



**Consolidated Financial Results
of the LOTOS Group
Q3 2006 (IFRS)**

Paweł Olechnowicz – President of the Management Board

14 November 2006

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

Summary

Market Conditions in Q3 2006



Crude oil prices and Brent-Ural differential

- The market environment for refining in Q3 2006 deteriorated in comparison to Q2 2006 and Q3 2005.
- Average Brent crude oil price of 69.6 USD/bbl – flat in comparison to Q2 2006 and an increase by 12.8% in comparison to Q3 2005.
- Average Ural/Brent differential of 3.7 USD/bbl – a decrease of 24.5% against Q2 2006 and a decrease of 17.8% versus Q3 2005.
- Average refining margins at 5.2 USD/bbl – a decrease of 23.5% versus Q2 2006 and a 32.5% decrease in relation to Q3 2005.

Data for Q2 2006 and Q3 2006*

	Q2 2006	Q3 2006	Change
• Brent (USD/bbl)	69.6	69.6	0.0%
• Ural (USD/bbl)	64.7	65.9	1.9%
• Brent-Ural differential (USD/bbl)	4.9	3.7	-24.5%
• Refining margin (USD/bbl)	6.8	5.2	-23.5%

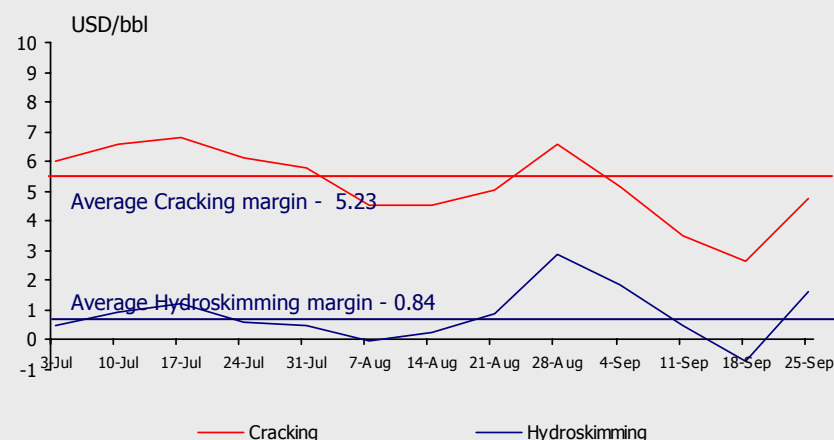
* Average for period

Data for Q3 2005 and Q3 2006*

	Q3 2005	Q3 2006	Change
• Brent (USD/bbl)	61.7	69.6	12.8%
• Ural (USD/bbl)	57.2	65.9	15.2%
• Differential Brent-Ural (USD/bbl)	4.5	3.7	-17.8%
• Refining margin (USD/bbl)	7.7	5.2	-32.5%

* Average for period

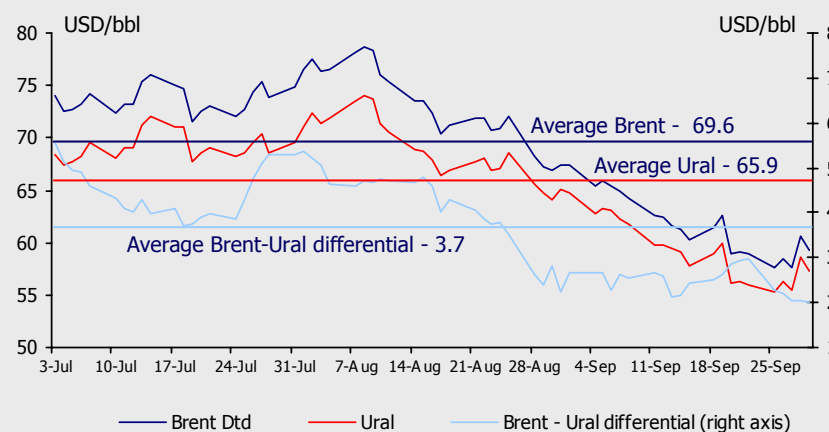
Refining margin* in Q3 2006



* Rotterdam Brent, weekly averages

Source: PVM

Crude oil prices and Brent-Ural differential in Q3



Source: PVM

Summary

Financial Results in Q3 2006

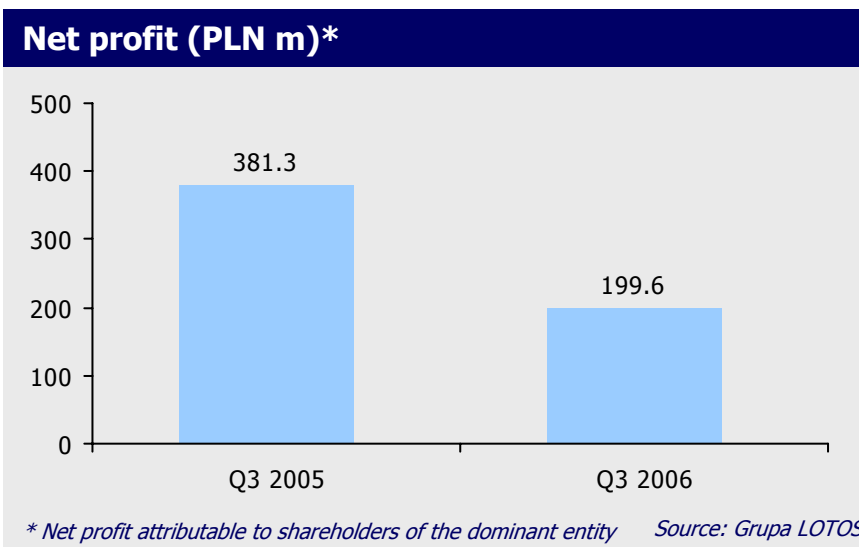
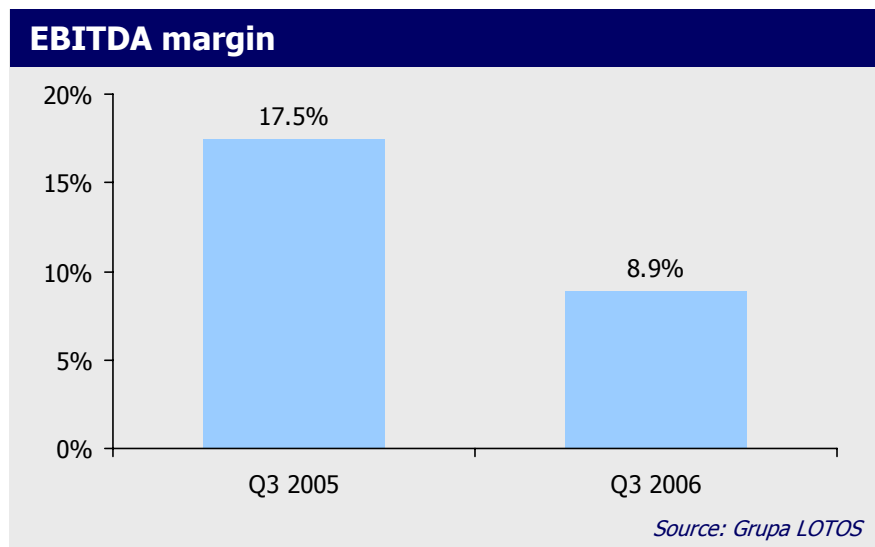


Financial results (IFRS in PLN m, non-audited)			
	Q3 2005	Q3 2006	Change*
Net Sales	3 060.1	3 701.8	21.0%
EBITDA	537.0	330.9	-38.4%
EBIT	469.0	254.5	-45.7%
Net profit*	381.3	199.6	-47.6%
EBIT (LIFO)**	301.5	318.5	5.7%

* 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.
 - Less beneficial market conditions.
- Sales at PLN 3 701.8 m – an increase of 21.0%
- EBITDA at PLN 330.9 m – a decrease of 38.4%
- EBIT at PLN 254.5 m – a decrease of 45.7%.
- Net profit of shareholders of the dominant entity at PLN 199.6 m – a decrease of 47.6%.



Summary Operating Data



Operating data in Q3 2005 and Q3 2006			
	Q3 2006	Q3 2005	Δ %
Annual nameplate refining capacity	6 MMTA	6 MMTA	0.0%
Crude oil throughput (k tonnes)¹	1 577.7	1 483.4	+ 6.4%
Average capacity utilization rate	104.3%	98.1%	+ 6.4%
Products sales in total	1 830.0	1 688.0	+ 8.4%
Employment (end of period)²	5 545	5 292	+ 4.8%

1) Processing at Gdańsk Refinery.

2) Including 910 person employed in Grupa LOTOS S.A. Data for Q3 2005 and Q3 2006 does not include the Glimar Refinery.

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Crude oil production

- Total production in Q3 2006 from the B-3 and B-8 oil fields amounted to 73.4 k tonnes of crude oil, up by 28.8% yoy.
- Production from the B3 oil field amounted to 55.0 k tonnes.
- In Q3 2006 Petrobaltic continued test production from the B-8 oil field, producing over 18.4 k tonnes of crude oil.
- Total production in Q3 2006 was sent to the Gdańsk refinery which processed 42.3 k tonnes. The remaining portion of crude oil which was produced in Q3 2006 will be processed in the upcoming winter months.



Major Events

Refining – implementation of the PKRT project



Contracting unit construction and modernisation

- New crude distillation unit (CDU) with nominal capacity of 4.5 mln tonnes.
 - *An agreement was signed with Uhde Edeleanu for preparation of basic design of the CDU unit.*
- Hydrodesulphurisation (HDS) unit.
 - *Selection of the contractor was completed – contract negotiations are ongoing.*
 - *Chevron Lummus Global was selected for the project.*
- Hydrocracking unit modernisation.
 - *A contract was signed with Chevron Lummus Global for preparation of basic design.*

Procurements

- Following supervisory board approval, orders for four reactors of the mild hydrocracking (MHC) installations were placed.

Tenders and preparatory work

- Ground works at the Gdańsk refinery began.
- The tender for construction of the Air Separation Unit (ASU) was completed.
- Specification of the range and form of contractor guarantees for the complete project was initiated, as well as arrangement of such guarantees.

Major Events

Retail



PROSTA Project implementation in Q3 2006

- In Q3 2006 activities of the LOTOS Group focused on development of the COCO station network.
 - Rebranding of 26 stations was completed.
 - Installation of LPG modules at ESSO and Slovnaft stations was initiated.
 - Construction of a COCO station in Tychy was completed.
 - Construction of 2 petrol stations was commenced in Rzeszów and Katowice.
- In Q3 2006 the LOTOS Group continued expansion of the DOFO network.
 - The LOTOS Group incorporated 3 DOFO stations to its network.
 - As of 30 September 2006 the LOTOS Group had 53 DOFO stations and 78 DOFO partner agreements signed.
- As of 30 Sept. 2006 the LOTOS Group had 213 DODO stations.
- Optimisation of the retail network through rationalisation of real estate assets began.

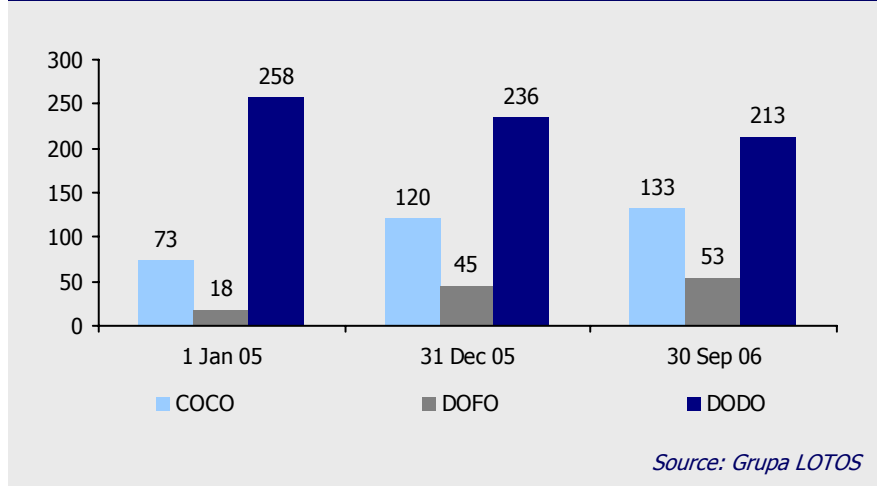
Number of stations in LOTOS network

As of 30 September 2006

COCO	133
DODO	213
DOFO	53 (78*)
Total	399

* Number of signed partnership agreements Source: Grupa LOTOS

Change in the petrol station network structure



Restructuring and development of the Southern Refineries

In Q3 2006 restructuring activities and integration of the operations of the LOTOS Czechowice and LOTOS Jasło were continued. In addition the following projects were underway:

LOTOS Biopaliwa – construction of the FAME production facility

- Following fulfilment of conditions precedent on 30 June 2006 the EPC agreement for construction of the biodiesel plant came into force.
- Design preparation began.
- Out of four financing offers received from banks, one offer was selected and negotiations were underway.

Rafineria Nafty Glimar

- The court appointed insolvency trustee issued an invitation to submit declarations of interest in acquiring an organised part of business of Rafineria Nafty Glimar together with the Hydrocomplex installation.
- A dedicated team began analyses of the financial parameters of acquisition of the assets, completing the investment and operating the installations.

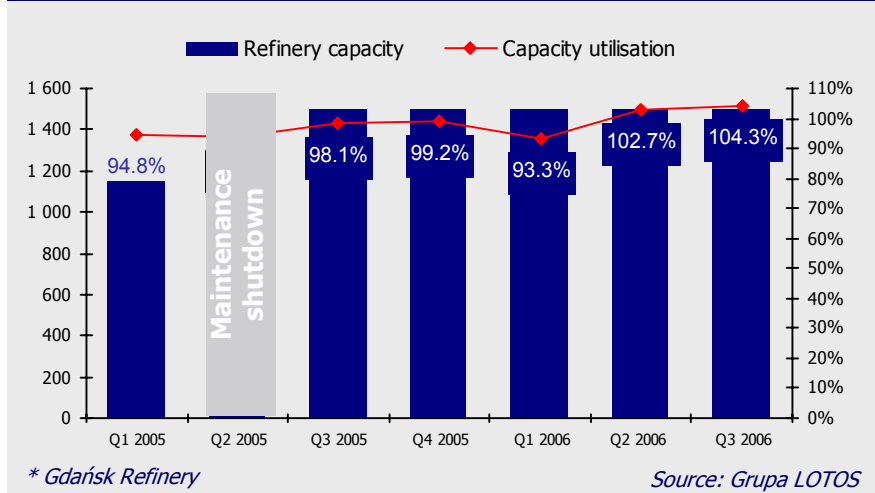
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Operational Information

Capacity, Throughput and Sales



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



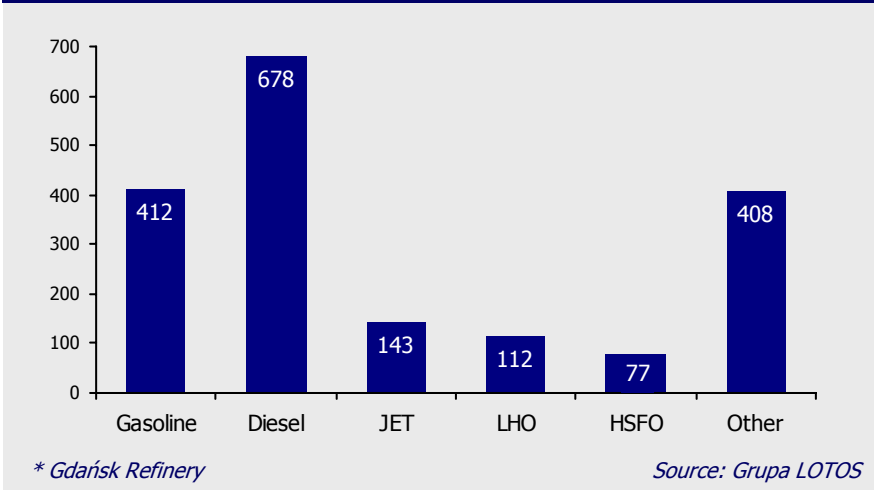
Commentary

- Due to high demand for LOTOS Group products the capacity utilization rate in Q3 2006 amounted to 104,3%*.
 - In Q3 2006 throughput of crude oil at the Gdańsk refinery increased by 6.4% in comparison to Q3 2005.
 - Because of high demand for LOTOS Group products, total sales of products in Q3 2006 amounted to 1 830.0 K tonnes.
 - Processing of Ural crude oil accounted for 96.1% of throughput, 2.7% of crude was supplied by Petrobaltic while imported crude oil condensate SLEIPNER accounted for 1.2% of total throughput.
- * Gdańsk Refinery

Crude oil throughput (in 000 tonnes)*



Sales of products (Q3 2006 in 000 tonnes)*

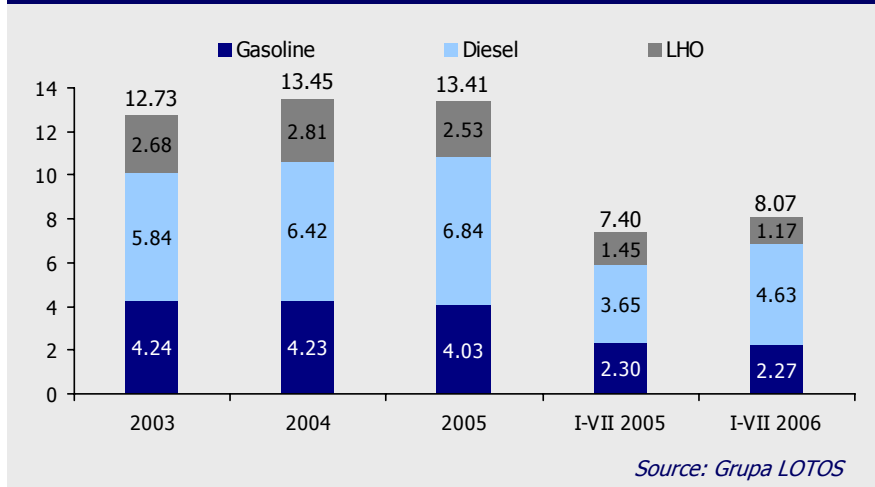


Operational information

Market Share



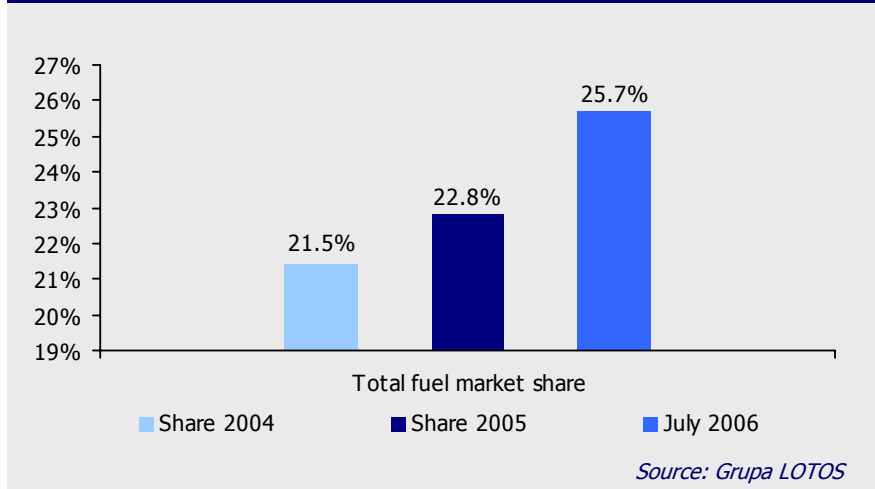
National Fuel Consumption (000 tonnes)



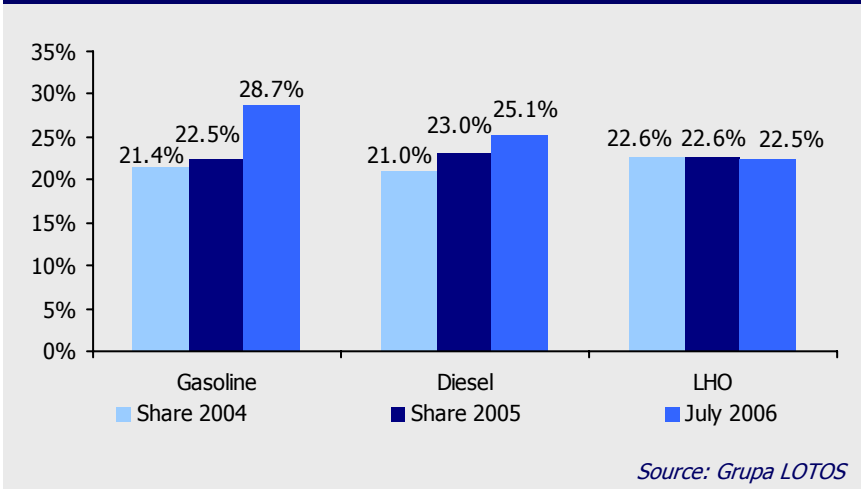
Commentary

- In the first 7 months of 2006 consumption of fuels increased by 9.1% versus 7 months of 2005.
- Total fuel market share of LOTOS Group increased to 25.7% versus 22.8% year-end 2005.
 - Gasoline market share increased to 28.7%
 - Diesel market share increased to 25.1%
 - LHO market share remained stable at 22.5%

LOTOS Group Fuel Market Share



LOTOS Group Market Share (Gasoline, Diesel, LHO)



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Overview of Financial Results

Profit & Loss Account for Q3 2005 and Q3 2006 (unaudited)



IFRS (in PLN m)	Q3 2005	Q3 2006	Δ %
Net sales	3 060.1	3 701.8	21.0%
Cost of sales	2 388.1	3 204.8	34.2%
Gross profit	672.0	497.0	-26.0%
Distribution expenses	152.7	185.1	21.2%
Administration expenses	58.5	61.5	5.2%
Other operating costs	7.2	9.0	24.3%
EBITDA	537.0	330.9	-38.4%
Operating profit (EBIT)	469.0	254.5	-45.7%
Pre-tax profit	498.4	274.2	-45.0%
Income tax	93.0	57.4	-38.2%
Net profit*	381.3	199.6	-47.6%

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

Commentary
<ul style="list-style-type: none"> Drivers behind growth of net sales by 21.0% as compared to Q3 2005, included: <ul style="list-style-type: none"> – Increased volumes of sales by 7.8%. – Higher product unit costs. Cost of sales increased by 34.2% due to higher crude oil prices and higher sales volumes. Q3 2006 was characterised by higher oil prices and falling crack margins, which impacted results. Operating profit amounted to PLN 254.5 m and was lower by 45.7% in relation to Q3 2005. In Q3 2006 the LOTOS Group posted a positive result on financial operations of PLN 19.7 m, which was 31.8% lower than in Q3 2005. Net profit attributable to shareholders of the dominant entity in Q3 2006 amounted to PLN 199.6 m and was 47.6% lower than in the corresponding period of the previous year.

Overview of Financial Results

Profit & Loss Account for Q1-3 2005 and Q1-3 2006 (unaudited)



IFRS (in PLN m)	Q1-Q3 2005	Q1-Q3 2006	Δ %
Net sales	6 691.9	9 656.6	44.3%
Cost of sales	5 499.0	8 248.4	50.0%
Gross profit	1 192.9	1 408.1	18.0%
Negative goodwill	266.6		
Distribution expenses	355.0	475.6	34.0%
Administration expenses	179.9	206.9	15.0%
Other operating costs	22.1	27.6	24.9%
EBITDA	1 128.7	944.5	-16.3%
Operating profit (EBIT)	932.4	720.1	-22.8%
Pre-tax profit	959.3	788.8	-17.8%
Income tax	136.1	157.8	15.9%
Net profit*	787.9	580.5	-26.3%

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

Commentary
<ul style="list-style-type: none"> Drivers behind growth of net sales to PLN 9 656.6 m i.e. by 44.3% as compared to Q1-Q3 2005, included: <ul style="list-style-type: none"> Increased volumes of sales Higher product unit prices. Cost of sales increased by 50% due to higher oil prices and higher sales volumes. Operating profit amounted to PLN 720.1 m and was lower by 22.8% compared to Q1-Q3 2005. Net profit attributable to shareholders of the dominant entity amounted to PLN 580.5 m and was 26.3% 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-Q3 2005. Operating profit adjusted for negative goodwill rose by 8.2% and adjusted net profit attributable to shareholders of the dominant entity increased by 11.4%.

Overview of Financial Results

Balance Sheet as of 31.12.2005 and 30.09.2006 (unaudited)



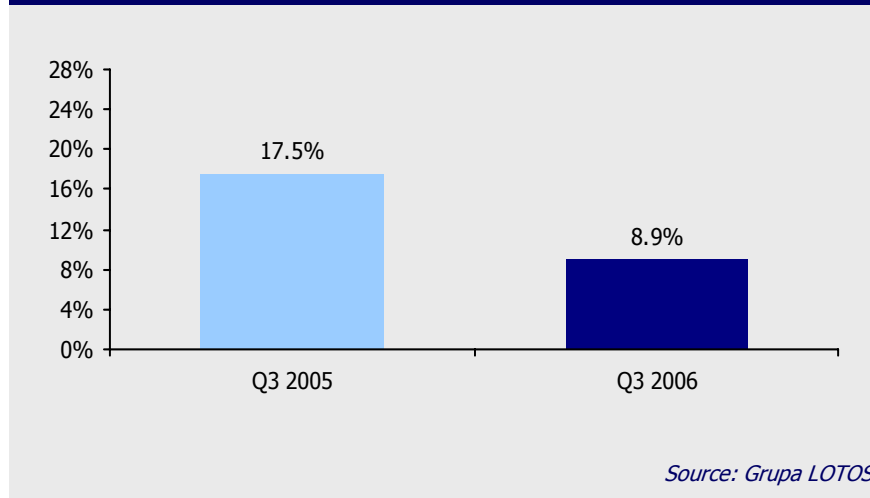
IFRS (in PLN m)	31.12.05	30.09.06	Δ %	Commentary
Assets	6 989.6	7 823.2	11.9%	<ul style="list-style-type: none"> • Growth in the value of assets by 11.9% as of 30 September 2006 in comparison to YE 2005 resulted from an increase in the value of: <ul style="list-style-type: none"> – Tangible fixed assets by PLN 230.2 m. i.e. up by 7.0%, – Receivables by PLN 281.4 m, i.e. up by 26.3%, – Inventories by PLN 189.2 m, i.e. up by 13.2%. • Cash, equivalents and short-term investments increased by PLN 87.8 m to PLN 991.4 m (up 9.7%) • Shareholders equity increased by PLN 627.0 m as a result of: <ul style="list-style-type: none"> – An increase in retained earnings by PLN 580.5 m. – An increase in minority interests by PLN 48.1 m. • Financial debt increased by 6.7% to PLN 433.9 m
Fixed assets	3 581.5	3 841.3	7.3%	
Tangible fixed assets	3 311.8	3 542.0	7.0%	
Financial assets	20.2	19.8	-2.1%	
Current assets	3 408.1	3 979.6	16.8%	
Inventories	1 432.9	1 622.1	13.2%	
Receivables	1 069.1	1 350.4	26.3%	
Short-term investments	135.8	80.5	-40.7%	
Cash and equivalents	767.8	910.9	18.6%	
Equity & Liabilities	6 989.6	7 823.2	11.9%	
Shareholders equity	4 808.1	5 435.1	13.0%	
Long-term liabilities	715.9	698.5	-2.4%	
Short-term liabilities	1 465.6	1 689.7	15.3%	
Including financial debt	406.6	433.9	6.7%	

Overview of Financial Results

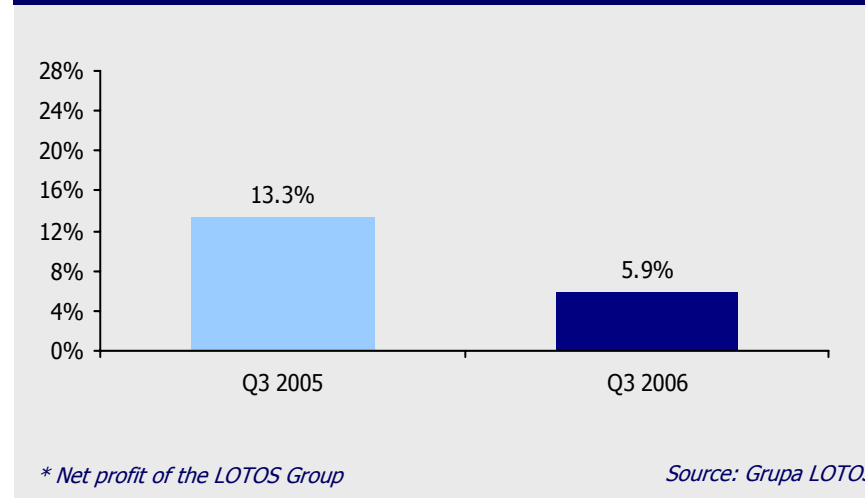
Financial Ratios for Q3 2005 and Q3 2006



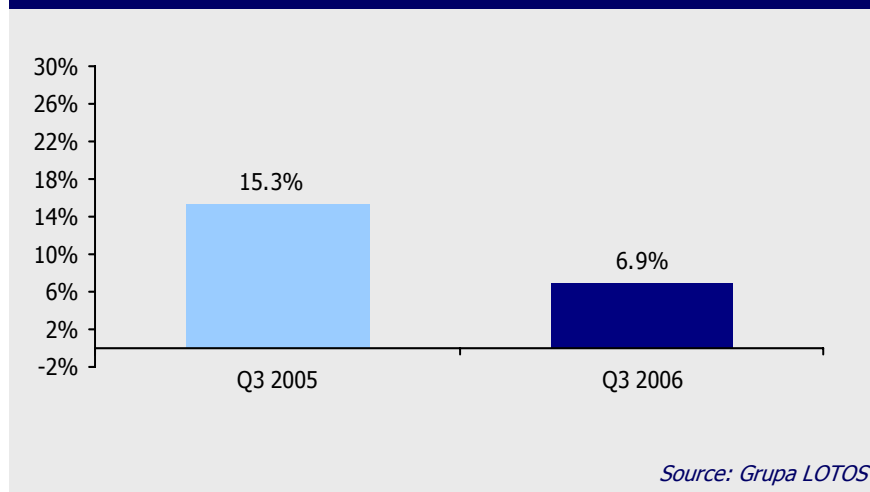
EBITDA margin



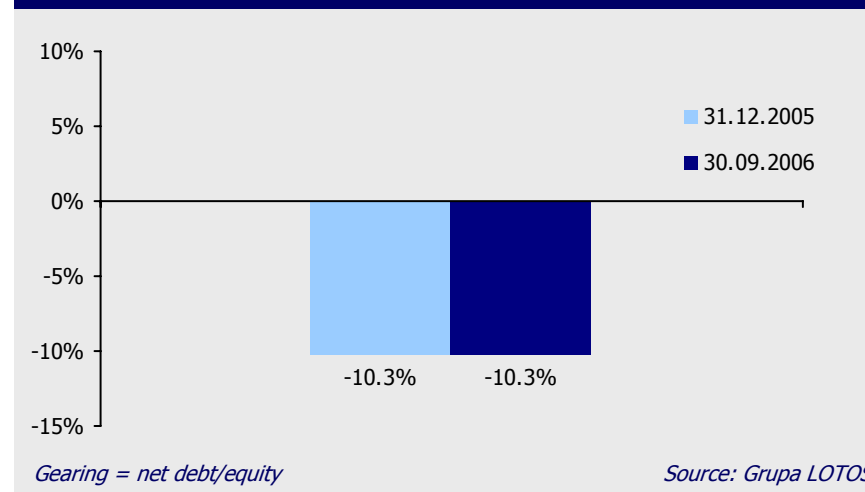
Net margin*



EBIT margin

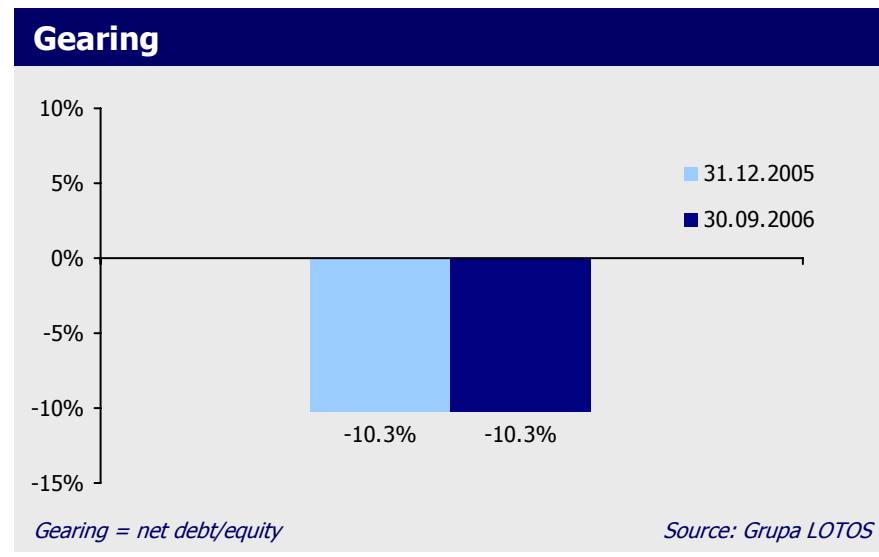
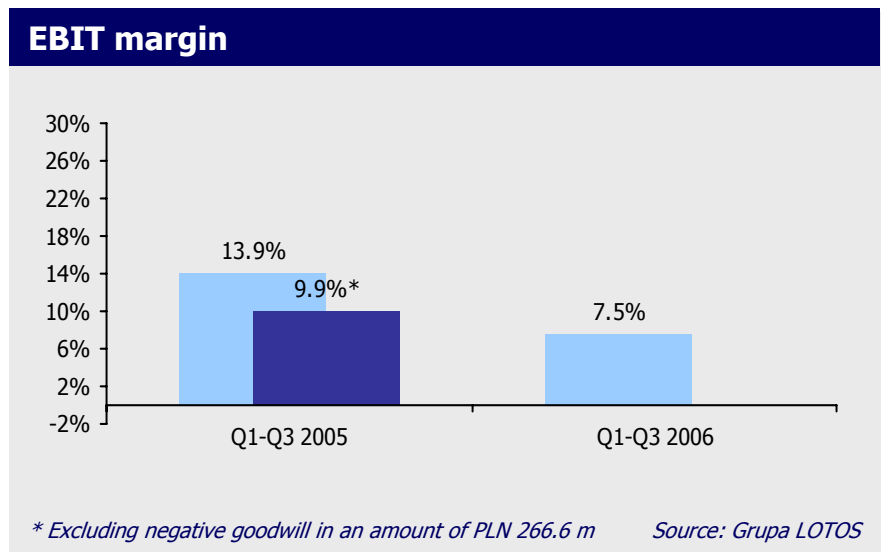
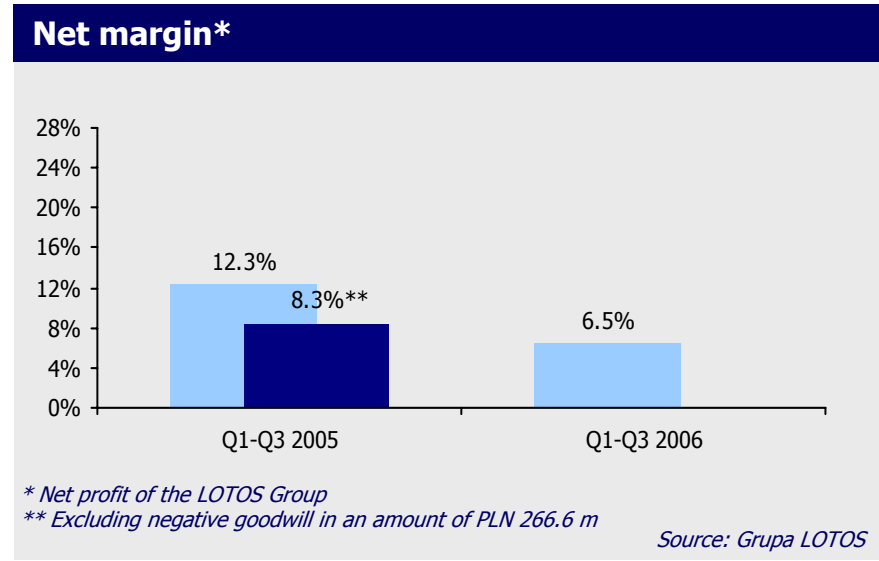
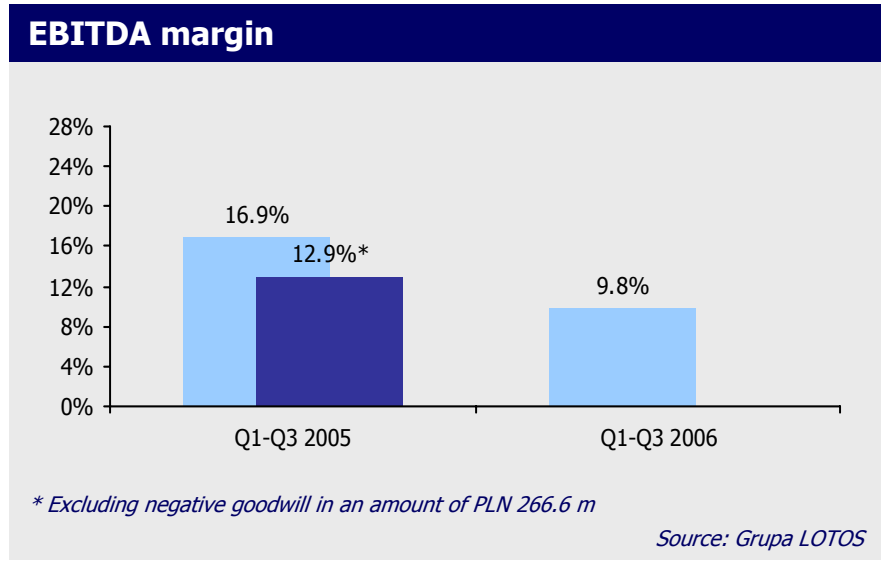


Gearing



Overview of Financial Results

Financial Ratios for Q1-3 2005 and Q1-3 2006



Overview of Financial Results

Operating Profit in Areas of Operations in Q3 and Q1-3 2006



Areas of operations (PLN m)								
	Areas of operations							
	E & P		Refining & trade		Retail stations		Other operations	
	Q1-Q3'06	Q3' 06	Q1-Q3'06	Q3' 06	Q1-Q3'06	Q3' 06	Q1-Q3'06	Q3' 06
Sales	323	117	9 531	3 644	762	298	196	68
Interarea sales	(303)	(104)	(668)	(255)	-1	0	(183)	(65)
External sales	20	13	8 863	3 389	761	298	13	3
Operating costs	(122)	(42)	(8 946)	(3 477)	(778)	(293)	(177)	(62)
Adjustments	(65)	(28)	1	2	1	0	(6)	(2)
Operating profit	136	47	586	199	(15)	5	13	4
Depreciation	32	11	159	53	28	11	6	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 Q3 2006:
 - E&P – high price of crude oil on international markets and increase crude production. A significant portion of crude oil produced by Petrobaltic in Q3 2006 was designated for inventories of the LOTOS Group.
 - Refining & trade – in Q3 2006 there was high level of refining capacity utilisation and further growth of sales countered by lower Brent Ural differential and falling crack spreads of most products that reduced refining margins.
 - Retail stations – improved retail margins and rationalisation through asset sales

Overview of Financial Results

Operating Profit according to LIFO inventory valuation



Analysis of operating profit						
(PLN)	Q3'06	Q3'05	Change	Q1-Q3'06	Q1-Q3'05	Change
Operating profit	254.5	469.0	(45.7%)	720.1	932.4	(22.8%)
LIFO operating profit	318.5	301.5	5.7%	683.9	617.6	10.7%
LIFO operating profit (adjusted for negative goodwill)	318.5	301.5	5.7%	683.9	351.0	94.8%

Commentary to LIFO results

- Q3 2006 operating profit according to the LIFO inventory valuation method improved by 5.7% to PLN 318.5 m versus Q3 2005
- Cumulative Q1-Q3 operating profit improved by 10.7% versus Q1-Q3 2005 reaching PLN 683.9 m.
- After correction of the Q1-Q3 LIFO operating profit for negative goodwill, the improvement in operating profit over Q1-Q3 2005 amounts to PLN 332.9 m, i.e. 94.8%

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.

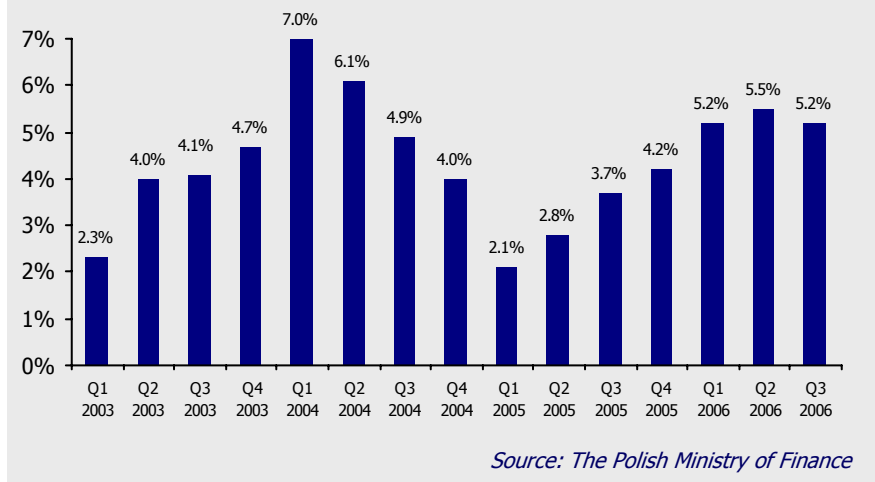
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Supplementary Data

Macroeconomic Environment



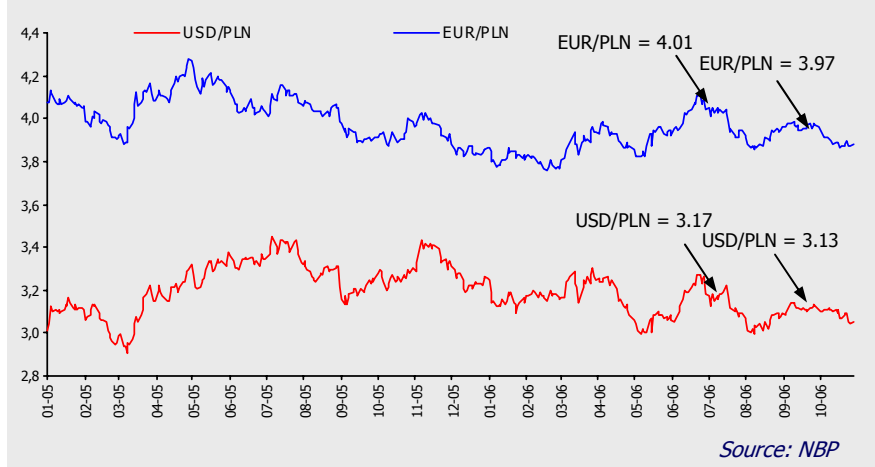
Growth of real GDP (%)



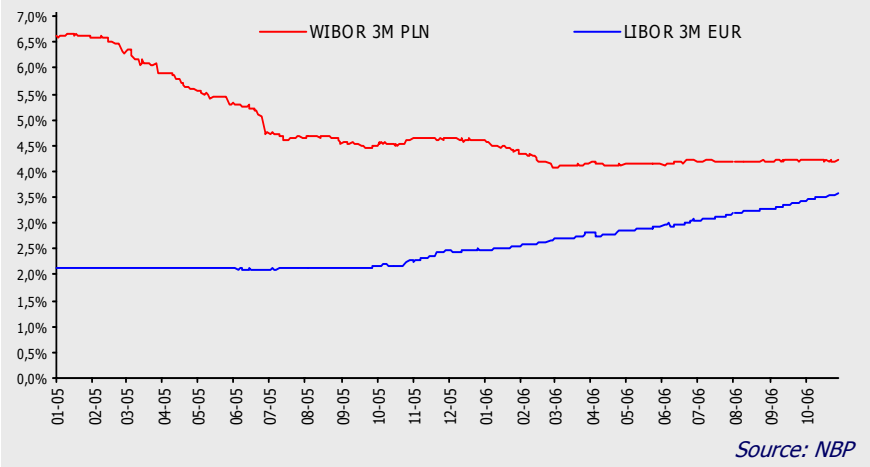
Commentary

- According to the estimates of Polish Ministry of Finance in Q3 2006 GDP real growth amounted to 5.2% as compared to 3.7% in the analogous period of 2005. The Budget Bill for 2006 assumes that the GDP growth in 2006 will amount to 4.3%.
- In Q3 2006 the USD/PLN exchange rate ranged from 2.99 to 3.23, and at the end of September 2006 amounted to 3.13. In the same period the EUR/USD exchange rate ranged from 1.25 to 1.29 and at the end of September 2006 amounted to 1.27.
- Increase of the WIBOR 3M rate from 4.21% at the end of June 2006 to 4.22% at the end of Q3 2006.

Foreign exchange rate



Interest rates

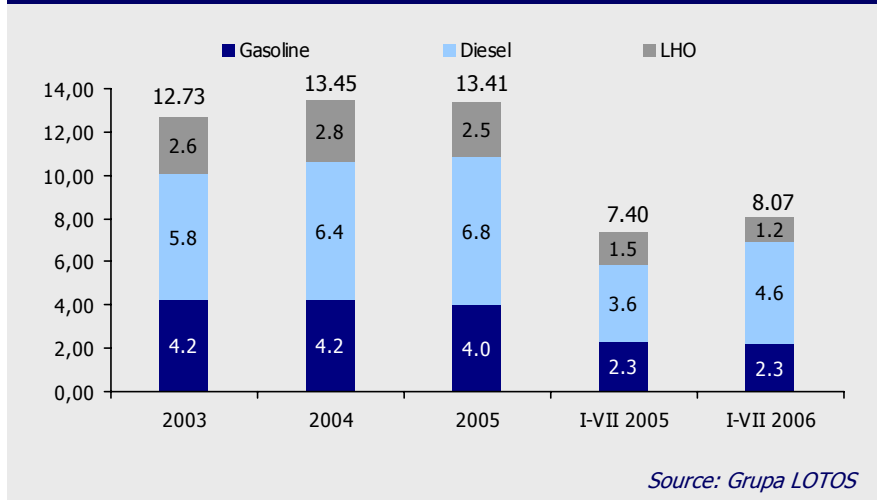


Supplementary data

Macroeconomic Environment



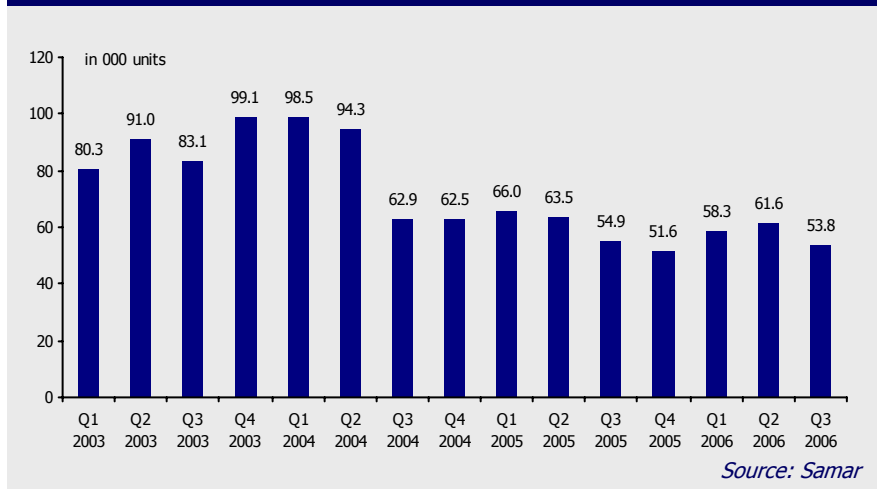
National fuel consumption (tonnes m)



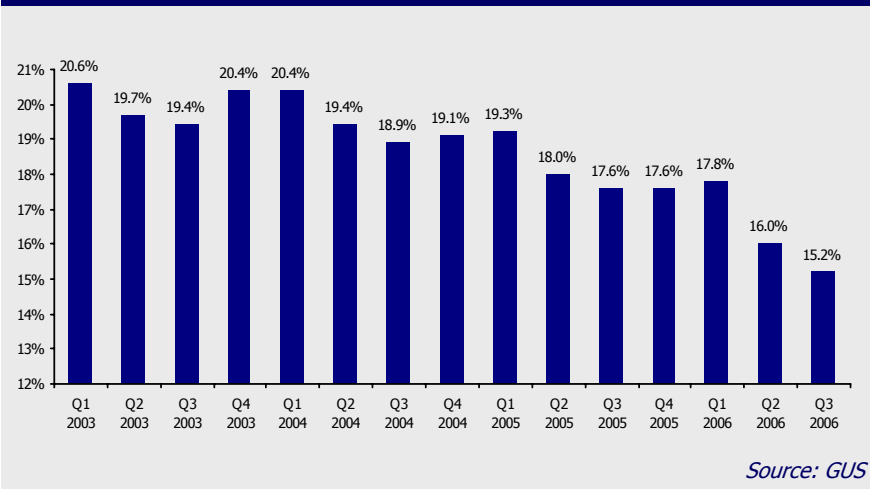
Commentary

- National consumption of fuels in the period of Jan-Sep 2006 grew by 9.1% compared to analogous period of 2005. The highest growth in consumption 26.8% was recorded in the Diesel segment. Consumption of gasoline fell by 1.3%, and consumption of LHO fell by 19.3%.
- Sales of new cars in Q3 2006 amounted to 53 800, which is 2.0% less comparing to analogous period in 2005 and 12.7% less in relation to Q2 2006.
- At the end of September 2006 the number of unemployed amounted to 2.4 m people, which accounted for 15.2% of the economically active population.

Sales of new automobiles



Unemployment

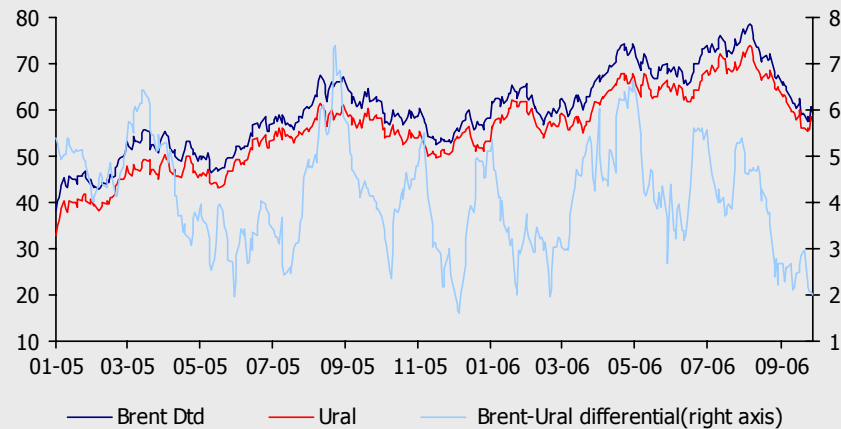


Supplementary Data

Market Conditions in Q3 2006



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



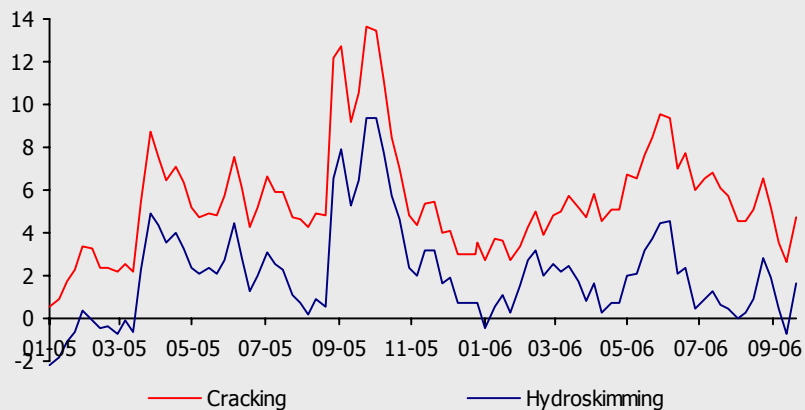
Source: Grupa LOTOS

Key values*

	Q3 05	Q3 06	2005
• Brent (USD/bbl)	61.7	69.6	54.6
• Ural (USD/bbl)	57.2	65.9	50.3
• Brent-Ural differential (USD/bbl)	4.5	3.7	4.2
• Refining margin (USD/bbl)	7.7	5.2	5.6
Cracks			
• Gasoline (USD/t)	174.2	161.9	123.6
• Diesel (0,005) (USD/t)	132.7	119.1	130.2
• LHO (USD/t)	108.2	97.4	99.1
• JET(USD/t)	164.4	168.2	153.4
• HSFO (USD/t)	-207.7	-232.7	-184.3

* Average for period

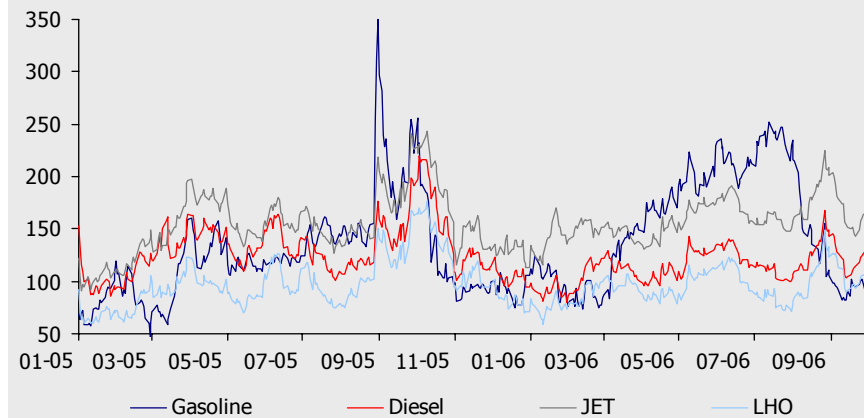
Refining margin* (USD/bbl)



* Rotterdam Brent

Source: PVM

Cracks (USD/tonne) without HSFO



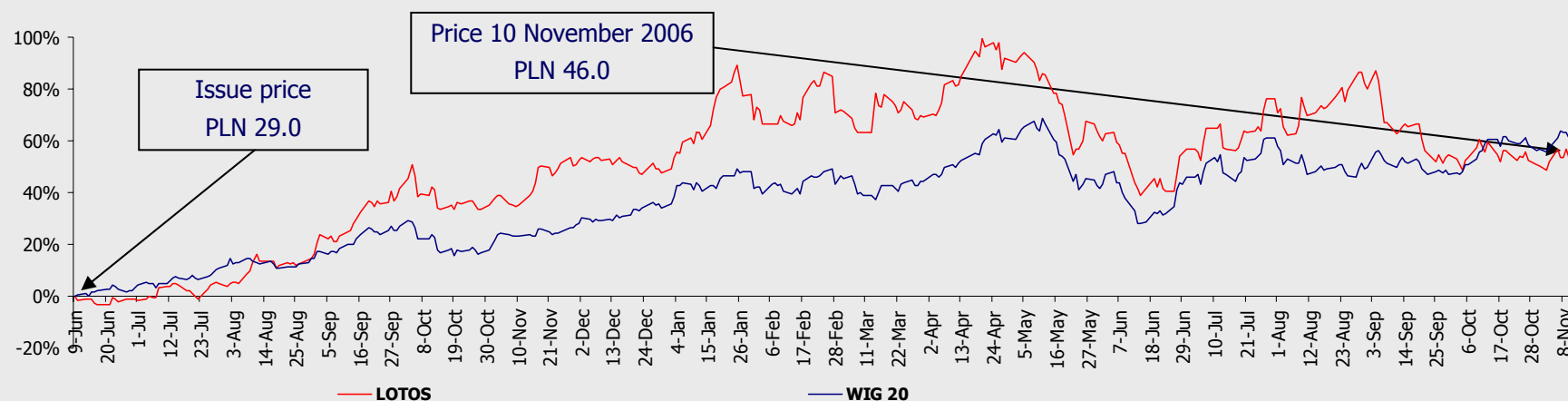
Source: Grupa LOTOS

Supplementary data

Grupa LOTOS on Warsaw Stock Exchange



Share price



Source: WSE

Grupa LOTOS on WSE *

• Market debut data	9 June 2005
• Share issue price	PLN 29.0
• Average daily trading volume	321 135 shares
• Average daily value of trading	PLN 14.0 m
• Value of daily trading to market capitalisation	0.27%
• Issue price capitalisation	PLN 3 297.3 m
• Latest capitalization	PLN 5 230.2 m
• Growth in value since IPO	58.6%

* As of 10 November 2006

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*:** **10**
- **Share in WIG20 Cap*:** **3.5%**

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