

The beginning of 2009 was a period of deep crisis for the oil and gas production sector. The extremely low prices of oil on the global market – less than 30 dollars per [barrel](#) – were accompanied by technical problems of LOTOS Petrobaltic on the [B3 field](#). In spite of these circumstances, LOTOS Petrobaltic managed to complete the difficult restructuring processes and implement streamlining programmes, and at the same generated profits from its core business activities.

Oil and gas extraction	2005	2006	2007	2008	2009
Oil [thousand tonnes]	233.5	265.5	190.6	256.9	175.4
Gas [million Nm ³]	25.5	29.9	21.0	29.3	19.5

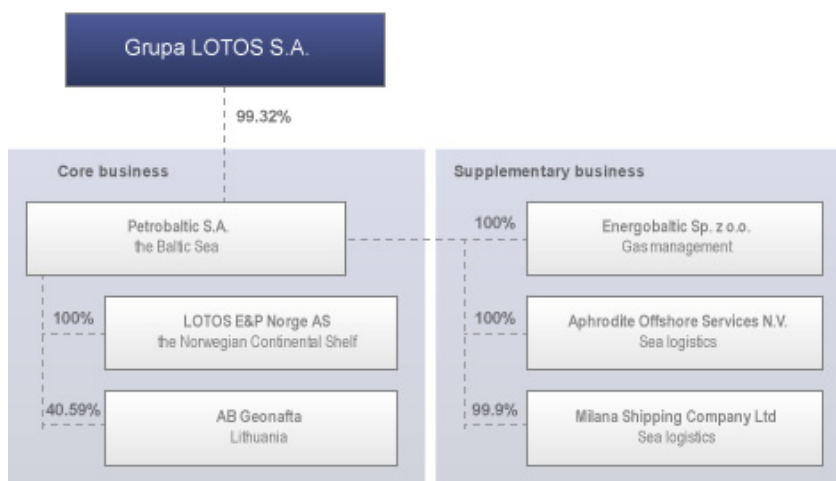
Management at LOTOS Petrobaltic

The greatest management achievements in 2009 included:

- The Anti-Crisis Package – the revision of investments and selection of the most important and urgent ones. The pace of work was adapted to the economic conditions and the most important needs of LOTOS Petrobaltic and the LOTOS Group.
- Ownership changes were introduced within LOTOS Petrobaltic and the LOTOS Group:
 - taking over total control of Energobaltic by LOTOS Petrobaltic. On 29 October 2009, the Extraordinary Shareholders' Meeting of Energobaltic took the resolution to increase the authorised capital in compliance with the concluded Creditor's Agreement that had been approved by the Court. As a result, LOTOS Petrobaltic acquired 1,985 new shares for PLN 16,078,500, thus increasing its stake in Energobaltic from 46.61% to 50.92%. Subsequently, on November 27th, 2009, Petrobaltic acquired from Stablewood Power Ventures (Władysławowo) Ltd. and Stablewood Power Ventures Ltd remaining 49.08% stake in Energobaltic (2,512 and 217 shares respectively), becoming the owner of 100% shares in Energobaltic.
 - signing a letter of intent to take over total operational control of the Lithuanian oil company, AB Geonafta; and
 - passing of a 31% stake in Petrobaltic from the Treasury to Grupa LOTOS (at present Grupa LOTOS holds 99.32% of stocks in LOTOS Petrobaltic);
- Continued involvement in financing the production projects on the Norwegian Continental Shelf;
- Consolidation with the LOTOS Group – focusing on the upstream segment; transferring the departments that are not related to the core business to other companies; disposal of the land transport and warehouses department to LOTOS Serwis; and

- Signing a credit line agreement for up to PLN 150m with Nordea Bank Polska.

Structure of the Petrobaltic Capital Group 31 December 2009



Upstream segment of LOTOS Petrobaltic

The most important achievements of 2009 included:

- Maintaining oil extraction at the highest possible level – to this purpose the B3-9 and B3-10 holes were reconstructed; as a result, the output from B3-9 returned to the previous level and from B3-10 increased;
- Extending the licence for oil and natural gas extraction from B8 from 10 to 25 years – after preliminary tests the estimated resources of oil in this field increased to 3.5 million tonnes;
- Further exploration of the potential fields located on the Polish shelf of the Baltic Sea:

- Continuing 3D seismic studies on the B23 and B27 structures located within the Gotland licence and on the B28 structure located within the Rozewie licence as well as 2D seismic studies on the B101 structure situated within the Łeba licence and on the B22 structure included within the South Gas licence,
- Making an exploratory well B22-1 on the B22 structure located within the South Gas licence, and
- Drawing up the Field Development Study for the [B8 field](#).

Upstream segment of LOTOS E&P Norge

The most important achievements of 2009 included:

- Continuation of the Yme project – after purchasing another 10% of the Yme project, LOTOS Petrobaltic acquired 20% of shares in the Yme oil field development project. The project involves work with drilling and construction of a production platform and underground infrastructure. Six holes have been drilled and the underground infrastructure that provides the connection to the rig is progressing as planned. Extraction from the field is planned to commence in the second half of 2010. The pace of the project implementation is related to the expected delivery of the drilling rig, to be installed on the field;
- Obtaining consecutive licences under the contracts signed within the APA Licence Round 2008:
 - 10% shares in the PL 497 licence
 - 25% shares in the PL 503 licence
 - 20% shares in the PL 515 licence
 - 25% shares in the PL 498 licence
- Application within the APA 2009 Licence Round for:
 - 50% shares in the PL 556 licence (as an operator),
 - 10% shares in the PL 497B licence (extended licence PL 497)
- Work on the PL 503 and PL 515 licences – approval by the Norwegian Ministry of Energy and Oil for the first phase of operations and consent to the second phase, i.e. seismic studies and preparing the decision on the exploratory drills within these licences.