

Development plans

In Norway, the completion of development and launch of production from the YME field is planned in 2012.

The following action plan has been adopted for the hydrocarbon exploration and production business for 2012:

Poland:

- stabilising the production rate from the B3 field,
- continued development of the B8 field,
- involvement in exploration for oil and gas in onshore Poland, including exploration for unconventional deposits,
- search for a potential partner to enter into cooperation in order to accelerate exploration activities and development of the gas reserves under the licenses held.

Lithuania:

- business consolidation of AB LOTOS Geonafta.

Norway – Norwegian Continental Shelf:

- completion of development and launch of production from the YME field,
- development of the portfolio of exploration licenses.

The plans also include monitoring other areas with a view to identifying potential projects with a low or moderate risk profile in North Africa, the Caspian Sea basin and Central and Eastern Europe.

AB LOTOS Geonafta

The LOTOS Geonafta Group comprises the following companies: AB LOTOS Geonafta, UAB Genciu, UAB Manifoldas and UAB Minijos Nafta. The transaction aimed at acquiring full control of AB Geonafta was closed on February 3rd 2011. In 2011, the Lithuanian assets were consolidated with a view to streamlining the structure of the LOTOS Petrobaltic Group.

LOTOS E&P Norge

At the end of 2011, activities were conducted in Norway in six exploration and appraisal license areas. Work was also under way to launch production from the YME field. After leaving the Abu Dhabi port on August 16th 2010, the production platform arrived at Stavanger on September 19th 2010, and then was towed to the YME 24 field on June 24th 2011. The operation of anchoring and installing the platform on location was carried out on June 26th 2011. Work is now under way to hook up the connections and prepare the platform for start-up and launch of production.

External factors material for the development priorities of the LOTOS Group in the upstream segment include:

- economic conditions on the global markets, including the commodity market, particularly with respect to oil and gas,
- political, fiscal and economic stability of Poland and of those countries where the LOTOS Group conducts or plans to conduct operations,
- legislative changes in the area of exploration and production,
- prices of materials and services offered in the oil and gas production industry, as well as their availability,
- currency exchange rates, including chiefly USD, LTL, NOK as well as EUR and GBP exchange rates,
- risk aversion by financing institutions and potential LOTOS Petrobaltic's business partners,
- sufficient market supply of potential assets which meet LOTOS Petrobaltic's criteria, and the assets' liquidity,
- level of activity on the M&A market.

Internal factors material from the point of view of the development and priorities of the LOTOS Group in the upstream segment include ensuring sufficient financial and human resources and know-how in the segment's competence centre.