



Annual Report

**on measures adopted for the application of the Program of equal treatment
by Moravia Gas Storage a.s. in the year 2016**

prepared in accordance with Section § 60a of Act No. 458/2000 Coll.,
the Energy Act, as amended



1. INTRODUCTION

Moravia Gas Storage a.s., Id. No. 28506065, with its registered seat in Hodonín, Úprkova 807/6, Postal Code: 695 01, recorded in the Commercial Register administered by the Regional Court in Brno under file no. B 5870 (hereinafter the „Company“) is a holder of a license for gas storage granted under applicable provisions of Act No. 458/2000 Coll., the Energy Act, as amended (hereinafter the „Energy Act“) and the operator of the underground gas storage facility in Dambořice.

The gas storage facility, built up on a partially depleted oil field in Dambořice, was put into operation on 1 July 2016. The Company started to provide gas storage services based on an energy licence from 1 July 2016, following the commencement of operations of the underground gas storage facility.

The Company adopted by means of an internal regulation the Program of equal treatment in 2016. The Program of equal treatment provides for (i) measures taken in order to ensure that discriminatory conduct is excluded towards participants of the gas market that do not form part of the same vertically integrated gas undertaking, and (ii) rights and obligations of employees when fulfilling the Program of equal treatment (hereinafter the “Program”).

The Company further established an Auditor of the Program who shall supervise the implementation of the Program (hereinafter the “Auditor of Program”).

The provision of Article 60a Section 5 of the Energy Act stipulates that the Auditor is obliged to annually prepare a report on measures adopted for the application of the Program of equal treatment for the previous year (the „Report“) and to present this report by 30 April of the following year to the Energy Regulatory Office and the Ministry of Industry and Trade. At the same time, the Report shall be published in a manner which allows remote access.

The Auditor of the Program hereby presents this Report on measures adopted for the application of the Program of equal treatment for the year 2016 in accordance with the said provision of the Energy Act and makes it published on the website of the Company.



2. MEASURES AIMED AT PRECLUDING DISCRIMINATORY CONDUCT OF THE COMPANY VIS-À-VIS OTHER GAS MARKET PARTICIPANTS

2.1 Program of equal treatment

The Company adopted the Program of equal treatment in 2016. The Program stipulates the following basic principles:

- Identification of the basic processes in the Company in relation to which the non-discrimination and equality of the gas market participants should be increasingly ensured;
- Identification of measures to ensure functional (legal, organisational and decision-making) independence of the Company;
- Stipulation of measures required to ensure information management and information protection;
- Determination of rights and obligations of employees of the Company in terms of securing the unbundling of the Company;
- Establishment of the position of an auditor of the Program, determination of his statute and competencies.

The Program is published at the website of the Company.

The Program is binding for all Company employees regardless of their form of employment and as appropriate for all members of the Company's collective bodies.

The Company presented the Program to the members of the Board of Directors and the Supervisory Board in 2016.

Changes in the Program are proposed by the Auditor of the Program to the Company's board of directors once per year based on the results of the annual Report on measures adopted to implement the Equal treatment Program for the previous year.

Meeting the objectives of the Program of equal treatment was evaluated by the Auditor in 2016.

In the absence of observations on the content and effective implementation and realisation of the program by the Company from both the external and internal subjects the Auditor has found that no amendment of the Program is required.

2.2 Unbundling of the gas storage operator, legal, organisational and decision-making independence of the Company

The company met in 2016 the requirement to ensure the effective separation of the gas storage



facility operator imposed by the Energy Act. This means the Company was in terms of its legal form, organisation and decision-making independent from any other activities which do not relate to transport, storage and distribution of gas.

The Company is a commercial company with the legal form of a joint-stock company. The Company had two shareholders in 2016, MND a.s. (50 %) and Gazprom Export LLC (50 %). The ownership links are expected and explicitly allowed by the provision of Article 60a Section 1 of the Energy Act.

Performance of activities related to the day-to-day operations and maintenance of the storage facility as well as deciding on construction and upgrading of storage facility is part of management of the Company and is under the responsibility of the Company's board of directors.

Persons responsible for the management of the storage facility operator did not participate directly or indirectly in company structures of the integrated natural gas undertaking in 2016 that were holders of the energy licences for gas production, gas trade or electricity trade. The statutory body or managerial employees of the Company were not natural persons that would be at the same time a member of the managing body or a managerial employee of a holder of the energy licence for gas production, gas trade or electricity trade.

The Company takes into account the professional interests of member of the board of directors and the managerial employees in a way that ensures their independent manner of acting.

Neither members of the Company's board of directors nor the Company's managerial employees accepted in 2016 any remuneration or material consideration from a holder of the energy licences for gas production, gas trade or electricity trade.

The remuneration of members of the statutory body and managerial employees of the Company was in 2016 independent from achieved results of holders of the energy licences for gas production, gas trade or electricity trade.

The Company had in 2016 effective decision-making rights with respect to assets necessary to operate, maintain or develop the gas storage facility the exercise of which was independent from the vertically integrated gas undertaking. Property rights of the Company were proved to the Auditor during the preparation of financial statements for the year 2016 through the presentation of required materials.

The Auditor of the Program has not evidenced any instruction of the parent companies regarding day-to-day operations and maintenance of the storage facility, nor any instructions regarding construction and upgrading of storage facility or its part, that did not exceed the terms of the approved financial plan.



2.3 Measures for protection of information

The Company published regularly information regarding performance of gas storage activities, in the extent and in the manner as required by the applicable legislation and the approved Code of the gas storage operator. These are in particular information on available storage capacity, withdrawal and injection rates, planned maintenance and maintenance breaks of the gas storage facility, standards of quality and operating reserve changes.

Information were published and actualised through the web portal www.moraviags.cz.

The Program of equal treatment stipulates detailed rules of treatment of publicly available information and information that can be provided only on the basis of a request (provided these are not the protected information). The main goal of the protection and management of information is to maintain equality of all participants of the gas market.

The Program of equal treatment further identifies protected data and specifies the manner of dealing with these data. Should be the protected data provided to external subjects (e.g. providers of SW services), the respective contractual relations contain confidentiality clauses.

2.4 Further measures

The Company established the auditor of the Program of equal treatment that shall oversee the implementation of the Program.

The Auditor of the Program performs a controlling, information and advisory role in relation to employees and members of collective Company's bodies. All employees and members of collective bodies are obliged to provide the Auditor of the Program with the necessary cooperation in performing their function.

If the Auditor of the Program identifies major misconduct or violation of the Program rules, which constitutes discriminatory behaviour or increases the risk of such behaviour, they are obliged immediately to inform the Company's board of directors and potentially propose the adoption of a suitable corrective measure.

The Auditor familiarized all employees of the Company with the main principles and goals of the Program and the policy of the Company leading to its implementation in 2016.

The Auditor of the Program provided consultations to employees and members of the collective bodies of the Company in connection with the implementation obligations following from the Program.



The Auditor of the Program was active in the fields of regular revisions of internal documentation of the Company, *e.g.* the directive on conclusion of agreements, and during the preparation of new internal rules of the Company.

3. CONCLUSION

Based on the above stated the Auditor concludes that, to the best of his knowledge:

- The Company took the necessary steps to meet the legal requirements in terms of legal, organisational and decision-making independence from other members of the vertically integrated gas undertaking;
- The Company provides the Auditor with the necessary support and organisational assistance required for independent performance of Auditor's function;
- The Company complies with the approved Program of equal treatment.

In Prague on 26 April 2017

Mgr. Ing. Tereza Juráková, attorney at law

Auditor of the Program of equal treatment of Moravia Gas Storage a.s.