



Mariusz Machajewski

Vice-President of the Board
Chief Financial Officer

Dear Stakeholders,

The year 2009 was another period of difficult macroeconomic conditions around the world. The oil industry in particular was hit by low oil prices and decreasing margins, especially in relation to medium distillates. From the point of view of the LOTOS Group, the low processing efficiency of our basic grade of crude oil, manifesting itself in the very low level of the so-called Brent/Ural differential, also had a negative impact. In this unfavourable environment, enterprises around the world were forced to take cost-cutting measures and pay particular attention to their financial liquidity. The LOTOS Group was one of the leaders in these initiatives. Already in the first half of the year an Anti-Crisis Package was introduced, reducing investment projects and optimising costs. It should be emphasized that the implementation of this Package had no negative effects on the execution of the investment projects which are essential for the future value of the LOTOS Group; on the contrary – it ensured their uninterrupted execution and secured the Company's financial liquidity.

The unfavourable macroeconomic conditions did not disrupt the implementation of the strategy of the LOTOS Group. The year 2009 was yet another period of growing sales, especially in terms of medium distillates. This is of the utmost importance, considering the planned increase in our processing capacity upon completion of the 10+ Programme. This investment project, which is currently the most important project of the LOTOS Group, was carried out last year according to plan. The first production plants were commissioned: a hydro desulphuriser (HDS) and an atmospheric and vacuum distillation unit (CDU/VDU). The economic benefits resulting from the newly commissioned plants will be visible in 2010, as they will allow us to increase crude oil processing to approx. 8 m tonnes, with further increase to 10.5 m tonnes per year

after the completion of 10+ Programme.

In terms of oil extraction and production, activities were carried out in the Baltic Sea and the Yme project on the Norwegian Shelf continued. We anticipate first financial effects of crude oil production from the Yme field to be registered after exploitation in the second half of 2010 is launched.

Despite the unfavourable impact of external factors - low oil prices, drops in refining margins and the Ural/Brent differential – in 2009 the LOTOS Group generated an operating profit of PLN 419.8 m. This result was a consequence of implementing efficiency-fostering initiatives, as well as the revaluating inventories resulting from a reversal of the decreasing trend in resource prices in the second half of the year. The positive balance of financial activity, attributable mainly to gains on FX differences resulting from the revaluation of loans and borrowing, had a positive impact on the net profit from continued operations from 2009 to the amount of PLN 911.8 m, and on the net profit attributable to shareholders of the parent company at PLN 900.8 m.

The introduction in 2009 of the the Anti-Crisis Package and a number of initiatives improving our financial liquidity as well as availability of further tranches of long-term funding guaranteed in the preceding years, allowed for the uninterrupted implementation of key investment plans of the LOTOS Group. Despite the difficult market situation and the negative results reported in the first months of 2009, there was no need for debt restructuring, which demonstrates our financial strength and a robust and consistent management of the Company. It was not without significance for the perception of Grupa LOTOS that the Company received additional capital by a contribution in the form of shares in LOTOS Petrobaltic, LOTOS Jasło and LOTOS Czechowice, formerly remaining in the hands of the State Treasury.

Dynamic growth caused the value of investment outlays incurred in 2009, particularly on the 10+ Programme, to approach PLN 3 bn. This certainly had its impact on the structure of liabilities of the LOTOS Group. Debt ratios reached elevated, though anticipated, values. One of the Company's key tasks for the future will be to lower the debt level to a benchmark industry level. We believe that the currently implemented development projects will have a positive impact on our future financial results and will result in dynamic growth in the value of the LOTOS Group to its shareholders.

Yours faithfully,



Mariusz Machajewski
Vice-President of the Board
Chief Financial Officer
Grupa LOTOS S.A.