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## Consolidated Financial results for Half Year and 2nd quarter 2018

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August 9th, 2018



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## Financial results H1 and 2Q 2018



## Key highlights



- 185m PLN dividend approved by the Annual General Shareholders meeting (1 PLN per share)
- LIFO EBITDA <sup>(1)</sup> reaching 820m PLN up 19% (yoy), despite the decreasing model refining margin in PLN
- Operational excellence confirmed by the full utilisation of the refining capacity adapting to the favourable market environment
- Continuation of balance sheet discipline – net debt/LIFO EBITDA <sup>(1)</sup> of 0.9x

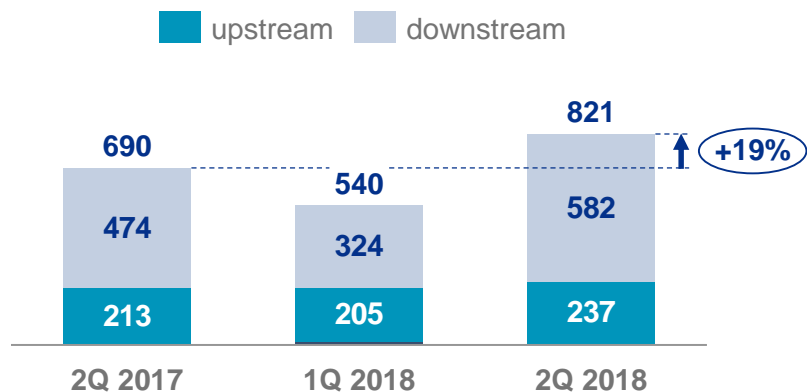
*(1) Net of one off items*

Key highlights  
2Q 2018



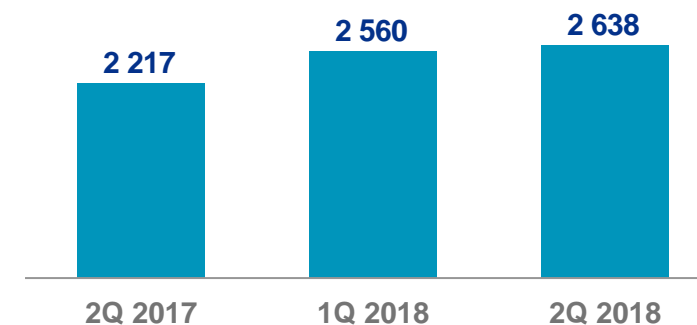
LIFO EBITDA <sup>(1)</sup>

m PLN



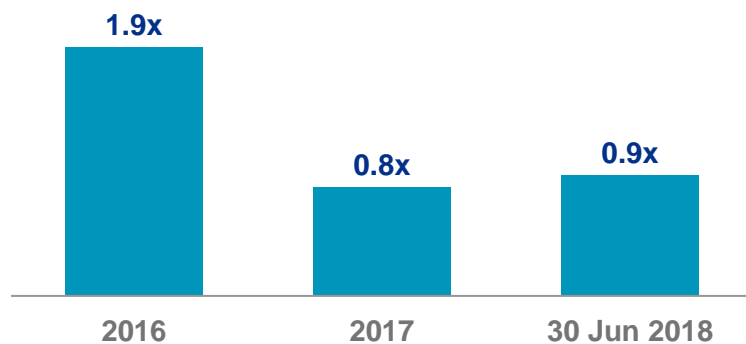
Downstream - crude oil throughput

k tons



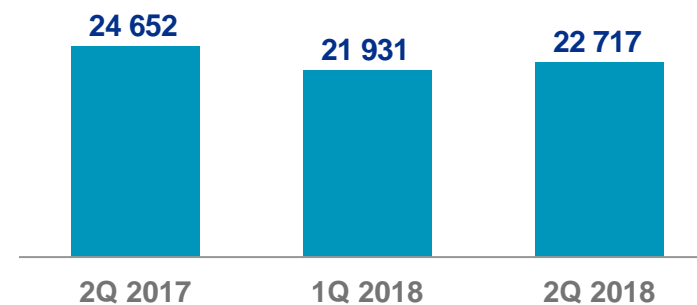
Net debt / LIFO EBITDA <sup>(2)</sup>

m PLN



Upstream – daily hydrocarbons production <sup>(3)</sup>

boe/d



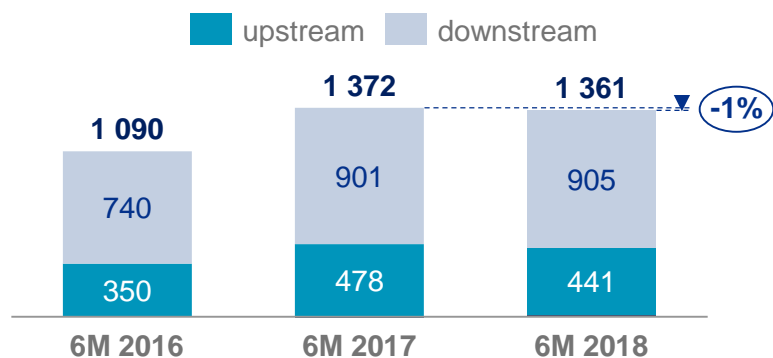
(1) excluding one off items; segment results may not sum up due to consolidation adjustments  
 (2) excluding one off items  
 (3) barrels of oil equivalent (crude oil + natural gas); total production for the period / number of calendar days

- LIFO EBITDA <sup>(1)</sup> of almost 1.4bn (flat yoy) confirming an effective asset mix resilient to lowering margin and weakened USD against the PLN
- Net debt lowered by 1.3 bn PLN yoy pushing net debt/LIFO EBITDA <sup>(1)</sup> ratio down to 0.9x
- Upstream production above the strategic target

*(1) Net of one off items*

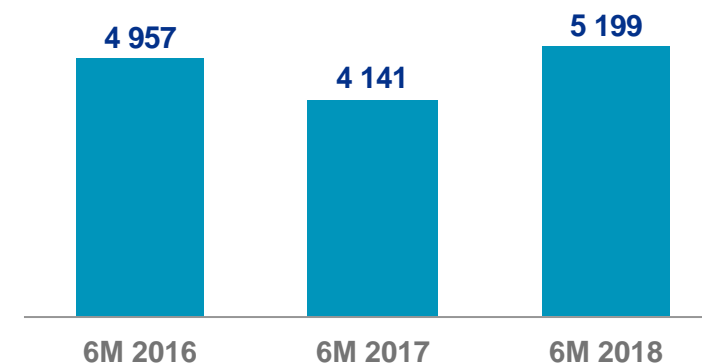
### LIFO EBITDA <sup>(1)</sup>

m PLN



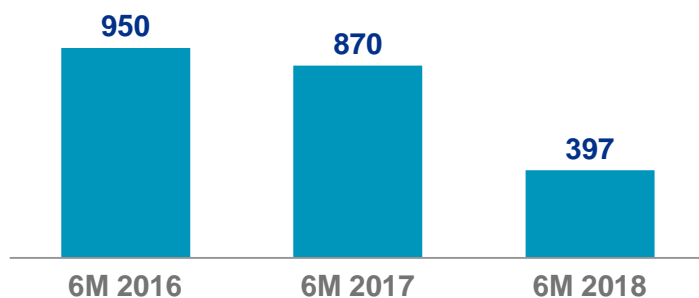
### Downstream - crude oil throughput in Gdańsk

k tons



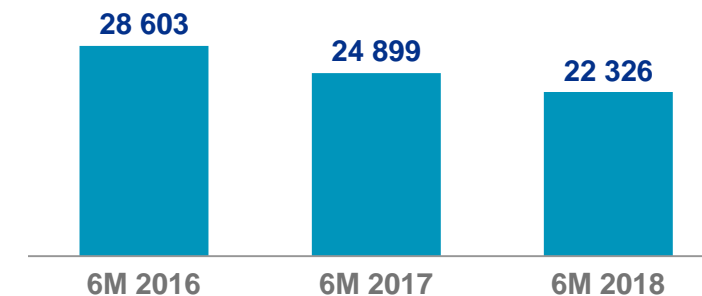
### Operating cash flow

m PLN



### Upstream – daily hydrocarbons production <sup>(2)</sup>

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 / number of calendar days



## External environment

Financial results 2Q 2018

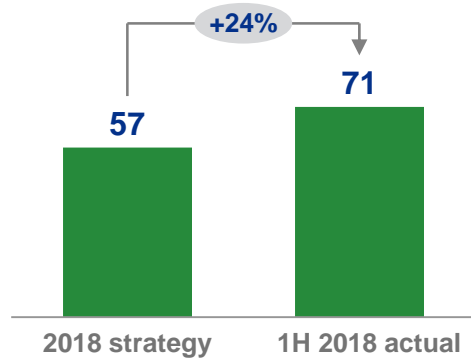


External environment

Macroeconomic environment <sup>(1)</sup> vs strategic assumptions <sup>(2)</sup>

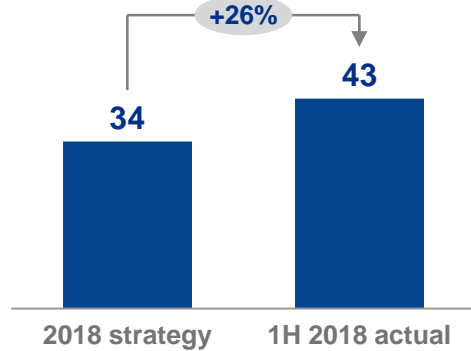
Brent DTD

USD/bbl



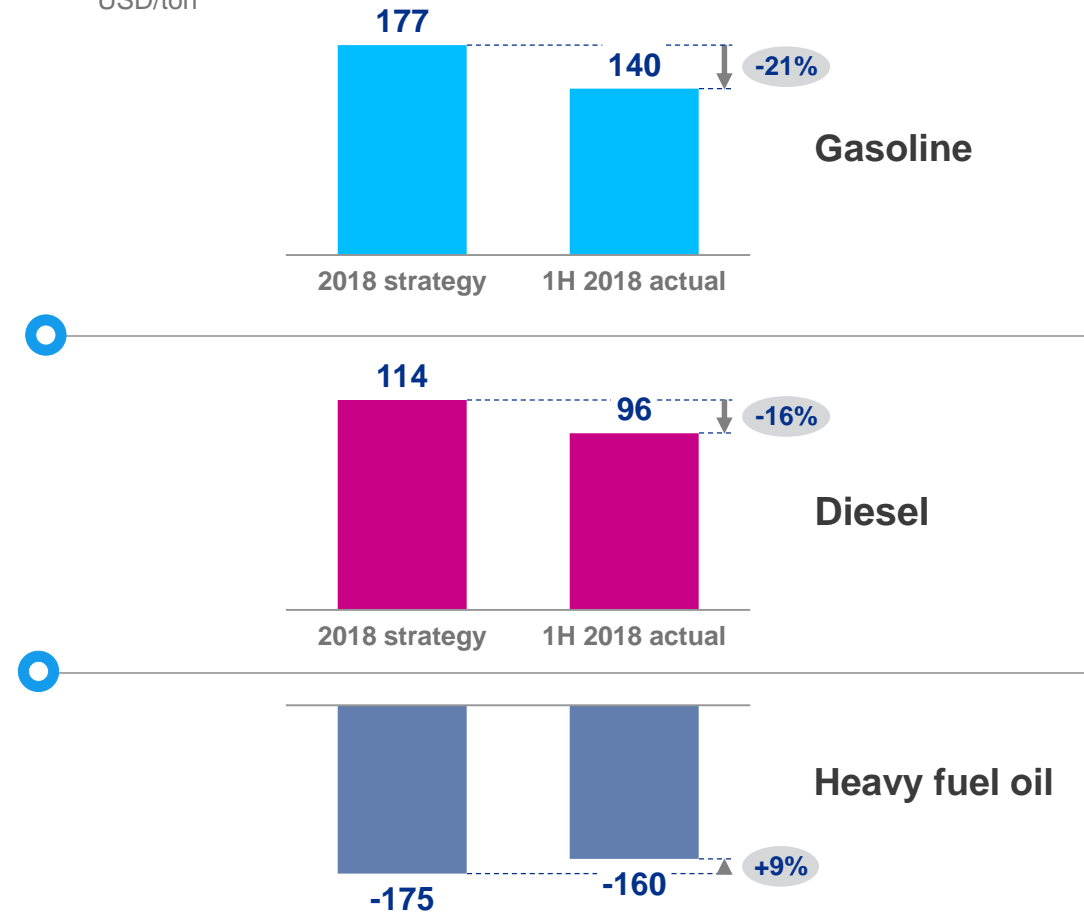
Natural gas

USD/boe



Product crack spreads

USD/ton



(1) Source : Thomson Reuters

(2) Average annual 2018 strategic assumptions adopted by LOTOS

External environment

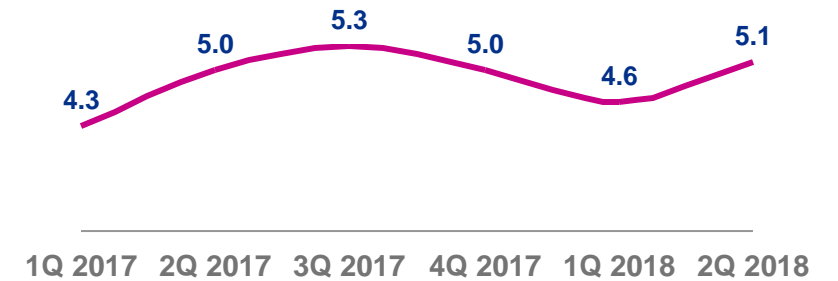
FX rate, GDP growth, domestic fuel market

FX USD/PLN rate <sup>(1)</sup>

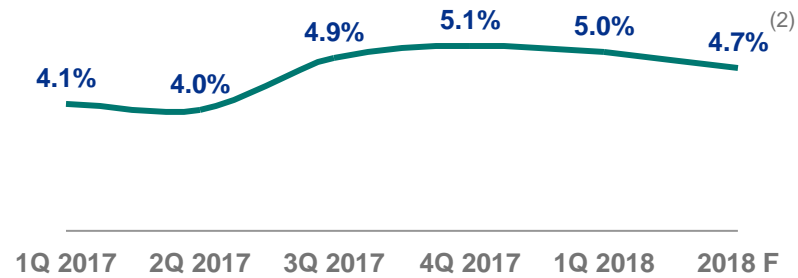


Diesel consumption <sup>(3)</sup>

m m<sup>3</sup>



Polish GDP growth



Gasoline consumption <sup>(3)</sup>

m m<sup>3</sup>



(1) National Bank of Poland

(2) National Bank of Poland forecast for full year 2018

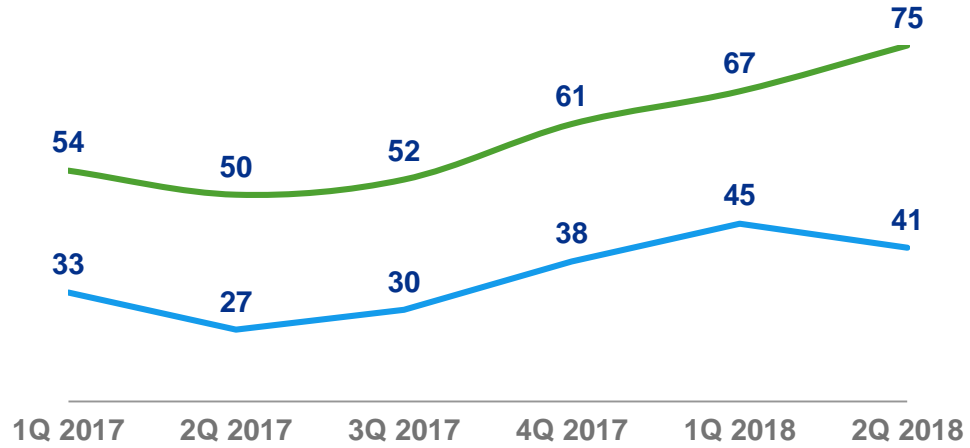
(3) domestic; according to POPiHN – organisation for Oil Trade and Industry

External environment

Crude oil, natural gas and product crack spreads

Crude oil <sup>(1)</sup> and nat gas prices <sup>(2)</sup>

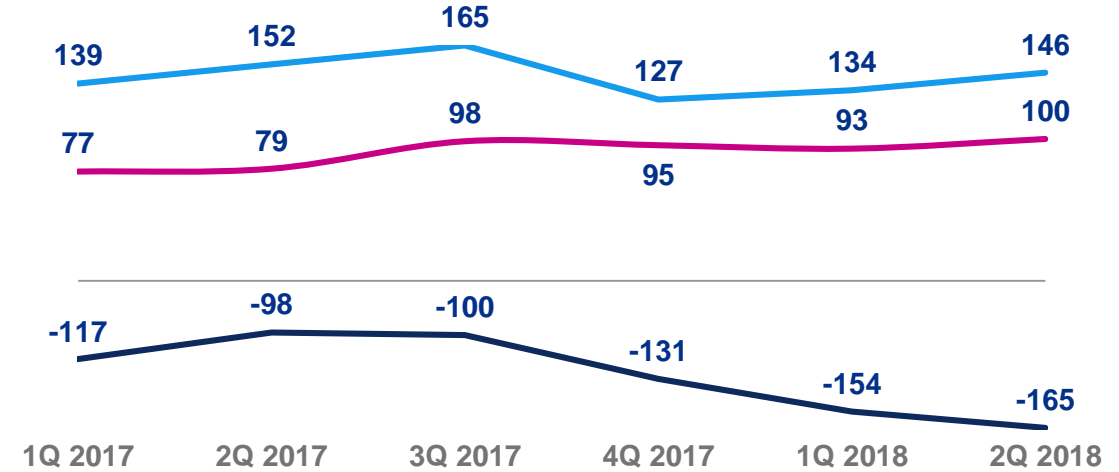
USD



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

Key product crack spreads <sup>(1)</sup>

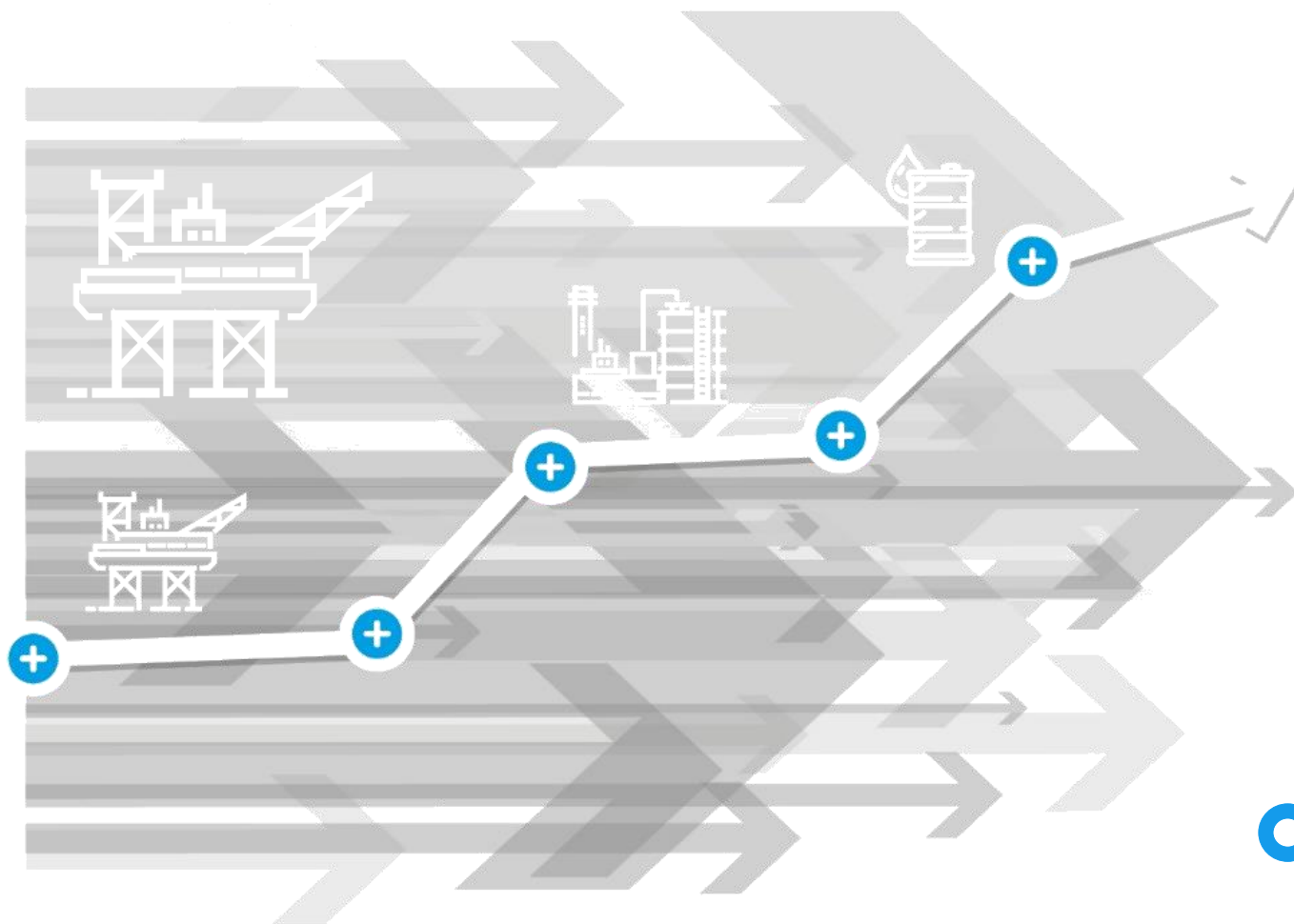
USD/t



— gasoline — diesel — HSFO

(1) Source : Thomson Reuters; HSFO – heavy sulfur fuel oil

(2) Source : National Balancing Point



## Upstream

Financial results HY 2018

Producing assets – 1H key figures

### B8

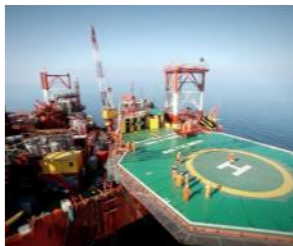
Baltic Sea



Reserves<sup>(1)</sup> **36,5 mmboe**  
 Production<sup>(2)</sup> **2,7 kboe/d**

### B3

Baltic Sea



Reserves<sup>(1)</sup> **14 mmboe**  
 Production<sup>(2)</sup> **1,7 kboe/d**

Lifting costs Poland: **36 USD/boe**<sup>(3)</sup>

### Sleipner

North Sea



Reserves<sup>(1)</sup> **12,9 mmboe**  
 Production<sup>(2)</sup> **15,1 kboe/d**

### Heimdal

North Sea



Reserves<sup>(1)</sup> **2,4 mmboe**  
 Production<sup>(2)</sup> **2,1 kboe/d**

Lifting costs Norway: **11 USD/boe**<sup>(3)</sup>

### Onshore fields

Lithuania



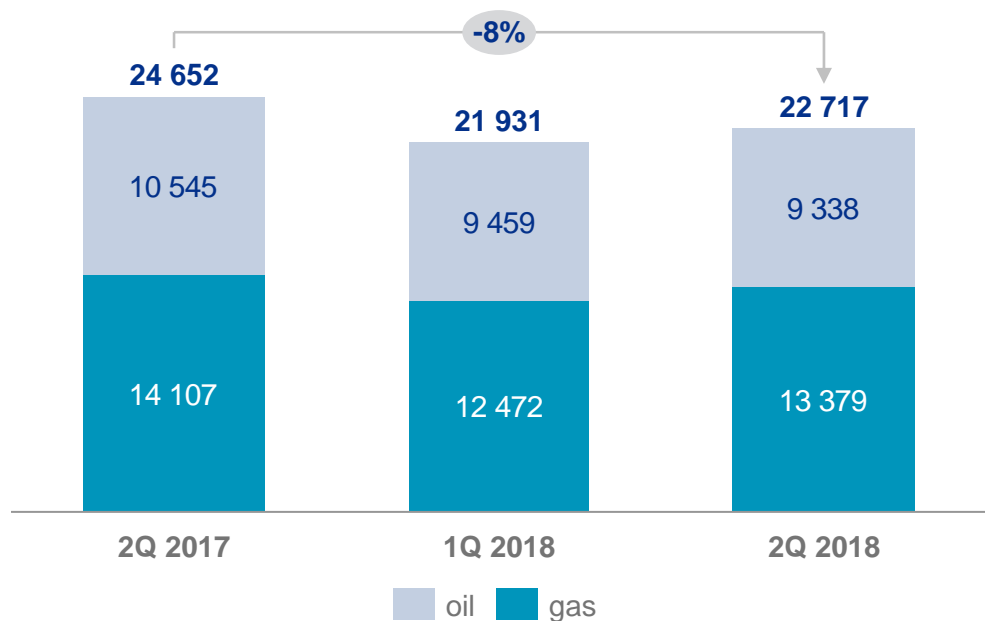
Reserves<sup>(1)</sup> **3,5 mmboe**  
 Production<sup>(2)</sup> **0,8 kboe/d**

Lifting costs Lithuania: **16 USD/boe**<sup>(3)</sup>

(1) 2P Reserves as of 31.06.2018  
 (2) Average daily production for 1H 2018  
 (3) Average lifting costs for 1H 2018

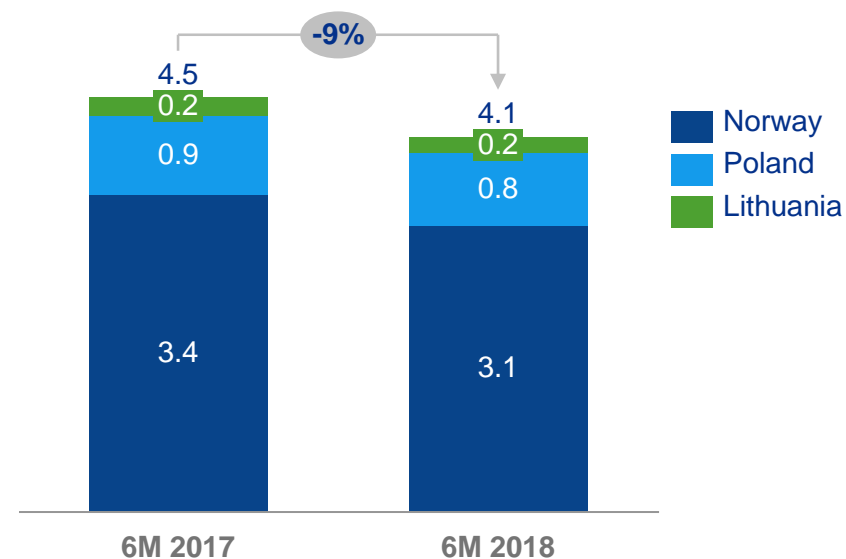
Daily quarterly production

boe/d

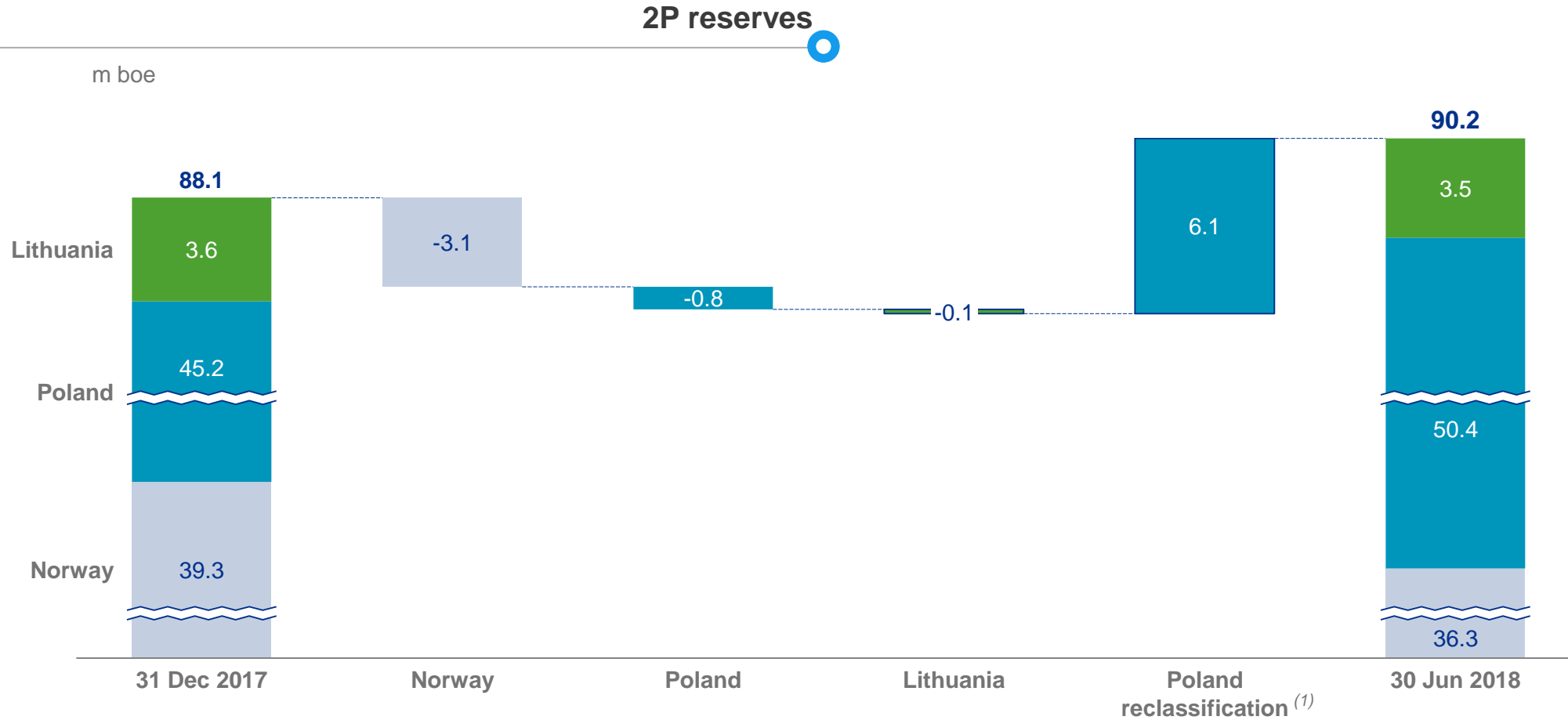


Overall half year production

m boe



Total recoverable reserves comparing with 31.12.2017



(1) Upward revision of 2P reserves for B3 field, due to extension of the license

Upstream

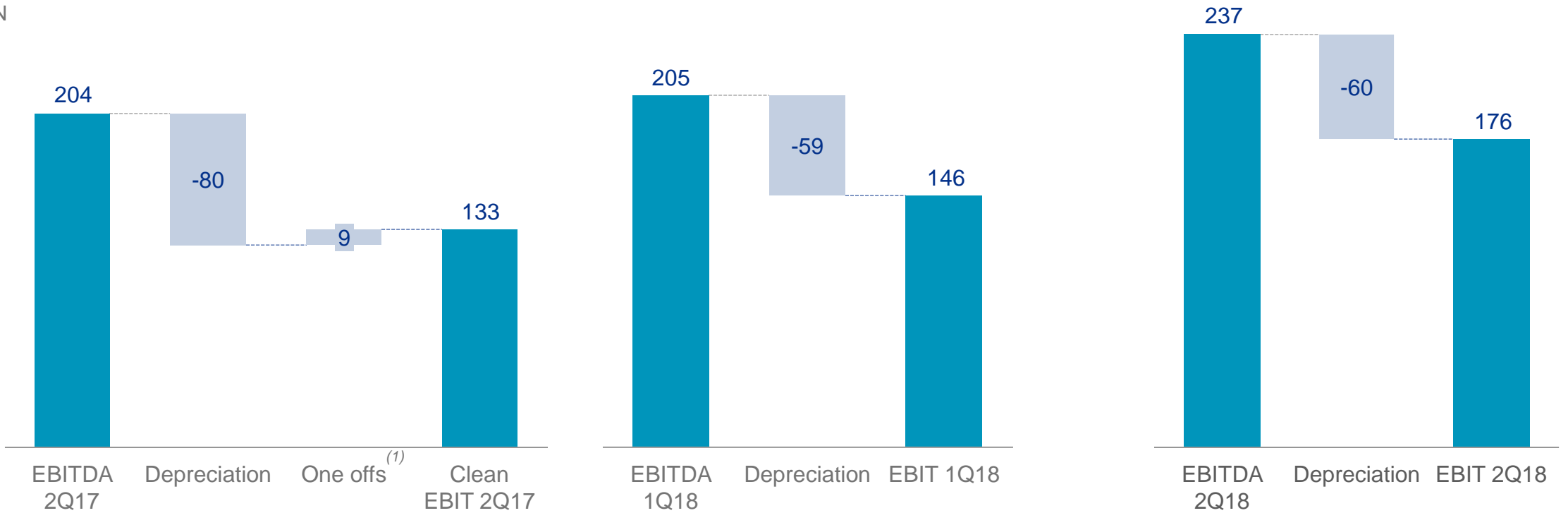
Quarterly upstream clean EBITDA evolution

2Q 2017

1Q 2018

2Q 2018

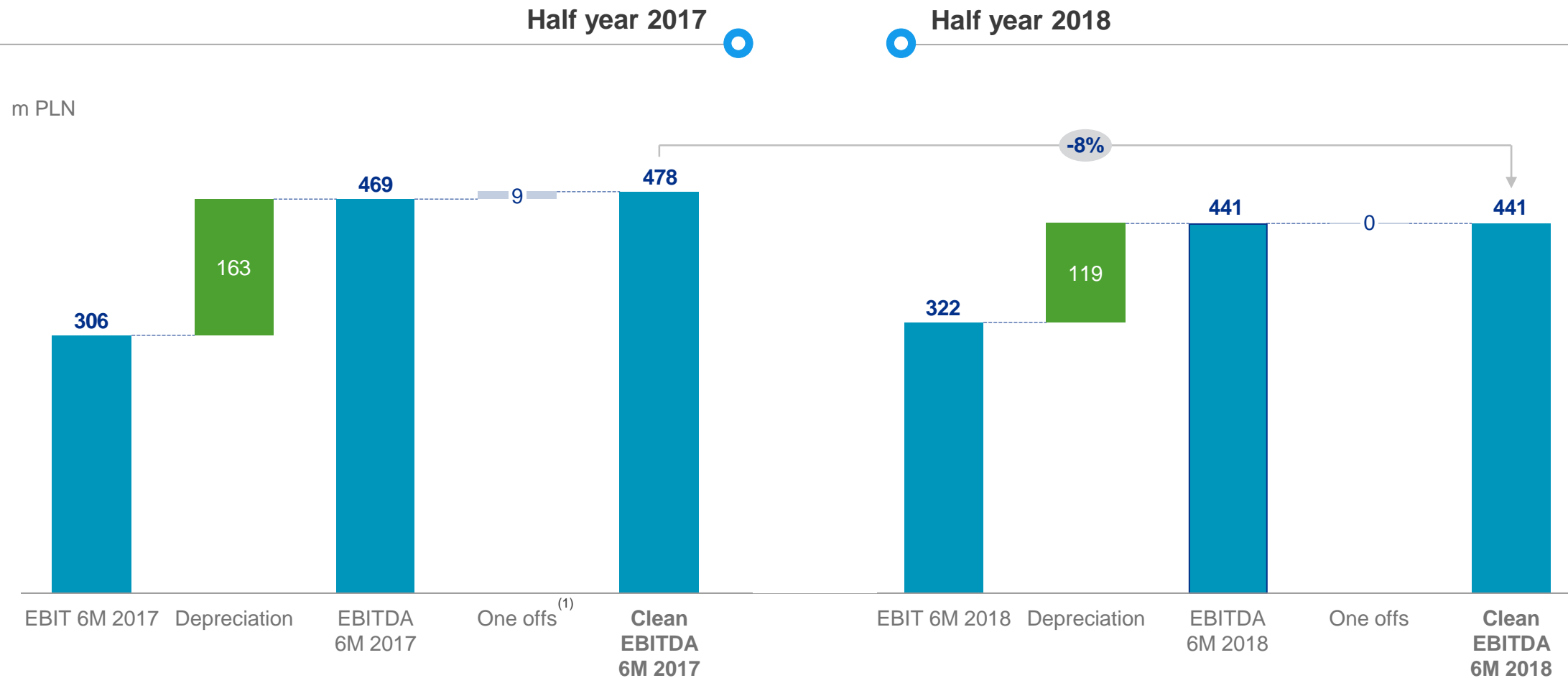
m PLN



(1) balance of assets impairments and other revaluations



Upstream  
Half year EBITDA evolution



(1) Balance of assets impairments and other revaluations

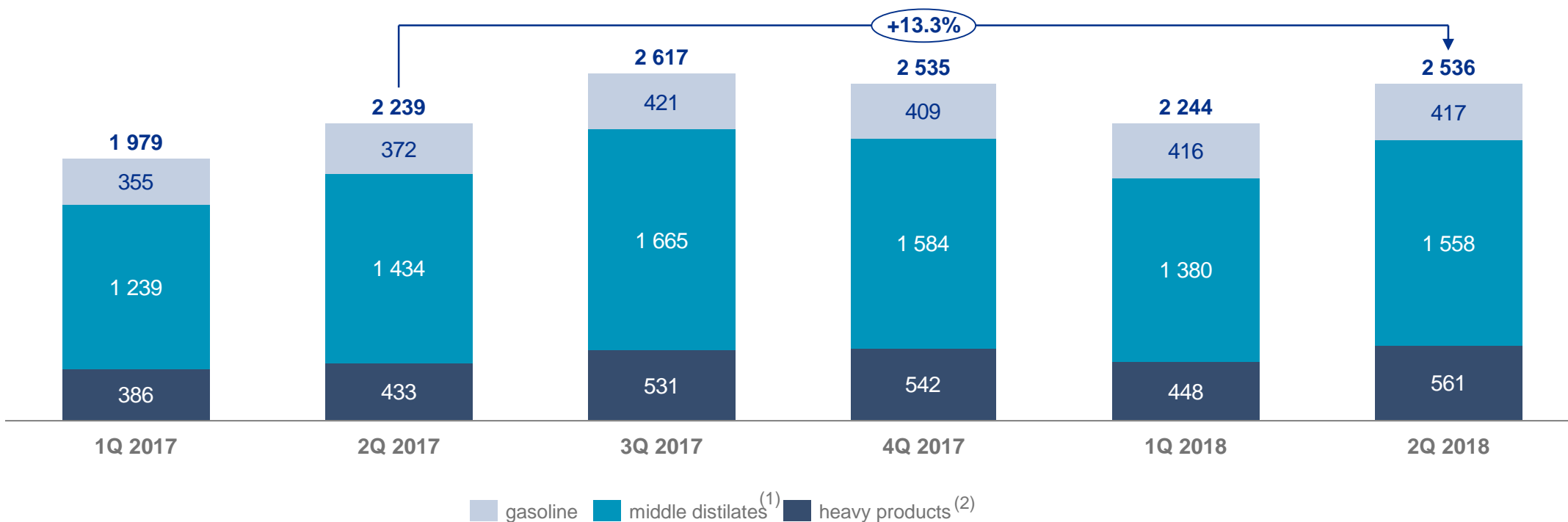


## Downstream

Financial results HY 2018

### Volume of sales of key refining products

thousand tons



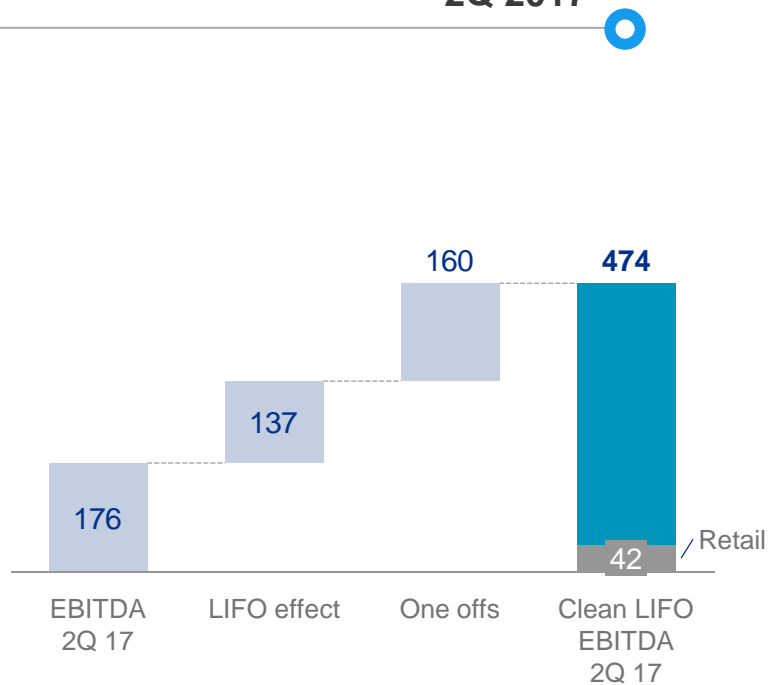
(1) middle distillates including : diesel, light heating oil and jet fuel

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

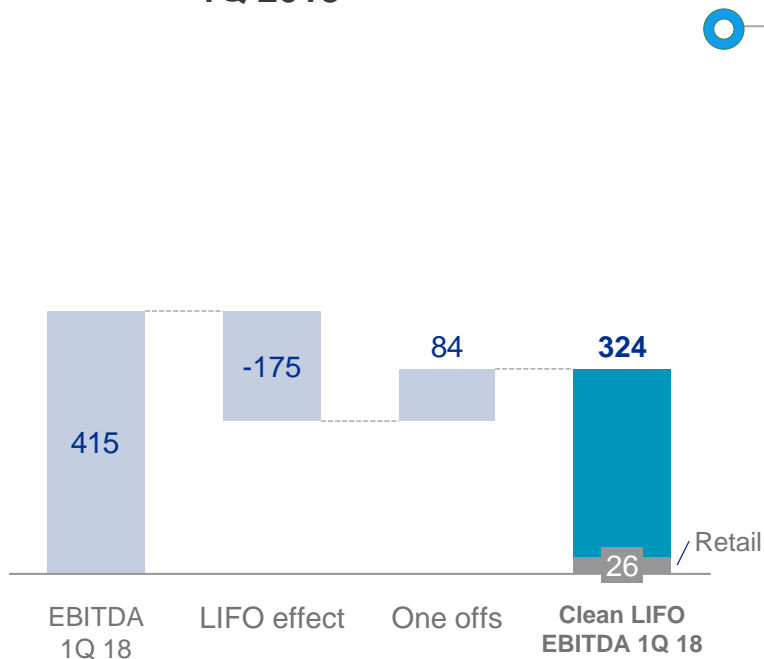
Quarterly downstream EBITDA evolution



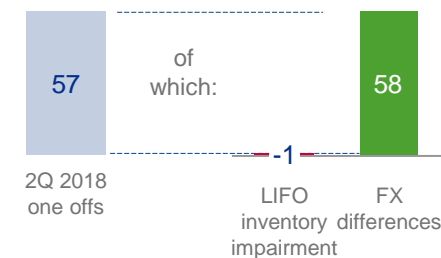
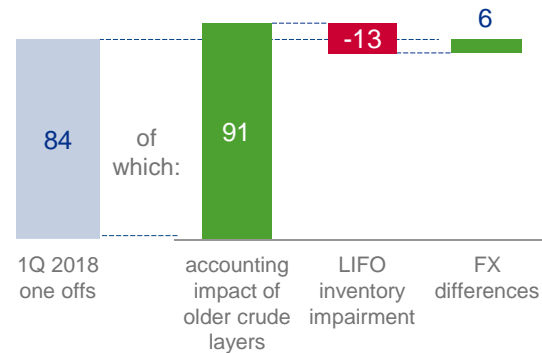
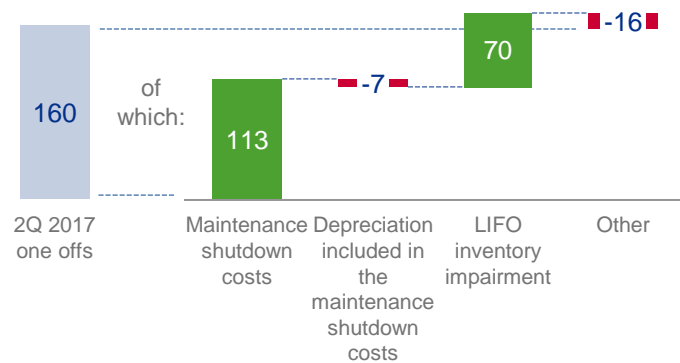
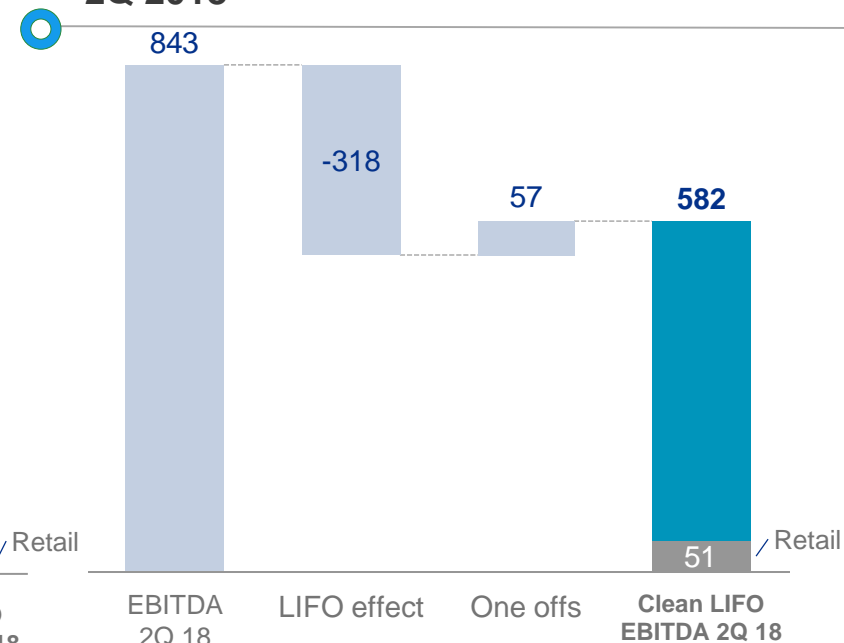
2Q 2017



1Q 2018

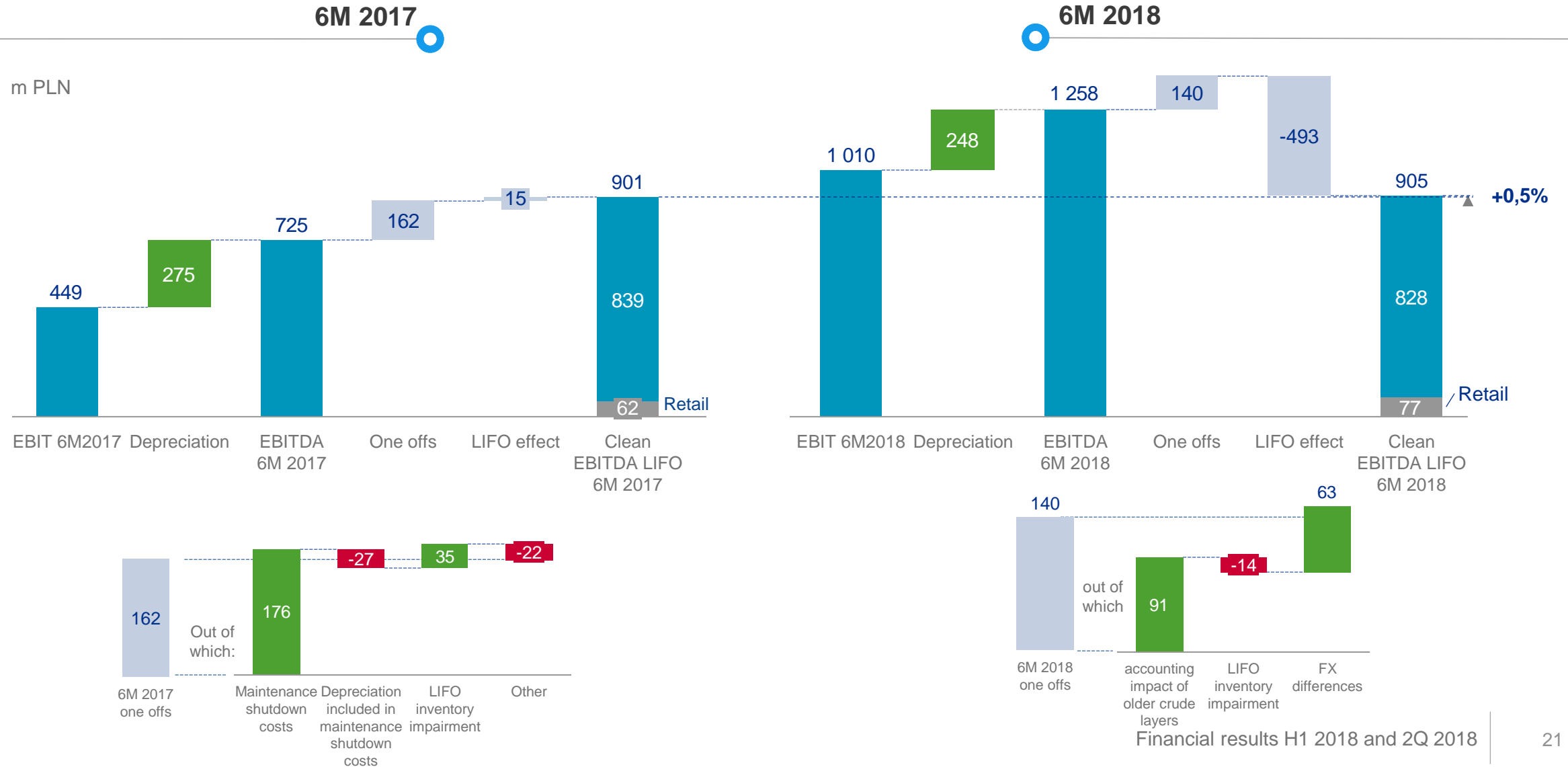


2Q 2018

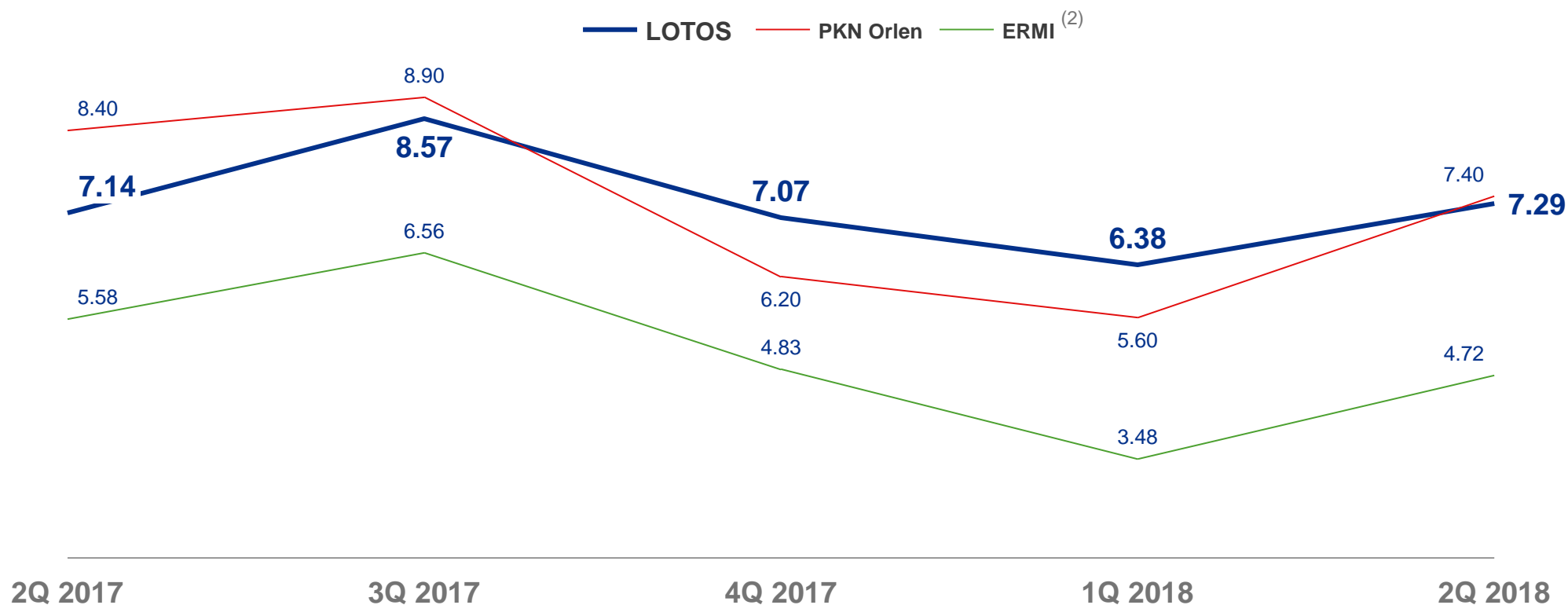


Downstream

Half year downstream EBITDA evolution



Model refining margin evolution (USD/bbl) <sup>(1)</sup>



(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)

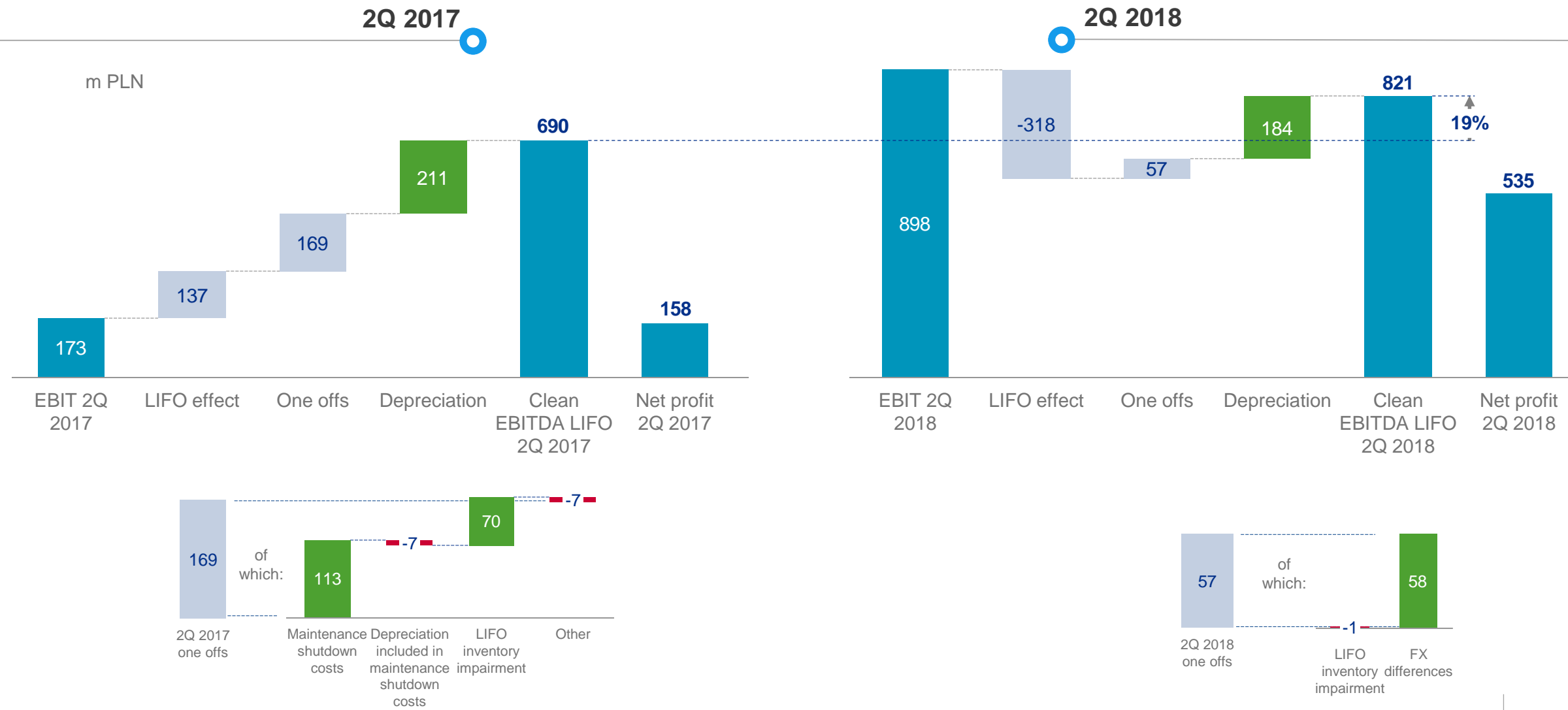
(2) Total; European Refining Margin Indicator (ERMI) – indicator intended to represent the margin after variable costs for a hypothetical complex refinery located around Rotterdam in Northern Europe that processes a mix of crude oil and other inputs commonly supplied to this region to produce and market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



## Consolidated financial results

Financial results HY 2018

Decomposition of 2Q 2018 vs 2Q 2017 consolidated financial results



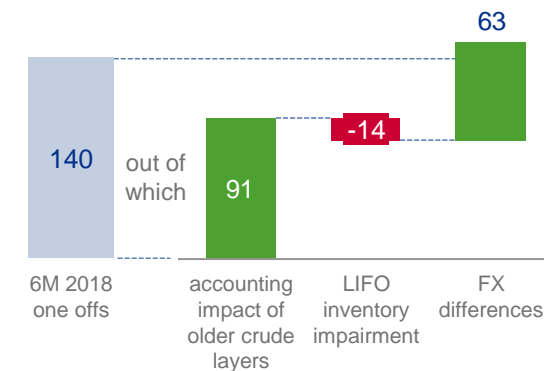
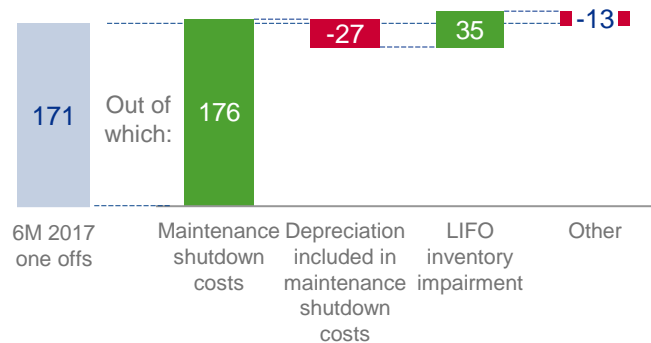
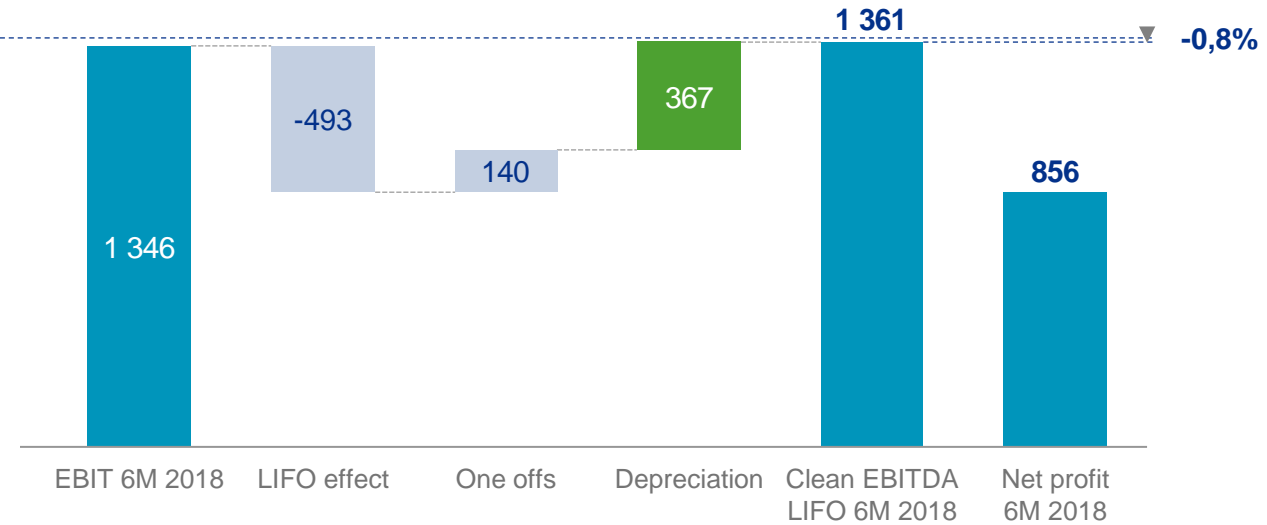
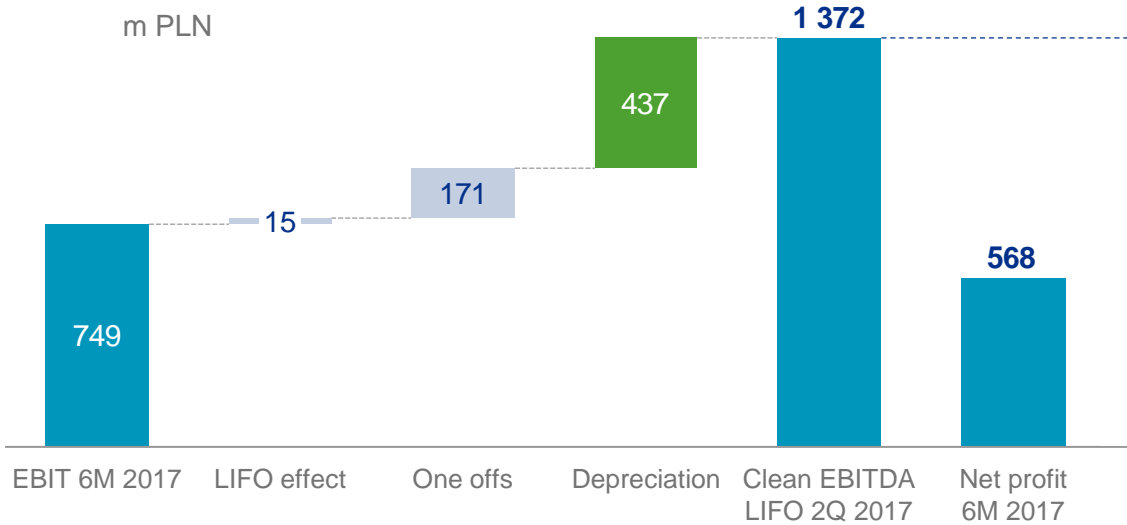


Consolidated financial results

Decomposition of Half year operating results

Half year 2017

Half year 2018

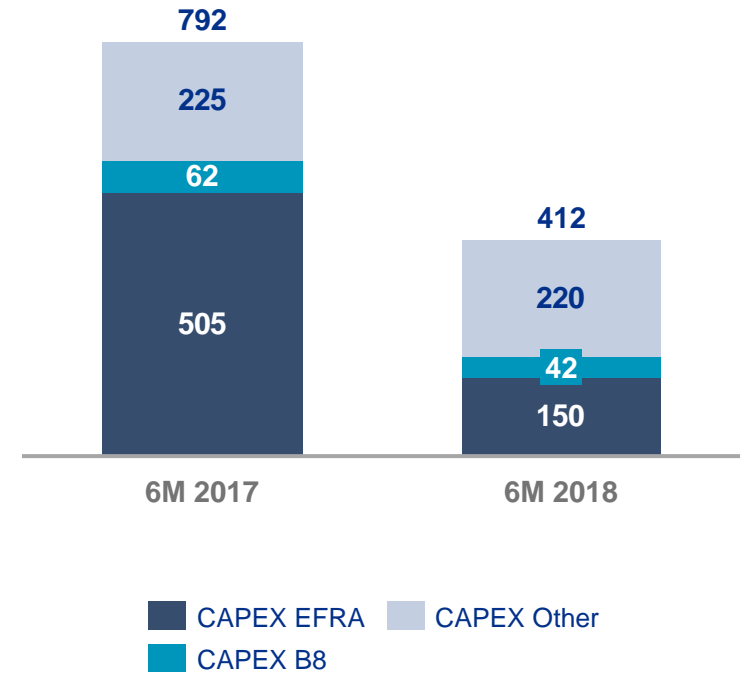
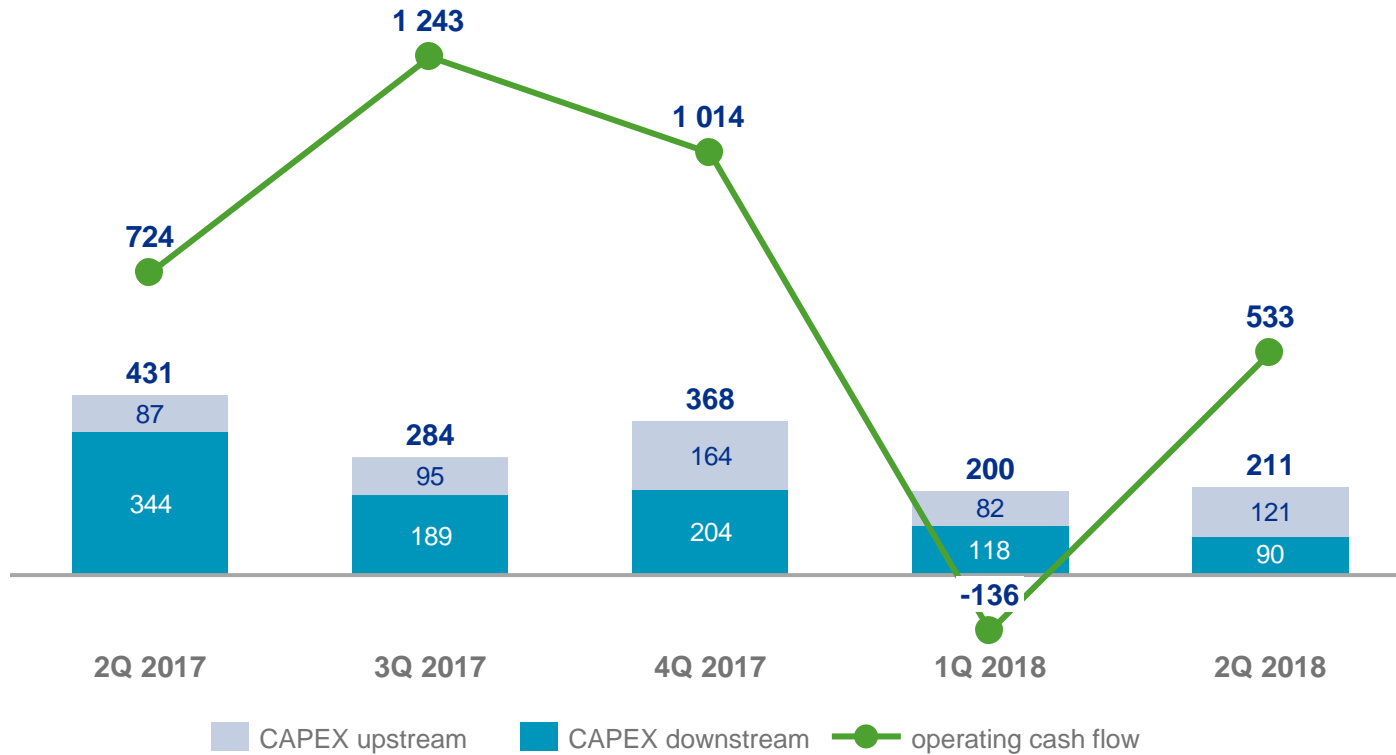


Consolidated financial results  
**Operating cash flows vs CAPEX**

Quarterly

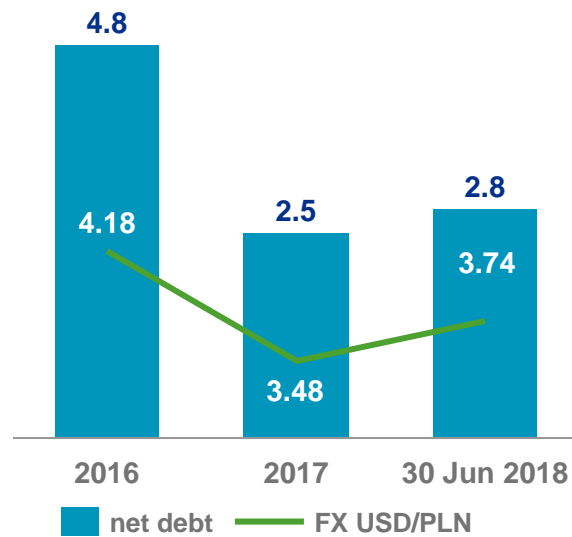
6M 2018

m PLN

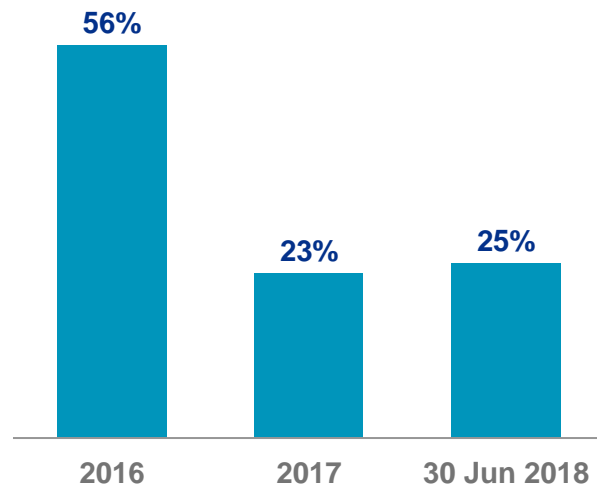


Net debt <sup>(1)</sup>

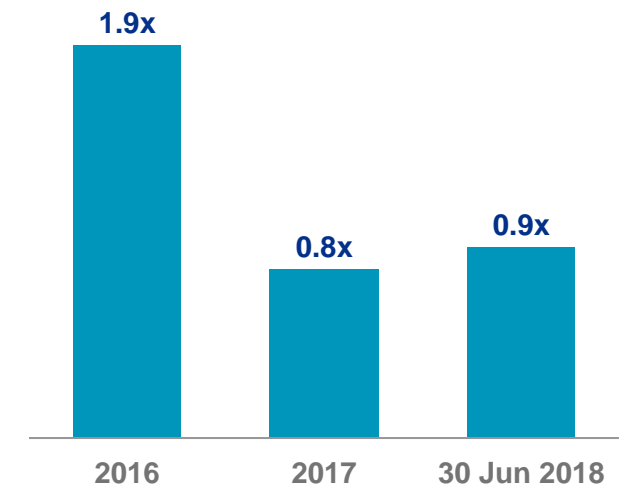
bn PLN



Gearing ratio <sup>(2)</sup>



Net debt / clean LIFO EBITDA <sup>(3)</sup>



(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.



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