СП Полтавська газонафтова компанія
JV Poltava Petroleum Company

Dear Partners!

Please find below some information on a new natural gas selling tool – selling in differential mode on a long-term basis.

The natural gas selling conditions: selling in differential mode:

1) A trading session split by months is set up at Ukrainian Energy Exchange's trading platform (hereinafter the UEEX). The scheduled trading date is 27 April 2017.

Month, 2017	Volume, M m3
June	500
July	500
August	500
September	500
Total:	**2,000**

2) Bids are made for a differential (discount/premium, D=UAH 200 by default) to a weighted average price of natural gas in a delivery month (P_{UEEX}) with P_{UEEX} formed on the basis of the weighted average price of natural gas in the same delivery month (DM) published at UEEX's official site. The weighted average price of natural gas in DM is calculated based on all trades (by all sellers) in natural gas held in DM at UEEX.
3) Every Buyer will make bids for some volumes of natural gas and bargain over D for each DM.
4) Every winning bidder (Buyer) is to make an advance payment (AP) to Seller by 18 May 2017, where AP = V_s * P_b (with V_s being the total volume of supply for 4 months and P_b being the minimal forecast cost of natural gas (base price) of UAH 5,500 per 1,000 m^3).
5) By the 5th day of a month following a delivery month, Seller shall recalculate the price of the natural gas supplied in a delivery month using the following formula:

$$P_u = P_b + ((P_{UEEX} + D) - P_b)$$

Where
P_u is ultimate price;
P_b is base price;
P_{UEEX} is weighted average price of natural gas in a delivery month;
D is differential (discount/premium, D=-UAH 200 by default)

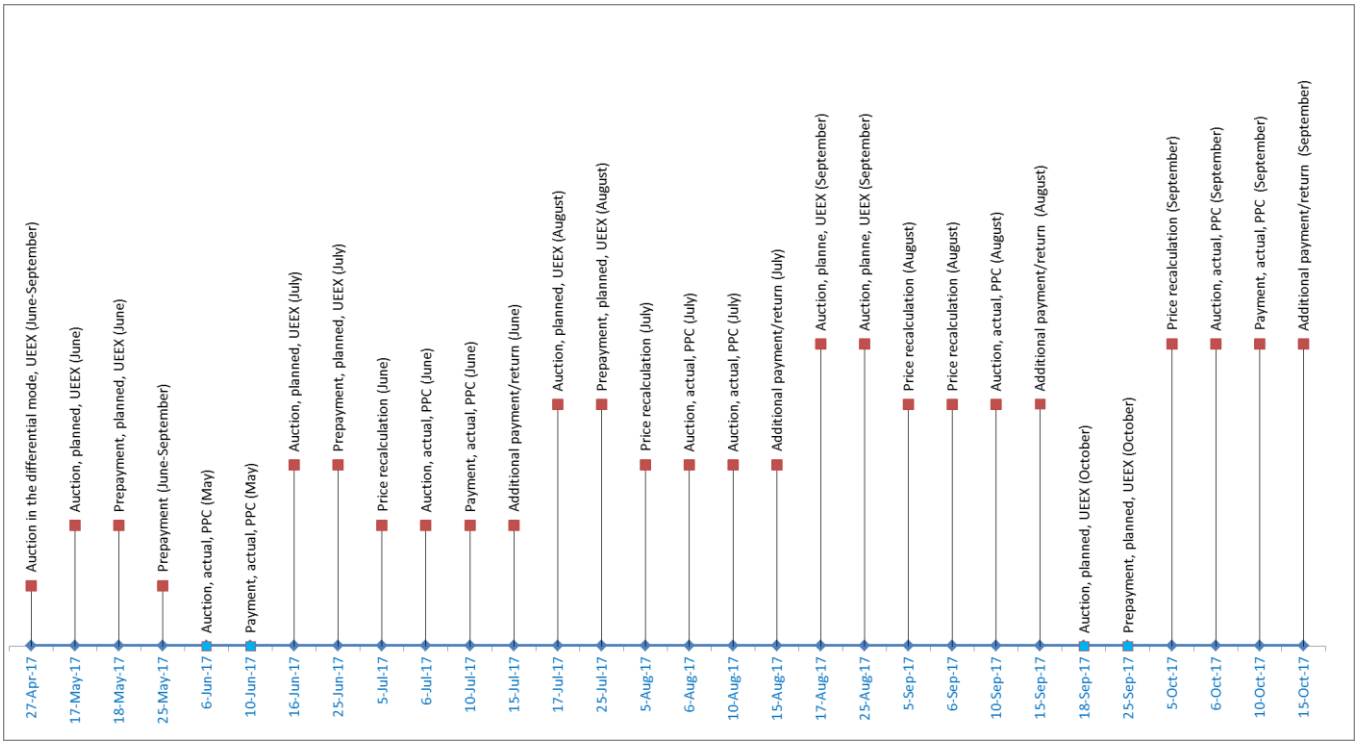
6) If P_u is higher than P_b, Buyer shall pay the difference between P_u and P_b, based on an invoice, by the 15th day of a month following DM.
7) If P_u is lower than P_b, Seller shall return the overpaid funds equal to the difference between P_u and P_b to Buyer, based on a letter and a signed reconciliation report, by the 15th day of a month following DM.

An example of calculation is shown below:

UAH (incl. of VAT)

Month	Volume, Mm3	Base price, UAH/Mm3	UEEX weighted average price (example), UAH/Mm3	Auction differential	Ultimate price P_u	Price difference	Prepayment before 18/05/17	Additional payment/ Return	Total realisation amount
-	V_s	P_b	P_{UEEX}	D	$P_b + ((P_{UEEX}+D) - P_b)$	P_u-P_b	$P_b * V_s$	$(P_u$-$P_b) * V_s$	$V_s * P_u$
June	10 000	5 500	6 300	-200	6 100	600	55 000 000	6 000 000	61 000 000
July	10 000	5 500	6 000	100	6 100	600	55 000 000	6 000 000	61 000 000
August	10 000	5 500	5 000	0	5 000	-500	55 000 000	-5 000 000	50 000 000
September	10 000	5 500	6 600	300	6 900	1 400	55 000 000	14 000 000	69 000 000
					TOTAL		**220 000 000**	**21 000 000**	**241 000 000**

8) Provisional time schedule of operations:



Best regards,

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