

# ORLEN Group consolidated financial results

## Q2 2024

Introduction and strategic outlook



**Building solid foundations**

Warsaw, 22 August 2024



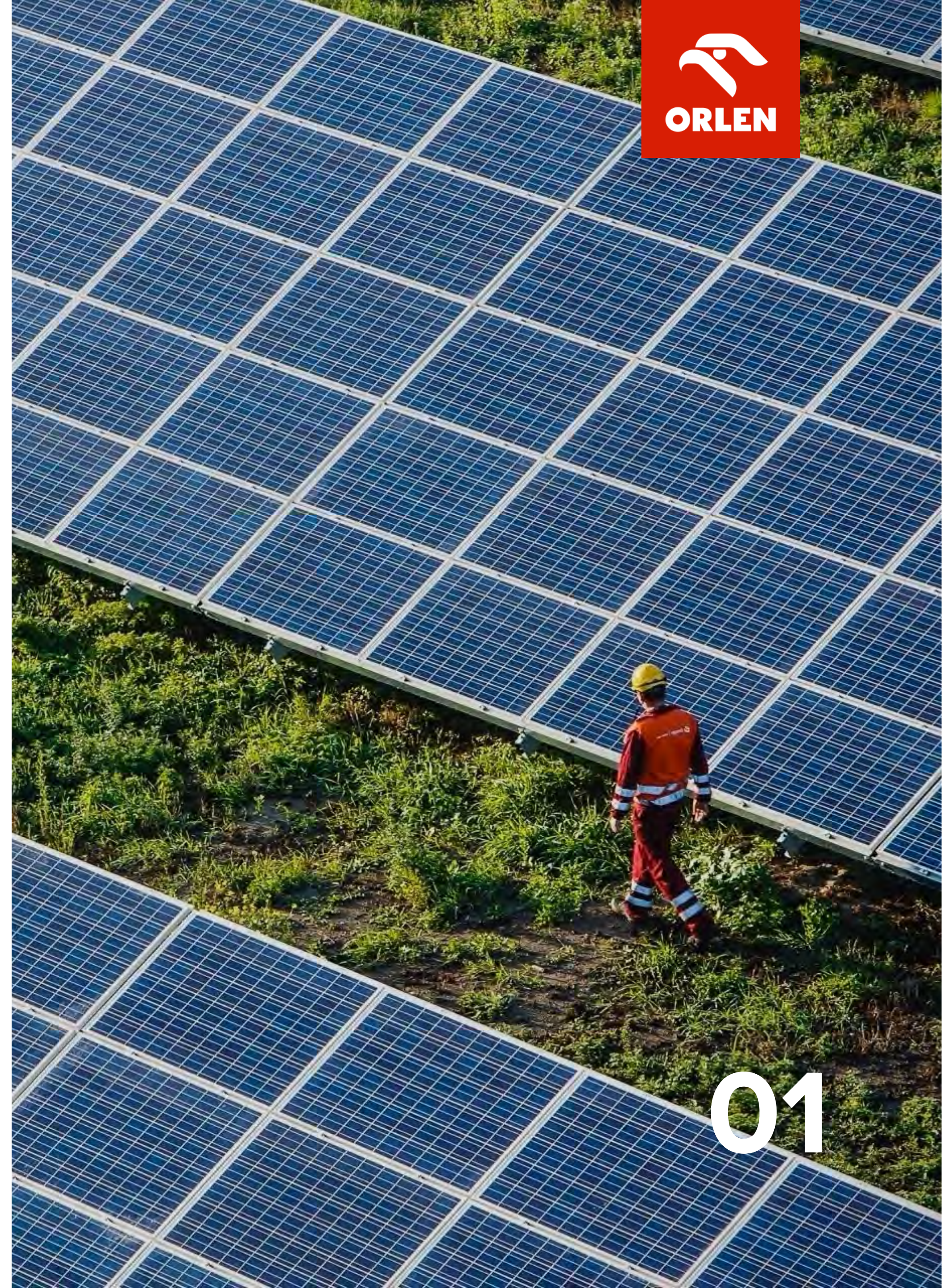
# Introduction

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Strategic outlook



01



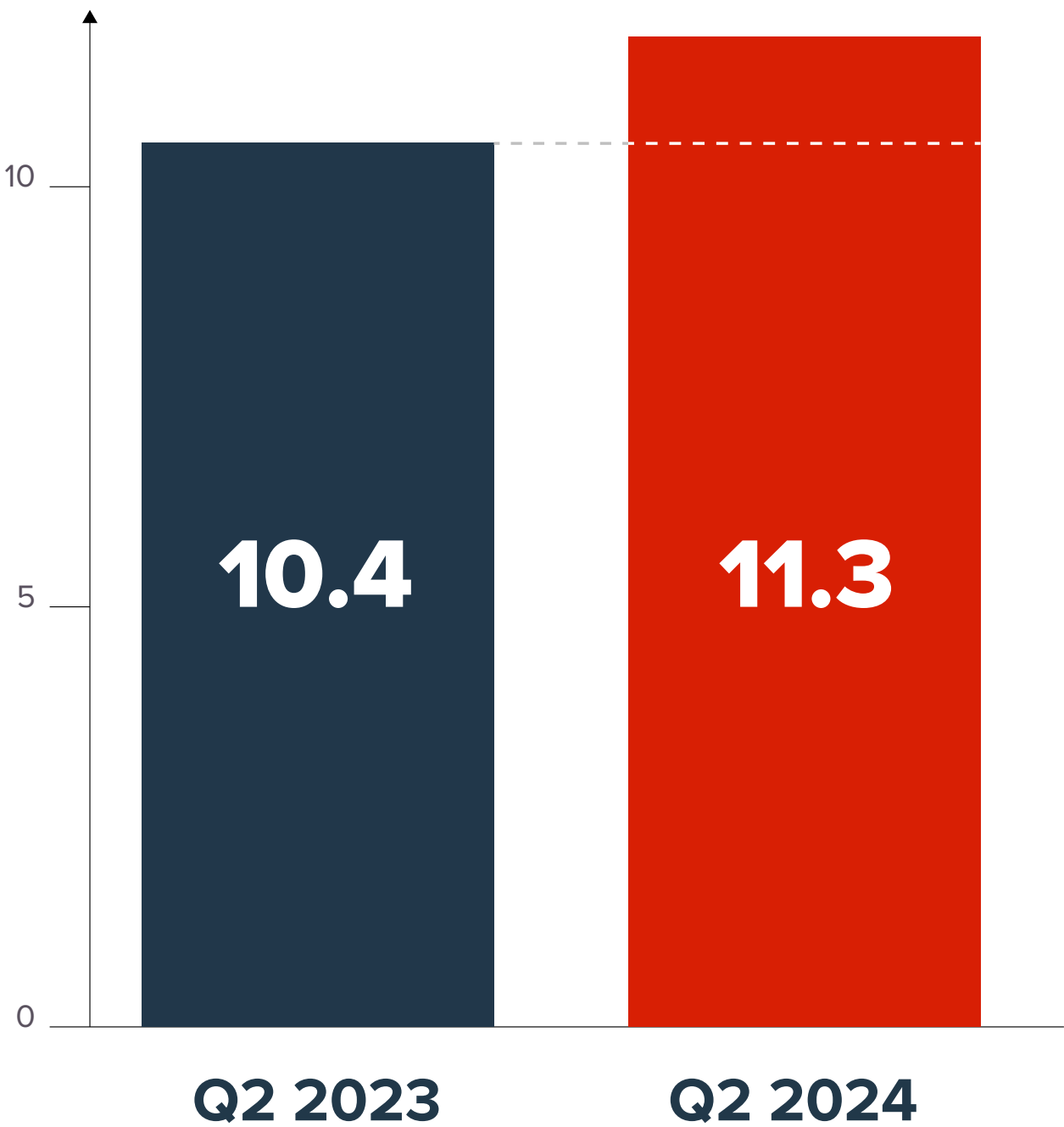


# Performance improved amid more challenging environment

## Macro environment (y/y)

electricity prices	-25%
gas prices	-12%
refining margins	-9%
petrochemical margins	-1%
Urals-Brent differential (USD/bbl)	-2.9

## LIFO-based EBITDA\*

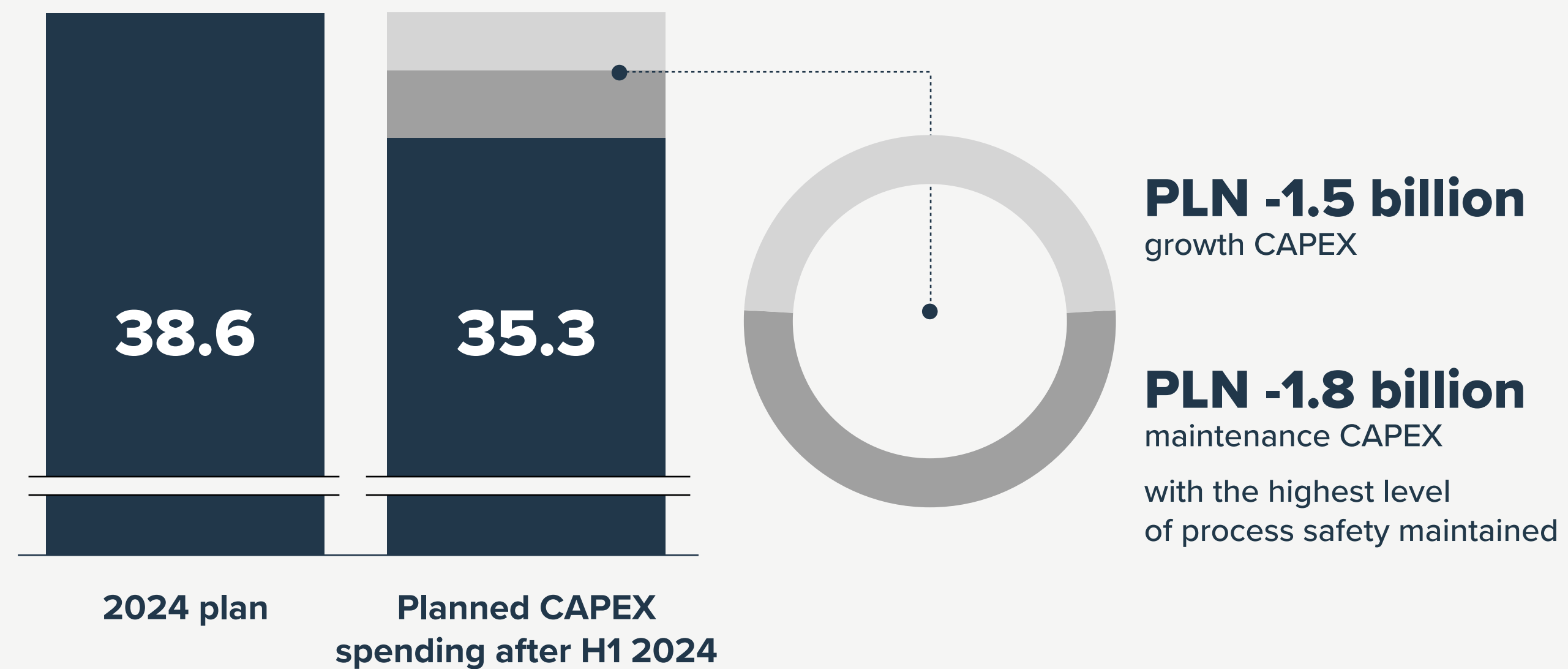


\*adjusted for write-downs and compensation (PLN billion)

## Sales (y/y)

upstream	+25%
retail	+18%
petrochemicals	+8%
gas	+4%
refining	-2%

## Rationalising CAPEX

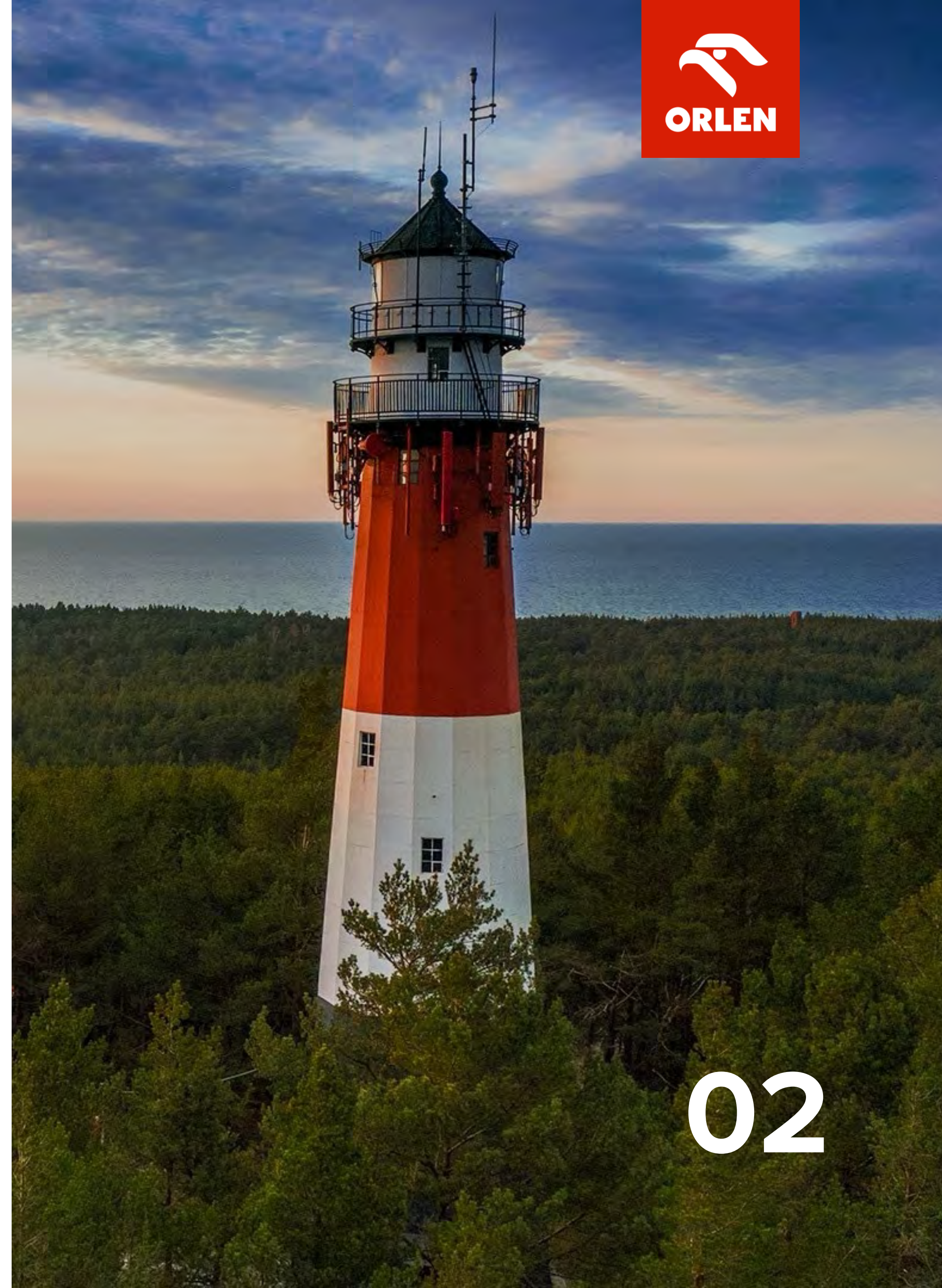




# Strategic outlook

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02



# Value creation

## Onshore RES

- ✓ More than 300 MW in PV and wind assets acquired from EDPR
- ✓ Capacity increase by ca. 1/3

## Offshore RES

- ✓ Work progressing as scheduled
- ✓ Maximising local content

## SMR

- ✓ Negotiating with partner
- ✓ Conditional project siting decision: Włocławek

## Heat generation

- ✓ Net zero target and use of circular solutions

## Gas-fired power generation

- ✓ CCGT projects in Ostrołęka and Grudziądz progressing as scheduled

## CCS

- ✓ Feasibility studies for transmission and storage technologies

## Diversifying crude oil supplies

- ✓ Contract with bp to cover 15% of the Group's demand

## Upstream

- ✓ Integrating domestic upstream and unlocking synergies
- ✓ Ramping up production





# Olefins III project underway since 2018

## Significant increase in CAPEX needs

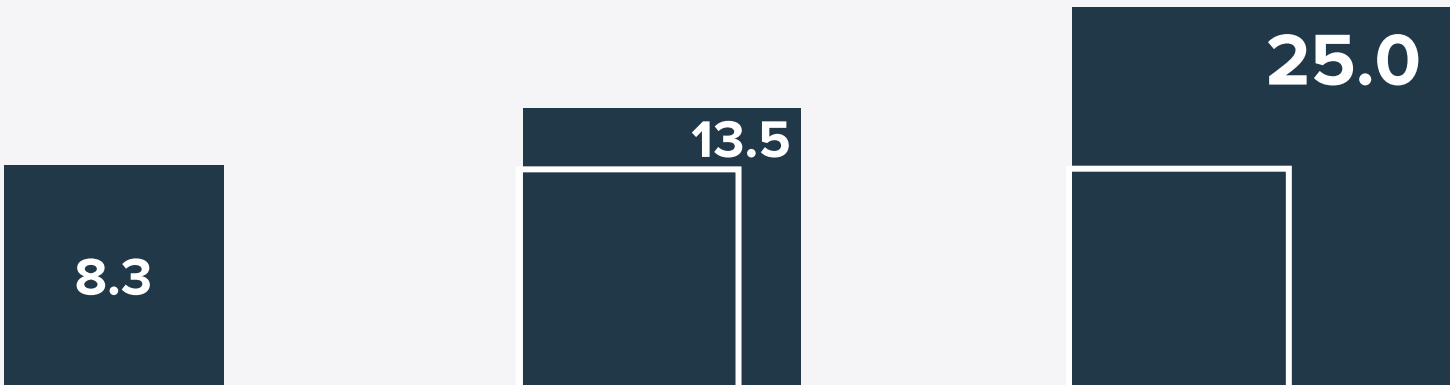
Regulatory  
announcements

69/2018

26/2021

30/2023

CAPEX  
[PLN billion]



Scheduled  
completion  
date

2023

Q1  
2024

H1  
2027

Generated  
EBITDA  
[PLN billion]



### Underestimated CAPEX needs

- CAPEX needs of Olefins III project have tripled, with significant reduction in project scope vs original concept.
- CAPEX estimated at PLN 25 billion.

### Project rescheduling

- Original completion date announced in 2018 was 2023.
- Completion date extended several times, in 2023 – to H1 2027.

### Profitability decline

- Projected EBITDA declined by 1/3.
- Business model is being updated based on current macroeconomic assumptions.



## Three options available for the Olefins project

### Current project discontinued

- ⊖ Additional expenses related to project discontinuation comprising contractual penalties for contractors, site securing and restoration, disposal of equipment and materials
- ⊕ Project discontinuation would entail further expenses
- ⊖ Lost benefits – decision to abandon the Olefins project would mean lower olefins production, affecting the integrated strategy for petrochemicals

**ca. PLN 12 billion**  
**CAPEX incurred**

### Optimising the project in terms of production capacity and utilisation of existing units

- ⊕ Production volume aligned with prevailing market conditions
- ⊕ Reducing CAPEX, as well as fixed/variable operating costs
- ⊕ Project profitability improved on the back of solutions under the Petrochemicals Value Building Programme
- ⊖ Need to update the schedule taking into account potential project revisions

### Current project continued

- ⊖ Production volume not aligned with prevailing market conditions
- ⊕ Project profitability improved on the back of solutions under the Petrochemicals Value Building Programme
- ⊖ High CAPEX, as well as fixed/variable operating costs



# Strategy revision

## Focus on core business

- Disciplined CAPEX allocated to most prospective areas
- Selective M&A
- Building a shock-proof business portfolio

## Openness to partnerships

- Reducing investment portfolio risk
- Access to technologies and finance
- Openness to acting on minority holdings

## Organisational efficiency

- Further business integration and unlocking of synergies
- Restructuring assets that do not create value
- Business opportunities sought in geographically diverse markets

## Stronger focus on innovation

- Risk-conscious approach and flexibility
- Actively seeking value-building technologies
- New approach to adopting innovative solutions at the Group





## Growth ambitions by business segment



### Upstream

- We are revising the project portfolio, with particular focus on foreign projects.
- We are integrating and restructuring our operations in Poland.
- We are leveraging upstream capabilities to engage in new activities – such as carbon storage.



### Downstream

- We are maintaining efficient production of conventional fuels and developing into alternative fuels.
- We are opening up to partnerships in Poland and beyond.
- In petrochemicals, regardless of the final decision regarding Olefins III, our intention will be to strengthen market position in polymers and develop recycling.



### Energy

- We are steadily increasing our renewable energy capacities.
- We are upgrading our energy assets and restructuring the heat generation business. We reaffirm our intention to phase out coal by 2035.
- We are rationalising the SMR project and increasing CAPEX on distribution networks.
- We are increasing CAPEX on Energa's distribution networks.



### Retail

- We are integrating the retail area and pursuing efficiency gains in retail.
- We are introducing uniform brand and standards across the European fuel retail network.

**We are consistently striving to become the energy transition leader in Central and Eastern Europe.**





Powering the future.  
Sustainably.