



UNIPETROL 3Q 2016 FINANCIAL RESULTS

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20 October 2016
Prague, Czech Republic



#Unipetrol3Q16
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Key highlights of 3Q 2016

Macro environment

Financial and operating results

Cash flow and financial position

Operational update and outlook

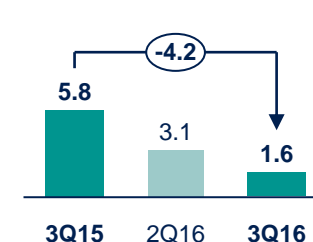
Back-up

KEY HIGHLIGHTS OF 3Q16

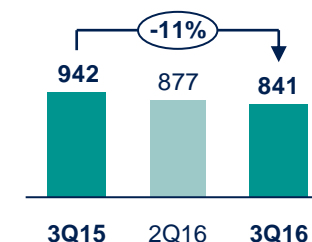
External macro environment

- ▶ Czech GDP growth remained at solid level of 2.6% y/y in 2Q16, a decline to 2.0% is expected in 3Q16
- ▶ Crude oil price declined by 8% y/y to 46 USD/bbl
- ▶ Refining model margin decreased by 72% y/y to 1.6 USD/bbl
- ▶ Petrochemical model margin decreased by 11% y/y, however maintained at very good level of 841 EUR/t

Refining model margin (USD/bbl)



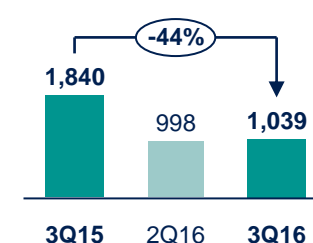
Petrochemical model margin (EUR/t)



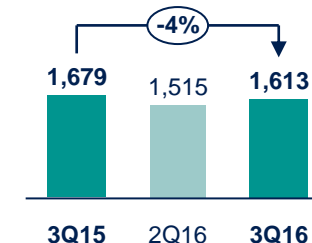
Operational performance

- ▶ Steam cracker unit and Kralupy refinery out of operation for the whole quarter which materially impacted operational performance (processed crude volume and sales volumes)*
- ▶ Refining utilization ratio declined from 85% to 48% y/y as a result of not operating steam cracker unit and Kralupy refinery
- ▶ Refining sales volumes slightly decreased by 4% y/y to 1.6 mt
- ▶ Benzina further increased its market share to 17.2%

Processed crude (kt)



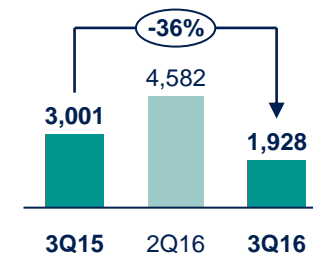
Refining sales incl. retail (kt)



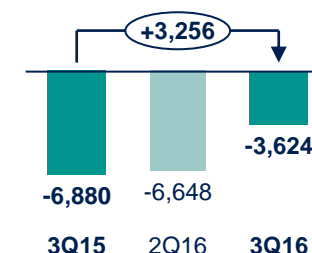
Value creation & financial position

- ▶ EBITDA LIFO decreased by 36% y/y to CZK 1.9 bn due to production limitations
- ▶ Agreed next payment for steam cracker accident insurance claim of CZK 2.2 bn
- ▶ Net cash position decreased by CZK 3.2 bn resulting from increased financing needs of working capital and capital spendings
- ▶ Steam cracker unit and Kralupy refinery repair works completed
- ▶ Dividend payment of CZK 1 bn executed

EBITDA LIFO (CZK m)



Net debt/(net cash) (CZK m)



Key highlights of 3Q 2016



Macro environment

Financial and operating results

Cash flow and financial position

Operational update and outlook

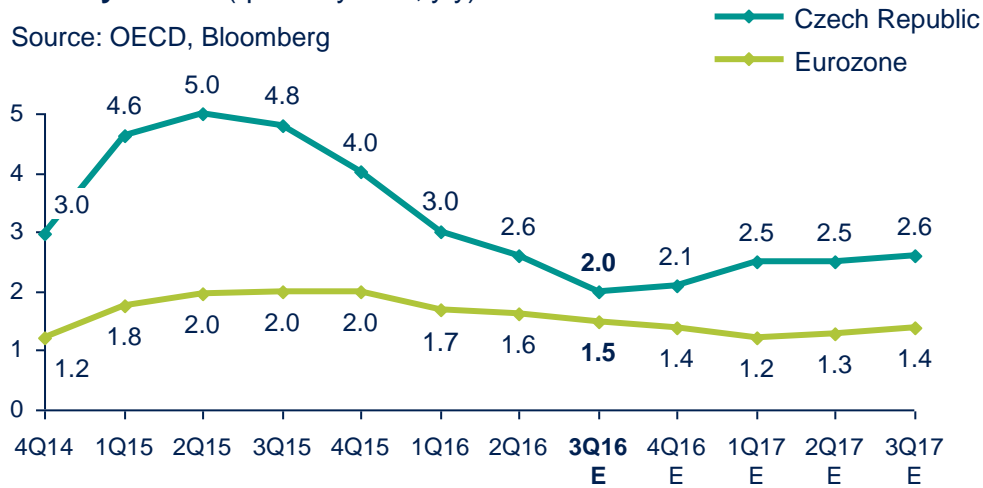
Back-up

GENERAL MACRO ENVIRONMENT

Czech GDP growth remained at solid level of 2.6% y/y in 2Q16

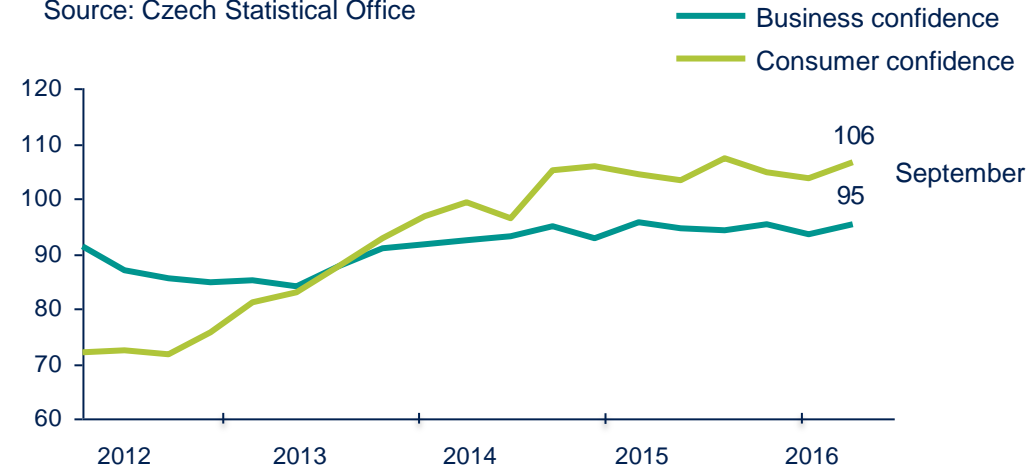
GDP dynamics (quarterly data, y/y)

Source: OECD, Bloomberg



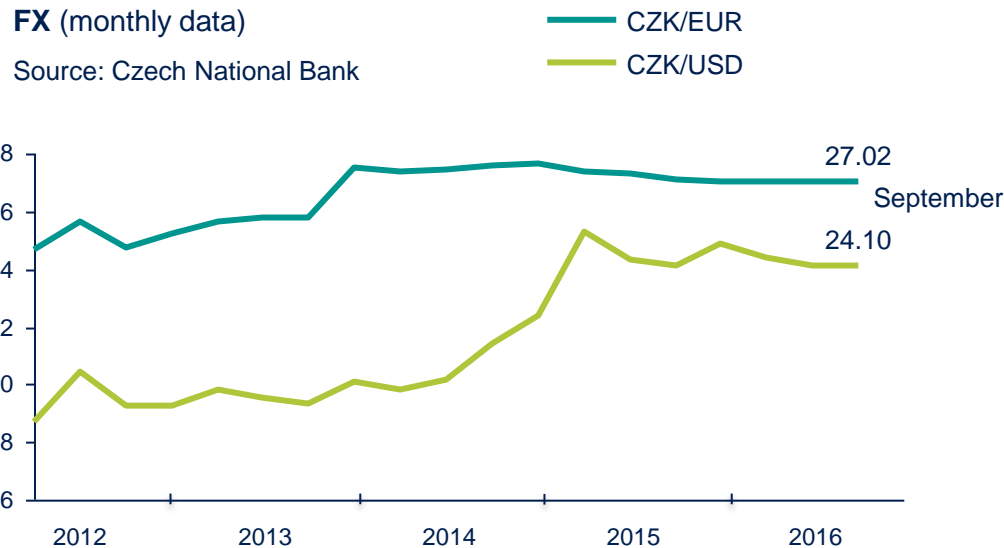
Confidence in the Czech economy (monthly data)

Source: Czech Statistical Office

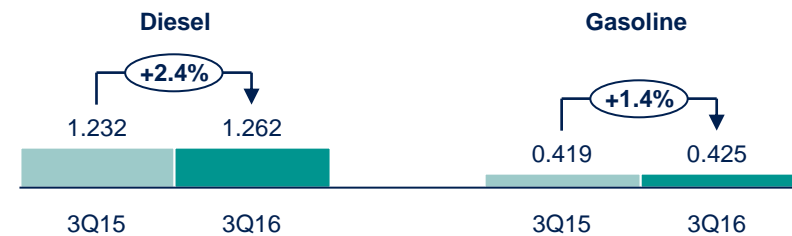


FX (monthly data)

Source: Czech National Bank



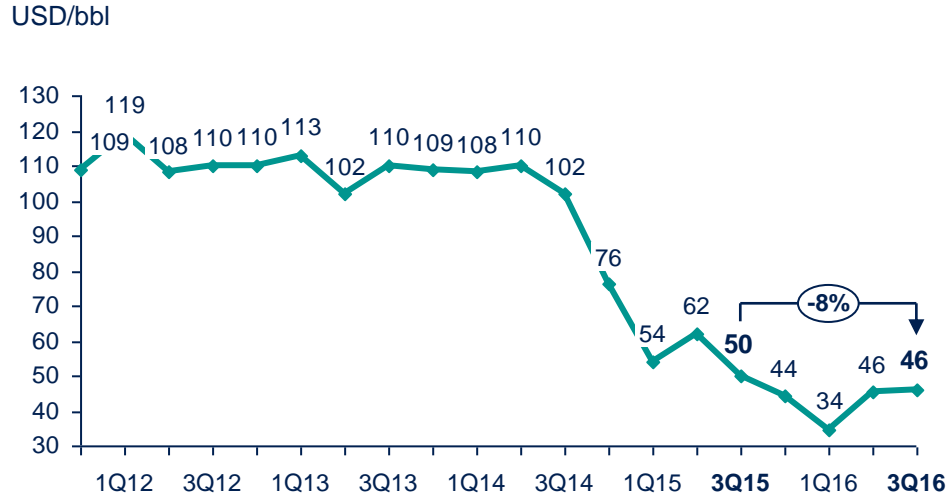
- ▶ Czech GDP growth remained at solid level of 2.6% y/y in 2Q16, a decrease to 2.0% is expected in 3Q16
- ▶ Increase in both business and consumer confidence in the Czech economy in 3Q16
- ▶ CZK stable against EUR, slightly above ČNB's target of 27 CZK/EUR; stable against USD at 24.1 CZK/USD in September; eurodollar relatively stable around 1.1 USD/EUR
- ▶ Diesel consumption increased by 2.4% y/y, gasoline consumption increased by 1.4% y/y in the Czech Republic (mt)*:



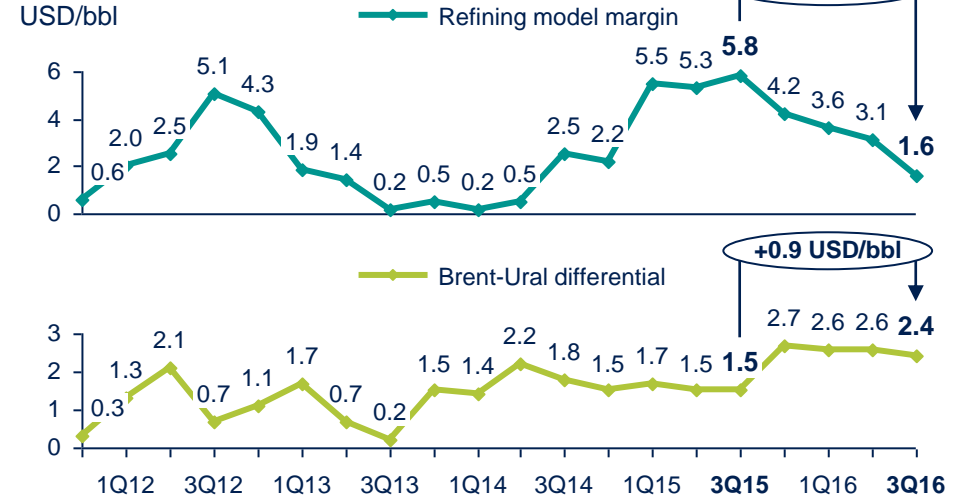
DOWNSTREAM MACRO ENVIRONMENT

Crude oil price further dropped y/y to 46 USD/bbl

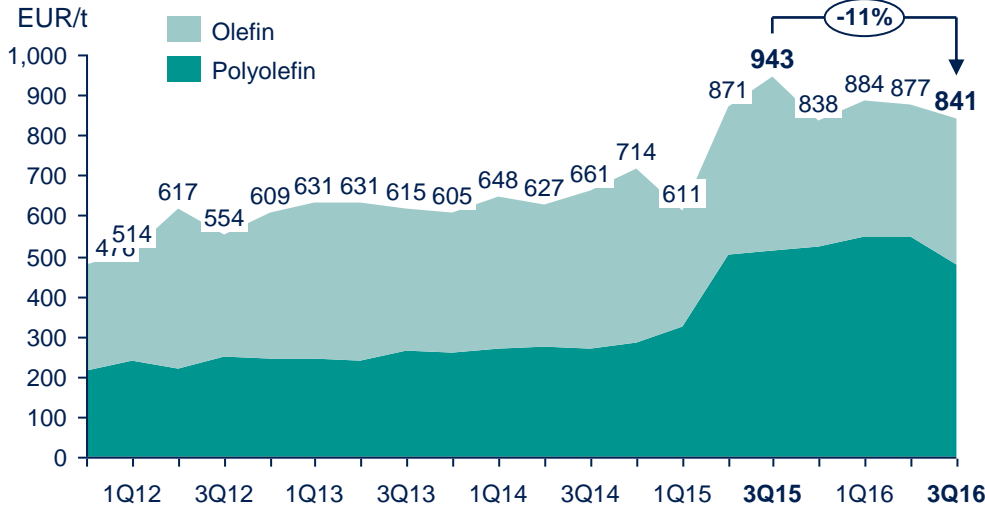
Brent crude oil price (quarterly average)



Refining model margin and Brent-Ural differential



Combined petrochemical model margin



- ▶ Crude oil price remained stable q/q at the level of 46 USD/bbl; however decreased by 8% y/y
- ▶ Brent-Ural differential increased by 60% y/y to 2.4 USD/bbl
- ▶ Refining model margin decreased by 72% y/y to 1.6 USD/bbl
- ▶ Petrochemical model margin decreased by 11% y/y, however maintained at very good level of 841 EUR/t

Key highlights of 3Q 2016

Macro environment



Financial and operating results

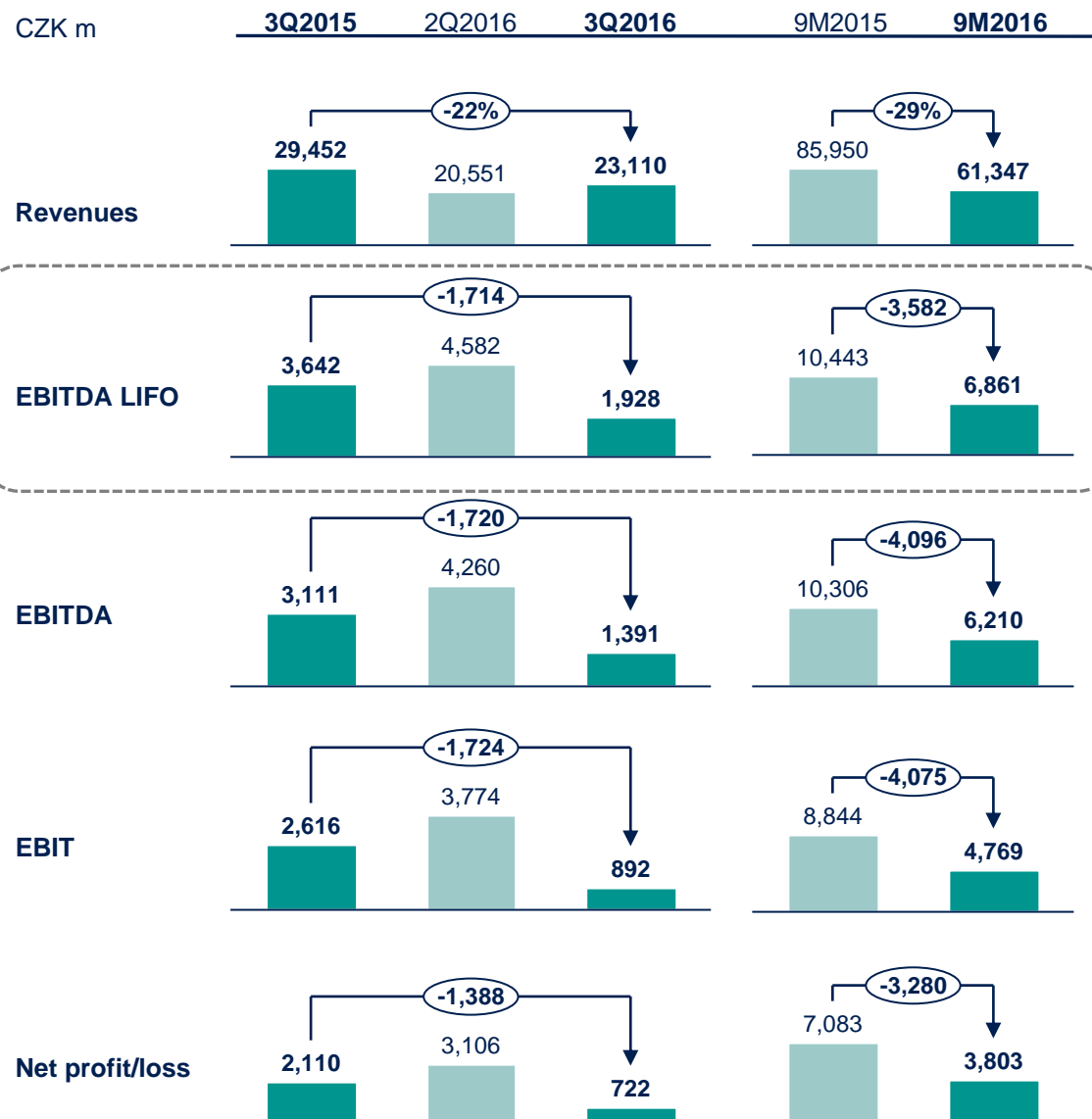
Cash flow and financial position

Operational update and outlook

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FINANCIAL RESULTS

Net profit of CZK 722 m



- ▶ **Revenues** decreased by 22% y/y due to lower crude oil prices and lower refining and petrochemical products sales
- ▶ **EBITDA LIFO** decreased by 36% y/y to CZK 1.9 bn due to production limitations
- ▶ Agreed next payment for steam cracker accident insurance claim of CZK 2.2 bn
- ▶ Company expects, based on internal estimates, it should be in a position to recover from insurer **lost business profit** for 3Q16 resulting from steam cracker accident of CZK 3.3 bn (not included in financial results)
- ▶ Company expects, based on internal estimates, it should be in a position to recover from insurer **lost business profit** for 3Q16 due to Kralupy refinery shutdown of CZK 0.6 bn (not included in financial results)
- ▶ **LIFO effect** negative of CZK 537 m
- ▶ **Depreciation and amortization** of CZK 499 m
- ▶ **EBIT** of CZK 892 m in 3Q16
- ▶ **Positive result from financial operations** of CZK 3 m
- ▶ **Net profit** of CZK 722 m in 3Q16

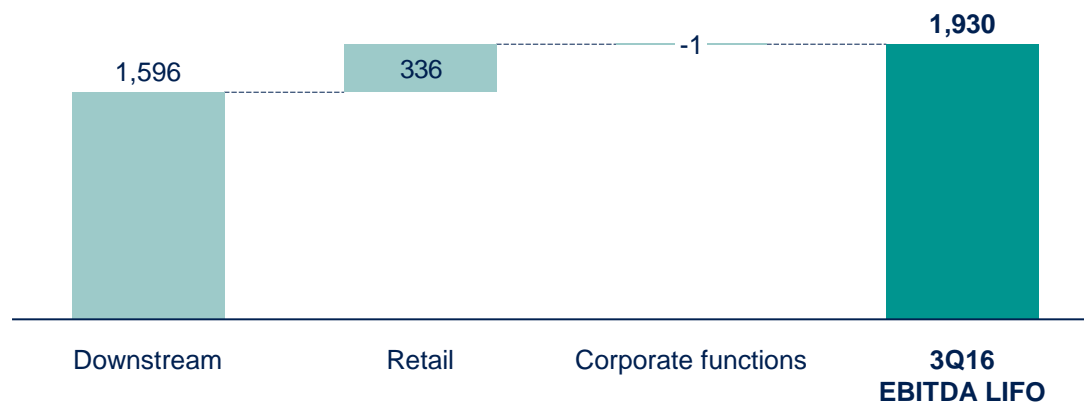
9M2015 – Gain on acquisition (Eni's stake in Česká rafinérská) of CZK -429 m, Provision for removal of old ecological burdens of CZK 110 m, related deferred tax of CZK -30 m, Corporate function provision of CZK 50 m.

OPERATING PROFITABILITY BY SEGMENTS

Increase in retail segment profitability

Segment results – EBITDA LIFO

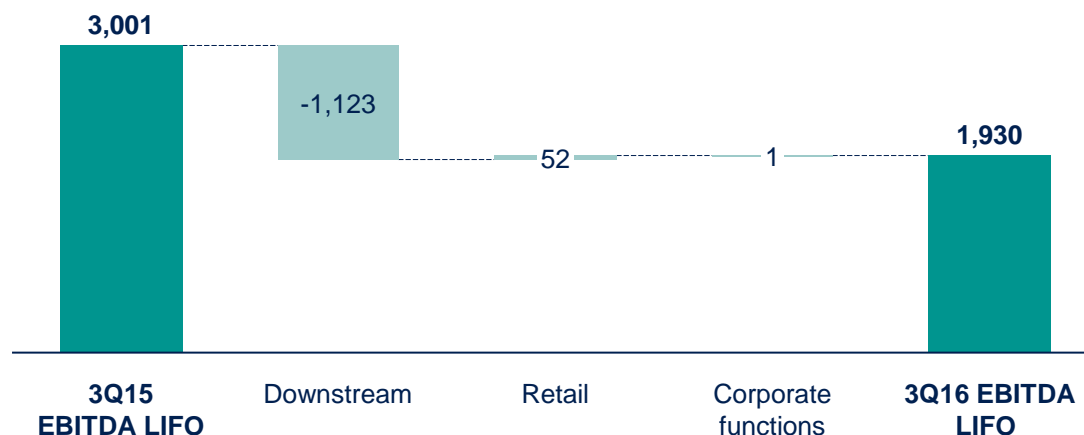
CZK m



- ▶ **Downstream segment** (combination of refining and petrochemicals) EBITDA LIFO at the level of CZK 1.6 bn
- ▶ **Retail segment** contributed by CZK 336 m

Change in segment results y/y

CZK m



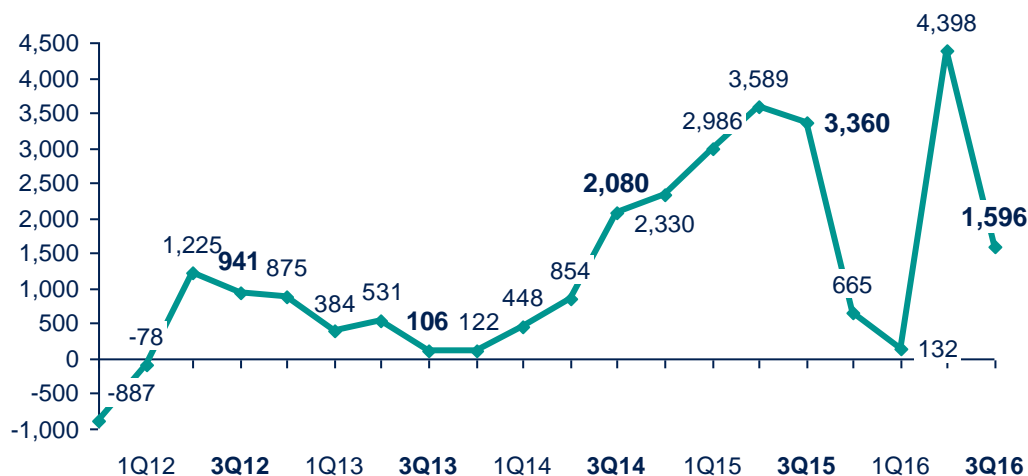
- ▶ **Decrease** in operating profitability y/y by CZK 1.1 bn...
- ▶ ...**resulting from downstream segment** decrease of CZK 1.1 bn y/y caused mainly by production limitations
- ▶ **Retail segment** increased by CZK 52 m y/y

DOWNSTREAM – EBITDA LIFO

EBITDA LIFO at the level of CZK 1.6 bn due to agreed next payment from the insurer

EBITDA LIFO quarterly – Adjusted*

CZK m



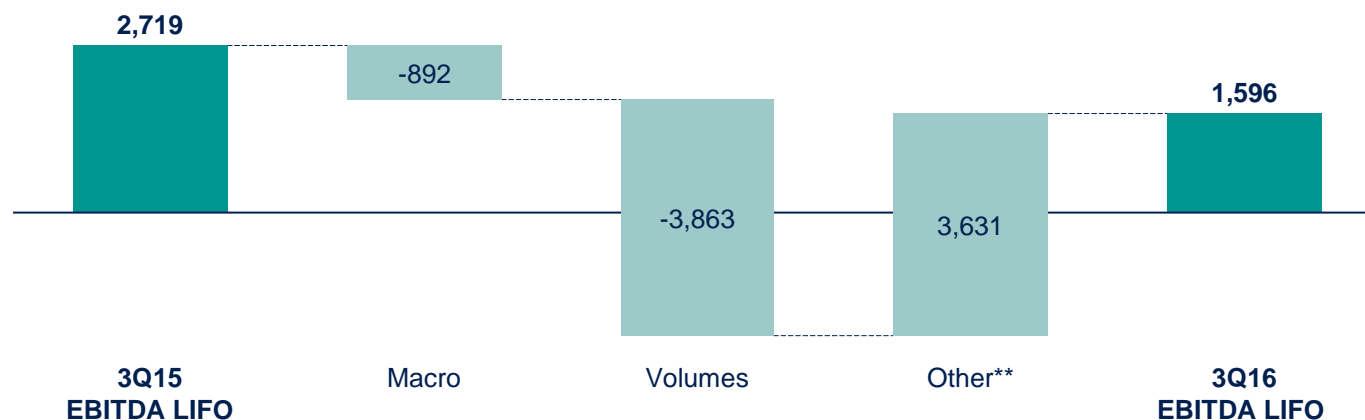
- ▶ Negative macro impact of CZK (-) 892 m y/y driven by lower refining and petrochemical margins partially compensated by lower crude oil prices
- ▶ Negative volumes impact of CZK (-) 3.9 bn y/y driven by:
 - Significantly lower petrochemical sales volumes due to steam cracker accident
 - Lower refining sales volumes resulting from Kralupy refinery shutdown partially compensated by sales of petrochemical feedstock and trading activities



- ▶ Positive impact of Other category of CZK 3.6 bn y/y mainly driven by:
 - Agreed next payment from the insurer
 - Inventory revaluation effect (NRV)

Downstream segment results – Drivers of change y/y

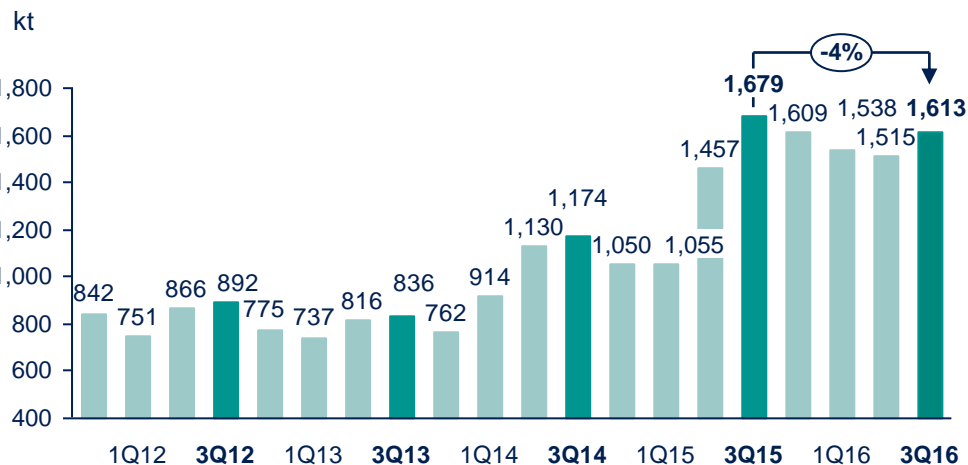
CZK m



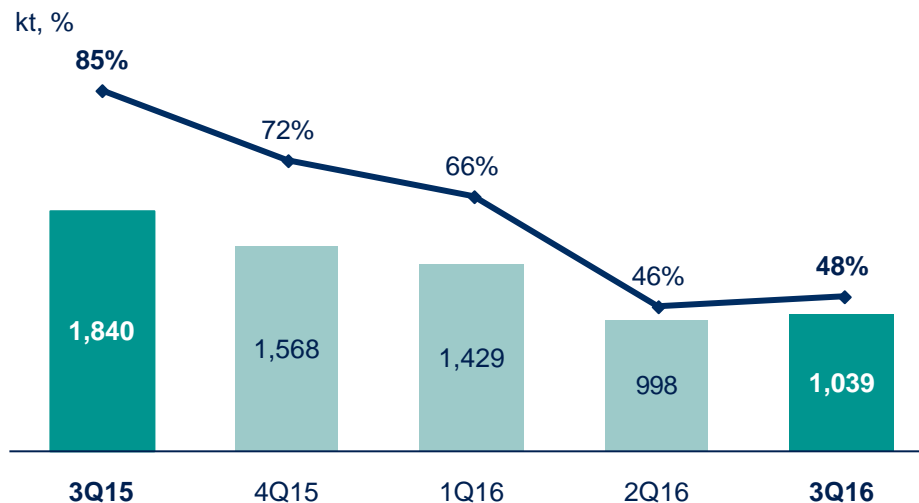
DOWNSTREAM (REFINING) – OPERATIONAL DATA

Refining operations impacted by production limitations

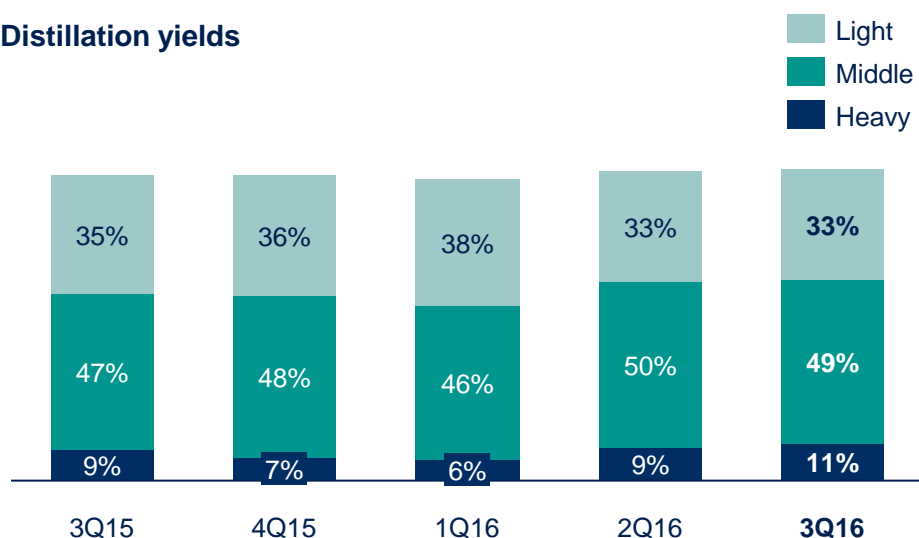
Sales volumes of refining products, incl. retail (Benzina network)



Processed crude and refining utilization ratio



Distillation yields

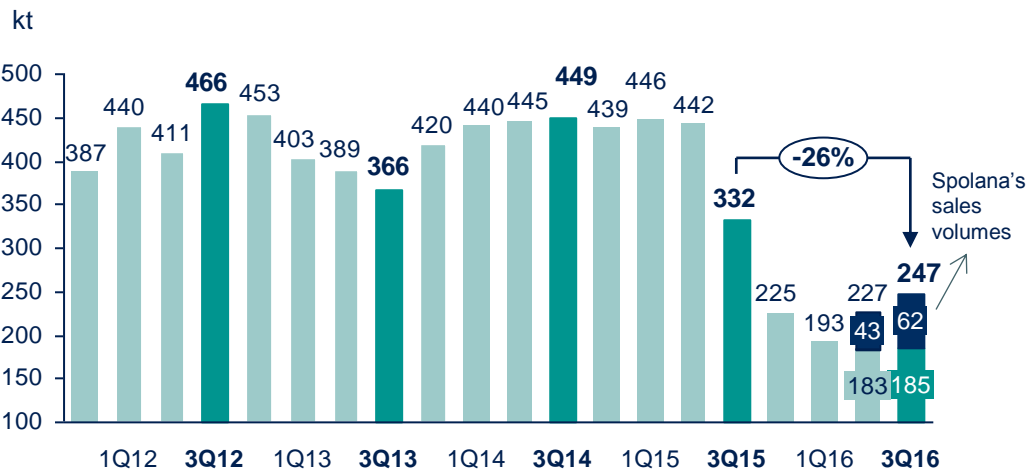


- ▶ Sales volumes of refining products decreased by 4% y/y to 1.6 mt due to lower refinery utilization resulting from shutdown of steam cracker and Kralupy refinery partially compensated by:
 - Significant increase in trading of fuels
 - Sales of steam cracker feedstock
- ▶ Much lower level of processed crude by 801 kt compared to 3Q15 due to Kralupy refinery and steam cracker unit shutdowns
- ▶ Consequently, refining utilization ratio declined from 85% to 48% y/y
- ▶ Lower yields of light distillates due to shutdown of Kralupy refinery y/y

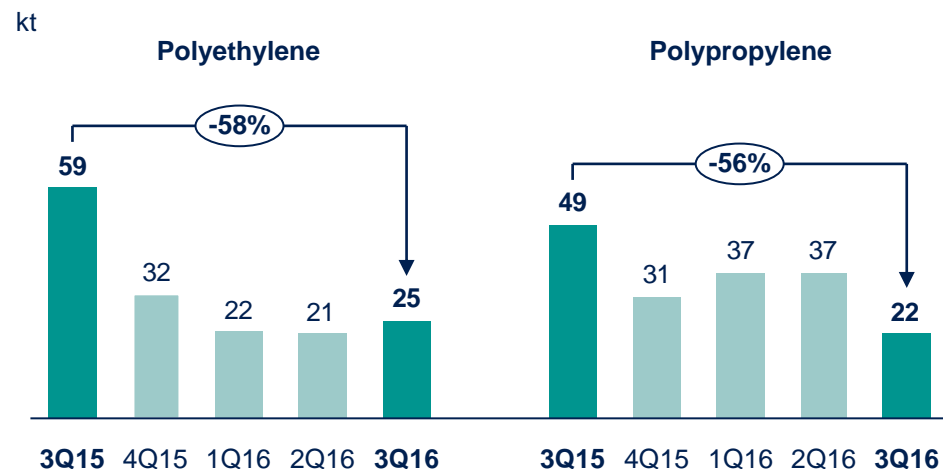
DOWNSTREAM (PETROCHEMICALS) – OPERATIONAL DATA

Petrochemical operations materially impacted by production limitations

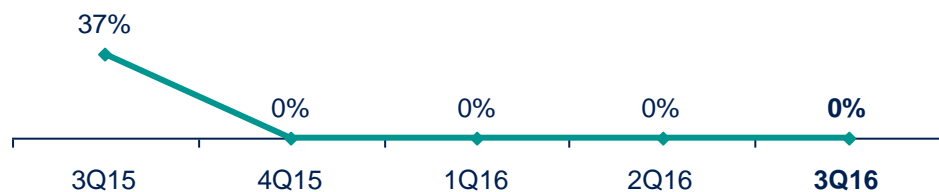
Sales volumes of petrochemical products



Sales volumes of polyethylene and polypropylene



Steam-cracker utilization ratio



► Petrochemical operations materially impacted by steam cracker accident

- Steam cracker unit out of operation
- Sales volumes declined by 26% to 247 kt, partially compensated by Spolana sales

RETAIL SEGMENT

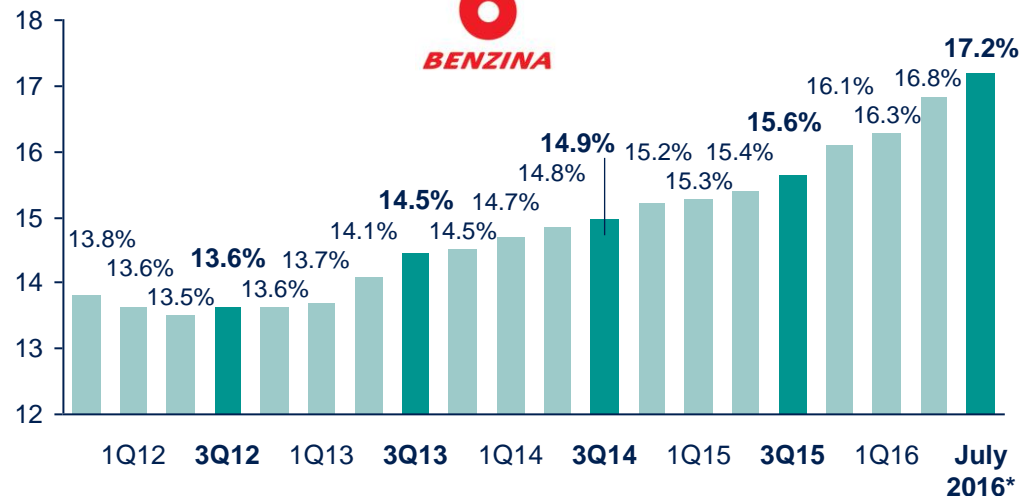
Very good profitability with EBITDA LIFO of CZK 336 m

EBITDA LIFO quarterly

CZK m

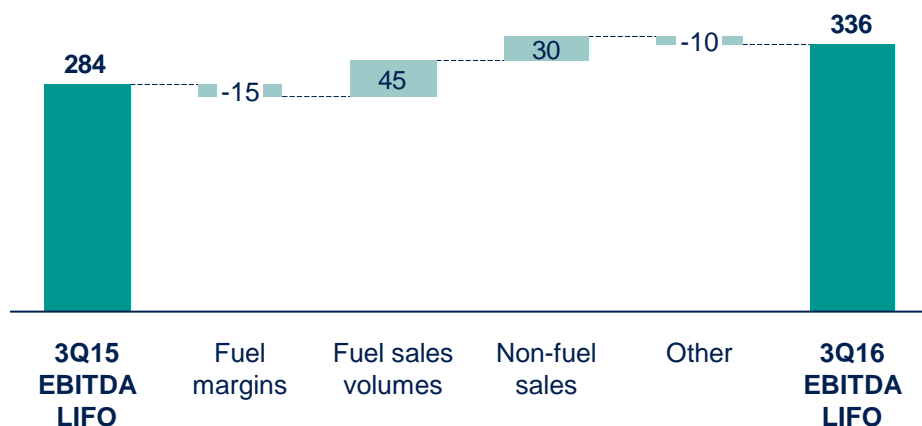


Benzina market share



Retail segment results – Drivers of change y/y

CZK m



- ▶ Positive fuel sales volumes impact of CZK 45 m y/y thanks to solid dynamics of Czech GDP and higher demand for fuels
- ▶ Positive impact of non-fuel sales of CZK 30 m y/y driven by expansion of StopCafe concept and various promotions
- ▶ Further increase in Benzina market share to 17.2% at the end of July 2016



- ▶ Negative impact of fuel margins of CZK (-) 15 m y/y due to lower diesel margin

Key highlights of 3Q 2016

Macro environment

Financial and operating results



Cash flow and financial position

Operational update and outlook

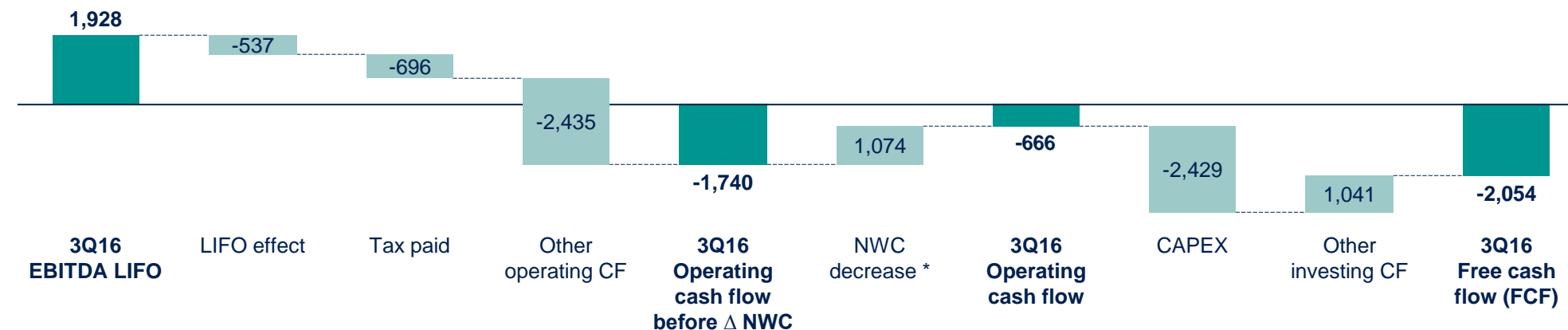
Back-up

CASH FLOW & NET WORKING CAPITAL

Extensive CAPEX spending of CZK 2.4 bn

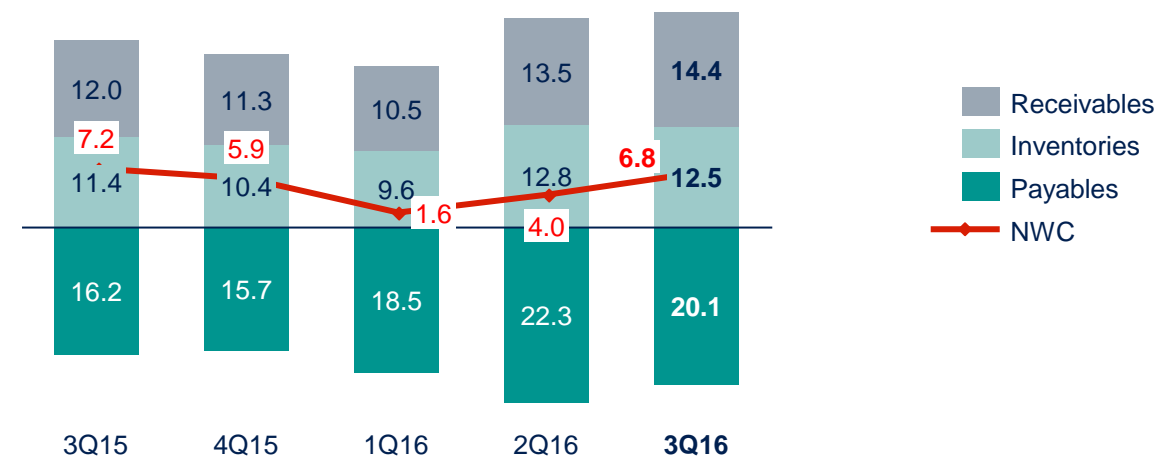
Free cash flow (FCF) reconciliation

CZK m



Net working capital (NWC)

CZK bn



- ▶ Operating cash flow of CZK (-) 666 m
- ▶ Free cash flow negative of CZK (-) 2.1 bn due to extensive CAPEX spendings (construction of PE3, reconstruction of steam cracker unit and FCC unit)
- ▶ NWC increased by CZK 2.8 bn q/q mainly due to decrease in investing and dividend liabilities

* **Free cash flow (FCF) reconciliation**

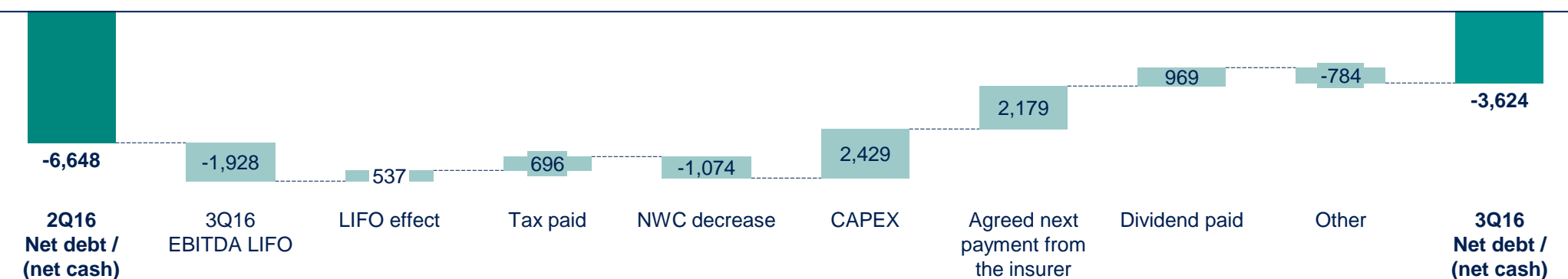
Net working capital (NWC) – NWC on cash flow basis adjusted for change in investment payables, receivable from prepayments for assets and dividend payables.

FINANCIAL GEARING

Net cash position of CZK 3.6 bn at the end of 3Q16

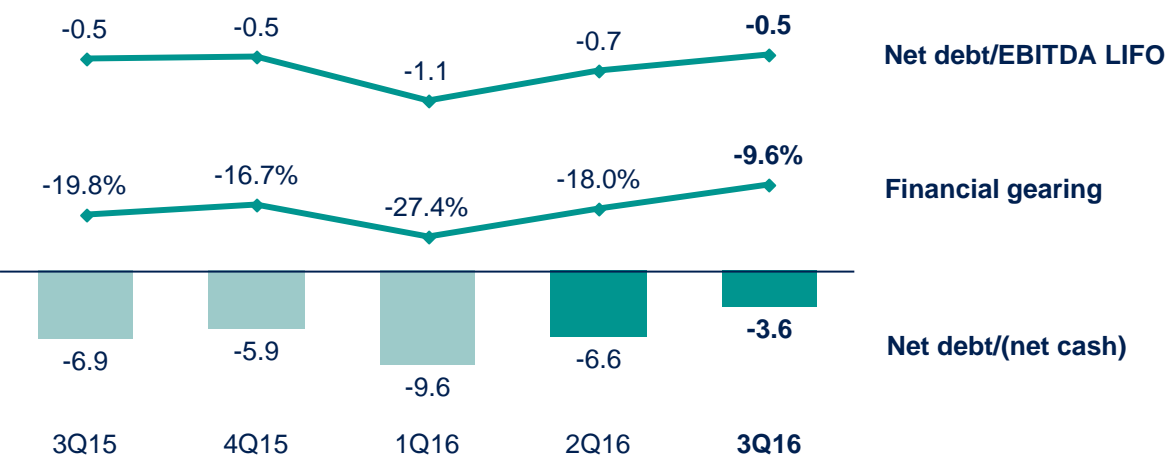
Net debt/(net cash)* change

CZK m



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

CZK bn, %



- ▶ Net cash position decreased to CZK 3.6 bn in 3Q16 resulting from intensive capex spendings and dividend payment
- ▶ Negative level of financial gearing at the level (-) 9.6%
- ▶ Net debt/EBITDA LIFO indicator at (-) 0.5

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

Key highlights of 3Q 2016

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Back-up

Steam cracker unit update

- ▶ Production was resumed on 8 out of 10 steam cracker heaters allowing maximized production at Litvínov refinery. Steam cracker restoration to normal modes of operation is expected at the end of October.
- ▶ Company expects, based on internal estimates made at the end of September 2016, it should be in a position to recover from insurer costs of repair at the level of CZK 3.9 bn and lost business profit at the level of CZK 9.9 bn. The final amount of compensation will depend on the final agreement with insurers.
- ▶ Unipetrol has received CZK 3.9 bn (recognized in 2Q2016), the next agreed payment of CZK 2.2 bn is presented in 3Q2016 financial statements.

Takeover of OMV filling stations

- ▶ 13 filling stations were included in BENZINA retail chain by the end of September.
- ▶ 15 more filling stations are planned to be taken over by the end of this year.
- ▶ The entire filling stations acquisition and rebranding project is expected to be completed next year.

Kralupy refinery update

- ▶ Kralupy refinery running at full capacity.
- ▶ Company expects, based on internal estimates made at the end of September 2016, it should be in a position to recover from insurer lost business profit for 3Q16 due to Kralupy refinery shutdown of CZK 0.6 bn and costs of repair of CZK 0.3 bn. The final amount of compensation will depend on the final agreement with insurers.

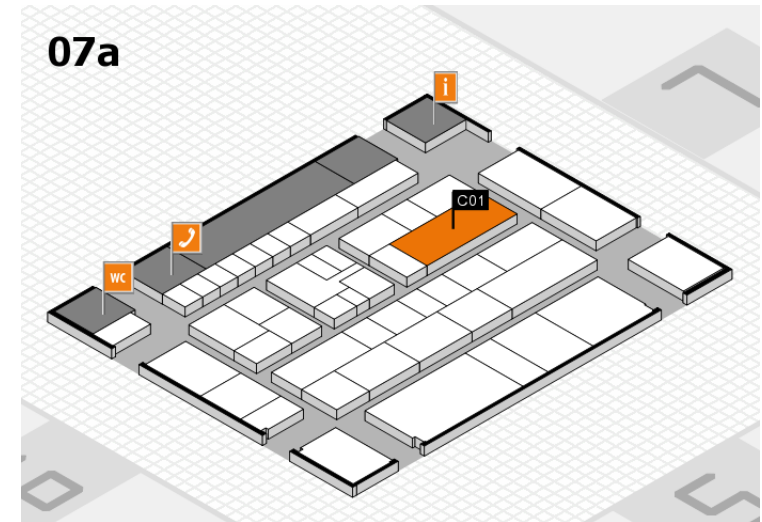


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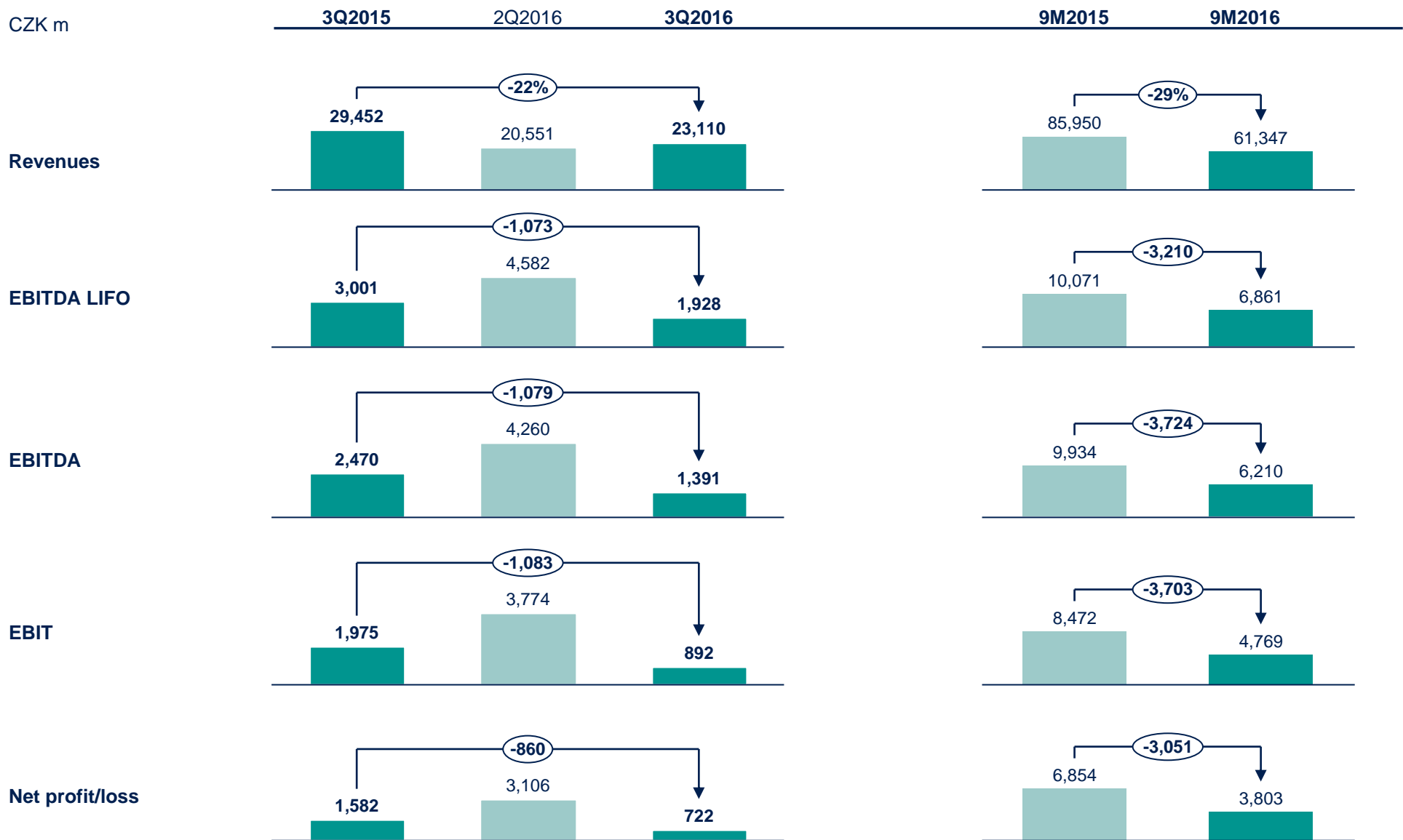
Operational update and outlook



Back-up

FINANCIAL RESULTS – REPORTED NUMBERS

CZK m



EBITDA & EBIT – REPORTED NUMBERS

Detailed breakdown

	CZK m	1Q 2015	2Q 2015	3Q 2015	4Q 2015	1Q 2016	2Q 2016	3Q 2016	9M 2015	9M 2016
Group	EBITDA LIFO	3 111	3 959	3 001	807	350	4 582	1 928	10 071	6 861
	EBITDA	2 897	4 567	2 470	708	559	4 260	1 391	9 934	6 210
	EBIT LIFO	2 640	3 463	2 505	342	-106	4 096	1 429	8 608	5 420
	EBIT	2 426	4 071	1 975	243	103	3 774	892	8 472	4 769
Downstream	EBITDA LIFO	2 986	3 908	2 719	553	132	4 398	1 596	9 613	6 126
	EBITDA	2 772	4 516	2 188	454	341	4 075	1 058	9 476	5 475
	EBIT LIFO	2 602	3 502	2 313	181	-234	4 002	1 189	8 417	4 957
	EBIT	2 388	4 110	1 783	82	-25	3 680	652	8 280	4 306
Retail	EBITDA LIFO	134	123	284	288	201	174	336	541	711
	EBITDA	134	123	284	288	201	174	336	541	711
	EBIT LIFO	54	41	200	204	125	96	255	296	476
	EBIT	54	41	200	204	125	96	255	296	476
Corporate functions	EBITDA	-9	-71	-2	-33	16	11	-1	-83	25
	EBIT	-16	-80	-7	-42	3	-2	-15	-104	-13

- ▶ **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)



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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.