PKN ORLEN consolidated financial results 4Q18

24 January 2019

#ORLEN4Q18@PKN_ORLEN

Agenda

- Key facts and figures 2018
- Macro environment
- Financial and operating results
- Liquidity and investments
- Outlook for 2019

Key facts and figures 2018

Value creation

People

- EBITDA LIFO: PLN 8,3 bn
- Record-high throughput:: 33,4 mt, i.e. 95% capacity utilization
- Record-high sales: 42,9 mt, i.e. increase by 1% (y/y)
- Record-high retail result: PLN 2,8 bn EBITDA LIFO
- Strategy update and mid-term plan for 2019-2022
- Launching LOTOS Group take-over process
- Petrochemical Development Program till 2023
- Unipetrol minority shareholders buy-out
- Improvement of situation in ORLEN Lietuva
- Diversification of crude oil supplies
- Launching CCGT in Płock
- Program for individual shareholders „ORLEN W PORTFELU"
- Awards: "List 500" Rzeczpospolita – 1st place among the largest Polish companies / S&P Global Platts Top 250 – 45th place among the largest energy concerns in the world/ The World's Most Ethical Company / Top Employer Polska

Financial strength

- Cash flow from operations: PLN 5,0 bn
- CAPEX: PLN 4,3 bn
- Net debt: PLN 5,6 bn / financial gearing: 15,7%
- Dividend payment: PLN 1,3 bn (3,00 PLN/share)
- Maintaining of Fitch rating at high level of BBB- stable outlook
- Completion of bonds issue program for individual investors of PLN 1,0 bn total value

Agenda

Key facts and figures 2018

Macro environment

Financial and operating results

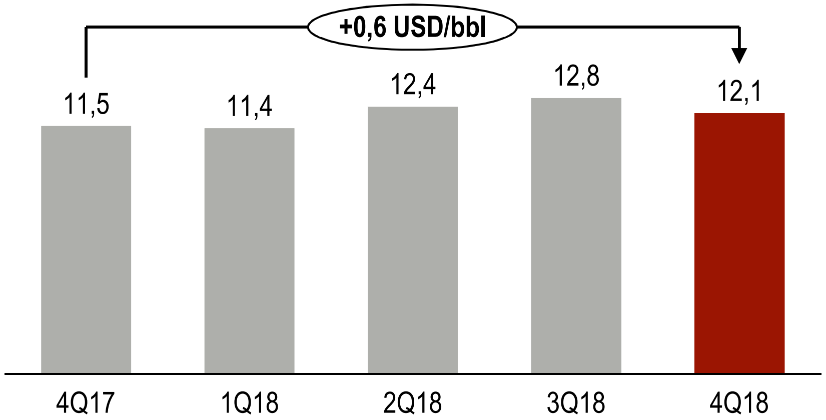
Liquidity and investments

Outlook for 2019

Macro environment in 4Q18 (y/y)

Downstream margin increase

Model downstream margin, USD/bbl



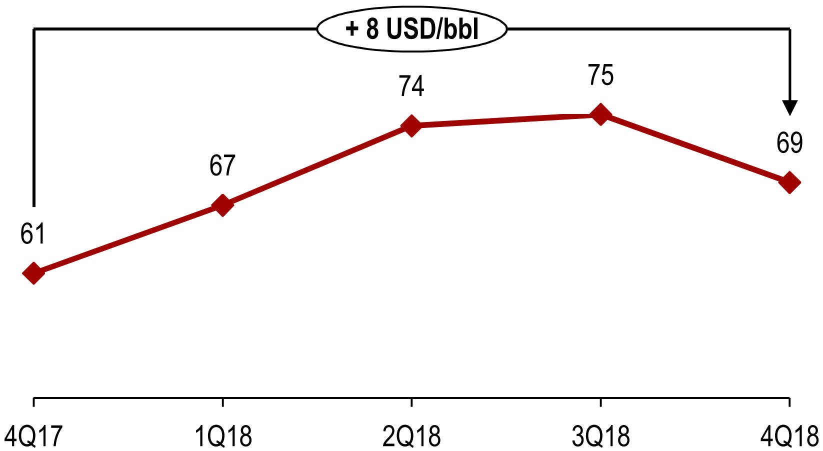
Product slate of downstream margin

Crack margins

Refining products (USD/t)	4Q17	3Q18	4Q18	Δ (y/y)
Diesel	91	101	124	36%
Gasoline	139	171	87	-37%
HSFO	-130	-147	-119	8%
SN 150	289	164	201	-30%
Petrochemical products (EUR/t)				
Ethylene	642	644	640	0%
Propylene	477	552	568	19%
Benzene	346	262	189	-45%
PX	362	431	628	73%

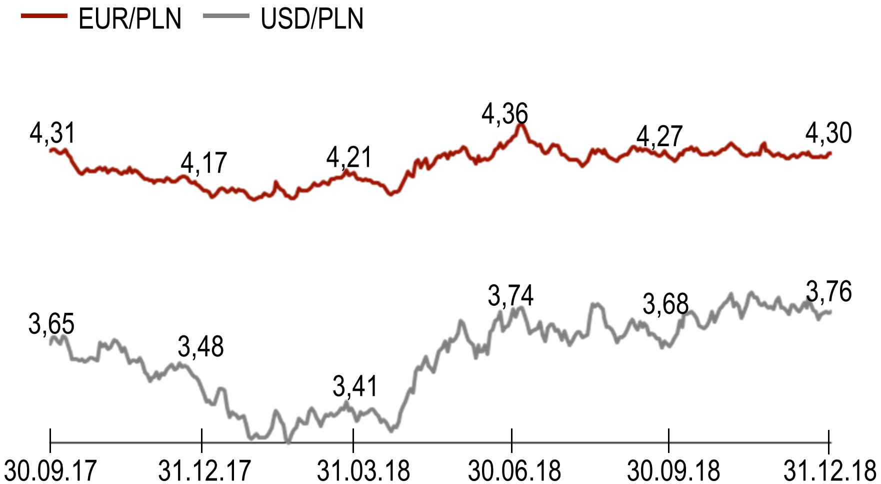
Crude oil price increase

Average Brent crude oil price, USD/bbl



Weakening of average PLN to USD and EUR

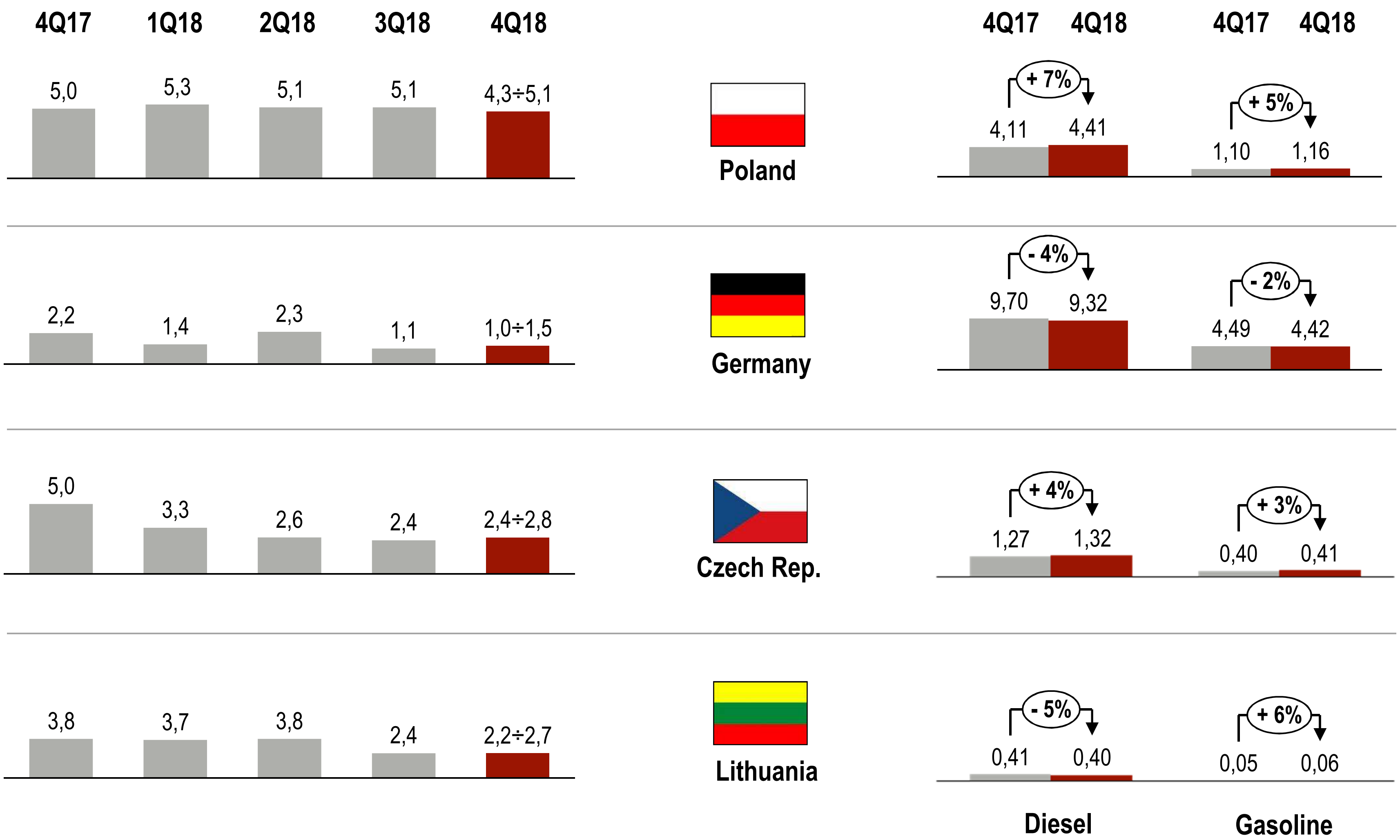
USD/PLN and EUR/PLN exchange rate



Fuel consumption increase in Poland (y/y)

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. – Statistical Office / unseasonal data, 4Q18 – estimates
[2] 4Q18 – PKN ORLEN estimates based on available data from ARE, Lithuanian Statistical Office, Czech Statistical Office and German Association of Petroleum Industry

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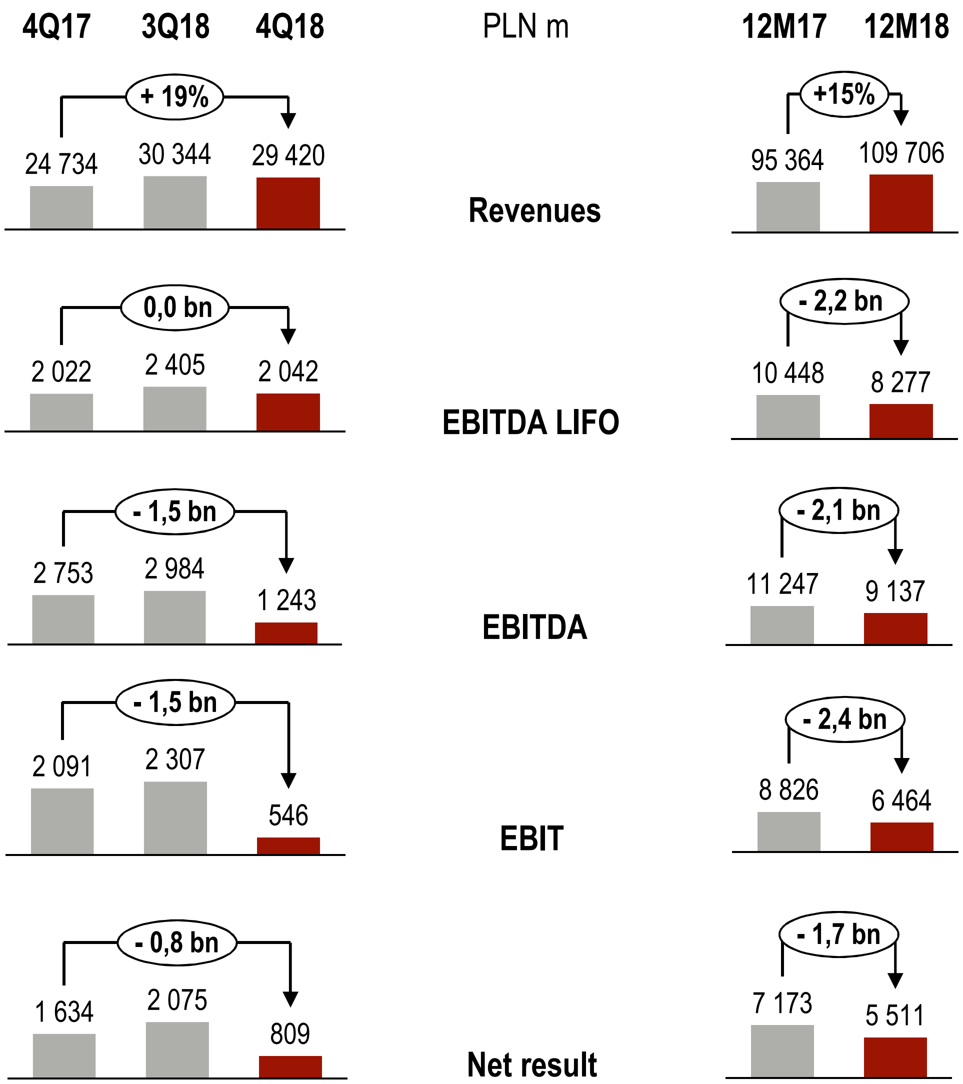
Financial results in 4Q18



Revenues: increase by19% (y/y) mainly due to higher quotations of refining and petrochemical products following crude oil price increase.

EBITDA LIFO: comparable level (y/y) mainly due to positive macro impact and higher both wholesale and retail trade margins limited by negative impact of volumes and effects from net realisable value (NRV) and due to usage of more expensive inventories of crude and products during maintenance periods.

LIFO effect: PLN (-) 0,8 bn in 4Q18 due to decreasing crude oil prices.

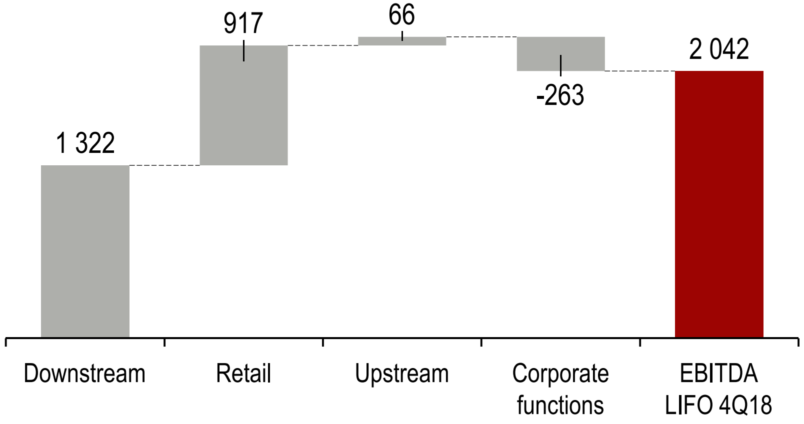
Financial result: PLN (-) 0,1 bn mainly due to negative net balance from foreign exchange differences limited by positive impact of settlement and valuation of derivative financial instruments.

Net result: decrease by PLN (-) 0,8 bn (y/y) down to PLN 0,8 bn in 4Q18.

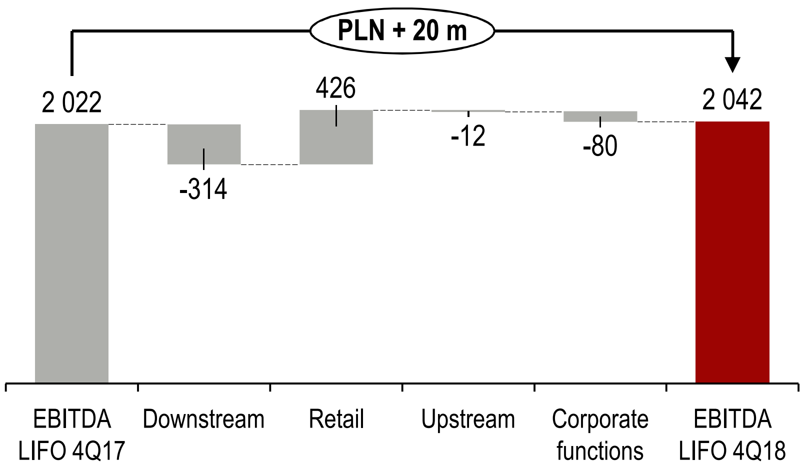
Data before impairments of assets:
4Q17: PLN (-) 0,1 bn regarding mainly upstream assets of ORLEN Upstream
4Q18: PLN 0,7 bn regarding mainly reversal of impairments on refining and petrochemical assets in Unipetrol
12M17: PLN (-) 0,2 bn regarding mainly upstream assets of ORLEN Upstream
12M18: PLN 0,6 bn, of which: PLN 0,7 bn regarding reversal of impairments on refining and petrochemical assets in Unipetrol and PLN (-) 0,1 bn regarding upstream assets of ORLEN Upstream

EBITDA LIFO

Segments' results in 4Q18
PLN m



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



4Q17 result includes PLN 0,1 bn of positive impact from revaluation of inventories (NRV)
4Q18 result includes PLN (-) 0,3 bn of negative impact from revaluation of inventories (NRV)

Downstream: positive impact of macro and higher trade margins limited by negative impact of volumes and effects from net realisable value (NRV) and due to usage of more expensive inventories of crude and products during maintenance periods.

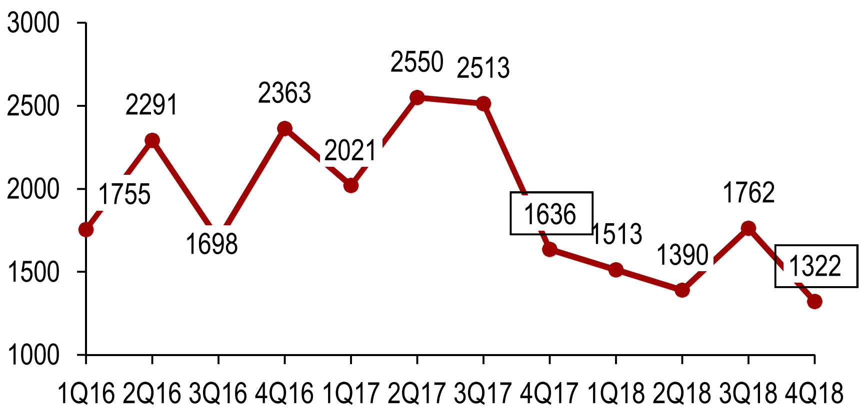
Retail: positive impact of higher sales volumes and higher fuel and non-fuel margins (y/y).

Upstream: positive impact of higher sales volumes was offset by negative impact of macro and balance on other operational activities , e.g. settlement and valuation of derivative financial instruments (y/y).

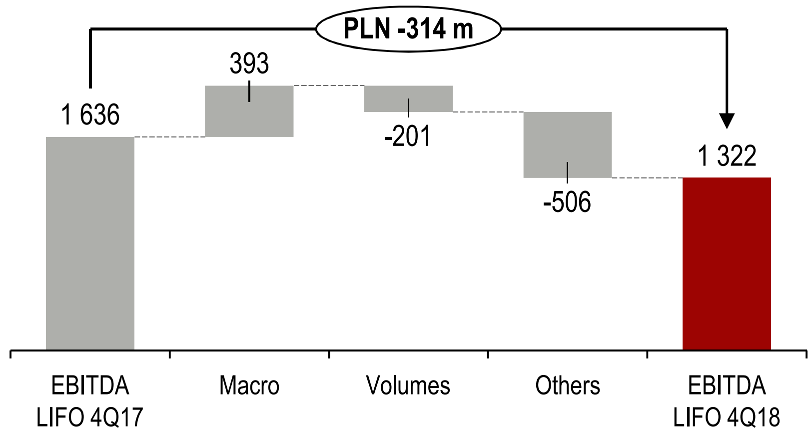
Corporate functions: higher costs mainly due to negative impact of change in other operational activity (y/y).

Downstream – EBITDA LIFO
Positive macro effect at negative impact of maintenance shutdowns

EBITDA LIFO
PLN m



EBITDA LIFO – impact of factors
PLN m



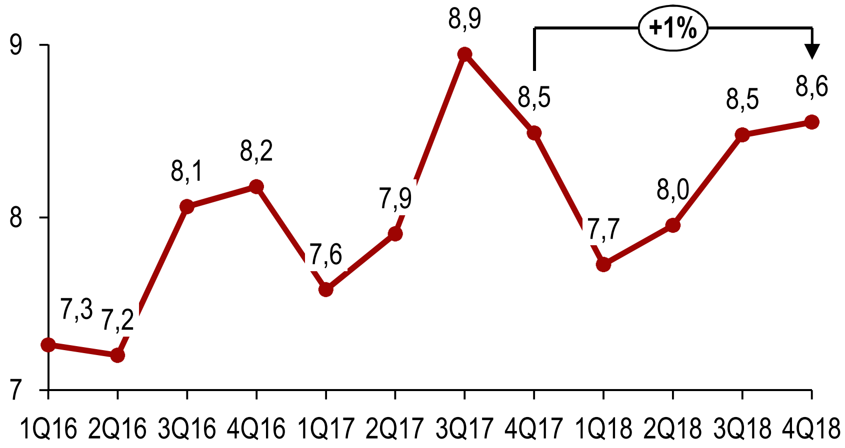
4Q17 result includes PLN 0,1 bn of positive impact from revaluation of inventories (NRV)
4Q18 result includes PLN (-) 0,3 bn of negative impact from revaluation of inventories (NRV)
Macro: margins and differential PLN 19 m, exchange rate PLN 62 m, hedging PLN 312 m

- Positive macro impact (y/y) mainly due to higher Brent/Ural differential, cracks improvement on middle distillates and heavy refining fractions and margins on olefins, as well as weakening of PLN against foreign currencies. Positive effect of above-mentioned macro factors was partially offset by negative impact of higher internal costs due to rising crude oil prices and lower margins on light distillates, polyolefins and PVC.
- Sales volumes increase by 1% (y/y), of which:
  - higher sales (y/y): diesel by 3% (however in Poland diesel volumes increased by 8%).
  - lower sales (y/y): gasoline by (-) 2%, LPG by (-) 13% and all petrochemical products, of which: olefins by (-) 23%, polyolefins by (-) 14%, fertilizers by (-) 2%, PVC by (-) 20% and PTA by (-) 9%.

- Negative volumes effect (y/y) despite sales volumes increase by 1% due to cyclical Olefin Unit maintenance shutdown and PTA maintenance in PKN ORLEN and longer shutdown of Steam Cracker in Unipetrol after cyclical maintenance from 3Q18.
- Others include mainly negative effects, of which: PLN (-) 0,4 bn from inventories revaluation (NRV) and PLN (-) 0,3 bn from processing more expensive crude oil and products inventories during maintenance shutdowns at positive impact of higher trade margins (y/y).

Downstream – operational data
High utilisation ratio despite maintenance shutdowns

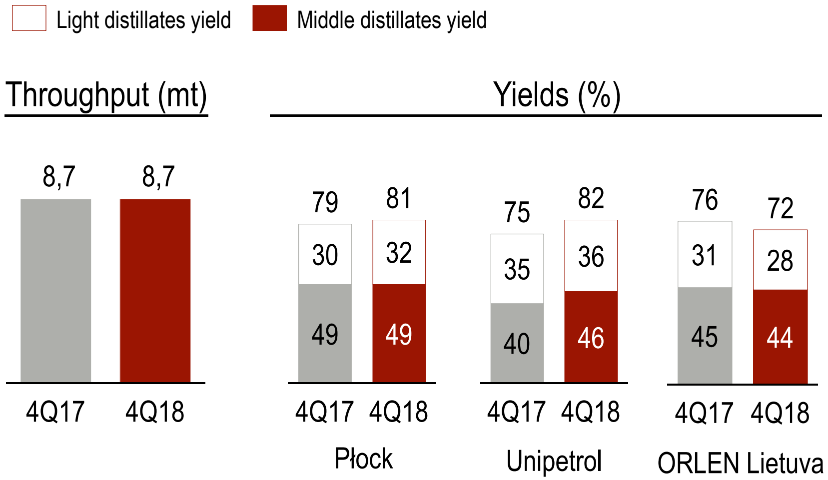
Sales volumes
mt



Utilisation ratio
%

Refineries	4Q17	3Q18	4Q18	Δ (y/y)
Płock	104%	97%	96%	-8 pp
Unipetrol	81%	92%	94%	13 pp
ORLEN Lietuva	104%	102%	102%	-2 pp
Petrochemical installations				
Olefins (Płock)	73%	83%	55%	-18 pp
Olefins (Unipetrol)	89%	47%	80%	-9 pp
BOP	75%	81%	53%	-22 pp

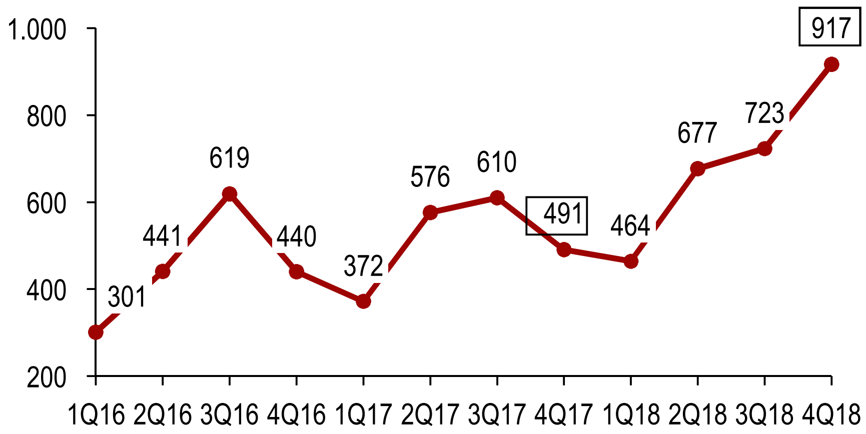
Crude oil throughput and fuel yield
mt, %



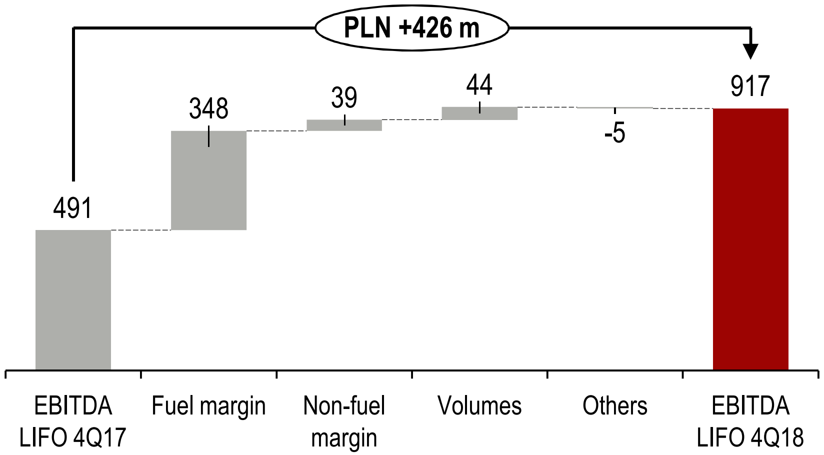
- Lower utilization by (-) 1pp (y/y), of which: Płock (-) 8pp due to shutdown of H-Oil and Olefins Unit; Unipetrol 13pp due to lack of cyclical shutdown in Litvinov refinery from the previous year; ORLEN Lietuva (-) 2pp due to tests of maximum utilisation of installations undertook in the previous year.
- Poland – higher refining sales volumes limited by decreasing sales of petrochemical products due to cyclical shutdown of Olefins unit.
- Czech Republic – lower petrochemical sales volumes due to production limitation partially offset by higher refining volumes.
- ORLEN Lietuva – higher sales, mainly heavy refining fractions due to worsening of production yields.

Retail – EBITDA LIFO
Increase of sales volumes and retail margins

EBITDA LIFO
PLN m



EBITDA LIFO – impact of factors
PLN m

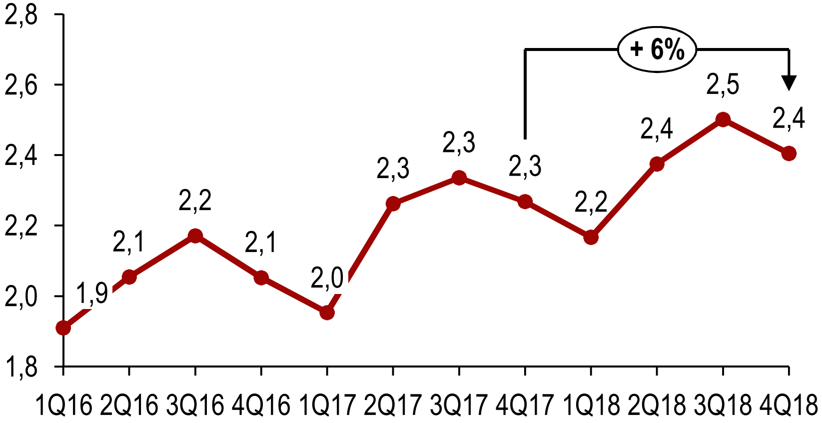


- Sales volumes increase by 6% (y/y).
- Market share increase in all markets (y/y).
- Fuel margin increase on Polish, German and Czech Republic markets at comparable margins in Lithuania (y/y).
- Non-fuel margin increase on Polish and Czech market at comparable margin on German and Lithuanian market (y/y).
- Dynamic growth of non-fuel offer: Stop Cafe/Star Connect coffee corners (including convenience stores branded O!SHOP) increased by 201 (y/y).

- Others include mainly higher costs of running fuel stations related to the higher sales volumes (y/y).

Retail – operational data
Sales volumes increase and further non-fuel offer growth

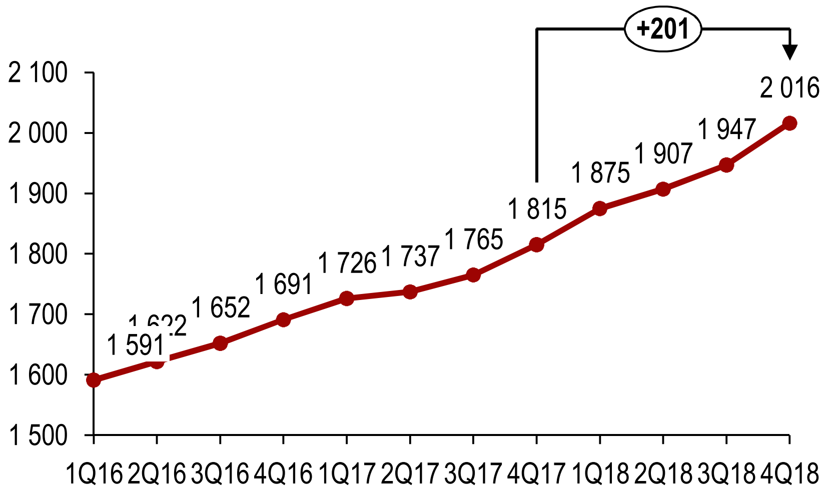
Sales volumes
mt



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

		# stations	Δ y/y	% market	Δ y/y
	PL	1 787	11	34,0%	0,6 pp
	DE	582	1	6,3%	0,2 pp
	CZ	409	8	23,2%	2,1 pp
	LT	25	0	4,7%	0,2 pp

Coffee corners (including convenience stores)
#

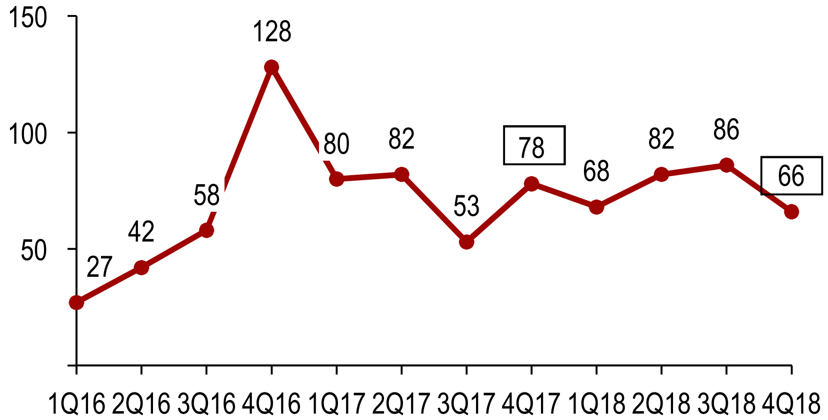


- Sales increase by 6% (y/y), of which: in Poland by 5%, in the Czech Rep. by 7%, in Lithuania by 11% and in Germany by 8%*.
- Market share increase in all markets (y/y). The highest increase in the Czech Rep. by 2,1 pp due to including all stations acquired from OMV into Benzina network and in Poland by 0,6 pp (y/y).
- 2803 fuel stations at the end of 4Q18, i.e. increase by 20 (y/y), of which: in Poland by 11, in Germany by 1 and in the Czech Rep. by 8 stations.
- Growth of non-fuel offer in 4Q18 by launching another 69 locations. At the end of 4Q18 there were 2016 locations, of which: 1667 Stop Cafe in Poland (including 354 convenience stores branded O!SHOP), 270 Stop Cafe in the Czech Rep., 23 Stop Cafe in Lithuania and 56 Star Connect in Germany.

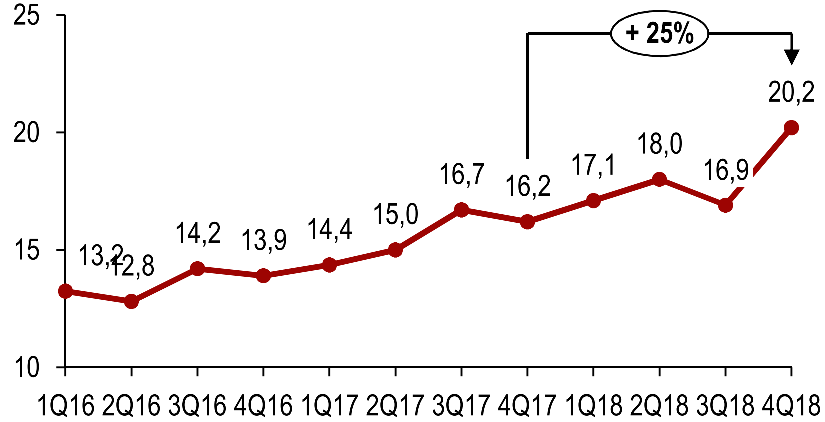
* Includes also increase of fuel sales beyond own petrol stations. Sales volumes on ORLEN Deutschland fuel stations increased by 6% (y/y).

Upstream– EBITDA LIFO
Positive impact of higher sales volumes reduced by negative macro

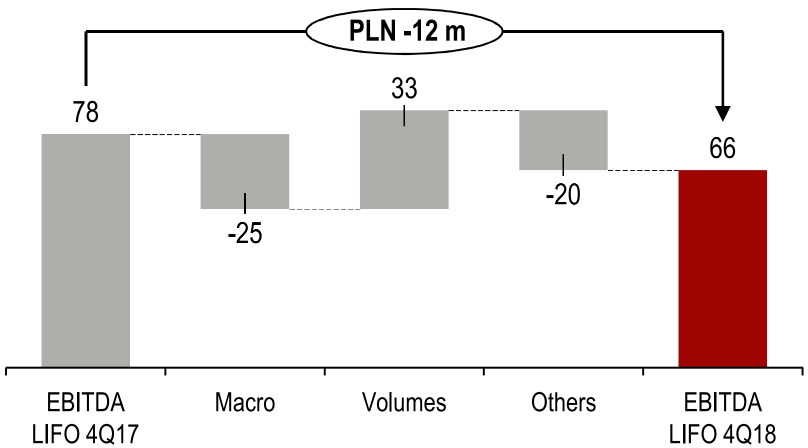
EBITDA LIFO
PLN m



Average production
th. boe/d



EBITDA LIFO – impact of factors
PLN m



Data before impairments of assets:
4Q17: PLN (-) 97 m
4Q18: PLN (-) 70 m

- Positive impact of higher sales volumes due to increase of average production by 4,0 th. boe/d, including: higher average production in Canada by 4,3 th. boe/d and lower average production in Poland by (-) 0,3 th. boe/d.

- Negative impact of macro related to decrease of crude oil, gas and NGL prices in Canada (y/y).
- Others include mainly settlement and valuation of derivative financial instruments.

Upstream

Poland

Total reserves of crude oil and gas (2P)

Ca. 13 m boe* (4% liquid hydrocarbons, 96% gas)

4Q18

Average production: 1,0 th. boe/d (100% gas)

EBITDA**: PLN (-) 2 m

CAPEX: PLN 57 m

12M18

Average production: 1,0 th. boe/d (100% gas)

EBITDA**: PLN 18 m

CAPEX: PLN 206 m

4Q18

- Drilling of Bystrowice-OU1 well on Miocen project completed, (gas deposits discovered). Beginning of works aiming at preparation for gas drilling.
- Drilling of Miłosław-6H and Komorze-3H wells completed (Płotki project).
- Drilling of Czarna Dolna-1 well launched (Bieszczady project).
- Termination of Sieraków-4 well completed (Sieraków project).
- Acquisition of seismic data on Chełmno 3D well completed (Edge project).

Canada

Total reserves of crude oil and gas (2P)

Ca. 141 m boe* (42% liquid hydrocarbons, 58% gas)

4Q18

Average production: 19,2 th. boe/d (51% liquid hydrocarbons)

EBITDA**: PLN 68 m

CAPEX: PLN 130 m

12M18

Average production: 17,0 th. boe/d (47% liquid hydrocarbons)

EBITDA**: PLN 284 m

CAPEX: PLN 534 m

4Q18

- Drilling of 4 wells (1,75 net) in Ferrier area, 2 wells (1,79 net) in Kakwa area and 1 well (1,00 net) in Blackstone area launched.
- 5 wells (2,00 net) in Ferrier area, 1 well (0,75 net) in Kakwa area and 1 well (1,00 net) in Blackstone area fracked.
- 7 wells (4,0 net) in Ferrier area and 3 wells (2,50 net) in Kakwa area included into production.
- Expansion of initial gas processing installation completed and expansion of water storage installation continued in Kakwa area.

* Data for Poland as of 31.12.2018, data for Canada as of 31.12.2017 (reserves report as of 31.12.2018 under preparation).
** Operating results before impairments of assets: 4Q18: PLN (-) 70 m / 12M18: PLN (-) 82 m.
Net – number of wells multiplied by percent of share in particular asset

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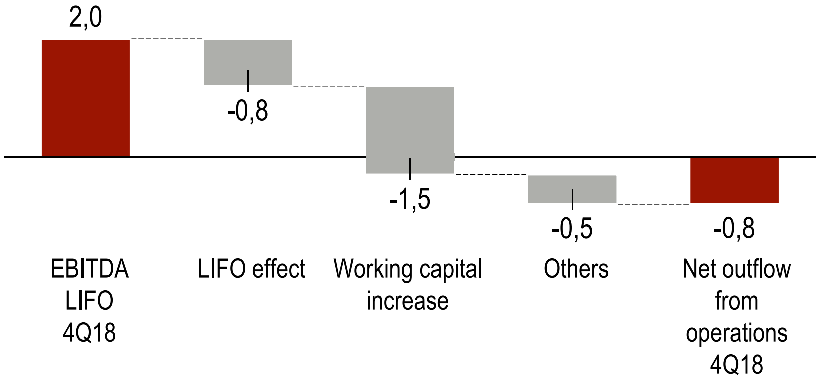
Cash flow

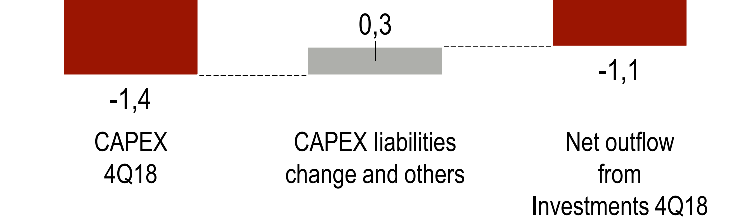
Cash flow from operations

PLN bn



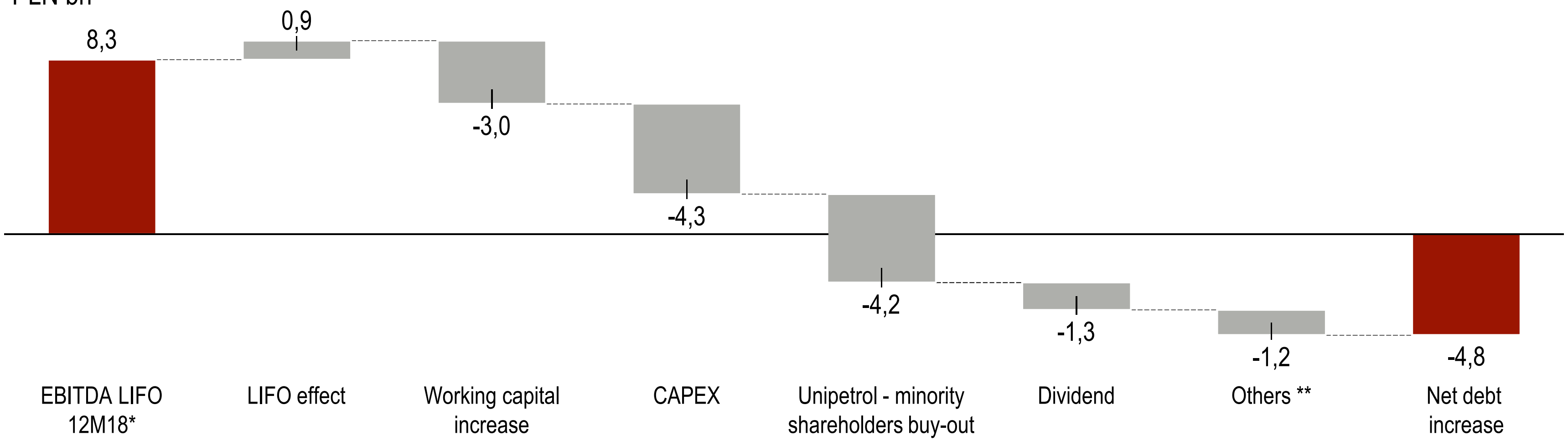
Cash flow from investments

PLN bn



Free cash flow for 12M18

PLN bn



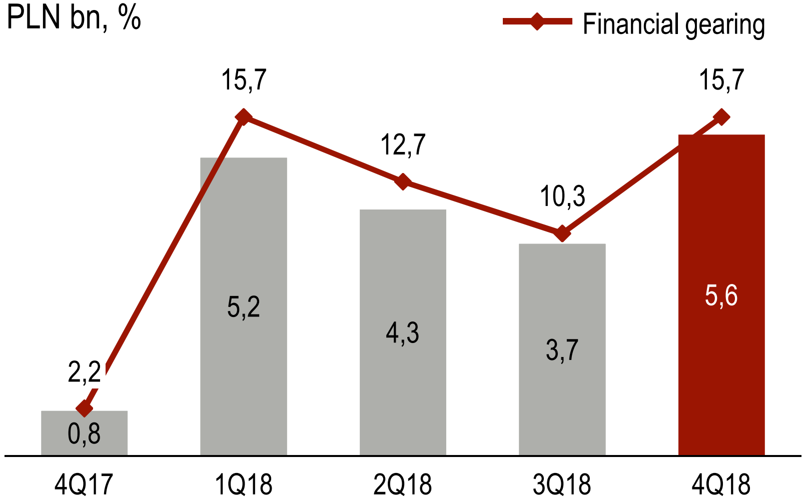
* includes PLN 0,1 bn of one-offs, of which: PLN (-) 0,2 bn of negative impact from inventories revaluation (NRV) and PLN 0,3 bn from insurance compensation related to Steam Cracker failure in Unipetrol from 2015

** mainly paid income tax, elimination of companies' results consolidated under equity method, FX differences (operational and related to debt) and paid interests

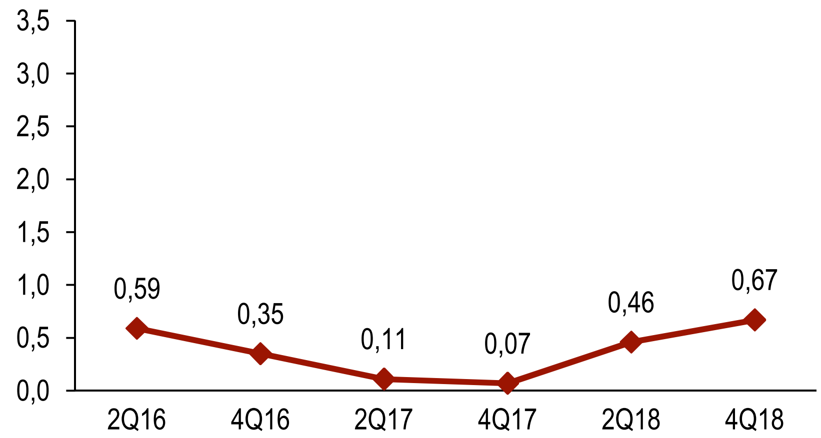
Financial strength

Net debt and gearing

PLN bn, %

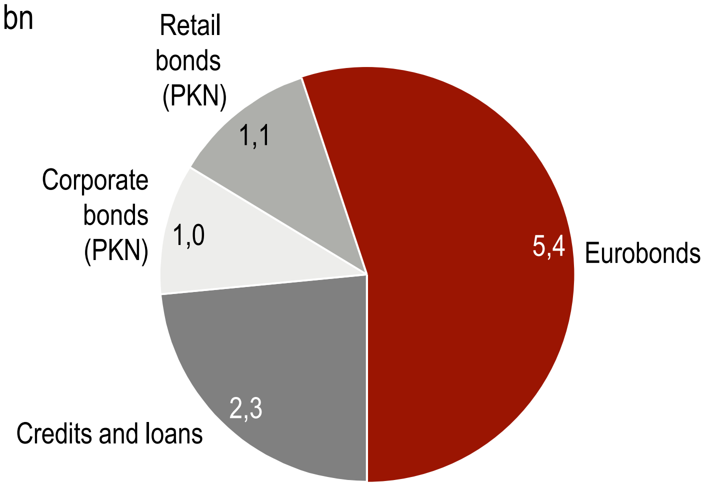


Net debt /EBITDA LIFO



Diversified sources of financing (gross debt)

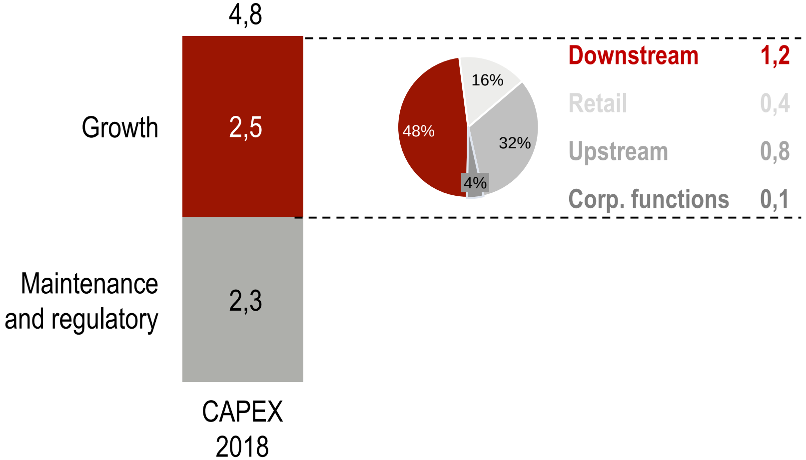
PLN bn



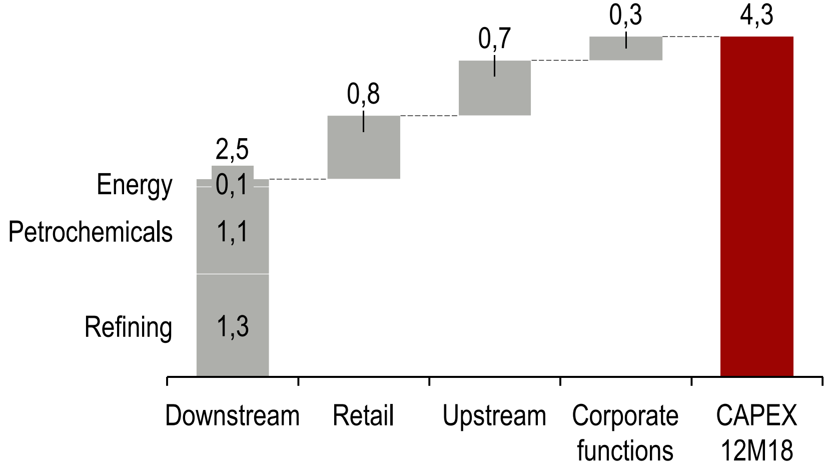
- Gross debt structure: EUR 77%, PLN 22%, CAD 1%.
- Average maturity in 2021.
- Investment grade: BBB- stable outlook (Fitch), Baa2 stable outlook (Moody's).
- Net debt increase by PLN 1,9 bn (q/q) mainly due to negative cash flow from operations of PLN (-) 0,8 bn and net investments of PLN (-) 1,1 bn.
- Mandatory reserves on balance sheet as of the end of 4Q18 were at the level of PLN 5,6 bn, including PLN 5,2 bn in Poland.

CAPEX 2018

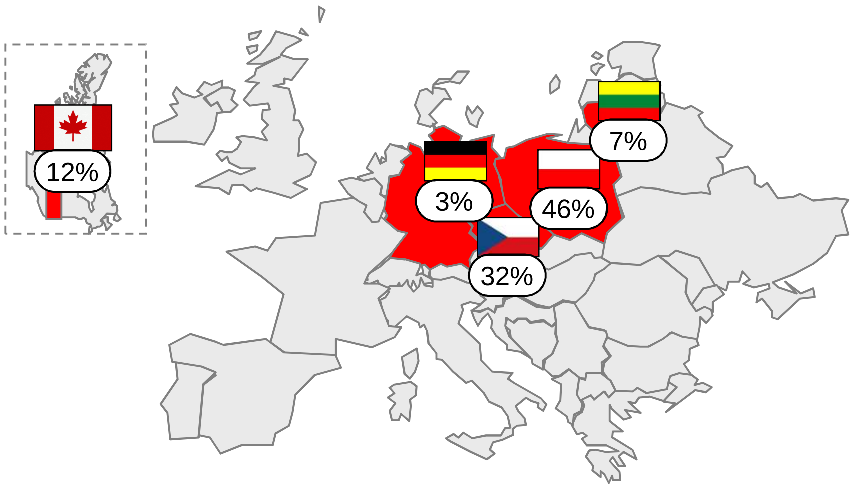
Planned CAPEX 2018
PLN bn, %



Realized CAPEX 12M18 – split by segment
PLN bn



Realized CAPEX 12M18 – split by country
%



Main projects realized in 4Q18

DOWNSTREAM
- Construction of Polyethylene Unit in the Czech Rep.
- Construction of Metathesis Unit in Płock
- Construction of PPF Splitter in Lithuania

RETAIL
- 30 fuel stations opened (including: 21 in Poland, 5 in Germany and 4 in the Czech Rep.), 14 closed and 29 modernized (mainly in the Czech Rep.)
- 69 Stop Cafe/Star Connect locations opened (including convenience shops under the brand O!SHOP)

UPSTREAM
- Canada – PLN 130 m / Poland – PLN 57 m

* CAPEX 4Q18 amounted PLN 1 381 m: refining PLN 390 m, petrochemicals PLN 405 m, energy PLN (-) 85 m, retail PLN 353 m, upstream PLN 187 m, corporate functions PLN 131 m.
CAPEX, in accordance with the auditor's recommendations, takes into account the change in the method of booking compensation for delays in CCGT Płock realization

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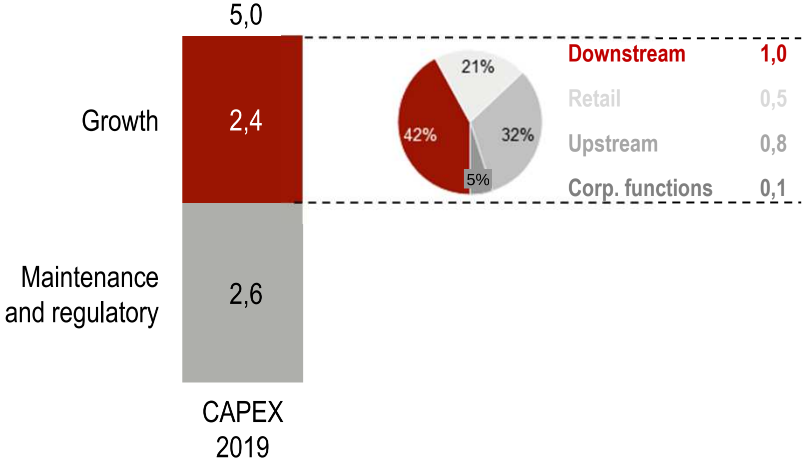
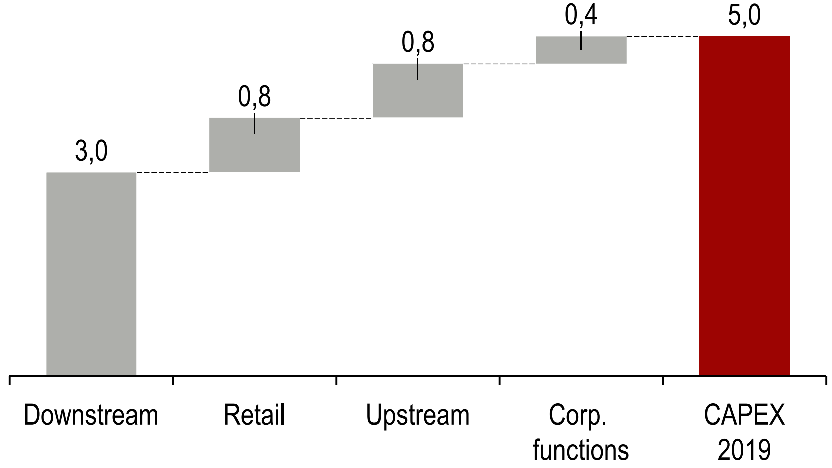
CAPEX 2019

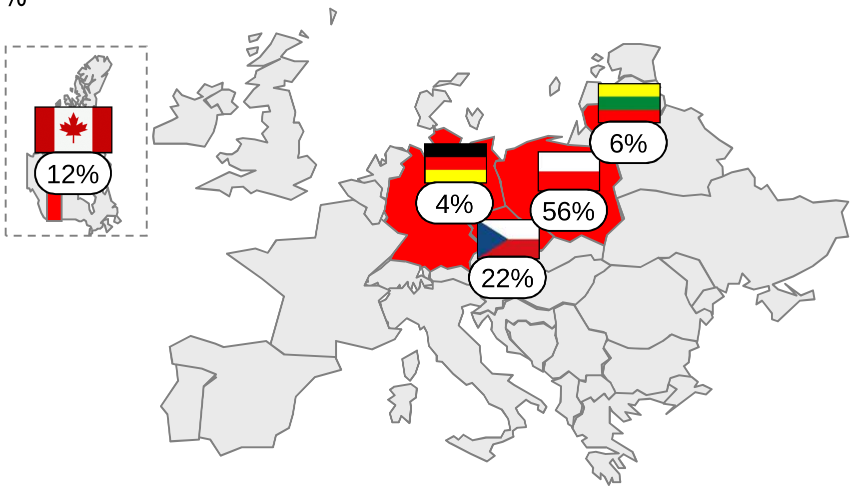
Planned CAPEX 2019
PLN bn, %



Planned CAPEX 2019 – split by segment
PLN bn



Planned CAPEX 2019 – split by country
%



Main projects realized in 2019

DOWNSTREAM

- Expansion of fertilizers production facilities in Anwilu
- Construction of Polyethylene Unit in the Czech Rep.
- Construction of production units under Petrochemical Development Programme
- Preparation for construction of Visbreaking installation in Płock
- Development of EV chargers network in Poland
- Preparation for construction of offshore wind farm on Baltic Sea

RETAIL

- Development of fuel network (35 new own stations)
- Development of Stop Cafe 2.0 concept (over 180 new points)
- Launching new products and services

UPSTREAM

- Canada – ca. PLN 600 m / Poland – ca. PLN 200 m

Outlook 2019

Macro

- Brent crude oil – expected to remain at comparable level to 2018 average.

  Expected pressure on crude oil price related to forecasted global economy slowdown and increase of production in the US will be offset by OPEC+ agreement regarding limitation of crude oil production by 1,2 m boe/d.

- Downstream margin – expected to remain at comparable level to 2018 average.

  Expected increase of refining margins incl. B/U diff due to increase of demand for middle distillates and decrease of demand for Ural crude oil related to forthcoming IMO 2020 regulation. Positive impact of higher refining margin incl. B/U diff will be offset by decrease of petrochemical margin due to launching of new petrochemical production facilities operating based on cheaper feedstock. Expected further increase in fuels and petrochemical products consumption on domestic markets should support downstream margin.

Economy

- GDP forecast*– Poland 3,6%, Czech Rep. 3,3%, Lithuania 2,8%, Germany 1,5%.
- Fuel consumption – expected flat demand for gasoline and slight increase in diesel demand in the Czech Rep., Germany and Lithuania. In Poland, further increasing trend for both gasoline and diesel is expected.

Regulatory environment

- Limitation of Sunday trading – from 2019 shops in Poland are open only on last Sunday of the month. The trade ban does not apply to fuel stations.
- Emission fee – in force from 2019.
- National Index Target – base level of National Index Target for 2019 set on 8.0%. PKN ORLEN will be able to take advantage of the possibility to reduce the ratio to 5,58%.

* Poland (NBP, November 2018); Germany (RGE, November 2018); Czech Rep. (CNB, November 2018); Lithuania (LB, June 2018)

Thank you for your attention

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Agenda

Supporting slides

Results – split by quarter

PLN m	4Q17	3Q18	4Q18	Δ (r/r)	12M17	12M18	Δ
Revenues	24 734	30 344	29 420	19%	95 364	109 706	15%
EBITDA LIFO	2 022	2 405	2 042	1%	10 448	8 277	-21%
LIFO effect	731	579	-799	-	799	860	8%
EBITDA	2 753	2 984	1 243	-55%	11 247	9 137	-19%
Depreciation	-662	-677	-697	-5%	-2 421	-2 673	-10%
EBIT LIFO	1 360	1 728	1 345	-1%	8 027	5 604	-30%
EBIT	2 091	2 307	546	-74%	8 826	6 464	-27%
Net result	1 634	2 088	267	-84%	7 173	4 993	-30%

Data before impairments of assets:
4Q17: PLN (-) 0,1 bn regarding mainly upstream assets of ORLEN Upstream
4Q18: PLN 0,7 bn regarding mainly reversal of impairment on Unipetrol refining and petrochemical assets
12M17: PLN (-) 0,2 bn regarding mainly upstream assets of ORLEN Upstream
12M18: PLN 0,6 bn w tym: PLN 0,7 bn regarding reversal of impairment on Unipetrol refinining and petrochemical assets and PLN (-) 0,1 bn regarding upstream assets of ORLEN Upstream

Results – split by segment

4Q18 PLN m	Downstream	Retail	Upstream	Corporate functions	TOTAL
EBITDA LIFO	1 322	917	66	-263	2 042
LIFO effect	-799	-	-	-	-799
EBITDA	523	917	66	-263	1 243
Depreciation	-476	-118	-71	-32	-697
EBIT	47	799	-5	-295	546
EBIT LIFO	846	799	-5	-295	1 345

4Q17 PLN m	Downstream	Retail	Upstream	Corporate functions	TOTAL
EBITDA LIFO	1 636	491	78	-183	2 022
LIFO effect	731	-	-	-	731
EBITDA	2 367	491	78	-183	2 753
Depreciation	-439	-112	-76	-35	-662
EBIT	1 928	379	2	-218	2 091
EBIT LIFO	1 197	379	2	-218	1 360

Data before impairments of assets:
4Q17: PLN (-) 0,1 bn regarding mainly upstream assets of ORLEN Upstream
4Q18: PLN 0,7 bn regarding mainly reversal of impairment on Unipetrol refining and petrochemical assets

EBITDA LIFO – split by segment

PLN m	4Q17	3Q18	4Q18	Δ (y/y)	12M17	12M18	Δ
Downstream	1 636	1 762	1 322	-19%	8 720	5 987	-31%
Retail	491	723	917	87%	2 049	2 781	36%
Upstream	78	86	66	-15%	293	302	3%
Corporate functions	-183	-166	-263	-44%	-614	-793	-29%
EBITDA LIFO	**2 022**	**2 405**	**2 042**	**1%**	**10 448**	**8 277**	**-21%**

Data before impairments of assets:
4Q17: PLN (-) 0,1 bn regarding mainly upstream assets of ORLEN Upstream
4Q18: PLN 0,7 bn regarding mainly reversal of impairment on Unipetrol refining and petrochemical assets
12M17: PLN (-) 0,2 bn regarding mainly upstream assets of ORLEN Upstream
12M18: PLN 0,6 bn w tym: PLN 0,7 bn regarding reversal of impairment on Unipetrol refinining and petrochemical assets and PLN (-) 0,1 bn regarding upstream assets of ORLEN Upstream

Results – split by company

4Q18 PLN m	PKN ORLEN S.A.	Unipetrol [2]	ORLEN Lietuva [2]	Others and consolidation corrections	Total
Revenues	23 296	6 061	5 728	-5 665	29 420
EBITDA LIFO	1 361	465	-283	499	2 042
LIFO effect [1]	-434	-333	-16	-16	-799
EBITDA	927	132	-299	483	1 243
Depreciation	-358	-148	-28	-163	-697
EBIT	569	-16	-327	320	546
EBIT LIFO	1 003	317	-311	336	1 345
Financial income	227	68	5	-56	244
Financial costs	-290	-5	-13	12	-296
Net result	432	646	-258	23	843

Data before impairments of assets:
4Q18: PLN 0,7 bn regarding mainly reversal of impairment on Unipetrol refining and petrochemical assets

[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	4Q17	3Q18	4Q18	Δ (y/y)	12M17	12M18	Δ
Revenues	5 024	5 553	5 728	14%	17 042	20 093	18%
EBITDA LIFO	344	271	-283	-	1 074	157	-85%
EBITDA	373	227	-299	-	1 143	148	-87%
EBIT	354	202	-327	-	1 072	57	-95%
Net result	281	166	-258	-	908	49	-95%

- Sales volumes increase by 5% (y/y), mainly heavy refinery fractions with a similar level of fuels sales. Higher revenues reflect increase in products quotations due to crude oil price increase.
- Lower crude oil throughput and utilization decrease by (-) 2 pp (y/y) mainly due to tests of maximum utilization of production installations carried out in 2018.
- EBITDA LIFO lower by PLN (-) 627 m (y/y) mainly due to changes in revaluation of inventories to net realizable value (NRV) as a result of falling prices of crude oil and products, and the use of expensive inventories in the event of unstable crude oil supplies due to difficult weather conditions.
- CAPEX 4Q18: PLN 110 m / 12M18: PLN 304 m.

* Data before impairments of assets:
4Q17: PLN 2 m
12M17: PLN (-) 1 m

UNIPETROL Group

PLN m	4Q17	3Q18	4Q18	Δ (y/y)	12M17	12M18	Δ
Revenues	5 041	6 024	6 061	20%	19 811	21 745	10%
EBITDA LIFO	211	349	465	120%	2 394	1 454	-39%
EBITDA	334	416	132	-60%	2 420	1 338	-45%
EBIT	195	281	-16	-	1 961	798	-59%
Net result	118	216	646	447%	1 403	1 406	0%

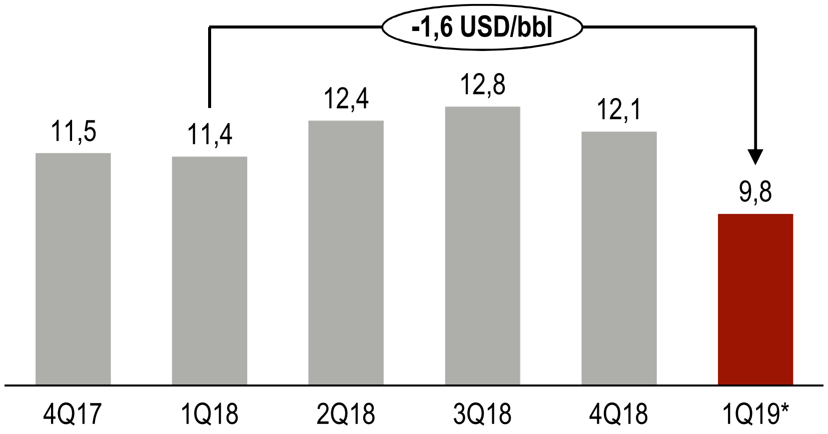
- Sales volumes increase by 1% (y/y) due to higher, by 7% (y/y), sales of fuels in retail segment. Lower downstream segment sales (y/y) due to unplanned shutdown of Steam Cracker. Increase in revenues due to higher crude oil price reflected in higher refining and petrochemical products quotations.
- Higher crude oil throughput and as an effect utilization increase by 13 pp (y/y) mainly due to shorter shutdowns of Visbreaking unit (y/y) and no shutdown of Hydrocracking and Hydrodesulphurisation from 4Q17.
- EBITDA LIFO higher by PLN 254 m (y/y) mainly due to positive effect of macro environment, higher sales volumes and wholesale and retail margins with negative impact (y/y) of NRV.
- CAPEX 4Q18: PLN 385 m / 12M18: PLN 1 308 m.

* Data before impairments of assets:
3Q18: PLN (-) 8 m
4Q18: PLN 748 m/ 4Q17: PLN (-)12 m
12M18: PLN 741 m/ 12M17: PLN (-) 12m

Macro environment in 1Q19

Downstream margin decrease

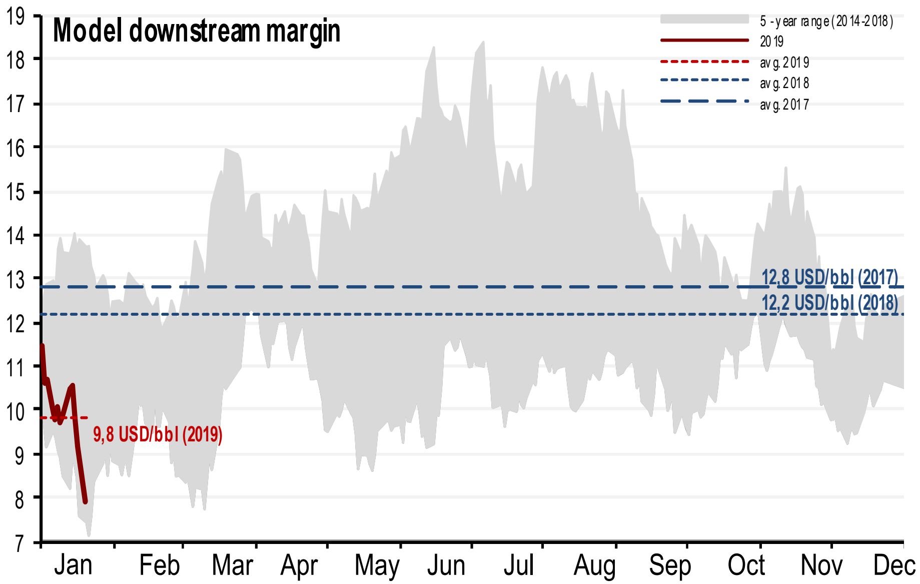
Model downstream margin, USD/bbl



Product slate of downstream margin

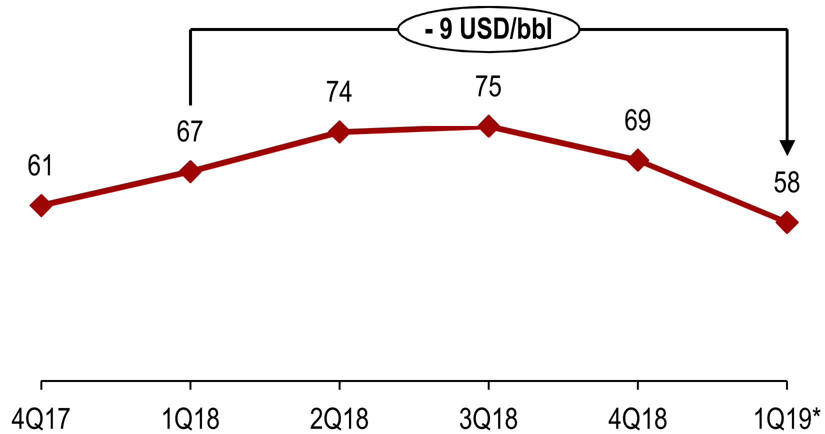
Crack margins

Refining products (USD/t)	1Q18	4Q18	1Q19*	∆ Q/Q	∆ Y/Y
Diesel	87	124	113	-9%	30%
Gasoline	133	87	70	-20%	-47%
HSFO	-154	-119	-104	13%	32%
SN 150	224	201	240	19%	7%
Petchem products (EUR/t)					
Ethylene	652	640	602	-6%	-8%
Propylene	510	568	542	-5%	6%
Benzene	335	189	102	-46%	-70%
PX	387	628	562	-11%	45%



Crude oil price decrease

Average Brent crude oil price, USD/bbl

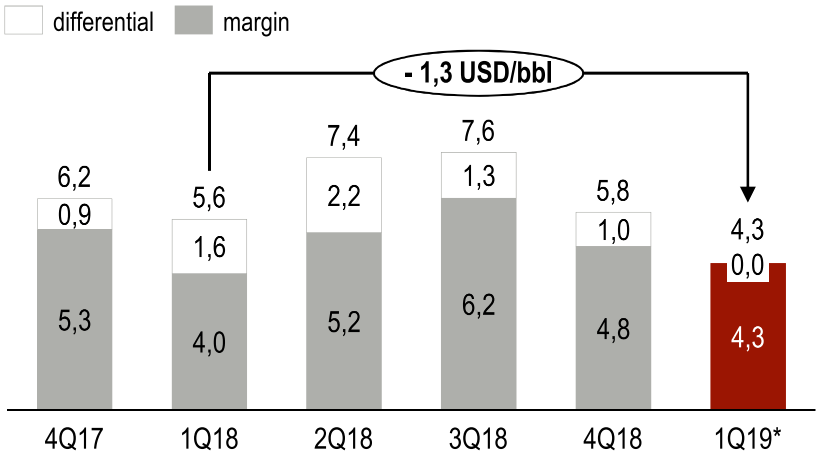


* Data as of 18.01.2019

Macro environment in 1Q19

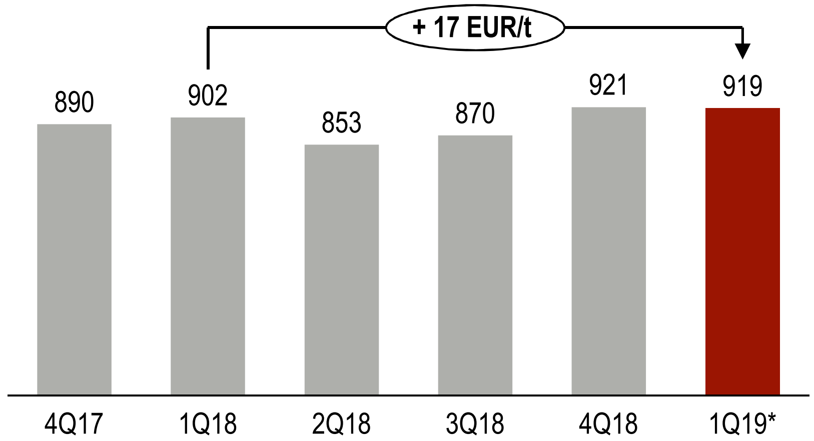
Refining margin with B/U differential decrease

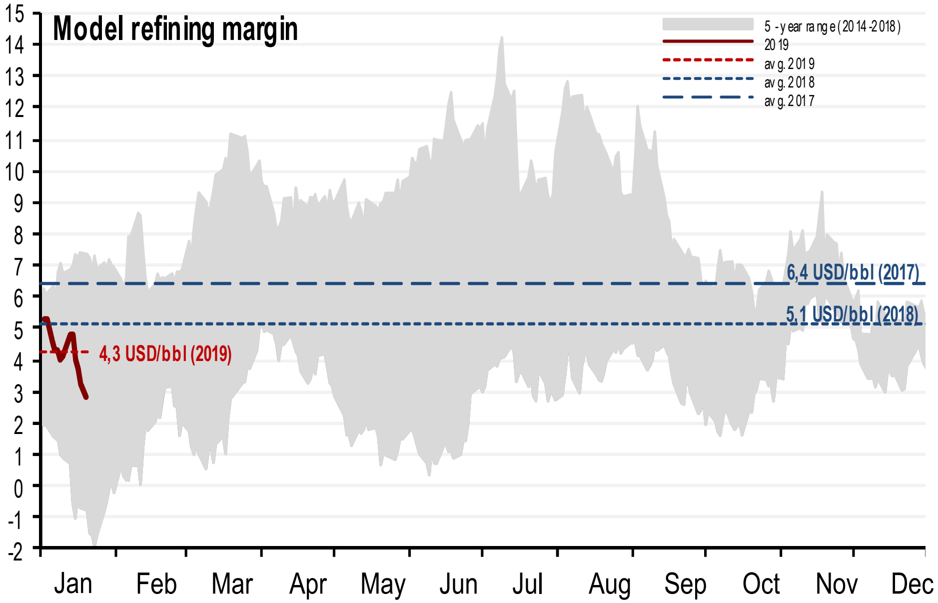
Model refining margin and Brent/Ural differential, USD/bbl

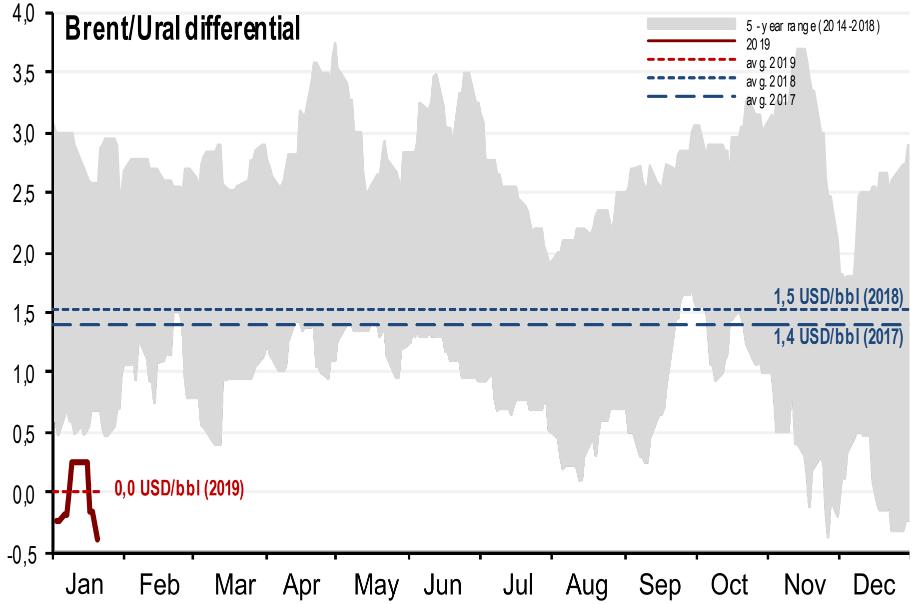


Petrochemical margin increase

Model petrochemical margin, EUR/t







* Data as of 18.01.2019

Production data

	4Q17	3Q18	4Q18	Δ (y/y)	Δ (q/q)	12M17	12M18	Δ
Total crude oil throughput in PKN ORLEN	8 746	8 694	8 696	-1%	0%	33 228	33 380	0%
Utilization	99%	98%	98%	-1 pp	0 pp	94%	95%	1 pp
Refinery in Poland [1]								
Processed crude (kt)	4 250	3 977	3 955	-7%	-1%	15 220	15 855	4%
Utilization	104%	97%	96%	-8 pp	-1 pp	93%	97%	4 pp
Fuel yield [4]	79%	82%	81%	2 pp	-1 pp	80%	81%	1 pp
Light distillates yield [5]	30%	34%	32%	2 pp	-2 pp	32%	32%	0 pp
Middle distillates yield [6]	49%	48%	49%	0 pp	1 pp	48%	49%	1 pp
Refineries in the Czech Rep. [2]								
Processed crude (kt)	1 770	2 023	2 050	16%	1%	7 894	7 555	-4%
Utilization	81%	92%	94%	13 pp	2 pp	91%	87%	-4 pp
Fuel yield [4]	75%	80%	82%	7 pp	2 pp	79%	80%	1 pp
Light distillates yield [5]	35%	34%	36%	1 pp	2 pp	35%	34%	-1 pp
Middle distillates yield [6]	40%	46%	46%	6 pp	0 pp	44%	46%	2 pp
Refinery in Lithuania [3]								
Processed crude (kt)	2 656	2 629	2 619	-1%	0%	9 821	9 690	-1%
Utilization	104%	102%	102%	-2 pp	0 pp	96%	95%	-1 pp
Fuel yield [4]	76%	73%	72%	-4 pp	-1 pp	75%	73%	-2 pp
Light distillates yield [5]	31%	28%	28%	-3 pp	0 pp	30%	28%	-2 pp
Middle distillates yield [6]	45%	45%	44%	-1 pp	-1 pp	45%	45%	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 roundings
[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

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