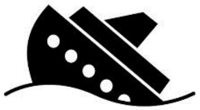
Protecting future of Ukrnafta and Ukraine's oil industry

1 March 2017

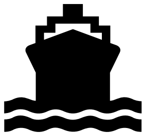
Ukrnafta's long-term vision remains unchanged

2015



An underinvested Ukrainian Oil & Gas company in a **difficult financial position** that requires **fundamental restructuring to survive**

2025



A professionally-run **sustainable business** in Oil & Gas, attractive to external **international investors:**

- **Vertically integrated Oil champion** of Ukraine
- Participant in a **competitive gas market**

Ukrnafta's vision aligned with Ukraine's aspiration of energy independence

UKRNAFTA
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Priorities of Ukraine's energy strategy

Security of supply

Market reform

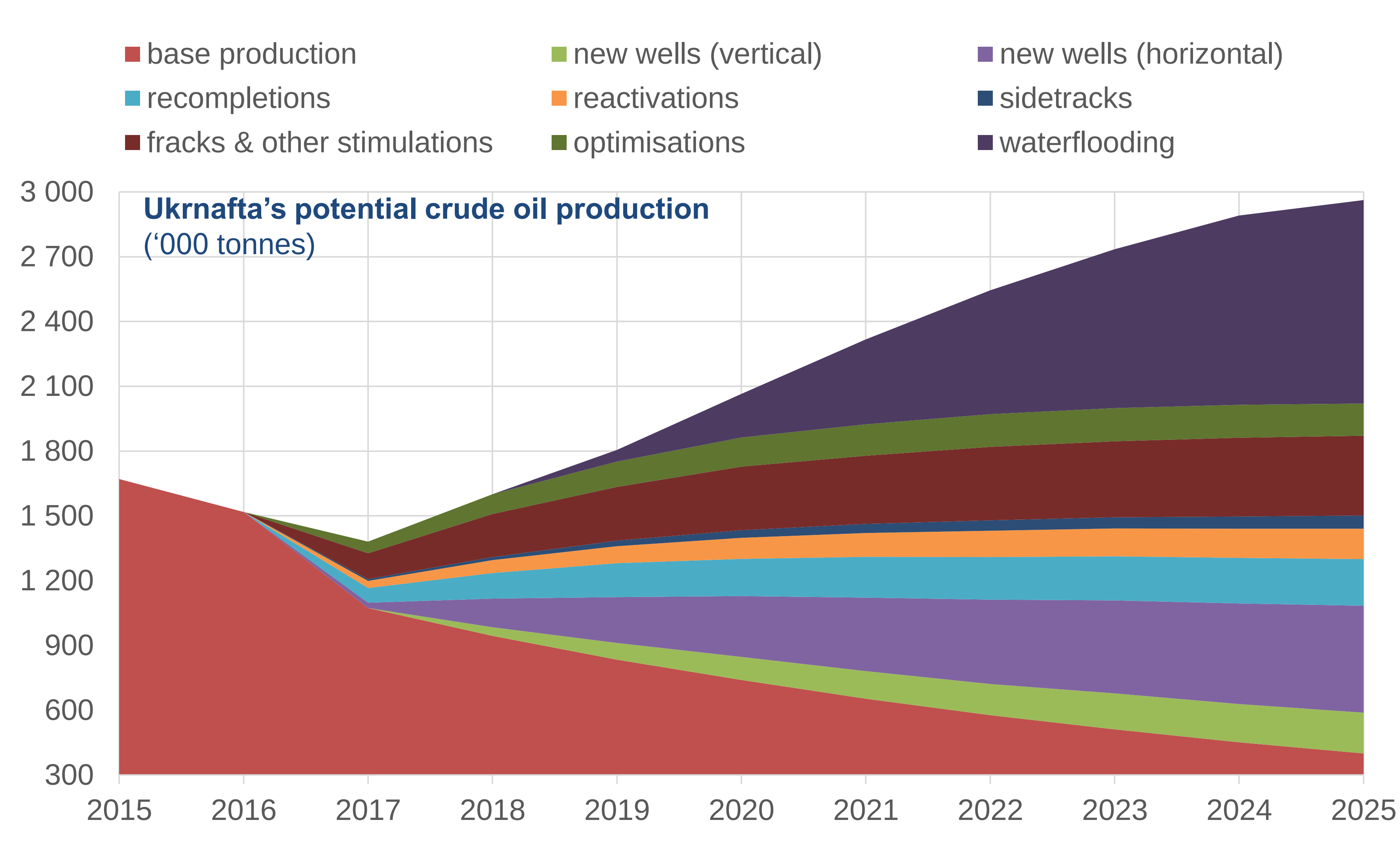
Energy independence

- **Reversal of Oil production** decline through investments
- **More local refining** of crude into product
- Increase volumes of **locally produced fuel products** on retail market
- **More Gas production** through market liberalization

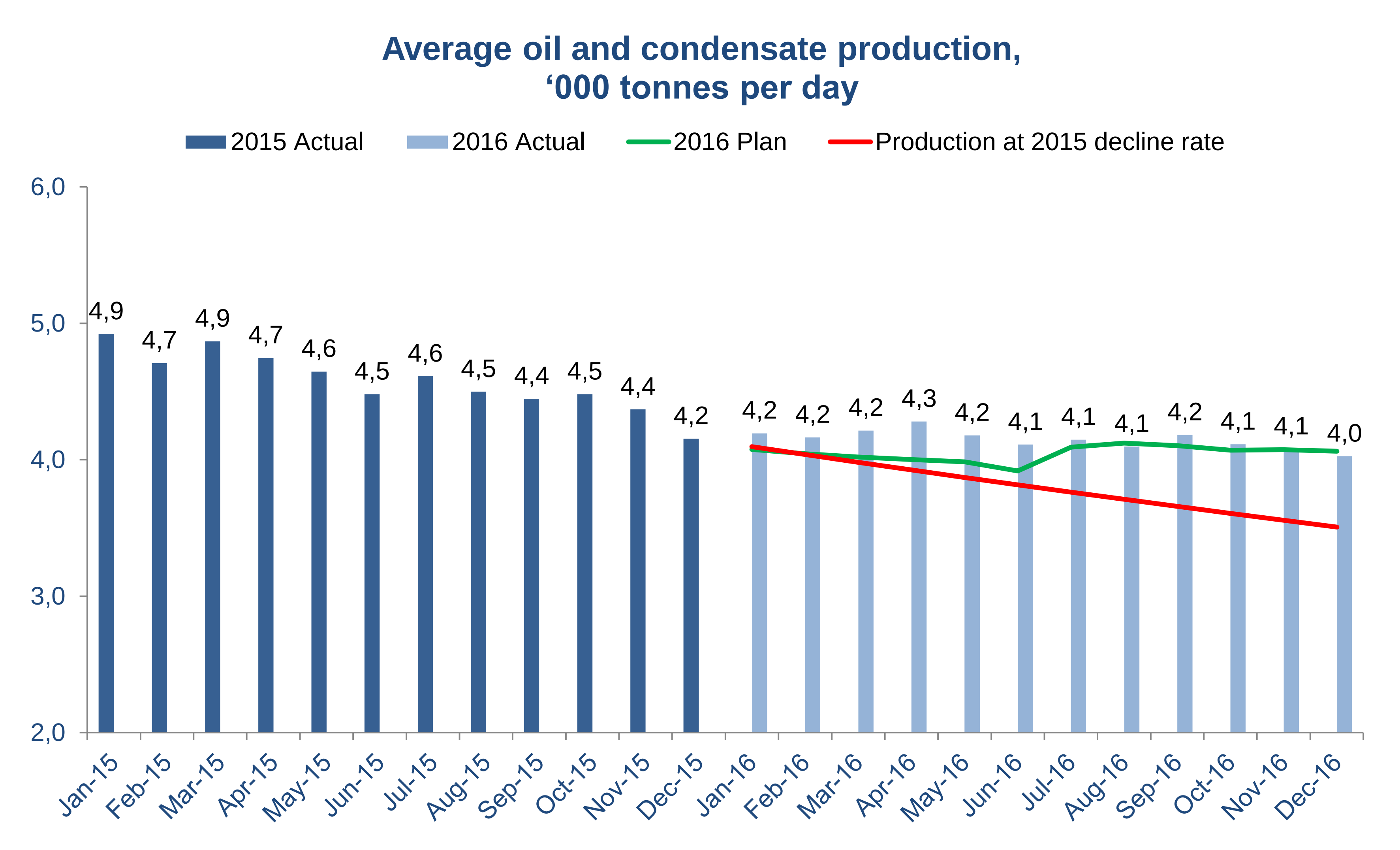
Enhanced **government revenues**

Creation of national **wealth and quality employment**

Once reformed Ukrnafta will have great potential



Production stabilized in 2016 with limited capital expenditure (<UAH 0.5 bln) and no new wells



Ukrnafta's strategy will only be successful if supported by shareholders and government

Critical success factors for Ukrnafta's strategy

Resolving legacy issues:

- Shareholders need to align and resolve debt issues

Restructuring:

- Ukrnafta needs to adapt its structure and become more efficient

Capital / Reinvestments:

- Ukrnafta needs to attract capital to fund sustainable long-term growth

Tax / Licenses:

- Timely extension of production licenses to avoid production stoppages

Legacy issues

Plan of sanation not moving forward

- Package solution proposed by management

Gas backlog of Naftogas to Ukrnafta – more than 10 bln m3

- Ukrnafta’s property title for 2 bln m3 of gas confirmed in court

Balance sheet debtors

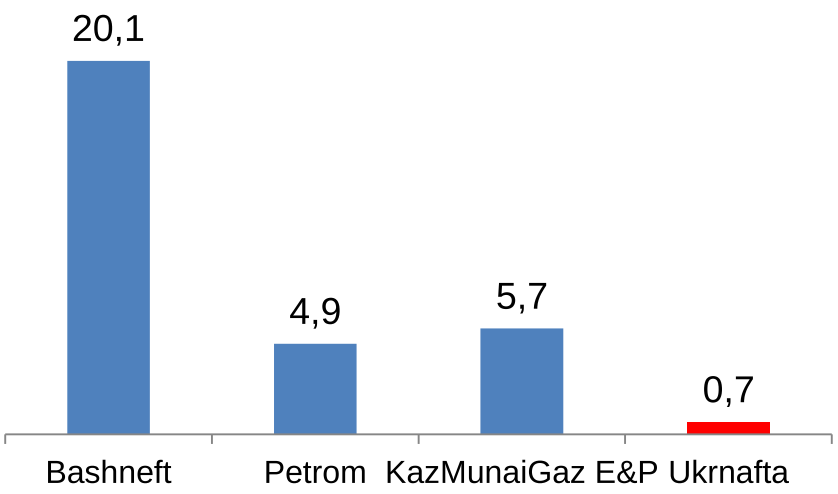
- 6 lawsuits for UAH 7.6 bln – 5 favorable rulings to date obligating debtors to repay UAH 5 bln to Ukrnafta

Ukrnafta’s historic tax debt

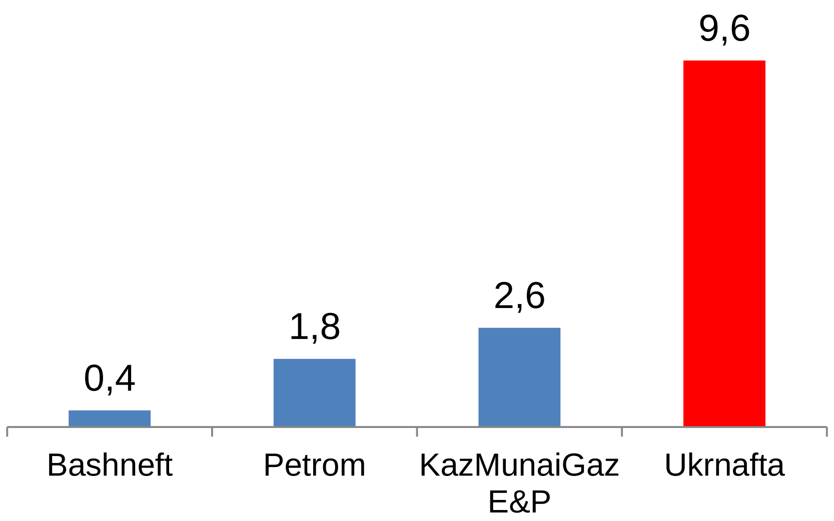
- Court decision obligating the tax authority to accept 2 bln m3 of gas would pay debt in full
- Fines and penalties continue to grow
- Multi-year rescheduling is another option

Restructuring essential

Production of oil per person (upstream, 2015 year-end, th bbl/year)*



Average number of personnel per well (2015 year-end)*



Source: Ukrnafta analysis

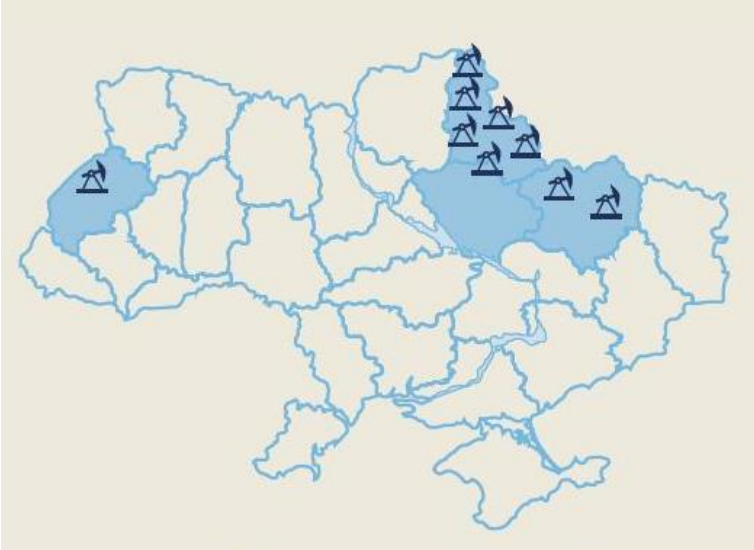
Bulk of investments in basic production systems and equipment reliability

- Significant investment required to maintain basic operations, occupational safety and asset integrity
- Planned investments of up to UAH 2.5 bln in 2017
  - Upstream basics – 80%
  - Restart drilling – 10%
  - Retail and corp infrastructure (e.g. IT systems) – 10%
- Investment requirements till 2025 in excess of USD 2 bln for growth aspirations

License renewal critical for survival

- 9 production licenses under threat
- 20% of Ukrnafta's liquids output at stake:

  288 Ktonnes liquids and 142 mln m3 of gas
- UAH 4.1 bln in revenues for Ukrnafta
- UAH 1.3 bln in rent tax for government
- No legal impediment for the licensing authority
- Previous stoppages at Bytkiv Babchinkse and Lelyakovske fields in 2016 alone led to loss of UAH 320 mln in rent tax revenues



Zavodivske	March 2017
Korzhivske	June 2017
Artukhivske	June 2017
Rybalske	June 2017
Pivd-Panasivske	June 2017
Anastasivske	July 2017
Koziivske	August 2017
Kachalivske	September 2017
Lypovodolynske	September 2017