This is the translated version of a document originally issued in Polish

Grupa LOTOS Management's Discussion and Analysis of the consolidated financial results for the fourth quarter of 2020



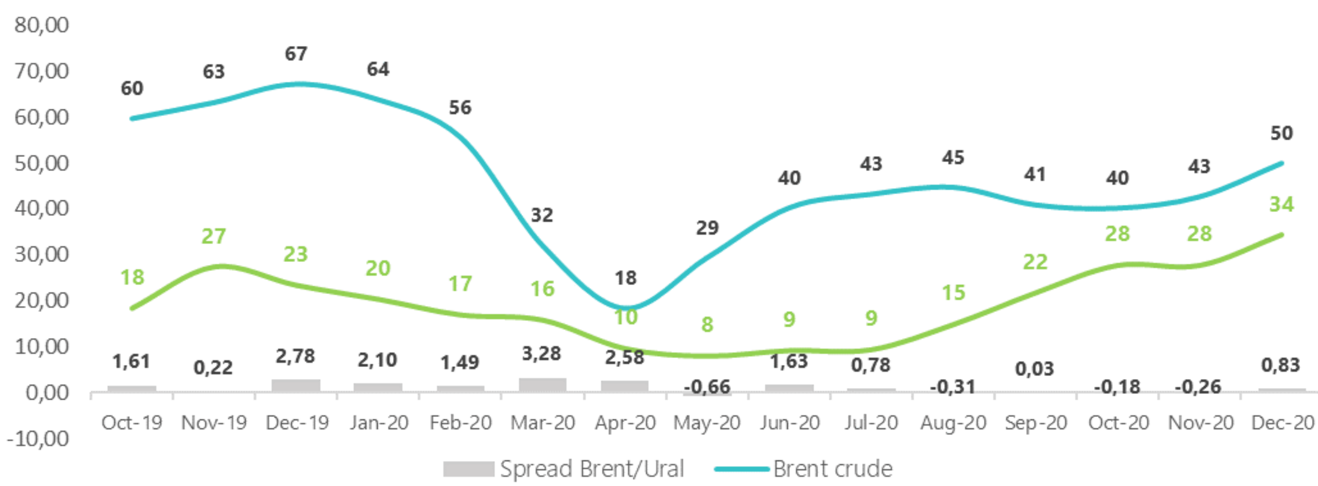
ISIN	Stock Exchange	Thomson Reuters	Bloomberg
PLLOTOS00025	LTS	LTSP.WA	LTS PW

An excel file with the operating and financial data for Q4 2020 and the previous reporting periods is published in the Investor Relations section of our website at → inwestor.lotos.pl as → databook

MARKET ENVIRONMENT

- Crude oil prices up quarter on quarter and steeply down year on year (USD +1.41/bbl[1] and USD -18.95/bbl, respectively)
- Continued upward trend in natural gas prices, up quarter on quarter – by ca. 96% (USD +14.6/boe),[2] and year on year – by 30.5% (USD +6.96/boe)
- Further erosion of crack spreads for motor gasoline: down quarter on quarter (-20.9%, or USD -0.91/bbl) and sharply down year on year (-67.3%, or USD -7.11/bbl)
- Crack[3] spreads for diesel oil widening quarter on quarter (+7.8%, or USD +0.37/bbl), but significantly contracting year on year (-72.2%, or USD -13.22/bbl)
- Narrowing of the quarterly average differential between diesel oil vs heavy fuel oil crack spreads quarter on quarter (down by 8.6%, or USD -0.85/bbl) and year on year (down by 79.3%, or USD -34.8/bbl) – through a combined effect of a decline in diesel oil prices and an increase in HFO prices
- Lowering of the Urals price relative to the Brent Dtd price by the Brent/Urals spread in Q4 2020 (USD -0.12/bbl vs USD +0.19/bbl in Q3 2020 and USD -1.54/bbl in Q4 2019)

Figure 1. Brent prices (USD/bbl), Brent/Urals spread (USD/bbl) and natural gas prices (USD/boe)



Source: In-house analysis based on Refinitiv data.

Table 1. Brent prices, Brent/Urals spread and natural gas prices (USD/bbl)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
DATED Brent FOB prices	44.32	42.91	63.27	3.3%	-30.0%
Brent/Urals spread	0.12	-0.19	1.54	-	-92.2%
UK NBP natural gas prices[4]	29.81	15.21	22.85	96.0%	30.5%

[1] Bbl – barrel of crude oil.
[2] Boe – barrel of oil equivalent
[3] Product crack spread is calculated as the difference between the price per barrel of a given product (price per tonne computed using the appropriate density factor) and the price of Urals crude (the Brent Dtd crude price adjusted for the Brent/Urals spread)
[4] To ensure comparability, the UK NBP natural gas prices were converted from USD/MWh to USD/boe using the conversion factor of 1.6282 MWh/boe.

Source: In-house analysis based on Refinitiv data.

Table 2. Product crack spreads (USD/bbl)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Motor gasoline	3.45	4.36	10.56	-20.9%	-67.3%
Naphtha	-0.55	-0.75	-3.58	26.7%	84.6%
Diesel oil (10 ppm)	5.09	4.72	18.31	7.8%	-72.2%
Light fuel oil	4.13	4.07	16.20	1.5%	-74.5%
Aviation fuel	3.09	-0.56	17.89	-	-82.7%
Heavy fuel oil	-3.99	-5.21	-25.57	23.4%	84.4%

Source: In-house analysis based on Refinitiv data.

Table 3. USD/PLN exchange rates

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
PLN/USD exchange rate at end of period	3.76	3.87	3.80	-2.8%	-1.1%
Average PLN/USD exchange rate	3.78	3.80	3.87	-0.5%	-2.3%

Source: In-house analysis based on National Bank of Poland data.

Key external factors driving the LOTOS Group's performance in Q4 2020:

- Feedstock and products

  Refining & Marketing segment:

  Strong volatility and a steep year-on-year decline in fuel crack spreads, coupled with a significant increase in the cost of natural gas used in crude oil processing at the Company's refinery, adversely affected the Refining & Marketing segment's operating performance.

  A decrease in the differential between crack spreads for diesel oil and heavy fuel oil in Q4 2020 to USD 9.08/bbl (down by 8.6% quarter on quarter and 79.3% year on year) eroded the profitability of the Grupa LOTOS refinery's product mix, which changed after new EFRA units had been integrated into the existing refinery set-up (a year-on-year shift towards a higher share of diesel oil and less heavy products in the refinery's total model yields). These factors translated into the Refining & Marketing segment's Q4 2020 adjusted LIFO-based EBITDA of PLN 60.1m (down 82.3% quarter on quarter and 85.2% year on year).

  Exploration & Production segment:

  Following a turbulent spell on the commodity market that brought natural gas prices down to their historical lows in H1 2020, its prices have been rising since August 2020. Factors behind the Exploration & Production segment's performance included a significant increase both quarter on quarter (+96%) and year on year (+30.5%) in the UK National Balancing Point natural gas prices, combined with a quarter-on-quarter increase (+3.3%) and a year-on-year plunge (-30%) in crude oil prices. As a result, the segment's adjusted EBITDA came in at PLN 140.5m (up 43.8% quarter on quarter and down 19.7% year on year), reflecting the situation prevailing on the commodity market in the wake of the COVID-19 outbreak.

- Exchange rates

  A decrease in the average USD/PLN exchange rate in the quarter (down 2.3% year on year) had an adverse effect on crack spreads and oil and gas prices, and thus on the operating performance of both reporting segments.

- Covid-19 pandemic

The pandemic took an enormous toll on the market environment in which Grupa LOTOS operated over the reporting period. The Company operates in the petroleum sector, whose environment is global. In the last nine months of 2020, strong volatility prevailed on the petroleum products market triggered by the pandemic spread and measures taken to contain its impact both in Poland, the neighbouring countries and globally.

In Q4 2020, the Company's market environment was still going through the historically longest downturn, struggling with a very limited degree of short-term predictability and uncertainty as to future quarters. A marked imbalance and shortage of liquidity in international trade continued.
A decline in fuel demand was accompanied by strong volatility in crude oil prices across global exchanges. In Q4 2020 the Dated Brent crude prices followed an upward trend, but were nevertheless down on average by USD 18.95/bbl year on year. A notable development was the flattening of the Urals/Brent spread due to limited availability of Urals at Baltic ports following production cuts implemented by OPEC + countries seeking to balance the crude oil supply with demand reduced in the wake of an economic recession and pandemic-induced restrictions across many countries, which, given constrained access to substitute grades (i.e. crude oil sourced from the Middle East or Venezuela), affected the relationship between the two grades in a way that was unfavourable to the Company.

Demand for diesel oil in Poland proved relatively resilient to the global market turbulence. Consumption rebounded swiftly after declines recorded in the first part of 2020, up 2.5% year on year in Q4 2020. The pandemic triggered noticeable changes in transport usage patterns. As a result of restrictions introduced in Q4 2020 to counter another wave of COVID-19, traffic on Polish roads fell, while air traffic also remained below the pre-pandemic levels. The result was a sharp decline in demand for both gasoline and aviation fuel, of 11% and 67.5% year on year, respectively.

In response to the outbreak of COVID-19, since March 2020 Grupa LOTOS has taken measures to ensure its uninterrupted operation and the safety of its employees and business partners. Regulations designed to maintain the continuity of key processes have been implemented, including systematic work by the Crisis Management Team, who are responsible for ongoing coordination of the response efforts. Additionally, a set of internal procedures have been put in place to prevent potential infections and spread of the virus at the Company, with as many staff members as possible switched to remote work. Through the LOTOS Foundation, the Company also joined in the nationwide effort to combat thepandemic, with support for the Polish healthcare sector as its vital element. Since the pandemic set in, the Company has donated over PLN 12m for that purpose.

As at the date of issue of this interim report, situation in the refining market remained difficult, adversely affecting the financial performance of all industry players, including Grupa LOTOS. But thanks to the highly complex configuration and operational flexibility of the refinery, as reflected in its high capacity utilisation, combined with the strong cash position and relatively low debt levels, Grupa LOTOS is well placed to weather this challenging environment.

EXPLORATION & PRODUCTION

- Hydrocarbon production at 18.2 thousand boe/d (down by some 29% year on year and 3% quarter on quarter)
- Maersk Inspirer platform successfully placed on the Yme field
- Adjusted LIFO-based EBITDA at PLN 140.5m

Crude oil and natural gas reserves, production and total sales

Table 4. Crude oil and natural gas reserves[5] (mboe)

	Dec 31 2020	Sep 30 2020	Dec 31 2019
Norway	26.3	26.6	30.7
Poland	46.0	46.5	47.9
Lithuania	2.5	2.5	2.7
Total	74.8	75.6	81.3

Source: the Company.

Table 5. Daily production (boe/d)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Norway	12,260	12,438	20,045	-1.4%	-38.8%
Poland	5,366	5,750	5,000	-6.7%	7.3%
Lithuania	541	539	657	0.3%	-17.7%
Total	18,167	18,727	25,702	-3.0%	-29.3%

Source: the Company.

Table 6. Quarterly production (boe)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Norway	1,127,936	1,144,331	1,844,095	-1.4%	-38.8%
Poland	493,654	528,956	460,019	-6.7%	7.3%
Lithuania	49,748	49,608	60,479	0.3%	-17.7%

[5] 2P – proved and probable reserves (SPE-PRMS classification).

Total	1,671,338	1,722,895	2,364,593	-3.0%	-29.3%

Source: The Company.

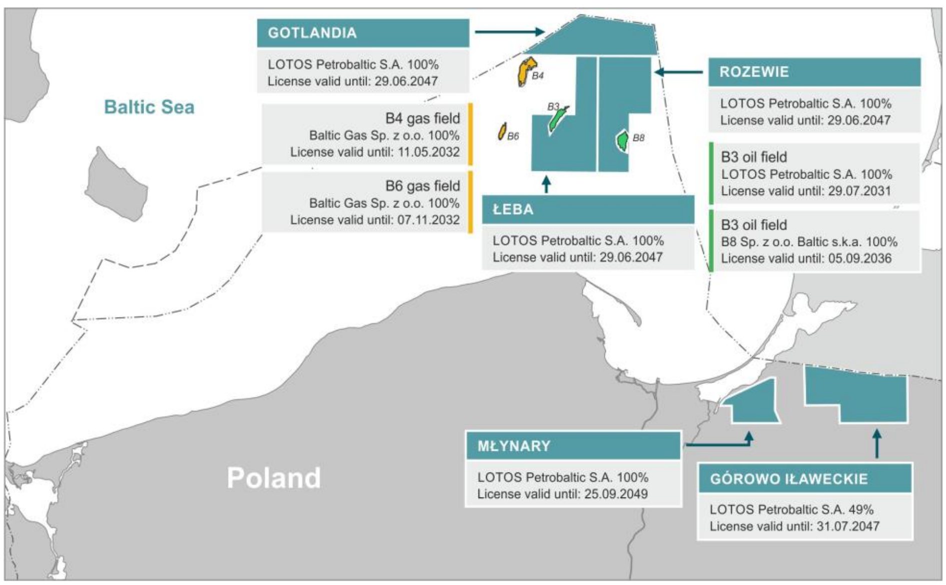
Table 6. Oil and gas sales (boe)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Norway	1,205,182	1,289,395	1,420,853	-6.5%	-15.2%
Poland	544,258	515,129	466,910	5.7%	16.6%
Lithuania	89,915	95,314	92,318	-5.7%	-2.6%
Total	1,839,355	1,899,838	1,980,081	-3.2%	-7.1%

Source: the Company.

Exploration and production activities in Poland

Map 1. Licences held by the LOTOS Group companies in Poland As at December 31st 2020



Source: the Company.

In Q4 2020, LOTOS Petrobaltic S.A. ("LPB") continued to produce crude oil and associated natural gas from the B3 field in the Baltic Sea at an average rate of 1,873 boe/d (up by +54% year on year and -14% quarter on quarter). The year-on-year increase in the hydrocarbon production volume was achieved on the back of a successful workover campaign. In Q4 2020, two wells were worked over: B3-8 (served by the PG-1 unmanned platform) and B3-7 (served by the Baltic Beta platform). Throughout 2020, the workover programme covered a total of eight wells (including two injectors) on the B3 field.

B8 project

Development of a crude oil field in the Baltic Sea

In Q4 2020, crude oil and associated natural gas were produced from the B8 field at an average rate of 3,493 boe/d (-8% year on year, -2% quarter on quarter). The decline in production was attributable to a workover of the B8-Z1bis well carried out in October 2020. In parallel, during Q4 2020 work was carried out by the Company to launch a gas compression system, enabling gas transmission from the B8 field to the Energobaltic CHP plant in Władysławowo, and completion of the field development project. The pace of the work and service availability were affected by the COVID-19-related restrictions. Despite these constraints, the gas compression system's entire process unit was being prepared for operation, as part of which a pipeline dewatering and drying procedure was performed on the offshore and onshore sections, tests were carried out and the pipeline was primed for service. In addition, the Company had Appendix 2 to its B8 Field Operation Plan approved by the Regional Mining Authority. As a result, the main facility serving the B8 field was changed, as the LOTOS Petrobaltic rig was replaced by the Petrobaltic Central Production Facility.

Key parameters of the B8 project (for the LOTOS Group interest):

- LOTOS Group interest 100%
- 2P reserves 33.4 million boe as at December 31st 2020 (91% crude oil, 9% natural gas)
- current output 3.5 thousand boe/d (Q4 2020)

The Central Production Facility achieved its full capacity in Q4 2020. However, whether oil production volumes will be increased to an average level of 5.0 thousand boe/d within five years will depend on satisfaction of all assumed conditions, including the prevailing macroeconomic climate, in particular the global oil prices.

B4/B6 development project
Development of natural gas fields in the Baltic Sea

The B4/B6 project consists in the development of natural gas deposits in the Baltic Sea, in partnership with CalEnergy Resources Poland Sp. z o.o. The project has been fully defined in technical terms. However, difficult conditions in the wake of the COVID-19 pandemic coupled with turbulence on the commodity market were far from conducive to the taking of the final investment decision (FID). The FID and the launch of the construction phase are expected after the global commodity market regains its normal equilibrium. In the meantime, work was ongoing to complete certain formalities and administrative procedures necessary for effective implementation of the project.

Key parameters of the B4/B6 project (for the LOTOS Group interest):

- LOTOS interest: 51%
- 2C reserves: 17.9 million boe as at December 31st 2020
- Final investment decision depending on market developments
- expected average output: 4.3 thousand boe/d (for 5-year period from production launch)

Exploration projects

As part of exploration activities in:

- Gotland, Łeba and Rozewie offshore licences (LPB interest: 100%) – work was under way to develop a regional structure and tectonic model (constituting a licence commitment), which included work related to the paleo-structural analysis, analysis of fault integrity and petrophysical model,
- Młynary onshore licence area (LPB interest: 100%) – a supplement was prepared to the plan of geological operations for 3D seismic surveys and the boundaries of the planned 3D seismic imaging were being analysed;
- Górowo Iławeckie onshore licence area (PGNiG operator interest: 51%, LPB interest: 49%) – work was under way to proceed to the optional exploration drilling stage.

Growth initiatives

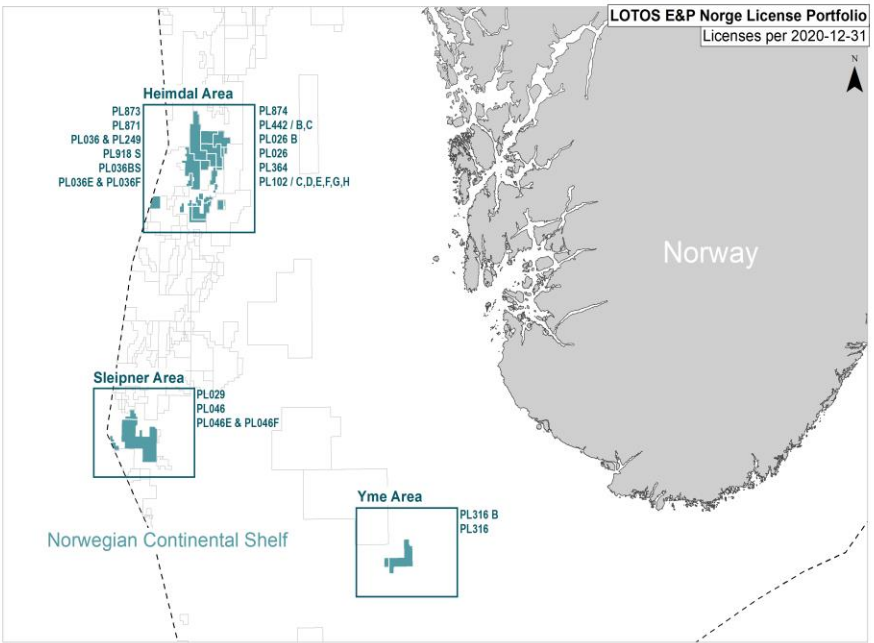
The Company is engaged in studies to assess the viability of its possible entry into the newly emerging offshore wind farm (OWF) market by providing services to support the first phase of OWF projects: geological and hydrographic surveys being part of environmental and marine site investigations. At the same time, preparations were under way for LPB to participate in the domestic OWF supply chain as a Tier1 (T1) supplier for three project phases: (1) installation and start-up; (2) maintenance services; (3) end-of-life disassembly. The Company is also actively involved in the work of the Polish Offshore Wind Sector Deal teams.

Moreover, conceptual work is under way for a geo-sequestration programme of carbon capture and underground storage within water flooded formations of the Baltic Sea. The work is being pursued in partnership with the AGH University of Science and Technology of Kraków.

The objective of the growth initiatives is to diversify the business and revenue sources in the Exploration & Production segment.

Exploration and production activities in Norway

Map 2. Licences held by LOTOS Exploration & Production Norge AS
As at December 31st 2020



Source: the Company.

At the end of 2020, LOTOS Norge held interests in 28 licences for exploration, appraisal and production of hydrocarbon reserves in the Norwegian Continental Shelf. Under a decision issued on January 19th 2021, LOTOS Norge was awarded interests in three new licences in Norway following the APA 2020[6] licensing round: PL 1098 (50% interest), PL 1099 (30% interest) and PL 1091 (20% interest). The PL 1098 and PL 1099 licences are located within the area of the new NOAKA development project. The operator of PL 1098 is Sval Energi AS, which, like LOTOS Norge, holds a 50% interest in the licence. In the case of PL 1099, the operator will be AkerBP ASA (with a 40% interest) and the consortium will also include Lundin Energy Norway AS (with a 30% interest). The PL 1091 licence is located within Sleipner, currently the main producing area for gas and natural gas liquids in Norway. Under the licence, LOTOS will be working jointly with Lundin Energy Norway AS the operator (40% interest) and with KUFPEC Norway AS (20% interest) and Petoro AS (20% interest) as partners. Following formal inclusion of the newly awarded licences, the LOTOS portfolio of Norwegian assets will comprise 31 licences.

In Q4 2020, LOTOS Norge, operating as part of a consortium, produced natural gas and condensate from fields located in the Heimdal and Sleipner areas (including the Utgard field brought on stream in Q3 2019). The average output of the Norwegian assets in Q4 2020 was 12.3 thousand boe/d for the LOTOS interest (-39% year on year, -1% quarter on quarter). The recorded decline was due mainly to a continued strong downward trend in the Utgard field's recovery rates, attributable to high volumes of water in the production wells. During Q4 2020, hydrocarbons from the Utgard field were produced through a single well, at an average rate of 1.6 thousand boe/d for the LOTOS interest (-77% year on year, -41% quarter on quarter). In January 2021, the Company performed further well interventions to halt the strong downward trend in the Utgard field's output. Currently, their effects are being assessed with a stable production rate from the field estimated at some 2.0 thousand boe/day.

At the same time, LOTOS Norge is engaged in efforts to develop new fields in Norway. Their status as at the end of Q4 2020 is presented below:

[6]Awards in Predefined Areas

YME project
Development of an oil field in Norway

The YME project is at an advanced development stage. In the fourth quarter of 2020, an important milestone in the process leading to timely completion of the work was reached. The Maersk Inspirer platform, which will be used to support production from the YME field, was towed from the Egrsund shipyard, where conversion work on the platform had been carried out. On December 31st 2020, the production platform was successfully placed on the field. The offshore start-up phase, involving the tie-in and commissioning of production systems, is currently under way. First oil for the Yme field is currently expected in the fourth quarter of 2021. The project schedule may be affected by restrictions related to COVID-19, as well as the identified risks to offshore operations, including extended time of work related to the start-up phase and subsea infrastructure, as well as weather windows during which work can be performed at offshore locations in winter.

Key parameters of the Yme project (for the LOTOS interest):

- LOTOS interest 20%
- 2P reserves 12.5 million boe as at December 31st 2020 (100% crude oil)
- production to be launched in Q4 2021
- expected average output 5.0 thousand boe/d (for 5-year period from production launch)

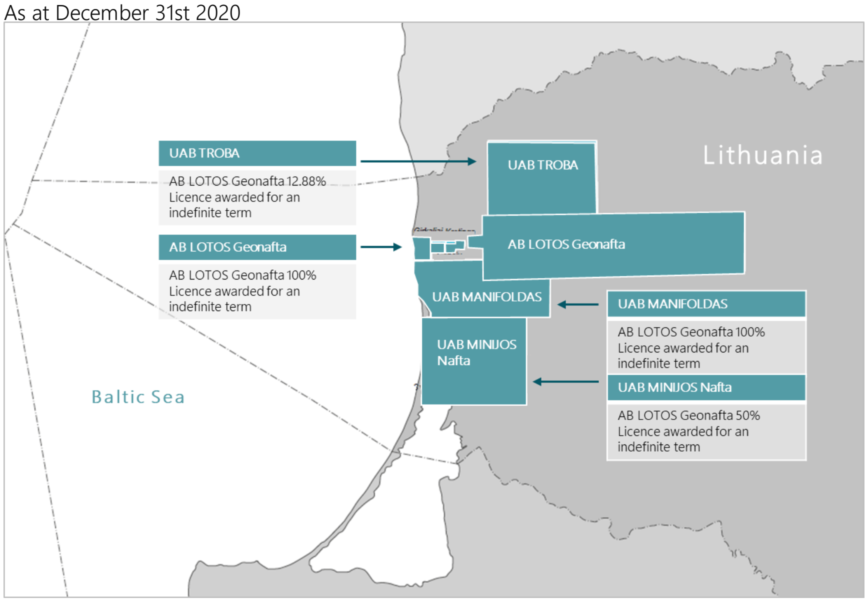
New development project: NOAKA

The NOAKA project involves the development of discoveries north of Heimdal: Frigg Gamma Delta, Langfjellet, Liatårnet, Rind, Fulla and Froy, in which LOTOS holds an average interest of 10% and AkerBP is the operator, as well as the Krafla and Askja fields, where LOTOS has no interests and Equinor is the operator. In Q4 2020, the partners continued work to arrive at the optimum field development concept. In accordance with the project schedule, the Plan for Development and Operations (PDO) is to be developed and submitted for approval to the Norwegian authorities by the end of 2022.

NOAKA is one of the key development projects on the Norwegian Continental Shelf, with total potential of more than 500 million boe of recoverable reserves (for the 100% interest). For the LOTOS Group, the project will be a foundation for long-term development in Norway, in cooperation with key operators on the NCS: AkerBP and Equinor.

Exploration and production actvities in Lithuania

Map 3. Licences held by the AB LOTOS Geonafta Group
As at December 31st 2020



Source: the Company.

In Q4 2020, companies of Lithuania's AB LOTOS Geonafta Group focused on optimising production from their existing onshore oilfields located in the following licence blocks: Girkaliai, Genciai, Kretinga, Nausodis, Klaipėda, and Gargždai. The output of the Lithuanian upstream assets in Q4 2020 was 541 boe/d (-18% year on year and +0.3% quarter on quarter).

Table 8. Exploration & Production segment's key financial data (PLNm)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020/Q3 2020	Q4 2020/Q4 2019
Revenue	310.4	258.6	333.5	20.0%	-6.9%
EBIT	-29.3	-62.1	190.8	-52.8%	-115.4%
Depreciation and amortisation	86.2	67.2	78.1	28.3%	10.4%
EBITDA	56.9	5.1	268.9	1,015.7%	-78.8%
Adjusted EBIT[7]	54.3	30.5	96.9	78.0%	-44.0%
Adjusted EBITDA[7]	140.5	97.7	175.0	43.8%	-19.7%

Source: the Company.

The year-on-year growth in the Exploration & Production segment's revenue in Q4 2020 (up +20.0% quarter on quarter) was driven mainly by higher natural gas prices (up +96.0% quarter on quarter) and Brent Dtd crude prices (up +3.3% quarter on quarter). The increase was partly offset by a lower hydrocarbon sales volume in the segment (down 3.2% quarter on quarter) and a decline in the average USD/PLN exchange rate for the quarter (down 0.5% quarter on quarter).

The segment's revenue fell 6.9% year on year driven down by the lower sales of hydrocarbons from Norwegian fields (-15.2%), falling prices of Brent Dated crude (-30.0% year on year) and a depreciation of the USD dollar relative to PLN (-2.3% year on year). The adverse impact of these factors on revenue was mitigated by a rise in natural gas prices (up 30.5% year on year).

The Exploration & Production segment's adjusted EBITDA for Q4 2020 went up by 43.8% on Q3 2020 and down by 19.7% on Q4 2019.

[7]EBIT and EBITDA adjusted for one-off items:

- in Q4 2020 (PLN -83.6m): PLN -59.3m, PLN -1.4m, PLN -15.8m and PLN -9.9m impairment losses on, respectively, the YME field, the Utgard field, the Młynary and Górowo Iławieckie areas and the Lithuanian field assets, PLN +30.4m reversal of impairment losses and remeasurement of provisions for the Heimdal field, PLN +4.5m remeasurement of provisions related to the Sleipner asset purchase agreement, PLN -32.1m provision for unfavourable court rulings,
- in Q3 2020 (PLN -92.6m): impairment losses on the YME and Utgard field assets of PLN -47.9m and PLN -44.7m, respectively,
- in Q4 2019 (PLN +93.9m): reversal of impairment loss on the YME field of PLN +105.4m, reversal and re-estimation of the provision for liabilities on account of contingent payments related to the acquisition of Sleipner assets of approximately PLN +44.5m, loss on discontinued projects in Norway of PLN -41.2m, impairment loss on a ship at the Miliana Group of PLN -5.9m, and impairment loss on Lithuanian fields of PLN -8.9m.

REFINING & MARKETING

- Good economic rationale for running the Grupa LOTOS refinery at almost full capacity despite significant pressure on refining margin
- Flexible management of the refinery yields and product sale directions over the winter season in the face of variable prices and unstable demand (i.e. maximising the output of naphtha and light fuel oil, while reducing the yield of gasoline and aviation fuel)
- Adjusted LIFO-based EBITDA of the Refining & Marketing segment at PLN 60.1m

Table 9. Crude oil throughput ('000 tonnes)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Crude oil throughput	2,507.9	2,550.0	2,586.3	-1.7%	-3.0%

Source: the Company.

Fuel prices in Q4 2020 remained subdued, as the extremely severe macroeconomic downturn, the longest one ever experienced by the oil industry, continued.

In Q4 2020, the Company kept adjusting its operations to make the best of the challenging and variable market conditions. In Q4 2020, crude oil throughput at the Company's refinery was largely stable. Seeking to optimise the refinery's operations, Grupa LOTOS reduced its aviation fuel output given depressed demand ever since March 2020 (bringing the product's share in its total refining output down 80.3% in Q4). In Q4 2020, the Company maximised its naphtha production volume (up 23.1% year on year). In addition, the seaside location of the Grupa LOTOS refinery allowed the Company to swifly capture market opportunities, e.g. through export sales of naphtha, attractively priced in Q4 2020, for delivery by sea, which helped it maintain a high level of crude throughput and enhance the refining margin during the toughest period for the industry.

Taking advantage of the favourable weather conditions in October and part of November, the Company also ramped up its output of bitumens (which fetched stable and relatively high market prices). In December, due to a seasonal drop in demand and low temperatures, the Company began to reduce its bitumen sales.

DuringQ4 2020, demand for diesel oil in Poland was recovering fast after a slump recorded in the previous months of the year following restrictions imposed on non-essential travel.

In Q4 2020, the Company increased its output of light fuel oil by 20.5% year on year to leverage the winter season's typical surge in demand for the product on the domestic market. The optimisation efforts undertaken in Q4 2020 allowed the Grupa LOTOS refinery to maintain nearly full capacity utilisation, at 94.7%, although most refining plants across Europe continued to reduce their capacity utilisation rates by several to several dozen percent of the installed capacity.

As the refinery's complexity had been expanded by the EFRA project (Nelson Complexity Index of 11.0), the Company was flexibly managing the stream of petroleum product yields to adjust volumes to changing demand and the best achievable prices. Neither the Q4 2020 nor the full-year 2020 performance reflected the EFRA Project's full capacity as the fuel market was destabilised. One result of the restrictions imposed to combat the spread of COVID-19 was an unusual and unexpected narrowing of the difference between crack spread on diesel oil (USD 5.09/bbl in Q4 2020 vs USD 18.31/bbl in Q4 2019) and negative crack spread on heavy fuel oil (USD -3.99/bbl in Q4 2020 vs USD -25.57/bbl in Q4 2019) on global markets (to USD 9.08/bbl in Q4 2020 vs USD 43.88/bbl in Q4 2019), which resulted in the Company's generating a marginal refining margin on the EFRA Project between USD -0.1 and USD 0.1/bbl, which meant that the EFRA Project's effect on the refinery's model margin was negligible. Based on long-term projections for a stable petroleum product market, the Company assumed the effect of the EFRA Project incremental margin within a range from USD 2 to USD 4 per barrel of crude processed.

In Q4 2020, Grupa LOTOS was carrying on a few business development projects of a smaller scale. The most advanced one was the Hydrogen Recovery Unit (HRU) project, whose purpose is to increase the share of hydrogen, LPG and naphtha in the refinery's total yields pool. Commissioning work and test runs at 50-60% of the unit's capacity, due to limits resulting from production scheduling, were launched. The planned placement in service was postponed to Q1 2021 pending acceptance of the construction work by the Construction Supervision Authority and performance test to be scheduled at a time optimal for the refinery's production purposes.

In December 2020, the Company completed a vapour recovery project at the Railway Loading Department, which successfully passed functional tests in January 2021. Despite the COVID-19 pandemic, the project was completed within the schedule and budget.

Seeking to expand its capacity to dispatch fuels from the refinery extended to include EFRA units, the Company was completing the project to construct a fourth railway loading facility with an annual capacity of 2.2m tonnes, commissioned in late December 2020. Loading tests are planned for Q1 2021, with the project scheduled to be put into service in Q2 2021.

In Q4 2020, the Company commenced a phase of the Claus unit furnace replacement project, designed to improve the efficiency, reliability and safety of the hydrogen sulfide combustion unit at the extreme temperature of ca. 1,400 °C. The Company expects the work to be completed in late 2022 or early 2023.

Table 10. Refining output structure ('000 tonnes)[8]

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Gasolines	361.1	460.3	436.9	-21.5%	-17.3%
Naphtha	162.3	113.7	131.8	42.7%	23.1%
Diesel oils	1,415.8	1,454.0	1,391.3	-2.6%	1.8%
Light fuel oils	82.3	31.1	68.3	164.7%	20.4%
Jet fuel	21.7	24.5	110.0	-11.5%	-80.3%
Heavy products[9]	204.0	286.7	259.1	-28.9%	-21.3%
Petcoke	77.4	64.5	64.0	20.1%	20.9%
Other[10]	383.7	337.2	317.9	13.8%	20.7%
Total	2,708.2	2,772.0	2,779.3	-2.3%	-2.6%

Source: the Company.

[8] The difference between the volume of crude oil processed and the refinery's output of products stems from the fact that, apart from crude oil, the processing units and finished product blenders receive biocomponent streams, enhancing additives and middle distillates purchased from third-party suppliers.

[9] Heavy fuel oil and bitumen components

[10] Other products include fuel and industrial gases, sulfur, base oils, xylene fraction, LPG, bunker fuel, extracts, refinates, and slack wax.

Table 11. Sales structure in the Refining & Marketing segment ('000 tonnes)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Gasolines	384.9	455.2	416.5	-15.4%	-7.6%
Naphtha	162.3	113.7	131.8	42.7%	23.1%
Diesel oils	1,471.0	1,620.7	1,522.4	-9.2%	-3.4%
Light fuel oils	82.8	33.6	69.5	146.4%	19.1%
Jet fuel	15.0	33.1	91.6	-54.7%	-83.6%
Heavy products[11]	229.2	285.1	280.6	-19.6%	-18.3%
Crude oil (commodity/material)	1.2	0.0	0.0	-	-
Other	340.8	290.9	264.1	17.2%	29.0%
Total	2,687.2	2,832.3	2,776.5	-5.1%	-3.2%

Source: the Company.

Polish fuel market[11]

In 2021, consumption of liquid fuels (diesel oil, gasoline and light fuel oil) in Poland fell 3.3% year on year. The lower demand for fuels was attributable to restrictions imposed in response to the COVID-19 pandemic and the lockdown, which pushed the economy into a recession. According to POPiHN, declines were recorded in the consumption of gasoline (-8.5%), diesel oil (-1.6%), light fuel oil (-8%) and aviation fuel (-57.6%).

In Q4, demand for diesel oil and light fuel oil grew year on year (up 2.5% and 0.7%, respectively). The pandemic-induced restrictions had a strong impact on gasoline consumption over that period (-11%). Due to significant restrictions imposed on air travel, a further decline in demand for aviation fuel was seen, sharper than in Q3 2020, of 67.5%.

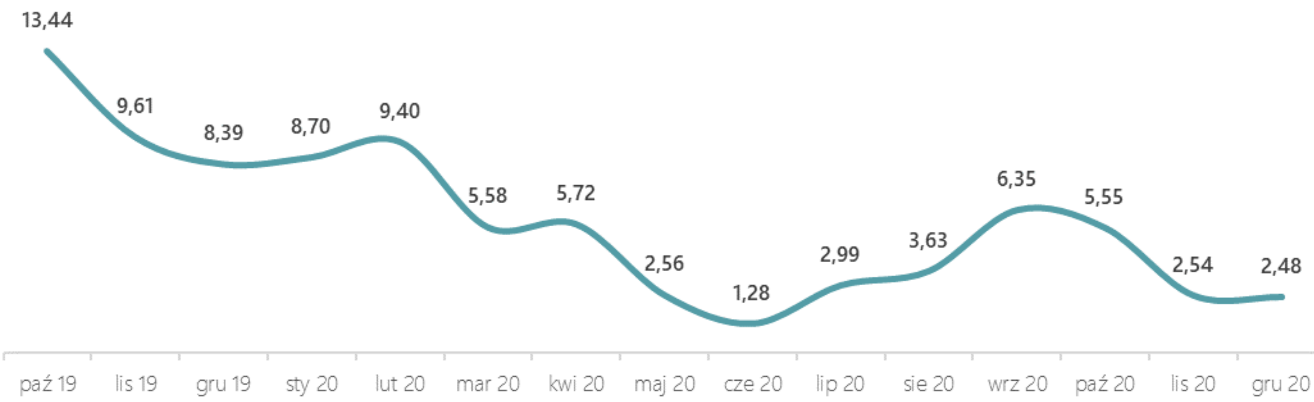
In Q4 and in 2020, an undersupply of gasoline, diesel oil and light fuel oil was recorded in Poland, As consumption of these products exceeded their output from Polish refineries. A surplus output was only recorded in the case of aviation fuel, further exacerbated by the pandemic-related restrictions on air travel.

Motor gasoline

In Q4 2020, total sales of gasoline by the LOTOS Group shrank 0.3% year on year, with domestic sales up 2.6%, raising the LOTOS Group's share in the Polish gasoline market. The average crack spread for gasoline on global markets shrank by USD 7.1/bbl (-67.2%) year on year.

[11] Source of fuel consumption data in Poland - POPiHN.

Figure 2. Motor gasoline – average monthly crack spread, USD/bbl October 2019 – December 2020

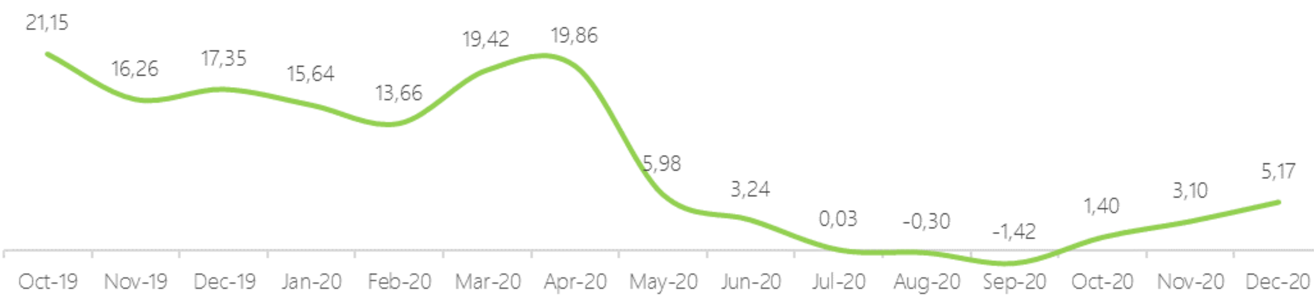


Source: In-house analysis based on Refinitiv data.

Diesel oil

In Q4 2020, the LOTOS Group's sales of diesel oil grew 1.9%, albeit domestic sales of the product fell 0.3%. In Q4 2020, the average global crack spread for diesel oil went down by as much as USD 13.2/bbl year on year (-72.1%).

Figure 3. Diesel oil – average monthly crack spread, USD/bbl October 2019 – December 2020



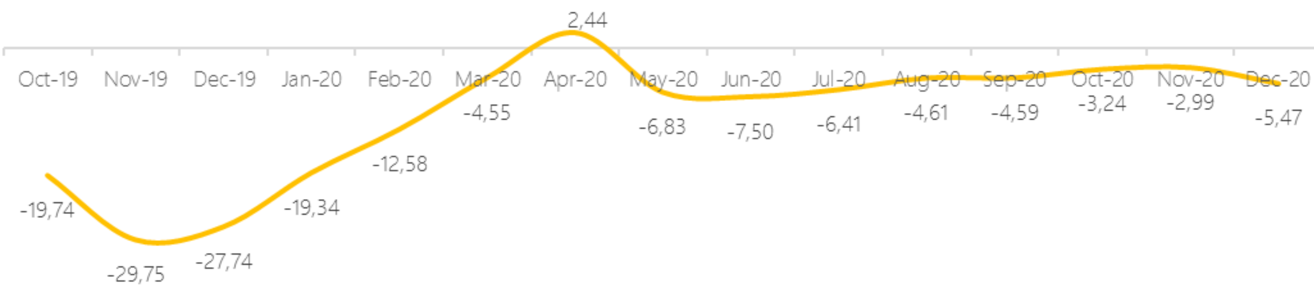
Source: In-house analysis based on Refinitiv data.

Heavy fuel oil and bitumen

On measures taken to optimise the refinery's yields and increase the utilisation rate of bitumen production units, the LOTOS Group's sales of heavy products were lower in the reporting quarter, down 81.7% year on year.

In Q4 2020, the average negative crack spread for heavy fuel oil on global markets was USD -3.98/bbl, an improvement of USD 21.6/bbl year on year.

Figure 4. Heavy fuel oil – average monthly crack spread, USD/bbl
October 2019 – December 2020



Source: In-house analysis based on Refinitiv data.

Table 12. Refining & Marketing segment's key financial data (PLNm)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Revenue	5,035.2	5,245.6	7,035.8	-4.0%	-28.4%
EBIT	46.5	260.6	252.8	-82.2%	-81.6%
Depreciation and amortisation	196.5	191.9	178.6	2.4%	10.0%
EBITDA	243.0	452.5	431.4	-46.3%	-43.7%
LIFO-based EBIT	-97.8	148.3	274.9	-165.9%	-135.6%
LIFO-based EBITDA	98.7	340.2	453.5	-71.0%	-78.2%
Adjusted LIFO-based EBITDA[12]	60.1	339.9	406.3	-82.3%	-85.2%

Source: the Company.

The 28.4% year-on-year decline in the Refining & Marketing segment's revenue was driven primarily by a 26.0% drop in the segment's average net selling price. In Q4 2020, the segment's average net selling price was PLN 1,874/tonne, having fallen PLN 660/tonne, chiefly on lower prices of petroleum products. The decline was additionally attributable to a lower sales volume (down by 3.2%) and a 2.3% decline in the average USD/PLN exchange rate for the quarter.

The 4.0% quarter-on-quarter decline in the Refining & Marketing segment's revenue reported in Q4 2020 was chiefly attributable to a 5.1% decrease in the segment's sales volumes.

The Refining & Marketing segment's Q4 2020 adjusted LIFO-based EBITDA came in at PLN 60.1m.

The segment's low EBITDA result was attributable, among other factors, to higher operating expenses related to an increase in the provision for a deficit of CO_2 emission allowances and the National Reduction Target provision. Also, a significant rise in natural gas prices drove up the cost of sales, with an adverse effect on operating performance.

[12] EBITDA including the LIFO effect on inventory measurement and reversal/recognition of inventory write-downs, net of foreign exchange differences on operating activities in each quarter and impairment loss on service stations (PLN -21.3m in Q4 2019 vs PLN -0.2m in Q4 2020).

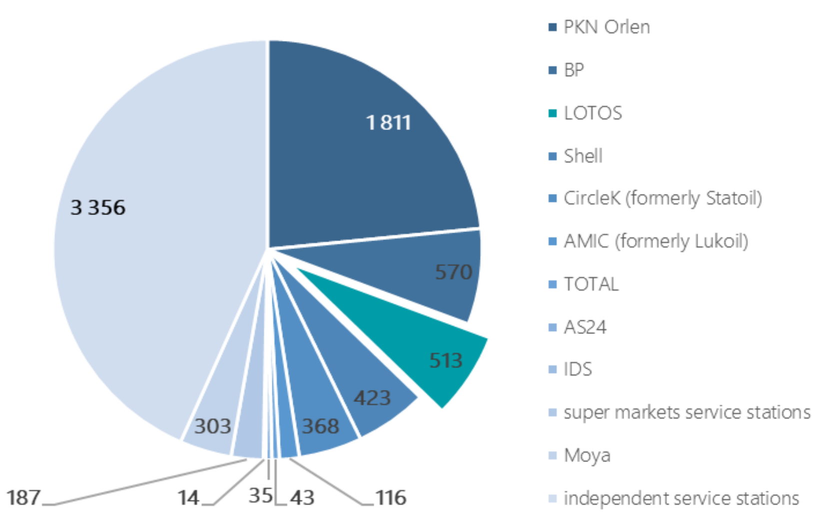
Table 13. Number of service stations in the LOTOS network as at September 30th 2020

	Dec 31 2020	Sep 30 2020	Dec 31 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
CODO	318	314	312	4	6
DOFO	195	197	194	-2	1
Total	513	511	506	2	7

Source: the Company.

As at the end of 2020, the LOTOS Group operated a chain of 513 service stations, an increase of 7 sites relative to the end of the previous year.

Figure 5. Service stations in Poland as at December 31st 2020



Source: In-house analysis based on Polish Organisation of Oil Industry and Trade (POPiHN) data.

Table 14. Retail's key financial data (PLNm)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Sales volume ('000 tonnes)	298.4	344.3	325.1	-13.3%	-8.2%
Revenue	1,450.4	1,651.6	1,779.8	-12.2%	-18.5%
EBIT	32.7	63.0	-23.2	-48.1%	-240.9%
Depreciation and amortisation	32.7	29.0	29.3	12.8%	11.6%
EBITDA	65.4	92.0	6.1	-28.9%	972.1%
Adjusted EBIT	32.9	63.0	-1.9	-47.8%	-1831.6%
Adjusted EBITDA	65.6	92.0	27.4	-28.7%	139.4%

Source: the Company.

EBIT posted in Retail for Q4 2020 reached PLN 32.7m. EBITDA adjusted for impairment losses on service stations was 28.7% down on the previous quarter, but 139.4% up year on year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Table 15. Key financial results of the LOTOS Group (PLNm)

	Q4 2020	Q3 2020	Q4 2019	Q4 2020 /Q3 2020	Q4 2020 /Q4 2019
Revenue	5,203.6	5,363.7	7,212.5	-3.0%	-27.9%
EBIT	17.4	194.1	452.4	-91.0%	-96.2%
Depreciation and amortisation	282.7	259.1	256.7	9.1%	10.1%
EBITDA	300.1	453.2	709.1	-33.8%	-57.7%
LIFO effect[13]	-144.3	-112.3	22.1	28.5%	-752.1%
LIFO-based EBIT	-126.9	81.8	474.5	-255.1%	-126.7%
Adjusted LIFO-based EBIT	-81.9	174.1	333.4	-147.0%	-124.6%
Adjusted LIFO-based EBITDA[14]	200.8	433.2	590.1	-53.6%	-66.0%

Source: the Company.

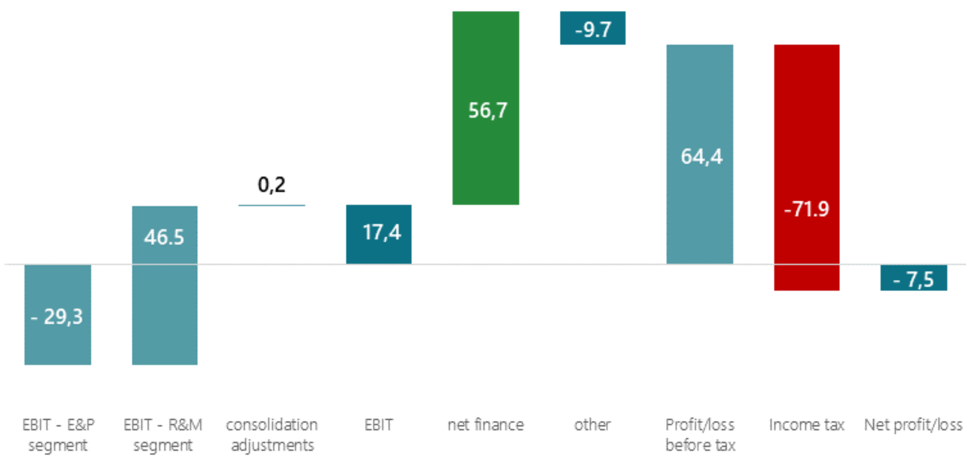
In line with its inventory measurement policies, the LOTOS Group uses the weighted average cost method to measure changes in inventories. This method defers the impact of changes in crude oil prices on the prices of finished goods. Thus, an increase in crude oil prices has a positive effect on financial performance, while a decrease adversely affects the performance.

Operating results computed using this inventory measurement method are presented in the EBITDA and EBIT lines of the table. The table also presents estimated inventory decreases measured using the LIFO method, as well as the LIFO effect, LIFO-based EBIT, adjusted LIFO-based EBIT, and adjusted LIFO-based EBITDA.

In Q4 2020, the LOTOS Group posted an operating profit (EBIT) of PLN 17.4m, being the combined result of the Refining & Marketing segment's positive EBIT of PLN 46.5m, the Exploration & Production segment's negative EBIT of PLN -29.3m, and PLN +0.2m in consolidation adjustments. LIFO-based EBITDA, net of exchange differences on operating activities and other non-recurring items (adjusted LIFO-based EBITDA), was PLN 200.8m.

[13] LIFO effect = LIFO-based EBIT (estimated with the LIFO, or Last In First Out, method) - EBIT.
[14] LIFO-based EBITDA, including one-off items described in the segment discussion.

Figure 6. Structure of the LOTOS Group's consolidated results in Q4 2020 (PLNm)



Source: the Company.

In Q4 2020, the LOTOS Group reported net finance income of PLN 56.7m, With the main contributors being net foreign exchange gains of PLN 40.9m, a PLN 97.7m gain on measurement and settlement of hedging transactions and a PLN -68.3m negative balance of interest on debt, interest income, commissions and other items.

In Q4 2020, the effect of measurement and settlement of market risk hedging transactions at the LOTOS Group included mainly a PLN 53.1m net gain on settlement of transactions hedging CO_2 emission allowances,a PLN 24.9m net gain on settlement and measurement of transactions hedging currency risk and a PLN 19.3m net gain on measurement of transactions hedging the product price risk.

Market risk management

Presented below is the market risk management process, including the measures undertaken in Q4 2020.

In its core business activities, the LOTOS Group is exposed to market risk manifest in:

- risk related to commodity and petroleum product prices,
- risk related to prices of carbon dioxide emission allowances,
- currency risk,
- interest rate risk.

As part of the risk related to commodity and petroleum product prices, certain key risk factors have been identified at the LOTOS Group, including volatility of the refining margin, volatility of prices of stocks held in excess of the mandatory emergency stock volumes, volatility of differentials used in trade contracts (e.g. Urals vs Brent), and the use of non-standard pricing formulas in trade contracts.

In Q4 2020, commodity swaps were entered into as part of the adopted policy of managing the commodity and petroleum product price risk. The contracts were concluded in order to preserve the original price risk profile in connection with the fact that bitumen components are offered for sale at fixed prices.

The risk related to prices of carbon dioxide emission allowances is managed at Grupa LOTOS on an ongoing basis, in line with the assumptions set forth in the strategy for managing the risk. The Group balances its future CO_2 emission allowance shortages and surpluses depending on the market situation and within defined limits.

In Q4 2020, the Company continued to manage its position in CO_2 emission allowances based on a strategy for the third trading period (phase 3: 2013–2020), adapting to the situation prevailing at a given time on the EUA Futures market. In line with the strategy, during phase 3 the Company availed itself of the option to redeem CO_2 emissions for a given year (t) with free allowances granted for the following year (t +1), while rolling over exchange transactions for the next period (closing of transactions settled in cash, without physical delivery). Given an increase in CO_2 emission prices relative to the transaction exercise price and based on the settlement method applied by the exchange (in the case of a long position – replenishing the cash deposit when the prices of allowances fall, receipt of funds when the prices go up), this approach helped sustain Grupa LOTOS's liquidity in each year of phase 3. Since it was impossible to apply the mechanism described above to redeem CO_2 emissions for 2020 with free allowances granted for 2021 (no allocation of allowances for 2021 pending work to develop a methodology for distribution of free allowances), in March 2021 some of the exchange transactions (corresponding to the deficit of CO_2 emission allowances for 2020) will lead to physical delivery and outflow of funds, for which a relevant provision was recognised. It should be noted that profits generated in the previous years of phase 3 will cover the expected cash outflow in March 2021.

Leveraging the strong price volatility and taking into account the projected shortage of CO_2 emission allowances in phase 4 of the EU Emission Trading System (EU ETS), in the reporting period Grupa LOTOS maintained the adopted strategy of increasing its position in EUA Futures. In addition, the Company executed orders to purchase emission allowances placed by other entities of the LOTOS Group.

In its business activities, the LOTOS Group is exposed to exchange rate movements in connection with its commodity and petroleum product trading activities, investing cash flows, financing cash flows (including deposits and credit facilities), and measurement of derivative instruments. The parent actively manages its currency exposure based on an adopted policy and within defined limits, using Cash-Flow-at-Risk (CFaR) as the principal risk measure. In Q4 2020, as part of the currency risk management process, in order to optimise the value of expected cash flows, the Group entered into spot, FX forward and FX swap contracts taking into account prevailing market conditions.

The Group is exposed to the risk of changes in cash flows caused by interest rate movements as interest income and interest expense related to certain assets and liabilities accrue based on floating interest rates, including in particular under the investment credit facility for the EFRA project and the inventory financing and refinancing credit facilities where the amount of interest is computed by reference to the floating LIBOR USD rate. To hedge its interest rate risk, the LOTOS Group enters into interest rate swap contracts.

In connection with the ongoing reform of inter-bank offered rates (IBOR), which will result in cessation of the currently applied interest rates (including the planned discontinuation of LIBOR at the end of 2021) and their replacement with other benchmarks, the Parent is actively monitoring the progress of the reform to the extent applicable to the Company and takes all necessary decisions and steps to prepare for the transition to new interest rates.

Table 16. EBIT, profit before tax and net profit/(loss) of the LOTOS Group (PLNm)

	Q4 2020	Q3 2020	Q4 2019
EBIT	17.4	194.1	452.4
Profit/(loss) before tax	64.4	242.3	570.8
Net profit/(loss)	-7.5	249.3	354.0

Source: the Company.

In Q4 2020, the LOTOS Group posted a consolidated net result of PLN -7.5m.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Table 17. Consolidated statement of financial position – assets (PLNm)

	Dec 31 2020	Dec 31 2019	Nominal change	Change in %
Total	21,856.4	23,672.1	-1,815.7	-7.7%
Non-current assets	13,960.1	14,236.2	-276.1	-1.9%
Property, plant and equipment of the Refining & Marketing segment	9,466.9	9,638.4	-171.5	-1.8%
Intangible assets of the Refining & Marketing segment	161.0	160.0	1.0	0.6%
Property, plant and equipment of the Exploration & Production segment	2,923.1	3,632.4	-709.3	-19.5%
Intangible assets of the Exploration & Production segment	313.8	330.5	-16.7	-5.1%
Equity-accounted joint ventures	26.1	142.2	-116.1	-81.6%
Deferred tax assets	384.2	174.5	209.7	120.2%
Derivative financial instruments	1.2	0.1	1.1	1100.0%
Shares	309.8	9.8	300.0	3061.2%
Loans	195.9	0.0	195.9	-
Other non-current assets	178.1	148.3	29.8	20.1%
Current assets	7,896.3	9,435.9	-1,539.6	-16.3%
Inventories	3,495.7	4,854.3	-1,358.6	-28.0%
Trade receivables	1,693.9	2,609.1	-915.2	-35.1%
Current tax assets	180.9	96.7	84.2	87.1%
Derivative financial instruments	65.9	25.1	40.8	162.5%
Other current assets	314.3	334.1	-19.8	-5.9%
Cash and cash equivalents	2,145.6	1,516.6	629.0	41.5%

Source: the Company.

As at December 31st 2020, the LOTOS Group carried total assets of PLN 21,856.4m (down PLN 1,815.7m vs December 31st 2019).

Key changes in assets:

- PLN 1,358.6m decrease in inventories, due to a much lower volume of crude oil stocks and a significant decline in prices;
- PLN 709.3m decrease in the Exploration & Production segment's property, plant and equipment, attributable mainly to impairment losses on the YME and Utgard field assets in Norway, on the B3 and B8 fields in Poland, and on the fields in Lithuania;
- PLN 915.2m decrease in trade receivables driven by lower selling prices;
- PLN 116.1m decrease in equity-accounted joint ventures, due mainly to impairment losses on the B4/B6 fields;
- PLN 171.5m decrease in the Refining & Marketing segment's property, plant and equipment, related to depreciation of assets and capital expenditures on the EFRA project, service stations and railway loading facility;
- PLN 209.7m increase in deferred tax assets, chiefly related to impairment losses recognised in the Exploration & Production segment;
- PLN 629.0m increase in cash and cash equivalents.

- PLN 495.9m increase in shares and loans in connection with the performance of the investment agreement providing for financing of the Polimery Police project (through acquisition of shares in the company and provision of a subordinated loan).

Table 18. Consolidated statement of financial position – sources of funding (PLNm)

	Dec 31 2020	Dec 31 2019	Nominal change	Change in %
Total	21,856.4	23,672.1	-1,815.7	-7.7%
Equity	11,573.8	12,715.4	-1,141.6	-9.0%
Share capital	184.9	184.9	0.0	0.0%
Share premium	2,228.3	2,228.3	0.0	0.0%
Cash flow hedging reserve	-24.4	-203.6	179.2	88.0%
Retained earnings	9,078.0	10,415.5	-1,337.5	-12.8%
Translation reserve	106.9	90.2	16.7	18.5%
Non-controlling interests	0.1	0.1	0.0	0.0%
Non-current liabilities	4,513.9	5,097.9	-584.0	-11.5%
Borrowings, other debt instruments and finance lease liabilities	2,717.7	3,142.6	-424.9	-13.5%
Derivative financial instruments	1.0	6.6	-5.6	-84.8%
Deferred tax liabilities	144.5	475.2	-330.7	-69.6%
Employee benefit obligations	230.2	207.5	22.7	10.9%
Other liabilities and provisions	1,420.5	1,266.0	154.5	12.2%
Current liabilities	5,768.7	5,858.8	-90.1	-1.5%
Borrowings, other debt instruments and finance lease liabilities	1,355.8	1,273.8	82.0	6.4%
Derivative financial instruments	18.5	15.3	3.2	20.9%
Trade payables	1,636.0	1,940.8	-304.8	-15.7%
Current tax liabilities	134.2	217.1	-82.9	-38.2%
Employee benefit obligations	196.1	174.3	21.8	12.5%
Other liabilities and provisions	2,428.1	2,237.5	190.6	8.5%

Source: the Company.

The reduction in the LOTOS Group's equity as at the end of 2020 to PLN 11,573.8m (down by PLN -1,141.6m on 2019) was driven primarily by lower retained earnings (down by PLN -1,337.5m), foreign exchange gains on measurement of cash flow hedges, adjusted for the tax effect of PLN 179.2m, recognised in capital reserves, and a PLN 16.7m increase in translation reserve.

The share of equity in total equity and liabilities fell by 0.7pp year on year, to 53.0%.

Key changes in liabilities (down PLN -674.1m):

- PLN 304.8m decrease in trade payables due to lower volumes of crude oil purchased outside the LOTOS Group in December 2020 compared with December 2019, and a considerable reduction in purchase prices;
- PLN 82.9m m decrease in current tax liabilities;
- PLN 330.7m decrease in deferred tax liabilities, due mainly to the lower amount of that item recognised by the parent;
- PLN 342.9m decrease in borrowings, other debt instruments and finance lease liabilities, led by debt repayments and remeasurements at an exchange rate lower relative to the end of 2019;
- PLN 345.1m increase in other liabilities and provisions following recognition of a provision for the National Reduction Target, a rise in provisions for a deficit in CO_2 emission allowances and NIT emission charge, and an increase in provisions for decommissioning and remediation costs in the Exploration & Production segment;

As at December 31st 2020, the LOTOS Group's debt totalled PLN 4,073.5m, down by PLN 342.9m on the end of December 2019, mainly as a result of repayment of investment credit facilities. Net debt totalled PLN 1,927.9m, compared with PLN 2,899.8m as at the end of December 2019. The ratio of net debt to adjusted LIFO-based EBITDA as at December 31st 2020 was 1.4x, up 0.4x relative December 31st 2019.

CONSOLIDATED STATEMENT OF CASH FLOWS

Table 19. Cash flows (PLNm)

	Q4 2020	Q3 2020	Q4 2019
Cash flows from operating activities	1,138.7	-54.6	132.9
Cash flows from investing activities	-653.0	-208.5	-153.5
Cash flows from financing activities	-171.1	-437.3	-786.8
Effect of exchange rate fluctuations on cash held	-8.2	-3.1	-18.7
Change in net cash	306.4	-703.5	-826.1
Cash at beginning of period	1,617.0	2,320.5	2,342.7
Cash at end of period	1,923.4	1,617.0	1,516.6

Source: the Company.

As at December 31st 2020, the LOTOS Group's cash balance (including current account overdrafts) was PLN 1,923.4m. Cash and cash equivalents increased by PLN 306.4m as a result of net cash flows in Q4 2020

The net cash flows from operating activities in Q4 2020, of PLN 1,138.7m, were driven mainly by a marked decrease in trade receivables in Q4 2020 and an increase in trade payables, other liabilities and provisions.

The negative net cash flows from investing activities of PLN -653.0m were mainly attributable to acquisition of property, plant and equipment and other intangible assets, chiefly for the Exploration & Production segment and the EFRA project. They also reflect the acquisition of Grupa Azoty shares and a loan advanced to Grupa Azoty.

Negative net cash flows from financing activities in Q4 2020, of PLN -171.1m, chiefly comprised repayments of borrowings, payments of interest and of liabilities under finance leases.