



Wiesław Skwarko

Chairman
of the Supervisory Board

Dear All,

The increasing competition in the European and global markets and the volatile prices of raw materials resulted in a severe turmoil in the petroleum industry. A drop in demand for fuels negatively affected the refinery margins. The global economy underwent major changes, and although it seems the crisis has faded out, we cannot be certain that the economic revival is stable. The Polish economy coped with the slowdown much better; however, difficulties affected a number of domestic enterprises.

Grupa LOTOS is a prime example of successfully overcoming the crisis. The accord and dialogue established during less eventful times bore fruit. Trust, involvement and integration of employees in the strategic goals allowed the Company to complete difficult tasks under exceptionally difficult market conditions. The Company owes such a positive and stable internal situation to the well-developed communication culture in the Company. Planned anti-crisis activities were introduced after extensive consultations with the unions and the Council of Employees. At the beginning of 2009, a series of meetings with employees of the entire LOTOS Group took place. The subject of the meeting was the macroeconomic situation, the possible impact of the crisis on the Company and options to protect the Company from the crisis. As fears and doubts were dispelled a positive atmosphere of focusing on the Company's results was developed in the Company.

Thanks to this atmosphere and the employee's acceptance of the actions proposed by the Management Board, the LOTOS Group was able to implement the Anti-Crisis Package, a product of the social agreement in the company. The Package assumed a reduction in expenditures

and the implementation of several streamlining programmes. The basic goal of the Package was to secure the financial liquidity of the Company at the last stage of the 10+ Programme implementation and to earn value for the stakeholders. Thanks to the outstanding employee involvement in the process of implementation the Package, objectives fixed were achieved and the existing workplaces preserved.

The cost-cutting and effectiveness-oriented actions as well as the flexible response to domestic and international economies' conditions contributed to the achievement of excellent operational results by Grupa LOTOS. The Company's performance on the stock exchange has also been satisfactory – Grupa LOTOS has more than compensated for the drops resulting from the financial crisis and a negative outlook recommendation from one of the equity researchers issued at the end of 2008.

The past year was particularly important for the implementation of the development strategy of the Company. An inherent part of the strategy for the refinery sector is the 10+ Programme. It is an investment project of unique scale, one of the largest not only in the region, but in Europe. The 10+ Programme was implemented in 2009 as scheduled, thus the first facilities have already been commissioned. As regards the exploration and exploitation sector, the Company continued activities aimed at launching production from the new deposits on the Norwegian Continental Shelf and in the Baltic Sea. These high-risk activities call for further intensification and will pose the greatest challenge to the Company in 2010 and the forthcoming years. As regards trade, it is worth stressing that 2009 was the year during which the Company began to build petrol stations and motorway service stations, contracted oil supplies for the forthcoming years and retained its leading position in the market of bitumen and lubricant oils in Poland. At the same time, Grupa LOTOS reduced its involvement in the LPG market.

Last year, some changes were introduced to the capital structure of the Company. The Treasury became the main direct majority shareholder. The Treasury also made a capital injection into Grupa LOTOS by means of a contribution in kind in the form of shares in three companies already belonging to the Capital Group.

2009 was also the year of the Company's management stabilization. The Management Board was elected in a competition for another three-year term of office. In addition to the three existing members, the Management Board now includes a petroleum industry specialist responsible for sales.

The Company is facing a number of challenges in the years to come. The use of greater processing capacity at the Gdańsk refinery and product placement on the market are challenges just as major as the investment process. When completed, we will be able to see the scale of the changes introduced by the 10+ Programme not only to Grupa LOTOS, but to the market in the region.

This year the Company needs to reformulate its strategic objectives and update its strategy. The upstream segment development will be of

crucial importance. Exploration and exploitation of new deposits is necessary to increase the energy security of Poland and strengthen the position of Grupa LOTOS in the region. The new directions of development and ambitious objectives relating to the market activities and the financial result could mean that the Company has to seek new solutions, such as strategic alliances, project partners or investors. Strengthening is of particular importance given the privatisation planned by the Treasury.

2009 was for Grupa LOTOS a time of fulfilling ambitious projects. However, much effort is required in the years to come to build on the opportunity offered by the 10+ programme and to complete exploration and exploitation tasks. I believe that the Company will have no problems dealing with these challenges with the determination of the Management Board and support from the employees and the stakeholders.

Yours faithfully,



Wiesław Skwarko
Chairman of the Supervisory Board
Grupa LOTOS S.A