



BEST-IN-CLASS GAS UTILITY BUSINESS

IN JUST ONE SENTENCE

Natural and Liquefied Petroleum Gas PLC (N&LPG) is a primary independent gas transmission operator in the local market and is the leading example in creating a best-in-class gas utility business in Ukraine, with over 60 years history of constant and balanced growth.

LEADING MARKET PLAYER

N&LPG is focused on gaining benefits from the promotion of the gas utility market of Ukraine and using its potential and capabilities for growth.

The Group holds significant shares in three gas operators in Kherson and Poltava regions, acting under brands – Khersongaz, Kremenchukgaz and Gadyachgaz – which makes N&LPG one of the largest players in the Ukrainian gas market.

For 60 years, the Company has continuously and safely provided 1,300,000 consumers of Ukraine with natural gas. The Group has more than 2,000 employees all committed to running of the efficient operation of gas pipelines and increasing the value of the business.

Consolidation of the gas distribution companies enabled the Group to reach 100% market share in retail gas supply for the Kherson region and 45% of the Poltava region. The market positions of the Group as gas supplier and operator are strong since there is close to monopoly market conditions where consumers show reluctance to change suppliers, buying gas from N&LPG, thus making it difficult for new players to enter the local market.

Using a deep understanding of the market and close contact with interested parties, N&LPG continues to dominate in the gas transportation industry and supports its development strategy with a strong track record in successful merges and acquisitions

BUSINESS ACTIVITY

The Company focuses on the gas business segment, which includes activities related to the transportation and distribution of natural gas, the supply of natural gas and liquefied gas; a segment of the gas infrastructure and related services through the established gas distribution infrastructure.

Through 9,725 km of gas distribution networks, the N&LPG provides gas to individual and industrial end customers and acts as the sole operator in the Kherson region, and the Kremenchuk & Gadyach municipalities of Poltava region.

Annually N&LPG distributes approximately one billion cubic meters of the natural gas and sells approximately 0.5 billion cubic meters of the natural gas and four thousand tons of liquefied gas to its portfolio of 430,000 gas subscribers.

MARKET INTEGRATES WITH EU ENERGY SYSTEM

Ukraine is the seventh largest gas consumer and the country with the largest gas transportation system in Europe, where N&LPG serves the needs of 3 per cent natural gas consumers. Ukraine's energy intensity is 4.7 times higher than in the neighboring economies, and does not have a strong trend in reduction over a long-term perspective.

The markets in the EU and other western European countries are generally liberalized in line with EU policy, allowing market players to compete; liberalization is less advanced in countries such as Ukraine, Russia and Turkey, weakening the rivalry there. A competitive market environment in Ukraine has not been created yet – however certain changes have occurred both in the N&LPG Group and in the gas of the sector as a whole.

The Ukrainian Government adopted the Law on Natural Gas Market in Ukraine and has taken a series of measures aimed at gradually raising retail gas prices; prohibited the establishment of tariffs below economically feasible levels; defined the rules for the use of national energy networks; considered a project of gradual liberalization, natural gas market; and announced plans to change the system of subsidizing energy and its monetization.

