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## Consolidated financial results for the HY and Q2 2020

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August 12<sup>th</sup>, 2020



Key highlights .....	3
External environment .....	7
Exploration & production.....	11
Refining & marketing .....	17
Consolidated financial results .....	21

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## Financial results HY & Q2 2020



## Key highlights

Consolidated financial results HY and Q2 2020

## Key highlights

### HY and Q2 2020 – summary

- Half year cumulative LIFO EBITDA<sup>(1)</sup> reached 723m PLN (-49% y/y) and was adversely affected by worsening of macro environment with weaker key refining product margins (gasoline, diesel, jet, light heating oil), lower crude oil and natural gas prices
- Quarterly LIFO EBITDA<sup>(1)</sup> fall to 52m PLN <sup>(2)</sup> (-92% q/q) was affected by hard macro environment with feeble key refining product margins and low crude oil and natural gas prices
- Successful completion of all tests and stabilization of the key EFRA Project unit, i.e. DCU (Delayed Coking Unit)
- Strong half year's operating cash flows +1.8bn PLN
- Persistently strong balance sheet discipline – net debt/LIFO EBITDA<sup>(1)</sup> of 0.9x
- 185 m PLN dividend approved by the Annual General Shareholders meeting (1 PLN per share)
- Active optimisation process enabling to continue optimum utilisation of the refinery (98%)

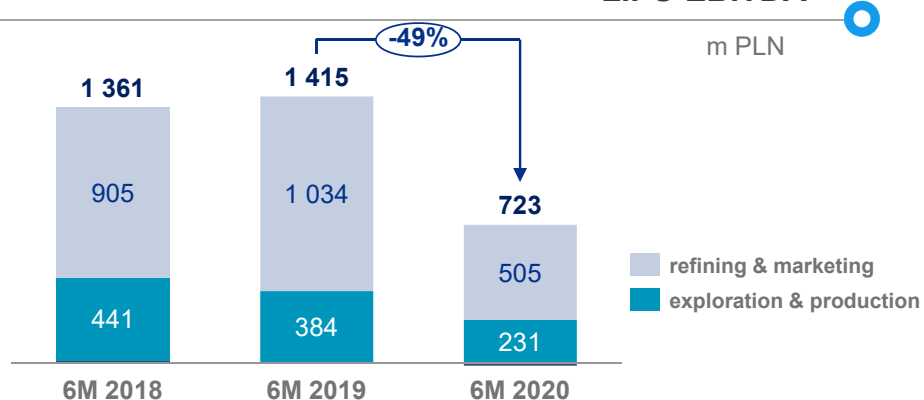
(1) Net of one-off items

(2) Fluctuations in its oil inventories and differences between the volumes purchased and processed during Q2 2020 resulted in the cost of crude oil processed, based on the LIFO (Last in First out) inventory method, being calculated at a higher unit cost than the currently prevailing price, as the effect of old (significantly more expensive) oil inventories. This effect reflects a shortcoming of the adopted inventory measurement model, which – in the context of a steep decline in crude oil prices – distorted the Group's LIFO-based result for the period, without affecting its cash flows from operating activities. This negative effect on the LIFO-based result is estimated at approximately PLN 369m.

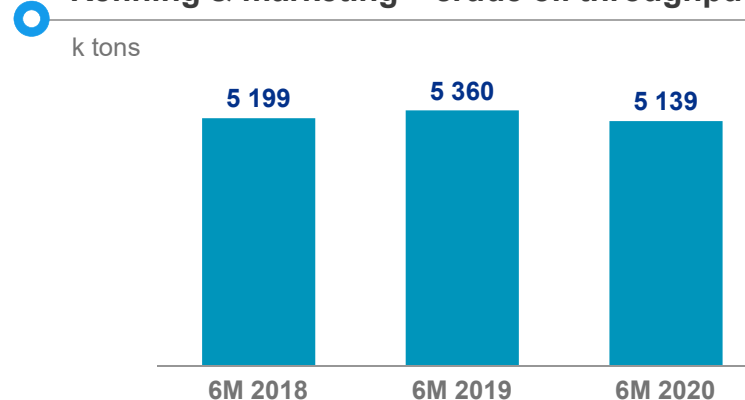
Key highlights  
Half year of 2020



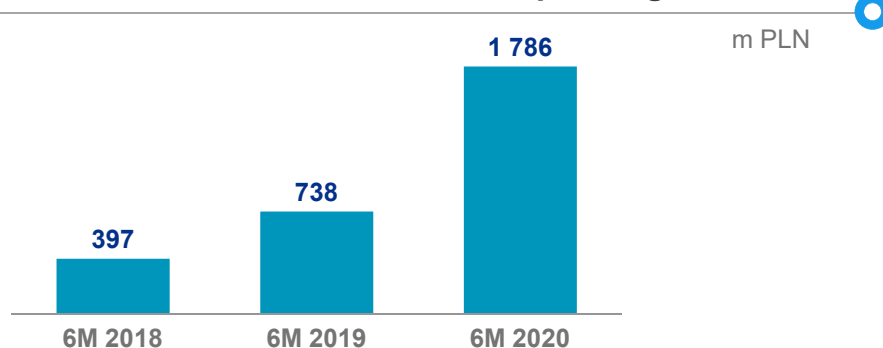
LIFO EBITDA<sup>(1)</sup>



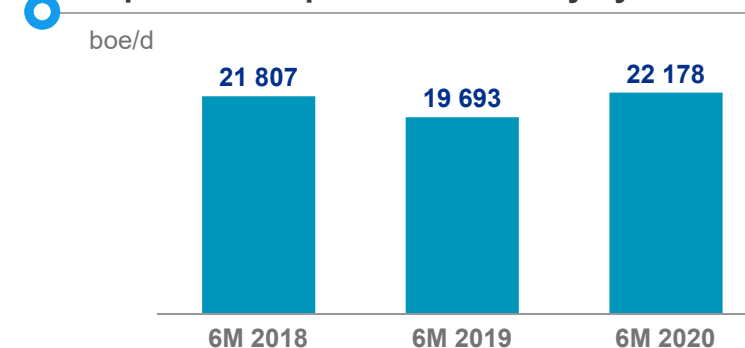
Refining & marketing – crude oil throughput in Gdańsk



Operating cash flow



Exploration & production – daily hydrocarbons production<sup>(2)</sup>



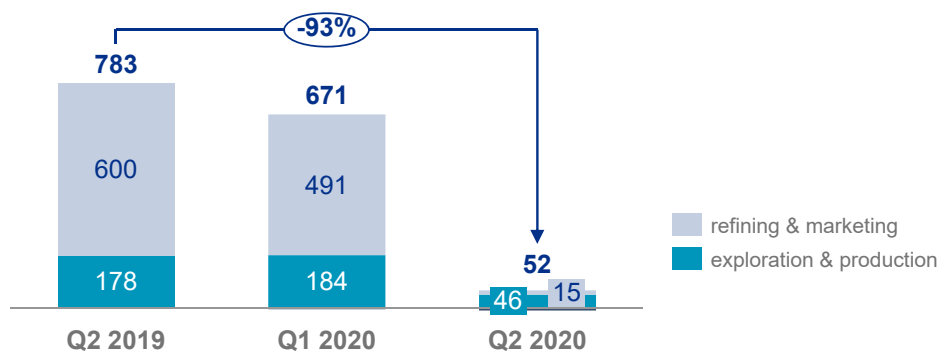
(1) excluding one off items; segment results may not sum up due to consolidation adjustments  
 (2) barrels of oil equivalent (crude oil + natural gas); total production for the period / number of calendar days

Key highlights  
Q2 2020



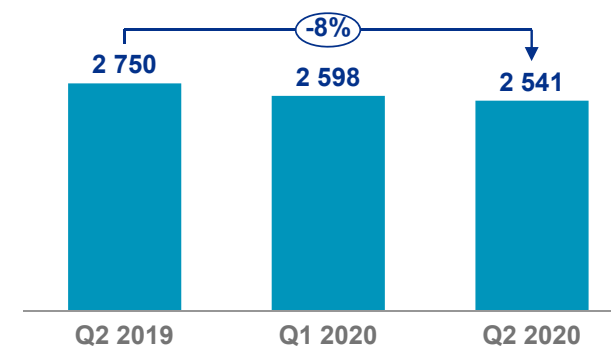
LIFO EBITDA<sup>(1)</sup>

m PLN

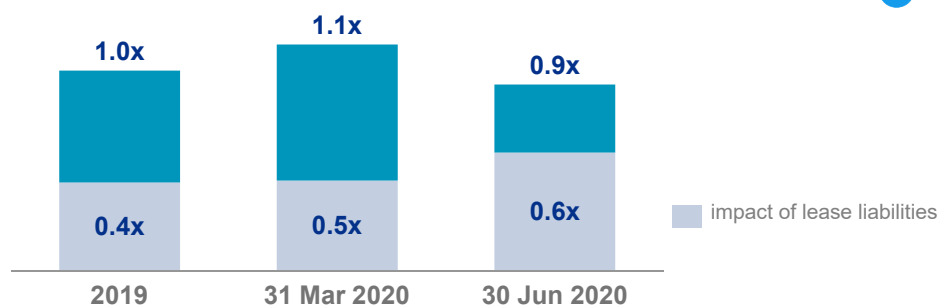


Refining & marketing – crude oil throughput in Gdańsk

k tons

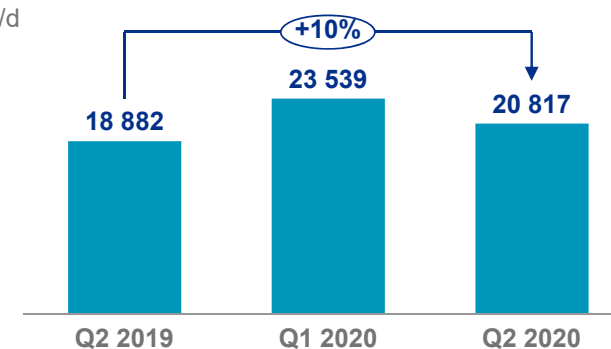


Net debt / LIFO EBITDA<sup>(2)</sup>



Exploration & production – 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



## External environment

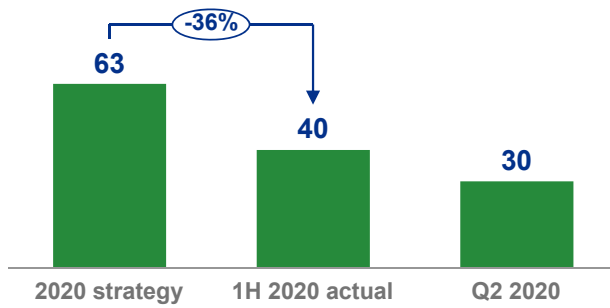
Consolidated financial results HY and Q2 2020

External environment

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

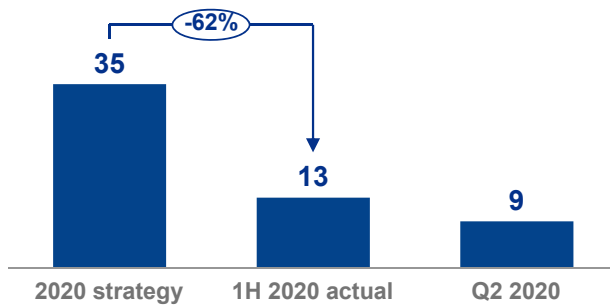
Brent DTD

USD/bbl



Natural gas

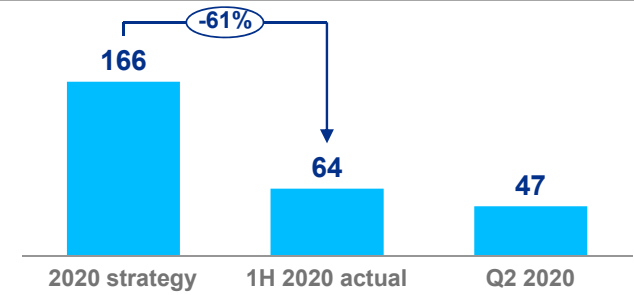
USD/boe



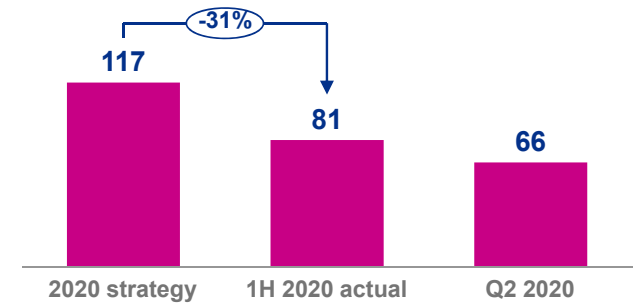
Product crack spreads

USD/ton

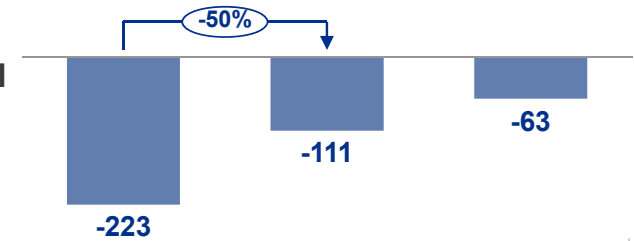
Gasoline



Diesel



Heavy fuel oil



(1) Source: Refinitiv

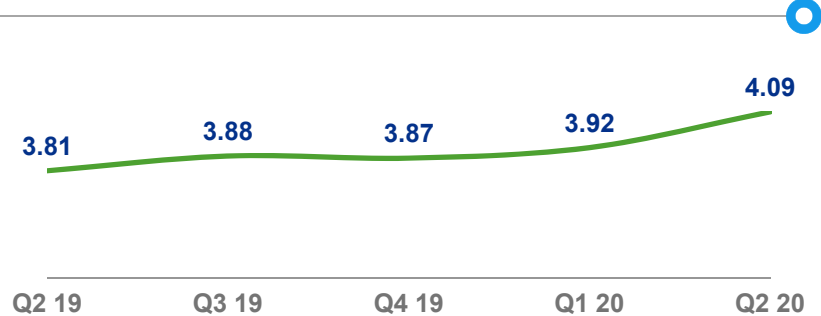
(2) Average annual 2020 strategic assumptions adopted by LOTOS



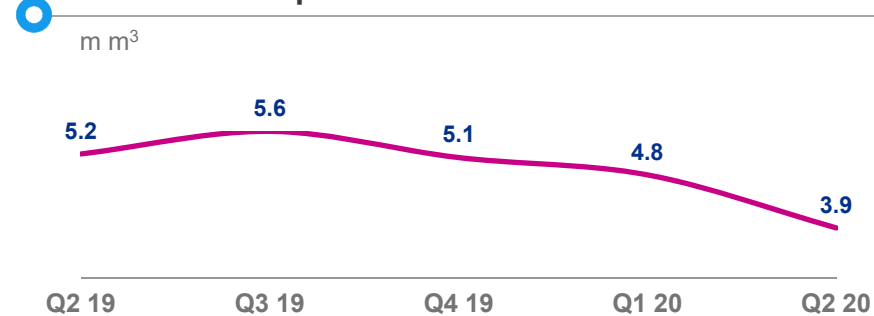
External environment

FX rate, GDP growth, domestic fuel market

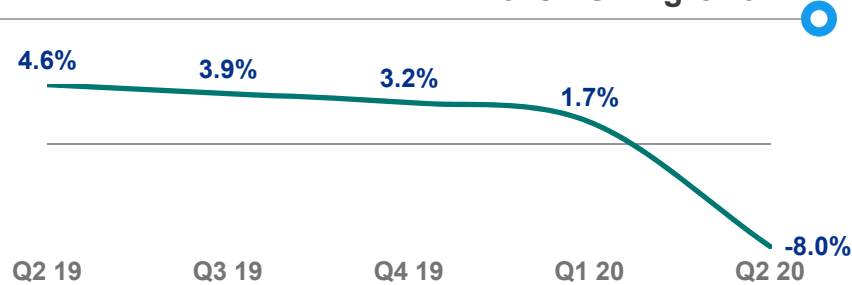
FX USD/PLN rate<sup>(1)</sup>



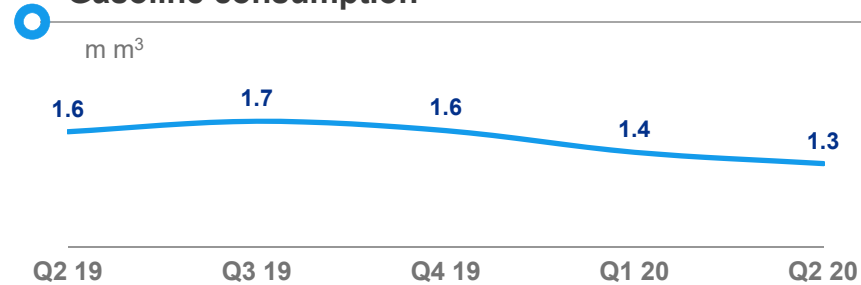
Diesel consumption<sup>(3)</sup>



Polish GDP growth<sup>(2)</sup>



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



(1) National Bank of Poland

(2) Statistics Poland (GUS); in Q2 2020 forecast of Parkiet (7.08.2020 page 4) is -8%; Fitch forecast for Q2 -6,1%

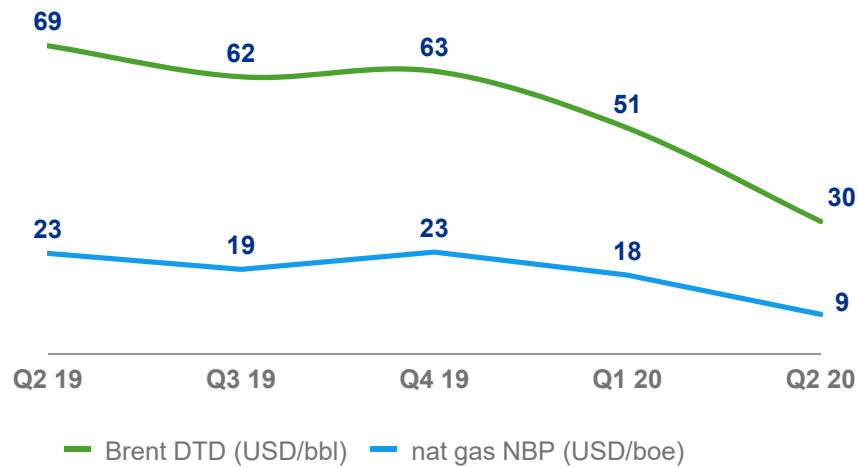
(3) domestic; according to POPIHN – Organisation for Oil Trade and Industry

External environment

Crude oil, natural gas and product crack spreads

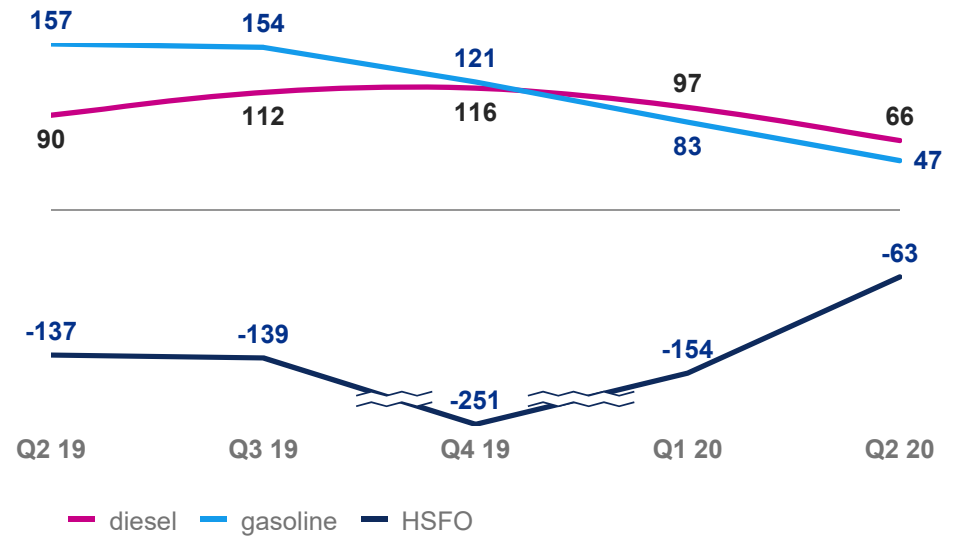
Crude oil<sup>(1)</sup> and nat gas prices<sup>(2)</sup>

USD/boe

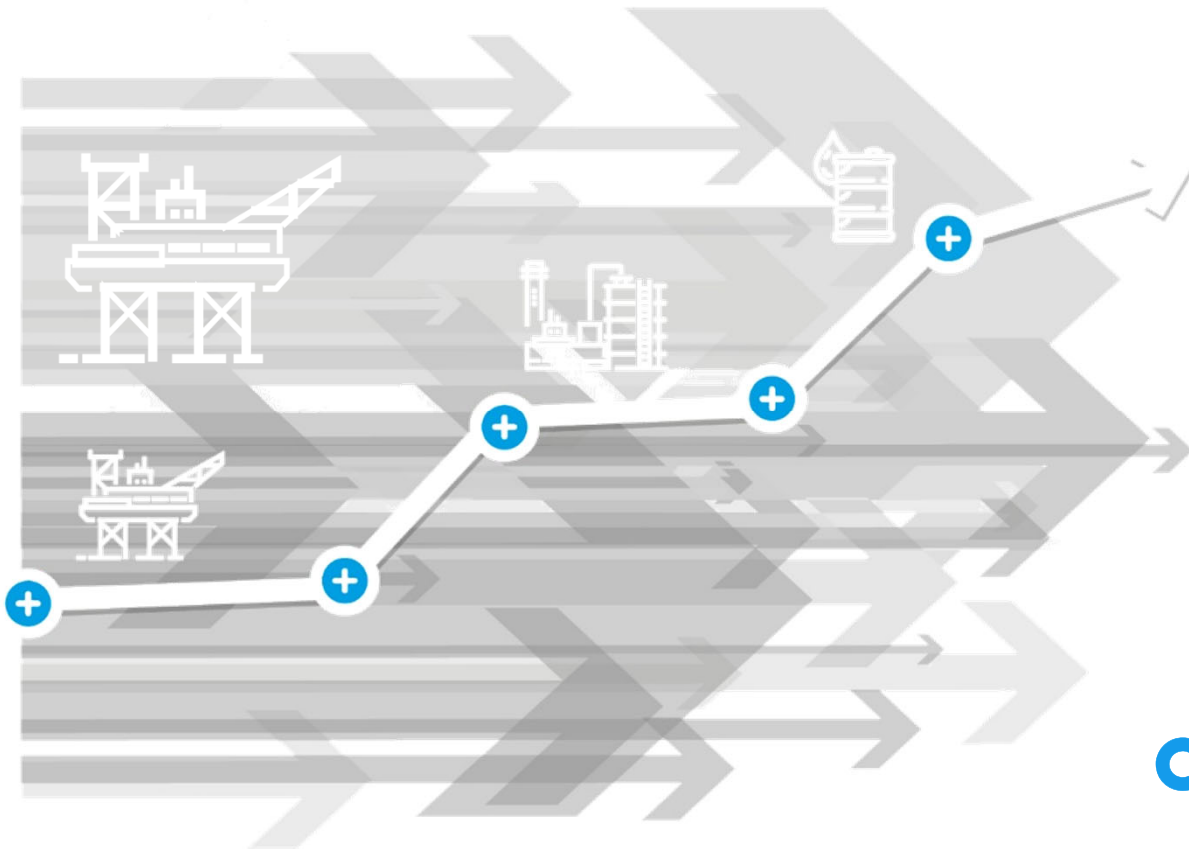


Key product crack spreads<sup>(1)</sup>

USD/t



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



## Exploration & production

Financial results HY and Q2 2020

## B8

Baltic Sea



Reserves<sup>(1)</sup> **34.0 m boe**  
Production<sup>(2)</sup> **3.8 kboe/d**

## B3

Baltic Sea



Reserves<sup>(1)</sup> **13.0 m boe**  
Production<sup>(2)</sup> **1.4 kboe/d**

Lifting costs Poland: **26.9 USD/boe<sup>(3)</sup>**

## Sleipner

North Sea



Reserves<sup>(1)</sup> **10.0 m boe**  
Production<sup>(2)</sup> **8.3 kboe/d**

## Heimdal

North Sea

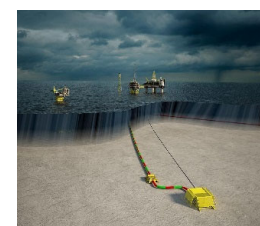


Reserves<sup>(1)</sup> **0.5 m boe**  
Production<sup>(2)</sup> **2.5 kboe/d**

Lifting costs Norway: **8.9 USD/boe<sup>(3)</sup>**

## Utgard

North Sea



Reserves<sup>(1)</sup> **4.5 m boe**  
Production<sup>(2)</sup> **4.4 kboe/d**

## Onshore fields

Lithuania



Reserves<sup>(1)</sup> **2.6 m boe**  
Production<sup>(2)</sup> **0.5 kboe/d**

Lifting costs Lithuania: **18.3 USD/boe<sup>(3)</sup>**

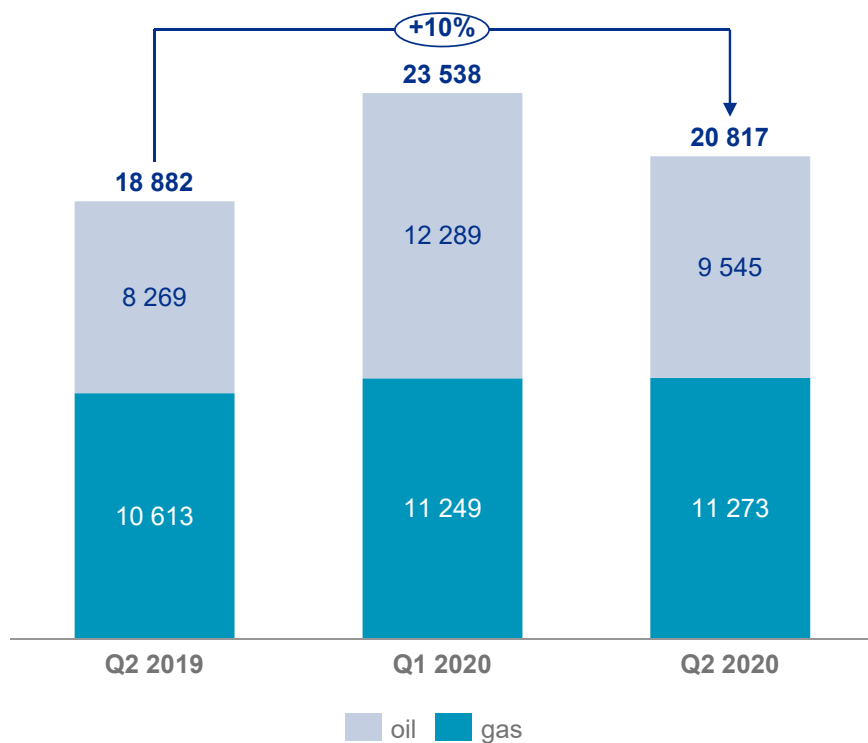
(1) 2P Reserves as of 30.06.2020

(2) Average daily production for Q2 2020

(3) Average lifting costs for HY 2020

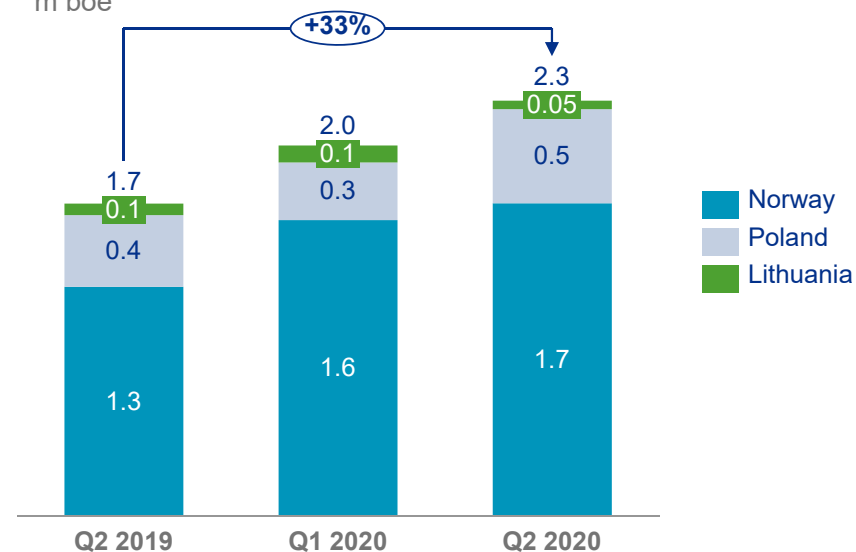
### Quarterly production per day

boe/d

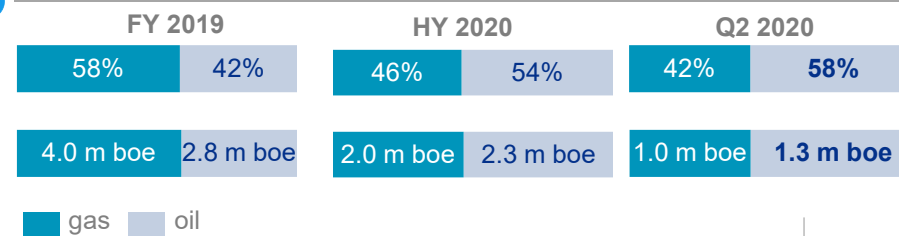


### Overall quarterly sales

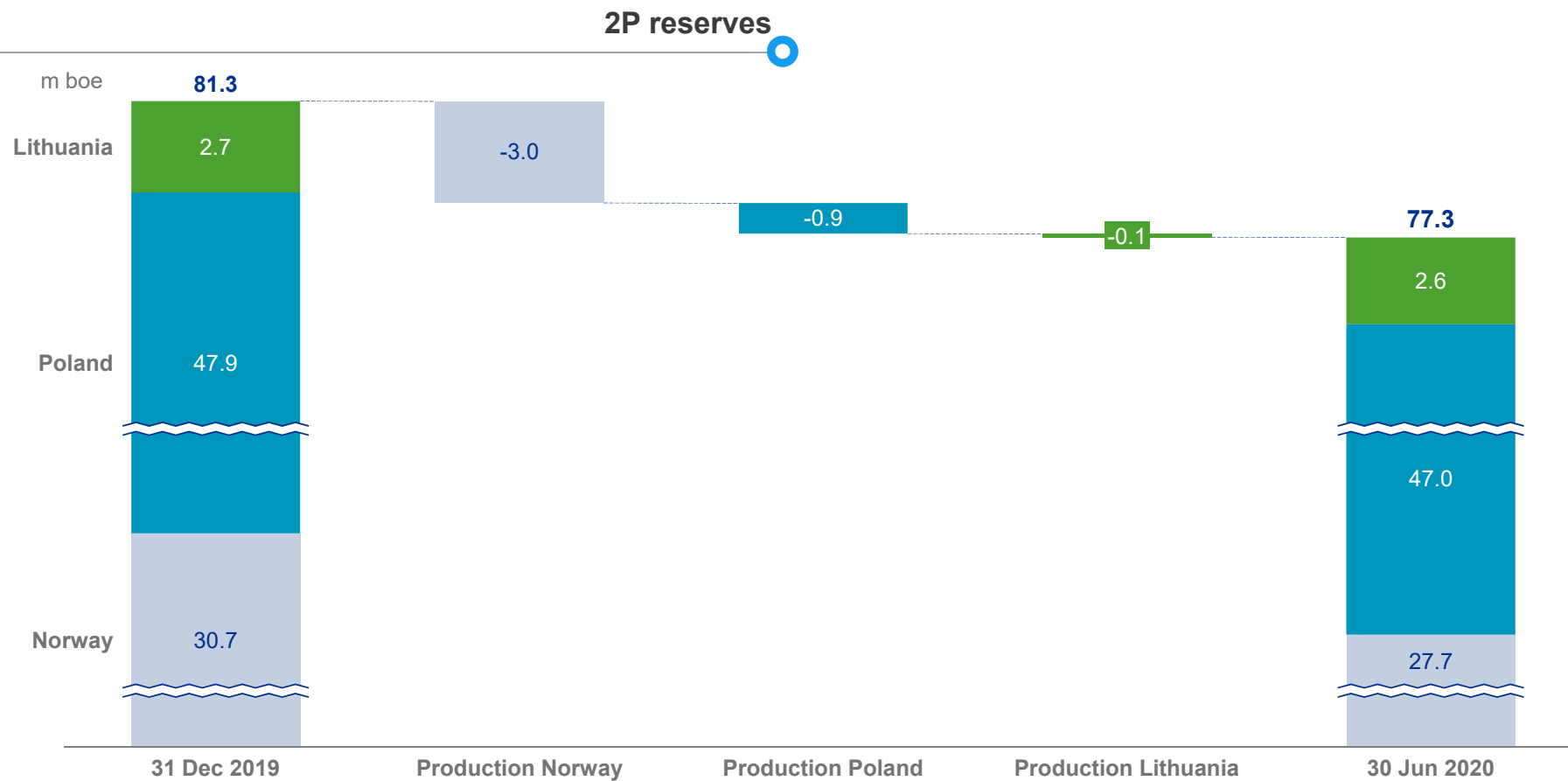
m boe



### Product mix structure (sales)

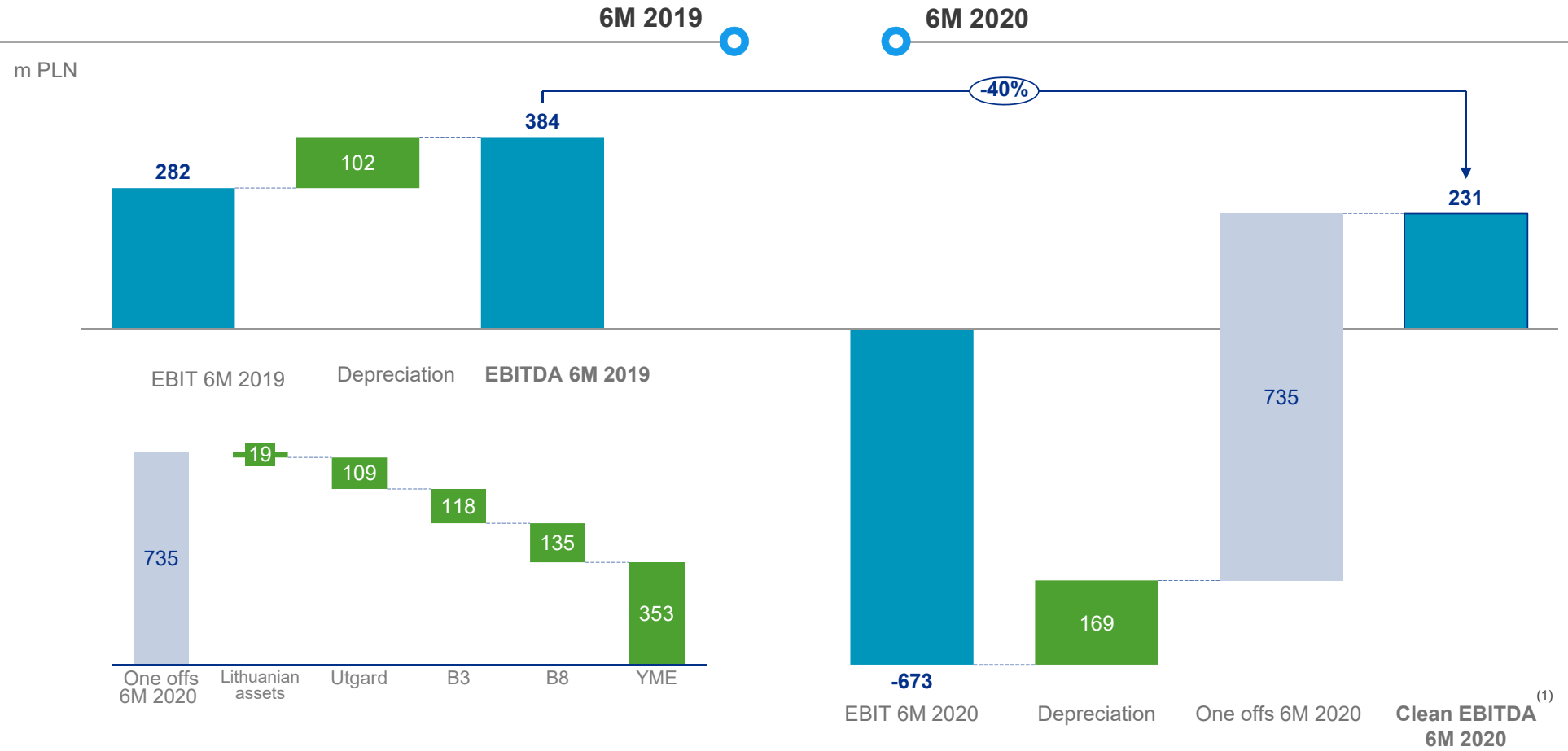


Exploration & production  
**Total recoverable reserves**



Exploration & production

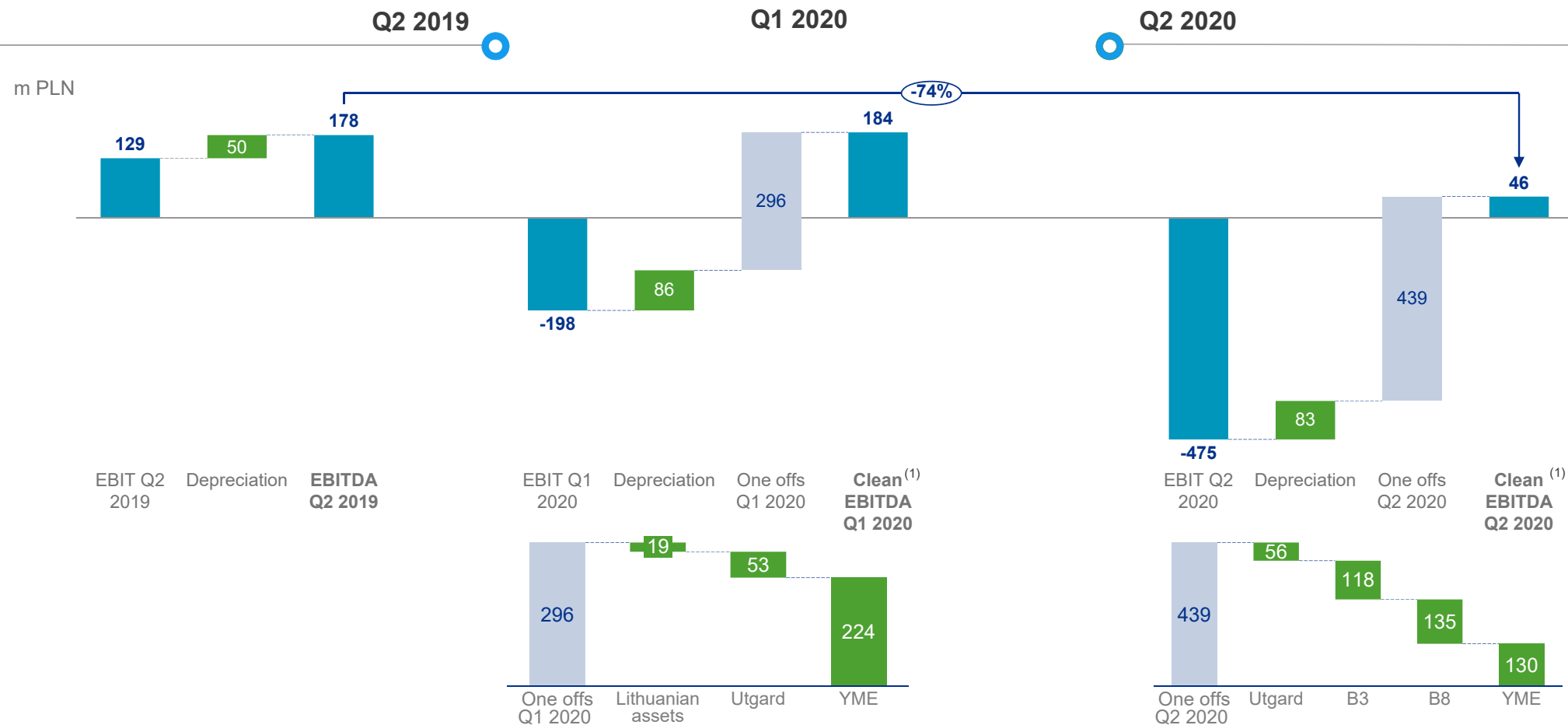
Half year exploration & production EBITDA evolution



(1) excluding one off items; segment results may not sum up due to consolidation adjustments and roundings

Exploration & production

Quarterly upstream EBITDA evolution



(1) excluding one off items; segment results may not sum up due to consolidation adjustments and roundings





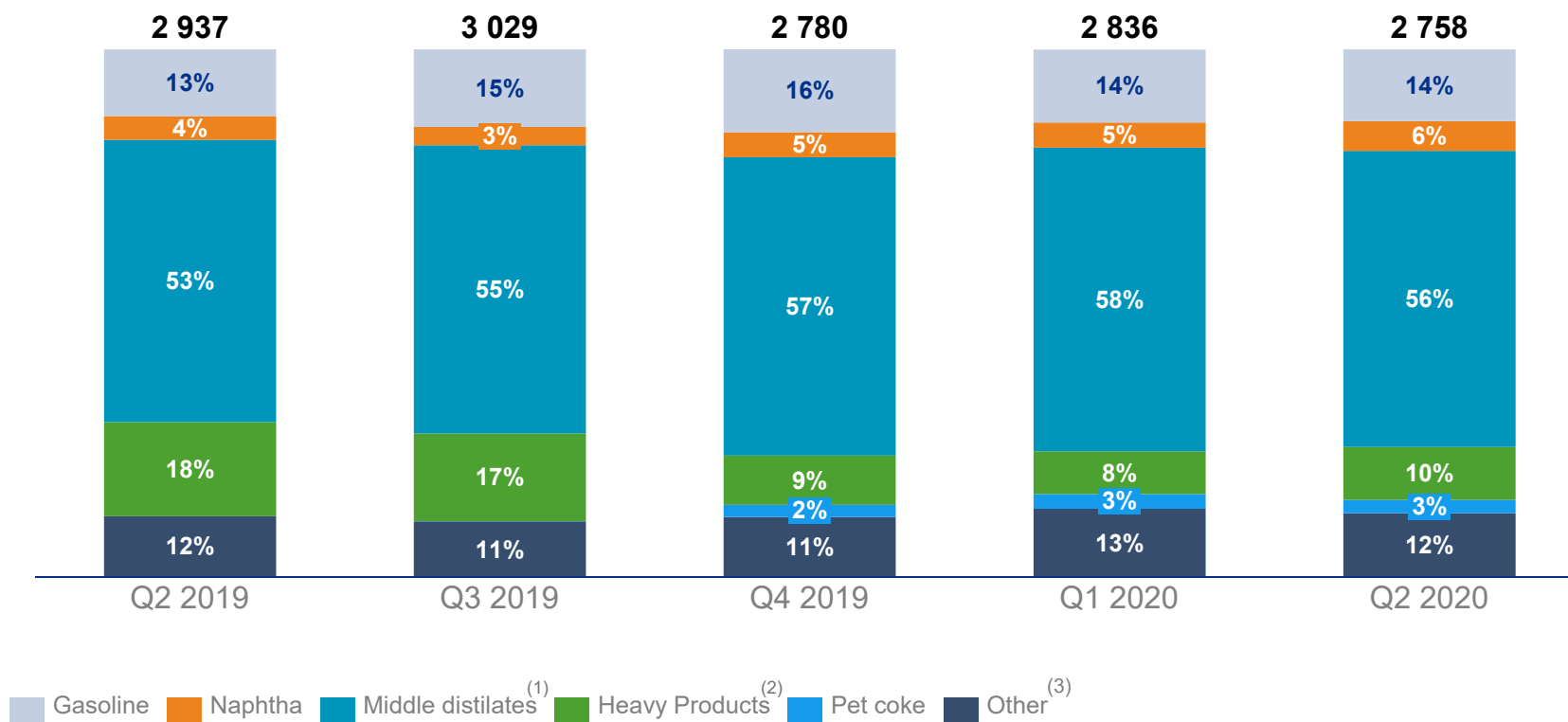
## Refining & marketing

Financial results HY and Q2 2020

Refining & marketing  
**Volume of key refining products**



thousand tons  
 % share in total



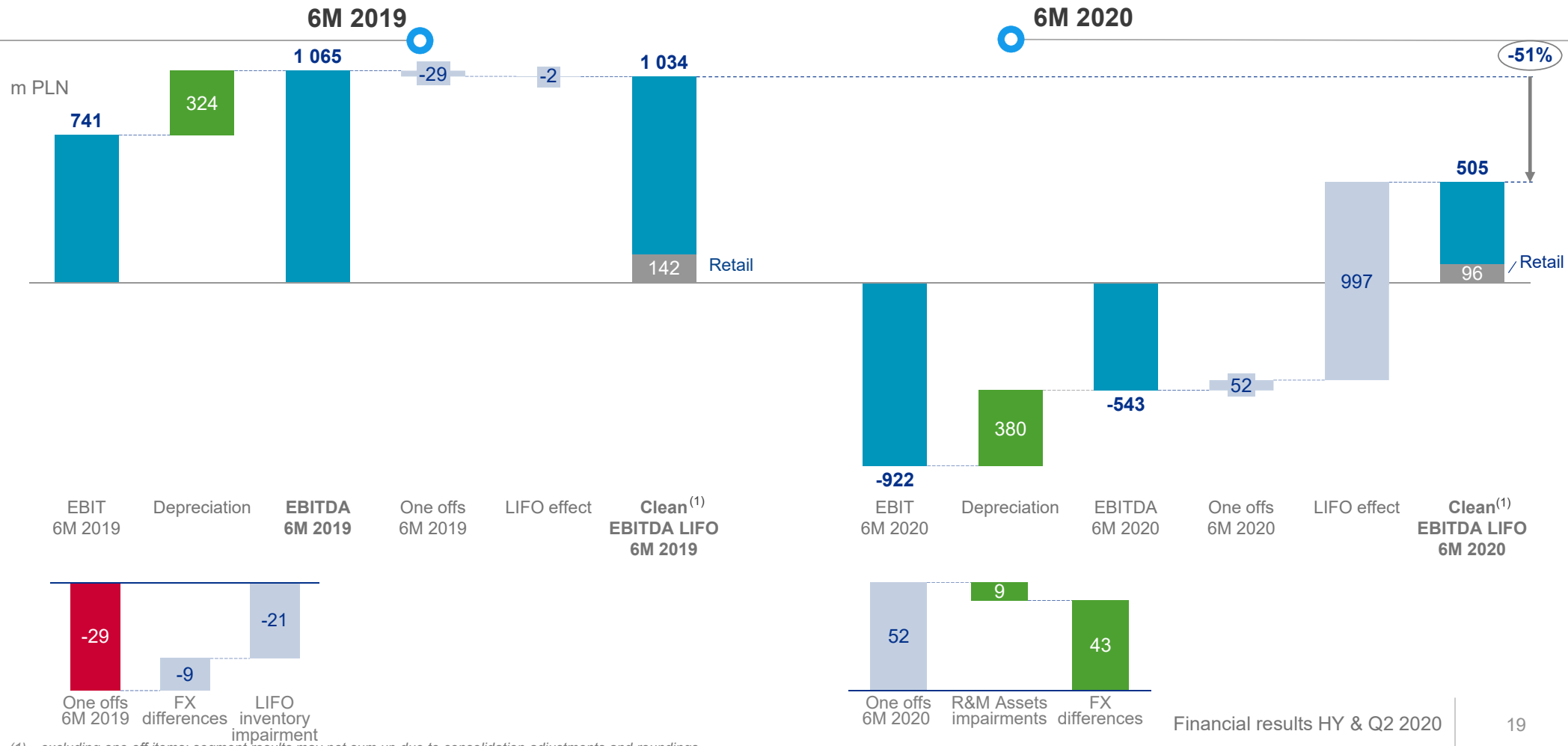
(1) middle distillates including : diesel, light heating oil and jet fuel

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

(3) other products include fuel and industrial gases, sulfur, base oils, xylene fraction, LPG, bunker fuel, extracts, raffinates, and slack wax.

Refining & marketing

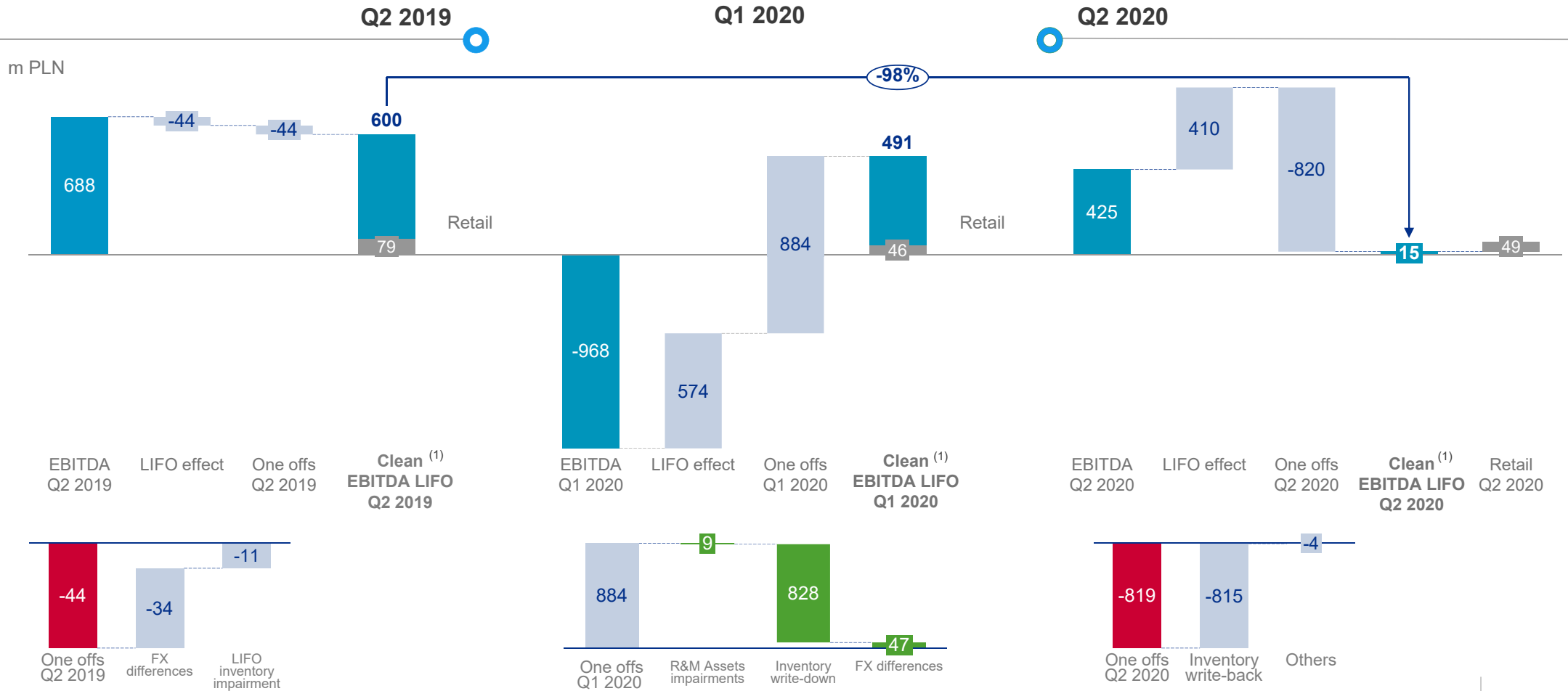
Half year refining & marketing clean EBITDA evolution



(1) excluding one off items; segment results may not sum up due to consolidation adjustments and roundings

Refining & marketing

Quarterly downstream clean EBITDA LIFO evolution



(1) excluding one off items; segment results may not sum up due to consolidation adjustments and roundings

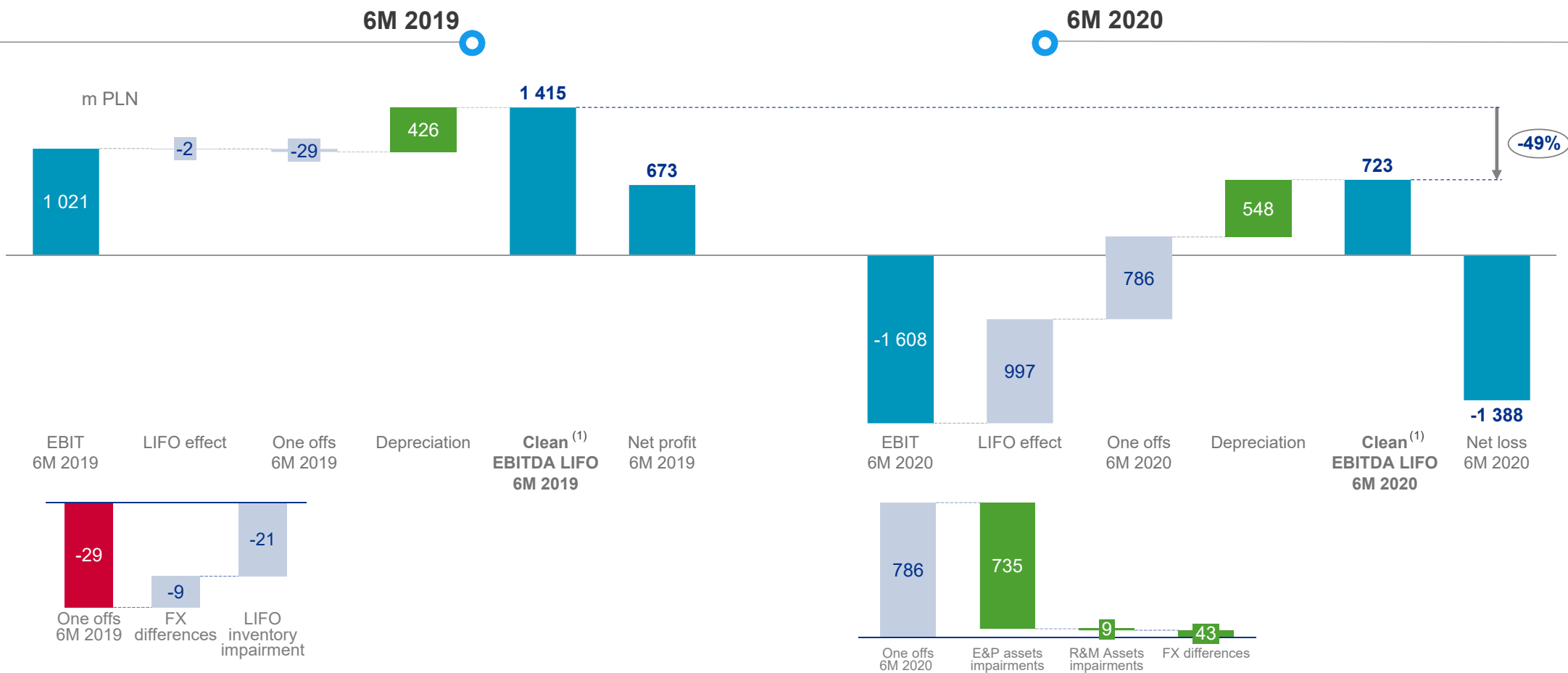


## Consolidated financial results

HY and Q2 2020

Consolidated financial results

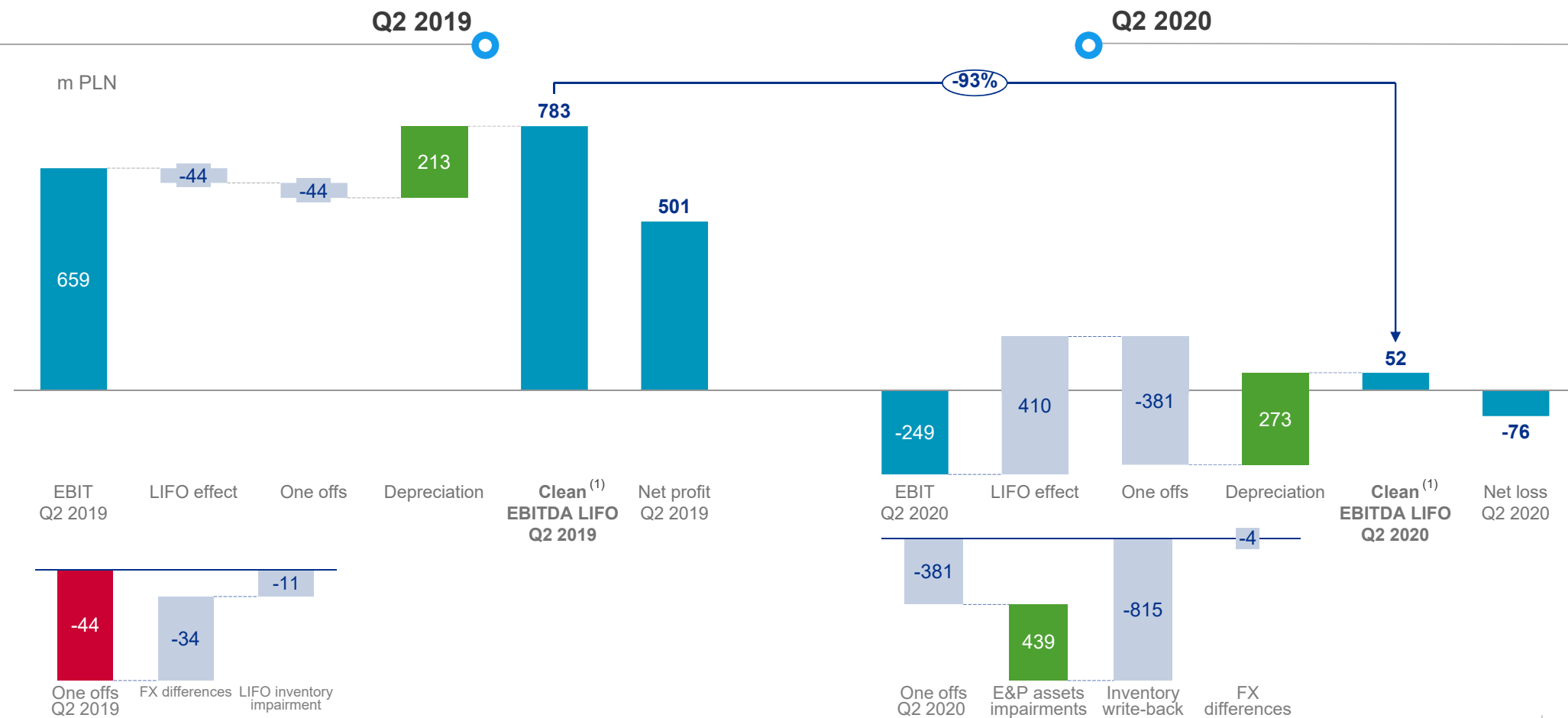
Decomposition of half year cumulative operating results



(1) excluding one off items; segment results may not sum up due to consolidation adjustments and roundings

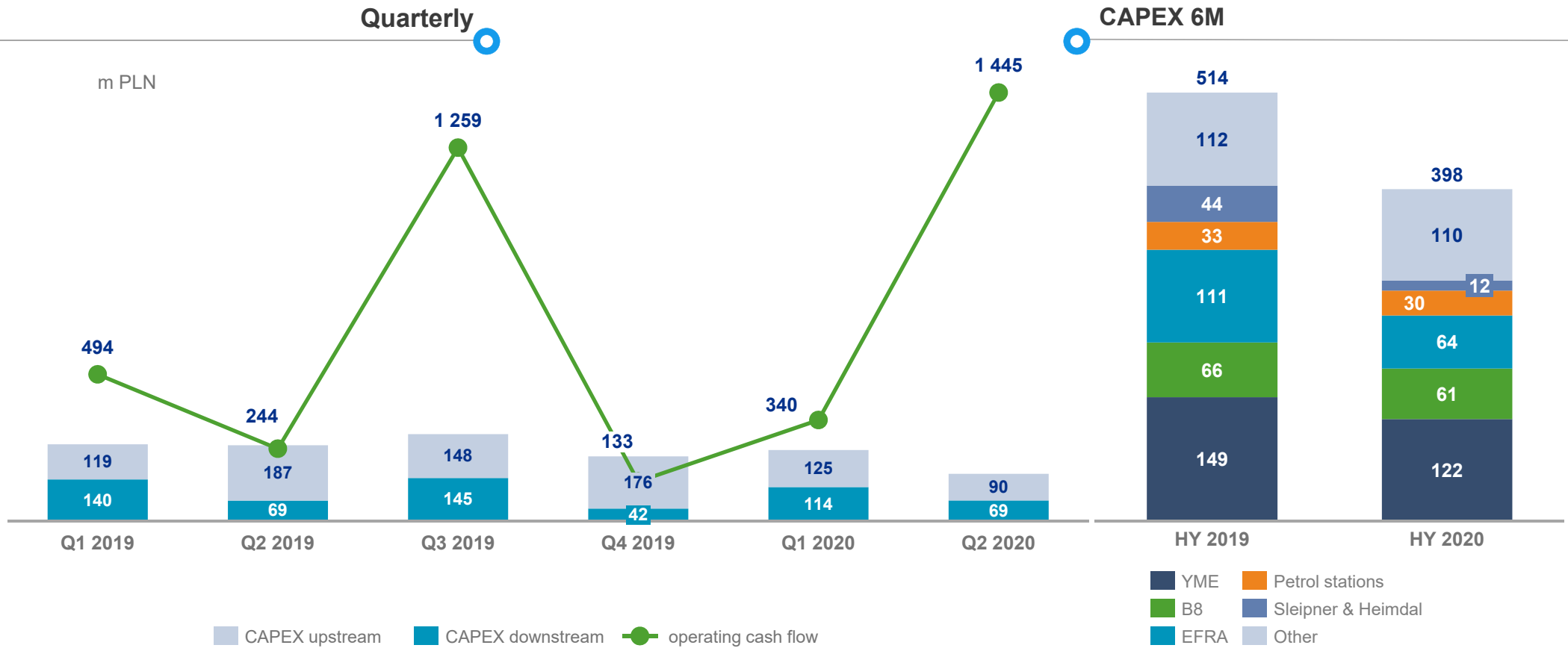
Consolidated financial results

Decomposition of Q2 2020 vs Q2 2019 consolidated financial results



(1) excluding one off items; segment results may not sum up due to consolidation adjustments and roundings

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





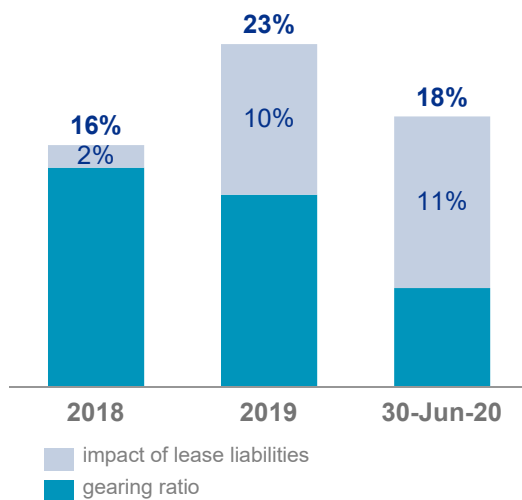
Debt

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

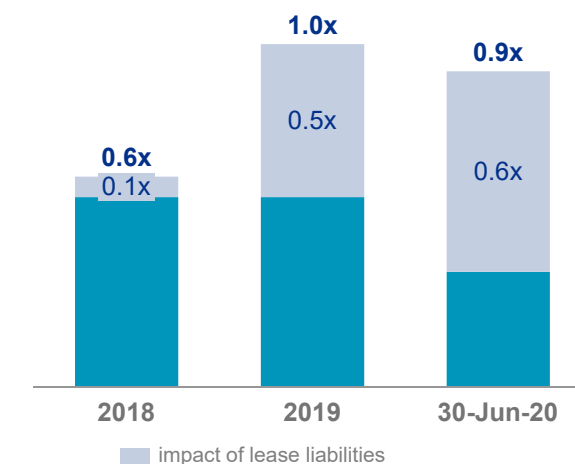
bn PLN



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



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



- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds less cash & cash equivalents
- The current net debt/EBITDA ratio at 0.9x, including 0.6x 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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