



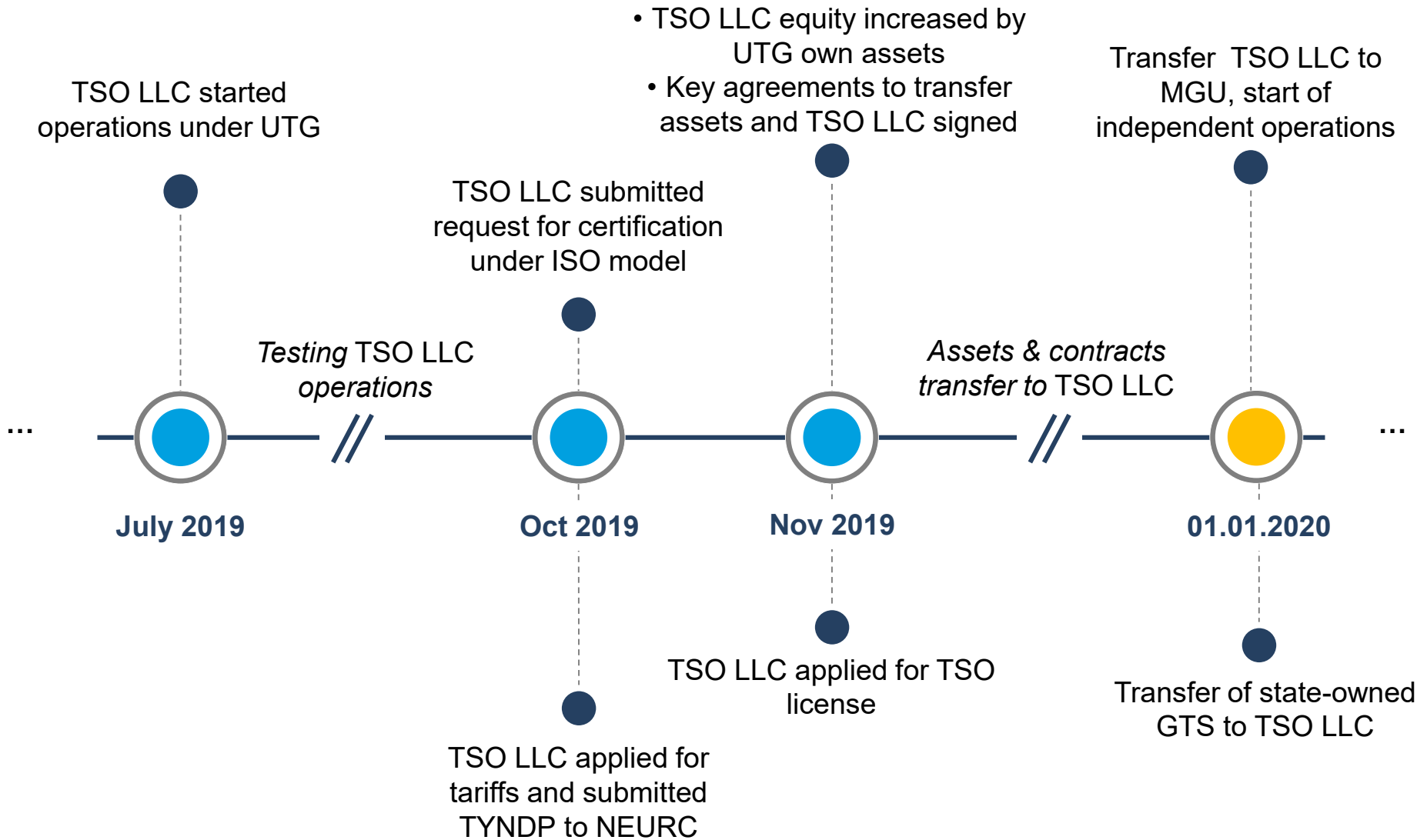
Completing Unbundling

status and next steps

18 December 2019




Key unbundling stages completed. Final steps – 1 Jan 2020

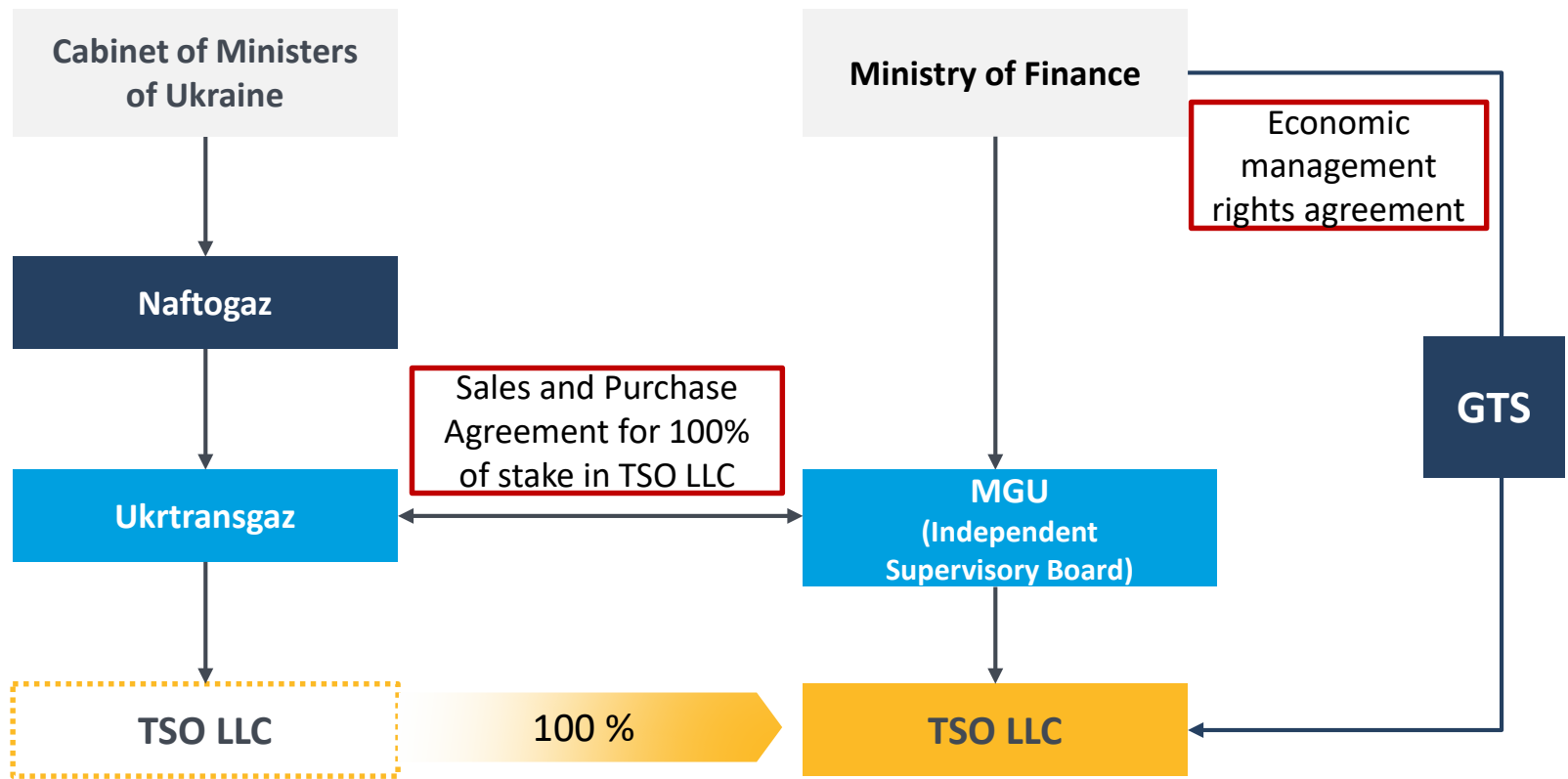




Legal framework adopted to unbundle TSO LLC according to 3EP

-  **CMU Resolution no. 840 adopted on September 18, 2019 – ISO model selected**
-  **CMU Decision no. 791 adopted on September 18, 2019 – MGU transferred to Ministry of Finance**
-  **Unbundling Laws adopted by Parliament and signed by the President**
-  **Preliminary certification decision granted by NEURC on 22 Nov 2019**
-  **ECS opinion supporting certification provided on 17 Dec 2019**
-  **NEURC final certification decision expected on 26 Dec 2019; license and transmission tariff – by the end of the year**

Parties signed binding documents for legal completion of unbundling



SPA and Economic Management Rights agreements have been already signed, transfer acts will be signed on 1 Jan 2020

TSO LLC is ready for independent operation



Headcount of **11,100 FTEs**



UAH 3.8 bln of UTG-owned assets transferred to share capital of TSO LLC, incl. IT soft- & hardware, tools & equipment, transport etc.



GTS operation transferred under service agreement by 1 January, later on – based on the license and economic management rights



Inventories, including gas – ready to ensure operations in Q1 '20



IT-environment – daily balancing platform, ERP and software for dispatching / metrology transferred and fully separated from UGS



~400 transmission contracts and **~500 cost contracts** will be transferred on 1 Jan 2020



TSO LLC/SSO inter-operator agreement developed and is being tested until 1 Jan 2020

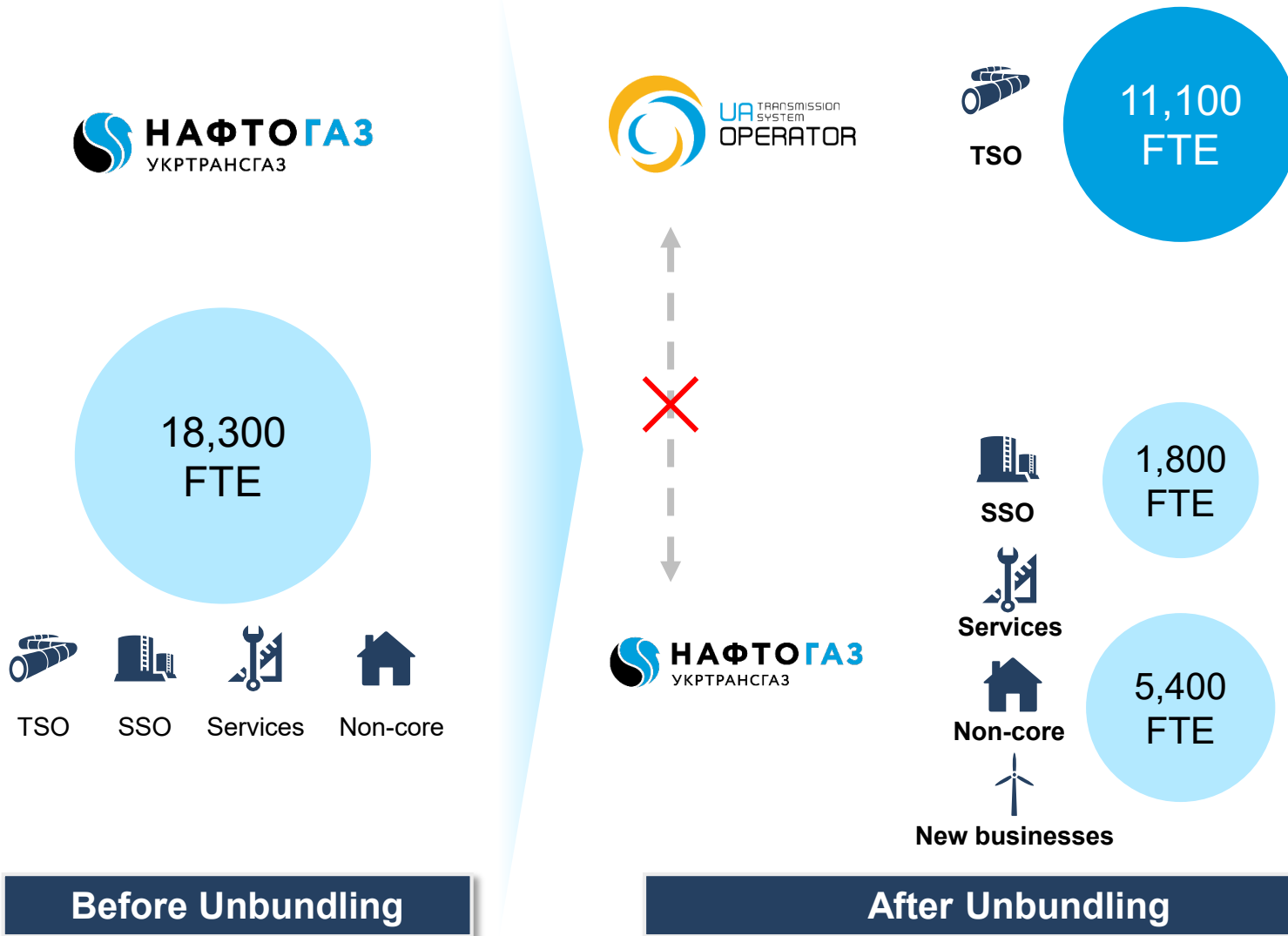


Certification, license and transmission tariff expected from NEURC



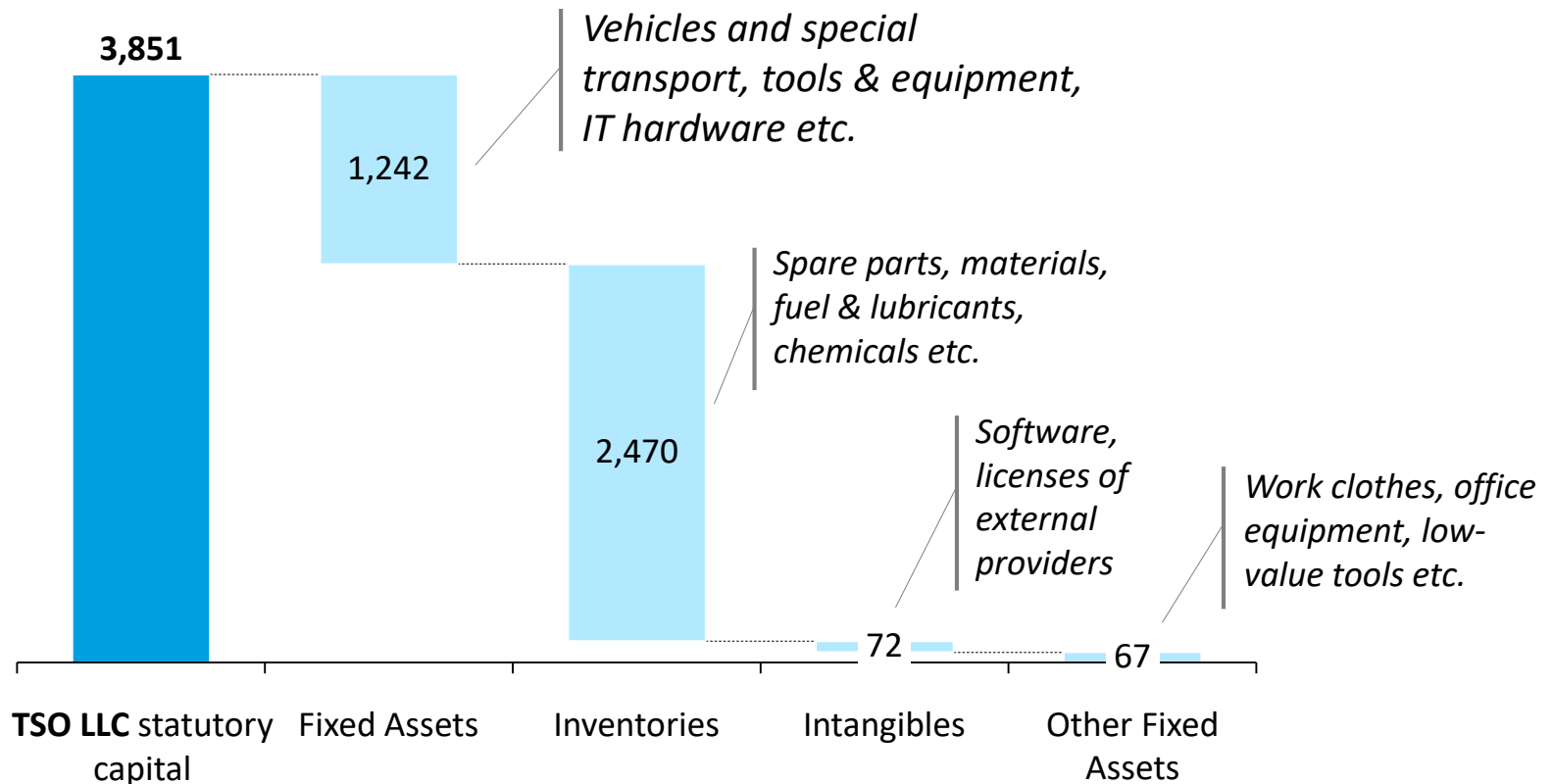
**TSO LLC
today:**

TSO LLC will functionally independent from Naftogaz Group after 1 Jan 2020

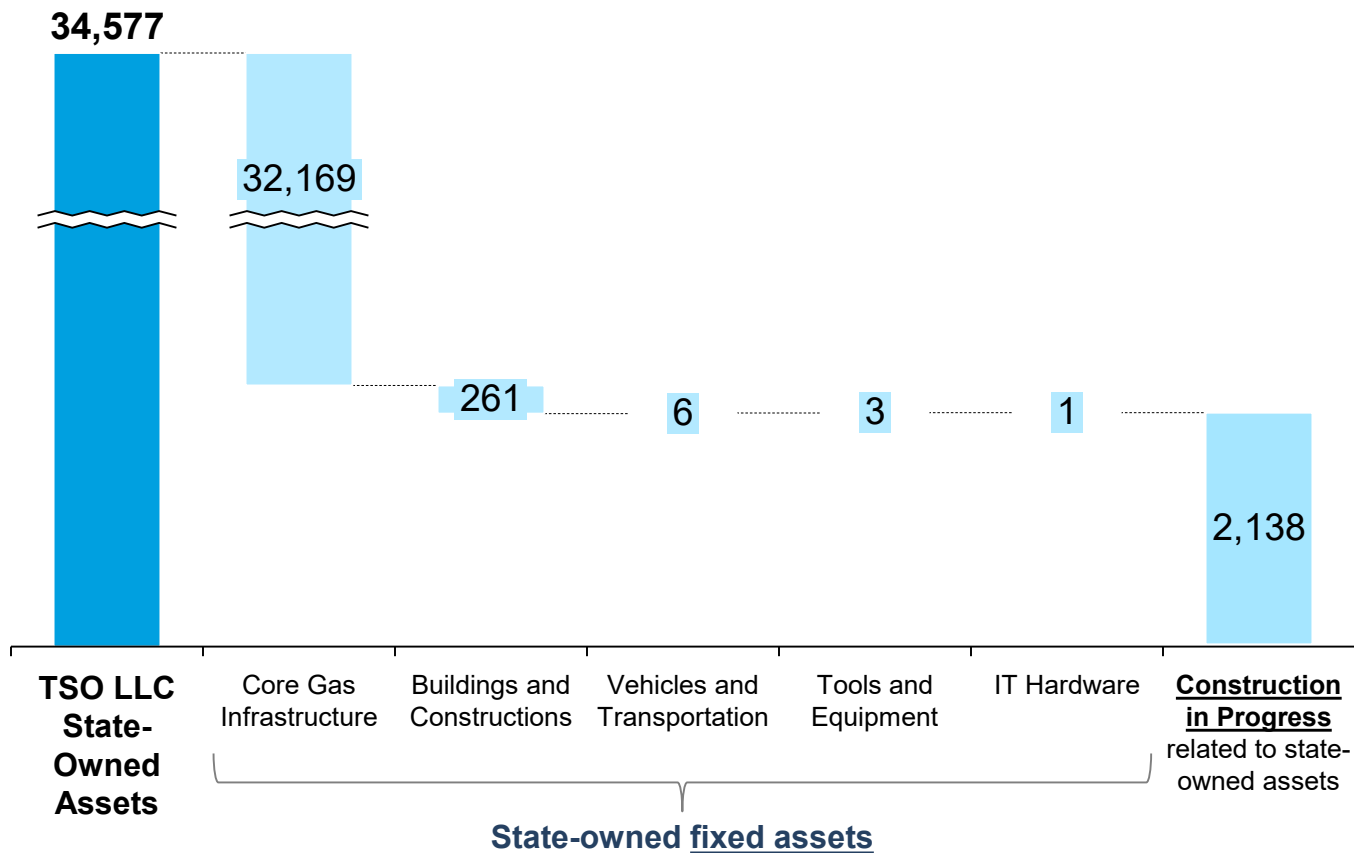


UTG-owned assets transferred to the equity of TSO LLC

Structure and market value of assets transferred to the equity of TSO LLC, UAH mln, incl. VAT as of 01 Oct 2019



Analysis, stock-take and assessment was done for each item of state-owned assets



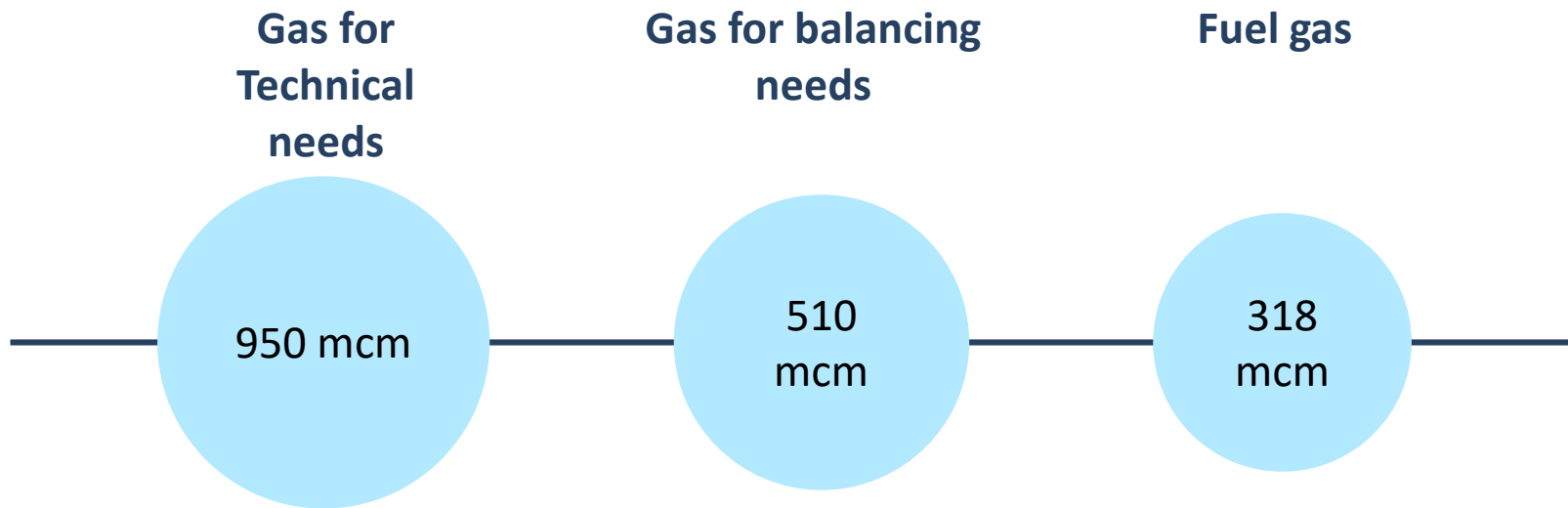
*** Notes:**

Fixed assets: Fair value for reporting purposes as of 01 Oct 2019; CIP – book value as of 01 Nov 2019

The presented fair value includes expectation of transit revenues in 2019, therefore, shall be tested for impairment as of 31 Dec 2019

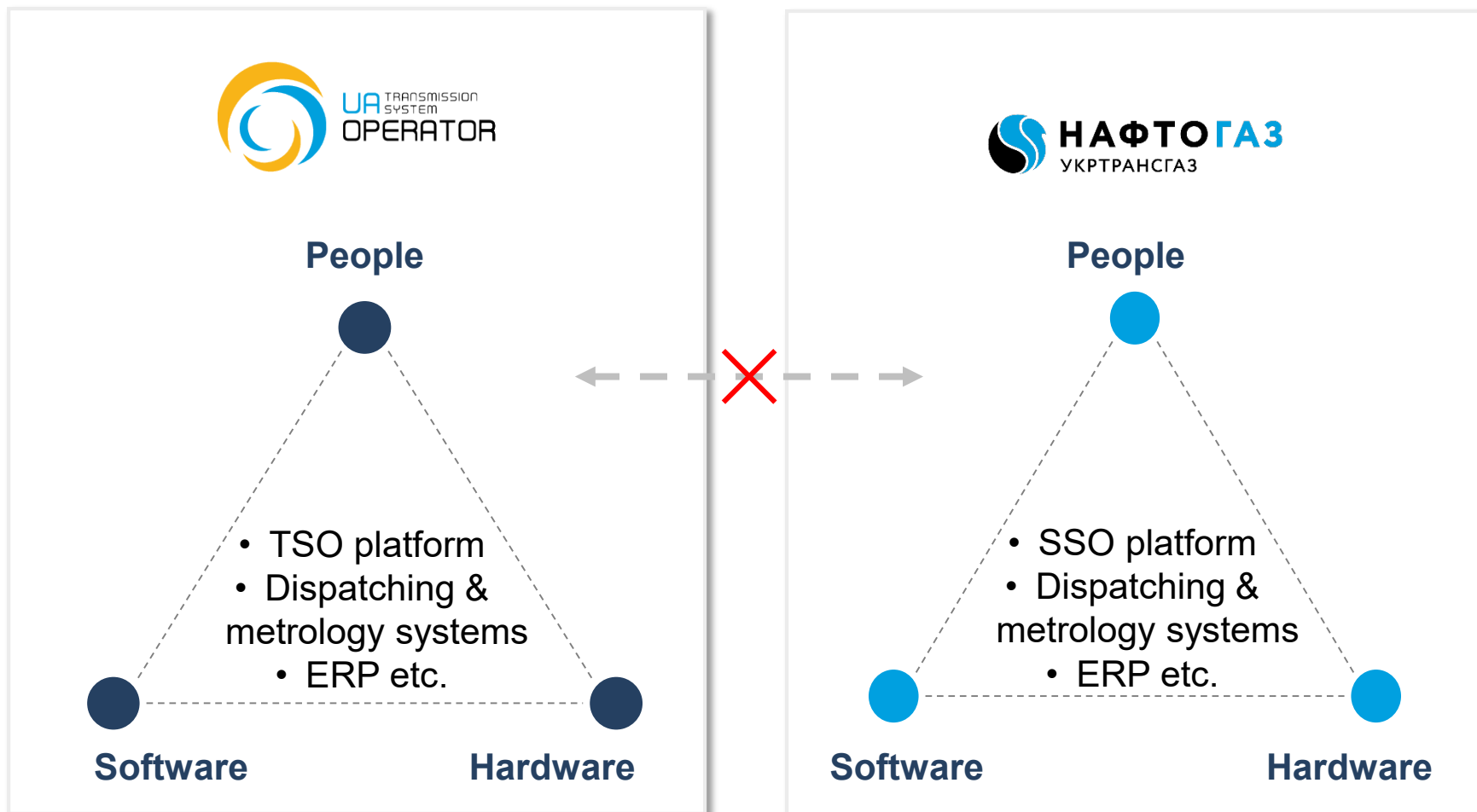


Naftogaz Group is ready to provide significant amount of gas needed for TSO LLC operation



According to reached agreements, Naftogaz is ready to supply gas to TSO LLC with two-year structured payment

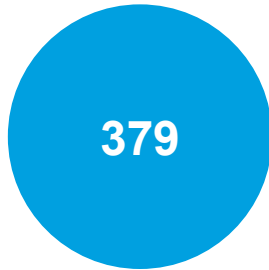
TSO LLC has independent IT-environment and infrastructure



Both entities are self-sufficient in terms of IT infrastructure and ready to operate independently

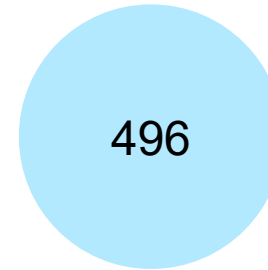
UTG contracts analyzed; roadmap for their transfer to TSO LLC by 1 Jan 2020 is being implemented

Revenue contracts



- TSO LLC concluded new transmission contracts (**enter into force on 01.01.2020**)

Cost contracts



- Transfer of contracts from UTG to TSO LLC – **necessary legal changes adopted**
- **Liabilities accrued by 2020** will remain with UTG

TSO LLC issues to be solved



TSO LLC tariffs

- NEURC needs to approve tariffs which would cover costs of transmission services



Unauthorized gas off-takes

- NEURC needs to change GTS code to solve balancing problems – 100-150 mcm of natural gas is off-taken monthly by distribution system operators from the network without payment



Thank you!