



**Consolidated Financial Results of  
Grupa LOTOS S.A.  
Q3 2005 (IFRS)**

***Paweł Olechnowicz – President of the Management Board***

**14 November 2005**

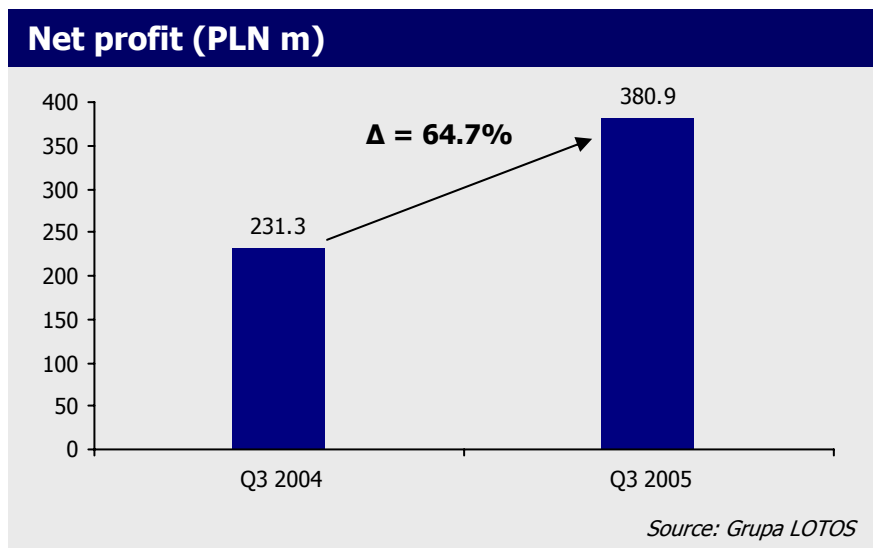
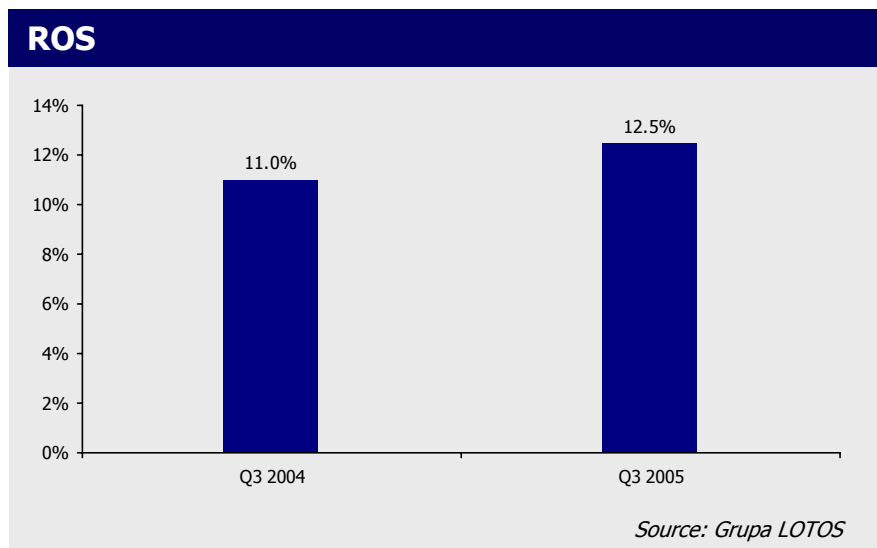
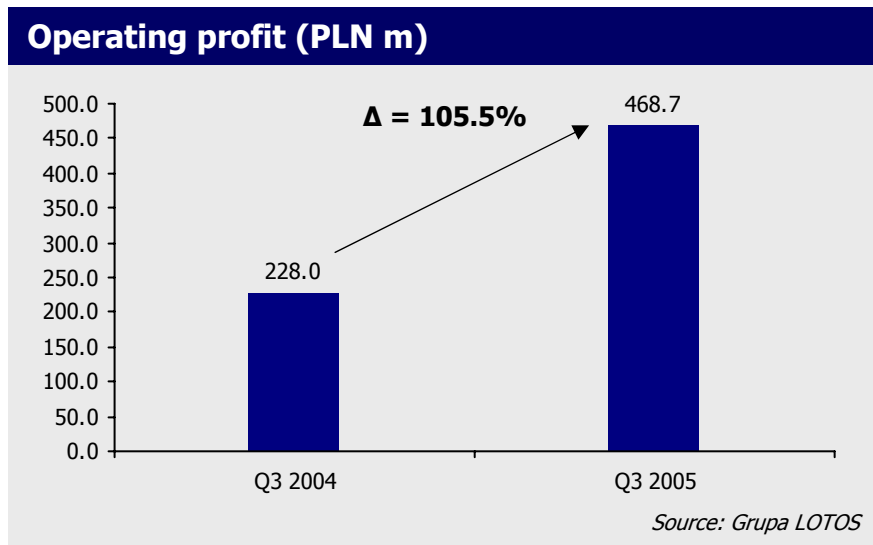
- **Summary**

- Implementation of Strategy and Important Events
- Operational Information
- Overview of Financial Results
- Financial Forecasts
- Supplementary Data

# Summary – Financial Data (Q3)



IFRS (PLN m)	Q3 2005
Net sales	3 060.1
EBITDA	534.2
EBIT	468.7
Pre-tax profit	498.3
Net profit	380.9
Operating cash flow	181.6



## Summary – Financial Data (I-IX cumulative)



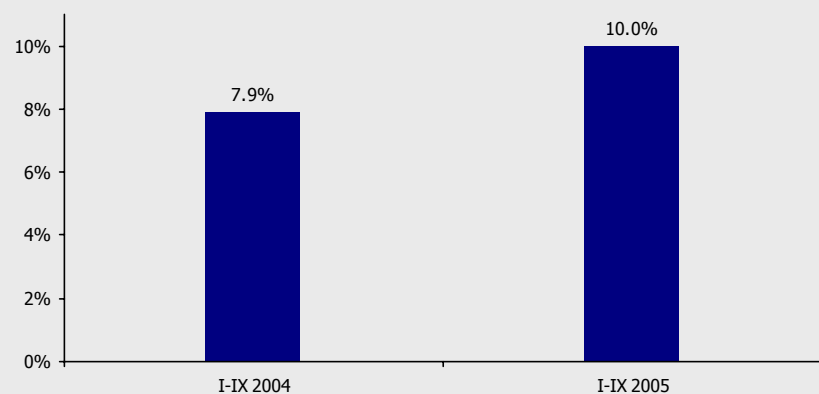
### Financial Results over I-IX (mln zł)

	I-IX 2004	I-IX 2005	Change
<b>Net Sales</b>	<b>5 431</b>	<b>6 692</b>	<b>+23.2%</b>
<b>EBITDA</b>	<b>572</b>	<b>856</b>	<b>+49.7%</b>
<b>EBIT</b>	<b>430</b>	<b>667</b>	<b>+55.0%</b>
<b>Net Profit</b>	<b>368</b>	<b>522</b>	<b>+41.8%</b>

### Commentary

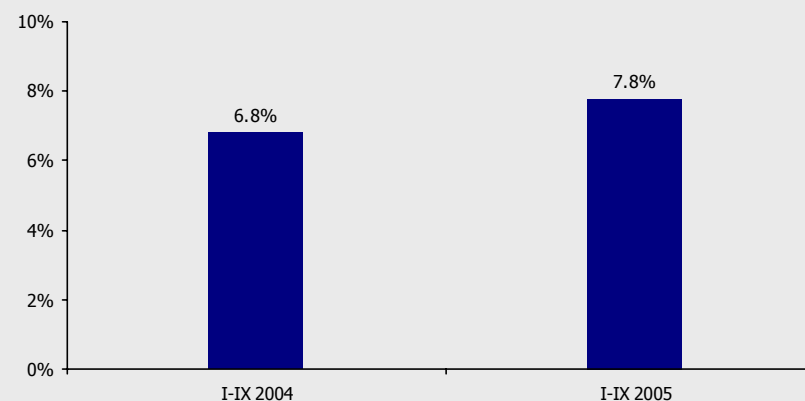
- After the first 9 months of 2005, the Company recorded growth of net sales of 23.2% in relation to the same period of the previous year, among others due to consolidation with the Southern Refineries and Petrobaltic, as well as increase of crude processing and growing prices of oil products worldwide.
- Increase of operating profit by PLN 237 m was driven by primarily: increase of profit on sales by about PLN 200 m and a decrease by PLN 90 m of other operating costs.
- As a result of consolidation, net profit for the first 9 months of 2005 includes a reduction of profit of attributable to minority interests in the amount of PLN 35.3 m

### EBIT Margin (I-IX)



Source: Grupa LOTOS

### Net margin (I-IX)



Source: Grupa LOTOS

### Data for Q3 2005

• <b>Nameplate processing capacity<sup>1</sup></b>	<b>6 MMTA</b>
• <b>Crude oil throughput<sup>2</sup></b>	<b>1 483.4 K tons</b>
• <b>Capacity utilisation rate</b>	<b>98.9%</b>
• <b>Products sales<sup>3</sup></b>	<b>1 688.0 K tons</b>
• <b>Employment<sup>4</sup></b>	<b>5 292 persons</b>

1) Annual following modernisation of refining installations

2) Processing at Gdańsk Refinery

3) Sales exceed processing due to utilisation of inventories of own and externally procured products

4) Excluding Rafineria Nafty Glimar

### Forecast of Consolidated Financial Results for 2005 (IFRS in 000 PLN)

• <b>Net Sales</b>	<b>10 078 131</b>
• <b>EBITDA</b>	<b>1 093 580</b>
• <b>EBIT</b>	<b>854 445</b>
• <b>Net profit</b>	<b>643 505</b>

### Forecast assumptions

- average PLN/USD exchange rate for 2005 –3.30,
- average price of Rotterdam Brent in 2005 assumed at USD 54.03,
- income from public share issue of B-series shares included in its actual value of PLN 1 015 m.

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## Projects central to the implementation of the Grupa LOTOS strategy to 2010



Complete realisation of the Comprehensive Technical Development Programme ("PKRT") of Grupa LOTOS, which will allow for the resolution of the issue of heavy residue.



Implementation of the Retail Petrol Stations Network Development Programme ("PROSTA"), which assumes expansion of the network of COCO stations (150 stations by YE 2006) and DOFO stations (250 by YE 2006), which will allow Grupa LOTOS to increase its share in the retail fuel market to 12%.



Assumption of full control over distribution channels, restructuring and development of the assets of the Southern Refineries, including modernisation of the fuel storage base and construction of fuel terminal, which will allow for an increase in the share of the fuel wholesale market to 30%.



Development in the area of oil production based on the human and technical resources of Petrobaltic, that assumes exploration of coastal and inland oil fields in Poland, as well as abroad.



### Complete utilisation of production capacity

- **Increasing of nameplate crude oil processing capacity from 4.6 to 6.0 MMTA through modernisation and development of primary production installations.**
- **Allowing for stable operation of the installations until the next foreseen maintenance shutdown in 2009.**
- **Increasing of processing capacity resulted in growth of crude oil processing by 23.9% to 1 483 K tons in Q3 2005, as compared to 1 197 K tons in Q3 2004.**
- **Capacity utilisation rate in Q3 2005 amounted to 98.9%\***

*\* Gdańsk Refinery*

## Events

- 22 July 2005 – invitation to submit tender offers for the Integration Design and General Construction of the PKRT was issued to six engineering companies.
- 16 September 2005 – beginning of work of the Tender Commission, called to select a company for implementation of the integration design of the PKRT and continuing of implementation within an EPC "lump sum turnkey" formula, which following examination of tender offers received on 15 September 2005, qualified all six offering parties to further proceedings; initiation of pre-qualification of Polish subcontractors for the EPC phase of the Project.

## Agreements

- 13 July 2005 – Signing with Shell Global Solutions International /SGS/ of an agreement on the basis of which SGS will provide to the Company engineering services and serve as technical advisor throughout the PKRT implementation process.
- Further work on the covenants regarding cooperation agreement between GLSA and LOTOS Ekoenergia (LESA).
- Continuing of negotiations with STASCO regarding supply of supplementary feedstock for installations constructed as part of the Project; signing of an agreement is foreseen in Q4 2005.

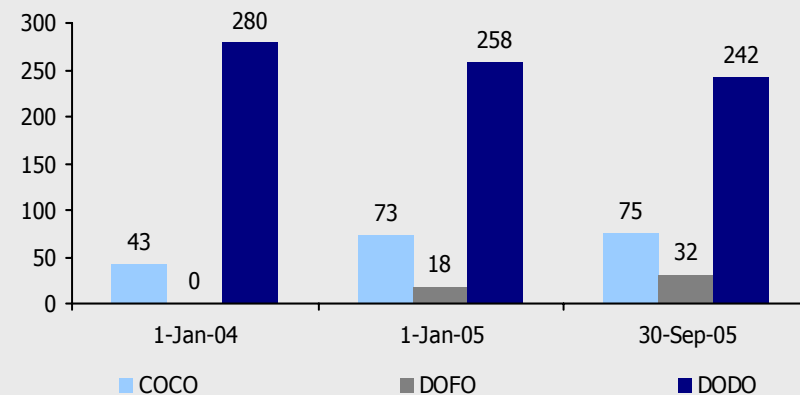
## Progress in realisation of the Project

- Preparation together with the Financial Advisor of the Preliminary Project Information Memorandum /PrePIM of the PKRT Project and sending it to selected Polish and international financial institutions. Confirmation of declarations of interest in the Project from the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EBI), the Nordic Investment Bank (NIB) and the Bank Ochrony Środowiska (BOŚ).
- Establishment of the initial list of commercial banks, to which the Preliminary Project Information Memorandum will be addressed, in order to assess the possibility of cooperation in financing the Project.
- Beginning of the tender process regarding selection of the institution supporting GLSA in applications for EU structural funds, as well as identification and definition of areas of the Project, that will form the subject of those applications.
- Transfer of the first payments by Lockheed Martin Corporation (LMC) for three fundamental licenses necessary for the implementation of the Project (to Shell Global Solutions and KBR), entry into licensing agreements and initiation of basic engineering of the primary installations comprising the Project.
- Transfer by the licensors in September 2005 of the zero version of the energy&mass balance and process designs of the planned installations.

## Activities

- In Q3 2005 two preliminary conditional agreements were signed for the acquisition of two existing networks of petrol stations – ESSO and Slovnaft, composed of:
  - 39 ESSO petrol stations,
  - 12 Slovnaft petrol stations.
- The agreements signed with the owners of these stations included terms for acquisition of organised parts of business that included, among others petrol stations and other selected assets.
- Three new DOFO stations joined the network.
- The number of DODO stations decreased by three stations.

## Change in the number of stations and structure



Source: Grupa LOTOS

## Commentary

- As a result of realisation of the strategy:
  - Grupa LOTOS increased the number of COCO stations managed by LOTOS paliwa from 73 to 75 stations;
  - following addition of the ESSO and Slovnaft petrol station networks to the LOTOS network the number of COCO stations will increase to 126, and it is expected that the potential volume share in the Polish retail market will amount to around 8%.
- At the end of Q3 2005 the LOTOS retail network was composed of 349 stations, including 75 COCO stations, 242 DODO stations and 32 DOFO stations.\*

\* without ESSO and Slovnaft stations

# Implementation of Strategy – PROSTA Project: Acquisition of ESSO and Slovnaft Retail Networks



## Basic terms of the transaction

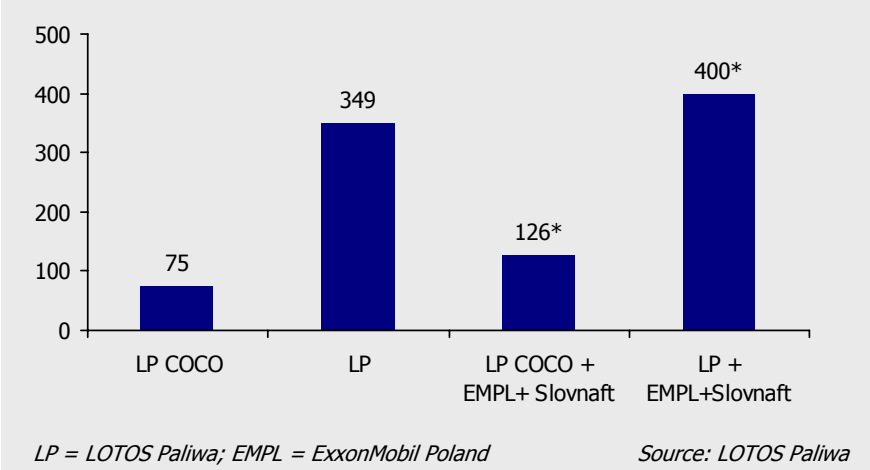
### ESSO

- Acquisition for PLN 278.5 m of 39 petrol stations together with 14 plots of land
- Preliminary agreement: 24 August 2005; final agreement: IV quarter

### Slovnaft

- LOTOS also acquired 12 COCO stations and 2 plots of land from Slovnaft for EUR 15 m
- Preliminary agreement: September 2005; final agreement expected in December 2005 / January 2006

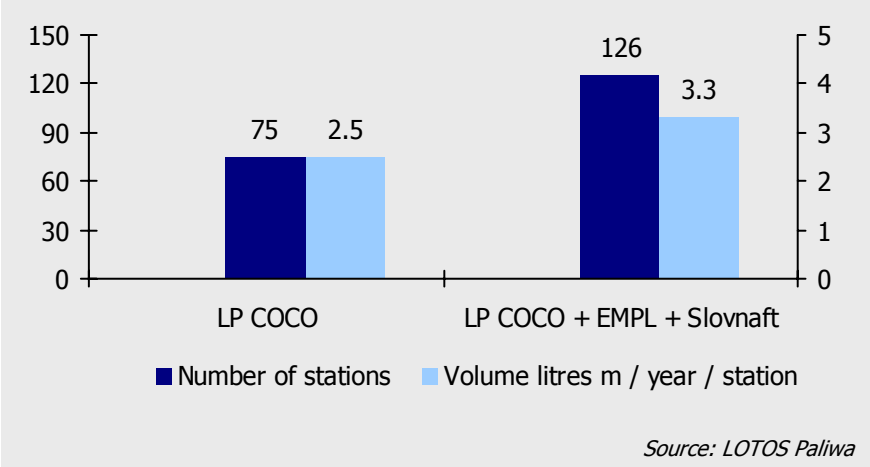
## Number of petrol stations



## Rationale for the transaction

- Increasing the number of COCO stations
- Utilisation of infrastructure for expansion of products on offer and introduction of new services
- Potential to realise additional retail sales volumes of fuels
- Allowing LOTOS fleet customers to refuel at ESSO stations throughout Europe
- ESSO know-how regarding loyalty and fleet programmes as well as operation of COCO stations

## COCO station sales volumes (2004)



\* Following execution of the agreements for acquisition of ESSO and Slovnaft networks

### **Restructuring Initiatives**

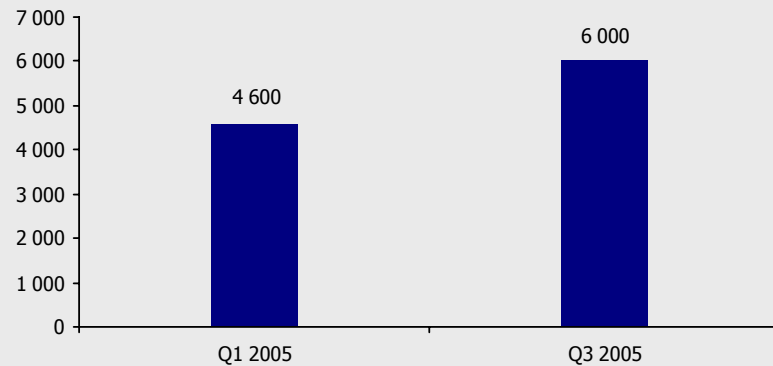
- **Continuation of restructuring activities aimed at rationalisation of the capital group and organisation of the operations of the LOTOS Group in southern Poland.**
- **Acquisition by LOTOS Asphalt Sp. z o.o. of real estate and other assets of Rafineria Czechowice S.A. related to asphalt production operations.**
- **Acceptance of the long-term strategy for Rafineria Czechowice S.A. encompassing termination of processing of crude oil by the end of Q1 2006. Necessity of creating provisions and write-offs totalling PLN 24.5 m, which affected the financial result for Q3 2005.**
- **Changing the business profile of Rafinerii Czechowice S.A., which according to the restructuring plan of the Southern Refineries will become, together with Rafineria Jasło S.A., a key entity of the LOTOS Group, through implementation of the policy of increasing market share in Southern Poland.**

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# Operational Information – Capacity, Throughput, Production yields



## Annual production capacity (in 000 tons p.a.)\*



\* Gdańsk Refinery

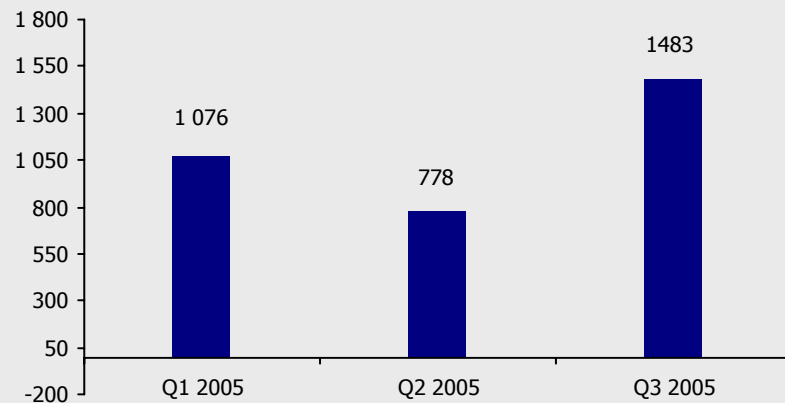
Source: Grupa LOTOS

## Commentary

- Capacity utilisation rate of 98.9%.\*
- Almost twofold increase in crude oil throughput at the Gdańsk Refinery in Q3 2005, as compared to Q2 2005, as a result of resumption of production following the maintenance shutdown.
- Total sales of products in Q3 2005 amounting to 1 688 K tons, higher than throughput due to utilisation of inventories and supplies of goods from external sources.

\* Gdańsk Refinery

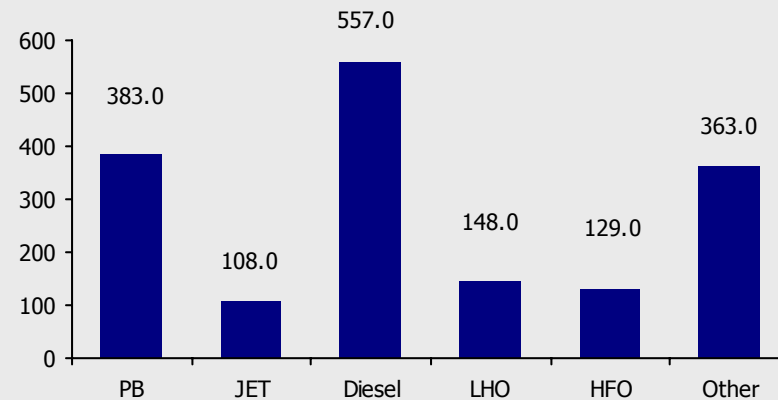
## Throughput (in 000 tons)



\* Gdańsk Refinery

Source: Grupa LOTOS

## Sales of products (Q3 2005 in 000 tons)

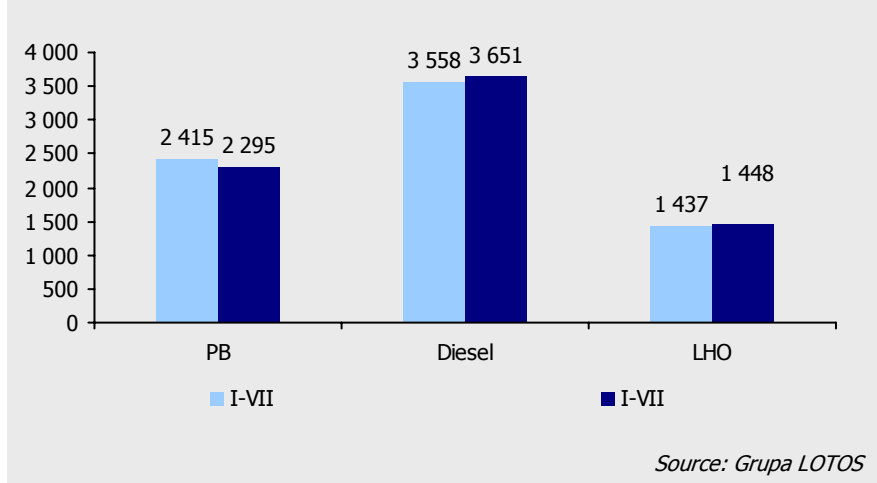


Source: Grupa LOTOS

# Operational Information – Grupa LOTOS market position



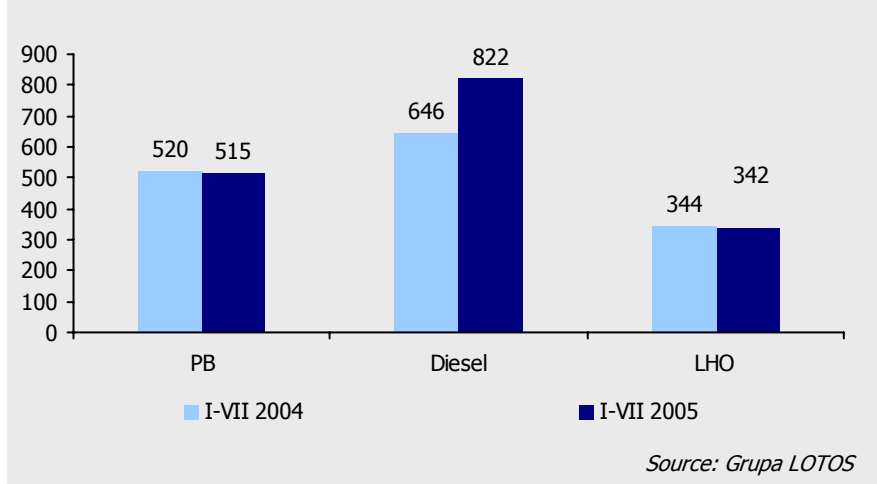
## National Fuel Consumption (000 tons)



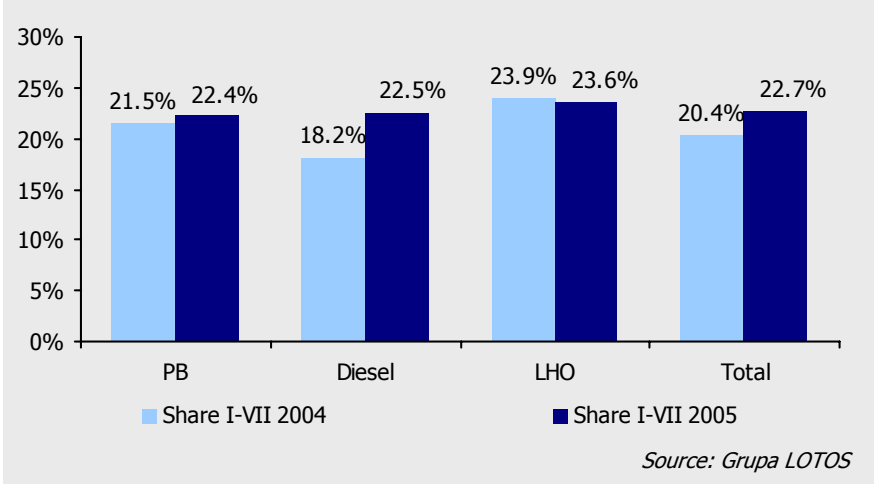
## Commentary

- Growth of consumption of Diesel and LHO produced by Grupa LOTOS, with an insignificant fall of petrol consumption
- Increase of the share of Grupa LOTOS in the petrol and diesel markets in the period I-VII 2005 in comparison to the same period of 2004, despite increased fuel imports and lack of own production for over 1.5 months
- Insignificant decrease LHO market share of Grupa LOTOS

## Deliveries to End Customers (000 tons)



## Fuel Market Share





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## Financial Results – Profit & Loss Account



IFRS (PLN m)	Q3 04	Q3 05	Δ 05/04
<b>Net revenue</b>	2 111.8	<b>3 060.1</b>	44.9%
Cost of sales	1 720.6	2 430.0	41.2%
<b>Gross profit</b>	391.2	<b>630.0</b>	61.0%
Distribution expenses	114.2	108.4	-5.1%
Administrative expenses	47.5	58.4	23.1%
Other operating costs	4.2	9.7	131.7%
<b>EBITDA</b>	276.7	<b>534.2</b>	93.0%
<b>Operating profit (EBIT)</b>	228.0	<b>468.7</b>	105.5%
Pre-tax profit	255.3	498.3	95.2%
Income tax	53.5	93.2	74.3%
<b>Net profit</b>	231.3	<b>380.9</b>	64.7%

Commentary
<ul style="list-style-type: none"> <li>• Drivers behind growth of revenue by 44.9%, as compared to Q3 2004, to PLN 3 060.1 m, included among others: <ul style="list-style-type: none"> <li>– Increase by about 20% of the volumes of sales of the parent company resulting from increase of production at this company</li> <li>– Increasing crude oil prices and growth of oil products prices</li> <li>– Consolidation with the Southern Refineries and Petrobaltic</li> </ul> </li> <li>• In addition the gross result on sales in Q3 was affected by margins realised by Petrobaltic, as a result of sales of crude oil produced after the date of acquisition by the dominant entity.</li> <li>• The fundamental factor behind growth of operating profit by PLN 240.7 m in Q3 2005, as compared to Q3 2004 i.e. by 105.5% was an increase of gross profit on sales by PLN 238.8 m.</li> <li>• The consolidated pre-tax profit in Q3 2005 amounted to PLN 498.3 m and increased by PLN 243 m, as compared to the analogous period of the previous year.</li> <li>• Net profit was reduced by minority interests (primarily Petrobaltic) of PLN 24.2 m and amounted to PLN 380.9 m, i.e. 64.7% more than in Q3 2004.</li> </ul>

## Financial Results – Balance Sheet



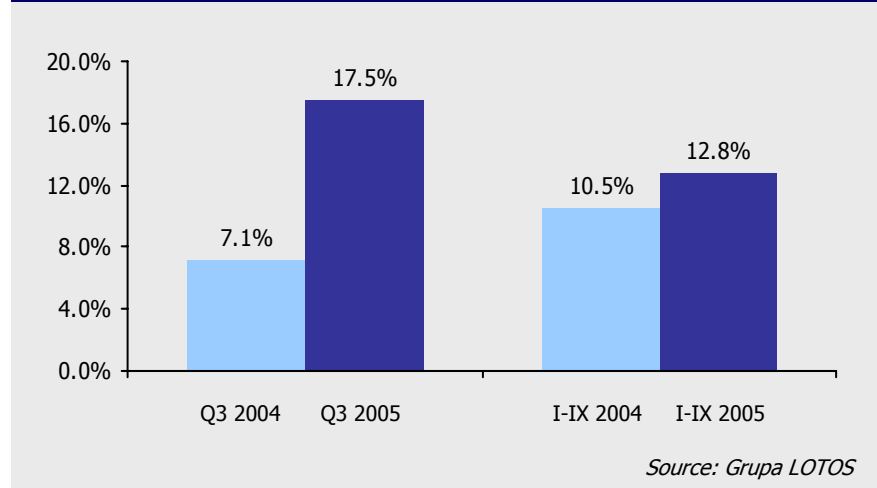
IFRS (PLN m)	31.12. 04	30.09 05	Δ 05/04
<b>Assets</b>	4 022.5	<b>6 611.7</b>	64.4%
<b>Fixed assets</b>	2 240.6	<b>3 231.9</b>	44.2%
Tangible fixed assets	2 139.5	2 832.4	32.4%
Financial assets	6.2	210.1	3307.8%
<b>Current assets</b>	1 781.9	<b>2 953.9</b>	89.7%
Inventories	828.7	1 328.8	60.4%
Receivables	749.0	1 176.6	57.1%
Short-term securities	43.2	71.2	64.7%
Cash and equivalents	156.3	786.2	402.9%
<b>Equity &amp; Liabilities</b>	4 022.5	<b>6 611.7</b>	64.4%
<b>Shareholders equity</b>	2 642.6	<b>4 157.8</b>	57.3%
Long-term liabilities	376.9	475.2	26.1%
Short-term liabilities	988.2	1 830.1	85.2%
including financial debt	184.6	177.1	-4.1%

Commentary
<ul style="list-style-type: none"> <li>• Growth of the value of assets by 64.4% in the first three quarters of 2005 resulted from: <ul style="list-style-type: none"> <li>– Increase of the value tangible fixed assets by over PLN 692 m, as a result of the acquisition of the Southern Refineries and Petrobaltic,</li> <li>– Increase of the value of financial assets by over PLN 205 m as a result of purchasing of bonds.</li> </ul> </li> <li>• Growth of the value of current assets resulted primarily from: <ul style="list-style-type: none"> <li>– Increasing of production capacity of the parent company,</li> <li>– Higher prices of feedstock and products, and</li> <li>– Increased levels of cash and equivalents.</li> </ul> </li> <li>• Increase of the value of shareholders equity by PLN 1 515 m includes: <ul style="list-style-type: none"> <li>– Increase of share capital by PLN 35 m and reserve capital by over PLN 971 m (increase of retained earnings by over PLN 507 m).</li> </ul> </li> <li>• Increase of long-term liabilities by over PLN 98 m occurred as a result of consolidation of the Southern Refineries and Petrobaltic.</li> <li>• Increase of short-term liabilities by over PLN 842 m: <ul style="list-style-type: none"> <li>– Increase of liabilities associated with procurement of crude oil by the parent company,</li> <li>– Increase of provisions established related to estimates of the valuation of acquired entities.</li> </ul> </li> </ul>

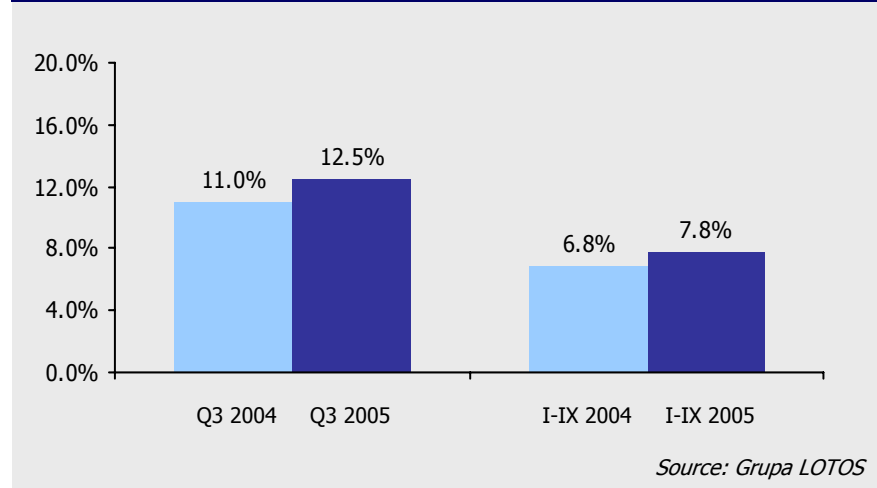
# Financial Results – Financial ratios



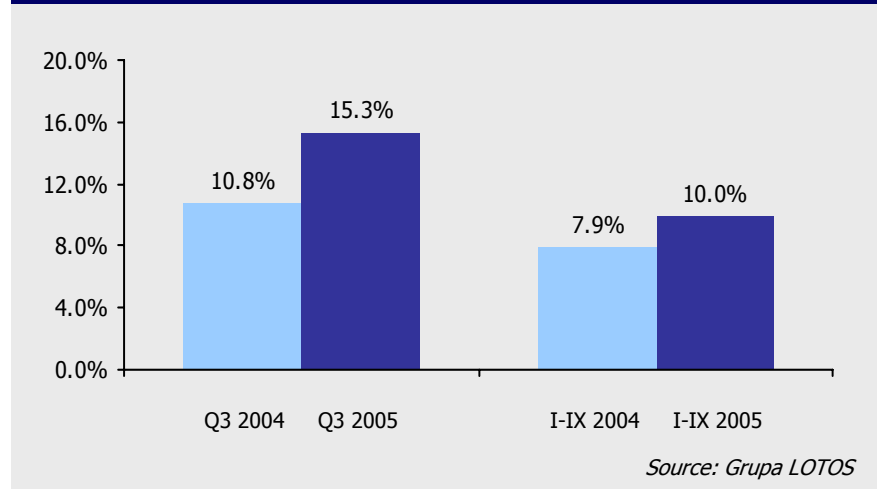
## EBITDA margin



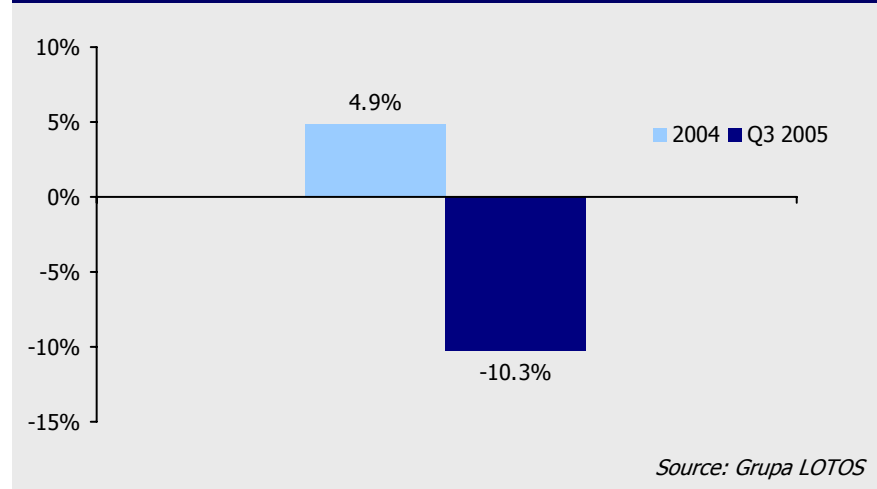
## Net margin



## EBIT margin



## Gearing



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# Financial Forecast – Consolidated Financial Forecast Update for 2005 According to IFRS



## Consolidated Forecast (000 PLN)

	May 2005	November 2005	Change
<b>Net Sales</b>	<b>8 403</b>	<b>10 078</b>	<b>+19.9%</b>
<b>EBITDA</b>	<b>744</b>	<b>1 094</b>	<b>+47.0%</b>
<b>EBIT</b>	<b>487</b>	<b>854</b>	<b>+75.4%</b>
<b>Net profit</b>	<b>403</b>	<b>644</b>	<b>+59.8%</b>

## Commentary

- The Company monitors on a regular basis its ability to realise financial results forecast based on an analysis of revenue and costs incurred.
- Due to quicker than previously expected resumption of full crude oil processing capacity following the maintenance shutdown and significantly higher than expected refining margins, the financial results forecast for 2005 was verified.
- The new forecast was prepared by the Company based on preliminary results for the first three quarters of 2005 and updated assumptions for Q4 2005.

## Additional information

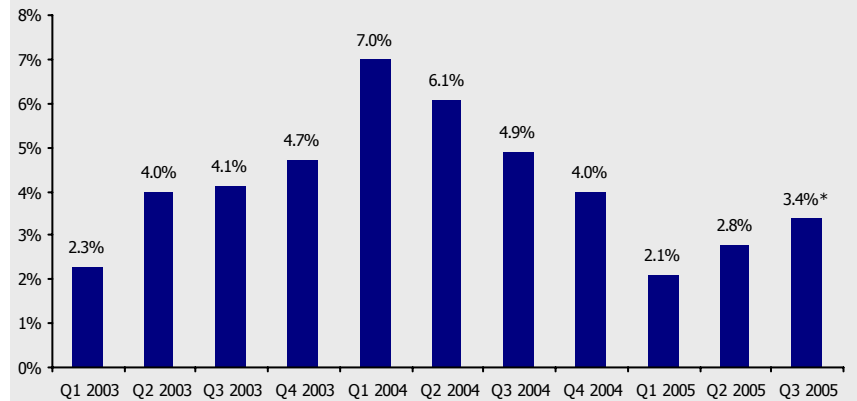
In comparison to the previous forecast the following assumptions were updated:

- average PLN/USD exchange rate for 2005 – 3.30,
- average price of Rotterdam Brent in 2005 assumed at USD 54.03,
- income from public share issue of B-series shares included in its realised value of PLN 1 015 m.

The current forecast does not account for the impact on the consolidated financial results of Grupa LOTOS of the valuation performed independently for each of the companies acquired on 3 February 2005 and subject to consolidation in the year ending 31 December 2005.

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## Growth of real GDP (%)



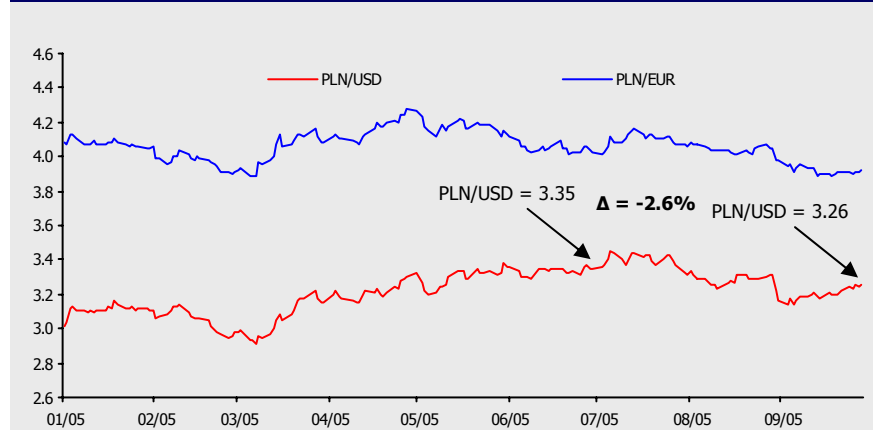
\* The Polish Ministry of Finance forecast

Source: GUS

## Commentary

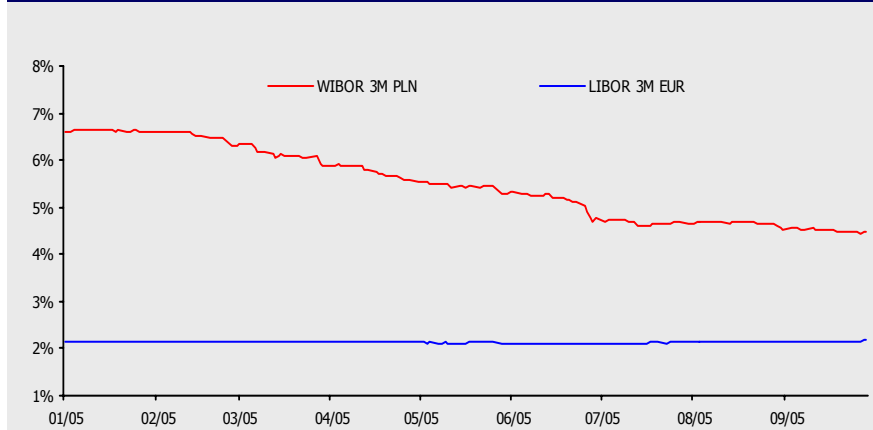
- The Polish Ministry of Finance lowered its GDP growth forecast for Q3 2005 to 3.4% from 3.7% assumed earlier. The GDP growth forecast for 2005 is 3.0%, compared to 5.0% assumed in the annual budget.
- Appreciation of the PLN vs USD exchange rate by 2.6% from 3.35 at the end of Q2 2005 to 3.26 at the end of Q3 2005.
- In Q3 2005 the EUR/USD exchange rate ranged from 1.19 to 1.26 and at the end of September 2005 amounted to 1.20.
- Decrease of the WIBOR 3M rate to 4.5% at the end of September 2005.

## Foreign exchange rates



Source: NBP

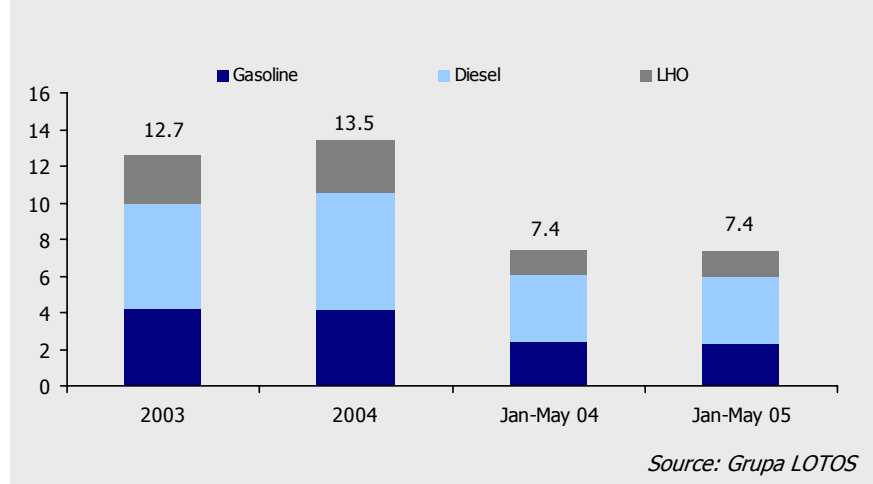
## Interest rates



Source: NBP



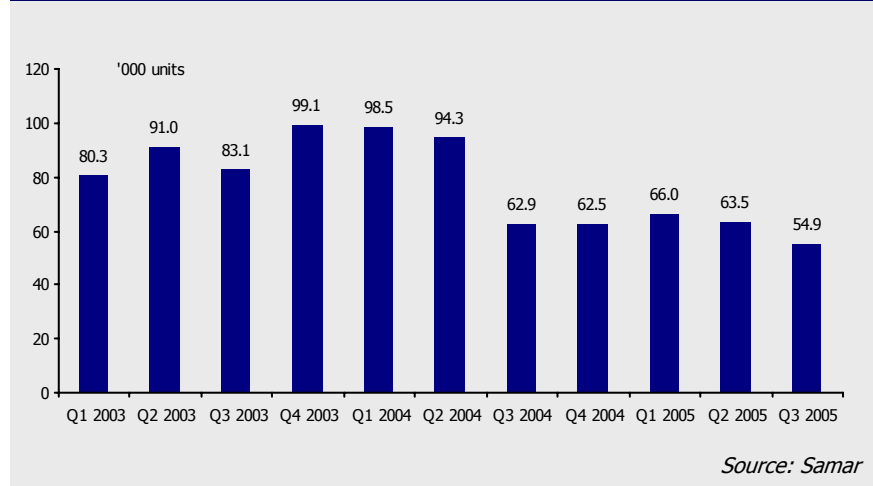
## National fuel consumption (tons m)



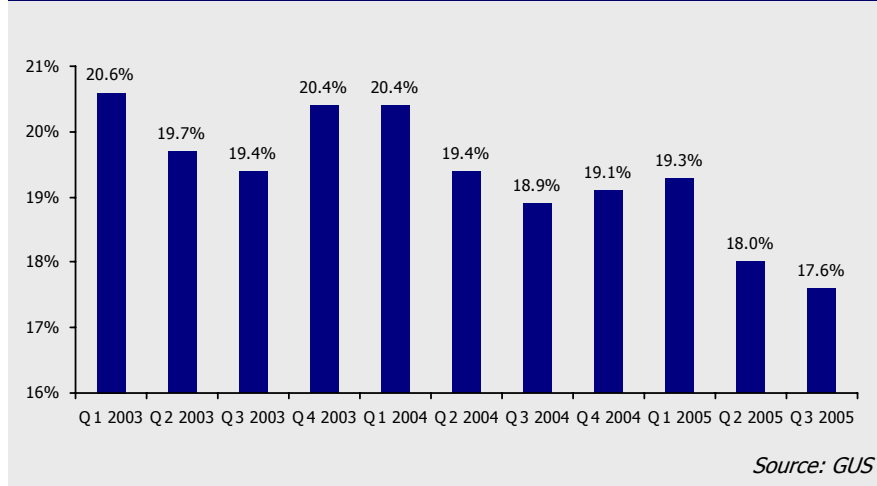
## Commentary

- National consumption of fuels in the period January - July 2005 has not changed compared to the same period of 2004. The highest growth in consumption (2.6%) was recorded in the Diesel segment. Consumption of gasoline fell by 5.0%.
- Sales of new cars after three quarters of 2005 fell by 27.9% in comparison to the analogous period of 2004. This resulted, among others, from rising imports of used cars, convergence of EU prices, from new regulations regarding tax relieves for companies on the purchase of new cars that went into force in August and market insecurity connected with the parliamentary elections in September.
- At the end of September 2005 the unemployment rate decreased to 17.6% – the lowest level from December 2001, but it still remains the highest in EU.

## Sales of new automobiles



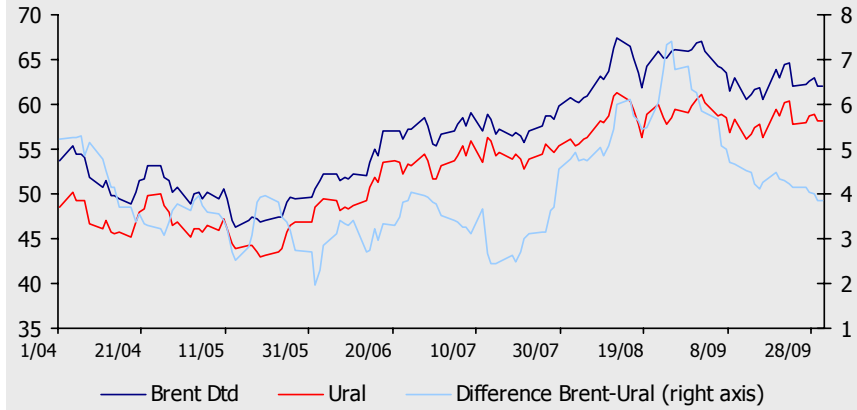
## Unemployment



# Market conditions in Q3 2005



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

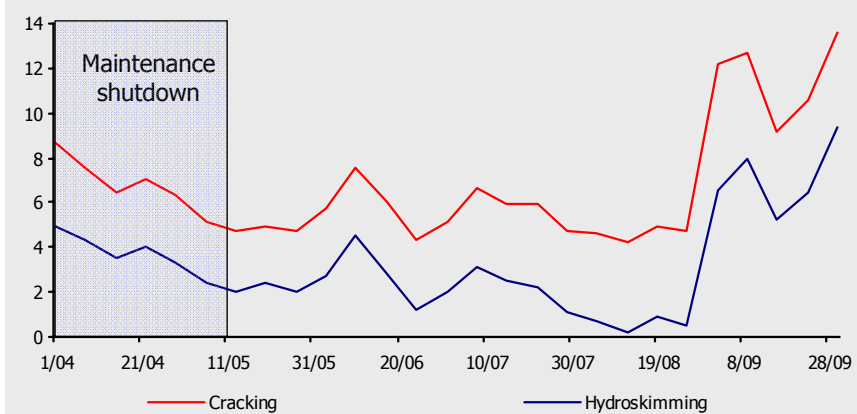


Source: Grupa LOTOS

## Key values

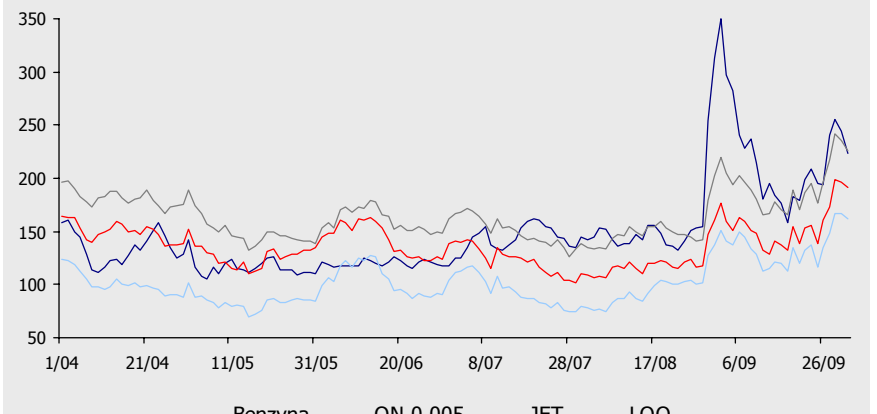
	Q3 04	Q3 05	Q3 05/ Q3 04
• Brent USD/b	41.5	61.7	48.7%
• Ural USD/b	37.2	57.2	53.6%
• Differential Brent-Ural	4.3	4.5	5.9%
• Refining margin (USD/b)	6.0	7.7	27.5%
<b>Cracks</b>			
• Gasoline	117.5	174.2	48.3%
• Diesel (0,005)	101.0	132.7	31.4%
• LHO	68.8	108.2	57.2%
• JET	117.6	164.4	39.8%
• HFO	-153.7	-207.7	35.1%

## Refining margins (USD/b)



Source: PVM

## Cracks (USD/ton) without HFO

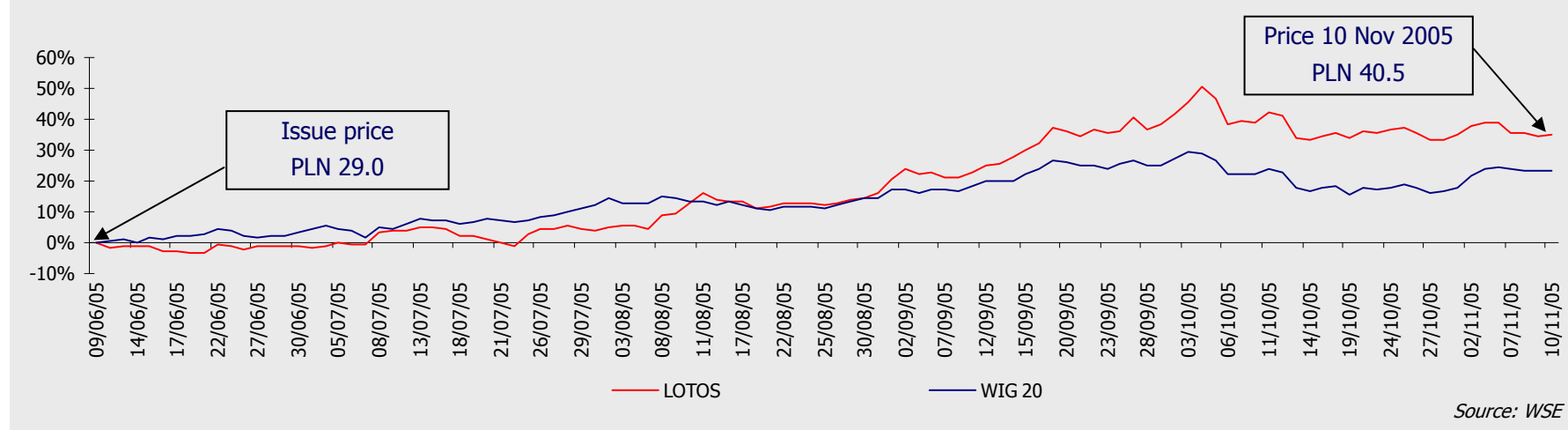


Sources: Grupa LOTOS

# Grupa LOTOS on the Warsaw Stock Exchange



## Share price



### GRUPA LOTOS ON THE WSE \*

• Market debut date	9 June 2005
• Share issue price	PLN 29.0
• Average daily trading volume	578 565.5 shares
• Average daily value of trading	PLN 20.6 m
• Value of daily trading to market capitalisation	0.45%
• Issue price capitalisation	PLN 3 297.3 m
• Latest capitalisation	PLN 4 604.9 m
• Growth in value since IPO	35.0%

\* As of 10 November 2005

### Grupa LOTOS in the WIG20 index

- **Grupa LOTOS is a member of the WIG20 blue chip stock index as of 16 September 2005**
- **Position in WIG20\*:** **10**
- **Share in WIG20 Cap\*:** **3.13%**

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