

Articles of association

Excerpt

§9 Powers of the General Meeting

The General Meeting shall in particular:

- 1) consider and approve the Company's annual financial statement, annual report on the Company's operations as well as the Group's consolidated financial statement and report on the Group's operations for the previous financial year,
- 2) grant approval of the performance by members of the Supervisory Board and the Management Board of their duties,
- 3) take decisions on the division of profit and the covering of losses as well as on the manner of using funds created from profit, subject to special provisions specifying a different manner of using the funds,
- 4) appoint and dismiss members of the Supervisory Board and set forth the principles of their remuneration,
- 5) increase and decrease the share capital,
- 6) take decisions on claims for redress of damage caused upon formation of the Company or in the course of its management and supervision,
- 7) transfer and lease the enterprise or its organized part and establish a limited right in rem on them,
- 8) grant consent to acquire real estate, the right of perpetual usufruct or a share in real estate of the value exceeding PLN 5,000,000 and determined by an appraiser as well as grant consent to transfer real estate, the right of perpetual usufruct or a share in real estate of the value exceeding PLN 200,000 and determined by an appraiser,
- 9) grant consent to encumber and transfer shares of the following entities: LOTOS Petrobaltic S.A. and Przedsiębiorstwo Przeladunku Paliw Płynnych Naftoport Sp. Z o.o.,

§11 Supervisory Board

1. The Supervisory Board shall be comprised of five to nine members, including the chairperson, vice chairperson and secretary.
2. Members of the Supervisory Board are appointed and dismissed by the General Meeting. Notwithstanding the foregoing, as long as the State Treasury remains the Company's shareholder, the State Treasury represented by the Minister of Energy shall be authorized to appoint and dismiss one member of the Supervisory Board.
3. The Supervisory Board shall be appointed for the joint term of office lasting three years. Individual members of the Supervisory Board as well as the entire Supervisory Board may be dismissed at any time prior to the expiration of the term of office.
4. The Chairperson of the Supervisory Board shall be appointed by the General Meeting. The vice chairperson and the secretary shall be appointed by the Supervisory Board from amongst the remaining members of the Supervisory Board.
5. The Supervisory Board appointed by way of block voting shall be comprised of five members.

§12 Meetings of the Supervisory Board

1. Meetings of the Supervisory Board shall be convened as the need arises, however at least once every two months. Furthermore, the chairperson of the Supervisory Board shall convene a meeting upon written request submitted by the Management Board or a member of the Supervisory Board and accompanied by the proposed agenda. The meeting shall be convened within two weeks from the day of receipt of the request. Otherwise the person submitting the request may convene the meeting on its own initiative, and indicate the place and date as well as provide the proposed agenda.

Notwithstanding the foregoing, upon written request filed by the Management Board for convening a meeting of the Supervisory Board in the event of urgency, the chairperson of the Supervisory Board shall convene the meeting within two days from the day of receipt of the request. In such an event the chairperson of the Supervisory Board may shorten the time limit referred to in Paragraph 2 by specifying the manner of forwarding an invitation to the meeting of the Supervisory Board. In the periods between meetings of the Supervisory Board, letters and documents containing declarations of will submitted to the Supervisory Board shall be received by the Chairperson. In the absence of the Chairperson, the duty shall be performed by the Vice-Chairperson. Articles of Association of Grupa LOTOS S.A. Page 14 of 18

2. Meetings of the Supervisory Board may be convened by means of written invitations to be sent to members of the Supervisory Board at least seven days before the date of the meeting, subject to Paragraph 1.

3. Meetings of the Supervisory Board may be held provided that all members of the Supervisory Board have been duly notified. Meetings of the Supervisory Board may also be held on short notice provided that all members of the Supervisory Board are present and grant their consent to hold the meeting as well as to place certain matters on the agenda. The Supervisory Board may also adopt resolutions in writing or with the use of means of distant communication, subject to Article 388 § 4 of the Code of Commercial Companies. Adopting the resolution in such a manner shall require that a draft resolution be previously submitted to all members of the Supervisory Board. The adopted resolutions shall be presented at the following meeting of the Supervisory Board together with the voting results.

4. Members of the Supervisory Board may participate in the adoption of resolutions of the Supervisory Board by casting their votes in writing, "in favor" or "against" a resolution, through the agency of another member of the Supervisory Board, provided that they received a draft resolution together with the meeting agenda. Resolutions concerning matters referred to in Article 388.4 of the Code of Commercial Companies may not be adopted in this manner.

5. Subject to Paragraph 4 and §14 Paragraph 4 of these Articles of Association, resolutions of the Supervisory Board shall be adopted by an absolute majority of valid votes cast in the presence of at least a half of the Supervisory Board members.

§13 Powers of the Supervisory Board

1. The Supervisory Board shall adopt the regulations specifying its composition and mode of operation.

2. The Supervisory Board shall exercise permanent supervision over the Company's operations. Furthermore, the Supervisory Board shall:

1) appoint and dismiss the president, vice presidents and the remaining members of the Company's Management Board as well as set forth principles of their remuneration and the amount thereof, unless a special provision states otherwise,

2) suspend, for significant reasons, individual or all members of the Management Board from their duties, as well as delegate a member or members of the Supervisory Board so that they temporarily perform the duties of those members of the Management Board who are incapable of performing their duties,

3) approve the regulations of the Management Board,

4) select an expert auditor to examine financial statements of the Company and the Group in accordance with the Accounting Act,

5) evaluate financial statements with regard to their compliance with accounting books and documents as well as with the actual state of affairs, the Management Board's report and its recommendations concerning the division of profit or coverage of loss, Articles of Association of Grupa LOTOS S.A. Page 15 of 18 and submit a written report on the findings of the above evaluation to the General Meeting.

6) provide opinions on any matters submitted to the Ordinary or Extraordinary General Meeting for consideration,

7) grant consent to members of the Management Board to take positions with supervisory or management bodies of other entities and to receive remuneration therefor,

- 8) grant consent to carry out an investment project and to assume obligations resulting therefrom in the event that the project-related expenses or charges exceed the equivalent of one half of the Company's share capital.
- 9) set the scope and level of detail of as well as time limits for submission by the Management Board of annual budgets and long-term strategies,
- 10) approve a strategy for Grupa LOTOS S.A. ("the Company") and Grupa Kapitałowa Grupy LOTOS S.A. ("the Group"),
- 11) provide opinions on annual budgets,
- 12) represent the Company with respect to agreements and disputes between the Company and members of the Management Board
- 13) award annual prizes to the president, vice-presidents and members of the Management Board, unless a special provision states otherwise.
- 14) adopt rules for managing special purpose funds.

3. The Supervisory Board shall grant the Management Board a consent to perform the following acts:

- 1) establishing a facility abroad within the meaning of double taxation agreements signed by the Republic of Poland
- 2) transferring fixed assets of the value exceeding one twentieth of the net value of the Company's assets,
- 3) assuming other obligation or making a disposition which, on the basis of one or several connected legal transactions, excluding ordinary scope of management, exceeds the equivalent of half the share capital, unless the granting of the consent thereto falls within the power of the General Meeting,
- 4) carrying out by the Company abroad capital investments the value of which exceeds one twentieth of the share capital as well as all fixed investments,
- 5) exercising the Company's voting rights at the General Meetings of all subsidiaries and other companies if the value, determined on the basis of the acquisition cost, of the shares the Company holds in a given company exceeds the equivalent of one-fifth of the Company's share capital, when voting on the following issues: a) division of profit or coverage of loss, b) increasing or reducing the share capital c) merging the company with another company or transforming the company, d) transferring or leasing the company's enterprise and establishing thereon a right of use, Articles of Association of Grupa LOTOS S.A. Page 16 of 18 e) amending the Articles of Association
- 6) establishing companies under commercial law and acquiring interests in companies as well as making contributions to cover shares in companies or transferring shares if the value, determined on the basis of the acquisition cost, of the Company's to-date equity investment in a given company or of the Company's equity investment upon acquisition of the shares, exceeds the equivalent of one twentieth of the Company's share capital, except for acquisitions of shares by way of conversion of claims pursuant to the provisions of the Bankruptcy and Restructuring Law of February 28, 2003, or in public securities trading
- 7) acquiring real estate, the right of perpetual usufruct or a share in real estate of the value not exceeding PLN 5,000,000 and determined by an appraiser as well as transferring real estate, the right of perpetual usufruct or a share in real estate of the value not exceeding PLN 200,000 and determined by an appraiser
- 8) paying an advance toward dividend.

4. The Supervisory Board shall appoint an Audit Committee from amongst its members, and may appoint other Committees, whose scope of duties, work organization and manner of operation shall be defined in the Rules of Procedure for the Supervisory Board and rules of procedure for the individual committees. The rules of procedure for such committees as well as any amendments thereto shall become effective upon their approval by the Supervisory Board.

§14 The Management Board

1. The Management Board shall be comprised of three to seven members, including the President and the Vice-Presidents of the Management Board.
2. The Supervisory Board shall appoint the President, the Vice-Presidents and other members of the Company's Management Board.
3. The Management Board shall be appointed for the joint term of office lasting three years. The President, Vice-Presidents and other members of the Management Board as well as the entire Management Board may be dismissed or suspended by the Supervisory Board for important reasons at any time prior to the expiration of the term of office.
4. The Supervisory Board's resolutions on the appointment and dismissal of individual members of the Management Board or the entire Management Board shall be adopted in the presence of at least two-thirds of the Supervisory Board's members.
5. The mandate of a member of the Management Board shall also expire by filing a resignation. The resignation may not be filed later than fourteen days prior to the mandate expiration date indicated in the notice of resignation by the member of the Management Board in order to stipulate the consequences of the resignation as of the date indicated.

§16 Powers and mode of operation of the Management Board

1. The Management Board shall adopt organizational regulations of the Company's enterprise.
2. The Management Board shall adopt the Board's regulations determining in detail the Management Board's composition and the manner of managing the Company's affairs. The regulations as well as any amendment thereto shall become effective upon its approval by the Supervisory Board.
3. The following shall require a resolution to be adopted by the Management Board: all matters exceeding the scope of ordinary management; the matters specified in the Management Board's regulations as well as matters to be considered by the Supervisory Board and the Management Board in accordance with the provisions of the Articles of Association or legal regulations; or matters in the case of which an objection was raised by at least one of the remaining members of the Management Board.
4. Managing the Company's affairs by the Management Board shall be subject to limitations arising from legal regulations and the provisions of the Articles of Association as well as resolutions adopted by the General Meeting.
5. The Management Board shall prepare and adopt annual budgets and long-term strategies within the scope and time limit specified by the Supervisory Board.
6. The Management Board of the Company shall prepare: 1) the Company's financial statement for the previous financial year together with the Management Board's report on the Company's operations in the previous financial year, 2) the Group's consolidated financial statements for the previous financial year together with the Management Board's report on the Group's operations in the previous financial year.
7. A representative of the Supervisory Board delegated by the Supervisory Board shall enter into agreements with the president, vice-presidents and other members of the Management Board on the terms and conditions stipulated in resolutions of the Supervisory Board or the General Meeting. Other legal transactions between Articles of Association of Grupa LOTOS S.A. Page 18 of 18 the Company and members of its Management Board shall be performed in the same manner.

§17 Term and financial year of the Company

1. The Company has been established for an indefinite period of time.
2. The Company's financial year is the calendar year.

§18 Other provisions

1. The Company's announcements required by law and the Articles of Association shall be published in Monitor Sądowy i Gospodarczy [Court and Business Gazette], unless applicable law provides otherwise.
2. As used in these Articles of Association, the term "Group" shall denote a group of companies within the meaning of the accounting regulations.
3. Unless otherwise stated in the Articles of Association, the following terms are defined as follows:
 - 1) the capitalized term "Company" shall refer to Grupa LOTOS Spółka Akcyjna
 - 2) the capitalized term "Articles of Association" shall refer to the Articles of Association of Grupa LOTOS S.A.,
 - 3) the term "person" as used in §10 Paragraph 6 shall mean a natural person, a legal person or an unincorporated organization.