

An oil pumpjack (jack-o'-lantern) is the central focus of the image, set against a clear blue sky and a green, rolling landscape. The pumpjack has a large, curved red and white counterweight. The ground is reddish-brown dirt. A yellow banner is overlaid on the left side of the image, containing text.

Extractive Industries
Transparency Initiative

NATIONAL REPORT
OF UKRAINE
2017

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1 List of abbreviations and glossary of terms

Term	Meaning
Budget Code	Budget Code of Ukraine No. 2456-VI dated 8 July 2010, http://zakon.rada.gov.ua/laws/show/2456-17/ed20171224
MSG	Multi-stakeholder group, which includes the representatives of government, companies and civil society and has been created to control the process and communication on EITI Report findings, as well as to integrate EITI for broader activities on ensuring the extractive industries transparency
OJSC	Open Joint-Stock Company
Parliament	Verkhovna Rada of Ukraine
GZK	Ore Preparation Plant
Mining Law	The Mining Law of Ukraine No. 1127-XIV dated 6 October 1999, https://zakon.rada.gov.ua/laws/show/1127-14/ed20171218
UAH	Ukrainian hryvnia
GTS	Gas transportation system
SJSC	State Joint-Stock Company
SOJSC	State Open Joint-Stock Company
Heolekspertyza SGE	State Commission for Examination of Geological Projects and Estimates Heolekspertyza
State budget	State Budget of Ukraine
Geoinform of Ukraine SRPE	State Geological Information Fund of Ukraine State-owned Research and Production Enterprise
Derzhgeonadra, Geology Service	The State Service for Geology and Mineral Resources of Ukraine
State Labor Service	The State Labor Service of Ukraine, created as a result of reorganization of State Service for Mining Supervision and Industrial Safety of Ukraine and the State Labor Inspection of Ukraine
State Statistics Service, SSSU	State Statistics Service of Ukraine
SCMR	State Commission on Mineral Resources
USD	US dollar. Average exchange rate in 2017 was - 26,60 UAH/USD
SE	State Enterprise (unless otherwise noted)Φ
JAA	Joint Activity Agreement
SFS	The State Fiscal Service of Ukraine (after August 2019 - State Tax Service of Ukraine)
USC	Unified contribution for mandatory state social insurance, Unified Social Contribution
Law on Oil and Gas	The Law of Ukraine "On Oil and Gas" No. 2665-III dated 12 July 2001
Law on EITI	The Law of Ukraine "On Ensuring transparency in Extractive industries" No. 2545- VIII dated 18 September 2018,

Term	Meaning
	https://zakon.rada.gov.ua/laws/show/2545-19
PSA Law	The Law of Ukraine "On Production Sharing Agreements" No. 1039-XIV dated 14 September 1999, https://zakon.rada.gov.ua/laws/show/1039-14/ed20171218
EITI Report	Report containing the major deliverables of the procedures performed as part of EITI implementation at the country level for a year (in this particular case - for 2017)
EITI	Extractive Industries Transparency Initiative
CMU	Cabinet of Ministers of Ukraine
Subsoil Code	The Subsoil Code of Ukraine No. 132/94-VR dated 27 July 1994, https://zakon.rada.gov.ua/laws/show/132/94-%D0%B2%D1%80/ed20171218
Ministry of Energy, MECl	Ministry of Energy and Coal Industry of Ukraine
Ministry of Economy	Ministry for Development of Economy, Trade and Agriculture of Ukraine
Mineconomy	Ministry for Development of Economy, Trade and Agriculture of Ukraine (formerly the Ministry of Economic Development and Trade of Ukraine). According to CMU Resolution No. 838 dated 11 September 2019, the Ministry of Economic Development and Trade of Ukraine was renamed the Ministry of Economic Development, Trade and Agriculture of Ukraine
Minekoenergo	Ministry of Energy and Environmental Protection of Ukraine (Formerly the Ministry of Energy and Coal Industry). According to the Resolution of the Cabinet of Ministers of Ukraine No. 829 dated 2 September 2019, the Ministry of Ecology and Natural Resources was renamed the Ministry of Energy and Environmental Protection of Ukraine, and the Ministry of Energy and Coal Industry was reorganized by joining the Ministry of Energy and Environment.
Ministry of Finance	Ministry of Finance of Ukraine
Customs Code	The Customs Code of Ukraine No. 4495-VI dated 13 March 2012
EITI International Secretariat	Independent body responsible for EITI implementation and management at the international level. It is based in Oslo (Norway)
SPE	Small private enterprise
Naftogaz of Ukraine NJSC	Naftogaz of Ukraine National Joint Stock Company
EITI National Secretariat	National body, which coordinates and supports EITI at the country level.
NBU	National Bank of Ukraine
Independent Administrator	External independent entity, which provides the services on preparation of EITI Report for 2017 and which has no conflict of interest in respect of provision of such services

Term	Meaning
NEURC	National Energy and Utilities Regulatory Commission
PJSC	Public Joint-Stock Company
PICE	Private Industrial and Commercial Enterprise
VAT	Value added tax
PIT	Personal income tax
Reporting entities	Companies and government authorities, which provide the reporting data for further processing and presentation in the EITI Report
Tax Code	The Tax Code of Ukraine No. 2755-VI dated 2 December 2010, https://zakon.rada.gov.ua/laws/show/2755-17/ed20171231
Procedure for granting licenses	The Procedure on granting special permits on subsoil use, approved by the Resolution of the CMU No. 615 dated 30 May 2011, as of 12 December 2017, unless otherwise specified in the EITI Report, http://zakon.rada.gov.ua/laws/show/615-2011-%D0%BF/ed20171218
Procedure for holding auctions for the sale of licenses	The Procedure for holding auctions for sale of special permits on subsoil use approved by the Resolution of the CMU No. 594 dated 30 May 2011, as of 12 December 2017, unless otherwise specified in the EITI Report, http://zakon.rada.gov.ua/laws/show/594-2011-%D0%BF/ed20170719
PrJSC	Private Joint-Stock Company
Transportation royalty	Rent for transportation of oil and oil products through trunk pipelines and oil product pipelines through Ukrainian territory, natural gas and ammonia transit transportation via pipelines through Ukrainian territory
License	Special permit for the use of subsoil
EITI Standard	International standard of ensuring the transparency of a country's natural resource governance process within the EITI framework. Ukraine EITI Report for 2017 was prepared in accordance to EITI Standard 2019.
JV	Joint Venture
UBMR	Construction Works Department
PSA	Production Sharing Agreement

2 Executive summary

This report provides information on the activities of Ukraine's extractive industries during 2017. This is the fourth report prepared by Ukraine under the Extractive Industries Transparency Initiative (EITI).

The 2017 report expanded the volume of information about government involvement in Ukraine's extractive industries, namely, government financial support provided to reporting companies in the form of transfer payments and public sector companies operations. The report also includes information on the new extractive industry - construction stone mining.

The contribution of extractive industries to the Ukrainian economy

The direct contribution of the extractive industries to the gross domestic product of Ukraine in 2017 amounted to UAH 177.2 bln or 5.9% of Ukraine's GDP, which is slightly higher than in 2016 (5.4%). The production output of the extractive industries in 2017 amounted to UAH 412.5 bln, which is 5.5% of the total output of goods and services in Ukraine. These indicators evidence that the extractive industries remain significant for the Ukrainian economy in terms of income and value added.

It is also worth noting that the extractive industries grew faster in 2017 than the overall Ukrainian economy. The output of mining industries increased by 36.0% compared to the previous year and gross value added by 34.6%. At the same time, output of goods and services in Ukraine increased by 23.7% and GDP of Ukraine by 25.1%

Coal

The coal industry is a strategically important part of the energy sector where the presence of the state is quite high. At the end of 2017, out of 481 operating mines in Ukraine, there were 94 state-owned mines and 387 private mines. State-owned enterprises accounted for 13.9% of the total coal production. In addition, in 2017, the coal industry enjoyed the biggest financial support from the state (70% of the total) among all types of economic activities.

In 2017, the actual coal production was 14.6% lower than in 2016. At the time of preparation of this report, a significant number of coal mining companies (major part of the Donetsk coal basin), namely 94 mines and 131 state-owned enterprises, were in the territory where the state authorities of Ukraine temporarily do not exercise their powers, which complicates further development of the region.

With the fall in production, the total volume of coal imports increased in 2017, with more than half of it imported from Russia.

Oil and natural gas

As of 01.01.2018, there were 199 oil fields on the territory of Ukraine, the estimated balance sheet reserves of which amounted to 109,574 thousand tonnes. However, only 137 fields have the status of industrial development, and their balance sheet reserves accounted for 79.0% of Ukraine's total oil balance sheet reserves. Oil balance sheet reserves are heavily exhausted (72.3%), while the total oil reserves are rather poorly explored (38.4%)

The natural gas balance sheet reserves in Ukraine in 2017 was 829 449 mcm, 86.7% of which accounted for 268 industrially developed fields. As of the end of 2017, there was the total of 406 natural gas deposits in Ukraine.

The total oil production in 2017 was 6.4% less than in 2016, amounting to 1,515 thousand tonnes. At the same time, the volume of natural gas extraction increased to 20,509 mcm or 2.4% compared to 2016.

Public sector enterprises have traditionally been the champions in oil and natural gas extraction. Indeed, Ukrnafta PJSC and Ukgazvydobuvannya JSC together produced 92.4% of the total oil volume. However, in 2017, the role of the private sector was increasing: the volume of oil produced by private sector companies increased by 57.5% compared to 2016.

Of the total natural gas extraction, 74.4% came from Ukgazvydobuvannya JSC. Ukrnafta PJSC was the second top, although its extraction indicators decreased by 14.7% compared to 2016. The private sector growth rate in total natural gas extraction was slower than in oil production, up only 0.4% in 2017.

In 2017, Ukraine exported of 83.5 thousand tonnes of oil, what was untypical for the country. The main destination was Italy.

Transportation of oil and natural gas

In 2017, the total volume of natural gas transportation through the Ukraine's gas transportation system amounted to 120.9 bcm, which is 8.2% more than in 2016, including transit of 93.5 bcm.

In 2017, the total revenue from natural gas transportation amounted to UAH 51,181.4 million.

The total physical volume of oil transportation in 2017 amounted to 16,033.685 thousand tonnes, and the total revenue generated amounted to UAH 3,738.5 million, according to the information provided by Ukrtransnafta JSC.

In 2017, changes were made to the methodology for calculating the tariffs for transportation of oil and petroleum products through main oil pipelines. The new approach provides for the split of expenses of the enterprise by two transportation segments: transit transportation of oil through the territory of Ukraine vs. transportation of oil to the Ukrainian consumers.

Iron ores

The bulk of iron ores reserves in Ukraine is concentrated on the Ukrainian Crystal Shield in the Krivyi Rih iron ores basin. As of 01.01.2018, the balance sheet reserves of ores amounted to 19,711.8 million tonnes in category A + B + C1 and 7,447.3 million tonnes in category C2. During 2017, geological prospecting was carried out at 2 fields - Perevozivske field and Rudnik Kirova field (the area in vicinity of Artem mine).

The total volume of iron ores mining in 2017 decreased by 1.3% compared to 2016 and amounted to 161.8 million tonnes. Iron ores was extracted mostly in the Dnipropetrovsk and Poltava regions.

According to the State Statistics Service of Ukraine, the total exports of iron ores and concentrates (agglomerated and non-agglomerated) in 2017 decreased by 5.0% compared to

2016, amounting to 37.4 million tonnes. Total revenues from iron ores exports amounted to USD 2,588.2 million

Titanium ores

According to the US State Geological Survey, the total reserves of titanium ores in Ukraine amounted to 8,400 thousand tonnes in 2017. During 2017, the exploration works were carried out at the Paromivske and Krasnorichenske deposits of ilmenite ores with the participation of Ukrainian Geological Company SE and Zhytomyrburrozvidka LLC.

In 2017, Ukraine was developing 14 of its 40 titanium ores deposits. Titanium ores were mined by 7 enterprises, the largest of which are the Irshansky Mining and Processing Complex and the Vilnohirsy Mining and Processing Complex. The total sales of titanium concentrate in 2017 amounted to 543.3 thousand tonnes, of which 181.3 thousand tonnes were sold within Ukraine and 362.0 thousand tonnes were exported.

The total exports and imports of titanium ores and concentrates in 2017 increased by 26.0% and 26.3%, respectively compared to 2016. However, in absolute terms, the volume of imports remained insignificant and amounted to 0.202 thousand tonnes. The volume of titanium ores and concentrates exports amounted to 583.7 thousand tonnes, worth of USD 105.2 million

Manganese ores

According to the Geoinform of Ukraine SRPE data, as of January 1, 2018, the total reserves of manganese ores amounted to 2,175.4 million tonnes by category A + B + C1, most of which are concentrated in Zaporizhzhya region (72.5%).

Manganese ore mining in 2017 was only carried out in the Dnipropetrovsk region. The total extraction volume was 3,907.0 thousand tonnes, which is 35.9% more than in 2016.

The total export of manganese ores in 2017 increased by 41.9% compared to 2016 and amounted to 86.5 thousand tonnes with a total value of USD 4.7 million. It was mostly exported to Hungary. In total, 1,303.0 thousand tonnes of manganese ores were imported in 2017, and Ghana was the main importer of titanium ores from Ukraine in 2017.

Fire clays

At the end of 2017, the total balance sheet reserves of fire clays amounted to 600.8 million tonnes, the bulk of which is concentrated in the Donetsk region.

Compared to 2016, the fire clay production increased by 10.4% in 2017 and amounted to 5,979 thousand tonnes. The clays are only mined in the territory of Zaporizhzhya and Donetsk regions.

In 2017, the total of 5,966.2 thousand tonnes fire clays were exported of the total value of USD 203.6 million. However, the volume of imports remained insignificant - 336 tonnes, with the total revenues of USD 0.2 million.

High-melting clays

The balance sheet reserves of A + B + C1 category of high-melting clays at the end of 2017 were 6.9% lower than in 2016 and amounted to 77.5 million tonnes, which is related, first of all, to a significant increase in production in the Zakarpatya region.

The high-melting clays production increased in 2017 by almost 4 times compared to 2016 and amounted to 196.7 thousand tonnes, continuing the positive trend after almost complete cessation of mining in 2015.

Quartz sand

The state balance sheet of minerals accounts for 41 deposits of glass quartz-containing raw materials, including 1 prospecting field currently being surveyed. The total balance sheet reserves of quartz sand amounted to 223,485.8 thousand tonnes.

During 2017, the geological and economic assessment of the Vilne deposit continued according to the terms of reference issued by Glyny Donbasu PrJSC. The residual reserves of quartz sand in Papernyany were also assessed at the request of Papernysky Glass Sands Quarry LLC.

In 2017, quartz sand mining amounted to 1,125.1 thousand tonnes, which is 17.0% more than in 2016. Most of the total production was extracted in Kherson, Kharkiv and Chernihiv regions.

Building stones

At the end of 2017, the total balance sheet reserves of building stones reached 8,711.2 mcm, of which just over half accounted for granite (51.0%). The major part of the balance sheet reserves of building stones is concentrated on the territory of Zhytomyr region.

Totally, 27,149.4 thousand cubic meters of building stones were extracted in 2017. Much of the processed building stone are exported. Overall, in 2017, Ukraine exported 8,646.8 thousand tonnes of pebble, gravel and rubble.

Reconciliation of tax and other payments

The total government revenues from extractive industries in 2017 amounted to UAH 145,430,455.83 thousand, of which the largest share was from the oil and gas extraction industry (including oil and natural gas transportation) - 86.95%. Metal ores mining companies (iron ores, titanium ores and manganese ores) covered 7.49% of total government revenues from extractive industries, and coal mining companies covered 5.56%. By the types of payments, production royalty and value added tax on goods produced in Ukraine accounted for the largest share of total government revenues from extractive industries - 30.3% and 24.41% respectively.

53 companies that paid UAH 140,604,112.27 thousand to the state in 2017 were subject to reconciliation in the EITI Report. Of these, 43 companies, payments to the state of which amounted to UAH 138,345,215.95 thousand, provided information on the amount of tax and other payments for reconciliation.

Thus, the completeness of reconciliation of payments to the state in EITI Report for 2017 is 98.39% that is significantly higher than in EITI Report for 2016 (91.84%). The share of non-reconciled payments is relatively insignificant and equals 1.61% of the payments to the state from extractive companies that were subject to reconciliation.

During the reconciliation of payments to the state, material discrepancies between data provided by state bodies and data provided by companies were identified for 31 companies. Additional requests were prepared and sent to the companies in order to clarify the causes of discrepancies and make necessary adjustments. The initial discrepancy between data provided

by the state bodies and data provided by companies amounted to UAH 11,026,892,92 thousand, and after examining the discrepancies and correction of data the amount of discrepancies was UAH 105,054.93 thousand. The main reasons of discrepancies are described in **Chapter 7.3.2**.

3 Extractive Industries Transparency Initiative in the World and in Ukraine

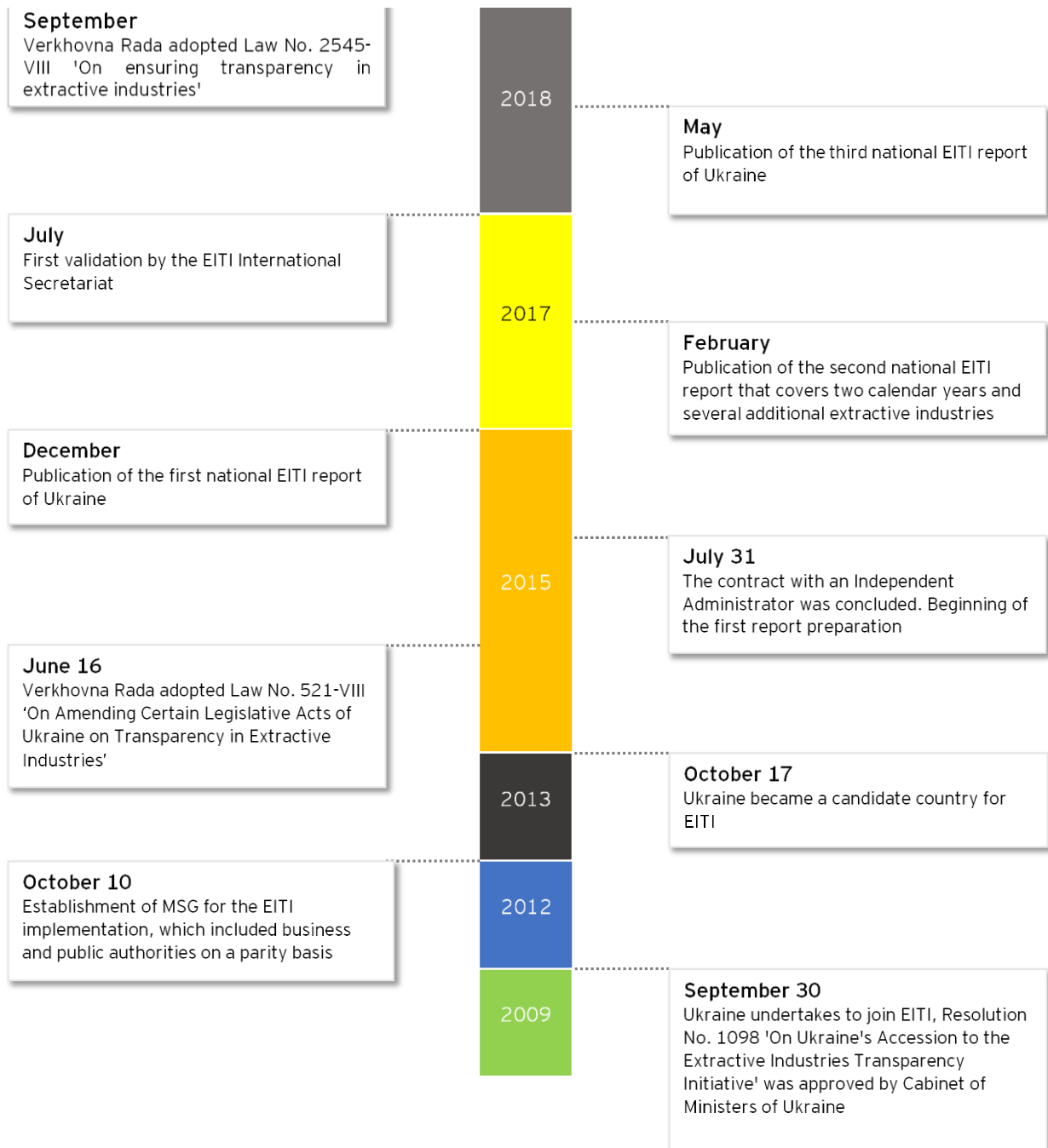
Ukraine joined the Extractive Industries Transparency Initiative (EITI) in 2013.

Since 2015, three EITI reports have been published covering four calendar years and 8 major Ukrainian production sectors.

Table 3.1 Key features of the EITI Ukraine Reports

Report	Year of publication	Scope	Volume of revenue covered by the EITI Report	Depth of payment information reconciliation
2013 EITI Ukraine Report	2015	Natural gas and oil extraction; Natural gas and oil transportation	UAH 26.8 bln	No reconciliation of payments and by companies
2014-2015 Ukraine EITI Report	2017	Natural gas and oil extraction; Natural gas and oil transportation; Coal mining; Iron ores mining; Titanium ores mining; Manganese ores mining.	UAH 58.0 bln UAH 92.5 bln	81.5% (2014) 82.8% (2015)
2016 Ukraine EITI Report	2018	Natural gas and oil extraction; Natural gas and oil transportation; Coal mining; Iron ores mining; Titanium ores mining ; Manganese ores mining Fire clays and high-melting clays mining; Quartz sand mining	UAH 100.1 bln	91.8%

In 2017, Ukraine continued the implementation of the Extractive Industries Transparency Initiative (EITI). In particular, the members of the Multilateral Stakeholder Group and the National Secretariat initiated preparatory works to implement the EITI electronic system, the so-called "mainstreaming", which would enable automated reporting and verification of data using the electronic platform (learning from other countries experience and negotiating the possibility of funding the electronic system with potential donors). In addition, a number of national and regional activities and events were held for journalists, the public and other stakeholders on the transparency of the extracting industry, which included sharing experience with foreign counterparts.



During 2017, significant amendments were made to the Ukrainian EITI legislation. Special attention was paid to the involvement of all key stakeholders in the development of the Action plan aimed at of for the implementation of the draft law of Ukraine No. 6229 “On Ensuring Transparency in Extractive Industries”¹. The draft law is designed to facilitate the implementation of the Extractive Industries Transparency Initiative in Ukraine in accordance with Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013, Directive 2013/50/EU of the European Parliament and of the EU Council of 22 October 2013 and Directive 2007/14/EU of the European Parliament and of the Council of 8 March 2007,

¹ For detailed information, see: EITI in Ukraine website, News section: <http://eiti.org.ua/category/novyny/>

and the fulfillment of Ukraine's commitments under the Association Agreement between Ukraine and the European Union. In 2018, based on the draft law, the Law of Ukraine “On Provision of Transparency in Extractive Industries” No. 2545-VIII of September 18, 2018 (“EITI Law”) was approved². The law provides for the disclosure of contracts, beneficial owners, project reporting, to ensure transparency and prevent corruption in Ukraine's extractive industries. In addition, the law aims to implement EU legislation in the area of increasing transparency of business operations in the extractive industries. As part of the implementation of the provisions of the law, changes are envisaged in the companies reporting procedures, namely the introduction of new reporting documents. They include a statement of payments for the benefit of the state, which should contain details of taxes and fees and other duties paid or due in the reporting period. Administrative liability is imposed for breaches of the law on transparency in the extractive industries (non-disclosure, breach of time or disclosure procedure).

In addition, in 2017, it was the first time when the EITI implementation process in Ukraine is validated, i.e. its compliance with EITI requirements is verified. Overall, Ukraine has made significant progress in implementing the Extractive Industries Transparency Initiative³. According to the Independent Validator, it is only according to the requirements of the Standard that the assessment of Ukraine's progress is unsatisfactory, namely the data on the share of state ownership, transactions related to the operations of state-owned enterprises and quasi-fiscal expenditures. The 2017 EITI Report provides expanded information on these indicators.

In order to promote the EITI, the campaign were launched through public events and media to cover the process of the Standard implementation both in Ukraine and abroad; the web site <http://eiti.org.ua> was created, where the information about the EITI related events in Ukraine and abroad is published. The portal also posts the EITI Standard, the legislative analysis reports and other useful information.

EITI in Ukraine is supported by:

- ▶ The World Bank;
- ▶ The International Renaissance Foundation;
- ▶ The United States Agency for International Development (USAID) in Ukraine;
- ▶ The Governments of Germany and the United Kingdom through the project “Effective Public Financial Management”, implemented by the federal company Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH;
- ▶ and other stakeholders (mining companies, non-governmental organizations, the Government of Ukraine, etc.).

² Law of Ukraine “On Provision of Transparency in Extractive Industries” No. 2545-VIII of 18.09.2018 p.: <https://zakon.rada.gov.ua/laws/show/2545-viii>

³ For details see: <https://eiti.org/document/ukraine-validation-2017>

4 Methodology and Approach to Preparation of the EITI Report

4.1. Scope of the EITI Report

The EITI Report for 2017 includes the information from business entities, regardless of their ownership, which carried out business activities related to extraction of minerals and transportation of oil and natural gas through the territory of Ukraine, as well as executive authorities, who received payments from companies of the extractive industries.

The EITI Report for 2017, in accordance with the decision of the MSG, covers one new extractive industry, namely the extraction of building stones. In accordance with the decision of the MSG, no reconciliation of payments were made for companies operating in this industry.

Therefore, this EITI Report includes the context information required by the EITI Standard for the following industries:

- ▶ mining of coal;
- ▶ extraction of crude oil;
- ▶ extraction of natural gas;
- ▶ mining of iron ores;
- ▶ mining of titanium ores;
- ▶ mining of manganese ores;
- ▶ mining of fire clays;
- ▶ mining of high-melting clays;
- ▶ mining of quartz sand (for the purposes of production of glass);
- ▶ mining of building stones;
- ▶ transportation of oil and natural gas.

The list of reporting companies that have made payments to the state for inclusion in the EITI Report is given in **Appendix 2**. The approach to determining significant revenues and companies that shall be subject to verification is described in **Section 7.2**.

Artisanal and small-scale mining

Taking into account the objective factors, such as absolute immateriality of activities, lack of official and/or reliable information about such activities, location of possible objects of artisanal and small-scale mining on the territory that is not temporally controlled by the Ukrainian authorities in the zone of ATO, it is impossible to estimate this type of extractive activity. In view of this, MSG decided (Minutes of MSG meeting from January 18, 2018) to exclude artisanal and small-scale mining from the scope of the EITI Report of Ukraine for 2017.

Disclosure of information by business entities located in the temporarily uncontrolled territory and originating from the temporarily occupied territory**Legal regime of the temporarily occupied territory of the Autonomous Republic of Crimea:**

- ▶ According to the Law of Ukraine "On Ensuring Rights and Freedoms of Citizens and the Legal Regime in the Temporarily Occupied Territory of Ukraine", since 20 February 2014, the territory of the Autonomous Republic of Crimea (hereinafter referred to as AR Crimea) and the city of Sevastopol has been a temporarily occupied territory.
- ▶ According to the Law of Ukraine "On Establishment of the Free Economic Zone of Crimea and on Special Aspects of Economic Activity in the Temporarily Occupied Territory of Ukraine" (hereinafter referred to as the FEZ Law), in the territory of AR Crimea and the city of Sevastopol, for 10 years (until 2024) the free economic zone "Crimea" (hereinafter referred to as FEZ Crimea) shall be established.
- ▶ In the territory of FEZ Crimea, there is a special legal regime of economic activity of individuals and legal entities, including a special procedure for application of the regulatory, tax and customs legislation of Ukraine.
- ▶ According to Art. 5 of the FEZ Law, in the territory of FEZ Crimea, national taxes and fees, as well as the mandatory state pension insurance fee, are not collected, however local taxes and fees may be levied.
- ▶ According to Art. 12 of the FEZ Law, persons who were registered with the controlling bodies or had a location (place of residence) in the territory of AR Crimea or the city of Sevastopol at the beginning of the temporary occupation shall be exempted from filing declarations (other than customs declarations) with the controlling bodies, as well as other documents related to calculation and payment of taxes and fees during the temporary occupation period and after its termination.
- ▶ From 1 June 2014, tax registration of persons who as of 31 May 2014 had their location (place of residence) and were registered with the controlling bodies in the territory of AR Crimea or the city of Sevastopol shall be deemed cancelled. Such tax registration may be renewed, in particular, after a person's evacuation to another territory of Ukraine.
- ▶ Individuals and legal entities (separate subdivisions) having a tax address (location) in the territory of FEZ Crimea shall have the status of non-residents for tax purposes.

Legal regime of the temporarily occupied territories of Donetsk and Luhansk regions (OUF zone):

- ▶ According to the Decree of the President of Ukraine "On the National Security and Defence Council of Ukraine Resolution of 13 April 2014 'On Urgent Measures to Overcome the Terrorist Threat and Preserve the Territorial Integrity of Ukraine'", an anti-terrorist operation (hereinafter referred to as ATO) was launched in separate territories of Donetsk and Luhansk regions in April 2014.

- ▶ The procedure for providing support to business entities operating in the ATO territory is stipulated in the Law of Ukraine "On Temporary Measures for the Anti-Terrorist Operation Period".
- ▶ According to the Decree of the President of Ukraine No. 116/2018 "On the National Security and Defence Council of Ukraine Resolution of 30 April 2018 'On a Large-Scale Anti-Terrorist Operation in Donetsk and Luhansk Oblasts'", on 30 April 2018, the ATO was terminated, and the Operation of the United Forces (hereinafter referred to as OUF) was launched.
- ▶ It should be noted that during 2017 (as well as for the following years), there was no general exemption from reporting, accrual and payment of taxes and fees by the enterprises of the ATO (and subsequently OUF) zone. The Tax Code of Ukraine and other legislation provide for a number of benefits for enterprises in the non-controlled territories.
- ▶ At the same time, taxpayers had the right, but not the obligation, to re-register in other regions of Ukraine and the city of Kyiv, according to the procedure stipulated in Art. 4 of the Law of Ukraine "On Temporary Measures for the Anti-Terrorist Operation Period".
- ▶ The list of temporarily occupied territories in Donetsk and Luhansk regions as of 2019 is set out in the CMU Order of 7 November 2014, No. 1085-r "On the Approval of the List of Administrative Units in the Territory of which State Authorities Temporarily do not Exercise Their Powers, and the List of Administrative Units Located on the Demarcation Line" and in the Decree of the President of Ukraine, dated 7 February 2019, No. 32/2019 "On the Boundaries and the List of Districts, Cities, Towns, Villages, and Parts of Their Territories, Temporarily Occupied in Donetsk and Luhansk Oblasts". The temporarily occupied territories cover a large part of the aforesaid regions.

In 2017, the ATO zone and the temporarily occupied territories were mostly or completely non-controlled by the Ukrainian Government, while a number of enterprises suspended or terminated their activities. Therefore, it was objectively difficult to obtain information for the EITI Report 2017 from enterprises in the temporarily occupied territory and the ATO zone, which significantly affects the EITI Report preparation.

Notwithstanding the aforesaid facts, the EITI Report 2017 partially discloses, in a one-sided format, the information on the activities of individual mining companies in the temporarily occupied territory and the ATO zone, including tax data (source of information - STS) and coal mining volumes (source of information - Ministry of Energy and Environmental Protection).

4.2 Collection of Information

The procedure for collecting information from the companies of extractive industries, oil and gas transportation companies, and public authorities, has included:

- ▶ Consultations with members of MSG and representatives of the Ministry of Energy and Environmental Protection regarding the scope of the EITI Report and the list of information to be included in the questionnaires;
- ▶ Adjustment of the questionnaires for the companies of extractive industries and oil and gas transportation companies regarding contextual information (**Annex 3**) and taxes, non-tax and other payments (**Annex 4**), as well as the relevant cover letter signed by the Minister of Energy and Environmental Protection of Ukraine;
- ▶ Preparation of separate requests for public authorities from the list given in **Annex 1** and a relevant cover letter signed by the Ministry of Energy and Environmental Protection;
- ▶ Taking into account comments, observations and recommendations of members of MSG and representatives of the Ministry of Energy and Environmental Protection on the prepared information inquiry forms;
- ▶ Mailing of questionnaires and inquiries by the Ministry of Energy and Environmental Protection and the Independent Administrator, with the cover letters signed by the Ministry of Energy and Environmental Protection;
- ▶ Completion of the questionnaires by companies and public authorities on paper or electronically (electronic versions of the questionnaires for reporting organizations have been posted by the EITI National Secretariat in Ukraine on eiti.org.ua);
- ▶ Submission of the completed questionnaires by reporting organizations to eiti@mev.gov.ua;
- ▶ Reception of the completed questionnaires by the responsible official of the Ministry of Energy and Environmental Protection and submission of those to the Independent Administrator via secure communication channels;
- ▶ Processing of the questionnaires by the Independent Administrator and generation of relevant integrated indicators and information for preparation of the EITI Report.

4.3 Audit and assurance procedures in extractive companies and public bodies

The Independent Administrator analyzed the audit and assurance procedures in extractive companies (including oil and natural gas transportation) and government agencies.

4.3.1 Audit by extractive companies (including transportation of oil and natural gas)

The legal basis for conducting audit activities in Ukraine is regulated by the Law of Ukraine "On Auditing" of April 22, 1993, No. 3125-XII.

According to Article 6 of the Law of Ukraine "On Auditing", auditors and audit firms shall apply the relevant standards on auditing when conducting audits. The standards on auditing used in Ukraine are based on the International Standards on Auditing and Code of Ethics for Professional Accountants published by the International Federation of Accountants and comply with the requirements of the Law of Ukraine "On Auditing", the Law of Ukraine "On Prevention and Counteraction to Legalization (Laundering) of the Proceeds from Crime, Financing Terrorism and Financing Proliferation of Weapons of Mass Destruction" and other normative legal acts. According to Article 3 of the Law of Ukraine "On Auditing", an audit can be conducted by initiative of the entities and in cases stipulated by law (statutory audit).

According to the current legislation, there is no direct requirement to audit or provide other assurance for the reporting specifically for mining companies (including transportation of oil and natural gas).

According to Article 8 of the Law of Ukraine "On Auditing" auditing is statutory for:

- 1) assurance of reliability and completeness of annual financial statements and consolidated financial statements of public joint stock companies, bonds issuers, professional securities market participants, financial institutions and other entities, the reporting of which is subject to official publication in accordance with Ukrainian legislation, with the exception of institutions and organizations that are fully financed from the state budget;
- 2) checking the financial status of the founders of banks, enterprises with foreign investments, public joint stock companies (except for individuals), insurance and holding companies, joint investment institutions, trust companies and other financial intermediaries;
- 3) issuers of publicly traded securities and derivatives, as well as when obtaining a license for professional activity in the securities market.

Audit is also mandatory in other cases provided by the laws of Ukraine.

Formally, according to Article 18 of the Law "On Business Companies" the reliability and completeness of the annual financial statements of the company must be confirmed by the auditor (audit firm). Statutory audit of the annual financial statements of the companies with an annual economic turnover of less than two hundred and fifty non-taxable minimum income shall be done once every three years. However, since the legislation establishes no control over

and liability for non-audited financial statements, such companies often do not have their statements audited in practice.

In the recent years, in Ukraine, a number of draft laws and regulations were developed that aimed at introducing mandatory audit and / or the obligation to report under the international standards for the enterprises engaged in mining minerals of national significance.

On October 5, 2017, the Verkhovna Rada adopted the Law "On Making Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine". The law expanded the list of enterprises, which have to prepare their financial statements under the International Financial Reporting Standards (IFRS). In addition, the enterprises engaged in extraction of minerals of national significance should publish their consolidated and separate financial statements along with audit reports on its own web-page.

4.3.2 Auditing in executive bodies and public entities

The legislation does not provide for an independent statutory audit for public entities.

At the same time, according to the Law of Ukraine "On the Basic Principles of Implementation of State Financial Control in Ukraine", the reliability of accounting and financial reporting in the ministries and other executive bodies, state funds, budgetary institutions and public entities, as well as enterprises and organizations funded from the state budget at all levels and state funds that use the state or communal property, shall be controlled by the state financial control bodies.

The state financial control is performed through the conduct of public financial audit, inspection of public procurements and other inspections using the procedure established by the Cabinet of Ministers of Ukraine. Therefore, the results of the execution of the state financial control can be used in preparing the EITI Report for 2016. In addition, the use of budgetary funds is controlled by the Accounting Chamber on behalf of the Verkhovna Rada of Ukraine. In accordance with the Law of Ukraine "On the Accounting Chamber", the Accounting Chamber, inter alia, conducts financial audit, which includes verification, analysis and evaluation of the lawfulness, completeness and fairness of accounting for budget revenues and budget expenditures, establishing the actual state of affairs with regard to the intended use of budgetary funds, compliance with legislation while performing operations with budgetary funds.

The Accounting Chamber publishes the reports on its web-site: <http://www.ac-rada.gov.ua/control/main/uk/publish/category/16748561> .

The data of the Accounting Chamber can also be used for the purpose of preparing the EITI Report.

4.4 Data quality and assurance

The agreed upon procedures in respect of the amount of taxes and other payments paid by the extractive companies for the benefit of the state are described in **Section 7**.

The above mentioned procedures do not confirm the fact that the reporting entities made no payments in favor of government agencies other than those presented in the Report. These payments or amounts could not be included in the reports by the companies or state authorities. The current standards do not require the Independent Administrator to perform the detailed check of the initial documents in order to identify such omissions. Identifying such situations is difficult even during the in-depth audit of all companies.

Independent Administrator considered the information provided by the reporting entities to be comprehensive and reliable, since

- ▶ The completeness and reliability of data provided by extractive companies (private and public) was confirmed by the signatures of the senior officers of the companies, which guarantee the correctness of the data provided, and/or by conclusions of the external auditor on the data provided (in the case of the audit opinion availability), for each company;

The completeness and reliability of the data received from the state authorities was confirmed by the signatures of senior officers of the authority, and by the principles of interaction between different authorities and provision of reliable data.

Information on the availability of financial statements and audit opinion by extractive companies is provided in **Annex 12**.

5 General information about extractive industries

5.1 Coal mining

5.1.1 The role of the state in coal mining industry and budget support for the industry

The coal industry is strategically important for the entire energy system of Ukraine, while the state's presence in this industry remains quite high. The state support for the industry is regulated by the program document "The Concept of Reforming and Developing the Coal Industry for the Period until 2020"⁴.

As of the end of 2017, according to the Geoinform of Ukraine SRPE, 481 active mines were operating on the territory of Ukraine, 94 of which are in state ownership and 387 in private ownership. In addition, from 138 large mines in the Donetsk coal basin, 95 mines were located in the territory where the state authorities temporarily do not exercise their powers⁵ (**Annex 14**. List of coal mines located in the temporarily uncontrolled territory). The share of state-owned enterprises in the total volume of coal mining in 2017 was 13.9%.

As of 01.07.2017, there were 219 state-owned enterprises, institutions, organizations and associations in the field of governance of the Minekoenergo, of which 131 enterprises were identified as located on the territory where the authorities temporarily do not exercise their mandate. Also, as of 01.07.2017, there were 126 business companies in respect of which the Minekoenergo has the jurisdiction to manage corporate rights of the state, of which 88 were located on the territory where the authorities temporarily do not exercise their mandate⁶.

Among the reporting companies that provided information for the EITI report, the public sector companies included:

- ▶ Lvivvuhillia SE
- ▶ Vuhilna kompaniia Krasnolymanska SE
- ▶ Myrnohradvuhillia SE
- ▶ Shakhtoupravlinnia Pivdenodonbaske No 1 SE
- ▶ Selydivvuhillia SE
- ▶ Toretskvuhillia SE
- ▶ Mine named after M. S. Surgai SE
- ▶ Lysychanskvuhillia PJSC

The state's share in these companies is 100% and the size of the state's share in the authorized capital of these companies has not changed during 2017. According to the results of the survey, the Independent administrator did not find any information about the companies with 50% or more of their shares in the indirect ownership of the above-mentioned companies.

⁴ Order of the Cabinet of Ministers of Ukraine No. 733-p of 24.05.2017 "On Approval of the Concept of Reforming and Developing the Coal Industry for the period until 2020", <https://zakon.rada.gov.ua/laws/show/733-2017-%D1%80>

⁵ Geoinform of Ukraine SRPE, The State balance sheet of mineral resources of Ukraine, Coal (issue 22), 2018

⁶ Minekoenergo, the List of state-owned enterprises, institutions, organizations and associations that are in the field of governance of the Ministry of energy and coal industry of Ukraine as of 01.07.2017, http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245223760&cat_id=244916218

At the same time, these public sector coal companies have separate subdivisions that are not separate legal entities.

Table 5.1: Separate subdivisions of state coal mining enterprises

Mines	Separated subdivisions (SS)
<i>Lvivvuhillia SE</i>	
Velykomostivska №1 Mine	SS Velykomostivska Mine
Mezhyrichanska №3 VM Mine	SS Mezhyrichanska Mine
Vidrozhennia №4 VM Mine	SS Vidrozhennia Mine
Lisova №6 VM Mine	SS Lisova Mine
Zarichna №7 VM Mine	SS Zarichna Mine
Stepova №10 VM Mine	SS Stepova Mine
Vizeiska №8 VM Mine	SS Vizeiska Mine
Chervonohradska №2 ChH Mine	SS Chervonohradska Mine
<i>other separate units</i>	SS Chervonohradske Spetsupravlinnia z Hasinnia Terykoniv I Rekultyvatsii Zemel; SS Chervonohradske Upravlinnia Vyrobnnycho-Tekhnolohichnoho Zviazku; SS Vantazhno-Transportne Upravlinnia; SS Chervonohradske Biuro Spetsializovanykh Marksheiderskykh Robit; SS Chervonohradskyi Uchbovo-Kursovyi Kombinat; SS Zakhidvuhlepromsanekolohiia; SS Zakhidvuhlepostach; SS Upravlinnia Tekhnichnoho Kontroliu Yakosti Vuhillia i Standartiv; SS Montazhnoprokhidnytske Upravlinnia; SS Informatsiino-Obchysliuvalnyi Tsentri; SS Shakhtospetsmontazhno-Nalahodzhualne Upravlinnia; SS Vuhlezbut; SS Proektno-Konstruktorske Biuro; SS Ozdorovcho-Likuvalnyi Kompleks "Rovesnyk"; SS Heolohorozvidualna Ekspedytsiia
<i>Myrnohradvuhillia SE</i>	
Rodynska Mine	SS Rodynska Mine
Tsentralna Mine	SS Tsentralna Mine
Kapitalna Mine	SS Kapitalna Mine
Mine №5/6	SS Mine №5/6
<i>other separate units</i>	SS Avtomobilist; SS Vuzol Vyrobnnycho-Tekhnichnoho Zviazku; SS Standart; SS Ozdorovchyi Tsentri; SS Okhorona; SS Dopomizhni Vyrobnnychi Pidrozdily; SS Vuhlepostach
<i>Selydivvuhillia SE</i>	
Kurakhivska Mine	SS Kurakhivska Mine
Novohrodivska №1/3 Mine	SS Novohrodivska №1/3 Mine
Kotliarevska Mine	SS Kotliarevska Mine
Ukraina Mine	SS Ukraina Mine

Mines	Separated subdivisions (SS)
<i>other separate units</i>	SS Avtobaza; SS Vuhlezbut; SS Upravlinnia Postachannia; SS Tekhnichniy Kontrol Yakosti Vuhillia; SS Okhorona
<i>Toretskvuhillia SE</i>	
Tsentralna Mine	SS Tsentralna Mine
Pivnichna Mine	SS Pivnichna Mine
Pivdenna Mine	SS Pivdenna Mine
Toretska Mine	SS Toretska Mine
<i>other separate units</i>	SS Avtobaza; SS Remontno-Mekhanichniy Zavod; SS Upravlinnia Materialno-Tekhnichnoho Postachannia; SS Sanatorii-Profilaktorii "Raduha"; SS Pansionat "Donbas-Sedovo"
<i>Lysychanskvuhillia PJSC</i>	
Mine named after H.H.Kapustin	SS Mine named after H.H.Kapustin
Pryvilnianska Mine	SS Pryvilnianska Mine
Novodruzheska Mine	SS Novodruzheska Mine
Mine named after D.F.Melnykov	SS Mine named after D.F.Melnykov
<i>other separate units</i>	SS Shakhtobudivne Upravlinnia; SS Informatsiino-Obchysliuvalnyi Tsentri; SS Avtobaza; SS Upravlinnia po Zabezpechenniu ta Zbutu Produktsii; SS Vuzol Vyrobnnycho-Tekhnichnoho Zviazku; SS Navchalno-Kursovyi Kombinat; SS Sanatorii-Profilaktorii "Pryvillia"
<i>Vuhilna kompaniia Krasnolymanska SE -</i> independent mine, no separate units	
<i>Shakhtoupravlinnia Pivdenodonbaske No 1 SE -</i> independent mine, no separate units	
<i>Mine named after M. S. Surgai SE -</i> independent mine, no separate units	

As a general rule, the state and the body that manages the state owned enterprise are not liable for its obligations. According to the information received by the Independent administrator from the reporting companies, there were no deviations from the General rule on state responsibility.

The state payments in favor of the state-owned enterprises, according to the legislation of Ukraine, can be made in the form of budget support for mining enterprises. In 2017, the Ministry of Energy and Environmental Protection managed 7 state programs to support the coal mining industry, for which it was planned to allocate UAH 2,947,654.0 thousand of the general fund and UAH 4,719.7 thousand of the special fund. In fact, in 2017, UAH 2,916,022.4 thousand of the general fund and UAH 2,952.42 thousand of the special fund were used.

Table 5.2: Budget programs in the field of coal mining in 2017, UAH thousand ⁷

Name of the budget program	General fund		Special fund	
	plan with changes made	cash administration for 2017	plan with changes made	cash administration for 2017
General governance and management in the fuel and energy sector and the coal industry	94,495.9	86,767.2	3,918.1	2,952.4
Restructuring of the coal and peat industry ⁸	262,743.0	244,124.7	801.6	-
Mine rescue measures at coal extraction enterprises ⁹	290,000.0	287,649.2	-	-
State support for coal mining enterprises to partially cover the cost of the finished coal products ¹⁰	2,121,771.0	2,121,771.0	-	-
Measures for labor protection and safety improvement at coal mining enterprises ¹¹	100,000.0	99,401.6	-	-
State support for the construction of Mine No. 10 Novovolynska ¹²	70,248.0	70,248.0	-	-
Applied scientific and technical developments, implementation of works under state targeted programs and state orders, training of scientific personnel and financial support for the development of the scientific infrastructure in the fuel and energy sector and the coal industry ¹³	8,396.1	6,060.8	-	-
TOTAL	2,947,654.0	2,916,022.4	4,719.7	2,952.4

The main areas of the state support for the industry in 2017 were spending on the program to restructure the coal industry and the program to cover the cost of finished products, including salaries for miners. Detailed information about the budget programs in the coal mining industry is provided above (**Table 5.2**). An important change was the introduction in 2017 of the

⁷ The Treasury, annual report on the implementation of the State budget of Ukraine for 2017 (section II.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5c0/e3d/81c/5c0e3d81cbd3b533936390.xls>

⁸ Resolution of the CMU №236 on 11.03.2011, online access <http://zakon3.rada.gov.ua/laws/show/236-2011-%D0%BF> (has expired 23.02.2018). It was replaced by the resolution of the CMU "On Approval rules of funds, provided in the state budget, for eliminating unprofitable coal and coal refining enterprises" № 93 on 23.02.2018, online access: <http://zakon.rada.gov.ua/laws/show/93-2018-%D0%BF#n40>

⁹ Resolution of the CMU №154 on 23.02.2011 "On approval of the Procedure of using the funds provided in the state budget for the coal mining enterprises", online access: <https://zakon.rada.gov.ua/laws/show/154-2011-%D0%BF>

¹⁰ Resolution of the CMU №153 on 23.02.2011 (has expired on 25.02.2017) "On approval of the Procedure of using the funds provided in the state budget to partially cover the costs of coal mines included in the cost of finished commodity coal products", online access: <http://zakon2.rada.gov.ua/laws/show/153-2011-%D0%BF/ed20170225>. It was replaced with the Resolution of the CMU №92 with the same title, in force from 25.02.2017, online access: <http://zakon.rada.gov.ua/laws/show/92-2017-%D0%BF>.

¹¹ Resolution of the CMU №398 on 13.04.2011 "On approval of the Procedure of using the funds provided in the state budget for labor protection and safety improvement at coal-mining enterprises", online access: <https://zakon.rada.gov.ua/laws/show/398-2011-%D0%BF>

¹² Resolution of the CMU №298 on 12.05.2015 "On approval of the Procedure of using the funds provided in the state budget to support the construction of mine №10 "Novovolynsk", online access: <http://zakon2.rada.gov.ua/laws/show/298-2015-%D0%BF>

¹³ Resolution the CMU №906 on 3.10.2012, "On approving the Procedure of using the funds provided in the state budget for financial support for the development of scientific infrastructure in the sphere of economic development", online access: <https://zakon.rada.gov.ua/laws/show/906-2012-%D0%BF/ed20141120>

program on labor protection and safety improvement of coal mining enterprises, which corresponds to the Concept of Development and Reform of the Coal Industry until 2020. It should also be noted that in 2017, the state continued to support the construction of Mine No. 10 Novovolynska.

In the Annual report on the Provision of State Assistance to Business Entities in Ukraine for 2017, the Antimonopoly Committee of Ukraine provides data on the amount of state support by the central executive authorities for the coal and brown coal mining in the amount of UAH 2,409.78 million in 2017, which constituted 70% of state support for all types of economic activities¹⁴.

The information about the transfer payments and other financial assistance from the state in favor of certain state-owned coal mining enterprises is provided below (**Table 5.3**).

Table 5.3: Volume of transfer payments to the public sector enterprises in the coal industry in 2017¹⁵

Company name	Amount of transfer payments		Total, UAH thousand
	Subsidies and current transfers to enterprises, UAH thousand	Capital transfers to enterprises, UAH thousand	
Lvivvuhillia SE	168,627 (State support for coal mining enterprises to partially cover the cost of the finished coal products)	25,175 (Measures for labor protection and safety improvement at coal mining enterprises)	193,802
Selydivvuhillia SE	466,538 (State support for coal mining enterprises to partially cover the cost of the finished coal products)	18,829 (Measures for labor protection and safety improvement at coal mining enterprises)	485,367
Myrnohradvuhillia SE	(1) 248,566 (State support for coal extraction enterprises to partially cover the cost of the finished coal products) (2) 18,542 (Restructuring of the coal and peat industry)	14,326 (Measures for labor protection and safety improvement at coal mining enterprises)	281,434
Mine named after M. S. Surgai SE	168,443 (State support for coal mining enterprises to partially cover the cost of the finished coal products)	4,160.97 (Measures for labor protection and safety improvement at coal mining enterprises)	172,604
Lysychanskvuhillia PJSC	300,476 (State support for coal mining enterprises to partially cover the cost of the finished coal products)	10,321 (Measures for labor protection and safety improvement at coal mining enterprises)	310,797

¹⁴ The Antimonopoly Committee of Ukraine "Annual Report on the Provision of State Assistance to Business Entities in Ukraine for 2017", <https://amcu.gov.ua/napryami/derzhavna-dopomoga/richni-zviti-pro-nadannya-derzhavnoyi-dopomogi/2017-rik>

¹⁵ The information was obtained from the responses of the reporting companies in the coal industry during the survey

In 2017, payments for the fulfillment of the guarantee obligations by Ukraine in connection with the Guarantee agreement of 26.12.2011 between the Lysychanskvuhillia PJSC and the State Bank for the Development of the People's Republic of China (PRC) continued. In 2017, the amount of payments was 455,637,746.71 in UAH equivalent (*Table 5.4*).

Table 5.4: Payments for the state's fulfillment of guarantee obligations in 2017.¹⁶

State guarantee (date and number)	Credit contract (agreement) / securities details (date and number)	Payment amount	
		in USD thousand	in UAH equivalent
Warranty agreement of 26.12.2011	Loan agreement of 21.12.2011 between the Lysychanskvuhillia PJSC and the State Bank for the Development of the PRC	16,905,615.75	455, 637,746.71

According to the State Treasury Service of Ukraine, as of 01.01.2018, the overdue debt of the Lysychanskvuhillia PJSC to the state for loans attracted by the extraction companies under state guarantees constituted UAH 1,679,420.8 thousand»¹⁷.

Table 5.5: Overdue debt of economic entities in the coal industry to the state on credits (loans) attracted under state guarantees in 2017¹⁸

Company name	Amount of overdue loans owed to the state		Receipts of funds to the state budget for debt repayment, UAH thousand	Amount of debt on the penalty accrued on overdue debt, UAH thousand	
	USD thousand	UAH thousand		Amount of debt	Paid to the state budget
Lysychanskvuhillia PJSC	59,835.7	1,679,420.8	74.0	496,158.6	9.1

According to the information received from the reporting companies, no other loans or guarantees for loans (including outstanding ones) provided to the reporting coal companies by the state or state-owned enterprises were identified during the reporting period.

In addition, two reporting companies provided information on the amount of retained earnings (uncovered loss) in 2017 (*Table 5.6*).

¹⁶ The Treasury, Report on Payments for the State's fulfillment of Guarantee Obligations for 2017, <https://www.treasury.gov.ua/storage/app/uploads/public/5c0/e3d/81f/5c0e3d81f1f2a721209475.xls>

¹⁷ According to the information provided by the Lysychanskvuhillia PJSC as a result of the survey, the amount of outstanding loan from the state during the reporting period constituted UAH 1,297,828 thousand. The independent administrator could not find out the reasons for the discrepancies between the company's data and those of the Treasury of Ukraine.

¹⁸ The Treasury, Report on the Overdue Debts of Business Entities to the state on credits (loans) attracted under state guarantees for 2017, <https://www.treasury.gov.ua/storage/app/uploads/public/5c0/e3d/81f/5c0e3d81f0382781958639.xlsx>

Table 5.6: Transactions of the public sector enterprises in the coal industry in 2017

Company name	Volume of attracted external financing in the reporting period	Part of the net profit that was allocated to reinvestments	The amount of retained earnings/uncovered loss at the beginning and end of the reporting period ¹⁹ , UAH thousand	
			as of 01.01.2017	as of 31.12..2017
Selydivvuhillia SE	-	-	(2,356,863)	(2,753,251)
Vuhilna kompaniia Krasnolymanska SE	-	-	(20,522)	(128,709)
Lvivvuhillia SE	-	-	1,662 049	1,807,662
Myrnohradvuhillia SE	-	-	1,791,286	2,521,131
Lysychanskvuhillia PJSC	-	-	4,663,203	5,377,618
Mine named after M. S. Surgai SE	-	-	639,879	670,266
Toretskvuhillia SE	-	-	2,364,858	2,637,495
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	-	-	-	-

Information about borrowings of Lysychanskvuhillia PJSC during 2017 was analyzed based on the company's financial reporting, available in open access. Indeed, according to the activity results in 2017, the company had at its disposal UAH 9,35,200 thousand of non-current borrowings and UAH 119 thousand of current borrowings. In addition, debt by other non-current borrowings was UAH 42,788 thousand. Detailed information on the company's financial liabilities is provided in the table below.

Table 5.7: Information on Lysychanskvuhillia PJSC liabilities regarding²⁰

Type of liability	Date of borrowing	Outstanding debt, UAH thousand	Annual interest rate	Date of repayment
Bank borrowings, including:		1,298,116		
present debt by non-current borrowings from Nadra Bank PJSC	03.09.2003	169	22	05.12.2006
non-currebt borrowing from Bank Aval PJSC	30.03.2004	119	10	20.12.2005
non-current borrowing from the State Bank for the Development of the PRC	25.05.2012	1,297,828	7.05	31.12.2020

According to the financial reporting of Selydivvuhillia SE, received as part of its response to the Independent Administrator's request when preparing this report, the company had current bank borrowings debt in an amount of UAH 42,530 thousand in 2017. Lvivvuhillia SE had debt in the amount of UAH 33,058 thousand of non-current bank borrowings²¹.

¹⁹ The source of data on retained loss for the Selydivvuhillia SE and Vuhilna kompaniia Krasnolymanska SE are the companies' responses based on the results of the survey. For all other companies - their financial statements for 2017. The financial statements of these companies are available on the Minecoenergo website,

http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245272950&cat_id=245194014

²⁰ Lysychanskvuhillia PJSC, Financial reporting 2017, <http://lisugol.com/Content/RegInf/2017.pdf>

²¹ Lvivvuhillia SE, Financial reporting 2017, <http://www.lvug.com.ua/wp-content/uploads/2018/03/f1.pdf>

5.1.2 Coal Reserves

As of 01.01.2018, Ukraine's balance sheet of coal reserves constituted 41,490 million tonnes²², which occur in two coal basins: Lviv-Volyn and Donetsk.

The Donetsk coal basin occupies the territories of the Luhansk, Kharkiv, Dnipropetrovsk, and Donetsk regions. The basin's reserves account for 92.3% of the total coal reserves in Ukraine, including 29.3% of coking coal reserves and 14.9% of anthracites. The largest reserves are concentrated in the Luhansk region, while the most developed deposits are located in the Donetsk region. The confirmed coal reserves in the Donetsk basin are calculated to a depth of 1200-1500 m, in some areas of the Donetsk and Luhansk regions - to a depth of 1600-1800 m. As of 01.01.2018, the balance reserves of coal in the Donetsk basin were 40,680.0 million tonnes in the category A+B+C1, and 11,001.9 million tonnes in the category C2. The off-balance sheet reserves were 16,656.1 million tonnes. The most intensively developed coal deposit in the basin were "ДГ"-type, "К"-type, and "Г"-type.

In 2017, 19,115.8 million tonnes of balance sheet reserves of the category A+B+C1 were developed and prepared for development in the Donetsk coal basin, of which 8,358.7 million tonnes are in operation. At the same time, the Donbas has a significant potential for further development. Thus, according to the Geoinform of Ukraine SRPE, 21,564.2 million tonnes of coal reserves are not yet prepared for industrial development and are recorded on the balance sheet as promising. The most promising area for increasing the volume of coking coal mining is the Pivdenodonbaskyi region and for increasing the mining of thermal coal - the Krasnoarmiyskyi region. At the time of preparation of this Report, most of the Donetsk coal basin was located in the territory not controlled by the Ukrainian government, which significantly hinders further development and industrial coal mining.

The Lviv-Volyn coal basin is located in Ukraine on the territory of two regions: Lviv region (approximately 90% of the basin) and Volyn region. The Lviv-Volyn coal basin is smaller in terms of reserves and development than the Donetsk one. Thus, as of 01.01.2018, according to Geoinform of Ukraine SRPE, the balance reserves of coal of the categories A+B+C1 were 1,096.6 million tonnes, and category C2 - 235.2 million tonnes. In the Lviv-Volyn coal basin, high-quality energy and coking coal of "ДГ"-type, "Г"-type, "Ф"-type, and "К"-type are common.

As of 01.01.2018, 683.5 million tonnes of the category A+B+C1 coal were developed and prepared for development in the Lviv-Volyn basin, or 62.3% of the total balance reserves of the basin. Geoinform of Ukraine SRPE shows 413.1 million tonnes (37.7%) of reserves in the Lviv-Volyn basin that are not ready for industrial development, thus its potential for increasing production is lower than in the Donetsk coal basin.

²² Geoinform of Ukraine SRPE, Yearbook "Mineral Resources of Ukraine", 2018, http://geoinf.kiev.ua/M_R_2018_1.pdf
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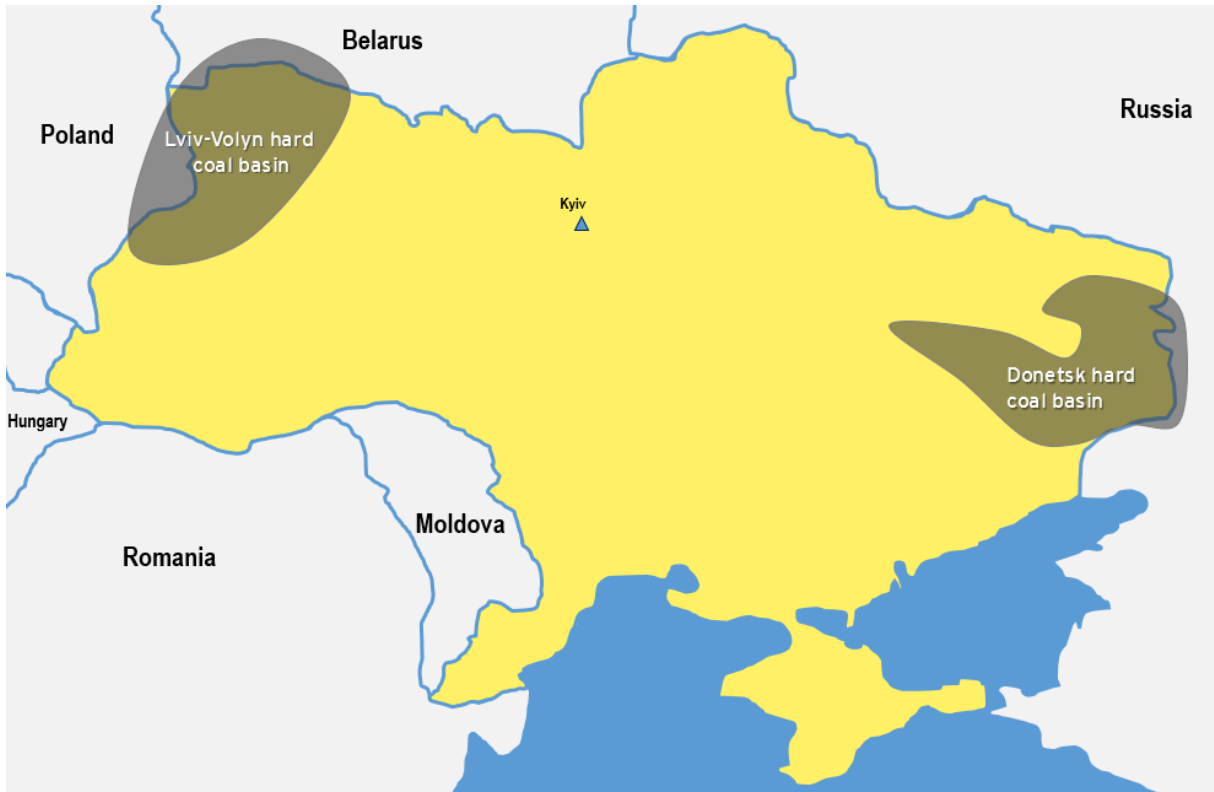


Figure 5-1: Location of coal pools in Ukraine

In terms of administrative regions, the largest coal reserves (34.5%) are concentrated in the Luhansk region, followed by the Donetsk (32.2%) and Dnipropetrovsk (25.6%) regions; the other 7.4% are located in the Lviv, Volyn and Kharkiv regions.

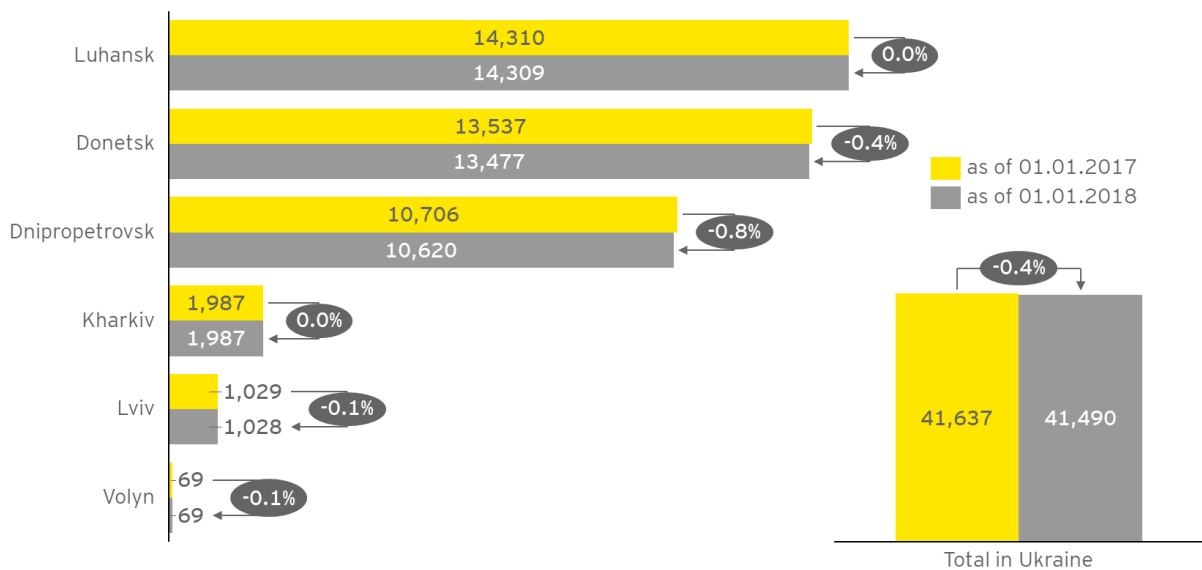


Figure 5-2: Structure of balance reserves of hard coal by the regions of Ukraine as of 01.01.2017 and 01.01.2018, million tonnes²³

²³ Geoinform of Ukraine SRPE, Yearbook "Mineral Resources of Ukraine", 2017 (http://geoinf.kiev.ua/M_R_2017.pdf), 2018 (http://geoinf.kiev.ua/M_R_2018_1.pdf)

According to the distribution of coal reserves by types, in 2017, "Д"-type prevailed, which accounted for 29.4% of the balance reserves. In the second place was the gas coal, or "Г"-type (17.7 %). Long-flame coal ("ДГ"-type) accounted for 14.8%, and anthracite ("А"-type) for 13.8%.

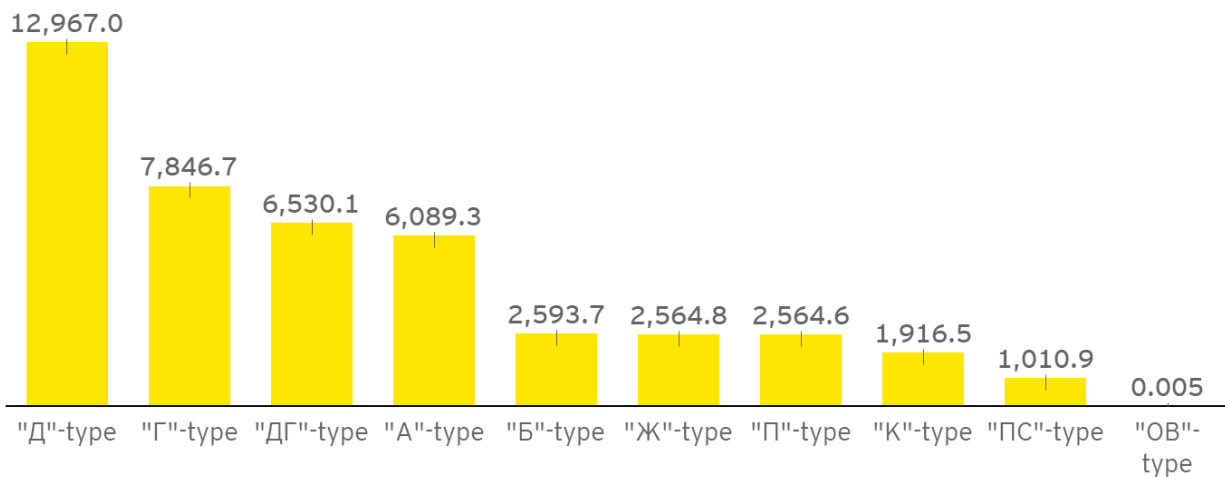


Figure 5-3: Structure of balance reserves of coal by grade in Ukraine as of 01.01.2018, mln tonnes²⁴

5.1.3 Significant explorations

In 2017 the exploration work in the territory of the Lviv-Volyn and Donetsk coal basins supported by the State budget was not carried out. However, a detailed geological and economic assessment was carried out. In the Donetsk region, the field of the Bilozerska Mine of the Bilozerska Mine DLC and the field of the Pioneer Mine of the Bilozerske Mine Administration of the DTEK Dobropolyeugol LLC were estimated. In the territory of the Lviv-Volyn basin the Lyubelska plot No. 3 of the CCI Lyubelya SOE and the fields of the Chervonograd Mine of the Lvivvuhillia SE were estimated²⁵.

5.1.4 Volumes of coal mining

The information about the volume of coal mining is consolidated by several state bodies, in particular, the Derzhstat, Minekoenergo and Derzhgeonadra (the scientific and production enterprise Geoinform of Ukraine SRPE, which collects and processes data for the Derzhgeonadra), but their data differ significantly, which may be due to the use of different methodology for recording the information about the extraction of mineral resources. While the difference between the Minekoenergo and Derzhstat data is less significant (from 0.5% to 7.1% during 2015-2017), the difference between the Derzhgeonadra and Minekoenergo/Derzhstat data is noticeably greater and on average reached 39.1%/38.3% during 2015-2017.

²⁴ Geoinform of Ukraine SRPE, State balance sheet of mineral resources of Ukraine, Coal (issue 22), 2018

²⁵ Geoinform of Ukraine SRPE, State balance sheet of mineral resources of Ukraine, Coal (issue 22), 2018

The general trend of changes in the volume of coal mining in 2015-2017 is downward. In 2017, according to the Minekoenergo data, 34,916 thousand tonnes of coal were mined, which is 14.6% less than in 2016. According to the Derzhstat the decline in extraction volumes was 22.6%, and according to the Derzhgeonadra - 28.7%.

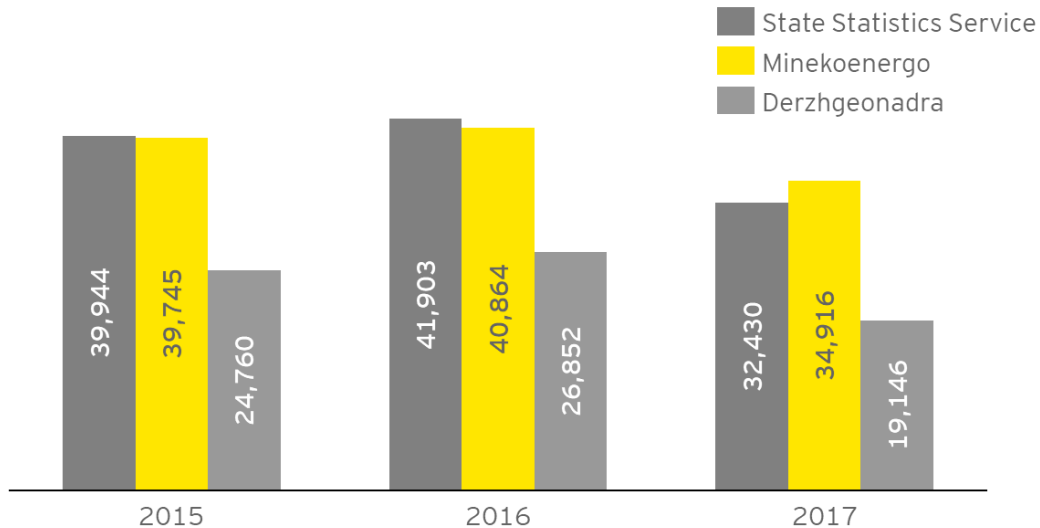


Figure 5-4: Dynamics of the volume of coal mining in Ukraine in 2015-2017, thousand tonnes ^{26,27,28}

The Dnipropetrovsk region (57.7%) and Donetsk region (32.8%) account for the bulk of coal mining (Figure 5-5).

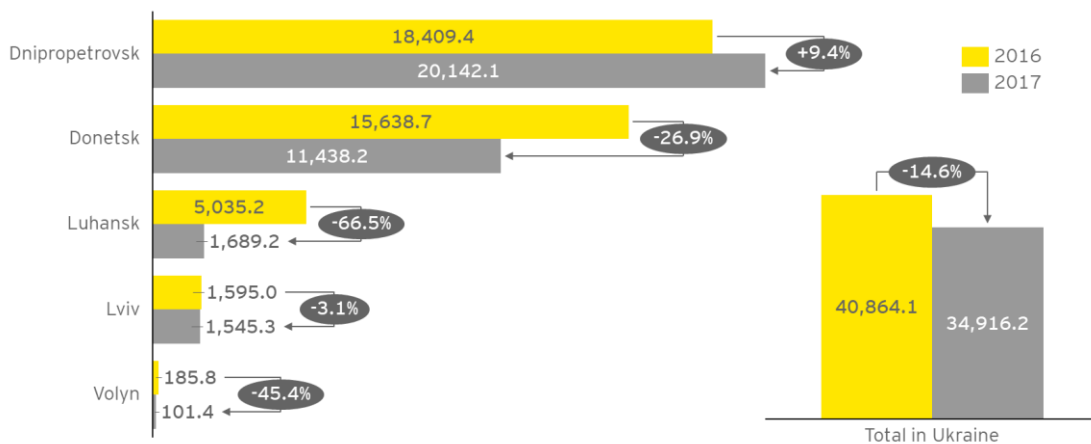


Figure 5-5: Coal mining volumes by the regions of Ukraine in 2016-2017, thousand tonnes ²⁹

According to the Minekoenergo, in 2017, the most extracted in Ukraine was the gas coal ("Г(Г1)"-type), in the volume of 9,961. 2 thousand tonnes.

²⁶ The SSSU, Statistical information "Production of industrial products by type", 2015, 2016, 2017, http://www.ukrstat.gov.ua/operativ/operativ2016/pr/vr_rea_ovpp/vr_rea_ovpp_u/arh_vppv_u.html

²⁷ The Minekoenergo, Extraction of coking and power plant coal through December 2017,, http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245266910&cat_id=245183238;
The Minekoenergo, Statistical information, 2015, 2016, http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245086132&cat_id=35081

http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245178477&cat_id=35081

²⁸ Geoinform of Ukraine SRPE, State balance sheet of mineral resources of Ukraine, Coal (issue 22), 2018

²⁹ The Minekoenergo, Coal mining in Ukraine by mines in December 2017, http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245266889&cat_id=245183238

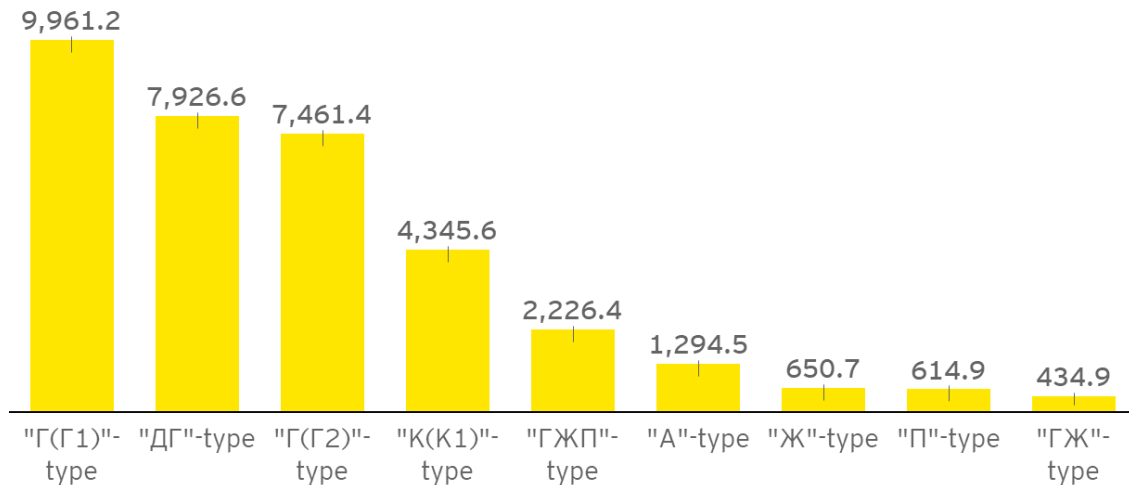


Figure 5-6: Volumes of coal mining by coal types in 2017, thousand tonnes³⁰

In 2017, the leaders in coal mining were the companies in the private sector of the economy: more than half of the total extraction in Ukraine was provided by the DTEK Pavlogradugol PrJSC (20,142.1 thousand tonnes). In the second place was the Shakhtoupravlinnia Pokrovske PJSC, which produced 4,345 thousand tonnes or 12.4% of the total volume. Accordingly, the public sector companies accounted for 13.9% of Ukraine's coal mining, which comprised 4,839.7 thousand tonnes. The largest extraction volumes were provided by the Lvivvuhillia SE and Selydivvuhillia SE, which accounted for 1,342.8 and 810.0 thousand tonnes, respectively.

In general, in 2017, the volume of coal mining by both public and private sector companies fell by 16.4% and 14.3%, respectively. Among the private sector companies, the largest reduction was observed in the DTEK Mine Komsomolets Donbassa PrJSC (by 82.4%), DTEK Sverdlovanthracite LLC (by 74.2%) and DTEK Rovenkyanthracite LLC (by 68.8%). It is also worth noting that in 2017, the DTEK group announced the loss of control over these three enterprises, since they are located in the temporarily uncontrolled territory^{31,32}.

If current production rates are maintained, the balance of coal reserves will last for another 1,188 years³³.

³⁰ The Minekoenergo, Coal mining in Ukraine by mines in December 2017,

http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245266889&cat_id=245183238

³¹ Notification on the official website of DTEK, 2017, <https://dtek.com.ua/media-center/press/dtek-zayavlyaet-o-potere-upravleniya-predpriyatiyami-raspolozhennymi-na-vremenno-nekontroliruemoy-territorii-donetskoy-i-luganskoy-oblasti/>

³² The list of such territories was approved by the order of the CMU "List of localities in the territory of which the state authorities temporarily do not exercise their powers" No. 1085-R dated 07.11.2014.

³³ To calculate the sufficiency of the coal mining, the data on the volume of balance reserves and extraction of the Geoinform of Ukraine SRPE (State balance sheet of mineral reserves, Coal (issue 22), 2018) were used.

Table 5.8: Coal extraction volumes by companies in Ukraine in 2016-2017, thousand tonnes ³⁴

Company	Coal extraction volumes, thousand tonnes		
	2016 ³⁵	2017	% of changes in 2017 relative to 2016
Total the public sector of the economy, including:	5,789.2	4,839.7	-16.4%
Lvivvuhillia SE	1,408.7	1,342.8	-4.7%
Selydivvuhillia SE	1,394.0	810.0	-41.9%
Myrnohradvuhillia SE	548.1	608.6	11.0%
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	497.9	447.6	-10.1%
Vuhilna kompaniia Krasnolymanska SE	443.4	378.4	-14.6%
Mine named after M. S.Surgai SE	340.7	288.7	-15.3%
Pervomaiskvuhillia SE	308.4	160.5	-48.0%
Toretskvuhillia SE	279.4	265.0	-5.2%
Lysychanskvuhillia PJSC	196.5	234.1	19.1%
Nadiya Mine PJSC	186.4	202.5	8.7%
Volynvugillia SOE	185.4	101.4	-45.3%
Novovolynska Mine №1 SOE	0.4	0.0	-100%
Total the public sector of the economy, including:	35,074.8	30,076.5	-14.3%
DTEK Pavlogradugol PrJSC	18,409.4	20142.1	9.4%
Shakhtoupravlinnia Pokrovske PJSC	4,302.0	4,345.6	1.0%
DTEK Mine Komsomolets Donbassa PrJSC ³⁶	3,502.1	614.9	-82.4%
DTEK Sverdlovanthracite LLC	2,305.6	595.2	-74.2%
DTEK Dobropolyeugol LLC	2,271.8	2,128.7	-6.3%
DTEK Rovenkyanthracite LLC	2,224.6	699.3	-68.6%
Krasnolymanska LLC	1,566.1	899.3	-42.6%
Bilozerska Mine DLC	493.1	644.0	30.6%
LE Saint Matrona of Moscow Mine LLC	0.0	7.3	-
Total	40,864.1	34,916.2	-14.6%

5.1.5 Exports and imports of coal

According to the SSSU, in 2017, 635.8 thousand tonnes of coal were exported which is 22.1% higher than in 2016 (520.6 thousand tonnes). This increase in export volumes is primarily due to an increase in coal supplies to Russia - from 81.8 thousand tonnes in 2016 to 312.6 thousand tonnes (49.2% of total coal exports) in 2017. In the second place was Slovakia, where 234.4 thousand tonnes of coal worth USD 41.5 million were exported. A total of 88.8 thousand tonnes of coal worth USD 6.5 million were exported to other countries (*Figure 5-7*).

³⁴ The Minekoenergo, Coal mining in Ukraine by mines in December 2017.,

http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245266889&cat_id=245183238

³⁵ The data on the volume of extraction by individual companies (Lvivvuhillia SE, Krasnolymanska LLC, LE Mine named after the Saint Matrona of Moscow) for 2016 in the EITI Report for 2017 differ from the corresponding data in the EITI Report for 2016, since the 2016 report presents the data obtained from the responses of companies, and in the 2017 report-the Minekoenergo data

³⁶ In 2017, the DTEK Group declared the loss of the management over DTEK Mine Komsomolets Donbassa PrJSC, DTEK Sverdlovanthracite LLC, DTEK Rovenkyanthracite LLC located in the temporarily uncontrolled territory of Donetsk region

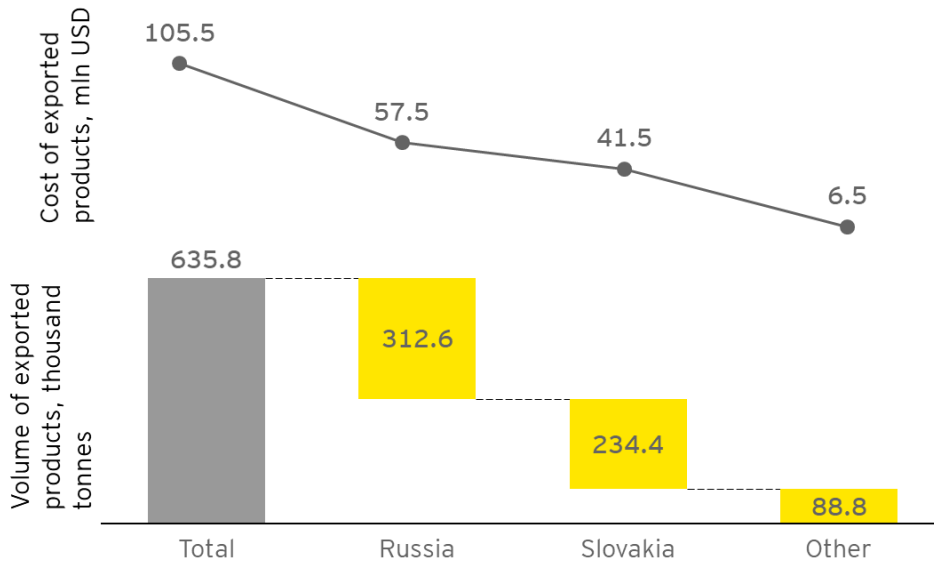


Figure 5-7: Volumes of coal exports by country in natural and monetary units in 2017.³⁷

The volumes of coal imports in 2017 also increased by 26.4% compared to the previous year, and constituted 19,777.7 thousand tonnes with a total value of USD 2,743.8 million. According to the SSSU, more than half (67.0%) of the total volume was imported from Russia - 13,256.7 thousand tonnes worth USD 1,552.0 million. In the second place was the United States, which accounted for 3,408.2 thousand tonnes of coal, or 17.2% of total imports (**Figure 5-8**).

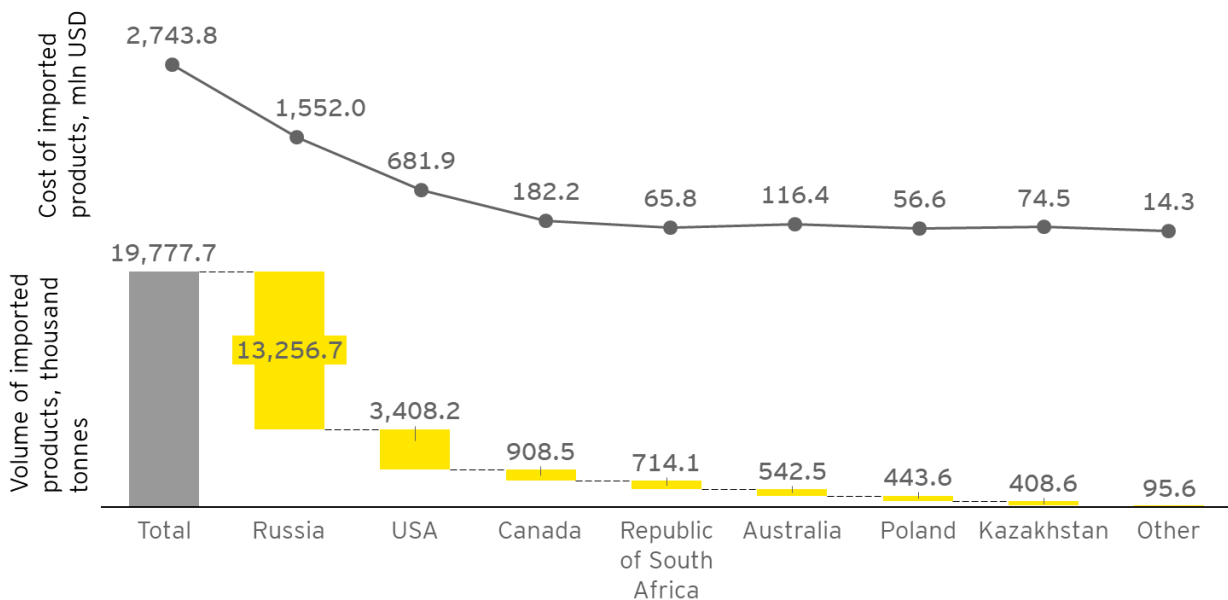


Figure 5-8: Volumes of coal imports by country in natural and monetary units in 2017.³⁸

³⁷ The SSSU, Foreign trade of certain types of goods by countries of the world, 2017, http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

³⁸ The SSSU, Foreign trade of certain types of goods by countries of the world, 2017, http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

Conclusions to the section

As of 01.01.2018, Ukraine had 41,490 million tonnes of balance hard coal reserves, which are located in two coal basins: Donetsk and Lviv-Volyn. The most intensively developed coal deposits were “Г(Г1)”-type.

In 2017, there was an increase in the import volumes by 26.4% compared to the previous year.

If current production rates are maintained, the balance of coal reserves will last for another 1,188 years.

The development of the coal extraction industry is negatively affected by several key factors, in particular:

- The military conflict in the East of Ukraine; - as of 01.07.2017, 131 state-owned enterprises that are in the field of governance of the Minekoenergo were located in the territory where the authorities temporarily do not exercise their powers;
- Low investment attractiveness of the coal industry in general, and in Ukraine in particular, including for the risks associated with the military conflict;
- The geological features of the coal reserves, high level of development of deposits and relatively high extraction costs;
- Long-term underfunding of the state-owned enterprises.

5.2 Oil and natural gas extraction

5.2.1 The role of the state in the oil and natural gas extraction industry

The role of the state in the oil and gas industry of Ukraine is the highest among all extractive industries. The state represented by the Cabinet of Ministers of Ukraine, holds 100% of the shares of JSC Naftogaz of Ukraine NJSC and Nadra of Ukraine NJSC.

Naftogaz of Ukraine NJSC is a vertically integrated company with a full cycle of operations including exploration and development of fields, operational and exploration drilling, oil and gas transportation and storage, supply of natural and liquefied gas to consumers.

Table 5.9: The list of companies in which Naftogaz of Ukraine NJSC holds 50% of shares and more, 2017³⁹

Name of Company	Number of shares owned by Naftogaz of Ukraine NJSC
<i>Extraction of natural gas, oil and products of their processing</i>	
Ukrgezvydobuvannya JSC	100%
Zakordonnaftogaz SE	100%
Chornomornaftogaz SJSC PJSC	100%
Ukrnafta PJSC	50% + 1 share
Petosannan Company (SD, Egypt)	50%
<i>Transportation of oil and natural gas</i>	
Ukrtransgaz JSC	100%
Ukrspetstransgaz JSC	100%
Ukrtransnafta JSC	100%
<i>Wholesale and retail</i>	
Gaz of Ukraine SE	100%
Kirovogradgaz OJSC	51%
Naftogaz Trading Europe S.A.	100%
Ukravtogaz SE	100%
Naftogaz SE	100%
Energy and Fuel of Ukraine JSC	51%
<i>Other</i>	
Vuglesyntezgaz of Ukraine SE	100%
SE Naukanaftogaz SE	100%
Naftogazobslugovuvannia SE	100%
Naftogaz-Energoservice SE	100%
Naftozbagachennia SE	100%
LIKVO SE	100%
Budivelnyk SE	100%
International Consortium for Management and Development of the Gas Transportation System of Ukraine LLC	50%

³⁹ According to the information received from Naftogaz NJSC in response to a request for information required for the preparation of the EITI Report

Moreover, according to the publicly available information⁴⁰, the other companies with less than 50% of the shares owned by Naftogaz of Ukraine NJSC in 2017 included:

- ▶ Devon PrJSC - 12.13%;
- ▶ Karpatygaz LLC, joint venture with Misen Enterprises AB - 49.99%;
- ▶ Ukratnafta PJSC - 43%.

The subsidiaries of Naftogaz of Ukraine NJSC are the largest enterprises in the natural gas extraction sector (Ukrgezvydobuvannya JSC) and oil (Ukrnafta PJSC), as well as natural monopolies engaged in natural gas transportation across the customs border of Ukraine using the pipeline transportation system in transit mode (hereinafter referred to as "transit"), transportation and storage of natural gas (Ukrtransgaz JSC) and oil (Ukrtransnafta JSC). In addition, for the purposes of this Report, the subsidiaries of Naftogaz Ukraine NJSC provided information on the list of companies in which they held 50 per cent or more of the shares.

Table 5.10: The list of companies in which the subsidiaries of Naftogaz of Ukraine NJSC hold 50% and more the shares

Name of a subsidiary of Naftogaz of Ukraine NJSC	Name of company, in which a subsidiary holds 50% or more of the shares
Ukrgezvydobuvannya JSC	Shebelynska Voda LLC, 98,266% Olexander LLC, 100% ⁴¹
Ukrtransgaz JSC	Naftogazreiester LLC, 100% ⁴²
Ukrtransnafta JSC	Ukrtransnafta Corporate Fund LLC, 99.95% Transmunai LLC, 50%
Ukrnafta PJSC	Joint Venture Ukrkarpatoil LTD LLC, 100% Kashtan Petroleum LTD JV, 55% Naftovik-Ukraine Football Club LLC, 99.99% Dzherelo Agro Firm LLC, 99.99% Okhtyrka-Agro LLC, 99.98% Polyviane-Agro LLC, 99.98% Ukrainian Oil and Gas Insurance Company CJSC, 57.62% Kachanove-Agro LLC, 99.97% Agrofirm Mykolaivka LLC, 99,96% Voskresenske-Agro LLC, 99.92% Vorskla CJSC, 79.39% Fund-Service CJSC, 74% JSC Romgaz JV PrJSC, 65.25%

Nadra of Ukraine NJSC is a state-owned enterprise whose objective is to study the subsoil of Ukraine, to conduct exploration activities, as well as to attract investments in the sector (

⁴⁰ Naftogaz of Ukraine NJSC Annual Report for 2017, link to access:

http://www.naftogaz.com/files/Zvity/NAK_AnRep2017-UA.pdf;

Securities Issuer Annual Information for 2018, link to access: http://www.naftogaz.com/files/Zvity/NAK_AnRep2017-UA.pdf;

<http://www.naftogaz.com/www/3/nakweb.nsf/0/43377F16EB4C97B7C22583C5004E9951?OpenDocument&Expand=4.1&>

⁴¹ Ukrgezvydobuvannya JSC, Securities Issuer Annual Information for 2017, link to access:

<http://ugv.com.ua/uploads/1525245812.pdf>

⁴² In addition, in its response to the questionnaire, Ukrtransgaz PJSC provided a list of enterprises in which it hold less than 50% of the shares, namely Energotehnologii PJSC (24%), Enzym PJSC (0.12%), Cogeneration Technologies UTG LLC (38%)

Table 5.11).

Table 5.11: State beneficiary participation in the oil and gas industry in 2017 (Nadra of Ukraine NJSC)

Name of Company	Number of shares owned by Nadra Ukrainy NJSC
<i>Subsidiaries of Nadra Ukrainy NJSC</i>	
Chernihivftogazgeologiya	100%
Krymgeologiya	100%
Poltavnaftogazgeologiya	100%
Ukrnaukageocenter	100%
Agrogeophysica	100%
Zakhidukrgeologiya	100%
Mirgorodnaftogazrozvidka	100%
Centerekrgeologiya	100%
Nadraresursy	100%
<i>Other enterprises controlled by Nadra Ukraine NJSC</i>	
Ukrgeolremmash OJSC	100%
Ukrainian Geophysical Company LLC	100%
Nadra Krymu LLC	99,91%
Azov Mining Administration LLC	99,9%
Nadra Yuzivska LLC	99%
Nadra Skifska LLC	99%
Nadrainvest LLC	90%
Nadra Oles'ka LLC	90%
Zhytomyrburrozvidka LLC	90%
Waters of Ukraine LLC	80%
Poltavanaftogazrozvidka LLC	70%
Nadra Shelf LLC	58,44%
Triton Engineering and Drilling Group LLC	50%
Gaichur Mining Company LLC	50%
Perjansky Quarry LLC	50%
Nadra Gorodotske LLC	50%
Building and installation Nobilsky administration LLC	45%
Zakhidgazinvest LLC	34,99%
East Europe Petroleum LLC	33%
Nadra Tunivska LLC	25%
Chornomorzakhidinvest LLC	25%
Chornomorgeoresursy LLC	25%
Closed Non-Diversified Venture Corporate Investment Fund Standard Plus PJSC	21%

According to the Ministry of Energy and Environmental Protection of Ukraine, as of March 1, 2018, 33 legal entities in the list of state-owned enterprises, organizations and associations of the oil and gas sector are within its scope of management. The list of companies for which the

Ministry of Energy manages the corporate rights of the state, includes 2 legal entities.⁴³ These enterprises, organizations, and associations can provide service and other ancillary services, however they are not engaged in extracting operations.

According to the questionnaires, the size of the state's share in the authorized capital of the reporting companies of the oil and gas industry did not change in 2017.

As a general rule, the state and the agency whose scope of management includes a state-owned enterprise are not liable for its obligations. According to the information received by the Independent Administrator from the reporting companies, no deviations from the general rule on liability of the state were identified.

The payments related to extracting activities, from / to the state-owned enterprises may be made under the joint venture agreements, concession agreements, product sharing agreements. The relevant questions were included in the requests to the reporting companies. According to the responses received, as of 2017, the joint venture agreements were concluded by four reporting companies (**Table 5.12**).

Table 5.12: Information on the joint venture agreements in the oil and gas industry in 2017⁴⁴

Joint venture agreement ref. No	Other parties to the agreement	Authorized taxpayer	Type and amount of contribution of the state-owned partner
<i>Kashtan Petroleum LTD JV</i>			
Agreement No. 35/21-SD dated 28.01.2008	Ukrnafta PJSC	NGVU Chernihivnaftogaz of Ukrnafta PJSC	Financial contribution UAH 9,300.00 - 93%
<i>Ukrgezvydobuvannya JSC</i>			
Agreement No. 3 dated 10.06.2002	1. Karpatygaz LLC 2. MISEN Enterprises AB JSC	Karpatygaz LLC	UAH 1,267,329 thousand (investment as of 31 January 2017) ⁴⁵ UAH 2,110.93 thousand (intangible asset - right to use the well and technical information)
Agreement No. 493 dated 24.03.2004	1. Karpatygaz LLC 2. Tekhproekt VKF LLC	Karpatygaz LLC	UAH 41,001.86 thousand (intangible asset - right to use wells)
Agreement No. 1747 dated 13.10.2004	Karpatnadrainvest LLC	Karpatnadrainvest LLC Karpatygaz LLC	UAH 3,000 (financial contribution)
Agreement No. 612 dated 29.06.2004	Dion VKF LLC	Dion VKF LLC	UAH 4,111.26 thousand (intangible asset - right to use wells)

⁴³ Order of the Ministry of Energy and Environmental Protection of 20.03.2018 No. 172, link to access: http://mpe.kmu.gov.ua/minuqol/control/uk/publish/article?art_id=245294207&cat_id=244916132

⁴⁴ In addition to the state-owned companies, two private reporting companies provided information on the existence of joint venture agreements as of 2017, namely: Nadra-Geoinvest LLC (1. agreement No. 201/07 dated 26.07.07 with Impreza-M PE; the authorized taxpayer is Private Enterprise "Impreza-M"; 2. agreement No. SD 161/08 dated 06.05.08 with Logo systems LLC; the authorized taxpayer is Logo systems LLC;) and Energia 95 LLC (agreement No. 5 dated 02.03.2016 with Kade-Resource LLC and GKR Denysovske LLC; the authorized taxpayer is Kade-Resource LLC).

⁴⁵ Ukrgezvydobuvannya JSC, Financial report and report of the independent auditor, 2017, <http://ugv.com.ua/page/docs?count=1>

Joint venture agreement ref. No	Other parties to the agreement	Authorized taxpayer	Type and amount of contribution of the state-owned partner
Agreement dated 15.09.2004	Tsefei LLC	Tsefei LLC	UAH 9,626.73 thousand (intangible asset - right to use wells)
Agreement No. 1330-1-4 dated 06.10.2011	1. Shell Ukraine Exploration I LLC 2. Shell Exploration and Production Ukraine I B.V.	Shell Ukraine Exploration End ProductionI LLC	UAH 2,332.54 thousand (intangible asset)
Agreement "Geological exploration and development of gas fields in the Azov and Black Seas and the Kerch Peninsula" dated 24.10.2000.	State Joint Stock Company Chornomornaftogaz JSC	State Joint Stock Company Chornomornaftogaz JSC	UAH 88,458.7 (materials/works and financial contribution)
<i>Ukrnafta PJSC</i>			
Agreement No. 5/56 dated 21.12.2000	Nadra Invest LLC	NGVU Poltavanaftogaz represented by Ukrnafta PJSC	UAH 9,476,825.59 (Financial contribution in joint venture as of 2017)
Agreement No. 35/4 dated 19.01.199	1. Carleton Trading Ukraine LLC 2. Gals-K Ltd. LLC	NGVU Chernihivnaftogaz represented by Ukrnafta PJSC	UAH 289,938,961.56 (Financial contribution in joint investment activities from the commencement of business 49,9%; no contributions in 2017)
Agreement No. 35/21-SD dated 28.01.2008	Kashtan Petroleum LTD JV	NGVU Chernihivnaftogaz represented by Ukrnafta PJSC	UAH 9,300.00 (Financial contribution in the joint investment activities from the commencement of business; no contributions in 2017)
Agreement No. 35/809-SD dated 20.07.2004	Regal Petroleum Corporation Limited PE	NGVU Poltavanaftogaz represented by Ukrnafta PJSC	UAH 9,300.00 (Financial contribution in the joint investment activities from the commencement of business 49%; no contributions in 2017)
Agreement No. 999/97 dated 21.07.2015	Representative office of Momentum Enterprise (Eastern Europe) Ltd.	NGVU Poltavanaftogaz represented by Ukrnafta PJSC	UAH 247,536,822.38 (Financial contribution in the joint investment activities from the commencement of business, 49,9%; no contributions in 2017)
Agreement No. 35/176 dated 11.11.1999	1. Technopaclux LLC 2. Navigator Complex LLC 3. Tranget limited (Cyprus)	Okhtyrkanaftogaz NGVU represented by Ukrnafta PJSC	UAH 184,799,14.00 (Financial contribution in joint investment activities, 20%; no contributions in 2017)

Joint venture agreement ref. No	Other parties to the agreement	Authorized taxpayer	Type and amount of contribution of the state-owned partner
Agreement No. 01 dated 20.03.1998	1. Power Provision Limited 2. Felusio Investments Ltd. 3. Aipek PrJSC	Aipek PrJSC	UAH 184,799,14.00 (Financial contribution the joint investment activities, 20%; no contributions in 2017)
Agreement dated 07.09.2001 (valid till 07.09.2021)	1. Carleton Trading Ukraine LLC 2. Gals-K PrJSC	Gals-K PrJSC	UAH 9,476,825.59 (Financial contribution in joint investment activities from the commencement of business; no contributions in 2017)

Of these, one company (Kashtan Petroleum LTD JV) is a party of the joint venture agreement with a state partner represented by Ukrnafta PJSC, whose financial contribution was UAH 9,300 or 93%. In addition to this agreement, Ukrnafta PJSC is a partner in seven other joint venture agreements with the companies that are not covered by the reconciliation of payments for the purposes of 2017 EITI Report. According to the reporting companies, there were no concession and production sharing agreements in 2017.

During 2017, Ukgazvydobuvannya JSC and Ukrtransnafta JSC payed dividends to their only shareholder, Naftogaz of Ukraine NJSC, in the amount of UAH 5 959 800 thousand and UAH 4 181 870 thousand respectively⁴⁶, in accordance to the activity results in the 2016 financial year. At the same time, according to the financial statemets of Ukrnafta PJSC and Ukrtransgaz JSC, in 2017 they did not pay dividends to Naftogaz of Ukraine NJSC⁴⁷. Ukgazvydobuvannya JSC, Ukrtransnafta JSC, Ukrnafta PJSC and Ukrtransgaz JSC did not pay dividends directly to the state budget of Ukraine in 2017.

According to the Ministry of Energy and Environmental Protection, two programs were implemented in 2017 to support the Ukrainian oil and gas sector (**Table 5.13**). The amount of UAH 600 million was allocated for the "Reconstruction, major overhaul and technical re-equipment of the Urengoy-Pomary-Uzhgorod trunk gas pipeline"⁴⁸ program in 2017, however no funds were disbursed. The amount of UAH 1 million was allocated for the "State support to Public Joint Stock Company "Trunk Gas Pipelines of Ukraine"⁴⁹ program for the adaptation of the gas transmission system to the requirements of the Directive of the European Parliament and the Council. However, only UAH 134.4 thousand were actually disbursed in 2017.

In 2017, according to the State Treasury Service, the enterprises of the oil and gas complex did not take any loans against the guarantee of the state budget.⁵⁰

⁴⁶ Ukgazvydobuvannya JSC, Securities Issuer Annual Information for 2017, link to access:

<http://ugv.com.ua/uploads/1525245812.pdf>; Ukrtransnafta JSC, Securities Issuer Annual Information for 2017, link to access: <https://www.ukrtransnafta.com/dokumenti/>

⁴⁷ Ukrnafta PJSC, Financial report by the International reporting standards 21 January 2017, online access:

https://www.ukrnafta.com/data/ivestor_news/Okrema%20zvintnist%202017.pdf; Ukrtransgaz JSC, Annual financial report 2017, online access: <http://utg.ua/utg/about-company/reports.html>

⁴⁸ Order of the Ministry of Energy No. 187/342 of 09.03.2017, link to access:

<http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245191589>

⁴⁹ Order of the Ministry of Energy of 28.12.2017 № 784/1155, link to access:

<http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245265562>

⁵⁰ The Treasury, Annual Report on Implementation of the State Budget of Ukraine for 2017 (Section II.1), link to access:

Table 5.13: Budget programs in the oil and gas industry, UAH thousand

Name of the budget program	General Fund		Special Fund	
	plan for 2017, adjusted for the changes made	cash execution (disbursement) in 2017	plan for 2017, adjusted for the changes made	cash execution (disbursement) in 2017
Reconstruction, major overhaul and technical re-equipment of the Urengoy-Pomary-Uzhgorod trunk gas pipeline ⁵¹	-	-	600,000.0	-
State support to the public joint-stock company "Trunk gas pipelines of Ukraine" ⁵²	1,000.0	134.4	-	-

According to the State Treasury Service of Ukraine, during 2017, the state budget received the total of UAH 2,098,106.73 from Naftogaz of Ukraine NJSC⁵³ and Ukrtransgaz JSC to repay the loans against the state guarantees (including the late charges).

 Table 5.14: Overdue debts of business entities in the oil and gas sector to the government on the loans against the state guarantees, as of 2017⁵⁴

Name of company	Currency code	Overdue loan repayment debt to the state		Receipts of funds to the state budget as debt repayment, UAH	Late charges accrued, UAH	
		in foreign currency	in national currency		Amount due to the state budget	Paid to the state budget
Naftogaz of Ukraine NJSC (Agreement of 05.06.2009 № 28010-02/60)	UAH	-	-	1,971,298.96	-	-
Naftogaz of Ukraine NJSC - EBRD (Agreement of	USD	-	-	56,492.02	-	-

www.treasury.gov.ua/ua/file-storage/rychniy-zvit-pro-vikonannya-derzhavnogo-byudzhetu-ukraini-za-2017-rik

⁵¹ The Treasury, Annual Report on Implementation of the State Budget of Ukraine for 2017 (Section III.1), link to access:

<https://www.treasury.gov.ua/storage/app/uploads/public/5c0/e3d/81d/5c0e3d81d2179431850514.xls>

⁵² The Treasury, Annual Report on Implementation of the State Budget of Ukraine for 2017 (Section II.1), link to access:

<https://www.treasury.gov.ua/storage/app/uploads/public/5c0/e3d/81c/5c0e3d81cbd3b533936390.xls>; Постанова КМУ №952 від 06.12.2017 р. "Про затвердження Порядку використання коштів, передбачених у державному бюджеті для державної підтримки публічного акціонерного товариства "Магістральні газопроводи України", режим доступу: <https://zakon.rada.gov.ua/laws/show/952-2017-%D0%BF>

⁵³ According to the information provided by PJSC Naftogaz of Ukraine NJSC, the aforementioned payments in the amount of UAH 1,971,298.96 and UAH 56,492.02 are the commission the company pays to the state for guaranteeing the relevant loan agreements.

⁵⁴ The Treasury, Report on overdue debts of economic entities to the state on loans against the government guarantees, link to access:

<https://www.treasury.gov.ua/storage/app/uploads/public/5c0/e3d/81f/5c0e3d81f0382781958639.xls>

23.10.2015 No. 47283)						
Ukrtransgaz JSC (Agreement of 11.12.2012 No. 15010-03/127)	EUR	-	-	69,820.32	-	495.43

In response to a request from the Independent Administrator about existing outstanding loans and / or guarantees on loans from the state or state-owned enterprises, the information was obtained from Naftogaz of Ukraine NJSC and Ukgazvydobuvannya JSC (**Table 5.15**). No information related to this indicator was found in the responses of other reporting companies.

Table 5.15: Loan agreements and loan guarantees where the oil and gas companies are parties during the reporting period, 2017

Name of company	Loan amount	Additional information
Naftogaz of Ukraine NJSC	UAH 1,971,756.53 thousand	Loan agreement with Oschadbank JSC, <i>The company fulfills its obligations on time and in full</i>
	UAH 4,800,000.00 thousand	Bonds of Naftogaz of Ukraine NJSC <i>The company fulfills its obligations on time and in full.</i>
	USD 2,000,000.00 thousand	Loan agreement with Gazprombank JSC <i>The company fulfills its obligations on time and in full</i>
	USD 300,000.00 thousand	Loan agreement with the European Bank for Reconstruction and Development <i>The company fulfilled its obligations on time and in full</i>
	EUR 478,285.00 thousand	London agreement with Citibank, N.A., London branch and Deutsche Bank AG, London branch <i>The company fulfilled its obligations on time and in full</i>
Ukgazvydobuvannya JSC	UAH 2,091,937.12 thousand (credit line limit)	Loan agreement with Ukreximbank JSC Objectives - financing of working capital (other than refinancing of credit debt) and payments under the contracts, including with letters of credit; The due date is 30.11.2018

According to the questionnaires, the reporting companies received no new loans or guarantees on loans from the state or state-owned enterprises during the reporting period.

Moreover, the reporting companies provided information on the transactions related to public sector oil and gas exploration companies, namely the size of reinvestment, the volume of external financing, the amount of retained earnings (**Table 5.16**).

Table 5.16: Transactions of public sector companies in oil and gas industry, 2017

Name of company	External borrowings in the reporting period ⁱ	Share of the net profit allocated to reinvestment	Retained earnings, UAH '000	
			as of 01.01.2017	as of 31.12.2017
Ukrtransgaz JSC	1) EUR 13,538,611.26 Duetsche Bank AG (№1/1212000351 of 11.12.2012 till 2023) 2) UAH 160,000,000.00 Ukgazbank JSB (No. 15-K/16- VIP of 26.07.2016 till 25.07.2017) 3) UAH 200,000,000.00 Alfa Bank PJSC (No. 73/16 of 07.11.2016 till 06.11.2017) 4) UAH 140,000,000.00 Tascombank JSC (No. NK 1279 of 29.12.2016 till 28.12.2017) 5) EUR 31,091,181.68 Duetsche Bank AG (No. 1/1212000351 of 11.12.2012 till 2023)	-	-	-
Ukgazvydobuvannya JSC	1) UAH 1,376,476 thousand (loan repayment) 2) UAH 756,875 thousand (loan received)	0 ⁵⁵	20,088,463	44,663,236
Ukrnafta PJSC	-	-	17,119,762	17,150,369
Kashtan Petroleum LTD JV	-	-	53,547	74,079
Naftogaz of Ukraine NJSC	-	-	-	-
Ukrtransnafta JSC	-	-	-	-
Joint Ukrainian-American Enterprise UkrCarpatyOil LTD	-	-	-	-

⁵⁵ Net profit - UAH 30,472,509 thousand, of which UAH 7,618,127 thousand is recognized as retained earnings for the statutory purposes; By decision of the Shareholder of the Company No. 272 dated 11.09.2018, UAH 7,618,127 thousand of the retained earnings was paid out as dividends.

In addition, the Independent Administrator analysed information on bank borrowings to oil and gas companies during 2017, which is available in open access as part of companies' financial reportings.

Table 5.17: Information about borrowings of oil and gas companies in 2017⁵⁶

Company	Type of borrowing	Amount	Interest rate/borrowing currency	Additional information
Ukrgezvydobuvannya JSC	Current borrowings, UAH thousand	531,900	22.0% - 24.0% / UAH	Secured by the following pledges: <ul style="list-style-type: none"> • property, plants and equipment (UAH 236,880 thousand), • inventories (UAH 100,940 thousand), • proceeds from future sales (UAH 5,848,502 thousand)
	Current borrowings, USD thousand	1,023,820	8.5% - 12.0% / USD	
Naftogaz of Ukraine NJSC	Non-current borrowings, UAH million	14,736	18% /UAH (remaining 21.162 UAH million) 7% /USD (remaining 26.706 UAH million) 2% / Euro (remaining UAH 11.447 million)	Secured by the following pledges: <ul style="list-style-type: none"> • proceeds from future sales (UAH 43,393 million), • property, plants and equipment (UAH 2,682 million), • inventories (UAH 38,208 million), As of 31 January, 2017 the company's borrowings in the amount of UAH 22,023 million were guaranteed by the State
	Current borrowings, UAH million	44,579		
Ukrtransgaz JSC	Non-current borrowings, UAH thousand	618,384	7% / Euro	Secured by the followings pledges: <ul style="list-style-type: none"> • proceeds from future sales (UAH 2,970,000 thousand) • inventories (UAH 1,815,281 thousand) As of 31 January, 2017 the company's borrowings in the amount of UAH 1,041,412 thousand were guaranteed by the State
	Current borrowings, UAH thousand	235,584		

Funds flow of Ukrgezvydobuvannya JSC as the result of financial activity in 2017 included borrowings from Ukrainian banks in the amount of UAH 756,875 thousand, repayments of borrowings from Ukrainian banks in the amount of UAH 1,376,476 thousand and payments of

⁵⁶ Ukrgezvydobuvannya JSC, Financial reporting 2017, <http://ugv.com.ua/uploads/1522851503.pdf>; Naftogaz of Ukraine NJSC, Consolidated financial reporting 2017, http://www.naftogaz.com/files/Zvity/Naftogas-17fs-Consolidated_UKR.pdf;

interest rates in the amount of UAH 73,704 thousand. As of 31 January 2017, the company violated its obligations regarding repayments of current borrowings in the amount of UAH 776,646 thousand. According to the financial reporting, violation of obligations in the amount of UAH 696,776 thousand is due to the re-assignment of the right to demand repayment of borrowings by an Ukrainian bank to another bank under the factoring agreement in 2017. On the company's request change of lenders was not appropriately approved by financial institutions, and for that reason the company's management has well-grounded concerns regarding the legitimacy of the re-assignment of the right to demand repayments. The company's management undertook the legislatively envisaged actions to determine a valid lender in order to repay debts on obtained borrowings. Detailed information on borrowing obligations of oil and gas companies and repayment dates is provided in the table below.

Table 5.18: Information on obligations of oil and gas companies with regards to borrowings

Company	Type of obligation	Date of obtaining	Outstanding debt, UAH thousand	Annual interest rate	Repayment date
Ukrgezvydobuvannya JSC	Borrowings from banks, including:		1,661,842		
	<i>credit line in UAH</i>	26.04.2013	210,147	22.8	15.06.2017
	<i>credit line in UAH</i>	30.05.2013	126,493	22.8	15.06.2017
	<i>credit line in UAH</i>	23.07.2013	115,390	22	15.06.2017
	<i>credit line in USD</i>	05.09.2013	244,746	12	15.06.2017
	<i>credit line in UAH</i>	29.08.2013	79,870	24	31.12.2014
	<i>credit line in USD</i>	09.06.2017	779,047	8.5	30.11.2018
Naftogaz of Ukraine NJSC	Borrowings from banks, including:				
	<i>commercial secret in accordance to para. 3.1 of the Company's Order №217 from 02.03.2013</i>	01.01.2014	56,229,006	0	31.12.2018

According to requirement 4.5 of the EITI Standard, for the purposes of preparing this Report, the questionnaires for reporting companies included questions about the amount of transfer payments (subsidies, subventions etc.) and other financial assistance received by the companies from the state during the reporting period. However, according to the survey, no such payments were reported by the reporting companies in the reporting period.

5.2.2 Oil and natural gas reserves

Ukraine's oil and natural gas deposits and fields are concentrated in three major oil and gas regions: Eastern, Western, and Southern. The major oil reserves (51.2%) are concentrated in the Eastern region. The Western region accounts for 34.1% of the balance sheet oil reserves, and 14.7% of oil reserves are concentrated in the Southern region.

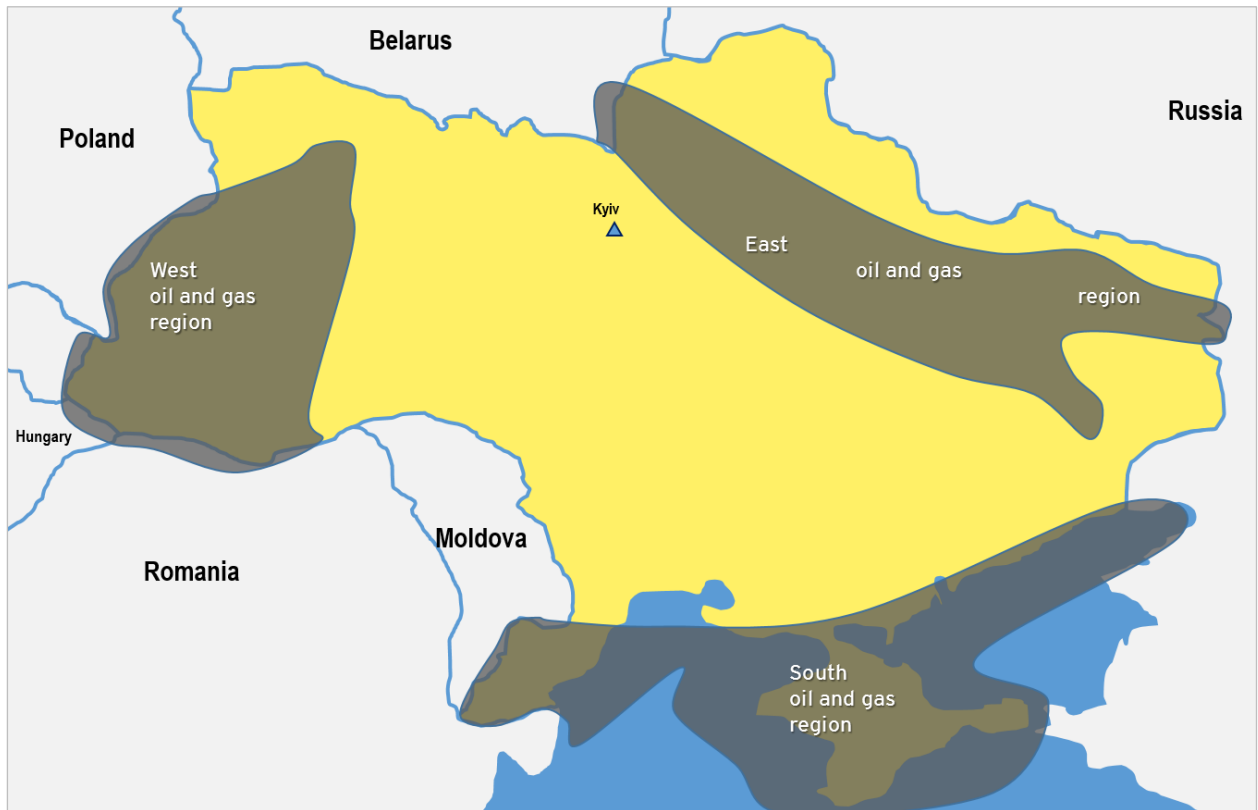


Figure 5-9: Location of oil and natural gas regions in Ukraine

According to the Geoinform of Ukraine SRPE, as of January 1, 2018, there were 199 deposits in the territory of Ukraine with estimated oil reserves of 109,574 thousand tonnes of balance sheet oil reserves. Of these, 137 fields were in the process of industrial development, and their reserves accounted for 79.0% of the balance sheet oil reserves in Ukraine, or 86,586 thousand tonnes. The total off-balance-sheet oil reserves in Ukraine amounted to 37,312 thousand tonnes as of 01.01.2018.

According to Geoinform of Ukraine SRPE, Ukraine has one medium size oil field (Glynsko-Rozbyshivske in the Poltava region - 12,173 thousand tonnes or 11.1% of the total oil balance sheet reserve in Ukraine) and two small ones (Yablunivske in the Poltava region - 7,403 thousand tonnes or 6.8% and Bugruvativske in the Sumy region - 8,679 thousand tonnes or 7.9% of the total balance sheet oil reserves). All other oil fields are in the category of small and very small ones.

The largest share of all oil balance sheet reserves in Ukraine is in Poltava region - 21,8%, Ivano-Frankivsk region - 18,9%, Sumy region - 15,8% and Lviv region - 11,7%. During 2017, in all Ukrainian regions there was a decrease in the volume of oil balance sheet stocks, of which the sharpest decline occurred in the Lviv region - by 40.6%.

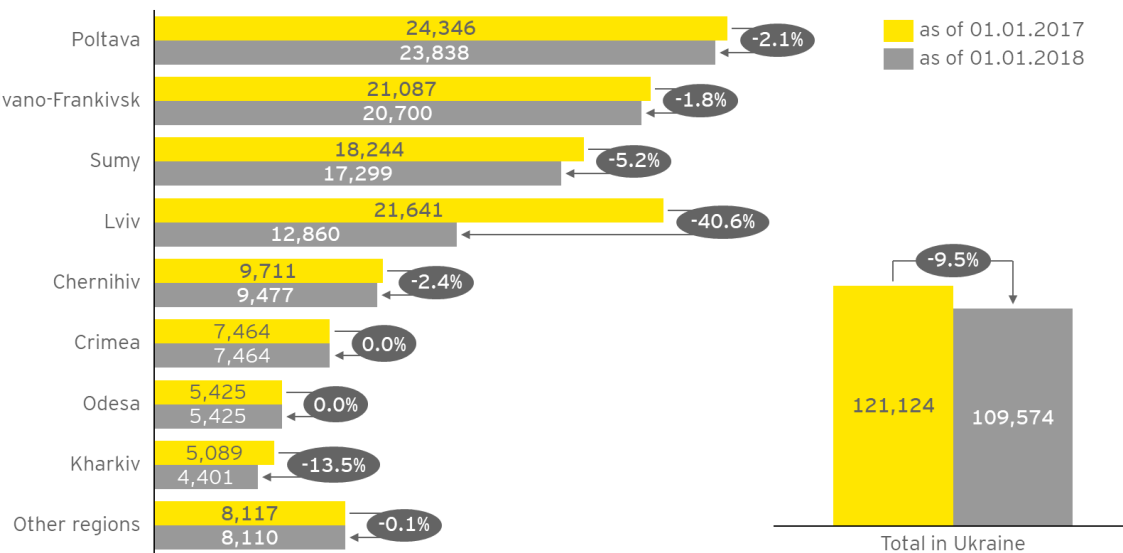


Figure 5-10: Structure of oil balance reserves by the regions of Ukraine as of 01.01.2017 and 01.01.2018, thousand tonnes ⁵⁷

The level of exploration of the initial total oil resources in Ukraine as of 01.01.2018 is relatively low (38.4% in 2017), while the exhaustion of the balance sheet oil reserves is high (72.3%)⁵⁸. This situation indicates a chronic under-financing of the industry and the need to attract large-scale investments to support production volumes in the short term and to increase them in the medium and long term.

According to Geoinform of Ukraine SRPE, there were 227 gas condensate deposits in the territory of Ukraine, whose balance sheet (extracable) reserves amounted to 42,965 thousand tonnes as of 01.01.2018. Of them, as of the end of 2017, 181 deposits were being developed, with their balance sheet reserves amounting to 38,438 thousand tonnes or 89.5% of the total balance sheet reserves in Ukraine. The total volume of off-balance-sheet gas condensate reserves in Ukraine as of 01.01.2018 equals to 8,476 thousand tonnes.

35.8% of all gas condensate reserves in Ukraine were concentrated in the 6 largest fields:

- ▶ Yablunivske - 5,868 thousand tonnes or 13.7% of the total balance sheet reserves in Ukraine;
- ▶ Glynsko-Razbyshivske - 4,685 thousand tonnes or 10.9%;
- ▶ Andriyashivske - 2,148 thousand tonnes or 5.0%;
- ▶ Zakhidno-Khrestyschenske - 1,422 thousand tonnes or 3.3%;
- ▶ Shebelynske - 634 thousand tonnes or 1.5%;
- ▶ Kotelenske - 620 thousand tonnes or 1.4%.

The largest deposits of the balance sheet gas condensate reserves are concentrated in the Eastern region and make up 90.9%. The reserves located in the Western and Southern regions are much smaller - 4.7% and 4.4%, respectively. Among all administrative regions (oblasts) of Ukraine, the largest gas condensate reserves are in the Poltava region - 52.7%, Kharkiv region - 17.7%, Sumy region - 13.7%.

⁵⁷ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Oil (Issue 60), 2018

⁵⁸ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Oil (Issue 60), 2018

There was no increase in balance sheet reserves in any administrative region of Ukraine. The largest fall in balance sheet reserves was observed in Kharkiv (18.0%), Poltava (14.9%) and Ivano-Frankivsk (12.8%) regions.

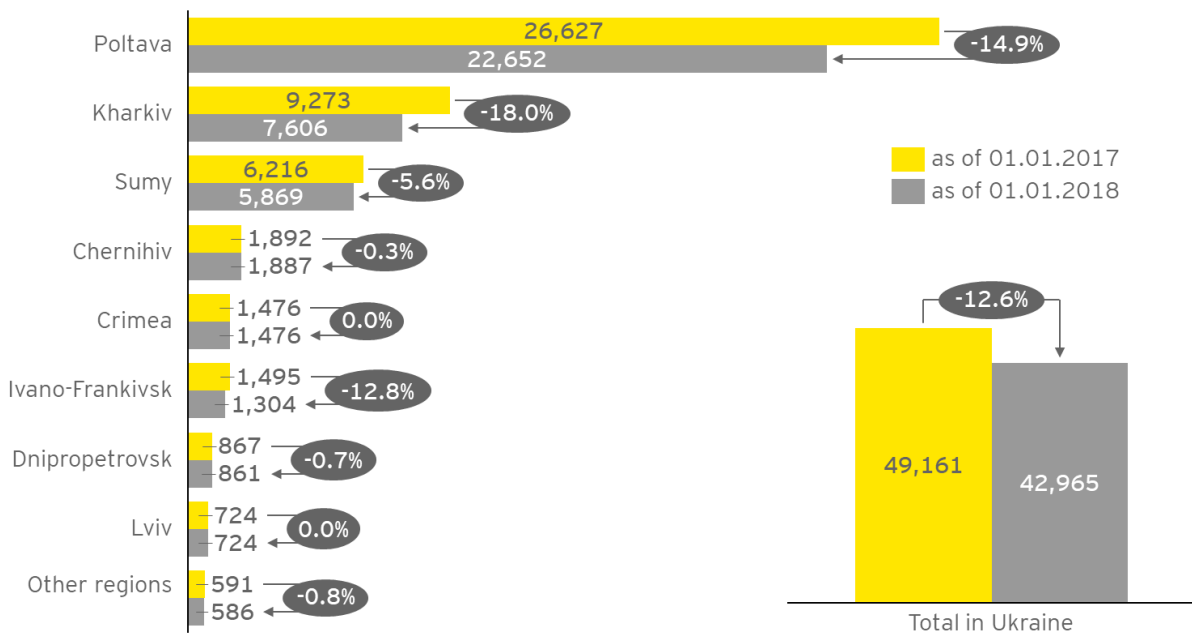


Figure 5-11: Structure of gas condensate balance reserves by the regions of Ukraine as of 01.01.2017 and 01.01.2018, thousand tonnes⁵⁹

The level of exploration of the current total gas condensate resources as of 01.01.2018 was 25.9%, and the level of exhaustion of gas condensate balance sheet reserves was 64.2%.⁶⁰ The figures are similar to those for oil and also confirm the industry's urgent need for investment.

According to Geoinform of Ukraine SRPE, the volume of natural gas balance sheet reserves in Ukraine as of 01.01.2018 amounted to 829,449 mcm, off-balance sheet reserves - 10,888 mcm and conditionally balance sheet reserves - 14 mcm. As of the end of 2017, there were 406 natural gas deposits in Ukraine, of which 268 were being developed (accounting for 86.7% of the total natural gas balance sheet reserves).

The 7 major natural gas deposit in Ukraine account for 34.3% of all balance sheet reserves, including:

- ▶ Yablunivske - 108,398 mcm or 13.1% of all balance sheets;
- ▶ Mashivske - 58,827 mcm or 7.1%;
- ▶ Zakhidno-Khrestyschenske - 50,482 mcm or 6.1%;
- ▶ Yefremivske - 36,097 mcm or 4.4%;
- ▶ Rozpashnivske - 22,105 mcm or 2.7%;
- ▶ Shebelynske - 5,063 mcm or 0.6%;
- ▶ Melykhivske - 3,481 mcm or 0.4%.

⁵⁹ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Condensate (Issue 47), 2018

⁶⁰ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Condensate (Issue 47), 2018

As of January 1, 2018, the largest natural gas balance sheet reserves were concentrated in the Eastern region - 78.7% of the total reserves in Ukraine, the smallest - in the Western region - 13.1% and the Southern region - 8.2%. According to the distribution of natural gas balance sheet reserves by administrative regions (oblasts), the largest share was in Kharkiv region - 38.3% of the total balance sheet reserves, Poltava region - 32.7% and Lviv region - 8.7%. During 2017, the balance sheet natural gas reserves decreased in all regions, however the most significant decrease was in Poltava (by 15.4%) and Sumy (by 9.1%) regions.

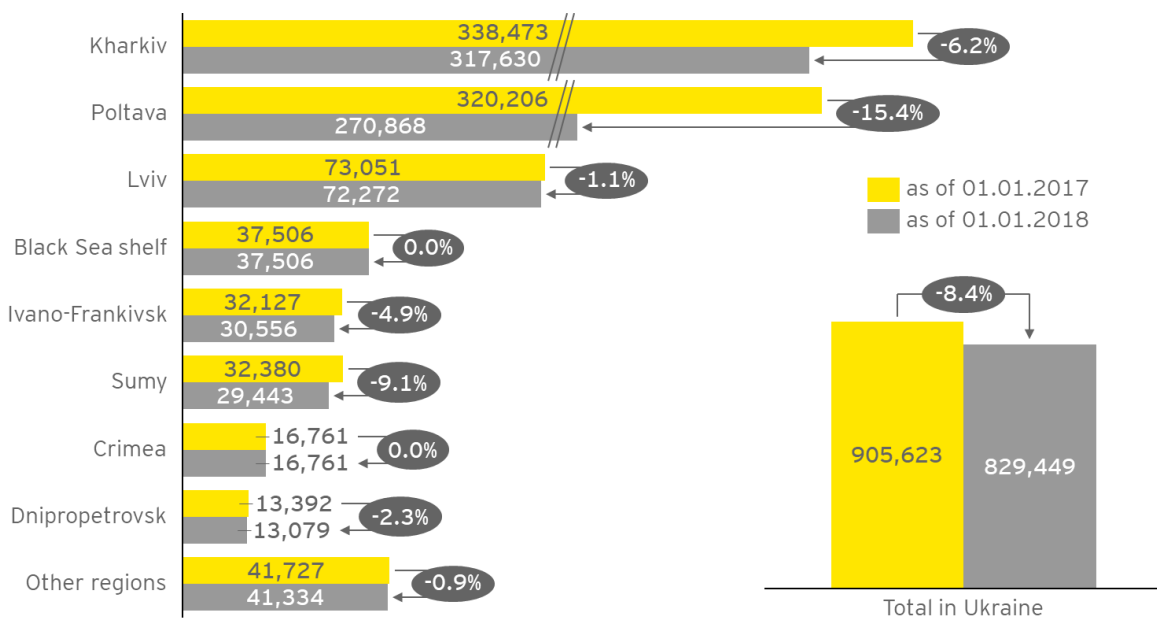


Figure 5-12: The structure of natural gas balance reserves by the regions of Ukraine as of 01.01.2017 and 01.01.2018, mcm⁶¹

5.2.3 Significant explorations

According to Geoinform of Ukraine SRPE, as of 01.01.2018, based on the results of geological exploration, the increase in the balance sheet reserves of oil amounted to 101 thousand tonnes, of which 49 thousand tonnes - for the public sector companies (Ukrgezvydobuvannya JSC), and 52 thousand tonnes for private sector companies.

Table 5.19: Increase in oil balance sheet reserves, based on the result of exploration in 2017⁶²

Name of deposit	Increase in balance sheet oli reserves, thousand tonnes	
	Total	including new deposits and fields
Ukrgezvydobuvannya PJSC		
Borysivske	5	5
Skorobohatkivske	1	1
Pereschepynske	6	0

⁶¹ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Natural gas (Issue 23), 2018

⁶² Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Oil (Issue 60), 2018

Name of deposit	Increase in balance sheet oil reserves, thousand tonnes	
	Total	including new deposits and fields
Kegychivske	36	0
Skvortsivske	1	0
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC		
Sakhalynske	17	0
Naftogaz Promyslova Geologia LLC		
The Mateshiv block of the Radchenkivsky deposit of the Mateshiv-Legediv area	9	9
Prime Gas LLC		
Chernetske	26	26
Total	101	41

In 2017, the SCMR of Ukraine approved the reserves of the following fields:

- ▶ Rosilnianske oil and gas condensate field, East-Kalynivske vault of the East-Rogintsiv oil field, Lukvinske oil and gas condensate field, Kachalivske oil and gas condensate field, Lypovodolynske oil and gas condensate field (hydrocarbons are produced by Ukrnafta PJSC);
- ▶ South-Berest oil and gas condensate field (hydrocarbons are produced by East Geological Union LLC);
- ▶ Chutivske oil and gas condensate field, Opishne oil and gas condensate field, Semenetz oil and gas condensate field, Druzhelyubivske oil and gas condensate field, Mygryn oil and gas condensate field, Berezivske oil and gas condensate field (extraction is carried out by Ukrgazvydobuvannya JSC).

As a result of exploration in 2017, the increase in the balance sheet reserves of gas condensate amounted to 192 thousand tonnes. The largest part of the increase in reserves is in the fields that are on the balance sheet of the public company (Ukrgasvydobuvannya JSC) - 184 thousand tonnes, and 8 thousand tonnes are the deposits of the private sector company (Energy Service Company Esco-Pivnich LLC).

Table 5.20: The increase in gas condensate balance sheet reserves as a result of exploration in 2017⁶³

Name of deposit	Increase in gas condensate balance sheet reserves, thousand tonnes	
	Total	including the new deposits and fields
Ukrgazvydobuvannya JSC		
Borysivske	10	10
Solokhivske	15	2
West Solokhivske	34	0
East Poltavske	30	30

⁶³ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Condensate (Issue 47), 2018

Name of deposit	Increase in gas condensate balance sheet reserves, thousand tonnes	
	Total	including the new deposits and fields
West Sosniwske	4	0
Chkalivske	5	0
Rozumivske	6	0
Razumovske	15	0
Kegychivske	5	0
Volokhivske	16	0
Yuliyivske	13	0
West Borysivske	3	0
Ulyanivske	2	1
Melyhivske	1	0
Stepove	22	0
Tymofiiivske	2	0
Yablunivske	6	0
Druzhelubivske	1	0
Makunivske	1	0
Skvortsivske	1	0
Energy and Service Company Eco-Pivnich LLC		
Zhuravlyne	8	8
Total	200	51

In 2017, the SCMR of Ukraine approved gas condensate reserves of 15 fields: West-Efremivske (8 thousand tonnes), Chutivske (82 thousand tonnes), Lypovodolynske (74 thousand tonnes), Rodnikove (2 thousand tonnes), West-Vidradsenske (1 thousand tonnes), Lukvynske (2 thousand tonnes), Opishnyanske (179 thousand tonnes), Sementsivske (254 thousand tonnes), Druzhelyubivske (43 thousand tonnes), Berezivske (481 thousand tonnes); Kegychivske (126 thousand tonnes), West-Sosnovske (57 thousand tonnes), Kachalivske (20 thousand tonnes), Rosilnyanske (30 thousand tonnes), Voloshkivske (386 thousand tonnes).

According to Geoinform of Ukraine SPRE, as a result of exploration works performed in 2017, the balance sheet natural gas reserves increased by 15,781 mcm, including at the deposits of public sector companies (Ukrgezvydobuvannya JSC) - by 15,491 mcm and in the fields of private sector companies - by 290 mcm.

Table 5.21: Increase of natural gas balance sheet reserves as a results of exploration works performed in 2017⁶⁴

Name of deposit	Increase in natural gas balance sheet reserves, mcm	
	Total	including new deposits and fields
Ukrgezvydobuvannya JSC		
Shebelynske	19	3
Maksalske	89	89
Borysivske	162	145

⁶⁴ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Natural gas (Issue 23), 2018

Name of deposit	Increase in natural gas balance sheet reserves, mcm	
	Total	including new deposits and fields
Pereschepynske	51	11
East Poltavske	877	877
Solokhivske	223	26
West Solokhivske	389	0
West Sosnivske	318	0
Chkalivske	104	0
Rozumivske	107	0
Lannivske	711	0
Kegychivske	1419	0
Yuliyivske	2318	0
Volokhivske	416	0
West Borysivske	32	0
Ulyanivske	108	22
Komyshnianske	4000	0
Stepove	1835	0
Timofiiivske	178	0
Kopylivske	113	0
Vesnyanske	8	0
Yablunivske	177	0
Druzhwlyubivske	62	0
Chervonoyarske	79	0
Skvortsivske	70	0
Narizhnyanske	6	0
Vynogradivske	7	0
East Novoselivske	26	0
Malokrynkivske	8	0
Eugenivske	33	0
Nedilne	8	0
Bogatoiske	10	0
Matviyivske	5	0
Lokachynske	19	0
Rudkivske	207	0
Oparske	563	0
Lyutnyanske	115	0
Dubanevytske	463	0
Pynanske	84	0
Makunivske	63	0
Medvedivske	9	0
Volodarske VP mine Zasyadka		
Volodarske	21	0
Zakhidnadraserervice LLC		
Bystritske	227	227

Name of deposit	Increase in natural gas balance sheet reserves, mcm	
	Total	including new deposits and fields
Energy Service Company Esco-Pivnich LLC "		
Zhuravlyne	34	34
Naftogzpromyslova Geologiya LLC		
Mateshiv block of Radchenkivske field of the Mateshiv-Legedovska area	8	8
Total	15,781	1,431

In 2017, the SCMR of Ukraine approved the natural gas reserves of the following fields:

- ▶ Mostivske gas field (geological exploration, including the experimental and industrial development of hydrocarbons, is carried out by Nadra of Ukraine NJSC Zakhidukrgeologia SE);
- ▶ West-Yefremivske gas condensate field (geological exploration, including experimental and industrial development, with further oil and gas extraction (industrial development) is carried out by Geo Alliance West-Efremivske LLC);
- ▶ Spivakivske gas field, Rodnikove gas condensate field, West-Vidradnenske gas condensate field, Kechyginiske gas condensate field, West-Sosnovske gas condensate field, Bilche-Volytske gas field, Rudkivske gas field (hydrocarbons are produced by Ukgazvydobuvannya JSC);
- ▶ Butsivske gas field (geological exploration, including experimental and industrial development, is carried out by Ukgazvydobuvannya JSC);
- ▶ Voloshkivske gas condensate field (hydrocarbons are produced by Ukrnafta PJSC);
- ▶ Debeslavetske gas field, Cheremkhivsko-Strupkivske gas field (hydrocarbons are produced by Zakhidgazinvest LLC).

5.2.4 Volumes of oil and natural gas extraction

In 2017, the total oil extraction in Ukraine was 1,515 thousand tonnes, which is 104 thousand tonnes or 6.4% less than in 2016. In the regional structure of oil extraction, Sumy region (38.4% of the total oil extraction in Ukraine), Ivano-Frankivsk region (22.0%) and Chernihiv region (17.2%) remain the leaders.

Of all administrative regions, the largest decrease was observed in the Sumy region - by 135 thousand tonnes or 18.8% compared to 2016. Significant reduction in extraction is also shown by Chernihiv region - by 17 thousand tonnes or 6.1% and Poltava region - by 16 thousand tonnes or 10.1%. At the same time, the volumes of oil extraction in the Ivano-Frankivsk region increased significantly - by 56 thousand tonnes or 20.2% compared to 2016. Production volumes also increased in the Lviv region, however to lesser extent - by 6,000 tonnes or 4.5%.

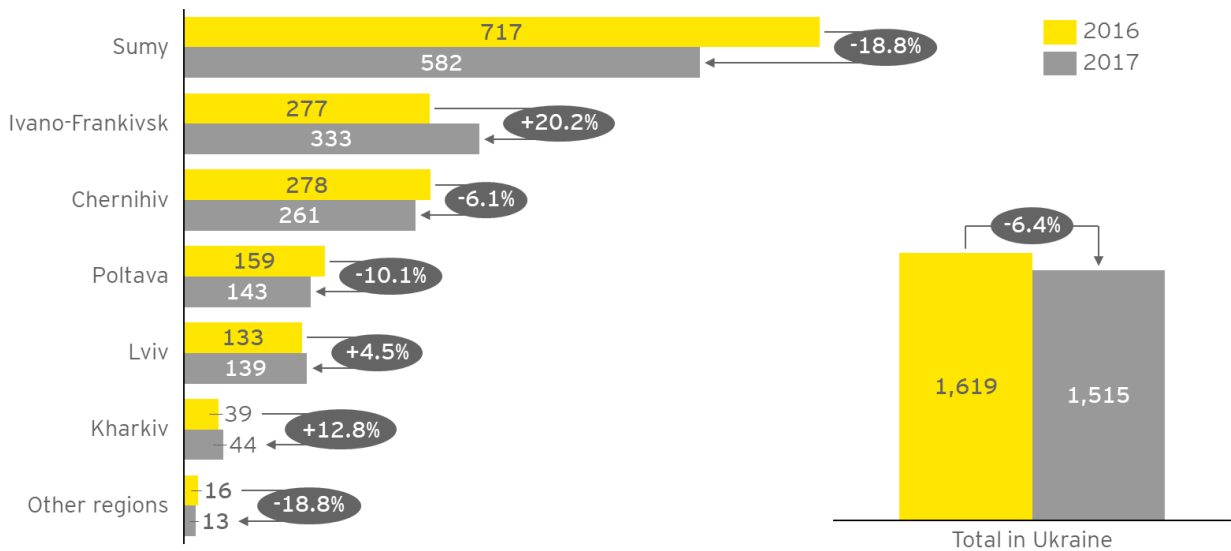


Figure 5-13: Oil extraction by the regions of Ukraine in 2016-2017, thousand tonnes ⁶⁵

Oil extraction from 17 major fields (accounting for 46.6% of the total oil balance sheet reserves in Ukraine as of January 1, 2018) amounted to 957 thousand tonnes, or 63.2% of the total oil extraction in the country.

Table 5.22: Oil extraction by major deposits in Ukraine in 2017, thousand tonnes ⁶⁶

Name of deposit	Oil extraction, thousand tonnes	% of the total extraction in Ukraine
Bugruvativske	292	19.3%
Dolynske	132	8.7%
Anastasivske	126	8.3%
Gnidyntsiyske	93	6.1%
North Dolynske	47	3.1%
Bytkiv-Babchenske	40	2.6%
Kachanivske	37	2.4%
Glinsko-Rozbyshivske	31	2.0%
Strutynske	28	1.8%
Skorokhodivske	27	1.8%
Boryslavske	24	1.6%
Yablunivske	21	1.4%
Prylutske	16	1.1%
Rybalske	12	0.8%
Malodivyske	12	0.8%
Stynavske	11	0.7%
Korzhiyske	8	0.5%
Total	957	63.2%

⁶⁵ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Oil (Issue 60), 2018

⁶⁶ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Oil (Issue 60), 2018

In 2017, public sector companies (Ukrnafta PJSC and Ukgazvydobuvannya JSC), which accounted for 92.4% of the total oil extraction in Ukraine, have traditionally remained the key players in the oil market. In 2017, private sector companies produced 7.6% of the total oil extraction in Ukraine, with the leaders being Joint Venture Ukrkarpatoil LTD LLC, Poltava Petroleum Company JV, and Kashtan Petroleum LTD JV. According to Geoinform of Ukraine SRPE, oil extraction by public sector companies decreased by 146 thousand tonnes or 9.4% in 2017 compared to 2016, and by private sector companies - increased by 42 thousand tonnes or 57, 5%.

Table 5.23: Oil extraction in Ukraine by companies in 2016-2017 ⁶⁷

Company	Oil extraction, thousand tonnes		
	2016	2017	change in 2017 compared to 2016, %
Total public sector, including:	1,546	14,00	-9.4%
Ukrnafta PJSC	1,444	1,320	-8.6%
Ukgazvydobuvannya JSC	102	80	-21.6%
Total private sector, including:	73	115	57.5%
Joint Venture Ukrkarpatoil LTD LLC	0	40	-
Poltava Petroleum Company JV	33	26	-21.2%
Kashtan Petroleum LTD JV	14	17	21.4%
Boryslav Oil Company in the form of LLC JV	9	11	22.2%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	6	8	33.3%
East Geological Union LLC	5	4	-20.0%
Ukrainian Drilling Company LLC	4	4	0.0%
Yusenko Nadra LLC	2	4	100.0%
Zakhidenergobud LLC	0	1	-
Total	1,619	1,515	-6.4%

The volume of gas condensate produced in 2017 moderately increased by 3.7% compared to 2016 to 669 thousand tonnes. More than half of the total extraction in Ukraine was in the Poltava region (61.1%), and Kharkiv region produced 33.5 % of the total gas condensate.

⁶⁷ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Oil (Issue 60), 2017 and 2018.

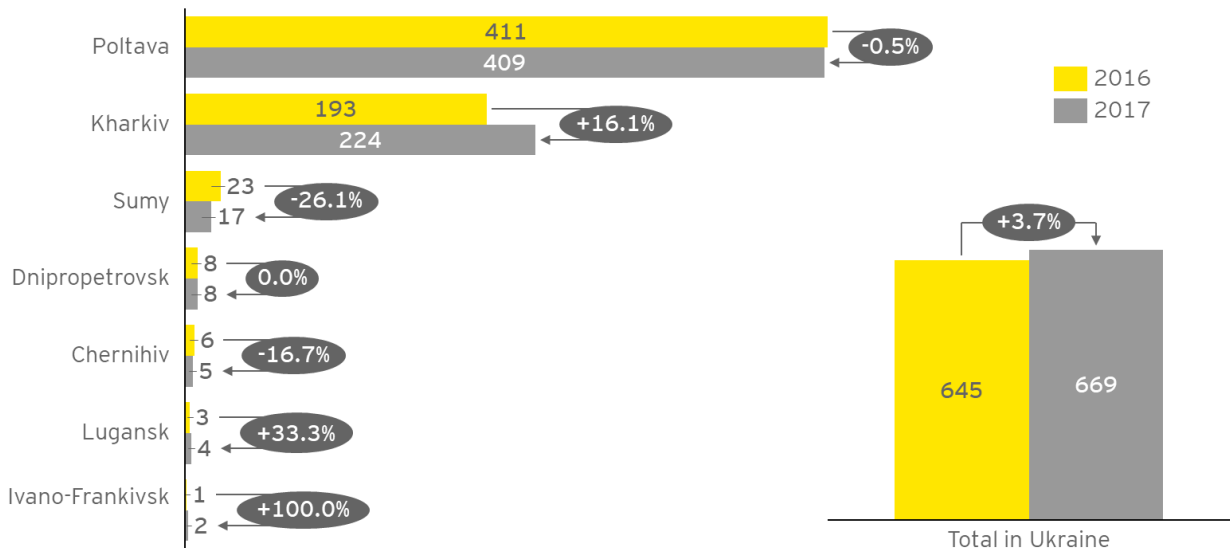


Figure 5-14: Gas condensate production by the regions of Ukraine in 2016-2017, thousand tonnes⁶⁸

Gas condensate extraction at 6 major deposits (accounting for 35.8% of total gas condensate balance sheet reserves as of 01.01.2018) made up 12.6% of the total Ukraine's production in 2017.

Table 5.24: Volume of Gas condensate extraction by major deposits in Ukraine in 2017, thousand tonnes⁶⁹

Name of deposit	Gas condensate production, thousand tonnes	% of total production in Ukraine
Yablunivske	47	7.0%
Zakhidno-Khrestyschenske	18	2.7%
Kotelevske	13	1.9%
Shebelynske	3	0.4%
Andriyashivske	2	0.3%
Glynsko-Rozbyshivske	1	0.1%
Total	84	12.6%

Gas condensate, like oil, is mostly extracted by public sector companies (Ukrgezvydobuvannya JSC, Ukrnafta PJSC) - 66.4% of the total extraction in Ukraine. The output of private sector companies in 2017 was 31.8% of the total gas condensate produced in Ukraine. The largest private gas condensate producers are Naftogazvydobuvannya PrJSC, Natural resources PrJSC, Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, Energy Service Company Esko-Pivnich LLC. While the volumes of gas condensate produced by public sector companies have decreased somewhat due to the reduction of output of Ukrnafta PJSC, for private sector companies this figure has increased.

⁶⁸ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Condensate (Issue 47), 2018

⁶⁹ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Condensate (Issue 47), 2017 and 2018.

Table 5.25: Gas condensate extraction in Ukraine by companies in 2016 2017⁷⁰

Enterprise	Gas condensate extraction, thousand tonnes		
	2016 ⁷¹	2017	change in 2017 compared to 2016, %
Total public sector, including:	451	444	-1.6%
Ukrgezvydobuvannya JSC	381	390	2.4%
Ukrnafta PJSC	70	54	-22.9%
Total private sector, including:	183	213	16.4%
Naftogazvydobuvannya PrJSC	56	55	-1.8%
Natural resources PrJSC	41	47	14.6%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	35	42	20.0%
Energy Service Company Esko-Pivnich LLC	22	37	68.2%
Representative Office of Regal Petroleum Corporation Limited	11	13	18.2%
Poltava Petroleum Company JV	7	6	-14.3%
Systemoilgenering LLC	5	5	0.0%
Cube-Gas LLC	3	4	33.3%
Ukrgezvydobutok PrJSC	3	4	33.3%
Arab Energy Alliance UA LLC	3	2	-33.3%
Nadra-Geoinvest LLC	2	2	0.0%
Energiia-95 LLC	2	2	0.0%
Prom-Energo Product LLC	2	2	0.0%
Persha ukraiinska gazonaftova kompaniia LLC	0	1	-
Ukrainian Drilling Company LLC	0	1	-
East Geological Union LLC	0	1	-
Kashtan Petroleum LTD JV	1	1	0.0%
Plast PrJSC	1	0	-100.0%
Total	645	669	3.7%

Natural gas extraction in 2017 in Ukraine amounted to 20,509 mcm, which is 472 mcm or 2.4% more than in 2016. According to the Geoinform of Ukraine SRPE, most of the natural gas was produced in two regions - Kharkiv (46.9% of the total gas extraction in Ukraine) and Poltava region (42.2% of the total gas extraction in Ukraine). The key natural gas extracting regions demonstrated a moderate increase in extraction in 2017: Kharkiv region - by 252 mcm or 2.7%, Poltava region - by 345 mcm or 4.2%, Lviv region - by 40 mcm or 6.4%, Dnipropetrovsk region - by 5 mcm or 0.9%, Ivano-Frankivsk region - by 31 mcm or 7.7%. The largest decrease in extraction was in the Sumy region - by 139 mcm or 32.3% compared to 2016.

⁷⁰ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Condensate (Issue 47), 2017 and 2018

⁷¹ The 2016 EITI Report includes the gas condensate extraction by enterprises based on the reporting companies data (questionnaires), while this 2017 EITI Report used Geoinform of Ukraine SRPE as the source of relevant information.

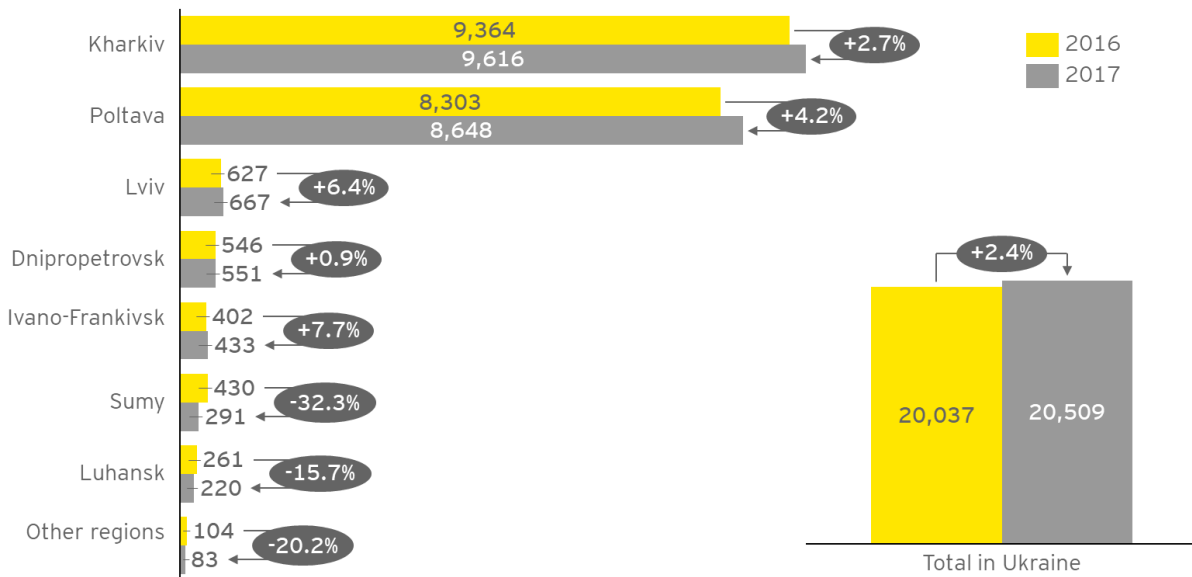


Figure 5-15: Natural gas extraction by the regions of Ukraine in 2016-2017, mcm⁷²

Natural gas extraction at the main 7 deposits (which collectively made up 34.3% of the total natural gas balance sheet reserves of 01.01.2018) in 2017 amounted to 29.6% of the total gas extraction in Ukraine (Table 5.26).

Table 5.26: Natural gas extraction by major deposits in Ukraine in 2017, mcm⁷³

Name of deposit	Natural gas extraction volume, mcm	% of the total gas extraction in Ukraine
Yablunivske	2,173	10.6%
Mashivske	993	4.8%
Zakhidno-Khrestyschenske	901	4.4%
Rozpashnivske	864	4.2%
Yefremivske	547	2.7%
Melykhivske	338	1.6%
Shebelynske	247	1.2%
Total	6,063	29.6%

According to Geoinform Ukraine SRPE, the largest player in the natural gas market is the state owned enterprise Ukrgezvydobuvannya JSC, which accounted for 74.4% of the total natural gas extraction in 2017. Overall, in 2017, public sector companies produced 79.8% of the total natural gas output, and the private sector companies - 20.2%.

While Ukrgezvydobuvannya JSC increased its natural gas extraction by 644 mcm or 4.4% compared to 2016, a decrease of 190 mcm or 14.7% is observed for Ukrnafta PJSC. Overall, in 2017, the output by public sector companies increased by 2.9% and the private sector companies by just 0.4%.

⁷² Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Natural gas (Issue 23), 2017 and 2018

⁷³ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Natural gas (Issue 23), 2017 and 2018

Table 5.27: Natural gas extraction in Ukraine by companies in 2016-2017⁷⁴

Company	Natural gas extraction, mcm		
	2016	2017	change in 2017 compared to 2016, %
Total public sector, including:	15,912	16,369	2.9%
Ukrgezvydobuvannya JSC	14,605	15,249	4.4%
Ukrnafta PJSC	1,296	1,106	-14.7%
Chornomornaftogaz PJSC	11	14	27.3%
Total private sector, including:	4,125	4,140	0.4%
Naftogazvydobuvannia PrJSC	1,627	1,652	1.5%
Energy Service Company Esko-Pivnich LLC	615	545	-11.4%
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	483	542	12.2%
Natural resources PrJSC	234	237	1.3%
Poltava Petroleum Company JV	194	174	-10.3%
Cube-Gas LLC	208	167	-19.7%
Ukrgezvydobutok PrJSC	116	118	1.7%
Persha ukraiinska gazonaftova kompaniia LLC	111	106	-4.5%
Nadra-Geoinvest LLC	91	105	15.4%
Energiiia-95 LLC	90	90	0.0%
Systemoilingenerying LLC	75	74	-1.3%
Representative Office of Regal Petroleum Corporation Limited	58	72	24.1%
Other companies	223	258	15.7%
Total	20,037	20,509	2.4%

⁷⁴ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Natural gas (Issue 23), 2017 and 2018

5.2.5 Oil and natural gas transportation

5.2.5.1 Natural gas transportation

Background information on gas transmission system and major transportation routes

Ukraine's gas transportation system (GTS) is one of the largest in the world. The total length of GTS gas pipelines is 37.6 thousand km, of which 22.0 thousand km are trunk gas pipelines, 13.1 thousand km are gas pipeline branches and 2.5 thousand km are gas distribution pipelines.

Due to its geographical location and structure, the Ukrainian GTS is used for two purposes: the distribution and transportation of imported and domestically produced gas to domestic consumers, and the transit of Russian gas to European consumers.

In terms of its technical structure, Ukrainian GTS consists of 705 pumping units, which are located at 73 compressor stations, with a total capacity of 5,496 MW. As of the end of 2017, there were 1,473 gas distribution stations (GDS). The detailed information about the gas transportation system of Ukraine please see the website of Ukrtransgaz JSC⁷⁵.

The total volume of domestic transportation and transit of natural gas in 2017 increased by 8.2% to 120.9 bcm. The volume of natural gas transit, compared to 2016, increased by 13.7% and amounted to 93.5 bcm, while the volume of gas transportation to domestic consumers decreased by 7.1% to 27.4 bcm. Ukraine remained the largest natural gas transiter to Europe (*Figure 5-17*).

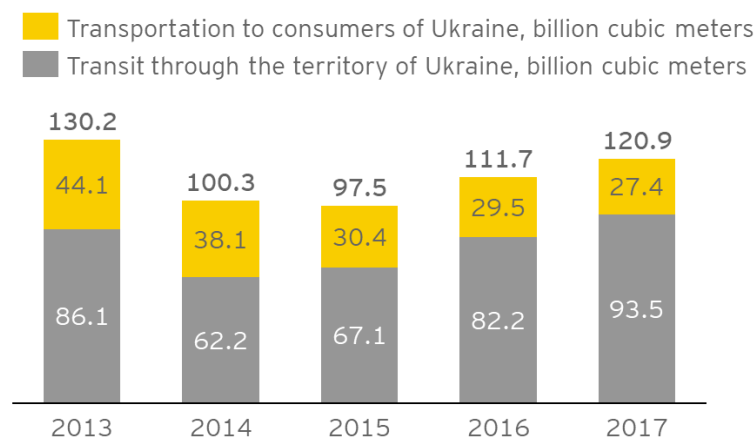


Figure 5-16: Volumes of natural gas transit and transportation to Ukrainian consumers through the trunk gas pipelines in 2013 - 2017⁷⁶

⁷⁵ Official site of Ukrtransgaz JSC, link to access: <http://utg.ua/utg/gts/description/>

⁷⁶ 2017 Annual Report of Naftogaz of Ukraine PJSC, link to access: http://www.naftogaz.com/files/Zvity/NAK_AnRep2017_UA.pdf

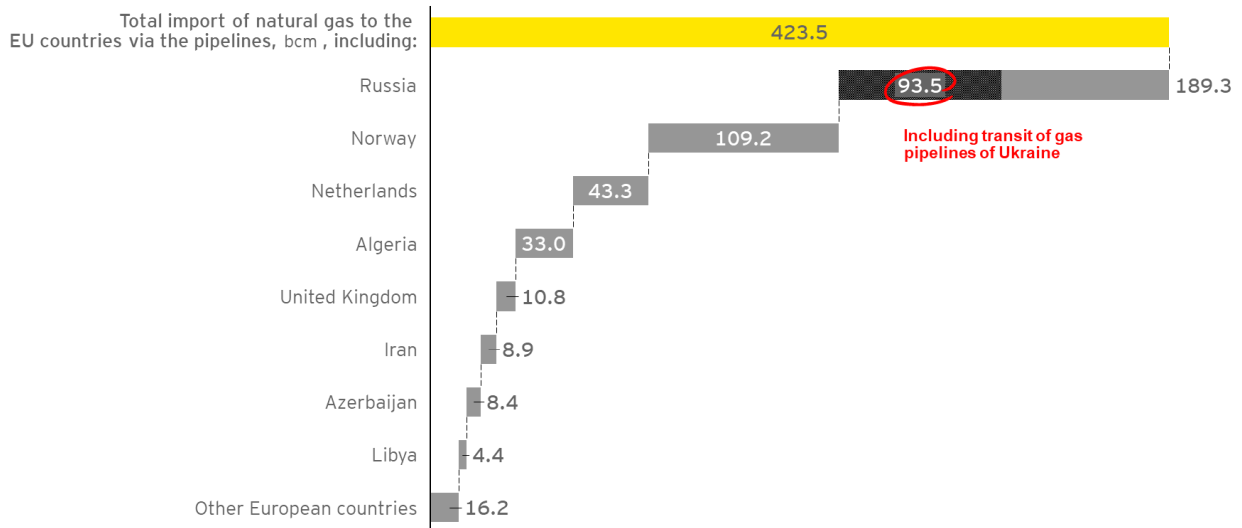


Figure 5-17: Structure of the total supply of natural gas to EU countries through the trunk gas pipelines in 2017⁷⁷

According to the Ministry of Energy, the physical volume of natural gas that entered Ukraine through the cross-border points from the EU countries in 2017, was 14.0 bcm, which is 26.5% more than in 2016 (11.07 bcm) (Figure 5-18).

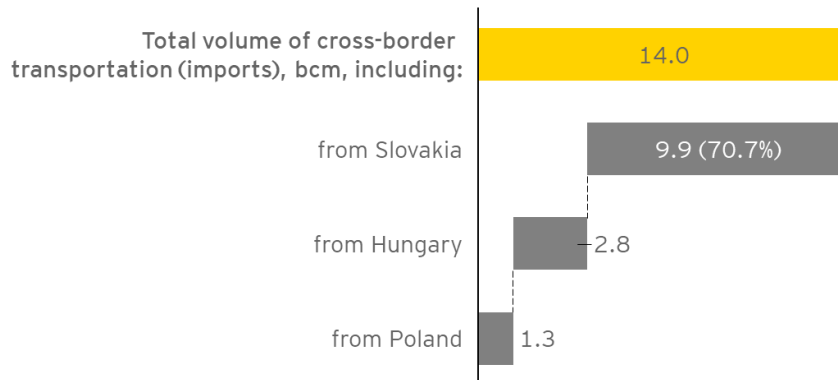


Figure 5-18: Natural gas supplied to Ukraine through the cross-border points by country, 2017⁷⁸

Transportation routes

In 2017, gas was transported via the Ukrainian GTS to Slovakia (53.5 bcm), Hungary (11.7 bcm), Moldova (2.7 bcm), Romania (20.9 bcm) and Poland (4.7 bcm).⁷⁹ The figure below shows the volumes of natural gas transportation by the border gas metering stations (Figure 5-19).

⁷⁷ BP Statistical Review of World Energy, 67th edition, 2017, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2018-full-report.pdf>

⁷⁸ Ministry of Energy, 2017 Report on the results of monitoring the security of natural gas supply, link to access: http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245302172&cat_id=245131779

⁷⁹ 2017 Annual Report of Naftogaz of Ukraine NJSC, link to access: http://www.naftogaz.com/files/Zvity/NAK_AnRep2017-UA.pdf

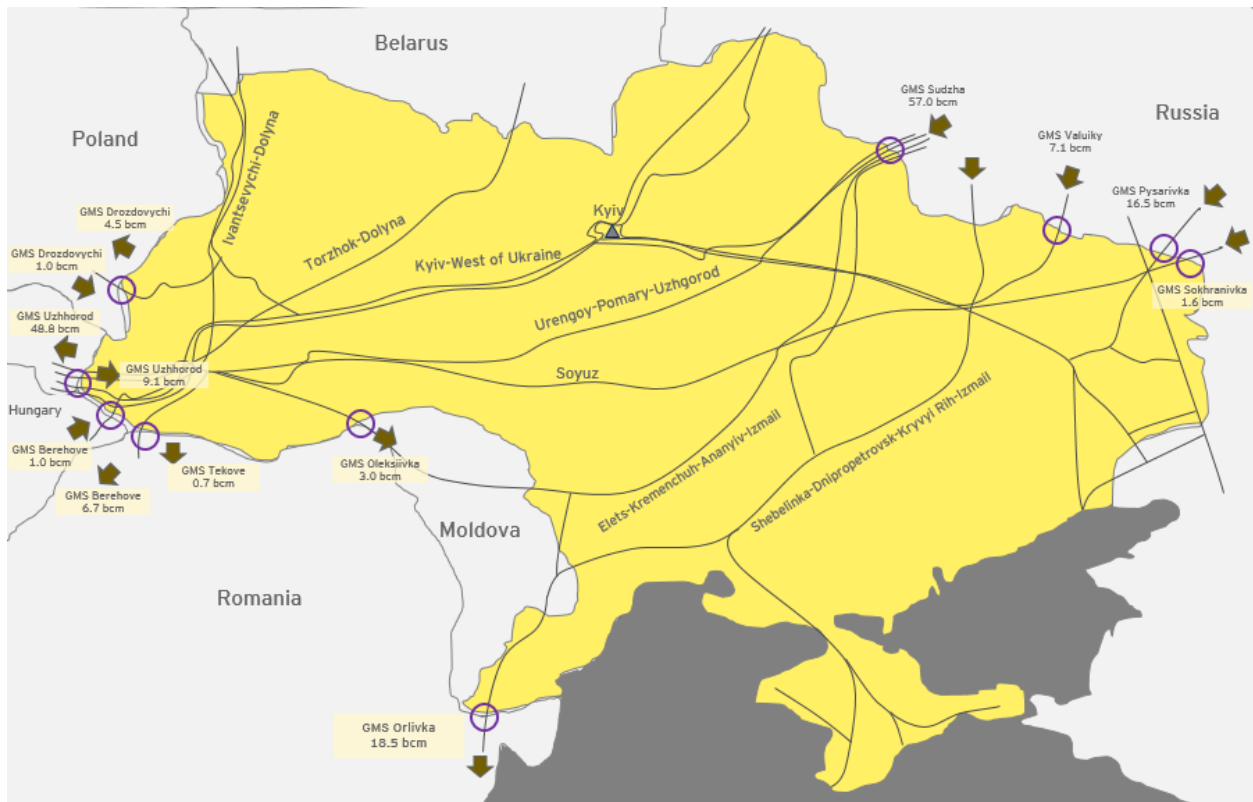


Figure 5-19: Volumes of natural gas that entered and exited the Ukrainian GTS through the individual border gas metering stations (GMS) in 2017⁸⁰

The gas transportation system operator is also responsible for pumping in and storing gas in the underground gas storage facilities. According to Naftogaz of Ukraine NJSC, in 2017, Ukrtransgaz JSC pumped 9.2 bcm⁸¹ of gas to the underground gas storage facilities (UGSF), which is 43.2% more than in 2016 (6.4 bcm⁸²). Therefore, as of the end of 2017, the natural gas stocks in the underground storage facilities amounted to 14.7 bcm. The total volume of natural gas extracted from the UGSF in 2017 was 6.4 bcm.⁸³

The natural gas extracted in the territory of Ukraine is pumped into the gas transportation system, including underground storage facilities, and is transported to a large number of consumers, which are located across Ukraine. Therefore, it is not possible to establish gas transportation routes within the meaning of the EITI standard.

Tariffs for natural gas transportation services

In 2017, the mechanism for establishing tariffs for natural gas transportation services through the trunk pipelines from the entry point to the exit point that are located on the state border of Ukraine, was determined by the Methodology approved by the resolution of the National Energy

⁸⁰ 2017 Annual Report of Naftogaz of Ukraine NJSC, link to access:

http://www.naftogaz.com/files/Zvity/NAK_AnRep2017_UA.pdf

⁸¹ 2017 Annual Report of Naftogaz of Ukraine NJSC, link to access:

http://www.naftogaz.com/files/Zvity/NAK_AnRep2017_UA.pdf

⁸² 2016 Annual Report of Naftogaz of Ukraine NJSC, link to access:

http://www.naftogaz.com/files/Zvity/Anual_report_ukr_170608.pdf

⁸³ Naftogaz of Ukraine NJSC, The Results of Ukrainian GTS Operations in 2017, link to access:

<http://utg.ua/utg/media/news/2018/01/results-2017.html>

and Utilities Regulatory Commission (NEURC) No. 2517 (**Figure 5-20**).

Moreover, the tariff-setting mechanism in 2017 provided for the establishment of a single common tariff for the transportation of natural gas for all Ukrainian consumers, except for those who get natural gas directly from the trunk gas pipelines.⁸⁴

In 2017, the tariffs for gas transportation services were as follows:

- ▶ General tariff for transportation of natural gas through the trunk gas pipelines to Ukrainian consumers - 732.7 UAH / tcm (net of VAT);
- ▶ Tariff for consumers whose own gas pipelines are directly connected to the trunk gas pipelines - 615.1 UAH / tcm (net of VAT);
- ▶ Average weighted tariff for transportation of gas through the pipelines owned by Ukrtransgaz JSC - UAH 219 / tcm (net of VAT);

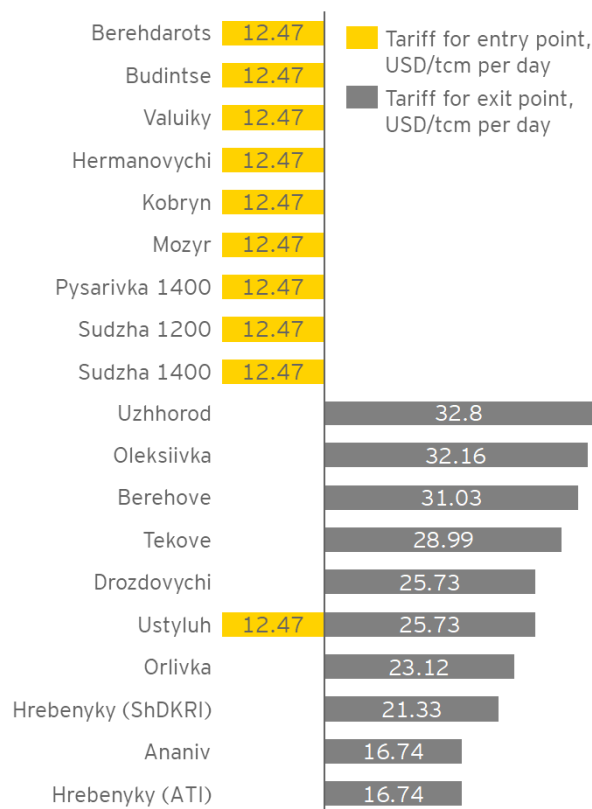


Figure 5-20: Tariffs for transportation of natural gas through the trunk pipelines for the entry points to and exit points from the GTS, USD / tcm (excluding VAT)⁸⁵

Tariffs for natural gas distribution services

In the period up to October 2015, the tariffs for natural gas distribution services were set in accordance with the Methodology for calculating tariffs for natural gas transportation and

⁸⁴ NERCEP Resolution of 29.12.2015 No. 3159, <https://zakon.rada.gov.ua/rada/show/v3159874-15>;

⁸⁵ NEURC Resolution of 29.12.2015 No. 3158, link to access: <https://zakon.rada.gov.ua/rada/show/v3158874-15>

supply to gas companies approved by the NEURC. According to the Methodology, tariffs were to be established based on the physical volumes of natural gas distribution⁸⁶.

After the Law of Ukraine on legal principles of functioning of the natural gas market in Ukraine, which is based on free competition principles became effective in October 2015, the fee of the GTS operator and the GDS (gas distribution system) operator is charged as payment for capacity. The law also provides for the development of a natural gas market in Ukraine capable of integrating with the markets of the Energy Community member states.⁸⁷

In accordance with the requirements of the Law and in order to bring Ukrainian legislation in line with the EU legislation, the NEURC developed the Methodology for determining tariffs for natural gas distribution services, which calculates the tariff based on the total planned annual natural gas distribution capacity connected to the trunk pipelines⁸⁸. In March 2017, the NEURC decided to set tariffs for the list of gas distribution companies, based on the capacities.⁸⁹ However, in response to the appeals from consumers and public authorities, the NEURC decided to repeal its previous Resolutions No. 349-392 on setting tariffs for natural gas distribution services in April 2017.⁹⁰

Therefore, in 2017, the general tariff for natural gas transportation and distribution services tariffs were determined based on physical distribution volumes and calculated using the old methodology. The weighted average tariff for natural gas distribution services amounted to 513.7 UAH / tcm during 2017.

Tariffs for pumping in services, storage and withdrawal of natural gas from gas storage facilities

The tariffs for natural gas storage (pumping in, withdrawal) services for the benefit of the UGSF operator are calculated using the Methodology approved by the NEURC in June 2016 based on the amount of capacity distributed between the applicants.⁹¹ For example, during 2017, the following tariffs for natural gas supply, storage and withdrawal from the UGSF applied to Ukrtransgaz JSC (net of VAT)⁹²:

- ▶ natural gas injection into the UGSF - 32.9 UAH / tcm
- ▶ storage of natural gas - 46.2 UAH / tcm
- ▶ withdrawal of natural gas - 32.9 UAH / tcm

Income and financial result of the Gas Transportation System Operator

In 2017, the volumes of natural gas transit as well as the revenue of Ukrtransgaz JSC from transit continued to increase, however the company significantly increased its losses compared to 2016 - the net loss increased more than 4 times to - 24,830.6 million tonnes. Unlike

⁸⁶ NEURC Performance Report 2017, link to access:

https://www.nerc.gov.ua/data/filearch/Catalog3/Richnyi_zvit_NKREKP_2017.pdf

⁸⁷ NEURC Performance Report 2017, link to access:

https://www.nerc.gov.ua/data/filearch/Catalog3/Richnyi_zvit_NKREKP_2017.pdf

⁸⁸ NEURC Resolution of 25.02.2016 No. 236, link to access: <http://www.nerc.gov.ua/index.php?id=22109>

⁸⁹ NEURC Resolution of 28.03.2017 No. 349-392

⁹⁰ NEURC Performance Report 2017, link to access:

https://www.nerc.gov.ua/data/filearch/Catalog3/Richnyi_zvit_NKREKP_2017.pdf;

NEURC Resolution of 10.04.2017, link to access: <http://www.nerc.gov.ua/?id=24871> (The Resolution was annulled by the decision of the Sixth Administrative Court of Appeal of 19.06.2019 in Case No. 826/10631/17).

⁹¹ NEURC Resolution of 13.06.2016 No. 1131, link to access: <https://zakon.rada.gov.ua/laws/show/z1035-16#n12>

⁹² NEURC Resolution of 26.06.2013 No. 741, link to access: <https://zakon.rada.gov.ua/rada/show/v0741862-13>

Ukrtransgaz JSC, its parent company Naftogaz of Ukraine NJSC has profited from gas transportation activities (*Figure 5-21, Figure 5-22*).

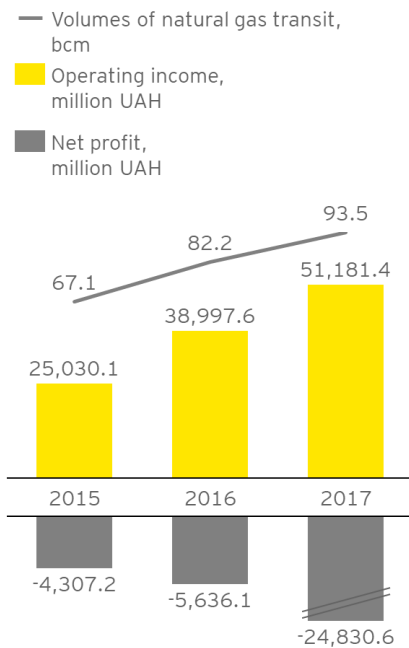


Figure 5-21: Operating income and net profit (loss) of Ukrtransgaz JSC in 2015-2017^{93,94}

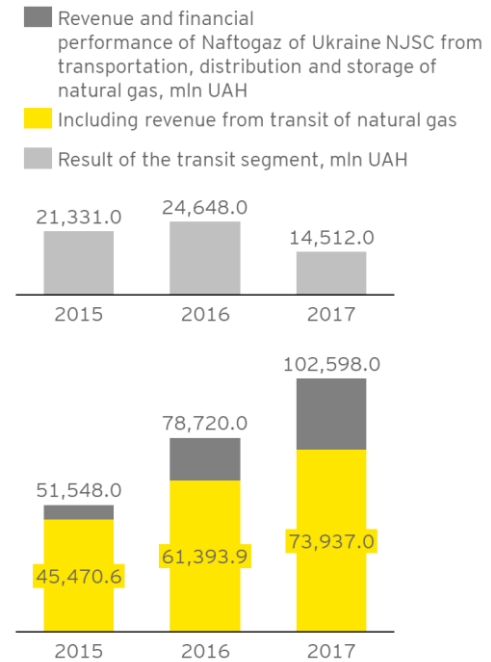


Figure 5-22: Income and financial result of Naftogaz of Ukraine NJSC from natural gas transportation, distribution and storage in 2015-2017⁹⁵

In 2017, Ukrtransgaz JSC received UAH 51,181.4 million as operating income, which included the following⁹⁶:

- ▶ Services of transportation of natural gas through the trunk gas pipelines - UAH 29,021.1 million, including:
 - ▶ Income from transportation of natural gas extracted in the territory of Ukraine through the trunk gas pipelines for Ukrainian consumers - UAH 6,898.9 million,
 - ▶ Income from transit of natural gas through the territory of Ukraine - UAH 22,122.2 million.
- ▶ Natural gas storage services - UAH 1,297.8 million;
- ▶ Income from power distribution (cross-border points) - UAH 4,640.3 million;
- ▶ Income from balancing the system - UAH 15,515.5 million;
- ▶ Other products, goods, works and services - UAH 253.2 million.

⁹³ Ukrtransgaz JSC, 2017 and 2016 Financial Statements, link to access: <http://utg.ua/utg/about-company/reports.html>

⁹⁴ Net profit (loss) and income of Ukrtransgaz JSC in 2016 was adjusted in the 2017 financial statements by decision of an independent auditor

⁹⁵ Consolidated financial statements of Naftogaz of Ukraine NJSC for 2016 and 2017; Separate financial statements of Naftogaz of Ukraine NJSC for 2016 and 2017, link to access:

<http://www.naftogaz.com/www/3/nakweb.nsf/0/c4775d2495121a4ac2257ad90051f66d>

⁹⁶ Ukrtransgaz JSC, 2017 Financial Statements, link to access: <http://utg.ua/img/menu/company/reports/2017/audit-report-UTG-2017.pdf>

As a result of data collection during the preparation of the EITI Report, only 11 reporting oil and gas companies provided information (some companies provided incomplete information) on physical volumes and costs of natural gas transportation (**Table 5.28**). Other oil and gas companies did not pay for transportation during the reporting period. On the other hand, Ukrtransgaz JSC provided only aggregated information on the revenue from natural gas transportation through the trunk gas pipelines without breakdown by the payers. Therefore, due to lack of information, the reconciliation of payments for natural gas transportation was impossible to perform⁹⁷.

However, the table below presents the relevant information disclosed by the mining companies. According to the data received, the companies spent only UAH 147.5 million for transportation of 1,366.2 mcm of natural gas. Ukrtransgaz JSC received the bulk of these funds, namely UAH 130.4 million.

Table 5.28: Expenses of oil and gas companies for natural gas transportation in 2017

Name of the paying company	Physical volume of transportation of natural gas extracted by the company, mcm	Total cost of transportation of natural gas extracted by the company, UAH thousand (net of VAT)	Name of the company that transported the produced natural gas
Nadra-Geoinvest LLC	8.30	5,490.80	Poltavgazbydobuvannia GPD represented by Ukgazvydobuvannya JSC
Persha ukrainska gazonaftova kompaniia LLC	0.03	0.70	Ukrnaftogazinvest LLC ⁹⁸
Energy Service Company Esco-Pivnich LLC	75.33	11,676.30	Poltavgazbydobuvannia GPD represented by Ukgazvydobuvannya JSC
Prom-Energo Product LLC	31.40	-	-
Ukgazvydobutok PrJSC	113.07	-	-
Representative Office of Regal Petroleum Corporation Limited	71.99	-	-
Naftogazvydobuvannia PrJSC	-	36,061.20	Ukrtransgaz JSC
Natural resources PrJSC	228.74	Payment for natural gas transportation was made by consumers	Ukrtransgaz JSC
Ukrnafta PJSC	596.53	90,731.73	Kryvyi Rih LVUMG Branch of UMG Kharkivtransgaz PJSC Ukrtransgaz

⁹⁷ JSC Ukrtransgaz provides transportation services to more than a thousand consumers, of which mining companies make up less than 5%. On the other hand, most of the mining companies do not pay transportation services directly to the Operator, but most often to traders or consumers (purchasers) of natural gas. Thus, the direct relationship between the Operator and the mining company is extremely rare. In 2017, only three such cases were identified by the Independent Administrator. The amount that was paid and theoretically could be verified amounted to 130 354,36 thousand UAH. (excluding VAT), or 0.45% of revenue from a natural gas transportation service. Thus, the amount of transportation revenue that could be reconciled is absolutely insignificant.

⁹⁸ The main activity of the company is natural gas extraction. The founders of the company are Hazenerho-Ukrayina PJSC (EDRPOU code - 35918479; the amount of the contribution to the statutory fund is UAH 3,108,000) and the Italian company Compagnia Generale Idrocarburi (the amount of the contribution to the statutory fund is UAH 592,000).

Name of the paying company	Physical volume of transportation of natural gas extracted by the company, mcm	Total cost of transportation of natural gas extracted by the company, UAH thousand (net of VAT)	Name of the company that transported the produced natural gas
Poltava Petroleum Company JV	150.50	3,561.43	Ukrtransgaz JSC
Energiia-95 LLC	90.30	-	Ukrtransgaz JSC
Total	1,366.19	147,522.16	

In 2017, the companies also paid UAH 752,643.22 thousand for other services related to natural gas transportation, in favor of Ukrtransgaz JSC (*Table 5.29*).

Table 5.29: Other payments by the company in favour of Ukrtransgaz JSC in 2017

Name of the paying company	Purpose of payment	Amount of payment, UAH '000 (net of VAT)
Energy Service Company Esco-Pivnich LLC	Natural gas storage fee	728.00
	Laboratory tests	19.00
	Fee for non-compliance with natural gas quality parameters	85.00
Ukrgezvydobutok PrJSC	Natural gas pumping in fee	13,739.98
	Natural gas storage fee	11,335.48
Prom-Energo Product LLC	Natural gas pumping in fee	3,977.03
	Natural gas storage fee	3,281.04
	Fee for non-compliance with natural gas quality parameters	223.39
Representative Office of Regal Petroleum Corporation Limited	Natural gas pumping in fee	36,002.96
Naftogazvydobuvannia PrJSC	Natural gas storage fee	
	Payment for non-compliance with natural gas quality parameters	2,674.50
Natural resources PrJSC	Natural gas storage fee	3,384.78
Cube-Gas LLC	Fee for balancing services	38.90
	Financial support for balancing services	70.00
Ukrnafta PJSC	Fee for violation of the requirements for the quality of natural gas	672,862.76
	Natural gas storage fee	677.45
	Natural gas withdrawal and storage fee	1,834.06790
	Natural gas pumping in storage fee	1,708.88
Poltava Petroleum Company JV	Natural gas storage fee	497.50
Total		752,643.22,

5.2.5.2 Oil transportation

Background information on the main transportation routes and the Operator of the trunk oil pipelines system

The oil pipeline transportation system owned by Ukraine is used for transportation of domestically produced oil from domestic producers to refineries, transportation of imported oil to domestic refineries, as well as transit of oil mainly to EU countries. At the north-western border of Ukraine, the system is connected to Belarus, at the north-east - with Russia, at the western border - with Hungary and Slovakia, with the overland oil transit route from Belarus to EU countries.

Oil transportation in Ukraine is performed by Ukrtransnafta JSC, whose founder and sole shareholder is Naftogaz of Ukraine NJSC. In structural terms, Ukrtransnafta JSC includes the following branches: Druzhba Trunk Oil Pipelines (oil transportation to Drohobych Refinery and Naftokhimik Prykarpattya Oil Refinery), Prydniprovsky Trunk Oil Pipelines (oil transportation to Lysychansk Oil Refinery (suspended as of 2017) and Kremenchuk Refinery) and Southern Trunk Oil Pipelines (Kherson Refinery (suspended in 2005), and Odessa Refinery, which in 2017 was confiscated in favour of the state by a decision of the Suvorivsky District Court of Odessa). As of 01.01.2018, the Ukrainian trunk oil pipelines system included 19 oil pipelines with a total length of 3,506.6 km (4,767.1 km in one thread), the system capacity is 114 million tonnes / year inlet, and 56.3 million tonnes / year outlet⁹⁹ (**Figure 5-23**).



Figure 5-23: Scheme of the main Ukrainian trunk pipelines¹⁰⁰

⁹⁹ Official site of Ukrtransnafta JSC, link to access: <https://www.ukrtransnafta.com/>

¹⁰⁰ 2016 Annual report of Naftogaz of Ukraine NJSC, link to access: http://www.naftogaz.com/files/Zvity/Annual_report_ukr_170608.pdf

Overall, there is a decrease in the volume of oil transit between 2009 and 2017. The sharpest drop occurred from 2009 to 2012, whereas during 2013-2016 the decline was more moderate and in 2017 even a slight increase was observed (from 13.8 million tonnes in 2016 to 13.9 million tonnes in 2017). It is also worth noting that in 2012, construction and commissioning of the 2nd Baltic oil pipeline route was completed,¹⁰¹ which is now used for transit of oil from Russia, which had previously passed through the territory of Ukraine.

In 2017, the volume of total oil transportation increased by 5.3% compared to 2016 and amounted to 16.0 million tonnes. Of these, the volume of oil transit amounted to 13.9 million tonnes, and the transportation to refineries of Ukraine - 2.1 million tonnes. Of the total volume of domestic transportation to the Ukrainian refineries, domestic oil extraction amounted to 1,246.5 thousand tonnes and imported oil - 850 thousand tonnes. At the same time, the increase in volumes of transportation to the Ukrainian refineries in 2017 compared to 2016 was significantly higher (by 0,7 million tonnes) than the increase in the volume of oil transit (by 0.1 million tonnes).¹⁰²

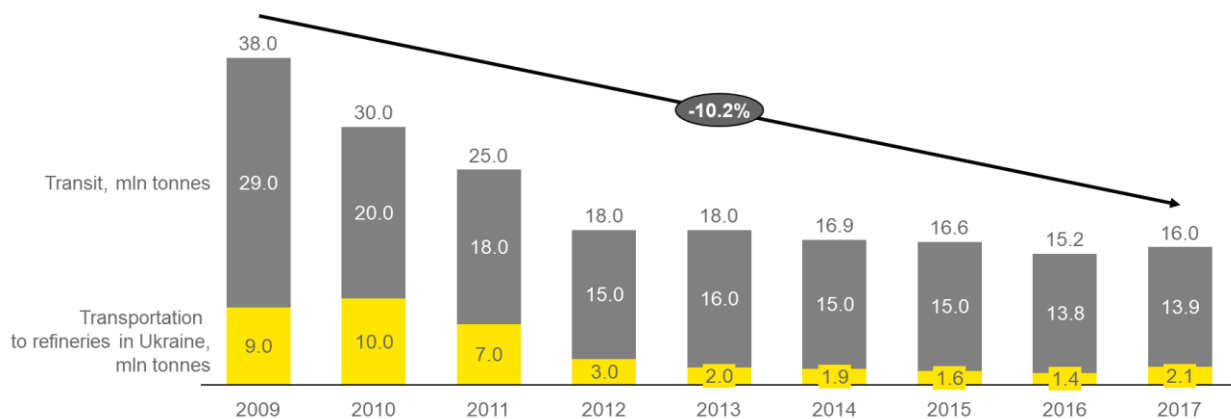


Figure 5-24: 2009-2017 Volume of oil transportation and transit through the trunk oil pipelines by Ukrtransnafta JSC in 2009-2017¹⁰³

Tariffs for oil transportation

The tariffs for the transportation of oil through the trunk oil pipelines for oil transportation companies were calculated in accordance with the Methodology approved by NEURC.¹⁰⁴ During 2017, the transportation tariffs were set by NEURC Resolution No. 2362 of 23.12.2016 (for 18 oil transportation routes - **Table 5.30**).

It is worth noting that in 2017, changes were made to the approach of calculating tariffs for the transportation of oil through the pipelines. Thus, in May 2017, the NEURC adopted the

¹⁰¹ 2017 Annual report of Naftogaz of Ukraine NJSC, link to access:

http://www.naftogaz.com/files/Zvity/NAK_AnRep2017-UA.pdf

¹⁰² Ukrtransnafta JSC, 2017 Annual Securities Issuer Information, link to access: <https://www.ukrtransnafta.com/wp-content/uploads/2018/04/Річна-інформація-за-2017-рік.pdf>

¹⁰³ Ukrtransnafta JSC, 2009 - 2014 Annual Securities Issuer Information, link to access: <https://www.ukrtransnafta.com/dokumentij/>;

2016 and 2017 Annual report of Naftogaz of Ukraine NJSC, link to access:

http://www.naftogaz.com/files/Zvity/Annual_report_ukr_170608.pdf

http://www.naftogaz.com/files/Zvity/NAK_AnRep2017-UA.pdf

¹⁰⁴ NEURC Resolution of 30.07.1999 No. 993, link to access: <http://www.nerc.gov.ua/?id=16269>

Procedure for Forming Tariffs for the Transportation of Oil and Petroleum Products through the Trunk Pipelines, which provides for the distribution of costs of the enterprise by two segments of transportation (transit transportation of oil through the territory of Ukraine and transportation of oil for Ukrainian consumers).¹⁰⁵

Table 5.30: Tariffs for the transportation of oil through the trunk oil pipelines by Ukrtransnafta JSC in 2017¹⁰⁶

No.	Rout of oil transportation through the trunk oil pipelines	Tariff, UAH per netto ton (net of VAT)
1	32 km State border with Belarus - Odessa Refinery	201.9
2	Marine Oil Terminal Pivdennyi – Naftohimik Prykarpattya Refinery	177.4
3	Odesa PZD – Naftohimik Prykarpattya Refinery	169.1
4	Marine Oil Terminal Pivdennyi - Galychyna Refinery	166.8
5	Odesa PZD – Galychyna Refinery	160.1
6	nn M. Pavlivka – Odessa Refinery	146.0
7	NPS Gnidyntsi – Odessa Refinery	144.8
8	Glynsko-Rozbyshivska LVSD - Odessa Refinery	133.4
9	32 km State border with Belarus - Naftohimik Prykarpattya Refinery	123.2
10	32 km State border with Belarus - Galychyna Refinery	112.6
11	Odesa PZD – Kremenchuk Refinery	107.9
12	NPS Dolyna - Galychyna Refinery	101.6
13	Marine Oil Terminal Pivdennyi – Kremenchuk Refinery	101.3
14	nn M. Pavlivka – Kremenchuk Refinery	53.4
15	NPS Gnidyntsi – Kremenchuk Refinery	52.2
16	Glynsko-Rozbyshivska LVSD - Kremenchug Refinery	41.1
17	NPS Dolyna - Naftohimik Prykarpattya Refin	28.8
18	Glynsko-Rozbyshivska LVSD - NPS Gnidyntsi	26.4

Income and financial result of the Oil Transportation System Operator

In 2017, the income of Ukrtransnafta JSC increased in proportion to the transportation volumes and amounted to UAH 3,788.0 million, exceeding the income received in 2016 by 8.1%. Also, net income increased significantly, amounting to UAH 2,139.7 million, which is 40.1% more than in 2016 (**Figure 5-25**).

According to the data provided by Ukrtransnafta JSC, the total income of the company from oil transportation in 2017 amounted to UAH 3,738.9 million, including:

- ▶ Income from transportation of oil to Ukrainian consumers - UAH 165.3 million,
- ▶ Income from oil transit through the territory of Ukraine -UAH 3 573,5 million.

¹⁰⁵ NEURC Resolution of 25.05.2017 No.690, link to access: <https://zakon.rada.gov.ua/laws/show/v0690874-17>

¹⁰⁶ NEURC Resolution of 23.12.2016 No. 2362, link to access: <https://www.nerc.gov.ua/?id=22883>

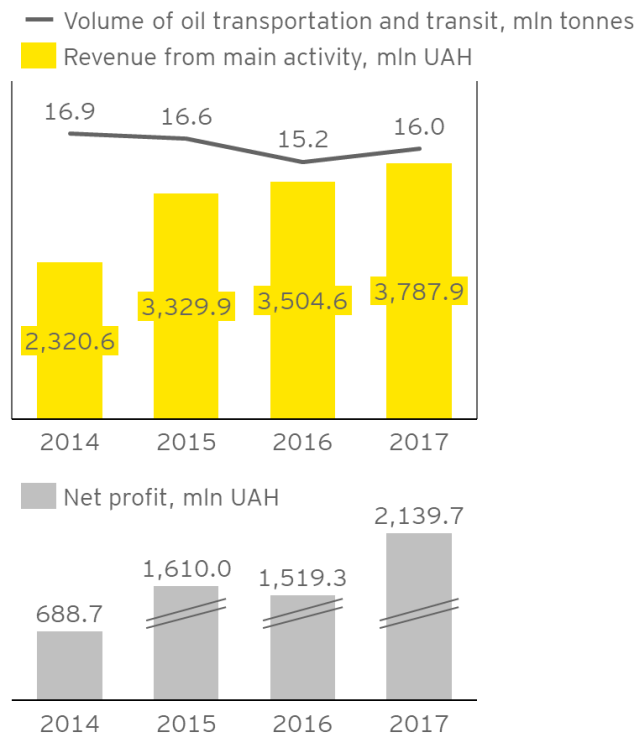


Figure 5-25: Operating income and net income of Ukrtransnafta JSC compared to transit volumes in 2017¹⁰⁷

The total physical volume of oil transportation in 2017 amounted to 16,033.685 thousand tonnes, including the volume of oil transported to Ukrainian consumers - 2,096.6 thousand tonnes, and the volume of oil transit through the territory of Ukraine - 13,937.1 thousand tonnes.

Table 5.31: The volume of oil transportation by transportation routes in 2017

Transportation route	Oil transportation, thousand tonnes
<i>Transportation of domestically produced oil to Ukrainian consumers</i>	
NPS Gnidyntsi – Kremenчук Refinery	407.25
Glynsko-Rozbyshivska LVSD – Kremenchug Refinery	74.59
nn M. Pavlivka – Kremenchuk Refinery	408.16
NPS Dolyna – Galychyna Refinery	223.64
nn Oriv – Galychyna Refinery	25.76
nn Boryslav – Galychyna Refinery	107.10
<i>Transportation of oil imported for Ukrainian consumers</i>	
Odesa PZD – Kremenchuk Refinery	850.06 ¹⁰⁸
<i>Oil transit</i>	
State Border of Ukraine – Slovakia	5,507.52
State Border of Ukraine – Czech Republic	4,040.00
State Border of Ukraine – Hungary	4,389.58

¹⁰⁷ Ukrtransnafta JSC, Financial Statements, 2015-2017, link to access: <https://www.ukrtransnafta.com/dokumenty/>

¹⁰⁸ Country of origin of oil – Azerbaijan Republic

When collecting data for the EITI Report, only two companies provided information on the cost of transportation of oil, which collectively transported 1,239.43 thousand tonnes of oil, accounted for total of UAH 75,637.33 thousand (**Table 5.32**). Other oil and gas companies did not pay for transportation during the reporting period. On the other hand, Ukratransnafta JSC provided only aggregated data on the revenue from oil transportation, without detailing by the payers. Therefore, due to lack of information, the reconciliation of payment for natural gas transportation is impossible to perform.

Table 5.32: Expenses of oil and gas companies for transportation of oil in 2017

Name of paying company	Physical volume of transportation of oil extracted by the company, thousand tonnes	Total cost of transportation of oil extracted by the company, thousand UAH (net of VAT)	Name of the company that transported the extracted oil
Ukrnafta PJSC	1,207.28	72,890.33	Ukratransnafta JSC,
Ukrainian-American Enterprise UkrCarpatOil LTD JV	32.15	2,747.00	Ukrnafta PJSC, NGVU Nadvirnanaftogaz
Total	1,239.43	75,637.33	

5.2.6 Exports and imports of oil and natural gas

While in 2016 oil was not exported at all, in 2017 Ukraine exported a small amount of oil - 83.5 thousand tonnes worth USD 28.9 million. Almost all oil exports (99.9%) were to Italy, the rest to Moldova and the USA.

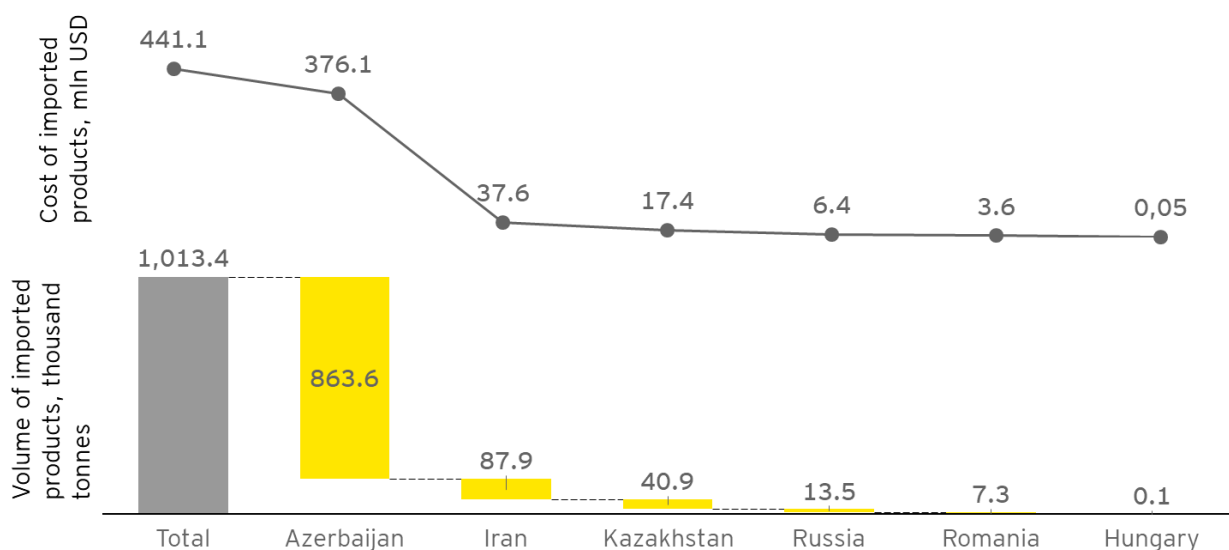


Figure 5-26: Oil imports by country in kind and in value, 2017¹⁰⁹

According to the State Statistics Service, in 2017, Ukraine imported 1,013.4 thousand tonnes of oil worth USD 441.1 million, which is almost twice as much as in 2016 (516.0 thousand

¹⁰⁹ SSSU, Foreign Trade in Certain Commodities by Country, 2017, link to access: http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

tonnes). The main supplier country was Azerbaijan, which imported 863.6 thousand tonnes or 85.2% of the total volume of imported oil. Smaller volumes of oil were purchased from Iran - 8.7% of the total volume of imported oil, Kazakhstan - 4.0% and other countries.

In 2017, like in 2016, natural gas was not exported from Ukraine.

Natural gas imports in 2017 amounted to 13.9 bcm, and its value - USD 3,227.9 million. Switzerland and Germany remain the main natural gas suppliers to Ukraine, accounting for 40.5% and 26.6% of the total imported natural gas in 2017, respectively.

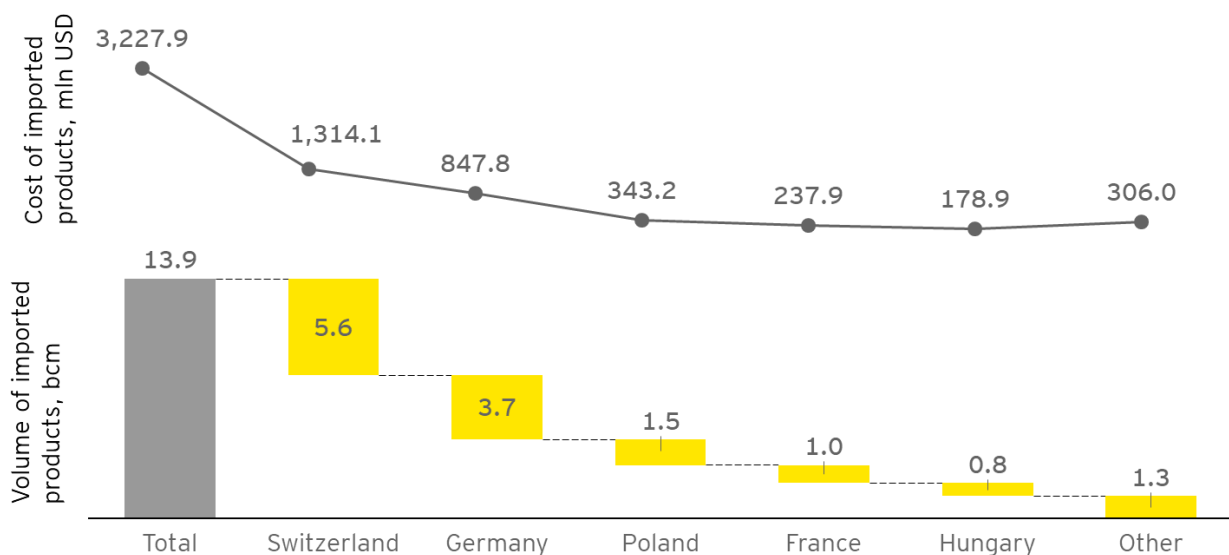


Figure 5-27: Imports of natural gas in kind and in value in 2017¹¹⁰

Conclusions

Despite a moderate increase in natural gas extraction by 2.4% in 2017 compared to the previous year, the country's own resources were not sufficient to fully meet domestic consumption needs. Accordingly, natural gas imports increased by 27.9% compared to 2016.

In 2017, oil extraction decreased by 6.4%, whereas gas condensate production increased by 3.7%. At the same time, oil imports have almost doubled in 2017 compared to 2016. Extraordinary development for Ukraine was export of oil in 2017, although its volume was insignificant.

In Ukraine, the level of development of natural gas and oil reserves remains low. Therefore, while maintaining the current level of production, oil reserves will last for 72 years, gas condensate for 67 years, and natural gas for 40 years, which indicates the need for investment in these fields and development of new deposits.

¹¹⁰ SSSU, Foreign Trade in Certain Commodities by Country, 2017, link to access: http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

The volume of natural gas transit through the territory of Ukraine in 2017 increased by 13.7% compared to 2016 and amounted to 93.5 bcm, while the volume of domestic transportation of natural gas to Ukrainian consumers decreased by 7.1% to 27.4 bcm. The total income of Ukrtransgaz JSC from its operating activity continued to grow in 2017 and amounted to UAH 51,181.4 million, including income from rendering natural gas transit services through the territory of Ukraine - UAH 22,122.2 million, and from domestic transportation services - UAH 6,898.9 million.

The volume of domestic transportation of oil to Ukrainian refineries in 2017 amounted to 2.1 million tonnes, which is 50% more than in 2016. The growth rate of oil transit through the territory of Ukraine was comparatively lower - an increase of 0.72% to 13.9 million tonnes in 2017. According to Ukrtransnafta JSC, the company's revenue from oil transportation for Ukrainian consumers was UAH 165.3 million, and from oil transit - UAH 3,573.5 million in 2017.

5.3 Iron ores mining

5.3.1 The role of the state in iron ores mining industry

During 2017, iron ores mining in Ukraine was carried out exclusively by private sector companies. Three companies engaged in exploration, technical testing and research represent the state in the sector.

Table 5.33: The list of public sector companies in iron ores mining

Company name	Reporting to	Type of activities
Directorate of the Kryvyi Rih Mining and Processing Plant of Oxidized Ores SE	Ministry of Economic Development and Trade of Ukraine	Technical testing and research
Ukrainian Geological Company SE	State Service of Geology and Subsoil of Ukraine	Engineering, geology and geodesy, providing technical advisory services in these fields
Pivdenukrgeologiya Communal Enterprise	State Service of Geology and Subsoil of Ukraine	Engineering, geology and geodesy, providing technical advisory services in these fields

Directorate of Kryvyi Rih Ore Mining and Processing Plant SE was designed as extractive company, but due to lack of funds for construction, the company performs the works that are not related to its original objective, e.g. technical testing and research. During 2017, the company was in the state of rehabilitation and was supported by direct subsidies from the state budget under the relevant budget program. During 2017, UAH 23,850¹¹¹ thousand were allocated and actually used for the implementation of the budget program "Ensuring the sustainability of the Krivyi Rih Ore Mining and Processing Plant"¹¹².

There is no state-owned enterprise engaged in iron ores mining. In 2017, no other state programs to support the industry were implemented.

5.3.2 Iron ores reserves

The majority of iron ores reserves in Ukraine are located in the Ukrainian Crystal Shield in the Kryvyi Rih iron ores basin. Another iron ores basin in Ukraine is Kerchensky basin, which is rich in industrial reserves of brown iron and located in the northeastern part of the Indolo-Kuban trough. In addition to the basins, the iron ores deposits are also located in three iron ores areas: Kremenchutsky, Bilozirsky, and Mariupolsky.

By geological and industrial types, iron ores in Ukraine fall into the following categories: rich magnetite-hematite-martite ores, ferrous quartzites, and oolite brown iron ores. The metallurgical industry of Ukraine mainly consumes magnetite and cummingtonite-magnetite

¹¹¹ The Treasury, Annual Report on Implementation of the State Budget of Ukraine for 2017 (Section II.1), <https://www.treasury.gov.ua/storage/app/uploads/public/5c0/e3d/81c/5c0e3d81cbd3b533936390.xls>

¹¹² resolution of the CMU №324 on 30.03.2011 "On Approval of the Procedure for the Use of the Funds Provided in the State Budget to Ensure the Livelihood of the Kryvyi Rih Ore Mining and Processing Plant". Online access: <http://zakon3.rada.gov.ua/laws/show/324-2011-%D0%BF>

quartzites of the Kryvyi Rih basin, Kremenchutsky and Bilozirsky iron ores regions.

The most industrially developed fields are Pivdenno-Belozirske, Kerchenske and Kryvorizke. Pivdenno-Belozirske deposit is characterized by deep occurrence of iron ores, that is why the underground mining method is mostly applied. In contrast, the Kryvorizke deposit is characterized by a shallow ore deposit, and the open method of extraction. The Kerchenske deposit has been preserved since 1992 and is located in the territory that temporarily not controlled by the Ukrainian Government, so the updated information is not available.



Figure 5-28: Geographical location of the iron ores deposits

The Geology Service records 60 iron ores deposits in the territory of Ukraine. As of 01.01.2018, the balance sheet reserves of iron ores were as follows:

- ▶ category A + B + C1 - 19,711.8 million tonnes;
- ▶ category C2 - 7,447.3 million tonnes.

By administrative regions, the largest reserves of iron ores are localized in the Dnipropetrovsk region and make up 51.7% of the balance sheet reserves of Ukraine of category A + B + C1, or 10,197 million tonnes. The second largest reserves are in Poltava region, which accounted for 27.4% of the total iron ores reserves, or 5,392 million tonnes. In addition, 2,636 million tonnes of reserves are located in Zaporizhzhya region.

Overall, there was no significant change in the total balance sheet of iron ores reserves in 2017. One minor change is that in Zaporizhzhya region, the reserves increased by 5.9% compared to the previous year.

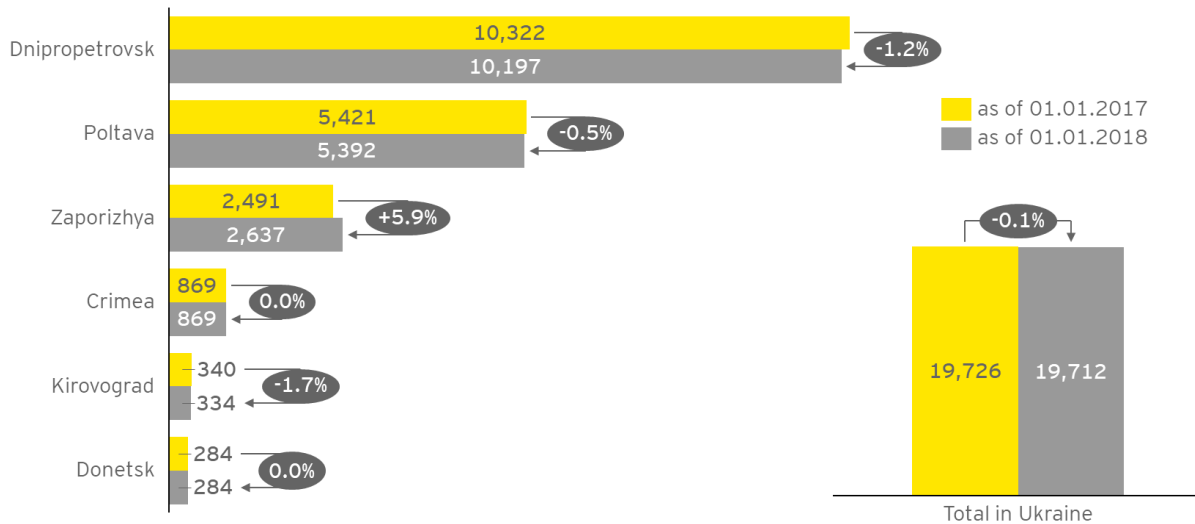


Figure 5-29: Structure of iron ores balance reserves by the regions of Ukraine as of 01.01.2017 and 01.01.2018, mln tonnes¹¹³

With the current volumes of mining, Ukraine will be able to keep on extracting iron ores for 122 years, which indicates the high level of iron ores reserves in Ukraine.

5.3.3 Significant explorations

During 2017, geological exploration works were carried out at 2 fields:

- ▶ According to the revaluation of the magnetite quartz reserves at the Pereverzivske field (Zaporizhzhia iron ore industrial complex PrJSC), 233,782 thousand tonnes of magnetite quartz were reclassified as off-balance sheet reserves, of which 148,644 thousand tonnes are category C1 and 85,138 thousand tonnes are category C2.¹¹⁴
- ▶ Rudomine LLC carried out a preliminary geological and economic assessment of the rich ores of the Pivdennyi quarry, Kirov Mine deposit, Artem field (ArcelorMittal Kryvyi Rih PJSC). The category C2 reserves of rich iron ores of the fifth iron horizon, section # 2 of the Pivdennyi quarry in the amount of 3,536.8 thousand tonnes have also been tested for re-development.¹¹⁵

In addition, it should be noted that since 2006, the Ukrainian Geological Company SE has been carrying out exploration works to assess the three iron ores manifestations in the Middle Pobuzhzhya - Pischanske, Saranske, Baibuzivske. According to Geoinform of Ukraine SRPE, the total reserves of iron ores in the three manifestations are estimated at more than 1 billion tonnes, however due to insufficient funding since 2011, all three objects have been conserved. Pivdenukrgeologiya CE also carries out geological exploration at 4 prospective sites - Gulyaypilske, Valyavkynske, Popelnastivske and Chortomlykske deposits, which were in conservation during 2017.

¹¹³ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Iron Ores (Issue 34), 2018

¹¹⁴ According to the decision of SLC of Ukraine (Minutes of 02.11.2017 №4146)

¹¹⁵ According to the decision of SLC of Ukraine (Minutes of 15.06.2017 №3977)

5.3.4 Volumes of iron ores mining

According to Geoinform of Ukraine SRPE, the total volume of iron ores mining amounted to 161.8 million tonnes in 2017, which is 1.3% less than in the previous year. Since 2014, there has been a trend towards declining production - the production in 2017 is 2.8% or 14.3 million tonnes less than in 2014.

In 2017, the largest volume of production was in the Dnipropetrovsk region - 70.2%, or 113.6 million tonnes. In the Poltava region, 38.0 million tonnes of iron ores were mined, which is 23.5% of the total production volume. Much less iron ores was mined in the Kirovohrad and Zaporizhzhya regions - 3.6% (5.8 million tonnes) and 2.7% (4.4 million tonnes) respectively.

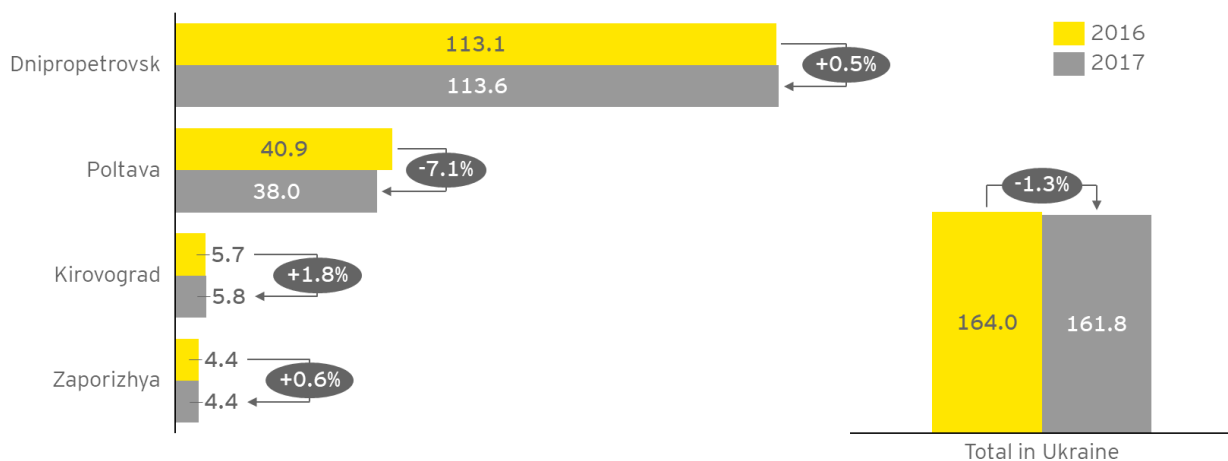


Figure 5-30: Iron ores mining volumes by regions of Ukraine in 2016-2017, million tonnes¹¹⁶

During 2017, iron ores was mined by 11 companies in 8 mines and 14 quarries. The following companies have extracted the most iron ore in 2017: Ingulets Iron Ore Enrichment Works PrJSC (26,040.1 thousand tonnes) and Ferrexpo Poltava mining PrJSC (26,499.0 thousand tonnes), Southern Mining Factory JSC (26,918.4 thousand tonnes).

Overall in Ukraine, there were minor changes in production volumes in 2017 compared to the previous year. However, some enterprises demonstrated significant changes in production: Ferrexpo Yeristovo mining LLC produced 11.7% or 1,518.0 thousand tonnes less than in 2016. Ingulets Iron Ore Enrichment Works PrJSC and Ferrexpo Poltava mining PrJSC produced 4.9% less than in the previous year, or 1,328.6 thousand tonnes and 1,365.0 thousand tonnes, respectively. The largest increase in volume of extraction was demonstrated by Southern Mining Factory JSC - by 1,095.0 thousand tonnes or by 4.2% compared to 2016.

By deposits, the largest increase in relative values (almost 2 times or 126.0 thousand tonnes) is observed at the Pereverzivske deposit (Zaporizhzhia iron ore industrial complex PrJSC), although the extraction in absolute terms there is relatively small. The detailed information on iron ores mining in 2017 in Ukraine is provided below (**Table 5.34**).

¹¹⁶ Geoinform of Ukraine SRPE, Yearbook of Mineral Resources of Ukraine, 2018, http://geoinf.kiev.ua/M_R_2018_1.pdf
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Table 5.34: Volumes of iron ores mining by companies and deposits in 2014-2017¹¹⁷

No	Company	Deposit	Extraction volumes, thousand tonnes			
			2014	2015	2016	2017
1	ArcelorMittal Kryvyi Rih PJSC	Artem mine field (former Kirov Mine)	695.0	790.0	755.0	673.0
		Novokryvorizhske deposit (southern section)	9 035.0	8 983.0	8 764.0	9 526.0
		Valyavkynske deposit (southern section)	14 900.0	14 321.0	11 679.0	11 277.0
2	Mariupol Iron and Steel Works named after Illich PJSC	Saksaganske deposit (Pivnichny quarry)	512.8	597.7	546.1	580.4
3	Suha Balka PrJSC	Jubileina mine	1 746.0	1 782.0	1 641.6	1 813.6
		Frunze mine	1 086.0	1 094.0	988.7	951.5
4	Central Iron Ore Enrichment Works PrJSC	Velyka Gleuvatka deposit	5 861.0	5 435.0	4 828.0	5 059.0
		Ordzhonikidze mine	1 230.0	1 205.0	1 312.0	1 279.0
		Petrivske deposit	5 780.0	5 427.0	4 081.0	4 002.0
		Artemivske deposit	1 523.0	1 621.0	1 660.0	1 845.0
5	Ingulets Iron Ore Enrichment Works PrJSC	Inguletske deposit (sites 12.12P)	31 687.0	28 093.0	27 368.7	26 040.1
6	Southern Mining Factory JSC	Skelevatsko-Magnetitove deposit	23 944.0	24 264.0	25 823.4	26 918.4
7	Northern Iron Ore Enrichment Works PrJSC	Pervomayske deposit	20 112.0	19 740.0	17 129.0	18 236.0
		Gannivske deposit	8 736.0	8 240.0	7 806.0	6 398.0
8	Krivoy Rog`s Iron-Ore Combine PJSC	Ternovska mine (former Lenin mine)	1 389.0	1 462.0	1 200.0	1 201.0
		Gvardiysa mine	1 356.0	1 317.0	1 340.2	1 330.1
		Oktyabrskaya mine	1 194.0	1 326.0	1 187.8	1 077.5
		Rodina mine	1 536.0	1 049.0	1 233.5	1 243.8
9	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Pivedenno-Belozerske deposit	4 321.0	4 449.0	4 220.0	4 119.0
		Pereverzivske deposit	60.0	60.0	138.0	264.0
10	Ferrexpo Poltava mining PrJSC	Gorishne-Plavninske-Lavrykivske deposit	28 876.0	24 623.0	27 864.0	26 499.0
11	Ferrexpo Yerystovo mining LLC	Yerystivske deposit	9 162.0	14 197.0	12 989.0	11 471.0

¹¹⁷ Geoinform of Ukraine SRPE, State Balance Sheet of Minerals of Ukraine, Iron Ores (Issue 34), 2018

5.3.5 Exports and imports of iron ores and iron ores products

In 2017, according to the State Statistics Service of Ukraine, exports of iron ores and concentrates decreased by 5.0% compared to 2016, totalling 37.4 million tonnes, of which 14.9 million tonnes accounted for agglomerated ores and 22.5 million tonnes for non-agglomerated ores. Export of iron ores and concentrates, both agglomerated and non-agglomerated, was quite diversified - overall, Ukraine exported ores and concentrates of non-agglomerated iron to 28 countries, and those of agglomerated iron - to 16 countries.

The total exports of non-agglomerated iron ores and concentrates in 2017 amounted to 22,466.2 thousand tonnes worth USD 1,292.8 million. The largest share of exports in 2017 was to China - 9,412.3 thousand tonnes or 41.9% of the total exports. Significantly smaller volumes were exported to Poland, the Czech Republic, Slovakia and other partner countries (**Figure 5-31**).

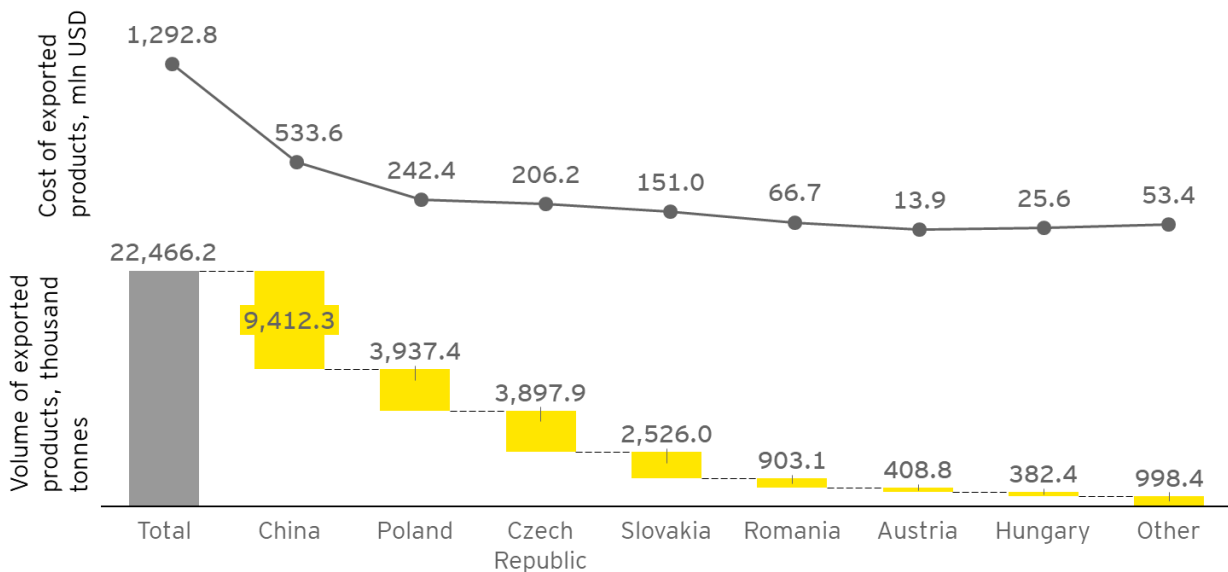


Figure 5-31: Exports of non-agglomerated iron ores and concentrates in natural and monetary units in 2017.¹¹⁸

The exports of agglomerated iron ores and concentrates in 2017 was less than that of non-agglomerated ones - its volume amounted to 14,942.8 thousand tonnes worth USD 1,295.4 million. The largest volumes of agglomerated iron ores and concentrates were exported to Austria and China - 21.2% (3,167.5 thousand tonnes) and 15.9% (2,376.5 thousand tonnes) of the total volume, respectively.

¹¹⁸ SSSU, Foreign Trade in Specific Commodities by Countries, 2017., http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

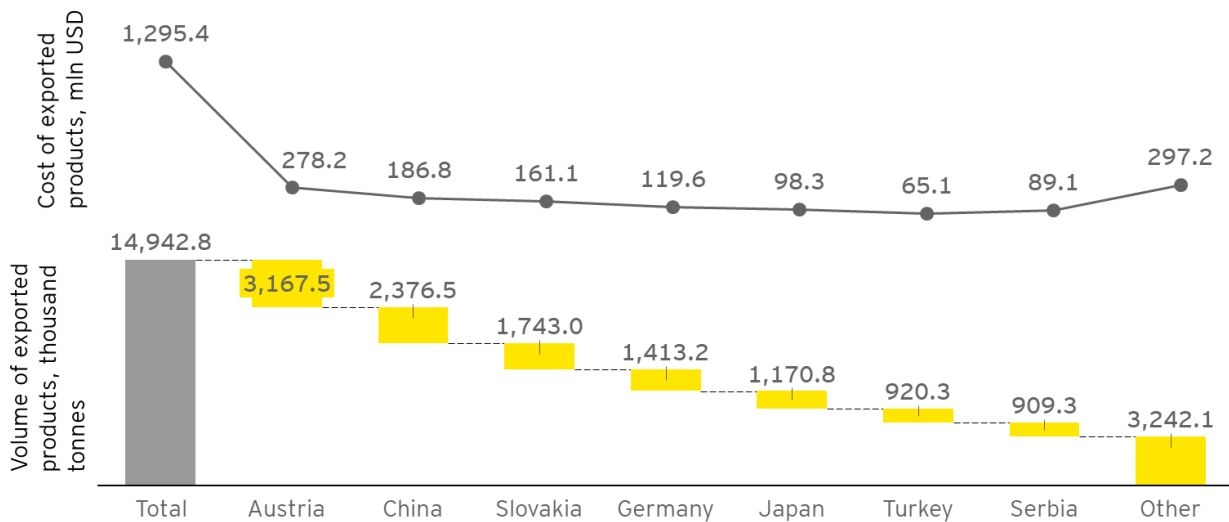


Figure 5-32: Exports of agglomerated iron ores and concentrates in natural and monetary units in 2017.¹¹⁹

Imports of non-agglomerated iron ores and concentrates in 2017 amounted to 71.2 thousand tonnes worth USD 4.9 million. The main importing country was Russia, with 99.8% of the total exports. A small share of the total imports was from the Netherlands, the United Kingdom and other countries.

Imports of agglomerated iron ores and concentrates in 2017 reached 225.4 thousand tonnes worth USD 24.5 million. As in the case of non-agglomerates, almost all imports came from Russia and a small part came from other countries.

Conclusions to the section

Ukraine has a well-developed iron ores mining industry, where large balance sheet reserves are combined with high production volumes. In Ukraine 11 companies are engaged in iron ores mining of which the largest, by extracted volume, are Southern Mining Factory JSC, Poltavsky Mining and Processing Plant PrJSC, and Ingulets Iron Ore Enrichment Works PrJSC. The volume of extracted iron ores totalled 161.8 million tonnes in 2017. Since 2014, there has been a downward trend in iron ores mining in Ukraine, an average by 2.8% per year. If maintaining the current level of mining, iron ores reserves will last for 122 years.

No significant need in imports and significant exports make Ukraine a prominent player in the global market. Exports in 2017 amounted to 22,466.2 thousand tonnes of non-agglomerated iron ores and concentrates and 14,942.8 thousand tonnes of agglomerated iron ores and concentrates. The total revenues from iron ores exports amounted to USD 2,588.2 million.

¹¹⁹ SSSU, Foreign Trade in Specific Commodities by Countries, 2017., http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

5.4 Titanium ores mining

5.4.1 Role of the state in titanium ores mining industry

The only asset of the state in the titanium ores mining industry is United Mining and Chemical Company JSC, which is managed by the Ministry of economy of Ukraine. Based on the information about payments to the state, United Mining and Chemical Company JSC was determined to be material for the EITI Report.

The size of the state's share in the authorized capital of the company's management did not change during 2017. The amount of responsibility of the state was within the limits of the statutory contribution¹²⁰. United Mining and Chemical Company JSC unites two largest ore preparation plants in the industry: Volnogirskiy GZK and Irshanskiy GZK. According to the information received during the survey, the company does not exercise control over other companies and does not have any subsidiaries.

In 2016, the United Mining and Chemical Company JSC was included by the CMU in the list of companies to be privatized. The Company was planned to be privatized in 2017. However, due to the investigation, initiated by the NABU regarding possible corruption among the company's management, privatization was postponed until 2018¹²¹.

Despite the strategic importance of the industry, no budget programs to support it were planned or implemented in 2017. In addition, according to the data of the United Mining and Chemical Company JSC, the company did not receive loans or guarantees on loans from the state.

The company also provided information about the operations of the public sector companies, namely the portion of net profit that was allocated to reinvestments and the amount of retained earnings (**Table 5.35**). According to the company, no financial support from the state in the form of transfer payments (grants, subsidies, subventions) was provided during 2017.

Table 5.35: Operations of the public sector companies in the titanium mining in 2017.

Company name	Volume of external financing in the reporting period	Part of the net profit, which was allocated to the implementation of reinvestment, UAH.	Amount of the retained earnings, UAH thousand	
			as of 01.01.2017	as of 31.12.2017
United Mining and Chemical Company JSC	-	66,519	46,248	15,316

¹²⁰ According to the company's data provided during the survey

¹²¹ The National Anti-Corruption Bureau of Ukraine, The Case of UMCC" <https://nabu.gov.ua/novyny/sprava-oghk>

5.4.2 Titanium ores reserves

The Ukrainian crystal shield is one of the leading titanium-bearing provinces in the world due to its unique mineral resource base. All reserves of titanium ores in Ukraine are concentrated in the shield, mainly in the igneous, hypergene residual and alluvial geological and industrial types of deposits. There are 4 types of titanium ores deposits in Ukraine:

- ▶ indigenous magmatogene in gabbro-norite and troctolite apatite-ilmenite deposits of the Volynske type;
- ▶ placers of one-and two-mineral composition of the Irshanske type;
- ▶ marine placers of complex rutile-zircon-ilmenite (polymineral) composition of the Malyshevske geological and industrial type;
- ▶ exogenous (residual) ilmenite deposits in the weathering crust;

In general, the raw material base of titanium in Ukraine has more than 40 deposits, including one unique, 13 large and 10 medium.

The mining of titanium ores in Ukraine is carried out only from the placer deposits, although the main resources of titanium are concentrated in the indigenous deposits. For industrial purposes, the main type of deposits being developed is the ancient coastal-marine placers in the central part of Ukraine (Malyshevske deposit) and continental placers near ablation in the North-West of the Ukrainian shield (Mezhyrichne, Livoberezhne, Pravoberezhne and others, make up the Irshanske group of deposits)¹²².

According to the US State Geological Service, Ukraine is in the top 20 countries and ranks 11th in terms of proven reserves of titanium ores in the world. As of 2017, 14 out of 40 titanium ores deposits were being developed in Ukraine. The most extracted in Ukraine is ilmenite.

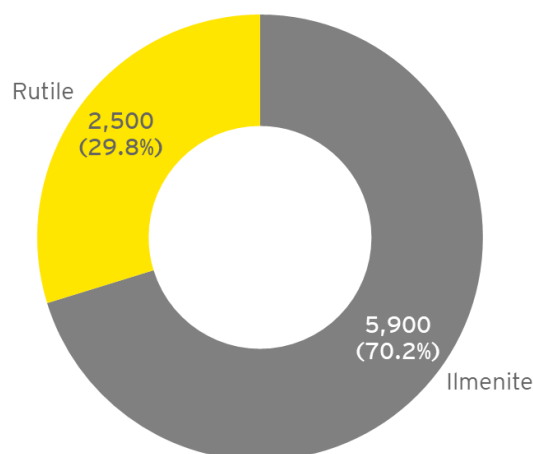


Figure 5-33: Titanium ores reserves in Ukraine as of 01.01.2017, thousand tonnes ¹²³

¹²² Geoinform of Ukraine SRPE, Yearbook of Mineral Resources of Ukraine, 2018, http://geoinf.kiev.ua/M_R_2018_1.pdf

¹²³ The US Geological Survey, 2019, https://prd-wret.s3-us-west-2.amazonaws.com/assets/palladium/production/atoms/files/mcs2019_all.pdf

According to the information provided by the United Mining and Chemical Company JSC, during the survey, the total balance sheet reserves of titanium ores is 647,111.3 thousand tonnes, of which the balance sheet reserves of category A+B+C1 account for 68,942 thousand tonnes, and of category C2 - 14,612 thousand tonnes. The volume of conditional balance sheet and off-balance sheet reserves is estimated at 563,557.3 thousand tonnes.

The detailed information regarding the balance sheet reserves of titanium ores in Ukraine is not freely available, since in accordance with the order of the Security Service of Ukraine dated 12.08.2005, No.440, this information is a state secret¹²⁴.

5.4.3 Significant explorations

According to the Geoinform of Ukraine SSPE, in 2017 the exploration work was carried out by the Ukrainian Geological Company (Paromivske Deposit of ilmenite ores) and Zhytomyrburrozvidka LLC (Krasnorichenske deposit of ilmenite ores). The detailed exploration of the Paromivske deposit was carried out in continuation of the previous exploration works that began back in 2003 and brought positive results. Based on the results of the exploration, the parameters of permanent conditions for calculating the reserves of placer titanium ores were approved.¹²⁵ The more detailed information about the results of exploration is not freely available, since such data are state secrets and are not subject to disclosure.

5.4.4 Volumes of titanium ores mining

In 2017, 7 companies were engaged in titanium extraction. The largest of them were the Irshanskyi GZK and Vilnogirskyi GZK, which since 2014 are the branches of the United Mining and Chemical Company JSC.

The Irshanskyi GZK branch extracts ilmenite concentrate, which is the raw material for the production of pigment titanium and titanium sponge. The company is developing 3 deposits: Lemenske, Verkhnyo-Irshanske, and Irshanske. The Vilnogirskyi GZK branch extracts ilmenite and rutile concentrates. The company operates on the basis of the Malyshevskyi deposit.

In addition, there are several small private companies operating in the industry, in particular Valky-Ilmenit LLC, Demurinskyi GZK LLC, Mezhirechenskyi GZK LLC, Velta Production and Commercial Company LLC, and Non-Ferrous Metals LLC with foreign investments.

According to the US Geological Survey, the volume of titanium concentrate extraction in Ukraine in 2017 was 5.2% of the world's volumes, or 325 thousand tonnes in physical units, of which 230 thousand tonnes accounted for the volume of ilmenite and 95 thousand tonnes for the volume of rutile¹²⁶.

According to the information provided by United Mining and Chemical Company JSC during the survey, the total volume of titanium ores mining was 12,027.9 thousand tonnes, of which

¹²⁴ Order of the Security Service of Ukraine No. 440 of 12.08.2005, <http://zakon.rada.gov.ua/laws/show/z0902-05>

¹²⁵ Geoinform of Ukraine SRPE, Yearbook of Mineral Resources of Ukraine, 2018, http://geoinf.kiev.ua/M_R_2018_1.pdf

¹²⁶ The US Geological Survey, 2019., https://prd-wret.s3-us-west-2.amazonaws.com/assets/palladium/production/atoms/files/mcs2019_all.pdf

8,006.9 thousand tonnes were in the Dnipropetrovsk region, and 4,021.0 thousand tonnes in the Zhytomyr region.

In addition, according to the company, the total volume of sales of its own production in 2017 amounted to 543.3 thousand tonnes, of which the total sold on the territory of Ukraine and exported was 181.3 thousand tonnes (of which titanium concentrate was 43.6 thousand tonnes) and 362.0 thousand tonnes, respectively. By the categories, the volume of export of titanium concentrate accounted for 327.7 thousand tonnes. Other products exported by the United Mining and Chemical Company JSC were zirconium concentrate, disten-silimonite concentrate and staurolite concentrate, with a total volume of 34.3 thousand tonnes.

5.4.5 Export and import of titanium ores

In total, in 2017, Ukraine exported 583.7 thousand tonnes of titanium ores and concentrates of USD 105.2 million value, which is 26.0% more than in the previous year. The main partners were Turkey and the Czech Republic, where 113.3 thousand tonnes (19.4% of the total volume) and 112.7 thousand tonnes (19.3% of the total volume) of titanium ores were exported, respectively. Also significant exports went to the USA (16.5% of the total volume, or 96.2 thousand tonnes), China (15.1% of the total volume, or 88.2 thousand tonnes) and Russia (12.8% of the total volume, or 74.5 thousand tonnes). Significantly smaller volumes of exports were sold to Mexico, Kazakhstan, and other countries (*Figure 5-34*).

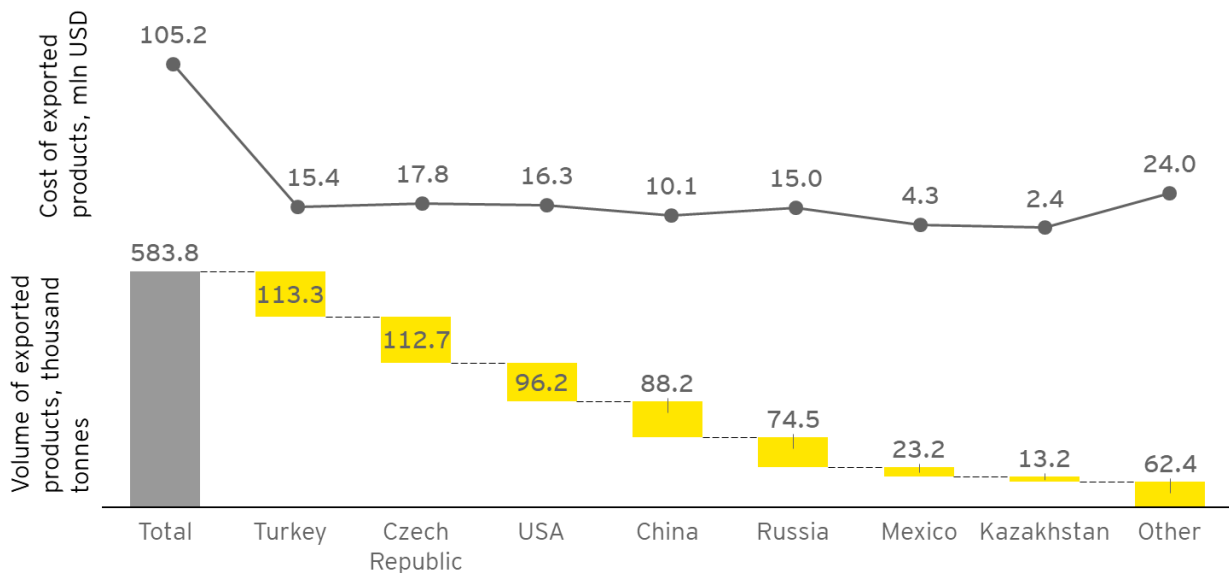


Figure 5-34: Export volumes of titanium ores and concentrates by countries in physical and monetary units 2017.¹²⁷

In 2017, the total volume of imports of titanium ores and concentrates increased by 26.3% compared to 2016, but in absolute values remained insignificant and amounted to 0.202

¹²⁷ Держстат, Зовнішня торгівля окремими видами товарів за країнами світу, 2017 р., http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

thousand tonnes. Almost the entire volume of imported products (98.7%) came from Senegal. Other importing countries were Finland and Iran.

Conclusions to the section

In Ukraine, there are unique deposits of titanium ores in their structure and reserves, which have significant economic value both in the national and global context.

The volume of titanium ores mining in Ukraine, according to the US State Geological Service, in 2017 reached 325 thousand tonnes, or 5.2% of the world production. In Ukraine, 14 of the 40 deposits of titanium ores, mainly ilmenite, are being developed. The extraction was carried out by 7 companies, from placer deposits.

In 2017, the volume of exports of titanium ores and concentrates amounted to 583.8 thousand tonnes, which is 26.0% higher than in 2016. The import volumes were insignificant, and Ukraine remained a pure exporter of titanium ores and concentrates.

5.4 Manganese ores mining

5.5.1 Role of the state in the manganese ores mining industry

Ukraine is one of the world leaders in the extraction, processing and consumption of manganese ores.

The industry is represented by three key private companies, in particular Pokrovskiy GZK JSC, Marganets GZK JSC, and Landshaft LLC.

There are no state-owned companies that are engaged in the mining of manganese ores. In 2017, no state programs to support the industry were implemented.

5.5.2 Manganese ores reserves

In Ukraine, significant reserves of manganese ores are localized in the North-Eastern part of the black sea basin, where they form the Nikopol Manganese Ore Basin. The Nikopol basin includes 3 deposits: Nikopolske, Veliko-Tokmatske, and Fedorivske. The man-made sludge deposit named after Maximov stands out. According to the mineral composition, there are three industrial types of manganese ores: oxide, carbonate, and oxide-carbonate (mixed).

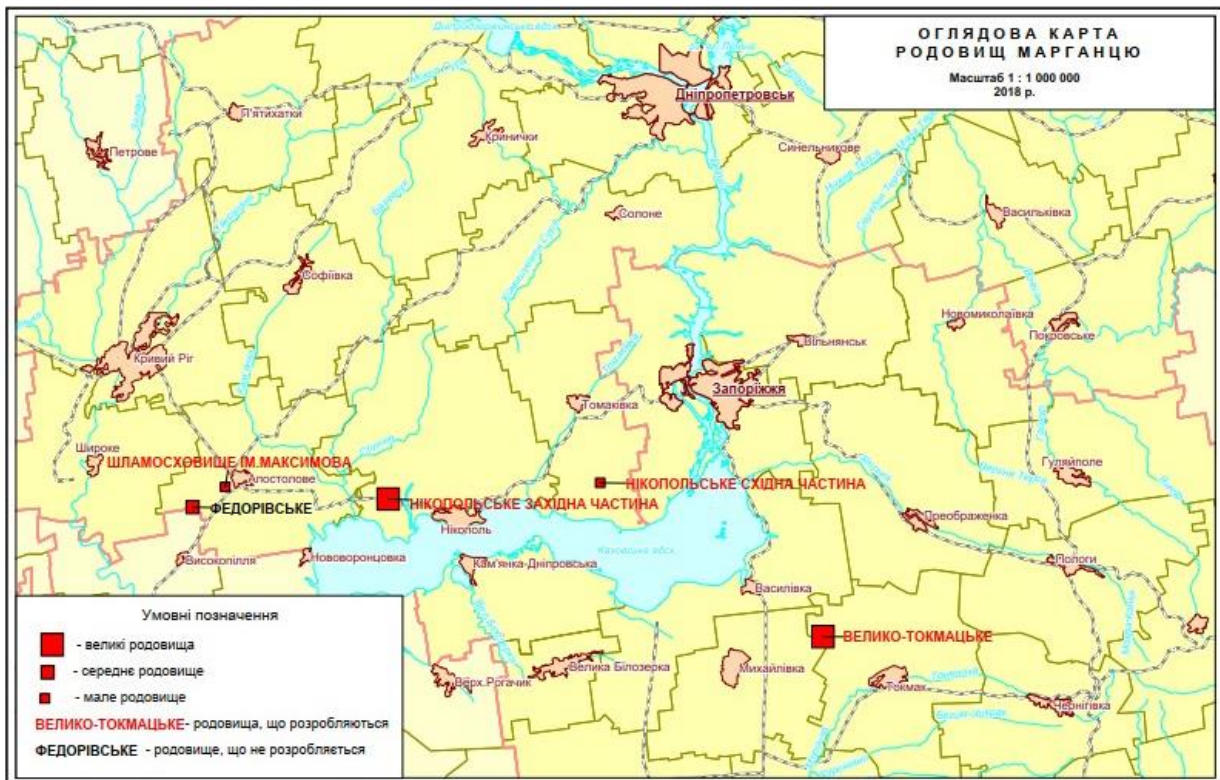


Figure 5-35: Map of the location of manganese ores deposits in Ukraine ¹²⁸

¹²⁸ Geoinform of Ukraine SRPE, Yearbook "Mineral Resources of Ukraine", 2018, http://geoinf.kiev.ua/M_R_2018_1.pdf
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According to the data of Geoinform of Ukraine SRPE, as of 01.01.2018, the total reserves of manganese ores in the category A+B+C1 in Ukraine amounted to 2,175.4 million tonnes, and in the category C2 - 197.3 million tonnes. The off-balance sheet reserves of manganese ores totaled 58.0 million tonnes.

In the Zaporizhzhya region, 72.5% of all balance sheet reserves of manganese ores in Ukraine are concentrated, in the Dnipropetrovsk region - 27.2% , and an insignificant share of reserves in the Kherson region (**Figure 5-36**). The decrease in the balance sheet reserves in 2017 was observed only in the Dnipropetrovsk region ¹²⁹.

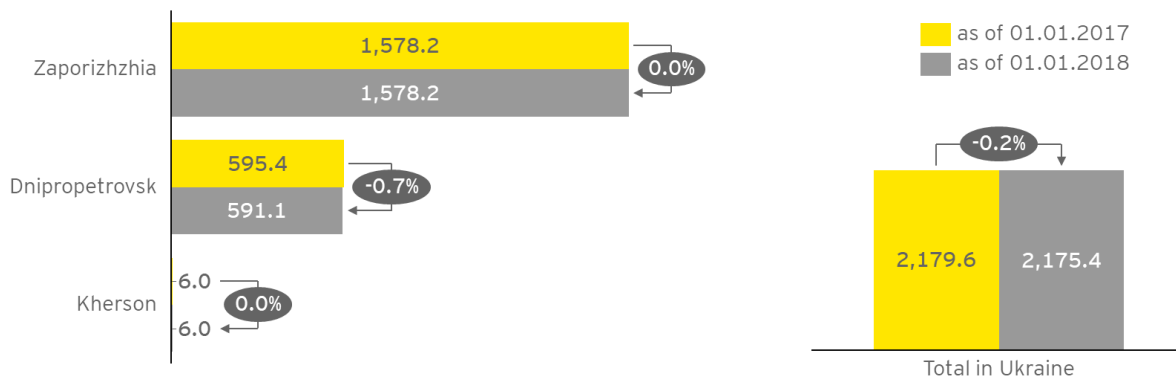


Figure 5-36: The structure of manganese ores balance reserves by the regions of Ukraine as of 01.01.2017 and 01.01.2018, million tonnes ¹³⁰

5.5.3 Significant explorations

According to the data of the Geoinform of Ukraine SRPE, no significant exploration work was carried out during 2017.

5.5.4 Volumes of manganese ores mining

According to the Geoinform of Ukraine SRPE, in 2017 the mining of manganese ores was carried out only on the territory of the Dnipropetrovsk region by three companies of the industry: Pokrovskiy GZK JSC (develops the Western part of the Nikopolske deposit); Marganets GZK JSC (develops the Eastern part of the Nikopolske deposit) and Landshaft LLC (develops the sludge deposit named after Maximov).

In total, in 2017, 3,907.0 thousand tonnes of manganese ores were mined in Ukraine, which is 35.9% or 1,032.9 thousand tonnes more than in 2016.

¹²⁹ Geoinform of Ukraine SRPE, The state balance sheet of mineral resources of Ukraine, Manganese ores (Issue 53), 2017 and 2018.

¹³⁰ Geoinform of Ukraine SRPE, The state balance sheet of mineral resources of Ukraine, Manganese ores (Issue 53), 2017 and 2018.

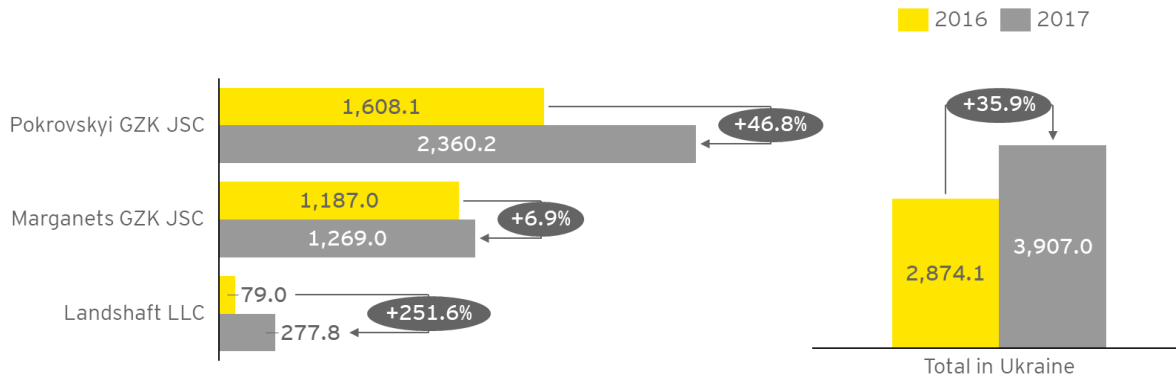


Figure 5-37: Dynamics of manganese ores mining in Ukraine in 2016-2017, thousand tonnes¹³¹

Of all three companies, the largest share in total production was accounted for by Pokrovskiy GZK JSC - 60.4% (2,360.2 thousand tonnes). In second place was Marganets GZK JSC, which produced 1,269 thousand tonnes or 32.5% of the total volume. In 2017, there was an increase in production volumes for all enterprises compared to the previous year.

If the current level of the manganese ores -Manganese or is maintained, Ukraine's balance sheet reserves will last for 558 years.

5.5.5 Exports and imports of manganese ores

In 2017, total exports of manganese ores and concentrates amounted to 86.5 thousand tonnes of USD 4.7 million value which is 41.9% more than in the previous year. 38.0% or 32.8 thousand tonnes in physical measurement units of USD 1.6 million value were exported to Hungary. In the second and third place were Slovakia and the Czech Republic - 29.8% and 21.4% of total exports in physical units, respectively. Significantly smaller volumes of manganese ores and concentrates were exported to Russia, Poland, and Georgia.

Significant growth in export volumes in 2017 compared to 2016 was observed in countries such as Slovakia (2.6 times) and the Czech Republic (5 times). At the same time, the volume of exports to Russia decreased significantly (by 67.9%), which moved it from the first place among destination countries in 2016 to the 4th place in 2017.

¹³¹ Geoinform of Ukraine SRPE, The state balance sheet of mineral resources of Ukraine, Manganese ores (Issue 53), 2017 and 2018.

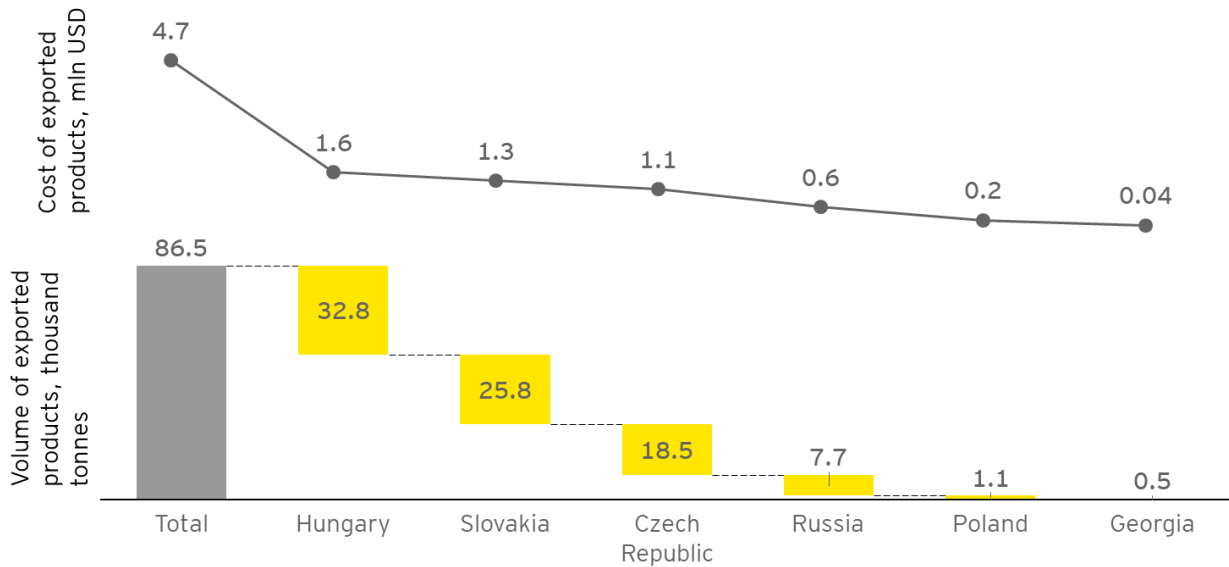


Figure 5-38: Export volumes of manganese ores and concentrates by country in physical and monetary units in 2017.¹³²

In 2017, 1,303.0 thousand tonnes of manganese ores and concentrates were imported. More than half (54.1%) of the volume of imported products came from Ghana. Slightly smaller volumes were imported from Russia and South Africa - 18.3% and 16.7% of the total volume, respectively. In 2017, imports were also made from Gabon and Brazil.

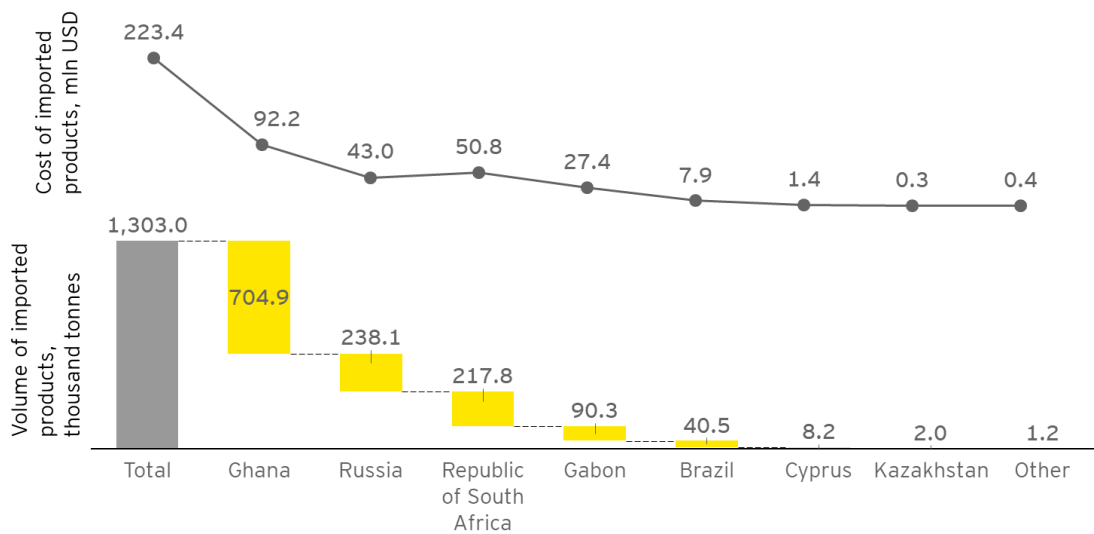


Figure 5-39: Export volumes of manganese ores and concentrates by country in physical and monetary units in 2017.¹³³

¹³² SSSU, Foreign trade of certain types of goods by countries of the world, 2017, http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

¹³³ SSSU, Foreign trade of certain types of goods by countries of the world, 2017,

Conclusions to the section

Ukraine is one of the leading countries in terms of extraction, consumption and processing of manganese ores. As of 01.01.2018 g., the total manganese ores reserves in categories A+B+C1 in Ukraine amounted to 2,175.4 million tonnes. Most of them are concentrated in the Zaporizhzhya (72.5%) and Dnipropetrovsk (27.2%) regions.

In 2017, the mining of manganese ores was carried out only in the territory of the Dnipropetrovsk region by three companies of the industry: Pokrovskiy GZK JSC, Marganets GZK JSC, and Landshaft LLC. In total, 3,907.0 thousand tonnes of manganese ores were produced in 2017.

Despite significant reserves and an increase in its own production in 2017 by 35.9% compared to 2016, Ukraine still cannot cover its own demand, so it remains a pure importer of manganese ores and concentrates. In 2017, 1,303.0 thousand tonnes of manganese ores and concentrates were imported.

5.6 Fire clays mining

5.6.1 The role of the state in fire clays mining industry

During 2017, the State budget of Ukraine did not plan to implement any programs to support the fire clays mining industry.

5.6.2 Fire clays reserves

The main explored clay deposits in Ukraine are located mainly in the East of Ukraine, namely within the Dnipro-Donets depression, the Donetsk folded structure, and the Ukrainian crystal shield. The depth of clays deposition varies from 1 m to 60 m.

According to the Geoinform of Ukraine SRPE, there are 30 objects of fire clays in the territory of the state, 28 of which are deposits and 2 accounting items.



Figure 5-40: Map of the location of fire clay deposits in the territory of Ukraine

As of 01.01.2018, the total balance sheet reserves of fire clays in Ukraine amounted to 600.8 mln tonnes for category A+B+C1, and 370.0 thousand tonnes for category C2. The off-balance sheet reserves and reserves with undetermined industrial values included 130.2 mln tonnes and 15.1 mln tonnes, respectively. Most of the balance sheet reserves (cat. A+B+C1) of fire clays are concentrated in the Donetsk region - 76.8% of all reserves in Ukraine. In 2017, a slight decrease in the balance sheet reserves occurred only in the Donetsk and Zaporizhzhia regions due to the mining of fire clays (Figure 5-41).

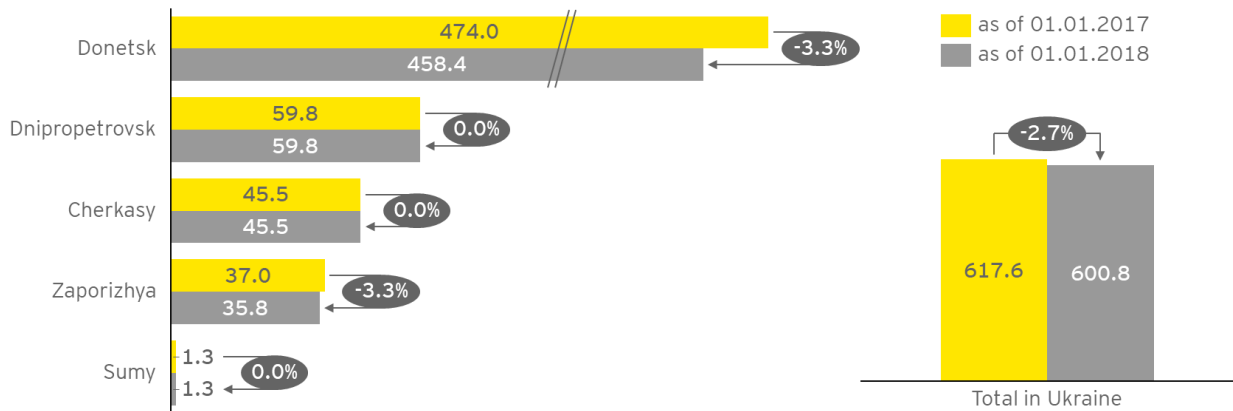


Figure 5-41: The structure of fire clays balance reserves by the regions of Ukraine in 2016-2017, mln tonnes ¹³⁴

5.6.3 Significant explorations

No significant exploration work was carried out in 2017.

5.6.4 Volumes of fire clays mining

According to the data of the Geoinform of Ukraine SRPE, in 2017, 5,979 thousand tonnes of fire clays were mined in Ukraine, which is 10.4% more than in 2016. After the decline in 2013-2015, the mining volumes of fire clays in 2016-2017 began to recover. In general, in 2017, compared to 2010, this indicator increased almost twice.

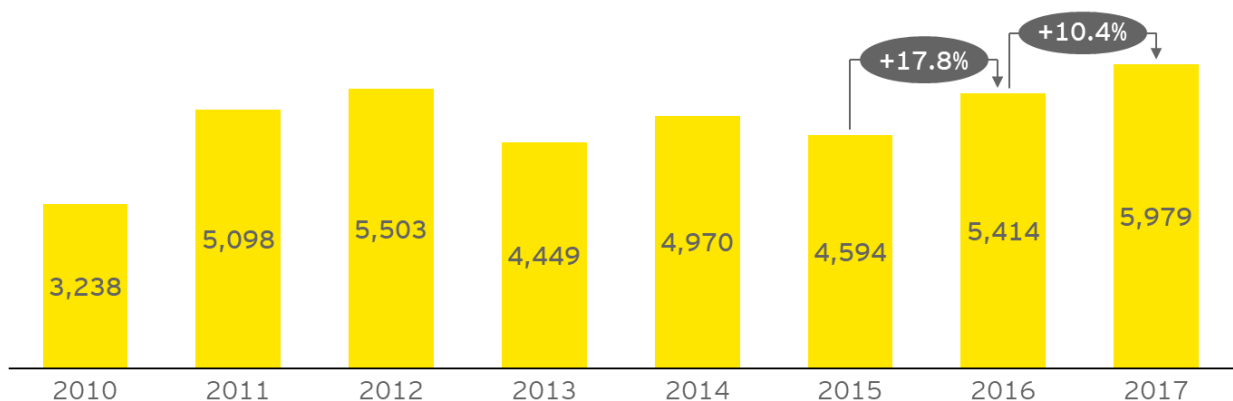


Figure 5-42: Dynamics of fire clays mining volumes in Ukraine in 2010-2017, thousand tonnes ¹³⁵

Almost the entire volume of extraction (98.3%) is accounted for in the Donetsk region - 19 of the 20 fire clay deposits being developed are located in the region. A small proportion of clays (1.7%) is extracted in the Zaporozhzhya region from the Pologivske Deposit.

¹³⁴ Geoinform of Ukraine SRPE, State Balance Sheet of Mineral Resources of Ukraine, Clays for Refractories (Issue 29), 2018

¹³⁵ Geoinform of Ukraine SRPE, State Balance Sheet of Mineral Resources of Ukraine, Clays for Refractories (Issue 29), 2018

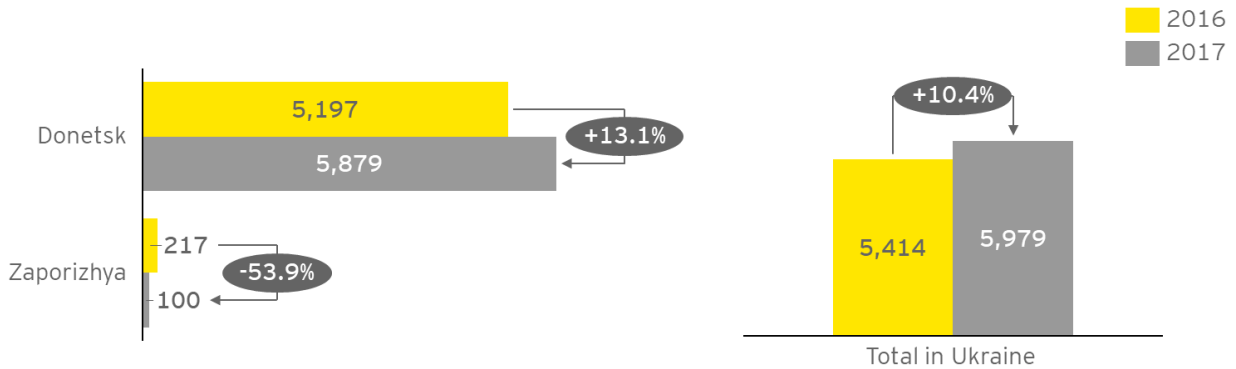


Figure 5-43: Volumes of fire clays mining by the regions of Ukraine in 2016-2017, thousand tonnes¹³⁶

If the existing level of mining of fire clays is maintained, their balance sheet reserves will last for 100 years.

Data on the volume of mining of fire clays are available from two sources of information, Geoinform of Ukraine SRPE and the SSSU, between which there are certain differences. According to the Geoinform of Ukraine SRPE, approximately 6.0 mln tonnes of fire clays were extracted in Ukraine, while according to the SSSU, this figure was 8.9 mln tonnes, of which 95.6% in the Donetsk region¹³⁷. Other areas were not specified in the SSSU data, since this information is considered confidential. There is no information in open sources about possible reasons for the difference in the statistics of the Geoinform of Ukraine SRPE and the SSSU.

5.6.5 Exports and imports of fire clays

In total, in 2017 Ukraine exported 5,966.2 thousand tonnes of fire clays, with a total value of USD 230.6 mln. Clays were mainly exported to Spain and Italy, which accounted for 31.8% and 28.9% of the total volume, respectively. A slightly smaller volume of products was exported to Russia (15.0%).

The volume of imports of fire clays in comparison with exports was insignificant and in 2017 amounted to 336 tonnes with a total value of USD 0.2 mln, of which 81.7% came from Germany

¹³⁶ Geoinform of Ukraine SRPE, State Balance Sheet of Mineral Resources of Ukraine, Clays for Refractories (Issue 29), 2018

¹³⁷ The SSSU, Production of industrial products by type, 2017,

http://www.ukrstat.gov.ua/operativ/operativ2016/pr/vr_rea_ovpp/vr_rea_ovpp_u/arh_vppv_u.html

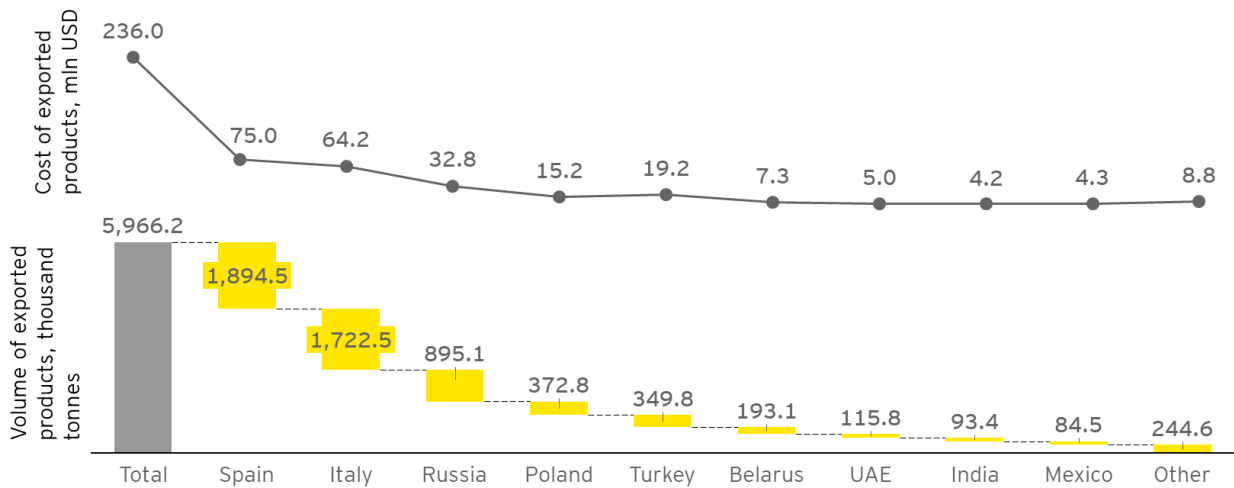


Figure 5-44: Export volumes of fire clays by country in physical and monetary units in 2017¹³⁸

Conclusions to the section

Ukraine has significant reserves of fire clays: as of 01.01.2018, the total balance sheet reserves amounted to 600.8 mln tonnes.

Mining of fire clays in Ukraine is conducted only in two regions: Zaporizhzhia and Donetsk. In 2017, a total of 5 979 thousand tonnes of fire clays were extracted. The Donetsk region accounted for almost the entire volume of mining (98.3%) - 19 of the 20 fire clay deposits being developed in Ukraine are located in the region.

If the current level of mining of fire clays is maintained, their balance sheet reserves will last for 100 years.

A significant amount of fire clays in Ukraine is exported - in 2017 it totaled 5,966.2 thousand tonnes in physical units, with the value of USD 236.0 mln. Imports in 2017 were insignificant.

¹³⁸ SSSU, Foreign trade of certain types of goods by countries of the world, 2017, http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

5.7 High-melting clays mining

5.7.1 Role of the state in high-melting clays mining industry

The mining of high-melting clays on the territory of Ukraine is due to the activities of two private companies Rusinya LLC in the Transcarpathian region, and Keramik-Art LLC in the Donetsk region. There were no government programs to support the industry in 2017.

5.7.2 High-melting clays reserves

The high-melting clays by their chemical composition are compound clay rocks which contain kaolinite, halloysite and hydromicas (20-25%).

The deposits of high-melting clays in Ukraine are located in the geological regions of the Dnipro-Donets depression, the Ukrainian shield and on its slopes, the Volyn-Podilska plate, and the Transcarpathian inner depression. According to the data of the Geoinform of Ukraine SRPE, there are 20 high-melting clay objects of accounting in Ukraine, of which 17 are the main deposits.

The most promising area in terms of extraction is the area of the Dnipro-Donets depression and the Donetsk folded structure. The thickness of the layers in this area ranges from 0.6 m to 63.5 m. Usually, high-melting clays are used for the production of ceramic products.



Figure 5-45: Map of the location of high-melting clay deposits in the territory of Ukraine

According to the data of the Geoinform of Ukraine SRPE, the balance sheet reserves of high-melting clays as of 01.01.2018 in the category A + B + C1 amounted to 77.5 mln tonnes, which is 6.9% less than in the previous year. The drop in reserves is primarily due to a significant increase in the mining of high-melting clays in the Transcarpathian region. For category C2, the balance sheet reserves were 73.3 mln tonnes, off-balance sheet reserves for cat. A+B+C1 - 3.6 mln tonnes, and reserves with an undetermined industrial value - 4.3 mln tonnes.

More than half (65.2%) of the balance sheet reserves of high-melting clays are concentrated in the Donetsk region. In the Transcarpathian and Luhansk regions, approximately the same volumes of balance sheet reserves are located - 12.5% and 12.0%, respectively. Significantly less balance sheet reserves of high-melting clays are accounted for in other areas (**Figure 5-46**).

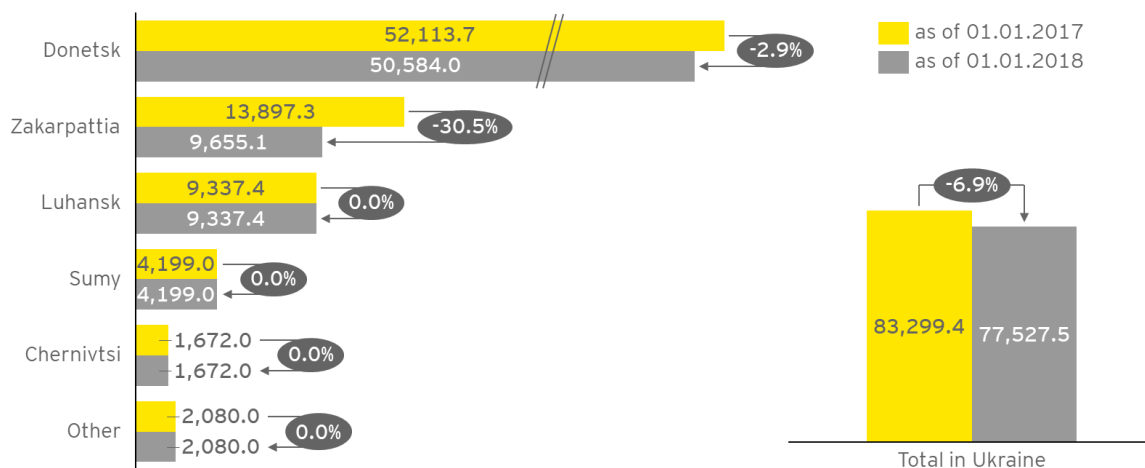


Figure 5-46: The structure of high-melting clays balance reserves by the regions of Ukraine, thousand tonnes¹³⁹

5.7.3 Significant explorations

According to the data of the Geoinform of Ukraine SRPE, during 2017, the exploration work on high-melting clays was not carried out.

5.7.4 Volumes of high-melting clays mining

In 2017, the total volumes of mining of high-melting clays, according to the data of the Geoinform of Ukraine SRPE, amounted to 196.6 thousand tonnes, which is almost 4 times more than in 2016. Thus, the positive trend continued after the almost complete cessation of mining of high-melting clays due to the military conflict in the East of Ukraine. However, even such a positive result, which was achieved in 2017, is still significantly inferior to the indicators of 2010-2013.

¹³⁹ The Geoinform of Ukraine SRPE, The State Balance of Mineral Resources of Ukraine, High-Melting Clay (Issue 30), 2017 and 2018

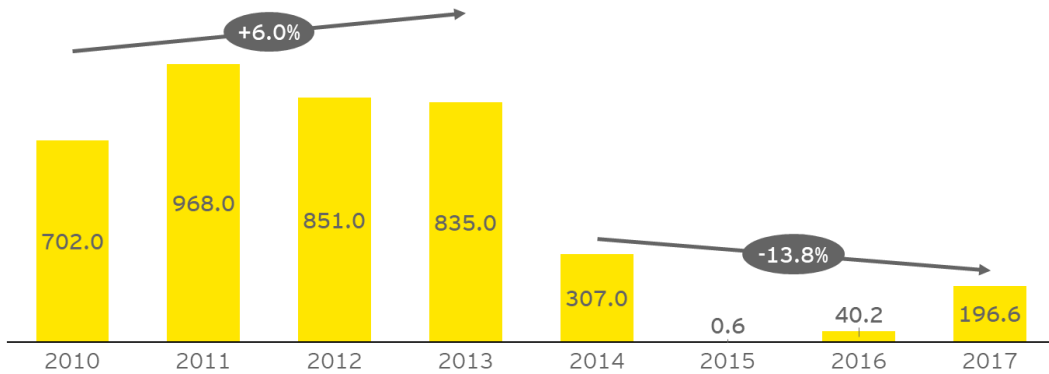


Figure 5-47: The dynamics of volumes of high-melting clays mining in 2010-2017, thousand tonnes¹⁴⁰

In 2017, the high-melting clays were mined from 4 deposits: Mykolayivske and Artemivske deposits in the Donetsk region, Mukachivske and Ivantsivske deposits in the Transcarpathian region. The extraction was carried out in two regions: the Donetsk region and Transcarpathian region, which accounted for 55.6% and 44.4% of the total extraction volume, respectively.

If the current extraction level is maintained, the reserves of high-melting clays will last for 394 years.

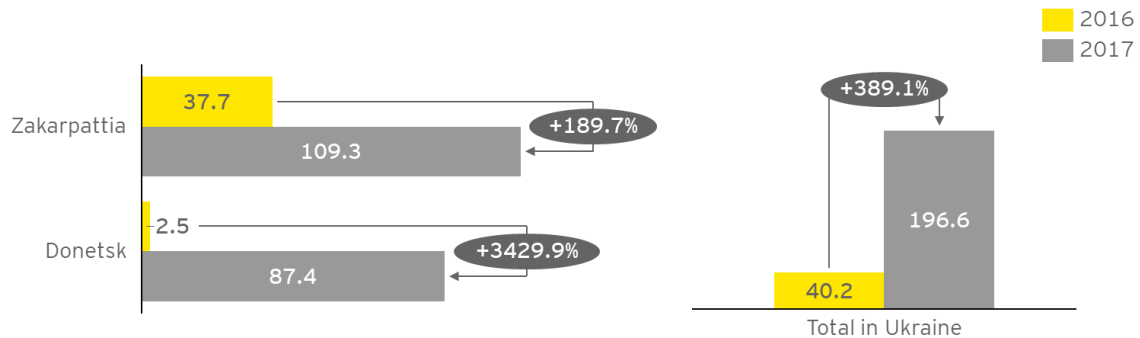


Figure 5-48: The structure of high-melting clays mining by the regions of Ukraine in 2016-2017, thousand tonnes¹⁴¹

5.7.5 Exports and imports of high-melting clays

The information on exports and imports of high-melting clays for 2017 is not available in open sources.

Conclusions to the section

There are 17 deposits of high-melting clays in the territory of Ukraine, 4 of which are being developed. As of 01.01.2018, the balance sheet reserves of high-melting clays were 77.5 mln tonnes.

In 2017, the volume of mining of high-melting clays in Ukraine increased by 4.9 times, compared to 2016 and amounted to 196.7 thousand tonnes. A significant increase in the extraction volumes was observed in both the Donetsk and Transcarpathian regions.

¹⁴⁰ The Geoinform of Ukraine SRPE, The State Balance of Mineral Resources of Ukraine, High-Melting Clays (Issue 30), 2018.

¹⁴¹ The Geoinform of Ukraine SRPE, The State Balance of Mineral Resources of Ukraine, High-Melting Clays (Issue 30), 2018

5.8 Quartz sand mining

5.8.1 Role of the state in the quartz sand mining industry

In 2017, the following companies were engaged in quartz sand extraction:

- ▶ Bronytskyi Glassworks LLC;
- ▶ Maryanivskiy Glassworks PJSC;
- ▶ Kaolin-Azov LLC;
- ▶ Terra-Zakhid PE;
- ▶ Rokytnivskiy Glassworks PrJSC;
- ▶ Novoselivskiy Mining and Processing Plant PrJSC
- ▶ Georesursy LLC
- ▶ Papernyanskyi Quartz Quarry LLC

All of the listed companies belong to the private sector. There were no budget programs to support the extraction companies in the industry during 2017.

5.8.2 Quartz sand reserves

According to Geoinform of Ukraine SRPE, the glass quartz-containing raw materials in Ukraine are represented by quartz and liparites. The most high-quality quartz in Ukraine belongs to the marine (coastal-marine) and lake genetic types.



Figure 5-49: Geographical location of the areas of occurrence of quartz and liparites ¹⁴²

The most promising areas of quartz-containing raw materials are the Dnipro-Donetsk depression and the Donetsk folded structure, as well as the Volyn-Podilska plate and the Ukrainian crystal shield. Single deposits are found within the Crimean folded structure¹⁴³. Liparite deposits are also concentrated in the territory of the Transcarpathian Intermountain depression and in the mountain formations of the Carpathians. Quartz is deposited in the form of lenses and layers with a thickness of 2-3 to 35-40 m, and liparites are deposited in the form of domes and have a capacity of 3-45 m.

The state balance of mineral resources accounts for 41 deposits of glass quartz-containing raw materials, including 1 deposit being explored. The largest deposits by administrative division are concentrated in the Kharkiv, Lviv, Donetsk, Zaporizhzhia, and Chernihiv regions. The quartz of the Novoselivske deposit in the Kharkiv region is unique for its quality.

As of 01.01.2018, the total balance reserves of glass quartz-containing raw materials for cat. A+b+C1 constituted 244,212.7 thousand tonnes, of which quartz constituted 223,485.8 thousand tonnes and liparite - 20,727.0 thousand tonnes. The balance reserves of glass raw materials of category C2 and off-balance reserves constituted 46,580.7 thousand tonnes and 7,136.0 thousand tonnes, respectively.

The Kharkiv region has the largest share of the balance sheet quartz reserves (cat. A+B+C1) - 42.6 % of the total volume or 95,136.4 thousand tonnes. Significant amounts of reserves are also found in the Lviv (13.8%), Donetsk (12.4%) and Zaporizhzhya regions (11.0%). Other regions of Ukraine are characterized by significantly smaller reserves of quartz.

In the reporting period, there were insignificant changes in the volume of balance reserves in comparison with 2016: only in the Kharkiv region there was a decrease of 4.4%, which is due to active extraction and revaluation of deposits in this region.

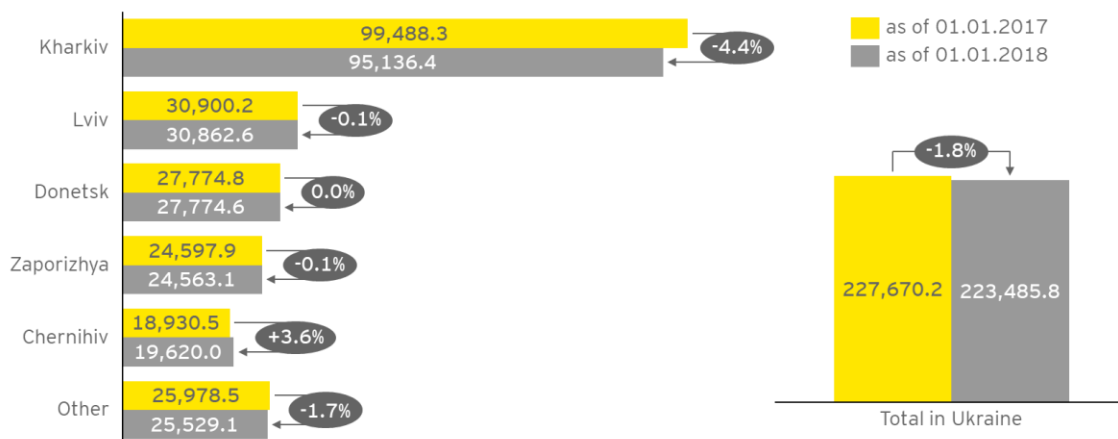


Figure 5-50: The structure of quartz sand balance reserves by the regions of Ukraine as of 01.01.2017 and 01.01.2018, thousand tonnes¹⁴⁴

¹⁴³ Geoinform of Ukraine SRPE, The state balance of mineral resources of Ukraine, Glass raw materials of Ukraine (Issue 83), 2018

¹⁴⁴ Geoinform of Ukraine SRPE, The state balance of mineral resources of Ukraine, Glass raw materials of Ukraine (Issue 83), 2018

5.8.3 Significant explorations

During 2016-2017, further to the terms of reference of the Glyny Donbasu PrJSC the production cooperative "Geolog" performed a geological and economic assessment of the Vilne deposit in the Dobropilskyi Rayon of the Donetsk region. The evaluation determined that the estimated balances, of the natural value of 23,579 thousand tonnes, have lost their industrial value, and their further extraction is economically inefficient¹⁴⁵.

Further to the terms of reference of Papernyanskyi Quartz Quarry LLC, Magma LLC has evaluated the remaining quartz reserves of the Papernyanskyi deposit. The mineral resources of the Papernyanskyi deposit are represented by quartz of the Berek suit of the Oligocene age, light gray, white, and fine-grained, with the capacity within the inventory count from 1.8 to 10.0 m. The quartz is deposited in the form of a sub-horizontal layer-like deposit. According to the results of work, the following reserves of quartz of national importance of the Papernyanskyi deposit, were approved: B - 417 thousand tonnes, C1 - 896 thousand tonnes, B+C1 -1,313 thousand tonnes

5.8.4 Volumes of quartz sand mining

According to the Geoinform of Ukraine SRPE, as of 01.01.2018, the volume of quartz extraction increased by 17.0% compared to 2016 and reached 1,125.1 thousand tonnes. However, this level of extraction still remained significantly lower than the 2010 figure, which was the peak in the period 2010-2017.

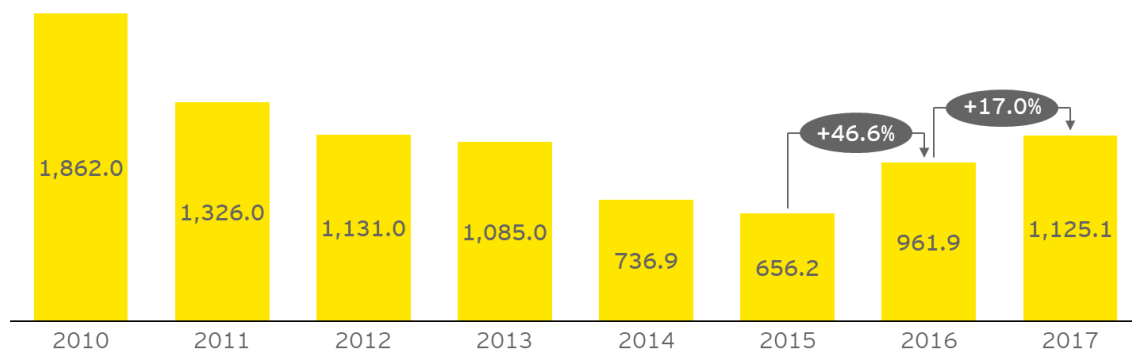


Figure 5-51: The dynamics of quartz sand mining volumes in 2010 - 2017, thousand tonnes¹⁴⁶

The largest part of the quartz extraction in Ukraine falls on three regions: Kherson (37.0% of the total), Kharkiv (28.9%) and Chernihiv (26.4%). Significantly less was extracted in the Lviv and Zaporizhzhya regions - 3.3% and 3.0%, respectively (Figure 5-52).

In general, the extraction volumes increased significantly in all regions, except Zhytomyr and Donetsk regions. The drop in the extraction volumes by 96.8% in the Donetsk region is due to the revaluation of the Vilne deposit of the fire and high-melting clays, and the decision on the economic inefficiency of extracting quartz from this deposit.

¹⁴⁵ According to the decision of the SCR of Ukraine (Protocol No. 3991 of 06.07.2017)

¹⁴⁶ Geoinform of Ukraine SRPE, Yearbook "Mineral Resources of Ukraine", 2018, http://geoinf.kiev.ua/M_R_2018_1.pdf

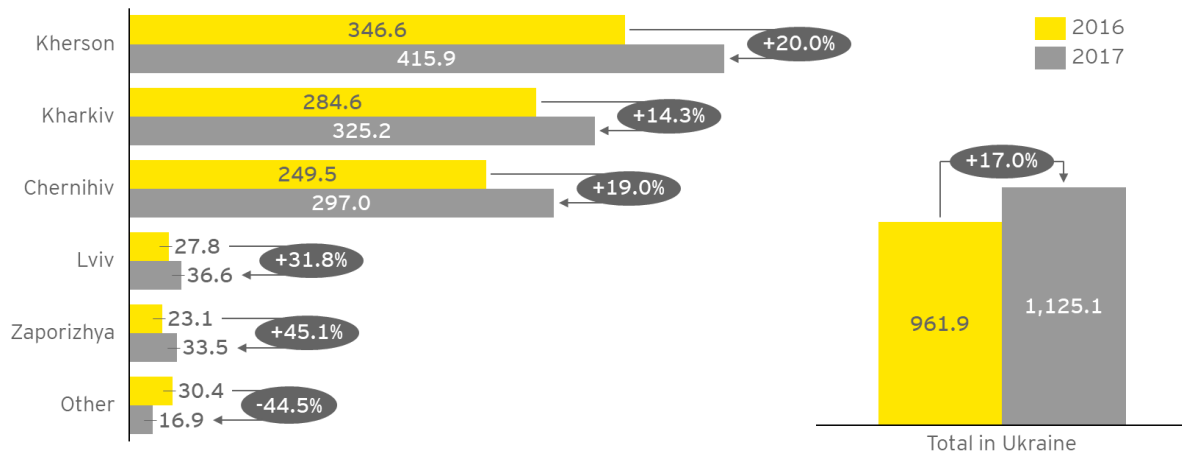


Figure 5-52: The structure of quartz sand mining volumes by the regions of Ukraine in 2016-2017, thousands tonnes ¹⁴⁷

5.8.5 Exports and imports of quartz sand

Information on the export and import of quartz is not available in open sources.

Conclusions to the section

Ukraine is provided with significant balance reserves of quartz-containing raw materials, which are concentrated in many regions of Ukraine. At the same time, the volume of the glass raw materials extraction in Ukraine remains at a low level, although in 2017 there was an increase of 17.0% compared to 2016.

The total volume of quartz extraction in 2017 constituted 1,125.1 thousand tonnes. The regions with the largest extraction volumes were Kherson, Kharkiv and Chernihiv.

If the current level of extraction is maintained, the balance reserves of quartz in Ukraine will last for another 199 years.

¹⁴⁷ Geoinform of Ukraine SRPE, The state balance sheet of mineral resources of Ukraine, Glass raw materials of Ukraine (Issue 83), 2018

5.9 Building stones mining

5.9.1 The role of the state in building stones mining industry

The exploitation of building stones deposits is carried out by the companies of the State Agency of Automobile Roads of Ukraine, the Ministry of Energy and Environmental Protection, the Ministry of Defense of Ukraine, and others. The exhaustive list of public companies engaged in the mining of building stones is shown in the diagram below (**Figure 5-53**). In addition, on the territory of Ukraine there are more than 200 mining quarries, rock-breaking plants and workshops that process the rock mass into crushed stone quarry products. The most powerful of these plants belong to the Cooperative-State Corporation for Agro-Industrial Construction Ukragroprombud of the Ministry of Transport of Ukraine, and the State Agency of Automobile Roads of Ukraine, and others¹⁴⁸.



Figure 5-53: The scheme of state participation in the mining of building stones

¹⁴⁸ Geoinform of Ukraine SRPE, The state balance sheet of mineral resources of Ukraine, Building stones (Issue 37), 2018
 стор. 108 з 419

5.9.2 Building stones reserves

The industrial deposits of high-quality building stones in Ukraine are associated with the geological and stratigraphic complexes that form the main deposits of commercial stones of various geological and industrial types. Such complexes are: the metamorphic and igneous rocks of the Ukrainian crystal shield; basalts of the Donetsk folded structure and the Volyn-Podilska plate; andesite and other effusive rocks of the Transcarpathian depression; diorites and basalts of the Mountain Crimea; gypsum, limestone and sandstones of various geological ages of the Carpathians, the Carpathian region, the Black Sea Depression and in the mountain structures of the Crimea.

According to the Geoinform of Ukraine SRPE, as of 01.01.2018 there were 932 deposits in Ukraine, 450 of which were being developed.

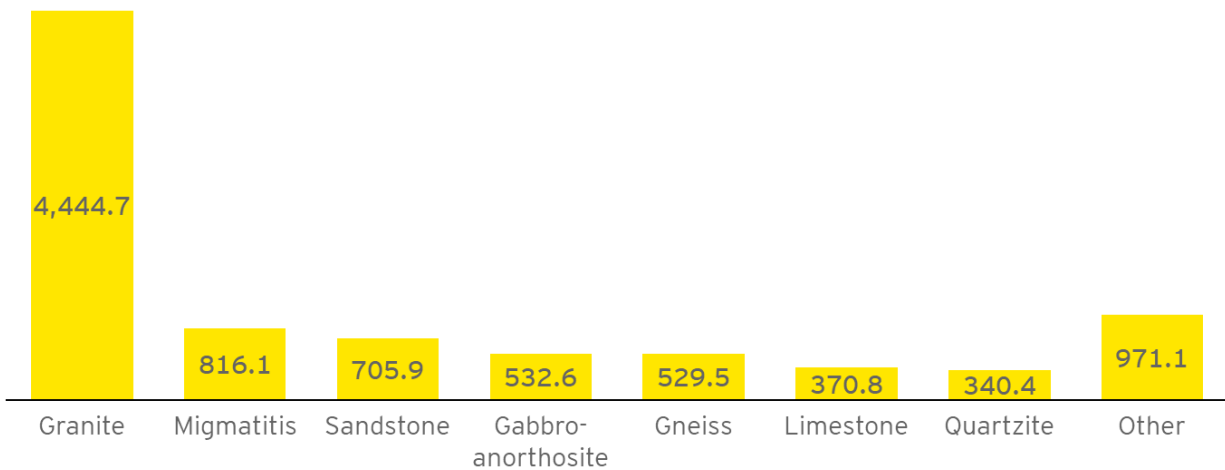


Figure 5-54: The structure of total balance sheet reserves of building stones by geological and industrial types in 2017, mcm ¹⁴⁹

In total, as of the end of 2017, the balance sheet reserves of building stones in Ukraine in the category A+B+C1 amounted to 8,711.2 mcm. Of these, the reserves of the deposits that were being developed in the same category amounted to 5,242.1 mcm. Of the total reserves of all geological and industrial types of building stones, a little more than half were granite - 51.0% or 4,444.7 mcm. The reserves of other types of stones are relatively insignificant: next after granite are migmatite (816.1 mcm of the balance sheet reserves) and sandstones (705.9 mcm of the balance sheet reserves). The reserves of gabbro-anorthosite and gneiss were approximately equal (532.6 and 529.5 mcm, respectively), as in the case of limestone and quartzite (370.8 and 340.4 mcm, respectively) (**Figure 5-54**). Most of the balance sheet reserves of building stones as of the end of 2017 were concentrated in the Zhytomyr (22.6%), Zaporizhzhia (11.4%) and Donetsk regions (8.7%) (**Figure 5-55**).

¹⁴⁹ The Geoinform of Ukraine SRPE, The State Balance Sheet of Mineral Resources of Ukraine, Building Stones (Issue 37), 2018. стр. 109 з 419

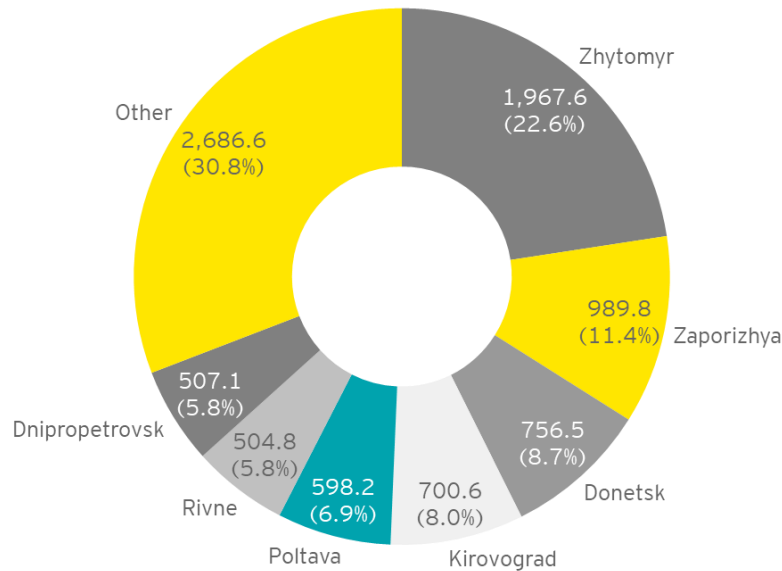


Figure 5-55: The structure of building stone reserves by the regions of Ukraine in 2017, mcm¹⁵⁰

5.8.1 Essential exploration work

According to the data of the Geoinform of Ukraine SRPE, during 2017, the exploration work on building carried out only by commercial institutions. More detailed information is not available in open sources.

5.8.2 Volumes of mining of building stones

In total, in 2017, 27,149.4 mcm of building stones were mined in Ukraine, which is 3 thousand cm more than in 2016. The majority of extraction volumes in 2017 came from granite (83.5% of all extraction or 22,657.3 tcm). After granite, limestone (911.6 tcm) and granodiorite (705.7 tcm) were in second place. The volumes of extraction of basalt and migmatite were approximately equal and amounted to 449.4 and 414.9 tcm, respectively. The volume of extraction of sandstone and andesine was smaller (356.2 and 347.2 tcm, respectively) (**Figure 5-56**).

¹⁵⁰ The Geoinform of Ukraine SRPE, The State Balance Sheet of Mineral Resources of Ukraine, Building Stones (Issue 37), 2018
 стор. 110 з 419

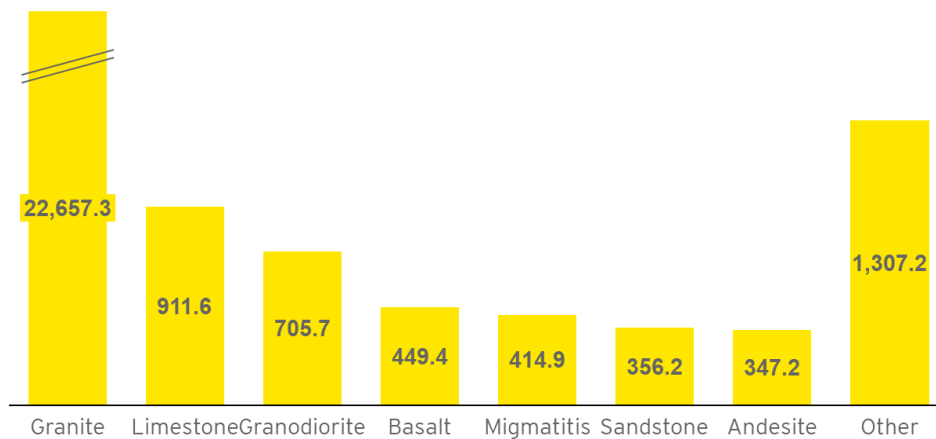


Figure 5-56: The volumes of mining of building stones by geological and industrial types in 2017, tcm¹⁵¹

Among the regions, most of the mining of buildings stone in 2017 fell on the Zhytomyr (32.3%), Rivne (14.3%) and Kyiv regions (8.0%) (**Figure 5-57**). Despite the presence of deposits, there was no mining of building stone on the territory of the Kharkiv, Kherson, Odessa, Sumy, and Volyn regions, as well as the Crimea.

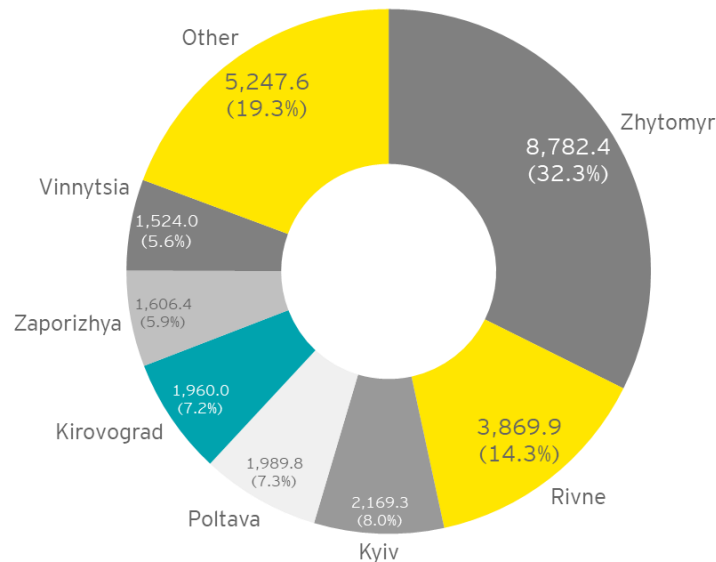


Figure 5-57: The structure of building stones mining by the regions of Ukraine in 2017, tcm

It is important to note that the main part of the extracted building stone in Ukraine is used for the production of crushed stone, which serves as a concrete filler and ballast for laying roads¹⁵². For the production of building crushed stone, building stones are used, which by their geological origin are igneous, metamorphic or sedimentary, by grinding it. The requirements for physical and chemical properties, petrographic composition and quality of crushed stone are regulated by the state standard DSTU B V. 2.7-75-98 'Dense Natural Crushed Stone and Gravel for Building Materials, Products, Structures and Works. Technical Conditions'.

¹⁵¹ The Geoinform of Ukraine SRPE, The State Balance Sheet of Mineral Resources of Ukraine, Building Stones (Issue 37), 2018

¹⁵² The Geoinform of Ukraine SRPE, Yearbook "Mineral Resources of Ukraine", 2018, http://geoinf.kiev.ua/M_R_2018_1.pdf

5.8.3 Volumes of export and import of building stone processing products

A significant part of building stone processing products is exported. In total, in 2017, Ukraine exported 8,646.8 thousand tonnes of pebbles, gravel and crushed stone. The largest part of such products was exported to Belarus (5,922.2 thousand tonnes, or 68.5% of total exports) and Russia (2,201.8 thousand tonnes, or 25.5% of total exports), while the share of other countries in exports was 6.0% (**Figure 5-58**).

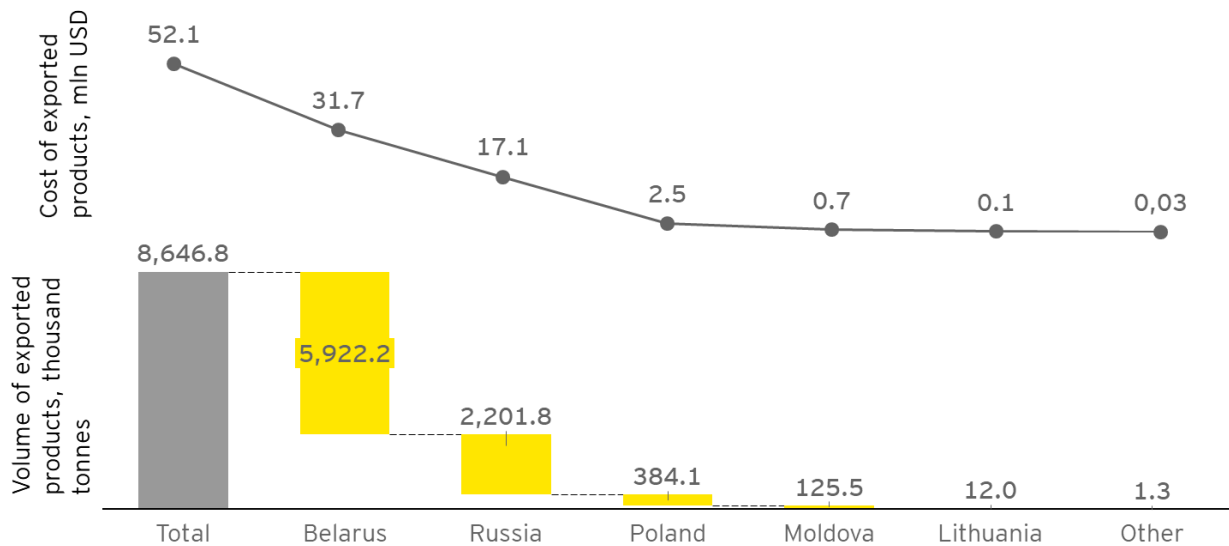


Figure 5-58: The export volumes of pebbles, gravel, and crushed stone by country in physical and monetary units in 2017¹⁵³

In comparison with exports, the volume of imports of pebbles, gravel and crushed stone in 2017 was insignificant and amounted to 243 thousand tonnes. Turkey (76.4 thousand tonnes, 31.4%) and Belarus (66.3 thousand tonnes, 27.3%) accounted for the largest share of pebbles, gravel and crushed stone in the import structure. The share of other countries was 41.3% (**Figure 5-59**).

¹⁵³ The SSSU, Foreign Trade of Certain Types of Goods by Countries of the World, 2017 p., http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

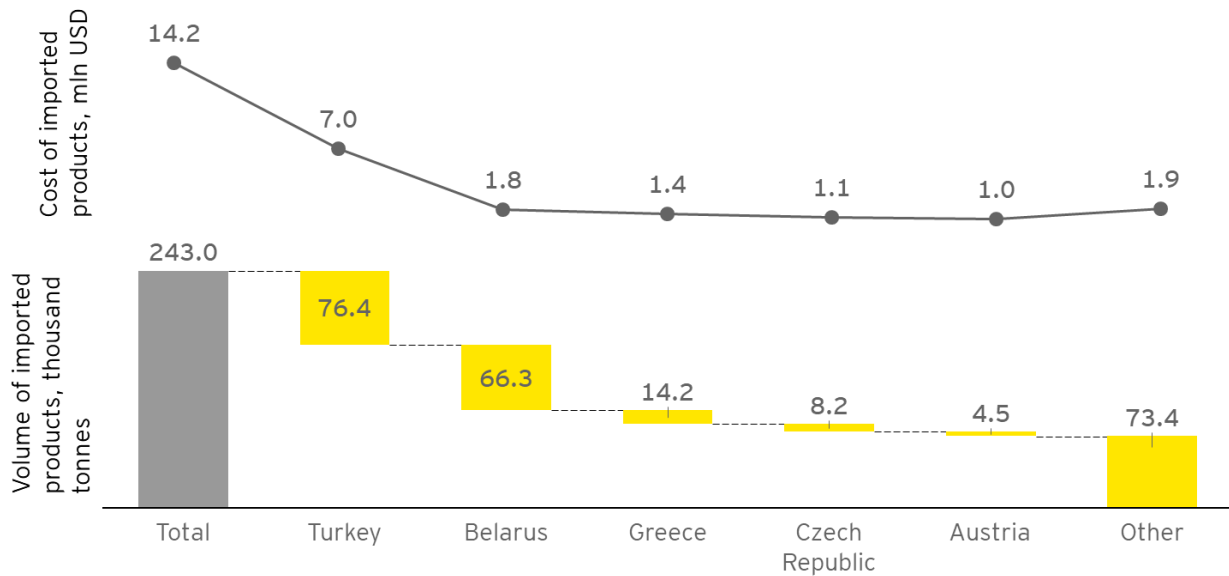


Figure 5-59: The import volumes of pebbles, gravel, and crushed stone by country in physical and monetary units in 2017¹⁵⁴

Conclusions to the section

In total, as of the end of 2017, the balance sheet reserves of building stones in Ukraine in the category A+B+C1 amounted to 8,711.2 mcm. Of these, the reserves of the deposits that were being developed in the same category amounted to 5,242.1 mcm.

In total, 27,149.4 tcm of building stones were extracted in 2017. Granite accounted for the majority of extraction volumes.

The main part of the mined building stones in Ukraine is used for the mining of crushed stone, which serves as a concrete filler and ballast for laying roads.

A significant part of building stone processing products is exported. In total, in 2017, Ukraine exported 8,646.8 thousand tonnes of pebbles, gravel and crushed stone. Most of these products were exported to Belarus and Russia.

¹⁵⁴ The SSSU, Foreign Trade of Certain Types of Goods by Countries of the World, 2017 p., http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

5.10 Contribution of extractive industries to Ukrainian economy

5.10.1 Contribution to formal sector of economy

5.10.1.1 Contribution to output and GDP

In 2017, the total output of the extractive industries¹⁵⁵ amounted to UAH 412.5 billion, which is 5.5% of the total output of goods and services in Ukraine¹⁵⁶. In 2018, the contribution of extractive industries to the total output of goods and services in Ukraine was almost at the same level - 5.6%.

The direct contribution of these industries to the gross domestic product (GDP) of Ukraine in 2017 was UAH 177.2 billion or 5.9% of the total GDP of Ukraine, which is slightly higher than in 2016 (5.4%). For comparison, one of the largest industries in Ukraine (according to the KVED-2010 classification) "Wholesale and retail trade; repair of motor vehicles and motorcycles"¹⁵⁷ generated 11.3% of the total output of goods and services in Ukraine and 13.7% of the GDP of Ukraine, and the sector "Agriculture, forestry and fisheries"¹⁵⁸ - 11.3% of the total output and 10.2% of the total Ukrainian GDP. Therefore, the extractive industries remain significant for the Ukrainian economy in terms of income generation and value added.

In 2017, the nominal output and gross value added of the extractive industries grew at a faster rate than the nominal output and GDP of Ukraine: while the output of mining industries increased by 36.0% compared to the previous year, and gross value added by 34.6%, the output of goods and services in the country increased by 23.7% and GDP of Ukraine - by 25.1%¹⁵⁹.

Among the extractive industries, the largest contribution to the total output of goods and services comes from the mining of metal ores, other minerals and the development of quarries; providing ancillary services in mining and quarrying - 2.4% of the total output of goods and services in Ukraine. Crude oil and natural gas extraction is the second largest output-generating sector with its share of 1.9% in the total output in Ukraine.

The structure of the contribution of the extractive industries to GDP is different from the structure of the contribution to output of goods and services. Oil and gas extraction is the champion - its share in Ukrainian GDP was 2.8% in 2017. The share of metal ores, other minerals and quarrying; the provision of ancillary services in the mining and quarrying in Ukraine's GDP was lower and amounted to 2.3%. The contribution to GDP is a more accurate estimate of the significance of the industry for the country's economy than the contribution to

¹⁵⁵ Due to the fact that statistics on output of goods and services and GDP are not available by the extractive industries that covered by the EITI Report for 2017, the aggregated categories of economic activities were used for the purposes of estimating the contribution of the extractive industries to GDP and output. This section includes the extractive industries categorized in accordance with KVED-2010

- Mining of coal and lignite (KVED-2010 code - B05);
- Extraction of crude oil and natural gas (KVED-2010 code - B06);
- Extraction of metal ores, other minerals and quarrying; provision of ancillary services in the field of mining and quarrying (KVED-2010 code - B07-B09)

¹⁵⁶ SSSU, cost-release table for 2017 (in consumer prices), link to access:

http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html

¹⁵⁷ According to the KVED-2010 classification, the "Wholesale and retail; repair of motor vehicles and motorcycles" industry code is G45-G47.

¹⁵⁸ According to the KVED-2010 classification, the Agriculture, Forestry and Fisheries industry code is A01-A03.

¹⁵⁹ It is calculated on the basis of data of the State Statistics Service, cost-release table for 2017 (in consumer prices),

http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html

the output of goods and services, since the latter includes consumption of intermediate goods and services twice. Therefore, the crude oil and natural gas extraction seems to be more efficient in terms of net added value. In addition, the fact that this sector has a higher tax burden affects its greater share in the GDP of Ukraine.

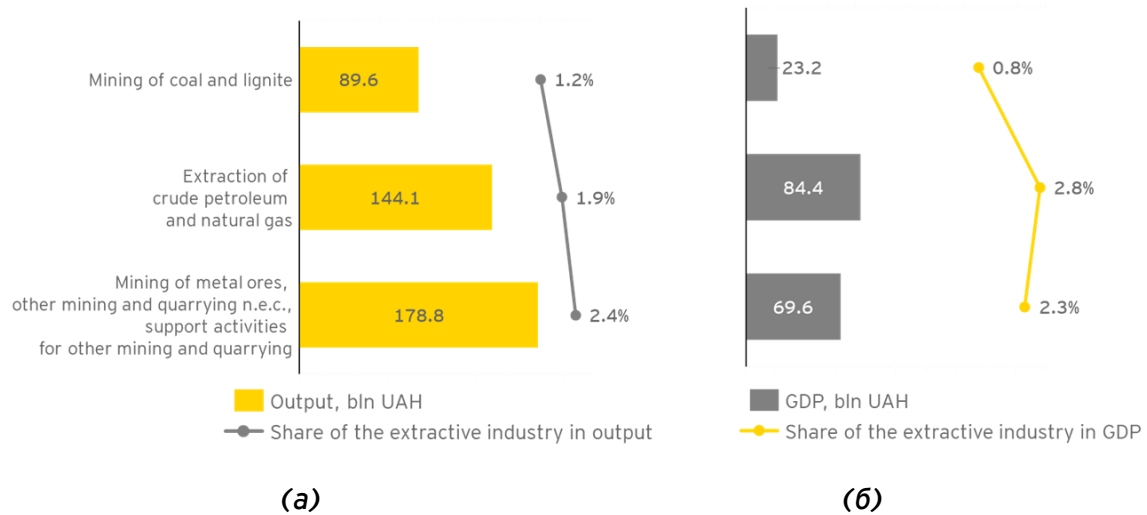


Figure 5-60: Contribution of extractive industries to the output of goods and services (a) and GDP (b) of Ukraine in 2017

In order to obtain disaggregated information, the independent administrator calculated the extractive industries production value and provided the estimates (**Table 5.36**). Since Ukraine has no completely unregulated mining markets, there is no accurate information on the cost of coal, oil, natural gas, etc. The calculation is based on the average weighted prices for these goods (including transportation costs, as in the case of coal prices) during 2017. The deviation of the calculated results from the SSSU data on the value of coal production is 8.1% and for oil and gas - 12.1%.

Table 5.36: The value of extractive production in Ukraine in 2017

Product	Volumes of extraction ¹⁶⁰	Price, UAH	Value, mln UAH	
			According to Independent Administrator`s assessment	According to SSSU ¹⁶¹
Coal, tonnes	34,916,200	2,358.39 ¹⁶²	82,346.02	89,623.00
Crude oil, tonnes	1,515,000	1,439.67 ¹⁶³	21,811.00	144,142.00
Natural gas, tcm	20,509.00	6,587.25 ¹⁶⁴	135,097.91	

¹⁶⁰ The figures for coal mining volumes are provided by the Ministry of Energy; the figures for oil and natural gas production volumes are based on the information provided by the Geoinform of Ukraine SRPE..

¹⁶¹ SSSU, "Input-Output" Table for 2017 (in consumer prices), http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html

¹⁶² The coal price is calculated based on the average market price in the European market (based on the average API2 indices on CIF terms in the main Western European ports Amsterdam - Rotterdam - Antwerp), adjusted for the calorie content of Ukrainian coal. The calculation includes the average freight cost for the transportation of coal to Ukrainian ports, as well as the rate of coal reloading at the port. The average annual rate (according to NBU information) is used to calculate the price in hryvnia (UAH).

¹⁶³ The price for crude oil is calculated based on the average annual value of Brent crude oil on the spot market in Europe, FOB (U.S. Energy Information Administration, link to access: <https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&t=s&r=brte&f=a>) and the average annual US dollar exchange rate (according to the NBU)

¹⁶⁴ The weighted average wholesale price of natural gas in the unregulated market segment in 2017 (net of VAT). NEURC, The results of monitoring of the natural gas market functioning for Q1 2018, link to access: http://www.nerc.gov.ua/data/filearch/monitoryng/gas/2018/monitoryng_gaz_l-2018.pdf

According to the data provided by Ukrgazvydobuvannya JSC in the course of collecting information for this Report, its income from natural gas sales in 2017 amounted to UAH 67,350.7 million with sales volumes of 13,889.3 mcm. It is worth noting that actually more than half of the domestically produced natural gas was sold (as required by the Special Obligation Regime (SOR) established by the CMU) in 2017 at prices lower than in the unregulated market segment, which may partly explain the valuation deviation.

A different approach was used to estimate the value of the mined iron, manganese and titanium ores. These industries are clearly export-orientated, and the information on production volumes and production prices in international markets is publicly available. However, most domestic enterprises in these industries sell the metal ores with different levels of enrichment (agglomerated ore, concentrate, pellets, etc.). Therefore, an alternative assessment approach is to use the information provided by reporting companies in the preparation of this Report. Thus, the total proceeds from the sale of products of the metal ores mining companies in 2017 amounted to UAH 110,493.8 mln¹⁶⁵ (net of VAT), of which:

- ▶ iron ores mining - UAH 107,443.4 mln,
- ▶ manganese ores mining - UAH 2,469.9 mln,
- ▶ titanium ores mining - UAH 2,751.8 mln

Table 5.37: Revenues from sales of marketable products produced by the companies in 2017¹⁶⁶

Name of company	Volumes of raw ore mining, thousand tonnes	Sales volumes of marketable products, thousand tonnes	Revenue from sales of marketable products, mln UAH (net of VAT)	Marketable products to be sold
Iron ores				
Ingulets Iron Ore Enrichment Works PrJSC	27,138.0	10,098.4	15,711.3	Iron ores concentrate
Central Iron Ore Enrichment Works PrJSC	12,576.2	4,537.0	10,727.5	Iron ores concentrate, pellets
Southern Mining Factory JSC	26,791.6	12,449.2	19,965.7	Iron ores concentrate, iron ores agglomerate
Northern Iron Ore Enrichment Works PrJSC	25,554.0	11,329.0	23,282.3	Iron ores concentrate, pellets
Ferrexpo Yeristovo mining LLC	11,471.0	7,075.5	6,435.0	Non-enriched ores
Krivoj Rog`s Iron-Ore Combine PJSC	6,102.0	4,642.0	5,436.0	Sinter ores, blast-furnace ore
ArcelorMittal Kryvyi Rih PJSC	21,561.0	969.0	1,710.0	Iron ores concentrate
Ferrexpo Poltava mining PrJSC	10,444.0	10,460.7	20,225.7	Pellets

¹⁶⁵ These figures include only those companies that provided information for the EITI Report.

¹⁶⁶ According to information received from companies during the survey

Name of company	Volumes of raw ore mining, thousand tonnes	Sales volumes of marketable products, thousand tonnes	Revenue from sales of marketable products, mln UAH (net of VAT)	Marketable products to be sold
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	8,776.0	4,399.4	3,949.9	Non-enriched ore
Total	150,413.8	65,960.2	107,443.4	
Manganese ores				
Marganets GZK JSC	1,316.0	272.0	436.0	Manganese concentrate
Pokrovskiy GZK JSC	2,478.8	1,001.1	2,033.9	Manganese concentrate, sinter
Total	3,794.8	1,273.1	2,469.9	
Titanium ores				
United Mining and Chemical Company JSC	12,027.9	543.3	2,751.8	Non-enriched ore, titanium concentrate, other products
Total	12,027.9	543.3	2,751.8	

The State Statistics Service does not provide disaggregated data on the cost of products in the sector of iron, manganese and titanium ores mining available in public sources of information. Similarly, there is no information in open access on the cost of production of fire clays, refractory clays, quartz sand and building stones. The most approximate information on the cost of production of all these industries is the cost of production of the industry "Mining of metal ores, other minerals and quarrying, as well as the provision of ancillary services in the mining industry and quarrying" (NACE 2010 - B07-B09), which amounted to UAH 178,782 mln¹⁶⁷.

The sector "Mining of metal ores, other minerals and quarrying, as well as the provision of ancillary services in the sector of mining and quarrying" according to NACE 2010 includes a list of economic activities, among which are:

- ▶ iron ores mining;
- ▶ manganese ore mining;
- ▶ titanium ores mining;
- ▶ refractory clays mining;
- ▶ refractory clays mining;
- ▶ quartz sand mining;
- ▶ building stones mining.

¹⁶⁷ SSSU, "Input-Output" Table for 2017 (in consumer prices), http://www.ukrstat.gov.ua/operativ/operativ2006/vvp/vitr_vip/vitr_u/arh_vitr_u.html

Given this, UAH 178,782 mln is an approximate estimate of the value of products of these extractive industries and, in addition, includes the value of products of other industries that fall under the activities of B07-B09 according to the NACE-2010 classification.

5.10.1.2 Contribution to exports

The value of the exported products of mining industries in 2017 amounted to USD 1,773.2 mln, or 3.4% of the total of goods and services exported from Ukraine. Among all the extractive industries covered by the EITI Report, this indicator does not include the export of high-melting clays and quartz sand, because the official statistics do not contain disaggregated information on exports of these types of products¹⁶⁸. Natural gas was not exported in 2017. Of the extractive industries that exported products, the largest contribution came from iron ores mining (exports of ores and concentrates of non-agglomerated iron ores) - UAH 1,292.8 million or 2.46% of the total Ukrainian exports of goods and services.

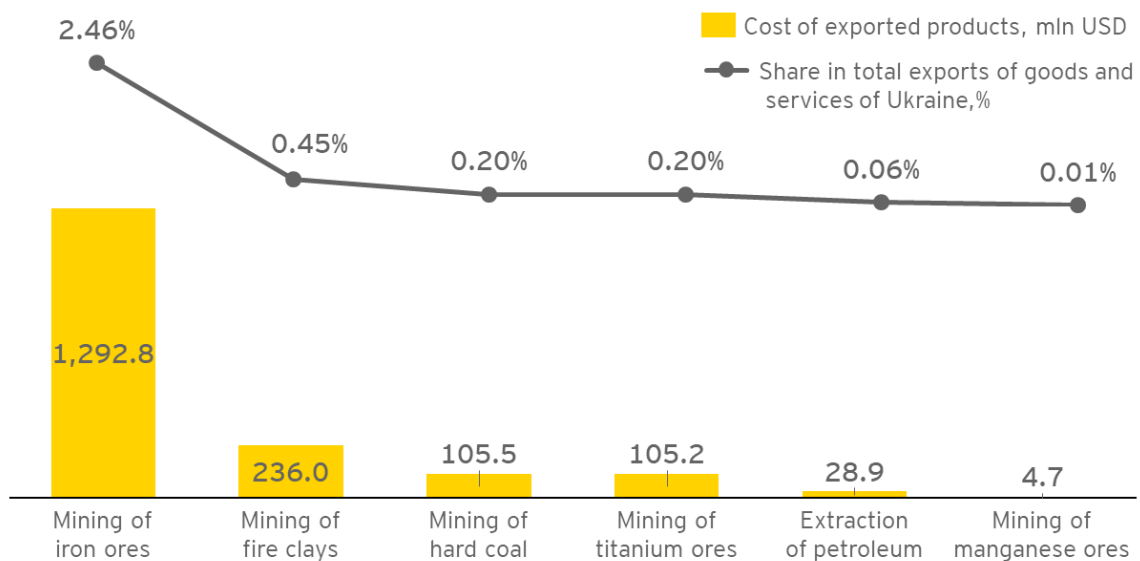


Figure 5-61: Value of exported mining products in 2017¹⁶⁹

5.10.1.3 Contribution to State Revenue

According to the state authorities (State Customs Service, Ministry of Economy, Geology Service), the amount of the state revenues¹⁷⁰ from the companies of reporting extractive industries (extraction of crude oil and natural gas, coal, iron ore, titanium ores, manganese ores, oil and natural gas transportation) amounted to UAH 145,430.46 mln in 2017. Of these, the largest amount of payments to the state is from the oil and natural gas sector - UAH 115,409.99 mln. Overall, the share of payments from the reporting extractive industries in the

¹⁶⁸ The official statistics on exports and imports are collected by commodities according to the Ukrainian Classification of Foreign Economic Activity (UKTZED). The classifier has no separate category for the products of high-melting clays and quartz sand mining sectors

¹⁶⁹ SSSU, statistics "Foreign trade in certain goods by countries" in 2017, link to access: http://www.ukrstat.gov.ua/operativ/operativ2017/zd/e_iovt/arh_iovt2017.htm

¹⁷⁰ State revenue include tax and non-tax payments from mining companies to the state, including the Single Social Contribution (SSC)

tax and non-tax revenues of the Consolidated Budget of Ukraine and the total amount of SSCs amounted to 12.50% (**Table 5.38**).

Table 5.38: State revenues from the extractive industries in 2017

Extractive industry	Payments from the extractive industries, UAH mln	Share in the State Revenues, % ¹⁷¹
Extraction of oil and natural gas	115,409.99	9.92%
Mining of coal	8,080.28	0.69%
Mining of iron ores	9,696.71	0.83%
Mining of titanium ores	782.15	0.07%
Mining of manganese ores	415.10	0.04%
Transportation of oil and natural gas	11,046.23	0.95%
Total	145,430.46	12.50%

5.9.1.4 Contribution to capital investment

In 2017, the capital investments in extractive industries amounted to UAH 35,552.2 mln or 7.93% of total capital investments in Ukraine. The largest share of capital investment was in extraction of natural gas (3.31% of total capital investment in Ukraine) and iron ores mining (2.22%).

According to the State Statistics Committee, 42.8% of the capital investments in the extractive industries were in Kyiv, 30.9% in Dnipropetrovsk region, 11.0% in Donetsk region, and 9.0% in Poltava region. The remaining 6.3% of capital investments in the mining industries are distributed among other Ukrainian regions.

Table 5.39: Capital investments of Ukraine's mining industries in 2017¹⁷²

Extractive industry	Capital investments, UAH mln	Share in the total capital investments in Ukraine, %
Extraction of natural gas	14,842.6	3.31%
Mining of iron ores	9,945.0	2.22%
Mining of coal	6,899.5	1.54%
Mining of other minerals and quarrying	1,746.2	0.39%
Extraction of crude oil	1,119.3	0.25%
Extraction of non-ferrous metals ores	701.0	0.16%
Ancillary mining and quarrying services	298.6	0.07%
Total, extractive industries	35,552.2	7.93%

¹⁷¹ Calculated by the Independent Administrator based on the information of the State Treasury Service of Ukraine on the revenues to the Consolidated Budget of Ukraine in 2017 (<https://www.treasury.gov.ua/ua/file-storage/2017>) and on the SSCs received (<https://www.treasury.gov.ua/ua/file-storage/2017-3>). For the purpose of calculating the revenues to the Consolidated Budget of Ukraine, only tax and non-tax revenues were taken into account; while income from operations with capital, revenues from the European Union, foreign governments, international organizations, donor institutions; trust funds were not included.

¹⁷² SSSU, Capital investment for 2017, link to access, http://www.ukrstat.gov.ua/operativ/operativ2018/ibd/kin/arh_kin_r_u.htm

5.9.1.5 Contribution to employment

According to the State Statistics Service, the average staff number in the extractive industries in 2017 was 213 thousand, which is 8.2% less than in 2016. Compared to 2014, the number of full-time employees decreased by 31.1%. The employment in the extractive industries has been declining since 2014, due to the overall economic downturn and also because a number of extractive companies lost control over their assets located in the areas of Donetsk and Luhansk regions that are temporarily not controlled by the Ukrainian Government¹⁷³.

In 2017, the extractive sectors employed 11.2% of all full-time employees in the industry and 2.8% of all full-time employees in Ukraine. Mining companies remain an important source of employment. According to the SSSU, the average monthly wage in the extractive industries in 2017 exceeded the average monthly wage in Ukraine (the average monthly wage in the extractive industry was UAH 9,704 and the average in Ukraine - UAH 7,104¹⁷⁴).

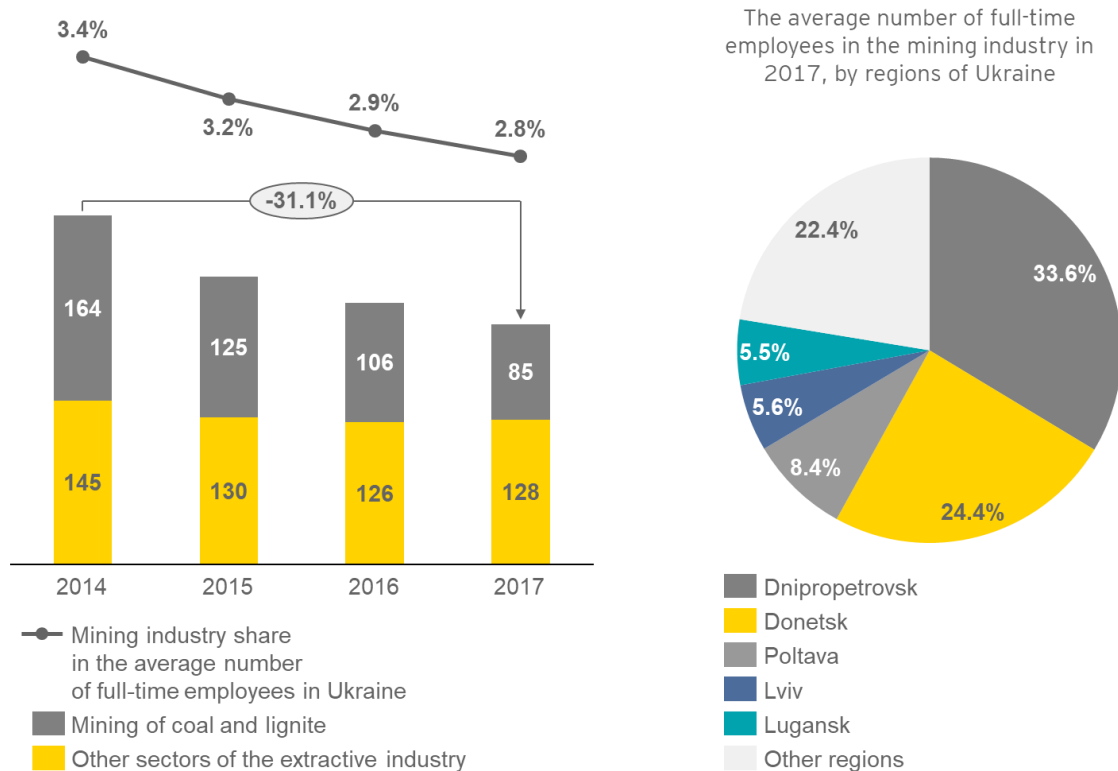


Figure 5-62: The average staff number in extractive industries in 2017¹⁷⁵

The largest contribution of the extractive industries to employment is in the Dnipropetrovsk region, where 33.6% of full-time employees of all extractive industries are concentrated. Donetsk region, with 24.4% of full-time employees in the extractive industries, comes second, and Poltava region is the third one with 8.4%. It is worth noting that in 2016 the share of

¹⁷³ In 2017, the DTEK Group (<https://dtek.com.ua/media-center/press/dtek-zayavlyaet-o-potere-upravleniya-predpriyami-raspolozhennymi-na-vremenno-nekontroliruemoy-territorii-donetskoj-i-luganskoj-oblasti/>) and Metinvest Group (<https://coal.metinvestholding.com/ua>) declared the loss of control of their enterprises in the temporarily uncontrolled territories of Donetsk and Luhansk regions.

¹⁷⁴ SSSU, Statistical Compendium "Labor of Ukraine in 2017", link to access: http://www.ukrstat.gov.ua/druk/publicat/kat_u/2018/zb/07/zb_pu2017.pdf

¹⁷⁵ SSSU, Statistical Compendium "Labor of Ukraine in 2017", link to access: http://www.ukrstat.gov.ua/druk/publicat/kat_u/2018/zb/07/zb_pu2017.pdf

Luhansk region was 10.7% and decreased sharply to 5.5% in 2017, which is related to the above-mentioned loss of control over the mining enterprises in the respective territory.

5.10.2 Contribution to the informal economy

In order to assess the share of the informal sector of the economy in the extractive industries, two sources of information were used: data from the State Statistics Service of Ukraine on informal employment and a study by the Ministry for Development of Economy, Trade and Agriculture of Ukraine on the share of the shadow economy.

1. The share of informally employed population in extractive industries¹⁷⁶ in 2017 can be estimated as 18.7 thousand people or 8.5% of the total employment in these industries, assuming that the share of informally employed in extractive industries corresponds to the share of informally employed in the entire industry¹⁷⁷. The data are calculated by the Independent Administrator based on the information of the State Statistics Service of Ukraine.

Informal employment covers informal jobs in both formal and informal sectors. Informally employed include the following categories of employed population:

- ▶ employed in informal sector enterprises (unregistered self-employed, employers and their employees, free-working family members, etc.);
- ▶ free-working family members at formal sector enterprises;
- ▶ employees working in informal formal sector jobs (persons who worked by oral agreement or did not have any social guarantees, in particular: they were not paid a single contribution to the compulsory state social insurance; they did not have annual leave; paid sick leave)¹⁷⁸.

One way to estimate the share of the informal sector in the economy is to calculate the share of the informally employed population in total employment. According to the State Statistics Service of Ukraine (statistical compendium "Business Activities of the Population of Ukraine"¹⁷⁹), in 2018, the total number of employed population aged 15-70 in Ukraine was 16,156.4 thousand persons, of which 22.9% (3,695.6 thousand persons) are considered to be informally employed. Out of the total of informally employed people of Ukraine, 5.6% or 207.0 thousand persons are working for industry.

According to the State Statistics Service¹⁸⁰, the number of employed population in industry in 2017 was 2,440.6 thousand persons. Hence, the ratio of informally employed people to the

¹⁷⁶ According to the classification of economic activities NACE 2010 "extractive industry" means the activities related to section B - Mining and quarrying:

- Section 5 - Mining of coal and lignite
- Section 6 - Extraction of crude petroleum and natural gas
- Section 7 - Mining of metal ores
- Section 8 - Other mining and quarrying
- Section 9 - Mining support service activities.

¹⁷⁷ According to the classification of economic activities NACE-2010 "industry" means activities related to sections B, C, D, E.

¹⁷⁸ Definition of the concept of informal employment in accordance with the Order of the State Statistics Service of Ukraine "On approval of the Methodological provisions for determining informal employment" No. 16 dated 23 January 2013.

¹⁷⁹ SSSU, Statistical Compendium "Business Activities of Ukrainian Population" 2017, link to access:
http://www.ukrstat.gov.ua/druk/publicat/kat_u/publ11_u.htm

¹⁸⁰ SSSU, Employed Population by Types of Business Activity in 2012-2018, link to access:
http://www.ukrstat.gov.ua/operativ/operativ2014/rp/zn_ed/zn_ed_u/zn_ed_2013_u.htm

total of employed in industry was 8.5%¹⁸¹. This indicator is an approximate estimate of the size of the informal sector in industry. If based on this information we assume that the share of informally employed in the extractive industries corresponds to the share of informally employed in the whole industry, then informal employment in the extractive industries can be estimated at 18.7 thousand people¹⁸². Due to the lack of disaggregated statistical information for the mining sector separately, this estimate was only made for the entire industry.

2. According to the Ministry of Economy, the level of the shadow economy in the extractive industries¹⁸³ in 2017 was 38% of the gross value added of these industries.

Shadow economy - is unregistered in the prescribed manner economic activity of the business entity, which is characterized by minimization of costs for the production of goods, works and services, tax evasion, fees (mandatory payments), statistical questionnaires and statistical reporting, resulting in there are violations of statutory norms (the level of the minimum wage, working hours, working conditions and safety, etc.)¹⁸⁴.

In 2019, the Ministry of Economy published a survey with its own assessment of the shadow economy of Ukraine¹⁸⁵. According to the survey, in 2017 the share of the shadow economy (by the integral indicator) was 32% of the official GDP, and in 2018 - 30%.¹⁸⁶ The data of the Ministry of Economy indicate a gradual de-shading of the economy, since the share of the shadow economy has been decreasing every year since 2014 (in 2014 the corresponding figure was 43%).

The integral indicator of the share of the shadow economy is a comprehensive indicator and gives the most complete assessment of the shadow economy. At the same time, there are different methodology for determining the level of the shadow economy, with different inputs and calculation methods¹⁸⁷, including:

- The *consumer spending - retail turnover method*. According to this method, the level of the shadow economy of Ukraine in 2017 was 48% of the official GDP (in 2018 - 46%);
- The *electricity method (using the electricity consumption data)*, according to which the level of the shadow economy in 2017 was equal to 28% of the official GDP (in 2018 - 27%);

¹⁸¹ Calculated by the Independent Administrator based on the State Statistics Service data.

¹⁸² Calculated by the Independent Administrator based on the State Statistics Service data, Compendium "Statistical Yearbook of Ukraine" 2017, link to access: http://www.ukrstat.gov.ua/druk/publicat/kat_u/2018/zb/11/zb_seu2017_e.pdf

¹⁸³ According to the classification of economic activities NACE 2010 "extractive industry" means the activities related to section B - Mining and quarrying:

- Section 5 - Mining of coal and lignite
- Section 6 - Extraction of crude petroleum and natural gas
- Section 7 - Mining of metal ores
- Section 8 - Other mining and quarrying
- Section 9 - Mining support service activities.

¹⁸⁴ Definition of the concept of the shadow economy in accordance with the Order of the Ministry of Economy "On approval of the Guidelines for calculating the level of the shadow economy" No. 123 dated 18 February 2009.

¹⁸⁵ Ministry of Economy, The Shadow Economy Trends in Ukraine in 2018, link to access: <http://www.me.gov.ua/Documents/List?lang=uk-UA&id=e384c5a7-6533-4ab6-b56f-50e5243eb15a&tag=TendentsiiTinovoiEkonomiki>

¹⁸⁶ According to the Ministry of Economy, the data on the size of the shadow economy for 2018 are preliminary and will be subsequently updated.

¹⁸⁷ The Ministry of Economy survey on the size of the shadow economy of Ukraine is based on the Methodological recommendations for calculating the level of the shadow economy, approved by the Order of the Ministry of Economy No. 123 dated 18 February 2009, link to access: <https://zakon.rada.gov.ua/rada/show/v0123665-09>

- The *monetary method*, according to which the corresponding figure for 2017 is 24% of the official GDP (in 2018 - 23%);
- The *loss-making enterprises method*. This method calculated the shadow economy at 22% in 2017 (18% in 2018).

According to the Ministry of Economy, the level of shadow economy in the extractive industries (mining) calculated using the loss-making enterprise method, was 38% of the gross value added in the industry in 2017 (30% in 2018).

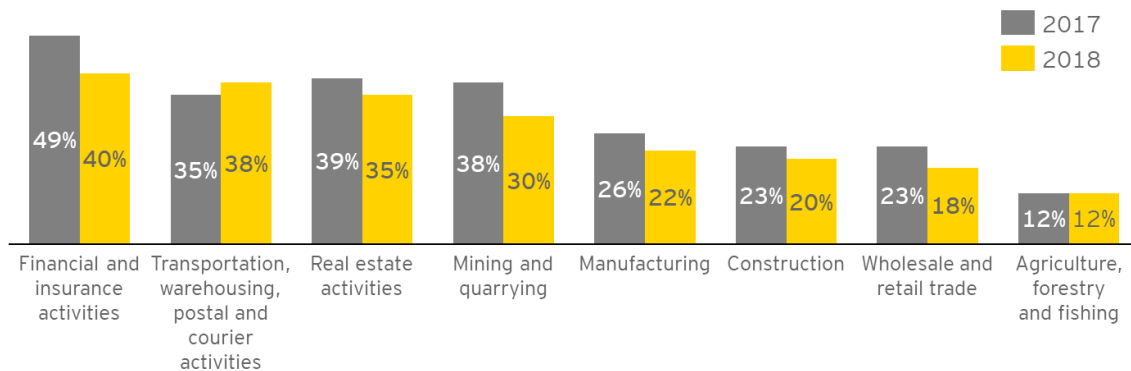


Figure 5-63: Shadow economy by types of business activity in 2017-2018 (% of gross value added in the industries)¹⁸⁸

5.10.3 Social and charity payments by extractive companies

In order to get the information on the expenditures of mining companies for social purposes and disclose it in the EITI Report, the questionnaires containing relevant questions were sent to the reporting companies. According to the results of the survey, the following information was collected:

- ▶ Social expenditures in cash and in kind required from the company by the law, product sharing agreements, subsoil use agreements, investment obligations, concession contracts, contracts for the purchase and sale of state-owned property, or any other obligations of the company the state, central and local authorities and which are binding for the company under the regulations or contracts related to mining activities;
- ▶ Any expenditures in cash and in kind for social purposes (including charity) that are made voluntarily by the company.

All social and charitable spending are divided into the following categories:

- ▶ health care;
- ▶ education and science;
- ▶ environment protection;
- ▶ support to local communities and other.

¹⁸⁸ Ministry of Economy, The Shadow Economy Trends in Ukraine in 2018, link to access: <http://www.me.gov.ua/Documents/List?lang=uk-UA&id=e384c5a7-6533-4ab6-b56f-50e5243eb15a&tag=TendentsiiTinovoiEkonomiki>

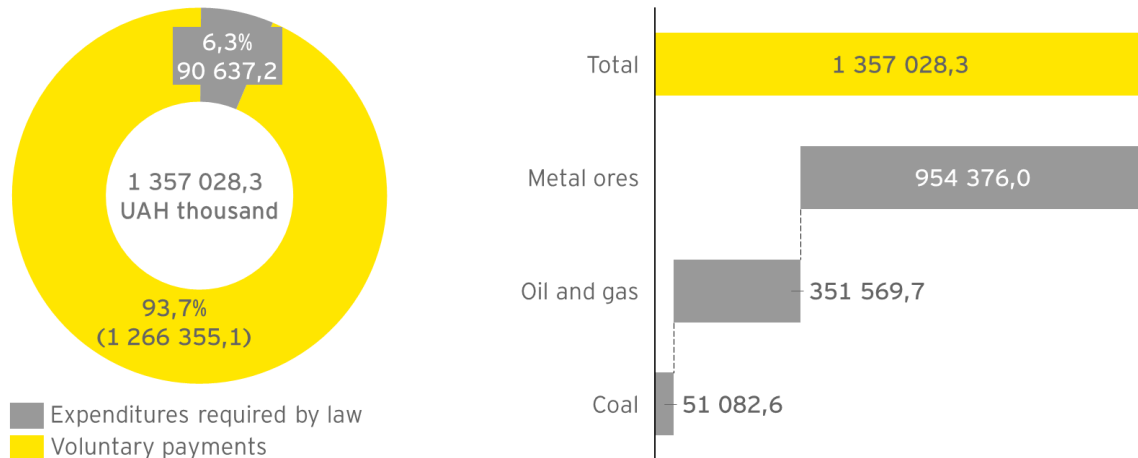


Figure 5-64: Social and charity payments by the reporting extractive companies in 2017¹⁸⁹

According to the reporting companies, their total expenses for social and charitable purposes in 2017 amounted to UAH 1,357,038.3 thousand. The bulk (93.7%) is voluntarily payments by companies. The category "Social expenditures required by law" accounted for UAH 90,637 thousand UAH or 6.3% of the total amount. The breakdown by the extractive industries shows, that the largest share of expenditures for social and charitable purposes was made by metal ore mining companies (70.3%), followed by oil and gas extracting companies (25.9%).

According to the survey, the largest share of social and charitable payments by the reporting companies was classified as "Other" (Table 5.40)

Table 5.40: Social and charitable payments for 2017 by purposes and cost categories and extractive industries, thousand UAH (net of VAT)

Purpose of spending	Oil and gas	Coal	Metal ores	TOTAL
<i>Social spending required by law</i>				
Health care	300.0	0.0	0.0	300.0
Education and science	0.0	0.0	0.0	0.0
Environment protection	0.0	0.0	33,585.7	33,585.7
Support to local communities	810.0	0.0	10,378.0	11,188.0
Other	0.0	20,349.0	25,250.5	45,599.5
TOTAL	1,110.0	20,349.0	69,214.2	90,673.2
<i>Voluntary social spending</i>				
Health care	43,302.4	45.0	9,049.4	52,396.8
Education and science	14,101.4	9.0	22,878.6	36,989.0
Environment protection	285.0	0.0	7,199.0	7,484.0
Support to local communities	239,992.2	29,228.0	74,663.3	343,933.4

¹⁸⁹ For purposes of verification of payments, the companies belonging to the industries "Extraction of crude oil", "Extraction of natural gas", "Transmission of oil and natural gas" were grouped into the category "Oil and gas companies" or oil and gas companies. The companies belonging to the industry "Iron ores mining", "Manganese ore mining" and "Titanium ores mining" were merged into the "Metal ores industry" category.

Purpose of spending	Oil and gas	Coal	Metal ores	TOTAL
Other	52,778.8	1,401.6	771,371.5	825,551.9
TOTAL	350,459.7	30,683.6	885,161.8	954,376.0

Among the reporting companies that disclosed their social and charity spending in 2017, the leaders were ArcelorMittal Kryvyi Rih PJSC and Cube-Gas LLC (**Figure 5-65**).

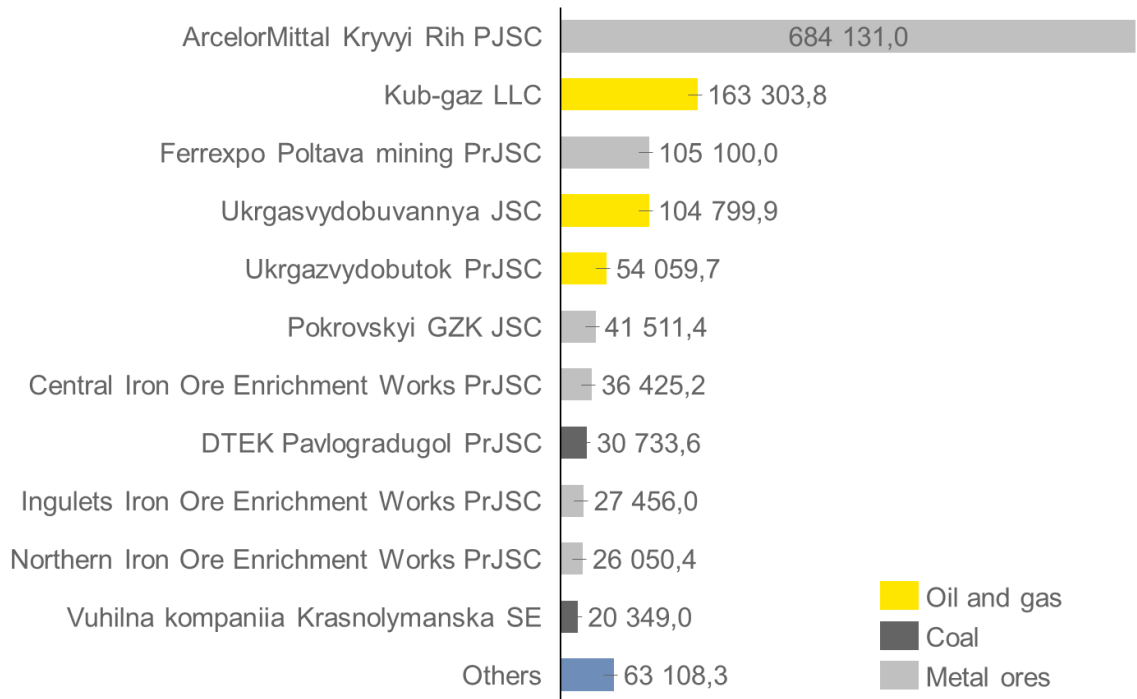


Figure 5-65: The reporting companies of extractive industries with the highest social and charitable spending in 2017, UAH thousand

5.11 Quasi-fiscal transactions

As required by Standard 3.2, the EITI Report should include information on quasi-fiscal transactions of public sector entities to ensure an adequate level of reporting transparency. This requirement regulates the disclosure of the quasi-fiscal expenditures such as payments for social services, public infrastructure, fuel subsidies and servicing of national debt. The standard also specifies that the MSG should develop a reporting process that respects a level of transparency commensurate with other payments and revenue flows, as well as disclosures of subsidiaries and joint ventures data.

The IMF's Fiscal Transparency Code defines quasi-fiscal transactions as governmental transactions conducted by institutions that do not belong to public authorities (central bank and other state corporations). These include central bank preferential loans, preferential lending to government corporations, and lower-than-market services.

By their nature, quasi-fiscal transactions have a significant impact on the structure of the country's fiscal policy, reducing the effectiveness of the budget balance as an indicator of the country's financial situation. In addition, quasi-fiscal activities may lead to unforeseen government commitments. Therefore, the IMF emphasizes the importance of identifying and quantifying quasi-fiscal transactions. It is also important to note that quasi-fiscal transactions often have redistributive effects, so their impact should be a matter of public debate. The IMF's Fiscal Transparency Guide is an effective tool for conducting a proper disclosure procedure for quasi-fiscal transactions.

One of the main types of quasi-fiscal transactions in Ukraine is the sale of natural gas to individual customers and heat and power utilities companies at prices lower than those for industrial consumers. By decision of the Multi-Stakeholder Group (MSG), based on the available information and recommendations of the Independent Administrator, the quasi-fiscal transactions in Ukraine's gas sector alone were identified as significant ones for disclosure in the EITI Report (Minutes of the MSG of November 22, 2019). No other significant types of quasi-fiscal transactions have been identified.

5.11.1 Quasi-fiscal transactions in gas industry

The principles of gas market regulation and functioning are set in the Law of Ukraine "On the Natural Gas Market". The law provides for, along with the state regulation of monopoly markets, the introduction of the free pricing principle, except when the CMU imposes special obligations on the subjects of the natural gas market. During 2017, natural gas was supplied at free market prices, with the exception of household consumers, religious organizations (other than the volumes of gas used for their production and commercial activities) and producers of heat and electricity, prices for which were set in accordance with the CMU Resolution No. 758 of 01.09.2015 (effective from October 1, 2015 to April 1, 2017) and CMU Resolution No. 187 of 22.03.2017 (effective from April 1, 2017 to April 1, 2018)¹⁹⁰.

¹⁹⁰ CMU Resolution "On Approval of the Regulation on Imposition of Special Obligations on Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market (Transition Relations)" No. 758 of 01.10.2015, link to access: <http://zakon0.rada.gov.ua/laws/show/758-2015-%D0%BF>; CMU Resolution "On Approval of the Regulation on Imposition of Special Obligations on Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market" No. 187 of 22.03.2017, link to access: <https://zakon.rada.gov.ua/laws/show/187-2017-%D0%BF/ed20171114>

According to these resolutions and the Law of Ukraine “On the Natural Gas Market”, Naftogaz of Ukraine NJSC is obliged to purchase natural gas extracted by Ukgazvydobuvannya JSC for the formation of natural gas resource for domestic consumers, religious organizations (other than volumes used for their production and commercial activities) and thermal energy producers at prices, on terms and under the procedure determined by the relevant PSO Regulation.

The question on the expenditures for quasi-fiscal transactions was included in the questionnaires sent to the reporting organizations. Naftogaz of Ukraine NJSC provided information on quasi-fiscal expenditures in 2017 (*Table 5.41*)

Table 5.41: Quasi-fiscal transactions in the gas extracting sector

Indicator	Amount, thousand UAH
Natural gas supplied at preferential prices to thermal energy companies for the production of heat energy consumed by the population ¹⁹¹	48,710,640 ¹⁹²
Accumulated receivables of Naftogaz of Ukraine NJSC for sale of natural gas to the population and thermal energy companies	57,704,841 ¹⁹³
Borrowings by the Naftogaz of Ukraine NJSC and other public sector entities which, in case of change of the owner and for other reasons stipulated in the loan agreement (prospectus for bonds issue), would trigger the obligations for early repayment of the loans	No relevant operations were performed in the reporting period

The other reporting mining companies did not provide any information on quasi-fiscal transactions because they did not perform such transactions in 2017.

¹⁹¹ Calculated as the difference between the prices of purchasing the imported natural gas by the Naftogaz of Ukraine NJSC and the prices of selling the gas to the heat power companies for the production of heat energy to be consumed by the population, multiplied by the amount of natural gas consumed by the heat power companies for the production of heat energy.

¹⁹² The difference in prices is calculated for 2017, adjusted for the difference in prices of Ukgazvydobuvannya JSC.

¹⁹³ As of 31.12.2017

5.12 Generation of government revenues from extractive industries by the regions of Ukraine

Most tax and non-tax payments made by extractive companies in Ukraine do not have clearly stated special purpose and their destination is the Consolidated budget and /or local budgets. The only exception is the unified social contribution the proceeds of which are distributed to compulsory state social insurance in proportions approved by the CMU¹⁹⁴. The detailed information on the purpose of taxes and duties to the state or local budgets is presented in **Section 6.5**.

Revenues to the State budget from payments for the use of subsoil for the purpose of producing gas and gas condensate, VAT paid by Naftogaz of Ukraine NJSC and Ukrtransgaz JSC , as well as from repayment of tax debt, including restructured or installments) with VAT paid by electricity producers and coal companies in 2017 shall be used for transferring subventions from the state budget to the local budgets for granting privileges and subsidies to the households (including for paying electricity, natural gas, heating, water supply and water treatment bills, apartment rent etc.).¹⁹⁵ The detailed information on the corresponding subsidies in 2017 is presented in **Annex 9**.

Considering the mechanism of transferring state budget subsidies to local budgets (see **Section 6.4.4.2** for details), the information of state bodies, first of all STSU, about payment of tax and other payments by extractive companies to the State budget does not reflect the relation between the region in which taxes were paid and those in which region these returns came in the form of a subsidy. In addition, the criterion for the distribution of revenues to the State budget from mining companies, according to the STSU, is the place of registration of companies, not the place of doing business.

Therefore, since the objective official data are not available, the Independent Administrator assessed the regional origin of payments from extractive companies.

The results of the assessment represent the indicative amounts of revenues for the benefit of the State generated by a specific region of Ukraine in 2017. The assessment is approximate.

The assessment algorithm and basic assumptions are the following:

1. The scope of the assessment includes the revenues from the reporting companies (53 extractive companies) by all types of payments in 2017. The source of information is state bodies (STS, Ministry of Economy, Derzhgeonadra) data with regard to tax and other payments to the state in 2017 received for the purposes or reconciliation in the EITI Report.
2. The revenues from oil and natural gas transportation industry (Ukrtransgaz JSC and Ukrtransnafta JSC), as well as Naftogaz of Ukraine NJSC were not disaggregated by the

¹⁹⁴ The proportions in which the USC is distributed are approved by the CMU Resolution No 675 from 26.11.2014 "On approval of the proportion of the distribution of the single contribution to the compulsory state social insurance", <https://zakon.rada.gov.ua/laws/show/675-2014-n>

¹⁹⁵ CMU Resolution No 20 from 20.01.2005 "On approval of the Procedure for transferring certain subventions from the state budget to the local budgets for granting of privileges, subsidies and indemnifications".

regions of Ukraine, so it is impossible to exactly match tax and non-tax payments paid by these companies and the revenues of specific Ukrainian regions.

3. The revenues from iron, titanium and manganese ores mining are allocated to the regions of country by simple comparison of the actual address of conducting activity and the payments paid by the companies. For example, the location of AscelorMittal Kryvyi Rih PJSC extractive activity is solely in Dnipropetrovsk region, that is why all payments of company can be allocated to Dnipropetrovsk region.
4. The total revenues from the coal mining companies were allocated among the regions of Ukraine proportionally to the volumes of extracted coal. So, it was assumed that since 57.7% of the total coal production in Ukraine in 2017 was mined in Dnipropetrovsk region, then 57.7% of all revenues from the coal mining industry can be allocated to Dnipropetrovsk region. The information about regional allocation of coal production is received from is the Geoinform of Ukraine SRPE and Ministry of Ecology and Natural Resources of Ukraine.
5. Determination of the total revenues from the natural gas and oil extraction separately. In case of the companies engaged in extracting oil and natural gas, their payments were distributed between the natural gas and oil industries proportionally to the payments for the use of subsoil (rent) according to the corresponding budgetary classification codes. Since the taxation base for payments for the use of subsoil for the purpose of extracting hydrocarbons is the cost of saleable products (oil, condensate and natural gas), it was deemed reasonable to distribute the payments made by oil and gas companies as those related to natural gas extraction and those related to oil extraction proportionally to the rent paid by them.
6. The total revenues from oil and natural gas extraction separately are allocated to the regions proportionally to the regional structure of oil and gas extraction.

About 67.5% of payments from extractive industries paid in 2017 are estimated for their regional origin using this algorithm. It is clear that such allocation contains errors, however no other more precise approach can be used with the available information. The Independent Administrator received no replies from many extractive companies and therefore based only on the publicly available information it is not always possible to identify on the territory of which region a company conducts its activities. Moreover, in the case when a company operates in a few regions, or is engaged in production of both oil and natural gas, correct allocation of payments is impossible at all without the detailed explanations from each such company, especially with regard to the share of each mineral (oil or gas) production in the taxation base for most of taxes.

The payments from Naftogaz of Ukraine NJSC (24.9% of the total revenues, or UAH 66,157,014.61 thousand), and all the payments from of oil and natural gas transportation industry (7.6% or UAH 11,046,228.91 thousand) remained unallocated by the regions.

The results of assessment show that three regions of Ukraine (Kharkiv, Poltava and Dnipropetrovsk regions), where the main gas, oil and iron ores fields are located, provided for 80.9% revenues to the state from extractive industries in 2017. Another 17.7% of the revenues were received from the 6 regions (Sumy, Ivano-Frankivsk, Lviv, Donetsk, Chernihiv and

Luhansk regions). Other regions of Ukraine contributed 1.4% revenues to the state and local budgets in 2017.

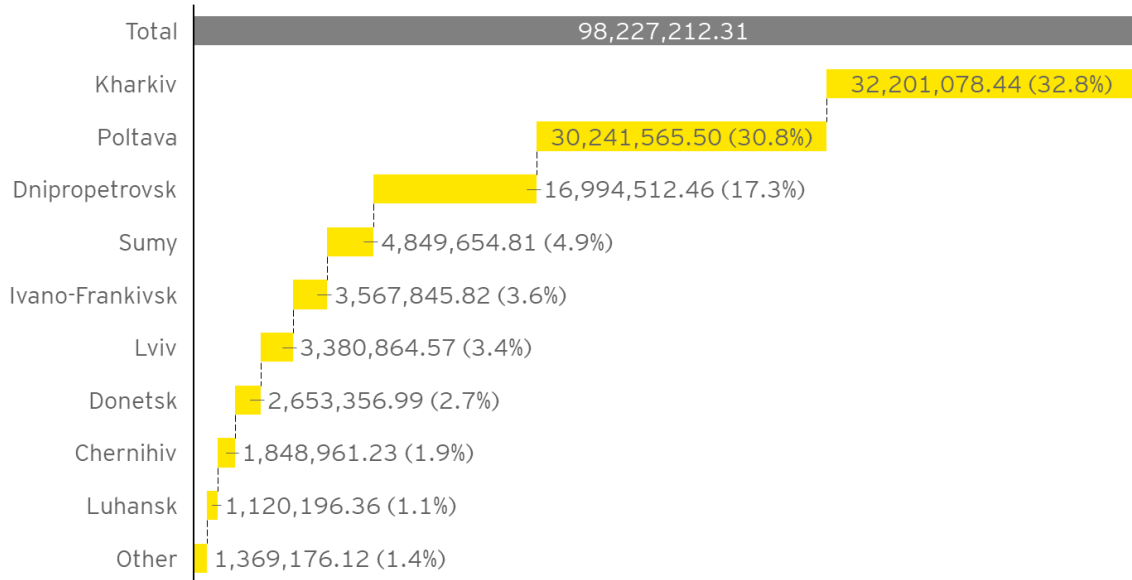


Figure 5-66: Independent Administrator's assessment of generation of government revenues from extractive industries by the regions of Ukraine in 2017, UAH thousand

Table 5.42: Independent Administrator's assessment of generation of government revenues from extractive industries by the regions of Ukraine in 2017

Region of Ukraine	Total, UAH thousand	including:					
		Oil	Natural gas	Iron ores	Titanium ores	Manganese ores	Coal
Volyn region	115,279.43		91,811.65				23,467.79
Dnipropetrovsk region	16,994,512.46	124,606.14	1,744,421.31	9,583,349.42	466,795.36	414,063.41	4,661,276.82
Donetsk region	2,653,356.99		6,331.84				2,647,025.16
Zhytomyr region	271,701.64			2,259.26	269,442.38		
Zaporizhzhia region	635,514.68			634,481.81		1,032.87	
Ivano-Frankivsk region	3,567,845.82	2,197,002.93	1,370,842.88				
Kyiv region	49.40				49.40		
Kirovohrad region	278,779.76			233,142.90	45,636.86		
Luhansk region	1,120,196.36	32,791.09	696,502.16				390,903.12
Lviv region	3,380,864.57	911,592.26	2,111,667.90				357,604.40
Mykolaiv region	914.27			914.27			
Poltava region	30,241,565.50	3,620,136.18	27,378,866.61	(757,437.28) ¹⁹⁶			
Sumy region	4,849,654.81	3,928,372.41	921,282.40				
Kharkiv region	32,201,078.44	1,757,602.35	30,443,476.10				
Cherkasy region	226.26				226.26		
Chernivtsi region	22,387.81	6,558.22	15,829.59				
Chernihiv region	1,848,961.23	1,744,485.91	104,475.32				
Shelf of the Sea of Azov	44,322.86		44,322.86				
Total	98,227,212.31	14,323,147.48	64,929,830.62	9,696,710.39	782,150.25	415,096.27	8,080,277.29

¹⁹⁶ The amount of payments to the government from the companies of the iron ores mining industry has negative value, because two companies of the iron ores mining industry (Ferrexpo Poltava mining PrJSC, Ferrexpo Yeristovo mining LLC) in 2017 received the budget reimbursement of value added tax that exceeded the amount of their payments to the government and the total amount of payments to the government from all companies of the iron ores mining industry operating in Poltava region

6. Statutory and fiscal regulation for extractive industries in 2017

6.1 Overview of the regulations applicable to extractive industries

According to Article 13 of the Constitution of Ukraine, the subsoil and natural resources within the territory of Ukraine, natural resources of its continental shelf and the exclusive (maritime) economic zone are the property of the People of Ukraine. Public authorities and local governments exercise these proprietary rights of the Ukrainian people within the limits set by the Constitution.

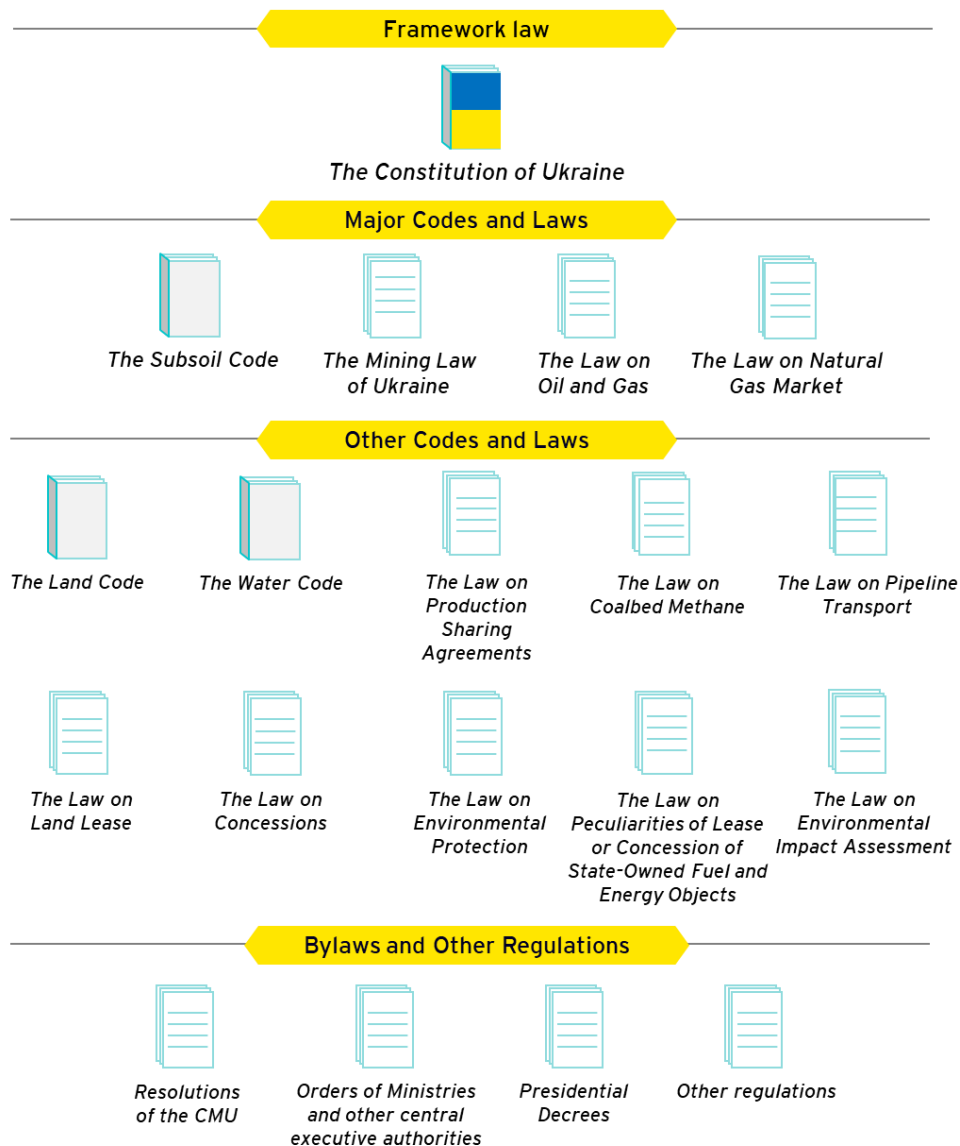


Figure 6-1: Legal framework of extractive industries

The Ukrainian legislation regulating mining is quite complicated. Some issues may be subject to multiple regulations, which may be not fully coherent. In addition to the laws, the relationships in the sector are governed by a plenty of by-laws. The texts of laws and by-laws are available at the web-site of the Parliament: <http://rada.gov.ua/> (this report refers to the links to the regulations available as of 31 December 2017, unless provided otherwise).

This section provides information on the statutory and tax regulation for mining industries applicable at the end of 2017. In case if certain rules or regulations had been effective only for a certain period, this fact is indicated separately.

6.1.1. The Subsoil Code of Ukraine

The Subsoil Code of Ukraine No 132/94-VR dated 27 July 1994 is the principal piece of legislation governing the rational use and protection of natural resources. The Code determines the legal status of subsoil minerals, types of minerals, the powers of the central and local governments in regulating the mining relations (i.e. relations connected with the rational use and protection of mineral resources), and also establishes rules for granting subsoil into use and sets the conditions thereof.

In particular, under the Subsoil Code the minerals are divided into minerals of national and local importance¹⁹⁷. The lists of minerals of national and local importance have been approved by the CMU¹⁹⁸. According to the lists, natural gas, oil, quartz sand, granite and clay belong to minerals of national importance¹⁹⁹.

To use the subsoil, a person should obtain a license (the official name to a license is a “special permit for the use of the subsoil”). Notably, the Subsoil Code explicitly prohibits the license holder from any alienation of the rights under the license granted thereby, including through transfer of license to the equity of a legal entity or as a contribution to the joint venture²⁰⁰. For more information on the awarding of the licenses, see **Section 6.6.2**.

For industrial development of a field, a developer also needs to obtain a mining allotment²⁰¹. Mining allotments to develop mineral deposits of national importance are provided by the State Labor Service²⁰². The document certifying the right to use the subsoil is the act of granting the mining allotment. Conducting a geological study does not require obtaining a mining allotment. To determine the commercial value of a field and its mineral deposits, mineral reserve requirements (requirements to quality and quantity of minerals, as well as various development conditions) is made.²⁰³ Mineral reserve requirements are subject to the Geology Service’s

¹⁹⁷ Article 6 of the Subsoil Code of Ukraine

¹⁹⁸ Resolution of the CMU "On approval of mineral and natural resources of state and local importance" No.827 dated 12 December 1994, available at: <http://zakon2.rada.gov.ua/laws/show/827-94-%D0%BF>

¹⁹⁹ List of minerals of national and local importance attributes clay to minerals of national importance, if such clay is a refractory cement raw material, a forming raw material or a raw material for the brewing of iron ore concentrates. Certain varieties of clay (for example, brick and tile raw materials) are listed as minerals of local importance.

²⁰⁰ Part 6 of, Article 16 of the Subsoil Code of Ukraine

²⁰¹ It should be noted that mining allotments were abolished by the Law of Ukraine "On Amending Certain Legislative Acts of Ukraine on Deregulation of the Oil and Gas Industry" No. 23-14-VIII dated 01 March 2018 for oil and gas subsoil users, which received a subsoil license

²⁰² Para. 20 of Resolution of the CMU No. 59 dated 27 January 1995 "On approval of the Procedure for granting mining allotments", available at: <http://zakon5.rada.gov.ua/laws/show/59-95-%D0%BF>

²⁰³ Article 45 of Subsoil Code of Ukraine

confirmation²⁰⁴. The procedure for developing the mineral reserves requirements is set by the Ministry of Ecology.²⁰⁵ Mineral deposits of a proven field, as well as additionally explored mineral deposits are subject to the Geology Service's assessment²⁰⁶, the procedure for which is set by the CMU.²⁰⁷

The Subsoil Code also sets out the rights and obligations of the users of mineral resources. The basic rights include carrying out a geological study of mineral resources on the granted block, overall development of mineral deposits, and other works, as well as the use of the produced minerals. The key obligations of the subsoil users are to exploit the subsoil solely in accordance with a designated purpose, to ensure the comprehensiveness of a geological study, to secure the rational and integrated use and protection of subsoil resources, and to maintain the security of people, property, and the environment.

Works and research activities related to geological study of subsoil resources are subject to compulsory state registration and monitoring by the State Geological Information Fund. The state registration²⁰⁸ and monitoring of works and research activities²⁰⁹ related to a geological study of subsoil is the competence of the Geology Service.

Geological information obtained at state expense is considered state property. The procedure and terms for providing public geological information into the use of different types of users of mineral resources, as well as its sale is determined by the **Regulation on the Procedure for providing geological information**²¹⁰.

The fee for the use of geological information is determined by Heolekspertyza State Geophysics Enterprise using the **Methodology for determining the cost of the geological information** obtained at state expense²¹¹. The geological information obtained at the subsoil user's expense is, to the contrary, deemed the subsoil user's property, and its use should be agreed with the Geology Service²¹².

²⁰⁴ The Law of Ukraine "On Amending Certain Legislative Acts of Ukraine on Deregulation of the Oil and Gas industry" introduced amendments to the Subsoil Code of Ukraine: other authorized enterprises, institutions and organizations have also the authority to examine the conditions, apart to the State Geology Service.

²⁰⁵ Currently, the Procedure of performing and substantiating the mineral reserves estimation for calculating the deposit value of solid mineral resources is approved by the Order of DKZ No.300 dated 7 December 2005, available at: <http://zakon3.rada.gov.ua/laws/show/z0065-06>.

²⁰⁶ The Law of Ukraine "On Amending Certain Legislative Acts of Ukraine on Deregulation of the Oil and Gas industry" introduced amendments to the Law on Oil and Gas: other authorized enterprises, institutions and organizations have also the authority to conduct expertise and evaluation, apart to the State Geology Service.

²⁰⁷ Part 4 of Article 45 of the Subsoil Code of Ukraine. In fact, the assessment and appraisal is conducted by the DKZ of the Geology Service in accordance with para. 4 of the Resolution of the CMU No. 865 dated 22 December 1994 "On approval of the Procedure for State assessment and appraisal of mineral reserves", available at: <http://zakon3.rada.gov.ua/laws/show/1689-2000-%D0%BF>.

²⁰⁸ Order of the Ministry of Ecology and Natural Resources of Ukraine No. 263 dated 14 June 2013 "On approval of the Procedure for state registration of works and studies related to geological study of subsoil", available at: <http://zakon5.rada.gov.ua/laws/show/z1157-13>.

²⁰⁹ Order of the Ministry of Ecology and Natural Resources of Ukraine No. 262 dated 14 June 2013 "On approval of the Procedure for state registration of works and studies related to geological study of subsoil", available at: <http://zakon5.rada.gov.ua/laws/show/z1156-13>.

²¹⁰ Regulations on the procedure for managing geological information, approved by Resolution of the CMU No. 423 dated 13 June 1995, available at: <http://zakon5.rada.gov.ua/laws/show/423-95-%D0%BF>. Starting 2018, The Regulations were terminated and new Resolution of the CMU "The issue on managing of geological information" No. 939 dated 07 November 2018 was adopted, available at: <https://zakon.rada.gov.ua/laws/show/en/939-2018-n>

²¹¹ Resolution of the CMU No. 1075 dated 10 December 2008 "On Approval of the Methodology for estimation of the cost of the geological information obtained at the cost of the state budget", available at: <http://zakon5.rada.gov.ua/laws/show/1075-2008-%D0%BF>.

²¹² It is important to note that The Law of Ukraine "On Amending Certain Legislative Acts of Ukraine on Deregulation of the Oil and Gas industry" No. 23-14-VIII dated 01 March 2018 (available at: <http://zakon.rada.gov.ua/laws/show/2314-19>) introduced

The Geology Service and local governments exercise state control over the rules and regulations for subsoil use being complied with. The State Labor Service and its local bodies supervises the geological studies and their use in accordance with the **Regulations on the procedure for state mining supervision**²¹³.

In addition, the Subsoil Code contains the provisions regulating a number of other issues, including the matters of geological exploration of mineral resources, state registration of mineral deposits, design and construction of mining facilities, protection of the subsoil resources etc.

6.1.2. The Mining Law of Ukraine

The Mining Law of Ukraine No 1127-XIV dated 10 June 1999 (hereinafter - the “Mining Law”) is the principal law regulating the matters of mineral production and mining operations.

Among other things, the Mining Law regulates the location, design and construction of mining enterprises, the main requirements to mining operations, technical safety measures, prevention of emergencies, environmental safety and environmental impact measures, as well as a number of working conditions in the mining industry.

6.1.3. The Law of Ukraine “On Oil and Gas”

The principal law regulating relationships with regard to the use of oil and gas resources, as well as production, transportation, storage and use of oil, gas and their byproducts is the **Law of Ukraine “On Oil and Gas”** No2665-III dated 12 July 2001.

The procedure for the use of oil and gas resources in the respective block of oil and gas mineral resources is set by an agreement on the use of oil and gas mineral resources, which is an annex to the relevant license. As a general rule, oil and gas extracted by the user of oil and gas mineral resources is the property of such subsoil user.

Both the Subsoil Code and the Law on Oil and Gas explicitly prohibit the license holder from any kind of alienation of the license-granted rights, including by transferring such rights into the equity of a legal entity or as contributing them into a joint venture²¹⁴. At the same time, the Law on Oil and Gas stipulates that if the use of oil and gas mineral resources occurs under a JAA, co-production agreement, or production cooperation agreement, one of the parties to such an agreement should have a relevant license²¹⁵.

After the expiry of a license, the state property provided to a license holder should be passed back to the state, whereas any property created by the license holder while carrying out its subsoil use activities remains the property of such license holder.

amendments to the Subsoil Code of Ukraine - the owner is obliged only to inform State Geology Services, without seeking its consent, on transfer of property or usage rights.

²¹³ Resolution of the CMU No. 134 dated 21 February 1995, available at: <http://zakon2.rada.gov.ua/laws/show/134-95-%D0%BF>

²¹⁴ Part 2, Article 14 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o143>

²¹⁵ Article 49 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o356>

For the companies and the parties to the cooperation agreements in which the state directly or indirectly owns 50 percent or more, special rules are set with regard to the sale of the produced minerals. In particular, crude oil, gas condensate, and liquefied gas should be sold exclusively at auctions on a monthly basis. The rules for such auctions are determined by the CMU, and the starting price for such auctions for gas condensate and crude oil should be determined based on the crude oil customs value. The unsold amounts of such crude oil and gas condensate should be sold to the benefit of Naftogaz of Ukraine NJSC at a starting price of an additional auction.²¹⁶

After the Law of Ukraine "On the Natural Gas Market" was adopted in 2015, it is only Ukgazvydobuvannya JSC that is still required to sell its domestically produced natural gas to Naftogaz of Ukraine NJSC²¹⁷. During 2017, Ukgazvydobuvannya JSC had to sell natural gas of its own production on a monthly basis²¹⁸ to Naftogaz of Ukraine NJSC at a fixed price for the formation of the natural gas resource for household consumers, religious organizations, and producers of thermal energy. Starting 22 March 2017, the Resolution of the CMU entered into force²¹⁹, imposing on JSC "SJSC Chornomornaftogaz" requirement to sell its domestically produced natural gas Naftogaz of Ukraine NJSC²²⁰.

The Law on Oil and Gas also regulates a number of other issues including commercial development of oil and gas deposits, basic requirements for commercial development, environmental protection, special labor conditions, and responsibility for violations in the oil and gas industry.

In compliance with the Law on Oil and Gas dated 15 March 2017, by the order of the Ministry of Ecology, new Rules for the development of oil and gas fields have been approved, which set the basic requirements for the organization and the development of hydrocarbons' fields, including those related to unconventional hydrocarbons' accumulations, and regulate relations between business entities and central government authorities.²²¹

The document regulates, among other things, all stages of development, operation and decommissioning of gas and oil fields, namely the following stages: preparation for development, development, exploration, further exploration, arrangement of gas, gas condensate and oil fields, production of hydrocarbons, production accounting. The Rules also set out the specificities of the control over the development of the fields, the maintenance of documentation during the development of the fields, the basic provisions for occupational

²¹⁶ Article 4-1 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o54>

²¹⁷ Regulation on imposing special obligations onto the natural gas market players in order to ensure public interests in the natural gas market (relations during a transition period), approved by the Resolution of the CMU No. 758 dated 1 October 2015, available at: <http://zakon.rada.gov.ua/laws/show/758-2015-%D0%BF>, adopted to implement Article 11 of the Law of Ukraine "On the Natural Gas Market" No 329-VIII dated 9 April 2015.

²¹⁸ Except for the amount of production and technology costs, the volumes used to meet its own needs related to extraction, preparation for the transportation and transportation of natural gas, as well as for the production of liquefied natural gas and stable gasoline.

²¹⁹ From 22 March 2017 to 10 April 2018, the Resolution of the CMU "On Approval of the Regulation on the Assignment of Special Duties to Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market" No. 187 dated 22 March 2017 was effective, available at: <https://zakon.rada.gov.ua/laws/show/187-2017-n/ed20171114>

²²⁰ From 03 November 2018 to 01 May 2020 the Resolution of the CMU "On Approval of the Regulation on the Assignment of Special Obligations to Natural Gas Market Entities for Securing Public Interests in the Functioning of the Natural Gas Market" No. 867 dated 19 October 2018 was effective, available at: <https://zakon.rada.gov.ua/laws/show/867-2018-n#n116>

²²¹ Order of the Ministry of Ecology and Natural Resources of Ukraine "On approval of the Rules for the development of oil and gas fields" of 15 March 2017 No. 118, available at: <https://zakon.rada.gov.ua/laws/show/z0692-17>

safety and security during the performance of all types of work, as well as the environmental safeguards during the development of the fields.

6.1.4. Law “On the Natural Gas Market”

The Law of Ukraine “On the Natural Gas Market” No. 329-VIII dated 9 April 2015 (hereinafter – the “Law on the Natural Gas Market”) was adopted in pursuance of Ukraine's international obligations regarding the implementation of the Third Energy Package.

The Law on the Natural Gas Market covers a fairly wide range of issues related to the operation of the natural gas market. The law defines the principles of functioning of the natural gas market and the role of the state in it (in particular, regarding the establishment of technical requirements and licensing of economic activities on the natural gas market), the rules for the supply, transportation, distribution and storage of natural gas, as well as the rules for the installation of LNG.

Several important by-laws have been adopted to implement the Law “On the Natural Gas Market”, including the Gas Transportation System Code²²² (that regulates the operation of the gas transportation system and applies to gas production companies, among other entities) and the Gas Distribution System Code²²³ (that determines the relationships between the gas distribution system operator and the natural gas market subjects). These regulatory acts are key to ensuring the transportation of gas by/or through the Ukraine's gas transportation system.

6.1.5. Tax regulations

The extractive industry companies are subject to taxation under the following basic regulations:

- ▶ Tax Code of Ukraine No. 2755-VI dated 2 December 2010 sets the list of taxes, levies, and their administration, the rights and obligations of the taxpayers, competencies and powers of the tax authorities, and the responsibilities for violation of tax laws;
- ▶ Customs Code of Ukraine No. 4495-VI dated 13 March 2012 defines the procedure for charging customs duties when moving goods across the customs border of Ukraine;
- ▶ Law of Ukraine “On Customs Tariff of Ukraine” No. 584-VII dated 19 September 2013 sets up the rates of import duty for the goods imported into the customs territory of Ukraine;
- ▶ Law of Ukraine “On Collection of, and Accounting for, the Unified Contribution for Mandatory State Social Insurance Contribution” No. 2464-VI dated 8 July 2010 regulates the procedure for USC collection and accounting;

²²² NEURC Resolution “On Approval of the Gas Transmission System Code” No. 2493 dated 30 September 2015, available at: <http://zakon.rada.gov.ua/laws/show/z1378-15/ed20170507>

²²³ NEURC Resolution “On Approval of the Gas Transmission System Code” No. 2494 dated 30 September 2015, available at: <http://zakon.rada.gov.ua/laws/show/z1379-15/ed20170317>

- ▶ Budget Code of Ukraine No. 2456-VI dated 8 July 2010 establishes the procedure for approval and implementation of budgets, including the procedure for allocation of tax revenues between the state and local budgets.
 - ▶ Certain tax issues are also regulated by the by-laws issued by the CMU, the Ministry of Finance of Ukraine and the SFS.

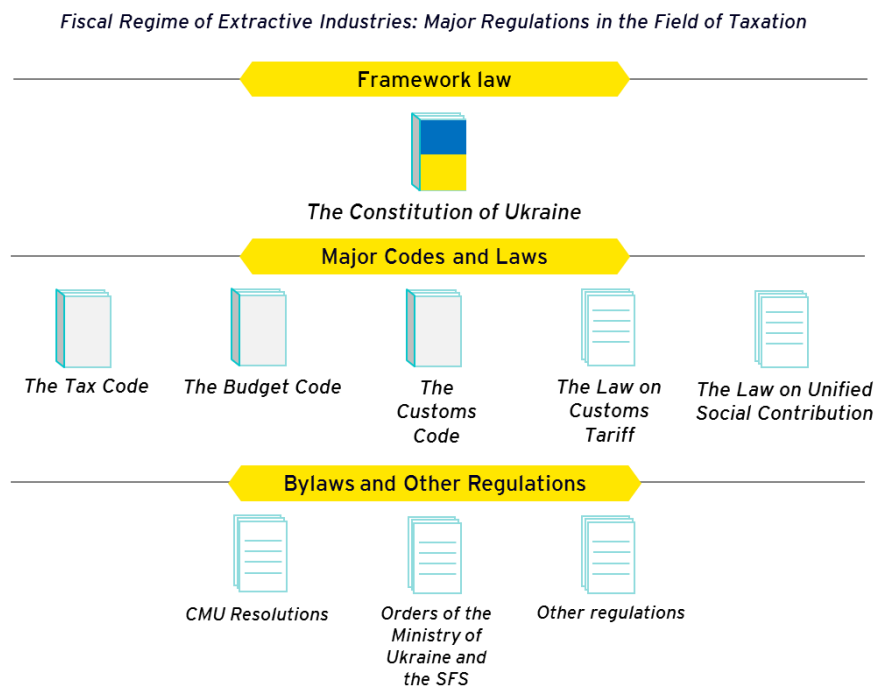


Figure 6-2: Regulatory framework for extractive industries (major tax laws and regulations)

6.1.6. Other regulations

The Law of Ukraine “On Environmental Protection” No. 1264-XII dated 25 June 1991 sets the basic requirements to the use of natural resources, including minerals. The law determines the responsibilities of the state authorities and local governments, as well as environmental control and supervision procedures.

The Law also sets out the general environmental requirements to be followed while using the natural resources (rational and economical use of natural resources, implementation of measures to prevent spoilage, pollution, and depletion of natural resources, doing business and other operations without violating environmental rights of others and other requirements) as well as the measures to ensure environmental safety in the course of various activities.

The Law of Ukraine “On Pipeline Transport” No. 192/96-VR dated 15 May 1996 sets the framework for pipeline transportation sector (also addressing some matters of oil and gas production), covering industrial pipelines (connected networks), i.e. non-trunk pipelines within the plants, and the oil and gas pipelines that are the part of petroleum tanks or petroleum plants. Among other things, the Law governs the relations between the entities engaged in pipeline transportation of hydrocarbons and other products and substances from their initial

locations, locations of mining (production fields), production or storage to the places of their processing or use, handling and subsequent transportation.

The Law of Ukraine "On Production Sharing Agreements" No. 1039-XIV dated 14 September 1999 regulates the process of bidding for PSAs, entering into such agreements, and their performance.

The Law of Ukraine "On Coalbed Gas (Methane)" No. 1392-VI dated 21 May 2009 sets the framework for geological exploration of coalbed methane, the conditions of its production and removal during gas draining-out and its further use, including the access to gas transportation networks.

Land plots for use in mining operations are provided under the procedure prescribed by the land legislation of Ukraine, where the main act is **the Land Code of Ukraine** No. 2768-III dated 25 October 2001 and **the Law of Ukraine "On Land Lease"** No. 161-XIV dated 6 October 1998. To carry out exploration works, a relevant agreement with a land owner or an consent from a person currently using the land plot is required.

The plots indicated in the licenses are limited by certain acreage and depth. The dimensions and boundaries of the plots granted for use should be established by the Geology Service. The maximum land area granted for geological exploration of oil and gas mineral resources cannot exceed 500 km², and 1000 km² for the areas of the Black Sea.²²⁴

The Water Code of Ukraine No. 213/95-VR dated 06 June 1995 regulates the issues related to use of water resources during mining operations. In particular, the Water Code requires obtaining a permit for special water use (i.e. the diversion of water from water bodies using buildings or technical devices, water use and discharge of pollutants into water, including water intake and discharge of harmful substances in water reverse using channels).

The Laws of Ukraine "On Concessions" No. 997-XIV dated 16 July 1999 and **"On Peculiarities of Lease or Concession of the State-Owned Facilities of Fuel and Energy Industry Objects"** No. 3687-VI dated 8 July 2011 set the procedure and specifics of lease and concession of the state-owned facilities. Please note that in October 2019, the new Law of Ukraine "On Concession" No. 155-IX of 03 October 2019 was adopted.

The Law of Ukraine "On Environmental Impact Assessment" No. 2059-VIII of 23 May 2017 defines the legal and organizational framework for carrying out environmental impact assessment, which includes special procedures to be carried out by economic entities to identify the possible impacts of the planned economic activity for the environment. The law determines the list of activities and facilities that can have a significant environmental impact, for which the assessment is mandatory. Such activities and facilities include, but are not limited to, oil and natural gas exploration on the continental shelf, construction of pipelines for oil and gas transportation, mining of minerals of national importance, etc.

A number of issues related to mining are governed by numerous by-laws.

²²⁴ Article 19 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o160>

Summary:

Extractive activities are governed by the Constitution of Ukraine, as well as numerous laws and by-laws.

The key priorities in reforming the regulatory framework are simplification and harmonization of the regulations. This may include adoption of a new Subsoil Code, easing of the licensing system in extractive industries continuing to reform of the coal market, developing and adopting other regulations envisaged by the sectoral strategic documents and the EU standards, and aligning other laws and regulations with the modern extractive industry standards.

It is crucial to enact by-laws to implement the adopted laws and to continue transparency reforms in extractive industries, especially with respect to license awarding and access to subsoil.

Ukraine has significant potential in terms of natural resources and it is of great importance for Ukraine's economy. Legislation governing the use of natural resources should enable the state and private companies to effectively achieve this potential. Changes in the legislative field throughout 2017-2019 (including the reduction in the number of permits in the field of exploration and production of hydrocarbons, introduction of incentive rates for the extraction of natural gas from new wells, adoption of a new procedure for disposal of geological information, reduction in the oil extraction royalty rates, piloting the implementation of electronic auctions for the sale of licenses for the use of subsoil, etc.) may contribute to the investment attractiveness of the Ukrainian extractive sector, although the need for further comprehensive reforms remains of high priority.

6.2 Functions and responsibilities of public authorities

Activities of extractive companies are regulated by a number of central and local authorities of the state²²⁵:

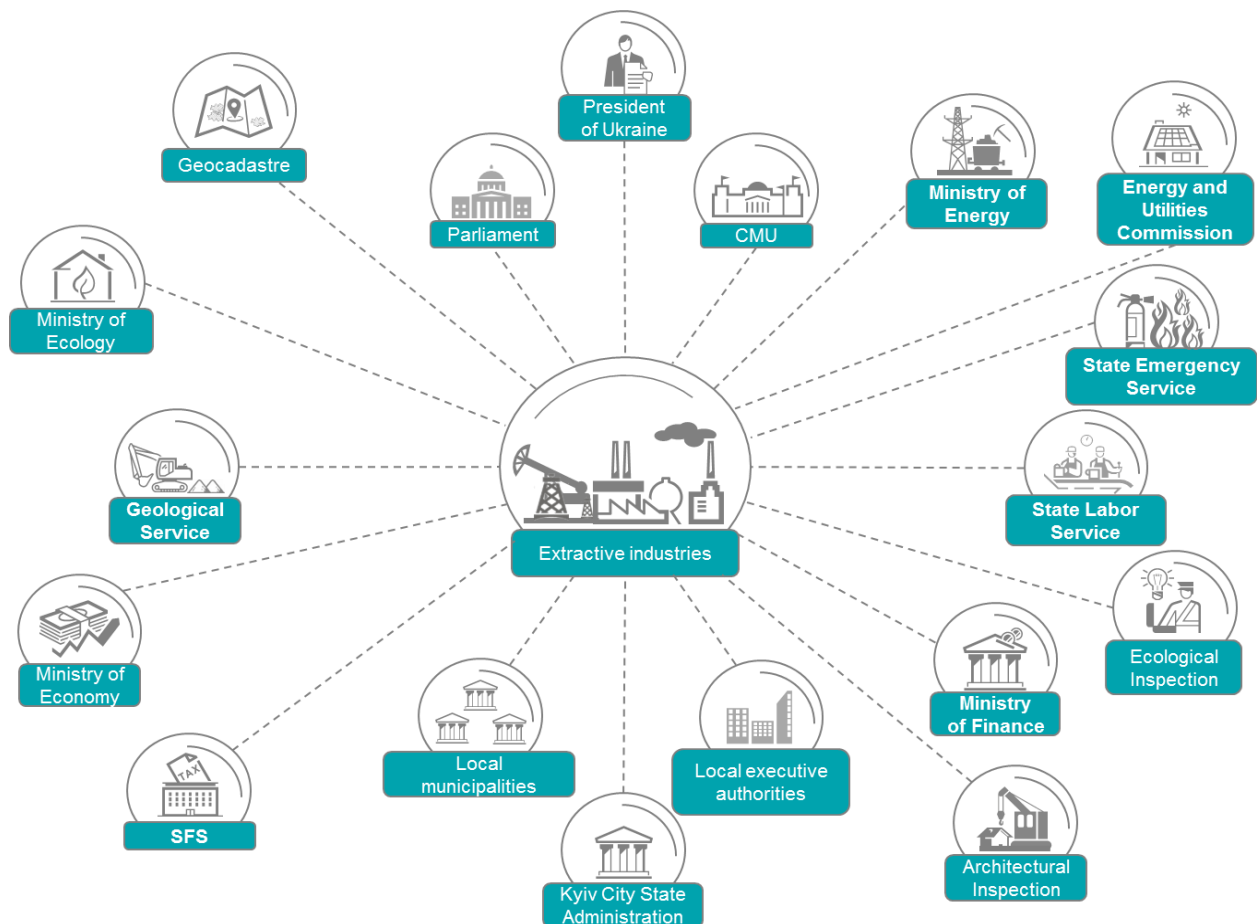


Figure 6-3: State authorities that regulate the activities of extractive companies in 2017

Verkhovna Rada of Ukraine (the Parliament) establishes the main directions of the national policy in the extractive industries and regulates the relations in the industry by adopting laws.

The President of Ukraine takes part in the legislative process (he has the right to legislative initiative and veto) and participates in the procedures of appointing heads of certain executive bodies.

The Cabinet of Ministers of Ukraine (the CMU) implements the national policy in, and governs the extractive industries. To implement the laws, the CMU adopts resolutions where the rules, procedures and requirements are specified in more details. The CMU's authorities include creation, reorganization and liquidation of ministries and other central executive bodies. The

²²⁵ This section does not include information on state authorities that did not regulate extractive companies in 2017 (for example, the Parliament and the Council of Ministers of the Autonomous Republic of Crimea, etc.).

CMU also coordinates the work of ministries and other central executive bodies. The CMU is accountable to the President of Ukraine, is controlled by, and reports to the Parliament.

The main functions of central executive bodies of Ukraine with regard to mining are distributed as follows:

- ▶ **The Ministry of Energy and Coal Industry of Ukraine (the Ministry of Energy)** regulates a number of issues in the fuel and energy sector, approves the start of commercial development of oil and gas deposits, approves technological projects for industrial and research & industrial development of fields, arranges and conducts, within its powers, auctions for the sale of oil, gas condensate and liquefied gas²²⁶. Please note that in 2019, the Ministry of Ecology and Natural Resources of Ukraine²²⁷ is to be established by merging the Ministry of Energy and Coal and the Ministry of Environment (see **Section 6.3** for details);
- ▶ **The Ministry of Ecology and Natural Resources of Ukraine (The Ministry of Ecology)** regulates a number of issues, including registration and monitoring of geological studies, accounting for the depleted deposits, mining losses, and oil and gas wells, as well as approves granting subsoil into use. In addition, the Ministry of Ecology has the authority in the procedure of environmental impact assessment;
- ▶ **The State Service for Geology and Mineral Resources of Ukraine (the Geology Service; locally known as Derzhgeonadra)** keeps state records of fields, deposits, and occurrences of minerals, as well as grants licenses;
- ▶ **The National Commission for State Regulation in Energy and Utilities** ensures shaping and implementation of pricing and tariff policies in the energy sector, approves the rules for the supply of natural gas, grants licenses for activities related to the transportation, distribution, storage, supply of natural gas and providing LNG installation services. The functions and powers of the NEURC are determined in the Law "On the NEURC" of 13 June 2019. The Constitutional Court of Ukraine declared certain provisions of this law unconstitutional (for more details see **Section 6.3**);
- ▶ **The State Labor Service of Ukraine (locally known as Derzhpraci)** carries out the function of state mining supervision, grants mining allotments and other permissive documents related to the performance of hazardous works and the use of hazardous objects;
- ▶ **State Emergency Service** organizes and provides protection from fire for the companies, institutions, organizations and other facilities under the respective agreements;
- ▶ **State Commission on Mineral Resources (DKZ)** approves and performs revaluation of mineral reserves, sets the mineral reserve requirements for calculating the value of mineral reserves, provides technical opinions on feasibility of deposit development based on the estimated mineral reserves and their commercial use, etc.;

²²⁶ Resolution of the CMU "On Approval of the Regulation on the Ministry of Energy and Coal Industry of Ukraine" No. 208 dated 29 March 2017, available at: <https://zakon.rada.gov.ua/laws/show/208-2017-%D0%BF>

²²⁷ Resolution "On Amendments to Some Resolutions of the CMU" No. 847 dated 18 September 2019, available at: <https://zakon.rada.gov.ua/laws/show/847-2019-n>

- ▶ **The State Service of Ukraine for Geodesy, Cartography and Cadastre** transfers the title to, or grants the right to use the land plots of agricultural purpose²²⁸. Non-agricultural land plots are transferred to the ownership or use by local governments or regional state administrations, the Kyiv City State Administration, or the CMU, depending on whether such areas are state- or municipally-owned and on their location;
- ▶ **The State Fiscal Service of Ukraine (the SFS)** administers and controls the collection of taxes, customs duties, and USC. In 2018, the CMU adopted a regulation on the establishment of the State Tax Service and the State Customs Service²²⁹, whose statutes were approved in March 2019²³⁰;
- ▶ **The Ministry of Finance of Ukraine** provides for development and implementation of the state tax, customs, financial, fiscal policy, as well as the public policy to fight crimes in application of tax and customs laws;
- ▶ **The Ministry of Economic Development and Trade of Ukraine (the Ministry of Economy)**, among its other functions, provides for the development and implementation of state policy on management of state property, including the state-owned corporate rights; develops and submits to the CMU the draft decisions on transfer of the state-owned and municipal property, provides methodological and regulatory support for the management of state-owned property. In September 2019, the Ministry of Economy changed its name to the Ministry of Economic development, Trade and Agriculture²³¹.

Separate aspects of activities of extractive companies are regulated by other executive authorities (State Architectural and Construction Inspection, etc.). The local executive authorities and the local municipalities also have certain functions related to extractive activities.

For more information on the powers of the government and local municipalities with regard to the mineral production, see **Annex 5** to this Report.

Summary:

Regulatory and oversight powers in extractive industries are split between a number of state authorities. During 2017 there was no single state body responsible for development and implementation of state extractive industry policy.

The operations of extractive companies are regulated by more than 10 state bodies and institutions, and extractive companies are forced to obtain a number of permits and approvals for their core business, which creates a significant bureaucratic burden for their activities. Thus, according to the Association of Gas Producers of Ukraine, published in 2017,

²²⁸ Article 122 of the Land Code of Ukraine No. 2768-III of 25 October 2001, available at <http://zakon.rada.gov.ua/laws/show/2768-14/ed20171231#n1042>

²²⁹ Resolution of the CMU "On Establishment of the State Tax Service of Ukraine and the State Customs Service of Ukraine" No. 1200 dated 18 December 2018, available at: <https://www.kmu.gov.ua/ua/npas/pro-utvorennya-derzhavnoyi-podatkovoyi-sluzhbi-ukrayini-ta-derzhavnoyi-mitnoyi-sluzhbi-ukrayini>

²³⁰ Resolution of the CMU "On Approval of the Regulations on the State Tax Service of Ukraine and the State Customs Service of Ukraine" No. 227 dated 06 March 2019, available at: <https://zakon.rada.gov.ua/laws/show/227-2019-n>

²³¹ Resolution of the CMU "The Issue regarding Ministry of Economic development, Trade and Agriculture" No. 838 dated 06 March 2019, available at: <https://zakon.rada.gov.ua/laws/show/838-2019-n#n29>

in order to start commercial development of a deposit extractive companies were required to apply to 16 state authorities and institutions and receive about 44 approvals and permits, which may take up to 3.5 years, with some approvals duplicated.²³²

In 2018, there have been positive developments in the reform of government regulation in this area, aimed at reducing the number of permits and approvals and simplifying some of the administrative procedures related to oil and gas exploration and production. Some steps have also been taken towards reducing the number of state bodies regulating the activities of mining companies, including the merge of the Ministry of Energy and Coal and the Ministry of Environment in 2019.

²³² See the Study of the Association of Gas Producing Companies of Ukraine "Recommendations: Deregulation of the Permit System in the Oil and Gas Industry", available at: <http://agpu.org.ua/analytics/section-infographics/rekomendaci-deregulyaciya-dozvilno-sistemi-u-naftogazovidobuvniy-galuzi.htm>.

6.3 Reforming of the regulatory and fiscal regime of the mining industry in 2017

During 2017, the regulatory and fiscal reforms in the extractive sector continued to be actively implemented, aimed to improve Ukrainian legislation and harmonize it with the EU law.

6.3.1 Strategic documents for the extractive industry

The main directions for development and reform of the extractive industries that became visible in 2017 were determined in the following strategic documents²³³:

Government Mid-Term Priority Action Plan until 2020 and Government Priority Action Plan 2017

- ▶ The CMU Regulation dated 03 April 2017²³⁴ approved the Government Mid-Term Priority Action Plan until 2020. To implement it, the CMU approved the Government Priority Action Plans for 2017, 2018 and 2019²³⁵. These documents outlined the government policy for reforming the extractive industry.
- ▶ The priority areas for development and economic growth in the energy sector are: increasing energy independence, implementing the EU Third Energy Package principles, reforming the coal sector and developing the raw material base.
- ▶ In October 2019, after the Government changed, the new CMU activity program was developed²³⁶.

Ukraine's Energy Strategy "Security, Energy Efficiency, Competitiveness" for the period of up to 2035

- ▶ The Energy Strategy was approved on 18 August 2017²³⁷ in the context of the Sustainable Development Strategy "Ukraine - 2020"²³⁸, replacing the Energy Strategy of Ukraine until

²³³ The main areas of mining sector development are also determined in the documents adopted even before 2017, e.g., the Resolution of the CMU "On Approval of the Ukrainian Coal Program" No. 1205 dated 19 September 2001, available at: <http://zakon3.rada.gov.ua/laws/show/1205-2001-%D0%BF>; Resolution of the CMU "On the progress of coal industry restructuring" No. 280 dated 28 March 1997, available at: <http://zakon2.rada.gov.ua/laws/show/280-97-%D0%BF>

²³⁴ Resolution of the CMU "On Approving the Government Mid-Term Priority Action Plan until 2020 and the Government Priority Action Plan for 2017" No. 275-p dated 03 April 2017, available at: <https://zakon.rada.gov.ua/laws/show/275-2017-p>

²³⁵ The Priority Action Plan was amended in accordance with the Resolution of the CMU "On Amendments to Section I of the Government Priority Action Plan for 2017" No. 700-p dated 04 October 2017, available at: <https://zakon.rada.gov.ua/laws/show/700-2017-p>; Resolution of the CMU "On approval of the Government Priority Action Plan for 2018" No. 244-r of March 28, 2018, available at: <https://zakon.rada.gov.ua/laws/show/244-2018-p>, Resolution of the CMU "On Approval of the Government Priority Action Plan for 2019" No. 1106-p of 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1106-2018-p>

²³⁶ Resolution of the Parliament "On the Program of Activities of the CMU" No. 188-IX dated 04 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/188-ix>

²³⁷ Resolution of the CMU "On approval of the Energy Strategy of Ukraine "Security, Energy Efficiency, Competitiveness" till 2035 No. 605-p of 18 August 2017, available at: <https://zakon.rada.gov.ua/laws/show/605-2017-p>

²³⁸ Presidential Decree "On Sustainable Development Strategy *Ukraine 2020*" No. 5/2015 of 12 January 2015, available at: <http://zakon2.rada.gov.ua/laws/show/5/2015>

2030²³⁹. The 2035 Strategy outlines strategic targets for development of the fuel and energy complex and a milestone program for their achievement.

- ▶ The Strategy stipulates that by 2025 the reform of the energy industry of Ukraine will be completed, while the priority targets for energy security and energy efficiency will be achieved, and its innovation, upgrading and integration with the EU energy sector will be ensured. It also suggests that after 2025, sustainable development of the energy sector of the country will be secured through a number of commitments, e.g., more than a double reduction in energy intensity of GDP, building up new energy generation, increase in the national gas production, adapting the GTS in the context of development of the European natural gas common market, achieving competitive and transparent coal sector operations, etc. In 2018, to implement the Energy Strategy, the CMU approved an action plan for the implementation of the (first) stage of "Reforming the Energy Sector (until 2020)"²⁴⁰.

The Coal Industry Reform and Development Concept until 2020

- ▶ The Concept describes the crisis of the coal industry and suggests ways to overcome it and further develop the industry. Reforming the coal industry is considered the most feasible option. According to the Concept, the reform envisages privatization of the prospective coal mining enterprises and liquidation of non-prospective ones.
- ▶ In addition, it is proposed to divide mine reserves into prospective mines with a significant volume of coal reserves capable to reach the break-even point in the shortest time, and non-prospective mines²⁴¹. The Concept and the relevant activity plan for its implementation were approved on 24 May 2017²⁴².

The Concept for Ukrainian Gas Industry Development

- ▶ The named Concept²⁴³ and the Action Plan²⁴⁴ for its implementation are aimed at increasing gas production in Ukraine. The Concept is designed to identify the measures that will help increase natural gas production to reduce dependence on energy imports, attract investment in the energy sector, ensure energy independence of Ukraine, etc.

6.3.2. Overview of state reforms in the extractive industries in 2017

Below we describe the main areas of the reforms in the extractive industries during 2017.

Reorganization of the Naftogaz of Ukraine NJSC²⁴⁵

²³⁹ Resolution of the CMU "On Approval of the Energy Strategy of Ukraine till 2030" № 1071-p of 24 July 2013, available at: <http://zakon5.rada.gov.ua/laws/show/1071-2013-%D1%80>

²⁴⁰ Resolution of the CMU "On Approval of the Action Plan for Implementation of the Stage "Reforming the Energy Sector (until 2020)" of the Energy Strategy of Ukraine for the Period till 2035 "Security, Energy Efficiency, Competitiveness" No. 497-p of 6 June 2018, available at: <https://zakon.rada.gov.ua/laws/show/497-2018-%D1%80>

²⁴¹ According to information from public sources, the CMU approved the Concept ("The Government decided to approve the Coal Industry Reform and Development Concept for the period till 2020 and approved the Plan for its implementation" of 24 May 2017, available at: http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245211119&cat_id=35109)

²⁴² Resolution of the CMU "On Approval of the Coal Industry Reform and Development Concept for the Period till 2020" No. 733-p dated 24 May 2017, available at: <https://zakon3.rada.gov.ua/laws/show/733-2017-%D1%80>

²⁴³ Resolution of the CMU "On Approval of the Ukrainian Gas Extracting Industry Development Concept" No. 1079-p dated 28 December 2016, available at: <http://zakon2.rada.gov.ua/laws/show/1079-2016-%D1%80>

²⁴⁴ Resolution of the CMU "On Amendments to the Action Plan to Implement the Ukrainian Gas Extracting Industry Development Concept" No. 842-p dated 24 October 2018 has updated the Action Plan, available at: <https://zakon.rada.gov.ua/laws/show/en/842-2018-p#n9>

²⁴⁵ Resolution of the CMU "On Some Issues of the Joint Stock Company *Naftogaz of Ukraine National Joint Stock Company*" No. 226 dated 6 March 2019 changed the type of NJSC Naftogaz of Ukraine from a public joint stock company to a private company

- ▶ **Approval of the restructuring plan for Naftogaz of Ukraine NJSC.** In order to separate natural gas transportation and storage (injection, withdrawal) and in line with the EU Directive 2009/73/EC (the Third Energy Package), in 2017 Naftogaz of Ukraine NJSC was in the process of restructuring which was to be carried out in accordance with the plan approved Resolution of the CMU "On Separation of Natural Gas Transmission- and Storage-Related Activities (injection, withdrawal)" No. 496 dated 01 July 2016²⁴⁶. The plan envisages, in particular, incorporation of Main Gas Pipelines of Ukraine PJSC, an independent operator of the gas transportation system of Ukraine, and Underground Gas Storage Facilities of Ukraine PJSC to manage the underground natural gas storage facilities on the balance sheet of Ukrtransgaz JSC²⁴⁷. Separation of the independent GTS operator was planned to be carried out using the Ownership Unbundling (OU) model, which requires both the operator and the GTS assets to be withdrawn from Naftogaz of Ukraine NJSC group before the end of the unbundling procedure.
- ▶ **Incorporation of Main Gas Pipelines of Ukraine PJSC.** In pursuance of the Restructuring Plan, the CMU incorporated Main Gas Pipelines of Ukraine PJSC and approved its charter. According to the charter, the sole shareholder of the company is the state represented by the Ministry of Energy²⁴⁸. In 2019, to ensure independence of the future GTS operator, the state's corporate rights in Trunk Gas Pipelines of Ukraine PJSC were transferred into governance of the Ministry of Finance of Ukraine²⁴⁹.

In addition to the usual governing bodies, namely, the general meeting, the supervisory board, and the board of directors, the charter of Trunk Gas Pipelines of Ukraine PJSC provides for appointment (establishment) of the following bodies: corporate secretary (corporate secretary's office), risk management director, controller, authorized person for anti-corruption program, financial controller, and internal audit service.²⁵⁰

In 2017, the CMU adopted a list of tangible assets of the gas transmission system and a plan for their transfer to Main Gas Pipelines of Ukraine PJSC²⁵¹. In particular, by its protocol decision of 14 June 2017, the CMU ordered, among others, Naftogaz of Ukraine NJSC to take measures to implement the plan for the assets' transfer. Due to the inconsistency of the position of Naftogaz of Ukraine NJSC, the CMU, Ukrtransgaz JSC, and Main Gas Pipelines of Ukraine PJSC, no transfer of assets took place. On 6 September 2017, the CMU

and renamed it into a joint stock company "Naftogaz of Ukraine National Joint Stock Company" (Naftogaz of Ukraine NJSC), available at: <https://zakon.rada.gov.ua/laws/show/226-2019-n>

²⁴⁶ The plan for restructuring Naftogaz of Ukraine to unbundle natural gas transportation and storage (injection, withdrawal) functions, approved by the Resolution of the CMU "On unbundling of the natural gas transportation and storage (injection, withdrawal)" No. 496 of 01 July 2016, available at: <http://zakon2.rada.gov.ua/laws/show/496-2016-%D0%BF> (hereinafter the "Restructuring Plan")

²⁴⁷ 23 May 2018, Ukrtransgaz JSC was renamed into Ukrtransgaz JSC and its Charter was amended in connection with changes in the law on joint stock companies and to prevent free trade of a part of shares of Ukrtransgaz JSC, available at: <http://utg.ua/utg/media/news/2018/05/company-name-changes-and-charter-updates.html>, <https://zakon.rada.gov.ua/laws/show/2210-19>

²⁴⁸ The Resolution of the CMU "Issues of Public Joint Stock Company Main Gas Pipelines of Ukraine" No. 837 dated 16 November 2016, available at: <http://zakon3.rada.gov.ua/laws/show/837-2016-%D0%BF>.

²⁴⁹ The Resolution of the CMU "Issues of Managing the Trunk Gas Pipelines of Ukraine Joint Stock Company" No. 791-p dated 18 September 2019, available at: <https://www.kmu.gov.ua/ua/npas/pitannya-upravlinnya-akcionernim-tovaristvom-magistralni-gazoprovodi-ukrayini-791180919>

²⁵⁰ Resolution of the CMU "Issues of Public Joint-Stock Company Main Gas Pipelines of Ukraine" No. 837 dated 16 November 2016 available at: <http://zakon3.rada.gov.ua/laws/show/837-2016-%D0%BF>.

²⁵¹ The relevant decision of the CMU had not been made public, however, the information about the session was published on the official website of the CMU, available at:

http://mpe.kmu.gov.ua/minuqol/control/uk/publish/article?art_id=245216554&cat_id=35109

instructed the Ministry of Energy to establish an interagency commission to investigate systematic failure of Naftogaz of Ukraine NJSC to implement the plan for the transfer of assets, logistics, and other resources necessary for the effective operations of Main Gas Pipelines of Ukraine PJSC²⁵².

- ▶ **Changing subordination of Naftogaz of Ukraine NJSC²⁵³.** If previously Naftogaz of Ukraine NJSC was managed by the Ministry of Economy²⁵⁴, as of 2017 the 100% stake in Naftogaz of Ukraine NJSC was managed by the CMU²⁵⁵.
- ▶ **Establishment of the branches of Ukrtransgaz JSC.** In December 2017, the Operator of GTS of Ukraine branch was created within Ukrtransgaz JSC²⁵⁶ to accumulate the processes related to transmission and transit of natural gas.

In December 2018, another branch of Ukrtransgaz JSC, Ukrainian Gas Storage Operator, was established²⁵⁷ to separate the processes related to gas storage (injection, withdrawal). The branch accumulated 11 underground gas storage facilities in the territory of Ukraine.

- ▶ **Changed approach due to the gas transit contract between Naftogaz of Ukraine NJSC and Gazprom PJSC.** In 2018, the approach to separation of the GTS operator has changed a little. According to the results of arbitration disputes between Gazprom PJSC and Naftogaz of Ukraine NJSC, which were considered by the tribunal at the Arbitration Institute of the Stockholm Chamber of Commerce, losing control over the GTS assets by Naftogaz of Ukraine NJSC or Ukrtransgaz JSC without Gazprom PJSC's consent would create significant financial risks under the then current transit contract between Gazprom PJSC and Naftogaz of Ukraine NJSC.

As a result, on 24 July 2018, the Memorandum of Understanding with regard to GTS unbundling was signed between the Supervisory Board of Naftogaz of Ukraine NJSC and the Supervisory Board of Trunk Gas Pipelines of Ukraine PJSC. The Memorandum stated a common understanding by the parties of the unbundling process and the interim arrangements required to implement unbundling of the GTS operator according to the selected OU model, provided that the GTS operator is part of the Naftogaz of Ukraine NJSC group until completion of the transit contract with Gazprom PJSC²⁵⁸.

- ▶ **Revision of the Naftogaz of Ukraine NJSC Restructuring Plan.** On 05 June 2019, the CMU

²⁵² See the official announcement on the website of the CMU, available at: <https://www.kmu.gov.ua/ua/news/250247598>.

²⁵³ On 9 September 2016, the Ministry of Economy adopted Order No. 1503 "On Approval of the New Version of the Charter of Ukrtransgaz JSC" (available at: http://utg.ua/img/menu/company/docs/nakaz_new_statut.PDF), in fact taking over the function of Naftogaz of Ukraine regarding the management of Ukrtransgaz JSC. After that, the CMU decided to change the subordination of Naftogaz of Ukraine. The Ministry of Economy's Order No. 1503 was suspended (see message: <https://www.kmu.gov.ua/ua/news/249329740>), the official decision was not published.

²⁵⁴ Resolution of the CMU "Some Issues of Improving Corporate Governance of Naftogaz of Ukraine NJSC" No. 1002 dated 5 December 2015, available at: <http://zakon3.rada.gov.ua/laws/show/1002-2015-%D0%BF>.

²⁵⁵ Resolution of the CMU "Some Issues of managing Naftogaz of Ukraine NJSC" No. 675 dated 22 September 2016 available at: <http://zakon5.rada.gov.ua/laws/show/675-2016-%D0%BF>.

²⁵⁶ Decision of a single shareholder of NJSC Naftogaz on creation of the branch "Operator of the gas transmission system of Ukraine", available at: <http://utg.ua/img/menu/company/docs/2017/136-1.pdf>, information on the official site of Naftogaz NJSC related to establishment of the branch is available at: <http://utg.ua/utg/about-company/affiliates/tso.html>

²⁵⁷ Decision of the single shareholder of Naftogaz NJSC on establishment of the branch "Gas storage operator of Ukraine", available at: <http://utg.ua/img/menu/company/docs/2018/218.pdf>; article on the official website of Naftogaz NJSC on establishment of the branch is available at: <http://utg.ua/utg/media/news/2018/11/stvoreno-filiu-operator-gazoskhovysch-ukrainy.html>

²⁵⁸ The Memorandum of Understanding on Separation of Gas Transmission System Operator (Unbundling) between the Supervisory Board of Naftogaz of Ukraine NJSC and the Supervisory Board of Trunk Gas Pipes of Ukraine PJSC", available at: <http://www.naftogaz.com/files/Information/Mem-SB-Naftogaz-MGU.pdf>

decided to review the plan on restructuring Naftogaz of Ukraine NJSC and to further develop in more details the procedures for transferring the functions of the GTS operator to Trunk Gas Pipes of Ukraine PJSC²⁵⁹. In addition, the plan provided for the transfer of the state's management powers over Trunk Gas Pipelines of Ukraine PJSC to Naftogaz of Ukraine NJSC for the period until 01 January 2020 to ensure transfer of assets without violating the transit contract with Gazprom PJSC.

- ▶ **Start of operation of Ukrainian GTS Operator LLC.** Due to the divergence of views on the unbundling procedure as specified in the plan developed by Naftogaz of Ukraine NJSC, Ukrtransgaz JSC established a separate subsidiary, Ukrainian GTS Operator LLC, which started operating on 01 July 2019²⁶⁰. Naftogaz of Ukraine NJSC intended to create the future independent operator on the basis of this subsidiary.
- ▶ **Changing the gas transmission unbundling model.** On 18 September 2019, the CMU repealed Resolution of the CMU No. 496 of 2016 and adopted a new Resolution No. 840²⁶¹, which followed another model for unbundling of natural gas transmission activities, i.e., ISO (Independent System Operator). According to this model, Ukrainian GTS Operator LLC is defined as the future GTS operator. Further, state-owned assets used to support activities of the GTS operator remain in the management of Ukrtransgaz JSC until completion of the unbundling procedure and shall be transferred into economic management of the GTS Operator starting from 01 January 2020 (title other than ownership).

Currently, (1) the Ukrainian GTS Operator Branch of Ukrtransgaz JSC and (2) the Ukrainian GTS Operator LLC temporarily cooperate with each other on the basis of the Service Level Agreement under which the LLC runs the GTS, its operation and maintenance. Direct interaction with customers of transmission services, physical and commercial dispatching of the GTS, procurement of goods and services necessary to ensure operation of the GTS, etc. is carried out by the Branch until all these functions are transferred to Ukrainian GTS Operator LLC under the unbundling procedure.

Legal separation of the GTS operator provided for alienation by Ukrtransgaz JSC of its share in the capital of GTS Operator LLC in favor of Trunk Gas Pipes of Ukraine PJSC scheduled for 01 January 2020. The corresponding decision of the Board of Naftogaz of Ukraine NJSC and the draft agreement on the sale and purchase of the interest with a suspensive condition were approved by the CMU in November 2019²⁶².

The procedure for transfer and the terms of the agreement on transfer of state property objects used in the process of natural gas transportation activities through the trunk

²⁵⁹ Resolution of the CMU No. 484 of 05 June 2019 "On Amendments to the Resolution of the CMU No. 496 of July 1, 2016", available at: <https://www.kmu.gov.ua/ua/npas/pro-vnesennya-zmin-do-postanovi-kabinetu-ministriv-ukrayini-t050519>

²⁶⁰ The information on the official website of Naftogaz of Ukraine NJSC, available at: <http://utg.ua/utg/media/news/2019/07/ukrtransgaz-peredav-funkciu-tehnichnoi-eksploatacii-gazotransportnoi-sistemy-ukrainy-dochirni-kompanii.html>

²⁶¹ Resolution of the CMU "On Separation of Natural Gas Transmission Related Operations and Ensuring Operations of the Gas Transmission System" No. 840 of 18 September 2019, available at: <https://zakon.rada.gov.ua/laws/show/840-2019-%D0%BF>

²⁶² See Resolution of the CMU No 1086-p dated 15 November 2019 "Some issues of activities of Naftogaz of Ukraine NJSC" available at: <https://www.kmu.gov.ua/npas/devaki-pitannya-diyalnosti-akcionernom1086go-tovarstva-nacionalna-akcionerna-kompaniya-naftogaz-ukrayini>

pipelines was approved by the Resolution of the CMU on 15 November 2019²⁶³.

- ▶ **Adoption of the Law on Unbundling.** In connection with the adoption of Resolution of the CMU No. 840 dated 31 October 2019, and on the basis of Draft Law No. 2239-1 dated 17 October 2019²⁶⁴, the Parliament adopted the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine in Connection with Unbundling of Natural Gas Transmission Activities"²⁶⁵, which aims to bring Ukrainian legislation in line with the selected unbundling model and European standards²⁶⁶.
- ▶ **VAT exemption for transfer of assets within unbundling procedure.** In December 2019, the Parliament passed a law²⁶⁷ that exempted from VAT transactions on transfer of property necessary for transportation of natural gas to the new GTS operator.
- ▶ **Certification and licensing of the Ukrainian GTS operator, establishment of tariffs for natural gas transmission services.** Later, in December 2019, the NEURC adopted the regulation on proper certification and licensing of the Ukrainian GTS operator²⁶⁸, on tariffs for natural gas transmission services for entry points and exit points for the regulatory period of 2020 - 2024²⁶⁹.
- ▶ **Separation of the GTS Operator and completion of the unbundling procedure:** On 01 January 2020, the Ukrainian GTS Operator LLC was transferred from Ukrtransgaz JSC to the ownership and management of Trunk Gas Pipes of Ukraine PJSC, 100% owned by the Ministry of Finance of Ukraine²⁷⁰. Hence, the unbundling procedure is completed - the independent GTS operator is separated from the Naftogaz Group and has started its operation.

²⁶³ See Resolution of the CMU No 942 of 15 November 2019 "Some issues related to management of the state-owned property used for natural gas transmission through the trunk gas pipelines"

²⁶⁴ Draft Law of Ukraine "On Amendments to Certain Laws of Ukraine in Connection with the Separation of Natural Gas Transmission Activities" No. 2239 of 07 October 2019, available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67038;

Draft Law of Ukraine "On Amendments to Certain Laws of Ukraine in Connection with the Separation of Natural Gas Transmission Activities" No. 2239-01 of 17 October 2019, available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67105

²⁶⁵ The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine in Connection with the Separation of Natural Gas Transmission Activities" No 264-IX of 31 October 2019, available at: <https://zakon.rada.gov.ua/laws/main/264-IX>

²⁶⁶ In particular, amendments to the Law of Ukraine "On the Natural Gas Market" established that the GTS operator that is state-owned and is not subject to privatization, can only be an entity, 100% of which belong to the state or an entity with 100% of which belong to the state. The amendments to the Law of Ukraine "On the CMU", among other things, stipulate that decisions on management of the corporate rights of the GTS operator shall only be made in agreement with the Government. Also, the Law on Unbundling amended the Land Code, the Commercial Code, the Law on Pipeline Transport and the Law on the Management of State-Owned Objects.

²⁶⁷ Law of Ukraine "On Amendments to Section XX" Transitional Provisions" of the Tax Code of Ukraine on Creating Conditions for Ensuring Ukraine's Obligation to Separate Natural Gas Transmission Activities" No. 314-IX of 03 December 2019, available at: <https://zakon.rada.gov.ua/laws/main/314-IX>

²⁶⁸ NEURC Resolution "On Issuance of the License for Natural Gas Transmission to the Ukrainian GTS Operator" No. 3010 dated 24 December 2019, available at: <https://www.nerc.gov.ua/?id=47869>; NEURC Resolution "On the Final Decision on Certification of the Ukrainian GTS Operator" No. 3010 dated 24 December 2019, available at: <https://www.nerc.gov.ua/?id=47870>

²⁶⁹ NEURC Resolution "On setting tariffs for the Ukrainian GTS Operator LLC for natural gas transmission services for entry points and exit points for the regulatory period 2020 - 2024" No. 3013 dated 24 December 2019, available at: <https://www.nerc.gov.ua/?id=48031>

²⁷⁰ The information from the official website of the GTS Operator, available at: <https://tsoua.com/news/anbandling-zaversheno-nezalezhnyi-operator-gts-rozpochav-robotu/>

Adoption of new rules for development of oil and gas fields

- ▶ The Ministry of Ecology approved the Rules for development of oil and gas fields in Ukraine²⁷¹, developed in accordance with current EU practices and standards. The new rules came into force on 30 June 2017.
- ▶ The adopted rules determine basic requirements for organization and development of hydrocarbon fields and govern relations between business entities and government authorities arising from the use of oil and gas resources, to ensure their comprehensive and rational use.
- ▶ The document includes requirements for exploratory and industrial development of fields, production of hydrocarbons during industrial development of oil and gas fields, well drilling technique and technology, arrangement of fields considering requirements to ensure complete public safety, protection of environment and property (buildings, etc.).
- ▶ For the first time, the regulation governs the process of developing unconventional hydrocarbon fields, as well as the shelf deposits in the Black and Azov seas.

Reforming the procedure for granting licenses and holding auctions for the sale of licenses

During 2017-2019, the CMU amended the Procedure for granting licenses and the Procedure for holding the auctions for licenses²⁷² several times. The changes included, among others, the following:

Changes introduced in 2017:

- ▶ Expanded grounds for granting a license without an auction, in particular:
 - ▶ Geological exploration, including exploratory and industrial development of mineral deposits of state importance and mining in the areas of alienation and unconditional (compulsory) resettlement by state-owned enterprises to carry out obligatory measures in such zones²⁷³;
 - ▶ Geological survey, including exploratory and industrial development of mineral deposits of state importance, "Non-metallic Minerals" section of the List of Mineral Resources of State Importance, if the applicant owns a property complex allowing for finished products to be ready for use by the end consumer without additional industrial processing. The provision was added temporarily and subsequently deleted starting from 19 July 2018²⁷⁴.

²⁷¹ Order of the Ministry of Ecology "On Approval of the Rules for Oil and Gas Field Development" of 15 March 2017 No. 118, available at: <https://zakon.rada.gov.ua/laws/show/z0692-17>

²⁷² Resolution of the CMU "On Amendments to Certain Acts of the CMU" No. 76 of 11 February 2016, available at: <http://zakon2.rada.gov.ua/laws/show/76-2016-%D0%BF/ed20170216/paran63#n63>; Resolution of the CMU "On Amendments to the Procedures Approved by the Resolutions of the CMU of 30 May 2011, No. 594 and 615, and Abolition of Some Resolutions of the CMU" No. 277 of 06 April 2016, available at: <http://zakon2.rada.gov.ua/laws/show/277-2016-%D0%BF/paran99#n99>; Resolution of the CMU "On Amendments to the Procedures Approved by the Resolutions of the CMU of May 30, 2011 No. 594 and 615" No. 775 of 02 November 2016, available at: <http://zakon2.rada.gov.ua/laws/show/775-2016-%D0%BF/ed20161110/paran15#n15>; Resolution of the CMU "On Some Issues of Implementation of the Pilot Project for the Rehabilitation of Forest Land Damaged as a Result of Illegal Amber Production" No. 1063 of 30 November 2016, available at: <http://zakon2.rada.gov.ua/laws/show/1063-2016-%D0%BF/ed20170216/paran98#n98>.

²⁷³ Resolution of the CMU "On Amendments to the Procedures Approved by the Resolution of the CMU of May 30, 2011 No. 594 and No. 615" No. 518 of 21 June 2017, available at: <https://zakon.rada.gov.ua/laws/show/518-2017-n>

²⁷⁴ Resolution of the CMU No. 518 dated 21 June 2017, available at: <https://zakon.rada.gov.ua/laws/show/518-2017-n>

- ▶ The possibility of obtaining a license without an auction for public sector entities and companies with the 100% state share, natural gas market entities obliged by the law to fulfil special obligations in the natural gas market, of which at least 100% shares belong to the company with the state as the sole shareholder, was cancelled starting from 1 April 2017²⁷⁵.

Changes introduced in 2018-2019:

- ▶ From 08 June to 31 December 2018, legal entities using subsoil were temporarily able to transfer their licenses to their subsidiaries to continue operations on subsoil sites under a number of conditions (e.g., the subsoil user could not be a public sector entity, had no outstanding royalty payments, etc.);²⁷⁶
- ▶ Introduction of the possibility to conclude contracts for acquisition of (including payment for) subsoil licenses within 6 months upon the results of the auction to obtain a positive opinion on the environmental impact assessment²⁷⁷.
- ▶ The requirement to obtain approvals from local authorities regarding the list of subsoil sites to be auctioned if such subsoil sites are located on the continental shelf or in the exclusive (maritime) economic zone, was abolished.
- ▶ The procedure for obtaining / extending a subsoil license was simplified as the consent of the Ministry of Ecology was no longer necessary. Instead, from 08 June 2018 the Ministry of Ecology may (1) determine the conditions to be met when using subsoil sites and (2) submit proposals / comments on granting or extension of subsoil licenses that must be considered by the Geology Service when making the relevant decisions. Comments of the Ministry of Ecology serve as grounds to refuse extension of the subsoil license²⁷⁸.
- ▶ Additional grounds for suspension of the license were introduced (including those stipulated by the Law of Ukraine "On Environmental Impact Assessment"; absence / failure to implement requirements of the environmental impact assessment and/or state environmental expert opinion on mineral extraction activities, geological exploration of oil and gas subsoil with further extraction²⁷⁹).
- ▶ Timeframes for certain procedural actions were defined or changed, in particular:
 - ▶ Since 08 June 2018, a timeframe for granting a license without an auction was established within 20 working days upon the day of paying the granting fee in full²⁸⁰;
 - ▶ The deadline for returning documents that do not meet the requirements of the Procedure for granting licenses to the applicant was set at 7 working days from the date of their registration²⁸¹.

²⁷⁵ Para. 2 and 4 of the Resolution of the CMU "On Amendments to Certain Resolutions of the CMU No. 277 dated 3 April 2019, available at: <https://zakon.rada.gov.ua/laws/show/277-2019-n>

²⁷⁶ Resolution of the CMU "On Amendments to the Procedures Approved by the Resolutions of the CMU of 30 May 2011 No. 594 and 615" No. 333 of 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-n>

²⁷⁷ Resolution of the CMU No. 333 of 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-n>

²⁷⁸ Resolution of the CMU No. 333 of 25 April 2018, available at: <https://zakon.rada.gov.ua/laws/show/333-2018-n>

²⁷⁹ Resolution of the CMU "On Amendments to Certain Resolutions of the CMU" No. 1131 of 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1131-2018-n>

²⁸⁰ Paragraph 8 of the Procedure for granting licenses.

²⁸¹ Resolution of the CMU "On Amendments to the Procedure for Granting Subsoil Licenses" No. 558 of 19 June 2019, available at: <https://zakon.rada.gov.ua/laws/show/558-2019-n>

- ▶ Certain deadlines were reduced (e.g., the deadline for approval of the list of subsoil sites to be auctioned and approval of granting a license was shortened from 90 to 45 calendar days²⁸²; the deadline for extending payment period for the license fee from 30 to 15 calendar days).
- ▶ The Commission on subsoil use within the Geology Service was abolished²⁸³.

For details of the procedure for granting licenses valid at the end of 2017, see **Section “6.6.2. Procedure for granting licenses”**.

Reforms in the coal industry

- ▶ On 13 April 2017, the Parliament adopted the Law of Ukraine "On Recovery of Solvency of State Coal Mining Enterprises"²⁸⁴ that temporarily (at that time - until 01 January 2019) (1) suspended enforcement of decisions regarding state-owned coal mining enterprises, (2) released all seizures and prohibitions on alienation of property in such proceedings (except for decisions related to payment of wages, severance, other payments / benefits in favor of employees). The law was a prerequisite for approval of the Coal Industry Reform and Development Concept until 2020.
- ▶ To implement the Concept, the CMU created the National Coal State Enterprise to be managed by the Ministry of Energy²⁸⁵. To optimize the structure of state-owned coal mining enterprises, the state-owned enterprises listed in Annex 1 to the above Regulation must merge into the National Coal State Enterprise. The Ministry of Energy shall take all the necessary measures for the above and ensure proper operation of the National Coal State Enterprise. Based on publicly available information, the merger is still in progress.
- ▶ To ensure the possibility of further reforms in the sector and to prevent blockade of the coal industry, the Law of Ukraine "On Amendments to Certain Laws of Ukraine on Creating Conditions for Implementation of the State Policy in the Coal Industry" No. 2658-VIII was adopted on 18 December 2018²⁸⁶. This law:
 - Amended the Law of Ukraine "On Enforcement Proceedings" to entitle enforcement officers to suspend proceedings under the Law of Ukraine "On Recovery of Solvency of State Coal Mining Enterprises"²⁸⁷.
 - Moratorium on enforcement measures against coal mining enterprises was extended until 01 January 2022.

²⁸² Paragraph 6 of the Resolution of the CMU "On Approval of the Procedure for Electronic Auctions for the Sale of Small Privatization Objects and Establishment of Additional Conditions of Sale" No. 432 of 10 May 2018, available at:

<https://zakon.rada.gov.ua/laws/show/en/432-2018-n>

²⁸³ Resolution of the CMU "On Amendments to the Procedure for Granting Subsoil Licenses" No. 928 of 23 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/928-2019-n#n2>

²⁸⁴ Law of Ukraine "On Restoration of Solvency of State Coal-Mining Enterprises" No. 2021-VIII of 13 April 2017, available at: <https://zakon.rada.gov.ua/laws/show/2021-19>

²⁸⁵ Resolution of the CMU "On Establishment of the State Enterprise "National Coal Company" No. 1019-r of 6 December 2017, available at: <https://zakon.rada.gov.ua/laws/show/1019-2017-%D1%80>

²⁸⁶ Law of Ukraine "On Amendments to Certain Laws of Ukraine on Creating Conditions for the Implementation of the State Policy in the Coal Industry" No. 2658-VIII of 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/2658-19>

²⁸⁷ The existence of the grounds envisaged in the Law of Ukraine "On Recovery of Solvency of the State-Owned Coal Mining Enterprises" was added as a separate basis for suspension of enforcement actions (Article 34); the periods of suspension in this case (Article 35) are limited by the period of validity of the circumstances provided for by this law.

Introduction of a new model of environmental impact assessment procedure (EIA) instead of state environmental review

- ▶ On 23 May 2017, to implement the EU - Ukraine Association Agreement the Parliament adopted the Law of Ukraine "On Environmental Impact Assessment"²⁸⁸ (the "**Law on EIA**") in effect since 18 December 2017, according to which:
 - State environmental review procedure²⁸⁹ was replaced with the EIA procedure (considering that already obtained conclusions of the state environmental review remain valid and have the status of an EIA conclusion);
 - New permit document, the EIA conclusion, was introduced. It must be obtained prior to the planned activity (as opposed to conclusion of the state environmental review, which was obtained in the process of activity).
- ▶ The list of the types of planned activities is included in the Law on EIA and the relevant CMU regulation²⁹⁰ and includes extraction of nationally significant minerals; extraction, storage and processing of hydrocarbons; construction of pipelines for oil and gas transmission, etc.²⁹¹ Compared to the historical regulation, the list of activities that require a conclusion has been significantly expanded.
- ▶ The EIA procedure is designed to prevent environmental damage and ensure environmental safety when making decisions on conducting business activities.
- ▶ The EIA procedure includes the following steps:
 - Notifying the Ministry of Ecology / regional state administrations (state administrations of Kyiv, Sevastopol) about the planned activity (the public may submit its comments / suggestions)
 - Preparing the EIA report by the applicant
 - Conducting a mandatory public discussion of the EIA report (however, no requirements on the extent of considering public opinion are in place)²⁹²

²⁸⁸ Law of Ukraine "On Environmental Impact Assessment" No. 2059-VIII of 23 May 2017, available at: <https://zakon.rada.gov.ua/laws/show/2059-19>

²⁸⁹ The environmental review procedure was stipulated in the Law of Ukraine "On Environmental Review" No. 45/95-VR dated 09 February 1995, available at: <https://zakon.rada.gov.ua/laws/show/45/95-bp#o222>, which became ineffective with the adoption of the Law "On Environmental Impact Assessment".

²⁹⁰ Resolution of the CMU "On Approving Criteria for Determination of Planned Activities that are not Subject to Environmental Impact Assessment and Criteria for Determining Extensions and Changes in Activities and Entities that are not Subject to Environmental Impact Assessment" No. 1010 dated 13 December 2017, available at: <https://zakon.rada.gov.ua/laws/show/1010-2017-n>

²⁹¹ For more information, see Resolution of the CMU "On Approving Criteria for Determination of Planned Activities that are not Subject to Environmental Impact Assessment and Criteria for Determining Extensions and Changes in Activities and Entities that are not Subject to Environmental Impact Assessment" of No. 1010 of 13 December 2017, available at: <https://zakon.rada.gov.ua/laws/show/1010-2017-n>

²⁹² See Resolution of the CMU "On Approval of the Procedure for Public Hearings in the Process of Environmental Impact Assessment" No. 989 of 13 December 2017, available at: <https://zakon.rada.gov.ua/laws/show/989-2017-n>

- Analyzing by the Ministry of Ecology or regional state administrations (state administrations of Kyiv, Sevastopol) of the information²⁹³ and providing a free conclusion on permissibility of the planned activity and environmental conditions of its implementation
- Considering the EIA conclusion in decision-making regarding the planned activity (including decisions on issuing subsoil licenses)
- ▶ All documents required under the EIA procedure shall be published in the Unified EIA register available at: <http://eia.menr.gov.ua>.
- ▶ The planned economic activity is forbidden unless the subsoil user ensured that the environmental conditions stipulated in the EIA conclusion are met in full. Violations of EIA legislation (including conducting planned activities without EIA) would result in temporary suspension (prohibition) or cessation of the subsoil user's activity.
- ▶ Given the significant time period required to obtain the EIA conclusion, special conditions were introduced with regard to obtaining subsoil licenses (see above).

Increased transparency of mining companies' reporting

- ▶ In 2017, amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine"²⁹⁴ were adopted and came into force on 01 January 2018. Among other things, the law requires the enterprises engaged in development of minerals of national importance to prepare financial statements solely according to International Financial Reporting Standards and publish them along with an auditor's report. The first reporting period is 2018²⁹⁵. The law also establishes the obligation for such companies to submit a report for payments in favor of the state and increases the transparency and accessibility of financial statements of other companies. Relevant amendments have also been made to the audit legislation²⁹⁶.
- ▶ The Law of Ukraine "On Audit of Financial Statements and Audit Activity" introduced liability for failure to submit a mandatory audit report into the Code of Administrative Offenses²⁹⁷.

Changes to royalty rates

- ▶ Since 2017, the following royalty rates have been reduced: general oil production royalty rates were reduced from 45%/21% to 29%/14%, and special gas production royalty rates for the households' needs were reduced from 70% to 29%²⁹⁸.

²⁹³ For more information, see Resolution of the CMU "On Approval of the Procedure for Submission of Documents for Issuing the Environmental Impact Assessment Conclusion and for Financing of the Environmental Impact Assessment and the Procedure for Maintaining the Unified Environmental Impact Assessment Register" No. 1026 of 13 December 2017, available at: <https://zakon.rada.gov.ua/laws/show/1026-2017-n>

²⁹⁴ The Law of Ukraine "On Amendments to the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" to Improve Certain Provisions" No. 2164-VIII of 05 October 2017, available at: <https://zakon.rada.gov.ua/laws/show/2164-19>

²⁹⁵ The Letter of the Ministry of Finance "On Publication of Financial Statements" dated 07 December 2018 No. 35210-06-5/32299, available at: <https://zakon.rada.gov.ua/rada/show/v5210201-18>

²⁹⁶ The new Law of Ukraine "On Audit of Financial Statements and Auditing" was adopted on 21 December 2017 No. 2258-VIII, available at: <https://zakon.rada.gov.ua/laws/show/2258-19>

²⁹⁷ Article 163-16 of the Code of Administrative Offenses establishes liability for breach of the procedure for publication of (consolidated) financial statements.

²⁹⁸ The amendments are made by the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Ensuring Balanced Budget Revenues in 2016" No. 909-VIII of 24 December 2015, available at:

- ▶ Since 2018, Article 252.20 of the Tax Code was supplemented to read that subsoil royalty for the purposes of mining under the PSA shall be charged using the following rates²⁹⁹:
 - ▶ 2% of the value of the commercial output of a mining enterprise, for oil and condensate
 - ▶ 1.25% of the value of the commercial output of a mining enterprise, for natural gas³⁰⁰
- ▶ An important incentive was introduced to boost development of the industry: from 1 January 2018 to 1 January 2023, natural gas extracted from "new wells" drilled in the deposits at the depth of up to and over 5,000 meters will be taxed at the rates of 12% and 6% respectively³⁰¹. The new well is defined as a well that has been drilled from the day surface of the land (zero meters according to the well design) after 01 January 2018, which is confirmed by the drilling rig commissioning act³⁰².
- ▶ Moreover, since 2018 subsoil royalty rates for non-mining purposes, namely for storage of natural gas and gaseous products, oil and other liquid petroleum products, increased by 16,7%³⁰³.
- ▶ Starting from 2019, the Parliament harmonized subsoil royalty rates for the purposes of extracting both oil and gas condensate from the following deposits³⁰⁴:
 - ▶ Down to 5,000 meters - 31% of the cost of produced oil and gas condensate
 - ▶ Over 5,000 meters - 16% of the cost of produced oil and condensate
- ▶ For more details on the fiscal regime in 2017, please see **Section 6.5**.

Decentralization of part of revenues from royalties for hydrocarbons starting from 2018

- ▶ On 1 January 2018, the Law "On Amendments to the Budget Code of Ukraine regarding Assignment of the Rental Fee for the Use of Minerals for development of Oil, Natural Gas, and Gas Condensate" No. 1793-VIII entered into force, as adopted in December 2016 and

<https://zakon.rada.gov.ua/laws/show/909-19>. Also see Letter of the State Tax Service of Ukraine No.2038/7/99-99-15-04-02-17 "On the features of royalty payment in 2016" dated 22 January 2016, available at: <http://sfs.gov.ua/zakonodavstvo/podatkov-zakonodavstvo/listi-dps/66179.html>

²⁹⁹ The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Ensuring Balanced Budget Revenues in 2018" of 07 December 2017 No. 2245-VIII, available at: <https://zakon2.rada.gov.ua/laws/show/2245-19>. The amendments are made to paragraph 252.20 of the Tax Code (version as of 01 January 2018), available at: <https://zakon.rada.gov.ua/laws/show/2755-17/ed20180101>

³⁰⁰ Including gas dissolved in oil (petroleum (associated) gas), ethane, propane, butane, coal gas (methane), shale gas, central basin type gas, dense gas reservoirs.

³⁰¹ The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Ensuring Balanced Budget Revenues in 2018" No. 2245-VIII of 07 December 2017, available at: <https://zakon.rada.gov.ua/laws/show/2245-19/ed20190101> (the incentive rates are fixed in paragraph 252.20, Article 252 of the Tax Code of Ukraine).

³⁰² Article 14.1.124-1 of the Tax Code of Ukraine; SFS Letter dated 18 January 2018 No. 1464/7/99-99-12-03-04-17 "On the Features of Paying Royalty in 2018", available at: <http://sfs.gov.ua/podatki-ta-zbori/zagalnodержavni-podatki/rentni-plat/listi/72744.html>. Please, note that the Law of Ukraine "On Amendments to the Tax Code of Ukraine on Charging Passenger Vehicles with Excise Tax" No. 2611-VIII of 08 November 2018, available at: <https://zakon.rada.gov.ua/laws/show/2611-19>, corrected a technical error in the wording of the definition (the original version was: "drilling of which started from the bottom surface of the land"), which eliminated obstacles to the full application of the benefit.

³⁰³ The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Ensuring Balanced Budget Revenues in 2018" No. 2245-VIII dated 07 December 2017, available at: <https://zakon.rada.gov.ua/laws/show/2245-19/ed20190101>

³⁰⁴ The Law of Ukraine "On Amendments to the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine Designed to Improve Administration and Revision of the Rates of Certain Taxes and Duties" No. 2628-VIII dated 23 November 2018, available at: <https://zakon.rada.gov.ua/laws/show/2628-19>. The amendments are made to Article 252, Section 252 of the Tax Code, available at: <https://zakon.rada.gov.ua/laws/show/2755-17/ed20191020>

aimed at partial decentralization of revenues from royalty payments in favor of local budgets³⁰⁵.

- ▶ In particular, the law provides that starting from 1 January 2018, the revenues from royalties for the use of minerals for the extraction of hydrocarbons will be partially allocated to the local budgets based on their location (extraction):
 - ▶ 2% - to district budgets
 - ▶ 3% - to budgets of cities of regional significance, budgets of united local communities
 - ▶ 2% - to regional (oblast) budgets
 - ▶ 1% - to budgets of local governments.

Introduction of strategic environmental assessment

- ▶ On 20 March 2018, the Law of Ukraine "On Strategic Environmental Assessment"³⁰⁶ was adopted. This Law governs assessment of impacts of implementing state planning documents on the environment, including public health, and applies to state planning documents that relate, *inter alia*, to energy and envisage implementation of activities for which the EIA procedure is necessary (see above).
- ▶ Strategic environmental assessment shall be carried out while the state planning document is developed prior to its submission for approval, and its implementation shall be the responsibility of the applicant (usually, an executive authority or local self-government body).
- ▶ According to the Law, strategic environmental assessment includes the following stages: identifying the scope of strategic environmental assessment, drawing up a strategic environmental assessment report, holding public discussions and consultations, taking into account the report and results of public discussions and consultations, informing on approval of the state planning document and monitoring the environmental impact of its implementation, including its impact on public health.

Liberalization of permitting procedures in the oil and gas sector

- ▶ On 01 April 2018, the Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Deregulation in the Oil and Gas Sector" No. 2314-VIII dated 01 March 2018 became effective³⁰⁷. The above law simplifies and shortens permitting procedures in the oil and gas industry.
- ▶ The following are the main novelties of the law:
 - ▶ No mining allotment is necessary for the users of oil & gas subsoil that have a subsoil license in place

³⁰⁵ The Law of Ukraine "On Amendments to the Budget Code of Ukraine regarding Assignment of the Rental Fee for the Use of Minerals for development of Oil, Natural Gas, and Gas Condensate" No. 1793-VIII dated 20 December 2016, available at: <https://zakon.rada.gov.ua/laws/show/1793-19>

³⁰⁶ The Law of Ukraine "On Strategic Environmental Assessment" No. 2354-VIII of 20 March 2018, available at: <https://zakon.rada.gov.ua/laws/show/2354-19>

³⁰⁷ The Law of Ukraine "On Amendments to Certain Legislative Acts of Ukraine on Deregulation in the Oil and Gas Sector" No. 2314-VIII of 01 March 2018, available at: <https://zakon.rada.gov.ua/laws/show/2314-19>

- ▶ Oil & gas wells and their facilities are no longer qualified as construction facilities
- ▶ Upon transition from experimental industrial development to industrial development, the mining company may continue using the same land plot under the historical agreement on exploration works until it obtains new documents confirming its right to use the respective land plot
- ▶ Land plots for construction, deployment and operation of oil & gas facilities and field construction can be provided for use by establishing land easements (this provides a possibility to use such land plots without changing their designated purpose)
- ▶ Extension of the license, its renewal and amendment are not considered as issuance of a new license and are carried out free of charge
- ▶ A decision of the Ministry of Energy on transition of a deposit / a separate oil & gas field into industrial development is no longer required. The subsoil user only needs to submit its protocol on industrial development approval to the Ministry of Energy
- ▶ Soil cover removal and transfer works can be carried out without a special permission of the State Service of Ukraine for Geodesy, Cartography and Cadastre for such works, on the basis of a land survey project in cases of:
 - ▶ Drilling and construction / maintenance / repair / reconstruction of oil & gas wells and facilities related to them
 - ▶ Carrying out works related to elimination and prevention of emergencies in oil & gas wells and facilities related to their operation

Electronic Auctions for Sale of Licenses

- ▶ At the end of 2018, the CMU adopted the Resolution "On implementation of the pilot project for introduction of electronic auctions for the sale of subsoil licenses"³⁰⁸, whereby a pilot procedure for the sale of subsoil licenses was introduced for the period of 24 October 2018 - 01 December 2019 through e-auctions at Prozorro.Sales. The interim procedure contains a number of shortcomings that can be corrected after the online auctions are implemented on a permanent basis.
- ▶ The Resolution of the CMU No. 960 dated 23 October 2019³⁰⁹ extended the pilot procedure for the sale of subsoil licenses until 1 October 2020.
- ▶ According to the information published by the State Geology Service³¹⁰, six rounds of online auctions were successfully conducted as of the end of 2019, with 26 subsoil sites sold in different fields: 16 with oil and gas deposits and 10 with other mineral deposits. The total revenues to the state budget from the sale of these subsoil is UAH 500 million.

³⁰⁸ Resolution of the CMU "On Implementation Of The Pilot Project For Introduction of Online Auctions for the Sale of Subsoil Licenses" No. 848 of 17 October 2018, available at: <https://zakon.rada.gov.ua/laws/show/848-2018-%D0%BF>

³⁰⁹ Resolution of the CMU "On Amendments to the Resolution of the CMU dated October 17, 2018 No. 848" of 23 October 2019 No. 960, available at: <https://zakon.rada.gov.ua/laws/show/960-2019-%D0%BF#n8>

³¹⁰ Publication on the web-site of the State Geology Service, available at: <http://www.geo.gov.ua/derzhgeonadra-prodala-26-dilyanok-na-pivmilyarda-griven-cherez-sistemu-prozorro/>

Adoption of the Law of Ukraine "On Ensuring Transparency in Extractive Industries"

- ▶ As of 2017, implementation of EITI in Ukraine was governed by the Resolution of the CMU "On Approval of the Procedure for Ensuring Transparency in Extractive Industries" No. 1039 dated 02 December 2015³¹¹.
- ▶ In 2017, there were two major draft laws on EITI: "On Disclosure in Extracting Industries" No. 4840³¹², which was rejected on 21 February 2017, and "On Ensuring Transparency in Extracting Industries" No. 6229³¹³, which was used as the basis for the Law of Ukraine "On Ensuring Transparency in Extractive Industries" No. 2545-VIII dated 18 September 2018³¹⁴ (the "EITI Law"). The EITI Law became effective in November 2018. The first mandatory reporting period under this law is year 2018.
- ▶ The EITI Law sets forth the legal framework for governing and organizing collection, disclosure and dissemination of information, to ensure transparency and prevent corruption in the extractive industries in Ukraine. It is aimed to fulfil Ukraine's international obligations stemming from joining the Extractive Industries Transparency Initiative, as well as to implement EU legislation related to increasing transparency in extractive industries.
- ▶ The law defines the entities and main ways of disclosure, sets forth a number of new reporting documents for EITI purposes (a report on payments to the state, a report on received payments, a consolidated report on payments to the state), establishes requirements to forming the EITI multi-stakeholder group and determines the timing and the procedure for disclosure of information.
- ▶ The EITI Law also establishes liability for violation of legislation on transparency in extractive industries and provides for administrative liability for non-disclosure, violation of deadlines or procedure for disclosure of information in the extractive industries³¹⁵.
- ▶ Considering that further regulations are necessary to govern certain procedures set out in the Law (e.g., approval of template reports (as of the date of this Report, only drafts are available), development of an electronic system for submission and analysis of reporting, etc.), there may be practical problems in implementation of EITI Law provisions. Moreover, since the work on this Report began with considerable delay, there may be difficulties with implementing EITI over a longer term.

³¹¹ Resolution of the CMU "On Approval of the Procedure for Ensuring Transparency in Extractive Industries" No. 1039 dated 02 December 2015, available at: <https://zakon.rada.gov.ua/laws/show/1039-2015-n>

³¹² Draft Law "On Disclosure in Extractive Sectors" No. 4840 of 17 June 2016, available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=59455

³¹³ Draft Law "On Transparency in Extractive Industries", available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=61409

³¹⁴ Law "On Ensuring Transparency in Extractive Industries" No. 2545-VIII of 18 September 2018

³¹⁵ According to Article 212 of the Code of Administrative Offenses, non-disclosure, breach of time limits or procedure for disclosure of information in the extractive industries under the EITI Law entail penalization of officials in amount from twenty to sixty non-taxable minimum incomes of citizens.

Ukraine joined the Global Beneficial Ownership Register

- ▶ On 18 May 2017, the CMU approved amendments to Resolution of the CMU No. 593 dated 08 September 2016 " Certain Issues of Providing Information from the Unified State Register of Legal Entities, Individual Entrepreneurs, and Public Organizations"³¹⁶, which provide for free transfer of information on ultimate beneficial owners to the Global Beneficial Ownership Register³¹⁷.
- ▶ On 18 July 2019, the state authorities and a number of organizations signed a Memorandum of Cooperation to develop a mechanism for verifying information on ultimate beneficial owners under the Open Government Partnership Initiative, which determines further steps for establishing a mechanism to validate such information³¹⁸.

Adoption of a new procedure for managing geological data

- ▶ On 07 November 2018, the CMU approved Resolution No. 939³¹⁹, which determines the procedure for managing (using and selling) geological information³²⁰ designed to ease access to such information for investors.
- ▶ The procedure foresees digitization of geological data available in Ukraine and creation of a single, publicly available catalogue of geological data. The catalogue shall be owned by the State Geology Service and administered by Geoinform of Ukraine SRPE. The regulation on the catalogue is to be approved by the Ministry of Ecology.

Details on geological data transmitted and entered into the catalogue will include: its type (secondary or primary), details on its owner, location of works / mineral deposits, information on creation, acquisition, transfer of title to, or the right to use geological data.

- ▶ According to the new version of Resolution of the CMU No. 939 of 07 November 2018³²¹, the State Geology Service is the manager of geological data owned by the state.
- ▶ The use of state-owned secondary (processed) geological data is free of charge. Such geological information must be published at the official website of the Geoinform of Ukraine SRPE and / or provided in electronic copies. The user should only be charged for such geological information if it obtains a subsoil license (as compensation for the state's exploration costs).
- ▶ Requests for approval by the State Geology Service of the sale of geological data shall no longer be submitted; instead, only a notification of such sale remains.

³¹⁶ Resolution of the CMU No. 593 "Certain Issues of Provision of Information from the Unified State Register of Legal Entities, individual Entrepreneurs and Public Organizations" of 08 September 2016 No. 593, available at: <https://zakon.rada.gov.ua/laws/show/593-2016-n>

³¹⁷ The Global Beneficial Ownership Register, available at: <https://register.openownership.org/>

³¹⁸ The Memorandum of cooperation was signed by 14 participants. See the post links: <https://www.e.gov.ua/ua/news/pidpisano-memorandum-pro-rozbudovu-mehanizmu-perevirki-informaciyi-pro-kincevih-beneficiarnih-vlasnikiv>, <https://minjust.gov.ua/news/ministry/pidpisano-memorandum-pro-spivpratsyu-u-rozbudovi-mehanizmu-perevirki-informatsii-pro-kintsevih-benefitsiarnih-vlasnikiv>

³¹⁹ Resolution of the CMU "Geological Information Management Issues" No. 939 of 07 November 2018, available at: <https://zakon.rada.gov.ua/laws/show/en/939-2018-n>

³²⁰ Resolution of the CMU "On Approval of the Regulation on the Procedure for Managing Geological Information" No. 423 dated 13 June 1995, which determined the status of geological information before the new changes, became ineffective, available at: <https://zakon.rada.gov.ua/laws/show/en/423-95-n>

³²¹ Resolution of the CMU "On Amendments to the Resolution of the CMU No. 939 dated 07 November 2018" No. 64 dated 29 January 2020, available at: <https://zakon.rada.gov.ua/laws/show/64-2020-%D0%BF>

- ▶ It is forbidden to dispose of geological data if any party to the transaction is subject to the Law of Ukraine "On Sanctions".

Introduction of daily balancing

- ▶ Under NEURC Resolution dated 27 December 2017³²², to harmonize gas balancing rules and eliminate obstacles to cross-border trade in natural gas, the gas market switched from monthly to daily balancing starting from 01 March 2019.
- ▶ Introduction of daily balancing is one of the key reforms in the energy sector in line with Ukraine's commitments under the EU - Ukraine Association Agreement³²³.

Unconstitutionality of the Law of Ukraine "On the National Commission for State Regulation of Energy Sector and Utilities" No. 1540-VIII dated 22 September 2016 (the "Law on NEURC")

- ▶ The Law on NEURC defines the status, powers, and procedure for election of NEURC members. Its powers in relation to the gas market are basically mirroring the powers specified in the Law on the Natural Gas Market³²⁴.
- ▶ In addition, the law stipulates the composition of the Commission, the peculiarities of its formation and rotation.
- ▶ On 13 June 2019, the Constitutional Court of Ukraine recognized certain provisions of the Law on NEURC unconstitutional³²⁵ for the following reasons:
 - ▶ NEURC, by its very nature, had the characteristics of a central executive body, but neither reported to the CMU nor belonged to the system of executive bodies
 - ▶ Delegation of powers to appoint the NEURC members from the Parliament to the President contradicted the Constitution
 - ▶ The powers of the Parliament to appoint members of the Tender Commission were found unconstitutional
- ▶ To allow the Law on NEURC to be amended and brought in line with the Constitution, the provisions of the law recognized unconstitutional become invalid starting 31 December 2019.
- ▶ In December 2019, the Law on NEURC was amended to eliminate certain inconsistencies, including its legal status (it is now a central executive body with a special status subordinate to and formed by the CMU).

³²² NEURC Resolution "On Approval of Amendments to Certain NEURC Resolutions on Introduction of Daily Balancing on the Natural Gas Market and the Procedure for Development, Submission and Approval of the Gas Transmission System Development Plan for the Next Ten Years" No. 1437 dated 27 December 2017, available at: <https://zakon.rada.gov.ua/laws/show/v1437874-17#n45>

³²³ Official information on the introduction of daily balancing on the site of Naftogaz of Ukraine NJSC, available at: <http://utg.ua/utg/media/news/2019/03/ukraine-gas-market-switched-to-daily-balancing.html>

³²⁴ The new powers include, among others, establishment of restrictions for natural monopolies related to combining activities in energy and utilities (para. 3 of part 1 of Article 17), and control over prevention of cross-subsidization (para. 12 of part 1 of Article 17 of the Law)

³²⁵ The decision of the Constitutional Court of Ukraine in the case upon constitutional submission by 46 People's Deputies of Ukraine on conformity with the Constitution of Ukraine (constitutionality) of part 1 of article 1, paragraph 2 of part 1 of article 4, part 1, paragraph 1, 2 of part 2 of article 5, paragraphs 2, 3, 4, 5, 39, 40 of part 3, 6 of Article 8 of the Law of Ukraine "On the National Energy and Utilities Regulatory Commission" (the case on the National Energy and Utilities Regulatory Commission), available at: <https://zakon.rada.gov.ua/laws/show/v005p710-19>

Launch of interactive service "Subsoil User E-Account"

- ▶ In July 2019, the State Geology Service and the Ministry of Ecology launched a pilot version of a specialized internet portal for subsoil users and representatives of the geological community, where they can register using the integrated electronic identification system, available at: <https://enadra.menr.gov.ua>.
- ▶ Registration in the electronic cabinet should enable the user to quickly access data on mineral resources, conditions of subsoil use, project documentation, statistical and analytical information.
- ▶ When the service is fully implemented, companies will be able to register their applications for the following public services: receiving geological information, obtaining / amending / re-issuing subsoil licenses. Currently, the e-cabinet is in test mode, so it contains limited publicly available information and allows requesting a subsoil license without an auction.

Establishment of the Ministry of Energy and Environmental Protection

In 2019, the CMU approved the Regulation on the Ministry of Ecology and Natural Resources of Ukraine in the new version³²⁶, whereby the Ministry of Ecology was renamed into the Ministry of Energy and Environmental Protection (hereinafter - "Ministry of Energy"), and the Ministry of Energy and Coal Industry was subject to merger into the Ministry of Energy³²⁷. Also, under the above CMU Regulation, Ministry of Energy is authorized to manage additional state authorities (including the State Agency for Energy Efficiency and Energy Saving of Ukraine).

As a result, the Ministry of Energy will become the main body in the system of government authorities responsible, among other things, for:

- ▶ Development and implementation of state policy in the field of environmental protection, ecological safety, coal industry, oil and gas production and gas processing industries
- ▶ Development of state policy in the field of geological exploration and rational use of subsoil, efficient use of fuel and energy resources, energy saving, renewable energy and alternative fuels, as well as implementation of state supervision (control) in the field of environmental protection.

6.3.3. Development of draft legislation in extractive industries

Draft of the new Subsoil Code

- ▶ Mining relations are regulated based on the Natural Resource Code of Ukraine dated 27 July 1994 (as amended).³²⁸ The drafting of the new Natural Resource Code was scheduled back in the National Action Plan for the Implementation of the Economic Reform Program 2010-2014, and several drafts were submitted for public discussion, however none of them was registered with the Parliament.

³²⁶ Resolution of the CMU "On Amendments to Certain Resolutions of the CMU" No. 847 of 18 September 2019, available at: <https://zakon.rada.gov.ua/laws/show/847-2019-r>

³²⁷ See Order No. 403 of 17 September 2019 "On Approval of the Action Plan for Reorganization of the Ministry of Energy and Coal Industry", available at: <http://mpe.kmu.gov.ua/minugol/doccatalog/document?id=245398598>

³²⁸ The Subsoil Code of Ukraine

- ▶ Currently, drafting the Natural Resource Code of Ukraine and its submission to the CMU has been identified as one of the priorities of the State Geology Service for 2019 and is scheduled for the Q4 2019.³²⁹ According to the progress of the deregulation action plan implementation published by the State Regulatory Service of Ukraine as of 20 August 2019³³⁰, the draft law developed by the State Geology Service was submitted to the Ministry of Environment for approval along with the letter dated 17 April 2018, however its text has not yet been published.
- ▶ In mid-December 2019, the State Geology Service initiated intensive discussion of the concept of the new version of the Natural Resource Code with the business community. According to the reports of the State Geology Service, the New Natural Resource Code will be submitted to the Parliament in May 2020³³¹.

Draft Law of Ukraine "On the Coal Market"

- ▶ The first draft was developed in early 2016 by the Ministry of Energy in pursuance of the Action Plan for implementation of the CMU's Program of Activities³³² and the "Ukraine 2020" Strategy for Sustainable Development adopted in 2015³³³. The draft is aimed to establish the rules for trading in the market for coal products in the context of phased denationalization of the energy industry.

In addition, the draft law provides for the pricing for coal products under market mechanisms (electronic stock exchanges, long-term contracts without state intermediaries, etc.)³³⁴. In 2017, a working group on coal market liberalization was set up and the work on the bill continued. At the date of this Report, the draft was under development.

Draft Law of Ukraine "On Certain Issues of Coal Enterprise Indebtedness"

- ▶ To implement the Coal Industry Reform and Development Concept for the period until 2020, the Ministry of Energy developed and published for public discussion a draft law that establishes conditions for writing-off debts prospective state-owned coal-mining enterprises have before the budget. The draft is currently available at the website of the Ministry.³³⁵

³²⁹ The official information is available on the site of the State Geology Service, available at: <http://www.geo.gov.ua/do-2020r-derzheonadra-planuye-zavershiti-rozrobku-zmin-do-kodeksu-pro-nadra/>; Priority activities of the State Geology Service of Ukraine in 2019, available at: <http://www.geo.gov.ua/wp-content/uploads/2019/05/Пріоритети-2019-доопрацьовані.docx>

³³⁰ Status of implementation of the Business Activities Deregulation Plan approved by CMU Decree No. 615-r of 23 August 2016, as of 20 August 2019, available at: <http://www.drs.gov.ua/deregulation/plan-deregulyatsiyi-2016-2017-rr/>

³³¹ Information from the official site of the State Geology Service, available at: <http://www.geo.gov.ua/derzhgeonadra-stane-majdanchikom-dlya-uzgodzhennya-propozicij-do-novoogo-kodeksu-pro-nadra/>

³³² Paragraph 267.4 of the Plan of arrangements to implement the Program of the CMU and the Sustainable Development Strategy "Ukraine-2020" in 2015, approved by the Resolution of the CMU No 213-r dated 4 March 2015., available at: <http://zakon3.rada.gov.ua/laws/show/213-2015-%D1%80>.

³³³ The draft was published on 10 February 2016 at the official web site of the Ministry of Energy, available at: http://mpe.kmu.gov.ua/minugol/control/uk/doccatalog/list?currDir=49913&documentList_stind=41.

³³⁴ Currently, the draft law is under development. According to the press service of the Vice Prime Minister of Ukraine dated 21 March 2017, the CMU initiated establishment of a working group on liberalization of the coal market, which included senior officials from the Ministry of Energy, Ministry of Economy, Ministry of Finance, the National Commission on Securities and Stock Market, NEURC, the Parliamentary Committee on Fuel and Energy Complex, Nuclear Policy and Nuclear Safety, as well as representatives of the Secretariat of the CMU, the Office of Reforms, the Energy Resources of Ukraine Company, the Ukrainian Energy Exchange, DiXiGroup Analytical Center, the Civic Network Opora, the Center for Economic Strategy and others. Available at: http://www.kmu.gov.ua/control/uk/publish/article?art_id=249831196&cat_id=244276429.

³³⁵ The draft Law of Ukraine "On Certain Issues of Coal Enterprise Indebtedness", the website of the Ministry of Energy, available at: http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245384280&cat_id=35082

Draft Law "On Amendments to Certain Legislation of Ukraine on Efficient Development of Oil and Gas Industry" No. 2821 dated 30 January 2020³³⁶, which offers substantial changes to a number of Ukrainian laws, including:

- ▶ Introduction of mandatory electronic auctions and electronic submission of documents to the licensing authority
- ▶ Detailed description of cases when oil and gas licenses may be granted without an auction
- ▶ Bringing the EIA procedure to the requirements of international standards, introduction of international mineral assessment standards
- ▶ Local self-government authorities are no longer entitled to approve requests for subsoil licenses related to minerals of state importance
- ▶ The bidding procedure for conclusion of product sharing agreements, as well as the procedure for conclusion and implementation of such agreements were improved
- ▶ The owner of a license will have the right to dispose of its rights under the license in favour of a subsidiary where it holds at least 50%, subject to conditions provided by the draft law;
- ▶ Introduction of more transparent quantitative and non-quantitative criteria for selection of the winner in the competition by the Interagency Commission for organizing conclusion and implementation of production sharing agreements; the procedure for consideration and analysis of applications by the Interagency Commission will be made public; etc.

The Draft Law "On Amendments to the Tax Code of Ukraine Designed to Promote Efficient Use of Oil and Gas Subsoil Plots" No. 2807 dated 27 January 2020³³⁷, which offers to establish an additional fee for the use of oil & gas subsoil plots as a way of combating "dormant licenses".

Draft law on regulating amber mining and other issues in the extractive industry

- ▶ In October 2019, the Draft Law "On Amendments to Certain Legislation of Ukraine to Regulate Amber Extraction" No. 2240 was registered with the Parliament and adopted in the first reading on 12 November 2019³³⁸. Further, this Law was fully adopted and signed by the President in late December 2019.
- ▶ Some of the changes offered by this draft law apply to the extractive industry as a whole, including reduction of approvals for subsoil licenses, introduction of electronic auctions for the sale of licenses on a regular basis, etc.

Draft Law on Amendments to the Tax Code

In early January 2020, the Parliament adopted the Law "On Amendments to the Tax Code of Ukraine to Improve Tax Administration, and Remove Technical and Logical Mismatches in Tax

³³⁶ Draft Law "On Amendments to Certain Regulations of Ukraine on Efficient Development of Oil and Gas Industry" No. 2821 dated 30 January 2020, available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=68010

³³⁷ Draft Law "On Amendments to the Tax Code of Ukraine Designed to Promote Efficient Use of Oil and Gas Containing Subsoil" No. 2807 of 27 January 2020, available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67989

³³⁸ Draft Law "On Amendments to Certain By-Laws of Ukraine to Regulate Amber Extraction", available at: http://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=67039

Legislation" No. 1210³³⁹. The draft law envisages a number of changes to the fiscal regime in the mining industry covering royalty, including increased rates. On 11 February 2020, the draft law was submitted to the President of Ukraine for signing.

Summary:

Despite the difficult economic and political situation in Ukraine, during 2017 a number of steps have been taken to reform the extractive industries, mostly aimed at fulfilling Ukraine's international commitments to implement the EU Energy Community's Third Energy Package, simplifying regulatory processes for mining companies and stimulating extraction of minerals, including measures envisaged by strategic documents adopted to support the extractive industries reform.

In 2017, the reforms were generally slower than planned. At the same time, in 2018-2019 a number of actions were taken and certain important legal acts were adopted to deregulate and improve efficiency of the extractive industries for the economy of Ukraine and fulfill its commitments to international partners. These actions were positively assessed by industry representatives, the reforms were publicly discussed by the stakeholders, while major events were also covered by the media. Such dynamics has positively impacted the image of Ukraine in the international arena and its fulfilment of the requirements of the EITI Standard.

Despite the positive developments, part of strategic objectives has not been achieved. Active progress with the reforms remains relevant, as they are necessary to develop efficient solutions to existing industry problems and elimination of shortcomings in current regulations and functioning of Ukrainian extractive industries. Intensive development of proposals designed to improve Ukrainian regulatory and fiscal environment, their broad public discussions involving all stakeholders, adoption and effective implementation are important for the Ukrainian society.

³³⁹ Draft Law "On Amendments to the Tax Code of Ukraine Designed to Improve Tax Administration, and Remove Technical and Logical Mismatches in Tax Law", available at: https://w1.c1.rada.gov.ua/pls/zweb2/webproc4_1?pf3511=66520

6.4 State participation in extractive industries

6.4.1. State-owned enterprises and some features of their operations

6.4.1.1 Definition of “state-owned enterprises”

Under para. 2.6 of the EITI Standard, where state participation in the extractive industries gives rise to material revenue payments, the countries implementing EITI must disclose an explanation of the prevailing rules and practices regarding the financial relationship between the government and state-owned enterprises (SOEs), e.g., the rules and practices governing transfers of funds between the SOEs and the state, retained earnings, reinvestment and third-party financing. In accordance with Requirement 2.6 of the EITI Standard, a state-owned enterprise (SOE)³⁴⁰ is a wholly or majority government-owned company that is engaged in extractive activities on behalf of the government.

Ukrainian legislation includes a number of terms that may be relevant to the definition from the EITI Standard.

In particular, Ukrainian legislation contains a definition of “public sector entities”, which include entities presented in the figure below³⁴¹:

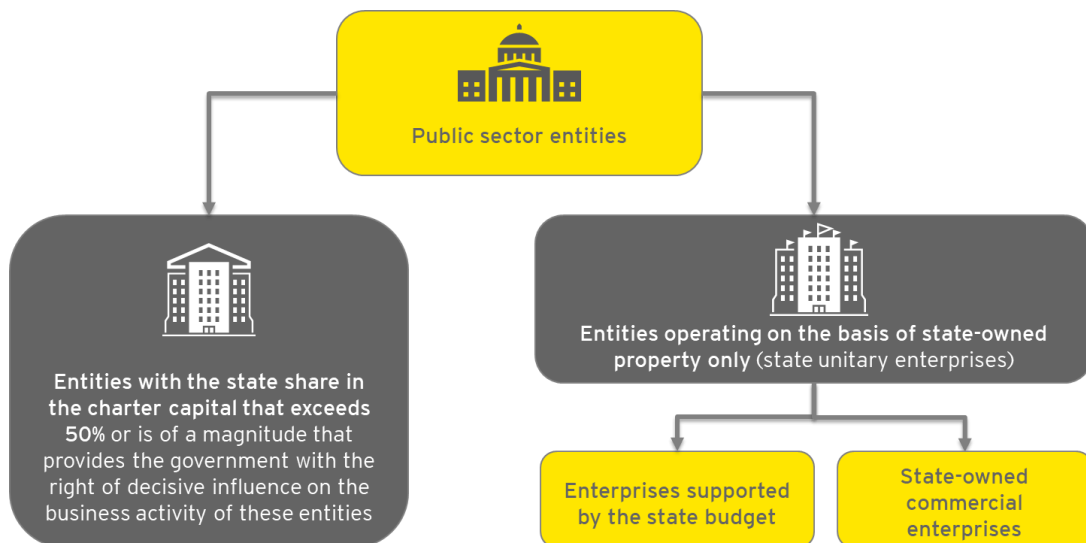


Figure 6-4: Public sector entities under the Commercial Code

A state-owned unitary entity (i.e., a state-owned enterprise established by one founder) is an enterprise formed by a competent state body and within the scope of its management powers. The key features of a state-owned entity as a separate form of an enterprise are as follows:

- ▶ The entity is established under the prescribed procedure that requires the decision of the competent state authority;

³⁴⁰ In the Ukrainian translation of the EITI Standard, the term “state-owned enterprise (SOE)” refers to the term “state entity (SE)”. Since the term of the Standard is wider than the definition of a “state entity” in Ukrainian legislation, for the purposes of this Report, the concept of “state-owned enterprise” (in the EITI Standard) and “state-owned entity” (in Ukrainian legislation) should be distinguished.

³⁴¹ Part 2 of Article 22 of the Commercial Code of Ukraine No. 436-IV of 16 January 2003, available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106#n181> (hereinafter the “Commercial Code”)

- ▶ The functions of the entity's owner are performed by the state authority, whose scope of management includes such an enterprise. In particular, if there is no supervisory board, the head of the enterprise is appointed by such an authority;
- ▶ The entity operates using state-owned property.

A state-owned unitary entity can be either a commercial enterprise or an enterprise supported by the state budget.

A *state-owned commercial enterprise* is a business entity responsible for the consequences of its activities with all its property held under the right of economic management³⁴².

An *enterprise supported by the state budget* is established by the decision of the CMU, which determines the nature of the enterprise's activity and the body whose scope of management includes the enterprise. The property and assets are provided to such entity under the right of operational management³⁴³. The enterprises supported by the state budget are created in specific sectors of economy specified by the Commercial Code, in particular, in which (i) the law permits business activities only by state-owned enterprises; (ii) the major consumer of the products (works, services) (exceeding 50%) is the state; and (iii) cost-ineffective production of socially necessary products (works, services) prevails (over 50%)³⁴⁴.

Additionally, public sector entities include business companies with more than 50 percent of shares owned by the state, and the companies with 100 percent state ownership³⁴⁵.

Ukrainian legislation contains special rules on corporate governance of business companies with more than 50 percent shares owned by the state (see **Section 6.4.2** below).

Moreover, if such companies receive state-owned property, they generally hold it on a special title other than ownership (in particular, property not subject to privatization may be transferred into so-called economic or operational management, with or without entering the property into the company's balance sheet).

Titles of some companies include a reference to their "national" status, but it has no impact on their legal status. Special legal status of public sector entities is determined by state participation in their capital.

Legislation on the management of the companies owned by the state often contains ambiguous or contradictory rules. For example, Naftogaz of Ukraine NJSC and Nadra Ukrainy NJSC are business entities incorporated as joint stock companies, although they had been established by regulatory acts³⁴⁶.

³⁴² Economic management means a substantive right in which an entity owns, uses and manages the property entrusted to it by the owner, but may manage certain types of property only with the consent of the owner in the cases provided for by law (Article 136 of the Commercial Code, available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106#n1039>)

³⁴³ Operational management means a substantive right in which an entity owns, uses and manages the property entrusted to it by the owner for the purpose of carrying out non-commercial economic activities. In this case, the owner of the property has the right to remove from the subject of the property the property used for other purposes (Article 137 of the Commercial Code, available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106#n1043>)

³⁴⁴ Article 76 of the Commercial Code, available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106#n611>

³⁴⁵ Article 11 of the Law of Ukraine "On the Management of the State-Owned Entities" of September 21, 2006, No. 185-V, available at: <http://zakon.rada.gov.ua/laws/show/185-16/ed20170723>.

³⁴⁶ Resolution of the CMU No. 747 dated 25 May 1998 "On the Establishment of Naftogaz of Ukraine NJSC", available at: <https://zakon.rada.gov.ua/laws/show/747-98-%D0%BF>, Resolution of the CMU No. 1128 of 14 July 2000 "On the Establishment of Nadra Ukrainy NJSC", available at: <http://zakon0.rada.gov.ua/laws/show/1128-2000-%D0%BF>.

It is important to underscore the insufficiently defined status of enterprises under the indirect control of the state (e.g., subsidiaries of state-owned enterprises, as well as the enterprises with more than 50% shares belonging to public sector entities).

Such enterprises, among others, include Ukgazvydobuvannya JSC, Ukrtransgaz JSC, Ukrtransnafta JSC with 100% shares owned by Naftogaz of Ukraine NJSC, and Ukrnafta PJSC with 50%+1 shares owned by Naftogaz of Ukraine NJSC, and the subsidiaries of Nadra Ukrainy NJSC.

Formally, these enterprises are not covered by the definition of “public sector entities”, which does not include the indirect ownership criterion. At the same time, in separate cases, state authorities exercise certain functions of the owner of such enterprises based on laws or by-laws. Specifically:

- ▶ Reorganization of the subsidiaries of Naftogaz of Ukraine NJSC engaged in transportation via trunk pipelines and storage in underground gas storage facilities, is carried out by the decision of the CMU;
- ▶ Alienation of fixed assets and shares in the charter capital of such enterprises is prohibited, except for the transfer of property for the purpose of performing the functions of the Unified Ukrainian GTS Operator³⁴⁷;
- ▶ Business entities with 50% or more shares contributed to charter capitals of the companies 100%-owned by the state must:
 - Pay dividends directly to the State Budget³⁴⁸;
 - Publish information on their activities similarly to state unitary enterprises and business companies with more than 50 percent shares owned by the state, under Resolution of the CMU No. 1067 dated 09 November 2016³⁴⁹;
 - Publish information on their use of public funds on a web portal containing comprehensive information about the use of public funds as required by the Law of Ukraine "On Openness of Use of Public Funds"³⁵⁰.
- ▶ Certain acts of the CMU contain provisions that provide for retaining of 100 percent of corporate rights (shares) of some enterprises, whose shares are owned by Naftogaz of Ukraine NJSC, in state ownership, despite their transfer to the charter capital of, or other acquisition by Naftogaz of Ukraine NJSC. In particular, Ukrtransgaz JSC, Ukgazvydobuvannya JSC, Ukrtransnafta JSC, Ukrnafta PJSC, and a subsidiary of Naftogaz of Ukraine NJSC, Gaz of Ukraine, were included in the list of state-owned entities that are strategically important for the economy and security of the state under the Resolution of

³⁴⁷ Article 7 of the Law of Ukraine “On Pipeline Transport” dated May 15, 1996 N 192/96-BP, available at: <http://zakon2.rada.gov.ua/laws/show/192/96-%D0%B2%D1%80>

³⁴⁸ Part 5 of Article 11 of the Law of Ukraine “On the Management of State Property Objects” No. 185-16 dated 21 September 2006, available at: <http://zakon2.rada.gov.ua/laws/show/185-16>.

³⁴⁹ Resolution of the CMU “On Approval of the Procedure for Publication of Information on the Activities of State Owned Unitary Enterprises and Business Companies with More than 50% of Shares Owned by the State, as well as Business Companies with 50 and More Per cent of Shares owned by business companies in which interest of the state constitutes 100 percent” No. 1067 from 09 November 2016, available at: <https://zakon.rada.gov.ua/laws/show/1067-2016-%D0%BF>

³⁵⁰ The obligation is defined in Resolution of the CMU No. 1067 of 09 November 2016 (see above); Law of Ukraine “On Openness of Use of Public Funds” No. 183-VIII of 11 February 2015, available at: <https://zakon.rada.gov.ua/laws/show/183-19>

the CMU No. 83 dated 4 March 2015³⁵¹.

- ▶ If such companies receive state-owned property, they generally hold it on a special title other than ownership (in particular, property not subject to privatization may be transferred into so-called economic or operational management, with or without entering the property into the company's balance sheet³⁵²).

Certain mining companies that meet the specified criteria of indirect control of the state challenged their status as public sector entities. However, the case law in such cases is inconsistent (see, for example, court disputes between Ukrnafta PJSC / Ukgazvydobuvannia JSC and the State Audit Service of Ukraine³⁵³).

Hence, for full disclosure for the purposes of this Report, MSG decided that state owned enterprises (SOEs) for the purposes of Requirement 2.6 of the EITI Standard should include the enterprises that belong to the public sector of economy and the enterprises with more than 50% shares indirectly owned by the state.

6.4.1.2 Financing the activities of state-owned enterprises

According to Ukrainian legislation, all state-owned enterprises are required to prepare and approve their annual financial plan with quarterly breakdown for each subsequent year³⁵⁴. The financial plan determines income to be received and expenditures to be incurred by the enterprise. *Inter alia*, it identifies the amount and purpose of funds to be used for performance of functions of the enterprise during the relevant year in accordance with statutory documents.

Financial plans of state-owned enterprises must be approved before 1 September of the year preceding the planned year, unless otherwise provided by law³⁵⁵:

- 1) Financial plans of enterprises that are natural monopolies and enterprises whose estimated net profit exceeds UAH 50 million are approved by the CMU (the draft Resolution of the CMU is submitted for approval of the Ministry of Economy and Ministry of Finance by the authority that manages the relevant enterprise);
- 2) Financial plans of other enterprises are approved by the authorities that manage such enterprises.

³⁵¹ Resolution of the CMU "On Approval of the List of State Property Strategic for the Economy and Security of the State" No. 83 dated 4 March 2015, available at: <https://zakon.rada.gov.ua/laws/show/83-2015-%D0%BF/ed20160713>

³⁵² E.g., according to para. 4.3 of the Charter of Ukrtransgaz JSC (as valid in 2017), the company uses state property that is not subject to privatization in accordance with the law. State-owned property provided into the Company's use or economic management is included in its assets. Within the unbundling procedure, the new GTS operator received GTS assets under the right of economic management without the right of their alienation (for more details on the unbundling procedure, see **Section 6.3.2** of this EITI Report).

³⁵³ See Resolution of the Supreme Court dated 02 October 2018 in Case No. 2a-18853/10/2670, available at: <http://reyestr.court.gov.ua/Review/76906087> (Ukrnafta PJSC) and the resolution of the Kyiv Administrative Court of Appeal dated 29 May 2017 in case No. 826/19356/14, available at: <http://www.reyestr.court.gov.ua/Review/66850487> (Ukgazvydobuvannia JSC).

³⁵⁴ Part 1 of Article 75, part 8 of Article 77, Part 3 of Article 89 of the Commercial Code.

³⁵⁵ Part 2 of Article 75 of the Commercial Code; paragraphs 5-6 of the Procedure for Preparation, Approval And Oversight Over The Implementation of the Financial Plan of the Public Sector Entity, approved by the Order of the Ministry of Economy No. 205 of 02 March 2015, available at: <https://zakon.rada.gov.ua/laws/show/z0300-15>.

Consolidated data from the financial plans of such other enterprises is reported to the Ministry of Finance and is taken into account when forming the state budget. Business entities are entitled to amend their financial plans no more than twice per year³⁵⁶.

Financing of state-owned enterprises may come from various sources, including:

- ▶ State and local budget funds, *inter alia*, in the framework of implementation of targeted budget programs (see **Section 6.4.4.1** of this Report), contributions to the authorized capital (see **Section 6.4.4.4** of this Report);
- ▶ Borrowings, for example, credits / loans or issued bonds.
- ▶ This type of financing (including provision of guarantees or bail with regard to such obligations) requires approval of the Ministry of Finance, a government authority managing relevant state property, or the Ministry of Economy, depending on borrowing conditions and subordination of the enterprise³⁵⁷;
- ▶ Dividends from companies owned by state-owned enterprises³⁵⁸;
- ▶ Own funds from business activities, subject to restrictions on distribution of profits, in particular, the obligation to pay dividends / part of net profit to the state budget (for more details, please see **Section 6.4.3** of the Report);
- ▶ Other sources not prohibited by law.

Hence, state-owned enterprises use received income (for distribution of profits, creation of special-purpose funds, refinancing, etc.) according to the financial plan adopted and approved according to the established procedure and subject to special legislative restrictions.

Information on financing practices of reporting state-owned entities during the reporting period may be found in **Sections 5.1.1** (coal sector), **5.2.1** (oil and gas sector), **5.3.1** (iron ores), **5.4.1** (titanium ores), **5.6.1** (fire clays), **5.7.1** (high-melting clays), **5.8.1** (quartz sand), **5.9.1** (building stones) of this Report.

6.4.1.3. Responsibility of the state for covering expenses of state-owned enterprises

The state may be responsible for liabilities of such enterprises depending on the level of ownership (direct or indirect) and the legal form of the enterprise concerned, in particular:

- ▶ *State-owned commercial enterprises*: as a general rule, the state and the authority managing the respective enterprise are not responsible for its liabilities³⁵⁹.
- ▶ *Enterprises supported by the state budget*: as a general rule, the state represented by the authority managing the respective enterprise bears full subsidiary

³⁵⁶ Paragraph 8 of the Procedure for Preparation, Approval and Oversight Over The Implementation of the Financial Plan of the Public Sector Entity

³⁵⁷ In particular, the Ministry of Finance of Ukraine coordinates internal long-term (more than 1 year) and external obligations, and the executive body that performs the functions of managing state property (or the Ministry of Economy, if the management functions are performed by the CMU) - the domestic short-term (up to 1 year) obligations - see paragraph 2 of the Procedure for Endorsement of Attraction by State-owned Enterprises, including Companies (Except Banks) with 50 or more per cent of shares owned by the state, of borrowings (loans), provision of guarantees or warranties under such obligations, approved by Resolution of the CMU No. 809 of 15 June 2011, available at: <https://zakon.rada.gov.ua/laws/show/809-2011-%D0%BF/ed20160906>

³⁵⁸ The right to create other economic entities on the basis of property owned by state owned enterprises is provided in Article 135 of the Commercial Code.

³⁵⁹ Article 74 of the Commercial Code, available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106#n558>

(additional) responsibility for its liabilities if such enterprise has insufficient funds at its disposal to fulfil its obligations³⁶⁰.

- ▶ *Joint-stock companies*: as a general rule, the state bears the risk of losses related to operations of joint-stock companies directly owned by the state within the shares owned by the state (the relevant authority acting on behalf of the state)³⁶¹.
- ▶ *Entities indirectly controlled by the state*: as a rule, the state is not responsible for liabilities of these entities, while state-owned enterprises holding shares in these entities bear responsibility for their liabilities on general grounds. In particular, responsibility of shareholders in joint-stock companies or limited liability companies for their liabilities is limited by shares³⁶².

Hence, generally, the state (including the authorized state authority) bear no responsibility for covering expenses incurred by state-owned enterprises. Instead, the state is responsible for the obligations of such enterprises in a standard shareholding capacity (full-paid equity), irrespective of the phases of their project cycle.

There are special rules for enterprises supported by the state budget, but there are no such entities among EITI reporting entities. Instead, the absolute majority of reporting state-owned entities are state-owned commercial enterprises.

According to the information obtained by the Independent Administrator from reporting state-owned entities, no deviations from the above general rules on state's responsibility for such companies' liabilities were identified in 2017.

Separate sections of this Report also contain information on:

- 1) Rights, duties and responsibility of the state to cover costs incurred under contracts in the extractive industries (joint venture agreements, product sharing agreements) - see **Sections 6.6.4 and 6.6.5**
- 2) Examples of state support, which could result, among other things, in covering costs of certain state-owned enterprises - see **Section 6.4.4**.

6.4.2. State policy in public sector entities' management

The specifics of public property management³⁶³, including regulation of financial relations between the state and the entities partially or fully owned by the state are stipulated in the Law

³⁶⁰ Part 7 of Article 77 of the Commercial Code, available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106#n611>

³⁶¹ Part 2 of Article 80 of the Commercial Code, part 2 of Article 3 of the Law of Ukraine "On Joint Stock Companies". However, the charter capital of any business company cannot be formed at the expense of budgetary funds, property of state-owned enterprises, which are not subject to privatization under the law, as well as property held in operational management of budgetary institutions, unless otherwise provided by law (see part 1 of Article 86 of the Commercial Code).

³⁶² Moreover, technically, (1) shareholders of an additional liability company bear additional joint responsibility in the amount equal to a share of their contributions multiplied by the common indicator specified in statutory documents; (2) shareholders of a full liability company bear additional joint liability with all property they own, and (3) participants of a limited partnership bear responsibility either only within their contribution (so-called contributors), or additional joint liability with all their property (so-called full members) (see Article 80 of the Commercial Code of Ukraine; Articles 66, 75 of the Law of Ukraine "On Business Companies", Article 56 of the Law of Ukraine "On Limited Liability Companies And Additional Liability Companies"). However, there are no such companies among state-owned EITI reporting entities for the purposes of this EITI Report.

³⁶³ These objects include, among others, property transferred to state-owned enterprises and corporate rights owned by the government and contributed to the charter capital of business companies.

of Ukraine "On management of public property items" No. 185-V dated 21 September 2006³⁶⁴. Such specifics are also determined by separate provisions of the Ukrainian Constitution³⁶⁵, the Commercial Code of Ukraine³⁶⁶, the Civil Code of Ukraine³⁶⁷, the Laws of Ukraine "On Protection of Economic Competition"³⁶⁸, "On Business Companies"³⁶⁹, "On Leasing State and Municipal Property"³⁷⁰, "On Joint-Stock Companies"³⁷¹, the Law on Oil and Gas, etc.

Public authorities managing state-owned enterprises

State authorities exercise functions related to management of state-owned entities. Such authorities may include the CMU, ministries, and other central executive bodies, including the Ministry of Energy, the Ministry of Economy, the Geology Service, and the State Property Fund of Ukraine.

The list of state-owned objects by groups according to the monitoring data of their activities in 2016 is available at the website of the Ministry of Economy³⁷². The list includes 3,445 enterprises in total.

Development and implementation of state ownership policy is one of the requirements of the IMF Memoranda on Economic and Financial Policies and of the acts of the CMU (e.g., the Resolution of the CMU No. 662-r dated 27 May 2015) in the context of the reform of state-owned entities.

In 2017, as part of reforming corporate governance of state-owned enterprises, the CMU adopted several documents describing strategic vision of the state as to which state-owned enterprises should remain state-owned in the long run (strategically important for the state, such as Naftogaz of Ukraine NJSC), and which state-owned enterprises should be subject to concession, privatization or liquidation³⁷³.

At the end of 2018, in accordance with the OECD Guidelines on Corporate Governance of State-Owned Enterprises, the CMU approved Basic Principles of State Policy of Ownership with regard to State-Owned Enterprises³⁷⁴. This document states that only the enterprises performing functions directly assigned to the state will remain in state ownership, if such functions cannot be fully performed by entities other than public entities. These entities, in particular:

- ▶ Are natural monopolies not subject to any special privatization conditions
- ▶ Maintain state security or engage in other activities that are vital to society and cannot

³⁶⁴ Available at: <http://zakon0.rada.gov.ua/laws/show/185-16/ed20160101/print>

³⁶⁵ Article 116 of the Constitution of Ukraine, available at: <https://zakon.rada.gov.ua/laws/show/254к/96-вр#n4214>

³⁶⁶ Available at: <http://zakon.rada.gov.ua/laws/show/436-15/ed20171106>

³⁶⁷ Available at: <http://zakon.rada.gov.ua/laws/show/435-15/ed20171215>

³⁶⁸ Available at: <http://zakon.rada.gov.ua/laws/show/2210-14/ed20171217>

³⁶⁹ Available at: <https://zakon.rada.gov.ua/laws/show/1576-12/ed20161102>

³⁷⁰ Available at: <http://zakon.rada.gov.ua/go/2269-12>

³⁷¹ Available at: <http://zakon.rada.gov.ua/laws/show/514-17/ed20170611>

³⁷² Available at: <http://me.gov.ua/Documents/Download?id=af11c7bf-f9f8-4cd7-a513-9cbacf9f8d4>

³⁷³ Publication on the CMU's website on the strategic vision of managing state-owned enterprises, available at: <https://www.kmu.gov.ua/ua/news/250107939>. All lists of state-owned enterprises are available at:

[http://www.me.gov.ua/Documents/MoreDetails?lang=uk-UA&id=f9b47f2c-50ae-41b3-abea-](http://www.me.gov.ua/Documents/MoreDetails?lang=uk-UA&id=f9b47f2c-50ae-41b3-abea-117ff9c4fab8&title=PrezentatsiiniMateriali)

[117ff9c4fab8&title=PrezentatsiiniMateriali](http://www.me.gov.ua/Documents/MoreDetails?lang=uk-UA&id=f9b47f2c-50ae-41b3-abea-117ff9c4fab8&title=PrezentatsiiniMateriali); Detailed information on the reform of SOE governance (including interim results) is available on the CMU's website: <https://www.kmu.gov.ua/ua/diyalnist/reformi/ekonomichne-zrostantnya/prodazh-neefektivnogo-derzhavnogo-majna>

³⁷⁴ Available at: <https://www.kmu.gov.ua/ua/news/minekonomrozvitku-rozrobilo-politiku-vlasnosti-u-derzhavnomu-sektori-ekonomiki>

be fully implemented by non-state-owned entities

Also, corporate governance of public sector entities should be based on the following principles:

- ▶ Exclusivity of state ownership
- ▶ Clear goals for activities
- ▶ Parity in governing state-owned and commercial companies
- ▶ Separation of owner's and regulator's functions
- ▶ Professionalism in managing business entities
- ▶ Transparency of activities to reduce corruption risks
- ▶ Social responsibility

In particular, since 2017, the reform envisaged creation of supervisory boards as governing bodies of public sector entities that meet certain criteria³⁷⁵. In addition, in accordance with the Basic Principles, separate ownership policies were approved for certain enterprises of particular importance to the Ukrainian economy.

Regarding Naftogaz of Ukraine NJSC, identified by the reform as a strategically important entity, the CMU approved the following regulations in 2017:

- ▶ Basic Principles of State Ownership³⁷⁶, which should specify the objectives and priorities of state's ownership of this enterprise, the expected results of its operations, and the basic corporate governance principles. The document defines the state's strategic vision of corporate governance of Naftogaz of Ukraine NJSC;
- ▶ Regulations on Supervisory Board Formation Principles³⁷⁷.

In 2019, the Accounting Chamber analyzed the efficiency of state's management of corporate rights in the oil & gas sector in 2017³⁷⁸. The relevant report of the Accounting Chamber notes a number of deficiencies, e.g., a considerable delay in approving the financial plan of Naftogaz of Ukraine NJSC for 2017, failure to ensure eligibility of the company's supervisory board throughout the year, etc.

³⁷⁵ Resolution of the CMU "Some Issues of Management of State Unitary Enterprises and Business Companies with More than 50 Per cent of Shares Owned by the State" No. 142 dated 10 March 2017, available at:

<https://zakon.rada.gov.ua/laws/show/142-2017-%D0%BF/ed20171214>. The entities in which the supervisory board is to be established are those for which at least one of the following criteria is met: (1) the value of the assets exceeds UAH 2 billion, according to the latest annual financial statements; (2) net income exceeds UAH 1.5 billion, according to the latest annual financial statements; (3) charter capital of the newly established entity exceeds UAH 2 billion; (4) 10 or more shareholders are holders of ordinary shares of the respective company.

³⁷⁶ Resolution of the CMU "On Approving Fundamental Principles of Exercising State Ownership with respect to Naftogaz of Ukraine NJSC" No. 351 dated 26 April 2017, available at: <https://zakon.rada.gov.ua/laws/show/351-2017-%D0%BF>

³⁷⁷ Resolution of the CMU "The Issue of Formation of the Supervisory Board of Naftogaz of Ukraine NJSC" No. 232 dated 29 March 2017, available at: <https://zakon.rada.gov.ua/laws/show/232-2017-n>

³⁷⁸ Report on the results of analyzing the efficiency of state management of its corporate rights in the oil & gas sector, approved by the decision of the Accounting Chamber dated 9 April 2019 No. 8-1, available at: https://rp.gov.ua/upload-files/Activity/Collegium/2019/8-1_2019/Zvit_8-1_2019.pdf; information on further actions taken to address the report's findings: <https://rp.gov.ua/FinControl/FinReactions/?id=520>

6.4.3. Payments made by the enterprises with state participation in favor of the state

The main type of payment made by the enterprises with state participation in favor of the state, in addition to taxes, are dividends and the share of net profit transferred to the state budget.

Payment of the share of net profit by state unitary entities

In 2017, state unitary entities had to transfer 75% of their net profit for the relevant period to the state budget³⁷⁹. State unitary entities submitted a calculation of the net profit to the SFS, and the paid portion of the net profit was accumulated in the General-purpose fund of the State budget.

In April 2019, the share of net profit was changed to 90% for the enterprises whose net profit amounted to more than UAH 50,000,000 in the corresponding reporting period, and to 50% for other enterprises.

Dividends of the business entities with a state share in their charter capital

As a rule, the companies with the corporate rights of the state in their charter capital must allocate at least 30% of the net profit as dividends³⁸⁰.

Dividends are calculated in proportion to the size of the state share in the charter capital of the said business entities and must be paid to the State budget no later than 1 July of the year following the reporting year. The business companies, 50% and more of the shares of which are contributed to the charter capital of business entities with a 100% state share, must also pay dividends directly to the State budget³⁸¹.

The basic rate for allocation of the share of profit as dividends based on the results of financial and economic operations in the corresponding year is established by the CMU. In 2017, the above rate was 50%³⁸².

Untimely payment of dividends may also result in application of a penalty calculated based on the double rate of the National Bank of Ukraine³⁸³.

Dividends of the entities owned by the companies with a state participation

The companies, whose 50% or more shares are in the charter capital of the business entities with a 100% state participation, are required to pay dividends directly to the State Budget of Ukraine in accordance with the rules established by the Law of Ukraine "On Management of

³⁷⁹ The procedure for the payment to the state budget of a part of the net profit (income) by state unitary entities and their associations, approved by the Resolution of the CMU No 138 dated 23 February 2011, available at: <http://zakon.rada.gov.ua/laws/show/138-2011-%D0%BF/ed20171214>

³⁸⁰ Part 5 of Article 11 of the Law of Ukraine "On the Management of State Property Objects" No 185-16 dated 21 September 2006, available at: <http://zakon.rada.gov.ua/laws/show/185-16/ed20170723#n324>.

³⁸¹ Part 5 of Article 11 of the Law of Ukraine "On the Management of State Property Objects" No 185-16 dated 21 September 2006, available at: <http://zakon2.rada.gov.ua/laws/show/185-16>.

³⁸² Resolution of the CMU No. 120 dated 01 March 2017 "On approval of the basic rate for deducting the share of profit to be paid as dividends based on the results of financial and economic operations in the year 2016 of the business entities in the charter capital of which are the corporate rights of the state", available at: <http://zakon3.rada.gov.ua/laws/show/120-2017-%D0%BF>. In 2018, the basic standard rate increased to 75%, available at: <http://zakon.rada.gov.ua/laws/show/139-2018-%D0%BF>. In 2019, the rate increased to 90% for entities with net income over UAH 50 bln and decreased to 50% for the rest.

³⁸³ The Order of the Ministry of Economy "On Approval of the Procedure for Accrual of Penalty on the amount of dividends on the state share untimely paid by a company whose charter capital includes the corporate rights of the state and a company, 50 and more percent of shares (interest) of which are in the charter capital of a company, where the state owns 100 percent of shares" No. 725 dated 02 July 2013, available at: <http://zakon2.rada.gov.ua/laws/show/z1830-13>.

Public Property Items”³⁸⁴.

Ambiguous wording of the rule led to litigations over whether it applies to the companies, 50% or more shares of which were obtained other than through a contribution to the charter capital.

Hence, in 2013, a dispute regarding the mechanism of dividend distribution arose between Ukrgazvydobuvannya JSC and Naftogaz of Ukraine NJSC as its only shareholder. Ukrgazvydobuvannya JSC appealed³⁸⁵ against the decision of Naftogaz of Ukraine NJSC to pay 30% of the company's net profit for 2012 to the state budget. The court supported the position of Ukrgazvydobuvannya JSC³⁸⁶. A similar dispute arose in 2013 between Ukrtransgaz JSC and Naftogaz of Ukraine NJSC and was resolved in favor of Ukrtransgaz JSC³⁸⁷.

In 2017, Ukrgazvydobuvannya JSC adopted a resolution on distribution of dividends based on the results of 2016 to Naftogaz of Ukraine NJSC³⁸⁸. A similar decision was made in 2018³⁸⁹. Based on public information, Ukrtransgaz JSC decided not to pay out any dividends for 2017-2018 due to arrears³⁹⁰.

Ukrtransnafta JSC, 100% shares of which were left in state ownership and transferred to the charter capital of Naftogaz of Ukraine NJSC in accordance with the decision of the CMU³⁹¹, in 2016 adopted a resolution on distribution of dividends based on the results of 2015 to the state budget³⁹². However, as a result of 2016³⁹³, 2017³⁹⁴ and 2018³⁹⁵ the company paid dividends to its shareholder, Naftogaz of Ukraine NJSC, instead of the State budget.

The amounts of net profit shares and dividends paid by EITI reporting entities to the state budget may be found in **Annex 10 (Section 18.9)** of this Report.

6.4.4. State payments to enterprises with state participation

The legislation of Ukraine (including the Commercial Code of Ukraine³⁹⁶ and the Mining Law of Ukraine³⁹⁷) allows for provision of state support to business entities to create favorable organizational and economic conditions for business development.

³⁸⁴ Part 5 of Article 11 of the Law of Ukraine “On the Management of State Property Objects” No. 185-16 dated 21 September 2006, available at: <http://zakon.rada.gov.ua/laws/show/185-16/ed20170723#n324>.

³⁸⁵ Decision of the Kyiv Economic Court of the city in the case No 910/10255/13 dated 27 June 2013, available at: <http://www.reyestr.court.gov.ua/Review/32063317>

³⁸⁶ Resolution of the Kyiv Economic Court of Appeal in case No 10/10255/13 dated 10 July 2013, available at: <http://www.reyestr.court.gov.ua/Review/32403812>, Decision of the Supreme Economic Court of Ukraine in case No. 10/10255/13 dated 13 August 2013, available at: <http://www.reyestr.court.gov.ua/Review/33042667>

³⁸⁷ Resolution of the Higher Economic Court of Ukraine dated 24 June 2014 in case No. 910/18227/13, available at: <http://www.reyestr.court.gov.ua/Review/39532348>

³⁸⁸ Available at: <http://uqv.com.ua/uploads/1517404060.pdf>

³⁸⁹ Available at: <https://www.epravda.com.ua/news/2018/08/7/639376/>.

³⁹⁰ Decision of the shareholder No. 181 dated 26 April 2018, available at: http://utg.ua/img/menu/company/docs/2018/181_.pdf, No. 267 dated 26 April 2019, available at: <http://utg.ua/img/menu/company/docs/2019/267.pdf>

³⁹¹ Resolution of the CMU “On establishment of JSC Ukrtransnafta” No. 256-p dated 23 June 2001, available at: <http://zakon3.rada.gov.ua/laws/show/256-2001-%D1%80>. See also annual information of JSC Ukrtransnafta for 2016, available at: <http://www.ukrtransnafta.com/wp-content/uploads/2017/09/%D0%A0%D1%96%D1%87%D0%BD%D0%B0-2016.pdf>

³⁹² See information published by the company: <http://www.ukrtransnafta.com/pat-ukrtransnafta-splatit-rekordnu-sumu-dividendiv-1-mlrd-grn/>

³⁹³ See the company's notice: <https://www.ukrtransnafta.com/ukrtransnafta-viplatila-ponad-15-miljardi-griven-dividendiv/>.

³⁹⁴ Available at: <https://bit.ly/2yD0dBo/>

³⁹⁵ See the company's notice: <https://www.ukrtransnafta.com/ukrtransnafta-v-povnomu-obsjazi-viplatila-naftogazu-dividendi-za-2018-rik/>

³⁹⁶ Articles 16, 26, 48 of the Commercial Code, available at: <https://zakon.rada.gov.ua/laws/show/436-15>

³⁹⁷ Articles 9, 29, 43, 48 of the Mining Law of Ukraine

6.4.4.1 Government support to extractive industries

Government support to extractive industries may include provision of funds to extractive companies under the programs approved by the relevant Law on the State Budget. Such provision takes place in accordance with the procedure approved by the CMU for each program individually.

The Budget Code of Ukraine stipulates that the main administrators of state funds must develop a procedure for using such funds under the programs provided for in the state budget, and the CMU or other administrator shall approve it, subject to consent of the Ministry of Finance. The procedures for the programs specified in the relevant Law on the State Budget for the first time, shall be approved within 30 days from its entry into force³⁹⁸.

Information on budget programs active in 2017 (including references to their procedures) may be found in **Sections 5.1.1, 5.2.1** and **5.3.1** of this Report.

6.4.4.2 Subventions to local budgets for mutual settlements between Naftogaz of Ukraine NJSC, Ukrtransgaz JSC, coal mining enterprises, heat energy producers and heat supply companies

The Ukrainian legislation specifically provides for subventions from the state budget to local budgets to provide privileges and housing subsidies to the households, including those for electricity and natural gas.³⁹⁹

Such subventions are formed from the natural gas and gas condensate development royalties, the VAT paid by Naftogaz of Ukraine and Ukrtransgaz JSC, and inflows to the General-purpose fund of the State budget from repayment of the outstanding VAT debts by electricity producers and coal-mining enterprises.

The subvention mechanism involves the following steps:

- 1.2 The Treasury transfers the amounts of subventions to the accounts of regional budgets and the budget of Kyiv, opened in the Treasury bodies, according to the State Budget expenditures within the commitments of local budgets.
- 2.2 Regional and Kyiv city state administrations distribute their subventions among the budgets of districts and cities of regional importance, united local communities according to the planned amounts of subventions, while the relevant local governments transfer the subvention to the main spending units of local budgets.
- 3.2 the Treasury, based on the payment orders of the main spending units of local budgets, transfer funds to the accounts of suppliers of resources (goods and services) opened in the Treasury bodies.
- 4.2 The settlements between the administrators (in particular, gas consumers) of Naftogaz of Ukraine and / or Ukrtransgaz JSC are conducted based on the acts of reconciliation or agreements that determine the amount of monthly consumption of resources (goods,

³⁹⁸ Paragraph 7 of Article 20 of the Budget Code of Ukraine

³⁹⁹ Resolution of the CMU "On Approval of the Procedure for the Transfer of Certain Subventions from the State Budget to Local Budgets for Granting of Privileges, Subsidies and Compensations" No. 20 dated 11 January 2005 (expired on 1 January 2018) available at: <http://zakon2.rada.gov.ua/laws/show/20-2005-%D0%BF/ed20170314>. Please note that cancellation of this resolution as of 01 January 2018 is part of reform efforts to monetize subsidies.

services) and joint protocol decisions signed by all participants of such settlements.

5.2 Naftogaz of Ukraine transfers the subvention funds from the current account within the Treasury to the accounts within the Treasury of:

- ▶ Ukgazvydobuvannya JSC to cover monetary liabilities from the natural gas and gas condensate production royalty;
- ▶ Naftogaz of Ukraine in the VAT electronic administration system to transfer VAT to the budget;
- ▶ Ukrtransgaz JSC with further transfer of subvention funds to the account of this company in the VAT electronic administration system for paying VAT to the budget.

6.2 Ukrtransgaz JSC transfers the funds of the subvention from the current account within the Treasury to accounts within the Treasury of:

- ▶ Ukgazvydobuvannya JSC to cover monetary liabilities for natural gas and gas condensate development royalty;
- ▶ Ukrtransgaz JSC in the VAT electronic administration system to transfer VAT to the budget;
- ▶ Naftogaz of Ukraine in the VAT electronic administration system to transfer VAT to the budget.

7.2 Electricity producers transfer the subvention funds from the current account within the Treasury to the accounts within the Treasury of:

- ▶ Coal-producing enterprises in the VAT electronic administration system to transfer VAT to the budget;
- ▶ Naftogaz of Ukraine in the VAT electronic administration system to transfer VAT to the budget;
- ▶ Electricity producers in the VAT electronic administration system to transfer VAT to the budget.

The procedure for settlements for natural gas, heat supply, and electricity using subventions is approved by the Ministry of Energy⁴⁰⁰.

In practice, the functioning of such a mechanism of subventions depends on the availability of funds in the State budget from received royalties and VAT. In 2017, the State budget envisaged UAH 68.79 bln for this program, but in fact UAH 69.74 bln were received, i.e., almost 1 bln more than planned⁴⁰¹.

It should be noted that starting 2018, a comprehensive reform aiming at monetisation of subsidies was initiated⁴⁰².

⁴⁰⁰ Procedure for settlements for natural gas, heat supply and electricity, approved by the Order of the Ministry of Energy No. 493/688 dated 3 August 2015. Available at <http://zakon3.rada.gov.ua/laws/show/z1007-15> (invalid starting 19 February 2018). This document was cancelled due to reform efforts in subsidy monetization. The new procedure for settlements is approved by the Order of the Ministry of Finance No. 1 dated 04 January 2018, available at: <http://zakon.rada.gov.ua/laws/show/z0064-18>

⁴⁰¹ Report on implementation of the State Budget of Ukraine for 2017, website of the State Treasury of Ukraine, available at: <http://www.treasury.gov.ua/main/uk/doccatalog/list?currDir=400657>

⁴⁰² See notice at the official web-site of CMU, available at: <https://www.kmu.gov.ua/ua/news/250405018>

6.4.4.3 Provision of state guarantees for companies' borrowings

According to the Budget Code, following the decision of the CMU or based on the international treaties of Ukraine, entities may be granted state guarantees for the full or partial payment of debt. Such guarantees are provided exclusively in the amounts and for the areas provided by the relevant Law on the State Budget⁴⁰³.

Guarantees must be provided on terms of repayment, timeliness, and enforcement of obligations. The Budget Code specifies the mandatory terms of such a guarantee agreement⁴⁰⁴. The Ministry of Finance, as instructed by the CMU, enters into relevant agreements and maintains the Register of State Guarantees provided during the budget period⁴⁰⁵. Starting from 2017, information on state guarantees provided since 2004 is published at the web-site of the Ministry of Finance: <https://mof.gov.ua/uk/reestr-derzhavnih-garantij>.

The information on the state guarantees granted to companies covered by this Report in 2017 is given in **Sections 5.1.1, 5.2.1** (specifically, to Naftogaz of Ukraine NJSC).

6.4.4.4 Increase of charter capital of enterprises with state participation

As a shareholder (participant) of enterprises with a state participation, the state takes part in the management of such enterprises, which includes, among others, adopting decisions on increase in the charter capital to cover cash deficits.

For example, in 2015, the CMU decided to increase the charter capital of Naftogaz of Ukraine by UAH 29.7 bln through additional private placement of shares. The Ministry of Finance, as instructed by the CMU, has acquired such shares on behalf of the state through issuance of domestic government bonds for this purpose.

According to information provided by EITI reporting entities, charter capitals of enterprises with state participation were not increased in 2017.

6.4.4.5 Restrictions on foreclosure of state-owned enterprises

In 2017, it was forbidden to initiate foreclosure over state-owned enterprises and business companies with at least 25% shares owned by the state, under decisions subject to execution by the State Executive Service⁴⁰⁶, except for the forced sale of property to pay off debts to Naftogaz of Ukraine NJSC and its subsidiaries licensed to supply natural gas. However, this procedure could apply to objects not subject to privatization by law⁴⁰⁷ (which included a great number of state-owned mining enterprises⁴⁰⁸).

At the same time, if the decision of the court to recover funds from entities subject to the moratorium is not executed within 6 months from the date the enforcement proceedings

⁴⁰³ Paragraph 1 of Article 17 of the Budget Code of Ukraine

⁴⁰⁴ Paragraph 3 of Article 17 of the Budget Code of Ukraine

⁴⁰⁵ Paragraph 4 of Article 17 of the Budget Code of Ukraine

⁴⁰⁶ Article 1 of the Law of Ukraine "On the Introduction of Moratorium on the Forced Sale of Property", No 2864-III of 29 November 2001, available at: <https://zakon.rada.gov.ua/laws/main/2864-14>.

⁴⁰⁷ The exception for the indebtedness to Naftogaz of Ukraine NJSC does not extend to the enterprises to which the state has a duly confirmed debt for compensation of the difference in the tariffs for heat energy and heating services that have been produced, transported to and supplied to the public (Article 1 of the said law).

⁴⁰⁸ See Law of Ukraine "On the List of Objects of State Property that Are Not Subject to Privatization" of 07 July 1999 No. 847-XIV, available at: <https://zakon.rada.gov.ua/laws/show/847-14/ed20170611>

commenced, its execution is carried out at the expense of the budget program to enforce court decisions⁴⁰⁹.

6.4.4.6 Compensation by the State of expenditures related to performance of special obligations assigned to natural gas market subjects

Pursuant to Article 11 of the Law of Ukraine "On the Natural Gas Market"⁴¹⁰, in exceptional cases and for a specified period, special obligations determined by the CMU upon consultation with the Energy Community Secretariat might be assigned to natural gas market subjects to protect public interests in functioning of the natural gas market.

Part 2 of Article 3 of the Law of Ukraine "On State Aid to Business Entities" and paragraph 2 of the Resolution of the CMU No. 420 of 23 May 2018 "On Approval of the List of Services of General Economic Interest"⁴¹¹ expressly state that compensation of reasonable expenses incurred due to providing services related to operation of the natural gas market (that is, fulfilment of obligations assigned to natural gas market subjects) is not covered by the above law⁴¹². However, based on the definition of services related to operation of the natural gas market in this law, such compensation qualifies as state support⁴¹³.

In 2017, the CMU adopted the Resolution "On Approving the Regulation on Assignment of Special Obligations to Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market" No. 187 dated 22 March 2017⁴¹⁴. The Resolution assigns special obligations to the following natural gas market subjects:

- 1) Business companies with 100% shares owned by the state or another business company wholly owned by the state, namely, Ukragazvydobuvannya JSC and Chornomornaftogaz JSC, are obliged to sell self-produced gas in favor of Naftogaz of Ukraine NJSC under the conditions specified in the Regulations;
- 2) Business company, the sole shareholder of which is the state, namely Naftogaz of Ukraine NJSC, is obliged to purchase natural gas from the above entities and sell it to natural gas suppliers to satisfy the needs of domestic consumers and religious organizations in heating and hot water supply (this does not cover the volumes used for their commercial activities) and supply natural gas to heat producers (by certain categories);
- 3) Heat energy suppliers are obliged to supply gas to domestic consumers and religious

⁴⁰⁹ Law of Ukraine "On State Guarantees for the Enforcement of Judgments" of 05 June 2012 No. 4901-VI. Such funds shall be transferred by the State Treasury within 3 months from the day of receipt of the required documents and information and shall be considered as losses of the state budget.

⁴¹⁰ Law of Ukraine "On the Natural Gas Market" No. 329-VIII of 09 April 2015, available at: <https://zakon.rada.gov.ua/laws/show/329-19/ed20161101>

⁴¹¹ Available at: <https://zakon.rada.gov.ua/laws/show/420-2018-%D0%BF>

⁴¹² Please note that in August 2017, the Energy Community initiated a case against Ukraine No. ECS-2/17 due to potential non-compliance of the terms of assigning special obligations with the requirements for public service obligations, in particular, in terms of transparency, proportionality and non-discrimination, and according to preliminary conclusions, supply of natural gas under these rules constitutes illegal state aid, available at: <https://www.energy-community.org/news/Energy-Community-News/2018/07/23.html>.

⁴¹³ Paragraph 14, Part 1, Article 1 of the Law of Ukraine "On State Aid to Business Entities" defines services of general economic interest as services related to meeting particularly important general needs of citizens, which cannot be provided on a commercial basis *without government support*.

⁴¹⁴ Resolution of the CMU "On Approval of the Regulation on Assignment of Special Obligations on Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market" No. 187 of 22 March 2017, available at: <https://zakon.rada.gov.ua/laws/show/187-2017-%D0%BF/ed20171114>

organizations (this does not cover the volumes used for their commercial activities), and certain suppliers expressly specified in the Regulation are obliged to enter into contracts on supply of natural gas with household consumers / religious organizations that applied to the supplier and whose gas consuming facility(-ies) is (are) located within the territory of relevant licensed natural gas distribution activities.

Also, other entities engaged in development of natural gas may also voluntarily assume the obligation provided for in paragraph 1 above with respect to any volume of gas produced. In this case, the relevant rules of this Regulation will apply to such entities.

At the same time, part 7 of Article 11 of the Law of Ukraine "On the Natural Gas Market" entitles the natural gas market subject entrusted with special obligations to compensation of economically justified expenses it incurs, net of income received in the process of fulfilling such obligations, taking into account the permissible level of profit set forth by the procedure approved by the CMU. The sources of funding the compensation and procedure for determining its amount are mandatory components of the CMU's decision to impose special obligations (see Part 4 of Article 11 of the law).

Despite the above, a number of resolutions imposing special obligations already adopted at the date of this Report⁴¹⁵ lacked any provisions on the procedure for compensating expenses to the relevant obliged entities, which led to several litigation proceedings in 2017⁴¹⁶.

6.4.4.7 Sale of natural gas and oil for the benefit of Naftogaz of Ukraine NJSC

According to Article 4-1 of the Law of Ukraine "On Natural Gas Market"⁴¹⁷, enterprises with at least 50% shares owned by the state, as well as business companies with at least 50% shares are contributed into the charter capital of other business companies where the state is a shareholder with controlling interest, as well as subsidiaries, representative offices and branches of such enterprises and companies, parties to joint venture agreements and / or persons authorized by joint venture agreements concluded with the mentioned enterprises (for example, Ukrnafta PJSC), shall on a monthly basis sell self-produced crude oil and gas condensate extracted under oil & gas subsoil licenses (except the volumes used for their own technological needs), as well as liquefied natural gas, exclusively through stock exchange auctions.

⁴¹⁵ In 2018, the following resolutions were adopted by the CMU:

(1) Resolution No. 834 of 10 October 2018 "On imposition of a special obligation to ensure public interest in the functioning of the natural gas market", which assigns Naftogaz NJSC with the obligation to supply gas for the benefit of enterprises producing thermal energy, whose property has been arrested in criminal proceedings and transferred under the management of the National Agency for Detection, Investigation and Management of Assets Obtained from Corruption and Other Crimes as single property complexes;

(2) Resolution No. 867 of 19 October 2018, "On Approval of the Regulation on the Imposition of Special Obligations on Natural Gas Market Subjects to Ensure Public Interests in the Functioning of the Natural Gas Market", which repeals Resolutions of the CMU No. 187 and No. 834. This Resolution is effective since 01 November 2018 and will remain in force until 01 May 2020. The Regulation on determining the price of sale / supply of natural gas stipulated in Resolution No. 867 has been expanded by Resolution of the CMU No. 293 of 03 April 2019 "Certain issues of activities of Naftogaz of Ukraine NJSC".

⁴¹⁶ For example, there was an administrative case initiated upon Naftogaz of Ukraine NJSC's claim against the CMU regarding the CMU's inaction being unlawful due to its failure to identify sources of financing and the procedure for determining the compensation to be paid to the natural gas market subjects vested with special obligations under the Resolution of the CMU No. 187. The case was decided in favor of Naftogaz NJSC: see Resolution of the District Administrative Court of the City of Kyiv dated 19 July 2017 in case No. 826/6066/17, available at: <http://reyestr.court.gov.ua/Review/67846832> (left unchanged after appeal and cassation, see the ruling of the Supreme Court dated 21 August 2019, available at: <http://reyestr.court.gov.ua/Review/83800030>).

⁴¹⁷ Law of Ukraine "On the Natural Gas Market" No. 329-VIII of 09 April 2015, available at: <https://zakon.rada.gov.ua/laws/show/329-19/ed20161101>

In this case, if crude oil and / or gas condensate is not fully/partially sold during regular and additional exchange auctions (including if the latter auction was not held), the corresponding volumes of crude oil / gas should be sold to Naftogaz of Ukraine NJSC at the starting price.

If the starting price exceeds the market price, payments in favor of oil / gas entities may be considered state aid. However, in practice, there are problems with implementation of the regulations regarding sale of hydrocarbons⁴¹⁸.

6.4.4.8 State aid review

The Law of Ukraine "On State Aid to Business Entities"⁴¹⁹ is effective since 2 August 2017. The law stipulates that state support measures should be reviewed by the Antimonopoly Committee of Ukraine (the "AMCU") to identify the measures qualifying as state aid, which is subject to review for its permissibility for competition.

According to the law, state aid may be provided in various forms (e.g., in the form of subsidies, guarantees, increase in the state share of the charter capital of business entities, tax benefits, compensation of losses, etc.)⁴²⁰.

The criteria for permissibility of state aid may be set by the CMU for certain categories of state aid. For instance, in December 2019 the draft resolution of the CMU "On Approval of the Criteria for Permissibility of State Aid to Companies in the Coal Industry" was presented for public discussion⁴²¹.

Any new state aid, as well as on-going state aid if its conditions significantly change, can only be granted after a positive decision of the AMCU. State aid granted contrary to the requirements of the law is considered illegal and is fully repayable to the state or may be terminated by the AMCU.

The draft law provides for some exceptions, e.g., for aid related to provision of services of general economic interest⁴²² (these include services related to operation of the natural gas market provided within the scope of special obligations).

The AMCU maintains the Register of State Aid Programs available at: <http://pdd.amc.gov.ua/registry/registryofstateaid/list>.

Starting from 2017, the AMCU publishes annual reports on state aid granted to business

⁴¹⁸ See, for example, publications on the official site of Ukrnafta JSC:

<https://www.ukrnafta.com/ukrnafta-znovu-ne-zmogla-realizuvati-vsju-naftu-ta-kondensat-na-derzhavnih-aukcziyah>;
<https://www.ukrnafta.com/v-2019-roczni-chvert-nafty-ukrnafty-zalyshylas-neprodanoyu>

⁴¹⁹ Law of Ukraine "On State Aid to Business Entities" 01 July 2014 No. 1555-VII, available at: <https://zakon.rada.gov.ua/laws/show/1555-18>

⁴²⁰ According to Article 4 of the Law "On State Aid to Business Entities", state aid may be provided in the form of subsidies and grants, subsidies, tax incentives, deferral of taxes or payment of taxes in instalments, write-off of debts (including debts for public services rendered), write-off of penalties, compensation of losses incurred by business entities, provision of guarantees, loans on preferential terms, reduction of financial liabilities of business entities to the state social insurance funds, provision directly or indirectly to entities of goods / services at prices below market, or purchase of goods / services of business entities at prices above market, sale of state property at prices below market, increase of state share in the charter capital of entities or increase in the value of public shares on the terms that are unacceptable to private investors.

⁴²¹ Draft Resolution of the CMU "On Approval of the Criteria for Permissibility of State Aid to Coal Companies", available at: <https://amcu.gov.ua/news/oprilyudnyuyetsya-proekt-regulyatornogo-aktu-proekt-postanovi-kmu-pro-zatverdzhennya-kriteriyiv-ocinki-dopustimosti-derzhavnovi-dopomogi-subyektam-gospodaryuvannya-u-vugilnij-galuzi>

⁴²² Resolution of the CMU No. 420 of 23 May 2018 "On Approval of the List of Services of General Economic Interest", available at: <https://zakon.rada.gov.ua/laws/show/420-2018-n#n9>

entities based on the information provided by public authorities and local governments⁴²³ and discloses all its decisions related to state aid cases, on the State Aid Portal: <http://pdd.amc.gov.ua/registry/registryofdecision/list>.

6.4.5. Functions of enterprises with state participation and payments to such enterprises

The legislation of Ukraine does not provide for a comprehensive list of functions to be performed by enterprises with state participation. Such functions are most often specified by the charters of the respective enterprises.

State-owned enterprises are not entitled to collect any taxes.

In some cases, the entities are assigned with obligations that are not specified in their statutory documents. In particular, Ukgazvydobuvannya JSC and Chornomornaftogaz JSC are obliged to carry out the monthly sale of natural gas of its own production to Naftogaz of Ukraine to secure natural gas reserves⁴²⁴.

For companies and the parties to joint venture agreements in which the state directly or indirectly holds 50% or more, are also required to sell oil, gas condensate of their own production and liquefied gas at stock exchange auctions. Unless the full volume of these products is disposed of at such auctions, the remainder of crude and gas condensate oil must be sold to Naftogaz of Ukraine⁴²⁵.

As a rule, mining companies make payments to enterprises with state participation for rendered services or performed work. As there is no aggregated information about such payments or any exhaustive list of such possible payments in the legislation, below are certain types of payments that are significant for the Ukrainian economy.

6.4.5.1 Payments for transportation of oil and gas

The payments for transportation of oil and gas, which the companies make to Ukrtransnafta JSC and Ukrtransgaz JSC, represent one of the most important payment flows in favor of enterprises with state participation. Such payments are made based on contracts with these enterprises.

The tariffs for transportation of oil by trunk oil pipelines, as well as transportation of gas through trunk and transboundary gas pipelines are established by the NEURC. In particular, the following resolutions were effective in 2017:

- Resolution of the NEURC "On the establishment of tariffs for oil transportation by trunk

⁴²³ Report of the Antimonopoly Committee of Ukraine "On Aid Provided to Business Entities", available at:

<http://www.amc.gov.ua/amku/doccatalog/document?id=143931&schema=main>

⁴²⁴ The possibility of imposing such an obligation is established by Article 11 of the Law "On the Natural Gas Market", available at: <http://zakon.rada.gov.ua/laws/show/329-19#n267>; to implement this provision of the law, the CMU approved Resolution No.187 dated 22 March 2017, available at: <http://zakon.rada.gov.ua/laws/show/187-2017-%D0%BF#n7>. In 2018, the CMU adopted a new Resolution "On approval of the Regulation on Imposing Special Obligations on Natural Gas Market Subjects to Secure Public Interests in the Functioning of the Natural Gas Market" No. 867 dated 19 October 2018, available at: <https://zakon.rada.gov.ua/laws/show/867-2018-p> (valid from 01 November 2018 to 01 May 2020)

⁴²⁵ Article 4-1 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o54>.

pipelines of Ukrtransnafta JSC for consumers in Ukraine"⁴²⁶;

- ▶ Resolution of the NEURC "On setting tariffs for Ukrtransgaz JSC for the supply of natural gas for transboundary gas pipelines for the points of entry and points of exit"⁴²⁷; and
- ▶ Resolution of the NEURC "On Establishing a General Tariff for Natural Gas Transmission, Tariffs for the Transportation of Natural Gas by Main and Distribution Pipelines"⁴²⁸

Framework contracts for the provision of gas transportation and storage services are posted on the official website of Ukrtransgaz JSC⁴²⁹.

Information related to applicable tariffs, business companies' expenses on oil & gas transportation, income received by operators of oil and gas transportation systems and other payments related to transportation in 2017 may be found in **Section 5.2.5** of this Report.

6.4.5.2 Performance of prospecting, exploration, pilot works and rendering geological exploration services

Extractive companies need to receive certain services related to exploration and development of minerals. For example, the extension of the license for geological exploration, geological exploration with pilot commercial development and extraction of minerals is only possible if there is a positive report of a state expert review of the reports on geological exploration of the subsoil, as well as other geological materials⁴³⁰.

Such services are provided, among others, by specialized state geological enterprises, institutions and organizations within the scope of management of the Geology Service. Such enterprises include, among others, the state geological enterprise "Heoekspertyza"⁴³¹ and the state geophysical enterprise "Ukrheofizyka".⁴³² The list of such enterprises is published on the official site of the Geology Service⁴³³.

These state owned enterprises can also provide other services, for example:

- ▶ The State Geological Enterprise "Heoekspertyza" provides services on assessment (determination) of the value of geological information, expert opinion on geological materials, design documents, and cost estimates, etc.⁴³⁴;
- ▶ The State Research and Production Enterprise "Geoinform of Ukraine" (Geoinform of Ukraine SRPE) provides services on preparation of certificates on the conditions of the mineral resource base of the region, preparation of a package of geological documents for

⁴²⁶ NEURC Resolution No. 2362 dated 23 December 2016, available at: <http://zakon.rada.gov.ua/laws/show/v2362874-16>

⁴²⁷ NEURC Resolution No.3158 dated 29 December 2015, available at: <http://zakon.rada.gov.ua/rada/show/v3158874-15/>

⁴²⁸ NEURC Resolution No.3159 dated 29 December 2015, available at: <http://www.nerc.gov.ua/?id=18636>. This Resolution was discontinued by the NEURC Resolution No. 395 dated 28 March 2017 (available at: <http://zakon.rada.gov.ua/rada/show/v0395874-17>). However, the latter was cancelled by the NEURC Resolution No. 494 dated 10 April 2017 (available at: <http://zakon.rada.gov.ua/rada/show/v0494874-17>). Hence, it may be concluded that Resolution No. 3159 was then back into force, but got cancelled by NEURC Resolution No. 2001 dated 21 December 2018 "On establishment of temporary tariffs for Ukrtransgaz JSC for natural gas transportation services for entry and exit points for the first year of the second regulatory period, and termination of certain NEURC resolutions", available at: <https://zakon.rada.gov.ua/rada/show/v2001874-18>

⁴²⁹ Official website of Ukrtransgaz JSC, available at: <http://utg.ua/utg/customers/contracts.html>

⁴³⁰ Paragraph 27 of the Procedure for granting licenses.

⁴³¹ Available at: <http://gxp.com.ua/uk/експертиза-геологічних-матеріалів/>

⁴³² Available at: <http://www.ukrgeofizika.kiev.ua/uk/visnovki2.html>

⁴³³ Available at: <http://www.geo.gov.ua/state-geological-enterprises/>

⁴³⁴ Available at: <http://gxp.com.ua/uk/>

obtaining licenses, expert examination of geological materials based on the results of additional exploration and revaluation, processing of stock geological materials, etc. performed by geological enterprises⁴³⁵;

- ▶ The State Geophysical Company “Ukrgeofizika” is the main provider of geophysical services in Ukraine, including seismic and geophysical research and works in wells, seismic information processing and interpretation, ore and engineering geophysics, etc.⁴³⁶;
- ▶ State Enterprise “Ukrainian State Geological Prospecting Institute” provides services to determine the starting sale price for licenses at an auction, the amount of fee for extending a license, etc.⁴³⁷

Summary:

- ▶ For the purposes of this Report, the state-owned enterprises (SOEs) in accordance with Requirement 2.6 of the EITI Standard were considered enterprises in which the state directly or indirectly holds more than 50% of the shares.
- ▶ The principal payments made by extractive enterprises with a state share to the state budget, except for taxes, are the dividends and distribution of the share of net profit. Current legislation contains uncertainty as to the obligation of certain enterprises that are indirectly controlled by the state to pay dividends directly to the State Budget.
- ▶ The state may provide government support to state-owned enterprises in accordance with the approved financing programs. In addition, the state may provide state guarantees for debt obligations of state-owned enterprises, provide funds to increase their charter capital, etc.
- ▶ The mechanism of subventions to local budgets for settlements with certain enterprises of the extractive industries is a separate form of financial relations between the state and certain state-owned enterprises. Once granted, these subventions are credited to the treasury accounts of such enterprises for the purposes of paying individual taxes and fees. Starting from 2018, subsidy mechanism is being reformed to ensure monetisation of subsidies.
- ▶ Enterprises of the extractive industry with state participation receive payments for rendered services and performed work in the same way as private extractive enterprises. Significant payment flows to entities indirectly owned by the state are from the charges for transportation of oil and natural gas by the trunk and transboundary pipelines of Ukraine. The state regulates the provision of such services separately, including the price policy of such enterprises.
- ▶ The state may impose special obligations on certain enterprises with direct or indirect state participation (for example, with regard to sale of gas by Ukgazvydobuvannya JSC to Naftogaz of Ukraine NJSC for the households’ needs, or sale of mined products by certain state-owned enterprises exclusively on stock exchange auctions, etc.).

⁴³⁵ Available at: <http://geoinf.kiev.ua/>

⁴³⁶ Available at: <http://ukrgeofizika.com.ua/>

⁴³⁷ Available at: <http://ukrdgri.gov.ua/uk/>

6.5 Fiscal regime for extractive industries



Overview of taxes payable by extractive companies

In 2017, the major taxes for companies operating in extractive industries were VAT, CIT, and production royalty. In addition, the companies operating in extractive industries were subject to certain taxes and other mandatory payments⁴³⁸ that are not industry-specific. The companies that operate the trunk pipeline facilities and provide (arrange for) transportation services through such pipelines also pay the transportation royalty (except transportation of natural gas).

Below is the general information about the taxes, levies, and fees paid by the companies of extractive industries and the distribution of taxes paid between budgets at different levels. Unless otherwise is explicitly specified below, this section describes the tax rules effective as of 31 December 2017. Information on actual receipts of significant payments, which is determined by the MSG in accordance with the requirements of the EITI standard and paid by companies of the extractive industries in 2017, is provided in **Section 7.2.2.** and **Annex 10** of this Report.



Corporate income tax

In 2017, CIT was paid at 18%.

In 2017, the amount of profit subject to CIT for the majority of companies of the extractive industries was determined by adjusting the financial result before tax (profit or loss), stated in the company's financial statements prepared under the national accounting standards or the IFRS, by a number of differences determined under the rules of the Tax Code⁴³⁹.

The Tax Code does not establish any special rules for determining taxable profits for the companies of the extractive industries and persons engaged in activities in extractive industries on the basis of JAA.

CIT for PSA was calculated under special rules. The amount of taxable profit under a production sharing agreement ("PSA") was calculated based on the value of profit production less the amount of USC and the expenses that are not compensated (not subject to compensation) by the cost recovery production. Other income of the investor is not subject to CIT. The corporate income tax on other activities that are not related to PSA was to be paid by the investor in accordance with the general rules.⁴⁴⁰

⁴³⁸ Such as: non-production royalties, duties, excise tax, land tax, real estate tax other than land, environmental tax, royalties for special water use, PIT, military levy and USC

⁴³⁹ Para 134.1.1. of the Tax Code

⁴⁴⁰ Section XVIII of the Tax Code

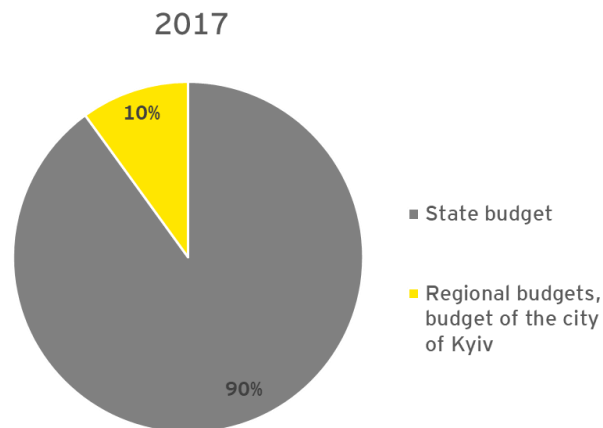


Figure 6-5: Allocation of CIT (paid by private enterprises) between the budgets of various levels (general Budget Code rule)⁴⁴¹, 2017

The Budget Code envisaged, that 90% of the corporate income tax paid by the **private enterprises** and 100% of the corporate income tax paid by the **state-owned enterprises** to be transferred to the General Fund of the State Budget of Ukraine⁴⁴².



Royalty payments related to extractive activities

In 2017, a national tax - "rental fee" - was in effect. The tax includes production royalty, non-production royalty, transportation royalty, as well as the other fees for special use of water and forest resources.



Production royalty

In 2017, the extractive industry companies, owners of the licenses⁴⁴³, paid production royalty.

The object of taxation was the volume of commodity products of the companies of the extractive industries - the extracted minerals (mineral raw materials) (hereinafter - "minerals") in the corresponding tax period, recognized in accordance with the standard adopted by the sector regulations. **The taxable base** was the value of the volume of minerals extracted in the tax period.

In order to calculate the tax liability, the taxpayer had to determine the following essential details for the relevant tax period: the amount of minerals extracted, its value, the tax rate and the adjusting factor (see the figure below).

⁴⁴¹ The Budget Code also sets special rules for CIT and other taxes allocation between the Autonomous Republic of Crimea and city of Sevastopol. Since due to aggressor state's occupation of Crimea these special rules were in fact not working in 2016, we do not cover these in the Report.

⁴⁴² Para 29.2 of the Budget Code

⁴⁴³ Para 252.1. of the Tax Code

The tax rate and the adjusting factor for the respective type of minerals were set by the provisions of the Tax Code.⁴⁴⁴



Figure 6-6: Calculation of the production royalty, 2017

The specifics of calculating the production royalty for hydrocarbons (oil, natural gas, gas condensate, etc.) and for the other minerals covered by this Report are the following.



Hydrocarbon minerals

The tax base for production royalty on hydrocarbon production is the value of the commercial products, i.e. the hydrocarbons produced in the reporting period (with certain exceptions) calculated according to the special rules⁴⁴⁵:

- ▶ **For natural gas:** The Ministry of Economic Development and Trade of Ukraine (hereinafter - “the Ministry of Economy”) calculated the average customs value of imported natural gas in the course of its import customs clearance for the tax period (the given value was published by the Ministry of Economy on its official website)⁴⁴⁶;
- ▶ **For natural gas** that is sold to the Naftogaz of Ukraine NJSC for the purposes of creating reserves of natural gas to be used for the needs of the households: the value was determined as the price specified in the contracts for the sale and purchase of natural gas between the production royalty payer and Naftogaz of Ukraine NJSC in the reporting period;
- ▶ **For oil and condensate:** the Ministry of Economy calculated the average price of a barrel of Urals oil determined according to information from an international agency (UralsMediterranean and UralsRotterdam quotations), converted into UAH per tonne (at the NBU rate as of the 1st day of the month following the end of the tax (reporting) period (the given value was published by the Ministry of Economy on its official website)⁴⁴⁷.
 - ▶ The rates of production royalty were set by the Tax Code.⁴⁴⁸

The rates of production royalty under a PSA were specified in the PSA. However, they could not be lower than the rates set by Section IX of the Tax Code at the time of signing the PSA. In 2017, the Tax Code did not provide for special royalty rates for the PSA purposes (such rates were introduced only in 2018)⁴⁴⁹. The parties to the PSA should determine in the agreement

⁴⁴⁴ Section IX of the Tax Code

⁴⁴⁵ Para 252.8. of the Tax Code

⁴⁴⁶ Para 252.8. of the Tax Code

⁴⁴⁷ Para 252.8. of the Tax Code

⁴⁴⁸ Para 252.20 of the Tax Code

⁴⁴⁹ The Law of Ukraine “On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Balancing Budget Revenues in 2018” No. 2245-VIII dated 7 December 2017, available at: <http://zakon2.rada.gov.ua/laws/show/2245-19/paran346#n346>.

the terms and conditions and the procedure for calculation and payment of production royalty, which may differ from the common procedure.

Table 6.1: The rates of the production royalty for hydrocarbons in 2017

Object of taxation	Rate
Oil	
extracted from deposits located at depths of under 5,000 m	29%
extracted from deposits located at depths of over 5,000 m	24%
Condensate	
extracted from deposits located at depths of under 5,000 m	45%
extracted from deposits located at depths of over 5,000 m	21%
Natural gas (of any origin)	
extracted from deposits located at depths of under 5,000 m	29%
extracted from deposits located at depths of over 5,000 m	14%
extracted from deposits in subsoil fields located within the continental shelf and/or the exclusive (maritime) economic zone of Ukraine	11%
extracted from deposits located at depths of under 5,000 meters, sold for households' needs	29%
extracted from deposits located at depths of over 5,000 meters, sold for households' needs	14%
produced under JAA	70%

Compared to 2016 rates, in 2017 royalty rates for extracting oil decreased (rates of 29% for the deposits at depths of down to 5,000m and 21% for the deposits at depths of more than 5,000 m have been changed to 29% and 14% respectively). Also, since 2017, the royalty rate for natural gas extraction has been fixed for deposits down to 5,000 m deep and sold for the needs of the population, at the level of 29%.

From January 1, 2018, a stimulating royalty rate for extracting natural gas, produced from new wells in the amount of 6% of the deposits that are fully or partially located at depths down to 5000 meters, and 12% of the deposits that are fully or partially located at a depth of more than 5000 meters. In 2019, royalty rates for extracting oil were standardized.⁴⁵⁰

When calculating a production royalty, adjusting coefficients (0.01 to 0.97) should apply depending on the type of the mineral and the extraction conditions⁴⁵¹.

⁴⁵⁰ Paragraph 50 of the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine on Improving the Administration and Revision of Rates of Individual Taxes and Charges" of 23 November 2018 No. 2628-VIII, available at: <https://zakon.rada.gov.ua/laws/show/2628-19/>

⁴⁵¹ Para 252.22 of the Tax Code

In 2017, the production royalty for extracting hydrocarbons were transferred to the general fund of the state budget in full⁴⁵².

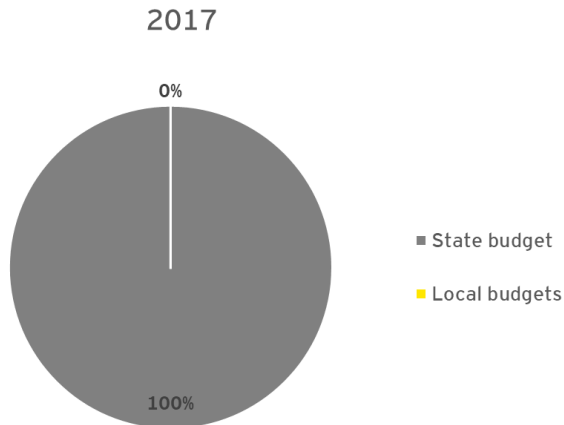


Figure 6-7: Allocation of production royalty for hydrocarbons between the budgets of various levels under the Budget Code, 2017

Starting from 1 January 2018, 5% of the production royalty for hydrocarbon will be allocated to the general funds of the local budgets (95% of this tax will remain allocated to the state budget).



Other minerals except for hydrocarbon

The value of minerals other than hydrocarbons was calculated at the higher of the two values: at actual selling prices or at the estimated cost of the mineral.

Determination of the actual selling price of the mineral⁴⁵³:

- ▶ As a general rule, the amount of income from the sale of minerals for the tax period was reduced by the amount of the costs determined according to the exhaustive list of expenses stipulated in the Tax Code.⁴⁵⁴ In 2017, the costs included the cost of delivering products to the consumer and the cost of pre-sale preparation of goods.⁴⁵⁵
- ▶ The unit cost of a certain type of extracted mineral was calculated as the ratio of the amount of income from the sale of the extracted mineral (minus the cost) and the volume (amount) of the corresponding type of sold mineral, which is determined according to the accounting records of finished product stocks of such payer⁴⁵⁶.

⁴⁵² Para 29.2 of the Budget Code

⁴⁵³ Para 252.8 of the Tax Code

⁴⁵⁴ Para 252.8 of the Tax Code

⁴⁵⁵ Para 108.3 of the Law "On Amendments to the Tax Code of Ukraine on Improving the Investment Climate in Ukraine" of 15 April 2017 No. 1797, available at: <https://zakon.rada.gov.ua/laws/show/1797-19>

⁴⁵⁶ Para 252.10 of the Tax Code

$$\text{Value} = \frac{\text{Income from sales of the mineral} - \text{Expenses (according to the provisions of the Tax Code)}}{\text{Volume (amount) of extracted mineral}}$$

Figure 6-8: The formula for determining the actual value of mineral sales

In 2017, the provisions establishing a special procedure for determining the actual selling price for ferrous, non-ferrous and alloy ores, uranium ores, were excluded from the Tax Code.⁴⁵⁷

Determining the value of the mineral at the estimated cost⁴⁵⁸:

- ▶ The estimated cost of the unit of the relevant type of the commercial products should be determined using the formula specified in the Tax Code which takes into account the payer's costs related to production of the relevant type of minerals⁴⁵⁹, the profitability indicator of the mining company, and the amount of the minerals produced in the reporting period. The profitability indicator of the mining company is calculated in the documents of Geological and Economic Assessment of the mineral resources of the subsoil section, approved by the Geology Service.

$$\text{Value} = \frac{\text{Expenses (according to the provisions of the Tax Code)} + \left[\text{Expenses (according to the provisions of the Tax Code)} \times \text{Profitability ratio} \right]}{\text{Volume (amount) of extracted mineral}}$$

Figure 6-9: The formula for determining the estimated cost of minerals

- ▶ If primary mineral processing results in new products, mining companies determined the amount of the royalty for each new product taking into consideration the tax liabilities for the amount of the relevant type of the extracted mineral that was used for creating new products, net of the tax liabilities that arise from previous operations with this type of minerals.
- ▶ If the extracted minerals have not been sold or if the extracted minerals, in order to bring them into civil circulation, are subject to some technological operations, which are not part of the primary processing, the taxable base was determined at the estimated cost.
- ▶ Government subsidies provided to the taxpayer were disregarded when determining the value of the extracted minerals.

⁴⁵⁷ Law of Ukraine "On Amendments to the Tax Code of Ukraine on Improving the Investment Climate in Ukraine" of 21 December 2016 No. 1797, available at: <http://zakon.rada.gov.ua/laws/show/1797-19>

⁴⁵⁸ Paragraph 252.16 of the Tax Code

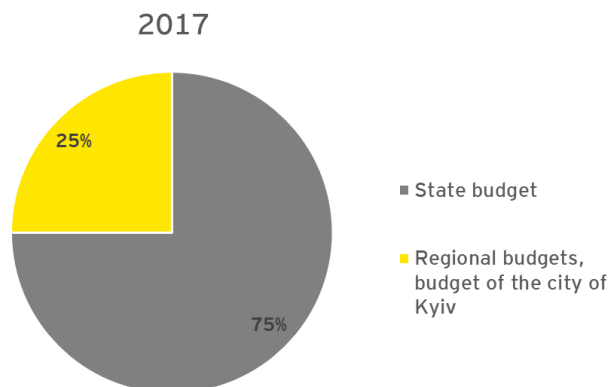
⁴⁵⁹ Calculated in accordance with para 252.2.1.-252.1.15 of the Tax Code (in UAH)

Table 6.2: Rates of production royalty for minerals other than hydrocarbons in 2017

Object of taxation	Rate
Ore minerals (metal-containing (metal) minerals, including ores)	
ferrous (other than iron ore), colored and alloying metals, uraniferous, and other than uraniferous ores of ferrous, colored and alloying metals	5 %
iron ore	8 %
Energy minerals	
coking coal	1.5 %
energy coal	0.75 %
anthracite	1 %
brown	1 %
Non-energy, non-ore (non-metal-containing (non-metal) minerals, including quartz sand, fire clay, high-melting clay, limestone, granite, gneiss and others)	5 %

When calculating production royalty payments, adjusting coefficients apply depending on the type of material and conditions of extraction.

Royalties for extracting minerals of the national importance were distributed between the budgets as follows⁴⁶⁰:


Figure 6-10: Allocation of production royalty for non-hydrocarbon minerals of national importance between the budgets of various levels, 2017

Royalty for the extraction of minerals of local importance was paid to the local budgets in full.

Non-production royalty

Companies that use the subsoil for storage of oil, gas, liquid or gaseous petroleum products were required to pay non-production royalty for underground space at the following rates⁴⁶¹:

- ▶ Storage of natural gas - UAH 0.42 for tcm of active space (in 2016 - UAH 0.38 for tcm of active space);

⁴⁶⁰ Paragraph 29.2.5 of the Budget Code

⁴⁶¹ Section IX of the Tax Code

- ▶ Storage of oil and other liquid petroleum products - UAH 0.42 for cm (in 2016 - UAH 0.38 for tcm of active space).
 - ▶ From 2018, non-production royalty, namely for the storage of natural gas and gaseous products, oil and other liquid petroleum products, increased by 16.7% (from 0.42 to 0.49).⁴⁶²
 - ▶ The amounts of non-production royalty were **fully transferred to the local government budget.**⁴⁶³

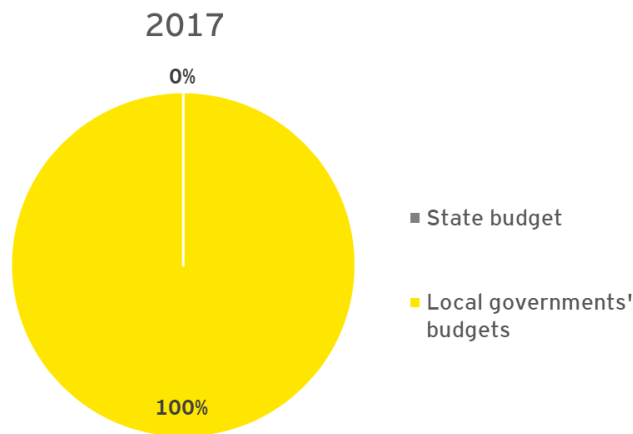


Figure 6-11: Allocation of non-production royalty between the budgets of various levels under the Budget Code

Royalty for transportation of petroleum and petroleum products through trunk pipeline facilities and oil-product pipelines in the territory of Ukraine, pipeline transit of ammonia through the territory of Ukraine

The **object** of taxation with royalty for transportation of petroleum and petroleum products was the actual volume of petroleum and petroleum products transmitted through the territory of Ukraine during the tax period.⁴⁶⁴

The companies that operate the trunk pipeline facilities and provide (arrange for) cargo transportation services through such pipelines should pay the transportation royalty at the following rates⁴⁶⁵:

Object of taxation	Rate in 2017
Transportation of 1 ton of petroleum or petroleum products	USD 0.56
Transit transportation of 1 ton of petroleum or petroleum products for 100 km	USD 2.4

⁴⁶² Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Ensuring Balance of Budget Revenues in 2018" No. 2245-VIII of 07 December 2017, available at <https://zakon.rada.gov.ua/laws/show/2245-19/ed20190101>

⁴⁶³ Para 69.1.3 of the Budget Code

⁴⁶⁴ Para 256-1.2 of the Tax Code

⁴⁶⁵ Para 256-1.3 of the Tax Code

- ▶ In the case of change in tariffs, an adjusting coefficient should apply to the rates of royalty, except for the royalty rate for ammonia transit and oil transportation through main pipelines for consumers in Ukraine.

The royalty for transportation of petroleum and petroleum products through the trunk pipeline facilities and oil-product pipelines in 2017 were **fully transferred to the general fund of the state budget**⁴⁶⁶.

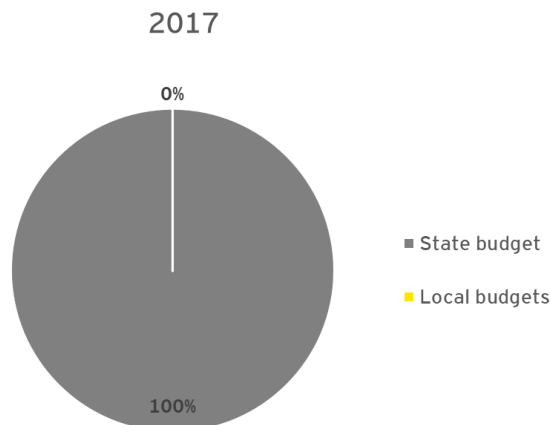


Figure 6-12: Allocation of transportation royalty between the budgets of various levels under the Budget Code



VAT

Supplies, import and export of goods, and supply of services in the customs territory of Ukraine are subject to VAT⁴⁶⁷.

- ▶ VAT for the companies operating in extractive industries **is charged at rates of 20% and 0%**, and some transactions are not subject to VAT.

Imports of other products of extractive industries are taxed at rate 20% VAT on general terms. Export of such products was subject to 0% VAT rate. Starting 2017, VAT exemption for natural gas imports for Naftogaz of Ukraine NJSC has been abolished.⁴⁶⁸

Temporarily, until 2019, the supply of coal and/or coal refining products - commodity items 2701, 2702, 2703 00 00 00, 2704 00 in accordance with Ukrainian Classification of Goods for Foreign Economic Activities⁴⁶⁹ is VAT exempt. At the same time, the taxpayer may refuse to use the this benefit or suspend its use for one or more reporting periods by filing an application.

The negative difference between the VAT payable and VAT receivable was refunded to a taxpayer. As the Ukrainian ore mining industry is majorly export-oriented (unlike the oil and gas industry), ore mining companies are often having considerable VAT refund amounts.

⁴⁶⁶ Para 29.1.12 of the Budget Code

⁴⁶⁷ Section V of the Tax Code

⁴⁶⁸ Para 89.3 of the Law of Ukraine "On Amendments to the Tax Code of Ukraine on Improving the Investment Climate in Ukraine" of 21 December 2016 No. 1797, available at: <https://zakon.rada.gov.ua/laws/show/1797-19>

⁴⁶⁹ Para 45, subsection 2 of section XX of the Tax Code

There are a number of VAT exemptions for the PSAs: imports of goods and services for the purposes of PSA and for the import of minerals produced in the exclusive (maritime) economic zone of Ukraine. For multilateral PSAs, there was a special tax credit recognition by the PSA operator and individual investors under the PSA.

In 2017, an electronic VAT administration system was in place. The system provides for the setting up of special VAT accounts to keep track of the VAT amounts, the Unified Tax Invoices Registry, drafting and registration of VAT invoices in electronic form, filing VAT statements electronically by all taxpayers etc.

- ▶ In 2017, VAT was paid to the General Fund of the State Budget in full⁴⁷⁰.

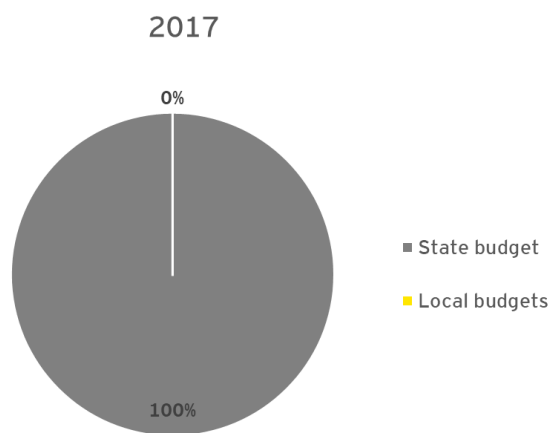


Figure 6-13: Allocation of VAT between the budgets of various levels under the Budget Code



Customs duty

Customs duty is charged for imports and exports of certain goods from / into the territory of Ukraine⁴⁷¹.

Imports of gas, oil, condensate, coal, and manganese ores were not subject to import duty. Import duty at the rate of 1-2% was levied on imports of titanium ore.⁴⁷² Import duty rates for imports from the EU were reduced to 0%, including the import duty rate for titanium ores (Ilmenite and others).⁴⁷³

Exports of natural gas in gaseous or liquefied state, except for exports to member states of the Energy Community, were subject to export duty at the rate of 35% of the customs value, but not below UAH 400 per one tcm / tonne.⁴⁷⁴ Export duty also applies to waste and scrap of

⁴⁷⁰ Para 29.2.6 of the Budget Code

⁴⁷¹ Chapter IX the Customs Code, available at: <http://zakon.rada.gov.ua/laws/show/4495-17>

⁴⁷² Law of Ukraine "On the Customs Tariff of Ukraine" No. 584-VII dated 19 September 2013 (Groups 01-72), available at: <http://zakon.rada.gov.ua/go/584%D0%B0-18>.

⁴⁷³ See, in particular, the official Ministry of Economy's notification on import duty rates in 2017 <http://www.me.gov.ua/Files/GetFile?lang=uk-UA&fileId=bd22cc49-c9ba-4fe7-b8ac-266bb9fa71cb>

⁴⁷⁴ Law of Ukraine dated 3 June 2008 No. 309-VI "On Amendments to Certain Legislative Acts of Ukraine", available at: <http://zakon.rada.gov.ua/laws/show/309-17>.

ferrous and non-ferrous metals (including titanium) at 15%⁴⁷⁵. Exports of oil and other products of the extractive industries are not charged with export duty.

For the PSA, there was a number of exemptions from import and export duties⁴⁷⁶.

In 2017, the import and export duties was paid to the general fund of the state budget in full.⁴⁷⁷

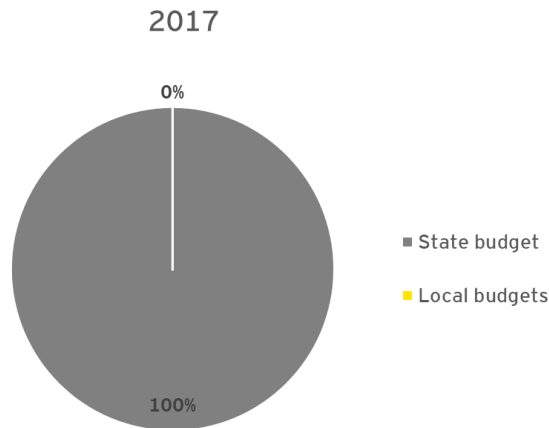


Figure 6-14: Allocation of customs duties between the budgets of various levels under the Budget Code

 **Excise tax**

Excise tax⁴⁷⁸ is an indirect tax levied on the imports and sale in Ukraine of imported and domestically produced excisable goods.

The excise tax did not apply to the sale of crude oil and gas. Imports and sale of liquefied locally produced natural gas is subject to excise duty at the rate of EUR 3.67 per 1000 liters. Imports and sale of petroleum products were subject to excise duty at rates depending on the type of petroleum products and the volume of import/sale.⁴⁷⁹

As of 01 January 2017, the System for electronic administration of the sale of fuel (including petroleum products and liquefied gas) and the Single register of excise bills were in place, designed to increase transparency in the supply chain and reduce the volume of shadow circulation of fuel.⁴⁸⁰

The excise tax on the above transactions was paid in full to the **general fund of the state budget**.⁴⁸¹

⁴⁷⁵ Law of Ukraine "On the rates of export duties on scrap of alloyed ferrous metals, scrap non-ferrous metals and semi-finished products with their use" dated 13 December 2006, No. 441-V, available at: <http://zakon.rada.gov.ua/laws/show/441-16>.

⁴⁷⁶ Chapter XVIII the Tax Code

⁴⁷⁷ Para 29.2.9 and 29.2.10 of the Budget Code

⁴⁷⁸ Section VI of the Tax Code

⁴⁷⁹ Para 215.3.4 of the Tax Code

⁴⁸⁰ Para 231-232 of the Tax Code

⁴⁸¹ Para 29.2.7 of the Budget Code

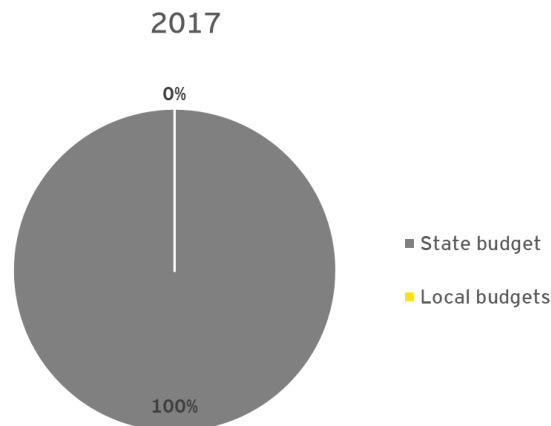


Figure 6-15: Allocation of excise tax between the budgets of various levels under the Budget Code



Land fee

The land fee⁴⁸² (as a component of the property tax, which is a local tax) is charged in the forms of land tax and land rent fee for state- and municipally-owned land plots. Extractive companies should pay the land fee on general grounds.

The taxable base is regulatory monetary valuation of land plots, adjusted for indexation coefficient or the area of land plots (if no valuation carried out). The amount of land use fee depended on several factors, including location, functionality, and availability of the regulatory monetary valuation of the land.

In 2017, the marginal land tax rate and the maximum amount of the land rent fee varied depending on above features of the land plot, but have not changed compared to 2016.

In 2017, land fee was paid in full to the local budgets (local government budgets).⁴⁸³

Since 2018, land fee for the land plots provided to mining companies for the extraction of mineral resources and the development of mineral deposits, have been paid at the rate of 25% of the tax calculated under the rules of the Tax Code.⁴⁸⁴



Property tax on property other than land

This tax is a component of the property tax, charged by the owners of residential and non-residential real estate and calculated based on the area of each particular item of real estate⁴⁸⁵. The object of taxation - the residential and non-residential real estate facility. The taxable base was the total area of a facility, including its parts. Industrial buildings, in particular, industrial facilities, manufacturing departments, warehouses of industrial companies, are not subject to this tax.

⁴⁸² Section XII of the Tax Code

⁴⁸³ Para 64.1.19 of the Budget Code

⁴⁸⁴ Para 50 of the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Certain Legislative Acts of Ukraine on Balancing Budget Revenues in 2018" of 07 December 2017 No. 2245-VIII, available at: <https://zakon.rada.gov.ua/laws/show/2245-19>

⁴⁸⁵ Section XII of the Tax Code of Ukraine

In 2017, the tax rates were reduced. In previous years, the rate had to be no more than 3% of the minimum wage per square meter, in 2017 it had to be no more than 1.5% of the minimum wage per square meter.⁴⁸⁶ Local governments have the authorities to ease the tax.

In 2017, the tax came to the local budgets (local government budgets) in full.⁴⁸⁷

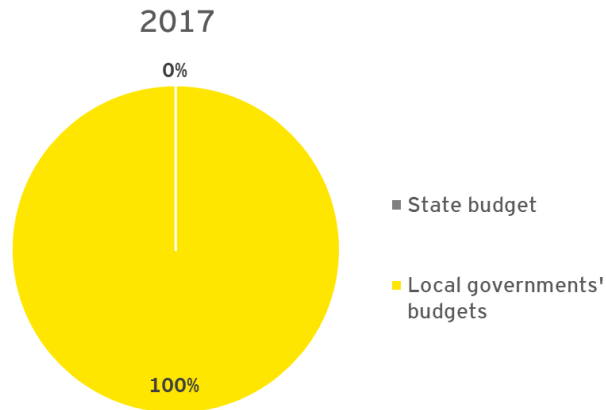


Figure 6-16: Allocation of land fee and property tax on property other than land between budgets of different levels under the Budget Code

 **Environmental tax**

The companies engaged in the emission of pollutants into the air, discharges of pollutants into water bodies or disposal of waste (with some exceptions) should pay the environmental tax⁴⁸⁸. The environmental tax rates depend on the type of the source and object of pollution, the type and concentration of waste etc. In 2017, the rates of environmental tax were increased at 12% comparing to the previous year.

The object and base of taxation were volumes and types of pollutants. Under the Tax Code, the tax rate for disposal of waste falling under the definition of “moderately hazardous non-toxic waste from the mining industry” was significantly lower than the rate applicable to the remaining moderately hazardous waste included in group IV. In 2017, the tax rate for mining waste amounted to UAH 0.44 per tonne, while the rest of the taxpayers had to apply the rate of UAH 4.50 per tonne.⁴⁸⁹ For comparison, in 2016 these rates were at level UAH 0.39 per tonne and UAH 4.02 respectively. Hence, the environmental tax for disposal of moderately hazardous industrial waste was ten times lower for mining companies as compared to companies operating in other industries.

In 2019, the carbon tax rate was raised to UAH 10.00 per tonne (for comparison, in 2017 the rate was only UAH 0.37 per tonne, and in 2018 - UAH 0.41 per tonne). At the same time, the environmental tax is not charged for the volumes of emission not exceeding 500 tonnes per year.⁴⁹⁰

⁴⁸⁶ Para 266.5.1 of the Tax Code

⁴⁸⁷ Para 64.1.19 of the Budget Code

⁴⁸⁸ Section VIII of the Tax Code

⁴⁸⁹ Para 246.2 Article 246 of the Tax Code

⁴⁹⁰ Para 48 of the Law of Ukraine "On Amendments to the Tax Code of Ukraine and Some Other Legislative Acts of Ukraine on Improving the Administration and Revision of Rates of Individual Taxes and Duties" of 23 November 2018 No. 2628-VIII, available at: <https://zakon.rada.gov.ua/laws/show/2628-19/>

According to the provisions of the Budget Code, as a general rule, 20% of the environmental tax paid was transferred to the state budget, and the rest 80% was distributed between local budgets of different levels.⁴⁹¹

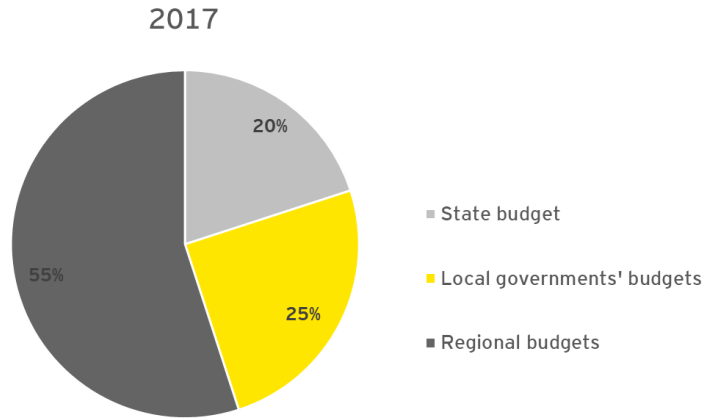


Figure 6-17: Allocation of environmental tax between the budgets of various levels (general rule), 2017



Special water use levy

In 2017, this type of the fee⁴⁹² was charged on the actual amount of water used by water users and the volume of water losses in their water supply systems. The rates were set in a detailed list depending on a number of factors (region, intended use of water, etc.). In 2017, the rates increased by approximately 10%, as compared to 2016.

At the general rule, the special water use levy was evenly distributed between the state budget and local budgets.⁴⁹³

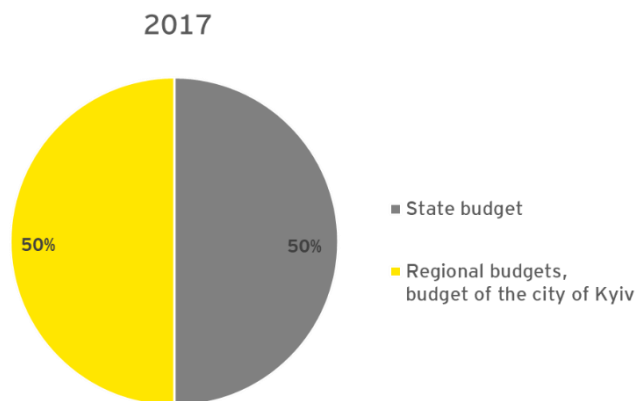


Figure 6-18: Allocation of special water use levy (rent fee) between the budgets of various levels (general Budget Code rule)⁴⁹⁴, 2017

⁴⁹¹ Para 29.2.16-1 and 69-1.1.4-1 of the Budget Code

⁴⁹² Section IX of the Tax Code

⁴⁹³ Para 29.2.4 of the Budget Code

⁴⁹⁴ The exception is the special water use levy for water from water bodies of local importance, which is fully allocated to local budgets.



Personal income tax

The object and the taxable base were the total (monthly) income of individuals. Personal income tax⁴⁹⁵ is a tax levied on income at 18%. Mining companies should accrue, withdraw and pay income tax on wages and other compensation payments to their employees on general grounds.

According to the Budget Code, 25% of the PIT paid was transferred to the state budget; the other 75% was distributed between local budgets at different levels.⁴⁹⁶

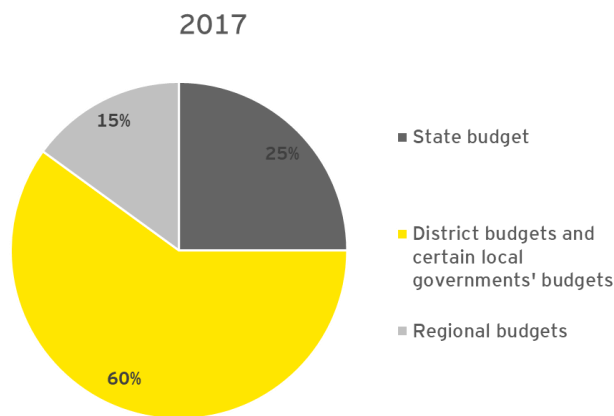


Figure 6-19: Allocation of PIT between budgets of various levels (general Budget Code rule)⁴⁹⁷, 2017



Military levy

In 2017, a military levy⁴⁹⁸ introduced in 2014 continued was charged on personal income at a rate of 1.5%. Companies operating in extractive industries acted as tax agent for such a tax.

Military levy paid was transferred **to the general fund of the state budget in full.**

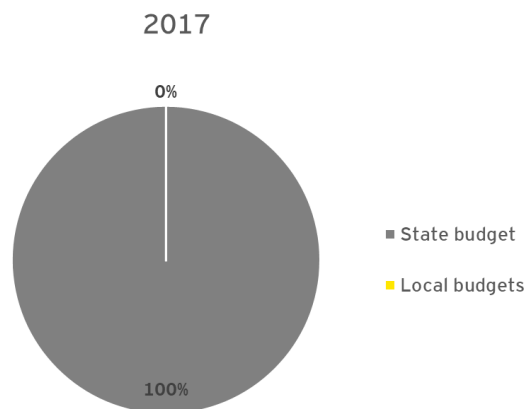


Figure 6-20: Allocation of military levy between the budgets of various levels

⁴⁹⁵ Section IV of the Tax Code

⁴⁹⁶ Paragraph 29.2.1 of the Budget Code

⁴⁹⁷ There were also special rules for PIT allocation. For example, PIT paid at the city of Kyiv was allocated at the proportion of 40/60 in 2017.

⁴⁹⁸ Subsection 10, Section XX of the Tax Code


Unified social contribution

The unified social contribution (hereinafter the "USC") was calculated based on the following specifics:

- ▶ Unified rate for the calculation of USC by the employer was 22% of the tax base, except for the special rates for disabled persons, which remained at the 2014 level (8.41%, 5.3%, and 5.5%);
- ▶ The maximum amount of monthly income from which the USC is paid is fixed at the level of 25 subsistence minimums established by the law for able-bodied persons (i.e., UAH 38,600 from 1 January to 30 April 2017; UAH 40,600 from 1 May to 30 November 2017; UAH 42,500 from 1 December 2017⁴⁹⁹)⁵⁰⁰.

The funds paid as USCs and the financial sanctions related to late payment/failures to pay USC are not transferred to the state budget of Ukraine or any other government budgets of other levels and cannot be used for the purposes not specified in the legislation on compulsory state social insurance.⁵⁰¹

The USCs paid shall be distributed by types of compulsory state social insurance in proportions approved by the CMU and agreed with the parties of the social dialogue.⁵⁰²

In 2017, USC paid were distributed in three directions (with some exceptions provided for by the relevant Resolution of the CMU),⁵⁰³ as shown in the figure below.

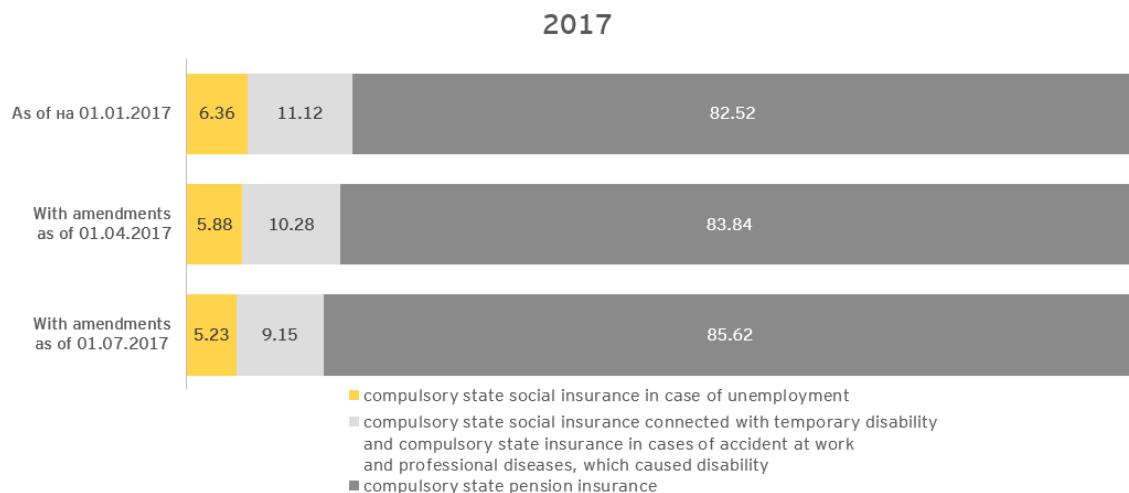


Figure 6-21: Allocation of paid USC for the relevant directions

⁴⁹⁹ Article 7 of the Law of Ukraine "On State Budget for 2017" dated 21 December 2016 No. 1801-VIII. Available at: <https://zakon.rada.gov.ua/laws/show/1801-19>

⁵⁰⁰ Para. 1.4. of the Law of Ukraine "On Collection and Accounting of the Single Contribution to Compulsory State Social Insurance" No. 2464-VI dated 08 July 2010 (as of 1 January 2017). Available at: <https://zakon.rada.gov.ua/laws/show/2464-17/>

⁵⁰¹ Article 8 of the Law of Ukraine "On Collection and Accounting of the Single Contribution to Compulsory State Social Insurance" No. 2464-VI of 8 July 2010, available at: <http://zakon.rada.gov.ua/laws/show/2464-17>

⁵⁰² Article 8 of the Law of Ukraine "On Collection and Accounting of the Single Contribution to Compulsory State Social Insurance" No. 2464-VI of 8 July 2010, available at: <http://zakon.rada.gov.ua/laws/show/2464-17>

⁵⁰³ Resolution of the CMU "On Approving the Proportion of Distributing a Single Contribution to Compulsory State Social Insurance" No. 675 of 26 November 2014, available at: <https://zakon.rada.gov.ua/laws/show/675-2014-n>

Fiscal regime of contracts in extractive industries

JAA and PSA are subject to registration as separate taxpayers. In addition the JAA or PSA participant responsible for calculating and paying taxes to the budget during the performance of the agreement shall be additionally registered as a taxpayer and keep records for JAA or PSA activities separately from other business operations of the company that is a party to the partnership contract or PSA. For the PSA, the law provides for special rules of taxation, including a number of benefits. Taxation of the JAA also has certain specifics, though without any benefits to JAA participants. For more information on JAA and PSA taxation, **see Section “6.6.4. The contracts in the extractive industries”**.

Other payments (bonuses)

There is no payment classified as “bonus” among the mandatory payments required by the Ukrainian legislation. A payment is charged for granting a license (for more details, **see Section “6.6.2. Procedure for granting licenses”**).

The PSA may contain provisions on the investor's obligation to pay a bonus, for example, for signing the PSA or the discovery of the deposit, but these provisions are commercial terms and in 2017 the law did not require their disclosure⁵⁰⁴.

Summary:

Extractive companies are subject to both general taxes and levies (e.g., CIT, VAT, USC) and industry-specific taxes (e.g., production royalties, royalties for transportation of petroleum and petroleum products).

In 2017, the rules for calculating taxes did not change significantly compared to 2016 (with the exception of the production royalty and few other taxes).

- In 2017, production royalty rates for natural gas were reduced (including production of gas sold for households' needs and gas extracted from the deposits located at depth of up to 5000m, to 29% (in 2016 the rate was 50%), and production royalty rates for oil to 29% from the deposits located at depth of up to 5,000m and to 14% for the deposits located at depth over 5,000m, compared to 45% and 21% in 2016, respectively.
- The special procedure for determining the actual selling price of ores has been abolished; and the list of costs that are recognized as pre-sale preparation costs in calculating the actual selling price for non-hydrocarbon minerals, has been expanded.

⁵⁰⁴ According to the Law of Ukraine “On Ensuring Transparency in Extractive Industries” dated November 16, 2018, No. 2545-VIII, companies will have to disclose information about all payments received, incl. bonuses, bonuses, in their Payments Report. The first mandatory reporting period is 2018.

- At the same time, in 2017, non-production royalty rates were also increased by 10%.
- The rental rates for special water use increased by 10%.
- The environmental tax rates increased by 12%.
- The maximum tax rate on real estate other than land was set at 1.5 minimum wages.
- In 2017, coal or certain coal refining products supply operations in the customs territory of Ukraine were temporarily exempt from VAT.

In 2017, most of the tax revenues were allocated to the State Budget. In 2017, the share of tax revenues allocated to local budgets did not change compared to 2016.

At the same time, starting 1 January 2018 5% of the revenues from production royalty for hydrocarbons are transferred to local budgets. This change is a positive move that can improve the financial position of relevant local budgets and improve the dialogue between mining companies and local communities in the long run.

In 2018 came into force amendments to the effective tax law, aimed at the introduction of a favorable tax regime, improving investment attractiveness and stimulating production.

- ▶ Starting 1 January 2018, an incentive rate has been introduced for the use of subsoil for natural gas extracted from new wells in the amount of 6% for deposits that are fully or partially located at depths down to 5,000m and 12% for deposits located at depths over 5000m. In addition, special royalty rates for PSAs of 2% for oil and condensate and 1.25% for natural gas were re-established.

At the end of 2017, the law was adopted, which established the land fee for the land provided to mining companies with the aim of extracting minerals and developing mineral deposits in amount of 25% of the tax calculated under the rules of the Tax Code starting from 2018.

6.6 Regulatory regime for extractive industries

6.6.1. Registry of licenses

The information about the licenses and their holders is available online at the Geoinform of Ukraine SRPE website: <http://geoinf.kiev.ua/specdozvoli/>.

The search engine allows searching valid, invalid and suspended licenses.

The information available includes information about the license holder, characteristics of the subsoil plot granted for use (its location, geographic coordinates, area, volume of minerals in place at the date of issuing the license, the degree of subsoil development, mineral approbation data), the license registration number, granting date, license validity term and expiry date, and type of minerals. The system also contains information about the grounds under which a license was granted, a type of subsoil use under the license, the designated purpose of subsoil use, license special conditions, reference details of the agreement for subsoil use, the source of financing and the amount of the fee paid for the license.

The website of Geoinform of Ukraine SRPE also allows a standalone access to the directory of license applications, at the following link: <http://geoinf.kiev.ua/zayavy-na-otrymannya-spedozvoliv-na-korystuvannya-nadramy/>. The information contained in the directory of applications includes the date of its receipt, name and EDRPOU code, and address of the applicant, type of subsoil use, minerals, name of the object applied for, the grounds and stage of application processing (including an indication of whether the license was received through or off the auction), as well as the number and date of issue of the relevant license (if granted).

On 24 October 2019, as part of integrating state cadastres, a new layer with information on issued subsoil licenses was added to the Public Cadastral Map, which may be accessed through the State Information Geological Fund of Ukraine SE at: <http://newmap.land.gov.ua>. Information on licenses may be also found on the website of the "Mineral Resources of Ukraine" project in the "Interactive maps of mineral deposits" section⁵⁰⁵.

As of the date of this Report, the registry of licenses contains information about 128 licenses issued during 2017, four of which are annulled, while the rest are valid.

6.6.2. Procedure for granting licenses

A person who wishes to carry out geological exploration of mineral resources or mining in the territory of Ukraine is required to obtain a license per each type of subsoil use within a particular block.

Licenses are granted for the following types of subsoil use:

- ▶ Geological exploration of mineral deposits;
- ▶ Geological exploration, including pilot production of minerals of national importance. This type of subsoil use enables users to extract a limited volume of minerals from the field to determine the commercial value of the field and calculate mineral reserves;

⁵⁰⁵ Available at: <http://minerals-ua.info/golovna/interaktivni-karti-rodovishh-korisnix-kopalin/>

- ▶ Geological exploration of oil and gas mineral resources, including pilot production and subsequent production of oil and gas (commercial development of deposits). This type of use of oil and gas allows a license holder to produce oil, gas, and associated useful components from the field after pilot production;
- ▶ Production of minerals (commercial development of deposits). In addition to actual production, this type of subsoil use allows the license holder to prospect and explore new occurrences of oil and gas within the block allotted to the user;
- ▶ Construction and operation of underground facilities not related to production of mineral resources, including underground storage facilities for oil, gas and other minerals / materials and facilities for disposal of hazardous substances, production waste, and sewage discharge;
- ▶ Creation of geological areas and facilities of high scientific, cultural, health, and/or recreational value (scientific grounds, geological reserves, wild life preserves, recreational facilities, etc.);
- ▶ Performance of works (activities) under a production sharing agreement⁵⁰⁶.

Licenses are usually awarded through an auction (bidding)⁵⁰⁷. However, the effective regulations also set certain cases when licenses can be obtained without an auction taking place. More detailed information about such cases is mentioned below.

The licenses are granted for different terms depending on the type of subsoil use. The periods for which the licenses may be granted are presented in the following table⁵⁰⁸:

Type of use	License period
Geological exploration of locally significant deposits of mineral resources	3 years
Geological exploration of mineral deposits and geological exploration (including experimental and industrial development) mineral deposits of national importance	5 years
Geological exploration of oil and gas subsoil, including exploratory and industrial development of oil and gas fields, within the continental shelf and exclusive (marine) economic zone of Ukraine	10 years
Extraction of minerals	20 years
Extraction of oil and gas within the continental shelf and exclusive (marine) economic zone of Ukraine	30 years

⁵⁰⁶ Para. 5 of the Procedure for granting licenses.

⁵⁰⁷ Para. 2 of the Procedure for granting licenses.

⁵⁰⁸ Prepared based on para. 7 of the Procedure for granting licenses.

Type of use	License period
Geological exploration of oil and gas subsoil, including exploratory and industrial development of fields, with further production of oil and gas (industrial development of fields):	
<ul style="list-style-type: none"> on land 	20 years
<ul style="list-style-type: none"> on the continental shelf and within the exclusive (marine) economic zone of Ukraine 	30 years
Construction and operation of underground facilities unrelated to extraction of minerals	20 years
Construction and operation of underground oil or gas storage facilities	50 years
Implementation of product sharing agreements	For the term of the agreement (up to 50 years)
Creation of geological territories and objects of significant scientific, cultural, sanitary and recreational value (scientific test sights, geological reserves, natural sanctuaries, objects of natural interest, health and recreational institutions, etc.) in terms of their geological exploration and preservation ⁵⁰⁹	Unlimited

In certain cases, the term of the licenses may be extended⁵¹⁰, but the extended license cannot exceed the terms set for the respective type of subsoil use.

Criteria for granting and reissuing licenses

One of the requirements for granting of licenses is the applicant's technical expertise, logistical and financial capabilities for subsoil use⁵¹¹.

However, for most cases, the Ukrainian legislation does not contain clear requirements to technical criteria to be used when a decision to grant the license is taken.

⁵⁰⁹ In addition to the above types of use of subsoil, the Procedure for granting licenses stipulates certain specifics of the validity of the license for geological exploration and oil and gas production.

⁵¹⁰ Para. 14 of the Procedure for granting licenses.

⁵¹¹ This principle is provided for in Article 12 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o122>. However, such principle is not directly provided for other minerals.

One of the documents the applicant must file to participate in the license auction is the reference-letter that proves the applicant has a sufficient number of qualified employees and technical resources to ensure implementation of the program of works⁵¹². Yet, the “sufficient number” of employees or resources is not defined in the law.

Financial criteria are actually limited to the obligation to pay the fee for granting a license.

The Procedure for granting licenses provides for a list of grounds for termination of the license and refusal to issue (reissue) or extend it⁵¹³.

While added in 2016, in 2017 the following grounds were removed from this list as a result of court disputes⁵¹⁴:

- ▶ Failure to comply with the program of works at the mineral block, for which the applicant had already received a license, or violation of the rules for subsoil use proven by the audit report, notification, or an order of the relevant state authority in the field of subsoil use, until remedied except when such report, notification, or an order is declared invalid or terminated under the court ruling;
- ▶ An outstanding debt of the applicant with regard to state taxes as of the last reporting period.

A license may contain special conditions for subsoil use, e.g., with regard to the type, volume or terms of works in the subsoil plot, rules and standards of using subsoil, quality of products of works, technology of development and processing of minerals. As of the end of 2017, such conditions were not publicly available. Typically, the special conditions reflect the requirements listed in the approval documents issued by executive bodies and local governments. Additionally, depending on the region there may be an established practice when the approval is provided subject to conclusion of agreements with subsoil users related to funding social and/or infrastructural needs of the region where the mineral resources are planned to be used (for more details on such practice, see below).

Certain conditions on subsoil use and development may be found in the materials of feasibility studies of raw minerals' conditions. Such materials are not publicly available.

Legal framework for granting licenses

The procedure for granting licenses is regulated, in addition to the Subsoil Code and the Law on Oil and Gas, by a number of by-laws, including the Procedure for granting licenses⁵¹⁵, the

⁵¹² Para. 8 of the Procedure for granting licenses.

⁵¹³ Para. 19, 15, 22 of the Procedure for granting licenses.

⁵¹⁴ The Resolution of the CMU that added these grounds was found unconstitutional and cancelled - see the ruling of the Higher Administrative Court of Ukraine dated 23 May 2017 in case No. 826/15532/16, available at: <http://www.reyestr.court.gov.ua/Review/66745522>. According to the court, by extending the list of grounds the CMU exceeded its authority. Later, the CMU added similar grounds back to the list, but the respective Resolution was cancelled by the court again - see the ruling of the District Administrative Court of Kyiv dated 02 October 2017 in case No. 826/9487/17, available at: <http://www.reyestr.court.gov.ua/Review/69465017>. The respective amendments were made by the CMU by Resolutions No. 518 dated 21 June 2017, No. 519 dated 04 July 2017 and No. 333 dated 25 April 2018.

⁵¹⁵ Procedure for granting licenses

Procedure for holding the auctions for licenses⁵¹⁶, the Methodology for determining the initial sale price at the auction for subsoil licenses⁵¹⁷.

The procedure for awarding the licenses through auction

Auctions for the sale of licenses are organized by the Geology Service. The auction committee responsible for auction management and compliance with the requirements to the auctions is also designated by the Geology Service. Throughout 2017, the Procedure for granting licenses was amended only once to exclude one of the grounds for dismissing an application to participate in an auction (that is, a tax debt of an applicant for the last reporting period⁵¹⁸).

The procedure for determining the list of blocks, licenses for which are the items of the auction, is not clearly regulated.

The Geology Service has to prepare proposals with regard to the list of blocks for an auction based on the applications submitted by potential bidding companies⁵¹⁹. However, there are no legal requirements for such an application, the procedure for its registration and consideration.

Before holding the auction, the blocks for the use of which the licenses will be auctioned must be agreed upon with the following state authorities and local governments: the Council of Ministers of the Autonomous Republic of Crimea, the relevant regional, Kyiv or Sevastopol city councils, district, city, settlement, village councils, and the Ministry of Ecology⁵²⁰.

The above approvals are received following the silent consent principle. I.e., if no consent is received from the Ministry of Ecology within 30 days, or from other state bodies within 90 days, the consent is deemed provided. However, the fact of filing or receiving by the entity of approvals on subsoil use by other public bodies does not guarantee that the plot would be put up for auction and the applicant will be admitted to this auction. The final decision of whether the auction takes place or not and whether the plot is put on the auction list is taken by the Geology Service.

Before the auction, the Geology Service should determine the initial sale price of the license to be auctioned, which is calculated under to the approved methodology based on the value of the reserves and resources of mineral deposits or the subsoil areas⁵²¹ of mineral resources, and should be at least 2 percent of the total net profit for the whole period of field or block development, net of capital investments⁵²².

⁵¹⁶ Procedure for holding auctions for the sale of licenses

⁵¹⁷ Resolution of the CMU "On approval of Methodology for determining the initial sale price at the auction for subsoil license" No. 1374 dated 15 October 2004, available at: <http://zakon2.rada.gov.ua/laws/show/1374-2004-%D0%BF>.

⁵¹⁸ Resolution of the CMU "On amendment of procedures approved by resolutions of the CMU dated 30 May 2011 No. 594 and No. 615" No. 519 dated 21 June 2017, available at: <http://zakon.rada.gov.ua/laws/show/518-2017-%D0%BF/ed20170719#n10>.

⁵¹⁹ Para.6 of the Procedure for Holding Auctions for the Sale of Licenses

⁵²⁰ The necessity to receive an approval from either authority depends on the type of subsoil use. In particular, the Ministry of Ecology approves licenses for all types of use, while approvals from district, city, settlement and village councils are necessary for the use of minerals of local importance. Please note that the Ministry of Ecology's approval was abolished by the Resolution of the CMU No. 333 dated 25 April 2018.

⁵²¹ The methodology for determining the value of reserves and deposits of mineral resources or the plot that are granted for use, approved by the CMU No. 1117 dated 25 August 2004, available at: <http://zakon3.rada.gov.ua/laws/show/1117-2004-%D0%BF> (hereinafter the link is not separately indicated).

⁵²² Para 6 of the Methodology for determining the initial price at the auction for a subsoil license, approved by the CMU No. 1374 dated 15 October 2004.

When calculating the initial price for a license, a number of factors are considered. These are set out and approved by the State Commission on Mineral Resources with respect to a particular field or block:

- ▶ Discounted estimated annual income from sale of mineral products net of exploitation costs and taxes and other payments to the state;
- ▶ Estimated capital investments into construction, including the purchase of geological information;
- ▶ Period of development of the field or block;
- ▶ Category of exploration of a particular field or block etc.⁵²³

The basic information for determination of the initial sale price includes the results of previously conducted feasibility studies, protocols on approval of reserves by the State Commission on Mineral Resources, state registries of mineral reserves, acts and protocols of mineral resource appraisal for the objects identified by the Geology Service, protocols of approval of the prospective reserves, and actual technical and economical indicators of mining companies or analogous facilities, as approved by the Geology Service.⁵²⁴ Most of the sources and information listed above are not publicly available. Certain changes to the Methodology for determining the initial price at the auction for a license, planned in 2016, aimed to increase transparency of the calculation of the initial licence price for the auction procedure⁵²⁵, but were not approved in 2017.

90 days before the day of the auction, the Geology Service should post the announcement of the auction in the “Governmental Courier” newspaper and on the Geology Service’s official website. The announcement should indicate the basic information about the auction and the license (such as the name and location of the block, type of subsoil use and the period for which the license is granted, the initial price of the license, etc.).

The actions the applicant must take to participate in the auction, are presented in the chart below:

⁵²³ Para 3 of the Methodology for determining the initial price at the auction for a subsoil license, approved by the CMU No. 1374 dated 15 October 2004.

⁵²⁴ Para 5 of the Methodology for determining the initial price at the auction for a subsoil license, approved by the CMU No. 1374 dated 15 October 2004.

⁵²⁵ Para.258 of the CMU Activity Agenda (Coalition Agreement) and Sustainable Development Strategy “Ukraine - 2020”: http://www.mil.gov.ua/content/other/postanova_04032015.pdf

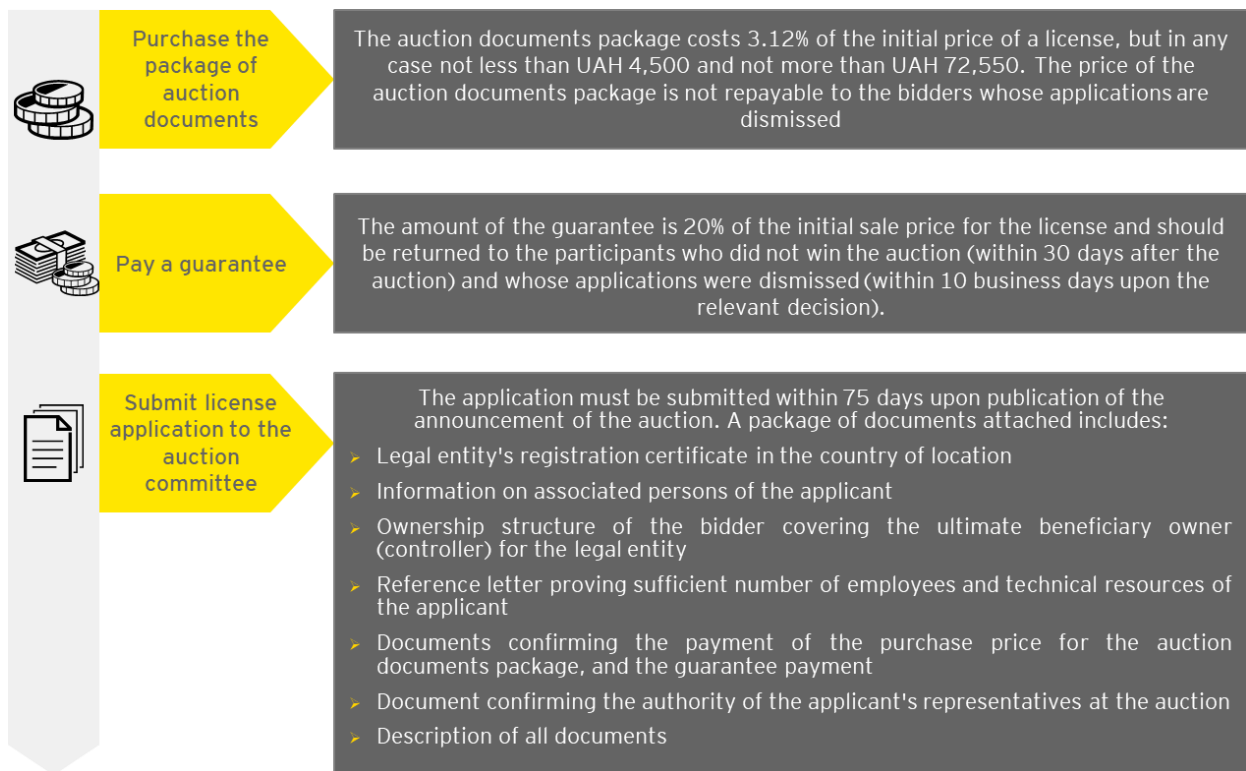


Figure 6-22: Step-plan of actions to participate in an auction for a license

The Geology Service must publish on its official website, in particular, the information on registration of applications declaring the intention to take part in the auction, on acceptance or dismissal of the application, and a list of auction winners, as well as ensure live broadcasting of the auction.

As of the date of this EITI Report, the official website of the Geology Service contains the following information: on start of preparation to the auction⁵²⁶, refusal to hold an auction⁵²⁷, announcement on holding an auction and registration of applications⁵²⁸, the list of buyers allowed to enter the auction⁵²⁹, auctions results⁵³⁰ and some other information⁵³¹.

The Geology Service also requests (i) the State Fiscal Service of Ukraine to confirm that the bidders have no outstanding tax liabilities as of the last reporting period; and (ii) law enforcement authorities and entities responsible for financial monitoring to identify entities engaged in terrorist activities in Ukraine. If no reply is provided to the requests within 30 days, the outstanding tax liabilities are deemed absent, and the entity is deemed non-engaged in terrorist activities in Ukraine⁵³².

An auction is arranged if at least two candidates for the purchase of a license are registered. The auction step depends directly on the initial price for the license and should be determined by the relevant procedure (for example, the step for an auctioned license with an initial price

⁵²⁶ Available at: <http://www.geo.gov.ua/information-about-the-beginning-of-preparation-for-the-auction/>.

⁵²⁷ Available at: <http://www.geo.gov.ua/informaciya-pro-vidmovu-u-provedenni-pidgotovki-dilyanki-nadr-do-aukcionu/>.

⁵²⁸ Available at: <http://www.geo.gov.ua/ogoloshennya-pro-provedennya-aukcionu-reyestraciya-zayavi-pro-namir-vzyati-uchast-v-aukcioni/>.

⁵²⁹ Available at: <http://www.geo.gov.ua/perelik-pokupciv-dopushhenix-do-aukcionu/>.

⁵³⁰ Available at: <http://www.geo.gov.ua/rezultati-aukcioniv/>.

⁵³¹ Different types of information are available for different years.

⁵³² Para. 8, 9 of the Procedure for Holding Auctions for the Sale of Licenses.

between UAH 1,000,000 to UAH 2,999,999 is UAH 20,000; between UAH 3,000,000 and UAH 4,999,999 - UAH 30,000 etc.)

The bidder who agrees to pay the highest price wins the auction. After the auction, the winner should enter into the sale and purchase agreement with the Geology Service and pay the final price for the awarded license less the guarantee already paid.

Annex 8 contains information on the license auctions held in 2017, including information on the bidders and the winners.

For details on reforming the license auctioning procedure, as well as implementation of the pilot project designed to launch e-bidding for sale of subsoil licenses introduced after 2017, please see **Section 6.3** of this Report.

For the reference, the procedure for awarding licenses through an auction is presented in the diagram below.

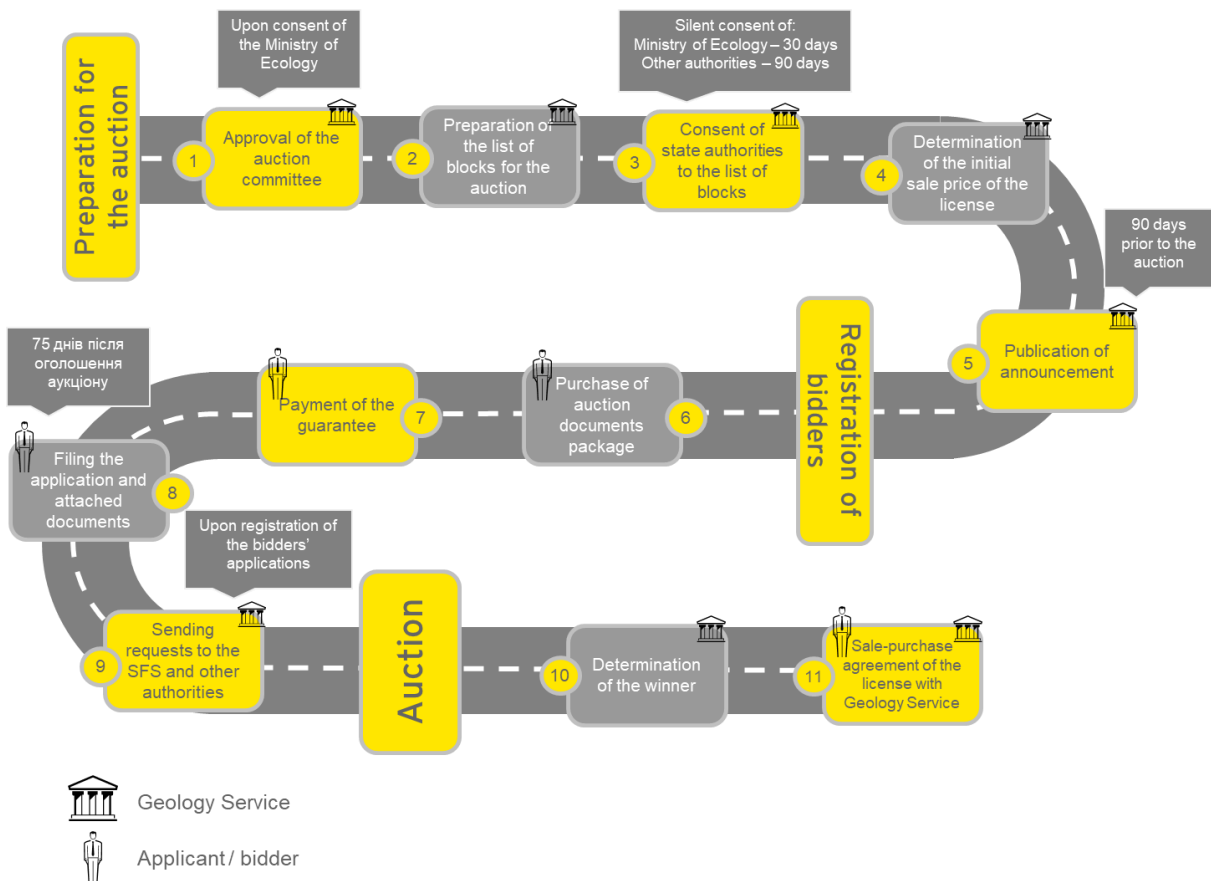


Figure 6-23: The procedure for awarding licenses through an auction

The procedure for granting licenses without an auction

In certain cases explicitly indicated in the procedure for granting licenses⁵³³, licenses can be granted without holding an auction, including, but not limited to⁵³⁴, if it is either:

⁵³³ Procedure for granting licenses.

⁵³⁴ In total, as of the end of 2017 there were 13 grounds for granting licenses off-auction.

- ▶ Production of minerals, if the applicant performed the geological exploration of the mineral block as well as the appraisal or approbation of mineral reserves with the DKZ at its own expense⁵³⁵;
- ▶ Increase of the minerals production made by a holder of a valid license, that is achieved by expanding the boundaries of the licensed area. In this case, the license is given without an auction, provided that the adjacent land has not already been granted into use and the expansion comprises of less than 50 percent of reserves identified in the previously awarded license;
- ▶ Geological exploration and production of minerals of local importance;
- ▶ Geological exploration undertaken at the expense of the state;
- ▶ Performance of PSAs etc.

Generally, the grounds for granting a license without an auction in 2017 were expanded. For more details, see **Section 6.3** of this Report.

The procedure to obtain the license under the no-auction procedure includes the following steps:

- ▶ Submission to the Geology Service of an application with a package of attachments stipulated by relevant regulations. Such package may include an explanatory note describing the capacities of the company and other required information, the directory of geographic coordinates of corner points of the mineral block, an overview map etc. The final package of the documents to be submitted to the Geology Service to obtain the license depends on the type of subsoil use and the particular case in respect of which the license may be granted without an auction. The template of an application for the license without an auction may be found on the official website of the Geology Service⁵³⁶;
- ▶ Receipt of a confirmation regarding the absence of a state tax debt as of the latest reporting period from the SFS and non-engagement with terrorist activities in Ukraine from the law enforcement authorities and entities responsible for financial monitoring;
- ▶ Consent of the Ministry of Ecology⁵³⁷ and local governments of providing subsoil into use. The consent does not foresee the presence of the applicant;
- ▶ Payment of a license fee in the amount of the initial sale price of an auction for the license calculated using the approved methodology⁵³⁸ (except for the licenses for PSAs where the license fee is 1 percent of the initial sale price of an auction).

Licenses are granted to applicants according to decisions of the Geology Service (except for licenses under product sharing agreements, which are awarded following the procedure contained in such agreements, as submitted by the Interagency commission on organization

⁵³⁵ Changes to the Procedure for granting licenses clarify that such geological exploration must have been carried out under the license (see para. 8 as amended by the Resolution of the CMU No. 1131 dated 18 December 2018).

⁵³⁶ Available at: <http://www.geo.gov.ua/forms-samples-of-documents/>

⁵³⁷ Please note that According to Resolution of the CMU No. 333 dated 25 April 2018 an approval from the Ministry of Ecology was abolished. Instead, the ministry may generate suggestions and comments (for more details, see **Section 6.3** of the Report).

⁵³⁸ The Methodology for determining the initial sale price at the auction for subsoil licenses.

and conclusion of product sharing agreements). The Geology Service makes a decision within 30 days⁵³⁹ upon receiving all approvals required by the Procedure for granting licenses⁵⁴⁰.

The license may not be granted without an auction if the person, particularly, (i) fails to comply with the program of works at the mineral block already provided into its use under a license; or (ii) is identified to have violated the rules for subsoil use proven by the audit report, notification, or an order of the relevant state authority in the field of subsoil use, until remedied.

For reference, the procedure for granting licenses without an auction is presented in the diagram below.

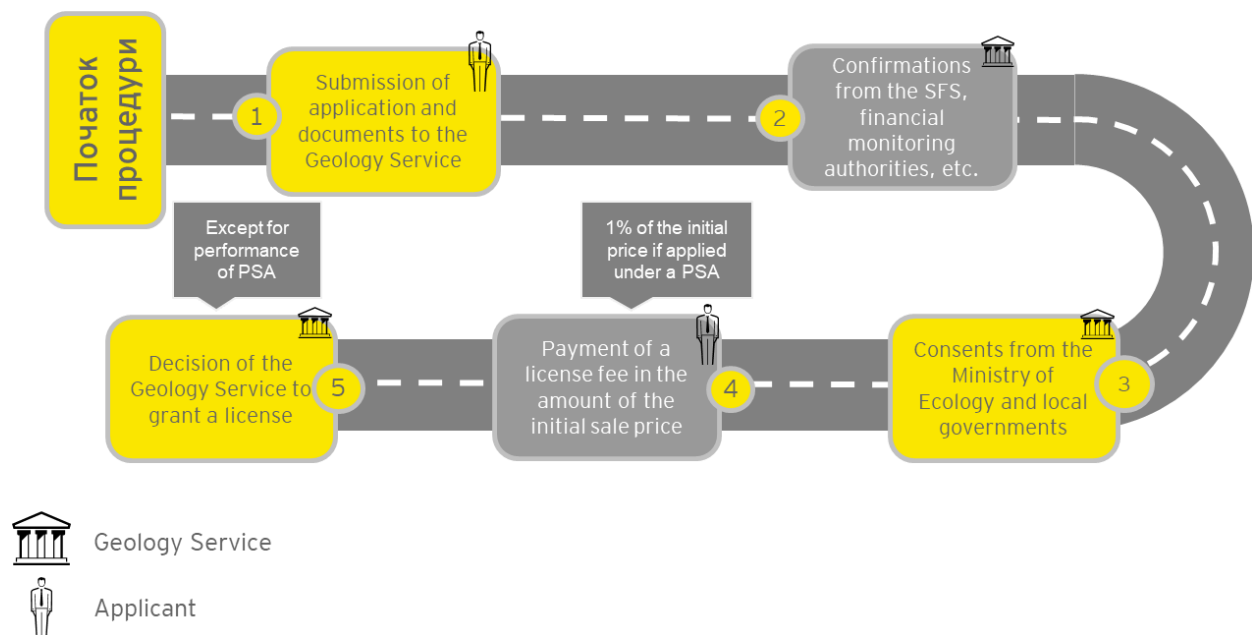


Figure 6-24: Procedure for granting licenses without an auction

Amending and reissuing the awarded licenses

A license cannot be transferred (donated, sold or otherwise alienated) to the person or entity other than the license holder. Moreover, the law prohibits any contribution of a license into the equity of the entities incorporated by license holders or to use licenses as their contribution to a joint venture⁵⁴¹.

At the same time, in certain cases the granted licenses may be amended or reissued.

In particular, the license is amended in the following cases⁵⁴²:

- ▶ Changes to special conditions and other information included into the license;
- ▶ Decrease of the block's area at the initiative of the subsoil user or the relevant state authorities;

⁵³⁹ Resolution of the CMU No. 333 dated 25 April 2018 clarifies that calendar days are implied here.

⁵⁴⁰ According to amendments introduced by the Resolution of the CMU No. 333 dated 25 April 2018, suggestions from the Ministry of Ecology must be considered as well, provided under para. 25 of the Procedure for granting licenses.

⁵⁴¹ Para. 6 of Article 16 of the Subsoil Code; part 2 of Article 14 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o143>.

⁵⁴² Para. 17 of the Procedure for granting licenses.

- ▶ Discovery of information related to new features, quality, or amount of minerals in the course of the subsoil use;
- ▶ Discovery of misprints or obvious errors in the license within three years upon its granting⁵⁴³.

In 2017, the following additional grounds for amending the license were added⁵⁴⁴:

- ▶ Establishment by way of separation from a subsoil user of a legal entity, for the purpose of continuing activities on the subsoil area provided into its use, under a number of conditions (including the following: such subsoil user is not a public sector entity, must hold at least 50% in the share capital of the newly established entity, has no tax debt that is not deferred or restructured⁵⁴⁵, did not violate the conditions of subsoil use, etc.), if such amendments were agreed by the Ministry of Ecology⁵⁴⁶ (a similar provision was abolished in 2016);
- ▶ Establishment of a business company 100% of which is owned by the state, as a result of reorganization by merger.

The license is amended based on the subsoil user's (or its legal successor, where amended due to a merger) application and supporting documents, including an explanatory note describing the grounds for the amendment. The Geology Service may refuse the amendment if it discovers the subsoil user's failure to comply with the plan of works at the mineral block already provided into its use, or the violation of the rules for subsoil rules proven by the acts of the respective authorities.

The license may be reissued in the following cases⁵⁴⁷:

- ▶ If such reissuance is provided for in the Law of Ukraine "On the licensing system in the field of business activities";
- ▶ Succession of the legal entity (subsoil user) as a result of reorganization through the change in business type of the entity;
- ▶ Obtainment of an IPG of a state-owned coalmine (license holder) into lease or concession by the legal entity (not holding the license), which thus effectively becomes a subsoil user.

The Geology Service reissues the license on a new pre-printed form, or provides a motivated refusal within 30 calendar days upon receipt of the application.

Agreement on the terms and conditions of subsoil use

Regardless of whether the auction or non-auction procedure is followed to grant a license, the Geology Service and a subsoil user becoming a license holder should enter into an agreement on the terms and conditions of subsoil use. The Procedure for granting licenses and the Law

⁵⁴³ Please note that the three-year term for identifying errors was abolished from the respective provision by the Resolution of the CMU No. 333 dated 25 April 2018.

⁵⁴⁴ See Resolution of the CMU No. 518 dated 21 June 2017. Please note that subsequently in the Resolution of the CMU No. 698 of 26 June 2019 the above list was supplemented by one more ground - reorganization of a state-owned enterprise by way of merger with another state-owned enterprise.

⁵⁴⁵ In accordance with Resolution of the CMU No. 333 dated 25 April 2018, from 08 June 2018 the condition for absence of tax debt was replaced with the absence of arrears of subsoil use rent.

⁵⁴⁶ See para. 17 of the Resolution of the CMU No. 333 dated 25 April 2018.

⁵⁴⁷ Para. 16 of the Procedure for granting licenses.

on Oil and Gas provide that such an agreement is an integral part of a license. For more details, see **Section “6.6.4. The contracts in the extractive industries”** of the Report.

6.6.3. Availability of the information about the beneficial owners of extractive companies

- The Unified state register

According to Ukrainian legislation, in addition to information about the founders, the information about the ultimate beneficial owners (controllers) should be also disclosed to the state registrar⁵⁴⁸. Information on the founders (participants) and the ultimate beneficial owners (controllers) of the entities is publicly available online on the website of the Ministry of Justice of Ukraine⁵⁴⁹ or the Unified State Portal of Open Data⁵⁵⁰.

As of the date of this Report, the information on the ultimate beneficial owner (controller) of the legal entity to be provided during state registration of incorporating a legal entity / changes to the information on the legal entity in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations, should include⁵⁵¹:

- Surname, name, patronymic, date of birth, taxpayer registration number (if any), passport data, country of citizenship, place of residence;
- Full name and identification code (for a resident) of the founder of the legal entity where that person is the ultimate beneficial owner (controller);
- Percentage of the charter capital / voting power in the legal entity;
- Type of beneficial ownership (direct, indirect, representation, other means of control);
- Information on the legal entities through which indirect influence on the legal entity is exercised (if applicable), which should be sufficient to understand the whole ownership structure, i.e., from founders to ultimate beneficial owners of the legal entity.

According to the changes made by the Ministry of Justice of Ukraine to the registration form from 29 August 2018, in case of any changes to the information on the legal entity contained in the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Organizations, information about the ultimate beneficial owner (controller) of the legal entity must be resubmitted⁵⁵².

However, sometimes legal entities provide incomplete or inaccurate information about their beneficial owners, e.g., they disclose information only to the level of nominal owners or managers of trusts. No effective measures to counteract this are currently available.

⁵⁴⁸ Subpara. 9 of para. 2 of Article 24 of the Law of Ukraine “On state registration of legal entities, individual entrepreneurs, and public organizations” No. 755-IV dated 15 May 2003, available at: <http://zakon.rada.gov.ua/laws/show/755-15/ed20170101#n160>.

⁵⁴⁹ <https://usr.minjust.gov.ua/ua/freesearch>.

⁵⁵⁰ <https://data.gov.ua/dataset/1c7f3815-3259-45e0-bdf1-64dca07ddc10>

⁵⁵¹ Article 9 of the Law of Ukraine “On State Registration of Legal Entities and Individual Entrepreneurs and Public Associations” No. 755-IV of 15 May 2003, available at: <http://zakon.rada.gov.ua/laws/show/755-15/ed20170101#n160>; Order of the Ministry of Justice of Ukraine No. 3268/5 of 18 November 2016 “On approval of forms of applications in the field of state registration of legal entities, individual entrepreneurs and public associations”, available at: <https://zakon.rada.gov.ua/laws/show/z1500-16/>

⁵⁵² Order of the Ministry of Justice of Ukraine No. 3268/5 of 18 November 2016 “On approval of forms of applications in the field of state registration of legal entities, individual entrepreneurs and public associations”, available at: <https://zakon.rada.gov.ua/laws/show/z1500-16/>

- The Global Beneficial Ownership Register

In 2017 Ukraine joined the Global Beneficial Ownership Register and became one of the first states that officially announced their readiness to provide beneficial ownership data to the register⁵⁵³.

In May 2017, with the aim to establish and develop cooperation on provision of information to the registry, the Ministry of Justice of Ukraine, the State Agency for E-Government, Transparency International Ukraine and the OpenOwnership consortium signed a Memorandum of Understanding⁵⁵⁴. In May 2017, the CMU also amended regulations to provide for free transfer of information on ultimate beneficial owners to the Global Register of Beneficiary Owners⁵⁵⁵.

The information on the beneficiary owners of Ukrainian companies contained in the Unified State Register is already partially available in the Global Register of Beneficiary Owners⁵⁵⁶, but integration will be required to transfer information in full.

- The Unified State Register of Electronic Declarations

Starting from 2017, the information about state officials who are beneficial owners (controllers) of legal entities has become available in the Unified state register of declarations of persons authorized to perform functions of the state or local governments⁵⁵⁷. In particular, the declarant must provide information on any securities or any other corporate rights, including shares in charter or other equivalent capitals of companies, enterprises, or organizations registered in Ukraine or abroad, as well as separate information on legal entities where the declarant or its family members are ultimate beneficial owners⁵⁵⁸.

- Database of issuers of securities

The information about the owners of 5 percent or more of the shares in joint stock companies is available in the database of issuers posted on the website of the Agency for Development of Stock Market Infrastructure of Ukraine at <http://smida.gov.ua/db/emitent>.

6.6.4. The contracts in the extractive industries

Legislation on disclosure of contracts in the extractive industries

⁵⁵³ Resolution of the CMU "Some Issues of Providing Information from the United State Register of Legal Entities, Individual Entrepreneurs and Public Organizations" No. 593 dated 8 September 2016 as amended by the Resolution of the CMU No. 339 dated 18 May 2017, available at: <http://zakon.rada.gov.ua/laws/show/593-2016-%D0%BF/ed20170520>. Information at the official web-site of OpenOwnership, available at: <https://www.openownership.org/news/ukraine-becomes-the-first-country-to-integrate-with-openownership/>

⁵⁵⁴ Memorandum of Understanding between the Ministry of Justice, the State Agency for E-Government, Transparency International Ukraine, and the OpenOwnership consortium providing for the transmission of relevant information to the Global Register by the end of 2017, available at: https://ti-ukraine.org/wp-content/uploads/2017/05/220517_memorandum.pdf

⁵⁵⁵ Resolution of the CMU No. 593 "Certain Issues of Provision of Information from the Unified State Register of Legal Entities, Individual Entrepreneurs and Public Associations" of 08 September 2016 No. 593, available at: <https://zakon.rada.gov.ua/laws/show/593-2016-n>.

⁵⁵⁶ <https://register.openownership.org>

⁵⁵⁷ Unified State Register of Electronic Declarations of persons authorized to fulfil functions of the state or local governments, available at: <https://public.nazk.gov.ua>.

⁵⁵⁸ See para. 4, 5, 5-1 of part 1 of Article 46 of the Law of Ukraine "On Prevention of Corruption" No. 1700-VII dated 14 October 2014, available at: <http://zakon.rada.gov.ua/laws/show/1700-18/ed20170803#n446>

Starting from 2016, the Geology Service is obliged to publish both the issued licenses and the relevant agreements on conditions for subsoil use that are an integral part of such licenses. As of 2017, only a part of such agreements (for the second half of 2016-2017) have been published. However, as of October 2019, the Geology Service published a considerable number of agreements dating back to 1995⁵⁵⁹.

According to the Law of Ukraine “On the transparency of the Use of Public Funds”⁵⁶⁰, the administrators and recipients of state and local public funds, as well as state- and municipally-owned enterprises are required to disclose information on the agreements concluded within the reporting period⁵⁶¹. However, the information to be published does not include the text of the agreements.

Moreover, in 2018 the EITI Law was adopted, providing for the mandatory disclosure of certain information regarding agreements related to mineral extraction, such as agreements on conditions for subsoil use, product sharing agreements, joint venture agreements, or other agreements which envisage project activity. However, disclosure requirements for such information only apply to the agreements concluded or amended after the law entered into force (i.e., after 16 November 2018).

Subsoil use agreement

The basic contractual document defining the terms and conditions of subsoil use is an agreement on the terms and conditions of subsoil use.

The agreement is concluded between the Geology Service and the license holder and is considered an integral part of the latter in accordance with the Procedure for granting licenses and the Law of Ukraine on Oil and Gas⁵⁶². The agreement should contain provisions on technical, technological, organizational, financial, economic, social, and environmental obligations of the parties as well as the procedure that would govern the relations between them in the process of subsoil use on the block granted by the license.

The essential conditions of the subsoil use agreement are, among others, a program of works to be performed by the license holder, the sources of funding for the works, the provisions on the title to geological information obtained as a result of subsoil use etc.

The framework agreements on terms and conditions of subsoil use are approved by the Geology Service and published on its official website at <http://www.geo.gov.ua/primirni-ugodi-pro-umovi-koristuvannya-nadrami/>⁵⁶³.

Starting from 2016, the Geology Service is obliged to publish the concluded subsoil use agreements. Scan copies of a considerable number of licenses and respective subsoil use agreements are available on the official website of the Geology Service. However, as of the date of this Report 126 licenses issued in 2017 and relevant subsoil use agreements were

⁵⁵⁹ See official website of the Geology Service, available at: <http://www.geo.gov.ua/vidani-specialni-dozvoli-na-koristuvannya-nadrami-z-ugodami-pro-umovi-koristuvannya-nadrami/>

⁵⁶⁰ The Law of Ukraine “On the Transparency of the Use of Public Funds” No. 183-VIII dated 11 February 2015, available at: <http://zakon.rada.gov.ua/laws/show/183-19>.

⁵⁶¹ See the website of the Public Fund's Single Web Portal, available at: <https://spending.gov.ua/web/guest>.

⁵⁶² Article 28 of the Law on Oil and Gas, available at: <http://zakon.rada.gov.ua/laws/show/2665-14/ed20171218#o223>.

⁵⁶³ Please note that during 2017-2019 new versions of template subsoil use agreements were adopted. The latest version was adopted by the Order of the Geology Service No. 182 dated 09 July 2019.

published, whereas in total 128 licenses were granted throughout 2017 (see **Section “6.6.1. Registry of licenses”**).

Also, particular conditions for subsoil use and development of mineral deposits can be found in respective feasibility studies for mineral reserve conditions. However, these materials are not publicly available either.

Production sharing agreements⁵⁶⁴

Under the PSA Law, the PSA envisages that the State represented by the CMU assigns an investor to perform prospecting, exploration and production of mineral resources (that may include oil, gas, and condensate) for a specified period, while the investor undertakes the work at its own expense and risk.

The investor is entitled to compensate its PSA-related costs in the form of a portion of the extracted production (“cost recovery production”). The quarterly percentage of cost recovery production may not exceed 70 percent of the total amount of production extracted until full reimbursement of the investor’s costs. The rest of the production (“profit production”) is shared between the investors and the State in accordance with the terms of the PSA. Until shared, all extracted production is deemed to be owned by the State.

As a rule, a PSA is concluded with a tender winner. The maximum period for the concluded agreement is 50 years with a possible extension at the request of the investor.

A license for the purposes of the PSA performance is granted without an auction. The State should facilitate granting the other permits and licenses to PSA investors and their contractors.

The list of essential terms and conditions of a PSA is specified in Articles 8 and 9 of the PSA Law. However, the law as of 2017 does not require any disclosure of the PSA contents, and texts of the concluded PSAs are not publicly available.

The CMU or a central executive body authorized thereby should supervise the implementation of the PSA under the procedure and on the terms specified in the PSA and the PSA Law. At least once every five years the CMU jointly with the central executive body authorized by the CMU should organize and conduct a comprehensive audit of compliance with the conditions stipulated by the PSA.

The state guarantees that the legislation valid at the time of entry into the PSA will apply to investors during the term of the agreement, save for the case when the new legislation reduces or abolishes taxes, simplifies the conduct of business, etc. The stability clause does not apply to changes in laws governing issues of defense, national security, public order, and environmental protection.

Current PSAs: there was no activity under PSAs in 2017.

As of the end of 2017, the information is available on the following PSAs signed between the State of Ukraine represented by the CMU and:

⁵⁶⁴ The specifics of PSA regulation are stipulated by the Law of Ukraine “On Production Sharing Agreements” No. 1039-XIV dated 14 September 1999

- ▶ Vanco International Limited regarding Prykerchenska block (PSA signing date: 19 October 2007)⁵⁶⁵;
- ▶ Shell Exploration and Production Ukraine Investments (IV) B.V. and Nadra Yuzivska LLC regarding Yuzivska block (PSA signing date: 24 January 2013)⁵⁶⁶. Shell Exploration and Production Ukraine Investments (IV) B.V. left the project in 2015⁵⁶⁷;
- ▶ Chevron Ukraine B.V., Nadra Oleska LLC regarding Oleska block (PSA signing date: 5 November 2013).⁵⁶⁸ In 2014 Chevron informed of unilateral termination of the PSA⁵⁶⁹;
- ▶ ENI Ukraine Shallow Waters B.V., EDF Shallow Waters SAS, Vody Ukrainy LLC, State Joint-Stock Company Chornomornaftogaz JSC regarding the areas Abikha, Kavkazka, Mayachna block, structure Subbotina (PSA signing date: 27 November 2013)⁵⁷⁰.

After Shell Exploration and Production Ukraine Investments IV B.V. had left the project on the shale block of Yuzivska in 2015, a new tender for investors was announced. In 2016, Yuzgaz B.V. was announced as the winner⁵⁷¹. However, the CMU refused to approve the transfer of the participation share in the PSA⁵⁷². Yuzgaz B.V. challenged the decision of the CMU through court proceedings and the courts declared the Resolution of the CMU unlawful⁵⁷³. In December 2018, the CMU approved transfer of 90% share in favor of Yuzgaz B.V.⁵⁷⁴

In 2017, two USA companies, Frontera Resources and Longfellow, approached the Ministry of Energy concerning hydrocarbons exploration and production projects on PSA terms, but no tenders were announced⁵⁷⁵.

New PSA tenders: In February 2019, the CMU announced PSA tenders for 9 sites⁵⁷⁶. In July 2019, the following winners were awarded: WELL KO LLC, Oil & Gas overseas trading B. V. and

⁵⁶⁵ For more details on signing the PSA, see the link: <http://tsn.ua/groshi/kabmin-domovivsyia-pro-rozrobku-shelfu.html>.

⁵⁶⁶ For more details on signing the PSA, see the link: <http://zakon2.rada.gov.ua/laws/show/576-2013-%D1%80>.

⁵⁶⁷ <http://ua.interfax.com.ua/news/general/299606.html>.

⁵⁶⁸ For more details on signing the PSA, see the link:

http://www.kmu.gov.ua/control/uk/publish/article?art_id=246879555&cat_id=244276429.

⁵⁶⁹ <http://ua.korrespondent.net/business/economics/3456069-Chevron-vidmovylasia-vid-proektu-z-osvoiennia-oleskoi-ploschi-zmi>

⁵⁷⁰ For more information on signing the JAA, see:

http://www.kmu.gov.ua/control/uk/publish/article?art_id=246879555&cat_id=244276429.

⁵⁷¹ See <http://nadrakrayny.com.ua/?p=681>.

⁵⁷² See <http://ua.interfax.com.ua/news/general/381004.html>.

⁵⁷³ Ruling of the Higher Administrative Court of Ukraine dated 04 July 2017, available at:

<http://www.reyestr.court.gov.ua/Review/67684356>

⁵⁷⁴ The Resolution of the CMU "The issue of transferring rights and obligations of the investor under the Production Sharing Agreement" No. 1089-p dated 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1089-2018-%D1%80>

⁵⁷⁵ Available at: http://mpe.kmu.gov.ua/minugol/control/publish/article?art_id=245219802

⁵⁷⁶ Pursuant to the Resolution of the CMU of 18 December 2018

No. 1179, available at: <https://zakon.rada.gov.ua/laws/show/1179-2018-%D0%BF>,

No. 1180, available at: <https://zakon.rada.gov.ua/laws/show/1180-2018-n>,

No. 1182, available at: <https://zakon.rada.gov.ua/laws/show/1182-2018-%D0%BF>,

No. 1183, available at: <https://zakon.rada.gov.ua/laws/show/1183-2018-%D0%BF>,

No. 1184, available at: <https://zakon.rada.gov.ua/laws/show/1184-2018-%D0%BF>,

No. 1186, available at: <https://zakon.rada.gov.ua/laws/show/1186-2018-%D0%BF>,

No. 1187, available at: <https://zakon.rada.gov.ua/laws/show/1187-2018-%D0%BF>,

No. 1188, available at: <https://zakon.rada.gov.ua/laws/show/1188-2018-%D0%BF>,

No. 1189, available at: <https://zakon.rada.gov.ua/laws/show/1189-2018-%D0%BF>, to carry out tenders for conclusion of PSAs with regard to Varvinska, Rusanivska, Buzivska, Zinkivska, Ivanivska, Balakliiska, Sofiiivska, Berestyanska, Ugnivska fields, the Ministry of Energy published respective tender announcements in the official Ukrainian gazette, available at:

http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245343998&cat_id=193804&fbclid=IwAR0w3R6K7rRvZyO-a6ucrp8J4us7W37qaT1Ux-JVAfFuQGjt2pwDuhOAm1U

Oil and Gas Exploitation LLC, Ukrainian Energy LLC, Geo Alliance Partnership LLC and Geo Alliance Partnership B.V., Vydobuvna kompaniia Ukrnaftoburinnia PrJSC, Ukgazvydobuvannya JSC, and Vermilion Ukraine Exploration B. V.⁵⁷⁷. Subsequently, three additional PSA tenders were announced⁵⁷⁸.

The fiscal regime for PSAs: A PSA is taxed according to the special rules set by the Tax Code and the agreement itself. During the term of the PSA, almost all the taxes that the investor is subject to (other than CIT, VAT, and production royalty) are replaced with the distribution of products. The investors are also required to withhold/charge and pay PIT and the USC of the wages and other payments to their employees and to pay fees and duties for the services provided by the state bodies. The Tax Code provides for a number of tax and regulatory benefits for investors under PSAs.

6.6.5. Other contracts in extractive industries

Joint activity agreements

An extractive company holding a license may enter into joint activity agreements (JAAs) with other companies.

The JAA does not give rise to the right to use the subsoil but only governs the civil relations between the parties to such JAA.

Under JAAs, parties operate jointly without setting up a separate legal entity to attain a certain goal. The terms of JAAs, including the coordination of the joint activities of the participants or the performance of their joint activities, the legal status of assets contributed to the joint activity, the coverage of expenses and losses of the parties, sharing of profits of joint activity, and other conditions are negotiated by the parties⁵⁷⁹. The Ukrainian legislation does not contain any specific requirements for JAAs in oil and gas production, except for the prohibition to contribute licenses to the joint activity⁵⁸⁰.

An approval of the CMU is required for entry into JAAs with SOEs and companies with the state-owned interest in the equity exceeding 50 percent.⁵⁸¹ State authorities managing the companies in question should provide the Ministry of Economy with the information about the JAAs performance progress on a quarterly basis. The Ministry of Economy summarizes the

⁵⁷⁷ Resolution of the CMU "On Determining the Winners of Tenders for the Conclusion of Hydrocarbon Sharing Agreements" No. 507-r of 05 July 2019, available at:

<https://www.kmu.gov.ua/ua/npsa/pro-viznachennya-peremozhciv-konkursiv-na-ukladennya-ugod-pro-rozpodil-vuglevodni-m-050719>

⁵⁷⁸ Pursuant to Resolution of the CMUs No. 1178 dated 18 December 2018, available at: <https://zakon.rada.gov.ua/laws/show/1178-2018-p>; No. 1181, available at: <https://zakon.rada.gov.ua/laws/show/1181-2018-n>; No. 1185, available at: <https://zakon.rada.gov.ua/laws/show/1185-2018-n>, on the tenders for concluding agreements for PSAs with regard to Ichnianska, Okhtyrska, Grunivska fields, the Ministry of Energy published relevant tender announcements in the official Ukrainian gazette, available at: http://mpe.kmu.gov.ua/minugol/control/publish/article?art_id=245388585

⁵⁷⁹ Chapter 77 of the Civil Code of Ukraine No. 435-IV dated 16 January 2003, available at: <http://zakon.rada.gov.ua/laws/show/435-15/ed20171215#n5314>

⁵⁸⁰ Para 2 of Article 14 of the Law on Oil and Gas

⁵⁸¹ The procedure for the SOEs, institutions, organizations as well as the companies, whose authorized capital contains more than 50 percent of the state interest, to enter JAAs, commission agreements, agency and property management agreements, approved by the CMU No. 296 dated 11 April 2012, available at: <http://zakon.rada.gov.ua/laws/show/296-2012-%D0%BF>

information and submits its opinions and proposals to the CMU⁵⁸². In 2017 the law did not require disclosing JAAs, so JAAs' contents are not publicly available⁵⁸³.

Information regarding JAAs active in 2017, please see **Section 5.2.1** of this Report.

The fiscal regime. For VAT purposes, two or more persons engaged in joint activities without establishing a legal entity are deemed separate taxpayers. Economic relations between the parties to the joint activity are deemed equal to the relations based on individual civil contracts.

Accounting of results of joint activity is done by a taxpayer (a resident or a permanent establishment of a non-resident) authorized to do so by other parties under the terms of the JAA, and should be ring-fenced from accounting of other activities of such taxpayer. The authorized taxpayer is responsible for the administration of VAT and production royalty under the JAA.⁵⁸⁴ Ring-fenced CIT accounting and administration of JAA was not carried out and each of the participants in the JAA had to have its own CIT accounting and administration.

Concession contracts for state and municipal property

Under the concession contract, state authorities or local governments may grant certain mining facilities (e.g., ore enriching plants) into operation to private parties. Such private parties (concessionaires) thus will get the right to operate such facilities (particularly, for production of minerals), earn profits and obtain products as a result of performance of such contract.

While the concession contract does not give the right to subsoil use, it is still directly related to extractive activities. Under a concession contract, a concessionaire should carry on the activities strictly specified therein and use the conceded facilities solely for its designated purpose (i.e., for extractive activities), while the facility owner (concessor) can inspect if the concessionaire complies with these and other contract terms, and terminate it should the concessionaire violate any of them.

The concession is a special case of a public-private partnership⁵⁸⁵ that in 2017 was governed by the Law of Ukraine "On Concessions"⁵⁸⁶. More specific regulations of lease and concession of state-owned facilities related to production and processing of coal and brown coal are provided for in the Law of Ukraine "On Peculiarities of Lease or Concession of State-Owned Fuel and Energy Industry Objects"⁵⁸⁷. In October 2019, the new Law of Ukraine "On Concession" was adopted⁵⁸⁸, which excluded special rules regarding concession in fuel and energy industry from the above law.

⁵⁸² Resolution of the CMU "On approval of the Procedure for state enterprises, institutions, organizations and commercial companies, whose authorized capital includes more 50 percent of the state share to enter the cooperation agreements, commission agreements, agency and property management agreements" No. 296 dated 11 April 2012, available at: <http://zakon0.rada.gov.ua/laws/show/296-2012-%D0%BF>

⁵⁸³ In 2018, the EITI Law introduced requirements related to mandatory disclosure of certain JAA's essential terms

⁵⁸⁴ Sections II, III, V, XI of the Tax Code of Ukraine

⁵⁸⁵ Article 5 of the Law of Ukraine "On Public Private Partnership" No. 2404-VI dated 1 July 2010, available at: <http://zakon.rada.gov.ua/laws/show/2404-17/ed20160524#n73>

⁵⁸⁶ The Law of Ukraine "On Concessions" No. 997-XIV dated 16 July 1999, available at: <http://zakon.rada.gov.ua/laws/show/997-14/ed20160524>

⁵⁸⁷ The Law of Ukraine "On Peculiarities of Lease or Concession of Fuel and Energy Industry Objects" No 2269-XII dated 10 April 1992, available at: <http://zakon0.rada.gov.ua/laws/show/3687-17>

⁵⁸⁸ Law of Ukraine "On Concession" No. 155-IX dated 03 October 2019, available at: <https://zakon.rada.gov.ua/laws/show/155-20>

The CMU approves the list of particular state-owned facilities that may be provided into concession, upon the recommendation of the relevant central executive body. The list of municipally owned facilities that may be granted into concession should be approved by the relevant local authorities at their plenary sessions only. The decision on granting a concession of a municipally owned facility to a tender winner should be made by an authorized local governance authority.

The list of state enterprises that may be transferred into concession was published by the CMU in 2017 as part of SOE corporate governance reform⁵⁸⁹.

The decision on granting a concession of a state-owned facility based on the tender should be adopted by the CMU or its authorized executive body. The decision on the feasibility of granting the fuel and energy facility into concession should be approved by the Ministry of Energy, initiated by legal entities (including potential concessionaires) or the Ministry of Energy itself.

After the decision on the feasibility of granting the facility into concession is made, the Ministry of Energy announces a tender for the right to obtain the facility in concession. The Ministry concludes the concession contract with the winner of the tender and performs necessary registration formalities.

The list of essential terms and conditions of a concession contract was defined by Article 10 of the Law on concessions.

The extractive companies that received an integral property group under the concession contract may enjoy a simplified procedure for obtaining various permits. A similar simplified procedure also applies to the cases where there are lease contracts for the IPGs of state coal mining companies.

The concessionaire should record the facilities received into concession on its balance sheet indicating that such property is received in concession. Granting facilities into concession does not involve transfer of ownership over the facility to the concessionaire and does not terminate the right of state or municipal ownership to such facilities.

Concession fees are recorded to the state or local government revenue. The amounts of concession fees are set according to the Methodology for calculation of concession fees determined by the CMU⁵⁹⁰.

In 2017, the law did not require to disclose the contents and conditions of concession contracts, so the texts of concession contracts were not publicly available. The Register of concession contracts maintained by the State Property Fund is accessible at <http://www.spfu.gov.ua/ua/content/spf-rent-concessions/> and contains information on the following contracts in the coal industry:

⁵⁸⁹ Publication at the CMU's website related to strategic vision of SOE corporate governance, available at: <https://www.kmu.gov.ua/ua/news/250107939>. All lists of state-owned enterprises is available at: <http://www.me.gov.ua/Documents/MoreDetails?lang=uk-UA&id=f9b47f2c-50ae-41b3-abea-117ff9c4fab8&title=PrezentatsiiniMateriali>; Details at the CMU's website related to reform of corporate governance (including interim results), available at: <https://www.kmu.gov.ua/ua/diyalnist/reformi/ekonomichne-zrostannya/prodazh-neefektivnogo-derzhavnogo-majna>

⁵⁹⁰ Methodology for calculation of concession fees, determined by the CMU No. 639 dated 12 April 2000, available at: <http://zakon0.rada.gov.ua/laws/show/639-2000-%D0%BF>.

Table 6.3: Distribution of licenses valid in 2017 per type of minerals use

Registration date	Registration No	Concessor	Concessionaire	Property granted into concession and its location	Concession fee	Duration of the concession contract
8 February 2012	006	MECI	DTEK Rovenkyanthracite LLC	IPG SC Rovenkyantratsyt	17082812 - for 1 st quarter	From 30 December 2011 for 49 years
8 February 2012	007	MECI	DTEK Sverdlovanthracite LLC	IPG SC Sverdlovantratsyt	13058227 - for 1 st quarter	From 30 December 2011 for 49 years
5 June 2012	008	MECI	DV naftogazovydobuvna kompaniia LLC	IPG SC Teploelektrotsentral - Eskhar	819340,30 - for 1 st quarter	From 20 April 2012 for 49 years till 19 April 2061

Fiscal regime

The legislation does not provide for any special tax regime for concession contracts where state or municipal property is granted in concession (with certain exceptions). A concessionaire should record the assets received into concession on its balance sheet and operate them on its own, pay all the taxes and levies, applicable under the law.

The lease or concession fees where an IPG of the state or municipal enterprise (or their divisions) is leased or granted into concession are VAT exempt⁵⁹¹.

6.6.6. Use of local component in extractive industries

The Ukrainian legislation does not require the use of a local content as a prerequisite for granting a license. However, as it follows from sample texts, subsoil use agreements oblige a subsoil user to use predominantly Ukrainian goods and services, in so far as their price and quality, as compared to international prices and quality, are technically, technologically, and economically practicable, and would not impair production or environmental safety.

The PSA Law additionally stipulates that a PSA should include the investor's obligations to:

- ▶ Give preferences to products, goods, works, services, and other material valuables of Ukrainian origin, other conditions (pricing, performance, quality, and conformity with international standards) being equal;
- ▶ Ensure the preferential employment (recruitment) of Ukrainian citizens to work in the territory of Ukraine for the purposes specified in the PSA, and arranging for their training as indicated in the agreement.

⁵⁹¹ See Article 196.1.15 of the Tax Code.

Under the Law of Ukraine “On Concessions”, the concessionaire is obliged to use domestically produced technologies, materials, equipment production at the facility granted in concession, unless otherwise is provided by the agreement.

As of the end of 2017, Ukrainian laws did not impose any obligations on the companies or state authorities to disclose the information related to the local component as a mandatory provision of the relevant agreement, and such information is not publicly available.

At the same time, by virtue of the EITI Law adopted in 2018, the Ministry of Energy will be obliged to publish on its official website information on the essential terms and conditions of subsoil use agreements, PSAs, JAAs, which will include information on social obligations, including the provisions on:

- ▶ Participation in the development of local infrastructure;
- ▶ Use of works, goods and services performed, supplied or provided by business entities registered within the territorial community where extracting activities are carried out.

6.6.7. Cooperation between extractive companies and local communities

In accordance with paragraph (a) of Requirement 6.1 of the EITI Standard, “where material social expenditures by companies are mandated by law or the contract with the government that governs the extractive investment, implementing countries must disclose and, where possible, reconcile these transactions.”

The Ukrainian legislation contains no notion of “mandatory social expenditures of extractive companies” and provides no list of cases where such expenditures of extractive companies (other than the payment of a USC) may be mandatory.

Partial participation in the development of local infrastructure

In accordance with the legislation on urban development activities, an individual/entity that intends to develop a land plot in a certain locality and filed a corresponding application, is obliged to participate in the creation and development of engineering, transport, and social infrastructure of the locality (this requirement does not apply, among others, to construction of engineering, transport infrastructure and energy objects)⁵⁹².

Such participation takes place by transferring funds from the applicant to the relevant local budget for creation and development of the said infrastructure based on the agreement concluded with the local government. The maximum amount of partial participation in case of construction of non-residential buildings is 10% of their budget cost. However, this requirement applies to all companies, not just mining companies.

In September 2019, the Parliament adopted the law abolishing partial participation contributions as of 2021⁵⁹³.

⁵⁹² Article 40 of the Law of Ukraine “On Regulation of Urban Development” No. 3038-VI of 17 February 2011 available at: <http://zakon.rada.gov.ua/laws/show/3038-17/ed20171218#n595>

⁵⁹³ The Law of Ukraine “On amendment of certain legislative acts of Ukraine with regard to support of investment activity in Ukraine” No. 132-IX dated 20 September 2019, available at: <https://zakon.rada.gov.ua/laws/show/132-ix>. The transition period

Financing of social and infrastructure needs by extractive companies

Extractive companies can enter into agreements with local governments and undertake to finance social or infrastructure needs of the region's community where the extractive activities are carried out.

The procedure for issuance of licenses provides that mining companies must obtain approval of, among others, the local governments, i.e., regional⁵⁹⁴, district, city, settlement, village⁵⁹⁵ councils (depending on the type of minerals). The legislation does not specify the procedure for local governments to follow when considering a request for such approvals. The governments determine such procedures independently based on the needs of a particular region.

The local governments may:

- ▶ In accordance with the general norms of local government legislation⁵⁹⁶, approve the procedure for considering subsoil use issues in the region at the level of local legislation, for instance:
 - ▶ The Poltava Regional Council approved⁵⁹⁷ the procedure for making decisions on approval of granting licenses and / or provision (re-issuance) of mining allotments, which includes, among others, the obligation of the company to provide for approval a copy of an agreement with the local governments on financing of social facilities for the current year and information on financing such objects for the previous and current years (three years in case of granting a license);
 - ▶ The Chernihiv Regional Council adopted the procedure for approval of requests for subsoil licenses⁵⁹⁸, which entitles the permanent commission of the Regional Council to monitor and oversight the progress in implementation of subsoil users' social agreements. Information on participation in the social and economic development of local communities in previous and current years is included into the list of mandatory information that shall be presented in the application;
 - ▶ The Ivano-Frankivsk Regional Council published a draft of a similar procedure for consideration by the regional council of the use of subsoil in the Ivano-Frankivsk region⁵⁹⁹. The procedure, *inter alia*, stipulates that the draft decision on the approval by the regional council of the use of subsoil should include a requirement for the subsoil user to conclude an agreement on the social and economic partnership with the local

provides for decreased maximum amount of participation to 4% for non-residential construction, as well as participation in monetary form only.

⁵⁹⁴ Sub-para. 2 of para. 9 of the Procedure for granting licenses.

⁵⁹⁵ Sub-para. 3 of para. 9 of the Procedure for granting licenses.

⁵⁹⁶ See, for example, Articles 33, 43, 44 of the Law of Ukraine "On Local Governments in Ukraine" No. 280/97-BP dated 21 May 1997, available at: <http://zakon.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80/ed20171231#n632>.

⁵⁹⁷ See "The procedure for consideration by the regional council of issues on the use of subsoil in the territory of the Poltava region" adopted by the decision of the eighteenth session of the regional council of the sixth convocation of 9 October 2013, available at: <http://oblrada.pl.ua/ses/6/18/27.pdf>. In April 2018 a new decision was adopted, available at: <http://www.oblrada.pl.ua/ses/7/19/717-.pdf>

⁵⁹⁸ Decision of the Chernihiv Oblast Council "On Adoption of the Procedure for Approval of Subsoil Licenses by the Chernihiv Oblast Council" No. 34-12 / VII dated 28 March 2018, available at:

https://chor.gov.ua/images/Razdely/Norm_docum/Rishennia/7_skykannia/12_sesiya/Dodatok_34.pdf

⁵⁹⁹ See Draft Procedure for Consideration by the Regional Council of Issues on Subsoil Use in the Ivano-Frankivsk Region, the data from the official website of the Ivano-Frankivsk Regional Council, available at: http://www.orada.if.ua/fileadmin/documents/Reguljatorna_polityka/Rehulyatornyy_akt_po_nadrakh_2.pdf.

community of the locality where the mineral deposit is located⁶⁰⁰. At the same time, the availability of such an agreement is a prerequisite for the Regional Council to consider approval of issuing a mining allotment.

- ▶ Provide the local councils that would endorse the relevant documents with non-binding guidelines on the conclusion of such agreements:
 - ▶ The Kirovohrad Regional State Administration has published on its website the Recommended Procedure for subsoil use approvals to business entities⁶⁰¹, including, among others, the recommendation to consider their investment proposals (intentions and/or commitments) and social agreements;
- ▶ Make decisions on each of the approvals separately (the reason for the approval in this case may be, for example, the actual payment of taxes to the region's budget, job creation, etc., instead of the existence of an agreement with the community⁶⁰²).

Typically, mass media reports on agreements that include social expenditures by extractive companies do not include explanations as to whether such agreements were concluded with the aim to obtain approvals from local governments of specific licenses⁶⁰³. In 2017, legislation did not oblige extractive companies to publish their social and economic agreements with local communities or to indicate the motivation for their conclusion (in particular, whether this was a condition for obtaining certain licenses).

Summary:

Regulatory regime of extractive activities is complicated and was historically not transparent enough, particularly at the license awarding stage.

Throughout 2017, Ukraine joined the Global Register of Beneficiary Owners, which is a positive step towards transparency of disclosure of companies' owners that hold subsoil licenses. At the same time, in 2017, the list of grounds for awarding licenses without an auction was expanded, which was inconsistent with the reduction of the above list in previous years.

More significant changes towards increasing transparency and simplification of permitting procedures in the extractive industry and disclosure of the terms and conditions of mining agreements took place in 2018-2019, including the following:

- ▶ Adoption of the EITI Law that implements EITI in Ukraine starting from 2018 as the first mandatory reporting period;

⁶⁰⁰ Para. 2.12 of the Draft Procedure for Consideration by the Regional Council of the issues on Subsoil Use in Ivano-Frankivsk Region.

⁶⁰¹ See Kirovograd Regional State Administration's official website, available at: http://prom.kr-admin.gov.ua/nadrokor_dozvil.html.

⁶⁰² For example, see the situation with the approval of the issuance of licenses without concluding social contracts or imposing obligations on mining companies by local communities: http://kurs.if.ua/news/try_kariery_bez_osoblyvyh_umov_pogodyla_na_prykarpatti_ekologichna_komisiya_oblrady_35508.html.

⁶⁰³ E.g., see <http://petrovo.kr-admin.gov.ua/1652-pidpisano-ugodu-pro-sotsialno-ekonomichne-partnerstvo.html>, <http://styknews.info/novyny/ekonomika/2013/04/22/dtek-ta-ivano-frankivska-oda-pidpysaly-ugodu-pro-sotspartnerstvo-na-72-m>, <http://www.gorodok-vlada.gov.ua/node/26424>

- ▶ Implementation of a pilot project for tendering subsoil licenses via electronic auctions;
- ▶ Amendments to a number of regulatory acts regarding simplification of permitting procedures in the oil and gas industry (abolishment of mining allotment for the oil and gas sector, cancellation of a number of approvals, etc.);
- ▶ Introduction of an environmental impact assessment procedure, which envisages involvement of the public in preparing an opinion on admissibility of mining activities; the EIA materials and results shall be published in the Unified EIA Register. The criteria for taking the community opinion into account are not established by law;
- ▶ The pilot launch of a subsoil user's electronic cabinet, which, after its full implementation, should provide subsoil users with simplified access to the information on mineral resources, subsoil use conditions, project documentation, etc., as well as the possibility to register applications for obtaining public services: obtaining geological information, licenses, etc.

At the same time, there is still a pressing need for further change to improve the transparency in extractive industries, including:

- ▶ Public disclosure of information on data used to determine prices for licenses;
- ▶ Clear identification of financial and technical criteria applied to license applicants;
- ▶ Simplification of access to material payments of extractive companies, including the tax payments (currently, the access to the SFS database related to such payments involves certain technical issues);
- ▶ Resolving the issue of arranging auctions for the sale of licenses for the use of subsoil through electronic auction or further decrease of the list of grounds to obtain a license through an off-auction procedure;
- ▶ Strengthened role of the local community in relations with extractive companies, in particular, by empowering them with more mechanisms of control over the companies' activities concerning local community interests (especially since partial participation in the development of local infrastructure will be abolished from 2021), developing a unified approach to concluding agreements on cooperation between communities and extractive companies, disclosing their texts, and public control over implementation of such agreements.

6.7. Budget process in Ukraine

The Budget Code of Ukraine sets out the detailed procedure for preparation, adoption, execution, reporting on execution of the State and municipal budgets, as well as control over compliance with budget laws ("budget process"). In 2017 the budget process consisted of the four stages⁶⁰⁴:

- ▶ *Preparation, consideration and approval of the draft state budget*
- ▶ First, the Ministry of Finance jointly with other central executive bodies prepared and the CMU consented to the Budget Policy Guidelines in accordance with the budgetary policy priorities, determined in the annual address of the President of Ukraine to the Parliament, on the internal and external position of Ukraine, and then the Parliament approved it;
- ▶ After the Budget Policy Guidelines are approved, the state authorities and institutions that are state funds' managers prepared and submitted to the Ministry of Finance their budget requests with proposals and justifications of the amounts of state funds necessary for their activities;
- ▶ Based on the analysis of budget requests, the Ministry of Finance developed a draft State budget;
- ▶ The CMU approved the draft State Budget and submitted it with appropriate supporting documents to the Parliament and the President of Ukraine no later than on 15 September of the year preceding the year in planning;
- ▶ The Parliament considered and approved the Law on State Budget of Ukraine under a special procedure⁶⁰⁵ during three readings by 1 December of the year preceding the year in planning⁶⁰⁶. The Law on the State Budget was signed by the President of Ukraine.

In 2017, in order to implement the medium-term budget planning in the following years, the amendments were made, which obliged the Ministry of Finance to elaborate and submit by 01 June 2017 to the CMU a revamped forecasted State Budget of Ukraine for 2018 and 2019 and draft of the Main Budgetary Policies for 2018-2020. The CMU was to review and approve the documents within two weeks of their submission.⁶⁰⁷

- ▶ *Preparation, consideration and approval of the draft local budget*
- ▶ Within a week from the date of approval by the CMU of the draft State Budget, the Ministry of Finance ensured that the local state administrations and executive bodies of relevant local councils receive the calculations of the forecast amounts of interbudget transfers, their calculation methods, organizational and methodological requirements, and other indicators for preparing draft local budgets;

⁶⁰⁴ Article 19 of the Budget Code

⁶⁰⁵ Chapter 27 of the Law of Ukraine "On the Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine" No 1861-VI dated 10 February 2010, available at: <http://zakon3.rada.gov.ua/laws/show/1861-17>.

⁶⁰⁶ In practice, however, the deadlines are often not met. For example, the Law on State Budget for 2017 was adopted on 21 December 2016, for 2018 - on 07 December 2017.

⁶⁰⁷ Law of Ukraine "On Amendments to Section VI "Final and Transitional Provisions" of the Budget Code of Ukraine on Introduction of Medium-Term Budget Planning" No. 1974-VIII of 23 March 2017, available at: <https://zakon.rada.gov.ua/laws/show/1974-19#n2>

- ▶ Local state administrations, executive bodies of relevant local councils prepared draft local budgets and draft decisions on relevant local budgets;
- ▶ Prior to consideration of the draft decision on the local budget at the session of the respective local council, it was approved by the local state administration or the executive body of the respective local council;
- ▶ Local budgets were approved by the decision of the relevant local council before December 25 of the year preceding the year in planning;
- ▶ Within two weeks after the official publication of the Law on the State Budget, the volume of inter-budget transfers was adjusted in accordance with the approved state budget.

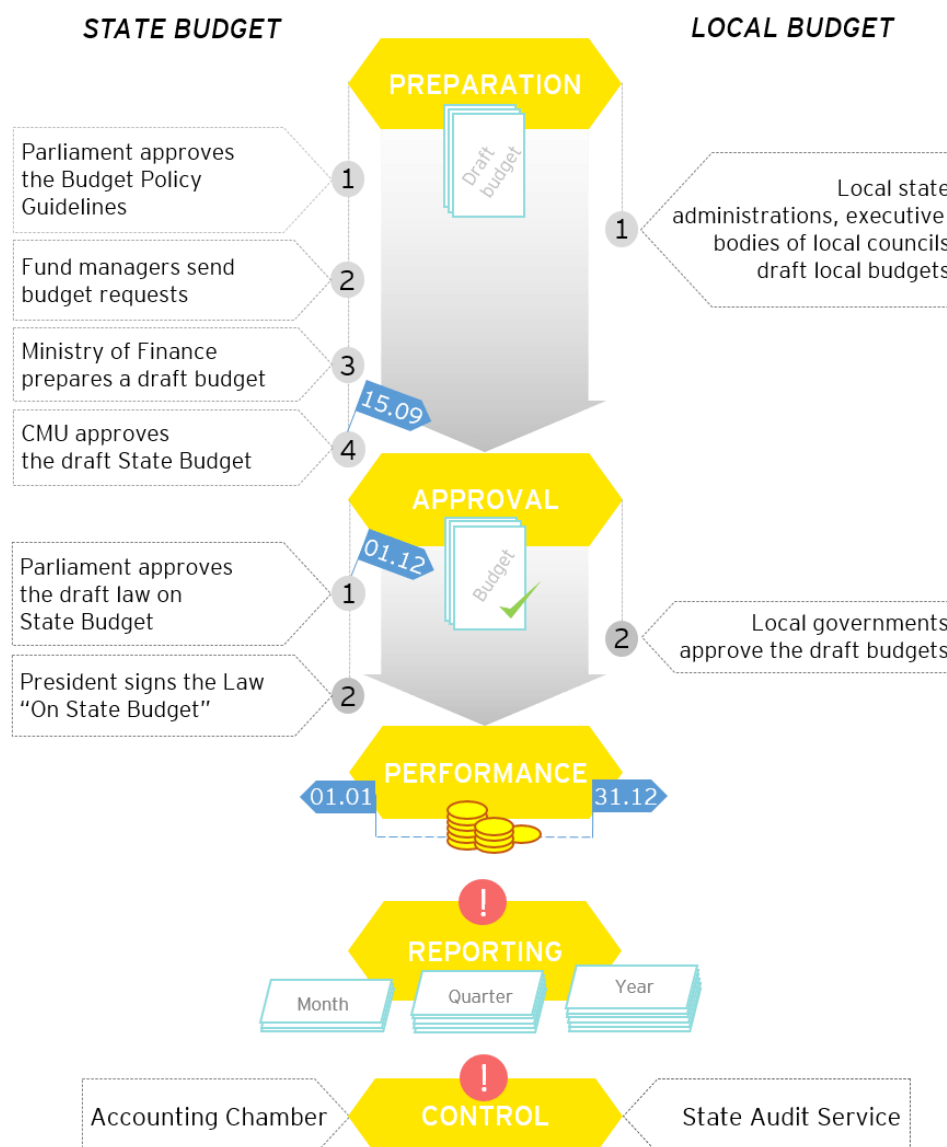


Figure 6-25: Budget process in Ukraine

- ▶ Execution of budgets and amendments to them
- ▶ Budget should be executed from January 01 to December 31 of the calendar year according to the schedule (annual, quarterly, monthly);

- ▶ The State Budget could be amended by the Parliament at the initiative of the President of Ukraine, MPs, or the CMU in cases specified by the budget law, including when there is an observable deviation from the forecast indicators considered when approving the State Budget.⁶⁰⁸ The draft law amending the Law on the State Budget was considered by the Parliament subject to availability of an expert opinion of the Ministry of Finance;
- ▶ From 2017, the amendments to the Law “On the State Budget of Ukraine” should be made exclusively by the Laws on amendments to the Law “On the State Budget of Ukraine”⁶⁰⁹.
- ▶ The decision to amend a local budget could be adopted by the relevant local council on the basis of the official opinion of the local financial authority.
 - ▶ *Preparation and review of the budget execution report*
- ▶ The state and local budgets execution reports were prepared on a monthly, quarterly and annual basis⁶¹⁰. Specific features of each type of the reports were established by the budget law;
- ▶ The CMU submitted the Annual Report on the implementation of the State budget to the President of Ukraine, the Parliament, and the Accounting Chamber no later than 1 April of the year following the reporting year. Within two weeks, the Accounting Chamber prepared and submitted its findings on the use of the state funds to the Parliament, also assessing the efficiency of such use, and providing recommendations on how to tackle the identified violations. The Parliament considered the Annual Report on Budget Execution under a special procedure⁶¹¹.

At all stages of the budget process, state funds were audited and analyzed in terms of their efficiency and compliance with the budget legislation. Control over the state revenues and expenditures and their use was exercised by the Accounting Chamber⁶¹², which published the respective reports on its website⁶¹³. Using the Public Fund's Single Web Portal, it is also possible to track the state public expenses in real time (it is possible to search for public funds' managers, specific transactions, regions, etc.).

The state financial control designed to verify the compliance with budget legislation, including the audit of legitimate and effective use of state or municipal funds and property and the implementation of budget programs should be performed by the State Audit Service of Ukraine⁶¹⁴.

⁶⁰⁸ Article 160 of the Law of Ukraine “On the Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine”, available at <https://zakon.rada.gov.ua/laws/show/1861-17/>, Article 52 of the Budget Code of Ukraine, available at: <https://zakon.rada.gov.ua/laws/show/1789-19/>.

⁶⁰⁹ Article 7 of the Law of Ukraine “On introducing amendments to the Budget Code of Ukraine” dated 20 December 2016 No. 1789-VIII, available at: <https://zakon.rada.gov.ua/laws/show/1789-19/>

⁶¹⁰ Article 58 of the Budget Code of Ukraine.

⁶¹¹ Articles 161-162 of the Law of Ukraine “On the Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine”.

⁶¹² The Law of Ukraine “On the Accounting Chamber” No. 576-VIII of 2 July 2015, available at: <https://zakon.rada.gov.ua/laws/show/1861-17#n1283>.

⁶¹³ Available at: <https://rp.gov.ua/FinControl/FinReports/?id=342>

⁶¹⁴ Regulation on the State Audit Service of Ukraine approved by the Resolution of the CMU No. 43 dated 3 February 2016, available at: <http://zakon4.rada.gov.ua/laws/show/43-2016-%D0%BF>

Summary:

The procedures for preparing, approving, performing and reporting on the performance of the state and local budgets, as well as the control over compliance with budget laws is regulated by the Budget Code of Ukraine.

For budget process quite common was severe centralization of decision-making in the budget process and inability to trace the use of specific payments from the extractive companies upon their transfer to the budgets. This reduces the ability of local communities to cover their needs and may discourage the communities to cooperate with extractive companies.

Nevertheless, the most recent trends in decentralization of state revenues (in particular, transfer of 5% of the production royalty for hydrocarbon to local budgets starting from 1 January 2018) is a positive step.



7. Reconciliation of tax and other payments



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Report of factual findings

Ministry of Energy and Environmental Protection of Ukraine,

EY was selected as the Independent Administrator to prepare the 2017 Ukraine EITI Report in accordance to the agreement with the Ministry of Energy and Environmental Protection of Ukraine and the Statement of Work.

This Report of factual findings summarizes results of reconciliation of tax and other payments to the state made by extractive companies in 2017. Results of performed procedures are provided in **Sections 7.1-7.4** below.

Considering that procedures, performed by EY, do not constitute audit or a review of the financial statements in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on taxes and other payments to the state made by extractive companies in 2017.

Our report was prepared solely for the purpose as set forth in the first paragraph of this report and relates only to the amounts of tax and other payments to the state made by extractive companies as specified in **Sections 7.1-7.4** below and does not extend to any financial statements of the extractive companies in Ukraine.

Ernst & Young Audit Services LLC

June 02, 2020

7.1 Determining the scope of reconciliation in the EITI Report

7.1.1 Determining the list of extractive industries for reconciliation in the EITI Report

The list of extractive industries whose payments to the state in 2017 were significant was determined based on the information received from the State Tax Service ⁶¹⁵ (**Table 7.1**).

According to the STS data, four mining sectors (extraction of oil and natural gas, coal and iron ores mining), as well as oil and natural gas transportation account for 97.34% of taxes and other payments to the state from extractive industries in 2017 year. Due to the economic significance of the titanium and manganese ores industries, as well as the government's plans to privatize the key titanium enterprises in Ukraine, the members of the MSG have decided (the Minutes of the MSG of November 22, 2019) to include them in the scope of reconciliation in the EITI Report 2017, despite the fact that the government revenues from these industries are relatively immaterial.

Table 7.1: Tax and other payments from the companies of extractive industries to the state in 2017

NACE (KVED - 2010)	Type of economic activity	Tax and other payments to the state in 2017	
		UAH thousand	% of total payments by the companies of extractive industries
05.10	Coal mining	7,628,175.17	7.52%
06.10	Extraction of crude oil	12,585,686.94	12.41%
06.20	Extraction of natural gas	59,840,597.09	58.99%
07.10	Mining of iron ores	6,920,905.77	6.82%
07.29	Mining of other non-ferrous metal ores	862,578.29	0.85%
08.11	Quarrying of ornamental and building stone, limestone, gypsum, chalk and slate	1,210,975.84	1.19%
08.12	Extraction of sand, gravel, clay and kaolin	628,447.04	0.62%
49.50	Pipeline transportation	11,760,921.64	11.59%
Total		101,438,287.78	100%

Therefore, the scope of reconciliation in the EITI Report of Ukraine for 2017 included the following extractive industries:

- ▶ coal mining;
- ▶ extraction of crude oil;
- ▶ extraction of natural gas;
- ▶ mining of iron ores;

⁶¹⁵ In order to determine the list of the reporting extractive industries, a request was made to the STS on the payments to the state by extractive industries (types of economic activity in KVED-2010). Then, in order to determine the list of material types of payments and reporting companies, a request was made to the STS on individual companies. The list of such companies was made up based on the special permits for the use of subsoil database of the Geology Service, rather than the core activity of the companies (according to KVED-2010). That is why the aggregate revenues for the benefit of the state calculated based on the query by industry and based on the query by company, are different.

- ▶ transportation of oil and natural gas;
- ▶ extraction of titanium ores;
- ▶ extraction of manganese ores

According to the STS, the companies selected for reconciliation of the seven extractive industries (hereinafter referred to as reporting industries) paid UAH 99,598,864.90 thousand to the state in 2017, which made up 98.19% of the total payments made by the extractive industries to the government.

7.1.2 Determining the list of types of payments for reconciliation in the EITI Report

The list of significant types of payments from the reporting industries to be covered by the reconciliation was determined based on the information on government revenues from extractive industries, provided by the three state bodies (in accordance with the decision of the MSG of November 22, 2019):

- ▶ STS;
- ▶ Ministry of Economy;
- ▶ Derzhgeonadra (Geology Service).

The table (**Table 7.2**) includes the information on government revenues from all companies of reporting extractive industries. The list of the companies the information on which was requested from the state bodies for the purposes of preparation of the EITI Report was made up based on the list of companies that had special permits for the use of subsoil. The source of such information is the Derzhgeonadra, specifically, the database of special permits posted on the official site of Geoinform of Ukraine SRPE, which is open and publicly available.

In accordance with the requirements of the EITI Standard, including Instruction No. 13 (on determining the materiality, reporting thresholds and reporting entities), a list of material types of payments for their inclusion in the scope of reconciliation was determined on the basis of the analysis of information on payments by type of payment:

1. Personal income tax;
2. Corporate income tax;
3. Production royalty, including:
 - ▶ production royalty for natural gas extraction;
 - ▶ production royalty for oil extraction;
 - ▶ production royalty for mineral resources of national importance;
 - ▶ production royalty for gas condensate extraction;
4. Value added tax, including:
 - ▶ Value added tax on goods and services produced in Ukraine;
 - ▶ Budget reimbursement of value added tax;
 - ▶ Value added tax on goods imported into Ukraine;
5. Unified contribution for mandatory state social insurance, unified social contribution (USC).

According to the decision of the MSG (Minutes of the meeting of the MSG of November 22, 2019), three additional types of payments were included in the scope of reconciliation in EITI Report for 2017:

- ▶ Due to their importance for local budgets:
 - Land fee (land tax and rent from legal entities);
 - Environmental tax;
- ▶ Due to their importance for disclosure of the relationship between the public sector enterprises and the state:
 - Dividends and payment of a share of net profit (share of the net profit (income) of business organizations, paid to the state / local budgets; dividends (income) accrued on shares (stakes) of the business associations, share capital of which includes state-owned share);
- ▶ Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits.

Also, in accordance with the same decision of the MSG on November 22, 2019, the “Excise tax on excise goods (products) produced in Ukraine” was excluded from the list of material tax payments as having no direct relation to the extraction of minerals. Revenues from excise tax on excisable goods (products) produced in Ukraine in 2017 amounted to UAH 2,482,014.98 thousand, or 1.71%. Therefore, the amount of receipts of this type of payment is not significant and does not affect the completeness of the reconciliation.

Table 7.2: Tax and other payments from all companies of the reporting extractive industries to the state in 2017

Payment code according to the budget classification	Name of payment	Paid by extractive companies	
		UAH thousand	%
13030800	Production royalty for natural gas extraction	33,033,722.05	22.71%
11020100-11021900	Corporate income tax	25,530,828.02	17.56%
14060100	Value added tax, including: <ul style="list-style-type: none"> • Value added tax on goods and services produced in Ukraine • Value added tax on goods imported into Ukraine • Budget reimbursement of value added tax 	35,499,533.17	24.41%
14070000		17,606,887.62	12.11%
14060200		-11,151,051.26	-7.67%
21010100, 21010500	Dividends and payment of a share of net profit	13,658,989.17	9.39%
-	Unified social contribution	6,816,522.72	4.69%
11010100-11010500	Personal income tax	6,223,007.78	4.28%
13030700	Production royalty for oil extraction	4,738,715.17	3.26%
13030100	Production royalty for mineral resources of national importance	3,237,695.28	2.23%

Payment code according to the budget classification	Name of payment	Paid by extractive companies	
		UAH thousand	%
13030900	Production royalty for gas condensate extraction	3,053,322.67	2,10%
22012100	Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits	1,694,533.98	1,17%
18010500-18010600	Land fee (land tax and rent from legal entities)	1,254,099.22	0,86%
19010100-19010400	Environmental tax	727,525.05	0,50%
Total, material types of payments		141,924,330.65	97.59%
Immaterial types of payments (about 40 types of payments)		3,506,125.18	2.41%
Total, all types of payments		145,430,455.83	100%

Therefore, the total amount of payments from the companies of the reporting extractive industries by material types of payments in 2017 amounted to UAH 141,924,330.65 thousand UAH or 97.59% of the total payments from the companies of reporting industries.

The scope of reconciliation in the EITI Report of Ukraine for 2017 includes the following types of payments:

1. Personal income tax;
2. Corporate income tax;
3. Production royalty, including:
 - ▶ production royalty for natural gas extraction;
 - ▶ production royalty for oil extraction;
 - ▶ production royalty for mineral resources of national importance;
 - ▶ production royalty for gas condensate extraction;
4. Value added tax, including:
 - ▶ Value added tax on goods and services produced in Ukraine;
 - ▶ Budget reimbursement of value added tax;
 - ▶ Value added tax on goods imported into Ukraine;
5. Unified contribution for mandatory state social insurance, unified social contribution (USC).
6. Land fee (land tax and rent from legal entities);
7. Environmental tax;
8. Dividends and payment of a share of net profit;
9. Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits.

All material types of payments except USC go to the state budget or the budgets of other levels (the proportions in which the revenues are distributed between the budgets of different levels are described in **Section 6.5**).⁶¹⁶ The USC is not transferred to the state budget or the budgets of other levels and is allocated for the types of the compulsory state social insurance in proportions approved by the CMU (for details, please see **Section 6.5**)⁶¹⁷.

As noted above, the information on taxes and other payments from extractive companies to the state in 2017 were received from the STS, the Ministry of Economy and Derzhgeonadra (Geology Service):

- ▶ The **STS** administers and controls the collection of taxes, duties, fees and the USC, and hence possesses the information on the majority of revenues to the state;
- ▶ **The Ministry of Economy** provides the flow of dividends (income) accrued on shares (stakes) of business associations, share capital of which includes state-owned share (budget classification code 21010500) to the state budget;
- ▶ **Derzhgeonadra (Geology Service)** provides the flow of fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits (budget classification code 22012100) to the state budget.

The abovementioned state bodies are not involved in collecting the relevant payments, since the money is paid directly to the budget accounts in the Treasury of Ukraine.⁶¹⁸ Instead, these state bodies must ensure full and timely flow of revenues to the state budget by the budget classification codes.⁶¹⁹

The information on the payments to the state from all companies of reporting extractives companies in 2017 by the state bodies that provided such information for the preparation of the EITI Report is shown in the table below (**Table 7.3**).

Table 7.3: Proceeds from all companies of reporting extractive industries for the benefit of the state received in 2017, by the government agencies that administer the collection of budget revenues

State body	Payment name and budget classification code	Amount of payment in 2017, UAH thousand
STS	1. Personal income tax (11010100-11010500) 2. Corporate income tax (11020100-11021900) 3. Production royalty (13030100, 13030700, 13030800, 13030900) 4. Value added tax (14060100, 14060200, 14070000) 5. USC 6. Land Fee (18010500-18010600) 7. Environmental tax (19010100-19010400)	130,149,427.85

⁶¹⁶ The Budget Revenue Classification approved by the Ministry of Finance Order No. 11 of 14.01.2011 "On Budget Classification", <https://zakon.rada.gov.ua/rada/show/v0011201-11#n25>

⁶¹⁷ The proportions in which the USC is distributed are approved by CMU Resolution No. 675 of 26.11.2014 "On Approving the Proportions of Distributing a Unified Contribution to Mandatory State Social Insurance", <https://zakon.rada.gov.ua/laws/show/675-2014-n>

⁶¹⁸ Parts 2, 4 of Article 45 of the Budget Code of Ukraine

⁶¹⁹ The so-called agencies that control the collection of budget revenues. See paragraph 39, Part 1 of Article 2, Part 3 of Article 45 of the Budget Code of Ukraine. The list of budget classification codes by the agencies that control the collection of budget revenues is approved by the CMU Resolution No. 106 of 16.02.2011 "Some issues of accounting of taxes, fees, payments and other budget revenues", access mode: <https://zakon.rada.gov.ua/laws/show/106-2011-%D0%BF>

State body	Payment name and budget classification code	Amount of payment in 2017, UAH thousand
	8. Share of the net profit (income) of business organizations, paid to the state / local budgets (21010100-21010300) 9. Other payments not identified as material	
Ministry of Economy	Dividends (income) accrued on shares (stakes) of business associations, share capital of which includes state-owned share (21010500)	13,586,494.00
Derzhgeonadra (Geology Service)	Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits (22012100)	1,694,533.98
Total		145,430,455.83

7.1.3 Determining the list of reporting companies for reconciliation in the EITI Report

The list of the companies of the reporting extractive industries was made based on the open public sources of data related to the register of subsoil users in Ukraine, including the database of special permits of the Derzhgeonadra, published on the official site of the Geoinform of Ukraine SRPE. Overall, 1,101 mining companies were included in the list (including branches and separated units of the holders of special permits). According to the data of the state bodies (STS, Ministry of Economy, Derzhgeonadra), the amount of payments from these companies to the state amounted to UAH 145,430,455.83 thousand for all types of payments in 2017, of which UAH 141,924,330.65 thousand were material types of payments.

In the structure of the total revenues to the state from the extractive industries, the largest share is oil and gas extraction⁶²⁰ - UAH 126,456,221.63 thousand or 86.95% of the total amount. Metal ores mining⁶²¹ accounted for UAH 10,893,956.91 thousand or 7.49% of the total revenues, coal mining - UAH 8,080,277.29 thousand or 5.56%.

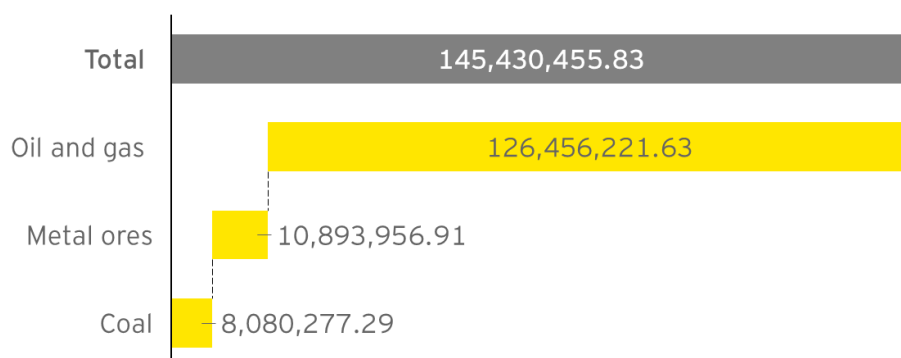


Figure 7-1: Payments from the companies of reporting extractive companies to the state in 2017, thousand UAH

⁶²⁰ For the purposes of payment reconciliation, the companies that belong to the sectors "Extraction of crude oil", "Extraction of natural gas", "Transportation of oil and natural gas" were grouped into one category - "oil and gas companies" or the companies of "Oil and gas" industry

⁶²¹ For the purposes of payment reconciliation, the companies that belong to the sectors "Iron ores mining", "Manganese ores mining" and "Titanium ores mining" were grouped into one category - "Metal ores" industry

The main steps in assessing the materiality of the payments to the state and identifying the material types of payments and reporting companies included into the scope of the reconciliation are presented below.

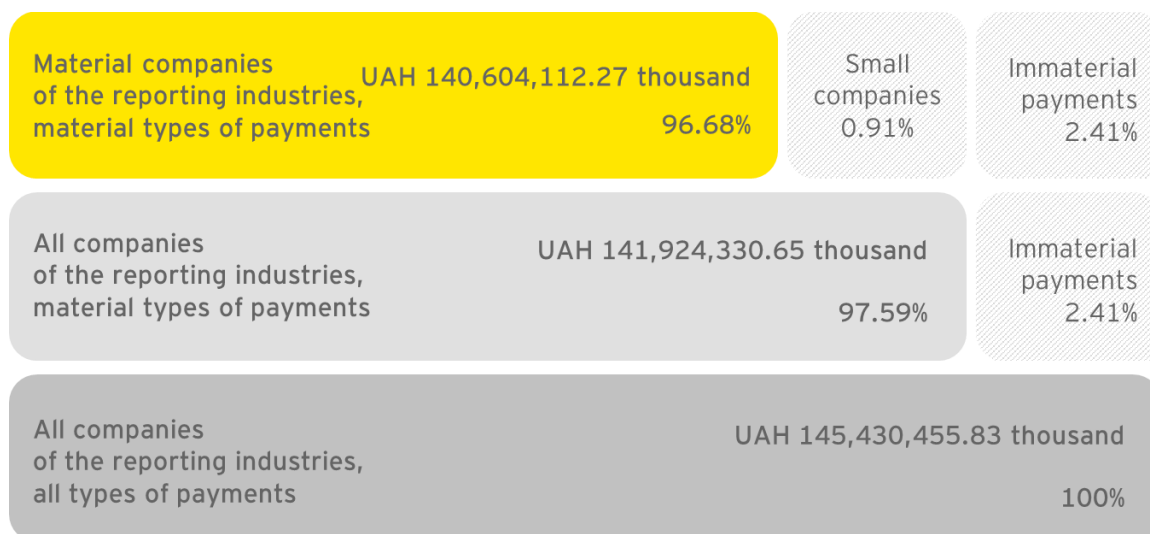


Figure 7-2: Determining the materiality of payments from extractive companies covered by the reconciliation of payments in the EITI Report for 2017

According to the decision of the MSG (Minutes of the meeting of the MSG of November 22, 2019), the threshold of materiality of payments to the state was adopted for determining the reporting companies at the level of UAH 85 million. Based on the results of the feasibility analysis and the assessment of materiality of revenues in accordance with the requirements of the EITI Standard, and taking into account the adopted materiality threshold, the scope of reconciliation in the EITI Report for 2017 included 53⁶²² companies, whose payments to the state were determined material (hereinafter - reporting companies). According to state bodies, in 2017, the reporting companies paid UAH 140,604,112.27 thousand to the state by the material types of payments. For the list of the reporting companies, please see **Appendix 1**.

The list of material types of payments includes a budget reimbursement of value added tax that is shown as a negative number. According to the STS data, the budget reimbursement of value added tax to the reporting companies amounted to UAH (11,091,734.11) thousand. Without the budget reimbursement of value added tax, the amount of payments from the reporting companies by material types of payments amounted to UAH 151,695,846.38 thousand.

The payments from the reporting companies, excluding budget reimbursement of value added tax, are presented in **Table 7.4**, and the amount of budget reimbursement of value added tax in **Table 7.5**.

⁶²² The feasibility assessment report identified 54 companies, however the analysis of the payments to the state revealed that Joint activity agreement of 21.07.1997 No. 23-3 / 97-84B-97 - the authorized entity Gaz-MDS LLC (24253556) was not engaged in any extractive activities in 2017, all tax payments were paid by Gaz-MDS LLC. Since Gaz-MDS LLC was not directly engaged in extraction of minerals, the payments of the company were not included in reconciliation

**Table 7.4: Payments from reporting companies to the state by material types of payments in 2017
(excluding budget reimbursement of value added tax)**

EDRPOU code / tax number	Name of the company	Industry	Payments by material types of payments ⁶²³	
			UAH thousand	% of total payments by significant types of payments from reporting industries
Oil and gas:			122,539,392.85	80.05%
30019775	Ukrgezvydobuvannya JSC	Oil and gas	50,883,019.21	33.24%
20077720	Naftogaz of Ukraine NJSC	Oil and gas	36,145,471.84	23.61%
135390	Ukrnafta PJSC	Oil and gas	11,071,348.89	7.23%
32377038	Naftogazvydobuvannia PrJSC	Oil and gas	4,663,568.07	3.05%
30732144	Energy Service company Esco-Pivnich LLC	Oil and gas	2,217,344.03	1.45%
33152471	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	Oil and gas	1,676,101.59	1.09%
33100376	Pryrodni Resursy PrJSC	Oil and gas	1,192,736.82	0.78%
20041662	Poltava Petroleum Company JV	Oil and gas	772,020.38	0.50%
30694895	Cub-Gaz LLC	Oil and gas	630,370.41	0.41%
25635581	Ukrgezvydobutok PrJSC	Oil and gas	386,646.47	0.25%
36050166	Persha ukraiinska gazonaftova kompaniia LLC	Oil and gas	355,238.09	0.23%
26333503	Representative Office of Regal Petroleum Corporation Limited	Oil and gas	309,313.40	0.20%
35602704	Nadra-Geoinvest LLC	Oil and gas	278,971.36	0.18%
24186185	Energija-95 LLC	Oil and gas	263,331.03	0.17%
38203132	Systemoilingenering LLC	Oil and gas	186,752.45	0.12%
403742858	Joint activity agreement of 28/11/2000 No. 1- Д21/008/2000 - authorized entity Poltava branch of Devon PrJSC (26002442)	Oil and gas	175,136.35	0.11%
23152126	Joint Venture Ukrkarpatoil LTD LLC	Oil and gas	165,736.75	0.11%

⁶²³ Excluding VAT reimbursed from the budget in cash

EDRPOU code / tax number	Name of the company	Industry	Payments by material types of payments ⁶²³	
			UAH thousand	% of total payments by significant types of payments from reporting industries
23703371	Kashtan Petroleum LTD JV	Oil and gas	143,377.99	0.09%
31747429	Prom-Energo Product LLC	Oil and gas	120,458.11	0.08%
33862865	Nordik Private Enterprise	Oil and gas	103,892.21	0.07%
534663345	Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	Oil and gas	98,183.77	0.06%
30019801	Ukrtransgaz JSC	Oil and gas	9,438,560.42	6.17%
31570412	Ukrtransnafta JSC	Oil and gas	41,261,813.20	0.82%
Metal ores:			21 611 784,76	14,12%
24432974	ArcelorMittal Kryvyi Rih PJSC	Metal ores	7,590,448.35	4.96%
191023	Northern Mining and Processing Plant JSC	Metal ores	3,038,407.49	1.98%
191000	Southern Mining and Processing Plant JSC	Metal ores	2,694,051.64	1.76%
190905	Ingulets Iron Ore Enrichment Works PrJSC	Metal ores	1,495,227.27	0.98%
191282	Ferrexpo Poltava mining PrJSC	Metal ores	1,435,549.76	0.94%
190977	Central Iron Ore Enrichment Works PrJSC	Metal ores	1,398,165.88	0.91%
191307	Krivoj Rog`s Iron-Ore Combine PJSC	Metal ores	1,291,905.47	0.84%
191218	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Metal ores	666,255.03	0.44%
191329	Suha Balka PrJSC	Metal ores	330,311.41	0.22%
35713283	Ferrexpo Yeristovo mining LLC	Metal ores	317,986.86	0.21%
36716128	United Mining and Chemical Company JSC	Metal ores	864,295.61	0.56%
190928	Pokrovskiy GZK JSC	Metal ores	309,421.25	0.20%
190911	Marganets GZK JSC	Metal ores	179,758.74	0.12%

EDRPOU code / tax number	Name of the company	Industry	Payments by material types of payments ⁶²³	
			UAH thousand	% of total payments by significant types of payments from reporting industries
Coal:			7,544,668.77	4.93%
178353	DTEK Pavlogradugol PrJSC	Coal	3,536,344.77	2.31%
13498562	Shakhtoupravlinnia Pokrovske PJSC	Coal	1,013,559.31	0.66%
37014600	DTEK Dobropolyeugol LLC	Coal	463,734.33	0.30%
33426253	Selydivvuhillia SE	Coal	344,082.04	0.22%
32323256	Lvivvuhillia SE	Coal	328,410.51	0.21%
5508186	DTEK Mine Komsomolets Donbassa PrJSC	Coal	257,011.23	0.17%
37713861	DTEK Rovenkyanthracite LLC	Coal	232,258.34	0.15%
37596090	DTEK Sverdlovanthracite LLC	Coal	205,843.23	0.13%
31599557	Vuhilna kompaniia Krasnolymanska SE	Coal	205,167.50	0.13%
32087941	Myrnohradvuhillia SE (Krasnoarmiskvuhillia SE)	Coal	190,417.96	0.12%
32320594	Pervomaiskvuhillia SE	Coal	151,659.16	0.10%
32359108	Lysychanskvuhillia PJSC	Coal	130,242.36	0.09%
33839013	Toretskvuhillia SE	Coal	110,588.67	0.07%
34032208	Shakhtoupravlinnia Pivdennodonbaske No 1 SE	Coal	107,440.38	0.07%
40695853	Mine named after M. S. Surgai SE	Coal	94,837.65	0.06%
32363486	Krasnodonvuhillia PrJSC	Coal	87,963.05	0.06%
34181461	DV Naftohazovydobuvna kompaniia LLC	Coal	85,108.27	0.06%
Total reporting companies (included in reconciliation)			151,695,846.38	99.10%
Other companies (not included in reconciliation)			1,379,535.53	0.90%
TOTAL COMPANIES OF REPORTING INDUSTRIES			153,075,381.91	100%

Table 7.5: The amount of budget reimbursement of value added tax by the reporting companies in 2017

EDRPOU code / tax number	Name of the company	Industry	Amount of budget reimbursement of value added tax, UAH thousand
24432974	ArcelorMittal Kryvyi Rih PJSC	Metal ores (iron)	(6,108,800.14)
191000	Southern Mining and Processing Plant JSC	Metal ores (iron)	(645,609.29)
190977	Central Iron Ore Enrichment Works PrJSC	Iron ore	(935,266.61)
191282	Ferrexpo Poltava mining PrJSC	Iron ore	(1,915,714.01)
190905	Ingulets Iron Ore Enrichment Works PrJSC	Iron ore	(61,917.23)
191307	Krivoj Rog`s Iron-Ore Combine PJSC	Iron ore	(61,594.59)
191218	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	Iron ore	(43,032.54)
191329	Suha Balka PrJSC	Iron ore	(378,137.81)
35713283	Ferrexpo Yeristovo mining LLC	Iron ore	(657,565.00)
36716128	United Mining and Chemical Company JSC	Titanium ores	(188,802.39)
190911	Marganets GZK JSC	Manganese ores	(95,294.51)
Total			(11,091,734.11)

Table 7.6: Payments from reporting companies to the state by significant types of payments⁶²⁴ and industries in 2017, thousand UAH

Budget classification code	Name of budget classification	Oil and gas	Metal ores	Coal	TOTAL BY TYPE OF PAYMENTS
13030100, 13030700, 13030800, 13030900	Production royalty	40,420,906.19	2,824,390.70	322,405.12	43,567,702.01
14060100	Value added tax on goods and services produced in Ukraine	34,050,926.74	41,269.02	1,138,531.30	35,230,727.06
11020100- 11021900	Corporate income tax	16,474,961.41	7,425,796.22	1,570,059.80	25,470,817.43
14070000	Value added tax on goods imported into Ukraine	12,211,563.66	4,947,860.22	375,932.22	17,535,356.10
21010100- 21010302, 21010500	Dividends and payment of a share of net profit	13,264,494.50	382,078.20	12,263.11	13,658,835.81
	Unified social contribution	2,287,223.61	2,149,821.30	2,150,330.62	6,587,375.53
11010100- 11010500	Personal income tax	2,326,516.23	1,876,016.25	1,830,182.70	6,032,715.17
22012100	Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits	1,181,617.29	464,176.29	14,723.68	1,660,517.26
18010500- 18010600	Land fee (land tax from legal entities; rent from legal entities)	270,762.14	898,850.30	58,176.93	1,227,789.36
19010100- 19010400	Environmental tax	50,421.08	601,526.28	72,063.29	724,010.65
14060200	Budget reimbursement of value added tax	0.00	(11,091,734.11)	0.00	(11,091,734.11)
TOTAL BY INDUSTRIES		122,539,392.85	10,520,050.65	7,544,668.77	140 604,112.27

⁶²⁴ Including budget reimbursement of value added tax

7.2 Summary of payments reconciliation

7.2.1 Completeness of reconciliation

In the process of collecting data from the reporting companies on their operations and the amount of tax and other payments, responses were received from 48 out of 53 companies subject to reconciliation in the EITI Report for 2017. Of these, 5 companies, because of objective reasons, did not provide information on the amount of payments to the state,⁶²⁵ and 43 companies provided information about their tax and other payments. Therefore, the payments from 43 companies were reconciled. Totally, according to the state bodies, they paid UAH 138,345,215.95 to the state by material types of payments (including budget reimbursement of value added tax) in 2017.

Therefore, the completeness of reconciliation of payments in the EITI Report for 2017 amounted to 98.39% - the amount of payments of UAH 138,345,215.95 thousand was reconciled out of UAH 140,604,112.27 thousand (including budget reimbursement of value added tax). The amount of payments to the state from the reporting companies that did not provide information and for which no reconciliation of payments was made amounted to UAH 2,258,896.31 thousand or 1,61% of the total amount. The completeness of reconciliation in the EITI Report for 2017 has increased markedly compared to the EITI Report for 2016 (in 2016, the completeness of reconciliation was 91.84% of the payments). The percentage of non-reconciled payments is relatively insignificant (<2%) and considerably smaller than in the EITI Report for 2016.

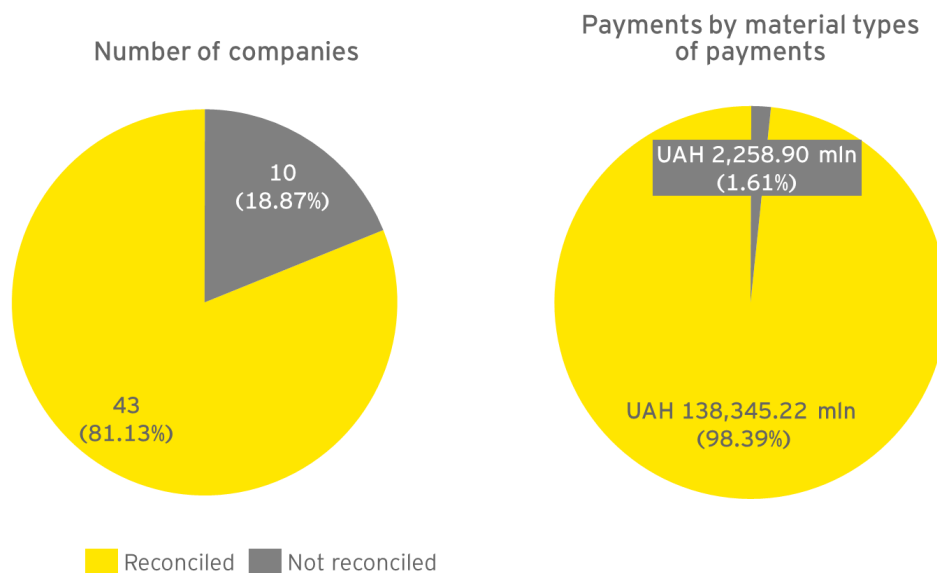


Figure 7-3: The number of companies and amount of payments by significant types of payments (including budget reimbursement of value added tax) in 2017 that were reconciled

⁶²⁵ For details on the status of receiving the information from reporting companies please see Annex 12

Of UAH 140,604,112.27 thousand of total revenues from 53 reporting companies subject to reconciliation:

- ▶ 93.65% of revenues came from companies that during the survey reported on the audit of financial statements for 2017;
- ▶ 4.74% of revenues come from companies that, according to their answers during the survey, did not pass the audit;
- ▶ for companies whose revenues were not verified (1.61% of revenues), due to the lack of their answers in the questionnaires, information about their audit was not clarified.

All state bodies (STS, Ministry of Economy and Derzhgeonadra), which manage information on the receipt of significant payments from mining companies, provided relevant data for the purposes of reconciliation.

Among the extractive industries, the highest level of reporting was demonstrated by the companies of the metal ores mining industry - out of 13 companies, 12 companies provided information on tax and other payments that allowed to reconcile almost 100%⁶²⁶ of payments to the state from the companies of this industry. Oil and gas extraction industry is running second - out of 23 oil and gas companies, 21 companies provided information on tax and other payments, 99.78% of total payments were reconciled. The lowest level of completeness of reconciliation was demonstrated by the coal mining industry - out of 17 companies, only 10 companies provided information, 73.05% of payments were reconciled.

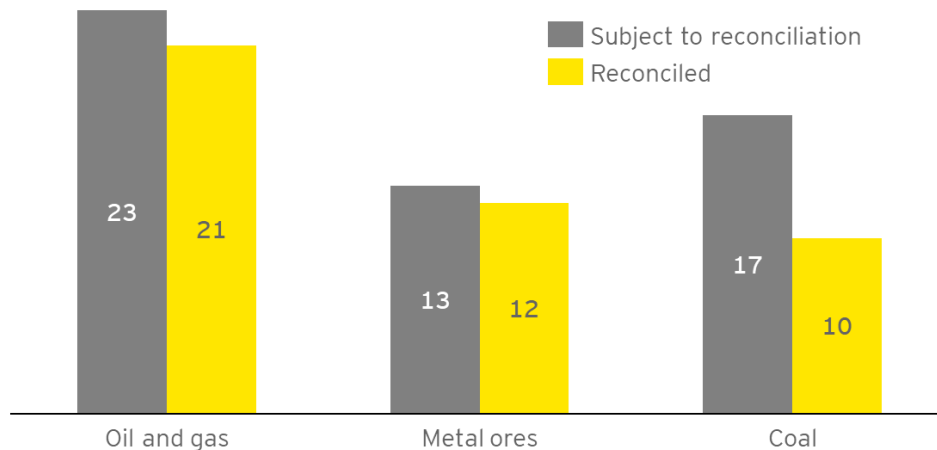


Figure 7-4: Completeness of reconciliation by the number of companies of reporting extractive industries, number of companies

⁶²⁶ Percentage of reconciliation of payments from companies of metal ores mining industry exceeds 100% (100.45%), because the total revenues from one company that did not provide information and for which no reconciliation was carried out have negative value (the amount of budget reimbursement of value added tax exceeds the amount other payments). From the mathematical point of view, the ratio of revenues from the reconciled companies is higher than the total revenue from all reporting companies of the metal ores extracting industry

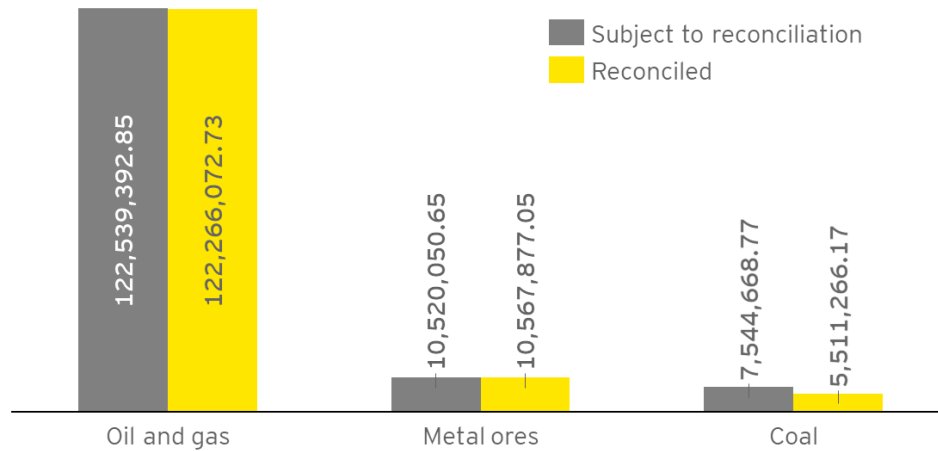


Figure 7-5: Completeness of reconciliation by amount of payments to the state (including budget reimbursement of value added tax) by reporting extractive industries, UAH thousand

Of the 53 reporting companies subject to reconciliation in the EITI Report for 2017, 16 companies were state-owned enterprises⁶²⁷ and paid UAH 111,304,289.77 thousand by material types of payments (79.16% of total payments from all reporting companies). The other 37 companies were privately owned and the amount of their payments to the state by material types of payments amounted to UAH 29,299,822.50 thousand (20.84% of total payments from all reporting companies). The state-owned companies demonstrated higher level of reporting - 99.86% of their payments by material types of payments were reconciled. For private companies, the completeness of reconciliation was 92.81% of the payments.

⁶²⁷ For the purposes of the EITI Report for 2017, the MSG decided to consider SOEs, in line with Requirement 2.6 of the EITI Standard, being the entities belonging to the public sector and those in which the state holds more than 50% of the shares (stakes) indirectly. For more information on the definition of "State-owned enterprises", please see Section 6.4.1.

Table 7.7: Completeness of reconciliation of payments from reporting companies to the state by extractive industries and by the type of ownership of the companies in 2017

Industry	State-owned/ private	The amount of revenue			Number of companies		
		Subject to reconciliation, UAH thousand	Reconciled, UAH thousand	Completeness of reconciliation in terms of amount of payments, %	Subject to reconciliation	Reconciled	Completeness of reconciliation in terms of number of companies, %
Oil and gas	Total, including:	122,539,392.85	122,266,072.73	99.78%	23	21	91.30%
	State-owned	108,965,950.31	108,965,950.31	100.00%	6	6	100.00%
	Private	13,573,442.54	13,300,122.42	97.99%	17	15	88.24%
Metal ores	Total, including:	10,520,050.65	10,567,877.05	100.45%	13	12	92.31%
	State-owned	675,493.22	675,493.22	100.00%	1	1	100.00%
	Private	9,844,557.43	9,892,383.83	100.49%	12	11	91.67%
Coal	Total, including:	7,544,668.77	5,511,266.17	73.05%	17	10	58.82%
	State-owned	1,662,846.24	1,511,187.08	90.88%	9	8	88.89%
	Private	5,881,822.53	4,000,079.10	68.01%	8	2	25.00%
ALL INDUSTRIES	Total, including:	140,604,112.27	138,345,215.95	98.39%	53	43	81.13%
	State-owned	111,304,289.77	111,152,630.61	99.86%	16	15	93.75%
	Private	29,299,822.50	27,192,585.35	92.81%	37	28	75.68%

7.2.2 Key results of reconciliation

According to the state bodies, the amount of payments to the state by material types of payments from 43 reporting companies that provided the information for reconciliation in 2017 amounted to UAH 138,345,215.95 thousand. According to the companies, the amount of such payments was UAH 138,240,161.03 thousand. Therefore, as a result of reconciliation and clarification of information, the discrepancy between the data provided by the state bodies and those provided by the companies on the payments to the state was 0.08% or UAH 105,054.93 thousand.

Of all the reporting industries, the largest discrepancy between the data of the state bodies and the companies was demonstrated by coal mining - 0.13% or UAH 7,271.46 thousand. The discrepancy between for oil and gas extraction industry was 0.09% or UAH 105,578.40 thousand, and for metal ores mining - (0.07%) or UAH (7,794.93) thousand.

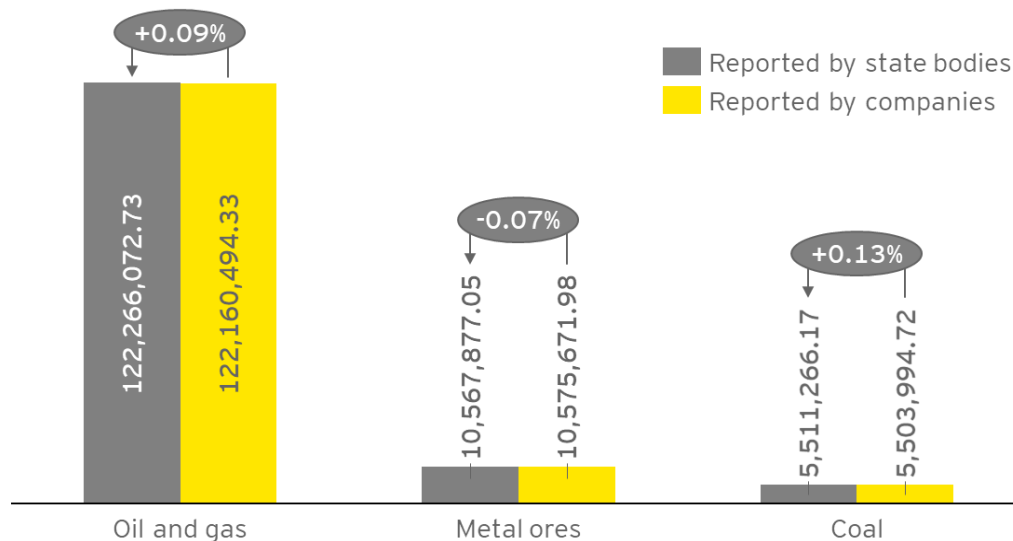


Figure 7-6: The results of reconciliation of payments from extractive industries to the state in 2017, thousand UAH

The analysis of the data by material types of payments shows, that the largest discrepancy in absolute terms between the data provided by the state bodies and the companies, was observed for the following payments: "Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits" - 8.62% or UAH 142,514.04 thousand, "Value added tax on goods and services produced in Ukraine" - (0.16%) or UAH (54,703.99), and "Corporate income tax" - 0.20% or UAH 49,752.09 thousand.

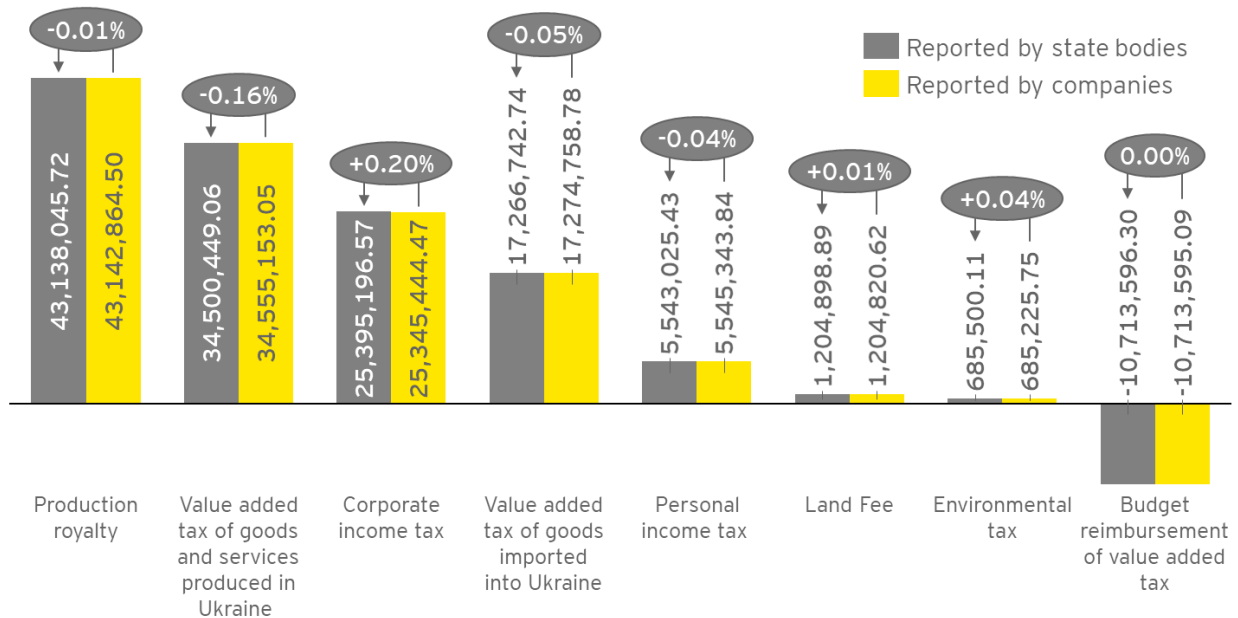


Figure 7-7: The results of reconciliation of payments from extractive industries to the state by types of tax payments in 2017, thousand UAH

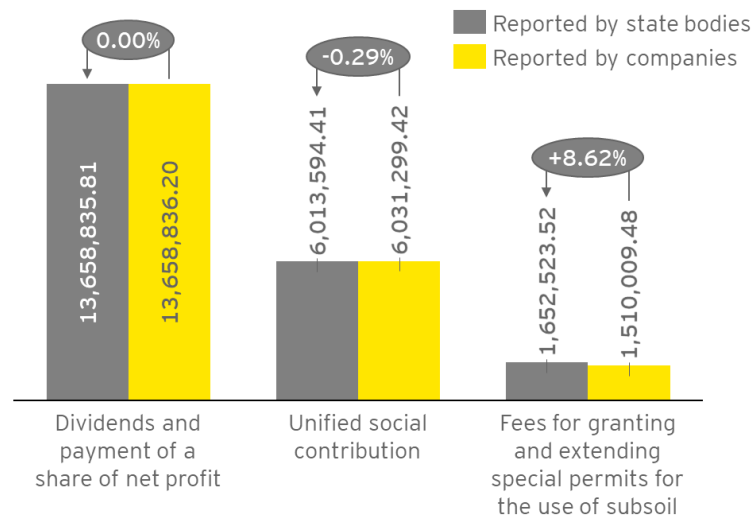


Figure 7-8: The results of reconciliation of payments from extractive industries to the state by types of non-tax payments in 2017, thousand UAH

The discrepancy between the data provided by the state-owned companies and the data provided by the state bodies was 0.09% or UAH 103,307.47 thousand, for private companies the difference was 0,01% or UAH 1,747.46 thousand.

The details of the results of reconciliation by extractive industries (**Table 7.8**), types of payments (**Table 7.10**) and type of ownership of companies (**Table 7.9**) are provided below.

During the reconciliation of the payments to the state, for 31 companies material discrepancies⁶²⁸ were identified between the data provided by the state bodies and by the companies. Additional inquiries have been prepared and sent to the companies in order to clarify the causes of the differences and correct any errors. As a result of the discrepancy study, the most common causes were identified:

1. The number of companies do not include foreign entities' corporate income tax into the total corporate income tax;
2. The number of companies do not include fines (penalties) as the result of non-compliance with the provisions of the tax law on tax payments to the budget related to a certain tax in the total amount of the tax paid;
3. The number of companies do not include the amount of refunds from the budget for corporate income tax overpayment. These amounts were not actually paid to the budget in the reporting period, so the information received from the companies was formally correct. However, the STS reflects such amounts (as negative) in the total amount of the corporate income tax;
4. The number of companies do not include overpayment in the total amount of a certain payment, which is included in the total amount reported by STS. These amounts had not been actually paid to the budget in the reporting period, so the information received from the companies was formally correct. However, the STS includes them in the total amount of certain type of payments;
5. Some companies do not indicate the amount of value added tax paid on goods imported into Ukraine, because these payments were transferred customs authorities accounts, from which they were transferred to the state budget;
6. The number of companies include unnecessary payments in the total of amount of material types of payment by mistake (the payments with the budget classification codes, that are not considered to be material types of payments);
7. The number of companies do not include in the amount of rent for land of state and communal ownership (the payment is included in land fee) the payment for the registration of a land easement, whereas the STS data included this payment; technical errors and peculiarities of accounting for tax payments by the companies: share of taxes are recognized after the end of the period in which they are actually paid; arithmetic, mistyping and other mechanical errors while filling in the questionnaires; non-inclusion by companies of data on some of its units undergoing reorganization during the reporting period, etc.
8. The detailed information on the causes of discrepancies between the data of state bodies and the data of the companies and data corrections is provided in **Annex 13**.

⁶²⁸ The decision of the MSG (Minutes of the MSG meeting of November 22, 2019) approved 5% of the amount of payment, as the discrepancy materiality threshold between the data provided by the state bodies and the data provided by the companies. The threshold in absolute terms was also established:

- The difference is not significant, if it is less than UAH 1,000 (regardless of the amount of the discrepancy in percentage)
- The discrepancy is significant if it is more than UAH 1,000,000 (regardless of the amount of the discrepancy in percentage)

Table 7.8: Results of reconciliation of payments to the state in 2017, by extractive industries

Industry	Initial data, UAH thousand			Final data, UAH thousand		
	According to the state bodies	According to the companies	Discrepancy	According to the state bodies	According to the companies	Discrepancy
Oil and gas	122,266,072.73	112,632,883.54	9,633,189.19	122,266,072.73	122,160,494.33	105,578.40
Metal ores	10,567,877.05	9,280,380.29	1,287,496.76	10,567,877.05	10,575,671.98	(7,794.93)
Coal	5,511,266.17	5,405,059.20	106,206.97	5,511,266.17	5,503,994.72	7,271.46
Total	138,345,215.95	127,318,323.03	11,026,892.92	138,345,215.95	138,240,161.03	105,054.93

Table 7.9: Results of reconciliation of payments to the state in 2017, by type of ownership of the companies

State-owned / private	Initial data, UAH thousand			Final data, UAH thousand		
	According to the state bodies	According to the companies	Discrepancy	According to the state bodies	According to the companies	Discrepancy
State-owned	111,152,630.61	101,400,837.20	9,751,793.41	111,152,630.61	111,049,323.14	103,307.47
Private	27,192,585.35	25,917,485.83	1,275,099.51	27,192,585.35	27,190,837.89	1,747.46
Total	138,345,215.95	127,318,323.03	11,026,892.92	138,345,215.95	138,240,161.03	105,054.93

Table 7.10: Results of reconciliation of payments to the state in 2017, by type of payments

Type of payment	Initial data, UAH thousand			Final data, UAH thousand		
	According to the state bodies	According to the companies	Discrepancy	According to the state bodies	According to the companies	Discrepancy
Personal income tax	5,467,596.94	5,397,339.84	70,257.10	5,467,596.94	5,469,911.84	(2,314.90)
Corporate income tax	25,395,196.57	26,040,854.79	(645,658.22)	25,395,196.57	25,025,073.47	370,123.09
Production royalty	43,081,971.45	44,035,398.25	(953,426.80)	43,081,971.45	43,087,283.41	(5,311.96)
Value added tax on goods and services produced in Ukraine	34,500,417.53	34,583,590.61	(83,173.08)	34,500,417.53	34,555,121.52	(54,703.99)
Budget reimbursement of value added tax	(10,713,596.30)	(10,060,238.50)	(653,357.80)	(10,713,596.30)	(10,713,595.09)	(1.21)
Value added tax on goods imported into Ukraine	17,255,108.44	5,066,497.40	12,188,611.05	17,255,108.44	16,746,577.58	508,530.86
Land fee	1,132,985.48	1,056,893.85	76,091.62	1,132,985.48	1,061,091.25	71,894.22
Environmental tax	680,661.29	679,925.17	736.12	680,661.29	680,386.75	274.54
Dividends and payment of a share of net profit	13,658,835.81	13,276,758.00	382,077.81	13,658,835.81	13,658,836.20	(0.39)
Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits	1,652,523.52	1,016,893.00	635,630.52	1,652,523.52	1,510,009.48	142,514.04
Unified social contribution	5,924,093.98	5,926,660.62	(2,566.64)	5,924,093.98	5,941,799.42	(17,705.44)
Total	138,345,215.95	127,318,323.03	11,026,892.92	138,345,215.95	138,240,161.03	105,054.93

7.3 Results of reconciliation for each type of tax payments

7.3.1 Personal income tax

As the result of reconciliation, the amount of payments of personal income tax from extractive companies, according to the state bodies was UAH 5,543,025.43 thousand and according to extractive companies - UAH 5,545,343.84 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH 70,253.59 thousand. The discrepancy after reconciliation was UAH (2,318.41) thousand.

Table 7.11: Reconciliation of revenues from personal income tax in 2017, UAH thousand

Personal income tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	5,543,025.43	0.00	5,543,025.43
Reported by companies	5,472,771.84	72,572.00	5,545,343.84
Discrepancy	70,253.59	(72,572.00)	(2,318.41)
Oil and gas			
Reported by state bodies	2,326,256.97	0.00	2,326,256.97
Reported by companies	2,255,972.37	72,572.00	2,328,544.37
Discrepancy	70,284.60	(72,572.00)	(2,287.40)
Metal ores			
Reported by state bodies	1,803,894.49	0.00	1,803,894.49
Reported by companies	1,804,157.07	0.00	1,804,157.07
Discrepancy	(262.58)	0.00	(262.58)
Coal			
Reported by state bodies	1,412,873.97	0.00	1,412,873.97
Reported by companies	1,412,642.40	0.00	1,412,642.40
Discrepancy	231.57	0.00	231.57

7.3.2 Corporate income tax

As the result of reconciliation, the amount of payments of corporate income tax from extractive companies, according to the state bodies was UAH 25,395,196.57 thousand and according to extractive companies - UAH 25,345 444.47 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH (645,658.22) thousand. The discrepancy after reconciliation was UAH 49,752.09 thousand.

Table 7.12: Reconciliation of revenues from corporate income tax in 2017, UAH thousand

Corporate income tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	25,395,196.57	0.00	25,395,196.57
Reported by companies	26,040,854.79	(695,410.31)	25,345,444.47
Discrepancy	(645,658.22)	695,410.31	49,752.09
Oil and gas			
Reported by state bodies	16,474,961.41	0.00	16,474,961.41
Reported by companies	17,534,679.99	(1,107,321.89)	16,427,358.10
Discrepancy	(1,059,718.58)	1,107,321.89	47,603.30
Metal ores			
Reported by state bodies	7,425,772.06	0.00	7,425,772.06
Reported by companies	7,011,772.00	411,851.14	7,423,623.13
Discrepancy	414,000.06	(411,851.14)	2,148.93
Coal			
Reported by state bodies	1,494,463.10	0.00	1,494,463.10
Reported by companies	1,494,402.80	60.44	1,494,463.24
Discrepancy	60.30	(60.44)	(0.14)

7.3.3 Production royalty

As the result of reconciliation, the amount of payments of production royalty from extractive companies, according to the state bodies was UAH 43,138,045.72 thousand and according to extractive companies - UAH 43,142,864.50 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH (953,426.54) thousand. The discrepancy after reconciliation was UAH (4,818.78) thousand.

Table 7.13: Reconciliation of revenues from production royalty in 2017, UAH thousand

Production royalty	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	43,138,045.72	0.00	43,138,045.72
Reported by companies	44,091,472.25	(948,607.76)	43,142,864.50
Discrepancy	(953,426.54)	948,607.76	(4,818.78)
Oil and gas			
Reported by state bodies	40,269,740.22	0.00	40,269,740.22
Reported by companies	41,217,754.48	(948,607.76)	40,269,146.72
Discrepancy	(948,014.26)	948,607.76	593.50
Metal ores			
Reported by state bodies	2,677,639.59	0.00	2,677,639.59
Reported by companies	2,682,819.18	0.00	2,682,819.18
Discrepancy	(5,179.59)	0.00	(5,179.59)
Coal			
Reported by state bodies	190,665.91	0.00	190,665.91
Reported by companies	190,898.60	0.00	190,898.60
Discrepancy	(232.69)	0.00	(232.69)

7.4.4 Value added tax on goods and services produced in Ukraine

As the result of reconciliation, the amount of payments of value added tax on goods and services produced in Ukraine from extractive companies, according to the state bodies was UAH 34,500,449.06 thousand and according to extractive companies - UAH 34,555,153.05 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH (83,141.55) thousand. The discrepancy after reconciliation was UAH (54,703.99) thousand.

Table 7.14: Reconciliation of revenues from value added tax on goods and services produced in Ukraine in 2017, UAH thousand

Value added tax on goods and services produced in Ukraine	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	34,500,449.06	0.00	34,500,449.06
Reported by companies	34,583,590.61	(28,437.56)	34,555,153.05
Discrepancy	(83,141.55)	28,437.56	(54,703.99)
Oil and gas			
Reported by state bodies	33,929,346.83	0.00	33,929,346.83
Reported by companies	34,007,050.41	(28,470.23)	33,978,580.18
Discrepancy	(77,703.58)	28,470.23	(49,233.35)
Metal ores			
Reported by state bodies	41,269.02	0.00	41,269.02
Reported by companies	41,218.40	32.67	41,251.07
Discrepancy	50.62	(32.67)	17.95
Coal			
Reported by state bodies	529,833.21	0.00	529,833.21
Reported by companies	535,321.80	0.00	535,321.80
Discrepancy	(5,488.59)	0.00	(5,488.59)

7.4.5 Budget reimbursement of value added tax

As the result of reconciliation, the amount of budget reimbursement of value added tax to extractive companies, according to the state bodies was UAH (10,713,596.30) thousand and according to extractive companies - UAH (10,713,595.09) thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH (653,357.80) thousand. The discrepancy after reconciliation was UAH (1.21) thousand.

Table 7.15: Reconciliation of budget reimbursement of value added tax in 2017, thousand UAH

Budget reimbursement of value added tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	(10,713,596.30)	0.00	(10,713,596.30)
Reported by companies	(10,060,238.50)	(653,356.59)	(10,713,595.09)
Discrepancy	(653,357.80)	653,356.59	(1.21)
Oil and gas			
Reported by state bodies	0.00	0.00	0.00
Reported by companies	(534.00)	534.00	0.00
Discrepancy	534.00	(534.00)	0.00
Mining of metal			
Reported by state bodies	(10,713,596.30)	0.00	(10,713,596.30)
Reported by companies	(10,059,704.50)	(653,890.59)	(10,713,595.09)
Discrepancy	(653,891.80)	653,890.59	(1.21)
Coal			
Reported by state bodies	0.00	0.00	0.00
Reported by companies	0.00	0.00	0.00
Discrepancy	0.00	0.00	0.00

7.4.6 Value added tax on goods imported into Ukraine

As the result of reconciliation, the amount of payments of value added tax on goods imported into Ukraine from extractive companies, according to the state bodies was UAH 17,266,742.74 thousand and according to extractive companies - UAH 17,274,758.78 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH 12,200,245.34 thousand. The discrepancy after reconciliation was UAH (8,016.04) thousand.

Table 7.16: Reconciliation of revenues from value added tax on goods imported into Ukraine in 2017, UAH thousand

Value added tax on goods imported into Ukraine	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	17,266,742.74	0.00	17,266,742.74
Reported by companies	5,066,497.40	12,208,261.38	17,274,758.78
Discrepancy	12,200,245.34	(12,208,261.38)	(8,016.04)
Oil and gas			
Reported by state bodies	12,211,563.66	0.00	12,211,563.66
Reported by companies	729,322.30	11,316,040.82	12,212,708.66
Discrepancy	11,482,241.36	(11,316,040.82)	(1,145.00)
Metal ores			
Reported by state bodies	4,944,313.16	0.00	4,944,313.16
Reported by companies	4,321,098.90	627,213.11	4,948,312.01
Discrepancy	623,214.26	(627,213.11)	(3,998.84)
Coal			
Reported by state bodies	110,865.91	0.00	110,865.91
Reported by companies	16,076.20	97,661.92	113,738.12
Discrepancy	94,789.71	(97,661.92)	(2,872.20)

7.4.7 Land Fee

As the result of reconciliation, the amount of payments of land fee from extractive companies, according to the state bodies was UAH 1,204,898.89 thousand and according to extractive companies - UAH 1,204,820.62 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH 76,100.04 thousand. The discrepancy after reconciliation was UAH 78.27 thousand.

Table 7.17: Reconciliation of revenues from land fee in 2017, UAH thousand

Land fee	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	1,204,898.89	0.00	1,204,898.89
Reported by companies	1,128,798.85	76,021.77	1,204,820.62
Discrepancy	76,100.04	(76,021.77)	78.27
Oil and gas			
Reported by state bodies	270,762.14	0.00	270,762.14
Reported by companies	266,361.13	4,151.04	270,512.17
Discrepancy	4,401.01	(4,151.04)	249.97
Metal ores			
Reported by state bodies	884,143.69	0.00	884,143.69
Reported by companies	812,490.72	71,824.36	884,315.08
Discrepancy	71,652.96	(71,824.36)	(171.40)
Coal			
Reported by state bodies	49,993.06	0.00	49,993.06
Reported by companies	49,947.00	46.36	49,993.36
Discrepancy	46.06	(46.36)	(0.30)

7.4.8 Environmental tax

As the result of reconciliation, the amount of payments of environmental tax from extractive companies, according to the state bodies was UAH 685,500.11 thousand and according to extractive companies - UAH 685,225.75 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH 735.94 thousand. The discrepancy after reconciliation was UAH 274.37 thousand.

Table 7.18: Reconciliation of revenues from environmental tax in 2017, UAH thousand

Environmental tax	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	685,500.11	0.00	685,500.11
Reported by companies	684,764.17	461.58	685,225.75
Discrepancy	735.94	(461.58)	274.37
Oil and gas			
Reported by state bodies	50,421.08	0.00	50,421.08
Reported by companies	49,855.00	461.58	50,316.58
Discrepancy	566.09	(461.58)	104.51
Metal ores			
Reported by state bodies	600,285.33	0.00	600,285.33
Reported by companies	600,285.77	0.00	600,285.77
Discrepancy	(0.44)	0.00	(0.44)
Coal			
Reported by state bodies	34,793.70	0.00	34,793.70
Reported by companies	34,623.40	0.00	34,623.40
Discrepancy	170.30	0.00	170.30

7.5 Reconciliation of non-tax payments

7.5.5 Dividends and payment of a share of net profit

As the result of reconciliation, the amount of payments of dividends and payment of a share of net profit from extractive companies, according to the state bodies was UAH 13,658,835.81 thousand and according to extractive companies - UAH 13,658,836.20 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH 382,077.81 thousand. The discrepancy after reconciliation was UAH (0.39) thousand.

Table 7.19: Reconciliation of revenues from dividends and payment of a share of net profit in 2017, UAH thousand

Dividends and payment of a share of net profit	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	13,658,835.81	0.00	13,658,835.81
Reported by companies	13,276,758.00	382,078.20	13,658,836.20
Discrepancy	382,077.81	382,078.20	(0.39)
Oil and gas			
Reported by state bodies	13,264,494.50	0.00	13,264,494.50
Reported by companies	13,264,495.00	0.00	13,264,495.00
Discrepancy	(0.50)	0.00	(0.50)
Metal ores			
Reported by state bodies	382,078.20	0.00	382,078.20
Reported by companies	0.00	382,078.20	382,078.20
Discrepancy	382,078.20	(382,078.20)	0.00
Coal			
Reported by state bodies	12,263.11	0.00	12,263.11
Reported by companies	12,263.00	0.00	12,263.00
Discrepancy	0.11	0.00	0.11

7.5.6 Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits

According to results of the reconciliation, the amount of fees for granting or extending special permits and revenues from the sale of permits, according to the state bodies was UAH 1,652,523.52 thousand and according to extractive companies - UAH 1,510,009.48 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH 635,630.52 thousand. The discrepancy after reconciliation was UAH 142,514.04 thousand.

Table 7.20: Reconciliation of revenues from fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits in 2017, UAH thousand

Fees for granting and extending special permits	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	1,652,523.52	0.00	1,652,523.52
Reported by companies	1,016,893.00	493,116.48	1,510,009.48
Discrepancy	635,630.52	(493,116.48)	142,514.04
Oil and gas			
Reported by state bodies	1,181,617.29	0.00	1,181,617.29
Reported by companies	1,016,893.00	36,933.68	1,053,826.68
Discrepancy	164,724.29	(36,933.68)	127,790.61
Metal ores			
Reported by state bodies	456,182.55	0.00	456,182.55
Reported by companies	0.00	456,182.80	456,182.80
Discrepancy	456,182.55	(456,182.80)	(0.25)
Coal			
Reported by state bodies	14,723.68	0.00	14,723.68
Reported by companies	0.00	0.00	0.00
Discrepancy	14,723.68	0.00	14,723.68

7.5.7 Unified social contribution

As the result of reconciliation, the amount of payments of unified social contribution from extractive companies, according to the state bodies was UAH 6,013,594.41 thousand and according to extractive companies - UAH 6,031,299.42 thousand in 2017. Total discrepancy between these companies' and state bodies' data, based on the initial request was UAH (2,566.21) thousand. The discrepancy after reconciliation was UAH (17,705.01) thousand.

Table 7.21: Reconciliation of revenues from unified social contribution in 2017, UAH thousand

Unified social contribution	Initial data	Adjustments	Final data after reconciliation
Extractive industries, total			
Reported by state bodies	6,013,594.41	0.00	6,013,594.41
Reported by companies	6,016,160.62	15,138.80	6,031,299.42
Discrepancy	(2,566.21)	(15,138.80)	(17,705.01)
Oil and gas			
Reported by state bodies	2,286,908.62	0.00	2,286,908.62
Reported by companies	2,291,033.87	13,972.00	2,305,005.87
Discrepancy	(4,125.24)	(13,972.00)	(18,097.24)
Coal			
Reported by state bodies	2,065,895.27	0.00	2,065,895.27
Reported by companies	2,066,242.76	0.00	2,066,242.76
Discrepancy	(347.49)	0.00	(347.49)
Metal ores			
Reported by state bodies	1,660,790.52	0.00	1,660,790.52
Reported by companies	1,658,884.00	1,166.80	1,660,050.80
Discrepancy	1,906.52	(1,166.80)	739.72

8. Recommendations for improving the EITI reporting process

8.1 Recommendations of IA for improving the EITI reporting process




Recommendation	Degree of importance	Comments
<p>Improving the regulatory framework for EITI:</p> <ul style="list-style-type: none"> ▶ Making amendments to the existing or adopting a new law in the field of transparency of extractive industries ▶ Amendments to the bylaws (Resolutions of the Cabinet of Ministers), which will describe in details the procedure for collecting information for the EITI Report and will determine the responsible persons of the state bodies and accountable organizations 	High	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> ▶ A new Law of Ukraine “On Ensuring Transparency in Extractive Industries” No 2545-VIII of September 18, 2018 was adopted, which is a significant improvement of the regulatory framework for EITI. The law takes into account the expanded scope of the EITI Report, details the procedure for collecting information, identifies the entities responsible for information disclosure and regulates other details of the Report preparation process, starting with the reporting year 2018.
<p>Provision of specific sanctions for accountable organizations in case of non-submission or late submission of information for the EITI Report.</p>	High	<p>The recommendation is taken into account:</p> <ul style="list-style-type: none"> ▶ The Law of Ukraine “On Ensuring Transparency in Extractive Industries” provides for specific sanctions for information disclosing entities in case of non-disclosure, violation of disclosure deadlines, incomplete disclosure and violation of the established procedure for disclosure of information on extractive industries for the EITI Report. ▶ The procedure for calling to account and applying the sanctions will require separate analysis and evaluation.
<p>Facilitating access to information on key aspects of EITI (publication):</p> <ul style="list-style-type: none"> ▶ Technical information on mineral reserves, especially titanium ores ▶ Contracts, agreements and any other documents (including Joint Venture Agreements) concluded between the Government (directly 	High	<p>The recommendation is partially taken into account:</p> <ul style="list-style-type: none"> ▶ The Law of Ukraine “On Ensuring Transparency in Extractive Industries” provides for mandatory disclosure of agreements on subsoil use conditions and annexes thereto, information on essential conditions of other subsoil use



<p>or through a state body or enterprise) and any legal entity, if they relate to the extraction of mineral resources in Ukraine</p>		<p>agreements and relevant extracts from such agreements;</p> <ul style="list-style-type: none"> ▶ The new law also stipulates that the information that to be disclosed by the information disclosing subjects based on the law cannot be classified as a commercial secret or information with limited access.
<p>Implementation of an effective system for planning and managing the subsequent EITI report preparation, namely:</p> <ul style="list-style-type: none"> ▶ Search for and allocation of financial and human resources for the preparation of the EITI report no later than the end of the first quarter of current year ▶ Approval of the scope and terms of reference for the preparation of the future EITI report no later than the end of the first quarter of the current year ▶ Arrangement of tender and selection of the Independent Administrator no later than the end of the second quarter of the current year 	<p>High</p>	<p>The recommendation is not taken into account.</p> <ul style="list-style-type: none"> ▶ The preparation of the 2017 EITI Report started with a significant delay, which creates difficulties for the implementation of the initiative in the long run; ▶ The Law of Ukraine “On Ensuring Transparency in Extractive Industries” does not regulate the terms for searching for resources for the preparation of the EITI Report and the selection of the Independent Administrator. Currently, there is no procedure for holding a tender to select an independent administrator, which according to the Law is to be approved by the Ministry of Energy and could establish the recommended deadlines at the legislative level.
<p>Establishment of an effective system for prompt receipt of information from the State Tax Service, clarification of individual figures and clarification of discrepancies</p>	<p>High</p>	<p>The recommendation is not taken into account.</p>
<p>Introduction of a unified methodology for estimating mineral reserves, which would be harmonized with the best world practices, for example, based on the international template for reporting of exploration results, mineral resources and mineral reserves (CRIRSCO Template). This, in turn, would increase the transparency of data on the current state of reserves, enable reliable assessment of data on mineral assets of mining</p>	<p>High</p>	<p>The recommendation is not taken into account.</p>

<p>companies in the case of public offering of shares, obtaining bank guarantees and lending and, ultimately, increase the investment attractiveness of mining industries in Ukraine.</p>		
<p>Start preparing for the transition reporting at project level under the EITI Standard</p>	<p>Medium</p>	<p>The recommendation is partially taken into account.</p> <ul style="list-style-type: none"> ▶ In accordance with the Law of Ukraine "On Ensuring Transparency in Extractive Industries", the submission of information on payments (in the form of a report on payments to the state from economic entities and a report on payments received from recipients) from the reporting year 2018 will be received by each type of project activities; ▶ New reporting templates to take into account the reporting requirements by each project activity are under development.
<p>Reconciliation of amounts of paid taxes</p>	<p>Medium</p>	<p>The recommendation is partially taken into account.</p> <ul style="list-style-type: none"> ▶ The management of the accountable companies was recommended to introduce procedures for regular reconciliation (at least at the end of the year) of the amounts and types of accrued and paid taxes with the corresponding amounts and types of taxes, which are presented according to the state tax authorities. However, this practice remains voluntary - so not all accountable companies adhere to it.
<p>Consider introducing appropriate regulatory changes to the budget system of Ukraine so that the movement of payments from mining companies can be tracked (both on the way to the state budget and at the stage of redistribution through intergovernmental transfers to local budgets).</p>	<p>Medium</p>	<p>The recommendation is not taken into account.</p>





<p>Consider introducing, as part of the EITI in Ukraine, an information system by the relevant state authorities that would enable companies and government agencies to submit EITI reporting electronically.</p>	<p>Medium</p>	<p>The recommendation is partially taken into account.</p> <ul style="list-style-type: none"> ▶ The provisions of the Law of Ukraine "On Ensuring Transparency in Extractive Industries" formally provide for the possibility of introducing an electronic system for submission and analysis of reports, however no specific deadlines or responsibilities for its development and implementation are established by the law or any bylaws adopted on its implementation. ▶ In 2019, work began on the development of such a system, in particular, the pilot version is completed.
<p>Unify and simplify access to information on the volumes of mineral extraction</p>	<p>Medium</p>	<p>The recommendation is not taken into account.</p>



8.2 Recommendations of IA for improving the EITI reporting process

Recommendation	Level of importance	Comments
<p>Improvement of the EITI regulatory support:</p> <ul style="list-style-type: none"> ▶ Amend the regulations (CMU's Resolutions) to detail the process of the collection of information for the EITI Report and specify the responsible persons of the government authorities and reporting organizations 	<p style="text-align: center;"> High</p>	<p>The new Law of Ukraine 2545-VIII 'On ensuring transparency in extractive industries' on 18 September 2018 was passed, which is a significant improvement of the regulatory framework for EITI.</p> <p>However, a number of by-laws for regulate certain procedures, established by this law have not been approved yet (for example, the form of reports, the procedure for the Independent Administrator election, the procedure for reviewing cases of the law on ensuring transparency in extractive industries violation, etc.);</p> <p>Some formulation of the new law, including comparison with other legislative provisions (such as the Subsoil Code) may create legal uncertainty and / or complicate the gathering information process. We do not exclude that other gaps may be detected in the application this law in practice.</p>
<p>Simplification of access to (disclosure of) the information about the EITI key aspects:</p> <ul style="list-style-type: none"> ▶ Technical information about mineral resource reserves, specifically on titanite iron ores; ▶ 	<p style="text-align: center;"> High</p>	<p>A significant part of the information listed here was classified as confidential or state secret or was subject to other restrictions preventing it from being disclosed in the EITI Report.</p>
<p>Implementation of an efficient system for planning and managing the process of the development of subsequent EITI Reports, specifically:</p> <ul style="list-style-type: none"> ▶ Search for, and the allocation of, financial and human resources for the Report preparation by the end of the 1st quarter of the current year at the latest ▶ Approval of the scope and the terms of reference for the preparation of the future EITI Report by the end of the 1st quarter of the current year at the latest 	<p style="text-align: center;"> High</p>	<p>Based on practise, optimal approach is to establish clear deadlines for the completion of each Report preparation stage (determining the scope, approving the terms of reference, entering into a contract with the Independent Administrator, etc.). It is necessary to allocate not less than five months for the process of preparing the EITI Report.</p>

Recommendation	Level of importance	Comments
<p>► Holding a tender and selecting an Independent Administrator by the end of the 2nd quarter of the current year at the latest.</p>		
<p>Establish an effective system which would enable obtaining latest updated information from the STS, clarification of individual figures and comments of discrepancies</p>	<p> High</p>	<p>The Law of Ukraine 'On ensuring transparency in extractive industries' obliges STS to disclose the report on payments received, but the timing of such disclosure is not clearly defined.</p> <p>The Independent Administrator may apply to the STS for clarification of information on payments but the possibility of specifying the information and/or clarifying the differences is not provided by law..</p>
<p>Implementation of a unified methodology for the evaluation of mineral resources, which will be harmonized with the best international practices, for instance, based on the international reporting template upon the results of exploration works, evaluation of mineral resources and reserves (CRIRSCO Template). This, in its turn, will improve transparency of data on the status of reserves, make it possible to estimate reliably the data on mineral and raw material assets of enterprises of extractive industries during the public offering, obtaining bank guarantees and lending and, eventually, increase the investment attractiveness of the extractive industries in Ukraine.</p>	<p> High</p>	<p>In terms of the investment attractiveness, the key factors for successful projects on exploration and development of mineral resource fields include high resource potential and low investment risks. One of the main risks for investors is the risk of non-confirmation of the results of exploration works, evaluation of resources and reserves stated by the subsurface resources users in the public reports.</p> <p>To reduce this investment risk, there is a world practice to use widely the international standards for public reporting on the results of exploration works, mineral resources and mineral reserves compliant with CRIRSCO Template. CRIRSCO Template is based on the best reporting standards of countries and regions, such as JORC (Australasia), SAMREC (South Africa), PERC Reporting Standards (Europe), CIM Guide (Canada), SME Guide (USA) Certification Code (Chile). These public reporting standards are recognized and accepted in all world's capital markets.</p> <p>According to the estimates of the SRC⁶²⁹, the resource classification currently used in Ukraine is compliant with CRIRSCO and UNFC-2009 classification but is less detailed. Specifically, some detailed classes of off-balance sheet reserves in the Ukrainian classification fall</p>

⁶²⁹ National classification of reserves and mineral resources of the state fund of subsurface resources of Ukraine and the possibility of its harmonization with the oil industry standards on audit of the reserves and their market evaluation National Joint-Stock Company Nadra Ukrainiy PJSC Presentation, 2013

Recommendation	Level of importance	Comments
		<p>under the larger category of “Mineral Resources”.</p> <p>The implementation of a universal system of mineral resources evaluation and public reporting thereon in Ukraine, which would be compliant with international standards, would significantly increase the investment attractiveness of the extractive industries of Ukraine.</p>
<p>Approve bylaws, including the part of gathering information templates for project-based reporting within the EITI Standard</p>	<p> Medium</p>	<p>The decision of the International Secretariat started the process of gradual transition of all countries applying the EITI Standard to the disclosure of information that is disaggregated by individual projects in their EITI annual reports.</p>
<p>Consider the possibility of introduction of relevant regulatory amendments to the budget system of Ukraine in order to monitor the movement of payments from extractive companies (both towards the state budget and at the stage of reallocation via inter-budget transfers to local budgets).</p>	<p> Medium</p>	<p>The goal is to make available to the public the information on the share in the total revenues of local budgets (including via transfers), which accounts for payments from extractive companies actually operating in the region.</p> <p>The possibility to monitor revenues to local budgets actually received from the extractive companies operating in the region will improve transparency and efficiency of funds use by the regions.</p>
<p>Continue working on implementation of an information system, which would allow the companies and government authorities to provide EITI Reports in an electronic form.</p>	<p> Medium</p>	<p>The availability of such system would not only simplify the process of information collecting and analyzing, but also potentially can become the basis for formation of a web portal with the open data on the activities in the field of production of mineral resources in Ukraine.</p>
<p>Unify and simplify access to information on mining volumes</p>	<p> Medium</p>	<p>The information on volumes of extracted minerals is accumulated by several state bodies - the State Statistics Service of Ukraine, the Geology Service, Ministry of Energy and Coal Industry or the Ministry of Economic Development and Trade and the STS However, only a part of the information available with the state bodies is publicly accessible. Such publicly available information is usually highly aggregated (total production in the country for a calendar year). In addition, there may be significant discrepancies between information from different authorities.</p>

Recommendation	Level of importance	Comments
		<p>The methodology and approaches to determine the volume of extraction should be unified and free access to detailed information on the volumes of extraction in Ukraine, including by region should be provided.</p>
<p>Make publicly available disaggregated information on the cost of products of individual extractive industries</p>	<p> Medium</p>	<p>Information from the State Statistics Service on the variety of products (output) of industries is available in the public domain only in a generalized form, which usually unites several industries. Therefore, information on the variety of products for each extractive industry covered by the EITI Report is not publicly available.</p> <p>The availability of disaggregated information for each extractive industry covered by the EITI Report will increase the transparency and quality of the report.</p>
<p>Ensure the disclosure of disaggregated information on transportation volumes and revenues from transportation by the gas transmission system operator and the system operator of the main oil pipelines in terms of paying companies</p>	<p> Medium</p>	<p>Disclosure in the EITI Report of natural gas and oil transportation volumes and revenues of the gas transmission system operator and the main oil pipeline system operator from the provision of transportation services in terms of extractive companies using such services will meet the requirements of the EITI Standard.</p> <p>Disclosure of disaggregated information on transportation volumes and transportation revenues (costs of mining companies for transportation) by the gas transmission system operator and the main oil pipeline system operator on the one hand and production companies on the other hand will allow reconciling the information.</p>

9 Annex 1. List of state authorities and institutions surveyed within the scope of EITI Report 2017.

Central executive bodies

1. Ministry of energy and environment protection of Ukraine (previously - Ministry of Energy and Coal Industry of Ukraine. In 2019, according to the CMU`s decision, Ministry of Ecology and Natural Resources was renamed to the Ministry of Energy and Environment protection of Ukraine, and the Ministry of Energy and Coal Industry of Ukraine was reorganized by joining with the Ministry of Energy and Environment Protection of Ukraine⁶³⁰);
2. Ministry of Economic Development, Trade and Agriculture of Ukraine (previously - Ministry of Economic Development and Trade of Ukraine, which was renamed to the Ministry of Economic Development, Trade and Agriculture in September 2019 ⁶³¹);
3. State Fiscal Service of Ukraine; (In 2018 CMU passed a regulation on the State Tax Service and the State Customs Service formation ⁶³², the provisions of which were approved in March 2019⁶³³);
4. State Service for Geology and Mineral Resources of Ukraine;
5. State Statistics Service of Ukraine.

⁶³⁰CMU`s Resolution No. 829 of 2 September 2019, 'Some issues of the central executive bodies system optimization'access mode: <https://zakon.rada.gov.ua/laws/show/829-2019-n>

⁶³¹ CMU`s Resolution No. 838 of 11 September 2019, 'Issues of Ministry of Economic Development, Trade and Agriculture'access mode: <https://zakon.rada.gov.ua/laws/show/838-2019-n#n29>

⁶³² CMU`s Resolution No. 1200 of 18 December 2018, 'On the formation of the State Tax Service of Ukraine and the State Customs Service of Ukraine'access mode: <https://www.kmu.gov.ua/ua/npas/pro-utvorennya-derzhavnoyi-podatkovoyi-sluzhbi-ukrayini-ta-derzhavnoyi-mitnoyi-sluzhbi-ukrayini>

⁶³³ CMU`s Resolution No. 227 of 6 March 2019, 'On approval of the provisions on the State Tax Service of Ukraine and the State Customs Service of Ukraine', access mode: <https://zakon.rada.gov.ua/laws/show/227-2019-n>

10 Annex 2. List of extractive companies included into the scope of EITI Report

According to the decision of MSG (MSG Minutes of the meeting dated 22 November 2019) 53 companies were included in the scope of reconciliation within the framework of the EITI Report for 2017. Unless otherwise stated in the text, contextual information, including on state involvement in the extractive industries, applies only to companies that have been identified as material and included in the scope of reconciliation.

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁶³⁴	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state owned companies
1	Ukrgezvydobuvannya JSC	Oil and gas	No	State (indirect ownership)	Naftogaz of Ukraine NJSC - 100% (there were no changes in the reporting period)	The state is not responsible for JSC's liability whilst Naftogaz of Ukraine NJSC carries the risk of loss related JSC's activity only within its share value
2	Naftogaz of Ukraine NJSC	Oil and gas	Yes	State (direct ownership)	State represented by the Cabinet of Ministers of Ukraine - 100% (there were no changes in the reporting period)	The state carries the risk of loss related to activities of Naftogaz of Ukraine NJSC, within its share value
3	Ukrnafta PJSC	Oil and gas	No	State (indirect ownership)	Naftogaz of Ukraine NJSC - 50% + 1 share (there were no changes in the reporting period)	The state is not responsible for PJSC's liability whilst Naftogaz of Ukraine NJSC carries the risk of loss related JSC's activity only within its share value

⁶³⁴ For the purposes of the 2017 EITI Report, the MSG decided to consider SOEs, in line with Requirement 2.6 of the EITI Standard, being the entities belonging to the public sector and those in which the state holds more than 50% of the shares (stakes) indirectly. For more information on the definition of "State-owned enterprises", please see Section 6.4.1.

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁶³⁴	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state owned companies
4	Naftogazvydobuvannia PrJSC	Oil and gas	No	Private	-	-
5	Energy Service Company Esco-Pivnich LLC	Oil and gas	No	Private	-	-
6	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	Oil and gas	No	Private	-	-
7	Natural resources PrJSC	Oil and gas	No	Private	-	-
8	Poltava Petroleum Company JV	Oil and gas	No	Private	-	-
9	Kub-gaz LLC	Oil and gas	No	Private	-	-
10	Ukrgezvydobutok PrJSC	Oil and gas	No	Private	-	-
11	Persha ukrainska gazonaftova kompaniia LLC	Oil and gas	No	Private	-	-
12	Representative Office of Regal Petroleum Corporation Limited	Oil and gas	No	Private	-	-
13	Nadra-Geoinvest LLC	Oil and gas	No	Private	-	-
14	Energiiia-95 LLC	Oil and gas	No	Private	-	-
15	Systemoilingeneryng LLC	Oil and gas	No	Private	-	-
16	Joint activity agreement of 28/11/2000 No. 1-Д21/008/2000 - authorized entity Poltava branch of Devon PrJSC (26002442)	Oil and gas	No	Private	-	-
17	Joint Venture Ukrkarpatoil LTD LLC	Oil and gas	No	State	Ukrnafta PJSC - 100%	The state and Naftogaz of Ukraine NJSC are not

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁶³⁴	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state owned companies
				(indirect ownership)	(there were no changes in the reporting period)	responsible for LLC's liability and Ukrnafta PJSC carries the risk of loss related to activities of LLC, within its share value
18	Kashtan Petroleum LTD JV	Oil and gas	No	Private	Ukrnafta PJSC - 55% (there were no changes in the reporting period)	-
19	Prom-Energo Product LLC	Oil and gas	No	Private	-	-
20	Nordik Private Enterprise	Oil and gas	No	Private	-	-
21	Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	Oil and gas	No	Private	-	-
22	ArcelorMittal Kryvyi Rih PJSC	Iron ores	No	Private	-	-
23	Northern Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
24	Southern Mining Factory JSC	Iron ores	No	Private	-	-
25	Central Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
26	Ferrexpo Poltava mining PrJSC	Iron ores	No	Private	-	-
27	Ingulets Iron Ore Enrichment Works PrJSC	Iron ores	No	Private	-	-
28	Krivoj Rog`s Iron-Ore Combine PJSC	Iron ores	No	Private	-	-
29	The foreign investment enterprise Zaporizhzhia	Iron ores	No	Private	-	-

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁶³⁴	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state owned companies
	iron ore industrial complex PrJSC					
30	Suha Balka PrJSC	Iron ores	No	Private	-	-
31	Ferrexpo Yeristovo mining LLC	Iron ores	No	Private	-	-
32	United Mining and Chemical Company JSC	Titanium ores	Yes	State (direct ownership)	State represented by the Ministry for Development of Economy, Trade and Agriculture - 100% (there were no changes in the reporting period)	The state carries the risk of loss related to JSC's activities within its (the Ministry for Development of Economy, Trade and Agriculture) share value
33	Pokrovskiy GZK JSC	Manganese ores	No	Private	-	-
34	Marganets GZK JSC	Manganese ores	No	Private	-	-
35	DTEK Pavlogradugol PrJSC	Coal	No	Private	-	-
36	Shakhtoupravlinnia Pokrovske PJSC	Coal	No	Private	-	-
37	DTEK Dobropolyeugol LLC	Coal	No	Private	-	-
38	Selydivuhillia SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and environmental protection of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry for Development of Economy, Trade and Agriculture are not responsible for SE's liability
39	Lvivuhillia SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and	The state and the Ministry for Development of Economy,

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁶³⁴	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state owned companies
					environmental protection of Ukraine - 100% (there were no changes in the reporting period)	Trade and Agriculture are not responsible for SE's liability
40	DTEK Mine Komsomolets Donbassa PrJSC	Coal	No	Private	-	-
41	DTEK Rovenkyanthracite LLC	Coal	No	Private	-	-
42	DTEK Sverdlovanthracite LLC	Coal	No	Private	-	-
43	Vuhilna kompaniia Krasnolymanska SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and environmental protection of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry for Development of Economy, Trade and Agriculture are not responsible for SE's liability
44	Myrnohradvuhillia SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and environmental protection of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry for Development of Economy, Trade and Agriculture are not responsible for SE's liability
45	Pervomaiskvuhillia SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and environmental protection of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry for Development of Economy, Trade and Agriculture are not responsible for SE's liability

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁶³⁴	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state owned companies
46	Lysychanskvuhillia PJSC	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and environmental protection of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry for Development of Economy, Trade and Agriculture are not responsible for SE's liability
47	Shakhtoupravlinnia Pivdenodonbaske No 1 SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and environmental protection of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry for Development of Economy, Trade and Agriculture are not responsible for SE's liability
48	Toretskvuhillia SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and environmental protection of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry for Development of Economy, Trade and Agriculture are not responsible for SE's liability
49	Mine named after M. S. Surgai SE	Coal	Yes	State (direct ownership)	State represented by the Ministry of energy and environmental protection of Ukraine - 100% (there were no changes in the reporting period)	The state and the Ministry for Development of Economy, Trade and Agriculture are not responsible for SE's liability
50	Krasnodonvuhillia PrJSC	Coal	No	Private	-	-
51	DV Naftohazovydobuvna kompaniia LLC	Coal	No	Private	-	-
52	Ukrtransgaz JSC	Transportation	No	State	Naftogaz of Ukraine NJSC - 100%	The state is not responsible for PJSC's liability whilst Naftogaz

№	Companies/Taxpayers	Sector	Business entity of the public sector of the economy in accordance with the law	Owner ⁶³⁴	The name of the legal entity or state body through which the state holds a share in the share capital of the company	General rule regarding the state responsibility on liability of state owned companies
				(indirect ownership)	(there were no changes in the reporting period)	of Ukraine NJSC carries the risk of loss related JSC's activity only within its share value
53	Ukrtransnafta JSC	Transportation	No	State (indirect ownership)	Naftogaz of Ukraine NJSC - 100% (there were no changes in the reporting period)	The state is not responsible for PJSC's liability whilst Naftogaz of Ukraine NJSC carries the risk of loss related JSC's activity only within its share value

11 Annex 3. Questionnaire for extractive companies

Extractive industries Transparency Initiative (EITI)

QUESTIONNAIRE

FOR THE COMPANIES OF OIL AND GAS INDUSTRY

(including transportation of oil and gas)

1. Background information⁶³⁵

Full name of the Company:	
EDRPOU Code	
Location (Legal address):	
Types of economic activities according to NACE: (remove odds from the list and/or add new types of economic activity):	06.10 - Extraction of crude petroleum 06.20 - Extraction of natural gas 19.20 - Manufacture of refined petroleum products 46.12 - Agents involved in the sale of fuels, ores, metals and industrial chemicals 35.23 - Trade in gas through mains 49.50 - Transportation via pipelines Other - specify
Please, file an electronic version of the financial statements for the reporting period as well as an online link to the report (if it is publicly available)	
Have you had an independent audit of your company's financial statements conducted? If so, provide an electronic version of the audit report	
Contact information of responsible person, who filled this questionnaire in (full name, job title, contact number, e-mail):	

⁶³⁵ If there were changes in the company name, address, etc. during the reporting period, it is necessary to specify the previous and current data.

2. Legal information

Item	Information
List of founders (participants) of the legal entity and indication of each founder's share in the authorized capital of the legal entity (for joint stock companies - indicating the type of shares: ordinary or privileged)	
<p>Information on the ultimate beneficial owner (controller) of the legal entity, including the ultimate beneficiary (controller) of its founder (participant), if the founder (participant) is a legal entity - indicate the participation interest (share) of the beneficiary owner in the legal entity's capital. For each beneficial owner it is necessary to specify:</p> <ul style="list-style-type: none"> - full name - share of beneficial owner in the capital of the company - nationality (citizenship) - country of residence - indication of whether the person is a national / foreign public official - national identification (tax) number - national identification number - date of birth - address of residence or work - contact details (telephone number, e-mail address) 	
Public joint stock companies and their subsidiaries, the securities of which are included in the stock exchange register, and companies who own 100% of shares, must provide information about the name of the stock exchange and include a link to a site of stock exchanges, on which they are registered.	
<p>List of entities controlled by your company and associated entities (enterprises related to your company by economic and / or organizational dependency relationships in the form of participation in share capital and / or management.</p> <p>If your company is a public sector enterprise or an enterprise with 50 percent or more of the shares (indirectly) owned by the government, the list should include all subsidiaries with a 50 percent interest in and / or management of your company.</p> <p>For each such enterprise, indicate:</p> <ol style="list-style-type: none"> 1) EDRPOU code; 2) share of participation in capital and / or management; 3) changes that occurred in the share of participation during the reporting period. 	
The extent of responsibility of the state (including in the person of the state body - the subject of management of objects of state property, the subject of the public sector of economy or other enterprise, 50 and more percent of shares (shares) of which are in indirect ownership of the state) for the obligation, if applicable (liability within the deposit; full subsidiary liability, etc.).	

3. Share of the state⁶³⁶

Item	Information
State share in the authorized capital of the company:	
• as of the beginning of the reporting period (01.01.2017)	
• as of the end of the reporting period (31.12.2017)	
Name of the legal person (s) or government body through which the state holds a share in the authorized capital of the company	
Did your company receive financing, including to cover the costs of your company, from the state (including in the person of a state body - a subject of management of state-owned objects, a subject of the public sector of economy or other enterprise, 50 and more percent of the shares (shares) of which are indirectly owned by the state) during the reporting period (except for the information provided in section 11 below) in connection with the participation of the state (in the person of any of these entities) in the authorized capital / in managing your company? If yes, please specify the form (monetary, natural), amount, reason and purpose (purpose) of such financing.	
Were there any changes in the amount of the state's share in the authorized capital during the reporting period / management of your company? If so, please indicate the date, nature and reason for such changes.	

4. Loans and government guarantees

Indicator	Amount, UAH thousand	Note
<p>In the reporting period, did the government and / or state-owned enterprises, 50 percent or more of which are indirectly owned by the government, provide loans and / or guarantees for the loans of your company? If so, please specify:</p> <ul style="list-style-type: none"> the volume of such loans / guarantees, terms and conditions of their provision, such as: interest rate, security deposit and its amount, repayment period, payment schedule. <p>If your company has outstanding loans and / or loan guarantees from the government and / or public sector entities or enterprises with 50 percent or more of the</p>		

⁶³⁶ **State share** means the share of participation or share in the authorized capital (number of shares) of your company of the following entities:

- (1) States represented by a public authority;
- (2) a state-owned enterprise;
- (3) an entity whose state share in the authorized capital exceeds 50% or is of a value that provides the state with the right of decisive influence over the economic activity of that entity;
- (4) enterprises, 50 or more percent of shares (shares) of which are indirectly owned by the state (regardless of the number of intermediate entities).

state-owned indirect shares (shares) during the reporting period, provide them with the same information.		
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5. Special permit for the use of subsoil and mining allotments (license), in the territory of Ukraine

Item	Information
The numbers of special permits valid at the end of the reporting period	
The numbers of special permits issued during the reporting period. For special permits issued without tender, provide the grounds for granting them without tender (the relevant clause of paragraph 8 of the Procedure for granting special permits for use of subsoil, approved by the Resolution of the Cabinet of Ministers of Ukraine # 615 dated May 30, 2011)	
The numbers of special permits the validity of which has expired during the reporting period and has not been prolonged	
The numbers of special permits which have been cancelled during the reporting period	
The numbers of special permits, suspended as of the end of the reporting period	
Information on any significant deviations from the procedure established by law for the provision of special permits for the use of subsoil	
Information on mining allotments: the location of the mining allotment, its area, the issue date and the validity of the act of granting the mining allotment	

6. Mineral deposits (total across the companies in the territory of Ukraine)⁶³⁷

Indicator	Figure as of January 1 of the year following the reporting year
Crude oil (thousand tonnes), including:	
Balance sheet (extractive) reserves (111+121+122) (thousand tonnes)	
Conditionally balance sheet and off-balance sheet reserves (211+221+222) (thousand tonnes)	
Reserves with indeterminate industrial purpose (331+332) (thousand tonnes)	
Reserves with indeterminate industrial purpose (333+334) (thousand tonnes)	
Gas condensate (thousand tonnes), including:	
Balance sheet (extractive) reserves (111+121+122) (thousand tonnes)	
Conditionally balance sheet and off-balance sheet reserves (211+221+222) (thousand tonnes)	
Reserves with indeterminate industrial purpose (331+332) (thousand tonnes)	
Reserves with indeterminate industrial purpose (333+334) (thousand tonnes)	

⁶³⁷ Information on the reserves shall be filled in according to the reporting form No. 6-gr submitted by the company (oil, oil bitumen, natural gas, condensate, ethane, propane, butane, helium, nitrogen) (annual) "Reporting Balance Sheet of Mineral Reserves for the year 20__".

Indicator	Figure as of January 1 of the year following the reporting year
Natural gas (free and dissolved) (mcm), including:	
Balance sheet (extractive) reserves (111+121+122) (mcm)	
Conditionally balance sheet and off-balance sheet reserves (211+221+222) (mcm)	
Reserves with indeterminate industrial purpose (331+332) (mcm)	
Reserves with indeterminate industrial purpose (333+334) (mcm)	
Other (specify if necessary)	

7. Production volumes for the reporting period⁶³⁸

Region	Crude oil (thousand tonnes)	Gas condensate (thousand tonnes)	Natural gas (mcm)	Other (specify if needed)
Autonomous Republic of Crimea				
Vinnitsia region				
Volyn region				
Dnipropetrovsk region				
Donetsk region				
including in the temporarily occupied territory				
Zhytomyr region				
Zakarpattia region				
Zaporizhzhia region				
Ivano-Frankivsk region				
Kyiv region				
Kirovograd region				
Luhansk region				
including in the temporarily occupied territory				
Lviv region				
Mykolaiv region				
Odesa region				
Poltava region				
Rivne region				
Sumy region				
Ternopil region				
Kharkiv region				
Kherson region				
Khmelnyskyi region				
Cherkasy region				
Chernivtsi region				
Chernihiv region				
TOTAL IN UKRAINE				

⁶³⁸ Specify production volumes during the reporting period, excluding production losses.

8. Employment

Indicator	Number, persons
Number of fulltime employees at the end of the reporting period, persons	
Average number of fulltime employees at the end of the reporting period, persons	

9. Total revenue and sales volume of marketable products in the reporting period (own production) ⁶³⁹

9.1 Total revenue and sales volumes of natural gas

Indicator	Volume, tcm	Total revenue, UAH thousand	
		Including VAT	Without VAT
Volume of natural gas sold within the territory of Ukraine (total), tcm, including to:			
industrial consumers and other entities			
institutions and organizations financed from state and local budgets			
households and heat energy producers for the needs of households			
religious organizations and producers of heat energy for the needs of religious organizations			
producers of heat energy and electricity for needs not mentioned above			
operators of the gas transportation system (GTS) to meet production technological needs, own needs and balancing			
the operator of the gas distribution network (GDNs) to meet production and technological needs and their own needs			
suppliers with unidentified purpose			
other consumers / for other needs (please specify)			

9.2 Total revenue and sales volumes of oil and gas condensate

Indicator	Volume	Total revenue, UAH thousand	
		Including VAT	Without VAT
Sold within the territory of Ukraine, including:			
crude oil, thousand tonnes			
gas condensate, thousand tonnes			
other (specify if necessary)			
Exported, including:			
crude oil, thousand tonnes			
gas condensate, thousand tonnes			
other (specify if necessary)			

⁶³⁹ If a part of produced products (mineral products) is sold within the group (for example, supplied to the gas processing plant) the internal cost of total volume of products sold within the group is added to the structure of total revenue.

10. Agreements related to mining activity

№	Indicator	Information
1	<p>Information on any joint venture agreement (JVA)</p> <p>For each joint venture agreement please indicate:</p> <ul style="list-style-type: none"> - number, date of conclusion and duration of the JVA; - the name and the EDRPOU code (if any) of all parties of the JVA; - the authorized taxpayer (operator) and his/her tax ID number under the JVA; - the number of a special permit and the date of its granting under which JVA is operating - information on the type and amount of the contribution of the state partner (state enterprise / institution / organization / business company, in which the share capital of the state exceeds 50 percent) in accordance with the conditions of the JVA; - the share of manufactured products (its monetary equivalent), extracted under the JVA, which was transferred (distributed) in the reporting period to JVA participants, incl. public sector entities, other enterprises, 50 or more percent of shares (shares) of which are indirectly owned by the state, and enterprises of communal ownership. - information on the amount of expenses covered / incurred by a state partner (state-owned enterprise / institution / organization / business entity in which the share capital of the state exceeds 50 percent) for the relevant JVA in the reporting period (if applicable); - information on the types and extent of government support under the JVA (if applicable), except for the costs mentioned above. 	
2	<p>Information on any barter agreement with the state (in the person of a state body - a subject to management of state-owned objects, a subject of the public sector of economy or other enterprise, 50 and more percent of shares of which are in indirect ownership of the state) according to which the company transferred or received goods and services, loans, carried out infrastructure works, etc., in exchange for the minerals or possibility (right) to explore and / or extract the minerals. For each agreement please specify:</p> <ul style="list-style-type: none"> - the date of the conclusion; - the term of the agreement; - full name of the counterparty, legal entity, under the given agreement; - the value of the whole agreement; - the costs (gains) incurred (for the state enterprises, indicate the incurred costs and received gains, if any) under the agreement in the reporting period; - the nature of barter costs / gains (list of goods, services, works, etc.) incurred (for the state enterprises, indicate the costs incurred and gains received, if any) under the agreement in the reporting period 	

<p>3</p>	<p>Information on the concession of the state owned objects of the fuel and energy complex:</p> <ul style="list-style-type: none"> - number, date and maturity of the agreement; - the parties of the agreement; - types of activities, work, services performed under the terms of the agreement; - the object of the concession; - the amount of concession and other obligatory payments stipulated by the concession agreement; - information on all special permits obtained without a tender related to the concession of the objects of the fuel and energy complex (if any), namely: the number, date of receipt and renewal, term of validity; - information on the types and extent of state support under the concession agreement (if applicable), including the extent to which the state (including the concessionaire, the state body managing the relevant state-owned entity, or otherwise) covered / incurred the costs of the relevant concession agreement in the reporting period. 	
<p>4</p>	<p>Information on product sharing agreements:</p> <ul style="list-style-type: none"> - number, date of conclusion, date of entry into force and term of the agreement; - the parties of the agreement; - subject of the agreement (subsoil area, subsoil use (s), types of minerals); - description and amount of non-tax payments (bonuses, etc.) paid to the state in accordance with the agreement during the reporting period (if any); - the size of royalty for the use of subsoils to extract minerals in accordance to the agreement; - information on all special permits obtained by an investor (operator) for the purposes of the product sharing agreement, namely: number, dates of receipt and renewal, validity; - information on the size of the state's share (including a public sector entity or other entity, 50 or more percent of shares (shares) of which are indirectly owned by the state) in manufactured products in accordance with the terms of the agreement. 	

11. Operations of Public Sector Enterprises and Enterprises, 50 or more percent of shares of which are indirectly owned by the government

№	Indicator	Information	Note
1	<p>The amount of transfer payments (grants, subsidies, subventions) and any other financial support received from the state during the reporting period. For each type of support, indicate the amount of financial support received (in UAH), including: (In the note box, enter the name of the budget program or other reasons for the funding)</p> <ul style="list-style-type: none"> - Subsidies and current transfers to enterprises (institutions, organizations) (budget classification code for budget expenditures - 2610) - Capital transfers to enterprises (institutions, organizations) (code of economic classification of budget expenditures - 3210) - Other types of payments (specify) 		
2	<p>The portion of net revenue (in UAH) that was allocated to reinvestment in the enterprise. (In the note box, indicate the reasons for such distribution (e.g. minutes and date of decision of the Supervisory Board))</p>		
3	<p>Amount of external finance attracted during the reporting period: (In the note box, indicate the source of the funding involved)</p> <ul style="list-style-type: none"> - Borrowings (bank loans, bond issues, Eurobonds, etc.) - Participation in capital (equity, share capital) - Others (specify) 		
4	<p>Retained (undistributed) earnings at the beginning and end of the reporting period:</p> <ul style="list-style-type: none"> - as of January 1, 2017 - as of December 31, 2017 		

12. Social and charity payments⁶⁴⁰

No	indicator	Amount, UAH thousand		Purpose	Note
		incl. VAT	without VAT		
1	Social expenses (in cash and in kind) required from your company in accordance with the legislation, product sharing agreements, subsoil use agreements, investment obligations, concession contracts, state purchase and sale contracts, or any other obligations to the state, central and local authorities, which are binding under the regulations or contracts related to extractive activities. For each payment, please, specify the name of the payee, the region or locality of the payee, and the purpose of the payment in the note box.			Health care	
				Education and Science	
				Environment	
				Support to local communities	
				Other	
2	Information on any costs for social purposes, which the company made voluntarily. For each payment, please, specify the name of the payee, the region or locality of the payee, and the purpose of the payment in the note box.			Health care	
				Education and Science	
				Environment	
				Support to local communities	
				Other	

13. Quasi-fiscal expenditures

№	Indicator	Amount, UAH thousand	Note
Provide information on quasi-fiscal transactions (if any) that occurred during the reporting period, as listed below. For each type of transaction, indicate its amount and provide brief explanation of such transactions in the note box (for example, the reasons for the operation, the name of the beneficiary, etc.).			
1	Supply of natural gas at preferential prices to thermal power companies for the production of thermal energy to be consumed by the population (calculated as the difference in purchase prices of imported natural gas by the National Joint Stock Company 'Naftogaz of Ukraine' and its sale to the enterprises of thermal energy for the production of heat energy consumed by the consumer consumption of natural gas by thermal power companies for the production of such energy)		

⁶⁴⁰ Payments for social and charitable purposes are payments (in monetary and / or in kind) for the benefit of governmental organizations, local authorities, communities, non-governmental organizations and other third parties. The data should not include the costs of social security and training of its own staff, bonuses and surcharges for its own staff and any other support of its own staff in monetary and in kind.

2	Accumulation of receivables of the National Joint Stock Company 'Naftogaz of Ukraine' for sale of natural gas to the population and enterprises of the heat power industry		
3	Borrowing by the National Joint Stock Company 'Naftogaz of Ukraine' and other entities of the public sector of the economy, which trigger obligations of early payments in case of change of the owner and for other reasons stipulated in the loan agreement (prospectus of issue of bonds)		

14. Transportation costs during the reporting period⁶⁴¹

Indicator	Information
<i>Oil transportation</i>	
Gross physical volume of transportation of the oil produced by the company, thousand tonnes	
The total transportation costs of the oil produced by the company, UAH thousand (without VAT)	
Name of the company that provides transportation services	
Major transportation routes	
Tariffs for transportation of the oil produced by the company	
Any other payments to the company that transports the extracted products (amount and purpose)	
<i>Transportation of natural gas</i>	
Gross physical volume of transportation of the natural gas produced by the company, mcm	
Gross physical volume of storage (injection, withdrawal) of natural gas in storage, mcm	
The total transportation costs of the natural gas produced by the company, UAH thousand (without VAT)	
The total storage (injection, withdrawal) costs of natural gas produced by the company, mcm	
Name and the EDRPOU code of the company that provides transportation services	
Major transportation routes	
Tariffs for transportation of the natural gas produced, established by the company	
Tariffs for storage (injection, withdrawal), established by natural gas storage facilities	
Any other payments to the company that transports extracted products (amount and purpose)	

⁶⁴¹ Shall be filled in by all oil and gas companies, regardless of ownership

15. Revenues from oil and natural gas transportation during the reporting period⁶⁴²

15.1. Transportation of natural gas

Indicator	Gross physical volume, mcm	Revenue, UAH	The EDRPOU code of the payer
<i>Income of the gas transmission system operator</i>			
Revenue obtained from selling products (goods, цзукфе, services), total (excluding VAT), including:			
- transportation of natural gas extracted in the territory of Ukraine via main gas pipelines for Ukrainian consumers			
- transit of natural gas through the territory of Ukraine			
- storage (injection, withdrawal) of natural gas produced in Ukraine			
- other products (goods, operations, services) (detailing each type of such services, etc.)			
<i>Rates and routes</i>			
Physical volume of natural gas imported for Ukrainian consumers by country of origin			
Physical volume of natural gas transit by European and CIS countries			
Tariffs for natural gas transportation services for Ukrainian consumers for the entry and exit points, as well as a list of normative documents that determine their calculation. For each tariff type, specify the validity period.			
Tariffs for natural gas transportation services with cross-border gas pipelines, as well as a list of normative documents that determine their calculation. For each tariff type, specify the validity period.			
Tariffs for services for storage (pumping, withdrawal) of natural gas, as well as the list of normative documents that determine their calculation. For each tariff type, specify the validity period.			

⁶⁴² Shall be filled in by operators of gas and oil transportation systems of Ukraine
 стор. 292 з 419

15.2 Transportation of crude oil

Indicator	Gross physical volume, thousand tonnes	Revenue, UAH	The EDRPOU code of the payer
<i>Income of the oil transportation system operator</i>			
Revenue obtained from selling products (goods, operations, services), total (excluding VAT), including:			
- transportation of oil for Ukrainian consumers			
- transit of oil through the territory of Ukraine			
- oil storage			
- other products (goods, operations, services) (detailing each type of such services, etc.)			
<i>Rates and routes</i>			
Data on physical volume and transportation routes of oil produced in Ukraine for Ukrainian consumers			
Data on physical volume and transportation routes of oil imported for Ukrainian consumers by country of origin			
Data on physical volume and routes of oil transit by destination			
Tariffs for oil transportation services through main pipelines for Ukrainian consumers, as well as a list of regulatory documents that determine their calculation. For each tariff type, specify the validity period.			
Tariffs for oil transportation (transit) services through the territory of Ukraine, as well as a list of normative documents that determine their calculation. For each tariff type, specify the validity period.			
Tariffs for oil storage (pumping, extraction) services, as well as a list of normative documents that determine their calculation. For each tariff type, specify the validity period.			

Extractive industries Transparency Initiative (EITI)

QUESTIONNAIRE FOR THE COMPANIES OF COAL INDUSTRY

1. Background information⁶⁴³

Full name of the Company:	
EDRPOU Code	
Location (Legal address):	
Types of economic activities according to NACE: <i>(remove odds from the list and/or add new types of economic activity):</i>	05.1 - Mining of hard coal 05.2 - Mining of lignite 09.9 - Support activities for other mining and quarrying <u>46.12 - Agents involved in the sale of fuels, ores, metals and industrial chemicals</u> Other - specify
Stamps of coal	A, Б, Д, ДГ, Г1, Г2, ГЖ, Ж, ГЖП, К, ПС, П, other - specify
Please, provide an electronic version of the financial statements for the reporting period as well as the online link to the report (if it is publicly available)	
Have you had an independent audit of your company's financial statements conducted? If so, provide an electronic version of the audit report	
Contact information of the person, responsible for filling this questionnaire (full name, job title, contact number, e-mail):	

2. Legal information

Item	Information
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⁶⁴³ If there were changes in the company name, address, etc. during the reporting period, it is necessary to specify the previous and current data.

<p>List of founders (participants) of the legal entity and indication of each founder's share in the authorized capital of the legal entity (for joint stock companies - indicating the type of shares: ordinary or privileged)</p>	
<p>Information on the ultimate beneficial owner (controller) of the legal entity, including the ultimate beneficiary (controller) of its founder (participant), if the founder (participant) is a legal entity - indicate the participation interest (share) of the beneficiary owner in the legal entity's capital. For each beneficial owner it is necessary to specify:</p> <ul style="list-style-type: none"> - full name - share of beneficial owner in the capital of the company - nationality (citizenship) - country of residence - indication of whether the person is a national / foreign public official - national identification (tax) number - national identification number - date of birth - address of residence or work - contact details (telephone number, e-mail address) <p>Public joint stock companies and their subsidiaries, the securities of which are included in the stock exchange register, and companies who own 100% of shares, must provide information about the name of the stock exchange and include a link to a site of stock exchanges, on which they are registered</p>	
<p>List of entities controlled by your company and associated entities (enterprises related to your company by economic and / or organizational dependency relationships in the form of participation in share capital and / or management.</p> <p>If your company is a public sector enterprise or an enterprise with 50 percent or more of the shares (indirectly) owned by the government, the list should include all subsidiaries with a 50 percent interest in and / or management of your company.</p> <p>For each such enterprise, indicate:</p> <ol style="list-style-type: none"> 1) EDRPOU code; 2) share of participation in capital and / or management; 3) changes that occurred in the share of participation during the reporting period. 	
<p>The extent of responsibility of the state (including in the person of the state body - the subject of management of objects of state property, the subject of the public sector of economy or other enterprise, 50 and more percent of shares (shares) of which are in indirect ownership of the state) for the obligation, if applicable (liability within the deposit; full subsidiary liability, etc.).</p>	

3. Share of the state⁶⁴⁴

⁶⁴⁴ **State share** means the share of participation or share in the authorized capital (number of shares) of your company of the following entities:

Item	Information
State share in the authorized capital of the company:	
• as of the beginning of the reporting period (01.01.2017)	
• as of the end of the reporting period (31.12.2017)	
Name of the legal person (s) or government body through which the state holds a share in the authorized capital of the company	
Did your company receive financing, including to cover the costs of your company, from the state (including in the person of a state body - a subject of management of state-owned objects, a subject of the public sector of economy or other enterprise, 50 and more percent of the shares (shares) of which are indirectly owned by the state) during the reporting period (except for the information provided in section 11 below) in connection with the participation of the state (in the person of any of these entities) in the authorized capital / in managing your company? If yes, please specify the form (monetary, natural), amount, reason and purpose (purpose) of such financing.	
Were there any changes in the amount of the state's share in the authorized capital during the reporting period / management of your company? If so, please indicate the date, nature and reason for such changes.	

4. Loans and government guarantees

Indicator	Amount, UAH thousand	Note
<p>In the reporting period, did the government and / or state-owned enterprises, 50 percent or more of which are indirectly owned by the government, provide loans and / or guarantees for the loans of your company? If so, please specify:</p> <ul style="list-style-type: none"> the volume of such loans / guarantees, terms and conditions of their provision, such as: interest rate, security deposit and its amount, repayment period, payment schedule. <p>If your company has outstanding loans and / or loan guarantees from the government and / or public sector entities or enterprises with 50 percent or more of the state-owned indirect shares (shares) during the reporting period, provide them with the same information.</p>		

5. Special permit for the use of subsoil and mining allotments (license), in the territory of Ukraine

-
- (4) States represented by a public authority;
 - (5) a state-owned enterprise;
 - (6) an entity whose state share in the authorized capital exceeds 50% or is of a value that provides the state with the right of decisive influence over the economic activity of that entity;
 - (7) enterprises, 50 or more percent of shares (shares) of which are indirectly owned by the state (regardless of the number of intermediate entities).

Item	Information
The numbers of special permits valid at the end of the reporting period	
The numbers of special permits issued during the reporting period. For special permits issued without tender, provide the grounds for granting them without tender (the relevant clause of paragraph 8 of the Procedure for granting special permits for use of subsoil, approved by the Resolution of the Cabinet of Ministers of Ukraine # 615 dated May 30, 2011)	
The numbers of special permits the validity of which has expired during the reporting period and has not been prolonged	
The numbers of special permits which have been cancelled during the reporting period	
The numbers of special permits, suspended as of the end of the reporting period	
Information on any significant deviations from the procedure established by law for the provision of special permits for the use of subsoil	
Information on mining allotments: the location of the mining allotment, its area, the issue date and the validity of the act of granting the mining allotment	

6. Mineral deposits (total across the companies in the territory of Ukraine)⁶⁴⁵

Indicator	Figure as of January 1 of the year following the reporting year
Coal (thousand tonnes), including:	
Balance (extractable) reserves (A+B+C ₁) (thousand tonnes)	
Conditionally balance sheet and off-balance sheet (C2 category) (thousand tonnes)	
Reserves with indeterminate industrial purpose (thousand tonnes)	
Reserves with indeterminate industrial purpose (thousand tonnes)	
Natural gas of coal mines (mcm), including:	
Balance (extractable) reserves (A+B+C ₁) (mcm)	
Conditionally balance sheet and off-balance sheet (C2 category) (mcm)	
Reserves with indeterminate industrial purpose (mcm)	
Reserves with indeterminate industrial purpose (mcm)	

7. Production volumes in the territory of Ukraine⁶⁴⁶

⁶⁴⁵ Information on the reserves is filled in accordance with the reporting form No. 5-gr submitted by the company (solid combustible, metallic and intangible minerals) (annual) "Reporting Balance Sheet of Mineral Reserves for the year 20__".

⁶⁴⁶ Specify production volumes during the reporting period, excluding production losses.

Region	Coal (thousand tonnes)				Natural gas of coal mines (mcm)	Other (specify if necessary)
	Gas group (Г, ГЖ, ГЖП, ДГ)	Coking coal (К, Ж)	Anthracite (А)	Other stamps (specify)		
Autonomous Republic of Crimea						
Vinnitsia region						
Volyn region						
Dnipropetrovsk region						
Donetsk region						
including in the temporarily occupied territory						
Zhytomyr region						
Zakarpattia region						
Zaporizhzhia region						
Ivano-Frankivsk region						
Kyiv region						
Kirovograd region						
Luhansk region						
including in the temporarily occupied territory						
Lviv region						
Mykolaiv region						
Odesa region						
Poltava region						
Rivne region						
Sumy region						
Ternopil region						
Kharkiv region						
Kherson region						
Khmelnitskyi region						
Cherkasy region						
Chernivtsi region						
Chernihiv region						
TOTAL IN UKRAINE						

8. Employment

Indicator	Number, persons
Number of fulltime employees at the end of the reporting period, persons	
Average number of fulltime employees at the end of the reporting period, persons	

9. Total revenue and sales volume of marketable products in the reporting period (own

production) ⁶⁴⁷

Indicators of sales, thousand tonnes	The volume							
	Gas group (Г, ГЖ, ГЖП, ДГ)		Coking coal (К, Ж)		Anthracite (А)		Other stamps (specify)	
Total sales in the territory of Ukraine (thousand tonnes), including:								
Raw coal, thousand tonnes								
Enriched coal, thousand tonnes								
Total export of coal (thousand tonnes), including:								
Raw coal, thousand tonnes								
Enriched coal, thousand tonnes								
Revenue from sales, UAH thousand	without VAT	VAT	without VAT	VAT	without VAT	VAT	with out VAT	VAT
Total revenue from sales of coal (UAH thousand), including:								
Raw coal, UAH thousand								
Enriched coal, UAH thousand								
Total revenue from export of coal (UAH mln), including:								
Raw coal, UAH thousand								
Enriched coal, UAH thousand								

10. Agreements related to mining activity

№	Indicator	Information
1	Information on any joint venture agreement (JVA) For each joint venture agreement please indicate: <ul style="list-style-type: none"> - number, date of conclusion and duration of the JVA; - the name and the EDRPOU code (if any) of all parties of the JVA; - the authorized taxpayer (operator) and his/her tax ID number under the JVA; - the number of a special permit and the date of its granting under which JVA is operating; - information on the type and amount of the contribution of the state partner (state enterprise / institution / organization / business company, in which the share capital of the state 	

⁶⁴⁷ If a part of produced products (mineral products) is sold within the group (for example, supplied to the gas processing plant) the internal cost of total volume of products sold within the group is added to the structure of total revenue.

	<p>exceeds 50 percent) in accordance with the conditions of the JVA;</p> <ul style="list-style-type: none"> - the share of manufactured products (its monetary equivalent), extracted under the JVA, which was transferred (distributed) in the reporting period to JVA participants, incl. public sector entities, other enterprises, 50 or more percent of shares (shares) of which are indirectly owned by the state, and enterprises of communal ownership. - information on the amount of expenses covered / incurred by a state partner (state-owned enterprise / institution / organization / business entity in which the share capital of the state exceeds 50 percent) for the relevant JVA in the reporting period (if applicable); - information on the types and extent of government support under the JVA (if applicable), except for the costs mentioned above. 	
2	<p>Information on any barter agreement with the state (in the person of a state body - a subject to management of state-owned objects, a subject of the public sector of economy or other enterprise, 50 and more percent of shares of which are in indirect ownership of the state) according to which the company transferred or received goods and services, loans, carried out infrastructure works, etc., in exchange for the minerals or possibility (right) to explore and / or extract the minerals. For each agreement please specify:</p> <ul style="list-style-type: none"> - the date of the conclusion; - the term of the agreement; - full name of the counterparty, legal entity, under the given agreement; - the value of the whole agreement; - the costs (gains) incurred (for the state enterprises, indicate the incurred costs and received gains, if any) under the agreement in the reporting period; - the nature of barter costs / gains (list of goods, services, works, etc.) incurred (for the state enterprises, indicate the costs incurred and gains received, if any) under the agreement in the reporting period 	
3	<p>Information on the concession of the state-owned objects of the fuel and energy complex:</p> <ul style="list-style-type: none"> - number, date and maturity of the agreement; - the parties of the agreement; - types of activities, work, services performed under the terms of the agreement; - the object of the concession; - the amount of concession and other obligatory payments stipulated by the concession agreement; - information on all special permits obtained without a tender related to the concession of the objects of the fuel and energy complex (if any), namely: the number, date of receipt and renewal, term of validity; - information on the types and extent of state support under 	

	the concession agreement (if applicable), including the extent to which the state (including the concessionaire, the state body managing the relevant state-owned entity, or otherwise) covered / incurred the costs of the relevant concession agreement in the reporting period.	
4	<p>Information on product sharing agreements:</p> <ul style="list-style-type: none"> - number, date of conclusion, date of entry into force and term of the agreement; - the parties of the agreement; - subject of the agreement (subsoil area, subsoil use (s), types of minerals); - description and amount of non-tax payments (bonuses, etc.) paid to the state in accordance with the agreement during the reporting period (if any); - the size of royalty for the use of subsoils to extract minerals in accordance to the agreement; - information on all special permits obtained by an investor (operator) for the purposes of the product sharing agreement, namely: number, dates of receipt and renewal, validity; - information on the size of the state's share (including a public sector entity or other entity, 50 or more percent of shares (shares) of which are indirectly owned by the state) in manufactured products in accordance with the terms of the agreement. 	

11. Operations of Public Sector Enterprises and Enterprises, 50 or more percent of shares of which are indirectly owned by the government

№	Indicator	Information	Note
1	<p>The amount of transfer payments (grants, subsidies, subventions) and any other financial support received from the state during the reporting period. For each type of support, indicate the amount of financial support received (in UAH), including: (In the note box, enter the name of the budget program or other reasons for the funding)</p> <ul style="list-style-type: none"> - Subsidies and current transfers to enterprises (institutions, organizations) (budget classification code for budget expenditures - 2610) - Capital transfers to enterprises (institutions, organizations) (code of economic classification of budget expenditures - 3210) - Other types of payments (specify) 		
2	<p>The portion of net revenue (in UAH) that was allocated to reinvestment in the enterprise. (In the note box, indicate the reasons for such distribution (e.g. minutes and date of decision of the Supervisory Board))</p>		
3	Amount of external finance attracted during the reporting period:		

	(In the note box, indicate the source of the funding involved) - Borrowings (bank loans, bond issues, Eurobonds, etc.) - Participation in capital (equity, share capital) - Others (specify)		
4	Retained (undistributed) earnings at the beginning and end of the reporting period: - as of January 1, 2017 - as of December 31, 2017		

12. Social and charity payments⁶⁴⁸

No	Indicator	Amount, UAH thousand		Purpose	Note
		incl. VAT	without VAT		
1	Social expenses (in cash and in kind) required from your company in accordance with the legislation, product sharing agreements, subsoil use agreements, investment obligations, concession contracts, state purchase and sale contracts, or any other obligations to the state, central and local authorities, which are binding under the regulations or contracts related to extractive activities. For each payment, please, specify the name of the payee, the region or locality of the payee, and the purpose of the payment in the note box.			Health care	
				Education and Science	
				Environment	
				Support to local communities	
				Other	
2	Information on any costs for social purposes, which the company made voluntarily. For each payment, please, specify the name of the payee, the region or locality of the payee, and the purpose of the payment in the note box.			Health care	
				Education and Science	
				Environment	
				Support to local communities	
				Other	

⁶⁴⁸ Payments for social and charitable purposes are payments (in monetary and / or in kind) for the benefit of governmental organizations, local authorities, communities, non-governmental organizations and other third parties. The data should not include the costs of social security and training of its own staff, bonuses and surcharges for its own staff and any other support of its own staff in monetary and in kind.

13. Quasi-fiscal expenditures

№	Indicator	Amount, UAH thousand	Note
Provide information on quasi-fiscal transactions (if any) that occurred during the reporting period, as listed below. For each type of transaction, indicate its amount and provide brief explanation of such transactions in the note box (for example, the reasons for the operation, the name of the beneficiary, etc.).			
1	Supply of natural gas at preferential prices to thermal power companies for the production of thermal energy to be consumed by the population (calculated as the difference in purchase prices of imported natural gas by the National Joint Stock Company 'Naftogaz of Ukraine' and its sale to the enterprises of thermal energy for the production of heat energy consumed by the consumer consumption of natural gas by thermal power companies for the production of such energy)		
2	Accumulation of receivables of the National Joint Stock Company 'Naftogaz of Ukraine' for sale of natural gas to the population and enterprises of the heat power industry		
3	Borrowing by the National Joint Stock Company 'Naftogaz of Ukraine' and other entities of the public sector of the economy, which trigger obligations of early payments in case of change of the owner and for other reasons stipulated in the loan agreement (prospectus of issue of bonds)		

Extractive industries Transparency Initiative (EITI)

QUESTIONNAIRE

FOR THE COMPANIES OF METAL ORES INDUSTRY

1. Background information⁶⁴⁹

Full name of the Company:	
EDRPOU Code	
Location (Legal address):	
Types of economic activities according to NACE: <i>(remove odds from the list and/or add new types of economic activity):</i>	07.1 - Mining of iron ores 07.2 - Mining of non-ferrous metal ores 09.9 - Support activities for other mining and quarrying <u>46.12 - Agents involved in the sale of fuels, ores, metals and industrial chemicals</u> Other - specify
Types of ores	<i>To specify</i>
Please, file an electronic version of the financial statements for the reporting period as well as an online link to the report (if it is publicly available)	
Have you had an independent audit of your company's financial statements conducted? If so, provide an electronic version of the audit report	
Contact information of responsible person, who filled this questionnaire in (full name, job title, contact number, e-mail):	

2. Legal information

Item	Information
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⁶⁴⁹ If there were changes in the company name, address, etc. during the reporting period, it is necessary to specify the previous and current data.



List of founders (participants) of the legal entity and indication of each founder's share in the authorized capital of the legal entity (for joint stock companies - indicating the type of shares: ordinary or privileged)	
<p>Information on the ultimate beneficial owner (controller) of the legal entity, including the ultimate beneficiary (controller) of its founder (participant), if the founder (participant) is a legal entity - indicate the participation interest (share) of the beneficiary owner in the legal entity's capital. For each beneficial owner it is necessary to specify:</p> <ul style="list-style-type: none"> - full name - share of beneficial owner in the capital of the company - nationality (citizenship) - country of residence - indication of whether the person is a national / foreign public official - national identification (tax) number - national identification number - date of birth - address of residence or work - contact details (telephone number, e-mail address) <p>Public joint stock companies and their subsidiaries, the securities of which are included in the stock exchange register, and companies who own 100% of shares, must provide information about the name of the stock exchange and include a link to a site of stock exchanges, on which they are registered.</p>	
<p>List of entities controlled by your company and associated entities (enterprises related to your company by economic and / or organizational dependency relationships in the form of participation in share capital and / or management.</p> <p>If your company is a public sector enterprise or an enterprise with 50 percent or more of the shares (indirectly) owned by the government, the list should include all subsidiaries with a 50 percent interest in and / or management of your company.</p> <p>For each such enterprise, indicate:</p> <ol style="list-style-type: none"> 1) EDRPOU code; 2) share of participation in capital and / or management; 3) changes that occurred in the share of participation during the reporting period. 	
The extent of responsibility of the state (including in the person of the state body - the subject of management of objects of state property, the subject of the public sector of economy or other enterprise, 50 and more percent of shares (shares) of which are in indirect ownership of the state) for the obligation, if applicable (liability within the deposit; full subsidiary liability, etc.).	

3. Share of the state⁶⁵⁰

⁶⁵⁰ **State share** means the share of participation or share in the authorized capital (number of shares) of your company of the following entities:

Item	Information
State share in the authorized capital of the company:	
• as of the beginning of the reporting period (01.01.2017)	
• as of the end of the reporting period (31.12.2017)	
Name of the legal person (s) or government body through which the state holds a share in the authorized capital of the company	
Did your company receive financing, including to cover the costs of your company, from the state (including in the person of a state body - a subject of management of state-owned objects, a subject of the public sector of economy or other enterprise, 50 and more percent of the shares (shares) of which are indirectly owned by the state) during the reporting period (except for the information provided in section 11 below) in connection with the participation of the state (in the person of any of these entities) in the authorized capital / in managing your company? If yes, please specify the form (monetary, natural), amount, reason and purpose (purpose) of such financing.	
Were there any changes in the amount of the state's share in the authorized capital during the reporting period / management of your company? If so, please indicate the date, nature and reason for such changes.	

4. Loans and government guarantees

Indicator	Amount, UAH thousand	Note
<p>In the reporting period, did the government and / or state-owned enterprises, 50 percent or more of which are indirectly owned by the government, provide loans and / or guarantees for the loans of your company? If so, please specify:</p> <ul style="list-style-type: none"> the volume of such loans / guarantees, terms and conditions of their provision, such as: interest rate, security deposit and its amount, repayment period, payment schedule. <p>If your company has outstanding loans and / or loan guarantees from the government and / or public sector entities or enterprises with 50 percent or more of the state-owned indirect shares (shares) during the reporting period, provide them with the same information.</p>		

5. Special permit for the use of subsoil and mining allotments (license), in the territory of Ukraine

(8) States represented by a public authority;

(9) a state-owned enterprise;

(10) an entity whose state share in the authorized capital exceeds 50% or is of a value that provides the state with the right of decisive influence over the economic activity of that entity;

(11) enterprises, 50 or more percent of shares (shares) of which are indirectly owned by the state (regardless of the number of intermediate entities).

Item	Information
The numbers of special permits valid at the end of the reporting period	
The numbers of special permits issued during the reporting period. For special permits issued without tender, provide the grounds for granting them without tender (the relevant clause of paragraph 8 of the Procedure for granting special permits for use of subsoil, approved by the Resolution of the Cabinet of Ministers of Ukraine # 615 dated May 30, 2011)	
The numbers of special permits the validity of which has expired during the reporting period and has not been prolonged	
The numbers of special permits which have been cancelled during the reporting period	
The numbers of special permits, suspended as of the end of the reporting period	
Information on any significant deviations from the procedure established by law for the provision of special permits for the use of subsoil	
Information on mining allotments: the location of the mining allotment, its area, the issue date and the validity of the act of granting the mining allotment	

6. Mineral deposits (total across the companies in the territory of Ukraine)⁶⁵¹

Indicator	Figure as of January 1 of the year following the reporting year
Iron ores (thousand tonnes), including:	
Balance (extractable) reserves (A+B+C ₁) (thousand tonnes)	
Conditionally balance sheet and off-balance sheet (C2 category) (thousand tonnes)	
Reserves with indeterminate industrial purpose (thousand tonnes)	
Reserves with indeterminate industrial purpose (thousand tonnes)	
Non-ferrous metal ores (thousand tonnes), including:	
Balance (extractable) reserves (A+B+C ₁) (thousand tonnes)	
Conditionally balance sheet and off-balance sheet (C2 category) (thousand tonnes)	
Reserves with indeterminate industrial purpose (thousand tonnes)	
Reserves with indeterminate industrial purpose (thousand tonnes)	

7. Production volumes in the territory of Ukraine⁶⁵²

⁶⁵¹ Information on the reserves is filled in accordance to the reporting form No. 5-gr submitted by the company (solid combustible, metallic and intangible minerals) (annual) "Reporting Balance Sheet of Mineral Reserves for the year 20__".

⁶⁵² Specify production volumes during the reporting period, excluding production losses.

Region	Iron ores (thousand tonnes)	Titanium ores (thousand tonnes)	Manganese ores (thousand tonnes)	Other (specify)
Autonomous Republic of Crimea				
Vinnitsia region				
Volyn region				
Dnipropetrovsk region				
Donetsk region				
including in the temporarily occupied territory				
Zhytomyr region				
Zakarpattia region				
Zaporizhzhia region				
Ivano-Frankivsk region				
Kyiv region				
Kirovograd region				
Luhansk region				
including in the temporarily occupied territory				
Lviv region				
Mykolaiv region				
Odesa region				
Poltava region				
Rivne region				
Sumy region				
Ternopil region				
Kharkiv region				
Kherson region				
Khmelnyskyi region				
Cherkasy region				
Chernivtsi region				
Chernihiv region				
TOTAL IN UKRAINE				

8. Employment

Indicator	Number, persons
Number of fulltime employees at the end of the reporting period, persons	
Average number of fulltime employees at the end of the reporting period, persons	

9. Total revenue and sales volume of products in the reporting period (own

production)⁶⁵³

Indicator	Volume, thousand tonnes	Total revenue, UAH thousand	
		Including VAT	Without VAT
Sold within the territory of Ukraine, including:			
Unenriched ore			
Iron ores concentrate			
Pellets			
Manganese concentrate			
Titanium concentrate			
Exported, including:			
Unenriched ore			
Iron ores concentrate			
Pellets			
Manganese concentrate			
Titanium concentrate			
Other (<i>specify</i>)			

10. Agreements related to mining activity

№	Indicator	Information
1	Information on any joint venture agreement (JVA) For each joint venture agreement please indicate: <ul style="list-style-type: none"> - number, date of conclusion and duration of the JVA; - the name and the EDRPOU code (if any) of all parties of the JVA; - the authorized taxpayer (operator) and his/her tax ID number under the JVA; - the number of a special permit and the date of its granting under which JVA is operating - information on the type and amount of the contribution of the state partner (state enterprise / institution / organization / business company, in which the share capital of the state exceeds 50 percent) in accordance with the conditions of the JVA; - the share of manufactured products (its monetary equivalent), extracted under the JVA, which was transferred (distributed) in the reporting period to JVA participants, incl. public sector entities, other enterprises, 50 or more percent of shares (shares) of which are indirectly owned by the state, and enterprises of communal ownership. - information on the amount of expenses covered / incurred by a state partner (state-owned enterprise / institution / organization / business entity in which the share capital of 	

⁶⁵³ If a part of produced products (mineral products) is sold within the group (for example, supplied to the gas processing plant) the internal cost of total volume of products sold within the group is added to the structure of total revenue.

	<p>the state exceeds 50 percent) for the relevant JVA in the reporting period (if applicable);</p> <ul style="list-style-type: none"> - information on the types and extent of government support under the JVA (if applicable), except for the costs mentioned above. 	
2	<p>Information on any barter agreement with the state (in the person of a state body - a subject to management of state-owned objects, a subject of the public sector of economy or other enterprise, 50 and more percent of shares of which are in indirect ownership of the state) according to which the company transferred or received goods and services, loans, carried out infrastructure works, etc., in exchange for the minerals or possibility (right) to explore and / or extract the minerals. For each agreement please specify:</p> <ul style="list-style-type: none"> - the date of the conclusion; - the term of the agreement; - full name of the counterparty, legal entity, under the given agreement; - the value of the whole agreement; - the costs (gains) incurred (for the state enterprises, indicate the incurred costs and received gains, if any) under the agreement in the reporting period; - the nature of barter costs / gains (list of goods, services, works, etc.) incurred (for the state enterprises, indicate the costs incurred and gains received, if any) under the agreement in the reporting period 	
3	<p>Information on the concession of the state owned objects of the fuel and energy complex:</p> <ul style="list-style-type: none"> - number, date and maturity of the agreement; - the parties of the agreement; - types of activities, work, services performed under the terms of the agreement; - the object of the concession; - the amount of concession and other obligatory payments stipulated by the concession agreement; - information on all special permits obtained without a tender related to the concession of the objects of the fuel and energy complex (if any), namely: the number, date of receipt and renewal, term of validity; - information on the types and extent of state support under the concession agreement (if applicable), including the extent to which the state (including the concessionaire, the state body managing the relevant state-owned entity, or otherwise) covered / incurred the costs of the relevant concession agreement in the reporting period. 	
4	<p>Information on product sharing agreements:</p> <ul style="list-style-type: none"> - number, date of conclusion, date of entry into force and term of the agreement; - the parties of the agreement; - subject of the agreement (subsoil area, subsoil use (s), types of minerals); 	

	<ul style="list-style-type: none"> - description and amount of non-tax payments (bonuses, etc.) paid to the state in accordance with the agreement during the reporting period (if any); - the size of royalty for the use of subsoils to extract minerals in accordance to the agreement; - information on all special permits obtained by an investor (operator) for the purposes of the product sharing agreement, namely: number, dates of receipt and renewal, validity; - information on the size of the state's share (including a public sector entity or other entity, 50 or more percent of shares (shares) of which are indirectly owned by the state) in manufactured products in accordance with the terms of the agreement. 	
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11. Operations of Public Sector Enterprises and Enterprises, 50 or more percent of shares of which are indirectly owned by the government

№	Indicator	Information	Note
1	<p>The amount of transfer payments (grants, subsidies, subventions) and any other financial support received from the state during the reporting period. For each type of support, indicate the amount of financial support received (in UAH), including: (In the note box, enter the name of the budget program or other reasons for the funding)</p> <ul style="list-style-type: none"> - Subsidies and current transfers to enterprises (institutions, organizations) (budget classification code for budget expenditures - 2610) - Capital transfers to enterprises (institutions, organizations) (code of economic classification of budget expenditures - 3210) - Other types of payments (specify) 		
2	<p>The portion of net revenue (in UAH) that was allocated to reinvestment in the enterprise. (In the note box, indicate the reasons for such distribution (e.g. minutes and date of decision of the Supervisory Board))</p>		
3	<p>Amount of external finance attracted during the reporting period: (In the note box, indicate the source of the funding involved)</p> <ul style="list-style-type: none"> - Borrowings (bank loans, bond issues, Eurobonds, etc.) - Participation in capital (equity, share capital) - Others (specify) 		
4	<p>Retained (undistributed) earnings at the beginning and end of the reporting period:</p> <ul style="list-style-type: none"> - as of January 1, 2017 - as of December 31, 2017 		

12. Social and charity payments⁶⁵⁴

No	Indicator	Amount, UAH thousand		Purpose	Note
		incl. VAT	without VAT		
1	Social expenses (in cash and in kind) required from your company in accordance with the legislation, product sharing agreements, subsoil use agreements, investment obligations, concession contracts, state purchase and sale contracts, or any other obligations to the state, central and local authorities, which are binding under the regulations or contracts related to extractive activities. For each payment, please, specify the name of the payee, the region or locality of the payee, and the purpose of the payment in the note box.			Health care	
				Education and Science	
				Environment	
				Support to local communities	
				Other	
2	Information on any costs for social purposes, which the company made voluntarily. For each payment, please, specify the name of the payee, the region or locality of the payee, and the purpose of the payment in the note box.			Health care	
				Education and Science	
				Environment	
				Support to local communities	
				Other	

13. Quasi-fiscal expenditures

№	Indicator	Amount, UAH thousand	Note
Provide information on quasi-fiscal transactions (if any) that occurred during the reporting period, as listed below. For each type of transaction, indicate its amount and provide brief explanation of such transactions in the note box (for example, the reasons for the operation, the name of the beneficiary, etc.).			
1	Supply of natural gas at preferential prices to thermal power companies for the production of thermal energy to be consumed by the population (calculated as the difference in purchase prices of imported natural gas by the National Joint Stock Company 'Naftogaz of Ukraine' and its sale to the enterprises of thermal energy for the production of heat energy consumed by the consumer consumption of natural gas by thermal power companies for the production of such energy)		

⁶⁵⁴ Payments for social and charitable purposes are payments (in monetary and / or in kind) for the benefit of governmental organizations, local authorities, communities, non-governmental organizations and other third parties. The data should not include the costs of social security and training of its own staff, bonuses and surcharges for its own staff and any other support of its own staff in monetary and in kind.



2	Accumulation of receivables of the National Joint Stock Company 'Naftogaz of Ukraine' for sale of natural gas to the population and enterprises of the heat power industry		
3	Borrowing by the National Joint Stock Company 'Naftogaz of Ukraine' and other entities of the public sector of the economy, which trigger obligations of early payments in case of change of the owner and for other reasons stipulated in the loan agreement (prospectus of issue of bonds)		



12 Annex 4. Annual report on tax and other payments for extractive companies

ANNUAL REPORT ON TAX AND OTHER PAYMENTS FOR EXTRACTIVE COMPANIES

for 2017

Submitted by:	Term for submission:
Legal entities, separated subdivisions of legal entities, which carry out industrial activities	not later _____ 2019

Respondent:	
Full name:	_____
Identification code EDRPOU (for JAA - tax number)	_____
Location (legal address)	_____
	<i>(Post code, region, district, city/town/ street/lane, square, etc.)</i>

	<i>(building/block #, apartment/office #)</i>
Address of the place of business in respect of which the reporting form is submitted (actual address)	_____

<i>(Post code, region, district, city/town/ street/lane, square, building/block #, apartment/office #)</i>	



State/local budget	Budget classification code (CCBR)	Payment	Information on accruals for the reporting period, thous UAH			Payment in the reporting year, thous UAH	
			Tax basis	Tax rate	Incurring for the reporting year	Paid in the reporting year, total	Including for the previous years
		Taxes					
	11010000	<i>Personal income tax</i>					
SB/LB	11010100-11010900	Personal income tax, extraction activities					
SB/LB	11010100-11010900	Personal income tax, other types of activities					
	11020000	<i>Corporate income tax</i>					
SB/LB	11020100 - 11022200	Corporate income tax, extraction activities					
SB/LB	11020100 - 11022200	Corporate income tax, other types of activities					
	13030000	<i>Production royalty</i>					
SB/LB	13030100	Production royalty for mineral resources of national significance					
SB	13030700	Production royalty for oil					
SB	13030800	Production royalty for natural gas					
SB	13030900	Production royalty for gas condensate					
	14060000	<i>Value added tax on goods (works, services) produced in Ukraine, including budgetary compensation</i>					
SB	14060100	Value added tax of goods (works, services) produced in Ukraine, extraction activities					
SB	14060100	Value added tax of goods (works, services) produced in Ukraine, other types of activities					
SB	14010200	VAT refund from the budget in cash					
	14070000	<i>Value added tax on goods (works, services) imported into Ukraine</i>					
SB	14070100 -	Value added tax on goods imported into Ukraine, extraction activities					



State/local budget	Budget classification code (CCBR)	Payment	Information on accruals for the reporting period, thous UAH			Payment in the reporting year, thous UAH	
			Tax basis	Tax rate	Incurred for the reporting year	Paid in the reporting year, total	Including for the previous years
	14070200						
SB	14070100 - 14070200	Value added tax on goods imported into Ukraine, other types of activities					
	18010500	<i>Land fee</i>					
LB	18010500	Land fee for legal entities, extraction activities					
LB	18010500	Land fee for legal entities, other types of activities					
	18010600	<i>Land rent fee for legal entities</i>					
LB	18010600	Land rent fee for legal entities, extraction activities					
LB	18010600	Land rent fee for legal entities, other types of activities					
	19010000	<i>Environmental tax</i>					
SB/LB	19010100 - 19010900	Environmental tax, extraction activities					
SB/LB	19010100 - 19010900	Environmental tax, other types of activities					
		Non-tax receipts/payments					
	21000000	Dividends and payment of a share of net profit					
SB	21010000- 21010900	Part of net profit (income) of the state-owned or communal unitary enterprises and their associations transferred to the respective budget, production activities					
SB	21010000- 21010900	Part of net profit (income) of the state-owned or communal unitary enterprises and their associations transferred to the respective budget, other types of activities					
SB	22012100	Fees for granting or extending special permits for the use of subsoil and revenues from the sale of such permits					
		<i>Unified social contribution</i>					
		Unified social contribution, extraction activities					



State/local budget	Budget classification code (CCBR)	Payment	Information on accruals for the reporting period, thous UAH			Payment in the reporting year, thous UAH	
			Tax basis	Tax rate	Incurred for the reporting year	Paid in the reporting year, total	Including for the previous years
		Unified social contribution, other types of activities					
		<i>Fines</i>					
SB/LB		Fines, penalties, confiscation, extraction activities					
SB/LB		Fines, penalties, confiscation, other types of activities					
		<i>Other</i>					
LB		Other taxes and duties paid directly to local budgets, extraction activities					
SB		Other taxes and duties paid directly to the state budget, extraction activities					
		Total paid					
		to the state budget					
		to the local budget					

LB payments/proceeds to the local budget
SB payments/proceeds to the state budget

Signature of the Director (owner) and/or person authorized for authenticity of the information provided

(Full name)

(Full name)

telephone: _____
fax: _____
e-mail: _____

Instruction on the procedure for filling in the Annual report on taxes and other payments for extractive companies

1. Background

This instruction shall apply to the enterprises, institutions and organizations of extractive industry, their subdivisions, branches, other separate subdivisions and representative offices of foreign business entities (“the Enterprise”).

Report of Payments/Proceeds shall be filled in for 2017 by the oil and gas companies (including operators of oil and gas pipelines), metal ores and coal companies.

2. Instruction on filling in

1. If the Payer has branches and representative offices, the Report shall be filled in for each business entity.
2. Information on Payments / Proceeds shall be filled in by the Payer/Recipient as per the Classification of Codes of Budget Revenues (CCBR) in accordance with the Unified Budget Classification of Ukraine approved by Order #11 of the Ministry of Finance of Ukraine “On Budget Classification” of 14.01.2011., valid as of 31.12.2017.
3. The Report shall provide the amounts of payments actually made in the reporting period, including Payments made against debt repayment for the previous period, including against payment surplus specified in the Report. Amounts of Payments accrued but not paid in the reporting period shall not be included to this Report.
4. Amounts of Payments shall be stated by the Payer in accordance with accounting data and approved by the Auditor which audits the Payer’s activities. In case of absence of Auditor’s Opinion or assurance on tax amounts made by the Payer, such payer shall provide explanations concerning the reasons of absence of audit/assurance by the auditor of tax amounts. VAT refund amounts shall be put with minus.
5. When obtaining from the Company a reconciliation request in respect of erroneous or incomplete data, as well as in respect of differences between the Payer and the Recipient data:
 - the Recipient shall provide statements of Payer’s account in respect of which there is a difference for the respective period;
 - the Payer shall provide documents supporting the amount of made payment in respect of which there is a difference, such as bank statements, personal account which confirms tax payment through netting off against other taxes, etc.
6. If it is necessary, the Payers/Recipients may address the Company on reconciliation for explanations in respect of the Report preparation.
7. The dashes shall be inserted if there are no specific indexes.
8. The Report shall be approved by the Director of the Payer/Recipient or his/her authorized representative responsible for quality and fairness of information.

9. If the total income of non-core segments of the Enterprise (other than production and transportation) from the sale of products (goods, works and services) to external buyers and according to intra-company settlements of the Enterprise is less than 10% of total income from sale to external buyers and according to intra-company settlements of all segments of specific type (economic or geographic, respectively), the Enterprise not allocate tax payment between extractive industry and other types of activities. The tax payment shall be considered to be related to the extractive industry only.
10. If the total income of non-core segments of the Enterprise (other than production and transportation) from the sale of products (goods, works and services) to external buyers and according to intra-company settlements of the Enterprise is not less than 10% of total income from sale to external buyers and according to intra-company settlements of all segments of specific type, the Enterprise shall allocate tax payment between extractive industry and other types of activities. The allocation shall be made pro rata the total income of core and non-core economic segments.
11. The Report shall be prepared in hard and soft copies and sent to the Ministry of Energy and Environment Protection of Ukraine within the term and to the address, specified in the Order of the Ministry of Energy and Environment Protection of Ukraine.

3. Contents of filling in template

State/local budget	Identifies to which budget the tax shall be paid (ST - state budget, LB - local budget). This identifier shows the budget to which payer actually pays the tax, and does not reflect the budget, to which such payment may be transferred.
CCBR	CCBR, according to which the payments are credited
Payment	List of tax and non-tax proceeds/payments
Tax basis	Basis from which the proceeds of respective tax is accrued, thous UAH
Tax rate	Effective rate for respective tax
Accrued for the reporting year	Tax amount accrued for the reporting year
Paid in the reporting year, total	Amount of Payment/Proceeds specified in the column Name of payment, actually made/received as per CCBR as specified in the column CCBR, thous UAH
Including for the previous years	Amount of Payment/Proceeds, actually made/received in the reporting year but for the previous periods specified in the column Name of payment, actually made/received as per CCBR as specified in the column CCBR, thous UAH

13 Annex 5. Powers of state authorities of Ukraine in the field of mineral resource production in 2017

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
Verkhovna Rada (Parliament) of Ukraine	1) Adopting the laws ⁶⁵⁵ 2) Setting out the main lines of state policy ⁶⁵⁶ 3) Approving the national programs for development of extractive industries ⁶⁵⁷	Elected body	Constitution of Ukraine Law of Ukraine "On Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine" ⁶⁵⁸ Subsoil Code Mining Law
President of Ukraine ⁶⁵⁹	1) Participating in the legislative process (legislative initiative right, signing / veto of laws adopted by the Parliament); 2) Issuing decrees and orders that are mandatory on the territory of Ukraine.	Elected body	Constitution of Ukraine
Cabinet of Ministers of Ukraine	1) Procuring financial, pricing, investment and tax policy, as well as policy in the areas of environmental safety and use of natural resources; 2) Directing and coordinating the work of ministries and other executive bodies; 3) Adopting decisions on establishment, reorganization and liquidation of ministries and other central state authorities	Accountable to the President of Ukraine and Verkhovna Rada of Ukraine; is controlled by and reports to the Verkhovna Rada of Ukraine	Constitution of Ukraine Law of Ukraine "On the Cabinet of Ministers of Ukraine" ⁶⁶⁰ Subsoil Code Mining Law Law on Oil and Gas Law of Ukraine "On the Natural Gas Market"

⁶⁵⁵ According to paragraph 5 of part 1 of Article 92 of the Constitution of Ukraine, the principles of the use of natural resources may only be set out by laws of Ukraine. Apart from the Constitution of Ukraine, the main laws governing oil and gas production sector are Subsoil Code of Ukraine No. 132/94-BP of 27 July 1994, Law of Ukraine "On Oil and Gas" No. 2665-III of 12 July 2001, Mining Law of Ukraine No. 1127-XIV of 6 October 1999, Law of Ukraine "On Production Sharing Agreements" No. 1039-XIV of 14 September 1999, and other laws.

⁶⁵⁶ Resolution of the Verkhovna Rada of Ukraine "On Main Tasks of the State Policy of Ukraine on Environmental Protection, Use of Natural Resources and Ensuring Ecological Safety" No. 188/98-BP of 5 March 1998, available at: <http://zakon3.rada.gov.ua/laws/show/188/98-%D0%B2%D1%80>.

⁶⁵⁷ Law of Ukraine "On Approval of the **National Program** for Development of the **Mineral Resources** Base of **Ukraine** for the Period **until 2030**" No. 3268-VI of 21 April 2011.

⁶⁵⁸ Law of Ukraine "On Rules of Parliamentary Procedure of the Verkhovna Rada of Ukraine" No. 1861-VI of 10 February 2010.

⁶⁵⁹ The President of Ukraine does not formally belong to any branch of government (legislative, executive, judicial).

⁶⁶⁰ Law of Ukraine "On the Cabinet of Ministers of Ukraine" No. 2591-VI of 7 October 2010, available at: <http://zakon.rada.gov.ua/laws/show/794-18/ed20171111>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	upon request of the Prime Minister of Ukraine; 4) Issuing mandatory resolutions and orders; 5) Participating in the legislative process (legislative initiative right); 6) Implementing state policy in the oil and gas industry 7) Adopting decisions regarding Imposing special obligations onto the natural gas market players in order to ensure public interests in the natural gas market; 8) Performing state management in the field of geological exploration, use and protection of mineral resources; 9) Performing state regulation of mining.		
Ministry of Ecology and Natural Resources of Ukraine (Ministry of Ecology)	1) Ensuring development and implementation of state policy in the field of environmental protection, reproduction and protection of natural resources; 2) Setting regulatory framework for a range of issues including monitoring of the subsoil examination works, accounting for the volumes of produced minerals, depleted deposits, and the mining losses, accounting for oil and gas wells, procedure of releasing the subsoil resources into use; 3) Consenting to the issuance of the license; 4) Registering the first and final drafts of production sharing	Directed and coordinated by the CMU (the Ministry is a central executive body responsible for development and implementation of state policy in the field of environmental protection and environmental security	Law of Ukraine "On Environmental Protection" Regulation on the Ministry of Ecology and Natural Resources of Ukraine ⁶⁶¹ Procedure for Registration of Drafts of the Production Sharing Agreement and State Registration of the Production Sharing Agreement ⁶⁶²

⁶⁶¹ Resolution of the CMU "On approval of the Regulation of the Ministry of Ecology and Natural Resources of Ukraine" No. 32 dated 21 January 2015, available at: <http://zakon0.rada.gov.ua/laws/show/32-2015-%D0%BF>.

⁶⁶² Order of the Ministry of Ecology and Natural Resources of Ukraine "On Approval of the Procedure for Registration of Drafts of the Production Sharing Agreement and State Registration of the Production Sharing Agreement" No. 40 of 5 February 2013, available at: <http://zakon4.rada.gov.ua/laws/show/z0299-13>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>agreements and performing state registration of such agreements.</p>		
<p>Ministry of Energy and Coal Industry of Ukraine (Ministry of Energy)</p>	<ol style="list-style-type: none"> 1) Setting out main tasks of development of fuel and energy sector; 2) Developing draft laws and other regulations on issues within its competence; 3) Approving project technical documents for industrial and experimental industrial development, complex projects of an oil and gas field or deposit arrangements; 4) Adopting decisions on commencement of pilot and commercial development of an oil and gas field or deposit; 5) Approving projects for conservation or liquidation of coal extracting companies under the Ministry's control; 6) Accounting for the state-owned property under its management and exercising control over the efficient use and preservation of such property; 7) Accounting for the accidents that have occurred at fuel and energy enterprises, approving measures for their prevention; 8) Participating in development of procedures and conditions for privatization of fuel and energy enterprises; 9) Approving the National Action Plan; 10) Developing and approving rules for the safety of supply of natural gas etc. 	<p>Directed and coordinated by the CMU</p> <p>(the Ministry is a central executive body responsible for development and implementation of state policy in energy, nuclear industry, coal, peat, and oil and gas sectors)</p>	<p>Regulation on the Ministry of Energy and Coal Industry of Ukraine⁶⁶³</p> <p>Law on Oil and Gas</p> <p>Law of Ukraine "On the Natural Gas Market"</p>

⁶⁶³ Decree of the President of Ukraine "On Regulation of the Ministry of Energy and Coal Industry of Ukraine" No. 382/2011 of 6 April 2011, available at: <http://zakon2.rada.gov.ua/laws/show/382/2011>. In 2017, a new Regulation of the Ministry of Energy and Coal Industry of Ukraine was approved by the resolution of the CMU No. 208 dated 29 March 2017.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
State Fiscal Service of Ukraine (SFS)	<ol style="list-style-type: none"> 1) Collection, recording, and control over the payment of taxes, duties, and customs payments (in particular, the license fee for subsoil use) 2) Issuing binding orders and exercising control over their implementation; 3) Providing information upon request of the Geology Service on the existence of an outstanding debt for payment of state taxes and fees for the purposes related to the process of granting, prolonging, amending a license. 	Directed and coordinated by the CMU through the Minister of Finance (the Service is a central executive body that implements, among others, state tax policy)	Tax Code of Ukraine ⁶⁶⁴ Regulation on the State Fiscal Service of Ukraine ⁶⁶⁵ Procedure for granting licenses
State Service for Geology and Mineral Resources of Ukraine (Geology Service)	<ol style="list-style-type: none"> 1) Implementing state policy on geological exploration and rational use of subsoil resources; 2) Exercising state control over geological exploration of subsoil (state geological control) and its rational and efficient use, in particular, over the accounting of oil, gas and related components; 3) Registering and accounting for works and researches related to geological exploration of subsoil; 4) Issuing, cancelling, suspending, and renewing the licenses; 5) Publishing information on certain procedural steps related to granting licences; 6) Supervising compliance with the norms, standards, and other requirements for the geological 	Directed and coordinated by the CMU through the Minister of Ecology and Natural Resources of Ukraine (central executive body responsible for implementation of state policy in geological exploration of subsoil and its rational and efficient use)	Subsoil Code Law of Ukraine "On the State Geological Service of Ukraine" ⁶⁶⁶ Regulation on the State Service for Geology and Mineral Resources of Ukraine ⁶⁶⁷ The Procedure for Granting Licenses

⁶⁶⁴ Tax Code of Ukraine.

⁶⁶⁵ Resolution of the CMU "On the State Fiscal Service of Ukraine" No 236 of 21 May 2014.

⁶⁶⁶ Law of Ukraine "On the *State Geological* Service of *Ukraine*" No.1216-VII of 4 November 1999, available at <http://zakon5.rada.gov.ua/laws/show/1216-14>.

⁶⁶⁷ Resolution of the CMU "On approval of the Regulation of the State Service for Geology and Mineral Resources of Ukraine" No. 1174 dated 30 December 2015, available at <http://zakon5.rada.gov.ua/laws/show/1174-2015-%D0%BF>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	exploration and use of subsoil, the conditions of licenses, the conditions of licenses and the subsoil use agreements.		
State Ecological Inspection of Ukraine	<ol style="list-style-type: none"> 1) Performing state supervision over compliance with regulations on environmental safety 2) Performing supervision and control over compliance with the terms and conditions of licenses; 3) Taking measures to discontinue unauthorized use of subsoil and construction at the location of mineral deposits in violation of the established procedure. 	Directed and coordinated by the CMU through the Minister of Ecology and Natural Resources of Ukraine (central state authority responsible for implementation of state policy in supervision (control) in the sphere of environmental protection, rational and efficient use, restoration and protection of mineral resources)	Law of Ukraine "On Environmental Protection" Regulation on the State Ecological Inspection of Ukraine ⁶⁶⁸⁶⁶⁹ The Procedure for Granting Licenses
State Labor Service	<ol style="list-style-type: none"> 1) Granting the mining allotments; 2) Performing state mining supervision of safe mining works; of coal, oil and gas, ore, and non-ore mining enterprises during construction, operation, liquidation, and conservation of mining objects and enterprises⁶⁷⁰; 3) Supervising (controlling) compliance with requirements of special subsoil use permits 	Directed and coordinated by the CMU through the Minister of Social Security of Ukraine (Service is a central state authority responsible for implementation of state policy in supervision and control over environmental	Subsoil Code of Ukraine Regulation on the State Labor Service ⁶⁷¹ Regulation on the Procedure for State Mining Supervision ⁶⁷² Regulation on the Procedure for Granting Mining Allotments ⁶⁷³ The Procedure for

⁶⁶⁸ Decree of the President of Ukraine "On the Regulation on the State Ecological Inspection of Ukraine" No. 454/2011 of 13 April 2011, available at: <http://zakon3.rada.gov.ua/laws/show/454/2011>.

⁶⁶⁹ On 19 April 2017, the CMU adopted a resolution "On Approval of the Regulation on the State Ecological Inspection of Ukraine" No. 275 dated 19 April 2017, available at: <http://zakon2.rada.gov.ua/laws/show/275-2017-%D0%BF>.

⁶⁷⁰ State mining supervision is the supervision over companies', organizations', and citizens' compliance with laws, rules and regulations, applicable to works related to geological exploration, use and protection of subsoil resources, and also the use and processing of raw minerals (paragraph 1 of the Regulation on the Procedure for State Mining Supervision).

⁶⁷¹ Resolution of the CMU "On approval of the Regulation of the State Labor Service of Ukraine" No. 96 dated 11 February 2015, available at: <http://zakon2.rada.gov.ua/laws/show/96-2015-%D0%BF/print1443083481646335>.

⁶⁷² Resolution of the CMU "On Approval of the Regulation on the Procedure for State Mining Supervision" No. 134 dated 21 February 1995, available at: <http://zakon0.rada.gov.ua/laws/show/134-95-%D0%BF>.

⁶⁷³ Resolution of the CMU "On Approval of the Regulation on the Procedure for Issuing of Mining Allotments" No. 59 of 27 January 1995.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>concerning state mining supervision;</p> <p>4) Organizing the state technical expert examination of safety of mining operations;</p> <p>5) Conducting selective checks of the availability and performance of the projects and plans of geological exploration of minerals, development of mineral resources deposits;</p> <p>6) Terminating the subsoil use related works in case of violations of geological exploration of mineral resources, etc.</p>	<p>protection, efficient use, replenishment, and protection of mineral resources)</p>	<p>Granting Licenses</p>
<p>Ministry of Economic Development and Trade (Ministry of Economy)</p>	<p>1) Developing and ensuring implementation of state policy in state-owned property management and state industrial policy;</p> <p>2) Preparing and reporting to the CMU of a draft list of state-owned property that can be transferred into concession;</p> <p>3) Providing methodological and legislative support related to the issues of state-owned property management;</p> <p>4) Developing proposals regarding the formation and implementation of state pricing policy.</p>	<p>Directed and coordinated by the CMU (central executive body responsible for development and implementation of state policies in economic, social development and trade fields, in industrial and investment aspects, in cross-border economic activities regulation, in technical regulation, in standardization and metrology, in state-owned property management, in stimulating the entrepreneurship)</p>	<p>Resolution of the CMU “On the issues of Ministry of Economic Development and Trade”⁶⁷⁴</p> <p>Law of Ukraine “On Public-Private Partnership”⁶⁷⁵</p> <p>Law of Ukraine “On Management of State-owned Property”</p>
<p>National Energy and Utilities State Regulation Commission</p>	<p>1) Approving the methodology of setting transportation tariffs for natural gas, for entry and exit points, of the services on distribution, storage (injection,</p>	<p>Accountable to the President of Ukraine; reporting to the Verkhovna Rada of</p>	<p>Law of Ukraine “On Commission for State Regulation of Energy</p>

⁶⁷⁴ Resolution of the CMU “On issues of the Ministry of Economic Development and Trade” No. 459 of 20 August 2014, available at: <http://zakon2.rada.gov.ua/laws/show/459-2014-%DO%BF>.

⁶⁷⁵ Law of Ukraine “On Public-Private Partnership” No 2404-VI of 1 July 2010.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	<p>withdrawal) of natural gas in relation to the gas storage facilities to which the regulated access regime is applied, of the LNG installation services; as well as setting tariffs that must ensure the necessary investments into gas transportation and distribution systems, gas storage facilities, and LNG facility;</p> <p>2) Setting tariffs for transportation of natural gas through transboundary gas pipelines;</p> <p>3) Approving rules for supply of natural gas;</p> <p>4) Certifying operators of the transmission system and the gas transportation system;</p> <p>5) Licensing of activities related to transportation, distribution, storage, supply of natural gas and provision of LNG facility services;</p> <p>6) Approving rules for the “last hope” supplier as part of the rules for natural gas supply, including rules for determination of the price of natural gas supplied by such a supplier;</p> <p>7) Monitoring the level of transparency in the activities of natural gas market players, in particular, the level of wholesale natural gas prices, as well as ensuring compliance of the natural gas market players (except for consumers) with the obligations to publish information;</p>	<p>Ukraine (in accordance with the Regulation on the National Energy and Utilities State Regulation Commission)</p> <p>(independent state collegial body the purpose of which is state regulation, monitoring and control over the activities of business entities in energy and utility sector)</p>	<p>Sector and Utilities”⁶⁷⁶ Regulation on the National Energy and Utilities State Regulation Commission⁶⁷⁷ Law of Ukraine “On Natural Gas Market”</p>

⁶⁷⁶ Law of Ukraine “On the National Commission for State Regulation of Energy Sector and Utilities” No. 1540-VIII dated 11 September 2017, available at: <http://zakon3.rada.gov.ua/laws/show/1540-19/print1452596252458519>.

⁶⁷⁷ Decree of the President of Ukraine “On Approving Regulation on National Energy and Utilities State Regulation Commission” No. 715/2014 of 10 September 2014 available at: <http://zakon0.rada.gov.ua/laws/show/715/2014>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	8) Developing and approving codes on transmission and distribution systems of electric energy, gas transportation and distribution systems, codes on gas storage and LNG facilities; 9) Establishing the minimum standards and quality requirements to consumer services and natural gas supply.		
State Architectural and Construction Inspection of Ukraine	1) Issuing and withdrawing permits for carrying out construction works; 2) Checking the completed works' compliance with requirements of state construction regulations, standards, and rules; 3) Issuing binding notifications, particularly concerning cease of preparatory and construction works if those are not carried out in compliance with statutory requirements.	Directed and coordinated by the CMU through the Vice-Prime-Minister of Ukraine - Minister of Regional Development, Construction, and Public Housing and Utility Services (central executive body responsible for implementation of state policy in state architectural and construction control and supervision)	Regulation on the State Architectural and Construction Inspection of Ukraine ⁶⁷⁸ Procedure of Exercising State Architectural and Construction Control ⁶⁷⁹ Procedure for Exercising State Architectural and Construction Supervision ⁶⁸⁰
State Emergency Service of Ukraine	1) Filing with the Minister of internal affairs proposals concerning list of enterprises, branches of economy and territories subject to continuous and statutory rescue maintenance, as well as procedures of performing such maintenance;	Directed and coordinated by the CMU through the Minister of Internal Affairs (central executive body responsible for implementation of state policy in civic	Law of Ukraine "On High-Hazard Objects" ⁶⁸¹ Regulation on the State Emergency Service of Ukraine ⁶⁸²

⁶⁷⁸ Resolution of the CMU "On Approving Regulation on State Architectural and Construction Inspection of Ukraine" No. 294 of 9 July 2014, available at: <http://zakon0.rada.gov.ua/laws/show/294-2014-%D0%BF>; Decree of the President of Ukraine "On Regulation on State Architectural and Construction Inspection of Ukraine" No. 439/2011 of 8 April 2011, available at: <http://zakon0.rada.gov.ua/laws/show/439/2011>

⁶⁷⁹ Resolution of the CMU "On Approving the Procedure of Performing State Architectural and Construction Control" No. 553 of 23 May 2011., available at: <http://zakon2.rada.gov.ua/laws/show/553-2011-%D0%BF/ed20151006>.

⁶⁸⁰ Resolution of the CMU "On Approving the Procedure of Performing State Architectural and Construction Supervision" No. 698 of 19 August 2015, available at: <http://zakon3.rada.gov.ua/laws/show/en/698-2015-%D0%BF/ed20150819>.

⁶⁸¹ Law of Ukraine "On Objects of High Hazard" No 2245-III of 18 January 2001, available at: <http://zakon3.rada.gov.ua/laws/show/2245-14>.

⁶⁸² Resolution of the CMU "On approving Regulation on the State Emergency Service of Ukraine" No. 1052 of 16 December 2015, available at: <http://zakon2.rada.gov.ua/laws/show/1052-2015-%D0%BF/ed20151216>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
	2) Organizing and providing protection against fires for companies, institutions, organizations, and other objects on the basis of the agreements.	protection, protection of civilians and territories from emergency situations and prevention of their occurrence, liquidation of consequences of emergency situations, rescue activity, firefighting, fire and technogenic safety, activity of rescue services, and hydrometeorological activities)	
Oblast (region), Kyiv, and Sevastopol city state administrations	1) Issuing special water use permits (water objects of state importance) (required for carrying out certain activities in the oil and gas production sector); 2) Controlling over the use and protection of subsoil; 3) Approving the production of mineral resources of local importance and peat with special technical means.	Local state administrations and their heads are accountable to the President of Ukraine and the CMU, and are controlled by and report to the CMU. Local state administrations are controlled by and report to the relevant district and oblast (region) councils with regard to the powers delegated to them by relevant district and oblast (region) councils, and with regard to execution of the decisions of the councils on these matters.	Constitution of Ukraine Law of Ukraine "On Local State Administrations" ⁶⁸³ Subsoil Code The Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv" ⁶⁸⁴ Procedure for Approval and Granting of Special Water Use Permits ⁶⁸⁵

⁶⁸³ Law of Ukraine "On Local State Administrations" No.586-XIV of 9 April 1999, available at: <http://zakon2.rada.gov.ua/laws/show/586-14>

⁶⁸⁴ Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv" No.401-XIV of 15 January 1999, available at: <http://zakon2.rada.gov.ua/laws/show/586-14>

⁶⁸⁵ Resolution of the CMU "On Approval of the Procedure for Approval and Issuance of Special Water Use Permits and Amendments to Resolution of the CMU of 10 August 1992 No.459" No.321 of 13 March 2002, available at: <http://zakon3.rada.gov.ua/laws/show/321-2002-%D0%BF/ed20120119>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
		<p>The Mayor of Kyiv as the head of the Kyiv City State Administration when exercising his/her executive powers is accountable to the President of Ukraine and the CMU, and is controlled by and reports to the CMU.</p>	
<p>Oblast (region), Kyiv, and Sevastopol city councils</p>	<ol style="list-style-type: none"> 1) Providing mineral resources into use for the development of minerals of local importance; 2) Approving the provision of subsoil resources into use for the purposes of geological exploration and production of mineral resources deposits of state importance and for the purposes unrelated to production of mineral resources; 3) Distributing royalties for subsoil resource use among the relevant local budgets; 4) Issuing mining allotments (for development of mineral fields of local importance); 5) Issuing special water use permits (required for carrying out certain activities in the oil and gas production sector); 6) Developing, approving, and executing local programs for the development of mineral resources base, rational use and protection of the subsoil resources; 7) Exercising control over the use and protection of subsoil resources. 	<p>The authorities and officials of local self-government bodies report to, and are controlled by and accountable to the territorial communities. When exercising powers of local self-government, the Kyiv City State Administration is, as an executive body, controlled by, accountable to, and reports to the Kyiv City Council.</p>	<p>Constitution of Ukraine Law of Ukraine "On the Local Self-Governance in Ukraine"⁶⁸⁶ Law of Ukraine "On the Capital of Ukraine - the Hero City of Kyiv" Subsoil Code Procedure for Approval and Granting of Special Water Use Permits</p>

⁶⁸⁶ Law of Ukraine "On the Local Governments in Ukraine" No. 280/97-BP of 21 May 1997, available at: <http://zakon3.rada.gov.ua/laws/show/280/97-%D0%B2%D1%80>.

State authority	Main functions/powers in mineral resource production sector	Subordination to the state authority	Laws and regulations
<p>Village, rural settlement, city, and district councils</p>	<ol style="list-style-type: none"> 1) Approving allocation of rights to use subsoil for the purposes of geological exploration and production of mineral deposits of local importance; 2) Carrying out local programs for the development of mineral resources base, efficient use and protection of the subsoil resources; 3) Exercising control over the use and protection of subsoil. 	<p>The authorities of local self-government bodies report to, and are controlled by and accountable to the territorial communities.</p> <p>The executive authorities of village, rural settlement, city, and city district councils are controlled by and report to the relevant councils; they are controlled by the relevant executive authorities when exercising powers delegated by executive authorities.</p>	<p>Constitution of Ukraine Law of Ukraine "On the Local Self-Government in Ukraine" Subsoil Code Law of Ukraine on Oil and Gas Mining Law</p>

14 Annex 6. Ultimate Beneficial Owners of reporting entities according to the information from the Unified State Registry

Notes

- ▶ The information below corresponds with the information from the Unified State Registry (USR) as of 20 January 2020.
- ▶ The USR does not provide information about ultimate beneficial owners of state and municipal enterprises. Instead, the USR provides information on founders (participants) of such legal entities, including state executive bodies managing those. The USR provides rather inconsistent information on ultimate beneficial owners of state and municipal enterprises. For example, there might be cases where it is indicated that an ultimate beneficial owner is absent, whereas there are also cases where no information on beneficial owner is indicated. The table contains information that corresponds to the USR.
- ▶ Some entities (such as non-resident representative offices, joint venture agreements) are not included in the USR, and therefore information about the ultimate beneficial owners of such entities cannot be obtained through the USR.
- ▶ A statement “No information in the USR” means that the information on ultimate beneficial owner of the respective entity is not indicated in the USR (including such of state enterprises).
- ▶ This section does not contain information about the owners of substantial shareholding in the companies.
- ▶ This section also includes the persons designated as beneficial owners of the company's founders.

№	Code EDRPOU	Name	Ultimate beneficial owner of the company
1	30019775	Ukrgezvydobuvannya JSC	No ultimate beneficial owner
2	20077720	Naftogaz of Ukraine NJSC	No ultimate beneficial owner
3	00135390	Ukrnafta PJSC	No ultimate beneficial owner
4	32377038	Naftogazvydobuvannia PrJSC	DTEK OIL GAZ B.V., Rinat Akhmetov, Ukraine
5	30732144	Energy Service Company Esco-Pivnich LLC	Brositi Investment Limited, Mykola Zlochevskiy, Ukraine
6	33152471	Vydobuvna kompaniia	No ultimate beneficial owner

№	Code EDRPOU	Name	Ultimate beneficial owner of the company
		Ukrnaftoburinnia PrJSC	
7	33100376	Natural resources PrJSC	No ultimate beneficial owner
8	20041662	Poltava Petroleum Company JV	JKX Oil & Gas Plc, London, 3050645, United Kingdom
9	30694895	Kub-gaz LLC	Kubgas Holdings Limited Company- Mykola Zlochevskiy, Ukraine Gastek LLS Company - no ultimate beneficial owner
10	25635581	Ukrغازvudobutok PrJSC	Private limited company Smart Energy BV, Limited Liability Company Pelidona Services LTD, Limited Liability Company Lovitia Investments LTDSmart Energy LLC- Vadym Novynskyy, Ukraine
11	36050166	Persha ukraińska gazonaftova kompaniia LLC	Mykola Zlochevskiy, UkraineУкраїна
12	26333503	Representative Office of Regal Petroleum Corporation Limited	Regal Petroleum (Jersey) Ltd, Vadym Novynskyy, Ukraine ⁶⁸⁷
13	35602704	Nadra-Heoinvest LLC	AFL-Eishe Financial Limited Company - Oleg Jagolnik, EstoniaMolliko Limited - Vitaliy Nantoi, Estonia
14	24186185	Energiiia-95 LLC	Gasolinum LLC - Vitalii Danilov, Ukraine Energy Active LLC- Ihor Kotvitskiy, Ukraine
15	38203132	Systemoilinzhenierinh LLC	Diloretio Holdings Ltd, Burisma Holdings Limited, Brocity Investments Limited - Mykola Zlochevskiy, Ukraine
16	403742858	Joint activity agreement of 28/11/2000 No. 1- Д21/008/2000 - authorized entity Poltava branch of Devon PrJSC (26002442)	No information available on USR
17	23152126	Ukr carpatoil LTD JV LLC	No information available on USR
18	24253556	Gas-MDS LLC	Huzenko Tetyana Oleksandrivna, Ukraine Havrych Andriy Volodymyrovych, Ukraine

⁶⁸⁷ According to the information provided by company in questionnaire for the EITI Report

№	Code EDRPOU	Name	Ultimate beneficial owner of the company
19	23703371	Kashtan Petroleum LTD JV	No information available on USR
20	31747429	Prom-Energo Product LLC	Regal Petroleum Corporation (Ukraine) Limited LLC, Regal Group Services Ltd, Regal Petroleum (Jersey) Ltd, Regal Petroleum plc, Pelidon Services Ltd, Lovitia Investments Ltd - Vadym Novynskyy, Ukraine
21	33862865	Nordic PE	Kozitsky Zinoviy, Ukraine
22	534663345	Joint activity agreement of 19 January 1999 No. 35/4 - authorized entity Ukrnafta PJSC 135390	No information available on USR
23	24432974	ArcelorMittal Kryvyi Rih PJSC	Lakshmi Niwas Mittal, India
24	00191023	Northern GZK PrJSC	SCM (System Capital Management) Limited (Cyprus), SCM Holdings Limited (Cyprus), Private Limited Liability Company Metinvest B.V. (Netherlands) - Akhmetov Rinat, Ukraine
25	00191000	Southern GZK PJSC	Akhmetov Rinat, Ukraine
26	00190977	Central GZK PrJSC	SCM Limited, SCM Holdings Limited, Metinvest B.V., Metinvest Management B.V. - Akhmetov Rinat, UkraineУкраїна
27	00191282	Poltavsky GZK PrJSC	Ferrexpo PLC, 05432915, st. King p IT 2-4, London, SW1Y6QL, United Kingdom
28	00190905	Ingulets Iron Ore Enrichment Works PrJSC	Akhmetov Rinat, Ukraine
29	00191307	Krivoj Rog`s Iron-Ore Combine PJSC	Akhmetov Rinat, Ukraine Selivanova Natalia, French RepublicVojevodin Michail, Slovakia
30	00191218	The foreign investment enterprise Zaporizhzhia	Akhmetov Rinat, Ukraine

№	Code EDRPOU	Name	Ultimate beneficial owner of the company
		iron ore industrial complex PrJSC	Moder Ian, Slovakia Hrnek Tomas, Slovakia Balko Evzhen, Slovakia Blashkova Mary, Slovakia
31	00191329	Suha Balka PrJSC	Kadish Limited, Berklemond Investments Limited, DCH Investment UA Limited, Flanders Enterprises Limited - Oleksandr Yaroslavsky, Ukraine
32	35713283	Ferrexpo Yeristovo mining LLC	Ferrexpo PLC - No ultimate beneficial owner
33	36716128	United Mining and Chemical Company JSC	No information available on USR
34	00190928	Ordzhonikidze GZK PJSC	No ultimate beneficial owner. No information
35	00190911	Marganets GZK JSC	No ultimate beneficial owner
36	00178353	DTEK Pavlogradugol PrJSC	DTEK Energy LLC, DTEK Energy B.V. -, DTEK Holdings Limited, DTEK Oil & Gas B.V. - DTEK Pavlogradugol PrJSC, Ukraine
37	13498562	Shakhtoupravlinnia Pokrovske PJSC	No information available on USR
38	37014600	DTEK Dobropolyeugol LLC	Akhmetov Rinat, Ukraine
39	33426253	Selydivuhillia SE	No ultimate beneficial owner
40	32323256	Lvivuhillia SE	No information available on USR
41	05508186	DTEK Mine Komsomolets Donbassa PrJSC	DTEK Energy B.V. - Akhmetov Rinat, Ukraine
42	37713861	DTEK Rovenkyanthracite LLC	DTEK Energy B.V. - Akhmetov Rinat, Ukraine
43	37596090	DTEK Sverdlovanthracite LLC	DTEK Energy B.V. - Akhmetov Rinat, Ukraine
44	31599557	Vuhilna kompaniia Krasnolymanska SE	No information available on USR
45	32087941	Myrnohradvuhillia SE (Krasnoarmiiskvuhillia State Enterprise)	No information available on USR
46	32320594	Pervomaiskvuhillia SE	No information available on USR

№	Code EDRPOU	Name	Ultimate beneficial owner of the company
47	32359108	Lysychanskvuhillia PJSC	No information available on USR
48	34032208	Shakhtoupravlinnia Pivdenodonbaske No. 1 SE	No information available on USR
49	33839013	Toretskvuhillia SE	No information available on USR
50	40695853	South Donbass Mine № 3 named after M. S. Surgai SE	No information available on USR
51	32363486	Krasnodonvuhillia PrJSC	Akhmetov Rinat, Ukraine
52	34181461	DV Naftohazovydobuvna kompaniia LLC	Co-Investments Ltd- Olexandra Nikitina, Ukraine Lattaier Business Corp - Hasan Daria, Ukraine
53	30019801	Ukrtransgaz JSC	No ultimate beneficial owner
54	31570412	Ukrtransnafta JSC	No ultimate beneficial owner

15 Annex 9. Information on mineral reserves classification

In practice, two classifications of mineral reserves are used in the extractive Industries:

1) Classification by the extent of feasibility study (according to the Classification of inventories and resources of minerals of the state fund of subsoil approved by the Resolution of the Cabinet of Ministers of Ukraine of May 5, 1997 No. 432, Instruction for application of Classification of inventories and resources of minerals of the state fund of subsoil to geological economically studying of resources of perspective sites and inventories of oil and gas deposits" approved by the Order of State commission of Ukraine on inventories of minerals of July 10, 1998 No. 46)

- Balance sheet (extractable) reserves, production of which is feasible and they should meet the specifications established at the time of calculation of reserves in the subsoil;
- Conditionally balance sheet and off-balance sheet reserves, the effectiveness of production of which at the moment of evaluation cannot be precisely established or production and use of which at the moment of evaluation is not feasible;
- Indivisible balance reserves, the initial geo-economical assessment of which is provided with the use of the assumed technological and economical data.

2) Classification by the extent of geological study

- Classification of the reserves of hard formations by the extent of exploration (according to the Instruction on How to use the Classification of reserves and mineral resources of the State Fund of Deposits to coal, iron ore, and other fields)):
 - A, B and C1 (explored and studied at different level of details)
 - C2 (estimated)
- Classification of oil and gas reserves by the extent of exploration (according to the Instruction on How to use the Classification of reserves and mineral resources of the State Fund of Deposits to geological and economic study of potential resource sites and oil and gas reserves, approved by the Resolution of the State Commission for Mineral Resources No 46 dated 10.07.1998):
 - Proven resources - A (fully explored), B (studied on the basis of industrial inflows of oil or gas), C1 (studied based on the results of pilot development and testing);

- Prospective resources - C2 (studied based on the results of wells testing and exploration), C3 (their specific mineral-yield of a seam is estimated based on the available information about the fields in the area);
- Inferred resources - D1 (inferred resources within large regional structures with proven oil and gas presence), D2 (inferred resources, with oil and gas presence not yet proven).
- United Nations framework classification
 - Code 111 (Proved Mineral Reserves) - reasonably assured resources with feasible production;
 - Codes 121 + 122 (Probable Mineral Reserves) - probable and pre-feasibility mineral resources;
 - Codes 211, 221 + 222 - Feasibility and Pre-Feasibility Mineral Resources and according to the Classification by the industrial purpose;
 - Codes 331, 332, 333, 334 - measured, indicated, inferred and reconnaissance mineral resources assigned to reserves with indeterminate industrial purpose

16 Annex 8. Auctions for the sale of special permits for subsoil use in 2017.⁶⁸⁸

The results of auctions for the sale of special permits for the use of subsoil, which took place in 2017

No	Object of subsoil use				Auction participants	The winning bidder
	Name of subsoil area	Type of minerals	Type of deposit usage	Location of subsoil area		
Outcomes of the auction that took place on 30.03.2017						
1	Brukhovychy well №4 area	underground mineral water	Geological exploration including pilot commercial works	Lviv, urban-type settling Briukhovychi	1) APP Lvivske LLC 2) Yevroosnova-SM Private Enterprise	APP Lvivske LLC
2	Mineral water plant 'Real' LLC water intake (well №2)	underground mineral water	Geological exploration including pilot commercial works	Poltava region, Karlivsky district	1) Zavod Mineralnykh Vod Real LLC 2) Ukrhazprodakshn LLC	Zavod Mineralnykh Vod Real LLC
3	Kamianeche village	underground mineral water	Geological exploration including pilot commercial works	Kirovohrad region, Novoarkhangelsky district	1) Slavych S. S. Private Entrepreneur 2) Budkompleks-Eko LLC	Slavych S. S. Private Entrepreneur
Outcomes of the auction that took place on 21.12.2017						
1	Porohivske deposit	sandstones	Mining	Vinnytsia region, Yampilsky district	1) Sad-Lohistyk LLC 2) Podilska Skarbnytsia Private Enterprise 3) Podilski Budovy LLC 4) Alians Stroi Kachestvo LLC	Alians Stroi Kachestvo LLC

⁶⁸⁸ The Annex is based on information from Derzhgeonadra.

No	Object of subsoil use				Auction participants	The winning bidder
	Name of subsoil area	Type of minerals	Type of deposit usage	Location of subsoil area		
2	Budanivska-2 area	sandstones	Geological exploration including pilot commercial works	Ternopil region, Terebovlya district	1) Meleniuk R. M. Private Entrepreneur 2) Nadra PPS LLC	Nadra PPS LLC
3	Dibrovka area (Zapadnya tract)	limestones, sands	Geological exploration including pilot commercial works	Ternopil region, Monastirsky District	1) Meleniuk R. M. Private Entrepreneur 2) Nadra PPS LLC	Meleniuk R. M. Private Entrepreneur
4	Novosilkovsky deposit North area	limestones	Geological exploration including pilot commercial works	Ternopil region., Pidvolochysk district	1) Zakhidovorvbybukhprom Private Enterprise 2) Derzhavna Aktsionerna Kompaniia Avtomobilni Dorohy Ukrainy OJSC 3) Karier Novosilka LLC	Karier Novosilka LLC
5	Kaidantsivska area	clay, loam	Geological exploration including pilot commercial works	Ivano-Frankivsk, Kolomyia district	1) Kompaniia Pokuttia LLC 2) Chukur M. M. Private Entrepreneur	Kompaniia Pokuttia LLC
6	Urochysche Verkhovyna (well №1) area Starytskoho	drinking groundwater	Geological exploration including pilot commercial works	Lviv region, Yavorivskiy district	1) Heliador LLC 2) Yanta Servis LLC	Heliador LLC
7	Korolivska area (well №11420)	drinking groundwater	Geological exploration including pilot commercial works	Ivano-Frankivsk, Kolomyia district	1) VKF Dnister LLC 2) Mykytiuk A.M. Private Entrepreneur	Mykytiuk A.M. Private Entrepreneur

17 Annex 9. Information on selected indicators of interbudgetary transfers (other subventions) from the State budget to local budgets of Ukraine in 2017

Budget code Local budget name of the administrative territorial unit		Subvention for subsidies provision for electricity, natural gas, heat, water supply and drainage, rent (maintenance of houses, buildings and houses adjoining areas), removal of solid household waste and liquid sewage	
		approved by Verkhovna Rada for reporting period, with changes, UAH	completed for reporting period (year), UAH
0210000000	Budget of Vinnytsia region	3,395,504,000.00	3,423,059,876.51
0310000000	Budget of Volyn region	1,963,016,100.00	1,956,731,912.87
0410000000	Budget of Dnipropetrovsk region	5,350,514,900.00	5,357,822,559.61
0510000000	Budget of Donetsk region	3,525,939,100.00	3,407,991,721.44
0610000000	Budget of Zhytomyr region	2,640,554,900.00	2,606,988,466.59
0710000000	Budget of Zakarpatya region	1,292,614,500.00	1,272,051,028.97
0810000000	Budget of Zaporizhzhia region	2,581,598,600.00	2,868,908,219.24
0910000000	Budget of Ivano-Frankivsk region	2,883,062,000.00	2,917,702,236.71
1010000000	Budget of Kyiv region	2,883,800,200.00	3,754,322,853.68
1110000000	Budget of Kirovohrad region	1,731,637,700.00	1,775,593,957.94
1210000000	Budget of Luhansk region	1,567,855,900.00	1,550,845,758.06
1310000000	Budget of Lviv region	4,954,801,400.00	4,973,076,392.60
1410000000	Budget of Mykolaiv region	1,323,610,900.00	1,405,950,736.11
1510000000	Budget of Odesa region	1,289,212,300.00	1,469,114,506.99
1610000000	Budget of Poltava region	3,182,913,500.00	3,841,918,736.83
1710000000	Budget of Rivne region	2,152,041,700.00	2,200,133,947.17
1810000000	Budget of Sumy region	2,906,648,700.00	2,847,650,992.12
1910000000	Budget of Ternopil region	2,670,910,000.00	2,684,085,891.87
2010000000	Budget of Kharkiv region	4,846,009,400.00	4,657,404,820.09
2110000000	Budget of Kherson region	1,040,425,300.00	1,387,632,133.96
2210000000	Budget of Khmelnytsky region	3,056,413,000.00	3,005,828,569.79
2310000000	Budget of Cherkasy region	3,010,201,500.00	3,194,420,226.99
2410000000	Budget of Chernivtsi region	1,527,269,400.00	1,481,415,036.61
2510000000	Budget of Chernihiv region	2,523,634,700.00	2,526,118,269.72
2600000000	Budget of City of Kyiv budget	4,493,800,400.00	3,173,725,571.67
Total		68,793,990,100.00	69,740,494,424.14

18 Annex 10. Consolidated database on tax and other payments by reporting companies of extractive industries in 2017, which provided information for EITI Report

18.1 Personal income tax

Reconciliation of revenues from personal income tax in 2017 (oil and natural gas extraction, including transportation), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	671,901.21	624,017.40	47,883.81	671,901.21	671,975.40	(74.19)
Naftogaz of Ukraine NJSC	128,914.05	128,914.00	0.05	128,914.05	128,914.00	0.05
Ukrnafta PJSC	518,817.58	494,171.70	24,645.88	518,817.58	518,785.70	31.88
Naftogazvydobuvannia PrJSC	13,111.03	13,111.03	0.00	13,111.03	13,111.03	0.00
Energy Service Company Esco-Pivnich LLC	17,263.11	17,263.00	0.11	17,263.11	17,263.00	0.11
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	9,103.18	9,103.37	(0.19)	9,103.18	9,103.37	(0.19)
Natural resources PrJSC	14,974.35	14,970.70	3.65	14,974.35	14,970.70	3.65
Poltava Petroleum Company JV	25,567.72	25,567.70	0.02	25,567.72	25,567.70	0.02
Kub-gaz LLC	8,507.28	8,507.80	(0.52)	8,507.28	8,507.80	(0.52)
Ukrgezvydobutok PrJSC	4,522.61	4,523.00	(0.39)	4,522.61	4,523.00	(0.39)
Persha ukraiinska gazonaftova kompaniia LLC	1,798.09	1,798.00	0.09	1,798.09	1,798.00	0.09
Representative Office of Regal Petroleum Corporation Limited	13,325.92	13,325.92	(0.00)	13,325.92	13,325.92	(0.00)

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Nadra-Geoinvest LLC	286.42	286.00	0.42	286.42	286.00	0.42
Energiiia-95 LLC	50.95	50.90	0.05	50.95	50.90	0.05
Systemoilengeryng LLC	1,550.10	1,610.00	(59.90)	1,550.10	1,610.00	(59.90)
Joint Venture Ukrkarpatoil LTD LLC	725.60	726.00	(0.40)	725.60	726.00	(0.40)
Kashtan Petroleum LTD JV	442.19	442.20	(0.01)	442.19	442.20	(0.01)
Prom-Energo Product LLC	2,076.26	2,076.26	0.00	2,076.26	2,076.26	0.00
Nordik Private Enterprise	1,752.34	1,752.40	(0.06)	1,752.34	1,752.40	(0.06)
Ukrtransgaz JSC	747,332.04	749,424.00	(2,091.96)	747,332.04	749,424.00	(2,091.96)
Ukrtransnafta JSC	144,234.94	144,331.00	(96.06)	144,234.94	144,331.00	(96.06)
Total	2,326 256.97	2,255 972.37	70,284.60	2,326 256.97	2,328 544.37	(2,287.40)

Reconciliation of revenues from personal income tax in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	631,082.67	631,084.40	(1.73)	631,082.67	631,084.40	(1.73)
DTEK Dobropolyeugol LLC	134,022.24	134,023.00	(0.76)	134,022.24	134,023.00	(0.76)
Selydivvuhillia SE	146,567.93	146,418.00	149.93	146,567.93	146,418.00	149.93
Lvivvuhillia SE	147,096.53	146,920.00	176.53	147,096.53	146,920.00	176.53
Vuhilna kompaniia Krasnolymanska SE	71,678.30	71,678.00	0.30	71,678.30	71,678.00	0.30
Myrnohradvuhillia SE	85,492.71	85,477.00	15.71	85,492.71	85,477.00	15.71
Lysychanskvuhillia PJSC	57,858.09	57,858.00	0.09	57,858.09	57,858.00	0.09
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	46,938.31	46,939.00	(0.69)	46,938.31	46,939.00	(0.69)
Toretskvuhillia SE	50,225.22	50,333.00	(107.78)	50,225.22	50,333.00	(107.78)
Mine named after M. S. Surgai SE	41,911.97	41,912.00	(0.03)	41,911.97	41,912.00	(0.03)
Total	1,412 873.97	1,412 642.40	231.57	1,412 873.97	1,412 642.40	231.57

Reconciliation of revenues from personal income tax in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	535,632.86	535,633.00	(0.14)	535,632.86	535,633.00	(0.14)
Northern Iron Ore Enrichment Works PrJSC	140,659.60	140,667.00	(7.40)	140,659.60	140,667.00	(7.40)
Southern Mining Factory JSC	157,639.97	157,639.97	0.00	157,639.97	157,639.97	0.00
Central Iron Ore Enrichment Works PrJSC	113,378.73	113,380.00	(1.27)	113,378.73	113,380.00	(1.27)
Ferrexpo Poltava mining PrJSC	169,687.65	169,684.00	3.65	169,687.65	169,684.00	3.65
Ingulets Iron Ore Enrichment Works PrJSC	118,647.04	118,647.00	0.04	118,647.04	118,647.00	0.04
Krivoj Rog`s Iron-Ore Combine PJSC	185,242.52	185,868.00	(625.48)	185,242.52	185,868.00	(625.48)
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	125,537.91	125,166.40	371.51	125,537.91	125,166.40	371.51
Ferrexpo Yeristovo mining LLC	34,210.49	34,210.50	(0.01)	34,210.49	34,210.50	(0.01)
United Mining and Chemical Company JSC	85,526.81	85,527.20	(0.39)	85,526.81	85,527.20	(0.39)
Pokrovskiy GZK JSC	75,428.49	75,432.00	(3.51)	75,428.49	75,432.00	(3.51)
Marganets GZK JSC	62,302.43	62,302.00	0.43	62,302.43	62,302.00	0.43
Total	1,803 894.49	1,804 157.07	(262.58)	1,803 894.49	1,804 157.07	(262.58)

18.2 Corporate income tax

Reconciliation of revenues from corporate income tax in 2017 (oil and natural gas extraction, including transportation), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannia JSC	6,893 097.65	6,892 557.00	540.65	6,893 097.65	6,892 557.00	540.65
Naftogaz of Ukraine NJSC	2,048 479.48	3,234 883.00	(1,186 403.52)	2,048 479.48	2,048 479.00	0.48
Ukrnafta PJSC	846,303.03	845,636.60	666.43	846,303.03	845,636.60	666.43
Naftogazvydobuvannia PrJSC	1,228 405.16	1,228 405.16	0.00	1,228 405.16	1,228 405.16	0.00
Energy Service Company Esco-Pivnich LLC	377,416.21	361,353.00	16,063.21	377,416.21	377,416.21	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	278,100.00	278,100.00	0.00	278,100.00	278,100.00	0.00
Natural resources PrJSC	269,279.68	206,260.80	63,018.88	269,279.68	269,279.70	(0.02)
Poltava Petroleum Company JV	77,237.00	77,237.00	0.00	77,237.00	77,237.00	0.00
Kub-gaz LLC	115,480.03	115,480.03	0.00	115,480.03	115,480.03	0.00
Ukrgezvydobutok PrJSC	52,114.11	52,114.00	0.11	52,114.11	52,114.00	0.11
Persha ukraiinska gazonaftova kompaniia LLC	54,697.23	54,697.00	0.23	54,697.23	54,697.00	0.23
Representative Office of Regal Petroleum Corporation Limited	38,254.54	38,254.54	0.00	38,254.54	38,254.54	0.00
Nadra-Geoinvest LLC	21,884.83	21,885.00	(0.17)	21,884.83	21,885.00	(0.17)
Energiia-95 LLC	30,459.50	30,459.50	0.00	30,459.50	30,459.50	0.00
Systemoilingeneryng LLC	62,785.14	62,785.00	0.14	62,785.14	62,785.00	0.14

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.00	0.00	0.00	0.00	0.00	0.00
Prom-Energo Product LLC	18,658.77	18,658.77	0.00	18,658.77	18,658.77	0.00
Nordik Private Enterprise	18,587.57	18,587.60	(0.03)	18,587.57	18,587.60	(0.03)
Ukrtransgaz JSC	3,327 063.21	3,280 667.00	46,396.21	3,327 063.21	3,280 667.00	46,396.21
Ukrtransnafta JSC	716,658.28	716,659.00	(0.72)	716,658.28	716,659.00	(0.72)
Total	16,474 961.41	17,534 679.99	(1,059 718.58)	16,474 961.41	16,427 358.10	47,603.30

Reconciliation of revenues from corporate income tax in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	631,082.67	631,084.40	(1.73)	631,082.67	631,084.40	(1.73)
DTEK Dobropolyeugol LLC	134,022.24	134,023.00	(0.76)	134,022.24	134,023.00	(0.76)
Selydivvuhillia SE	146,567.93	146,418.00	149.93	146,567.93	146,418.00	149.93
Lvivvuhillia SE	147,096.53	146,920.00	176.53	147,096.53	146,920.00	176.53
Vuhilna kompaniia Krasnolymanska SE	71,678.30	71,678.00	0.30	71,678.30	71,678.00	0.30
Myrnohradvuhillia SE	85,492.71	85,477.00	15.71	85,492.71	85,477.00	15.71
Lysychanskvuhillia PJSC	57,858.09	57,858.00	0.09	57,858.09	57,858.00	0.09
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	46,938.31	46,939.00	(0.69)	46,938.31	46,939.00	(0.69)
Toretskvuhillia SE	50,225.22	50,333.00	(107.78)	50,225.22	50,333.00	(107.78)
Mine named after M. S. Surgai SE	41,911.97	41,912.00	(0.03)	41,911.97	41,912.00	(0.03)
Total	1,412 873.97	1,412 642.40	231.57	1,412 873.97	1,412 642.40	231.57

Reconciliation of revenues from corporate income tax in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	535,632.86	535,633.00	(0.14)	535,632.86	535,633.00	(0.14)
Northern Iron Ore Enrichment Works PrJSC	140,659.60	140,667.00	(7.40)	140,659.60	140,667.00	(7.40)
Southern Mining Factory JSC	157,639.97	157,639.97	0.00	157,639.97	157,639.97	0.00
Central Iron Ore Enrichment Works PrJSC	113,378.73	113,380.00	(1.27)	113,378.73	113,380.00	(1.27)
Ferrexpo Poltava mining PrJSC	169,687.65	169,684.00	3.65	169,687.65	169,684.00	3.65
Ingulets Iron Ore Enrichment Works PrJSC	118,647.04	118,647.00	0.04	118,647.04	118,647.00	0.04
Krivoy Rog`s Iron-Ore Combine PJSC	185,242.52	185,868.00	(625.48)	185,242.52	185,868.00	(625.48)
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	125,537.91	125,166.40	371.51	125,537.91	125,166.40	371.51
Ferrexpo Yeristovo mining LLC	34,210.49	34,210.50	(0.01)	34,210.49	34,210.50	(0.01)
United Mining and Chemical Company JSC	85,526.81	85,527.20	(0.39)	85,526.81	85,527.20	(0.39)
Pokrovskiy GZK JSC	75,428.49	75,432.00	(3.51)	75,428.49	75,432.00	(3.51)
Marganets GZK JSC	62,302.43	62,302.00	0.43	62,302.43	62,302.00	0.43
Total	1,803 894.49	1,804 157.07	(262.58)	1,803 894.49	1,804 157.07	(262.58)

18.3 Production royalty

Reconciliation of revenues from production royalty in 2017 (oil and natural gas extraction, including transportation), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	28,292 678.30	28,292 591.00	87.30	28,292 678.30	28,292 591.00	87.30
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrnafta PJSC	6,020 904.95	6,037 594.60	(16,689.65)	6,020 904.95	6,020 892.10	12.85
Naftogazvydobuvannia PrJSC	1,508 970.90	1,508 970.90	0.00	1,508 970.90	1,508 970.90	0.00
Energy Service Company Esco-Pivnich LLC	1,101 925.12	1,101 925.00	0.12	1,101 925.12	1,101 925.00	0.12
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	814,705.66	814,705.66	0.00	814,705.66	814,705.66	0.00
Natural resources PrJSC	496,959.18	506,040.00	(9,080.82)	496,959.18	496,959.20	(0.02)
Poltava Petroleum Company JV	400,944.00	400,956.00	(12.00)	400,944.00	400,944.00	0.00
Kub-gaz LLC	309,196.26	309,196.26	0.00	309,196.26	309,196.26	0.00
Ukrgezvydobutok PrJSC	219,975.39	219,975.00	0.39	219,975.39	219,975.00	0.39
Persha ukraiinska gazonaftova kompaniia LLC	189,208.36	189,209.00	(0.64)	189,208.36	189,209.00	(0.64)
Representative Office of Regal Petroleum Corporation Limited	135,133.48	135,133.48	0.00	135,133.48	135,133.48	0.00
Nadra-Geoinvest LLC	199,551.61	199,551.00	0.61	199,551.61	199,551.00	0.61
Energiia-95 LLC	159,074.00	159,074.00	(0.00)	159,074.00	159,074.00	(0.00)
Systemoilingeneryng LLC	73,225.68	73,233.00	(7.32)	73,225.68	73,225.27	0.41

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Joint Venture Ukrkarpatoil LTD LLC	137,061.53	1,059 869.00	(922,807.47)	137,061.53	137,062.00	(0.47)
Kashtan Petroleum LTD JV	95,452.43	95,452.40	0.03	95,452.43	95,452.40	0.03
Prom-Energo Product LLC	62,872.58	62,872.58	0.00	62,872.58	62,872.58	0.00
Nordik Private Enterprise	51,393.60	51,393.60	(0.00)	51,393.60	51,393.60	(0.00)
Ukrtransgaz JSC	492.92	0.00	492.92	492.92	0.00	492.92
Ukrtransnafta JSC	14.27	12.00	2.27	14.27	14.27	(0.00)
Total	40,269 740.22	41,217 754.48	(948,014.26)	40,269 740.22	40,269 146.72	593.50

Reconciliation of revenues from production royalty in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	148,907.91	148,907.90	0.01	148,907.91	148,907.90	0.01
DTEK Dobropolyeugol LLC	23,112.69	23,112.70	(0.01)	23,112.69	23,112.70	(0.01)
Selydivvuhillia SE	5,069.57	5,109.00	(39.43)	5,069.57	5,109.00	(39.43)
Lvivvuhillia SE	2,992.65	2,993.00	(0.35)	2,992.65	2,993.00	(0.35)
Vuhilna kompaniia Krasnolymanska SE	7,183.51	7,183.00	0.51	7,183.51	7,183.00	0.51
Myrnohradvuhillia SE	1,201.41	1,405.00	(203.59)	1,201.41	1,405.00	(203.59)
Lysychanskvuhillia PJSC	415.14	415.00	0.14	415.14	415.00	0.14
Shakhtoupravlinnia Pivdennodonbaske No 1 SE	860.42	850.00	10.42	860.42	850.00	10.42
Toretskvuhillia SE	75.00	75.00	0.00	75.00	75.00	0.00
Mine named after M. S. Surgai SE	847.62	848.00	(0.38)	847.62	848.00	(0.38)
Total	190,665.91	190,898.60	(232.69)	190,665.91	190,898.60	(232.69)

Reconciliation of revenues from production royalty in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	353,747.09	353,747.00	0.09	353,747.09	353,747.00	0.09
Northern Iron Ore Enrichment Works PrJSC	379,012.05	379,012.00	0.05	379,012.05	379,012.00	0.05
Southern Mining Factory JSC	174,977.48	174,977.48	0.00	174,977.48	174,977.48	0.00
Central Iron Ore Enrichment Works PrJSC	254,715.51	254,716.00	(0.49)	254,715.51	254,716.00	(0.49)
Ferrexpo Poltava mining PrJSC	179,261.45	184,366.00	(5,104.55)	179,261.45	184,366.00	(5,104.55)
Ingulets Iron Ore Enrichment Works PrJSC	303,823.97	303,824.00	(0.03)	303,823.97	303,824.00	(0.03)
Krivoj Rog`s Iron-Ore Combine PJSC	402,881.89	402,882.00	(0.11)	402,881.89	402,882.00	(0.11)
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	234,146.66	234,146.70	(0.04)	234,146.66	234,146.70	(0.04)
Ferrexpo Yeristovo mining LLC	169,536.23	169,536.00	0.23	169,536.23	169,536.00	0.23
United Mining and Chemical Company JSC	141,107.57	141,184.00	(76.43)	141,107.57	141,184.00	(76.43)
Pokrovskiy GZK JSC	56,074.26	56,074.00	0.26	56,074.26	56,074.00	0.26
Marganets GZK JSC	28,355.42	28,354.00	1.42	28,355.42	28,354.00	1.42
Всього	2,677 639.59	2,682 819.18	(5,179.59)	2,677 639.59	2,682 819.18	(5,179.59)

18.4 Value added tax of goods and services produced in Ukraine

Reconciliation of revenues from value added tax of goods and services produced in Ukraine in 2017 (oil and natural gas extraction, including transportation),
UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	13,020 239.49	13,019 458.00	781.49	13,020 239.49	13,019 458.00	781.49
Naftogaz of Ukraine NJSC	9,322 610.90	9,306 176.00	16,434.90	9,322 610.90	9,322 611.00	(0.10)
Ukrnafta PJSC	2,835 859.78	2,880 427.50	(44,567.72)	2,835 859.78	2,836 056.70	(196.92)
Naftogazvydobuvannia PrJSC	1,896 359.06	1,896 359.06	0.00	1,896 359.06	1,896 359.06	0.00
Energy Service Company Esco-Pivnich LLC	497,913.67	497,916.00	(2.33)	497,913.67	497,916.00	(2.33)
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	399,745.91	396,159.57	3,586.34	399,745.91	396,159.57	3,586.34
Natural resources PrJSC	400,620.28	400,620.30	(0.02)	400,620.28	400,620.30	(0.02)
Poltava Petroleum Company JV	221,227.24	221,227.20	0.04	221,227.24	221,227.20	0.04
Kub-gaz LLC	188,217.99	187,884.09	333.90	188,217.99	187,884.09	333.90
Ukrgezvydobutok PrJSC	105,616.98	105,617.00	(0.02)	105,616.98	105,617.00	(0.02)
Persha ukraiinska gazonaftova kompaniia LLC	107,696.90	107,697.00	(0.10)	107,696.90	107,697.00	(0.10)
Representative Office of Regal Petroleum Corporation Limited	112,191.51	112,191.51	0.00	112,191.51	112,191.51	0.00
Nadra-Geoinvest LLC	56,932.37	61,790.00	(4,857.63)	56,932.37	61,790.00	(4,857.63)
Energiia-95 LLC	73,693.94	73,693.90	0.04	73,693.94	73,693.90	0.04

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Systemoilengeryng LLC	47,655.10	47,643.00	12.10	47,655.10	47,643.00	12.10
Joint Venture Ukrkarpatoil LTD LLC	9,015.35	9,015.00	0.35	9,015.35	9,015.00	0.35
Kashtan Petroleum LTD JV	28,183.67	28,183.70	(0.03)	28,183.67	28,183.70	(0.03)
Prom-Energo Product LLC	34,696.08	34,696.08	0.00	34,696.08	34,696.08	0.00
Nordik Private Enterprise	23,436.46	23,436.50	(0.04)	23,436.46	23,436.50	(0.04)
Ukrtransgaz JSC	4,296 620.57	4,345 511.00	(48,890.43)	4,296 620.57	4,345 511.00	(48,890.43)
Ukrtransnafta JSC	250,813.57	251,348.00	(534.43)	250,813.57	250,813.57	0.00
Total	33,929 346.83	34,007 050.41	(77,703.58)	33,929 346.83	33,978 580.18	(49,233.35)

Reconciliation of revenues from value added tax of goods and services produced in Ukraine in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	366,595.87	366,595.90	(0.03)	366,595.87	366,595.90	(0.03)
DTEK Dobropolyeugol LLC	108,208.11	108,207.90	0.21	108,208.11	108,207.90	0.21
Selydivvuhillia SE	17,746.58	23,336.00	(5,589.42)	17,746.58	23,336.00	(5,589.42)
Lvivvuhillia SE	5,347.42	5,347.00	0.42	5,347.42	5,347.00	0.42
Vuhilna kompaniia Krasnolymanska SE	27,007.70	27,008.00	(0.30)	27,007.70	27,008.00	(0.30)
Myrnohradvuhillia SE	78.96	79.00	(0.04)	78.96	79.00	(0.04)
Lysychanskvuhillia PJSC	909.07	909.00	0.07	909.07	909.00	0.07
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	3,003.50	2,903.00	100.50	3,003.50	2,903.00	100.50
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	936.00	936.00	0.00	936.00	936.00	0.00
Total	529,833.21	535,321.80	(5,488.59)	529,833.21	535,321.80	(5,488.59)

Reconciliation of revenues from value added tax of goods and services produced in Ukraine in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	18.63	0.00	18.63	18.63	0.00	18.63
Northern Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Southern Mining Factory JSC	0.00	0.00	0.00	0.00	0.00	0.00
Central Iron Ore Enrichment Works PrJSC	0.16	0.00	0.16	0.16	0.00	0.16
Ferrexpo Poltava mining PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ingulets Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Krivoy Rog`s Iron-Ore Combine PJSC	21,707.14	21,706.00	1.14	21,707.14	21,707.14	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	19,511.55	19,512.40	(0.85)	19,511.55	19,512.40	(0.85)
Ferrexpo Yeristovo mining LLC	0.00	0.00	0.00	0.00	0.00	0.00
United Mining and Chemical Company JSC	0.00	0.00	0.00	0.00	0.00	0.00
Pokrovskiy GZK JSC	31.53	0.00	31.53	31.53	31.53	0.00
Marganets GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Total	41,269.02	41,218.40	50.62	41,269.02	41,251.07	17.95

18.5 Budget reimbursement of value added tax

Reconciliation of revenues from budget reimbursement of value added tax in 2017 (oil and natural gas extraction, including transportation), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	0.00	0.00	0.00	0.00	0.00	0.00
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrnafta PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Naftogazvydobuvannia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Energy Service Company Esco-Pivnich LLC	0.00	0.00	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Natural resources PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Poltava Petroleum Company JV	0.00	0.00	0.00	0.00	0.00	0.00
Kub-gaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrgezvydobutok PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Representative Office of Regal Petroleum Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Systemoilingeneryng LLC	0.00	0.00	0.00	0.00	0.00	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.00	0.00	0.00	0.00	0.00	0.00
Prom-Energo Product LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nordik Private Enterprise	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransnafta JSC	0.00	(534.00)	534.00	0.00	0.00	0.00
Total	0.00	(534.00)	534.00	0.00	0.00	0.00

Reconciliation of revenues from budget reimbursement of value added tax in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
DTEK Dobropolyeugol LLC	0.00	0.00	0.00	0.00	0.00	0.00
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna kompaniia Krasnolymanska SE	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillia PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00

Reconciliation of revenues from budget reimbursement of value added tax in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	(6,108 800.14)	(6,108 800.00)	(0.14)	(6,108 800.14)	(6,108 800.00)	(0.14)
Northern Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Southern Mining Factory JSC	(645,609.29)	(645,609.00)	(0.29)	(645,609.29)	(645,609.00)	(0.29)
Central Iron Ore Enrichment Works PrJSC	(935,266.61)	(935,267.00)	0.39	(935,266.61)	(935,267.00)	0.39
Ferrexpo Poltava mining PrJSC	(1,915 714.01)	(1,915 714.00)	(0.01)	(1,915 714.01)	(1,915 714.00)	(0.01)
Ingulets Iron Ore Enrichment Works PrJSC	(61,917.23)	(61,917.00)	(0.23)	(61,917.23)	(61,917.00)	(0.23)
Krivoj Rog`s Iron-Ore Combine PJSC	(61,594.59)	(65,269.00)	3,674.41	(61,594.59)	(61,594.59)	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	(43,032.54)	(43,032.50)	(0.04)	(43,032.54)	(43,032.50)	(0.04)
Ferrexpo Yeristovo mining LLC	(657,565.00)	0.00	(657,565.00)	(657,565.00)	(657,565.00)	0.00
United Mining and Chemical Company JSC	(188,802.39)	(188,802.00)	(0.39)	(188,802.39)	(188,802.00)	(0.39)
Pokrovskiy GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Marganets GZK JSC	(95,294.51)	(95,294.00)	(0.51)	(95,294.51)	(95,294.00)	(0.51)
Total	(10,713 596.30)	(10,059 704.50)	(653,891.80)	(10,713 596.30)	(10,713 595.09)	(1.21)

18.6 Value added tax of goods imported into Ukraine

Reconciliation of revenues from value added tax of goods imported into Ukraine in 2017 (oil and natural gas extraction, including transportation),
UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	270,351.84	275,176.00	(4,824.16)	270,351.84	270,352.00	(0.16)
Naftogaz of Ukraine NJSC	11,314 182.40	0.00	11,314 182.40	11,314 182.40	11,314 182.00	0.40
Ukrnafta PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Naftogazvydobuvannia PrJSC	5,397.56	5,357.50	40.07	5,397.56	5,357.50	40.07
Energy Service Company Esco-Pivnich LLC	217,059.29	217,059.00	0.29	217,059.29	217,059.00	0.29
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	167,345.54	0.00	167,345.54	167,345.54	167,345.54	(0.00)
Natural resources PrJSC	910.04	907.20	2.84	910.04	907.20	2.84
Poltava Petroleum Company JV	24,261.14	24,266.60	(5.46)	24,261.14	24,266.60	(5.46)
Kub-gaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrgezvydobutok PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Representative Office of Regal Petroleum Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00
Nadra-Geoinvest LLC	0.00	1,183.00	(1,183.00)	0.00	1,183.00	(1,183.00)
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Systemoilengeryng LLC	0.00	0.00	0.00	0.00	0.00	0.00
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.00	0.00	0.00	0.00	0.00	0.00
Prom-Energo Product LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nordik Private Enterprise	6,682.82	0.00	6,682.82	6,682.82	6,682.82	0.00
Ukrtransgaz JSC	205,373.02	205,373.00	0.02	205,373.02	205,373.00	0.02
Ukrtransnafta JSC	0.00	0.00	0.00	0.00	0.00	0.00
Total	12,211 563.66	729,322.30	11,482 241.36	12,211 563.66	12,212 708.66	(1,145.00)

Reconciliation of revenues from value added tax of goods imported into Ukraine in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	94,532.04	0.00	94,532.04	94,532.04	97,406.20	(2,874.15)
DTEK Dobropolyeugol LLC	16,078.15	16,076.20	1.95	16,078.15	16,076.20	1.95
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvuhillia SE	255.72	0.00	255.72	255.72	255.72	0.00
Vuhilna kompaniia Krasnolymanska SE	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillia PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Total	110,865.91	16,076.20	94,789.71	110,865.91	113,738.12	(2,872.20)

Reconciliation of revenues from value added tax of goods imported into Ukraine in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	4,195 843.35	4,201 975.00	(6,131.65)	4,195 843.35	4,195 843.00	0.35
Northern Iron Ore Enrichment Works PrJSC	110,622.20	110,622.00	0.20	110,622.20	110,622.00	0.20
Southern Mining Factory JSC	41,252.24	0.00	41,252.24	41,252.24	41,252.00	0.24
Central Iron Ore Enrichment Works PrJSC	10,318.15	0.00	10,318.15	10,318.15	15,163.00	(4,844.85)
Ferrexpo Poltava mining PrJSC	354,567.37	0.00	354,567.37	354,567.37	355,332.37	(765.00)
Ingulets Iron Ore Enrichment Works PrJSC	130,237.12	0.00	130,237.12	130,237.12	130,237.59	(0.48)
Krivoj Rog`s Iron-Ore Combine PJSC	3,676.16	3,676.00	0.16	3,676.16	3,676.00	0.16
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	49,561.22	6.90	49,554.32	49,561.22	49,561.22	0.00
Ferrexpo Yeristovo mining LLC	31,781.99	0.00	31,781.99	31,781.99	30,171.53	1,610.46
United Mining and Chemical Company JSC	0.00	0.00	0.00	0.00	0.00	0.00
Pokrovskiy GZK JSC	11,634.29	0.00	11,634.29	11,634.29	11,634.29	0.00
Marganets GZK JSC	4,819.06	4,819.00	0.06	4,819.06	4,819.00	0.06
Total	4,944 313.16	4,321 098.90	623,214.26	4,944 313.16	4,948 312.01	(3,998.84)

18.7 Land fee

Reconciliation of revenues from land fee in 2017 (oil and natural gas extraction, including transportation), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	31,782.30	31,780.00	2.30	31,782.30	31,780.00	2.30
Naftogaz of Ukraine NJSC	6,453.83	6,454.00	(0.17)	6,453.83	6,454.00	(0.17)
Ukrnafta PJSC	158,758.88	154,658.00	4,100.88	158,758.88	158,803.00	(44.12)
Naftogazvydobuvannia PrJSC	2,092.50	1,937.80	154.70	2,092.50	1,937.80	154.70
Energy Service Company Esco-Pivnich LLC	213.59	214.00	(0.41)	213.59	214.00	(0.41)
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	4.93	4.93	(0.00)	4.93	4.93	(0.00)
Natural resources PrJSC	395.77	395.80	(0.03)	395.77	395.80	(0.03)
Poltava Petroleum Company JV	845.22	845.20	0.02	845.22	845.20	0.02
Kub-gaz LLC	708.91	708.91	(0.00)	708.91	708.91	0.00
Ukrgezvydobutok PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	70.94	71.00	(0.06)	70.94	71.00	(0.06)
Representative Office of Regal Petroleum Corporation Limited	616.73	616.73	0.00	616.73	616.73	0.00
Nadra-Geoinvest LLC	7.19	7.00	0.19	7.19	7.00	0.19
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Systemoilingenerynng LLC	6.05	0.00	6.05	6.05	6.05	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Joint Venture Ukrkarpatoil LTD LLC	10.94	11.00	(0.06)	10.94	11.00	(0.06)
Kashtan Petroleum LTD JV	86.97	87.00	(0.03)	86.97	87.00	(0.03)
Prom-Energo Product LLC	54.75	54.75	0.00	54.75	54.75	0.00
Nordik Private Enterprise	45.00	45.00	0.00	45.00	45.00	0.00
Ukrtransgaz JSC	57,724.58	57,625.00	99.58	57,724.58	57,625.00	99.58
Ukrtransnafta JSC	10,883.05	10,845.00	38.05	10,883.05	10,845.00	38.05
Total	270,762.14	266,361.13	4,401.01	270,762.14	270,512.18	249.96

Reconciliation of revenues from land fee in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	30,442.95	30,442.90	0.05	30,442.95	30,442.90	0.05
DTEK Dobropolyeugol LLC	17,451.08	17,451.10	(0.02)	17,451.08	17,451.10	(0.02)
Selydivvuhillia SE	130.44	152.00	(21.56)	130.44	131.00	(0.56)
Lvivvuhillia SE	702.37	635.00	67.37	702.37	702.36	0.01
Vuhilna kompaniia Krasnolymanska SE	321.42	321.00	0.42	321.42	321.00	0.42
Myrnohradvuhillia SE	17.75	18.00	(0.25)	17.75	18.00	(0.25)
Lysychanskvuhillia PJSC	259.80	260.00	(0.20)	259.80	260.00	(0.20)
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	233.25	233.00	0.25	233.25	233.00	0.25
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	434.00	434.00	0.00	434.00	434.00	0.00
Total	49,993.06	49,947.00	46.06	49,993.06	49,993.36	(0.30)

Reconciliation of revenues from land fee in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	326,827.67	326,827.00	0.67	326,827.67	326,827.00	0.67
Northern Iron Ore Enrichment Works PrJSC	101,126.31	101,126.00	0.31	101,126.31	101,126.00	0.31
Southern Mining Factory JSC	80,939.82	80,939.82	0.00	80,939.82	80,939.82	0.00
Central Iron Ore Enrichment Works PrJSC	110,500.49	110,501.00	(0.51)	110,500.49	110,501.00	(0.51)
Ferrexpo Poltava mining PrJSC	71,487.47	0.00	71,487.47	71,487.47	71,824.36	(336.89)
Ingulets Iron Ore Enrichment Works PrJSC	48,615.73	48,615.00	0.73	48,615.73	48,615.00	0.73
Krivoj Rog`s Iron-Ore Combine PJSC	41,341.76	41,191.00	150.76	41,341.76	41,191.00	150.76
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	17,586.16	17,586.20	(0.04)	17,586.16	17,586.20	(0.04)
Ferrexpo Yeristovo mining LLC	1,309.63	1,309.70	(0.07)	1,309.63	1,309.70	(0.07)
United Mining and Chemical Company JSC	4,050.67	4,051.00	(0.33)	4,050.67	4,051.00	(0.33)
Pokrovskiy GZK JSC	71,913.42	71,905.00	8.42	71,913.42	71,905.00	8.42
Marganets GZK JSC	8,444.56	8,439.00	5.56	8,444.56	8,439.00	5.56
Total	884,143.69	812,490.72	71,652.96	884,143.69	884,315.08	(171.40)

18.8 Environmental tax

Reconciliation of revenues from environmental tax in 2017 (oil and natural gas extraction, including transportation), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	11,370.49	11,371.00	(0.51)	11,370.49	11,371.00	(0.51)
Naftogaz of Ukraine NJSC	0.00	3.00	(3.00)	0.00	0.00	0.00
Ukrnafta PJSC	10,037.50	9,482.70	554.80	10,037.50	9,946.10	91.40
Naftogazvydobuvannia PrJSC	18.36	18.36	0.00	18.36	18.36	0.00
Energy Service Company Esco-Pivnich LLC	27.54	28.00	(0.46)	27.54	28.00	(0.46)
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	64.93	64.93	0.00	64.93	64.93	0.00
Natural resources PrJSC	35.17	35.20	(0.03)	35.17	35.20	(0.03)
Poltava Petroleum Company JV	441.90	439.60	2.30	441.90	439.60	2.30
Kub-gaz LLC	56.73	56.73	0.00	56.73	56.73	0.00
Ukrgezvydobutok PrJSC	8.19	8.00	0.19	8.19	8.00	0.19
Persha ukraiinska gazonaftova kompaniia LLC	26.24	26.00	0.24	26.24	26.00	0.24
Representative Office of Regal Petroleum Corporation Limited	18.47	18.47	0.00	18.47	18.47	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Systemoilingenerynng LLC	4.18	3.00	1.18	4.18	4.18	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.01	0.00	0.01	0.01	0.00	0.01
Prom-Energo Product LLC	3.00	3.00	0.00	3.00	3.00	0.00
Nordik Private Enterprise	0.03	0.00	0.03	0.03	0.00	0.03
Ukrtransgaz JSC	28,029.03	28,020.00	9.03	28,029.03	28,020.00	9.03
Ukrtransnafta JSC	279.31	277.00	2.31	279.31	277.00	2.31
Total	50,421.08	49,855.00	566.09	50,421.08	50,316.58	104.51

Reconciliation of revenues from environmental tax in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	24,709.57	24,709.60	(0.03)	24,709.57	24,709.60	(0.03)
DTEK Dobropolyeugol LLC	7,277.81	7,277.80	0.01	7,277.81	7,277.80	0.01
Selydivvuhillia SE	0.06	0.00	0.06	0.06	0.00	0.06
Lvivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna kompaniia Krasnolymanska SE	2,281.14	2,281.00	0.14	2,281.14	2,281.00	0.14
Myrnohradvuhillia SE	292.99	118.00	174.99	292.99	118.00	174.99
Lysychanskvuhillia PJSC	21.39	21.00	0.39	21.39	21.00	0.39
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	206.78	212.00	(5.22)	206.78	212.00	(5.22)
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	3.96	4.00	(0.04)	3.96	4.00	(0.04)
Total	34,793.70	34,623.40	170.30	34,793.70	34,623.40	170.30

Reconciliation of revenues from environmental tax in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	217,173.27	217,174.00	(0.73)	217,173.27	217,174.00	(0.73)
Northern Iron Ore Enrichment Works PrJSC	76,149.31	76,149.00	0.31	76,149.31	76,149.00	0.31
Southern Mining Factory JSC	49,852.07	49,852.07	0.00	49,852.07	49,852.07	0.00
Central Iron Ore Enrichment Works PrJSC	59,794.66	59,795.00	(0.34)	59,794.66	59,795.00	(0.34)
Ferrexpo Poltava mining PrJSC	70,423.02	70,423.00	0.02	70,423.02	70,423.00	0.02
Ingulets Iron Ore Enrichment Works PrJSC	69,814.16	69,814.00	0.16	69,814.16	69,814.00	0.16
Krivoj Rog`s Iron-Ore Combine PJSC	9,001.04	9,001.00	0.04	9,001.04	9,001.00	0.04
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	277.27	277.30	(0.03)	277.27	277.30	(0.03)
Ferrexpo Yeristovo mining LLC	41,552.37	41,552.40	(0.03)	41,552.37	41,552.40	(0.03)
United Mining and Chemical Company JSC	562.35	562.00	0.35	562.35	562.00	0.35
Pokrovskiy GZK JSC	4,838.83	4,839.00	(0.17)	4,838.83	4,839.00	(0.17)
Marganets GZK JSC	846.98	847.00	(0.02)	846.98	847.00	(0.02)
Total	600,285.33	600,285.77	(0.44)	600,285.33	600,285.77	(0.44)

18.9 Dividends and payment of a share of net profit

Reconciliation of revenues from dividends and payment of a share of net profit in 2017 (oil and natural gas extraction, including transportation),
UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	0.00	0.00	0.00	0.00	0.00	0.00
Naftogaz of Ukraine NJSC	13,264 494.50	13,264 495.00	(0.50)	13,264 494.50	13,264 495.00	(0.50)
Ukrnafta PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Naftogazvydobuvannia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Energy Service Company Esco-Pivnich LLC	0.00	0.00	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Natural resources PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Poltava Petroleum Company JV	0.00	0.00	0.00	0.00	0.00	0.00
Kub-gaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrgezvydobutok PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Representative Office of Regal Petroleum Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00
Energiia-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Systemoilengeryng LLC	0.00	0.00	0.00	0.00	0.00	0.00
Joint Venture Ukrkarpatoil LTD LLC	0.00	0.00	0.00	0.00	0.00	0.00
Kashtan Petroleum LTD JV	0.00	0.00	0.00	0.00	0.00	0.00
Prom-Energo Product LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nordik Private Enterprise	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransnafta JSC	0.00	0.00	0.00	0.00	0.00	0.00
Total	13,264 494.50	13,264 495.00	(0.50)	13,264 494.50	13,264 495.00	(0.50)

Reconciliation of revenues from dividends and payment of a share of net profit in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
DTEK Dobropolyeugol LLC	0.00	0.00	0.00	0.00	0.00	0.00
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvuhillia SE	956.57	957.00	(0.43)	956.57	957.00	(0.43)
Vuhilna kompaniia Krasnolymanska SE	11,306.40	11,306.00	0.40	11,306.40	11,306.00	0.40
Myrnohradvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillia PJSC	0.14	0.00	0.14	0.14	0.00	0.14
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Total	12,263.11	12,263.00	0.11	12,263.11	12,263.00	0.11

Reconciliation of revenues from dividends and payment of a share of net profit in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Northern Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Southern Mining Factory JSC	0.00	0.00	0.00	0.00	0.00	0.00
Central Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ferrexpo Poltava mining PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ingulets Iron Ore Enrichment Works PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Krivoj Rog`s Iron-Ore Combine PJSC	0.00	0.00	0.00	0.00	0.00	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ferrexpo Yeristovo mining LLC	0.00	0.00	0.00	0.00	0.00	0.00
United Mining and Chemical Company JSC	382,078.20	0.00	382,078.20	382,078.20	382,078.20	0.00
Pokrovskiy GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Marganets GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Total	382,078.20	0 00	382,078.20	382,078.20	382,078.20	0 00

18.10 Unified social contribution

Reconciliation of revenues from unified social contribution in 2017 (oil and natural gas extraction, including transportation), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	674,704.63	675,028.70	(324.07)	674,704.63	674,741.70	(37.07)
Naftogaz of Ukraine NJSC	60,336.68	60,336.00	0.68	60,336.68	60,336.00	0.68
Ukrnafta PJSC	552,876.85	527,194.60	25,682.25	552,876.85	553,064.60	(187.75)
Naftogazvydobuvannia PrJSC	9,213.51	9,213.51	(0.00)	9,213.51	9,213.51	(0.00)
Energy Service Company Esco-Pivnich LLC	5,525.50	5,629.00	(103.50)	5,525.50	5,629.00	(103.50)
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	7,031.44	7,090.69	(59.25)	7,031.44	7,090.69	(59.25)
Natural resources PrJSC	9,562.35	9,562.40	(0.05)	9,562.35	9,562.40	(0.05)
Poltava Petroleum Company JV	21,496.15	21,496.10	0.05	21,496.15	21,496.10	0.05
Kub-gaz LLC	8,203.20	8,448.95	(245.75)	8,203.20	8,448.95	(245.75)
Ukrgezvydobutok PrJSC	4,409.18	4,409.00	0.18	4,409.18	4,409.00	0.18
Persha ukraiinska gazonaftova kompaniia LLC	1,740.32	1,740.00	0.32	1,740.32	1,740.00	0.32
Representative Office of Regal Petroleum Corporation Limited	9,772.75	9,772.75	(0.00)	9,772.75	9,772.75	(0.00)
Nadra-Geoinvest LLC	308.94	269.00	39.94	308.94	269.00	39.94
Energiia-95 LLC	52.65	52.60	0.05	52.65	52.60	0.05
Systemoilingeneryng LLC	1,526.20	1,574.00	(47.80)	1,526.20	1,574.00	(47.80)

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Joint Venture Ukrkarpatoil LTD LLC	704.85	705.00	(0.15)	704.85	705.00	(0.15)
Kashtan Petroleum LTD JV	497.51	497.50	0.01	497.51	497.50	0.01
Prom-Energo Product LLC	2,096.67	2,096.67	0.00	2,096.67	2,096.67	0.00
Nordik Private Enterprise	1,994.40	1,994.40	(0.00)	1,994.40	1,994.40	(0.00)
Ukrtransgaz JSC	775,925.06	804,989.00	(29,063.94)	775,925.06	793,378.00	(17,452.94)
Ukrtransnafta JSC	138,929.79	138,934.00	(4.21)	138,929.79	138,934.00	(4.21)
Total	2,286 908.62	2,291 033.87	(4,125.24)	2,286 908.62	2,305 005.87	(18,097.24)

Reconciliation of revenues from unified social contribution in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	732,093.13	732,089.80	3.33	732,093.13	732,089.80	3.33
DTEK Dobropolyeugol LLC	157,584.24	157,584.20	0.04	157,584.24	157,584.20	0.04
Selydivvuhillia SE	174,441.14	174,892.00	(450.86)	174,441.14	174,892.00	(450.86)
Lvivvuhillia SE	170,719.80	169,553.00	1,166.80	170,719.80	170,719.80	0.00
Vuhilna kompaniia Krasnolymanska SE	85,112.18	85,112.00	0.18	85,112.18	85,112.00	0.18
Myrnohradvuhillia SE	103,334.14	102,157.00	1,177.14	103,334.14	102,157.00	1,177.14
Lysychanskvuhillia PJSC	70,778.51	70,778.00	0.51	70,778.51	70,778.00	0.51
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	56,078.11	56,078.00	0.11	56,078.11	56,078.00	0.11
Toretskvuhillia SE	60,288.45	60,279.00	9.45	60,288.45	60,279.00	9.45
Mine named after M. S. Surgai SE	50,360.81	50,361.00	(0.19)	50,360.81	50,361.00	(0.19)
Total	1,660 790.52	1,658 884.00	1,906.52	1,660 790.52	1,660 050.80	739.72

Reconciliation of revenues from unified social contribution in 2017 (metal ores mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	614,076.01	614,076.00	0.01	614,076.01	614,076.00	0.01
Northern Iron Ore Enrichment Works PrJSC	159,555.90	159,556.00	(0.10)	159,555.90	159,556.00	(0.10)
Southern Mining Factory JSC	171,244.66	171,244.66	0.00	171,244.66	171,244.66	0.00
Central Iron Ore Enrichment Works PrJSC	124,217.45	124,217.00	0.45	124,217.45	124,217.00	0.45
Ferrexpo Poltava mining PrJSC	197,280.02	197,280.00	0.02	197,280.02	197,280.00	0.02
Ingulets Iron Ore Enrichment Works PrJSC	132,551.57	132,552.00	(0.43)	132,551.57	132,552.00	(0.43)
Krivoj Rog`s Iron-Ore Combine PJSC	220,257.57	220,258.00	(0.43)	220,257.57	220,258.00	(0.43)
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	141,854.76	142,206.00	(351.24)	141,854.76	142,206.00	(351.24)
Ferrexpo Yeristovo mining LLC	37,646.94	37,646.90	0.04	37,646.94	37,646.90	0.04
United Mining and Chemical Company JSC	102,719.66	102,720.20	(0.54)	102,719.66	102,720.20	(0.54)
Pokrovskiy GZK JSC	89,500.43	89,500.00	0.43	89,500.43	89,500.00	0.43
Marganets GZK JSC	74,990.30	74,986.00	4.30	74,990.30	74,986.00	4.30
Total	2,065 895.27	2,066 242.76	(347.49)	2,065 895.27	2,066 242.76	(347.49)

18.11 Fees for granting and extending special permits for the use of subsoils and revenues from the sale of such permits

Reconciliation of revenues from fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits in 2017 (oil and natural gas extraction, including transportation), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Ukrgezvydobuvannya JSC	1,016 893.30	1,016 893.00	0.30	1,016 893.30	1,016 893.00	0.30
Naftogaz of Ukraine NJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrnafta PJSC	127,790.31	0.00	127,790.31	127,790.31	0.00	127,790.31
Naftogazvydobuvannia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Energy Service Company Esco-Pivnich LLC	0.00	0.00	0.00	0.00	0.00	0.00
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Natural resources PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Poltava Petroleum Company JV	0.00	0.00	0.00	0.00	0.00	0.00
Kub-gaz LLC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrgezvydobutok PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Persha ukraiinska gazonaftova kompaniia LLC	0.00	0.00	0.00	0.00	0.00	0.00
Representative Office of Regal Petroleum Corporation Limited	0.00	0.00	0.00	0.00	0.00	0.00
Nadra-Geoinvest LLC	0.00	0.00	0.00	0.00	0.00	0.00

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
Energii-95 LLC	0.00	0.00	0.00	0.00	0.00	0.00
Systemoilengenering LLC	0.00	0.00	0.00	0.00	0.00	0.00
Joint Venture Ukrkarpatoil LTD LLC	18,218.48	0.00	18,218.48	18,218.48	18,218.48	0.00
Kashtan Petroleum LTD JV	18,715.20	0.00	18,715.20	18,715.20	18,715.20	0.00
Prom-Energo Product LLC	0.00	0.00	0.00	0.00	0.00	0.00
Nordik Private Enterprise	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransgaz JSC	0.00	0.00	0.00	0.00	0.00	0.00
Ukrtransnafta JSC	0.00	0.00	0.00	0.00	0.00	0.00
Total	1,181 617.29	1,016 893.00	164,724.29	1,181 617.29	1,053 826.68	127,790.61

Reconciliation of revenues from fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits in 2017 (coal mining), UAH thousand

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
DTEK Pavlogradugol PrJSC	14,723.68	0.00	14,723.68	14,723.68	0.00	14,723.68
DTEK Dobropolyeugol LLC	0.00	0.00	0.00	0.00	0.00	0.00
Selydivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lvivvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Vuhilna kompaniia Krasnolymanska SE	0.00	0.00	0.00	0.00	0.00	0.00
Myrnohradvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Lysychanskvuhillia PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	0.00	0.00	0.00	0.00	0.00	0.00
Toretskvuhillia SE	0.00	0.00	0.00	0.00	0.00	0.00
Mine named after M. S. Surgai SE	0.00	0.00	0.00	0.00	0.00	0.00
Total	14,723.68	0.00	14,723.68	14,723.68	0.00	14,723.68

*Reconciliation of revenues from fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits in 2017
(metal ores mining), UAH thousand*

Company name	Initial data, UAH thousand			Final data after reconciliation, UAH thousand		
	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies	Reported by state bodies	Reported by companies	Discrepancy between data reported by state bodies and data reported by companies
ArcelorMittal Kryvyi Rih PJSC	0.00	0.00	0.00	0.00	0.00	0.00
Northern Iron Ore Enrichment Works PrJSC	237,265.86	0.00	237,265.86	237,265.86	237,266.00	(0.14)
Southern Mining Factory JSC	0.00	0.00	0.00	0.00	0.00	0.00
Central Iron Ore Enrichment Works PrJSC	14,373.89	0.00	14,373.89	14,373.89	14,374.00	(0.11)
Ferrexpo Poltava mining PrJSC	71,007.63	0.00	71,007.63	71,007.63	71,007.63	0.00
Ingulets Iron Ore Enrichment Works PrJSC	131,636.57	0.00	131,636.57	131,636.57	131,636.57	0.00
Krivoj Rog`s Iron-Ore Combine PJSC	0.00	0.00	0.00	0.00	0.00	0.00
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	0.00	0.00	0.00	0.00	0.00	0.00
Ferrexpo Yeristovo mining LLC	1,898.60	0.00	1,898.60	1,898.60	1,898.60	0.00
United Mining and Chemical Company JSC	0.00	0.00	0.00	0.00	0.00	0.00
Pokrovskiy GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Marganets GZK JSC	0.00	0.00	0.00	0.00	0.00	0.00
Total	456,182.55	0.00	456,182.55	456,182.55	456,182.80	(0.25)

19 Annex 11. Consolidated database on tax and other payments by reporting companies of extractive industries, which did not provide information for EITI Report

Payments to the state from reporting companies by material types of payments (tax payments) in 2017 that were not reconciled (according to state bodies)

Company name	Personal income tax	Corporate income tax	Production royalty	Value added tax on goods and services produced in Ukraine	Budget reimbursement of value added tax	Value added tax on goods imported into Ukraine	Land fee	Environmental tax
Joint activity agreement of 28/11/2000 No. 1- Д21/008/2000 - authorized entity Poltava branch of Devon PrJSC (26002442)	0.00	0.00	136,732.79	38,403.56	0.00	0.00	0.00	0.00
Joint activity agreement of 19/01/1999 No 35/4. Operator - NGVU Chernihivnaftogaz PJSC Ukrnafta (135390)	259.26	0.00	14,433.18	83,176.35	0.00	0.00	0.00	0.00
Suha Balka PrJSC	72,121.76	24.16	146,751.12	0.00	(378,137.81)	3,547.05	14,706.61	1,240.95
Shakhtoupravlinnia Pokrovske PJSC	213,258.25	0.17	85,587.50	233,220.97	0.00	220,521.44	5,055.54	10,280.77
DTEK Mine Komsomolets Donbassa PrJSC	22,487.05	91,280.18	7,392.21	104,286.54	0.00	1,272.30	29.50	3,711.75
DTEK Rovenkyanthracite LLC	43,903.05	-21,000.00	11,046.78	142,027.77	0.00	0.00	0.00	2,867.35
DTEK Sverdlovanthracite LLC	41,071.43	0.00	9,246.12	104,671.21	0.00	179.83	0.00	1,956.40
Pervomaiskvuhillia SE	68,155.13	0.00	61.50	438.30	0.00	0.00	40.27	96.35
Krasnodonvuhillia PrJSC	27,845.97	0.00	18,396.34	0.00	0.00	1,292.88	897.50	7,772.37
DV Naftohazovydobuvna kompaniia LLC	587.86	5,316.35	8.76	24,053.31	0.00	41,799.85	2,161.05	10,584.60
Total	489,689.75	75,620.86	429,656.29	730,278.00	(378,137.81)	268,613.36	22,890.47	38,510.54

*Payments to the state from reporting companies by material types of payments (non-tax payments) in 2017 that were not reconciled
(according to state bodies)*

Company name	Dividends and payment of a share of net profit	Unified social contribution	Fees for granting and extending special permits for the use of subsoil and revenues from the sale of such permits
Joint activity agreement of 28/11/2000 No. 1-Д21/008/2000 - authorized entity Poltava branch of Devon PrJSC (26002442)	0.00	0.00	0.00
Joint activity agreement of 19/01/1999 No 35/4. Operator - NGVU Chernihivnaftogaz PJSC Ukrnafta (135390)	0.00	314.98	0.00
Suha Balka PrJSC	0.00		7,993.74
Shakhtoupravlinnia Pokrovske PJSC	0.00	245,634.67	0.00
DTEK Mine Komsomolets Donbassa PrJSC	0.00	26,551.71	0.00
DTEK Rovenkyanthracite LLC	0.00	53,413.40	0.00
DTEK Sverdlovanthracite LLC	0.00	48,718.24	0.00
Pervomaiskvuhillia SE	0.00	82,867.60	0.00
Krasnodonvuhillia PrJSC	0.00	31,758.00	0.00
DV Naftohazovydobuvna kompaniia LLC	0.00	596.48	0.00
Total	0.00	573,781.11	7,993.74

20 Annex 12. Information received from the companies following requests

Company name	Information on production activity and non-tax payments ⁶⁸⁹	Confirmation letter ⁶⁹⁰	Annual report on tax payments in 2017	Public financial report	Audit of financial report (open access)
Ukrgezvydobuvannya JSC	✓	✓ (partially)	✓	http://www.ugv.com.ua/page/docs?count=1	http://www.ugv.com.ua/page/docs?count=1
Naftogaz of Ukraine NJSC	✓	✓	✓	http://www.naftogaz.com/files/Zvity/NAK_AnRep2017_UA.pdf	http://www.naftogaz.com/files/Zvity/NAK_AnRep2017_UA.pdf
Ukrnafta PJSC	✓	✓	✓	https://www.ukrnafta.com/data/Investor_news/Okrema%20finansova%20zvitnist%202017_SKORYGOVANA.pdf	https://www.ukrnafta.com/data/Investor_news/Okrema%20finansova%20zvitnist%202017_SKORYGOVANA.pdf
Naftogazvydobuvannia PrJSC	✓	✓	✓	https://smida.gov.ua/db/emitent/report/year/xml/show/117483	✓
Energy Service Company Esco-Pivnich LLC	✓	✓	✓	✓	✗ (not conducted)
Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	✓ (partially)	✓	✓	https://unb.ua/uk/info	https://unb.ua/uk/info
Natural Resources PJSC	✓	✓	✓	✓ (https://smida.gov.ua/db/emitent/report/year/xml/show/116100)	✓
Poltava Petroleum Company JV	✓	✓	✓	✗	✗

⁶⁸⁹ «Partially» means that one or more units of questionnaire were not filled

⁶⁹⁰ «Partially» means that one of the letters (either in answer to the initial request or to the second request) with management signature was not provided

Company name	Information on production activity and non-tax payments ⁶⁸⁹	Confirmation letter ⁶⁹⁰	Annual report on tax payments in 2017	Public financial report	Audit of financial report (open access)
				(not for public use)	(not conducted)
Kub-gaz LLC	✓	✓	✓	✓	✗ (not for public use)
Ukrgezvydobutok PrJSC	✓ (partially)	✓	✓	✓ https://smida.gov.ua/db/emitent/report/year/xml/show/117105	✗ (not for public use)
Persha ukraiinska gazonaftova kompaniia LLC	✓	✓	✓	✓	✗ (not conducted)
Representative Office of Regal Petroleum Corporation Limited	✓ (partially)	✓	✓	✓	✗ (not for public use)
Nadra-Geoinvest LLC	✓	✓	✓	✓	✗ (not conducted)
Energiia-95 LLC	✓ (partially)	✓	✓	http://e95.gasco.com.ua/?page_id=2	✓
Systemoilingenering LLC	✓	✓	✓	✓	✗ (not conducted)
Joint activity agreement of 28/11/2000 No. 1-Д21/008/2000 - authorized entity Poltava branch of Devon PrJSC (26002442)	According to the company's response, since 01.03.2017 the production activity of joint activity agreement has been stopped, the wells were rented to the owner of the special permit for the use of the subsoil of the Sakhalin field				
Ukrcarpatoil LTD JV LLC	✓	✓	✓	✓	✓
Kashtan Petroleum LTD JV	✓	✓	✓	✓	✗ (not conducted)
Prom-Energo Product LLC	✓ (partially)	✗	✓	✓	✗ (not for public use)
Nordic PE	✓	✓	✓	✓	✗ (not conducted)

Company name	Information on production activity and non-tax payments ⁶⁸⁹	Confirmation letter ⁶⁹⁰	Annual report on tax payments in 2017	Public financial report	Audit of financial report (open access)
Joint activity agreement of 01/01/1999 No. 35/4 - authorized entity Hals-K PrJSC (31566427)	x	x	x	x	x
ArcelorMittal Kryvyi Rih PJSC	✓	✓	✓	https://smida.gov.ua/db/emitent/report/year/xml/show/113069	https://smida.gov.ua/db/emitent/report/year/xml/show/113069
Northern GZK PrJSC	✓	✓	✓	https://sevgok.metinvestholding.com/upload/sevgok/shareholders/pjsc_northern-gok_financial-statements_2017.pdf.pdf	https://sevgok.metinvestholding.com/upload/sevgok/shareholders/pjsc_northern-gok_audit-report_2017.pdf.pdf
Southern GZK PJSC	✓	✓	✓	✓ (issuer's annual information contains annual financial statements www.ugok.info/materials)	✓ (issuer's annual information contains auditor's report www.ugok.info/materials)
Central GZK PrJSC	✓	✓	✓	https://cgok.metinvestholding.com/ua/about/info	https://cgok.metinvestholding.com/upload/cgok/shareholders/cgok_otchet-auditora-za-2017-god.pdf
Poltavsky GZK PrJSC	✓ (partially)	✓ (partially)	✓	✓	x (an audit was conducted, but no audit report was provided)
Ingulets Iron Ore Enrichment Works PrJSC	✓	✓	✓	https://ingok.metinvestholding.com/upload/ingok/shareholders/zvit-2017.pdf	✓

Company name	Information on production activity and non-tax payments ⁶⁸⁹	Confirmation letter ⁶⁹⁰	Annual report on tax payments in 2017	Public financial report	Audit of financial report (open access)
Krivoj Rog`s Iron-Ore Combine PJSC	✓	✓	✓	https://www.krruda.dp.ua/akcioneram/2018-2/	✗ (not conducted)
The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	✓	✓ (partially)	✓	http://zgrk.com.ua/content/docs/holder/Richniy-zvit-emitenta-zinnyh-paperiv-2017.pdf	http://zgrk.com.ua/content/docs/holder/Richniy-zvit-emitenta-zinnyh-paperiv-2017.pdf
Suha Balka PrJSC	✗	✗	✗	✗	✗
Ferrexpo Yeristovo mining LLC	✓	✓	✓	http://ferrexpoeristovomine.com/wp-content/uploads/2015/09/%D0%A3%D0%BA%D1%80.%D0%BC%D0%BE%D0%B2%D0%B0.pdf	http://ferrexpoeristovomine.com/wp-content/uploads/2015/09/%D0%A3%D0%BA%D1%80.%D0%BC%D0%BE%D0%B2%D0%B0.pdf
United Mining and Chemical Company JSC	✓	✓	✓	https://umcc.com.ua/purchase	https://umcc.com.ua/purchase
Pokrovskiy GZK JSC	✓	✓	✓	https://www.ordgok.com/?page_id=31	https://www.ordgok.com/?page_id=31
Marganets GZK JSC	✓	✓	✓	https://smida.gov.ua/db/emitent/report/year/xml/show/115794	https://smida.gov.ua/db/emitent/report/year/xml/show/115794
DTEK Pavlogradugol PrJSC	✓	✓ (partially)	✓	✗ (not for public use)	✗ (not for public use)
Shakhtoupravlinnia Pokrovske PJSC	✗	✗	✗	✗	✗
DTEK Dobropolyeugol LLC	✓	✓ (partially)	✓	https://dtek.com/investors_and_partners/asset/dobropolye/	https://dtek.com/investors_and_partners/asset/dobropolye/
Selydivvuhillia SE	✓	✓	✓	✓	✗ (not conducted)

Company name	Information on production activity and non-tax payments ⁶⁸⁹	Confirmation letter ⁶⁹⁰	Annual report on tax payments in 2017	Public financial report	Audit of financial report (open access)
Lvivvuhillia SE	✓	✗	✓	http://www.lvug.com.ua/category/finansova-zvitnist/	✗ (not conducted)
DTEK Mine Komsomolets Donbassa PrJSC	The company claimed the loss of control over its facilities because they are located in the area where state authorities temporarily do not exercise their mandate				
DTEK Rovenkyanthracite LLC	The company claimed the loss of control over its facilities because they are located in the area where state authorities temporarily do not exercise their mandate				
DTEK Sverdlovanthracite LLC	The company claimed the loss of control over its facilities because they are located in the area where state authorities temporarily do not exercise their mandate				
Vuhilna kompaniia Krasnolymanska SE	✓	✓	✓	✗ (not for public use)	✗ (not conducted)
Myrnohradvuhillia SE (Krasnoarmiiskvuhillia SE)	✓	✓	✓	✗	✗ (not conducted)
Pervomaiskvuhillia SE	✗	✗	✗	✗	✗
Lysychanskvuhillia PJSC	✓	✓	✓	http://lisugol.com/KorpUpr.aspx	✓
Shakhtoupravlinnia Pivdenodonbaske No 1 SE	✓	✓	✓	✓	✗ (not conducted)
Toretskvuhillia SE	✓	✓	✓	http://toretskvugillya.com.ua/index.php?id=22	✗ (not conducted)
Mine named after M. S. Surgai SE	✓	✓	✓	✓	✗ (not conducted)
Krasnodonvuhillia PrJSC	✗	✗	✗	✗	✗
DV Naftohazovydobuvna kompaniia LLC	According to the company's response, due to the fact that the coal mines and the coal plant of the branch "Shakhtoupravlinnia z vdobutku ta zbahachennia vuhillia" are located in the territories temporarily not controlled by the state authorities, the coal mining is stopped				
Ukrtransgaz JSC	✓	✓	✓	http://utg.ua/utg/about-company/reports.html	http://utg.ua/utg/about-company/reports.html

Company name	Information on production activity and non-tax payments ⁶⁸⁹	Confirmation letter ⁶⁹⁰	Annual report on tax payments in 2017	Public financial report	Audit of financial report (open access)
Ukrtransnafta JSC	✓	✓ (partially)	✓	https://www.ukrtransnafta.com/dokumenti/	https://www.ukrtransnafta.com/dokumenti/

21. Annex 13. Analysis of discrepancies and payments information adjustments

21.1 Personal income tax

№	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Ukrigasvydobuvannya JSC	671,901.210	624,017.40	671,975.40	Due to technical reasons, the company did not provide details of all its payments in the questionnaire. The company corrected its primary data.
2	Ukrnafta PJSC	518,817.58	494,171.70	518,785.70	The discrepancy arose because: 1) the company erroneously did not include in the total PIT the amount of tax paid by one of its units (PrykUBR), which was in the state of reorganization - merger with another unit; 2) the company did include in its total PIT the amount of tax paid under the agreements on joint activities, which were beyond the scope of reconciliation. The company corrected its primary data
3	Ukrtransgaz JSC	747,332.04	749,424.00	749,424.00	According to the company, the figures provided are those recognized in the accounting records of Ukrtransgaz JSC. The company did not adjust the data.

21.2 Corporate income tax

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Naftogaz of Ukraine NJSC	2,048,479.48	3,234,883.00	2,048,479.00	The discrepancy arose because: 1) the company wrongly did not include the non-residents' income tax in the total amount of its corporate income tax paid; 2) the STS data also included the amount of the monetary liability returned from the budget (with minus sign), however the company data did include the amount; 3) the company included in its data the amount of tax paid in the previous periods, however the STS did not take include this amount. The company adjusted its primary data.
2	Energy Service Company Esco-Pivnich LLC	377,416.21	361,353.00	377,416.21	The discrepancy arose from the fact that the company, mistakenly, did not include non-resident income tax paid in the total amount of corporate income tax paid. The company adjusted its primary data.
3	Natural resources PrJSC	269,279.68	206,260.80	269,279.70	The discrepancy arose from the fact that the company, mistakenly, did not include non-resident income tax paid in the total amount of corporate income tax paid. The company adjusted its primary data.
4	ArcelorMittal Kryvyi Rih PJSC	1,347,129.48	1,255,699.00	1,347,129.00	The discrepancy arose from the fact that the company, mistakenly, did not include non-resident income tax paid in the total amount of corporate income tax paid. The company corrected its primary data.
5	Ferrexpo Poltava mining PrJSC	321,835.15	-	320,371.00	The company adjusted its primary data without detailed explanation. After the adjustments, the amount of discrepancy between the data provided by the government agencies and the company data decreased however remained significant according to materiality threshold adopted.

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
6	Ferrexpo Yeristovo mining LLC	50.60	-	50.14	The discrepancy arose from the fact that the company, mistakenly, did not include non-resident income tax paid in the total amount of corporate income tax paid. The company corrected its primary data.
7	Lvivvuhillia SE	339.44	279.00	339.44	The company corrected its original data without detailed explanation.
8	Ukrtransgaz JSC	3,327,063.21	3,280,667.00	3,280,667.00	According to the company, the discrepancy arose because: 1) the company did not include penalties in the total amount of corporate income tax paid (the penalties were included in the line "Fines" in the annual report on taxes and other payments that the companies received as a template during the survey); 2) the company did not include in the total amount of corporate income tax paid the amount of overpaid tax that was transferred from the integrated card in the Kyiv-Svyatoshinsky district to the integrated card of the company in the Major Taxpayers Office of the STS (which is not the amount of tax paid). The company did not corrected its primary data.

21.3 Production royalty

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Ukrnafta PJSC	6,020,904.95	6,037,594.60	6,020,892.10	The discrepancy arose because: 1) the company wrongly included the fee for radio frequency resource of Ukraine and the rent for the special use of water in the total rent for the use of subsoil; 2) the company included in the total amount of the rent for the use of subsoil the payments from joint activities (joint venture agreements), which are beyond the scope of reconciliation of the total amount of revenues from the company. The company corrected its primary data.
2	Natural resources PrJSC	496,959.18	506,040.00	496,959.20	The discrepancy resulted from an arithmetic error made by the company when filling in the questionnaire. The company corrected its primary data.
3	Poltava Petroleum Company JV	400,944.00	400,956.00	400,944.00	The discrepancy arose due to the fact that the company mistakenly included another payment (rent for special use of water) in the total amount of rent for the use of mineral resources for extraction of nationally significant minerals, which is one of the essential payments and subject to reconciliation. The company corrected its primary data.
4	Systemoilingeneryng LLC	73,225.68	73,233.00	73,225.27	The discrepancy arose due to the fact that the company mistakenly included another payment (rent for special use of water) in the total amount of rent for the use of mineral resources for extraction of nationally significant minerals, which is one of the essential payments and subject to reconciliation. The company corrected its primary data.

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
5	Joint Venture Ukrkarpatoil LTD LLC	137,061.53	1,059,869.00	137,062.00	The discrepancy arose because: 1) the company did not erroneously provide data on one of the types of rent (rent for the use of subsoil for extracting nationally significant minerals); 2) because of mistyping in the preparation of information on the payment of the rent for the use of mineral resources for oil production. The company corrected its primary data.
6	Ferrexpo Poltava mining PrJSC	179,261.45	184,366.00	184,366.00	The company did not correct the primary data (without any detailed explanation).
7	Myrnohradvuhillia SE	1,201.41	1,405.00	1,405.00	According to the company, in 2016, the rent for the use of subsoil for extracting nationally significant minerals in the amount of UAH 203.59 thousand (amount of discrepancy) was repaid through the sale of the property of the company, pledged as a tax lien. Due to the fact that the information about the sale of the property was received by the company after the closure of the fiscal year 2016, the corresponding tax amount was recognized in the company's 2017 report. Instead, the STS did not include this amount into the total rent paid by the company in 2017. The company data were not adjusted.
8	Ukrtransgaz JSC	492.92	-	-	The discrepancy arose from the fact that the company does not maintain separate accounting for the payment of "Rent for the use of subsoil for extracting nationally significant minerals" (one of the types of rent that were identified as significant and subject to reconciliation), and the payment was recorded in the line "Rent for the use of subsoil for non-mining purposes, other activities", which is not subject to reconciliation. The company data were not corrected.

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
9	Ukrtransnafta JSC	14.27	12.00	14.27	According to the company, the discrepancy arose due to the rounding of the amount of rent for the use of subsoil in the breakdown by region. The company corrected its primary data.

21.4 Value added tax on goods and services produced in Ukraine

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Naftogaz of Ukraine NJSC	9,322,610.90	9,306,176.00	9,322,611.00	The company mistakenly did not include the amount of VAT paid for the previous period and the penalties in its data. The company corrected the primary data
2	Ukrnafta PJSC	2,835,859.78	2,880,427.50	2,836,056.70	The discrepancy arose from the fact that: 1) the company included in the total amount of VAT paid on goods (works, services) produced in Ukraine, the payments from its joint ventures (joint activity agreements) which should not be included in the total amount of revenues from the company for the purposes of reconciliation; 2) the company did not include in the total amount of VAT paid on goods (works, services) produced in Ukraine, the amount of VAT that was paid in the previous period as VAT overpayment and not paid in cash; while the STS did include this amount. The company corrected its primary data.
3	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	399,745.91	396,159.57	396,159.57	According to the company, the discrepancy arose from the fact that the company included the amount of VAT actually recognized on the company account in the electronic VAT administration system, while the STS data only included the amount of VAT according to tax returns. The company data were not corrected.
4	Nadra-Geoinvest LLC	56,932.37	61,790.00	61,790.00	According to the company, the discrepancy arose from the fact that the company included the amount of VAT actually recognized on the company account in the electronic VAT administration system in 2017, while the STS data only included the amount of VAT according to tax returns. The company data were not corrected.

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
5	Pokrovskiy GZK JSC	31.53	-	31.53	The discrepancy arose from the fact that the company did not include the fine in the total amount of VAT payment and showed it in the line "Other" in the questionnaire. The company corrected its primary data.
6	Selydivvuhillia SE	17,746.58	23 336,00	23 336,00	According to the company, the discrepancy arose from the fact that the company included in the total amount of VAT paid, the amount of subsidy from the State budget in accordance with the CMU Resolution of 18.05.2017 No. 332 (regarding repayment of the difference in the tariff for heat supply to the population) and under the agreement No. 5/332/5 of 15.12.2017, which was used to repay the VAT liability. The company data were not corrected.
7	Ukrtransgaz JSC	4 296 620,57	4 345 511,00	4 345 511,00	According to the company, the discrepancy arose because: 1) the company included in its data the amount of tax paid using the overpayments in previous periods, while the STS data did not take this amount into account; 2) the company did not include penalties in the total amount of VAT paid (these were included in the "Fines" line in the annual tax and other payments report disseminated to the companies for filling in during the survey). The company data were not corrected.
8	Krivoj Rog`s Iron-Ore Combine PJSC		21,706.00	21,707.14	The discrepancy arose because the company rounded off the individual VAT payments (on a monthly basis) to the whole value. The magnitude of the discrepancy was not significant if compared to the materiality threshold adopted. The company corrected its primary data.

21.5 Budget reimbursement of value added tax

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Krivoy Rog`s Iron-Ore Combine PJSC	(61,594.59)	(65,269.00)	(61,594.59)	According to the company, the discrepancy arose from the fact that the company had mistakenly included in the total amount of VAT refunded from the budget, the amount of VAT overpaid and returned from the budget to the company's electronic account under the procedure established by paragraph 43.4 ¹ of the Tax Code of Ukraine. The company corrected its primary data.
2	Ferrexpo Yeristovo mining LLC	(657,565.00)	-	(657,565.00)	The company adjusted its primary data without explaining in detail the reasons for the discrepancies.
3	Ukrtransnafta JSC	-	(534.00)	-	According to the company, it provided the data separately for two payments (VAT and VAT refunded from the budget in cash), while the STS data were the sum of the payments. The company corrected its primary data.

21.6 Value added tax on goods imported into Ukraine

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Ukrigasvydobuvannya JSC	270,351.84	275,176.00	270,352.00	Due to technical reasons, the company did not provide details of all payments in the questionnaire. The company corrected its primary data.
2	Naftogaz of Ukraine NJSC	11,314,182.40	-	11,314,182.00	The company did not include the amount of tax paid because of technical reasons (this item was missing in the section on the status of payments with a budget in the electronic cabinet). The company corrected its primary data.
3	Vydobuvna kompaniia Ukrnaftoburinnia PrJSC	167,345.54	-	167,345.54	The discrepancy arose from the fact that the company filled in the form of a questionnaire of the previous years, where VAT on goods imported to the territory of Ukraine was not a separate line.
4	Nadra-Geoinvest LLC	-	1,183.00	1,183.00	According to the company, it indicated the amount actually paid in 2017 to the accounts of the Kyiv City Customs STS and reflected in VAT declarations in line 11.1 of the declaration. The company data were not corrected.
5	Nordik Private Enterprise	6,682.82	-	6,682.82	The discrepancy arose from the fact that the company mistakenly did not include VAT on goods imported into the territory of Ukraine into a questionnaire sent to the companies for the purposes of reconciliation. The company corrected its primary data.
6	ArcelorMittal Kryvyi Rih PJSC	4,195,843.35	4,201,975.00	4,195,843.00	The company corrected the primary data without detailed explanation.
7	Southern Mining Factory JSC	41,252.24	-	41,252.00	The discrepancy arose from the fact that the company mistakenly included the amount of VAT paid on goods imported into the territory of Ukraine into the "Other"

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
					category in the questionnaire disseminated to the companies for the purposes of reconciliation. The company corrected its primary data.
8	Central Iron Ore Enrichment Works PrJSC	10,318.15	-	15,163.00	According to the company, the discrepancy arose because it did not pay VAT the goods imported into the territory of Ukraine in 2017 to the respective treasury account directly, but transferred the advance payments to the deposit account of Customs which is under the State Fiscal Service of Ukraine, from which the corresponding VAT amounts were transferred consequently to the state budget. The company corrected its primary data.
9	Ferrexpo Poltava mining PrJSC	354,567.37	-	355,332.37	The company corrected its primary data without detailed explanation.
10	Ingulets Iron Ore Enrichment Works PrJSC	130,237.12	-	130,237.59	The reason for discrepancy is that the company filled out a form of the questionnaire that was sent last year to the the purposes of reconciliation which did not require separate information on VAT on goods imported into Ukrainian territory. The company corrected its primary data.
11	The foreign investment enterprise Zaporizhzhia iron ore industrial complex PrJSC	49,561.22	6.90	49,561.22	According to the company, the amount of VAT paid on goods imported into the territory of Ukraine, indicated by the STS, is not the one visible in the company's electronic office, but the one stated in line 11.1 of the 2017 VAT declaration "Goods imported into the customs territory of Ukraine at the basic rate» The company adjusted its original data.
12	Ferrexpo Yeristovo mining LLC	31,781.99	-	30,171.53	The company corrected the primary data without providing detailed explanations for the reasons for the differences. After the adjustments, the amount of discrepancy between the government agencies and the company data decreased,

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
					however remained significant if compared with the materiality threshold adopted.
13	Pokrovskiy GZK JSC	11,634.29	-	11,634.29	The discrepancy arose from the fact that the amount of VAT on goods imported into the territory of Ukraine was not paid by the company directly to the Treasury account. Instead, the advance payments (including import VAT) were transferred to the customs authorities' deposit accounts, from which the corresponding VAT amounts were transferred to the state budget. The company corrected its primary data.
14	DTEK Pavlogradugol PrJSC	94,532.04	-	97,406.20	According to the company, it did not specify the amount of VAT paid on goods imported into the territory of Ukraine due to the fact that the company does not have its individual account with the STS, and the company interacts with the customs authorities through a broker. The payments for this type of payment were made through a broker and were paid by the broker. The company corrected its primary data.
15	Lvivvuhillia SE	255.72	-	255.72	The company corrected the initial data without detailed explanation.

21.7 Land fee

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Ukrnafta PJSC	158,758.88	154,658.00	158,803.00	The discrepancy arose due to the fact that: 1) the company did not erroneously include in the total amount of land fee the payments from one of the units of the company (PrykUBR) that was in the state of reorganization - merger with another unit; 2) the company did not include in the total amount land fee the amount that was paid using overpayments in previous periods and not paid in cash, while the STS data included such amount. The company corrected its primary data.
2	Naftogazvydobuvannia PrJSC	2,092.50	1,937.80	1,937.80	According to the company, the discrepancy arose because its data include only the amount of rent from legal entities, while the STS data, in addition to the rent from legal entities, included the fee for land servitude, which in 2017 were also reflected on the account "Rent from legal entities". The company data were not corrected.
3	Kub-gaz LLC	708.91	708.91	708.91	No discrepancies were found between the state bodies and the company regarding the total amount of land fee, but the company mistakenly stated the amount of rent from legal entities as the amount of land tax from legal entities. The company adjusted the data, although the total amount did not change.
4	Systemoilingenerenyng LLC	6.05	-	6.05	The discrepancy arose from the fact that the company data include only the amount of rent from legal entities, and the STS data, in addition to the rent from legal entities, include the fee for land servitude, which is recognized by the company as payment for services. The company corrected its primary data.

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
5	Ferrexpo Poltava mining PrJSC	71,487.47	-	71,824.36	The company corrected its primary data without detailed explanation.
6	Selydivvuhillia SE	130.44	152.00	131.00	The discrepancy was due to the fact that the company mistakenly included another payment (budget classification code 22080100) in the total amount of the land fee. The company corrected its primary data.
7	Lvivvuhillia SE	702.37	635.00	702.36	The company corrected the original data without detailed explanation.
8	Ukrtransgaz JSC	57,724.58	57,625.00	57,625.00	According to the company, the amounts are shown according to company accounting data. The company data were not corrected.

21.8 Environmental tax

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Naftogaz of Ukraine NJSC	-	3.00	-	The company mistakenly included a rent for special use of water in the total amount of environmental tax paid. The company corrected its primary data.
2	Ukrnafta PJSC	10,037.50	9,482.70	9,946.10	The discrepancy arose because the company included in its data on the environmental tax paid only the amount that was actually paid in cash and did not include the amount of the tax liability paid through overpayment, while the STS data included this overpayment amount. The company corrected the primary data.
3	Systemoilingeneryng LLC	4.18	3.00	4.18	The discrepancy arose because the company incorrectly provided the wrong amount of environmental tax. The company corrected the primary data.
4	Myrnohradvuhillia SE (Krasnoarmiskvuhillia SE)	292.99	118.00	118.00	According to the company, its total amount of environmental tax paid in 2017 did not include the amount that was paid by selling the property that was pledged as a tax lien. Due to the fact that the information about the disposal was received later, the payment in the amount of UAH 174.99 thousand (amount of a discrepancy) will be disclosed by the company in 2018. The company data were not corrected.

21.9 Dividends and payment of a share of net profit

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	United Mining and Chemical Company JSC	382078.20	-	382078.20	The company adjusted the primary data without detailed explanation.

21.10 Unified social contribution

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Ukrigasvydobuvannya JSC	674,704.63	675,028.70	674,741.70	Due to technical reasons, the company did not provide details of all payments in the questionnaire. The company corrected the primary data.
2	Ukrnafta PJSC	552,876.85	527,194.60	553,064.60	The discrepancy arose from the fact that: 1) the company did not erroneously include in the total amount of SSC the payments from the company's units (PrykUBR, OUBR, UAS, CNED), which were in the state of reorganization in 2017-2018; 2) the company mistakenly included the wrong amount of SSC for the Head Office. The company corrected the primary data.
3	Nadra-Geoinvest LLC	308.94	269.00	269.00	According to the company, the discrepancy arose from the fact that it included only the part of the SSC that were accrued on the salaries of the company's employees, in the total amount of SSC paid, while the STS also included the SSCs accrued under the civil contracts. The company data were not corrected.
4	ДП «Львіввугілля»	170,719.80	169,553.00	170,719.80	The company corrected the primary data without detailed explanation.
5	Myrnohradvuhillia SE	103,334.14	102,157.00	102,157.00	According to the company, due to some technical and legal difficulties, the payment of the SSC in the amount of UAH 1,177.14 thousand (the amount of discrepancy) was not immediately recognized by the STS as a repayment of SSC liability and until February 2017 it was accounted for as an indefinite payment. The transaction was recognized in the Company's statements in 2016. The company data were not corrected.

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
6	Ukrtransgaz JSC	775,925.06	804,989.00	793,378.00	The company adjusted its primary data, although the discrepancies between the company data and the STS data did not disappear. The final data of the company are in line with its accounting data.

21.1 Fees for granting and extending special permits for the use subsoils and revenues from the sale of such permits

No	Name of company	Data provided by state bodies, UAH thousand	Data provided by companies (primary data), UAH thousand	Data provided by companies (adjusted data), UAH thousand	Causes of discrepancies and / or adjustments
1	Ukrnafta PJSC	127,790.31	-	-	The company did not provide any details regarding the payment. The company data was not corrected
2	Joint Venture Ukrkarpatoil LTD LLC	18,218.48	-	18,218.48	The company corrected the original data without detailed explanation.
3	Kashtan Petroleum LTD JV	18,715.20	-	18,715.20	The company corrected the original data without detailed explanation.
4	Northern Iron Ore Enrichment Works PrJSC	237,265.86	-	237,266.00	The company corrected the original data without detailed explanation.
5	Central Iron Ore Enrichment Works PrJSC	14,373.89	-	14,374.00	The company corrected the original data without detailed explanation.
6	Ferrexpo Poltava mining PrJSC	71,007.63	-	71,007.63	The company corrected the original data without detailed explanation.
7	Ingulets Iron Ore Enrichment Works PrJSC	131,636.57	-	131,636.57	The company corrected the original data without detailed explanation.
8	Ferrexpo Yeristovo mining LLC	1,898.60	-	1,898.60	The company corrected the original data without detailed explanation.
9	DTEK Pavlogradugol PrJSC	14,723.68	-	-	The company did not provide any details regarding the payment. The company data was not corrected

22. Annex 14. List of coal mines located in the temporarily uncontrolled territory

Nº	Name of the mine	Owner	Location
	DVNK SE		Donetsk region
1	Mine named after Cheliuskintsev	State	
2	Zhovtnevyi Rudnyk Mine	State	
3	Mine named after E.T. Abakumov	State	
4	Mine name after M.I. Kalinin	State	
5	Trudivska Mine	State	
6	Mine named after O.O. Skochynskiyi	State	
	Makiyivvuhillia SE		Donetsk region
7	Mine named after V.M. Bazhanov	State	
8	Kholodna Balka Mine	State	
9	Kalynivska-Skhidna Mine	State	
10	Butivska Mine	State	
11	Chaikino Mine	State	
12	Mine named after V.I. Lenin	State	
13	Mine named after S.M. Kirov	State	
14	Yasynivska-Hlyboka Mine Group III ⁶⁹¹	State	
15	Pivnichna Mine	State	
	Artemvuhillia SE		Donetsk region
16	Mine named after M.I. Kalinin	State	
17	Mine named after K. Rumiantsev	State	
18	Mine named after V.I. Lenin	State	
19	Mine named after A.I. Haiovyi	State	
	Ordzhonikidzevuhillia SE		Donetsk region
20	Enakiivska Mine	State	
21	Mine named after K. Marx	State	
22	Poltavska Mine	State	
23	Vuhlehrska Mine	State	
24	Bulavynska Mine	State	
25	Olkhovatska Mine	State	
	Shakhtarskanratsyt SE		Donetsk region
26	Ilovaiska Mine	State	
27	Mine named after XVII Partyzdu	State	
28	Mine named after S.P. Tkachuk Group III	State	
29	Shakhtarska-Hlyboka Mine	State	
	Torezanratsyt SE		Donetsk region
30	Mine named after L.I. Lutuhin	State	
31	Volynska Mine	State	
32	Prohres Mine	State	
33	Mine named after K.I. Kysilov Group III	State	
	Snizhneanratsyt SE		Donetsk region
34	Udarnyk Mine	State	
35	Zoria Mine	State	
36	Mine named after M. Horkyi SE Group III	State	Donetsk region

⁶⁹¹ Mines Group III - enterprises that are in preparation for liquidation. Coal production has been stopped, but they are still in working order.

37	<i>Mine №17-17-bis SE Group III</i>	State	Donetsk region
38	<i>Mospinska Mine SE Group III</i>	State	Donetsk region
39	<i>Lidiievka Mine SE Group III</i>	State	Donetsk region
40	<i>Mine №13-bis SE Group III</i>	State	Donetsk region
41	<i>Pivnichna Mine SE Group III</i>	State	Donetsk region
42	<i>Mine named after O.F. Zasiadko PJST</i>	Private	Donetsk region
43	<i>Zhdanivska Mine RE PJST</i>	Private	Donetsk region
	<i>Luhanskvuhillia SE</i>		Luhansk region
44	Shakhtoupravlinnia Luhanske	State	
45	Lutuhinska Mine	State	
46	Cherkaska Mine	State	
47	Mine named after Artem	State	
48	Nykonor-Nova Mine	State	
49	Fashchevska Mine	State	
50	Mine named after XIX Zizdu KPRS	State	
51	Verhelovska Nova Mine	State	
	<i>Donbasantratsyt SE</i>		Luhansk region
52	Kniahyninska Mine	State	
53	Krasnoluchska Mine	State	
54	Novopavlivska Mine	State	
55	Khrustalska Mine	State	
56	Miusynska Mine	State	
57	Mine named after Hazety Izviestiia	State	
58	Krasnokutska Mine	State	
59	Krepinska Mine Group III		
	<i>Antratsyt SE</i>		Luhansk region
60	Partyzanska Mine	State	
61	Komsomolska Mine	State	
	<i>Pervomaiskvuhillia SE</i>		Luhansk region
62	Pervomaiska Mine	State	
63	Lomovatska Mine	State	
64	Pervomaiska-Zakhidna Mine	State	
65	<i>Bilorichenska Mine PJSC</i>		Luhansk region
	<i>Shakhtoupravlinnia Donbas PJSC</i>		Donetsk region
66	Shchehlovska-Hlyboka Mine	State	
67	Komunarska №22 Mine	State	
68	<i>Komsomolets Mine SE Group III</i>	State	Donetsk region
69	<i>Putylivska Mine RE ALC</i>	Private	Donetsk region
70	<i>DTEK Mine Komsomolets Donbassa PrJSC</i>	Private	Donetsk region
	<i>Shakhtoupravlinnia Blahovishchenske RE ALC</i>		Donetsk region
71	Mine named after V.I. Chapaiev	Private	
72	Mine named after 1 Travnia	Private	
73	Ternopilaska Mine	Private	
74	<i>Rassvet-1 Mine LLC</i>	Private	Donetsk region
	<i>DTEK Rovenkyanthracite LLC</i>		Luhansk region
75	Mine named after F.E. Dzerzhynskiy	Private	
76	Rovenkivska №1-2 Mine	Private	
77	Luhanska №2 Mine	Private	
78	Mine named after Kosmonavtiv	Private	
79	Mine named after M.V. Frunze	Private	
80	Mine named after V.V. Vakhrushev	Private	

81	Kyivska №81 Mine	Private	
	<i>DTEK Sverdlovantratsyt LLC</i>		Luhansk region
82	Chervonyi Partyzan Mine	Private	
83	Dovzhanska-Kapitalna Mine	Private	
84	Tsentrospilka Mine	Private	
85	Mine named after Y.M. Sverdlov	Private	
86	Kharkivska Mine	Private	
	<i>Krasnodonvuhillia PrJSC</i>		Luhansk region
87	Molodohvardiiska Mine	Private	
88	Mine named after 50-Richchia SRSR	Private	
89	M.P. Barakov	Private	
90	Sukhodilska-Skhidna Mine	Private	
91	Samsonivska-Zakhidna Mine	Private	
92	Duvanna Mine	Private	
93	Horihivska Mine	Private	
94	<i>Sadova Mine LLC</i>	Private	Luhansk region
95	<i>Mine №4-21 SE Group III</i>	State	Donetsk region

23. Annex 15. Compliance of the Ukraine EITI Report with the Standards

EITI Standard requirement	Section of the EITI Report
2.1	<p>Description of regulatory and fiscal regulation of the extractive industries, as well as the main areas of reform are presented in Section 6 of the Report, including:</p> <ul style="list-style-type: none"> • Review of the legislation governing mineral extraction, including regulations in the field of mining taxation - Section 6.1 • Functions and powers of public authorities - Section 6.2, Annex 5 • Reforming the extractive industry regulatory and fiscal environment in 2017 - Section 6.3 • Regulation of state participation in extractive industries - Section 6.4 • Fiscal regime, including the information on tax revenues to different levels of budget (tax decentralization) - Section 6.5 • Regulatory regime - Section 6.6, including: <ul style="list-style-type: none"> ○ Overview of special permits for subsoil use - Section 6.6.2 • Overview of the agreements in the extractive industries and other mining related contracts - Sections 6.6.4 and 6.6.5
2.2	<p>Section 6.6.2 describes the procedure for granting special permits for the use of subsoil (including for different types of subsoil use for which permits are granted, the procedures for obtaining permits, the criteria for granting permits, etc.). The information on auctions for the sale of special subsoil permits held in 2017 and the winners of the auctions is provided in Annex 8. The information on the current and planned reforms of the special subsoil use granting procedure is provided in Section 6.3.</p>
2.3	<p>The information on the registry of special subsoil use permits and the data available in the registry is provided in Section 6.6.1.</p>
2.4	<p>The Information on the agreements in the extractive industries and their disclosure requirements, including contract information and the tender for new agreements (where applicable), the information on the taxation of the activities under such agreements is provided in Sections 6.6.4 and 6.6.5. For information on the reform of the agreements in the extractive industries, see Section 6.3.</p>
2.5	<p>The information on the government policies for disclosure of the final beneficial owners (controllers) of mining companies, as well as information on such persons available in the Unified State Register is set out in Section 6.6.3. The information on the final beneficial owners (controllers) of the reporting entities according to the Unified State Register is provided in Annex 6.</p>
2.6	<ul style="list-style-type: none"> • Explanation of the role of state-owned enterprises in the extractive industries (requirement 2.6 a) I.) - Sections 5.1.1, 5.2.1, 5.3.2, 5.4.1, 5.5.1, 5.6.1, 5.7.1, 5.8.1, 5.9.1 • The rules governing the relationship between the state-owned enterprises and the state (requirement 2.6 a) I.) - Section 6.4 • The existing practice of relationship between the state-owned enterprises and the state (requirement 2.6 a) I.): <ul style="list-style-type: none"> – the information on the retained earnings, reinvestment and external financing - Sections 5.1.1, 5.2.1, 5.4.1, 6.4.1.2 – the information on dividends - Section 6.4.3, Section 7.5.1, Annex 10 (Section 18.9) • Participation of the state and state-owned enterprises in the authorized capital of the extractive companies (requirement 2.6 a) II.):

EITI Standard requirement	Section of the EITI Report
	<ul style="list-style-type: none"> – share of the state in the authorized capital of the extractive enterprises - Sections 5.1.1, 5.2.1, 5.4.1 – the scope of liability of the state for the extractive companies' obligations - Sections 5.1.1, 5.2.1, 5.4.1, 6.4.1.3 – loans and borrowings against the state guarantees - Sections 5.1.1, 5.2.1, 5.4.1, 6.4.4.3 • financial statements and findings of the independent auditor of public sector extractive companies (requirement 2.6 b) - Annex 12 <p>The information on government involvement in the extractive industries can be found in Section 6.4 of the Report, including:</p> <ul style="list-style-type: none"> • Definition of SOE, financing of their activities and responsibility of the state for covering the costs of such enterprises - Section 6.4.1 • Public policy in the area of management of public sector entities, including current and planned reforms in public administration - Section 6.4.2 • Overview of the payments by the state-owned enterprises - Section 6.4.3 • Overview of the government payments to the state-owned enterprises (including state support and state aid actions) - Section 6.4.4 • Functions of state-owned enterprises and payments in favour of the state-owned enterprises - Section 6.4.5. <p>The features of the State's liability to cover the costs of SOEs are described in the following sections of the Report:</p> <ul style="list-style-type: none"> • 6.4.1.3 (regarding the liability for obligations of state-owned enterprises) • 6.4.4 (regarding certain state support actions) • 6.6.4 and 6.6.5 (regarding the role and responsibility of the state under the PSA and the JAA, respectively) • the information about the SOEs financial statements audit and disclosure is provided in Section 4.3. <p>Unless otherwise indicated in the text, contextual information, in particular on state participation in extractive industries, applies only to companies that have been identified as significant and included in the scope of reconciliation of payments to the State (Annex 2).</p>
3.1	The information on significant exploratory activities is provided in each section on a specific industry, namely: 5.1.3, 5.2.3, 5.3.3, 5.4.3, 5.5.3, 5.6.3, 5.7.3, 5.8.3.
3.2	<ul style="list-style-type: none"> • The information on mineral reserves is provided in Section 5, namely in: 5.1.2, 5.2.2, 5.3.2, 5.4.2, 5.5.2, 5.6.2, 5.7.2, 5.8.2, 5.9.2. • The information on the volume (in physical units) of mineral production is stated in Section 5, namely in: 5.1.4, 5.2.4, 5.3.4, 5.4.4, 5.5.4, 5.6.4, 5.7.4, 5.8.4, 5.9.4. • The information on the value of the extracted minerals is provided in Section 5.10.1.1
3.3	Exports and imports information is provided in Section 5 , namely: 5.1.5, 5.2.6, 5.3.5, 5.4.5, 5.5.5, 5.6.5, 5.7.5, 5.8.5, 5.8.5. The official statistics provides no disaggregated information on the exports and imports of minerals, which are covered by the EITI Report 2017, by Ukrainian oblasts.
4.1	The information on taxes and other government revenue from the extractive industries is presented in Section 7 , as well as in Annexes 10, 11. Information on tax and other state revenues from all companies in the extractive industries (those that were subject to reconciliation and those from which revenues were determined as insignificant) for all types of payments is available at http://eiti.org.ua/ , https://menr.gov.ua/ , https://data.gov.ua/

EITI Standard requirement	Section of the EITI Report
4.2	The mechanisms for transferring part of the extracted products to the state are not used in Ukraine. It was the decision of the MSG of 22.11.2019. At the same time, the questionnaires for the mining companies did include the relevant questions and the results of the questionnaire did not reveal any facts of transferring the share of the mining companies profits to the state.
4.3	The barter and infrastructure agreements with the state are not used in Ukraine. This fact was enshrined in the decision of the MSG of 22.11.2019. At the same time, the questionnaires for the mining companies did include the relevant questions and the results of the survey did not reveal any barter agreements between the extractive companies and the state.
4.4	The information on oil and gas transportation, including transit activities is described in Section 5.2.5 . The revenues from oil and gas transportation are disclosed in Section 5.2.5 , partly due to the lack of complete and disaggregated information from the companies. The route data (requirement 4.4 I.) cannot be disclosed due to the technical and operational specifics of the Ukrainian gas and oil transportation system.
4.5	<ul style="list-style-type: none"> • the information on transfer payments (subsidies, subventions etc.) from the state to the state owned extractive companies - Sections 5.1.1, 5.2.1, 5.4.1, 6.4.4 • the Information on dividends paid by the state owned extractive enterprises for the benefit of the state - Section 5.2.1 (dividends of Naftogaz of Ukraine NJSC subsidiaries), Section 7.5.1 (general results of reconciliation), Annex 10 (Section 18.9) (detailed reconciliation result in terms of each mining company that paid dividends in 2017) • the relationship between the state and state-owned enterprises under the joint activity agreements, concession agreements, product sharing agreements - Sections 5.1.1, 5.2.1, 5.4.1 • the payments from the extractive companies for the benefit of state-owned enterprises were identified to be insignificant and not to be disclosed in the 2017 EITI Report in accordance with the decision of the MSG dated 6.09.2016. <p>According to the results of the survey, no cases of granting loans by reporting SOE in favor of other reporting SOE were identified. The overview of the types of payments by the state owned extractive companies for the benefit of state - Section 6.4.3</p>
4.6	<p>According to the results of the assessment, the MSG decided to include in the scope of the report two sub-national payments, which are disclosed in the relevant sections, namely:</p> <ul style="list-style-type: none"> • corporate income tax - Section 7.4.2, Annex 10 (section 18.2); • personal income tax - Section 7.4.1, as well as Annex 10 (section 18.1); • land fee - Section 7.4.7 and Annex 10 (Section 18.7); • environmental tax - Section 7.4.8, as well as Annex 10 (section 18.8); • rental fee for extracting nationally significant minerals - Section 7.4.3, Annex 10 (Section 18.3). <p>The information on the distribution of tax revenues between the budgets of different levels by specific tax / fee is provided in Section 6.5.</p>
4.7	The report presents disaggregated information on government revenues from the extractive industries by type of payment and specific companies (Annex 10, 11).
4.8	On February 24, 2020, the EITI Board meeting adopted Ukraine's application to extend the deadline for the preparation of the EITI Ukraine Report for 2017 until June 30, 2020. The report was published in May 2020. Requirement 4.8 of the EITI Standard is considered fulfilled.

EITI Standard requirement	Section of the EITI Report
4.9	<p>The information on auditing the financial statements of the extractive companies according to international standards, see Annex 12. According to the decision of the MSG dated 22.11.2019, the completeness and reliability of the data is confirmed by:</p> <ul style="list-style-type: none"> – On the part of the extractive companies (private and public) - the signatures of senior officers of the companies, who guarantee the correctness of the data provided, and / or the external auditor's opinion on the data provided (if available), for each company. – On the part of the state bodies - the signatures of the higher officials of the respective agency. See Section 4.3 for details.
5.1	The information on the distribution of tax revenues between the budgets of different levels is provided in Section 6.5, Section 7 and Annex 9 .
5.2	The information on the distribution of tax revenues between the budgets at different levels is provided in Section 6.5, Section 7 and Annex 9 .
5.3.	The Ukrainian budget process, and the requirements for auditing and evaluating the effectiveness of budget management are described in Section 6.7 .
6.1	<p>The information on the companies social spending and the types of quasi-fiscal expenditures of the state-owned enterprises is provided in Sections 6.6.6 and 6.6.7. The information on the actual costs of the extractive companies for social and environmental purposes is presented in Section 5.10.3. Ukrainian legislation does not contain the concept of “mandatory social costs of mining companies” and does not provide a list of cases where such costs of mining companies (other than the payment of USC) may be mandatory (Section 6.6.7).</p>
6.2	<p>The information on the companies social spending and the types of quasi-fiscal expenditures of the state-owned enterprises is provided in Sections 6.6.6 and 6.6.7. The information on quasi-fiscal operations of the extractive companies is provided in Section 5.11.1.</p>
6.3	The information on the contribution of the extractive industries to the economy of the country is provided in Section 5.10 .

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