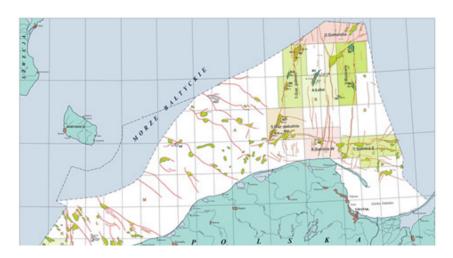
LOTOS Petrobaltic (formerly Oil and Gas Exploration and Production Company 'Petrobaltic') is responsible for fulfilling the aims of the LOTOS Group within the exploration and extraction of oil and natural gas. LOTOS Petrobaltic is the only Polish firm involved in the exploration and extraction of oil in the Baltic Sea. It has been related to Grupa LOTOS since 2005, when Grupa LOTOS became its majority shareholder. LOTOS Petrobaltic operates in the Polish sea area covering about 29,000 km² and its licenses for the exploration and development of fields cover 8 zones of the total area of 8,054 km². The capital group of LOTOS Petrobaltic encompasses 5 subsidiaries and affiliates. In 2009, LOTOS Petrobaltic's operation involved exploration and development in the Baltic Sea as well as acquiring licence for exploration on the Norwegian Shelf and the development of the Yme Production Project. In the North Sea, exploration and extraction is conducted on behalf of LOTOS Petrobaltic by LOTOS E&P Norge established in 2007 (LOTOS Norge Exploration & Production AS) with its registered office in Stavanger, Norway.

Grupa LOTOS, through its subsidiary, LOTOS Petrobaltic, is the only Polish firm involved in oil extraction in the Baltic Sea



LOTOS Petrobaltic focuses on executing the strategy of the LOTOS Group in the upstream segment. Goodwill is created in a sustainable manner, based on the management standards of the LOTOS Group, that is with respect for the rules of social interaction and protection of

natural environment.

The LOTOS Group focuses on two strategic aims within the upstream segment:

- enhancing the safety of supplies of oil processed by the refinery by obtaining access to hydrocarbon fields, and
- raising hydrocarbon production by executing programmes of increasing oil extraction from the Baltic Sea and the new projects outside Poland.

In 2009, the strategic aims of the LOTOS Group in the upstream segment did not change, in spite of the global financial crisis. Only the pace of executing some of the tasks was reduced.

In 2009, LOTOS Petrobaltic started to improve its efficiency and business processes, taking account of the CSR strategy of the LOTOS Group. In 2009, reorganisation and restructuring processes of the Capital Group of the Oil and Gas Exploration and Production Company 'Petrobaltic', now LOTOS Petrobaltic were completed. The Treasury passed its stake in Petrobaltic to Grupa LOTOS, which is now a 99% shareholder in the entity. Moreover, LOTOS Petrobaltic took over total control of Energobaltic Sp. z o.o., and in December 2009 signed a letter of intent concerning the acquisition of the remaining shares in AB Geonafta. These projects, together with the implementation of the regulations and the organisational structure as well as the Anti-Crisis Package measures, resulted in an increase in income and profit generated by LOTOS Petrobaltic in 2009. Within sustainability, LOTOS Petrobaltic focused on social dialogue with the personnel, resulting in an agreement concluded with the trade unions that ended a collective dispute, as well as measures within H&S and ecology.