



**Consolidated financial results
of Grupa LOTOS S.A.**

Q2 2005 (IFRS)

Paweł Olechnowicz – President of the Management Board

16th of August 2005

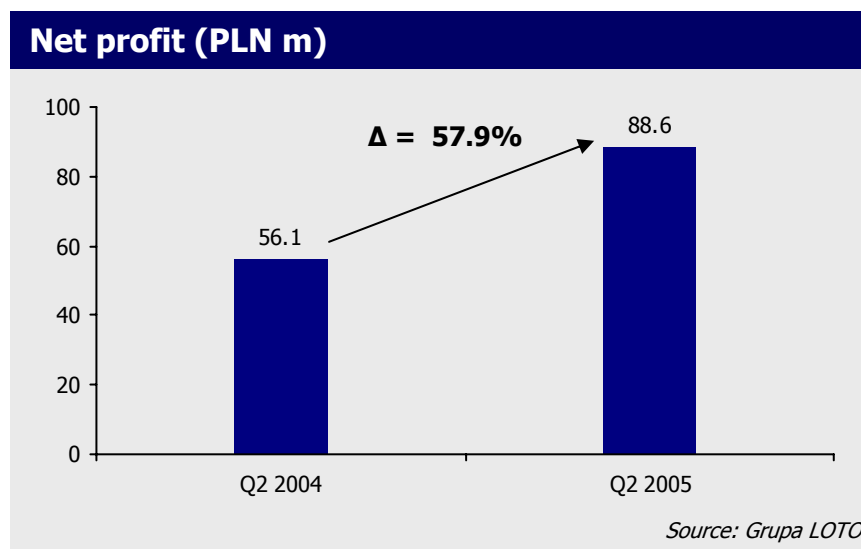
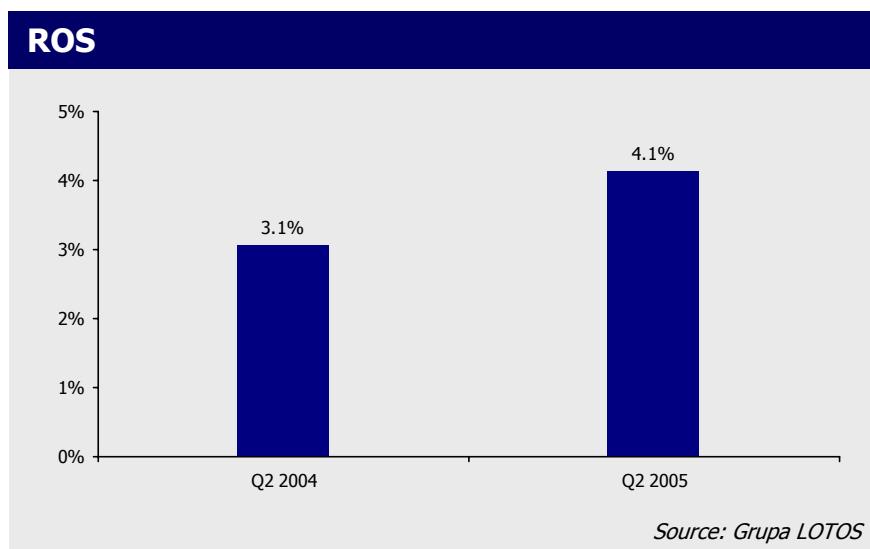
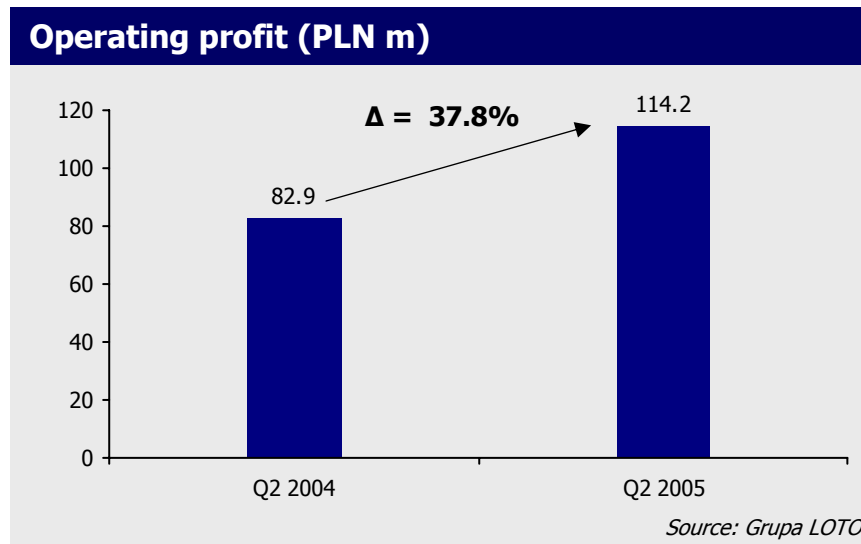
- **Summary of results**

- Implementation of strategy and other important events
- Operational information
- Review of financial results
- Supplementary data

Summary – Financial data



| IFRS (PLN m) | Q2 2005 |
|---------------------|---------|
| Net revenue | 2 146.0 |
| EBITDA | 177.6 |
| EBIT | 114.2 |
| Gross profit | 118.8 |
| Net profit | 88.6 |
| Operating cash flow | 277.7 |



Q2 2005

| | |
|--|---------------------|
| • Crude oil production capacity¹ | 6 MM tons |
| • Crude oil processing | 778 000 tons |
| • Total fuel production² | 980 400 tons |
| • Fuel market share (I-V 2005) | 22.2% |
| • Employment³ | 5 256 |

1) *Following modernisation of the installation*

2) *Fuel production exceeds oil processing due to utilisation of inventories of semi-processed products and externally supplied components*

3) *Excluding Glimar Refinery*

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- **Full implementation of the development programme in Gdańsk (PKRT)**



- **Retail sales – growth in market share to approximately 12%**



- **Fuels – growth in market share above 30%**



- **Petrobaltic – growth in crude oil production**

Key projects related to the implementation of the strategy of Grupa LOTOS up to 2010

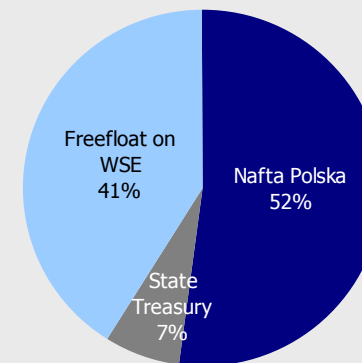
- **The Comprehensive Technical Upgrade Programme („PKRT”) of Grupa LOTOS – will allow for resolution of the issue of heavy residue**
- **The Fuel Station Network Development Programme („PROSTA”) – assumes the development of the network of COCO fuel stations (150 stations by the end of 2006) and DOFO stations (250 stations by the end of 2006)**
- **Restructuring and development of the assets of the Southern Refineries**
- **Development in the area of production of crude oil based on the human and technical resources of Petrobaltic, assuming exploration of coastal and inland oil fields, also including those located outside of Poland**

Key information regarding the IPO of Grupa LOTOS

- The objective of the IPO was to raise the capital of Grupa LOTOS in order to assure financing for the implementation of the Company’s development programmes.
- The Company offered 35 m B series shares in a new issue; Nafta Polska also had the option of selling its stake of 8.9 m series A shares.
- On the basis of the book building process the issue price was established at PLN 29.0; Nafta Polska decided to retain its stake in the Company.
- Investors subscribed for a total of 343.8 m shares of Grupa LOTOS with the average allocation rate amounting to 10.2%.
- The first listing of the A series shares and rights to B series shares took place on 9 June 2005.

Current shareholder structure of Grupa LOTOS

| Shareholder structure after IPO | Number of shares | Stake (%) |
|------------------------------------|--------------------|---------------|
| Nafta Polska | 59 025 000 | 51.9% |
| State Treasury | 7 878 030 | 6.9% |
| Free float on WSE | 46 796 970 | 41.2% |
| <i>including issue of Series B</i> | <i>35 000 000</i> | <i>30.8%</i> |
| Total | 113 700 000 | 100.0% |



Maintenance shutdown

- The maintenance shutdown was conducted along with the comprehensive modernisation of the main production installations in order to increase the oil processing capacity from 4.5 to 6 m tons per annum.
- Duration: from 26th of March to 11th of May 2005. Total duration of the maintenance shutdown: 47 days.
- The shutdown was performed in order to ensure stable and reliable operation until the next planned maintenance shutdown scheduled for 2008/2009.
- The shutdown resulted in a fall in oil processing from 1 075 thousand tons in Q1 2005 to 778 thousand tons in Q2 2005.
- Cost of the maintenance work: PLN 46.8 m (in accordance with the budget assumptions).
- Utilisation of the processing capacity of the main production installations in June 2005 (first full month of operations after the shutdown):

| | |
|--|-----------|
| Atmospheric distillation installation (crude oil processing) | 95% |
| Vacuum distillation installation | 97.5% |
| Merox installation | over 100% |
| Other installations | 100% |

Events

- May 2005 – final report prepared by Shell Global Solutions /SGS/ regarding research on supplementary feedstock for the ROSE deasphalting installation
- 21-23 June 2005 – workshops with SGS regarding selection of the General Contractor and the strategy for contracting of work related to the PKRT programme

Agreements

- Signing of annexes to 3 licensing agreements based on the outcomes from the SGS report
- 23 June 2005 – agreement between Lockheed Martin Corporation, M.W.Kellogg., Grupa LOTOS and LOTOS Ekoenergia, regarding cooperation in the realisation of the offset commitments of Lockheed Martin that include certain elements of PKRT programme.

Progress in implementation of the programme

- Progress in negotiations with SGS regarding agreement on support in the management of PKRT programme.
- Progress in negotiations regarding supply of supplementary feedstock for the ROSE deasphalting installation.
- Agreement with licensors of the timetable for initiation of base design and on primary processes of the PKRT programme.
- Finalization of work (together with the financial advisor) on financial model and the preliminary initial information memorandum /PrePIM/ of the PKRT programme.
- Conducting and finalisation of negotiations with Lockheed Martin Corporation and M.W. Kellogg regarding a new agreement on cooperation in the area of fulfilment of offset commitments of Lockheed Martin regarding the PKRT programme.

Implementation of strategy – PROSTA programme



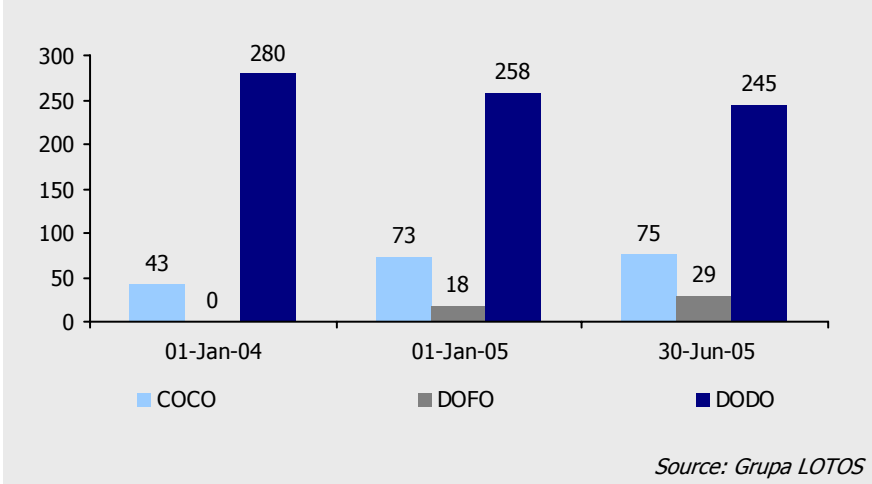
Activities

- COCO stations:
 - Acquisition of fuel stations: 1 unit (Puck)
 - Construction of fuel stations: construction of 4 units has been commenced (Chorzów, Gliwice, Żary, Warszawa)
 - Modernisation of fuel stations – carried out at 29 company owned stations
 - Rebranding of 3 company owned stations (Szczecin, Polkowice, Brzeg)

- DOFO station:
 - New members: 2 stations (Brzeźno, Łysomice)
 - Signing of franchise agreements: 7
 - Rebranding: 3 franchise stations (Tczew, Łysomice, Siedlce)

- DODO stations:
 - Decrease of 5 DODO stations

Change in the structure of fuel stations



Cost of the programme in Q2 2005

| CAPEX on implementation of PROST programme (PLN m) | |
|--|--------------|
| I 2004 – III 2005 | 102.5 |
| Q2 2005 | 25.5 |
| Total | 128.0 |

Capital expenditure in Q2 2005 for acquisitions of fuel stations – 10% lower than budgeted

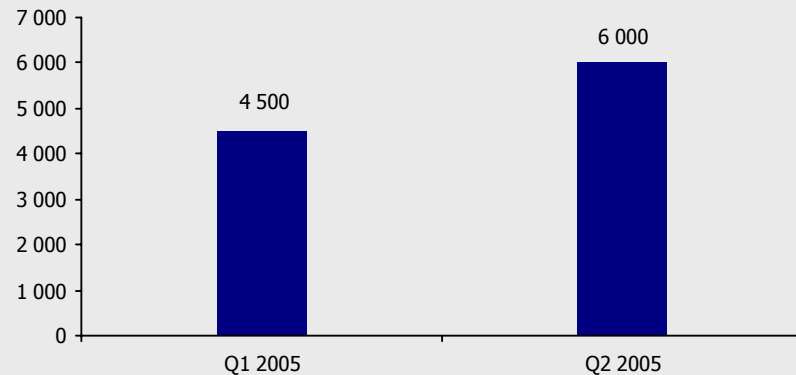
Source: Grupa LOTOS

Restructuring activities

- **Continuing of work related to the development of the concept of the LOTOS Technological Park (among others, acquisitions of certain assets and transfer of employees of the Southern Refineries)**
- **Consolidation of maintenance and laboratory activities**
- **Initial considerations regarding the concept of establishing LOTOS Energomedia Sp. z o.o. that would operate in the area of energy media supply to the Southern Refineries and neighbouring companies**
- **Modernisation of the fuel storage base, development of installations and purchase of new equipment in Jasło Refinery**
- **Construction of new fuel terminals in Czechowice Refinery**

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Annual production capacity (in '000 tons)

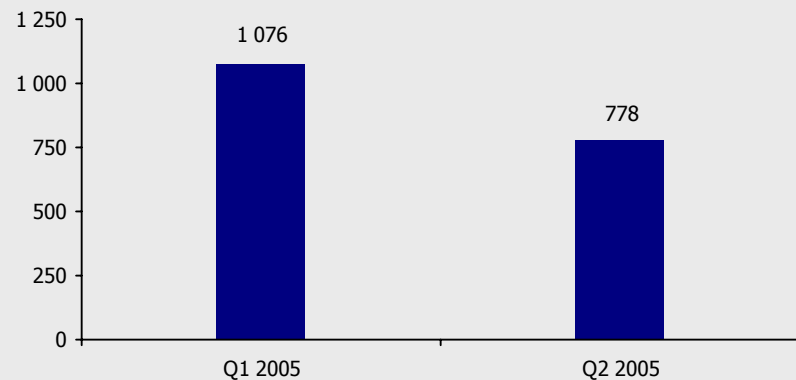


Source: Grupa LOTOS

Commentary

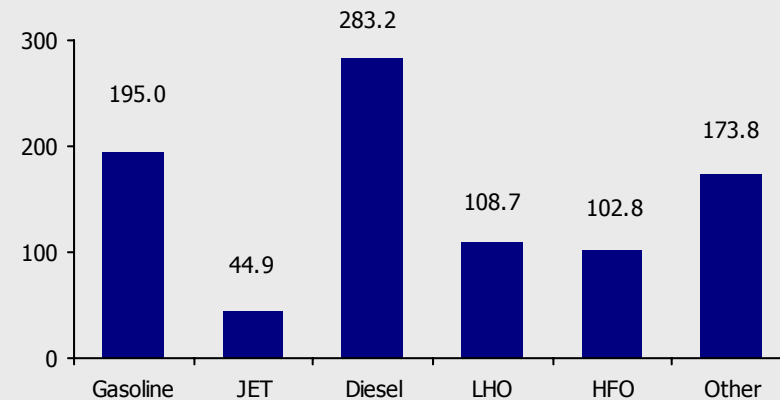
- Increase of production capacity as a result of modernisation and expansion of production installations
- Decrease of crude oil throughput in Q2 2005 as a result of maintenance shutdown
- Total fuel production in Q2 2005 of 908,400 tons is higher than the value of throughput due to utilisation of semi-processed products from internal and external sources

Throughput (in '000 tons)



Source: Grupa LOTOS

Production of fuels (in '000 tons)

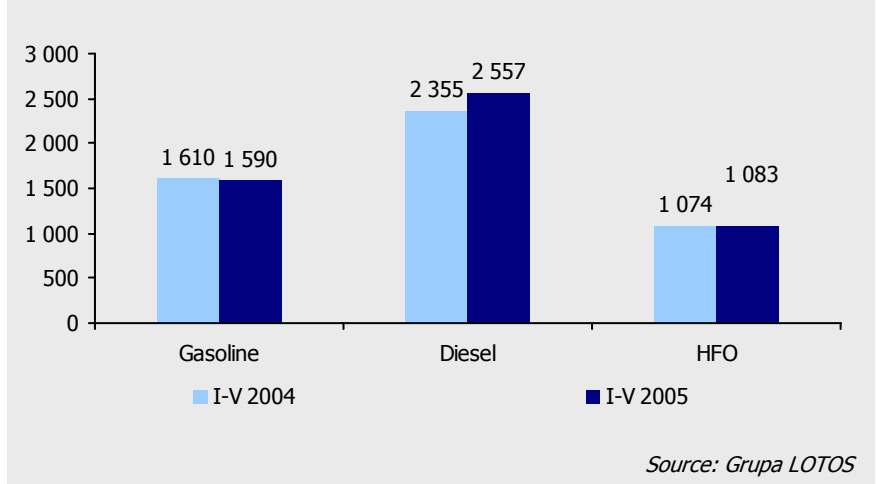


Source: Grupa LOTOS

Operational data – Market position of Grupa LOTOS



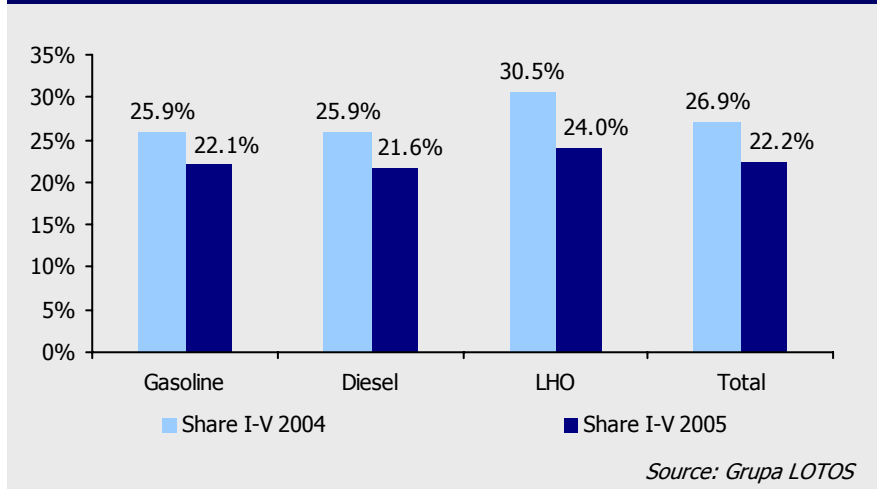
Sales of products (in '000 tons)



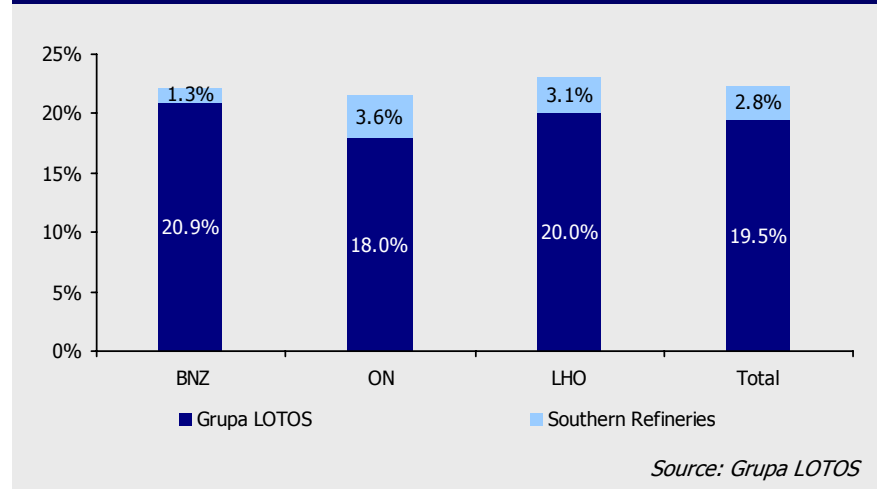
Commentary

- Growth of consumption of Diesel and LHO produced by Grupa LOTOS with slight fall in the consumption of gasoline
- Fall of the share of Grupa LOTOS in the fuel market in I-V 2005 compared to the corresponding period of 2004 as a result of increased imports of fuels
- Decreasing share of the Southern Refineries in supplies to customers

Share of fuel market



Share in supply to customers



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Grupa LOTOS – Profit and loss account



| IFRS (in PLN m) | Q2 04 | Q2 05 | Δ 05/04 |
|--------------------------------|---------|----------------|---------|
| Net revenue | 1 829.2 | 2 146.0 | 17.3% |
| Cost of sales | 1 491.8 | 1 861.9 | 24.8% |
| Gross profit | 337.5 | 284.1 | -15.8% |
| Distribution expenses | 110.0 | 104.1 | -5.4% |
| Administrative expenses | 43.2 | 60.9 | 41.0% |
| Other operating costs | 107.8 | 9.1 | -91.6% |
| EBITDA | 130.2 | 177.6 | 36.4% |
| Operating profit (EBIT) | 82.9 | 114.2 | 37.8% |
| Pre-tax profit | 85.0 | 111.8 | 31.5% |
| Income tax | 28.7 | 13.1 | -54.2% |
| Net profit | 56.1 | 88.6 | 57.9% |

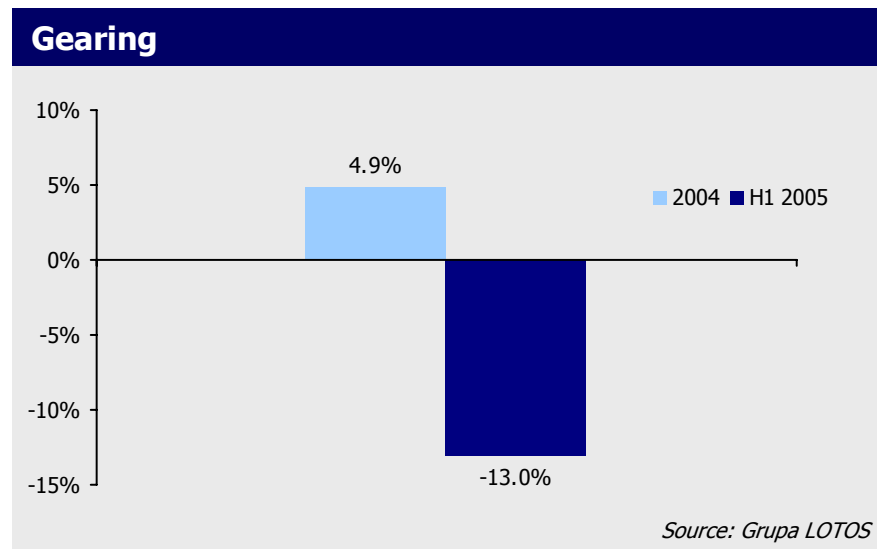
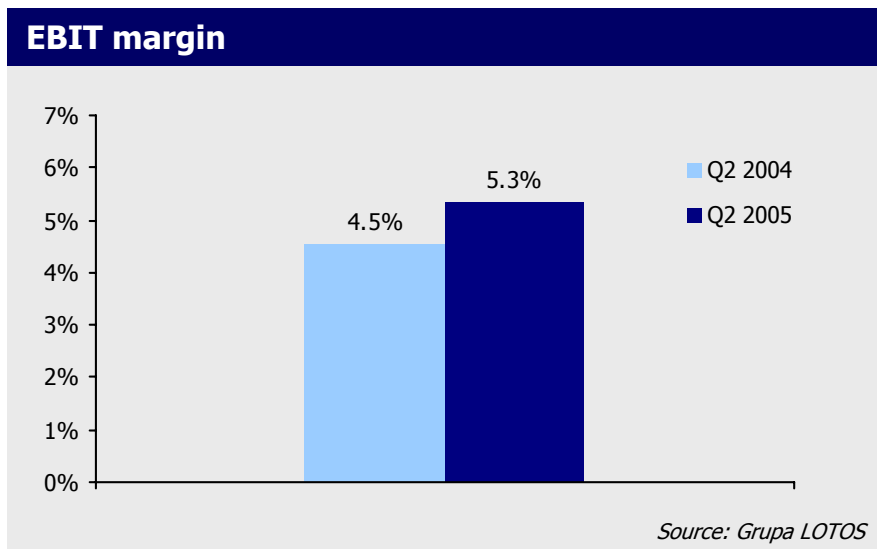
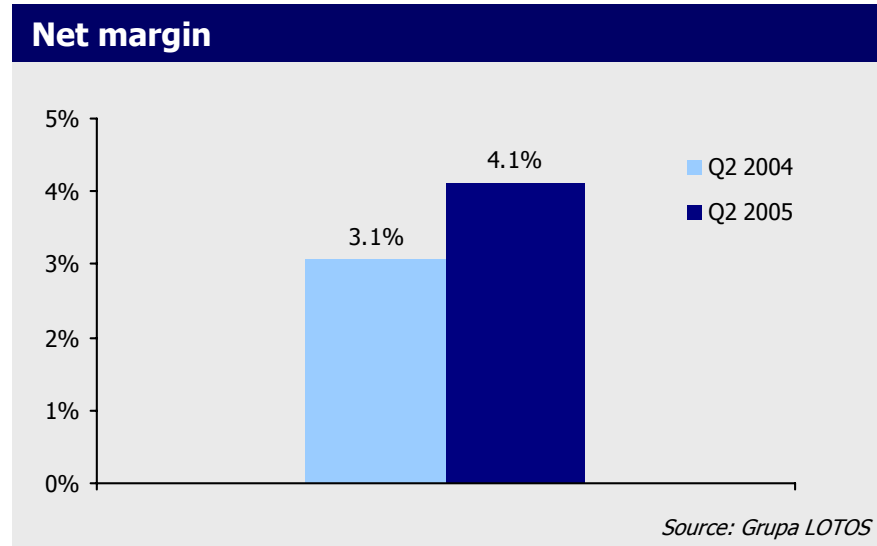
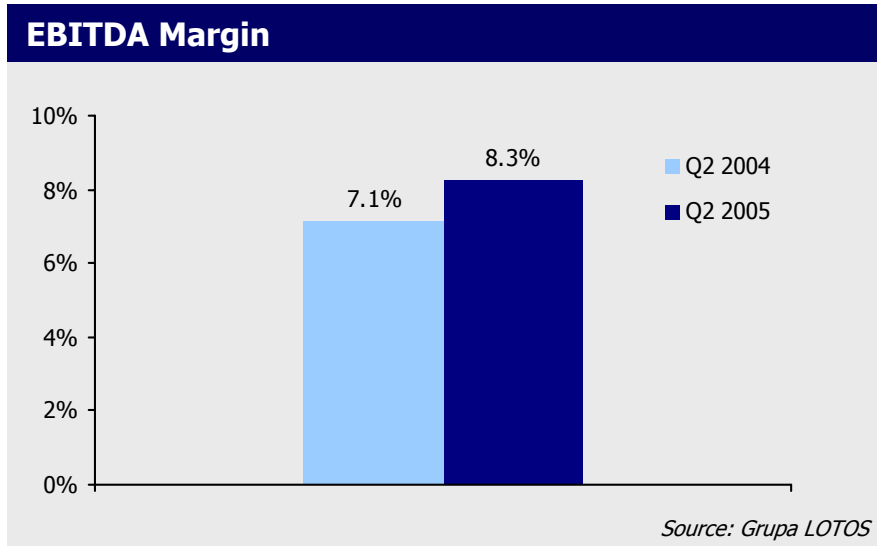
| Commentary |
|--|
| <ul style="list-style-type: none"> • Growth of sales revenue by 17.3% in relation to Q2 2004 to PLN 2 146 m despite maintenance shutdown lasting 47 days • Fall in gross profit with growth in sales revenue due to costs of maintenance shutdown and the related loss of refining margin, that was at levels far above the average for the quarter during the shutdown • Factors behind higher operating results: <ul style="list-style-type: none"> – Decreasing of other operating costs related to provisions established in 2004 for the Glimar Refinery • Factors behind improved net profit: <ul style="list-style-type: none"> – Sale of shares in related companies (Naftoport and Ciech) • Factors with a negative impact upon results: <ul style="list-style-type: none"> – Increase in administrative expenses by PLN 33.7 m resulting from incorporation of Petrobaltic, Czechowice Refinery and Jasło Refinery into the group – Costs of maintenance: PLN 46.8 m – Loss of refining margins due to maintenance shutdown |

Grupa LOTOS – Balance sheet



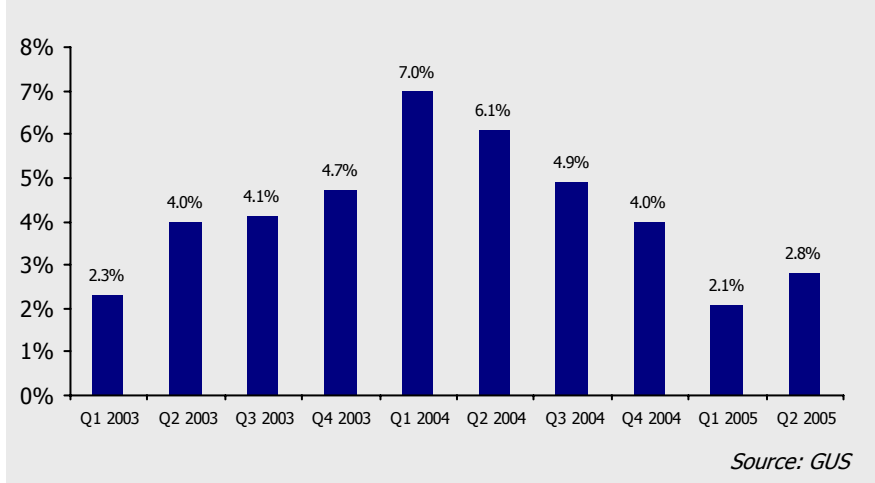
| IFRS (in PLN m) | 31.12. 04 | 30.06 05 | Δ 05/04 | Commentary |
|----------------------------|-----------|----------------|---------|---|
| Assets | 4 022.5 | 6 123.5 | 52.2% | <ul style="list-style-type: none"> • Increase in assets by 52.2% in H1 2005 resulted from: <ul style="list-style-type: none"> – Growth in fixed assets by over PLN 632 m due to acquisition of shares in the Southern Refineries and Petrobaltic – Growth in financial assets resulting from acquisition of debt obligations • Increase in current assets results primarily from: <ul style="list-style-type: none"> – Increasing of production capacity of Gdańsk Refinery – Higher prices of raw materials and products – Increased levels of cash and equivalents • Increase of shareholders equity by over PLN 1 135.9 m as a result of the new shares issue • Increase of short-term liabilities resulting from: <ul style="list-style-type: none"> – Increase of current provisions established in connection with with the estimates adopted regarding the goodwill of companies which joined the group as a result of the acquisition of shares in the Southern Refineries and Petrobaltic. The related provision amounted to PLN 274.9 m – Increase of liabilities related to procurement of crude oil |
| Fixed assets | 2 240.6 | 3 169.7 | 41.5% | |
| Tangible fixed assets | 2 139.5 | 2 772.3 | 29.6% | |
| Financial assets | 6.2 | 211.3 | 3308.1% | |
| Current assets | 1 781.9 | 2 953.9 | 65.8% | |
| Inventories | 828.7 | 1 139.8 | 37.5% | |
| Receivables | 749.0 | 949.0 | 26.7% | |
| Short-term securities | 43.2 | 275.7 | 538.2% | |
| Cash and equivalents | 156.3 | 567.4 | 263.1% | |
| Liabilities | 4 022.5 | 6 123.5 | 52.2% | |
| Shareholders equity | 2 642.6 | 3 778.5 | 43.0% | |
| Long-term liabilities | 378.9 | 439.4 | 16.0% | |
| Short-term liabilities | 988.2 | 1 780.4 | 80.2% | |
| including financial debt | 144.0 | 352.4 | 144.7% | |

Financial ratios



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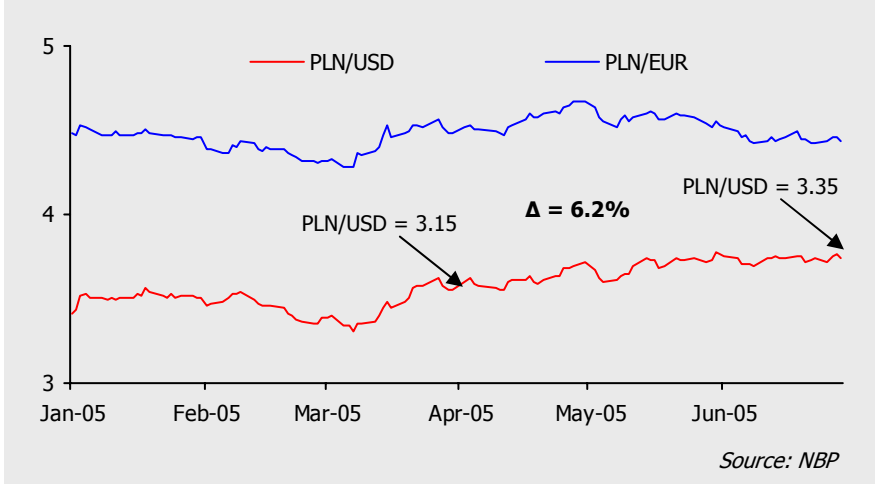
Growth of real GDP (%)



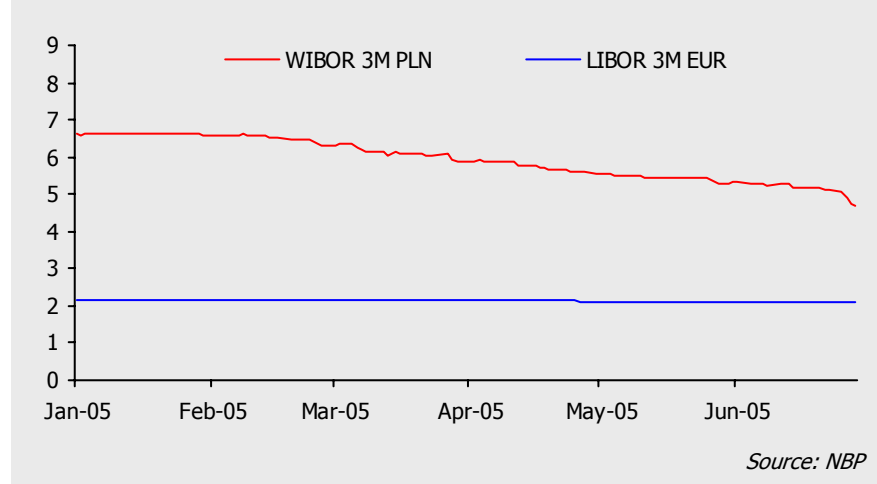
Commentary

- GDP growth in Q2 2005 by 2.8% was stimulated primarily by accelerated investment dynamics with slightly increased consumption growth
- Appreciation of the PLN/USD exchange rate by 6.3% from 3.15 at the end of Q1 2005 to 3.35 at the end of Q2 2005
- Fall in the EUR/USD exchange rate by 6.8% from 1.30 at the end of March 2005 to 1.21 at the end of Q2 2005
- Decrease of the WIBOR 3M rate to 4.9% at the end of June 2005

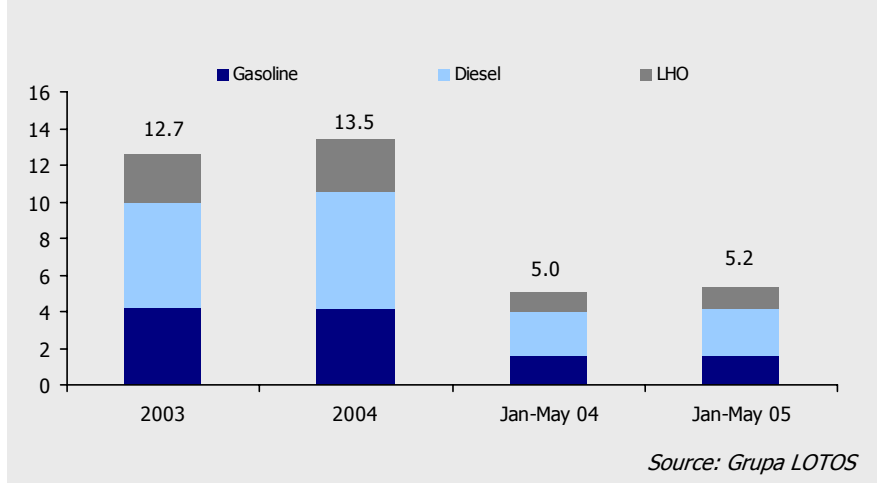
Foreign exchange rates



Interest rates



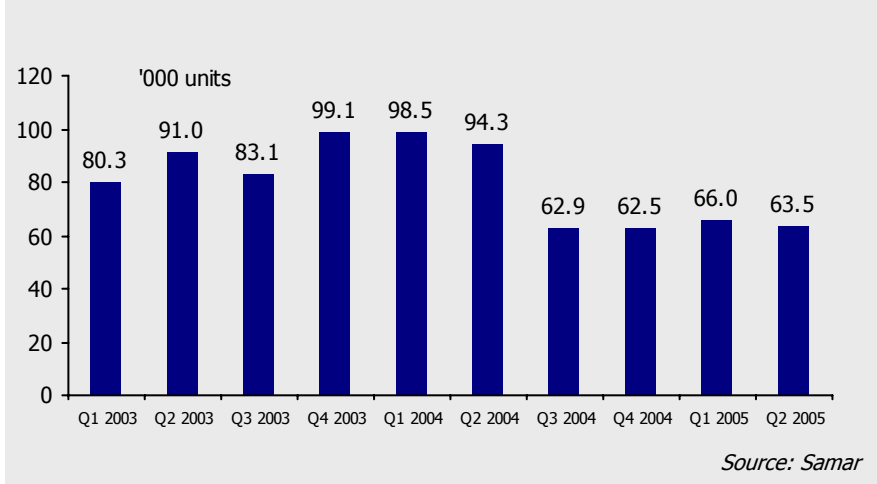
National fuel consumption (tons m)



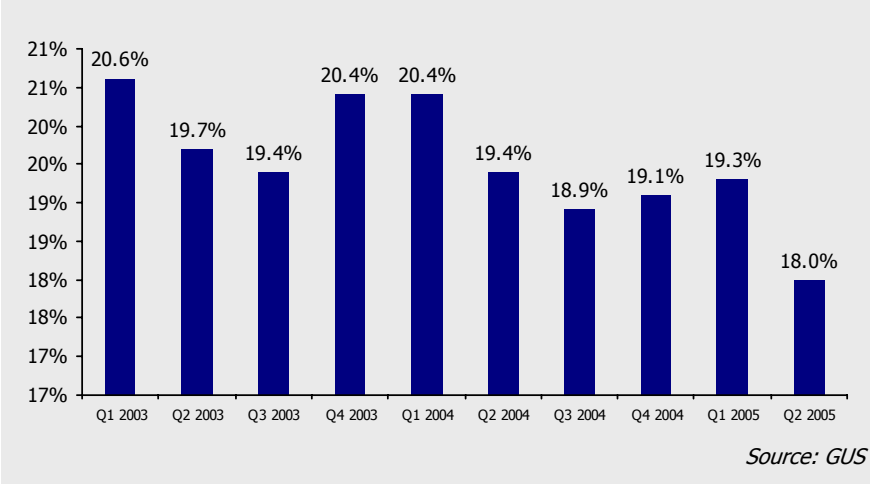
Commentary

- National consumption of fuels in the period January – May 2005 grew by 3.8% in comparison to the analogous period of 2004. The highest growth in consumption (8.6%) was recorded in the Diesel segment. Consumption of gasoline fell by 1.2%
- Sales of new automobiles in Q2 2005 fell by 32.7% in comparison to 2004. This resulted, among others, from rising imports of used automobiles and convergence of EU prices
- Fall in unemployment to 18.0% in June 2005 was primarily of a seasonal nature

Sales of new automobiles



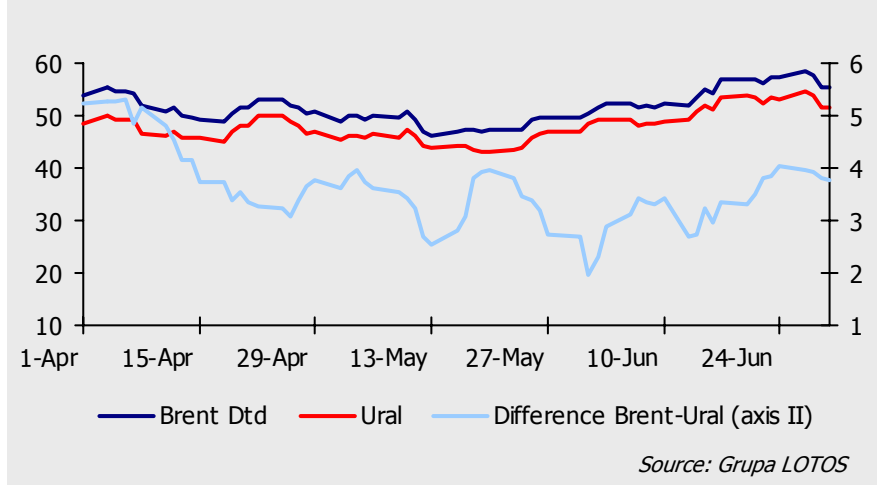
Unemployment



Market conditions in Q2 2005



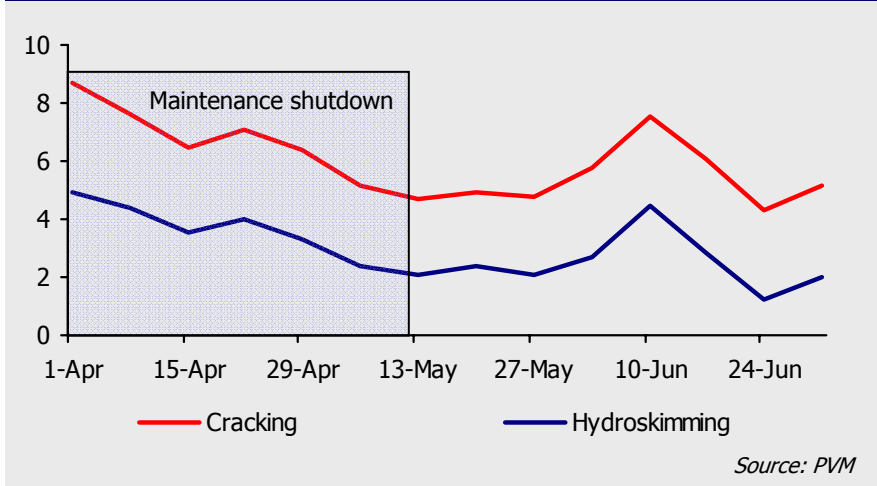
Crude oil prices and Brent-Ural differential (USD/b)



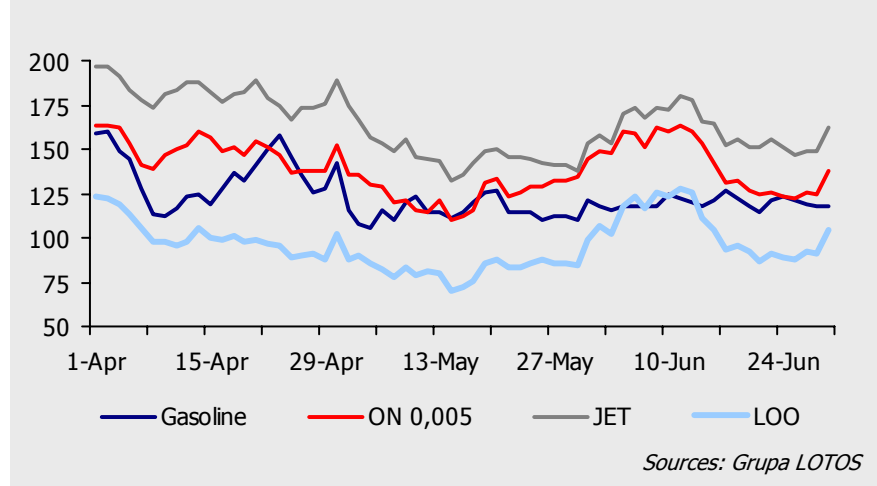
Key values

| | Q II 04 | Q II 05 | Q2 2005/ Q2 2004 |
|---------------------------|---------|---------|---------------------|
| • Brent USD/b | 35.4 | 51.6 | 46.1% |
| • Ural USD/b | 32.3 | 48.0 | 49.0% |
| • Differential Brent-Ural | 3.1 | 3.6 | 16.1% |
| • Refining margin (USD/b) | 5.8 | 6.0 | 3.4% |
| Cracks | | | |
| • Gasoline | 144.1 | 123.3 | -14.4% |
| • Diesel (0,005) | 75.4 | 139.2 | 84.5% |
| • LHO | 49.9 | 96.4 | 93.4% |
| • JET | 96.5 | 163.6 | 69.5% |
| • HFO | -111.0 | -164.1 | 47.8% |

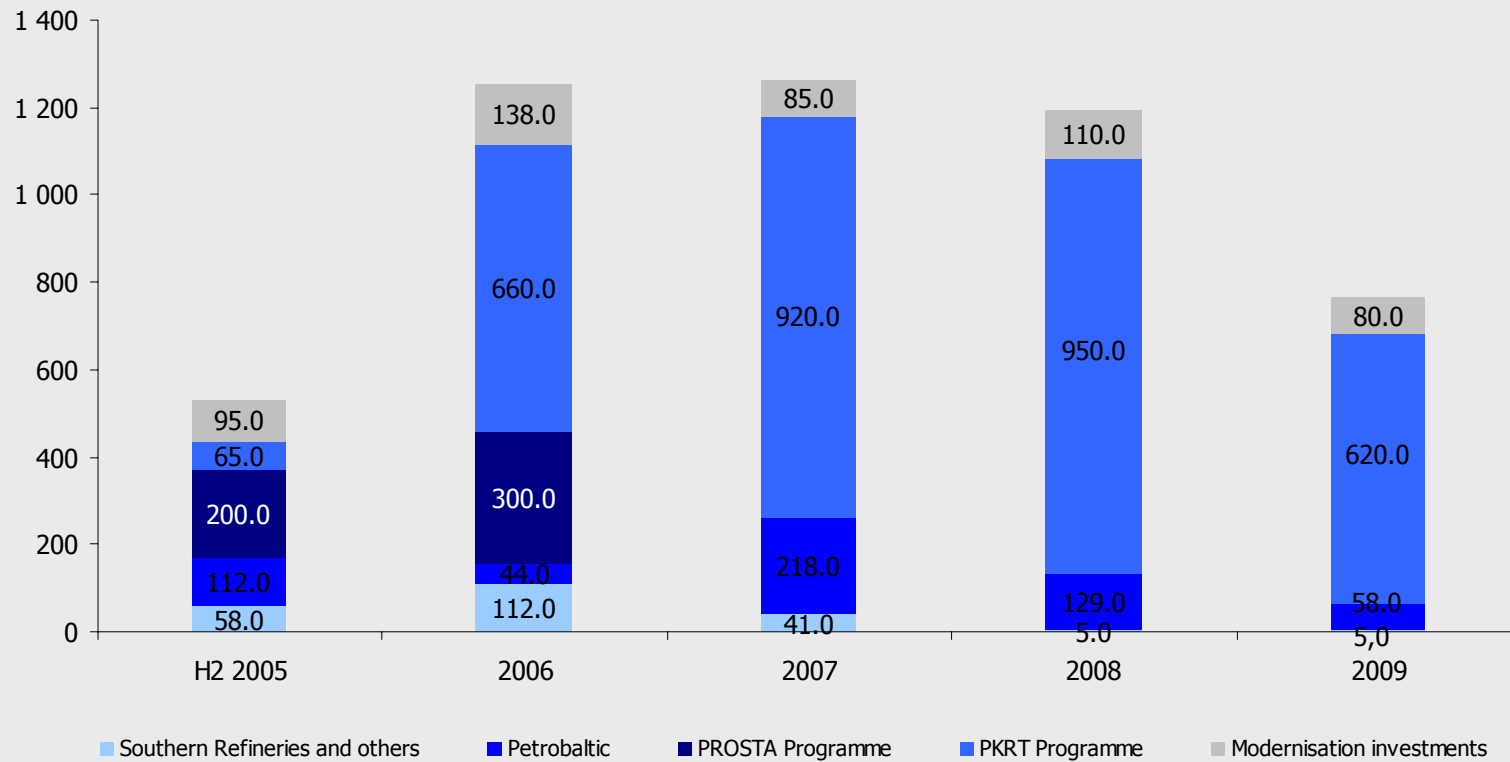
Refining margins (USD/b)



Cracks (USD/ton) w/out HFO



Planned CAPEX in H1 2005 – 2009 (PLN m)

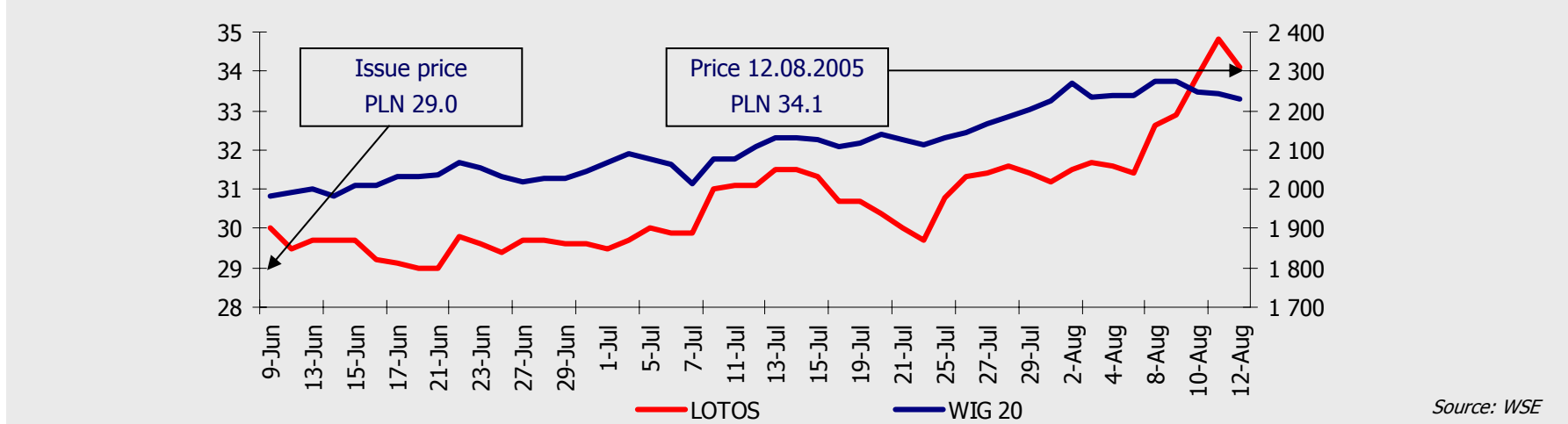


Source: Grupa LOTOS

Grupa LOTOS on the Warsaw Stock Exchange



Quotations of Grupa LOTOS on the Warsaw Stock Exchange



Source: WSE

GRUPA LOTOS ON THE WSE *

| | |
|---|----------------|
| • Market debut date | 9 June 2005 |
| • Share issue price | PLN 29.0 |
| • Average daily trading volume | 381 900 shares |
| • Average daily value of trading | PLN 18.6 m |
| • Value of daily trading to market capitalisation | 0.48% |
| • Issue price capitalisation | PLN 3 297.3 m |
| • Latest capitalisation | PLN 3 877.2 m |
| • Growth in value since IPO | 17.6% |

* As of 12 August 2005

Grupa LOTOS in the WIG20 index

- **Grupa LOTOS will join the WIG 20 index following 16 September 2005**
- **Position in WIG20: 12**
- **Share in WIG 20: 2.7%**