



Dear Ladies and Gentlemen,

2005 was yet another excellent year for Grupa LOTOS S.A., in which we consistently pursued our development strategy. Over the last few years we have achieved a remarkable success: both our profit and company value grew several-fold. We have expanded our business and contributed to increasing the State Treasury's assets. We have transformed Grupa LOTOS S.A. from a production company into a competitive and recognisable market player, enjoying increasingly stronger position and fine reputation. Our successes are a clear manifestation of our potential and commitment to our strategic objectives. They constitute a crucial first step in the pathway we have taken, and prove that opting for constant quality enhancement, development and self-improvement was a right choice.

2005 brought us a lot of satisfaction in financial, market and investment terms. We can boast such significant achievements as the purchase of the southern refineries and Petrobaltic S.A., an upstream company. The key to the success was full integration of the LOTOS Group companies. Such integration had been necessary in such areas as technology, quality and market activities, and – most importantly – the management and organisational culture. New companies – LOTOS Jasło and LOTOS Czechowice – were established, to perform a number of necessary investment projects, which perfectly fit in the strategy for developing a countrywide oil company, while helping retain jobs.

The first listing of Grupa LOTOS S.A. shares on the Warsaw Stock Exchange was a huge success, while the inclusion of the Company shares in WIG 20, the blue-chip index of the Polish exchange market, testified to the Company's excellent condition and to the correctness of its development strategy and business plans. This is the most reliable evaluation of the Company, as it is performed by the capital market. As the stock-exchange requirements are very strict, our ability to comply with them demonstrates our prowess in conducting business in a competitive environment, while being one of the cornerstones on which the Company value is built.

Finally, we need to mention our dynamic market activity manifest in the acquisition of the Esso and Slovnaft service stations and the launch of a new fleet card program. We are facing a new challenge now, namely the network consolidation process, adoption of uniform management standards and rebranding of the stations. I deeply believe that we will be able address this challenge successfully. It is our intention that by the end of the year all newly acquired service stations will be operating under the logo of the LOTOS Group. We have every reason to believe that the target 10%-12% share in the retail market will be achieved in 2009 or 2010.

Other noteworthy developments are the upgrading work at the Gdańsk refinery, designed to expand the annual production capacity to 6m tonnes of oil, and the advancement in preparatory work preceding implementation of the Comprehensive Technical Upgrade Programme of Grupa LOTOS S.A. Based on the tasks we have completed in this area to date, we can say that the proper dimensions of the project have become clearly visible. The Programme ranks as one of the largest investment projects in the Polish economy. Its implementation will increase the company value of Grupa LOTOS S.A. at the same time improving the Polish energy security. If you consider also the new bitumen production units, the aviation fuel production unit and the new fuel terminal, you will obtain a full picture of the major factors which contributed to our last year's string of successes.

By implementing the goals envisioned for the Company – raising the quality of its product offering, customer service and management, and by implementing the development programme valued at PLN 5.3bn, we will become a stronger, more cutting-edge and competitive company on the demanding oil market.

We have adopted a number of priorities to guide us in our efforts. The key priority consists in creating shareholder value. We have also assumed that the development of Grupa LOTOS S.A. will not take place at the expense of the natural environment and that we will ensure its conformity with the most stringent EU environmental requirements. We perceive it not only as an element of corporate social responsibility, which we seek to observe, but also as a path to strengthening our market position. We are aware that "green" oil companies are favoured by customers, and have access to solutions facilitating investments and supporting development programmes.

We have no doubts that Grupa LOTOS S.A. will rise to the difficult challenges it is now facing, to earn the reputation of a modern, competitive company with a high-quality offering both in Poland and internationally. We have won the respect of our Customers and Partners. Our business is conducted in a transparent manner.

We are building the strength of Grupa LOTOS S.A. because we believe that it serves the interests of our Customers, Shareholders and Poland.

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