

Binding Protocol
regarding the conditions for gas delivery from the Russian Federation to
Ukraine for the period from November 2014 until 31st of March 2015

This Protocol sets out the framework enabling the delivery of gas volumes from JSC “Gazprom” (“Gazprom”) to NAK “Naftogaz of Ukraine” (“Naftogaz”) necessary to cover the domestic consumption in Ukraine over the upcoming winter period (November 2014 – 31st of March 2015), in order to safeguard the security of gas supply in the upcoming winter season.

Taking duly account of the pending arbitration (SCC Arbitration 2014/078) at the Arbitration Institute of the Stockholm Chamber of Commerce between Gazprom and Naftogaz under the existing Contract No. KP dated 19 January 2009 for the sale and purchase of natural gas in 2009-2019 as amended (“Contract No. KP”), this Protocol shall be without prejudice to the legal positions taken by either Gazprom or Naftogaz in this arbitration, and can only be considered as a temporary solution laying down the necessary conditions under which gas sales and purchases from November 2014 until 31st of March 2015 between Gazprom and Naftogaz can be carried out.

In this context the signing Parties of this Protocol agree on the following:

1. Purchase of natural gas

1.1 Purchase Price

For the period from November 2014 until 31st of March 2015 the price of natural gas supplied by Gazprom to Naftogaz as per Contract No. KP shall be decreased by the amount of export duty decrease provided by the Government of the Russian Federation. The decrease of the export duty shall be calculated according to the following formula: at a price of three hundred thirty-three US dollars and thirty-three cents and higher per 1000 cubic meters of natural gas the reduction is one hundred US dollars, at a price lower than three hundred thirty-three US dollars and thirty-three cents the reduction is thirty percent from such price..

1.2 Payment and Delivery conditions

The payments for natural gas purchased during the period between November 2014 until 31st of March 2015 shall be carried out before delivery takes place. Gazprom commits to deliver all paid

volumes in accordance with Contract No. KP and Addendum to it dated 30 October 2014. Gazprom would forgo invoking the take or pay clause of the Contract No. KP for the period from 1st November 2014 until 31st March 2015.

2. The payment for transit services

The payment for transit services shall be made by Gazprom in full to the bank account of Naftogaz in accordance with the Transit Contract.

3. Schedule of Payments for unpaid invoices

3.1. Without prejudice to the decision on the eventual debt settlement to be made by the Arbitration Institute of the Stockholm Chamber of Commerce, the Parties agree that Naftogaz will pay to Gazprom 3.1 billion US dollars of the unpaid invoices for volumes delivered for the months November and December 2013 as well as April, May and June 2014 in the following order:

- 1.45 billion US dollars (first tranche) before the first delivery of natural gas in 2014;
- 1.65 billion US dollars (second tranche) before the 31st of December 2014.

3.2. The payment of the first tranche as mentioned in section 3.1 is a condition for the start of gas supplies according to section 1. of this Protocol. The payment of the first and second tranches as mentioned in section 3.1 is a condition for gas supply after 31st December 2014.

3.3. The total amount of 3.1 billion US dollars to be paid under this schedule has been set aside for this purpose on a separate account.

3.4. For Naftogaz, the payment of 3.1 billion US dollars under the schedule of payments constitutes the full payment of the unpaid invoices (calculation based on a price of 268.5 US dollars per 1000 cubic meters).

For Gazprom, the payment of 3.1 billion US dollars under the schedule of payments constitutes a partial payment of the unpaid invoices of Naftogaz for the gas supplied in November and December 2013 as well as in April, May and June 2014 in accordance

with the Contract No. KP (calculation based on the relevant conditions of the Contract No. KP).

4. Implementation of the Protocol

Simultaneously with the signing of this Protocol, Gazprom and Naftogaz shall sign the Addendum to the Contract No. KP outlining how the Protocol shall be implemented with regard to all issues falling under the responsibility of the two Companies.

5. Miscellaneous

This Protocol is executed in three (3) original copies, in English, in Ukrainian and in Russian languages one copy for each Party. In case of discrepancies, the English text shall prevail.

Done in Brussels on 30 October 2014

For the Government of Ukraine

Minister of Energy
and Coal Industry of Ukraine

Yuriy Prodan

**For the Government of the Russian
Federation**

Minister of Energy
of the Russian Federation

Alexander Novak

For the European Commission

Vice President

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