

Principal activities and performance in 2016

Record-high production

> In 2016, our Upstream segment delivered **record high hydrocarbon production of 9.8 mboe**, driven by output from the **B3 and B8** oil fields in the Baltic Sea in Poland, and from the **Heimdal and Sleipner** upstream assets in Norway.¹

> In 2016, the hydrocarbon output remained at approximately **26,700 boe/d**.

In line with the expectations, following the acquisition of the Sleipner production assets on the Norwegian Continental Shelf in December 2015, the LOTOS Group's production of oil and natural gas increased significantly. Record-high production was reported as early as in the first quarter of 2016, with the average daily output close to 30,000 boe.

¹ Production from the Norwegian assets commenced in January 2017.

> The Heimdal and Sleipner areas are mature fields, expected to remain in production for a few years. The Heimdal field is planned to be abandoned in 2019–2021, and the Sleipner field in 2024–2025.

[OG1]

Five new production licences in Norway

As in previous years, in 2016–2017 **new licences** were acquired with a view to increasing production in the future.

In January 2017, LOTOS Exploration & Production Norge accepted an offer placed by Norwegian authorities for five new production licences on the Norwegian Continental Shelf. The licences cover '**mature areas**', i.e. areas where oil and gas deposits are still present, and their extraction is facilitated by existing infrastructure.

LOTOS Exploration & Production Norge is engaged in oil exploration and production activities in the North Sea and the Norwegian Sea. At the end of 2016, the company held interests in **20 licences** on the Norwegian Continental Shelf.

Młynary onshore licence

In 2016, the LOTOS Group was awarded **one new onshore licence – Młynary**. Under the licence, granted by the Ministry of the Environment for three years, LOTOS Petrobaltic is authorised to carry out oil and gas exploration and appraisal activities in the Młynary onshore area, between Elbląg and Braniewo, i.e. to acquire 200 km of seismic data, and – optionally – to drill two boreholes of up to 4,500 meters deep.

LOTOS Petrobaltic is a company responsible for the development of the Upstream segment within the LOTOS Group.

LOTOS Petrobaltic Group's crude oil and natural gas resources (2P) as at December 31st 2016:

	Crude oil [million tonnes]	As [mboe*] equivalent	Natural gas [bcm]	As [mboe*] equivalent	Total for Poland [mboe*]
2015					
Poland	4,815	37,381	0,509	3,2	40,581
Norway	0,982	4,99	2,246	14,125	19,115
Lithuania	0,927	7,138	-	0	7,138
Total	6,724	49,509	2,755	17,325	66,834
2016					
Poland	4,577	35,538	0,482	3,029	38,567
Norway	1,22	9,142	2,934	18,452	27,594
Lithuania	0,848	6,536	-	-	6,536
Total	6,645	51,216	3,416	21,481	72,697

* Barrels of oil equivalent.

LOTOS Petrobaltic Group's production volumes in 2016

	Crude oil [million tonnes]	Natural gas [bcm]	Total [mboe*]
2015			
Poland	0,162	0,018	1,374
Norway	0,389	0,288	2,484
Lithuania	0,063	-	0,486
Total for the LPB Group	0,315	0,307	4,344
2016			
Poland	0,238	0,027	2,014
Norway	0,242	0,879	7,338
Lithuania	0,053	-	0,402
Total for the LPB Group	0,532	0,906	9,754

* Barrels of oil equivalent.

