



**Paweł Olechnowicz**  
President of the Board  
Chief Executive Officer

*Ladies and Gentlemen,*

2009 was an exceptionally difficult year for business. The petroleum industry witnessed some particularly unfavourable events. Very low global prices of oil, which at one time fell to \$30 per barrel, came along with exceptionally low refinery margin, a very unfavourable Brent/Ural differential and a rapidly changing exchange rate of the Polish currency.

Grupa LOTOS started the year well in terms of operating activities. However, growing market difficulties combined with negative equity research recommendations caused a dramatic fall in the share price to as little as PLN 7 at the beginning of February 2009. The toxic “expert” opinion of one of equity researchers who priced Grupa LOTOS shares at zero zlotys brought a major exposure to the Company’s business. The Management Board undertook immediate communication and substantive preventive steps to reduce and eliminate the threat. The success of the crisis management operation was based on a timely and professional response of the Management Board, action and open communication, as well as direct relations with equity market and shareholders. These actions were positively appraised by those interested and facilitated a quick elimination of the crisis concerning the Company.

The stakes were very high. The Company was in the process of implementing the enormous 10+ investment project, which required more than PLN 2 bn in 2009. This called for perfect co-ordination of the works and the stream of finance, as well as harmonious and uninterrupted

operation of the whole Group and a safe level of financial liquidity. The risk of negative consequences of the global crisis to the Company determined the need to undertake extraordinary preventive measures to secure the operating effectiveness of the Company. The Management Board of Grupa LOTOS, as the first Board in Poland, decided to implement the Anti-Crisis Package in February 2009. This was a direct response of the Company to unfavourable changes on the market. This document is not only a detailed plan for the reduction of costs and effectiveness-oriented activities but also a result of the Management Board dialogue with the Council of Employees and all the trade unions. The responsibility for the future of Grupa LOTOS was great in the face of crisis and other threats to the Company which was in the process of implementing an enormous investment programme. The Management Board of Grupa LOTOS took upon itself this responsibility supported by the Company's employees and their representatives.

Good communication with the team allowed us to make effective decisions which contributed to the ongoing development of the Company. This was a difficult test of effectiveness and responsibility. The Company managed to save workplaces and achieve good results while continuing its key investments.

I am certain that this was an important sign of the Group stable situation for external stakeholders. This was confirmed by the growing trend for the Company's shares on the WSE.

We built market trust with the effective implementation of decisions and the transparency of our actions. We have reason to be content. The Company made PLN 722.5 mln savings on the consistent implementation of the Anti-Crisis Package. This directly affected the Company's level of liquidity.

The good standing of the Company can be best demonstrated by consolidated net profit earned by Grupa LOTOS for 2009 at PLN 911.8 mln. Consolidated sales revenues totalled PLN 14.321 bn while the operating profit reached PLN 419.8 mln. Compared to the end of 2008, sales revenues decreased by PLN 1.974 bn, while the operating profit grew by PLN 0.566 bn. The result of the sales and manufacturing segment had the greatest impact on the operating level; this segment's contribution stood at PLN 479.6 mln.

As for the retail segment, the sale of fuels grew by 18.2%. Compared to 2008, the share of Grupa LOTOS in the fuel market increased from 25.4 % to 28.3 %. This means that in the difficult crisis year, the LOTOS Group increased its market share by effectively implementing the strategic programme which assumes achievement of a 30% share in the fuel market in 2012.

The effective asset restructuring and consolidation also had a positive impact on the financial results of Grupa LOTOS. This relates both to LOTOS Jasło and LOTOS Czechowice, as well as the exploration and exploitation activities of Petrobaltic S.A. (currently LOTOS Petrobaltic).

Completion of the restructuring process of LOTOS Petrobaltic will facilitate the establishment of the key to the Concern's future oil exploration and exploitation segment.

The completion of the Anti-Crisis Package has been completed successfully. In 2010 Grupa LOTOS plans to continue the cost-effectiveness programmes. The experience of 2009 contributed to improvements in the organisational culture and the intensification of the system-wide activities aimed at improved management, operating effectiveness and security of the Company's operations.

I would also like to highlight another important context of our activities. We follow the concept of sustainable development paying attention to ensuring the highest environmental parameters of the new facilities and provide workplaces for employees of numerous companies in the entire supply chain.


The 10+ Programme has reached its final stage of implementation. At the end of March 2010, project completion reached 97%. In the last months of 2009, the construction of the Crude Distillation Unit/Vacuum Distillation Unit (CDU/VDU) was completed which increased the processing capacity of the refinery to 10 million tonnes p.a. The 10+ Programme will not only increase the oil processing output but also the intensity of raw material utilisation. The first financial effects of refinery expansion will be visible in the Company's financial results this year. The potential will satisfy the domestic demand for the highest quality fuels and any surplus may be easily exported owing to the coastal location of the plant.

An update of the current Strategy of Grupa LOTOS planned in mid 2010 will be crucial for the definition of further development plans of the Concern. Provisions of the Strategy will be adjusted to the new economic situation and will be used to maximise the financial effects and increase the energy security of Poland of which LOTOS is an important participant. As part of the programme of raw material long term supplies, the Company has pursued the programme of diversifying the oil supplies. This is related both to diversification of procurement and an increase in own oil output.

In 2010 the LOTOS Group will continue activities which add value for the shareholders. The development of the exploration and exploitation sector and the strengthening of the market position will play a key role. The technological processes to be implemented will meet the highest innovation standards. A joint project with a strategic partner is possible.

Sustainable development and corporate social responsibility are the key criteria for development and for understanding the quality of managing the Corporation. We are well appraised by the market in this aspect and as a result highly ranked in the new RESPECT Index of the Warsaw Stock Exchange. I would like to assure you that we will consistently improve the quality and effectiveness of our management. I

would also like to underline the key strengths of Grupa LOTOS: a devoted management and employees who create an important, positive strength. I am certain that these values are shared by our key stakeholders. These values contribute to building the market position of the LOTOS Group, to the energy security of Poland and to the strength of the Polish economy.

*Best regards,*  


Paweł Olechnowicz  
President of the Board  
CEO  
Grupa LOTOS S.A.