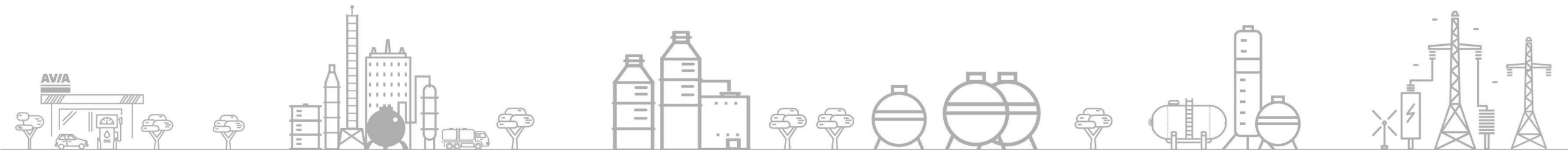




# The UNIMOT Group's strategy for 2018-2023

June 2018



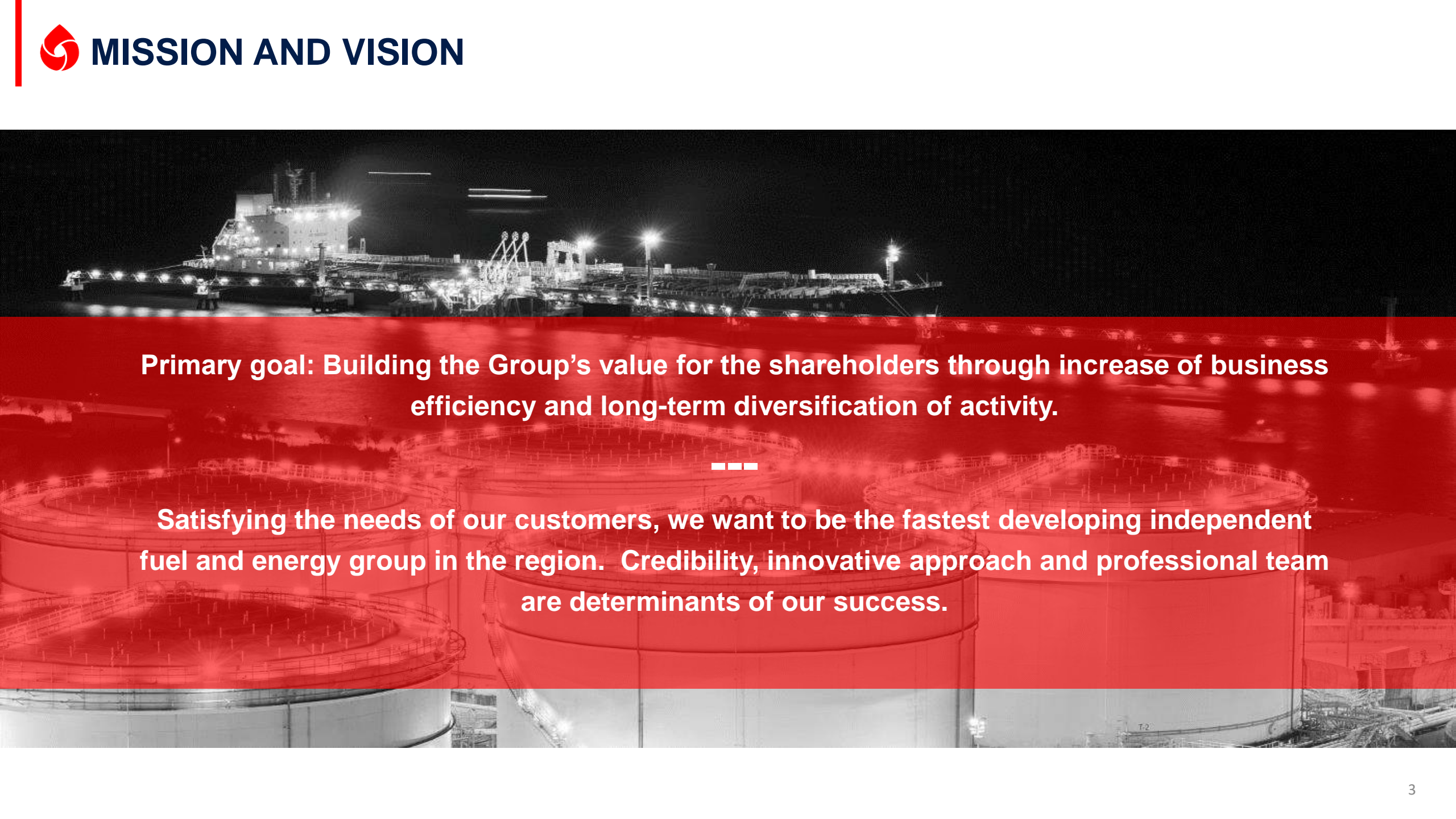
# AGENDA



1. Where do we operate and where are we heading?

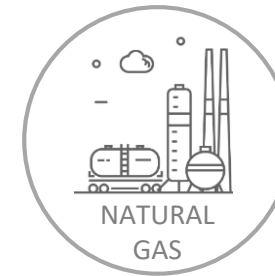
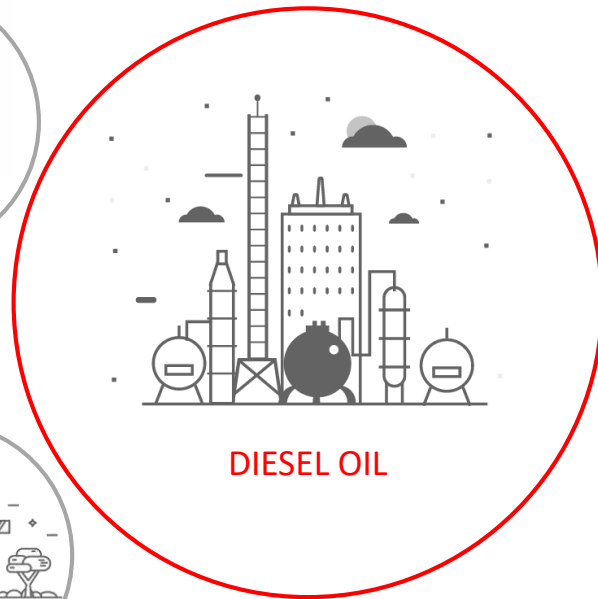
2. What are our goals?

3. How will we achieve them?



**Primary goal: Building the Group's value for the shareholders through increase of business efficiency and long-term diversification of activity.**

**Satisfying the needs of our customers, we want to be the fastest developing independent fuel and energy group in the region. Credibility, innovative approach and professional team are determinants of our success.**



Import and  
distribution of  
diesel as a Group's  
primary business

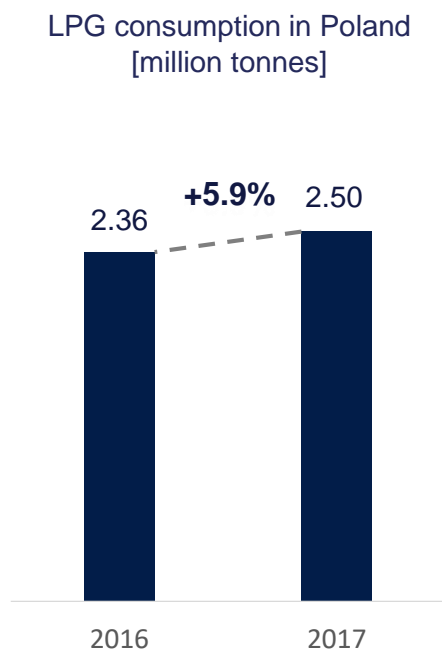
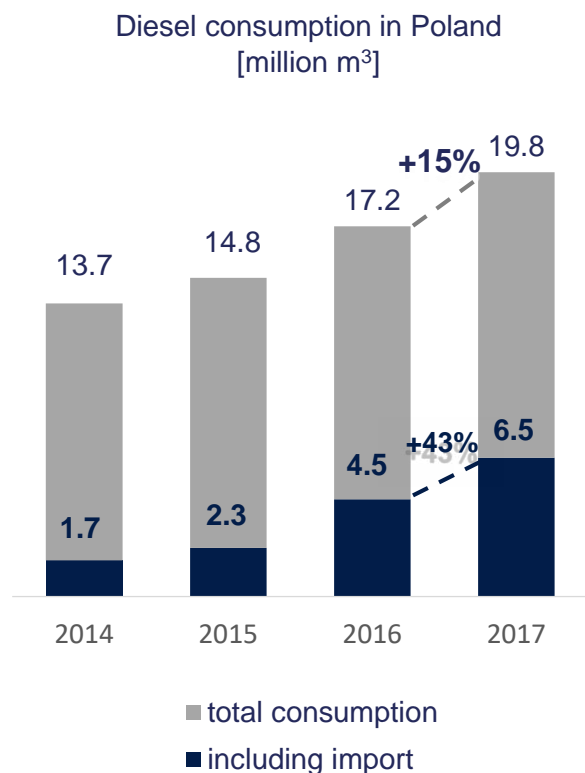




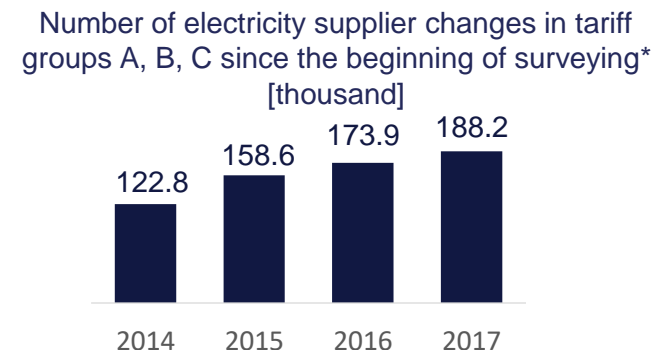
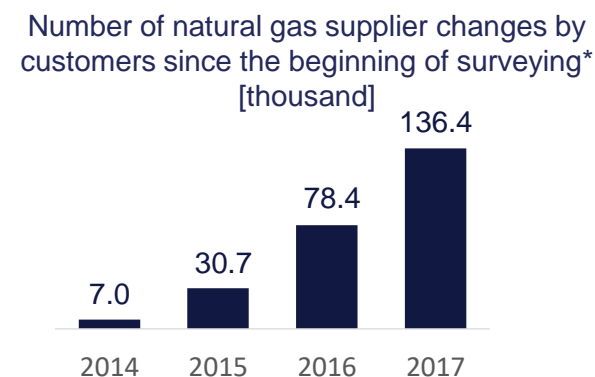
# RECENT YEARS – GROWTH OF MARKETS WE OPERATE IN

**Growing demand for diesel and LPG in Poland  
and even faster growing import**

**Further liberalisation of natural gas  
and electricity markets**



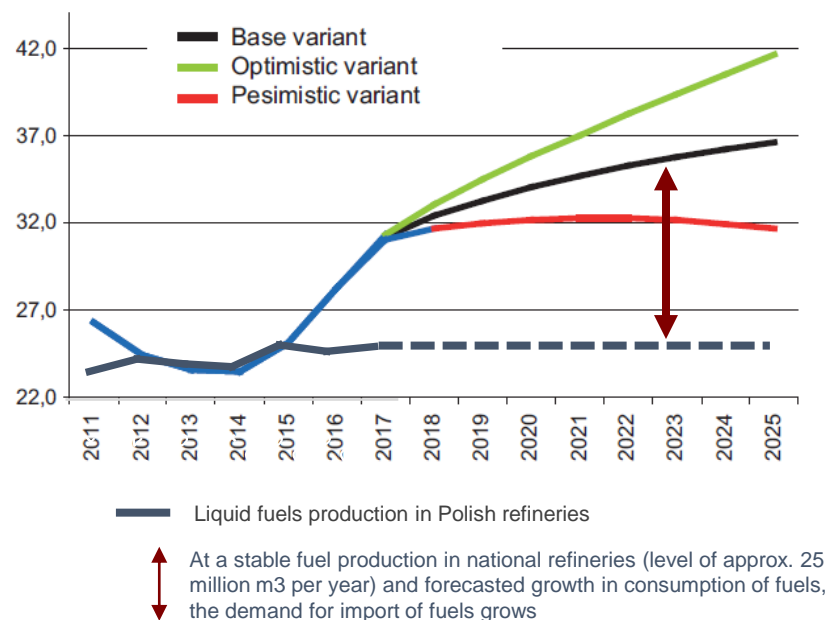
Share of import in national consumption  
in 2017: **82.8%**



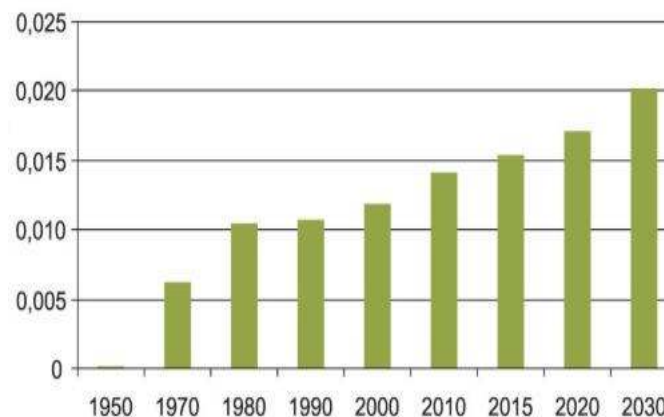


# FUTURE YEARS – FURTHER GROWTH OF FUEL, GAS AND ELECTRICITY MARKETS

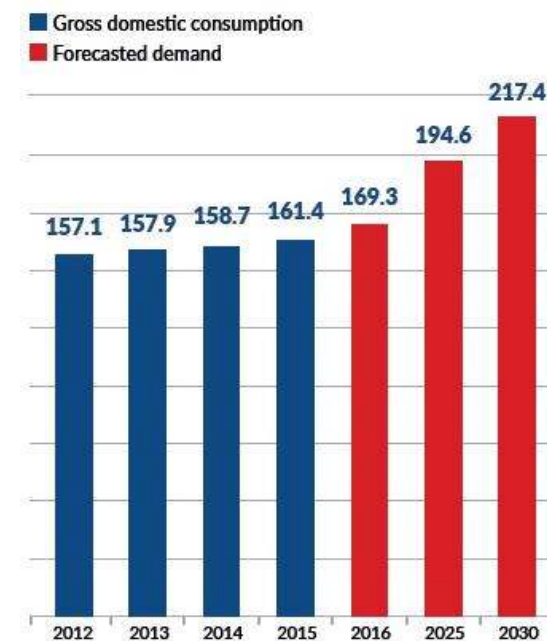
Scenarios of the demand for liquid fuels in Poland\*  
[million m<sup>3</sup>]



Natural gas consumption in Poland\*\*  
[billion m<sup>3</sup>]



Demand for electricity in Poland\*\*\*  
[TWh]



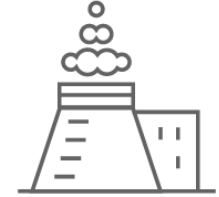
# FUTURE YEARS – MARKET TRENDS



Diesel development towards significantly **lower emission** of **CO<sub>2</sub>** and nitrogen oxides



Increased interest in the offer of **station shops** due to trade restrictions on Sundays



Green trend and green regulations aimed at **smog reduction** facilitating low-emission energy carriers development



Growth of interest in **powering** industrial and municipal facilities **with gas fuel** (the need to modernise facilities, growing prices of heating oil and LPG)



**Electromobility development in the countries of Western Europe** creating potential for growth of diesel-powered vehicles import to Poland

# NEXT YEARS – LEGAL ENVIRONMENT

## Introduction of the „emission fee”

Introduction of the **PLN 0.08 emission fee** added to each litre of petrol and diesel will provide revenue for the newly-created Low-Emission Transport Fund.

The fee poses a challenge for the diesel import while having a positive influence on the LPG business (increased interest in this fuel) and other alternative fuels.



## Partially implemented EU’s regulations; „current” ones are imprecise

### Necessity to fulfill NIT with increased proportion of blending

Requirement to provide, in any given year, a minimum share of biocomponents and other renewable fuels in the total amount of liquid fuels sold, disposed of or used in another form for own needs, according to the **National Indicative Target**. The minimum share is expected to increase in the years to come.

A decrease, in 2019 vs 2018, and subsequent removal of the possibility to apply a reducing coefficient for compliance with the National Indicative Target requirement

## Introduction of the National Reduction Goal

From 2020 **entities producing or importing fuels**, which dispose of them in the territory of Poland, will have to comply with the **National Reduction Goal** which is meant to further reduce emission of greenhouse gasses in the fuel life-cycle per energy unit.

Necessity to. change the structure of sold fuels towards decarbonised fuels





**We believe in the markets we operate in and we understand the direction of change in trends.**

**We want to actively participate in those changes.**

**With a flexible approach to our activity, we will focus on the most attractive businesses in the fuel and energy area.**



**Credible, independent and diversified fuel and energy group**

**All products and services under the common brand** 

# AGENDA



1. Where do we operate and where are we heading?

**2. What are our goals?**

3. How will we achieve them?



A photograph of an AVIA gas station at night. The station is illuminated by its own lights, with the large 'AVIA' sign on the canopy being the most prominent feature. Below the canopy, there are several gas pumps and a convenience store area with a sign that says 'Sklep'. The background is dark, suggesting it is nighttime. A red semi-transparent banner is overlaid across the middle of the image, containing white text.

**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

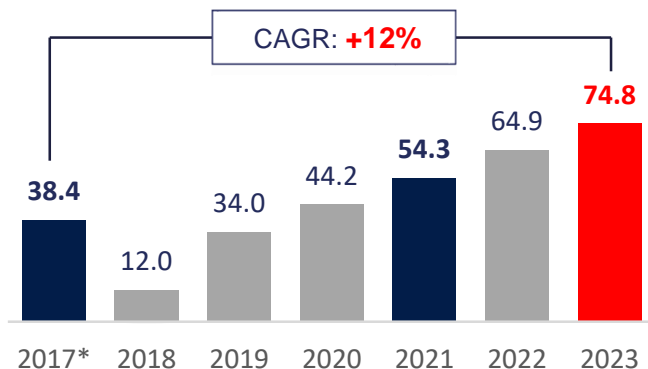


**min. 30%** of UNIMOT S.A. net profit



## GROUP EBITDA

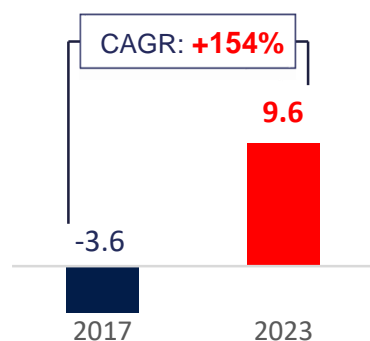
[PLN million]



- In 2018, compared to 2017, a lower EBITDA is expected due to, among others, lower unit margins in diesel and LPG (demanding external environment, among others, higher costs of NIT and compulsory reserves storage, higher logistics costs driven by stoppages on railways and at transshipment terminals) as well as a negative impact of diesel compulsory reserve valuation. Additionally, a positive impact of the natural gas business and the AVIA chain has not yet occurred.
- In successive years our EBITDA will be significantly influenced by the AVIA chain development (a larger number of stations, higher sales volume and revenues from fleet cards and shops) and the electricity business.

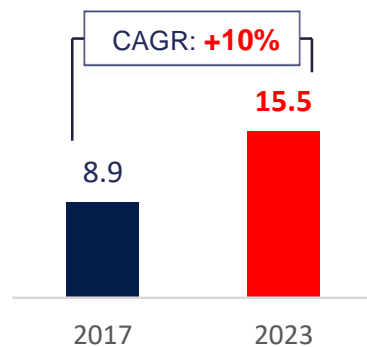
## EBITDA – Fuel stations\*\*

[PLN million]



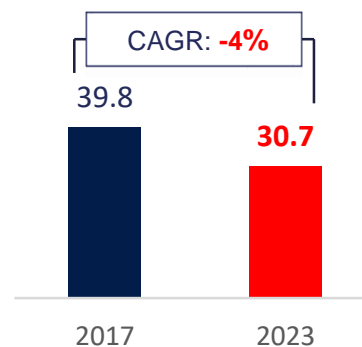
## EBITDA – LPG

[PLN million]



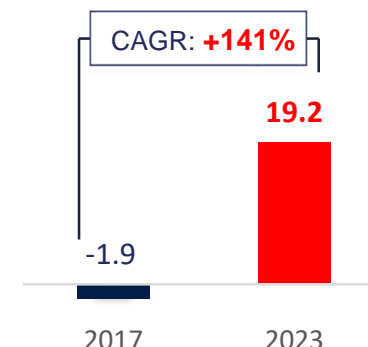
## EBITDA – Liquid fuels\*\*\*

[PLN million]



## EBITDA – Electricity and gas

[PLN million]

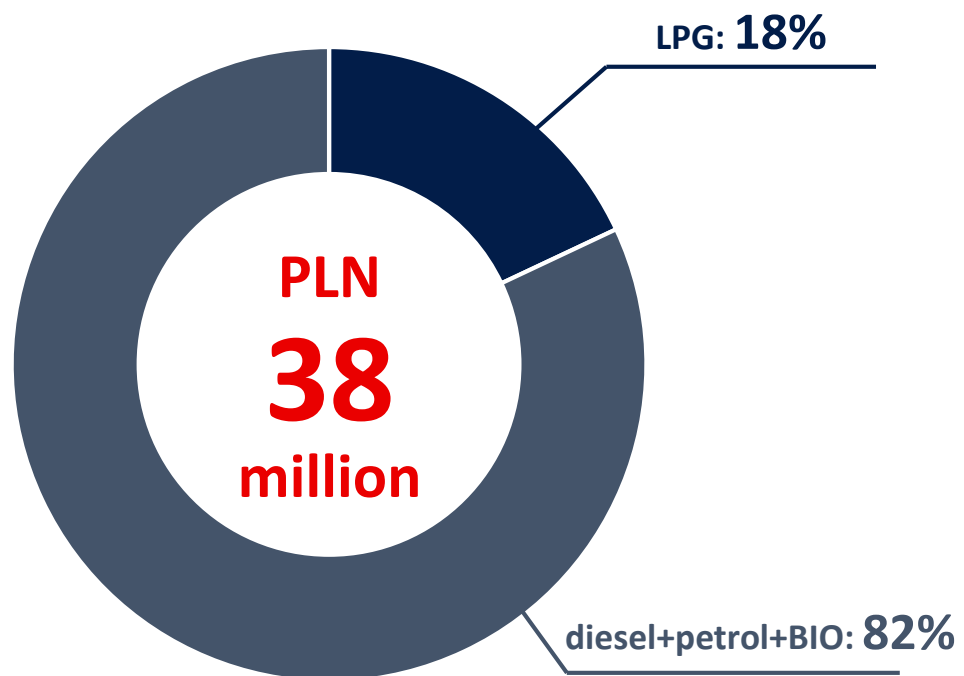


\* Includes compulsory reserves valuation impact

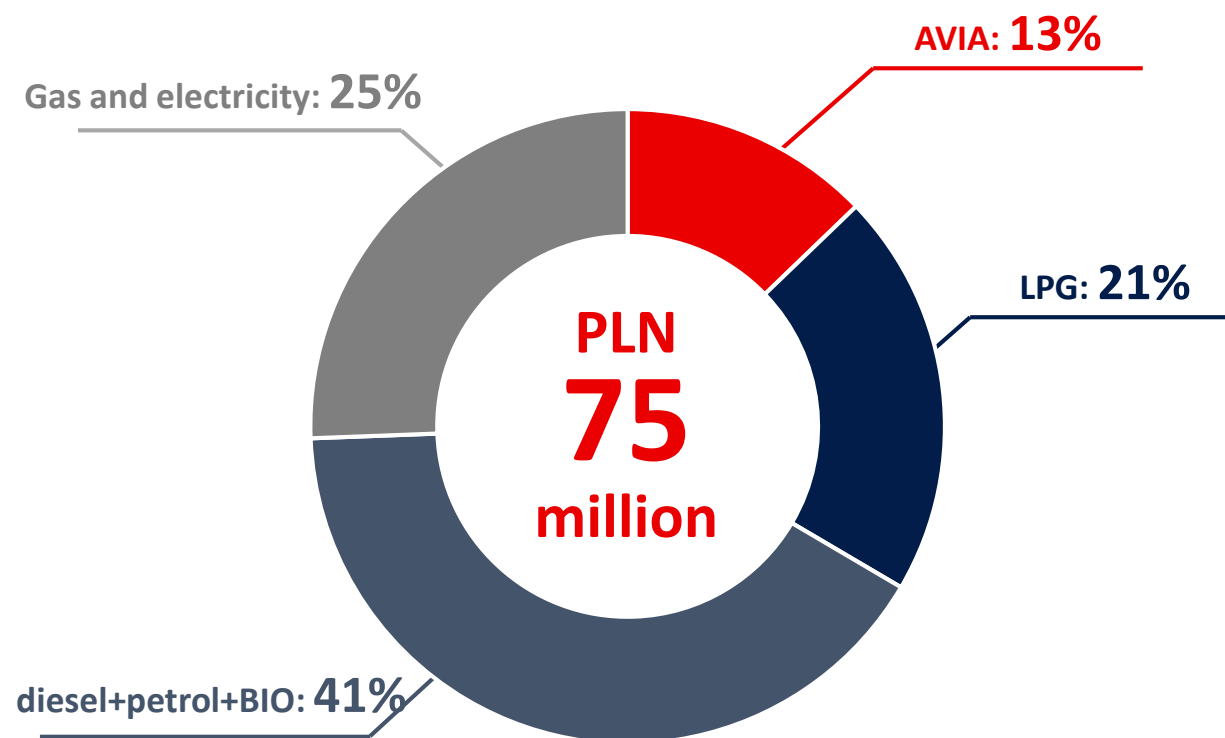
\*\* Also includes Tankuj24.pl business

\*\*\* diesel, bio-fuels, petrol

**2017**



**2023**



## Stage I

2018



period of business  
**reorganisation**  
and optimisation



## Stage II

2019-2023



period of **results** of the actions  
conducted in previous  
years

**Initiation of the process of operating costs optimisation aimed at achieving a more competitive position in the market**

Operating costs – optimising actions in 2018  
(full effect in 2019)

**-9.5%**

=

**PLN -10 million**

Cost reduction does not take into account possible resources for additional projects.  
Effect has not been included in demonstrated EBITDA.



# PILLARS OF STRATEGY IMPLEMENTATION – UNIMOT'S ADVANTAGES

**Independence, supply flexibility and efficient reactions to market changes**

**Possession of own retail channel under the AVIA brand**

**Experience in developing new businesses**

**High financial liquidity**

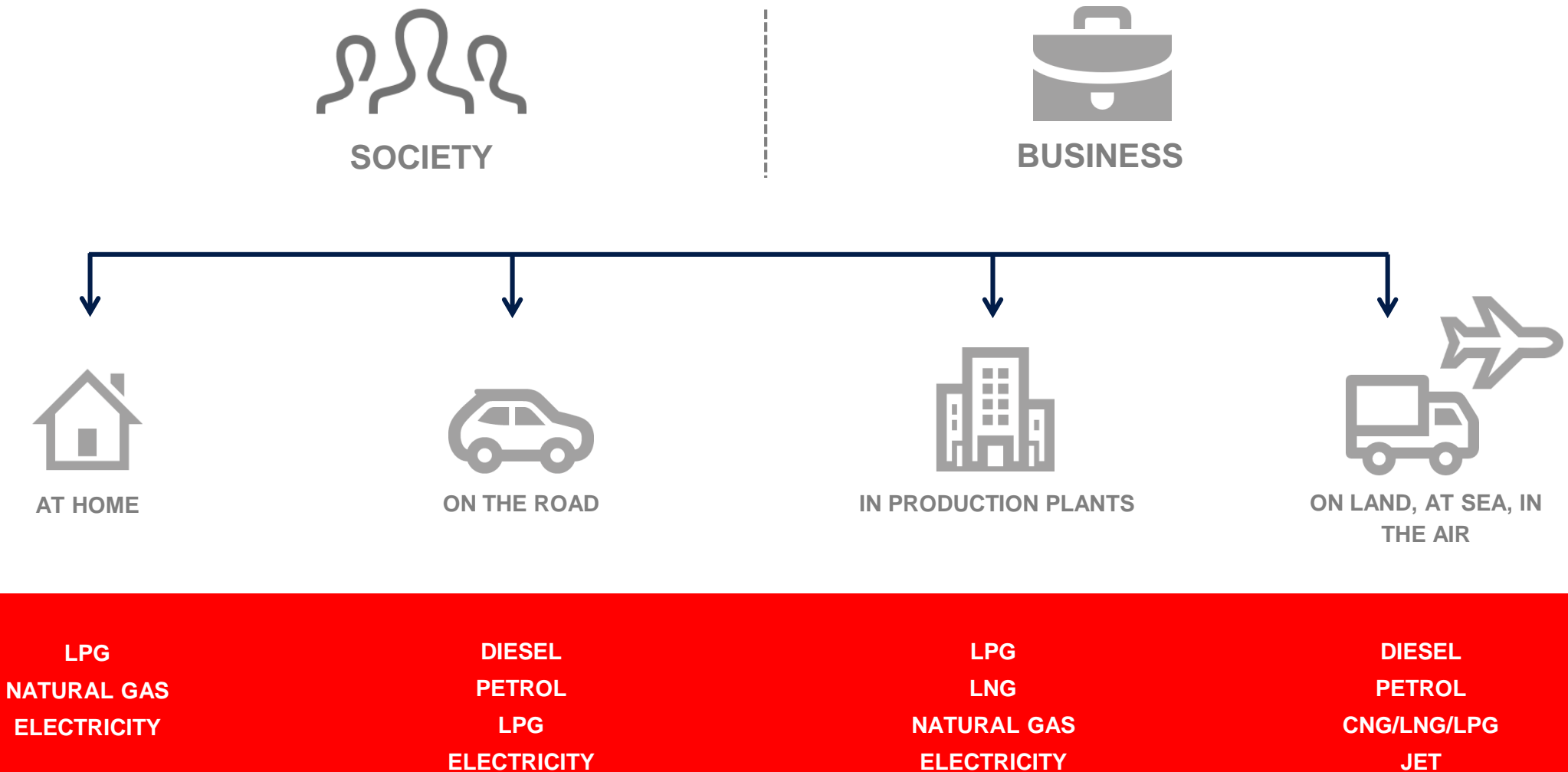
**Highly-qualified team of professionals with industry experience**







# DIVERSIFIED OFFER – BEING EVERYWHERE



# AGENDA



1. Where do we operate and where are we heading?
2. What are our goals?
- 3. How will we achieve them?**



# AVIA: STRATEGIC INITIATIVES

**Goal: Building a new source of profits in the form of non-fuel products and ensuring a sales channel for approx. 30% of sold fuels in 2023**



Improved attractiveness of the franchise offer

Introduction and development of a fleet card

**200**

stations in 2023

(focus on more prestigious locations)

Development of non-fuel sales

Increased number of own stations



# AVIA: INTRODUCTION AND DEVELOPMENT OF A FLEET CARD

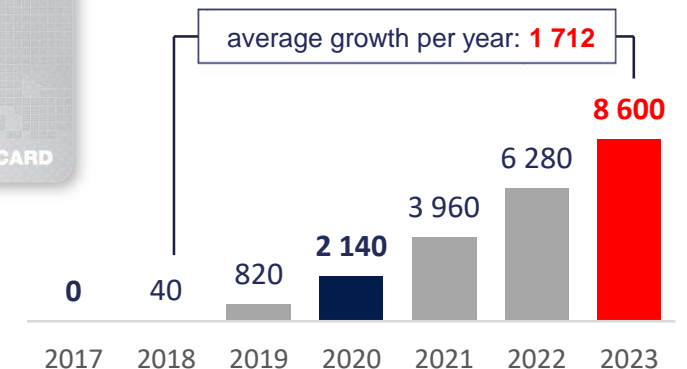


Implementation and sale of a co-brand card with a fleet operator

Cooperation in fleet card sales with sales forces of other Group's segments



Number of plnned customers  
[qty]





# AVIA: INCREASED ATTRACTIVENESS OF THE FRANCHISE OFFER

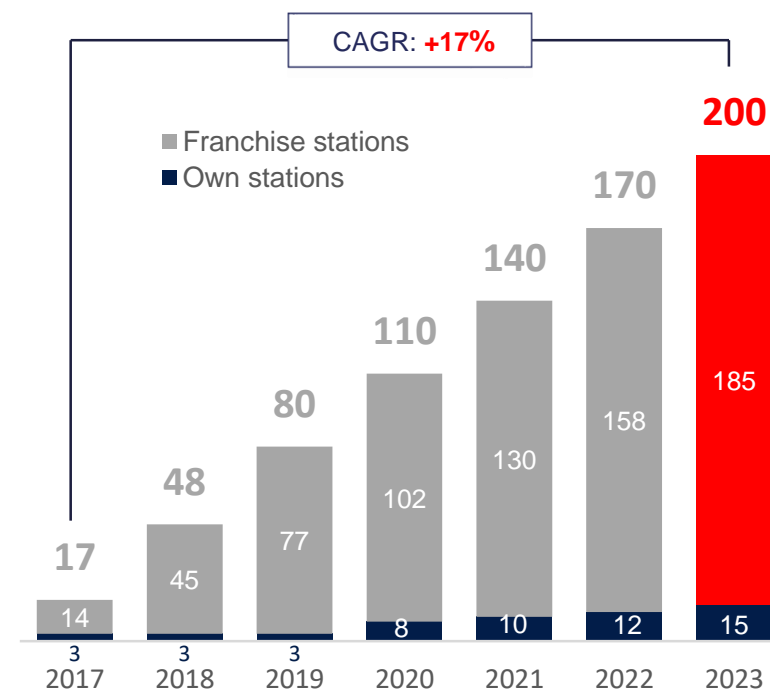


Flexibility of cooperation terms depending on customer's potential

Possibility to co-finance selected stations (to franchisees) in order to create several flagship stations in attractive locations

Broaden the franchise offer with products and services of third parties (e.g. pumps, fuel installations, thermal insulation of buildings)

Number of expected stations  
[qty]







# AVIA: DEVELOPMENT OF NON-FUEL SALES

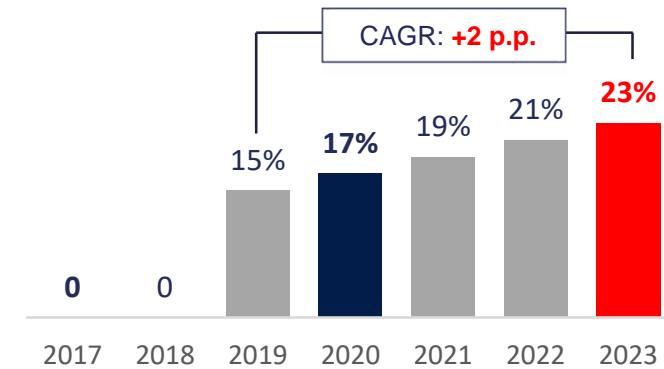
Development of Esenso Cafe brand – expanding the product offer

Creation of AVIA purchase group – cooperation with non-fuel product distributors

Cooperation with chains of convenience stores and supermarkets (small formats) aimed at introducing their offer into the shops

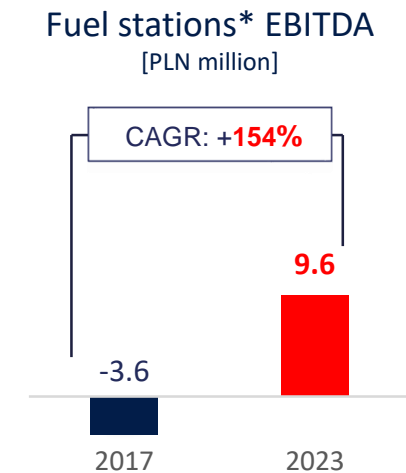
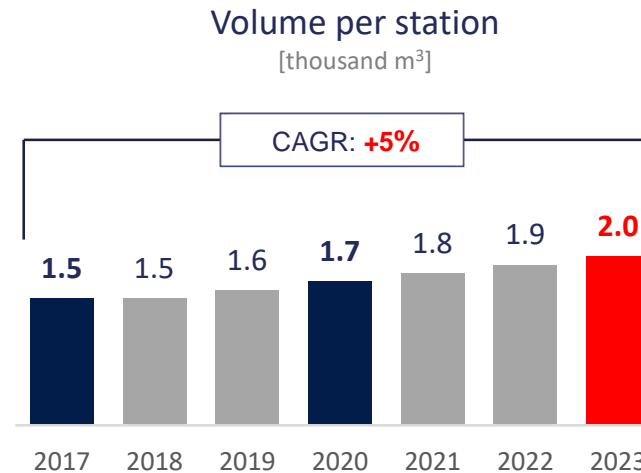
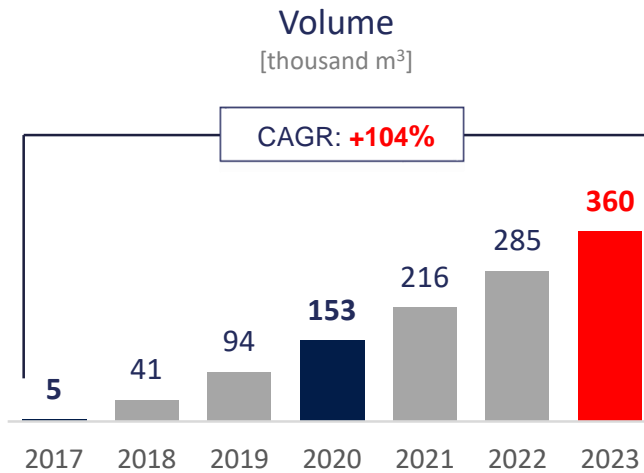
Development of own brands (beverages, snacks, manufactured articles)

Share of non-fuel sales in EBITDA





# AVIA: OPERATING AND FINANCIAL INDICATORS



Growth in volumes driven mostly by increased number of stations. EBITDA generated mostly from sales of fuels but also non-fuel products.



\* Also includes Tankuj24.pl business



# LPG: STRATEGIC INITIATIVES

**Goal: Doubling the volumes mostly through further development of wholesale and intensified sales in autogas**

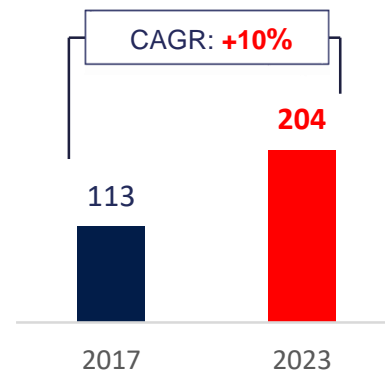
Constant optimisation of logistics through intensification of rail supplies and increased flexibility of deliveries

Further development of wholesale in Poland and abroad with stress on diversified sources of supplies

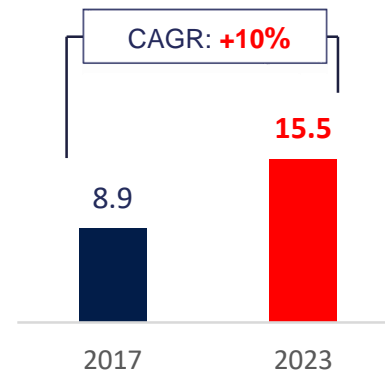
Propane sales development, including building own distribution network (industrial tanks) and extending the offer

Autogas development using the AVIA chain and tenders to chain customers

Sales volumes  
[thousand tonnes]



EBITDA  
[PLN million]



Growth of volumes and EBITDA mostly through development of wholesale, autogas and intensified foreign sales.



## BIO: STRATEGIC INITIATIVES

**Goal: Changing the product portfolio – systematic introduction of second generation bio-fuels to sales offering**

Smooth and stable redeployment of activity from first generation bio-fuels to advanced bio-fuels

Maintaining the current share in the Polish market of bio-fuels

Maintaining the sales of first generation bio-fuels for as long as possible



According to the REDII Directive the share of conventional bio-fuels („first generation”) in transport, which presently dominate the market, is supposed to be significantly limited. According to the predictions of the Ministry of Energy, until the end of 2020 the B100 bio-fuel, which is the Group’s major bio-fuel, will be withdrawn.

# DIESEL OIL: STRATEGIC INITIATIVES

**Goal: Sales development and cost optimisation with simultaneous decrease in capital involvement**

Diversification and optimisation of purchases through, among others, shortening the supply chain and larger supplies of domestic product

Safe and cost-optimal compliance with the NIT

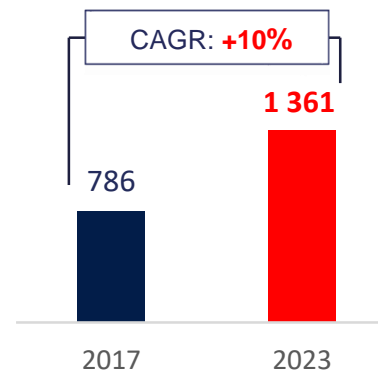
Reduction of capital involved – faster rotation of stocks and receivables and optimisation of compulsory reserves

Offer widening by adding heating oil at selected depots

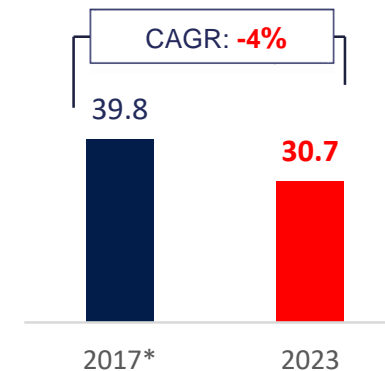
Logistics cost optimisation – increase in volumes carried by trains by 3% per year

Development of semi-wholesale sales channel

Liquid fuels\*\*  
Sales volumes  
[thousand m<sup>3</sup>]



Liquid fuels\*\*  
EBITDA  
[PLN million]



Diesel: growth of volumes and EBITDA mostly as a result of significant development of the AVIA retail chain

BIO: due to market changes, we expect to maintain margins and volumes in successive years (subject to trading second generation fuels in an equally profitable manner)

\* Includes mandatory reserves valuation impact

\*\* diesel, bio-fuels, petrols





# ELECTRICITY AND GAS: STRATEGIC INITIATIVES

**Goal: Change of business structure – optimising natural gas assets and developing attractive areas in response to current and future market trends**

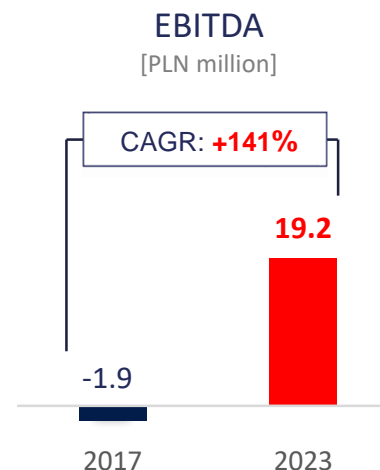
Increased efficiency of UNIMOT System (gas business) through, among others, margin management, purchase cost reduction and asset optimisation

Building LNG modules at own stations and at logistics operators – utilising the development of alternative fuels market

Further development of direct sales through increased efficiency of the sales team

Taking advantage of trade potential in other areas (cross-selling)

Development of electricity trading (Tradea) mainly through further development of producers portfolio



EBITDA growth driven mostly by trading activity, increased sales based on already signed electricity contracts and development of LNG refuelling network

# FINANCES: STRATEGIC INITIATIVES

**Goal: Achieving a safe level of key financial ratios, ensuring financing and optimising working capital in the Group**

Ensuring appropriate financing in light of the Group's dynamic development

Optimal financial resources allocation

Working capital optimisation

	2017*	2018	2020	2023
<b>Financial liquidity ratio</b> (current assets / short-term liabilities)	1.4	min. 1.2	min. 1.2	min 1.2
<b>Interest coverage ratio</b> (EBITDA / interest)	6.9	3.7	min. 3x	min. 3x
<b>Bank Covenant</b> (equity / balance sheet total)	34%	min. 20%	min. 20%	min 20%
<b>ROCE UNIMOT S.A.</b> (EBITDA / fixed assets – working capital)	7.4%	5.9%	9.60%	15.0%
<b>Debt ratio</b> (total liabilities / assets)	0.66	0.67	0.60	0.60
<b>Financial leverage</b> (operating profit / operating profit - interests)	19%	45%	25%-30%	25%-30%



# FINANCES: SECURITY AND CAPITAL PROTECTION FIRST

Ensuring safety and protection of the capital,  
UNIMOT insures its receivables through entities  
renowned in the fuel industry



Recently, due to, among others, intensified  
VAT controls, insurers have been  
**increasingly prudent** in granting limits



We constantly monitor risks  
and **take preventive  
measures**



According to the estimates, in 2017 Receivables Insurers  
recorded the loss ratio at the level of 70-80%.

Consequences: reduced limits, termination of difficult contracts, lack of  
claim-prone contracts renewal, restrictive approach to additional  
provisions, withdrawal from offers for potentially claim-prone industries,  
including the fuel industry.

Solvency II enforces a higher control over limits, modification of  
solvency evaluation models, their adjustment to risk categories,  
considering actuarial risks, higher operating costs, maintaining  
profitability of policies, greater control and increased information  
obligations.

**1.**

We maintain the highest quality level of  
**cooperation with Atradius insurer**, with a  
brokerage support from **Marsh Polska**.

**2.**

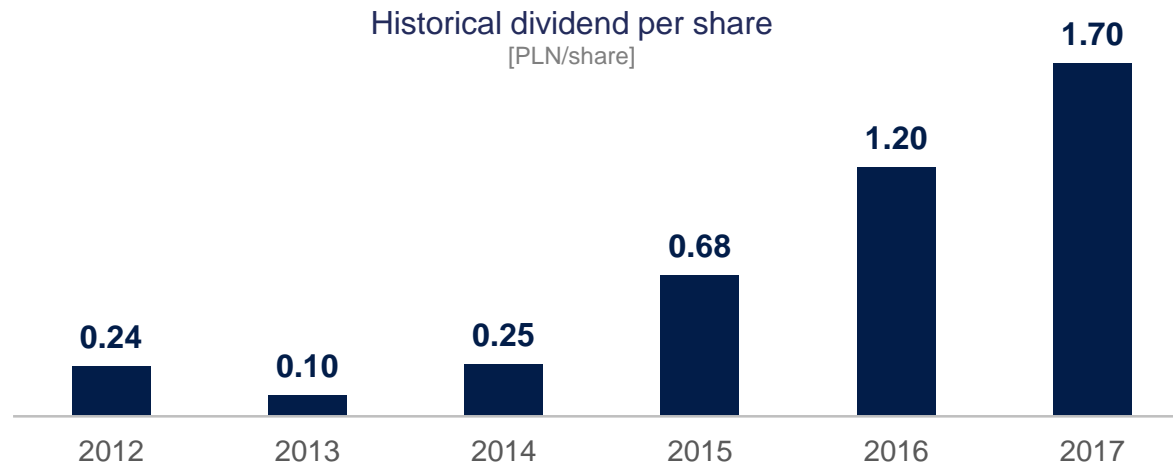
**We are building internal competences** for  
safe and efficient management of  
receivables.

**Goal: annual dividend payment to the amount of min. 30% of UNIMOT S.A. net profit**

### Maintaining dividend policy

If UNIMOT S.A. achieve net profit in a given financial year, the Management Board will recommend to the Company's General Shareholder Meeting an annual dividend payment to the amount of **minimum 30%** of the standalone net profit for the financial year.

Management Board's recommendation will be each time dependent, among others, on the current and forecast operating and financial condition of the Company.





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