



## **The New Corporate Governance Model of UNIPETROL**

*Public Presentation, November 9, 2006*

# Why we need the change?

**Our competitors are substantially larger and improving continuously**

- Develop commercial excellence via the new Commercial company
- Increase our efficiency, effectiveness and competencies through focus on core business segments, Production and Shared Services
- Elimination of bureaucracy and organizational silos

**Our profit is not guaranteed for long term**

- Optimize customers and market we serve
- Create efficient processes and systems
- Capture synergies and economies of scale

**Shareholders expect that we become an ethical and transparent company**

- Increase the transparency by separating production, sales and support activities
- Minimize the operational risk by segregation of duties and appropriate delegation of authority

**Requirement to align with PKN ORLEN's segment driven organization**

- Enables simple communication
- Align reporting and financial consolidation
- Capturing synergies with the Partnership Program

**We want to create great place to work**

- Build inspiring and dynamic organization ready for further growth
- Attract best talents available
- Create opportunities for professional growth

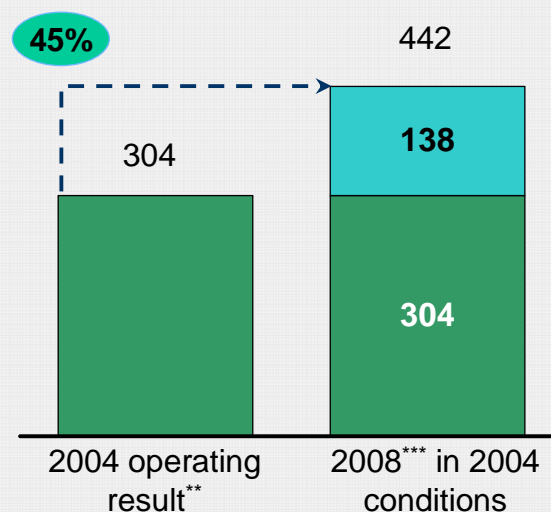
# In 2005 the *Partnership Program* has been launched in order to improve UNIPETROL's financial performance

## Partnership Program

- Started in June 2005
- Aiming at improving operational performance across the entire UNIPETROL group
- Organised with expert support from PKN ORLEN
- Currently being an umbrella for over 140 projects and initiatives
- To date it resulted in financial performance improvements of 78.5 mil. EUR (JAN-SEP 2006 financial results)

## UNIPETROL's EBITDA\* in average 2004 macroeconomic conditions (EUR mil.)

- 2004 baseline result
- Estimated impact of the Partnership Program
- % EBITDA increase



\* Consolidated EBITDA includes Unipetrol, Unipetrol Rafinerie, Paramo, Chemopetrol, Kaučuk, Spolana, Benzina consolidated fully, Česká Rafinérská consolidated following the proportional method and Agrobchemie and Aliachem consolidated following the equity method. EBITDA calculations do not consider the effects of possible divestments

\*\* Adjusted for one-off expenses as well as non-operating and extraordinary charges

\*\*\* Expected EBITDA forecast calculated under fixed 2004 macroeconomic conditions: Brent crude \$38.2/b, Brent/Ural differential \$4.1/b, refinery margin \$3.5/b, CZK/EUR 31.90

## Since the beginning of 2007 the *New Corporate Governance Model* will be introduced to reflect the future needs

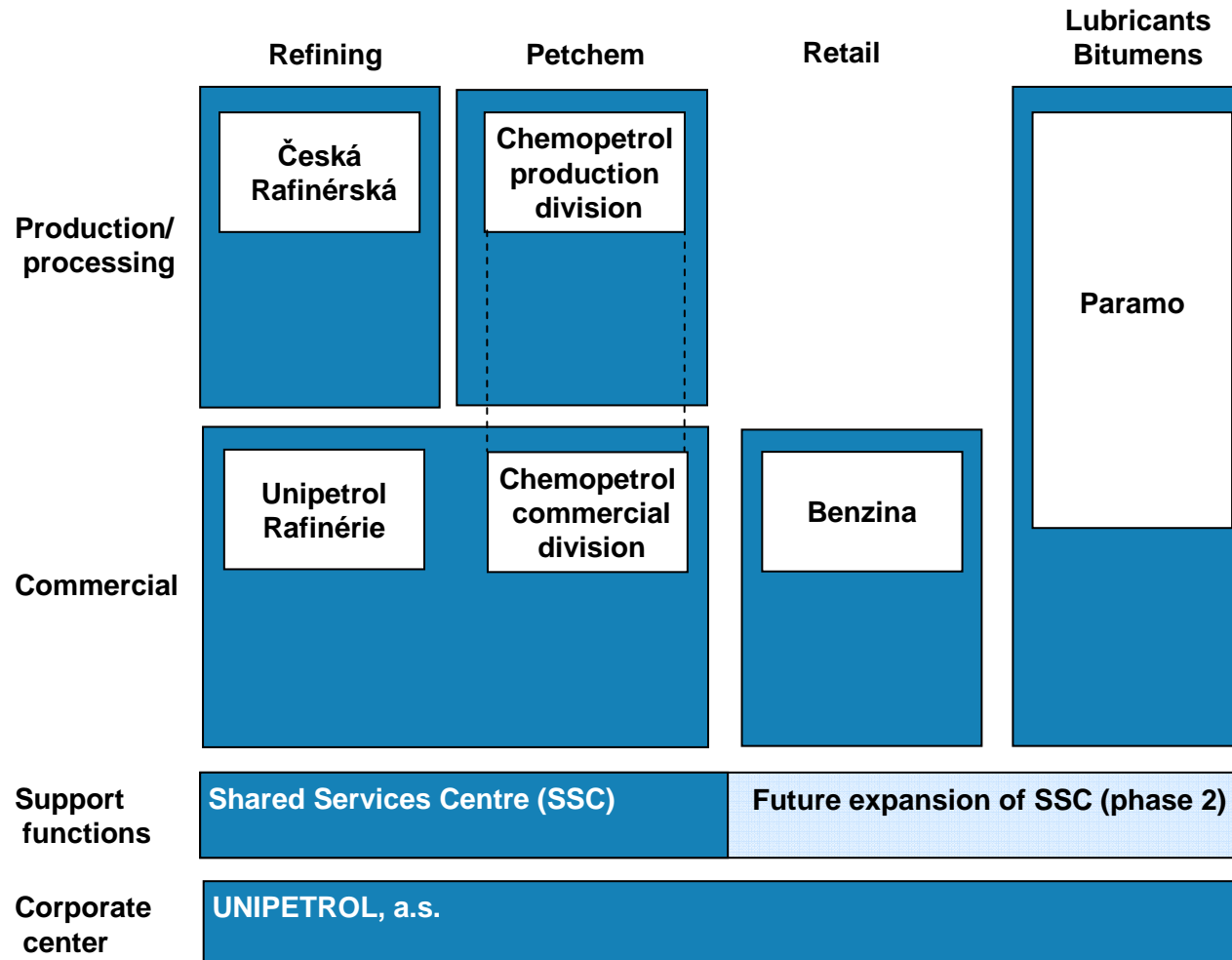
The *New Corporate Governance Model* will align the *Partnership Programme* initiatives and the company's organisational structure & leadership and thus enhances the potential of these initiatives.

*The main changes in UNIPETROL's corporate governance model will be:*

- separating of production, sales and support activities;
- establishing of a dedicated Commercial company;
- development of Shared Services Centre;
- strengthening of central functions of the holding company;
- changing legal form of 100% owned subsidiaries from joint stock companies into limited liability companies;
- delegation of more responsibility to managers (amendments to statutes and regulations);
- introduction of segment planning, budgeting and reporting;

**SIMPLIFICATION  
STANDARDIZATION  
UNIFICATION  
FOCUS  
LEADERSHIP**

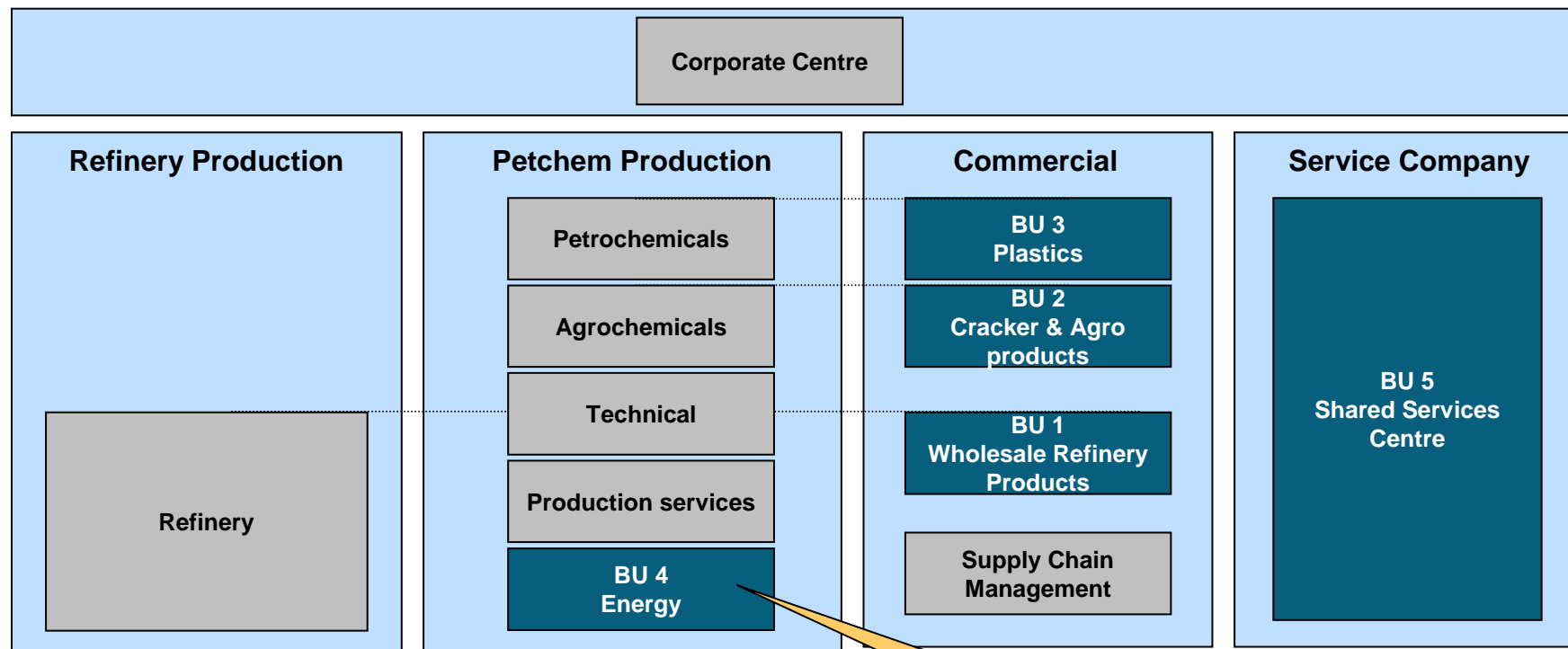
# New model



## Key changes (phase 1):

- **Chemopetrol management** reorganized to **split** manufacturing/processing and commercial functions
- UNIPETROL, a.s. becomes a **corporate centre** with centralized corporate control functions
- **Shared Services Centre** established for centralized support functions
- Change of the **legal structure** from joint-stock to ltd. to introduce segment structure: split Chemopetrol into production and commercial company
- **UniRaf** legal entity will be the commercial centre for the fuel wholesale, chemical business and supply chain

# Vision of Business Units (BU) and Functional Units structure and working principles

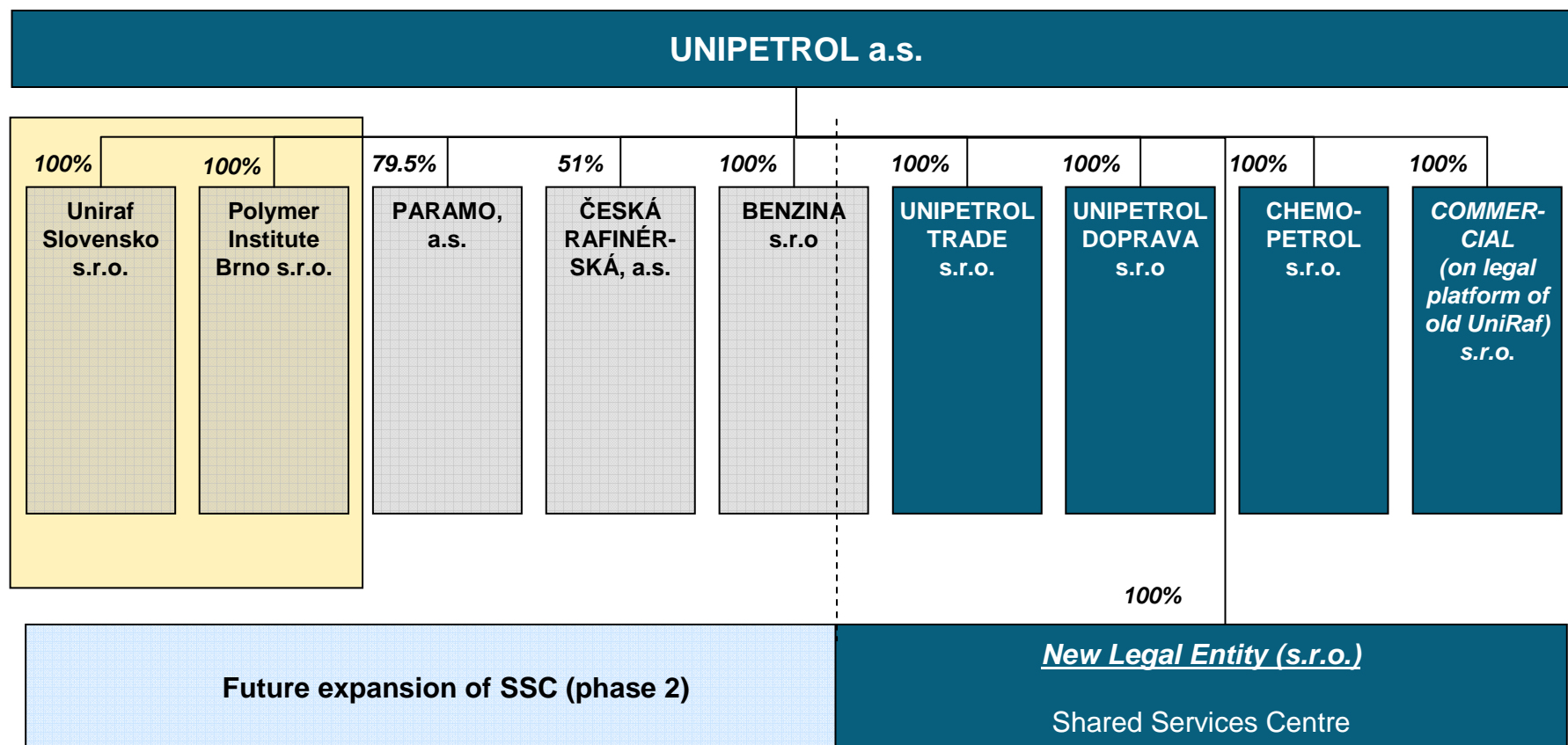


- Business units
- Functional units
- Legal entities

## Key principles

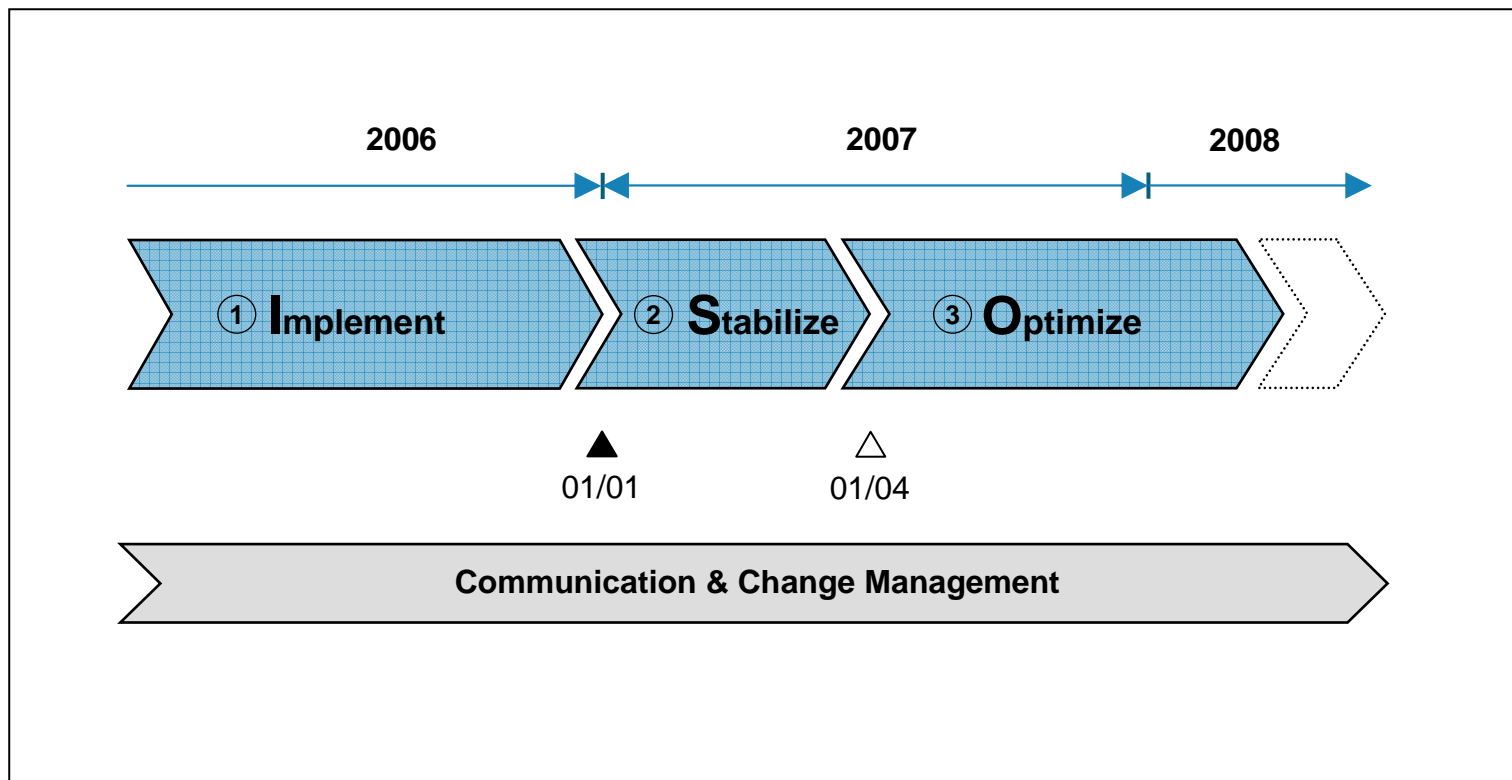
- **Commercial Business Units**
  - Profit Centers responsible for profit generation
  - Responsible for CAPEX and OPEX
  - Owner of raw materials, WIP and finish goods
- **Functional Units**
  - Operate as Cost Center (on cost plus basis)
  - Responsible to provide services in most effective and efficient way

# Legal structure after implementation



 In scope of implementing phase 1

## New Corporate Governance Model implementation plan ('ISO principle')





## Summary of expected benefits

**The *New Corporate Governance Model* will help UNIPETROL to...**

- ...react faster on market changes**
- ...produce best products in a long-term**
- ...serve its customers better through speed and consistency**
- ...be more cost effective**
- ...improve transparency**
- ...leverage commercial excellence**
- ...standardise internal processes**
- ...maintain competitive advantages**
- ...harmonize business structures and processes**
- ...create competitive and motivating workplace**

# Summary of expected benefits

## **The *New Corporate Governance Model* will...**

### **...increase efficiency, improve transparency and leverage size by:**

- *separating production, sales and support activities;*
- *introducing a corporate supply chain concept;*
- *introducing the Shared Services Centre;*
- *eliminating the joint stock company concept.*

### **...further develop commercial excellence via:**

- *introducing focus with a dedicated Commercial company;*
- *improved leadership by appointing experienced leaders from both outside and inside the company*

### **...standardize business processes by:**

- *development of Shared Services Centre;*
- *strengthening of functions managed centrally by the mother company.*

# Summary of expected benefits

## The *New Corporate Governance Model* will...

### ...simplify corporate governance by:

- *adjusting the role of the Supervisory Board (clarity of control functions) and strengthening the role of the Management Board (clarity of management functions);*
- *changing legal form of subsidiaries*
- *segregation of duties while delegating more responsibility down in the organization (amendments to statutes and regulations).*

### ...harmonize business structures and processes within the group by:

- *introduction of segment reporting;*
- *planning and budgeting compliant with requirements of segment management;*
- *agreeing common corporate calendars and schedules;*
- *establishing clear communications channels on the operational level between the organizations;*

