

GRUPA LOTOS Consolidated financial results 2Q 2019 and 1H 2019

August 20th, 2019



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Consolidated financial results 2Q 2019 and 1H 2019



Key highlights

Consolidated financial results 2Q 2019 and 1H 2019

Key highlights

2Q 2019 and HY 2019

- Half year cumulative LIFO EBITDA ⁽¹⁾ exceeding 1.4bn, up by 4% yoy
- Quarterly LIFO EBITDA ⁽¹⁾ reached 783m PLN, 5% decrease (yoy)
- 555m PLN dividend approved by the Annual General Shareholders meeting (3 PLN per share) ⁽²⁾
- Reaching the Ready For Start Up (RFSU) status by a key EFRA Project installation: Delayed Coking Unit
- Managed to smoothly overcome the „chlorides crisis” keeping the utilisation of the refinery at originally planned level

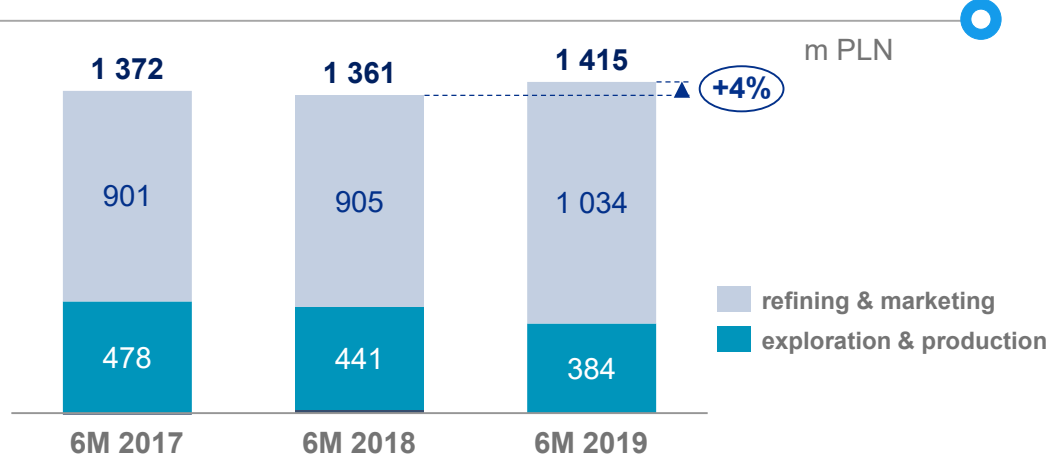
(1) Net of one off items

(2) Dividend day set on September 12th 2019

Key highlights
Half year of 2019

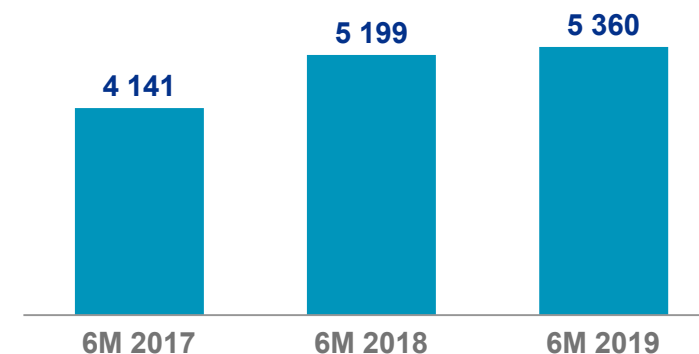


LIFO EBITDA ⁽¹⁾



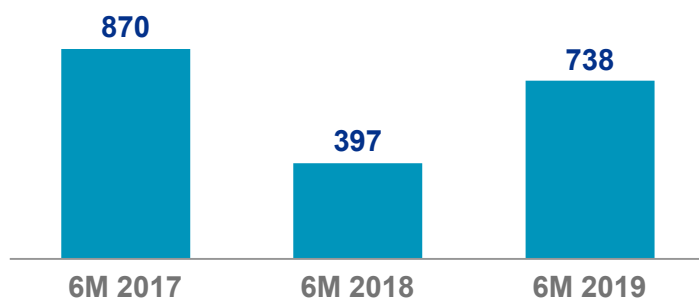
Refining & marketing – crude oil throughput in Gdańsk

k tons



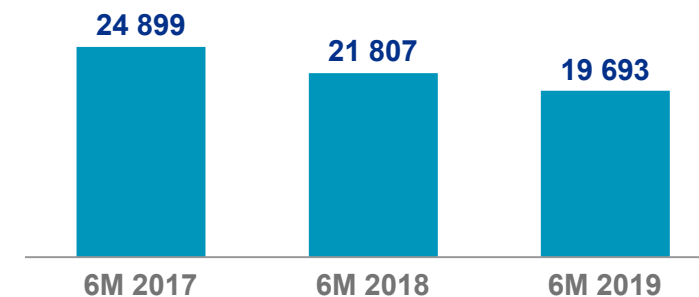
Operating cash flow

m PLN



Exploration & production – daily hydrocarbons production ⁽²⁾

boe/d



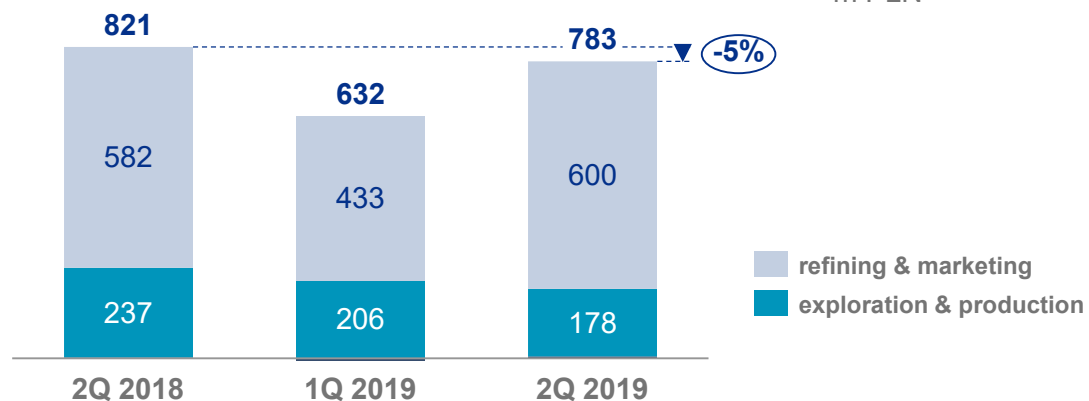
(1) excluding one off items; segment results may not sum up due to consolidation adjustments
(2) barrels of oil equivalent (crude oil + natural gas); total production for the period / number of calendar days

Key highlights
2Q 2019



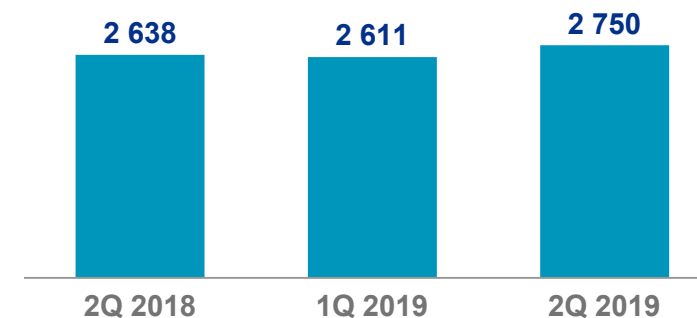
LIFO EBITDA ⁽¹⁾

m PLN



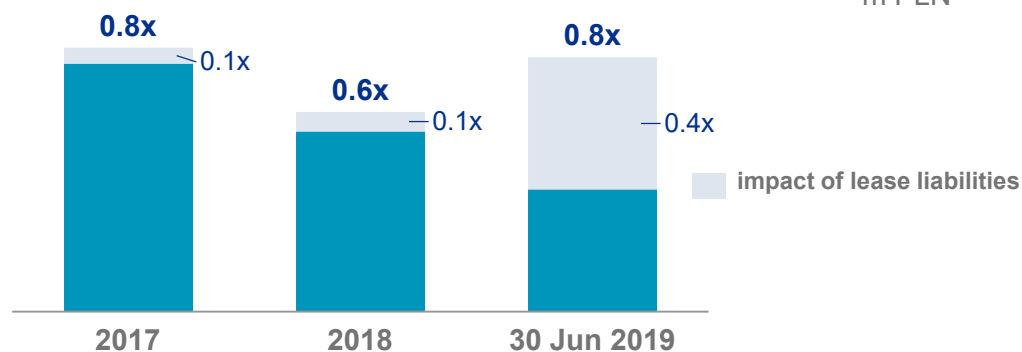
Refining & marketing - crude oil throughput

k tons



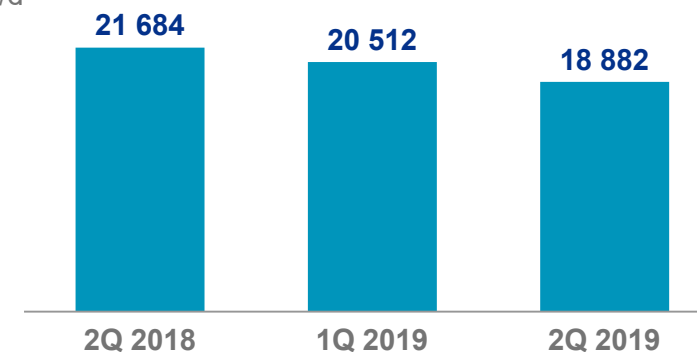
Net debt / LIFO EBITDA ⁽²⁾

m PLN




Exploration & production – daily hydrocarbons production ⁽³⁾

boe/d



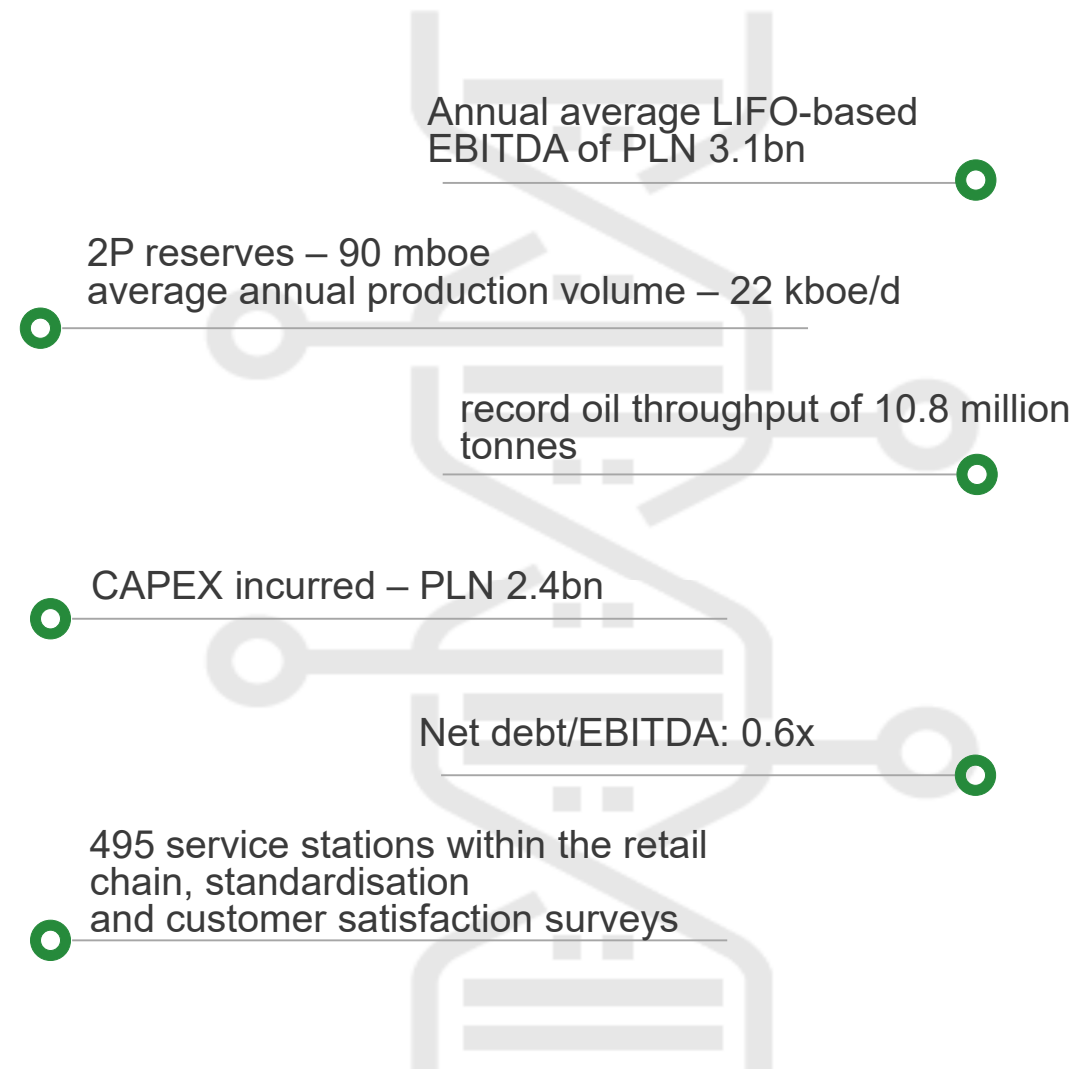
(1) excluding one off items; segment results may not sum up due to consolidation adjustments
 (2) excluding one off items
 (3) barrels of oil equivalent (crude oil + natural gas); total production for the period / number of calendar days



 **Strategy execution 2017 – 2018**
Consolidated financial results 2Q 2019 and 1H 2019

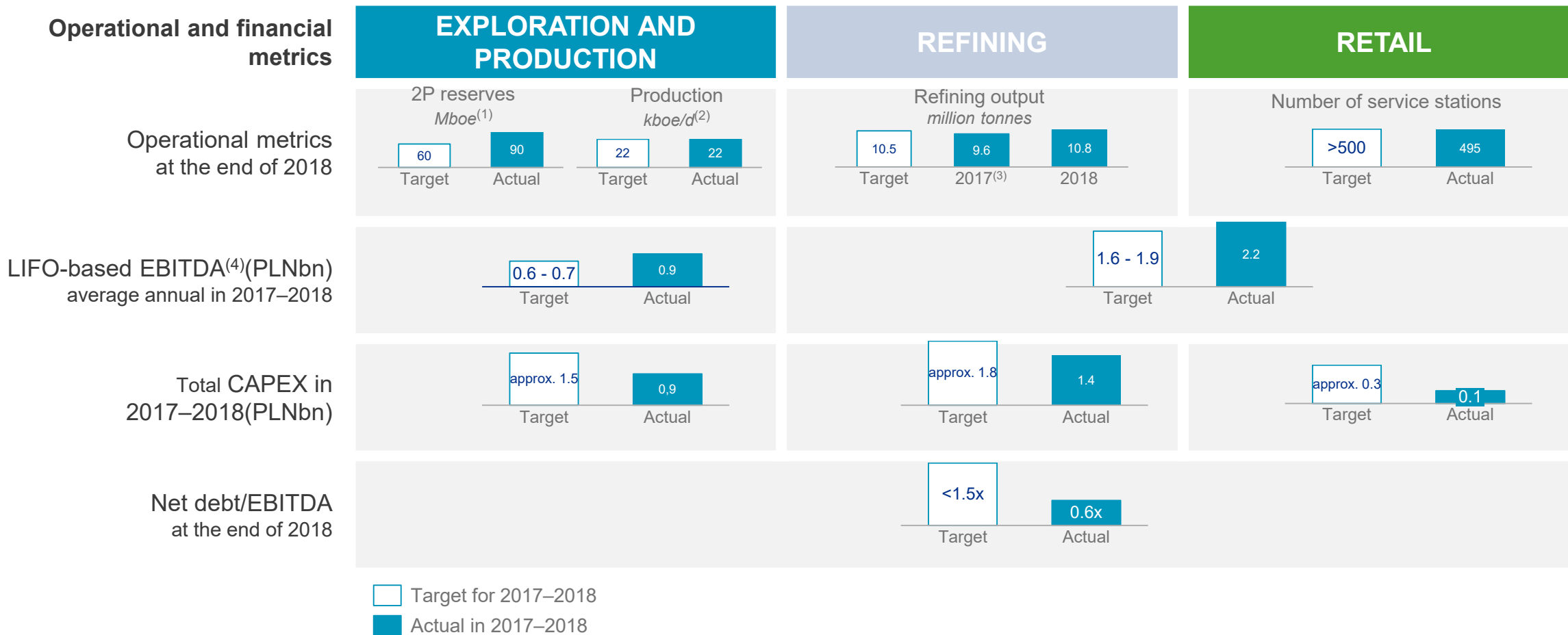
We have delivered key strategic objectives for 2017–2018, ensuring stability and conditions for sustainable growth ⁽¹⁾

- Two years into the strategy, the financial condition of Grupa LOTOS is stable in terms of cash flows and debt reduction.
- Key operating targets in oil production and processing have been met.
- Operating efficiencies achieved and margin improvement measures put in place to meet the strategic target set in the Efficiency Improvement Programme (PLN 0.2bn per year).
- A portion of capital expenditure re-scheduled to the second strategy period (2019–2022).



(1) Data as of 31 December 2018

Summary of 2017–2018 strategy delivery metrics



(1) 2P reserves: proved and probable

(2) Average annual production volume in barrels of oil equivalent (oil and gas) per day

(3) Year in which the refinery was shut down for maintenance

(4) Net of one-off items



External environment

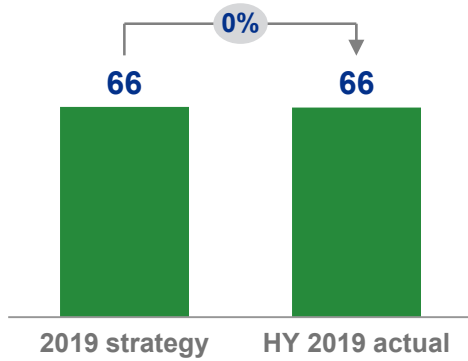
Consolidated financial results 2Q 2019 and 1H 2019

External environment

Macroeconomic environment ⁽¹⁾ vs strategic assumptions ⁽²⁾

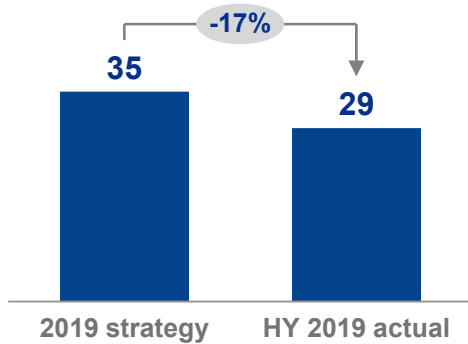
Brent DTD

USD/bbl



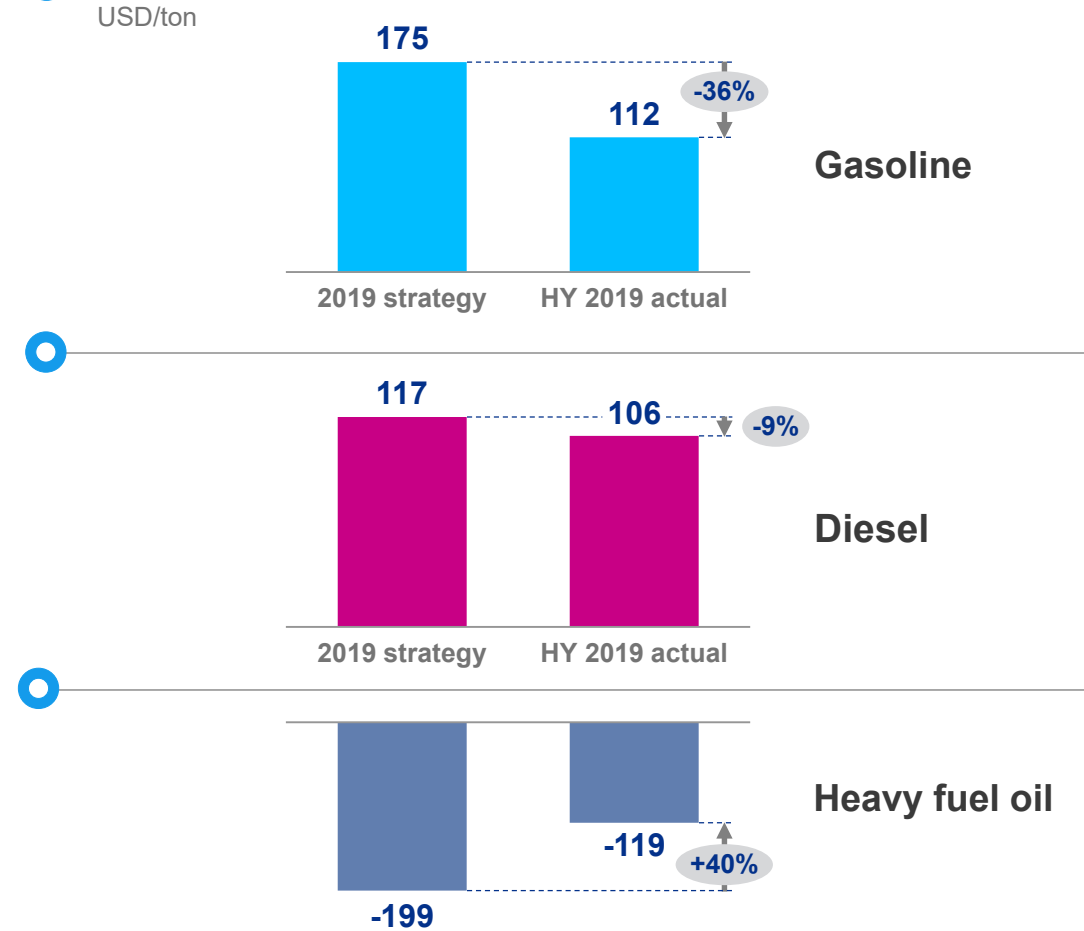
Natural gas

USD/boe



Product crack spreads

USD/ton



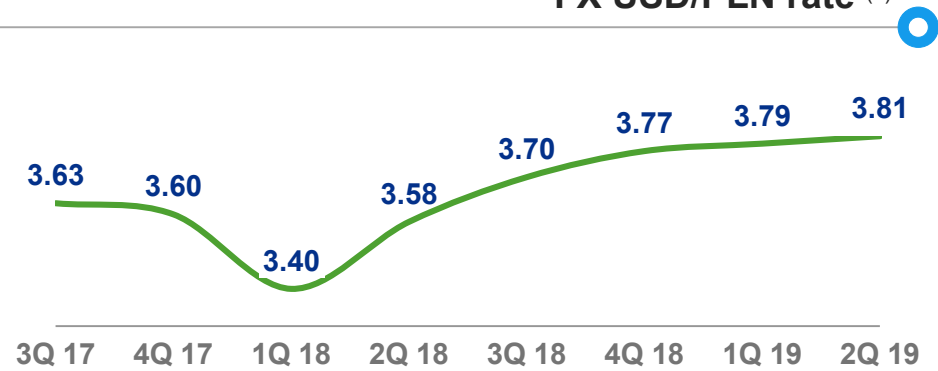
(1) Source: Refinitiv

(2) Average annual 2019 strategic assumptions adopted by LOTOS

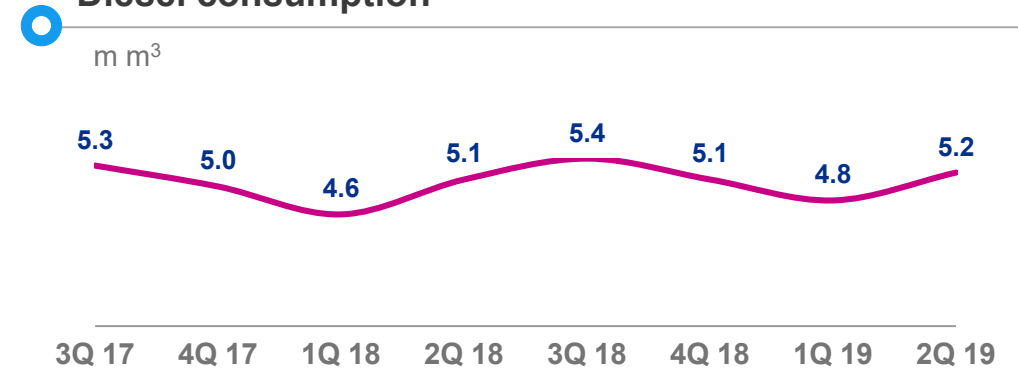
External environment

FX rate, GDP growth, domestic fuel market

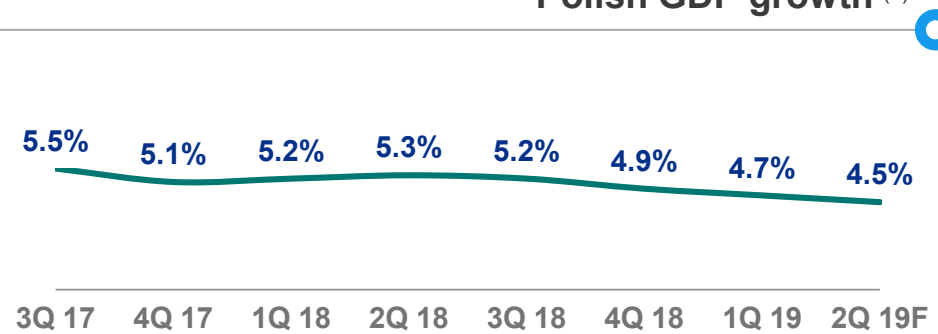
FX USD/PLN rate ⁽¹⁾



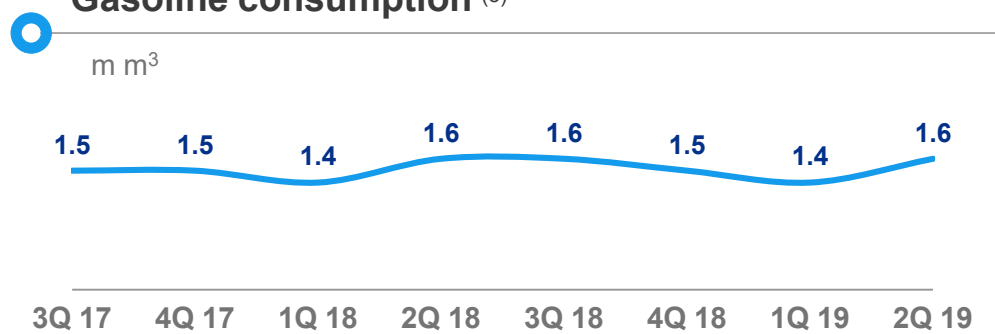
Diesel consumption ⁽³⁾



Polish GDP growth ⁽²⁾



Gasoline consumption ⁽³⁾



(1) National Bank of Poland

(2) Statistics Poland (GUS); 2Q 2019 – National Bank of Poland's forecast

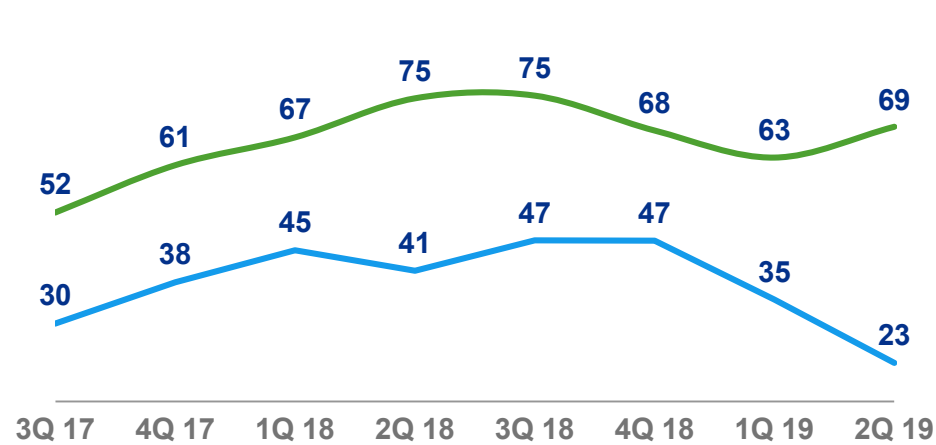
(3) domestic; according to POPIHN – organisation for Oil Trade and Industry

External environment

Crude oil, natural gas and product crack spreads

Crude oil ⁽¹⁾ and nat gas prices ⁽²⁾

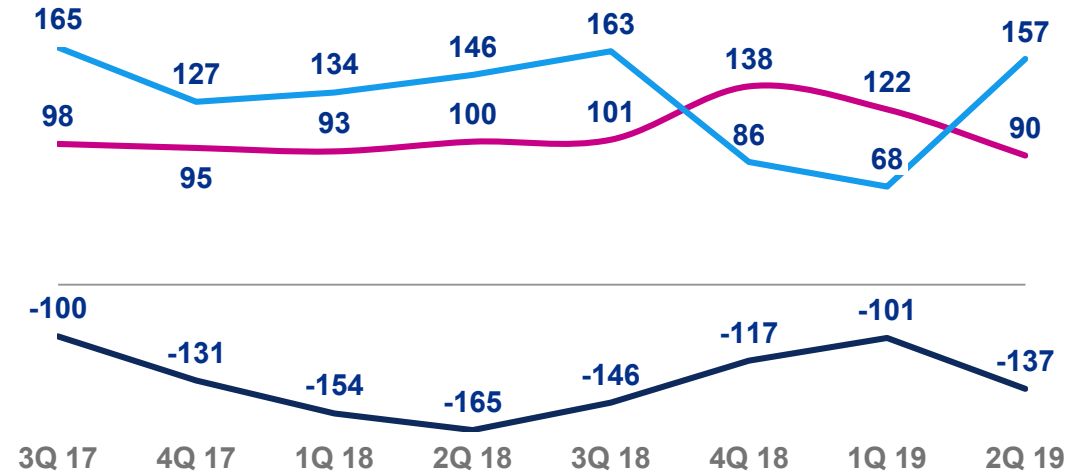
USD



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

Key product crack spreads ⁽¹⁾

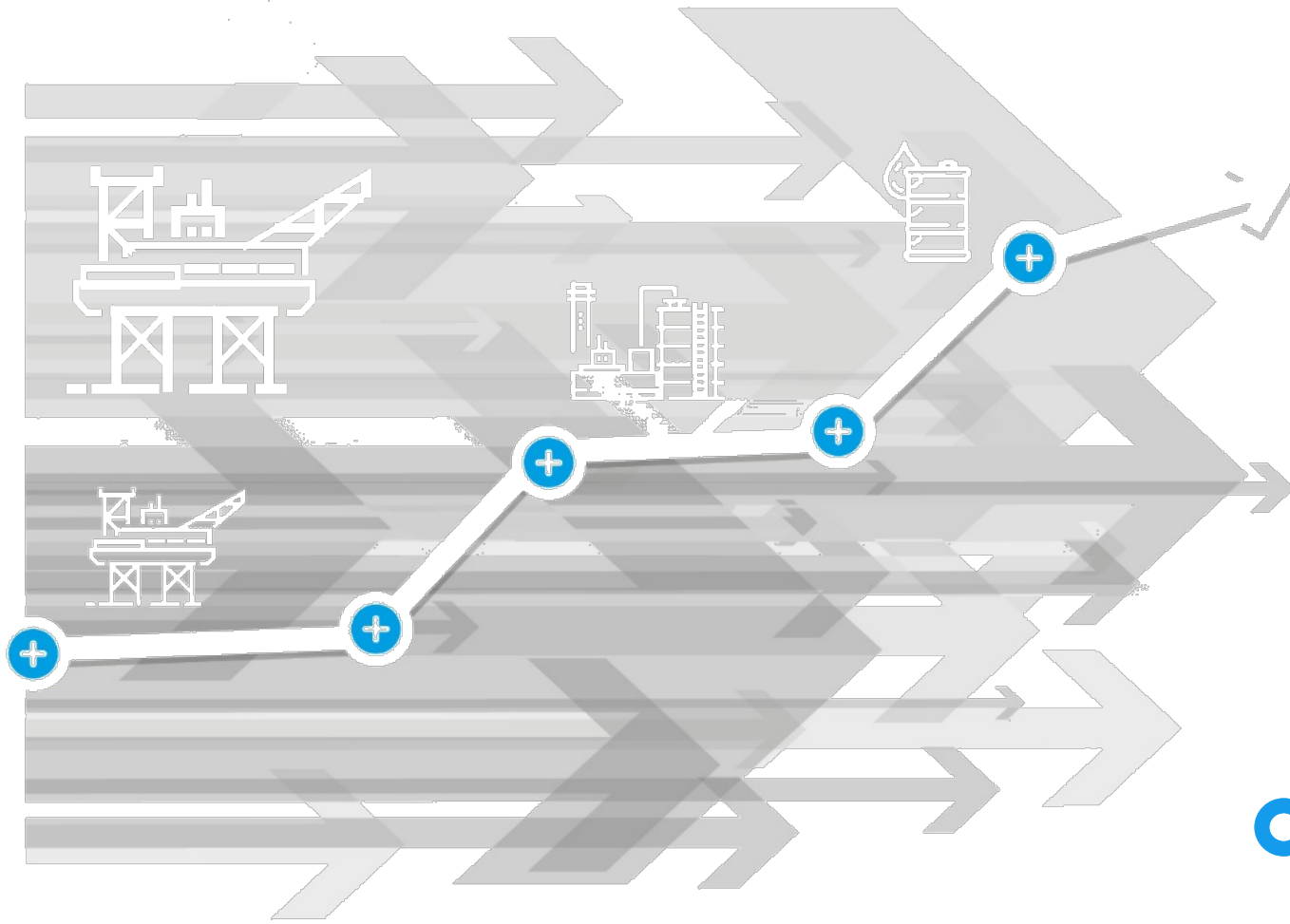
USD/t



— gasoline — diesel — HSFO

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

(2) Source : National Balancing Point



Exploration & production

Consolidated financial results 2Q 2019 and 1H 2019

B8

Baltic Sea



Reserves⁽¹⁾ **35,3** mmboe
Production⁽²⁾ **3,1** kboe/d

B3

Baltic Sea



Reserves⁽¹⁾ **13,4** mmboe
Production⁽²⁾ **1,2** kboe/d

Lifting costs Poland: **34** USD/boe⁽³⁾

Sleipner

North Sea



Reserves⁽¹⁾ **12,6** mmboe
Production⁽²⁾ **12,1** kboe/d

Heimdal

North Sea



Reserves⁽¹⁾ **1,1** mmboe
Production⁽²⁾ **1,8** kboe/d

Lifting costs Norway: **10** USD/boe⁽³⁾

Onshore fields

Lithuania



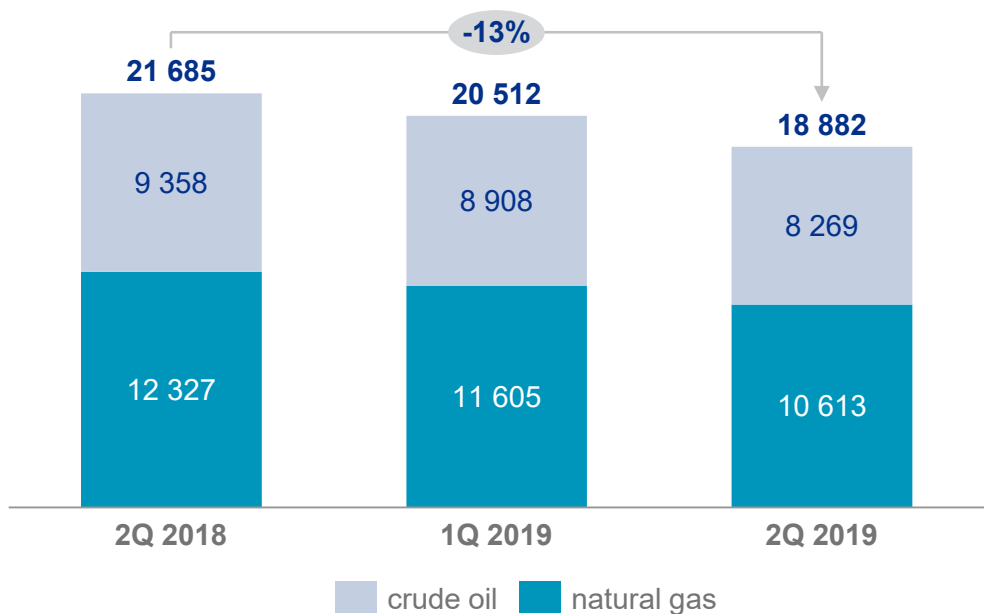
Reserves⁽¹⁾ **2,8** mmboe
Production⁽²⁾ **0,7** kboe/d

Lifting costs Lithuania: **19** USD/boe⁽³⁾

(1) 2P Reserves as of 30.06.2019
(2) Average daily production for 2Q 2019
(3) Average lifting costs for HY 2019

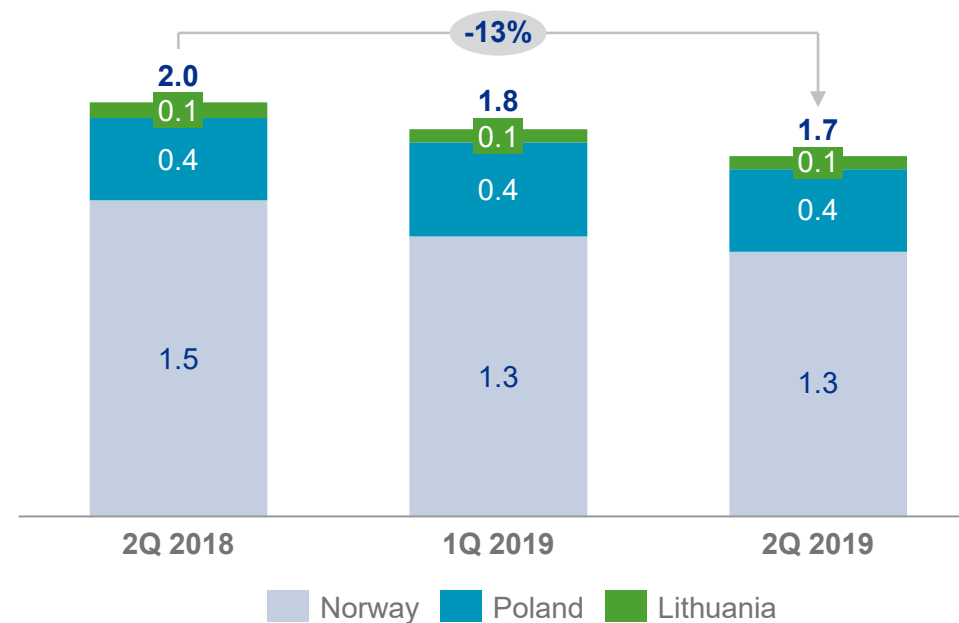
Daily quarterly production

boe/d

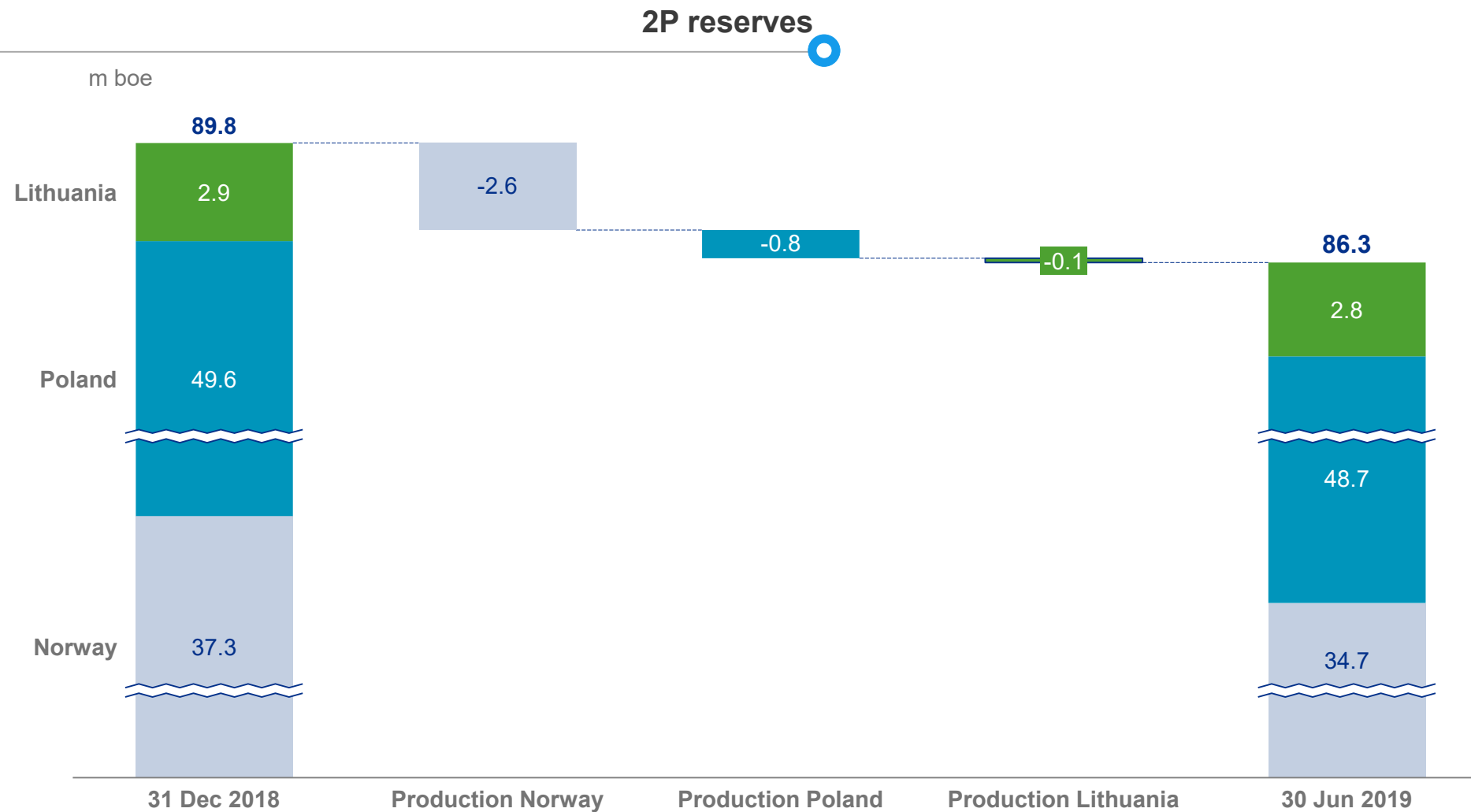


Overall production split

m boe



Total recoverable reserves comparing with 31.12.2018



Exploration & production

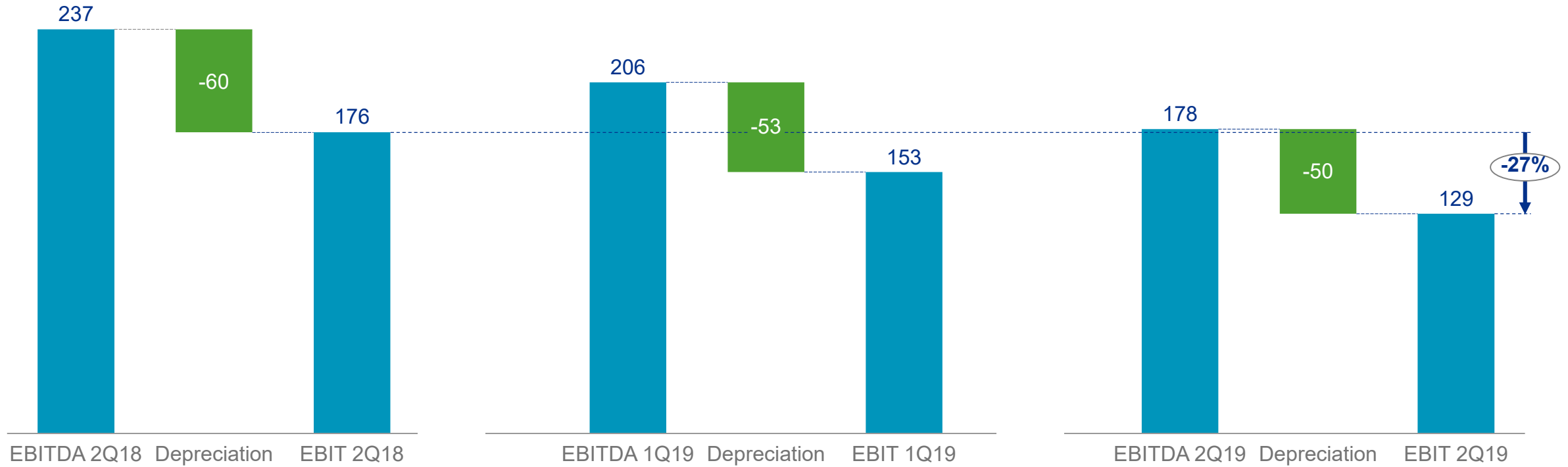
Quarterly exploration & production EBITDA evolution

2Q 2018

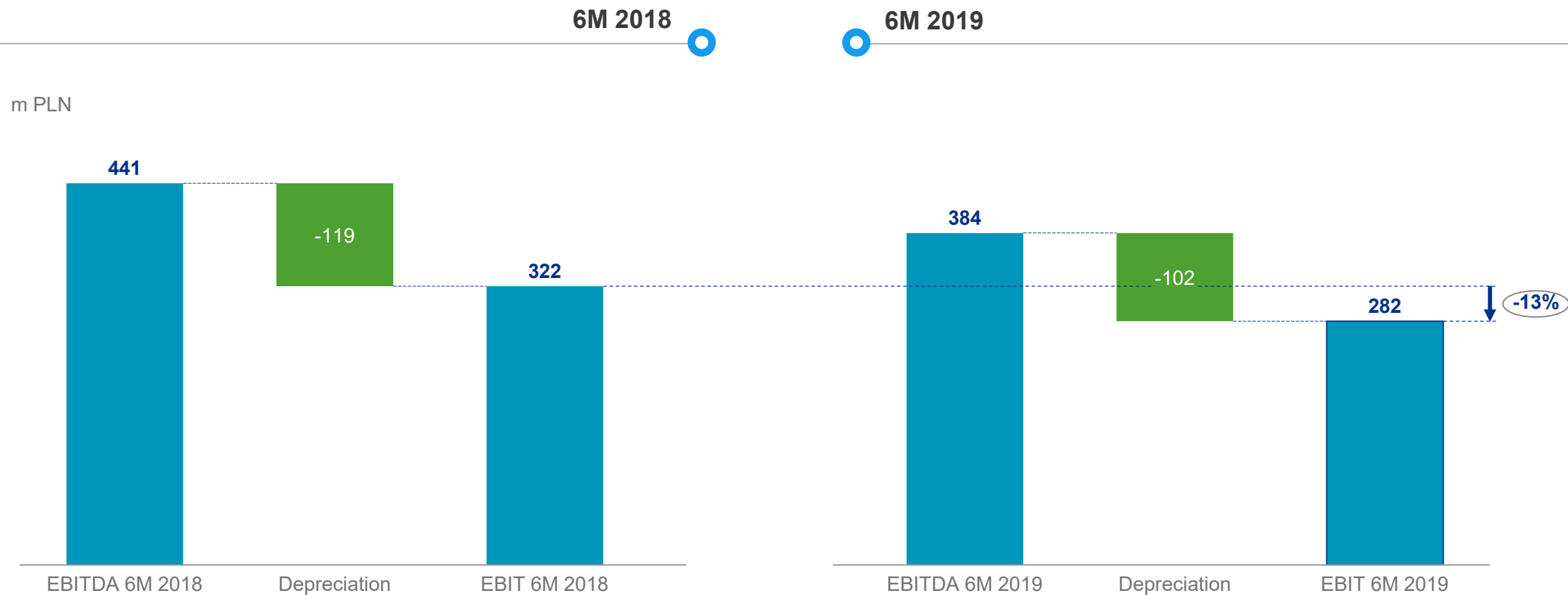
1Q 2019

2Q 2019

m PLN



Half year exploration & production EBITDA evolution



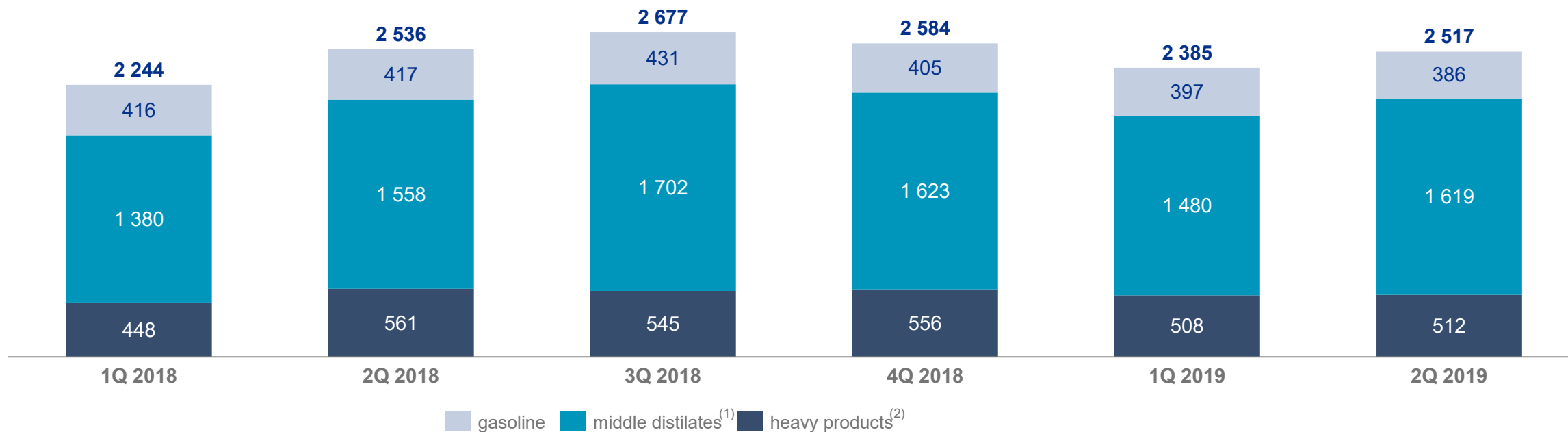


Refining & marketing

Consolidated financial results 2Q 2019 and 1H 2019

Volume of sales of key refining products

thousand tons

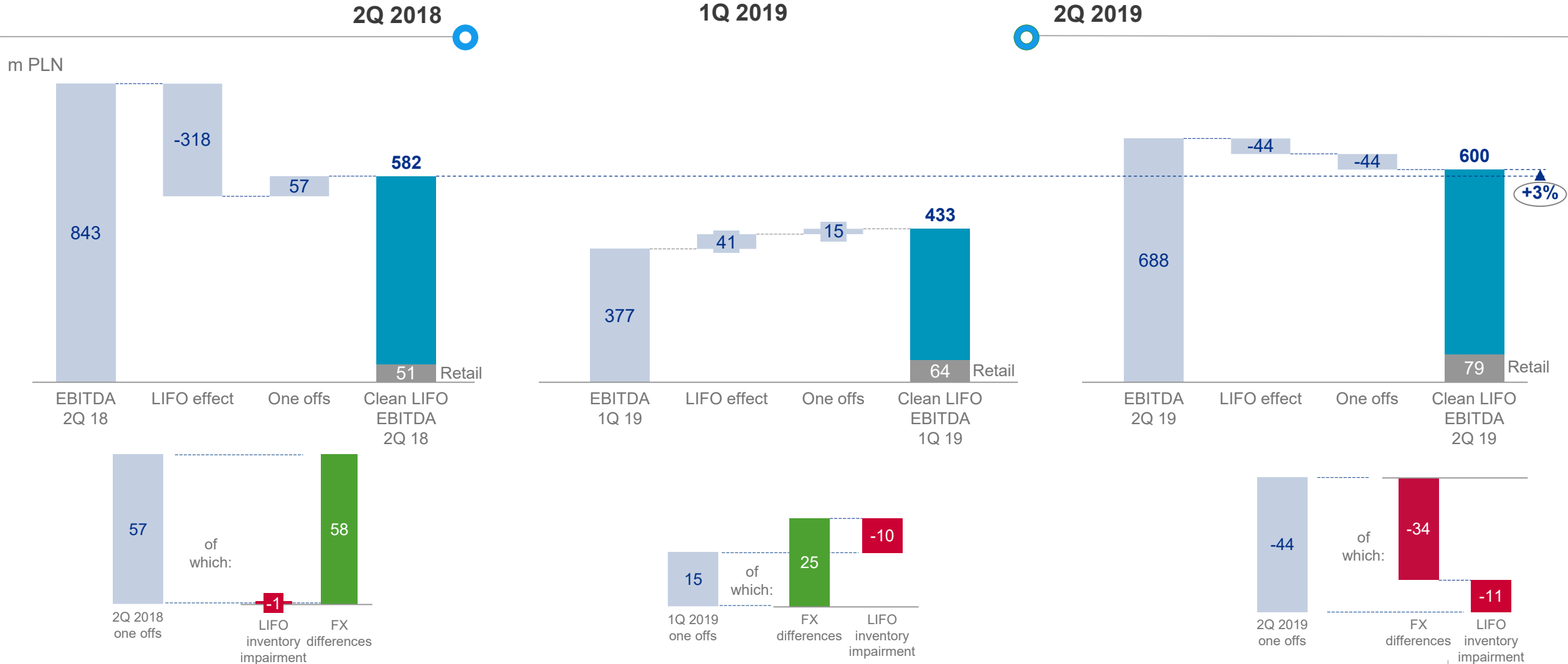


(1) middle distillates including : diesel, light heating oil and jet fuel

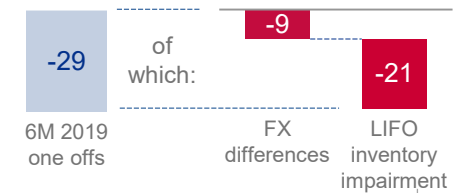
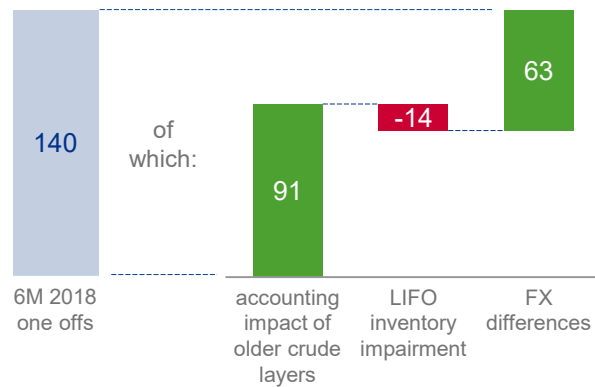
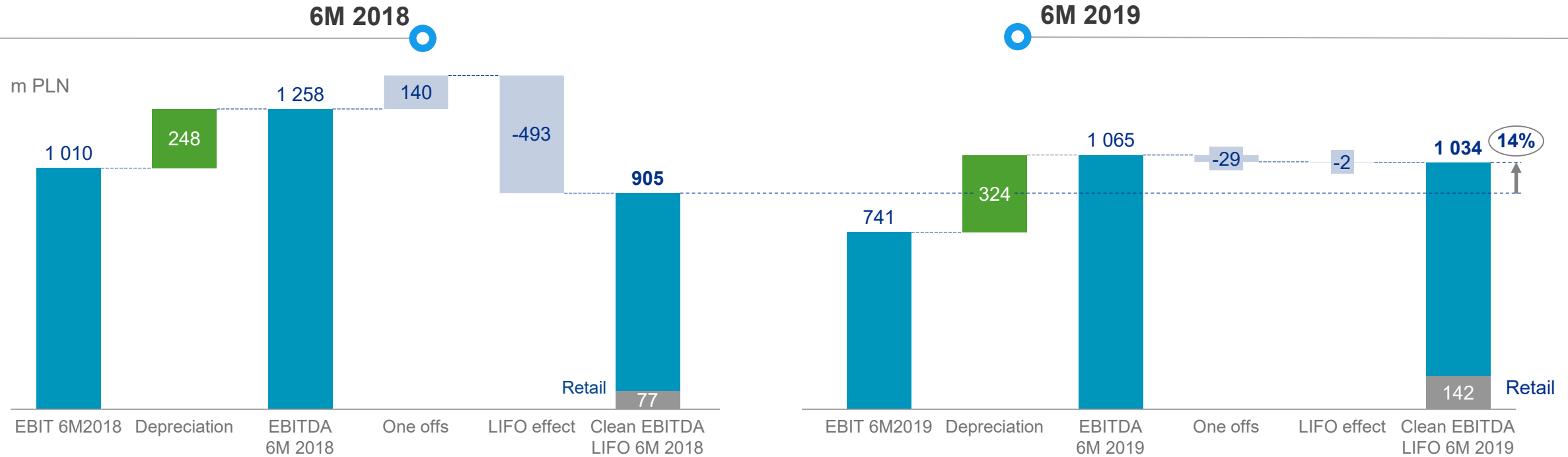
(2) heavy products : heavy sulfur fuel oil and bitumens

Refining & marketing

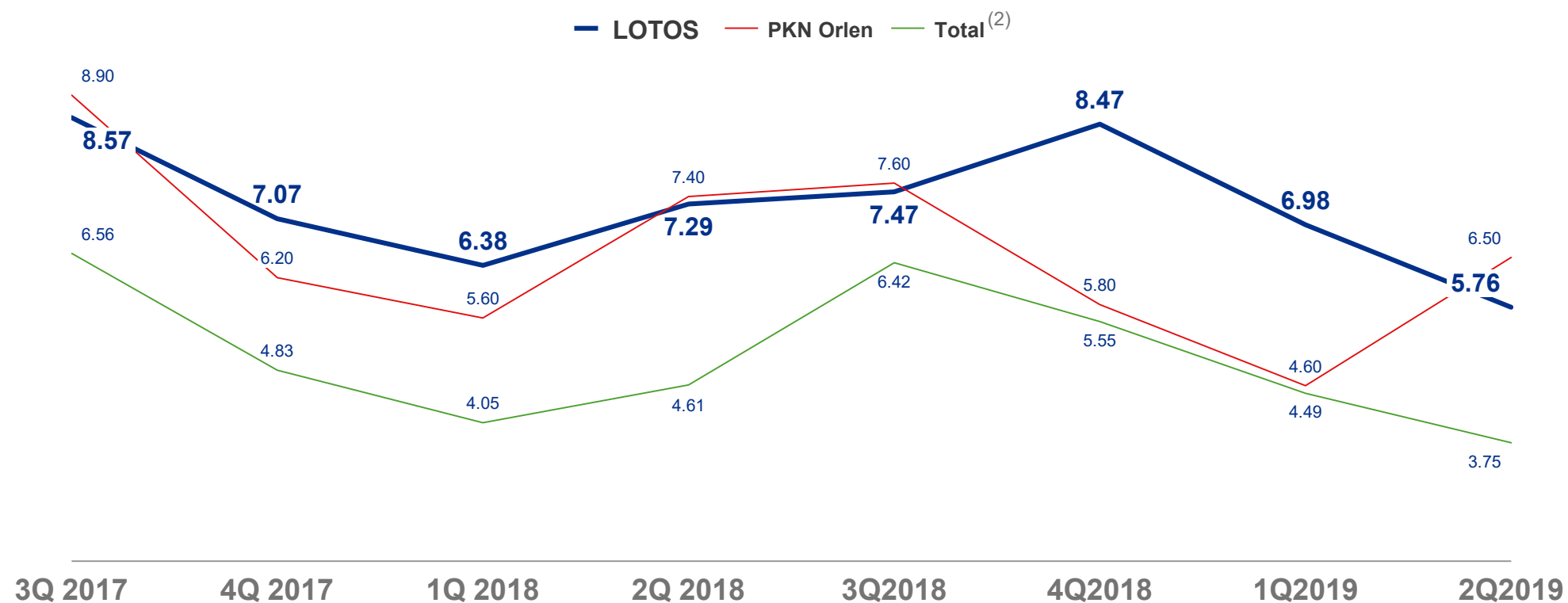
Quarterly refining & marketing clean EBITDA LIFO evolution



Half year refining & marketing clean EBITDA evolution



Model refining margin evolution (USD/bbl) ⁽¹⁾



(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) This indicator represents the average margin on variable costs realized by Total's European refining business (equal to the difference between the sales of refined products realized by Total's European refining and the crude purchases as well as associated variable costs, divided by refinery throughput in tons). The previous ERMI indicator was 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.

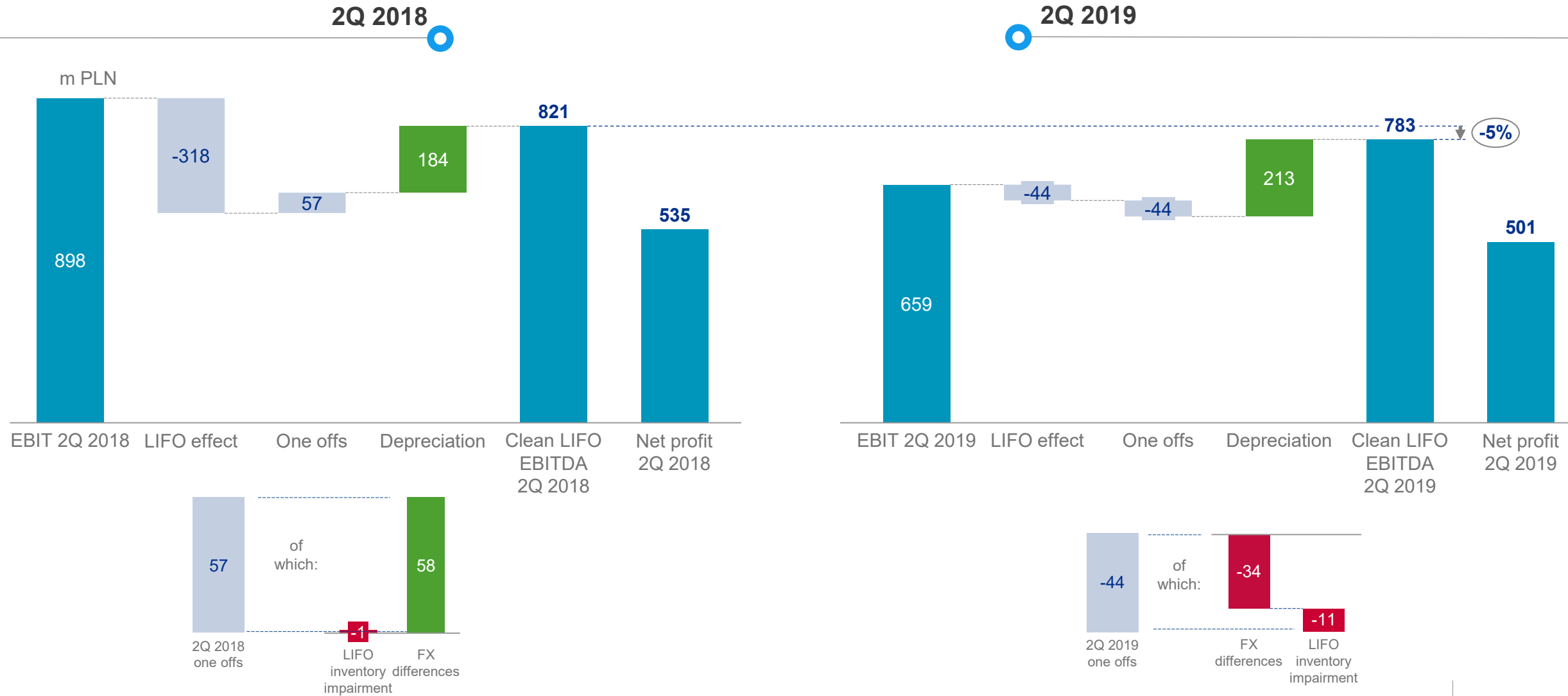


Consolidated financial results

Consolidated financial results 2Q 2019 and 1H 2019

Consolidated financial results

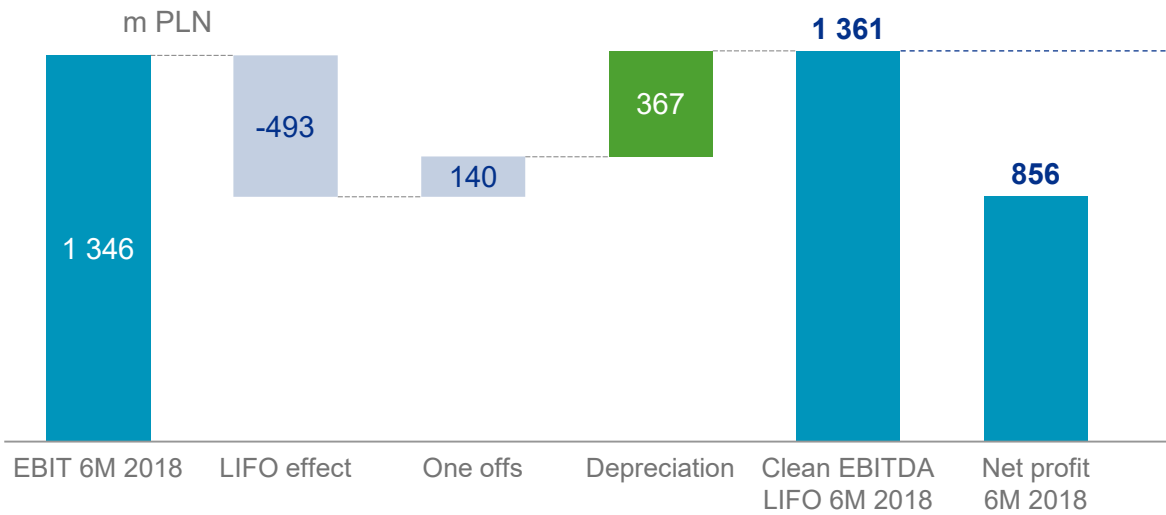
Decomposition of 2Q 2019 vs 2Q 2018 consolidated financial results



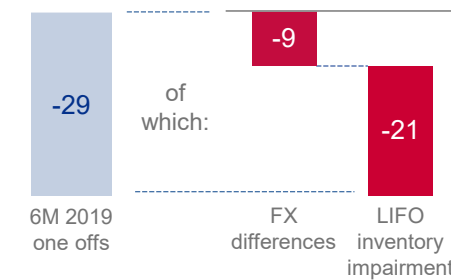
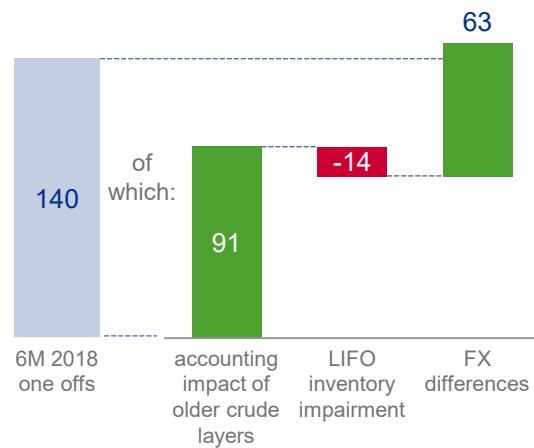
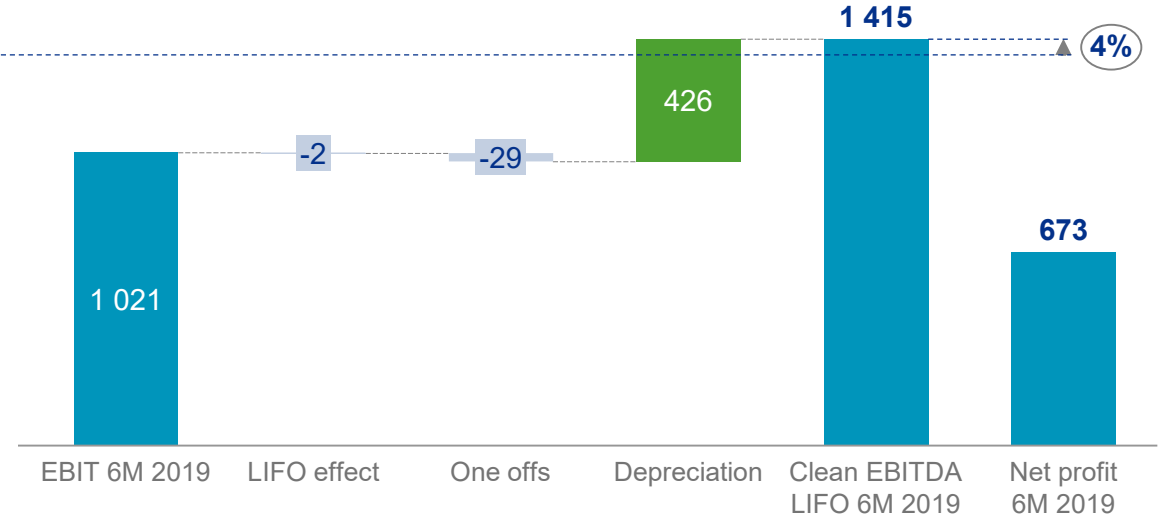
Consolidated financial results

Decomposition of half year cumulative operating results

6M 2018



6M 2019

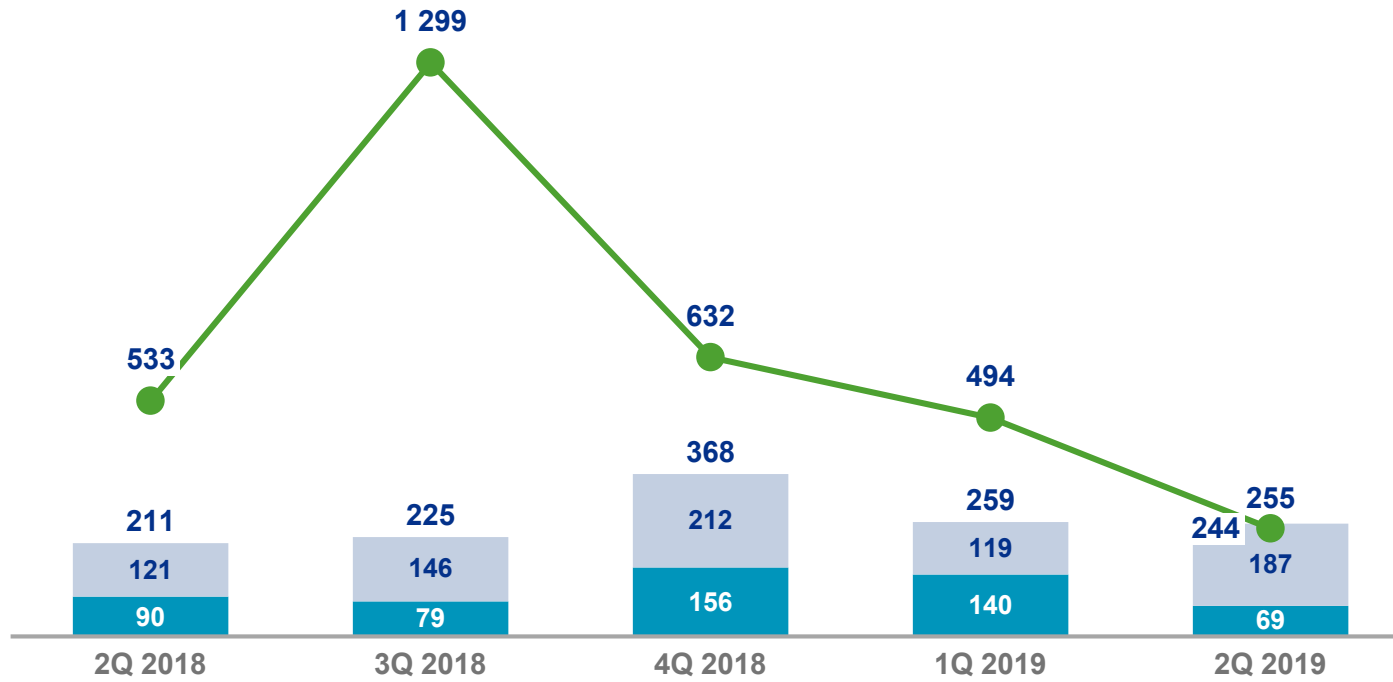


Consolidated financial results
Operating cash flows vs CAPEX

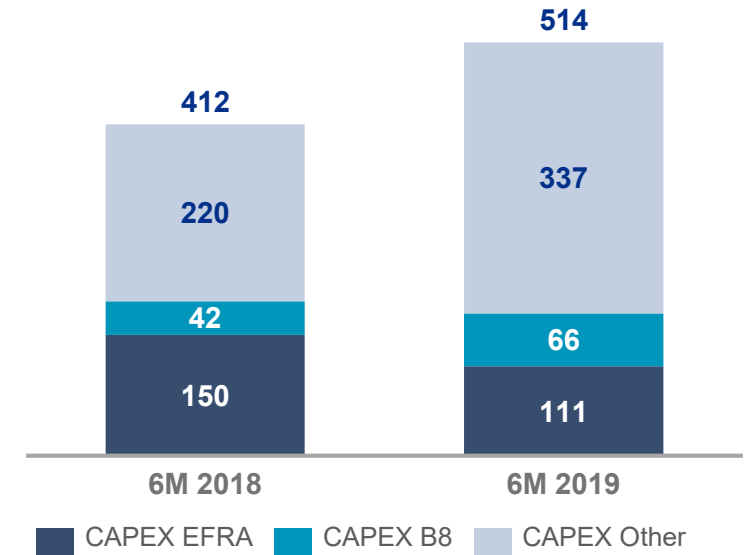
Quarterly

6M 2019

m PLN



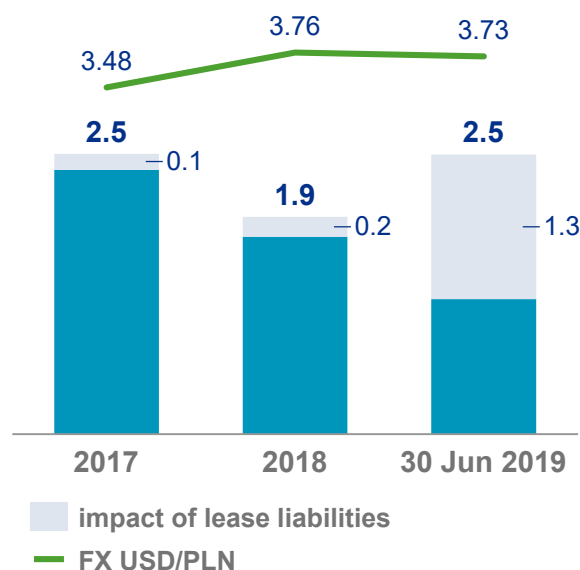
■ CAPEX exploration & production ● operating cash flow
■ CAPEX refining & marketing



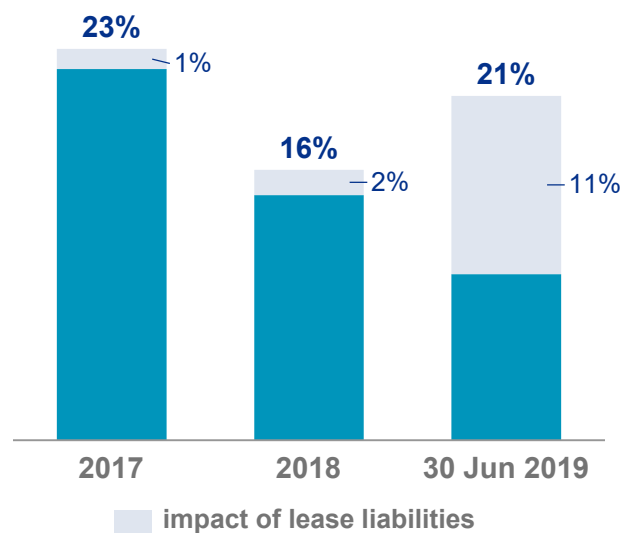
Debt (1)

Net debt

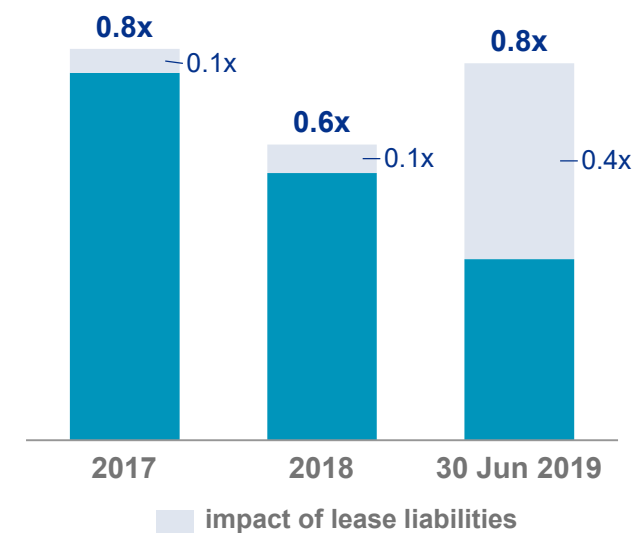
bn PLN



Gearing ratio (2)



Net debt / clean LIFO EBITDA (3)



- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds less cash&cash equivalents
- Net debt/LIFO EBITDA of 0.8x, growing from 0.6x vs end of 2018 due to implementation of IFRS 16 „Leases”

(1) End of period data; impact of lease liabilities presented using grey colour

(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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