

Unipetrol Group Strategy 2013-2017



Excellence-New Business Opportunities-Profits

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Prague, 11 June 2013



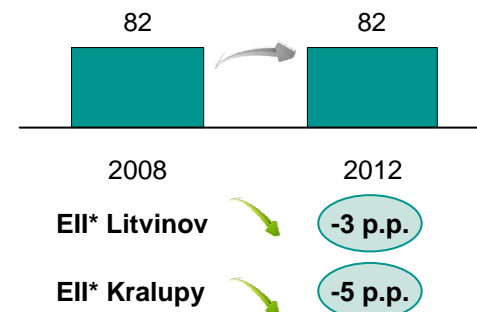
In line with defined 2008-2012 strategic directions, Unipetrol managed to defend its business position in challenging external environment



Focus on effectiveness

- **Efficiency** initiatives undertaken and introduced with success, **energy efficiency** both in Litvinov and Kralupy **increased**
- **Decrease of Inland Premium** due to **competition** in Czech and neighboring market
- **Above market tariffs** for crude oil transportation and products distribution charged to Unipetrol

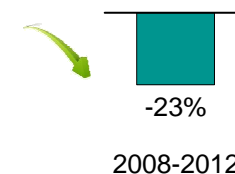
Refining capacity utilization, 2008-2012, %



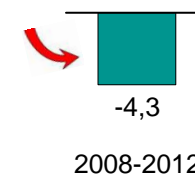
Cost position improvement

- **Decrease of costs burden** introduced, including FTE optimization
- **Decrease of steam cracker utilization rate**
- Operations carrying burden of **renewables surcharges** **increasing energy costs**

Fixed costs, 2008-2012



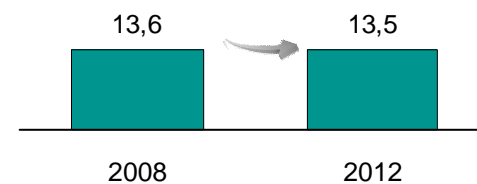
Steam Cracker utilization rate, 2008-2012, p.p.



Defending in a falling market

- Kept the **market share** level **stable**
- **Fall of sales** volume, but at a rate slower than the market trend
- Retail market fell at a CAGR -3,5% between years 2008 and 2012

Market share, 2008-2012, %



Sales volume change



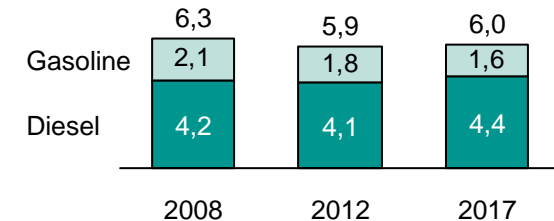
Market does not bring obvious positive trends, therefore requires a smart approach from the business makers



Market development mirrors the global trends

- After the drop, **consumption** will be moderately **increasing till 2017**, **dieselization** follows **European trend**
- **Regional** market for **petchem feedstock** growing
- **Adverse macro** and **crude differentials** development affecting Unipetrol's profitability

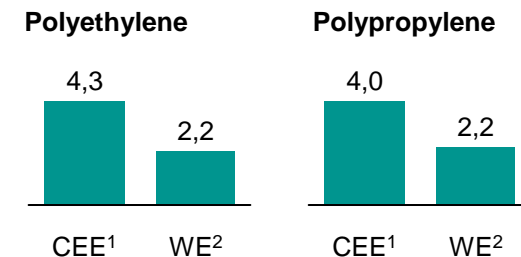
Fuels consumption in the Czech Republic, 2008-2017, mn t



Growing market both globally and regionally

- **Global demand** for basic petrochemicals to grow by **3-3,5% on average** in the next years
- Petchem **consumption** in **CEE** low – **space for growth**
- Competition from **cheap ethane feedstock** creates **pressure on margins**

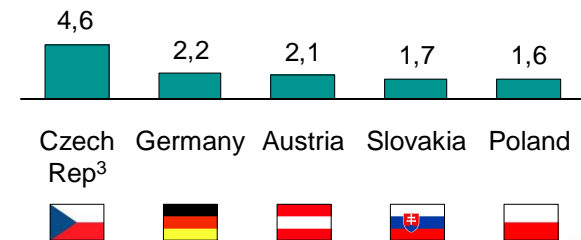
Regional consumption CAGR 2012-2017, %



Competitive market with grey zone burden

- **Oversaturation** of fuel stations comparing to neighboring markets, **potential for consolidation**
- **Grey zone** at the level of **15-20% of the market** but its **decrease expected**
- **Fragile perspective** for economic growth

Stations per 100 km of road network Estimates



Unipetrol's competitive position is especially strong in Petchem, Refining requires further optimization and Retail is prepared to roll out its growth strategy



Uniquely integrated market leader

- Refinery assets integrated with Petchem and Retail
- Market leader in fuels wholesale, with significant part of export sales
- Strong competition of surrounding refineries



Strong position in the region

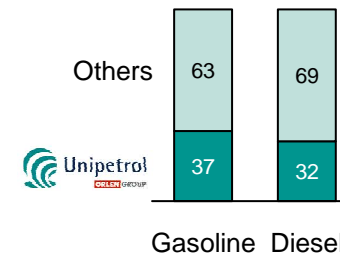
- Significant market share in the region
- Benefits from integration with refinery assets
- Good localization – growing regional market and natural logistics protection
- Ageing polyethylene products portfolio



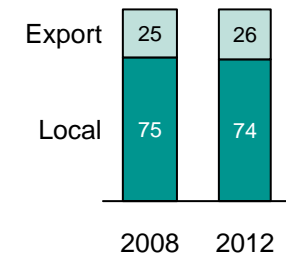
Leading player with potential in effectiveness improvement

- Market leader in fuel stations number and volume sold
- Comparable throughputs to immediate competitors at premium stations
- Present also in non-premium locations with lower throughput

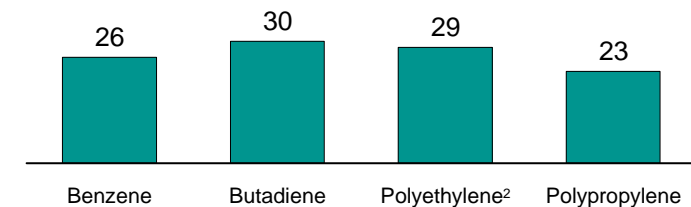
Fuel wholesales market share, Czech Rep., 2012, %



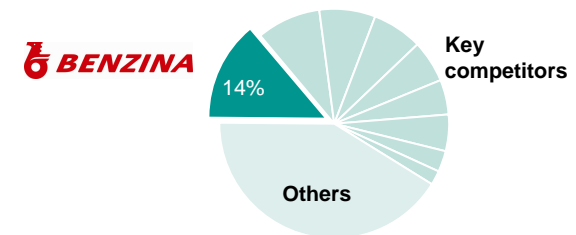
Fuel sales split, 2008- 2012, %



Unipetrol share in production in CEE¹, 2012, %



Market share, No. of stations, 2012, %



Key pillars of Unipetrol Group strategy 2013-2017



Excellence in operations



Key profit maker strengthening its market position



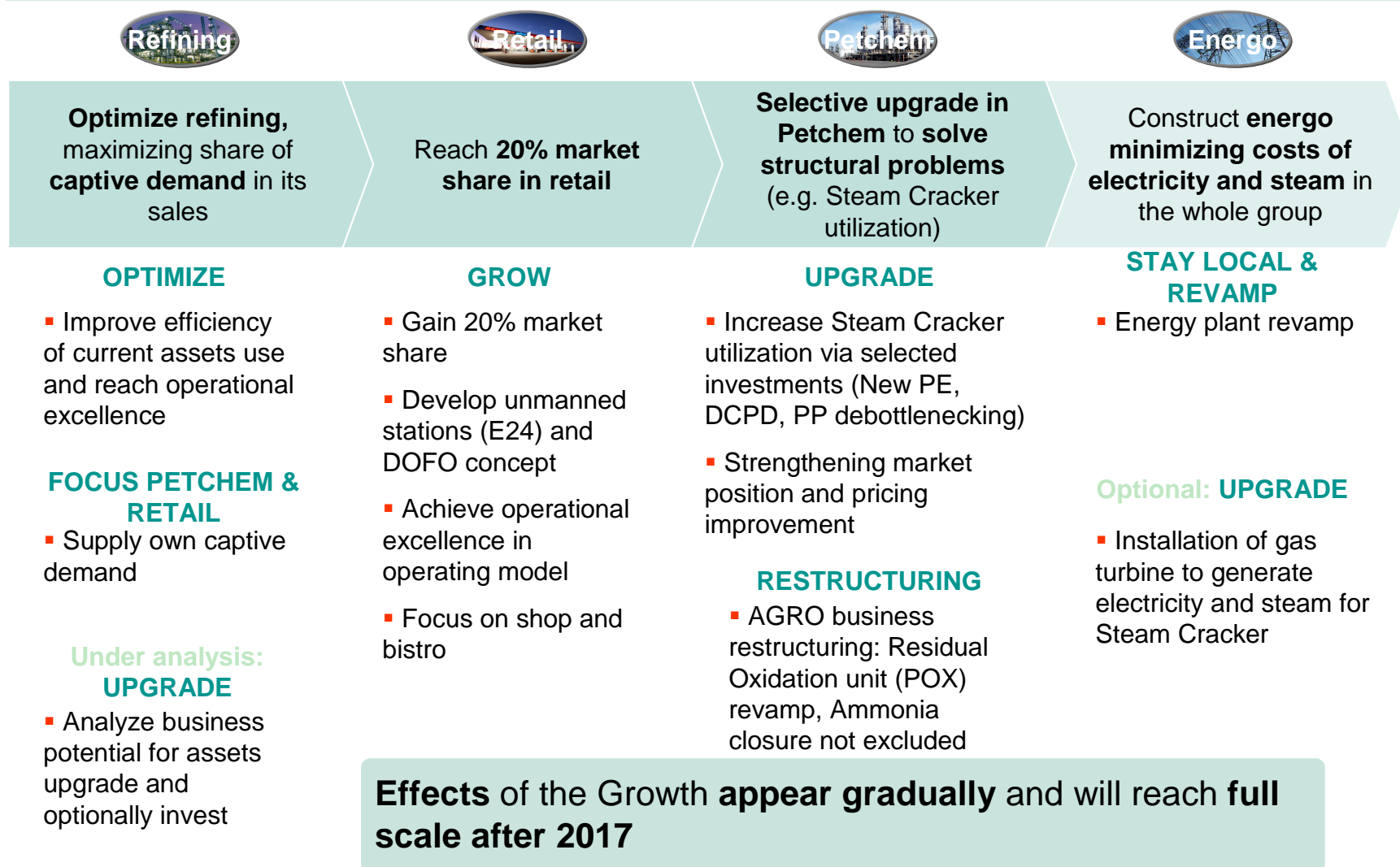
Gain market share leveraging on strong market position



Security of energy needs at optimized costs

In 2017 we plan to have an optimized Refinery, upgraded Petchem, increased Retail and lowest possible energy costs

Strategy path selected by Unipetrol

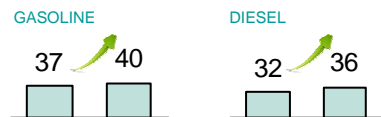


Refinery will focus on further efficiency improvements

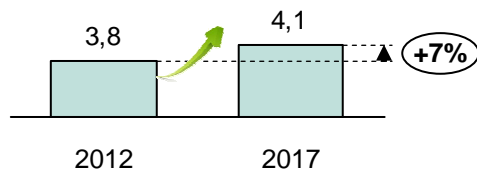
GROWTH

Improved market position and optimized effectiveness...

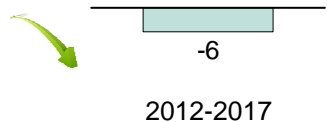
Market share in fuels wholesale %



Production volume mn t

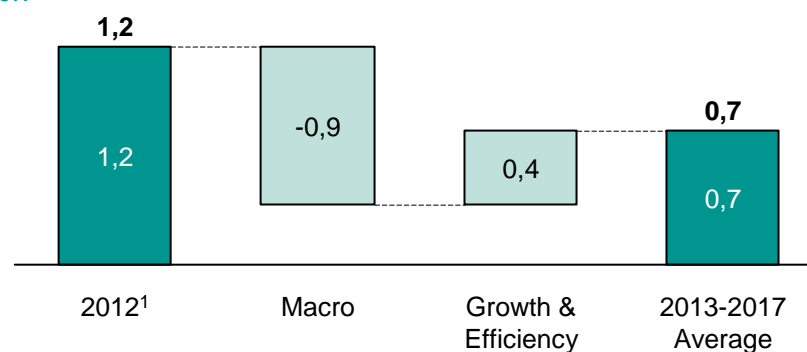


OPEX costs per t change, %



...will bring operational profitability ...

EBITDA inc. LIFO and its drivers, 2012-2017, Average, CZK bn

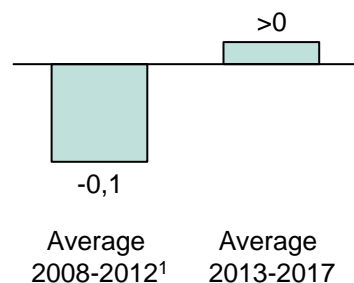


...to finance maintenance CAPEX to keep modernised assets

CAPEX, 2008-2017, CZK bn



Cash generation capacity², 2008-2017, CZK bn



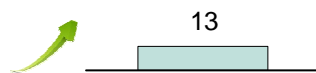
Excellence in operations
Unipetrol
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Petchem will invest while optimizing costs

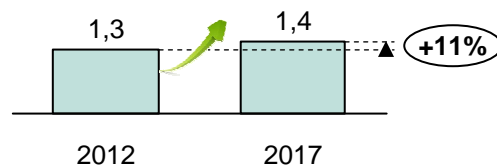
GROWTH

Improved sales and cost position ...

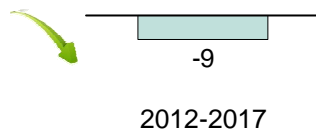
Steam Cracker utilization change, p.p.



Sales volume mn t

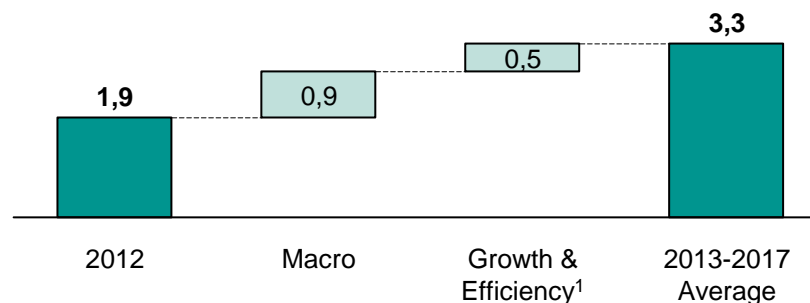


Fixed costs change, %



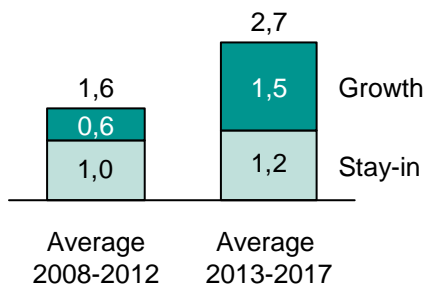
...creates the key profit maker in the Group...

EBITDA inc. LIFO and its drivers, 2012-2017, Average, CZK bn



...that brings cash and invests

CAPEX, 2008-2017, CZK bn



Cash generation capacity², 2008-2017, CZK bn



Key profit maker strengthening its market position while optimizing costs



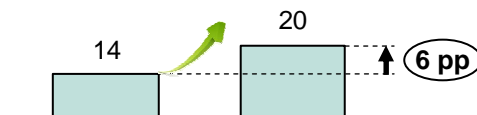


Retail will gain more market share building on its current leader position

GROWTH

Strong sales efforts and market share growth...

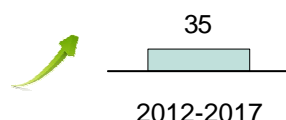
Market share %



Throughput per station change², %

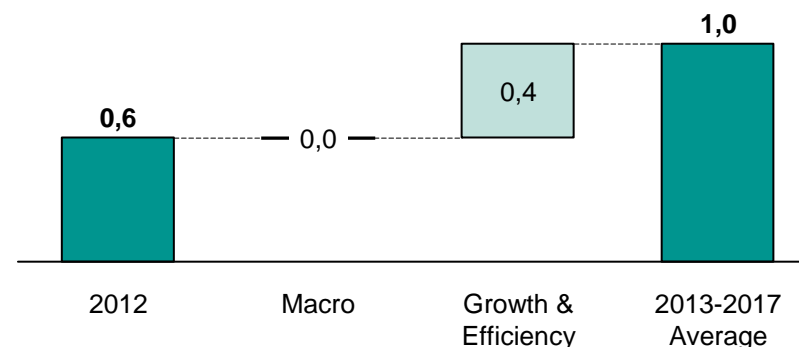


Total non-fuel shop turnover change, 2012-2017, %



...let segment achieve solid profits ...

EBITDA inc. LIFO and its drivers, 2012-2017, Average, CZK bn

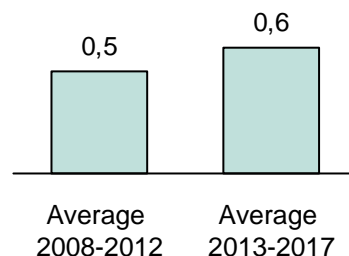


...and bring cash alongside selected investments

CAPEX, 2008-2017, CZK bn



Cash generation capacity¹, 2008-2017, CZK bn



Gain market share leveraging on strong market position

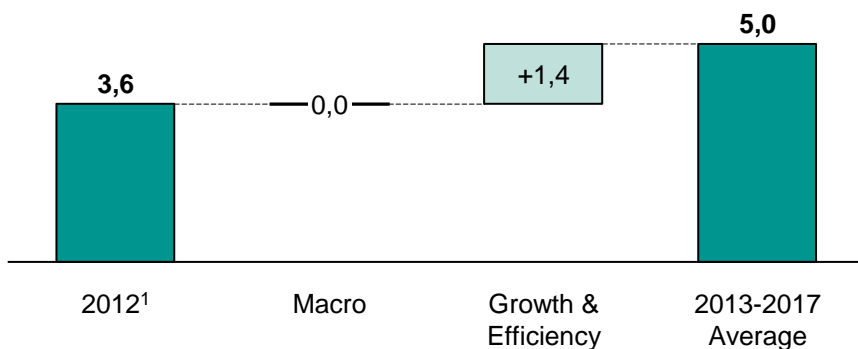


New Strategy will allow to improve operational profitability and generate strong cash flow

GROWTH

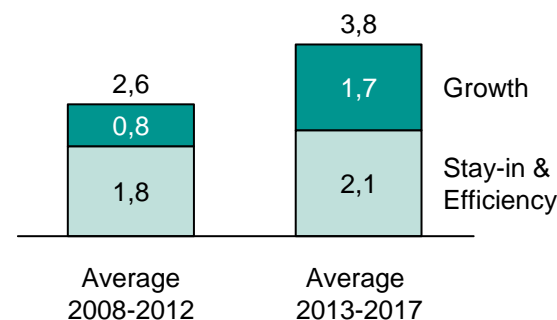
Growing EBITDA...

EBITDA inc. LIFO and its drivers, 2012-2017, Average, CZK bn



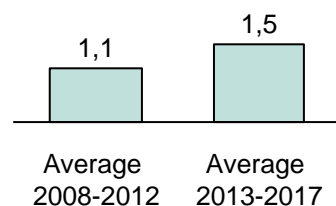
...will cover CAPEX needs...

CAPEX², 2008-2017, CZK bn

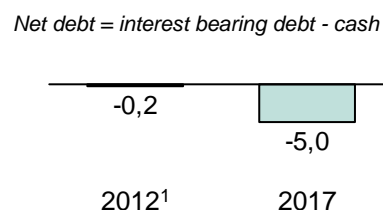


...and bring significant cash reserves

Free Cash Flow, 2008-2017, CZK bn



Net Debt, 2012-2017, CZK bn



Key excess cash allocation directions:

- > Marco risks buffer
- > CAPEX needs & further growth³
- > Potential dividend payouts

Financial stability and safe perspective for improved profitability

Unipetrol
ORLEN GROUP

Our strategy is shaped under assumption that the markets will be operating in an efficient way, yet Unipetrol is aware of external risks that affect the company

Market development towards efficiency...

- **Mitigation of the grey zone** size – at least by 50%
- **Decrease of tariffs** by logistics operators to the market justified level
- **Decrease of energy cost burdens** for industrial consumers
- **Growing** regional and global **demand** for basic **petrochemicals**

...will address the main risks Unipetrol faces

Grey zone undermining profitability and volume sold

- Czech market is characterized by **one of the highest grey zone market shares** in the EU
- Grey zone players **erode market margins** by selling fuels even **below the wholesale** prices

Unjustified pipeline tariff costs and competition in wholesale

- Unipetrol group is charged **fees unjustified** by **market conditions** by pipeline operators
- Fuel **logistics** and **wholesale** services **bundled under one entity** represent an unfair competitive position

Excessive energy prices – among highest in Europe

- **Czech** state sustains **support** for **renewable energy** resources
- The regulation results in **increased energy prices** for the **industrial consumers**
- **Lignite** mining **limits influence** long term **price**

Exploiting current and future competitive advantages and new business opportunities will allow a solid sustainable profitability



- Optimization and use of integration with other segments while analysing selective upgrades



- Using the positive market trends to upgrade while optimizing operations



- Leveraging market position to gain market share in a healthier market



- Minimizing total energy (electricity + heat) costs for the whole Group while maintaining flexibility



➤ EXCELLENCE!

➤ BUSINESS OPPORTUNITIES!

➤ PROFITS!

**Thank you for your
attention!**



Macro assumptions

Macro factor	Unit	2008-2012	2013-2017
Model refining margin of Unipetrol	USD/bbl	3,0	1,9
Model olefin margin of Unipetrol	EUR/t	300	368
Model polyolefin margin of Unipetrol	EUR/t	248	264
Brent prices	USD/bbl	92	118
Brent/Ural differential	USD/bbl	1,6	1,3
CO ₂ allowances prices	EUR/t CO ₂	14	12
Exchange rate: CZK/USD		18,49	17,16
Exchange rate: CZK/EUR		25,28	23,44
Inflation	%	2,8%	2%

Dictionary

- **Unipetrol model refining margin** = revenues from products sold (96% Products = Gasoline 17%, Petchem feedstock 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** = From 3Q2012 conversion capacity is 4.5 mt/y, i.e. only Ceska rafinerska refineries conversion capacity, adjusted for 51.22% shareholding of Unipetrol, after discontinuation of crude oil processing in Paramo refinery (Ceska rafinerska – Kralupy 1.642 mt/y, Ceska rafinerska – Litivinov 2.813 mt/y); conversion capacity was 5.1 mt/y previously (Ceska rafinerska – Kralupy 1.6 mt/y, Ceska rafinerska – Litivinov 2.8 mt/y, Paramo 0.7 mt/y).
- **Light distillates** = LPG, gasoline, naphtha
- **Middle distillates** = JET, diesel, light heating oil
- **Heavy distillates** = fuel oils, bitumen
- **Unipetrol model 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.
- **Unipetrol model 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.
- **PE** = Polyethylene
- **PP** = Polypropylene
- **HDPE** = High Density Polyethylene
- **DCPD** = Dicyclopentadiene
- **EII** = Energy Intensity Index
- **SC** = Steam cracker