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Consolidated financial results for 4th quarter 2019 and FY 2019

March 12th, 2020



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Financial results 4Q 2019 and FY 2019



Key highlights

Financial results 4Q 2019 and FY 2019

Key highlights

FY 2019 and 4Q 2019 – summary

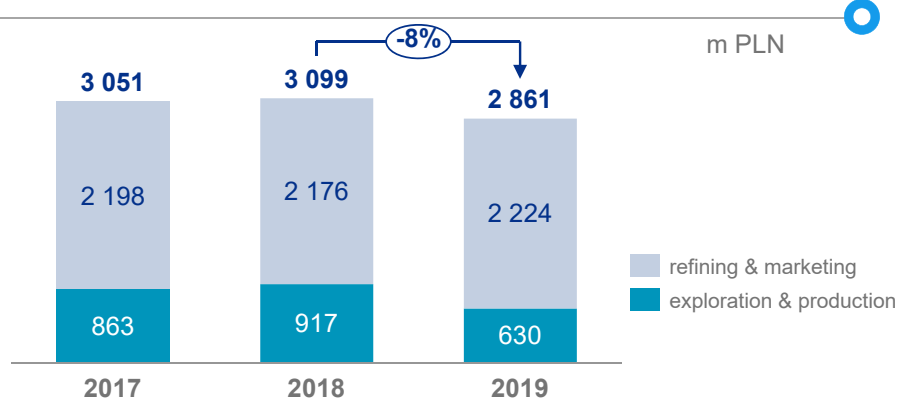
- Annual LIFO EBITDA⁽¹⁾ close to 2.9 bn PLN, -8% y/y influenced by weaker refining margins and lower crude oil and natural gas prices
- Quarterly LIFO EBITDA⁽¹⁾ reached 590m PLN, adversely affected by worsening of macro environment, with c.90m PLN of margin generated by EFRA's DCU unit not included in the P&L but allocated for lowering CAPEX
- The highest dividend paid by Grupa LOTOS S.A. 555 m PLN (3 PLN per share)
- Persistently strong balance sheet discipline – net debt/LIFO EBITDA ⁽¹⁾ of 1.0x
- Start Up and optimization the key EFRA Project installation: DCU (Delayed Coking Unit)
- Launching hydrocarbons extraction from the Utgard field in Norway, about 3 months ahead of schedule
- Refinancing of loans for the 10+ program: removing collateral on assets and other limiting restrictions

(1) Net of one off items

Key highlights

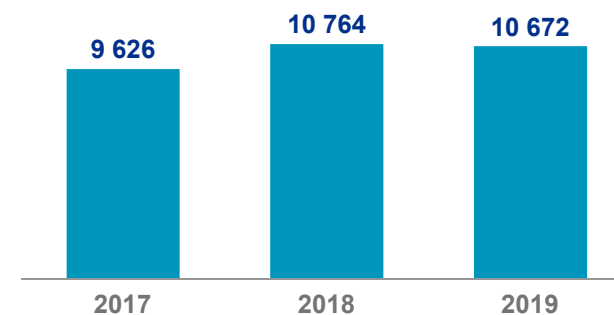
Full year 2019 - cumulative

LIFO EBITDA ⁽¹⁾



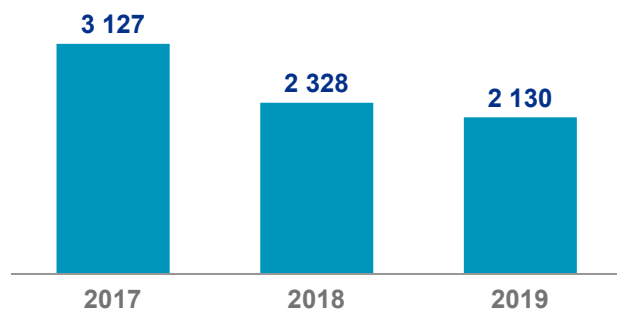
Refining & marketing – crude oil throughput in Gdańsk

k tons



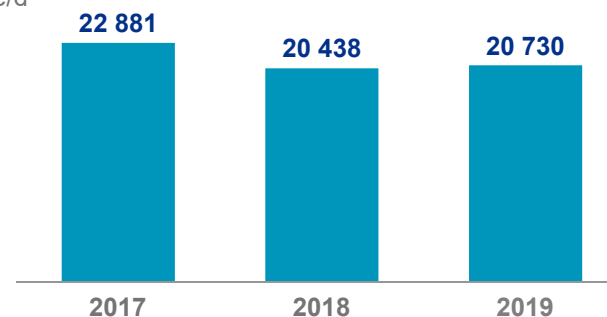
Operating cash flow

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

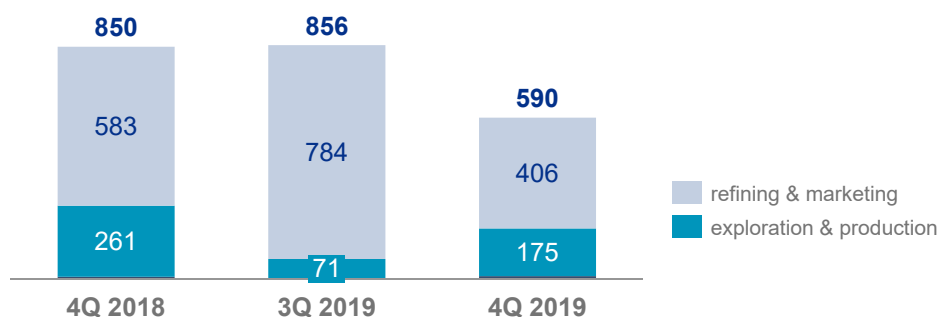
(2) barrels of oil equivalent (crude oil + natural gas); total production for the period / number of calendar days

Key highlights
4Q 2019



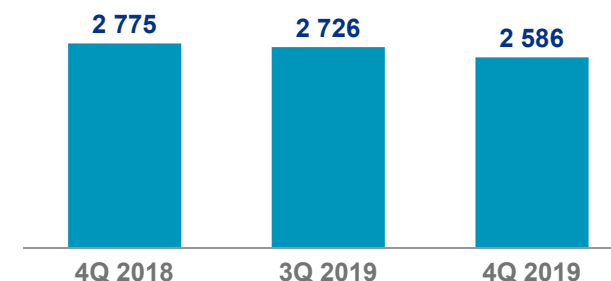
LIFO EBITDA ⁽¹⁾

m PLN



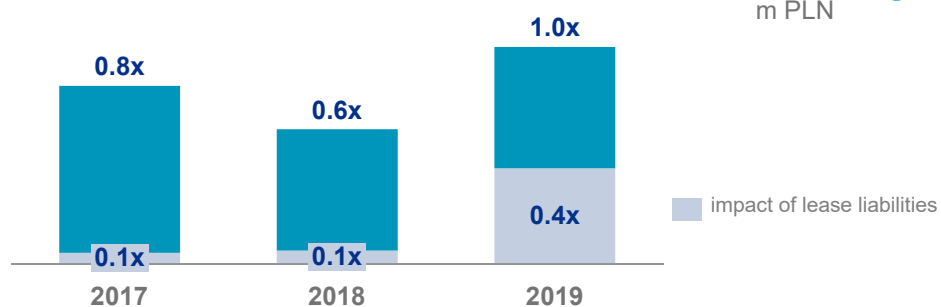
Refining & marketing – crude oil throughput in Gdańsk

k tons



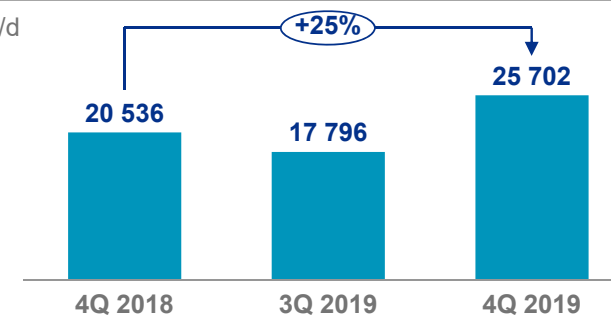
Net debt / LIFO EBITDA ⁽²⁾

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



External environment

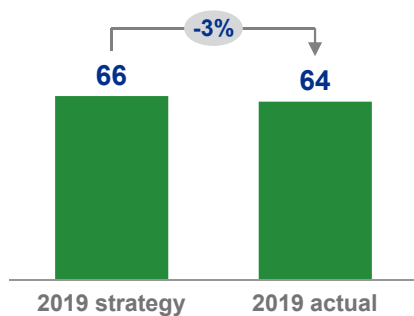
Financial results 4Q 2019 and FY 2019

External environment

Macroeconomic environment ⁽¹⁾ vs strategic assumptions ⁽²⁾

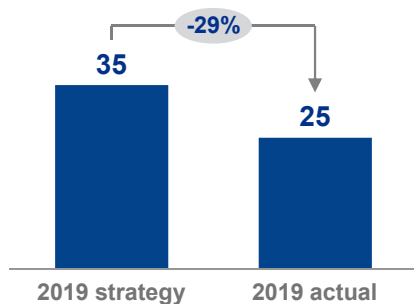
Brent DTD

USD/bbl



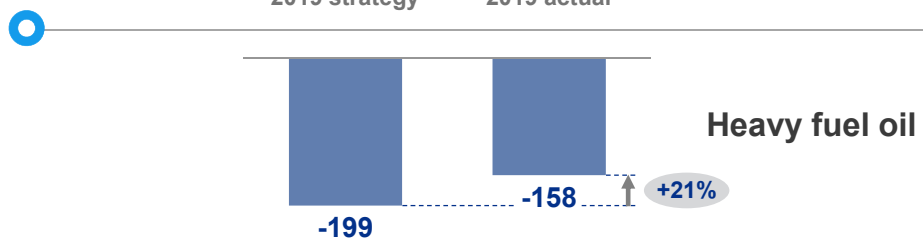
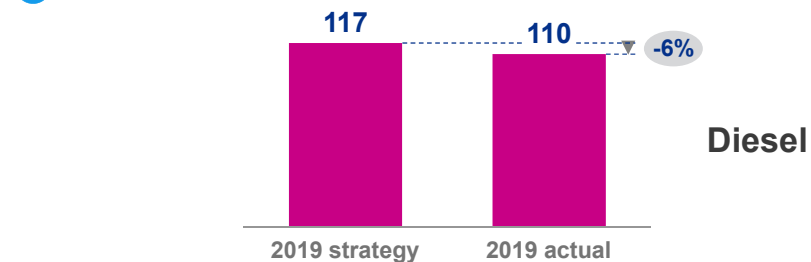
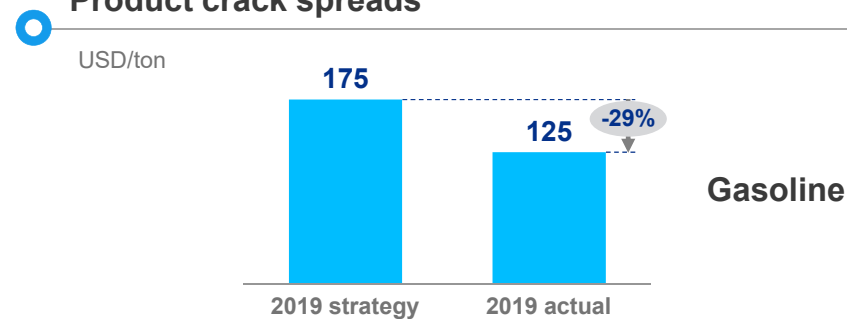
Natural gas

USD/boe



Product crack spreads

USD/ton



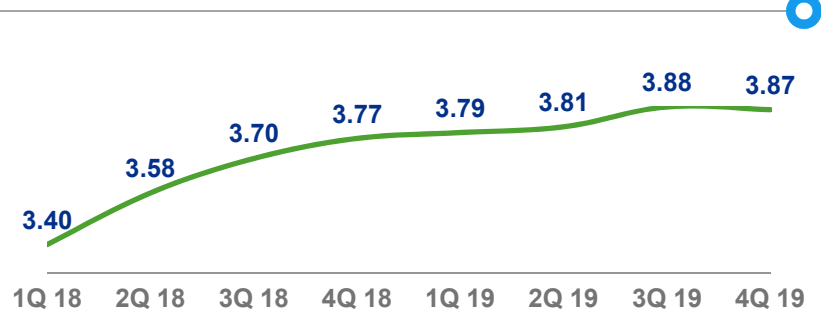
(1) Source: Refinitiv

(2) Average annual 2019 strategic assumptions adopted by LOTOS

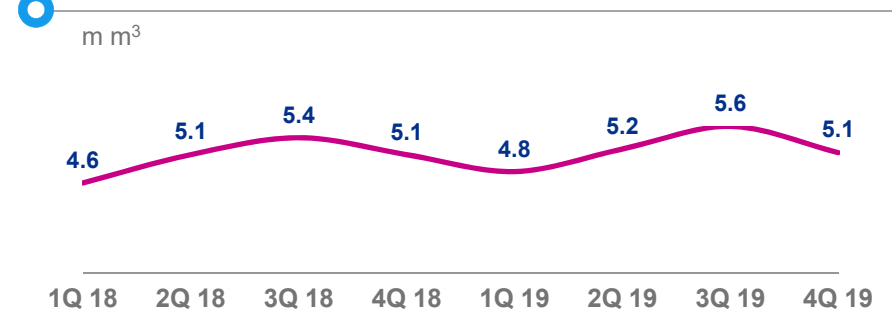
External environment

FX rate, GDP growth, domestic fuel market

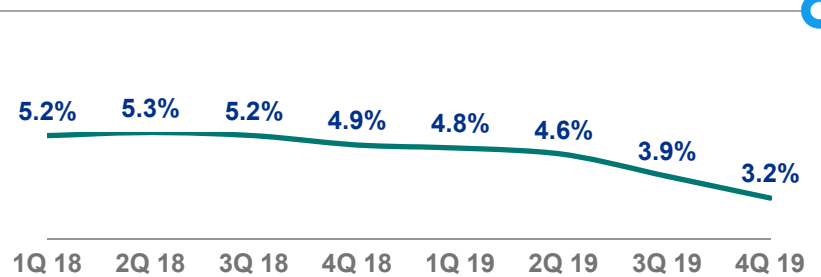
FX USD/PLN rate ⁽¹⁾



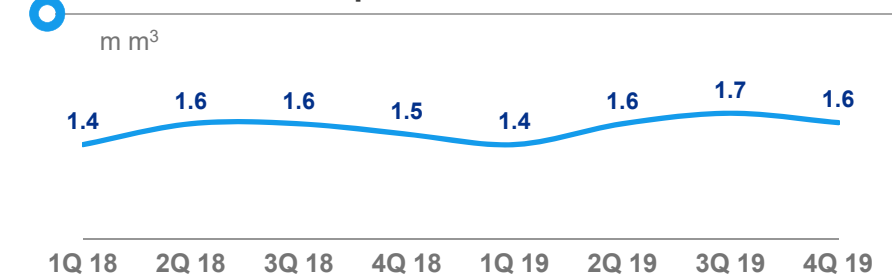
Diesel consumption ⁽³⁾



Polish GDP growth ⁽²⁾



Gasoline consumption ⁽³⁾



(1) National Bank of Poland

(2) Statistics Poland (GUS);

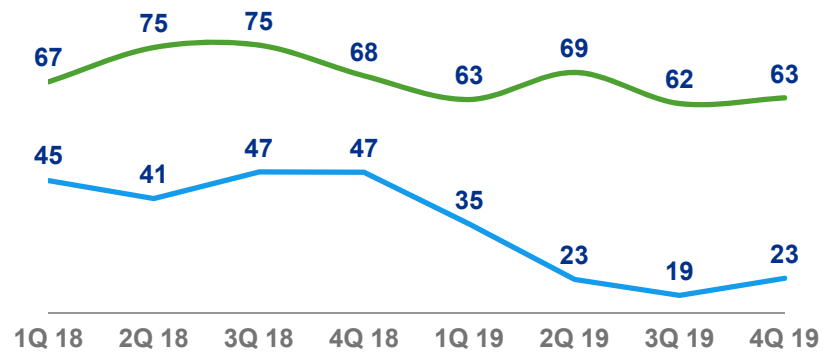
(3) domestic; according to POPIHN – Organisation for Oil Trade and Industry

External environment

Crude oil, natural gas and product crack spreads

Crude oil ⁽¹⁾ and nat gas prices ⁽²⁾

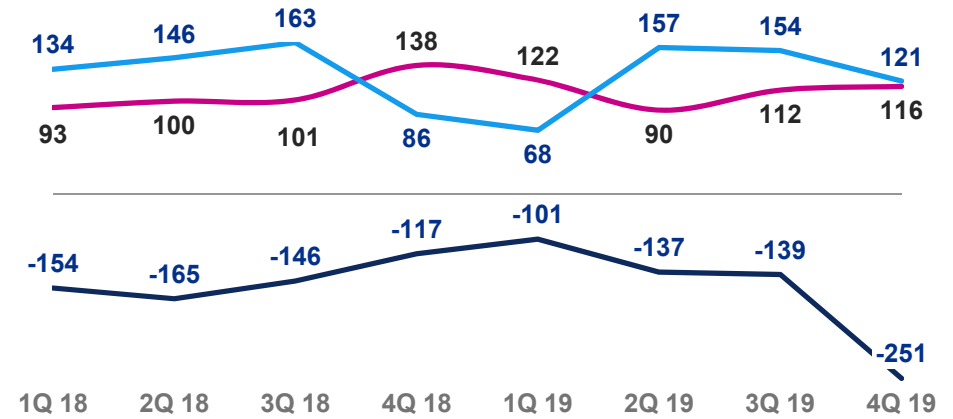
USD



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

Key product crack spreads ⁽¹⁾

USD/t



— gasoline — diesel — HSFO

(1) Source : Thomson Reuters; HSFO – heavy sulfur fuel oil
 (2) Source : National Balancing Point



Exploration & production

Financial results 4Q 2019 and FY 2019

B8

Baltic Sea



Reserves⁽¹⁾ **34.7 m boe**
Production⁽²⁾ **3.8 kboe/d**

B3

Baltic Sea



Reserves⁽¹⁾ **13.2 m boe**
Production⁽²⁾ **1.2 kboe/d**

Lifting costs Poland: **35.7 USD/boe** ⁽³⁾

Sleipner

North Sea



Reserves⁽¹⁾ **11.7 m boe**
Production⁽²⁾ **10.8 kboe/d**

Heimdal

North Sea

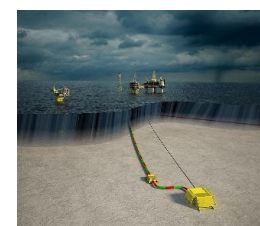


Reserves⁽¹⁾ **0.9 m boe**
Production⁽²⁾ **2.1 kboe/d**

Lifting costs Norway: **9.4 USD/boe** ⁽³⁾

Utgard

North Sea



Reserves⁽¹⁾ **5.4 m boe**
Production⁽²⁾ **7.2 kboe/d**

Onshore fields

Lithuania



Reserves⁽¹⁾ **2.7 m boe**
Production⁽²⁾ **0.7 kboe/d**

Lifting costs Lithuania: **18.5 USD/boe** ⁽³⁾

(1) 2P Reserves as of 31.12.2019

(2) Average daily production for 4Q 2019

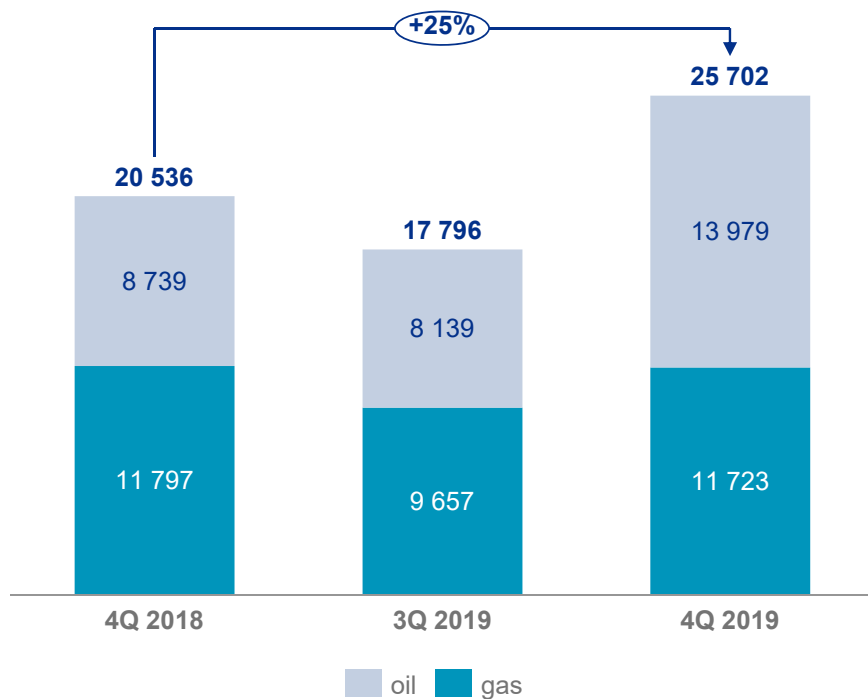
(3) Average lifting costs for FY 2019

Exploration & production
Overall production figures



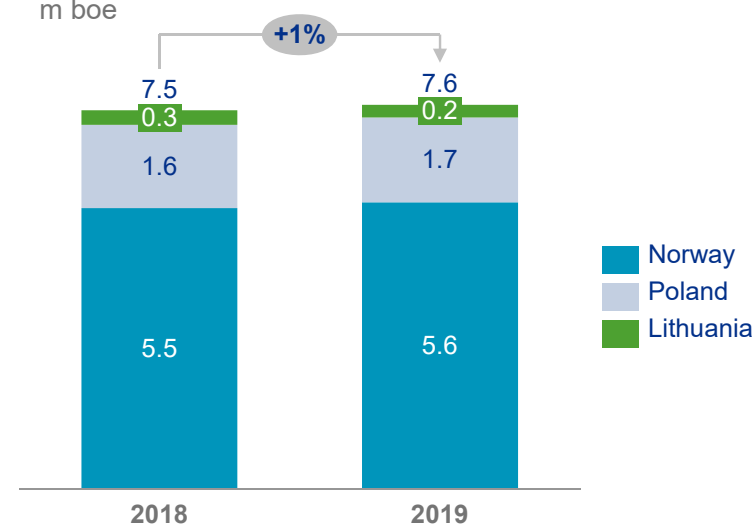
Daily quarterly production

boe/d

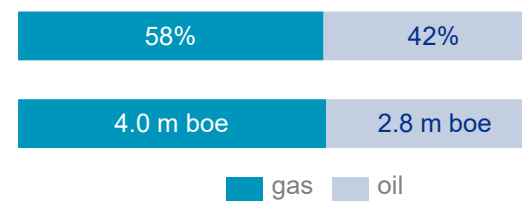


Overall FY production

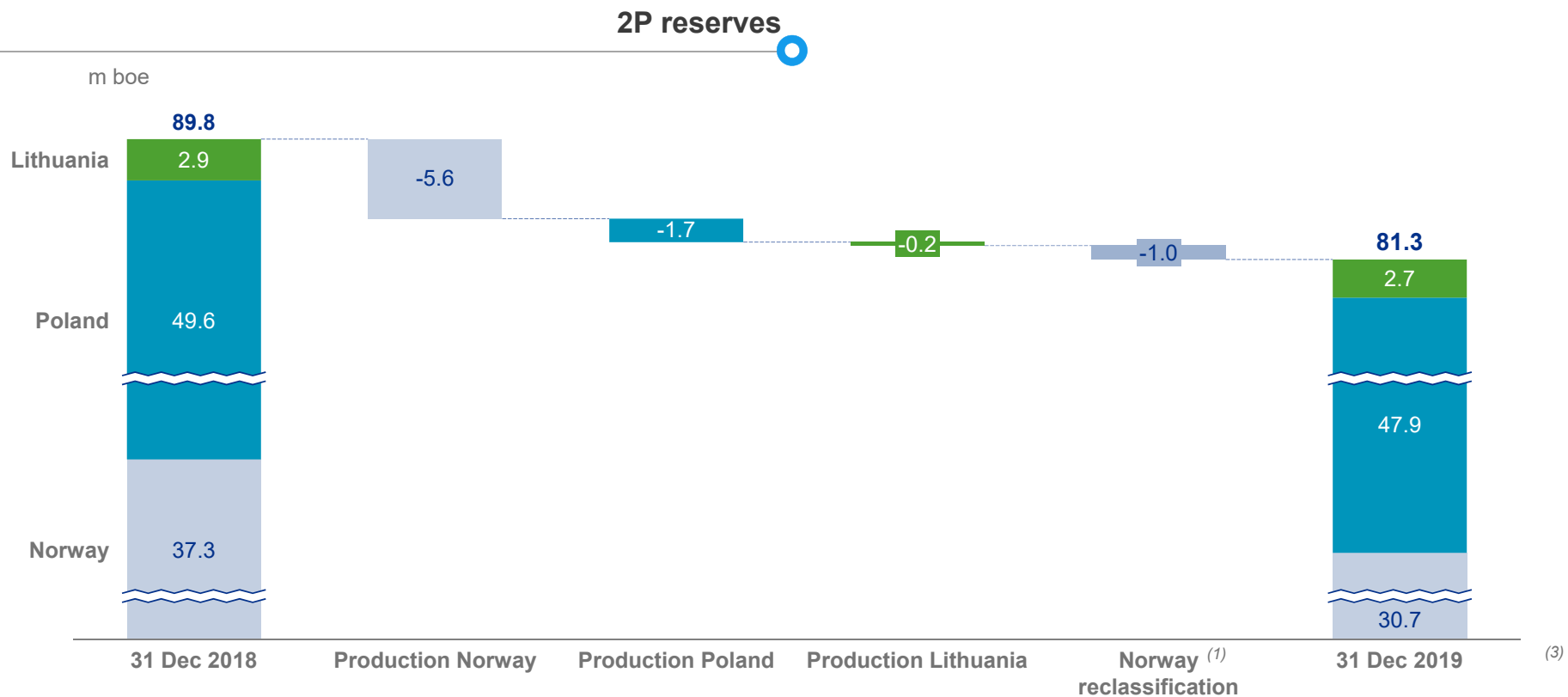
m boe



FY product mix structure (sales)

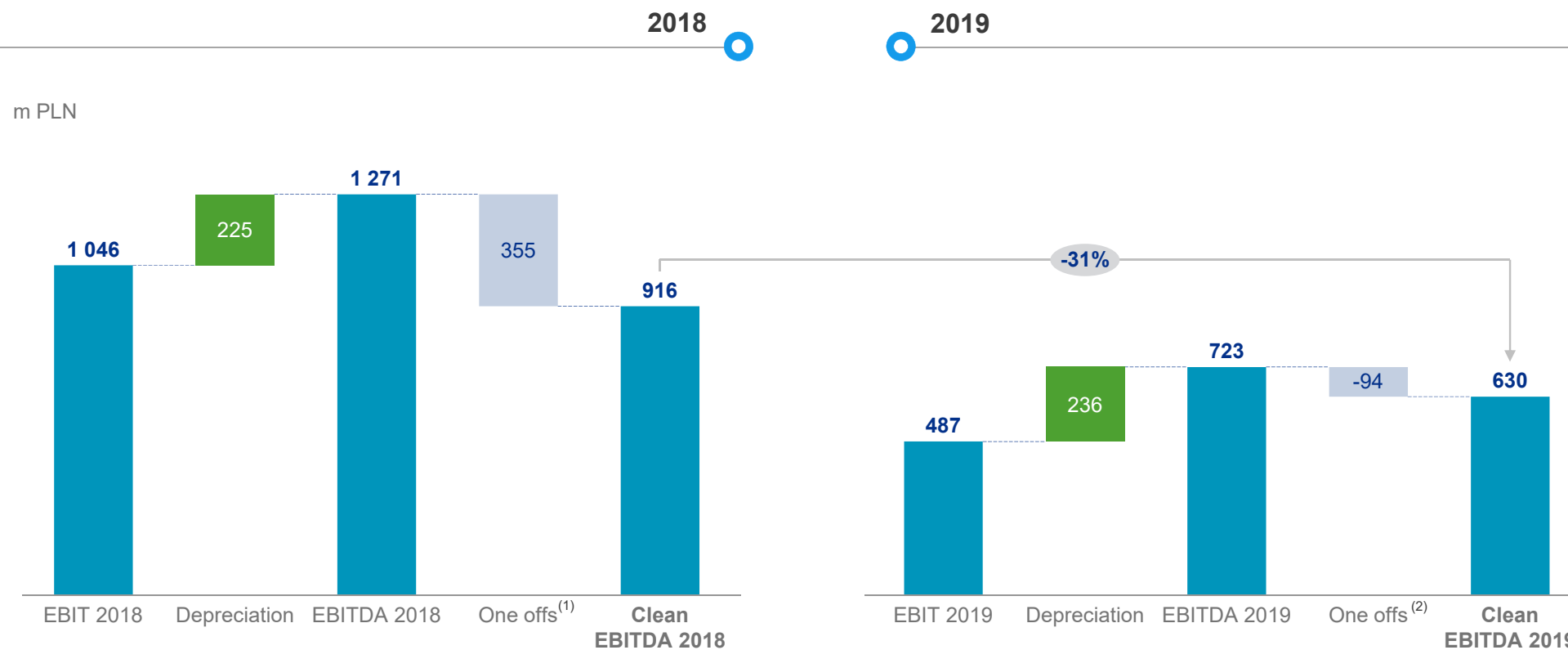


Exploration & production
Total recoverable reserves



⁽¹⁾ Reclassification included: (i) downward revision of Utgard field 2P reserves - 1.9 m boe; (ii) upward revision Sleipner field of 1.1 m boe

Full year cumulative EBITDA evolution



(1) Balance of assets impairments and other revaluations, including reversal of YME assets impairment (-350 m PLN) and SBM insurance claim received (-118 m PLN)

(2) Balance of assets impairments and other revaluations, including reversal of YME assets impairment (-105 m PLN)

Exploration & production

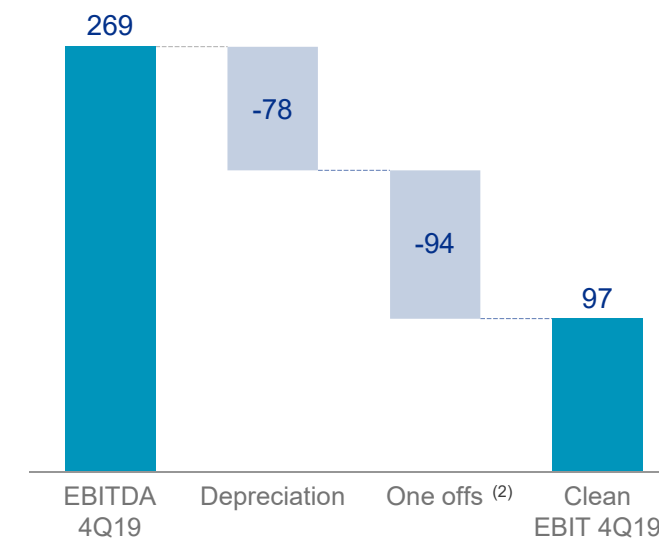
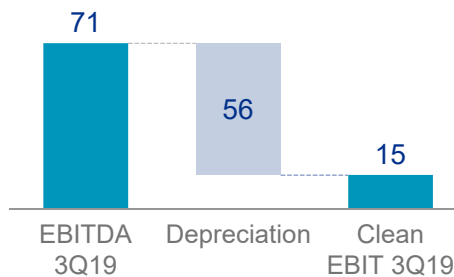
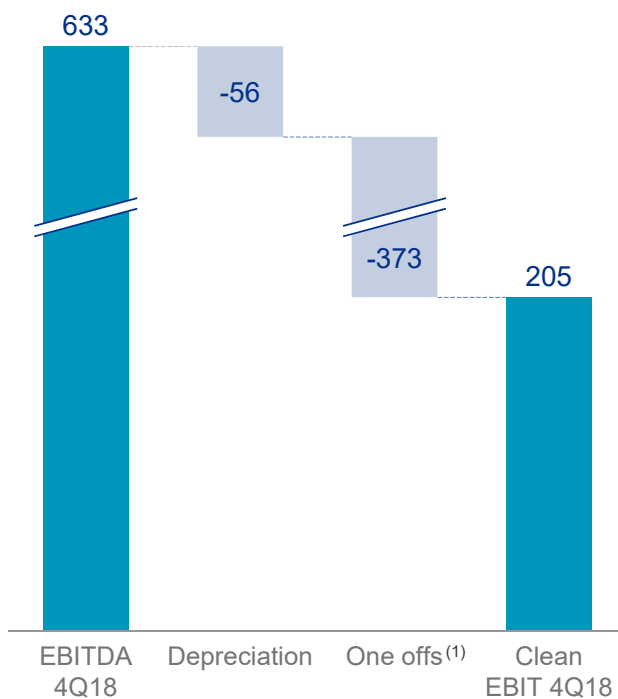
Quarterly upstream EBITDA evolution

4Q 2018

3Q 2019

4Q 2019

m PLN



(1) Balance of assets impairments and other revaluations, including reversal of YME assets impairment (-350 m PLN) and SBM insurance claim received (-118 m PLN)

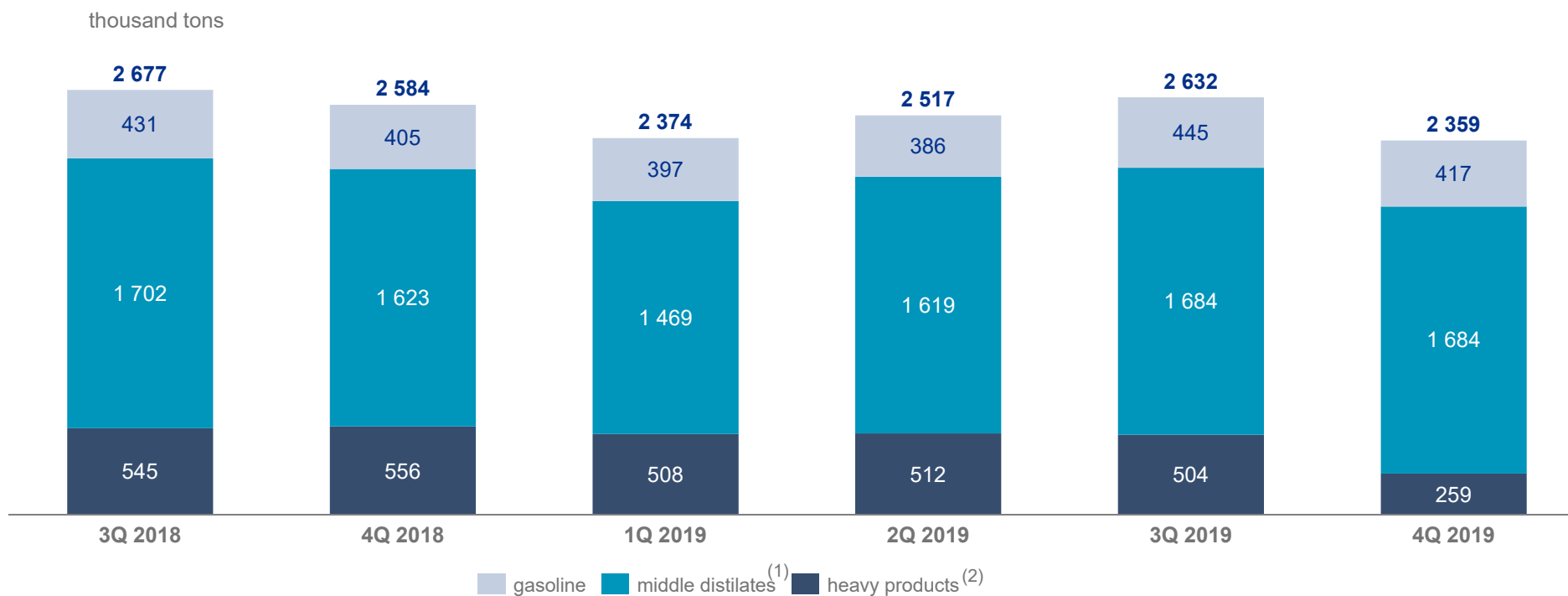
(2) Balance of assets impairments and other revaluations, including reversal of YME assets impairment (-105 m PLN)



Refining & marketing

Financial results 4Q 2019 and FY 2019

Volume of key refining products sales

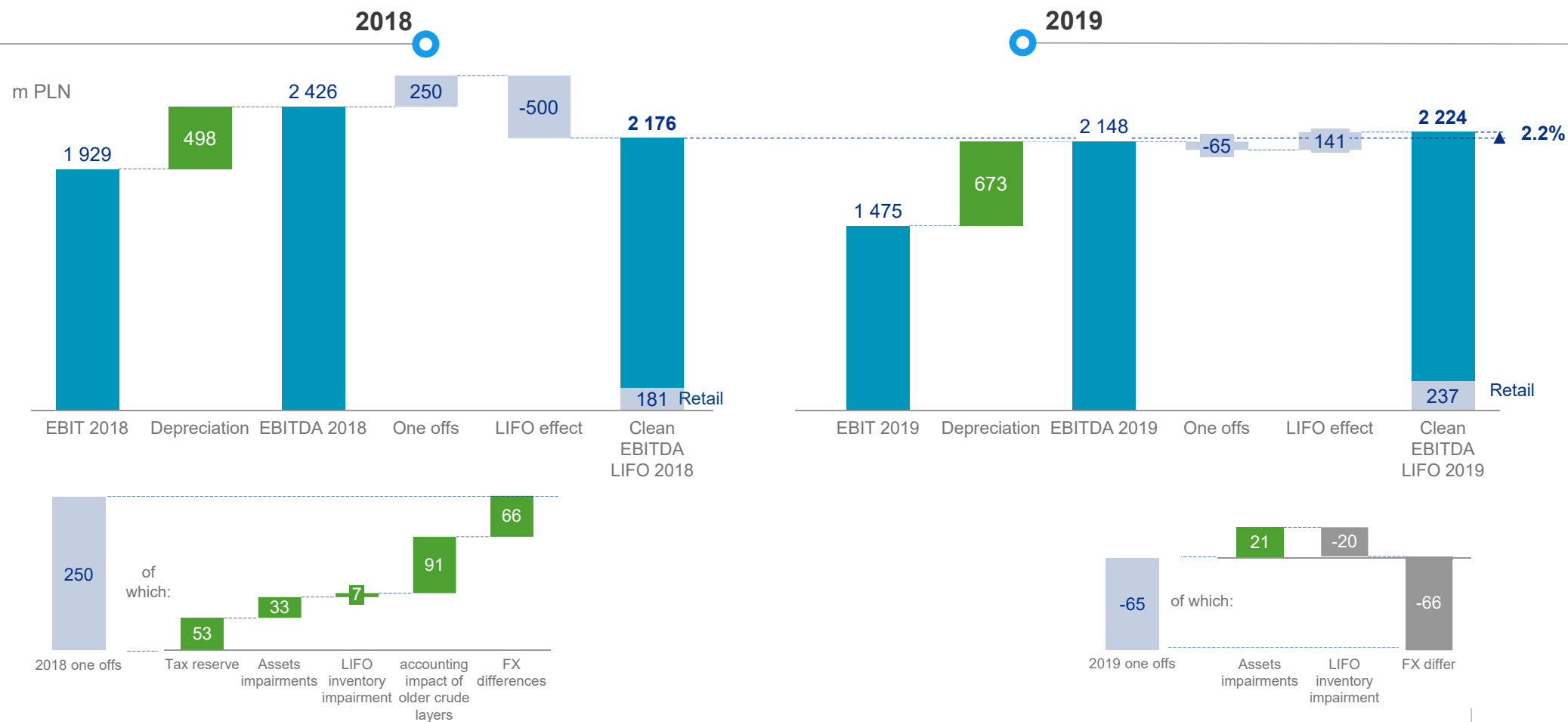


(1) middle distillates including : diesel, light heating oil and jet fuel

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

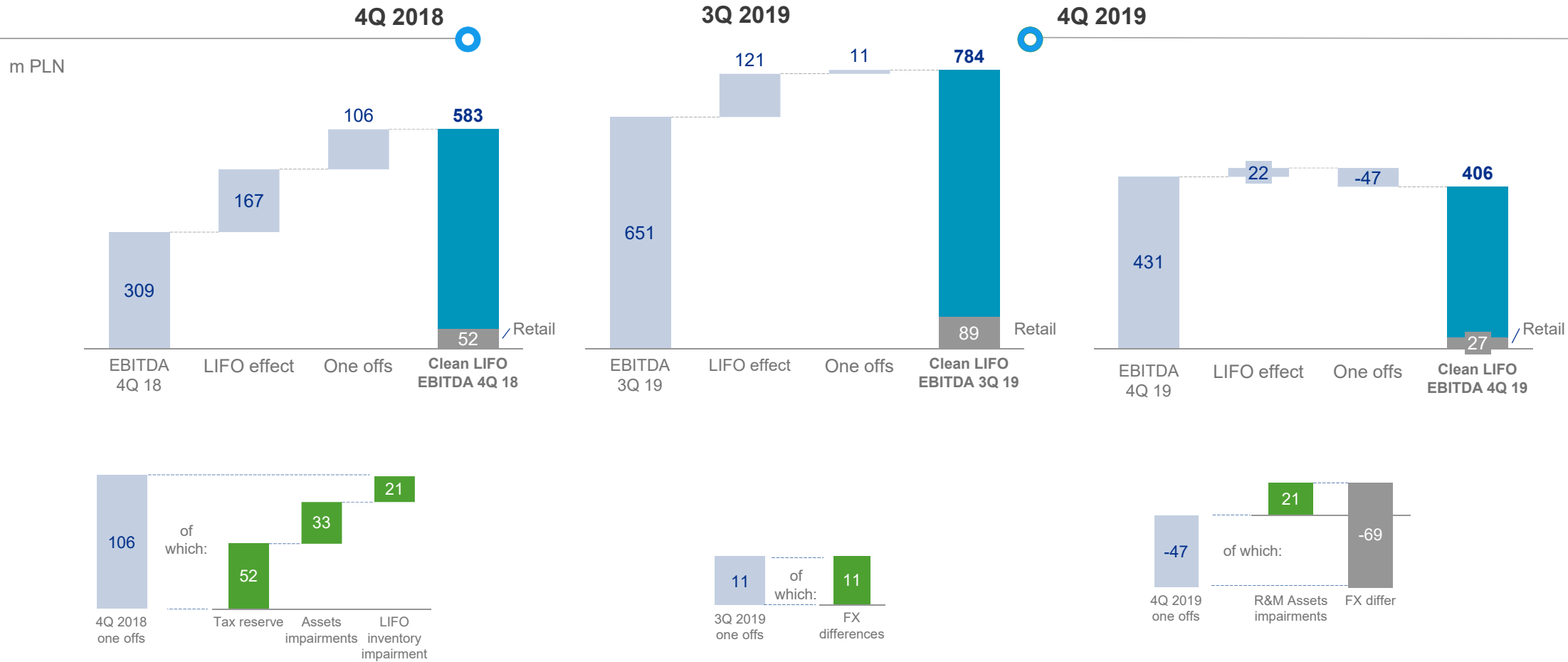
Refining & marketing

Full year cumulative EBITDA evolution



Refining & marketing

Quarterly downstream clean EBITDA LIFO evolution

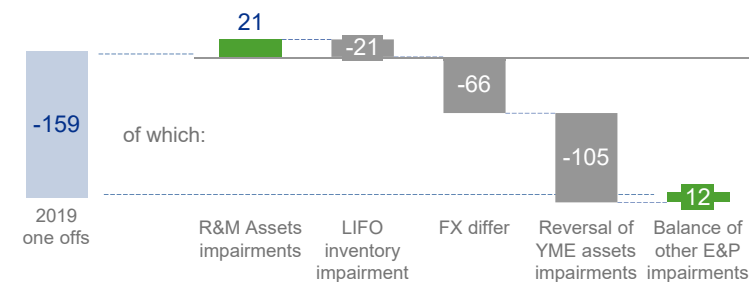
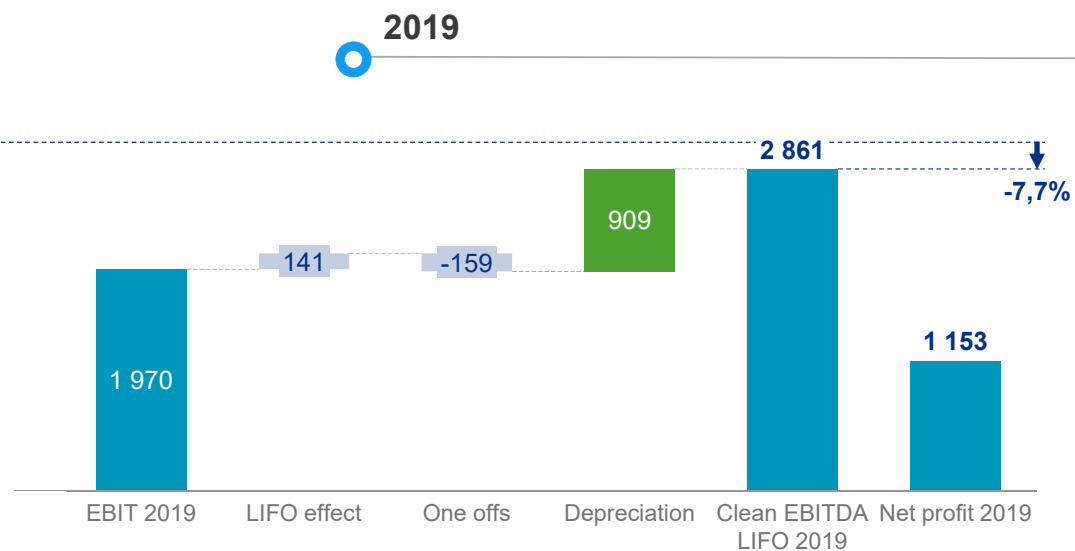
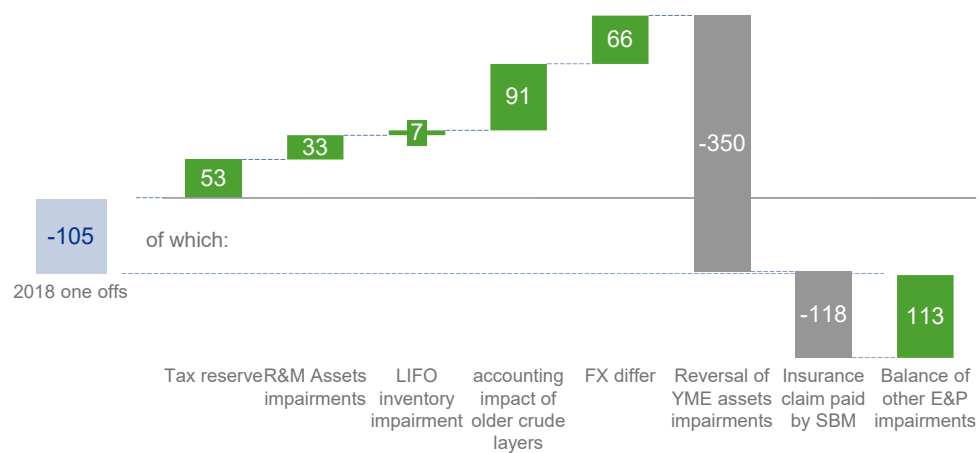
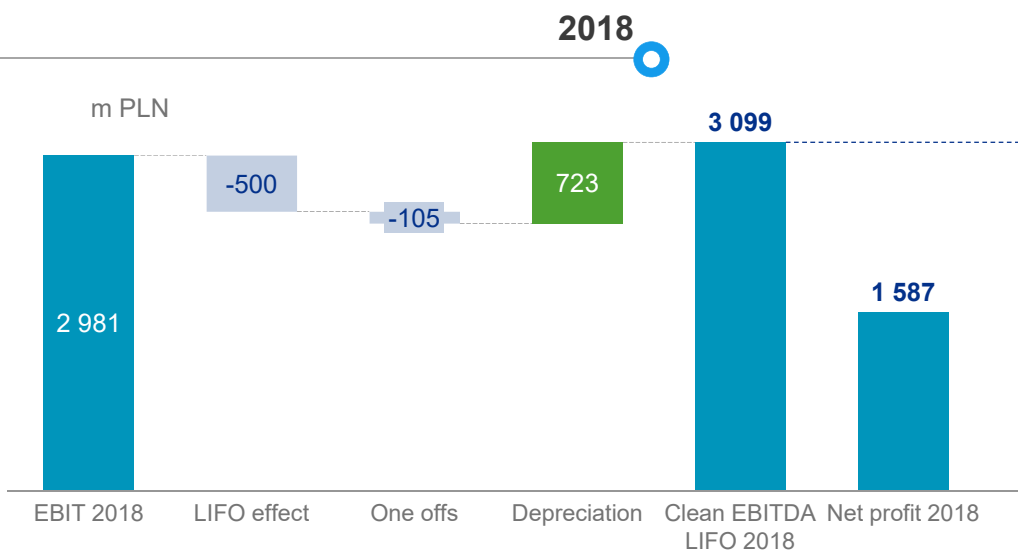




Consolidated financial results

Financial results 4Q 2019 and FY 2019

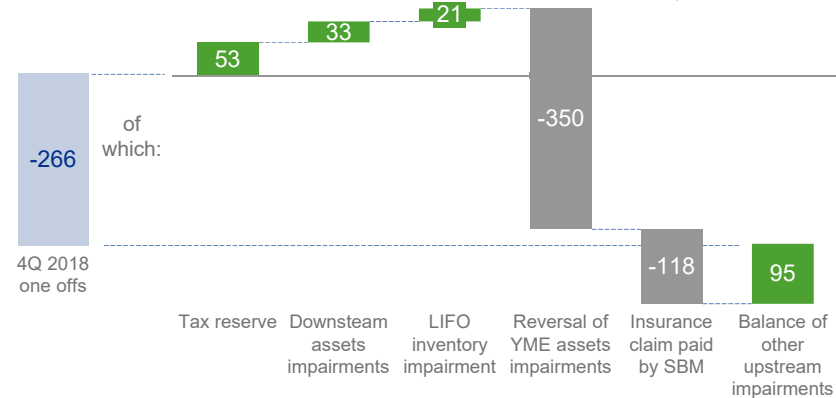
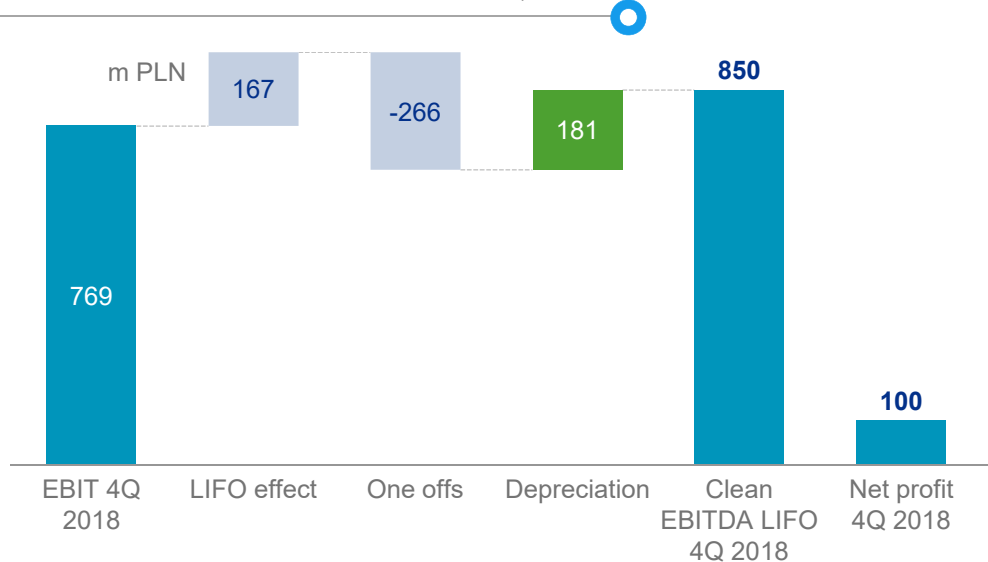
Consolidated financial results
Full year operating results evolution



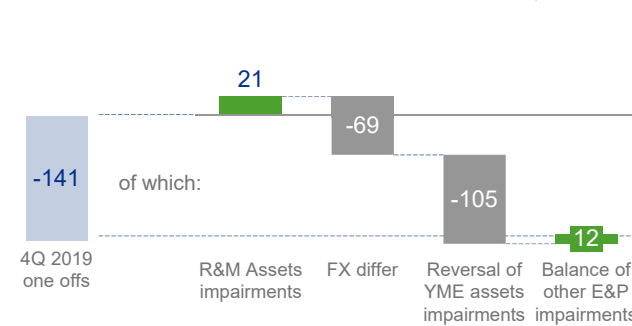
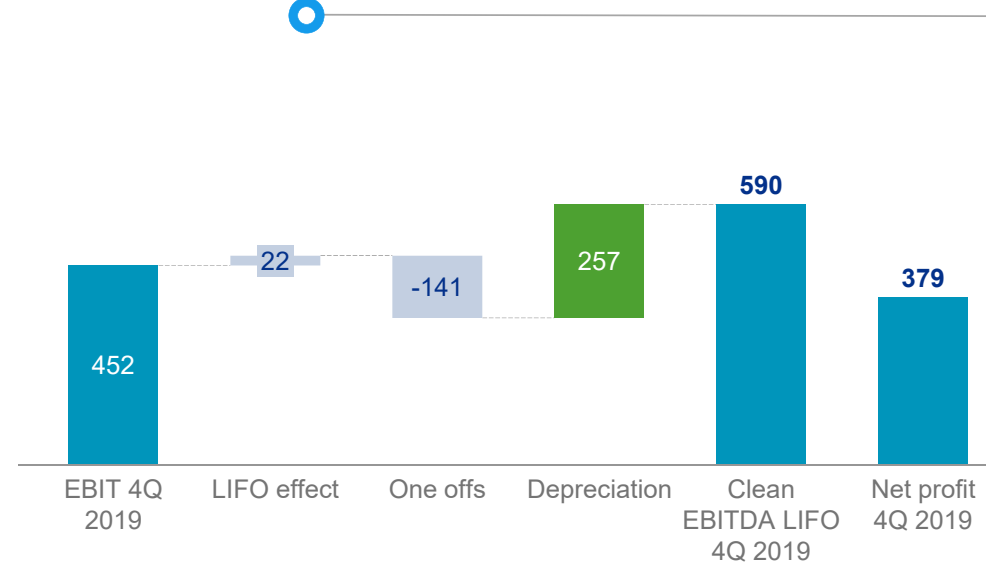
Consolidated financial results

Decomposition of 4Q 2019 vs 4Q 2018 consolidated financial results

4Q 2018

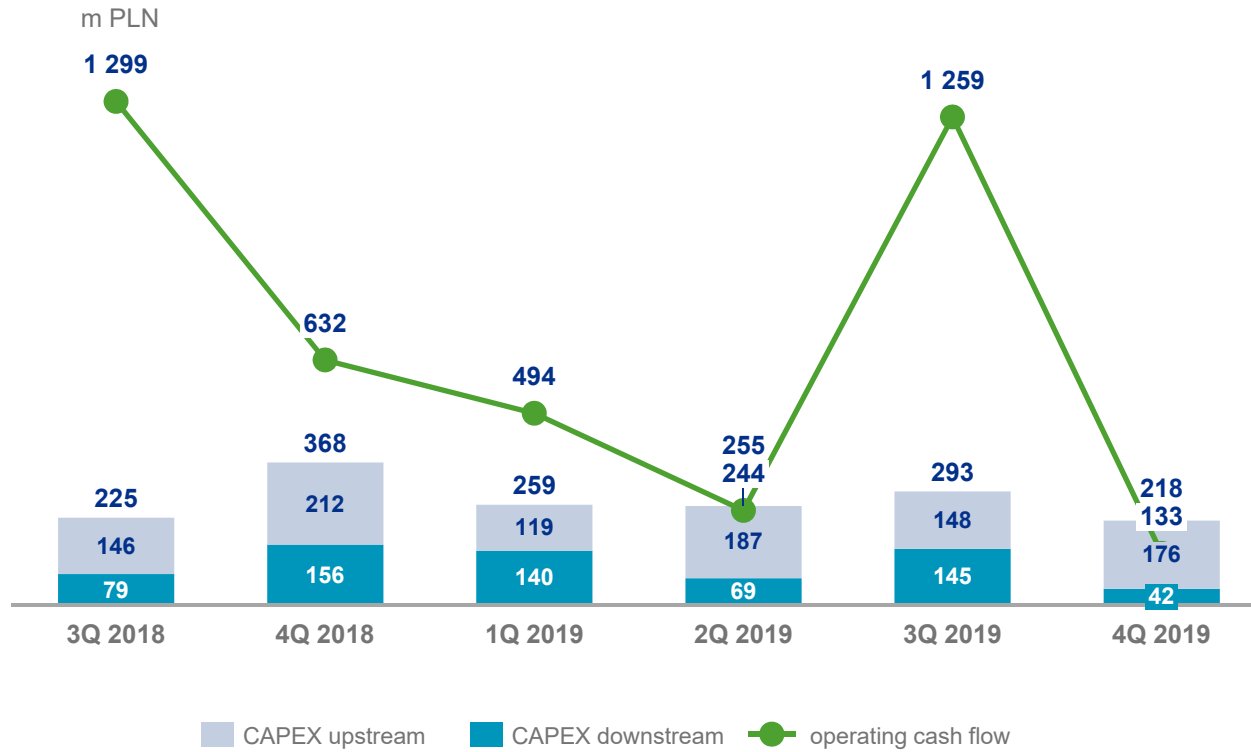


4Q 2019

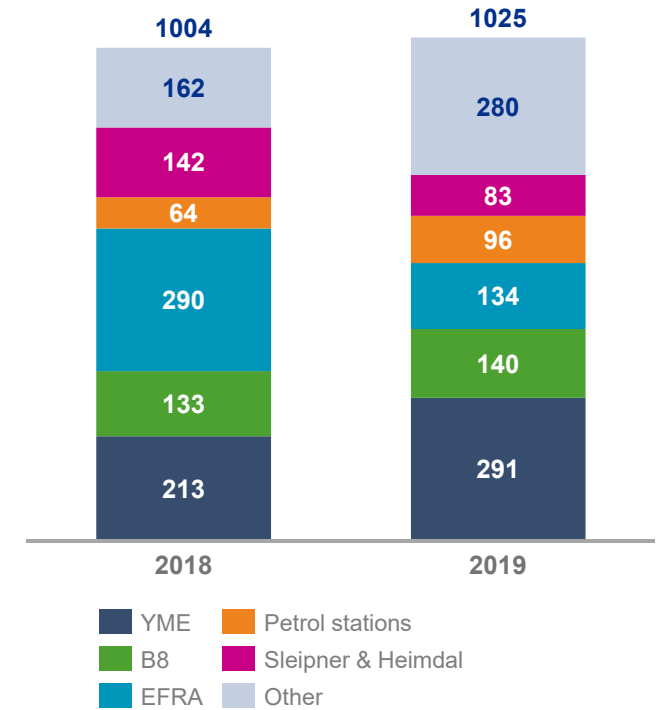


Consolidated financial results
Operating cash flows vs CAPEX

Quarterly



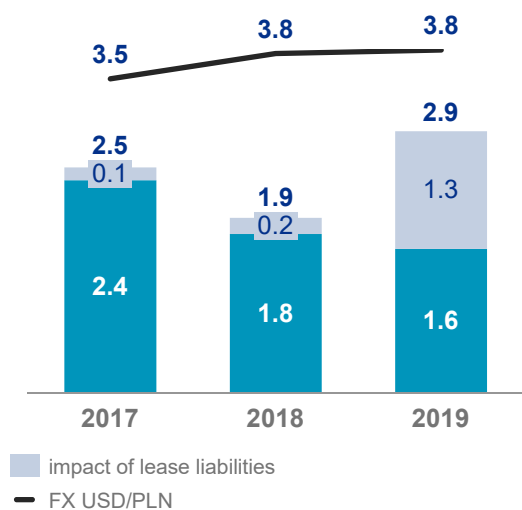
CAPEX



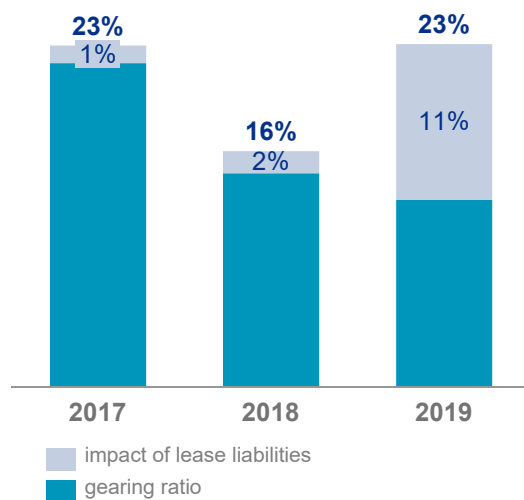
Debt

Net debt ⁽¹⁾

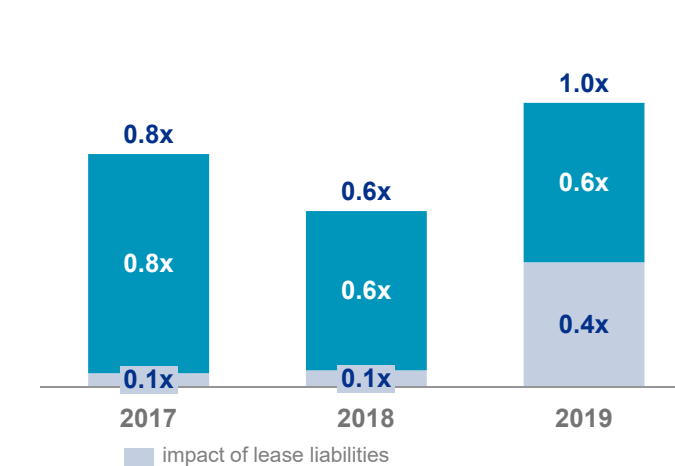
bn PLN



Gearing ratio ⁽²⁾



Net debt / clean LIFO EBITDA ⁽³⁾

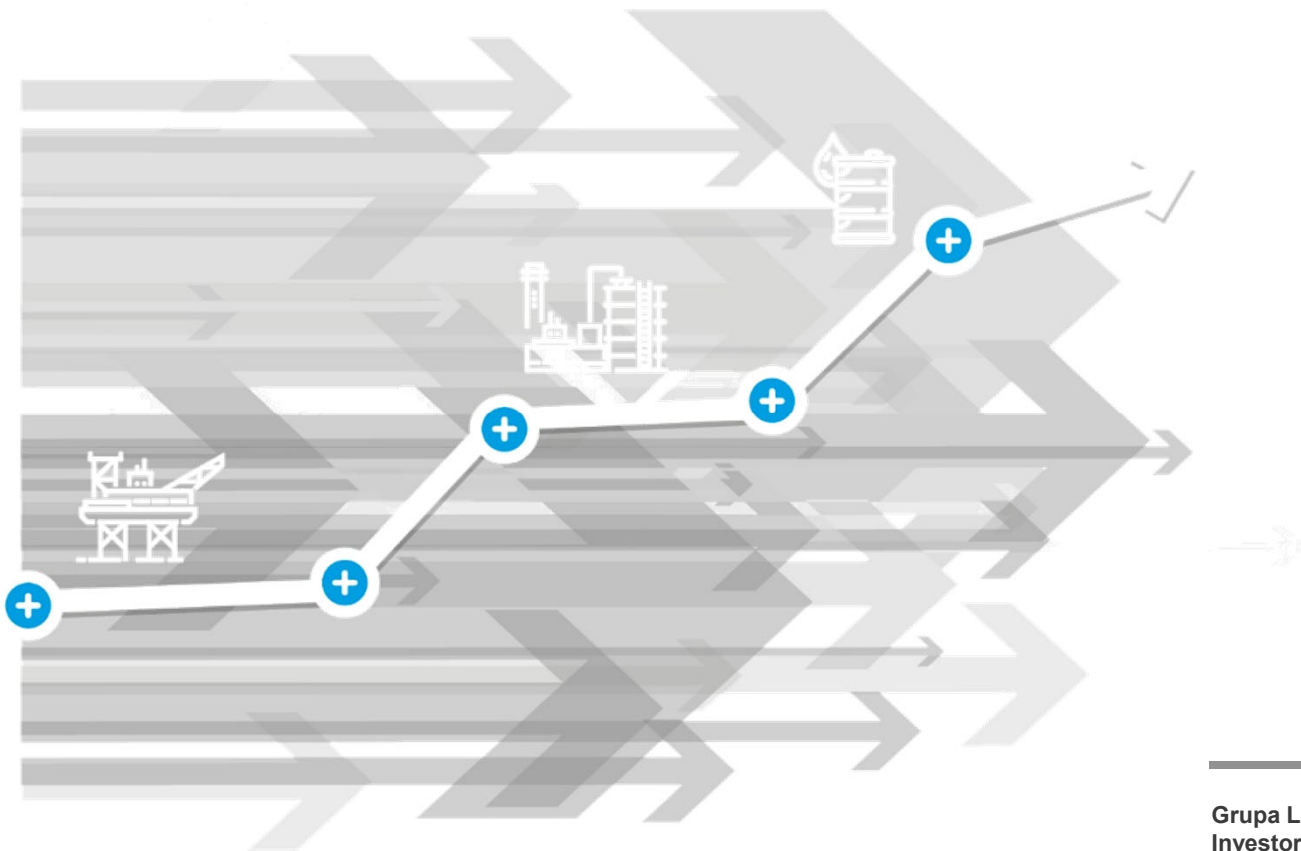


- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds less cash&cash equivalents
- The current net debt/EBITDA ratio at 1.0x, including 0.4x impact of IFRS 16 „Leases”

(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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