

## Strategy

The strategic objective of the LOTOS Group is to create shareholder value, through optimal leveraging of the existing intellectual and material resources and implementing development programmes in the following areas:

exploration and production

increased depth of conversion (10+ Programme)

trading

### Strategy in the business areas of the LOTOS Group

The LOTOS Group aims at achieving its primary strategic aim, namely to increase value for stockholders by implementing a sustainability policy in its core business.

#### **Corporate**

The strategic aim of the Company is to follow the top standards in corporate governance. This brings the effects of improved transparency of actions, better communication with investors and stronger protection of shareholders' rights.

The basis for the general management system of the LOTOS Group is the Integrated Management System, which applies the developed corporate standards. The System enables the improvement of the efficiency and effectiveness of business processes, facilitates the performance of strategic objectives, provides the correct business relations between subsidiaries and enables the competent and skilful management of the companies in the LOTOS Group.

The performance of long-term development projects, the implementation of innovative solutions, efficient information flow, the optimum organizational structure and the correctly defined processes and their relations, as well as the optimum use of the available resources contribute to the growing value of the LOTOS Group.

#### **Finance**

It is assumed that the implementation of the Company's strategy will require external financing, although in no period should the ratio of the net debt to equity exceed 0.8.

The assessment of the operational effectiveness of the LOTOS Group will be based on the analysis of the EBITDA margin index (net of excise tax) and the return rate on the invested capital. The value of these indices in 2012 should be at least at 9% and 12% respectively.

### Exploration and production

An international business structure will be developed with a portfolio of assets with diversified risks, operating mostly on the Baltic Sea and the North Sea. Furthermore, work related to the exploration of the production potential and to the execution of new projects in other areas where oil resources can be found will be performed.

Obtaining direct access to oil fields increases the safety of supplies for the LOTOS Group. Therefore, one of the strategic aims of the LOTOS Group is to achieve oil production in 2012 corresponding to a min. of 10% of own processing capacities. In the consecutive years, the production of oil from own resources should grow and in 2015 it should exceed 20% of the throughput. This rising trend should be maintained in the following years.

The LOTOS Group is implementing a raw material supplies diversification programme by increasing its petroleum production.

### Operating activity

The main aim is to implement the 10+ Programme. The investment has been divided into two stages.

**1st Stage** This encompasses the growth of the oil throughput up to 10.5 million tonnes/year and the construction of new systems that will supplement the production configuration of the refining complex. The investment will deepen oil processing towards light products and will increase the production of diesel oils, which are in short supply. By the end of March 2009, more than 70% of the investment tasks of the stage are to be completed.

**2nd Stage** This stage provides for the construction of the gassing system of asphalten residues and the production of power fuels. Due to the favourable economic situation, until the completion of the 2nd Stage, the heavy asphalten part will be used for the production of bitumen.

### Trading

The LOTOS Group will focus on maximising its economic effect by controlling the product stream flexibly and strengthening its market position.

Until 2012, these measures will be directed at increasing the sales of fuels and other products, as well as implementing development projects and improving the station network efficiency. This work will be supported by the adaptation and optimisation of logistic assets and the streamlining of the chain of supplies.

## Strategy updates and amendments

### The external and internal factors important for the Company's development

On 13 June 2008, the Management Board of Grupa LOTOS adopted a resolution to update the development strategy of the LOTOS Group until 2012.

The update of the strategy is related to:

- the new definition of key strategic programmes,
- measures taken by the LOTOS Group in order to increase the power safety of Poland, and
- adopted and forecast amendments to EU directives concerning the fuel and power sector.

In order to provide sustainability, the LOTOS Group applies modern technologies and is open to innovative solutions resulting from new trends in the power policy of Europe and reacts flexibly to changing economic conditions.

The implementation of the strategy will strengthen the position of the LOTOS Group as a powerful, innovative and effectively developing entity that plays a major role in providing the power safety of Poland and operates in compliance with the idea of corporate social responsibility.