

Press release  
Stockholm, 24 March 2021

## Operational update from the oil operations

### **Zhoda Investments ("Zhoda") announces an operational update from the oil operations in Ukraine.**

"The year 2020 with volatile and low oil prices was challenging for the oil industry. I am, however, very happy to note that we have come through and that the oil prices are once again at a level where our oil operations can show a healthy profitability. The cost of producing oil in Ukraine is lower than in many other countries. In addition, oil is a very effective source of energy that will be in strong demand for decades to come. Despite the uncertainty that still exists in 2021, I therefore feel optimistic when it comes to the oil operations' ability to generate significant profits and value to our company", says Robert Karlsson, CEO of Zhoda Investments.

The current pandemic has had a significant effect on the oil price. The average Brent oil price during 2020 was 42 dollars per barrel, compared to 64 dollars per barrel in the previous year. Furthermore, the price was volatile and reached a low of 18 dollars per barrel in the spring of 2020. It is very satisfying to note that the price has since then risen sharply first to a level around 40 dollars per barrel during autumn and further to the current level above 60 dollars per barrel. The price increase shows that oil will be in great demand also in the future as the world economy step by step stabilizes and the vaccination programs are being executed around the world.

Zhoda's production was relatively stable during 2020 and amounted to 200 barrels per day, compared to 224 barrels per day the previous year. It is the company's objective to increase production, but due to the uncertain market conditions in 2020, the field operator only invested in simpler work overs and repairs and not into more complex programs that would enhance production in the long term. Given a further stabilization of the oil price, it becomes more financially attractive to launch a comprehensive investment program to increase production.

During 2020, the field operator sold its crude oil at state auctions or directly to a refinery. In order to reduce credit risk, the operator only delivers oil upon pre-payment. The effects of the pandemic on the Ukrainian economy have been significant. As in all countries whose economies are developing, there is a lack of liquidity, which in turn has created a discount between the local oil price compared to Brent. This is a pattern we have seen before when the world market oil price has fallen. As the world oil price has stabilized, the discount has then historically step-by-step decreased with the local price getting closer to Brent.

The oil operations' largest cost item is the production tax of 31% of the sales price at the state auctions. Since this is a variable cost, the cost base naturally decreases when the oil price is low, which softens the financial effect of low oil prices. In addition, the operator has implemented efficiency-enhancing measures that will lower the cost of lifting, processing and transportation of the produced crude oil. A third party handles these operations and the operator is finalizing negotiations to reduce these costs by SEK 5 million on a yearly basis.

Zhoda received a dividend of SEK 1 million from the oil operations during 2020.

Zhoda Investments owns through its subsidiary 45 per cent of the license holder and operator of the Lelyaki oil field. All the amounts above relate to Zhoda's 45 per cent working interest in the operator.

## **Annual report**

Zhoda Investments will publish the annual report for 2020 no later than three weeks before the annual general meeting, which is planned to be held in June.

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## **About Zhoda Investments**

Zhoda Investments invests in selected unlisted European ventures and drives growth and profitability through active ownership and an entrepreneurial approach. In the coastal region of Dalmatia in Croatia, Zhoda owns and manages Testament Winery and Black Island Winery. Based on indigenous organic grapes and a two thousand year old wine tradition, it is Zhoda's award-winning winemakers' objective to create Croatia's best wine and to become the country's leading exporter of premium wines. The vision is to reach a production of one million bottles per year. The group also holds a 45 per cent interest in the Lelyaki oil field in Ukraine with 2P proven and probable oil reserves of 8 million barrels net to the company. Zhoda Investments is actively pursuing new investments. For more information, visit [www.zhodainvestments.com](http://www.zhodainvestments.com).

*This is an English translation of the Swedish original. In case of discrepancies, the Swedish original shall prevail.*