

Our capitals

In the process of creating common value, we place a strong focus on efficient management of our capitals and on exploiting their potential and the opportunities present in the individual segments of our operations.

Prudent management and expansion of the financial capital allows us to invest in the LOTOS Group's non-financial resources, which generate further profits over time. For years now, we have been consistently investing in improving oil production and refining processes, employee development and building a culture of innovation within the organisation, as well as creating innovative products. We are constantly working on solutions designed to reduce our environmental footprint. We also seek to make a positive social impact through our charitable and sponsorship initiatives.

OUR CAPITALS



Environmental capital



Contribution at the end of 2018

9 626 075 l

Total consumption of crude oil

3 830 MJ/t

Energy efficiency ratio (WWWE2)

8 066.9 Mg

Total weight of hazardous waste

11 282 376 t

Total consumption of final products

1 956 857 t CO₂e

Total direct greenhouse gas emissions

10 624.9 Mg

Total weight of non-hazardous waste

28 906 273 MWh

Total consumption of energy

0.214 Mg CO₂e / Mg ropy

CO₂ emission intensity ratio

Capital management

As an organisation operating fuel and energy facilities, we are convinced that our business operations, if carried out responsibly, will do no harm to the environment.

Working in an energy-intensive industry, we focus on continuous improvements in energy efficiency. By consistently reducing primary energy consumption at our plants, we succeed in regularly reducing our GHG emissions, while contributing to improved security of the energy network in Poland.

We also pay a lot of attention to waste at our locations, striving to minimise its volumes. Nevertheless, some waste cannot be avoided if production is to be managed efficiently. At most of our locations, including the refinery in Gdańsk, we do not process waste. However, as we hand it over to third parties, we make sure they hold appropriate waste management permits and we give preference to companies which can guarantee that the waste collected from us will ultimately be recovered or recycled.

Results at the end of 2019

10 672 434 l

Total consumption of crude oil

4 044 MJ/t

Energy efficiency ratio (WWWE2)

11 183 428 t

Total consumption of final products

2 027 970 t CO₂e

Total direct greenhouse gas emissions

33 456 174 MWh

Total consumption of energy

0.205 Mg CO₂e / Mg

ropy

CO₂ emission intensity ratio

6 363.7 Mg

Total weight of hazardous waste

10 308.5 Mg

Total weight of non-hazardous waste

Read more about our environmental capital:

- Our approach to Sustainable Development
- Strategy towards climate change
- Greenhouse gas emissions
- Energy production and consumption
- Raw materials
- Waste
- Water and effluents
- Other air emissions (other than greenhouse gases)
- Biodiversity



Productive capital



Contribution at the end of 2018

10.8 million tonnes

Crude oil throughput of the refinery

86

Number of markets served

495

Number of service stations

20

Number of Motorway Service Areas

31.4%

Share in the domestic fuel market

20.4 thousand boe/d

Production volume

Capital management

Grupa LOTOS owns one of Europe's newest and most innovative refineries. Nevertheless, we continue to invest in increasingly efficient crude oil processing (the EFRA Project), while expanding and adjusting our product portfolio to the prevailing market situation.

In line with our strategy, we grow and standardise our service station chain to ensure a uniform visual identity (both exter-

nally and internally) and to optimise customer experience. Key efforts to improve the retail chain's service quality include staff training programmes, sales and incentive competitions for service station staff, development of loyalty schemes and enhancement of the business offering, including through cooperation with large forwarding companies.

In parallel, we develop our oil production operations. The growth in production recorded in 2019 was attributable to the bringing onstream of the new Utgard field in Norway in view of the gradual depletion of producing fields. We also continue to analyse options for acquiring new production assets.

Results at the end of 2019

10.7 million tonnes

Crude oil throughput of the refinery

86

Number of markets served

506

Number of service stations

20

Number of Motorway Service Areas

32.6%

Share in the domestic fuel market

20.7 thousand boe/d

Production volume

Read more about our productive capital:

- Value chain
- Modern and efficient oil production and refining processes
- Products and services



Financial capital



Contribution at the end of 2018

PLN **30.121**bn

Total revenue

PLN **4.502**bn

Consolidated profit

PLN **2.98**bn

Operating profit

PLN **12.03**bn

Equity

250

Number of measures identified under the Efficiency Improvement Programme

PLN **443.2**m

Capital expenditure in the refining and marketing segment

PLN **560.8**m

Capital expenditure in the exploration and production segment

Capital management

In 2019, the macroeconomic environment for refining operations was more demanding than in 2018 and relative to the strategic projections assumed by the Company. The significant decline in natural gas and crude oil prices had an adverse effect on the exploration and production segment's performance.

The Group's overall performance was boosted by the Efficiency Improvement Programme, designed to support the identification and reporting of efficiency-improvement measures at the Group. The largest efficiency gains were achieved in Refining, Energy, Transport and Logistics.

The Group constantly invests in growth. The Management Board plans to carry out its capex plans for 2020 based on a mix of internally generated and borrowed funds. In 2019, the net debt/LIFO-based EBITDA ratio was 1.0x, well below the target level set in the strategy, allowing the Company to safely pursue its investment plans, including equity investments.

Results at the end of 2019

29.493 mld PLN

Total revenue

12.71 mld PLN

Equity

3.844 mld PLN

Consolidated profit

288

Number of measures identified under the Efficiency Improvement Programme

1.97 mld PLN

Operating profit

395.2 mln PLN

Capital expenditure in the refining and marketing segment

629.5 mln PLN

Capital expenditure in the exploration and production segment

Read more about our financial capital:

- [Financial results and operational achievements](#)
- [Financial highlights](#)
- [Consolidated statement of comprehensive income](#)
- [Consolidated statement of financial position](#)
- [Consolidated statement of cash flows](#)
- [Consolidated statement of changes in equity](#)



Human capital



Contribution at the end of 2018

5 045

Total workforce

14% (women);

13% (men)

Percentage of new hires at the Group

21 godzin

Average number of training hours per employee

9.25

Accident frequency rate

54.07

Accident severity rate

32

Number of process safety incidents

PLN **170.4**m

Employee benefits expense

Capital management

Growth in the Group's workforce was driven by a range of factors, including the need to staff the new Petro Giant platform (at LOTOS Petrobaltic), as well as the expanding operations of LOTOS Kolej, LOTOS Asphalt and LOTOS Paliwa.

The Company pursues the principles of diversity management and a policy of equal treatment with due respect for a diversified, multi-cultural society and with particular focus on equal treatment irrespective of gender, age, disability, health, race, nationality, ethnic origin, religion, religious denomination, irreligiousness, political beliefs, trade union membership, gender identity, family status, lifestyle etc.

Risks to the occupational safety of the LOTOS Group's employees and contractors performing work on its premises are one of the key risk areas for the organisation. Building a culture of safety and effectively preventing occupational accidents is a priority objective for the management and employees of Grupa LOTOS S.A. To this end, an OHS training programme entitled 'Know the golden rules of occupational safety for a LOTOS Group employee' was launched on the e-learning platform. A new project was also launched to visualise occupational safety, involving information and motivation signs, infographics and floor markings.

Results at the end of 2019

5 368

Total workforce

16% (women);

14% (men)

Percentage of new hires at the Group

21 godzin

Average number of training hours per employee

7.93

Accident frequency rate

26.23

Accident severity rate

27

Number of process safety incidents

PLN **207.5**m

Employee benefits expense

Read more about our human capital:

- [People as top priority](#)
- [HR policy](#)
- [Workforce structure](#)
- [Occupational health and safety](#)
- [Diversity management](#)
- [Human rights in relations with employees](#)
- [Remuneration and employee benefits](#)
- [Development and education](#)



Contribution at the end of 2018

331

Number of hours dedicated to employee volunteering work

14

Number of social and environmental sponsorship projects

22

Number of sports sponsorship projects

130

Number of donations made by the LOTOS Foundation

17

Number of cultural sponsorship projects

PLN **6m**

Amount of support provided by the LOTOS Foundation

Capital management

The LOTOS Group considers corporate social responsibility as an element of its management and improvement processes. In the process of building lasting and positive relations with its stakeholders, Grupa LOTOS strives to effectively integrate its strategy and take steps designed to face social and environmental challenges.

The LOTOS Group supports social initiatives and projects. Our sponsorship activities focus on sports, culture and art, as well as social and environmental initiatives carried out primarily in the counties and provinces where our plants are located, and in places where our marketing activities are run, including service stations. Employees are also keen to engage in the Group's charitable activities, including various initiatives organised by the employer.

Results at the end of 2019

1 297

Number of hours dedicated to employee volunteering work

11

Number of social and environmental sponsorship projects

24

Number of sports sponsorship projects

125

Number of donations made by the LOTOS Foundation

32

Number of cultural sponsorship projects

PLN **8m**

Amount of support provided by the LOTOS Foundation

Read more about our social capital:

- [We are driven by sustainable development](#)
- [Relations with social environment](#)
- [Initiatives for local communities](#)
- [Sponsorship activities](#)
- [LOTOS Foundation](#)
- [Employee volunteering](#)



Contribution at the end of 2018

32.1%

Percentage of employees aged 50+

103

Number of interns and trainees

Capital management

At the LOTOS Group we appreciate experience that comes with age, which is why employees aged 50 or more provide support to new hires as part of induction processes (shadowing and mentoring meetings), such relationships bringing numerous advantages and benefits to both parties.

LOTOS continues to improve its placement offering for students. The 'Start with LOTOS' internship programme set up in 2017 has been certified and won the 'Top Quality Internship' title. Traineeship and internship opportunities offered by LOTOS help students improve their employability and give them a chance to work for an attractive employer. The number of trainees is based on current business needs. In addition to its proprietary programme, LOTOS has long participated as a partner in a number of internship initiatives, such as: 'Work for Your Future' (Wypracuj Przyszłość) organised by the City of Gdańsk, 'Academy of Energy' (Akademia Energii) of the Lesław A. Paga Foundation, 'Go4Poland' of the Warsaw Stock Exchange Foundation, and the 'Summer Internship' (Wakacyjny Staż).

As part of its strategy, the LOTOS Group seeks to become a leader in new generation fuels. To turn these plans into reality, in March 2019 the Group's representatives signed documents to launch joint research and development activity with the Gdańsk University of Technology. The cooperation is to involve the development of prototypes of selected low-carbon transport and energy storage equipment. Grupa LOTOS also actively engages in promoting the use of hydrogen. On its initiative, the Hydrogen Technologies and Clean Energy Technologies Cluster was established, with a mission to initiate efforts aimed at increasing the role of hydrogen technologies.

Forging ties between science and business, Grupa LOTOS S.A. commenced work under the 'Structural enhancement of bitumen road surfaces through the use of modified bitumens' research programme in partnership with Budimex, Orlen Asphalt, the Gdańsk University of Technology, the Warsaw University of Technology and the Road and Bridge Research Institute. The subsidiary LOTOS Asphalt undertook an initiative to develop innovative technologies for the production of innovative and environmentally-friendly bitumens.

Results at the end of 2019

28.6%

Percentage of employees aged 50+

98

Number of interns and trainees

Read more about our intellectual capital:

- [Diversity management](#)
- [Strategy towards climate change](#)