UNIPETROL 1Q 2014 FINANCIAL RESULTS

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24 April 2014
Prague, Czech Republic

Unipetrol
ORLEN GROUP

AGENDA

- **Key highlights of 1Q 2014**
- **Macro environment**
- **Financial results**
- **Segment results**
- **Cash flow, CAPEX and financial gearing**
- **Summary of 1Q 2014**
- **Back-up**

KEY HIGHLIGHTS OF 1Q 2014

- **Acquisition of 16.335% stake in Česká rafinérská from Shell successfully completed on 31 January**
- **Annex to crude oil supplies agreement with PKN ORLEN signed on 28 March securing additional needs for crude oil deliveries**
- **Very tough macro environment in refining segment from 2013 continued in 1Q 2014, however with first signals of improving tendency from turn of March and April**
- **Another very good quarter for petrochemical segment with EBITDA LIFO of CZK 1 billion**
- **Significant improvement of retail segment results y/y with EBITDA LIFO of CZK 100 million in the seasonally weakest quarter of the year**
- **Significant increase of sales volumes in all segments**
- **Ongoing big impact of fuels grey zone despite partial improvement of business environment since implementation of new legislation in October 2013**

AGENDA

Key highlights of 1Q 2014

Macro environment

Financial results

Segment results

Cash flow, CAPEX and financial gearing

Summary of 1Q 2014

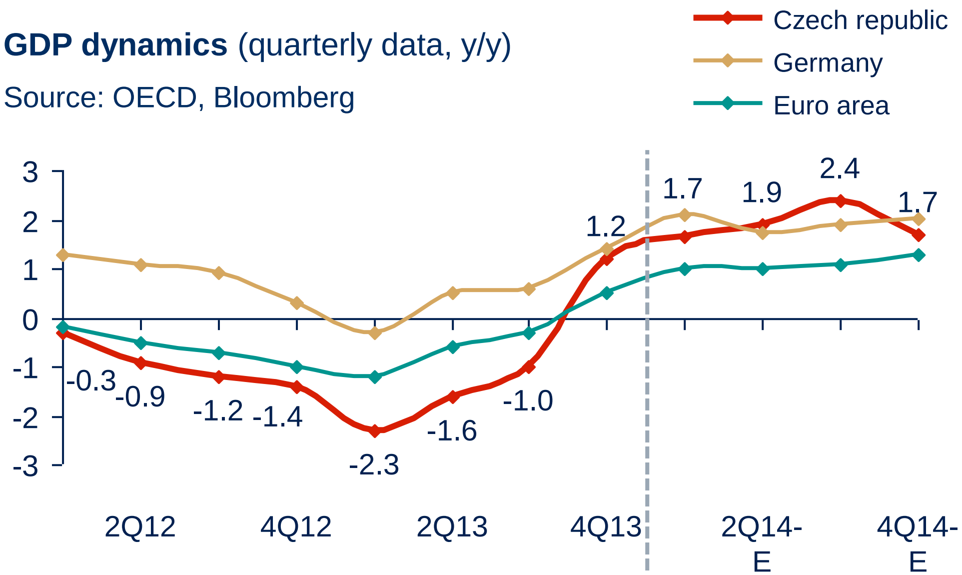
Back-up

GENERAL MACRO ENVIRONMENT

Fragile economic recovery expected to continue, CZK relatively stable during 1Q 2014

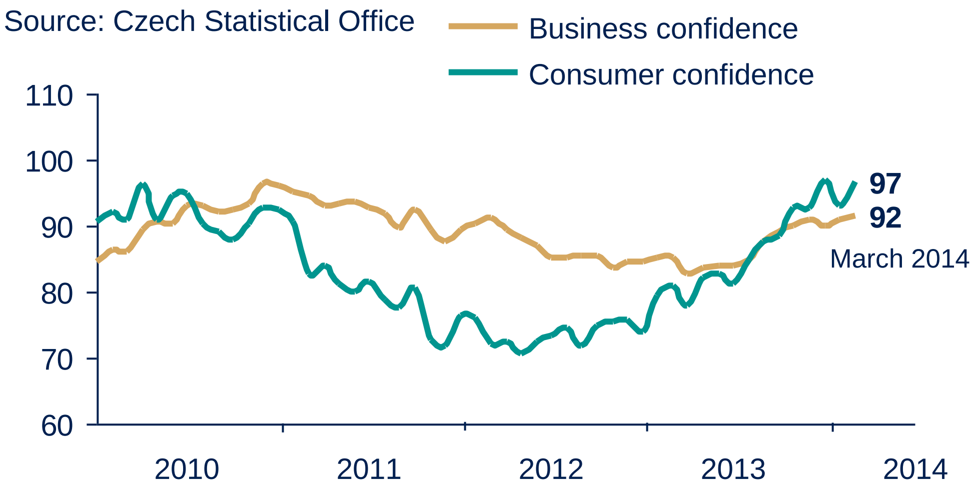
GDP dynamics (quarterly data, y/y)

Source: OECD, Bloomberg



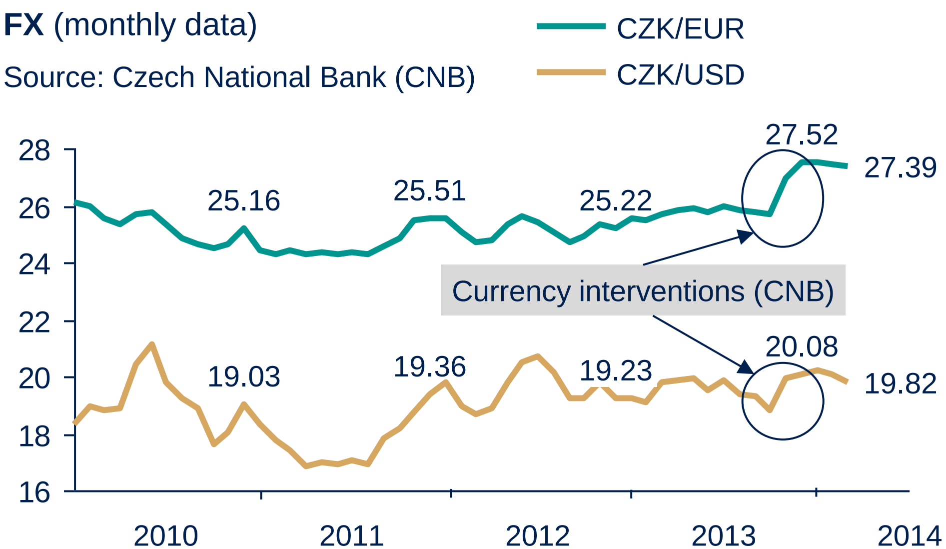
Confidence in the Czech economy (monthly data)

Source: Czech Statistical Office



FX (monthly data)

Source: Czech National Bank (CNB)



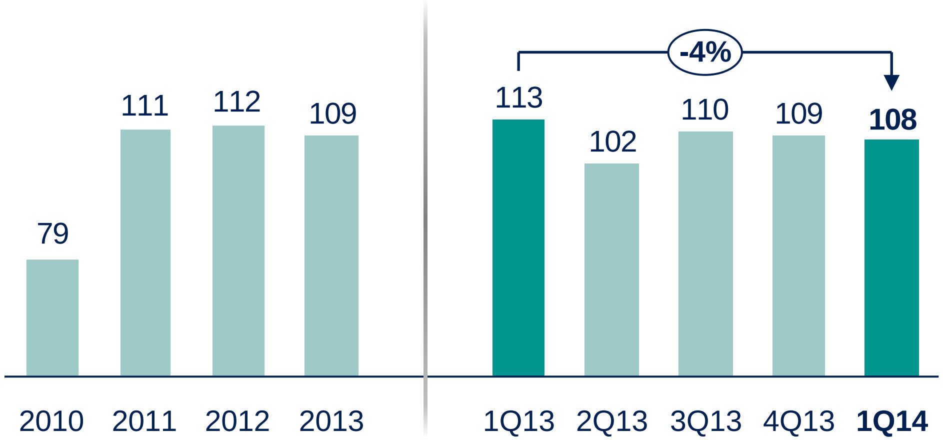
- Czech economy finally showed positive GDP dynamics in 4Q13 with 1.2% growth y/y…
- …fragile economic recovery expected to continue during 2014…
- …corresponding to relatively high level of business confidence and slight increase of consumer confidence q/q
- CZK stabilized in 1Q14 after Czech National Bank currency interventions in 4Q13

DOWNSTREAM MACRO ENVIRONMENT

Refining margins maintained depressed level in 1Q 2014, while petrochemical margins very solid

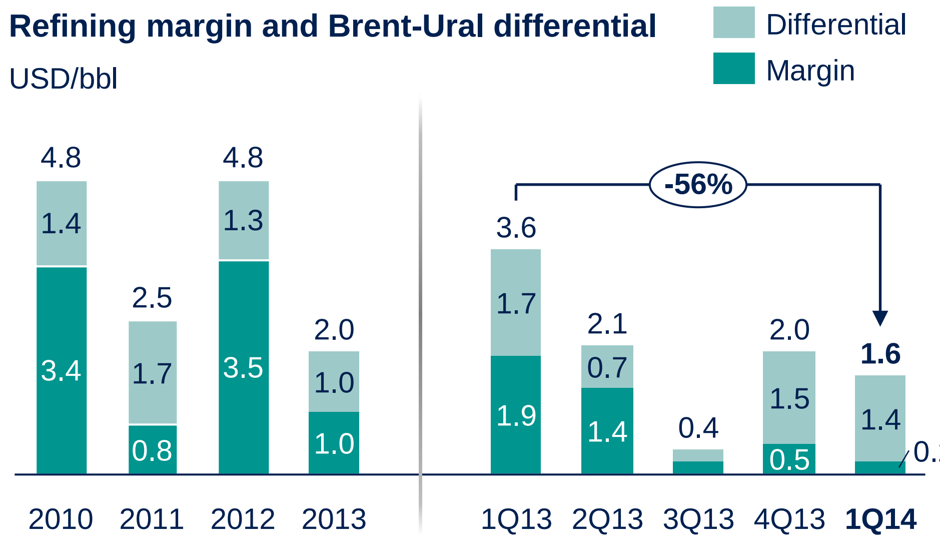
Brent crude oil price

USD/bbl



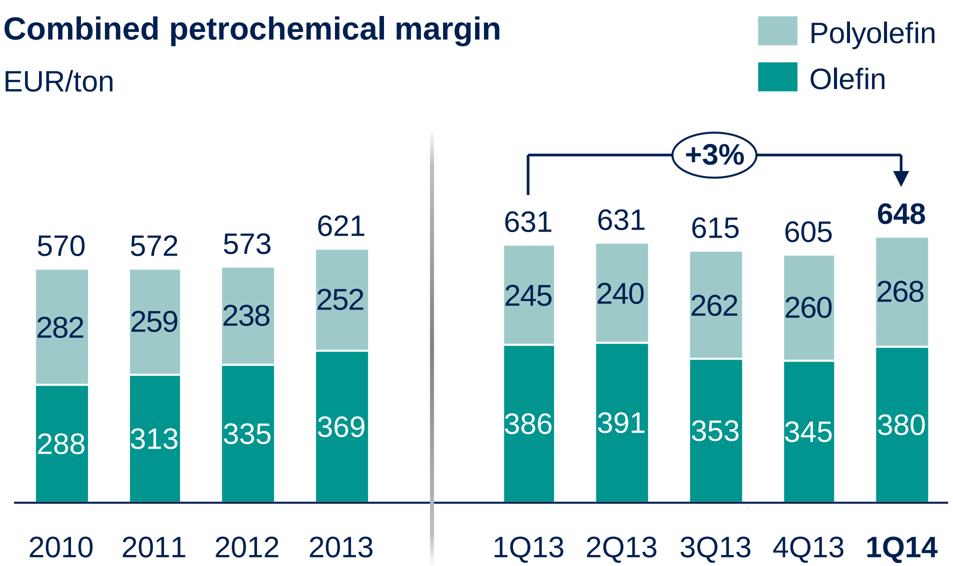
Refining margin and Brent-Ural differential

USD/bbl



Combined petrochemical margin

EUR/ton

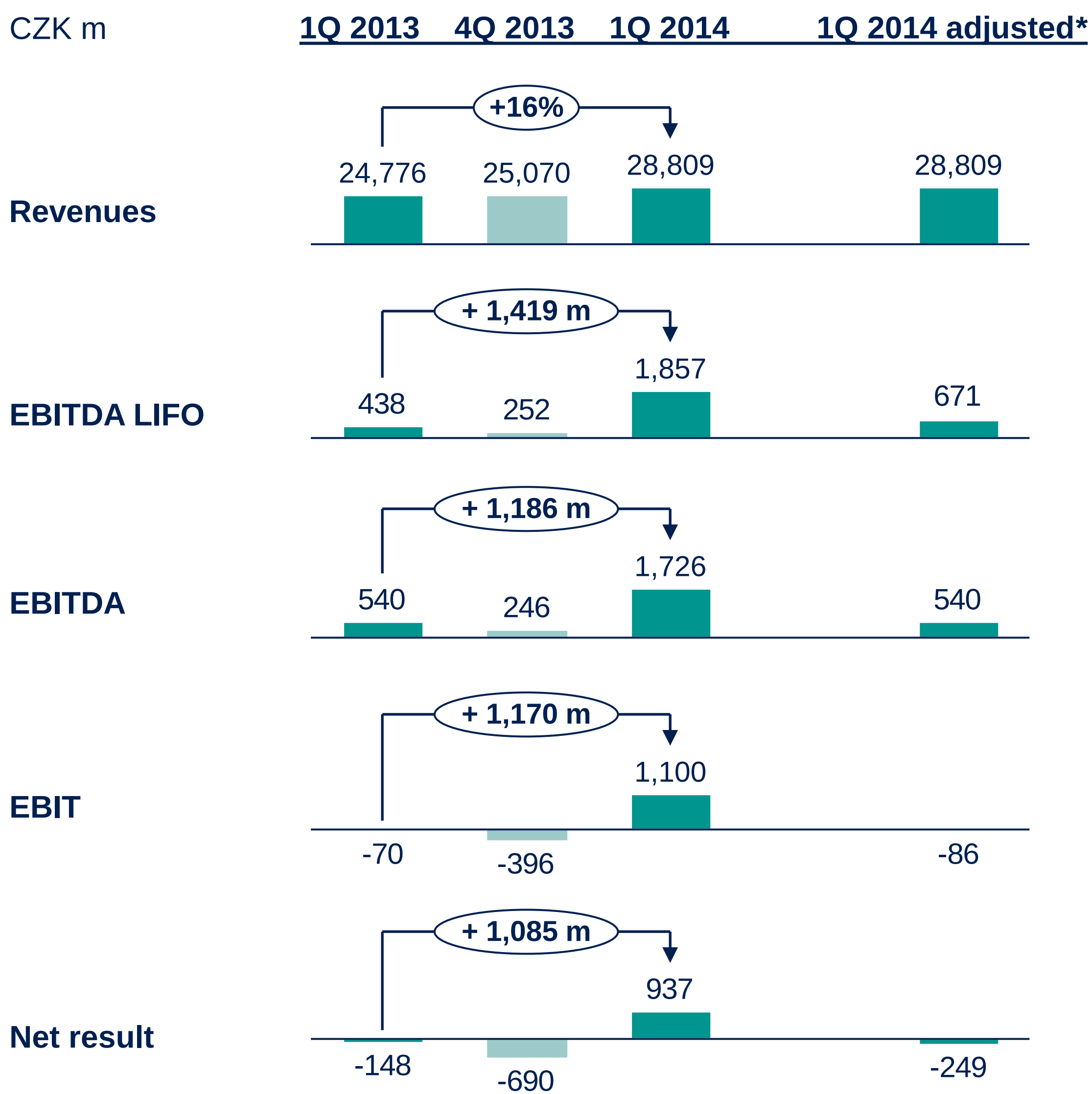


- Stable crude oil prices during 1Q 2014…
- …average Brent price 108 USD/bbl implying slight decline q/q and 4% decline y/y
- Very tough refining macro environment from 2013 continued in 1Q14…
- …average refining margin only 0.2 USD/bbl and Brent-Ural differential 1.4 USD/bbl implying significant deterioration y/y…
- …however with first signals of improving tendency observed from turn of March and April
- Very solid petrochemical margins, both from olefins and polyolefins…
- …average combined petrochemical margin 648 EUR/ton

AGENDA

FINANCIAL RESULTS

EBITDA LIFO of CZK 1.9 billion including significant positive one-off item



* Adjusted for positive impact from gain on acquisition of CZK 1,186 m booked in relation to successful completion of the purchase of Shell's 16.335% stake in Česká rafinérská on 31 January 2014.

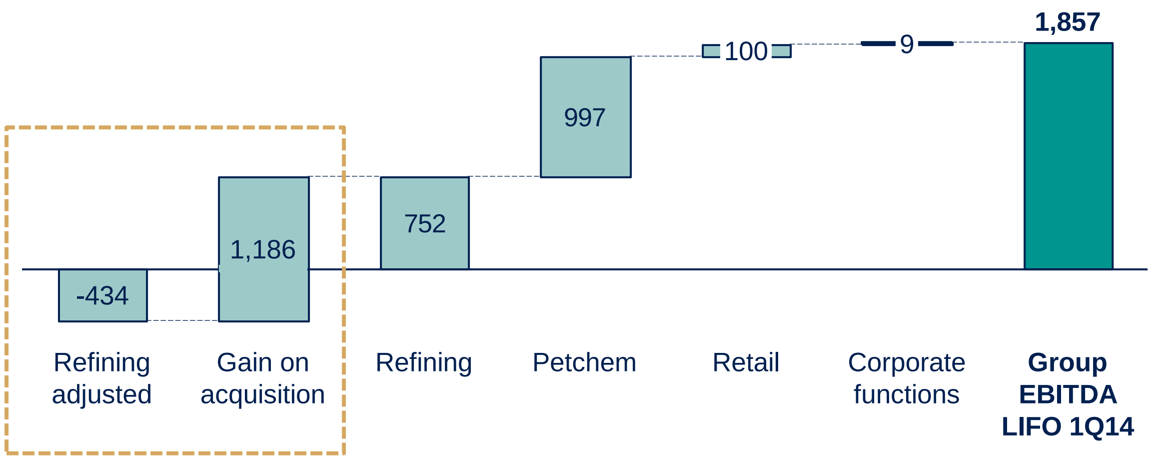
- **Revenues** significantly higher by 16% y/y of CZK 28,809 m thanks to higher refining capacity stemming from operation of higher 67.555% stake in Česká rafinérská from February upon successful completion of acquisition of Shell's 16.335% stake on 31 January
- **Like-for-like revenues** higher driven by higher like-for-like refining sales volumes, higher petchem sales volumes, higher retail sales volumes and weaker CZK
- **Gain on acquisition of CZK 1,186 m** booked in relation to purchase of Shell's stake in Česká rafinérská stemming from the purchase price of USD 27.2 m being significantly below fair value of net assets acquired; significant positive impact on profitability lines
- **EBITDA LIFO** of CZK 1,857 m and CZK 671 m adjusted for gain on acquisition implies improvement of core profitability y/y
- **EBITDA / operating part of P&L** includes CZK 87 m gain from commodity swaps (hedging crude oil price) based on application of hedge accounting from 1Q14; previously reported as part of Financial result
- **LIFO effect** slightly negative of CZK (-) 131 m due to small decline of crude oil price q/q
- **Financial result** negative of CZK (-) 188 m mainly due to losses from FX derivatives
- **Net profit** of CZK 937 m

OPERATING PROFITABILITY BY SEGMENTS

Significant improvement of petchem and retail segment financial performance y/y

Segment results – EBITDA LIFO – 1Q 2014

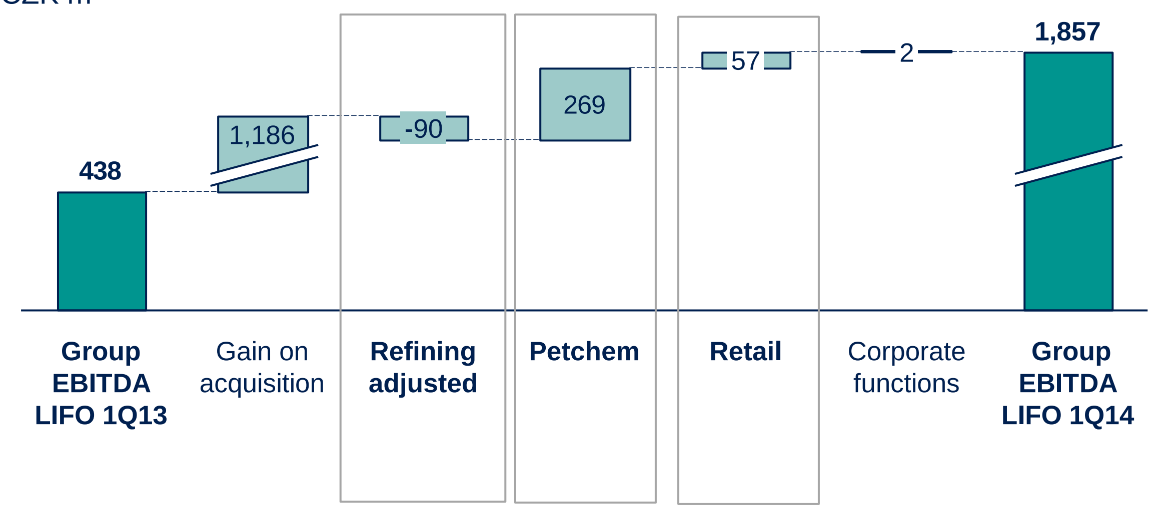
CZK m



- **Refining segment** operating profit of CZK 752 m; adjusted for positive one-off negative of CZK (-) 434 m
- **Petchem segment** again key profit maker with operating profit of CZK 997 m
- Positive contribution of **retail segment** of CZK 100 m

Drivers of y/y change – 1Q 2014 versus 1Q 2013

CZK m



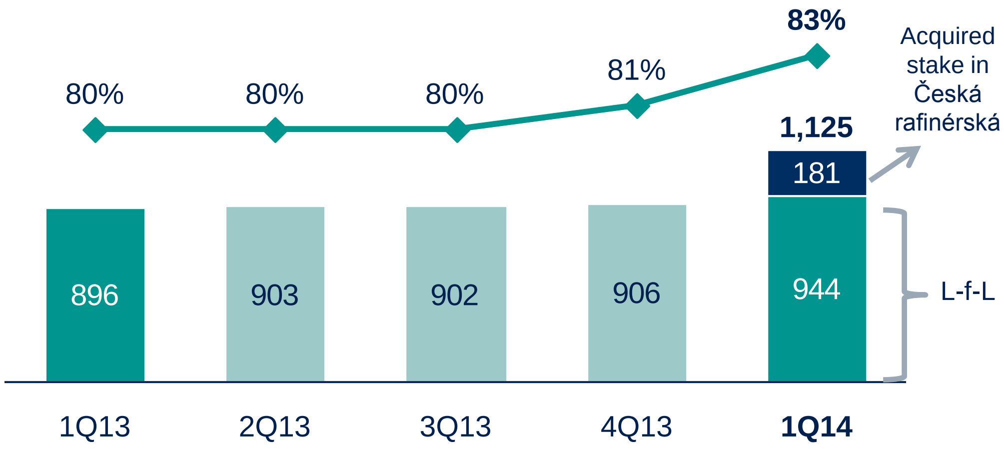
- Adjusted performance of **refining segment** deteriorated by CZK 90 m y/y due to very challenging refining macro environment in 1Q14, however with first signals of improving tendency from turn of March and April
- Significant improvement of **petchem segment** thanks to higher utilization of steam-cracker, higher sales volumes, more stable crude oil price and stronger EUR vis-a-vis CZK and USD y/y; trend of high margins maintained
- Very solid improvement of **retail segment** mainly thanks to big improvement of fuel sales and fuel margins

AGENDA

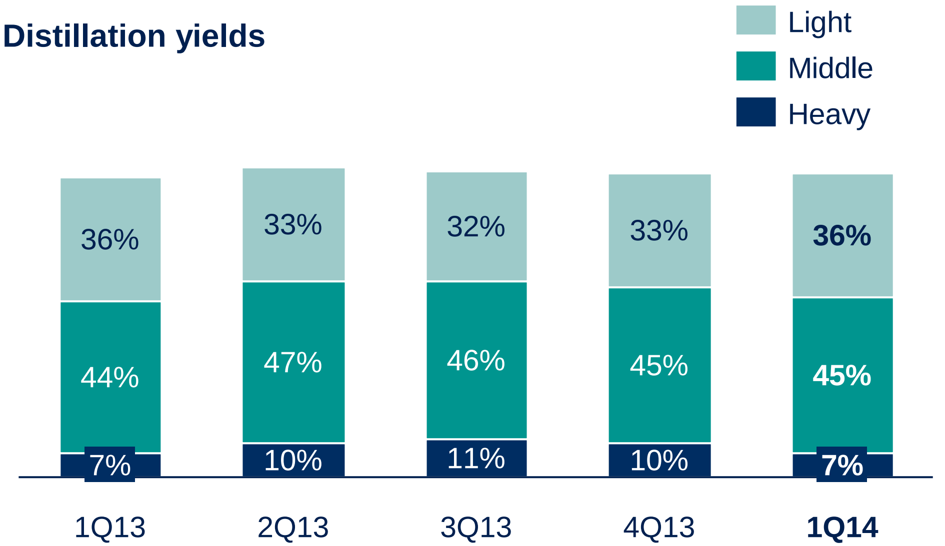
REFINING SEGMENT

Significant increase of crude oil throughput to 1,125 kt thanks to higher refining capacity

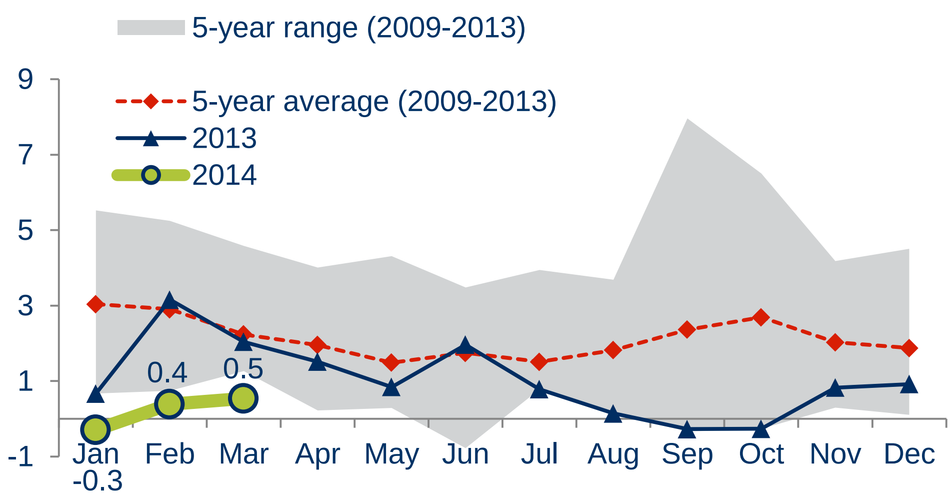
Crude oil throughput (kt) and **refining utilization ratio***



Distillation yields



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



- Annex to crude oil supplies agreement which provides monthly increase of crude oil deliveries by 50 kt of REBCO signed with PKN ORLEN on 28 March securing additional needs for crude oil deliveries in relation with increased 67.555% stake in Česká rafinérská
- Significant increase of crude oil throughput to 1,125 kt thanks to higher refining capacity from February; 5% like-for-like increase y/y to 944 kt…
- …implying higher refining utilization ratio of 83%
- Much worse refining margins in 1Q14 compared with 1Q13; 1Q14 level even below minimums of the last five years; driven by lower diesel spread (106 USD/ton in 1Q14 vs 122 USD/ton in 1Q13) and particularly by significantly lower gasoline spread (141 USD/ton in 1Q14 vs 189 USD/ton in 1Q13)

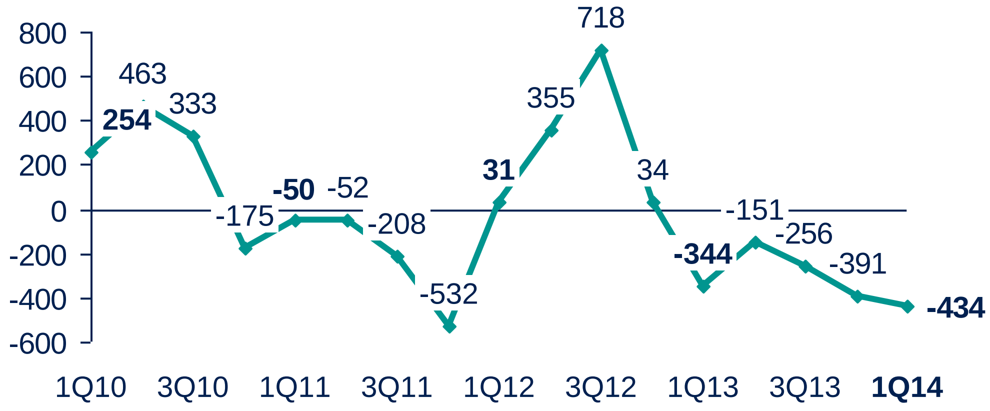
* From 1Q2014 conversion capacity is 5.9 mt/y after completion of acquisition of Shell's 16.335% stake in Česká rafinérská, corresponding to Unipetrol's total stake of 67.555% (Kralupy 2.166 mt/y, Litivínov 3.710 mt/y). For the purposes of calculation of refining utilization ratio in 1Q2014, conversion 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 will be used for calculation of refining utilization ratio.

REFINING SEGMENT

Significantly higher sales volumes y/y thanks to operation of 68% stake in Česká rafinérská

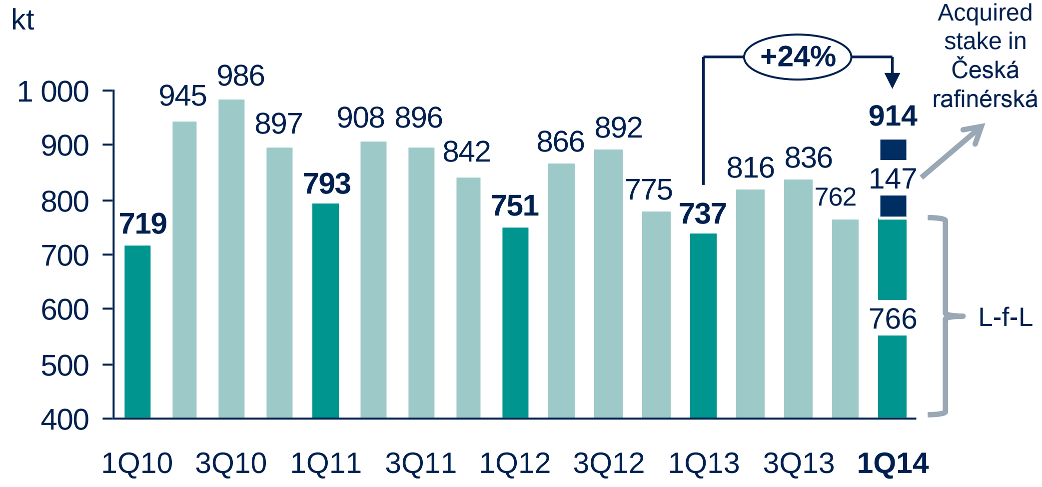
EBITDA LIFO quarterly

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



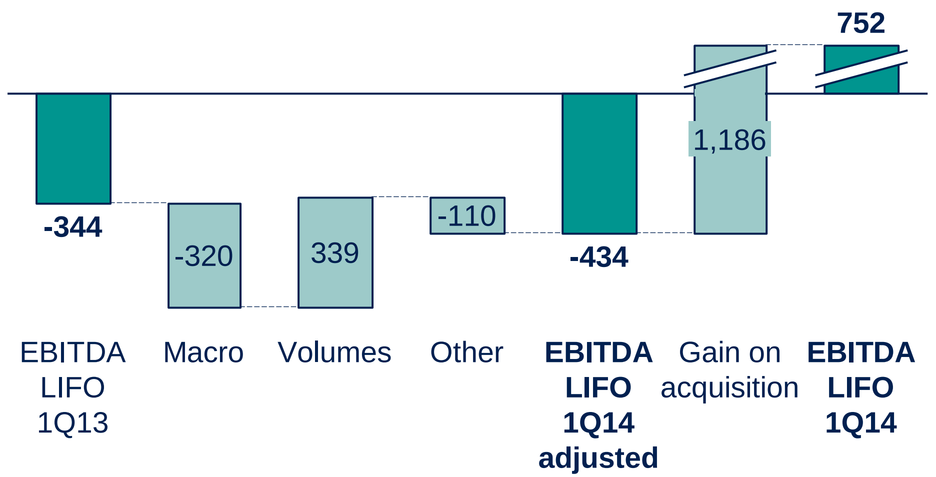
Sales volumes of refining products, incl. retail (Benzina network)

kt



EBITDA LIFO – Drivers of y/y change – 1Q14 versus 1Q13

CZK m



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- Much higher sales volumes by 24% y/y of 914 kt stemming from operation of higher refining capacity
- Successful placement of additional volumes on domestic Czech market thanks to acquisition of new customers
- 4% like-for-like increase y/y to 766 kt driven by diesel sales thanks to moderate economic recovery
- Positive items in category Other (hedging gains, better sales margin, lower like-for-like fixed costs)

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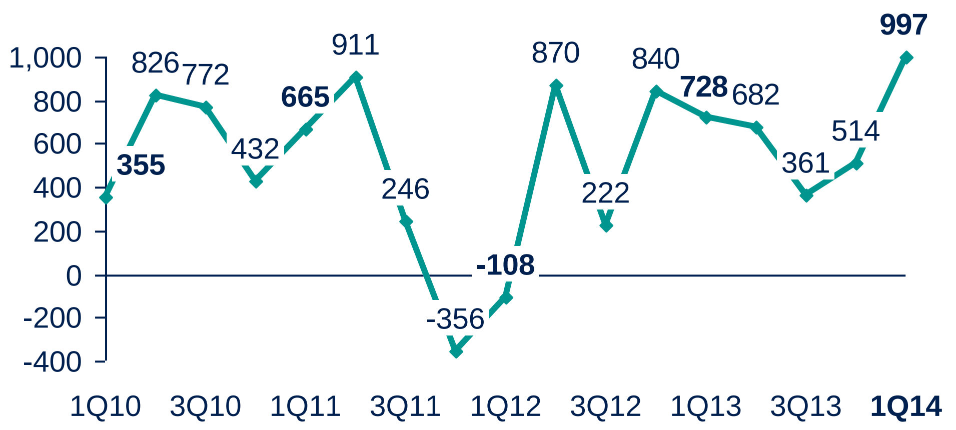
- Negative macro impact of CZK (-) 320 m due to very depressed refining margins in 1Q14, much worse y/y
- Negative impact from category Other due to revaluation of stocks, one-off items and higher fixed costs (higher stake in Česká rafinérská)

PETROCHEMICAL SEGMENT

Very good financial performance with EBITDA LIFO of CZK 997 m

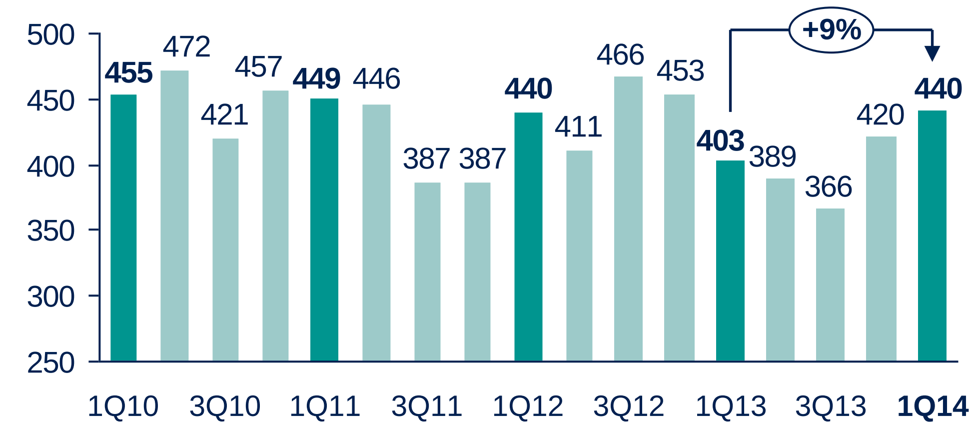
EBITDA LIFO quarterly

CZK m (without impairment in 2011)



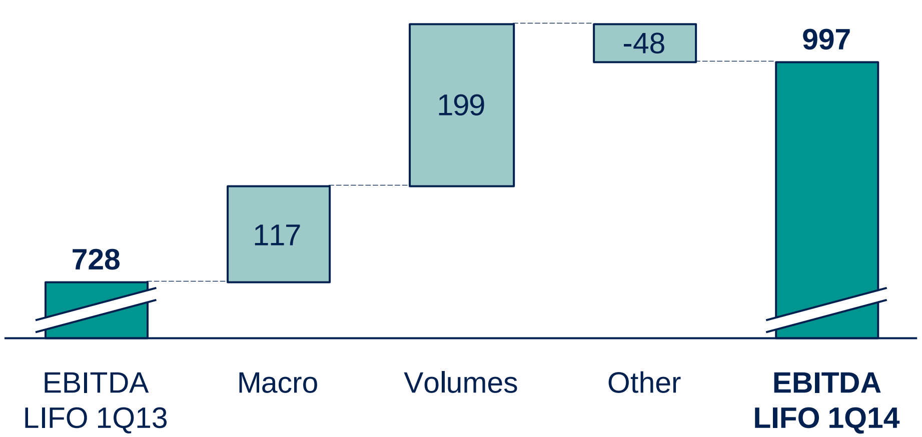
Sales volumes of petrochemical products

kt



EBITDA LIFO – Drivers of y/y change – 1Q14 versus 1Q13

CZK m



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- Positive macro impact of CZK 117 m thanks to stronger EUR vis-a-vis CZK and USD, and better margins y/y
- Positive impact of higher sales volumes of CZK 199 m y/y stemming from higher utilization of steam-cracker and polyolefin units, more stable crude oil price implying more stable market demand, and applied pricing in terms of more aggressive approach and flexibility thanks to solid margins; additionally season started earlier in some polyolefin segments thanks to milder winter (construction, agriculture)
- Slightly lower renewable surcharges (POZE) y/y however still big financial burden overall

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- Negative impact of increasing spread between contract and spot polymers quotations y/y (category Other).

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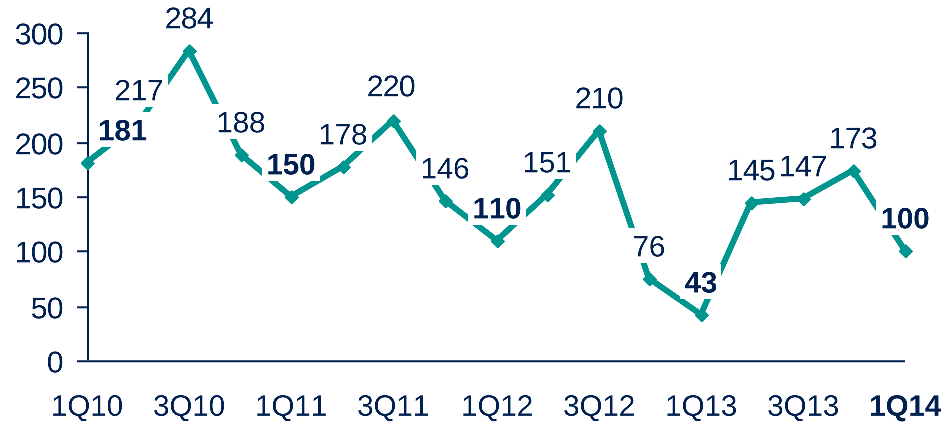
RETAIL SEGMENT

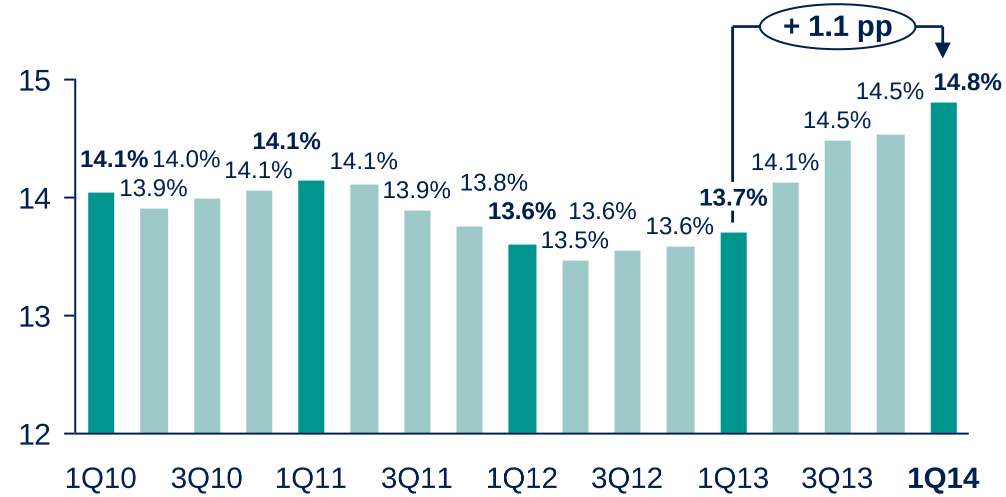
Significant improvement y/y with EBITDA LIFO of CZK 100 m

EBITDA LIFO quarterly

CZK m

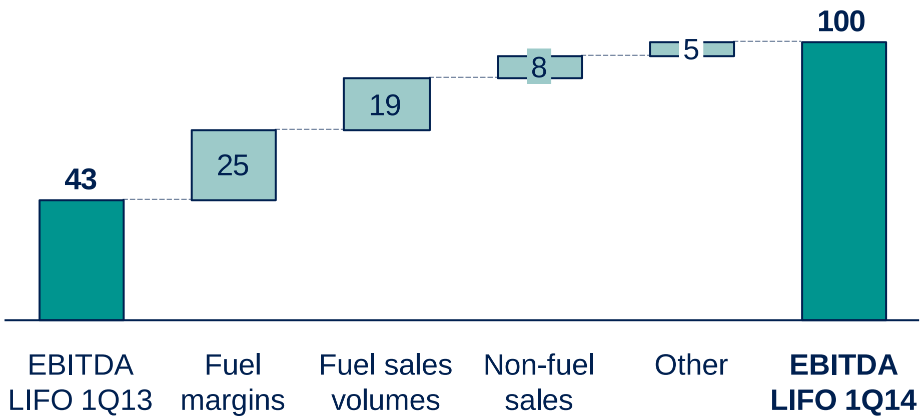


Benzina market share



EBITDA LIFO – Drivers of y/y change – 1Q14 versus 1Q13

CZK m



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- Significantly higher fuel sales volumes y/y with positive impact of CZK 19 m thanks to moderate economic recovery, milder winter in January and February 2014 compared with 2013; higher diesel sales helped also by higher demand from transit traffic due to weaker CZK against EUR
- Higher fuel margins, and fuels sales, supported by new antifraud legislation valid from October 2013; very difficult situation in 1Q13
- Better non-fuel sales thanks to Stop Cafe bistros

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- Ongoing big impact of fuels grey zone despite partial improvement of business environment since implementation of new legislation

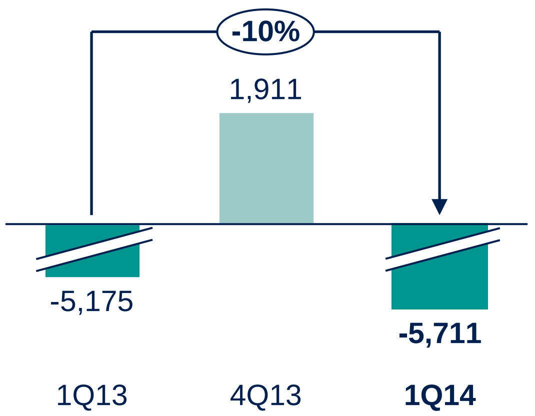
AGENDA

CASH FLOW, CAPEX & FINANCIAL GEARING

CAPEX of CZK 262 m

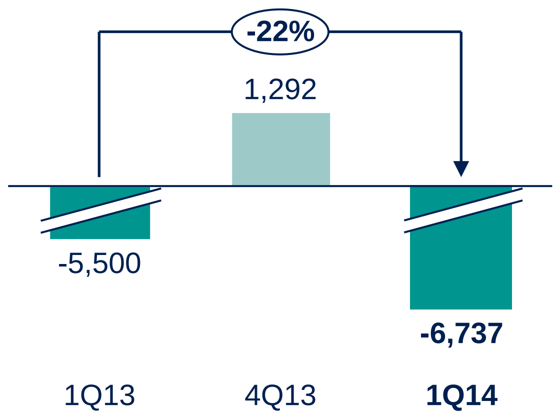
Operating cash flow

CZK m



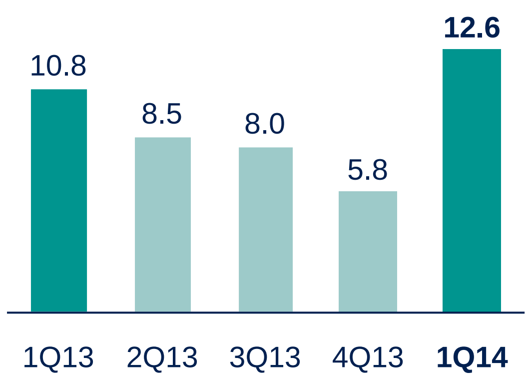
Free cash flow

CZK m



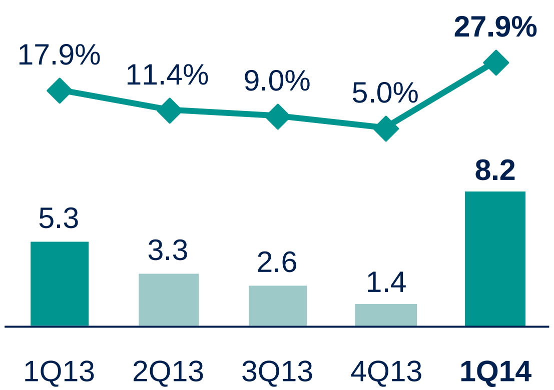
Net working capital

CZK bn



Net debt & financial gearing*

CZK bn, %



- Negative operating cash flow and increase of net working capital q/q following seasonal pattern due to i) time shift of payments in 4Q13, and ii) purchase of Shell's hydrocarbon inventories for CZK 1,751 m and higher receivables stemming from higher revenues based on higher refining capacity, and iii) higher inventories of own crude oil and inventories of own products
- Related increase of net debt, including payment for Shell's stake in Česká rafinérská of USD 27.2 m; corresponding increase of financial gearing
- CAPEX of CZK 262 m

* Net debt includes cash pool liabilities.

AGENDA

SUMMARY OF 1Q 2014

- **Acquisition of 16.335% stake in Česká rafinérská from Shell successfully completed**
- **Annex to crude oil supplies agreement with PKN ORLEN signed**
- **Very tough macro environment in refining segment from 2013 continued in 1Q 2014, however with first signals of improving tendency from turn of March and April**
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- **Significant increase of sales volumes in all segments**
- **Ongoing big impact of fuels grey zone despite partial improvement of business environment since implementation of new legislation in October 2013**

Thank you for your attention

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AGENDA

Key highlights of 1Q 2014

Macro environment

Financial results

Segment results

Cash flow, CAPEX and financial gearing

Summary of 1Q 2014

Back-up

EBITDA & EBIT

Detailed breakdown

	CZK m	1Q 2013	2Q 2013	3Q 2013	4Q 2013	1Q 2014
Group	**EBITDA LIFO**	**438**	**663**	**235**	**252**	**1,857**
	EBITDA	540	-1	737	246	1,726
	EBIT LIFO	**-172**	**76**	**-341**	**-389**	**1,231**
	EBIT	-70	-588	160	-396	1,100
Refining segment	**EBITDA LIFO**	**-344**	**-151**	**-256**	**-391**	**752**
	EBITDA	-320	-528	17	-438	722
	EBIT LIFO	**-479**	**-263**	**-347**	**-525**	**610**
	EBIT	-455	-641	-74	-572	580
Petchem segment	**EBITDA LIFO**	**728**	**682**	**361**	**514**	**997**
	EBITDA	800	407	581	552	902
	EBIT LIFO	**354**	**308**	**-24**	**114**	**612**
	EBIT	427	33	195	153	517
Retail segment	**EBITDA LIFO**	**43**	**145**	**147**	**173**	**100**
	EBITDA	49	134	157	175	93
	EBIT LIFO	**-40**	**63**	**67**	**90**	**21**
	EBIT	-34	52	76	91	14
Corporate functions	EBITDA	11	-13	-18	-43	9
	EBIT	-8	-32	-37	-68	-11

Sales volumes

Detailed breakdown

	1Q13	4Q13	1Q14	q/q	y/y
Refining, including retail (Benzina network), kt	**737**	**762**	**914**	**20%**	**24%**
Diesel, including retail (Benzina network)	397	420	507	21%	28%
Gasoline, including retail (Benzina network)	197	185	225	22%	14%
JET	16	11	21	92%	34%
LPG	22	21	23	8%	4%
Fuel oils	40	17	54	215%	36%
Naphtha	5	0	5	n/a	0%
Bitumen	19	64	35	-46%	78%
Lubricants	7	8	9	7%	17%
Rest of refining products	34	35	35	-1%	3%

	1Q13	4Q13	1Q14	q/q	y/y
Petrochemicals, kt	**403**	**420**	**440**	**5%**	**9%**
Ethylene	38	40	44	9%	14%
Benzene	53	55	55	1%	5%
Propylene	10	6	10	79%	-4%
Urea	5	0	0	n/a	n/a
Ammonia	55	53	60	14%	10%
C4 fraction	20	21	22	1%	9%
Butadien	16	15	16	7%	-1%
Polyethylene	60	78	73	-7%	22%
Polypropylene	61	59	68	16%	13%
Rest of petrochemical products	86	93	92	-1%	7%

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). 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 will be used for calculation of refining utilization ratio.
- **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

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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.