



Disposal of KAUCUK, a.s. Milestone in Restructuring of UNIPETROL Group

Francois Vleugels – CEO, UNIPETROL, a.s.

Dariusz Marzec – CIO, UNIPETROL, a.s.

January 30, 2007



Agenda

- **UNIPETROL ongoing portfolio strategy**

Francois Vleugels, CEO, Unipetrol, a.s.

- Disposal of KAUCUK, a.s.

Dariusz Marzec, CIO, Unipetrol, a.s.



Asset Portfolio Strategy

Expansion, Restructuring and Divestments Activities

- **UNIPETROL, a.s. (“UNIPETROL”) strategy focuses on core businesses to maximize the value of its assets in the interest of the shareholders**
- **Processing of crude oil - to be kept and successively expanded**
- **Restructuring of retail assets with potential acquisitions of other networks - a way to achieve higher profitability and scale in fuel marketing**
- **Keeping control and optimizing its petrochemical business**
- **Heavy distillates processing business is being restructured aiming at financial recovery and increase in profitability**

UNIPETROL Portfolio Strategy

Keep and expand presence on the home Czech market in core businesses

- Refining
- Petrochemicals
- Fuel retailing

Potentially divest/cease production

- Ammonia, urea,
- Oxo-alcohols
- Ethanol production

Divest non-core assets

- Specialty chemicals
- Plastics processing
- Agrochemicals
- Subscale units and old technologies
- SBR and styrenics businesses



Clear Strategies for Key Assets in Priority Businesses

Business	Strategy
Refining	<ul style="list-style-type: none"> • Increase of stake in Ceska rafinerska if other shareholders decide to divest their shareholdings • Restoring financial stability of PARAMO • Planned 2007 CAPEX at the level of approx. CZK 1 bn mainly to facilitate enhancement of the refining capacities in Litvinov and Kralupy refineries
Petrochemicals	<ul style="list-style-type: none"> • New strategy for polyolefin business • Extension of manufacturing capacities, mainly in polypropylene and ethylene units • Planned 2007 CAPEX in CHEMOPETROL amounting to CZK 3 bn
Retail	<ul style="list-style-type: none"> • After restoring financial stability of BENZINA new retail strategy for the segment was introduced in 2006 <ul style="list-style-type: none"> • Introduction of new BENZINA Plus in premium segment • Introduction of new BENZINA Standard • Introduction of new customer standards, new gastronomy and shop offer as well as VERVA – new premium fuels • Continuation of operations improvement • 2006-2009 CAPEX in BENZINA in height of CZK 1.3 bn to upgrade and rebrand the network



Operational and Organizational Improvements are in Progress

Partnership Program

- Has been launched in 2005 in order to strengthen UNIPETROL's financial performance
- Aimed at improving operational performance across the entire UNIPETROL Group
- Organized with expert support from PKN ORLEN
- Currently consisting of over 140 improvement initiatives
- Expected financial performance improvements of approx. 90 mil. EUR in 2006 with the target for the year 2008 at the level of 138 mil. EUR*

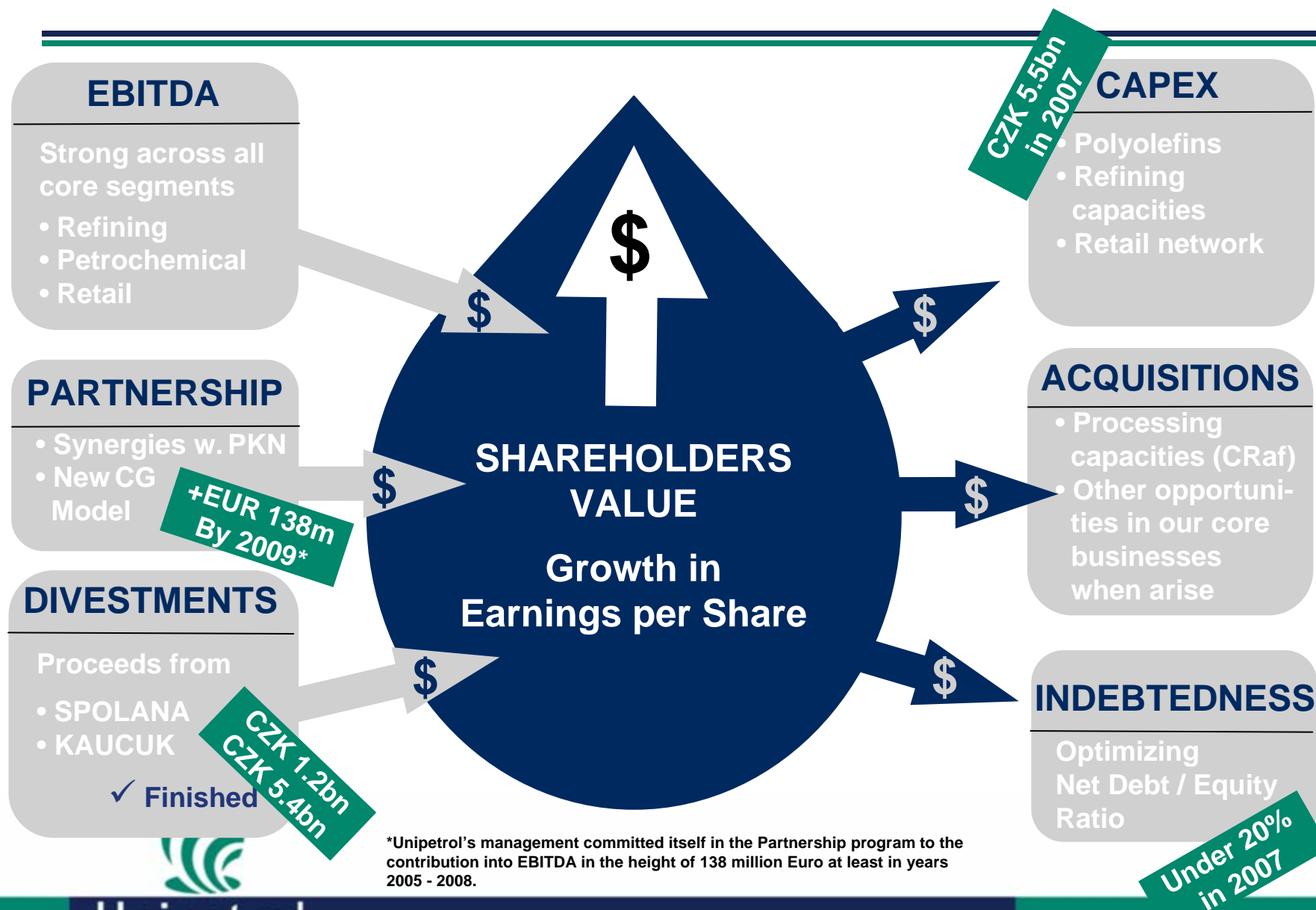
New Corporate Governance Model

- Increase of efficiency and improvement of transparency
- Further development of commercial excellence
- Standardization of business processes
- Simplification of corporate governance (simplified legal structure)
- Harmonization of business structures and processes within UNIPETROL Group



* calculated under fixed 2004 macroeconomic conditions

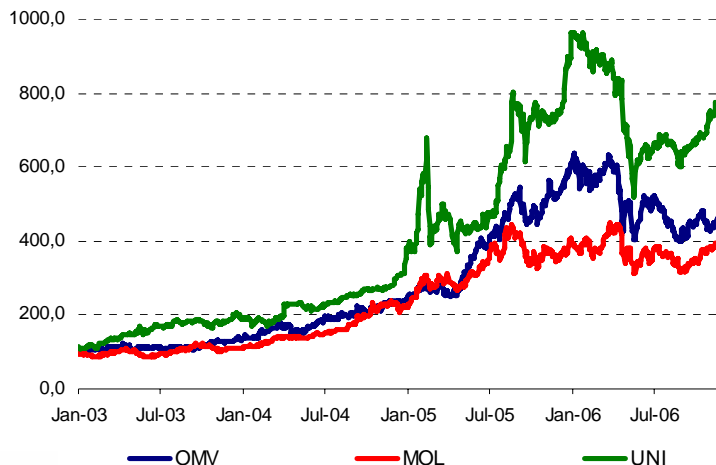
Value-oriented UNIPETROL Growth Program (2007 - 2009)



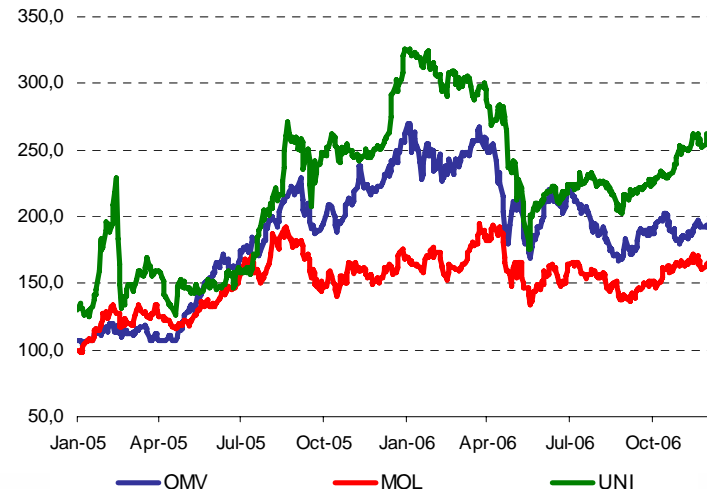
Results Are Visible

- Asset portfolio strategy is an element of the broader restructuring and synergies harvesting program being implemented by the management of UNIPETROL after PKN ORLEN became the company majority shareholder
- The up-to-date effects of the restructuring processes have resulted in value creation for UNIPETROL shareholders and have been appreciated by investors as the dynamics of UNIPETROL growth significantly outperforms the one of its peers over last years

Performance of UNIPETROL shares as compared to its regional peers in the period I 2003 – XII 2006*



Performance of UNIPETROL shares as compared to its regional peers in the period I 2005 – XII 2006*



* relative performance of shares, quotations of all the compared companies were converted into EUR currency
source: Reuters

Restructuring of Asset Portfolio – UNIPETROL Value Accretion

- **Compliance with UNIPETROL's strategy and best interest**
- **Transparency of divestment projects by compliance with the best standards and practices**
- **Securing interest of shareholders by strict supervision by Supervisory Board and its respective committees**
- **The company value maximization for its shareholders**
- **Optimization and security of further commercial relationships of disposed assets with the rest of the companies of the UNIPETROL Group**
- **Further development of the disposed companies (reliable and strong investors)**



Asset Portfolio Restructuring – Approach (1/2)

PROCEDURES

- Broad spectrum of investors approached about interest in the disposal process (via public announcement or direct contact)
- Measures assuring for maximum objectivity of the bidder selecting procedure – evaluation criteria established in cooperation with external advisors
- Security and optimization of further relationships with the rest of UNIPETROL Group
- Extraordinary focus on value aspects – application of three stage evaluation process (valuation by UNIPETROL's leading advisor in the process, fairness opinion and court expert valuation)
- For each of divestment processes transactional procedures are reviewed and evaluated by independent reputable firm

EXECUTION

- Projects closely managed by UNIPETROL's Board of Directors
- Experienced team of corporate finance, M&A experts from UNIPETROL's investment department dedicated to managing and executing of processes
- Assistance of reputable external advisors in case of key largest divestment projects:
 - Leading financial advisor
 - Legal advisor
- Involvement of independent external experts for the purpose of transaction fairness reconfirmation



Asset Portfolio Restructuring – Approach (2/2)

SUPERVISION

- Regular monitoring of divestment processes by Supervisory Board and its dedicated “Strategy and Development Committee”
- The purchase price challenged and confirmed by a fairness opinion of a reputable independent firm
- Company’s value reconfirmed by an independent Czech court expert
- The transactional proceedings and procedures applied within a disposal process evaluated by independent reputable firm in a fairness opinion confirming that the transaction was conducted and performed up to the market standards and practices

COMMUNICATION

- Main strategic objectives and key targets within long-term activity plan in UNIPETROL presented and discussed at the General Shareholders Meeting of UNIPETROL in April 2006
- UNIPETROL’s strategy and asset portfolio structuring communicated to investors and the market on regular basis (e.g. Equity Story in October 2005, PKN ORLEN and UNIPETROL – Partnership for Central Europe – Investors Day in June 2006. Press conference on SPOLANA disposal in October 2006)
- Compliance with securities law in respect of announcing of sensitive information
- Presentation of the key divestment processes to investors and equity analysts
- Press conference on a transaction (together with the selected investor)



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Summary of Transaction Rationale

- From UNIPETROL core business point of view KAUCUK represents a second tier business
- Having in mind the dynamic consolidation processes in the chemical business the operation of KAUCUK on a stand alone basis at current scale of production does not optimize the value for UNIPETROL
- The Company scale of operations and product portfolio as compared to European peers does not allow for competitive advantage
- In challenging rubber business, in which KAUCUK operates, disposing the Company to the strategic investor will allow UNIPETROL to maximize value from its shareholding due to sharing the synergies the new investor is going to harvest from the consolidation of the two businesses
- The proceeds obtained for KAUCUK shares shall be invested in core-business development, potentially contributing to financing of projects already indicated in the presentation



Business of the Company

- **KAUCUK, a.s. (“KAUCUK”, “Company”) is one of the largest chemical companies in Czech Republic and the sole producer of polystyrene plastics and synthetic rubber**
- **Constituting KAUCUK’s core business, polystyrene plastics and synthetic rubber make up over 71% of its sales**
- **The Company also produces butadiene, styrene monomers and Raffinate 1**
- **The total Company’s sales reached EUR 349 m in the year 2005**
- **KAUCUK is integrated with upstream processors of feedstock suppliers, mainly ethylene, benzene and C4 fractions. Majority of the Company’s raw materials are purchased from the companies of UNIPETROL Group, especially from CHEMOPETROL**
- **KAUCUK has a strong export position which represents approximately 67% of total sales. The Company sells to 39 countries with over 50% of sales directed to EU members. Key destinations are Germany, Poland and Italy**



KAUCUK's Financials

Key Highlights

- Profit & Loss highlights:

CZK 000	I - IX 2006 IFRS	I - IX 2005 IFRS
sales	8 555 747	7 936 959
operating income	666 986	482 051
net profit	514 212	253 568

- Balance sheet highlights:

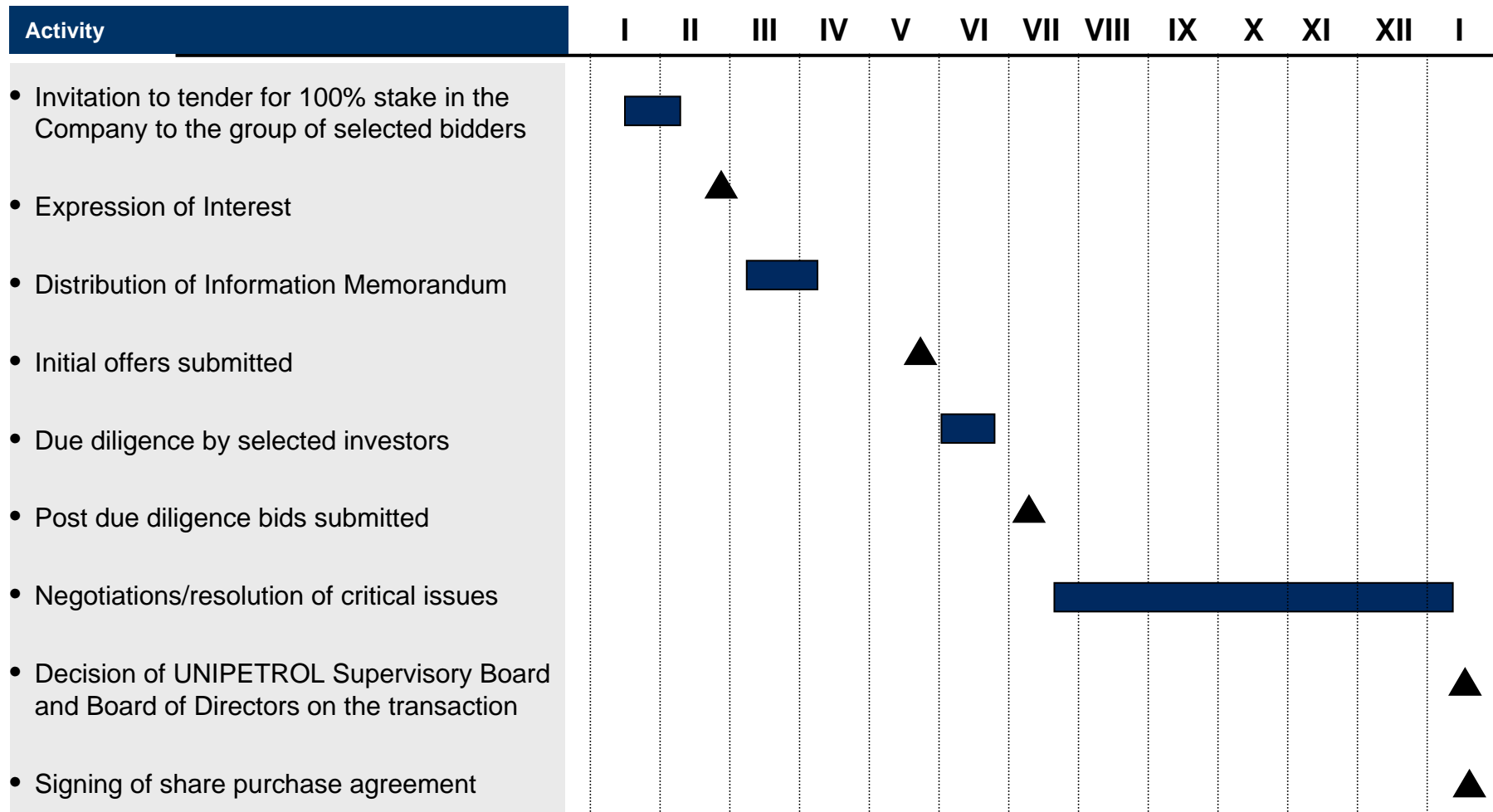
CZK 000	III Q 2006 IFRS	Y 2005 IFRS
total assets	8 752 574	8 909 922
shareholders capital	6 236 000	6 236 000
long-term interest bearing loans and borrowings	112 500	150 000
short-term interest bearing loans and borrowings	50 000	261 497

- Financials 2004/2005

CZK 000	2004	2005
total equity	6 356 254	6 795 322
registered capital	6 236 000	6 236 000
sales	10 202 929	10 395 443
net profit	284 755	439 068
average number of employees	1 004	953



KAUCUK Divestment Process Timetable



Process (1/2)

- In February 2006 32 strategic and financial investors identified as potentially interested were approached with letters inviting to participate in the tender for 100% shares of KAUCUK owned by UNIPETROL
- 12 investors expressed interest in participating in the tender
- After entering into Non-Disclosure Agreement 11 bidders were provided with Information Memorandum*
- Prior to the submission of the bids the following criteria for initial offers evaluation were established in cooperation with advisors in the process, Komerčni banka and Weil Gotshal & Manges:
 - financial parameters of the offers
 - investor's intent/approach towards creation of a joint venture with UNIPETROL Group
 - proposed development program (including intent towards further company's development and a role it is to play in the bidder's capital group/investment portfolio, planned production of monomers, polystyrenes as well as elastomers, intended Capex)
 - bidders' credibility



* One bidder was excluded from the process due to non compliance with the formal requirements of the tender

Process (2/2)

- On 22 May as the deadline set for provision of initial bids 7 offers were submitted both by industrial and financial investors
- The offers submitted at that stage were of indicative kind and as such subject to due diligence findings
- Three investors were allowed for the due diligence which took place at KAUCUK premises on 5 – 16 June (data room, management meetings, site visits) with additional management sessions on 19 – 20 June
- On 3 July UNIPETROL received three post due diligence offers, which consequently were evaluated against the criteria consistent with the ones adopted in the previous stage of the tender
- On 11 July UNIPETROL decided to commence the negotiations with FCH DWORY, which was granted with the exclusivity in the process
- Having finalized the negotiations with the bidder UNIPETROL's Supervisory Board (after having performed the review of the tender process and documentation) and Board of Directors approved the transaction
- Share Purchase Agreement signing took place on 30 January 2007



Transparency and Best Practices

- **All the proceedings within the tender have been conducted and coordinated with support of the following external advisors:**
 - **Weil, Gotshal & Manges** – legal advisor
 - **Komerčni banka** – financial advisor
- **The value of the transaction was confirmed by the valuation performed by Komerčni banka**
- **For the sake of process transparency the external reputable experts/advisory firms were appointed to:**
 - **Deloitte** – perform fairness opinion on KAUCUK transaction terms and conditions
 - **VOX Consult**, Czech court expert – reconfirm market value of the company
- **VOX Consult, after having performed its review of all the tender procedures and documentation, stated that the tender had been conducted in line with the standards and practices applicable for M&A transactions**



Summary of Transaction Structure (1/3)

The transaction structure is based on following key pillars:

- **Transfer of 100% shares in KAUCUK at Closing Date to the new owner for the purchase price amounting to EUR 195 mil.**
- **Assurance of UNIPETROL Group security through undisturbed operations of the chain: steam cracker – butadiene extraction unit – refinery**
- **Creation of Joint Venture by UNIPETROL Group company and KAUCUK (51% and 49% shareholding respectively) on construction and operation of new butadiene extraction unit as well as continuation of C4 processing from CHEMOPETROL and Raffinate 1 sales to UNIPETROL RAFINERIE**
- **Continuation of ethylene and benzene off-take from CHEMOPETROL and future operation of ethylbenzene unit**
- **Contractual assurance of energy, steam, water and site services supplied by KAUCUK to Ceska rafinerska**



Summary of Transaction Structure (2/3)

- **Continuation of all major contracts with UNIPETROL Group companies**
- **Determination of the parties obligations resulting from any impact KAUCUK has had or might have in the future on the environment**
- **Future operation of energy unit**
- **Cooperation on activities allowing for potential land transfer after Closing:**
 - After the sale of KAUCUK's shares to FCH DWORY due to legal and administrative reasons UNIPETROL will remain the owner of the land on which KAUCUK is located
 - Since the investor expresses interest in purchase of the land the transaction structure assumes establishment of pre-emptive right in favour of KAUCUK and call option to be executed by KAUCUK in the future (and put option on side of UNIPETROL)
 - Land sale can to be executed after all administrative, operational and legal issues enabling respective division of part of Kralupy industrial area are resolved (estimated period of 2 – 3 years)
 - Transaction price to be determined in line with the valuation performed by an independent appraiser



Summary of Transaction Structure (3/3)

Division of risks related to:

- **Fine imposed on KAUCUK and UNIPETROL by European Commission for alleged participating in a cartel to fix prices and share customers for certain types of synthetic rubber:**
 - UNIPETROL and KAUCUK agreed to split the fine equally (50%) according to the law since no split was specifically stated in EC decision
 - Mechanism of risk division introduced between the parties (maximum potential exposure of UNIPETROL is limited to EUR 5 mil.)
 - A possible increase of purchase price mainly in case of any loss incurred by UNIPETROL in connection with any third party claims relating to alleged participating in the above cartel
- **Environmental contamination**
 - UNIPETROL's liability for pre-closing environmental contamination up to 10% of purchase price (limited by five years period)
 - DWORY's liability for any post-closing environmental contamination up to 10% of purchase price (limited by five years period)



Transaction Closing

Signing Date of the transaction – 30 January 2007

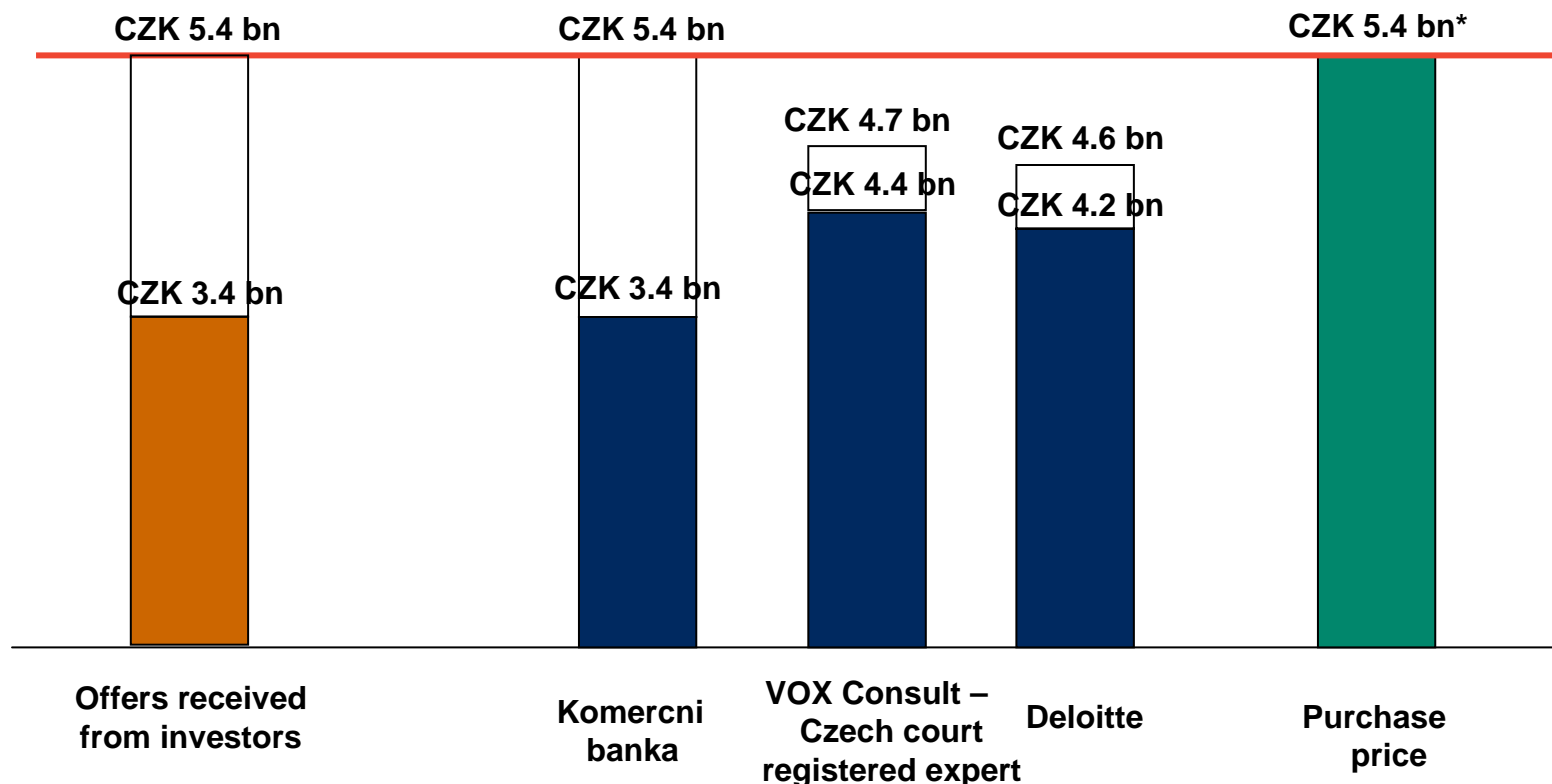
Closing Date of the transaction – within 2 to 3 quarters from the Signing Date

The reason for the time gap between Signing Date and Closing Date are several conditions precedent to be fulfilled before shares are transferred and purchase price is settled. The key ones are:

- clearance of respective antimonopoly offices to be obtained
- commercial contracts between KAUCUK and UNIPETROL Group companies to be executed based on already agreed principles
- environmental audit to be performed to identify the potential contamination of the land on which KAUCUK is located



Transaction Value - Summary



- Price itself was a subject of tough negotiations and no less important was the settlement of future business relations between KAUCUK and UNIPETROL.
- On non-consolidated basis the disposal of Kaucuk shares will result in loss of ca. CZK 101 m for UNIPETROL. Taking into account the overall effect in consolidated financial statements the loss in the range of about CZK 1 703 m will arise as a result of the transaction*



Unipetrol

* Purchase price of EUR 195 m converted into CZK, CZK/EUR rate of 27.495 as of 29 December 2006

** P&L impact is based mainly on the unaudited estimation of Kaucuk's equity at the selling date and the selling price. As of 31 December 2006 the Kaucuk's assets and liabilities will be presented as the Non-current assets / liabilities held for sale. The nonconsolidated and consolidated result of the transaction will be presented in P&L statement for the year 2006 as a loss from impairment of the asset value.



THANK YOU FOR YOUR ATTENTION

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