

ORLEN UNIPETROL 2030

FUELLING THE FUTURE.
SUSTAINABLY.

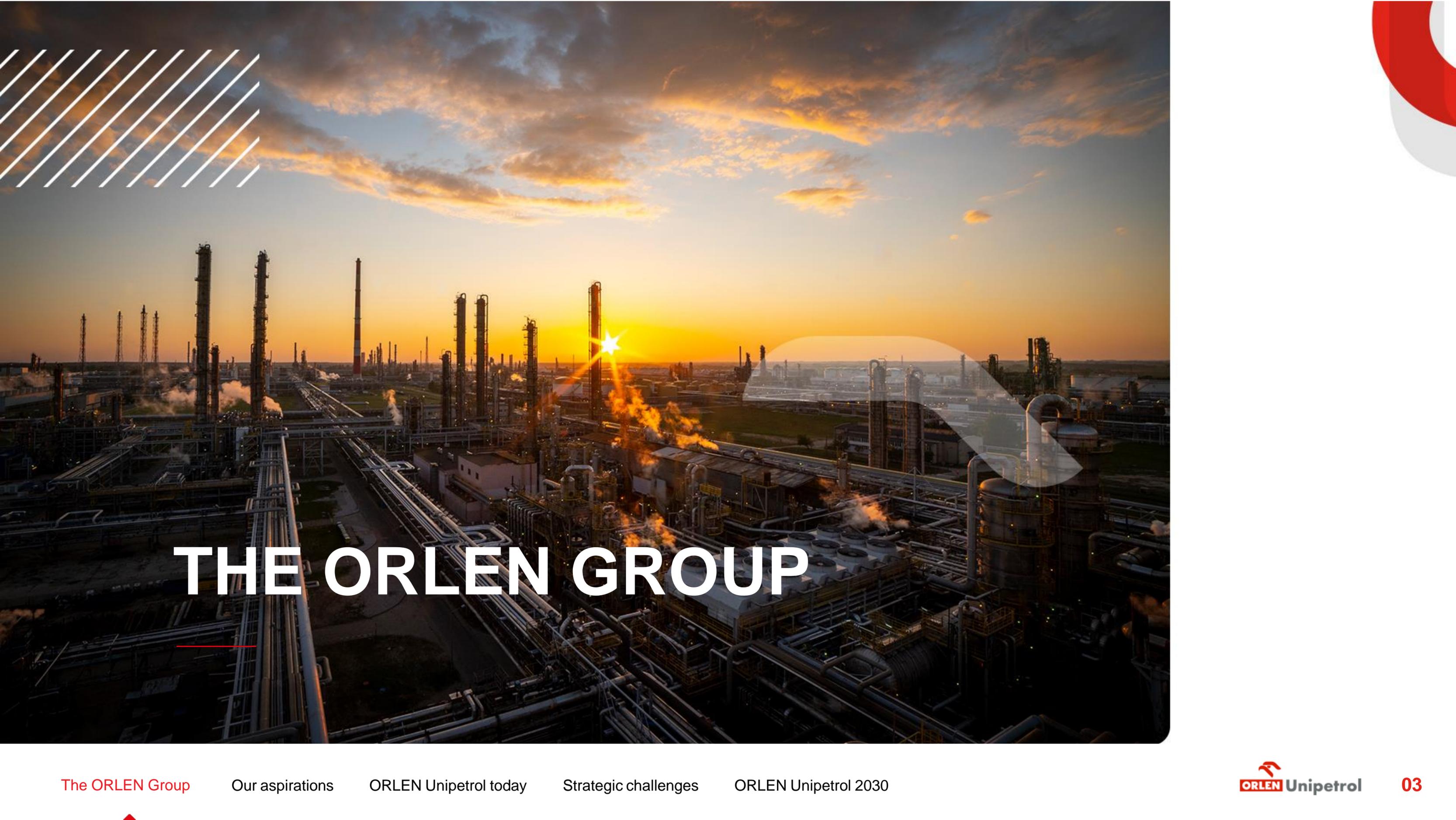
Implications and operationalization of the ORLEN Group's 2030 Strategy in ORLEN Unipetrol





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THE ORLEN GROUP

ORLEN Group – the biggest multienergy company in CEE



Refining

Refineries located in Poland, Lithuania and the Czech Rep. with total max. crude oil throughput of 35.2 mt/y

Strategic location with an access to crude oil, product pipelines and sea terminals

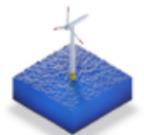
Diversification of crude oil supplies



Petrochemicals

Petrochemical assets fully integrated with refining

New production installations



Energy

6.7 GWt (heat) / 3.2 GWe (electricity), including: 1.1 GWe from modern CCGT blocks located in Włocławek and Płock and 1.4 GWe from ENERGA Group

Over 70% of electricity production comes from zero and low-emission sources (RES and gas)

Offshore wind farm project on the Baltic Sea with a maximum power of 1.2 GWe



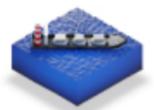
Retail

2855 fuel stations – the largest retail network in CEE (Poland, Germany, Czech Rep., Slovakia, Lithuania)

2218 Stop Cafe / Star Connect coffee corners (including convenience stores)

212 alternative fuel points

ORLEN brand present on foreign fuel stations within the Group (cobranding)



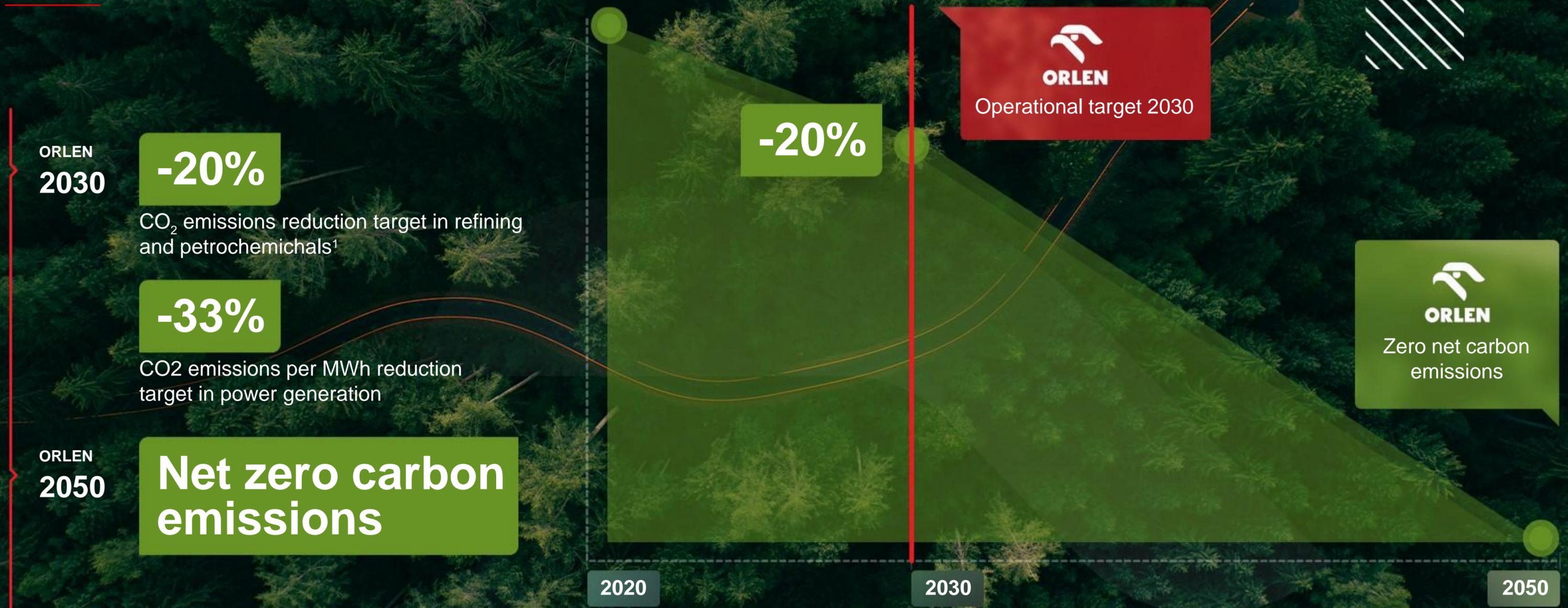
Upstream

174 m boe (barrels of oil equivalent) proven and probable crude oil and gas reserves in Canada and Poland

Average production 18.0 k boe/d

The ORLEN Group aims to become a net zero carbon business by 2050

Carbon emissions



ORLEN
2030

-20%

CO₂ emissions reduction target in refining and petrochemicals¹

-33%

CO₂ emissions per MWh reduction target in power generation

ORLEN
2050

Net zero carbon emissions

2020

2030

2050

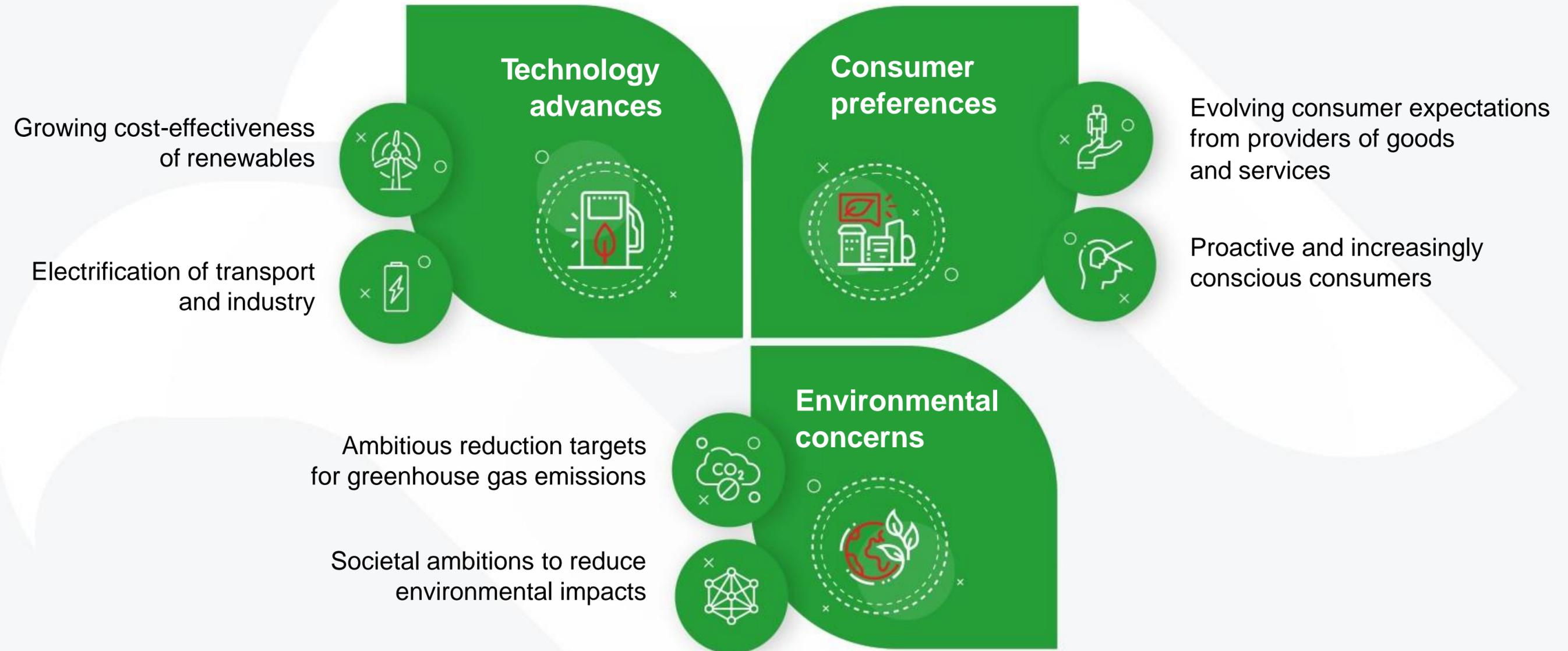
¹ from existing assets



OUR ASPIRATIONS

How we envision ORLEN Unipetrol's business in 2030

Transition towards sustainability is **reshaping the environment** around us



By seizing the unfolding opportunities **ORLEN 2030** will act as a leader in Central Europe's sustainability transition. ORLEN Unipetrol 2030 will contribute with this following:



Key player in the CEE region's transition towards sustainability

The portfolio of recycling, biofuels and low-carbon generation assets

- ✓ >0.1m tons of installed recycling capacity
- ✓ Own production of advanced biofuels



Provider of integrated customer services

Provider of fuel, energy and convenience shopping needs, relying on existing and new channels and on digital technologies

- ✓ >570 fuel stations
- ✓ >170-230 EV fast charging stations
- ✓ Strong regional brand



Socially responsible business

Investment in sustainable development, energy transition, decarbonization, recycling and community initiatives

- ✓ 20% reduction target for carbon emission from current assets until 2030
- ✓ >CZK 30 bn of sustainable development CAPEX



Stable source of value creation

Focus on maximizing returns on investment and maintaining a stable balance sheet

- ✓ Stable dividend generation potential

Petrochemicals, biofuels production and alternative feedstock processing shall be the key drivers of successful industry transformation in the upcoming decades



Maximising performance



Refining

Improve efficiency of refining assets and optimize wholesale policy according to future market development



Fuel retail

Expand the retail network in domestic and foreign markets, emphasize quality and widen the offer



ORLEN Group synergistic potential

Successfully execute a program aspiring to capture the full value stemming from close integration of ORLEN Unipetrol to the ORLEN Group.



R&D and digital transformation

Invest in R&D, innovations and digital solutions



Gas-fired power

Replace existing coal power plant with state-of-the-art gas-fired power generation assets



Strategic development



Petrochemicals

Drive further development of petrochemical assets (basic and advanced polymers)



Recycling

Advance technology and build capacity in recycling (mechanical & chemical)



New mobility

Build footholds in new mobility



Hydrogen technologies

Establish footholds in hydrogen-based transport and energy production



Decarbonization

Reduce carbon footprint of production



Biofuels

Became leader in production of second generation biofuels in the Czech Republic



Non-fuel retail

Launch new channels and integrate them under one digital platform



Energy/gas

Produce renewable electricity and gas

ORLEN Unipetrol will **focus on developing** new sustainable products and decarbonization of the current assets

More than
CZK 30 bn

in CAPEX for sustainable development



Drive decarbonization and increase energy efficiency



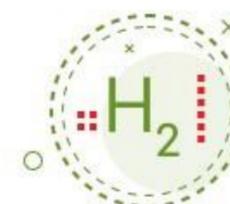
Drive development in renewable energy



Expand biofuels and biomaterials capacities



Progress in recycling



Build footholds in alternative fuels: hydrogen, e-mobility, CNG/LNG



ORLEN UNIPETROL TODAY

ORLEN Unipetrol today



Refining

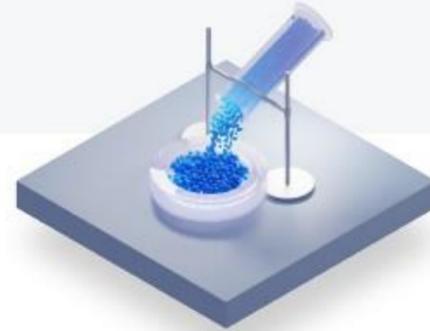
2 refineries

~8.7m tonnes

crude processing capacity

~5.3m tonnes

fuels produced



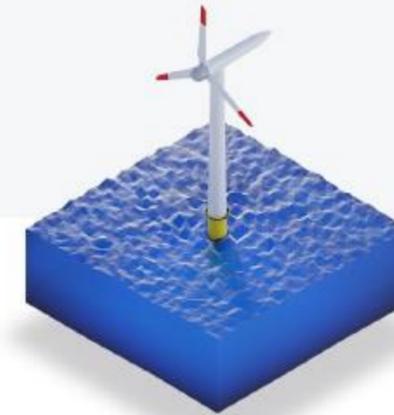
Petrochemicals

4

polymers production units

0.9 m tonnes

polymers production capacity



Energy

660 GWh/a

electricity production

0.107 tCO₂/GJ of heat

emission factor



Retail

~420 CZ + 20 SK

filling stations

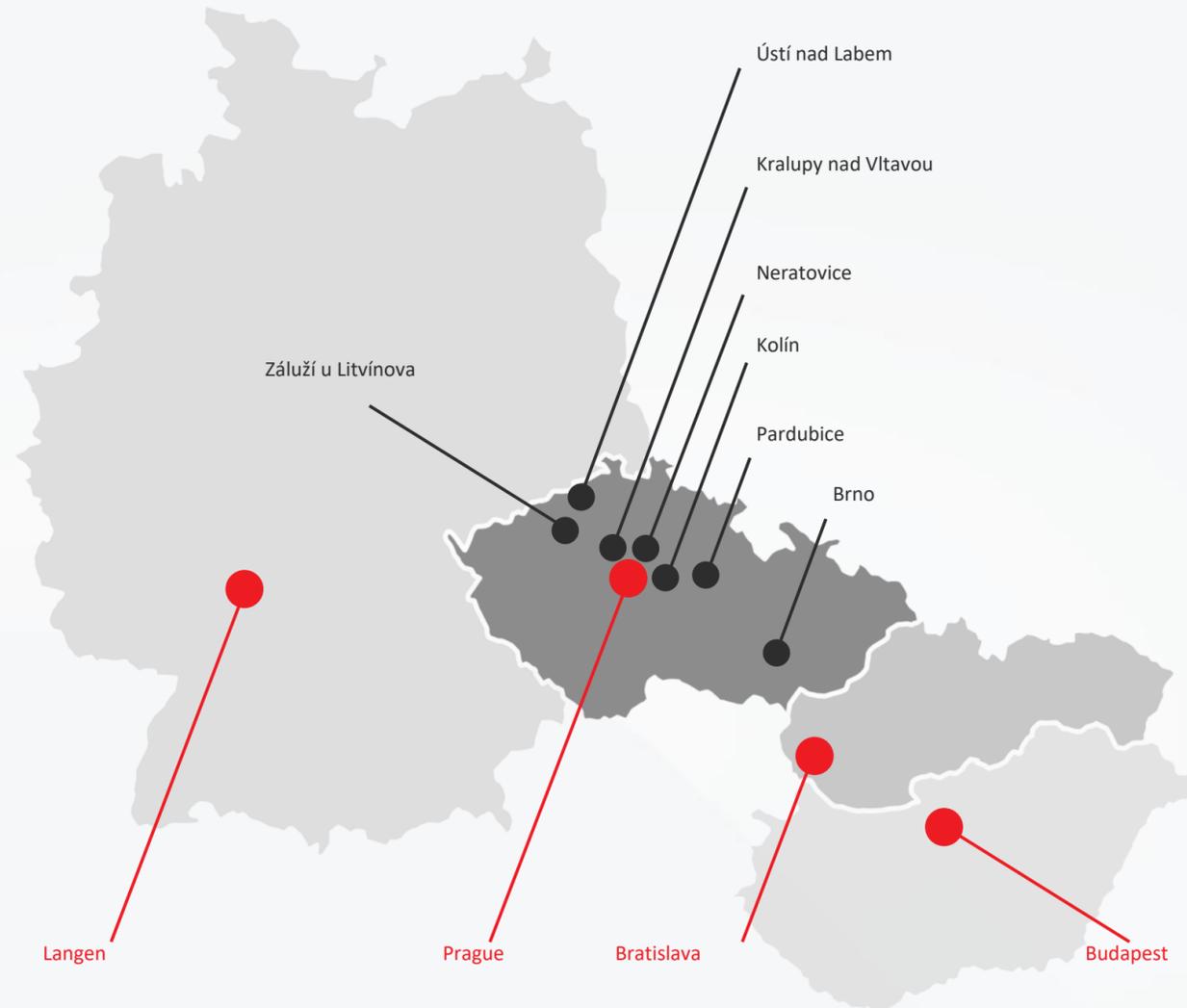
25%

Czech retail market share

24%

non fuel shares on revenue

ORLEN Unipetrol production sites, development centres and branches



5 PRODUCTION PLANTS

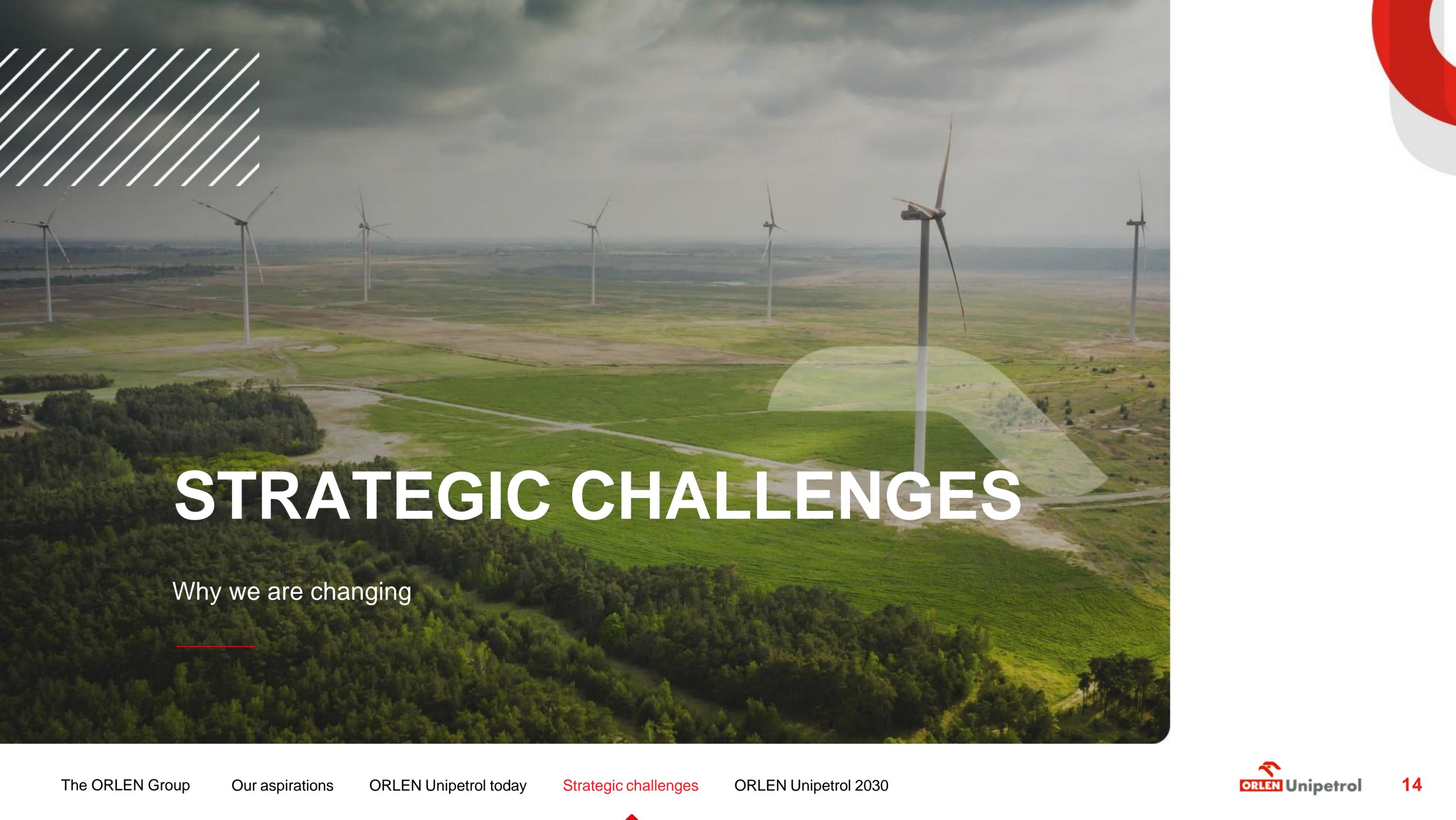
- Litvínov
- Kralupy n./Vlt.
- Neratovice
- Pardubice
- Brno

4 BRANCHES

- Prague
- Langen - Germany
- Bratislava - Slovakia
- Budapest - Hungary

3 R&D SITES

- Litvínov
- Ústí n./Labem
- Brno



STRATEGIC CHALLENGES

Why we are changing

The world is undergoing profound changes with a structural impact on the refining and petrochemical sector



Slowing pace of growth in oil demand

Peak Oil expected between 2030 and 2035 or earlier

- Growing share of bio components
- Alternative fuels and modes of transport
- Combustion engine efficiency increase



Growing role of alternative polymers and recyclates

Increasing demand for recyclates and r-chemicals

Strong public incentive of circular solutions as part of COVID-19 business recovery on EU

Levy on non-recycled plastic packaging waste in EU



Competitive new energy sources

Some renewable energy sources already fully competitive (e.g. wind)

Significant decrease in the cost of photovoltaic power plant

Growth of prosumer¹ energy

¹ A prosumer is an individual who both consumes and produces (prosumer – producer & consumer)



Environmental concerns

Ambitious Paris Agreement goals

Europe's regulatory leadership (Green New Deal, RED II)

Restrictions on disposable packaging



Consumer megatrends

Rising consumer awareness

Digitalization of sales channels

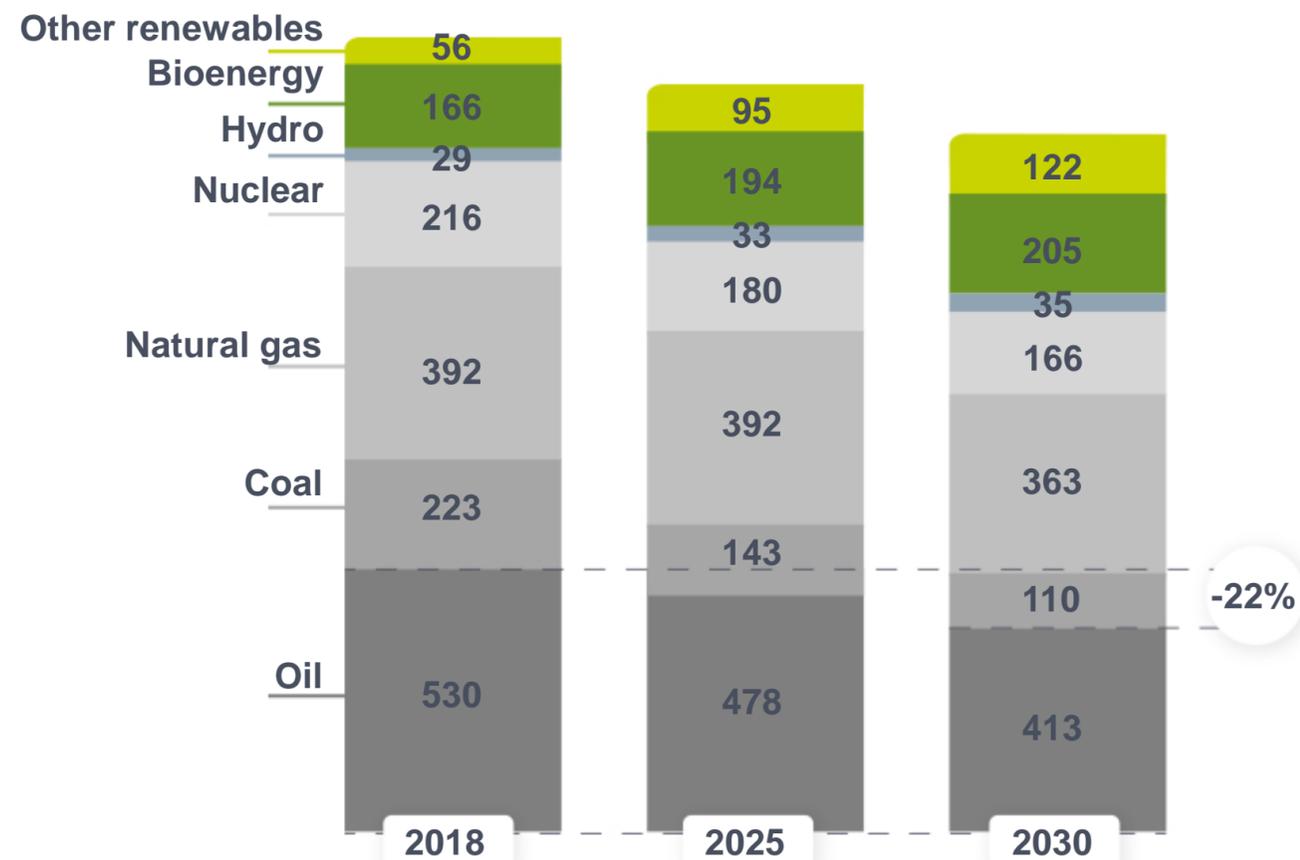
Growth of "on-demand" economy

Expectation of a comprehensive and personalized product offering

Fossil fuels as power source are set to decline at expense of renewables

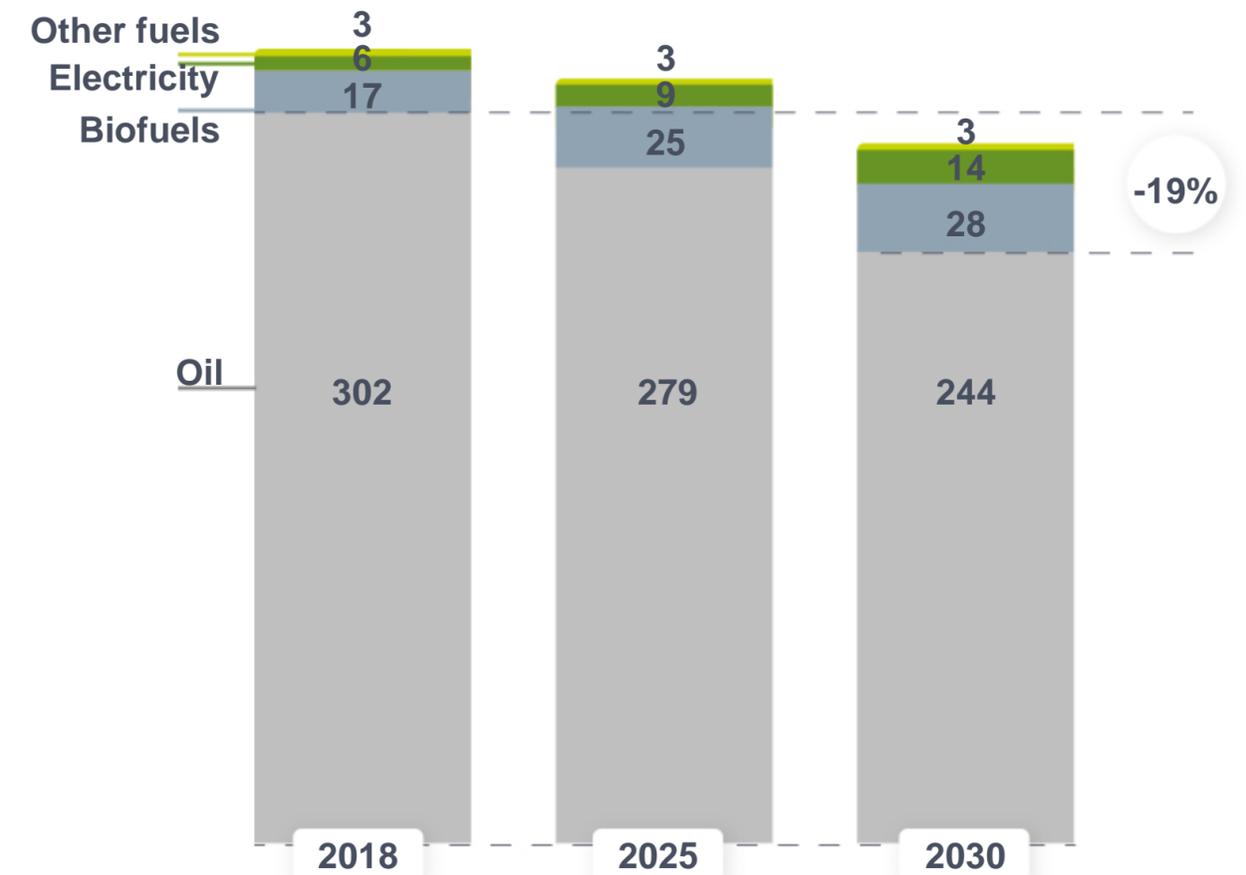
Total primary demand for energy in European Union

(Mtoe = million tones of oil equivalent)



Energy demand in transport in European Union

(Mtoe = million tones of oil equivalent)



Source: IEA World Energy Outlook 2019

Primary energy demand measures the total energy demand - it covers consumption of the energy sector itself, losses during transformation (for example, from oil or gas into electricity) and distribution of energy, and the final consumption by end users.

Fossil fuel demand will decline due to drop in diesel consumption, while plastics have promising future

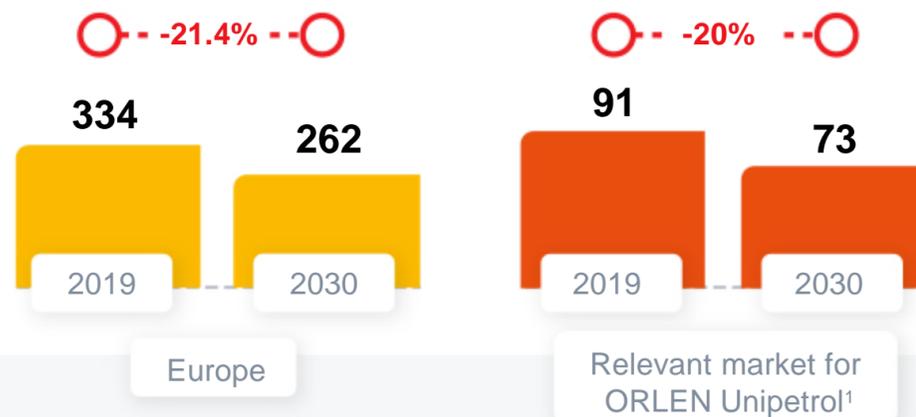
Gasoline consumption (m. tons)



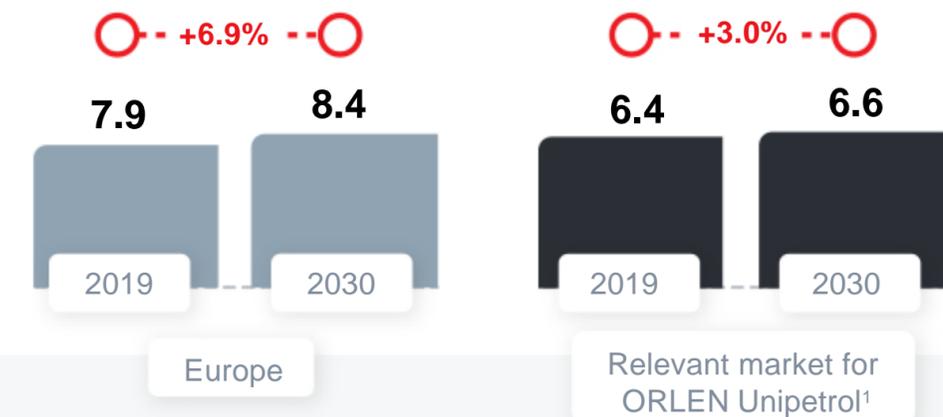
Polypropylene consumption (m. tons)



Diesel consumption (m. tons)

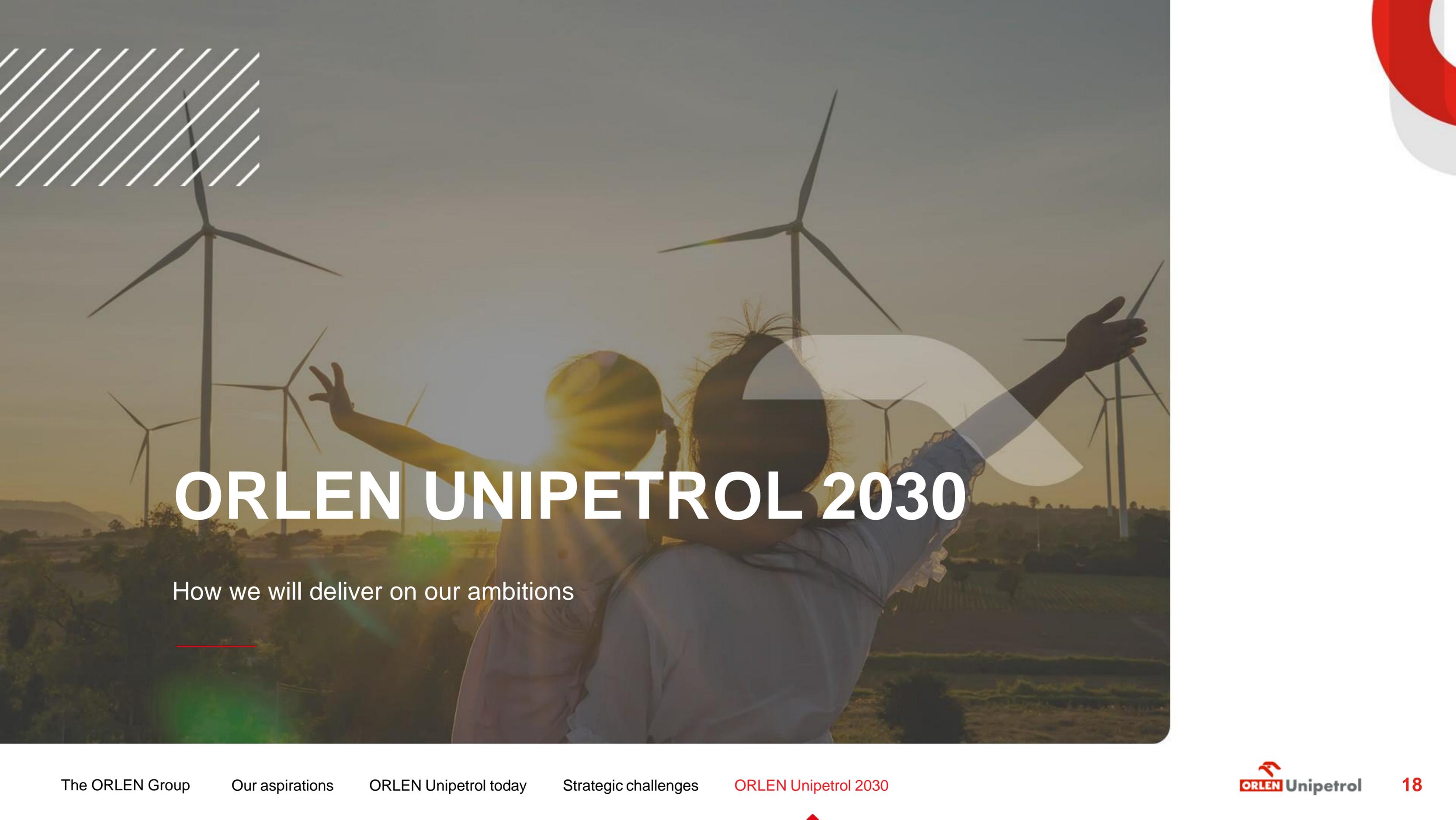


HDPE consumption (m. tons)



Source: IHS Annual Strategic Workbook – 2019, NEXANT, fuels incl. bio-components.

¹ Relevant market for fuels = CZ, PL, SK, AT, HU, DE. Relevant market for polyolefins = Western and Central Europe.



ORLEN UNIPETROL 2030

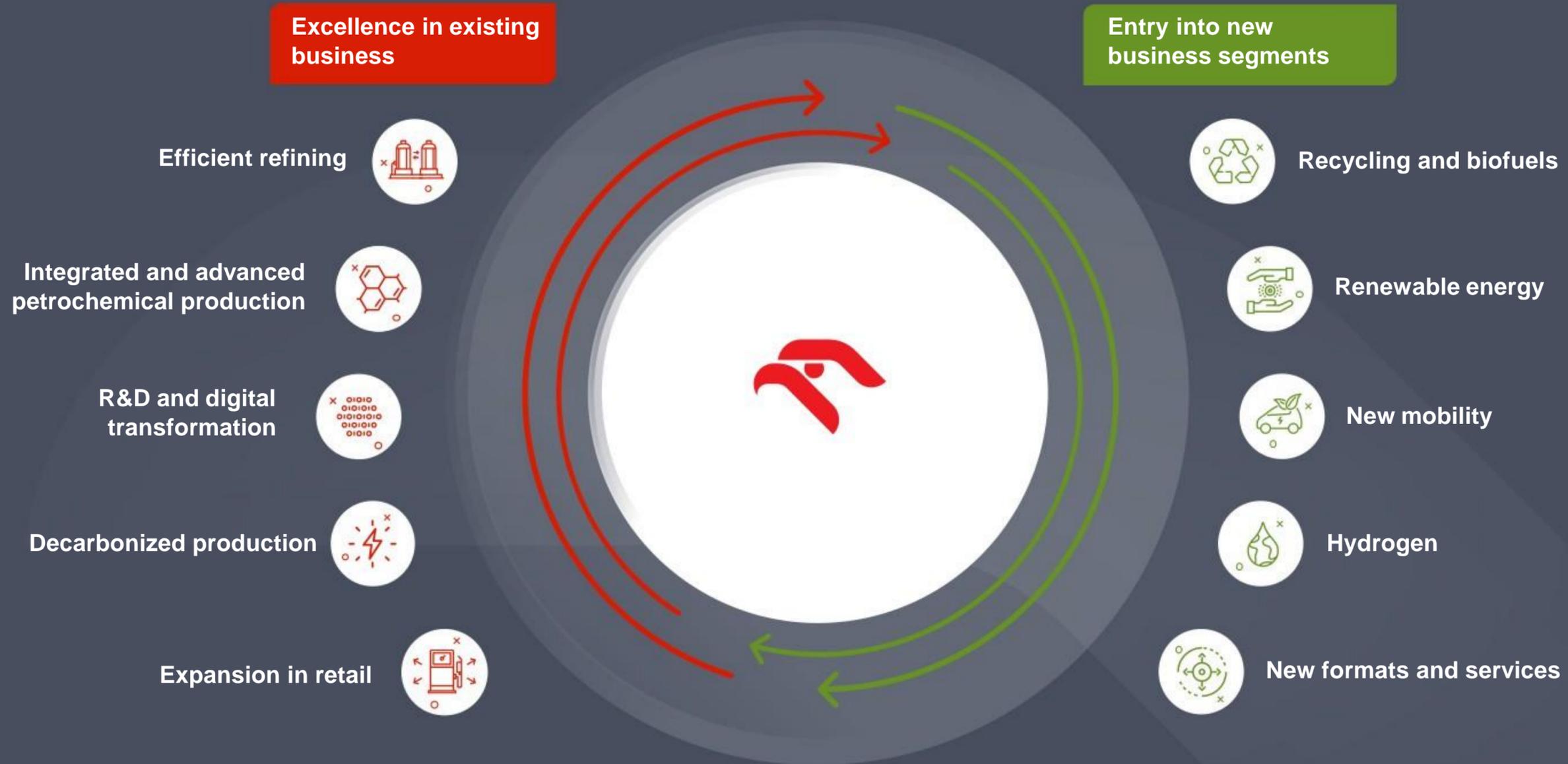
How we will deliver on our ambitions

Transition towards sustainability is creating **new attractive opportunities** for fuel and polymer producers

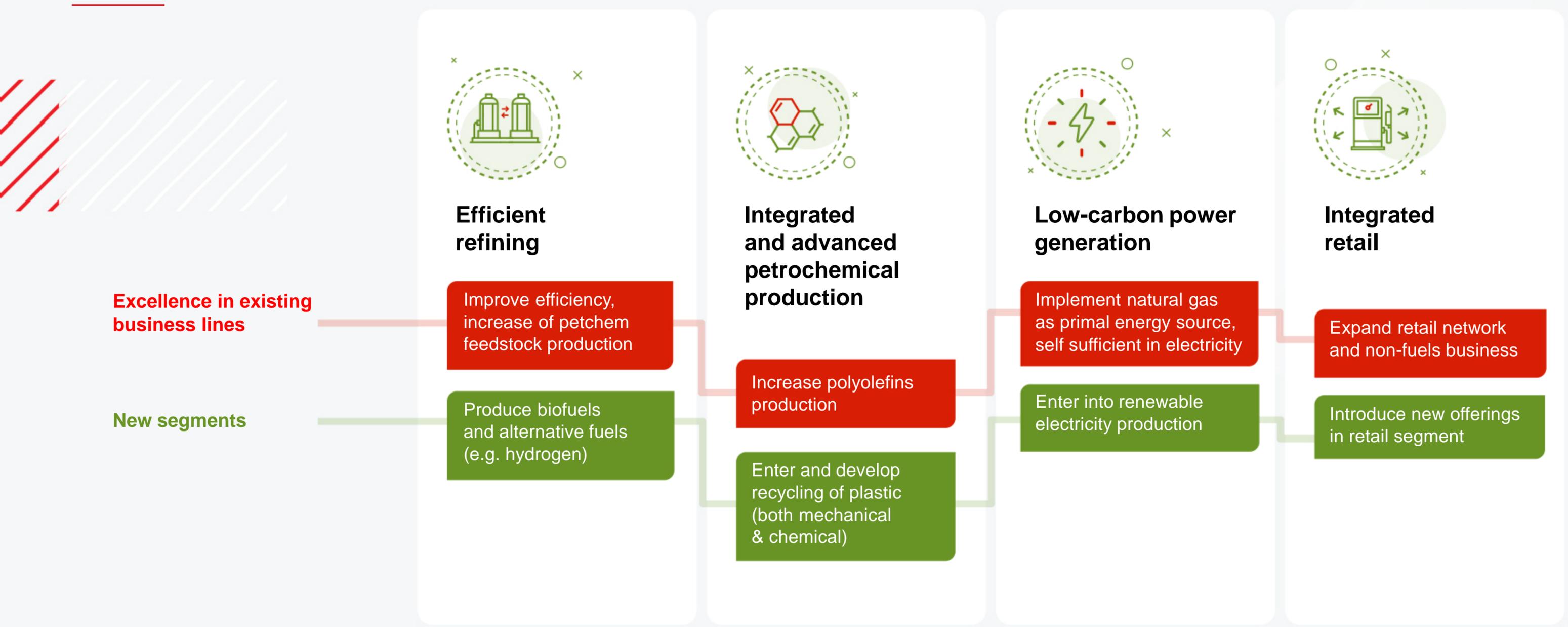
————— New potential business models



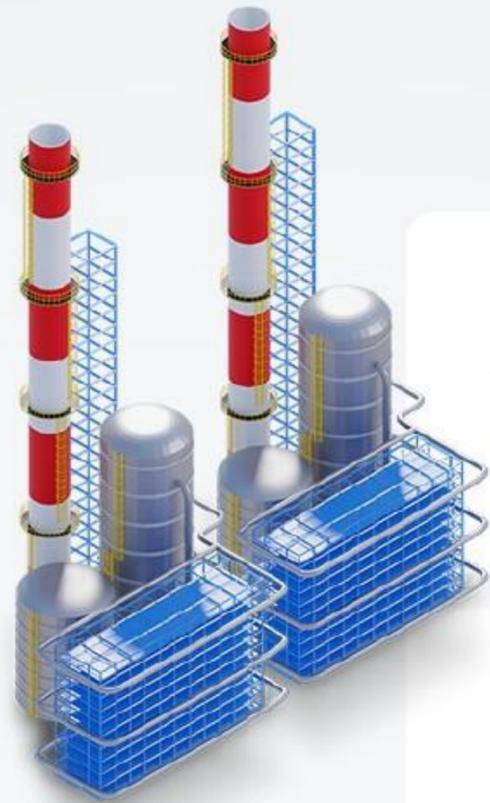
Reactions to the changes in external environment will make **ORLEN Unipetrol** more sustainable company with wider set of business activities



ORLEN Unipetrol will develop **new promising segments** but it will also keep focus on performance improvement of the current business lines



Refining: Facing difficult external environment, refinery of the future has to be efficient, green, integrated and flexible



EFFICIENT



GREEN



INTEGRATED



FLEXIBLE

Why:

Decrease of fossil fuel demand will put pressure on refineries in the region, only the efficient ones will survive.

Going green is inevitable with respect to regulation and customer needs.

Fossil fuel consumption will decrease, plastics consumption increase. Possibility to convert fuel into petchem feedstock will be the key to prosperity.

Facing fuel demand drop, new sales and production opportunities need to be found according to market needs.

How:

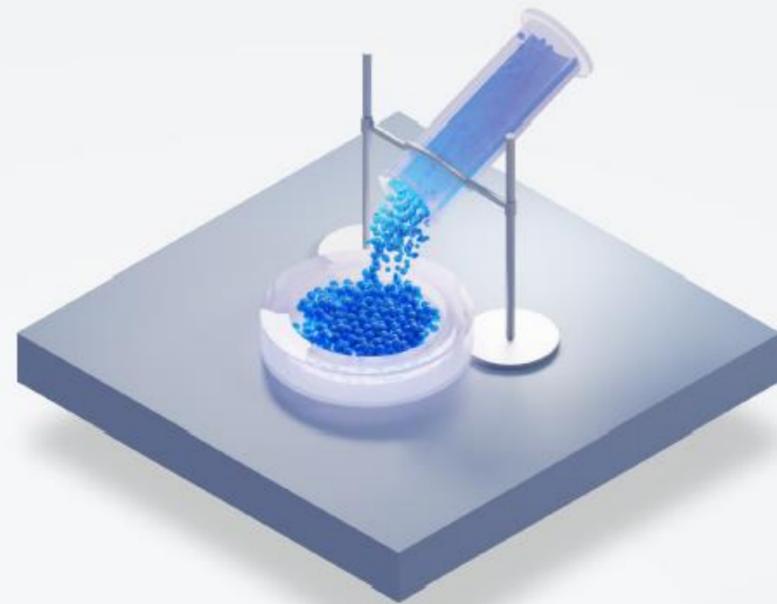
- Carefully develop core assets
- Invest into digitalization and R&D

- Produce bio-fuels
- Use alternative feedstock
- Utilize green hydrogen, biogas and photovoltaics
- Decarbonize the production

- Implement Petchemization program

- Develop logistics
- Optimize fuel sales policy

Petrochemicals: we plan continued investment into strengthening market position, with a focus on recycling and high-value added products



Sustainable and integrated petrochemical producer

- Extend portfolio by sustainable petrochemicals
- Strengthen integration
 - balance base chemicals
- Complete existing value chains (close the gaps)



Strong position in polymers

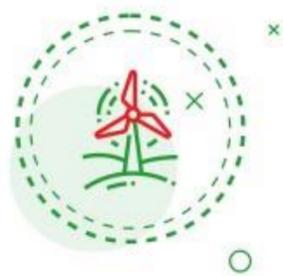
- Develop existing polymers stream
- Extend the value chain by including e.g. compounding, additives and concentrates



Strong position in mechanical and chemical recycling

- Build foothold in sustainable development: recycling of plastics, focus on relevant markets close to our production facilities.

Energy: ORLEN Unipetrol's ENERGO segment will play crucial role in transition to more sustainable company thanks to lower carbon footprint of produced energy



Increasing capacity of electricity production

- Replace the main energy source CCGT¹ with higher expected electricity production
- Invest into photovoltaic power plant in Litvinov

1/ CCGT = Combined cycle gas turbine



Lower carbon footprint

- Decrease the carbon footprint by turning away from coal to more sustainable fuels and green electricity

Retail: Success in retail to be ensured by focus on core activities, network expansion and new growth areas



CORE ACTIVITIES

- Increase performance and efficiency of existing retail
- Shop development = broaden shop offer
- Continue to offer premium and alternative fuels



EXPANSION

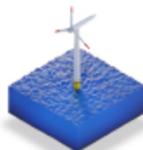
- Continue the growth in the Czech Republic via acquisitions and development of new stations
- Expand fast in Slovakia
- Potentially expand to new markets



NEW AREAS FOR GROWTH

- Provide new services - on stations, but also outside of stations
- Produce & sell electricity and hydrogen
- Unify and personalize retail sales and services via digital tools

By following the strategy ORLEN Unipetrol shall seize the unfolding opportunities and transform to a more sustainable company

		NOW	2030
 <h2>Refining</h2>	Fossil component of gasoline and diesel produced	≈ 5 mt/a	≈ 4.4 mt/a
	Biofuel produced (2nd generation)	-	≈ 0.2 mt/a
 <h2>Petrochemicals</h2>	Polymers capacity	0.9 mt/a	1.2 mt/a
	Share of alternative petrochemical feedstock	-	6 %
	Recyclate produced	-	0.1 – 0.2 mt/a
 <h2>Energy</h2>	Electricity produced	660 GWh/annum	2 500 GWh/annum
	Emission factor of steam from primary energy source	0.1 tCO ₂ /GJ of heat	0.06 tCO ₂ /GJ of heat
 <h2>Retail</h2>	Number of filling stations in CZ + SK	≈ 440	≈ 570
	Number of electric vehicle charging stations	≈ 25	≈ 170-230
	Share of non-fuel Benzina margin	≈ 24%	≈ 35%
	Number of hydrogen filling stations CZ + SK	0	54

ORLEN Unipetrol R&D is a lever in achieving the strategic objectives. Especially in recycling, biofuels & hydrogen technologies.



Structure

- Analysis section (advanced analytical services)
- Relevant entity (R&D projects)

- Production segment (masterbatches, non-dust blends)
- Research & Development (R&D projects and initiatives)



Number of researchers

• 82

• 45



Research areas

- Public and commercial R&D in refinery and petrochemistr
- Biofuels and alternative fuels, Hydrogen as power source, Chemical recycling, Circular economy, Bottom of the barrel.

- R&D in area of polymers (mainly PP and PE)
- Advanced polymers, Masterbatches, Mechanical Recycling, Compounding, Bio and alternative plastics, Circular economy.



Key role

- Basic and applied research of ORLEN Unipetrol Group strategic priorities
- Advanced analytical services and troubleshooting for ORLEN Unipetrol Group production
- Implementation of the newest technologies and trends in ORLEN Unipetrol Group production

- R&D support to existing PP and PE production plants
- Complete technical support to new PE3 plant
- New products development, including PE3 assortment
- Products customization
- Production of additives for plastics (complement to polyolefins)
- Consulting during the customer care process
- Troubleshooting

A vital element of **ORLEN Unipetrol 2030** strategy will be the digital transformation of the business across all segments

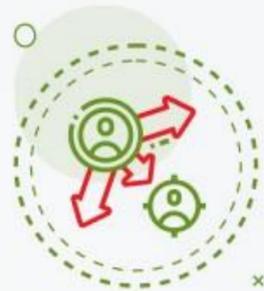
ORLEN Unipetrol plans to spend CZK 5 bn on digital transformation & implementing of digital solutions until 2030



**Next-gen
planning and
scheduling**



**Advanced
market driven
operations**



**Asset
management
4.0**



**Safety &
field
productivity**



**Support
functions
excellence**



**Trading &
marketing
activities**

Sustainable development initiatives are an integral part of the ORLEN Unipetrol 2030 strategy

Investment in the RES portfolio and biofuels

Biofuels production
≈ 0.2 mt/a



Further reduction of workplace accident rates (TRR)

TRR <1.5



Monitoring of the value chain and suppliers in terms of ESG1 compliance



Decarbonization

-20% CO₂ emissions reduction



Collaboration with local producers



Strengthening the segment-based operating model



Entry into recycling and biomaterials

>0.1m tons of installed recycling capacity



Caring for local communities



Supporting diversity and talent management



ORLEN Unipetrol's commitment to sustainable development:

Talent and human capital development will be crucial for building **ORLEN Unipetrol** of 2030

We will develop human resources ready for the transition to a new operating model

Long-term growth and business diversification require human capital with a broad range of skills and competences. Our efforts addressing these challenges will aim to:



Build a 'learning organization'



Support talent management and diversity – integration of young talent through work placement, scholarship and mentoring programs, spread enthusiasm for chemistry.



Realize human capital synergies through knowledge and competence sharing within the ORLEN Group. More flexible work arrangements.

Our definition of sustainability

ORLEN Unipetrol is a responsible guardian of natural resources bestowed to the humankind. Our mission is to fuel the future and innovations by providing energy for transport and high-quality polymers. We are the leader of energy transformation towards the sustainability based on low-carbon and circular economy principles. We adhere to the highest standards of environmental protection, and process and personal safety. We serve our clients with high value-adding products, services and solutions. We conduct our business in a manner considerate to all our stakeholders, partners, employees, society and the environment.

Our stakeholders



Business Environment



Customers



Regulatory



Environment



Professional associations & organizations



Suppliers



Competitors



Business partners



Capital markets & lenders



Social Environment



Local communities



State authorities



NGOS



Potential employees



Czech-Polish organizations



Media



Employer organizations



Local authorities



Scientific & research institutes



Internal



Employees



Trade unions

Our CSR approach



Education

- Scholarship program, School grants, Teachers grants
- Cooperation with schools, teachers and students
- Educational programs



Local communities

- Gifts to municipalities
- Cooperation with local non-profit organizations
- Support of local projects and charity



Environment

- Planting fish to rivers
- Monitoring of peregrine falcons
- Beekeeping



Our Employees

- Volunteering projects of employees
- Volunteering days
- Charity collections

Everything we do at the ORLEN Unipetrol Group is underpinned by our values





FUELLING THE FUTURE.
SUSTAINABLY.

