

Marketing communication

In the LOTOS Group's strategy for 2011–2015 along with development directions until 2020, fostering the strong LOTOS brand and a distinctive brand image is one of key elements of its corporate management strategy. All individual product brands are subordinated to the corporate brand strategy, which is consistent with the business strategy of Grupa LOTOS.

Our strategic goal is to enhance the LOTOS brand value by building its image as:

- a brand relying on the key values of modernity, development and partnership,
- a brand with international presence,
- a brand which stands for top quality products,
- a socially responsible brand.

Fostering the image and strength of the LOTOS brand is one of the strategic priorities for Grupa LOTOS. Efforts have been made to increase the brand awareness and to position Grupa LOTOS as an organization recognised for its professional management style, building on quality, innovation, environmental awareness and security.

Periodic marketing research confirms the increasing awareness, quality and prestige of the LOTOS brand. In the 8th edition of the Most Valuable Polish Brands Ranking published by the Rzeczpospolita daily in December 2011, the value of the LOTOS brand was estimated at PLN 865.1m, an increase of 28% relative to 2010. In the past five years, the value of the LOTOS brand has grown over three-fold.

Value of the LOTOS brand (PLN m)

| Year | PLN m |
|------|-------|
| 2009 | 614.9 |
| 2010 | 675.0 |
| 2011 | 865.1 |

Source: Rzeczpospolita daily, December 2011.

Standards of operation

The following rules are strictly applied in the overall management of the corporate brand strategy, product brands, promotion strategies, value creation, creation of the desired image of the LOTOS brand, advertising, promotion and sponsorship activities, as well as marketing research of the LOTOS Group:

- compliance with applicable laws,
- no deliberate harm or damage,
- accountability,
- putting to good use the education, professional background and experience of personnel.

We conduct our operations without using any discriminatory or controversial content, which may offend certain social groups or abuse the trust of recipients of our communications, and without inciting negative emotions. These rules complement the effective and unconditionally binding laws and regulations, including: the Constitution of the Republic of Poland and the following Polish Acts: the Civil Code, the Act on Combating Unfair Competition, the Press Law Act, the Radio and Television Act, the Act on Protection of Certain Consumer Rights, the Act on Provision of Electronic Services, the Act on Personal Data Protection, the Act on Copyrights and Neighbouring Rights, and the Act on Industrial Property.

In their sponsorship activities, Grupa LOTOS and marketing companies LOTOS Oil and LOTOS Paliwa, apply the rules defined for wholly and partially state-owned companies in Directive No. 5 of the Minister of State Treasury, dated February 13th 2009.

Additionally, in its marketing communications efforts, Grupa LOTOS adheres to the standards and applies the rules spelled out in voluntary codes of conduct published e.g. by entrepreneur organizations. In its sponsorship activities, the LOTOS Group complies with the standards and rules of the code of ethics developed by the Polish Confederation of Private Employers Lewiatan. All sponsorship contracts are transparent and clear, and precisely identify all interested parties and obligations of the sponsored entity. Grupa LOTOS does not engage itself in any events which may cause damage to objects or facilities of historical or artistic value, or events which could have an adverse environmental impact.

The Company adheres to the regulations contained in the Culture Sponsorship Code of 2011, a joint initiative of the National Centre for Culture, the Polish Confederation of Private Employers Lewiatan and the Warsaw Stock Exchange. The Culture Sponsorship Code was created based on common experience of institutions of culture, non-government organizations and private entities. In its sponsorships activities, Grupa LOTOS applies the Code's principles relating to balanced operations, transparency, accessibility and development.

On its website, the Company has published the objectives of its sponsorship and charity policies. [Link \(http://www.lotos.pl/korporacyjny/spolecznie_odpowiedzialni/polityka_sponsoringowa_i_dobroczyynna\)](http://www.lotos.pl/korporacyjny/spolecznie_odpowiedzialni/polityka_sponsoringowa_i_dobroczyynna)

Grupa LOTOS, as a Global Compact member, applies in its operations the fundamental principles advanced by that organization, including those related to environmental protection. As regards responsibility for the natural environment, in the area of marketing communications and sponsorship, the Company applies the principles stating that businesses should support a precautionary approach to environmental challenges and promote greater environmental responsibility. The application of those principles is reflected, among other things, in the use of certified environmentally friendly paper (e.g. FSC paper) for the Company's publications and informing the recipients of that fact.

The above corporate practices in the area of marketing communications are applicable to Grupa LOTOS and all the marketing companies of the LOTOS Group, i.e. companies which – given their business profile – distribute communications regarding their products and services to wider audiences.

The consistency of marketing communications across the LOTOS Group is overseen by the appropriate units at Grupa LOTOS, which issue opinions on key marketing and sponsorship projects. All marketing content provided to customers is also reviewed in advance by the marketing offices of LOTOS Oil and LOTOS Paliwa and the appropriate units at Grupa LOTOS, i.e. the Brand Management Office, the Sponsorship, Social Affairs and CSR Office, and the Press Office – depending on the type of content and the scope of a given unit's responsibilities. Internal procedures related to that area were also governed in 2011 (until July) by the Rules of the Committee for Marketing and Communication, whose purpose was to ensure appropriate marketing across the LOTOS Group.

LOTOS Oil, LOTOS Paliwa and LOTOS Parafiny, which are responsible for product brand communications addressed to the general public, have adopted their own supplementary regulations.

Recognising the impact of marketing activities on the market and consumers, **LOTOS Oil** in its activities in the area of marketing communications, including advertising, promotion and sponsorship, adheres (on a voluntary basis) to the standards of the Code of Ethics in Advertising, developed by the Polish Board of Advertising and the Polish Advertising Standards Committee. At **LOTOS Paliwa** the development of marketing content and standards of conduct, including standards of communication with customers, are regulated by the following internal documents, approved by the company's Board:

- Communication and Positioning Strategy for the LOTOS and LOTOS Optima Service Stations,
- Communication and Positioning Strategy for the LOTOS Dynamic brand,
- Strategy of Sponsorship and Motorsports Involvement.

Marketing communications at **LOTOS Parafiny** are compliant with guidelines laid down in Polish and international laws and regulations, including the International Code of Advertising Practice. LOTOS Parafiny communicates with customers in an honest and responsible manner, and answers all questions and concerns relating to its products by publishing information on its website, conducting dialogue and organizing meetings with customers, using other marketing materials and applying other such tools.

LOTOS Asfalt and LOTOS Kolej have not adopted any separate marketing communications procedures, as their activities in that area are insignificant.

No incidents of non-compliance with the applicable laws, regulations and best practice codes concerning marketing communications, including advertising, promotion and sponsorship, were identified in 2011 at Grupa LOTOS or the LOTOS Group's marketing companies..

Sponsorship of sports

Grupa LOTOS and the LOTOS Group's marketing companies, LOTOS Oil and LOTOS Paliwa, have adopted a strategic, long-term approach to their sponsorship of sports, focused on the exposure of the corporate brand and product brands in areas guaranteeing extensive reach to the key target groups of marketing communications. In line with the core values of the LOTOS brand, sponsorship activities in that area are focused on team sports, which have greatly gained in popularity in recent years on the back of international successes.

Team sports

For over 13 years, Grupa LOTOS has been the titular sponsor of women's basketball team LOTOS Gdynia, which holds 11 Poland's Championships (1996, 1998-2005, 2009, 2010), five Poland Cups (2005, 2007, 2008, 2010, 2011) and one Poland Super Cup. It has also been the team vice-champion of the World League, vice-champion of the Euroleague (in 2002 and 2004), and has played in the Euroleague continuously since 1998.

Additionally, Grupa LOTOS supports men's volleyball team LOTOS TREFL Gdańsk (since 2009), men's basketball team TREFL Sopot (since 2010), and football team Lechia Gdańsk (since 2011). In 2011, the Company commenced cooperation with Stowarzyszenie Piłki Ręcznej Spółnia Wybrzeże Gdańsk, a handball team promoted to the first league in the 2011 season.

Skiing

For seven years now, the Company has been Poland's General Skiing Sponsor. Under the cooperative arrangement with the Polish Ski Federation, it supports ski jumpers from the A and youth teams, cross country skiers from the A and youth teams, as well as the Nordic combined team. As Poland's General Skiing Sponsor, the Company supports the talents of:

- Justyna Kowalczyk, three-time medallist of the Olympic Games in Turin and Vancouver, double World Champion from Liberec, winner of two World Championships medals in Oslo, as well as World Champion and World Cup winner;
- Adam Małysz, medallist of the Olympic Games in Salt Lake City and Vancouver, four-time individual World Champion, four-time World Cup winner, three-time Summer Grand Prix winner and medallist of the World Championships in Oslo (2011);
- Kamil Stoch, the first sportsman to receive a scholarship under the "In Search for the Champion's Successors" programme sponsored by Grupa LOTOS; last year, he scored his first podium result at the World Cup event in Zakopane.

Motorsports

It is obvious that Grupa LOTOS, as a fuel company, should also be involved in motorsports. In 2011, the Company was involved in the LOTOS Baltic Cup Rally and the Poland's Mountain Rally Championships.

Since 2011, LOTOS Paliwa, with its LOTOS Dynamic fuel brand, has been involved in the LOTOS Dynamic Rally Team project, comprising two rally teams which compete in international events. In Polish rallies, LOTOS Dynamic Rally Team is represented by the 2010 and 2011 Poland's Rally Champion Kajetan Kajetanowicz and his co-driver Jarek Baran. Outside Poland, Michał Kościuszko and Maciek Szczepaniak, two-time runners-up in the World Rally Championships (PWRC 2011 and JWRC 2009), compete under the LOTOS Dynamic Rally Team colours. LOTOS Oil is the sponsor of LOTOS - Subaru Poland Rally Team (comprising Wojciech Chuchala and Kamil Heller), which won the 2011 Polish Rally Championship in Group N.

In 2011, LOTOS Oil, in cooperation with KIA, organised a racing car event under the name of KIA LOTOS Race. It was the fifth edition of the project, which was previously known as KIA LOTOS Cup.

The presence of the LOTOS Dynamic fuel brand in motorsports attests to the benefits communicated to the public: improvement in dynamics and performance, better utilisation of a car's power. LOTOS Dynamic is a fuel brand carrying a strong emotional context, which guarantees the highest quality parameters. Its presence in sports is aligned with the positioning strategy. The brand's association with motorsports is desirable and follows naturally from the specific nature of the product. The brand's appearance in motorsports on cars and outfits of specific teams involves the greatest media visibility and is the most emotional form of advertising for Premium fuels. The activities promoting the image of the LOTOS Dynamic brand support the image of the entire LOTOS station chain, rendering the message communicated by the stations more credible.

LOTOS Oil's sponsorship activities in the area of motorsports complement the LOTOS brand's trading and marketing cooperation in the segment of oil products with KIA and Subaru car makers. The sponsorship projects described above complement the communications and primary media activities of the LOTOS brand. From the point of view of the brand's image promotion, the technological advancement and the quality of oil products are confirmed by the car make – the application of products in standard passenger cars and sports cars under extreme conditions. The activities are targeted at a wide communication group, as well as at the business group of Manufacturer Authorised Service Centres and independent garages.

In 2011, the LOTOS brand also supported the RMF Caroline Team with Adam Małysz, who having ended his ski jumping career found a new challenge behind the steering wheel of an off-road car.

For several years, Grupa LOTOS has supported speedway racers from Gdańsk and has acted as the Titular Sponsor of the LOTOS Wybrzeże Gdańsk team, which was promoted to the Polish Speedway Extraleague in 2011. The team includes both Poles and foreigners. In the 2011 season, three young riders trained by the club competed in the LOTOS Wybrzeże Gdańsk team, including Krystian Pieszczyk who won the Pomerania Junior Speedway Championship (individually and as a team) and finished first in the Western Junior Speedway League (individually).

Socially engaged marketing

In 2011, LOTOS Paliwa continued its cooperation, started a year earlier, with the SOS Children's Villages Association in Poland. Each participant of the Navigator loyalty programme, available only at LOTOS service stations, could donate their credits to orphaned or abandoned children under the care of SOS Children's Villages. The initiative is in line with the objectives of the LOTOS Group's CSR strategy.

Credits may be donated in a very simple way. A customer has only to declare his/her intention to donate credits to SOS Children's Villages while shopping at one of LOTOS stations. Funds raised from donated credits are applied towards the costs of living, health care and education of children. They help ensure equal opportunities and prepare the children for future independent lives.

By donating any multiple of 5 Navigator credits, our customers contribute to the monthly support of each child, which can be broken into the following categories:

| | | | |
|-------------|-----------------|-------------|-------------|
| 40 credits | 75 credits | 275 credits | 750 credits |
| Health care | School expenses | Clothes | Food |

LOTOS Paliwa transfers to SOS Children's Villages the amount equivalent to the value of credits donated by participants of the Navigator loyalty programme.

The SOS Children's Villages Association in Poland provides care to abandoned children, orphans and children at risk of losing parental care. The Association has been present in Poland for 27 years and has 1,250 children under its care. It runs four SOS Children's Villages in Biłgoraj, Kraśnik, Siedlce and Karlin, three Temporary Family Homes, ten daytime support centres and three rural kindergartens. The association is a part of SOS-Kinderdorf International, an international organization present in 132 countries all over the world.

In 2012, the Company also supported the nation-wide "donate 1% of your tax" campaign carried out by the SOS Children's Villages Association in Poland. It also continues to transfer credits from the Navigator programme to the Association.

Related content:

Mission, vision, values **Market activities**