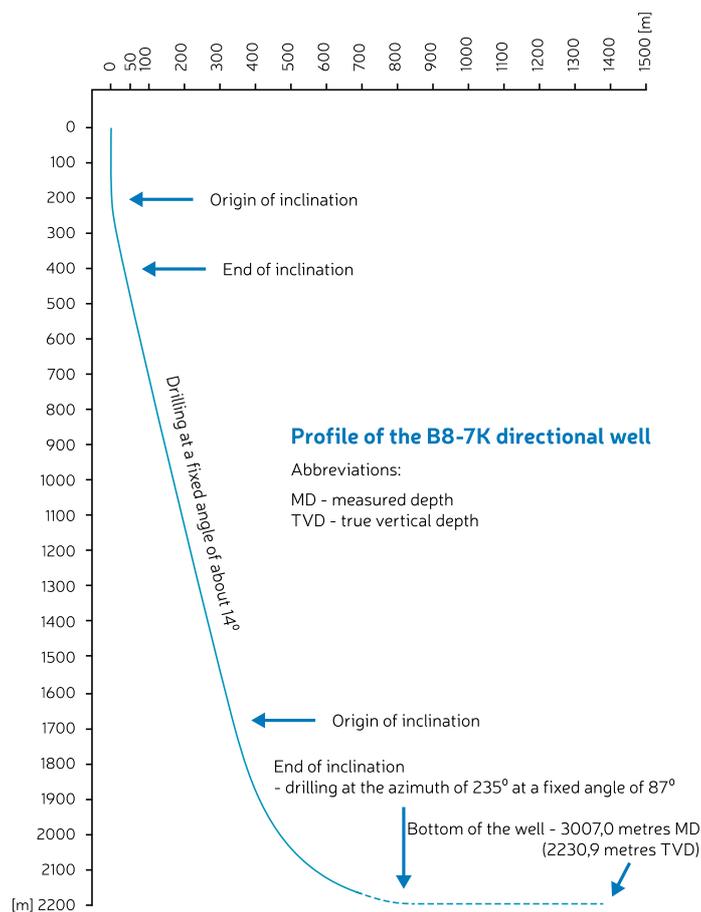


Key growth-oriented projects of the LOTOS Group

Objectives, activities, results in 2016

Profile of the B8-7K horizontal well



Our key growth-oriented projects carried out in 2016 in the Upstream segment include:

B8 field development – doubling of oil production in the Baltic Sea

In September 2015, LOTOS Petrobaltic started profitable production from the B8 field, which – despite a 60% decline in crude oil prices – has made a positive contribution to the company’s financial standing. In 2016, **our oil production in the Baltic Sea doubled**, partly as a result of completion of the LOTOS Group’s first ever drilling of the B8-7K **horizontal well** using the innovative drilling technology RSS. Bringing the well on stream allowed us to enhance oil recovery from the field.



The B8 site is the **third largest oil production facility** in Poland; the field holds the largest recoverable oil reserves in the **Polish part of the Baltic Sea**. Its 2P reserves are 29.5 mboe (chiefly oil), current production is **2,800 boe/d**, and planned production – 5,000 boe/d.

Launch of the Utgard Project

In 2016, we made and formalised a decision to start the Utgard project. Its objective is to develop a new field in Norway through a tie-in with the nearby **Sleipner** area infrastructure, and to launch hydrocarbon production in **2019/2020**. The field's 2P reserves are **8.1 mboe** (55% crude oil and 45% natural gas), with planned daily production volumes of 4,000 boe/d.

More information

[Directors' Report on the operations of Grupa LOTOS S.A. and the LOTOS Group in 2016](#)

Chapter 2.2. Status of key development projects in 2016 (in terms of subtitle „Innovation and development projects”)

Upstream strategy for 2017–2022

Our main upstream objectives for the next 5 years are sustainable growth, continued development of a balanced upstream portfolio, and position of a production leader in the Baltic.

Sustainable growth of the Upstream segment will be pursued by the LOTOS Group through **presence on predictable markets**, i.e.:

- Expansion in Norway (centered around hubs, Norwegian Continental Shelf) and Poland (Baltic Sea), and
- Geographical diversification in response to market conditions.

Development of a balanced upstream portfolio will consist in **diversification of production sources and licence structure**, i.e.:

- Increasing involvement in field development projects,
- Gradually increasing the role of oil and gas exploration,
- Expanding the asset portfolio by capturing market opportunities,
- Reducing the share of mature fields in the portfolio.

In practical terms, the LOTOS Group strategy for 2017–2022 means:



Development of the following fields: B4/B6 (gas), Utgard, FriggGamma Delta, and YME,

- **Production from the following fields:** B8, B3; Lithuanian fields; Heimdal and Sleipner (70% crude oil, 30% natural gas),
- **Exploration** for new oil and gas deposits under onshore and offshore licences,
- **Production of** crude oil and natural gas at **30,000–50,000 boe/d.**

The upstream strategy is to be implemented in **two stages**. Its success metrics set for 2017–2018 are 2P reserves at approximately 60 mboe and production at approximately 22,000 boe/d. The corresponding targets for 2019–2022 are 2P reserves at more than 60 mboe and production at 30,000–50,000 boe/d.