



“2019 became a significant year for the domestic gas industry. Unprecedented number of blocks with a total area of 29,000 sq. km. was offered for the O&G licensing rounds. As a result of holding 19 oil and gas auctions and 9 PSA tenders, Ukraine managed to attract three foreign investors. Together with the other winners, they have pledged to invest at least \$ 600 million

during the first five years.

In 2020, Ukraine plans to set up blocks for licensing rounds with total acreage of more than 15,000 sq.km. It is expected that further O&G licensing rounds will include onshore and Ukrainian Black Sea shelf.

We strongly support the development of the industry and increase of Ukrainian gas production. One of the main factors of sustainability of the growth is the stable fiscal policy, which will allow to attract new investments and modern technology to the Ukrainian market”.

Artem Petrenko
Executive director
Association of Gas Producers of Ukraine

SOCIAL PARTNERSHIP FORUM TOOK PLACE

The first Social Partnership Forum: Communities and Gas Production was held in November in Poltava at the initiative of the AGPU. Among the participants of the event were representatives of the Ministry of Energy and Environmental Protection of Ukraine, MPs, officials of the State Service of Geology and Subsoil of Ukraine and Poltava Regional State Administration, local self-government bodies and leading gas producing companies, representatives of public organizations and specialized universities.

The main purpose of the Forum in Poltava was to discuss cooperation between local communities and gas producers, to emphasize the importance of decentralization of royalties, to share experience and to discuss future of gas production industry.



NEW TARIFF FOR GAS PRODUCERS

In December, the NERC certified and licensed the new GTS Operator of Ukraine. Tariffs for natural gas transportation services for domestic enterprises for 2020-2024 were also set:

- UAH 101.93 per 1000 m³ per day - tariff for entry points;
- UAH 124.16 per 1000 m³ per day - tariff for exit points.

Coefficients will be used to the tariffs, depending on the period of ordering capacity for internal entry and exit points: for the quarter - 1.02, for the month - 1.04, for the day ahead - 1.1. These coefficients will come into force in stages by the beginning of the next gas year.

The Government appointed Roman Opimakh as the **Head of the State Service of Geology and Subsoil of Ukraine**.

Ukrigasvydobuvannya has selected **Romanian Expert Petroleum and a consortium of Chinese companies** to conduct commercial negotiations on the conclusion of PEC contracts.

President Volodymyr Zelensky **has signed the draft legislation №2240 on the legalization of amber production**, which provides simplified access to mining of minerals of national importance.

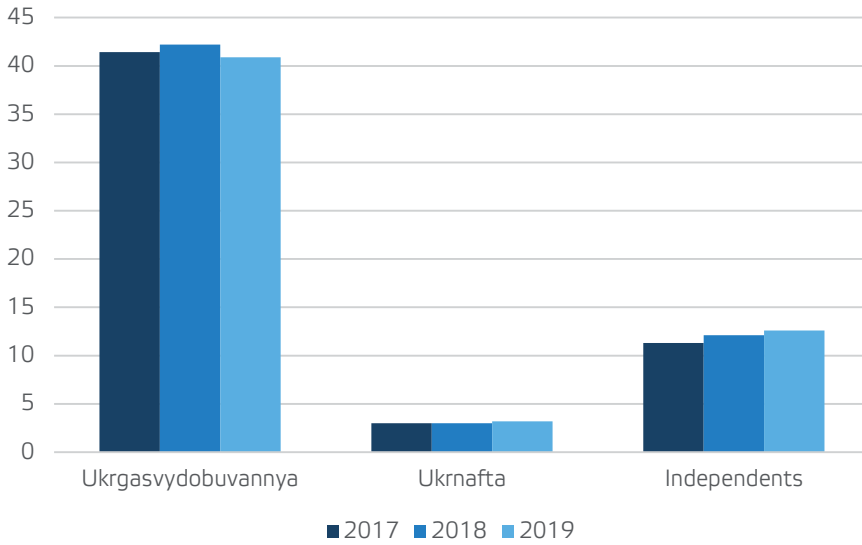
OIL AND GAS AUCTIONS AND TENDERS

Important amendments to the ProZorro.Sale e-auction platform became effective:

- foreign companies have the opportunity directly participate in online bidding without establishment of a legal entity in Ukraine. There is only need to register a company after winning in the auction;
- if the auctioned block is not interested to investors, then its initial price will be reduced at repeated bidding.

During the 5th round of e-auctions, the foreign investor won for the first time. Nafta RV is a subsidiary of the Slovak NAFTA a.s. purchased Vatazhkivska block license for almost UAH 7 million. Another winner of the auction was the company NADRA CARBON, which purchased Zakhidnotokarsko-Krasnyanska block for more than UAH 1.5 million.

The submission deadline for 3 PSA tenders was extended until February 4, 2020. In order to attract more investors, the State Geological Survey has launched a virtual data-room on 3 blocks - Hrunivska, Ichnyanska and Okhtyrka. All available geological information for specified blocks is online and free.



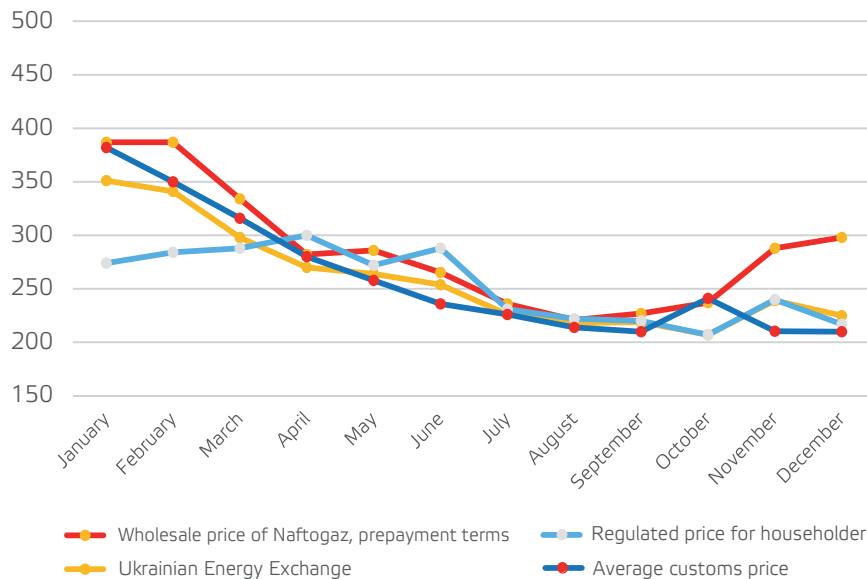
Average daily gas production in the 2019, million m³

In 2019, Ukraine produced 20.7 billion m³ of gas, which is 1.4% less compared to the previous year. This trend associated with UGV`s updated strategy for gas exploration and production.

Ukrnafta increased average daily production by 7,52%.

Independent companies have increased their production by 5,05% and reached a record 4,6 billion m³ of gas.

Source: UTG operational data



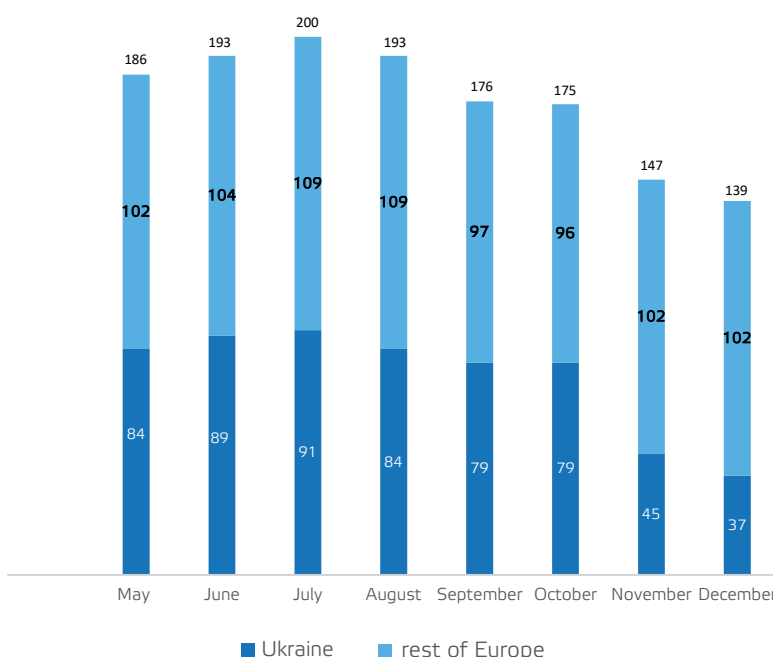
Wholesale gas price for the last year, \$ / thousand m³, including VAT

Average-weighted price of natural gas in 2019 in Europe has shown unprecedented reduction and was \$ 170 / thousand m³ (\$ 4.8 MMBTU).

Changes in the method of determining gas prices for domestic consumers in Ukraine have led to a convergence of regulated and market prices.

The average customs value of thousand m³ of imported gas in the 2019 was UAH 6755 (\$ 261), the weighted average price at UEEX was UAH 6698 (\$ 259).

Source: Naftogaz, MEDTA, UEEX



Number of active drilling rigs in Ukraine and Europe, pcs.

At the initiative of the Association, in May 2019 Ukraine for the first time was included in the Baker Hughes Rig Count - international overview of active drilling rigs.

The peak of drilling activity was recorded in July, when 200 drilling rigs were operational in Europe, 91 of which operated in Ukraine.

During the last two months of the year, there has been a decrease in the number of drilling rigs, which is due in particular to the updated UGV`s strategy for gas exploration and production.

Further reduction of number of active drilling rigs in Ukraine is not expected, potentially there is only season variation.

Source: BHGE Rig Count