



**Consolidated Financial Results
of the LOTOS Group
Q1 2007 (IFRS)**

Paweł Olechnowicz – President of the Management Board

15 May 2007

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- Major Events
- Operational Information
- Overview of Financial Results
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Summary

Market Conditions in Q1 2007



Crude oil prices and Brent/Ural differential

- The crude oil price and Brent/Ural differential fell slightly in Q1 2007 versus Q4 2006 and Q1 2006, however refining margins increased.
- Average Brent crude oil price of 57.8 USD/bbl – a decrease of 3.1% in comparison to Q4 2006 and a 6.3% decrease versus Q1 2006.
- Average Brent/Ural differential of 3.4 USD/bbl – a decrease of 2.6% against Q4 2006 and 5.6% versus Q1 2006.
- Average refining margins at 4.8 USD/bbl – an increase of 59.0% versus Q4 2006 and 17.1% in relation to Q1 2006.

Data for Q4 2006 and Q1 2007* Q4 2006 Q1 2007 Change

• Brent (USD/bbl)	59.6	57.8	-3.1%
• Ural (USD/bbl)	56.1	54.4	-3.1%
• Brent/Ural differential (USD/bbl)	3.5	3.4	-2.6%
• Refining margin (USD/bbl)	3.0	4.8	59.0%

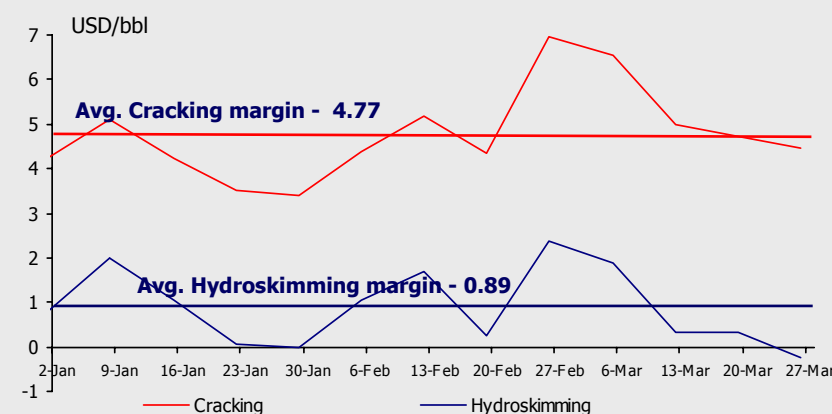
* Average for period

Data for Q1 2006 and Q1 2007* Q1 2006 Q1 2007 Change

• Brent (USD/bbl)	61.7	57.8	-6.3%
• Ural (USD/bbl)	58.1	54.4	-6.4%
• Differential Brent/Ural (USD/bbl)	3.6	3.4	-5.6%
• Refining margin (USD/bbl)	4.1	4.8	17.1%

* Average for period

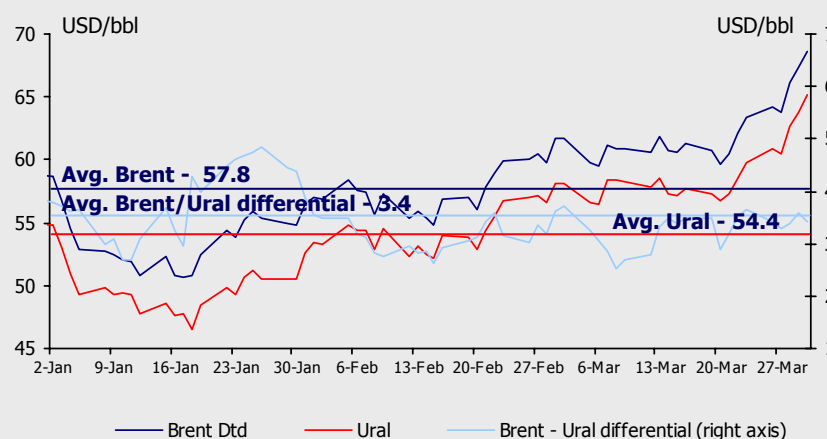
Refining margin* in Q1 2007



* Rotterdam Brent, weekly averages

Source: PVM

Crude oil prices and Brent/Ural differential in Q1



Source: PVM

Summary Operating Data



Operating data in Q1 2006 and Q1 2007			
	Q1 2006	Q1 2007	Δ %
Annual nameplate refining capacity	6 MMTA	6 MMTA	0.0%
Crude oil throughput (k tonnes) ¹	1 400.3	1 504.8	+ 7.5%
Average capacity utilization rate	94.6%	101.7%	+ 7.5%
Products and goods sales in total (k tonnes - consolidated)	1 599.0	1 622.0	+ 1.4%
Employment (end of period)	5 501	5 605²	+ 1.9%

1) Processing at Gdańsk Refinery.

2) Including 976 people employed in Grupa LOTOS S.A.

Summary

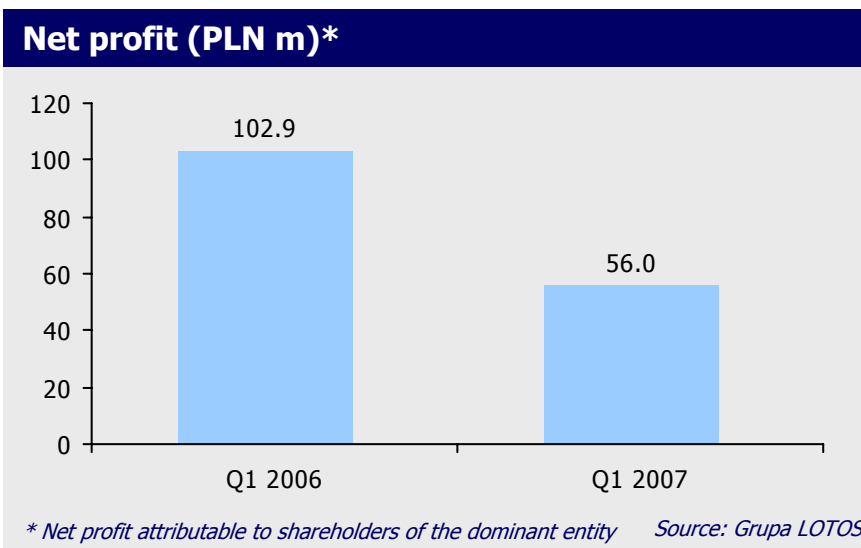
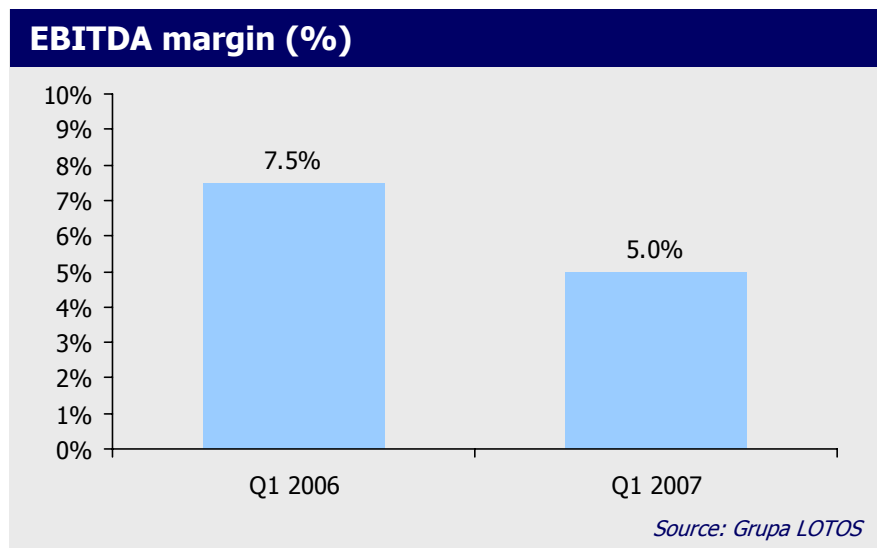
Financial Results in Q1 2007



Financial results (IFRS in PLN m, non-audited)			
	Q1 2006	Q1 2007	Change
Net Sales	2 689.6	2 548.0	-5.3%
EBITDA	202.7	127.9	-36.9%
EBIT	130.7	52.9	-59.5%
Net profit*	102.9	56.0	-45.5%
EBIT (LIFO)**	110.1	54.8	-50.2%

** Net profit attributable to shareholders of the dominant entity*
*** Operating profit of the capital group adjusted by the effect of LIFO inventory valuation*

- ### Commentary
- Factors that negatively impacted financial results:
 - Operating maintenance shutdown of hydrocracking unit.
 - Increase of obligatory fuel reserves.
 - Deterioration of purchase conditions of crude oil.
 - Expiration of excise tax relief for blending recycled plastic components into fuels.
 - An increase of PLN exchange rate versus USD.

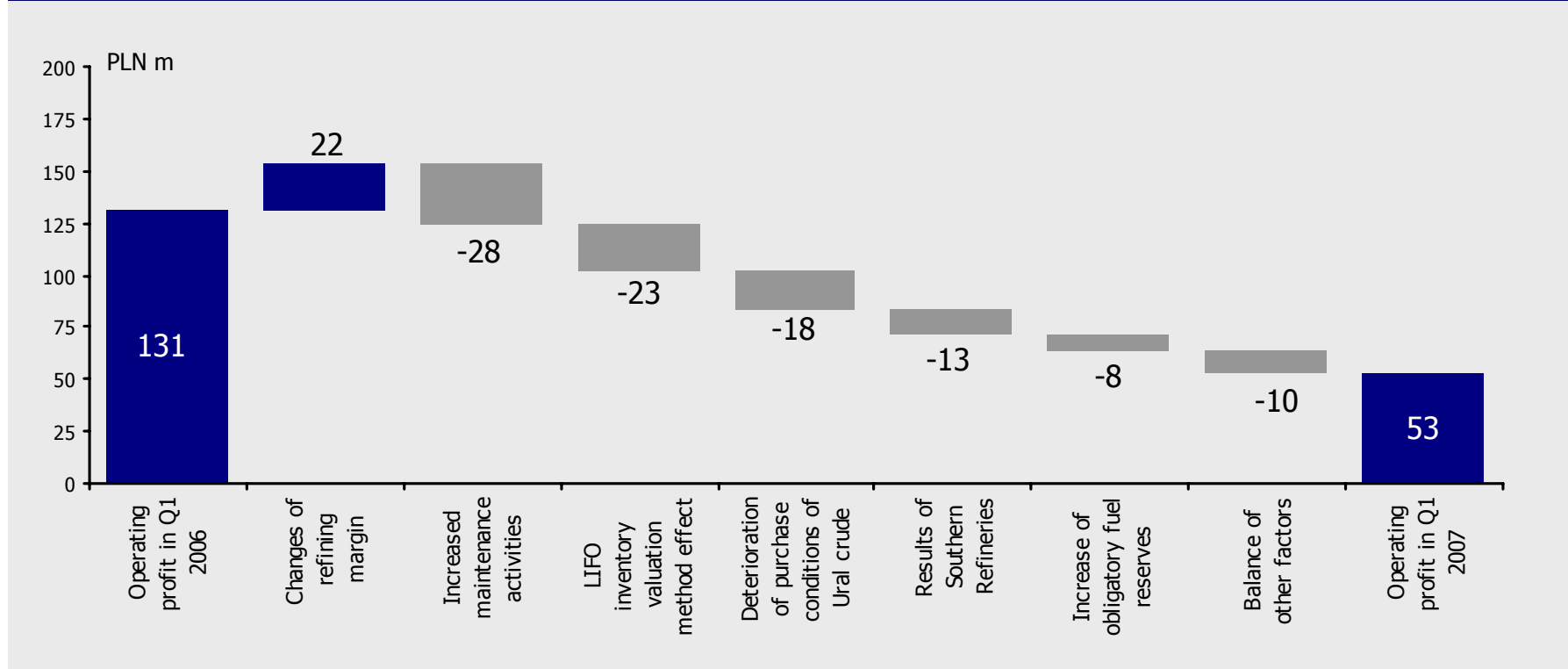


Summary

Decomposition of operating profit



Key factors that impacted operating profit in Q1 2007 versus Q1 2006



Commentary

- Operating profit in Q1 2007 amounted to PLN 52.9 m and was lower in comparison to Q1 2006 by PLN 77.8 m .
- Operating profit in Q1 2007 was impacted by various factors, mostly non-recurring which were in accordance with the LOTOS Group expectations.

Summary

Opinion of the Management Board regarding the results



Commentary to the Q1 2007 financial results

- The financial result of the LOTOS Group is in accordance with expectations of the Management and its decrease in relation to Q1 2006 is due primarily to a number of non-recurring events.
- The Management foresees a significant improvement of the financial results in the subsequent quarters and do not foresee the recurrence of negative events such as repairing work in the upcoming months. As a result of conducted maintenance work and upgrade of the hydrocracking catalyst, an improvement of the product state towards highly refined products is expected. Following these operations and further to the implementation of programmes aimed at optimisation of LOTOS Group operations, significantly better results are expected in the future.

Optimisation projects underway

- The Operating and Management Excellence Programme (realised with the Shell Group), is focused on: cost reduction and optimisation, increasing of efficiency of production and technological processes, optimisation of margins and introduction of best practice regarding organisation of operations.
- The Trading Structure Development and Optimisation Programme focuses on an increase of the competitive advantage of the Company through increasing the efficiency of key business processes.
- Restructuring and development programmes regarding the Southern Refineries, in particular optimisation of the cost structure at LOTOS Jasło and LOTOS Czechowice.
- The comprehensive Operating Costs Optimisation Programme which includes above-mentioned programmes is currently under development.
- The Management of the LOTOS Group has decided to terminate analyses related to the acquisition of the assets of Rafineria Nafty Glimar from the bankruptcy administrator and to withdraw from the conducted tender process.

Summary

Estimated results in April 2007



Estimated operating and financial data in April 2007

	April 2007
Crude oil throughput (K tonnes)	507.4
Average capacity utilization rate (%)	102.9
Products and goods sales in total (K tonnes)	577.5
EBITDA (PLN m)	approximately 85.0
EBIT(PLN m)	approximately 60.0

Commentary

- The estimated financial and operating results in April 2007 indicate that implementation of the Company's strategy assuming, among others improvement of the Company's market position, together with improving market conditions, is having a significant positive impact on the results of the LOTOS Group.
- Throughput of the hydrocracker amounted to 140.4 K tonnes and increased by 64.2% in April 2007 versus March 2007, which means that the processing capacity rate of the hydrocracker is fully utilized.

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Crude oil production

- Production in Q1 2007 from the B3 oil field amounted to 47.5 k tonnes of crude oil.
- Total production from the B3 oil field in Q1 2007 was sent to the Gdańsk refinery.
- The Gdańsk refinery processed 30.5 k tonnes of Petrobaltic crude oil.
- Preparation of production from new crude oil fields was underway.
- Analyses of potential geological hydrocarbon resources in the Polish economic zone were conducted.
- Work aimed at intensification of production from the B3 oil field was underway.



Major Events

Refining – implementation of the PKRT project



PKRT and refinery modernisation contracting

- Fluor and UHDE/Technip consortium continued work on integration basic design of the PKRT Project.
- Negotiations with Fluor and UHDE/Technip regarding the PKRT project (excluding CDU and HDS) were continued on the basis of offers submitted in December 2006.
- New Crude Distillation Unit (CDU) with 4.5 m tonnes capacity.
 - *Uhde Edeleanu completed preparing the CDU Basic Design.*
 - *The CDU installation construction tender was continued based on offers of 6 leading engineering companies.*
- Hydrodesulphurisation unit (HDS).
 - *Construction was continued in accordance with the turn-key contract with ABB Lummus Global. Further stages of engineering design of the project were achieved.*
 - *Orders for the main units and equipment (the reactor, separators, compressors) were placed.*

Preparatory works

- In addition construction work, regarding preparation of the construction site facilities, was performed (preparation of the main access road, internal roads, temporary on-site buildings for the contractors).

Restructuring and development of the Southern Refineries

In Q1 2007 restructuring activities 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 projects were underway:

LOTOS Jasło

- In relation to the expiration of excise tax relief for blending recycled plastic components into fuels, efforts were underway towards adapting the company to the new economic and legal conditions.
- The objective of those activities is to achieve long term economic balance of the company.

In accordance with the Strategy of the LOTOS Group, capital transactions were prepared in Q1 2007 to be executed in subsequent quarters.

Major Events

Retail



PROSTA Project implementation in Q1 2007

- In Q1 2007 activities of the LOTOS Group focused on development of the COCO stations network.
 - A new COCO station in Katowice was commissioned.
 - A plot of land in Opole with a petrol station construction permit was purchased.
 - Installation of LPG modules at ESSO and Slovnaft stations was continued.
 - Two new stations were incorporated into the „LOTOS Family” partnership programme (DOFO network programme).
- In Q1 2007 the LOTOS Group continued expansion of the DOFO network.
 - As of 31 March 2007 the LOTOS Group had 59 DOFO stations and 82 DOFO partner agreements signed (5 new agreements).
- In Q1 2007, the number of high-margin COCO and DOFO stations exceeded the number of DODO stations network.
- As of 31 March 2007 the LOTOS Group had 180 DODO stations. LOTOS Group is focusing on relocation of DODO stations to another operating platform.
- As part of the process of optimisation of the retail network one COCO station was sold.

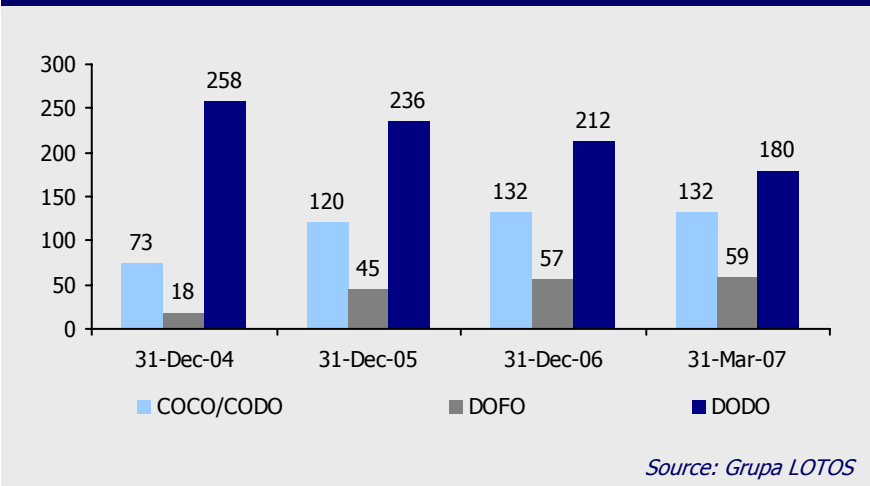
Number of stations in LOTOS network

As of 31 March 2007

COCO/CODO	132
DODO	180
DOFO	59 (82*)
Total	371

* Number of signed partnership agreements Source: Grupa LOTOS

Change in the petrol station network structure



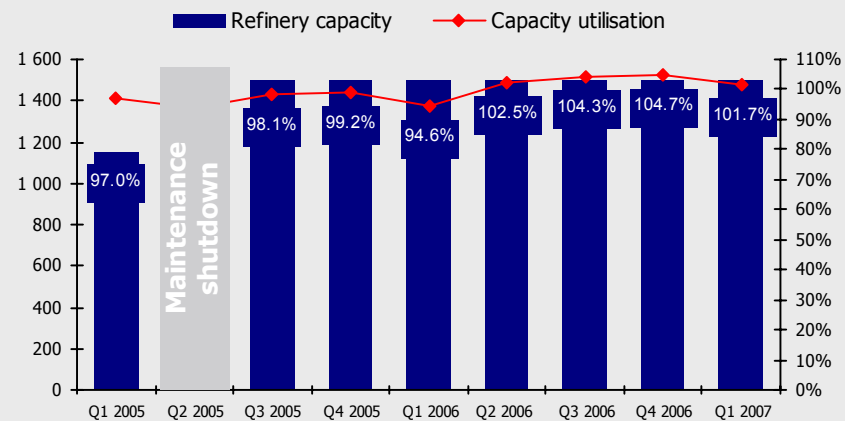
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Operational Information

Capacity, Throughput and Sales



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



* Gdańsk Refinery

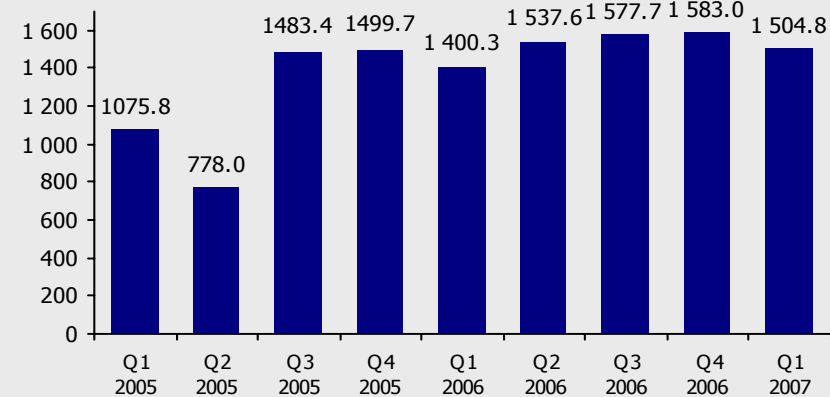
Source: Grupa LOTOS

Commentary

- The capacity utilization rate in Q1 2007 amounted to 101.7%, despite hydrocracker operating maintenance.
- In Q1 2007 throughput of crude oil at the Gdańsk refinery increased by 7.5% in comparison to Q1 2006.
- Because of high demand for LOTOS Group products, total sales of products and goods in Q1 2007 amounted to 1 622.0 K tonnes.
- Processing of Ural crude oil accounted for 93.2% of throughput, 2.0% of crude was supplied by Petrobaltic, while crude oil FORTIES accounted for 3.9% and crude oil KUWAIT amounted for 0.9% of total throughput.

* Gdańsk Refinery

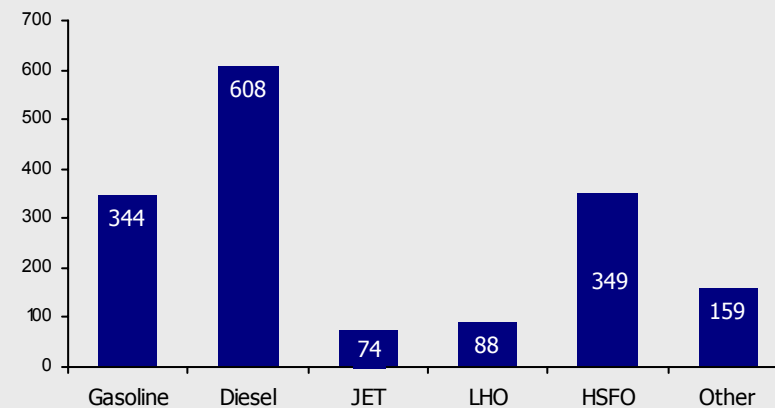
Crude oil throughput (in 000 tonnes)*



* Gdańsk Refinery

Source: Grupa LOTOS

Sales of products (Q1 2007 in 000 tonnes)*



* Gdańsk Refinery

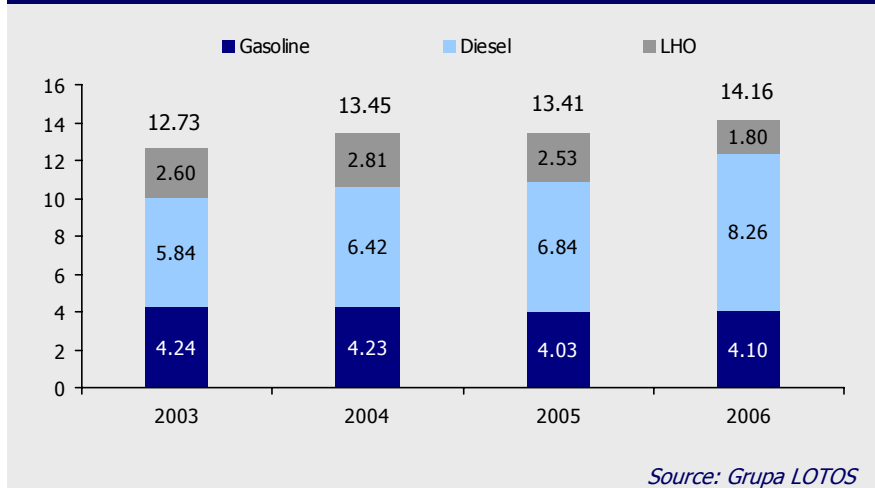
Source: Grupa LOTOS

Operational information

Market Share



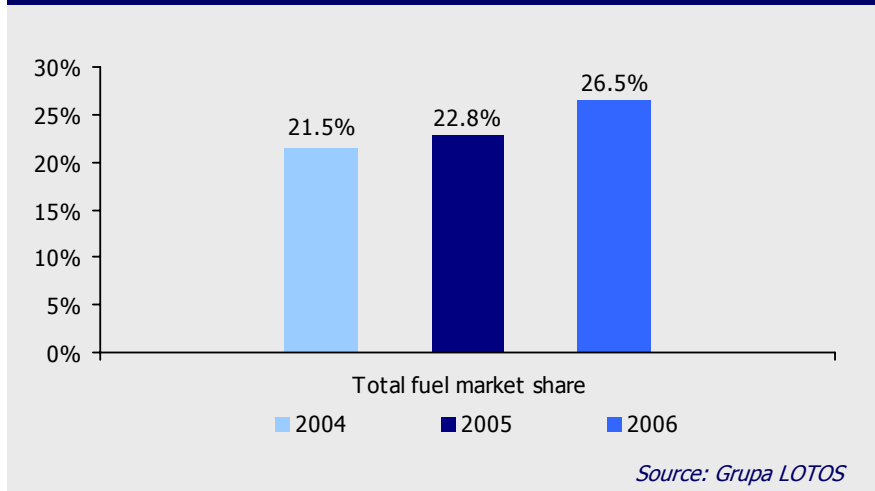
National Fuel Consumption (000 tonnes)



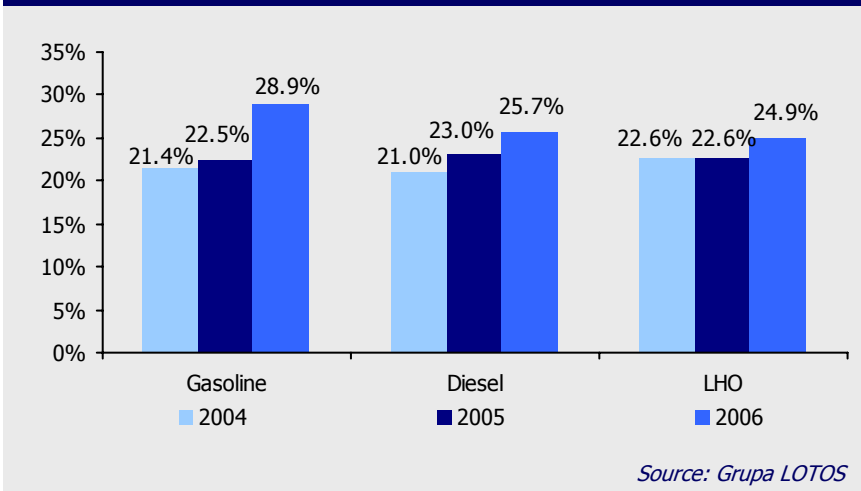
Commentary

- In 2006 consumption of fuels increased by 5.6% versus 2005.
- In 2006 total fuel market share of the LOTOS Group increased to 26.5% versus 22.8% in 2005.
 - Gasoline market share increased to 28.9%.
 - Diesel market share grew to 25.7%.
 - LHO market share amounted to 24.9%.

LOTOS Group Fuel Market Share



LOTOS Group Market Share (Gasoline, Diesel, LHO)



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Overview of Financial Results

Profit & Loss Account for Q1 2006 and Q1 2007 (unaudited)



IFRS (in PLN m)	Q1 2006	Q1 2007	Δ %
Net sales	2 689.6	2 548.0	-5.3%
Cost of sales	2 348.2	2 273.6	-3.2%
Gross profit	341.4	274.4	-19.6%
Sales costs	141.4	165.3	17.0%
Administration expenses	62.1	73.6	18.4%
Other operating costs	12.8	16.5	29.4%
EBITDA	202.7	127.9	-36.9%
Operating profit (EBIT)	130.7	52.9	-59.5%
Pre-tax profit	149.8	80.9	-46.0%
Income tax	32.2	18.1	-43.9%
Net profit from continued operations	117.6	62.8	-46.6%
Net profit*	102.9	56.0	-45.5%

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

Commentary
<ul style="list-style-type: none"> Net sales amounted to PLN 2 548.0 m, a decrease of 5.3% as compared to Q1 2006, mainly due to lower oil prices and lower average product sales prices. Sales costs increased by 17.0% in comparison to Q1 2006 due to: <ul style="list-style-type: none"> An increase of volumes of export sales. Accounting of full transportation costs related to export of diesel heating oil and JET A-1. Q1 2007 was characterised by: <ul style="list-style-type: none"> Lower crude oil prices. Lower Brent/Ural differential. Operating profit amounted to PLN 52.9 m and was lower by 59.5% in relation to Q1 2006, due to the hydrocracker operating maintenance shutdown and market specific conditions. Net profit from continued operations amounted to PLN 62.8 m. Net profit attributable to shareholders of the dominant entity in Q1 2007 amounted to PLN 56.0 m.

Overview of Financial Results

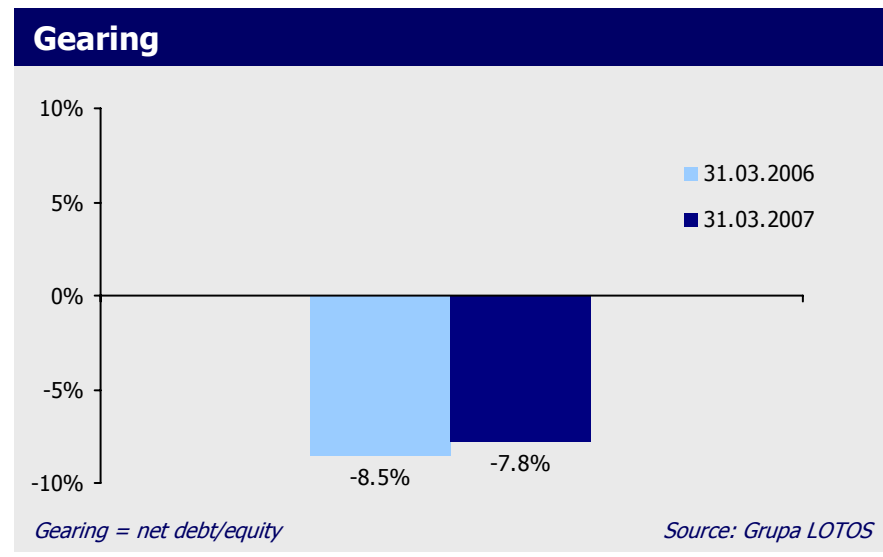
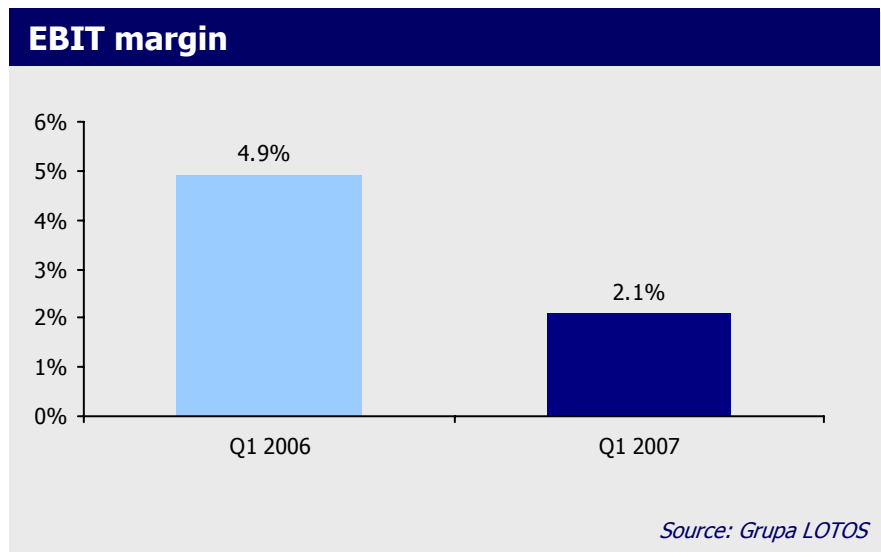
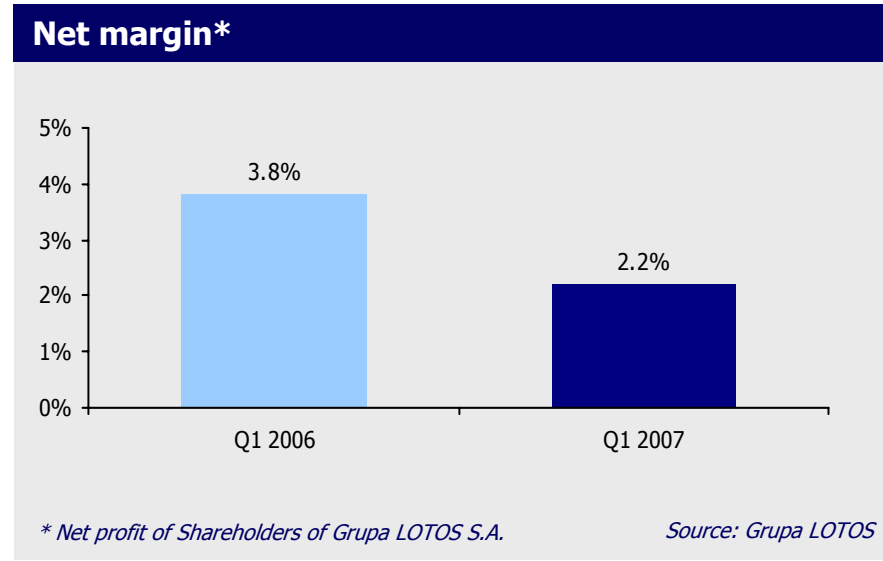
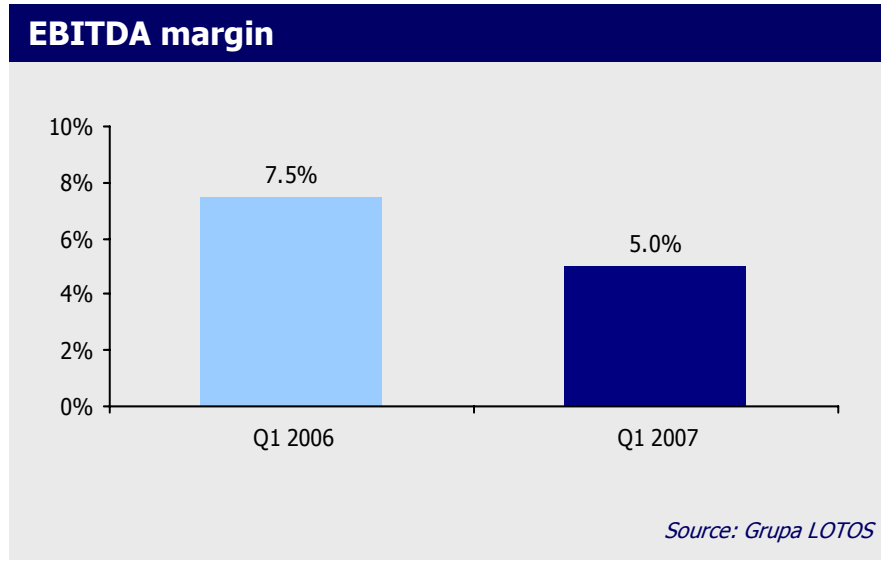
Balance Sheet as of 31.12.2006 and 31.03.2007 (unaudited)



IFRS (in PLN m)	31.12.06	31.03.07	Δ %	Commentary
Assets	7 926.5	8 002.7	1.0%	<ul style="list-style-type: none"> • Growth in the value of assets to PLN 8 002.7 m as of 31 March 2007 in comparison to YE 2006 resulted from: <ul style="list-style-type: none"> – Increase of crude oil and products prices. – Increase of inventories by PLN 112 m. • Cash, equivalents and short-term investments amounted to PLN 975.9 m. • Shareholders equity increased by PLN 62.7 m as a result of: <ul style="list-style-type: none"> – An increase in retained earnings by PLN 56.0 m and, – An increase in minority interests by PLN 6.8 m. • Financial debt increased by 6.8% to PLN 540.7 m.
Fixed assets	3 945.3	3 898.9	-1.2%	
Tangible fixed assets	3 500.3	3 482.6	-0.5%	
Current assets	3 973.4	4 100.1	3.2%	
Inventories	1 707.4	1 819.4	6.6%	
Receivables	1 276.5	1 271.3	-0.4%	
Short-term investments	203.5	162.7	-20.0%	
Cash and equivalents	772.4	813.1	5.3%	
Equity & Liabilities	7 926.5	8 002.7	1.0%	
Shareholders equity	5 534.3	5 597.1	1.1%	
Long-term liabilities	750.7	743.5	-1.0%	
Short-term liabilities	1 641.5	1 662.2	1.3%	
Including financial debt	506.5	540.7	6.8%	

Overview of Financial Results

Financial Ratios for Q1 2006 and Q1 2007



Overview of Financial Results

Operating Profit in Areas of Operations in Q1 2007



Areas of operations (PLN m)

	Areas of operations							
	E & P		Refining & trade		Retail stations		Other operations	
	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007	Q1 2006	Q1 2007
Sales	82	77	2 662	2 508	202	235	63	98
Interarea sales	77	70	184	207	0	0	57	93
External sales	5	7	2 478	2 301	202	235	6	5
Operating costs	-29	-45	-2 584	-2 502	-210	-249	-54	-92
Adjustments	-2	12	2	13	0	1	-1	-3
Operating profit	51	44	80	19	-8	-13	8	3
Depreciation	11	12	53	53	6	8	2	2

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 2007:
 - E&P – termination of test production from the B-8 oil field, fall of Brent light crude oil prices, decrease refining volumes of Rozewie crude oil from Petrobaltic.
 - Refining & trade – operating maintenance shutdown of hydrocracking unit and maintenance works of other installations, unfavourable Ural crude purchase conditions, increase of obligatory fuel reserves.
 - Retail stations – seasonality of sales in Q1 2007, low margins related to fuel sales conducted by LOTOS Paliwa to DOFO and DODO stations.

Overview of Financial Results

Operating Profit according to LIFO inventory valuation



Analysis of operating profit			
(PLN)	Q1'06	Q1'07	Change
Operating profit	130.7	52.9	-59.5%
LIFO operating profit	110.1	54.8	-50.2%

Commentary to LIFO results

- Q1 2007 operating profit according to the LIFO inventory valuation method amounted to PLN 54.8 m versus PLN 110.1 mln in Q1 2006.
- The influence of the inventory valuation in Q1 2007 resulted in a decrease of operating profit by PLN 1.9 m in comparison to a PLN 20.6 m increase of operating profit in Q1 2006.

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.

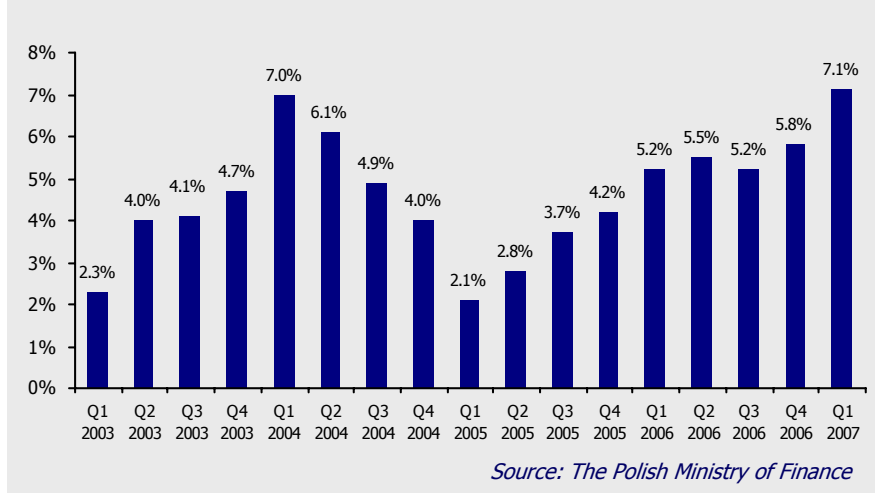
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Supplementary Data

Macroeconomic Environment



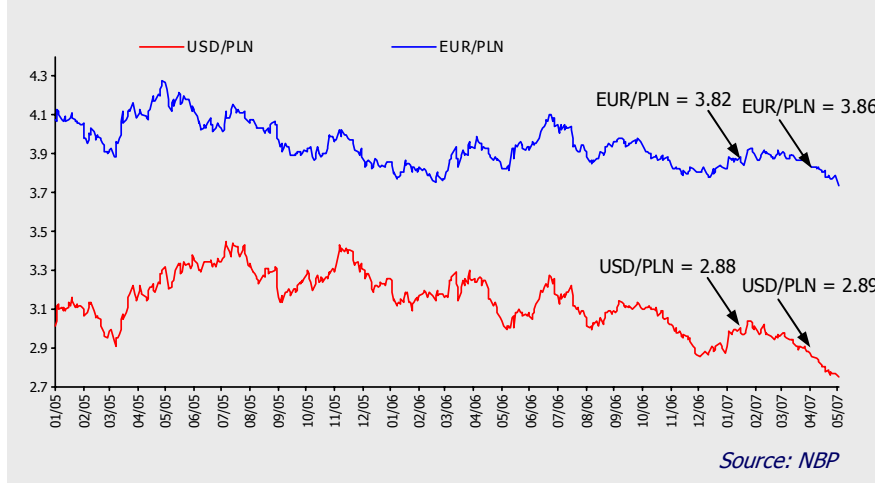
Growth of real GDP (%)



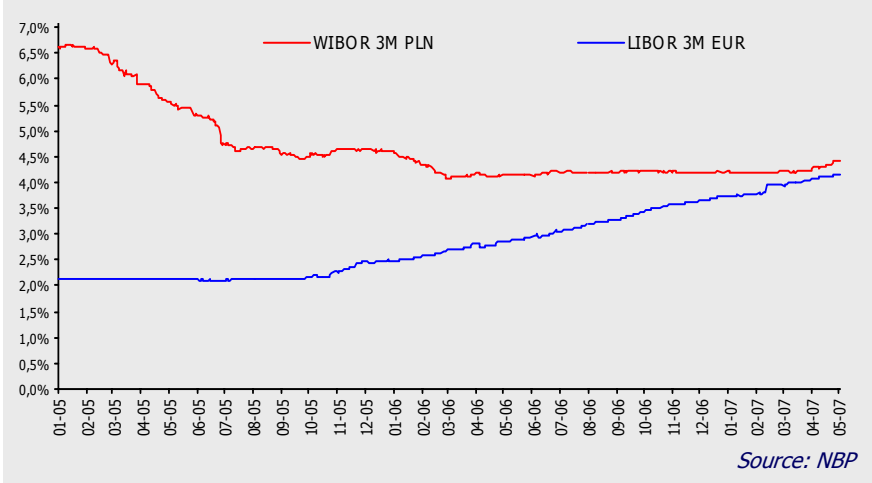
Commentary

- According to the estimates of the Polish Ministry of Finance in Q1 2007 GDP real growth amounted to 7.1% as compared to 5.2% in the analogous period of 2006. According to the estimates of the Polish Ministry of Finance, GDP growth in 2007 will exceed 6%.
- In Q1 2007 the USD/PLN exchange rate ranged from 2.87 to 3.04, and at the end of March 2007 amounted to 2.89. In the same period the EUR/USD exchange rate ranged from 1.29 to 1.34 and at the end of March 2006 amounted to 1.34.
- Increase of the WIBOR 3M rate from 4.20% at the end of December 2006 to 4.24% at the end of Q1 2007.

Foreign exchange rate



Interest rates

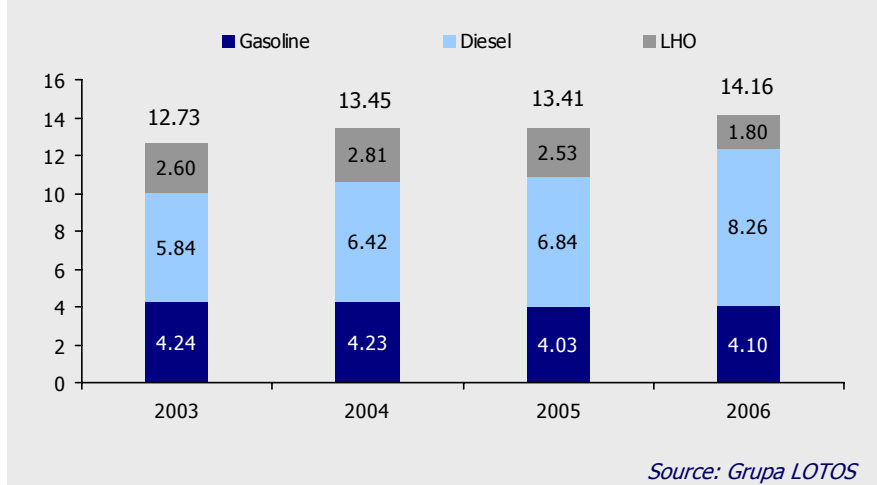


Supplementary Data

Macroeconomic Environment



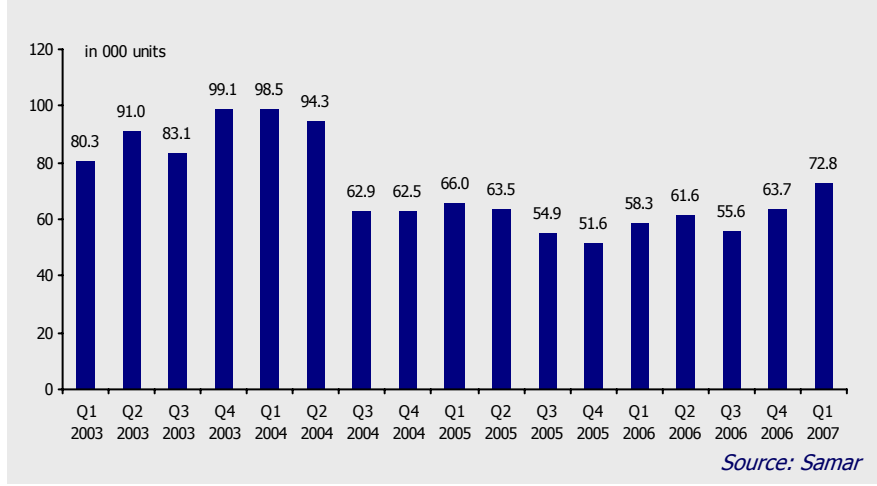
National Fuel Consumption (000 tonnes)



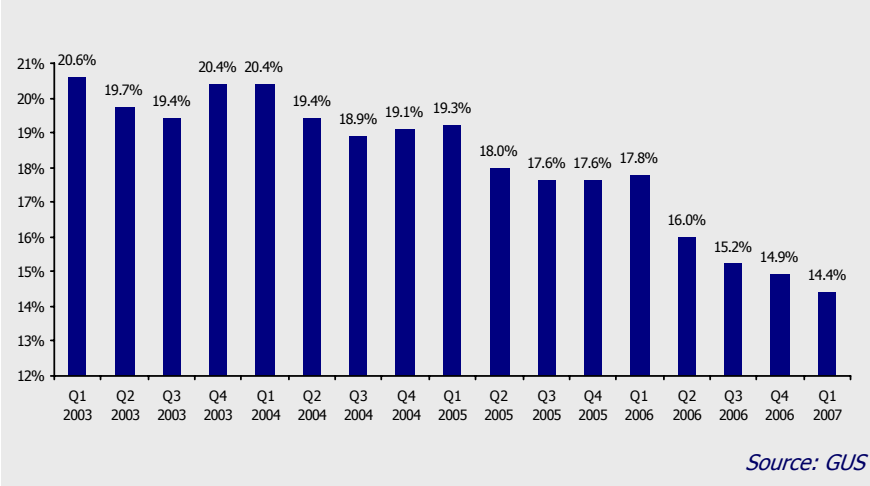
Commentary

- National consumption of fuels in 2006 grew by 5.6% compared to 2005. The highest growth in consumption 20.8% was recorded in the Diesel segment. Consumption of gasoline grew by 1.7%, and consumption of LHO fell by 28.9%.
- Sales of new cars in Q1 2007 amounted to 72 763, which is 24.9% more comparing to analogous period of 2006 and 14.3% more in relation to Q4 2006.
- At the end of March 2007 the number of unemployed amounted to 2.2 m people, which accounted for 14.4% of the economically active population.

Sales of new automobiles



Unemployment

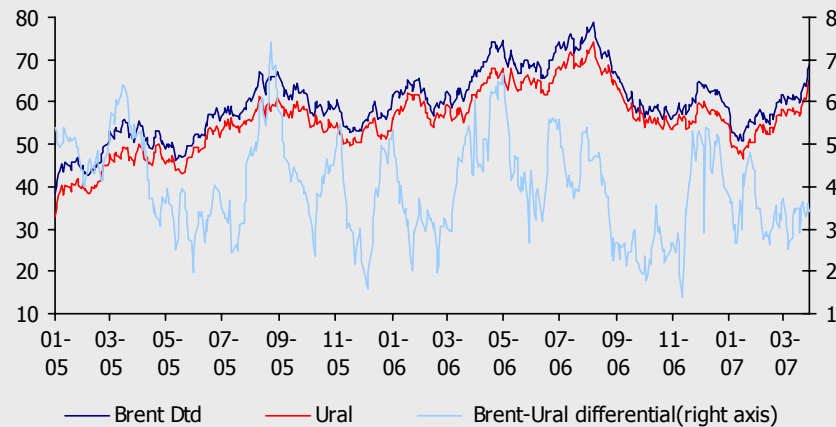


Supplementary Data

Market Conditions in Q1 2007



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



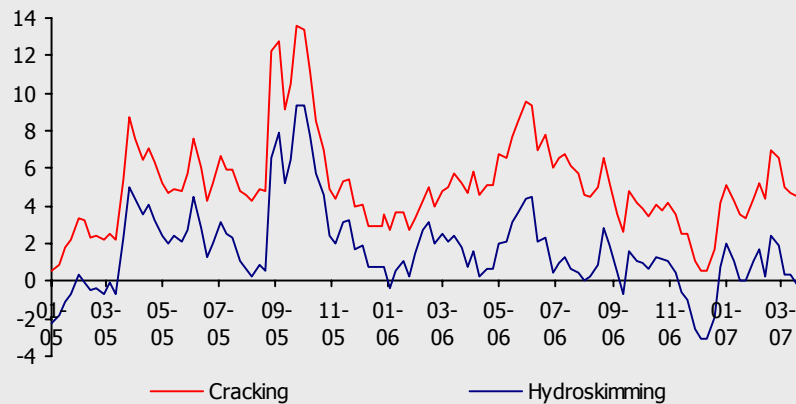
Source: Grupa LOTOS

Key values*

	Q1 06	Q1 07	2006
• Brent (USD/bbl)	61.7	57.86	65.1
• Ural (USD/bbl)	58.1	54.4	61.2
• Brent/Ural differential (USD/bbl)	3.6	3.4	3.9
• Refining margin (USD/bbl)	4.1	4.8	4.8
Cracks			
• Gasoline (USD/t)	106.9	133.1	137.9
• Diesel (0.005) (USD/t)	103.1	109.0	113.7
• LHO (USD/t)	86.6	87.4	94.5
• JET(USD/t)	144.7	155.7	156.5
• HSFO (USD/t)	-181.6	-189.2	-207.4

* Average for period

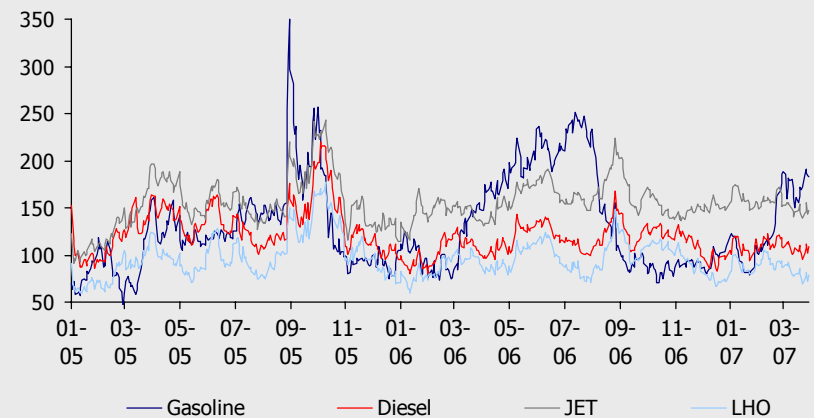
Refining margin* (USD/bbl)



* Rotterdam Brent

Source: PVM

Cracks (USD/tonne) without HSFO



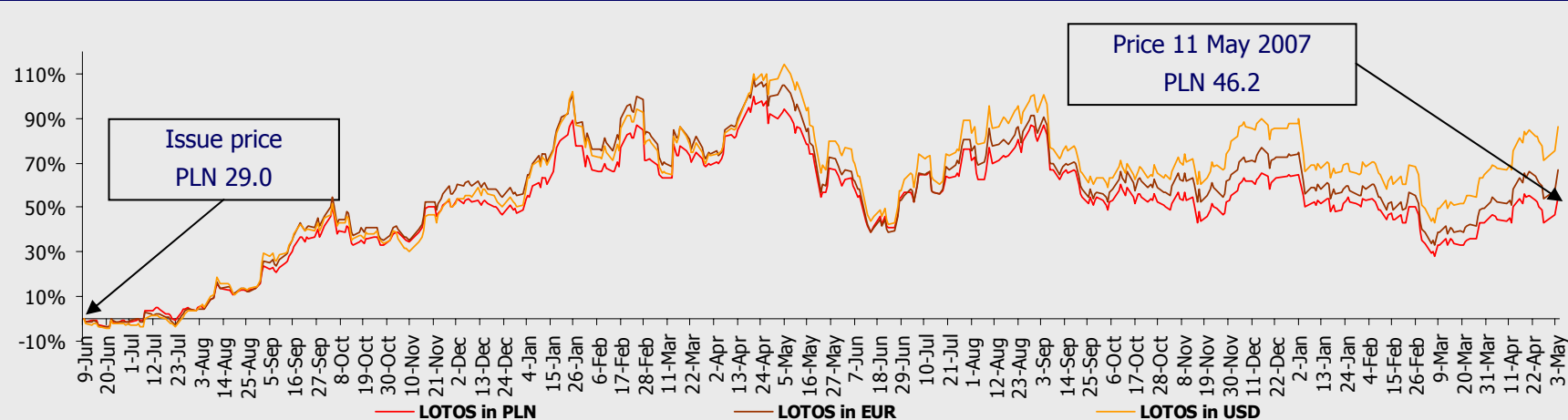
Source: Grupa LOTOS

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 297 147 shares
- Average daily value of trading PLN 13.2 m
- Value of daily trading to market capitalisation 0.25%
- Issue price capitalisation PLN 3 297.3 m
- Latest capitalization PLN 5 247.3 m
- Growth in value since IPO 59.1%

* As of 11 May 2007

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*:** **17**
- **Share in WIG20 Cap*:** **1.6%**

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