



**Consolidated Financial Results  
of the LOTOS Group  
Q4 2007 (IFRS)**

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**28 February 2008**

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

# Summary

## Market Conditions in Q4 2007



### Crude oil prices and Brent/Ural differential\*

- The market conditions for refining in Q4 2007 were similar to Q3 2007 and better than in Q4 2006.
- Average Brent crude oil price of 88.45 USD/bbl – an increase of 18.3% in comparison to Q3 2007 and 48.4% versus Q4 2006.
- Average benchmark Brent/Ural differential of 3.04 USD/bbl – an increase of 10.1% against Q3 2007 and a decrease of 13.4% versus Q4 2006.
- Average benchmark refining margin of 5.20 USD/bbl – a decrease of 5.3% versus Q3 2007 and an increase of 75.7% in relation to Q4 2006.
- The USD/PLN FX rate fell by 8.0% versus Q3 2007 and 15.1% versus Q4 2006.

\*Benchmark

### Data for Q3 2007 and Q4 2007\* Q3 2007 Q4 2007 Change

	Q3 2007	Q4 2007	Change
• Brent (USD/bbl)	74.74	88.45	18.3%
• Ural (USD/bbl)	71.98	85.41	18.7%
• Brent/Ural differential** (USD/bbl)	2.76	3.04	10.1%
• Benchmark refining margin (USD/bbl)	5.49	5.20	-5.3%
• USD/PLN	2.75	2.53	-8.0%

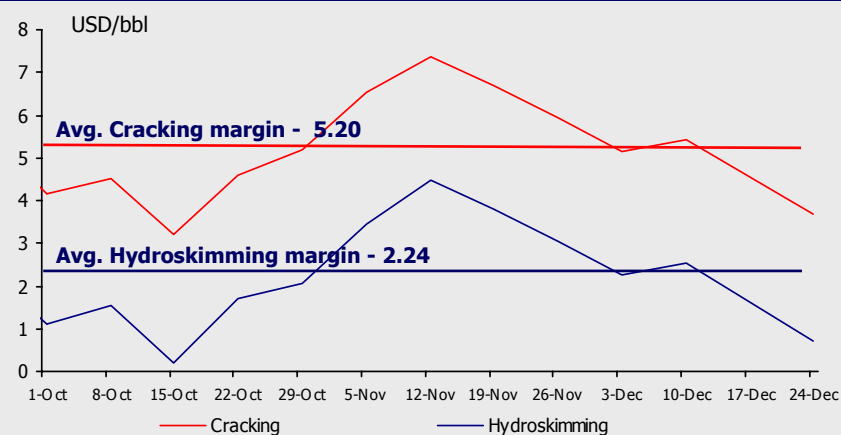
\* Average for period \*\*Benchmark

### Data for Q4 2006 and Q4 2007\* Q4 2006 Q4 2007 Change

	Q4 2006	Q4 2007	Change
• Brent (USD/bbl)	59.60	88.45	48.4%
• Ural (USD/bbl)	56.09	85.41	52.3%
• Brent/Ural differential** (USD/bbl)	3.51	3.04	-13.4%
• Benchmark refining margin (USD/bbl)	2.96	5.20	75.7%
• USD/PLN	2.98	2.53	-15.1%

\* Average for period \*\*Benchmark

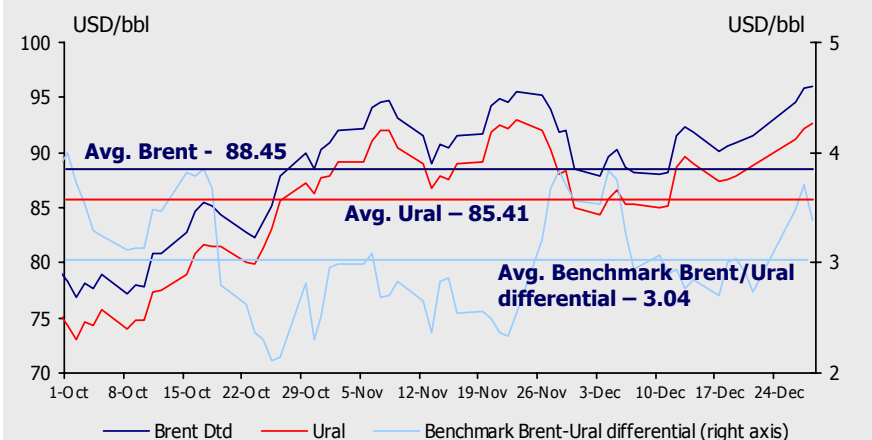
### Benchmark refining margin\* in Q4 2007



\* Rotterdam Brent, weekly averages

Source: PVM

### Crude oil prices and Brent/Ural differential\* in Q4



\*Benchmark

Source: PVM

# Summary

## Financial Results in Q4 2007



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

	Q4 2006	Q4 2007	Change	Q4 2007**	Change
<b>Net Sales</b>	3 151.5	<b>3 987.9</b>	26.5%	3 987.9	26.5%
<b>EBITDA</b>	150.2	<b>242.6</b>	61.5%	367.0	144.3%
<b>EBIT</b>	78.2	<b>158.6</b>	102.8%	283.0	261.9%
<b>Net profit*</b>	99.5	<b>231.2</b>	132.5%	282.3	183.8%
<b>EBIT (LIFO)</b>	247.4	<b>0.5</b>	-99.8%	124.9	-49.5%

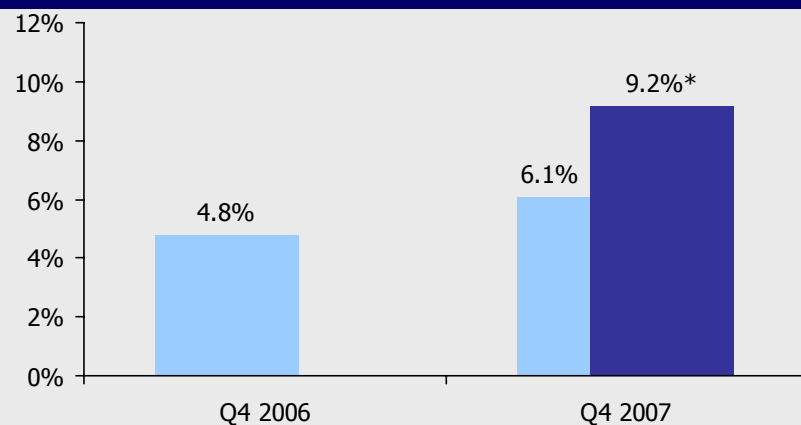
\* Net profit attributable to shareholders of the dominant entity

\*\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs

### Commentary

- Factors that impacted the financial results of the LOTOS Group in Q4 2007:
  - Increase of crude oil and product prices.
  - Average refining margin increase.
  - Cost of building of obligatory fuel reserves.
  - Increase of PLN exchange rate versus USD.
- One off expenses amounted to 56.9 m.

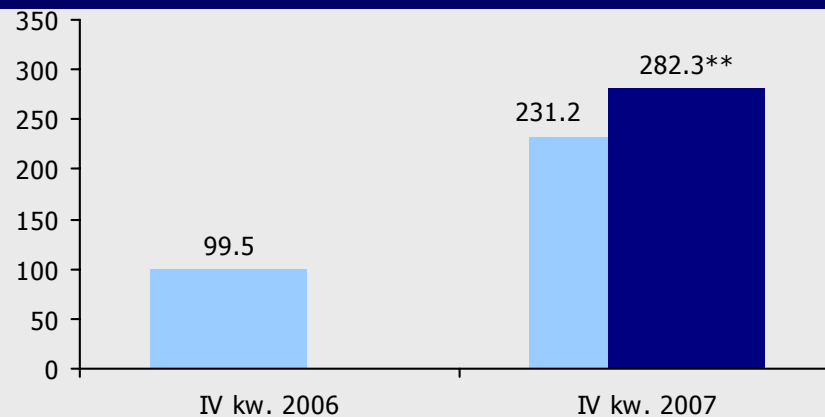
### EBITDA margin (%)



\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs

Source: Grupa LOTOS

### Net profit (PLN m)\*



\* Net profit attributable to shareholders of the dominant entity

\*\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs

Source: Grupa LOTOS

# Summary

## Financial Results (Q1-Q4 2007 cumulative)



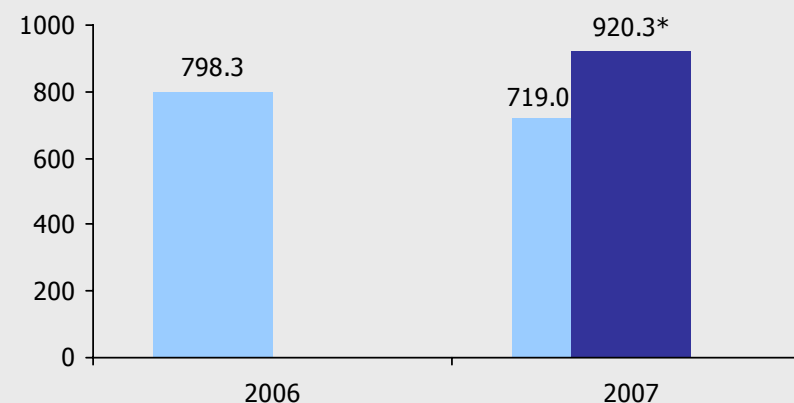
### Results for 2007 (IFRS in PLN m, non-audited)

	2006	2007	Change	2007**	Change
<b>Net sales</b>	12 798.1	13 132.5	2.6%	13 132.5	2.6%
<b>EBITDA</b>	1 095.7	1 030.3	-6.0%	1 231.6	12.4%
<b>EBIT</b>	798.3	719.0	-9.9%	920.3	15.3%
<b>Net profit*</b>	679.9	763.5	12.3%	788.6	16.0%
<b>EBIT (LIFO)</b>	931.3	325.7	-65.0%	527.0	-43.4%

\* Net profit attributable to shareholders of the dominant entity

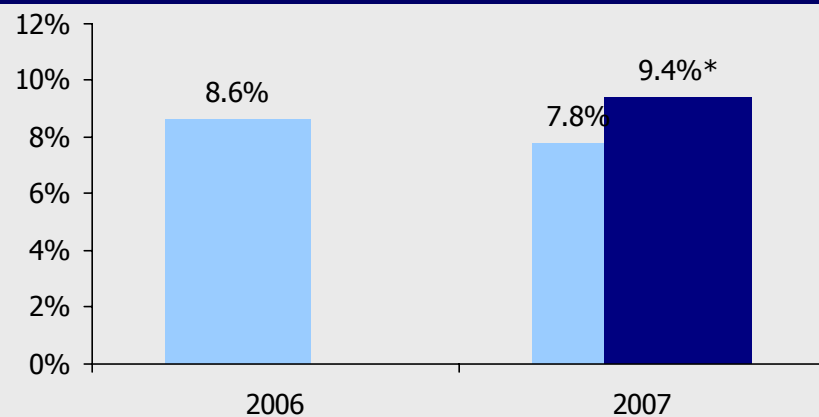
\*\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs

### Operating profit (PLN m)



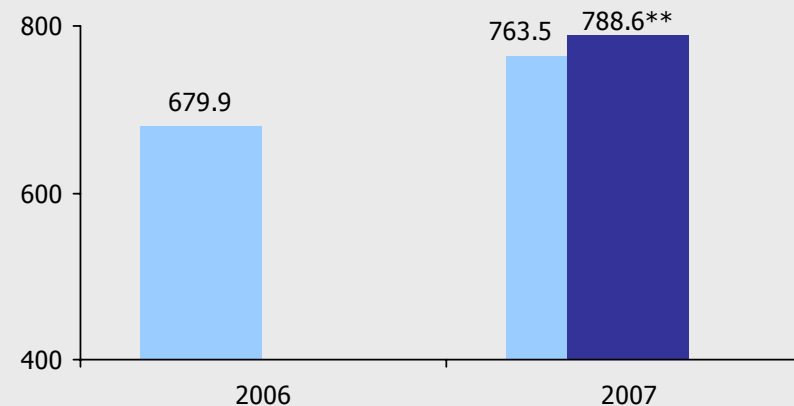
\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs  
Source: Grupa LOTOS

### EBITDA margin



\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs  
Source: Grupa LOTOS

### Net profit (PLN m)\*



\* Net profit attributable to shareholders of the dominant entity  
Source: Grupa LOTOS

## Summary

### One-off and hedging transactions

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#### One-off transactions

- One-off transactions in Q4 2007 included:
  - Valuation impairment related to postponement of construction of the IGCC unit and risk of writing off CAPEX in the amount of PLN 24.1 m.
  - Impairment write-offs related to the purchase of organised parts of businesses of Exxon Mobil Poland and Slovnaft, in the amount of PLN 18.2 m.
  - Other transactions, in the amount of PLN 14.7 m.

#### Hedging transactions

- In order to limit market risk during implementation of the 10+ Programme, in Q4 2007 the LOTOS Group opened hedge positions, that include:
  - full barrel swap (refining margin hedging),
  - forward contracts (exchange rate hedging),
- The hedging transactions relate to 2008 and their volume is a consequence of a considerable currency exposure, related to the debt and CAPEX.
- In 2007 the Company hedged its cash flows and performed financial operations related to operational activities that yielded financial gains in the amount of PLN 67.5 m.

## Summary

### Financial forecast realisation



<b>Forecast of consolidated financial results and actual financial results (IFRS in PLN thousands)</b>			
	<b>Q1-Q4 2007</b>		<b>Forecast realisation</b>
	<b>Actual results</b>	<b>Forecast</b>	
<b>Net sales</b>	<b>13 133</b>	<b>12 935</b>	<b>101.5%</b>
<b>EBIT</b>	<b>719</b>	<b>795</b>	<b>90.4%</b>
<b>Gross profit</b>	<b>984</b>	<b>927</b>	<b>106.2%</b>
<b>Net profit*</b>	<b>764</b>	<b>713</b>	<b>107.1%</b>

*\* Net profit attributable to shareholders of the dominant entity*

**Realisation of financial forecast for Q1-Q4 2007**

- Active marketing strategy and favourable market conditions had a positive impact on financial results generated in four quarters of 2007, that exceeded the verified forecast of consolidated financial results of the LOTOS Group for 2007 presented by the Management Board of Grupa LOTOS S.A. in current report No. 46/2007.

## Summary Operational Data



Operating data in Q4 2006 and Q4 2007, 2006 and 2007						
	Q4 2006	Q4 2007	Δ %	2006	2007	Δ %
<b>Annual nameplate refining capacity</b>	6 MMTA	<b>6 MMTA</b>	0.0%	6 MMTA	<b>6 MMTA</b>	0.0%
<b>Crude oil throughput (k tonnes) <sup>1</sup></b>	1 583.0	<b>1 559.0</b>	- 1.5%	6 098.6	<b>6 156.5</b>	+ 0.9%
<b>Average capacity utilization rate</b>	104.7%	<b>104.2%</b>	- 0.5%	101.6%	<b>102.9%</b>	+ 1.3%
<b>Products sales in total (k tonnes - consolidated)</b>	1 922.0	<b>1 935.0</b>	+ 0.7%	7 049.7	<b>7 116.3</b>	+ 0.9%
<b>Employment (end of period)</b>	5 624	<b>4 764<sup>2</sup></b>	-15.3% <sup>3</sup>	-	-	-



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### Crude oil production

- Production in Q4 2007 from the B3 and B8 oil fields amounted to 44.5 k tonnes of crude oil and 4.9 m m<sup>3</sup> of natural gas.
- Total production of crude oil in Q4 2007 was sent to the Gdańsk refinery and total production of natural gas was sent to the Energobaltic power plant in Władysławowo.
- The LOTOS Group purchased 55.8 k tonnes of crude oil produced by Petrobaltic.
- The Gdańsk refinery processed 49.0 k tonnes of Petrobaltic crude oil „Rozewie”.
- In Q4 2007 the reconstruction of wells in the B3 oil field was completed and production from those wells was initiated.
- Commissioning of the B8 oil field was completed.



## Major Events

### Refining – implementation of 10+ Programme



#### Implementation of contracts and obtaining debt financing

- In Q4 2007 the LOTOS Group focused on implementation of contracts, further contracting and arranging of financing for the 10+ Programme.
  - **Crude oil distillation unit (CDU) with capacity of 4.5 m tonnes/year.**
    - Construction works were initiated.
  - **Other installations:**
    - Contract with Kellogg Brown & Root (KBR) for basic design revision of the ROSE installation was signed.
    - Construction permits for ASR and HGU installations were obtained.
    - 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.
  - **Recruitment**
    - The LOTOS Group continued recruitment programme of new personnel, who will become operators of the new installations.
  - **Obtaining debt financing:**
    - Final due diligence reports of the 10+ Programme (technical, market, insurance and legal analysis) showed positive results.
    - Asset insurance policy for 2008 – 2010 was signed.
    - Contract for USD 400 m worth of credit financing for Grupa LOTOS S.A. inventory was signed with a consortium of four banks: Bank PEKAO S.A., PKO BP S.A, BRE BANK S.A. and RABOBANK Polska S.A.

**Total CAPEX related to 10+ Programme realisation in 2007 amounted to PLN 1,130 m.**

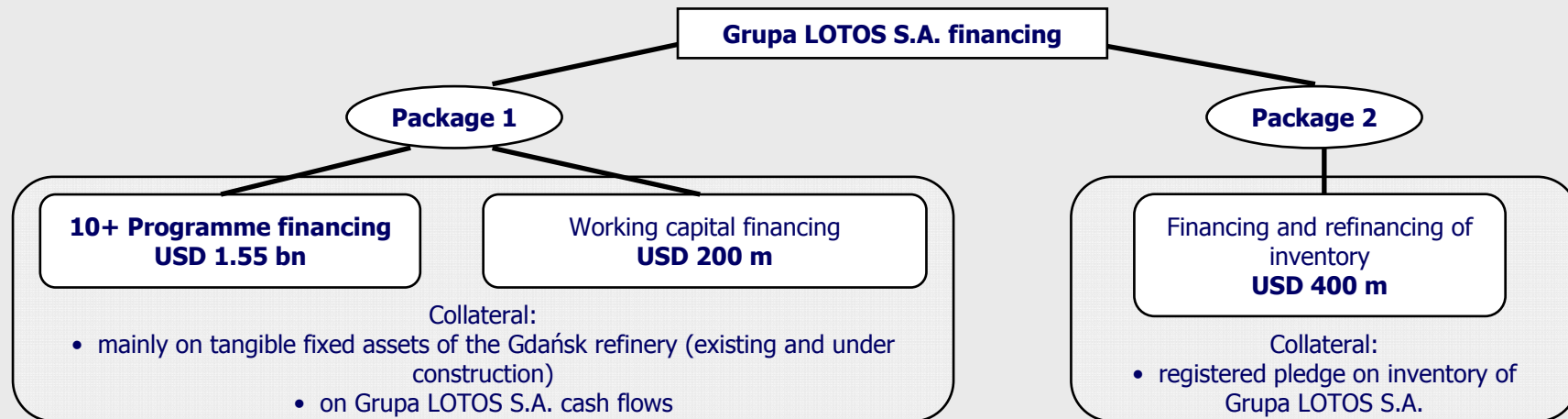
# Major Events

## 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:
  - 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 Q4 2007

- In Q4 2007 activities of the LOTOS Group focused on development of the COCO stations network.
  - Construction of the COCO station in Gdańsk was completed.
  - Installations of LPG modules at the stations acquired from ESSO and Slovnaft were continued.
- In Q4 2007 the LOTOS Group continued expansion of the DOFO network.
  - As of 31 December 2007 the LOTOS Group had 71 DOFO stations and 90 DOFO partner agreements signed.
  - 7 stations joined the „LOTOS Family” DOFO Commercial Partnership programme.
- As of 31 December 2007 the LOTOS Group had 175 DODO stations.

### Number of stations in LOTOS network

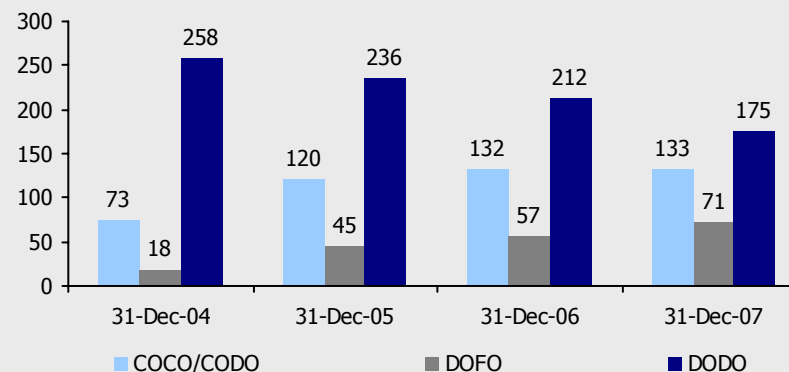
As of 31 December 2007

COCO/CODO	133
DODO	175
DOFO	71 (90*)
<b>Total</b>	<b>379</b>

\* Number of signed partnership agreements

Source: Grupa LOTOS

### Change in the retail network structure



Source: Grupa LOTOS

### **Restructuring and development of the Southern Refineries**

- In Q4 2007 restructuring and integration of the operations of the LOTOS Czechowice S.A. and LOTOS Jasło S.A. into the LOTOS Group were continued. In addition the following activities were underway:

#### **LOTOS Czechowice**

- By the end of Q4 2007 construction of the FAME production plant by LOTOS Biopaliwa Sp. z o.o. was almost complete. Construction of the plant infrastructure was completed and currently assembly of technological equipment is being conducted. Test production is scheduled for 1 March 2008 and the commissioning – for the end of April 2008.

#### **LOTOS Jasło**

- A Special Economic Zone was established on the LOTOS Jasło grounds and will be used for investment of the LOTOS Group, including construction of a tar paper production plant by LOTOS Asphalt Sp. z o.o.
- In the field of recycling, construction of the plastics regranulation production line was continued.

#### **LOTOS Park Technologiczny**

- The LOTOS Park Technologiczny Sp. z o.o. is to cease operating by the end of 2008 and was therefore transferring its assets to other LOTOS Group companies and external investors.

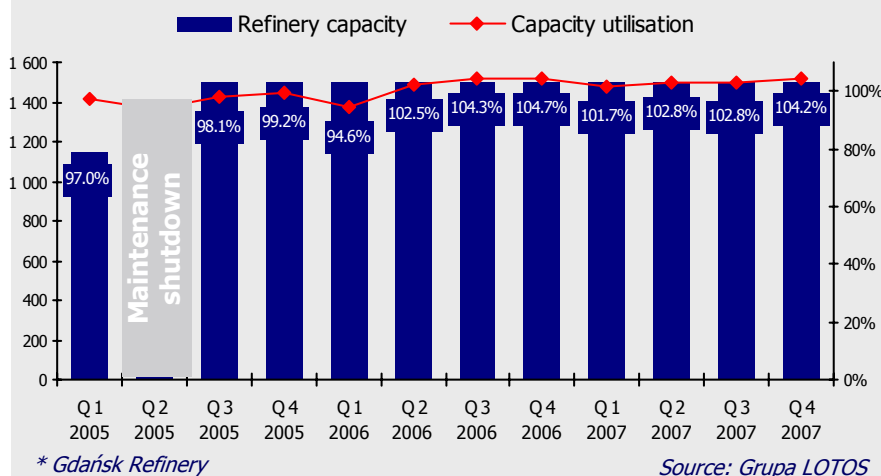
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# Operational Information

## Capacity, Throughput and Sales



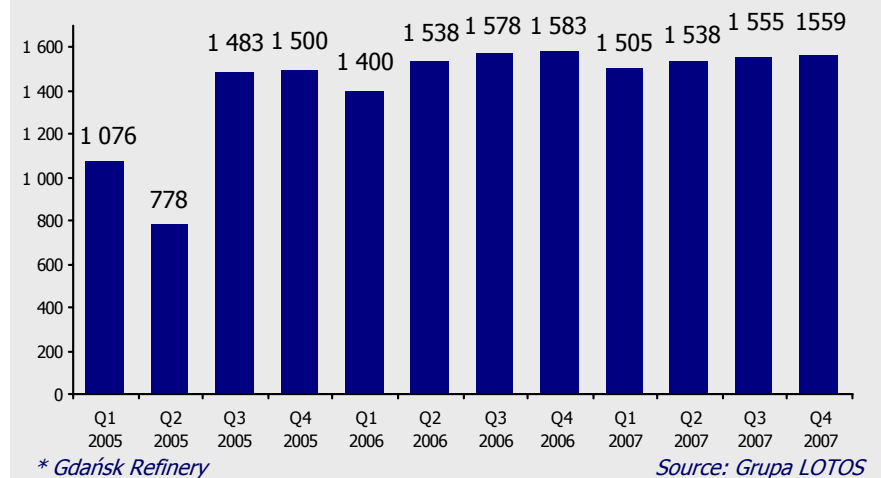
### Capacity utilisation (in 000 tonnes p.a.)\*



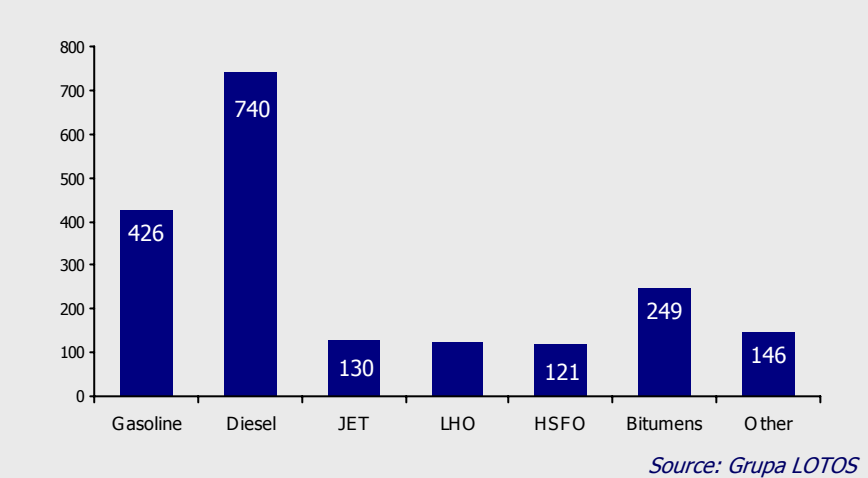
### Commentary

- Due to high demand for LOTOS Group products, the capacity utilization rate in Q4 2007 amounted to 104.2%\*.
  - In Q4 2007 throughput of crude oil at the Gdańsk refinery amounted to 1 559.0 k tonnes and was at the similar level as in Q3 2007.
  - Total sales of products and goods in Q4 2007 amounted to 1 935.0 k tonnes and was 2.3% higher in relation to Q3 2007.
  - Processing of Ural crude oil accounted for 92.6%, crude oil FORTIES – 4.3%, crude oil ROZEWIE supplied by Petrobaltic – 3.1% and crude oil KUWAIT – less than 0.1% of total throughput.
- \* Gdańsk Refinery

### Crude oil throughput (in 000 tonnes)\*



### Sales of products and goods (Q4 2007)



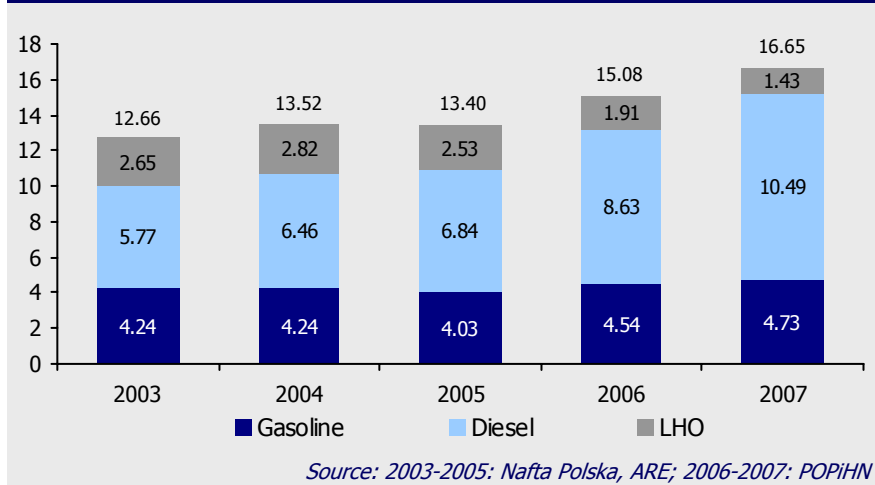


# Operational information

## Market Share



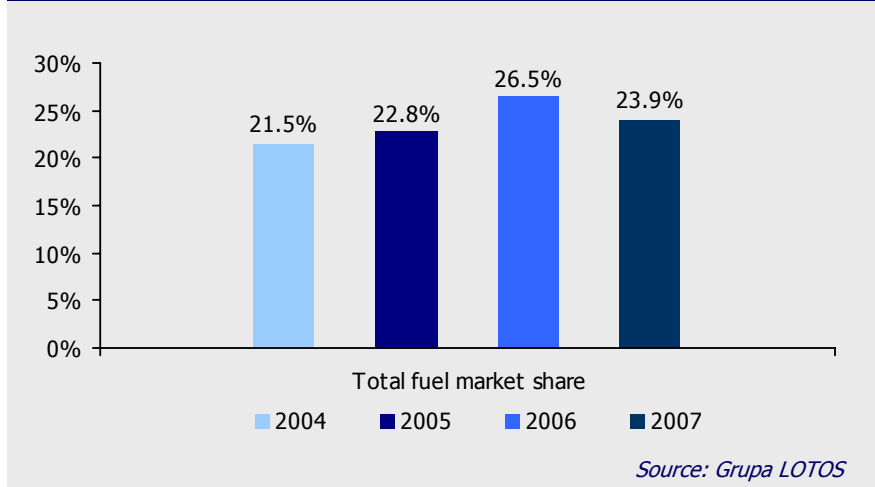
### National Fuel Consumption (m tonnes)



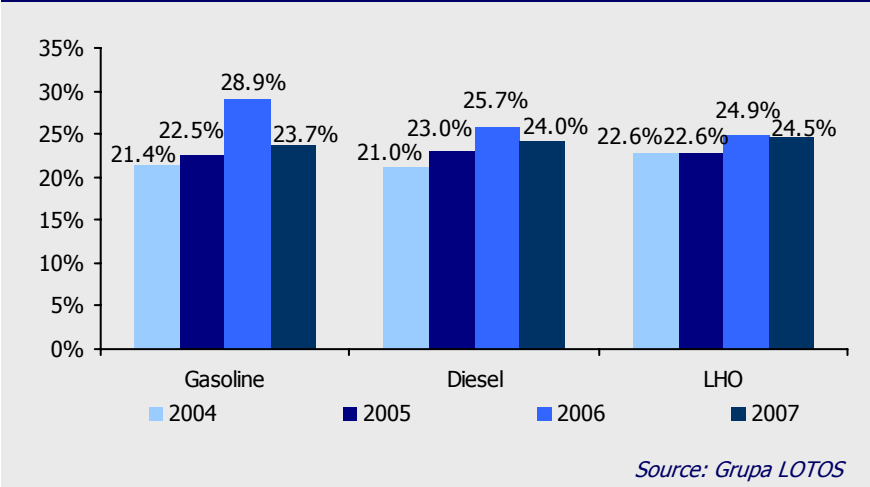
### Commentary

- Consumption of fuels in Poland in 2007 amounted to 16.65 m tonnes and grew by 10.4% in comparison to 2006.
- In 2007 total fuel market share of the LOTOS Group amounted to 23.9% versus 26.5% in 2006.
  - Gasoline market share amounted to 23.7%.
  - Diesel market share amounted to 24.0%.
  - LHO market share amounted to 24.5%.

### LOTOS Group Fuel Market Share



### LOTOS Group Market Share (Gasoline, Diesel, LHO)



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# Overview of Financial Results

## Profit & Loss Account for Q4 2006 and Q4 2007 (unaudited)



IFRS (in PLN m)	Q4 2006	Q4 2007	Δ %
<b>Net sales</b>	<b>3 151.5</b>	<b>3 987.9</b>	<b>26.5%</b>
Cost of sales	2 737.0	3 499.3	27.9%
<b>Gross profit</b>	<b>414.5</b>	<b>488.6</b>	<b>17.9%</b>
Other operating revenue	6.0	28.3	374.2%
Sales costs	190.9	185.5	-2.9%
Administration expenses	108.6	100.9	-7.1%
Other operating costs	42.7	53.7	25.7%
<b>EBITDA</b>	<b>150.2</b>	<b>242.6</b>	<b>61.5%</b>
<b>Operating profit (EBIT)</b>	<b>78.2</b>	<b>158.6</b>	<b>102.8%</b>
Financial revenue	37.7	152.2	303.9%
Financial costs	14.6	13.6	-6.9%
Pre-tax profit	127.1	297.2	133.9%
Income tax	23.5	55.9	138.5%
Net profit from continued operations	103.6	241.3	132.9%
<b>Net profit*</b>	<b>99.5</b>	<b>231.2</b>	<b>132.5%</b>

\* Net profit attributable to shareholders of the dominant entity

Commentary
<ul style="list-style-type: none"> <li>Net sales amounted to PLN 3 987.9 m, an increase of 26.5% as compared to Q4 2006, mainly due to higher crude oil and crude oil products net sales price.</li> <li>Cost of sales amounted to 3 499.3 m and increased by 27.9% as compared to Q4 2006. Gross profit increased by PLN 74.1 m i.e. by 17.9% in comparison to Q4 2006, to the level of PLN 488.6 m, mainly due to: <ul style="list-style-type: none"> <li>Average refining margin increase.</li> <li>USD/PLN exchange rate decrease.</li> </ul> </li> <li>Sales costs decreased by 2.9% in comparison to Q4 2006.</li> <li>Operating profit amounted to PLN 158.6 m and was higher by 102.8% in relation to Q4 2006.</li> <li>Financial revenues amounted to PLN 152.2 m: PLN 67.5 m related to operational activities and PLN 67.8 m related to the year 2008.</li> <li>Net profit attributable to shareholders of the dominant entity in Q4 2007 amounted to PLN 231.2 m.</li> </ul>

# Overview of Financial Results

## Profit & Loss Account for Q1-Q4 2006 and Q1-Q4 2007



IFRS (in PLN m)	Q1-Q4 06	Q1-Q4 07	Δ %
<b>Net sales</b>	<b>12 798.1</b>	<b>13 132.5</b>	<b>2.6%</b>
Cost of sales	10 978.0	11 359.5	3.5%
<b>Gross profit</b>	<b>1 820.1</b>	<b>1 773.0</b>	<b>-2.6%</b>
Other operating revenue	28.1	82.0	191.7%
Sales costs	665.6	696.4	4.6%
Administration expenses	313.9	327.2	4.2%
Other operating costs	70.4	94.2	33.8%
<b>EBITDA</b>	<b>1 095.7</b>	<b>1 030.3</b>	<b>-6.0%</b>
<b>Operating profit (EBIT)</b>	<b>798.3</b>	<b>719.0</b>	<b>-9.9%</b>
Financial revenue	133.3	305.7	129.3%
Financial costs	41.6	40.3	-3.1%
Pre-tax profit	915.9	984.4	7.5%
Income tax	181.2	190.7	5.2%
Net profit from continued operations	734.7	793.7	8.0%
<b>Net profit*</b>	<b>679.9</b>	<b>763.5</b>	<b>12.3%</b>

*\* Net profit attributable to shareholders of the dominant entity*

Commentary
<ul style="list-style-type: none"> <li>Drivers behind increase of net sales to PLN 13 132.5 m, i.e. by 2.6% as compared to 2006, included: <ul style="list-style-type: none"> <li>Higher crude oil and product prices.</li> <li>Increase of PLN versus USD exchange rate.</li> </ul> </li> <li>EBITDA amounted to PLN 1 030.3 m and fell by 6.0% in comparison to 2006.</li> <li>Sales costs increased by 4.6% in relation to 2006, mainly due to: <ul style="list-style-type: none"> <li>Increase of transportation costs.</li> <li>Increase of freight fees.</li> </ul> </li> <li>Operating profit amounted to PLN 719.0m and was lower by 9.9% compared to 2006.</li> </ul>

# Overview of Financial Results

## Balance Sheet as of 31.12.2006 and 31.12.2007 (unaudited)



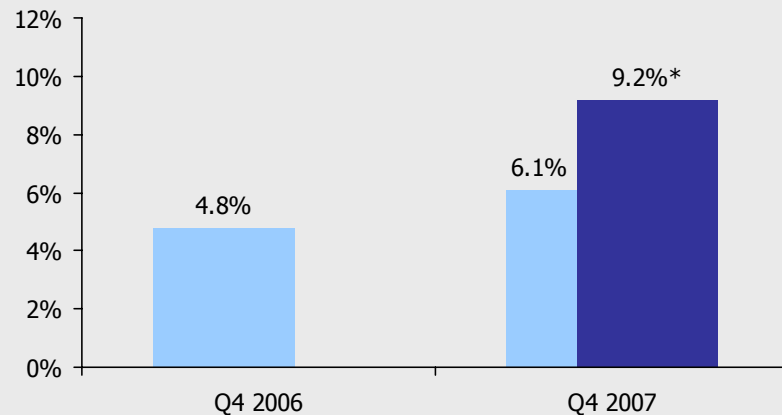
IFRS (in PLN m)	31.12.06	31.12.07	Δ %	Commentary
<b>Assets</b>	<b>7 763.5</b>	<b>9 699.7</b>	<b>24.9%</b>	<ul style="list-style-type: none"> <li>Growth in the value of assets to PLN 9 699.7 m as of 31 December 2007 in comparison to YE 2006 resulted from: <ul style="list-style-type: none"> <li>– Increase of crude oil and product prices versus YE 2006.</li> <li>– Increase of inventories by PLN 880.9 m.</li> </ul> </li> <li>Due to beginning 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 632.9 m).</li> <li>Cash, equivalents and short-term investments increased by 6.9% and amounted to PLN 1 043.8 m.</li> <li>Shareholders equity increased by PLN 737.6 m as a result of an increase in retained earnings by PLN 724.8 m.</li> <li>Long-term liabilities increased by 69.0% to the level of PLN 1 216.2 m, mainly due to an increase of the value of long-term debt and loans by PLN 512.2 m.</li> <li>Short-term liabilities increased by PLN 701.9 m, i.e. 42.7% to the amount of PLN 2 343.9 m.</li> </ul>
<b>Fixed assets</b>	<b>3 781.8</b>	<b>4 495.6</b>	<b>18.9%</b>	
Tangible fixed assets	3 336.8	3 470.0	4.0%	
<b>Current assets</b>	<b>3 973.9</b>	<b>5 199.9</b>	<b>30.9%</b>	
Inventories	1 707.4	2 588.4	51.6%	
Receivables	1 276.5	1 539.1	20.6%	
Short-term investments	204.0	119.3	-41.5%	
Cash and equivalents	772.4	924.5	19.7%	
<b>Equity &amp; Liabilities</b>	<b>7 763.5</b>	<b>9 699.7</b>	<b>24.9%</b>	
<b>Shareholders equity</b>	<b>5 401.9</b>	<b>6 139.5</b>	<b>13.7%</b>	
Long-term liabilities	719.6	1 216.2	69.0%	
Short-term liabilities	1 642.0	2 343.9	42.7%	
including financial debt	507.0	1 366.1	169.4%	

# Overview of Financial Results

## Financial Ratios for Q4 2006 and Q4 2007

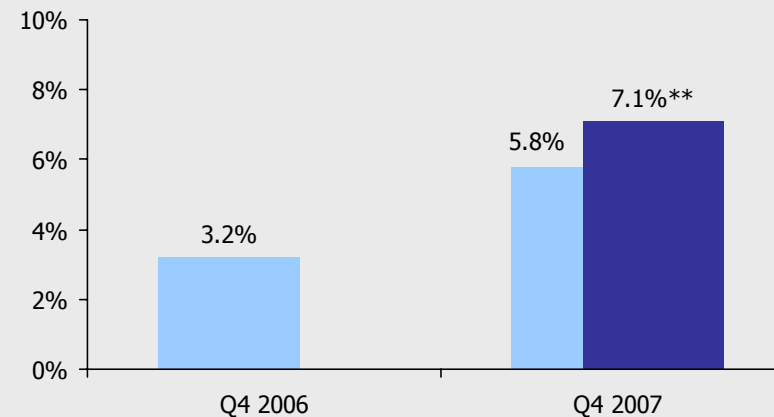


### EBITDA margin



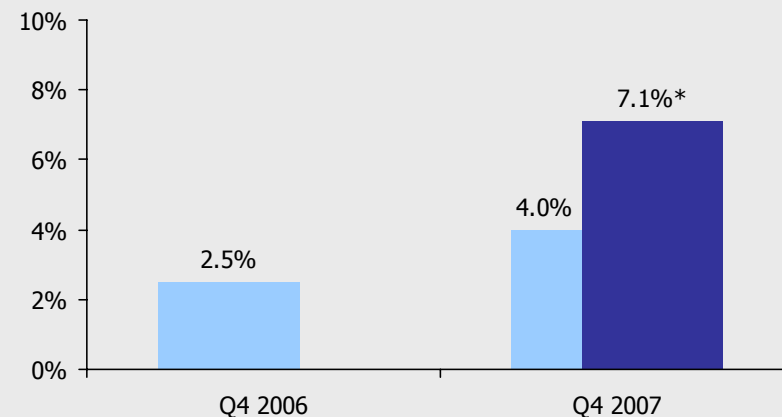
\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs  
Source: Grupa LOTOS

### Net margin\*



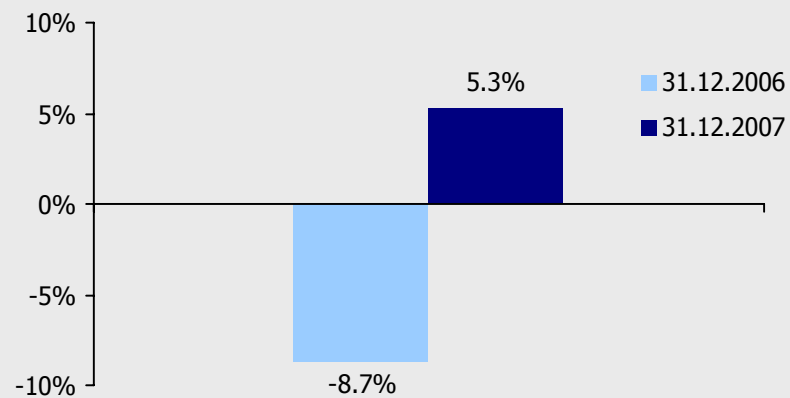
\* Net profit of Shareholders of Grupa LOTOS S.A.  
Source: Grupa LOTOS

### EBIT margin



\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs  
Source: Grupa LOTOS

### Gearing



Gearing = net debt/equity

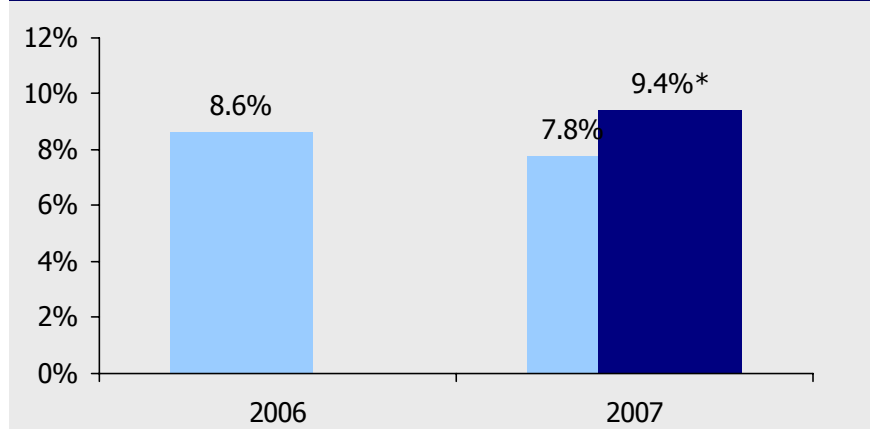
Source: Grupa LOTOS

# Overview of Financial Results

## Financial Ratios for Q1-Q4 2006 and Q1-Q4 2007

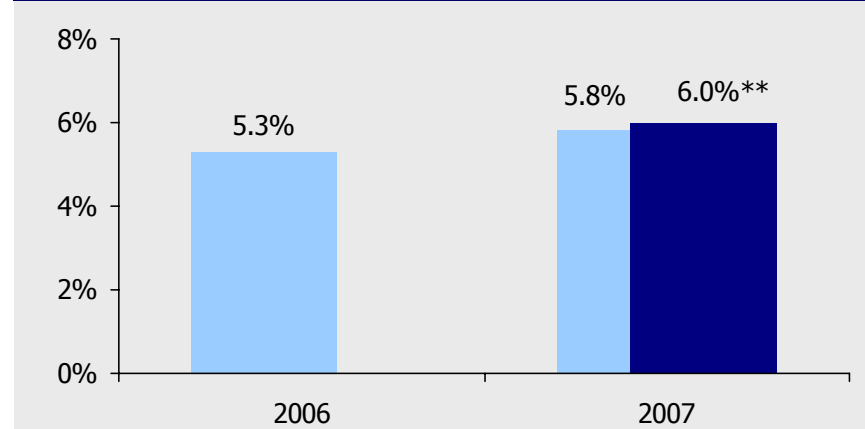


### EBITDA margin



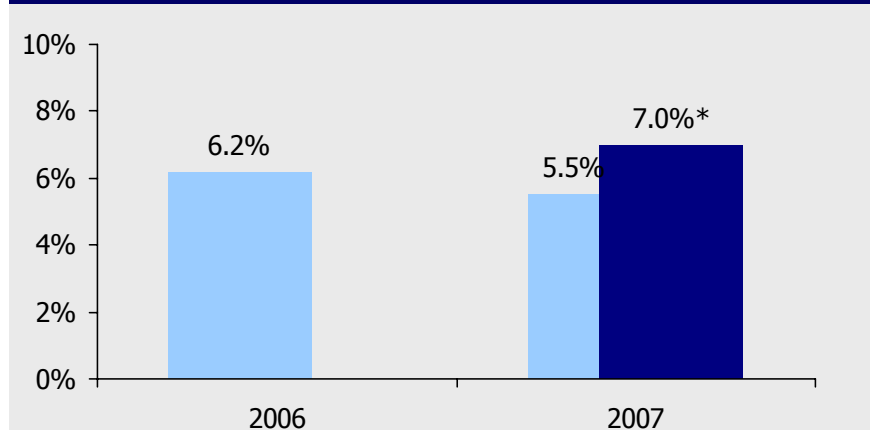
\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs  
Source: Grupa LOTOS

### Net margin\*



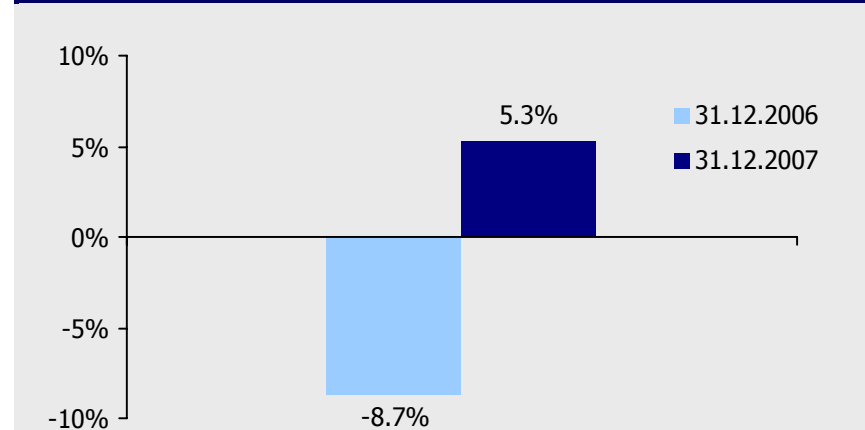
\* Net profit of Shareholders of Grupa LOTOS S.A.  
Source: Grupa LOTOS

### EBIT margin



\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs  
Source: Grupa LOTOS

### Gearing



Gearing = net debt/equity  
Source: Grupa LOTOS

# Overview of Financial Results

## Operating Profit in Areas of Operations in Q4 2007



### Areas of operations (PLN m)

	Areas of operations							
	E & P		Refining & trade		Retail stations		Other operations	
	Q1-Q4' 07	Q4' 07	Q1-Q4' 07	Q4' 07	Q1-Q4' 07	Q4' 07	Q1-Q4' 07	Q4' 07
<b>Sales</b>	<b>310</b>	<b>87</b>	<b>12 950</b>	<b>3 950</b>	<b>1 259</b>	<b>361</b>	<b>467</b>	<b>135</b>
Interarea sales	287	86	1 130	336	2	1	434	122
External sales	23	1	11 820	3 614	1 257	360	33	13
Operating costs	-196	-56	-12 328	-3 788	-1 309	-388	-447	-136
One-off adjustments	-	-	-13	-39	-18	-18	-	-
Adjustments	20	-4	0	0	0	1	-7	-3
<b>Operating profit</b>	<b>134</b>	<b>27</b>	<b>622</b>	<b>162</b>	<b>-50</b>	<b>-26</b>	<b>13</b>	<b>-4</b>
Depreciation	54	18	219	57	29	6	9	3
<b>EBITDA</b>	<b>188</b>	<b>45</b>	<b>841</b>	<b>219</b>	<b>-21</b>	<b>-20</b>	<b>22</b>	<b>-1</b>

### 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 Q4 2007:
  - E&P – production from the B-3 and B-8 oil fields, high crude oil prices.
  - Refining & trade – favourable market conditions: increase of refining margin for gasoline, increase of Brent/Ural differential and an increase of PLN exchange rate versus USD.
  - Retail stations – ongoing restructuring and optimisation of the network structure.



# Overview of Financial Results

## Operating Profit according to LIFO inventory valuation



<b>Analysis of operating profit</b>						
<b>PLN m</b>	<b>Q4 2007</b>	<b>Q4 2006</b>	<b>Change</b>	<b>Q1-Q4 2007</b>	<b>Q1-Q4 2006</b>	<b>Change</b>
<b>Operating profit</b>	158.6	78.2	102.8%	719.0	798.3	-10.0%
<b>LIFO effect</b>	-158.1	169.2	-193.5%	-393.3	-133.0	-395.8%
<b>LIFO operating profit</b>	0.5	247.4	-99.8%	325.7	931.3	-65.0%
<b>LIFO operating profit*</b>	124.9	255.4	-51.1%	527.0	939.4	-43.9%

*\* Adjusted by a transfer of the result on hedging of currency exchange rates related to 2007 and by exclusion of one-offs*

### **Commentary to LIFO results**

- Q4 2007 operating profit according to the LIFO inventory valuation method amounted to PLN 0.46 m versus PLN 247.43 m in Q4 2006.
- The influence of the inventory valuation in Q4 2007 resulted in an increase of operating profit by PLN 158.1 m. However, considering adjustments related to the transfer of the result on hedging of currency exchange rates related to 2007 to the Company's operational result and the exclusion of one-offs, an increase of operating profit amounted only to PLN 33.7 m, in comparison to LIFO operating profit.

### **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.

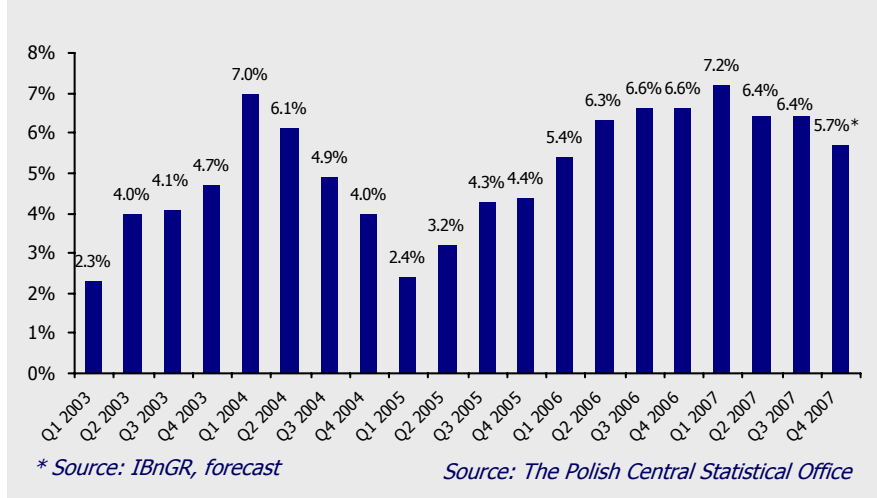
- Summary
- Major Events
- Operational Information
- Overview of Financial Results
- **Supplementary Data**

# Supplementary Data

## Macroeconomic Environment



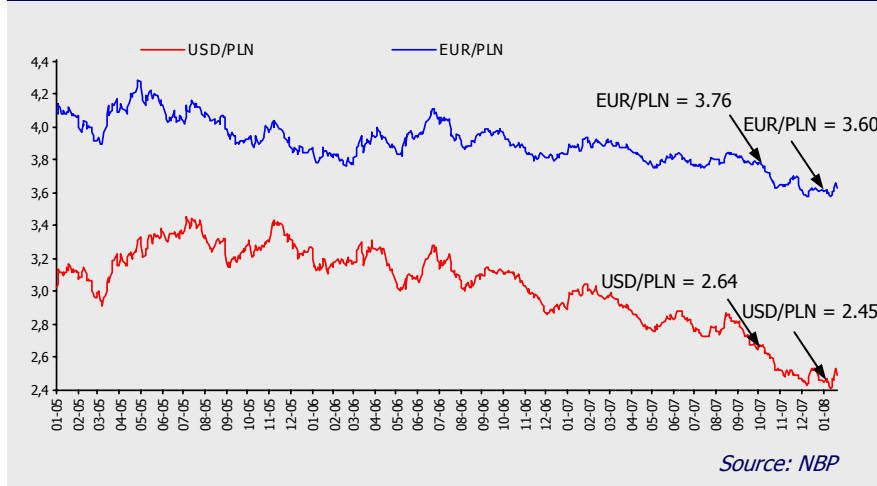
### Growth of real GDP (%)



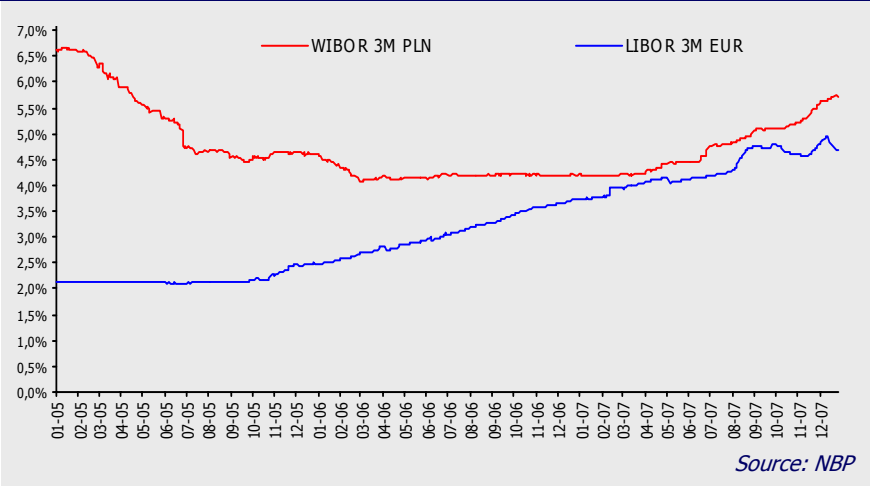
### Commentary

- According to the estimates of IBnGR in Q4 2007 GDP real growth amounted to 5.7% as compared to 6.6% in the analogous period of 2006. The estimated 2007 annual GDP growth rate amounts to 6.5%.
- In Q4 2007 the USD/PLN exchange rate ranged from 2.42 to 2.67, and at the end of December 2007 amounted to 2.45. In the same period the EUR/USD exchange rate ranged from 1.41 to 1.49 and at the end of December 2007 amounted to 1.46.
- Increase of the WIBOR 3M rate from 5.10% at the end of September 2007 to 5.70% at the end of Q4 2007.

### Foreign exchange rate



### Interest rates

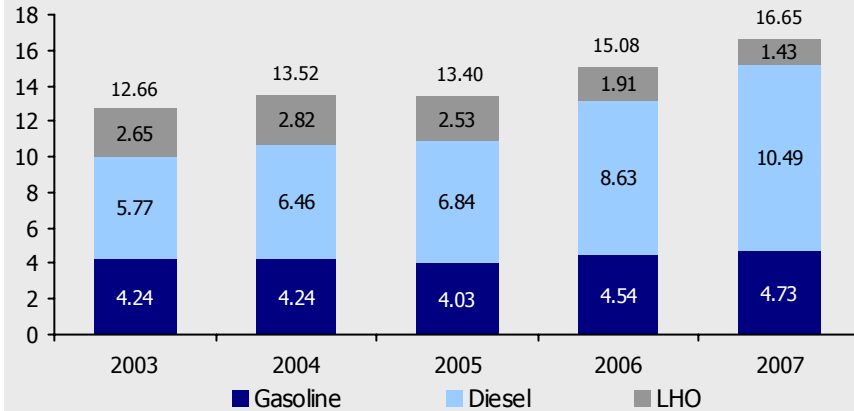


# Supplementary Data

## Macroeconomic Environment



### National Fuel Consumption (m tonnes)

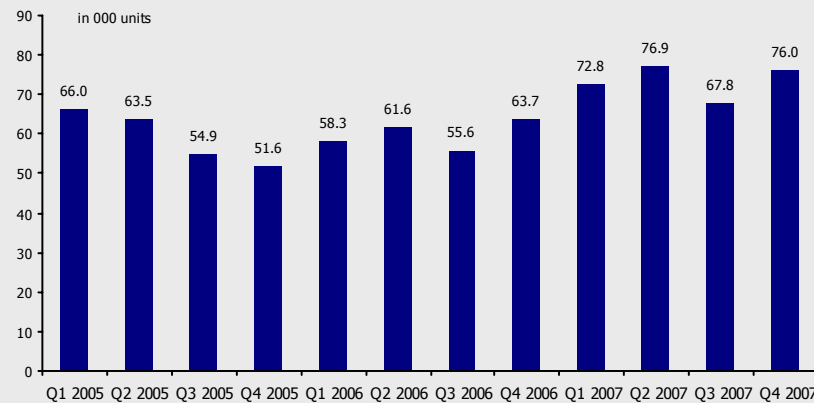


Source: 2003-2005: Nafta Polska, ARE; 2006-2007: POPIHN

### Commentary

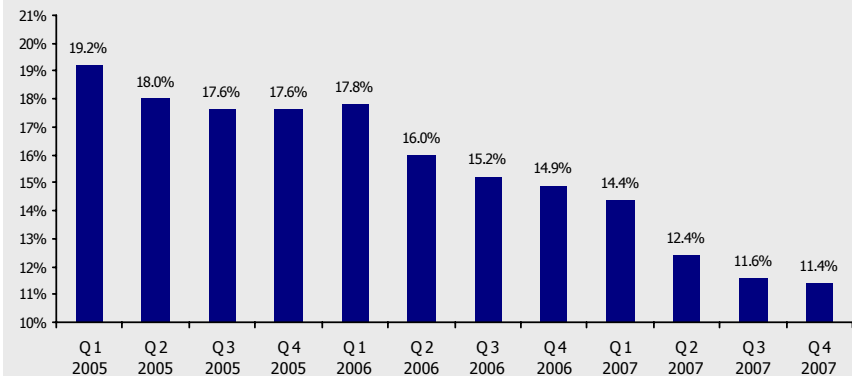
- Consumption of fuels in Poland in 2007 amounted to 16.65 m tonnes. The highest growth in consumption 21.6% was recorded in the Diesel segment. Consumption of gasoline increased by 4.2%, and consumption of LHO fell by 25.1%.
- Sales of new cars in Q4 2007 amounted to 75 964, which is 19.2% more comparing to analogous period of 2006 and 12.0% more in relation to Q3 2007.
- At the end of December 2007 the number of unemployed amounted to 1.7 m people, which accounted for 11.4% of the economically active population.

### Sales of new automobiles



Source: Samar

### Unemployment



Source: GUS

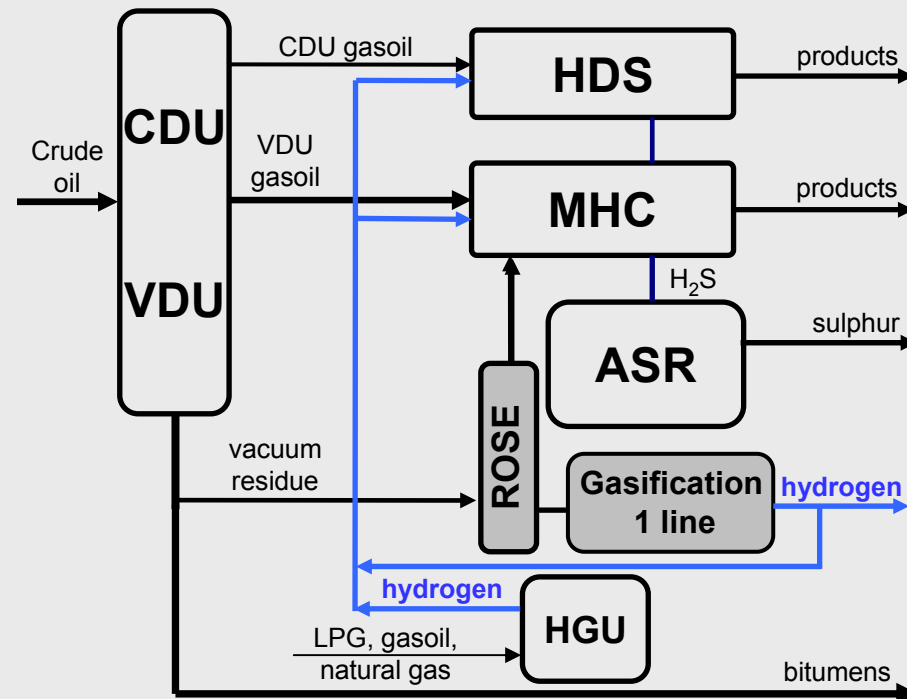
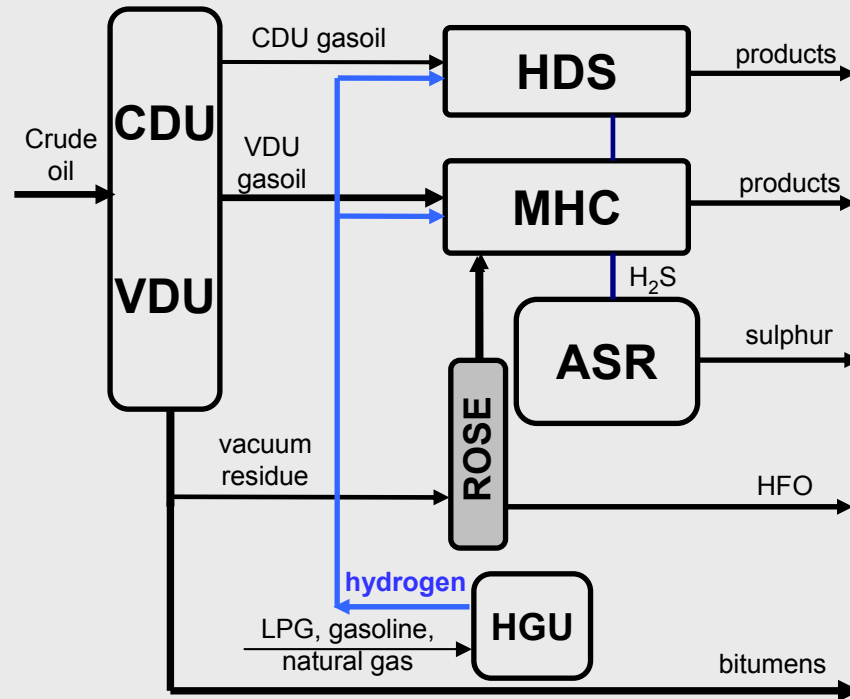
# Supplementary Data

## 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

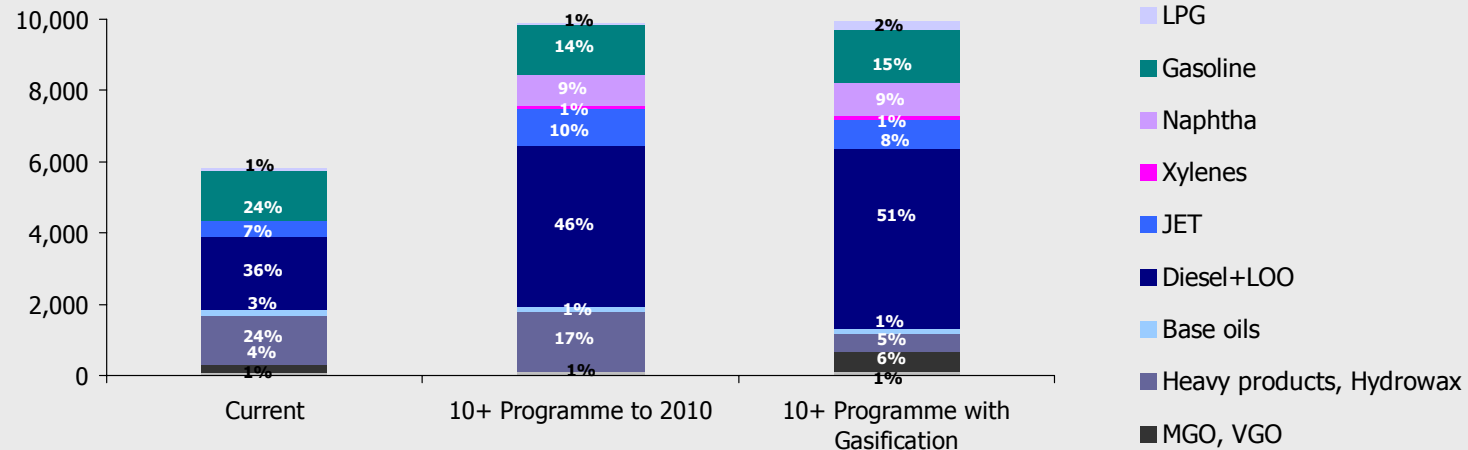
- HGU – Hydrogen Generation Unit
- ASR – Amine-Sulphur Recovery Unit
- ROSE – Heavy Residue Processing Unit

# Supplementary Data

## 10+ Programme – effects of implementation

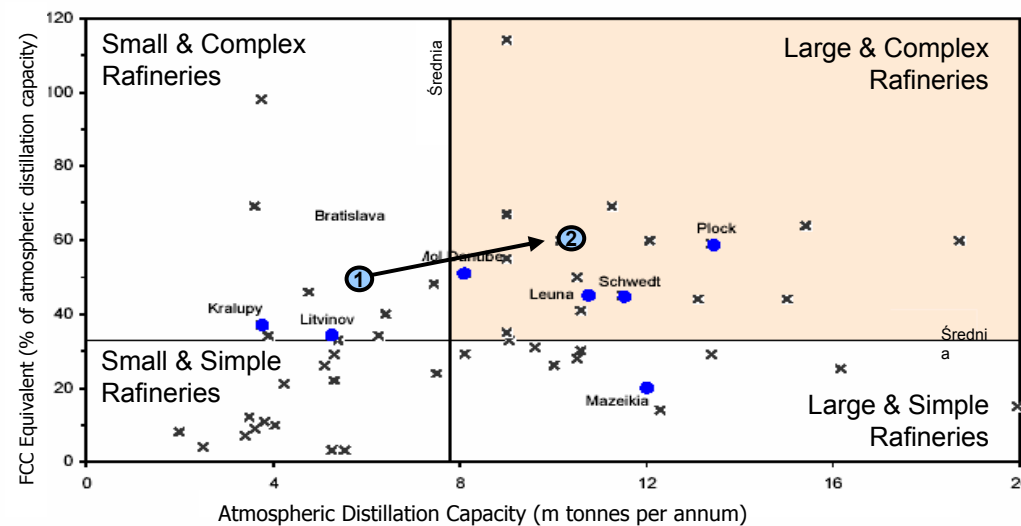


### Product portfolio (volume)



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

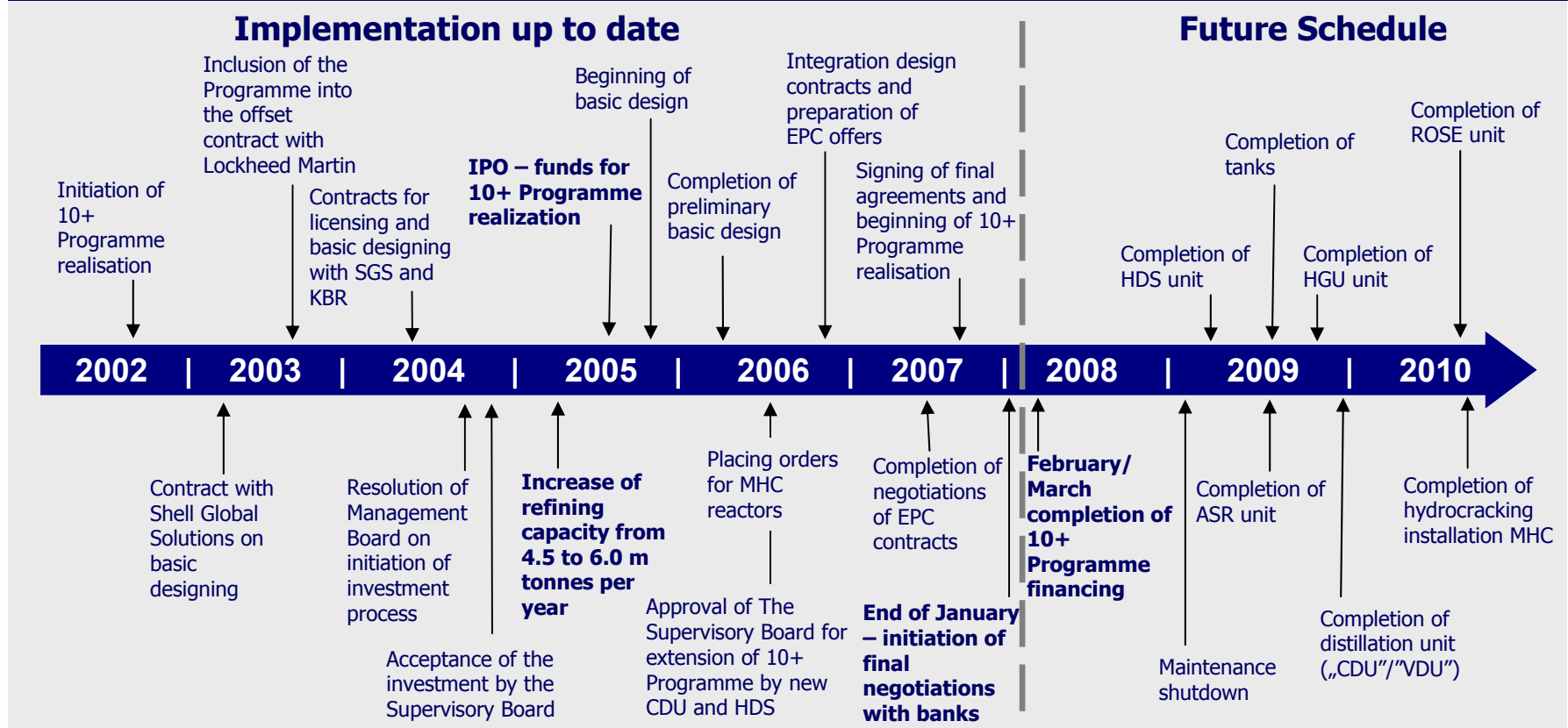
Source: Independent Refinery Project Review, Nextant Chem Systems, Grupa LOTOS

# Supplementary Data

The 10+ Programme basic installations will be commissioned by 2010



## Schedule of commissioning of the 10+ Programme installations



### Commentary

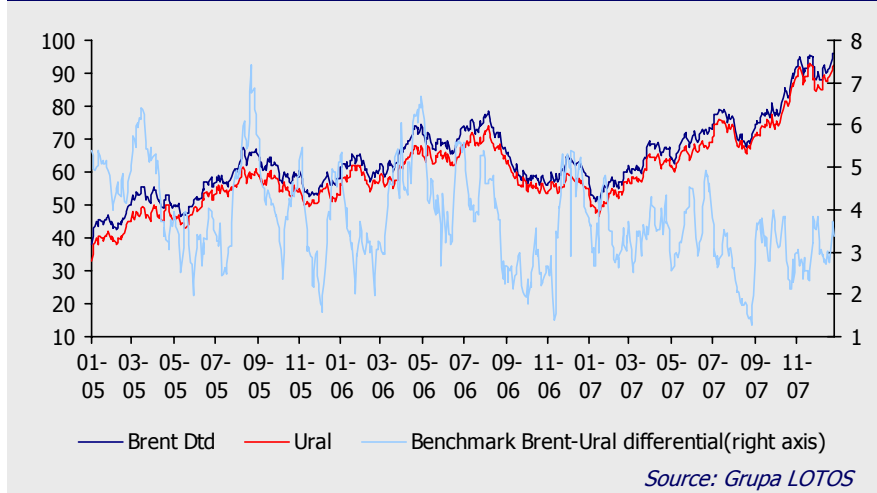
- The implementation of the 10+ Programme is not expected to affect operating activities of the existing Gdańsk refinery installations.
- All interconnections between the new units and the existing refinery are scheduled during the refinery maintenance shutdown in Spring 2009.

# Supplementary Data

## Market Conditions in Q4 2007



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

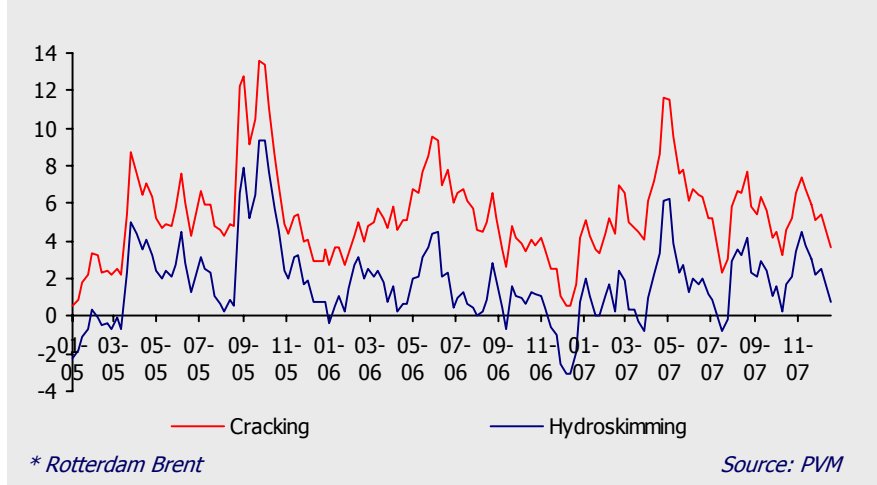


### Key values\*

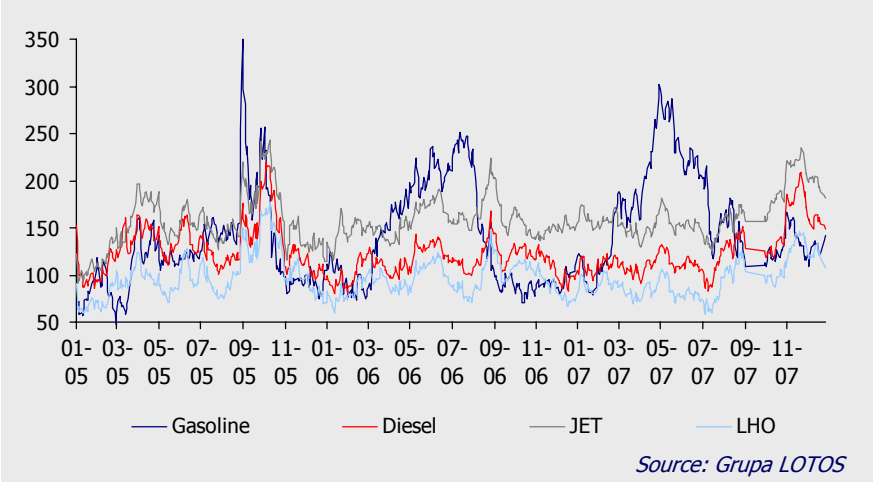
	Q4 06	Q4 07	2007
• Brent (USD/bbl)	59.60	88.45	72.39
• Ural (USD/bbl)	56.09	85.41	69.16
• Brent/Ural differential** (USD/bbl)	3.51	3.04	3.23
• Benchmark refining margin (USD/bbl)	2.96	5.20	5.80
<b>Cracks</b>			
• Gasoline (USD/t)	89.26	130.63	162.71
• Diesel (0.005) (USD/t)	113.22	157.37	124.65
• LHO (USD/t)	94.59	117.28	94.93
• JET(USD/t)	150.23	198.14	164.53
• HSFO (USD/t)	-196.53	-229.62	-208.26

\* Average for period      \*\*Benchmark

### Benchmark refining margin\* (USD/bbl)



### Cracks (USD/tonne) without HSFO



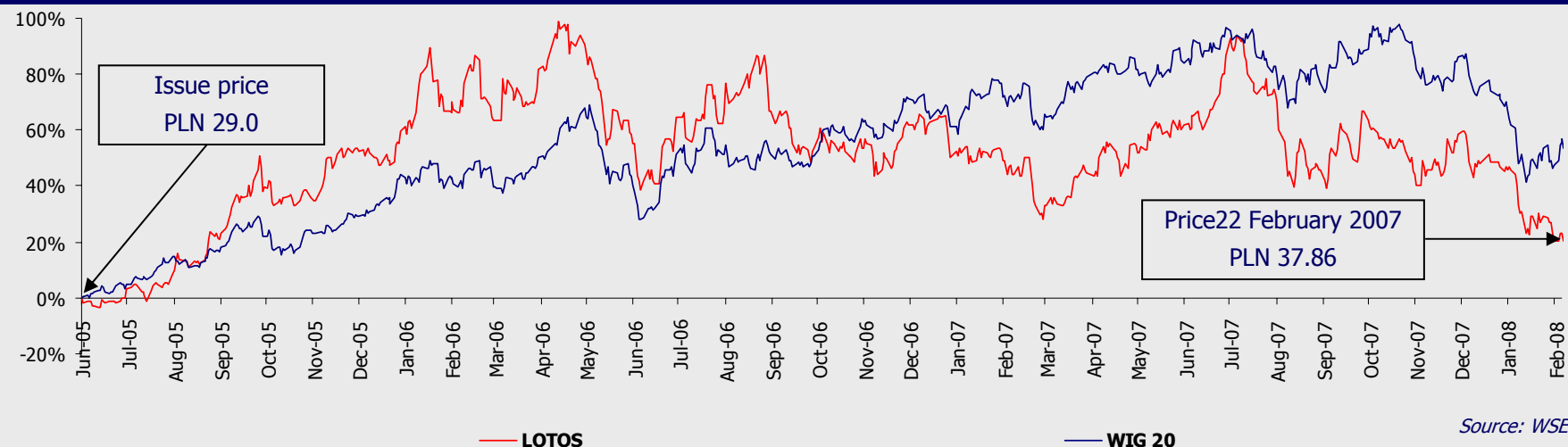


# Supplementary Data

## LOTOS Group on Warsaw Stock Exchange



### Share price



### LOTOS Group on WSE \*

- Market debut data 9 June 2005
- Share issue price PLN 29.0
- Average daily trading volume 262 023 shares
- Average daily value of trading PLN 11.6 m
- Value of daily trading to market capitalisation 0.27%
- Issue price capitalisation PLN 3 297.3 m
- Latest capitalization PLN 4 304.7 m
- Growth in value since IPO 30.6%

### 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\*:** **16**
- **Share in WIG20 Cap\*:** **1.7%**

\* As of 22 February 2008

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