Consolidated financial results 1Q 2018

27th April, 2018

Financial results 1Q 2018

Key highlights

Financial results 1Q 2018

1Q 2018 – summary

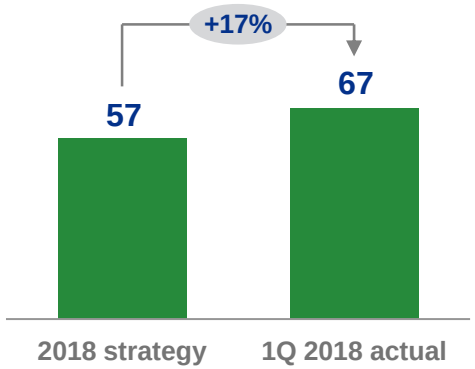
- LIFO EBITDA (1) of 0,54bn PLN, negatively affected by decreased downstream margins and worsened by weakening of PLN vs USD
- Net debt lowered by 2.2 bn PLN pushing net debt/LIFO EBITDA (1) ratio down to 0.9x
- Stable and efficient refinery following sucessfully completed maintenance shutdown from spring 2017
- Upstream contribution to the overall consolidated EBITDA of almost 40%
- Benefiting from improved economics of diversification : 39 % non Ural crude processed

(1) Net of one off items

Macroeconomic environment [1] vs strategic assumptions[2]

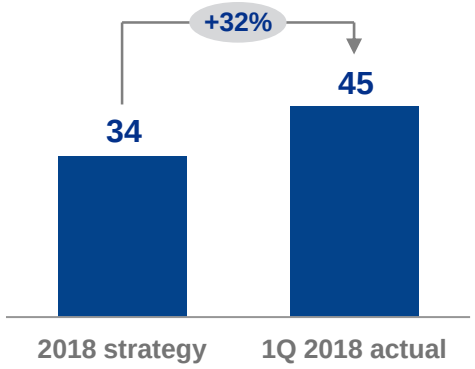
Brent DTD

USD/bbl



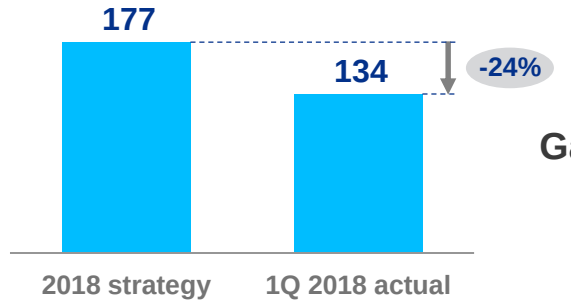
Natural gas

USD/boe

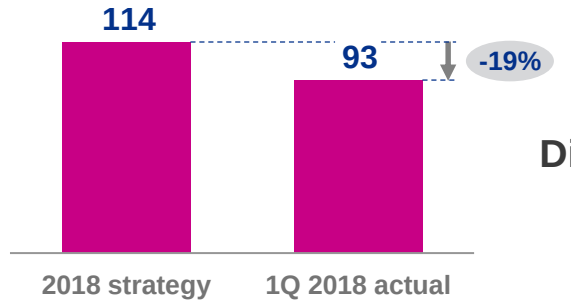


Product crack spreads

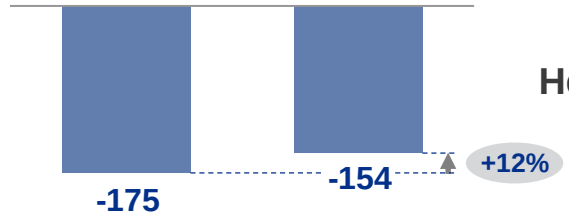
USD/ton



Gasoline



Diesel



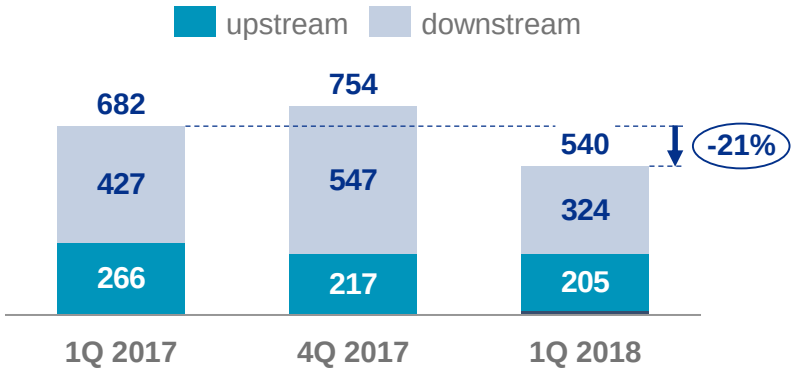
Heavy fuel oil

(1) Source : Thomson Reuters
(2) Average annual 2018 strategic assumptions adopted by LOTOS

1Q 2018 – summary

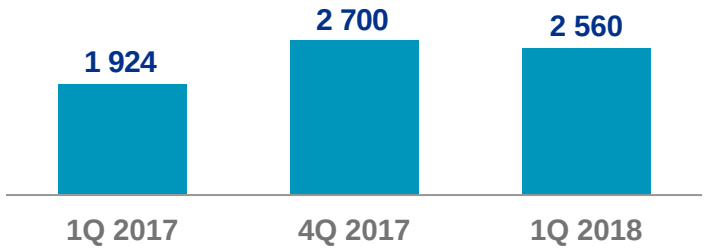
LIFO EBITDA (1)

m PLN



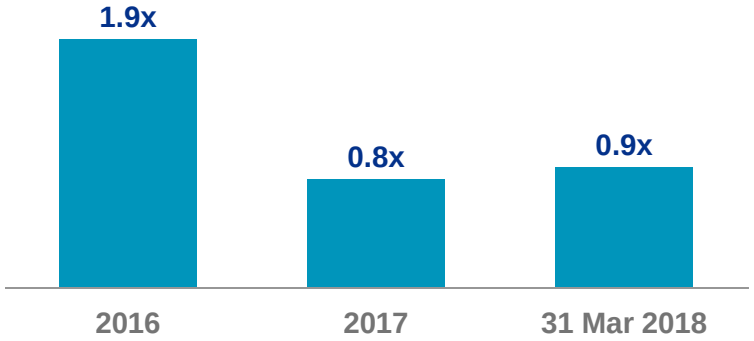
Downstream - crude oil throughput

k tons



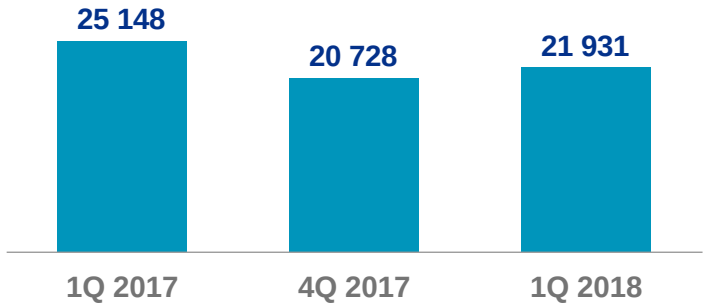
Net debt / LIFO EBITDA (2)

m PLN



Upstream – 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

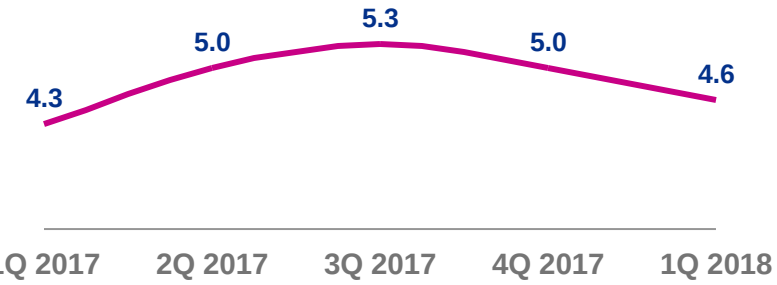
Financial results 1Q 2018

FX rate, GDP growth, domestic fuel market

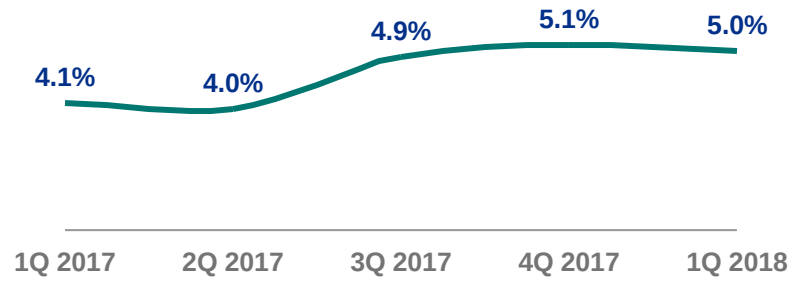
FX USD/PLN rate (1)

Diesel consumption (3)

m m^3

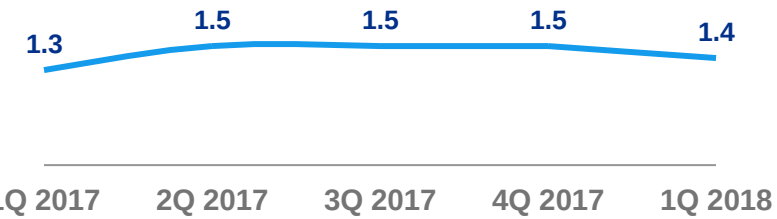


Polish GDP growth (2)



Gasoline consumption (3)

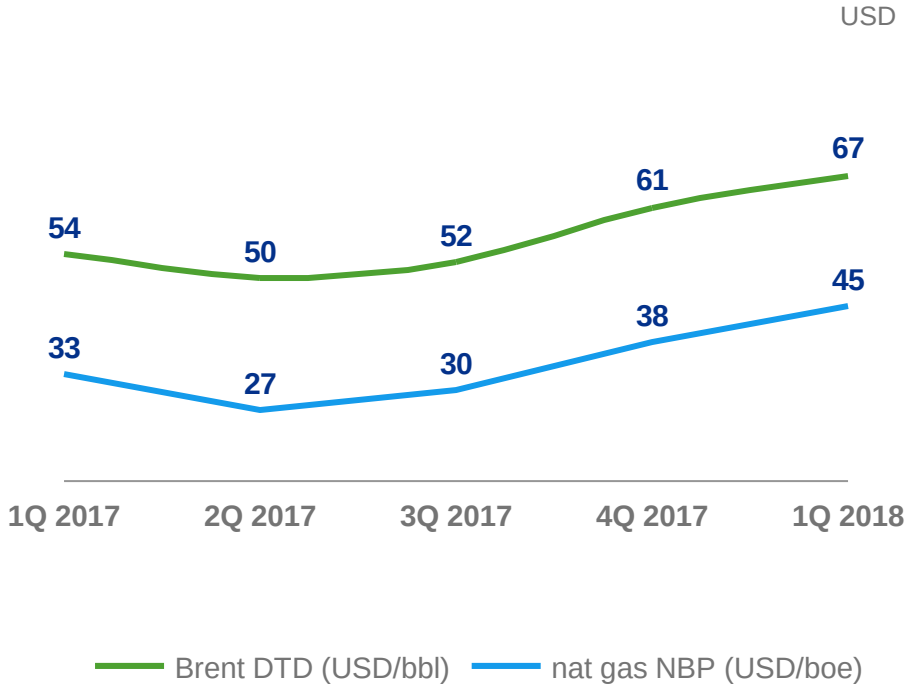
m m^3



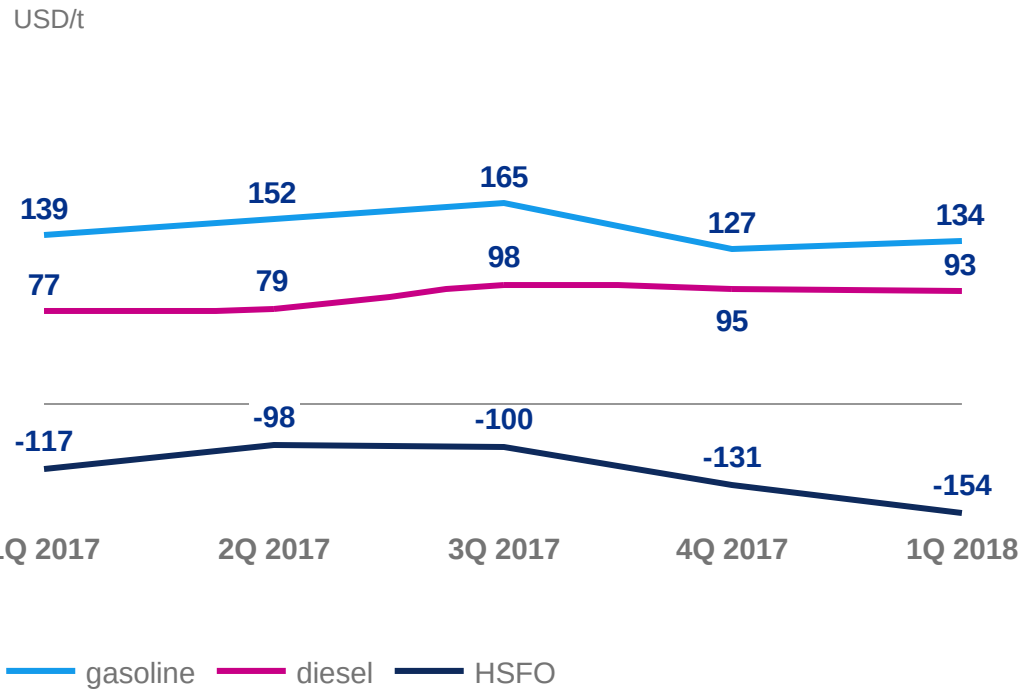
(1) National Bank of Poland
(2) consensus of estimates
(3) domestic; according to POPiHN – organisation for Oil Trade and Industry

Crude oil, natural gas and product crack spreads

Crude oil (1) and nat gas prices (2)



Key product crack spreads (1)



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

Upstream

Financial results 1Q 2018

Producing assets – 1Q key figures

B8
Baltic Sea

Reserves(1) **36,7** mmboe
Production(2) **2,6** kboe/d

B3
Baltic Sea

Reserves(1) **14,1** mmboe
Production(2) **1,8** kboe/d

Lifting costs Poland: **29** USD/boe (3)

Sleipner
North Sea

Reserves(1) **14,3** mmboe
Production(2) **13,8** kboe/d

Heimdal
North Sea

Reserves(1) **2,4** mmboe
Production(2) **2,9** kboe/d

Lifting costs Norway: **9** USD/boe (3)

Onshore fields
Lithuania

Reserves(1) **3,5** mmboe
Production(2) **0,8** kboe/d

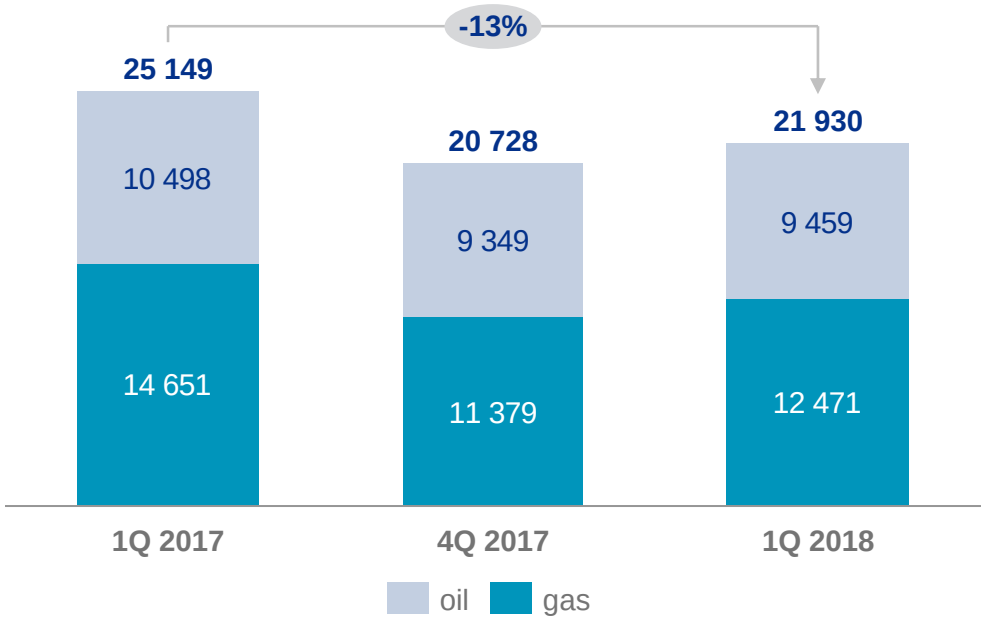
Lifting costs Lithuania: **13** USD/boe (3)

(1) 2P Reserves as of 31.03.2018
(2) Average daily production for 1Q 2018
(3) Average lifting costs for FY2017

Overall production figures

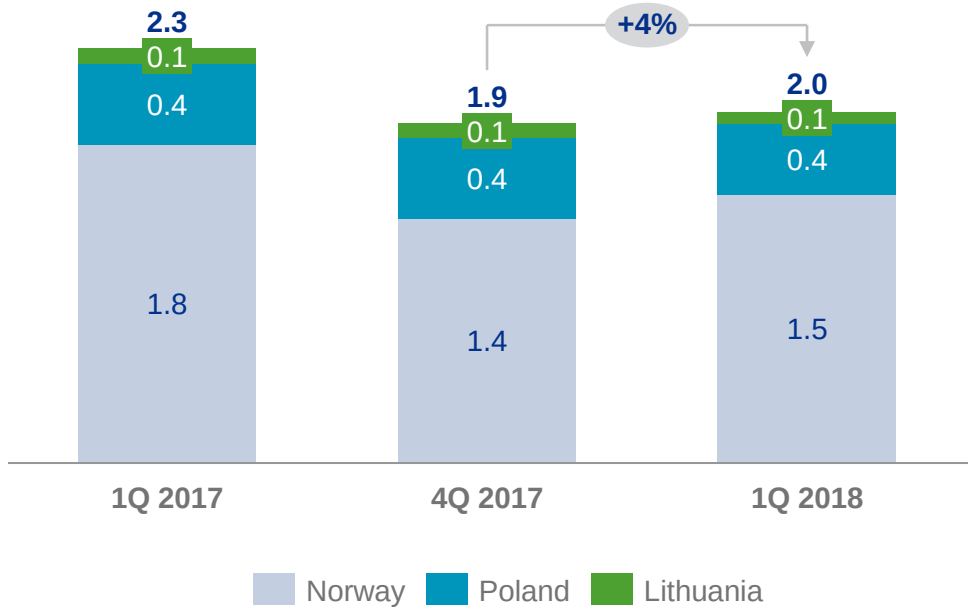
Daily quarterly production

boe/d

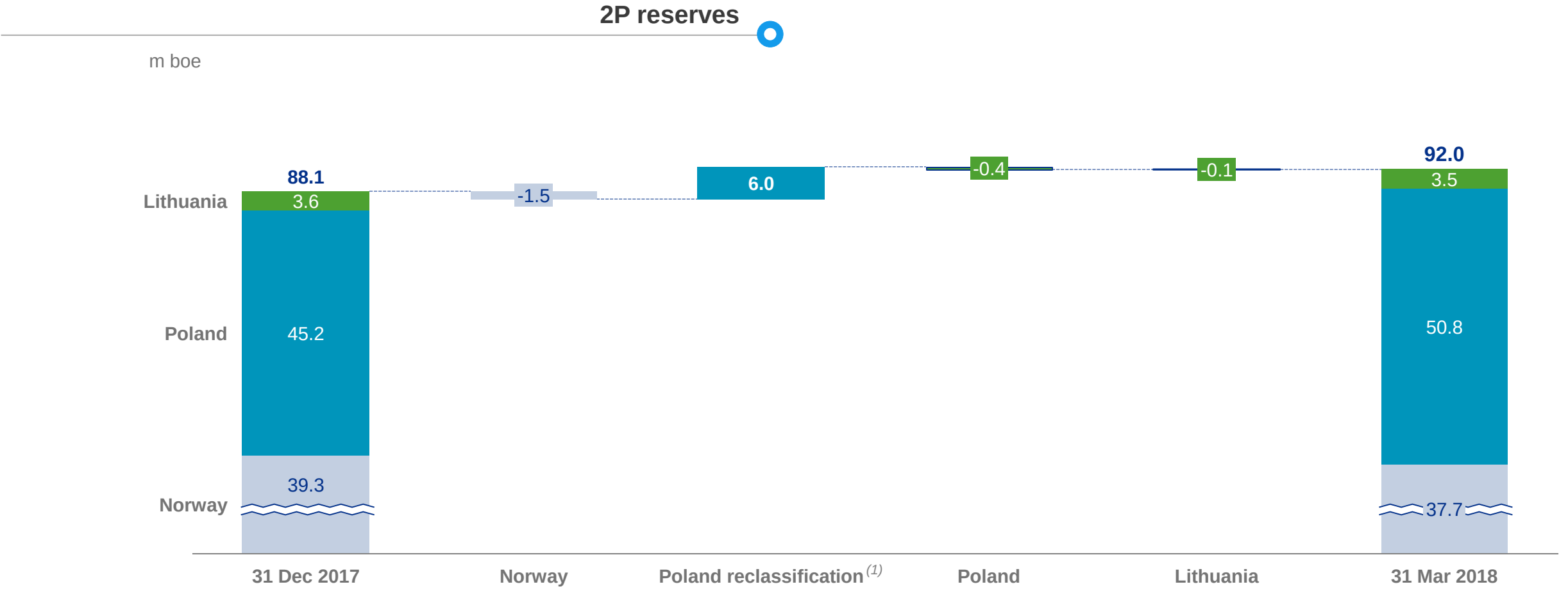


Overall quarterly production

m boe



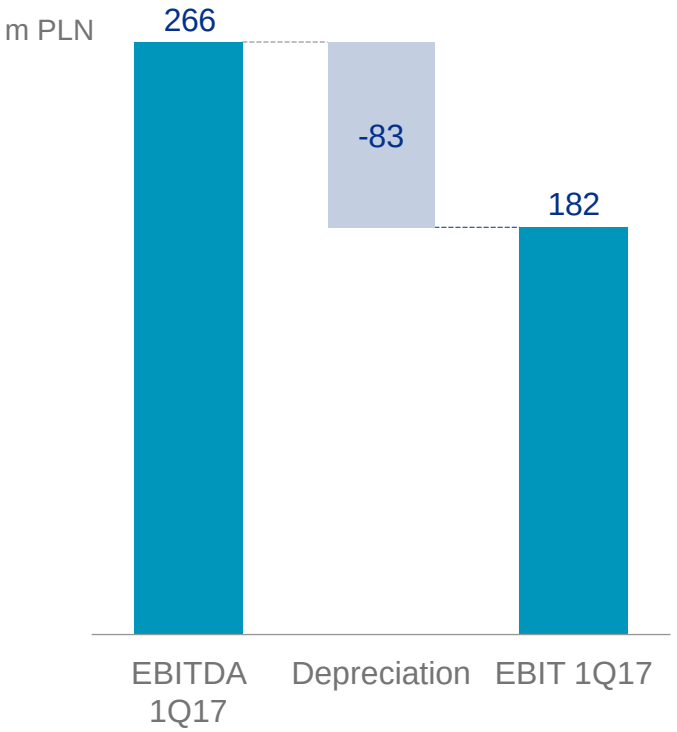
Total recoverable reserves comparing with 31.12.2017



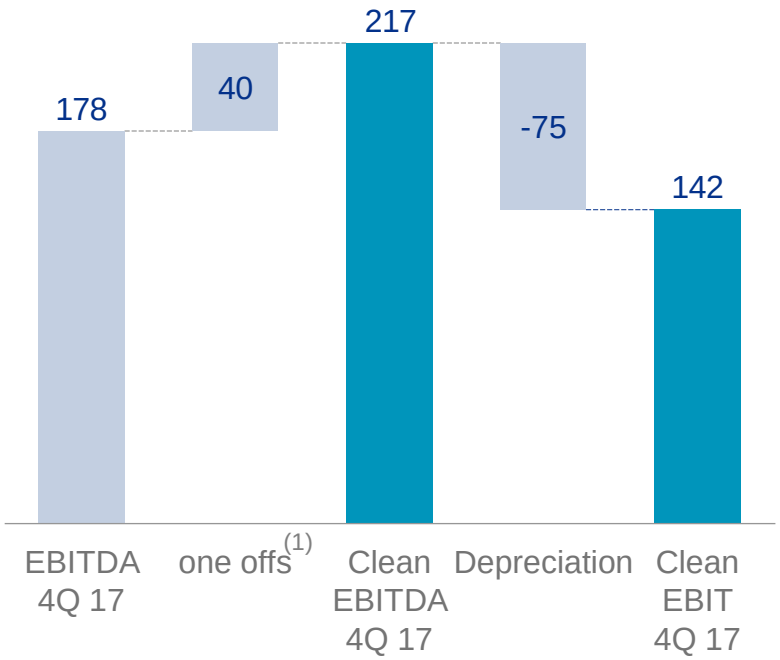
(1) *Upward revision of 2P reserves for B3 field, due to extension of the license*

Quarterly upstream EBITDA evolution

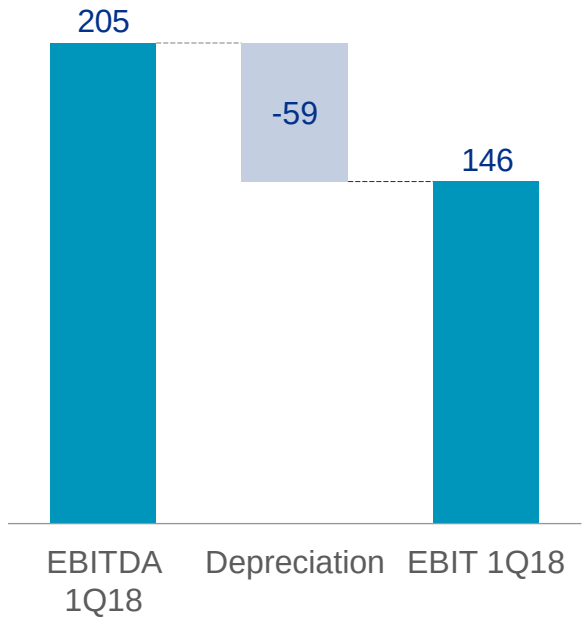
1Q 2017



4Q 2017



1Q 2018

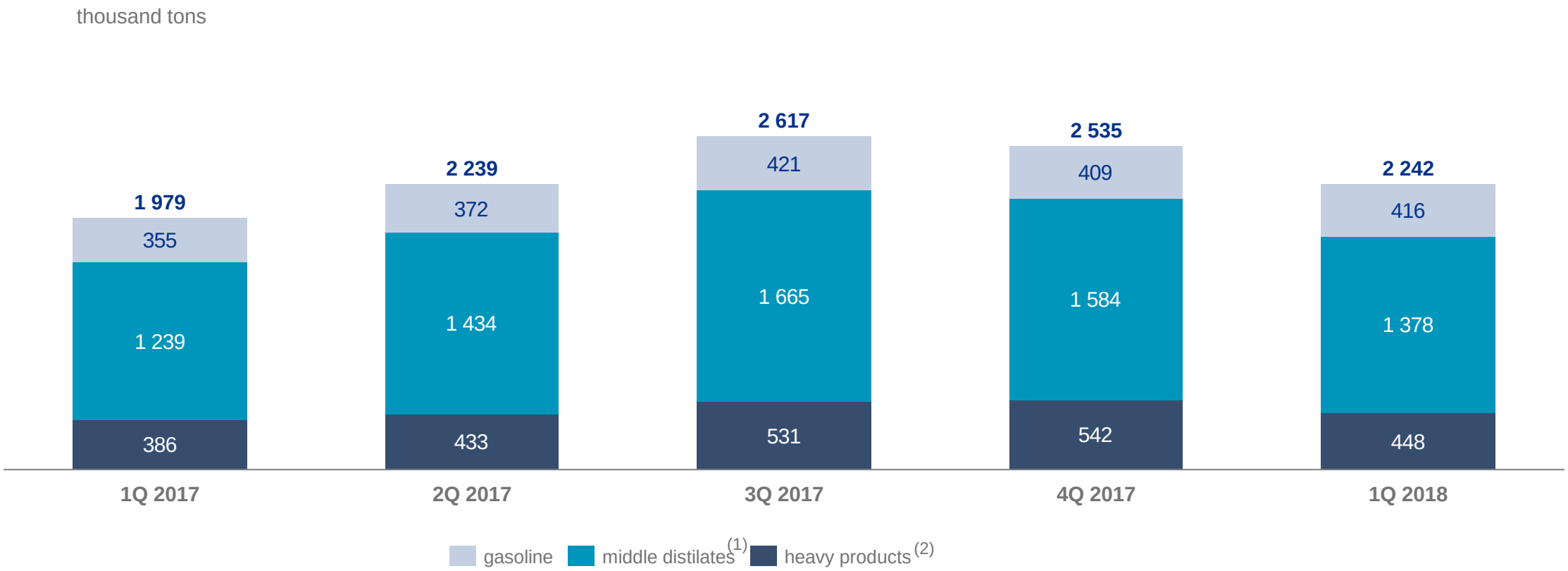


(1) balance of assets impairments and other revaluations

Downstream

Financial results 1Q 2018

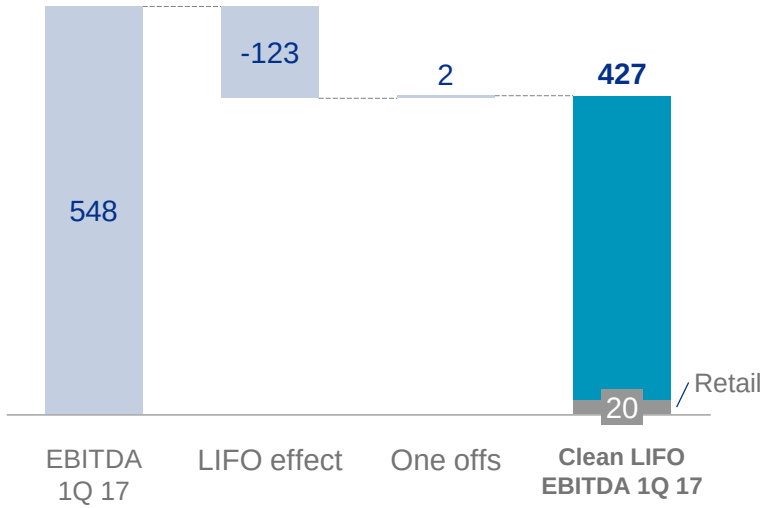
Volume of sales of key refining products

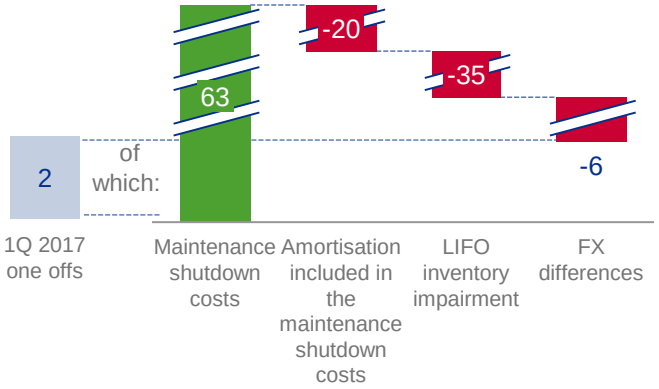


(1) middle distillates including : diesel, light heating oil and jet fuel
(2) heavy products : heavy sulfur fuel oil and bitumens

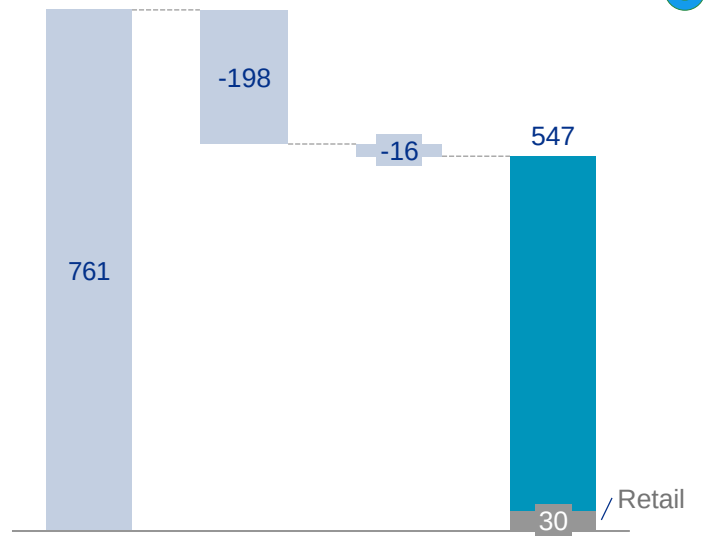
Quarterly downstream EBITDA evolution

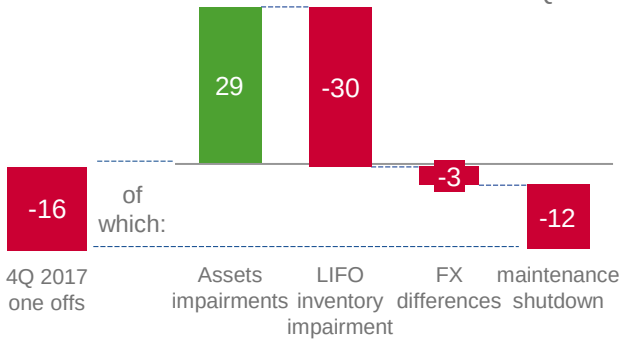
1Q 2017



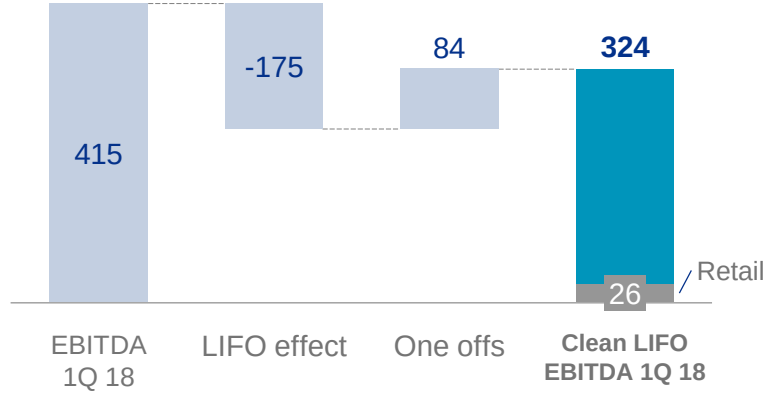


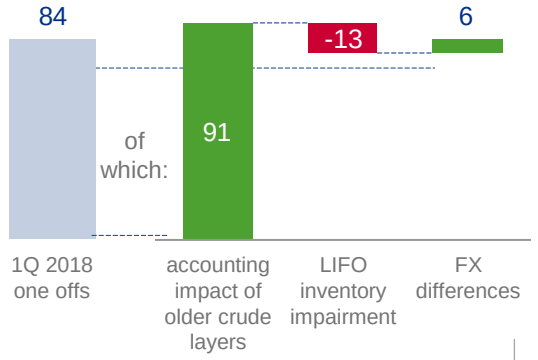
4Q 2017



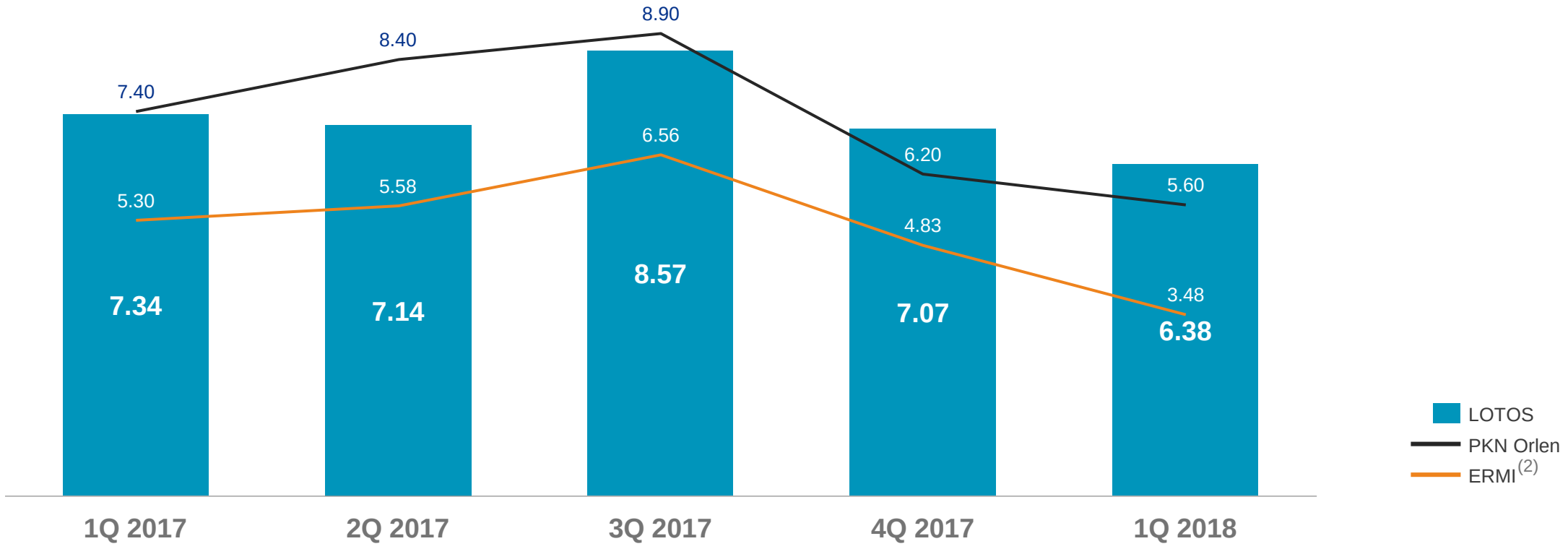


1Q 2018





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



(1) *LOTOS model refining margin = 14.14% gasoline + 4.24% naphtha + 4.53% LPG + 49.57% diesel + 5.34% jet + 18.11% HSFO – Brent dtd – Brent Ural differential – natural gas consumption (estimated cost basing on the gas index quoted on the Polish Power Exchange)*

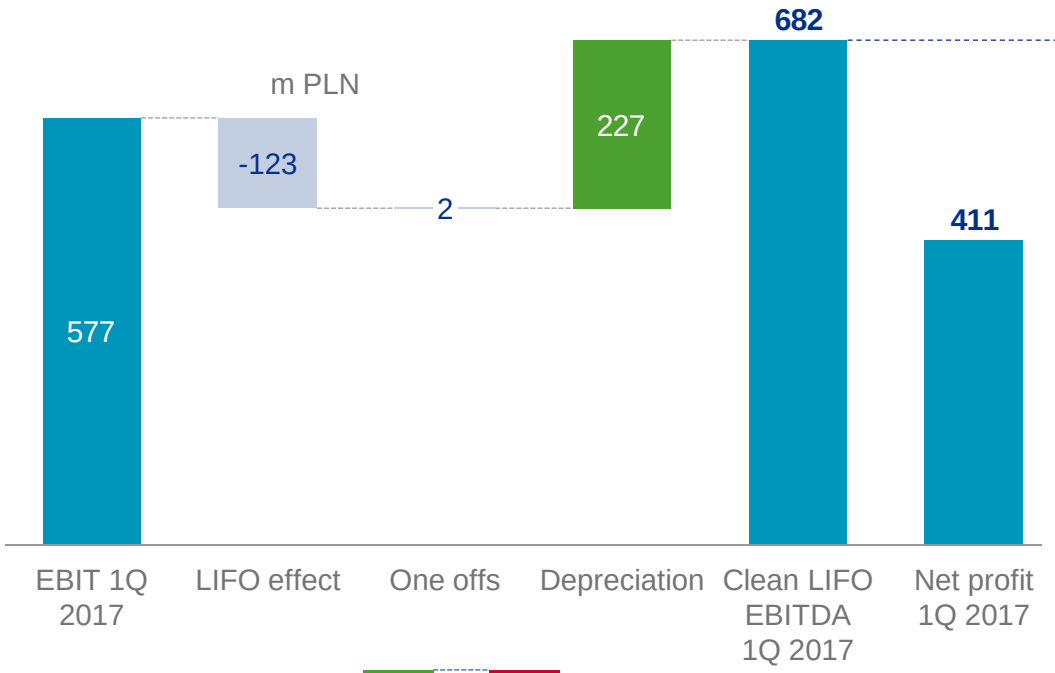
(2) *Total; European Refining Margin Indicator (ERMI) − indicator intended to represent the margin after variable costs for a hypothetical complex refinery located around Rotterdam in Northern Europe that processes a mix of crude oil and other inputs commonly supplied to this region to produce and market the main refined products at prevailing prices in this region*

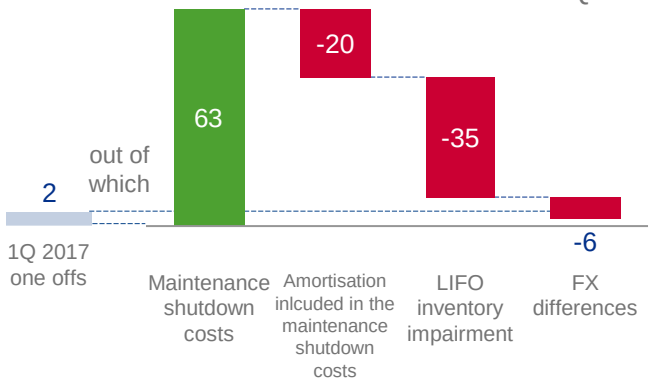
Consolidated financial results

Financial results 1Q 2018

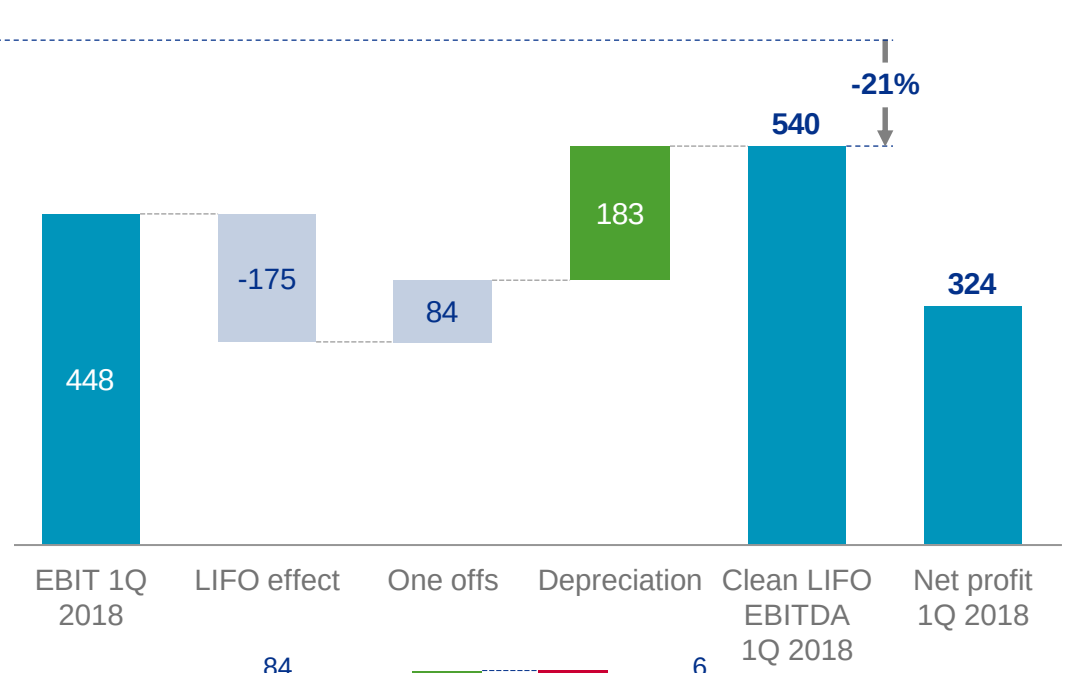
Decomposition of 1Q 2018 vs 1Q 2017 consolidated financial results

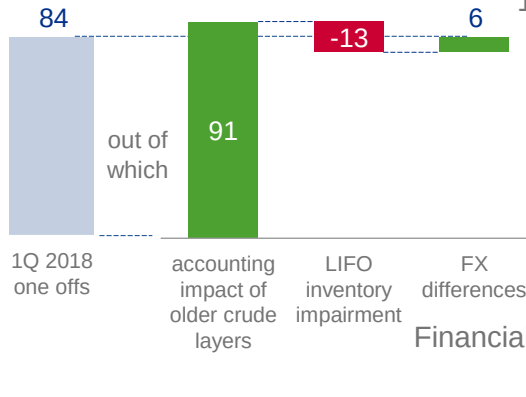
1Q 2017





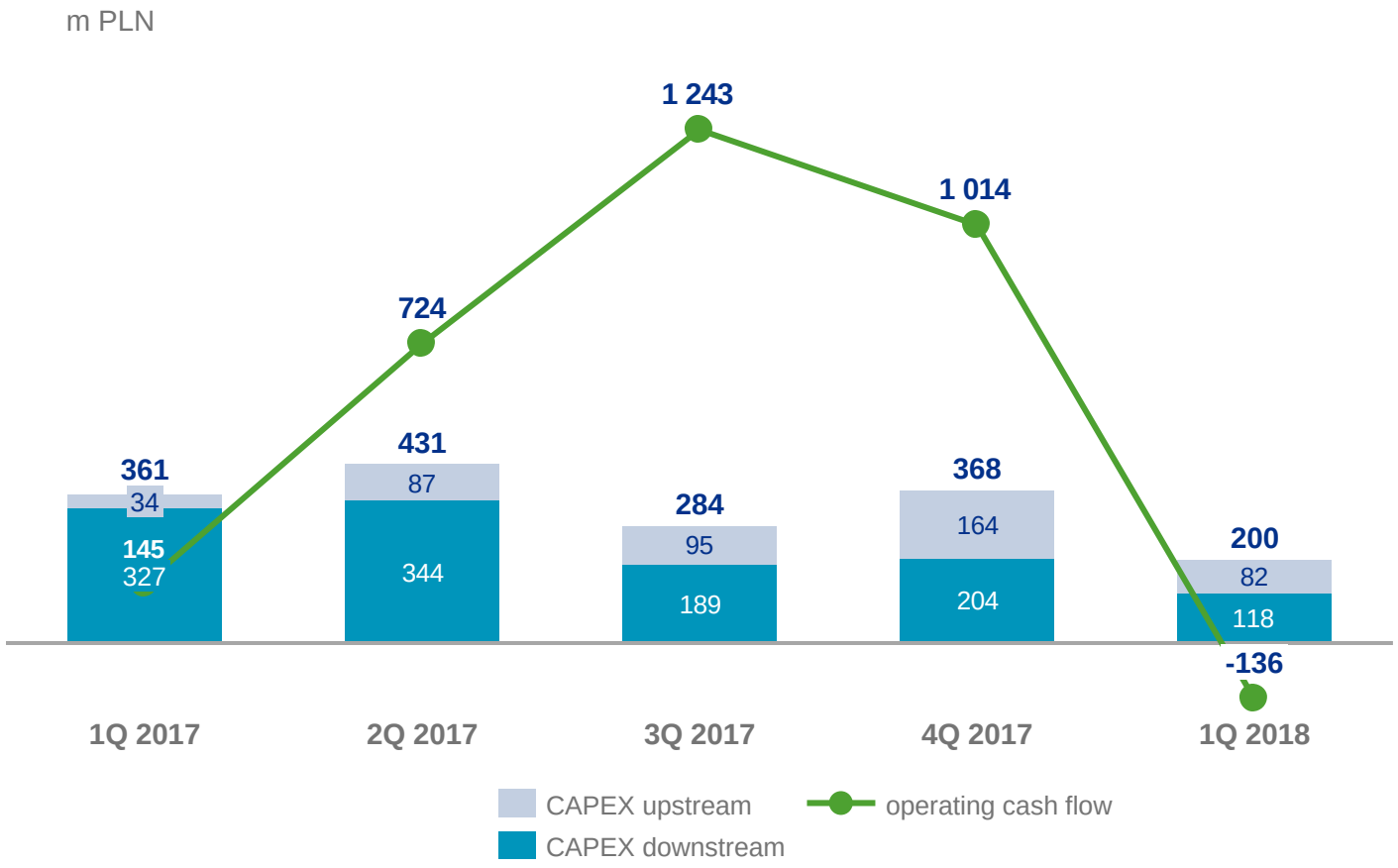
1Q 2018



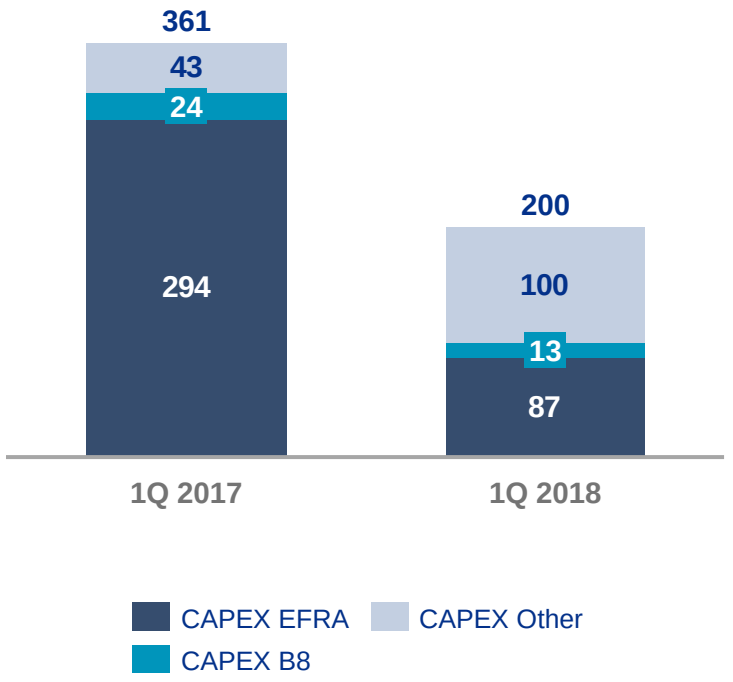


Operating cash flows vs CAPEX

Quarterly

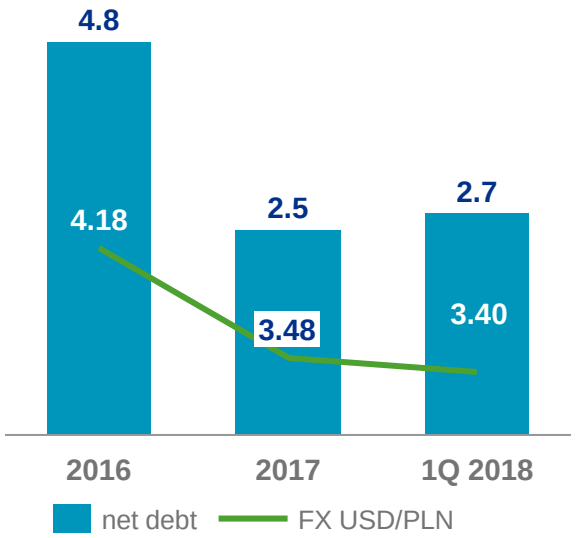


1Q 2018

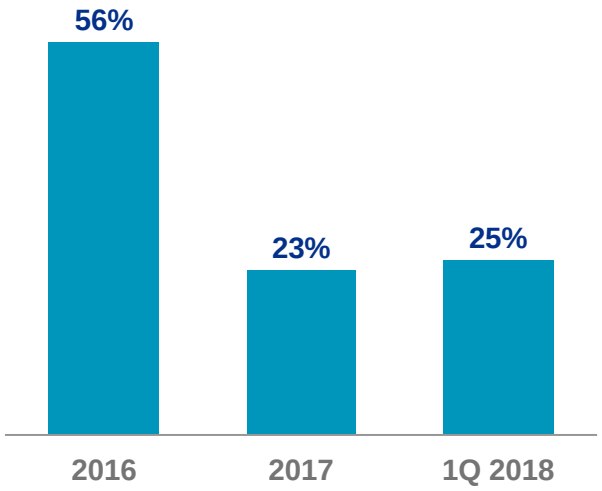


Debt

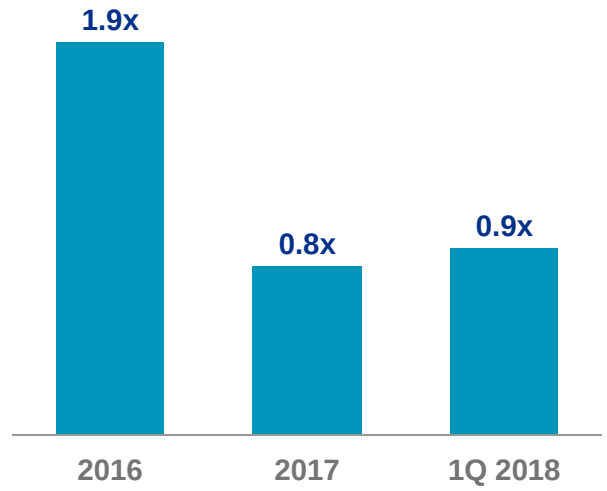
Net debt (1)



Gearing ratio (2)



Net debt / clean LIFO EBITDA (3)



(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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