

Business strategy

Our strategy calls for mitigating the negative environmental impact and valuing the intellectual capital of our employees.

In 2006, the LOTOS Group formulated a development strategy, which was updated two years later. The key project envisaged in the strategy was the 10+ Programme, designed to rapidly expand the LOTOS Group's capabilities, while significantly enhancing Poland's energy security.

In November 2010, the LOTOS Group unveiled its new development strategy for 2011–2015, along with long-term development directions until 2020.

The foundation on which the new strategy rests is the successful completion in 2010 of the 10+ Programme, as a result of which the annual capacities of the Gdansk refinery have been increased to over 10 million tonnes, in reliance on state-of-the-art technologies. These advanced technologies also mitigate the negative environmental impact of the industrial processes. Having developed such a strong processing base, in its new strategy the LOTOS Group focuses on:

- rapid development of exploration for and production of hydrocarbons (upstream segment),
- improvement of sales efficiency combined with optimisation of the operating area.

The main assumptions underlying the new strategy include:

- predictions that margins in the production sector will exceed oil processing margins in the long term,
- a gradual increase in fuel consumption,
- the need to diversify operating risks.

The LOTOS Group has remained committed to its overarching strategic objective of building shareholder value through optimal use of available intellectual resources and assets and through implementation of development programmes in the area of:

- exploration and production,
- oil processing,
- sales.

The strategy underscores the importance of developing those areas in compliance with the principles of sustainable development: striving to continuously reduce the environmental impact, while valuing the intellectual capital and experience of employees.

In the exploration and production area, the LOTOS Group intends to intensify efforts aimed at expanding its resource base, so as to capture the high margins projected for this sector in the long term.

The most important strategic objectives in the segment are:

- to increase production of hydrocarbons in line with the priorities of Poland's energy policy until 2030,
- to achieve in 2015 production volumes in the range of 24 thousand boe/d (*barrel of oil equivalent/day*) – equivalent to 1.2 million tonnes.

In the marketing area, the LOTOS Group will focus on further development of its sales force, based on the expanding distribution network and efficient product logistics, as well as rapid development of trading activities in the area of crude oil and petroleum products.

The key strategic objectives in this segment are:

- to uphold a 30% share in the domestic fuel market,
- to achieve fuel sales exceeding the fuel production capacities of the Company's refinery by 15%,
- to achieve a 10% share in the domestic retail market by the end of the effective term of the strategy,
- to develop the chain of petrol stations and enhance sales through the existing chain.

In the operating area, the LOTOS Group will focus on efficient utilisation of its expanded refining capacities, further increase of the conversion ratio and optimum exploitation of synergies between the refining and power generation sectors.

The key strategic objectives are:

- to achieve the world-class standards of production and maintain a strong competitive position among European refineries,
- to make optimum use of assets held and acquired as part of its growth strategy,
- to ensure safe and stable operation of the production and ancillary facilities, as measured by the minimum availability of 98% during the year,
- to further increase the conversion ratio and intensify processing.

The implementation of the strategy for 2011–2015 will enhance the position of the LOTOS Group 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 CSR concept.