



# Our story of retail growth

## PKN ORLEN Investor and Analyst Day

Marek Podstawa, Retail Sales Executive Director  
Warsaw, June 15th, 2010



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# Agenda

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**Market outlook**

**PKN ORLEN retail network**

**Performance 2004-2009**

**Further opportunities**

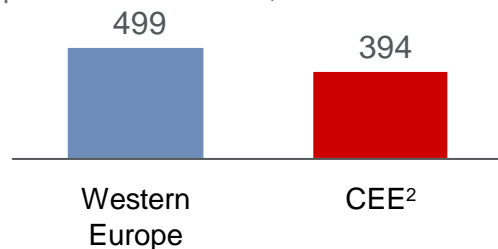


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## Potential of Central and Eastern European fuel market

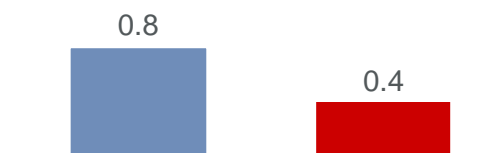
### Car density

per 1000 inhabitants, 2008



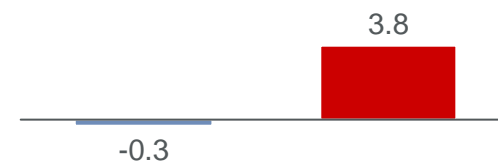
### Fuel<sup>1</sup> consumption per capita

tons, 2008



### Change of fuel<sup>1</sup> consumption in Europe

CAGR 2000-2008, %



- ➔ PKN ORLEN's markets (especially Poland) are among the most perspective fuel markets in Europe
- ➔ Orlen Deutschland retail network has still strong growth potential compared to the rest of the market players



<sup>1</sup> Gasoline + diesel

<sup>2</sup> Poland, Czech Rep. and Lithuania Source: Eurostat

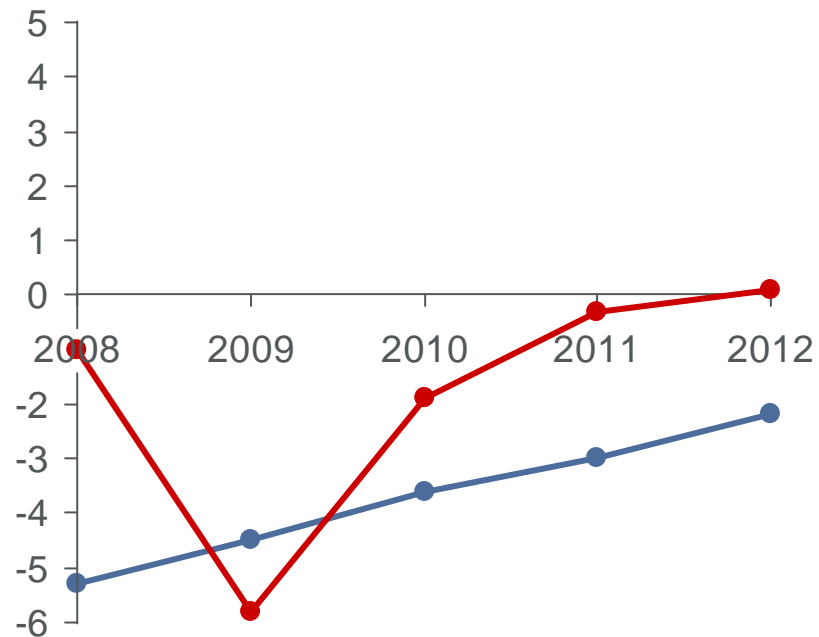
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## Moreover, fuel demand in CEE region is going to recover faster than in rest of Europe

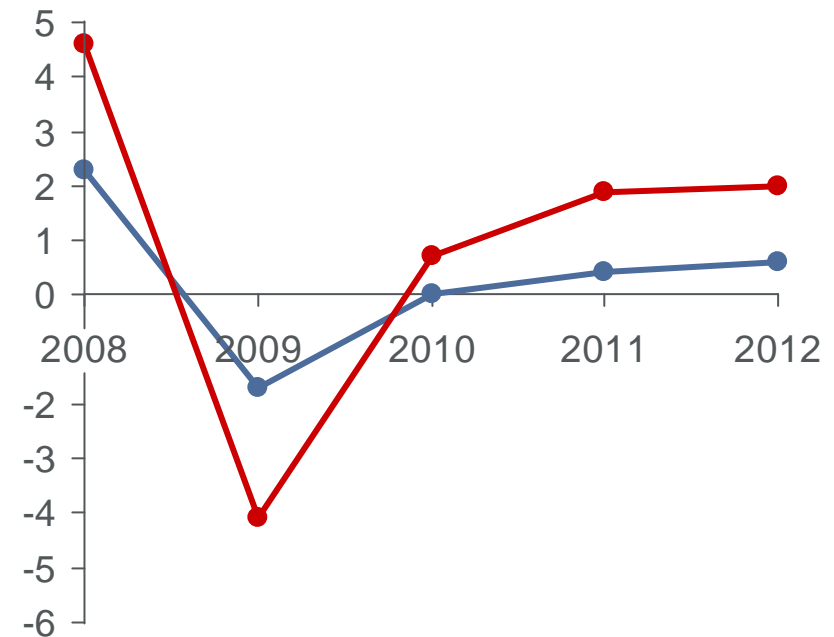
Demand growth in Europe and CEE region, 2008- 2012

%

### Gasoline



### Diesel



- ➔ The economic crisis hit the CEE region harder than Europe as a whole in 2009, however, the demand will recover faster in coming years
- ➔ Polish retail operations ( 60% of total PKN Orlen's filling stations) remained strong in 2009



Source: JBC, PKN Orlen

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# PKN ORLEN – The largest network of fuel stations in CEE

## Retail network of PKN ORLEN

ORLEN group retail sales: 8 bn liters per year through premium and economical networks

**520**

Stations



Sales volume: 2.0 bn l  
Market share: 5%  
Throughput: 3.8 m l / station

**1679**

Stations



Sales volume: 5.3 bn l  
Market share: 31%  
Throughput: 3.3 m l / station

**35**

Stations



Sales volume: 0.1 bn l  
Market share: 4%  
Throughput: 2.7 m l / st.

**336**

Stations



Sales volume: 0.6 bn l  
Market share: 14%  
Throughput: 1.9 m l / station



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# Successful implementation of retail network restructuring in Poland

2004...



## Evolution of the retail network

...today



Development  
of  
two-tier  
branding  
strategy

Growth  
of  
non- fuel  
sales

Launch of  
loyalty  
programs

Brand  
recognition  
enhancement



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# Effective execution of two-tier branding strategy as a response to market polarization



## PKN ORLEN branding strategy



*Poland*

- **Successful rebranding** of heritage network of mixed brands into premium ORLEN and economical BLISKA networks.



*Czech Republic*

- Market research is to help to determine the final **branding strategy**.



*Lithuania*

- Building a strong foundation for the future development of **high quality ORLEN network**.



*Germany*

- Focus on economical STAR network with **competitive prices** and **superior customer service**.

### PREMIUM



### ECONOMICAL



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## A number of major successes achieved in 2009

### Key successes

#### Network restructuring and optimization

- Market share increased in Poland to **31.2 % in 2009** from 25,8% in 2005
- Further retail network optimization in Poland
- Orlen Lietuva rebranding

#### Operational and financial effectiveness increase

- Average throughput per site increased to **3.3 m l** in 2009 from 2.1 in 2005
- **Non-fuel margin increase** based on consequent implementation of convenience retail strategy - **over 600 stores** with Stop Café & Stop Café Bistro
- Fuel margin improvement thanks to **high share of premium fuels** (Verva)
- Cost discipline

#### Market expansion

- **Active monitoring of growth expansion** options in neighbouring markets
- **Many awards for the best fleet programs**
- Start of **International Fleet Card** project
- Introduction of **new products and services**

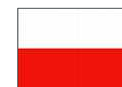
#### Further brand and sales enhancement

- **ORLEN** is the most active sponsor for sports, arts and charity
- **Vitay** is the largest loyalty program with 8 million cards distributed
- **Approximately 40 million customers served monthly** in the region



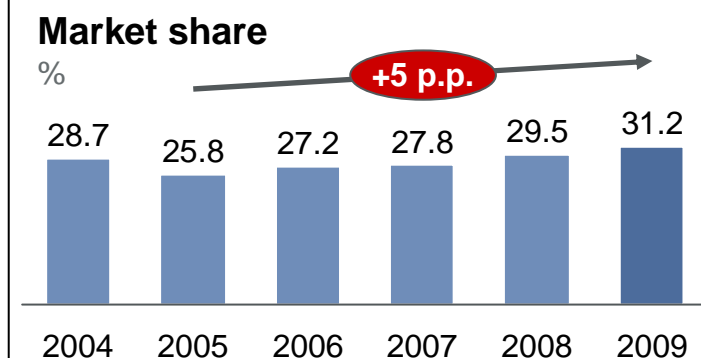
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# Our operational results in Poland indicate continuous improvement...



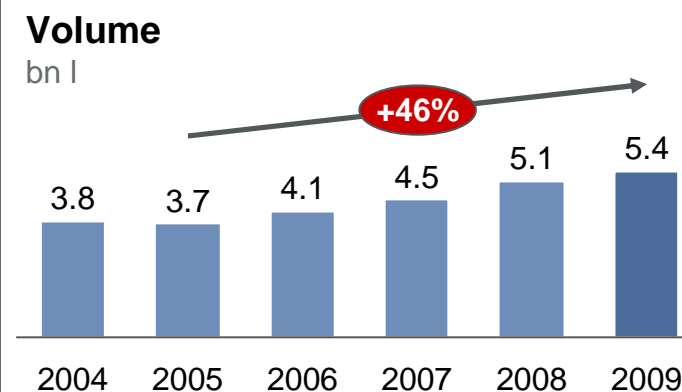
## Operational performance of retail network in Poland

### Growing market shares is a result of...

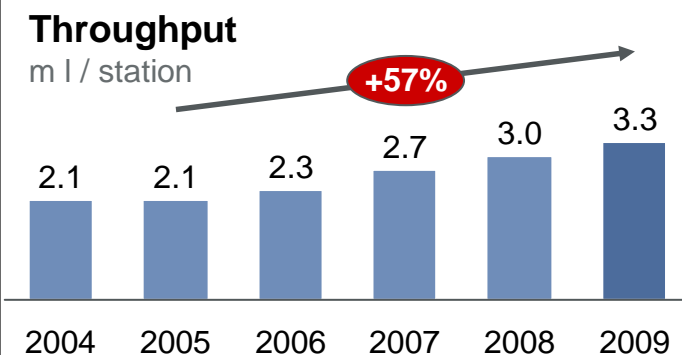


Excellent operational performance in Poland

### ... significant increase of volumes

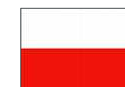


### ... and fast rising throughput per station



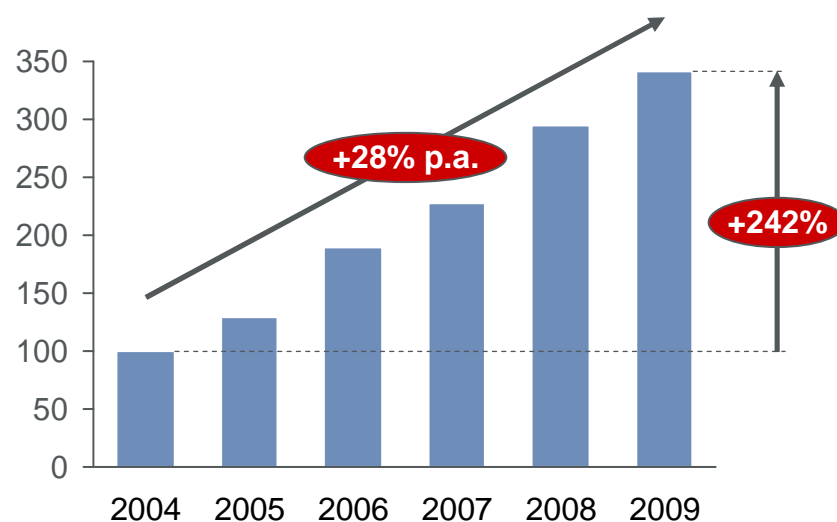
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...which is reflected in outstanding financial performance

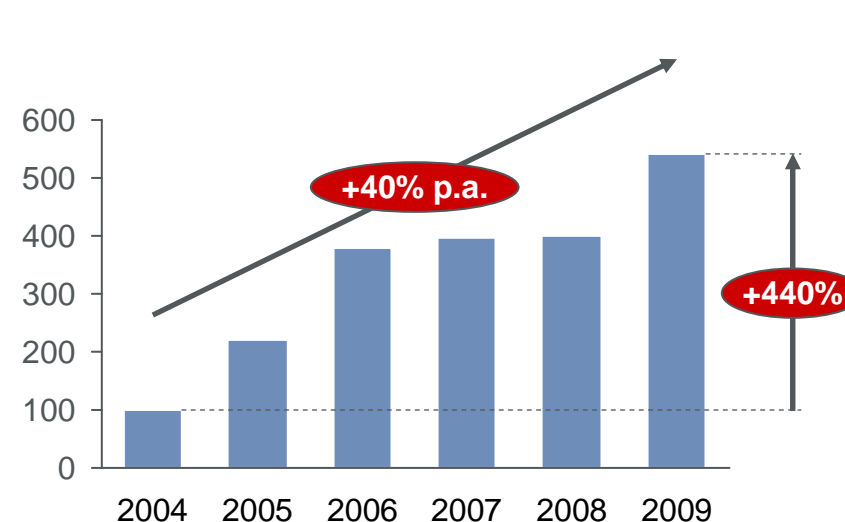


## Financial performance of PKN ORLEN in Poland

### Non- fuel revenues



### EBIT



- The non fuel income **has risen** by 242% and EBIT by 440% since 2004
- This **outstanding growth** is mainly due to **superior** operational performance



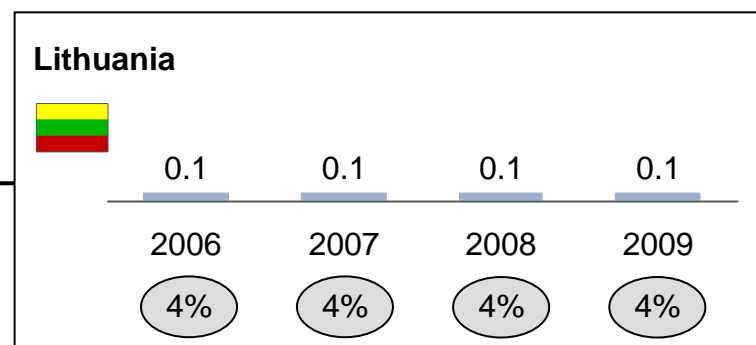
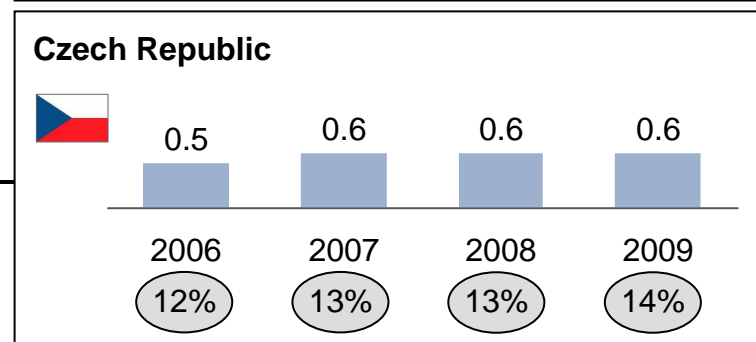
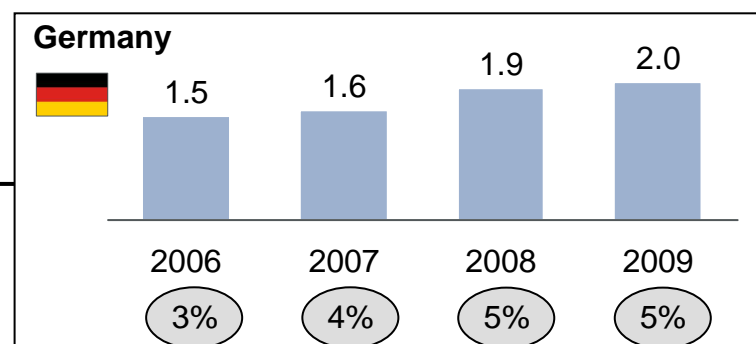
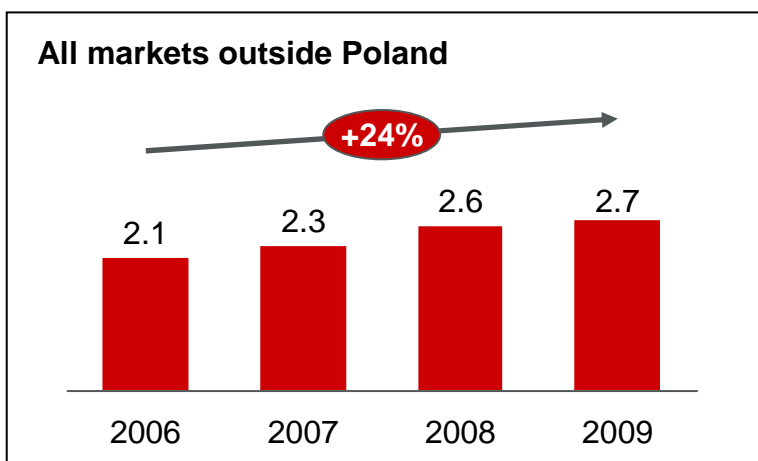
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## We are also building strong position in markets outside of Poland

### Operational performance of PKN ORLEN outside Poland Volumes and market shares

bn l, %

x%  
Market shares

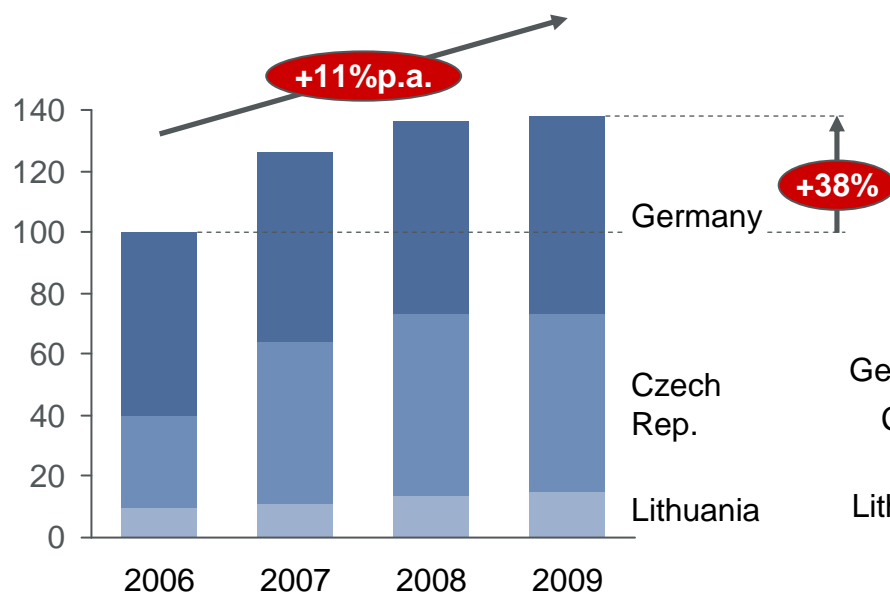


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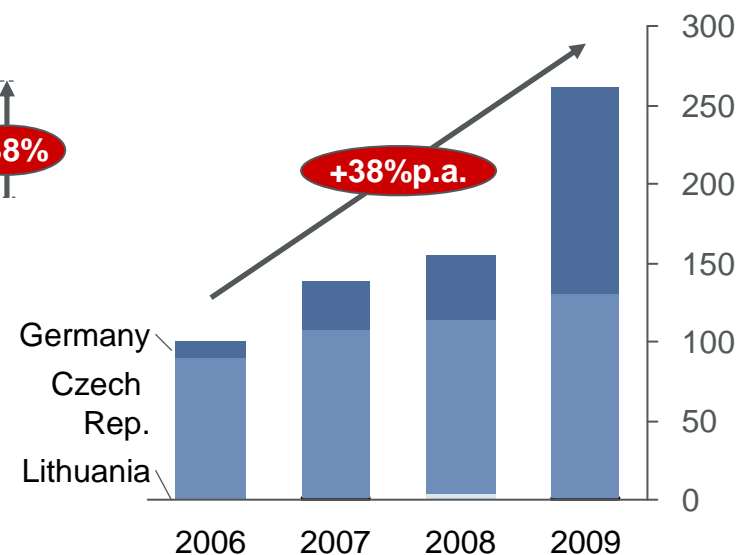
## Significant improvements of earnings despite economic slow down in 2009

### Financial performance of PKN ORLEN outside Poland

#### Non- fuel income



#### EBIT



- The non-fuel income **has risen** by 38% and EBIT by 161% since 2006
- The results have **improved despite economic crisis**. The **German network** is improving well



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## Efficiency improvement and further development in all operating markets

- Strategic priorities: **higher volumes, strong margins**, growth of **non- fuel sales**, cost discipline.
- Strategic planning, coordination of development and capex management inside the retail segment to make the best possible use of the shareholders' capital.
- Transfer of know-how between countries.
- Positioning of **Verva fuel as the leading premium fuel brand** in the region.
- Launch of **ORLEN International Fleet Card**.



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## ORLEN Retail Group - Main strategic goals

- Average annual volume growth of 4 % to the level of 9.3 bn litres
  - **Increase of sales efficiency** through rebranding, and strengthening brand image on retail markets
  - **Network development** along with contracting new franchise partners synchronized with the road and residential infrastructure changes
  - **Fleet sales** development
- Growth of non-fuel margin
  - Further **enrichment of food offer**
  - Implementation of **Stop Café** brand on ORLEN Group's Premium sites
  - Focus on **customer service quality**
  - Implementation of **advanced non-fuel products and services**
- Margin and Cost Efficiency
  - Increase of **Verva premium** fuels share in sales volumes
  - Further **cost optimization** on the level of petrol station
  - Implementing innovative and cost efficient station designs





## **Thank you for your attention**

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