



PROF. DR. SCHNECK RATING

SECTOR STUDY ON THE PETROL STATION MARKET

UPDATE OF DECEMBER 2007

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List of Abbreviations

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| BfT | Bundesverband Freier Tankstellen e.V., Federal Association of Free Petrol Stations |
| BMU | Bundesministerium für Umwelt, Naturschutz und Reaktorsicherheit, Federal Ministry for the Environment, Conservation and Reactor Safety |
| cp. | compare |
| €Cent | cent |
| EID | Energieinformationsdienst, Energy Information Service |
| EUR | euros |
| f. | following |
| ff. | continuing |
| LPG | liquefied petroleum gas, Autogas |
| MWV | Mineralölwirtschaftsverband e.V., Economic Association of the Mineral Oil and Natural Gas Production |
| p.a. | per year |
| UNITI | Bundesverband mittelständischer Mineralölunternehmer e.V., Federal Association of Medium-size Mineral Oil Enterprises |



The Commission and How it is Carried out

The Commission:

The Bundesverband mittelständischer Mineralölunternehmer e.V. (UNITI) and the Bundesverband Freier Tankstellen e.V (bft) commissioned Prof. Dr. Schneck Rating GmbH to update this sector study in 2007. Prof. Dr. Schneck Rating GmbH authored and drafted the initial version of this study in 2004. Updates of the sector study occurred in 2005 and 2006.

The Objective of This Study:

The objective of this study is to provide a diversified description of the petrol station market while demonstrating the potential for opportunities and risks in this market. However, it is neither supposed to provide an extensive analysis of the petrol station market, nor provide a rating of this sector in an evaluation model. Instead, this study has the purpose of outlining the factors determining success in this sector that petrol station entrepreneurs can apply to maximising their business opportunities and/or minimising these risks or even avoiding them altogether. This paper is intended to make it easier for market players to more precisely evaluate an individual company within the framework of the entire sector.

Evaluations:

All of the content of this study is premised on information and documents from publicly available sources of information or was formulated in interviews with petrol station entrepreneurs. We do not accept any responsibility for the correctness of the information.

Working Principles, Methods and Liability:

We have taken utmost care to prepare this study to the best of our knowledge while applying an academic procedure for preparing market studies.

The analysts at Prof. Dr. Schneck Rating GmbH:

Bernhard Drüner and Julia Siegel

Reutlingen, Germany in December of 2007

Prof. Dr. Schneck Rating GmbH



1. Executive Summary

Various recent¹ studies and publications have described the petrol station market in Germany as a sector experiencing weakness in terms of growth and revenues, surplus capacities and above-average cyclicity, making it a high risk for the sector. The objective of this sector study is not to add another indiscriminate description of the problems, challenges and risks facing this sector to the already existing analyses that evaluate and underrate the petrol station sector. Conversely, the objective of this sector study is not to attempt to subjectively analyse this sector to brighten up and improve the difficult market position of German petrol station enterprises. Instead, this sector study has the purpose of pointing out to the target group of this document that the petrol station sector – like other sectors – deserves a diversified analysis and should therefore not be branded as a sector in crisis. It will only be possible to adequately determine and apply its impact on the business outlook of one single petrol station enterprise by undertaking a diversified analysis of opportunities, risks and factors for success for the specific company.

First and foremost, it should be kept in mind that there are significant differences between the specific opportunities and risks of each individual company depending upon each operator model and the constellation of ownership of the petrol station enterprise. There should be a distinction drawn between petrol station operations that are affiliated with groups and those not affiliated with groups including the various mixed forms arising from these structural scenarios. This also includes forms of operations such as supermarket petrol stations conducted as subsidiary gainful activity operations. There are various other supplier constellations that are of importance for the profile of opportunities and risks for petrol station enterprises (such as free fuel purchase with or without fixed margin agreements or system supplier purchase versus individual purchase of shop articles). Beyond this, the amount of valuable assets a company has built up – such as in the form of hidden reserves – should also be kept in mind. This shows that it is essential for a sector study to analyse the substantial operator and ownership strategies and the opportunities and risks they feature.

¹ Constanze Nüsperling and Joachim Rotering: Developmental Trends and Challenges for the Petrol Station Market in Germany and Europe, Tankstellenmarkt October/November 2002, Feri Sector Rating Germany, Tankstellen, Q3 2006 and "Sector Special Petrol Stations"; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), October 2007



Beyond the above aspects specific to the operator model, the petrol station sector is driven by a wide variety of business opportunities and risks beyond all sector enterprises.

On the level of opportunities, this includes

- the company structures and how they develop
- time as a scarce resource
- simplification of legislation
- the liberalisation of the shop closing hours
- the specific benefits of the petrol station as a business opportunity and the fact that it is correspondingly easy to implement the customer's demands for convenience, and
- consumers' growing interest in personal customer service and customer proximity

On the level of risks, petrol station enterprises are confronted with

- margin and sales risks
- procurement and operating risks,
- relatively short-term changes in statutory regulations,
- technological innovations,
- social changes, and
- cost and competitive pressures that may rise to an even greater extent

Applying the opportunity and risk scenarios specific to the operator model and the general opportunities for and risks to entrepreneurial latitude for action shows that there is a certain probability that a petrol station enterprise will be able to increase potential opportunities while minimising its risks. This is the reason why the factors defining this entrepreneurial latitude deserve a particularly high level of attention. After all, the scope and professionalism of their application dictate the economic success of a petrol station enterprise. Even beyond this, it is essential to apply what are known as *factors for success* not only on the level of the specific enterprise, but also on the sector level in terms of total number of sector enterprises. After all, the number of companies consciously taking advantage of these factors in their day-to-day business practice is co-decisive factor for the success of this sector and it being perceived as a *successful industry*.

Five groups of factors for success can essentially be identified that interact with one another in a complex fashion:

- the quality of the location
- commercial expertise
- offensive and systematic marketing



- a wide range of services; additional business and franchising,
- the capability and willingness to co-operate within sector enterprises, and
- customer loyalty systems

However, it is necessary to bear the fact in mind that the significance of these factors for success and the components they are formed of differ to the extent that they can cause a positive change in the financial situation of the enterprise, i.e. particularly its financial position and its earning power

- immediately,
- in the short-term and
- as a key factor.

What is more, these factors for success deserve a diversified analysis to the extent that their implementation requires differing amounts of time, financial resources/investments and strength of leadership/leadership talent of the entrepreneur to put the company on track for success. The *range of services / including additional business and commercial expertise* have been identified as factors that tend to be of greater significance for the economic success of its member companies. Generally, they are also comparably easy to influence and implement.

Along with these factors for success, some *special factors having an impact on success* should continue to be considered in the petrol station sector because they are key factors in distorting the quantitative analysis of petrol station enterprises in a negative fashion. The substantial boost in *mineral oil tax* as well as extensive, upward-looking movements on the crude oil market have led to rapid increases in the fuel price level in past years. This has led to an extension of the balance sheet and a shift in sales relations. Consequently a drop in the equity ratio and return on total capital employed of petrol station enterprises has occurred. That means that the turnover of these enterprises rises per litre of fuel sold, although revenues do not accordingly. Beyond this, due to a lack of knowledge of petrol station enterprises, third parties making company or sector analyses often do not classify *current assets* and *trade debtors* adequately (i.e., they tend to underrate a company's creditworthiness). The petrol station sector can correct this view by enlightening third parties and explaining their business model to them and this sector study also sees itself as making a contribution to this project.

The petrol station sector does not have any control over the amount of mineral oil tax. The only thing that the representatives of this sector can do is to make political decision-makers more aware of these interrelations and point out to them that raising the mineral oil tax or the fuel price level not only has the impact of steering the ecological policy, traffic or other social phenomena in a specific direction. It also greatly has the effect of jeopardising the capability



of petrol station enterprises to borrow money when they have to indemnify higher amounts to their suppliers. In other words, raising the mineral oil tax could place a sizable strain on the results of ratings.

However, the regulation of the Energiesteuergesetz could have a risk-reducing or in this case exculpatory impact. It indicates that mineral oil tax demands in excess of 5,000 euros can be subtracted from the collateralisation in commercial businesses if the contract formulation is adapted (Section 60 of Energiesteuergesetz² – Energy Tax Law).

It becomes evident from a diversified analysis of the petrol station sector according to potential opportunities and risks and factors for success that there are no grounds for a *blanket discount* of this sector. There is certainly no doubt that the petrol station sector will be exposed to considerable risks and dangers in future. However, a study of opportunities and factors for success also indicates that petrol station entrepreneurs operating on sound commercial guidance, skilled marketing and business field strategies deserve to be recognised as companies full of opportunities that are on track for success. In other words, they can be a profitable, worthwhile and stable investment for their equity capital providers and lenders.

In any event, it will always be the job of a lender to investigate each individual company in detail and apply a knowledge on the specific sector and business model to enquire whether a specific company takes advantage of the entrepreneurial latitude for action it has to maximise its opportunities in its specific sector and minimise the known risks. Incidentally, this is the same rule that should be applied to making these decisions in all sectors. In contrast, *the job of a petrol station entrepreneur* in this framework will have to be providing the data transparency needed for an adequate analysis to describe the company's detailed status quo and future perspectives both in quantitative and qualitative terms. The key motivation of this sector study is to create the basis that will be instrumental in meeting these challenges.

² cp. annex 1



2. Introduction

2.1. The Historical Development of the Petrol Station Market

The petrol station market emerged in tandem with the automobile market. The first "petrol station" in the world arose in August of 1888 due to the plight of Bertha Benz in the city of Wiesloch in the German state of Baden-Württemberg. The greater the popularity of the automobile in the following decades, the greater was the need for fuels to drive them. This need created the petrol station market that experienced skyrocketing growth in its initial decades.

This growth trend continued until the two oil price crises of the 1970's when the crude oil prices ballooned several times within a very short period of time. Although the economy overcame these crises after a couple of years, there was a continuing drastic decline in the number of petrol stations that was to last over the coming years. This form of market adjustment had an impact particularly on petrol stations that were not able to guarantee their profitability. A petrol station's profitability is jeopardised when it gets too little sales or turnover in relation to its cost structure or if it maintains an excessive overhead cost structure in terms of its level of sales and turnover. Other factors contributing to this development since the mid-80's are the escalation in environmental protection requirements, exploding competitive pressure and customers' mounting sensitivity towards prices.

Other changes in the economic, business management and political constraints have surfaced in the more recent history of the development of petrol stations, some of which have been substantial. One has been the fact that myriad discount or state-of-the-art customer loyalty systems have been rolled out over a number of years at petrol station enterprises affiliated with groups. Customers participating in this system get bonus points that can be translated into premiums or cash repayments at a later date; partially a direct rebate is granted. Most companies not affiliated with groups have not followed this trend and instead they apply the margin latitude they gain directly to maintain the regional price leadership they normally have, i.e. they sell the fuel at a cheaper price. However, altogether this development has driven down the gross margin for petrol station operators.

Another is the destabilisation witnessed in the political situation in a variety of regions in the world since 2001 due to international terrorism and the mounting frequency and severity of natural catastrophes that has brought about greater nervousness on international raw commodity markets. This has precipitated a measurably enhanced volatility in the price level. Finally, the demand for raw materials that has been spiking for years, particularly from growing Asian states and the USA, has caused the price level to rise on the markets for



crude oil and fuel products. Consumers react to this situation on the one hand by economising (scaling back their driving or buying low-consumption cars).

This consequently puts a crunch on the competitive situation of petrol station operations. On the other hand, consumers' price consciousness and price sensitivity climb to even greater heights.

The gathering competitive pressure is unmistakably reflected in the development of the total number of petrol station enterprises. 1970 witnessed the maximum number of petrol station enterprises with just over 45,000 petrol stations on the market. The number has dropped continually in the subsequent years so that as per July 1, 2007 the German network of petrol stations consists of 14.975³ stations. Figure 1 is a graph of the number of petrol stations for the period ranging from 1950 to 2006. A statistical analysis reveals a downward trend only interrupted in 1986. However there has been a visible levelling off tendency since the beginning of the 80's which has lost dynamism in the last few years also to the opinion of the BVR⁴. That isn't surprising as the German petrol station market has the most efficient net in European comparison, according to sector valuations⁵. Furthermore the density of petrol stations in Germany is one of the lowest in Europe. Therefore, there is a clear case for the thesis that the number of petrol stations has approached a natural lower limit. Two facts play a decisive role in that thesis: Petrol station enterprises are increasingly expanding their business activities to new or other business fields and having already expanded on a relatively big scale respectively. While only about half of all petrol stations in Europe dispose of a shop business, in Germany merely 3% concentrate exclusively on fuel consumption⁶.

³ Energy Information Service, number 31/2007

⁴ „Sector Special Petrol Stations“; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), April 2006

⁵ Energy Information Service, number 31/2007

⁶ *ibid.*



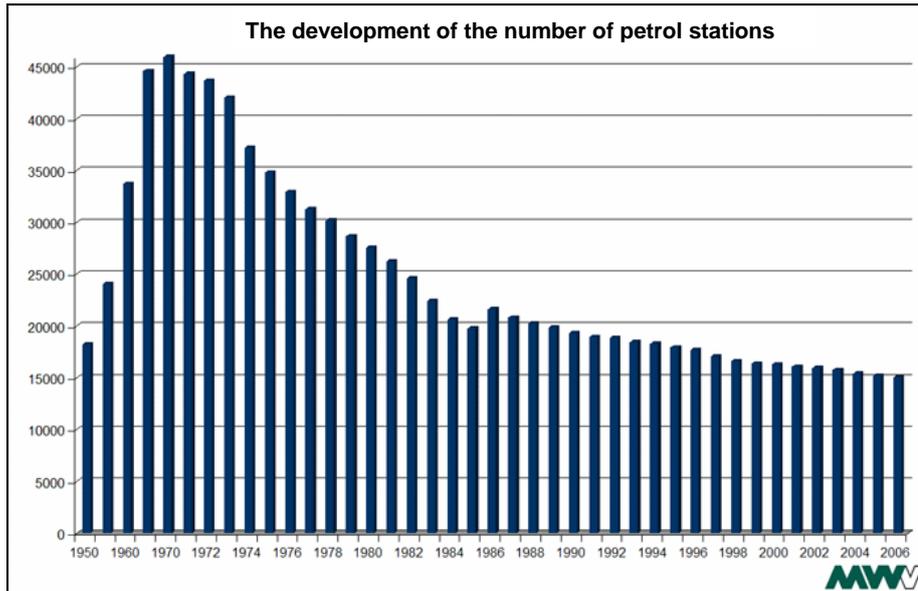


Figure 1 Development of the number of petrol stations in Germany from 1950 to 2006, source: MWV from 2007

Along with the historical factors having an impact on success, there is another that has gained in importance for the current and future perspectives of the development of petrol station enterprises: The financing of petrol station enterprises on the basis of the radical changes in the international and particularly the German bank market in connection with the BASEL II Regulations. Only the USA wants obligatory debtor rating to commence not until 2009.

2.2. The Impact Basel II has had on Banks Extending Loans

The new equity capital agreement of banks known under the buzzword "Basel II" tightens and clarifies the equity capital regulations for banks. This set of rules sets forth the agenda of improving banks' risk control. Given the increasing risks of default in the volatile globalised markets that can be seen from the rapidly rising rates of insolvencies, a tightened risk selection and identification in extending loans is one of the foremost components of Basel II. However, it should be noted that, in spite of some subsequent improvements, the peculiarities of specific sector areas and corporate dimensions were not sufficiently taken into consideration when developing the rules for Basel II. That particularly applies to companies such as the sector under consideration here that earn high turnover at a low margin and rapid stock turn.

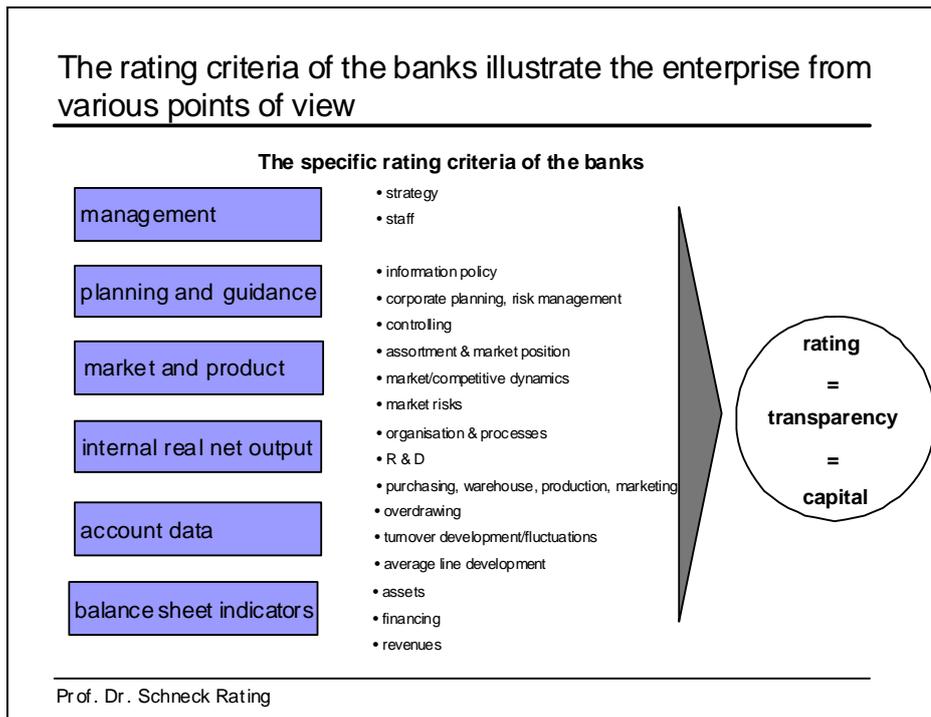


Figure 2 The rating criteria of banks, source: Prof. Dr. Schneck Rating

The pivotal element of Basel II is the banks' obligation to align their capital backing for the money lent to a greater extent towards the customers' creditworthiness. This new rule states that the greater the probability is that a loan will be paid back and the agreed to conditions of the loan will be complied with, the less equity capital the bank has to deposit as a safeguard. Different risks create different costs for the banks that they pass onto their customers in the form of interest. Basel II states that all companies should be rated to make this default risk calculable. To a great extent, the better the rating, the more attractive are the loan conditions. Hence, rating is becoming increasingly important in corporate financing, making it an issue that every company has to come to grips with – including petrol station enterprises.

Companies frequently operate on the assumption that the absolute size of a company measured in terms of turnover, assets, cash flow, number of employees or market capitalisation are the crucial factors for assessing the credit risk of a company. This is correct to the extent that experience shows that smaller businesses are exposed to greater risks since their size can exacerbate potential weaknesses in relation to competitors. Of course, the majority of rating agencies are of the opinion that there is no minimum size for reaching a specific rating category since the size in and of itself does not limit upward ratings.

It is evident that petrol station enterprises proactively accept the challenges involved in Basel II from the fact that a number of companies in this sector have been using a special rating software application based on the standard rating software R-Cockpit™ since 2004. It can verify companies' creditworthiness with a rating analysis, describe measures for improvement and generate a status quo expert report⁷. This software application has also allowed leased petrol stations to rate them since 2006. R-Cockpit™ uses the rating notation of Standard & Poors.

2.3. The Significance of the Sector Analysis

Beyond the rating criteria described in Section 2.2., the key factor is the profile of opportunities and risks of the sector that a company operates in. An analysis by *Standard & Poors*, the rating agency operating on the international scene, states that the competitive position within this sector and geographic and operational diversification according to areas and products are the crucial factors for evaluating the business risk of a company. In turn, these factors determine the amount of financial risks appropriate for a particular rating category. High on the agenda of a corporate analysis are factors such as the operational strengths and weaknesses of a company within the sector and on its sales markets as well as the issue of whether its financing profile alleviates or exacerbates the risks it faces. What other areas are of importance in the loan analysis beyond the size of a company emerge from the factors for success in this particular sector and how susceptible the sector or the issuer is towards external influences. Official agencies, statistical offices or ministries, professional and industrial associations, economic research institutes, international organisations and information services and experts specialised in this sector served as the banks' sources of data for information on and analysing the sector.

What is particularly important is the fact that *all* sectors have both successful and less successful companies. Even sectors that are dependant upon the domestic economic situation such as the construction industry, the textile or the car trade have companies with superior growth and revenue strength. There are also substantial differences in the economic situation and efficiency of specific companies in the petrol station sector. The research company Feri⁸ arrives at the assessment in its petrol station sector report that the chances of larger companies on the market should be seen as much more positive than the average in the sector in spite of the risk for the sector remaining on a high level.

It would be negligent to give a sweeping analysis of this sector since that would disregard more differentiated views and hence discount entire areas of industry and income. It would

⁷ Rating Software R-Cockpit™, petrol station edition

⁸ Feri Sector Rating Germany, Tankstellen, Q3 2006



also create a starting position for high-powered companies that would not yield an adequate rating while disadvantaging corporate financing in comparison to other economic sectors. A diversified analysis of this sector would have to be based on applying a precise comprehension of the business model to investigating the present and future factors for opportunities and risks in a sector while describing the potential for success that particularly innovative and professionally managed enterprises equipped with high-powered marketing work would have in this sector to safeguard and advance their economic performance.

In turn, a description of the factors for success could supply criteria for third parties to discern the difference between a successful company in a particular sector and a less successful one while avoiding sweeping evaluations. In the final analysis, the extent to which a petrol station enterprise can be proved to exploit the full potential for success is decisive for the probability of there being opportunities for the company's business establishment and the amount of the company's additional added value (i.e., the additional turnover or contribution margin).

Some sector studies and comments of sector representatives of the petrol station market emphasise the fact that the German petrol station market – in terms of its market situation and perspectives – continues to be overoccupied and would resist any greater movements towards concentration.

And, indeed, above all ARAL (-116), TOTAL (-17) and ESSO (-10) have shut down petrol stations from January 1, 2006 to January 1, 2007. Other petrol stations have been committed in parts to their competitors. The number of these who are not attached to any alliance has significantly decreased from 2,250 to 2,150 companies⁹.

In spite of other brand names expanding the number of petrol stations, the gradual overall decline in the total number of petrol station enterprises under observation has been continuing for years, even though its dynamism has been flagging¹⁰. Granted, caution is advisable with a general forecast on a further reduction in petrol stations since there is no 100% assurance that this will occur. It is only a trend that may occur with a certain probability, but there are no guarantees. The probability that the concentration will develop in this fashion depends upon the extent to which other opportunities and risks will present themselves in this sector that determine the overall demand for petrol stations and the demand for their assortment of products. This especially holds true considering that on average, already today barely 20-25% of the business activity based on the proportion of gross yield is affected by fuel sales¹¹. Any forecast of petrol stations' survival chances guided solely by developments on the fuel market will surely deliver the wrong findings.

⁹ Energy Information Service, number 31/2007

¹⁰ cp. figure

¹¹ et al. "Sector Special Petrol Stations"; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), October 2007 with reference to BTG annual report 2006



The associations of medium-sized petrol station operations state that by 2004 they took 25% of the petrol stations from 1994 out of the market once and for all. In their opinion therewith they have already made their contribution to efficiency increase. These closures were regularly overcompensated for by the access of petrol stations from the stock of mineral oil companies, who also owned their stations and whose brand name agreements were not extended for various reasons.

However, the fact that they left the brand name camp does not necessarily mean that these stations were less efficient. They might have good chances to hold their own on the market with the right business model, the lessee's expertise and independence (particularly in the follow-up market), customer proximity and the right advice from expert associations. The fact that some entrepreneurs are longstanding members in their associations bears witness to the competitiveness of these medium-sized petrol stations.

Moreover, it bears note that, assuming the movement towards concentration continues, the true criterion for assessing whether this particular company is economically jeopardised or might profit from market developments is the extent to which a petrol station enterprise can make use of potential for success or indeed has implemented it in the past.

For example, some suppliers in the street petrol station segment (i.e., excluding motorway petrol stations) such as Orlen, OMV, Tamoil/HEM, Q1 Tankstellenvertrieb, ConocoPhillips (JET) and above all member companies of BfT have been able to measurably advance their market visibility between July of 2006 and July of 2007¹².

This is the reason why it will be necessary to detail the factors for opportunities and risks on the petrol station market in the following to enable third parties and particularly outsiders to this sector to weigh off the fundamental future perspectives in it.

Afterwards we will describe the factors for success in Section 5 that enable petrol station entrepreneurs to control the extent to which opportunities occur and risks can be avoided. It should be kept in mind that this sector study cannot be a substitute for any diversified rating of a petrol station operation, but it might also provide the basis for one. Section 3 will investigate the structures of the petrol station enterprises in Germany and they way they are embedded into developments on the international or European markets including the current business management position to provide the basis for an initial assessment of opportunities, risks and factors for success.

¹² Energy Information Service, number 31/2007
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3. The Current Situation and Structure of the Petrol Station Market

The previous section showcased some constraints that have an impact on the petrol station market while providing insight into this sector. Since the core business of the petrol station operations is increasingly being determined by shopping (such as convenience products and tobacco commodities) and other business fields while the sale of fuels have receded into relative obscurity, these activities and their significance will be explained in detail before addressing the various types of petrol stations and their financing structure

3.1. The Pivotal Position of the Shop Business and Other Business Fields

The distribution of revenues in the petrol station business indicates the proportion of gross yield of fuel sales of the petrol station operator has continually declined in past years. In 2006, it only amounted to 20.1% (2004: 22.6%) of the entire gross yield¹³ with a leased self-service brand petrol station. This section will present other business fields for petrol stations that have increasingly come to the fore in past years. Odds are they will be even more important in future. Of particular importance among these additional business fields is the derived business for fuel sales, mainly the shop, car wash and garage. This situation also calls for a diversified analysis.

The *shop business* (meaning the retail trade with basic commodities) has acquired an exceptional position in the structure of petrol station operations' turnover because for years it has continually expanded its range of products and services with such things as coffee shops, baked goods shop, bistro corners and lottery and football pools agencies, etc. It is also likely to expand in future. The growth of the business spaces used for it and the turnover it generates provide stunning proof of this. In the past 14 years, shop spaces at petrol stations have peaked from an average of 30 square meters to 80-110 square meters¹⁴ while the average shop turnover has grown a whopping five times and is an average of 8,000 euros/square meter in the former West Germany¹⁵.

The figures of petrol station operations organised altogether in EURODATA show the following: Operations in the former East Germany recorded a shop turnover of about 830 thousand euros and achieved with this figure a new peak in sales. Petrol station operations in the former West Germany again showed a slight decline in shop turnover¹⁶.

¹³ „Sector Special Petrol Stations“; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), October 2007 referring to BTG Annual Report 2006 as well as „Sector Special Petrol Stations“; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), October 2005 referring to BTG Annual Report 2004

¹⁴ „Petrol station shops are losing customers for the first time“, Handelsblatt , May 15, 2003

¹⁵ EURODATA, 12/2006; average turnover Petrol Stations West in shop business 2006: 832 thousand euros p.a.

¹⁶ EURODATA 12/2006



Feri¹⁷ assumes that "with a lasting and strong expansion of the German economy a certain consolidation can be reported. Prerequisite is a simultaneously normalization of fuel prices in the coming years by re-increasing driving performance (...)". However the decreasing average fuel consumption and a "tranquilisation" in the classic food business as well as for convenience goods could have a "damping" effect.

According to observations of the BVR¹⁸ the shop business has increased (Sales +1%) compared to the two prior years. In doing so in the years 1998 to 2002 this business area's nominal growth made up 7% per year on average. To mention is that there are shop segments which show a high increase in sales, such as Fast-Food division (+5.1%), tobacco products (+4.4 %) and the comparatively small segment tyres, batteries and accessories (TBA, +53.5%). In contrast phone cards (-16.6%), groceries (-7.2%), print products (-5.2%) and confectionary (-2.5%) partially showed a considerable drop in sales¹⁹.

Therefore, a product mix policy in accordance with market requirements is determined more on continually growing contribution to sales and operating income of the shop business than in former years. Finally this affects the profitability of a petrol station enterprise as well. After all, the turnover increase of TBA-articles shows, according to the opinion of the BVR²⁰, that the trade with auto goods still has potential for yield increase.

In 2006 the *shop gross yield* of a leased brand petrol station reached 53,4% (2004: 48.3%) of the entire gross yield²¹.

It is fascinating that, as experts state, petrol station operations are increasingly being offered or demanded as franchisees for high-quality franchise systems²². The reason for this is the above-average quality of locations (particularly customer frequency, car-park structure and quality of premises) including the measurable progress made in their appearance. Using a franchise can spell out some substantial synergy effects – for instance, an attractive franchise brand and a high-profile petrol station operation generate a higher customer volume and broader customer loyalty

There are various strategies in practice for operating shops presented here.

¹⁷ Feri Branchen Rating Deutschland, Petrol Stations, Q3 2007

¹⁸ „Sector Special Petrol Stations“; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), October 2007 referring to BTG Annual Report 2006

¹⁹ *ibid.*

²⁰ *ibid.*

²¹ *ibid.*

²² refer for definiton: Deutsche Franchise Verband e.V. (DFV), www.dfv-franchise.de



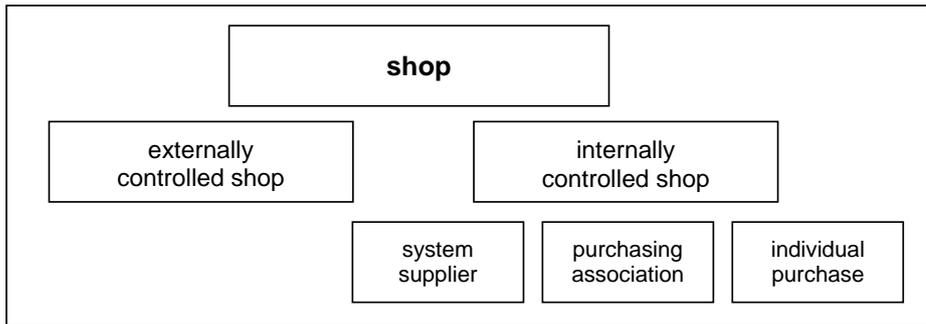


Figure 3 A cross-section of the shop organisation strategies; source: internal figure

Figure 3 showcases the various shop organisation strategies at a petrol station. It indicates that shop business can be clearly distinguished into two forms differing from one another in terms of the degree of independent operator responsibility. The externally controlled shop is most common among the property hold petrol station operator models and the lessee without own station model. In these models, the shop is centrally guided by the large-scale supplier while the salaried employee/lessee is only called upon to handle sales and replenish stock on hand. Other companies provide marketing and consultation without guidance.

The internally controlled shop is the most popular of all operator models because it offers the operator a wide range of opportunities for structuring shop operation.

On the one hand, he can have one single system supplier such as Lekkerland or Marketing und Convenience - Shop System GmbH (MCS) take over the entire shop supply. This would have the benefit of contributing the supplier's experience, logistic expertise and knowledge of the market that the petrol station operator would otherwise have to provide. Admittedly, this would also involve a loss of the operator's control over the shop because it is quasi externally controlled.

On the other hand, several operators could join forces and operate on the market as a purchasing association which would put them in a position to arrive at low-price agreements for all parties involved in the association. This way of doing things is most common among petrol stations not affiliated with groups who have structured themselves into associations and who form these purchasing associations. They normally do not sign exclusive agreements with one single supplier who supplies the entire assortment. Instead, several suppliers take over a particular portion. Beyond this, the members of the purchasing pool can also sign individual agreements with other suppliers on more extensive services. This option puts them in a position to decide themselves what areas should be externally controlled or internally developed. Experts on this sector see proactive advertising and a high profile for their products as being important for success in the shop business.

Generally, there are further options for structuring the shop. On the one hand, the shop business at petrol station operations are becoming increasingly interesting for deploying franchise systems (e.g. McDonald's, Burger King, Subway), and on the other hand a petrol station operator can also come up with an independent strategy and purchase the products for the shop from several suppliers. This model gives the operator maximum control over the shop business since he can directly influence all issues ranging from the selection of products to purchasing and marketing right down to pricing. That puts this operator in a position to develop a profile that differs from other petrol stations, although he has to forego the lower prices from purchasing pools and make all the decisions himself.

In contrast to the shop, the importance of *garages* at petrol stations has dwindled in past years. Technological changes in automobiles supply the explanation here. For many years it used to be possible to repair a car just using mechanical tools. Unfortunately, today this requires a wide variety of highly specialised diagnostic instruments to trace and solve problems. In turn, these instrument call for major investments that can only be amortised by a large number of repairs. Petrol station garages cannot attract as many orders as larger specialised dealer garages.

This is the reason why the potential in petrol stations is restricted to less sophisticated technical services such as changing tyres and oil or selling standardised spare parts such as lamps and operating materials. In the final analysis, car repair and servicing only contribute 2.2% to the gross yield of a leased brand petrol station.

Along with the garage, the *car wash* is an additional business segment of significance. The proportion of total yield contributed by the car wash has remained approximately constant at 16.5% in past years²³, although experts in this sector say it could be as much as 25%. However, there are developments that can be seen in this business segment that might have a substantial impact on its future perspectives for development²⁴. First of all, more and more companies are entering the market particularly in areas of industrial concentration specialising as car wash operators and they are putting themselves in direct competition with petrol stations. They frequently have highly efficient equipment that enables them to offer their service at lower prices on the market. That means that they may deprive petrol station operators of market shares in future assuming the petrol station operators do not attempt to assert or build up their position on the market with such things as attractive car washes (for instance, multiple-stage textile cleaners, personal service offers). Secondly, the lawmaker is having an increasing impact on the continued development of the car wash business with

²³ „Sector Special Petrol Stations“; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), October 2007

²⁴ also refer to Section 4.1.



tightened environmental protection laws which may force operators to invest in more equipment. At the same time, it also raises the barriers to entering the market for other competitors.

3.2 The Various Types of Petrol Stations and Their Significance

To start off, it makes sense to analyse the overall market volume. In Germany, passenger cars alone covered about 864 billion kilometres in 2006²⁵.

In the past the driving performance has increased and will expectedly continue to rise – till 2010. This is caused by the still growing rate of motorization up to estimated 885 billion passenger car kilometres²⁶. Although per-capita consumption of gasoline has distinctly diminished(-18.8%) (in spite of a constant population²⁷) and consumption of diesel has increased only by 1.7%²⁸.

72% of fuel consumption (2005: 65 million litre²⁹) is covered by petrol stations and about 28% by other distribution channels.

An analysis of the types of fuel indicates that the share of gasoline sold via the petrol station sales channel was 95% while only 50% of the total diesel sales is done via petrol stations. Diesel's low share of petrol station sales can be attributed to the fact that large quantities of diesel fuel is being supplied directly to large-scale commercial and public companies such as carriers and public transport, meaning it is not sold via the petrol station network.³⁰ All experts agree that there are five operator models (including the corresponding mixed forms) in Germany (also refer to Annex 7). Experts also call the first three models colour petrol stations because they sell fuels from wholesale suppliers under its *colour*.

The other group encompasses all petrol stations not affiliated with a brand that can be distinguished by the significance of fuel sales for the company.

²⁵ VDA Association of the Automobile Industry, annual report 2007

²⁶ *ibid.*

²⁷ 2000: 82.0 Mio. 2005: 82.4 Mio. according to Federal Statistical Office

²⁸ Energy Information Service, number 31/2007

²⁹ DIW weekly report, Berlin, 37/2005

³⁰ „Sector Special Petrol Stations“; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), October 2007



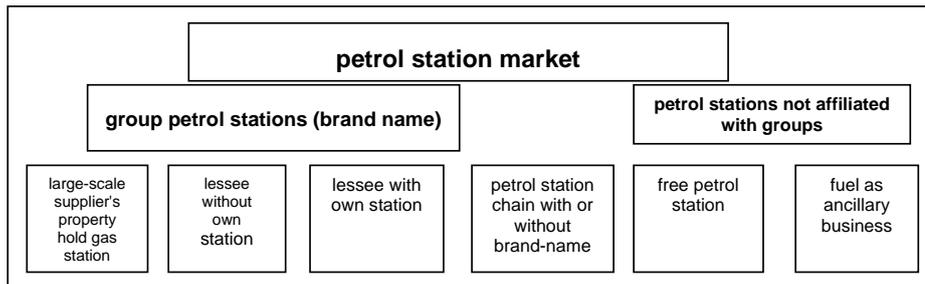


Figure 4 A representation of the various models for petrol station operations, source: internal figure

The first operator model that belongs to group petrol stations is a *large-scale supplier's property hold gas station* such as Shell, BP or ESSO. These petrol stations are the property of the large-scale supplier who operates it with salaried employees in its own name and they only have limited influence on the operation of the petrol station since the large-scale supplier guides activities such as marketing, purchasing and making decisions on products from a central location. Admittedly, there is only a small number operating on this model, making it of secondary importance.

The second operator model also encompasses petrol stations belonging to a large-scale supplier. However, the petrol station is not operated by salaried employees of the large-scale supplier, but by a lessee who leases the petrol station. That means that this is a *lessee without own station*. Since in this model the lessee also sells the fuel exclusively in the name of and on the account of the large-scale supplier, it may also be included among the group petrol stations. Given the plummeting margins in the fuel trade, there is much greater potential for conflict between the large-scale supplier and petrol station operator with this model. Furthermore, the operator also has narrow latitude for marketing campaigns (such as customer loyalty programmes) since the large-scale supplier guides these activities from a central location as with the stations owned by the large-scale supplier.

While the petrol station belonged to the large-scale supplier owned in the previous models, in the third operator model it is the operator who owns the petrol station. Therefore, this is a *lessee who owns the station*. The lessee only "leases" the brand name of the large-scale supplier and sells its fuels. This model can also be classified as a group petrol station since fuels are sold under the business name of the large-scale supplier and the lessee also receives a fixed commission per litre of fuel for selling it. This model not only differs in terms of different ownership relationships, but primarily in terms of the opportunity of independently setting up one's own business fields (such as shops).

In contrast, with the two previous models, it was generally the large-scale supplier who made and guided these decisions from a central location. Due to their major importance, we will especially detail these additional business fields in a subsequent section. The models described here encompass all petrol stations operating under the business name of a large-scale supplier (less than 500 enterprises). At July 1, 2007, this group included 9,318 of a total of 14,599 (street) petrol stations (63.8%)³¹.

The non-group affiliated medium-sized petrol station chain operators constitute a mixed form. These are dealers that both operate petrol stations under brand names and petrol stations that are not affiliated with a brand name. The remaining petrol stations are subsumed under petrol stations not affiliated with a brand name where two models should be distinguished.

First of all, the model of the *free petrol station* will be explained. This is a petrol station that is neither bound to a large-scale supplier through sales of fuel, nor any additional business fields while the operator is either the owner or also lessee of the petrol station. The operator generally purchases fuel on his own and some commercial and shop articles are purchased via joint purchase groups/associations via petrol station entrepreneurs not affiliated with a brand name. This business procedure fuses the fragmented purchasing volumes of each of the petrol station enterprises to a power on the market to get prices lower than any individual company. Master agreements are also made within associations for purchasing technical installations or the supply of sales articles that have a positive impact on the sole trader's purchasing means. In spite of these organised structures, each and every company is completely independent both in a legal and economic sense. This is not to say that there are not any concentration processes within petrol stations not affiliated with brand names that have brought about the formation of petrol station chain operations. Indeed, mixed forms between this organisation model and the above mentioned lease models are everyday practice and entirely normal.

The last model includes *subsidiary income petrol stations* where selling fuels is not the core business. These are petrol stations affiliated with supermarkets, car dealerships or large car washes. Here, selling fuels only has the purpose of offering additional customer benefit while earning added contribution margin above and beyond the core business. The operator is not economically dependent upon selling fuels and usually does not expand the petrol station operation to other adjacent business fields.

³¹ Energy Information Service, number 31/2007
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3.3. The Financing Structure of Petrol Stations

The previous sections showcased the structure of the German petrol station market while providing more detailed explanations of the various organisation models on this market. This section will delve into the financing structure of petrol stations that also differs from that of other markets.

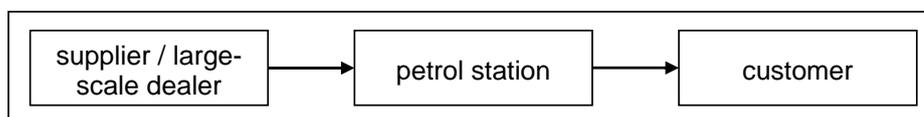


Figure 5 The item flow of fuels, source: internal figure

First of all, the flows of financing will be described between the fuel supplier and the petrol station. Currently, 80%³² of petrol stations are not run by their owners in Germany, but are leased to operators (*i.e.*, *lessee without own stations*). These operators run the petrol station as an independent entrepreneur and pay a lease rent. These operators (lessees) receive a commission for the fuels and lubricants sold for their sales activities. If they sell 250,000 to 350,000 litres per month, that results in an annual income amounting to 25,000 to 35,000 euros at a net margin of 1 euro cent/litre³³ from fuel sales for a petrol station of this magnitude. The final amount of income from this hinges exclusively on the fuel sales. This variable income – that the earnings from the shop business and miscellaneous services are added to – should be seen in the framework of the fixed costs of petrol station operation. Ultimately, thus the business risk of a petrol station is dictated at least in part by the sales volume risk.

As a rule, the classical operator of a non-group affiliated (multiple) petrol station freely purchases fuels on the market while those who purchase their fuels in whole or in part through fixed distribution contracts do not bear the margin risk. They can only earn lower margins at high market margins as companies who freely supply themselves.

After describing fuel financing in terms of suppliers and petrol stations, this section will deal with the petrol station's fuel sales to customers. Customers usually pay for fuels in cash or via a debit/EC card. But there are two special cases that warrant more detailed explanation. Some customers use credit cards (such as VISA or Eurocard) to pay their bills which not only involves a delay, but also certain fees. This delay means that the point in time of performance is separate from the point in time of payment. It is the petrol station operator who has to finance delay and these fees and that spells out a reduction in revenues.

³² as per BfT Workshop November 2005

³³ reference value from EID 06/06, page 10

Some groups of customers (including freight forwarders, taxi drivers or corporate clients) are given single bills that are rendered after certain periods of time. A positive factor with these groups of customers is the virtually constant and higher fuel consumption in relative terms. Beyond this, these groups of customers often make agreements with just one petrol station providing a form of exclusivity that allows customer loyalty to be developed and maintained. Signing prepayment agreements enable petrol station entrepreneurs to downscale the financial burden of advance financing involved in single billing while reducing the risk of delayed payment or even default on payments.

3.4. Market Shifts and Processes of Concentration

As Section 2.1 already described, the number of petrol station on the market has dropped continuously since the beginning of the 70's. This section will investigate the reasons for this decline in petrol stations.

One thing of importance for this is mergers among various large-scale suppliers. In past years, German Shell merged with DEA while British Petroleum (BP) merged with ARAL. If these transactions had included all petrol stations in these companies, it would have exacerbated the oligopolous structure of the market. Experts in this sector state that this is the reason why the Berlin-based Federal Cartel Office only approved this action if a portion of the petrol stations and refinery capacities were sold to other suppliers. Before this time, the network of petrol stations of these four companies encompassed 6,350 petrol stations but after this transaction experts says it dropped to 4,900 petrol stations. The petrol stations offered for take-over were bought up by other large-scale suppliers as well as by free suppliers and international petrol station operators such as the Austrian OMV, Polish ORLEN and Italian AGIP companies that - according to sector information - targeted providing a more active selection on the German petrol station market³⁴.

These shifts also generated geographically modified structures. Shell/DEA or BP/ARAL reduced their networks of petrol stations particularly in rural areas because they could only sell less fuels in these areas due to the lower population density than in areas of industrial concentration. Therefore, when deciding on a location based entirely on the quantity of fuel to be sold, it makes business sense to divest oneself of these petrol stations and concentrate on areas of industrial concentration. In contrast, the medium-sized and smaller international suppliers (such as OMV, Orlen and AGIP) are targeting a profitable overall strategy not exclusively based on fuel demand. They can operate profitable companies with a smaller quantity of fuel and / or a niche strategy by entering into the right business relationships.

³⁴ cp. the described changes of petrol station stock, Section 2.3



After all, sector experts state that petrol stations in rural regions have often assumed the function of previous corner shops and local suppliers respectively. According to actual sector information, Orlen has focused on a "forced adoption" of a "B-brand-concept ("star")"³⁵,

A final phenomenon has been a constant increase in efficiency at petrol stations in past years. The number of automobiles purchasing their fuel needs at specific petrol stations can be used as an indicator of this. While one petrol station was only capable of supplying approximately 300 cars in the 70's³⁶, this rose to 3,308 motor vehicles (passenger cars and utility vehicles) at the turn of the year 2006/2007³⁷. This trend can be attributed to two causes.

For a start, fuel consumption per passenger car has dropped on a constant level in past years³⁸ which has continually boosted the range of passenger cars. In turn, this higher range has allowed the network of petrol stations to slim down since spatial proximity has become less and less significant. Secondly, the profitability of this sector has changed. To a great extent, the margins per litre of fuel sold have stayed unchanged since the 70's – excluding the above-average 90's³⁹ while the cost for operating petrol stations as well as investing in substitutes or expanding has risen. Thirdly, various changes have become necessary for complying with modified laws first and foremost concerning environmental protection. That means that the economic viability of a petrol station operation can only be represented in terms of fuels by boosting the volume of turnover and especially with higher vehicle/customer volume.

³⁵ Energy Information Service, number 31/2007

³⁶ "Oil – Raw Material and Energy Carrier", MWV, 1996

³⁷ numerical data from VDA Association of the Automobile Industry, annual report 2007 and Petrol Stations in Germany (annex 2)

³⁸ German Federal Statistical Office; statistical annual book 2006; cp. Section 3.2

³⁹ www.mwv.de, The Composition of the Price for Super 1972 to 2004, December 2005



3.5. The European Petrol Station Market

Statistical data from 2005 / 2006 indicate that Germany is among the European countries with the lowest petrol station density.

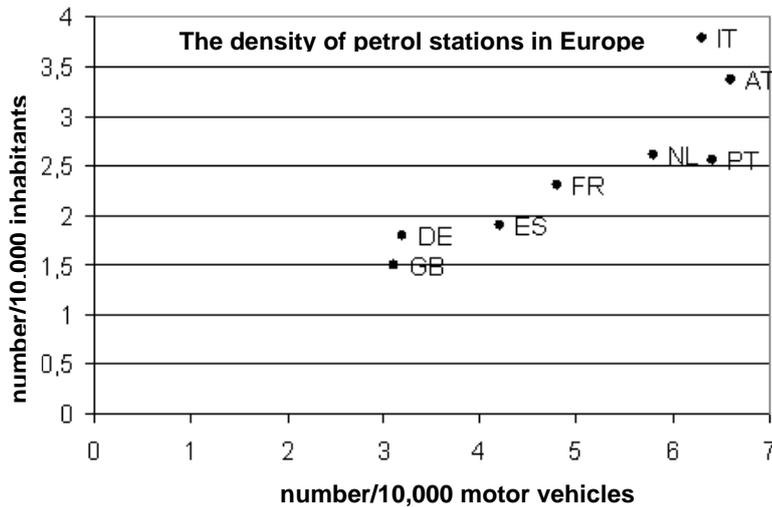


Figure 6 The density of petrol stations in Europe; source: internal figure

Figure 6 shows a cross-section indicating that Germany – in this selection of countries - has the lowest density of petrol stations in terms of the number of motor vehicles behind Great Britain. Together with Spain and Great Britain, Germany is also in last place in the table in terms of the density of petrol stations and number of inhabitants (less than 2 petrol stations per 10,000 inhabitants). That means that, according to sector valuation, Germany has almost gone through a development that most other European countries still have before them.

The authors of an essay entitled "The Future Perspectives of the Petrol Station Market in Germany and Europe"⁴⁰ arrive at the conclusion that no other sector has had to grapple with a comparably high degree of structural metamorphosis in the last few years. They point to a major crunch to consolidate that petrol station enterprises have been subject to for several years particularly on the German market. The more petrol station enterprises transform themselves from specialised undertakings trading in fuels and lubricants with an add-on retail trade into specialised retail trade businesses with an add-on fuel and lubricant trade,

⁴⁰ Constanze Nüsperling and Joachim Rotering: Developmental Trends and Challenges for the Petrol Station Market in Germany and Europe, Tankstellenmarkt October/November 2002



the greater will be the impact of statistical market data that encompass less products and suppliers from the mineral oil trade than information on what's happening on the market in the retail trade sector. The EID also determines that the German petrol station market meanwhile disposes of the most efficient net⁴¹, due to severe competition.

This is the reason why analyses on the long-term success of petrol stations and their perspectives for development (that essentially emphasise what's happening on the fuel market and its data) should still be considered relevant, although they do not constitute the only meaningful statements. Focusing exclusively on the market that trades in fuels and lubricants cannot generate any reliable information on the economic viability of the petrol station sector as such. Given the shifts in the structure of the products and services of many members of this sector, these analyses can only deliver faulty estimates.

There is another thing to bear in mind when analysing the German petrol station market in comparison to the European market. Consumer prices for fuels in Germany (*adjusted by tax effects*) only rank in the middle field of the statistics⁴² (diesel place 12 and Eurosuper place 15 from 25 countries); from customers' point of view fuels are relatively cheap. For years now the tax burden for fuels in Germany provides a relatively unattractive starting market position for investors or petrol station enterprises as compared with international markets (the price position for diesel fuel, place 3 (2006: place 5) and Eurosuper place 5 from 25 (2006: place 7))⁴³. If Europe harmonises its taxes in the fuel sector in the medium-term, German petrol station enterprises would fare much better.

3.6. Business Management Development among German Petrol Station Operations

The analyses below on the business management position of German petrol station operations are founded on the statistical data of EURODATA. This is a specialised sector service whose evaluations rest upon the business management findings from a total of 5,290 companies (12/2006), 1,162 of which have their principal place of business in the area of former East Germany and 4,128 companies in the area of former West Germany. The development of shop turnover (both in absolute figures and relative to total turnover) merits special attention in this study along with evaluations of the return on sales and gross yield. It must be pointed out that the EURODATA companies are lease enterprises. That means that the figures do not completely represent the petrol station sector and its economic condition.

⁴¹ Energy Information Service, number 31/2007, page 24

⁴² Statistics from the Energy Information Service, Hamburg (refer to Annex 5); Mineralölwirtschaftsverband e.V. (November 2007)

⁴³ *ibid*



This is the reason why the evaluations derived from these data are premised on an analysis of average figures, meaning they can only supply an indication for the sector as a whole. In other words, to assess an individual petrol station operation, it would be necessary to put the specific situation and development scenario under the microscope. However, the development of fuel sales is particularly fascinating along with an evaluation of the return on sales and gross yield.

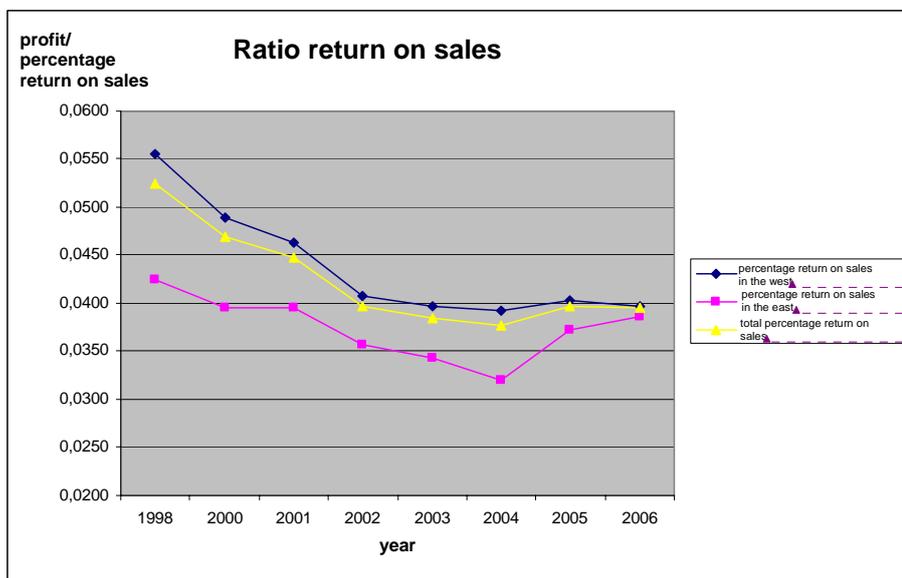


Figure 7 Return on sales, source: EURODATA

The return on sales of the petrol station enterprises recorded by EURODATA indicate that after a substantial decline in the period from 1998 through 2002 they have stabilised at a total of approximately 3.8% in the period from 2003 through 2004. In 2006 about 4% have been achieved as well. In doing so companies based in the area of former West Germany have showed a positive trend of return of sales, more than companies from the area of former East Germany. The West therewith could almost close the gap of yield according to EURODATA figures.

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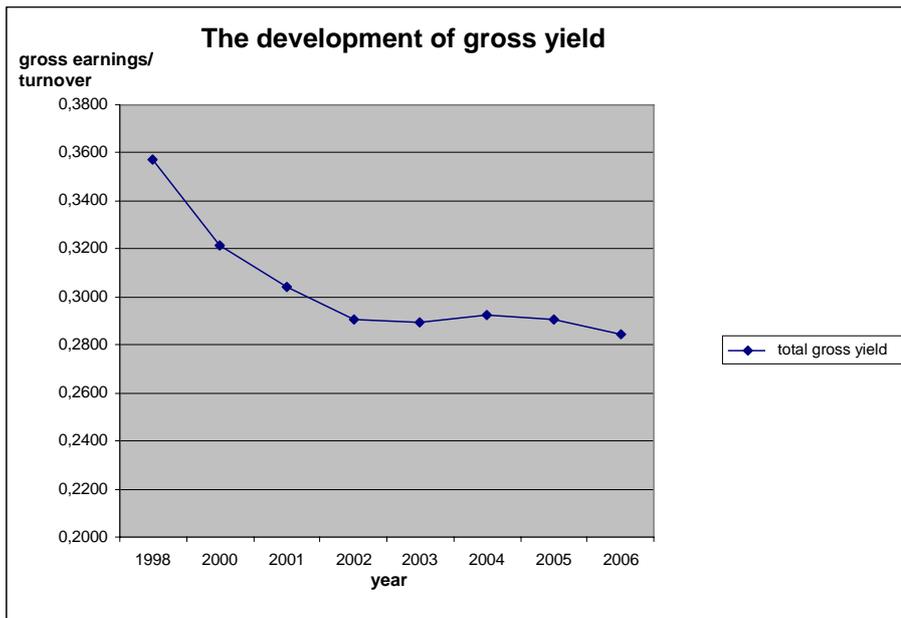


Figure 8 Gross yield, source EURODATA

An analysis of the development of the gross yield in the last years does not indicate any essential differences between the petrol station entrepreneurs based in the east or west of the Federal Republic of Germany. That is why we will forgo a differentiated regional description and instead map the development throughout Germany. However, in 2005 and 2006 the situation of gross yield for companies in the area of former West Germany tends to be stronger

Overall, the development of gross yield in 2004 – after an economic slide of several years - has slightly rebounded. However, in 2005 and 2006 the declining development has continued – albeit at comparatively low pace. Henceforth it has reached a low with 28.4% (after 29.1% in 2005).



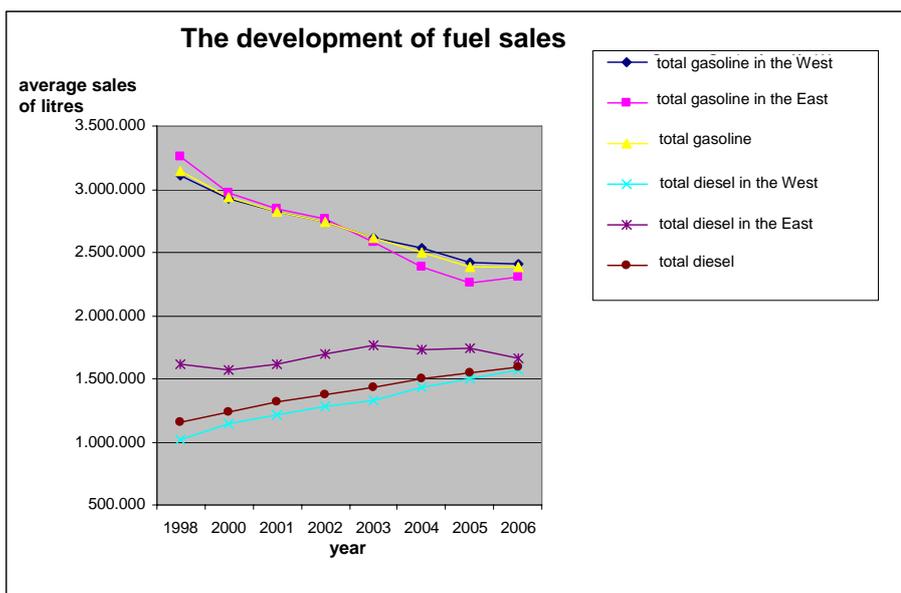


Figure 9 Average fuel sales, source: EURODATA

An analysis of the development of the sales figures for fuels indicates the overall increasing tendency with diesel fuel sales for years, although the former East Germany has been reaching the point of saturation since 2003. Since then the diesel sales figure per petrol station enterprise, except for 2005, are declining. By contrast, in the area of former East Germany a constant increase in sales can be reported.

For the first time the fuel sector has experienced no decline in average sales in 2006, but a – albeit marginally – improvement. This outcome is caused by a positive development of sales of the petrol station enterprises in the area of former East Germany of about 1%. In the area of former West Germany a declining development in the fuel sector persisted.

Fuel sales figures are, except for 2006, constantly declining. Therefore, in a long-time inspection, a persistent economic slump of margin volume occurs. It is triggered by the litre-related margin remuneration for the petrol station operations. This decline cannot be compensated for by the total fuel sector.



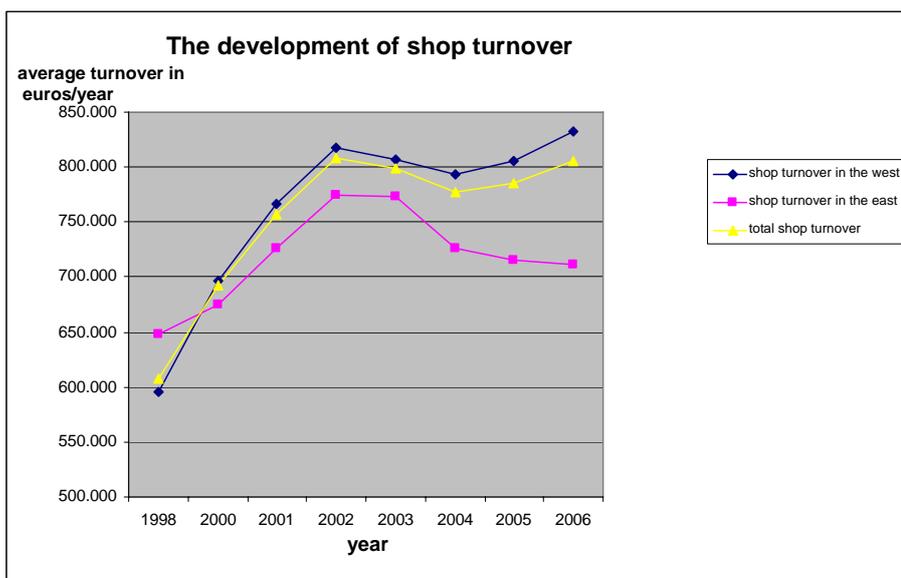


Figure 10 Absolute shop turnover, source EURODATA

An analysis of the development of shop turnover in a view of all companies indicates that it has risen from an average of 600,000 euros / petrol station p.a. in 1998 to approximately 800,000 euros / petrol station p.a. in 2002 (+33%).

In the following years there has been a slightly declining development in the shop business. This proceeded more distinctly in companies in the area of former East Germany and is still lasting there as well.

Since 2005 a slight regeneration of total turnover figures is visible. In 2006 in the former West Germany a new turnover peak of an average shop turnover / enterprise of 832,112 euros could be achieved.



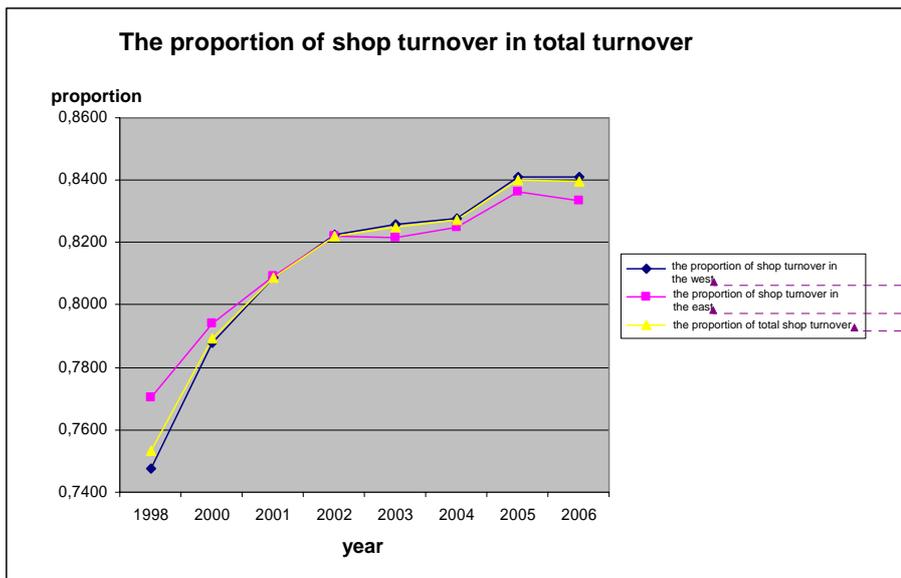


Figure 11 Shop turnover relative to the total turnover, source EURODATA

In the period ranging from 1998 to 2005, shop turnover has clearly come to the fore in relation to overall turnover, earning a share of 84% on the average (1998: 75%) as figure 11 indicates. In 2006 this proportion could be maintained, although a slight recovery of the shop business arose in companies in the former East Germany. The reason for that recovery is a persistent decrease in sales in the shop business in relation to total turnover.

It should be borne in mind that turnover makes up such a great proportion of this owing to the fact that EURODATA statistics only show fuel turnover as the net margin/litre without reporting the actual fuel turnover at all. But, even if this were based on the gross yield (i.e., gross earnings), the proportion of shop business is still on a scale of over 50%⁴⁴.

⁴⁴ Sector Special Petrol Stations“; Federal Association of German of People’s Banks and Rural Credit Cooperatives (BVR), October 2007



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The key findings:

- The earnings situation of petrol stations deteriorated rapidly from 1998–2002 in all locations. It stabilised from 2003 and 2004 and since 2005 it has evidenced a slight recovery that could be confirmed in 2006. However the companies in the area of former East Germany 2006 could almost close the yield gap of the companies of former West Germany.
- The declining development of gross yield in 2005 also continued in the following year, although at comparatively low pace.
- The diesel sector has still witnessed an increase in sales compared to the operating average. For the first time in years the fuel sector could also achieve an increase in average sales, albeit on a small scale.
- Shop turnover has reached a dominant share of the business volume of a petrol station for a number of years, thus measurably reducing the original dependency on developments in crude oil/fuel supplier structures, the automobile industry and individual traffic. While the west exceeded the shop sales of the record year 2002 for the first time again, shop sales in former East Germany continued to decline, albeit marginally.
- The foremost factors for assessing the petrol station sector at present and in future are developments in the area of retail trade and structural changes emerging in this area.



4. A Cross-Section of Opportunities and Risks

After the previous section provided an explanation of the structure of the petrol station market, this section will outline the opportunities and risks of this market in greater detail. This will make it necessary to define the terms opportunity and risk for the purpose of this study. An opportunity should be understood as the probability that there will be a positive business event; in contrast, a risk should be understood as the probability that there will be a negative event. Both the opportunity and the risk impact the company from outside whereas the company either has no or only a slight influence on it.

What is important for comprehending these terms is the fact that the added value that a realised opportunity can deliver may not only be of a quantitative nature (i.e., in the form of additional turnover, contribution margin or lowering costs, etc.) It can also take on qualitative characteristics such as enhancing the strategic position by reducing the number of competitors, the profit or the loyalty of efficient employees. This qualitative added value usually has a delayed positive effect on quantitative operating figures in the company. In an analogous fashion, the corresponding interpretation applies to the concept of risk, but in the opposite direction: quantitatively measurable damage could be for example losses to turnover and contribution margin or higher costs. There might be qualitative damage in terms of new competitors etc. appearing on the market.

4.1. Opportunities

4.1.1. The Demographic Structure and its Developing

In future decades, the age structure in Germany will be changing measurably, precipitating a substantial increase in the proportion of older generations in the overall population. Annex 8 shows a graph juxtaposing the age structure from 2006 in Germany with the population's demographic development in 2050 to document the development over the long term. In 2030, 28 million people will be 60 or older in Germany, meaning individual mobility will continue to be an important factor for this group of persons⁴⁵. An essential point to recognise here is the fact that a convenient supply of necessities will be an essential factor this group of customers will take into account in its purchasing decisions. Since petrol stations have the quality of location called for, this circumstance constitutes an additional business opportunity for them assuming these enterprises set their sights on this clientele in terms of staff, service and assortment. 4.2.2 will describe the potential risk to the petrol station business brought

⁴⁵ Shell car scenarios 2004



about by the change in the demographic structure in greater detail that should by no means be disregarded.

4.1.2. The Social Structure and its Developing

For years, society has been leaning towards singling or, to put in other words, the number of single-person households has escalated dramatically⁴⁶. The hallmark of single households is the fact that they have precious little time for making purchases, which is the reason why they appreciate fast and conventional shopping – at any time and any place. And this group of consumers has a major potential for growth.

"Instead of sumptuous meals, more and more consumers in Germany prefer convenience food (...). Convenience: this trend encompasses both products and services. It's not just the assortment that satisfies the needs and wants of today's consumers. The key factor for the success or failure of convenience shops are not only location, availability and business hours, but how the process of shopping is handled. After all, emotional factors figure much more prominently in shopping where everyday life is becoming increasingly anonymous. Consumers yearn for spontaneous communication and friendliness"⁴⁷. And this is where petrol station shops (but not them alone) have an above-average business opportunity, particularly as the potential is still not exhausted. "Today's young skilled convenience consumers will buy in convenience shops as older customers. Until then a new and young convenience generation has long grown again."⁴⁸

4.1.3. Time as a Scarce Resource

A recent study on future service markets states that the foremost factor for service providers in future will be the measure with which they give their customers "time prosperity"⁴⁹. In other words, the factor of time will become increasingly important and high-profile for people/customers and they will be glad to accept services that help them deal with this problem.

"Our everyday co-ordinates are in a process of erosion: people often only sit down at the same table to eat on holidays (...) multiple-member households also demand deep-freeze and convenience foods (...) Out-of-house consumption has been experiencing burgeoning growth for years. A third of domestic turnover in the nutrition industry (2004: 102.5 billion euros) is estimated to be earned in the out-of-house market. There's no secret as to the

⁴⁶ microcensus 2005; German Federal Statistical Office; table 5

⁴⁷ Lekkerland Homepage, www.lekkerland.de, 2007

⁴⁸ *ibid.*

⁴⁹ B. Mager, P.v. Papstein, A. Steinle: *Service-Märkte – Die neuen Dienstleister*, 2006



reasons for this: people are on the road more frequently and for longer – both in leisure-time and in their professions. ⁵⁰

That means that, where time is increasingly being perceived as a scarce resource, there are good chances for petrol station enterprises to score in a market of new services by enlarging their convenience selection in the sense of "one-stop shopping" and "leave everything up to us". This is where petrol station enterprises can concentrate their efforts with new (and even old) service ideas (such as petrol station attendants) to generate customer loyalty. Given the number of commuters, the importance of this should not be disregarded.

4.1.4. Shop Closing Hours

Petrol station enterprises have the advantage that they can also sell shop products and convenience goods respectively even outside legal shop closing times.

Sector experts estimate that the recently occurred liberalisation of shop closing will only have a minor impact on the petrol station business by bolstering competition among discount food markets. Petrol station operations (don't forget they are often family or self-owned companies) have long-since made the acquaintance of longer business hours so they hardly have to make any changes in their business processes or resources. The way things stand now, petrol station operations will continue be the exclusive source of Sunday and holiday shopping.

4.1.5. Simplifying Laws and Regulations

Beyond the inflexibility of the retail trade, there is another opportunity in simplifying statutory regulations. They also cannot be influenced by petrol station operators or only indirectly via their lobby associations, although they have a direct impact on their opportunities. One example can be cited from the recent past that has engendered new opportunities for petrol station operators: The liberalization of the car wash on Sunday in individual German states.

⁵⁰ B. Mager, P.v. Papstein, A. Steinle: Service-Märkte – Die neuen Dienstleister, 2006, page 16
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4.1.6. The Specific Selling Points of Petrol Stations

A key motivation for purchasing foods or basic commodities at a petrol station is the flexibility both in terms of the duration of purchasing and long business hours and other factors making this an attractive location. According to sector information, especially younger customers accord the comparably small amount of time required great importance. Experts in this sector believe that customers would be ready to accept as much as an 18.5% mark-up at petrol stations these days, although not queuing up.

A lot of petrol stations have gratuitous parking areas nearby. This is a compelling argument for shopping at a petrol station. Especially the distinct lack of parking places in big cities and areas of industrial concentration support this argument. In addition, prices for using parking garages are comparatively high (about 2 euros/hour⁵¹). This is the reason why petrol stations have continually expanded their range of goods and services in the last few years, which becomes evident when we cast a glance at burgeoning shop sizes⁵². Cash point machines, letterboxes, even selling non-food articles such as CDs and lottery and football pool coupons have ceased to be a rarity these days.⁵³

Other affiliated business fields ranging from car rental, baked goods shops, coffee shops, bistro corners, fast-foods and even internet cafés would be conceivable for petrol station shops and some are already being launched.⁵⁴ Not only petrol station entrepreneurs, but also their business partners in the shop and add-on business have recognised this situation. As a matter of fact, the convenience product manufacturer and petrol station system supplier Lekkerland-Tobaccoland⁵⁵ formulates the foundation of his corporate policy as follows: „Convenience is our business; fast and convenient shopping anywhere and anytime“.

It goes on to say that the key factor for the success of convenience shops is "not only the location, availability and particularly the business hours, but also how sales are handled". "The more anonymous everyday life becomes, the more emotional factors play a role when going shopping. Consumers yearn for spontaneous communication and friendliness" and the range of products offered by the system suppliers and the way they approach customers at the point of sale appeals directly to this expectation of customers.

Furthermore, petrol stations and their range of products are extremely well suited to customer loyalty programmes considering the regularity of customers frequenting petrol stations and the extreme interchangeability or lack of differentiation of fuel as a product. They can be broken down into two categories: price-oriented loyalty programmes (that give customers lower prices immediately) and non-price-oriented loyalty programmes. The latter

⁵¹ Parking garage city centre Stuttgart, 12/2007

⁵² "Petrol station shops are losing customers for the first time", Handelsblatt, May 15, 2003

⁵³ *ibid.*

⁵⁴ „Sector Special Petrol Stations“; Federal Association of German of People's Banks and Rural Credit Cooperatives (BVR), October 2005

⁵⁵ Homepage: www.letob.de, 2006



give indirect benefits in the form of bonus programmes such as getting commodities at a lower price or free if they reach bonus point limits. In the meantime, these programs have become a permanent fixture in the world of the petrol station sector.

Bonus programmes not only have the intension of boosting customer loyalty to a brand name, they also offer the possibility - at least in theory - of registering and analysing the customers' driving behaviour. This makes it possible to select and systematically appeal to frequent car users, the A customers of a petrol station. Some petrol stations that are not affiliated with groups and cut-rate suppliers consciously forgo these marketing concepts, preferring to pass on lower prices directly in the form of reduced lower fuel prices⁵⁶. Beyond this, they focus on personally appealing to their customers and personal customer service for sustained customer loyalty.

4.2. Risks

4.2.1. Procurement and Operating Risks

During the two oil price crises in 1973 and 1978, the price for crude oil multiplied many times within a very brief period of time (see the graph). This not only resulted in an analogously massive rise in the prices for petrol. This also put the mineral oil sector in the centre of global interest for assessing the international economic situation. Simultaneously, price hikes in this area are tantamount to jeopardising the business activities of an economy or economic region. This is the reason why consumers, mass media and political representatives react extremely sensitively to price movements in this sector, particularly if the causes cannot be clearly identified or can be explained with burgeoning raw material prices or shifts in currency relations.

The oil price crises of the 70's are history. However, the trend towards destabilisation of the political situation in many regions of the world since 2001 due to international terrorism and the increasing frequency and intensity of natural catastrophes has constituted an ever-increasing threat to the stability on the international raw commodity markets. This is precipitated in a distinct increase in volatility of the price level. Beyond this, the demand for raw materials has been on the rise for years particularly due to growing Asian states and that has spurred a higher price level on the markets for crude oil and fuel products.

⁵⁶ Moring, A. in: Hamburger Abendblatt dated November 19, 2005
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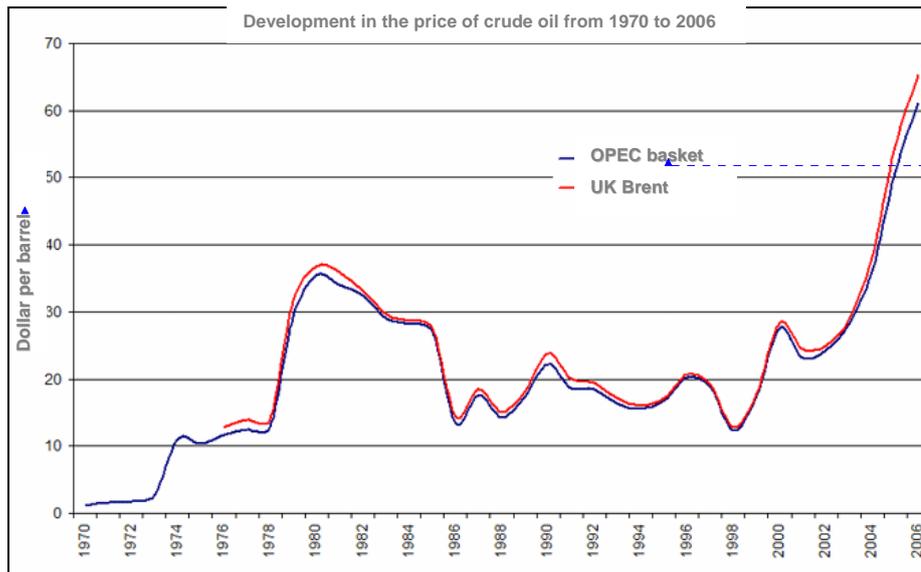


Figure 12 The development of crude oil prices 1970-2006, source MWV, December of 2007

Crude oil price movements are a pivotal business management risk of petrol station enterprises both in the form of a procurement risk and marketing risk. Granted, companies that have signed fixed distribution contracts are exempted from this margin risk. But, they still have to bear the marketing risk that can lead to losses in turnover if petrol stations raise their prices significantly due to temporary reticence in consumer demand. On the other hand, companies that have not signed fixed margin agreements cannot pass on all of the higher prices to the final customer incurred by them for purchasing commodities – especially in a severe regional competitive position. Furthermore these companies could be exposed to a dramatic drop in prices for selling commodities. This is caused by the intensity of competition – even with steady purchase prices. Therefore they not only have to accept sales risks, but also reductions in margin. However, this risk has to be seen in the framework of the opportunity of earning higher yield in times of normal price movements and a well-balanced competitive environment. The cause for these margin and sales risks, i.e. the fluctuations in crude oil prices, has come to the fore in the last few years, especially in 2007. The crude oil price reacts increasingly sensitive to specific political events and crises due to the global political situation that has become exacerbated in the last few years (refer to Figure 11 and Figure 12).

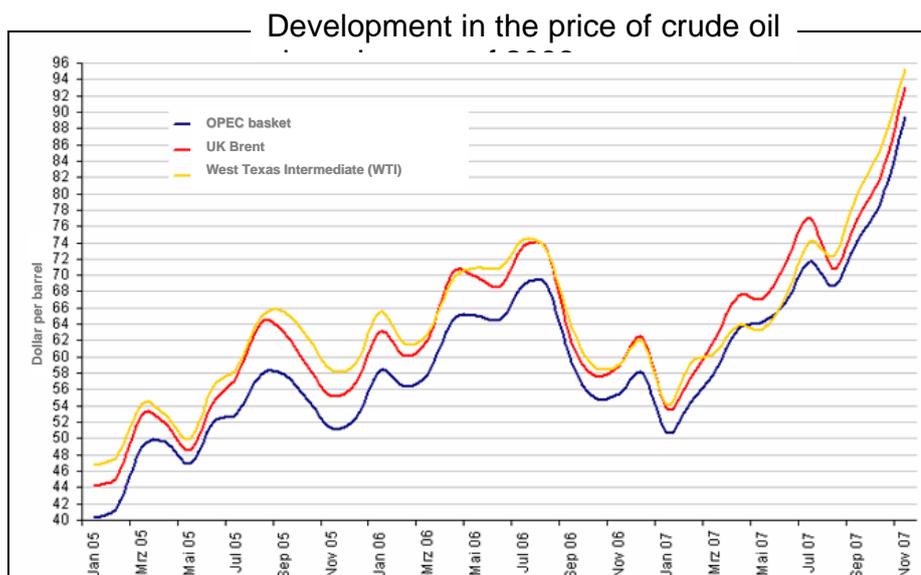


Figure 13 The development of crude oil prices from 2005 to November of 2007 on a monthly average, source MWV, December of 2007

Beyond external and global developments, there are other operating risks for petrol stations arising from the peculiarities of the business operations and particularly the characteristics of petrol station products. Any risks from environment hazards were eliminated in the past by putting safeguarding measures into place which was uniformly completed throughout the petrol station sector in 2000.

Regular checks carried out by independent watchdog organisations (such as TÜV, Dekra, Berufsgenossenschaft für den Einzelhandel et al.) and supervisory offices (such as the trade and hygienic supervisory offices) as well as compliance with the legal standards such as the Bundesimmissionschutzgesetz (the Federal Pollution Control Act), the Landeswassergesetz (the State Water Act), the Hygieneverordnung (the Hygienic Ordinance), the Gefahrstoffverordnung (Hazardous Substance Ordinance), the Arbeitsschutzgesetz (labour protection law) and others minimise this business risk. Beyond this, the usual operating risks are covered by insurance policies where it is important to provide an extensive description of risks to correspondingly insure their probability of occurrence.

4.2.2. Social Changes

Companies do not have the power to influence social developments so that they have to be classified as external givens. The current forecast population calculations from the Federal Statistical Office indicate that the average age of the population in Germany will persist in

rising in the coming decades, sparking a trend towards higher age among petrol station customers.⁵⁷ A study of Shell Deutschland Oil also arrives at this conclusion while predicting a further increase in the groups of female customers.⁵⁸ These demographic changes may also trigger some changes in the needs of the (petrol station) clientele and the demand for petrol station products and services that could be difficult to predict. Given the range of products and the peculiarities of the shop clientele (where especially younger customers have a high degree of acceptance for this range of products), an initial assessment would have to classify them as a risk. Admittedly, the demographic factors require more substantial investigation to be able to analyse the potential opportunities involved in particular for the petrol station sector. This would primarily include the needs of older customers and what conclusions could be drawn for the range of products and services.

Society is also constantly in flux in terms of environmental policy. Years ago, issues such as environmental protection and pollution were only accorded minor importance for society at large. However, today, people are much more sensitive to these issues. This becomes particularly apparent in terms of health issues that have increasingly come to the fore and forced petrol station operations to undertake major new investments in the past. This won't be any different in future. The petrol station sector implements not only governmental and obligatory actions respectively. It also acts actively as partner in encouraging antipollution actions⁵⁹ or developing alternative fuel and its committed commercialization. It should also be kept in mind that social trends change. An example is the fact that it is "in" these days to make a certain proportion of purchases at a petrol station or using it as a service or snack point. Needless to say, it cannot be ruled out that this trend might take a negative turn in future. Admittedly, the future study cited under 4.1.3 indicates that there is a low probability of this risk occurring.

4.2.3. Technological Innovations

It is likely that there will be a decline in the overall fuel consumption from a present 33 to 27 million tonnes in the coming 25 years⁶⁰. This decline is derived from several model scenarios that can primarily be attributed to technological improvements that enable engines to consume less fuel. Beyond this, new inventions and improvements might make it possible to build cars driven by other energy sources. This development could jeopardise the number of petrol stations in the long term if they do not feature these new energy sources. This would involve the burdens and risks from financing investments for purchasing.

⁵⁷ "Germany's population to 2050", Wiesbaden-based Federal Statistical Office, 2006

⁵⁸ „Flexibility dictates motorisation – Shell PKW Scenarios to 2030“, Shell Deutschland Oil , 2004

⁵⁹ e.g. action "Climate Bonus" of bft in cooperation with the gobal-woods-AG as well as the Automobile Club Germany (AvD): Petrol station customers have the opportunity, to compensate the CO2 burden by purchasing a "ClimateBonus vignette" whose revenue go into projects for reforestation

⁶⁰ „Flexibility dictates motorisation – Shell PKW Scenarios to 2030“, Shell Deutschland Oil , 2004



Currently, about 60,000 natural gas vehicles (2005: 30,000) and 165,000 gas-fired vehicles (2005: 41,000) are registered⁶¹ in Germany. Measured in terms of 49.7 million cars⁶² (the total motor vehicles currently on the road), this is an entirely unassuming quantity. Relating to the growth rates of the last years it shows an increasingly considerable development – even from the viewpoint of petrol station operations and their offering mix.

In the meantime natural gasoline is offered by 750 petrol stations and 5%, respectively, LPG by 2,700 petrol stations and 18%, respectively (July 2007)⁶³. Other alternative drive strategies (such as LPG, bio diesel or hydrogen) present a risk to the sales of conventional fuels, although they may also be construed as an opportunity for maintaining petrol station enterprises for the future. Indeed, according to EID, bio diesel sales virtually broke down in next to no time due to the taxation of the pure bio diesel (B100). The numbers of petrol stations that bring bio diesel to market currently add up to 1,900 enterprises (12.7% of total stock)⁶⁴.

There is no way to tell today what alternative drive strategies and alternative fuels will hold sway on the market of the future. There are enormous investments involved, so that petrol station enterprises either run the risk of opting for one alternative fuel before it stakes out its market or recognising too late what technology will emerge successful and missing the market launch. Experts for this sector have been keeping an eye on this market segment and biding their time, even though the future holds the promise of major opportunities for tapping the full potential of this range of products.

4.2.4. Changes in the Legal Framework

Developments in taxation merit particular attention because they can engender a disproportionately large burden on the assortment of the petrol station's products in comparison to other (commercial) sectors. They can also augment their business risk, particularly if there are more extensive specific burdens.

⁶¹ Energy Information Service, number 31/2007 and Flüssiggas, Issue 6, 2005, Strobel Verlag, Arnsberg, page 3

⁶² Figures from VDA Association of the Automobile Industry, annual report 2007 (including utility vehicles)

⁶³ Energy Information Service, number 31/2007

⁶⁴ Energy Information Service, number 31/2007; market shares determined by means of petrol station existence on July 1, 2007 as per EID



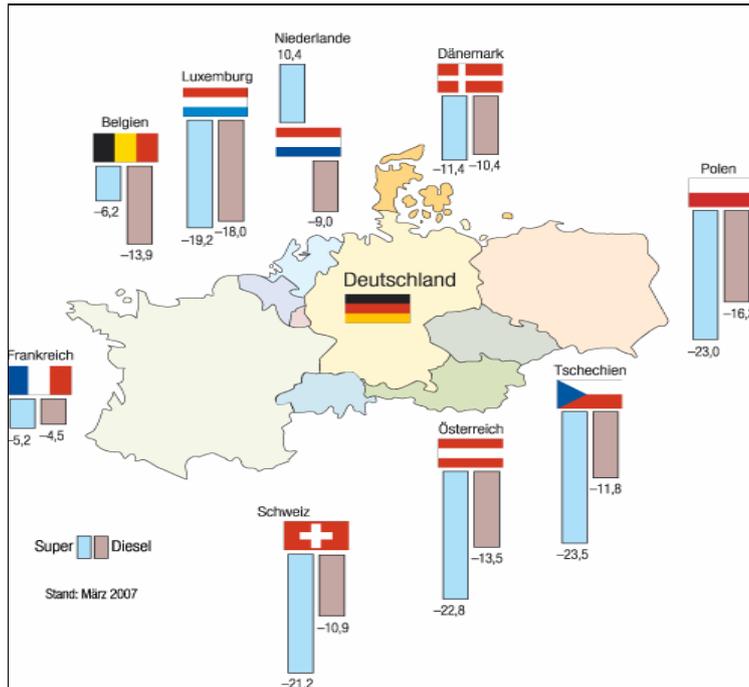


Figure 14 Differences in mineral oil taxation; information given in cents/litre, source MWV; March of 2007

Of primary importance for the petrol station sector is the mineral oil tax. This was drastically raised in the framework of what is known as the Ecological Tax Reform in Germany. An information sheet issued by the Federal Ministry for the Environment, Conservation and Reactor Safety⁶⁵ states:

"With the Ecological Tax Reform, the federal government is advancing the agenda of stimulating people to save energy and use energy efficiently while promoting regenerative energies".

This agenda has found its expression in the several rises in the mineral oil tax rate (in 5 phases since April 1, 1999). The burden from mineral oil tax for diesel and petrol fuel has risen 15.34 euro cents/litre altogether since March 31, 1999. The petrol station associations take the view that the Ecological Tax Reform has only exacerbated the problem of fuel tourism without leading to a greater reduction in consumption.⁶⁶ At present, there is no reason to believe that the new German federal government that has been in office since 2005 will make any fundamental changes in tax policy. The agreement regulating the coalition policy between the parties CDU, CSU and SPD has the following to say on the

⁶⁵ The Ecological Tax Reform: Start, Continuance and Continued Development for an Ecological Financial Reform, Federal Ministry for the Environment, Conservation and Reactor Safety, February 2004

⁶⁶ also refer to Section 4.2.1.



issue of energy taxes: "Germany is a centrally located state in the European domestic market that has a pre-eminent interest in accelerating the harmonisation process in energy taxation in the European Union. We will work towards simple and transparent regulations. Given the high energy prices, it is important not to impair the international competitiveness of the energy-intensive private economy."⁶⁷

Apart from ecologically motivated tax rises or tearing down (tax) law privileges, other changes in legislation that recently became effective may have an increasing burdensome effect on the business foundation of a petrol station operation –the increase in value-added tax from 16% to 19% starting on January 1, 2007 as well as the admixture rate for bio fuels also starting on January 1, 2007.

Tobacco commodities was previously 40%-45% of the turnover of the shop so that it also bears note that the partially already established no smoking rule in restaurants and public buildings will have an unpredictable impact on the consumption of tobacco commodities. Experts in this sector state that it is not possible yet to quantify the extent to which the petrol station shop turnover will be affected since access via alternative sales channels to tobacco commodities (i.e., cigarette machines) has been made more difficult since January 1, 2007. in 2003 or changes in the taxes on tobacco products motivated by fiscal policy.

The consequences of such measures are drastically exacerbated because they occur relatively short-term and experts in this sector are not sufficiently consulted in technical implementation.

⁶⁷ Coalition agreement between CDU, CSU and SPD dated November 18, 2005, page 72



4.2.5. Price-Dominated Purchase Decisions

Fuels are numbered among the homogenous commodities that do not differ from one another or only to a minor extent. Hence, there is hardly any way to distinguish the product from others. However, markets not only differ in terms of their products, but also in terms of the price. In other words, similar commodities are offered at lower prices. Since a myriad of commodities are very homogenous these days, a differentiation strategy is increasingly applied. However, a strategy akin this for selling fuel would be all out proportion considering the very tight calculations.

Something else that exacerbates this situation is the fact that the tax load on fuels is not uniform throughout the European Union. That has engendered increasing fuel tourism into neighbouring foreign countries where there can be as much as a 15 euro difference per full tank. In the past years this had led to petrol station operators having to close their businesses. The implementation of a price reduction for persons living near the border in purchasing fuel has been under political debate since 2004 as a way to prevent fuel tourism. To date this could not be implemented, but it continues to fuel the political debate.

The dominance of the price factor in purchase decisions could gain in significance in future since experts in this sector assess that consumers' sensitivity towards prices has been escalated even more since the last price hikes from crude oil in summer/autumn of 2006. This dominance of the price factor could even take hold of the shop business. After all, possibly more and more buyers are not poised to spend additional money on shop articles at continually increasing prices for petrol.

4.2.6. The Development of Margin

In spite of some significant price movements for fuels in past years, the margin situation for petrol station enterprises (i.e., the selling price per litre less the product purchase costs and mineral oil taxes) has not changed recognisably. After an average margin of 6.06 euro cent/litre Eurosuper in 2005, there was a margin regeneration in 2006 with a margin of 6.45 euro cent/litre Eurosuper. This position was lasting in the first half of 2007 with a margin of 6.77 euro cent/litre Eurosuper. The diesel sector margin shows a decrease from an average of 6.66 euro cent/litre in 2005 to an average of 6.45 euro cent/litre in 2006. In the first half of 2007 the average diesel gross margin rebounded on 7.87 euro cent/litre as per EID⁶⁸. In comparison to other European countries, German petrol station enterprises continue to float around last position institution margin⁶⁹ behind Sweden.

⁶⁸ cp. annex 4

⁶⁹ Energy Information Service, number 06/2006 page 28



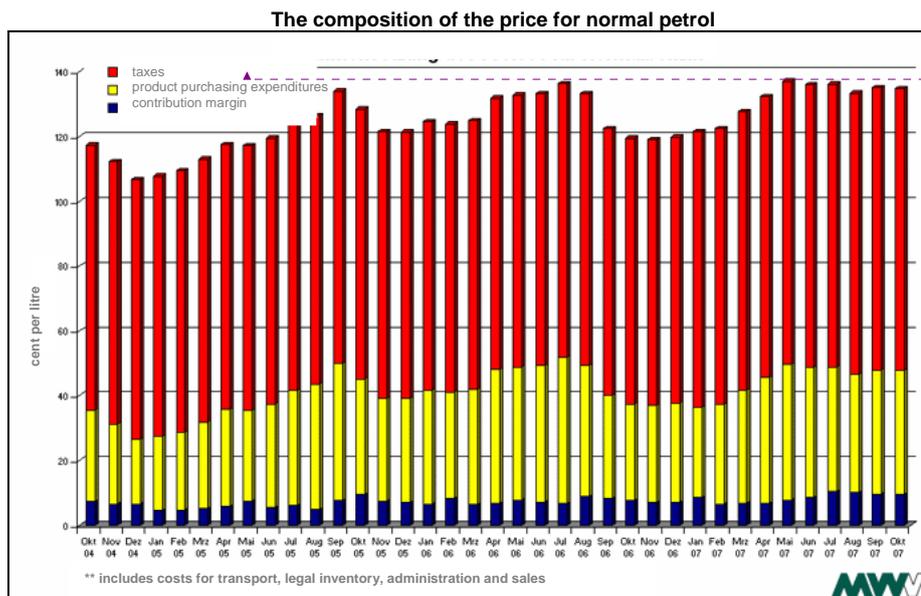


Figure 15 The composition of the price for normal petrol, source: MWV, December of 2007

It is primarily the operating costs of companies that dictate the return on sales of petrol station enterprises, although special local competitive situations can cause temporary reductions in the profit margin. This is the reason why the types of operating costs below merit a higher degree of attention due to their price development and / or their emergence or they are subject to greater risk of a price increase:

- forwarding expenses (road toll and fuel prices)
- energy expenditures
- financing costs and charges on bank guarantees
- discount costs for credit cards
- service charges for technical installations (such as the law imposing the requirement of expert explosion reports)
- insurance expenditures, and
- shrinkage costs (the higher acquisition cost for fuel)



5. The Criteria for Success for Small- and Medium-Sized Entrepreneurs on the Petrol Station Market

5.1. Quantitative and Qualitative Criteria

Business management success for a petrol station enterprise (i.e., the best possible utilisation of the entrepreneurial opportunities described or avoiding risks to the widest possible extent) can be seen in the net earnings and balance sheet indicators of any company. Section 3 described the current business management situation of the petrol station sector in detail based on the EURODATA statistics. Although EURODATA statistics reflect a variety of subgroups of petrol station enterprises according to size and geographic location, it still only supplies a general cross-section of the sector. The subsequent report will supply diversified ways and aids to classify individual petrol station enterprises in terms of both a quantitative and qualitative comparison within the sector. It will start with a cross-section of the essential asset and revenues position indicators and the corresponding indicators within the sector:

| financial position | calculation | within the sector |
|--|--|--|
| | | sector values in turnover classes in million euros (statistical data of the Deutsche Bundesbank the retail trade including motor vehicle trade and petrol stations) <2.5 / 2.5 – 50 / >50 |
| tangible fixed assets to turnover | tangible fixed assets/sales revenues | 0.142 / 0.081 / 0.055 |
| stocks to turnover | stocks/sales revenues | 0.139 / 0.147 / 0.115 |
| trade debtors to turnover | trade debtors/sales revenues | 0.063 / 0.052 / 0.058 |
| equity ratio | equity capital + (special accounts with reserve characteristics/2) | 0.076 / 0.125 / 0.142 |
| trade creditors to material expenditures | total of accounts receivable trade creditors/material expenditures | 0.124 / 0.085 / 0.053 |



| revenue position | calculation | comparison with others in sector/sector values in turnover classes in million euros <2.5 / 2.5 – 50 / >50 |
|--------------------------------------|---|--|
| equity return (after taxes) | profit (after taxes) /equity capital (SoP0 m. R. /2) | 0.648 / 0.227 / 0.263 |
| return on total capital employed | profit after taxes + interest expenditures + interest expenditures | 0.088 / 0.060 / 0.063 |
| return on sales | total accounts receivable profit after taxes/sales revenues | 0.021 / 0.010 / 0.012 |
| financial position/ | calculation | comparison with others in sector/sector values in turnover classes in million euros <2.5/2.5 – 50/>50 |
| fixed-assets-to-net-worth ratio A | equity capital (SoP0 m. R. /2)/fixed assets | 0.228 / 0.500 / 0.725 |
| fixed-assets-to-net-worth ratio B | equity capital (SoP0 m. R. /2) regular accruals)/ accounts payable | 1.147 / 1.187 / 1.377 |
| Degree of liquidity 2 | assets funds + accounts receivable and other liabilities + securities /liabilities to 1 year | 0.588 / 0.470 / 0.746 |
| Degree of liquidity 3 | funds + accounts receivable and other liabilities + securities + stocks / liabilities to 1 year | 1.149 / 1.122 / 1.353 |
| EBIT times interest earned ratio | profit before taxes + interest expenditures / interest expenditures | 2.573 / 2.262 / 2.959 |
| short-term intensity of indebtedness | liabilities to 1 year/total liabilities – liabilities to 1 year | 2.013 / 4.367 / 5.957 |

Figure 16 Indicators and comparative figures within the sector,
source: Prof. Dr. Schneck Rating GmbH, December of 2007

With the above selection of quantitative operating figures and the corresponding comparative figures within the sector, what should be kept in mind is the fact that they also provide a way to quantitatively categorise the business management success of a petrol station enterprise within the sector. Unfortunately, they do not supply any meaningful statements comparable to individual ratings.



In contrast to the procedure of comparing within a sector as described above, a rating process will be applied to supply an absolute evaluation of the operating figures in terms of creditworthiness and not by comparing them with other sector enterprises. In other words, a petrol station enterprise with an equity ratio of 20% may be at the top of its sector in relative terms. But, rating criteria may still rate it as a comparably unstable company with just enough capital reserves. Ultimately, rating a company supplies a more meaningful statement than comparing a company within its sector, since the latter always provides a relative value.

For instance, to achieve the BBB rating class, the measures for

- return on total capital employed
(Profit (after tax) + interest expenditures of current year) / Total assets
are in the area of > 12.0%
- EBIT times interest earned ratio
(Profit before tax + interest expenditures) / Interest expenditures
is in the area of > 2.8
- degree of liquidity 3
(Working capital / liabilities to 1 year)
> 1.9

with central balance sheet indicators for petrol station enterprises. The BBB rating class (Standard & Poors' rating system, one of the leading rating agencies in the world) includes companies that just make what is known as the "investment grade" according to international capital market investment criteria. That means that there is a comparably greater likelihood that they will fail from the point of view of investors/shareholders, although they are not yet considered speculative financial investment.

It is not only the quantitative measuring parameters that are of importance, but also the analysis of qualitative criteria both when assessing a company in comparison to others in its sector and when rating it. They will be dubbed the factors for success below and described in keywords. The factors for success are the instruments and necessary equipment that the petrol station entrepreneur can directly or indirectly influence the application and installation of. These factors can maximise the probability that entrepreneurial opportunities will appear or minimise the probability that risks will appear. How many entrepreneurs apply and utilise these factors for success (and to what extent) for guiding and developing their company is vital for assessing the long-term success, financial power and anticipated entrepreneurial success of the petrol station sector in its entirety. Given these facts, it makes sense that the profile of opportunities and risks of a petrol station differ individually depending upon to what extent its owner or management is orientated towards success.



5 essential factors for success have been identified for petrol station enterprises:

1. The quality of the location
2. The commercial expertise
3. Offensive and systematic marketing
4. A wide range of services; additional business
5. Petrol station entrepreneurs being prepared to pool their talents.

A keyword description of the factors for success was attached in Annex 7.

The graph below shows what importance each of these factors has for the petrol station enterprise's overall success and to what extent the single entrepreneur can objectively implement or even influence these factors for success.

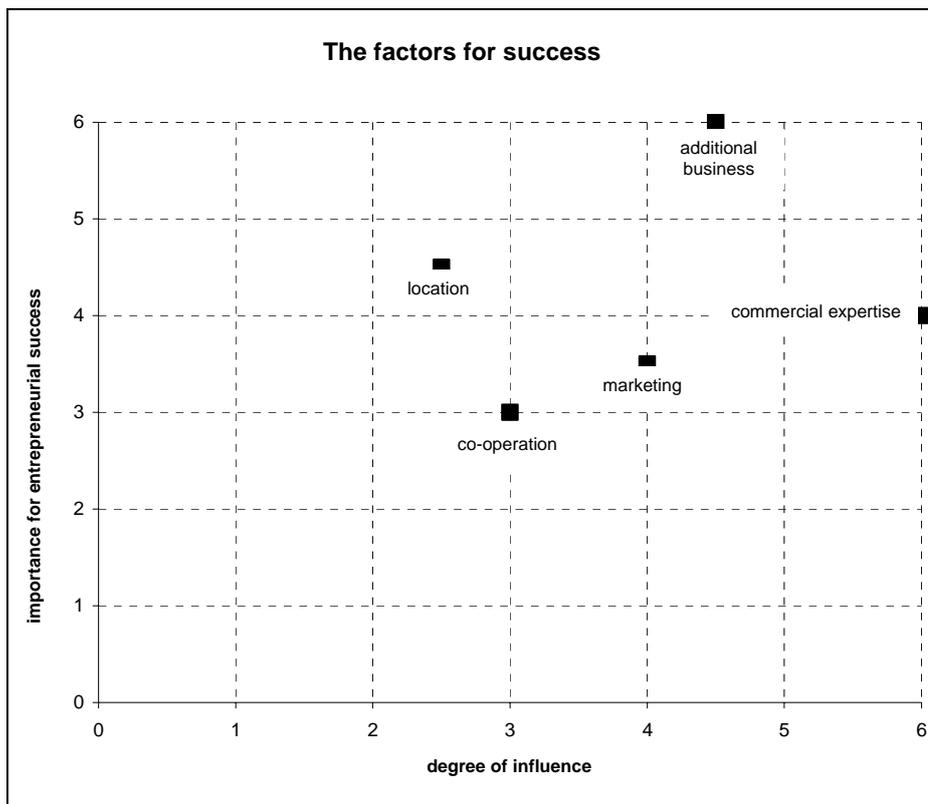


Figure 17 The factors for success in the petrol station business; source: internal figure

These factors for success are classified in terms of their significance based on the extent to which each of these factors for success can bring about a

- direct,
- short-term, and
- key

positive change in the revenue and financial position of the company. The higher the value, the greater is the impact on business management success. To what extent these factors for success can be implemented or influenced was defined by the amount of

- time,
- financial resources/investments and
- strength of leadership/entrepreneurial talent

required to put the company on track for success. A comparably small amount of time and effort means that these factors for the success can be easily influenced.

This is represented by a correspondingly high score on the figure. Each rating dimension contains no more than 6 points. This evaluation was carried out in consultation with experts in this sector. Entering these factors for success into the dimensions representing "significance for entrepreneurial success" and "extent of influence" enables us to conclude that the factors for success on the upper right-hand half of the graph (5.5. "wide range of services, including additional business" and 5.2. "commercial expertise") should be in the focus of the petrol station sector. They tend to be of greater significance for the economic success of their member companies and they can more easily influence and implement them.

5.2. Peculiarities of the Petrol Station Sector Having an Impact on Success

Three special factors have been identified that have a crucial influence on the analysis of the petrol station sector apart from the criteria for success described under 5.1. that dictates the long-term success and financial soundness of petrol station enterprises. These facts deserve particular attention since they have generally not been taken into account by standard analyses of company ratings, shifting ratings to the disadvantage of each petrol station enterprise:

- mineral oil tax
- current assets (marketability of goods in stocks), and
- trade debtors

5.2.1. Mineral Oil Tax

The sales revenues reported in the profit and loss account and the inventories of petrol station enterprises in the balance sheet contain approximately 70% of mineral oil tax. That has constantly increased due to the development of the mineral oil tax in the past (refer to the graph).



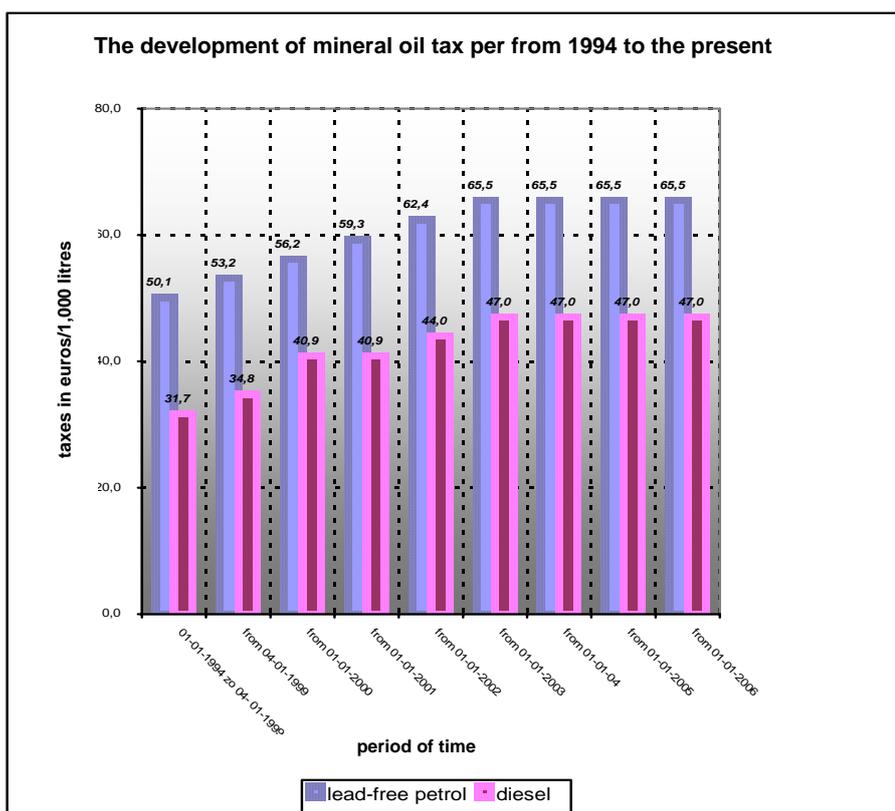


Figure 18 The development of the proportion of tax per litre of fuel, source: MWV; 2006

The drastic increase in the proportion of mineral oil tax in the sales revenues and current assets in the long term has measurably shifted balance sheet indicators and yield indicators with an impact on ratings to the disadvantage of petrol station enterprises. The balance sheet extension automatically reduces the equity ratio of this company. Furthermore, the tax-related inflation of the volume of turnover reduces the company's return on sales and return on total investment.

The following sample calculation can clarify the effects of this development:

1. Balance sheet extension / equity

The increase of total assets of a petrol station enterprise of 30% (from 1,000 thousand euros to 1,300 thousand euros) leads to a reduction of the equity ratio of 19.2%. A basic requirement for that is an increase over a perennial period that is caused by higher inventory. A higher tax charge and a constant nominal equity (assumption: primarily 250 thousand euros and 25%) triggered that inventory increase.

2. Increase of turnover / profit margin

Assuming, a petrol station enterprise achieves constant sales of 10 million litre in November 2001 compared to November 2007. Gross margin levelled off and was 6 euro cent/litre. In spite of a constant nominal gross margin the petrol station enterprise had to accept a reduction of the profit margin of fuel operations of 9.4%. This was only caused by the petroleum tax increase (incl. VAT increase).

| | 2001 | 2007 | change in % |
|---|-----------------|------------------|-------------|
| Sales in litre | 10 Mio. litre | 10 Mio. litre | 0 |
| Price / litre regular-grade gasoline (in euro cent), with constant gross margin and without product price increases ⁷⁰ | 93.38 (11/2001) | 103.17 (11/2007) | + 10.5% |
| Turnover | 9.338 Mio. € | 10.317 Mio. € | + 10.5% |
| Gross margin / litre | 6 € Cent | 6 € Cent | 0 |
| Gross yield | 600,000 € | 600,000 € | 0 |
| Gross yield (as percentage of turnover) | 6.4% | 5.8% | - 9.4% |

Considering the interim product price increases, profit margin of fuel operations decreases of overall 31.2% even though gross yield is nominally constant (cp. following calculation).

| | 2001 | 2007 | change in % |
|---|-----------------|------------------|-------------|
| Sales in litre | 10 Mio. litre | 10 Mio. litre | 0 |
| Price / litre regular-grade gasoline (in euro cent), with | 93.38 (11/2001) | 135.07 (11/2007) | + 44.7% |

⁷⁰ cp. annex 4 product price basis 15.2 euro cent/litre in November 2001, gross margin and contribution margin 6 euro cent/litre respectively



| | | | |
|---|--------------|---------------|---------|
| constant gross margin and product price increases ⁷¹ | | | |
| Turnover | 9.338 Mio. € | 13.507 Mio. € | + 44.7% |
| Gross margin / litre | 6 € Cent | 6 € Cent | 0 |
| Gross yield | 600,000 € | 600,000 € | 0 |
| Gross yield (as percentage of turnover) | 6.4% | 4.4% | - 31.2% |

The sample calculations reveal the following: Without the mineral oil tax increase (incl. VAT increase) of the last years, petrol station enterprises did not have to accept a degradation of their rating result and could achieve a constant rating respectively. Provided other conditions remain the same.

Mineral oil tax level in Germany could adapt to the distinctly lower European average level⁷². That would result in a perceptible profit margin increase and an upgrade of the rating of petrol station enterprises.

Furthermore the following aspect becomes apparent: Product price increases do not nominally burden the result power of the companies⁷³, even if the profit margin and the return on assets have been significantly reduced in the last few years. Therefore the conclusion of a margin contract influences the rating of a petrol station enterprise positively.

It might make sense to include predominantly the development of the fuel sales figures and margin per litre for individually rating a petrol station enterprise. Furthermore the distortion of yield ratio, due to the ascension on mineral oil tax portion for gasoline and diesel fuel, and the increased product prices should be considered.

5.2.2. Current Assets

The fuel stocks allocated to current assets (petrol, super and diesel) are real fast movers; this commodity turns over within 3-5 days while only having a minor marketing risk at current prices. Usually, this circumstance is not adequately taken into account in the quantitative and qualitative analysis of the current assets of petrol stations or it is not included in the standard rating analysis to improve creditworthiness - as it should. Something similar applies to the current assets of the petrol station shop that normally also consists of 80% of valuable and fast moving retail trade articles (such as tobacco articles). Finally, stocks of lubricant also have a similarly low marketing/liquidating risk as the fuel stocks.

⁷¹ cp. annex 4 adjusted for gross margin and contribution margin 6 euro cent/litre respectively as per sample calculation

⁷² Eurosuper 66.9 euro cent/litre (Germany 87.5 euro cent/litre) as well as diesel 53.5 euro cent/litre (Germany 66.8 euro cent/litre) as per annex 5

⁷³ Increased financing costs (asset financing) are neglected



5.2.3. Trade Debtors

A significant proportion of the stocks of claims of a petrol station enterprise consist of valuable accounts receivable arising primarily from monetary transactions with debit (EC card) and credit cards (Visa, Euro, Amexco or Diners) as well as credit cards from the diesel business (accounts receivable towards DKV, Shell or BP). That means that approximately 60%-80% are guaranteed accounts receivable from transactions with banks and large accounts with an excellent credit rating. Accounts receivable to petrol station lessees are covered with bank guaranties, land charges or passbooks. This fact is also not adequately taken into account or it is not included in the standard rating analysis to improve creditworthiness as it should.



6. Evaluation

A diversified analysis of the petrol station sector according to potential for opportunities and risks as well as the criteria for success indicates that it is not justified to underrate this sector in a sweeping estimate – as is the habit of most of analyses of this sector made to date. There is no doubt that this sector is continually exposed to specific and significant risks. However, the investigation of opportunities and criteria for success shows that petrol station entrepreneurs operating on sound commercial guidance, skilled marketing and business field strategies deserve to be seen as companies with multiple opportunities on track for the future that could be worthwhile, profitable and stable investment for equity capital providers and lenders. They should be seen less as trading firms specialised in fuels and lubricant that are dependant upon mineral oil groups and the development of crude oil prices.

"Mineral oil groups recognize that there's a world beyond fossil energies and that's why they try to adjust to this reality. They understand (and have understood for years) that their petrol stations are not just a collection of pumping equipment. They're service locations where people try to satisfy more than just their basic needs (...) In future (...) they will be trying to position themselves as service providers who provide compelling solutions to the needs of mobile humanity."⁷⁴

In the final analysis, the increasing investments made by international petrol station enterprises / brand petrol stations in the framework of restructuring the German market demonstrates that various market players in Germany have a positive assessment of the future perspectives of this sector assuming that a vigorous programme of the factors for success specific to this sector are applied and installed.

⁷⁴ B. Mager, P.v. Papstein, A. Steinle: Service-Märkte – Die neuen Dienstleister, 2006, page 10
© 2007 PROF. DR. SCHNECK RATING GMBH



Annexes:Annex 1: Energiesteuergesetz § 60

Author's note: Due to legal regulation the Energiesteuergesetz (energy tax law) is not translated into English.

Source: Energiesteuergesetz (EnergieStG), valid from 01.08.2006

Kapitel 5 Steuerentlastung, § 60 Steuerentlastung bei Zahlungsausfall

(1) Eine Steuerentlastung wird auf Antrag dem Verkäufer von nachweislich nach § 2 Abs. 1 Nr. 1 bis 4 versteuerten Energieerzeugnissen für die im Verkaufspreis enthaltene Steuer gewährt, die beim Warenempfänger wegen Zahlungsunfähigkeit ausfällt, wenn

1. der Steuerbetrag bei Eintritt der Zahlungsunfähigkeit 5.000 Euro übersteigt,
2. keine Anhaltspunkte dafür vorliegen, dass die Zahlungsunfähigkeit im Einvernehmen mit dem Verkäufer herbeigeführt worden ist,
3. der Zahlungsausfall trotz vereinbarten Eigentumsvorbehalts, laufender Überwachung der Außenstände, rechtzeitiger Mahnung bei Zahlungsverzug unter Fristsetzung und gerichtlicher Verfolgung des Anspruchs nicht zu vermeiden war,
4. Verkäufer und Warenempfänger nicht wirtschaftlich miteinander verbunden sind; sie gelten auch als verbunden, wenn sie Teilhaber oder Gesellschafter desselben Unternehmens oder Angehörige im Sinne des § 15 der Abgabenordnung sind oder wenn Verkäufer oder Warenempfänger der Leitung des Geschäftsbetriebs des jeweils anderen angehören.

(2) Die Steuerentlastung hängt davon ab, dass sie bis zum Ablauf des Jahres, das dem Jahr folgt, in dem die Zahlungsunfähigkeit des Warenempfängers eingetreten ist, schriftlich beantragt wird. Dem Antrag sind beizufügen:

1. Unterlagen über die Beschaffenheit, Herkunft und Versteuerung des Mineralöls,
2. Nachweise über den Verkauf an den Warenempfänger,
3. Nachweise über die eingetretene Zahlungsunfähigkeit des Warenempfängers.

(2) Die Steuerentlastung erfolgt unter der auflösenden Bedingung einer nachträglichen Leistung des Warenempfängers. Der Verkäufer hat dem Hauptzollamt nachträgliche Leistungen des Warenempfängers unverzüglich anzuzeigen. Führt die Leistung nicht zum Erlöschen der Forderung des Verkäufers, vermindert sich die Erstattung oder Vergütung um den Teil der Teilleistung, der dem Steueranteil an der ausgefallenen Forderung entspricht. Das Hauptzollamt kann anordnen, dass der Verkäufer seine Forderung gegen den Warenempfänger in Höhe des ausgefallenen Steuerbetrages an die Bundesrepublik Deutschland (Bundesfinanzverwaltung) abtritt.



Annex 2: The Development of the Number of Petrol Stations in Germany

Sources: The Hamburg-based Energy Information Service, the Gesellschaft für Nebenbetriebe der Bundesautobahnen mbH (GFN) and calculations of the Mineralölwirtschaftsverband e.V. (2007) www.mwv.de

| The Development of the Number of Petrol Stations | | | |
|---|---------------|-------------|---------------|
| <i>year</i> | <i>number</i> | <i>year</i> | <i>number</i> |
| 1950 ¹⁾ | 18,200 | 1991 | 18,958 |
| 1955 ¹⁾ | 24,029 | 1992 | 18,836 |
| 1960 | 33,743 | 1993 | 18,464 |
| 1965 | 44,614 | 1994 | 18,300 |
| 1970 | 46,091 | 1995 | 17,957 |
| 1971 | 44,352 | 1996 | 17,660 |
| 1972 | 43,693 | 1997 | 17,066 |
| 1973 | 42,054 | 1998 | 16,617 |
| 1974 | 37,195 | 1999 | 16,404 |
| 1975 | 34,804 | 2000 | 16,324 |
| 1976 | 32,940 | 2001 | 16,068 |
| 1977 | 31,296 | 2002 | 15,971 |
| 1978 | 30,196 | 2003 | 15,770 |
| 1979 | 28,681 | 2004 | 15,428 |
| 1980 | 27,528 | 2005 | 15,187 |
| 1981 | 26,237 | 2006 | 15,036 |
| 1982 | 24,586 | | |
| 1983 | 22,410 | | |
| 1984 | 20,642 | | |
| 1985 | 19,781 | | |
| 1986 | 21,647 | | |
| 1987 | 20,817 | | |
| 1988 | 20,243 | | |
| 1989 | 19,859 | | |
| 1990 | 19,317 | | |

¹⁾ Motorway petrol stations were not recorded until 1956



Annex 3: Petrol Stations in Germany According to Companies

Source: The Hamburg-based Energy Information Service; Mineralölwirtschaftsverband e.V.
(2007) www.mwv.de

| | Jan 1999 | Jan 2001 | Jan 2003 | Jan 2004 | Jan 2005 | Jan 2006 | Jan 2007 |
|----------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Aral | 2,418 | 2,395 | 2,393 | 2,699 | 2,567 | 2,522 | 2,476 |
| Shell | 1,616 | 1,515 | 1,432 | 2,393 | 2,230 | 2,220 | 2,225 |
| DEA | 1,623 | 1,681 | 1,635 | under Shell | under Shell | under Shell | under Shell |
| Esso | 1,440 | 1,385 | 1,351 | 1,328 | 1,272 | 1,230 | 1,214 |
| BP | 1,129 | 958 | 914 | under Aral | under Aral | under Aral | under Aral |
| Elf/Minol | 603 | | | | | | |
| Fina | 323 | | | | | | |
| Total | 186 | | | | | | |
| Total | | 1,056 | 1,054 | 1,106 | 1,156 | 1,055 | 1,026 |
| Avia | 819 | 680 | 618 | 763 | 814 | 809 | 817 |
| ConocoPhillips(Jet) | 626 | 710 | 750 | 751 | 739 | 754 | 755 |
| Agip | 403 | 388 | 377 | 595 | 682 | 681 | 673 |
| Orlen | | | | 492 | 494 | 477 | 468 |
| OMV | 15 | 81 | 116 | 386 | 382 | 404 | 413 |
| HEM-Tamoil | 212 | 223 | 199 | 220 | 236 | 256 | 266 |
| Westfalen | 174 | 177 | 207 | 215 | 216 | 218 | 253 |
| OIL!* | | | 180 | 190 | 198 | 202 | 202 |
| Beckmann (Q1) | | | | 124 | 136 | 115 | 117 |
| Baywa | 107 | 106 | 106 | 104 | 113 | 109 | 111 |
| Kuwait Petroleum | 55 | 74 | 89 | 94 | 91 | 78 | |
| Calpam | 78 | 74 | 76 | 74 | 66 | 61 | 61 |
| Eller Montan | 49 | 44 | 41 | 40 | 40 | 40 | 57 |
| Score | 39 | 36 | 38 | 37 | 37 | 39 | 40 |
| SVG | 18 | 16 | 16 | 14 | 12 | 12 | 13 |
| Eggert (EM) | 105 | 169 | 169 | | | | |
| Freie (BFT)* | 1,618 | 1,726 | 1,515 | 1,569 | 1,542 | 1,581 | 1,648 |
| Sonstige | 2,961 | 2,830 | 2,695 | 2,576 | 2,405 | 2,324 | 2,223 |
| Gesamt | 16,617 | 16,324 | 15,971 | 15,770 | 15,428 | 15,187 | 15,036 |

*The petrol stations of BfT and OIL! are generally reported together.



Annex 4: The Composition of the Consumer Price for Normal Petrol

Source: Federal Statistical Office, The Hamburg-based Energy Information Service; calculations of Mineralölwirtschaftsverband e.V. (2007) www.mwv.de

| | consumer price Ct/l | product price Ct/l | mineral oil tax Ct/l | value-added tax Ct/l | contribution margin* Ct/l |
|----------|------------------------|-----------------------|-------------------------|-------------------------|------------------------------|
| Jan 01 | 95.8 | 19.8 | 59.3 | 13.2 | 3.4 |
| Feb 01 | 102.5 | 21.7 | 59.3 | 14.1 | 7.4 |
| Mar 01 | 102.3 | 20.8 | 59.3 | 14.1 | 8.0 |
| Apr 01 | 104.4 | 25.5 | 59.3 | 14.4 | 5.3 |
| May 01 | 110.1 | 28.0 | 59.3 | 15.2 | 7.5 |
| Jun 01 | 106.4 | 22.3 | 59.3 | 14.7 | 10.1 |
| Jul 01 | 100.5 | 19.6 | 59.3 | 13.9 | 7.7 |
| Aug 01 | 99.1 | 19.9 | 59.3 | 13.7 | 6.3 |
| Sep 01 | 100.8 | 20.5 | 59.3 | 13.9 | 7.0 |
| Oct 01 | 95.3 | 16.4 | 59.3 | 13.1 | 6.4 |
| Nov 01 | 93.1 | 15.2 | 59.3 | 12.8 | 5.7 |
| Dec 01 | 92.6 | 14.0 | 59.3 | 12.8 | 6.5 |
| Jan 02 | 96.1 | 15.1 | 62.4 | 13.3 | 5.3 |
| Feb 02 | 98.0 | 15.4 | 62.4 | 13.5 | 6.7 |
| Mar 02 | 101.5 | 18.7 | 62.4 | 14.0 | 6.5 |
| Apr 02 | 106.8 | 21.5 | 62.4 | 14.7 | 8.2 |
| May 02 | 104.7 | 20.1 | 62.4 | 14.4 | 7.7 |
| Jun 02 | 103.6 | 19.0 | 62.4 | 14.3 | 8.0 |
| Jul 02 | 103.4 | 19.5 | 62.4 | 14.3 | 7.3 |
| Aug 02 | 104.1 | 19.9 | 62.4 | 14.4 | 7.4 |
| Sep 02 | 105.5 | 20.9 | 62.4 | 14.6 | 7.6 |
| Oct 02 | 106.0 | 20.6 | 62.4 | 14.6 | 8.4 |
| Nov 02 | 101.9 | 17.5 | 62.4 | 14.1 | 8.0 |
| Dec 02 | 102.1 | 19.5 | 62.4 | 14.1 | 6.1 |
| Jan 03 | 108.7 | 20.9 | 65.5 | 15.0 | 7.3 |
| Feb 03 | 112.2 | 22.9 | 65.5 | 15.5 | 8.3 |
| Mar 03 | 111.8 | 21.2 | 65.5 | 15.4 | 9.6 |
| Apr 03 | 107.9 | 20.0 | 65.5 | 14.9 | 7.5 |
| May 03 | 104.9 | 17.4 | 65.5 | 14.5 | 7.5 |
| Jun 03 | 106.0 | 17.7 | 65.5 | 14.6 | 8.2 |
| Jul 03 | 106.1 | 19.5 | 65.5 | 14.6 | 6.4 |
| Aug 03 | 108.3 | 21.6 | 65.5 | 14.9 | 6.3 |
| Sep 03 | 107.0 | 19.2 | 65.5 | 14.8 | 7.6 |
| Oct 03 | 105.9 | 18.3 | 65.5 | 14.6 | 7.5 |
| Nov 03 | 104.9 | 18.0 | 65.5 | 14.5 | 7.0 |
| Dec 03 | 104.8 | 17.3 | 65.5 | 14.5 | 7.5 |
| Jan 04 | 105.5 | 18.8 | 65.5 | 14.6 | 6.6 |
| Feb 04 | 106.2 | 19.3 | 65.5 | 14.6 | 6.8 |
| March 04 | 107.6 | 21.4 | 65.5 | 14.8 | 5.8 |



| | | | | | |
|----------|-------|------|------|------|------|
| April 04 | 111.2 | 24.0 | 65.5 | 15.3 | 6.4 |
| May 04 | 117.1 | 27.8 | 65.5 | 16.2 | 7.7 |
| June 04 | 112.8 | 23.8 | 65.5 | 15.6 | 7.9 |
| July 04 | 114.9 | 26.7 | 65.5 | 15.8 | 6.8 |
| Aug 04 | 116.8 | 26.2 | 65.5 | 16.1 | 9.0 |
| Sep 04 | 113.9 | 26.0 | 65.5 | 15.7 | 6.7 |
| Oct 04 | 117.3 | 28.1 | 65.5 | 16.2 | 7.5 |
| Nov 04 | 112.2 | 24.5 | 65.5 | 15.5 | 6.7 |
| Dec 04 | 106.7 | 19.8 | 65.5 | 14.7 | 6.7 |
| Jan 05 | 107.8 | 22.7 | 65.5 | 14.9 | 4.7 |
| Feb 05 | 109.4 | 24.0 | 65.5 | 15.1 | 4.8 |
| Mar 05 | 112.9 | 26.6 | 65.5 | 15.6 | 5.3 |
| Apr 05 | 117.4 | 29.8 | 65.5 | 16.2 | 5.9 |
| May 05 | 117.1 | 27.9 | 65.5 | 16.2 | 7.6 |
| Jun 05 | 119.5 | 32.0 | 65.5 | 16.5 | 5.5 |
| Jul 05 | 124.3 | 35.4 | 65.5 | 17.1 | 6.2 |
| Aug 05 | 126.5 | 38.7 | 65.5 | 17.4 | 4.9 |
| Sept 05 | 133.9 | 42.3 | 65.5 | 18.5 | 7.6 |
| Oct 05 | 128.4 | 35.7 | 65.5 | 17.7 | 9.5 |
| Nov 05 | 121.5 | 31.6 | 65.5 | 16.7 | 7.2 |
| Dez 05 | 121.4 | 31.9 | 65.5 | 16.7 | 7.2 |
| Jan 06 | 124.5 | 35.1 | 65.5 | 17.2 | 6.7 |
| Feb 06 | 123.7 | 32.9 | 65.5 | 17.1 | 8.3 |
| Mrz 06 | 124.8 | 35.6 | 65.5 | 17.2 | 6.5 |
| Apr 06 | 131.8 | 41.3 | 65.5 | 18.2 | 6.8 |
| Mai 06 | 132.7 | 41.0 | 65.5 | 18.3 | 7.9 |
| Jun 06 | 134.5 | 42.1 | 65.5 | 18.6 | 8.4 |
| Jul 06 | 136.9 | 45.1 | 65.5 | 18.9 | 7.4 |
| Aug 06 | 133.2 | 40.4 | 65.5 | 18.4 | 8.9 |
| Sept 06 | 122.5 | 31.8 | 65.5 | 16.9 | 8.3 |
| Okt 06 | 119.6 | 29.8 | 65.5 | 16.5 | 7.8 |
| Nov 06** | 118.6 | 29.8 | 65.5 | 16.4 | 6.9 |
| Dez 06 | 119.8 | 30.6 | 65.5 | 16.5 | 7.2 |
| Jan 07 | 121.4 | 27.9 | 65.5 | 19.4 | 8.6 |
| Feb 07 | 122.4 | 30.7 | 65.5 | 19.5 | 6.7 |
| Mrz 07 | 127.6 | 34.9 | 65.5 | 20.4 | 6.8 |
| Apr 07 | 132.3 | 38.8 | 65.5 | 21.1 | 6.8 |
| Mai 07 | 137.0 | 41.7 | 65.5 | 21.9 | 7.9 |
| Jun 07 | 135.8 | 40.0 | 65.5 | 21.7 | 8.7 |
| Jul 07 | 136.2 | 38.4 | 65.5 | 21.7 | 10.5 |
| Aug 07 | 133.3 | 36.3 | 65.5 | 21.3 | 10.2 |
| Sept 07 | 135.0 | 38.3 | 65.5 | 21.6 | 9.7 |
| Okt 07 | 134.4 | 38.3 | 65.5 | 21.5 | 9.1 |
| Nov 07** | 140.6 | 42.0 | 65.5 | 22.4 | 10.7 |
| | | | | | |

* includes costs for transport, storage, statutory inventorying, administration, sales and profit
** temporary



Annex 5: A Comparison of Consumer Price in the European Union

Source: The Hamburg-based Energy Information Service; Mineralölwirtschaftsverband e.V.
(November 5, 2007) www.mwv.de

| country | without taxes | | with taxes | |
|---------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|
| | unleaded Eurosuper cent/l | diesel fuel cent/l | unleaded Eurosuper cent/l | diesel fuel cent/l |
| Belgium | 53.0 | 58.0 | 139.4 | 110.5 |
| Denmark | 56.3 | 61.3 | 137.9 | 122.3 |
| Germany | 50.4 | 56.8 | 137.9 | 123.6 |
| Estonia | 47.8 | 55.2 | 90.3 | 94.1 |
| Finland | 49.3 | 55.6 | 131.8 | 106.8 |
| France | 49.7 | 54.9 | 131.5 | 116.6 |
| Greece | 53.9 | 60.1 | 104.7 | 104.3 |
| Great Britain | 49.1 | 52.6 | 142.7 | 146.7 |
| Ireland | 49.4 | 54.4 | 113.3 | 110.3 |
| Italy | 54.6 | 60.1 | 133.2 | 122.9 |
| Latvia | 48.3 | 55.1 | 92.1 | 94.9 |
| Lithuania | 50.5 | 54.7 | 93.6 | 93.5 |
| Luxemburg | 55.1 | 58.5 | 116.5 | 100.7 |
| Malta | 60.4 | 60.9 | 107.9 | 100.9 |
| Netherlands | 61.7 | 66.0 | 152.6 | 123.8 |
| Austria | 52.8 | 56.6 | 121.4 | 114.1 |
| Poland | 51.8 | 56.7 | 118.3 | 109.1 |
| Portugal | 51.6 | 57.1 | 133.0 | 113.2 |
| Sweden | 50.2 | 58.7 | 131.1 | 123.6 |
| Slovak Republic | 49.8 | 54.9 | 114.6 | 117.2 |
| Slovenia | 47.4 | 52.6 | 100.0 | 99.4 |
| Spain | 52.7 | 57.7 | 108.4 | 103.0 |
| Czech Republic | 50.1 | 56.4 | 111.9 | 111.0 |
| Hungary | 51.2 | 56.7 | 112.0 | 109.8 |
| Cypruss | 56.1 | 60.6 | 99.0 | 97.8 |
| order of Germany | 15 | 12 | 5 | 3 |
| from EID | | | | |



Annex 6: Current Mineral Oil Data

Source: Mineralölwirtschaftsverband e.V. (as per November 3, 2006) www.mwv.de

| crude oil import Germany | August | July | change (%) to the month in previous year | | January- | change (%) |
|------------------------------------|--------|--------|--|------|----------|---------------|
| | 2006 | 2006 | August | July | August | Jan to August |
| | | | | | 2006 | 2006 / 2005 |
| t o t a l | 9,673 | 9,515 | -0.7 | 4.1 | 73,410 | -5.5 |
| among them | | | | | | |
| O P E C | 2,087 | 2,126 | -27.7 | 7.9 | 16,82 | 4.0 |
| North Sea | 2,718 | 2,602 | -7.3 | 9.1 | 21,185 | -12.0 |
| average price (euros / t) | 424.53 | 412.87 | 12.3 | 22.1 | 394.02 | 34.3 |

| refinery products Germany | September | October | change (%) to the month in previous year | | January- | change (%) |
|---|--------------|---------------|--|-------------|---------------|-------------|
| | 2006 | 2006 | September | August | September | Jan to |
| | | | | | 2006 | September |
| | | | | | | 2006 / 2005 |
| crude oil usage | 8,734 | 10,035 | -10.7 | -0.2 | 83,473 | -2.1 |
| miscellaneous usage (reuse, additives) | 1,101 | 993 | 25.5 | -3.6 | 9,159 | 11.9 |
| total usage | 9,835 | 11,029 | -7.7 | -0.5 | 92,632 | -0.8 |
| production of mineral oil products including: | 9,645 | 10,801 | -7.5 | -0.5 | 90,777 | -0.8 |
| Gasoline | 1,998 | 2,190 | -5.7 | -0.2 | 18,426 | -2.7 |
| diesel fuel | 2,577 | 3,092 | -13.9 | -0.7 | 25,577 | -1.5 |
| light heating oil | 1,666 | 1,487 | 14.8 | -6.7 | 12,970 | 0.3 |
| heavy heating oil | 821 | 1,044 | -10.2 | 2.7 | 9,432 | 5.1 |
| capacity usage | 91.7 | 102.0 | | | 96.4 | |

| product import Germany | August | July | change (%) to the month in previous year | | January - | change (%) |
|----------------------------------|--------|-------|--|-------|-----------|---------------|
| | 2006 | 2006 | August | July | August | Jan to August |
| | | | | | 2006 | 2006 / 2005 |
| t o t a l | 2,987 | 2,641 | -10.8 | -0.1 | 22,923 | 2.4 |
| including | | | | | | |
| Gasoline | 149 | 114 | -32.3 | -58.1 | 1,217 | -39.5 |
| diesel fuel | 284 | 193 | 7.2 | -19.9 | 1,932 | 17.4 |
| light heating oil | 917 | 629 | -22.0 | 16.3 | 6,691 | 13.4 |
| heavy heating oil | 108 | 130 | -17.7 | 5.4 | 1,003 | -5.7 |

| domestic deliveries Germany | September | August | change (%) to the month in previous year | | January- | change (%) |
|---------------------------------------|-----------|--------|--|--------|-----------|--------------|
| | 2006 | 2006 | September | August | September | Jan to |
| | | | | | 2006 | September |
| | | | | | | 2006 to 2005 |
| gasoline | 1,890 | 1,939 | -1.1 | -3.8 | 16,713 | -5.8 |
| diesel fuel | 2,620 | 2,540 | 3.2 | -0.1 | 21,417 | 0.6 |
| light heating oil | 2,500 | 2,304 | 3.7 | -14.7 | 18,759 | 5.4 |
| heavy heating oil | 440 | 490 | -9.4 | -10.6 | 4,633 | 4.4 |

| stocks (creditable yield as per the OECD definition) Germany | August | July | change (%) to the month in previous year | | daily | range= |
|--|--------|--------|--|------|-------------|-------------|
| | 2006 | 2006 | August | July | consumption | stocks: |
| | | | | | | daily |
| | | | | | | consumption |
| t o t a l | 29,523 | 29,951 | -0.5 | -0.2 | 241.3 | 122.4 |

* quantities given in 1,000 t

** MWV extrapolation



Annex 7: Different Forms of Petrol Station Operations (a selection)

Different Types:

1. Group/Brand-Name Petrol Stations

- ownership: a. mineral oil company
b. medium-sized company or single petrol station

Form of operations for 1a. (the owner is mineral oil company)

The mineral oil company operates the petrol stations with auxiliary enterprises on its own or leased land

- Alt. 1** The fuel sale price is set by the group (the group has price autonomy)
Fuel is sold in the name and at the account of the group
The group employs the lessee for operating the petrol station at his choice
The lessee operates an auxiliary enterprise (such as the shop/car wash/care) in his own name and on his own account
- Alt. 2** The fuel sale price is set by the group (the group has price autonomy)
Fuel is sold in the name and at the account of the group
The group employs the lessee for operating the petrol station at his choice
The lessee operates some auxiliary enterprises in the name and on the account of the group

Form of operations for 1b. (the owner is a medium-sized company or single petrol station)

The owner operates the petrol station with auxiliary enterprises on its own or leased land and signs a brand name or commission agreement with a group using the brand name and symbol.

- Alt. 1** The fuel sale price is set by the group (the group has price autonomy)
Fuel is sold in the name and at the account of the group.
The group may participate in the petrol station investment.
The owner receives an upwardly variable and downwardly fixed margin/commission guarantee for fuel sold from the group.
The owner employs the lessee for operating the petrol station at his choice.
The lessee operates an auxiliary enterprise (such as the shop/car wash/care) in his own name and on his own account
- Alt. 2** The fuel sale price is set by the group (the group has price autonomy)
Fuel is sold in the name and at the account of the group.
The group may participate in the petrol station investment.
The owner receives an upwardly variable, downwardly fixed margin/commission guarantee for fuel sold from the group.
The owner operates an auxiliary enterprise (such as the shop/car wash/care) in his own name and on his own account
- Alt. 3** The owner rents the petrol station to the group
The fuel sale price is set by the group (the group has price autonomy)
Fuel is sold in the name and at the account of the group
The owner receives a fixed rent from the group
The group employs the lessee for operating the petrol station at his choice



2. Brand-Name/Group-Free Petrol Stations

→ ownership: b. medium-sized company or single petrol station

Various forms of operations of free owners of petrol stations not affiliated with groups (among other things)

The owner operates the petrol station with auxiliary enterprises on his own or leased land

- Alt. 1** The fuel sale price is set by the owner (the owner has price autonomy)
Fuel is sold in the name and at the account of the owner
The owner purchases fuel on the free market (no fixed supplier)
The owner operates an auxiliary enterprise (such as the shop/car wash/care) in his own name and on his own account
- Alt. 2** The fuel sale price is set by the owner (the owner has price autonomy)
Fuel is sold in the name and at the account of the owner
The owner purchases fuel on the free market (no fixed supplier)
The owner employs the lessee for operating the petrol station at his choice
The lessee operates an auxiliary enterprise (such as the shop/car wash/care) in his own name and on his own account
- Alt. 3** The fuel sale price is set by the owner (the owner has price autonomy)
Fuel is sold in the name and at the account of the owner
The owner signs a fuel supply agreement with fixed suppliers - without a fixed margin
The owner employs the lessee for operating the petrol station at his choice
The lessee operates an auxiliary enterprise (such as the shop/car wash/care) in his own name and on his own account
- Alt. 4** The fuel sale price is set by the owner (the owner has price autonomy)
Fuel is sold in the name and at the account of the owner
The owner signs a fuel supply agreement with fixed suppliers - with a fixed margin
The owner employs the lessee for operating the petrol station at his choice
The owner operates an auxiliary enterprise (such as the shop/car wash/care) in his own name and on his own account
- Alt. 5** The fuel sale price is set by the owner (the owner has price autonomy)
Fuel is sold in the name and at the account of the owner
The owner signs a fuel supply agreement with fixed suppliers - with a fixed margin
The owner operates an auxiliary enterprise (such as the shop/car wash/care) in his own name and on his own account



Annex 8 Qualitative Criteria for the Success of a Petrol Station Enterprise

The quality of the location

The advantageous position of the petrol station

- frequency of motor vehicle customers from the road
- the speed of traffic and the available exits
- the constancy of motor vehicle frequency
- the neighbourhood (businesses, residential areas, trades and mixed areas)
- the region's economic strength (such as the AI rate)

The modern condition of the technical installations

- the age of the petrol station
- the last time modernised/renovated
- contaminated sites
- the condition of the building installation
- the visual appearance (if the installation is cleaned up)

Adequate technical equipment and size

- the size of the company grounds adequate to its turnover
- the size of the retail store adequate to its turnover
- equipped with petrol pumps adequate to sales
- complying with any CD/CI specifications
- environmental protection work

Attractive local market potential

- motor vehicle registration density
- the number of competitors in the catchment area
- ratio of motor vehicles to petrol stations
- the competitive situation in the retail trade



Commercial Expertise

Systematic staff work or minimising the fluctuation rate

- regularly personal qualification (engineering, products and customer contact)
- regular employee talks
- employee profit sharing

Current information on the company's business management position

- defining and capturing success indicators for guiding the company on a daily, weekly and monthly basis
- annual profit and loss account and balance sheet planning as a basis for a monthly target-to-actual comparison
- current liquidity planning on a monthly basis
- benchmarking with comparable petrol station enterprises

Active and systematic claims management

- regularly drawing up an open-item list
- systematic implementation of effective collection work

Adequately insuring the company for all essential operating risks (such as fire, third-party liability, plant interruption, accidents and environmental pollution)

Regularly and adequately notifying lenders on the business position (possibly also the supplier/suppliers)

- regular company rating
- annual report for banks/lenders including a personal talk

Active cost management

- The capability to undertake turnover-related cost management; i.e., defining and installing the maximum cost scope / litre and therefore the corresponding targeted margin / litre (streamlining purchasing conditions and taking advantage of synergies with business co-operation and mergers, etc.)

Applying quantitative corporate rating criteria to managing the company



Offensive / Systematic Marketing

The brand name strength

- a vigorous programme of structuring elements
- high rate of recognition with multiple petrol stations
- building up corporate design and corporate identity

The personality of the service

- customer loyalty with a personal appeal and bonus programmes
- taking advantage of the atmosphere of a family company as a competitive edge
- selling is seen not just as a transaction, but as a service
- customers want a clean and well cared for petrol station where they enjoy spending time and not only have the feeling of shopping for operating materials and lubricants
- the petrol station as a communication and feel-good centre

Winning orders particularly from large-scale customers / disseminators, direct appeal (call centers or personal visits)

Offensive marketing of new products (biodiesel)

Systematic competitive analysis

- mystery shopping
- launching advertising efforts (such as bonus programmes)
- if prices can be freely formulated / with price reduction campaigns: taking advantage of early action and building up regional image



Wide range of services, including additional business

Systematic strategic work

- formulating a corporate strategy for the specific location
- coming up with, formulating and implementing USP (unique selling proposition)
- regular revision and adjustment of corporate strategy
- coming up with product innovations (including services)

Using all available add-on business potential (such as post, bank, dry cleaning, restaurant and mediating hotel rooms)

- investing in tangible fixed assets and staff qualification

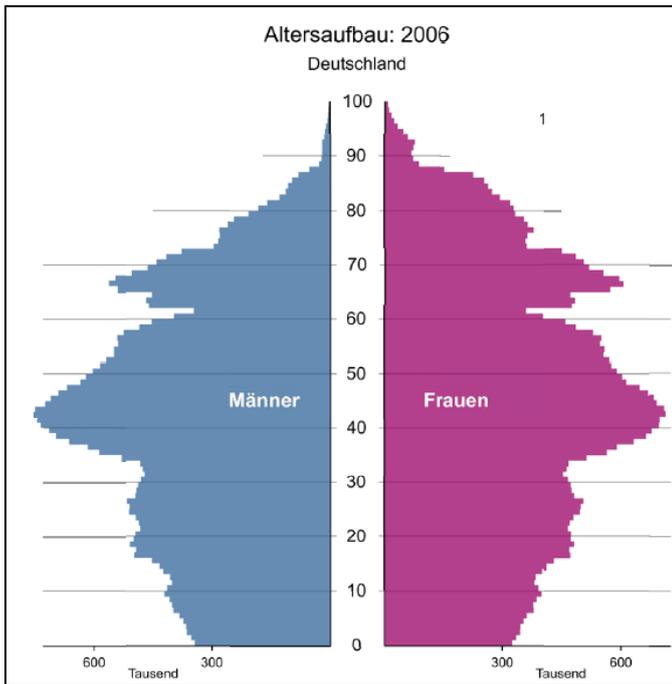
Willingness and capability to work together

Cooperation of entrepreneurs in associations or best practice groups

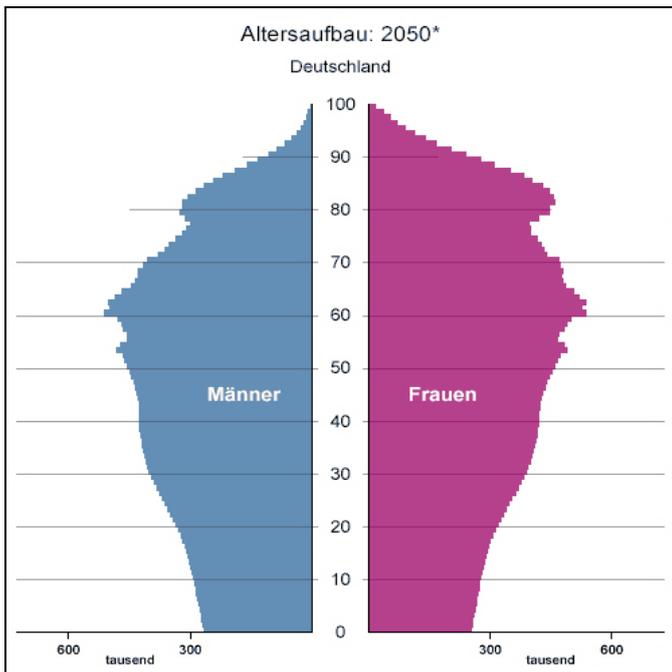
- training/qualifying employees of affiliated partner companies
- best practice comparisons (cost structures, yield indicators and marketing)
- training employees at partner companies (staff exchange programmes)
- forming purchasing pools to boost purchasing power and reduce supplier dependency
- formulating and co-ordinating political interests



Annex 9: Demographic Development in Germany from 2006 to 2050



Source: Federal Statistics Office; www.destatis.de



Source: Federal Statistics Office; www.destatis.de

