



13 February 2017

Additional information regarding the capacity auction scheduled for 6 March 2017

In connection with the regular annual capacity auction to take place on 6 March 2017 on the PRISMA online platform, NET4GAS, s.r.o. ("N4G") as the Czech gas transmission system operator regards it appropriate to make the following public statement primarily to shippers interested in participating in this auction.

In order to test market demand for long-term capacities to be offered in the March capacity auction, N4G carried out a market survey in 2016 ("capacity4gas"). The outcome of the market survey confirmed that significant long-term market demand exists. Furthermore, this outcome is consistent with the current plans of the gas transmission system operators upstream of N4G to implement major new infrastructure projects for enhancing gas transmission capacities in the upcoming years (please see e.g. the publications of several German gas transmission system operators at "www.more-capacity.eu"). On that basis, N4G intends to offer the new gas transmission capacities along with existing capacities in the March auction, subject to certain conditions to be fulfilled. If market demand is confirmed by the outcome of the auction, N4G will commence implementation of the new infrastructure required for meeting long-term market demand.

In November 2016, the Energy Regulatory Office of the Czech Republic issued a price decision for the calendar year 2017, i.a. governing gas transit tariffs.

In response, N4G commenced judicial proceedings with the aim of having the new tariffs and the procedure related to them reviewed by independent courts.

The 2017 price decision, which is the subject matter of those proceedings, sets out prices for the calendar year 2017 only. It does not provide for a fixed tariff for long-term capacities, nor for the new entry point at the German/Czech border needed for the capacity4gas project.

In the meantime, N4G has published draft terms & conditions under which the prospective long-term capacities would be offered in the March auction and initiated a public consultation process regarding the draft. Among the comments N4G has received from parties potentially interested in the new capacities, there were also expressions of concern as to the impact of the pending judicial proceedings related to the 2017 price decision on the overall process, in particular on the legal certainty of the long-term capacity contracts to be concluded based on the March auction.

N4G, being a prudent and reasonable transmission system operator, is aware of the importance of the capacity4gas project for market participants as well as for the Czech Republic and is ready to act in such a way as to create a reliable basis for the project. To this end, if the outcome of the March auction economically justifies the respective infrastructure investments, N4G is ready to remove any doubts that might exist in respect of legal certainty and to withdraw the pending proceedings related to the 2017 price decision immediately after the March auction.