

Letter from the Chairman of the Supervisory Board

Our human capital will serve as a basis for us achieving the objectives set out in the LOTOS Group's new strategy for the years 2011–2015.

Dear All,

2010 turned out to be a much more benevolent year for the global economy than 2009. The severe financial crisis was overcome, although its symptoms may yet resurface - on a larger or smaller scale. On the whole, however, the climate for business activity, also in the petroleum industry, warmed up and stabilised, which permits a brighter outlook on the external conditions for the Company's development.

All the more so that for Grupa LOTOS itself last year was exceptionally successful. First of all, the Company successfully completed the 10+ Programme, on which its resources and efforts had been concentrated since 2006. The annual processing capacity was expanded to 10.5 million tonnes of crude, while the actual volumes processed in 2010 exceeded - for the first time on record - 8 million tonnes. Also, the Company's market position strengthened. Its share of the domestic fuel market grew to over 31%, a target planned to be achieved only in 2012. Strong year-on-year increases were also posted in sales revenue and operating profit, which rose by 37% and 82%, respectively.

The Company was able to reap such large financial rewards not only thanks to its coherent business strategy, pursued by the Management Board with consistency and resolve. Above all, the strong performance was a fruit of years-long efforts to build an atmosphere of trust, commitment and integration of employees around the Company's strategic objectives. Without that human capital, which Grupa LOTOS views as its most precious asset, it would have been difficult to surmount the 2009 crisis and bring the 10+ Programme to its completion in 2010.

Based on its human capital, Grupa LOTOS also intends to implement the LOTOS Group's objectives set down in the new strategy for 2011–2015, along with the development directions until 2020, unveiled in November 2010. The strategy paints a vision of developing the LOTOS Group into one of Europe's most advanced oil conglomerates which relies on:

- its own sources of feedstock, securing production at the level of 1.2 million tonnes of crude annually,
- a technologically advanced base of processing facilities, allowing it to produce top quality, high-margin products,
- a strong sales force based on a chain of patronage and partner petrol stations, which will secure at least a 10% share of the Polish retail fuel market.

As always, Grupa LOTOS' business strategy will be aligned with the principles of sustainable growth and social responsibility and fully harmonised with the Company's core values of transparency, openness, innovativeness and responsibility.

In 2010, the Company closed the first historical five-year perspective of the "decade of growth" – if I may use the title of this Report here. 2011 opens up a new perspective of the decade – oriented towards the future and outlined in the strategy until 2015. I am deeply confident that, drawing on the Management Board's professionalism and determination, employee commitment and investor trust, the Company will be able to consistently deliver value for its shareholders, while realising its strategic development vision.

Yours faithfully,



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



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