



**Consolidated Financial Results
of the LOTOS Group
Q1 2008 (IFRS)**

Paweł Olechnowicz – President of the Management Board

15 May 2008

- **Summary**
- Major Events
- Operational Information
- Overview of Financial Results
- Supplementary Data

Summary

Market Conditions in Q1 2008



Crude oil prices and Brent/Ural differential*

- The market conditions for refining in Q1 2008 were worse than both in Q4 2007 and Q1 2007.
- The average Brent crude oil price of 96.71 USD/bbl – an increase of 9.3% in comparison to Q4 2007 and 67.4% versus Q1 2007.
- The average benchmark Brent/Ural* differential of 3.37 USD/bbl – an increase of 10.9% against Q4 2007 and a decrease of 1.2% versus Q1 2007.
- The average benchmark refining margin of 4.44 USD/bbl – a decrease of 14.6% versus Q4 2007 and a decrease of 6.8% in relation to Q1 2007.
- The USD/PLN FX rate fell by 5.5% versus Q4 2007 and 19.4% versus Q1 2007.

*Benchmark

Data for Q4 2007 and Q1 2008* Q4 2007 Q1 2008 Change

• Brent (USD/bbl)	88.45	96.71	9.3%
• Ural (USD/bbl)	85.41	93.35	9.3%
• Brent/Ural differential** (USD/bbl)	3.04	3.37	10.9%
• Benchmark refining margin (USD/bbl)	5.20	4.44	-14.6%
• USD/PLN	2.53	2.39	-5.5%

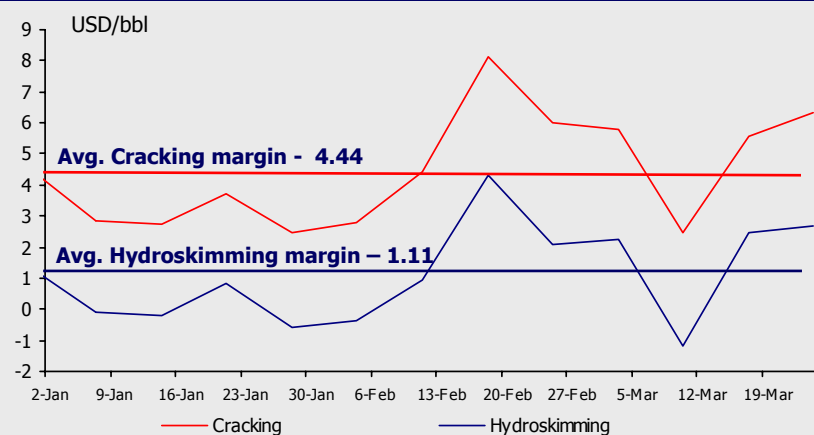
* Average for period **Benchmark

Data for Q1 2007 and Q1 2008* Q1 2007 Q1 2008 Change

• Brent (USD/bbl)	57.76	96.71	67.4%
• Ural (USD/bbl)	54.36	93.35	71.7%
• Brent/Ural differential** (USD/bbl)	3.41	3.37	-1.2%
• Benchmark refining margin (USD/bbl)	4.77	4.44	-6.8%
• USD/PLN	2.96	2.39	-19.4%

* Average for period **Benchmark

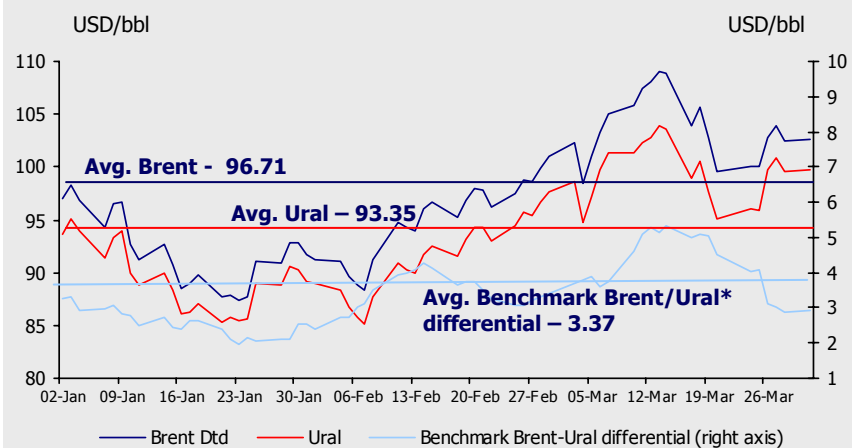
Benchmark refining margin* in Q1 2008



* Rotterdam Brent, weekly averages

Source: PVM

Crude oil prices and Brent/Ural differential* in Q1



*Benchmark

Source: PVM

Summary

Financial Results in Q1 2008



Financial results (IFRS in PLN m, non-audited)

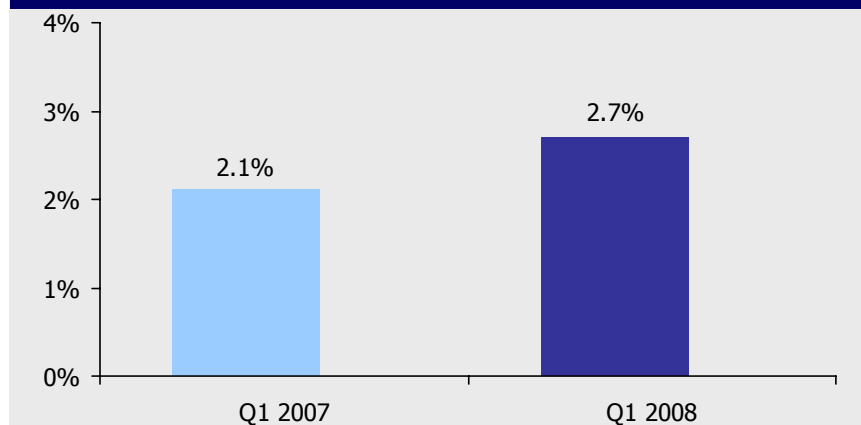
	Q1 2007	Q1 2008	Change
Net Sales	2 543.9	3 561.5	40.0%
EBITDA	127.9	174.3	36.3%
EBIT	52.9	94.7	78.9%
Net profit*	56.0	267.9	378.2%
EBIT (LIFO)	54.8	49.5	-9.7%

* Net profit attributable to shareholders of the dominant entity

Commentary

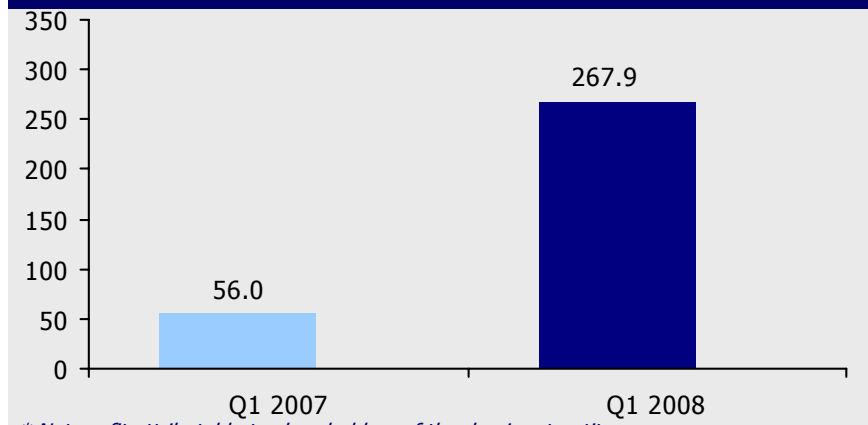
- Factors that impacted the financial results of the LOTOS Group in Q1 2008:
 - An increase of crude oil and product prices.
 - An increase of sales volume of oil products.
 - Costs of building of obligatory fuel reserves.
 - An increase of the PLN versus USD exchange rate.
- The balance of hedging transactions amounted to PLN 128.6 m.

EBIT margin (%)



Source: Grupa LOTOS

Net profit (PLN m)*



* Net profit attributable to shareholders of the dominant entity

Source: Grupa LOTOS

Summary

Operational Data



Operating data in Q1 2007 and Q1 2008			
	Q1 2007	Q1 2008	Δ %
Annual nameplate refining capacity	6 MMTA	6 MMTA	0.0%
Crude oil throughput (k tonnes) ¹	1 504.8	1 542.1	+2.5%
Average capacity utilization rate	101.7%	103.1%	+1.4%
Products sales in total (k tonnes - consolidated)	1 622.0	1 733.0	+ 6.8%
Employment (end of period)	5 605	4 781²	-14.7% ³

1) Processing at Gdańsk Refinery.

2) Including 1 134 people employed in Grupa LOTOS S.A.

3) Decrease in comparison to Q1 2007 related to ongoing process of the restructuring at LOTOS Paliwa and LOTOS Jasło.



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Crude oil production

- In Q1 2008 crude oil and natural gas were produced from the B3 and the B8 oil fields.
- The total production amounted to 71.7 k tones of crude oil and 8.1 m m³ of natural gas.
- The total production of crude oil in Q1 2008 was sent to the Gdańsk refinery whereas the natural gas produced from the B3 oil field was sent to the Energobaltic power plant in Władysławowo.
- In Q1 2008 the LOTOS Group purchased 51.3 k tonnes of crude oil produced by Petrobaltic.
- The Gdańsk refinery processed 55.0 k tonnes of Petrobaltic crude oil „Rozewie”.
- In Q1 2008 the drilling of a new well in the B8 field was initiated.



Major Events

Refining – implementation of the 10+ Programme



Implementation of contracts and obtaining debt financing

- In Q1 2008 the LOTOS Group focused on implementation of contracts, further contracting and arranging of financing for the 10+ Programme.
 - **Crude oil distillation unit (CDU/VDU) – the following contracts were signed:**
 - With SARENS for installation of heavy devices.
 - With Polimex/Naftoremont for installation of pipelines and devices.
 - With Elektromontaż Gdańsk for realization of works in electric branch and controlling and automation branch.
 - **Other activities:**
 - Kellog Brown & Root (KBR) continued works on revision of the ROSE basic design. Further tests connected with production were performed.
 - The engineering design and execution of orders for the main equipment were continued.
 - All the projects were performed in accordance with the budget and investment schedule.
 - In March a cargo insurance for years 2008-2010 was signed.
 - **Preparation for financing the 10+ Programme:**
 - January and February: binding bank offers in terms of financing were received.
 - The 20th February: the Extraordinary General Meeting adopted a resolution allowing for establishing security for financing of the 10+ Programme.

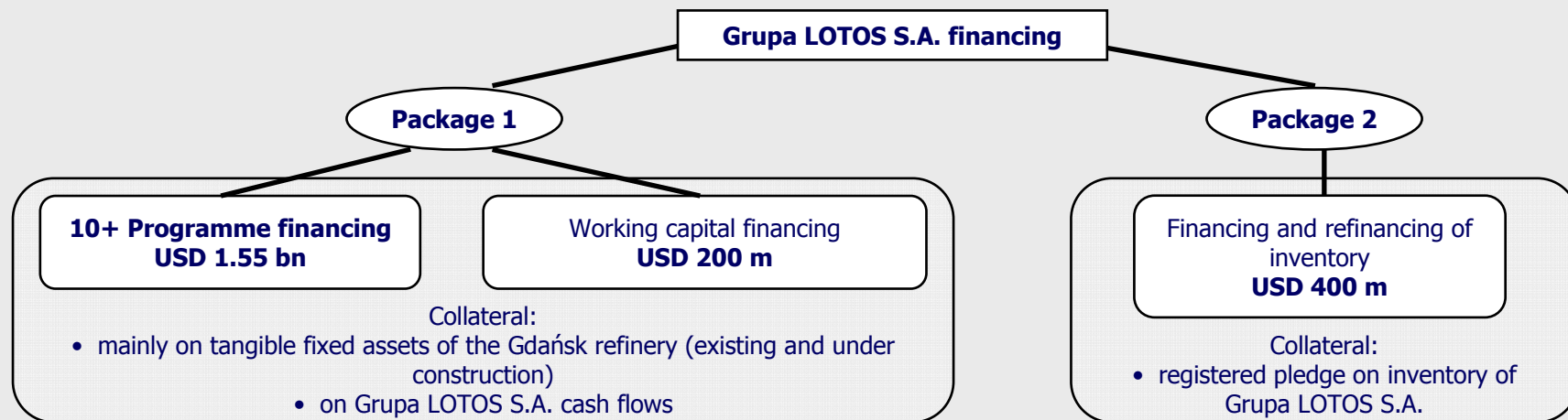
Major Events

Refining - financing and security structure of the 10+ Programme



Conceptual framework for securing Grupa LOTOS S.A. capital requirements

- The financing concept consists of two separate loan facilities replacing all currently accessible credit lines:
 - The 10+ Programme long-term financing and working capital financing secured by assets of the Gdańsk refinery (existing installations and installations under construction).
 - Inventory financing security based on a registered pledge on the Grupa LOTOS S.A. inventory.



- Separation of lending, apart from the differing subject of the financing, is economically justified: separate financing for inventory is less expensive (lower commissions and margins) as compared to a single large long-term financing package.

Major Events

Retail



PROSTA Project implementation in Q1 2008

- In Q1 2008 activities of the LOTOS Group focused on restructuring of the petrol stations network and implementation of new products.
 - Implementation of the NAVIGATOR loyalty programme.
 - Continuation of the modernisation programme of new Dynamic petrol installations.
- In Q1 2008 the LOTOS Group continued expansion of the DOFO network.
 - As of 31 March 2008 the LOTOS Group had 72 DOFO stations and 91 DOFO partner agreements signed.
 - 2 stations joined the „LOTOS Family“ DOFO Commercial Partnership programme.
- As of 31 March 2008 the LOTOS Group had 141 DODO stations.

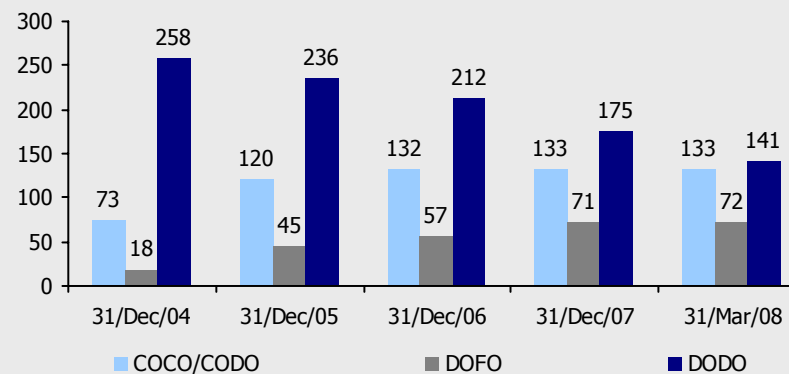
Number of stations in LOTOS network

As of 31 March 2008

COCO/CODO	133
DODO	141
DOFO	72 (91*)
Total	346

* Number of signed partnership agreements

Source: Grupa LOTOS



Source: Grupa LOTOS

Restructuring and development of the Southern Refineries

- In Q1 2008 restructuring and integration of LOTOS Czechowice S.A. and LOTOS Jasło S.A. into the LOTOS Group were continued.
- In February 2008 the Grupa LOTOS adopted a resolution on the acceptance of directions and ways of restructuring of Grupa LOTOS assets, acquired with the Southern Refineries.

LOTOS Czechowice

- LOTOS Biopaliwa Sp. z o.o. was performing test production on the FAME production installation.
- The project of revitalisation of furfural and ABT production installations belonging to LOTOS Czechowice was initiated in cooperation with an external investor.

LOTOS Jasło

- Ground works for building a tar paper factory - LOTOS Asphalt were in progress.
- Construction of a plastics regranulation production line was continued (production is planned for Q2 2008).

LOTOS Park Technologiczny

- LOTOS Park Technologiczny Sp. z o.o. continued the process of transferring its assets to other LOTOS Group companies and external investors. The negotiations on selling the Terpene Unit to an external investor were concluded.

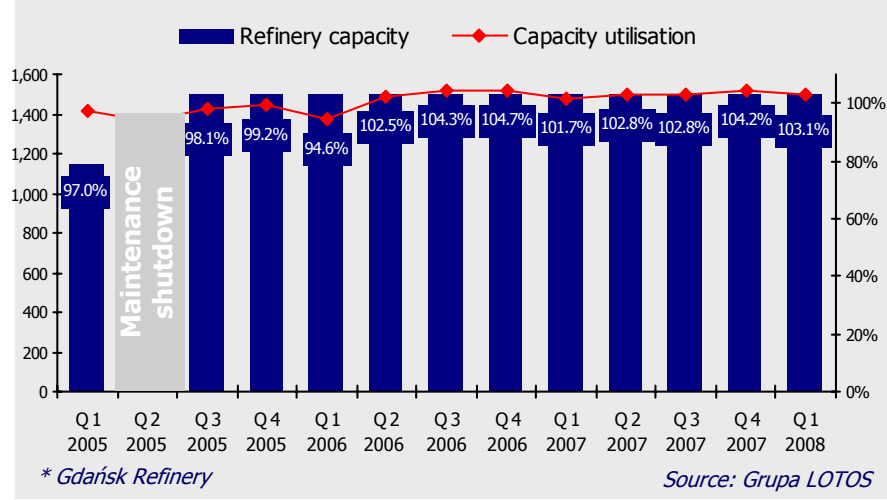
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Operational Information

Capacity, Throughput and Sales



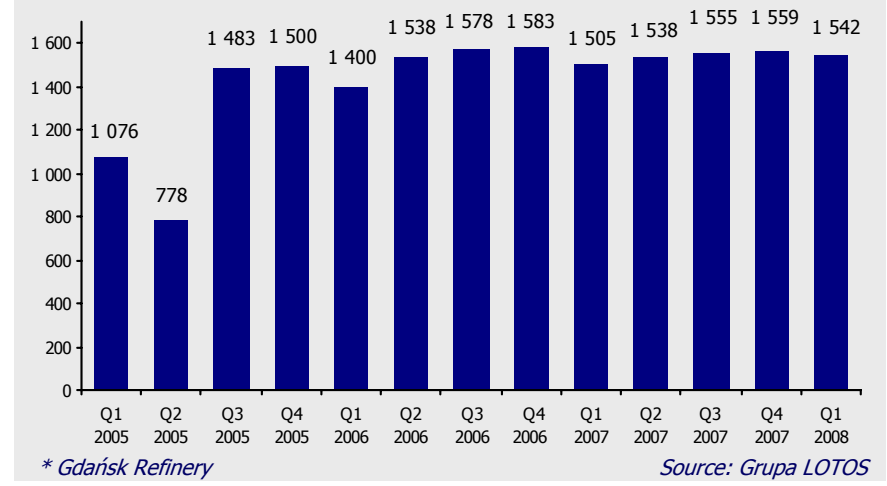
Capacity utilisation (in 000 tonnes p.a.)*



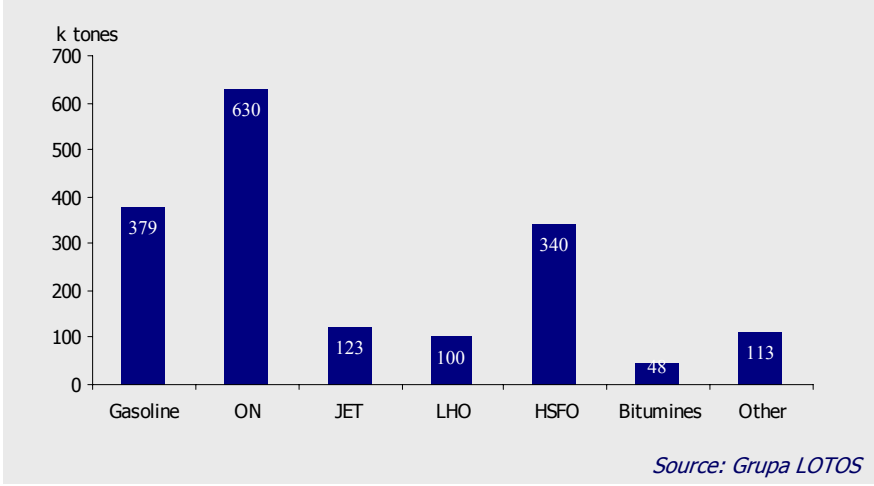
Commentary

- Due to high demand for LOTOS Group products, the capacity utilization rate in Q1 2008 amounted to 103.1%*.
 - In Q1 2008 throughput of crude oil at the Gdańsk refinery amounted to 1 542.1 k tonnes and was at the similar level as in Q4 2007.
 - Total sales of products and goods in Q1 2008 amounted to 1 733.0 k tonnes and was 10.4% lower in relation to Q4 2007.
 - Processing of Ural crude oil accounted for 95.3%, crude oil ROZEWIE supplied by Petrobaltic – 3.6%, crude oil FORTIES – 1.0% and crude oil VOLVE – the remaining 0.1% of total throughput.
- * Gdańsk Refinery

Crude oil throughput (in 000 tonnes)*

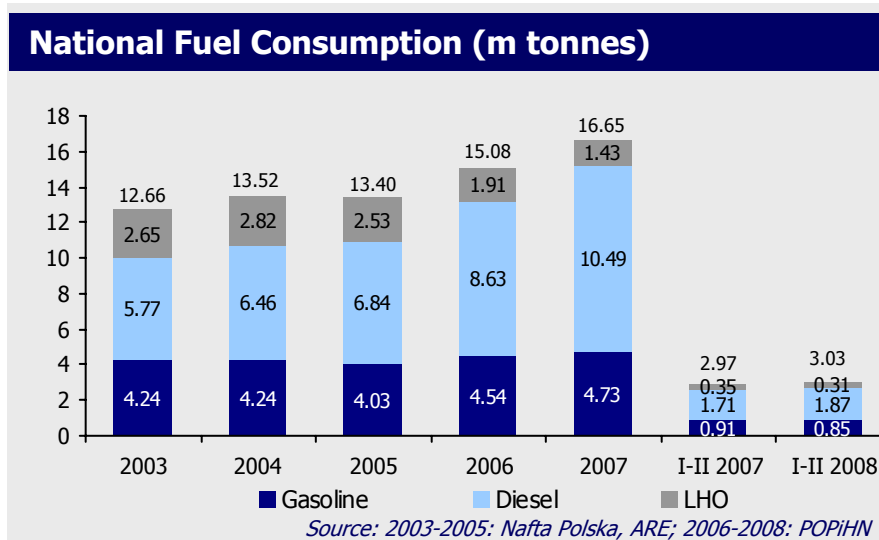


Sales of products and goods (Q1 2008)



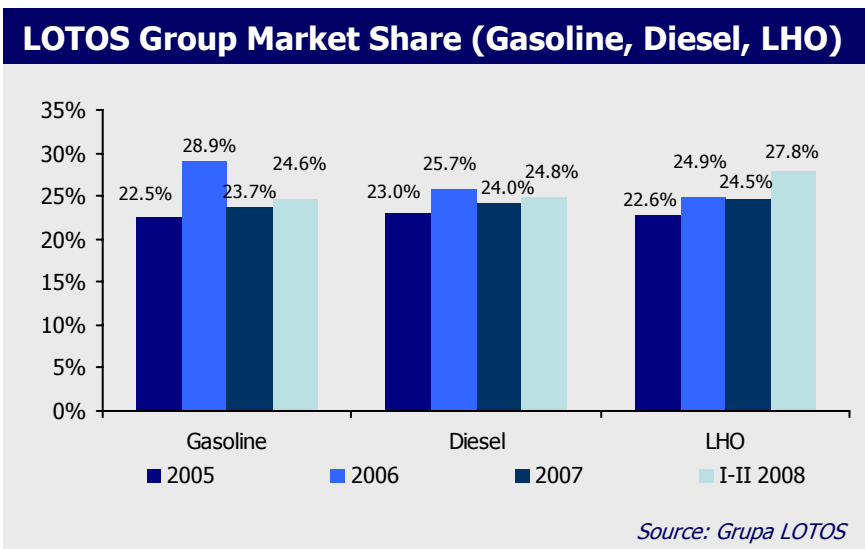
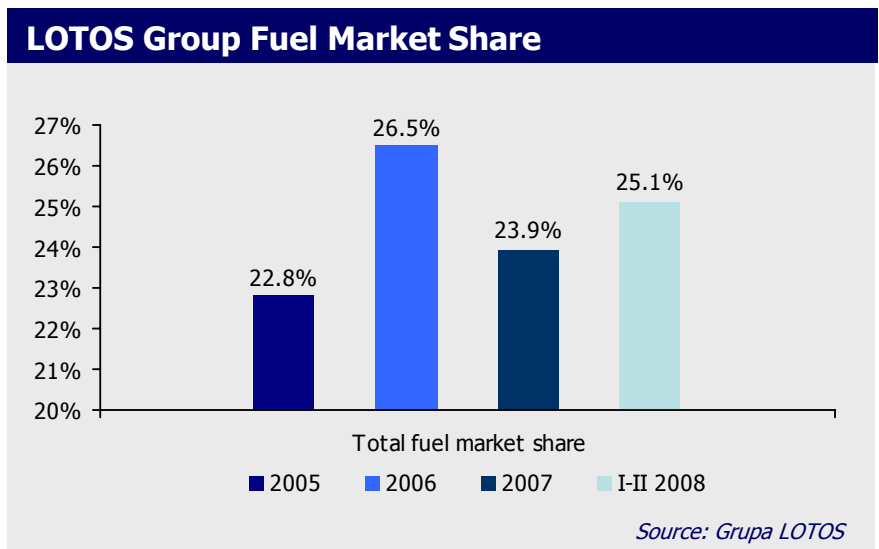
Operational information

Market Share



Commentary

- Consumption of fuels in Poland in January and February 2008 amounted to 3.03 m tonnes and grew by 1.9% comparing to the analogous period of 2007.
- After 2 months of 2008 the total fuel market share of the LOTOS Group amounted to 25.1% versus 23.9% in 2007.
 - Gasoline market share amounted to 24.6%.
 - Diesel market share amounted to 24.8%.
 - LHO market share amounted to 27.8%.



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Overview of Financial Results

Profit & Loss Account for Q1 2007 and Q1 2008 (unaudited)



IFRS (in PLN m)	Q1 2007	Q1 2008	Δ %
Net sales	2 543.9	3 561.5	40.0%
Cost of sales	2 267.0	3 214.1	41.8%
Gross profit	276.9	347.4	25.5%
Other operating revenue	34.0	4.9	-85.5%
Sales costs	168.4	161.1	-4.4%
Administration expenses	73.0	87.3	19.6%
Other operating costs	16.5	9.2	-44.1%
EBITDA	127.9	174.3	36.3%
Operating profit (EBIT)	52.9	94.7	78.9%
Financial revenue	38.2	398.2	942.0%
Financial costs	10.2	142.8	1 295.6%
Pre-tax profit	80.9	350.1	332.7%
Income tax	18.1	71.3	294.8%
Net profit from continued operations	62.8	278.8	343.6%
Net profit*	56.0	267.9	378.2%

* Net profit attributable to shareholders of the dominant entity

Commentary
<ul style="list-style-type: none"> Net sales amounted to PLN 3 561.5 m, increasing by 40.0% comparing to Q1 2007, mainly due to higher crude oil and crude oil products net sales price and an increase of sales volume of oil products. Cost of sales amounted to PLN 3 214.1 m, increasing by 41.8% comparing to Q1 2007. Gross profit increased by PLN 70.5 m i.e. by 25.5% comparing to Q1 2007, to the level of PLN 347.4 m, mainly due to: <ul style="list-style-type: none"> LHO, Diesel and JET margins increase. Sales volume increase. Sales costs decreased by 4.4% in comparison to Q1 2007. Operating profit amounted to PLN 94.7 m and was higher by 78.9% in relation to Q1 2007. Net result on financial activity amounted to PLN 255.4 m reaching such a high level due to hedging transactions of refining margin risk and currency exchange during the 10+ Programme realisation. Net profit attributable to shareholders of the dominant entity in Q1 2008 amounted to PLN 267.9 m.

Overview of Financial Results

Balance Sheet as of 31.12.2007 and 31.03.2008 (unaudited)

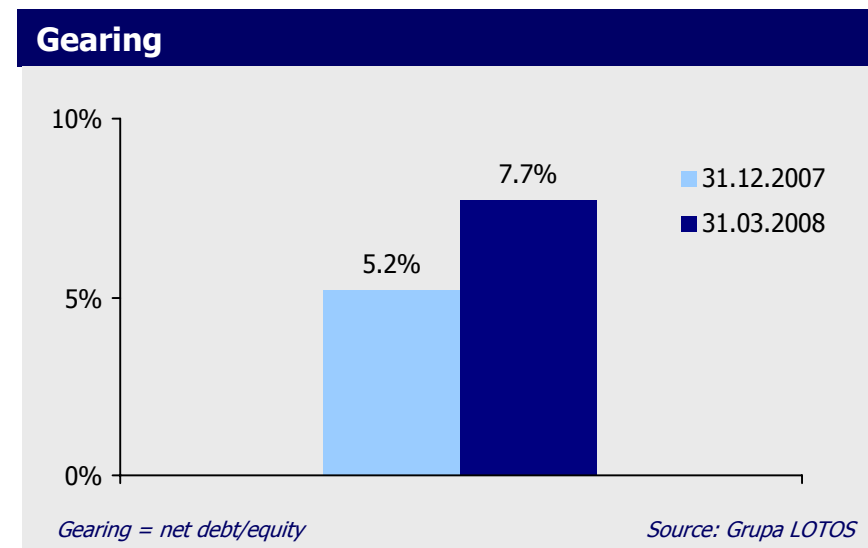
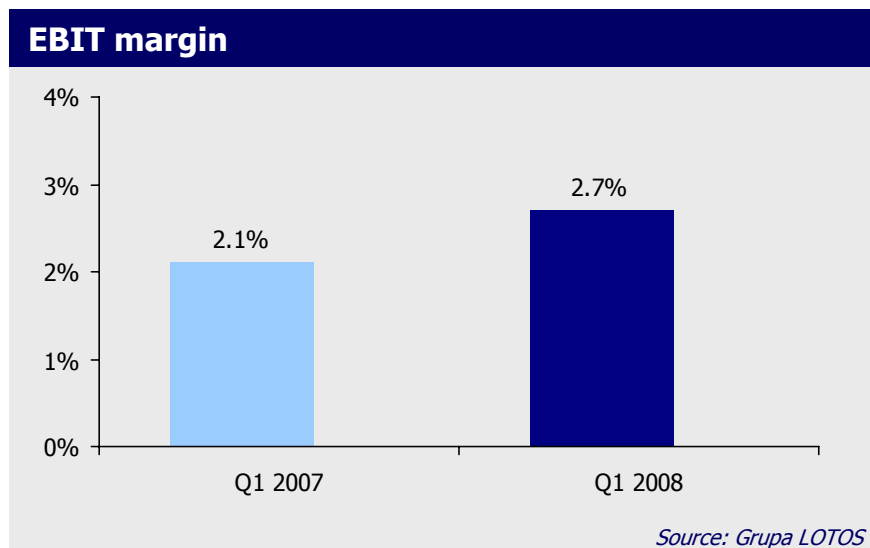
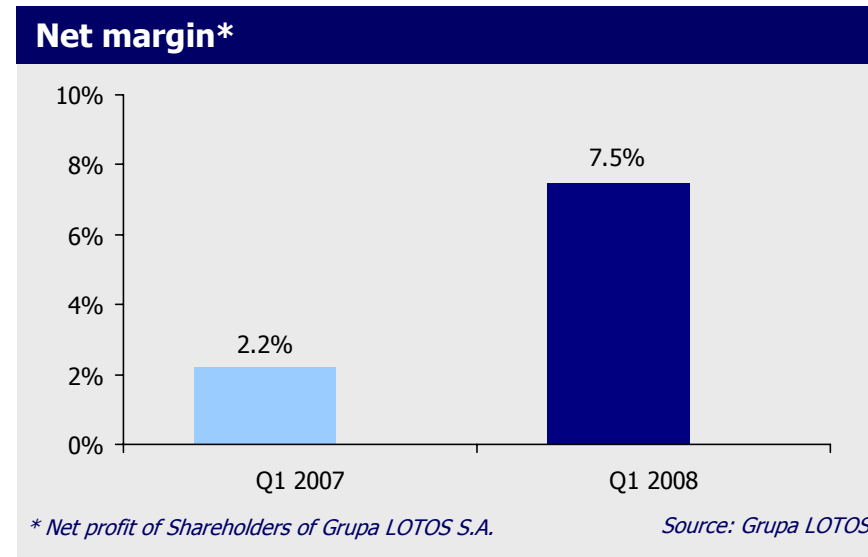
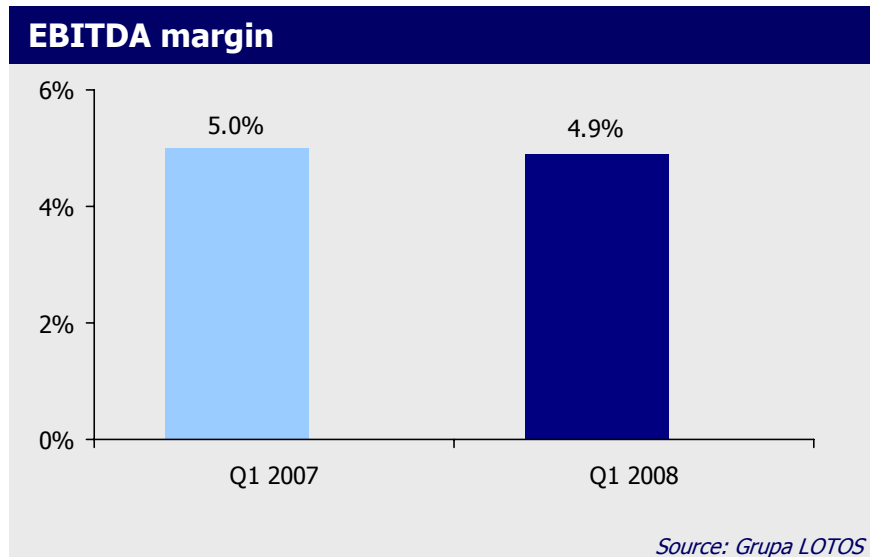


IFRS (in PLN m)	31.12.07	31.03.08	Δ %
Assets	9 720.4	10 128.7	4.2%
Fixed assets	4 508.1	4 876.3	8.2%
Tangible fixed assets	3 471.2	3 563.3	2.7%
Current assets	5 208.0	5 249.5	0.8%
Inventories	2 589.3	2 881.2	11.3%
Receivables	1 542.5	1 458.8	-5.4%
Short-term investments	119.3	50.0	-58.1%
Cash and equivalents	925.0	809.5	-12.5%
Equity & Liabilities	9 720.4	10 128.7	4.2%
Shareholders equity	6 150.9	6 426.1	4.5%
Long-term liabilities	1 215.6	1 360.2	11.9%
Short-term liabilities	2 353.8	2 342.4	-0.5%
including financial debt	1 365.0	1 354.4	-0.8%

Commentary
<ul style="list-style-type: none"> Growth in the value of assets to PLN 10 128.7 m as of 31 March 2008 in comparison to 31 March 2007 resulted from: <ul style="list-style-type: none"> An increase of crude oil and oil products prices. An increase of inventories by PLN 291.9 m. Due to continuation of the implementation of the 10+ Programme there was a significant increase in fixed assets including prepayments for fixed assets under construction (total increase of PLN 281.7 m). Cash, equivalents and short-term investments decreased by 17.7% and amounted to PLN 859.5 m. Change in shareholders equity by PLN 275.2 m resulted mainly from an increase in retained earnings by PLN 267.9 m. Long-term liabilities increased by 11.9% to the level of PLN 1 360.2 m, mainly due to an increase of the value of long-term debt and loans. Short-term liabilities decreased by PLN 11.4 m, i.e. by 0.5% to the amount of PLN 2 342.4 m.

Overview of Financial Results

Financial Ratios for Q1 2007 and Q1 2008



Overview of Financial Results

Hedging transactions



Hedging transactions as of 31 March 2008 (PLN 000)		
	Closed positions	Open positions (market value)
Hedging of refining margin (full barrel swap)	+ 8 982	- 71 625
Hedging of currency exchange, including:	+ 251 795	- 60 423
Futures transactions	- 236	+ 1 237
Forward contracts	+ 252 031	- 61 660
Hedging of interest rate (FRA)	0	- 123
Total	+ 260 777	- 132 171

Hedging transactions

- In order to limit market risk during the 10+ Programme implementation period LOTOS Group entered into a number of hedging transactions on the following instruments:
 - full barrel swap (hedging of the refining margin),
 - forward and futures (hedging of the currency exchange),
 - Forward Rate Agreement (hedging of the interest rate).
- The high volume of transactions is a consequence of a significant exposure resulting from the high value of debt and CAPEX related to the instruments.
- The value of hedging transactions realised at the end of Q1 2008 amounted to PLN 260.8 m and the market value of open positions at the end of Q1 2008 amounted to PLN -132.2 m. The balance of hedging transactions as of 31 March 2008 amounted to PLN 128.6 m.

Overview of Financial Results

Operating Profit in Areas of Operations in Q1 2008



Areas of operations (PLN m)

	Areas of operations							
	E & P		Refining & trade		Retail stations		Other operations	
	Q1' 07	Q1' 08	Q1' 07	Q1' 08	Q1' 07	Q1' 08	Q1' 07	Q1' 08
Sales	77	81	2 504	3 514	235	339	98	101
Interarea sales	70	81	207	301	-	-	93	92
External sales	7	-	2 297	3 213	235	339	5	9
Operating costs	-45	-46	-2 498	-3 454	-249	-348	-92	-100
Adjustments	12	7	13	2	1	-	-3	-1
Operating profit	44	42	19	62	-13	-9	3	-
Depreciation	12	13	53	55	8	9	2	3
EBITDA	56	55	72	117	-5	0	5	3

Commentary

- The operating activity of the LOTOS Group is divided into four areas of operations: exploration & production, refining & trade, retail stations and other operations that include transport and maintenance.
- Factors impacting the operating profit in individual areas of operations in Q1 2008:
 - E&P – production from the B-3 and the B-8 oil fields, high crude oil prices.
 - Refining & trade – ambiguous market conditions: an increase of sales volume, oil products prices and margins of LHO, Diesel and JET petrol with a simultaneous decrease of an average refining margin, worsening of Ural crude oil purchase conditions and an increase of the PLN/USD exchange rate.
 - Retail stations – ongoing restructuring and optimisation of the network structure.

Overview of Financial Results

Operating Profit according to LIFO inventory valuation



Analysis of operating profit			
PLN m	Q1 2007	Q1 2008	Change
Operating profit	52.9	94.7	78.9%
LIFO effect	1.9	-45.2	-2 459.5%
LIFO operating profit	54.8	49.5	-9.7%

Commentary to LIFO results

- Q1 2008 operating profit according to the LIFO inventory valuation method amounted to PLN 49.6 m versus PLN 54.8 m in Q1 2007.
- The influence of the inventory valuation in Q1 2008 resulted in an increase of operating profit by PLN 45.2 m.

Commentary on inventory valuation methods

- In accordance with accepted accounting standards, LOTOS Group performs inventory valuation according to the weighted average acquisition price.
- Application of this inventory valuation method results in a delay in transferring the effects of changes of the price of crude oil in relation to product prices.
- Therefore, appreciation of the price of crude oil on international markets has a positive impact on financial results and depreciation of the price of crude oil has a negative impact on financial results.
- Application of the LIFO (Last In First Out) inventory valuation method allows for direct comparison of financial results between periods where different crude oil price trends were observed.

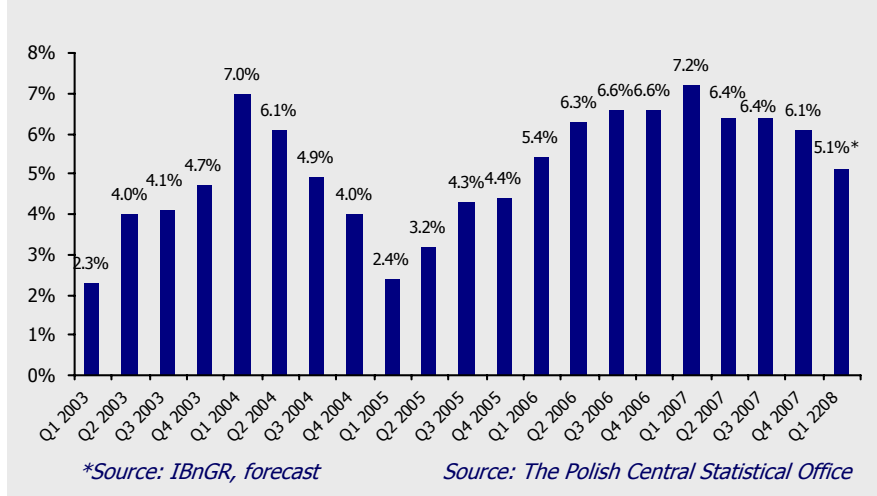
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Supplementary Data

Macroeconomic Environment



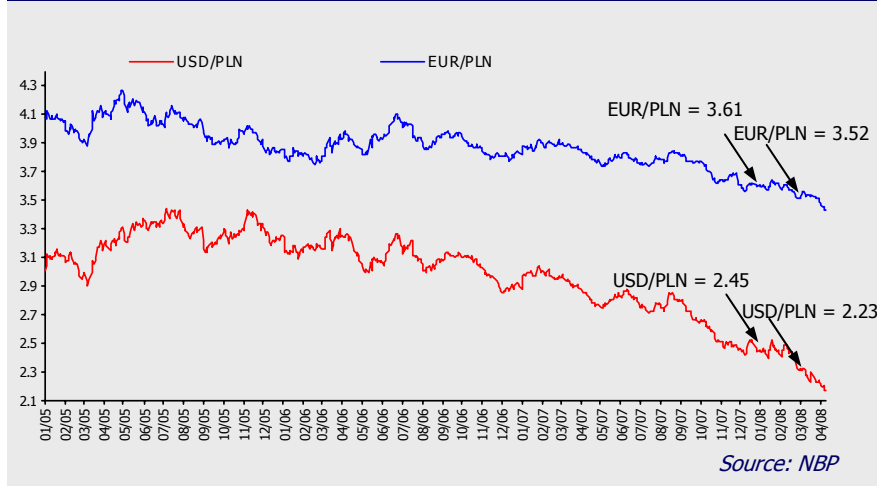
Growth of real GDP (%)



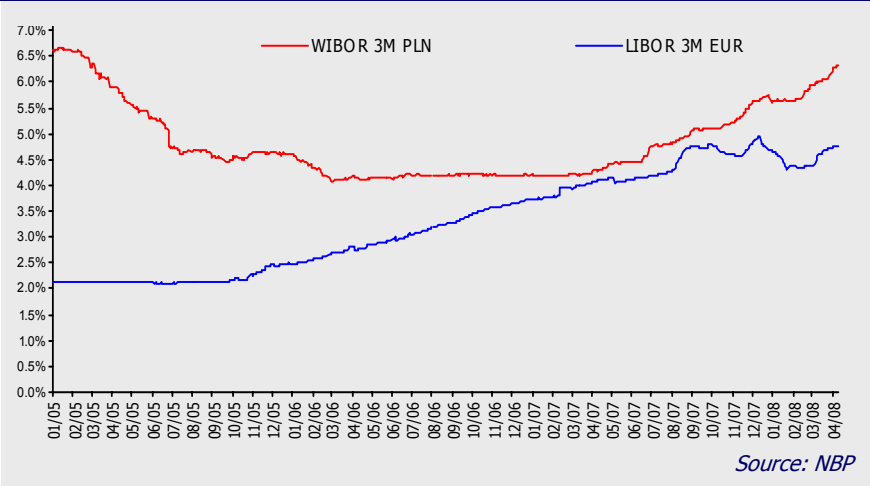
Commentary

- According to the estimates of IBnGR in Q1 2008 GDP real growth amounted to 5.1% as compared to 7.2% in the analogous period of 2007. The estimated 2007 annual GDP growth rate amounts to 6.6%.
- In Q1 2008 the USD/PLN exchange rate ranged from 2.23 to 2.53, and at the end of March 2008 amounted to 2.23. In the same period the EUR/USD exchange rate ranged from 1.44 to 1.58 and at the end of March 2008 amounted to 1.58.
- Increase of the WIBOR 3M rate from 5.70% at the end of December 2007 to 6.15% at the end of Q1 2008.

Foreign exchange rate



Interest rates

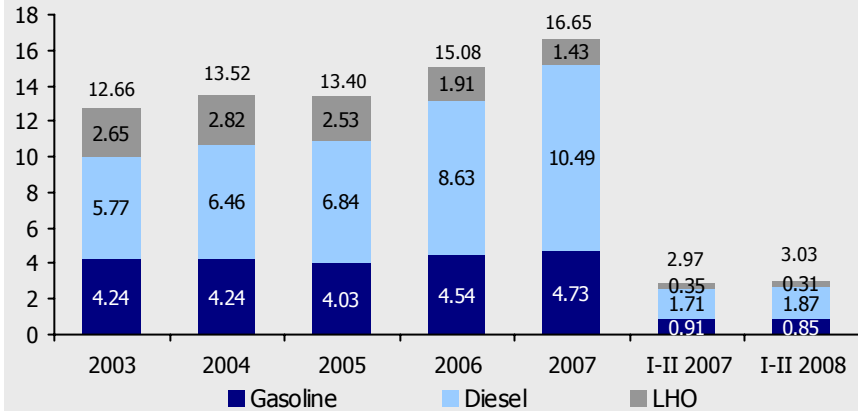


Supplementary Data

Macroeconomic Environment



National Fuel Consumption (m tonnes)

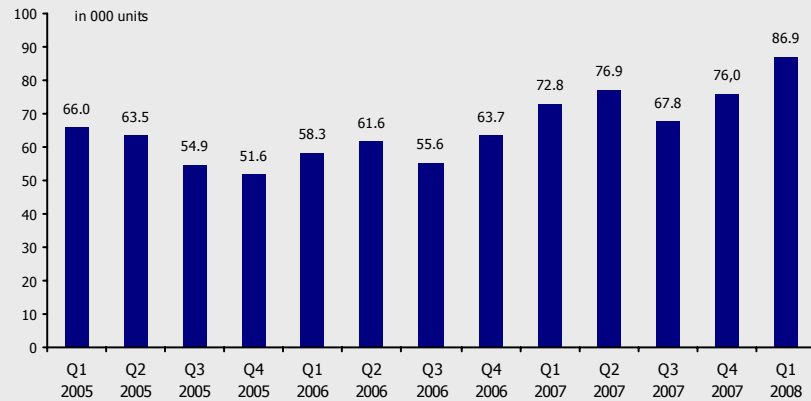


Source: 2003-2005: Nafta Polska, ARE; 2006-2008: POPIHN

Commentary

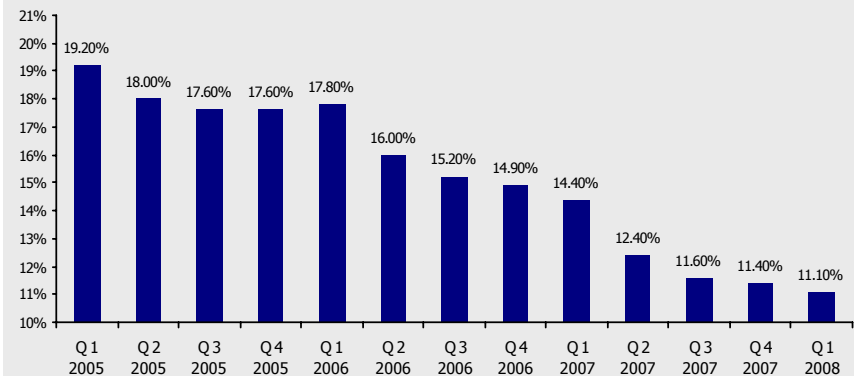
- Consumption of fuels in Poland in January and February in 2008 amounted to 3.03 m tonnes. In comparison to the analogous period of 2007 consumption of Diesel increased by 9.3%. Consumption of gasoline decreased by 6.8%, and consumption of LHO fell by 12.1%.
- Sales of new cars in Q1 2008 amounted to 86 926, which is 19.5% more comparing to analogous period of 2007 and 14.4% more in relation to Q4 2007.
- At the end of March 2008 the number of unemployed amounted to 1.7 m people, which accounted for 11.1% of the economically active population.

Sales of new automobiles



Source: Samar

Unemployment



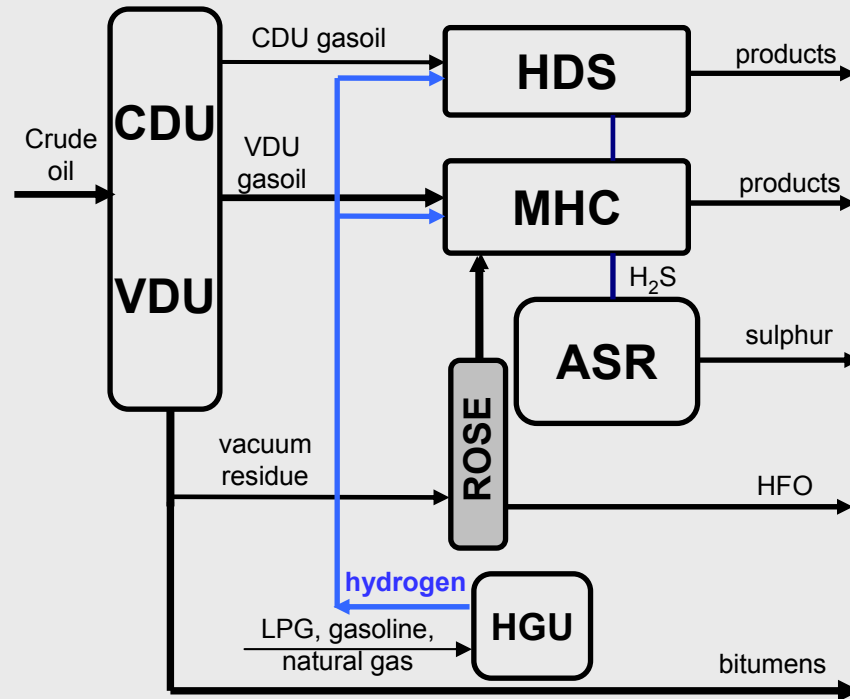
Source: GUS

Supplementary Data

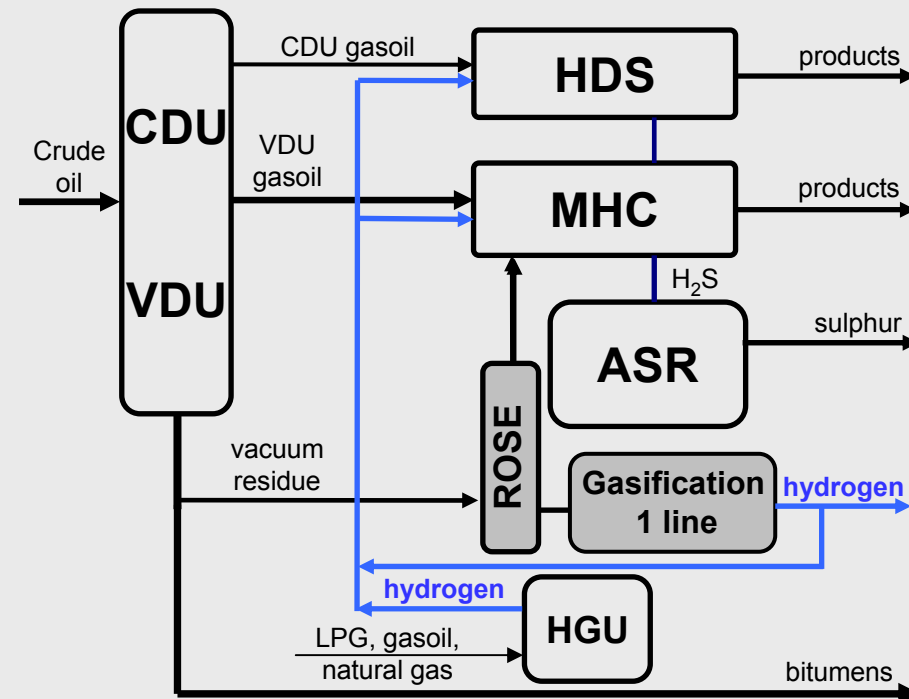
Stages of the 10+ Programme implementation



Stage I



Stage II – following addition of gasification



Key to the installations

CDU – Crude Distillation Unit
 VDU – Vacuum Distillation Unit
 MHC – Mild-Hydrocracking Unit
 HDS – Diesel Hydrodesulphurisation Unit

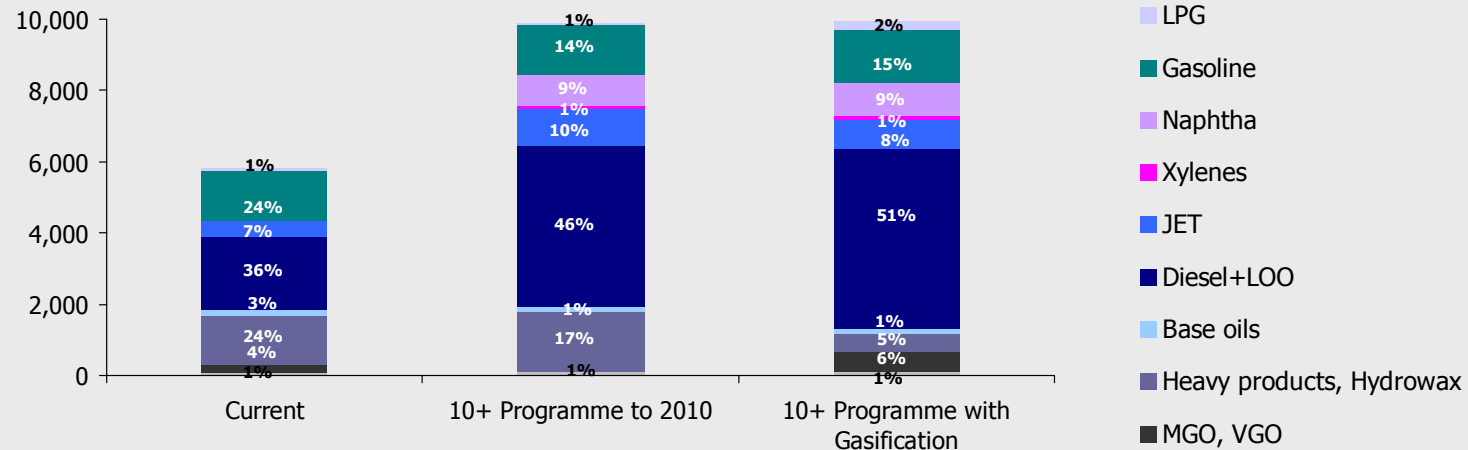
HGU – Hydrogen Generation Unit
 ASR – Amine-Sulphur Recovery Unit
 ROSE – Heavy Residue Processing Unit

Supplementary Data

The 10+ Programme – effects of implementation

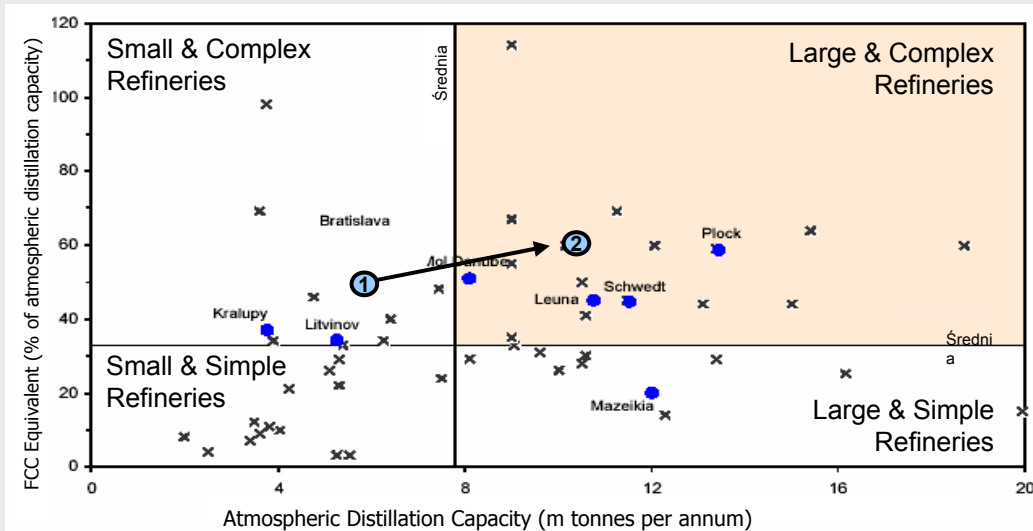


Product portfolio (volume)



Source: Grupa LOTOS

Gdańsk Refinery Competitive Position



Increase of capacity to 10.5 m tonnes p.a.

Deep Conversion – construction of three new units:

- Solvent De-Asphalting (SDA)
- Mild Hydrocracking (MHC)
- Integrated Gasification Combined Cycle (IGCC)

- 1** Current Position
- 2** After Investment

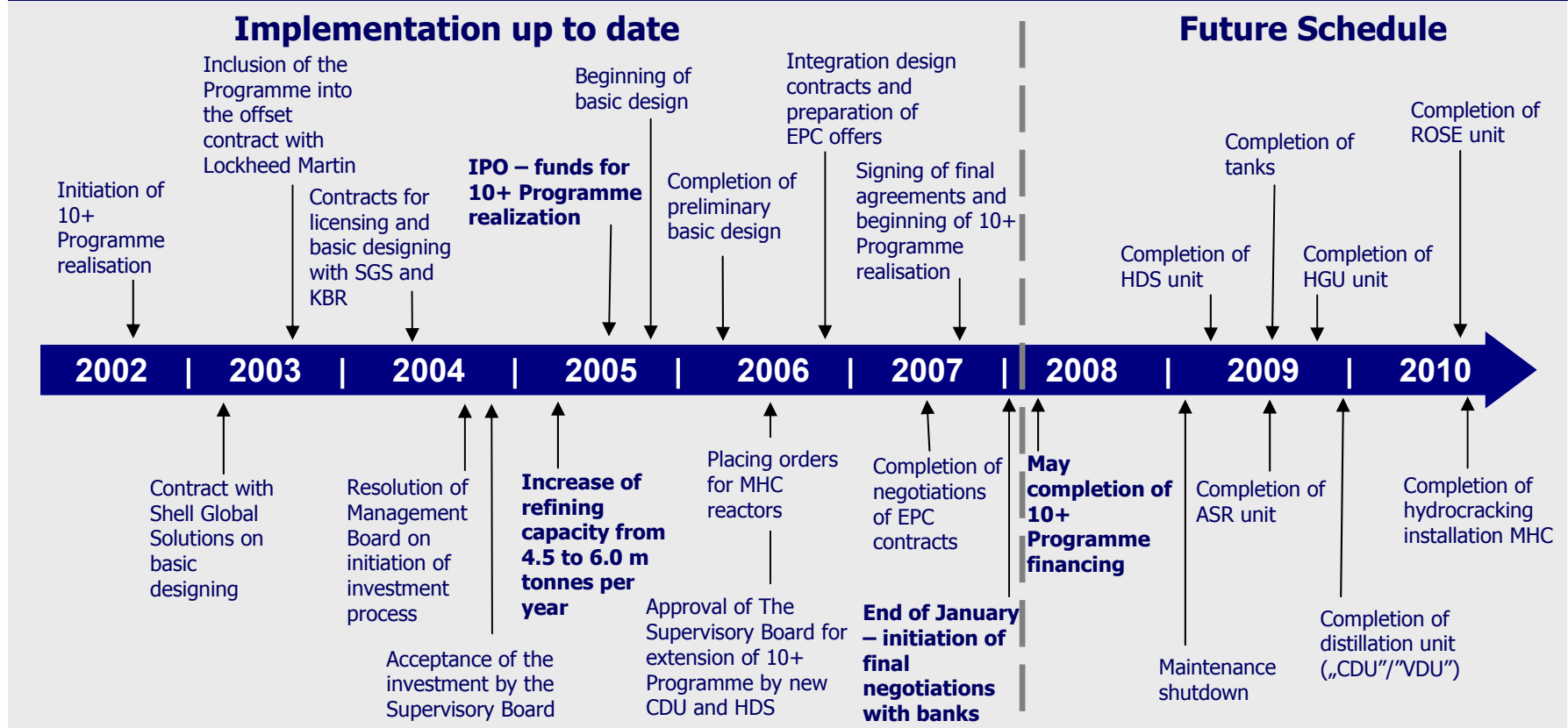
Source: Independent Refinery Project Review, Nextant Chem Systems, Grupa LOTOS

Supplementary Data

The 10+ Programme basic installations will be commissioned by 2010



Schedule of commissioning of the 10+ Programme installations



Commentary

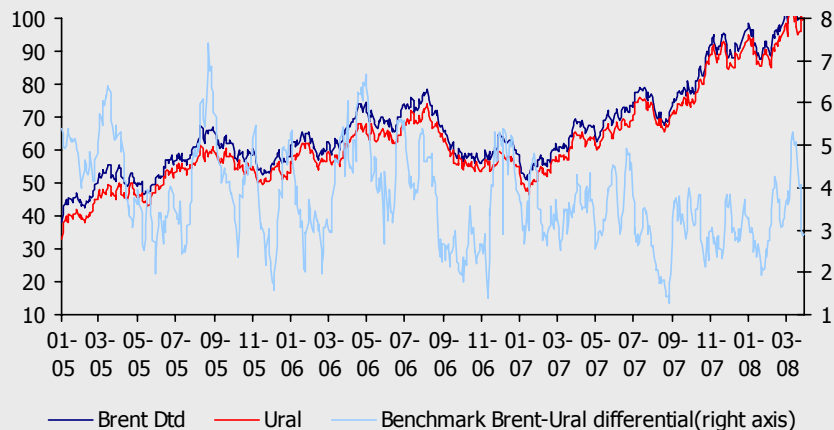
- The implementation of the 10+ Programme is not expected to affect operating activities of the existing Gdańsk refinery installations.
- All interconnections between the new units and the existing refinery are scheduled during the refinery maintenance shutdown in Spring 2009.

Supplementary Data

Market Conditions in Q1 2008



Crude oil prices and Brent/Ural differential (USD/b)



Source: Grupa LOTOS

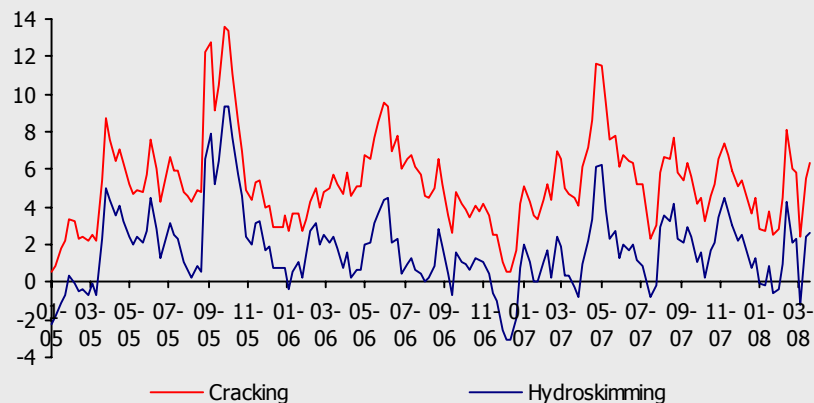
Key values*

	Q1 07	Q1 08	2007
• Brent (USD/bbl)	57.76	96.71	72.39
• Ural (USD/bbl)	54.36	93.35	69.16
• Brent/Ural differential** (USD/bbl)	3.41	3.37	3.23
• Benchmark refining margin (USD/bbl)	4.77	4.44	5.80
Cracks			
• Gasoline (USD/t)	129.12	122.23	162.71
• Diesel (0.005) (USD/t)	112.90	164.12	124.65
• LHO (USD/t)	86.89	148.46	94.93
• JET(USD/t)	155.16	216.32	164.53
• HSFO (USD/t)	-189.73	-288.98	-208.26

* Average for period

**Benchmark

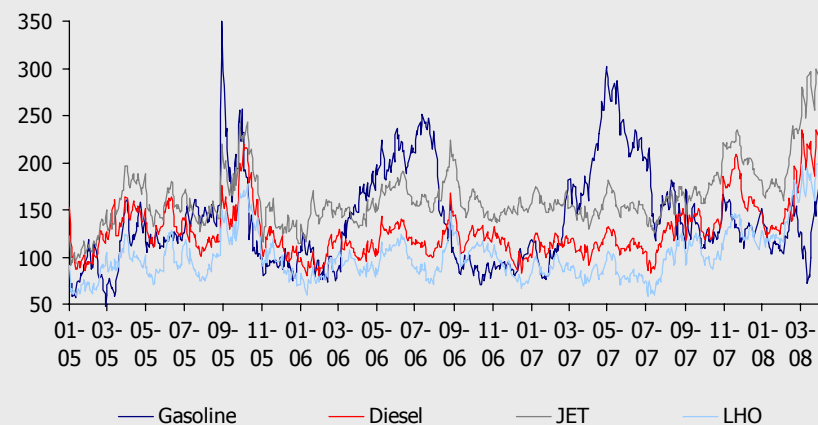
Benchmark refining margin* (USD/bbl)



* Rotterdam Brent

Source: PVM

Cracks (USD/tonne) without HSFO



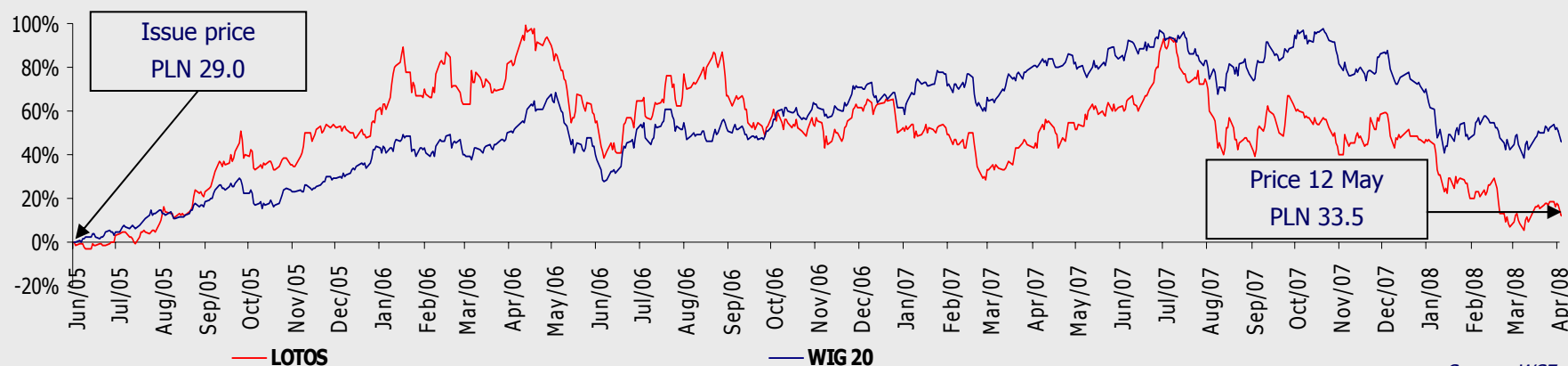
Source: Grupa LOTOS

Supplementary Data

LOTOS Group on Warsaw Stock Exchange



Share price



Source: WSE

LOTOS Group on WSE *

• Market debut data	9 June 2005
• Share issue price	PLN 29.0
• Average daily trading volume	254 990 shares
• Average daily value of trading	PLN 11.2 m
• Value of daily trading to market capitalisation	0.29%
• Issue price capitalisation	PLN 3 297.3 m
• Latest capitalization	PLN 3 809.0 m
• Growth in value since IPO	15.5%

* As of 8 May 2008

LOTOS Group in the WIG20 index

- **LOTOS Group is a member of the WIG20 blue chip stock index as of 16 September 2005**
- **Rank in WIG20*:** **18**
- **Share in WIG20 Cap*:** **1.4%**

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