



## **UNIPETROL Update**

Business integration completed,  
further efficiency enhancement

*Francois Vleugels, CEO*

Warsaw, 18<sup>th</sup> June, 2008

# Agenda

## Business integration

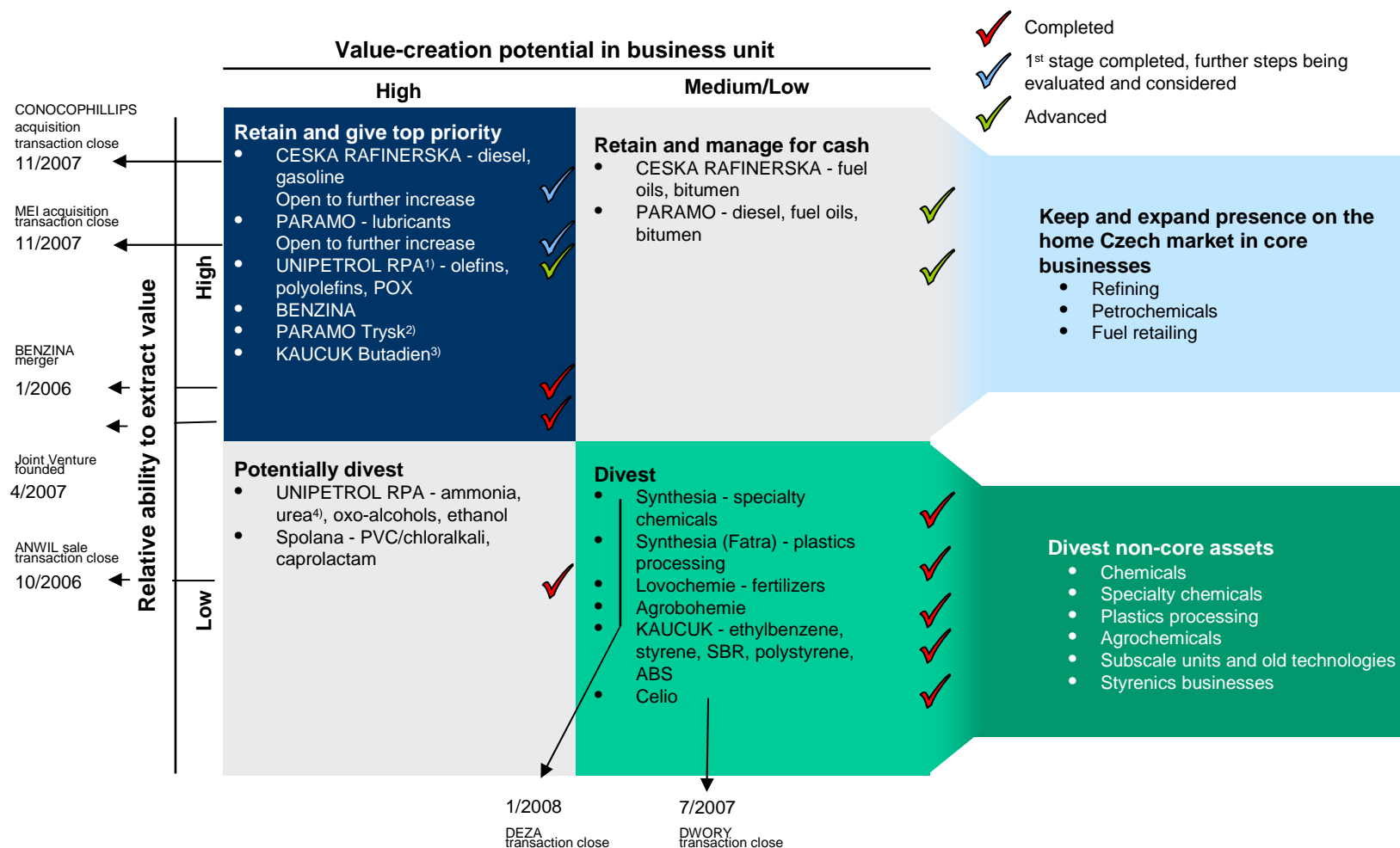
Further efficiency enhancement

BENZINA Story

2008 developments

# UNIPETROL continues the strategy of maximizing asset value

## Focus on core businesses and business cooperation with PKN ORLEN

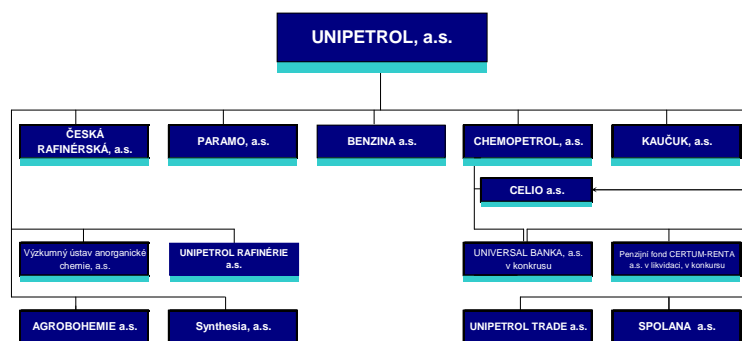


# Development of Corporate Governance

Simplification, standardization, unification, harmonization, leadership

## PAST (as of May 31, 2006)

Once UNIPETROL Group was conglomerate of individual companies with duplicate business focuses.

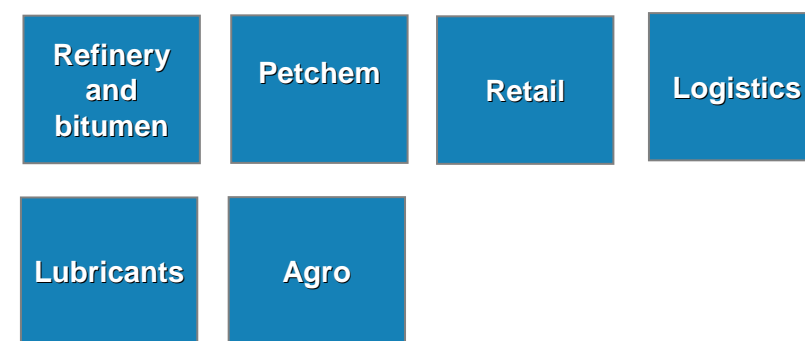


### Difficult to:

- obtain cost transparency (each legal entity contained admin, production and commercial related costs)
- obtain UNIPETROL Group synergies (due to difference in priorities)
- implement unified corporate decisions
- obtain standardization of business processes
- obtain unification of procedures and policies
- obtain clear business focus (top management was responsible for admin, production and commercial)
- organization flexibility
- avoid internal group competition or legal disputes

## FUTURE

UNIPETROL Group will concentrate on its core business activities which are in line with PKN ORLEN Group.



**After implementation of Corporate Governance model mentioned difficulties will be mitigated and “One company” concept will be supported:**

- Strengthened leadership
- Stronger control via centralized core functions
- Asset optimization capability
- Optimizing margins for multiple segments/locations
- „Commercial excellence” capability
- 77 % reduction in number of Executives, SB-, and Board of directors members

# Agenda

Business integration

Further efficiency enhancement

BENZINA Story

2008 developments

# UNIPETROL RPA Related Major Projects

Growth, non-cyclical products, energy, and environment

## Growth of existing technologies

- **PP capacity increase**  
Capacity revamp (new granulation line) of 25% up to 275 kt/y. Start up in July 2009

- **Convection of furnaces BA 109 and BA102 revamp**  
Completion of ethylene unit capacity increase to 544 kt. Capacity available mid 2009

- **New butadiene unit (JV with Synthos) within the Kralupy industrial area**  
UNIPETROL will supply C4, and off-take raffinate 1. Completion in 2009

## Compliance and efficiency improvement

- **Revamp of POX unit - 3rd stage**  
Upgrade and adjustment to changed feedstock from refinery

- **Reconstruction of 4 turbo generators on T 700 power plant**  
Power plant modernization



- **Unit POX waste water processing**  
Further step to reduce wastes from POX unit

## Growth in non-cyclical technologies

- **PP capacity increase**  
New high value products portfolio, completion 4Q 2010

# CESKA RAFINERSKA Major Projects

Investments in conversion units finished in 2007

Key selected projects	Project objective	CAPEX CZK m	
<ul style="list-style-type: none"><li>• Selective hydrogenation of FCC gasoline Kralupy</li></ul>	<ul style="list-style-type: none"><li>• To desulfurize FCC gasoline to level allowing production of 10 ppm motor gas in both CESKA RAFINERSKA's refineries</li></ul>	<ul style="list-style-type: none"><li>• 577</li></ul>	
<ul style="list-style-type: none"><li>• Hydrocrack capacity and conversion revamp Litvínov</li></ul>	<ul style="list-style-type: none"><li>• To manage potential structural changes of feeds for steam cracker and future diesel demand</li></ul>	<ul style="list-style-type: none"><li>• 675</li></ul>	

# CESKA RAFINERSKA Major Projects

## Investments approved for 2008

Type of investment	Details
<ul style="list-style-type: none"> <li>•Development</li> <li>•Production efficiency improvement</li> <li>•Infrastructure improvement</li> <li>•Safety operation improvement</li> <li>•Energy saving programs</li> </ul>	<ul style="list-style-type: none"> <li>•Fluid Catalytic Cracker LPG part upgrade</li> <li>•Visbreaking unit recontacting and Monoethanolamine debottlenecking system, Recycle compressor - reliability improvement, etc.</li> <li>•Reconstruction of the underground cooling water pipelines, Tank farm Kralupy upgrade, Light products unloading Litvínov, etc.</li> <li>•Modifications of fire-fighting system - tank farm Jiřetín, Furnace safeguarding system, etc.</li> <li>•Power factor compensation, Increasing of FCC unit energy efficiency, etc.</li> </ul>



# Agenda

Business integration

Further efficiency enhancement

**BENZINA Story**

2008 developments

## BENZINA: Benefiting from PKN ORLEN experience. Successfully replicating two-tier branding concept. At the end of 1Q 2008 – 86 new Plus sites and 102 new standard sites

### 2008 vs. 2004

- From 220 employees to **100** while growing business activities
- **3.6** percentage point increase of a market share in terms of fuel sales (14%)
- Operating result (EBIT) breaking the zero level and reaching nearly **half a billion**

**Phase I:  
Fixing up the basics**

**Phase II:  
Catching up with the premium segment**

**Phase III:  
Finalization of the 2-sub brands concept**

#### Timing

**2006 - finished**

**2007 - finished**

**2008 – 2009**

**Key elements of the strategy introduced in 10/2006, largely based on PKN ORLEN retail experience**

- Financial stabilization
- Organizational stabilization
- Improving of the services within the current infrastructure

- Massive introduction of the BENZINA Plus concept
- First phase of new BENZINA (standard) concept
- Focus on services quality and marketing promotions
- Replacement of ~1/3 of partners on the filling stations

- Finalization of the BENZINA Plus concept realization including a marketing support (campaign)
- Finalization of the BENZINA (standard) concept realization

## BENZINA: 2008 network development via DOFO concept

Target for the end of 2008 – 20 new DOFO stations



NOVINKY.CZ ; 19.3.2008

*The biggest retail chain of filling stations is going to expand into the market. The company offers to the non-branded sites (individual pumpers) to join the BENZINA brand in the form of a franchisee contract. “**Franchising expansion** should be another mean for a further improvement of the economic position of the company and should follow up to the last year success, when BENZINA grew in terms of fuel sales by approx 16% (like for like)”, says Martin Durčák, the executive head of the company*

# Agenda

Business integration

Further efficiency enhancement

BENZINA Story

2008 developments

# Summary: 2008 Key Projects

## Baseline for future growth

### CAPEX Plan 2008

- 29% Refinery (incl. 100% CIESKA RAFINERSKA), 53% Petrochemical (incl. 100% new Butadiene unit), 9% Retail, 4% Logistics.
- Total planned CAPEX for 2008 at a level of CZK 6.5bn, i.e. 32% increase y/y.
- Follow-up investment in an intensification of petrochemical units (increasing ethylene unit capacity toward a target of 544kt), construction of the new butadiene unit (completion planned in 2009), extractive distillation of benzene (completion by end 2008), processing of C5 surpluses, increase of polyolefin unit capacities.
- Investments in refinery conversion units – bottom-of-barrel approach (modernization of LPG section of the FCC unit, increase of FCC propylene production).
- In retail, completion of current network rebranding, DODO/DOFO project expansion.

### Efficiency improvements

- Completion of the Corporate Governance changes.
- Gaining full control over PARAMO and its integration into the current corporate structure.
- Sales channel optimization (completing UNIPETROL TRADE restructuring).
- Logistics strategy implementation – cooperation with PKN ORLEN.
- Operational excellence in manufacturing and supply chain.
- FTEs (Staff) optimization (-4% 2008/2007).

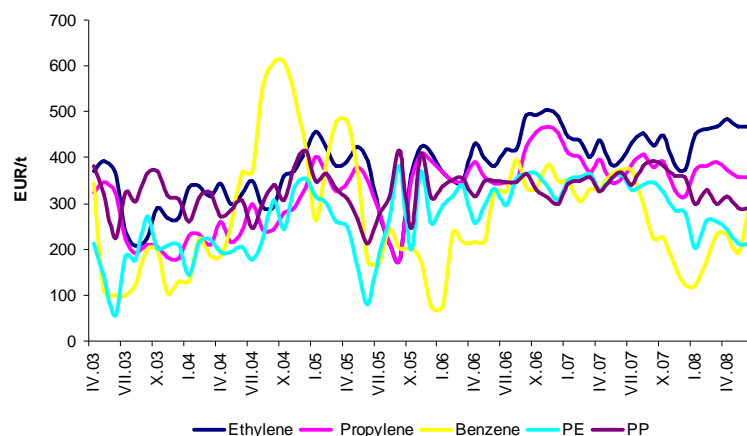
### Strategies in the pipeline

- Completion of strategies in the following fields:
  - polyolefins – cooperation with PKN ORLEN
  - energy
  - R&D

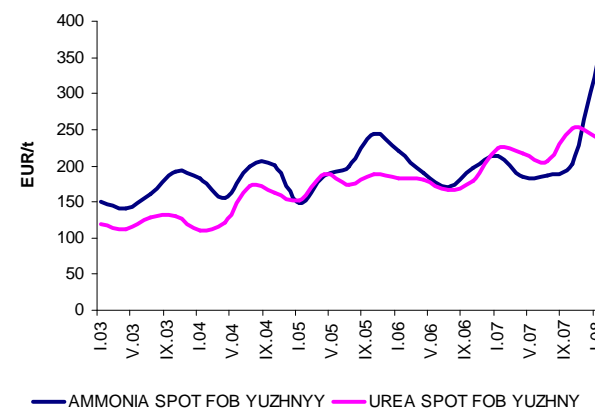
# Long Term Cycle View ... where are we heading now?

## Petchem, agro, fuels and crude oil developments

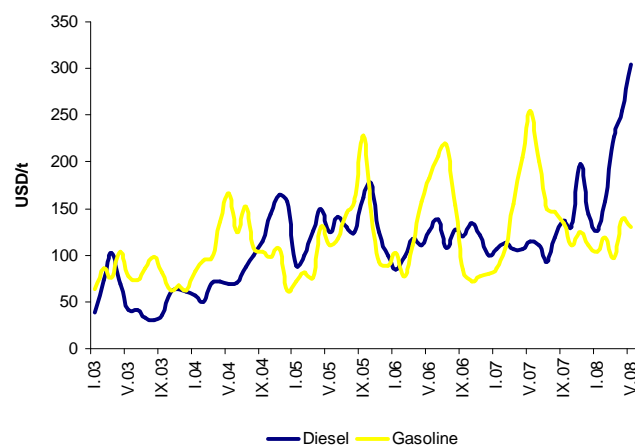
Petchem Margins 2003 - 2008



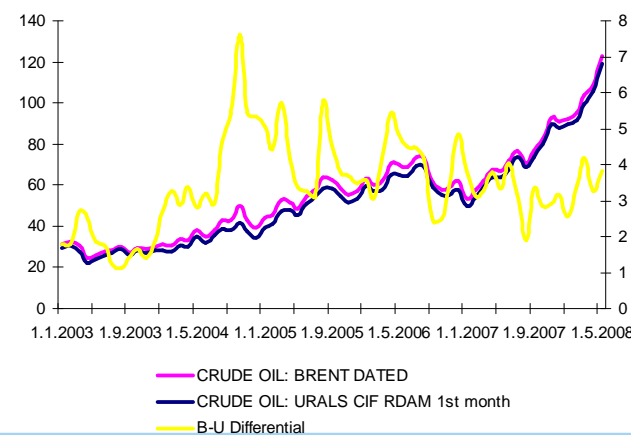
Ammonia & Urea Prices 2003 - 2008



Fuel margins 2003 - 2008



Crude oil prices 2003 - 2008



# Contacts



## Headquarters:

UNIPETROL, a.s.  
Na Pankráci 127  
140 00 Praha 4  
Czech Republic

## Investor Relations Office:

Fax: + 420 225 001 447  
E-mail: [IR@UNIPETROL.cz](mailto:IR@UNIPETROL.cz)

Radek Němeček

Head of IR

Tel.: + 420 225 001 417  
E-mail: [radek.nemecek@UNIPETROL.cz](mailto:radek.nemecek@UNIPETROL.cz)

## Press Office:

Tel.: + 420 225 001 407  
E-mail: [PR@UNIPETROL.cz](mailto:PR@UNIPETROL.cz)