

# PRESS RELEASE

## Unipetrol Strategy for 2013-2017

Prague, 11 June 2013 – Despite the macroeconomic headwinds and considerable market challenges, Unipetrol wants to improve its financial performance and maintain it at a sustainably positive level that will allow it to make further investments and develop its resources. The company will focus on achieving efficiency gains and operational excellence across the core areas of its business. The refinery segment will maximise its usage capacities. The petrochemical segment will strengthen its market position through restructuring as well as improvement of the condition and efficiency of its production assets. The main goal for the retail segment is to significantly increase its market share and achieve better sales in the non-fuel segment. Within the next few years, Unipetrol also plans to secure its energy needs at optimised costs.

### The targets adopted under the new strategy include:

- Cumulative EBITDA (LIFO-based) at CZK 25bn in 2013-2017,
- Total capital expenditure (CAPEX) at CZK 19bn in 2013–2017,
- 27% increase in average annual Free Cash Flow (FCF), to CZK 1.5bn,
- Increase of the retail market share to 20%,
- Maintenance of the annual average leverage ratio at up to 20% over the strategy horizon of 2013-2017

*“In line with our plans, we have started to implement the ORLEN strategy for key companies of the Group. I am confident that the reasonable financial assumptions and flexible CAPEX planning provided for in the ORLEN strategy will work just fine for Unipetrol, which operates in an extremely challenging market environment,”* said Jacek Krawiec, CEO of PKN ORLEN and Chairman of the Supervisory Board of Unipetrol. *“When preparing the assumptions of the Unipetrol strategy, we considered the specifics of the Czech market, where – in addition to a vast grey market – the company has to deal with high energy prices and logistics challenges,”* Mr Krawiec added.

Unipetrol’s strategy was developed assuming effective functioning of the markets in the future, taking into account external threats to the company’s profitability and revenue:

- The grey market in retail fuel trading,
- Some of the highest electricity prices in Europe, due to limits on lignite production and earlier regulatory measures,
- High tariffs on pipelines, above the European average.

The average annual increase in capital expenditure from CZK 2.6bn (in 2008-2012) to CZK 3.8bn (in 2013-2017) represents a major change compared with the previous strategy horizon. Over the next five years, the Unipetrol Group will see capital expenditure totalling

CZK 19bn. Most of that amount will be spent on projects in the petrochemical and power segments. The company also plans to invest in new production units, modernisation of its T700 power plant, and subsequently also in a gas turbine that will produce electricity and steam for the Steam Cracker. In the retail segment, capital expenditure will increase the number of petrol stations and expand their products and services. Funds for the planned projects will be sourced from the strengthening of Unipetrol's market position and further improvement in the company's operating efficiency. The average annual EBITDA (with inventory valued using the LIFO method) should increase from CZK 3.6bn in 2012 to CZK 5bn in 2013-2017.

*"Since the macroeconomic conditions are still very challenging, we had to consider several different scenarios for the company's future development. We believe that our competitive advantage mainly lies in further integration of the refining and petrochemical segments. It will facilitate further growth of the petrochemical segment, where we plan to make the largest capital expenditure,"* said Marek Świtajewski, Chairman of the Board of Directors and CEO of Unipetrol. *"We expect that in 2017, the company's share in the retail market will increase from 14% to 20%. Our goal is to improve sales at the petrol stations and expand the station network to include new stations operating as franchises, as well as self-service stations. We expect that the grey market's share in fuel trading will be strongly limited, by at least 50%,"* Mr Świtajewski concluded.

The strategy for the refining segment provides for the increased efficiency of existing assets and improvement of operating performance. The main goal is to maximise the share of internal demand for refining products. To that end, a production increase from 3.8m tonnes in 2012 to 4.1m tonnes in 2017 is envisaged. The wholesale market's share will increase to 40% in the case of gasoline (by 3% compared with 2012), and to 36% for diesel oil (a 4% increase on 2012). We expect that in 2013-2017 the annual EBITDA (with inventory valued using the LIFO method) will reach CZK 0.7bn on average. Annual capital expenditure will amount to CZK 0.7bn and will be spent mainly on asset modernisation projects.

In the petrochemical segment, Unipetrol wants to use the favourable market conditions to reinforce its position on the market and optimise its operations. In the years to come, petrochemicals will be the largest source of revenue for the Group. The company is preparing a number of modernisation projects (new polyethylene and DCPD units, de-bottlenecking of polypropylene production) and intends to continue the restructuring process (revamping of the residual oxidation unit (POX), possible closure of the ammonia unit). By 2017, the Company plans to increase the capacity utilisation of the pyrolysis plant (Steam Cracker) by 13%, and improve sales of petrochemical products by 11%, to 1.4m tonnes. Based on estimates, average annual LIFO-based EBITDA should reach CZK 3.3bn (up by CZK 1.4bn compared with 2012). Its level is going to be affected by the increased cost of CO2 emission allowances, which will grow by CZK 0.5bn annually. Capital expenditure (including expenditure on investments in the power segment) will amount to CZK 2.7bn in 2013-2017 on an average annual basis. Average annual free cash flow (FCF) will improve from CZK 1.1bn in 2009-2012 to CZK 1.5bn in 2013-2017.

The main goal of the retail segment is to expand its market share, to 20% in 2017. Unipetrol's strategy provides for development of the network of franchised service stations operating under the BENZINA brand, as well as an increase in the number of self-service stations. The company plans to build four new Express 24 stations this year, and open several dozen new self-service stations by the end of 2017. The turnover of BENZINA stations is planned to grow by 31% by 2017, with non-fuel sales (restaurants and shops) increasing by 35%. Average annual LIFO-based EBITDA is expected to reach CZK 1bn (up by CZK 0.4bn compared with 2012). Average annual capital expenditure in 2013-2017 will be CZK 0.3bn.

The objective behind the new ambitious strategy is to ensure Unipetrol's long-term growth. It is assumed that nearly half (45%) of the investment spend will be allocated to growth-oriented projects, while the balance of the planned CZK 19bn will be used to carry out plant upgrades and implement environmental protection solutions. Considering the challenging macroeconomic environment and the existing business risks, it was assumed that in 2013 capital expenditure will be approximately CZK 2.7bn.

---

*UNIPETROL, a.s. is a group of companies operating in the petrochemical industry in the Czech Republic. In 2005 UNIPETROL became a part of the PKN ORLEN Group, the largest oil processor in Central Europe. The UNIPETROL Group is oriented mostly towards oil processing, fuel distribution and petrochemical production. In all of these business areas the UNIPETROL Group is among the key players both in the Czech Republic and on the Central European market. The Group ranks among the leading firms in the Czech Republic in terms of its revenues, and employs almost 3,700 people.*

**Contact:**

Mikuláš Duda

Press Department Manager

Telephone: +420 225 001 407, +420 736 502 520

E-mail: [mikulas.duda@unipetrol.cz](mailto:mikulas.duda@unipetrol.cz)