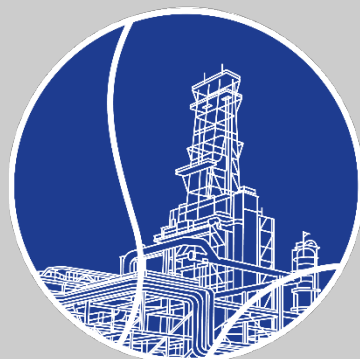


Consolidated financial results Q1 2021

28th of April 2021



Consolidated financial results Q1 2021

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Q1 2021 performance



- LIFO-based EBITDA⁽¹⁾ for Q1 2021 at PLN 615m vs PLN 670.5m the year before, down 8.3%, of which:
 - Exploration & Production EBITDA PLN 167.9m, up 19.3% q/q chiefly as a result of higher crude oil prices (33.7% q/q)⁽²⁾ and gas prices (28.2% q/q)⁽³⁾,
 - Refining & Marketing LIFO-based EBITDA at PLN 444.7m,
- net profit in Q1 2021 PLN 353m, which is an increase compared to Q4 2021 (net loss PLN -7m) and in Q1 2020 (net loss PLN -1,345m),
- significant increase of working capital due to the increase in the prices of crude oil and petroleum products,
- safely and efficiently executed maintaining shutdown in the refinery "Spring 2021", costs incurred so far at the level of ~ PLN 50m,
- flexible management of the refinery's yield structure, accumulated stocks and product sales directions with middle distillates tight crack spreads, unstable demand and Company's refinery maintaining shutdown,
- effective intervention in the Utgard field, stabilization of production at the level of 2.5 thousand tonnes boe/d,
- joint work with PKN Orlen and Polish State Treasury in connection with intended acquisition of Grupa LOTOS by PKN Orlen. In March 2021, preparations launched to reorganise the Group and implement the remedies model.

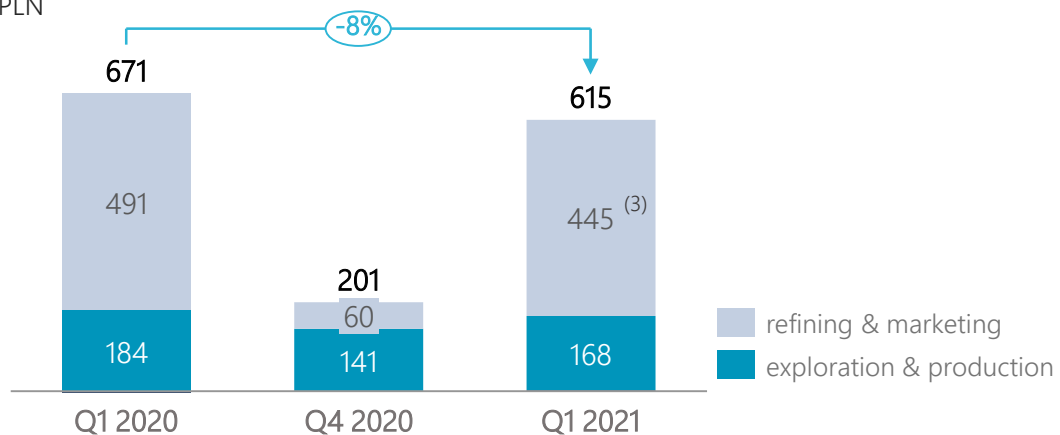
(1) Cleaned of one-off items. Fluctuations in the level of crude oil inventories and differences between the volume of crude oil purchased and processed during the first quarter of 2021 resulted in the calculation of the cost of processing according to the LIFO methodology of crude oil valued at a unit cost lower than the current price - the so-called historical oil layers effect (valued at lower unit cost). The company estimates the above-mentioned positive effect on the LIFO result at ~ PLN 90m.

(2) Urals grade, source Refinitiv.

(3) National Balancing Point, Refinitiv.

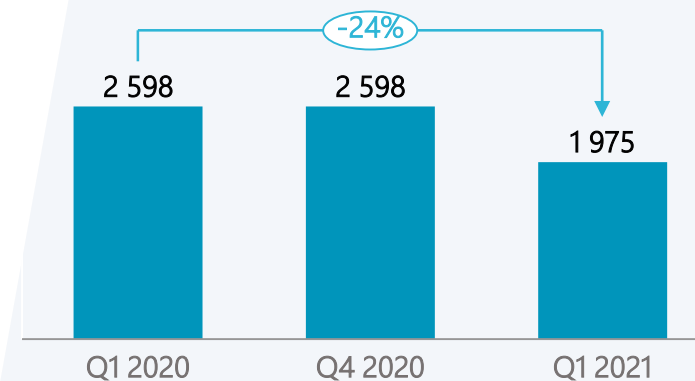
LIFO EBITDA⁽¹⁾

m PLN



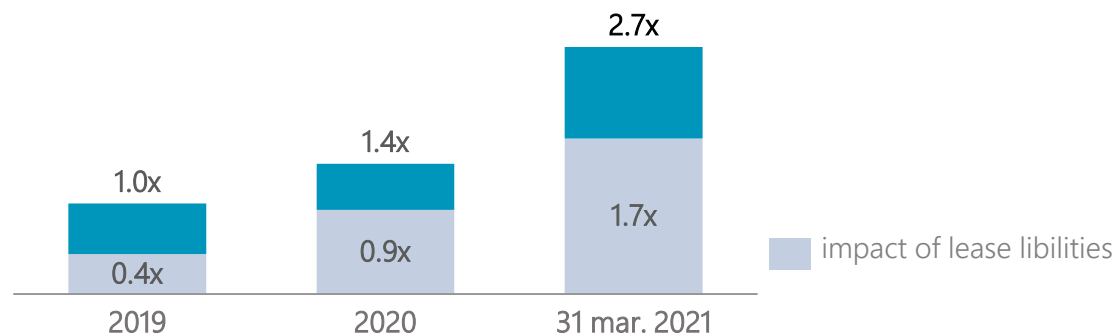
Refining & marketing – crude oil throughput in Gdańsk

k tons



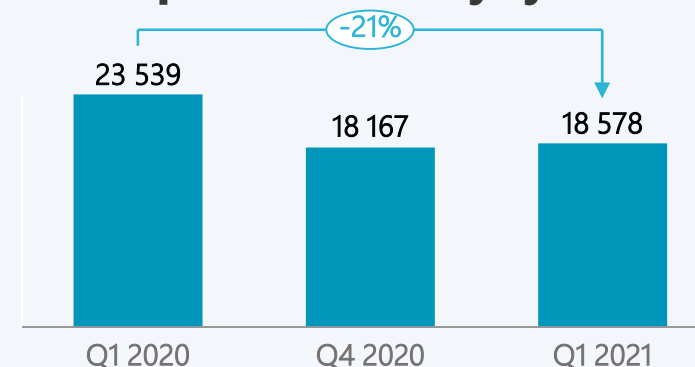
Operating cash flow

m PLN



Exploration & production – daily hydrocarbons production⁽²⁾

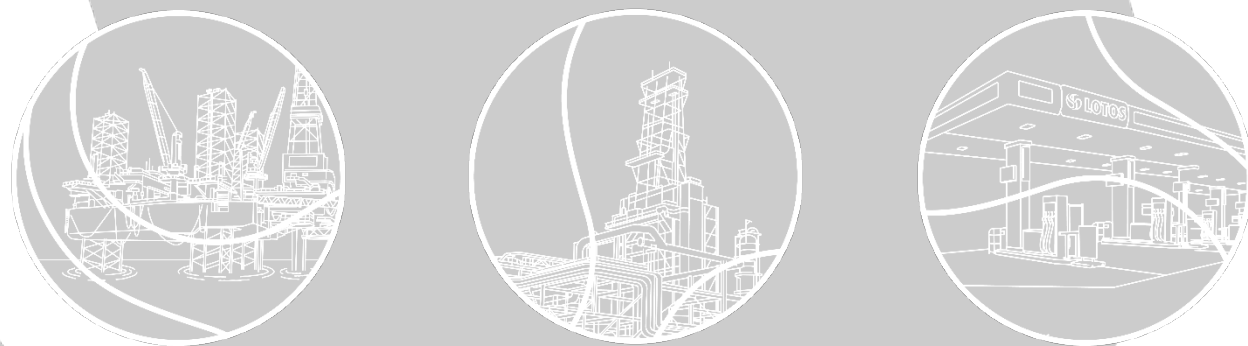
boe/d



(1) excluding one-off items.; segments 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) Cleaned of one-off items. Fluctuations in the level of crude oil inventories and differences between the volume of crude oil purchased and processed during the first quarter of 2021 resulted in the calculation of the cost of processing according to the LIFO methodology of crude oil valued at a unit cost lower than the current price - the so-called historical oil larger effect (valued at lower unit cost). The company estimates the above-mentioned positive effect on the LIFO result at ~ PLN 90m.



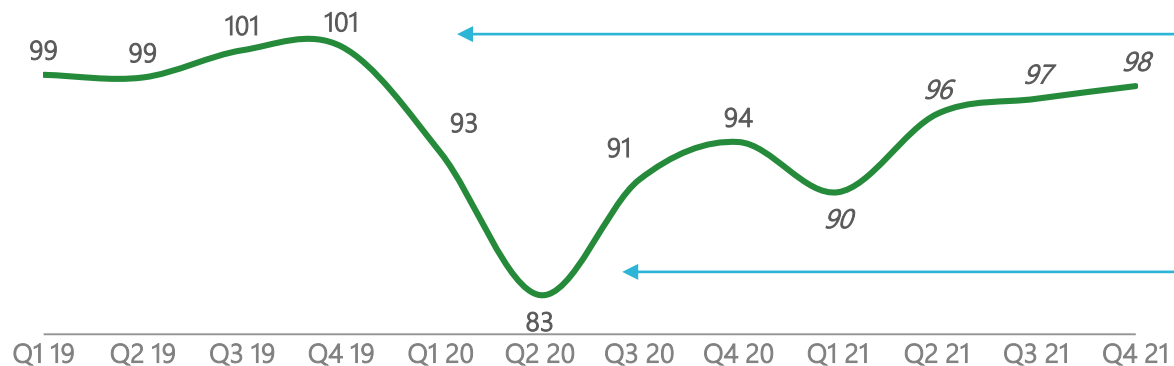
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Global oil demand and air traffic during the COVID-19 pandemic

Global crude oil consumption ⁽¹⁾

m bbl/d

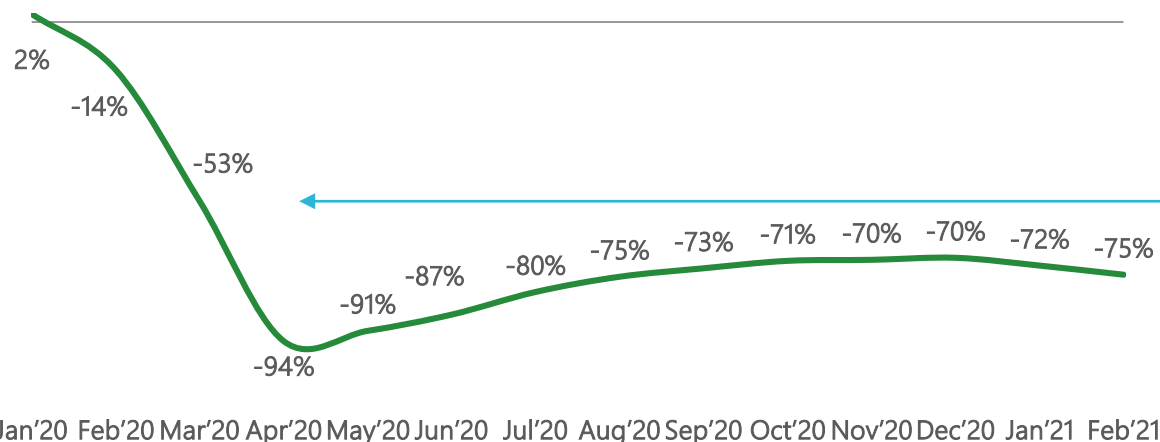


Sharp drop in oil consumption in 2020 as a consequence of COVID-19 outbreak.

Gradual recovery in demand seen from Q3 2020 on an upturn in global economic activity.

Global dynamics of passenger air transport ⁽²⁾

Δ y/y in %



Near-total absence of global air traffic in April 2020.

Steady recovery in following months, halted briefly by another wave of COVID-19 and renewed tightening of travel restrictions.

Jan'20 Feb'20 Mar'20 Apr'20 May'20 Jun'20 Jul'20 Aug'20 Sep'20 Oct'20 Nov'20 Dec'20 Jan'21 Feb'21

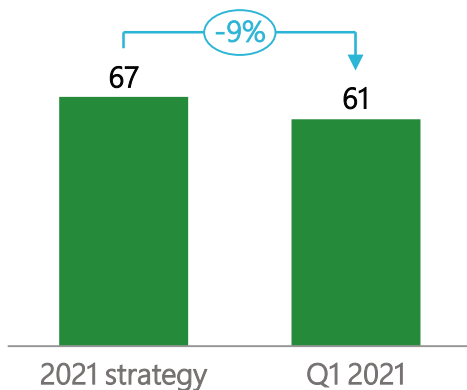
(1) Source: OPEC, forecast for Q1-Q4 2021

(2) Source: IATA - RPK (Revenue Passenger Kilometers); comparison of data from 2020 to the same month of the previous year

Macroeconomic environment ⁽¹⁾ vs strategic assumptions ⁽²⁾

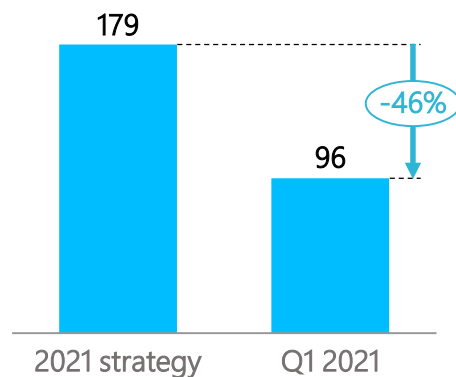
Brent DTD

USD/bbl



Product crack spreads

USD/ton

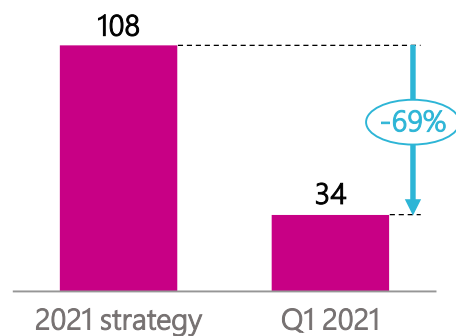
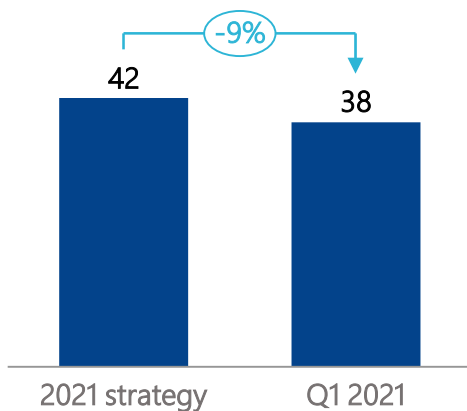


Gasoline

Crude oil prices rebounding to pre-pandemic levels and gradual recovery of crack spreads visible over the Q1 of 2021 (vs. Q4 2020).

Natural gas

USD/boe



Diesel



Heavy fuel oil

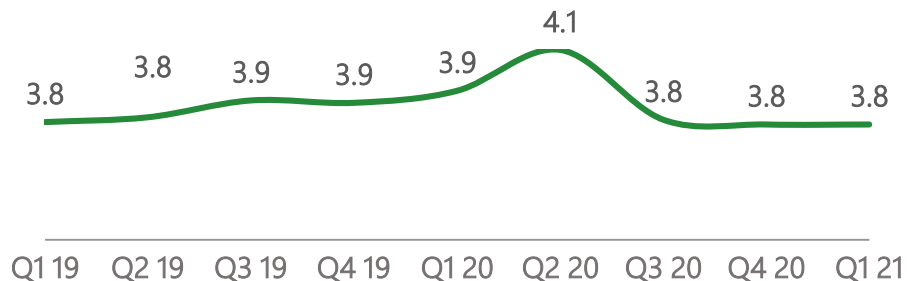
Extremely strong crack spreads for heavy fuel oil, driven by low availability of heavy, sour oil grades and HSFO output reductions made in response to IMO 2020 regulations.

(1) Source: Refinitiv

(2) Average annual 2021 strategic assumptions adopted by LOTOS Group

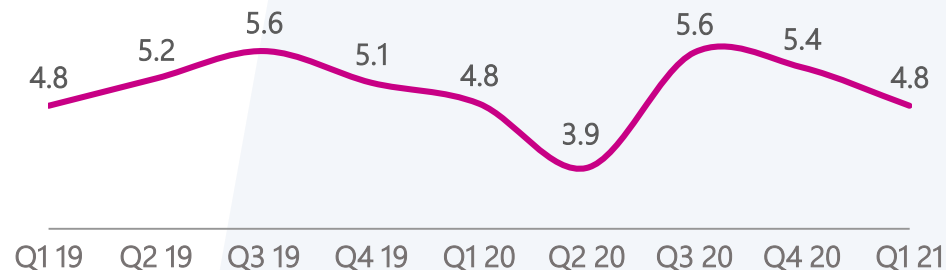
FX rate, GDP growth, domestic fuel market

FX USD/PLN rate ⁽¹⁾

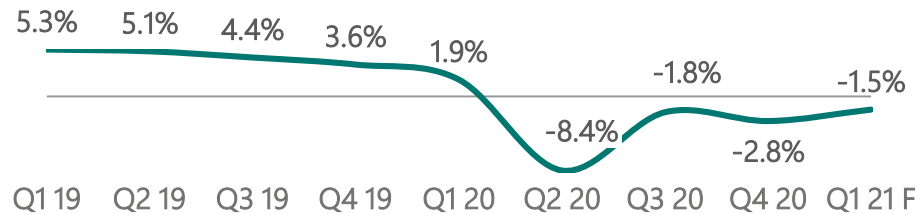


Diesel consumption ⁽³⁾

m m³

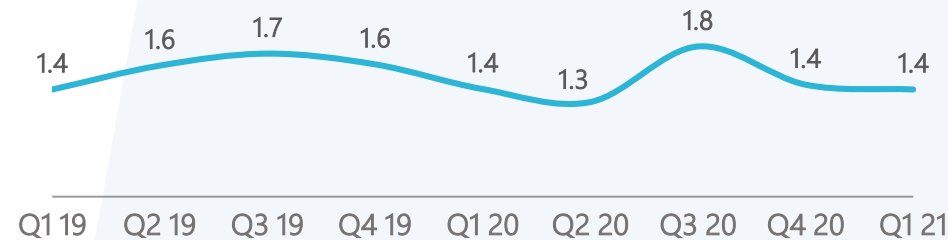


Polish GDP growth ⁽²⁾



Gasoline consumption ⁽³⁾

m m³



(1) National Bank of Poland

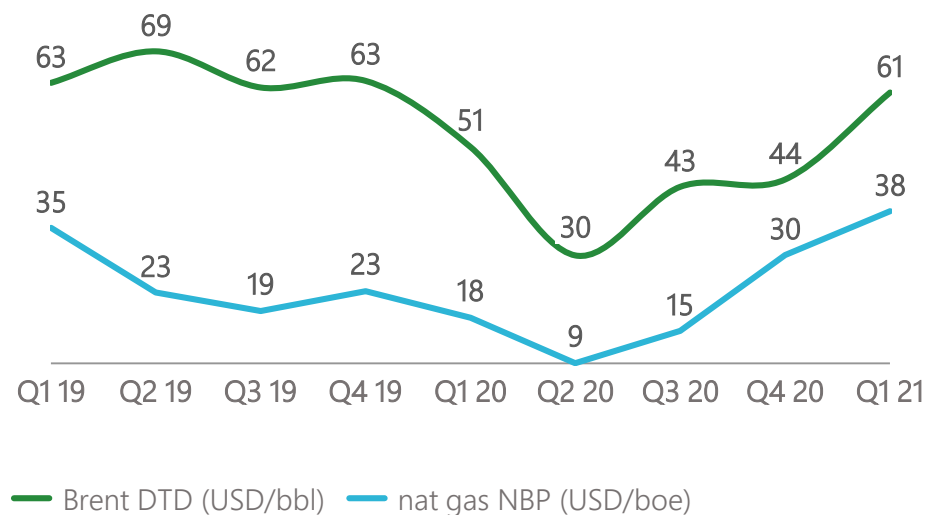
(2) Statistics Poland (GUS); PKO BP forecast in Q1 2021 and 2021 expected 4.7%

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

Crude oil, natural gas and product cracks

Crude oil ⁽¹⁾ and nat gas prices ⁽²⁾

USD



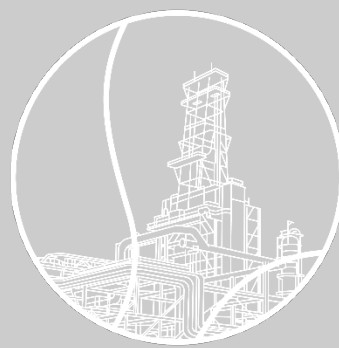
Key product crack spreads ⁽¹⁾

USD/t



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

(2) Source : National Balancing Point



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Exploration & Production



- clean EBITDA of PLN 167.9m, compared to the previous quarter, improvement in the financial result by 20% due to higher crude oil prices by 33.7% ⁽¹⁾ and natural gas prices by 28.2% ⁽²⁾, which compensated the decline in sales volumes in Norway and Poland,
- production of hydrocarbons at the level of 18.6 kboe/d (i.e. approx. -21% y/y and approx. + 2% q/q),
- effective intervention in the Utgard field, stabilization of production at the level of 2.5 thousand tonnes boe/d,
- decrease in resources to 73.2 mboe at the end of March 2021 from 74.8 mboe at the end of 2020 as a result of natural depletion,
- the commissioning phase of the offshore platform on the YME project - production is expected to start in Q4 2021.

(1) Comparison of average Urals grade prices in 2020 and 2019, source: Refinitiv.

(2) Comparison of average National Balancing Point prices in 2020 and 2019, source: Revinitiv.

Producing assets in Q1 2021



B8

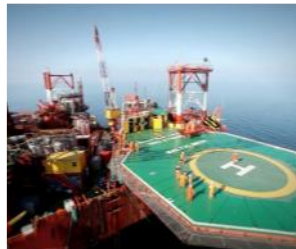
Baltic Sea



Reserves⁽¹⁾ **33.4 m boe**
Production⁽²⁾ **3.5 kboe/d**

B3

Baltic Sea



Reserves⁽¹⁾ **12.4 m boe**
Production⁽²⁾ **1.9 kboe/d**

Lifting costs Poland: **27.4 USD/boe**⁽³⁾

Sleipner

North Sea



Reserves⁽¹⁾ **10,5 m boe**
Production⁽²⁾ **7.6 kboe/d**

Heimdal

North Sea



Reserves⁽¹⁾ **0.8 m boe**
Production⁽²⁾ **2.4 kboe/d**

Lifting costs Norway: **9.7 USD/boe**⁽³⁾

Utgard

North Sea



Reserves⁽¹⁾ **1.4 m boe**
Production⁽²⁾ **2.5 kboe/d**

AB Geonafta

Lithuania



Reserves⁽¹⁾ **2.4 m boe**
Production⁽²⁾ **0.5 kboe/d**

Lifting costs Lithuania: **19.1 USD/boe**⁽³⁾

(1) 2P Reserves as of 31.03.2021

(2) Average daily production for Q1 2021

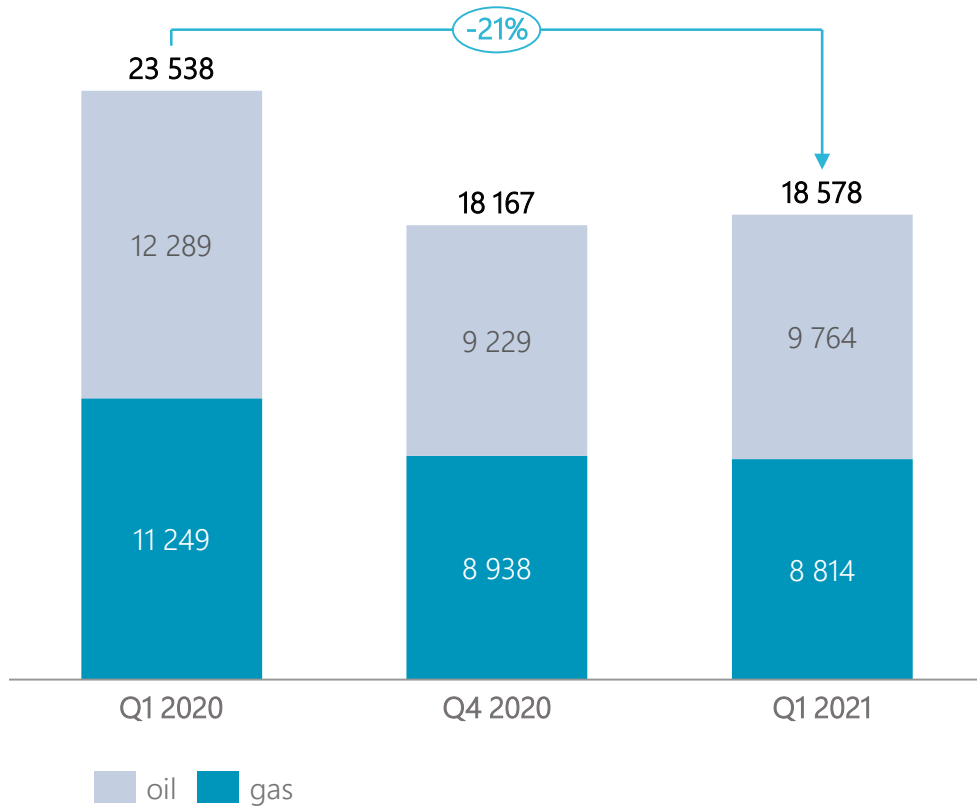
(3) Average lifting costs for FY 2020

Overall production figures



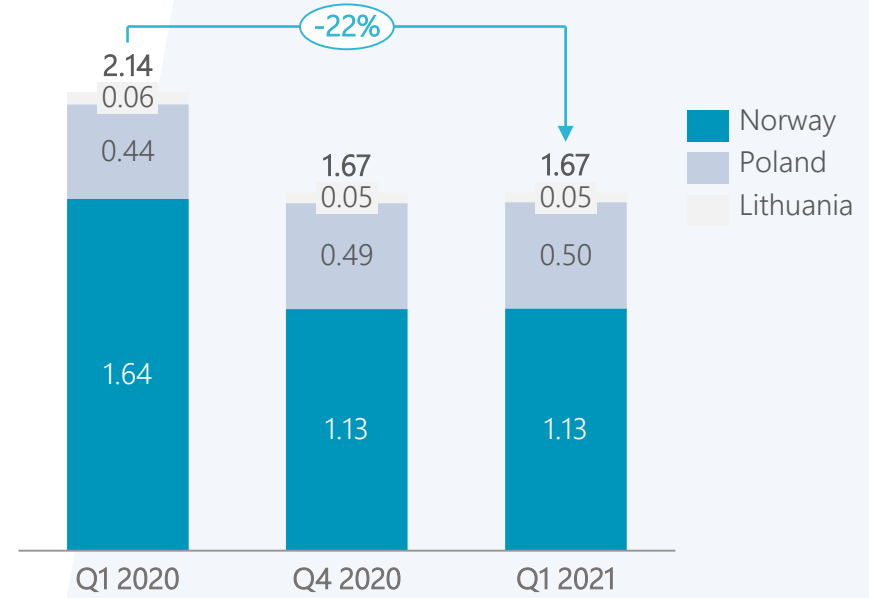
Average daily production in quarters

boe/d

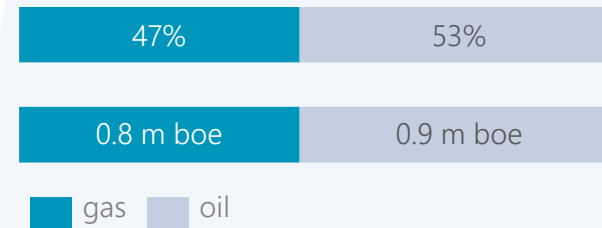


Overall production

m boe



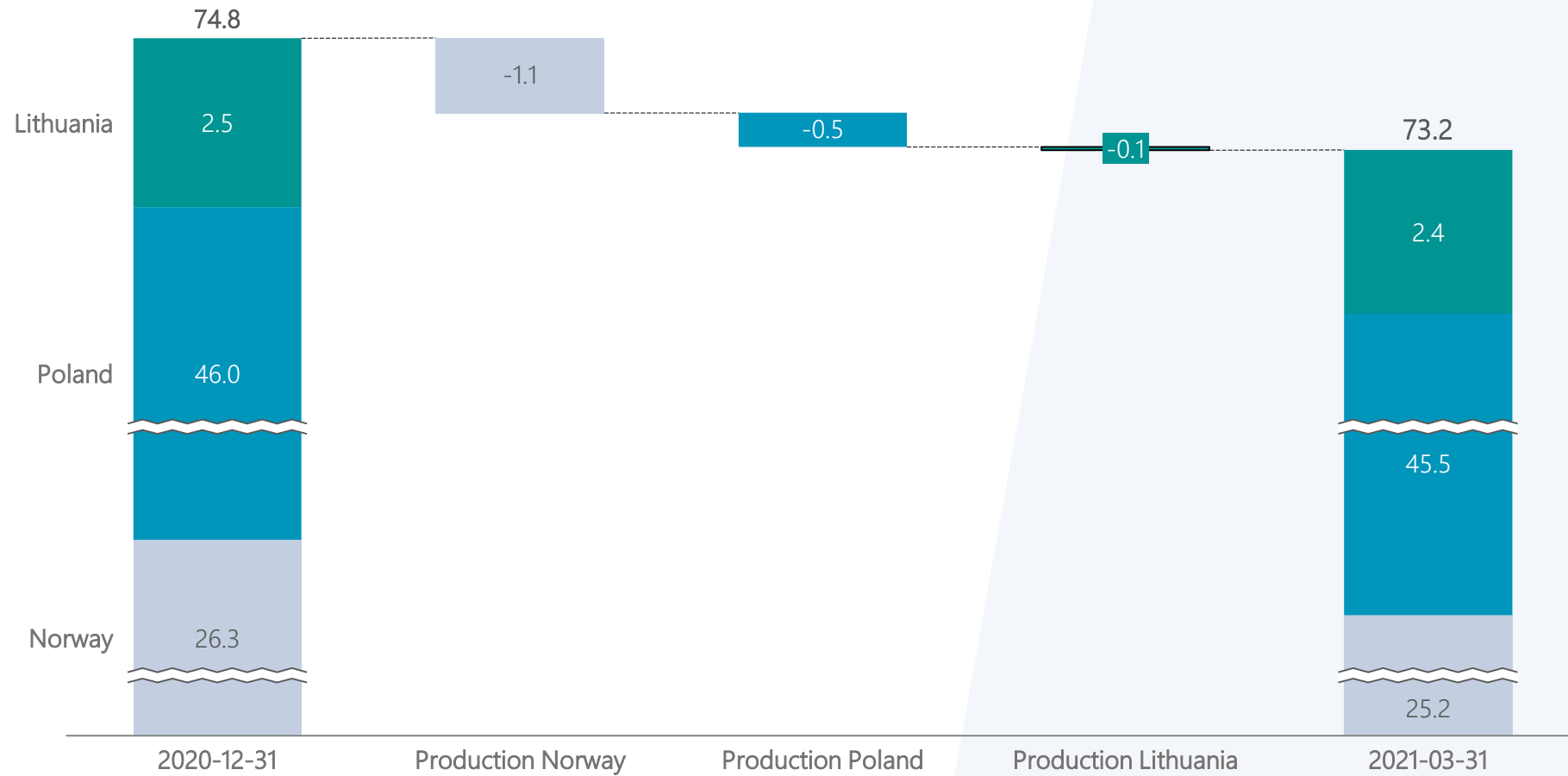
FY product mix structure (sales)



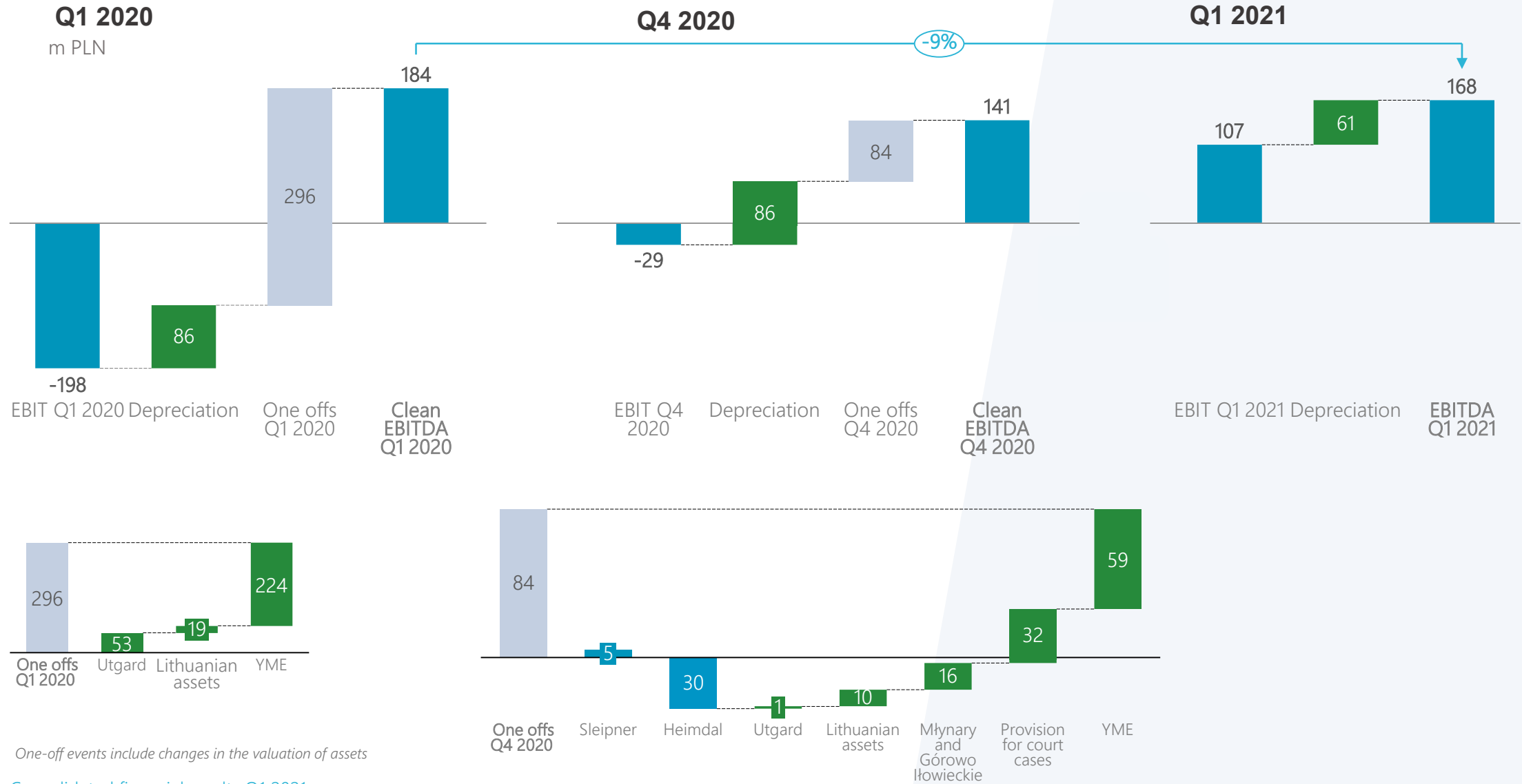
Total recoverable reserves in comparison to 31st of December 2020

Reserves 2P

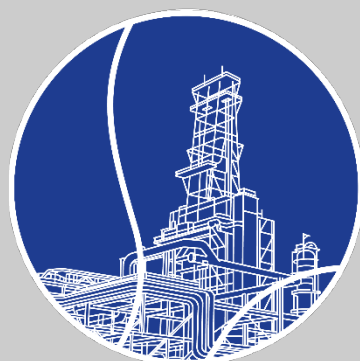
m boe



Quarterly operating results of the segment



(1) One-off events include changes in the valuation of assets



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Refining & Marketing



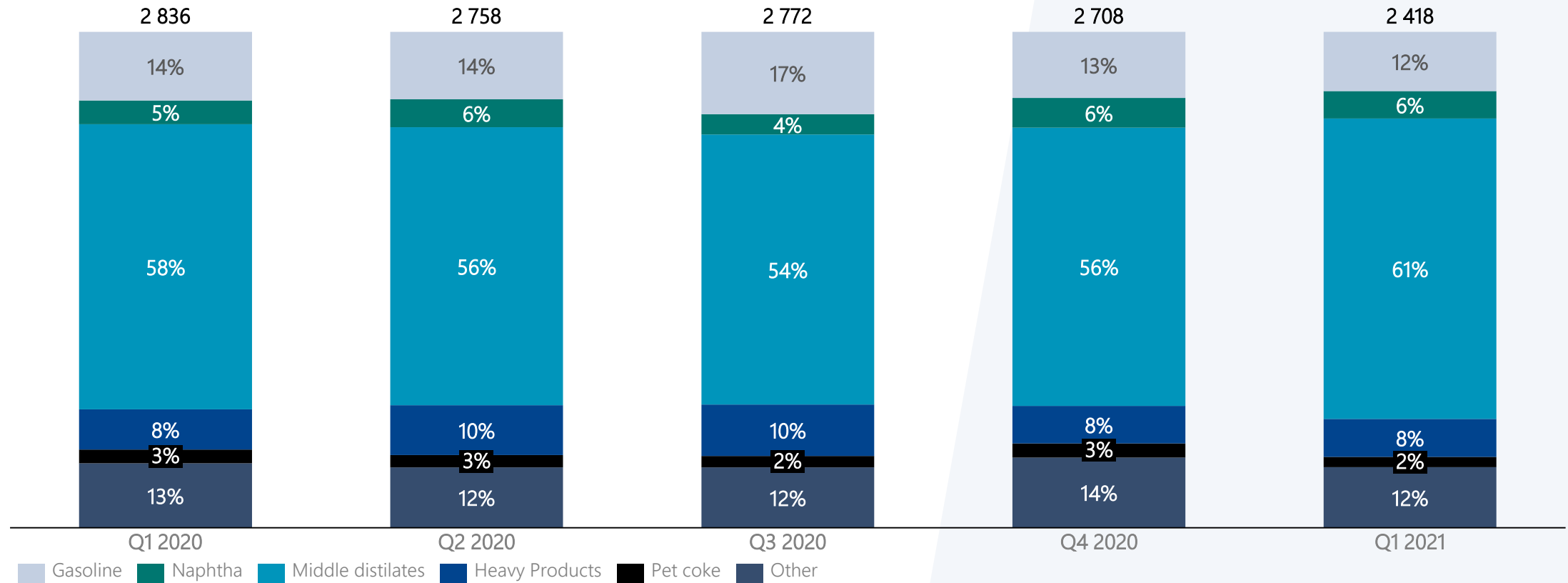
- clean EBITDA LIFO ⁽¹⁾ of the Refining & Marketing segment at a level of PLN 444.7m, strengthened by the so-called effect of cheap layers of crude oil estimated at approximately PLN 90m,
- safely and efficiently concluding the key part of the maintenance shutdown, the so-called half-time, "Spring 2021",
- direct maintenance shutdown costs in Q1 2021 at the level of approximately PLN 50m, from PLN 130m, which are planned until the end of the "Spring 2021",
- flexible management of the refinery's yield structure, accumulated stocks and product sales directions in the conditions of low margins on middle distillates, unstable demand and downtime of the Company's refinery,
- Grupa LOTOS model refining margin, calculated with a new method adopted after the EFRA project launch, averaged USD 2.6/bbl in Q1 2021, from beginning of April USD 4.5/bbl,
- decrease in the volume of processed crude oil to the level of 2m tonnes (by 21% q/q), resulting from an overhaul shutdown at the refinery in Gdańsk; diesel volume compensated by sea imports.

(1) Clean of one-off items. Fluctuations in the level of crude oil inventories and differences between the volume of crude oil purchased and processed during the first quarter of 2021 resulted in the calculation of the cost of processing according to the LIFO methodology of crude oil valued at a unit cost lower than the current price - the so-called historical oil layers effect (valued at lower unit cost). The company estimates the above-mentioned positive effect on the LIFO result at ~ PLN 90m.

Refining output structure

k 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.

Quarterly operating results of the segment

Q1 2020

m PLN

Q4 2020

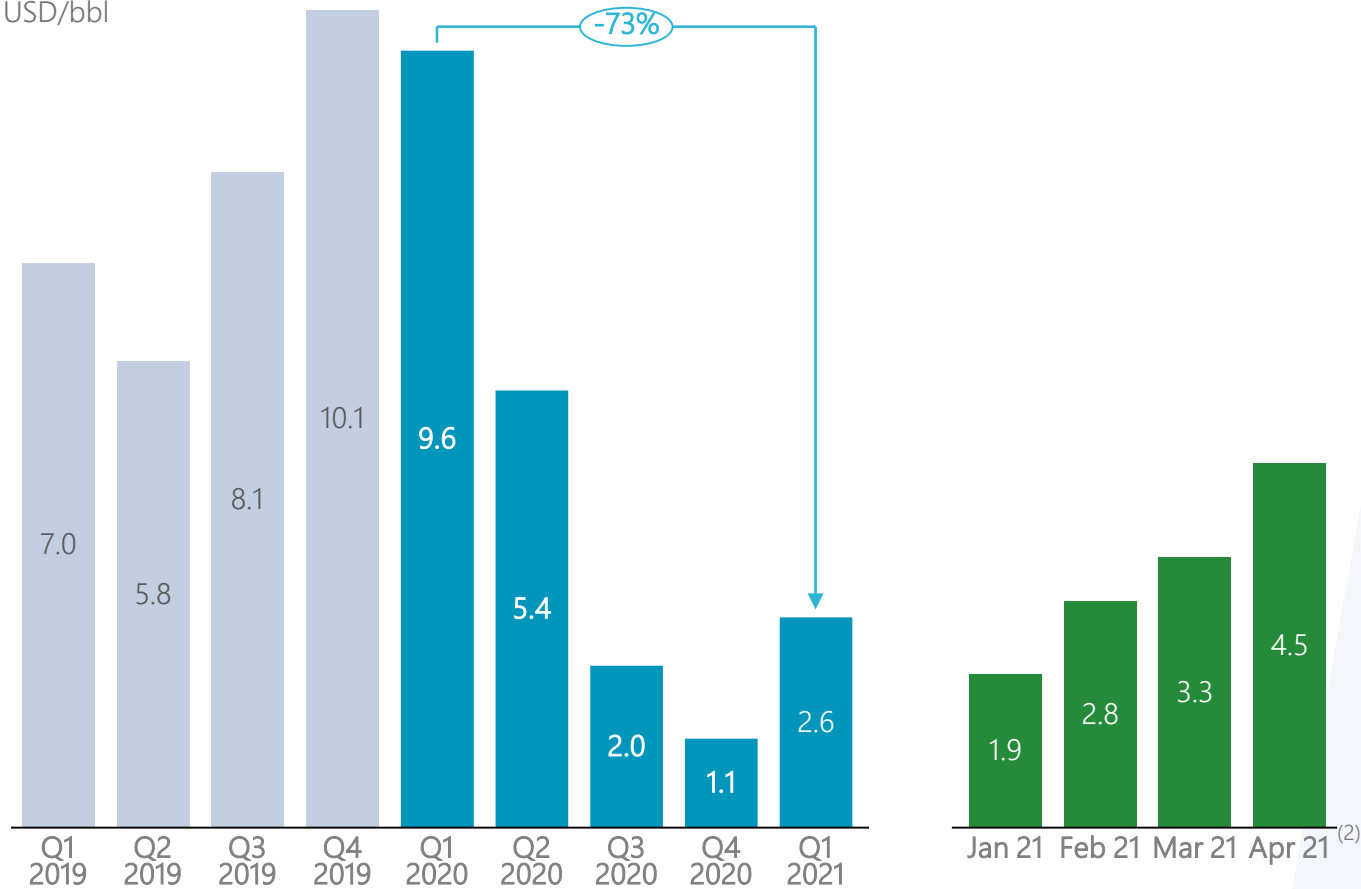
Q1 2021



(1) the result encumbered with the planned costs of the shutdown repair in the amount of PLN 51m

Model refining margin⁽¹⁾

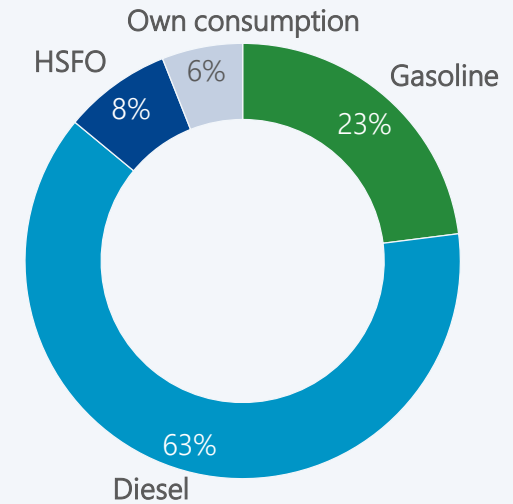
USD/bbl



Model refining margin

Revenues from products of 94% of throughput, including 23% gasoline, 63% diesel and 8% heavy fuel oil.

Costs: 100% of processed crude and natural gas.



(1) Effectively realised margin from Oct 2019 until End of 2020 was additionally affected by gradual achievement of the refinery's optimum operation with the EFRA project units, in particular the Delayed Coking Unit (DCU), optimisation of the refinery's operations in response to market turmoil caused by the COVID 19 pandemic, including in particular a sharp drop in demand for aviation fuel, temporary declines in demand for gasoline and diesel oil, and lower product crack spreads (margins for individual products).

(2) Average margin in April up to 23 of April



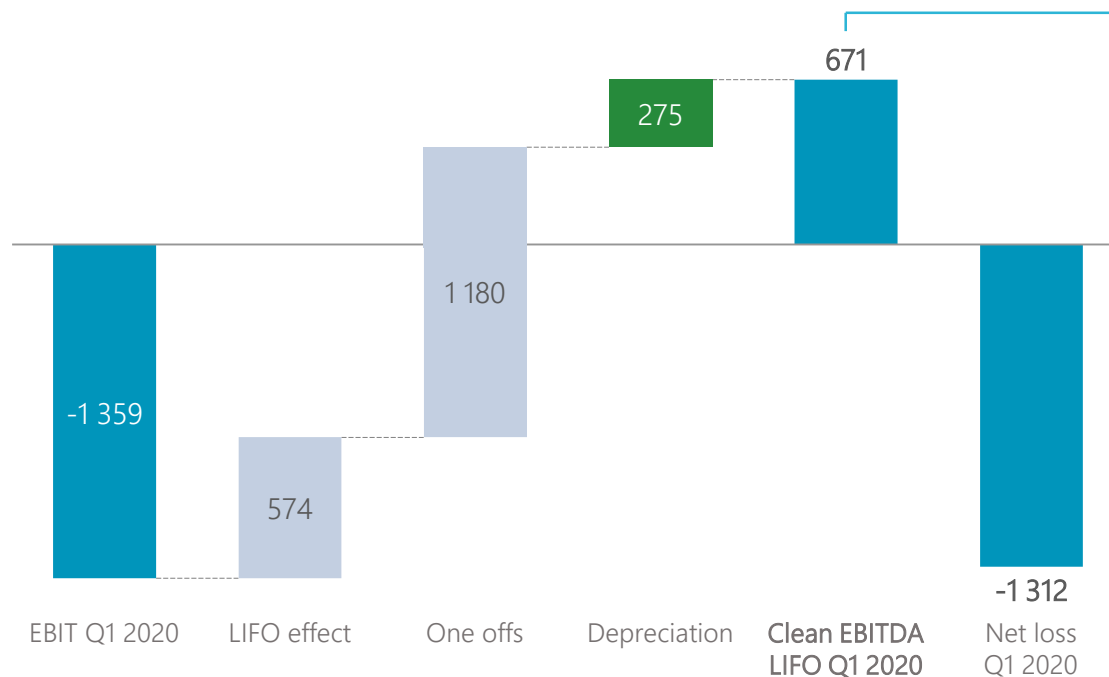
Consolidated financial results Q1 2021

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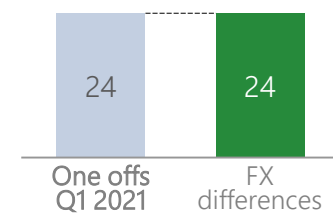
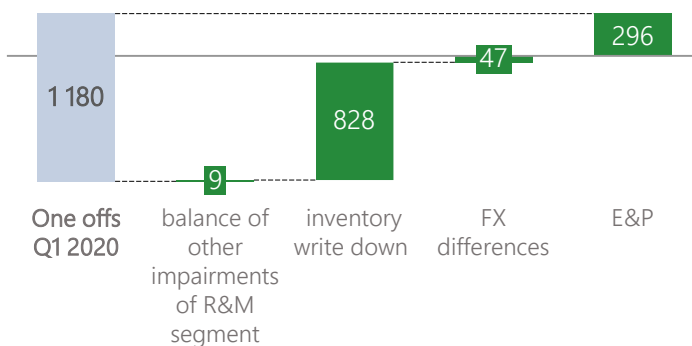
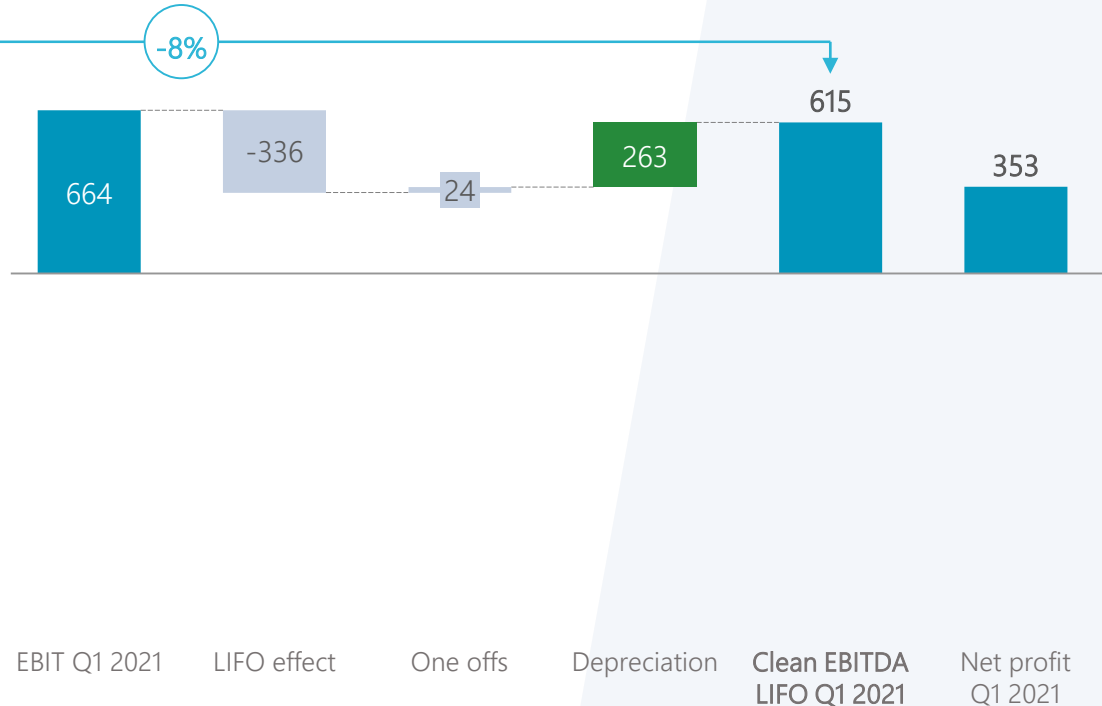
Quarterly financial results

Q1 2020

m PLN



Q1 2021

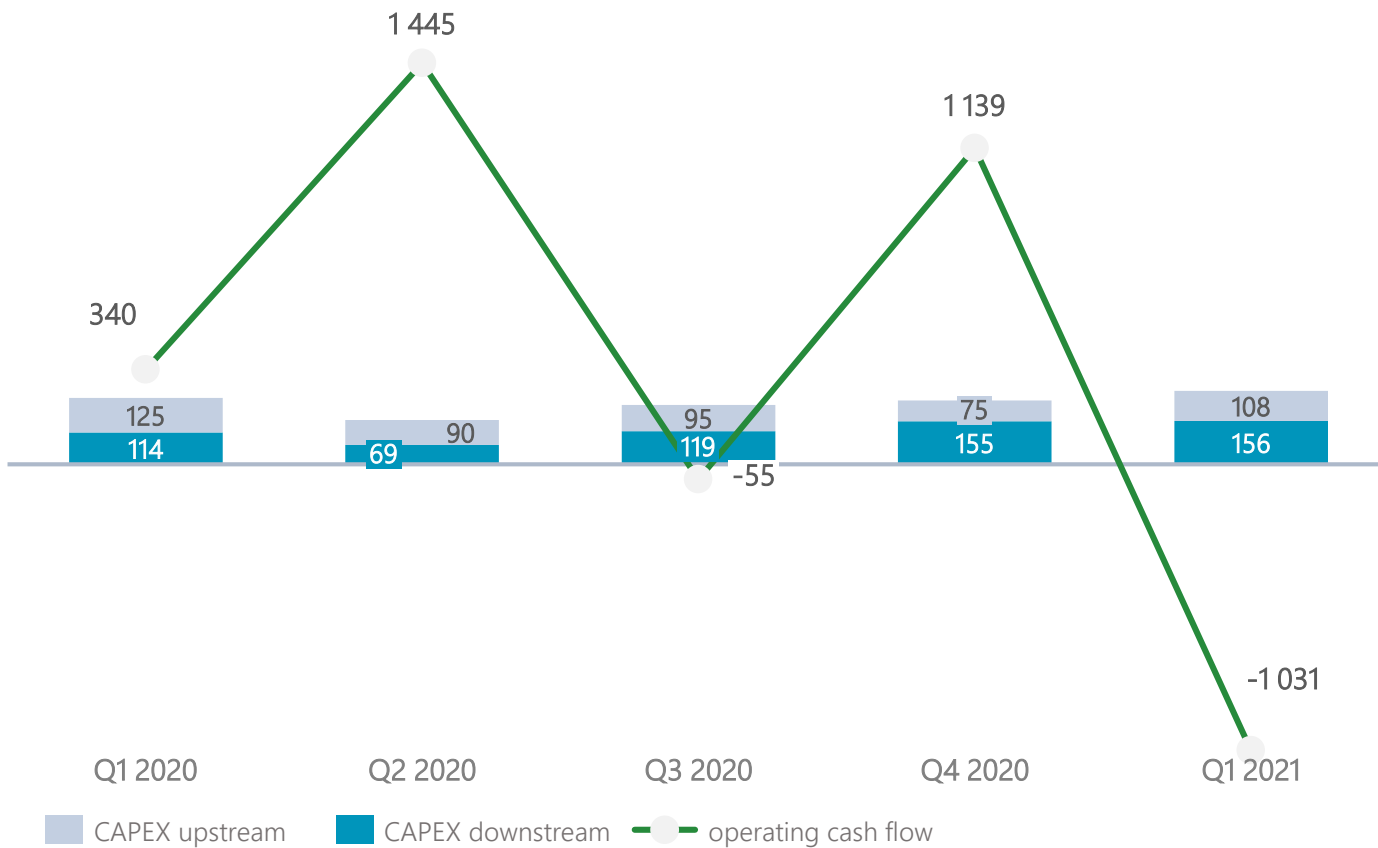


(1) the result encumbered with the planned costs of the shutdown repair in the amount of PLN 51m

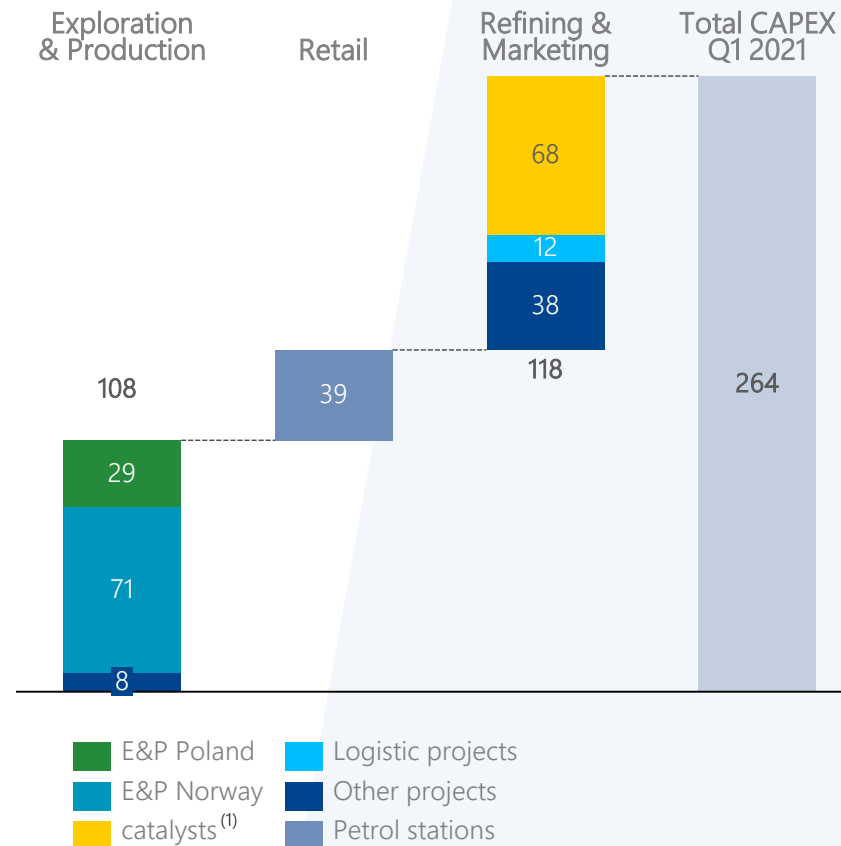
Operating cash flows vs CAPEX

Quarterly

m PLN



CAPEX Q1 2021



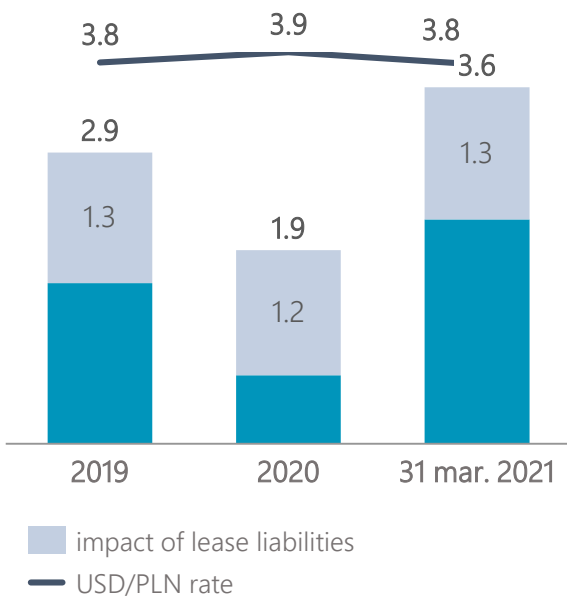
(1) During the shutdown, the so-called half of the half, "Spring 2021", catalysts were replaced at refinery installations

Debt

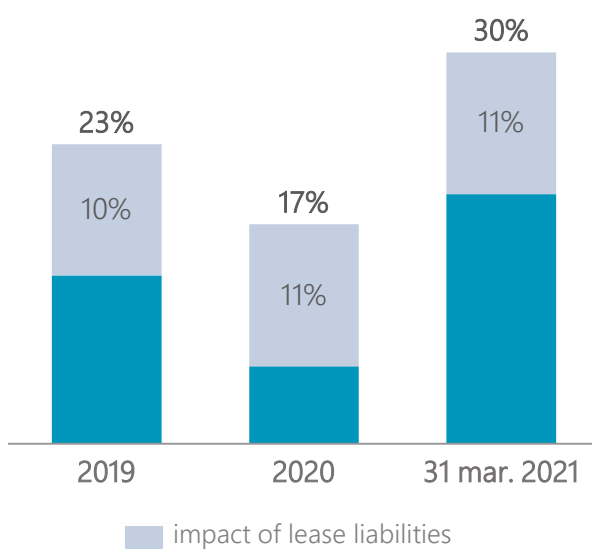


Net debt⁽¹⁾

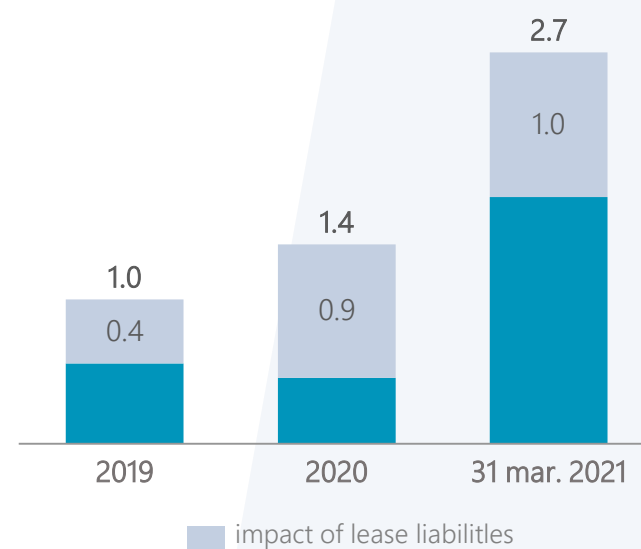
bn PLN



Gearing ratio⁽²⁾



Net debt / EBITDA LIFO⁽³⁾

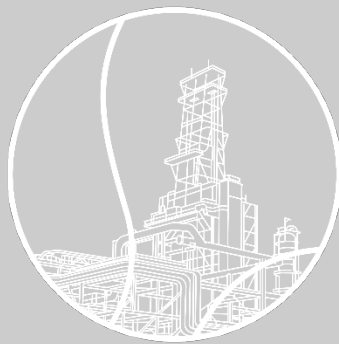


- Net debt figures include: interest bearing loans and borrowings, finance lease and bonds less cash & cash equivalents
- The current net debt/EBITDA ratio at 2.7x, including 1.0x impact of lease liabilities (mainly due to IFRS 16 „Leases” implementation)

(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



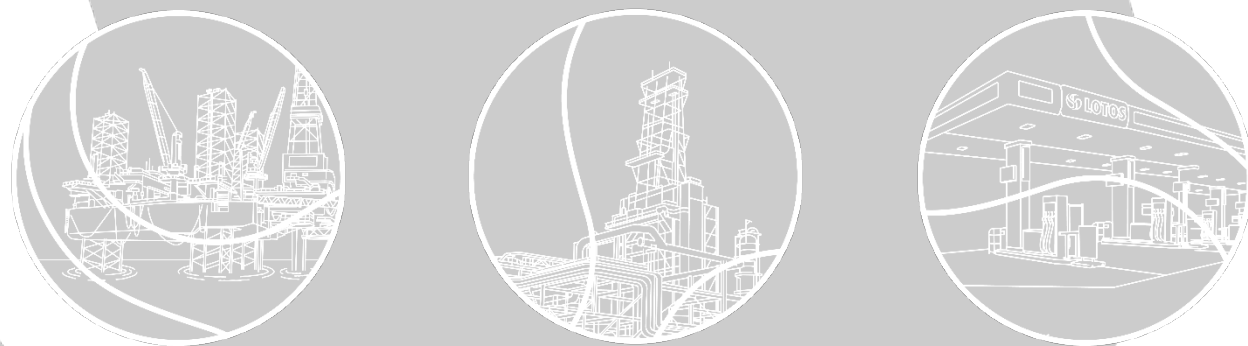
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Macroeconomic environment⁽¹⁾ and operational highlights

	2016	2017	2018	2019	2020	Q1 2019	Q1 2020	Q1 2021
Brent Dtd (USD/bbl)	43.58	54.15	71.18	64.21	41.96	62.90	50.54	61.04
Brent Dtd vs Ural Rtdm spread (USD/bbl)	2.45	1.40	1.47	0.89	0.58	0.24	2.31	1.46
Natural gas UK NBP (USD/boe)	25.84	32.20	44.69	24.82	17.98	35.00	17.72	38.21
Average USD/PLN exchange rate	3.94	3.78	3.61	3.84	3.90	3.79	3.92	3.78
Gasoline crack spread (USD/t)	137.17	146.10	131.77	124.71	64.77	68.42	81.30	96.07
Diesel crack spread (USD/t)	72.59	87.41	107.42	109.48	55.83	122.15	95.29	33.61
Heavy fuel oil crack spread (USD/t)	-123.65	-111.82	-145.23	-157.93	-95.61	-101.35	-156.22	-121.29
	2016	2017	2018	2019	2020	Q1 2019	Q1 2020	Q1 2021
2P reserves (m boe)	72.70	88.13	89.84	81.31	74.79	88.0	79.2	73.2
Production (m boe), including:	9.75	8.35	7.46	7.57	7.43	1.85	2.14	1.67
Poland	2.01	1.78	1.64	1.67	1.94	0.45	0.44	0.50
Norway	7.34	6.21	5.54	5.65	5.29	1.33	1.64	1.13
Lithuania	0.40	0.35	0.29	0.25	0.21	0.06	0.06	0.05
Refining output (million tonnes), including:	10.90	10.67	11.79	11.54	11.08	2.79	2.84	2.42
Gasolines	1.51	1.48	1.63	1.66	1.59	0.41	0.39	0.29
Naphtha	0.52	0.46	0.54	0.47	0.57	0.11	0.14	0.13
Diesel oils	4.51	4.92	5.38	5.54	5.76	1.25	1.41	1.31
Light fuel oils	0.26	0.29	0.24	0.23	0.24	0.07	0.07	0.09
Jet fuel	0.64	0.45	0.57	0.45	0.22	0.10	0.15	0.07
Heavy products	2.14	1.87	2.11	1.82	1.00	0.54	0.23	0.18
Petcoke	-	-	-	0.07	0.29	-	0.08	0.05
Other	1.32	1.20	1.32	1.31	1.42	0.33	0.37	0.29

(1) source: Refinitiv

Financial performance



(PLNm)	2016	2017	2018	2019	2020	Q1 2019	Q1 2020	Q1 2021
Revenue	20,931.1	24,185.6	30,121.7	29,493.3	20,908.6	6,741.0	6,095.8	5,863.3
Cost of sales	17,215.7	20,194.1	25,619.0	25,649.1	19,441.7	5,943.0	6,685.2	4,709.4
Gross profit	3,715.4	3,991.5	4,502.7	3,844.2	1,466.9	798.0	(589.4)	1,153.9
Selling expenses	1,291.1	1,252.3	1,355.6	1,425.6	1,412.9	323.2	340.8	323.9
Administrative expenses	425.9	450.0	422.1	490.8	521.0	116.2	122.5	138.4
Net other income/(expenses)	(143.7)	(60.7)	256.3	41.9	(925.1)	3.7	(307.4)	(26.8)
Operating profit/(loss)	1,854.7	2,228.5	2,981.3	1,969.7	(1,396.8)	362.3	(1,358.9)	664.3
Net finance income/(costs)	(278.2)	216.0	(262.0)	(281.7)	(244.7)	(69.8)	(370.2)	(184.8)
Share in net profit/(loss) of equity-accounted joint ventures	2.9	3.2	3.3	4.2	(1.9)	(0.3)	(0.8)	(0.5)
Profit/(loss) before tax	1,579.4	2,447.7	2,722.6	1,692.2	(1,652.8)	292.2	(1,729.9)	479.0
Income tax	564.2	775.9	1,135.2	539.3	506.6	119.7	(418.3)	125.7
Net profit/(loss)	1,015.2	1,671.8	1,587.4	1,152.9	(1,146.2)	172.5	(1,311.6)	353.3

(PLNm)	2016	2017	2018	2019	2020	Q1 2019	Q1 2020	Q1 2021
Operating profit/(loss)	1,854.7	2,228.5	2,981.3	1,969.7	(1,396.8)	362.3	(1,358.9)	664.3
LIFO effect	77.1	(170.9)	(499.9)	141.2	739.9	41.4	574.3	(336.2)
Depreciation and amortisation	1,067.9	844.3	722.7	909.3	1,089.9	213.1	275.4	263.4
One-off items	(410.1)	149.5	(105.3)	(159.1)	923.6	15.2	1 179.7	23.5
Clean EBITDA LIFO	2,589.6	3,051.4	3,098.8	2,861.1	1,356.6	632.0	670.5	615.0

Financial position



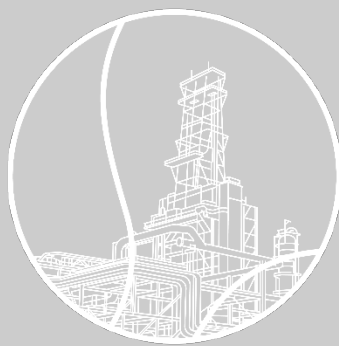
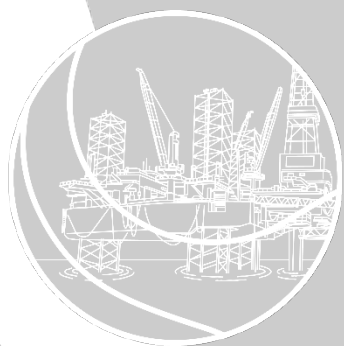
(PLNm)	2016	2017	2018	2019	2020	Q1 2019	Q1 2020	Q1 2021
Assets	19,326.3	21,171.2	22,223.9	23,672.1	21,856.4	23,982.7	21,356.2	22,722.7
Non-current assets	12,330.7	12,462.1	13,078.0	14,236.2	13,960.1	14,291.3	13,995.8	14,199.2
Current assets, including:	6,995.1	8,709.1	9,145.9	9,435.9	7,896.3	9,691.4	7,360.4	8,523.5
Inventories	3,333.6	3,559.6	4,848.9	4,854.3	3,495.7	4,525.0	3,099.5	4,351.3
Trade receivables	2,251.7	2,677.0	1,880.4	2,609.1	1,693.9	2,653.0	2,283.8	2,346.0
Other current assets	577.2	388.7	457.6	334.1	314.3	374.3	312.4	372.2
Cash and cash equivalents	744.6	1,920.7	1,941.3	1,516.6	2,145.6	2,084.1	1,488.0	1,174.2
Assets held for sale	0.5	-	-	-	-	-	-	-
Equity and liabilities	19,326.3	21,171.2	22,223.9	23,672.1	21,856.4	23,982.7	21,356.2	22,722.7
Total equity	8,610.9	10,712.5	12,034.8	12,715.4	11,573.8	12,206.0	11,297.0	11,958.4
Non-current liabilities, including:	5,443.7	4,264.4	4,044.3	5,097.9	4,513.9	5,008.2	4,738.6	4,836.4
Borrowings, other debt instruments and leases	3,980.5	2,738.3	2,345.3	3,142.6	2,717.7	3,252.8	3,238.6	2,887.4
Current liabilities, including:	5,271.7	6,194.3	6,144.8	5,858.8	5,768.7	6,768.5	5,320.6	5,927.9
Borrowings, other debt instruments and leases	1,576.7	1,687.6	1,538.7	1,273.8	1,355.8	1,794.5	1,538.4	1,838.9
(PLNm)	2016	2017	2018	2019	2020	Q1 2019	Q1 2020	Q1 2021
Financial debt	5,557.2	4,425.9	3,884.0	4,416.4	4,073.5	5,047.3	4,777.0	4,726.3
Cash	744.6	1,920.7	1,941.3	1,516.6	2,145.6	2,084.1	1,488.0	1,174.2
Net debt	4,812.6	2,505.2	1,942.7	2,899.8	1,927.9	2,963.2	3,289.0	3,552.1

Cash flows



(PLNm)	2016	2017	2018	2019	2020	Q1 2019	Q1 2020	Q1 2021
Net cash from operating activities, including:	2,653.9	3,126.5	2,327.5	2,130.2	2,869.9	494.5	340.4	(1,030.5)
Net profit/(loss)	1,015.2	1,671.8	1,587.4	1,152.9	(1,146.2)	172.5	(1,311.6)	353.3
Depreciation and amortisation	1,067.9	844.3	722.7	909.3	1,098.9	213.1	275.4	263.4
Interes and dividends	175.0	146.2	133.5	191.8	159.4	45.0	27.9	36.0
Settlement and measurement of financial instruments	33.5	(314.1)	7.2	(15.8)	(65.7)	(16.4)	216.2	36.2
Net change in working capital	(335.7)	191.3	(815.4)	16.8	2,429.4	106.7	1,146.8	(1,921.7)
Other	698.0	587.0	692.1	(124.8)	403.1	(26.4)	(14.3)	202.3
Net cash from investing activities	(1,003.2)	(1,448.7)	(1,086.6)	(407.9)	(1,388.5)	(230.6)	(362.1)	(253.9)
Net cash from financing activities	(1,201.4)	(482.7)	(1,235.0)	(2,141.2)	(1,089.8)	(120.1)	(254.6)	292.0
Total net cash flow	452.7	1,189.8	17.7	(421.7)	406.8	145.7	(229.1)	(986.7)

(PLNm)	2016	2017	2018	2019	2020	Q1 2019	Q1 2020	Q1 2021
Capital expenditure – Production segment	345	380	561	630	385	119	125	108
Capital expenditure – Refining & Marketing segment	932	882	443	396	457	140	114	156
Total capital expenditure	1,285	1,445	1,004	1,025	842	259	239	264



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