



UNIPETROL 2Q 2015 FINANCIAL RESULTS

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Prague, Czech Republic



#Unipetrol2Q15
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Unipetrol

ORLEN GROUP



Key highlights of 2Q15

Macro environment

Financial and operating results

Cash flow and financial position

Plans and market outlook for 2015

Recap

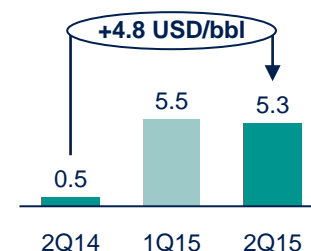
Back-up

KEY HIGHLIGHTS OF 2Q15

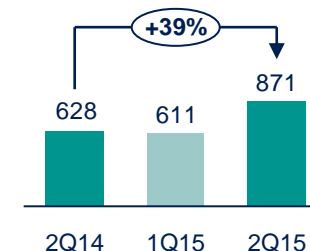
External macro environment

- ▶ Czech GDP growth expected at 2.6% y/y in 2Q15 maintaining solid dynamics after spectacular 1Q15
- ▶ Relative stabilization of crude price around 62 USD/bbl, 44% lower y/y
- ▶ Continuation of very solid refining margin at 5.3 USD/bbl
- ▶ Record high petrochemical margin at 871 EUR/t
- ▶ Relatively low crude oil price level continued to significantly support both refining and petrochemical margins

Refining margin (USD/bbl)



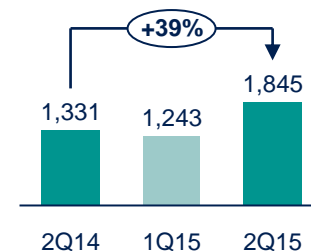
Petrochemical margin (EUR/t)



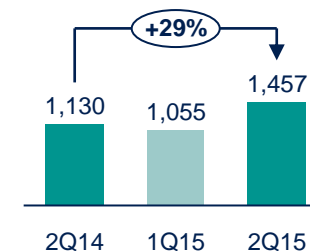
Operational performance

- ▶ Acquisition of 32.445% stake in Česká rafinérská from Eni closed on 30 April, operation of ca 50% higher refining capacity from May; operational integration ongoing
- ▶ Related increase of processed crude by 39% y/y to 1,845 kt and sales volumes by 29% y/y to 1,457 kt, driven also by very good market demand for refining products and high margins
- ▶ Proven ability to successfully place significantly higher refining volumes on the market
- ▶ High steam cracker utilization
- ▶ Solid increase of Benzina's retail fuel sales y/y

Processed crude (kt)



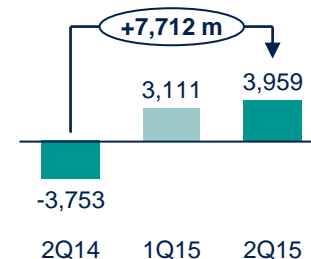
Refining sales incl. retail (kt)



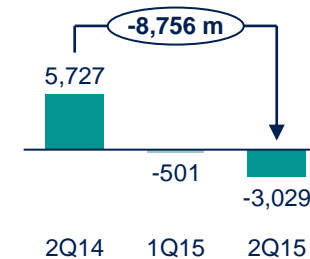
Value creation & financial position

- ▶ Excellent external macro environment and solid operational performance triggered **best quarterly results in company's history with EBITDA LIFO of CZK 4.0 bln**
- ▶ In spite of significant cash outflow due to closing of acquisition of Eni's stake in Česká rafinérská and its hydrocarbon inventories, cash generation was very strong with operating cash flow CZK 3,208 m and free cash flow CZK 2,540 m
- ▶ Very strong financial position with net cash of CZK 3,029 m at the end of the quarter

EBITDA LIFO (CZK m)



Net debt/(net cash) (CZK m)





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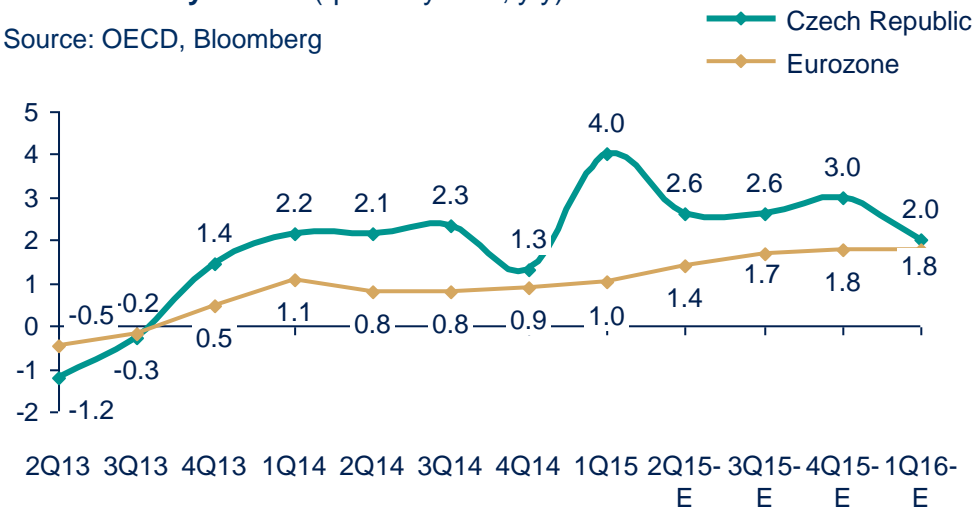
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GENERAL MACRO ENVIRONMENT

Czech GDP growth expected at 2.6% y/y in 2Q15 after spectacular 1Q15

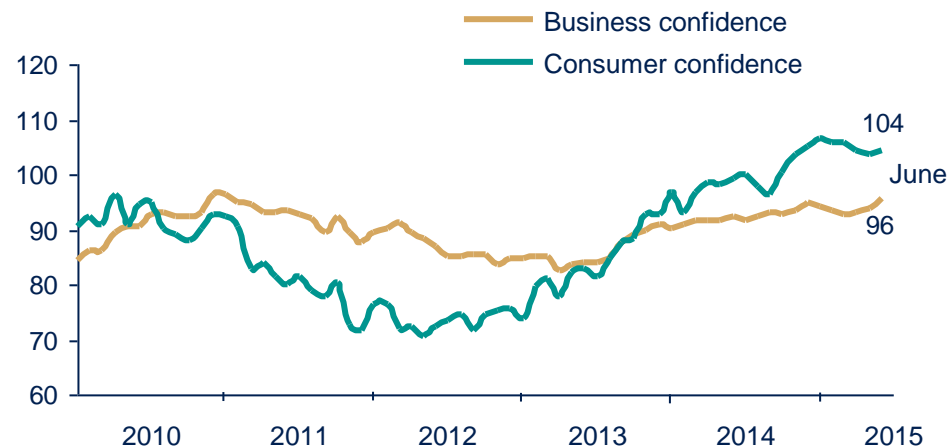
Czech GDP dynamics (quarterly data, y/y)

Source: OECD, Bloomberg



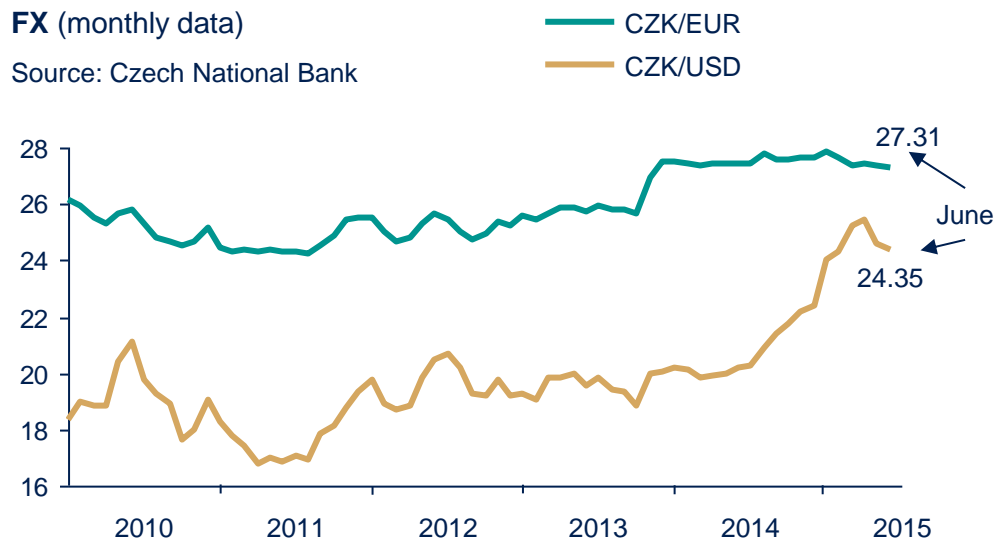
Confidence in the Czech economy (monthly data)

Source: Czech Statistical Office



FX (monthly data)

Source: Czech National Bank

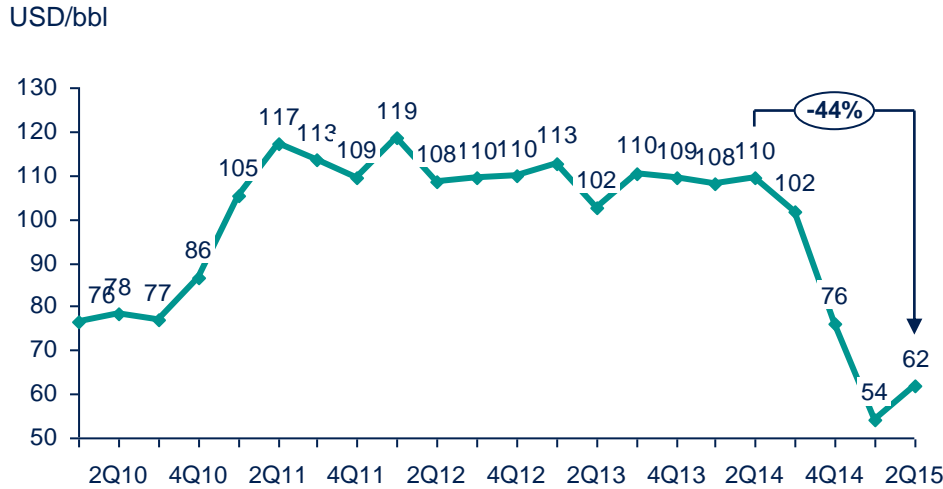


- ▶ Czech GDP growth expected at 2.6% y/y in 2Q15 maintaining solid dynamics after spectacular 1Q15...
- ▶ ...with expected continuation of quite robust growth during upcoming quarters
- ▶ Stable business and consumer confidence in the Czech economy on relatively high level
- ▶ CZK relatively stable against EUR and USD around 27.40 CZK/EUR and 24.40 CZK/USD respectively; eurodollar relatively stable around 1.1 USD/EUR

DOWNSTREAM MACRO ENVIRONMENT

Continuation of very solid refining margins from 1Q15, record high petrochemical margin

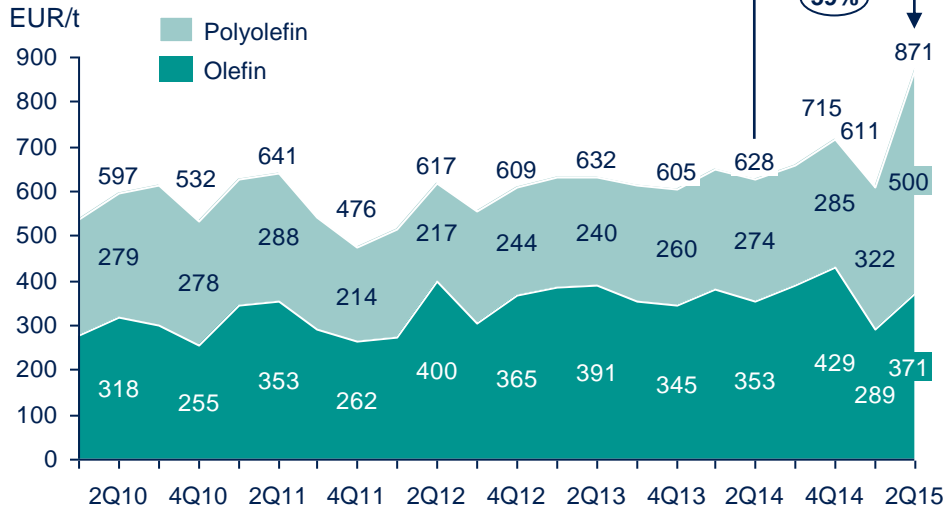
Brent crude oil price (quarterly average)



Refining margin and Brent-Ural differential



Combined petrochemical margin



- ▶ Crude oil price increased by 15% q/q to 62 USD/bbl implying relative stabilization in quite narrow range compared with previous quarters; 44% lower y/y
- ▶ Brent-Ural differential relatively stable at 1.5 USD/bbl
- ▶ Continuation of very solid and also quite stable refining margin at 5.3 USD/bbl; profound increase of gasoline crack from 140 USD/t in 1Q to 202 USD/t in 2Q, while diesel crack declined from 122 USD/t in 1Q to 112 USD/t implying average/relatively weak level from long-term perspective
- ▶ Record high combined petrochemical margin at 871 EUR/t driven by increase of both olefins (monomers) and polyolefins (polymers) margins
- ▶ Despite small increase q/q, relatively low crude oil price level continued to significantly support both refining and petrochemical margins



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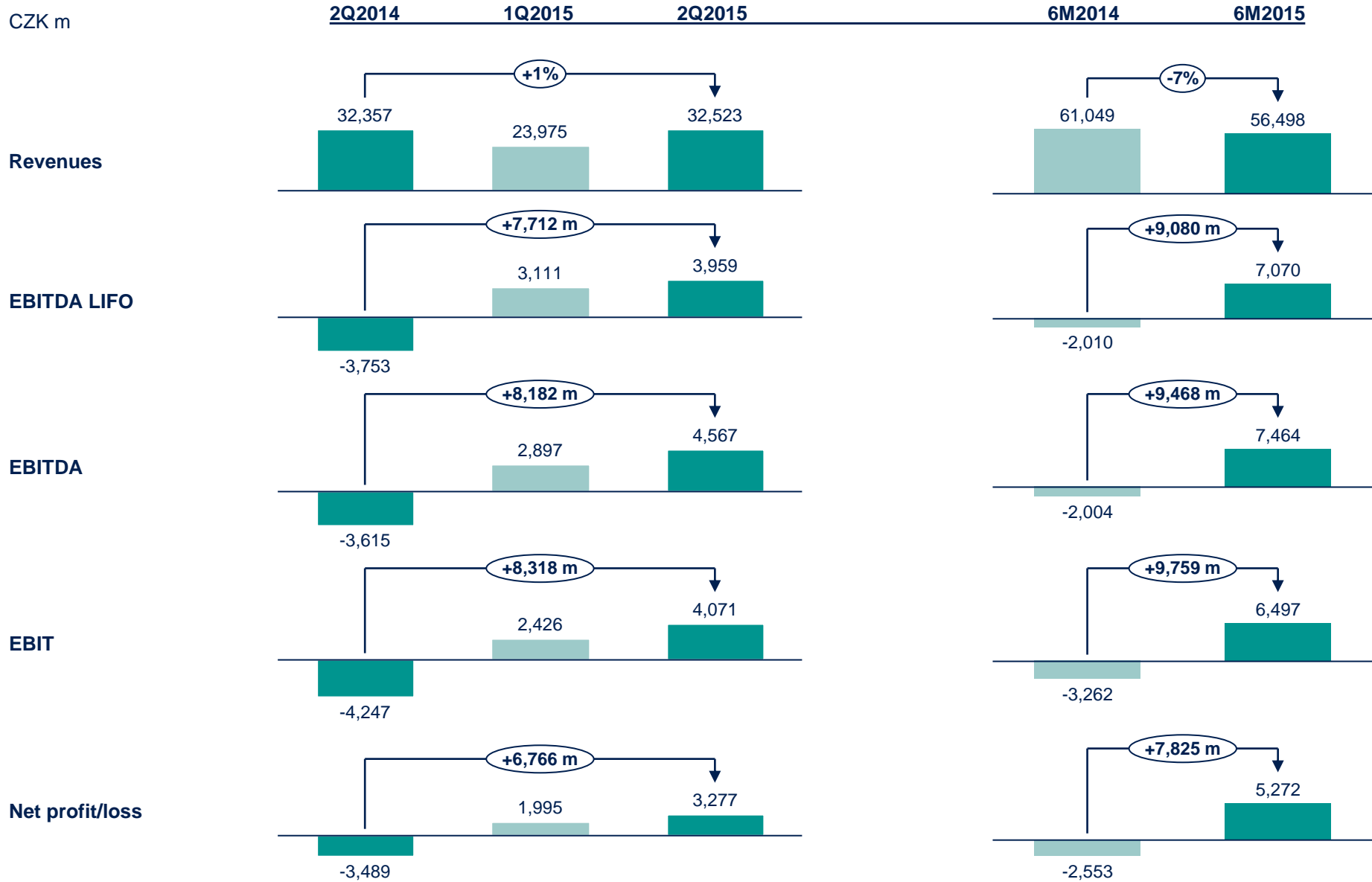
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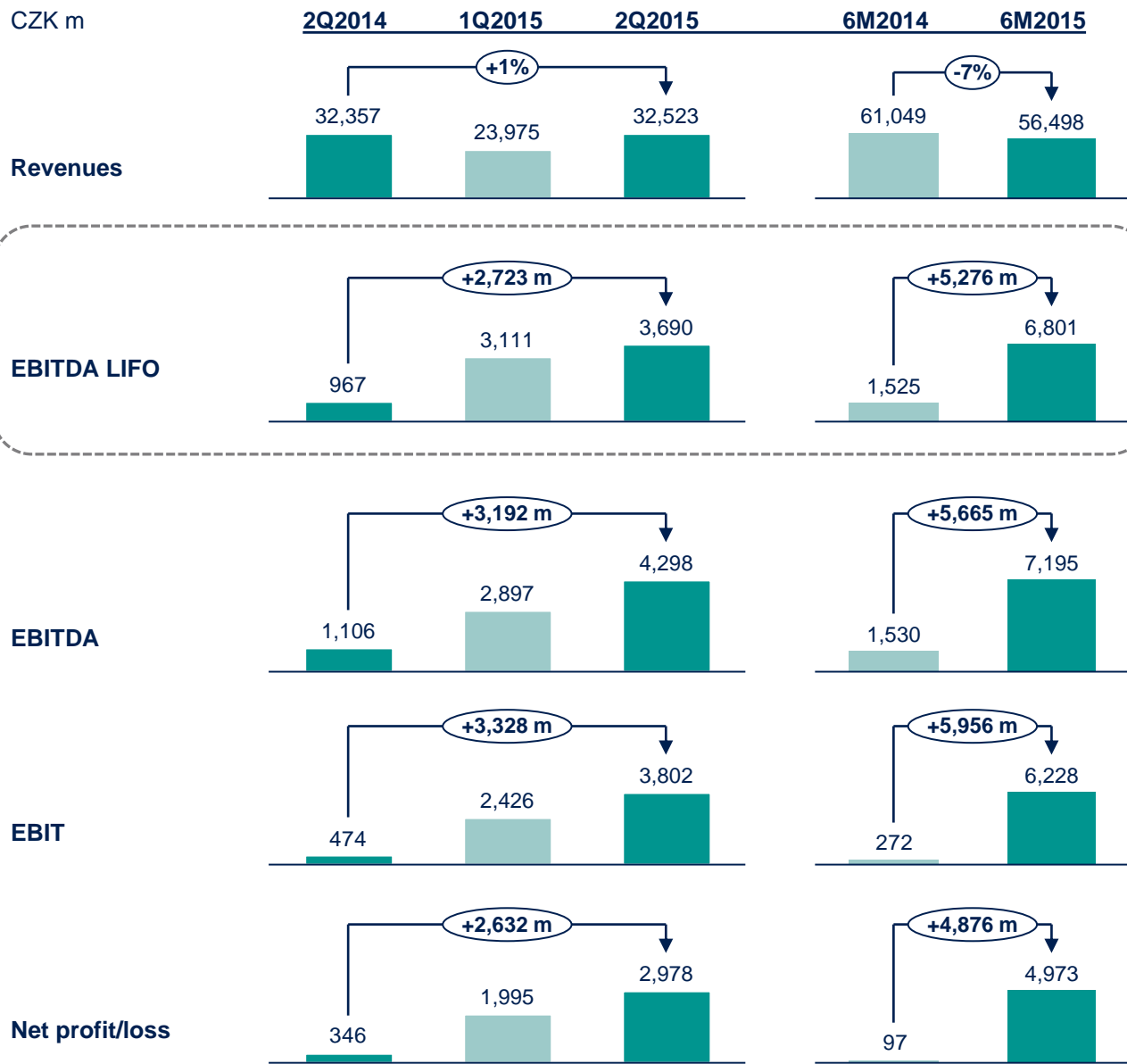
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FINANCIAL RESULTS – REPORTED NUMBERS



FINANCIAL RESULTS – NUMBERS ADJUSTED FOR ONE-OFFS

Best quarterly results in company's history with adjusted EBITDA LIFO of CZK 3.7 bln



- ▶ Despite operation of ca 50% higher refining capacity in May and June (acquisition of 32.445% stake in Česká rafinérská from Eni closed on 30 April) **revenues** increased in 2Q15 by only 1% y/y to CZK 32,523 m due to 44% slump of crude oil price y/y
- ▶ **Best quarterly results in company's history with adjusted EBITDA LIFO of CZK 3,690 m** in 2Q15 and continuation of y/y improvements from previous quarters
- ▶ **Positive factors** driving significant y/y improvement of underlying profitability in 2Q15 :
 - ▶ **External macro environment** – Very high refining margins compared with depressed levels in 2Q14, continuation from 1Q15, and record high petrochemical margins, both driven by significantly lower crude oil price and very good market demand
 - ▶ Higher **sales volumes** of refining products by 29% driven by acquired refining capacity from Eni, proven ability to successfully place significantly higher volumes on the market
- ▶ **LIFO effect** positive of CZK 608 m due to higher crude oil price q/q...
- ▶ ...and depreciation and amortization of CZK 496 m generates **EBIT** of CZK 3,802 m in 2Q15
- ▶ **Financial result** of CZK (-) 2 m
- ▶ Adjusted tax expense of CZK 822 m and adjusted **net profit** of CZK 2,978 m in 2Q15

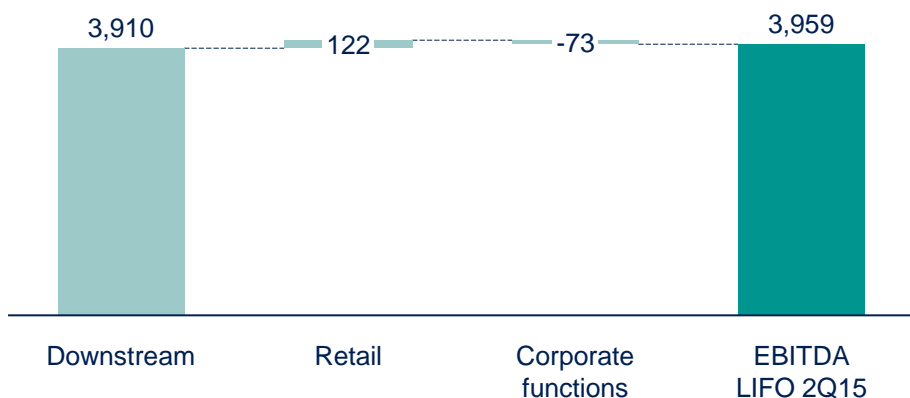
- 2Q2014 – Downstream (refining) segment impairment of CZK 4,721 m & deferred tax asset of CZK 885 m.
- 6M2014 – Gain on acquisition of CZK 1,186 m (Shell's stake in Česká rafinérská) booked in 1Q2014; Downstream (refining) segment impairment of CZK 4,721 m & deferred tax asset of CZK 885 m booked in 2Q2014.
- 2Q2015 & 6M2015 – Gain on acquisition of CZK 429 m (Eni's stake in Česká rafinérská); Provision for removal of old ecological burdens CZK 160 m (o/w CZK 110 m in downstream and CZK 50 m in Corporate functions) & related deferred tax asset of CZK 30 m.

OPERATING PROFITABILITY BY SEGMENTS

Downstream segment with record high EBITDA LIFO of CZK 3,910 m

Segment results – EBITDA LIFO – 2Q15

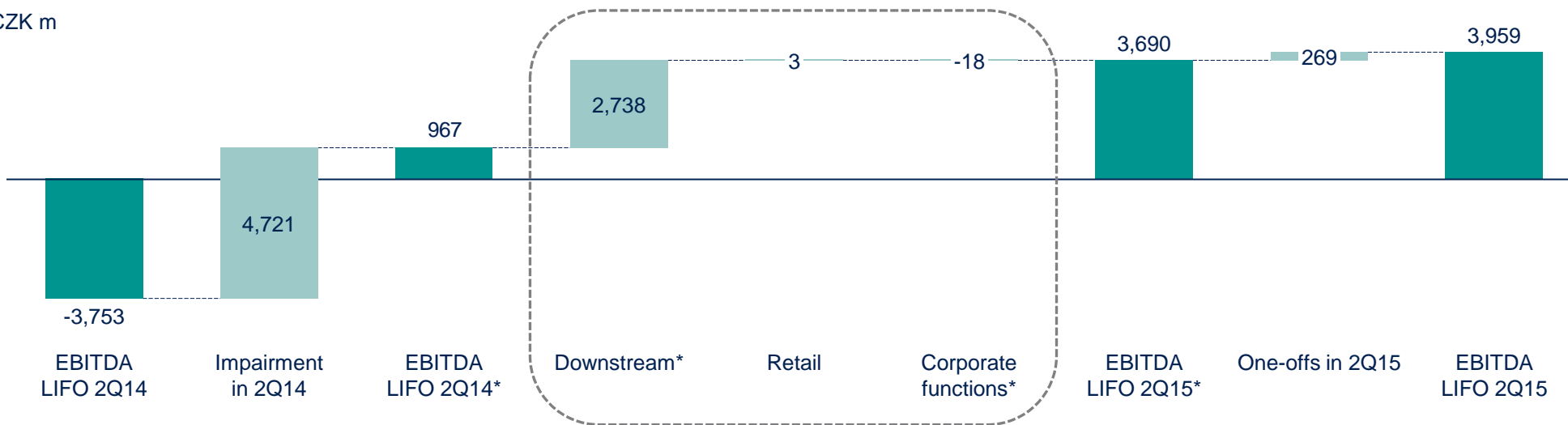
CZK m



- ▶ **Downstream segment** (combination of refining and petrochemicals) record high EBITDA LIFO of CZK 3,910 m represents, when adjusted for one-offs in 2Q14 and 2Q15, improvement of CZK 2,738 m y/y
- ▶ **Retail segment** positive contribution of CZK 122 m represents slight improvement of CZK 3 m y/y
- ▶ Negative contribution of **corporate functions** of CZK (-) 73 m due to provision of CZK 50 m booked in 2Q15

Change in segment results y/y

CZK m



DOWNSTREAM – EBITDA LIFO

Record high adjusted EBITDA LIFO of CZK 3,591 m

EBITDA LIFO quarterly – Adjusted*

CZK m



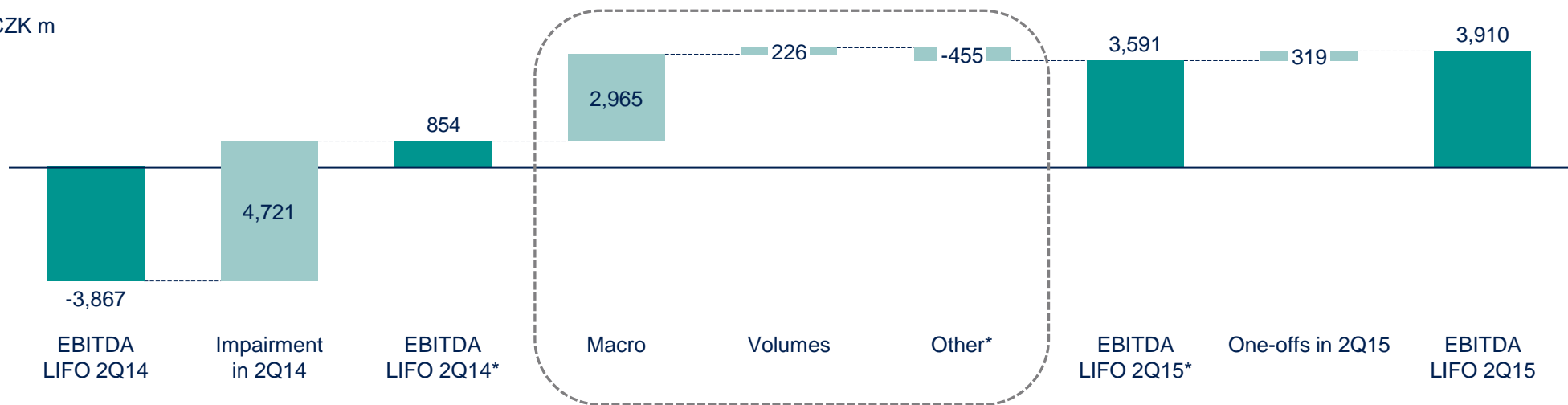
- ▶ Positive macro impact of CZK 2,965 m y/y driven by:
 - ▶ Much higher refining margins and record petchem margins, both driven by much lower crude oil price and very good market demand
 - ▶ Lower on costs of internally consumed crude thanks to considerably lower crude oil price
- ▶ Positive volumes impact of CZK 226 m y/y driven by:
 - ▶ Higher refining sales volumes
 - ▶ Better petchem sales mix, increase of propylene, benzene and polypropylene



- ▶ Negative impact of Other category of CZK (-) 455 m y/y driven by:
 - ▶ Higher fixed costs in Česká rafinérská (Eni's stake)
 - ▶ Inventory revaluation (NRV) reversal in 2Q14, negligible in 2Q15
 - ▶ Higher difference between bio components quotations and quotations of gasoline and diesel

Downstream segment results – Drivers of change y/y

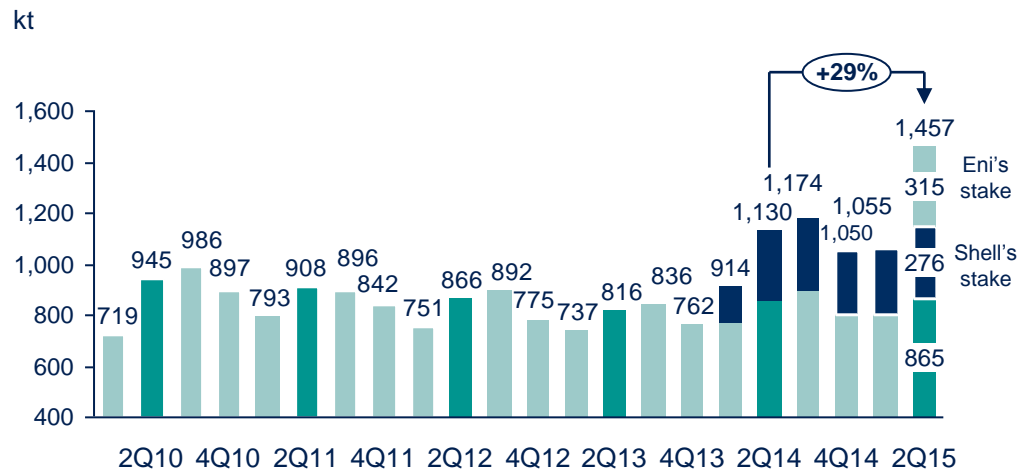
CZK m



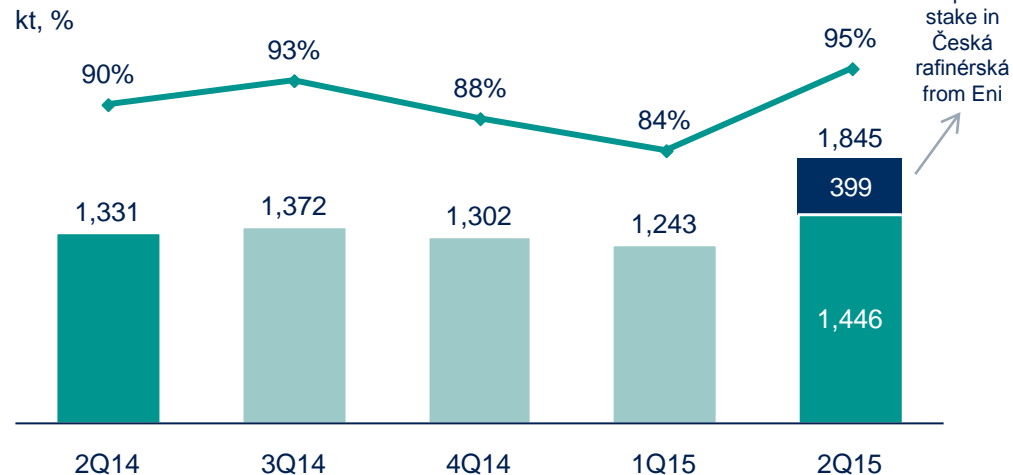
DOWNSTREAM (REFINING) – OPERATIONAL DATA

Increase of processed crude by 39% y/y to 1,845 kt and sales volumes by 29% y/y to 1,457 kt

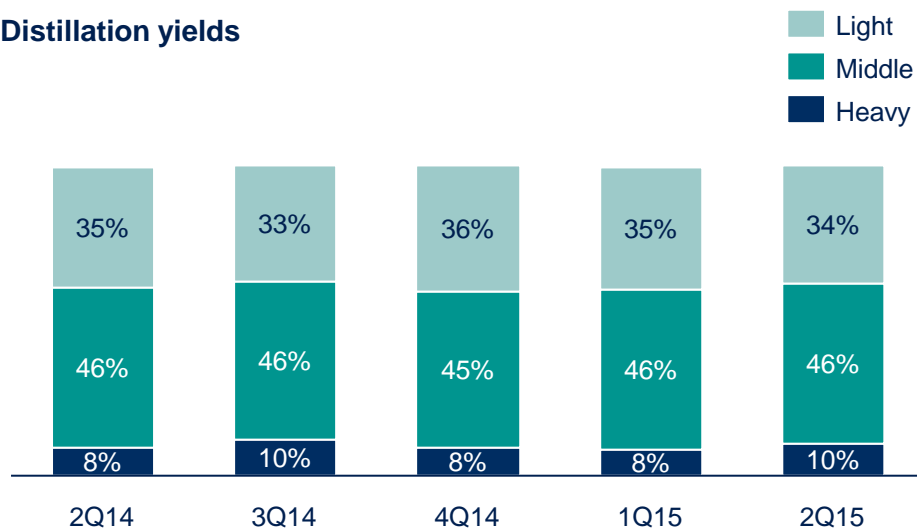
Sales volumes of refining products, incl. retail (Benzina network)



Processed crude and refining utilization ratio



Distillation yields

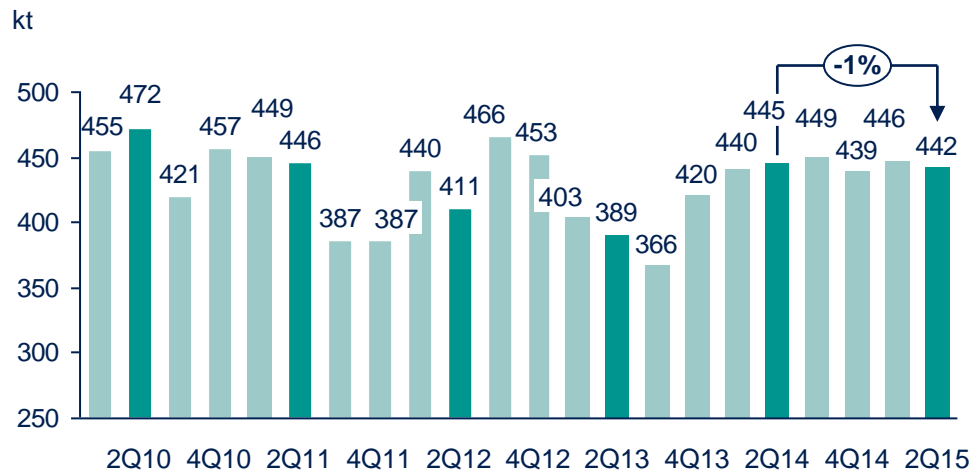


- ▶ Increase of crude oil throughput by 39% y/y to 1,845 kt driven by higher refining capacity y/y (operation of Eni's refining capacity from May)
- ▶ Corresponding increase of refining utilization ratio by 5 pp y/y to very high level at 95% driven by very good market demand for refining products and high margins
- ▶ Sales volumes increase by 29% y/y to 1,457 kt, also driven proven ability to successfully place significantly higher volumes on the market

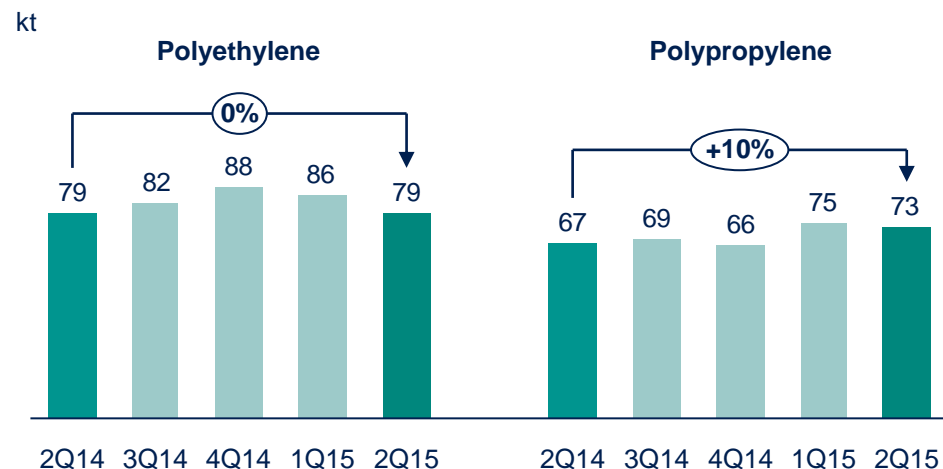
DOWNSTREAM (PETROCHEMICALS) – OPERATIONAL DATA

Substantial increase of sales volumes of high margin polypropylene

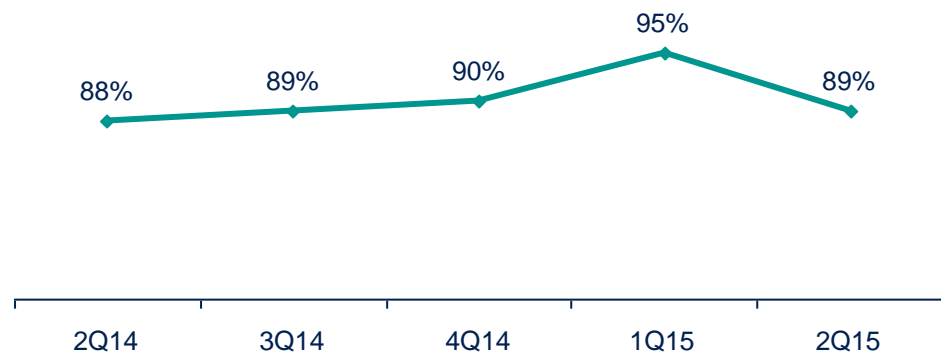
Sales volumes of petrochemical products



Sales volumes of polyethylene and polypropylene



Steam-cracker utilization ratio



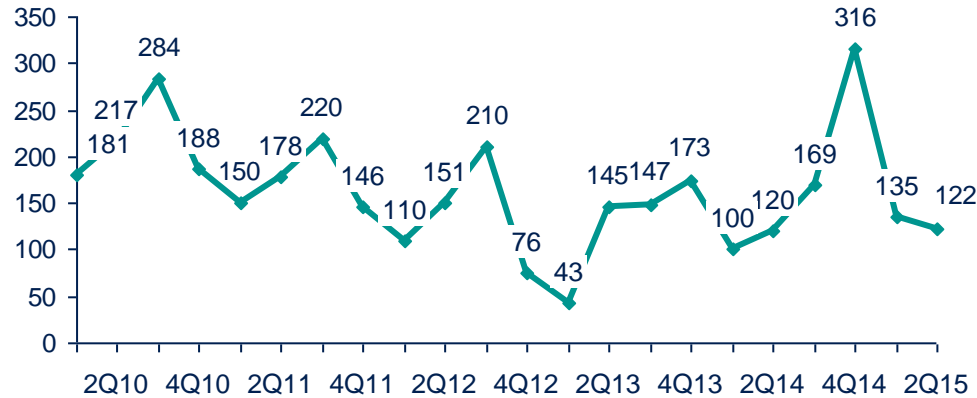
- ▶ High steam cracker utilization, however partial production limitations in June implying utilization ratio at 89%
- ▶ Relatively flat sales volumes of 442 kt, however continuation of sales mix improvement (increase of propylene, benzene and polypropylene sales)
- ▶ Continuation of very high market demand for polymers due to favorable GDP dynamics, limited imports to and higher exports from Europe (weak EUR against USD and low crude oil price) and force majeure of several European players:
 - ▶ Polyethylene sales flat y/y of 79 kt
 - ▶ Polypropylene sales increase by 10% to 73 kt

RETAIL SEGMENT

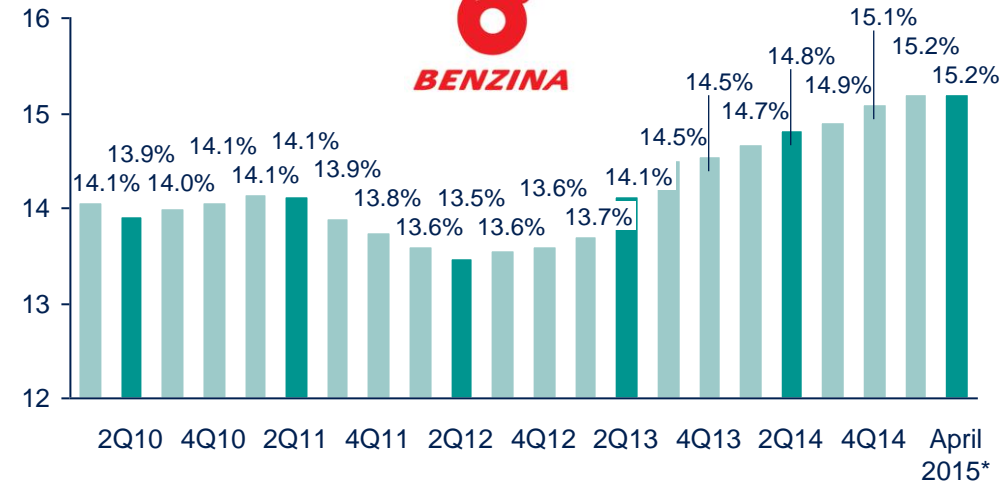
EBITDA LIFO of CZK 122 m, solid increase of Benzina fuel sales y/y

EBITDA LIFO quarterly

CZK m

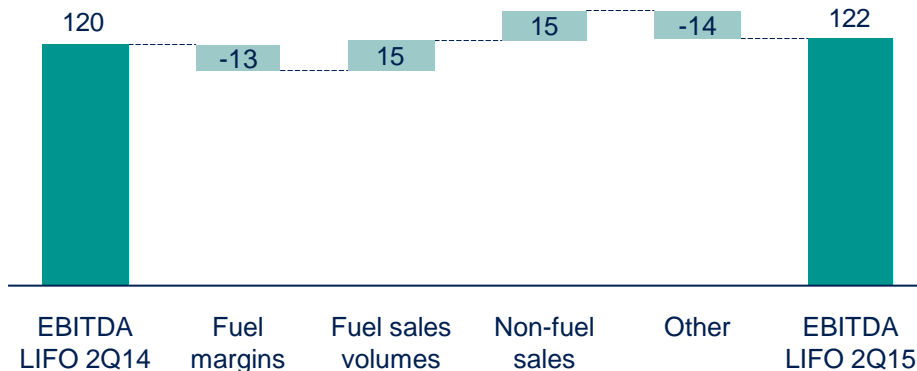


Benzina market share



Retail segment results – Drivers of change y/y

CZK m



- ▶ Positive impact of higher fuel sales volumes of CZK 15 m y/y thanks to set of activities in sales, marketing and standards increase, lower crude oil price and solid dynamics of Czech GDP
- ▶ Positive impact of non-fuel sales of CZK 15 m y/y driven by shop and gastro sales
- ▶ Increase of Benzina market share by 0.4 pp y/y to 15.2%



- ▶ Negative impact of lower fuel margins of CZK (-) 13 m y/y driven by lower gasoline margin



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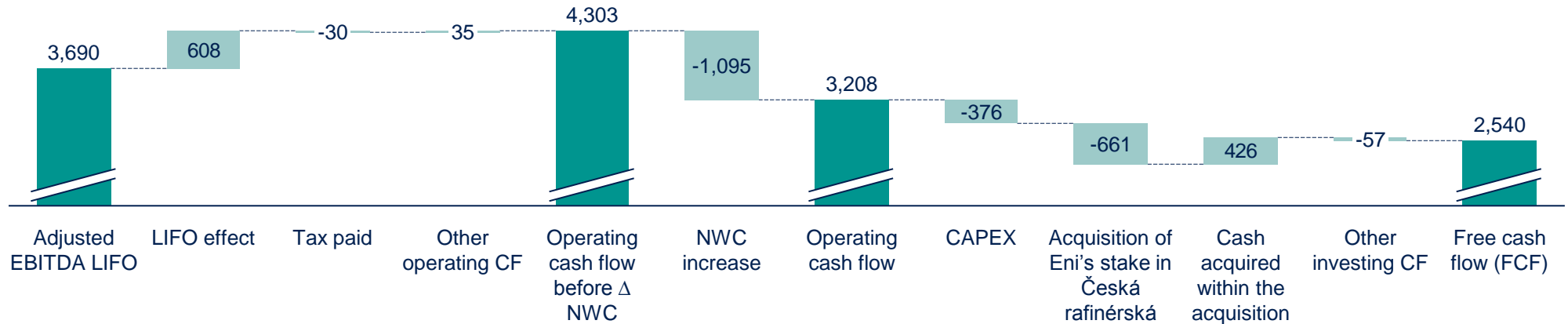
Back-up

CASH FLOW & NET WORKING CAPITAL

Strong cash generation with free cash flow CZK 2,540 m

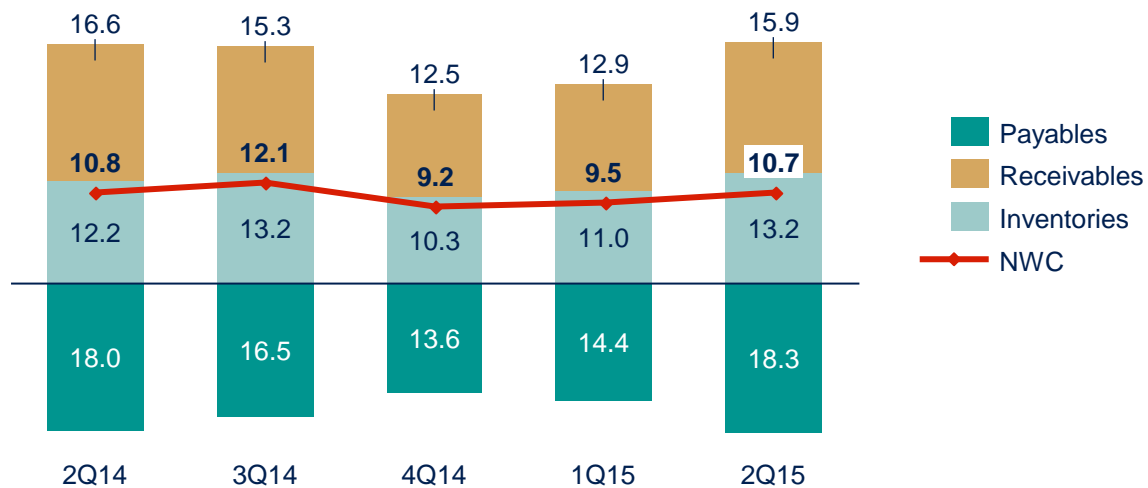
Free cash flow (FCF) reconciliation in 2Q15

CZK m



Net working capital (NWC)

CZK bn



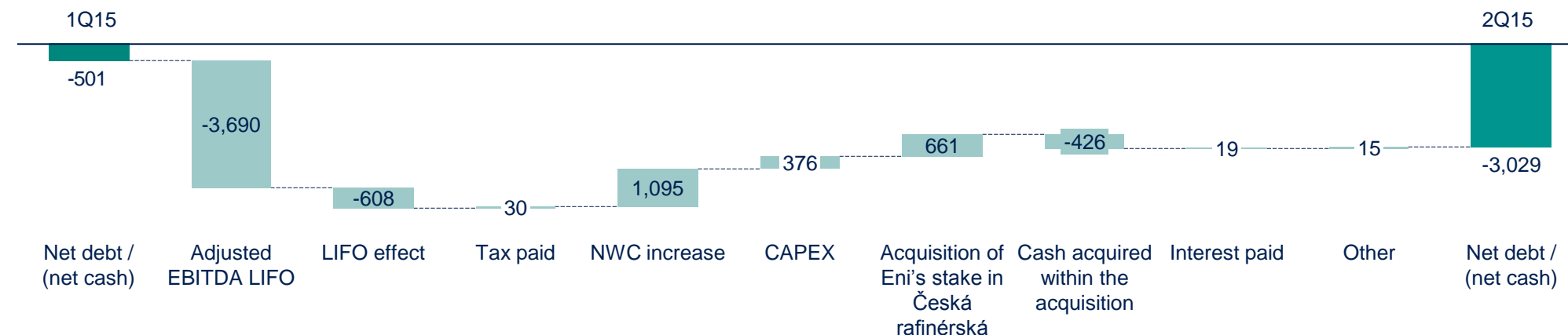
- ▶ In spite of significant cash outflow due to closing of acquisition of Eni's stake in Česká rafinérská on 30 April (CZK 661 m) and its hydrocarbon inventories (CZK 3,047 m), cash generation was very strong:
 - ▶ Operating cash flow CZK 3,208 m
 - ▶ Free cash flow CZK 2,540 m
- ▶ CAPEX CZK 376 m
- ▶ Strict working capital management:
 - ▶ Despite acquisition of Eni's inventories and crude oil price increase q/q, NWC increased by only ca CZK 1 bln to CZK 10.7 bln

FINANCIAL GEARING

Very strong financial position with net cash of CZK 3,029 m at the end of 2Q15

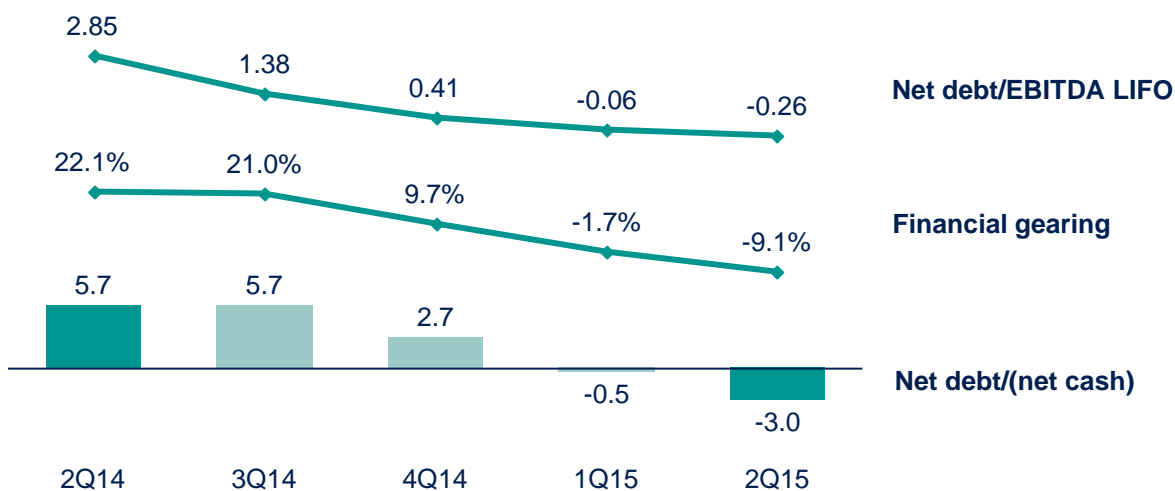
Net debt/(net cash)* change in 2Q15

CZK m



Net debt/(net cash)*, financial gearing & Net debt/EBITDA LIFO**

CZK bn, %



- ▶ Additional significant increase of net cash position q/q to CZK 3,029 m driven by very strong EBITDA...
- ▶ ...corresponding additional decline of financial gearing and net debt/EBITDA LIFO indicator
- ▶ Very strong liquidity position enabled Unipetrol to prematurely repay on 25 June remaining part of loan, CZK 2 bln, from its majority shareholder PKN ORLEN SA to save interest costs

- Net debt/(net cash)* – includes cash pool liabilities.
- Net debt/EBITDA LIFO** – 4-quarter trailing adjusted EBITDA LIFO.



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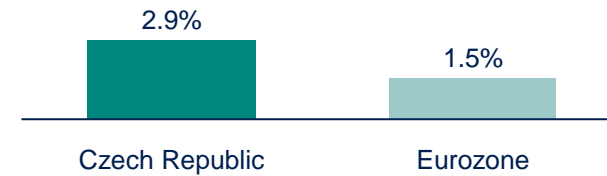
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Macro environment – assumptions

- ▶ **Brent crude oil price** – We expect stabilization of crude oil prices at the current levels. 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 investments

- ▶ None of major production units to undergo planned maintenance shutdown in 3Q15
- ▶ First whole quarter operation of 100% Česká rafinérská refineries capacity (8.7 mt/year) in 3Q15, further significant increase of refining sales volumes in 3Q15 compared to 2Q15
- ▶ We started own R&D activities regarding production of advanced biofuels
- ▶ **New polyethylene unit (PE3) update**
 - ▶ We are one step closer to realization of this key investment project
 - ▶ Currently at the final stage of confirmation of the assumptions behind the PE3 project
 - ▶ Possible general contractors already shortlisted
 - ▶ After conclusion of assumptions verification and selecting the general contractor we expect a quick start of actual works on the site in Litvínov

Regulatory environment

- ▶ **Energy Act and POZE Act** – New Act on renewable sources of energy under which the fee will not be based on the consumption but on the capacity (reserved wattage). The Act will reduce the current renewable energy surcharge fee for energy intensive industry. Approved and will come into effect by 1.1.2016. Implementing regulations and new tariffs system are being currently elaborated. Unipetrol expects to save ca CZK 300 m per year from 2016.
- ▶ **Amendment to the Act on Fuels** – came into effect by 1.7.2015. The new legislation aims at keeping the security deposit in the law. The Amendment 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 reduction 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.

Waiting for approval of notification on biofuels support by European Commission. Discussion in Parliament should continue in September 2015.



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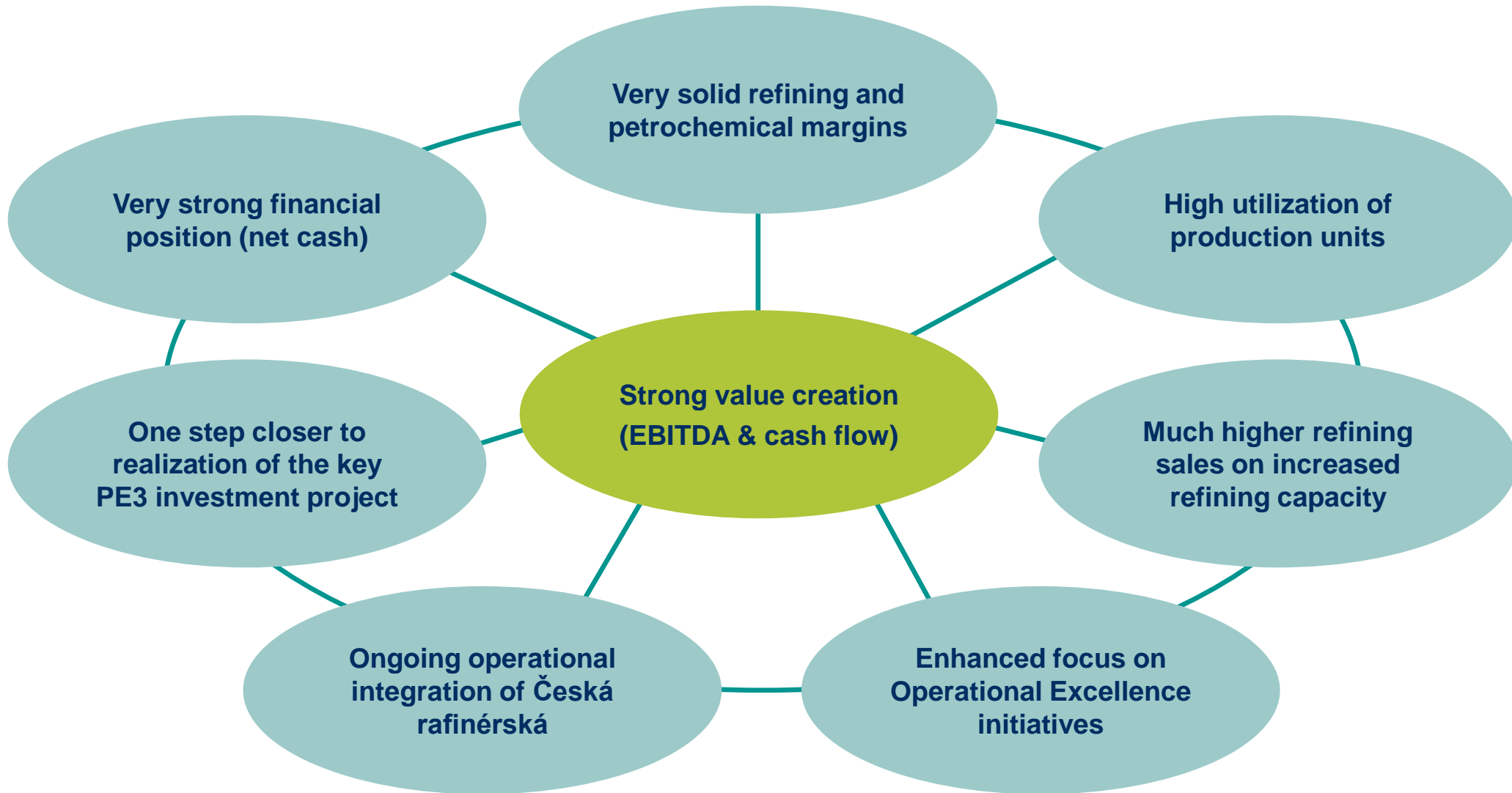
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Thank you for your attention

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EBITDA & EBIT – REPORTED NUMBERS

Detailed breakdown

	CZK m	1Q 2014	2Q 2014	3Q 2014	4Q 2014	1Q 2015	2Q 2015	6M 2014	6M 2015
Group	EBITDA LIFO	1,743	-3,753	2,304	2,617	3,111	3,959	-2,010	7,070
	EBITDA	1,611	-3,615	1,982	1,105	2,897	4,567	-2,004	7,464
	EBIT LIFO	1,117	-4,385	1,803	2,106	2,640	3,463	-3,268	6,103
	EBIT	985	-4,247	1,482	593	2,426	4,071	-3,262	6,497
Downstream	EBITDA LIFO	1,634	-3,867	2,135	2,330	2,985	3,910	-2,232	6,895
	EBITDA	1,508	-3,735	1,814	877	2,771	4,518	-2,227	7,288
	EBIT LIFO	1,108	-4,397	1,736	1,921	2,602	3,502	-3,289	6,104
	EBIT	982	-4,265	1,415	468	2,388	4,110	-3,283	6,497
Retail	EBITDA LIFO	100	120	169	316	135	122	220	258
	EBITDA	93	126	168	257	135	122	219	258
	EBIT LIFO	21	39	88	234	54	41	59	96
	EBIT	14	45	87	175	54	41	59	96
Corporate functions	EBITDA	9	-6	0	-29	-9	-73	4	-82
	EBIT	-11	-26	-21	-50	-16	-80	-38	-96

- ▶ **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 till 1Q2015 conversion capacity was 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). In 2Q15 conversion capacity increased to 7.8 mt/y driven by operation of Eni's 32.445% stake in Česká rafinérská from May. From 3Q15 conversion capacity is 100% of Česká rafinérská, i.e. 8.7 mt/y (Česká rafinérská – Kralupy 3.206 mt/y, Česká rafinérská – Litvínov 5.492 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.