



## The Organization and the Report

Grupa LOTOS is an oil company, whose business consists in the exploration, production and processing of crude oil, as well as sale of high-quality petroleum products. The Report presents economic, social and environmental achievements of the LOTOS Group in 2011 in an integrated manner.

### About us



Apart from Grupa LOTOS, which manages the refinery in Gdańsk, the LOTOS Group comprises 15 other companies under the LOTOS brand.

### Integrated reporting



The Report integrates financial and non-financial data, and meets the criteria for the Global Reporting Initiative Application Level A+.

### Stakeholders



The LOTOS Group manages its relations with the key stakeholder groups in a responsible manner.

### Awards and distinctions



The Company takes pride in the distinctions received from external specialists and experts.

## About us

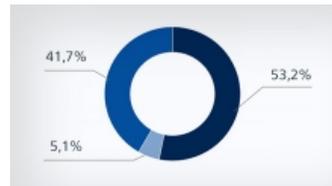
Apart from Grupa LOTOS, which manages the refinery in Gdańsk, the LOTOS Group comprises 15 other companies under the LOTOS brand.

### Business profile



The Company produces and markets i.a. unleaded gasoline, diesel oil, aviation fuel, lubricant oils and bitumens.

### Shareholder structure



In 2011, the State Treasury held 53.17% of the share capital of Grupa LOTOS, while ING OFE's share dropped below 5%.

### Structure of the organization



Adopted solutions increase the efficiency of management processes and ensure cost and revenue synergy within the LOTOS Group.

## Business profile

The Company produces and markets i.a. unleaded gasoline, diesel oil, aviation fuel, lubricant oils and bitumens.

This Annual Report provides an overview of the activities of the Group of Grupa LOTOS S.A. ("the LOTOS Group" or "the Group"), with a particular focus on the LOTOS Group's parent entity – Grupa LOTOS S.A. ("Grupa LOTOS", "the Company" or "we").

Grupa LOTOS is one of the largest companies in Poland. It is an oil company, whose business consists in the extraction and processing of crude oil, as well as wholesale and retail sale of high-quality petroleum products. The Company produces and markets products such as unleaded gasoline, diesel oil, diesel oil for heating purposes (light fuel oil), aviation fuel and heavy fuel oil. Grupa LOTOS also specialises in the production and sale of lubricant oils and bitumens in Poland.

The main market served by the LOTOS Group is Poland. In 2011, the volume share of domestic sales in the LOTOS Group's total sales reached 73.4%.

The 2011-2015 strategy provides for the consolidation of the LOTOS Group's position as a strong, innovative and successfully developing entity, which plays a crucial role in ensuring Poland's energy security and operates in compliance with the principles of social responsibility and sustainable growth.

Grupa LOTOS is a joint-stock company whose shares have been listed on the Warsaw Stock Exchange (WSE) since June 2005.

According to its Articles of Association, the Company operates in Poland and abroad. Apart from Grupa LOTOS (the parent entity and operator of the refinery in Gdańsk), the LOTOS Group currently comprises 15 other companies operating under the LOTOS name. One of them is based in Lithuania and another one in Norway.

Through LOTOS Petrobaltic S.A. and LOTOS Exploration and Production Norge AS, Grupa LOTOS is engaged in the exploration for and production of crude oil from the Baltic Sea and the Norwegian Continental Shelf. The Company also has access to onshore oil deposits in Lithuania through its subsidiary AB LOTOS Geonafta. Further development of the exploration and production segment is the priority of the 2011-2015 strategy, which assumes that in 2015 the LOTOS Group will produce 1.2 million tonnes of crude oil per year. Through the company UAB Minijos Nafta, a subsidiary of AB LOTOS Geonafta, Grupa LOTOS is also the first company which is planning to drill a test well in Lithuania in 2012 to confirm the country's shale gas deposits.

Following the completion of projects executed under the 10+ Programme, the volume of crude oil processed in 2011 reached 9.2 million tonnes, the highest level in the Gdańsk refinery's history.

A country-wide chain of around 370 service stations (the fourth largest in Poland) operates under the LOTOS brand. Through its chain, Grupa LOTOS offers products and services in the premium segment, to which motorway service stations belong. Since 2011, we have also offered products and services in the economy segment, which is represented by the recently launched LOTOS Optima chain. By 2015, Grupa LOTOS plans to gain a 10% share in the retail market and maintain its share in the domestic fuel market at 30%. As at the end of 2011, the LOTOS Group's share in retail fuel sales in Poland was 7.6%, while its share in the domestic fuel market stood at 33.5%.

The LOTOS Group's headcount as at the end of 2011 was 5,168. Sales revenue was PLN 29,258.5m, up by nearly 49% on the 2010 result. Operating profit stood at PLN 1,016.5m in 2011, with net profit at PLN 654.2m.

In the ranking of the largest Polish companies in 2010 (the "500 List") published by the Polityka weekly, Grupa LOTOS was ranked:

**5th** among the largest Polish companies from the industrial, service and fuel sector,

**4th** among the 50 largest listed companies,

**9th** among the 50 largest exporters, and

**10th** among the 50 most profitable companies.

Grupa LOTOS ranked **11th** in the “**EUROPA 500**” ranking of the 500 largest CEE companies, prepared by the Rzeczpospolita daily together with Deloitte, a consultancy firm. Analysts selected the leaders from among 943 companies based in 19 countries.

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## Shareholder structure

In 2011, the State Treasury held 53.17% of the share capital of Grupa LOTOS, while ING OFE's share dropped below 5%.

The share capital of Grupa LOTOS comprises 129,873,362 ordinary shares, fully paid-up, with a par value of PLN 1 per share. Each share confers the right to one vote at the General Shareholders Meeting and carries the right to dividend.

### Structure of Grupa LOTOS' share capital As at December 31st 2011

Shareholders	Number of shares	Number of votes	Par value of shares (PLN)	% of share capital held
State Treasury	69,076,392	69,076,392	69,076,392	53.19
Other shareholders	60,796,970	60,796,970	60,796,970	46.81
<b>Total</b>	<b>129,873,362</b>	<b>129,873,362</b>	<b>129,873,362</b>	<b>100.00</b>

In 2011, the State Treasury held 53.19% of the share capital of Grupa LOTOS. Following the reduction in the shareholding of the open pension fund ING Otworthy Fundusz Emerytalny below the 5% threshold in February 2011, the free float of Grupa LOTOS at the Warsaw Stock Exchange was 46.81%.

### Decrease of the share in the total vote at the General Shareholders Meeting of Grupa LOTOS by ING Otworthy Fundusz Emerytalny

On February 7th 2011, Grupa LOTOS reported that the open pension fund ING Otworthy Fundusz Emerytalny, following the sale of Grupa LOTOS shares settled on February 2nd 2011, reduced its share in the total vote at the General Shareholders Meeting of Grupa LOTOS to below 5%. Before the transaction, ING Otworthy Fundusz Emerytalny held 6,640,532 Grupa LOTOS shares, which represented 5.11% of the Company's share capital. On February 7th 2011, the number of Grupa LOTOS shares registered in the securities account held by ING Otworthy Fundusz Emerytalny was 5,957,442, which represented 4.59% of the Company's share capital.

### Shares in Grupa LOTOS held by management and supervisory personnel

On December 31st 2011, Marek Sokolowski, Vice-President of the Board held, as in the previous year, 8,636 Grupa LOTOS shares. The other members of the Board and the Supervisory Board do not hold any shares in the Company.

### Change in the holding of shares in Grupa LOTOS by the person acting as a registered proxy of the Company

On February 1st 2011, Grupa LOTOS received a notification of transactions in Company shares executed in 2010 by the person acting as a registered proxy of Grupa LOTOS. The person purchased 200 Company shares for PLN 31.20 on September 16th 2010 and then sold them for PLN 33.17 on December 7th 2010. Both transactions were executed on the regulated market during a regular trading session. The total value of the transactions did not exceed EUR 5,000. As at December 31st 2011, the person referred to above did not serve as a registered proxy of the Company.

### Acceptance of Grupa LOTOS Series C shares into the depository of the Polish NDS and their subsequent admission and introduction to stock-exchange trading

The Polish National Depository for Securities (NDS), by virtue of its Resolution No. 895/10 of December 29th 2010, resolved to accept into the depository 16,173,362 Series C ordinary bearer shares in Grupa LOTOS, with a par value of PLN 1 per share, and mark them with code PLLOTOS00025.

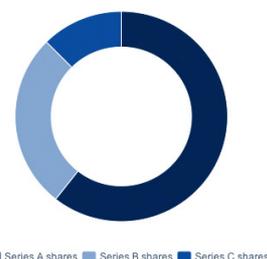
Shareholder structure of Grupa LOTOS  
As at December 31st 2011 (%)



Shareholder structure of Grupa LOTOS  
As at December 31st 2010 (%)



Grupa LOTOS shares by series As at  
December 31st 2011



On January 10th 2011, the Grupa LOTOS shares specified above were registered with the Polish NDS and the WSE Management Board decided to introduce them, by way of the ordinary procedure, to trading on the main market. Following the registration under ISIN code PLLOTOS00025, the total number of shares was 129,804,251.

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## Structure of the organization

Adopted solutions increase the efficiency of management processes and ensure cost and revenue synergy within the LOTOS Group.

As at December 31st 2011, the LOTOS Group comprised Grupa LOTOS, as the parent entity, and 33 production and service companies, including:

- 16 direct subsidiaries of Grupa LOTOS,
- 17 indirect subsidiaries of Grupa LOTOS (including one company - KRAK-GAZ Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy by liquidation) - over which Grupa LOTOS does not have any control),

and two associated companies.

On January 10th 2012, Grupa LOTOS sold 100% of the shares in LOTOS Parafiny Sp. z o.o. to an entity from outside the LOTOS Group. The transaction changed the structure of the LOTOS Group. There are currently 15 direct subsidiaries of Grupa LOTOS.

### Subsidiaries comprising the LOTOS Group

Name	Registered office	Business profile	Method of consolidation/valuation of shares	Percentage of share capital held by Grupa LOTOS	
				Dec 31 2011	Dec 31 2010
<b>Parent entity</b>					
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale. <sup>(4)</sup>	Not applicable	Not applicable	Not applicable
<b>Direct subsidiaries</b>					
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels, light fuel oil, management of the LOTOS service station chain.	Full	100	100
LOTOS Gaz S.A. w likwidacji (in liquidation) <sup>(1)</sup>	Kraków <sup>(2)</sup>	The company is not conducting business operations.	Full	100	100
LOTOS Oii S.A.	Gdańsk	Production and sale of lubricant oils and lubricants, and sale of base oils.	Full	100	100
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens.	Full	100	100
LOTOS Ekoenergia S.A.	Gdańsk	The company has not commenced	Full	100	100

		operations.			
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport.	Full	100	100
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, repairs.	Full	100	100
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing.	Full	100	100
LOTOS Straż Sp. z o.o.	Gdańsk	Fire protection.	Full	100	100
LOTOS Ochrona Sp. z o.o.	Gdańsk	Personal and property protection.	Full	100	100
LOTOS Parafiny Sp. z o.o. <sup>(3)</sup>	Jasło	Production and sale of paraffin.	Full	100	100
LOTOS Tank Sp. z o.o.	Gdańsk	Until October 16th 2011 - trading in aviation fuel, presently - logistics services. <sup>(4)</sup>	Full	100	100
LOTOS Czechowice S.A. (parent of another group)	Czechowice-Dziedzice	Storage and distribution of fuels.	Full	100 <sup>(5)</sup>	97.55
LOTOS Jasło S.A. <sup>(6)</sup>	Jasło	Storage and distribution of fuels; renting and operating of own or leased real estate - from March 24th 201.	Full	100 <sup>(7)</sup>	98.12
LOTOS Petrobaltic S.A. (parent of another group)	Gdańsk	Acquisition of crude oil and natural gas deposits and their exploitation.	Full	99.95 <sup>(8)</sup>	99.32
LOTOS Park Technologiczny Sp. z o.o.	Jasło	The company is not conducting business operations.	Full	100	100
<b>Indirect subsidiaries</b>					
RCEkoenergia Sp. z o.o.	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas.	Full	100 <sup>(9)</sup>	97.55
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME).	Full	100 <sup>(9)</sup>	97.55
„PLASTEKOL Organizacja Odzysku” S.A.	Jasło	Provision of services.		- <sup>(6)</sup>	93.70
Aphrodite Offshore Services N.V.	Curaçao, the Netherlands Antilles	The company has not conducted business operations since October 17th 2011. <sup>(10)</sup>	Full	99.95 <sup>(8)</sup>	99.32
LOTOS Exploration and Production Norge AS	Stavanger, Norway	Oil exploration and production at the Norwegian Continental Shelf, provision of services	Full	99.95 <sup>(8)</sup>	99.32

		related to oil exploration and production.			
Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate.	Full	99.95 <sup>(8)</sup>	99.32
AB LOTOS Baltija <sup>(10)</sup>	Vilnius, Lithuania	Business and legal advisory services.	Full	- <sup>(10)</sup>	99.32
AB LOTOS Geonafra (parent of another group) <sup>(10)</sup>	Gargždai, Lithuania	Crude oil exploration and production, drilling services, purchase and sale of crude oil.	Full	99.95 <sup>(8,10)</sup>	40.31
UAB Genciu Nafta	Gargždai, Lithuania	Crude oil exploration and production in the Republic of Lithuania.	Full	99.95 <sup>(8)</sup>	40.31
Miliana Shipholding Company Ltd. (formerly Miliana Shipping Company Ltd.) (parent of another group) <sup>(11,12)</sup>	Nicosia, Cyprus	Storage and transport of crude oil and management of own financial assets.	Full	99.95 <sup>(8)</sup>	99.32
Miliana Shipmanagement Ltd. <sup>(11)</sup>	Nicosia, Cyprus	Sea transport services.	Full	99.95	-
Miliana Shipping Group Ltd. (parent of another group) <sup>(11)</sup>	Nicosia, Cyprus	Management of own assets.	Full	99.95	-
Kambr Navigation Company Ltd. <sup>(11)</sup>	Nicosia, Cyprus	Ship charter.	Full	99.95	-
Petro Aphrodite Company Ltd. <sup>(11)</sup>	Nicosia, Cyprus	Ship charter.	Full	99.95	-
Petro Icarus Company Ltd. <sup>(11)</sup>	Nicosia, Cyprus	Ship charter.	Full	99.95	-
Granit Navigation Company Ltd. <sup>(11)</sup>	Nicosia, Cyprus	Ship charter.	Full	99.95	-
St. Barbara Navigation Company Ltd. <sup>(11)</sup>	Nicosia, Cyprus	Ship charter.	Full	99.95	-
Bazalt Navigation Company Ltd. <sup>(11)</sup>	Nicosia, Cyprus	Ship charter.	Full	99.95	-
<b>Other companies</b>					
UAB Minjos Nafta	Gargždai, Lithuania	Crude oil exploration and production.	Proportional method	49.98 <sup>(8)</sup>	20.15
UAB Manifoldas	Gargždai, Lithuania	Crude oil exploration and production.	Proportional method	49.98 <sup>(8)</sup>	20.15

<sup>(1)</sup> On January 10th 2011, the Extraordinary General Shareholders Meeting of LOTOS Gaz S.A. adopted a resolution to dissolve LOTOS Gaz S.A. by liquidation. On February 14th 2011, the District Court for the Capital City of Warsaw, XIV Commercial Division of the National Court Register, registered the opening of the liquidation proceedings.

<sup>(2)</sup> On June 7th 2011, the Extraordinary General Shareholders Meeting of LOTOS Gaz S.A. w likwidacji (in liquidation) adopted a resolution to relocate its registered office from Mława to Kraków. On July 8th 2011, the District Court for the Capital City of Warsaw, XIV Commercial Division of the National Court Register, registered the relocation of the company's registered office from Mława to Kraków.

<sup>(3)</sup> On January 10th 2012, Grupa LOTOS sold 100% of the shares in LOTOS Parafiny Sp. z o.o. to Krokus Chem Sp. z o.o. (third-party investor), in which Nova Polonia Natexis LP II and the management staff of LOTOS Parafiny Sp. z o.o. hold shares.

<sup>(4)</sup> Till October 16th 2011, LOTOS Tank Sp. z o.o. was operating on the aviation fuel market, where it was engaged in trading and logistics. In 2011, LOTOS Tank Sp. z o.o. underwent reorganization whereby the logistics business was left at LOTOS Tank Sp. z o.o., while the core trading operations were transferred to Grupa LOTOS.

<sup>(5)</sup> On December 1st 2010, the Extraordinary General Shareholders Meeting of LOTOS Czechowice S.A. adopted a resolution regarding minority squeeze-out. On April 7th 2011, the minority squeeze-out process involving the purchase of LOTOS Czechowice S.A. shares from minority shareholders was completed by entering the acquired shares into the share register and cancelling the

shares which had not been surrendered by minority shareholders. As a result of the above process, as of April 7th 2011 Grupa LOTOS has held 100% of the share capital of LOTOS Czechowice S.A.

<sup>(6)</sup> On February 11th 2011, LOTOS Jasło S.A. executed an agreement for the sale of 95.5% of the shares in PLASTEKOL Organizacja Odzysku S.A., a direct subsidiary, and ceased to have a group.

<sup>(7)</sup> On November 30th 2010, the Extraordinary General Shareholders Meeting of LOTOS Jasło S.A. adopted a resolution regarding minority squeeze-out. On April 8th 2011, the minority squeeze-out process involving the purchase of LOTOS Jasło S.A. shares from minority shareholders was completed by entering the acquired shares into the share register and cancelling the shares which had not been surrendered by minority shareholders. As a result of the above process, as of April 8th 2011 Grupa LOTOS has held 100% of the share capital of LOTOS Jasło S.A.

<sup>(8)</sup> In 2011, Grupa LOTOS purchased employee shares from minority shareholders of LOTOS Petrobaltic S.A. as part of a voluntary sale process. As a result of the above process, the Company's interest in the share capital of LOTOS Petrobaltic S.A. increased from 99.32% to 99.94%. On November 29th 2011, the District Court for Gdańsk-Północ of Gdańsk, VII Commercial Division of the National Court Register, registered an increase in the share capital of LOTOS Petrobaltic S.A. Following the share capital increase, the interest of Grupa LOTOS in the share capital of LOTOS Petrobaltic S.A. increased from 99.94% to 99.95%.

<sup>(9)</sup> On September 26th 2011, the General Shareholders Meeting of Aphrodite Offshore Services N.V. adopted a resolution to sell the Aphrodite I ship. On October 17th 2011, the new owner of the ship, Petro Aphrodite Company Ltd., was entered in the register of Saint Vincent and the Grenadines, upon which Aphrodite Offshore Services N.V. ceased to conduct operating activities.

<sup>(10)</sup> In 2011, the equity restructuring process at the LOTOS Petrobaltic Group was in progress.

- On May 23rd 2011, a change in the legal form of UAB LOTOS Baltija to AB LOTOS Baltija was registered in the Register of Legal Entities of the Republic of Lithuania.
- On February 3rd 2011, the acquisition of full control over AB Geonafta was finalised (in performance of the conditional agreement for the purchase of 59.41% shares in AB Geonafta, dated December 14th 2010).
- On March 23rd 2011, LOTOS Petrobaltic S.A. sold one share in AB Geonafta to Grupa LOTOS.
- On May 10th 2011, a change in the legal form of UAB LOTOS Meditus to AB LOTOS Meditus was registered in the Register of Legal Entities of the Republic of Lithuania.
- On November 30th 2011, the merger of AB Geonafta, AB Meditus and AB LOTOS Baltija as well as the name change from AB Geonafta to AB LOTOS Geonafta were registered in the Register of Legal Entities of the Republic of Lithuania. In connection with the merger, the ownership structure of AB Geonafta changed as follows:
  - before the merger:
    - AB Meditus (a wholly-owned subsidiary of AB LOTOS Baltija, which in turn is wholly owned by LOTOS Petrobaltic S.A.) – 59.41% of the share capital,
    - LOTOS Petrobaltic S.A. – 40.59% of the share capital,
    - Grupa LOTOS S.A. – 0.00062% of the share capital;
  - following the merger:
    - LOTOS Petrobaltic S.A. – 43.19808% of the share capital (99.99862% of the total vote at the General Shareholders Meeting),
    - Grupa LOTOS S.A. – 0.0005934% of the share capital (0.00137% of the total vote at the General Shareholders Meeting),
    - treasury shares – 56.80132% of the share capital (treasury shares carry no voting rights at the General Shareholders Meeting).

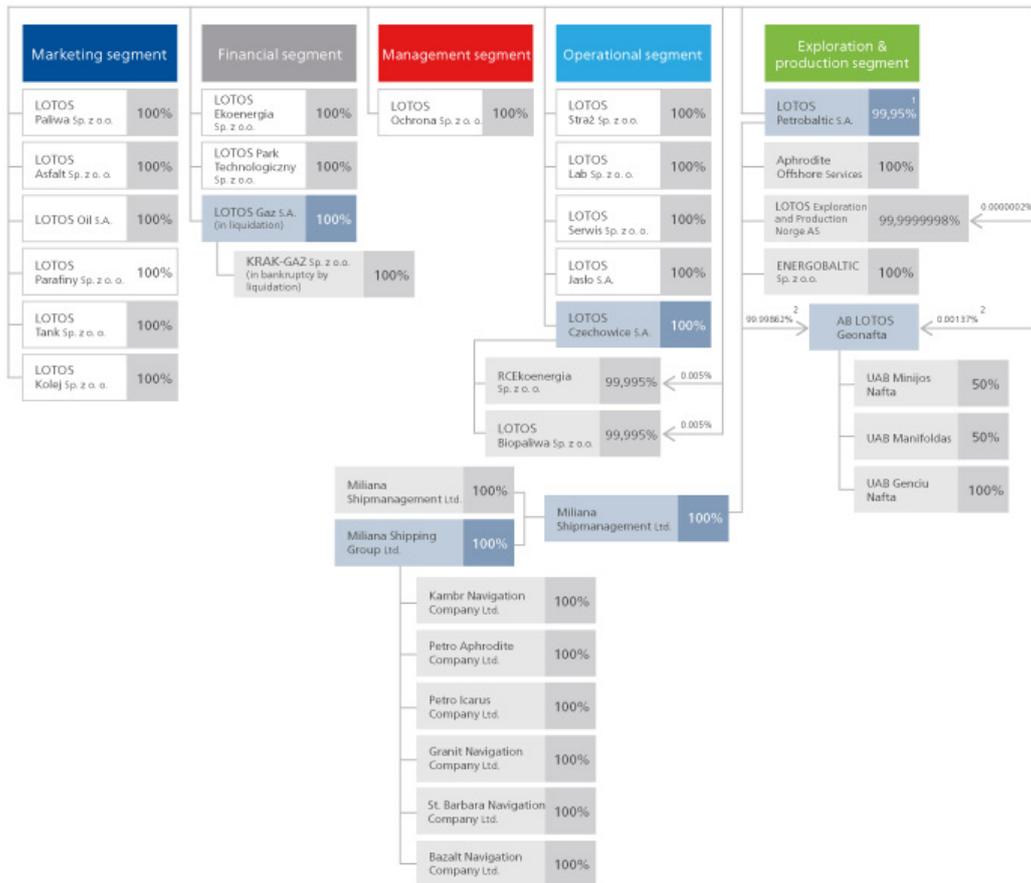
<sup>(11)</sup> In 2011, the restructuring of the sea transport business of the LOTOS Petrobaltic Group was in progress.

- On July 22nd 2011, Miliana Shipping Company Ltd. established two new companies:
  - Miliana Shipmanagement Ltd. and
  - Miliana Shipping Group Ltd.
- Both companies are wholly owned by Miliana Shipping Company Ltd. and incorporated in the Republic of Cyprus.
  - On September 13th 2011, Miliana Shipping Company Ltd. received a formal confirmation of the ownership of six companies based in Cyprus: Bazalt Navigation Company Ltd., Granit Navigation Company Ltd., Kambr Navigation Company Ltd., St. Barbara Navigation Company Ltd., Petro Icarus Company Ltd. and Petro Aphrodite Company Ltd. Miliana Shipping Company Ltd. acquired the companies to provide ship charter services.
  - On December 12th and 13th 2011, Cypriot certificates were issued confirming transfer of shares in the six companies from Miliana Shipping Company Ltd. to Miliana Shipping Group Ltd., which marked the completion of the process aimed at forming the target equity structure for the sea transport business of the LOTOS Petrobaltic Group.

<sup>(12)</sup> On January 23rd 2012, a name change from Miliana Shipping Company Ltd. to Miliana Shipholding Company Ltd. was registered.

#### **Structure of the LOTOS Group As at December 31st 2011**

## GRUPA LOTOS S.A.



<sup>1</sup> State Treasury - 0.01%, employee shares - 0.04%

<sup>2</sup> Share in the total vote at the General Shareholders Meeting (percentage of shares held by individual shareholders in AB LOTOS Geonafta: 43.19808% - LOTOS Petrobaltic S.A.; 0.0005934% - Grupa LOTOS; 56.80132% - treasury shares)

Additionally, Grupa LOTOS holds 8.97% of the shares in P.P.P. NAFTOPORT Sp. z o.o. (a company of the PERN Przyjaźń group of Plock)

Within the LOTOS Group, the role of Grupa LOTOS as the parent entity is to integrate the key management and support functions. To perform its role, Grupa LOTOS has implemented a segmental management model. A segment is understood as a separate area of business activities managed at the LOTOS Group level by a designated member of the Board of Grupa LOTOS. The implemented model enhances management efficiency, delivering Group-wide cost and revenue synergies. The segmental management includes: implementation of a consistent strategy, coordinated planning and controlling, integrated operational management and maintenance of uniform corporate standards.

The LOTOS Group is divided into the following industry segments:

**Management segment:** falls within the remit of President of the Board, Chief Executive Officer, i.e. head of the management segment. The segment's activities are focused on increasing the LOTOS Group's value through overall management of its operations, including formulation of strategies and monitoring their implementation, setting development directions for the individual business areas and coordination of the process support function.

LOTOS Ochrona has been allocated to the management segment.

**Exploration & production segment:** falls within the remit of President of the Board, Chief Executive Officer, i.e. head of the exploration & production segment. The scope of the segment's activities includes formulation of development strategies for the LOTOS Group in the area of oil and gas exploration and production, as well as management and supervision of the exploration and production activities.

LOTOS Petrobaltic and its subordinated affiliates have been allocated to the exploration & production segment.

**Operational segment:** falls within the remit of Vice-President of the Board, Chief Operation Officer, i.e. head of the operational segment. The segment's tasks include coordination and supervision of all affairs related to the processing of crude oil, refinery production and technologies. The segment's roles also include preparation of policy objectives for refinery production, supervision of R&D work in the production area, coordination of investment projects in the area of technical and technological development and formulation of strategies to maintain and expand production facilities.

LOTOS Straż, LOTOS Serwis, LOTOS Lab, LOTOS Jasło and LOTOS Czechowice with their subordinated affiliates have been allocated to the operational segment.

**Marketing segment:** falls within the remit of Vice-President of the Board, Chief Commercial Officer, i.e. head of the marketing segment. The segment's tasks include effective management of sales, supplies of crude oil and petroleum products, and distribution. The segment is also responsible for the development of trading and optimisation activities.

LOTOS Paliwa, LOTOS Oil, LOTOS Asphalt, LOTOS Kolej and LOTOS Tank have been allocated to the marketing segment. Till January 10th 2012, i.e. before its sale, LOTOS Parafiny was also allocated to this segment.

**Financial segment:** falls within the remit of Vice-President of the Board, Chief Financial Officer, i.e. head of the financial segment. The segment's tasks include overall management of financial and accounting processes, including formulation of financial, legal and insurance strategies and monitoring their implementation, management of budgeting and controlling, development and implementation of financial risk management strategies and overall management of assets and restructuring processes.

LOTOS Ekoenergia, LOTOS Park Technologiczny and LOTOS Gaz w likwidacji (in liquidation) – together with its affiliate, KRAK-GAZ w upadłości likwidacyjnej (in bankruptcy by liquidation) – have been allocated to the financial segment. They were allocated to the financial segment following reclassification on May 1st 2011 connected with Grupa LOTOS's internal restructuring. Previously, the companies had been allocated to the management segment.

In 2011, there were significant changes to the LOTOS Group's organizational structure. The changes were made with a view to achieving specific Group-wide objectives. The objectives include:

- ensuring the implementation of the business strategy until 2015,
- streamlining the corporate processes and enhancing the organizational efficiency,
- fostering the desirable image and improving communication,
- improving the management model and segmental reporting,
- raising the standing, decision-making powers, responsibility and effectiveness of the segments, and
- optimising the processes (e.g. by combination).

**Chart of the operational segments  
As at December 31st 2011**

GRUPA LOTOS S.A.

Marketing Segment	Operational Segment	Exploration & Production Segment	Management Segment	Financial Segment
LOTOS Paliwa Sp. z o.o. LOTOS Asphalt Sp. z o.o. LOTOS Oil S.A. LOTOS Parafiny Sp. z o.o. LOTOS Tank Sp. z o.o. LOTOS Kolej Sp. z o.o.	LOTOS Straż Sp. z o.o. LOTOS Lab Sp. z o.o. LOTOS Serwis Sp. z o.o. LOTOS Jasło S.A. LOTOS Czechowice S.A. <i>and its subordinated affiliates</i>	LOTOS Petrobaltic S.A. <i>and its subordinated affiliates</i>	LOTOS Ochrona Sp. z o.o.	LOTOS Ekoenergia Sp. z o.o. LOTOS Park Technologiczny Sp. z o.o. LOTOS Gaz S.A. <i>(in liquidation) and its subordinated affiliate</i>

Related content:

**Management systems**

## Integrated reporting

The Report integrates financial and non-financial data, and meets the criteria for the Global Reporting Initiative Application Level A+.

The Annual Report of the LOTOS Group for 2011 is an integrated report covering the organization's operations in the financial year 2011, which coincides with the calendar year. It also covers important events occurring in the first quarter of 2012, that is shortly before the release date of the Report. The previous integrated annual report was published in April 2011.

In 2007-2009, Grupa LOTOS published separate reports on the financial and non-financial aspects of its activity. In 2010, the Company's Board decided to integrate reports for stakeholders presenting the organization's management approach and performance across all aspects of its activity, i.e. economic, social and environmental. The change of the reporting model was driven mainly by the need to provide key stakeholders with a full picture of corporate achievements, with respect to the results of its core business, and in the areas of CSR initiatives and reduction of environmental impact. This decision coincided with the inclusion of Grupa LOTOS in Central and Eastern Europe's first index of socially responsible companies – the RESPECT Index listed on the Warsaw Stock Exchange. This publication is the Company's third integrated report.

The Board's intent is to enable the organization's stakeholders to make a comprehensive, measurable and objective assessment of the entirety of Grupa LOTOS' involvement in sustainable development through the integrated and reader-friendly presentation of its financial statements and non-financial reports for a given financial year. The Company follows the best communication practices applicable to public companies:

- for financial reporting, it adheres to the International Financial Reporting Standards (IFRS) as endorsed by the European Union, published and effective as at December 31st 2011,
- for non-financial reporting, it adheres to the Guidelines and the Sustainability Reporting Framework of the Global Reporting Initiative (G3 GRI) and the United Nations Global Compact's Principles. Grupa LOTOS is at the Application Level A+\* in the three-level GRI reporting system.

\* The individual Application Levels were assigned letters from C (the lowest level), to C+ (where "+" is given if a report has been verified by an independent assurance body), B, B+, A, through to A+. The reporting criteria used for each level measure the extent to which the Guidelines and the GRI Reporting Framework have been applied.

The application of the GRI reporting standard and integrated reporting are an international trend for sustainability and social responsibility management among a growing number of companies around the world. The CSR reporting guidelines prepared by GRI have been in use for over 10 years. For integrated reporting, there are currently no internationally recognised and uniform standards.

In the middle of 2010, the Global Reporting Initiative and Prince Charles' Accounting for Sustainability Project established the International Integrated Reporting Committee (IIRC), whose aim is to establish an internationally recognised framework of integrated reporting. IIRC comprises representatives of the reporting sector, insurers, policy-makers, corporations, investors, non-profit organizations and higher education institutions. Until the preparation of this Report, IIRC had published a discussion paper "Towards Integrated Reporting – Communicating Value in the 21st Century", which was subject to public consultations until the end of 2011. IIRC believes that integrating financial analysis with analysis of the social, environmental and economic context of a company's operations is a valuable source of information allowing the company's stakeholders to assess its long-term profitability.

Guided by similar considerations, Grupa LOTOS is looking to improve its reporting model. Given the current lack of applicable standards for preparation of integrated reports, when preparing its Annual Report for 2011 the Company adhered to the best available practices for financial and non-financial reporting. We also embraced the key principles of accuracy, materiality, completeness, comparability, balance and credibility.

All data contained in this Report was collected in a reliable and responsible manner, and authenticated as consistent with facts.

The Consolidated financial statements of the LOTOS Group included in this Report were audited by independent auditors, Ernst & Young Audit Sp. z o.o. with registered seat in Warsaw, pursuant to the provisions of Chapter 7 of the Polish Accountancy Act of September 29th 1994 (Journal of Laws (Dz.U.) of 2009, No. 152, item 1223, as amended), and the Polish financial auditing standards issued by the National Council of Statutory Auditors (Krajowa Rada Biegłych

Rewidentów), and the auditors issued an opinion without reservations. To ensure an appropriate level of transparency and credibility, in 2011 the Board of Grupa LOTOS decided that third-party assurance of non-financial data included in the Annual Report for 2011 should be provided by an independent body. The Company commissioned this task to Deloitte Advisory Sp. z o.o. with its registered seat in Warsaw. The Report was also drawn up under the conceptual supervision of Martis CONSULTING in the area of CSR.

This task was entrusted to Deloitte, which carried it out using the applicable **International Standard on Assurance Engagements 3000** (ISAE 3000). ISAE 3000, the International Standard on Assurance Engagements (assurance engagements other than audits or reviews of historical financial information), was established by the International Federation of Accountants (IFAC). It is based on parts A and B of IFAC's Code of Conduct and the International Standard of Quality Control (ISQC-1), and used to provide assurance with respect to CSR reports. The Standard defines the key principles and procedures for assurance engagements, including "limited assurance" engagements.

The Board of Grupa LOTOS resolved to publish reports on the progress in the implementation of the LOTOS Group's CSR strategy on a yearly basis. The Annual Report for 2011 is our first report with independently verified CSR information. Besides the above procedure, the Company has made every effort to ensure proper quality of the data collecting process (both in the case of current and previous reports). The process is supported by the organization's management systems

Grupa LOTOS has implemented the Integrated Management System which is certified for compliance with ISO 9001, ISO 14001, and PN-N-18001. In addition, the requirements of AQAP 2110 (Allied Quality Assurance Publication) and requirements of the Internal Control System for trading in strategic materials (consistent with the PN-N-19001 standard) are met. In 2010, the Integrated Management System recertification audit was successfully completed at the Company. The audit is designed to determine whether the management system is compliant with the ISO 9001, ISO 14001 and PN-N-18001 standards. The recertification audit is performed every three years. Both recertification and surveillance audits (carried out annually) are performed by an independent external certification body. Moreover, internal audits are carried out at the LOTOS Group which aim to monitor the progress achieved in the implementation of the Integrated Management System requirements, as well as the efficiency of related processes. For more information on the audits, see subchapter "Management systems". Link → (<http://raportroczny.lotos.pl/en/corporate-governance/management-systems/>)



Grupa LOTOS is publishing this Report in electronic form only, which is driven by environmental concerns, but also by the intention to provide readers with the broadest possible range of convenient solutions that would make this publication a friendly tool for readers to perform their own analyses.

**Marcin Zachowicz**  
Head of Information Office of Grupa LOTOS

Grupa LOTOS is publishing this Report in electronic form only, which is driven by environmental concerns, but also by the intention to provide readers with the broadest possible range of convenient solutions that would make this publication a friendly tool for readers to perform their own analyses.

The functional solutions embedded in the electronic format are regularly improved, e.g. based on consultations with internal stakeholders carried out in 2011, or the appraisal of traffic on the Company's website featuring the Report. Readers can display selected numerical data by periods, GRI indicators, operating segments, etc. Information included in the Report is integrated with the contents of the Company's website, including previous years' reports. Readers can also submit feedback. Accessibility options, such as voice over, increased contrast and text zoom, were added for people with disabilities, the elderly and the vision impaired. Environmental friendliness is ensured by the economical printout option.

**Marcin Zachowicz**  
– Head of Information Office of Grupa LOTOS

The previous reports are available at Link → (<http://www.lotos.pl>). For contact details, refer to the "Useful information" chapter. Link → (<http://raportroczny.lotos.pl/en/useful-information/>).

Related content:

**Management systems**



## Scope and reach

In determining the content of non-financial sections of the Annual Report, we were guided by the GRI Reporting Framework. The information contained in the Report was selected based on the materiality criterion, which we define as the potential to affect the LOTOS Group's compliance with the sustainable development principles, as well as to influence the Group's external stakeholders looking for reliable, comparable and accurate information and data, to inform their decisions and choices.

This Report, to the extent relating to non-financial information, was prepared using the full range of core indicators, including economic, environmental and social performance indicators, as well as the majority of additional indicators provided for in the GRI Guidelines. As no relevant Sector Supplement was established at the time of drafting this Report ("GRI Oil & Gas Sector Supplement"), no sector-specific performance indicators were applied except for those included in the core set. The methods used to calculate the figures presented in this Report were the same as those applied for the purposes of preparing the LOTOS Group's Consolidated financial statements for 2011, i.e. in accordance with the IFRS effective as at December 31st 2011.

For a vast majority of thematic areas, the facts and non-financial data presented in the Report pertain to Grupa LOTOS, the parent entity. However, all due care and consideration was given to account for the LOTOS Group's consolidated data where possible. In sections devoted to product and environmental responsibility, information relating to the marketing companies was disclosed as well, while in sections focusing on environmental responsibility, we provided data for LOTOS Petrobaltic. In each case, a clear distinction was made by specifically indicating the LOTOS Group's entity currently discussed.

In the previous reporting period, no material changes or other circumstances occurred with respect to the LOTOS Group's entities which would affect the overall assessment of the organization, both in terms of individual aspects of its activity and domestic peer comparison. After the end of the financial year 2011, in January 2012, Grupa LOTOS sold 100% of the shares in LOTOS Parafiny, one of its marketing segment companies. However, given that LOTOS Parafiny was a company of the LOTOS Group in the period covered by this Report, its performance for 2011 is also included.

A new wording for GRI LA13 was introduced in this Report, as its previous version was incorrectly translated. In accordance with the recommendation of an independent auditor and willingness to ensure full clarity of the Report, a new method of data presentation was applied with regard to GRI EC1 indicator.

### GRI indicators as reported by the LOTOS Group companies: LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny and LOTOS Petrobaltic

GRI aspects	GRI indicators reported in 2010	Subsidiaries	GRI indicators reported in 2011	Subsidiaries
Products and services	EN26	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	EN26	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny, LOTOS Petrobaltic (group)
	EN27	LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	EN27	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny
Transport	EN29	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny, LOTOS Petrobaltic	EN29	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny, LOTOS Petrobaltic (group)
Customer health and safety	PR1	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	PR1	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny
Product and service labelling	PR3	LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	PR3, PR5	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny
	PR5	LOTOS Oil, LOTOS		

Paliwa, LOTOS Parafiny				
Marketing communication	PR6, PR7	LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	PR6	LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny
			PR7	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny
Customer privacy	PR8	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	PR8	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny
Compliance	PR2, PR4	LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	PR2, PR4, PR9	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny
	PR9	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny		
Biodiversity	EN11, EN12, EN13	LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	EN11	LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa LOTOS Petrobaltic (group)
			EN12	LOTOS Asphalt, LOTOS Paliwa, LOTOS Petrobaltic (group)
	EN14	LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny, LOTOS Petrobaltic	EN13	LOTOS Paliwa
			EN14	LOTOS Asphalt, LOTOS Oil, LOTOS Paliwa LOTOS Petrobaltic (group)
Indirect economic impact	EC9	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Parafiny	EC9	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa
Market position	EC5, EC6, EC7	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny	EC5, EC6, EC7	LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa, LOTOS Parafiny

The Annual Report for 2011 accounts for a total of 76 GRI indicators, relative to 74 indicators in 2010. Grupa LOTOS decided to discontinue reporting of three indicators: the HR6 and HR7 core indicators, and the HR9 additional indicator, as the issues they cover were deemed immaterial for the organization. In 2011, as in previous years, we sought to increase the number of indicators reported by subsidiaries, depending on data availability. In the Report for 2011, LOTOS Petrobaltic included data of its subsidiaries: AB LOTOS Geonafra, Energobaltic and LOTOS E & P Norge.

An index designed to facilitate search for specific performance indicators and descriptive parts relating to specific issues discussed in this Report is included in the Table of Content of the GRI Performance Indicators and Global Compact Principles in the "Useful information" chapter of this Report. [Link → \(http://raportroczny.lotos.pl/en/useful-information/gri-performance-indicators-and-global-compact-principles/\)](http://raportroczny.lotos.pl/en/useful-information/gri-performance-indicators-and-global-compact-principles/)

## Audit and review

Grupa LOTOS presents the independent auditors' opinions of Ernst & Young Audit regarding the Financial statements of Grupa LOTOS and the Consolidated financial statements of the LOTOS Group for 2011 as well as the independent assurance report of Deloitte Advisory regarding the non-financial part of the Integrated Annual Report for 2011.

### Independent auditors' opinion of Ernst & Young Audit Sp. z o.o. regarding the Financial statements of Grupa LOTOS for 2011.

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The Polish original should be referred to in matters of interpretation.  
Translation of auditors' report originally issued in Polish.

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#### INDEPENDENT AUDITORS' OPINION

##### To the Supervisory Board of Grupa LOTOS S.A.

1. We have audited the attached financial statements for the year ended 31 December 2011 of Grupa LOTOS S.A. ('the Company') located in Gdańsk at 135 Elbląska Street, containing statement of financial position as at 31 December 2011, the statement of comprehensive income, the statement of cash flow, the statement of changes in equity for the period from 1 January 2011 to 31 December 2011 and the additional notes and explanations ('the attached financial statements').
2. The truth and fairness<sup>1</sup> of the attached financial statements, the preparation of the attached financial statements in accordance with the required applicable accounting policies and the proper maintenance of the accounting records are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies, whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and results of the operations of the Company and whether the accounting records that form the basis for their preparation are, in all material respects, properly maintained.
3. We conducted our audit of the attached financial statements in accordance with:
  - chapter 7 of the Accounting Act,
  - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached financial statements treated as a whole.

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<sup>1</sup> Translation of the following expression in Polish: 'rzetelność i jasność'

<sup>2</sup> Translation of the following expression in Polish: 'rzetelnie i jasno'

4. In our opinion, the attached financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2011 to 31 December 2011, as well as its financial position<sup>3</sup> as at 31 December 2011;
  - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and based on properly maintained accounting records;
  - are in respect of the form and content, in accordance with legal regulations governing the preparation of financial statements and the Company's Articles of Association.
5. Without qualifying our opinion, we draw attention, that in the attached financial statements the Company has presented shares in the subsidiaries and associates at cost<sup>4</sup> less any impairment write down. In accordance with the accounting policies resulting from International Financial Reporting Standards, the Capital Group of Grupa LOTOS S.A. (The LOTOS Group), of which the Company is the dominant entity, prepared its consolidated financial statements dated 17 April 2012. The consolidated net profit from continuing operations of The LOTOS Group for the year ended 31 December 2011 amounts to PLN 649,322 thousand, the consolidated equity as at 31 December 2011 amounts to PLN 7,782,383 thousand and the consolidated assets amounts to PLN 20,423,220 thousand.
6. We have read the Directors' Report for the period from 1 January 2011 to 31 December 2011 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).

on behalf of  
Ernst & Young Audit sp. z o.o.  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No 130

Key Certified Auditor

Partner

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Marcin Zieliński  
certified auditor  
No. 10402

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Jacek Hryniuk

Warsaw, 17 April 2012

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<sup>3</sup> Translation of the following expression in Polish: 'sytuacja majątkowa i finansowa'

<sup>4</sup> Translation of the following expression in Polish language: "cena nabycia"

Independent auditors' opinion of Ernst & Young Audit Sp. z o.o. regarding the Consolidated financial statements of the LOTOS Group for 2011.

The Polish original should be referred to in matters of interpretation.  
Translation of auditors' report originally issued in Polish.

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**INDEPENDENT AUDITORS' OPINION**

**To the Supervisory Board of Grupa LOTOS S.A.**

1. We have audited the attached consolidated financial statements of Capital Group Grupa LOTOS S.A. ('the Group'), for which the holding company is Grupa LOTOS S.A. ('the Company') located in Gdańsk at 135 Elbląska Street, for the year ended 31 December 2011 containing, the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity for the period from 1 January 2011 to 31 December 2011 and the additional notes and explanations ('the attached consolidated financial statements').
2. The truth and fairness<sup>1</sup> of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies and whether they truly and fairly<sup>2</sup> reflect, in all material respects, the financial position and results of the operations of the Group.
3. We conducted our audit of the attached consolidated financial statements in accordance with:
  - chapter 7 of the Accounting Act,
  - national auditing standards issued by the National Council of Statutory Auditors,in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.
4. The consolidated financial statements for the prior financial year ended 31 December 2010 were subject to our audit and on 11 April 2011 we have issued an unqualified opinion with an emphasis of matter on these financial statements concerning the uncertainty indicated by the Company's Management relating to the recoverability of the assets recognized due to the purchase of interest and exploration expenses incurred in respect of the YME oil field.

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<sup>1</sup> Translation of the following expression in Polish: 'rzetelność i jasność'

<sup>2</sup> Translation of the following expression in Polish: 'rzetelne i jasne'

5. In our opinion, the attached consolidated financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2011 to 31 December 2011, as well as its financial position<sup>3</sup> as at 31 December 2011;
  - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
  - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
6. As disclosed in note No. 17 of the additional notes and explanations to the attached consolidated financial statements, the Group recognized under construction in progress the expenditures incurred by LOTOS Exploration and Production Norge AS for the purchase of 20% interest in Norwegian production licences relating to the YME field as well as the costs of drilling and other costs of said field exploration. The Group carried out an impairment test for the said assets described in the mentioned note, based on the analysis of discounted cash flows for the 20% interest held in hydrocarbons' reserves acquired as part of the production licences for the development of the YME field, and as the result in 2011 recognized an impairment allowance in the amount of 256 million zloty (with an impact on the net financial result amounted to 90 million zloty after deferred tax adjustment), revaluating the amount of capitalized expenditures to the total amount of 1218 million zloty. Without qualifying our opinion, we draw attention to the uncertainty indicated by the Company's Management concerning recoverability of the remaining assets recognized in the attached consolidated financial statements in respect of the YME field due to the fact that the forecasted cash flows are determined by a series of futures events, in particular, by market volatility of crude oil prices as well as the ability of obtaining further significant funding required to start the production.
7. We have read the 'Directors' Report for the period from 1 January 2011 to 31 December 2011 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).

on behalf of  
Ernst & Young Audit sp. z o.o.  
Rondo ONZ 1, 00-124 Warsaw  
Reg. No 130

Key Certified Auditor

Partner

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Marcin Zieliński  
certified auditor  
No. 10402

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Jacek Hryniuk

Warsaw, 17 April 2012

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<sup>3</sup> Translation of the following expression in Polish: 'sytuacja majątkowa i finansowa'

Independent assurance report of Deloitte Advisory Sp. z o.o. regarding the non-financial part of the Integrated Report of the LOTOS Group for 2011.

**Deloitte.**

Deloitte Advisory Sp. z o.o.  
z siedzibą w Warszawie  
Al. Jana Pawła II 19  
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Polska

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**Independent assurance report pertaining to the non-financial part of the Integrated Report of the LOTOS Group for 2011**

**To the Management Board of the LOTOS Group**

We have reviewed the non-financial part of the Integrated Report of the LOTOS Group ("Sustainable Development Report" or "Report") with the registered address in Gdańsk, at ul. Eibłaska 135 ("Company"), with respect to indicators developed based on G3 Sustainable Development Reporting Guidelines for A level issued by Global Reporting Initiative (GRI). The assurance works covered the period from 1 January 2011 to 31 December 2011 with relation to quantity and quality of available evidence.

The Management Board of the Company is responsible for reliable, correct and fair information and for correct preparation of the documentation. Our task was to issue an independent assurance report based on the Sustainable Development Report.

Our procedures did not include assessment of the fairness, correctness and completeness of documents provided by the Company, nor did they constitute an audit of the internal control system implemented therein. Therefore, we do not express an opinion regarding correctness of the system. Our procedures did not constitute an audit of financial statements as defined in the Accounting Act. Therefore, we do not express an opinion concerning the auditor's Report nor do we make statements regarding the financial statements of the Company as determined in regulations applicable to certified auditors.

Planning and performing our works had the nature of a limited assurance engagement performed in line with ISAE 3000 (Assurance Engagements Other than Audits or Reviews of Historical Financial Information), which requires us to plan and perform the engagement in a manner which allows for limited assurance that the Sustainable Development Report does not include significant misstatements. The scope and methodology of a review of the Sustainable Development Report significantly differ from those applied during an audit, which is aimed at expressing reasonable assurance. The purpose of the review is not to issue an opinion on correct, true and fair nature of the Sustainable Development Report, and therefore no such opinion has been issued. The procedures followed during the review of the Sustainable Development Report comprised:

- Identifying issues and results significant for the content of the Report from the viewpoint of the corporate social responsibility policy followed by the Company and stakeholders' expectations;
- Comparing data included in the Sustainable Development Report to those presented in the Financial Statements of the LOTOS Group for 2011;
- Interviewing individuals in charge of the implementation of the corporate social responsibility policy in the Company and of the preparation of non-financial part of the Report;
- Verifying the information included in the Report for compliance with the internal documentation of the Company;
- Assessing the level of compliance with Sustainable Development Reporting Guidelines and GRI Reporting Framework.

Based on the review we obtained limited assurance that the information concerning indicators reported by the Company included in the Sustainable Development Report developed by the LOTOS Group is free from material misstatements and it is compliant with G3 Sustainable Development Reporting Guidelines for level A issued by Global Reporting Initiative.

*Deloitte Advisory Sp. z o.o.*

Deloitte Advisory Sp. z o.o.

Warsaw, 18 April 2012

Sąd Rejonowy m. st. Warszawy, KRS 000004728, NIP: 527-020-73-28, REGON: 006233202,  
Kapitał zakładowy: 18 000 500 zł  
Member of Deloitte Touche Tohmatsu Limited

## Stakeholders

The LOTOS Group manages its relations with the key stakeholder groups in a responsible manner.

### Stakeholders' involvement

Grupa I Otoczenie wewnętrzne	Grupa II Otoczenie aplikacyjne	Grupa III Otoczenie zewnętrzne
<p><b>Pracownicy:</b> kierownicy, kadra kierownicza, pracownicy oferty produktowej, pracownicy administracyjni, emeryci, pracownicy wydziałów obsługi paliw lotniczych, służby pracowniców</p> <p><b>Spółki grupy kapitałowej</b></p> <p><b>Organizacje związkowe</b></p>	<p><b>Spółecznosci lokalne:</b> ludność miejscowości, w których znajdują się zakłady produkcyjne należące do grupy kapitałowej, po szczególne interesy lokalnych mieszkańców, zakłady produkcyjne, biura magazynowe, stacje paliw i innych instalacji technicznych należących do grupy kapitałowej</p>	<p><b>Wykonawcy i podwykonawcy:</b> Lotos</p> <p><b>Dostawcy:</b> Światowe i zagraniczne</p> <p><b>Odnośnicy i klienci:</b> Światowe i krajowe</p> <p><b>Partnerzy biznesowi:</b> Firmy konkurencyjne</p> <p><b>Organizacje branżowe</b></p>

### Membership in organizations



## Stakeholders' involvement

The LOTOS Group's social responsibility strategy defines target groups to which its initiatives are addressed. The organization endeavours to build positive relations with all these groups as each of them, albeit to various extent, affects the LOTOS Group's performance, especially in the process of creating economic, social and environmental values. This also means that the LOTOS Group seeks to take into account the interests of the individual groups affecting its operations when making business, social and environmental decisions.

The groups are treated as the organization's stakeholders, that is entities, whether natural persons or otherwise, which may influence or be influenced by the organization's activities.

In 2011, the LOTOS Group performed a review of the stakeholder groups which had been identified in the course of preparing the Social Responsibility Strategy in 2007. Based on the analyses performed, the organization identified three key stakeholder groups.

### Key stakeholders groups of the LOTOS Group

Group I Internal environment	Group II Social environment	Group III Market environment
<p><b>Employees:</b> management, production, back-office staff, retired employees, employees of all LOTOS service stations, employees' family members</p> <p><b>The LOTOS Group's companies</b></p> <p><b>Trade unions</b></p> <p><b>Employee Council</b></p>	<p><b>Local communities:</b> inhabitants of the provinces where the LOTOS Group operates, in particular inhabitants residing in the vicinity of production plants, storage depots, service stations and other facilities owned by the LOTOS Group as well as professional groups using natural resources of the Baltic Sea</p> <p><b>NGOs</b></p> <p><b>Local government units of all levels</b></p> <p><b>Public authorities</b></p> <p><b>Science and research institutes and educational centres,</b> including higher education institutions and secondary schools educating would-be employees</p> <p><b>Employer organizations</b></p> <p><b>Media</b></p> <p><b>Environmental activists</b></p>	<p><b>(Internal and external) contractors and subcontractors</b></p> <p><b>(Domestic and foreign) suppliers</b></p> <p><b>(Existing and future) end customers</b></p> <p><b>Business partners</b></p> <p><b>Competitors</b></p> <p><b>Industry organizations and international institutions</b></p> <p><b>Regulatory and monitoring organizations granting certificates,</b> approvals, licences and recommendations</p> <p><b>Capital market participants:</b> shareholders, investors, analysts and fund managers</p>

The organization evaluates the effect of individual stakeholder groups on its operations in terms of development opportunities, but also threats which might arise if it omits to act or if the cooperation goes wrong.

In line with the guidelines included, inter alia, in the ISO 26000 standard Guidance on Social Responsibility, the organization acknowledges that the key condition for the implementation of its social responsibility strategy is the establishment and maintenance of stakeholder relations whose distinctive feature would be a high level of involvement of all process participants in the pursuit of set objectives. In the management of its relations with individual stakeholder categories, the LOTOS Group uses a differentiated set of methods and tools, tailored to the identified needs and expectations.

**Selected tools and methods for building relations with main stakeholder categories in 2011**

Main stakeholder categories	Relations management forms
Employees	In-person meetings, intranet platform, intranet kiosks, mobile service, corporate newsletter, training, opinion polling
Local communities	Social programmes and campaigns, internet service, opinion polling, consultation meetings with representatives of the communities
NGOs	In-person meetings, social programmes, internet service; annual report, opinion polling
Capital market participants	Current and periodic reports, annual report, in-person meetings, conferences, internet service, Investor Day
Public authorities	Annual report, lobbying, in-person meetings, conferences
Customers	Call service, internet service, information furnished through products, direct contact, social campaigns as part of the loyalty programme; satisfaction survey
Suppliers, subcontractors, business partners	Meetings with sales representatives, audits, cooperation assessment
Science and research institutes and centres	R&D projects, scholarship grants, in-person meetings

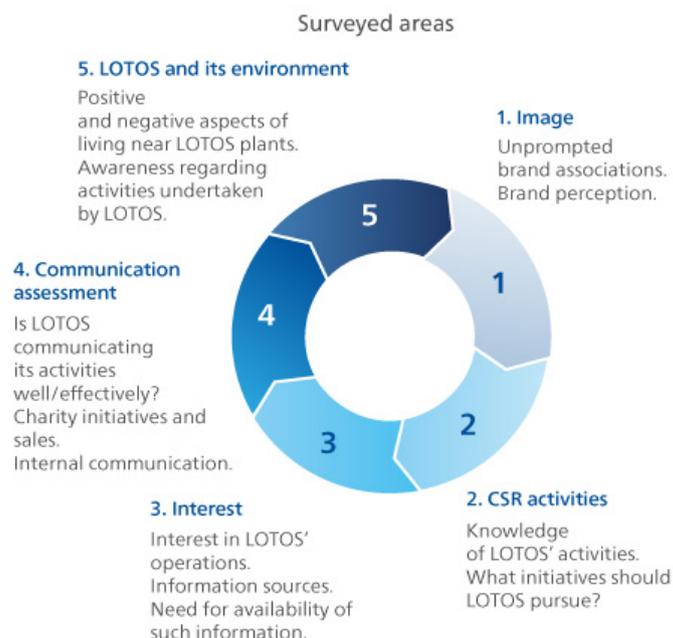
The noteworthy initiatives undertaken in 2011 include:

1. opinion polling among key groups of stakeholders;
2. involving the management staff and employees in perfecting social responsibility practices;
3. initiatives addressing key issues in the business environment.

**Opinion polling among key groups of stakeholders**

The chief objective of the opinion polls carried out by Grupa LOTOS in 2011 was to gather knowledge which would enable the

Company to appropriately draft the updated Social Responsibility Strategy of the LOTOS Group for 2012–2015. The polls were of both quantitative and qualitative nature. Their specific objectives were to gather knowledge on the perception of CSR in general and of efforts undertaken by the LOTOS Group in the CSR area to date, together with their evaluation, conclusions and expectations relating to further development of CSR by representatives of the LOTOS Group's key stakeholders. The opinion polls also covered the process of communicating CSR activities.



The quantitative stakeholder opinion surveys were conducted from August to September 2011 on a sample of around 1,900 respondents representing: inhabitants residing in the immediate vicinity of the LOTOS Group's facilities; inhabitants of the Gdańsk Province, Municipality of Jasło and Municipality of Czechowice-Dziedzice; entrepreneurs operating in Pomerania; as well the LOTOS Group's production and back-office staff.



The qualitative surveys conducted as in-depth interviews with individual stakeholders covered 36 representatives of key stakeholder groups, including:

- local government units of various levels in the main areas of the LOTOS Group's operations;
- central authorities at the national and EU levels;
- higher education institutions educating specialists in the fields or implementing projects relevant to the LOTOS Group's operations;
- NGOs of which Grupa LOTOS is a member or with which it cooperates on project execution, including employer organizations,

industry associations and organizations dealing with social issues;

- business community represented by Grupa LOTOS' business partners, contractors involved in the execution of the 10+ Programme and dealers of LOTOS service stations;
- the LOTOS Group's management staff representing key aspects of the LOTOS Group's business and locations important for the establishment of relations with local communities.

The qualitative stakeholder opinion surveys were conducted between September and November 2011, and in December 2011 Grupa LOTOS organized a consultation meeting with a group of 23 stakeholders representing different stakeholder groups to evaluate the strategic and operational objectives underlying the updated Social Responsibility Strategy of the LOTOS Group.

### **Involving the management staff and employees in perfecting social responsibility practices**

Since 2010, the LOTOS Group has implemented "the CSR Day" programme. The name is symbolic, as the event is actually longer. "The CSR Day" lasts two full days. Its participants include the entire management of the LOTOS Group: presidents and directors of all of the LOTOS Group's companies. Their total number is around 90. The managers attend lectures and are involved in team work. The lectures, delivered by external experts, present recent trends in CSR management by Polish and foreign enterprises, with a special focus on issues relevant for the oil industry, capital market considerations as well as issues broadening the knowledge of different aspects of CSR. Also, the most important achievements in this area in the given year are presented, alongside challenges and issues to be addressed in subsequent months. The practical part of the event is devoted to problem-oriented workshops whose participants improve their skills in managing corporate social responsibility. The managers learn about various CSR management methods, and analyse best practices implemented by other organizations as well as the results of research into different aspects of corporate responsibility and attitudes towards CSR expressed by individual stakeholder groups.

During "the CSR Day" held in 2011, the LOTOS Group's management staff participated in a panel discussing development directions in the CSR area in the context of updating the LOTOS Group's CSR strategy.

Also in 2011, workshops devoted to the strategy were held, attended by approximately 90 employees representing the LOTOS Group's operating areas of key importance from the point of view of its CSR efforts. It was the first project of this kind, involving in-house experts. In October 2011, working in five different problem areas (workplace, health and safety at work, social relations, market environment and environmental protection), they devoted a total of 80 hours to discussing development directions for the LOTOS Group's CSR area.

### **Initiatives addressing key issues in the business environment**

Representatives of Grupa LOTOS, working closely with other business entities and social partners, actively participate in initiatives designed to solve problems of key importance to the industry and the Company's business environment.

Grupa LOTOS participates in the activity of the Polish Higher Education-Business Forum (PFAF), with a view to intensifying the cooperation between business and the academic community, designed to support innovation and knowledge-based economy. The Forum also serves as a view sharing and opinion leading platform with respect to matters of key importance to Poland for representatives of business and the country's leading higher education institutions. The discussion panels and other initiatives are designed to make a positive difference in the country's economic and social life, while establishing mutual understanding and willingness to cooperate among entities representing the business and social sectors. President Paweł Olechnowicz has been involved in the Forum's activities as chairman of its board.

Through its membership in the Windsor Energy Group (WEG), Grupa LOTOS is actively involved in discussing and analysing global energy challenges, together with top experts of the private and public sectors. The organization boasts a long list of recognised personalities, who have decided and will decide on the lines of development of the oil and gas industry worldwide. The membership enables the Company to participate in a panel of energy experts, who are able to influence the world's economic development in the area of oil and energy. Being an active member of WEG, the Company is able to present its views concerning future development of the industry in Central and Eastern Europe, which may translate into actual influence on the industry development.

Grupa LOTOS is a founding member of Central Europe Energy Partners (CEEP), a regional organization bringing together energy-sector companies from Central Europe. CEEP's registered office is located in Brussels, because key regulations governing the operation of businesses, including energy companies, are enacted by the European Parliament and the European Commission, while the member states' legal regulations are harmonised in this scope. President Paweł Olechnowicz is Chairman of CEEP's Board of Directors, the highest position in its organizational structure.

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## Membership in organizations

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Grupa LOTOS is a member of the following Polish and international bodies:

### Industry organizations

1. Conservation of Clean Air and Water In Europe (CONCAWE),
2. Central Europe Energy Partners,
3. Organizacja Polskiego Przemysłu Poszukiwawczo-Wydobywczego (Polish Exploration and Production Industry Organization),
4. Polska Organizacja Przemysłu i Handlu Naftowego (Polish Organisation of the Oil Industry and Trade),
5. Stowarzyszenie Naukowo-Techniczne Inżynierów i Techników Przemysłu Naftowego i Gazownictwa (Polish Association of the Oil and Gas Industry Engineers and Technicians),
6. Windsor Energy Group,
7. World Petroleum Council - Polish National Committee.

### Business organizations

1. Business Centre Club,
2. European League for Economic Cooperation – Polish Section,
3. Gdański Klub Biznesu (Gdańsk Business Club),
4. Klub Polskiej Rady Biznesu (Polish Business Roundtable Club),
5. Polskie Forum Akademicko-Gospodarcze (Polish Higher Education-Business Forum),
6. Stowarzyszenie „Pomorskie w Unii Europejskiej” (“Pomorskie in the European Union” Association),
7. Forum Dialogu i Współpracy Województwa Pomorskiego "Energia i Samorządność" (Dialogue and Cooperation Forum of the Gdańsk Province – Energy and Self-Government).

### Organizations dedicated to CSR promotion

1. Forum Odpowiedzialnego Biznesu (Responsible Business Forum),
2. United Nations Global Compact.

### Specialist organizations

1. Klub Polskie Forum ISO 14000,
2. Polskie Forum ISO 9000,
3. Polskie Towarzystwo Ekonomiczne (Polish Economic Society),
4. Polska Okręgowa Izba Inżynierów Budownictwa (Polish District Chamber of Construction Engineers),
5. Pracodawcy RP (Employers of Poland),
6. Stowarzyszenie Emitentów Giełdowych (Polish Association of Listed Companies),
7. Stowarzyszenie Księgowych w Polsce (Accountants Association in Poland),

### Membership in supervisory bodies

1. Central Europe Energy Partners: Paweł Olechnowicz, as Chairman of the Board of Directors,
2. The Gdańsk Business Club: Paweł Olechnowicz, as member of the Board,
3. European League for Economic Cooperation – Polish Section: Paweł Olechnowicz, as member of the Management Board,
4. Polish Higher Education-Business Forum: Paweł Olechnowicz, as president of the Management Board,

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## Awards and distinctions

The Company takes pride in the distinctions received from external specialists and experts.

Members of the LOTOS Group have received numerous awards and distinctions in areas of key importance, such as corporate social responsibility, quality of products and services, and corporate management. Presented below are the distinctions earned by members of the LOTOS Group in 2011, by categories.

### Corporate social responsibility

1. Grupa LOTOS won the **1st place in the "Investor relations" category** of the annual ranking "Listed Company of the Year", and the **5th place in the "Listed Company of the Year" ranking** prepared by the Pentor Institute for the Puls Biznesu weekly. The first place in the "Investor relations" category speaks of the high quality of the information and market communication policies in place at Grupa LOTOS. In this category, the strongest focus was placed on how the Company engages in dialogue with individual and institutional investors, as well as how promptly it responds to investors' inquiries. "Listed Company of the Year" is a ranking of the best companies listed on the Warsaw Stock Exchange, compiled according to the following criteria: competence of the board, achievements in a given year, growth prospects, investor relations and quality of services and products. Winners are selected by capital market experts – stock analysts, investment advisers and brokers representing brokerage houses and offices, insurance companies, investment funds, capital departments of banks, and consulting firms.
2. Grupa LOTOS received a distinction in the **"Corporate governance and corporate social responsibility"** category of the Business Award of the President of the Republic of Poland. The purpose of this prestigious award is to honour companies which have a strong stimulating effect on Poland's economy, while contributing to its prestige and positive image abroad.
3. Grupa LOTOS was awarded the **"Fair Play Company"** certificate in a contest organized by the Institute for Private Enterprise and Democracy. The "Fair Play Company" programme was created to promote reliable and ethical businesses operating in Poland, which uphold high moral values and fulfil their duties towards customers and suppliers in an exemplary manner. Such companies stand out for their teams of committed, creative and satisfied employees, as well as above-average corporate social responsibility, social sensitivity and charity policies.
4. Our scholarship programme – "LOTOS Cup – In Search for the Champion's Successors" – received an award in the **"Corporate scholarship programme"** category of a contest organized by the Good Network Foundation and the Polish-American Freedom Foundation. The award was presented during the "Civic scholarship programmes" conference. The purpose of this award is to set high standards for scholarship programmes, so they would allow young people to successfully cultivate their talents and make choices in life based on dreams and abilities only. Good scholarship programmes foster the development of local communities, providing a solid foundation for the future social and human capital.
5. Grupa LOTOS is among the **leaders of the BI-NGO 2010 Index**. The index focuses on the quality of internet communications related to social commitment of the 500 largest Polish companies, as listed by the Rzeczpospolita daily. The Company received the maximum score in the ranking. The BI-NGO Index surveys the following main areas: a company's policy and leadership, CSR strategy, relationship building, financial transparency, performance measurement and communication.
6. Grupa LOTOS **won the Human Resources Management Leader awards**, receiving the **Amber Statuette**. For the fifth consecutive time we were awarded by the Institute of Labour and Social Studies – this time for human resources development under our internally developed programme named "The Master". The prize is given annually in recognition of achievements in the following fields: workforce restructuring, employee evaluation systems, employee training and development, advanced human resources management methods, and work-private life balance. The selection of winners was preceded by audits and the assessment committee's recommendations. The judging panel awarding the title includes the Minister of Labour and Social Policy and Director of the Institute of Labour and Social Studies, as well as representatives of the National Bank of Poland, the Polish Confederation of Private Employers Lewiatan, the Polish Human Resources Management Association and the Polish Business Roundtable. The contest is organized under the auspices of Waldemar Pawlak, Deputy Prime Minister and Minister of Economy, to promote knowledge and facilitate sharing valuable practical experience in HR management, by singling out companies which are successful in this area of management.
7. Grupa LOTOS came **second in the ranking of the best energy sector employers**, prepared by Antal International. In 2011, the Company was named one of the most desirable employers by over 1,900 Polish experts and managers working in different fields. As the most sought-after characteristics of an employer they indicated its size and prestige, as well as management style and organizational culture.
8. Grupa LOTOS ranked **first at the national level of the competition "Employer - Provider of Safe Work"**, in the category of companies with headcounts of over 250. The award is granted by the Regional Award Committee of the State Labour Inspection Authority in Gdańsk. As the winner, **Grupa LOTOS was entered on the Golden List of Employers**, thus joining a group of employers widely recognised for their responsible approach to workplace safety and staff's well-being. The State Labour Inspection Authority has stressed that work safety leaders, apart from implementing effective systemic solutions and supplementary measures, are also expected to put considerable effort into raising workplace safety awareness and adequately preparing staff to their duties.
9. Grupa LOTOS ranked **first in the "Employer - Provider of Safe Work" competition in the Province of Gdańsk**. The award was granted in the large employers category. The aim of the award is to promote best practice in occupational safety and health, and

- to encourage employers to create safe and ergonomic workplaces.
10. Grupa LOTOS received a **prize from the Office of Technical Inspection** for the long standing cooperation and active contribution to the creation of the Polish system of technical safety.
  11. LOTOS Parafiny won the **first award in the “Employer - Provider of Safe Work” competition in the Province of Rzeszów**, in the category of companies with headcounts of over 250. The competition was organized by the Regional Labour Inspector of Rzeszów.
  12. LOTOS Jasło received the golden statuette **“2011 Patron of Culture”** from the Mayor of Jasło for supporting the town’s cultural events. The distinction is awarded to sponsors of cultural events.
  13. LOTOS Czechowice received the **Platinum Laurel of Skills and Competence “Socially Responsible Business”**. The Regional Chamber of Commerce in Katowice awards Platinum Laurels to outstanding individuals, organizations and institutions that operate on national and international levels, engaging in work of universal value and exemplary character.
  14. Grupa LOTOS was awarded the title of the **“2010 Patron of Sports in the Province of Gdańsk”**. The winner was chosen through a poll carried out by the Gazeta Wyborcza Trójmiasto daily as part of the “2010 Sport Stars of the Gdańsk-Gdynia-Sopot Agglomeration” competition.

## The LOTOS brand – quality of products and services

1. The LOTOS brand received a **Business Superbrand** distinction from The Superbrands Ltd. – an independent organization operating in over 80 countries worldwide. The purpose of the initiative is to promote and award brands which have earned a high reputation in the consumer or business sectors and have gained a significant competitive edge by offering unique value to customers. The Business Superbrand title is awarded by an independent judging panel of marketing, advertising and branding experts, who also take into account the opinions of 2,700 consumer survey participants.
2. LOTOS Oil products once again won the **European Medal** for products and services meeting the highest European standards of quality. In 2011, the judging panel selected the LOTOS Quazar K oil line for the award. LOTOS Quazar K oils have been designed for use in KIA cars, KIA being a long-term strategic partner of LOTOS Oil. Every nominated product or service must meet the legal requirements and hold the relevant licenses and patents. A company’s growth rate and previous awards and certificates are also important when selecting winners.
3. The LOTOS service station located in Bydgoszcz, ul. Wojska Polskiego, received the full score – 100 per cent – in an international **mystery shopping survey aimed at reviewing the service quality of service stations in Poland and abroad**. The survey was carried out by International Service Check. According to its results, the entire LOTOS chain ranked 3rd in Poland. The survey involved 9 countries, 31 service station chains and 52 stations.
4. For the third consecutive time, LOTOS Dynamic fuels won the 1st place in the “Consumer’s Laurel” programme in the premium category, thus securing the special prize – the **“2011 Consumer’s Laurel Grand Prix”**. LOTOS Paliwa is the only company in the fuel sector to have received the award.
5. LOTOS Kolej was distinguished as a **“2011 Leader of Rail Transport”** in the carrier category. The title is granted to licenced rail carriers of both passengers and cargo. The competition is organized by the Rail Transport Forum, the editorial board of Transport i Komunikacja bimonthly and the Polish Association of Engineers and Technicians of Transportation. Winners in each category are selected by a judging panel composed of recognised researchers, experts, as well as representatives of industry organizations and the media. The company received the award for its dynamic growth, the transition from a regional operator of a railway siding to a major rail carrier on the Polish market, significant investments in motive power units and the application of advanced IT solutions for transport, which result in higher quality of services offered by Polish carriers.
6. LOTOS Parafiny received the **“Polish Product 2011”** certificate from the Judging Panel of the Central Office for National Certification – Company of the Year category. The purpose of the certificate is to promote Polish businesses and products on the domestic and international markets.

## Management quality

1. Grupa LOTOS was awarded the **“Master of Business”** title in the Energy and Raw Materials category by the Businessman.pl monthly. The award is known for a wide range of criteria involved. The judging panel reviewed a variety of criteria, including economic performance, bold business vision, excellent management skills, ability to cope with adversities, expansion into new markets, good staffing policy and corporate social responsibility.
2. Grupa LOTOS and LOTOS Oil received the **“Ambassador of Polish Economy”** title in the Exporter category. The competition was organized by Business Centre Club under the auspices of the Minister of Foreign Affairs. The prime objective of the initiative is to encourage domestic entrepreneurs to become more involved in promoting Poland internationally as a reliable business partner.
3. Paweł Olechnowicz, President of the Board of Grupa LOTOS, received the **“Golden Oxer”** business award from the Employers of Pomerania, in recognition of the successful implementation of the 10+ Programme. Oxer is a double horse jumping obstacle; horses often stumble on oxers, sometimes throwing their riders off the saddle. Accordingly, the award is given to businessmen who have made a great leap into a new economic dimension.
4. Paweł Olechnowicz, President of the Board of Grupa LOTOS, received a distinction in the Business Ethics category of the **“Faces of Business”** ranking organized by the Dziennik Gazeta Prawna daily and TVN CNBC.
5. Grupa LOTOS was named the **“2011 Refinery Plant of the Year”** during the Central and Eastern European Refining and Petrochemicals conference organized by the World Refining Association. WRA is an independent British organization established 14 years ago to support the development of the industrial and energy sector. The Company received the award for its successful implementation of the 10+ Programme from an international judging panel of sector experts.
6. Grupa LOTOS received the **“Golden Laurel for the Company with the best IT-systems of 2011”** in the “Teleinfo 100” competition run by the editorial board of the Businessman.pl monthly in the Power and Fuel Sector category. The distinction was awarded for three IT projects: CRM database, Enterprise Risk Management (ERM) system and Governance Risk Compliance (GRC) system.
7. LOTOS Asphalt and LOTOS Kolej received distinctions in the **“2011 Forbes’ Diamonds”** ranking of companies with annual revenues exceeding PLN 250m. In the largest companies category for the Province of Gdańsk, LOTOS Kolej ranked 5th and LOTOS Asphalt – 8th. LOTOS Parafiny received the same distinction, coming 23rd on the Rzeszów Province’s list of middle-sized

enterprises with revenues of PLN 50–250m. The ranking was prepared by Dun & Bradstreet and included companies from all around Poland which recorded the most dynamic value growth within the last three years.

8. LOTOS Oil received a special diploma from the Ministry of Economy **in recognition of its successful business cooperation with Uzbekistan**. Thanks to its rapid foreign expansion, the company is now present in over 45 countries and continues to strengthen its position on foreign markets. For several years now, LOTOS Oil has operated a strong distribution network in Uzbekistan.
9. LOTOS Czechowice received the **“2011 Super Company”** title granted by entrepreneurs of Czechowice-Dziedzice.
10. LOTOS Parafiny won the **“2011 Business Cheetah”** title in the Province of Rzeszów, in the “Market value increase and dynamic growth” category. The mission of the initiative is to foster the development of Polish banks and businesses. The title is awarded by Magazyn Przedsiębiorców Europejska Firma, the Business Cheetah Club and ULAN Sp. z o.o.
11. At the gala event to celebrate the official completion of the 10+ Programme by Grupa LOTOS, persons who rendered greatest service to this investment received **Polish civil state awards** granted by the President of the Republic of Poland. Paweł Olechnowicz, President of the Board of Grupa LOTOS, received the Officer’s Cross of the Order of Polonia Restituta. The Knight’s Crosses of the Order of Polonia Restituta were awarded to the Vice-Presidents of the Board of Grupa LOTOS, Marek Sokółowski and Mariusz Machajewski, as well as to Zbigniew Paszkowicz, Refinery Expansion Programme Director, Marek Herra, Production Director, Stanisław Pokojski, Head of Financing Arrangement Office, and Karol Sep, expert of the Technology Office. Maciej Szozda, the Vice-President of the Board, received the Golden Medal for Long Service.
12. Dominik Tomczyk, President of the Board of LOTOS Parafiny, was granted an **Honorary Medal of the Foundry Research Institute of Kraków** in recognition for his invaluable services to the institute.

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