

Economic results

GRI No. AREA

EC 1

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, [donations](#) and other community investments, retained earnings, and payments to capital providers and governments.

Grupa LOTOS	2005	2006	2007	2008	2009
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	Thousand PLN				
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Net income	8,547,293	11,630,382	11,867,884	14,900,794	12,711,611
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Operating costs	7,549,452	10,712,102	10,851,429	14,867,282	12,116,519
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Remuneration of employees and other benefits	77,859	82,771	94,724	115,587	131,585
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Payments to the investors	29,553	3,093	65,680	61,497	127,114
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Payments to the public sector	4,135,495		5,249,087	6,730,682	7,108,738	8,557,314
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Social investments	939		1,876	1,121	651	793
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On 30 June 2008, the Shareholders' Meeting of Grupa LOTOS took the resolution on the distribution of net profit for 2007. According to the

resolution, a part of the net profit of Grupa LOTOS amounting to PLN 2,500 thousand was allocated to the special purpose fund of Grupa LOTOS for financing social projects of Grupa LOTOS.

The LOTOS Group	2005	2006	2007	2008	2009
	Thousand PLN				
Net income	9,707,829	12,834,708	13,143,463	16,309,960	14,344,851
Operating costs	8,053,554	10,978,033	11,346,692	15,287,258	12,750,542
Remuneration of employees and other benefits	320,502	359,998	388,418	422,506	462,948
Payments to the investors	47,783	32,845	96,768	99,729	176,338
Payments to the public sector	4,720,673	5,968,567	7,194,536	7,519,904	8,951,791
Social investments	1,644	2,352	1,362	898	839

GRI No. AREA

EC 3 Coverage of the organization's defined pension plan and allowance obligations

Due to the liabilities of the employer resulting from the Collective Agreement, Grupa LOTOS creates reserves for pensions, disability pensions and anniversary bonuses.

Grupa LOTOS	2005	2006	2007
Thousand PLN			
Reserves for anniversary bonuses and pension and disability pension pays:			
- long-term	14,288	15,150	19,072
- short-term	2,193	2,189	2,753
Total reserves	16,481	17,339	21,825
Payments within the Grupa LOTOS employee insurance plans within the so called 3rd pillar of insurance investment funds	897	1,453	2,496

The LOTOS Group

Thousand PLN			
Reserves for anniversary bonuses and pension and disability pension pays:			
- long-term	49,771	54,232	60,295
- short-term	12,751	7,472	8,888
Total reserves	62,522	61,704	69,183
Payments within the LOTOS Group employee insurance plans within the so called 3rd pillar of insurance investment funds	3,024	4,524	7,068

GRI No. AREA**EC 4** Material financial support granted by State

Grupa LOTOS	2005	2006	2007	2008	2009
Thousand PLN					

Received subsidies accounted for Value of subsidies as of the year end	13,144	3,416	2,808	-	5,908
The LOTOS Group Thousand PLN					
Received subsidies accounted for Value of subsidies as of the year end	13,144	16,560	19,368	19,368	25,276
Received subsidies accounted for Value of subsidies as of the year end	13,144	3,486	4,322	19	5,908
Received subsidies accounted for Value of subsidies as of the year end	732	634	601	663	744
Received subsidies accounted for Value of subsidies as of the year end	17,967	20,819	24,540	23,896	40,343

LOTOS Asphalt operates in the Tarnobrzeg Special Economic Zone EURO-PARK WISŁOSAN pursuant to the Permit No. 158/ARP S.A./2008 of 23 January 2008. The permission was granted until 15 November 2017. Under applicable regulations LOTOS Asphalt is exempt from the corporate income tax within the operations covered by the permission. LOTOS Asphalt calculates the tax basis according to the Act on corporate income tax of 15 February 1992. For the purpose of calculating the tax basis, the exempt income and the taxable income, LOTOS Asphalt allocates its income and costs according to either operations in the zone or outside the zone. The exemption from the income tax is effected under the Act on special economic zones of 20 October 1994 and the Permit No. 158/ARP S.A./2008 of 23 January 2008.

Presence on the market

GRI No. AREA

EC 5 Relation of the standard basic remuneration to the minimum remuneration granted in the main locations of Grupa LOTOS's operations

Value of 1,276
minimum
salaries
in
Poland
in 2009
(in PLN)

	Grupa LOTOS	LOTOS Asfalt	LOTOS Kolej	LOTOS Oil	LOTOS Paliwa	LOTOS Parafiny
Value of minimum remuner ation (basic) on the lowest	2,189	2,150	2,373	2,155	2,500	1,400

level of
remunera-
tions (in
PLN)

Ratio of the lowest basic remuner- ation to	172	168	186	169	196	110
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the
minimum
domestic

remuner
ation (in
%)

GRI No.	AREA
EC 6	Policy, practices and proportion of spending on locally-based suppliers at the main locations of operation

The LOTOS Group is interested in economic development of all the areas where its entities operate. Grupa LOTOS runs its business in compliance with the rules of [corporate social responsibility](#) and sustainability.

Strict procurement policies apply in the LOTOS Group. Companies prefer buying from local suppliers provided their prices and qualities, as well as quality certificates held, are comparable to the offers of other potential suppliers. The factors that affect the selection of a supplier, apart from the location, depend on the type of services/goods that are to be procured and include:

- competitive price,
- comprehensive offer,
- quality of offer,
- letters of reference and the experience of the supplier and its team in implementing projects similar to the one enquired about,
- certificates held,
- lead time,
- payment terms,
- aesthetics (visual attractiveness), quality of production, diversity and functionality of sold products, and
- attractiveness of designs and functionality of solutions.

Grupa LOTOS: 80% of suppliers are local businesses operating in the main locations of Grupa LOTOS's presence, i.e. from Gdańsk, Warsaw and Krakow. About 60% of contracts are concluded with suppliers who run operate in the Pomorskie Voivodeship.

LOTOS Asphalt: The strategic supplier of raw materials to LOTOS Asphalt at its main locations (Gdańsk, Jasło and Czechowice) is Grupa LOTOS. 95% of suppliers are local companies that have their branches or warehouses located all over Poland. Due to the shortage of the main raw materials for the production of bitumen made by the domestic companies, some of raw materials are procured from Polish agents or representatives who import products from Europe and countries from outside Europe, having their warehouses in Europe or Poland. The products and materials available in Poland are procured from local suppliers who deliver their products to a production plant. In Jasło and Czechowice, the suppliers come from the south of Poland.

LOTOS Kolej: The largest costs of material are incurred by Grupa LOTOS due to spare parts for the rolling stock. All firms that provide such parts are located in the south of Poland, therefore only some of the consumables can be bought from local firms, i.e. in the Pomeranian Voivodeship.

LOTOS Parafiny: Grupa LOTOS has its production facilities in Czechosławice and Jasło, therefore local suppliers come from southern Poland. More than 50% of suppliers come from this part of Poland, exclusive of suppliers of strategic raw materials. About 60% of Jasło supplies are provided by local shipping companies.

LOTOS Oil: Grupa LOTOS makes an effort to apply the policy of selecting supplies so as to purchase from at least two sources in each category of products. In case of a monopoly supplier, Grupa LOTOS intends to subject such a monopoly to regular revisions. The ongoing procurement policy is based on penetration of local markets in order to identify suppliers. Shall a reliable and prospective supplier be found, Grupa LOTOS invites it to the tender procedure. There are certain categories of procurement, in particular at low prices, where the local suppliers cannot meet expectations of Grupa LOTOS with regard to prices and delivery times – such suppliers are invited to the tender process anyway. It has been assumed that a local supplier is a supplier who issues invoices in the voivodeship where the production plant and the distribution centre of Grupa LOTOS is located. The main plants are located in Gdańsk, Czechowice, Jasło and Piotrków Trybunalski.

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EC 7 Procedures for local employment and proportion of senior management employees from the [local community](#) at the main locations of operation

The LOTOS Group employs senior management according to the profile and requirements of positions. Such managers have to fulfil the set requirements to the maximum level. The HR policy does not give any special preferences to persons from the local labour market. Employees of Grupa LOTOS are often promoted to the higher positions in Grupa LOTOS.

Grupa LOTOS: The ratio of senior management from the [local community](#) at the main locations of Grupa LOTOS is as follows: 83% in Gdańsk, 100% in Warsaw and 0% in Krakow, where Grupa LOTOS does not employ any senior managers.

LOTOS Asfalt: The ratio of senior management from the [local community](#) at the main locations of Grupa LOTOS is as follows: 100% in Czechowice, 71% in Jasło and 79% in Gdańsk.

LOTOS Kolej: 100% of senior managers come from the [local community](#), i.e. from the Pomeranian Voivodeship.

LOTOS Oil: At the main locations of its operations, i.e. in Gdańsk, Czechowice, Jasło and Piotrków Trybunalski, the ratio of employment of the senior management from the [local community](#) amounts to 100%.

LOTOS Parafiny: The ratio of senior management from the [local community](#) at the main locations of Grupa LOTOS is as follows: in

Czechowice 86.7% and in Jasło 87.5%.

Indirect financial impact

GRI No. AREA

EC 8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement

In 2009, Grupa LOTOS provided financial support to initiatives serving the general public. The total value of subsidies amounted to PLN 277 thousand. Such projects are not aimed at developing the business activity, but they are the proof of commitment of Grupa LOTOS for the local communities and local economies.

The support for the above-mentioned projects is aimed at:

- for investments in educational institutions: improving educational premises for children and youth and the quality of education,
- for investments in medicine and the disabled: raising the quality and efficiency of therapy, and
- for investments in safety: improving the safety of traffic.

Entity	City / town	Voivodeship	Scope
2009			
Foundation for Surgery Development VIRIBUS UNITIS	Gdynia	Pomorskie	Purchase of medical equipment – an ultrasonograph appliance Pro Focus 2202 for the Oncologic Surgery ward at the Red Cross City Hospital
Specialist Hospital	Jasło	Podkarpackie	Co-financing of medical equipment purchases – a

Powiatowe Centrum Zdrowia Sp. z o.o.	Kartuzy	Pomorskie	harmonic knife and accessories Procurement of medical equipment – 4 cardiomonitors
Gmina of the City of Gdańsk – Roads and Green Areas Administration	Gdańsk	Pomorskie	Co-financing the repairs of the pavement in Gdańskiego Kolejarza Street in Gdańsk Rudniki
Complex of Food Industry and Chemical Schools	Gdańsk	Pomorskie	Procurement of equipment for the chemical laboratory – a laboratory drier with the air circulation and the water-steam bath
Faculty of Drilling, Oil and Gas at the AGH University of Science and Technology	Kraków	Małopolskie	Procurement of teaching aids – ball Hoppler viscometer and a printer
Special Education Centre	Jasło	Podkarpackie	Purchase of 100 chairs for the disabled students
Rev. E Dutkiewiczza	Gdańsk	Pomorskie	Purchase of 4 specialist beds