

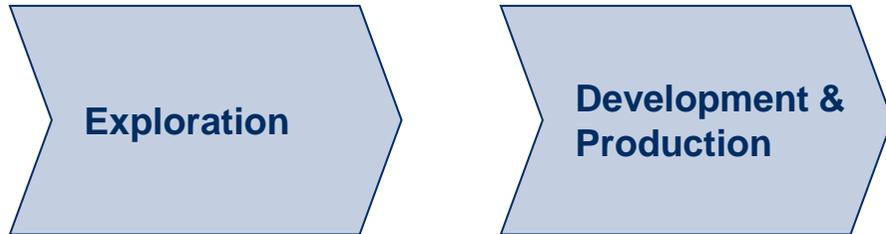


UNIPETROL

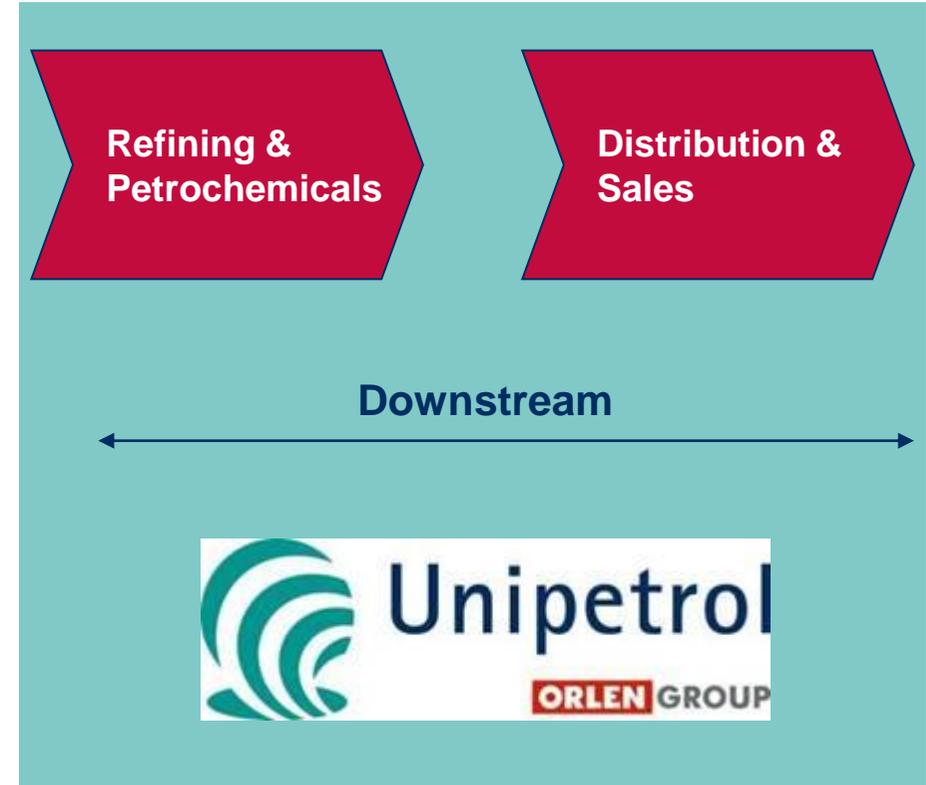
Leading refining and petrochemical group in the Czech Republic

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Upstream



Downstream



- Unipetrol is present only in the **downstream** part of oil & gas value chain → buying crude oil and other feedstock for further processing
- No assets in the upstream part – Exploration & Production (E&P)



Unipetrol Group at glance

- **Leading refining and petrochemical group** in the Czech Republic and major player in Central Europe
- **Business segments:** refining, petrochemicals, retail distribution of fuels
- Part of the largest refining and petrochemical group in Central Europe – Polish **PKN Orlen** – since 2005
 - PKN Orlen holds 63% ownership interest
 - Company is quoted on the Prague Stock Exchange
- **2 refineries** – Litvínov and Kralupy – with total conversion capacity of 8.4 million tons of crude oil per year (mt/y)
 - The only two refineries in the Czech Republic in operation
 - 5.9 mt/y corresponds to 68% ownership interest in Česká rafinářská joint-venture, 32% owned by Italian oil & gas major ENI
- **Petrochemical units** fully integrated with Litvínov refinery
 - Steam cracker – Heart of petrochemical complex processing feedstock from refineries
 - 3 polymer units
- **Retail distribution of fuels** with 339 fuel filling stations (Benzina Plus and Benzina)
 - The largest network of fuel stations on the Czech market with estimated market share of 15.5% in 2014
- A broad range of transport services (Petrotrans and Unipetrol Doprava)
- Revenues in 2013 CZK 99 billion (ca EUR 4 billion)
- 3,600 employees

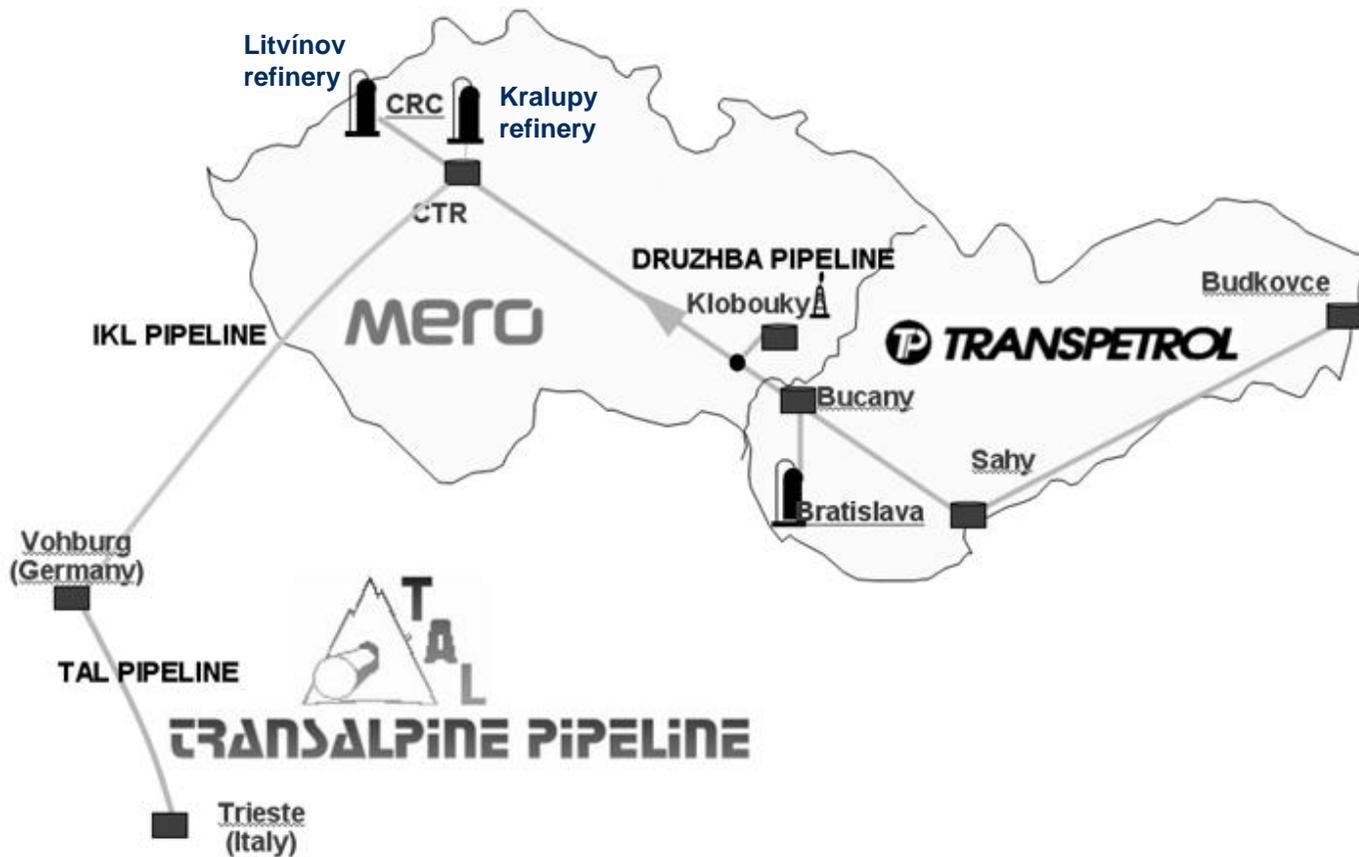
Location in the very heart of Europe



Crude oil pipeline logistics

MERO

- Owner and manager of the Czech oil pipelines, 100% Czech government ownership.
- Operates Druzhba pipeline on the Czech territory through which crude oil from Russia is supplied to Litvínov refinery.
- Operates also IKL pipeline and owns 5% stake in TAL pipeline. Light sweet crude oils to Kralupy refinery are supplied through these pipelines. Starting point is Italian port Trieste.



Key pillars of Unipetrol Group Strategy 2013-2017



Refining

Excellence in operations

Optimization and use of integration with other segments while analyzing selective upgrades



Petchem

Key profit maker strengthening its market position

Using the positive market trends to upgrade while optimizing operations



Retail

Gain market share leveraging on strong market position

Leveraging market position to gain market share in a healthier market



Energy

Security of energy needs at optimized costs

Minimizing total energy (electricity + heat) costs for the whole Group while maintaining flexibility

Grey zone in motor fuels

- Huge problem in the last several years, connected to tax frauds (mainly VAT)
- New legislation from October 2013 requires wholesalers to: 1) register at state authorities and 2) pay security deposit/guarantee of 20m CZK for future tax liabilities
- Effect is significant decrease of registered traders with fuel, however fight with the grey zone is far from over yet
- Currently update of the legislation is being prepared

Mandatory bio components content

- Currently 4.1% for gasoline, 6% for diesel. Proposal of EU to increase share of advanced biofuels, which are not available in the market.
- Adding bio components has negative effect on consumption of fuels, further strengthening of the long-term declining trend
- Further support to bio fuels (B30, B100, E85)
- There are frauds alongside fulfilling the obligation via selling the same bio component once as component and then as bio fuel (B100)

Support to renewable energy sources, mainly solar

- There are high state subsidies for renewable energy sources and all industrial customers have to support these efforts
- The fee paid by industrial companies represent severe financial burden and decreases the competitiveness of Czech industry
- This results in the highest energy price in EU in the Czech Republic
- Unipetrol's contribution in 2013 amounted to 700m CZK (0.7% of total revenues!)

Shale gas

- Research and exploration is forbidden in the Czech Republic

Regulatory environment

1. Implemented legislation in areas:

- Handling with chemicals (REACH)
- Environment – water, air –
- Industrial pollution – fee
- Energy management
- Integrated permit IPPC
- Authorization process EIA
- Waste management
- BAT/BREF



2. What the industry needs:

- Political consensus of basic energy law and strategies
- Do not adopt the new high-risk law
- Long stability and predictability in energy
- To solve the damages that were caused by the previous governments
- Active work of MEPs and government in shaping the European energy policy in favour of the industry and not against it
- The behaviour in „Brussels“ should support reindustrialisation and competitiveness of industry und thus employment
- Industry is pushed to create complex and costly national and international advocacy systems
- Europe is open – non-European markets are building business barriers for imports



3. Specific measures to fulfil the stipulated objective mainly the energy-climate-environmental area):

- Revision of the EU ETS
- Reduction of fees for released emissions – at present these only have a fiscal, not motivation purpose
- Reduce the burden caused by support of renewable energy sources, e.g.
 - Exemption of self-producers from RES, as is customary in the EU
 - Tariff reform
 - Doubts about the legitimacy of fee collection (fee vs. tax, political decision?)
 - Increase the contribution from the state budget to RES support , to use EU ETS revenue



4. Systemic management of the EU agenda (coordination of the EU agenda, increased effectiveness of EU funds)

Specific measures to fulfil the stipulated objective:

- Thoroughly apply the principle of legitimate expectations
- Propose objectives and amendments only on the basis of impact studies elaborated by renowned entities .
- Eliminate retroactivity and changes of rules in the course of their validity
- Not delegate important decisions to the Commission, if possible leave decision-making power to the representatives of the member state
- Eliminate overlapping, multiplication of objectives, obligations
- Stipulate further objectives only on the basis of international agreements that also bind non-European decision-making entities to fulfil the objectives
- Promote application of the principle of equal treatment in the decision-making practice of EU authorities

Efforts of the European Commission to establish a clear long-term framework for climate and energy policy of the EU by 2030, which must draw on the lessons of the previous three parallel binding targets and their implementation, in-depth analysis of energy prices in the EU vs. its main European competitors, and also on the current world political and economic situation.

The most effective tool for achieving this goal will be to **establish a Europe-wide one only binding target**, as multiple objectives often weaken each other and therefore cannot lead to the progressive decarbonisation at the lowest cost. CR considers most appropriate target of **reducing CO2 emissions** set at ambitious level determined with regard to the degree of involvement of other international emitters in the effort. The commitment to reduce CO2 emissions by 40%, as proposed in the Communication should be accepted only if a global agreement to reduce CO2 emissions is reached in order to avoid deterioration of the competitiveness of the EU unilaterally without any real impact on the global climate.

- *Requirement: the framework for 2030 should contain possible revisions to the ambitious 40 % reduction target to the lower level of 35 % in the event that no binding agreement of the world's major emitters is reached in Paris in 2015.*
- *This clause should be used even if the economic indicators of the EU (energy prices, the share of expenditure on energy in the overall basket of household expenditure) in the EU would differ from the major competitors (China, USA, Russia, India by ...%).*
- *Introduction of clear guarantees in the package for the sovereignty of a Member State to choose an instrumental mix to achieve decarbonisation commitments beyond the EU ETS.*
- *Explicit mention of the text in the package on different natural, economic and structural- economic potential of the individual MS on decarbonisation and development of renewable energy sources, in accordance with which they can contribute to the achievement of the European objective.*
- *To enforce in the Council's conclusions the requirement for completion of a study on energy prices by analyzing the impact of various forms of market distortions and the extension of detailed international comparison with the EU's main global competitors.*





THANK YOU FOR YOUR ATTENTION

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