

Business profile

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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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