



UNIPETROL 1Q 2015 FINANCIAL RESULTS

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Key highlights of 1Q15

Macro environment

Financial and operating results

Cash flow, net working capital and financial gearing

Plans and market outlook for 2015

Back-up

KEY HIGHLIGHTS OF 1Q15

External macro environment

- ▶ Czech GDP growth in 1Q15 expected at 1.8% y/y maintaining solid dynamics
- ▶ Declining trend of crude oil price stopped, stabilization around 60 USD/bbl, however 50% slump y/y to 54 USD/bbl (quarterly average)
- ▶ Profound improvement of refining margin q/q and y/y to 5.5 USD/bbl
- ▶ Thanks to legislative measures grey zone on Czech fuels market remains very limited

Operational performance

- ▶ Increase of crude oil throughput by 10% y/y to 1,243 kt and very solid level of refining utilization at 84% taking into account winter seasonality and planned and successfully executed shutdown of Kralupy refinery in the second half of March
- ▶ Record steam cracker utilization at 95% and substantial increase of sales volumes of high margin polymers y/y
- ▶ Further significant increase of sales volumes y/y in both segments (downstream and retail)

Value creation and financial standing

- ▶ Profound increase of profitability y/y with EBITDA LIFO of CZK 3,111 m and net profit of CZK 1,995 m
- ▶ Strong cash flow generation with operating cash flow CZK 3,338 m and free cash flow CZK 3,225 m
- ▶ Very strong financial standing with negative net debt (net cash) position CZK (-) 501 m, financial gearing (-) 1.7% and net debt/EBITDA LIFO (-) 0.06





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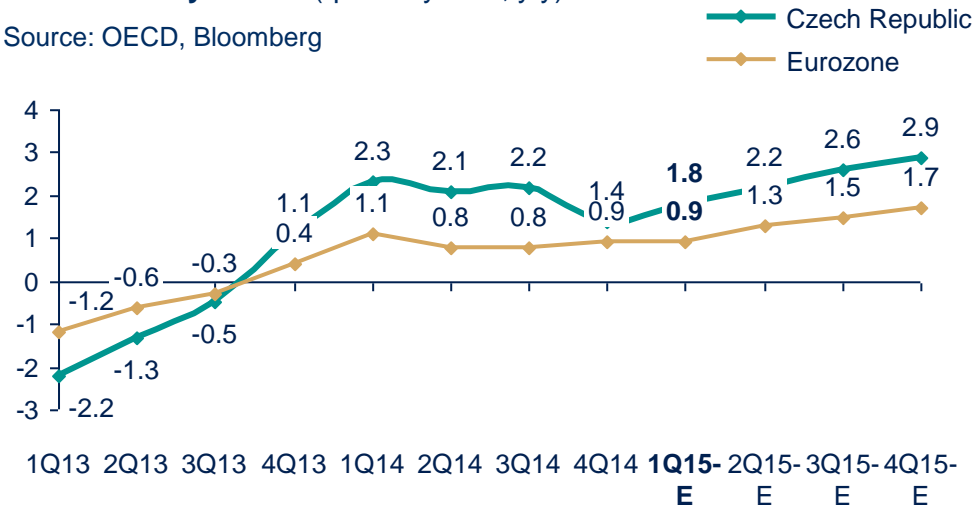
Back-up

GENERAL MACRO ENVIRONMENT

Czech GDP growth expected at 1.8% y/y in 1Q15

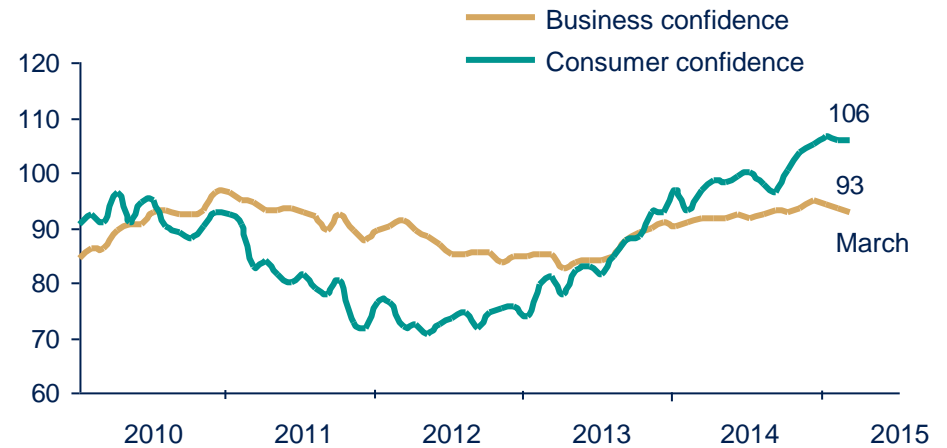
Czech GDP dynamics (quarterly data, y/y)

Source: OECD, Bloomberg



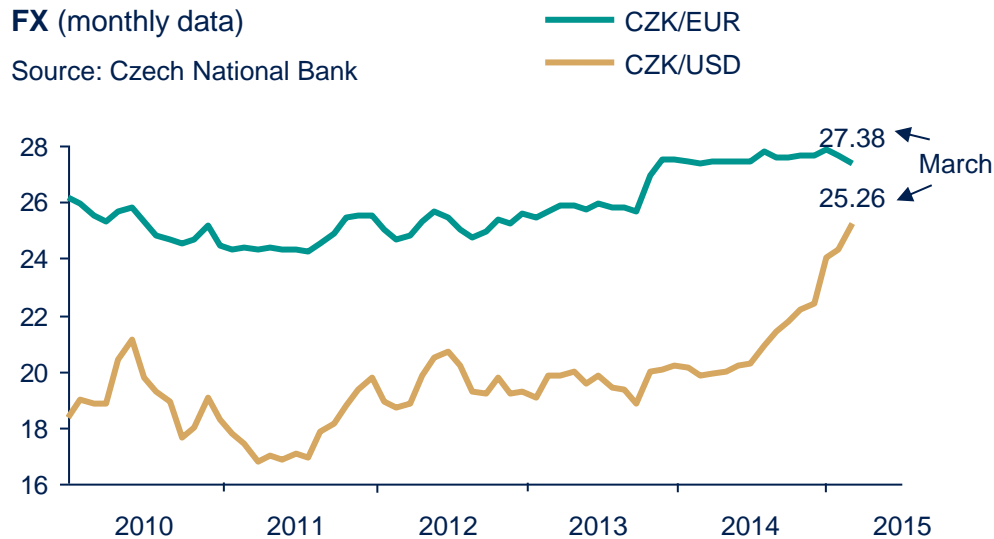
Confidence in the Czech economy (monthly data)

Source: Czech Statistical Office



FX (monthly data)

Source: Czech National Bank

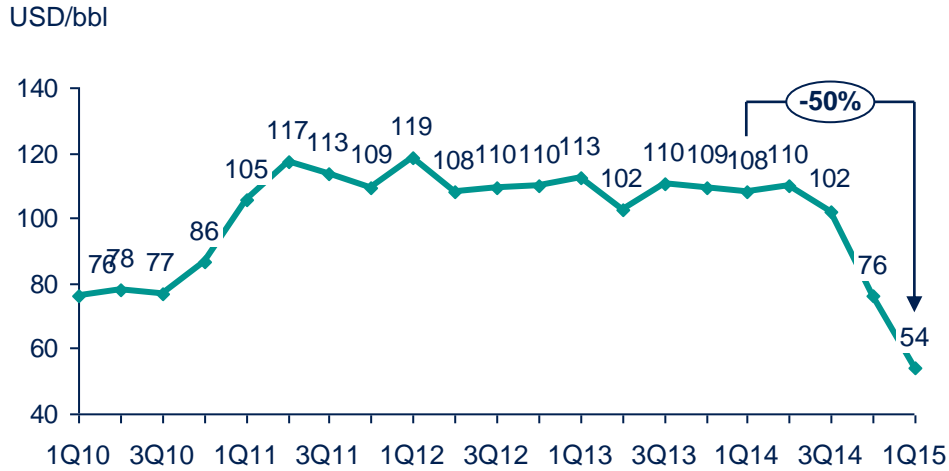


- ▶ Czech GDP growth in 1Q15 expected at 1.8% y/y maintaining solid dynamics...
- ▶ ...with further increases expected during upcoming quarters
- ▶ Stable business and consumer confidence in the Czech economy on relatively high level
- ▶ CZK relatively stable against EUR around 27.60 CZK/EUR and continuing weakening against USD to 25.30 CZK/USD in March as EUR is weakening against USD approaching parity

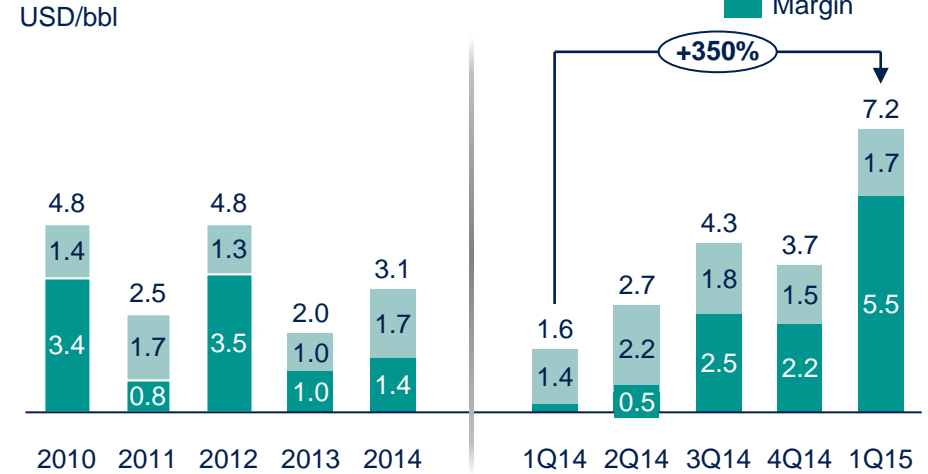
DOWNSTREAM MACRO ENVIRONMENT

Profound improvement of refining margin q/q and y/y to 5.5 USD/bbl

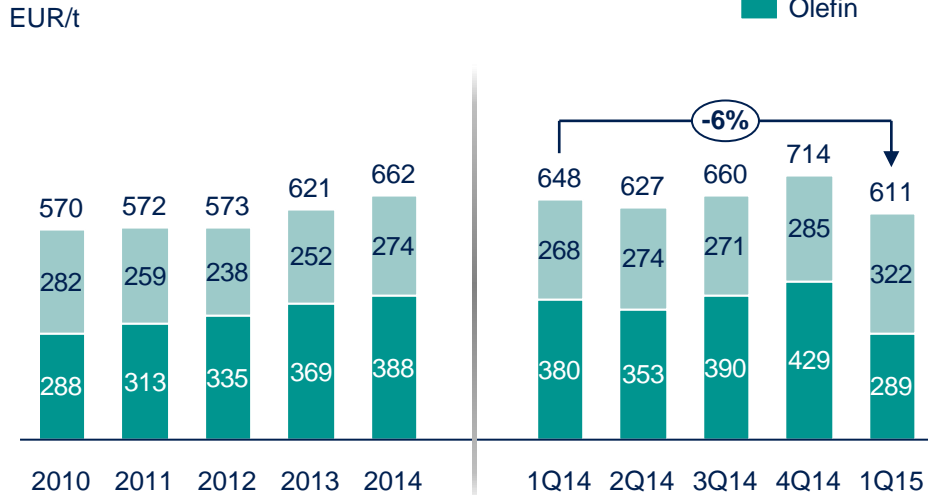
Brent crude oil price (quarterly average)



Refining margin and Brent-Ural differential



Combined petrochemical margin



- ▶ Declining trend of crude oil price stopped, stabilization around 60 USD/bbl, however 50% slump y/y to 54 USD/bbl (quarterly average)
- ▶ Profound improvement of refining margin q/q and y/y to 5.5 USD/bbl driven by higher diesel spread y/y (by 15% to 122 USD/t) and lower fuel oil discounts
- ▶ Significantly lower crude oil price lowered costs of internally consumed crude oil on energy
- ▶ Brent-Ural differential stable y/y and q/q at 1.7 USD/bbl
- ▶ Decline of combined petrochemical margin by 6% y/y to 611 EUR/t driven by significantly lower olefin margin due to declining spreads between olefins (monomers) and naphtha driven by slump of benzene-naphtha spread from 353 EUR/t in 1Q14 to 131 EUR/t in 1Q15



Key highlights of 1Q15

Macro environment

Financial and operating results

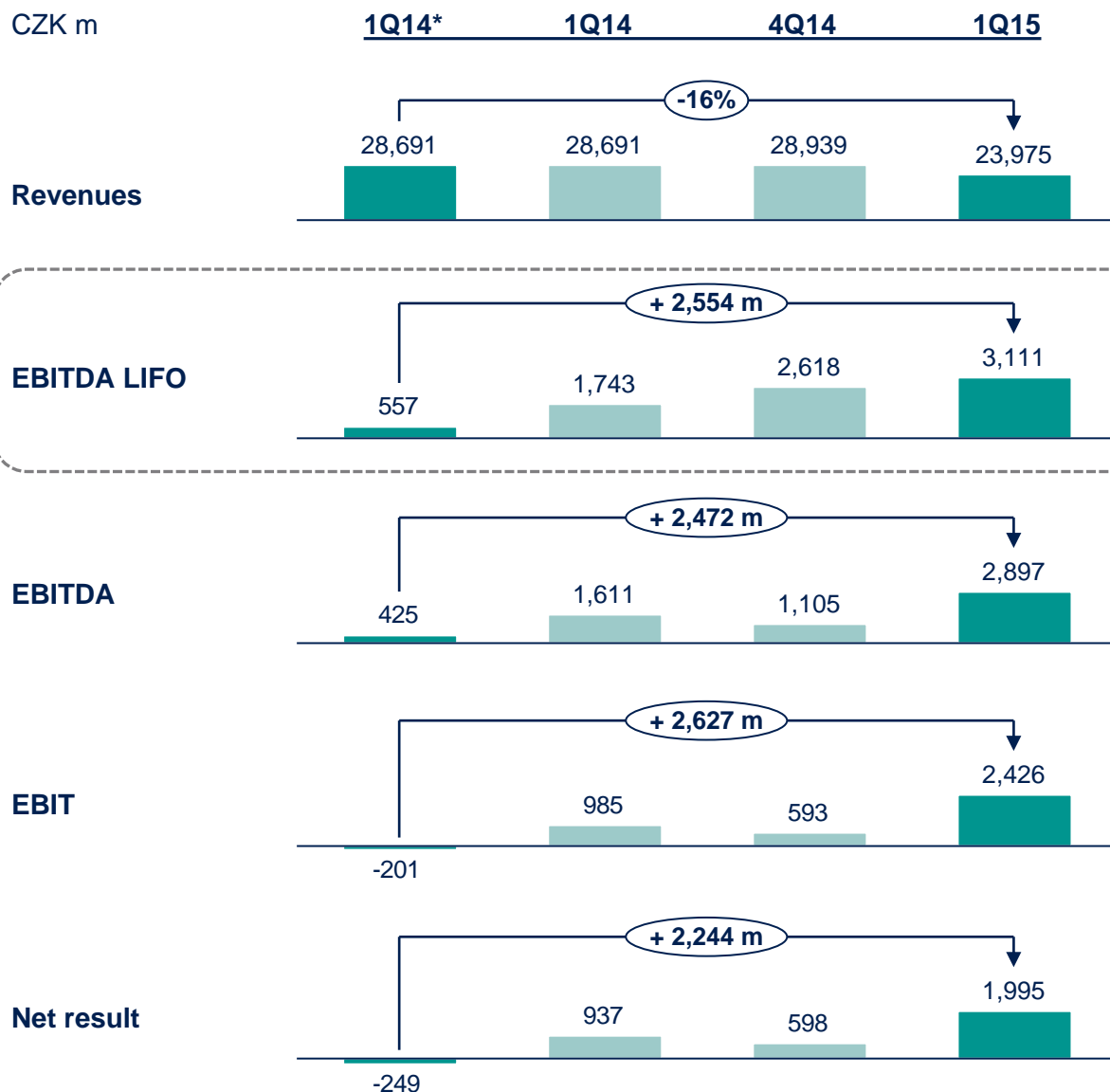
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FINANCIAL RESULTS

Profound increase of profitability y/y with EBITDA LIFO of CZK 3,111 m



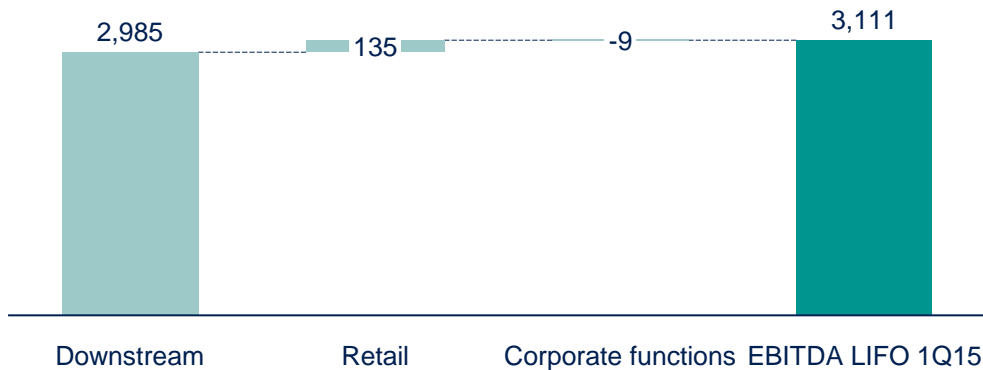
- ▶ **Revenues** lower by 16% y/y of CZK 23,975 m as a result of 50% slump of crude oil price y/y
- ▶ Profound increase of profitability y/y with **EBITDA LIFO** of CZK 3,111 m driven by:
 - ▶ Very high refining margins compared with depressed levels in 1Q14
 - ▶ Higher sales volumes of refining products
 - ▶ Lower costs of internally consumed crude oil on energy
 - ▶ Higher fuels margins and fuels sales in retail
- ▶ **LIFO effect** negative of CZK (-) 214 m due to lower crude oil price q/q...
- ▶ ...and depreciation and amortization of CZK 471 m generates **EBIT** of CZK 2,426 m
- ▶ **Financial result** of CZK (-) 58 m
- ▶ Tax expense of CZK 373 m and **net profit** of CZK 1,995 m

OPERATING PROFITABILITY BY SEGMENTS

Downstream segment with operating profit EBITDA LIFO of CZK 2,985 m

Segment results – EBITDA LIFO – 1Q15

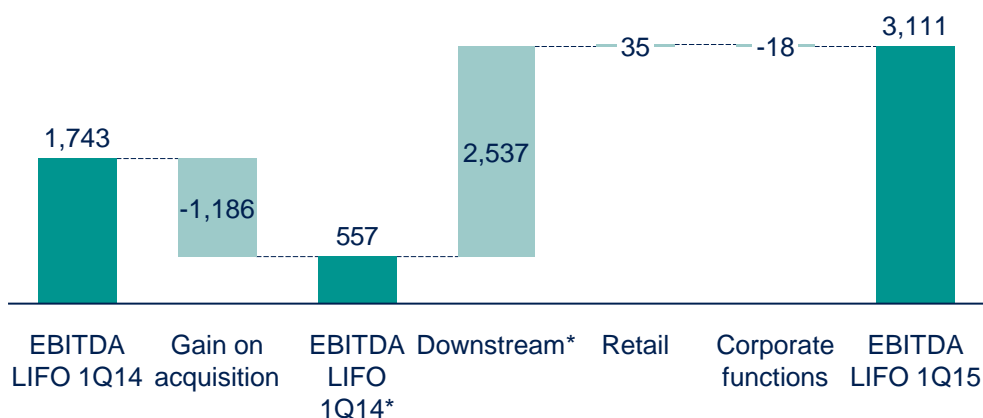
CZK m



- ▶ **Downstream segment** (combination of refining and petrochemicals) with operating profit of CZK 2,985 m
- ▶ **Retail segment** with positive contribution of CZK 135 m
- ▶ **Group EBITDA LIFO** of CZK 3,111 m

Change in segment results y/y

CZK m



- ▶ **Profound improvement of profitability** y/y by CZK 2,554 m...
- ▶ ...**driven by downstream segment** with improvement y/y of CZK 2,537 m
- ▶ Retail segment improvement by CZK 35 m y/y

EBITDA LIFO 1Q14* – Adjusted for positive impact from gain on acquisition of CZK 1,186 m.

Downstream* – Adjusted for positive impact from gain on acquisition of CZK 1,186 m.

DOWNSTREAM – EBITDA LIFO

Profound improvement by CZK 2,537 y/y m to CZK 2,985 m

EBITDA LIFO quarterly

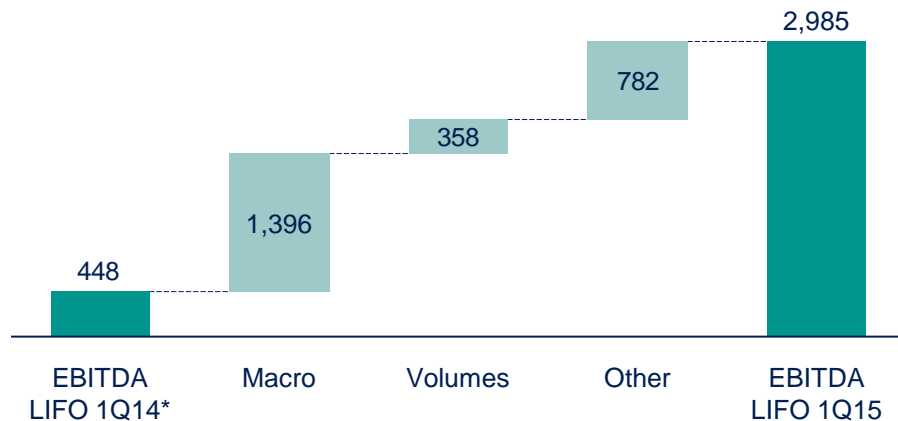
CZK m (w/o impairment in 2011, 2012, 2Q14 and gain on acquisition in 1Q14)



- ▶ Positive macro impact of CZK 1,396 m y/y driven by:
 - ▶ Lower on costs of internally consumed crude oil (lower energy costs) thanks to considerably lower crude oil price
 - ▶ Higher refining and polymer margins supported by significantly lower crude oil price
 - ▶ Slightly higher Brent-Ural differential
- ▶ Positive volumes impact of CZK 358 m y/y driven by:
 - ▶ Higher refining sales volumes
 - ▶ Slightly higher petrochemical sales volumes including better sales mix in favor of high margin polymers
- ▶ Positive impact of Other category of CZK 782 y/y due to positive inventory revaluation impact y/y and higher realized polymer margins thanks to change of market sentiment to sellers market from buyers market in 1Q14
- ▶ Thanks to legislative measures grey zone on Czech fuels market remains very limited supporting sales volumes and realized margins

Downstream segment results – Drivers of change y/y

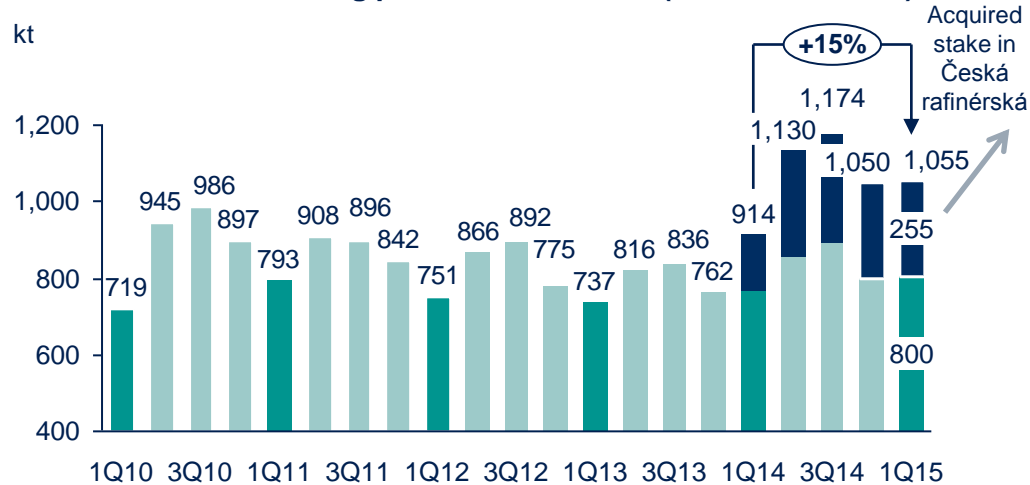
CZK m



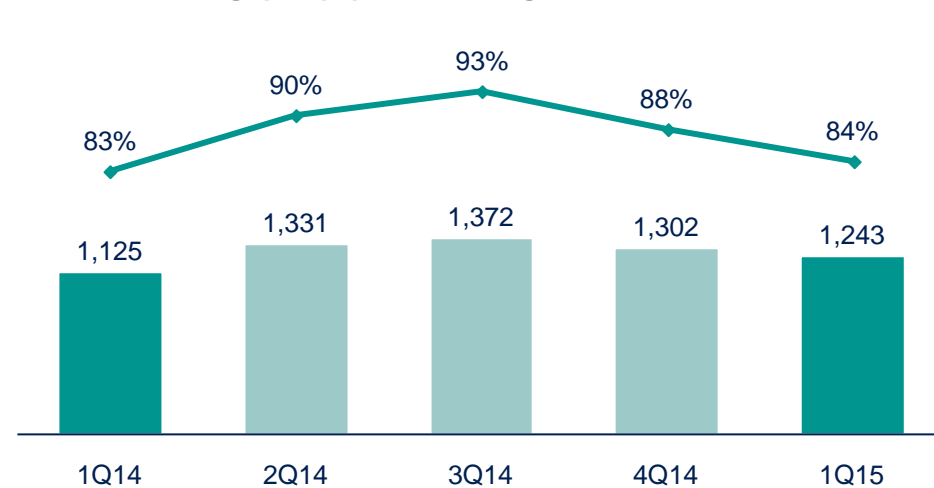
DOWNSTREAM (REFINING) – OPERATIONAL DATA

Increase of crude oil throughput by 10% y/y to 1,243 kt and sales volumes by 15% y/y to 1,055 kt

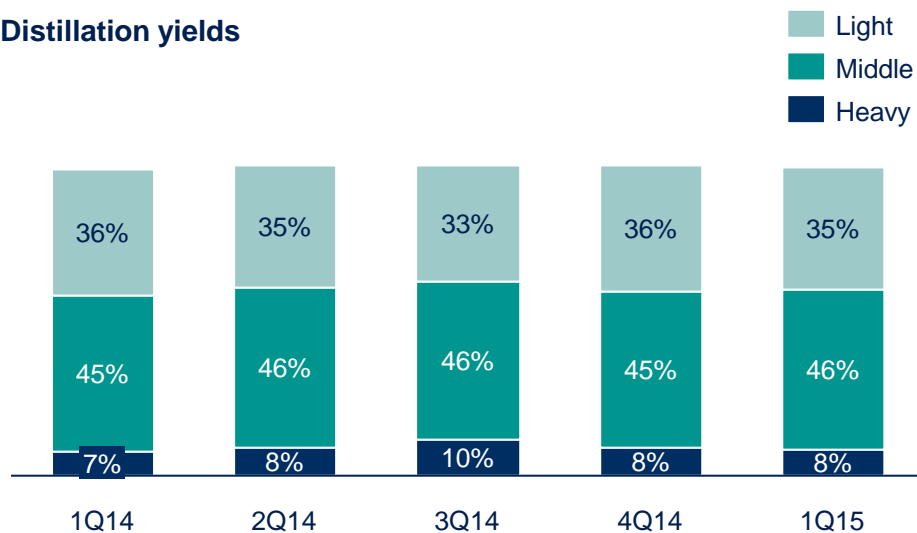
Sales volumes of refining products, incl. retail (Benzina network)



Crude oil throughput (kt) and refining utilization ratio



Distillation yields

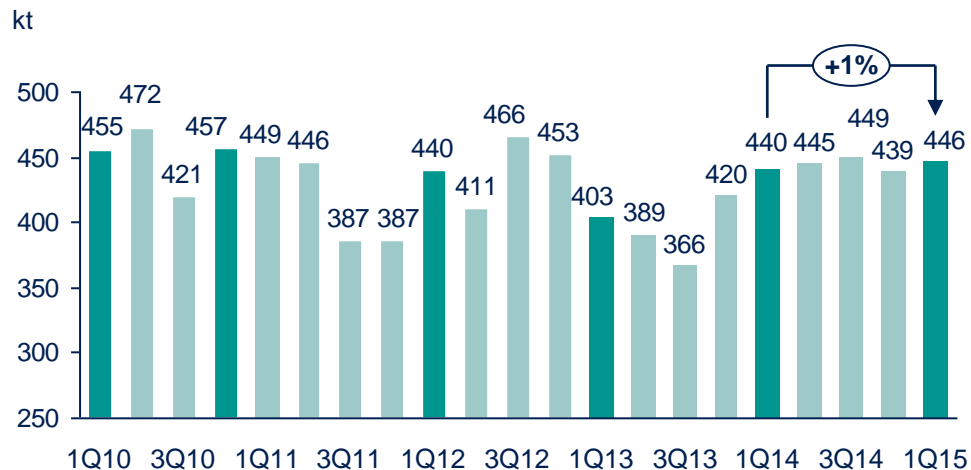


- ▶ Increase of crude oil throughput by 10% y/y to 1,243 kt (Unipetrol was not operating Shell's refining capacity in January 2014 yet) implying production without limitations
- ▶ Planned and successfully executed maintenance shutdown of Kralupy refinery in the second half of March
- ▶ Moderate increase of refining utilization ratio y/y to 84%, very solid level taking into account winter seasonality and Kralupy refinery shutdown
- ▶ Stable distillation yields
- ▶ Sales volumes increase by 15% y/y to 1,055 kt driven by both diesel and gasoline thanks to very good market demand and the fact that Unipetrol was not operating Shell's refining capacity in January 2014 yet

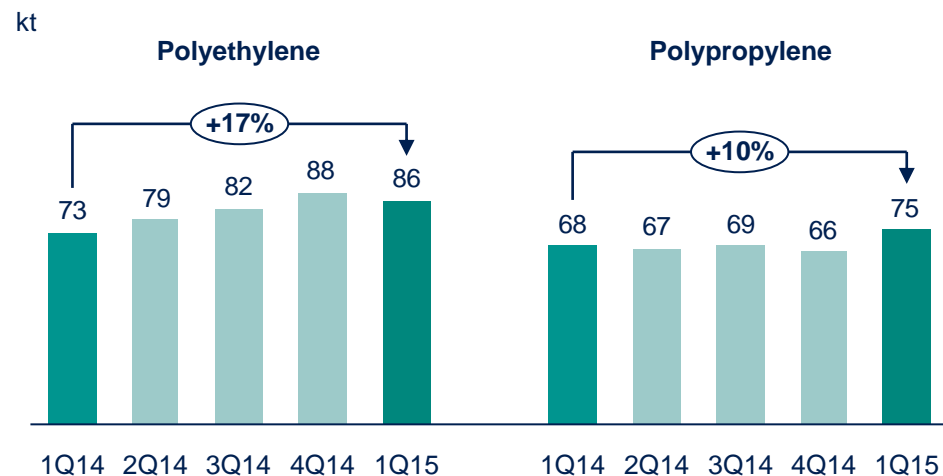
DOWNSTREAM (PETROCHEMICALS) – OPERATIONAL DATA

Substantial increase of sales volumes of high margin polymers y/y

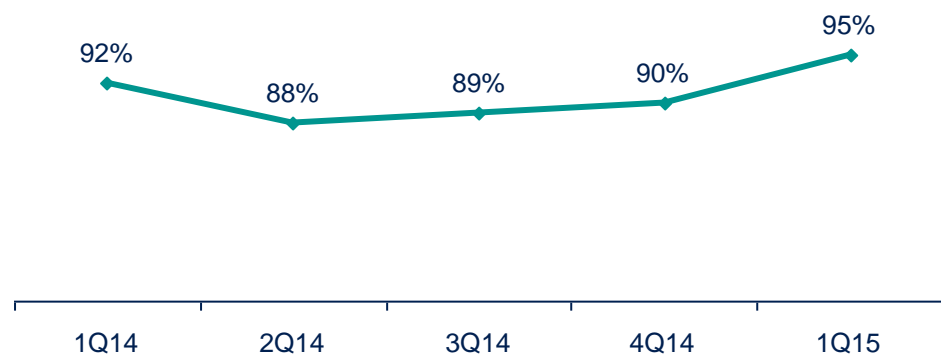
Sales volumes of petrochemical products



Sales volumes of polyethylene and polypropylene



Steam-cracker utilization ratio



- ▶ Record steam cracker utilization at 95% thanks to production without limitations
- ▶ Increase of sales volumes by 1% y/y only to 446 kt, however improvement of sales mix thanks to very high market demand for polymers due to favorable GDP dynamics, limited imports to and higher exports from Europe (weaker EUR against USD and lower crude oil price) and force majeure of several European players:
 - ▶ Polyethylene sales increase by 17% to 86 kt
 - ▶ Polypropylene sales increase by 10% to 75 kt

RETAIL SEGMENT

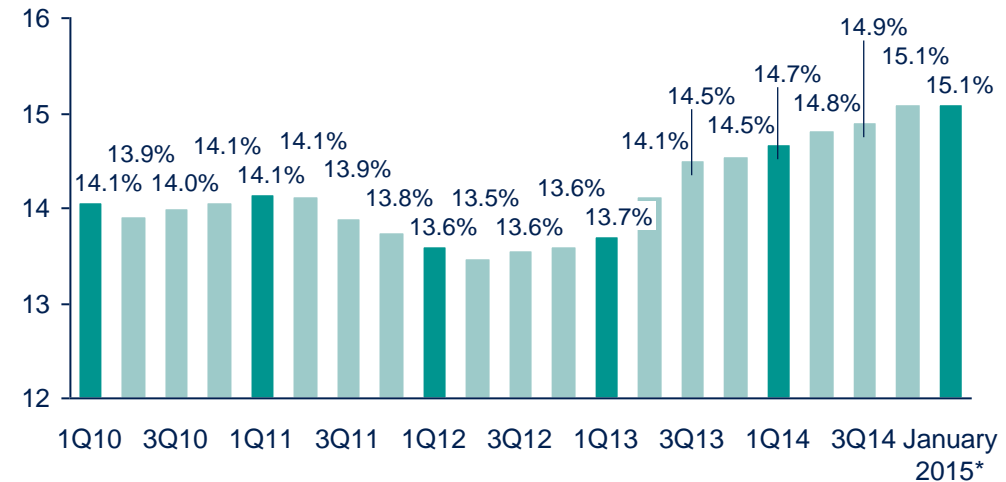
EBITDA LIFO increase by 35% y/y to CZK 135 m

EBITDA LIFO quarterly

CZK m

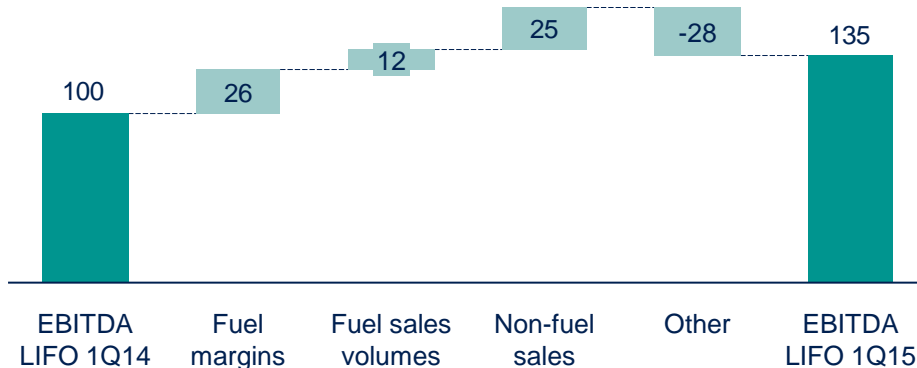


Benzina market share



Retail segment results – Drivers of change y/y

CZK m



- ▶ Positive impact of higher fuel margins of CZK 26 m y/y both on gasoline and diesel thanks to lower crude oil price y/y
- ▶ Positive impact of higher fuel sales volumes of CZK 12 m y/y thanks to set of activities in sales, marketing and standards increase, lower crude oil price y/y and economic recovery in the Czech Republic
- ▶ Better performance of non-fuel segment by CZK 25 m y/y driven by shop and gastro sales



- ▶ Negative impact in Other category of CZK (-) 28 m y/y



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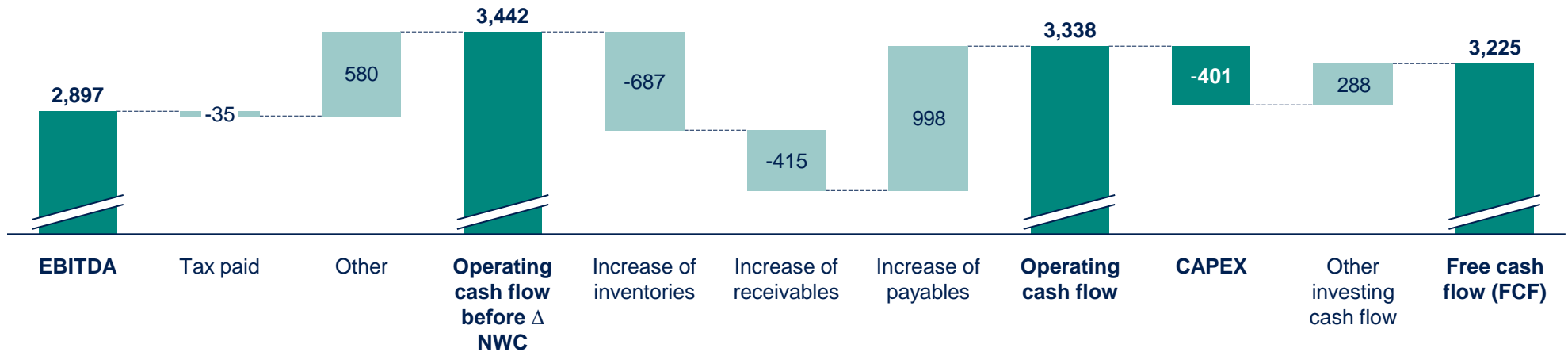
Back-up

CASH FLOW & NET WORKING CAPITAL

Strong cash flow generation with free cash flow CZK 3,225 m

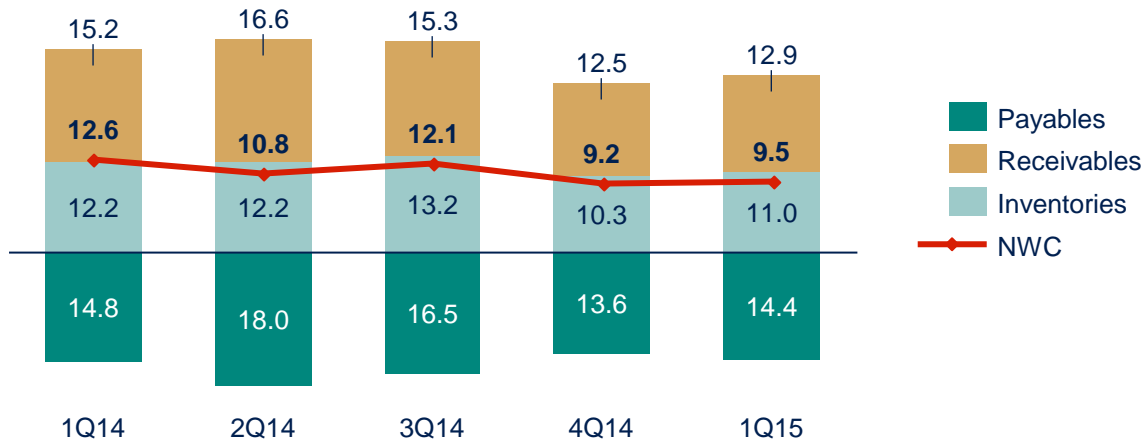
Free cash flow (FCF) reconciliation in 1Q15

CZK m



Net working capital (NWC)

CZK bn



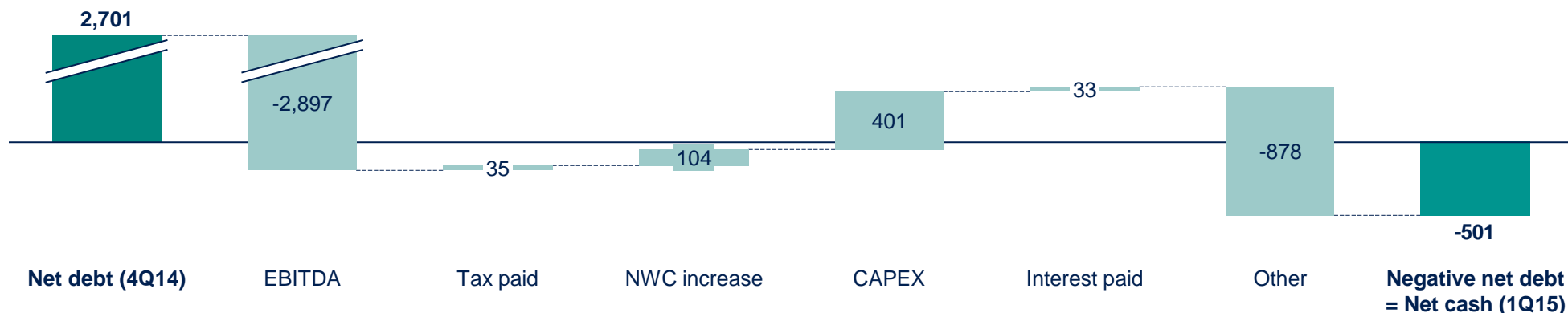
- ▶ Strong cash flow generation:
 - ▶ Operating cash flow CZK 3,338 m
 - ▶ Free cash flow CZK 3,225 m
- ▶ CAPEX CZK 401 m
- ▶ NWC of CZK 9.5 bn at the end of 1Q15

FINANCIAL GEARING

Very strong financial standing with net cash position at the end of 1Q15

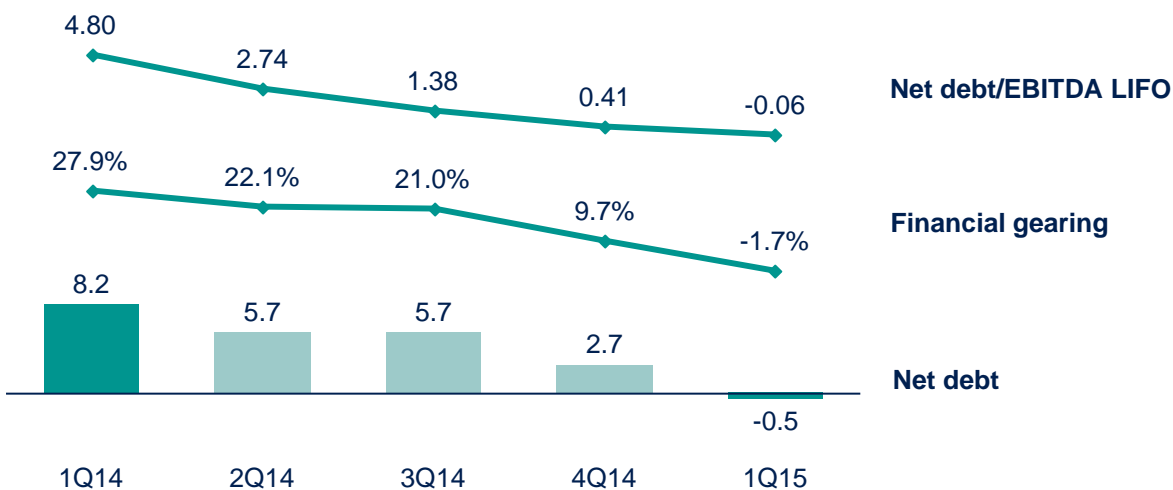
Net debt* change in 1Q15

CZK m



Net debt*, financial gearing & Net debt/EBITDA LIFO**

CZK bn, %



- ▶ Significant decline of net debt q/q to net cash position of CZK 0.5 bn thanks to very solid EBITDA generation
- ▶ Corresponding decline of financial gearing to negative level of (-) 1.7% and net debt/EBITDA LIFO indicator of (-) 0.06
- ▶ Very strong liquidity position enabled Unipetrol to prematurely repay on 20 March 2015 CZK 2 bn out of total CZK 4 bn mid-term loan received from its majority shareholder PKN ORLEN SA to save interest costs

* Net debt includes cash pool liabilities.

** 4-quarter trailing EBITDA LIFO without impairment in 2Q14 and gain on acquisition in 1Q14.



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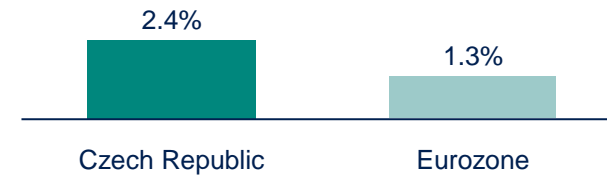
Back-up

Macro environment – assumptions

- ▶ **Brent crude oil price** – We expect temporary stabilization of crude oil prices at the current levels and then increase as a result of economic growth. Crude oil price also depends on geopolitical risks.
- ▶ **Downstream macro environment** – We expect slight increase of yearly average of integrated margin (combination of refining and petrochemical margins) in 2015 y/y due to favorable macro environment, i.e. stable crude oil prices and increase in fuels and petrochemical products consumption.

Economy – GDP and fuels consumption growth

- ▶ **GDP** – Czech Republic GDP expected to keep reasonable momentum during 2015 (Bloomberg)



- ▶ **Fuels consumption** – Continuation of demand increase for diesel with a slight drop in demand for gasoline in CEE region in 2015 – JBC Energy (October 2014).

Operations and main maintenance shutdowns plan in 2Q15

- ▶ VBU in Litvínov – decoking (April)
- ▶ 100% of Česká rafinářská refineries capacity to be operated from May upon successful closing of the deal with Eni – Unipetrol's conversion capacity will increase by one third to 8.7 mt/year

Regulatory environment

- ▶ **Energy Act and POZE Act** – Proposal of a new Act on renewable sources of energy under which the fee would not be based on the consumption but on the capacity (reserved wattage). The proposal would reduce the current renewable energy surcharge fee for energy intensive industry. After third reading, now in the Senate, effectivity expected as of 1.1. 2016.
- ▶ **Amendment to the Excise Duty Act and to the Act on Fuels** – Our expectation is that it will come into effect by 1.7.2015. The new legislation aims at keeping the security deposit in the law. Current proposal brings two levels of security deposit – CZK 20 m for larger distributors and a CZK 10 m deposit, if strict conditions are fulfilled.
- ▶ **Amendment to the Excise Duty Act and Amendment to Act on Air Protection**
 - ▶ **Excise Duty Act:** New amendment proposes a very minor increase of tax relief for highly concentrated biofuels.
 - ▶ **Amendment to Act on Air Protection:** Contains the term for bio duty fulfillment and control – each quarter of the year.



Thank you for your attention

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EBITDA & EBIT

Detailed breakdown

	CZK m	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015
Group	EBITDA LIFO	1,743	-3,677	2,304	2,617	3,111
	EBITDA	1,611	-3,540	1,982	1,105	2,897
	EBIT LIFO	1,117	-4,308	1,803	2,106	2,640
	EBIT	985	-4,172	1,482	593	2,426
Downstream	EBITDA LIFO	1,634	-3,791	2,135	2,330	2,985
	EBITDA	1,508	-3,660	1,814	877	2,771
	EBIT LIFO	1,108	-4,321	1,736	1,921	2,602
	EBIT	982	-4,190	1,415	468	2,388
Retail	EBITDA LIFO	100	120	169	316	135
	EBITDA	93	126	168	257	135
	EBIT LIFO	21	39	88	234	54
	EBIT	14	45	87	175	54
Corporate functions	EBITDA	9	-6	0	-29	-9
	EBIT	-11	-26	-21	-50	-16

- ▶ **Refining margin** = revenues from products sold (96% Products = Gasoline 17%, Naphtha 20%, JET 2%, Diesel 40%, Sulphur Fuel Oils 9%, LPG 3%, Other feedstock 5%) minus costs (100% input = Brent Dated); product prices according to quotations.
- ▶ **Conversion capacity of Unipetrol's refineries** = Conversion capacity till 2Q2012 was 5.1 mt/y (Česká rafinérská – Kralupy 1.642 mt/y, Česká rafinérská – Litvínov 2.813 mt/y, Paramo 0.675 mt/y). From 3Q2012 till 4Q2013 conversion capacity was 4.5 mt/y, i.e. only Česká rafinérská refineries conversion capacity, adjusted for 51.22% shareholding of Unipetrol, after discontinuation of crude oil processing in Paramo refinery (Česká rafinérská – Kralupy 1.642 mt/y, Česká rafinérská – Litvínov 2.813 mt/y). From 1Q2014 conversion capacity is 5.9 mt/y after completion of acquisition of Shell's 16.335% stake in Česká rafinérská, corresponding to Unipetrol's total stake of 67.555% (Česká rafinérská – Kralupy 2.166 mt/y, Česká rafinérská – Litvínov 3.710 mt/y).
- ▶ **Light distillates** = LPG, gasoline, naphtha
- ▶ **Middle distillates** = JET, diesel, light heating oil
- ▶ **Heavy distillates** = fuel oils, bitumen
- ▶ **Petrochemical olefin margin** = revenues from products sold (100% Products = 40% Ethylene + 20% Propylene + 20% Benzene + 20% Naphtha) minus costs (100% Naphtha); product prices according to quotations.
- ▶ **Petrochemical polyolefin margin** = revenues from products sold (100% Products = 60% Polyethylene/HDPE + 40% Polypropylene) minus costs (100% input = 60% Ethylene + 40% Propylene); product prices according to quotations.
- ▶ **Free cash flow (FCF)** = sum of operating and investing cash flow
- ▶ **Net working capital (NWC)** = inventories + trade and other receivables – trade and other liabilities
- ▶ **Net debt** = non-current loans, borrowings and debt securities + current loans, borrowings and debt securities + cash pool liabilities – cash and cash equivalents
- ▶ **Financial gearing** = net debt / (total equity – hedging reserve)



The following types of statements:

Projections of revenues, income, earnings per share, capital expenditures, dividends, capital structure or other financial items; Statements of plans or objectives for future operations; Expectations or plans of future economic performance; and Statements of assumptions underlying the foregoing types of statements are "forward-looking statements", and words such as "anticipate", "believe", "estimate", "intend", "may", "will", "expect", "plan", "target" and "project" and similar expressions as they relate to Unipetrol, its business segments, brands, or the management of each are intended to identify such forward looking statements. Although Unipetrol believes the expectations contained in such forward-looking statements are reasonable at the time of this presentation, the Company can give no assurance that such expectations will prove correct. Any forward-looking statements in this presentation are based only on the current beliefs and assumptions of our management and information available to us. A variety of factors, many of which are beyond Unipetrol's control, affect our operations, performance, business strategy and results and could cause the actual results, performance or achievements of Unipetrol to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. For us, particular uncertainties arise, among others, from: (a) changes in general economic and business conditions (including margin developments in major business areas); (b) price fluctuations in crude oil and refinery products; (c) changes in demand for the Unipetrol's products and services; (d) currency fluctuations; (e) loss of market and industry competition; (f) environmental and physical risks; (g) the introduction of competing products or technologies by other companies; (h) lack of acceptance of new products or services by customers targeted by Unipetrol; (i) changes in business strategy; (j) as well as various other factors. Unipetrol does not intend or assume any obligation to update or revise these forward-looking statements in light of developments which differ from those anticipated. Readers of this presentation and related materials on our website should not place undue reliance on forward-looking statements.