



## Optimum. Responsible decisions – interview with the President of the Board

The Company strives to build salt caverns in Pomerania, which is a perfect place for a regional energy hub.

### Interview with Paweł Olechnowicz, President of the Board and CEO of Grupa LOTOS S.A.

**- The Annual Report's title is "Optimum. Responsible Decisions". The main idea behind the publication is thus an optimum approach to pursuing goals, optimum meaning the best possible in given circumstances. Would that be your description of the activities carried out by the LOTOS Group in 2011?**

2011 was the first year in which we could expect to see the measurable effects of the successfully completed 10+ Programme. However, it also brought a new wave of financial and economic uncertainties worldwide. The Company was focused on carrying out its business in a way ensuring that its potential is fully leveraged and sustainable growth is guaranteed, while maintaining market confidence. By making responsible decisions, we aimed to reduce excessive business risks, while at the same time delivering added social and economic value, much needed by the country in this difficult period.

As Grupa LOTOS takes a realistic and optimal view of its opportunities and business conditions, its market practice guarantees security, stability, confidence and trust – values that are particularly desirable in a crisis economy. This is intended to prove that we are firmly convinced of the enormous value of sustainable growth both for a business and for its social environment.

The Company's values and competences, which make us stand out against competitors, have further gained in importance amid these adverse circumstances. Not only are we open to the needs of our key stakeholders and have a thorough understanding of their expectations, but we also feel a sense of responsibility towards them. This approach prompts us to keep exploring novel solutions. Our adherence to those values was reflected in 2011 not only in transparent communication with the capital market, which enhanced our credibility, but also in sound performance of our core business and the fact that we were able to adjust our product and service offering to new economic and social challenges.

It was in 2011 that we brought to the market the new brand LOTOS Optima, designating a chain of economy service stations, which is being continually expanded. The value-oriented economy segment is now regarded as the most rapidly growing and prospective part of the market. As customers become increasingly more pragmatic, we provide them with products and services delivering maximum benefits and added value, tailored to the financial standing of most Poles. Optima is the Company's response to new expectations.

**- The Company's strategy is also focused on environmental issues and energy security.**

Grupa LOTOS strives to mitigate its impact on the environment on an ongoing basis, by following the applicable hydrocarbon mining, production and processing standards, and by complying with stringent environmental requirements related to the production, transportation and sale of petroleum products. Our production activities are carried out in reliance on the best available techniques and procedures, and the Company tries to keep abreast of opportunities offered by the latest technologies.

We strive to identify and develop the possibilities of producing energy from renewable and non-conventional sources. As early

as in 2012, Grupa LOTOS wants to start exploring for shale gas and is planning to take part in new tenders for hydrocarbon exploration and production licences in Lithuania. But even now, thanks to the 10+ Programme completed in 2011, the refinery in Gdańsk has energy-efficient technologies in place. By applying methods designed to enhance energy efficiency, we intend to reduce our carbon footprint by 6% by the year 2020.

In the weeks to come, the refinery will be switched to a new fuel – natural gas. The switch-over will bring environmental benefits both to the Company and its surroundings, as natural gas emits less sulphur dioxide and nitrogen oxides, as well as greenhouse gases (mainly CO<sub>2</sub>), than the currently used fuels.

Our responsibility is also manifest in the Company's approach to improving Poland's energy security. Grupa LOTOS supports the Polish government in its efforts to modify the existing system of mandatory stocks, which constitutes a pillar of the country's energy security. Not only do we ensure stable supplies of crude oil, which is an important energy resource, but we have also undertaken an initiative aimed at building storage facilities for crude oil and liquid fuels, such as diesel and light fuel oil, in salt caverns. Given its geological features, direct access to the sea as well as extensive port infrastructure, Pomerania is a perfect place for a regional energy hub.

**- Grupa LOTOS is actively involved in the implementation of the Polish government's energy policy. What were the key activities carried out in this area in 2011, besides the projects you have just mentioned?**

Our constant role is to take part in the work of expert teams appointed by the government in order to develop new legislative solutions for the energy sector, as well as in public consultations of draft legislation pertaining to the sector.

Grupa LOTOS cooperates with the Ministry of Economy in preparing information materials on the fuel industry for the International Energy Agency, and is involved in the work of the Inter-Ministerial Oil Law Group. The scope of legislative work in 2011 included issuing opinions on the draft act on bio-components and liquid bio-fuels and the act on crude oil and fuel reserves. In addition, we attend meetings of the Intergovernmental Committees of Russia, Kazakhstan, Azerbaijan, Ukraine and Belarus. The Company participates on a regular basis in the highest level meetings dedicated to the energy sector organized by the Ministries of Economy, State Treasury, Foreign Affairs and Environment. In 2011, Grupa LOTOS was engaged i.a. in a project, carried out together with several universities, entitled "Education and training of workforce for the Libyan energy sector" in connection with a visit to Libya of the Deputy Minister of Foreign Affairs with a group of Polish entrepreneurs.

In the second half of the year, we assisted the government in connection with the Polish presidency of the European Union Council. The Company was a host of two important meetings organized by the Ministry of Economy – a visit of Permanent Representatives of EU Member States and a visit of the energy attachés of Community Member States.

**- You serve as Chairman of the Board of Directors of Central Europe Energy Partners, which in 2011 was very actively involved in efforts to develop an energy efficient economy of the European Union.**

Modern day business wants to be actively involved in transformation processes. This is why it enters into discussions with social, business and government partners. A climate of openness to cooperation, aimed at building a better future for both businesses and their social and economic environment, prevails. The need to face global challenges, not only those related to climate change, is very conducive to cooperation. It evidences responsible and wise leadership at the level of managements, but also business entities regarded as industry leaders. By maintaining close links with scientific and research organizations and lobbying on the international arena, we contribute to the development of innovative solutions focusing on sustainable growth.

Our activity at Central Europe Energy Partners (CEEP), a non-profit organization of which Grupa LOTOS is a founding member, represents an example of such commitment on our part. This international association was established with the objective to help integrate the Central European energy sector around the European Union's common energy and energy security policy. To this end, CEEP closely cooperates with a number of recognized think-tanks, including the Center for Strategic & International Studies and the Atlantic Council in Washington, the Windsor Energy Group and King's College in London, as well as organizations such as the International Energy Agency in Paris and Europa in Brussels.

CEEP attends all major EU events related to the energy sector held by the European Commission, including also in various working groups. In 2011, CEEP joined in the discussion held by the European Commission regarding the outlook for the European Union's energy sector until 2050. As one of the members of CEEP, Grupa LOTOS is an active participant of consultations and helps prepare expert materials for EU institutions.

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