



A MOL-CSOPORT TAGJA

FGSZ Ltd's Annual Report 2017





Contents

- 1 Overview
- 2 Key financial and business data
- 3 Letter from the CEO
- 4 Energy market overview
- 5 Regional integration
- 7 Our infrastructure
- 9 Our Company in numbers
- 12 New dimensions in system use
- 13 Solutions for operating safety
- 14 Regulatory framework of our operations
- 16 Quality operations – Integrated Management System
- 18 Regulated business processes
- 20 Fundamental values of our corporate culture
- 21 In harmony with our environment
- 27 Our corporate social responsibilities
- 28 Our financial and operational results
- 32 Balance sheet
- 35 Company management
- 38 Our ISO certificates
- 39 Our TÜV certificate
- 40 Our contacts

Overview



EBITDA	HUF million	Total transported volume (15 °C)	million m ³
2012	65 884	2012	14 741
2013	66 411	2013	14 448
2014	58 180	2014	14 064
2015	59 988	2015	13 093
2016	54 934	2016	14 953
2017	53 843	2017	16 075

- Operations in line with the EFQM Excellence Model
- European Union ITO certification
- ISO 9001:2008 certified quality management system
- ISO/IEC 27001:2013 certified information security management system
- ISO 50001:2011 certified energy management system
- MSZ EN ISO 3834-2:2006 certified management system for welding operations
- MSZ EN ISO/IEC 17025:2005 accredited calibration laboratory

FGSZ RBP data:

- 8 registered TSO members
- 113 registered network users
- more than 5 300 000 successful auctions

Key financial and business data

	2016	2017	2017/2016 (%)
Net sales revenues	94 946	101 418	106.82
EBITDA	54 934	53 843	98.01
Operating profit	37 696	36 361	96.46
Profit before taxes	31 978	35 879	112.20
Profit after taxes	28 994	32 883	113.41
Operational cash-flow	14 057	34 611	246.22
Fixed assets	280 830	268 777	95.71

(HUF million)



Letter from the CEO



2017 was yet another year full of challenges; however, in spite of the unfavourable regulatory changes and rising costs, the Company managed to close a successful year thanks to the excess gas transmission and capacity booking demand.

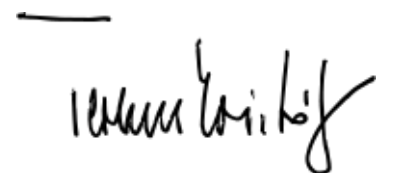
Following a cost and asset review procedure regulated tariffs are significantly lower than those applied so far both for capacity and volumetric fees as of January 2017. The tariff adjustment came on the back of a 25% reduction of the regulated asset base. However colder winter weather conditions, higher level of gas storage activities and export transmission demands had a favourable effect on operating revenues and resulted in significant additional capacity bookings. Domestic transmission and transmitted volumes to gas storages rose by 22% compared to 2016, while regulated export volumes (to Ukraine and Croatia) increased threefold from a very low base. Transmission volumes to Serbia and Bosnia and Herzegovina were higher by 17% in 2017 compared to prior year.

As a result the unfavourable effect of changes in domestic regulatory environment and higher operating expenditures were overcompensated by increased transmission demand and significant additional capacity bookings. Consequently FGSZ's EBITDA totalled HUF 61bn in 2017, 13% above the prior year's figure.

2017 saw us taking another important step for the Company's long-term future and its role filled in the region. In the 10-year period between 2018 and 2027 we wish to participate in comprehensive infrastructure developments at both Hungarian and international level to promote the further strengthening of Hungary's role in the region. The planned 2019-2022 strategic investment phase focuses on the southeast-north transmission route, the implementation of the Romanian-Hungarian-Slovakian transmission corridor and on establishing reverse flow directions of cross-border points. For the purpose of security of supply, FGSZ aims to ensure the inward

transmission possibility of natural gas from every possible direction. FGSZ also strives to become an integral part of the surrounding region by making the established cross-border interconnections reversible. In this regard, the establishment of the possibility for transmitting natural gas from and to Romania was an important step. The initial set-up increased entry capacities to a smaller extent only; however, FGSZ and its Romanian partner (Transgaz) are working together to achieve a significant capacity expansion. The business rationale of the investment decision is based on the result of the capacity booking procedure (open season) launched in October 2017. The transmission capacity of both flows from Romania to Hungary and from Hungary to Romania will reach 4.4 billion m³/year, provided the successful bidders do not exercise their exit right in December 2018. **The possibility to deliver natural gas from the Black Sea sources could mean actual diversification for Hungary and the countries of the region.**

Regarding the Company's internal operation, in 2017 we focused on the improvement of corporate culture so that we can respond to the continuously changing challenges of the external environment and the strategic tasks ahead of us with rapid and flexible operation and innovative solutions in the future as well. In addition to that, we placed great emphasis on the training of our co-workers and on community development, as our partners' satisfaction and the Company's long-term future can only be ensured with the help of well-trained and motivated colleagues. Here also, I would like to take the opportunity to thank my colleagues for their performance and their conscientious work for the Company's profitability in the year 2017.



Terhes Kristóf
vezérigazgató



Energy market overview

One of the key questions in relation to our sustainable development in the future is how the continuous and well-balanced energy and supply security can be guaranteed for households, public utility suppliers and industrial operators until environmentally sound and climate-friendly technologies, energy sources become generally widespread. In this context, natural gas has an inevitable role. At present, it is the second most important source of energy in the European Union's energy mix, while in Hungary – though to a slowly decreasing extent – natural gas still continues to have the largest share in the energy market.

With respect to the fact that the volume of gas extraction within the European Union is smaller than the volume used by the member states, **the security of supply within the Community can be ensured only with the import of substantial quantities of natural gas.** Similarly to several other countries in the Central European region, Hungary is in need of massive import volumes.

The outstanding demand for natural gas can be attributed to the extremely favourable properties of this natural energy carrier. In addition to its versatile use, one of the essential strategic advantages of natural gas lies in the fact that with reliance on appropriately developed, modern infrastructure it can be transported to large distances in a very safe, economical and environmentally sound manner.

Regional integration

FGSZ Ltd's high-pressure natural gas transmission system has a strategic role in the energy supply of both Hungary and the region and ensures the permanent and plannable availability of the capacities that are required by consistent gas supply, the necessary important and transit operations alike. For this reason, within the goals set in the framework of its development policy our Company considers the guaranteeing of the operating safety of our natural gas transmission system, the implementation of its scheduled modernization and capacity expansion, as well as the realization of projects designed to ensure development of the high-pressure transmission pipeline network as its priority.

One of our main endeavours is to promote the operation of an integrated competitive market that allows the sustainable reduction of energy costs for consumers in line with the Government's energy policy, as well as the associated guidelines and regulations of the European Union. In this respect, the key guarantee is the expansion and optimization of Hungary's natural gas purchasing options. It is what we consider to be our guiding principle in the implementation of our infrastructure developments.

In the past decades the supply of Hungary and the Central and Eastern European Region has traditionally been determined by the import of natural gas from the east-west, mainly from Russia. As a result of the changes and developments in the gas market the traditional routes are transformed enabling the regional appearance of new types of resources. **Accordingly, our Company continuously monitors the market changes and develops the most appropriate network development projects for the availability of new resources and the diversification of the resources.**





The recently discovered massive Black Sea gas deposit represents a significant opportunity for Hungary and the region, and FGSZ Ltd is continuously working with its international partners on its market availability.

The implementation of the North-South Gas Corridor which runs from Poland to Croatia also enables the access to liquified natural gas sources. Our Company works in close cooperation with the Croatian partners on the market availability of the Krk LNG terminal that is of regional significance. Planning for a pipeline project, dubbed BRUA (an acronym for Bulgaria, Romania, Hungary and Austria), began several years ago to facilitate gas transports through Europe. The BRUA pipeline is scheduled to begin operation in 2019.

Our Company sees outstanding importance in the fact that this project concept has been listed as one of the development priorities in the European Union's energy policy. As a result of its active market presence, our Company continuously identifies the most relevant project opportunities for the gas market. One example is the recently established **Hungary-Slovenia-Italy Corridor** project, a tripartite cooperation which has a significant regional potential for the participating countries.

We bear similar interests towards several new possibilities, as well as the **Trans Adriatic Pipeline (TAP)** or the successor projects of Turkish Stream. These are issues that cannot be regarded to be ignorable in view of Hungary's long-term energy and supply safety, as well as our Company's regional role, and therefore FGSZ Ltd aspires to take a similarly active role in the international professional cooperative efforts towards finding potential solutions and the elaboration of concepts for ensuring regional supply safety as in the creation of the Gas Regional Investment Plan (GRIP) setting out the associated development plans of the European Union. **We actively participate in the so-called CESEC** (Central and South Eastern Europe Gas Connectivity) **initiative, which targets the integration of the gas market in Central and Southeastern Europe and the diversification of the gas supplies arriving in the region.**

In pursuing the above goals and endeavours, we have made proposals for such projects in cooperation with the transmission system operators of the neighbouring countries that have been declared to be projects of common interests (PCI) by the European Union, and that may be implemented later as a function of binding market demands to be confirmed in the form of long-term supply agreements.

Our infrastructure

Featuring high-level automation, our high-pressure transmission system is one of the most modern facilities in the European scale.

AS MOL PLC'S SOLELY OWNED SUBSIDIARY, OUR COMPANY DEPLOYS PROFESSIONAL EXPERIENCE OF NEARLY 80 YEARS IN DOMESTIC NATURAL GAS SUPPLY.

We perform our tasks as an independent transmission operator (ITO) defined in the European Union's Directive 2009/73/EC. Being worthy of our traditions in the sector, our Company's infrastructure is among the most modern facilities in Europe. Via our high-pressure transmission system featuring high-level automation, natural gas is transported in the required quality and at the necessary pressure for continuous supplies to system users.

Sourced both from domestic production and foreign supplies, natural gas is received and delivered at **25 domestic and 4 cross-border entry points** of our high-pressure natural gas transmission pipeline network, **as well as at nearly 400 exit points**, including 5 cross-border exit points. At each of these entry- and exit points, we have a close focus on the application of the quality control protocols defined in the effective legal regulations and the proper observation of validated measurement requirements.

The safe and continuous operation of our 5782-kilometer-long system encompassing the entire country is served by the cooperation of 3 natural gas transmission region and 6 compressor stations, as well as coordination provided from the system management center of Siófok. The activities executed at the Siófok center, in Gellénháza, Hajdúszoboszló, Kápolnásnyék, Kecskemét, Miskolc and Vecsés are supported by the operation of the compressor stations in Beregdaróc, Hajdúszoboszló, Mosonmagyaróvár, Nemesbikk, Városhöld and Bába. Our center is in charge of the integrated supervision of the pipeline system and the management of system processes at all times, our plants carry out the coordination of the respective natural gas transmission systems belonging to their scope of responsibilities, while the compressor stations guarantee appropriate pressure in the transmission system and reliable gas supply to consumers.

Our Company is responsible for the required odourization of the natural gas supplied to the consumers for safety purposes, the continuous control of the quality of natural gas, as well as the appropriate measurement of the quantitative and quality-related properties of the gas transferred to our partners in conformance to the transparent, most stringent international standards.

The natural gas volumes that cover the current industrial and household demands are supplied to the consumers via gas delivery stations that ensure supplies to the connected operators, as well as industrial and power plant consumers under increased and continuous control. The consumer demands that seasonally fluctuate as a result of Hungary's continental climate call for the provision of considerable excess gas volumes during the winter by our Company, and they are satisfied with reliance on underground gas storage facilities connected to our high-capacity natural gas transmission network at five points.

Our Company in numbers

OUR PERFORMANCE AND CAPACITIES IN 2017

TOTAL QUANTITY OF NATURAL GAS MEASURED AT ENTRY AND EXIT POINTS: 29.5930 billion m³

ENTRY THROUGH CROSS-BORDER PIPELINES: 5.6229 billion m³

	Volume (cubic meter)	Energy (kWh)
Beregszász:	11.4527 billion	123.2572 billion
HAG:	4.1435 billion	44.5760 billion
Csanádpalota:	0.0267 billion	0.2794 billion
Interconnector line, Vecsés 4 (MGT>FGSZ):	0.0024 billion	0.0254 billion

DELIVERY FROM STORAGE AT TRANSFER POINTS:

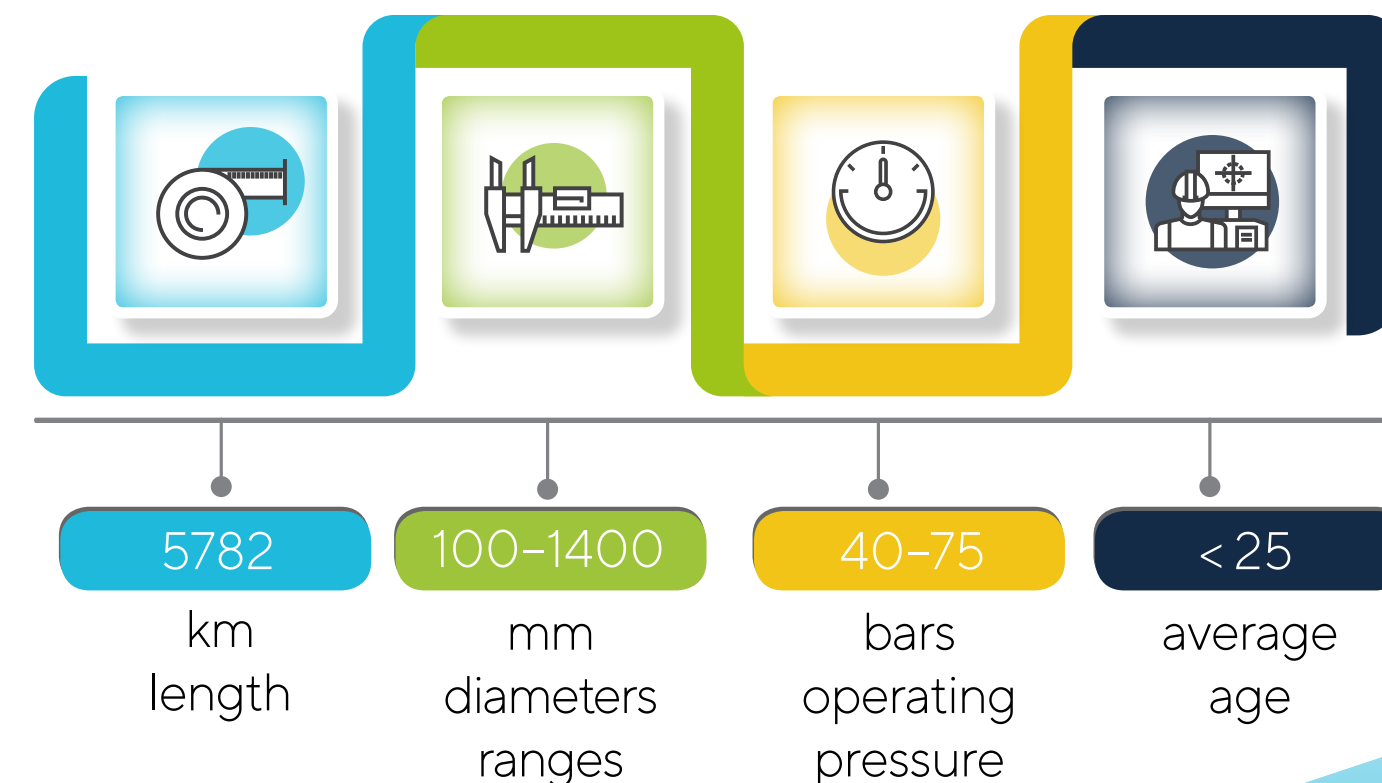
Entry:	3.5899 billion	38.5690 billion
Withdrawal:	2.3588 billion	25.2980 billion

AT UPSTREAM PIPELINE CONNECTIONS:

Entry (net domestic production):	1.7343 billion	17.3253 billion
Entry circuit withdrawal:	0.7665 billion	8.2441 billion

DELIVERY THROUGH CROSS-BORDER PIPELINES:

Transit and export:	5.7790 billion	62.1880 billion
Interconnector line, Vecsés 4 (FGSZ>MGT):	0.0001 billion	0.0010 billion



CAPACITY DATA

Volume data are understood at 15 °C, based on NCV

AUSTRIAN/HUNGARIAN INTERCONNECTOR

Entry point	Volume (cubic meter)
Annual firm capacity	5.2 billion
Daily firm capacity	14.4 million
Annual interruptible capacity	0.8 billion
Daily interruptible capacity	2.3 million

UKRAINIAN/HUNGARIAN INTERCONNECTOR (TESTVÉRISÉG, ÖSSZEFOGÁS)

Entry point	Volume (cubic meter)
Annual firm capacity	20.5 billion
Daily firm capacity	56.3 million
Annual interruptible capacity	5.5 billion
Daily interruptible capacity	15.0 million

HUNGARIAN/UKRAINIAN INTERCONNECTOR

Exit point	Volume (cubic meter)
Annual interruptible capacity	6.1 billion
Daily interruptible capacity	16.8 million

HUNGARIAN/SERBIAN INTERCONNECTOR

Exit point	Volume (cubic meter)
Annual firm capacity	4.8 billion
Daily firm capacity	13.2 million

HUNGARIAN/ROMANIAN INTERCONNECTOR

Entry point	Volume (cubic meter)
Annual firm capacity	0.1 billion
Daily firm capacity	0.2 million
Annual interruptible capacity	1.7 billion
Daily interruptible capacity	4.6 million

Exit point	Volume (cubic meter)
Annual firm capacity	1.75 billion
Daily firm capacity	4.8 million

HUNGARIAN/CROATIAN INTERCONNECTOR

Entry point	Volume (cubic meter)
Annual interruptible capacity	
Daily interruptible capacity	19.2 million

Exit point	Volume (cubic meter)
Annual firm capacity	2.6 billion
Daily firm capacity	7.2 million
Annual interruptible capacity	4.4 billion
Daily interruptible capacity	12.0 million

NET DOMESTIC PRODUCTION

15 entry points	Volume (cubic meter)
Annual firm capacity	1.73 billion
Daily firm net capacity	5.3 million

CAPACITY DATA FOR COMMERCIAL UNDERGROUND GAS STORAGE FACILITIES

5 entry points	Volume (cubic meter)
Annual firm capacity	5.1 billion
Daily peak capacity	59.6 million
Of which interruptible	6.5 million

CAPACITY DATA FOR STRATEGIC UNDERGROUND GAS STORAGE FACILITIES

Kiadási pont	Volume (cubic meter)
Annual firm capacity	1.2 billion
Daily peak capacity	20.0 million

PEAK CAPACITY OF THE NATURAL GAS TRANSMISSION SYSTEM IN 2017

Annual firm capacity	4.8 billion
Daily firm capacity	13.2 million

PEAK CAPACITY OF THE NATURAL GAS TRANSMISSION SYSTEM IN 2017

Total	186.6 million
of which interruptible	45.3 million
Imported	98.4 million
of which interruptible	38.8 million
Connecting point (MGT>FGSZ)	12.0 million
Transit	11.3 million
Commercial storage	59.6 million
of which interruptible	6.5 million
Strategic storage	20.0 million
Production	5.3 million

Capacity: the maximum volume that can be transmitted or stored during a unit period of time, which is offered by the transmission system operator to the system users, with respect to the system balance relating to the transport network and the operating requirements.

Firm capacity: the gas transmission capacity that is guaranteed to be free from interruptions by the transmission system operator in contract.

Interruptible capacity: the gas transmission capacity that the transmission system operator may interrupt in line with the conditions set forth in the supply contract.

New dimensions in system use

We are proud of our success in bringing high esteem for domestic natural gas transmission with the Regional Booking Platform, within the domain of the natural gas market of the European Union.

Hungary's central location means a strategic position in the map of Europe's natural gas market and energy policy. Therefore, we consider it to be our responsibility to take the initiative in the development of the service infrastructure of European capacity trading. In this aspiration of ours, an important milestone goes back to **2015, when we successfully launched the first international capacity trading service in the region.** We are proud of our success in bringing again high esteem for domestic natural gas transmission with our service introduced under the name of **Regional Booking Platform (RBP)** within the domain of the natural gas market of the European Union.

The major benefits of RBP lie in the **favourable transaction rates, the clear-cut and transparent rules that are equally applicable to everyone**, owing to which the interconnecting capacities of the transmission systems can be distributed among the participants at the cross-border points in a quick and simple manner. Another advantage of the Regional Booking Platform, **which supports the integration processes among the gas markets of the neighbouring countries, is that its use guarantees the synchronization of the capacities of the respective entry and exit sides over the borders in question.** Beyond the coordination of capacity booking operations, **this model fosters the approximation of the gas market rates of the individual countries involved, thereby ensuring cheaper tariffs for Hungary.**

In line with the domestic legislation and regulatory background, since 11th May 2015 capacity allocation has been implemented via RBP at both the bordering crossing and domestic pipeline nodes in Hungary. The application enables the conduct of capacity allocation procedures not only at the cross-border and domestic pipeline nodes located in our system, but even at pipeline nodes independent from the cooperating domestic natural gas transmission network. **In addition to our Company, RBP was used by seven other gas suppliers of the EU since 2016:** the Slovakian Eustream, the Romanian Transgaz, the Croatian Plinacro, the Hungarian MGT, the Bulgarian Bulgartansgaz, the Greek DESFA and the Austrian Gas Connect Austria, while we are conducting negotiations with other TSO's as well.

The major benefits of RBP lie in the favourable transaction rates, the clear-cut and transparent rules that are equally applicable to everyone.





Solutions for operating safety

The management of our systems, the record-keeping for the processes of natural gas transmission, the support of the optimal use of resources, as well as the tracking of expenses are all implemented by modern and high-standard IT support.

2017 saw the completion of the overhaul of the complete control system of altogether six Solar T60 and C50 gas turbine driven compressor units. The objective of the project was to maintain the availability level at the Mosonmagyaróvár, Nemesbikk and Hajdúszoboszló compressor stations by improving the operational reliability of the Solar Taurus 60S and Solar Centaur 50LS machine units, put into operation in 2000-2001. Solar Turbines had discontinued the technical support of the old type Turbotronic-II machine unit controls and the station control, therefore their maintenance became impossible.

As a result of market research, **we have selected and ordered the latest version of the control system** and, after careful preparations, the manufacturer of the equipment, Solar Turbines, replaced the station control system (SCS) at the Mosonmagyaróvár compressor station as well as the complete control system of six gas turbine driven compressor units within the framework of a two-year project, thereby ensuring the continued durable operation of the equipment fulfilling a significant role in gas transmission.

Regulatory framework of our operations

It is of primary importance for our Company to pursue our activities in conformance to the European Union's current legal regulations.

The operation of our Company is regulated by a number of laws, regulations and decrees.

The key legal regulation pertaining to natural gas transport activities is Act XL of 2008 on Natural Gas Supply (GET or Gas Supply Act) the **main focus of which is the uninterrupted, safe performance of supply services to users, as well as the protection of consumer demands.** Furthermore, the Act requires

- natural gas supply practices featuring appropriate quality and transparent cost structure;
- creation of energy-saving and efficient operation;
- development of the transmission, distribution and storage capacities;
- coordination of natural gas sources;
- promotion of the market entrance of new operators;
- integration of the Hungarian gas market into the European Community's energy markets that are going through a process of integration; and
- framing of appropriate, objective and transparent regulations that meet the requirements of equal treatment.

The other key legislation that fundamentally determines our work is Act XLVIII of 1993 on mining, where we are to strictly comply with the relevant safety requirements, for instance, in establishing and operating natural gas supply lines, as well as pursuing the associated activities. Besides, there are numerous legal regulations and authority resolutions (Hungarian Energy and Public Utility Regulatory Authority – MEKH, Hungarian Office for Mining and Geology – MBFSZ) that govern day-to-day natural gas deliveries on the level of execution and enforcement.

It is of primary importance for our Company to pursue our activities in conformance to the European Union's current legal regulations. For this purpose, we started to adopt the relevant requirements promptly after the enactment of Directive 2009/73/EC that was designed to foster the further liberalization of the gas market, as well as to define the new European context for the supply, storage and transmission of natural gas. We are proud to be among the forerunners to create proper conditions for the introduction of the ITO model, which corresponds to the requirements of the Directive, and therefore **FGSZ Ltd became one of the first independent transmission system operators in Europe holding an ITO certificate.**





Background

While being MOL Plc's solely owned subsidiary, FGSZ Ltd has been operated fully independently from the parent company since 2010, in conformance to the relevant European Union regulations.

Quality operations – Integrated Management System

The telecommunications system in between our centers and gas industry facilities has a key role in effective coordination and system management.

Our Company's efficient operation in line with the relevant standards and regulations, as well as our full compliance with the standards and requirements associated with the individual sub-systems are backed by the **Integrated Management System (IMS)**, encompassing the integrated operation of altogether six management systems.



QUALITY MANAGEMENT SYSTEM (QMS)

Covering our entire operations, our **Quality Management System** has been functioning since 1997, in line with the requirements of the **ISO 9001** standard.

The operation of the system as per the standard is reviewed by the internationally acknowledged certifying agency, SGS Hungary Ltd annually. June 2016 witnessed the renewal audit of QMS, and now its certificate is valid until June 2018. The certification of QMS under the new ISO 9001:2015 standard will be implemented in the frame of a renewal audit in June 2018.



TECHNICAL SAFETY MANAGEMENT SYSTEM (TSMS)

TSMS covers our Company's technical safety activities and the connected fields, while its operation is annually reviewed by the mining authority. The system has been established based on the requirements set out in the Procedural Aid of the Hungarian Office for Mining and Geology (MBFSZ), and it has been accepted by the Office in the form of its resolution of approval no. MBFH/1948-4/2013. While establishing the system, no exclusions were applied. In its resolution of approval No. MBFH/823-5/2017 MBFH approved the policy amendments concerning the Technical Safety Management System for FGSZ Ltd.



INFORMATION SECURITY MANAGEMENT SYSTEM (ISMS)

The Information Security Management System extends to our Siófok headquarters and the operating area of our Kápolnásnyék site of the West-Hungarian Natural Gas Transmission Region. The operation of the system as per the standard is reviewed by SGS Hungary Ltd annually. A supervisory visit to ISMS and its certifying review as per the ISO/IEC 27001:2013 standard took place in June 2017, respectively. Our Company was successfully met the requirements at the audit held in the framework of the review. The certification is valid until 09.01.2020.



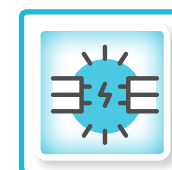
WELDING OPERATIONS MANAGEMENT SYSTEM (WOMS)

For the efficient and high-standard performance of maintenance and troubleshooting activities, our Company has established its welding operations based on Standard MSZ EN ISO 3834-2:2006, certified by ÉMI-TÜV-SÜD Ltd in 2010. ÉMI-TÜV-SÜD Ltd conducts annual audits on the operation of the welding management system relating to the fusion welding of metals. As required by Decree 3/1998 (Jan 12) of the Ministry of Industry, Trade and Tourism, we have also obtained the necessary authority permit. May 2016 saw the second occasion when a renewal audit was held in relation to WOMS, as a result of which our certificate was renewed for an additional term of three years, until 30 June 2019.



CALIBRATION LABORATORY MANAGEMENT SYSTEM (CLMS)

For the management and regulation of calibration activities, we have been using the Calibration Laboratory Management System since 2012, which covers FGSZ Ltd's Calibration Laboratory at the Siófok headquarters and four other sites (Gellénháza, Kápolnásnyék, Kecskemét, Miskolc). To the CLMS requirements of Standard MSZ EN ISO/IEC 17025:2005 are applicable. In August 2016, our Company successfully performed at the onsite regulatory visit of the National Accreditation Authority (NAA). The certificate remains valid until 19 May 2019. An extension of the scope of the management system to measuring orifices is planned to be implemented until the end of 2018.



ENERGY MANAGEMENT SYSTEM (EMS)

Since December 2015, our Company has been operating an energy management system certified by SGS Hungary Ltd in line with Standard ISO 50001:2011. The operation of the system as per the standard is reviewed by the certifying agency in every 6 months. Our Company successfully met the requirements at the onsite supervisory visits both in June and December 2016. Our certificate is valid until 6 February 2019. In association with the operation of the management system, our Company aspires to putting in place **energy-efficient operations and developments that we** want to achieve by setting annual objectives and executing the connected implementation plans.





Regulated business processes

The Business and Commercial Code (BCC) forms the essential set of regulations for the day-to-day operation of the interconnected natural gas system, and it encompasses such fundamental content elements as commercial, settlement and measurement, data exchange agreements, as well as the detailed rules of system access and the daily balancing.

We update our operating and commercial regulations consistently, in accordance with the provisions of the Act on natural gas supply and its implementing acts, as well as other legal regulations pertaining to the operation of the interconnected natural gas systems. Pursuant to the resolutions and other requirements of the Hungarian Energy and Public Utility Regulatory Authority and with respect to the changes of the European Union and domestic regulatory environment, the Code underwent three modifications in 2017.

To support the elaboration and consultation of BCC, we operate a sectoral working group, the so-called Code Committee (CC), where we also chair the committee. The groups of licensees and entities on the gas market with the same type of license (transmission system operators, distributors, traders, storage operators, etc.) take part in the work of the Committee through their elected representatives. To back the flawless professional work of the Code Committee, our Company set up an Internet portal for the Code Committee, which in 2017 efficiently ensured the online implementation of processes for the amendment and modification of BCC.



In 2017 the Hungarian Energy and Public Utility Regulatory Authority launched a specific project to review the BCC at industry level on an ad hoc basis, in which our Company has actively participated in its capacity of both transmission system operator and transmission system coordinator. The new BCC is expected to take effect on 1 October 2019, until which time the maintenance of the currently effective policy continues to take place as usual, with the coordination of the CC.

A number of new subrules defined in the third energy package of the European Union govern nearly all aspects of the domestic system use. These new, so-called network codes constitute a coherent system to describe the individual area of the operation of the integrated European gas market. **The European Union regulations are directly applicable to the subjects of the regulations,** meaning in this case – in particular, but without limitations – transmission system operators, nation regulatory authorities and distributors. Additionally, their common characteristic is **that they tend to leave a relatively short period of time for adoption.**

These regulations are the Regulation (EU) 2017/459 (CAM NC) about the capacity allocation mechanisms, the Decision (EC) No. 2012/490 made for the elimination of contract-based congestions (CMP), Regulation (EU) No. 312/2014/EU establishing a network code on gas balancing of transmission networks (BAL NC) and Regulation (EU) No. 703/2015/EU regulating technical cooperation among system operators rules (INT NC) or the Commission Regulation (EU) No. 2017/460 establishing a network code on harmonized transmission tariff structures (Tariffs NC).

Additional network codes took effect in 2017. Among these, it is important to mention Commission Regulation (EU) 2017/459 (amended CAM NC), which provides for the allocation of new capacities over and above the previous capacity allocation mechanisms, along with Regulation (EU) 2017/460 on harmonised transmission tariff structures (Tariffs NC).

In the future, an additional network code can be expected on Rules for Trade. In the case of CAM NC and BAL NC, FGSZ completed its preparations in a timely manner for the technological, technical and IT introduction of the requirements.

From 1 October 2017, under Section 91/A of Act XL of 2008 on Natural Gas Supply, the trading platform has been operated by FGSZ Kereskedési Platform Kft. that is owned to 100% by FGSZ Zrt. 28 system users joined the platform until 31 December 2017.

Fundamental values of our corporate culture – focus on people

The key fundamental values of the corporate culture of FGSZ are safety, efficiency, partnership and modernism, which manifest in the prudent and committed work of our employees, the direct and open communication as well as in our efforts for performance and continuous development on a day-to-day basis.

Our results are due to our prepared and responsible co-workers who are the key resources of our Company. We regularly measure their commitment and ask for their opinion on our processes and the circumstances affecting their work. We do take pride in the fact that based on our employees' commitment indicators we have a leading role in the energy sector. **We have a priority focus on the proper supply of new recruits to our well-prepared team of experts.** We organize a program series jointly set up with the University of Miskolc year after year under the name of "Gas Days", in the context of which university students belonging to this industry have the option to obtain valuable practical experience in connection with the modern processes of natural gas transport at plant visits as an addition to their theoretical knowledge.

The continuous renewal of technologies and high-level operating safety call for the regular further training of our employees. **In addition to the execution of our scheduled training programs, we support our employee's aspirations in broadening their professional expertise and increasing their knowledge. We are proud of the fact that 53% of our employees hold higher education qualifications, and 41% of them have more than one academic degrees.** Higher levels of professional knowledge and day-to-day professional performance are also recognized by our system of compensation and promotion.

Community development is also a matter of importance to us; we organise several corporate events for our co-workers and their family members, from regional family days to the FGSZ Miners' Day celebration and the end-of-year events.

An integral element of our corporate culture is the high esteem we hold for the earlier generations of professionals. Their paths of life, experience, human and professional examples serve as guidance and inspiration for all of us.





Health, Safety and Environment: In harmony with our environment

The safeguarding of natural values is not merely an important goal for us, but it is indeed an integral part of our corporate culture, and therefore we want to rely on the energy market advantage that is inherent in the extremely favourable ecological footprint of natural gas transmission in the future as well. **During the operation of our sites and investments, we apply the least environmentally harmful solutions, and consciously strive for moderating the emissions generated by our activities to the environment.** Our fundamental principle is that any damage caused by us should be adequately compensated, areas suffering such damage need to be effectively rehabilitated by ourselves or professional contractors, such as by means of follow-up monitoring at construction sites, the replanting of forests to the required extent and in the necessary quality, noise-reducing investments in the surroundings of our environment.

We regard the systemic utilization of renewable energy resources as equally serving environmental sustainability and energy security. To this end, we make all efforts to enable our network to accept any biogas inventories appearing in the domestic natural gas market in conformance to the regulatory environment that determines our activities.

As a responsible strategic operator of the Hungarian energy market, we believe that the cause of environmental sustainability cannot be handled separately from the need to secure the Hungary's sustainable development. These two goals can be accomplished only hand in hand with each other. With this principle in mind, we keep an eye on the project concepts that shape the energy security of the region in the long term.

Health protection and workplace safety

Our objectives set in the field of health protection, safety engineering and environmental protection are based on our absolute respect for human life and natural values.



FOR THE HEALTH PROTECTION AND OCCUPATIONAL SAFETY OF OUR EMPLOYEES, WE CONSISTENTLY EXECUTE OUR COMPLEX HSE STRATEGY, WHERE THE PROTECTION OF THE ENVIRONMENT IS ALSO VIEWED AS AN INTEGRAL ELEMENT.

Our objectives set in the field of health protection, safety engineering and environmental protection are based on our absolute respect for human life and natural values. During the realization of our HSE strategy, beside regular health counselling and information, we have a strong focus on systemic improvement of ergonomic conditions at our workplaces and during our operations. Our objectives relating to safe working practices that are not harmful to life have been defined in view of the triple principle of preparedness, information and prevention.

Our Company encourages the improvement of the conditions of healthy and safe work by announcing work safety competitions among the natural gas transmission plants.

In order to improve work safety performance, the **Life-Saving Rules** program was introduced in 2017, respectively, so as to enhance the employees' commitment to safe working practices on all the managerial and operating levels of the Company.

All our employees have received a detailed training on the Life-Saving Rules following its launch campaign. The Safety Walk program was also introduced providing the opportunity for the Managers and the employees to meet directly and to have a direct dialogue regarding the HSE requirements and the HSE conscious behaviours.

WE HAVE LAUNCHED PROGRAMS IN THE FOLLOWING TOPICS, TOO:

- Prevention of road accidents
- Prevention of fire incidents, operating disturbances, serious industrial accidents relating to dangerous substances
- Decreasing the risk of the transportation of dangerous substances to an acceptable level
- Health improvement program based on screening examinations and information sessions in order to raise awareness for and encourage healthy lifestyles
- Ergonomic development of workplaces
- Development of the HSE performance of suppliers





ENVIRONMENTALLY CONSCIOUS OPERATIONS

Environmental protection has undoubtedly become part of our corporate operations. The safeguarding, sustenance and improvement of the quality of the environment are hared responsibilities for all of us and deemed as part of the maintenance of health protection and ecological balance. **Our objective is to operate the natural gas transmission system in an ecologically efficient manner, by taking the principles of sustainable development into account, moderating greenhouse gas emission, promoting the regeneration of soil- and water-covered areas, reducing the quantities of contaminants, wastes.** In this latter respect, we have a strong focus on the modernization of waste collection facilities, the environmentally sound management of wastes and recycling to the largest possible extent.



IN HARMONY WITH NATURE

Our aim is to promote the regeneration of the natural environment that is affected by our activities and to avoid all unnecessary damage. If such developments, work processes are necessitated that require intervention in nature, we prepare detailed action plans with the involvement of the competent environmental authority to safeguard the living world. After the completion of works, we appoint nature conservation experts to perform follow-up monitoring in the areas affected by the construction works in order to keep track of the renewal of natural values.



PROTECTION OF AIR CLEANLINESS

Within our Company's operating area, there are 140 facilities that operate so-called high-output point sources of air pollution that are allowed to work only if the conditions stipulated in the permission of the environmental authority are satisfied. Also fulfilling the relevant requirements of Directive 2003/87/EC and 2010/75/EU of the European Parliament and Council, **our compressor stations emit the least possible air pollutants due to the application of the best available technologies.**

The emissions from the point sources of air pollution remained under the respective limit values at all times in line with requirements of Directive 2015/2193



WATER MANAGEMENT

With the operation of individual communal wastewater treatment facilities at the Seszták Imre Compressor Station and the Natural Gas Transmission Plant of Hajdúszoboszló, **we have the goal to minimize the emission of contaminants to the recipient watercourses, and therefore we have the quality of the effluent treated wastewater analysed by an accredited laboratory twice a year.**

The connection of the Hajdúszoboszló centre onto the communal wastewater treatment public channel was completed in 2017, thus the cleaning of wastewater is carried out by the public service provider using the best available technology.



WASTE MANAGEMENT

We dedicate heightened attention to the reduction of the volumes of wastes generated during our operations and selective waste collection. We continuously keep the environments of our facilities clean and in good order, and we provide for the removal of illegally deposited communal wastes and construction debris that originate from areas outside of our operating sites.

In 2017, our Company produced 68.267 tons of hazardous and 332.021 tons of non-hazardous wastes, from which 34.362 tons were recycled, and consequently used again as valuable base materials in economy.



NOISE PROTECTION

We attribute significance to keeping people living in our working environment undisturbed, and therefore we continuously measure the noise emission of our facilities.

At times of construction works, we provide proper noise protection to our technologies, objects in order to ensure that noise emission should remain under the respective limit values. The efficiency of our noise protection program is indicated by the fact that 2017 did not see any complaints, observations from the inhabitants around our operating sites in relation to the noise associated with our facilities.





Background

In consequence of the joint efforts of our Company's management, work managers and employees, in 2017 there were no extraordinary events involving lost time injuries, fire incidents, environmental pollution or material property damages in association with FGSZ Ltd's operations and only one lost time injury has happened.



Our corporate social responsibilities

Any successful business should be fundamentally interested in fostering the successes of its operating environment. Therefore, the philosophy underlying our corporate social responsibilities relies on the pillars of cooperation and the conveyance of values. We attribute importance to helping the settlements that are located within the area of our operations. Following our traditions, in 2017 we supported and sponsored the social, cultural, sports, health-related and environmental programs of institutions and non-governmental organizations in the surrounding villages and towns.

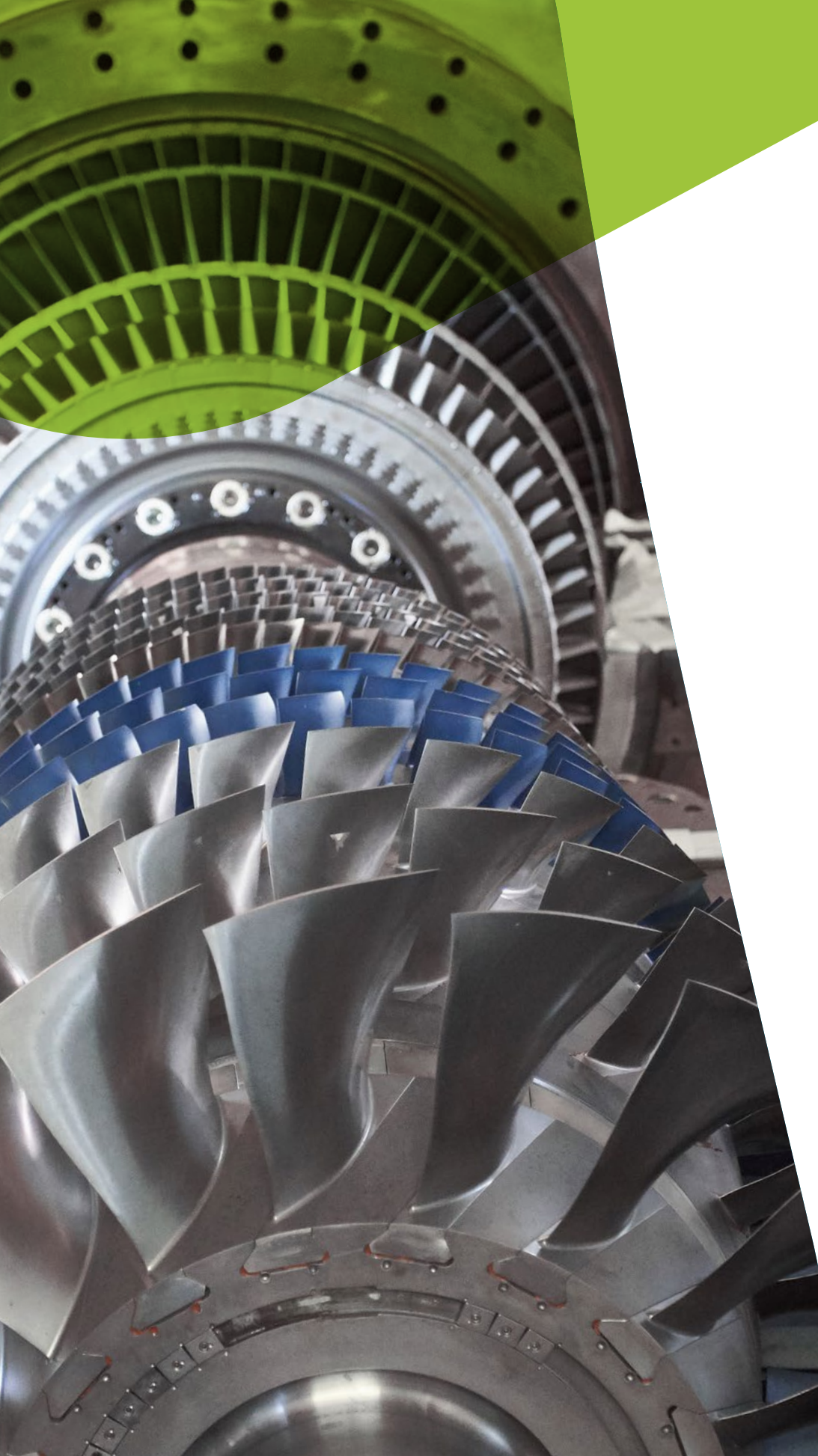
In 2017, we organized the highly successful intellectual competition entitled **“Lángész kerestetik!” (“Mastermind wanted!”)** for the seventh time, with a total prize pit of HUF 3,300,000 where teams of eighth-grade students can compete. This series of events seem to enjoy increasing popularity and interest from year to year, and we hope that it will also be inspiring for young people in their future career orientation. We are also proud of the fact that **our co-workers spent nearly 341 hours on voluntary work in 2017: In the framework of our Energetic Settlement Program**, for instance, 50 colleagues added their voluntary work to the **extension and reconstruction of three playgrounds** in Hajdúszoboszló. In addition our Company organized **15 events for voluntary blood donation** in 2017 and collected 295 units of blood for people in need. As one full unit of blood can be distributed among 3 patients, therefore in this program our blood donors helped altogether 885 fellow people.

Knowledge is the principle source of the improvement of equal chances in society, and therefore it is important for us to **support educational institutions, as well as the studies of children who are brought up in disadvantaged families**. To this end, we regularly organize events to collect and deliver school supplies, clothes and food to those concerned. By handing over our still operable, but unused computer appliances, we have brought the benefits of the digital universe closer to a number of families in need and non-governmental organizations.

Our financial and operational results

In financial terms, our Company closed the business year of 2017 successfully; the achievements made are the result of the steady ownership background, the investments implemented in recent periods, the technically high-standard infrastructure resulting from our maintenance operations, as well as our readiness to adapt to external circumstances.





Our business profit remained stable as our Company achieved HUF 36.36 billion, nearly the same level as last year (-3.54% compared to the previous year).

The result reflects the impacts of the significantly changed business and regulatory environment. The unfavourable changes in the regulatory environment have been counterbalanced by the increasing transmission demands and our cost-efficient operations, ensuring our Company's stable operation.

We realised the majority of our net price revenue on the transmission of 19.63 billion cubic meters of natural gas, as well as the gas traffic that was related to the maintenance of the system balance. Sales revenues from both regulated domestic and transit natural gas transmission reached a higher level than last year, however, they still lag behind the volumes of the previous years. **In 2017, our total sales increased by 6.82%, to HUF 101.42 billion.**

As a result of the tariff and cost review completed in 2016, from 1 January 2017 the Hungarian Energy and Public Utility Regulatory Authority (HEPURA) substantially decreased the regulated gas transmission fees, having a significant impact on the sales revenue our Company can realise. As another unfavourable change, 1 October 2017 brought a slight decrease in the pricing of short-term capacity products in comparison to annual products and, from 1 January 2017, our Company is not allowed to recognise volume fee revenues on the volume of stored natural gas.

At the same time, as a favourable modification, **from 31 December 2016 the regulator terminated the so-called refunding mechanism** (the double tariff system introduced on 3 December 2010 as well as its settlement method modified in 2013), according to which our Company paid the difference between the return on assets applied on the competitive market and in the universal service as refund to those eligible for universal services, in an amount of HUF ~16-18 billion on an annual basis.



Regulatory changes, which were overall unfavourable, were counterbalanced by the favourable changes in the external environment.

As a consequence of colder weather conditions in winter, excess domestic consumption, export transit demands to Croatia and Ukraine that were significantly higher than in the previous years, as well as the substantially increased storage tasks, **the transmission duties performed by our Company in 2017 were much more significant in comparison to last year.**

Due to unfavourable changes in the volume-based transportation charges, the impact of excess transmitted volumes did not increase our realised sales revenues, however, as a result of the relating demands for additional capacity booking – the demand mostly for short-term products – the revenues from regulated transmission have increased on the aggregate. With respect to the fact that in 2015 two operators remained in the natural gas transmission market, 2017 saw the division of sales revenues realised on system operation fees as required in the relevant legal regulations in between the transmission system operator licence holders concerned (FGSZ Ltd and Hungarian Gas Transit Ltd).

The revenues from the transit activity, too, exceed the corresponding values of the previous year; the effect of unfavourable changes in currency exchange rates (the strengthening of forint against the dollar) have been counterbalanced by the excess revenues resulting from the significantly higher transmission volumes.

It is a statutory liability of our Company to maintain the balance between the gas source and the gas consumption, which we ensure by applying so-called balancing gas sale and purchase activities, however, pursuant to the applicable regulations the Company cannot realise profit on these transactions. **The balancing natural gas turnover slightly changed (by 5.9%) in 2017 as compared to 2016.**

Under Section 91/A of Act XL of 2008 on Natural Gas Supply, FGSZ Ltd. separated the operation of the trading platform from itself and, 1 October 2017, it performs the same through its subsidiary, FGSZ Kereskedési Platform Kft., that has been established and is owned to 100% by FGSZ Ltd. 28 system users were members of the platform as at 31 December 2017.

Changes in the external environment have adversely affected operating expenditures. The changed transmission conditions as well as the realised significant excess transmission demands entailed increases in the transmission system's own gas use as well, which manifested in significant additional air-lifting demands and in increasing volumes of the gas loss recognised. As a consequence of the changes in gas price on the world market, the purchase prices of own gas have further increased in comparison to the previous year, enhancing the unfavourable effects of rising gas use. As another consequence of the increased transmission demands – higher imported volumes from Ukraine – the pressure boosting fee paid has also increased.

In view of other operating expenditures, in order to partly counterbalance the changes in the external environment, FGSZ Ltd maintained and continued the strict control of operating costs, and as a result such expenditures were incurred on a slightly lower level than in the previous year. The significantly increasing value of other expenditures is justified by the value of the provisions generated due to the profits that are higher than the regulated profit calculated on basis of gas market regulations.

Financial profit amounted to HUF –0.5 billion in 2017, which showed primarily the effects of interest rates paid on loans from affiliated companies and other loans (HUF –2.8 billion) as well as the exchange gains that were recognised in relation to FX-denominated credits and loans, but not realised at the end of the period (HUF +2.3 billion).

As the result of the lower operating profit/loss as well as the lower financial loss the Company's profit before tax increased by 12.2% as compared to the previous year, amounting to HUF 35.9 billion in 2017.

In 2017, FGSZ Ltd expended HUF 4.9 billion on investments, which falls short of the level of investments in the previous year. **The investments implemented in 2017 primarily consisted of reconstruction works executed on the existing system.**

Our Company's operating cash flow is positive and is very substantial in terms of volume. With this safe financial background, we can successfully carry out our investment plans, repay the principal from the parent company loan and pay up the associated interest, and it affords the option to the Company to pay dividends.

Looking ahead to the 2018 business year, our Company forecasts a decrease in the economic indicators of 2017, with the demands for natural gas transmission and consumption met at a lower level. The gas transmission fees in effect from 2017 continue to decrease from 1 October 2018 – capacity fees fall short of the 2017 tariffs by 23% on average.

The management of FGSZ Ltd continues to maintain its current strict cost management and it is searching for opportunities to improve its internal efficiency to counterbalance the negative effects of the regulatory and economic environment. The Company makes additional efforts towards the accomplishment of its regional strategic goals, which is a guarantee of meeting the expectations of the shareholders.



A photograph of a person's hand in a plaid shirt using a computer mouse. In the background, a calculator and a blurred computer monitor are visible on a desk. A large green diagonal shape is overlaid on the left side of the image.

Data in accordance with the Hungarian Accounting Standards

- Net sales revenues
- Operating profit
- Profit after taxes

Balance sheet

ASSETS	2016	2017	2017/2016 (%)
Fixed assets	280 830	268 777	95.71
Intangible assets	2 777	2 832	101.98
Tangible assets	278 053	265 942	95.64
Financial investments	0	3	n.a.
Current assets	16 076	18 180	113.09
Inventories	3 007	3 216	106.95
Receivables	7 453	10 662	143.06
Securities	0	0	n.a.
Cash and cash equivalents	5 616	4 302	76.60
Accrued and deferred assets	13	14	107.69
Total assets	296 919	286 971	96.65

(HUF million)

Capital reserve	2016	2017	2017/2016 (%)
Accumulated profit reserve	112 604	130 987	116.33
Tied-up reserve	18 823	18 823	100.00
Profit or loss for the year	64 766	64 766	100.00
Provisions	12	14 494	n.a.
Payables	9	21	233.33
Deferred liabilities	28 994	32 883	113.41
Long-term liabilities	3 473	7 208	207.54
Short-term liabilities	162 788	129 990	79.85
Hátrasorolt kötelezettségek	0	0	n.a.
Hosszú lejáratú kötelezettségek	138 375	92 601	66.92
Rövid lejáratú kötelezettségek	24 413	37 389	153.15
Of which short-term liabilities to affiliated companies	9 943	8 576	86.25
Accrued and deferred liabilities	18 054	18 786	104.05
Total liabilities	296 919	286 971	96.65

(HUF million)

PROFIT AND LOSS STATEMENT	2016	2017	2017/2016 (%)
Net domestic sales revenues	71 747	72 614	101.21
Net export sales revenues	23 199	28 804	124.16
Net sales revenues	94 946	101 418	106.82
Capitalized own performance	1 212	557	45.96
Other incomes	3 968	3 887	97.96
Material-type expenditures	27 146	30 721	113.17
Personnel expenditures	7 777	7 734	99.45
Depreciation	17 238	17 482	101.42
Other expenditures	10 269	13 564	132.09
Operating profit	37 696	36 361	96.46
Financial incomes	324	2 599	802.16
Financial expenditures	6 042	3 081	50.99
Of which interests and interest-type expenses payable to affiliated companies	4 973	2 666	53.61
Financial profit	-5 718	-482	8.43
Profit before taxes	31 978	35 879	112.20
Tax liabilities	2 984	2 996	100.40
Profit after taxes	28 994	32 883	113.41

(HUF million)

CASH-FLOW	2016	2017	2017/2016 (%)
Profit before taxes	31 978	35 879	112.20
Operating cash flow	14 057	34 611	246.22
Invested cash flow	-7 886	-5 734	72.71
Financing cash flow	-3 844	-30 191	785.41
Change in cash and cash equivalents	2 327	-1 314	-56.47

(HUF million)

Company management



Company management



JÁNOS FEHÉR

János Fehér holds a diploma of economics and has been working in the petroleum industry for more than 40 years, including 15 years at MOL Group, where he acted in various managerial positions in the exploration and production business, such as the period between 2006 and 2011, when he was the managing director of crude oil and natural gas production operations of MOL Group in Pakistan, which by today has surpassed the volume of operations in Hungary. The expert was appointed in 2011 as the head of MOL branch office at Damascus, where he managed and controlled the exploration and production operations of the Group in the Middle East, and then, when MOL operations had to be suspended in Syria, he managed INA foreign exploration and production operations. He acted as the chief executive officer of FGSZ Ltd between 1 August 2013 and 31 December 2016. He has been a member of the Board of Directors since 1 August 2013, and its chairman since 1 January 2017.



KRISTÓF TERHES

Kristóf Terhes graduated from Janus Pannonius University, and then took additional studies at Eötvös Loránd University and Haynal Imre University. He started his career at Tesco-Global Ltd as a financial analyst, and later he held positions as the head of Stock Management and Dry Product chief procurement officer. Thereafter, he was the commercial and marketing director at Plus Food Discount Stores Ltd. He joined MOL Group in June 2009 as the chief procurement officer, and occupied the position of the director of Corporate Services from July 2012. He was a member of FGSZ Ltd's Supervisory Board between September 2012 and 31 December 2016. Since 1 January 2017, he has been acting as the FGSZ Ltd's Chief Executive Officer and a member of the Board of Directors.



ZOLTÁN GELLÉNYI

Zoltán Gellényi graduated as an economist from the Karl Marx University of Economics (today Corvinus University). After several years of experience in the field of international commodity exchange, he joined MOL Plc's gas business development organization in 2008, and the FGSZ team subsequently, in 2009. Under his professional guidance, our Company developed and launched the Daily Natural Gas and Capacity Market, the forerunner of the current Trading Platform. He acted as the head of the Capacity Sales from 2010 and Business Development from 2012. Since February 2014, he has been the director of System Management and Capacity Trade. He has been taking an active part in the work of ENTSOE, the European umbrella organization of transmission system operators since its foundation, and has been a member of the ENTSOE Board since July 2014.



LÁSZLÓ GÁBOR MIKLÓS

László Gábor Miklós is a chemical engineer (M.Sc.), economic engineer. He started his career in 1979 at the Transdanubian Petroleum Company of Százhalombatta, and except for a few years he has been working in the oil and gas industry, where he held various expert and managerial positions. Between 1994 and 1998, he was a member of Parliament. From 2001 until 2012, he acted as the vice president of Enterprise Relations for MOL Group, and – inter alia – he was responsible for relations with the professional associations and governmental relations, as well as regulatory affairs. Thereafter, he was an advisor to the Chairman until May 2014, and now he is advisor at FGSZ Ltd. From 1993 to 1997, he was a member of Nitroil Plc's Supervisory Board, between 1999 and 2001 a member of the Board of Directors at ZAB Zemplén Abaúj Gas Supply Ltd. From 2002 until 2010, he was the chairman of the Supervisory Board of MVM Hungarian Electricity Ltd, while between 2008 and 2013 he was the chairman of the Auditors' Public Oversight Committee and since 2012 he is one of the vice presidents of the Confederation of Hungarian Employers and Industrialist.



TAMÁS HÁRSFALVI

Tamás Hársfalvi graduated from the Karl Marx University of Economic Sciences in 1986, majoring in transportation and sociology. He earned experience and knowledge in several sectors and fields: worked as an academic lecturer and researcher (University of Agricultural Sciences in Gödöllő), as a civil servant in central public-administration, mostly in management positions (Hungarian Central Statistical Office, Ministry of Finance, National Media and Infocommunications Authority of Hungary) as well as in the media industry as a financial, commercial and controlling manager (Budapest Communications Ltd, P & B Media Ltd). Within the energy sector, he participated in the project associated with the strategic stockpiling of natural gas at the Petroleum and Petroleum Product Stockpiling Association, and then at the Hungarian Hydrocarbon Stockpiling Association; he was Deputy Chief Executive Officer of MSZKSZ Strategic Natural Gas Storage Ltd. He has been a member of FGSZ Ltd Board of Directors since 1 January 2015.

Supervisory Board

JÓZSEF MOLNÁR

József Molnár has been acting as MOL Plc's Chief Executive Officer since 1 May 2011 and a member of the MOL Board of Directors since 12 October 2007. From 1978 to 2001, he held various management positions at BorsodChem Ltd. He was the head of the Pricing Department from 1982 to 1987 and the head of Controlling Department from 1987 to 1991. Between 1991 and 2001, as the deputy chief financial officer of BorsodChem Ltd, he contributed to the crisis management and reorganization of the company, and later to the creation of its vision and subsequent privatization. He played a key role in the stock exchange listing of BorsodChem shares. He was TVK's chief executive officer from 2001. He acted as MOL Group's Planning & Controlling director from 2003, and then – from September 2004 until his appointment as the Group CEO in 2011 – he was the Group's deputy CFO. He was a board member of Slovnaft a.s. between 2004 and 2008, and a member of the Board of Directors at TVK from 2001 to 2011. He has been a member of INA's Supervisory Board since April 2010, and the chairman of FGSZ Ltd's Supervisory Board since May 2011.

PÉTER RATATICS

Péter Ratatics currently holds a position of a COO of Consumer and Industrial Services of MOL Hungarian Oil and Gas Plc. He graduated from Corvinus University of Budapest, Faculty of Finance specialization in capital markets. Mr. Ratatics started his career as Gas Trading and Business Development expert in MOL Plc, then he was appointed Head of Executive Board Advisory team in 2009. Between 2009 and 2010 he also acted as Head of Organizational Development and Process Management and in 2010–2011 as Head of Management Services. From May 2011 he has been working as VP of Corporate Centre. He had been appointed member of the INA Management Board in June 2011, Vice-Chairman of the Supervisory Board of FGSZ in 2012 and member of the Supervisory Board of OT Industries Vagyonkezelő Zrt. in January 2017. From 2015 until 30 November 2016 he was SVP of Corporate Centre of MOL Group.

SÁNDOR FASIMON

Sándor Fasimon has been working within the MOL Group for nearly two decades. Formerly, from 1991, he held various management positions at the Mineralimpex foreign trade company. Between 1996 and 1997, he was appointed to act as the commercial counsellor in Tripoli. From 1998 to 2003, he worked for MOL as supply director in the field of crude oil and crude oil products, and then from 2002 he acted as the managing director of Moltrade-Mineralimpex. Between 2003 and 2006, he was the managing director of Natural Gas Division of MOL Plc, while from 2006 until 2009 he acted as the general director of MOL-Russ. In the period between 2009 and 2011, he worked as the senior vice president of the Supply & Trading Division, and then from 1 June 2011 as the executive vice president of Exploration and Production. Since 2011 he is member of MOL Group Executive Board, and he has been the MOL Hungary COO since 1 October, 2012. He is also a member of the Board of Hungarian Hydrocarbon Stockpiling Association and the president of Hungarian Petroleum Association. He has been a member of FGSZ Ltd's Supervisory Board since 1 January 2017.

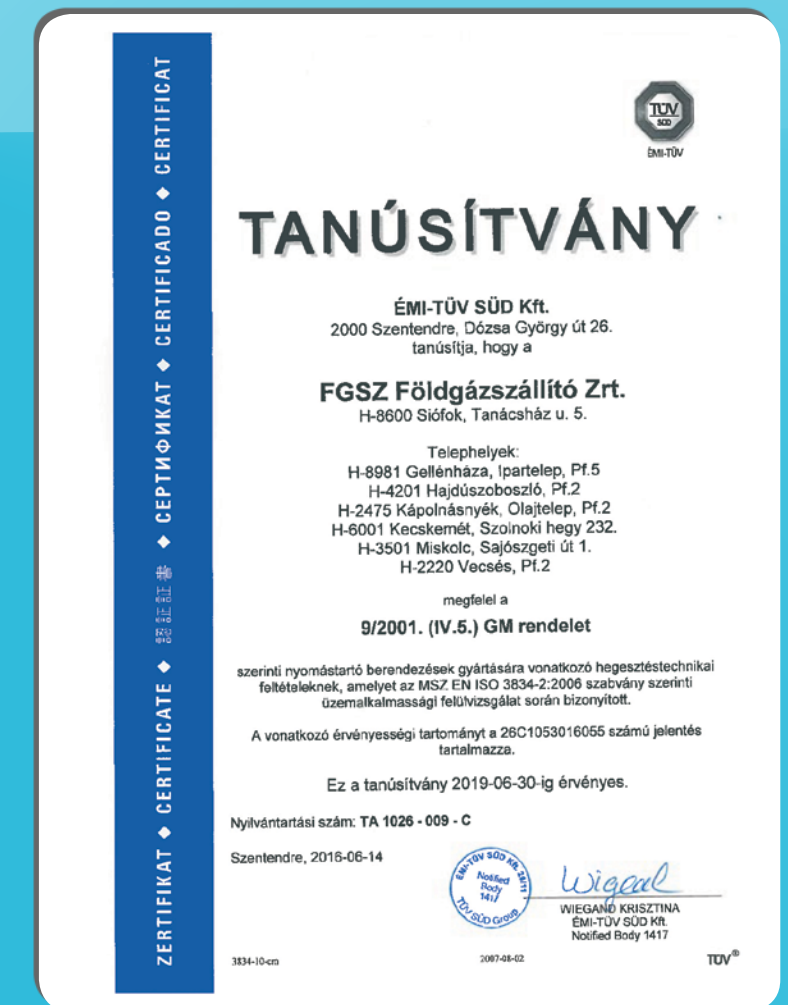
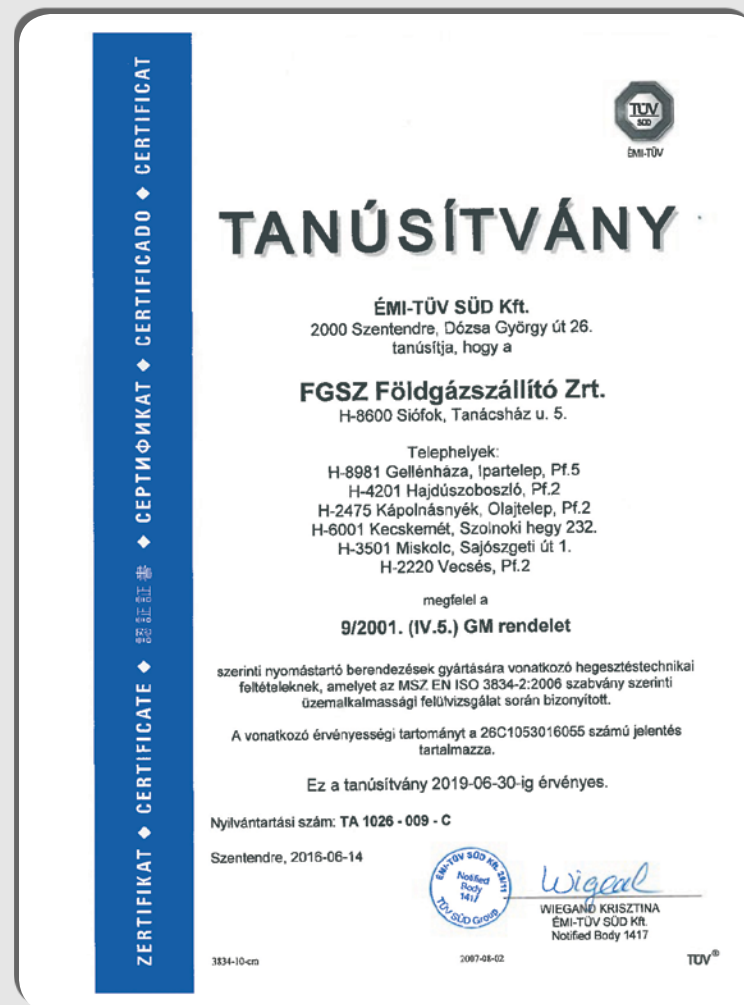
GÁBOR FETT

Transmission Plant and its legal predecessor. Since 2004, he has been acting as the head of the Technical Supervision Unit. At present, he works as the engineer in charge of the management of Technical Supervision and the deputy of the technical director at Kápolnásnyék Gas Transmission Plant. Since 1999, he has been a member of the "Unity" Trade Union and its legal predecessor, which delegated him to the Supervisory Board when FGSZ Natural Gas Transmission Ltd was established. Since 2004, he has been a member of the Supervisory Board as an employee delegate.

Our ISO certificates



Our TÜV certificates





Our contacts

FGSZ Ltd operates a Customer Service Office for its contracted partners. Should you have any queries relating to the use of natural gas transmission and system operation services, please do not hesitate to contact us.

CUSTOMER SERVICE CENTRE

Registered address: H-8600 Siófok, Tanácsház u. 5., ground floor 3.

Mailing address: H-8601 Siófok, Pf. 102.

Telephone: +36 (84) 505-117

Fax: +36 (84) 505-592

E-mail: info@fgsz.hu

Office hours:

Tuesday, Thursday: 1.00–4.00 p.m.

Monday, Wednesday, Friday: closed

SYSTEM OPERATION CENTRE

Telephone: +36 (84) 505-777

Fax: +36 (84) 505-217

E-mail: fri@fgsz.hu

The Information Office will reply to queries relating to pipeline construction projects and other issues with respect to the Company's activities.

INFORMATION OFFICE

Registered address: H-8600 Siófok, Tanácsház u. 5., ground floor 3.

Mailing address: H-8601 Siófok, Pf. 102.

Office hours:

Tuesday, Thursday: 7.30–10.00 a.m.

Monday, Wednesday, Friday: closed

For daily operative matters, please contact our 24/7 dispatching service.

REGIONAL BOOKING PLATFORM

E-mail: RBP@fgsz.hu

www.RBP.eu

The website of our Company is accessible at www.fgsz.hu

The information included in this publication reflects the current state of affairs as of August 2017.