I am pleased to share with you the main objectives of the LOTOS Group’s strategy for the years 2011 to 2015 and the development directions until 2020, which are presented in this publication. This is a realistic vision of the growth in the corporate value of LOTOS in the next decade. Our plans envisage sustainable development, based on a solid achievement record and, at the same time, boldly opening new directions for expansion.

Sustainable development has become the planning doctrine successfully adopted for many years by the Management Board of Grupa LOTOS S.A. A huge investment project – the 10+ Programme, whose implementation is nearing completion, has created a strong foundation for sustainable, systematic, innovative and environmentally conscious growth. This provides us with a good starting point for the creation of a large oil corporation, which LOTOS is set to become.

This strategic "road map" takes us up to the year 2020. By this time, LOTOS will have access to its own resources to the equivalent of 330 million barrels of oil and will increase production to 100 thousand barrels per day (5 million tonnes per year). Our programme of increasing production will cover geographically close regions characterised by low levels of risk. LOTOS plans are to achieve a 30% share in the domestic fuel market and to reach sales exceeding its own production potential by 15%.

During this period, capital expenditure incurred within the 10+ Programme will lead to an increase in the production of high-margin and high-quality fuels, oils and other petroleum products. In other words, LOTOS will become one of the most advanced oil companies in Europe, while consistently increasing its market shares. As an effectively managed and environmentally friendly corporation, it will create new value for shareholders. The international position of the LOTOS Group will be strengthened by the energetic activity in building energy security for Poland and for the region of Central and Eastern Europe.

I hope that the presented strategy will be of interest and meet with your approval.

Best regards

[Signature]

President of the Management Board, CEO
Grupa LOTOS S.A.
The core activity of the LOTOS Group is the exploration and development of hydrocarbon reserves, the advanced processing of raw materials for the production of fuels and the trading of high-margin petroleum products.
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Mission

The mission of the LOTOS Group is to pursue innovative and sustainable growth in the areas of hydrocarbon exploration, production and processing, and in the trading of products that meet the most stringent quality standards, in a manner which guarantees continuous growth in shareholder value, full customer satisfaction, ongoing development of employees and capitalisation on their capabilities, and which is responsible towards society, environmentally friendly and compliant with the energy security policy.

Vision

The LOTOS Group seeks to become the most reputable oil company in the Baltic Sea Region in terms of:

- quality of petroleum products
- customer service standards
- professional management

Key strategic goal

The key strategic objective of the LOTOS Group is to create shareholder value through the optimal use of its intellectual and tangible resources and through the implementation of development programmes in the areas of:

- exploration and production
- crude oil processing
- trading
Strategy for the exploration and production segment
In the exploration and production segment, the LOTOS Group has intensified initiatives undertaken with a view to fully utilising the high margins expected in the long-term perspective.

Strategic goals:
- to increase hydrocarbon (oil and gas) production in accordance with Poland’s energy policy priorities to the year 2030
- to produce 24 thousand boe (barrel of oil equivalent) per day (equivalent to 1.2 million tonnes of crude oil per year) in the year 2015

These strategic goals will be accomplished through the improved security of raw material supplies, thanks to direct access to hydrocarbon reserves, and an increase in production resulting from the implementation of projects aimed at output growth.

Own resources will make it possible to achieve the declared increase in overall output by 2015.

Regions taken into consideration for the acquisition of oil and gas reserves (including shale gas) are mainly those of low- and medium-risk levels.

The potential exploration areas include the Baltic Sea, the Norwegian Sea, the North Sea and the Barents Sea, as well as inland areas in Poland and Lithuania.
Strategy for the trading segment
STRATEGY FOR THE TRADING SEGMENT

In the area of trading, the activities of the LOTOS Group will continue to focus on the further development of the sales organisation, based on an expanding distribution network and efficient product logistics. The LOTOS Group will also concentrate on dynamic expansion in the area of crude oil and petroleum products trading.

Fuels

The strategic goal is to maximise the economic benefits through flexibly managing the product stream and systematically consolidating the LOTOS Group’s market position:

- 30% share in the domestic fuel market
- sales exceeding the fuel production capacity of the refinery by 15%

Petrol station network

Further dynamic growth of the nationwide network of LOTOS petrol stations, developed as a fully-controlled and highly efficient product distribution channel, ensured through:

- achieving a 10% share in the domestic retail market by the end of the strategy period
- expansion of the station network and growth of sales in the existing network
Other petroleum products

In the lubricants segment, the goal is to maintain the leading position in the domestic market, and for other product groups – to optimise financial performance through the efficient use of resources and market conditions.

Supply chain optimisation

In order to maximise the integrated margin, the LOTOS Group will focus on the optimal use of resources and the coordination of activities in key areas of the supply chain such as planning, supplies, production and distribution.

Crude oil supply

Based on its enhanced processing capacity, the LOTOS Group will continue the policy of diversified directions and sources of oil supply by:

- maintaining access to sources of crude oil supplied by pipelines and by sea
- flexibly selecting crude oil types and lines of supply in order to maximise the integrated margin
- increasing the LOTOS Group's activity in the international crude oil market
- increasing the share of own production in the overall volume of crude oil supply
Strategy for operating activities
STRATEGY FOR OPERATING ACTIVITIES

In the area of operations, the LOTOS Group will focus on the effective use of the refinery's increased capacity, further increases in conversion ratio and on the optimal use of synergies between the oil refining industry and the energy sector.

Strategic goals:

- to achieve the best global standards of production and maintain high competitiveness among European refineries
- to optimise the use of the LOTOS Group's assets and assets acquired by the LOTOS Group in the course of its development activities
- to ensure the safe and reliable operation of production plants and auxiliary systems, at the level of at least 98% availability over a year
- to increase conversion ratio and ensure oil processing at a more advanced level

To ensure compliance with continually increasing environmental protection standards, various environmentally-focused development criteria and the best available technologies, combined with low emission solutions and highly efficient production processes, are applied. These considerations are equally to the technological process and to the resulting output in the form of the line-up of environmentally-friendly products.

High levels of safety with regard to the implementation of projects in this area will be confirmed by indicators, placing the LOTOS Group refinery among the safest refineries in Europe.
Financial strategy
FINANCIAL STRATEGY

In the financial strategy a reduction in debt is assumed to the level where the debt-to-equity ratio should not exceed the desired value of 0.4 at the end of the strategy period.

Strategic profitability targets at the end of the strategy period are as follows:
- EBITDA margin ≥ 9%
- return on capital employed ≥ 12%

Dividends paid out of profits for the years covered by the strategy will be subordinated to the optimisation of the financing structure of the LOTOS Group. A dividend payment at a level of up to 30% of net profit is assumed.
Development directions until 2020
DEVELOPMENT DIRECTIONS UNTIL THE YEAR 2020

Activities related to further development will focus on increasing the value of the LOTOS Group. The key developments will be those in the exploration and production segment and those aimed at strengthening the LOTOS Group’s market position. The technological processes and engineering solutions implemented in the course of these activities will be characterised by the highest level of innovation.

The main lines of action will include:

- further optimisation of the management model in order to achieve maximum efficiency
- obtaining access to viable hydrocarbon reserves, with the 2020 target set at the level of about 330 million boe
- increasing production to about 100 thousand boe per day (equivalent to 5 million tonnes of oil per year)
- maintaining at least a 30% share of the domestic fuel market
- keeping sales at a level 15% above the fuel production capacity of the refinery
- maintaining at least a 10% share of the domestic fuel market
- further improving the economic efficiency of raw materials processing in order to ensure full utilisation of the assets held
- aiming to optimise energy management at the refinery by expanding its connections to other power grid systems

The LOTOS Group follows the path of innovative solutions resulting from new trends in Europe’s energy policy. The result of this approach is the participation of the LOTOS Group in international institutions and organisations whose objective is to strengthen security in the energy sector in Central and Eastern Europe.
CORPORATE MANAGEMENT STRATEGY

In the corporate management area, the priority is to implement the highest standards of corporate governance in order to increase transparency, improve communication with investors and protect shareholders’ rights in a more effective manner.

Corporate governance

The principles of corporate governance and corporate social responsibility are the two pillars of the corporate value system and code of practice of the LOTOS Group.

The Company seeks to apply the highest standards of corporate governance and follows the recommendations of the "Best Practices for WSE-Listed Companies", approved by the Warsaw Stock Exchange.
Building a strong LOTOS brand and image

The corporate brand strategy has precedence over individual product brand strategies.

The strategic goal is to increase the value of the LOTOS brand by creating its brand image as the image of:

• a brand based on the core values of: innovation, growth and partnership
• a brand active on an international scale
• a brand that stands for high-quality products
• a socially responsible brand

Corporate social responsibility

The LOTOS Group considers corporate social responsibility to be the keystone philosophy of management and organisational improvement. The strategy of social responsibility is aimed at developing an active and systemic approach to problems which arise in the social environment and linking business goals to social and environmental issues.

The LOTOS Group's responsible attitude towards the community and the natural environment manifests itself in business operations carried out in a manner which prevents damage to natural or social resources. In addition, a feeling of responsibility is felt to the State, the market, partners, customers and employees for the products developed.
Integrated Management System

The Integrated Management System is the foundation of the management system and a tool to improve efficiency and effectiveness throughout the entire organisation.

The System ensures effective and efficient management by providing the clear specification of employee job duties, competencies and responsibilities, the effective use of resources and continuous operational improvement.

Human resources management

The strategy of human resources management is based on the fundamental assumption of treating employees as the Company’s key asset. The human resources policy of the LOTOS Group is aimed at:

- continuous improvement in work efficiency and the best use of employee skills and expertise
- improvement in incentive plans which use capital market tools based on the value of shares
- building competencies corresponding to the LOTOS Group's development strategy
- creating a highly innovative organisational culture
Asset management

The objective of the asset management policy is to improve the performance of the LOTOS Group's assets through:

- focusing on the core business operations
- optimising the asset portfolio, including any disposal of non-core assets
- optimising asset allocation
- dynamically transforming the ownership and organisational structure of assets in order to improve economic performance
- making improvements in the system of corporate supervision
- the comprehensive supervision over and coordination of development and capital investment projects

Controlling

The controlling system ensures ongoing monitoring of the implementation of the LOTOS Group's strategic goals, high standards of planning processes, support for operational decisions and an appropriate response to threats.

The present short-term rolling forecast system is to be further developed and a medium-term planning system will be implemented. Relevant controlling tools will be applied for the LOTOS Group's incentive systems and the risk management system.
Risk management

The corporate risk management system aims to identify any problems which may affect the accomplishment of the strategic goals and to ensure an early response to any threats through contingency plans in order to avoid or mitigate any adverse consequences.

IT support for business processes

Development work in the area of IT systems is focused on the implementation of innovative, efficient and secure tools to provide management support.
Occupational safety

The objective in this area is to keep the LOTOS Group's refinery accident record at the level of the best refineries in Europe and to achieve this through maintaining high safety standards, minimising threats and reducing the accident ratio.

Integrated Security System

The significance of the LOTOS Group for Poland's overall energy security requires appropriate measures to be taken to guarantee secure operations of the entire corporation. To this end, the implementation of an Integrated Security System has been pursued, based on the highest standards, to ensure the security of people, business processes, assets and information.
Energy security for Poland and Central and Eastern Europe
ENERGY SECURITY FOR POLAND AND CENTRAL AND EASTERN EUROPE

The intention of the LOTOS Group is to strengthen its role in ensuring energy security for Poland through the intensified activity in hydrocarbon production and improved crude oil conversion ratio, as well as through its contribution to Poland's fuel balance and the efficient use of synergies between the refinery industry and the power sector.

The LOTOS Group will launch and develop initiatives in Poland and abroad through which it will work towards the integration of the energy sector, within the framework of the common EU policy for the security of the energy supply.

The current development of logistics assets connected with product distribution will contribute to the improvement of Poland’s energy security.

Following the principle of risk diversification, the reserves of gas and oil that the LOTOS Group will be mostly interested in will be those situated in medium risk regions and at different life cycle stages.

The strategy of the LOTOS Group is focused on the dynamic development of the exploration and production segment and remains fully in compliance with the policy of active participation in the process of building Poland's energy security.