



**International conference  
„Common EU Energy Policy and the Energy Security of Slovakia II”  
Security of supply - PKN ORLEN’s perspicitve**

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*Bratislava, 27-28 October 2008*



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# Expansion of PKN ORLEN Group in Central Europe

## From Domestic Leader to Key Regional Player

### Domestic Business to 2002



1999

↗ **Merger** of Petrochemia Płock, Poland's largest refinery with CPN, the largest retailer, and the **formation of PKN**

↗ **IPO on WSE and LSE** of about **30%** of equity

↗ Introduction of the new PKN ORLEN brand

2000

↗ Secondary offering of PKN ORLEN on WSE and LSE increased **free float to 72%**

### „Internationalisation” 2002-5



2002

↗ Expansion into **German** market

↗ Joint venture with **Basell (Basell Orlen Polyolefins)**

2003

↗ Implementation of **Value Based Management program** and first **cost cutting** programme

2004

↗ Start up of regional consolidation

↗ First steps towards **Unipetrol acquisition** (Czech Republic)

2005

↗ **Unipetrol** acquisition

### Regional Business



2006

↗ **Mazeikiu Nafta** acquisition (Lithuania)

↗ **Acquisition** of additional 58 filling stations in Germany

↗ **Dual-brand retail strategy** implementation across all PKN ORLEN markets

↗ **Crude oil purchase centralization** for PKN ORLEN Capital Group

2007

↗ **Mazeikiu Nafta** turnaround

2008

↗ Restoring **Mazeikiu Nafta** full capacity

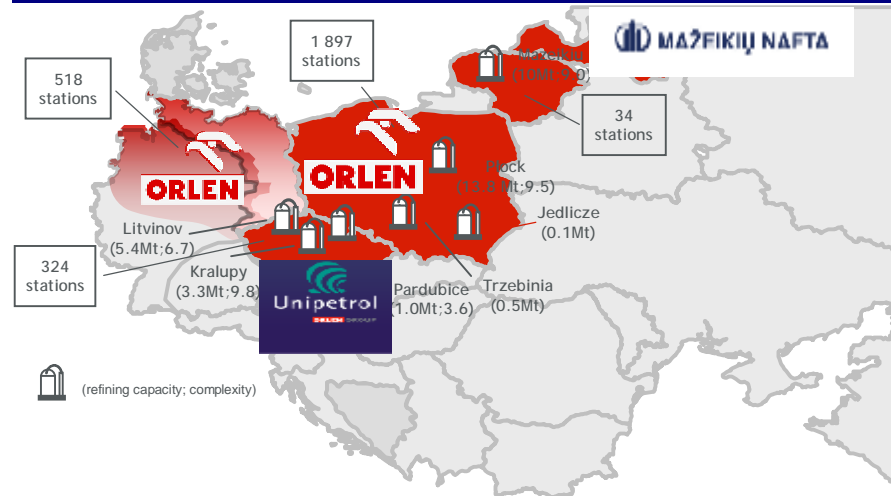


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# PKN ORLEN Operating in the Biggest Market in CEE

## Leading Refining & Petrochemical Company

### Regional Outlook – PKN ORLEN the Biggest Refiner



#### Refining & Logistics

- 🚩 Polish No 1, top 10 in Europe – „Supersite” (Plock)
- 🚩 The biggest capacity of crude oil in Central Europe (c.a. 30 Mty)
- 🚩 Over 70% share in domestic processing capacity (265 th. b/d) CDU capacity (365 th. b/d)
- 🚩 Brent & Ural processing ability
- 🚩 Strategic location on main pipeline intersection

#### Retail & Wholesale

- 🚩 Poland’s largest retail network of c.a. 1900 sites, 518 in Germany, 324 in Czech Republic, 34 in Lithuania (total c.a. 2 800 fuel stations)
- 🚩 Dominant supplier of fuel and petrochemicals on home markets
- 🚩 Leading position on Polish and Czech Republic retail market coverage

#### Petrochemicals

- 🚩 Full integration of refining and petrochemical facilities
- 🚩 The major petrochemical producer in Poland and Czech Republic
- 🚩 Polyolefin domestic consumption growth c. 8% p.a.
- 🚩 JV with Lyondell Basell (BOP) the global petrochemicals leader

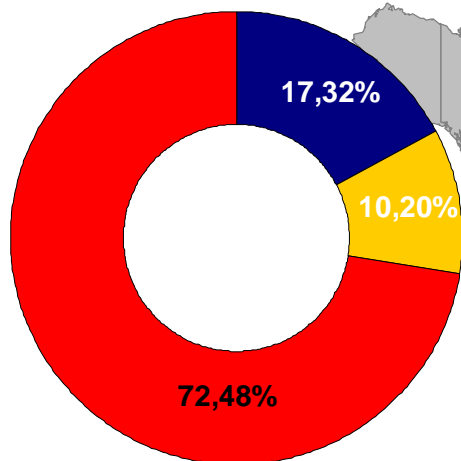


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# Position of PKN ORLEN Group in Central Europe

## Largest Company in Central Europe

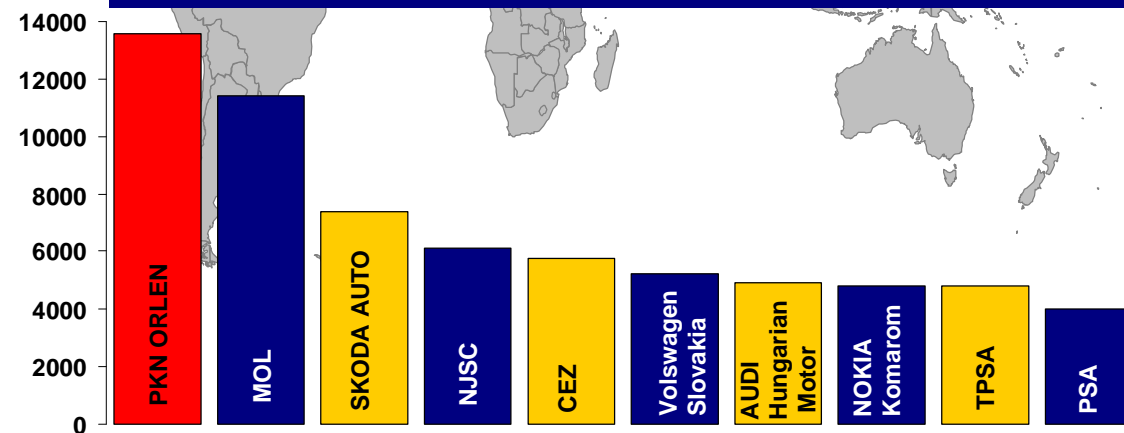
### Shareholders Structure



- Nafta Polska
- State Treasury
- Free Float



### Revenue 2006 in mln EUR<sup>1</sup>



<sup>1</sup> Deloitte Report – Top 500 companies in Central Europe 2007

# PKN ORLEN Group

## dominant position across all segments

### Refining (wholesale and logistics)

- | Płock plant (in Poland) is the largest refiner of oil-based products in Central Europe with current production capacity of 14.1 mt/y<sup>1</sup> and over 70% of domestic processing capacity
- | High quality assets in the region ( Czech Republic 5,5 mt/y and Lithuania refineries with 10 mt/y capacity<sup>2</sup>)
- | Refinery capable to process any kind of crude oil.
- | Fuel production in line with 2009 Euro standards in all refineries (from the beginning of 2009)

### Retail

- | Biggest retail network: ca. 30% of volume market share in Poland, in Czech ca. 13%, Lithuania 5% and Northern Germany 7%
- | Poland's largest retail network of ca.1900 sites and 514 in Germany, 321 in Czech Republic and 34 in Lithuania
- | Two-tier brand strategy (premium and economy)
- | „FLOTA POLSKA” & DKV/ORLEN fleet card for corporate customers and „VITAY” loyalty card for individual customers – ca.5 m participants

### Petrochemicals

- | Full integration of refining and petrochemical facilities
- | High utilization rate of the installed distillation capacity
- | Effect of scale in monomer and polymer production
- | Net deficit market with high growth potential
- | The major petrochemical producer in Poland supplying between 40% to 100% of domestic consumption depending on the product
- | Off-take guarantees and sales under Basell brand

### Chemicals

- | Growing market with a strong potential
- | Dominant position in the region
- | Leading companies in their area of operations
- | High quality class asset base

<sup>1</sup> Deep processing capacity 14.1 mt/y (nameplate crude distillation capacity 17.8 mt/y)

<sup>2</sup> Ceska Rafinerska and Mazeikiu Nafta

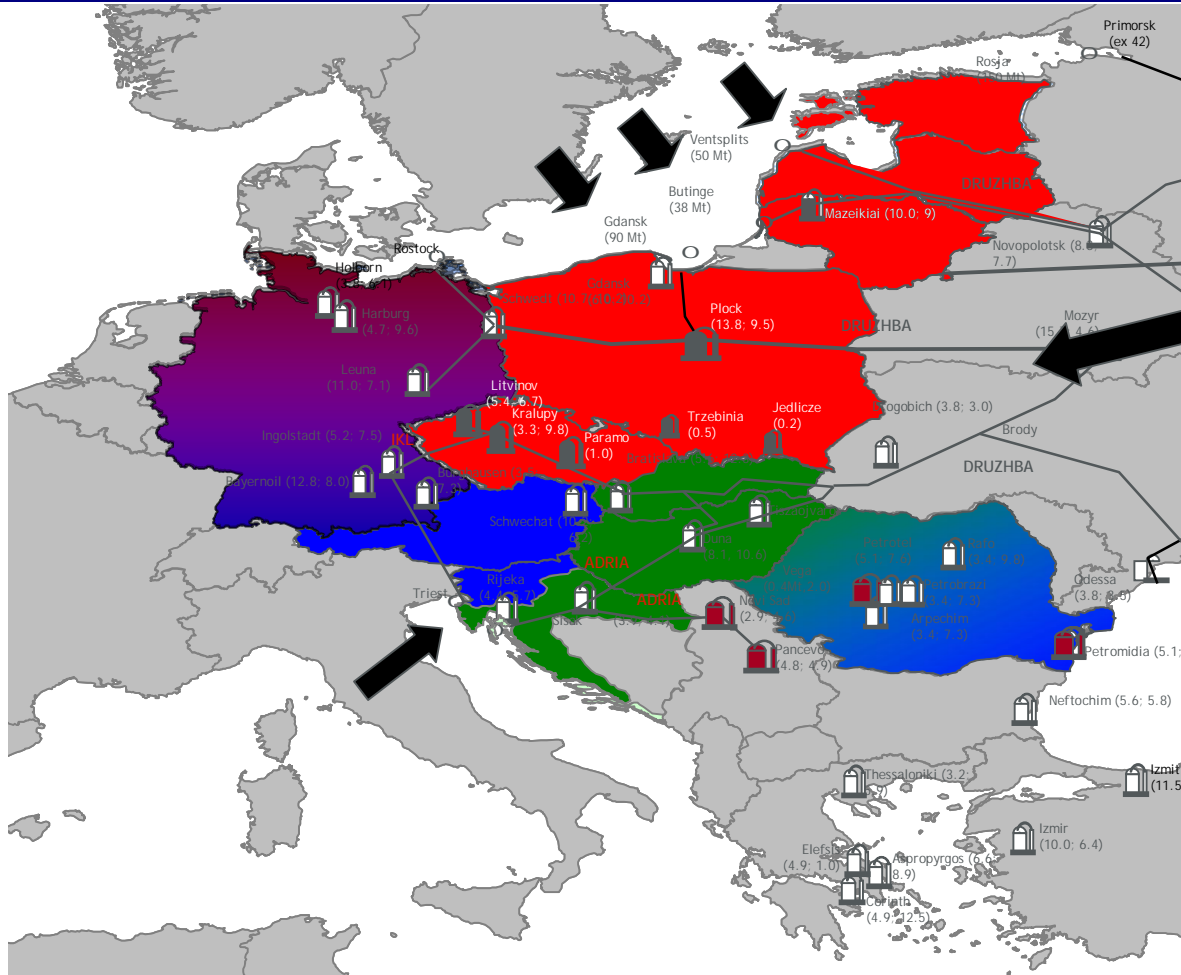
<sup>3</sup> Based on PKN ORLEN Płock refinery deep processing capacity of 14.1 mt/y



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# Crude Oil Supply System in the Region

## Key refining assets in the Region



There are three main refining supply directions for Europe:

1. Druzhba pipeline
2. Baltic terminals
3. Triest terminal

Most of Central Europe countries purchase generally Russian oil

Refinery (capacity Mt/y; Nelson's index)

PKN ORLEN GROUP Assets



Źródło: Wood MacKenzie.

## Conclusions

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- ✦ Common energy security policy creation is a challenge for EU
- ✦ Natural resources supply infrastructure ownership as one of key elements of energy security
- ✦ Development of natural resources supply infrastructure is a task both for EU as well as specific Regions
- ✦ Central Europe countries should aim to create common natural resources transportation infrastructure which is able to supply all consumers, also at time of crisis



## Conclusions

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- ✚ Due to security of supply importance cooperation of states from our region as Poland, Czech Republic, Hungary, Slovakia and Austria becomes particularly important
- ✚ Transit countries like Slovakia and Poland are important from security of supply perspective
- ✚ To secure natural resources supplies for Europe, EU and Russia cooperation is a must
- ✚ Cooperation between Russia, Ukraine and EU becomes particularly important to maintain and develop Druzhba system
- ✚ It is necessary to establish close balanced cooperation between energy suppliers, transit countries and consumers



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**Thank you for your attention**

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# Key Challenges

## Major Global Issues Influencing PKN ORLEN

### ↗ **Global energy demand and crude oil price**

- Globalization
- Energy consumption increase
- Consumption location vs. energy sources location imbalance
- Oil price speculation

### ↗ **National protectionism and energy security**

- Political turmoil especially in oil lavish regions
- Increase of global terrorism
- Renationalization of crude oil fields
- New concepts of energy security

### ↗ **Green policy and alternative fuels**

- Increase of environmental standards
- EU countries efforts to reduce emissions
- Well – off societies are able to pay more for green energy
- Growth of alternative fuels share in total fuels consumption (biofuels, hydrogen fuels)

### ↗ **New investments and optimal profile of business**

- New breakthrough technology is not expected in the next decade
- New plants will be located near crude oil deposits
- Plants efficiency improvement will be realized by de-bottlenecking
- Focus on core business

