



UNIPETROL 4Q 2013 FINANCIAL RESULTS

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Prague, Czech Republic



Key highlights of 4Q 2013

Macro environment

Financial results

Segment results

CAPEX, cash flow and financial gearing

Achievements in 2013

Action plan for 2014

Back-up

KEY HIGHLIGHTS OF 4Q 2013



Purchase of license for new polyethylene unit (PE3)



Acquisition of 16.335% stake in Česká rafinérská from Shell



Long-term contract on lignite supplies



New unmanned filling station Expres 24 finished in Ostrava



Significant improvement of retail segment results



Conservative financial gearing of 4.9%

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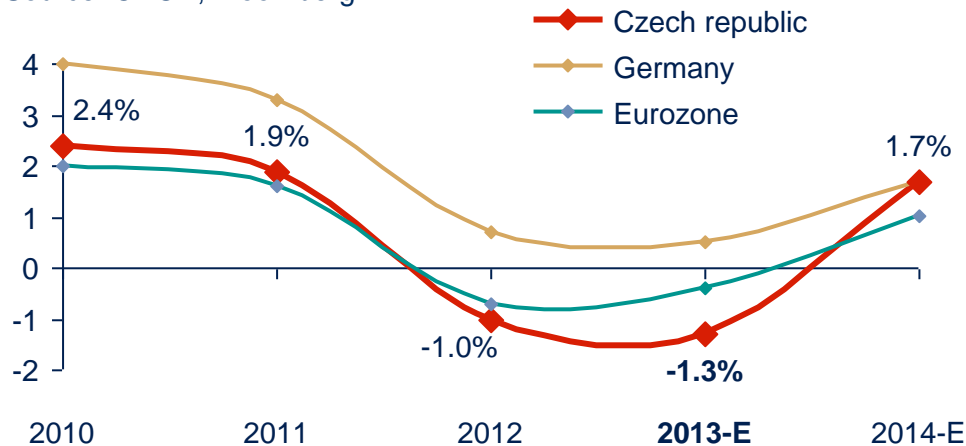
Back-up

GENERAL MACRO ENVIRONMENT

Czech economy in recession during 2013, economic recovery expected in 2014

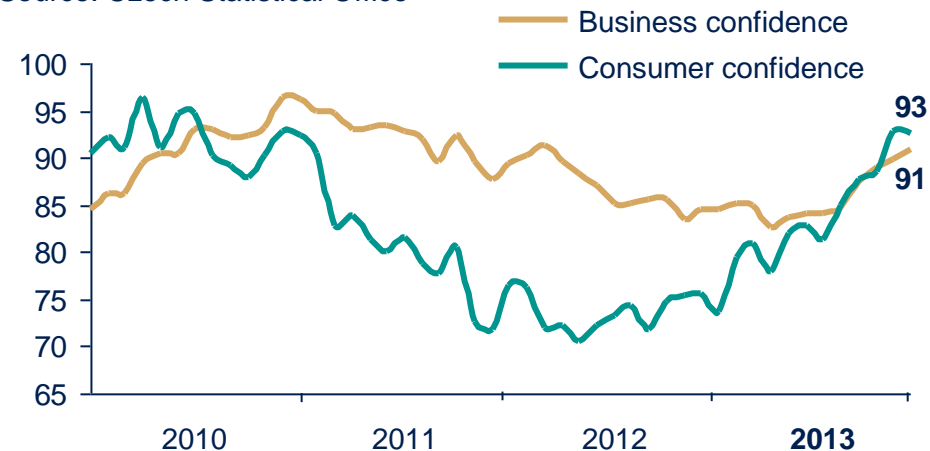
GDP dynamics (yearly data)

Source: OECD, Bloomberg



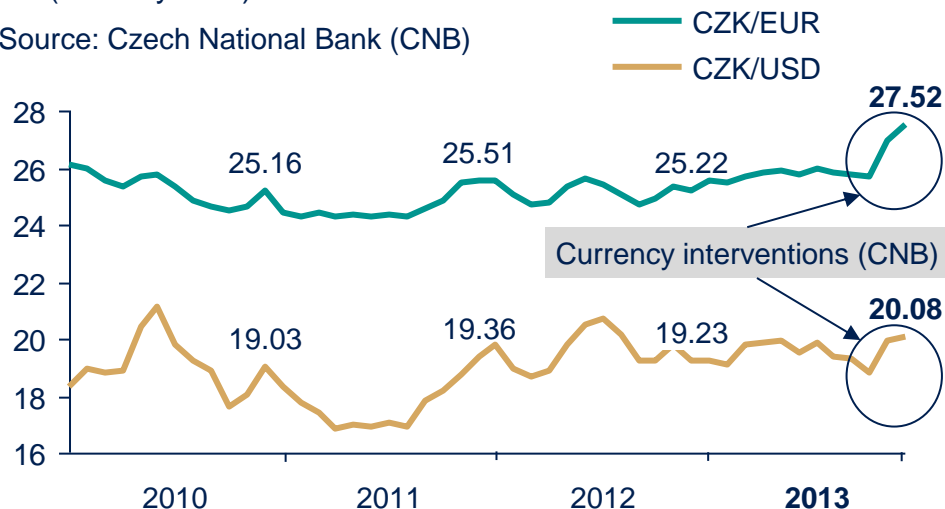
Confidence in the Czech economy (monthly data)

Source: Czech Statistical Office



FX (monthly data)

Source: Czech National Bank (CNB)



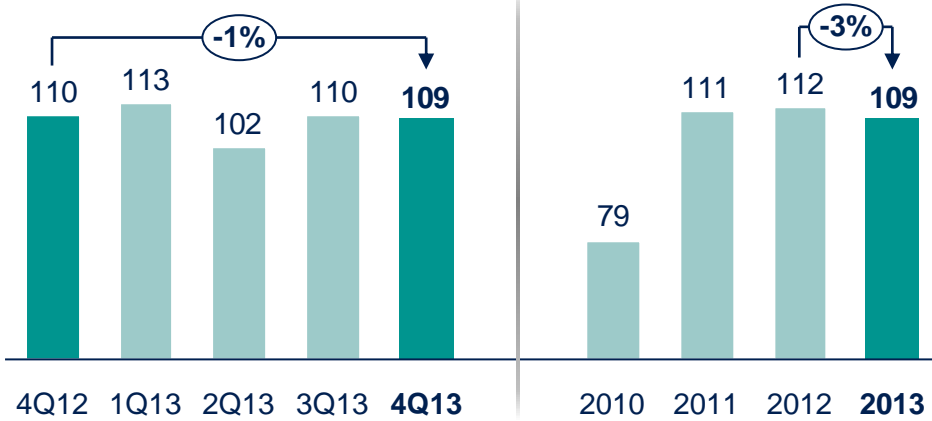
- ▶ Czech economy in continuous recession during 2012 and 2013 (-1.0% and -1.3% in 2013 expected respectively)
- ▶ Economic recovery expected in 2014...
- ▶ ...corresponding to high level of business and consumer confidence according to Czech Statistical Office data
- ▶ Czech National Bank currency interventions at the beginning of November 2013 significantly weakened CZK vis-a-vis both EUR and USD by ca 6%...
- ▶ ...positive impact on Czech exports, in the short-term rather negative for Czech households purchasing power

DOWNSTREAM MACRO ENVIRONMENT

Very weak refining margins, while petrochemical margins maintained solid levels

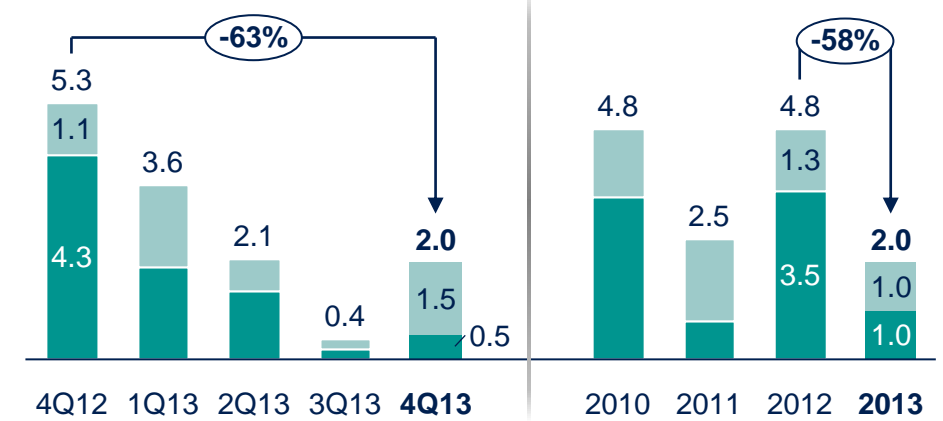
Brent crude oil price

USD/bbl



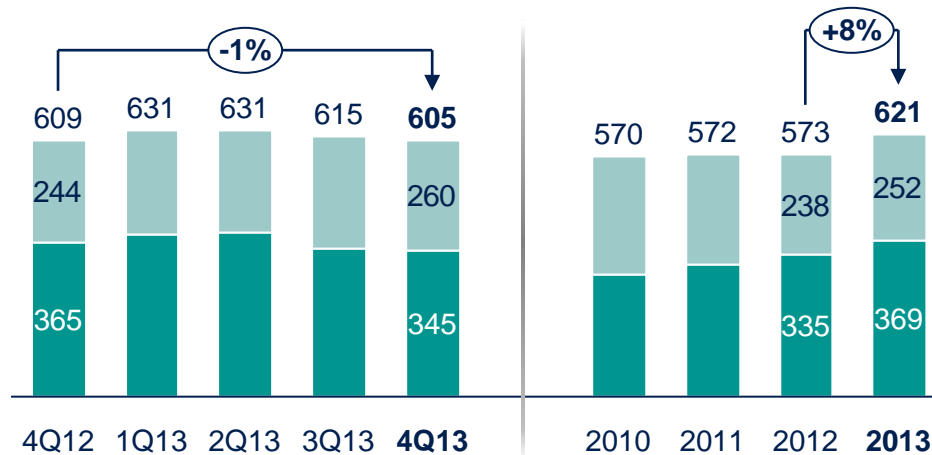
Refining margin and Brent-Ural differential

USD/bbl



Combined petrochemical margin

EUR/t



- ▶ Quite stable Brent around 110 USD/bbl during second half of 2013 brought about negligible LIFO effect in 4Q13
- ▶ Weakest refining margins since the end of 2011 driven by profound gasoline spread decline q/q from 173 USD/t in 3Q13 to 116 USD/t in 4Q13...
- ▶ ...Unipetrol model refining margin significantly below long-term average at 0.5 USD/bbl in 4Q13, however better than in 3Q13
- ▶ Brent-Ural differential below long-term average in 2013 at 1.0 USD/bbl, however positive reverse trend observed during 4Q13 versus 3Q13
- ▶ Petrochemical margins maintained solid levels, 605 EUR/t in 4Q13

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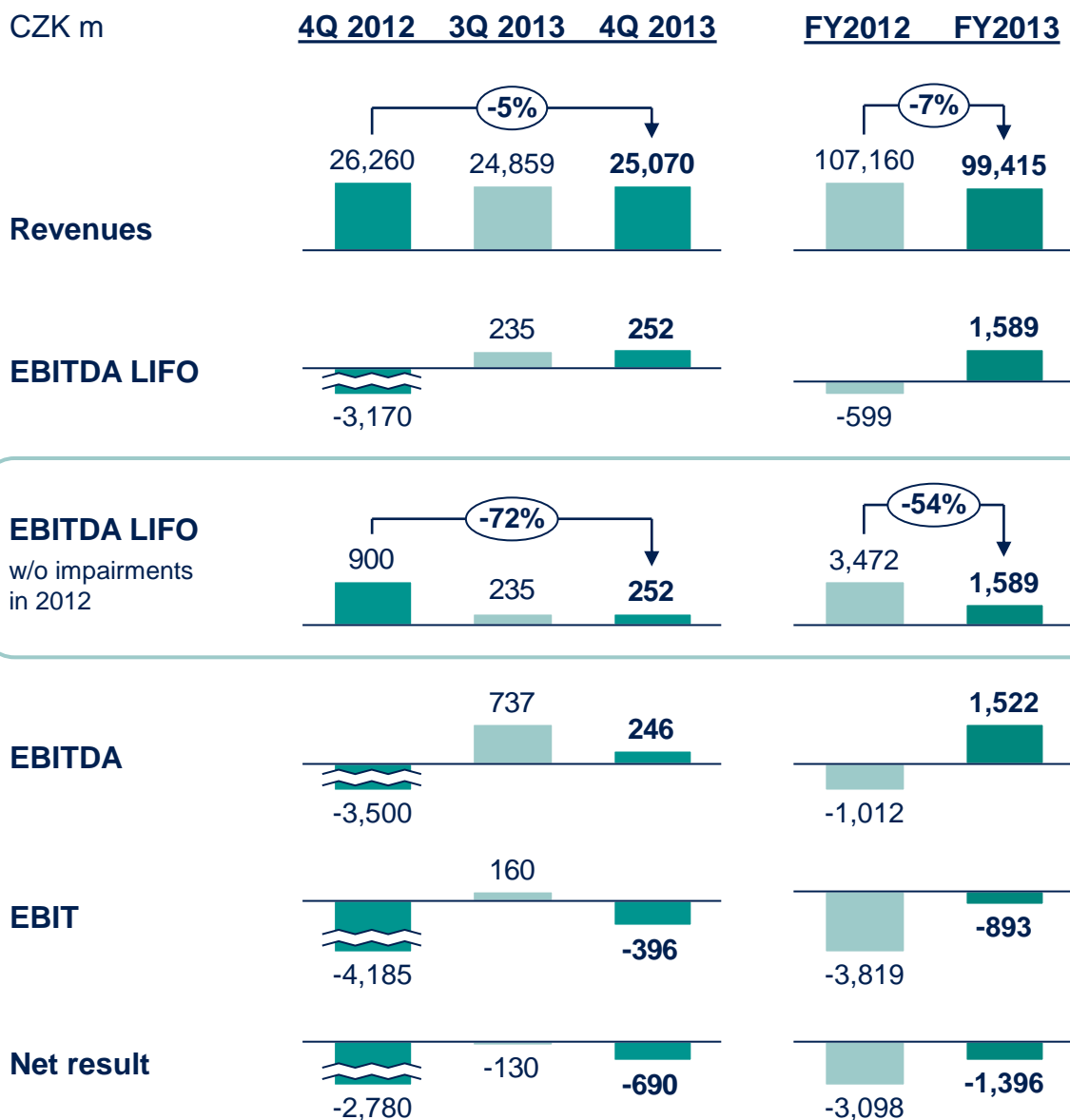
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FINANCIAL RESULTS

EBITDA LIFO of CZK 252 m in 4Q 2013 and CZK 1,589 m in full year 2013



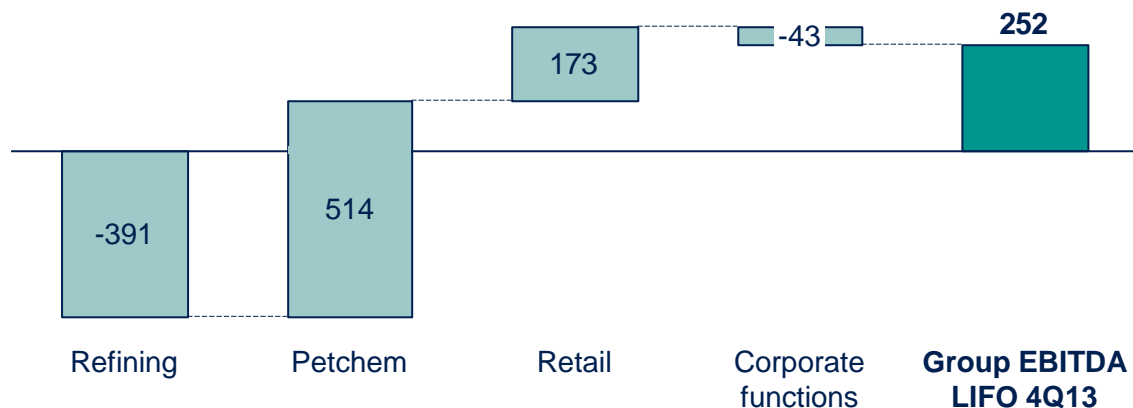
- ▶ **Revenues** in 4Q13 lower by 5 % y/y of CZK 25,070 m driven by slightly lower crude oil price, slightly lower sales volumes in refining segment stemming from scheduled complete turnaround of Kralupy refinery in September and October within 4-year cycle, lower petchem segment sales volumes, and lower refining margins
- ▶ **EBITDA LIFO** lower y/y, adjusted for refining segment impairments in 2012, of CZK 252 m in 4Q13 and CZK 1,589 m in full year 2013 confirming more challenging market environment during 2013, especially in refining segment
- ▶ **LIFO effect** negligible in 4Q14 due to stable crude oil prices
- ▶ **Financial result** negative of CZK (-) 143 m in 4Q13 due to losses from hedging and FX revaluations
- ▶ **Net result** negative of CZK (-) 690 m in 4Q13 and CZK (-) 1,396 m in full year 2013

OPERATING PROFITABILITY BY SEGMENTS IN 4Q 2013

Significant improvement of retail segment results

Segment results – EBITDA LIFO – 4Q 2013

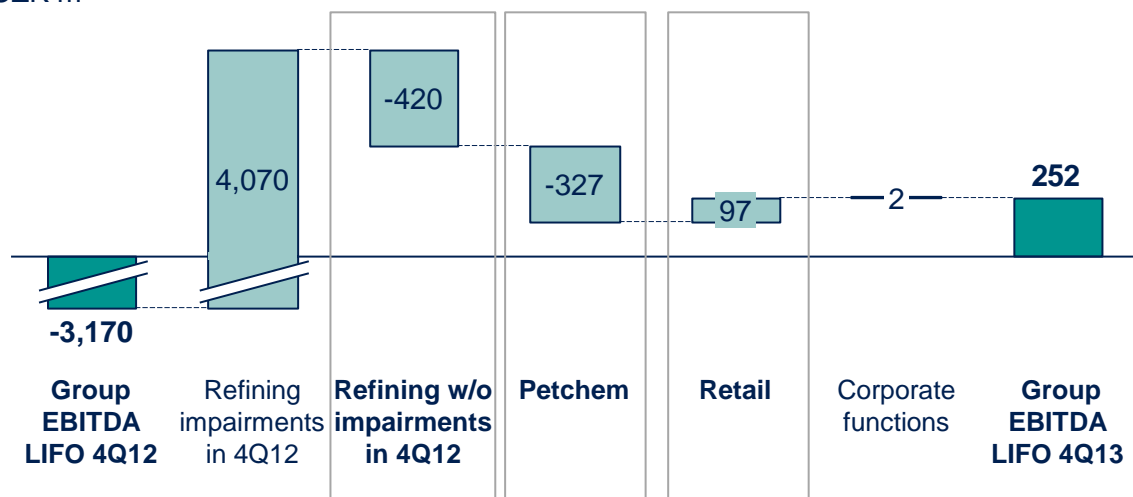
CZK m



- ▶ **Refining segment** continued to be loss-making due to very tough conditions on the refining market with operating loss of CZK (-) 391 m
- ▶ **Petchem segment** continued to be the key profit maker of the Group with operating profit of CZK 514 m
- ▶ **Retail segment** recorded improvement both q/q and mainly y/y with operating profit of CZK 173 m driven by improved unit fuel margins and higher fuel sales volumes with a positive impact stemming from new Czech legislation regarding fuels valid from October 2013

Drivers of y/y change – 4Q 2013 versus 4Q 2012

CZK m



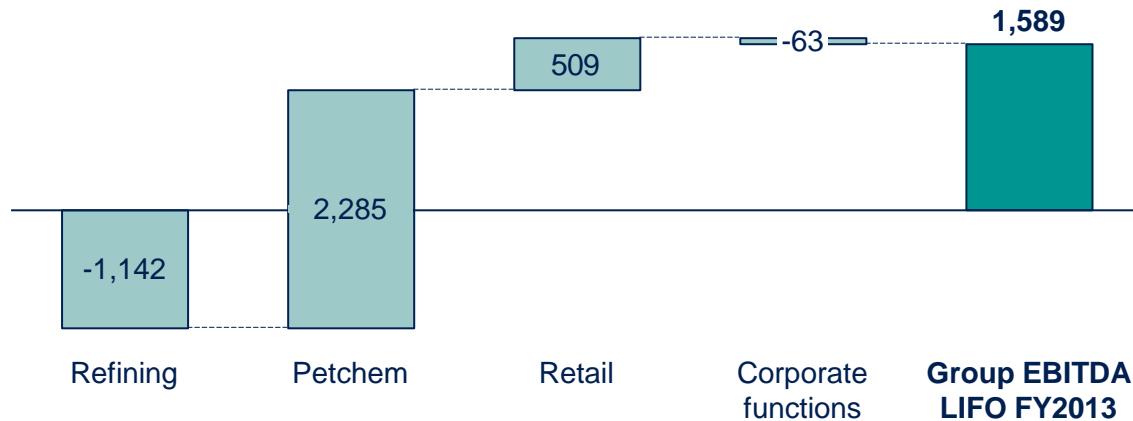
- ▶ **Refining segment** performance worsened, adjusted for impairments in 2012, by CZK (-) 420 m y/y, due to scheduled complete turnaround of Kralupy refinery in September and October within 4-year cycle, with slightly negative impact on refining sales volumes, and due to poor refining margins in 4Q13 compared with very good refining margins in 4Q12
- ▶ **Petchem segment** profitability decreased by CZK (-) 327 m y/y driven by lower olefin (steam cracker) margin and slightly lower sales volumes of polymers
- ▶ **Retail segment** performance improved profoundly by CZK 97 m y/y

OPERATING PROFITABILITY BY SEGMENTS IN FULL YEAR 2013

Petchem segment continued to be the key profit maker in 2013

Segment results – EBITDA LIFO – FY2013

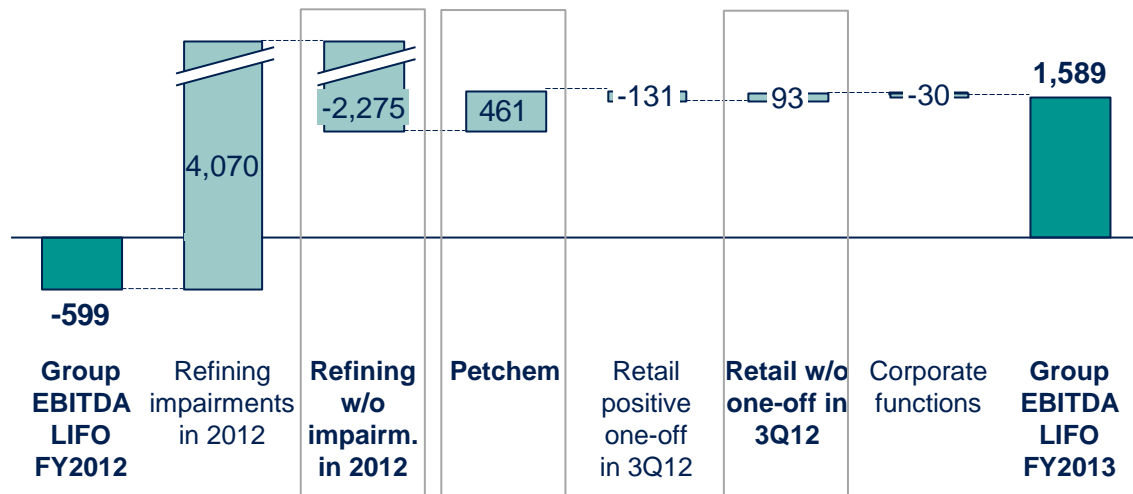
CZK m



- ▶ **Refining segment** continued to be loss-making in 2013, CZK (-) 1,142 m, due to very tough conditions on the refining market
- ▶ **Petchem segment** continued to be the key profit maker of the Group with operating profit of CZK 2,285 m
- ▶ **Retail segment** recovered at the end of 2013 from weak results at the beginning of 2013 achieving operating profit of CZK 509 m

Drivers of y/y change – FY2013 versus FY2012

CZK m



- ▶ **Refining segment** performance worsened, adjusted for impairments in 2012, by CZK (-) 2,275 m y/y, driven by significant decline of refining margins, both gasoline and diesel driven, and lower Brent-Ural differential → very tough conditions on the refining market overall in 2013
- ▶ **Petchem segment** profitability improved by CZK 461 m y/y, driven by better margins during 2013 compared with 2012 (combined petchem margin 621 EUR/t versus 573 EUR/t in 2012) and internal efficiency improvements (Operational Excellence Initiatives)
- ▶ **Retail segment** profitability, adjusted for positive one-off in 3Q12 (CZK 131 m release of provision created in connection to the fine imposed by Antimonopoly Office), significantly better y/y CZK 93 m

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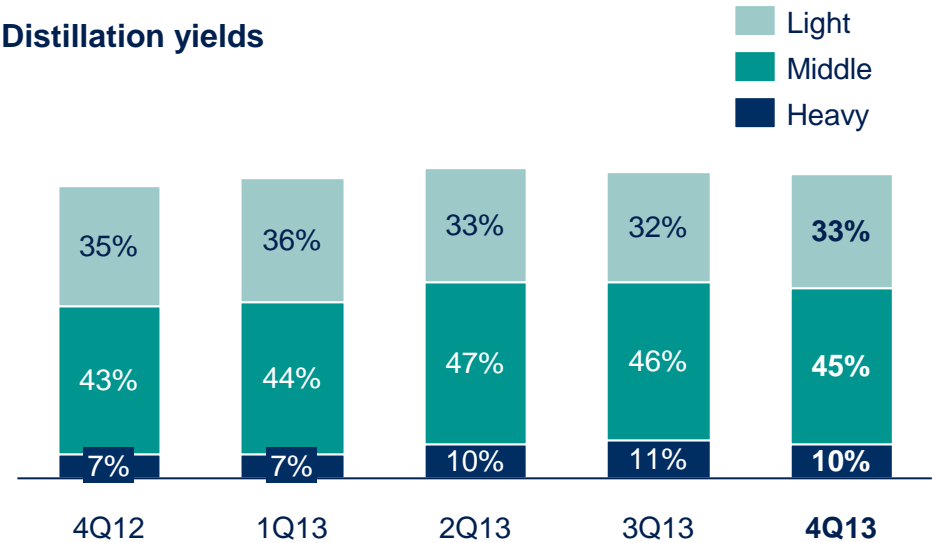
REFINING SEGMENT

906 thousand tons of crude oil processed in 4Q 2013

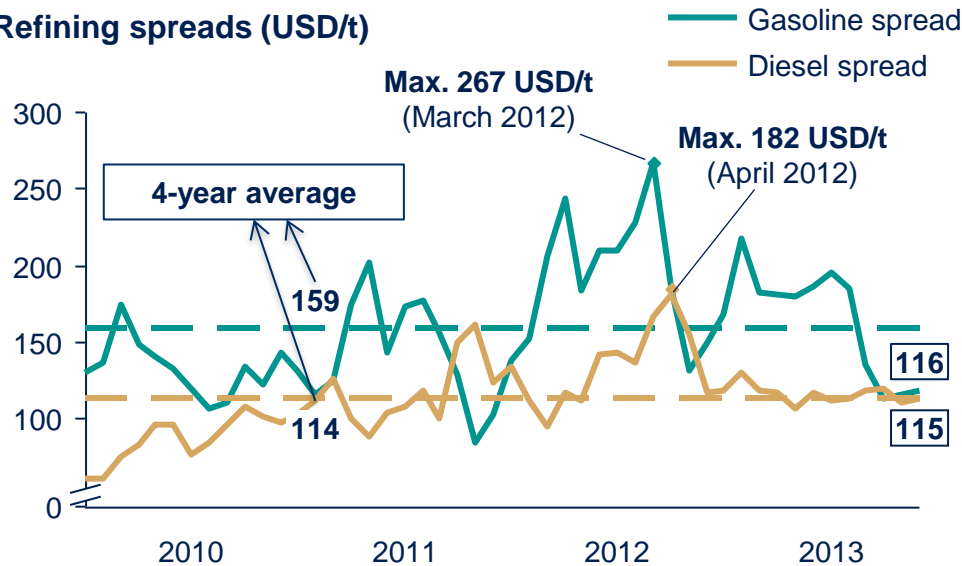
Crude oil throughput (kt) and utilization ratio



Distillation yields



Refining spreads (USD/t)

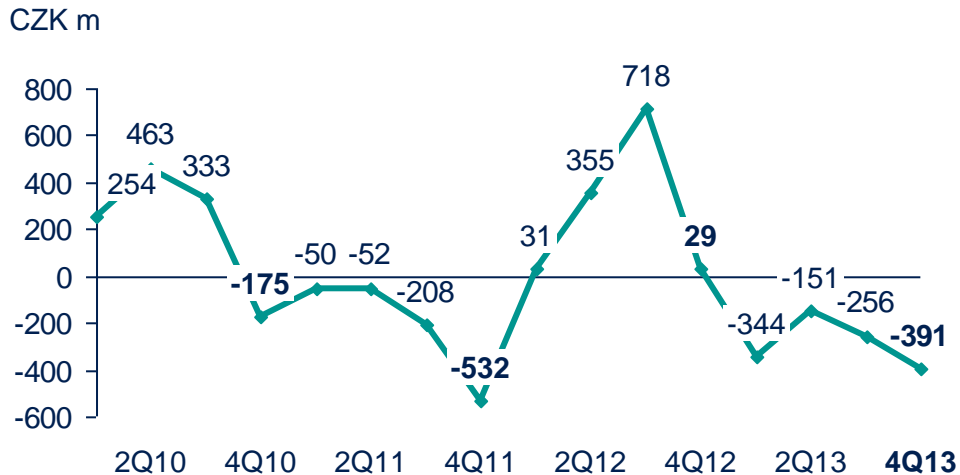


- ▶ Lower crude oil throughput y/y of 906 kt corresponding to 81% utilization ratio due to scheduled complete turnaround of Kralupy refinery in September and October within 4-year cycle
- ▶ Lower light distillate yield y/y of 33% due to lower gasoline production stemming from scheduled complete turnaround of Kralupy refinery
- ▶ **Long-term perspective on refining spreads (margins):** Significant decline of gasoline spread q/q from 173 USD/t in 3Q 2013 to 116 USD/t in 4Q 2013, at the same time significantly lower compared to long-term 4-year average of 159 USD/t; diesel spread was rather weak for the whole year 2013 and close to the level of long-term 4-year average of 114 USD/t

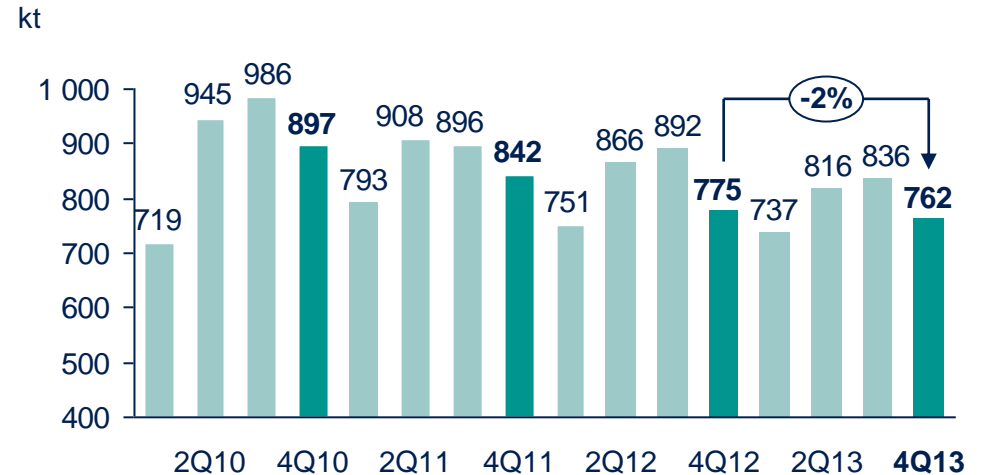
REFINING SEGMENT

EBITDA LIFO (-) CZK 391 m, significant variable and fixed costs savings achieved

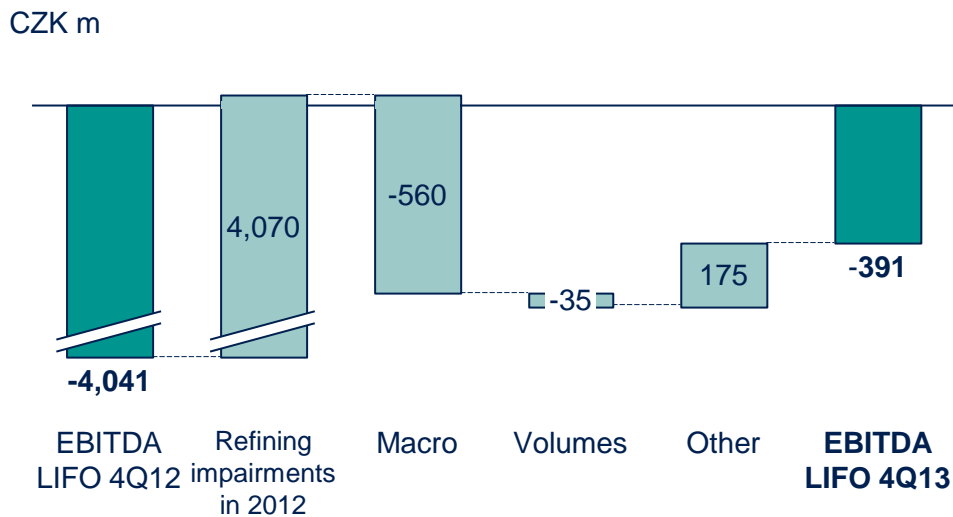
EBITDA LIFO quarterly (without impairment)



Sales volumes, including retail segment (Benzina network)



EBITDA LIFO – Drivers of y/y change – 4Q13 versus 4Q12



- ▶ New Motor Fuels Act in the Czech Republic to mitigate fuels grey zone valid from October 2013
- ▶ Positive impact from Other category of CZK 175 m y/y in 4Q13 driven mainly by variable and fixed costs savings within Operational Excellence Initiatives, including Paramo



- ▶ Negative macro impact of CZK (-) 560 m due to lower refining spreads (margins) compared with very good 4Q12
- ▶ Small negative impact as a result of lower sales volumes of CZK (-) 35 m due to scheduled complete turnaround of Kralupy refinery in September and October within 4-year cycle

PETROCHEMICAL SEGMENT

EBITDA LIFO CZK 514 m

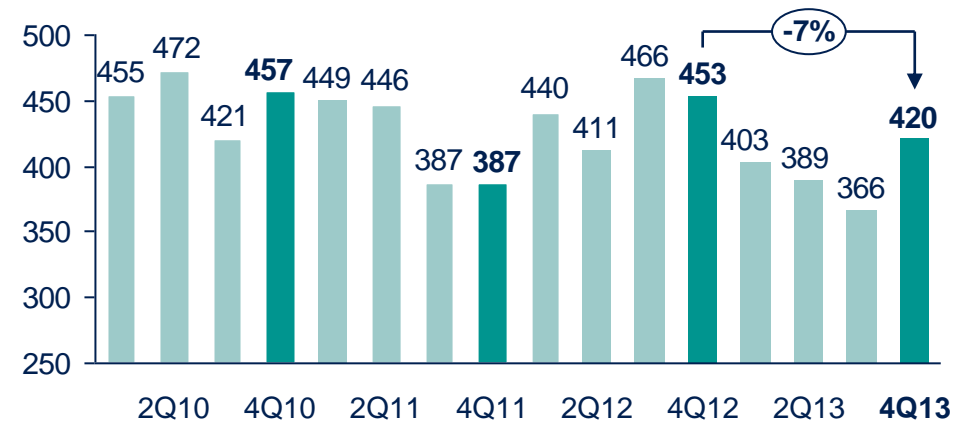
EBITDA LIFO quarterly (without impairment)

CZK m



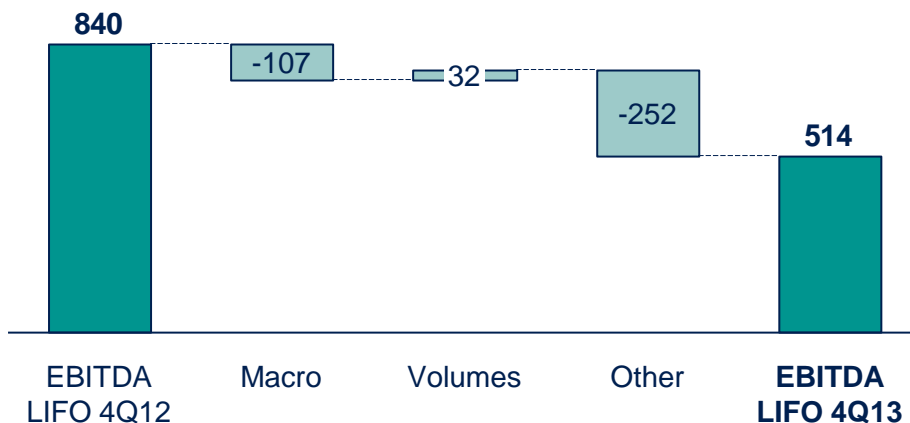
Sales volumes

kt



EBITDA LIFO – Drivers of y/y change – 4Q13 versus 4Q12

CZK m



+

- ▶ Stronger EUR vis-a-vis CZK and USD in 4Q13 y/y
- ▶ Positive volumes impact of CZK 32 m driven by higher steam cracker utilization and corresponding higher ethylene sales
- ▶ Positive impact from variable and fixed costs savings within Operational Excellence Initiatives

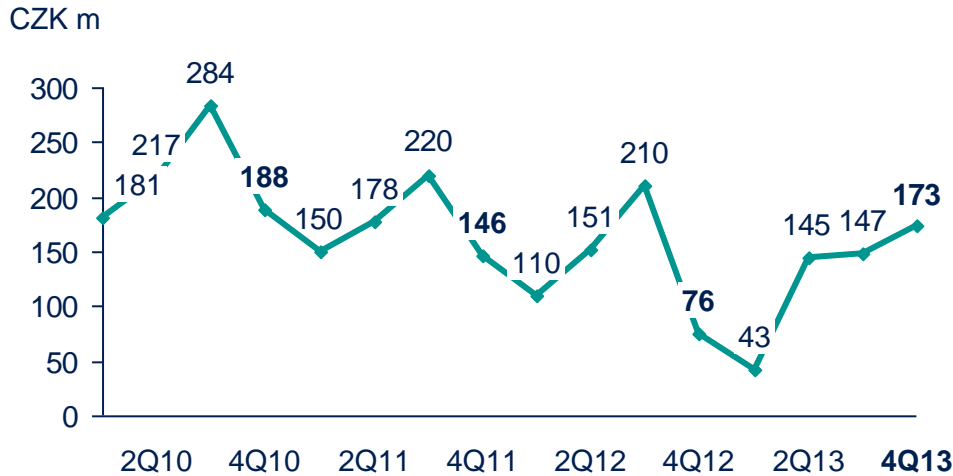
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- ▶ Negative macro impact of CZK (-) 107 m due to lower olefin (steam cracker) margin (345 EUR/t versus 365 EUR/t in 4Q12) partially compensated by stronger EUR
- ▶ Higher renewable surcharges (POZE) and negative impact of CO2 allowance with negative impact of CZK (-) 30 m and CZK (-) 93 m y/y respectively

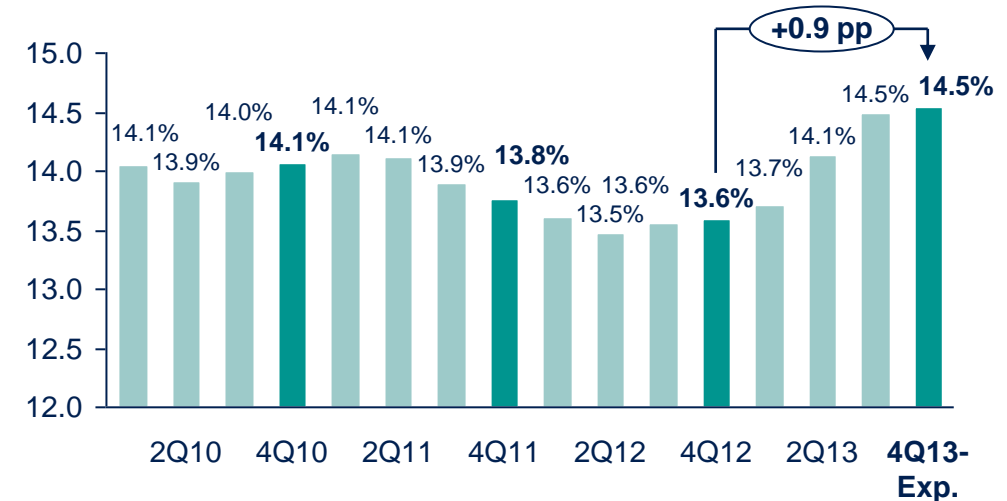
RETAIL SEGMENT

EBITDA LIFO CZK 173 m, new unmanned filling station Expres 24

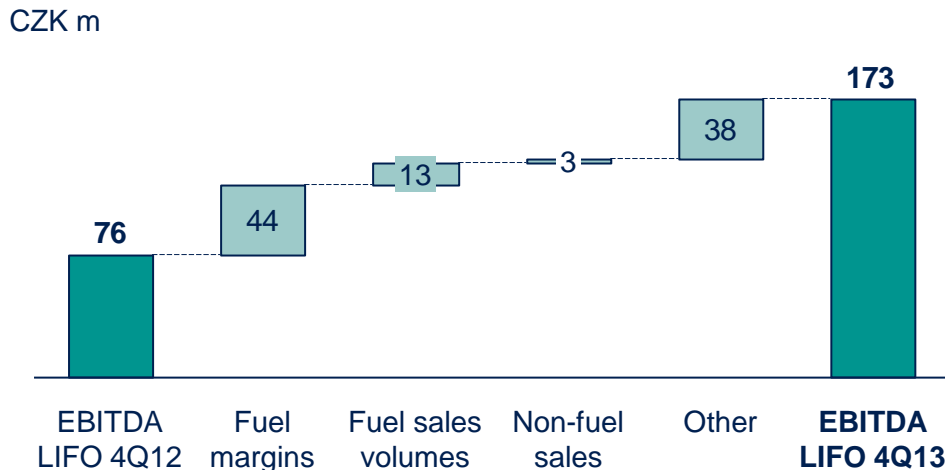
EBITDA LIFO quarterly



Benzina's market share



EBITDA LIFO – Drivers of y/y change – 4Q13 versus 4Q12



- ▶ New Motor Fuels Act to mitigate fuels grey zone valid from October supports positive changes on the Czech market
- ▶ Overall Benzina's activities and macro changes resulted in positive impact on fuel margins by CZK 44 m and fuels sales volumes by CZK 13 m in 4Q13
- ▶ Positive impact from variable and fixed costs savings within Operational Excellence Initiatives (Other category)
- ▶ Construction of third unmanned filling station Expres 24 finished in December 2013 in Ostrava
- ▶ Customer View program to improve customers perception and loyalty with Benzina network



- ▶ Still weak non-fuel sales due to very fragile economic recovery in the Czech Republic

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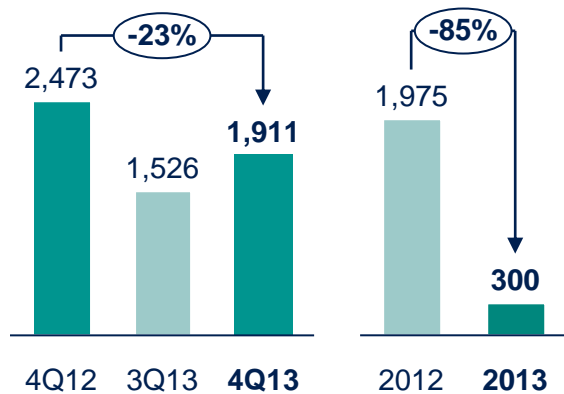
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CASH FLOW, CAPEX & FINANCIAL GEARING

Conservative financial gearing of 4.9 % at the end of 2013

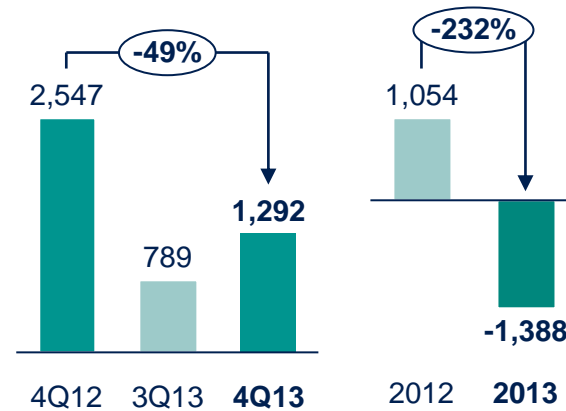
Operating cash flow

CZK m



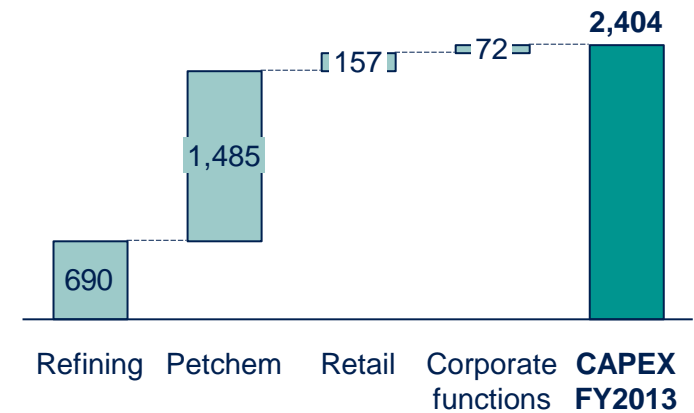
Free cash flow

CZK m



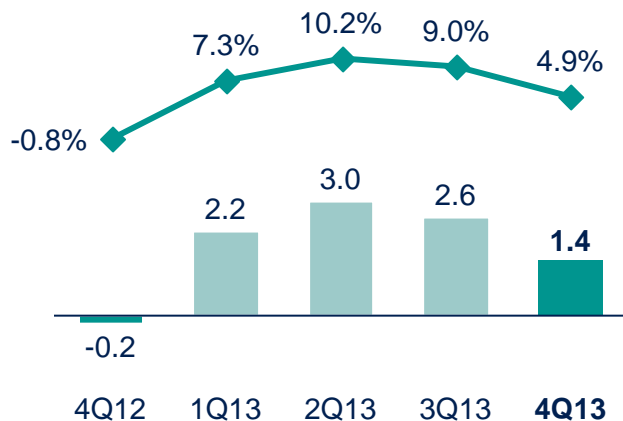
CAPEX FY2013 – Segment breakdown

CZK m



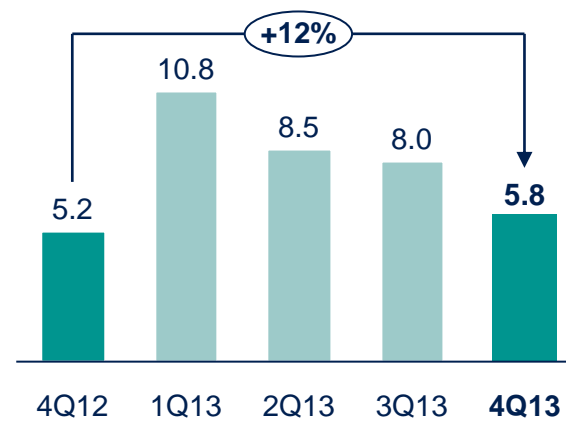
Net debt & financial gearing

CZK bn, %



Net working capital

CZK bn



- ▶ Operating cash flow of CZK 1,911 m in 4Q13
- ▶ Free cash flow of CZK 1,292 m in 4Q13
- ▶ Majority of CAPEX in 2013 directed to petchem segment corresponding to directions of Unipetrol Group Strategy 2013-2017 announced in June 2013
- ▶ CAPEX of CZK 1,211 m in 4Q13
- ▶ Conservative financial gearing of 4.9 % in 4Q13
- ▶ Slight increase of net working capital y/y to CZK 5.8 bn in 4Q13

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OPERATIONAL EXCELLENCE INITIATIVES IN 2013

Huge efforts across the whole Unipetrol Group

Refining segment

- ▶ Projects improving energy efficiency of Kralupy refinery and both Paramo production plants
 - ▶ Execution of several smaller projects and initiatives that have already improved and will improve further energy efficiency
- ▶ Paramo restructuring
 - ▶ Significant improvements achieved related to sells efficiency increase, and fixed and variable costs optimization
- ▶ New transportation contract with Transpetrol for 2014
 - ▶ Determines new tariffs for crude oil transportation to the Czech Republic through the Slovak branch of the Druzhba

Petchem segment

- ▶ Polypropylene distribution, logistics and sale
 - ▶ Increasing internal captive use of propylene resulting in higher production and sales of polypropylene
- ▶ Energy and steam consumption decrease
 - ▶ Project targets decrease of unit energy and steam consumption by 4 % till 2017
 - ▶ Project is implemented by sub-projects focused on efficiency and energy management improvement

Retail segment

- ▶ Tesco cross promotions
 - ▶ To attract Benzina offer to Tesco customers and to increase loyalty of current Benzina customers
- ▶ CNG partnership
 - ▶ With Vřtkovice, RWE and EON to provide CNG products on Benzina filling stations



ACHIEVEMENTS IN 2013

- ✓ **Unipetrol Group Strategy 2013-2017 announced in June 2013**
- ✓ **3-year contract for Russian crude oil (REBCO) deliveries with major producer**
- ✓ **Transportation contract with Transpetrol for 2014**
- ✓ **Purchase of license for new polyethylene unit (PE3)**
- ✓ **Acquisition of 16.335% stake in Česká rafinérská from Shell**
- ✓ **Long-term contract on lignite supplies**
- ✓ **Increase of Benzina retail market share**
- ✓ **CAPEX of CZK 2,404 m**
- ✓ **Conservative financial gearing of 4.9%**

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Speed-up of Operational Excellence Initiatives in Ceska Rafinerska



Refining and retail sales enhancement upon grey zone limitation



Investing in synergies between refining and petchem segments



Regulatory affairs management in the area of renewable energy sources fee, fuels grey zone limitation and biofuel burdens



Retail segment market share increase and non-fuel sales increase driven by expected economic recovery



Thank you for your attention

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EBITDA & EBIT

Detailed breakdown

	CZK m	1Q 2012	2Q 2012	3Q 2012	4Q 2012	1Q 2013	2Q 2013	3Q 2013	4Q 2013	FY 2012	FY 2013
Group	EBITDA LIFO	40	1,362	1,170	-3,170	438	663	235	252	-599	1,589
	EBITDA	692	171	1,624	-3,500	540	-1	737	246	-1,012	1,522
	EBIT LIFO	-731	724	456	-3,855	-172	76	-341	-389	-3,406	-827
	EBIT	-79	-467	911	-4,185	-70	-588	160	-396	-3,819	-893
Refining segment	EBITDA LIFO	31	355	718	-4,041	-344	-151	-256	-391	-2,937	-1,142
	EBITDA	368	-145	713	-4,260	-320	-528	17	-438	-3,324	-1,270
	EBIT LIFO	-188	141	508	-4,272	-479	-263	-347	-525	-3,811	-1,614
	EBIT	150	-359	503	-4,490	-455	-641	-74	-572	-4,197	-1,741
Petchem segment	EBITDA LIFO	-108	870	222	840	728	682	361	514	1,824	2,285
	EBITDA	181	211	663	747	800	407	581	552	1,802	2,340
	EBIT LIFO	-554	549	-176	493	354	308	-24	114	312	752
	EBIT	-264	-110	265	400	427	33	195	153	291	807
Retail segment	EBITDA LIFO	110	151	210	76	43	145	147	173	547	509
	EBITDA	135	119	229	58	49	134	157	175	542	515
	EBIT LIFO	25	68	127	-8	-40	63	67	90	212	180
	EBIT	50	35	146	-25	-34	52	76	91	207	185
Corporate functions	EBITDA	8	-14	19	-45	11	-13	-18	-43	-32	-63
	EBIT	-15	-34	-2	-69	-8	-32	-37	-68	-119	-145

- ▶ **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** = From 3Q2012 conversion capacity is 4.5 mt/y, i.e. only Česká rafinářská refineries conversion capacity, adjusted for 51.22% shareholding of Unipetrol, after discontinuation of crude oil processing in Paramo refinery (Česká rafinářská – Kralupy 1.642 mt/y, Česká rafinářská – Litivínov 2.813 mt/y); conversion capacity was 5.1 mt/y previously (Česká rafinářská – Kralupy 1.6 mt/y, Česká rafinářská – Litivínov 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
- ▶ **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** = Operating cash flow minus Investing cash flow
- ▶ **Net debt** = non-current loans, borrowings and debt securities + current loans, borrowings and debt securities - cash and cash equivalents
- ▶ **Financial gearing ratio** = net debt / (total equity – hedging reserve)
- ▶ **Net working capital** = inventories + trade and other receivables – trade and other liabilities

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.