



*Dear Stakeholders,*

2011 was a year of a much more difficult economic situation for the oil industry than the previous one. Amid harsh external conditions, high volatility in the financial markets and political upheaval in different parts of the world, which all resulted in rising crude oil prices, Grupa LOTOS managed to post healthy financial results. PLN 29,260 million – it is the sales revenue generated by the Company after all four quarters of 2011. As compared to 2010, it translates into an increase of almost 49%. The operating profit of the Company amounted to PLN 1,085 million and the net profit stood at PLN 649 million.

The Company's performance testifies to the efficiency of the 10+ Programme, which was completed in March 2011 and resulted in the expansion of processing capacities at the refinery in Gdańsk. Over the last 12 months, Grupa LOTOS has proved its ability to use the new installations effectively. High operational flexibility of the refinery achieved thanks to the expansion has also enabled the Company to adapt quickly to the dynamically changing market environment.

As a result of the completion of the 10+ Programme investment project, in 2011 a record-high volume of crude oil processed of 9.2 million tonnes was achieved, which is a 13% increase on 2010. Also, the structure of the our product mix has changed in favour of high-margin fuels, in particular diesel oil and aviation fuel. This in turn has boosted the profitability of the Gdańsk refinery, giving it a competitive edge over less technologically advanced facilities.

Moreover, when talking about the important changes brought about by the completion of the 10+ Programme, the financial security it provides should also be mentioned. As the 10+ Programme was very precisely and accurately defined, its execution guarantees long years of safe operation for the refinery in accordance with the highest technical parameters, while at the same time enabling Grupa LOTOS to achieve the expected financial results. Therefore, the decision to take out a bank loan to finance the 10+ Programme has more than proved to be a correct one. Although the loan servicing costs are affecting the financial result of the Company now, it allowed Grupa LOTOS to take advantage of the opportunity to join the ranks of the most technologically advanced and most efficient refineries in Europe.

The successful completion of the investment project which was the key element of the previous strategy has also allowed us to concentrate on the challenges of the new LOTOS Group Strategy for the years 2011-2015. Despite unfavourable macroeconomic conditions, significant steps have already been made towards achieving its main pillars.

In the marketing segment, the Company has significantly increased the number of the LOTOS service stations, i.a. by launching a total of 50 new stations in our newly-established LOTOS Optima economy chain in 2011. Amid rising fuel prices, providing our customers with a competitively-priced product has proved to be the right decision with regard to increasing the Company's market share.

In the exploration and production segment, an important step on the way to implementing the Strategy was the finalized acquisition of full control over the Lithuanian production company AB Geonafta, as well as further steady expansion of our activities in the Baltic Sea. Unfortunately, due to circumstances outside our control, Grupa LOTOS experienced another delay in the execution of the YME project on the Norwegian Continental Shelf, which forced us to make a revaluation write-off for the assets of this project.

Another important issue worth stressing is the fact that, in face of the prevailing difficult economic situation in Europe, we have decided to implement the Optimum Expansion Programme for 2012. The Programme provides for the launch of a number of projects designed to improve the efficiency of the Company's activities, while keeping the key strategic projects going as planned. Grupa LOTOS proved before its ability to enforce austerity measures when the Anti-Crisis Package was implemented in 2009. The success of the Anti-Crisis Package allows to believe that also this time the results will be even more than satisfactory.

All in all, the results achieved in 2011 and the stable financial situation provide an excellent springboard for achieving the objectives set out for the coming years, and the development projects completed in 2011 and their effects testify to the Company' ability to meet its most ambitious strategic goals.

*Yours faithfully,*



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