# PKN ORLEN consolidated financial results 1Q20

6 May 2020

#ORLEN1Q20@PKN_ORLEN

# Agenda

- Key facts and figures 1Q20
- Macro environment
- Financial and operating results
- Liquidity and investments
- Outlook for 2020

# Key facts and figures 1Q20

**Value creation**

- EBITDA LIFO: PLN 1,6 bn*
- Macro improvement: downstream margin increase by 1,0 USD/ bbl (y/y)
- Crude oil throughput: 7,7 mt, i.e. 88% of capacity utilization
- Sales: 9,4 mt, i.e. decrease by (-) 8% (y / y)
- Acquisition of LOTOS Group in progress / ENERGA Group finalized
- Investments: completion of the construction of the main part of Polyethylene installation in the Czech Rep., start of the selection process of a designer for offshore wind farm on the Baltic Sea, start of the construction of Visbreaking installation in Płock and signing of the license and base project agreement as part of the development of phenol production capacity

**People**

- Expansion of the retail segment in Lithuania and Germany and implementation of ORLEN brand at foreign fuel stations as part of cobranding
- Involvement in the fight against coronavirus
- Awards: World's Most Ethical Company 2020 / Top Employer Polska 2020

**Financial strength**

- Cash flow from operations: PLN 0,5 bn
- CAPEX: PLN 1,2 bn
- Net debt: PLN 4,2 bn / financial gearing: 11,5%
- Management Board recommendation regarding dividend payment for 2019: 1,00 PLN/share

* Data before impairments of assets in the amount of PLN (-) 0,5 bn regarding mainly upstream assets

# Agenda

Key facts and figures 1Q20

Macro environment

Financial and operating results

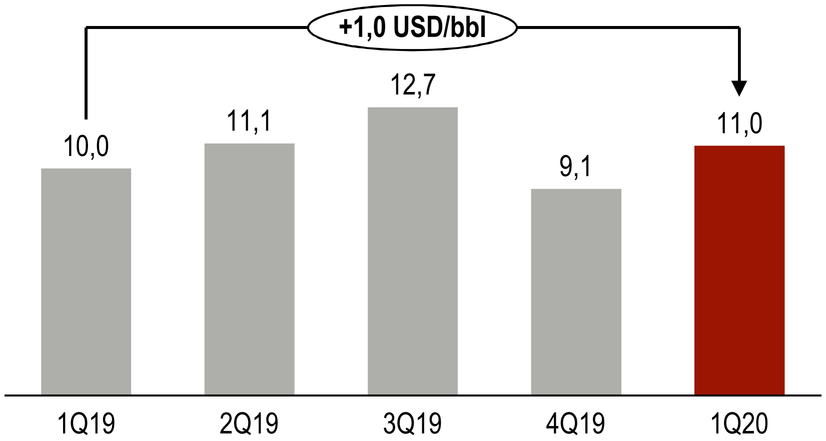
Liquidity and investments

Outlook for 2020

# Macro environment in 1Q20 (y/y)

**Downstream margin increase**

Model downstream margin, USD/bbl



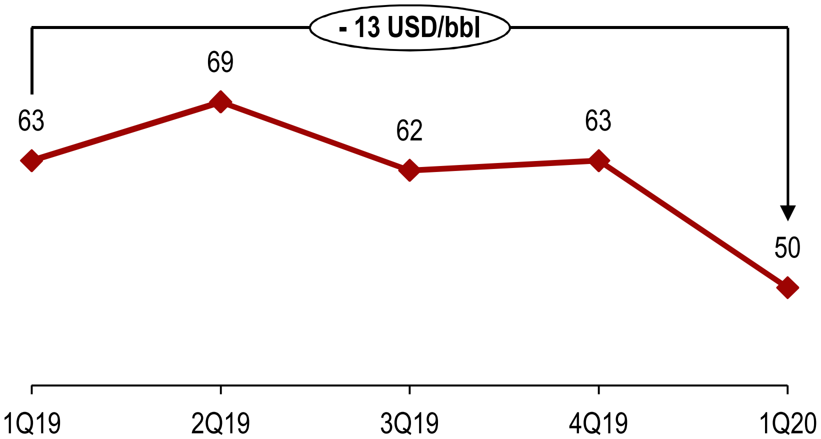

**Product slate of downstream margin**

Crack margins

| Refining products (USD/t) | 1Q19 | 4Q19 | 1Q20 | Δ (y/y) |
|---|---|---|---|---|
| Diesel | 113 | 113 | 91 | -19% |
| Gasoline | 77 | 127 | 94 | 22% |
| HSFO | -102 | -252 | -154 | -51% |
| SN 150 | 146 | 75 | 169 | 16% |
| **Petrochemical products (EUR/t)** | | | | |
| Ethylene | 578 | 543 | 594 | 3% |
| Propylene | 516 | 421 | 480 | -7% |
| Benzene | 103 | 188 | 309 | 200% |
| PX | 534 | 328 | 402 | -25% |

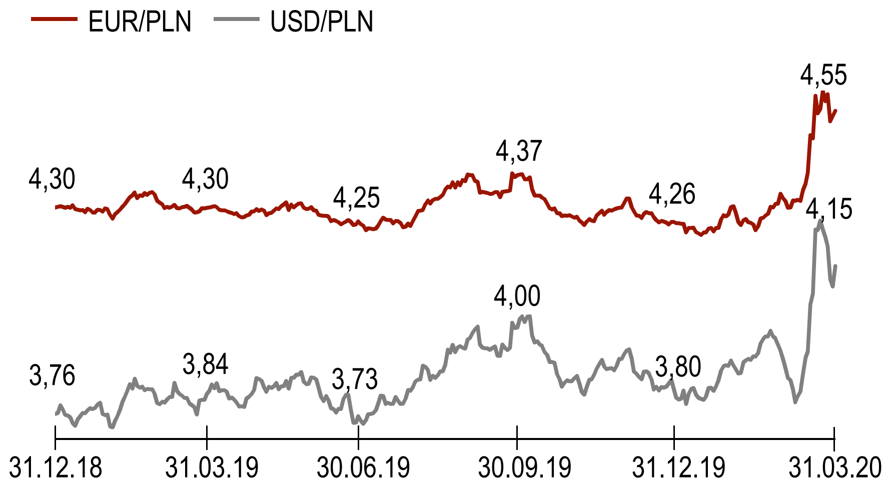
**Crude oil price decrease**

Average Brent crude oil price, USD/bbl




**Weakening of average PLN vs USD and EUR**

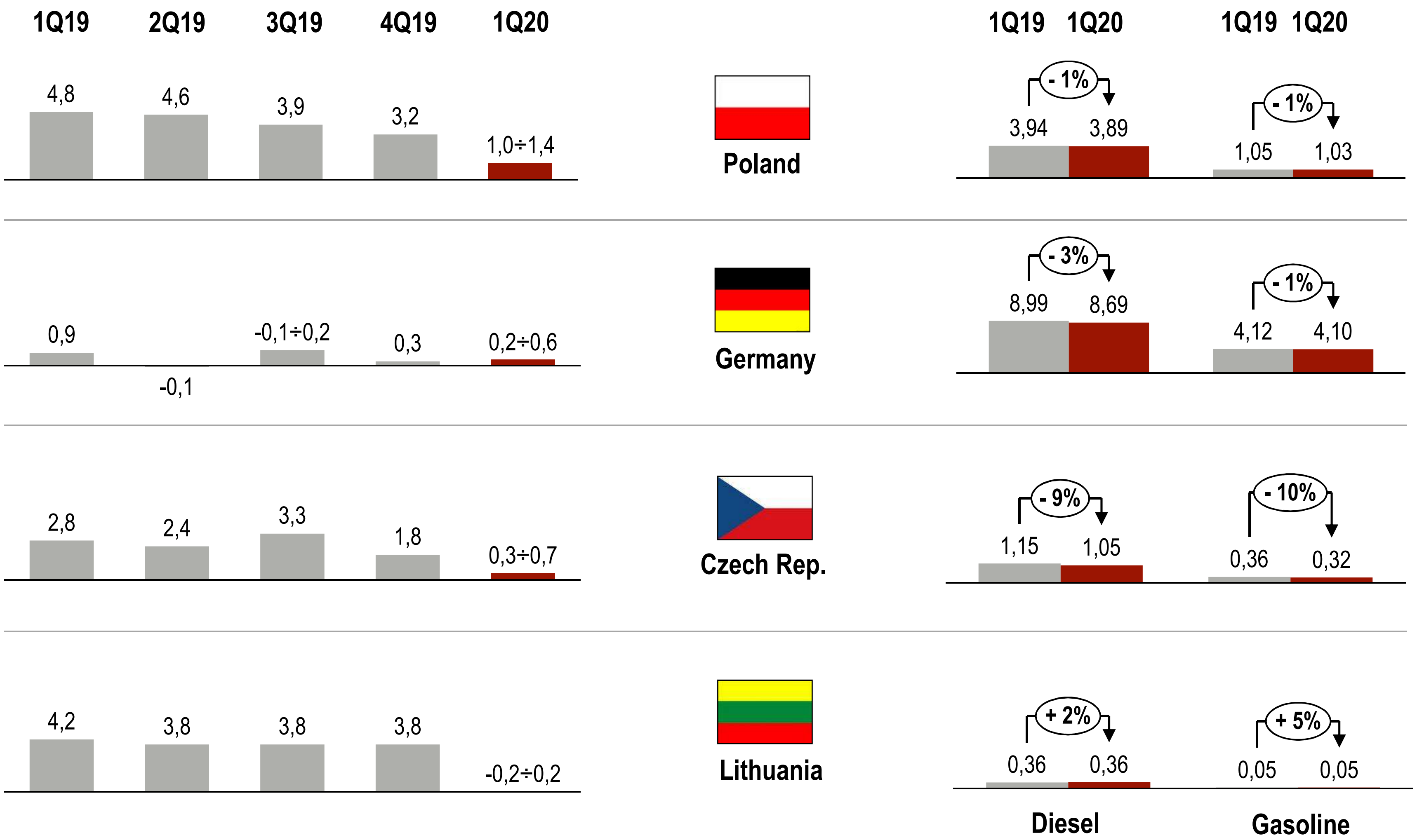
USD/PLN and EUR/PLN exchange rate



# Fuel consumption decrease due to COVID-19

**GDP increase**[1]
Change % (y/y)

**Fuel consumption (diesel, gasoline)**[2]
mt

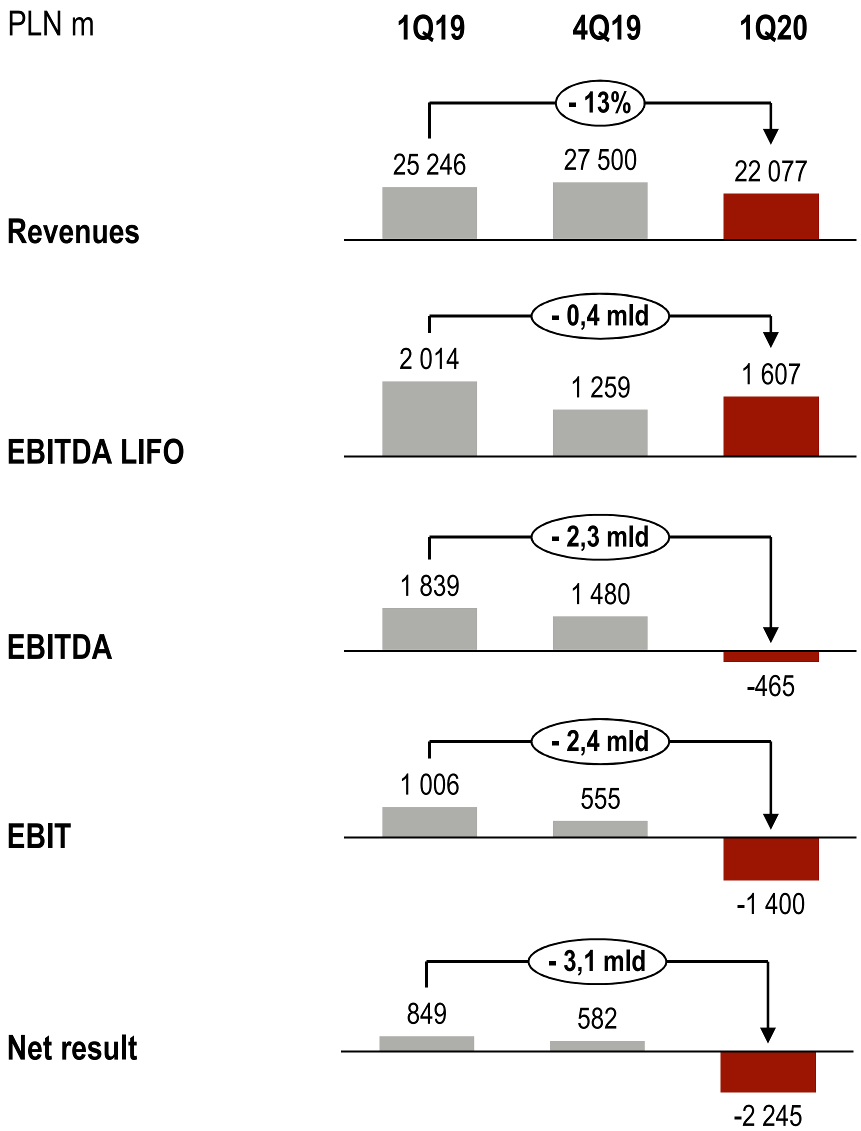



[1] Poland – Statistical Office / not unseasonal data, (Germany, Lithuania) – Eurostat / not unseasonal data, the Czech Rep. – Czech Statistical Office / unseasonal data, 1Q20 – estimates.
[2] 1Q20 – PKN ORLEN estimates based on available data from ARE, Lithuanian Statistical Office, Czech Statistical Office and German Association of Petroleum Industry.

## Agenda

- Key facts and figures 1Q20
- Macro environment
- **Financial and operating results**
- Liquidity and investments
- Outlook for 2020

# Financial results 1Q20




**Revenues**: decrease by (-) 13% (y/y) mainly due to lower quotations of refining and petrochemical products resulting from crude oil price decrease and lower sales volumes.

**EBITDA LIFO**: decrease by PLN (-) 0,4 bn (y/y) due to negative impact of lower sales volumes, usage of historical inventory layers, inventory revaluation (NRV) and higher fixed and labour costs limited by positive macro impact, higher trading margins in wholesale and retail as well as results on hedging.

**LIFO effect**: PLN (-) 2,1 bn impact of lower crude oil price on inventories valuation.

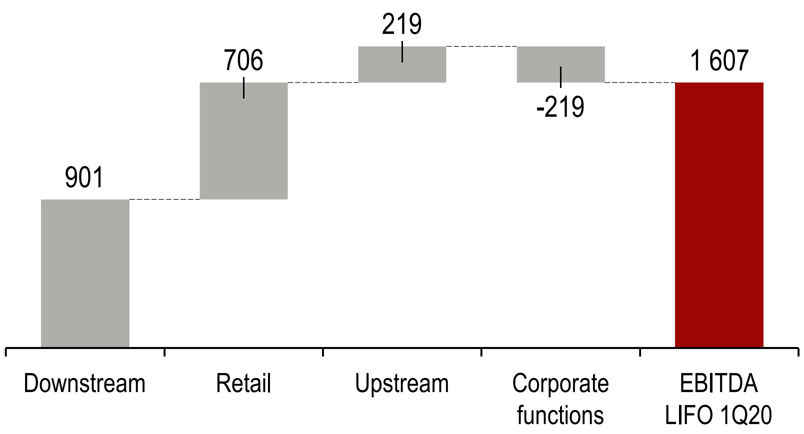
**Financial result:** PLN (-) 0,7 bn due to negative impact of net FX differences, net settlements and valuation of derivative financial instruments and interest costs.

**Net result**: decrease by PLN (-) 3,1 bn mainly due to lower EBITDA LIFO by PLN (-) 0,4 bn, higher impairments of assets by PLN (-) 0,5 bn, lower LIFO effect by PLN (-) 1,9 bn, higher depreciation by PLN (-) 0,1 bn, lower net financials by PLN (-) 0,7 bn at positive impact of taxes by PLN 0,5 bn (y/y).

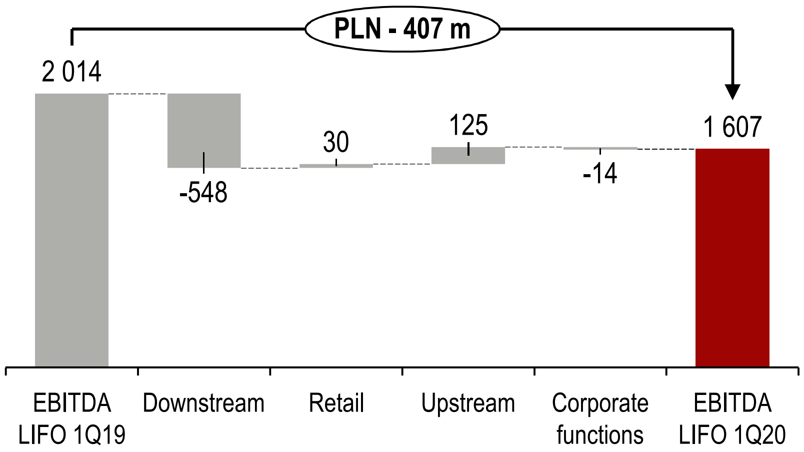
Operational results before impairments of assets: 1Q20 PLN (-) 504 m / 4Q19 PLN (-) 79 m / 1Q19 PLN (-) 10 m
NRV: 1Q20 PLN (-) 1.609 m / 1Q19 PLN 241 m

# EBITDA LIFO

**Segments' results in 1Q20**
PLN m




**Change in segments' results (y/y)**
PLN m




Operational results before impairments of assets:1Q20 PLN (-) 504 m
NRV: 1Q20 PLN (-) 1.609 m

**Downstream:** decrease by PLN (-) 548 m (y/y) due to negative effect of sales volumes drop, usage of historical inventory layers, inventory revaluation (NRV) and higher fixed costs and labour costs limited by positive macro impact, higher trading margins in wholesale and results on hedging.

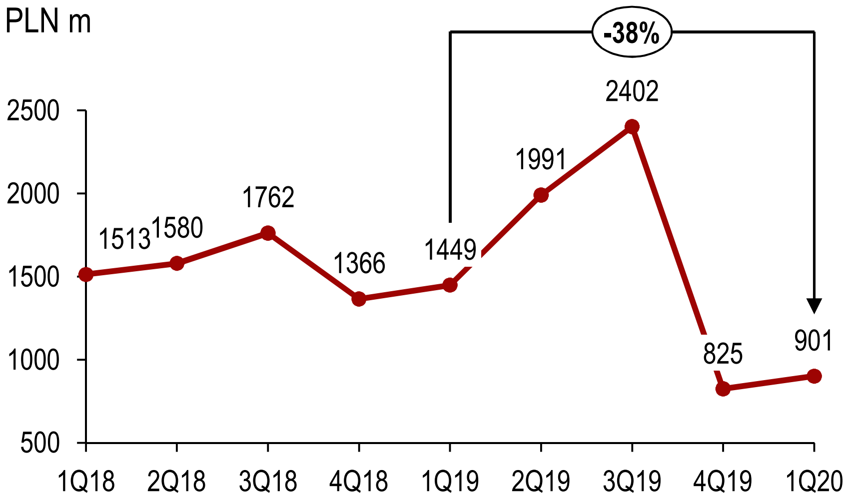
**Retail:** increase by PLN 30 m (y/y) as a result of higher fuel margins limited by lower non-fuel margins and higher costs.

**Upstream:** increase by PLN 125 m (y/y) due to positive effect of sales volumes increase and hedging transactions limited by negative macro effect.

**Corporate functions:** higher costs by PLN 14 m (y/y) including e.g. expenses on COVID-19, insurance, legal services and IT systems and labour costs.

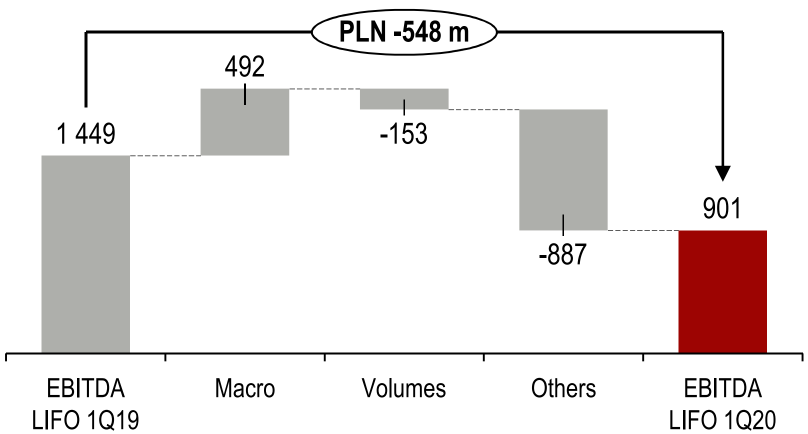
# Downstream – EBITDA LIFO
# Positive macro effect offset sales volumes drop

**EBITDA LIFO**
PLN m




- Positive macro impact (y/y) due to lower costs of internal usage resulting from lower crude oil prices by (-) 13 USD/bbl, higher Brent/Ural differential by 2,2 USD/bbl and cracks improvement on light distillates and heavy refining fractions. Abovementioned positive effects were limited by lower cracks on middle distillates, petrochemical products as well as fertilisers and PVC.

**EBITDA LIFO – impact of factors**
PLN m

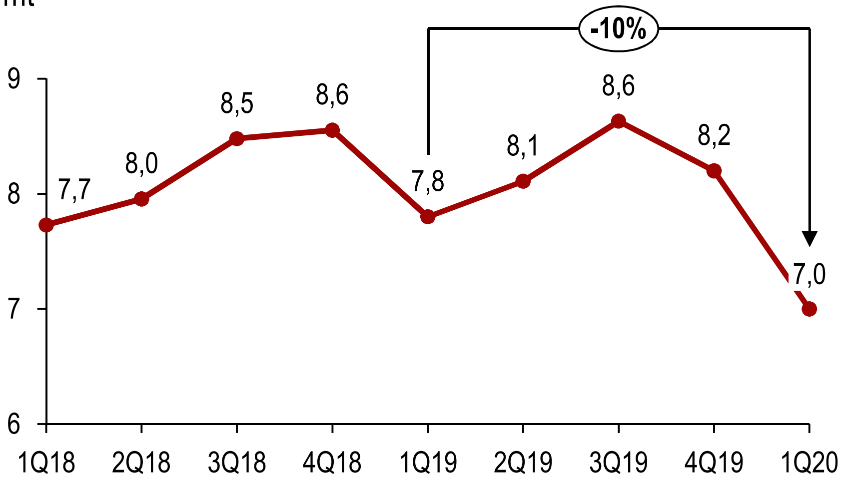



- Sales volumes decrease by (-) 10% (y/y), of which:
  - lower sales (y/y): gasoline by (-) 11%, diesel by (-) 12%, LPG by (-) 14%, olefins by (-) 6%, polyolefins by (-) 28%
  - higher sales (y/y): fertilisers by 1%, PVC by 3% and PTA by 3%.
- Others include mainly:
  - PLN (-) 1,9 bn (y/y) inventories revaluation (NRV)
  - PLN (-) 0,1 bn (y/y) higher fixed costs and labour costs
  - PLN 1,1 bn (y/y) hedging transactions

Operational results before impairments of assets: 1Q20 PLN (-) 4 m
Macro: margins PLN 326 m, B/U differential PLN 174 m, exchange rate PLN (-) 8 m

# Downstream – operational data
# Lower throughput and sales volumes (y/y)

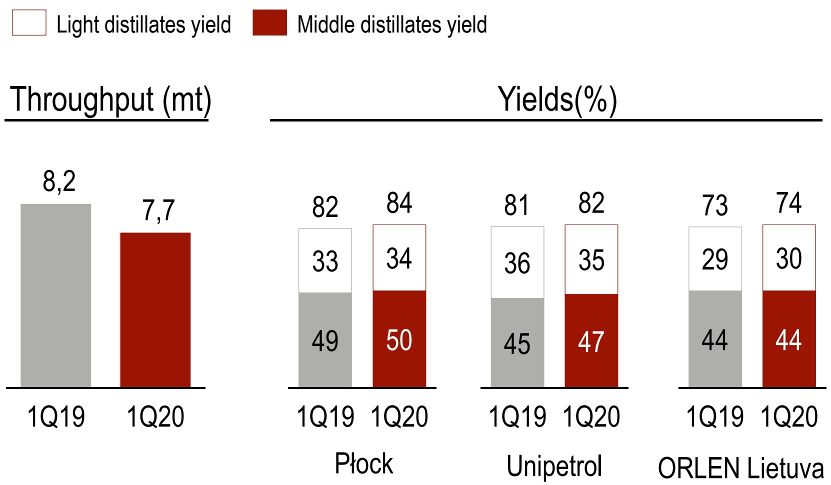
## Sales volumes
mt




## Utilisation ratio
%

| Refineries | 1Q19 | 4Q19 | 1Q20 | Δ (y/y) |
|---|---|---|---|---|
| Płock | 101% | 97% | 97% | -4 pp |
| Unipetrol | 86% | 91% | 76% | -10 pp |
| ORLEN Lietuva | 88% | 89% | 80% | -8 pp |
| **Petrochemical installations** | | | | |
| Olefins (Płock) | 91% | 74% | 82% | -9 pp |
| Olefins (Unipetrol) | 88% | 68% | 82% | -6 pp |
| BOP (Płock) | 85% | 73% | 76% | -9 pp |
| Metathesis (Płock) | n/a | 90% | 85% | 85 pp |

## Crude oil throughput and fuel yield
mt, %




Crude oil throughput ca. 7,7 mt, i.e. decrease by (-) 0,5 mt (y/y), of which:

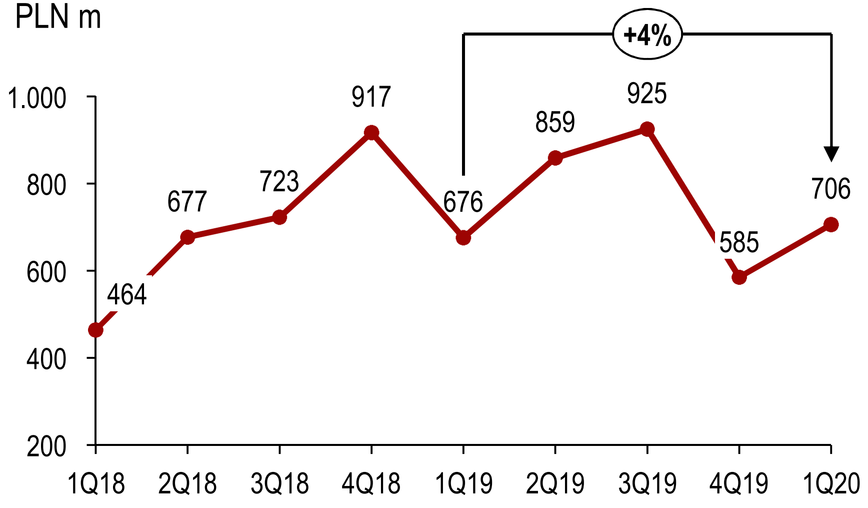
- PKN ORLEN – maintenance shutdowns of CDU VI, HDS I, HDS VI and PTA without material impact of market situation (coronavirus) on throughput level.
- Unipetrol – limited crude oil throughput in March 2020 due to lower fuel consumption and start of maintenance shutdown in Kralupy refinery.
- ORLEN Lietuva – limited crude oil throughput in January 2020 due to unfavourable macro situation.
- Fuel yields increase in all refineries.

Sales volumes at the level of 7,0 mt i.e. decrease by10% (y/y), of which:

- Poland – significant impact of decreased refining and petrochemical sales volumes in March 2020.
- The Czech Rep. – lower sales volumes of fuels, polyolefins and fertilisers as a result of Hydrocracking maintenance in February 2020 and unfavourable market situation.
- ORLEN Lietuva – lower refining sales due to limited crude throughput in January 2020 at higher petrochemical sales.

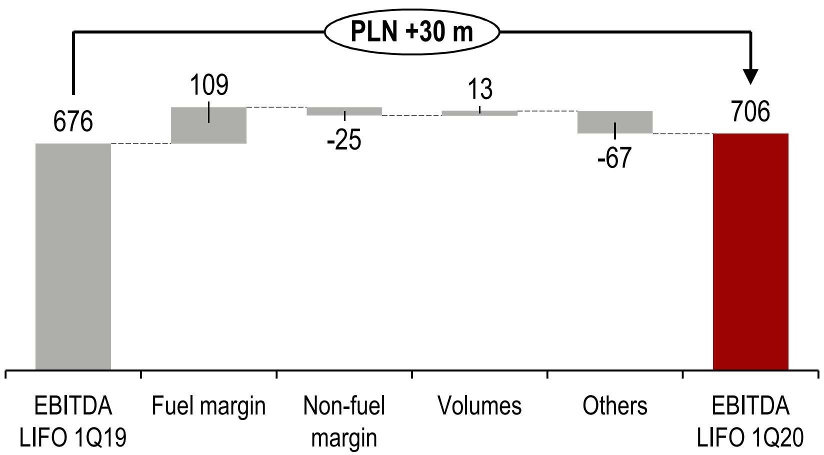
# Retail – EBITDA LIFO
# Higher retail margins limited by higher costs (y/y)

**EBITDA LIFO**
PLN m




- Market share increase in the Czech Rep. at comparable share on other markets (y/y).
- Fuel margin increase on all markets (y/y).
- Dynamic growth of non-fuel offer: number of Stop Cafe/Star Connect coffee corners (including convenience stores) increased by 108 (y/y).
- New fuel stations in Lithuania and Germany and successive implementation of ORLEN brand at foreign fuel stations as part of cobranding process.
- We have 70 EV chargers at our fuel stations; increase by 55 (y/y).

**EBITDA LIFO – impact of factors (y/y)**
PLN m

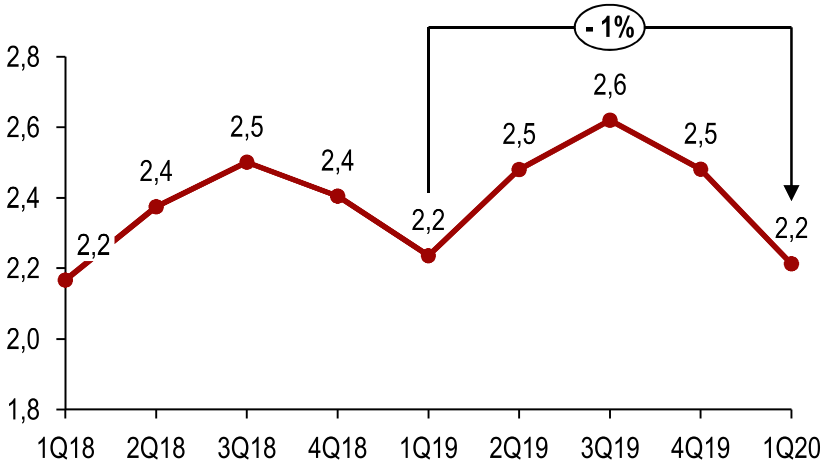



- Lower sales volumes by (-) 1% (y/y).
- Lower non-fuel margin in Poland at comparable level on other markets (y/y).
- Others include higher costs of running fuel stations and higher labour costs (y/y).

Data before impairments of assets: 1Q20: PLN (-) 4 m

# Retail – operational data
## Lower sales volumes (y/y). Further growth of non-fuel offer

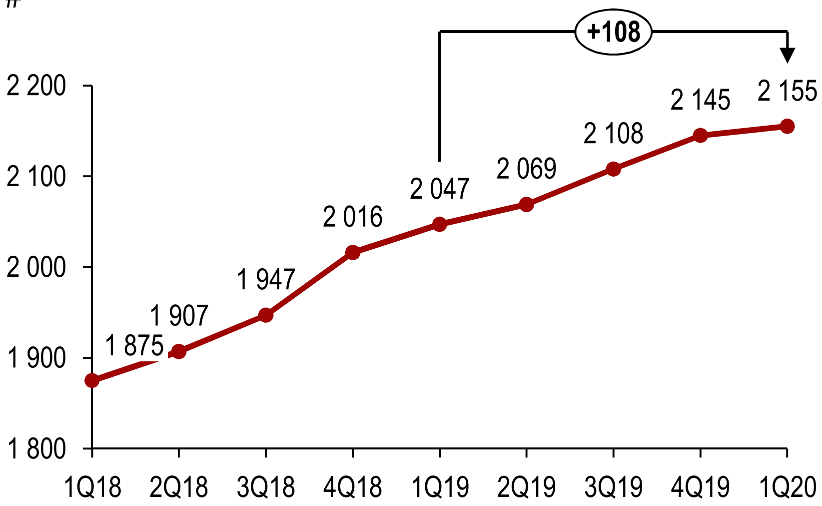
### Sales volumes
mt




### Number of petrol stations and market shares (by volume)
#, %

| | # stations | Δ y/y | % market | Δ y/y |
|---|---|---|---|---|
| Poland | 1 796 | 13 | 34,3 | 0,0 pp |
| Germany | 586 | 3 | 6,6 | 0,1 pp |
| Czech Rep. | 418 | 6 | 24,9 | 1,3 pp |
| Lithuania | 26 | 1 | 4,6 | - 0,1 pp |
| Slovakia | 10 | 10 | - | - |

### Coffee corners and convenience stores
#

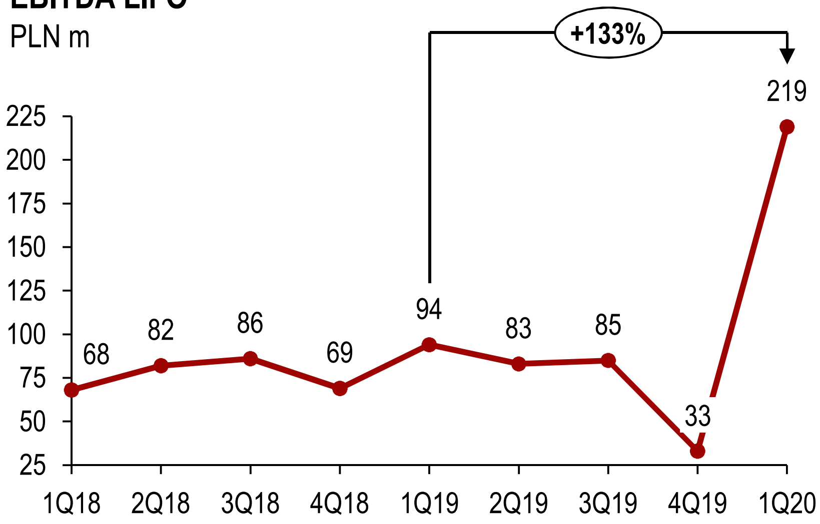



- Sales decrease by (-) 1% (y/y), of which: in Poland by 1% and in the Czech Rep. by 2% at decrease in Germany by (-) 5%* and Lithuania by (-) 2%.
- Market share increase (y/y) in the Czech Rep. by 1,3 pp and in Germany by 0,1 pp at comparable level on other markets.
- 2836 fuel stations at the end of 1Q20, i.e. increase by 33 (y/y), of which: in Poland by 13, in Germany by 3, in the Czech Rep. by 6, in Lithuania by 1 and in Slovakia by 10 stations.
- 2155 non-fuel locations at the end of 1Q20, i.e. 1700 Stop Cafe in Poland (including 535 convenience stores), 307 Stop Cafe in the Czech Rep., 24 Stop Cafe in Lithuania and 124 Star Connect in Germany.

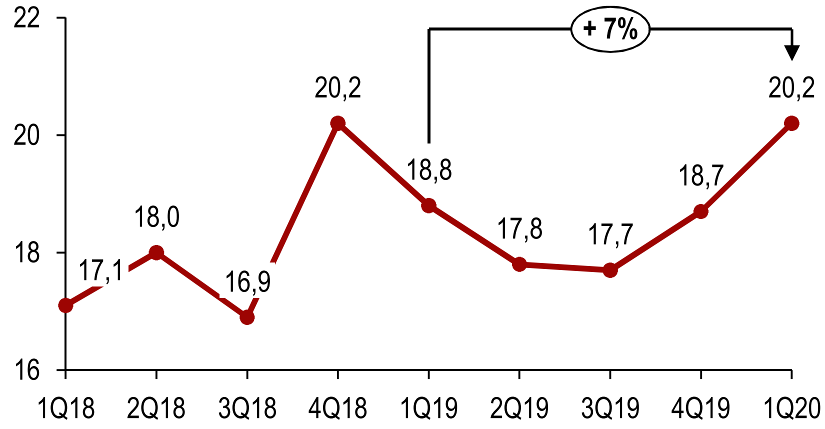
* Includes also fuel sales beyond own petrol stations. Sales volumes on ORLEN Deutschland fuel stations increased by 0,4% (y/y).

# Upstream – EBITDA LIFO
## Higher sales volumes (y/y). Positive impact of hedging.

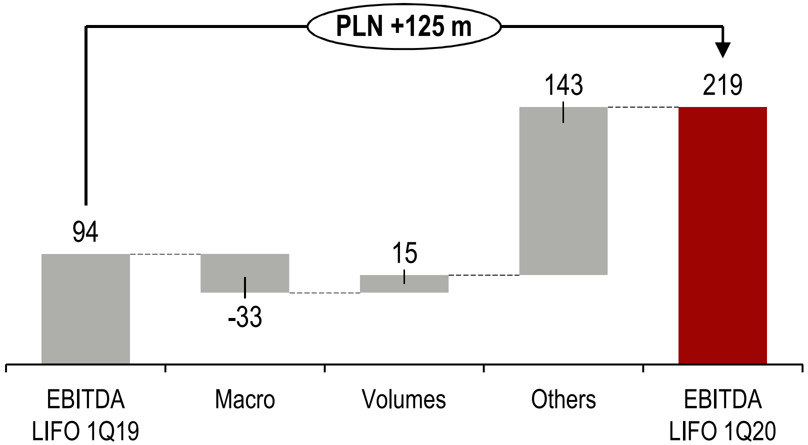
**EBITDA LIFO**
PLN m




**Average production**
th. boe/d




**EBITDA LIFO – impact of factors**
PLN m




- Positive impact of higher sales volumes as a result of increase of average production in Canada by 1,3 th. boe/d and in Poland by 0,1 th. boe/d (y/y).
- Others include mainly settlement and valuation of derivative financial instruments.

- Negative macro impact due to decrease of crude oil, gas and NGL's prices (y/y).

Data before impairments of assets:
1Q20: PLN (-) 496 m regarding mainly upstream assets of ORLEN Upstream in Canada and Poland

# Upstream

## Poland

**Total reserves of crude oil and gas (2P)**

Ca. 11,0 m boe* (5% liquid hydrocarbons, 95% gas)

**1Q20**

Average production : 1,1 th. boe/d (100% gas)

EBITDA: PLN 37 m**

CAPEX: PLN 31 m

**1Q20**

- Continuation of project and formal-legal works as a part of development of deposits on Bystrowice-Stage I (Miocen project), Bajerze and Tuchola (Edge project) and Chwalęcin (Płotki project).
- Continuation of drillings: Pławce-3/3H (Płotki project) and Dylągowa-1 (Bieszczady project). Construction of sites for drilling on Płotki project and Sieraków project were carried out.
- Start of seismic data processing: Wilcze 3D (Edge project), Brzezie-Gołuchów 3D (Płotki project), Topoliny-Biecz-Pola-Pasterniki 3D in the depth domain (Karpaty project). Photo interpretations of Chełmno 3D (Edge project) were completed. Project works for future seismic photos of Grybów 3D (Karpaty project) and Koczała-Miastko 3D (Edge project) were carried out.
- Decisions for 2 new exploration concessions on Edge area were obtained.

## Canada

**Total reserves of crude oil and gas (2P)**

186,3 m boe* (58% liquid hydrocarbons, 42% gas)

**1Q20**

Average production : 19,1 th. boe/d (55% liquid hydrocarbons)

EBITDA: PLN 182 m**

CAPEX: PLN 145 m

**1Q20**

- Works related to development of currently owned assets were carried out.
- Start to drill 4 wells (3,62 net):2 wells in Ferrier area (1,87 net), and 2 wellls in Kakwa area (1,75 net)
- 5 wells were fracted (4,87 net): 3 wells in Ferrier area (2,87 net) and 2 wells in Kakwa area (2,00 net).
- 7 wells were added to production (5,87 net): 3 wells om Ferrier area (2,87 net), 2 wells in Kakwa area (2,00 net) and 2 wells in Lochend area (1,00 net).
- Due to unfavourable macro situation (collapse in the global oil prices and COVID-19), analyses of changes in the timetable and further investment works in 2020 are ongoing.

* Data as of 31.12.2019

** Operational results before impairments: 1Q20 PLN (-) 496 m regarding mainly upstream assets of ORLEN Upstream in Canada and Poland

Net – number of wells multiplied by percent of share in particular asset

# Agenda

Key facts and figures 1Q20

Macro environment

Financial and operating results

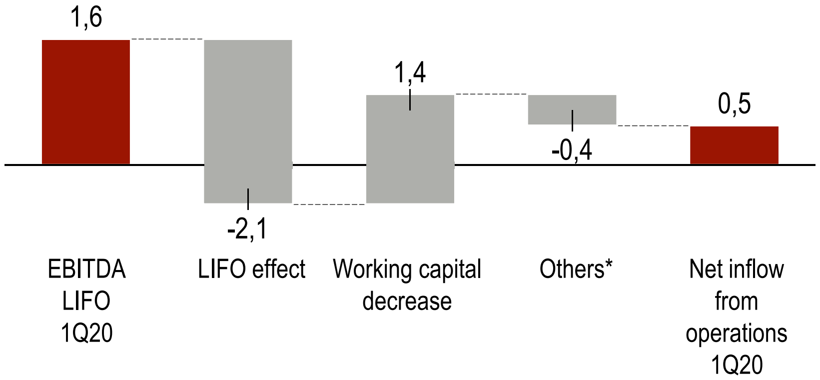
Liquidity and investments

Outlook for 2020

# Cash flow

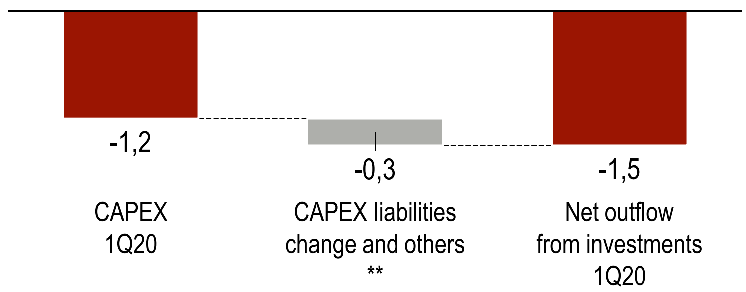
## Cash flow from operations

PLN bn



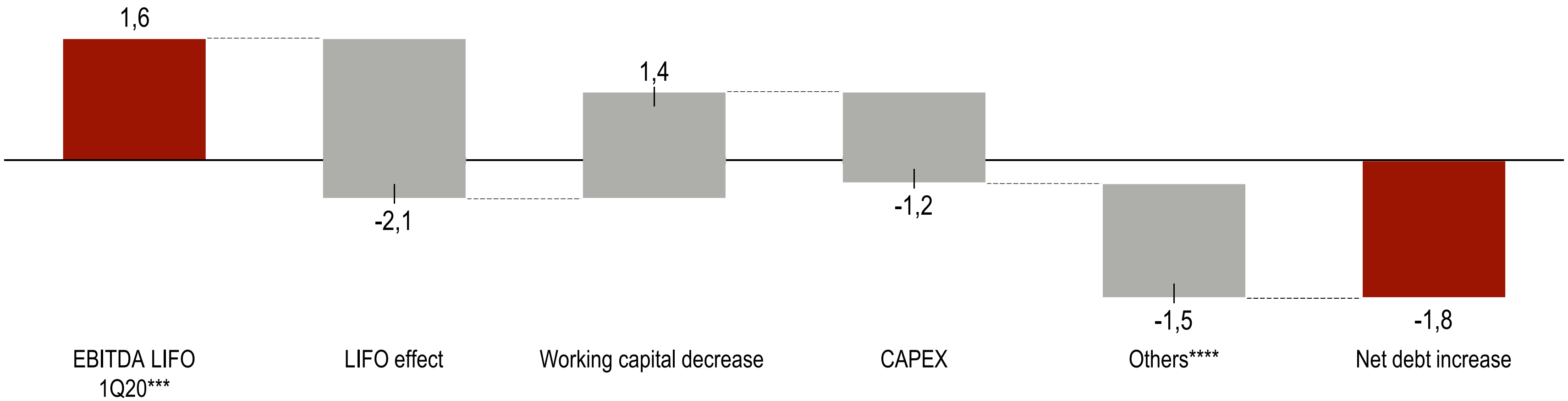

## Cash flow from investments

PLN bn




## Free cash flow 3M20

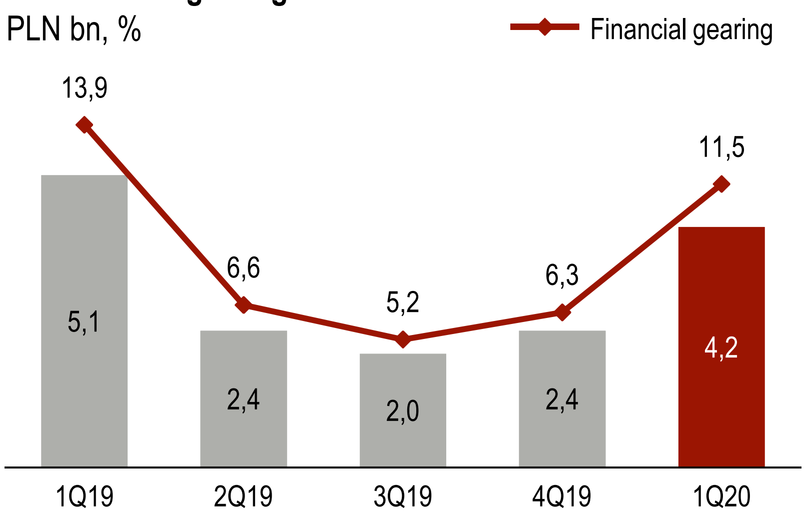
PLN bn



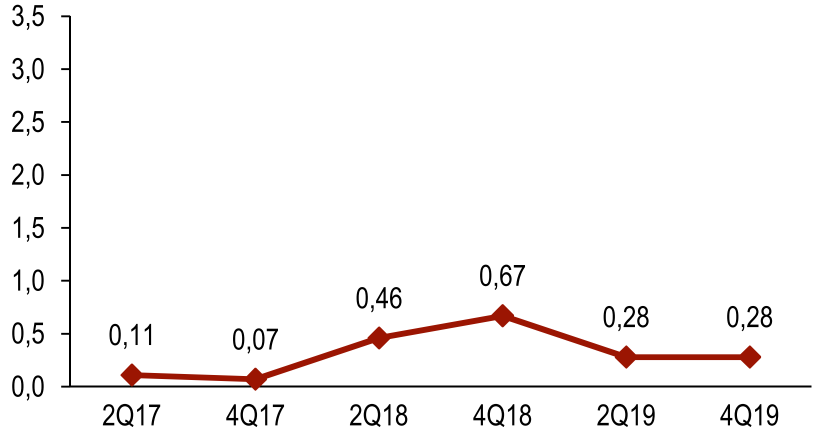

* Mainly adjustment for the valuation and settlement of derivatives and changes in the balance of deposits and reserves
** includes: PLN (-) 0,1 bn short-term deposits and PLN (-) 0,2 bn settlement of derivatives not designated as hedge accounting
*** includes PLN (-) 1,6 bn of negative impact from inventories revaluation (NRV)
**** mainly paid income tax, impact of negative exchange rate differences (debt revaluation and interest), lease payments, settlement of derivatives and paid interest.

# Financial strength

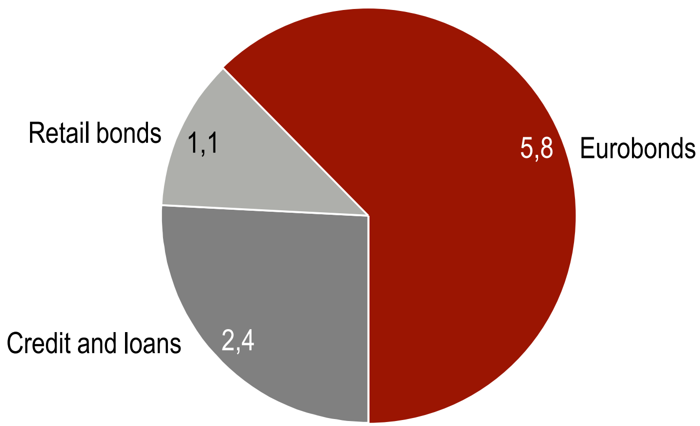
### Net debt and gearing
PLN bn, %




### Net debt/EBITDA LIFO



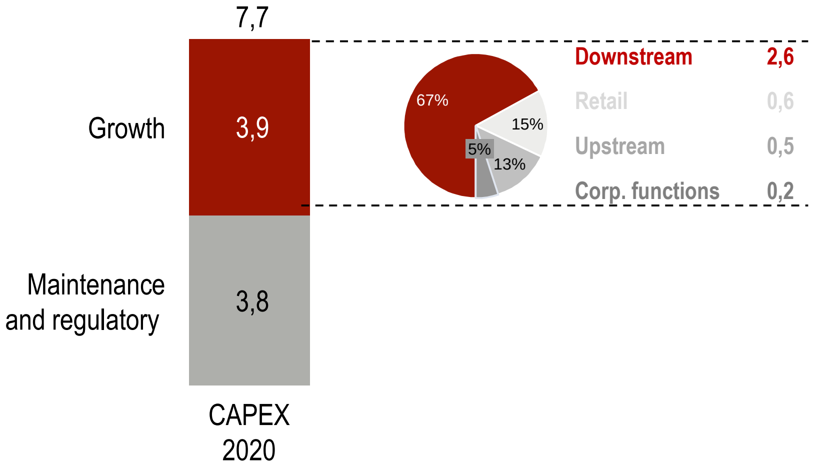

### Diversified sources of financing (gross debt)
PLN bn



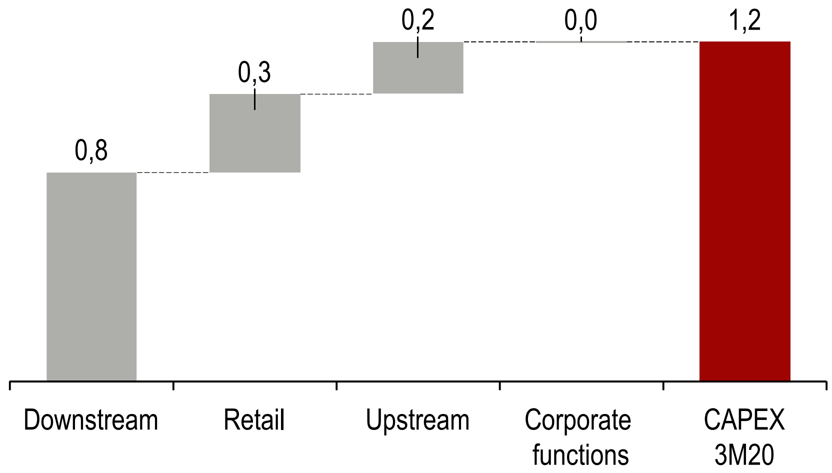

- Gross debt structure: EUR 87%, PLN 12%, CAD 1%
- Average maturity in 2021.
- Investment grade: BBB- stable outlook (Fitch), Baa2 negative outlook (Moody's).
- Net debt increased by PLN 1,8 bn (q/q) mainly as a result of investment expenditures at the level of PLN (-) 1,5 bn, PLN (-) 0,8 bn of paid interest, payments of lease liabilities and negative exchange rate differences from the revaluation of foreign currency loans positive cash flow from operations of PLN 0,5 bn.
- Mandatory reserves on balance sheet as of the end of 1Q20 were at the level of PLN 4,6 bn, including PLN 4,3 bn in Poland.

# CAPEX

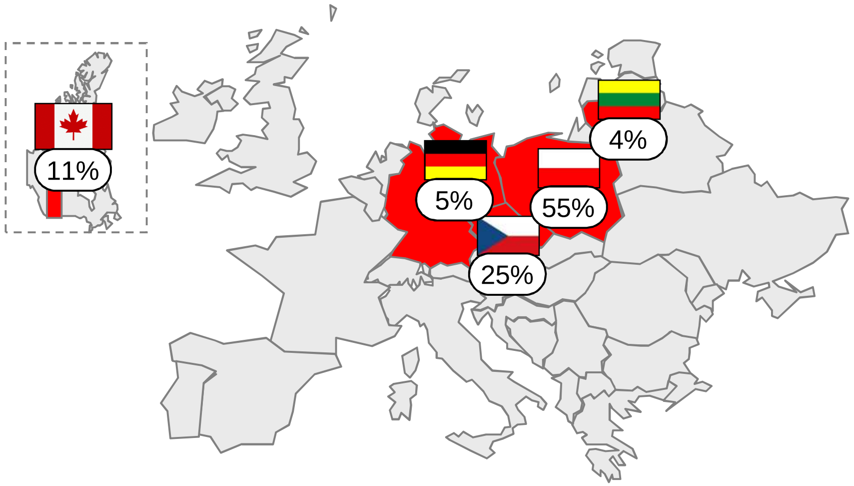
## Planned CAPEX 2020
PLN bn, %




## Realized CAPEX 3M20* – split by segment
PLN bn




## Realized CAPEX 3M20* – split by country
%




## Main growth projects realized in 1Q20

DOWNSTREAM

- Completion of the construction of the main part of Polyethylene installation in the Czech Rep.
- Extension of fertilizers production in Anwil
- Construction of units under Petrochemical Development Program
- Construction of Propylene Glycol Unit in ORLEN Południe
- Construction of paraffin separation node from reforming raw material - Maxene project in Płock
- Preparation for construction of offshore wind farm on Baltic Sea
- Construction of Visbreaking Unit in Płock

RETAIL

- 7 fuel stations opened, 7 closed (mainly DOFO stations in Poland), 3 modernized.
- 10 Stop Cafe/Star Connect locations opened (including convenience stores)

UPSTREAM

- Canada – PLN 145 m PLN / Poland – PLN 31 m

* CAPEX 1Q20 amounted to PLN 1.244 m: refining PLN 478 m, petrochemicals PLN 241 m, energy PLN 46 m, retail PLN 265 m, upstream PLN 176 m, corporate functions PLN 38 m.

# Agenda

- Key facts and figures 1Q20
- Macro environment
- Financial and operating results
- Liquidity and investments
- **Outlook for 2020**

# Outlook 2020

### Macro

- Brent crude oil

  COVID-19 stopped the global economy. Crude oil demand dropped by ca. 30 mbd, i.e. (-) 30% due to lower fuel consumption. Additionally, oil supply increased by ca. 2,6 mbd as a result of OPEC+ agreement termination at the beginning of March regarding limitation of crude oil production at almost full storage capacities for crude oil. Such a market conditions force a decline in oil prices, and thus the shutdown of further unprofitable wells. It is expected that the period of low oil prices (20-25 USD / bbl) will last until the end of 2Q20. Then, along with economic revival and increase in demand, oil price should rise up to (30-35 USD / bbl) in 4Q20. Important factor affecting oil price will be further decisions of oil producing countries to reduce oil production.

- Downstream margin

  Decrease in fuel consumption due to COVID-19 caused reduction in crude oil throughput. Limitations in crude processing caused a drop in demand for crude oil, supply of which increased. Decline in oil prices in 1Q20 had positive impact on refining and petrochemical margins. We expect that low crude oil prices in 2Q20 will be important factor supporting margins. In 2H20, along with economic revival, demand for fuels should increase and thus fuel prices. Despite the increase in crude oil price, it will still remain low, which should keep refining margins at current high levels. Petchem margins should shrink as a result of a gradual increase in oil prices, which means higher feedstock costs. B/U differential is expected to remain at current levels.

### Regulations

- National Index Target – base level for 2020 set on 8,5%.
  PKN ORLEN will be able to take advantage of the possibility to reduce the ratio to 5,576%.
- Retail tax – due to COVID-19 implementation of the retail tax was postponed from 1 July 2020 to 1 January 2021.

# Thank you for your attention

ORLEN

For more information on PKN ORLEN, please contact Investor Relations Department:

phone: + 48 24 256 81 80

fax: + 48 24 367 77 11

e-mail: ir@orlen.pl

www.orlen.pl

# Agenda

## Supporting slides

# Results – split by quarter

| PLN m | 1Q19 | 4Q19 | 1Q20 | Δ (y/y) | 3M19 | 3M20 | Δ |
|---|---|---|---|---|---|---|---|
| Revenues | 25 246 | 27 500 | 22 077 | -13% | 25 246 | 22 077 | -13% |
| EBITDA LIFO | 2 014 | 1 259 | 1 607 | -20% | 2 014 | 1 607 | -20% |
| LIFO effect | -175 | 221 | -2 072 | -1084% | -175 | -2 072 | -1084% |
| EBITDA | 1 839 | 1 480 | -465 | - | 1 839 | -465 | - |
| Depreciation | -833 | -925 | -935 | -12% | -833 | -935 | -12% |
| EBIT LIFO | 1 181 | 334 | 672 | -43% | 1 181 | 672 | -43% |
| EBIT | 1 006 | 555 | -1 400 | - | 1 006 | -1 400 | - |
| Net result | 849 | 582 | -2 245 | - | 849 | -2 245 | - |

Data before impairments of assets: 1Q20 PLN (-) 504 m / 4Q19 PLN (-) 79 m / 1Q19 PLN (-) 10 m

# Results – split by segment

| 1Q20<br>PLN m | Downstream | Retail | Upstream | Corporate functions | TOTAL |
|---|---|---|---|---|---|
| EBITDA LIFO | 901 | 706 | 219 | -219 | 1 607 |
| LIFO effect | -2 072 | - | - | - | -2 072 |
| EBITDA | -1 171 | 706 | 219 | -219 | -465 |
| Depreciation | -624 | -167 | -94 | -50 | -935 |
| EBIT | -1 795 | 539 | 125 | -269 | -1 400 |
| EBIT LIFO | 277 | 539 | 125 | -269 | 672 |

| 1Q19<br>PLN m | Downstream | Retail | Upstream | Corporate functions | TOTAL |
|---|---|---|---|---|---|
| EBITDA LIFO | 1 449 | 676 | 94 | -205 | 2 014 |
| LIFO effect | -175 | - | - | - | -175 |
| EBITDA | 1 274 | 676 | 94 | -205 | 1 839 |
| Depreciation | -571 | -157 | -70 | -35 | -833 |
| EBIT | 703 | 519 | 24 | -240 | 1 006 |
| EBIT LIFO | 878 | 519 | 24 | -240 | 1 181 |

Data before impairments of assets: 1Q20 PLN (-) 504 m / 1Q19 PLN (-) 10 m

# EBITDA LIFO – split by segment

| PLN m | 1Q19 | 4Q19 | 1Q20 | Δ (y/y) | 3M19 | 3M20 | Δ |
|---|---|---|---|---|---|---|---|
| Downstream | 1 449 | 825 | 901 | -38% | 1 449 | 901 | -38% |
| Retail | 676 | 585 | 706 | 4% | 676 | 706 | 4% |
| Upstream | 94 | 33 | 219 | 133% | 94 | 219 | 133% |
| Corporate functions | -205 | -184 | -219 | -7% | -205 | -219 | -7% |
| **EBITDA LIFO** | **2 014** | **1 259** | **1 607** | **-20%** | **2 014** | **1 607** | **-20%** |

Data before impairments of assets: 1Q20 PLN (-) 504 m / 4Q19 PLN (-) 79 m / 1Q19 PLN (-) 10 m

# Results – split by company

| 1Q20<br>PLN m | PKN ORLEN S.A. | Unipetrol [2] | ORLEN Lietuva [2] | Others and consolidation corrections | Total |
|---|---|---|---|---|---|
| Revenues | 17 238 | 4 054 | 3 136 | -2 351 | 22 077 |
| EBITDA LIFO | 1 857 | -100 | -753 | 603 | 1 607 |
| LIFO effect [1] | -1 937 | -158 | 57 | -34 | -2 072 |
| EBITDA | -80 | -258 | -696 | 569 | -465 |
| Depreciation | -467 | -199 | -34 | -235 | -935 |
| EBIT | -547 | -457 | -730 | 334 | -1 400 |
| EBIT LIFO | 1 390 | -299 | -787 | 368 | 672 |
| Financial income | 372 | 33 | 7 | -25 | 387 |
| Financial costs | -2 997 | -25 | -6 | 1 985 | -1 043 |
| Net result | -3 022 | -363 | -608 | 1 748 | -2 245 |

[1] Calculated as a difference between operating profit acc. to LIFO and operating profit based on weighted average
[2] Presented data shows Unipetrol Group and ORLEN Lietuva results acc. to IFRS before taking into account adjustments made for PKN ORLEN consolidation

# ORLEN Lietuva Group

| PLN m | 1Q19 | 4Q19 | 1Q20 | Δ (y/y) | 3M18 | 3M19 | Δ |
|---|---|---|---|---|---|---|---|
| Revenues | 4 359 | 4 949 | 3 136 | -28% | 4 359 | 3 136 | -28% |
| EBITDA LIFO | 206 | -6 | -753 | - | 206 | -753 | - |
| EBITDA | 147 | 4 | -696 | - | 147 | -696 | - |
| EBIT | 109 | -33 | -730 | - | 109 | -730 | - |
| Net result | 113 | 17 | -608 | - | 113 | -608 | - |

- Decrease in revenues as a result of lower crude oil prices (y/y) and lower quotations of refining and petrochemical products and lower sales volumes.
- Lower crude oil throughput and decrease of refining utilisation by (-) 8 pp (y/y) mainly due to limited crude oil throughput in January 2020 caused by unfavourable macroeconomic situation. Fuel yield increase (y/y) resulting from higher share of low-sulphur crude oil in throughput structure.
- EBITDA LIFO lower by PLN (-) 959 m (y/y) mainly due to negative effect (y/y) of inventories revaluation (NRV) at the amount of PLN (-) 958 m (y/y) at positive impact of settlement and valuation of financial instruments, macro environment, trade margins and limitation of heavy fractions sales in product mix.
- CAPEX 1Q20: PLN 39 m.

# UNIPETROL Group

| PLN m | 1Q19 | 4Q19 | 1Q20 | Δ (y/y) | 3M18 | 3M19 | Δ |
|---|---|---|---|---|---|---|---|
| Revenues | 4 843 | 5 205 | 4 054 | -16% | 4 843 | 4 054 | -16% |
| EBITDA LIFO | 150 | 100 | -100 | - | 150 | -100 | - |
| EBITDA | 165 | 152 | -258 | - | 165 | -258 | - |
| EBIT | -20 | -55 | -457 | -2185% | -20 | -457 | -2185% |
| Net result | -8 | -99 | -363 | -4438% | -8 | -363 | -4438% |

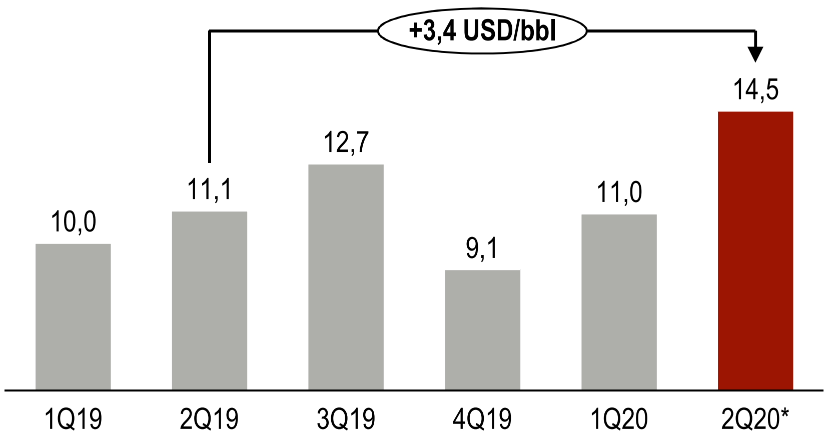
- A decrease in sales revenues as a result of a sharp decline in crude oil prices and, as a consequence, refining and petrochemical products and lower sales volumes.
- Lower crude oil throughput and, as a consequence, lower refining utilisation ratio by (-) 10 pp (y/y) mainly due to limitation of throughput in March 2020 as a result of decreased market consumption and start of maintenance shutdown in Kralupy refinery. Fuel yield increase (y/y) due to higher share of low-sulphur crude oils in throughput mix.
- EBITDA LIFO lower by PLN (-) 250 m (y/y) mainly due to negative impact of inventories revaluation (NRV) at the amount of PLN (-) 898 m (y/y) and lower sales volumes at positive impact of settlement and valuation of financial instruments, macro environment and trade margins.
- CAPEX 1Q20: PLN 310 m.

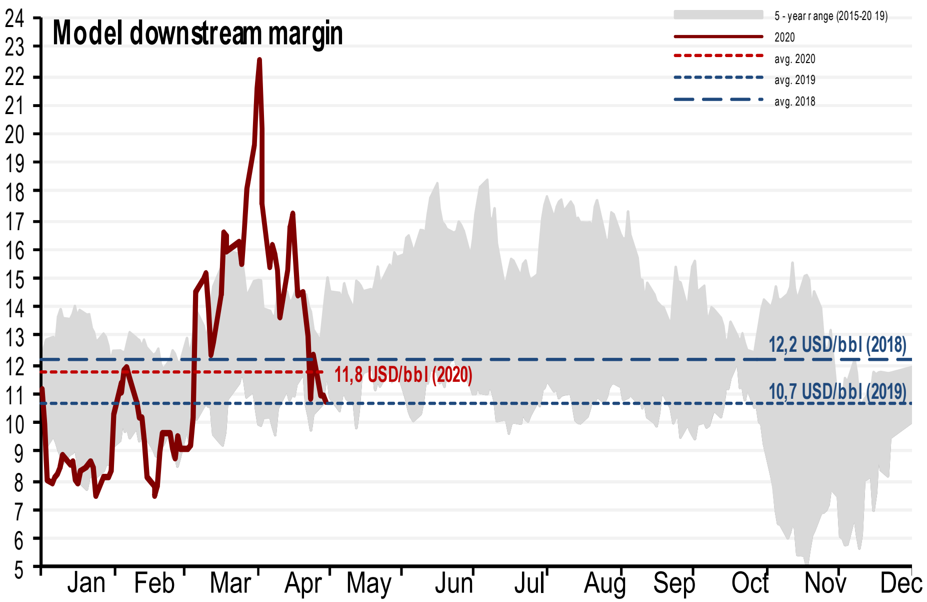
Data before impairments of assets:
1Q19: PLN (-) 5 m
4Q19: PLN (-) 22 m

# Macro environment in 2Q20

## Downstream margin increase

Model downstream margin, USD/bbl



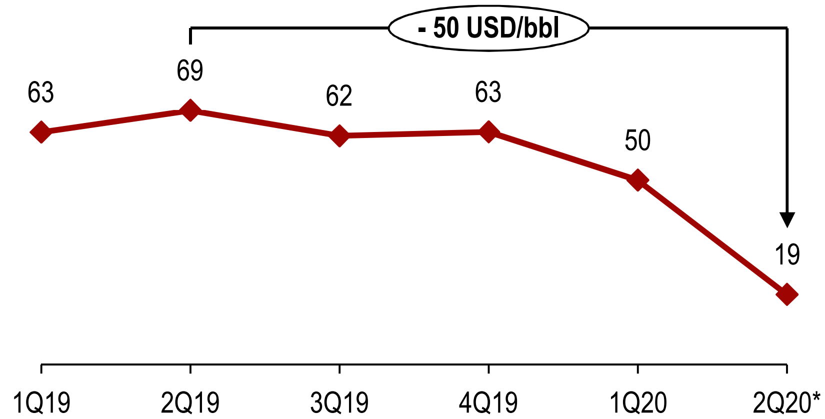

## Product slate of downstream margin

Crack margins

| Refining products (USD/t) | 2Q19 | 1Q20 | 2Q20* | (Q/Q) | (Y/Y) |
|---|---|---|---|---|---|
| Diesel | 92 | 91 | 108 | 19% | 17% |
| Gasoline | 163 | 94 | 47 | -50% | -71% |
| HSFO | -136 | -154 | -28 | 82% | 79% |
| SN 150 | 67 | 169 | 335 | 98% | 400% |
| **Petchem products (EUR/t)** | | | | | |
| Ethylene | 593 | 594 | 569 | -4% | -4% |
| Propylene | 511 | 480 | 503 | 5% | -2% |
| Benzene | 174 | 309 | 51 | -83% | -71% |
| PX | 487 | 402 | 440 | 9% | -10% |

## Crude oil price decrease

Average Brent crude oil price, USD/bbl

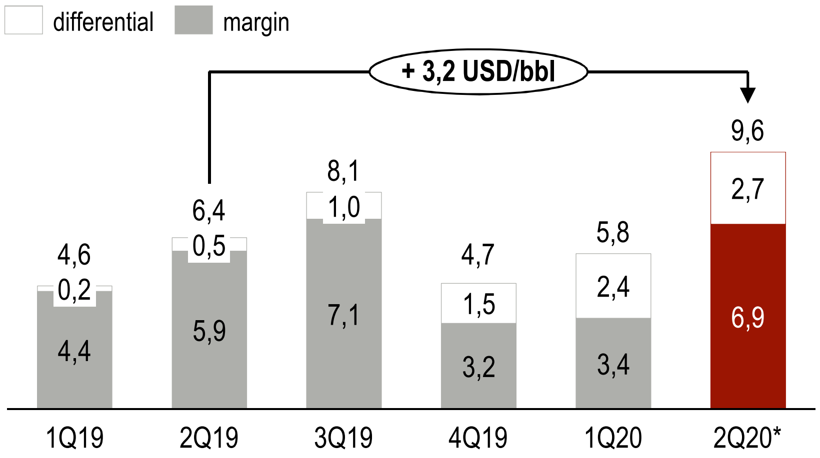



* Data as of 30.04.2020

# Macro environment in 2Q20

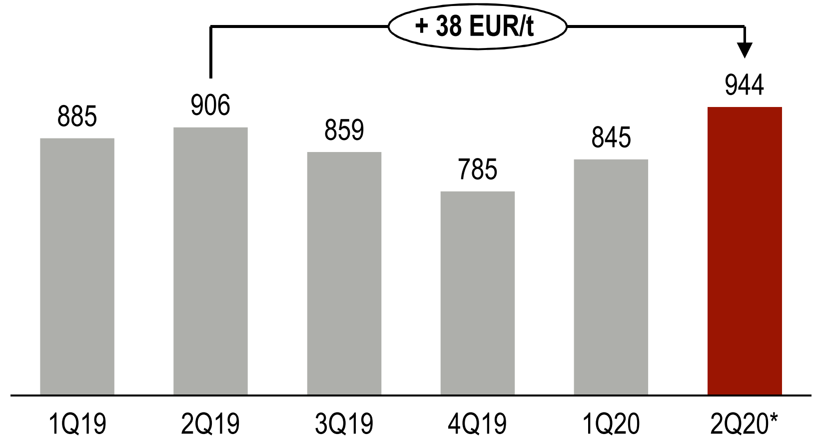
## Refining margin with B/U differential increase

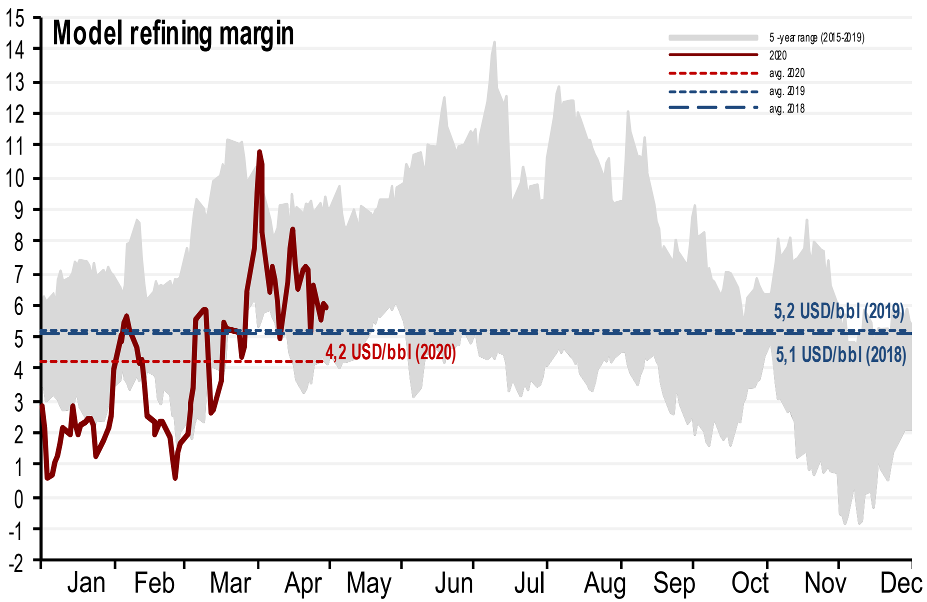
Model refining margin and Brent/Ural differential, USD/bbl

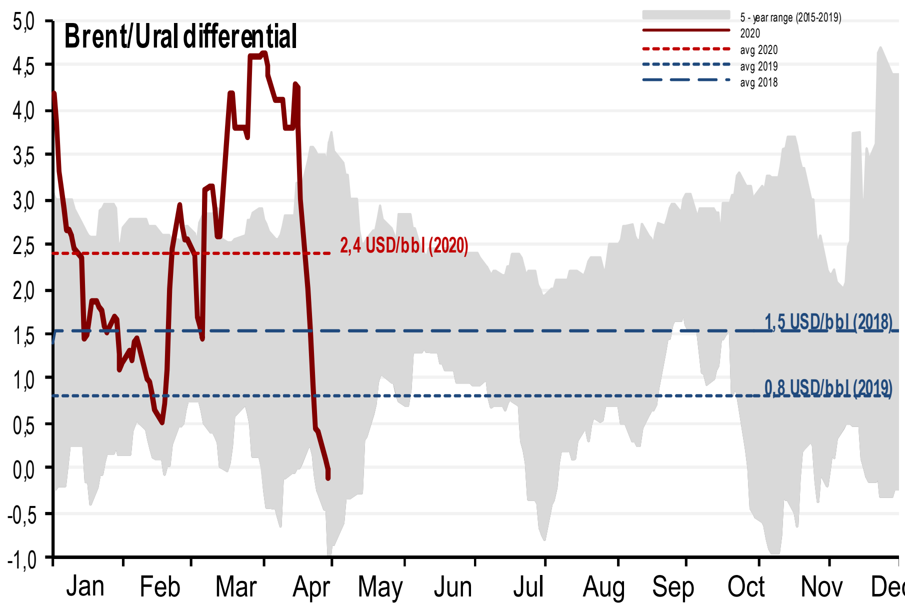



## Petrochemical margin increase

Model petrochemical margin, EUR/t




* Data as of 30.04.2020

# Production data

| | 1Q19 | 4Q19 | 1Q20 | Δ (y/y) | Δ (q/q) | 3M19 | 3M20 | Δ |
|---|---|---|---|---|---|---|---|---|
| **Total crude oil throughput in PKN ORLEN (kt)** | 8 225 | 8 352 | 7 683 | -7% | -8% | 8 225 | 7 683 | -7% |
| Utilization | 95% | 94% | 88% | -7 pp | -6 pp | 95% | 88% | -7 pp |
| **Refinery in Poland** [1] | | | | | | | | |
| Processed crude (kt) | 4 075 | 3 996 | 3 926 | -4% | -2% | 4 075 | 3 926 | -4% |
| Utilization | 101% | 97% | 97% | -4 pp | 0 pp | 101% | 97% | -4 pp |
| Fuel yield [4] | 82% | 84% | 84% | 2 pp | 0 pp | 82% | 84% | 2 pp |
| Light distillates yield [5] | 33% | 34% | 34% | 1 pp | 0 pp | 33% | 34% | 1 pp |
| Middle distillates yield [6] | 49% | 50% | 50% | 1 pp | 0 pp | 49% | 50% | 1 pp |
| **Refinery in the Czech Rep.** [2] | | | | | | | | |
| Processed crude (kt) | 1 847 | 1 991 | 1 646 | -11% | -17% | 1 847 | 1 646 | -11% |
| Utilization | 86% | 91% | 76% | -10 pp | -15 pp | 86% | 76% | -10 pp |
| Fuel yield [4] | 81% | 81% | 82% | 1 pp | 1 pp | 81% | 82% | 1 pp |
| Light distillates yield [5] | 36% | 34% | 35% | -1 pp | 1 pp | 36% | 35% | -1 pp |
| Middle distillates yield [6] | 45% | 47% | 47% | 2 pp | 0 pp | 45% | 47% | 2 pp |
| **Refinery in Lithuania** [3] | | | | | | | | |
| Processed crude (kt) | 2 223 | 2 285 | 2 028 | -9% | -11% | 2 223 | 2 028 | -9% |
| Utilization | 88% | 89% | 80% | -8 pp | -9 pp | 88% | 80% | -8 pp |
| Fuel yield [4] | 73% | 77% | 74% | 1 pp | -3 pp | 73% | 74% | 1 pp |
| Light distillates yield [5] | 29% | 31% | 30% | 1 pp | -1 pp | 29% | 30% | 1 pp |
| Middle distillates yield [6] | 44% | 46% | 44% | 0 pp | -2 pp | 44% | 44% | 0 pp |

[1] Throughput capacity for Plock refinery is 16,3 mt/y
[2] Throughput capacity for Unipetrol is 8,7 mt/y [Litvinov (5,4 mt/y) and Kralupy (3,3 mt/y)]
[3] Throughput capacity for ORLEN Lietuva is 10,2 mt/y
[4] Fuel yield equals middle distillates yield plus light distillates yield. Differences may occur from rounding
[5] Light distillates yield is a ratio of gasoline, naphtha, LPG production excluding BIO and internal transfers to crude oil throughput
[6] Middle distillates yield is a ratio of diesel, light heating oil (LHO) and JET production excluding BIO and internal transfers to crude oil throughput

# Dictionary

**Model downstream margin** = revenues (90,7% Products = 22,8% Gasoline + 44,2% Diesel + 15,3% HHO + 1,0% SN 150 + 2,9% Ethylene + 2,1% Propylene + 1,2% Benzene + 1,2% PX) – costs (input 100% = 6,5% Brent crude oil + 91,1% URAL crude oil + 2,4% natural gas). Cracks for petrochemical products calculated as the difference between the quotation of a given product and Brent DTD oil price.

**Model refining margin** = revenues (93,5% Products = 36% Gasoline + 43% Diesel + 14,5% HHO) - costs (100% input: crude oil and other raw materials). Total input calculated acc. to Brent Crude quotations. Spot market quotations.

**Spread Ural Rdam vs fwd Brent Dtd** = Med Strip - Ural Rdam (Ural CIF Rotterdam).

**Model petrochemical margin** = revenues (98% Products = 44% HDPE + 7% LDPE + 35% PP Homo + 12% PP Copo) - costs (100% input = 75% Naphtha + 25% LS VGO). Contract market quotations.

**Fuel yield** = middle distillates yield + gasoline yield (yields calculated in relation to crude oil)

**Working capital (in balance sheet)** = inventories + trading receivables and other receivables – trading liabilities and other liabilities

**Working capital change (in cash flow)** = changes in receivables + changes in inventories + changes in liabilities

**Gearing** = net debt / equity calculated acc. to average balance sheet amount in the period

**Net debt** = (short-term + long-term Interest-bearing loans and borrowings) – cash

# Disclaimer

This presentation (“Presentation”) has been prepared by PKN ORLEN S.A. (“PKN ORLEN” or “Company”). Neither the Presentation nor any copy hereof may be copied, distributed or delivered directly or indirectly to any person for any purpose without PKN ORLEN’s knowledge and consent. Copying, mailing, distribution or delivery of this Presentation to any person in some jurisdictions may be subject to certain legal restrictions, and persons who may or have received this Presentation should familiarize themselves with any such restrictions and abide by them. Failure to observe such restrictions may be deemed an infringement of applicable laws.

This Presentation contains neither a complete nor a comprehensive financial or commercial analysis of PKN ORLEN and of the ORLEN Group, nor does it present its position or prospects in a complete or comprehensive manner. PKN ORLEN has prepared the Presentation with due care, however certain inconsistencies or omissions might have appeared in it. Therefore it is recommended that any person who intends to undertake any investment decision regarding any security issued by PKN ORLEN or its subsidiaries shall only rely on information released as an official communication by PKN ORLEN in accordance with the legal and regulatory provisions that are binding for PKN ORLEN.

The Presentation, as well as the attached slides and descriptions thereof may and do contain forward-looking statements. However, such statements must not be understood as PKN ORLEN’s assurances or projections concerning future expected results of PKN ORLEN or companies of the ORLEN Group. The Presentation is not and shall not be understood as a forecast of future results of PKN ORLEN as well as of the ORLEN Group.

It should be also noted that forward-looking statements, including statements relating to expectations regarding the future financial results give no guarantee or assurance that such results will be achieved. The Management Board’s expectations are based on present knowledge, awareness and/or views of PKN ORLEN’s Management Board’s members and are dependent on a number of factors, which may cause that the actual results that will be achieved by PKN ORLEN may differ materially from those discussed in the document. Many such factors are beyond the present knowledge, awareness and/or control of the Company, or cannot be predicted by it.

No warranties or representations can be made as to the comprehensiveness or reliability of the information contained in this Presentation. Neither PKN ORLEN nor its directors, managers, advisers or representatives of such persons shall bear any liability that might arise in connection with any use of this Presentation. Furthermore, no information contained herein constitutes an obligation or representation of PKN ORLEN, its managers or directors, its Shareholders, subsidiary undertakings, advisers or representatives of such persons.

This Presentation was prepared for information purposes only and is neither a purchase or sale offer, nor a solicitation of an offer to purchase or sell any securities or financial instruments or an invitation to participate in any commercial venture. This Presentation is neither an offer nor an invitation to purchase or subscribe for any securities in any jurisdiction and no statements contained herein may serve as a basis for any agreement, commitment or investment decision, or may be relied upon in connection with any agreement, commitment or investment decision.

For more information on PKN ORLEN, please contact Investor Relations Department:
phone: + 48 24 256 81 80
fax: + 48 24 367 77 11
e-mail: ir@orlen.pl

www.orlen.pl