UNIPETROL 2Q 2014 FINANCIAL RESULTS

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23 July 2014
Prague, Czech Republic

AGENDA

KEY HIGHLIGHTS OF 2Q 2014

- Continuation of significant increase of sales volumes across all segments
- Revenues significantly higher by 31% y/y of CZK 32,440 m
- Very tough refining macro environment continued with model refining margin of only 0.5 USD/bbl
- Impairment of refining segment assets of CZK 4,721 m based on impairment analysis performed as at 30 June 2014
- However first positive EBITDA LIFO of refining segment since 4Q2012 of CZK 74 m, supported by Operational Excellence Initiatives (without impairment)
- Petrochemical segment continued solid performance with EBITDA LIFO of CZK 856 m
- Group EBITDA LIFO higher by CZK 381 m y/y of CZK 1,044 m implying improvement of core profitability (without impairment)
- New contract between Česká rafinérská and Transpetrol for crude oil transportation to the Czech Republic through Slovak branch of Druzhba Pipeline for years 2015 – 2016 signed on 25 June
- Acquisition of 32.445% stake in Česká rafinérská from Eni for EUR 30 m announced on 3 July, transaction completion expected by end of 2014

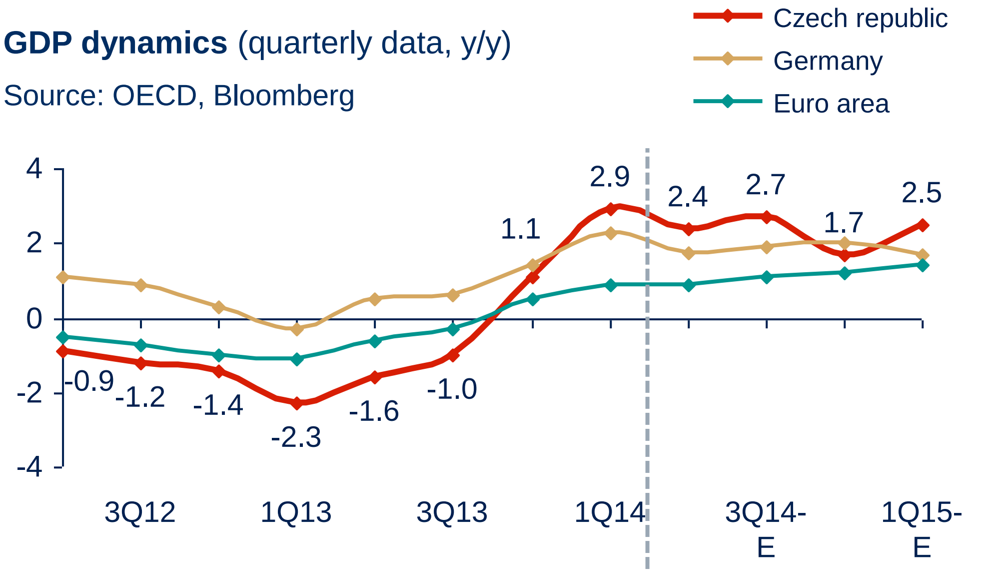
AGENDA

GENERAL MACRO ENVIRONMENT

Czech economy accelerating in connection with Germany and Euro area

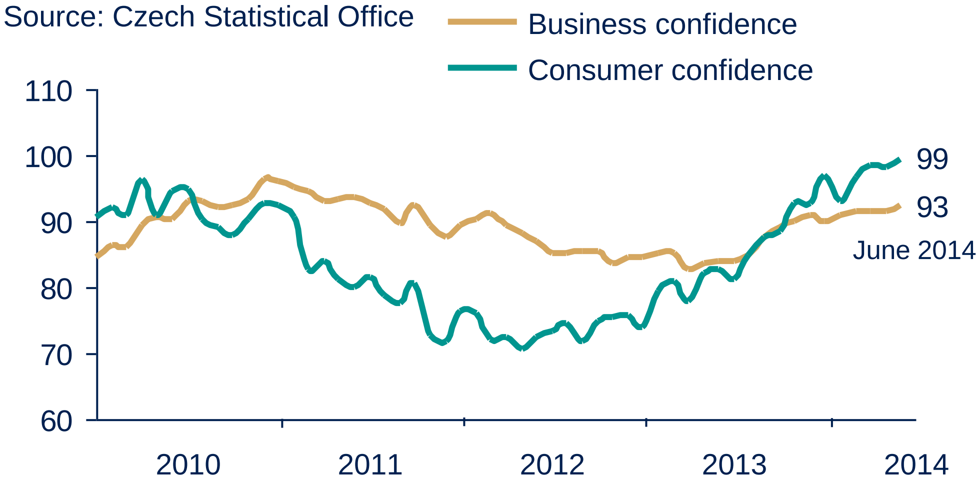
GDP dynamics (quarterly data, y/y)

Source: OECD, Bloomberg



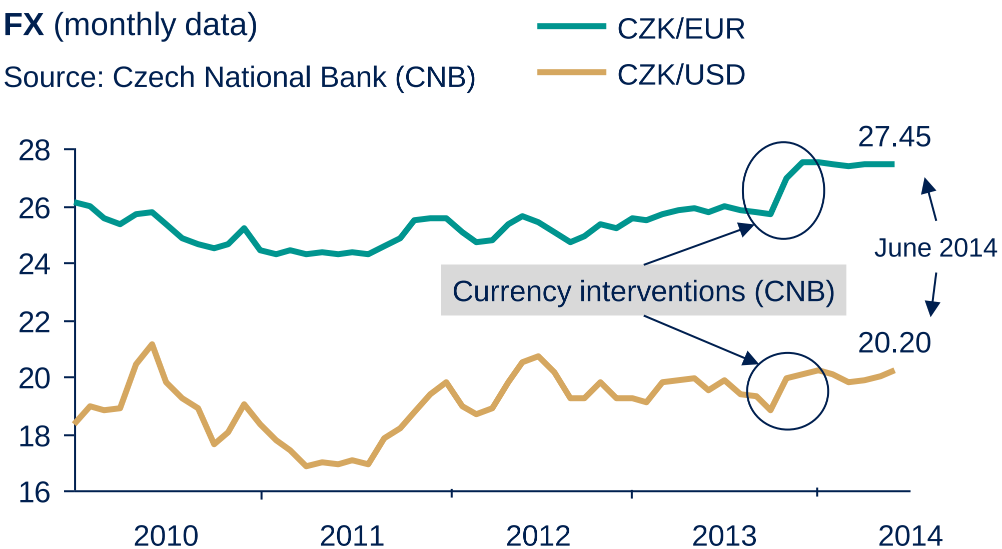
Confidence in the Czech economy (monthly data)

Source: Czech Statistical Office



FX (monthly data)

Source: Czech National Bank (CNB)



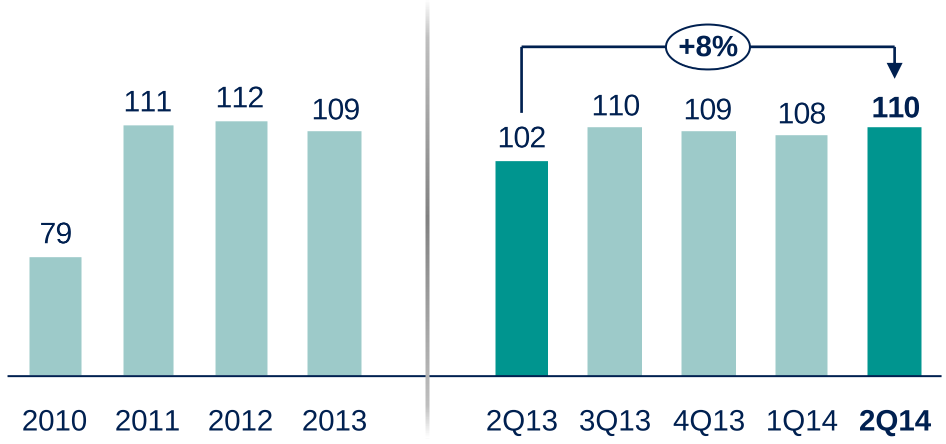
- Czech economy accelerating in connection with Germany and Euro area with GDP growth of 2.9% in 1Q14 y/y, consensus estimates for 2Q14 around 2.4%
- Similar GDP dynamics expected during whole 2014
- Business confidence in the Czech economy stable q/q, further strengthening of consumer confidence
- CZK stable around 27.5 CZK/EUR and 20.0 CZK/USD during 2Q14

DOWNSTREAM MACRO ENVIRONMENT

Continuation of very low refining margins, decline of olefin margin q/q

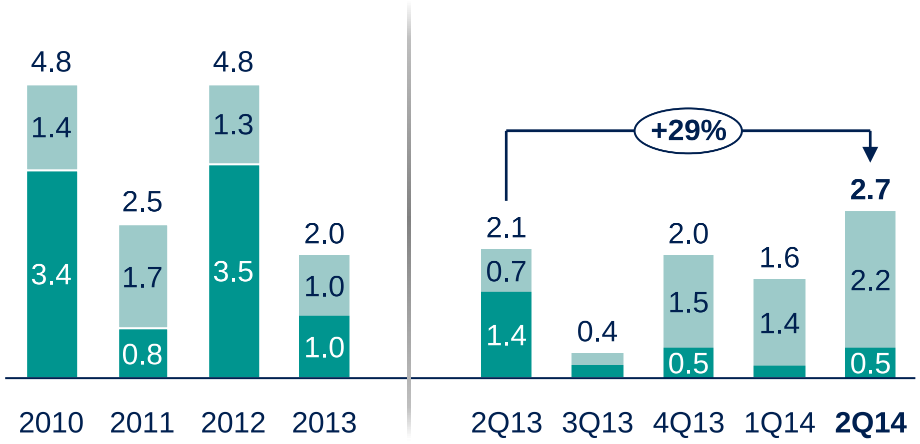
Brent crude oil price

USD/bbl



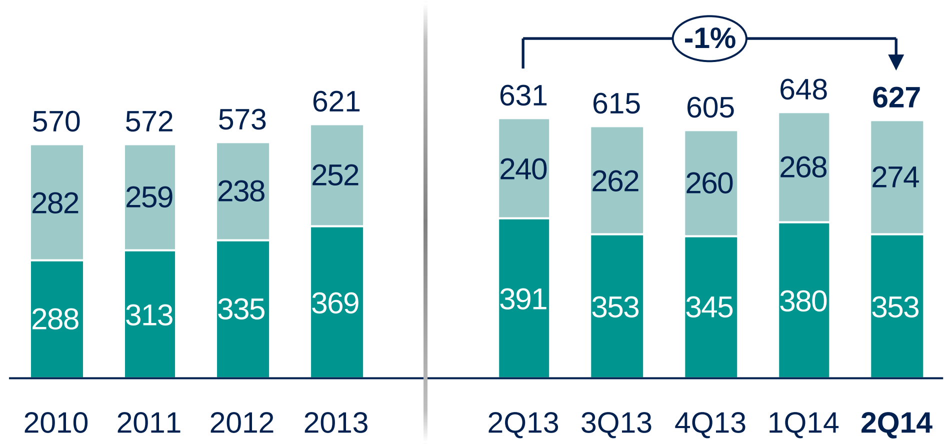
Refining margin and Brent-Ural differential

USD/bbl



Combined petrochemical margin

EUR/ton

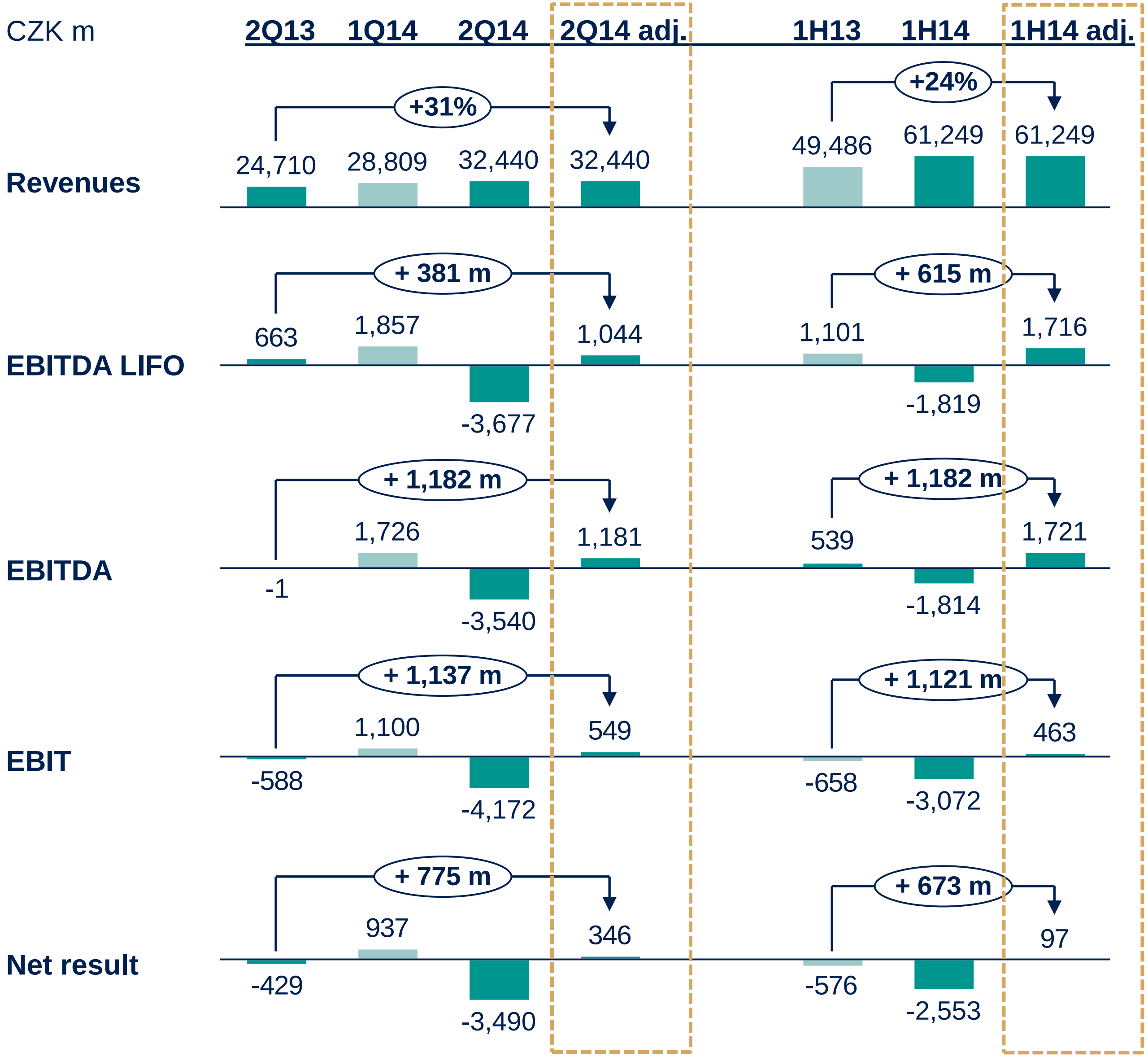


- Stable crude oil price q/q with average Brent price 110 USD/bbl, 8% increase y/y
- Very tough refining macro environment continued…
- …strong declining trend of diesel spreads q/q, however significantly better gasoline spreads…
- …implying average refining margin 0.5 USD/bbl, deterioration y/y…
- …offset by higher Brent-Ural differential of 2.2 USD/bbl
- Significant decline of olefin (steam-cracker) margin to 353 EUR/ton, polyolefin margin stable…
- …yielding still very good combined petrochemical margin 627 EUR/ton

AGENDA

FINANCIAL RESULTS

Impairment of refining segment assets, improvement of core profitability y/y



- **Revenues** significantly higher by 31% y/y of CZK 32,440 m in 2Q14 driven by operation of higher refining capacity, higher sales volumes across all segments, higher crude oil price and weaker CZK
- **Impairment of refining segment assets** of CZK 4,721 m based on impairment analysis performed as at 30 June 2014…
- …yields negative **EBITDA LIFO** of CZK (-) 3,677 m in 2Q14
- **EBITDA LIFO without impairment better y/y** by CZK 381 m of CZK 1,044 m driven by better results of petrochemical segment and adjusted refining segment, implies improvement of core profitability y/y
- **LIFO effect** slightly positive of CZK 137 m due to small increase of crude oil price q/q
- **Financial result** negative of CZK (-) 164 m due to net foreign exchange loss; net interest costs CZK 18 m
- **Deferred tax asset** of CZK 885 m booked in relation to the impairment…
- …yields tax credit of CZK 846 m and negative **net result** of CZK (-) 3,490 m in 2Q14
- Net result without impairment and deferred tax asset positive of CZK 346 m

- 1Q14 profitability lines (from EBITDA LIFO to Net result) include the positive impact from gain on acquisition of CZK 1,186 m booked in relation to completion of the acquisition of Shell’s 16.335% stake in Česká rafinérská.
- 2Q14 adj. column adjusts profitability lines for refining segment impairment of CZK 4,721 m. Net result is also adjusted for deferred tax asset of CZK 885 m.
- 1H14 adj. column adjusts profitability lines also for gain on acquisition of CZK 1,186 m.

IMPAIRMENT TO NON-CURRENT ASSETS OF REFINING SEGMENT

Based on impairment analysis performed as at 30 June 2014, non-cash one-off item of CZK 4,721 bn

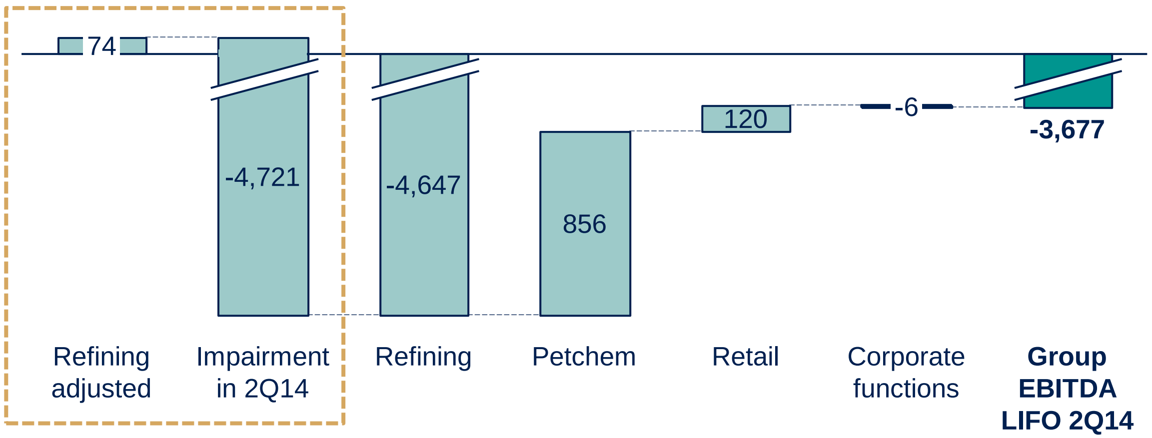
- As at 30 June 2014 in accordance with International Accounting Standard 36 “Impairment of assets” the Unipetrol Group has verified the existence of impairment indicators in relation to Cash Generating Units (CGUs) which are established at the level of business segments (refining, petrochemicals and retail).
- As at 30 June 2014, due to existence of indicators triggering impairment testing both of an internal and external character, impairment tests were carried out for all identified CGUs based on updated financial projections for the years 2014-2017.
- Impairment indicators included:
  - Deterioration of external macro environment in refining segment
  - Financial performance of refining segment below forecasted level in 2013 and in the first half of 2014
  - Surplus of refining production capacities and increased supply of refining products on the European market
  - Updated macroeconomic assumptions for all business segments
- The recoverable amounts of CGUs were estimated based on their value in use. For determining the value in use as at given balance sheet date forecasted cash flows are discounted using the discount rates after taxation reflecting the risk levels specific for particular sectors to which the CGU belongs.
- Based on the results of the analysis performed as at 30 June 2014 impairment allowance of CZK 4,721 m was recognized in the period ended 30 June 2014 in relation to non-current assets of the refining CGU (refining segment).
- Impairment allowance is a non-cash one-off item.

OPERATING PROFITABILITY BY SEGMENTS

Petrochemical segment maintained its position of the key profit maker of the Group

Segment results – EBITDA LIFO – 2Q 2014

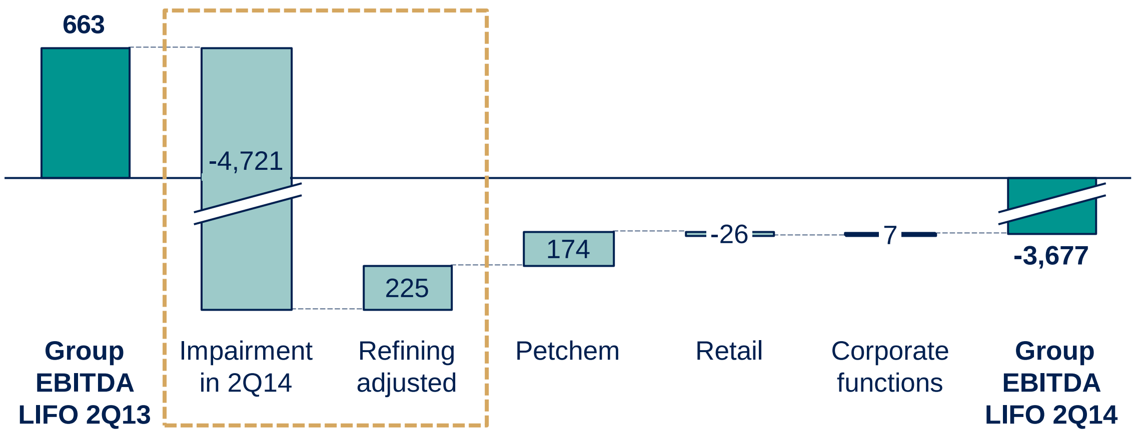
CZK m



- **Refining segment** without impairment positive of CZK 74 m, CZK (-) 4,647 m including impairment
- **Petrochemical segment** with operating profit of CZK 856 m
- **Retail segment** with positive contribution of CZK 120 m
- **Group EBITDA LIFO** without impairment positive of CZK 1,044 m in 2Q14

Change in segment results y/y

CZK m



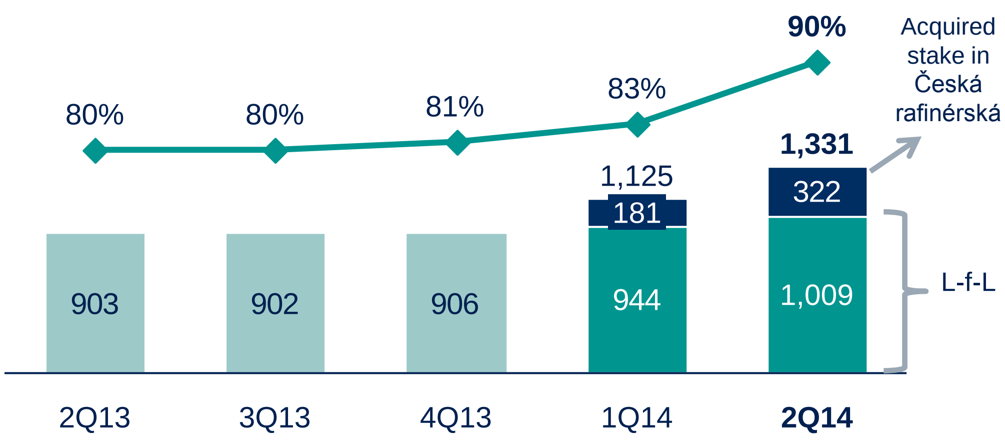
- **Refining segment** improved, without impairment, by CZK 225 m y/y
- **Petrochemical segment** improved by CZK 174 m y/y
- **Retail segment** worsened by CZK 26 m y/y

AGENDA

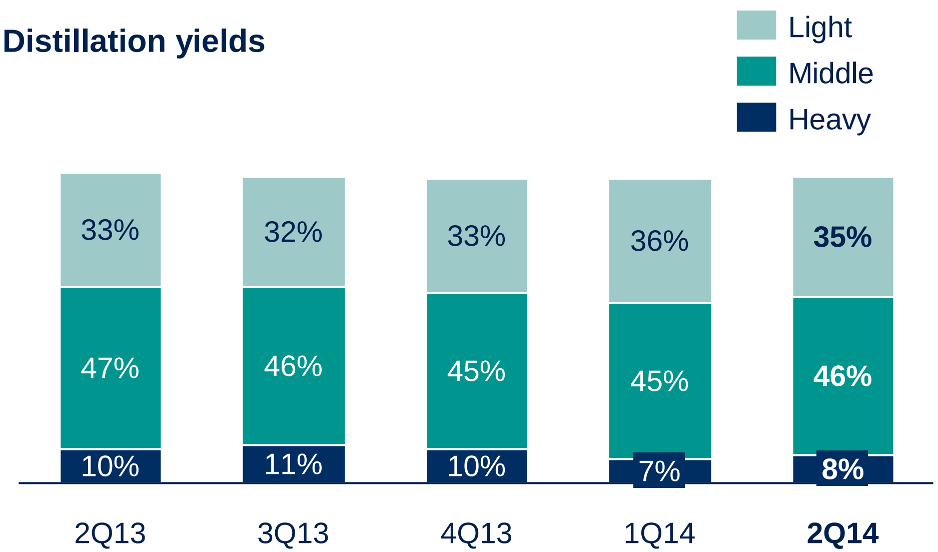
REFINING SEGMENT

Significant increase of crude oil throughput to 1,331 kt thanks to higher refining capacity

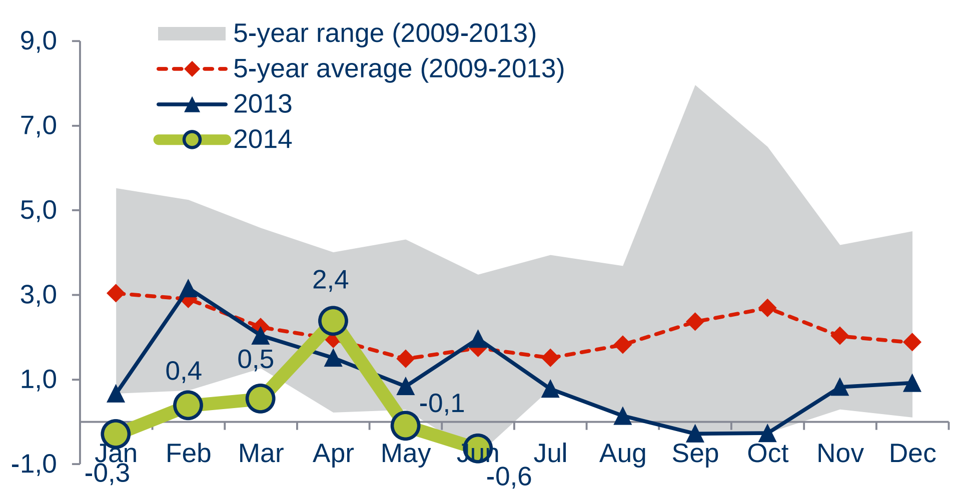
Crude oil throughput (kt) and refining utilization ratio*



Distillation yields



Long-term development of model refining margin (USD/bbl)



- Significant increase of crude oil throughput by 47% y/y to 1,331 kt thanks to higher refining capacity; 12% like-for-like increase to 1,009 kt…
- …yields refining utilization ratio of 90%, profound improvement by 10 percentage points y/y (unplanned FCC unit shutdown at Kralupy refinery in 2Q13)
- Lower model refining margin y/y and at lower bound of 2009-2013 range driven by profound deterioration of diesel spreads by 19% y/y from 114 USD/t in 2Q13 to 93 USD/t in 2Q14

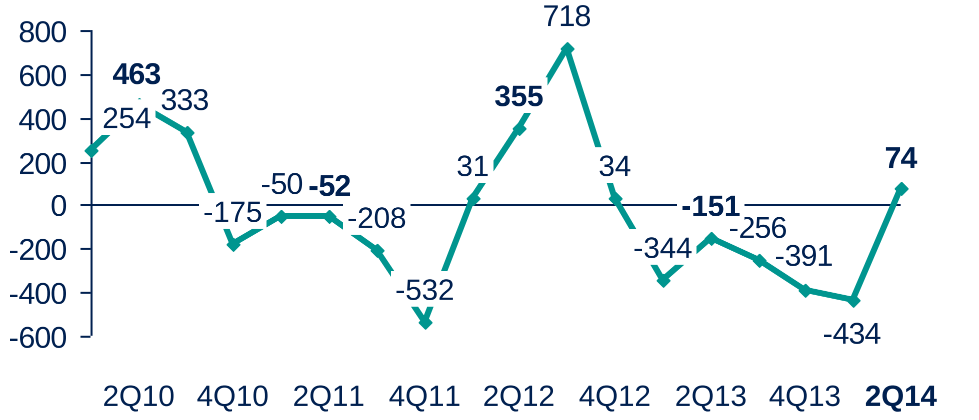
* From 1Q2014 conversion capacity is 5.9 mt/y after completion of acquisition of Shell's 16.335% stake in Česká rafinérská, corresponding to Unipetrol's total stake of 67.555% (Kralupy 2.166 mt/y, Litvínov 3.710 mt/y). For the purposes of calculation of refining utilization ratio in 1Q2014, conversion capacity of 5.4 mt/y was used, taking into account 51.22% stake in Česká rafinérská in January 2014 and 67.555% stake in February and March 2014. From 2Q2014 5.9 mt/y is used for calculation of refining utilization ratio.

REFINING SEGMENT

First positive results since 4Q12 of CZK 74 m (without impairment)

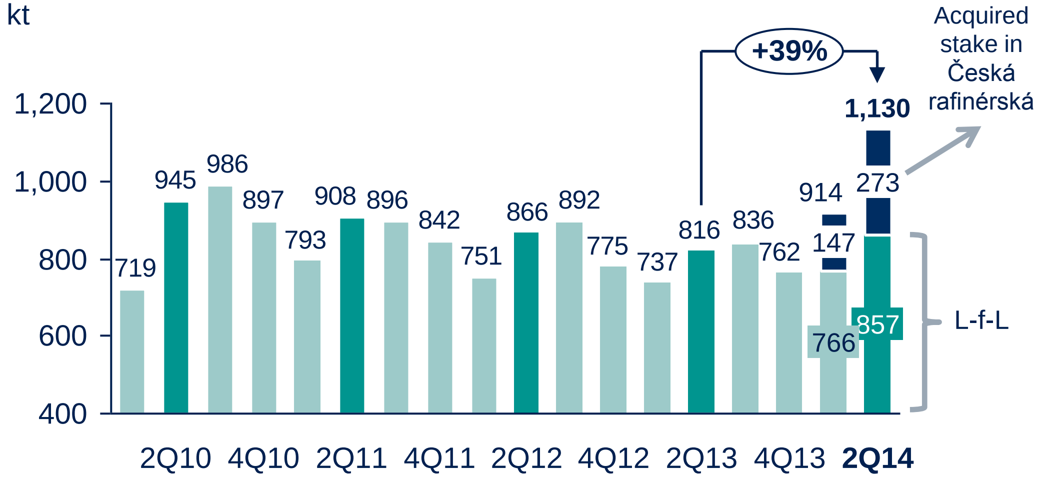
EBITDA LIFO quarterly

CZK m (without impairment in 2012 and 2Q2014, and gain on acquisition in 1Q14)



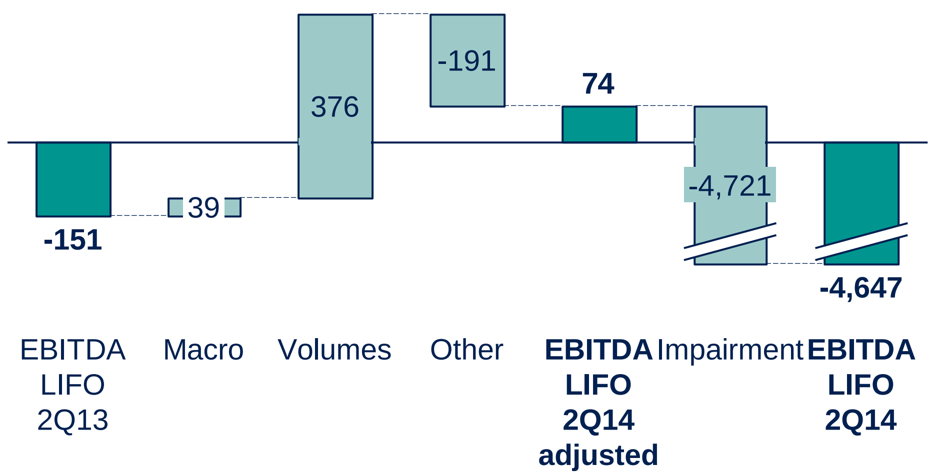
Sales volumes of refining products, incl. retail (Benzina network)

kt



Refining segment results – Drivers of change y/y

CZK m



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- First positive results since 4Q12 of CZK 74 m supported by Operational Excellence Initiatives (without impairment)
- Much higher sales volumes by 39% y/y of 1,130 kt driven by operation of higher refining capacity (5.9 mt/y vs 4.5 mt/y in 2013) with positive impact of CZK 376 m
- 5% like-for-like increase y/y to 857 kt thanks to production without limitations and favorable GDP dynamics
- Positive total macro impact of CZK 39 m driven by higher Brent-Ural differential and higher gasoline spread by 5% y/y; on the contrary negative impact of profoundly lower diesel spread by 19% y/y

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- Impairment of refining segment assets of CZK 4,721 m based on impairment analysis performed as at 30 June 2014

PETROCHEMICAL SEGMENT

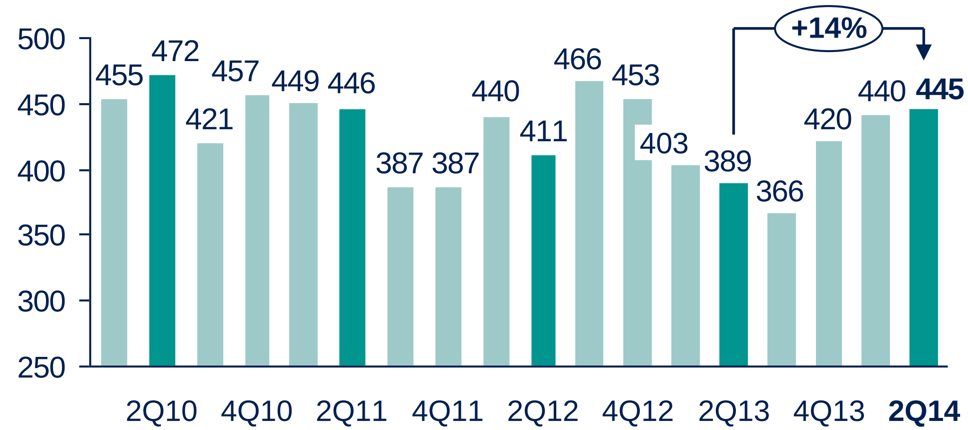
Continuation of solid performance with EBITDA LIFO of CZK 856 m

EBITDA LIFO quarterly

CZK m (without impairment in 2011)

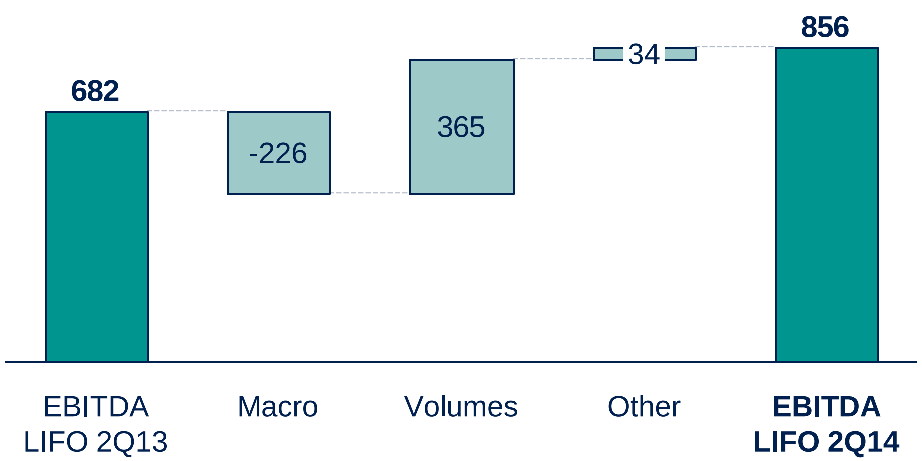
Sales volumes of petrochemical products

kt



Petrochemical segment results – Drivers of change y/y

CZK m



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- CZK 365 m positive impact of higher sales volumes by 14% y/y to 445 kt, both olefins and polyolefins (floods in the Czech Republic and petrochemical feedstock supplies limitations in 2Q13, positive impact of favorable GDP dynamics in 2Q14)
- Slightly lower renewable surcharges (POZE) by CZK 12 m y/y, however still big financial burden overall

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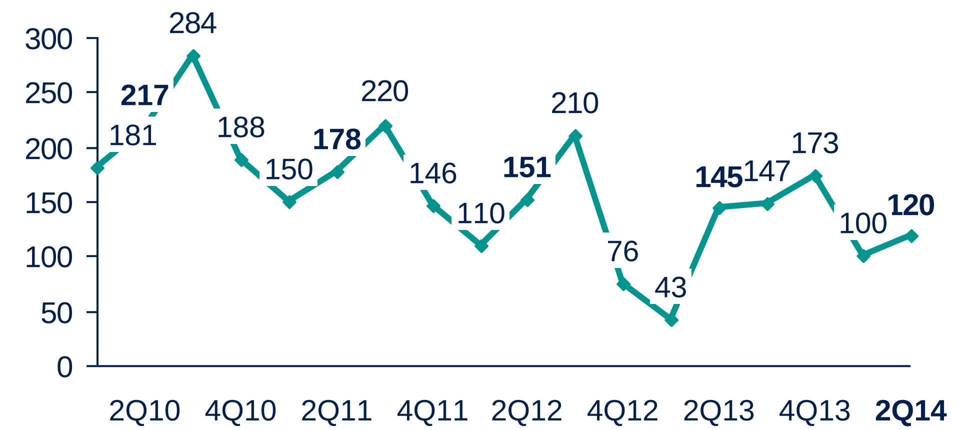
- Negative total macro impact of (-) 226 m driven by significant decline of olefin (steam-cracker) margin by 10% y/y to 353 EUR/t; on the other hand big positive impact of stronger EUR vis-a-vis CZK and USD y/y

RETAIL SEGMENT

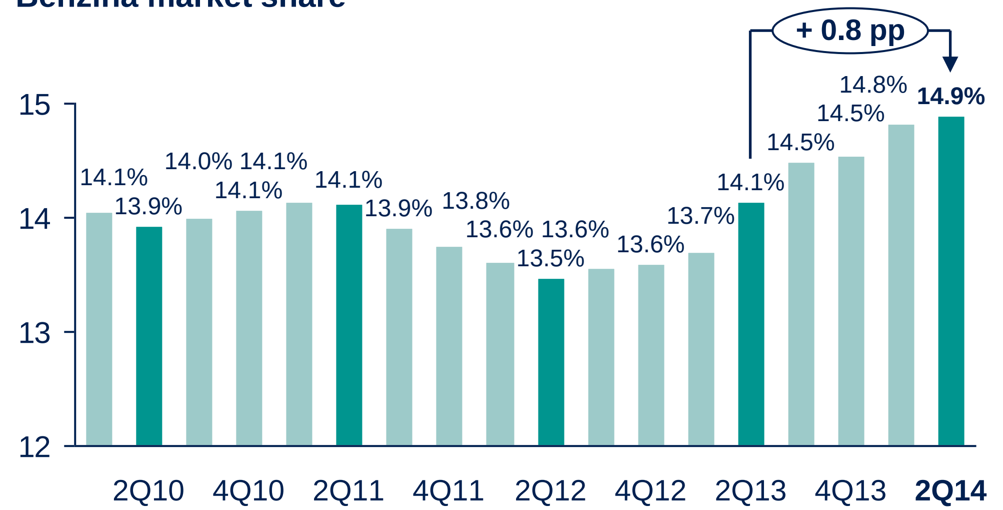
Additional increase of market share to 14.9%

EBITDA LIFO quarterly

CZK m

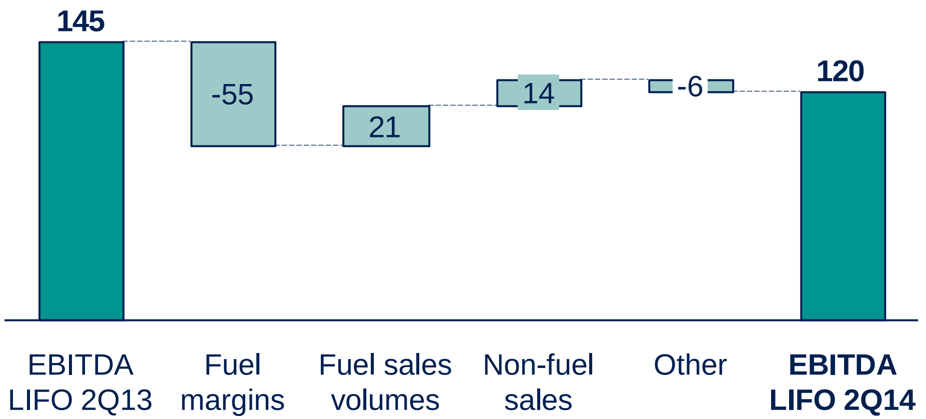


Benzina market share



Retail segment results – Drivers of change y/y

CZK m



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- CZK 21 m positive impact of higher fuel sales volumes y/y thanks to favorable GDP dynamics, also supported by new antifraud legislation valid from October 2013
- Increase of market share by 0.8 percentage point y/y to 14.9%
- Positive impact of non-fuel segment by CZK 14 m y/y thanks to better gastro and shop results

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- Negative impact of lower fuel margins of CZK (-) 55 m y/y, gasoline in particular, due to stronger competition on the Czech market, especially in Prague and surroundings

AGENDA

Key highlights of 2Q 2014

Macro environment

Financial results

Segment results

Cash flow & financial gearing

Summary of 2Q 2014

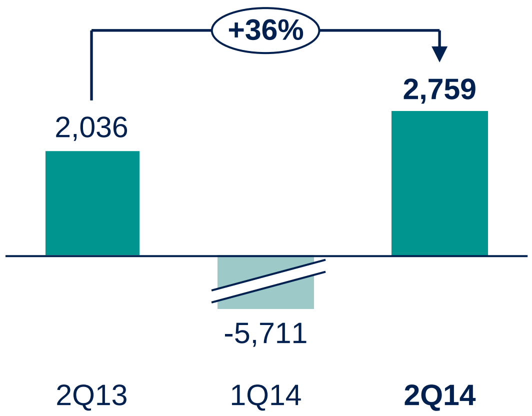
Back-up

CASH FLOW & FINANCIAL GEARING

Positive operating cash flow of CZK 2,759 m

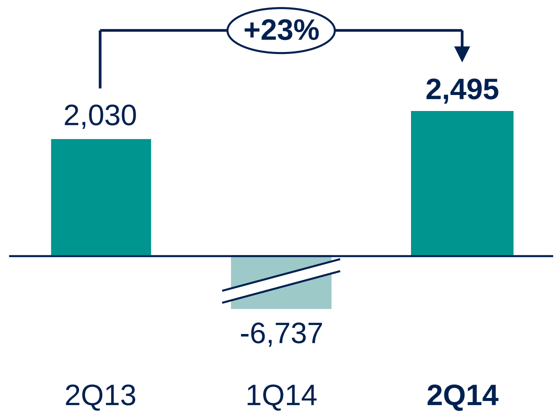
Operating cash flow

CZK m



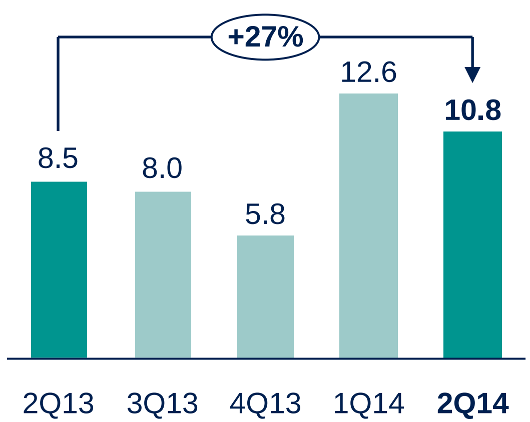
Free cash flow

CZK m



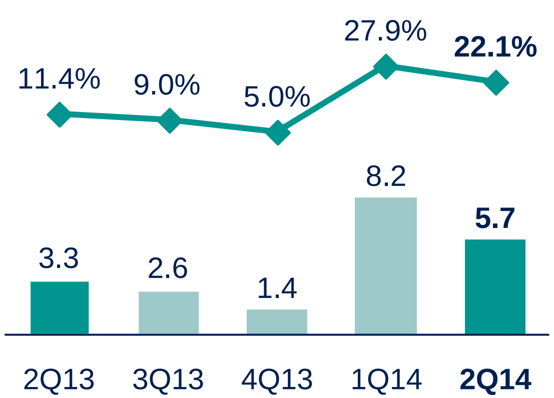
Net working capital

CZK bn



Net debt & financial gearing*

CZK bn, %



- Positive operating cash flow of CZK 2,759 m
- Positive free cash flow of CZK 2,495 m
- Increase of net working capital by 27% y/y to 10.8 bn driven by operation of higher refining capacity with corresponding higher sales/receivables and inventories of crude oil and refining products
- Related increase of net debt and financial gearing y/y to CZK 5.7 bn and 22.1% respectively
- Net debt/EBITDA** 2.1
- CAPEX of CZK 412 m

* Net debt includes cash pool liabilities.

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

AGENDA

SUMMARY OF 2Q 2014

- Continuation of significant increase of sales volumes across all segments
- Very tough refining macro environment continued
- However first positive EBITDA LIFO of refining segment since 4Q2012, supported by Operational Excellence Initiatives (without impairment)
- Petrochemical segment continued solid performance
- Acquisition of 32.445% stake in Česká rafinérská from Eni, transaction completion expected by end of 2014

Thank you for your attention

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AGENDA

EBITDA & EBIT

Detailed breakdown

	CZK m	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	1H 2013	1H 2014
Group	**EBITDA LIFO**	**438**	**663**	**235**	**252**	**1,857**	**-3,677**	**1,101**	**-1,819**
	EBITDA	540	-1	737	246	1,726	-3,540	539	-1,814
	EBIT LIFO	**-172**	**76**	**-341**	**-389**	**1,231**	**-4,308**	**-96**	**-3,077**
	EBIT	-70	-588	160	-396	1,100	-4,172	-658	-3,072
Refining segment	**EBITDA LIFO**	**-344**	**-151**	**-256**	**-391**	**752**	**-4,647**	**-495**	**-3,895**
	EBITDA	-320	-528	17	-438	722	-4,573	-849	-3,852
	EBIT LIFO	**-479**	**-263**	**-347**	**-525**	**610**	**-4,800**	**-742**	**-4,191**
	EBIT	-455	-641	-74	-572	580	-4,727	-1,096	-4,147
Petchem segment	**EBITDA LIFO**	**728**	**682**	**361**	**514**	**997**	**856**	**1,410**	**1,853**
	EBITDA	800	407	581	552	902	913	1,207	1,815
	EBIT LIFO	**354**	**308**	**-24**	**114**	**612**	**480**	**662**	**1,092**
	EBIT	427	33	195	153	517	537	459	1,054
Retail segment	**EBITDA LIFO**	**43**	**145**	**147**	**173**	**100**	**120**	**188**	**220**
	EBITDA	49	134	157	175	93	126	183	219
	EBIT LIFO	**-40**	**63**	**67**	**90**	**21**	**39**	**23**	**59**
	EBIT	-34	52	76	91	14	45	18	59
Corporate functions	EBITDA	11	-13	-18	-43	9	-6	-2	4
	EBIT	-8	-32	-37	-68	-11	-26	-40	-38

Sales volumes

Detailed breakdown

	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	1H 2013	1H 2014
Refining products, including retail, kt	**737**	**816**	**836**	**762**	**914**	**1,130**	**1,553**	**2,044**
Diesel, including retail (Benzina network)	397	438	446	420	507	594	836	1,101
Gasoline, including retail (Benzina network)	197	200	200	185	225	284	396	509
JET	16	22	19	11	21	41	38	62
LPG	22	19	25	21	23	32	41	55
Fuel oils	40	37	31	17	54	31	76	84
Naphtha	5	0	0	0	5	2	5	7
Bitumen	19	62	76	64	35	89	82	123
Lubricants	7	8	10	8	9	10	15	18
Rest of refining products	34	30	29	35	35	48	64	83

	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014	2Q 2014	1H 2013	1H 2014
Petrochemical products, kt	**403**	**389**	**366**	**420**	**440**	**445**	**792**	**885**
Ethylene	38	30	30	40	44	38	69	82
Benzene	53	43	38	55	55	55	96	111
Propylene	10	7	9	6	10	9	17	19
Urea	5	0	0	0	0	0	5	0
Ammonia	55	40	38	53	60	55	95	116
C4 fraction	20	22	16	21	22	21	42	43
Butadien	16	11	15	15	16	15	28	31
Polyethylene	60	76	66	78	73	79	135	152
Polypropylene	61	60	52	59	68	67	121	135
Rest of petrochemical products	86	100	101	93	92	105	186	196

DICTIONARY

Explanation of key indicators

- **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 – Litivínov 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 – Litivínov 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 – Litivínov 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** = sum of operating and investing cash flow
- **Net debt** = non-current loans, borrowings and debt securities + current loans, borrowings and debt securities + cash pool liabilities – cash and cash equivalents
- **Gearing ratio** = net debt / (total equity – hedging reserve)
- **Net working capital** = inventories + trade and other receivables – trade and other liabilities

DISCLAIMER

<u>The following types of statements:</u>

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