



About this Report

This Annual Report provides an overview of the activities of the Capital Group of Grupa LOTOS S.A. (“the LOTOS Group” or “the Group”), with a particular focus on the LOTOS Group’s parent company – Grupa LOTOS S.A. (“Grupa LOTOS”, “the Company” or “we”).

Grupa LOTOS is a leading industrial company and Poland’s second largest oil major. In 2010, our share in the domestic fuel market exceeded 31%. Moreover, as the only Polish company – through our subsidiary LOTOS Petrobaltic, – we are directly engaged in exploration and production operations on the Baltic Sea. The processing of crude oil at our refinery in Gdańsk is based on state-of-the-art technologies, designed to mitigate the environmental impact of industrial processes. The LOTOS Group employs more than 5,000 staff, ranking it as the largest employer in Pomerania and an important one in southern regions of Poland, where many of the LOTOS Group’s companies hold shares.

This Report is being released in what is a momentous time for Grupa LOTOS. In 2010, a strategically important stage in our development, involving primarily the implementation of the 10+ Programme launched in 2006, finally drew to a close. The year 2011 opens up new development prospects for our Company, which have been defined in our business strategy for 2011–2015 (adopted in November 2010) and development directions until 2020. This is a fitting time to recapitulate but also the right moment to lay out plans for the future and make a mature entry into another decade of growth, worthy of the 21st century.

The first decade of the new century, whose end was marked by the completion of the 10+ Programme, was a period of unprecedented expansion of the LOTOS Group. A period when – despite an extremely challenging business climate as well as the worldwide economic slowdown and recession – we managed to achieve nearly all of our strategic objectives. The success was rooted in the resolve, commitment and responsibility of the Company’s Management Board, its management staff and all employees of the LOTOS Group.

Responsible pursuit of clearly defined objectives involving all human resources is also the course to be followed in the next decade covered by the LOTOS Group’s new development strategy. The strategy whose goal is to develop into a strong, modern, vertically integrated oil conglomerate, relying on its own sources of feedstock, optimum processing capacities using cutting-edge technologies, as well as into a competitive trading organisation with a prominent market position.

The LOTOS Group is determined to implement this vision – as it did implement the strategy for the previous period – adhering to the principles of sustainability and social responsibility. One of our corporate priorities is to use economic, social and environmental resources in such a manner as to preserve them for generations to come.

Also high on our agenda are corporate transparency and openness, based on which we communicate with the outside world and with all stakeholder groups – including our employees, shareholders and investors. These principles form the basis for building the LOTOS brand, fostering its credibility and reputation, as well as the confidence it inspires. This approach has been delivering tangible benefits by reinforcing our market position and adding to its value. Grupa LOTOS was named winner of the *Investor Relations* category in the *Listed Company of the Year 2010* ranking, while its shares were once again included in the prestigious stock index RESPECT, which includes companies whose commitment to CSR, and adherence to corporate governance standards and best practices are rated as the best.

Economy, society and the environment – we view all these spheres as equally important and mutually complementary. This approach has found its reflection in this Report, with which we continue the inclusive reporting model adopted with the publication of last year’s report – the first integrated annual report to have been released by a Polish company, honoured with the *CSR Reports 2010* award for successful integration of the Company’s social and environmental performance into its reporting framework. This comprehensive approach to stakeholder communication gives all those with whom we interact a full picture of our operations – not only in their economic aspects, but also in the social and environmental dimension.

In reporting the latter areas, the Company applies the international standards codified in the Sustainability Reporting Framework of the Global Reporting Initiative (G3 GRI) as well as the UN Global Compact’s Principles derived from the Universal Declaration of Human Rights, the International Labour Organization’s Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development and the United Nations Convention Against Corruption. In preparing its consolidated financial and non-financial statements, Grupa LOTOS embraces the principles of accuracy, materiality, completeness, comparability, balance and credibility.

The performance indicators contained in the consolidated financial statements are supported by a narrative part in separate sections of this Report, which outlines the vision of the Company’s development, its strategic objectives, achievements and development plans by business area.

Additionally, this Report includes an index designed to facilitate search for specific performance indicators and descriptive parts relating to specific matters discussed in this Report, which is included in the Table of Content of the GRI and the Principles of the UN Global Compact.