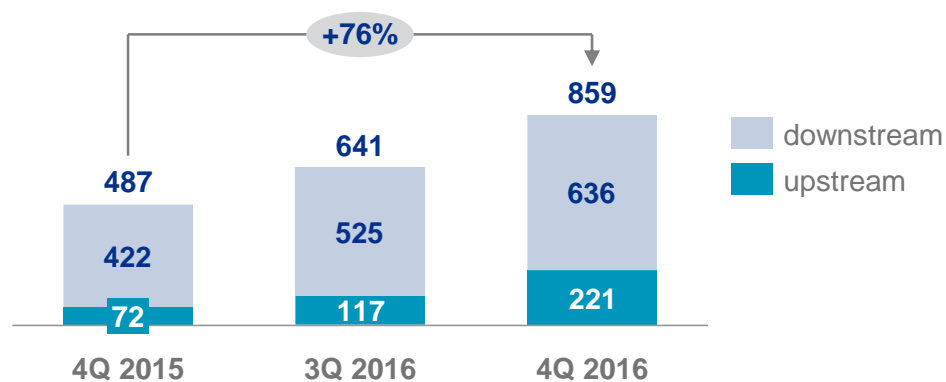
Summary of Strategy 2017 – 2022 published 15th December 2016

- **Average annual EBITDA LIFO doubled in 2019 – 2022**
- **Targeted net debt/EBITDA LIFO below 1.5x**
- **CAPEX of 9.4bn over 6 years**
- **2P reserves of more than 60 mboe and hydrocarbon production between 30 – 50 kboe/d**
- **550 petrol stations**
- **LTIF ⁽¹⁾ < 3**

(1) Lost Time Injury Frequency Rate

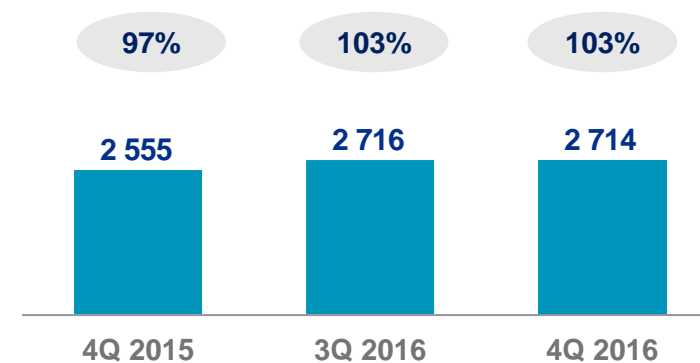
LIFO EBITDA ⁽¹⁾

m PLN



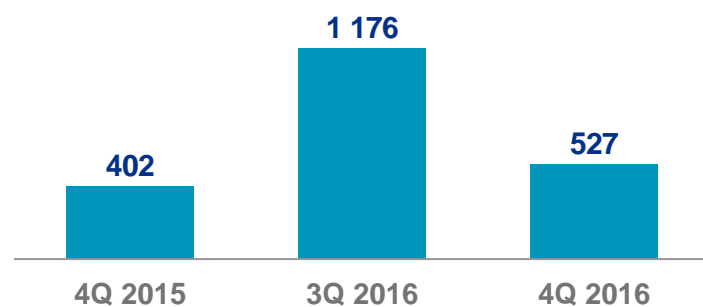
Downstream - crude oil throughput and utilisation ratio

k tons



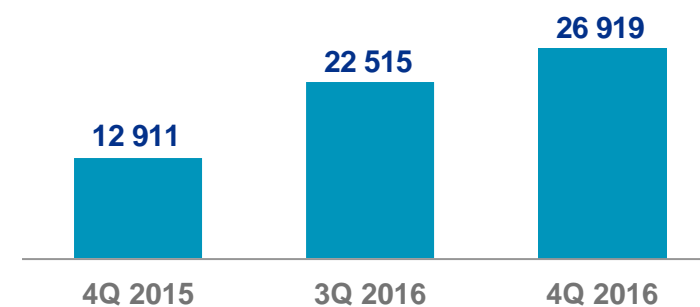
Quarterly operating cash flow

m PLN



Upstream – daily hydrocarbons production ⁽²⁾

boe/d

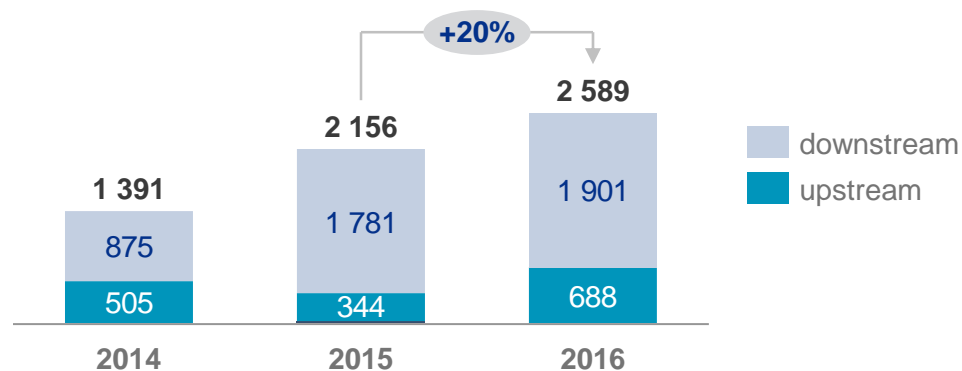


(1) excluding one off items

(2) barrels of oil equivalent (crude oil + natural gas); total production for the period / no of calendar days

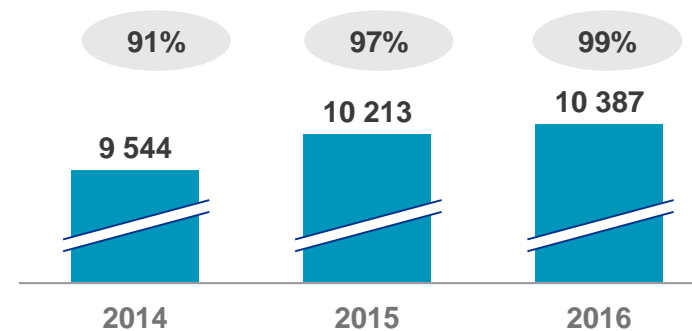
LIFO EBITDA ⁽¹⁾

m PLN



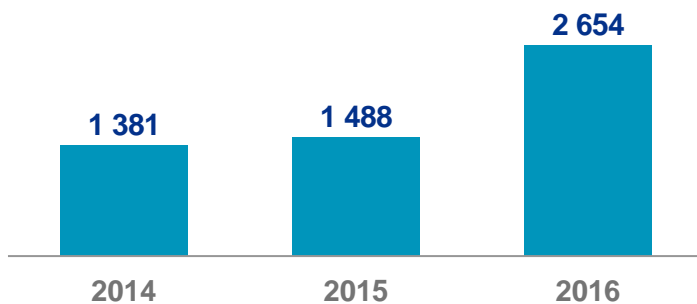
Downstream - crude oil throughput and utilisation ratio

k tons



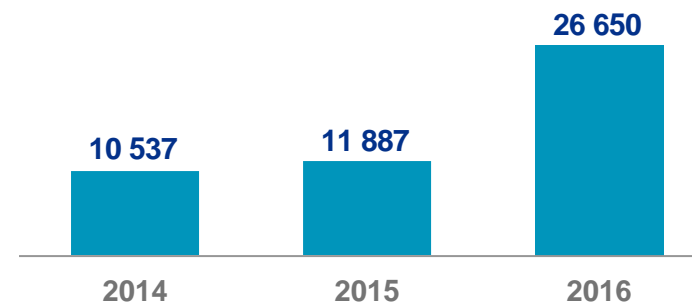
Annual operating cash flow

m PLN



Upstream – daily hydrocarbons production ⁽²⁾

boe/d



(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 / no of calendar days



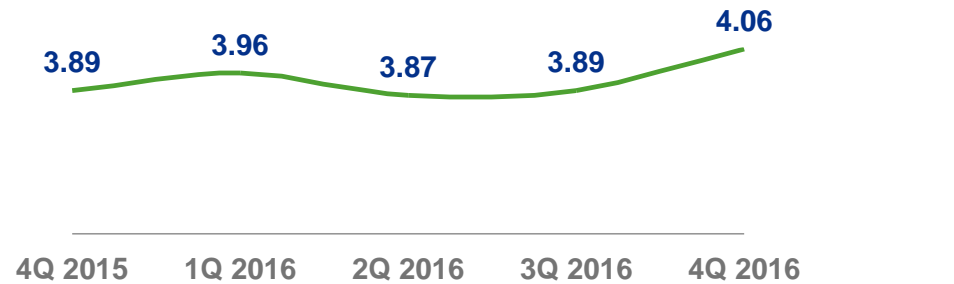
External environment

Financial results 2016 and 4Q 2016

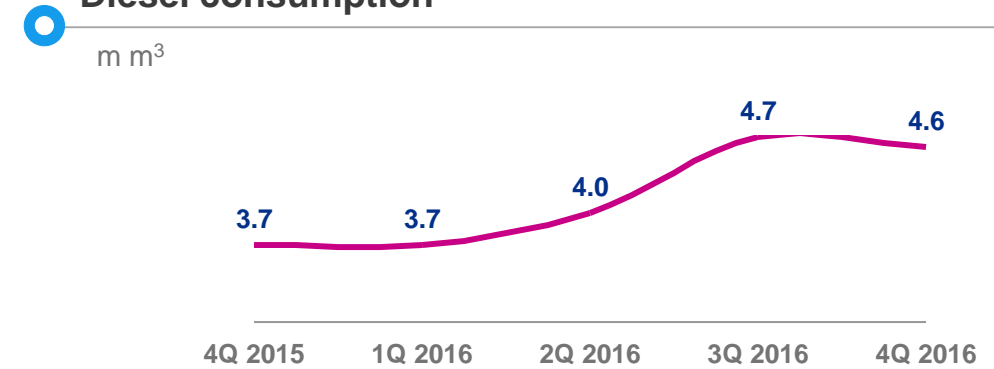
External environment

FX rate, GDP growth, domestic fuel market

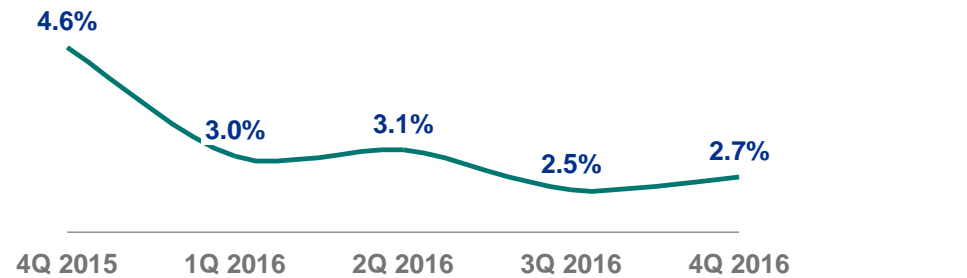
FX USD/PLN rate ⁽¹⁾



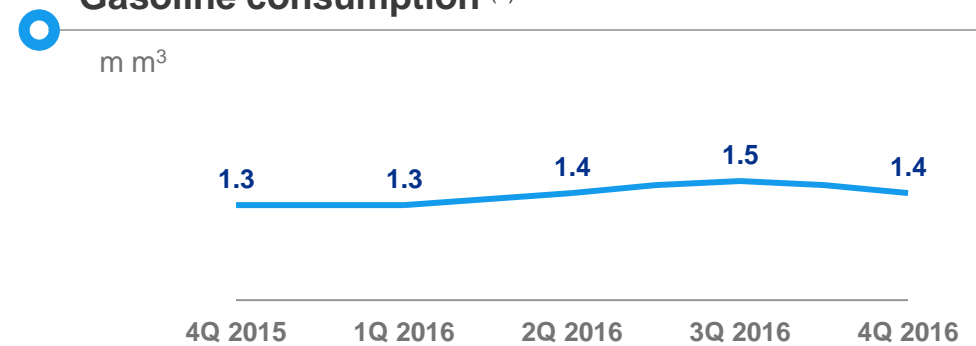
Diesel consumption ⁽³⁾



Polish GDP growth ⁽²⁾



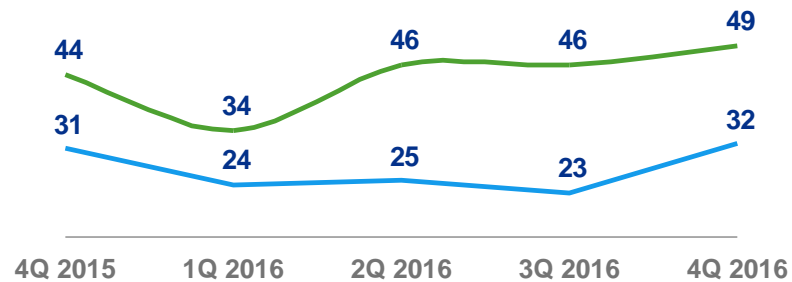
Gasoline consumption ⁽³⁾



(1) National Bank of Poland
 (2) Central Statistical Office of Poland
 (3) domestic; according to POPIHN – organisation for Oil Trade and Industry

Crude oil, natural gas and product crack spreads

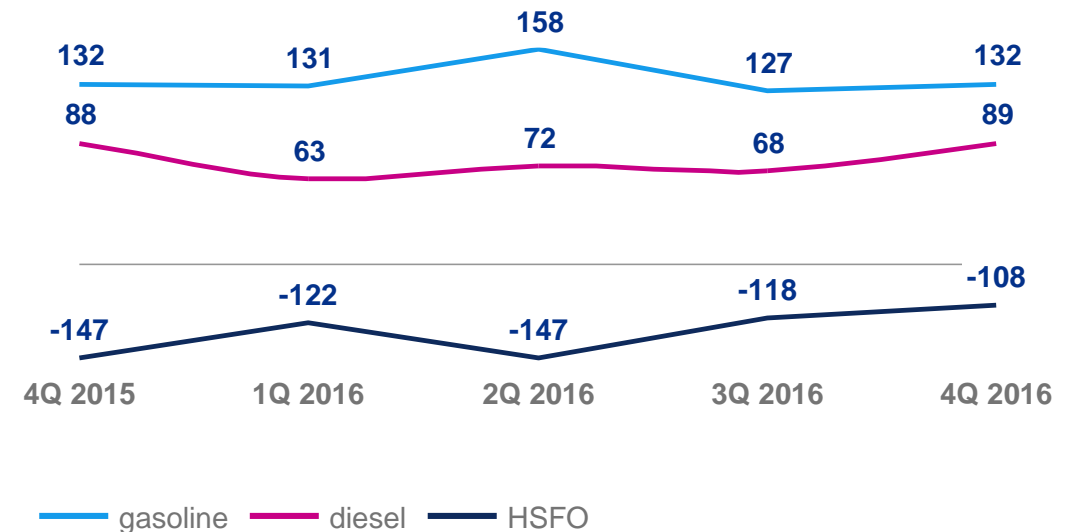
Crude oil and nat gas prices



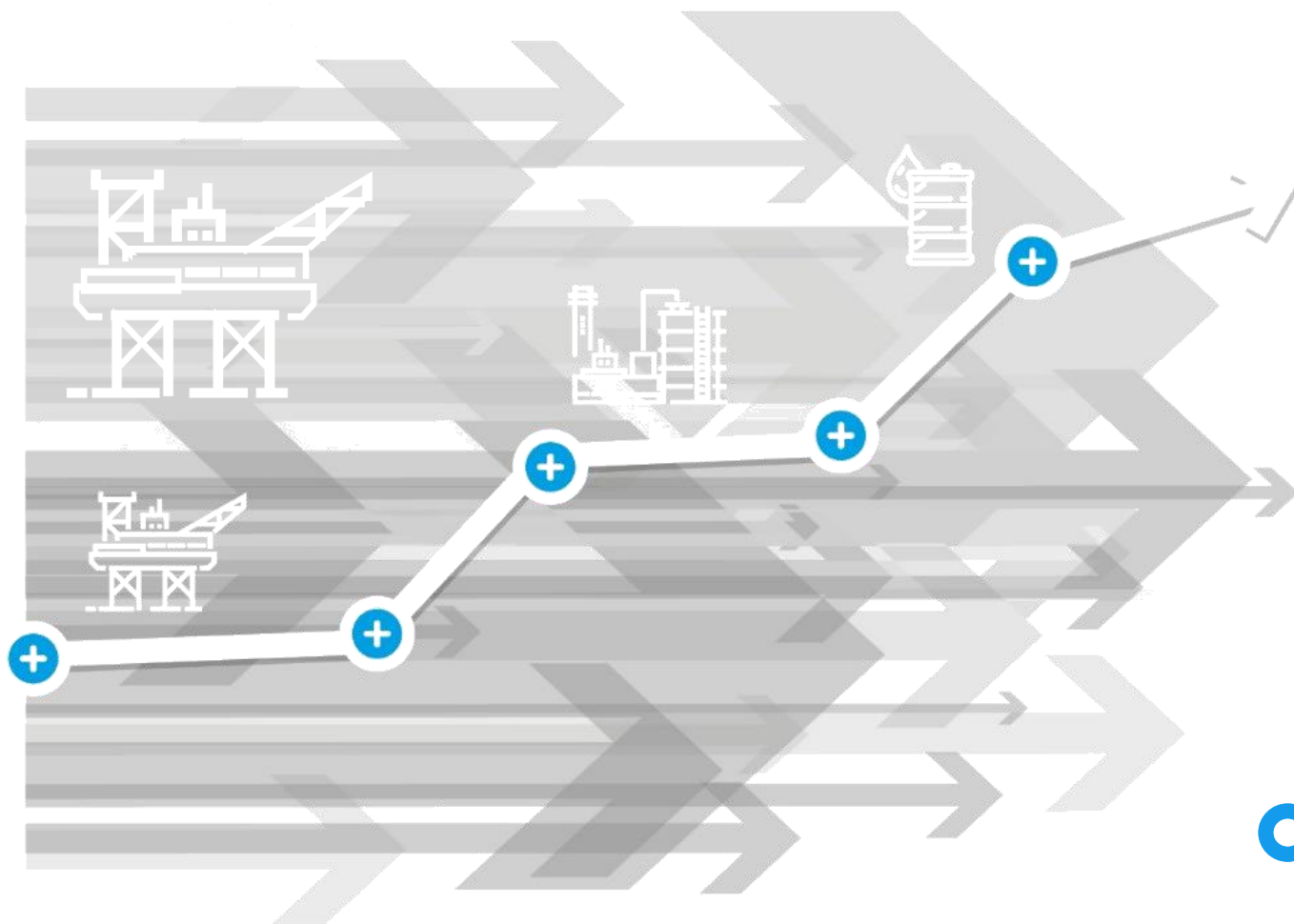
— Brent DTD (USD/bbl) — nat gas NBP (USD/boe) ⁽¹⁾

Key product crack spreads

USD/t



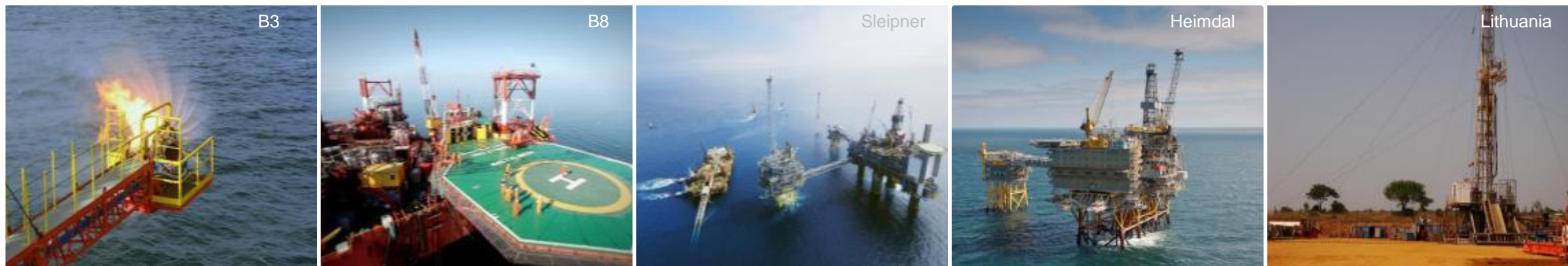
(1) according to National Balancing Point



Upstream

Financial results 2016 and 4Q 2016

Producing fields – 2016 operational parameters



field	B3 Baltic Sea	B8 Baltic Sea	Sleipner North Sea	Heimdal North Sea	AB Geonafra Lithuania
2016 production	2 599 boe/d	2 902 boe/d	15 726 boe/d	4 323 boe/d	1 099 boe/d
Δ vs 2015	- 455 boe/d	+ 2 193 boe/d	+15 652 boe/d	-2 400 boe/d	-228 boe/d
% of crude oil ⁽¹⁾	92%	91%	25%	25%	100%
2P reserves ⁽²⁾	9.1m boe	29.5m boe	15.5m boe	4.0m boe	6.5m boe
lifting costs ⁽³⁾	ca. 25 USD/boe ⁽⁴⁾		ca. 9 USD/boe		ca. 11 USD/boe

(1) share of crude oil in the overall hydrocarbons production of the fields

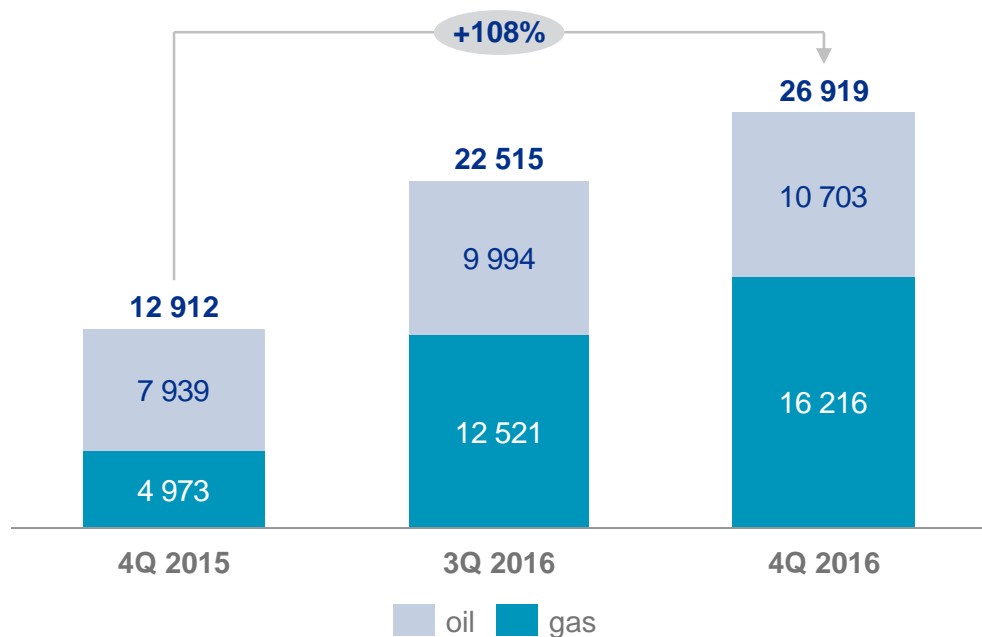
(2) proved oil and gas reserves (2P) as at Dec 31 2016

(3) approximate direct costs per barrel related to oil production for 2016; average figures per countries of operation

(4) including leasing costs of the temporary production platform located on the B8 field

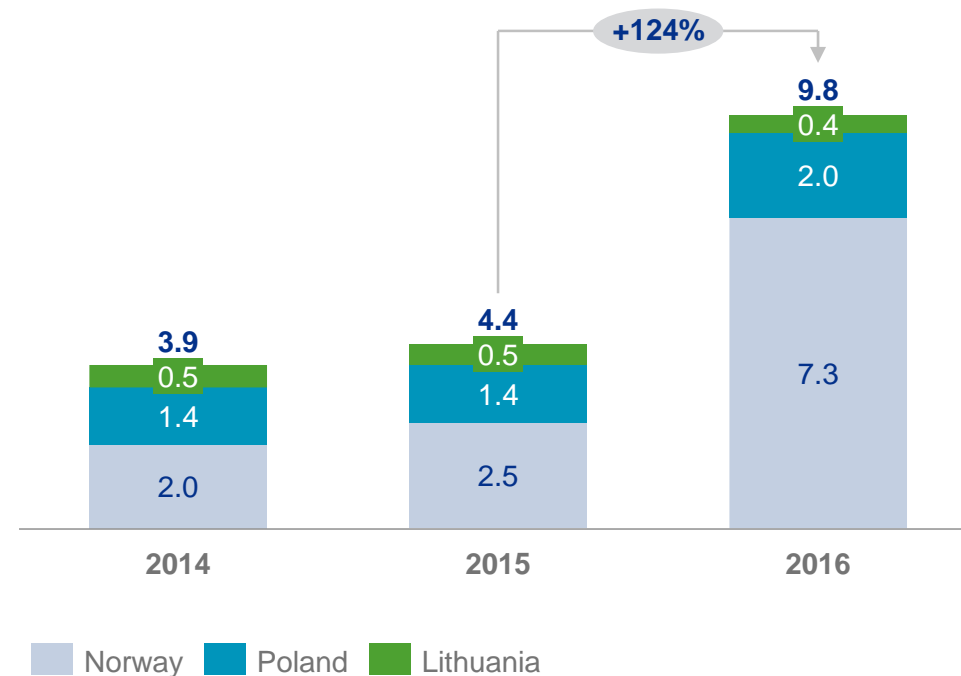
Quarterly production

boe/d

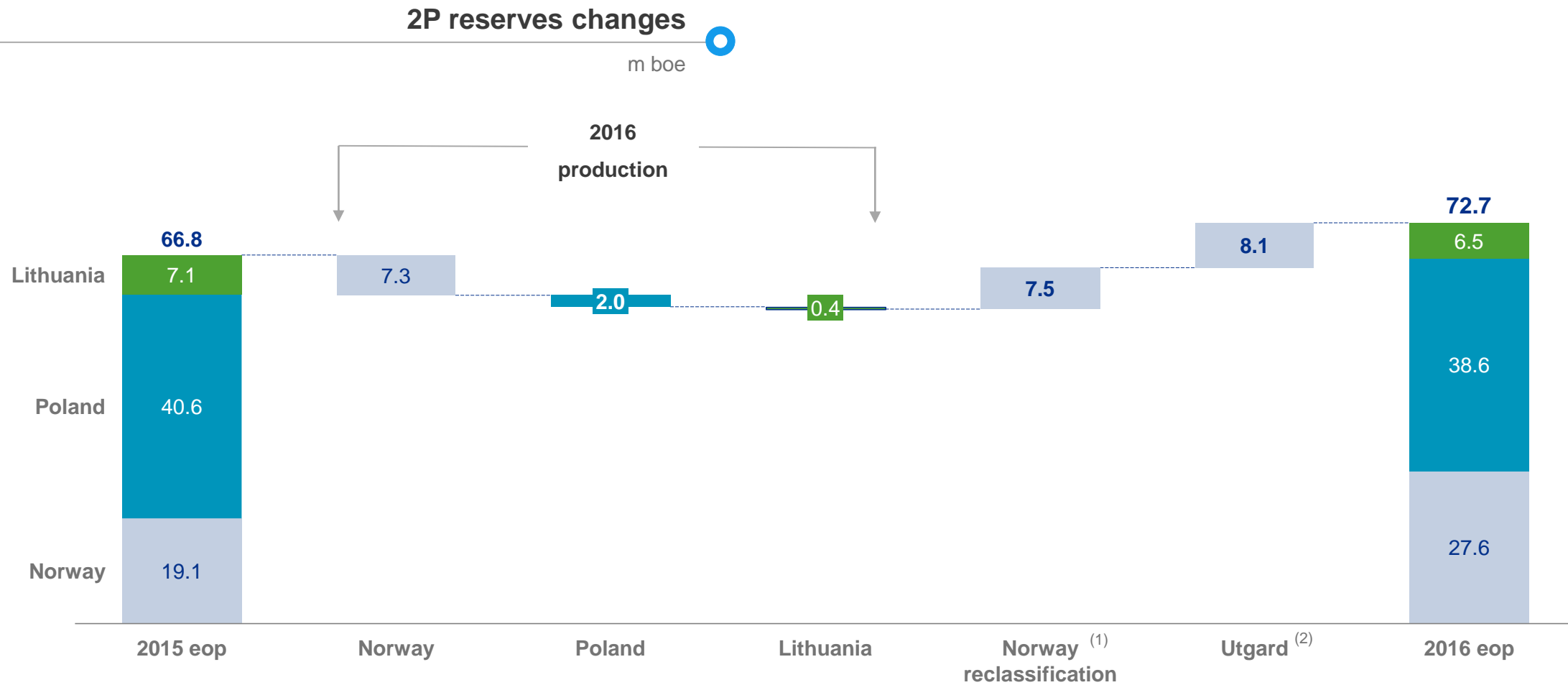


Full year total production

m boe



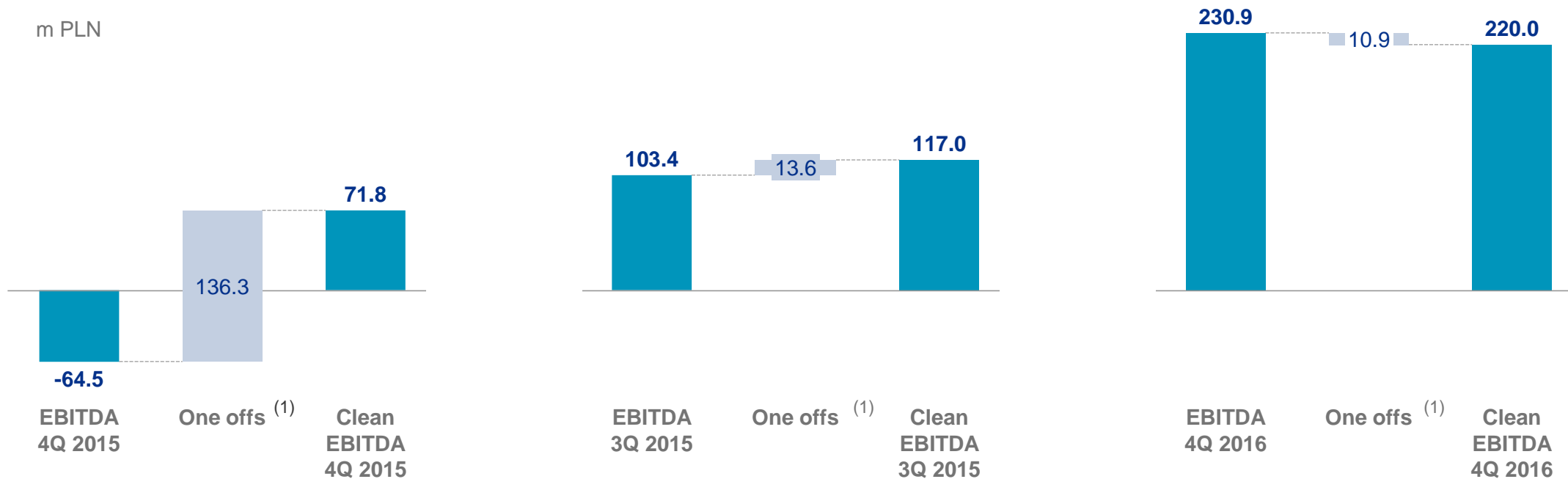
Total recoverable reserves throughout last 12 months



(1) mainly due to planned infill wells drilling planned in 2017 on the Sleipner producing assets

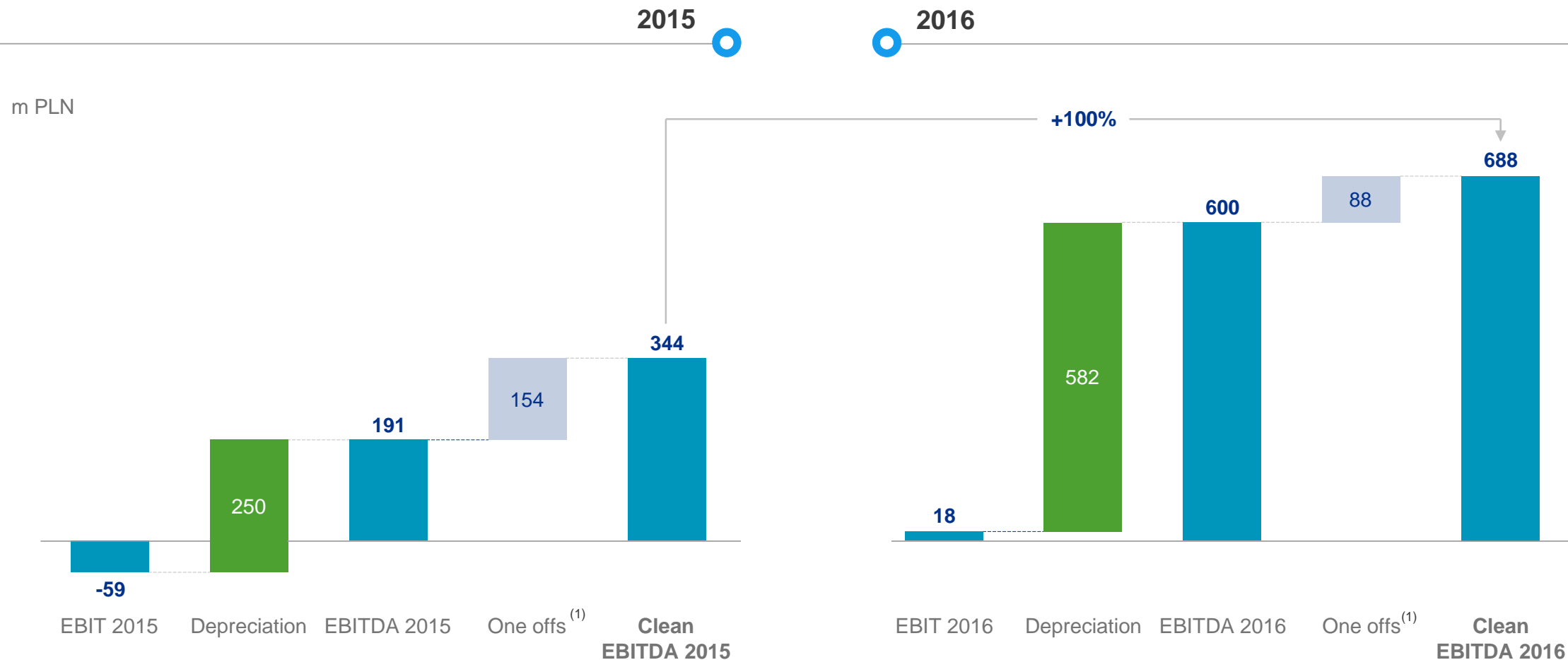
(2) reclassified to 2P following the approval of the PDO by norwegian authorities

Upstream
Quarterly EBITDA evolution



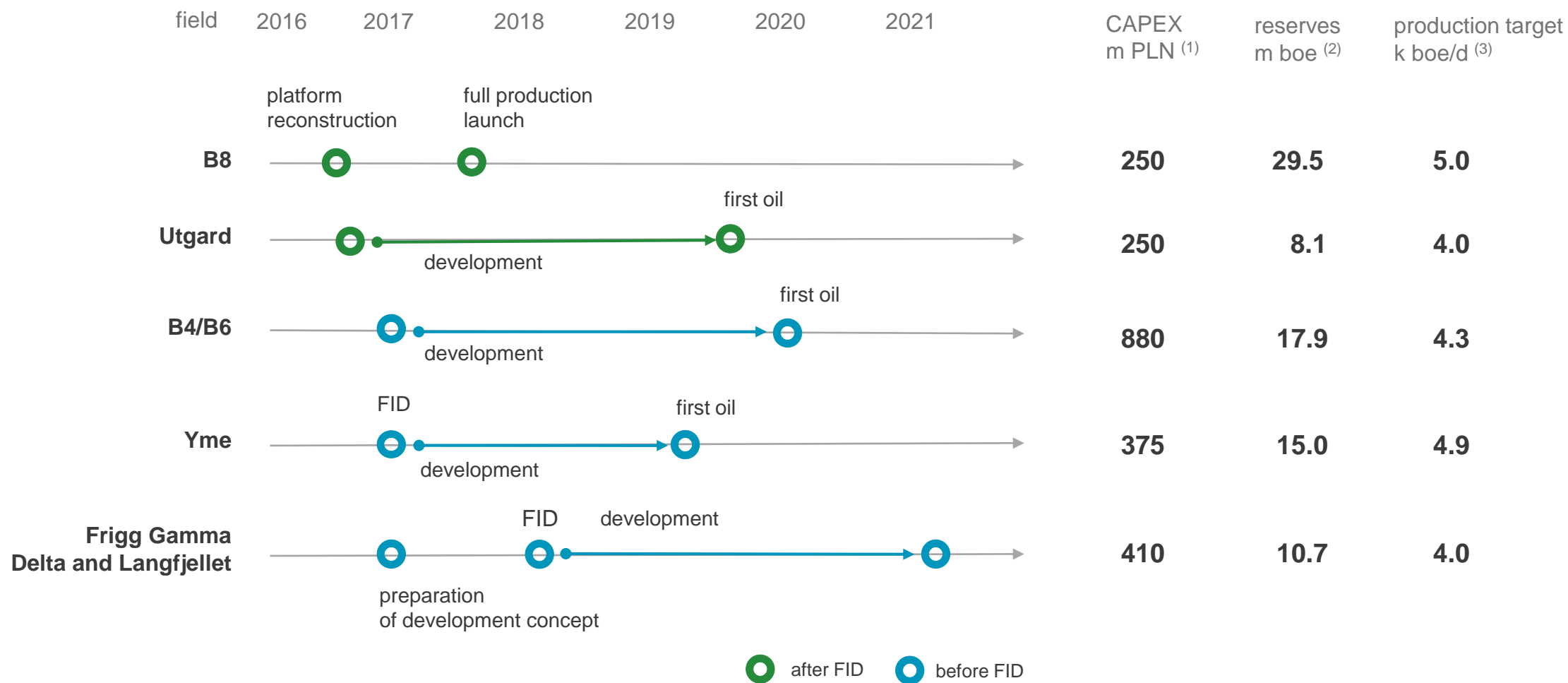
(1) balance of assets impairments and other revaluations

Full year upstream EBITDA decomposition



(1) balance of assets impairments and other revaluations

Projects to be implemented – schedule and economics



(1) planned amount of future CAPEX on the project, exclusive of historical CAPEX

(2) as per LOTOS stake

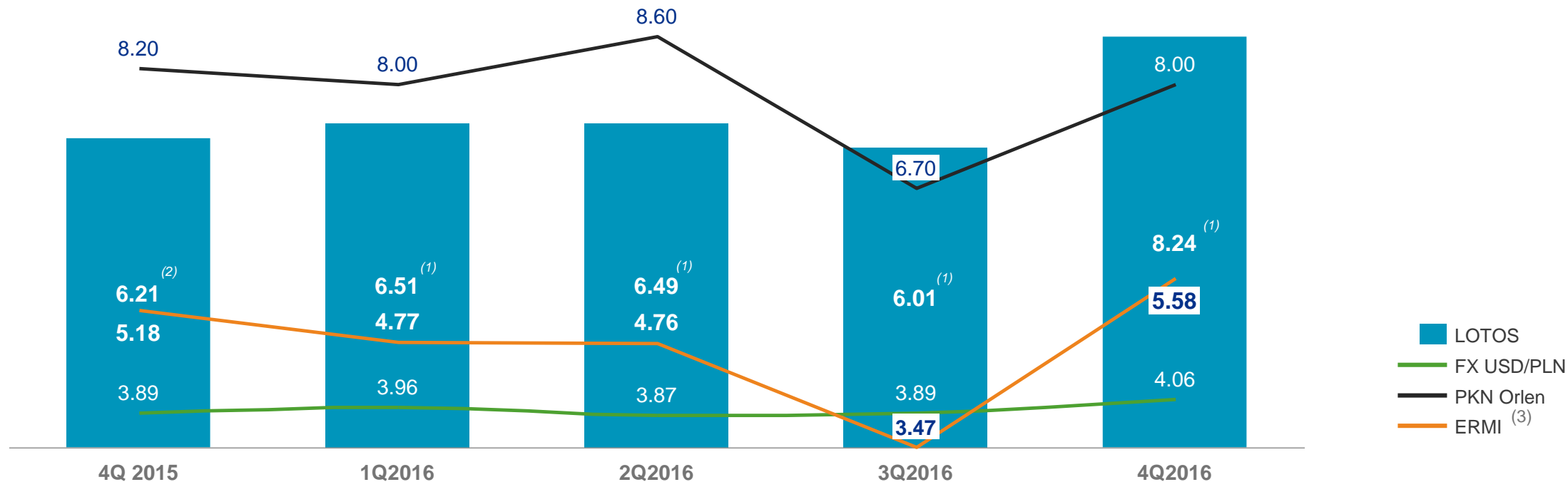
(3) future output figures are estimates based on average annual amounts for the first five years of production from the field



Downstream

Financial results 2016 and 4Q 2016

Model refining margin evolution (USD/bbl) and FX USD/PLN

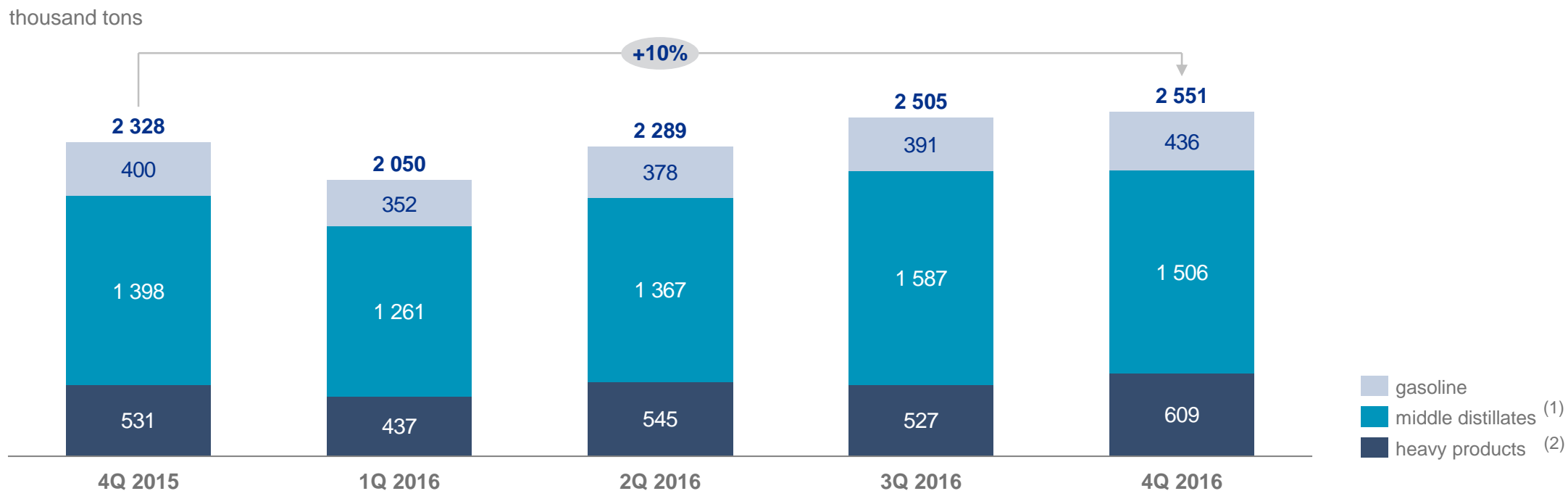


(1) model refining margin = 14.14% gasoline + 4.24% naphtha + 4.53% LPG + 49.57% diesel + 5.34% jet + 18.11% HSFO – Brent dtd – Brent Ural differential – natural gas consumption (estimated cost basing on the gas index quoted on the Polish Power Exchange)

(2) 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 (3 USD/bbl)

(3) ERMI (European Refining Margin Indicator) an 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. Source: TOTAL

Volume of sales of key refining products



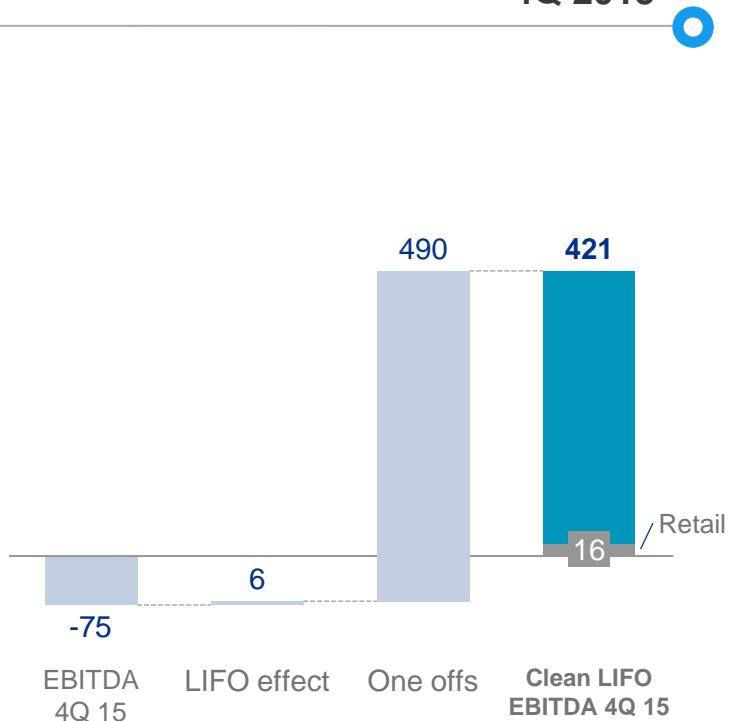
(1) middle distillates including : diesel, light heating oil and jet fuel

(2) heavy products : heavy sulfur fuel oil and bitumens

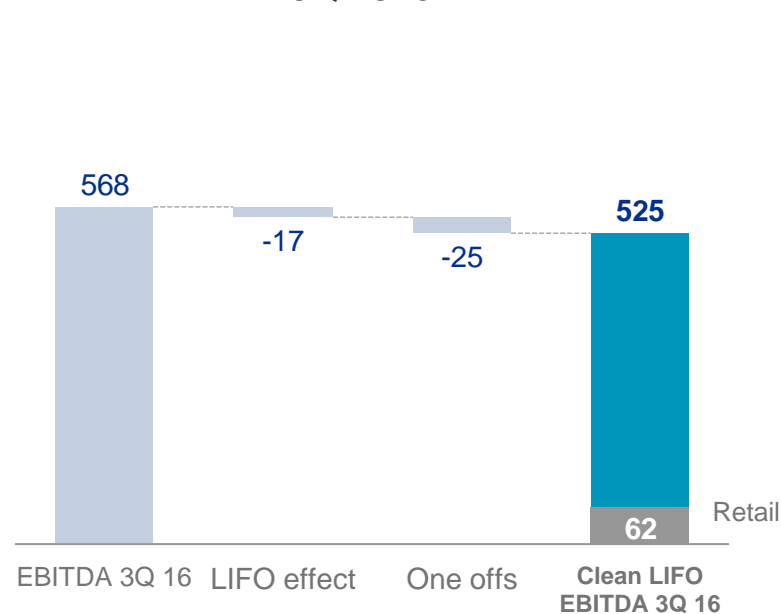
Quarterly downstream EBITDA evolution



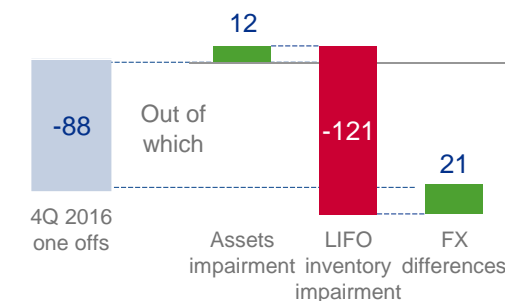
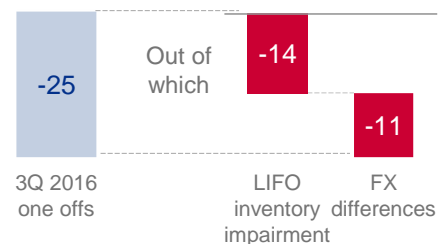
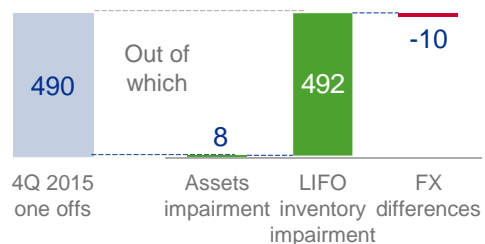
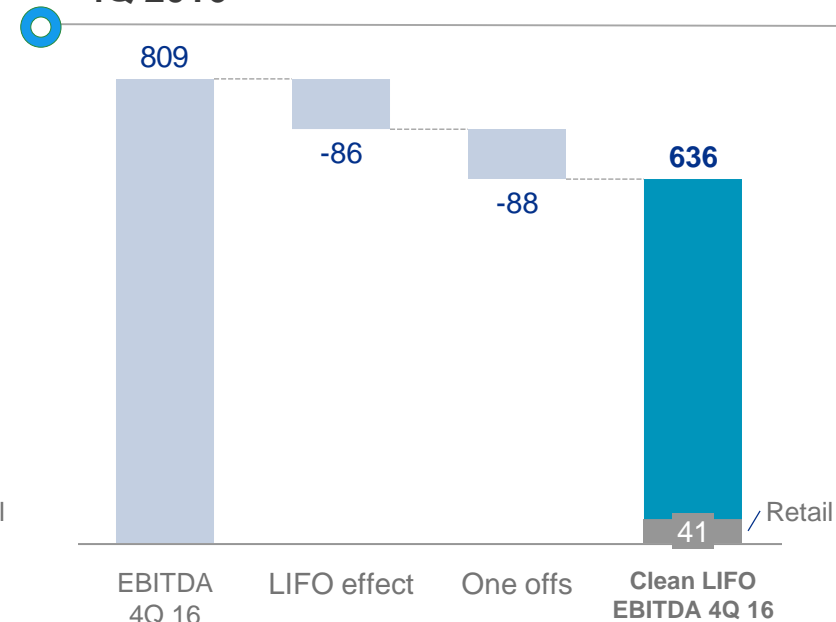
4Q 2015



3Q 2016

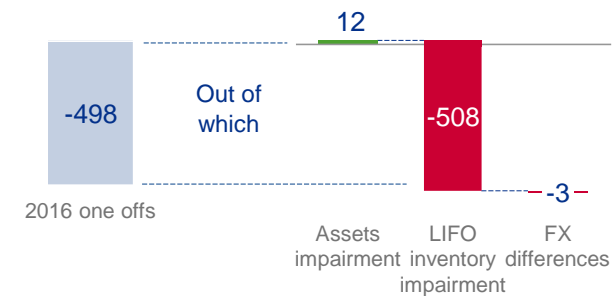
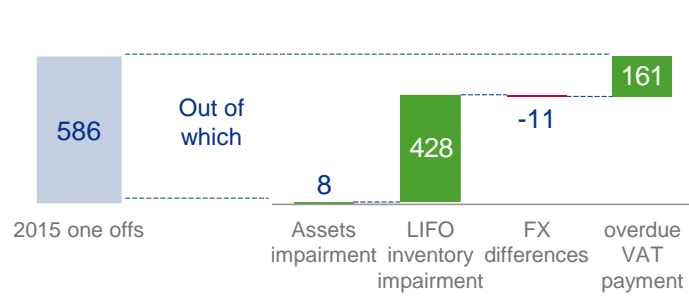
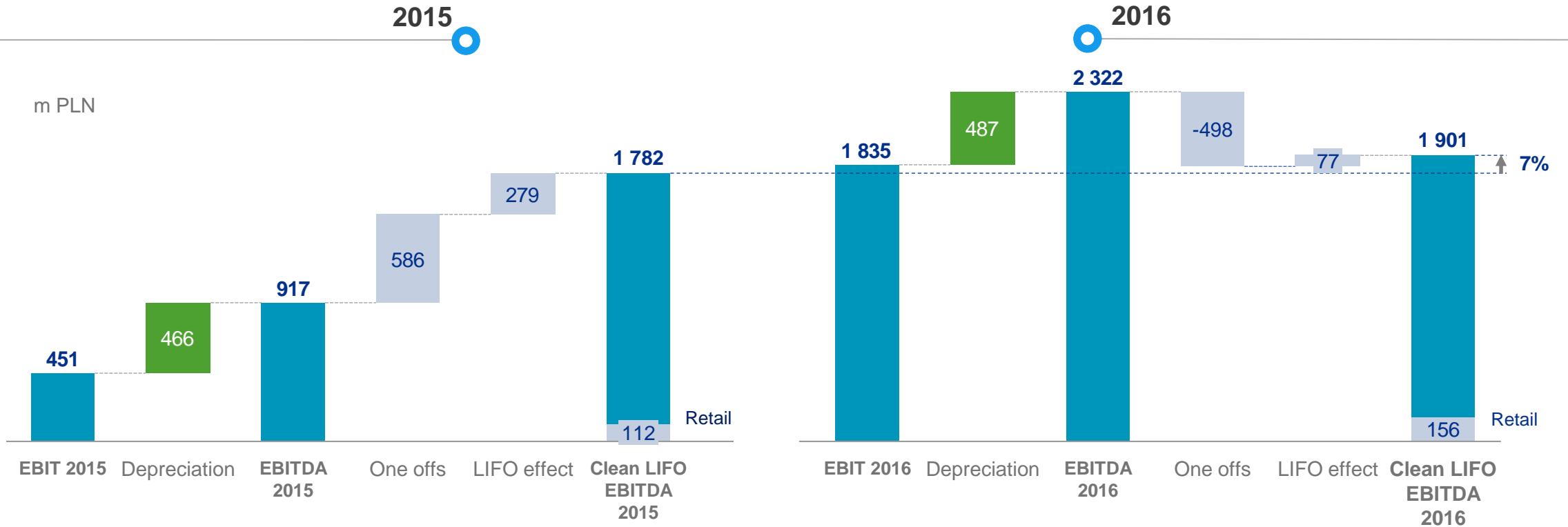


4Q 2016

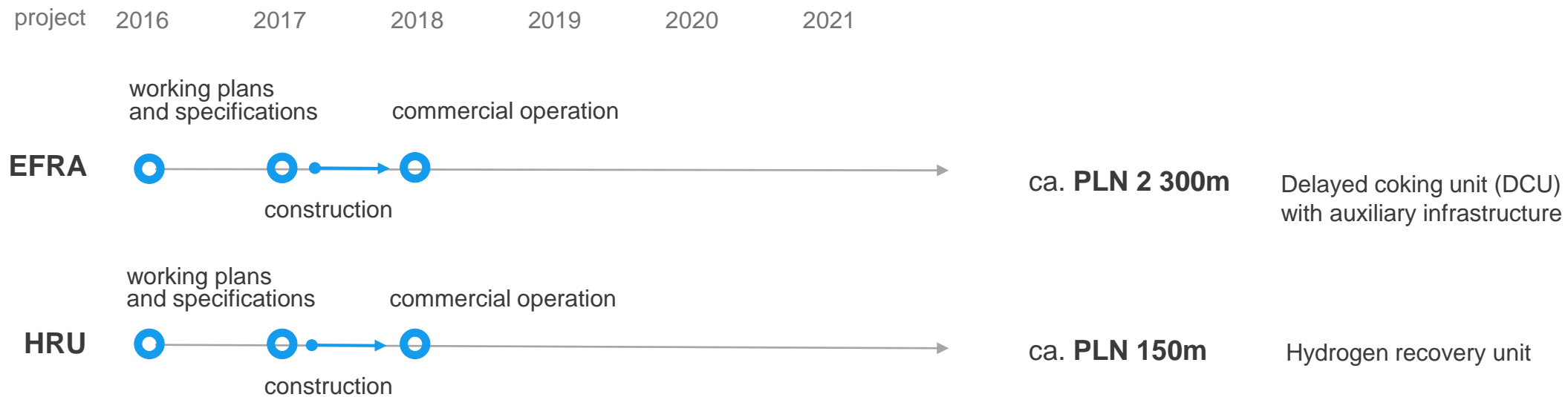


Downstream

Full year downstream EBITDA decomposition



Downstream Key projects. Schedule and economics

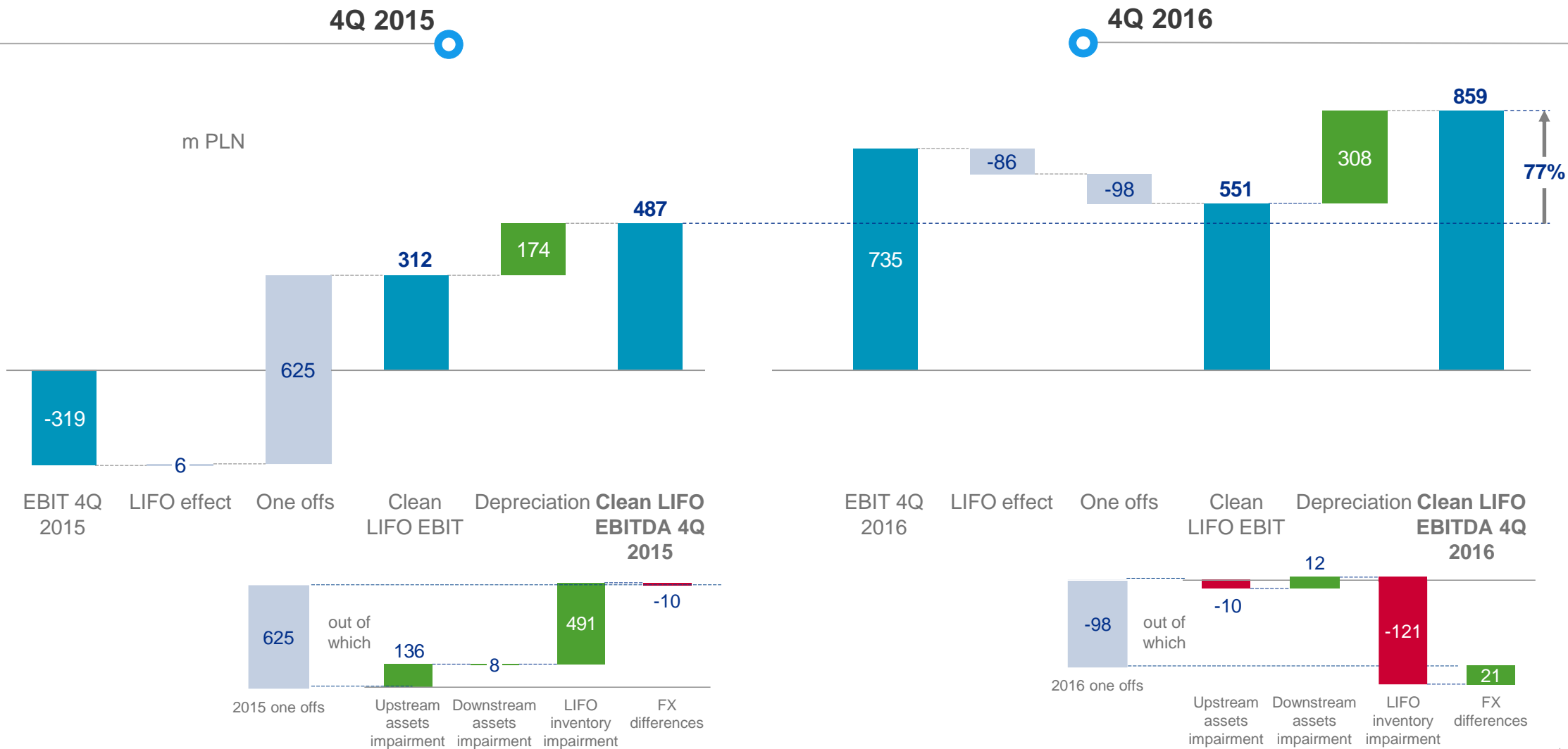




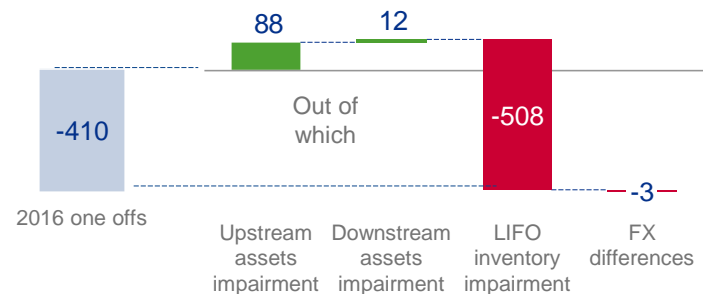
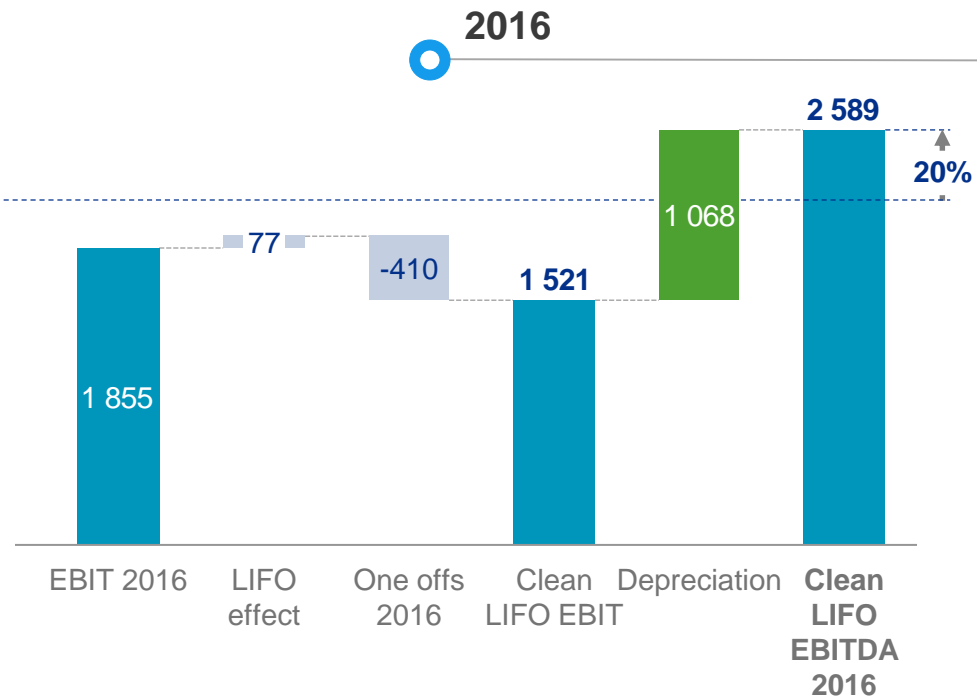
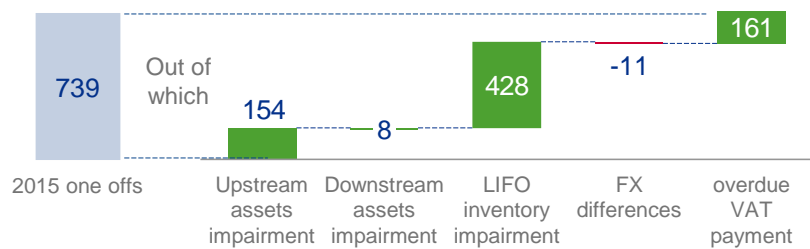
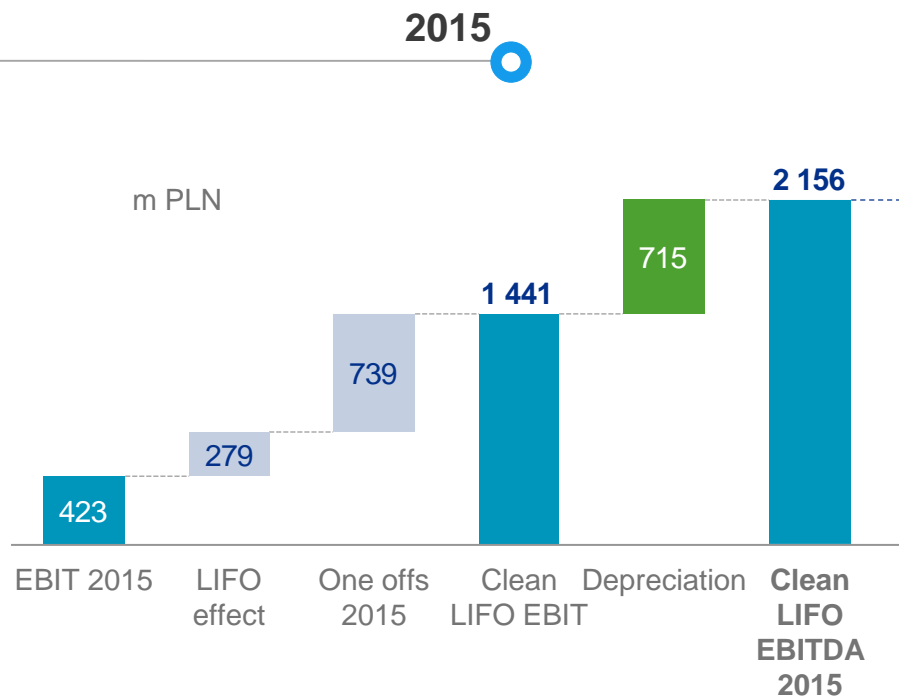
Consolidated financial results

Financial results 2016 and 4Q 2016

Decomposition of 4Q 2016 vs 4Q 2015 consolidated financial results



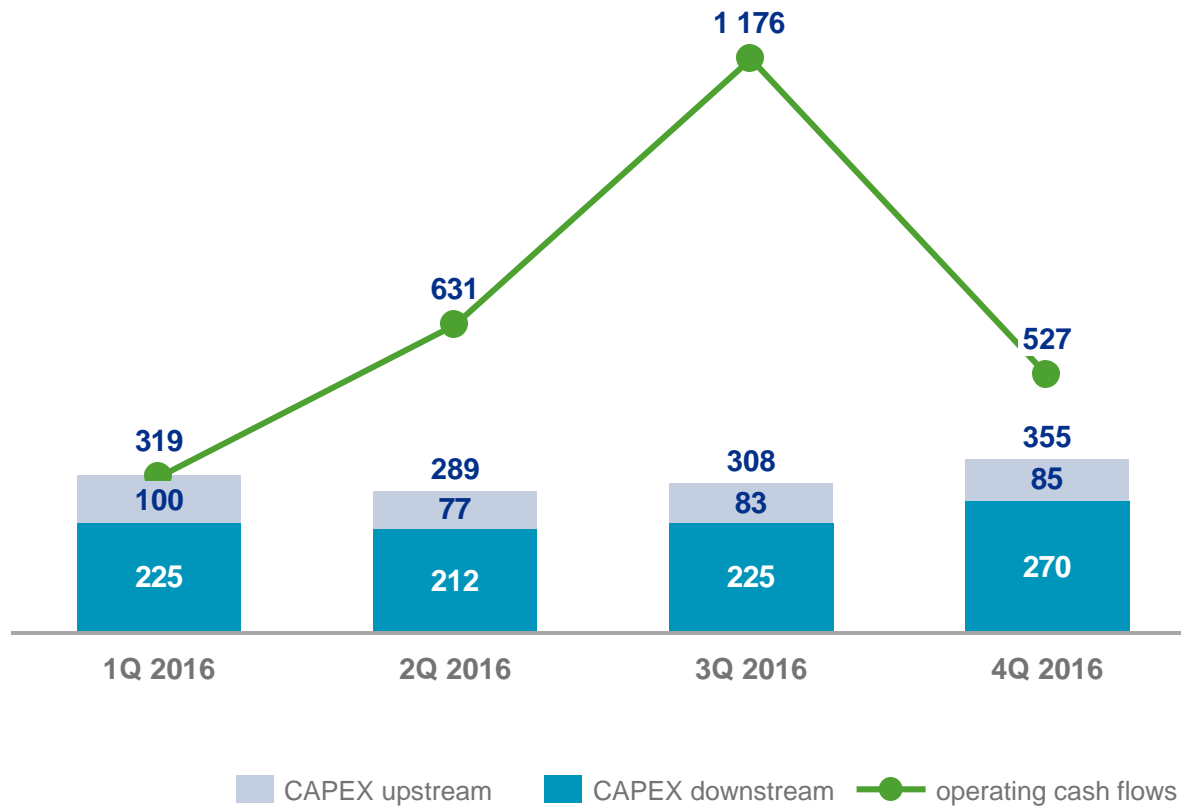
Decomposition of full year consolidated financial results



Consolidate financial results
Operating cash flows vs CAPEX

Quarterly view

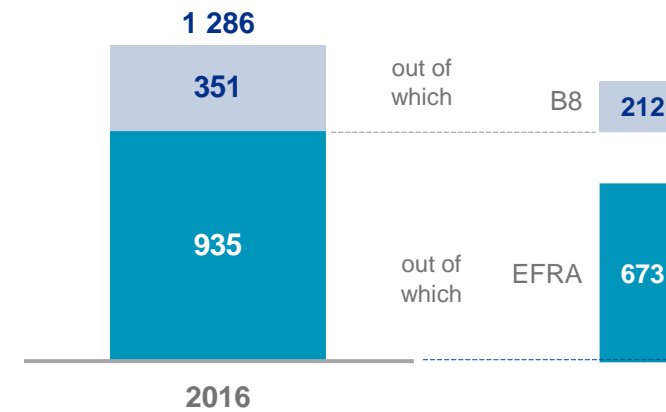
m PLN



Full year 2016

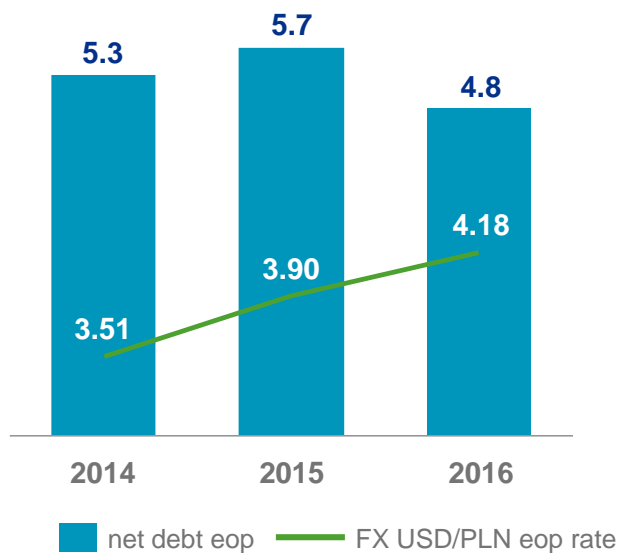
2 654

Operating cash flows

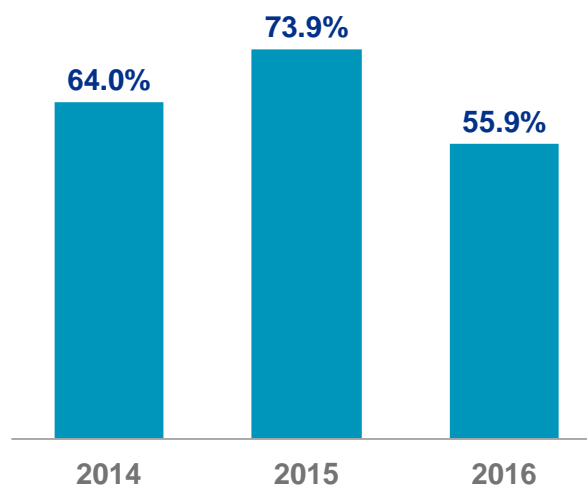


Net debt

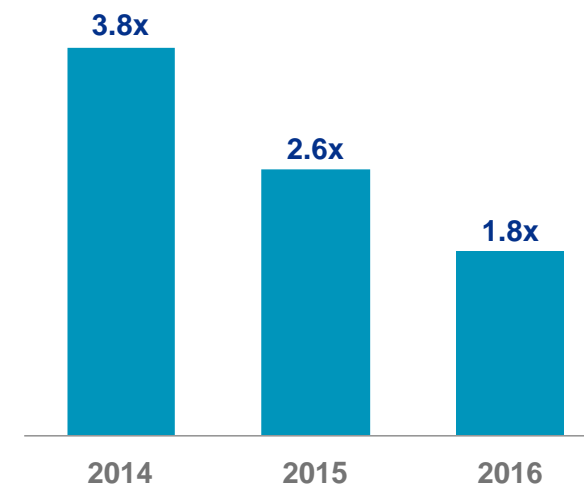
bn PLN



Gearing ratio ⁽¹⁾



Net debt / clean LIFO EBITDA ⁽²⁾



- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds less cash&cash equivalents
- The current net debt/EBITDA ratio below 2.0x

(1) gearing ratio = net debt / total shareholders equity

(2) estimated EBITDA for the last 12 months, according to the LIFO valuation, net of one off items.



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Appendix

Financial results 2016 and 4Q 2016

Strategy 2017 – 2022. 2017 – 2018 Key performance indicators

Safety	LTIF ⁽¹⁾ < 3		
Operational and financial metrics	UPSTREAM	REFINING	RETAIL
Operational metrics	2P reserves ⁽²⁾ ca. 60 mboe Production ca. 22 kboe/d ⁽³⁾	10.5m tonnes	500+ petrol stations; standardisation
EBITDA LIFO bn PLN ⁽⁴⁾ average annual in 2017-2018	0.6 – 0.7	1.6 – 1.9	
CAPEX bn PLN total 2017-2018	ca. PLN 1.5	ca. PLN 1.8	ca. PLN 0.3
Net debt/EBITDA ⁽⁵⁾	less than 1.5x ⁽⁵⁾		
OPEX savings	PLN 200m annually (<i>run rate</i>) vs 2015 cost base		
Customer satisfaction	Net Promoter Score (NPS) implemented, first measurements in 2017		
Dividend capacity	yes		

(1) Lost Time Injury Frequency Rate (2) 2P reserves: proved and probable
(3) average annual projected production volume in barrels of oil equivalent (oil and gas) per day
(4) net of one-off items (5) at the end of 2018

Strategy 2017 – 2022. 2019 – 2022 Key performance indicators

Safety	LTIF ⁽¹⁾ < 3		
Operational and financial metrics	UPSTREAM	REFINING	RETAIL
Operational metrics	2P reserves ⁽²⁾ more than 60 mboe Production 30 – 50 kboe/d ⁽³⁾	10.5m tonnes	550 petrol stations
EBITDA LIFO bn PLN ⁽⁴⁾ average annual in 2019–2022	1.6 -1.8	2.3 – 2.7	
CAPEX bn PLN total 2019–2022	ca. PLN 1.5	ca. PLN 0.7	ca. PLN 0.3
Net debt/EBITDA	less than 1.5x		
OPEX savings	PLN 300m annually (<i>run rate</i>) vs 2015 cost base		
Customer satisfaction	positive trend in NPS		
Dividend capacity	yes		

NOTE: Additional CAPEX of approximately PLN 3.3bn, to be allocated among segments in 2018 for 2019+.

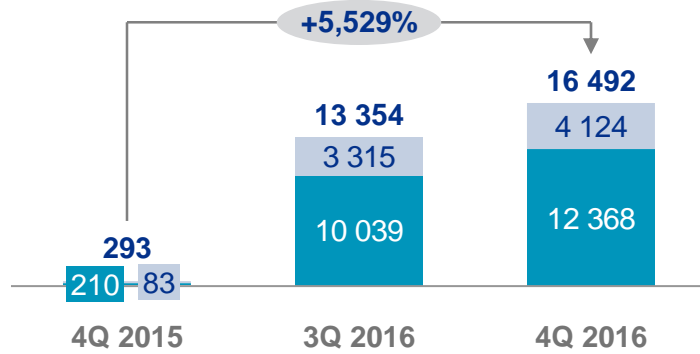
(1) Lost Time Injury Frequency Rate (2) 2P reserves: proved and probable
(3) average annual projected production volume in barrels of oil equivalent (oil and gas) per day (4) net of one-off items.

Appendix 3.

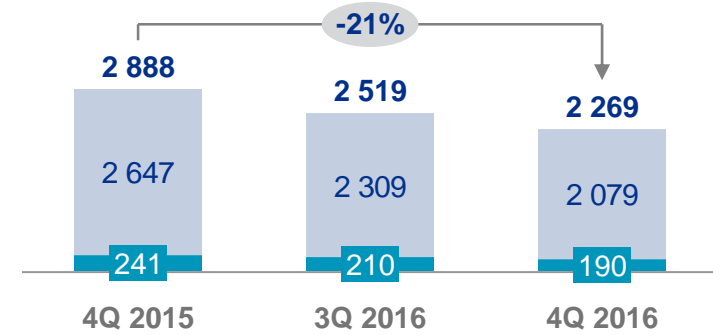
Production figure for key fields – Norway and Poland ⁽¹⁾

Sleipner

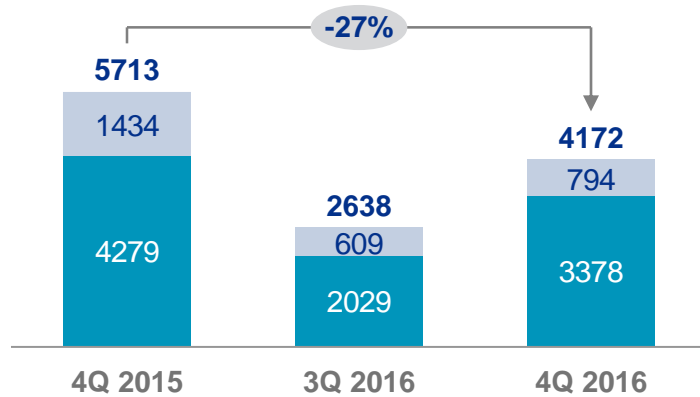
boe/day



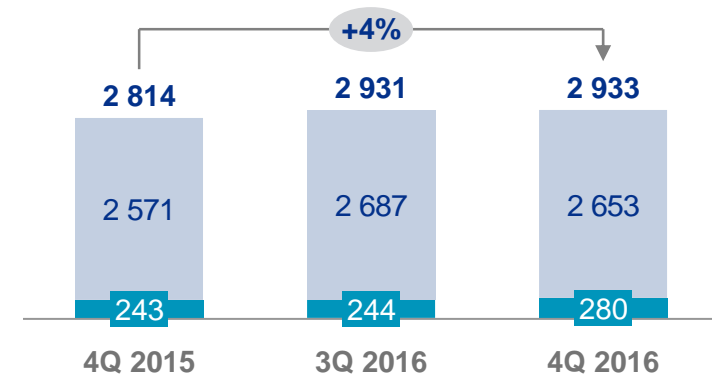
B3



Heimdal



B8



oil
gas

(1) calculated as total production in the given period divided by the number of calendar days



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