



Consolidated financial results Q3 and 9M 2020

October 30th, 2020



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Financial results Q3 and 9M 2020



Key highlights

Consolidated financial results Q3 and 9M 2020

Key highlights

Q3 and 9M 2020 – summary

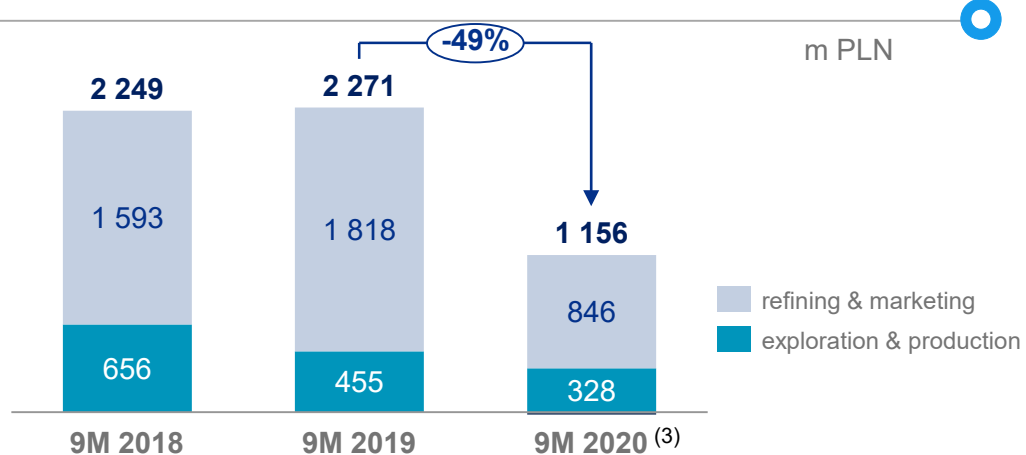
- 9M cumulative LIFO EBITDA⁽¹⁾ reached 1.2bn PLN ⁽²⁾ (-49% y/y) and was adversely affected by combination of unfavourable factors: lowest refining margins in decade, low crude oil and natural gas prices and lower oil and gas products consumption
- Quarterly LIFO EBITDA⁽¹⁾ recovered after Q2 up to 443m PLN (732% q/q), marked by low levels of key refining product margins with slightly better crude oil (+13 USD/bbl q/q) and natural gas (+6 USD/boe q/q) prices
- Maintaining safe liquidity position with solid 1.7bn PLN of cumulative operating cash flow in the first 3 quarters of 2020
- Persistently strong balance sheet discipline – net debt/LIFO EBITDA⁽¹⁾ of 1.4x (strategic target ≤ 1.5)
- Continuing to improve energy efficiency, reduction of direct CO2 emissions per ton by 2.5% ⁽³⁾ y/y
- 185 m PLN dividend paid (1 PLN per share)
- Active optimisation process enabling to continue optimum utilisation of the refinery (96.3% in Q3), achieved despite one of the worst macro environment conditions for the refining business

(1) Net of one-off items

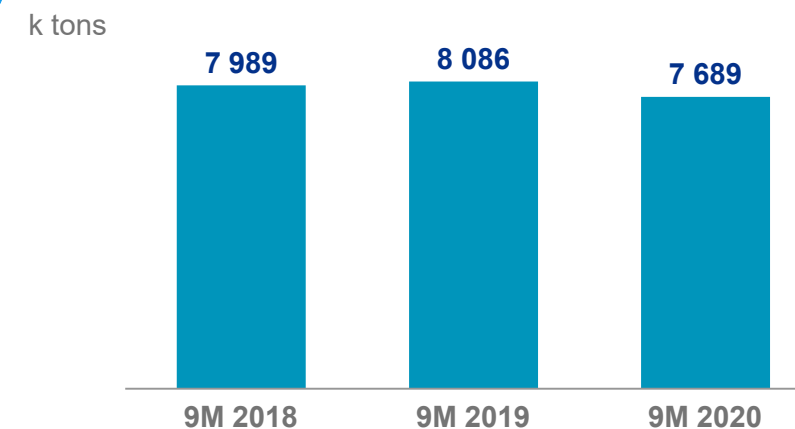
(2) ~370 m PLN of negative influence of expensive oil layers in LIFO calculation in Q2 2020, a purely methodological effect with impact on actual performance

(3) CWT methodology, find out more ESG data at integrated report: <https://raportroczny.lotos.pl/en/>

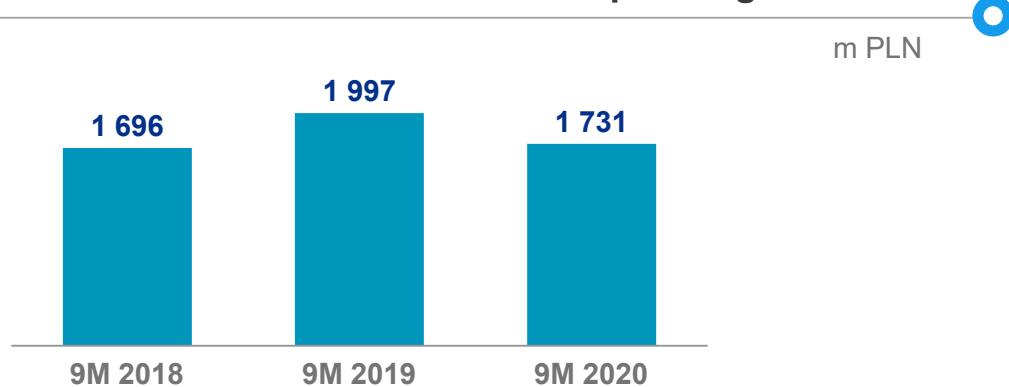
LIFO EBITDA⁽¹⁾



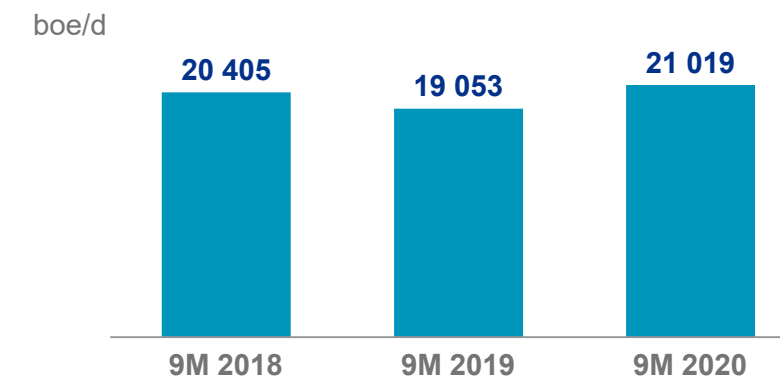
Refining & marketing – crude oil throughput in Gdańsk



Operating cash flow



Exploration & production – daily hydrocarbons production⁽²⁾



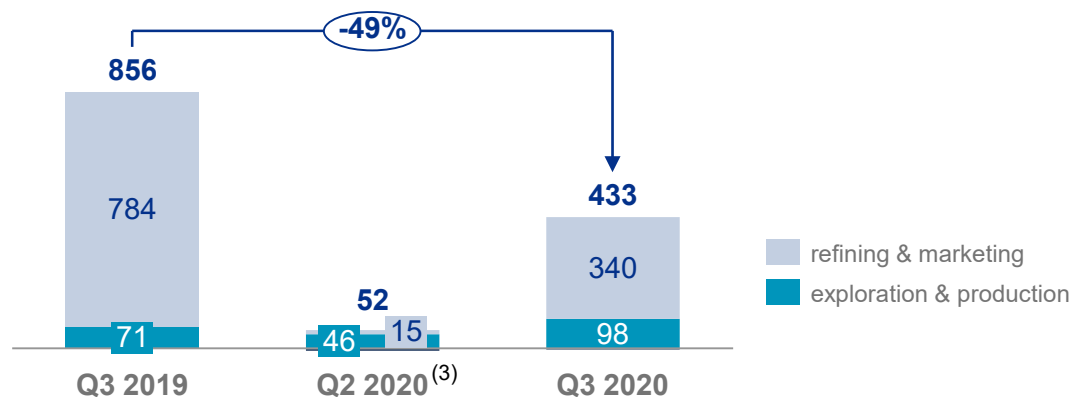
(1) excluding one off items; segment results may not sum up due to consolidation adjustments

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

(3) ~370 m PLN of negative influence of expensive oil layers in LIFO calculation in Q2 2020, a purely methodological effect with impact on actual performance. Excluding this effect the LIFO EBITDA result would have reached ~1 520 m PLN

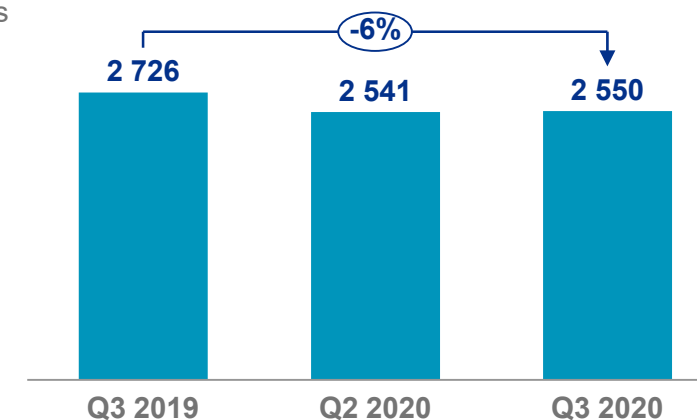
LIFO EBITDA⁽¹⁾

m PLN

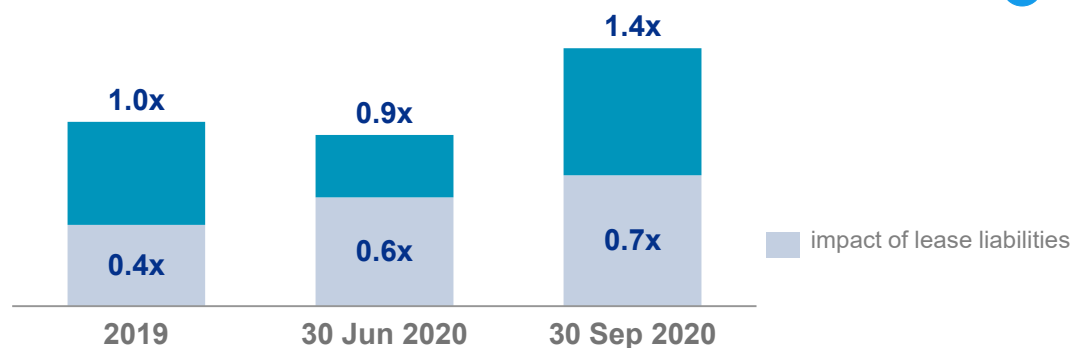


Refining & marketing – crude oil throughput in Gdańsk

k tons

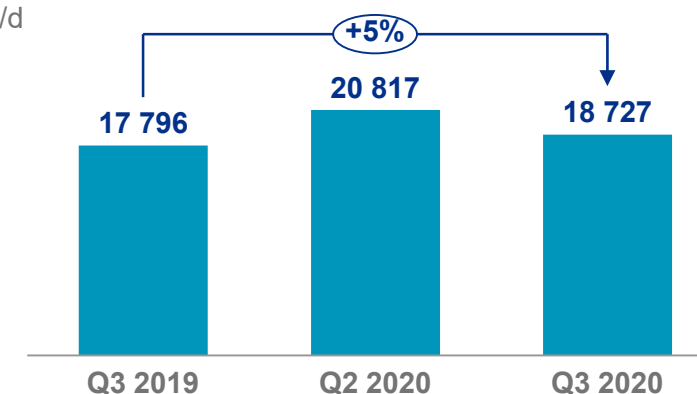


Net debt / LIFO EBITDA⁽¹⁾



Exploration & production – 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 / number of calendar days

(3) ~370 m PLN of negative influence of expensive oil layers in LIFO calculation in Q2 2020, a purely methodological effect with impact on actual performance. Excluding this effect the LIFO EBITDA result would have reached ~420 m PLN



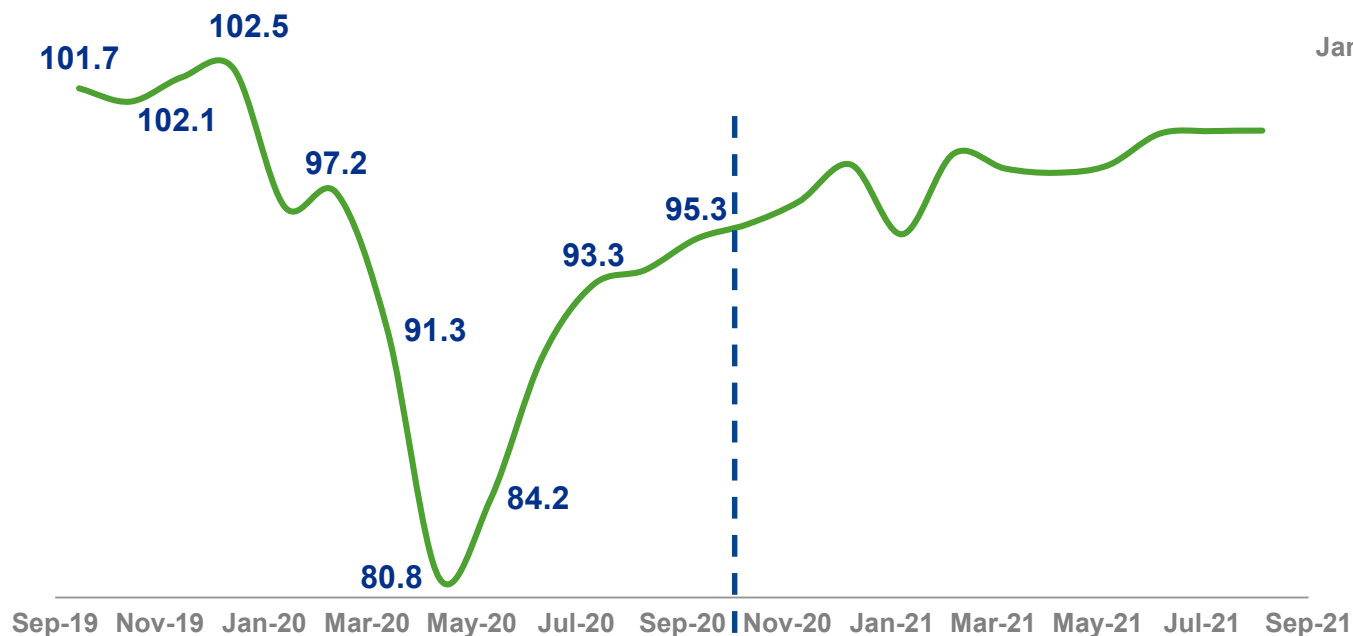
External environment

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COVID Pandemic impact – global oil demand decrease

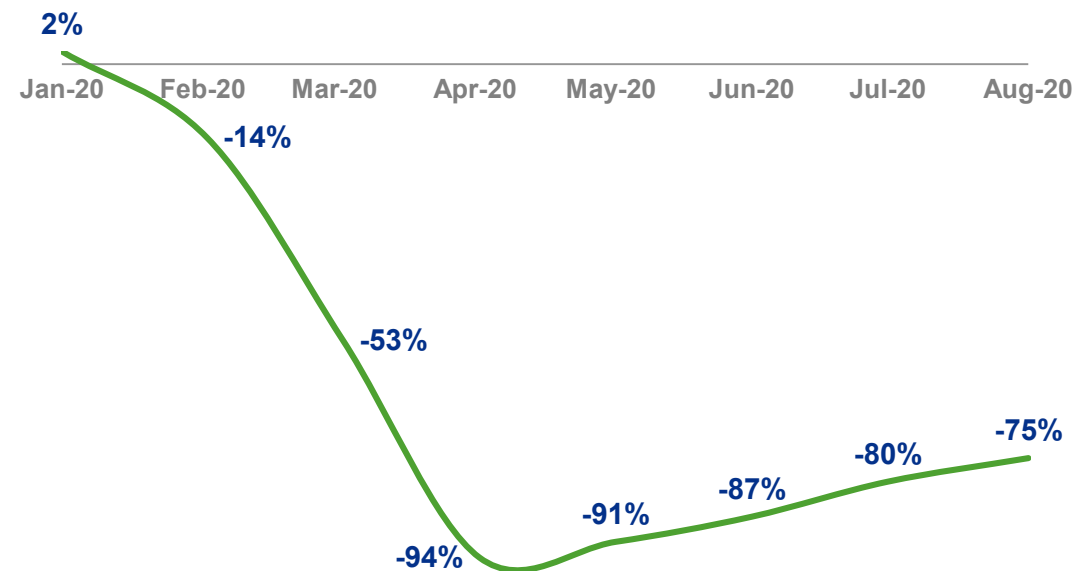
Global crude oil consumption (1)

m bbl/d



Global air passenger dynamics (2)

Δ y/y in %



(1) Source: IEA; actuals till Sep 2020; from Oct 2020 forecasted figures

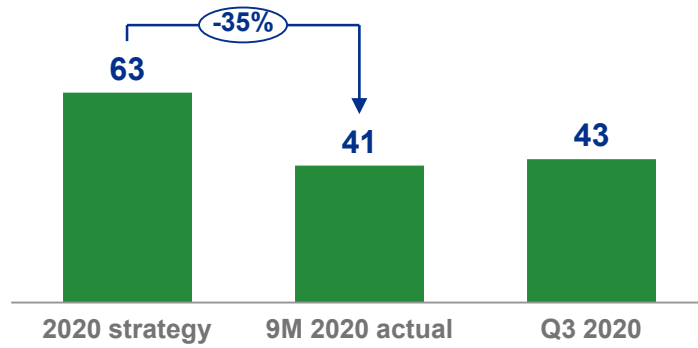
(2) Source: IATA – RPK (Revenue Passenger Kilometres); compared to same period 2019

External environment

Macroeconomic environment⁽¹⁾ vs. strategic assumptions⁽²⁾

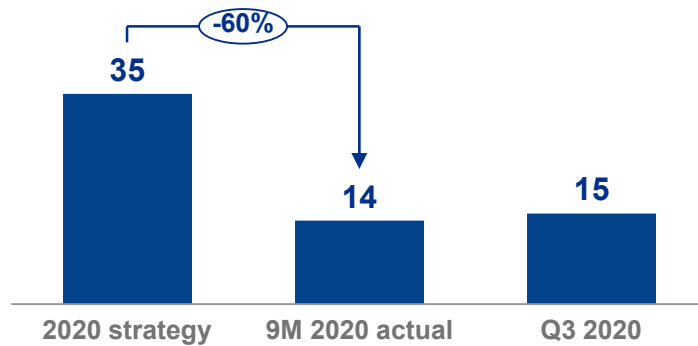
Brent DTD

USD/bbl



Natural gas

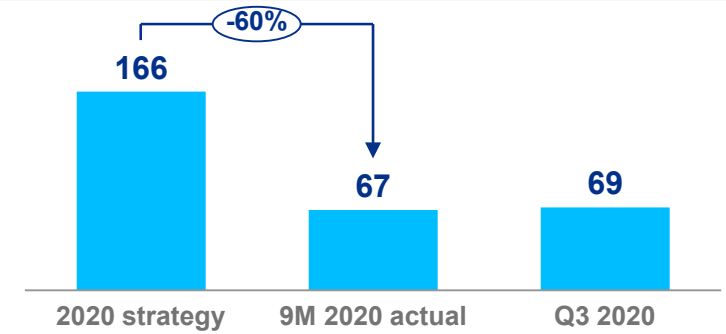
USD/boe



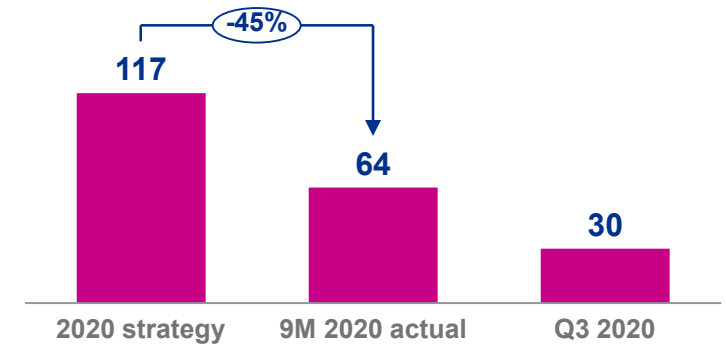
Product crack spreads

USD/ton

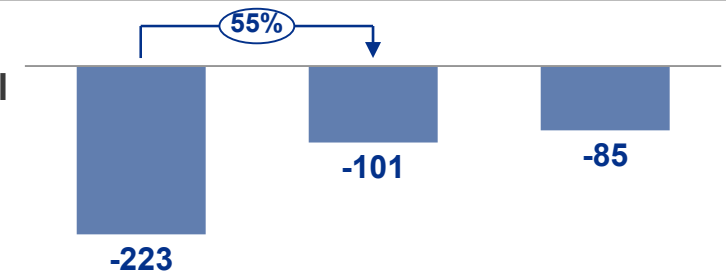
Gasoline



Diesel



Heavy fuel oil



(1) Source: Refinitiv

(2) Average annual 2020 strategic assumptions adopted by LOTOS

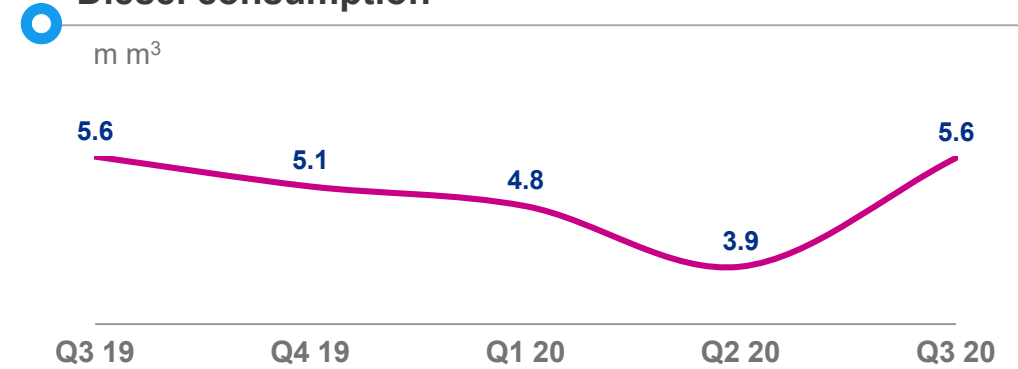
External environment

FX rate, GDP growth, domestic fuel market

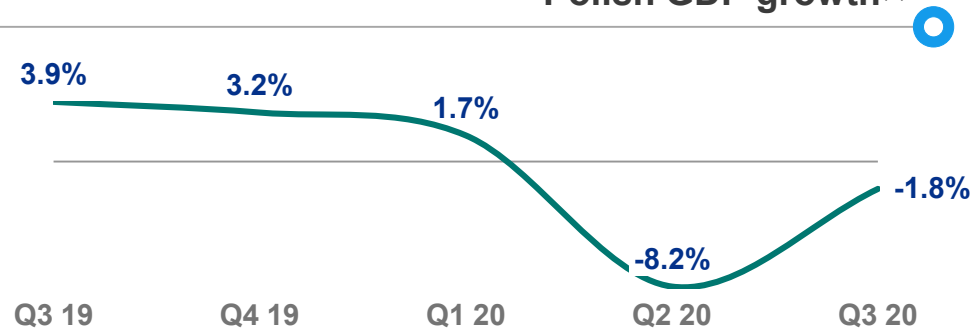
FX USD/PLN rate⁽¹⁾



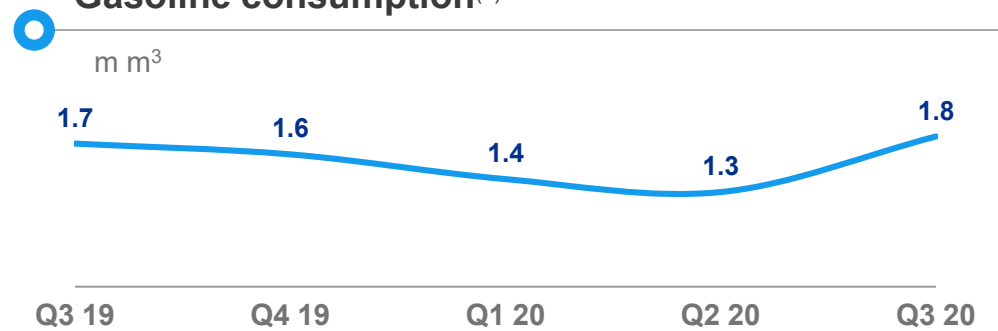
Diesel consumption⁽³⁾



Polish GDP growth⁽²⁾



Gasoline consumption⁽³⁾



(1) National Bank of Poland

(2) Statistics Poland (GUS); in Q3 2020 forecast of mBank S.A.

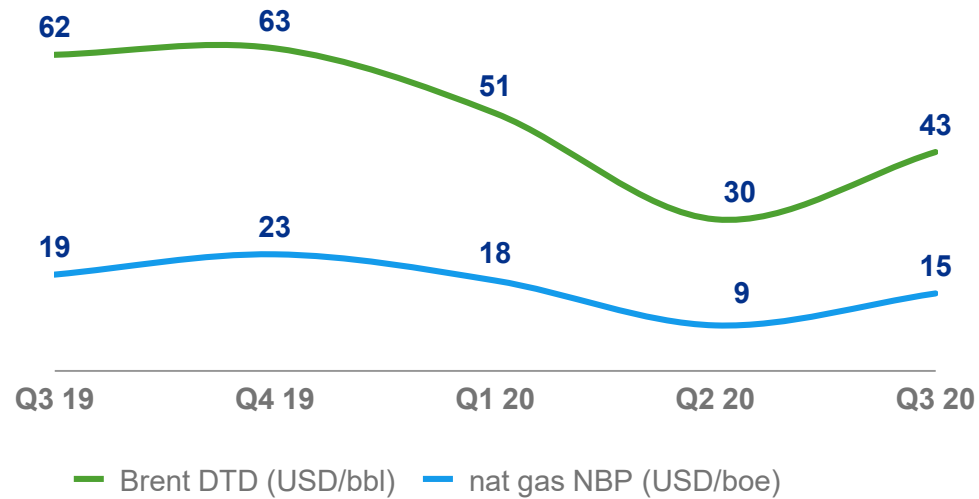
(3) domestic; according to POPIHN – Organisation for Oil Trade and Industry

External environment

Crude oil, natural gas and product crack spreads

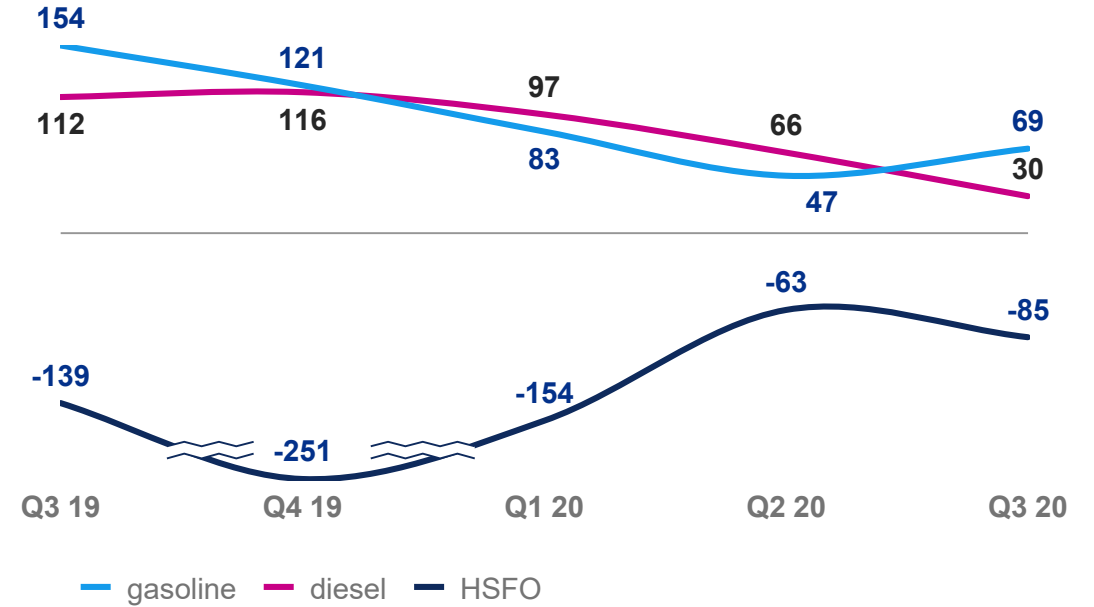
Crude oil⁽¹⁾ and nat gas prices⁽²⁾

USD/boe



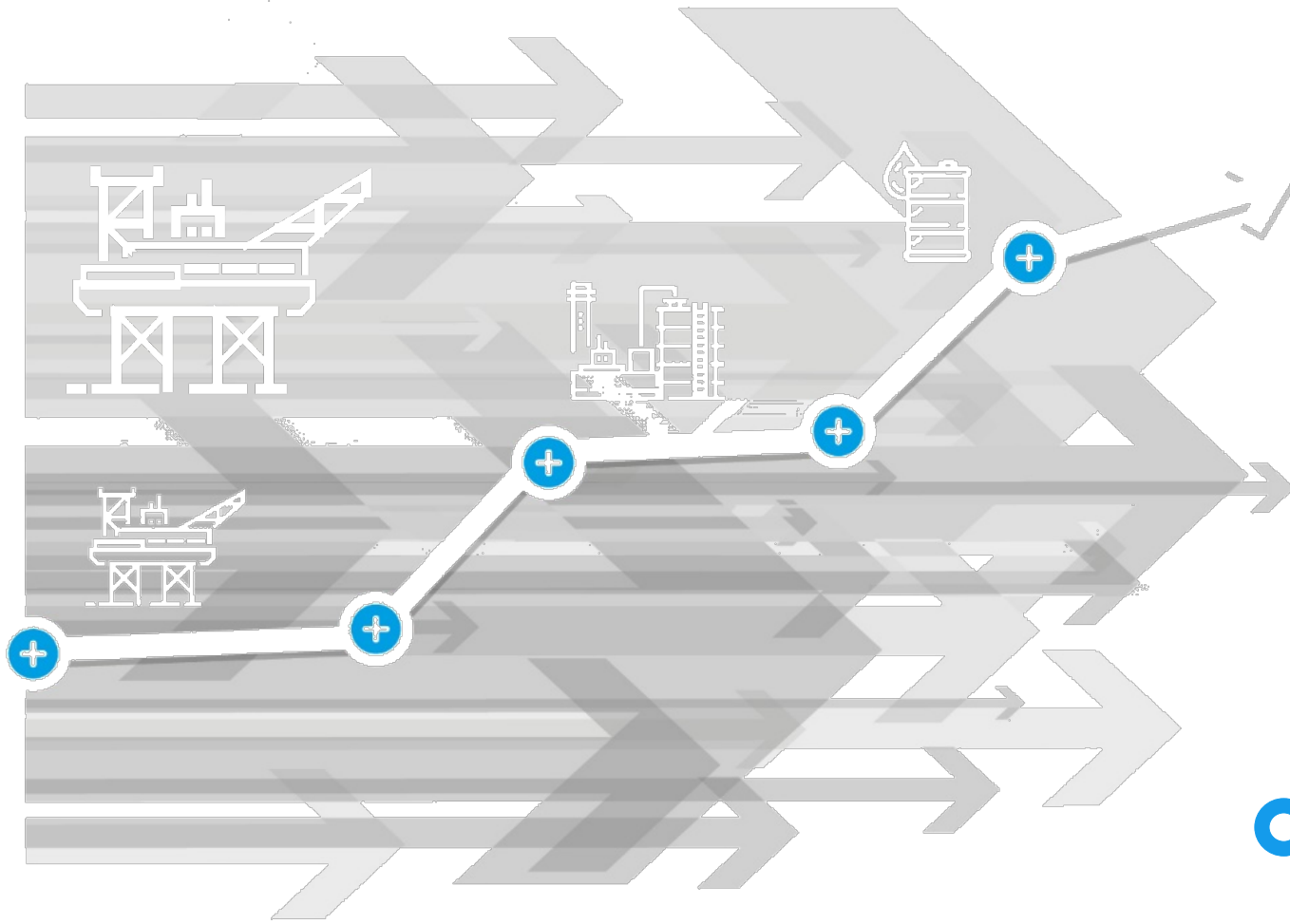
Key product crack spreads⁽¹⁾

USD/t



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

(2) Source: National Balancing Point



Exploration & production

Financial results Q3 and 9M 2020

B8

Baltic Sea



Reserves⁽¹⁾ **33.7 m boe**
Production⁽²⁾ **3.6 kboe/d**

B3

Baltic Sea



Reserves⁽¹⁾ **12.8 m boe**
Production⁽²⁾ **2.2 kboe/d**

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

Sleipner

North Sea



Reserves⁽¹⁾ **9.3 m boe**
Production⁽²⁾ **8.2 kboe/d**

Heimdal

North Sea



Reserves⁽¹⁾ **0.3 m boe**
Production⁽²⁾ **1.5 kboe/d**

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

Utgard

North Sea



Reserves⁽¹⁾ **4.2 m boe**
Production⁽²⁾ **2.7 kboe/d**

Onshore fields

Lithuania



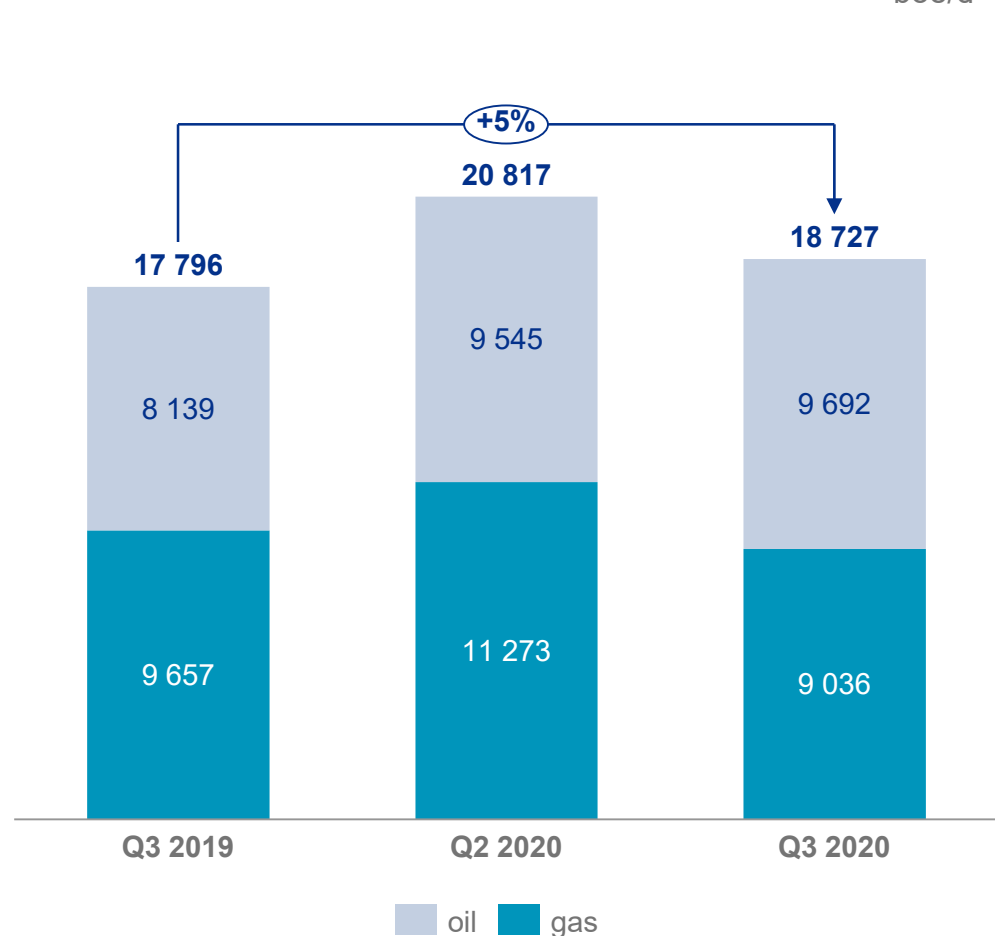
Reserves⁽¹⁾ **2.5 m boe**
Production⁽²⁾ **0.5 kboe/d**

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

(1) 2P Reserves as of 30.09.2020
(2) Average daily production for Q3 2020
(3) Average lifting costs for HY 2020

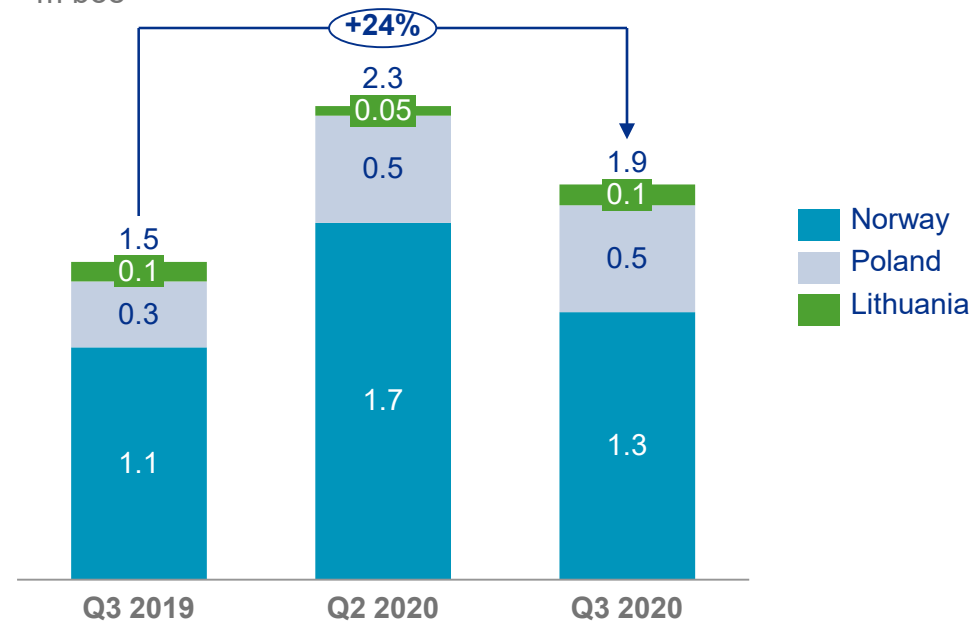
Quarterly production per day

boe/d

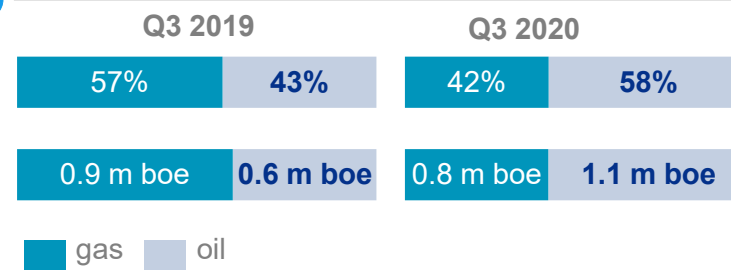


Overall quarterly sales

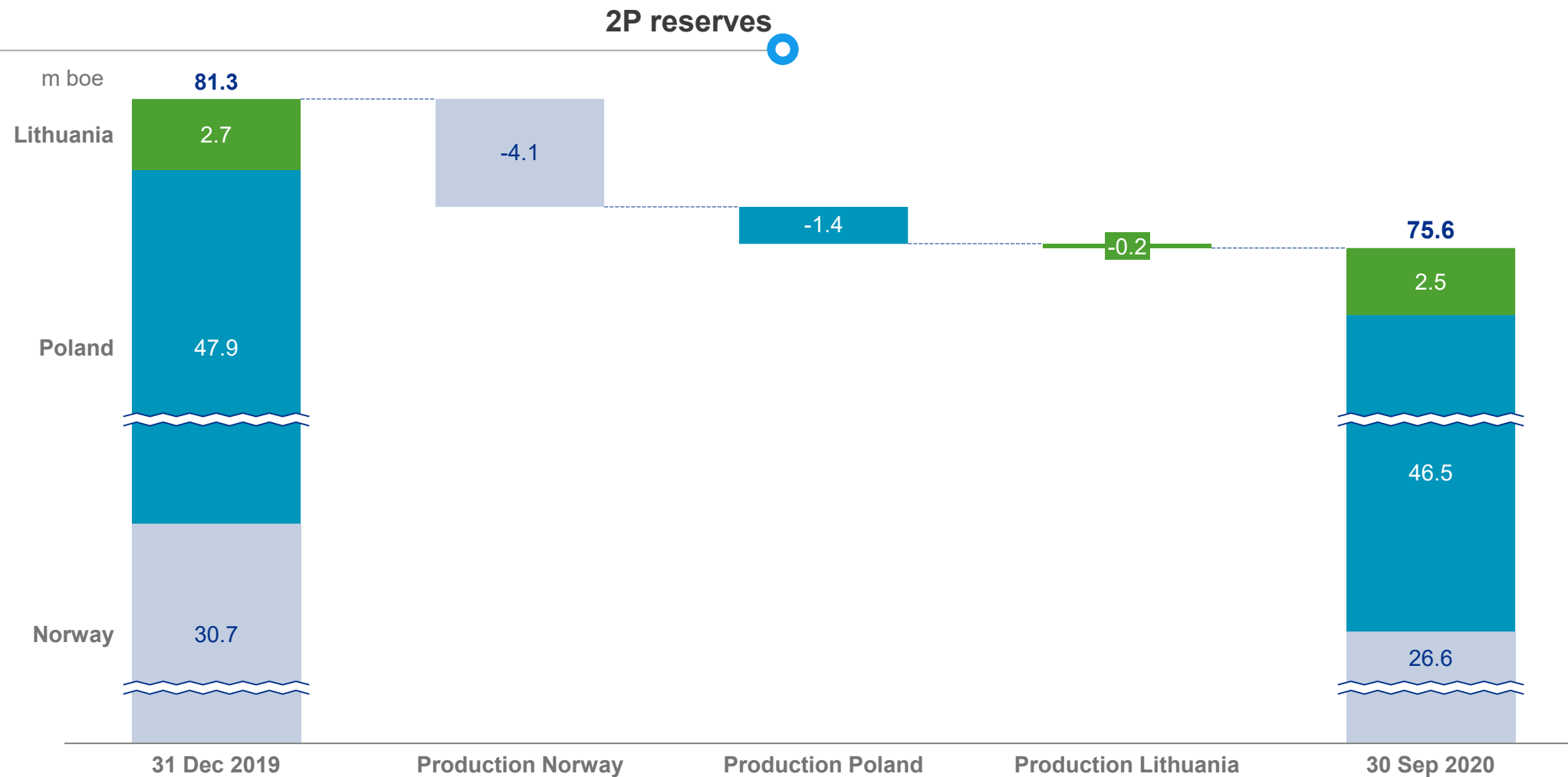
m boe



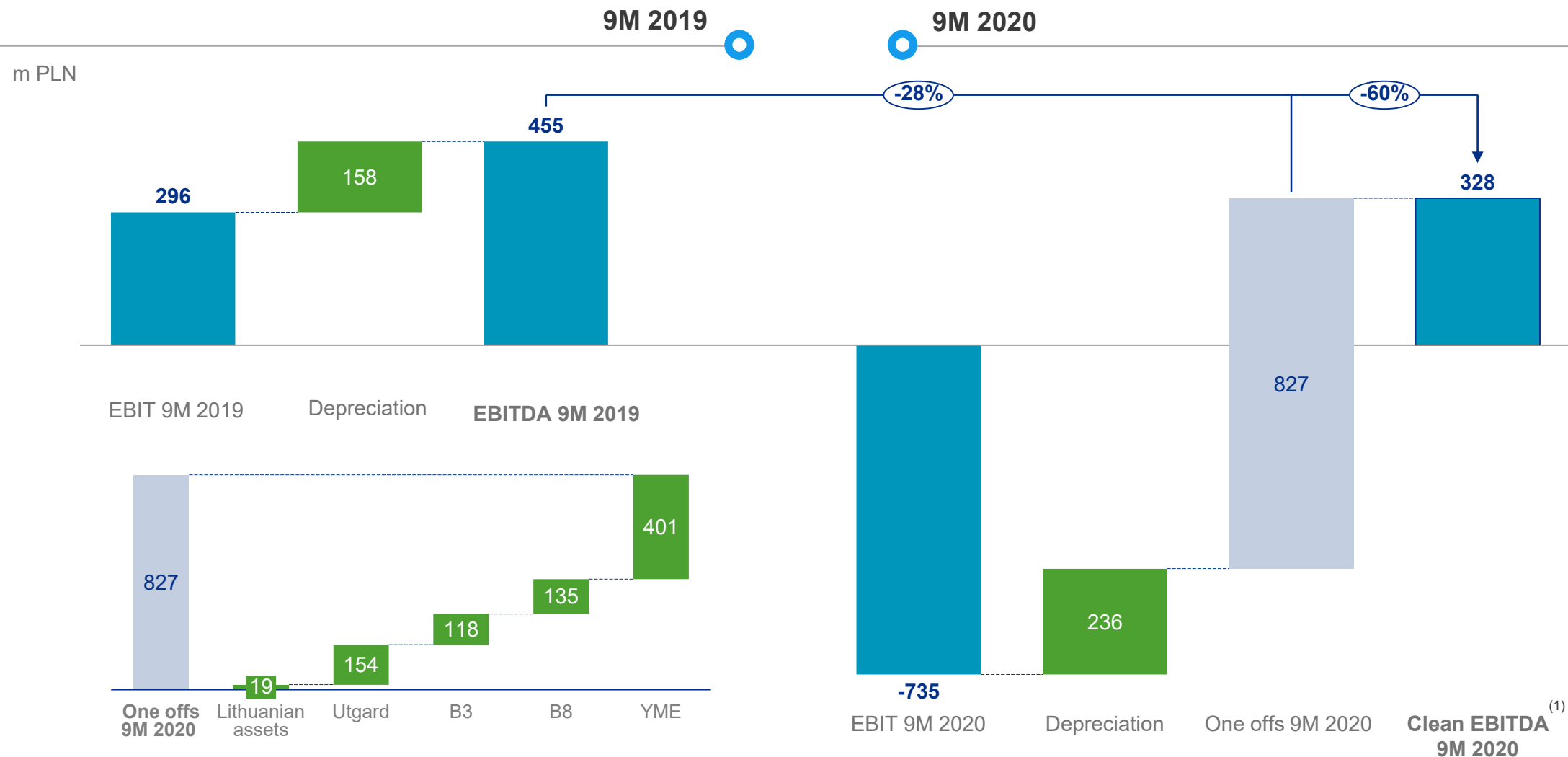
Product mix structure (sales)



Exploration & production
Total recoverable reserves

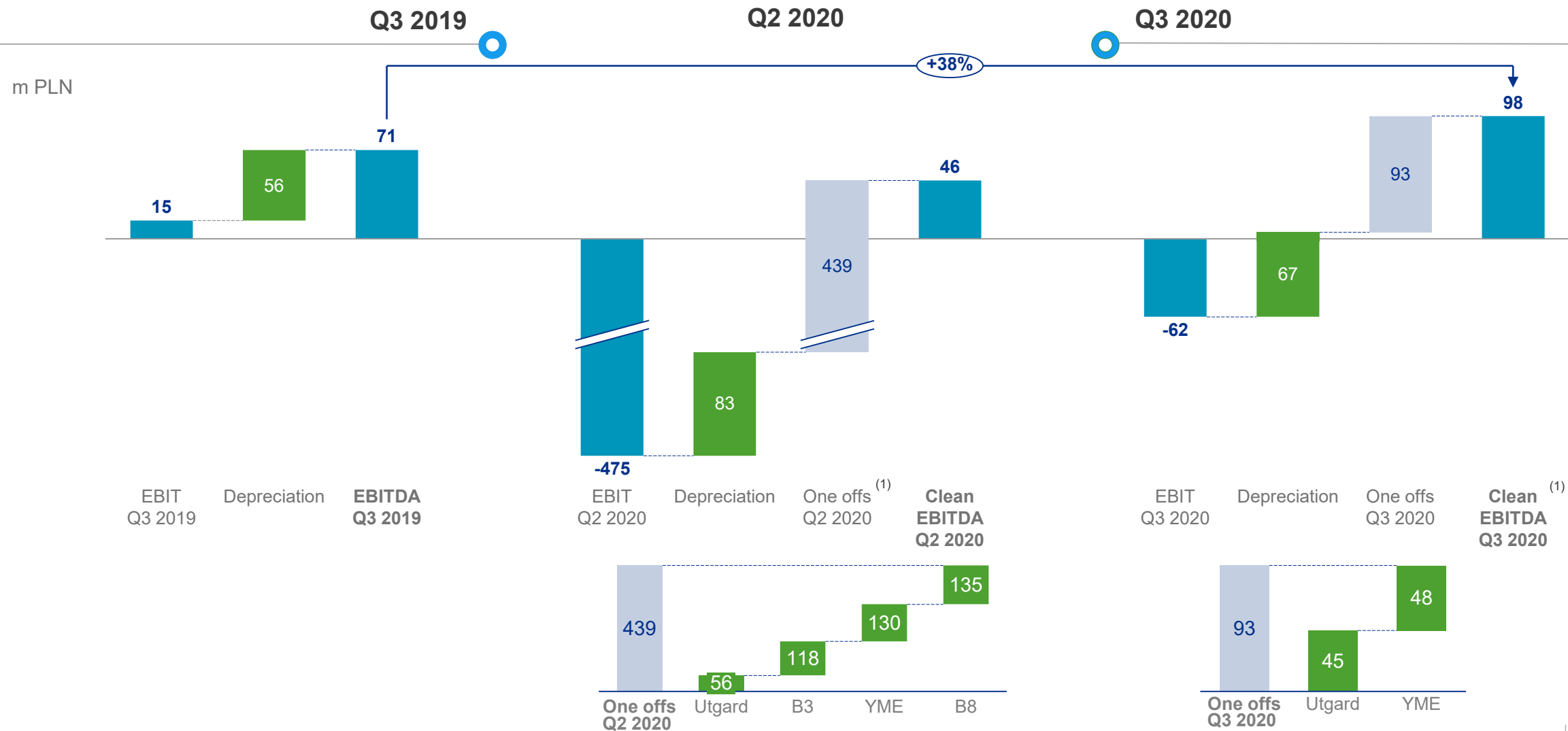


Exploration & production EBITDA evolution 9M 2020 vs. 9M 2019



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

Quarterly upstream EBITDA evolution



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

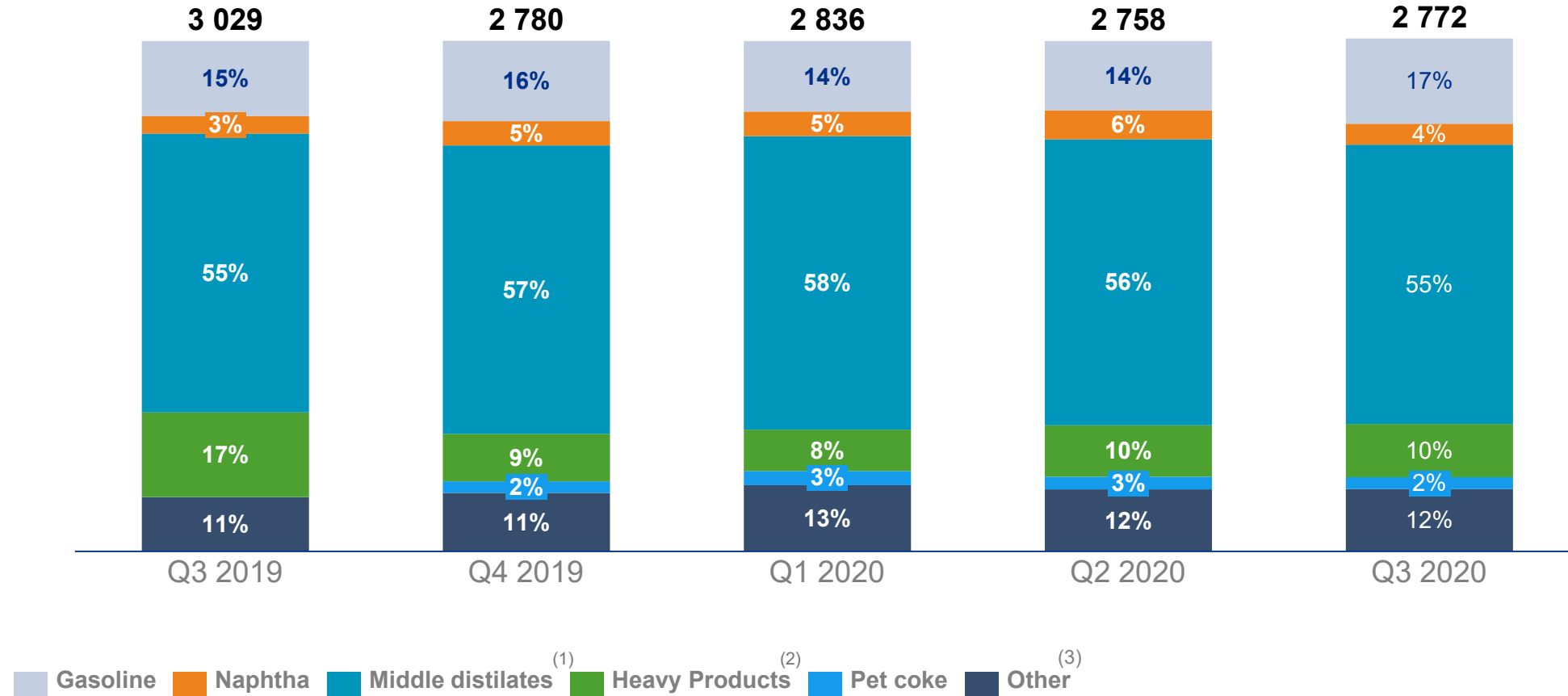


Refining & marketing

Financial results Q3 and 9M 2020

Refining & marketing
Refining output structure

thousand tons
 % share in total



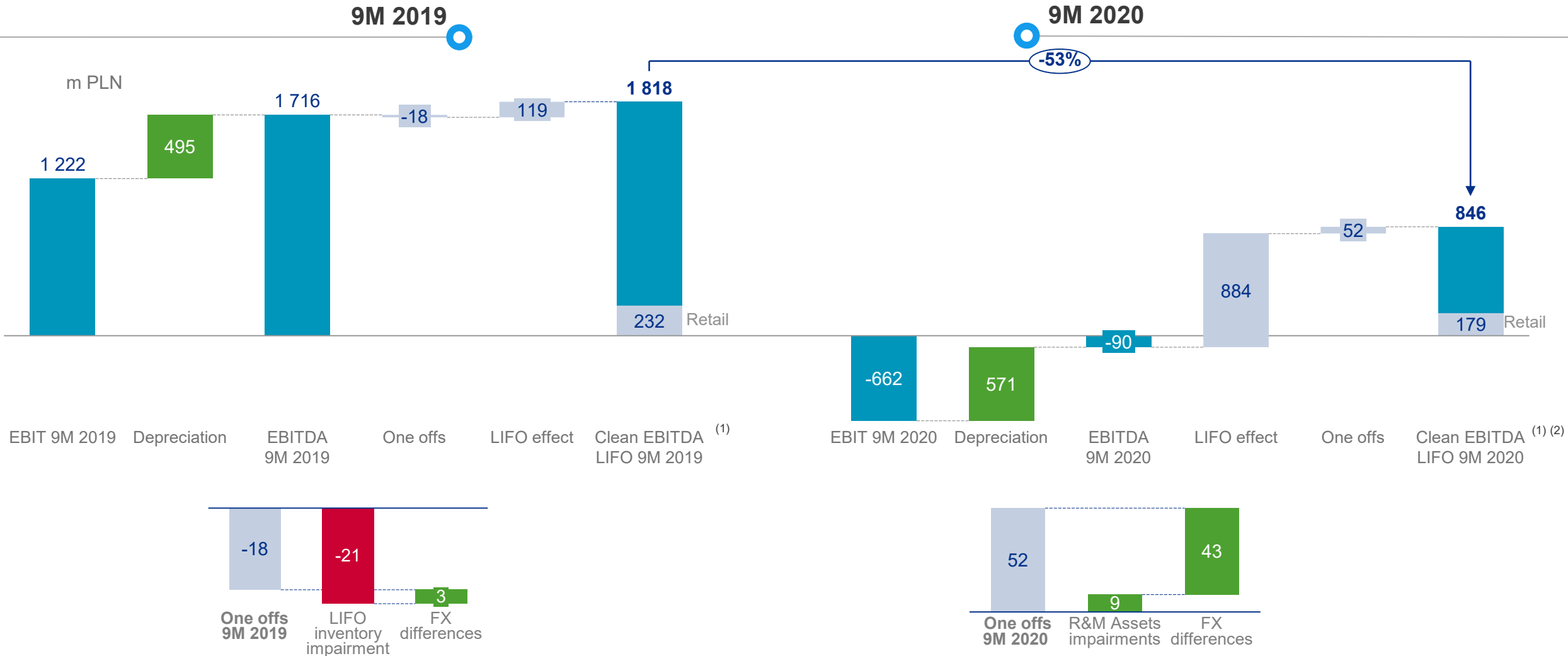
(1) middle distillates including: diesel, light heating oil and jet fuel

(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

9M refining & marketing clean EBITDA evolution

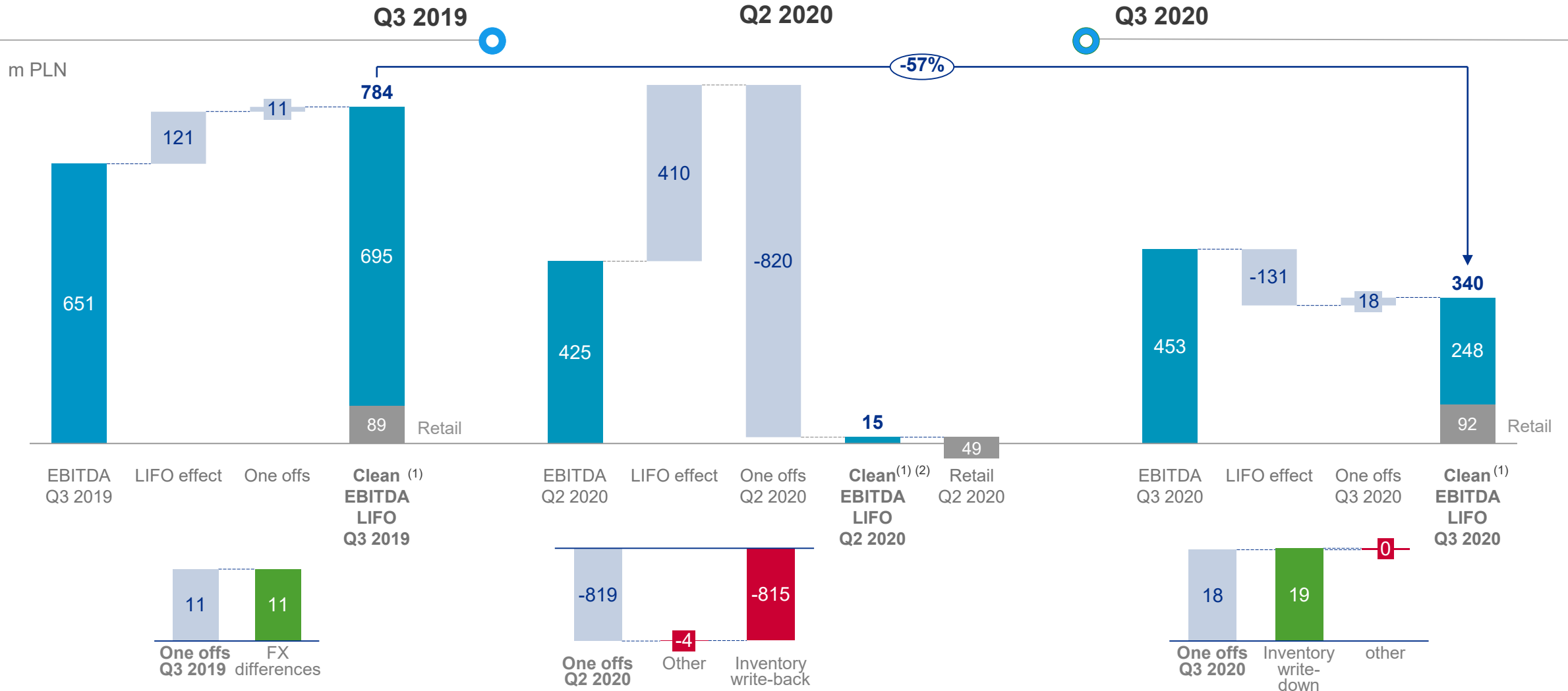


(1) excluding one off items; segment results may not sum up due to consolidation adjustments and roundings

(2) ~370 m PLN of negative influence of expensive oil layers in LIFO calculation in Q2 2020, a purely methodological effect with impact on actual performance. Excluding this effect the LIFO EBITDA result would have reached ~1 210 m PLN

Refining & marketing

Quarterly downstream clean EBITDA LIFO evolution

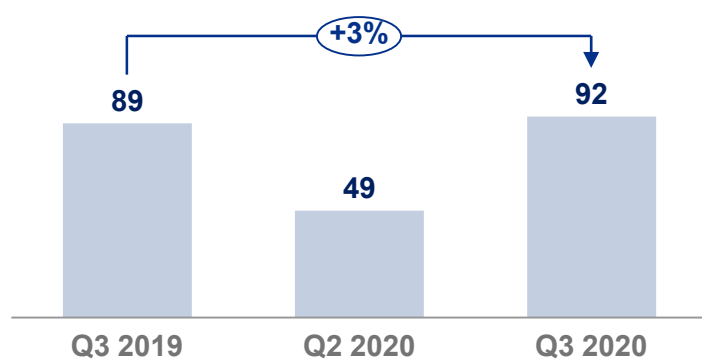


(1) excluding one off items; segment results may not sum up due to roundings

(2) ~370 m PLN of negative influence of expensive oil layers in LIFO calculation in Q2 2020, a purely methodological effect with impact on actual performance. Excluding this effect the LIFO EBITDA result would have reached ~385 m PLN

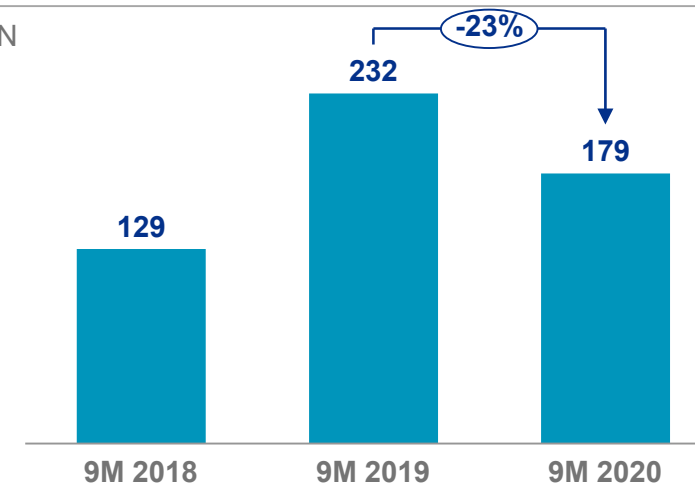
Quarterly EBITDA⁽¹⁾

m PLN



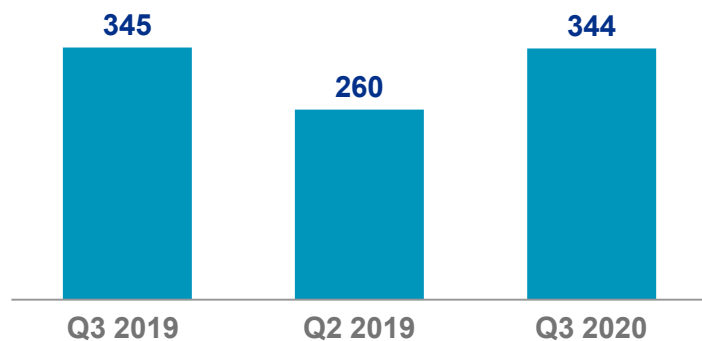
Cumulative EBITDA for 9 months

m PLN



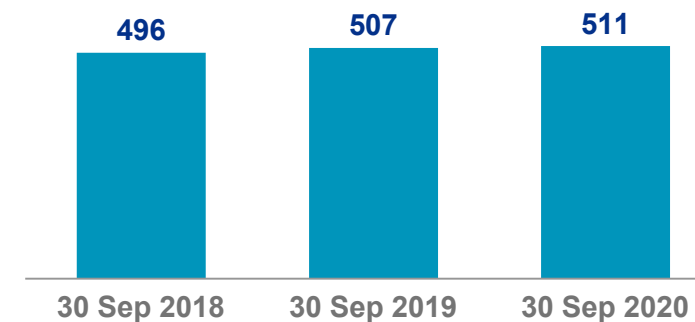
Retail sales volumes

k tons



Number of petrol stations (eop)

Units



(1) excluding one off items

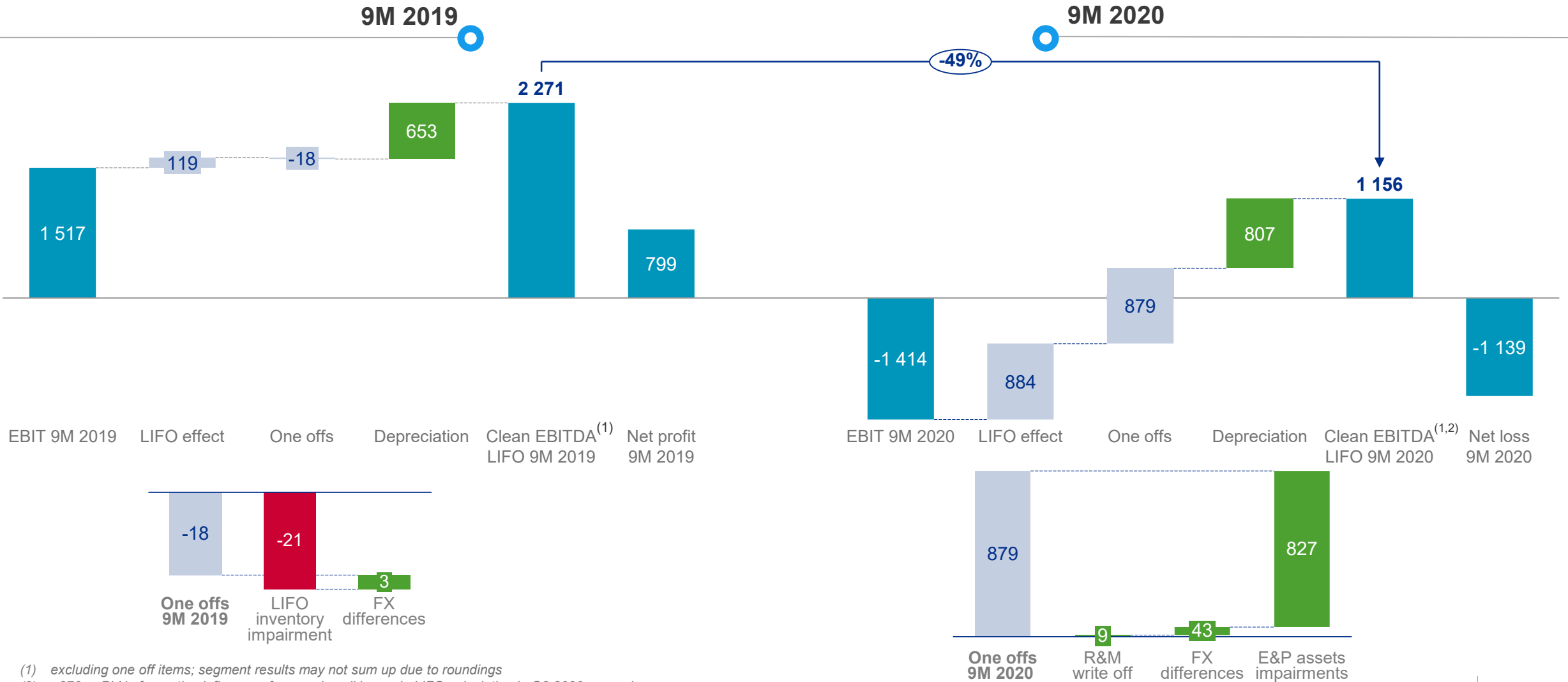


Consolidated financial results

Q3 and 9M 2020

Consolidated financial results

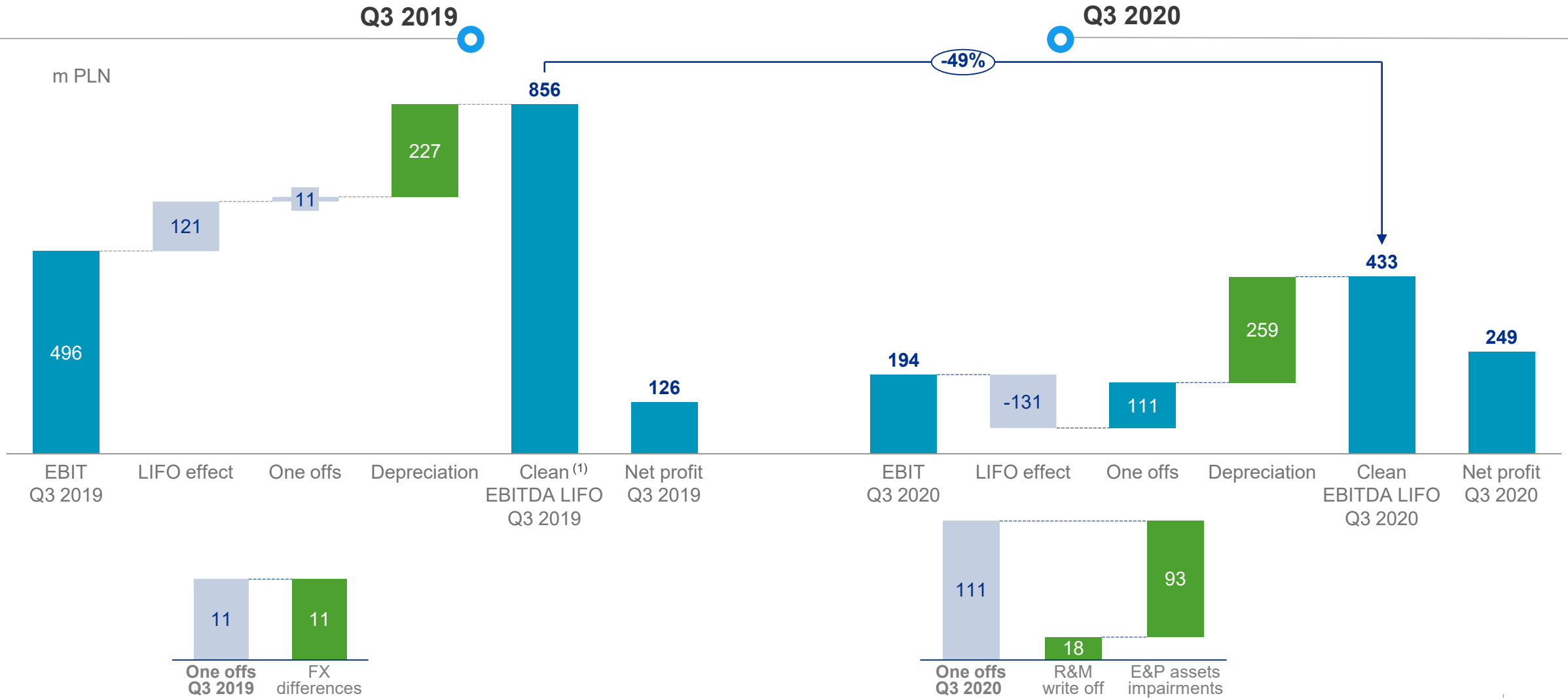
Decomposition of 9 months cumulative operating results⁽¹⁾



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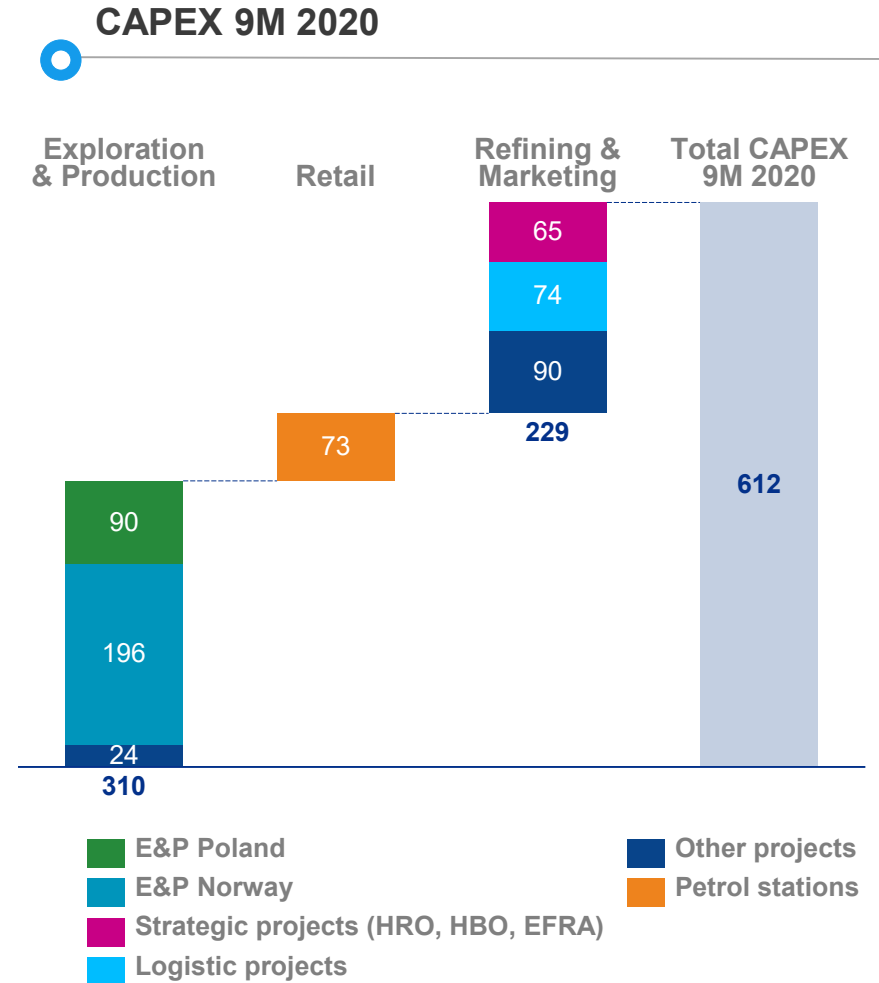
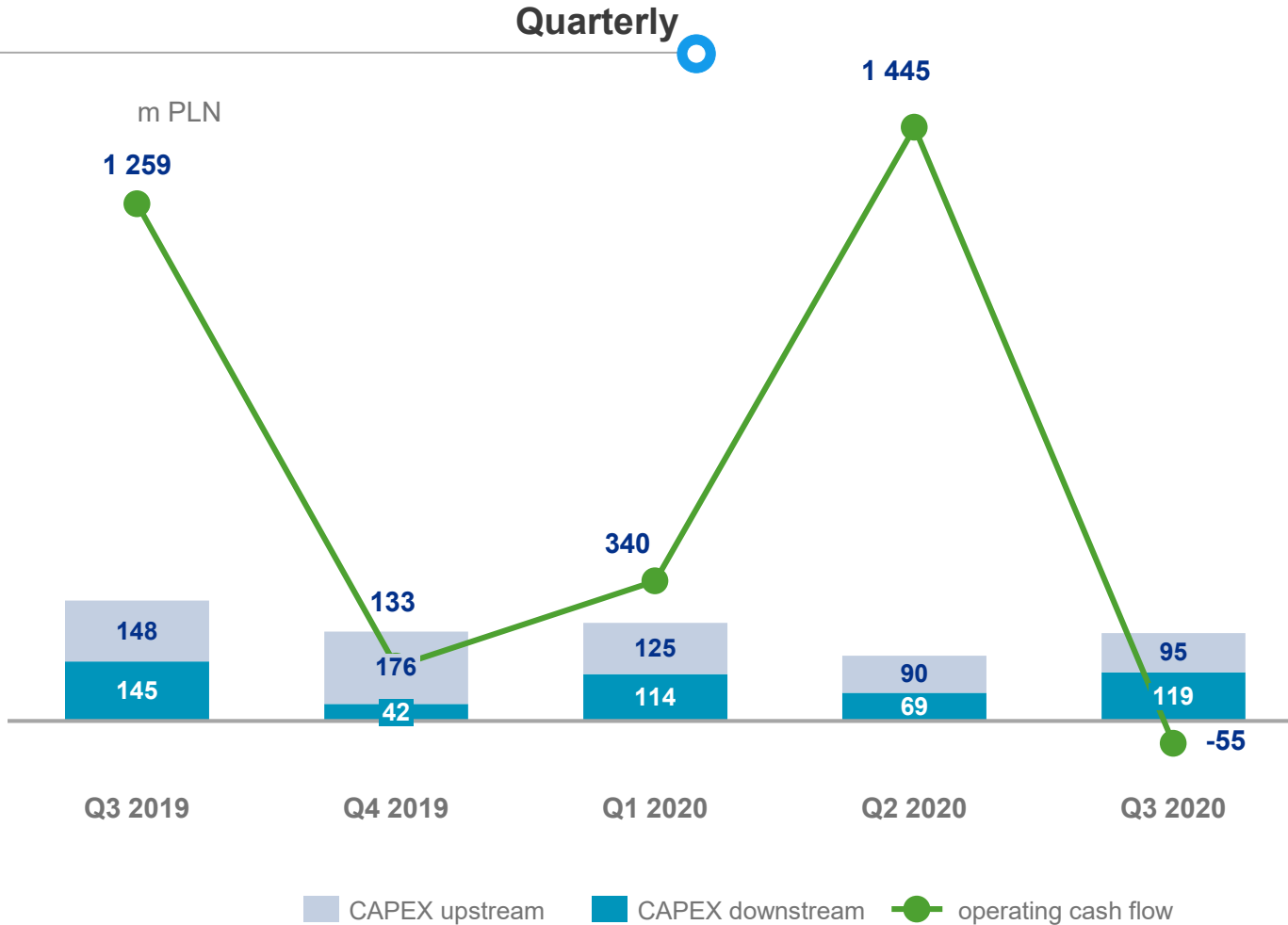
Consolidated financial results

Decomposition of Q3 2020 vs Q3 2019 consolidated financial results



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

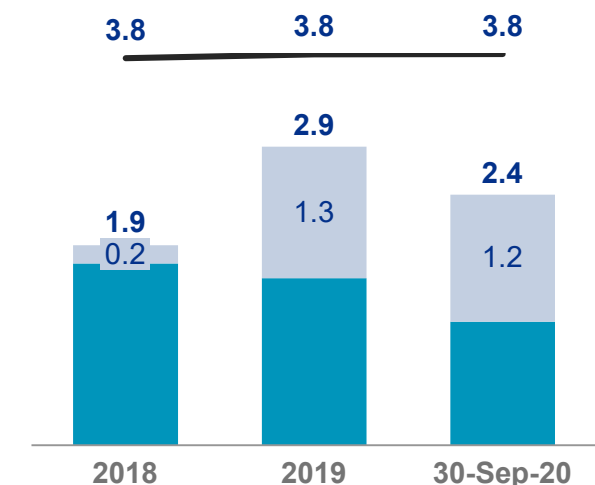
Consolidated financial results
Operating cash flows vs CAPEX



Debt

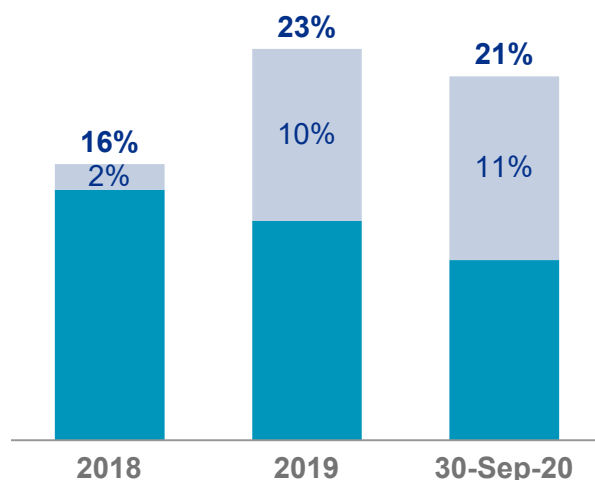
Net debt ⁽¹⁾

bn PLN



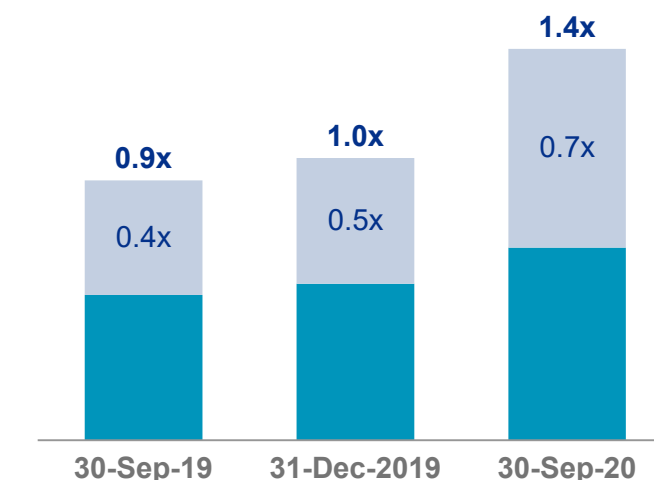
■ impact of lease liabilities
 — FX USD/PLN

Gearing ratio ⁽²⁾



■ impact of lease liabilities
 ■ gearing ratio

Net debt / clean EBITDA LIFO ⁽³⁾



■ impact of lease liabilities

- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds less cash & cash equivalents
- The current net debt/EBITDA ratio at 1.4x, including 0.7x impact of lease liabilities (mainly due to IFRS 16 „Leases” implementation)

(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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