Consolidated financial results for Q2 2018

08/22/2018

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Q2 2018 HIGHLIGHTS

Publication of UNIMOT’s Strategy for 2018-2023	Revenues: **PLN 844m**	EBITDA: **PLN -8.3m**	Adj. EBITDA*: **PLN 1.6m**

LPG

- Growth of sales volumes by 13% yoy
- Intensification of foreign sales
- Acquisition of new, stable suppliers, including the suppliers of prophane and prophane-butane mix

NATURAL GAS

- Signing an attractive contract for natural gas supplies
- Obtaining higher tariffs for distribution and sales of natural gas
- Actions related to optimisation of gas assets

AVIA STATIONS

- Acquisition of further 8 stations into the AVIA chain (including 2 own stations of UNIMOT)

LIQUID FUELS

- Execution of first significant transaction in maritime fuel trade (30 thousand tonnes of petrol)
- Increased share of bio-blending in the NIT fulfilment
- Amendment to the Law on Bio-fuels (simultaneously a confirmation of the ability to „recover” the costs of NIT fulfilment following the prudent interpretation of the law in 2017)

ELECTRICITY

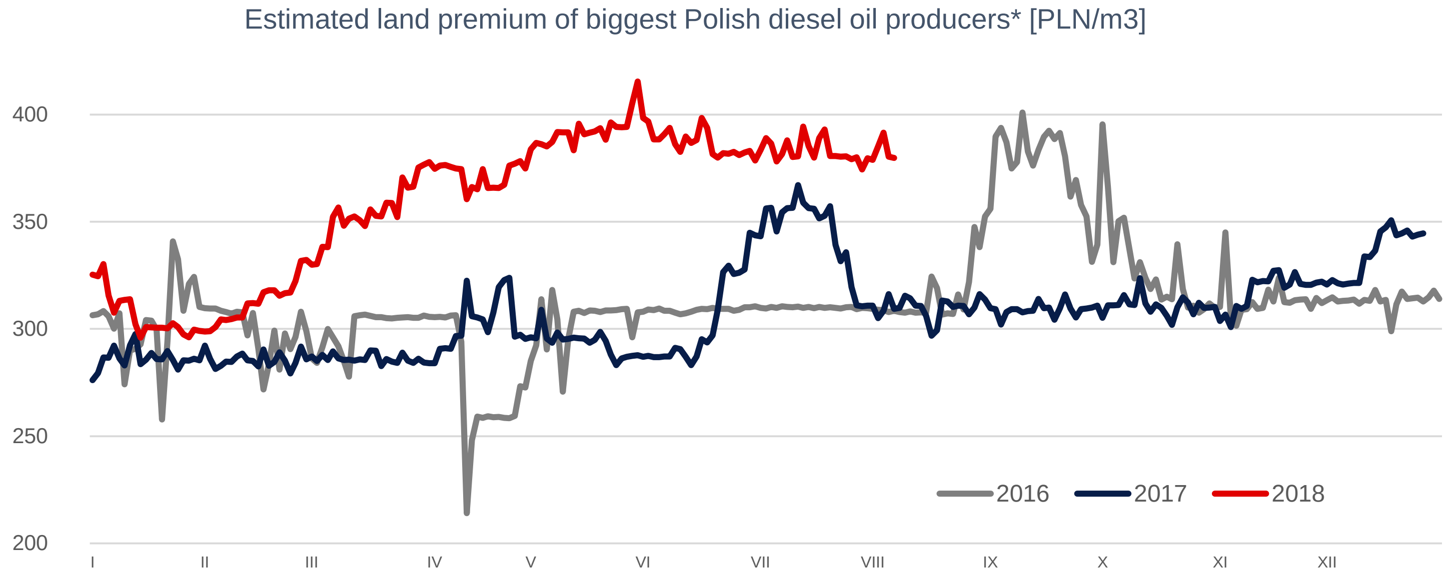
- Growth of sales volumes by over 300% yoy
- Acquisition of further sales contracts (largely comprising oncoming years)

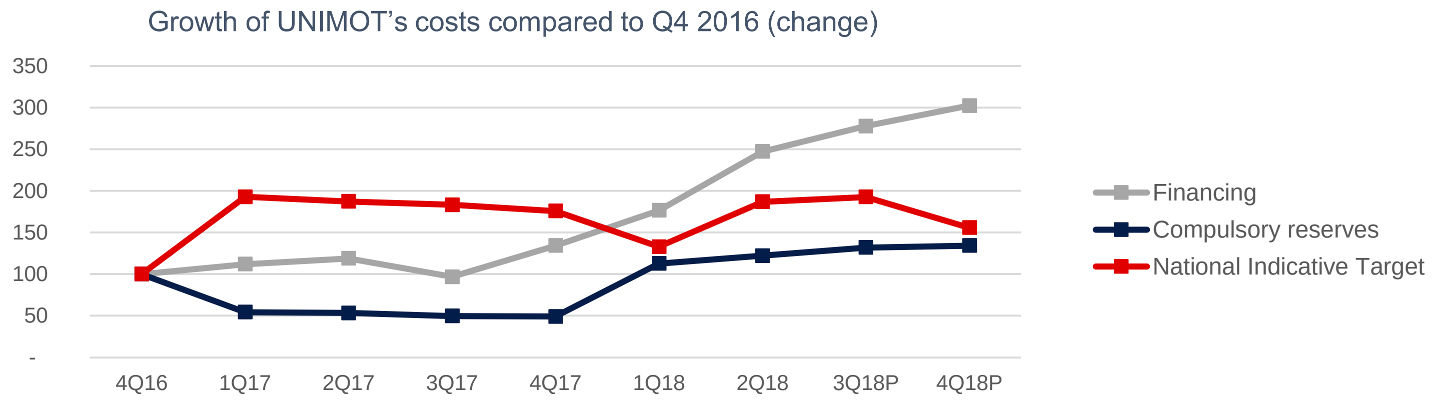
UNIMOT S.A.

- Payment of a record dividend to the shareholders (PLN 1.7 per share)

* adjusted for an estimated higher diesel compulsory reserve valuation (driven by a significant spread of diesel spot quotations and forwards quotations), movement of cost over time (NIT, compulsory reserve) and provisions

MARKET ENVIRONMENT OF DIESEL – LAND PREMIUM





Further diesel consumption growth
– by **5%** yoy in Q2 2018 (source: PKN Orlen)

Major factors influencing the level of Unimot's wholesale margins

REVENUE SIDE

- Sales volumes
- Land premium level
- Dynamics of volatility in diesel market prices (high growth dynamics – negative impact; high fall dynamics – positive impact)

COST SIDE

- Product purchase cost (conditioned by diesel quotations)
- Logistics cost
- NIT fulfilment cost**
  (dependent on NIT and blending levels as well as diesel and bio-components price spread – FAME quotations)
  – higher yoy
- Compulsory reserve cost ("distributed" over sold volumes)
  – higher yoy

* Difference among diesel prices of biggest Polish producers (excluding discounts) and Platts ARA quotations (diesel prices in ARA ports); *land premium ≠ UNIMOT's margin* *** Revenues representing these costs will be recorded in the books with a delay*

DIESEL MARKET ENVIRONMENT – CHANGES OF LAST QUARTERS

In 2016 no significant impact of inventories valuation on financial results. Profits and margins that the company demonstrated in the public issuance of shares were purely of business nature.

Public issuance of shares and debut on the WSE

Publication of the Strategy that assumes diversification of activity

February 2017

June 2018

Changing market environment of diesel business, among others:

- growth of diesel prices o markets from approx. USD 500 to almost USD 700 and growth of interest rates, which influenced cash flows and financing costs → **approx. PLN 2 million per year**
- change in the structure of futures market, which was reflected in higher costs of compulsory reserve → **approx. PLN 9 million per year**
- changes related to the National Indicative Target, including the obligation of blending and imprecisely defined moment of NIT fulfilment in previously valid law → **approx. PLN 5 million per year**
- pricing policy of biggest Polish fuel concerns

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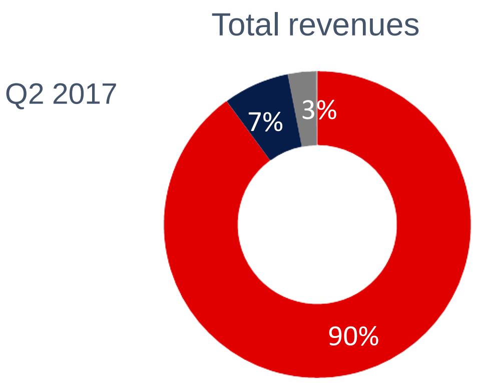
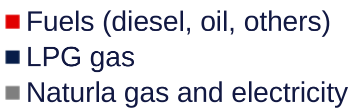
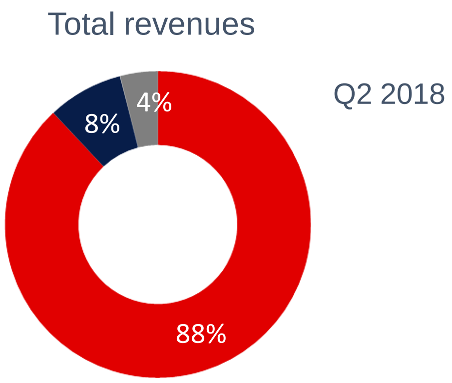
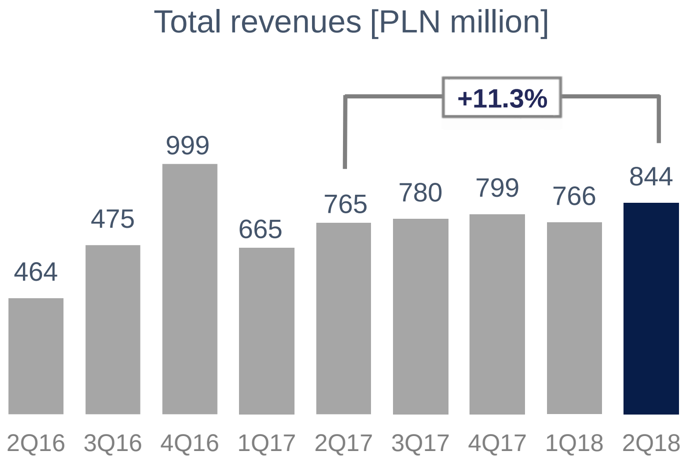
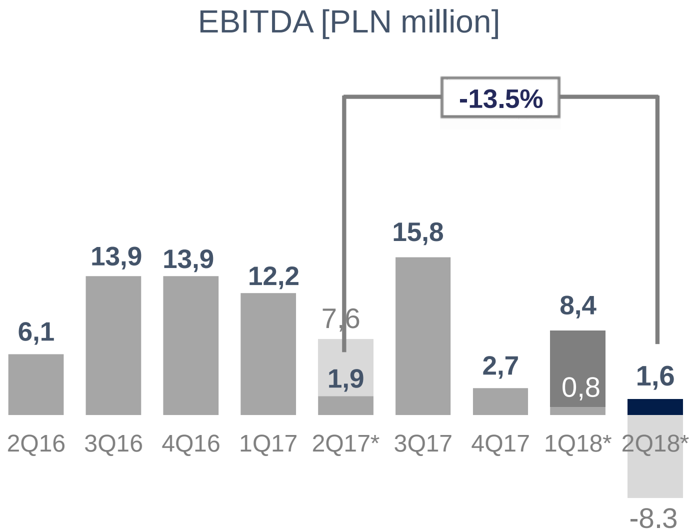
KEY FINANCIAL DATA

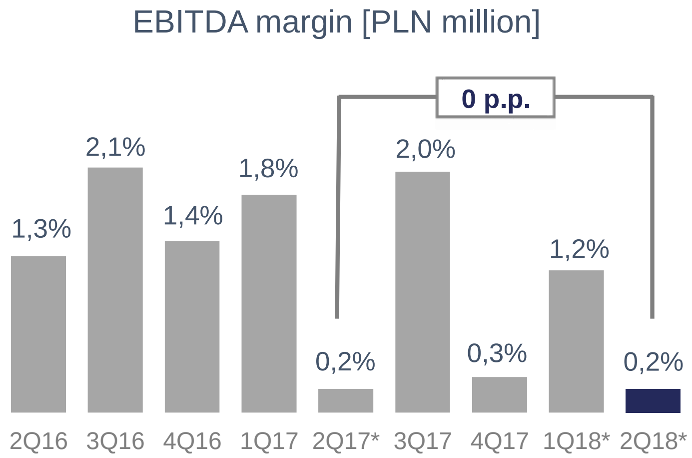












* adjusted for an estimated higher diesel compulsory reserve valuation (driven by a significant spread of diesel spot quotations and forwards quotations), movement of cost over time (NIT, compulsory reserve) and provisions

INCOME STATEMENT

[PLN thousand]	Q2 18	Q2 17	Q2 18/ Q2 17	H1 18	H2 17	H1 18/ H2 17
Net revenues	**843 944**	**774 757**	**+8.9%**	**1 521 381**	**1 440 538**	**+5.6%**
Gross profit on sales[1]	**20 738**	**30 679**	**-32.4%**	**40 964**	**65 005**	**-37.0%**
Gross profit on sales margin[1]	2.5%	4.0%	-1.5%	2.7%	4.5%	-1.8%
Operating profit	**-9 196**	**6 459**	**-**	**-14 682**	**17 559**	**-**
Operating profit	-	0.8%	-	-	1.2%	-
EBITDA[2]	**-8 274**	**7 639**	**-**	**-7 498**	**19 859**	**-**
EBITDA margin	-	1.0%	-	-	1.4%	-
Adj. EBITDA[3]	**1 638**	**1 891**	**-13.4%**	**10 087**	**14 111**	**-28.5%**
Adj. EBITDA margin[3]	**0.2%**	**0.2%**	**0.0 p.p.**	**0.7%**	**1.0%**	**-0.3 p.p.**
Net profit	**-12 463**	**4 164**	**-**	**-14 429**	**12 100**	**-**
Net profit margin	-	0.5%	-	-	0.8%	-

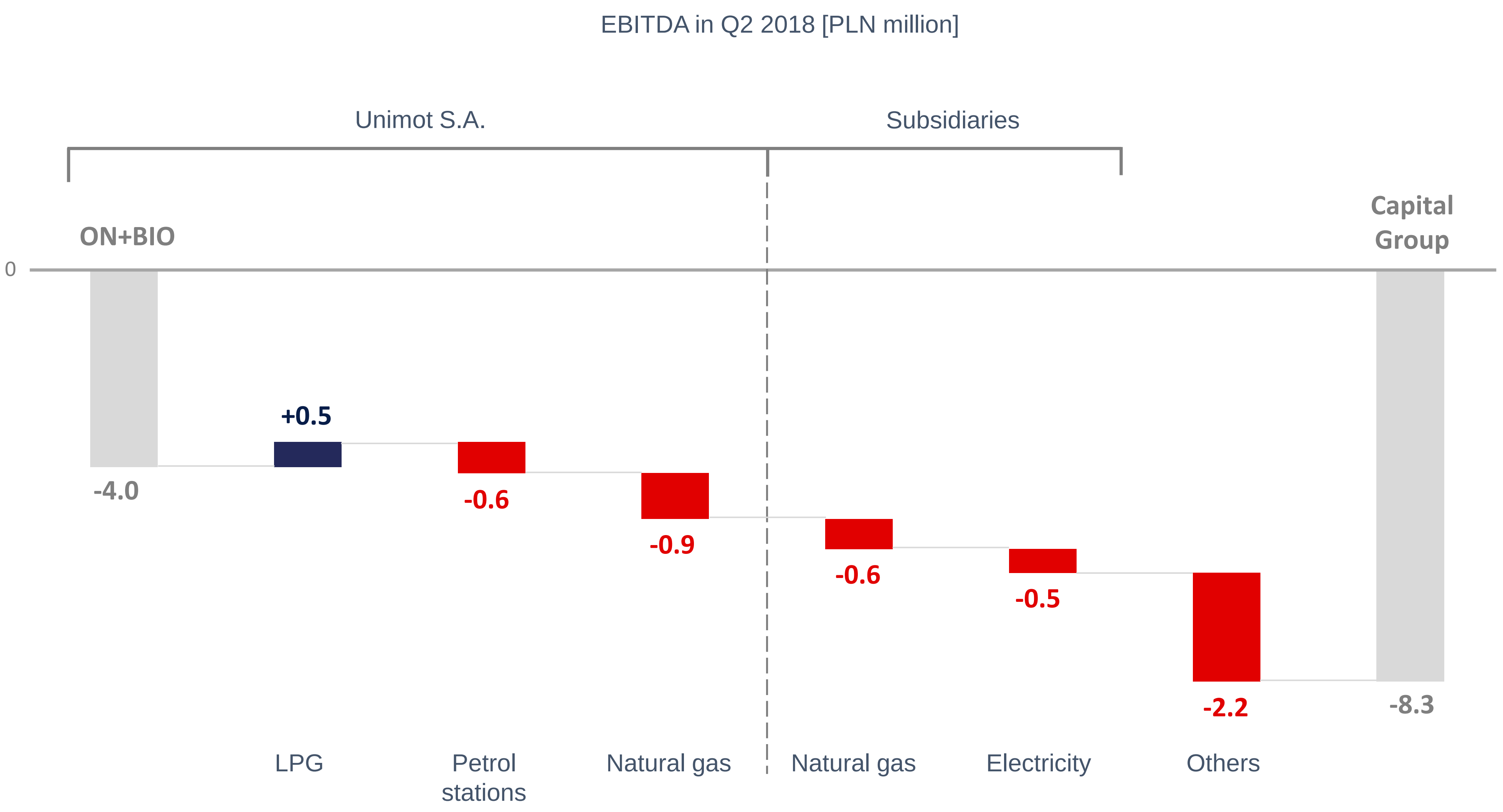
[1] The item includes realised and unrealised exchange rates and assets and liabilities valuation, in this inventories

[2] Earnings Before Interest, Taxes, Depreciation and Amortisation)

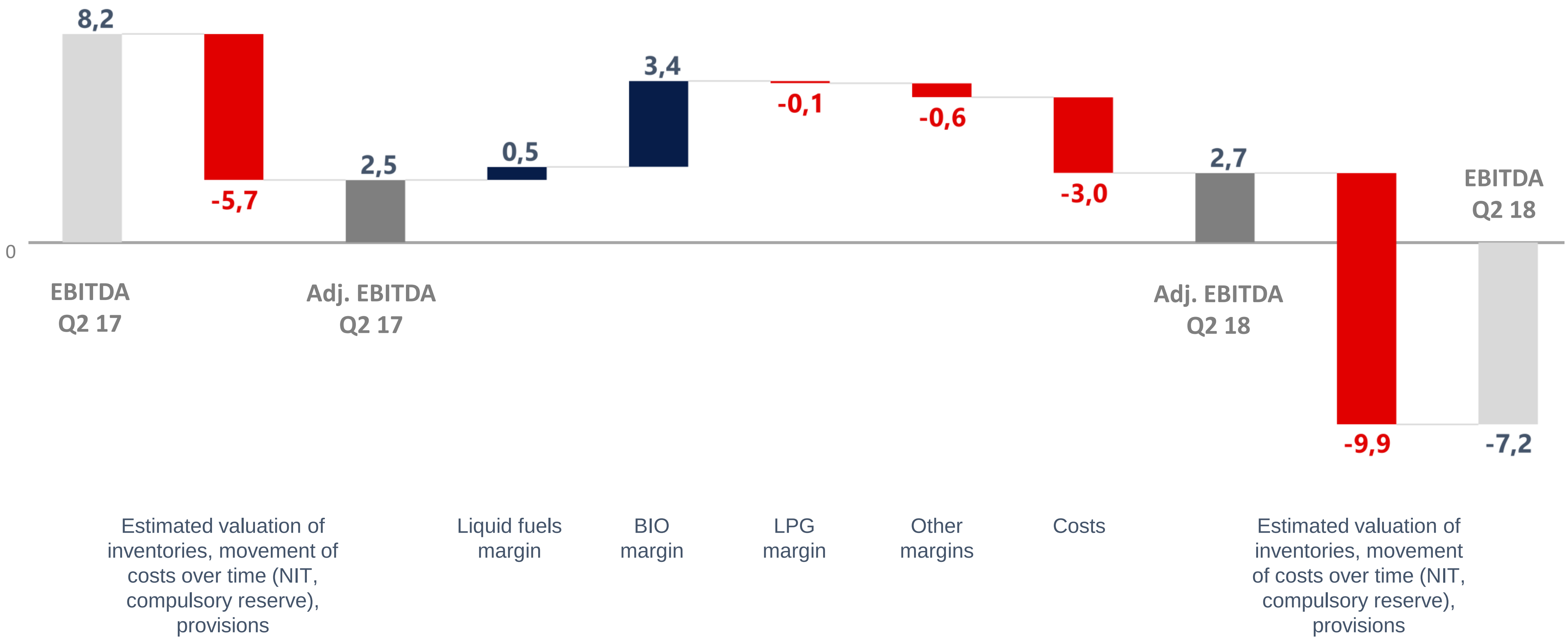
[3] Adjusted for an estimated higher diesel compulsory reserve valuation (driven by a significant spread of diesel spot quotations and forwards quotations), movement of cost over time (NIT, compulsory reserve) and provisions

Since 2018 according to IFRS 15, revenues and costs of wholesale energy trade through power exchanges and brokerage platforms have been included directly into the financial revenues/costs, not as previously into the revenues on sales. The Group has applied the retrospective method with a combined result of first application of IFRS 9 and IFRS 15 in retain profits since 1st January 2018. According to the selected method comparative data is not converted.

PARTICULAR BUSINESSES CONTRIBUTION TO CONSOLIDATED EBITDA



MAIN REASONS FOR LOWER STANDALONE RESULTS FOR Q2 18/Q2 17



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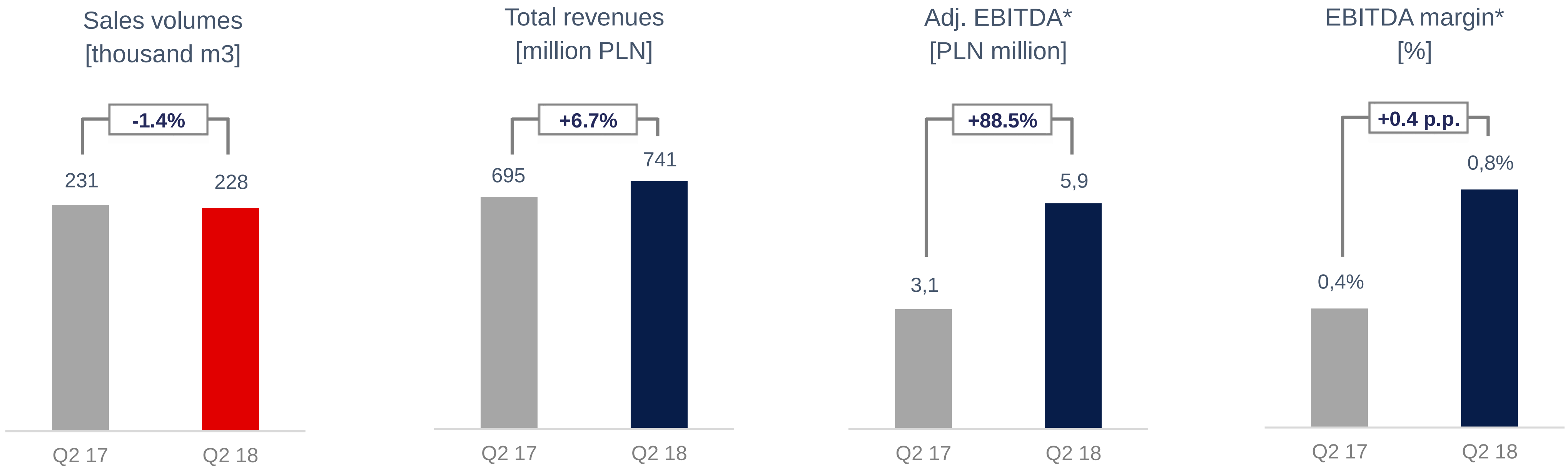
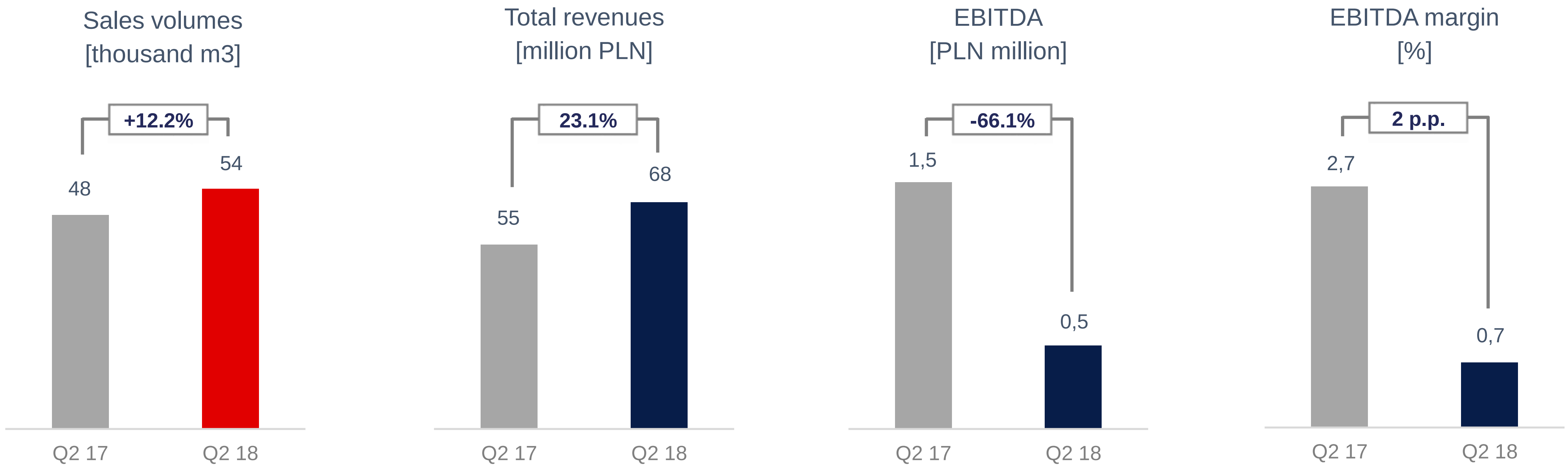
DIESEL+BIO SEGMENT



- Lower volumes of diesel sale driven by a more difficult market situation for independent importers in Q2 2018
- Higher volumes of petrol sales resulting from executing the first significant transaction in maritime fuel trade (30 thousand tonnes of petrol)
- Dynamic growth in diesel prices in April and May of the present year, which had a negative impact on levels of margins
- Higher costs of the NIT fulfilment, mainly driven by new settlement of blending index (78% in Q2 2018)
- Higher costs of compulsory reserve
- Lower diesel compulsory reserve valuation driven by a significant change of the spread of diesel spot quotations and forwards quotations (book loss, non-financial income)
- Similar volumes of bio-fuels sales despite a more difficult market; expanding the cooperation with other companies operating in the fuel market

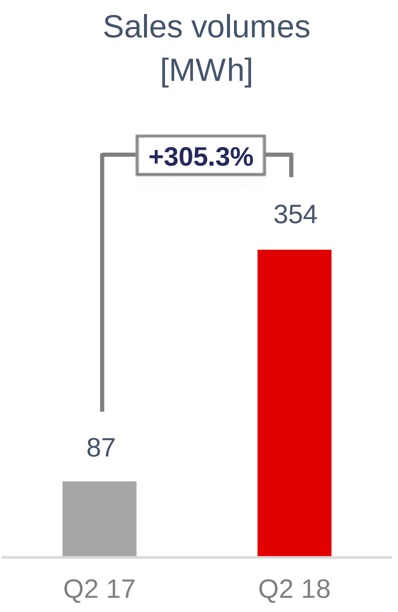
* Adjusted for an estimated higher diesel compulsory reserve valuation (driven by a significant spread of diesel spot quotations and forwards quotations), movement of cost over time (NIT, compulsory reserve) and provisions

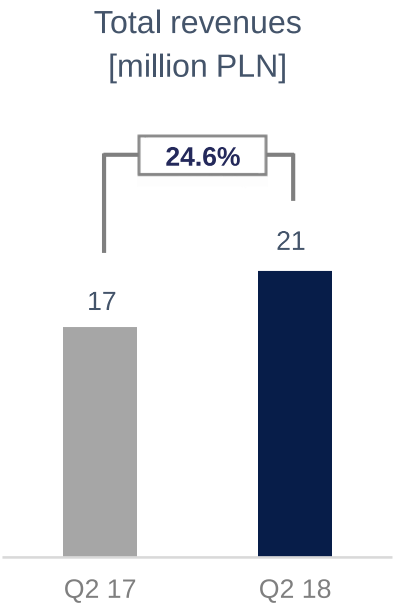
LPG SEGMENT

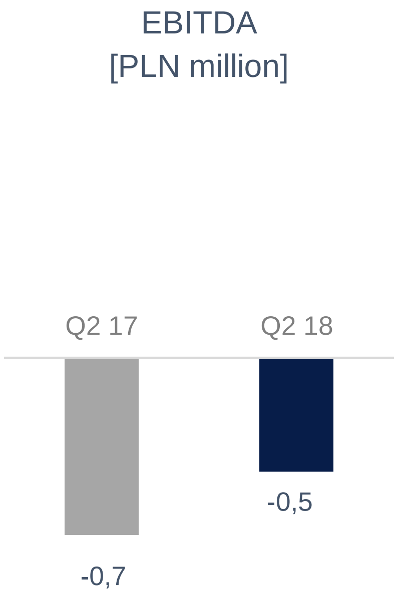


- Higher sales volumes following the further market expansion in the scope of wholesale and foreign sales development
- Higher market prices of LPG purchase (in line with oil and currencies)
- Remaining since Q1 2018 unstable LPG supplies to Poland – logistic limitations (lower capacity and railway tracks and depot gates blockades) resulting in sales impediments and decrease in attractiveness of carried out assignments, significant problems with time adjustment of product purchase and sale (the influence of fluctuating price on margins); to neutralise this effect the Group commenced utilisation of alternative gas supply sources to own depot (road transport) – increased predictability, more favourable margins in the light of fluctuating prices
- Higher price pressure on the autogas market
- Refurbishment of one of transhipment terminals (primary one for UNIMOT) – additional impediments and logistic costs

ELECTRICITY SEGMENT







[thousand PLN]	H1 2018	H1 2017
Revenues		
Tradea	32 718	28 027
UEiG	13 376	12 217
EBITDA		
Tradea	4 061	518
UEiG	-1 038	-999

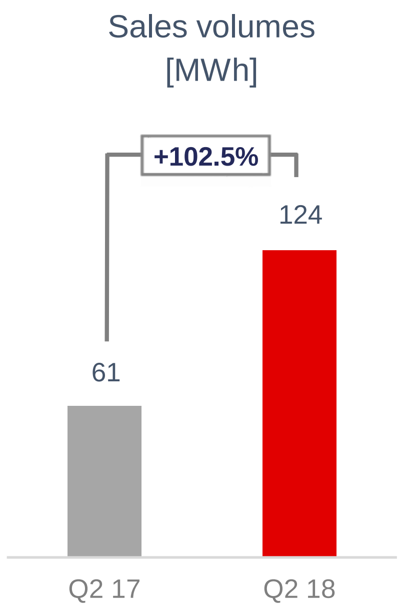
Standalone data of subsidiaries

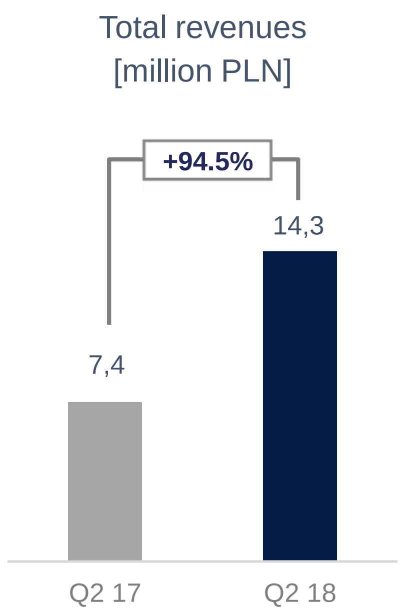
- Higher sales results in wholesale energy trading through exchange and brokerage platforms (since present year the result is demonstrated in the item „Revenues/Financial Costs" according to MSFF 15, but included into EBITDA)
- Intensive sales activities in the sales to final customers segment – a record number of acquired new contracts
- Negative EBITDA result in the segment of electricity sale to final customers due to business functioning model – incurring ongoing costs of segment functioning and the revenues will occur in the future, the moment the signed delivery contracts come into force

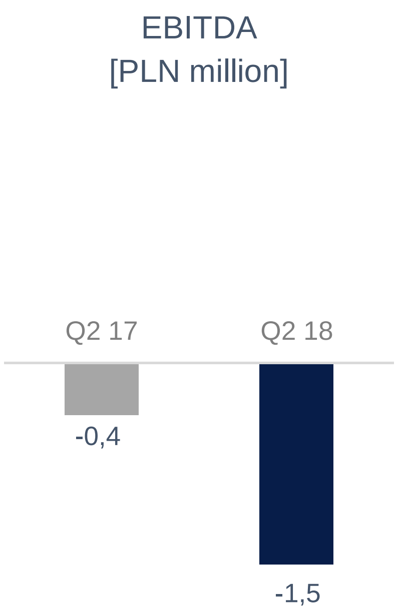
Future revenues from contracts signed with customers as of 30.06.2018 in UNIMOT EiG

[in PLN thousand]	07.2018 – 2022
Future revenues	44 755
Gross profit on sales	6 927
Costs of contracts acquisition	(2 137)
Profit on sales	**4 790**

NATURAL GAS SEGMENT



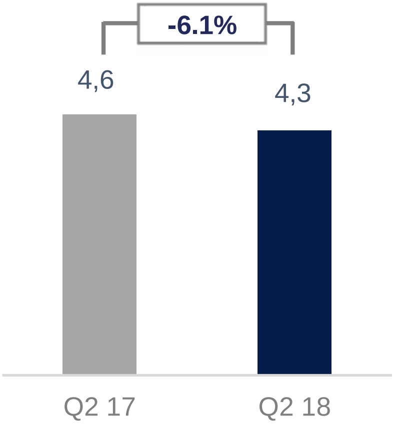




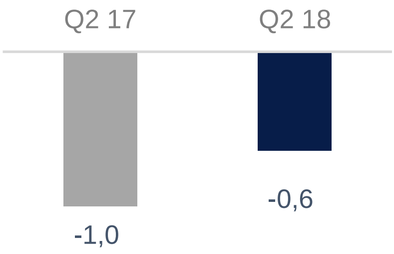
- Conducted activity: natural gas trade, sales and distribution (in-house infrastructure and PPE)
- Higher sales volumes
- Higher sales and distribution prices (according to new, significantly higher tariffs) and lower purchase prices (newly-signed contract at a significantly lower price)
- Negative financial results driven primarily by: high interest rates of subsidiaries, high prices of natural gas purchase (a new contract has been in force since August 2018) and unfavourable levels of sales and distribution tariffs (new tariffs have been in force since August 2018)

PETROL STATIONS SEGMENT

Revenues
[PLN million]



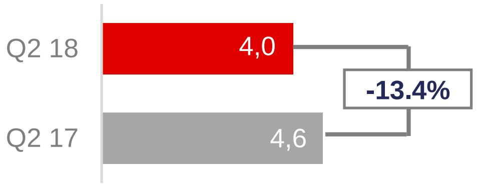
EBITDA
[PLN million]



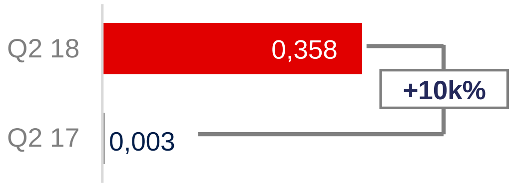
Volume of fuels sold at AVIA stations in Q2 2018: **9.2 million of litres**

- Lower revenues in Q2 2018 result mainly from: losing volumes from a significant customer (lost tender and significantly lower transport)
- Positive effect of franchise for the stations – growth of sales and revenues at petrol stations

Revenues – own stations* [PLN million]



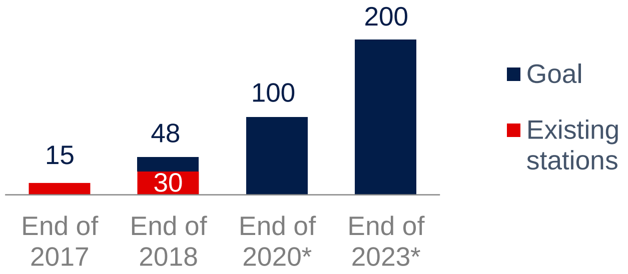
Revenues – franchise** [PLN million]



Expenditures on AVIA stations (2017-2018):

PLN 3.8 million

Number of stations in AVIA chain



- 8 AVIA stations launched in Q2 2018 (at the end of H1: 30 stations)

Types of Group's revenues from AVIA chain (most important ones at the top):

1. **Wholesale margin**
2. **Investment charges**
3. **Fixed charges**
4. **Other charges**

Revenues booked in the result of **Diesel+BIO segment**

Revenues booked in the result of **Petrol Stations**

* Including revenues from sales of fuels
** Excluding revenues from sales of fuels (booked in Diesel+Bio segment)

AGENDA

PERSPECTIVES FOR FUTURE QUARTERS

LIQUID FUELS

- Further organic development – actions aimed at increase of sales, also abroad
- Intensive works on improvement of margins – search for new, attractive purchase opportunities
- Optimisation of logistic costs
- Partial „release” of compulsory reserve and application of ticket service
- „Recovery” of NIT fulfilment costs on compulsory reserve in Q4 2017*

LPG

- Actions aimed at further diversification of purchase sources
- Development of offer and expansion on tank installations market
- Stability of LPG supplies from the East may be a challenge

AVIA STATIONS

- Incorporation of further petrol stations into the AVIA franchise chain
- Development of franchise offer aimed at increased attractiveness
- Introduction of fleet card

NATURAL GAS

- Further analysis and actions aimed at optimisation of gas segment activity
- Further works on the concept of a LNG stations chain in Poland

ELECTRICITY

- Further development actions – acquisition of new customers and ensuring higher future profits
- Possible acquisitions of customer portfolios from other entities

UNIMOT GROUP

- Taking further reorganising actions aimed at distinct decrease of costs (strategic goal: PLN -10 million in 2019)

* Through sales of product without the obligation to fulfil NIT

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CASH FLOW STATEMENT

[PLN thousand]	Q2 18	Q2 17*
Operating activity cash flows		
Profit before taxation	(11 558)	5 081
Adjustments by items, in this:		
Amortisation	1 403	1 180
Net interests, transactional costs (concerning credits and loans) and dividends	1 844	1 387
Receivables change	12	(18 599)
Inventories change	(64 594)	54 471
Trade payables change	(14 278)	(3 367)
Net operating activity cash flows	**(82 828)**	**31 332**
Net investment activity cash flows	**(469)**	**(727)**
Net financial activity cash flows	**(14 858)**	**(5 612)**

* The Group has applied the retrospective method with a combined result of first application of IFRS 9 and IFRS 15 in retain profits since 1st January 2018. According to the selected method comparative data is not converted.

BALANCE SHEET

[PLN thousand]	06/30/2018	12/31/2017*
Fixed assets, including:		
Tangible assets	50 922	50 459
Intangible assets	20 362	20 501
Fixed assets in total	**84 074**	**80 508**
Current assets, including:		
Inventories	285 907	233 187
Trade and other receivables	269 297	245 948
Financial derivative instruments	756	14 842
Cash and cash equivalents	42 074	36 532
Total current assets	**602 779**	**538 012**
Total assets	**686 853**	**618 520**

[PLN thousand]	06/30/2018	12/31/2017*
Equity, including:		
Share capital	8 198	8 198
Other capitals	174 437	163 100
Total equity	**173 054**	**201 419**
Long-term liabilities, including:		
loans and other debt instruments	10 982	11 674
Total long-term liabilities	**28 354**	**23 218**
Short-term liabilities, including:		
overdrafts	266 308	140 575
Total short-term liabilities	**485 445**	**393 883**
LT and ST Liabilities	**513 799**	**417 101**
TOTAL LIABILITIES	**686 853**	**618 520**

* The Group has applied the retrospective method with a combined result of first application of IFRS 9 and IFRS 15 in retain profits since 1st January 2018. According to the selected method comparative data is not converted.

STRATEGY FOR 2018-2023

Primary goal:

Building the Group's value for the shareholders through increase of business efficiency and long-term diversification of activity. Financial security of our business activity as one of the most important values.

Strategic goals:

		in 2023
1	EBITDA growth	**PLN 75 million**
2	Efficiency growth	ROCE*: **15%**
3	Business diversification	**70%** EBITDA generated beyond the diesel unit
4	Development of AVIA in Poland	**200** of fuel stations
5	Annual dividend payment	**min. 30%** of UNIMOT S.A. net profit

BUSINESS PROFILE

UNIMOT

LIQUID FUELS

NATURAL GAS

ELECTRICITY

DIESEL OIL

BIO-FUELS

LPG GAS

NATURAL GAS

ELECTRICITY

AVIA

AVIA FUEL STATIONS

STRUCTURE OF THE CAPITAL GROUP

UNIMOT

58.74%

UNIMOT System Sp. z o.o.

construction and development of own natural gas distribution network in selected non-gasified areas

- **Blue LNG Sp. z o.o.** – natural gas regasification
- **PPG Warszawa Sp. z o.o.** – natural gas regasification

50.76%

Blue Cold Sp. z o.o.

LNG production based on inhouse methane liquefaction plant

100%

UNIMOT Energia i Gaz Sp. z o.o.

wholesale and retail sale of natural gas, electricity and LPG

100%

Tradea Sp. z o.o.

electricity trading, wholesale and retail customers

100%

Tankuj24.pl Sp. z o.o.

development of Group's activity in the liquid fuels sector – mobile application for online fuel purchases

100%

Unimot Ukraine LLC

development of AVIA chain in Ukraine

NATIONAL INDICATIVE TARGET REALISATION – CURRENT LOW

Obligation to fulfil NIT in 2018: **7.5%**

Possible to decrease to the level of **6.45%** by applying reduction coefficient (0.86), applied by UNIMOT

NIT FULFILLMENT IN 2018

1. Quarterly obligation and blending settlement*

   - **Q1: min. 50%** of obligation fulfilled through blending
   - **Q2: min. 78%** of obligation fulfilled through blending
   - **Q3: min. 78%** of obligation fulfilled through blending
   - **Q4: min. 57%** of obligation fulfilled through blending

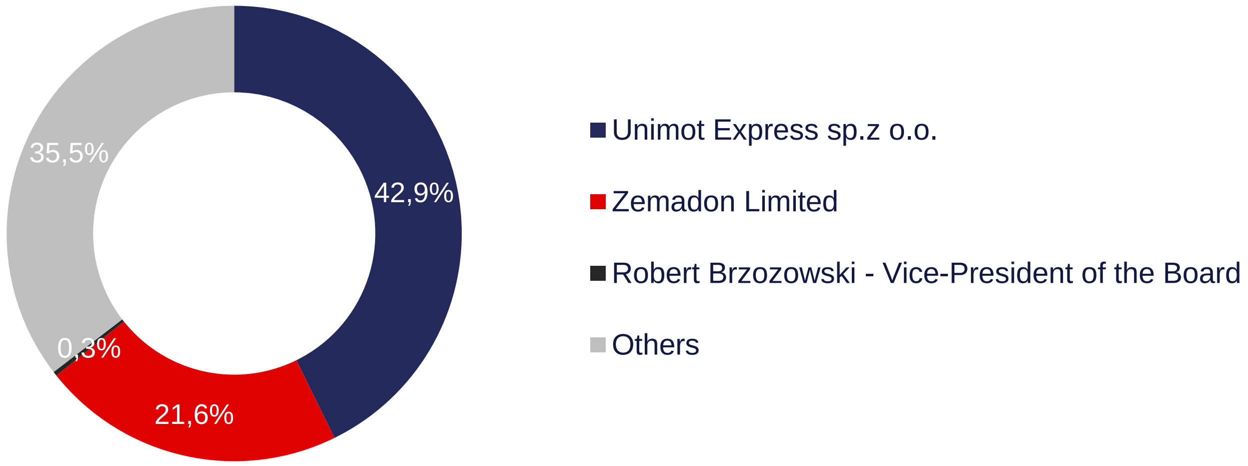
2. Optional compensatory payment (made in return for reducing the scope of NIT fulfilment to the level of 5.48%, i.e. by max. 15% of total required NIT; <u>does not remove the obligatory blending or reduce its scope)</u>

* * Levels for diesel at decreased level of NIT fulfilment: 6,45% (petrols: 50% each quarter)

SHAREHOLDERS OF UNIMOT S.A.

Shareholder	No. of shares	Share in capital	No. of votes	Share in votes
Unimot Express Sp. z o.o.	3 464 461	42.26%	3 814 461	42.87%
Zemadon Limited	1 572 411	19.18%	1 922 411	2.61%
Robert Brzozowski – Vice-President of the Board	25 730	0.31%	25 730	0.29%
Others	3 160 946	38.56%	3 160 946	35.52%
Total	**8 197 818**	**100.00%**	**8 897 818**	**100.00%**

Share in capital of Unimot S.A.



As of 06/30/2018

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