



Michael Bakunenko
Chairman of the Board of Ukrnaftoburinnya

"Significant reforms are taking place in the oil and gas upstream industry. No doubt, that conducting competitive PSA tenders and transparent online auctions is an important step towards achieving energy independence of Ukraine.

Winners of the largest in Ukraine's history oil and gas PSA licensing rounds have become known recently. Leading domestic and foreign investors made their bids for the right to develop nine petroleum blocks. The Interagency Commission considered 23 bids from 14 companies. UNB has submitted applications for two oil and gas parcels. Application for the development of Rusanivska block was selected the best. In the coming years, the company will invest more than UAH 1 billion in exploration.

It is also worth pointing out that Ukraine entered to the world-famous index Baker Hughes GE Rig Count. According to the report, every second drilling rig in Europe works in Ukraine, indicating the considerable potential of the domestic oil field service market and the prospects for its development".

BAKER HUGHES GE

Ukraine has the largest number of active drilling rigs in Europe. The International Rig Count index is updated monthly and published in leading economic and industrial papers around the world.



BRITISH PETROLEUM

Ukraine joined to the European club of countries, leaving the CIS region. According to the BP's Review, Ukraine is on the 4th place in Europe in terms of natural gas production, on 2nd place with proven reserves and on the 1st place on the ratio of gas reserves to production.

DRILLING INFO

Ukraine is in the TOP-10 countries, offering a bid rounds. Over the past 18 months there has been 49 countries offering 105+ bid round acreages, those which dominated also include: Australia, UK, Denmark, Mexico, India, Argentina, Brazil, Poland and Croatia.

PSA TENDERS

There are 27 bids from 17 companies, including 7 foreign investors, for the development of 10 petroleum blocks. The government approved the winners of 9 onshore PSA tenders. The winner of the offshore tender on Dolphin block has not been defined in the time period fixed by law (until July 12).

ONLINE E-AUCTIONS

13 oil and gas blocks have been sold for over UAH 181 million in the second and third rounds of oil and gas auctions on the ProZorro.Sale platform. National company UGV bought 12 parcels. The next round of online auctions will take place on September 16, the State Geological Service proposed 3 blocks in two regions.

PEC PROJECT

UGV qualified four companies to participate in the tender for the implementation of production enhancement contracts at its 13 mature fields. Among the bidders are Baker Hughes, a GE company (USA), Expert Petroleum (Romania), consortium from China, Poltava Petroleum Company. Within three months, they will be provided an access to the data room and have to submit own bids with proposed terms of further cooperation.

GEOLOGICAL DATA

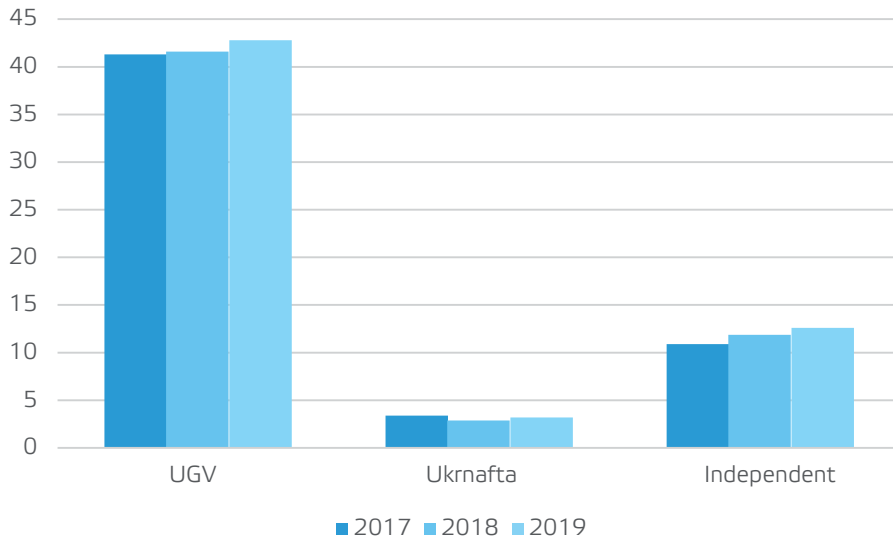
The State Geological Service has facilitated access to the primary geoscience information. Each subsoil user, having sent a sample letter to the Service, will be able to get access to the storages of primary geoscience data to examine it.

NATURAL GAS TRADING

Naftogaz Trading started to trade its natural gas on the Ukrainian Energy Exchange. This has to increase the transparency of the market price setting and make domestic natural gas market a key indicator of change. The first pilot trade took place in early July and 500 thousand cm were put up for sale.

HALLIBURTON RETURNS

The leading American oil field service company Halliburton expands its activities in Ukraine. Under the cooperation with UGV, the firm is going to provide "turnkey" sidetracks drilling for 26 wells.



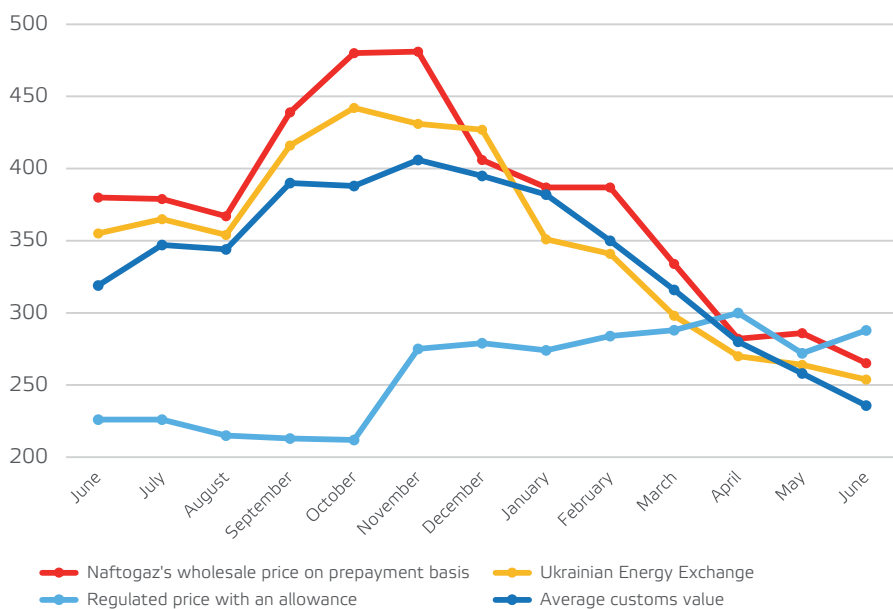
Average daily gas production in 2018, million m³

Almost 10.5 billion m³ was produced for half a year, which is about 300 million m³ more than in the first half of 2018.

Moderate growth of average daily production of UGV and private companies is observed during this period.

Ukrnafta has stabilized average daily production at 3.2 million m³ after the last year's fall, but has not yet reached the level of 2017.

Source: UTG operational data



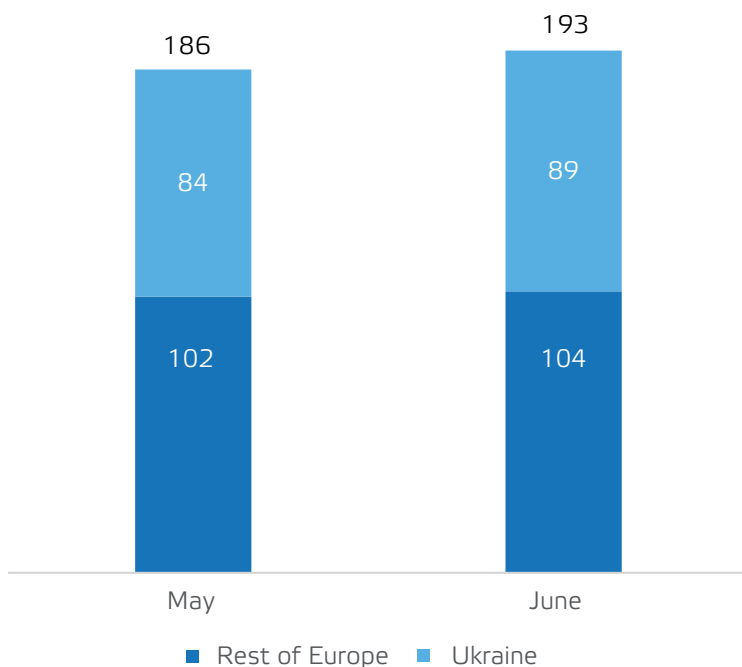
Wholesale gas price for 2018/19 \$ / ths. m³, including VAT

Drop in natural gas prices in European and domestic markets has led to convergence of regulated and market prices.

Since June trading on the UEEX has become one of the indicators for determining regulated price of gas for the needs of domestic consumers.

The average customs value of imported natural gas in the 1H2019 was \$ 304 per 1 thousand m³, the average selling price on the wholesale market was \$ 296 (\$8.6 MMBTU).

Source: Naftogaz, MEDT, UEEX



Number of active drilling rigs in Europe, psc.

At the initiative of the Association of Gas Producers of Ukraine, our country was for the first time included in the world-famous index of active drilling rigs Baker Hughes GE Rig Count in May.

193 rigs drilled in Europe in June, including 144 onshore rigs and 112 rigs, which drilled gas wells. Ukraine is the leader with 89 active rigs, which is 5 more than in the previous month.

Source: BHGE Rig Count