



**Consolidated Financial Results
of the LOTOS Group
Q4 2006 (IFRS)**

Paweł Olechnowicz – President of the Management Board

28 February 2007

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

Summary

Market Conditions in Q4 2006



Crude oil prices and Brent-Ural differential

- The market environment for refining in Q4 2006 deteriorated in comparison to Q3 2006 and Q4 2005.
- Average Brent crude oil price of 59.6 USD/bbl – a decrease by 14.4% in comparison to Q3 2006 and an increase by 4.7% in comparison to Q4 2005.
- Average Ural/Brent differential of 3.5 USD/bbl – a decrease of 5.4% against Q3 2006 and Q4 2005.
- Average refining margins at 2.96 USD/bbl – a decrease of 43.4% versus Q3 2006 and a 49.8% decrease in relation to Q4 2005.

Data for Q3 2006 and Q4 2006* Q3 2006 Q4 2006 Change

• Brent (USD/bbl)	69.6	59.6	-14.4%
• Ural (USD/bbl)	65.9	56.1	-14.9%
• Brent-Ural differential (USD/bbl)	3.7	3.5	-5.4%
• Refining margin (USD/bbl)	5.2	3.0	-43.4%

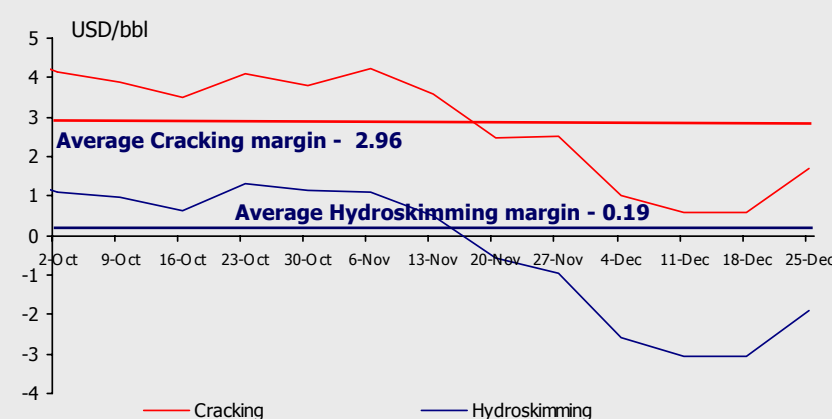
* Average for period

Data for Q4 2005 and Q4 2006* Q4 2005 Q4 2006 Change

• Brent (USD/bbl)	56.9	59.6	4.7%
• Ural (USD/bbl)	53.2	56.1	5.5%
• Differential Brent-Ural (USD/bbl)	3.7	3.5	-5.4%
• Refining margin (USD/bbl)	5.9	3.0	-49.8%

* Average for period

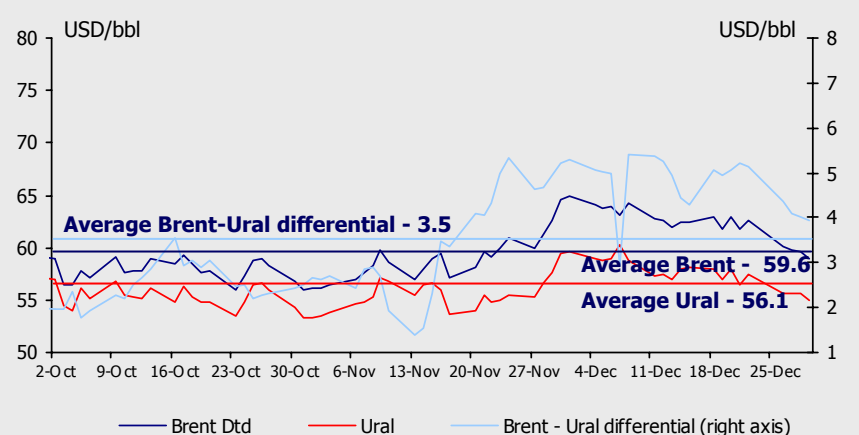
Refining margin* in Q4 2006



* Rotterdam Brent, weekly averages

Source: PVM

Crude oil prices and Brent-Ural differential in Q4



Source: PVM

Summary

Financial Results in Q4 2006

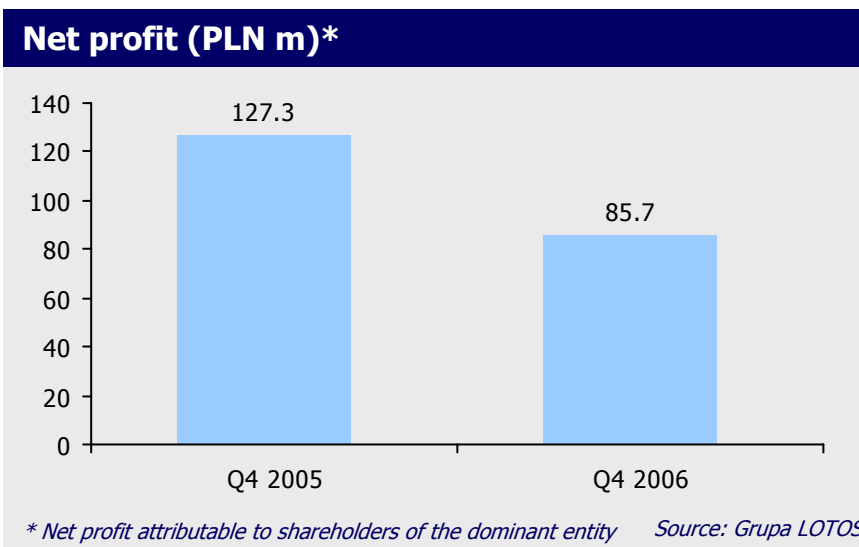
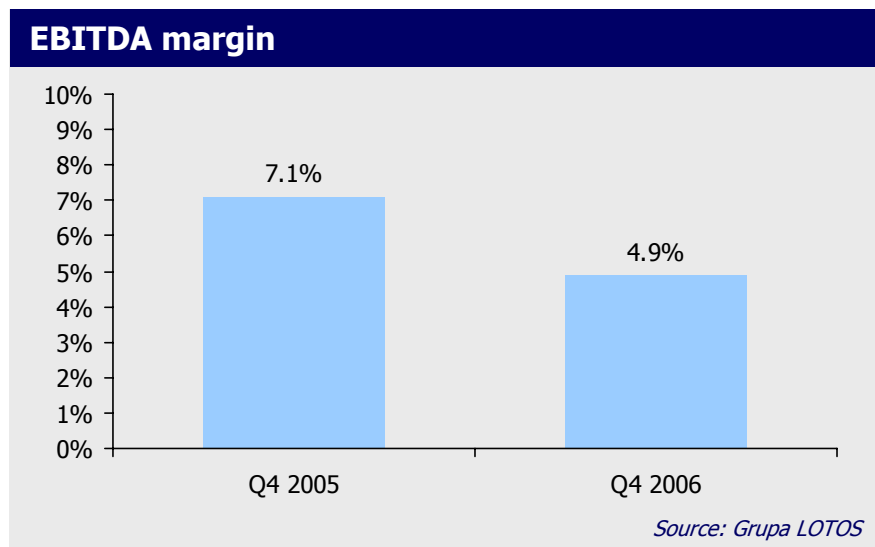


Financial results (IFRS in PLN m, non-audited)			
	Q4 2005	Q4 2006	Change
Net Sales	2 953.6	3 156.1	6.9%
EBITDA	211.1	156.2	-26.0%
EBIT	137.5	84.2	-38.8%
Net profit*	127.3	85.7	-32.7%
EBIT (LIFO)**	168.1	253.4	50.8%

** 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 impacted LOTOS Group results:
 - Increased sales volumes.
 - A favourable product portfolio.
 - Deteriorating market conditions.
- Sales at PLN 3 156.1 m – an increase of 6.9%.
- EBITDA at PLN 156.2 m – a decrease of 26.0%.
- EBIT (LIFO) at PLN 253.4 m – increase of 50.8%.**
- Net profit of shareholders of the dominant entity at PLN 85.7 m – a decrease of 32.7%.



Summary

Financial Results (Q1-Q4 2006 cumulative)



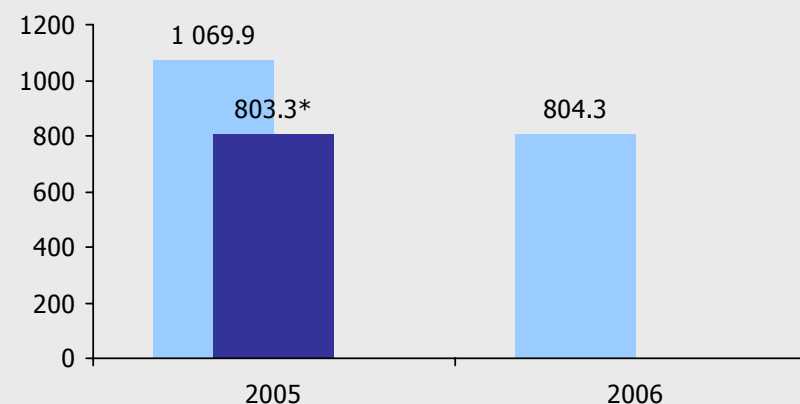
Results for 2006 (IFRS in PLN m, non-audited)

	2005	2006	Change	2005*	Change
Net sales	9 646.5	12 812.7	32.8%	9 646.5	32.8%
EBITDA	1 333.5	1 101.7	-17.4%	1 067.0	3.3%
EBIT	1 069.9	804.3	-24.8%	803.3	0.1%
Net profit**	915.1	666.1	-27.2%	648.5	2.7%
EBIT (LIFO)	785.6	937.3	19.3%	519.0	80.6%

* Excluding negative goodwill of PLN 266.6 m

** Net profit attributable to shareholders of the dominant entity

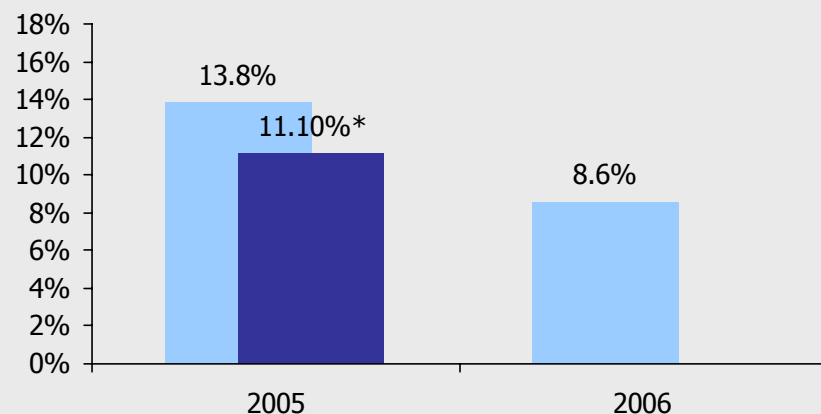
Operating profit (PLN m)



* Excluding negative goodwill of PLN 266.6 m

Source: Grupa LOTOS

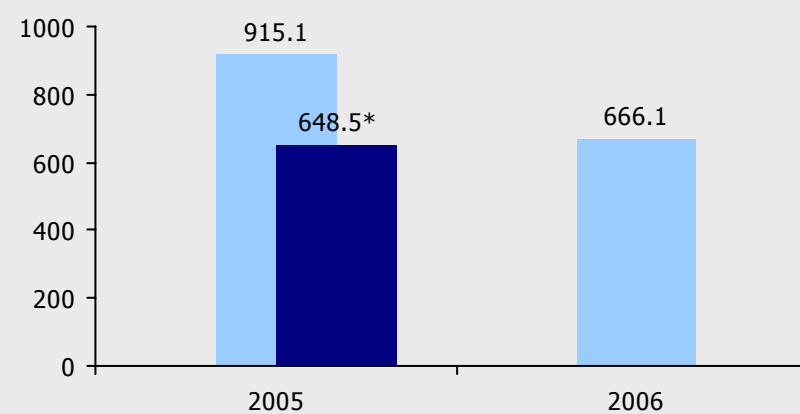
EBITDA margin



* Excluding negative goodwill of PLN 266.6 m

Source: Grupa LOTOS

Net profit (PLN m)**



* Excluding negative goodwill of PLN 266.6 m

Source: Grupa LOTOS

** Net profit attributable to shareholders of the dominant entity

Summary

Financial forecast realisation



Forecast of consolidated financial results and actual financial results (IFRS in PLN thousands)			
	Q1-Q4 2006		Forecast realisation
	Actual results	Forecast	
Net sales	12 813	13 436	95.4%
EBITDA	1 102	1 126	97.9%
EBIT	804	819	98.2%
Net profit*	666	657	101.4%

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

Realisation of financial forecast for Q1-Q4 2005

- Good financial results generated in the four quarters of 2006 enabled almost full realisation of the verified forecast of consolidated financial results of the LOTOS Group for 2006 presented by the Management Board of Grupa LOTOS in current report No. 53/2006.

Summary Operating Data



Operating data in Q4 2005 and Q4 2006, 2005 and 2006						
	Q4 2006	Q4 2005	Δ %	2006	2005	Δ %
Annual nameplate refining capacity	6 MMTA	6 MMTA	0.0%	6 MMTA	n/a	n/a
Crude oil throughput (k tonnes) ¹	1 583.0	1 499.7	+ 5.5%	6 098.6	4 836.9	+ 26.1%
Average capacity utilization rate	104.7%	99.2%	+ 5.5%	101.6%	n/a	n/a
Products sales in total (k tonnes - consolidated)	1 922.0	1 706.0	+ 12.8%	7 049.7	5 698.0	+ 23.7%
Employment (end of period)	5 624²	5 435	+3.5%	-	-	-

1) Processing at Gdańsk Refinery.

2) Including 945 people employed in Grupa LOTOS S.A.

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Crude oil production

- Total production in Q4 2006 from the B-3 and B-8 oil fields amounted to 52.8 k tonnes of crude oil.
- Production from the B3 oil field amounted to 51.9 k tonnes.
- In Q4 2006 Petrobaltic completed test production from the B-8 oil field, producing over 0.9 k tonnes of crude oil.
- Total production in Q4 2006 was sent to the Gdańsk refinery.
- The Gdańsk refinery processed 41.1 k tonnes which was produced in Q4 2006 and additional 71.4 k tonnes of crude oil produced in Q2 2006 and Q3 2006, which was accumulated in the previous months.



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,*
 - *Preparing EPC offers for the Project (excluding CDU i HDS).*
- EPC offers submitted by Fluor and Uhde Technip in December 2006 – negotiations regarding optimisation of the specification and terms of the offers.
- New Crude Distillation Unit (CDU) with 4.5 m ton capacity.
 - *Basic engineering work was continued by Uhde Edeleanu.*
 - *EPC invitations to tender were sent to 6 leading engineering companies.*
- Hydrodesulphurisation unit (HDS).
 - *Turn-key EPC contract was signed with ABB Lummus Global, based on Chevron Lummus Global technology.*

Reactor procurement

- Construction of four reactors for the mild hydrocracking installation (MHC) is underway.

Ground works

- Ground preparation work was completed.

Major Events

Retail



PROSTA Project implementation in Q4 2006

- In Q4 2006 activities of the LOTOS Group focused on development of the COCO station network.
 - COCO stations in Gdynia and Rzeszów were opened.
 - Installation of LPG modules at ESSO and Slovnaft stations was continued.
 - Construction of a COCO station in Katowice was completed.
 - Five new stations were incorporated into Partnership programme „LOTOS Family”.
- In Q4 2006 the LOTOS Group continued expansion of the DOFO network.
 - At the end of Q4 2006 all purchased Esso and Slovnaft stations operated under the LOTOS brand.
 - As of 31 December 2006 the LOTOS Group had 57 DOFO stations and 77 DOFO partner agreements signed.
- As of 31 December 2006 the LOTOS Group had 212 DODO stations.
- Optimisation of the retail network through rationalisation of real estate assets continued.

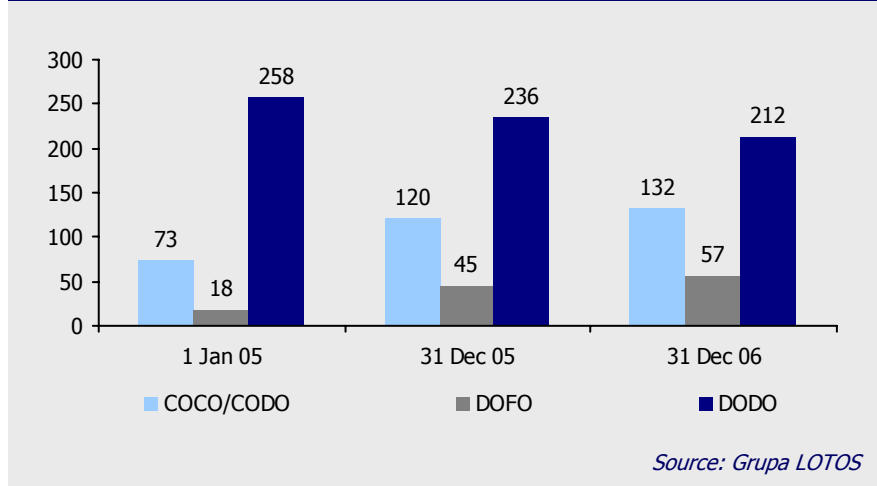
Number of stations in LOTOS network

As of 31 December 2006

COCO/CODO	132
DODO	212
DOFO	57 (77*)
Total	401

* Number of signed partnership agreements Source: Grupa LOTOS

Change in the petrol station network structure



Restructuring and development of the Southern Refineries

In Q4 2006 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 Czechowice

- The liquidation proceedings of RC Paliwa Sp. z o.o. – subsidiary of LOTOS Czechowice has begun.
- CBA RACER Sp. z o.o. – was incorporated into LOTOS Czechowice structures.

LOTOS Jasło

- Raising of the equity of LOTOS Park Technologiczny Sp. z o.o. – a key company involved in the restructuring of the assets of Grupa LOTOS located in the south of Poland.
- Newly issued shares with a nominal value of PLN 4 933.0 K were covered by contribution in kind and were acquired by LOTOS Jasło.
- After the transaction LOTOS Jasło became an owner of 28.5% shares of LOTOS Park Technologiczny.

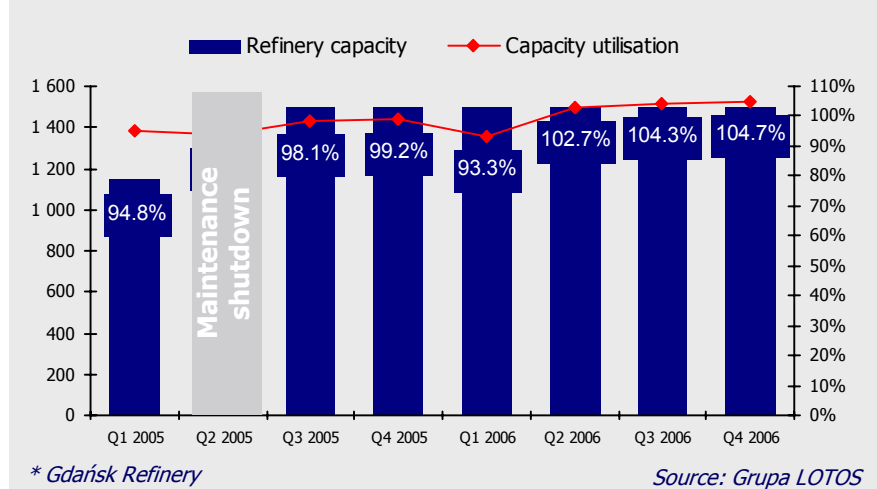
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Operational Information

Capacity, Throughput and Sales



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



Commentary

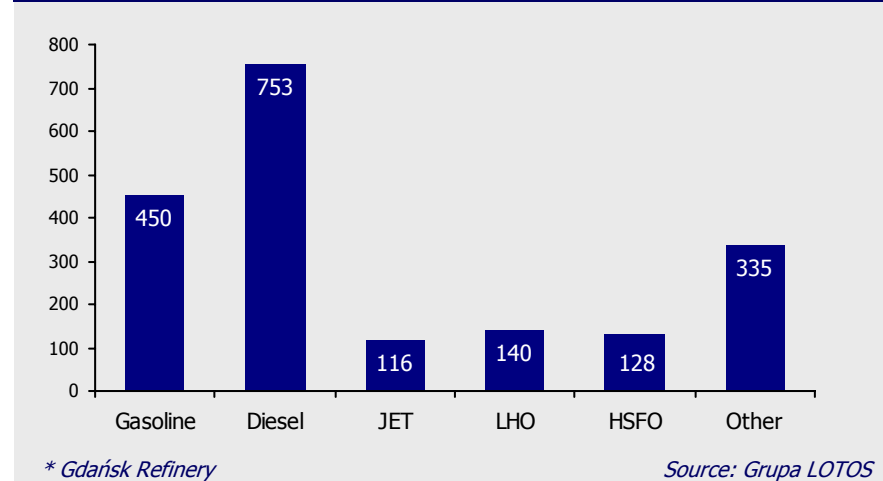
- Due to high demand for LOTOS Group products the capacity utilization rate in Q4 2006 amounted to 104.7%*.
- In Q4 2006 throughput of crude oil at the Gdańsk refinery increased by 5.5% in comparison to Q4 2005.
- Because of high demand for LOTOS Group products, total sales of products in Q4 2006 amounted to 1 922.0 K tonnes.
- Processing of Ural crude oil accounted for 84.1% of throughput, 7.1% of crude was supplied by Petrobaltic while imported crude oil KUWAIT accounted for 8.8% of total throughput.

* Gdańsk Refinery

Crude oil throughput (in 000 tonnes)*



Sales of products (Q4 2006 in 000 tonnes)*

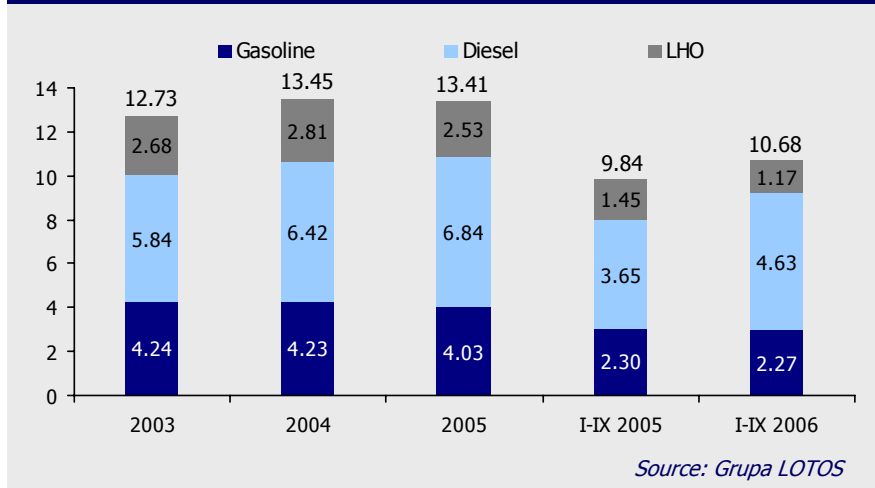


Operational information

Market Share



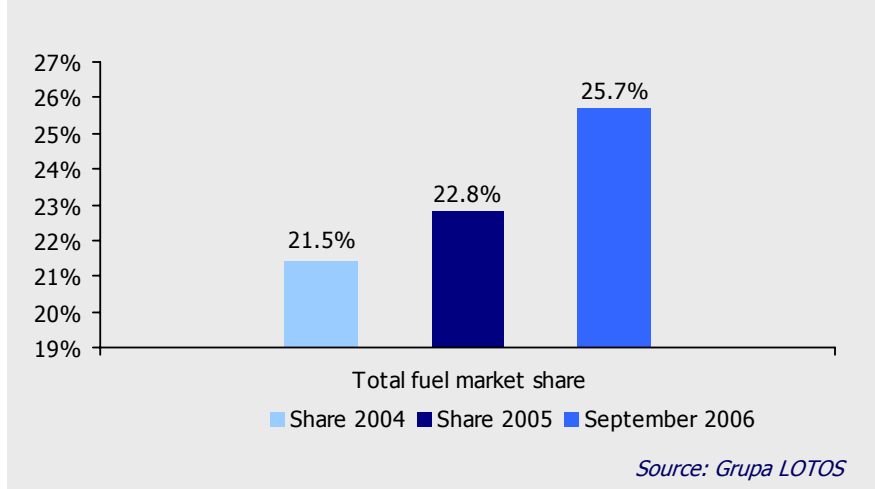
National Fuel Consumption (000 tonnes)



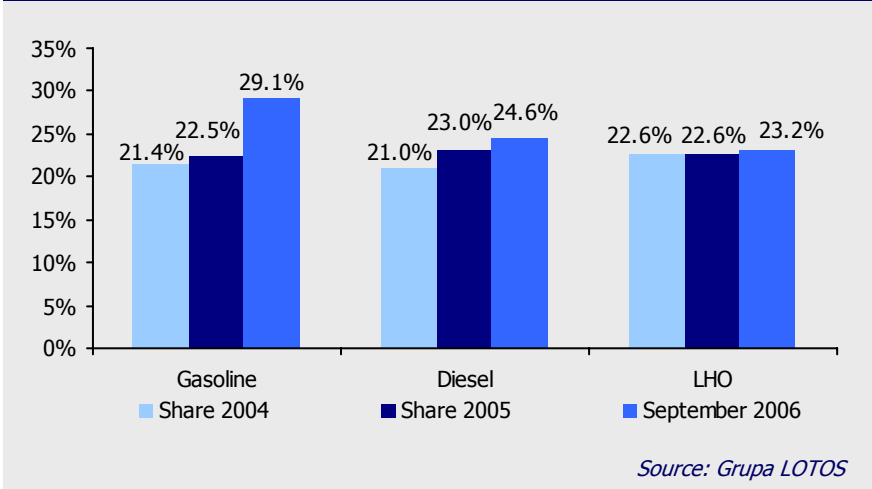
Commentary

- In the first three quarters of 2006 consumption of fuels increased by 8.5% versus three quarters of 2005.
- Total fuel market share of LOTOS Group increased to 25.7% versus 22.8% year-end 2005.
 - Gasoline market share increased to 29.1%
 - Diesel market share increased to 24.6%
 - LHO market share increased to 23.2%

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 2005 and Q4 2006 (unaudited)



IFRS (in PLN m)	Q4 2005	Q4 2006	Δ %
Net sales	2 953.6	3 156.1	6.9%
Cost of sales	2 554.5	2 741.3	7.3%
Gross profit	399.1	414.9	3.9%
Negative goodwill	0.0	0.0	-
Sales costs	146.7	189.3	29.1%
Administration expenses	94.1	108.8	15.6%
Other operating costs	26.6	36.4	36.8%
EBITDA	211.1	156.2	-26.0%
Operating profit (EBIT)	137.5	84.2	-38.8%
Pre-tax profit	178.4	112.3	-37.1%
Income tax	32.7	28.1	-14.2%
Net profit*	127.3	85.7	-32.7%

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

Commentary
<ul style="list-style-type: none"> Drivers behind growth of net sales by 6.9% as compared to Q4 2005, included: <ul style="list-style-type: none"> Increased volumes of sales by 12.8%. Lower product unit prices. Cost of sales increased by 7.3% due to higher crude oil prices and higher sales volumes. Q4 2006 was characterised by lower oil prices and falling crack margins, and a lower Ural/Brent differential which impacted results. Operating profit amounted to PLN 84.2 m and was lower by 38.8% in relation to Q4 2005. Net profit attributable to shareholders of the dominant entity in Q4 2006 amounted to PLN 85.7 m and was 32.7% lower than in the corresponding period of the previous year.

Overview of Financial Results

Profit & Loss Account for Q1-4 2005 and Q1-4 2006 (unaudited)



IFRS (in PLN m)	Q1-Q4 2005	Q1-Q4 2006	Δ %
Net sales	9 645.5	12 812.7	32.8%
Cost of sales	8 053.6	10 989.7	36.5%
Gross profit	1 592.0	1 823.0	14.5%
Negative goodwill	266.6	0.0	-100.0%
Sales costs	501.7	664.9	32.5%
Administration expenses	274.0	315.7	15.2%
Other operating costs	48.7	64.0	31.4%
EBITDA	1 333.5	1 101.7	-17.4%
Operating profit (EBIT)	1 069.9	804.3	-24.8%
Pre-tax profit	1 137.7	901.1	-20.8%
Income tax	168.8	185.8	10.1%
Net profit*	915.1	666.1	-27.2%

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

Commentary
<ul style="list-style-type: none"> Drivers behind growth of net sales to PLN 12 812.7 m i.e. by 32.8% as compared to Q1-Q4 2005, included: <ul style="list-style-type: none"> Increased volumes of sales by 23.7% Higher product unit prices. Cost of sales increased by 36.5% due to higher oil prices, higher sales volumes. Operating profit amounted to PLN 804.3 m and was lower by 24.8% compared to Q1-Q4 2005. Net profit attributable to shareholders of the dominant entity amounted to PLN 666.1 m and was 27.2% lower year on year. Negative goodwill in the amount of PLN 266.6 m related to acquisition of Petrobaltic and Southern refineries had a significant accounting impact on operating profit in Q1-Q4 2005. Operating profit adjusted for negative goodwill rose by 0.1% and adjusted net profit attributable to shareholders of the dominant entity increased by 2.7%.

Overview of Financial Results

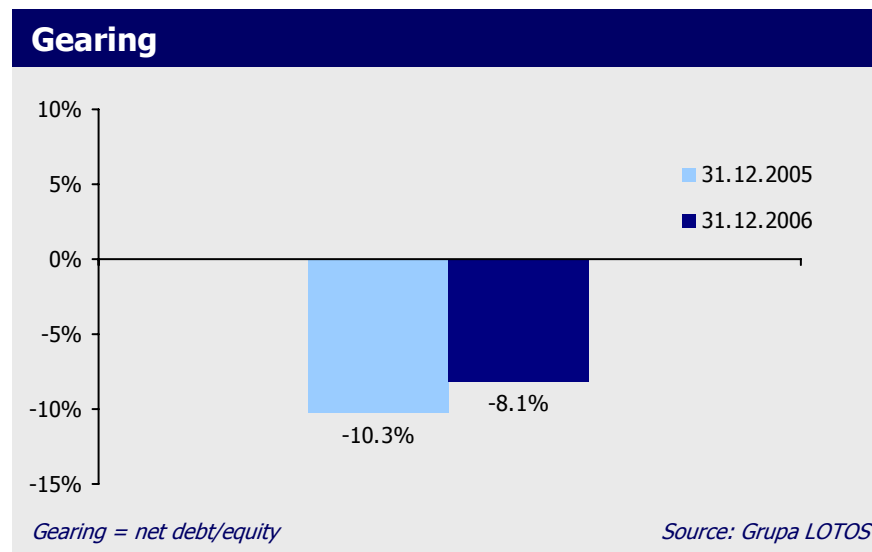
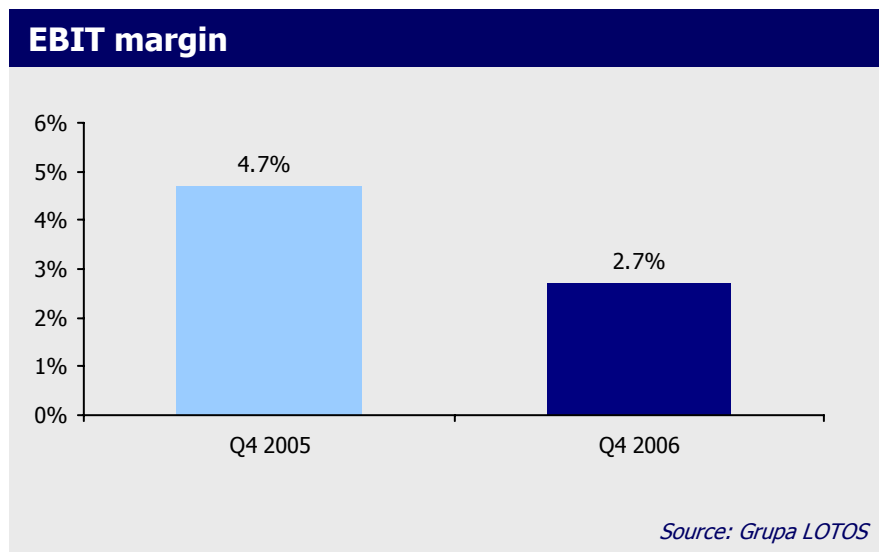
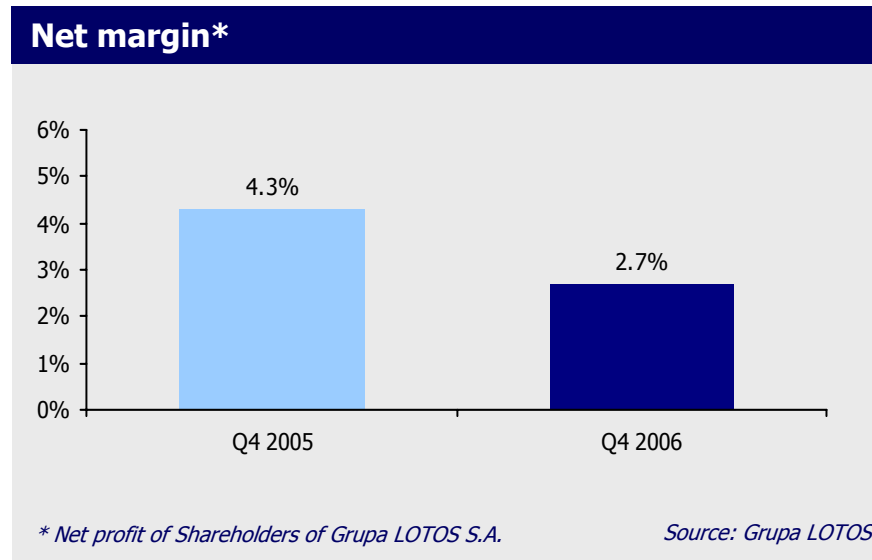
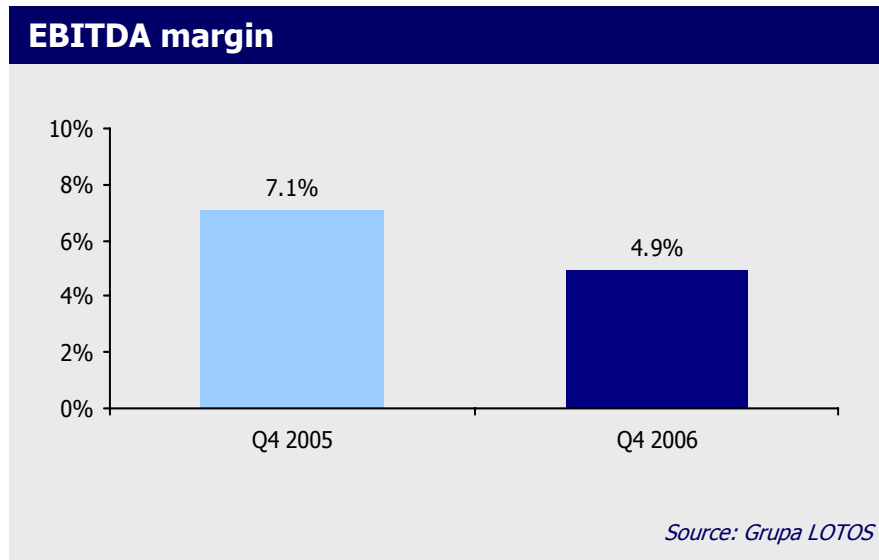
Balance Sheet as of 31.12.2005 and 31.12.2006 (unaudited)



IFRS (in PLN m)	31.12.05	31.12.06	Δ %	Commentary
Assets	6 989.6	7 889.7	12.9%	<ul style="list-style-type: none"> • Growth in the value of assets by 12.9% as of 31 December 2006 in comparison to YE 2005 resulted from an increase in the value of: <ul style="list-style-type: none"> – Tangible fixed assets by PLN 327.0 m. i.e. up by 9.9%, – Receivables by PLN 213.3 m, i.e. up by 20.1%, – Inventories by PLN 274.5 m, i.e. up by 19.2%. • Cash, equivalents and short-term investments increased by PLN 49.1 m to PLN 952.7 m (up 5.4%) • Shareholders equity increased by PLN 707.7 m as a result of: <ul style="list-style-type: none"> – An increase in retained earnings by PLN 666.1 m, – An increase in minority interests by PLN 46.5 m. • Financial debt increased by 24.6% to PLN 506.5 m.
Fixed assets	3 581.5	3 932.4	9.8%	
Tangible fixed assets	3 311.8	3 638.8	9.9%	
Current assets	3 408.1	3 949.4	15.9%	
Inventories	1 432.9	1 707.4	19.2%	
Receivables	1 060.3	1 273.7	20.1%	
Short-term investments	135.8	180.2	32.7%	
Cash and equivalents	767.8	772.5	0.6%	
Equity & Liabilities	6 989.6	7 889.7	12.9%	
Shareholders equity	4 808.1	5 515.8	14.7%	
Long-term liabilities	715.9	729.6	1.9%	
Short-term liabilities	1 465.6	1 644.3	12.2%	
Including financial debt	406.6	506.5	24.6%	

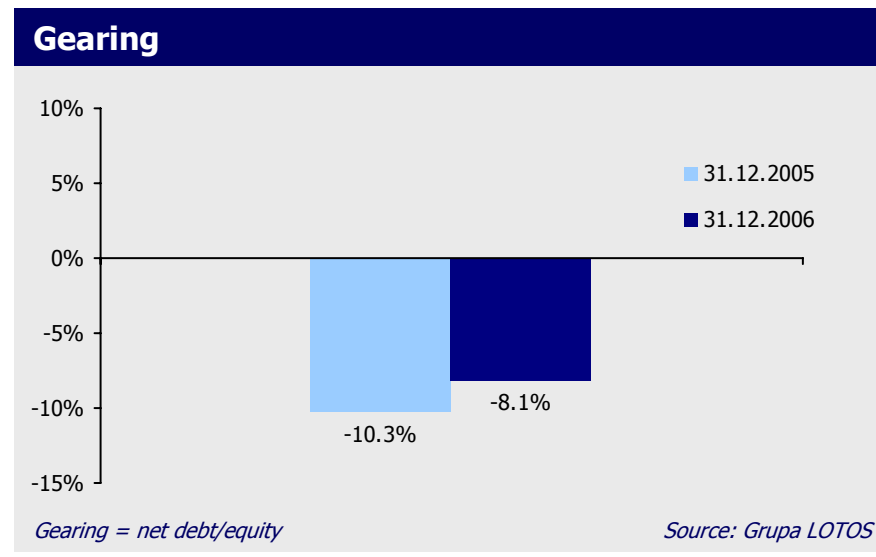
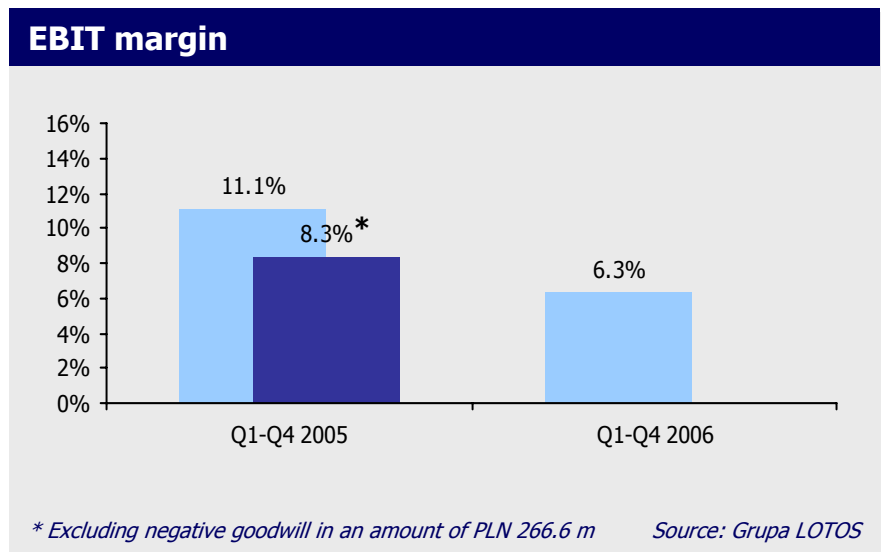
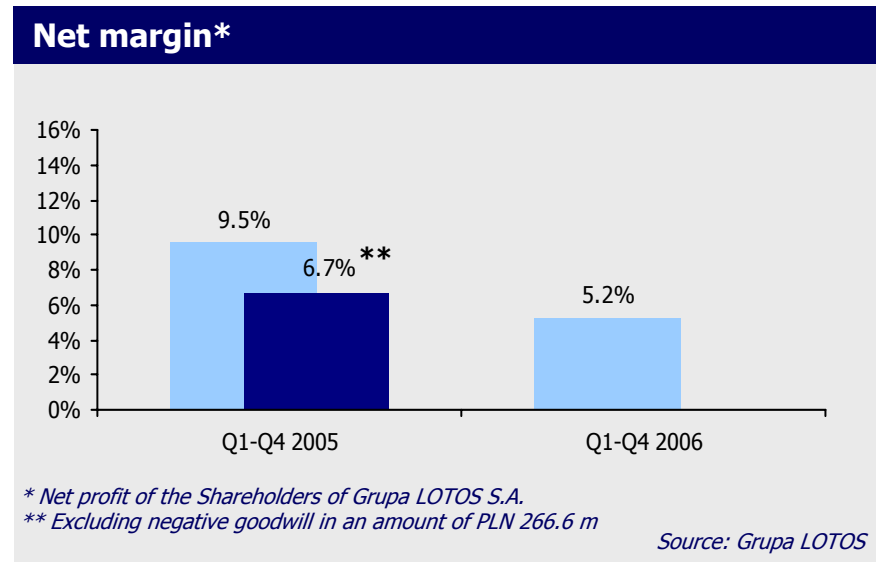
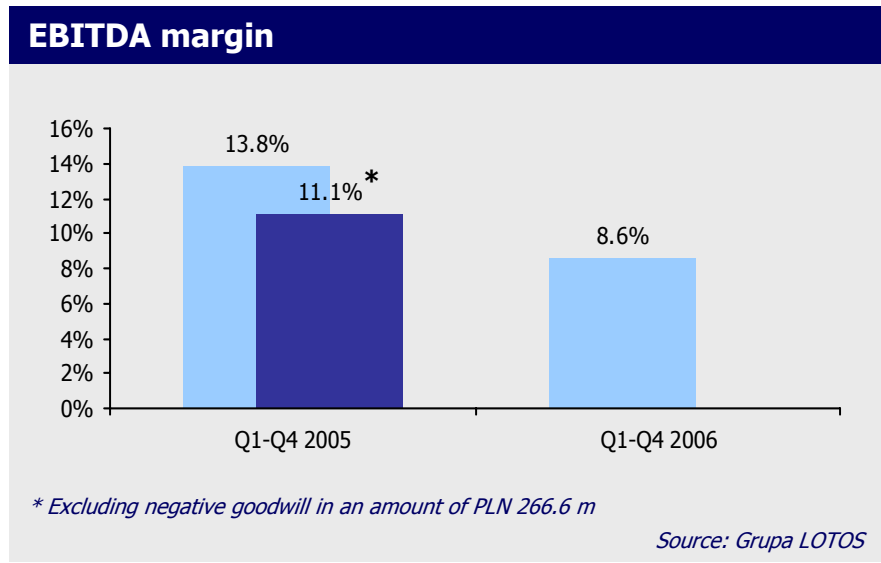
Overview of Financial Results

Financial Ratios for Q4 2005 and Q4 2006



Overview of Financial Results

Financial Ratios for Q1-4 2005 and Q1-4 2006



Overview of Financial Results

Operating Profit in Areas of Operations in Q4 and Q1-4 2006



Areas of operations (PLN m)								
	Areas of operations							
	E & P		Refining & trade		Retail stations		Other operations	
	Q1-Q4'06	Q4'06	Q1-Q4'06	Q4'06	Q1-Q4'06	Q4'06	Q1-Q4'06	Q4'06
Sales	377	54	12 644	3 113	1 044	282	296	100
Interarea sales	354	51	915	247	2	1	277	94
External sales	23	3	11 729	2 866	1 042	281	19	6
Operating costs	-160	-38	-12 018	-3 072	-1 081	-303	-276	-99
Adjustments	-16	49	1	0	0	-1	-7	-1
Operating profit	201	65	627	41	-37	-22	13	0
Depreciation	45	13	214	55	29	1	9	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 Q4 2006:
 - E&P – lower price of crude oil on international markets, decreased crude production, processing of 71.4 k tonnes of crude oil produced by Petrobaltic in Q2 and Q3 2006.
 - Refining & trade – in Q4 2006 there was very high level of refining capacity utilisation and high level of sales countered by lower Brent Ural differential and falling crack spreads of most products that reduced refining margins.
 - Retail stations – improved retail margins in COCO stations, rationalisation through asset sales, substantial costs related to restructurisation and modernisation of fuel stations network.

Overview of Financial Results

Operating Profit according to LIFO inventory valuation



Analysis of operating profit						
(PLN)	Q4'06	Q4'05	Change	Q1-Q4'06	Q1-Q4'05	Change
Operating profit	84.2	137.5	-38.8%	804.3	1 069.9	-24.8%
LIFO operating profit	253.4	168.1	50.8%	937.3	785.6	19.3%
LIFO operating profit (adjusted for negative goodwill)	253.4	168.1	50.8%	937.3	519.0	80.6%

Commentary to LIFO results

- Q4 2006 operating profit according to the LIFO inventory valuation method improved by 50.8% to PLN 253.4 m versus Q4 2005.
- Cumulative Q1-Q4 operating profit improved by 19.4% versus Q1-Q4 2005 reaching PLN 937.3 m.
- After correction of the Q1-Q4 LIFO 2005 operating profit for negative goodwill, the improvement in operating profit in 2006 amounts to PLN 418.3 m, i.e. 80.6%.

Commentary on inventory valuation methods

- In accordance with accepted accounting standards, Grupa LOTOS 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



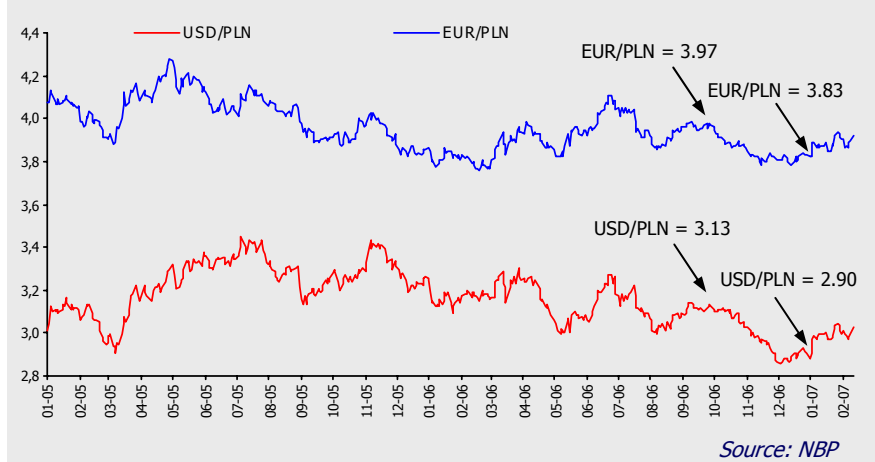
Growth of real GDP (%)



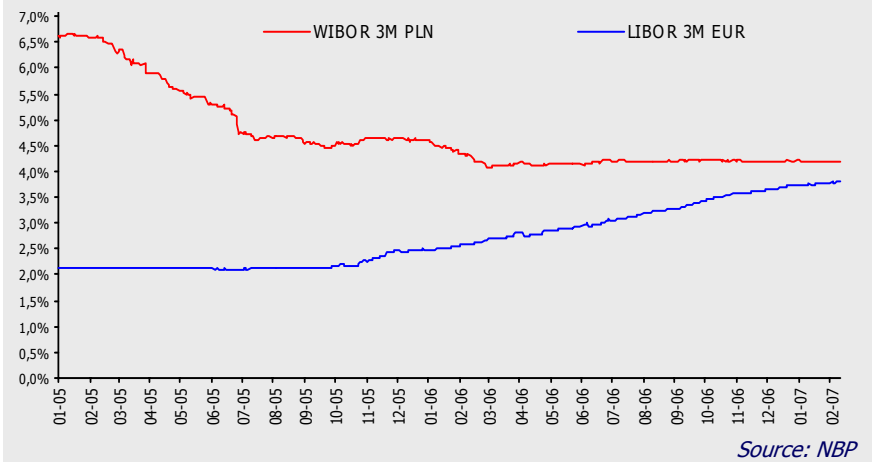
Commentary

- According to the estimates of the Polish Ministry of Finance in Q4 2006 GDP real growth amounted to 5.8% as compared to 4.2% in the analogous period of 2005. According to the estimates of the Polish Ministry of Finance, GDP growth in 2007 will amount to 5.4%.
- In Q4 2006 the USD/PLN exchange rate ranged from 2.86 to 3.11, and at the end of December 2006 amounted to 2.90. In the same period the EUR/USD exchange rate ranged from 1.25 to 1.33 and at the end of December 2006 amounted to 1.32.
- Decrease of the WIBOR 3M rate from 4.22% at the end of September 2006 to 4.20% at the end of Q4 2006.

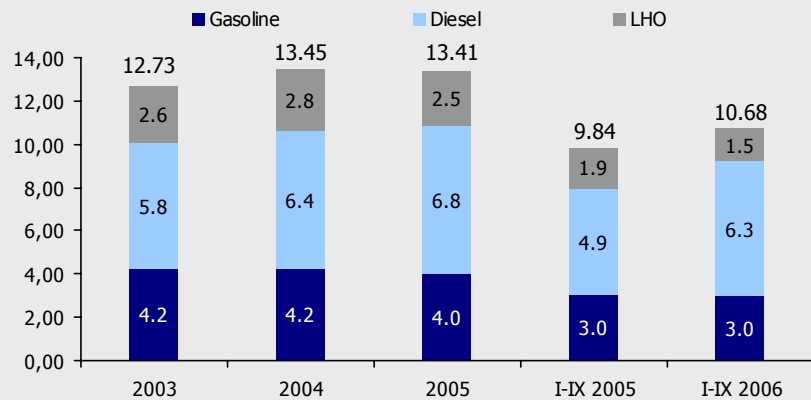
Foreign exchange rate



Interest rates



National fuel consumption (tonnes m)

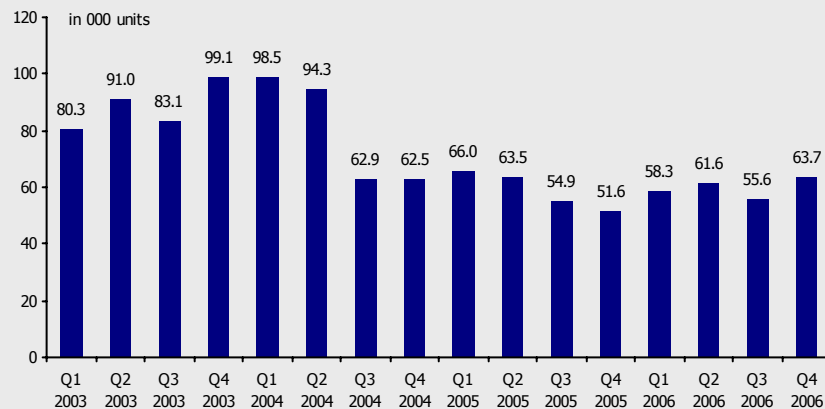


Source: Grupa LOTOS

Commentary

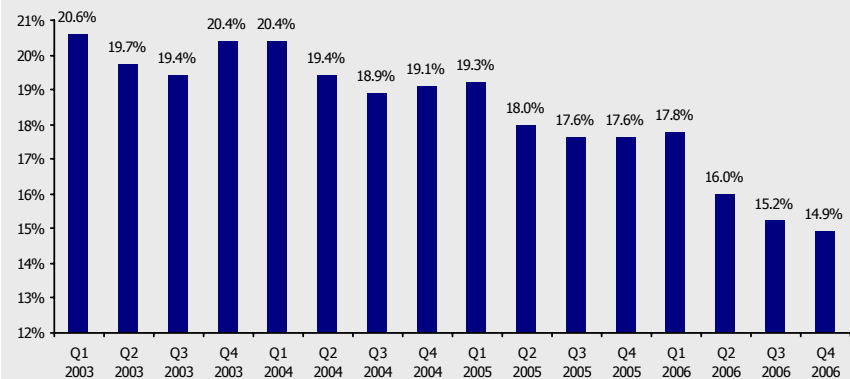
- National consumption of fuels in the period of Jan-Sep 2006 grew by 8.5% compared to analogous period of 2005. The highest growth in consumption 27.5% was recorded in the Diesel segment. Consumption of gasoline fell by 2.6%, and consumption of LHO fell by 22.1%.
- Sales of new cars in Q4 2006 amounted to 63 736, which is 23.5% more comparing to analogous period of 2005 and 14.6% more in relation to Q3 2006.
- At the end of December 2006 the number of unemployed amounted to 2.3 m people, which accounted for 14.9% of the economically active population.

Sales of new automobiles



Source: Samar

Unemployment



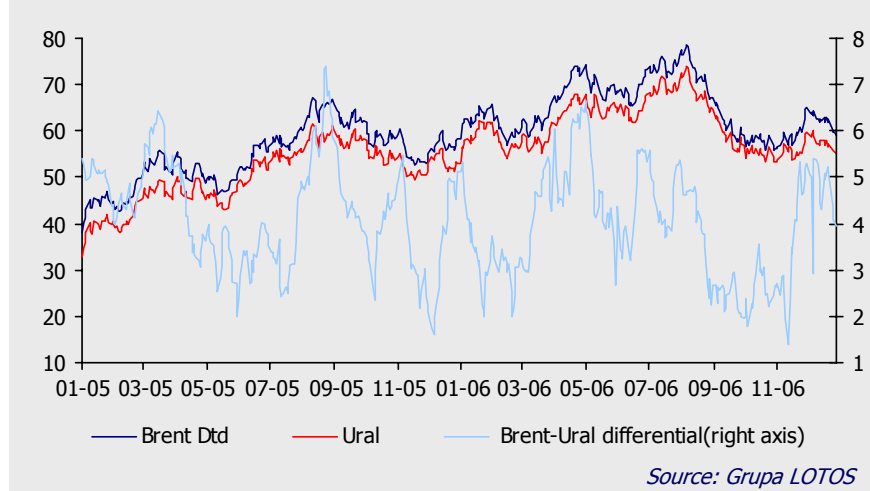
Source: GUS

Supplementary Data

Market Conditions in Q4 2006



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

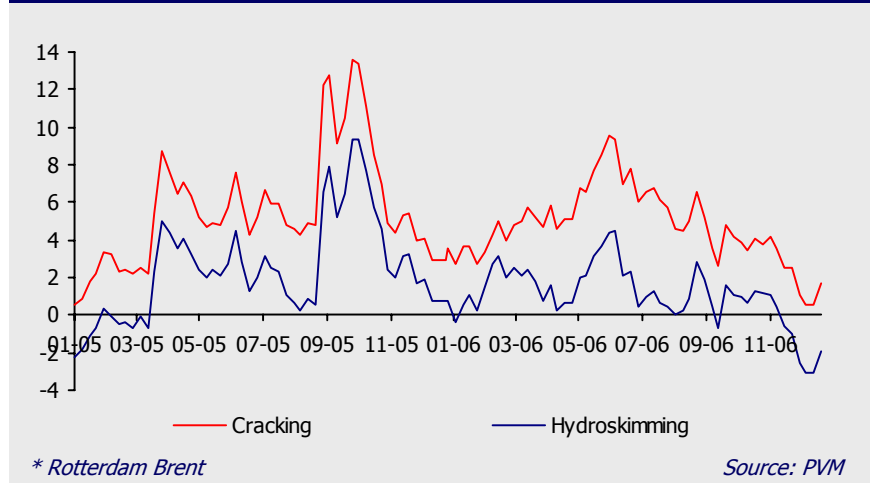


Key values*

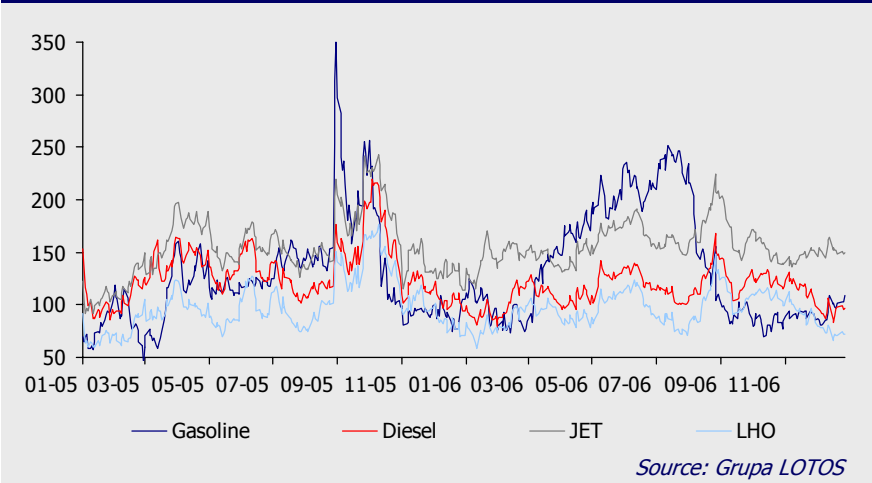
	Q4 05	Q4 06	2005
• Brent (USD/bbl)	56.9	59.6	65.1
• Ural (USD/bbl)	53.2	56.1	61.2
• Brent-Ural differential (USD/bbl)	3.7	3.5	3.9
• Refining margin (USD/bbl)	5.9	3.0	4.8
Cracks			
• Gasoline (USD/t)	110.9	89.3	137.9
• Diesel (0.005) (USD/t)	133.4	113.2	113.7
• LHO (USD/t)	110.7	94.6	94.5
• JET(USD/t)	158.8	150.2	156.5
• HSFO (USD/t)	-178.8	-196.5	-207.4

* Average for period

Refining margin* (USD/bbl)



Cracks (USD/tonne) without HSFO

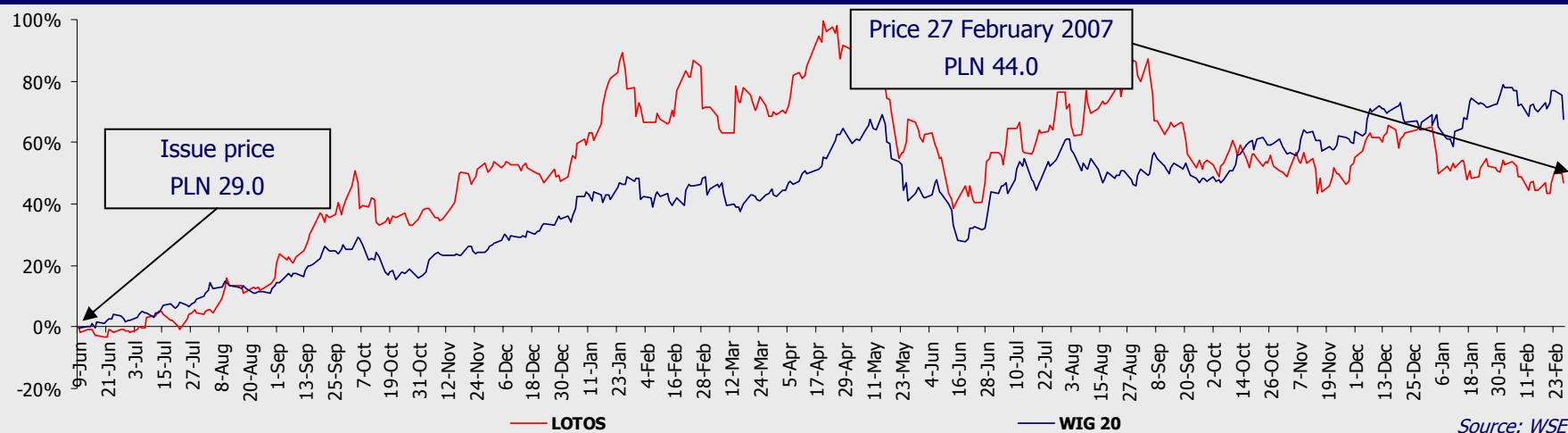


Supplementary Data

Grupa LOTOS on Warsaw Stock Exchange



Share price



Grupa LOTOS on WSE *

• Market debut data	9 June 2005
• Share issue price	PLN 29.0
• Average daily trading volume	297 514 shares
• Average daily value of trading	PLN 13.1 m
• Value of daily trading to market capitalisation	0.26%
• Issue price capitalisation	PLN 3 297.3 m
• Latest capitalization	PLN 5 002.8 m
• Growth in value since IPO	51.7%

* As of 27 February 2007

Grupa LOTOS in the WIG20 index

- **Grupa LOTOS is a member of the WIG20 blue chip stock index as of 16 September 2005**
- **Rank in WIG20*:** **11**
- **Share in WIG20 Cap*:** **3.2%**

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