

# What are the focal points of our sustainable development efforts?



**THE GLOBAL GOALS**  
For Sustainable Development



## Diversification and higher production



capital

Production

In order to enhance Poland's security in the field of energy and to strengthen LOTOS Group position in the sector of exploration and production, with the opportunities for further growth in subsequent years, we seek to progressively diversify sources of raw materials and increase the size of our hydrocarbon production areas. In 2015, we exceeded the production target of 24 thousand boe per day, set in the LOTOS Group's Business Strategy for 2011–2015. This was made possible primarily by the acquisition of the [Sleipner](#) assets in Norway and launch of production from the [B8](#) field, which is the largest oil field in the Polish part of the Baltic Sea. Also, new fields in the Norwegian Continental Shelf offer prospective recovery of the capital frozen in the tax asset on the [YME project](#) in Norway. Within next years, our production potential may increase materially on the back of e.g. the completion of the development of B8 field and development of the gas-rich [B4 and B6](#) fields on the Baltic Sea, completion of inland projects in Poland, i.e. in Górowo Iławeckie and Kamień Pomorski, as well as the development of the fields in the portfolio in Norway (Utgard, former Alfa Sentral, and Frigg Gamma Delta), prospective new development projects.

## Increased innovation in production processes



capital

Production

The Grupa LOTOS refinery has for a long time ranked among the most energy efficient European refineries, as confirmed by the SOLOMON Associates' ranking for 2014 comparing the energy efficiency of refineries all over the world. In 2015, the refinery's energy intensity remained largely flat on the previous year, which attests to Grupa LOTOS' consistent pursuit of efficient energy management. Our competitiveness is also evidenced by the fact that the Gdańsk plant belongs to the group of 25% of the best world's refineries in terms of the level of processing margin, effectiveness of the plant engineering services, and availability of processing units.



capital

Intellectual

We owe our market advantages to efficient use of the refinery's expanded processing capacity. A turning point in terms of the capacity growth and improvement in the flexibility of the refinery units was the 10+ Programme, completed in 2011. Another milestone is the EFRA Project, commenced in 2015, which is expected to earn Grupa LOTOS a place among the most technologically advanced refineries in the world, with very high yields of high-margin products.

## Environmental dimension of our projects



Natural capital



Intellectual capital

As an oil business with potential for innovation, in order to improve the competitive edge of our individual business areas and to limit adverse environmental impacts, we engage in activities to develop technical and technological innovations based on our own research and in cooperation with partners. To this end we have partnered with both scientific institutions and energy sector companies. Grupa LOTOS is the leader of the HESTOR project designed to determine the efficiency of storing surplus electricity in the form of hydrogen obtained from electrolysis using renewable energy sources (RES) and then pumped into salt caverns for later use for power supply and technological purposes. The pro-environmental effect of the project will be a reduction in greenhouse gas emissions. This project has been carried out within [GEKON](#) scheme, i.e. Generator of Ecological Concepts.

We also conduct research on replacing fossil fuels. The analyses refer to the opportunities to use vegetable and animal oil in HVO technology, i.e. Hydrotreated Vegetable Oil.

---

## Improved creditworthiness



Financial capital

The considerable advancement in our operational efficiency is a proof that we successfully delivered on the objectives set in the Business Strategy for 2011–2015. Furthermore, the high refining margins allow us to generate robust cash flows from operating activities and to materially reduce the net interest-bearing debt to EBITDA ratio. The improved financial results, combined with a strong position on the liquid fuels market and stable and safe shareholding structure (with more than 50% of shares held by the State Treasury), have a positive effect on our creditworthiness. This is confirmed by the credit rating BBB- with a stable outlook assigned to Grupa LOTOS by the EuroRating agency.

---

## High-quality products and services



Manufactured capital



Social and relationship capital



Natural capital

In our operations, we make every effort to offer the highest quality of services and products. In 2015, we introduced innovative products to the Polish road construction market: rubber-modified bitumens (MODBIT CR) and WMA (Warm Mix Asphalt) road bitumens. WMA fits in with the world's most popular technological trends, aimed at minimizing negative environmental impacts and reducing energy consumption. One of our strategic objectives was to strengthen our position in the Polish retail fuel market. We closed 2015 with a 10.5% share of sales volumes in Poland, which puts us in a good, third place. We are committed to making the use of our service stations satisfying our customers' expectations. As a socially responsible business, we take steps to build value of not only our Company, but also of its environment. In 2015, we organized the ['Helping while Refuelling'](#) campaign, which proved a considerable success. It was the first-ever cause-related marketing project in the fuel industry in Poland that run on such a large scale.

## Professional approach to corporate social responsibility



Social and relationship capital

For almost ten years, the LOTOS Group has consistently worked to put corporate social responsibility principles in practice in all areas of its business, seeking to respond in the best way possible to the social challenges of its stakeholders. At Grupa LOTOS, we have comprehensively managed corporate social responsibility since 2008. A milestone in the process was the development of a complete long-term Corporate Social Responsibility strategy for the LOTOS Group for 2012–2015, and – further to that – putting in place an end-to-end sustainable development management system. Our commitment to social responsibility gained a further professional dimension with the establishment of the [LOTOS Foundation](#) in 2015. Its objective is to support initiatives to develop infrastructure and make a positive difference for local communities, particularly in regions where companies of the LOTOS Group operate.