



UNIPETROL 4Q 2015 FINANCIAL RESULTS

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#Unipetrol4Q15
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Unipetrol

ORLEN GROUP



Key highlights of 4Q15

Macro environment

Financial and operating results

Cash flow and financial position

Steam cracker update and operational outlook

Macro and regulatory outlook

Achievements in 2015

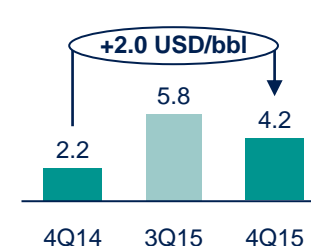
Back-up

KEY HIGHLIGHTS OF 4Q15

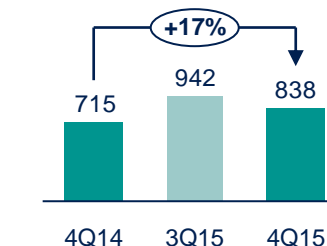
External macro environment

- ▶ Czech GDP growth remained at high level of 4.5% y/y in 3Q15, 4Q15 is expected to show another solid number
- ▶ Crude oil price declined by 43% y/y to 44 USD/bbl
- ▶ Refining model margin increased by 91% y/y to 4.2 USD/bbl
- ▶ Petrochemical model margin increased by 17% y/y to 838 EUR/t
- ▶ Low crude oil price level continued to significantly support both refining and petrochemical margins

Refining model margin (USD/bbl)



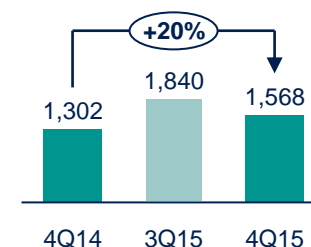
Petrochemical model margin (EUR/t)



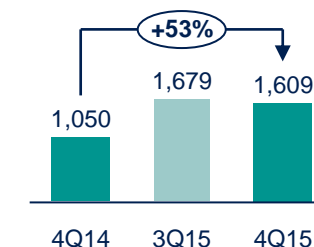
Operational performance

- ▶ Steam cracker still out of operation which materially impacted operational performance (processed crude volume and mainly petrochemical production and sales volumes)*
- ▶ Refining utilization ratio declined from 88% to 72% y/y as a result of the accident
- ▶ Refining sales volumes profoundly increased by 53% y/y to 1,609 kt thanks to higher refining capacity (Eni's stake in Česká rafinérská)
- ▶ Benzina further increased its market share to 15.8%

Processed crude (kt)



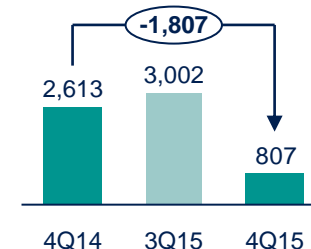
Refining sales incl. retail (kt)



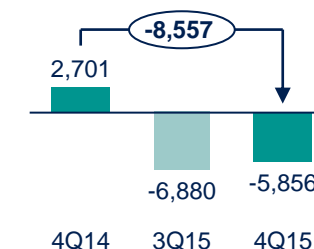
Value creation & financial position

- ▶ Contract with OMV on acquiring 68 of its filling stations which will considerably strengthen company's position on the Czech retail market
- ▶ Significant drop in EBITDA LIFO by 69% y/y to CZK 807 m due to steam cracker accident
- ▶ Very strong net cash position of CZK 5.9 bn with operating cash flow of CZK 1.8 bn

EBITDA LIFO (CZK m)



Net debt/(net cash) (CZK m)





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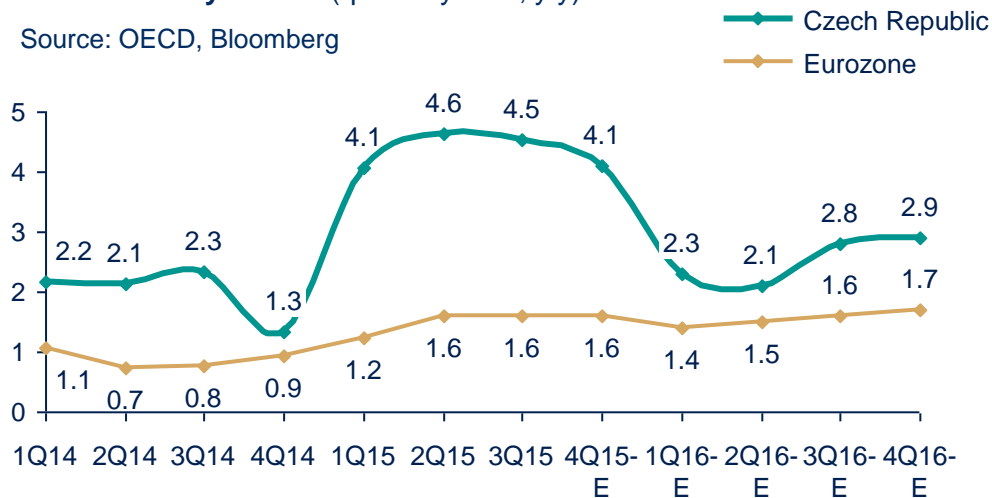
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GENERAL MACRO ENVIRONMENT

Czech GDP growth remained high at 4.5% y/y in 3Q15

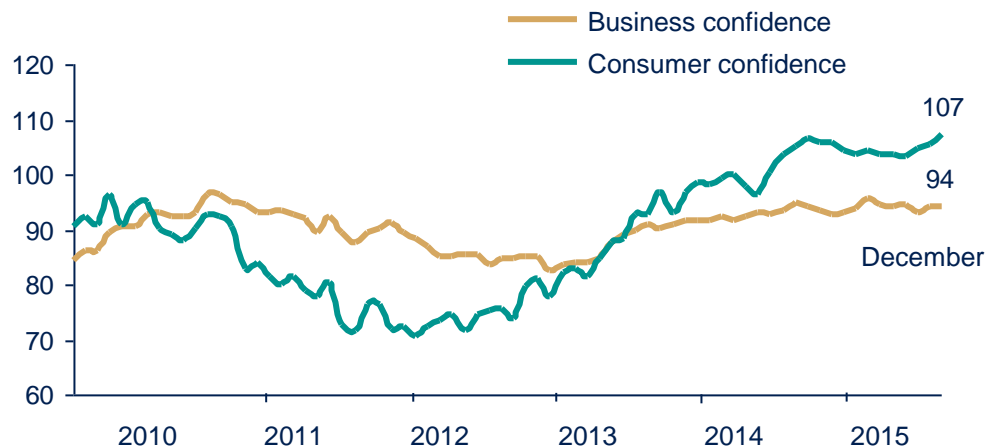
Czech GDP dynamics (quarterly data, y/y)

Source: OECD, Bloomberg



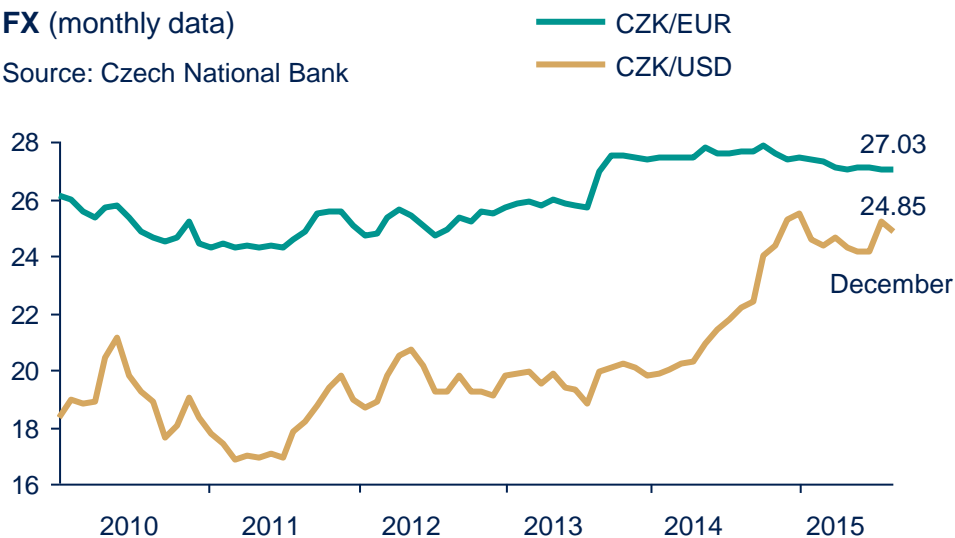
Confidence in the Czech economy (monthly data)

Source: Czech Statistical Office

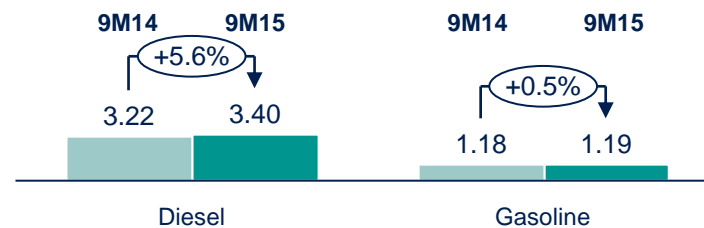


FX (monthly data)

Source: Czech National Bank



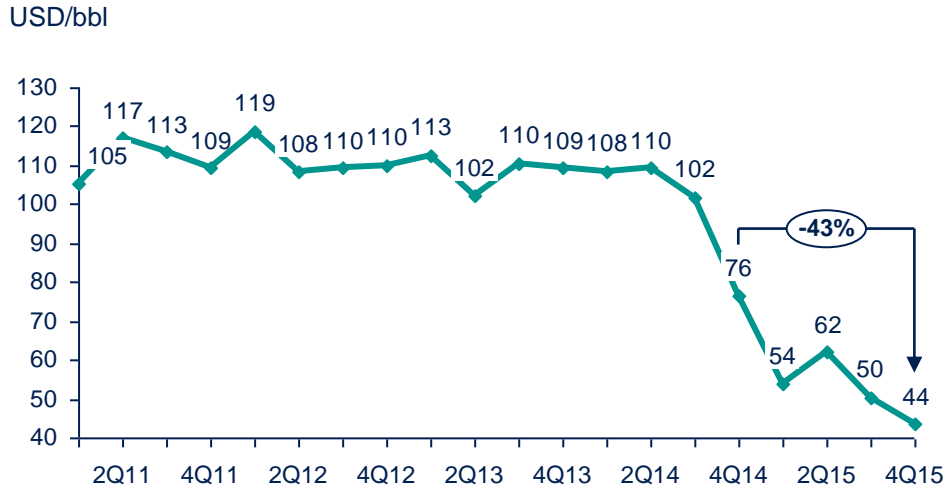
- ▶ Czech GDP growth remained high at 4.5% y/y in 3Q15, 4Q15 is expected to show another very solid number
- ▶ Continuation of stable business confidence and growing consumer confidence in the Czech economy on relatively high level
- ▶ CZK stable against EUR slightly above ČNB's target of 27 CZK/EUR; light depreciation against USD to 24.9 CZK/USD in December; eurodollar relatively stable around 1.1 USD/EUR
- ▶ Diesel consumption increased by 5.6% y/y, gasoline remained stable in the Czech Republic (Czech Statistical Office, mt):



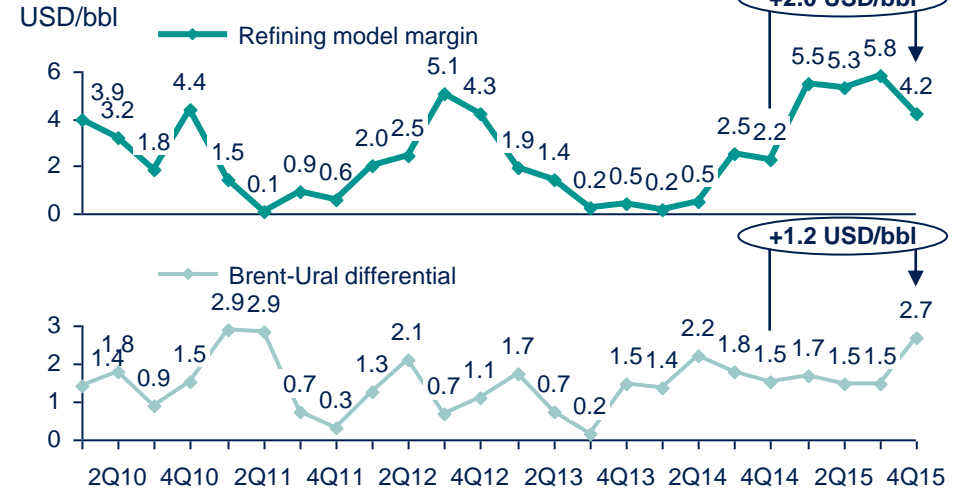
DOWNSTREAM MACRO ENVIRONMENT

Crude oil price dropped significantly y/y which continued to support very solid macro environment

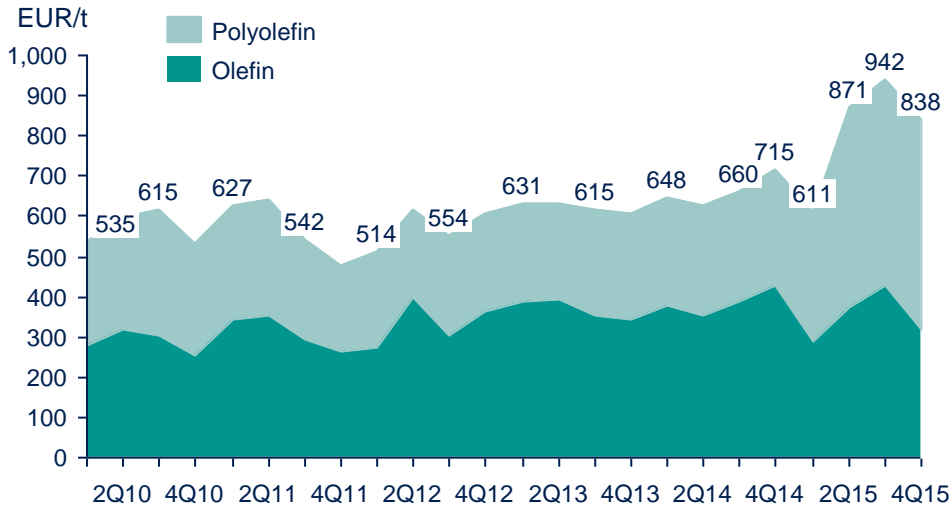
Brent crude oil price (quarterly average)



Refining model margin and Brent-Ural differential



Combined petrochemical model margin



- ▶ Crude oil price declined by 12% q/q to 44 USD/bbl; 43% lower y/y
- ▶ Brent-Ural differential increased by 80% y/y to 2.7 USD/bbl
- ▶ Refining model margin increased by 91% y/y to 4.2 USD/bbl
- ▶ Petrochemical model margin increased by 17% y/y to 838 EUR/t
- ▶ Low crude oil price level continued to significantly support both refining and petrochemical margins

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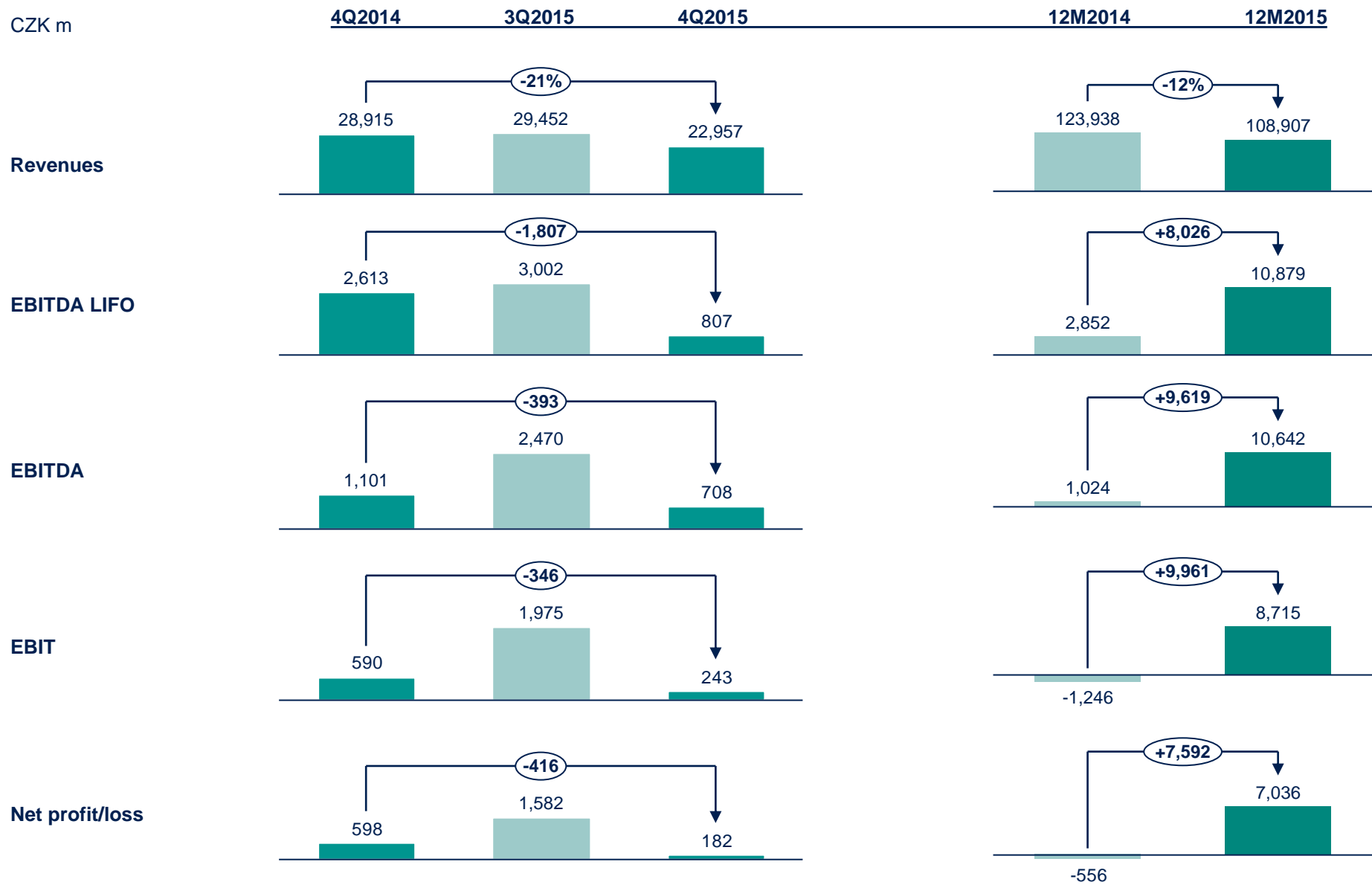
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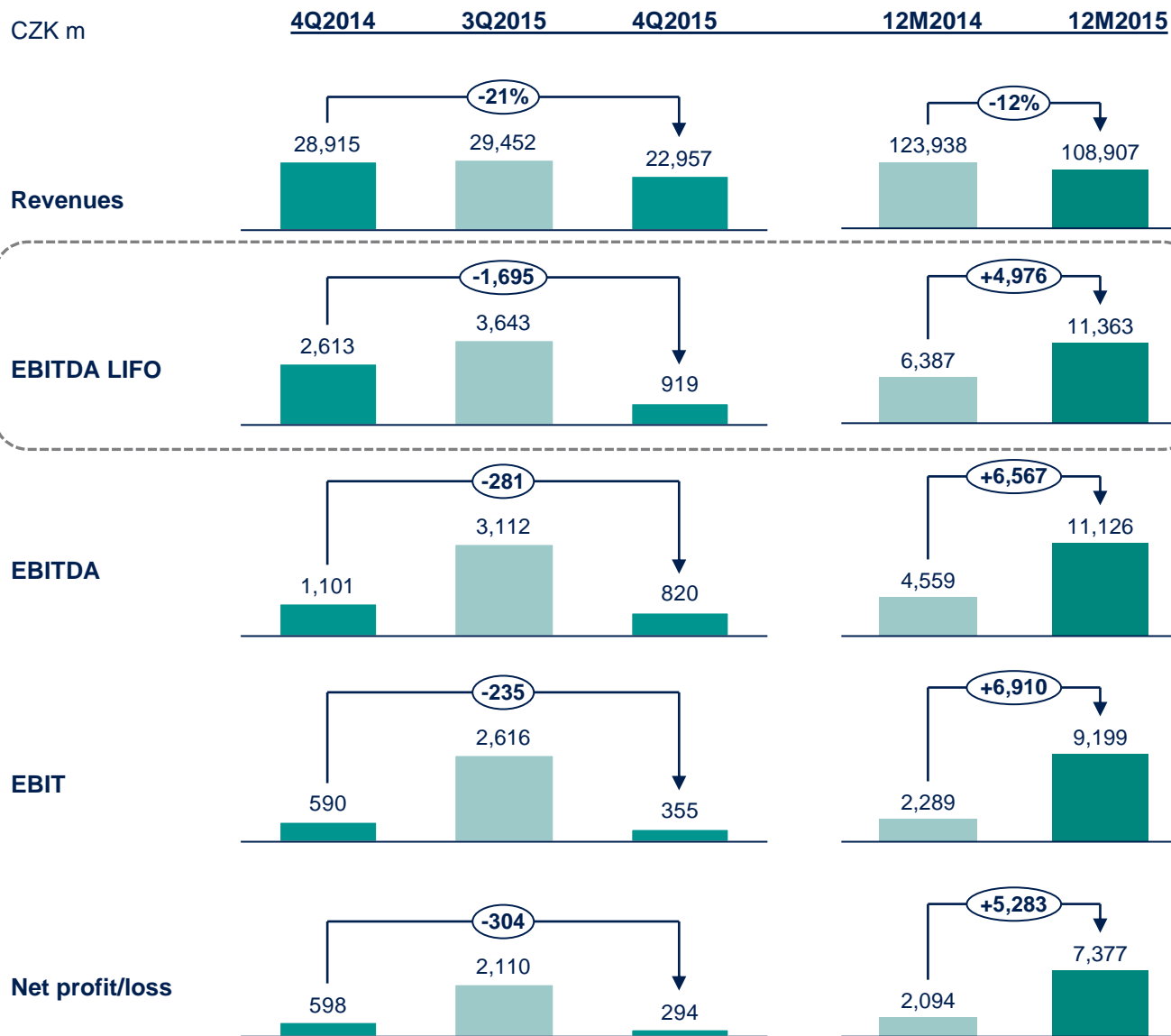
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FINANCIAL RESULTS – REPORTED NUMBERS



FINANCIAL RESULTS – NUMBERS ADJUSTED FOR ONE-OFFS

Lower adjusted EBITDA LIFO of CZK 919 m due to steam cracker accident



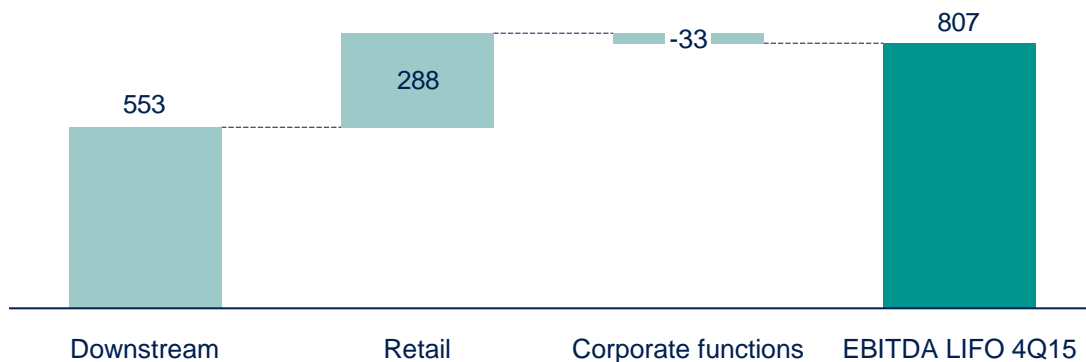
- ▶ Despite higher available capacity in refinery **revenues** decreased by 21% y/y due to lower petrochemical products sales volumes and refinery utilization
- ▶ Lower adjusted **EBITDA LIFO of CZK 919 m** mainly due to lost sales volumes / profit because of steam cracker accident
- ▶ **Full year adjusted EBITDA LIFO significantly improved by CZK 5.0 bn**
- ▶ Based on the estimates made at the end of 2015 **lost business profit** resulting from steam cracker accident in 4Q15 and full year 2015 amounts to CZK 2.8 bn and CZK 4.5 bn, respectively (not included in financial results)
- ▶ Recoverable amount from insurer is estimated to CZK 2.4 bn (estimates made at the end of 2015, not included in financial results)
- ▶ Other one-off operating cost incurred in 4Q15 in connection with the fire of **steam cracker** in amount of CZK112 million
- ▶ **LIFO effect** negative of CZK (-) 99 m due to lower crude oil price
- ▶ Depreciation and amortization of CZK 465 m generates **EBIT** of CZK 355 m in 4Q15
- ▶ **Positive financial result** of CZK 34 m
- ▶ Tax expense of CZK 96 m and **net profit** of CZK 294 m in 4Q15
- ▶ **Full year net profit increased by CZK 5.3 bn to multi-year high CZK 7.4 bn**

OPERATING PROFITABILITY BY SEGMENTS

Significant drop in operating profitability due to steam cracker accident

Segment results – EBITDA LIFO – 4Q15

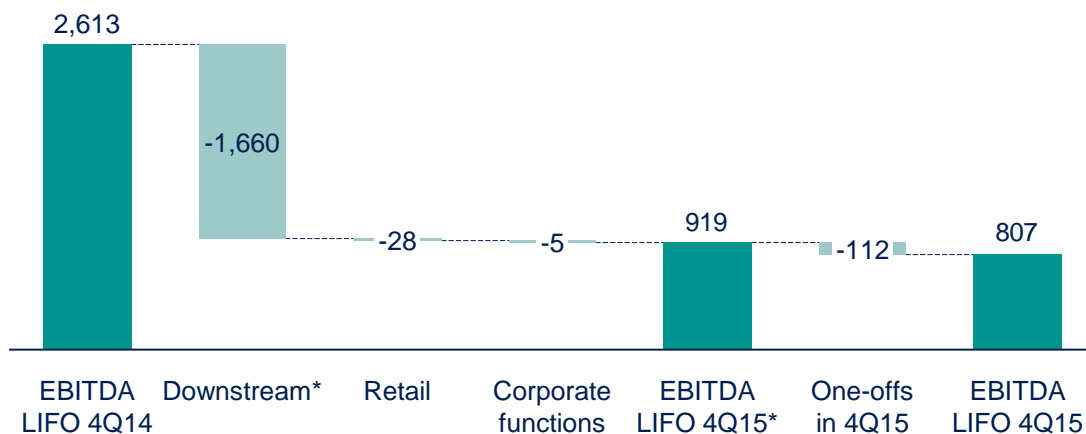
CZK m



- ▶ **Downstream segment** (combination of refining and petrochemicals) EBITDA LIFO of CZK 553 m represents significant drop due to not operating steam cracker unit in 4Q
- ▶ **Retail segment** positive contribution of CZK 288 m but slight decrease y/y

Change in segment results y/y

CZK m



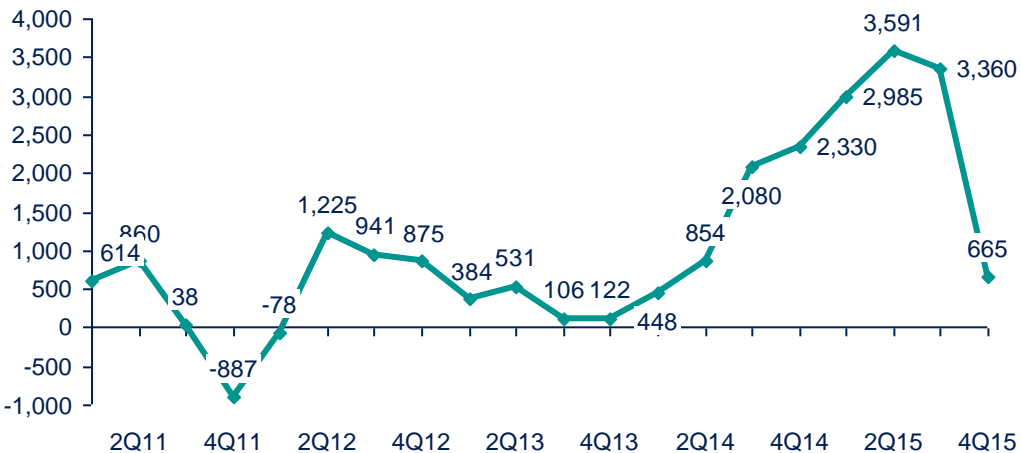
- ▶ **Considerable decrease** in operating profitability y/y by CZK 1,806 m...
- ▶ ...**driven by downstream segment** with drop of CZK (-) 1,660 m y/y caused by steam cracker accident
- ▶ Retail segment decreased by CZK (-) 28 m y/y

DOWNSTREAM – EBITDA LIFO

Adjusted EBITDA LIFO significantly decreased to CZK 665 m

EBITDA LIFO quarterly – Adjusted*

CZK m



+

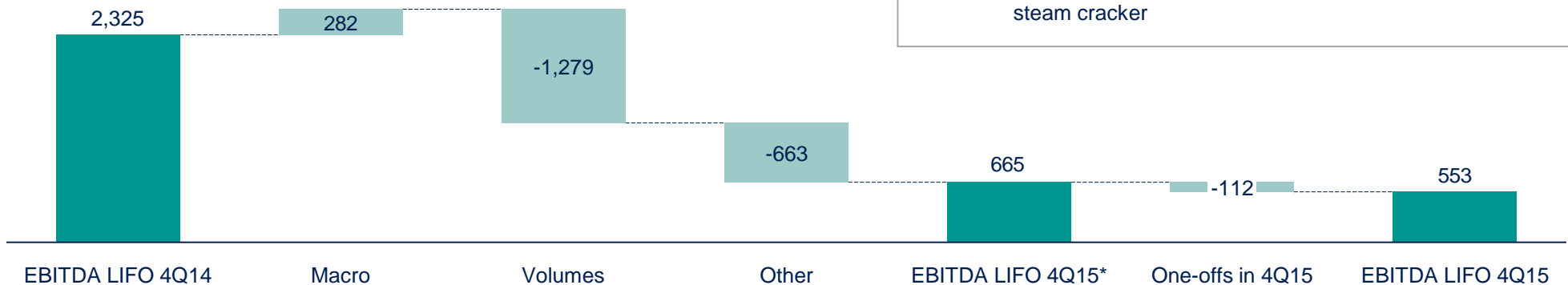
- ▶ Positive macro impact of CZK 282 m y/y driven by:
 - ▶ Very good both refining and petrochemical margins thanks to profoundly lower crude oil price, however realized only to very limited extent due to lower capacity utilization resulting from the accident on the steam cracker unit and external feedstocks purchases for polymer units
 - ▶ Higher Brent-Ural differential
 - ▶ Positive development of CZK/USD FX rate

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- ▶ Negative volumes impact of CZK (-) 1,279 m y/y driven by:
 - ▶ Significantly lower petrochemical sales volumes due to steam cracker accident
 - ▶ Partially compensated by higher refining sales volumes (higher available capacity in Česká rafinérská)
- ▶ Negative impact of Other category of CZK (-) 663 m y/y driven by:
 - ▶ Inventory revaluation effect (NRV) due to declining of crude oil price
 - ▶ Higher fixed costs in Česká rafinérská (Eni's stake)
 - ▶ Lower refining and petrochemical sales margins in relation to non-standard operational mode altered by the accident on the steam cracker

Downstream segment results – Drivers of change y/y

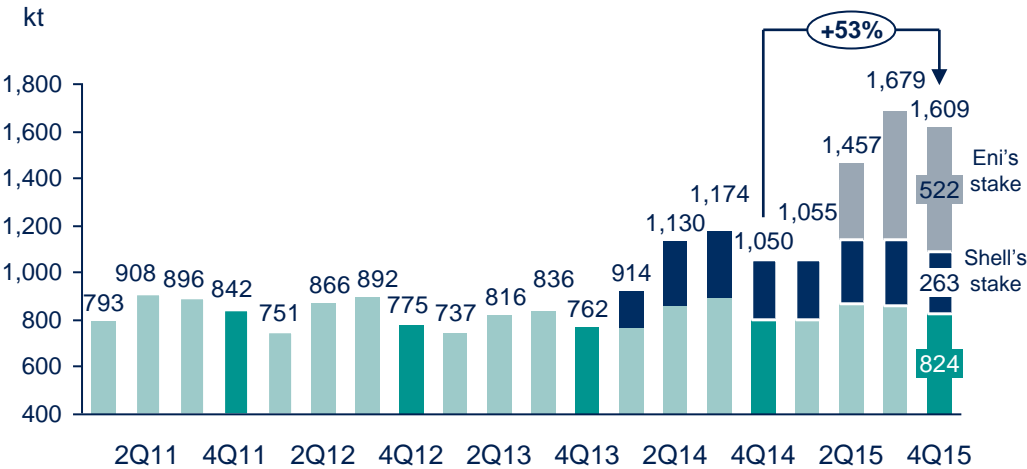
CZK m



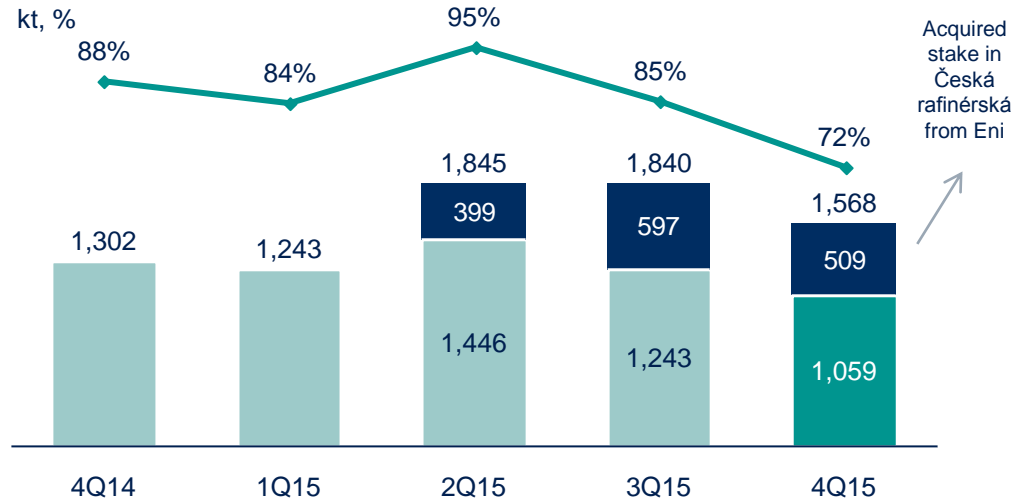
DOWNSTREAM (REFINING) – OPERATIONAL DATA

Significant increase in refining sales volumes by 53% driven by higher refining capacity

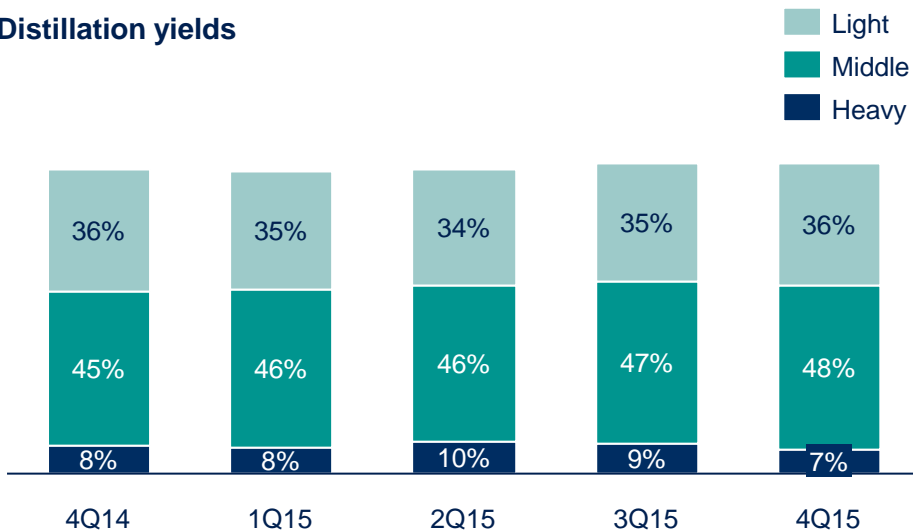
Sales volumes of refining products, incl. retail (Benzina network)



Processed crude and refining utilization ratio



Distillation yields

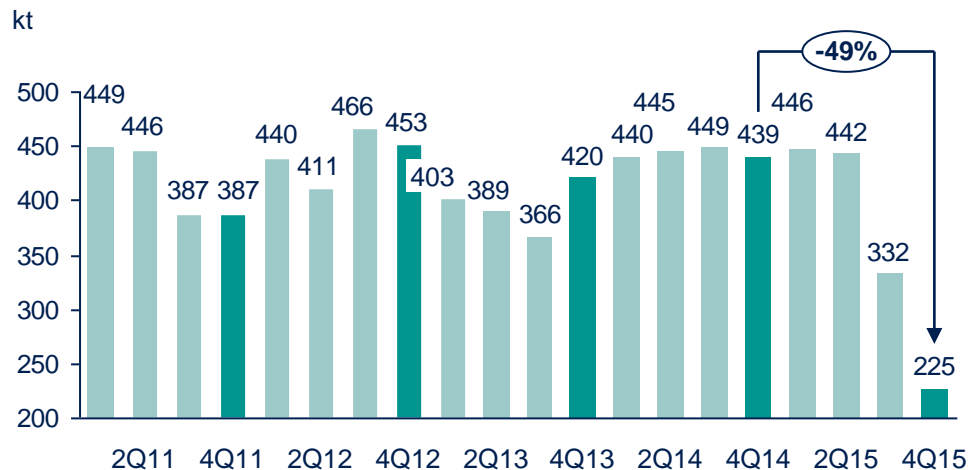


- ▶ Refining utilization ratio declined from 88% to 72% y/y due to steam cracker accident which caused reduction in refinery production
- ▶ Higher level of processed crude of 1.6 mt compared to 4Q14
- ▶ Sales volumes increase by 53% y/y to 1.6 mt driven by higher refining capacity (Eni's stake in Česká rafinářská)
- ▶ Higher yields of light and middle distillates thanks to higher utilization of Kralupy refinery

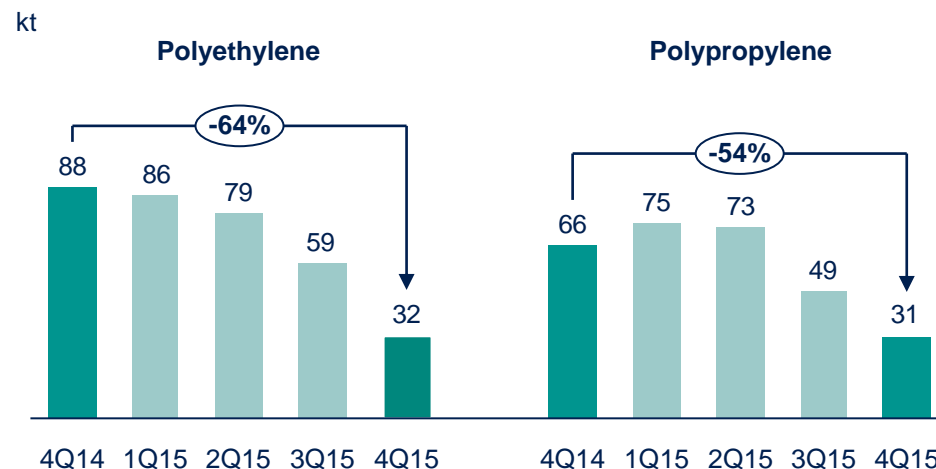
DOWNSTREAM (PETROCHEMICALS) – OPERATIONAL DATA

Petrochemical operations materially impacted by steam cracker accident on 13 August

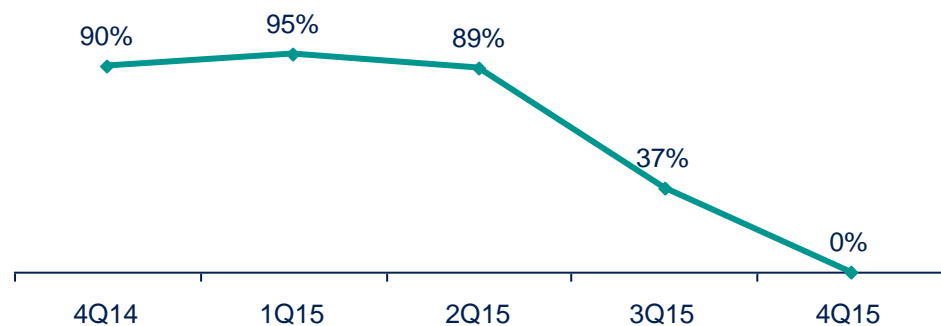
Sales volumes of petrochemical products



Sales volumes of polyethylene and polypropylene



Steam-cracker utilization ratio



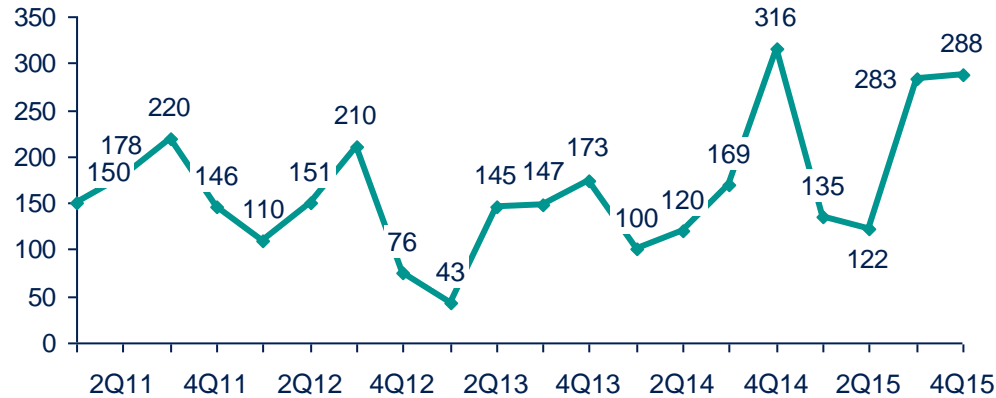
- ▶ Petrochemical operations materially impacted by steam cracker accident on 13 August
 - ▶ Steam cracker unit out of operation
 - ▶ Sales volumes declined by 49% to 225 kt
- ▶ Operating of polymer units despite limited availability of external deliveries of ethylene and propylene

RETAIL SEGMENT

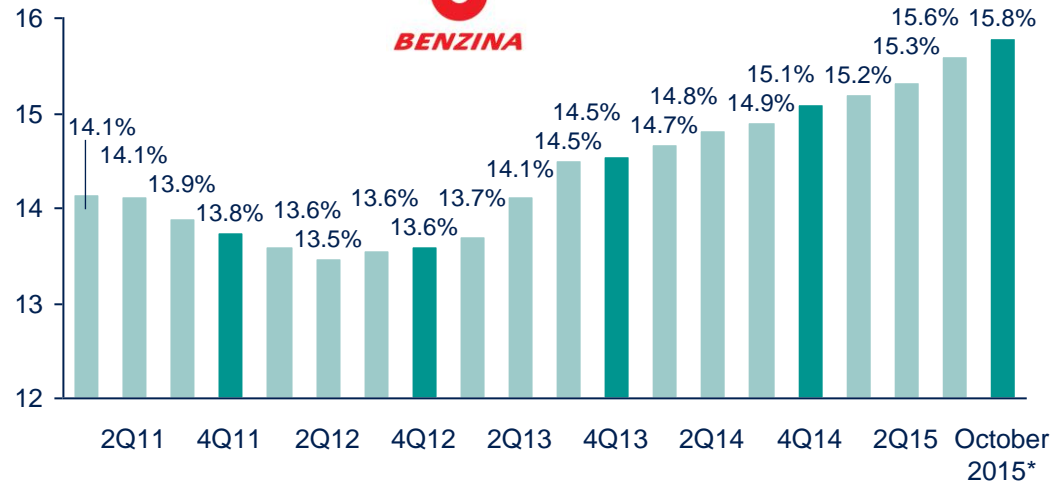
Very good profitability with EBITDA LIFO of CZK 288 m

EBITDA LIFO quarterly

CZK m

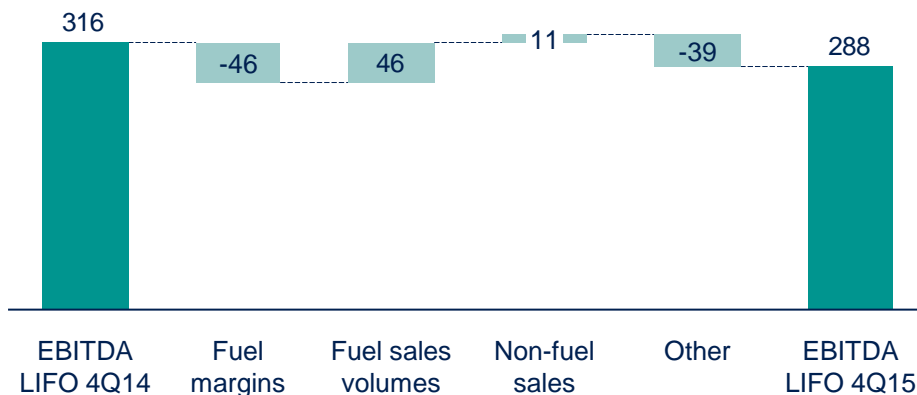


Benzina market share



Retail segment results – Drivers of change y/y

CZK m



- ▶ Positive fuel sales volumes impact of CZK 46 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 11 m y/y driven by shop and refreshments sales and various promotions



- ▶ Negative impact of lower fuel margins of CZK (-) 46 m y/y driven by both gasoline and diesel
- ▶ Negative impact of Other category of CZK (-) 39 m y/y driven by negative effect of inventory revaluation



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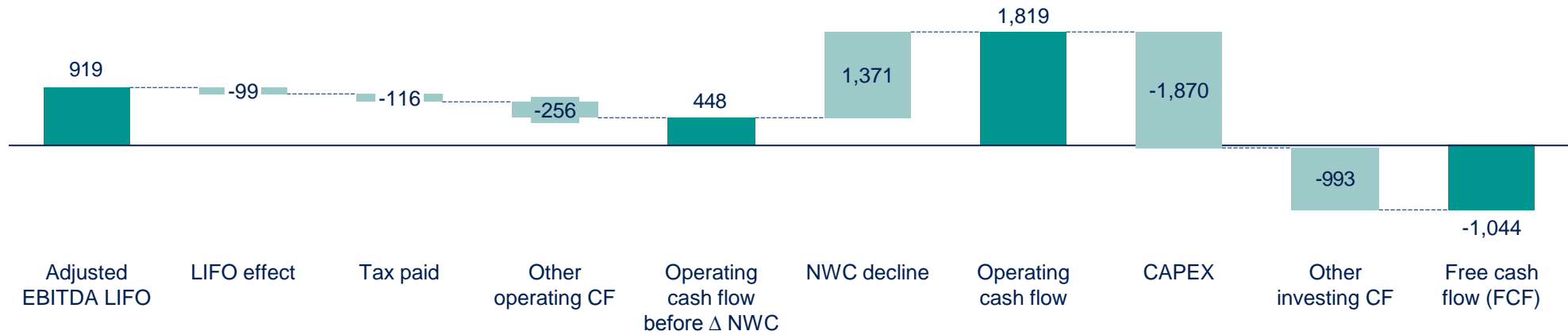
Back-up

CASH FLOW & NET WORKING CAPITAL

Very solid operating cash flow at the level of CZK 1.8 bn

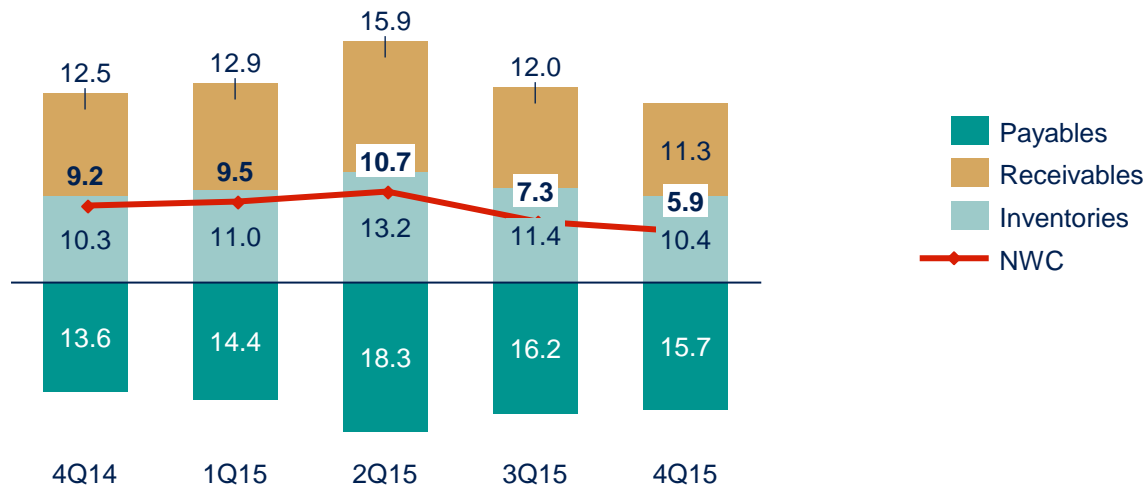
Free cash flow (FCF) reconciliation in 4Q15

CZK m



Net working capital (NWC)

CZK bn



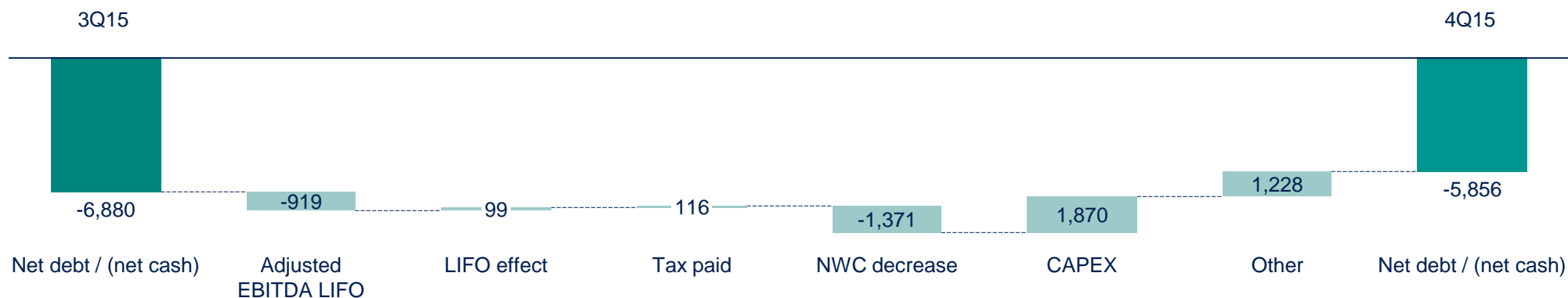
- ▶ Continuation of solid cash generation:
 - ▶ Operating cash flow CZK 1.8 bn
 - ▶ Free cash flow CZK (-) 1 bn
- ▶ CAPEX CZK 1.9 bn
- ▶ Working capital management:
 - ▶ NWC declined by ca CZK 1.4 bn driven by q/q decline of crude oil price

FINANCIAL GEARING

Very strong net cash position of CZK 5.9 bn at the end of 4Q15

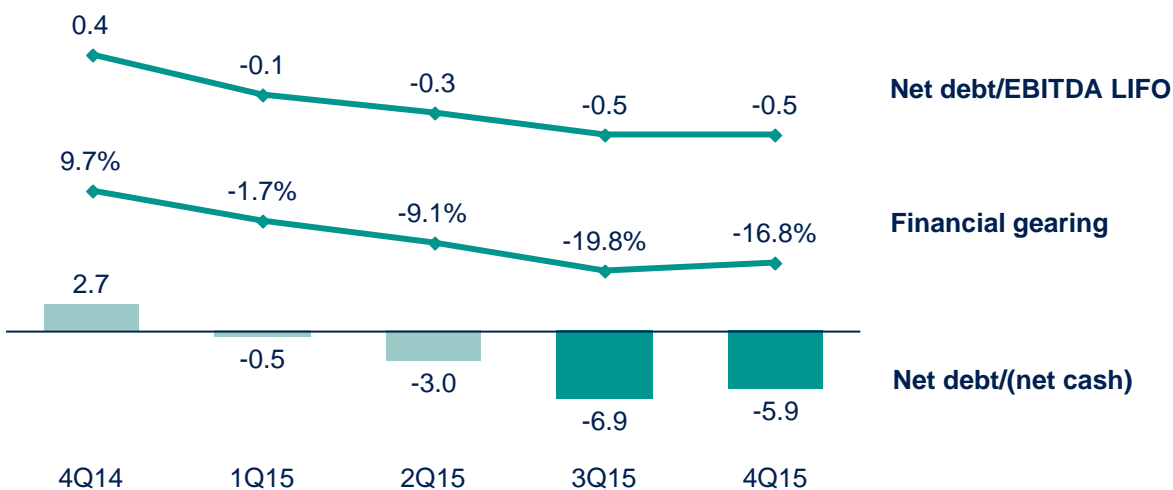
Net debt/(net cash)* change in 4Q15

CZK m



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

CZK bn, %



- ▶ Slight decrease of net cash position q/q to CZK 5.9 bn...
- ▶ ...corresponding small increase in financial gearing to the level (-) 16.8%.
- ▶ Net debt/EBITDA LIFO indicator at stable level (-) 0.5

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

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Steam cracker unit update

- ▶ Contracts with Linde Engineering and Technip for reconstruction works and delivering technological components for the damaged facility signed in 4Q15.
- ▶ Based on current estimations steam cracker unit will be restarted at minimum capacity utilization (ca 65%) in July 2016, and maximum capacity utilization will be achieved in October 2016.
- ▶ Unipetrol is insured against both property & mechanical damages and business interruption. Based on the estimates made at the end of 2015 cost of repair of CZK 4.1 bn, lost business profits in 2015 of CZK 2.4 bn, and other operating cost incurred in connection with the fire of CZK156 m are expected to be recovered from the insurer.
- ▶ Current production at Litvínov refinery is running on decreased capacity and Kralupy refinery on full capacity. Unipetrol has already restarted polymers production at Litvínov plant – polyethylene and polypropylene – at limited extent thanks to external feedstock deliveries of ethylene and partially propylene.

Acquisition of OMV filling stations

- ▶ Unipetrol RPA, represented on the retail market via Benzina brand, acquired 68 of OMV filling stations in the Czech Republic.
- ▶ The transaction will significantly strengthen Unipetrol position on the Czech market and bring the company one step closer to achieving demanding strategic goal of reaching a 20% market share by 2017.
- ▶ Unipetrol RPA currently operates under Benzina brand 339 fuel stations in the Czech Republic. After the transaction the network will expand to over 400 stations.
- ▶ The acquisition process is expected to be finalized within the next two years.

Operational outlook

- ▶ **PE3 update** – project is in line with the general schedule, main technology equipment was ordered, site preparation works are planned to continue during the 1Q16.
- ▶ **Turnaround of Litvínov chemical complex** – begins in the middle of March 2016 (scheduled for 39 days), all production facilities will be shut down. Planned turnaround activities are coordinated with steam cracker repair works and PE3 project.
- ▶ **Negotiations with MERO** – new contract adjusting the conditions for the transportation of crude oil was signed, negotiations on a new transportation tariff are still ongoing.

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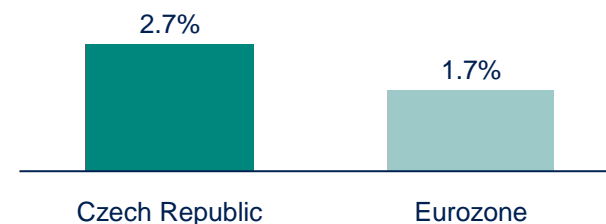
Back-up

Macro environment

- ▶ **Brent crude oil price** – in base case scenario crude oil price is expected at comparable level to an average crude oil price from 2015. Factors that may cause crude oil price increase: demand increase, limited number of drillings in USA and high geopolitical risk.
- ▶ **Downstream macro environment** – expected decrease of yearly average comparing to 2015, mainly due to lower cracks on diesel and petrochemical products. Despite the drop, downstream margin should still be pretty high due to favourable macro environment, i.e. lower crude oil price and increase in fuels and petrochemical products consumption.

Economy – GDP growth

- ▶ **GDP** – Czech Republic GDP expected to keep reasonable momentum during 2016 at 2.7% (Bloomberg)



Regulatory environment

- ▶ **Act on renewable sources of energy** (and implementing regulations) under which the fee is not based the consumption, but on the capacity (reserved wattage) came into effect on 1.1.2016. Unipetrol expects to realize annual savings as a result of the change to the Act. Currently, new tariff system which shall bring another changes is being prepared and is expected to come into effect by 1.1.2017.
- ▶ **Amendment to the Excise Duty Act** – imposes tax duty on highly concentrated biofuels with effect from 1.1.2016:
 - **B100** – from 0 CZK/l to 4.59 CZK/l
 - **B30** – from 7.665 CZK/l to 9.265 CZK/l
- ▶ **Amendment to Act on Air Protection** – contains the term for bio duty fulfillment and control – each quarter of the year with effect from 1.1.2016.



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ACHIEVEMENTS IN 2015

- ✓ **Completion of acquisition of 32.445% stake in Česká rafinérská from Eni**
- ✓ **Very strong financial results during whole year 2015**
- ✓ **Contract on construction of new polyethylene unit (PE3) signed with Technip Italy**
- ✓ **Very good operational performance with refining utilization ratio of 84% despite the steam cracker accident**
- ✓ **Positive impact of ongoing Operational Excellence Initiatives of CZK 1,671 m compared to 2013**
- ✓ **New contract for pipeline and logistics service signed with Čepro**
- ✓ **An amendment to the contract with Transpetrol for crude oil transportation till 2020**
- ✓ **Increase of Benzina retail market share**



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	3Q 2015	4Q 2015	12M 2014	12M 2015
Group	EBITDA LIFO	1 743	-3 753	2 248	2 613	3 111	3 959	3 002	807	2 852	10 879
	EBITDA	1 611	-3 615	1 927	1 101	2 897	4 567	2 470	708	1 024	10 642
	EBIT LIFO	1 117	-4 385	1 748	2 102	2 640	3 463	2 506	342	582	8 951
	EBIT	985	-4 247	1 426	589	2 426	4 071	1 975	243	-1 246	8 715
Downstream	EBITDA LIFO	1 634	-3 867	2 080	2 323	2 985	3 910	2 719	553	2 170	10 167
	EBITDA	1 508	-3 735	1 759	870	2 771	4 518	2 188	454	402	9 931
	EBIT LIFO	1 108	-4 397	1 681	1 914	2 602	3 502	2 314	181	307	8 599
	EBIT	982	-4 265	1 360	462	2 388	4 110	1 783	82	-1 461	8 362
Retail	EBITDA LIFO	100	120	169	316	135	122	283	288	705	829
	EBITDA	93	126	168	257	135	122	283	288	644	829
	EBIT LIFO	21	39	88	234	54	41	200	204	382	501
	EBIT	14	45	87	175	54	41	200	204	322	501
Corporate functions	EBITDA	9	-6	0	-29	-9	-73	0	-33	-25	-115
	EBIT	-11	-26	-21	-50	-16	-80	-7	-42	-109	-146

- ▶ **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.