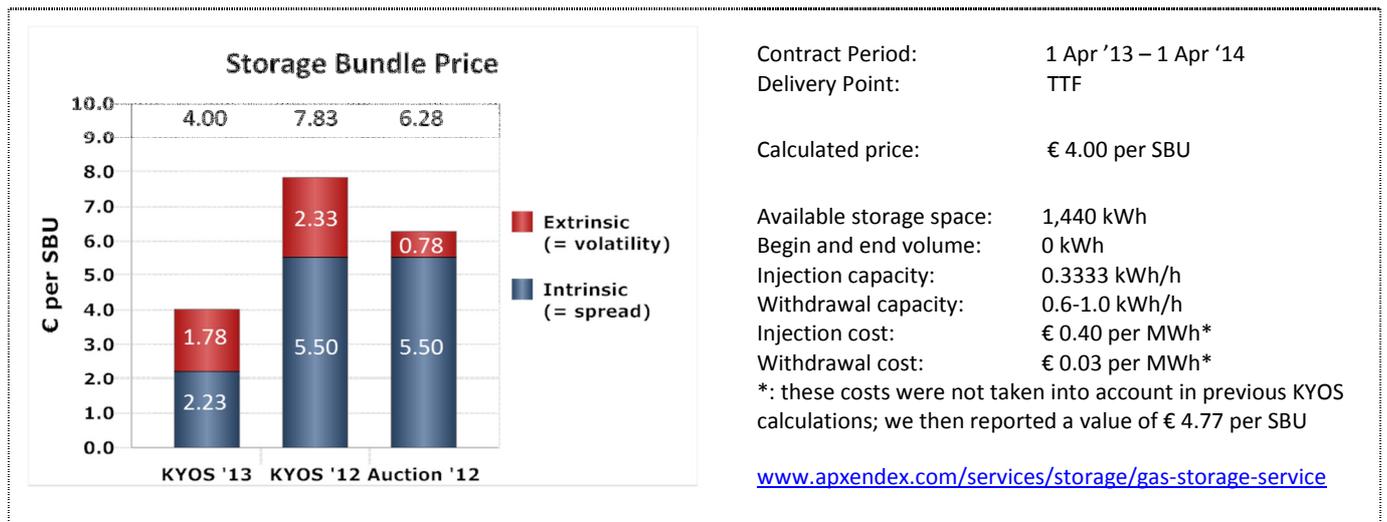


KYOS independent analysis

GasTerra virtual gas storage value declined with 49% to € 4.00

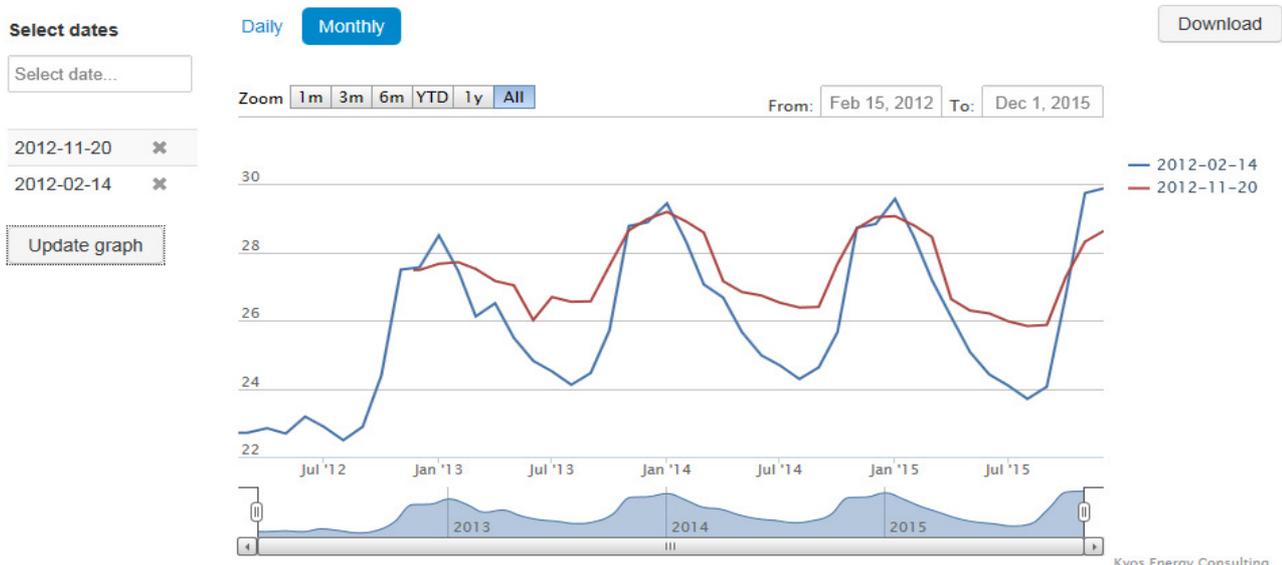
Via an auction arranged by APX-Endex, GasTerra offers virtual gas storage capacities in the Netherlands. The next auction is on 28 November 2012, where capacity for 2013/2014 will be sold. We have valued this Standard Bundled Unit (SBU) using our software KyStore and compared it with last year's auction price. The calculated full option value is based on a spot trading strategy including forward hedges, making it possible to secure most of the full storage value. See <http://www.kyos.com/gas-markets/software/kystore>.



We find that the expected value of the upcoming SBU (4.00 €/SBU) to be considerably lower than last year's expected price (7.83 €/SBU). The drop in value is 49%. The main reason is that winter-summer spreads have declined, lowering the intrinsic value by 3.28 €/SBU. Additionally, lower market volatility has led to a decrease in the extrinsic value by 0.55 €/SBU.

An interesting finding as well, is that last year's auction price (6.28 €/SBU) was only 0.78 €/SBU above the intrinsic value (5.50 €/SBU), but quite far below the estimated spot trading value (7.83 €/SBU) at that time.

The calculations use 3 front months and 4 quarters to lock in the intrinsic value on the TTF market. A bid-ask spread of 0.20 €/MWh is assumed for all products, including spot. Forward prices are from Endex. Prices are shaped to a monthly and daily level (www.pricecurves.com; graph below) to generate Monte Carlo simulations of spot and forward prices.



For more details or a trial account to make your own KyStore calculations, contact us at info@kyos.com.