



Dear All,

2011 was yet another year of unstable conditions and volatility in the global markets connected with the international financial crisis. It was a time of dramatic developments in the European currency markets, which led to a significant weakening of the Polish zloty in relation to both the US dollar and the euro.

At the same time, the price of crude oil was also staying on a high level, which was accompanied by social and political anxieties related to the continuously rising prices of fuel. Under the pressure of unpredictable macroeconomic conditions and social sentiments, fuel companies found themselves in a situation of limited room for manoeuvre.

Grupa LOTOS, thanks to its communication openness and good management, did not record any negative impact of these sentiments on its sales and implementation of the development programme. Once again, we managed to prove that we were able to remain on track to achieving, even amid extremely challenging circumstances, our strategic goals, such as:

- strengthening of our market position,
- adding value for shareholders,
- ensuring customer satisfaction.

We also managed to enlarge our own resource base by purchasing 100% of the shares in AB Geonafta, a Lithuanian company producing 100 thousand tonnes of crude oil per year. Another stage of realigning the capital structure of LOTOS Petrobaltic was also completed, which brought significant economic and social benefits.

The efficient management, dynamic marketing policy but, first and foremost, superior quality of our fuels, achieved thanks to state-of-the-art installations at the Gdańsk refinery - all these factors contributed to our excellent performance in 2011. The perfectly planned and executed 10+ Programme - one of the biggest investment projects of the kind in the refining sector in Europe - has laid the perfect foundation for further healthy and dynamic development of Grupa LOTOS. It should be firmly stressed that the power of this foundation are the people.

However, despite external volatility and uncertainties troubling the Polish market, we managed to post robust sales results. 2011 was yet another growth period for the LOTOS Group's consolidated sales. With more than 10 million tonnes of products sold, we recorded a 14% growth on the 2010 level. Thanks to the sales revenues of nearly PLN 30 billion, LOTOS has become the second largest company in Poland in this respect. Further increase of our share in the fuel market to more than 33% testifies for the effectiveness of our market activities.

An important achievement of 2011, boosting both our market position and image, was the dynamic growth of our new chain of economy service stations branded as LOTOS Optima. The concept of providing high-quality fuels at optimal prices, adjusted to the reality of a market which is very sensitive to the level of retail prices, proved a positive success. This was also our proactive response to the social and economic situation in Poland, as well as a means of meeting the expectations of our partners and customers.

We also recorded successful results in the oils and bitumens segments, where - despite intense competition - the LOTOS Group retained its position as a market leader. Both engine and industrial oils supplied by the LOTOS Group occupy top positions in their respective sales groups.

Another strong aspect of our activities in 2011 was the operation of LOTOS Kolej, which is now the third largest rail freight operator in Poland with regard to the volume of the freight carried. It is one of the most dynamically developing railway transport companies in Poland.

In late 2011, the Board of Grupa LOTOS developed the Optimum Expansion Programme, with a view to adjusting the 2012 strategy to the changeable market conditions and threats brought about by the macrofinancial and macroeconomic processes worldwide. The estimated financial effect of the Programme is PLN 220 million. The Board of Grupa LOTOS managed to combine cost-cutting measures and postponement of selected projects in an optimum way, thus providing much needed support and focus on the achievement of the Company's key strategic objectives.

We will continue to dynamically pursue our plans to develop the upstream (exploration and production) segment in all areas of our interest. The service station chains of both the economy (LOTOS Optima) and premium segments will be further developed.

The reasonable, realistic and extremely disciplined financial policy of the LOTOS Group has by now become a widely known benchmark of high-quality corporate management. We always focus our efforts on the objectives of sustainable development. On the one hand, this strategy safeguards continuous expansion of our Company and the whole LOTOS Group; on the other, it provides us with financial security.

Grupa LOTOS is currently occupying top positions in all rankings as a modern and dynamically managed company, driven by a realistic strategy and excellent managers leading highly qualified and motivated staff. The crisis affecting European finances and economy continues to breed an atmosphere of danger and uncertainty. However, I deeply believe that the perfectly executed investment effort, which we dubbed the 10+ Programme, has positioned Grupa LOTOS to derive great benefits from an expected improvement in the macroeconomic climate. Europe is now witnessing a shortage of modern crude oil processing capacities. The installations of Grupa LOTOS' refinery provide high quality products while offering the deepest level of conversion, which makes the refining process more efficient in financial terms and strengthens the Company's leading position in the market. These benefits will be even more visible in 2012.

In its operations, Grupa LOTOS follows the strategy of sustainable development, while carefully considering the criteria of corporate social responsibility. This approach is in line with modern trends in the management of large industrial organizations, where the social factor is playing an increasingly important part. On the one hand, it shapes the Company's market environment; on the other, it affects those political decisions which are crucial for its development. Corporate social responsibility is thus a measure of efficient and modern management. In all CSR-related rankings, Grupa LOTOS occupies top positions, which is confirmed by the Company's uninterrupted presence in the RESPECT Index of the Warsaw Stock Exchange.

According to all forecasts for 2012, crude oil prices will either remain unchanged (at approx. USD 100/barrel) or rise still further. It can be assumed that this is a permanent trend, and that crude oil is likely to become increasingly more expensive rather than cheaper. In such circumstances, oil companies which have their own resources and deep conversion technologies are set to be the market winners. Grupa LOTOS meets both these criteria. The coming year and the years to follow will thus be a time of our growth and activities aimed at increasing Poland's energy security, strengthening our market position and boosting our financial performance. The process of further expansion and the strengthening of the Company's position on the European market will be accompanied by growing satisfaction of our customers, investors and shareholders, as well as with growing pride of working for LOTOS - of all our employees.

Yours faithfully,



Paweł Olechnowicz
President of the Board
Chief Executive Officer
Grupa LOTOS S.A.

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