UNIPETROL 2Q 2016 FINANCIAL RESULTS

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Prague, Czech Republic

#Unipetrol2Q16

@unipetrolcz

Unipetrol

ORLEN GROUP

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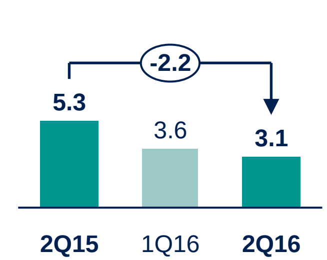
KEY HIGHLIGHTS OF 2Q16

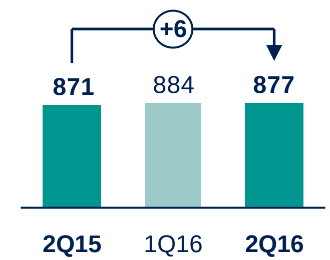
External macro environment

- Czech GDP growth remained at solid level of 2.7% y/y in 1Q16, a slight decline to 2.2% is expected in 2Q16
- Crude oil price declined by 27% y/y to 46 USD/bbl
- Refining model margin decreased by 41% y/y to 3.1 USD/bbl
- Petrochemical model margin further increased by 1% y/y to 877 EUR/t
- Low crude oil price level continued to support external macro environment, especially petrochemical margins

Refining model margin
(USD/bbl)



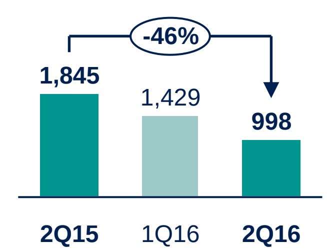
Petrochemical model margin
(EUR/t)



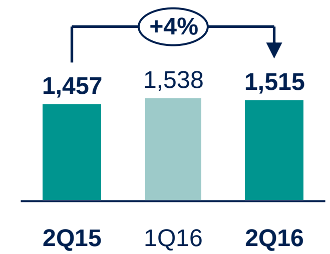
Operational performance

- Steam cracker unit out of operation and Kralupy refinery shutdown since mid-May materially impacted operational performance (processed crude volume and sales volumes)*
- Refining utilization ratio declined from 95% to 46% y/y as a result of not operating steam cracker unit, Kralupy refinery shutdown from mid-May and turnaround of Litvínov chemical complex executed in March and April
- Refining sales volumes slightly increased by 4% y/y to 1,515 kt
- Benzina further increased its market share to 16.8%

Processed crude
(kt)



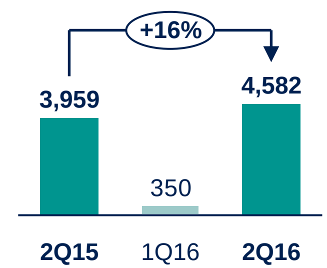
Refining sales incl. retail
(kt)



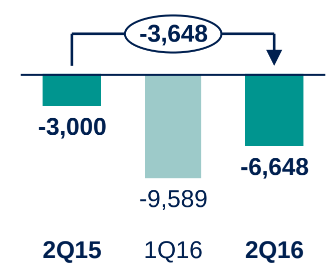
Value creation & financial position

- Dividend in amount of CZK 5.52 per share was approved by the General meeting
- EBITDA LIFO increased by 16% y/y to CZK 4.6 bn due to received payments for steam cracker accident insurance claim of CZK 3.9 bn
- Strong net cash position of CZK 6.6 bn with corresponding negative level of financial gearing at the level (-) 18.0%
- Unipetrol commenced the construction of new polyethylene unit PE3 at the beginning of June
- Unipetrol acquired 100% share capital of Spolana
- Contracts for Russian Export Blend Crude Oil (REBCO) were concluded securing deliveries till 30 June 2019

EBITDA LIFO
(CZK m)



Net debt/(net cash)
(CZK m)



* **Note**: For more information on steam cracker and Kralupy refinery refer to slide 19.

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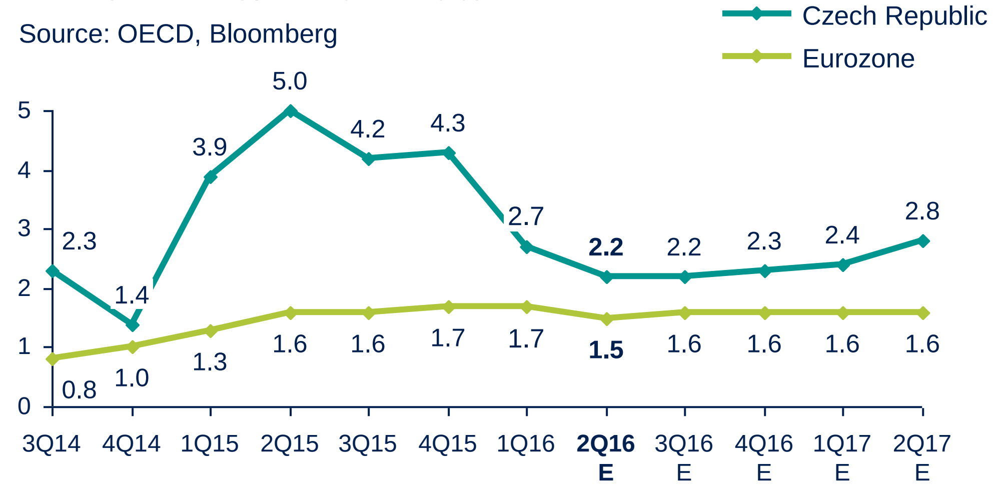
Czech GDP growth remained at solid level of 2.7% y/y in 1Q16

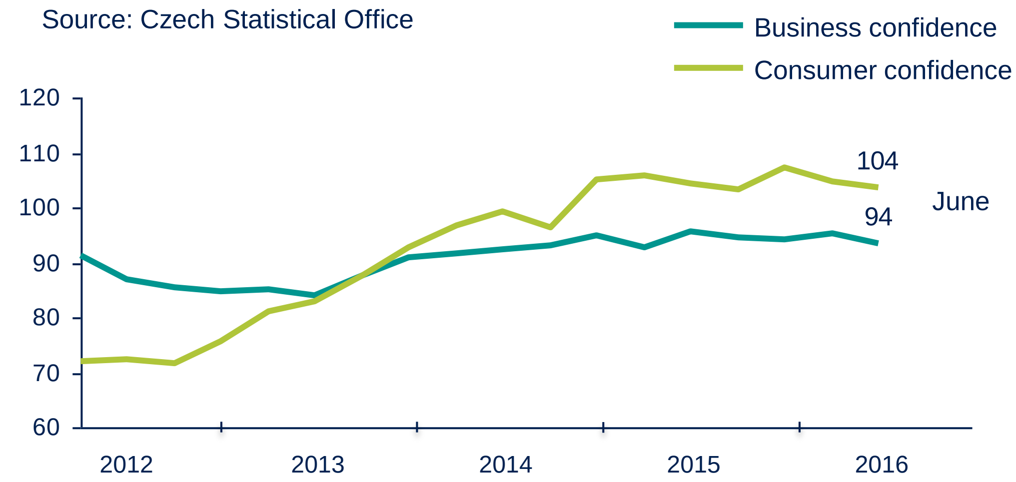
GDP dynamics (quarterly data, y/y)

Source: OECD, Bloomberg



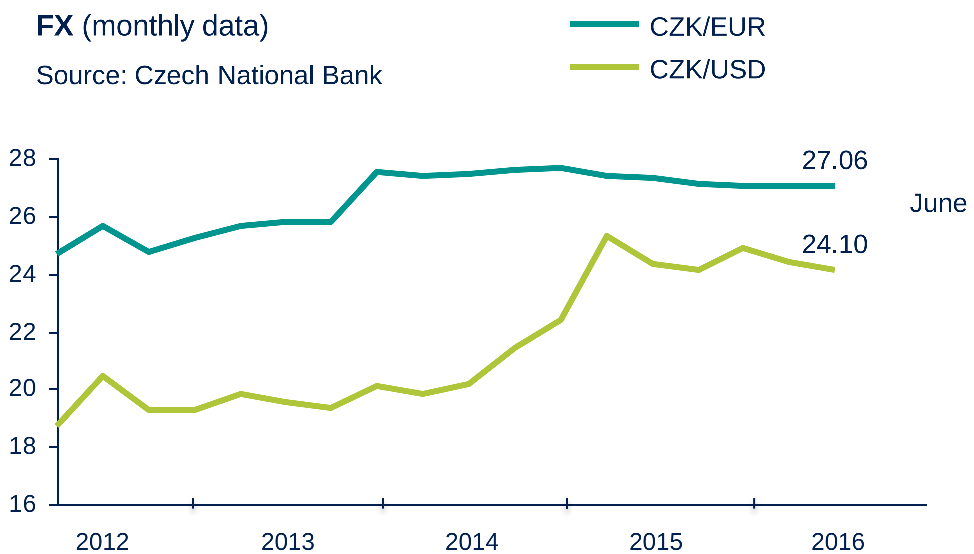
Confidence in the Czech economy (monthly data)

Source: Czech Statistical Office

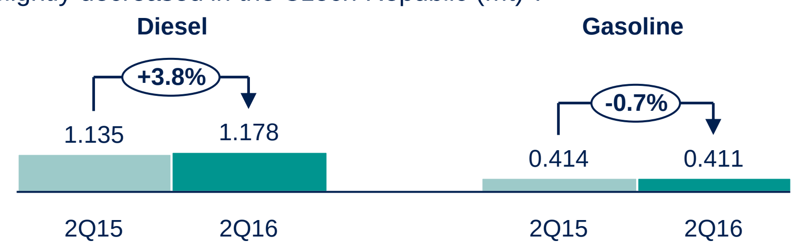


FX (monthly data)

Source: Czech National Bank



- Czech GDP growth remained at solid level of 2.7% y/y in 1Q16, a slight decrease to 2.2% is expected in 2Q16
- Slight decrease in both business and consumer confidence in the Czech economy in 2Q16, however both indicators still on relatively high levels
- CZK stable against EUR, slightly above ČNB's target of 27 CZK/EUR; slight appreciation against USD to 24.1 CZK/USD in June; eurodollar relatively stable around 1.1 USD/EUR
- Diesel consumption increased by 3.8% y/y, gasoline consumption slightly decreased in the Czech Republic (mt)*:

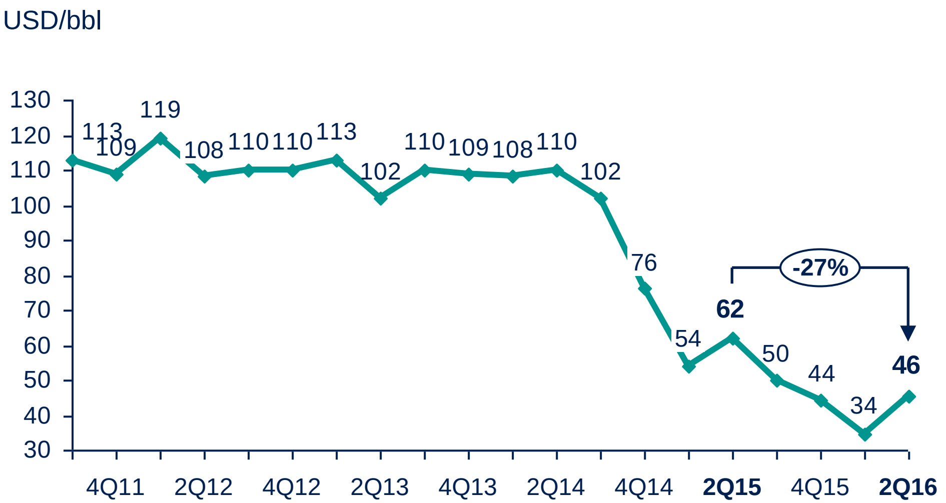


* Own estimates based on available data from the Czech Statistical Office.

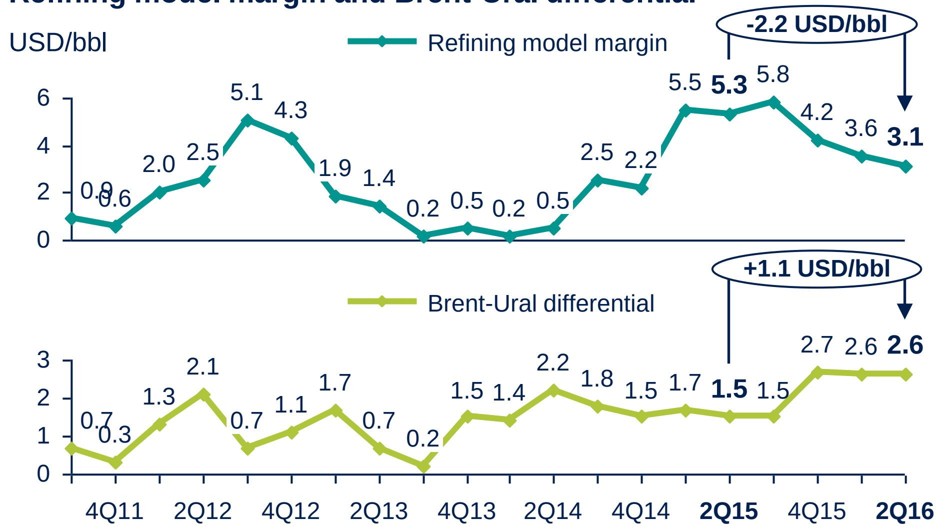
DOWNSTREAM MACRO ENVIRONMENT

Crude oil price further dropped y/y which continued to support petrochemical margins

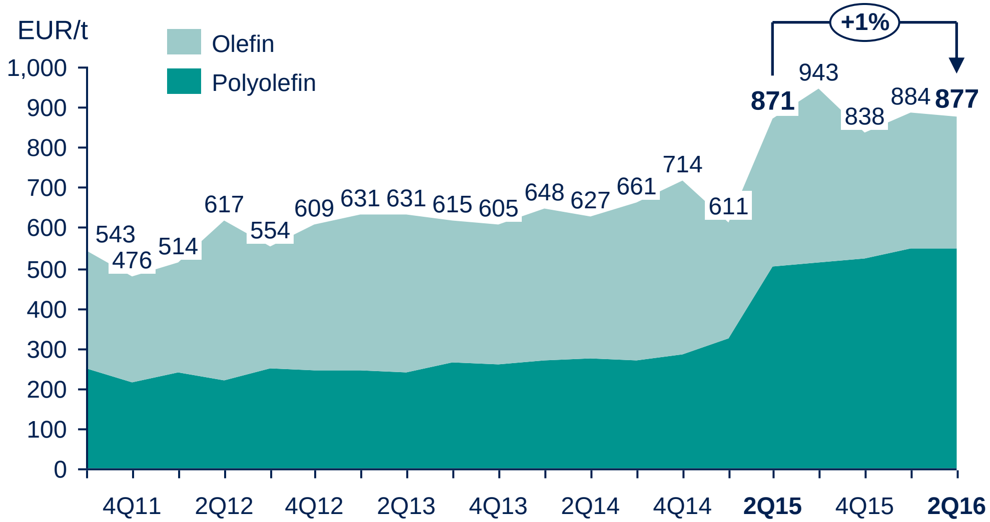
Brent crude oil price (quarterly average)



Refining model margin and Brent-Ural differential



Combined petrochemical model margin

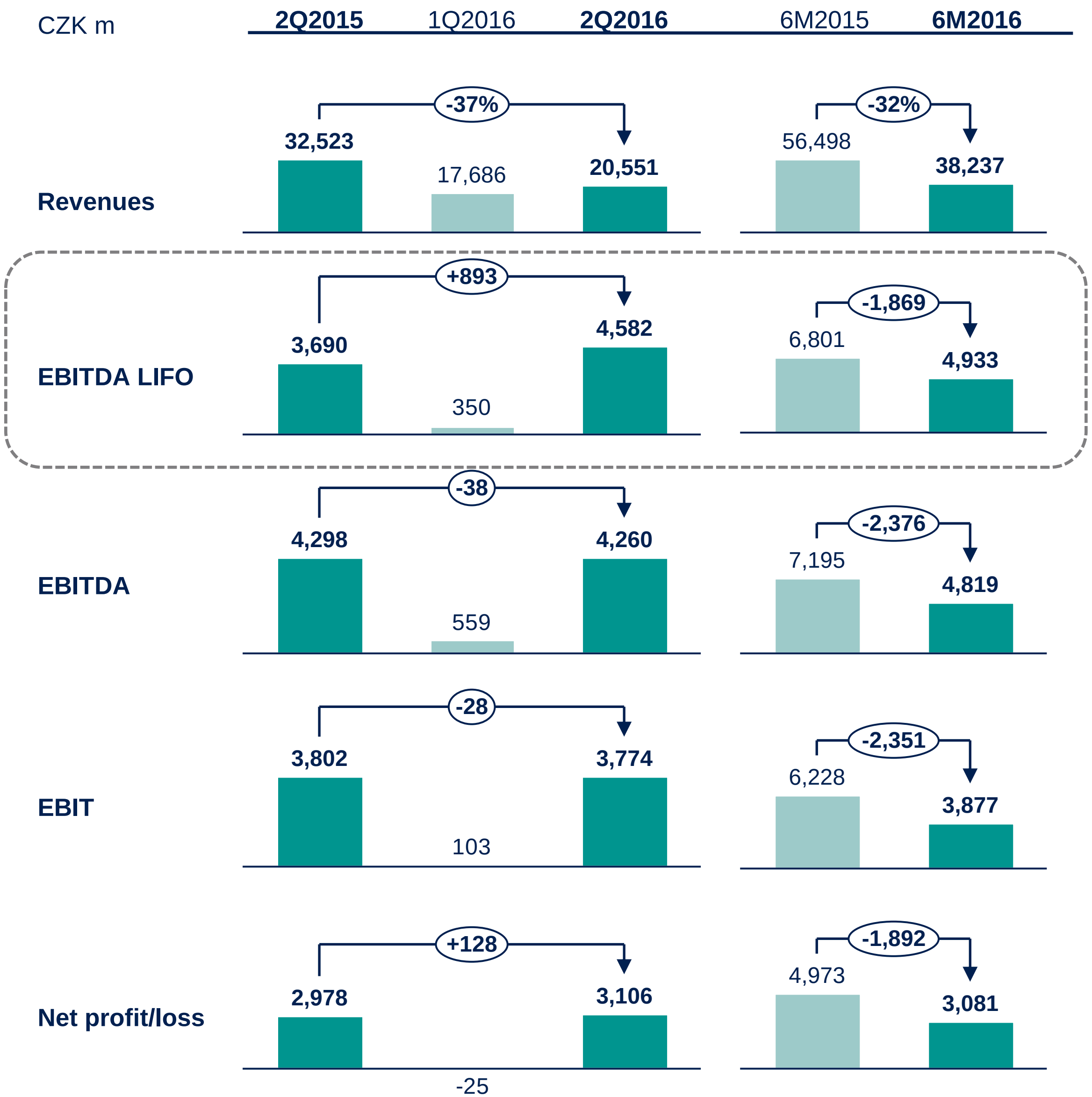


- Crude oil price increased by 33% q/q to 46 USD/bbl; however decreased by 27% y/y
- Brent-Ural differential increased by 74% y/y to 2.6 USD/bbl
- Refining model margin decreased by 41% y/y to 3.1 USD/bbl
- Petrochemical model margin increased by 1% y/y to 877 EUR/t
- Low crude oil price level continued to support external macro environment, especially petrochemical margins

AGENDA

FINANCIAL RESULTS

Higher EBITDA LIFO by CZK 0.9 bn due to received payments from insurance



- **Revenues** decreased by 37% y/y due to lower crude oil prices and lower petrochemical products sales
- **EBITDA LIFO** of CZK 4,582 m higher by CZK 893 m y/y due to received payments of CZK 3.9 bn from insurance claim
- Estimated **lost business profit** for 2Q16 resulting from steam cracker accident expected to be recovered from insurer amounts to CZK 1.3 bn (not included in financial results)
- Estimated lost profit, due to Kralupy refinery shutdown in 2Q16 amounts to approximately CZK 0.3 bn (not included in financial results)
- **LIFO effect** negative of CZK 322 m
- **Depreciation and amortization** of CZK 486 m
- **EBIT** of CZK 3,774 m in 2Q16
- **Positive result from financial operations** of CZK 88 m
- **Net profit** of CZK 3,106 m in 2Q16

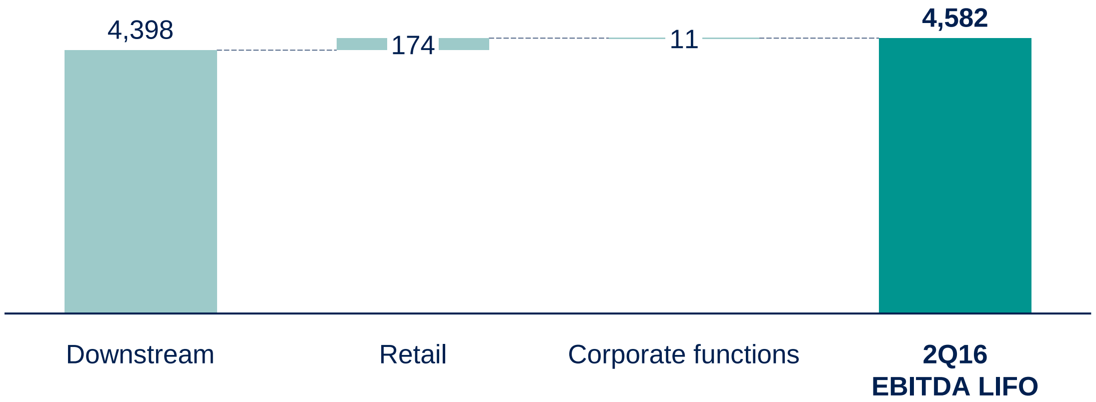
- **2Q2015, 6M2015** – Gain on acquisition (Eni's stake in Česká rafinérská) of CZK -429 m, Provision for removal of old ecological burdens of CZK 110 m, related deferred tax of CZK -30 m, Corporate function provision of CZK 50 m.
- **1Q2016** – One-off item 'Other operating cost incurred in connection with the fire of steam cracker of CZK 99 m' excluded as compared to 1Q2016 financial results presentation.

OPERATING PROFITABILITY BY SEGMENTS

Increase in operating profitability due to received payments from insurance

Segment results – EBITDA LIFO

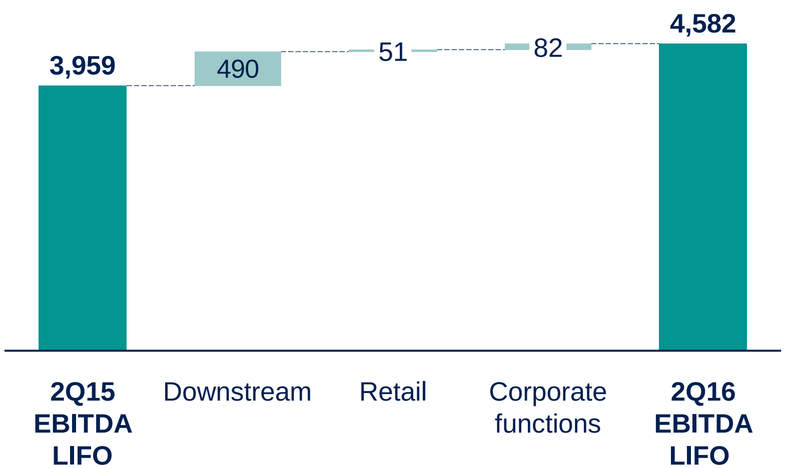
CZK m



- **Downstream segment** (combination of refining and petrochemicals) EBITDA LIFO reached the level of CZK 4,398 m mainly due to the received payments for steam cracker accident claim of CZK 3.9 bn
- **Retail segment** with positive contribution of CZK 174 m

Change in segment results y/y

CZK m



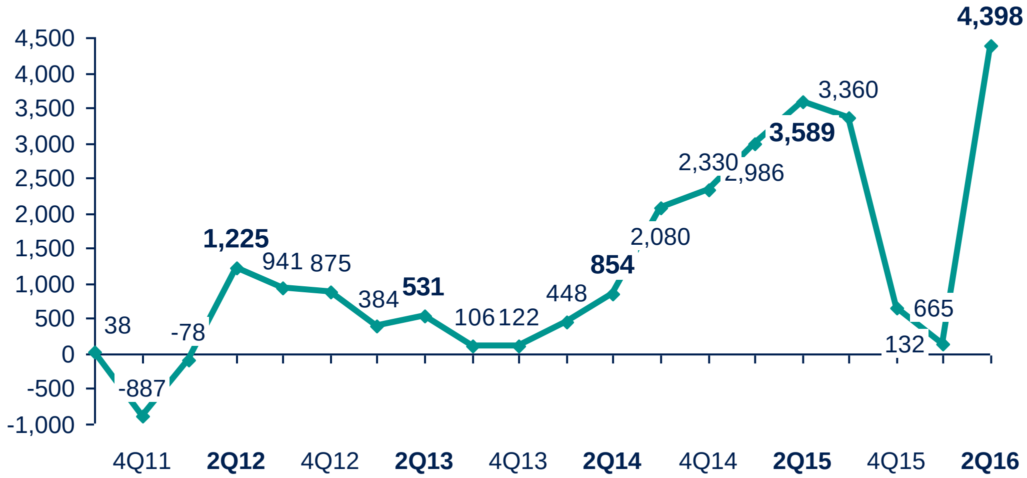
- **Increase** in operating profitability y/y by CZK 623 m…
- …**driven by downstream segment** with increase of CZK 490 m y/y caused mainly due to the received payments for steam cracker accident claim of CZK 3.9 bn
- **Retail segment** increased by CZK 51 m y/y

DOWNSTREAM – EBITDA LIFO

EBITDA LIFO increased to CZK 4.4 bn due received payments from insurance

EBITDA LIFO quarterly – Adjusted*

CZK m



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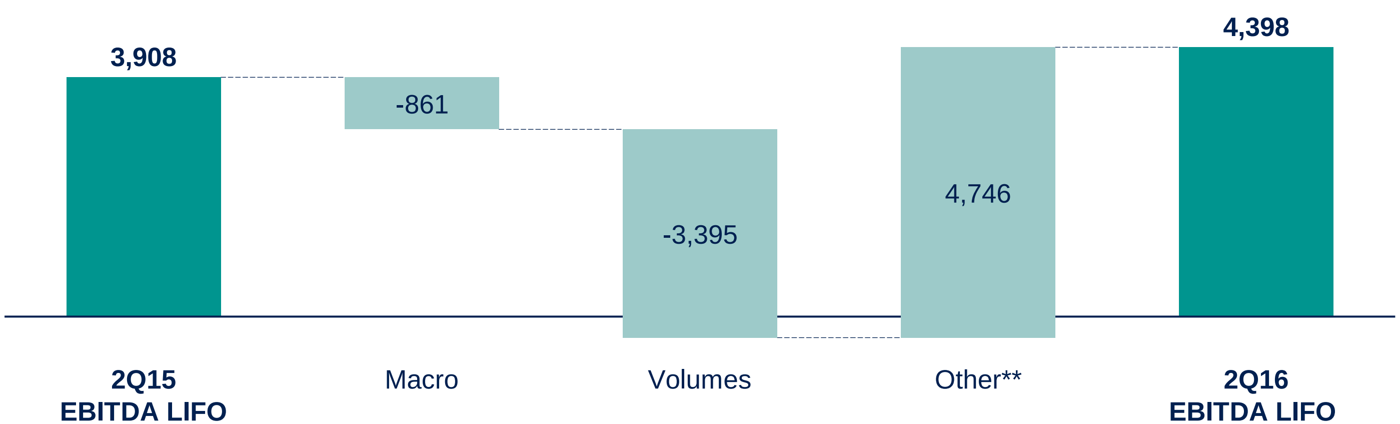
- Negative macro impact of CZK (-) 861 m y/y driven by lower refining margins partially compensated by lower crude oil prices
- Negative volumes impact of CZK (-) 3,395 m y/y driven by:
  - Significantly lower petrochemical sales volumes due to steam cracker accident and executed turnaround of Litvínov chemical complex
  - Partially compensated by higher refining sales volumes due to sales of petrochemical feedstock and trading activities

+

- Positive impact of Other category of CZK 4,746 m y/y mainly driven by:
  - received payments from insurance
  - inventory revaluation effect (NRV)

Downstream segment results – Drivers of change y/y

CZK m



EBITDA LIFO quarterly – Adjusted* - w/o impairment in 2011, 2012 and 2Q14, gain on acquisition in 1Q14 and 2Q15, provision for removal of old ecological burdens in 2Q15 and one-offs related to steam cracker accident in 3Q15, 4Q15.

Other**– incl. received payments for steam cracker accident claim of CZK 3.9 bn

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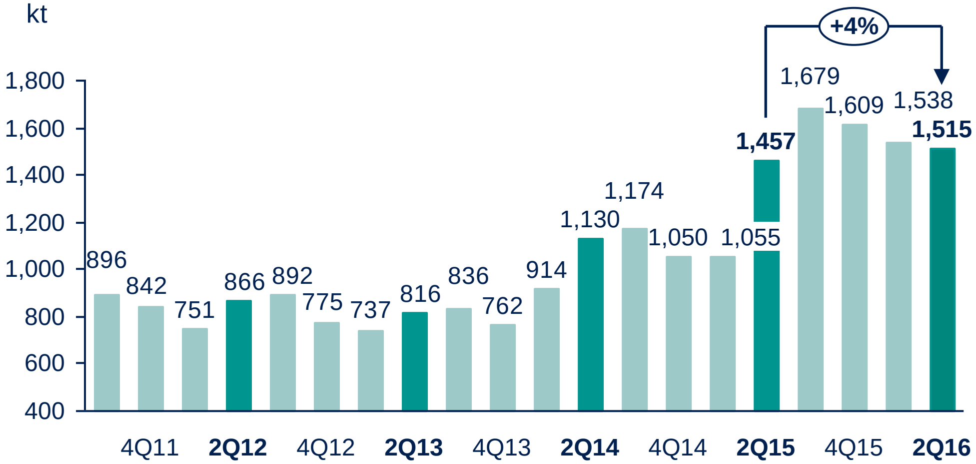
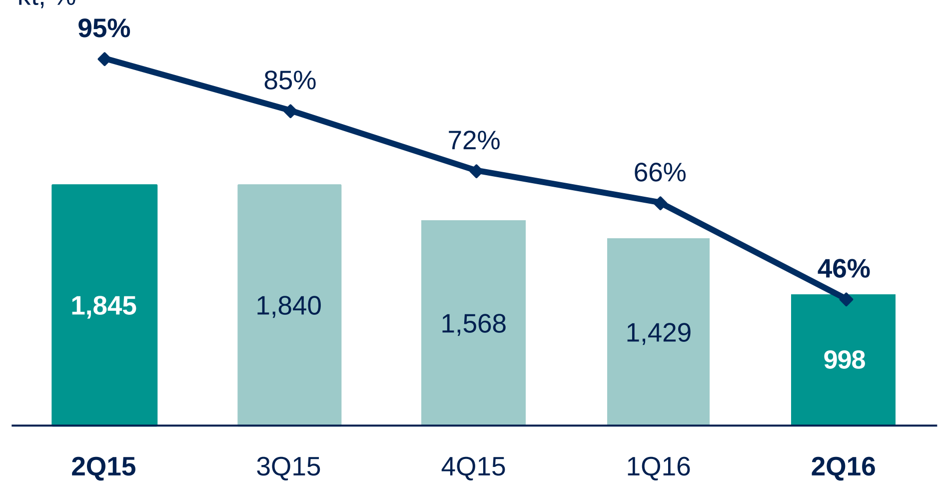
DOWNSTREAM (REFINING) – OPERATIONAL DATA

Increase in refining sales volumes by 4% y/y

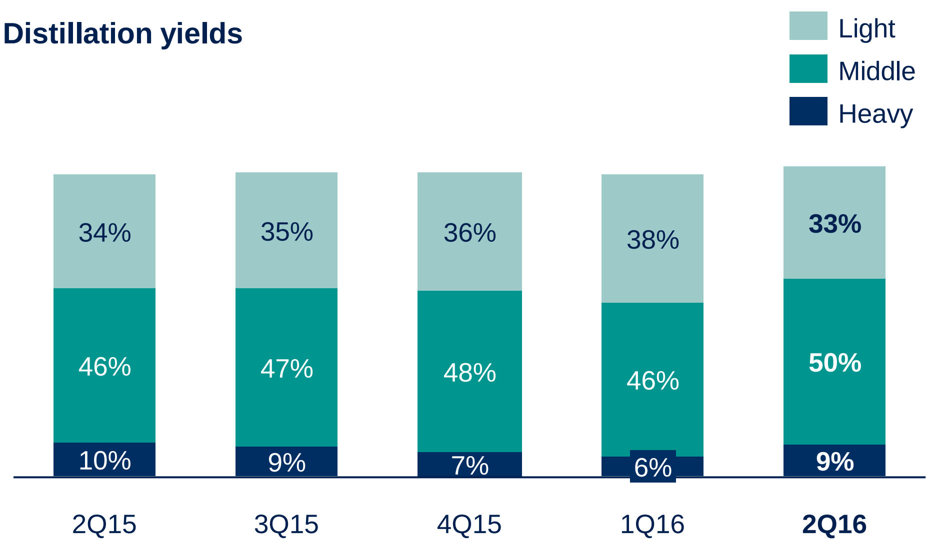
Sales volumes of refining products, incl. retail (Benzina network)



Processed crude and refining utilization ratio



Distillation yields

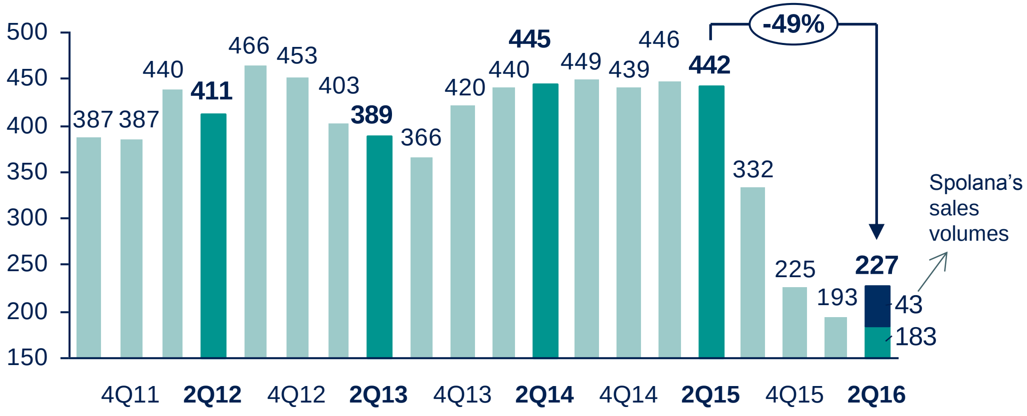


- Sales volumes increase by 4% y/y to 1.5 mt driven by:
  - Significant increase in trading of fuels due to lower refinery utilization resulting from shutdown of steam cracker and Kralupy refinery
  - Sales of steam cracker feedstock
- Much lower level of processed crude of 1 mt compared to 2Q15 due to Kralupy refinery and steam cracker unit shutdown and turnaround of Litvínov chemical complex executed in March and April
- Consequently, refining utilization ratio declined from 95% to 46% y/y
- Lower yields of light distillates due to shutdown of Kralupy refinery

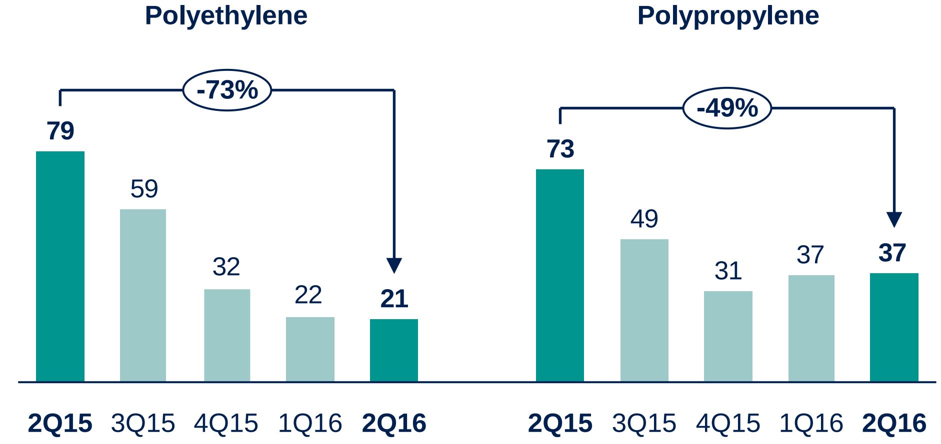
DOWNSTREAM (PETROCHEMICALS) – OPERATIONAL DATA

Petrochemical operations materially impacted by production limitations

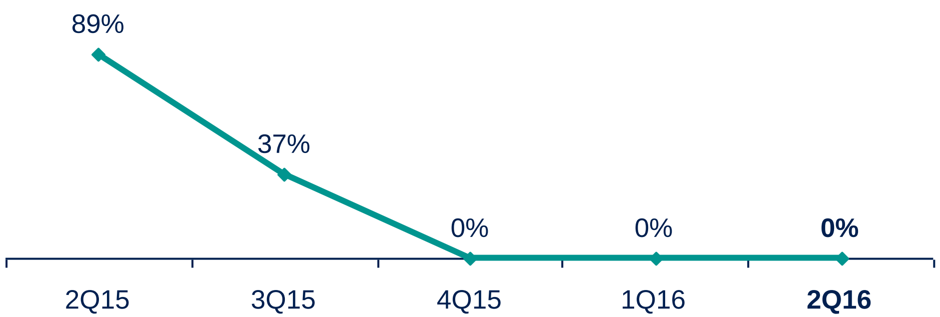
Sales volumes of petrochemical products



Sales volumes of polyethylene and polypropylene



Steam-cracker utilization ratio



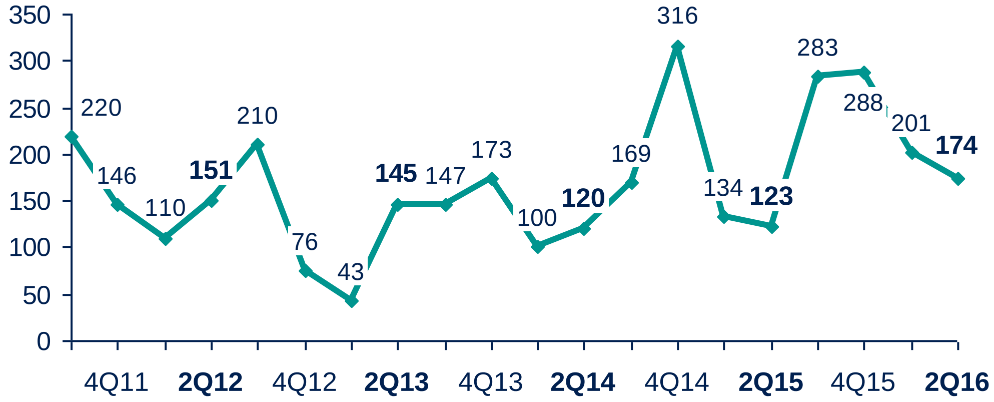
- Petrochemical operations materially impacted by steam cracker accident on 13 August 2015 and executed turnaround of Litvínov chemical complex
  - Steam cracker unit out of operation
  - Sales volumes declined by 49% to 227 kt, partially compensated by Spolana sales

RETAIL SEGMENT

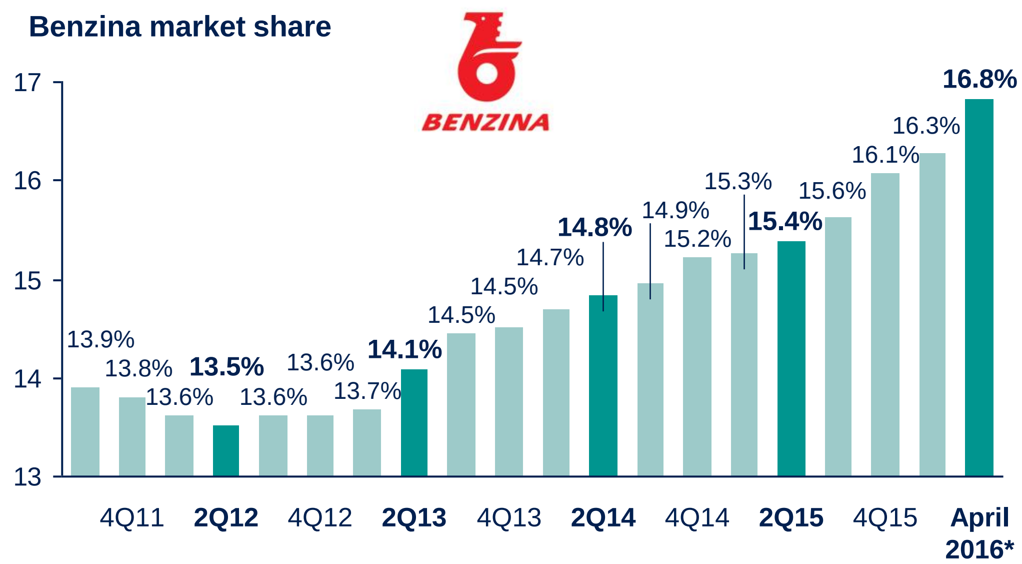
Continuation of a good profitability with EBITDA LIFO of CZK 174 m

EBITDA LIFO quarterly

CZK m

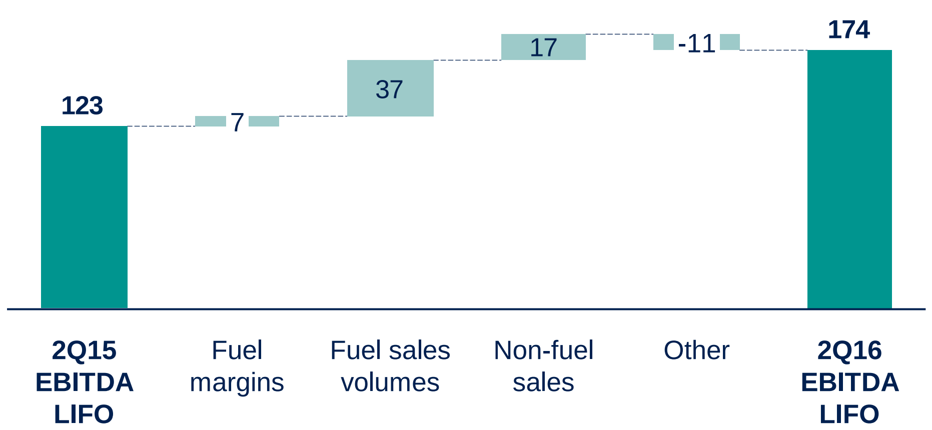


Benzina market share



Retail segment results – Drivers of change y/y

CZK m



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- Positive fuel margin impact of CZK 7 m y/y resulting from higher margin on gasoline
- Positive fuel sales volumes impact of CZK 37 m y/y thanks to set of marketing activities and solid dynamics of Czech GDP
- Positive impact of non-fuel sales of CZK 17 m y/y driven by expansion of StopCafe concept and various promotions
- Further increase in Benzina market share to 16.8% at the end of April 2016

April 2016* – last available official statistical data.

AGENDA

Key highlights of 2Q 2016

Macro environment

Financial and operating results

Cash flow and financial position

Operational update and outlook

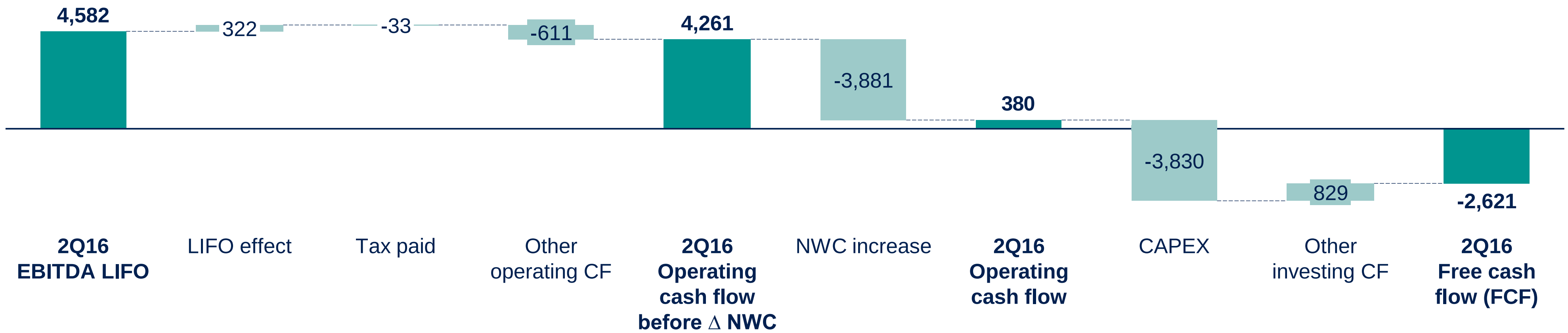
Back-up

CASH FLOW & NET WORKING CAPITAL

Extensive CAPEX spending of CZK 3.8 bn

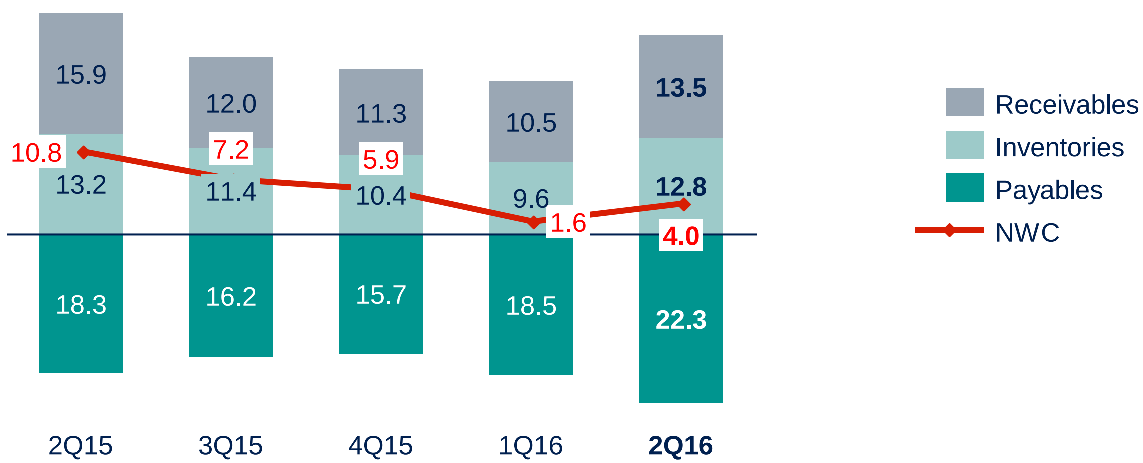
Free cash flow (FCF) reconciliation

CZK m



Net working capital (NWC)

CZK bn



- Operating cash flow of CZK 380 m
- Free cash flow negative of CZK (-) 2.6 bn due to extensive CAPEX spendings (executed turnaround of Litvínov chemical complex, reconstruction of steam cracker unit, and construction of PE3)
- NWC increased by CZK 2.4 bn q/q mainly due to increased level of crude oil inventory

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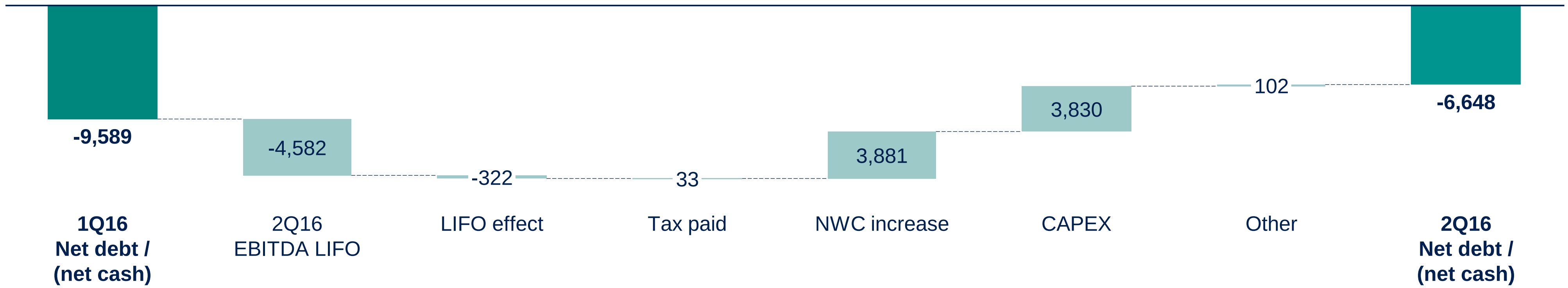
Strong net cash position of CZK 6.6 bn at the end of 2Q16

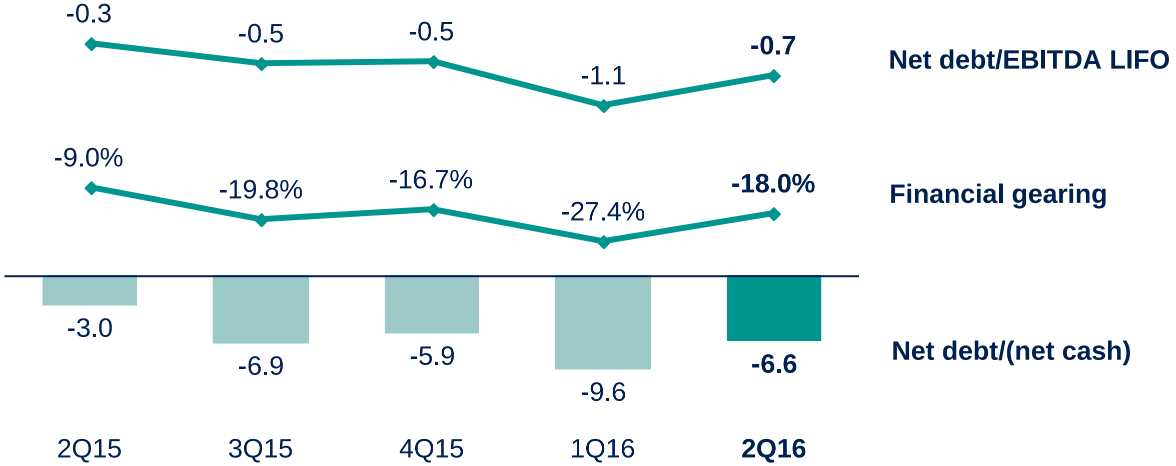
Net debt/(net cash)* change

CZK m



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

CZK bn, %



- Net cash position at the level of CZK 6.6 bn at the end 2Q16…
- …corresponding negative level of financial gearing at the level (-) 18.0%.
- Net debt/EBITDA LIFO indicator at (-) 0.7

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

AGENDA

OPERATIONAL UPDATE AND OUTLOOK

Steam cracker unit update

- Mechanical completion was finished on 8 furnaces, remaining commissioning work will be finished by the end of August.
- The steam cracker unit will be restarted at 8 out of 10 furnaces at the end of August 2016. Full capacity is expected to be reached at the end of October 2016.
- Unipetrol is insured against both property & mechanical damages and business interruption. Based on the estimates made at the end of June 2016 cost of repair are at the level of CZK 4.1 bn and lost business profit at the level of CZK 6.6 bn, both amounts expected to be recovered from the insurer.

Acquisition of Spolana

- The main focus will be on utilizing and developing of synergies with Unipetrol (access to feedstock with favorable logistics costs due to geographical proximity of the companies), and competitiveness of Spolana's product portfolio on the market.
- Finalizing optimization of the most important project portfolio to achieve the best possible return on investment
- After start-up of the steam cracker unit stable supplies of ethylene will be delivered which will contribute to improvement of Spolana and Unipetrol Group results.

Kralupy refinery shutdown update

- Based on the latest estimation the Kralupy refinery will be re-started at the beginning of October 2016.
- Estimated lost business profit, due to Kralupy refinery shutdown in 2Q16 amounts to approximately CZK 0.3 bn.
- Cost of repair estimated at the level of CZK 0.4 bn.

Thank you for your attention

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AGENDA

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EBITDA & EBIT – REPORTED NUMBERS

Detailed breakdown

	CZK m	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016	6M 2015	6M 2016
Group	**EBITDA LIFO**	**3 111**	**3 959**	**3 002**	**807**	**350**	**4 582**	**7 070**	**4 933**
	EBITDA	2 897	4 567	2 470	708	559	4 260	7 464	4 819
	EBIT LIFO	**2 640**	**3 463**	**2 506**	**342**	**-106**	**4 096**	**6 103**	**3 991**
	EBIT	2 426	4 071	1 975	243	103	3 774	6 497	3 877
Downstream	**EBITDA LIFO**	**2 986**	**3 908**	**2 719**	**553**	**132**	**4 398**	**6 894**	**4 530**
	EBITDA	2 772	4 516	2 188	454	341	4 075	7 288	4 417
	EBIT LIFO	**2 602**	**3 502**	**2 314**	**181**	**-234**	4 002	**6 104**	**3 768**
	EBIT	2 388	4 110	1 783	82	-25	3 680	6 497	3 654
Retail	**EBITDA LIFO**	**134**	**123**	**283**	**288**	**201**	**174**	**257**	**375**
	EBITDA	134	123	283	288	201	174	257	375
	EBIT LIFO	**54**	**41**	**200**	**204**	**125**	**96**	**96**	**221**
	EBIT	54	41	200	204	125	96	96	221
Corporate functions	**EBITDA**	**-9**	**-71**	**0**	**-33**	**16**	**11**	**-81**	**26**
	EBIT	-16	-80	-7	-42	3	-2	-96	2

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 – 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)

DISCLAIMER

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

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