

Structure

As at December 31st 2014, the LOTOS Group comprised Grupa LOTOS (the parent), as well as 35 production and service companies, including:

- 14 direct subsidiaries of Grupa LOTOS,
- 21 indirect subsidiaries of Grupa LOTOS.

Composition of the LOTOS Group

Name	Registered office	Principal business activity	Ownership interest (%)	
			Dec 31 2014	Dec 31 2013
Parent				
Grupa LOTOS S.A.	Gdańsk	Production and processing of refined petroleum products (mainly fuels) and their wholesale	Not applicable	Not applicable
Direct subsidiaries				
LOTOS Paliwa Sp. z o.o.	Gdańsk	Wholesale and retail sale of fuels and light fuel oil, management of the LOTOS service station chain	100.00%	100.00%
LOTOS Gaz S.A. w likwidacji (in liquidation)	Kraków	Dormant	100.00%	100.00%
LOTOS Oil S.A.	Gdańsk	Production and sale of lubricating oils and plasticisers, and sale of base oils	100.00%	100.00%
LOTOS Asfalt Sp. z o.o.	Gdańsk	Production and sale of bitumens	100.00%	100.00%
LOTOS Kolej Sp. z o.o.	Gdańsk	Railway transport	100.00%	100.00%
LOTOS Serwis Sp. z o.o.	Gdańsk	Maintenance of mechanical and electric operations and controlling devices, overhaul and repair services	100.00%	100.00%
LOTOS Lab Sp. z o.o.	Gdańsk	Laboratory testing	100.00%	100.00%
LOTOS Straż Sp. z o.o.	Gdańsk	Fire service activities	100.00%	100.00%
LOTOS Ochrona Sp. z o.o.	Gdańsk	Security services	100.00%	100.00%
LOTOS Terminale S.A. (parent of another group)	Czechowice-Dziedzice	Storage and distribution of fuels	100.00%	100.00%
LOTOS Infrastruktura S.A. (parent of another group) ⁽¹⁾	Jasło	Storage and distribution of fuels; renting and management of own or leased real estate	66.95% ⁽²⁾	100.00%
LOTOS Petrobaltic S.A. (parent of another group)	Gdańsk	Acquisition of crude oil and natural gas deposits, extraction of hydrocarbons	99.99% ⁽³⁾	99.98%
LOTOS Park Technologiczny Sp. z o.o. w likwidacji (in liquidation) ⁽⁴⁾	Jasło	Dormant	100.00%	100.00%
Infrastruktura Kolejowa Sp. z o.o.	Gdańsk	Dormant	100.00% ⁽⁵⁾	-
Indirect subsidiaries				
RCEkoenergia Sp. z o.o. ⁽¹⁾	Czechowice-Dziedzice	Production and distribution of electricity, heat and gas	100.00%	100.00%
LOTOS Biopaliwa Sp. z o.o.	Czechowice-Dziedzice	Production of fatty acid methyl esters (FAME)	100.00%	100.00%
Miliana Shipholding Company Ltd (parent of another group)	Nicosia Cyprus	Storage and transport of crude oil, other maritime transport services and management of own financial assets	99.99% ⁽³⁾	99.98%
Technical Ship Management Sp. z o.o. (parent of another group)	Gdańsk	Maritime transport support activities, ship operation advisory services	99.99% ^{(3), (6)}	1.00% ⁽⁶⁾
SPV Baltic Sp. z o.o.	Gdańsk	Drilling services on oil and gas fields	99.99% ^{(3), (6)}	1.00% ⁽⁶⁾

Miliana Shipmanagement Ltd	Nicosia, Cyprus	Provision of sea transport and related services	99.99% ⁽³⁾	99.98%
Miliana Shipping Group Ltd (parent of another group)	Nicosia, Cyprus	Management of own assets	99.99% ⁽³⁾	99.98%
Kambr Navigation Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% ⁽³⁾	99.98%
Petro Aphrodite Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% ⁽³⁾	99.98%
Petro Icarus Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% ⁽³⁾	99.98%
Granit Navigation Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% ⁽³⁾	99.98%
St. Barbara Navigation Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% ⁽³⁾	99.98%
Bazalt Navigation Company Ltd	Nicosia, Cyprus	Ship chartering	99.99% ⁽³⁾	99.98%
LOTOS Exploration and Production Norge AS	Stavanger, Norway	Oil exploration and production on the Norwegian Continental Shelf, provision of services related to oil exploration and production	99.99% ⁽³⁾	99.98%
Aphrodite Offshore Services N.V.	Curaçao, Netherlands Antilles	Dormant	99.99% ⁽³⁾	99.98%
Energobaltic Sp. z o.o.	Władysławowo	Production of electricity, heat, LPG and natural gas condensate	99.99% ⁽³⁾	99.98%
AB LOTOS Geonafta (parent of another group)	Gargždai, Lithuania	Crude oil exploration and production, drilling services	99.99% ⁽³⁾	99.98%
UAB Genciu Nafta	Gargždai, Lithuania	Crude oil exploration and production	99.99% ⁽³⁾	99.98%
UAB Manifoldas	Gargždai, Lithuania	Crude oil exploration and production	99.99% ⁽³⁾	99.98%
B8 Sp. z o.o.	Gdańsk	Mining and production support activities	99.99% ⁽³⁾	99.98%
B8 Spółka z ograniczoną odpowiedzialnością BALTIC S.K.A.	Gdańsk	Crude oil and natural gas exploration and production	99.99% ⁽³⁾	99.98%
Equity-accounted joint ventures				
LOTOS-Air BP Polska Sp. z o.o.	Gdańsk	Trade in aviation fuel	50.00%	50.00%
Baltic Gas Sp. z o.o.	Gdańsk	Oil and gas production and support activities for oil and gas production ⁽⁷⁾	49.995% ⁽³⁾	49.99%
Baltic Gas spółka z ograniczoną odpowiedzialnością i wspólnicy sp.k.	Gdańsk	Crude oil and gas production	<i>partnership</i>	<i>partnership</i>
UAB Minijos Nafta	Gargždai, Lithuania	Crude oil exploration and production	49.995% ⁽³⁾	49.99%

Moreover, Grupa LOTOS holds an 8.97% interest in P.P.P. NAFTOPORT Sp. z o.o. (a subsidiary of PERN Przyjaźń S.A. based in Płock).

As at December 31st 2014 and December 31st 2013, the share of the total voting rights held by Grupa LOTOS in its subsidiaries equalled its equity interests.

⁽¹⁾ On January 28th 2014, LOTOS Terminale S.A. sold its entire shareholding in RCEkoenergia Sp. z o.o. (28,305 shares) to LOTOS Infrastruktura S.A. The transaction changed the shareholding structure of RCEkoenergia Sp. z o.o.: LOTOS Infrastruktura S.A. became its majority shareholder with 28,305 shares (99.996% of the company's shares), and Grupa LOTOS, with 1 share (an interest of 0.004%) – its minority shareholder.

⁽²⁾ On November 26th 2013, LOTOS Infrastruktura S.A. and LOTOS Terminale S.A. signed an agreement on acquisition of shares through private placement. Under the agreement, LOTOS Terminale S.A. acquired 2,962,335 new Series B shares in LOTOS Infrastruktura S.A. On January 7th 2014, the District Court in Rzeszów, 12th Division of the National Court Register, registered an increase of the share capital of LOTOS Infrastruktura S.A. pursuant to Resolution No. 3/2013 of its Extraordinary General Meeting. The share capital was increased from PLN 48,000,000 to PLN 71,698,680 (up by PLN 23,698,680) and is divided into 8,962,335 shares:

- 6,000,000 Series A registered shares with a par value of PLN 8 per share,
- 2,962,335 Series B registered shares with a par value of PLN 8 per share.

The transaction changed the shareholding structure of LOTOS Infrastruktura S.A.: Grupa LOTOS became its majority shareholder with 6,000,000 Series A shares (66.95% of the company's shares), while LOTOS Terminale S.A. became its minority shareholder with 2,962,335 series B shares (33.05% of the company's shares).

⁽³⁾ In Q2 2014, the squeeze-out of shares in LOTOS Petrobaltic S.A. from natural persons was completed (squeeze-out process under Article 418 of the Commercial Companies Code). Since June 12th 2014, Grupa LOTOS has held a total of 9,938,913 shares in LOTOS Petrobaltic S.A., and since June 18th 2014 it may exercise its voting rights from the last 286 shares entered in the share register of LOTOS Petrobaltic S.A. (in total, from 9,938,913 shares). Since June 12th 2014, the shareholding structure of LOTOS Petrobaltic S.A. has been as follows:

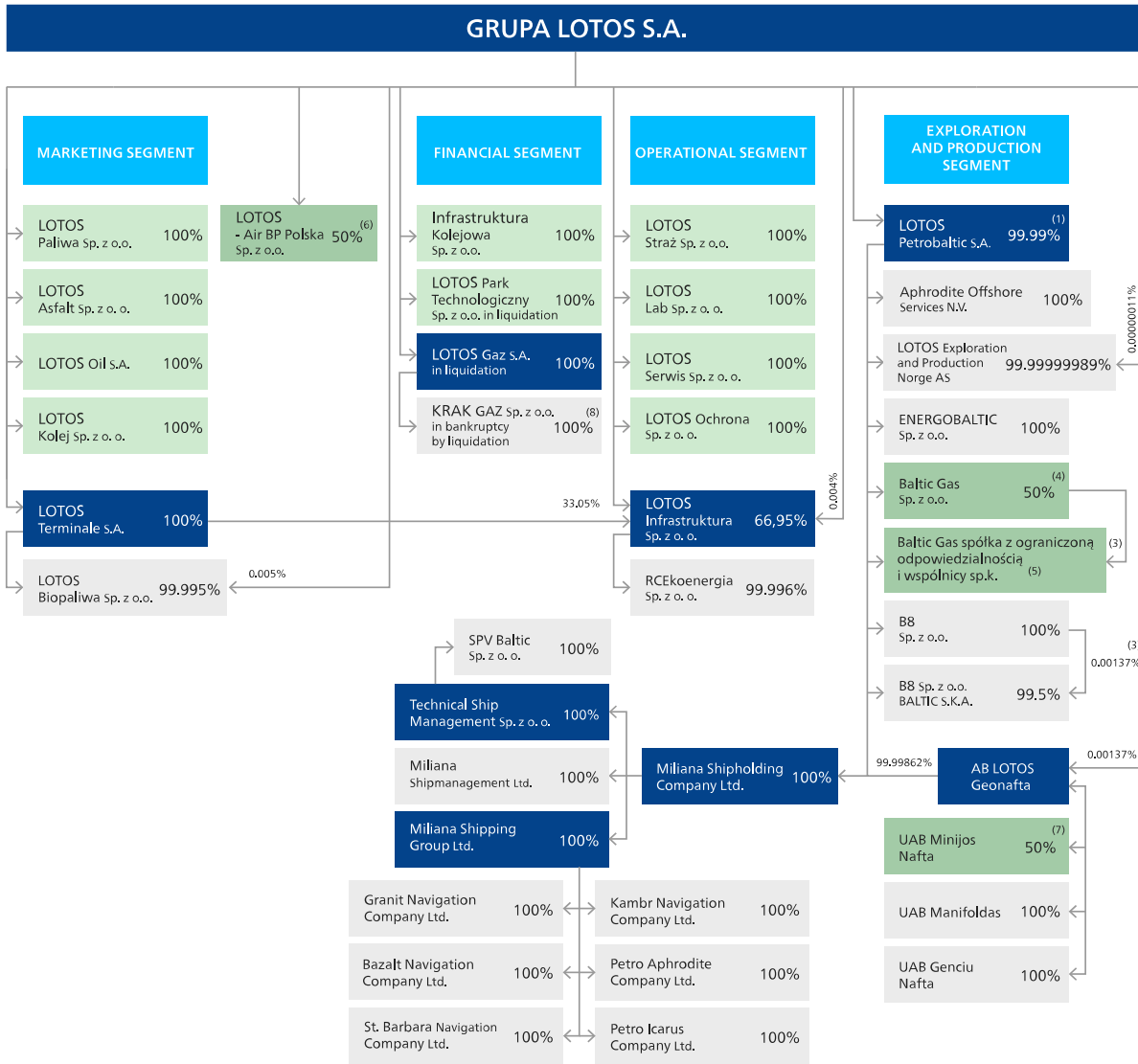
- Grupa LOTOS - 99.99% (9,938,913 shares),
- the State Treasury - 0.01% (1,087 shares).

⁽⁴⁾ On March 20th 2014, pursuant to a decision of the Extraordinary General Meeting, LOTOS Park Technologiczny Sp. z o.o. was put in liquidation. As of that day, the company operates as LOTOS Park Technologiczny Spółka z ograniczoną odpowiedzialnością w likwidacji (in liquidation). On December 8th 2014, the Extraordinary General Meeting of LOTOS Park Technologiczny Sp. z o.o. w likwidacji passed a number of resolutions, including a resolution on approval of the company's liquidation report. As at December 31st 2014, the company was entered in the register of businesses of the National Court Register.

⁽⁵⁾ On October 6th 2014, Grupa LOTOS acquired 100% of shares in Infrastruktura Kolejowa Sp. z o.o. from Kancelaria Prawna Domański i Wspólnicy s.k. Under its Articles of Association of July 23rd 2014, the principal business activity of Infrastruktura Kolejowa Sp. z o.o. consists in inland transport support services. From the day of its acquisition until December 31st 2014, the company was dormant.

⁽⁶⁾ On September 6th 2013, the Extraordinary General Meeting of Technical Ship Management Sp. z o.o. passed a resolution on reducing the company's share capital to PLN 5,000 through voluntary cancellation of 9,900 shares with the total par value of PLN 495,000. On September 6th 2013, Technical Ship Management Sp. z o.o. (the buyer) and Miliana Shipholding Company Ltd (the seller) executed an agreement for sale of 9,900 shares with a total value of PLN 495,000; the shares were cancelled. Miliana Shipholding Company Ltd has full control of Technical Ship Management Sp. z o.o. The 1% interest results from the Company's own shares. The reduction of the share capital was registered in the National Court Register on January 23rd 2014 by the District Court for Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register.

⁽⁷⁾ In 2014, the company commenced operations.



- (1) State Treasury – 0.01%
- (2) Limited partner
- (3) General partner
- (4) CalEnergy Resources Poland Sp. z o.o. – 50%
- (5) CalEnergy Resources Poland Sp. z o.o. – Limited partner
- (6) BP Europa SE – 50%
- (7) Odin Energi A/S – 50%
- (8) Entity controlled by a bankruptcy administrator; a non-Group company

Entities classified as joint ventures accounted for using the equity method, which are non-Group companies

Additionally, Group LOTOS S.A. hold 8.97% shares in P.P.P. NAFTOPORT Sp. z o.o. (a company of the PERN Przyjaźń group of Płock).

Within the LOTOS Group, the role of Grupa LOTOS as the parent is to integrate the key management and support functions. To perform its role, Grupa LOTOS has implemented a segmental management model. A segment is a separate area of operations managed within the LOTOS Group by a designated member of the Grupa LOTOS Board.

This model enhances management efficiency, delivering cost and revenue synergies across the organization. Segmental management provides for implementation of a uniform strategy, coordinated planning and controlling, integrated operational management and maintenance of uniform corporate standards.

The LOTOS Group comprises the following segments:

Management segment

- **Head:** President of the Board of Grupa LOTOS
- **Tasks:** increasing the LOTOS Group's value through overall management of its operations, including coordination of efforts aimed to formulate corporate strategies, define development directions for the individual business areas and coordinate the process support function.

Exploration and production segment

- **Head:** Vice-President of the Management Board of Grupa LOTOS, Exploration & Production.
- **Tasks:** formulation of development strategies for the LOTOS Group in oil and gas exploration and production, as well as management and supervision of these activities.
- **Companies:** LOTOS Petrobaltic with subsidiaries and affiliates.

Operational segment

- **Head:** Vice-President of the Management Board of Grupa LOTOS, Chief Operation Officer.
- **Tasks:** formulation of a strategy for maintenance and extension of production facilities, supervision and coordination of all matters related to the processing of crude oil, refinery production and technologies, definition of refinery production policy objectives, supervision of production-related R&D work, coordination of technical and technological development projects, ensuring the required technical performance of assets, supervision of environmental protection processes, OHS, safety processes and physical protection.
- **Companies:** LOTOS Infrastruktura and its subsidiary, LOTOS Lab, LOTOS Ochrona, LOTOS Serwis and LOTOS Straż.
- **Changes in 2014:** LOTOS Infrastruktura established its own group of by acquiring shares in RCEkoenergia from LOTOS Terminale. The transaction changed the shareholding structure of RCEkoenergia Sp. z o.o. so that LOTOS Infrastruktura became its majority shareholder.

Marketing segment

- **Head:** Vice-President of the Management Board of Grupa LOTOS, Chief Commercial Officer.
- **Tasks:** formulation of marketing strategies as well as effective management of sales, supplies and distribution of crude oil and petroleum products, development of trading and optimisation activities.
- **Companies:** LOTOS Asphalt, LOTOS Kolej, LOTOS Oil, LOTOS Paliwa and LOTOS Terminale and its subsidiary.
- **Changes in 2014:** LOTOS Terminale sold its entire shareholding in RCEkoenergia to LOTOS Infrastruktura. The transaction changed the shareholding structure of RCEkoenergia so that LOTOS Infrastruktura became its majority shareholder holding 99.996% of the company's shares.

Financial segment

- **Head:** Vice-President of the Board, Chief Financial Officer.
- **Tasks:** monitoring of implementation of the LOTOS Group's strategies and overall management of financial and accounting processes, including formulation of financial, legal and insurance strategies and monitoring of their implementation, management of budgeting and controlling, development and implementation of financial risk management strategies, and overall management of assets and restructuring processes.
- **Companies:** LOTOS Park Technologiczny w likwidacji (in liquidation), LOTOS Gaz w likwidacji (in liquidation) and its subsidiary, and Infrastruktura Kolejowa, acquired in 2014, which remains dormant.

For the purpose of analysing the economic efficiency and clear presentation of financial statements, the LOTOS Group's operational activities have been divided into two major reportable segments:

- Upstream operations segment – comprising activities related to the acquisition of crude oil and natural gas reserves, and crude oil and natural gas production.
- Downstream and marketing operations segment – comprising production and processing of refined petroleum products and their wholesale and retail sale, as well as auxiliary, transport and service activities.

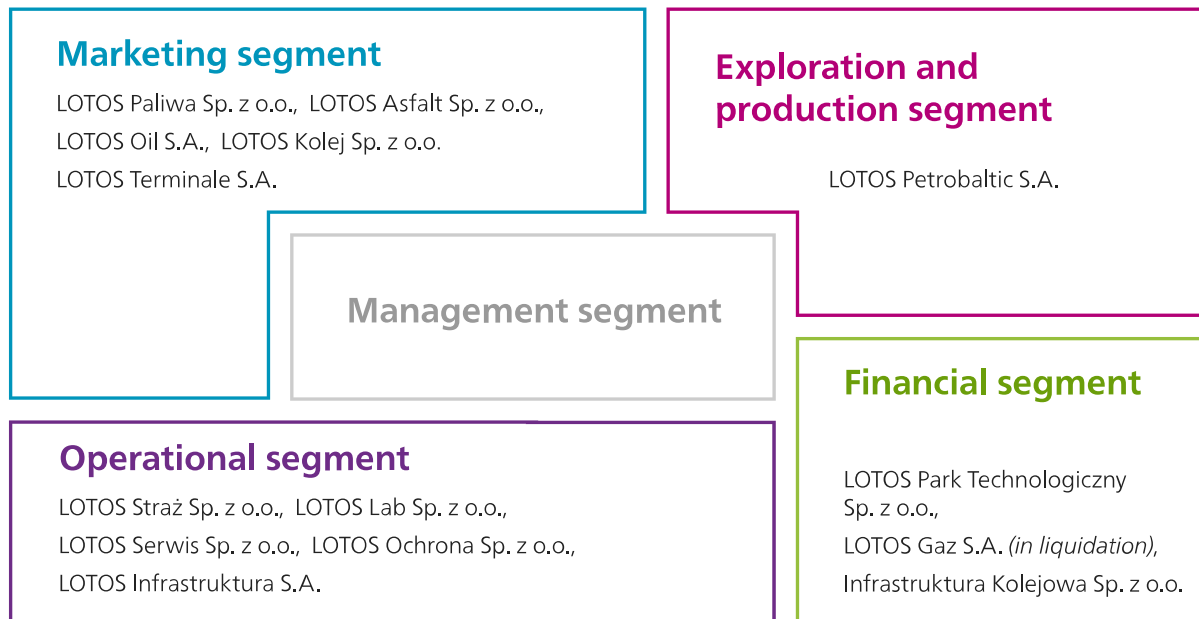
In 2014, there were no significant changes in the management structure of Grupa LOTOS. The organizational changes, resulting from the Effective and Rising Programme launched in 2013, and were aimed to:

- Consolidate and optimise the areas related to the support of procurement as well as social and cultural matters,
- Enhance the communication process at the LOTOS Group,
- Minimise management costs,
- Improve segmental reporting,
- Improve decision-making powers and accountability of corporate departments.

The Grupa LOTOS corporate management structure reflects the division of responsibilities and relations between various functions and tasks at the Company, determining the reporting hierarchy of organizational units and management hierarchy. As at December 31st 2014, the Company's corporate structure comprised the following units:

- 16 divisions, including 5 divisions reporting directly to the Chief Executive Officer,
- 35 offices,
- 15 departments,
- 8 complexes.

Grupa LOTOS



RELATED CONTENT:

Management systems

In 2014, we continued to pursue our Effective and Rising Programme, supported by the well-designed, effective and constantly improved Integrated Management System, linked integrally to the organization's business objectives.

Go to the page > <http://raportroczny.lotos.pl/en/ethics-and-corporate-governance/approach-to-management/management-systems>