

**Vemex**  
**ENERGIE**



**ANNUAL REPORT FOR 2016**

## 1. Introduction by the Board of Directors

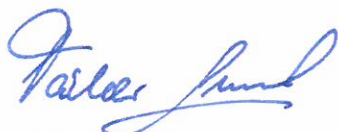
Dear shareholders, customers, partners and friends of our Company,

We are looking back at a truly successful and remarkable year 2016. During that year, VEMEX Energie a.s. achieved the highest profits ever. And that is not all. Having made great efforts, we managed to extend and improve our customer care and we also dedicated substantial time to improving our internal processes. All the above helped to further enhance our customers' satisfaction.

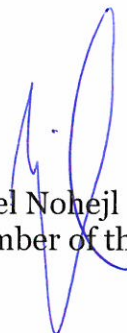
We appreciate that our Company can rely on the leading European players on the gas market, such as WINGAS GmbH, one of our suppliers of natural gas. VEMEX s.r.o. is another pillar of our cooperation, in this case not only in terms of commercial relations, but also in terms of the ownership structure. Through the unique affiliation with member companies of the GAZPROM group, we ensure a secure supply of natural gas for our customs directly from the largest gas producer worldwide.

We would like to use this opportunity to acknowledge the beneficial cooperation with the shareholders' representatives and the Supervisory Board of the Company. We would also like to thank our employees for their diligent work efforts, which are essential for the further successful development of our Company.

Sincerely,



Václav Lerch  
Chairman of the Board of Directors



Karel Nohéj  
Member of the Board of Directors

## **2. Introduction by the Chairman of the Supervisory Board**

Ladies and gentlemen,

You have been presented with the annual report of VEMEX Energie a.s. for the year 2016. I am pleased to conclude that the year was successful.

The Supervisory Board and the Board of Directors co-operate extensively. The Supervisory board adopts decisions falling within its competence based on proposals submitted by the Company's Board of Directors. In this respect, I can conclude that the cooperation between the Supervisory Board and the Board of Directors is smooth.

The Supervisory Board met three times during 2016. I would like to thank the Company management and its employees for their work in the last year and I wish you all a successful and fulfilling 2017.



Vsevolod K. Sharov  
Chairman of the Supervisory Board

### 3. Basic details of the Company

Company name: VEMEX Energie a.s.  
Registered office: Na Zátorce 289/3, 160 00 Prague 6  
Id. No.: 289 03 765  
Registration  
in the Commercial Register: Municipal Court in Prague, Section B, File 15299

Business activity: Trade in gas  
Trade in electricity

Share capital: CZK 100,000 thousand

Shares: 500 registered shares in the book-entered form  
with the nominal value of CZK 200,000 each

Website: [www.vemexenergie.cz](http://www.vemexenergie.cz)

Board of Directors: Václav Lerch, Chairman  
Ing. Karel Nohejl, Member

No changes in the composition of the Board  
of Directors occurred in 2016.

Supervisory Board: Vsevolod K. Sharov, Chairman  
Sergey B. Budzulyak, Member  
Sergey S. Lapyrenok, Member

The following changes in the composition  
of the Supervisory Board occurred in 2016.

As of 8 December 2016, the appointment  
of Vsevolod K. Sharov as a member  
and to his office; the appointment  
of Sergey S. Lapyrenok as a member;  
termination of office and membership  
of Ing. Vratislav J. Kubínek; and termination  
of membership of Dzhamil Bulgakov.



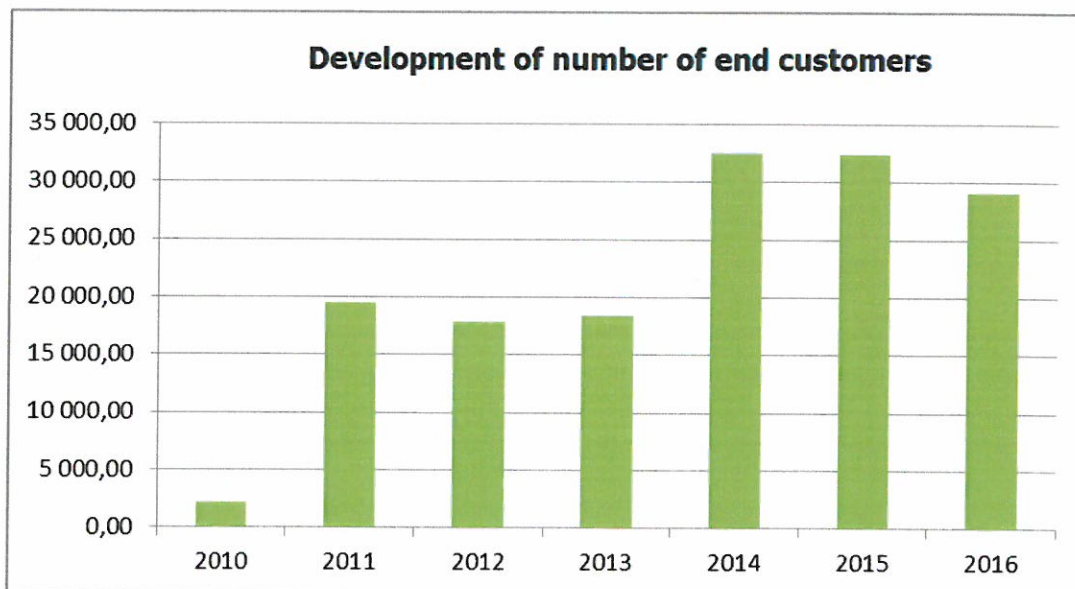
## 4. Report on Business activities and Financial position of the Company

### 4.1 Sales function

The total sales in 2016 reached 897,990 MWh, of which 469,426 MWh were in the form of electricity and 428,564 MWh were in the form of natural gas.

Electricity and gas were sold to a total of 29,096 customers in 2016, of which 16,490 purchased electricity and 12,606 purchased natural gas.

*Development of the number of customers of Vemex Energie (2010 - 2016)*



Competitive pressure on the Czech market continued to increase in 2016. Customers were changing their suppliers less frequently than in previous years. Despite this, the number of suppliers on the Czech market increased further and this led to a decrease in prices. On the other hand, the total portfolio margin increased thanks to a decrease in wholesale prices of commodities.

Most new customers were gained through tender procedures, e-auctions and thanks to co-operation with external partners.

## 4.2 Customer care function

Throughout all of 2016, we focused on improving our pro-customer approach, supported by the development of information systems used in the Company. In the second half of the year, we launched a new CM module, whereby the set processes were automated and potential errors eliminated.

The Back Office received and processed 13,000 agreements. These concerned newly acquired consumption points, where the entire supplier change process was arranged for, and current consumptions points with renewed agreements, which document the satisfaction of our customers.

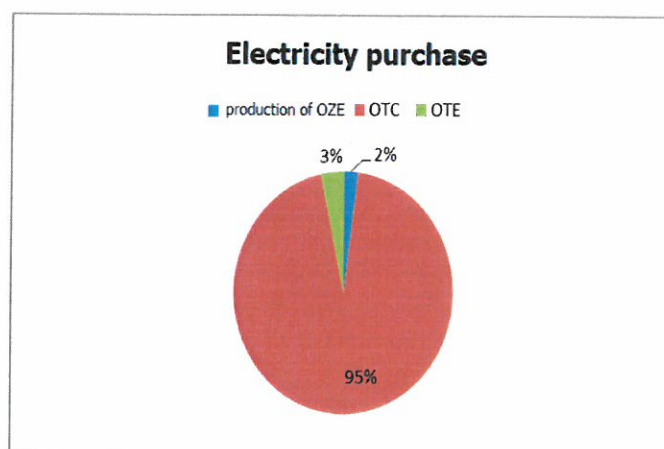
In 2016, the Front Office moved from the customer service building at the “Újezd” location to the Company’s seat, which reduced its operational costs. As concerns the operations of the Front Office as such: On average, , daily, we have addressed 98 received calls lasting 3:49 minutes, with the customers waiting 44 seconds to be connected to an operator. We managed to answer 84% of all incoming calls, which represents an improvement 12% compared to the year 2015. Furthermore, during the whole year, we received 16,561 e-mails and 321 customers contacted us personally.

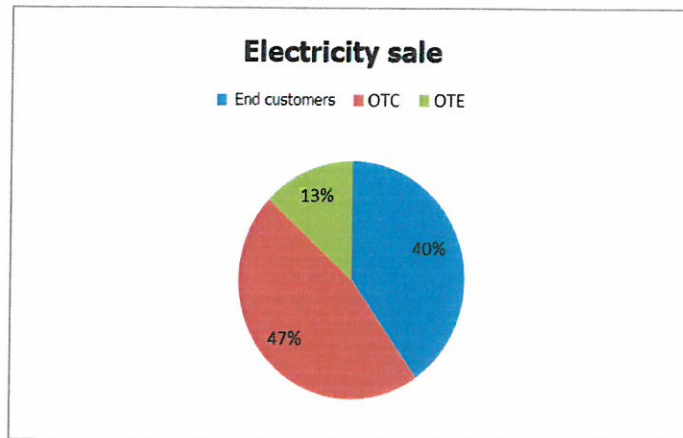
## 4.3 Purchase of electricity and natural gas in 2016

The main task of the Purchase function was to implement the policy of securing both commodities for the portfolio of end customers. The main trading area for both commodities is the Czech energy market, where the Company has built a strong position.

### Electricity

The activities of the Purchase function focused on trading in electricity aimed at satisfying the demand from portfolio customers and effectively managing the deviation costs incurred by Vemex Energie a.s. as a settlement subject. Electricity intended for supplying to end customers was purchased from third-party producers (such as photovoltaic or biogas sources), over-the-counter (OTC, i.e. from wholesale partners) and from OTE a.s.

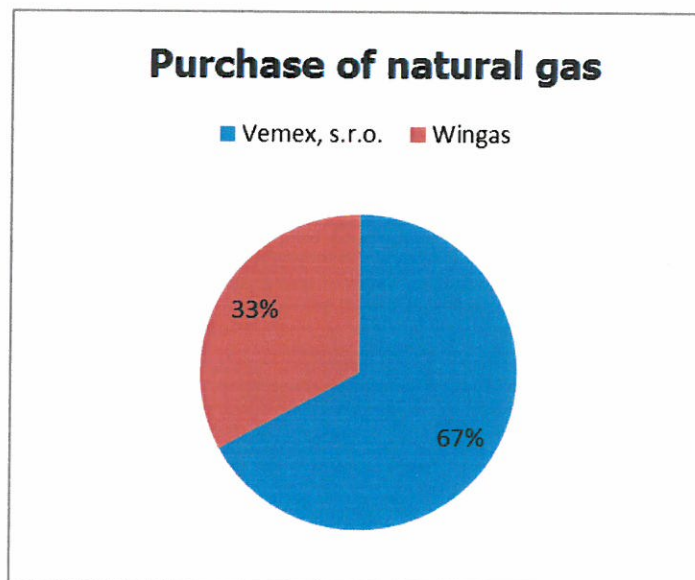




## Natural gas

The portfolio of natural gas suppliers is stable in the long term. In this regard, cooperation with VEMEX s.r.o. is important, as well as cooperation with WINGAS GmbH, which ensured 33% of the supplies within the portfolio.

For the future, the Company intends to further expand the portfolio of natural gas suppliers, with the principal aim to increase the percentage of supplies from WINGAS GmbH.





#### 4.4 Human resources

With regards to satisfying the needs of the Company and improving customer services, several organisational and personnel changes were made in 2016. New employees were hired for all Company functions. The long-term goal is to improve Company management in order to ensure the flexibility necessary for its dynamic development.

Employee benefits provided by the Company include catering contributions in the form of meal vouchers and an extra week of annual holidays in addition to the statutory annual holidays.

Incumbent senior managers as of 31 December 2016 were as follows:

Sales function	Ing. Leona Schovancová, PhD.
Purchase function	Ing. Michal Hanák
Customer care function	Simona Dostálová, DiS.
Financial function	Ing. Milan Konvalinka
Legal	Mgr. Dominika Takáčová, attorney-at-law
HR function	vacant

The Company had 47 employees as of 31 December 2016.

#### 4.5 Financial function

Thanks to the substantially improved economic results in 2016 compared to the previous years, the Company achieved positive net equity in the amount of CZK 28,689 thousand at the end of 2016. This shows that the measures adopted by the Company fundamentally helped to improve its financial position in 2016.

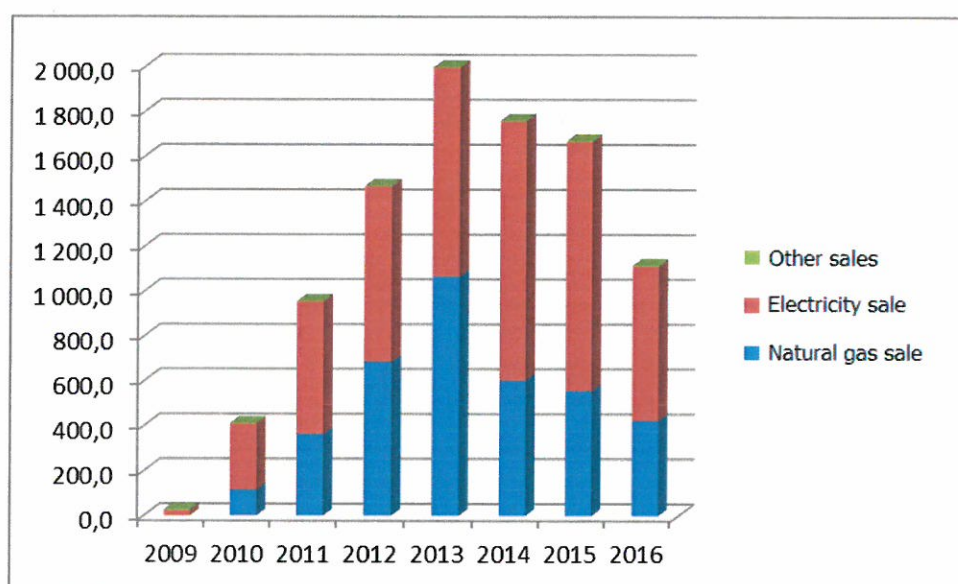
#### **Aggregated profit and loss statement as of 31 December 2016, in CZK thousand**

<b>Indicator</b>	<b>in CZK thous.</b>
Revenues from electricity, natural gas and distribution	1,131,130
Other revenues	4,277
<b>Total revenues</b>	<b>1,135,407</b>
Costs of purchasing electricity and natural gas and distribution	987,262
Other costs	81,900
<b>Total costs</b>	<b>1,069,162</b>
<b>Profit or loss before tax</b>	<b>66,245</b>

## Aggregated balance sheet as of 31 December 2016, in CZK thousand

Indicator	Net in CZK thous.
Fixed assets	4,409
Current assets	469,513
Other assets	16,773
<b>Total net assets</b>	<b>490,695</b>
Equity	28,689
External resources	462,006
<b>Total liabilities</b>	<b>490,695</b>

## Actual Company turnover history and structure in the years 2009 - 2016 (in CZK mil.)



The decrease in the Company turnover in 2016 compared to previous years was caused, not only, by the decrease in commodity market prices, but, in particular, by scaling down active trading in electricity in the second half of the year with the aim to focus on supplying end consumers, who represent the essential segment for the Company.

The complete financial results on the Company for 2016 are recorded in the financial statements, which are attached to the annual report.

### 4.6 Other facts

#### *Capital interests in other persons and foreign branches*

The Company has no foreign branches. The Company holds a 100% share in RSP Energy SK a.s., with its registered office in Bratislava. The subsidiary has not been active since 2011.



### *Expected development of activities of the accounting unit*

In 2017, the Company continues to engage in its current business activities, namely the sale of natural gas and electricity, with the aim to consolidate and increase the number of end customers, to maximise work efficiency and to achieve the highest possible profits according to the set goals.

### *Activities in the area of research and development and environmental protection*

The Company performs no activities in the area of research and development or environmental protection, but nonetheless complies with all applicable laws and regulations governing this area.

### *Use of financial instruments:*

For the purpose of hedging against currency risks following from fluctuations in the CZK/EUR exchange rate, the Company continued to use standard hedging instruments in the form of currency forwards in 2016. The currency forward contracts were concluded in accordance with the applicable risk management policies and based on approval by the Board of Directors of the Company. The purpose of risk management is to minimise the negative impacts of fluctuations in the CZK/EUR exchange rate on the economic results of the Company.

## **5. Information on persons responsible for preparing the annual report**

Václav Lerch, as the chairman of the Board of Directors, and Karel Nohejl, as a member of the Board of Directors, declare that the information contained in the annual report corresponds to the actual state of affairs and that no substantial circumstances have been omitted or concealed.

Prague, 28 April 2017



.....  
Václav Lerch  
Chairman of the Board of Directors



.....  
Karel Nohejl  
Member of the Board of Directors

### *Company contact details:*

Address: Na Zátorce 289/3  
160 00 Prague 6

Telephone: +420 222 500 975  
Fax: +420 226 291 151  
Help line: 800 400 420  
E-mail: [info@vemexenergie.cz](mailto:info@vemexenergie.cz)  
Web: [www.vemexenergie.cz](http://www.vemexenergie.cz)





## ***Independent auditor's report***

**to the shareholders of VEMEX Energie a.s.**

### *Opinion*

We have audited the accompanying financial statements of VEMEX Energie a.s., with its registered office at Na Zátorce 289/3, Bubeneč, Prague 6 ("the Company") prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2016, the income statement, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

### *Basis for Opinion*

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Other Information*

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Company obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.

### *Responsibilities of the Board of Directors and Supervisory Board for the Financial Statements*

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting legislation and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic  
T: +420 251 151 111, F: +420 251 156 111, [www.pwc.com/cz](http://www.pwc.com/cz)

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Evidence No 021.



**Shareholders of VEMEX Energie a.s.  
Independent auditor's report**

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above stated requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above stated requirements, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

28 April 2017

*Průvratel Louisa Čepová Audity s.r.o.*  
represented by

*Věra V*

Ing. Věra Výtvarová  
Statutory Auditor, Evidence No. 1930

Note

Our report has been prepared in the Czech language and in English. In all matters of interpretation of information, views or opinions, the Czech version of our report takes precedence over the English version.



# ***VEMEX Energie a.s.***

Financial statements

31 December 2016

## **Translation note**

This version of the financial statements is a translation from the original, which was prepared in the Czech language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over this translation.

Company name: VEMEX Energie a.s.  
 Identification number: 28903765  
 Legal form: Joint-stock company  
 Primary business: Sale of electricity and gas  
 Balance sheet date: 31 December 2016  
 Date of preparation of the financial statements: 28 April 2017

## BALANCE SHEET

(in thousand Czech crowns)

Ref. a	ASSETS b	Row c	31.12.2016			31.12.2015
			Gross 1	Provision 2	Net 3	Net 4
	<b>TOTAL ASSETS</b>	<b>001</b>	<b>526 961</b>	<b>(36 266)</b>	<b>490 695</b>	<b>532 725</b>
<b>B.</b>	<b>Fixed assets</b>	<b>003</b>	<b>20 857</b>	<b>(16 448)</b>	<b>4 409</b>	<b>9 847</b>
<b>B. I.</b>	<b>Intangible fixed assets</b>	<b>004</b>	<b>10 305</b>	<b>(6 808)</b>	<b>3 497</b>	<b>8 083</b>
<b>B. I. 2.</b>	<b>Royalties</b>	<b>006</b>	<b>10 305</b>	<b>(6 808)</b>	<b>3 497</b>	<b>5 782</b>
B. I. 2. 1.	Software	007	10 305	(6 808)	3 497	5 782
<b>B. I. 5.</b>	<b>Advances paid and intangible fixed assets in the course of construction</b>	<b>011</b>	-	-	-	<b>2 301</b>
B. I. 5. 1.	Advances paid for intangible fixed assets	012	-	-	-	553
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	-	-	-	1 748
<b>B. II.</b>	<b>Tangible fixed assets</b>	<b>014</b>	<b>3 392</b>	<b>(2 480)</b>	<b>912</b>	<b>1 764</b>
<b>B. II. 1.</b>	<b>Land and constructions</b>	<b>015</b>	<b>320</b>	<b>(89)</b>	<b>231</b>	<b>683</b>
B. II. 1. 2.	Constructions	017	320	(89)	231	683
B. II. 2.	Equipment	018	3 072	(2 391)	681	1 081
<b>B. III.</b>	<b>Long-term investments</b>	<b>027</b>	<b>7 160</b>	<b>(7 160)</b>	-	-
B. III. 1.	Investments - subsidiaries and controlling party	028	7 160	(7 160)	-	-
<b>C.</b>	<b>Current assets</b>	<b>037</b>	<b>489 331</b>	<b>(19 818)</b>	<b>469 513</b>	<b>505 401</b>
<b>C. II.</b>	<b>Receivables</b>	<b>046</b>	<b>423 648</b>	<b>(19 818)</b>	<b>403 830</b>	<b>491 703</b>
<b>C. II. 1.</b>	<b>Long-term receivables</b>	<b>047</b>	<b>10 327</b>	-	<b>10 327</b>	<b>27 069</b>
<b>C. II. 1. 5.</b>	<b>Receivables - other</b>	<b>052</b>	<b>10 327</b>	-	<b>10 327</b>	<b>27 069</b>
C. II. 1. 5. 2.	Long-term advances paid	054	10 327	-	10 327	27 069
<b>C. II. 2.</b>	<b>Short-term receivables</b>	<b>057</b>	<b>413 321</b>	<b>(19 818)</b>	<b>393 503</b>	<b>464 634</b>
C. II. 2. 1.	Trade receivables	058	60 519	(19 818)	40 701	50 547
<b>C. II. 2. 4.</b>	<b>Receivables - other</b>	<b>061</b>	<b>352 802</b>	-	<b>352 802</b>	<b>414 087</b>
C. II. 2. 4. 3.	Taxes - receivables from the state	064	-	-	-	17 457
C. II. 2. 4. 4.	Short-term advances paid	065	107 936	-	107 936	130 888
C. II. 2. 4. 5.	Estimated receivables	066	241 719	-	241 719	257 825
C. II. 2. 4. 6.	Other receivables	067	3 147	-	3 147	7 917
<b>C. IV.</b>	<b>Cash</b>	<b>071</b>	<b>65 683</b>	-	<b>65 683</b>	<b>13 698</b>
C. IV. 1.	Cash in hand	072	118	-	118	103
C. IV. 2.	Cash at bank	073	65 565	-	65 565	13 595
<b>D.</b>	<b>Prepayments and accrued income</b>	<b>074</b>	<b>16 773</b>	-	<b>16 773</b>	<b>17 477</b>
D. 1.	Prepaid expenses	075	16 765	-	16 765	17 465
D. 3.	Accrued income	077	8	-	8	12

Ref. a	LIABILITIES AND EQUITY b	Row c	31.12.2016	31.12.2015
			5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>078</b>	<b>490 695</b>	<b>532 725</b>
<b>A.</b>	<b>Equity</b>	<b>079</b>	<b>28 689</b>	<b>(37 556)</b>
<b>A. I.</b>	<b>Share capital</b>	<b>080</b>	<b>100 000</b>	<b>100 000</b>
A. I. 1.	Share capital	081	100 000	100 000
<b>A. III.</b>	<b>Other reserves</b>	<b>092</b>	<b>1 968</b>	<b>1 968</b>
A. III. 1.	Other reserve funds	093	1 968	1 968
<b>A. IV.</b>	<b>Retained earnings / Accumulated losses</b>	<b>095</b>	<b>(139 524)</b>	<b>(106 913)</b>
A. IV. 2.	Accumulated losses	097	(139 524)	(106 913)
<b>A. V.</b>	<b>Profit / (loss) for the current period</b>	<b>099</b>	<b>66 245</b>	<b>(32 611)</b>
<b>B. + C.</b>	<b>Liabilities</b>	<b>101</b>	<b>462 006</b>	<b>570 279</b>
<b>B.</b>	<b>Provisions</b>	<b>102</b>	<b>6 581</b>	<b>6 549</b>
B. 4.	Other provisions	106	6 581	6 549
<b>C.</b>	<b>Liabilities</b>	<b>107</b>	<b>455 425</b>	<b>563 730</b>
<b>C. II.</b>	<b>Short-term liabilities</b>	<b>123</b>	<b>455 425</b>	<b>563 730</b>
C. II. 3.	Short-term advances received	128	274 710	325 839
C. II. 4.	Trade payables	129	66 811	122 284
<b>C. II. 8.</b>	<b>Liabilities - other</b>	<b>133</b>	<b>113 904</b>	<b>115 607</b>
C. II. 8. 3.	Liabilities to employees	136	1 281	1 153
C. II. 8. 4.	Liabilities for social security and health insurance	137	831	729
C. II. 8. 5.	Taxes and state subsidies payable	138	8 524	1 839
C. II. 8. 6.	Estimated payables	139	102 056	108 199
C. II. 8. 7.	Other liabilities	140	1 212	3 687
<b>D.</b>	<b>Accruals and deferred income</b>	<b>141</b>	<b>-</b>	<b>2</b>
D. 1.	Accrued expenses	142	-	2



Company name: VEMEX Energie a.s.

Identification number: 28903765

Legal form: Joint-stock company

Primary business: Sale of electricity and gas

Balance sheet date: 31 December 2016

Date of preparation of the financial statements: 28 April 2017

## INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2016	2015
			1	2
I.	Sales of products and services	01	316	616
II.	Sales of goods	02	1 131 130	1 665 480
<b>A.</b>	<b>Cost of sales</b>	<b>03</b>	<b>1 020 987</b>	<b>1 648 422</b>
A. 1.	Cost of goods sold	04	987 262	1 581 374
A. 2.	Raw materials and consumables used	05	1 542	1 436
A. 3.	Services	06	32 183	65 612
<b>D.</b>	<b>Staff costs</b>	<b>09</b>	<b>30 115</b>	<b>31 608</b>
D. 1.	Wages and salaries	10	22 217	23 584
<b>D. 2.</b>	<b>Social security, health insurance and other social costs</b>	<b>11</b>	<b>7 898</b>	<b>8 024</b>
D. 2. 1.	Social security and health insurance costs	12	7 491	7 603
D. 2. 2.	Other social costs	13	407	421
<b>E.</b>	<b>Value adjustments in operating activities</b>	<b>14</b>	<b>6 222</b>	<b>8 747</b>
<b>E. 1.</b>	<b>Value adjustments of fixed assets</b>	<b>15</b>	<b>5 621</b>	<b>3 430</b>
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	5 621	3 430
E. 3.	Provision for impairment of receivables	19	601	5 317
<b>III.</b>	<b>Operating income - other</b>	<b>20</b>	<b>3 535</b>	<b>3 168</b>
III. 1.	Sales of fixed assets	21	904	378
III. 3.	Other operating income	23	2 631	2 790
<b>F.</b>	<b>Operating expenses - other</b>	<b>24</b>	<b>7 386</b>	<b>7 423</b>
F. 1.	Net book value of fixed assets sold	25	41	29
F. 3.	Taxes and charges from operating activities	27	458	267
F. 4.	Operating provisions and complex prepaid expenses	28	32	5 808
F. 5.	Other operating expenses	29	6 855	1 319
<b>*</b>	<b>Operating result</b>	<b>30</b>	<b>70 271</b>	<b>(26 936)</b>
<b>VI.</b>	<b>Interest and similar income</b>	<b>39</b>	<b>10</b>	<b>34</b>
VI. 2.	Other interest and similar income	41	10	34
<b>J.</b>	<b>Interest and similar expenses</b>	<b>43</b>	<b>492</b>	<b>16</b>
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	492	-
J. 2.	Other interest and similar expenses	45	-	16
VII.	Other financial income	46	416	7 700
K.	Other financial expenses	47	3 960	13 393
<b>*</b>	<b>Financial result</b>	<b>48</b>	<b>(4 026)</b>	<b>(5 675)</b>
<b>**</b>	<b>Net profit / (loss) before taxation</b>	<b>49</b>	<b>66 245</b>	<b>(32 611)</b>
<b>**</b>	<b>Net profit / (loss) after taxation</b>	<b>53</b>	<b>66 245</b>	<b>(32 611)</b>
<b>***</b>	<b>Net profit / (loss) for the financial period</b>	<b>55</b>	<b>66 245</b>	<b>(32 611)</b>
	<b>Net turnover for the financial period</b>	<b>56</b>	<b>1 135 407</b>	<b>1 676 998</b>



**Statement of changes in shareholders' equity**  
**Year ended 31 December 2016**

<b>(CZK'000)</b>	<b>Share capital</b>	<b>Reserve fund</b>	<b>Accumulated losses</b>	<b>Total</b>
<b>As at 1 January 2015</b>	<b>100,000</b>	<b>1,968</b>	<b>(106,913)</b>	<b>(4,945)</b>
Net loss for the year	-	-	(32,611)	(32,611)
<b>As at 31 December 2015</b>	<b>100,000</b>	<b>1,968</b>	<b>(139,524)</b>	<b>(37,556)</b>
Net profit for the year	-	-	66,245	66,245
<b>As at 31 December 2016</b>	<b>100,000</b>	<b>1,968</b>	<b>(73,279)</b>	<b>28,689</b>

## **Cash flow statement**

### **Year ended 31 December 2016**

<b>(CZK'000)</b>		<b>2016</b>
	<b>Cash flows from operating activities</b>	
	<b>Net profit on ordinary activities before tax</b>	<b>66,245</b>
A.1	Adjustments for non-cash movements:	9,763
A.1.1	Depreciation/amortisation of fixed assets	5,621
A.1.2	Changes in provisions	633
A.1.3	(Profit)/loss from disposal of fixed assets	(863)
A.1.5	Net interest expense/(income)	482
A.1.6	Other non-cash movements	3,890
<b>A*</b>	<b>Net cash flow from operating activities before tax and changes in working capital</b>	<b>76,008</b>
A.2	Working capital changes:	(24,221)
A.2.1	Changes in receivables and prepayments and accrued income	84,086
A.2.2	Changes in short-term payables, accrued expenses and deferred income	(108,307)
<b>A**</b>	<b>Net cash flow from operating activities before tax</b>	<b>51,787</b>
A.3	Interest paid	(492)
A.4	Interest received	10
<b>A***</b>	<b>Net cash flow from operating activities</b>	<b>51,305</b>
B.1	Acquisition of fixed assets	(224)
B.2	Proceeds from the sale of fixed assets	904
<b>B***</b>	<b>Net cash flow from investing activities</b>	<b>680</b>
	<b>Net increase in cash and cash equivalents</b>	<b>51,985</b>
	<b>Cash and cash equivalents as at the beginning of the year</b>	<b>13,698</b>
	<b>Cash and cash equivalents as at the end of the year</b>	<b>65,683</b>

In 2016, the Company prepares the cash-flow statement for the first time and used the exception given by Czech accounting legislation not to present comparative figures in its cash-flow statement.

## **1. General information**

### **1.1. Introductory information about the Company**

VEMEX Energie a.s. ("the Company") was incorporated on 26 May 2009 by the Municipal Court in Prague, Section B, Insert 15299 and has its registered office at Na Zátorce 289/3, Bubeneč, 160 00 Prague 6, Czech Republic. Company's primary business activity is retail of energy, mainly electricity and gas.

During accounting period, the following changes regarding the entity were entered to the Commercial Register:

On 19 January 2017 Vratislav Jonáš Kubínek has been dismissed from the position of chairman of the Supervisory Board (date of membership termination: 8 December 2016).

On 19 January 2017 Dzhamil Bulgakov has been dismissed from the position of member of the Supervisory Board (date of membership termination: 8 December 2016).

On 19 January 2017 Vsevolod Konstantinovich Sharov was appointed as a chairman of the Supervisory Board (member from: 8 December 2016).

On 19 January 2017 Sergey Sergeevich Lapyrenok was appointed as a member of the Supervisory Board (member from: 8 December 2016).

The Company updated its Articles of Association that are now fully governed by the new Corporations Act. This fact became effective as at the date of its registration in the Commercial Register, specifically on 4 December 2014.

The Company is not a shareholder with unlimited liability in other legal entities.

## **2. Accounting policies**

### **2.1. Basis of preparation**

The financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the Czech Republic relevant for large companies and have been prepared under the historical cost convention except derivatives which are shown at fair value.

### **2.2. Comparative figures**

Based on the amendment to the Act on Accounting and implementing Decree effective from 1 January 2016, individual items of the balance sheet and income statement are presented in a different structure. In order to ensure the comparability of items presented in the financial statements, the comparative figures were reclassified in accordance with Czech accounting standard no. 24: "The comparative figures for the accounting period beginning in 2016".

### **2.3. Tangible and intangible fixed assets**

All intangible (and tangible) assets with a useful life longer than one year and a unit cost of more than CZK 60 thousand (CZK 40 thousand) are treated as intangible (and tangible) fixed assets.

Purchased intangible and tangible fixed assets are initially recorded at cost, which includes all costs related with its acquisition.

Intangible and tangible fixed assets are amortised/depreciated applying the straight-line method over their estimated useful lives.



The amortization/depreciation plan is updated during the useful life of the intangible and tangible fixed assets based on the expected useful life change.

A provision for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount. The estimated recoverable amount is determined based on expected future cash flows generated by the certain asset.

Repairs and maintenance expenditures of tangible fixed assets are expensed as incurred. Technical improvements of intangible and tangible fixed assets are capitalised.

#### **2.4. Investments in subsidiaries**

Investments in subsidiaries represent ownership interests in enterprises that are controlled by the Company (“the subsidiary”).

Investments in subsidiaries are recorded at cost less a provision for impairment.

Consolidated financial statements were not prepared as these financial statements are not required by law or by minority owners.

#### **2.5. Determination of fair value**

Derivative financial instruments are valued at the fair value – see Note 2.8.

#### **2.6. Receivables**

Receivables are stated at nominal value less a provision for doubtful amounts. A provision for doubtful amounts is created on the basis of an ageing analysis and individual evaluation of the credit worthiness of the customers. Receivables from related parties have not been provided for.

#### **2.7. Foreign currency translation**

Transactions denominated in a foreign currency are translated and recorded at the rate of exchange set by CNB ruling as at day before the transaction date.

Cash, receivables and liabilities balances denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All Exchange gains and losses on cash, receivables and liabilities balances are recorded in the income statement.

The Company does not treat advances paid for the acquisition of fixed assets or inventories as receivables and therefore these assets are not translated as at the balance sheet date.

#### **2.8. Derivative financial instruments**

Derivative financial instruments including mostly foreign exchange contracts, currency forwards and other derivative financial instruments are initially recognized on the balance sheet at cost and subsequently are re-measured at their fair value. Fair values are obtained from quoted market prices. All derivatives are presented in other receivables or in other payables when their fair value is positive or negative, respectively.

Changes in the fair value of derivatives held for trading are included in gain or loss on revaluation of securities and derivatives.

#### **2.9. Changes of accounting policies and corrections of prior period errors**

Changes to accounting policies (inclusive of deferred tax impact) and corrections of errors arising from incorrect accounting or unrecorded expenses and income in prior periods, if material, are recorded on financial statements line Restatements of retained earnings.

## **2.10. Provisions**

Provisions are recognised when the Company has a present obligation, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

The Company recognises a provision for its future income tax payable which is presented net of advances paid for the income tax. If advances paid are higher than the estimated income tax payable the difference is recognised as a short-term receivable.

## **2.11. Revenue analysis**

Sales are recognised upon the delivery of products and customer acceptance and are stated net of discounts and value added tax.

Revenues invoiced after the balance sheet date are recognized through estimated receivables (see Note 2.18).

### **Gas**

Revenues from sales of gas are based on valuation of commodity on the principal of purchase price of gas and gross margin. Selling price for end costumers consists of price of delivered gas and other services (transportation, structuring, flexibility etc.), price of distribution and price of services of OTE (market operator).

Billing of delivered gas in category of wholesale customers (further as "VO") is processed monthly according measured consumption. Billing of delivered gas in category of retail customers (further as "MOP") and households (further as "DOM") is performed periodically based on measurement of consumption at individual points of supply.

Revenues in category MOP and DOM consist of revenues actually invoiced and revenues from so called unbilled gas. The methodology for unbilled gas revenue recognition is described in Note 2.18. Revenues in category VO are represented by invoices actually issued.

### **Electricity**

Revenues from sales of electricity are determined based on valuation of commodity on the principal of purchase price of electricity and the gross margin.

Billing of delivered electricity in category of wholesale customers (further as "VO") is performed on a monthly basis according to measured consumption. Billing of delivered electricity in category of retail customers (further as "MOP") and households (further as "DOM") is performed periodically based on measurement of consumption at individual points of supply.

Revenues in category MOP and DOM consist of revenues actually invoiced and revenues from so called unbilled electricity. The methodology for unbilled electricity revenue recognition is described in Note 2.18. Revenues in category VO are represented by invoices actually issued.



### **2.12. Related parties**

The Company's related parties are considered to be the following:

- Parties, which directly or indirectly control the Company, their subsidiaries and associates;
- Parties, which have directly or indirectly significant influence on the Company;
- Members of the Company's or parent company's statutory and supervisory boards and management and parties close to such members, including entities in which they have a controlling or significant influence,
- Subsidiaries.

Material transactions and outstanding balances with related parties are disclosed in Note 12.

### **2.13. Leases**

The costs of assets held under both finance and operating leases are not capitalised as fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due are disclosed in the notes but not recognised in the balance sheet.

### **2.14. Interest expenses**

All borrowing costs are expensed.

### **2.15. Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. Deferred tax asset is recognised if it is probable that sufficient future taxable profit will be available against which the asset can be utilised.

### **2.16. Cash flow statement**

The Company has prepared a Cash-flow statement using the indirect method. Cash equivalents represent short-term liquid investments, which are readily convertible for a known amount of cash.

### **2.17. Subsequent events**

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognised in the financial statements in the case that these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effects of these events are quantified and disclosed, but are not themselves recognised in the financial statements.



## **2.18. Significant accounting estimates**

### *Estimated receivables for unbilled gas and electricity supplies to customers*

Unbilled gas and electricity supplies to customers are recognized on the line “Estimated receivables”. Calculation of estimates is based on the anticipated payments for consumed gas and electricity for individual consumption points as at the balance sheet date, adjusted for the consumption balance kept by OTE. Past customer behaviour experience is reflected in the estimate of consumption. The Company based its estimates on sales in kWh, the amount of the commodity and amount for distribution in CZK. The price entry for calculation of estimates is composition of prices from standard price lists and contracts prices with individual pricing, including the impact of potential discounts.

### *Estimated payables for unbilled gas and electricity supplies from suppliers*

Unbilled gas and electricity deliveries from suppliers are recognized on the line “Estimated payables”. The Company determines the amount of accruals for unbilled purchases of commodities based on trade dispatching, purchase balance and sales balance kept by OTE and the offsetting of price variation from the previous month. Calculation of the commodity distribution accrual is based on anticipated payments for distribution in individual supply points as at the balance sheet date, adjusted to consumption balance kept by OTE.

## **3. Intangible fixed assets**

<b>(CZK'000)</b>	<b>1 January 2016</b>	<b>Additions/transfers</b>	<b>Disposals</b>	<b>31 December 2016</b>
<b>Cost</b>				
Software	14,969	2,457	(7,121)	10,305
Advances paid for intangible assets	553	(553)	-	-
Intangible fixed assets in the course of construction	1,748	(1,748)	-	-
<b>Total</b>	<b>17,270</b>	<b>156</b>	<b>(7,121)</b>	<b>10,305</b>
<b>Accumulated amortisation</b>				
Software	(9,187)	(4,742)	7,121	(6,808)
<b>Total</b>	<b>(9,187)</b>	<b>(4,742)</b>	<b>7,121</b>	<b>(6,808)</b>
<b>Net book value</b>	<b>8,083</b>			<b>3,497</b>

<b>(CZK'000)</b>	<b>1 January 2015</b>	<b>Additions/transfers</b>	<b>Disposals</b>	<b>31 December 2015</b>
<b>Cost</b>				
Software	14,572	398	(1)	14,969
Advances paid for intangible assets	-	553	-	553
Intangible fixed assets in the course of construction	-	1,748	-	1,748
<b>Total</b>	<b>14,572</b>	<b>2,699</b>	<b>(1)</b>	<b>17,270</b>
<b>Accumulated amortisation</b>				
Software	(6,274)	(2,914)	1	(9,187)
<b>Total</b>	<b>(6,274)</b>	<b>(2,914)</b>	<b>1</b>	<b>(9,187)</b>
<b>Net book value</b>	<b>8,298</b>	<b>(215)</b>	<b>-</b>	<b>8,083</b>

## 4. Tangible fixed assets

(CZK'000)	1 January 2016	Additions/transfers	Disposals	31 December 2016
<b>Cost</b>				
Constructions	876	-	(556)	320
Equipment	6,542	68	(3,538)	3,072
<b>Total</b>	<b>7,418</b>	<b>68</b>	<b>(4,094)</b>	<b>3,392</b>
<b>Accumulated amortisation</b>				
Constructions	(193)	(452)	556	(89)
Equipment	(5,461)	(427)	3,497	(2,391)
<b>Total</b>	<b>(5,654)</b>	<b>(879)</b>	<b>4,053</b>	<b>(2,480)</b>
<b>Net book value</b>	<b>1,764</b>			<b>912</b>

(CZK'000)	1 January 2015	Additions/transfers	Disposals	31 December 2015
<b>Cost</b>				
Constructions	876	-	-	876
Equipment	8,127	-	(1,585)	6,542
<b>Total</b>	<b>9,003</b>	<b>-</b>	<b>(1,585)</b>	<b>7,418</b>
<b>Accumulated amortisation</b>				
Constructions	(140)	(53)	-	(193)
Equipment	(6,504)	(463)	1,506	(5,461)
<b>Total</b>	<b>(6,644)</b>	<b>(516)</b>	<b>1,506</b>	<b>(5,654)</b>
<b>Net book value</b>	<b>2,359</b>			<b>1,764</b>

The information on operating lease commitments is disclosed in Note 9.

## 5. Investment in subsidiaries

	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2016 loss* (CZK'000)	Equity* (CZK'000)	2016 dividend income (CZK'000)
<b>31 December 2016</b>								
<b>Foreign entities</b>								
RSP Energy SK a.s. Stromová 13, Bratislava, Slovak Republic	100	EUR 250	7,048	7,160	100	(84)	120	-
<b>Total</b>				<b>7,160</b>				
Provision for impairment losses				(7,160)				
<b>Net book value</b>				<b>-</b>				
* Unaudited								
	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2015 net loss* (CZK'000)	Equity* (CZK'000)	2015 dividend income (CZK'000)
<b>31 December 2015</b>								
<b>Foreign entities</b>								
RSP Energy SK a.s. Stromová 13, Bratislava, Slovak Republic	100	EUR 250	7,048	7,160	100	(97)	204	-
<b>Total</b>				<b>7,160</b>				
Provision for impairment losses				(7,160)				
<b>Net book value</b>				<b>-</b>				
* Unaudited								

There are no differences between the percentage of ownership and the percentage of voting rights in any subsidiary.

## 6. Receivables

The overdue receivables as at 31 December 2016 amounted to CZK 27,655 thousand (as at 31 December 2015: CZK 31,462 thousand).

The provision for doubtful receivables as at 31 December 2016 was CZK 19,818 thousand (as at 31 December 2015: CZK 19,217 thousand).

The receivables from other companies within the consolidation group is presented in Note 12.

Estimated receivable include mainly unbilled deliveries of gas including distribution in the amount of CZK 127,338 thousand (as at 31 December 2015: CZK 132,265 thousand and unbilled deliveries of electricity including distribution in the amount of CZK 114,381 thousand (as at 31 December 2015: CZK 125,433 thousand), refer to Note 2.18.

Prepaid expenses as at 31 December 2016 and as at 31 December 2015 include mainly deferred commission cost paid to agents for new clients' acquisitions.

Short-term and long-term advances paid as at 31 December 2016 and as at 31 December 2015 include mainly advances paid to suppliers of electricity and gas in relation to purchases and distribution of those commodities.

Unsettled trade receivables have not been secured and none of them are due after more than 5 years.

The Company has no receivables nor provided any guarantees which are not included in the balance sheet.

## 7. Equity

Authorized and issued share capital:

	31 December 2016		31 December 2015	
	No. of pieces	Carrying value (CZK'000)	No. of pieces	Carrying value (CZK'000)
Ordinary shares of CZK 200 thousand, fully paid	500	100,000	500	100,000

Shareholders:

(in %)	31 December 2016	31 December 2015
VEMEX s.r.o.	51	51
GEEN General Energy a.s.	49	-
Mikhail Zaputryaev	-	25
Other shareholders (less than 20%)	-	24
<b>Total</b>	<b>100</b>	<b>100</b>

The Company VEMEX s.r.o. with the registered office at Prague 6, Na Zátorce 289/3 prepares the consolidated financial statements of the smallest group of entities of which the Company forms a part as a subsidiary.

The Company PAO GAZPROM with the registered office at Moscow, 16 Nametkina St., Russian Federation prepares the consolidated financial statements of the largest group of entities of which the Company forms a part as a subsidiary.



The consolidated financial statements of the smallest group of entities can be obtained in the registered office of the Company VEMEX s.r.o, Prague 6, Na Zátorce 289/3 and the consolidated financial statements of the largest group of entities can be obtained on the website of the Company PAO GAZPROM or in the registered office, Moscow, 16 Nametkina St., Russian Federation.

The Company is fully governed by the new Corporations Act (see Note 1); however, it did not use the option not to create a reserve fund.

The Company continues to create a reserve fund and its use is governed by its Articles of Association and may be used to offset losses of the Company only.

The general meeting of the shareholders approved the financial statements for 2015 and decided about the allocation the loss incurred in 2015 of CZK 32,611 thousand on 12 September 2016.

Until the date of preparation of these financial statements, the Company has not proposed distribution of the profit earned in 2016.

## **8. Provisions**

Other provisions as at 31 December 2016 included the provision for untaken holiday in the amount of CZK 581 thousand (as at 31 December 2015: CZK 549 thousand) and provision for legal disputes in the amount of CZK 6,000 thousand (as at 31 December 2015: CZK 6,000 thousand).

## **9. Payables, commitments and contingent liabilities**

Trade and other payables have not been secured against any assets of the Company and are not due after more than 5 years.

The Company does not have any overdue payables related to social or health insurance or any other overdue payables to tax authorities or other state institutions

Overdue payables as at 31 December 2016 amounted to CZK 312 thousand (as at 31 December 2015: CZK 19,067 thousand).

Estimated payables include mainly uninvoiced purchases of electricity distribution in the amount of CZK 63,794 thousand (as at 31 December 2015: 83,135 thousand) and uninvoiced purchases of gas distribution in the amount of CZK 36,336 thousand (as at 31 December 2015: CZK 22,249 thousand) refer to Note 2.18.

Short-term advances received as at 31 December 2016 include mainly advances received from customers in relation to deliveries of gas and electricity in the amount of CZK 274,710 thousand (as at 31 December 2015: CZK 325,839 thousand).

Total non-cancellable future commitments in respect of operating leases (not recorded in the balance sheet) amounted to CZK 2,399 thousand as at 31 December 2016 (as at 31 December 2015: CZK 1,181 thousand).

The Company did not provide any guarantees which were not recorded the in balance sheet.

The management of the Company is not aware of any contingent liabilities as at 31 December 2016.

## 10. Derivative financial instruments

The fair value of derivatives is presented in “Other receivables” if positive, or in “Other payables” if negative:

(CZK'000)	31 December 2016			31 December 2015		
	Positive	Fair value Negative	Notional amount	Positive	Fair value Negative	Notional amount
Currency forwards	-	-	-	-	2,382	128,855
<b>Total trading agreements</b>	-	-	-	-	<b>2,382</b>	<b>128,855</b>

Changes in fair value of trading derivatives are recorded in the income statement.

Certain derivative transactions, although providing effective economic hedges under the Company's risk management positions, do not qualify for hedge accounting under Czech accounting rules. Therefore, they are presented above as trading derivatives. As at 31. December 2016 the Company had no derivative transactions.

## 11. Revenue analysis

Revenue analysis:

(CZK'000)	2016	2015
Sales of electricity		
- Czech Republic	570,583	876,484
- foreign	136,810	232,793
Sales of gas		
- Czech Republic	423,737	556,203
<b>Total sales of goods</b>	<b>1,131,130</b>	<b>1,665,480</b>

## 12. Related party transactions

All material transactions with related parties are presented in this note.

(CZK'000)	2016	2015
<b>Revenues</b>		
Sales of goods	1,429	8,135
<b>Total</b>	<b>1,429</b>	<b>8,135</b>
<b>Costs</b>		
Purchase of goods for resale - VEMEX s.r.o	129,625	347,193
Purchase of goods for resale - WINGAS GmbH	58,395	0
Purchase of services	2,956	2,407
Interest expenses	492	0
Fees for guarantees received	1,803	1,777
<b>Total</b>	<b>193,271</b>	<b>351,621</b>
(CZK'000)	31 December 2016	31 December 2015
<b>Receivables</b>		
Trade receivables	(29)	683
<b>Total</b>	<b>(29)</b>	<b>683</b>
<b>Liabilities</b>		
Liabilities to companies within the consolidation group	35,372	76,406
Out of which:		
- Trade payables	34,401	76,303
- Other payables	971	103
<b>Total</b>	<b>35,372</b>	<b>76,406</b>

No loans were provided to members of the Board of Directors and Supervisory Board as at 31 December 2016 and 2015.

Loans were provided to former executive directors or to managers of the Company.

Company cars are made available for use by Board of Directors and some managers.

### **13. Fees paid and payable to the audit company**

The total fees paid and payable for a statutory audit of the financial statements performed by the audit company PricewaterhouseCoopers Audit, s.r.o. in 2016 amounted to CZK 610 thousand.

### **14. Employees**

	2016		2015	
	number	(CZK'000)	number	(CZK'000)
Emoluments to the Statutory Body	2	-	2	1,246
Emoluments to members of the Supervisory Board	3	976	3	984
Wages and salaries to other management	5	5,440	7	6,128
Wages and salaries to other employees	34	15,801	35	15,226
Social security costs		5,484		5,568
Other social costs		407		421
Health insurance costs		2,007		2,035
<b>Wages and salaries total</b>	<b>44</b>	<b>30,115</b>	<b>47</b>	<b>31,608</b>

The Company's management includes senior staff members directly reporting to the statutory body.

Other transactions with the Company's management are described in Note 12 – Related party transactions.

### **15. Income tax**

The deferred tax was calculated at 19% (the rate enacted for 2016 and subsequent years).

Deferred tax asset can be analysed as follows:

(CZK'000)	31 December 2016	31 December 2015
<b>Deferred tax (liability)/asset arising from:</b>		
Difference between accounting and tax net book value of fixed assets	(322)	(659)
Provisions	1,973	2,195
Tax losses carried forward	10,399	22,745
<b>Net deferred tax asset/(liability)</b>	<b>12,050</b>	<b>24,281</b>

A potential net deferred tax asset of CZK 12,050 thousand as at 31 December 2016 (as at 31 December 2015: CZK 24,281 thousand) has not been recognized as it is not probable that future taxable profits will be available against which the unused tax credits can be utilized. The 19% rate has been used for its calculation as at 31 December 2016 and 2015.

The Company has tax losses as at 31 December 2016 of CZK 19,189 thousand, which can be utilized up to 2020 and tax losses in the amount of CZK 35,543 thousand, which can be utilized up to 2019.



## **16. Other facts not presented in the financial statements**

Guarantees issued in favour of the Company (in CZK'000):

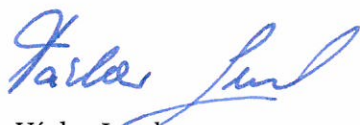
<b>Counterparty</b>	<b>2016</b>	<b>2015</b>
Commerzbank Praha	49,020	49,025
Commerzbank Berlin	20,000	35,000
GAZPROM Germania GmbH	106,594	81,075
<b>Total</b>	<b>175,614</b>	<b>165,100</b>

Guarantees have been issued in relation with purchases of goods and services from major suppliers and distributors of electricity and gas. Bank guarantee from Commerzbank Praha and Commerzbank Berlin were issued based on counter guarantee from GAZPROM Germania GmbH.

## **17. Subsequent events**

No events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2016.

28 April 2017



Václav Lerch  
Chairman of the Board of Directors



Karel Nohejl  
Member of Board of Directors

**31 March 2017**

**Report on relations**

**of the company**

***VEMEX Energie a.s.***

Pursuant to Section 82 of the Act on Corporations

For the accounting period 2016

The Board of Directors of VEMEX Energie a.s., with its registered office at Prague 6 - Bubeneč, Na Zátorce 289/3 identification number: 289 03 765, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, File 15299 (the “**Company**”), has prepared the following Report on Relations pursuant to Section 82 of Act No. 90/2012 Coll., the Corporations Act (the “**Corporations Act**”), for the accounting period of the calendar year 2016 (the “**Relevant period**”).

## **1. Structure of relations**

1.1. According to the information available to the Board of Directors of the Company acting with due managerial care, for the whole of the Relevant period, the Company formed a part of a group in which the controlling party is PAO GAZPROM (the “**Group**”). Information on the entities forming part of the Group is stated as at 31 December 2016 according to the information available to the statutory body of the Company acting with due managerial care. The structure of relations within the Group is graphically illustrated in the Annex No. 1.

### **1.1.1. Controlling Party**

PAO GAZPROM, with its registered office at Moscow, at 16 Nametkina St., Russian Federation, (in this Report also the “PAO GAZPROM” or the “**Controlling Party**”) indirectly controls the Company through the company VEMEX s.r.o., which was the major shareholder of the Company in the Relevant period.

## **2. Role of the Company in the Group**

The Company trades in energy and its main activities consist of the supply and sale of electricity and natural gas to end consumers, in particular retail customers, throughout the whole territory of the Czech Republic; the Company also trades in electricity at energy exchanges and on the wholesale market.

## **3. Methods and means of control**

The Controlling Party indirectly controls the Company through the company VEMEX s.r.o., which was the major shareholder in the Relevant period. In Relevant period company VEMEX s.r.o. controls Company through the ownership of 51% shareholdings in the Company’s share capital. The control of the Company occurs in particular through the decisions at the General Meeting.

## **4. Mutual Contracts within the Group**

4.1. Contracts entered into between the Company and the Controlling Party that were effective and valid in the Relevant period:

No such agreements were applicable in the Relevant period.

4.2. Contracts entered into between the Company and the other parties controlled by the Controlling Party that were effective and valid in the Relevant period:

Agreements with the direct controlling party VEMEX s.r.o. and applicable in the Relevant period:

- a) Framework Agreement on Purchase and Sale of Natural Gas dated 29 March 2012 (for the period from 1 April 2012 and subject to annual automatic renewal, as amended by Amendment 1, Amendment 2 and Amendment 3);
- b) Amendment 1 to Framework Agreement on Purchase and Sale of Natural Gas (see contract ad a), dated 12 December 2013 /ensuring of security standards/;
- c) Amendment 2 to Framework Agreement on Purchase and Sale of Natural Gas (see contract ad a), dated 21 December 2015 /price of gas supplies, ensuring of security standards/;
- d) Amendment 3 to Framework Agreement on Purchase and Sale of Natural Gas (see contract ad a), dated 9 June 2016 /extended maturity period of invoices /;
- e) Agreement on Sublease of Non-Residential Premises dated 21 November 2012 (for the period from 21 November 2012 to 30 June 2017);



- f) Service Agreement to Ensure the Security of Supply of Natural Gas Standard dated 29 September 2015 (for the period from October 2015 to March 2016);
- g) Service Agreement to Ensure the Security of Supply of Natural Gas Standard dated 31 August 2016 (for the period from October 2016 to March 2017);
- h) Loan agreement dated 11 December 2015.

Agreements concluded with GAZPROM Germania GmbH and applicable in the Relevant period:

- a) Agreement dated 15 April 2014 on the provision of Bank Guarantees and Similar Instruments.

Agreements concluded with WINGAS GmbH and applicable in the Relevant period:

- a) EFET Framework Agreement for Natural Gas Supply dated 1 December 2015;
- b) Binding offer to Framework Agreement for Natural Gas Supply (see contract ad a), dated 21 December 2015 (for the period of calendar year 2016).

**5. Legal acts made at the instigation of or in the interest of the Controlling Party or other parties controlled by the Controlling Party**

During the Relevant period, the Company made below mentioned legal acts in the interest, or at the instigation of, the Controlling Party or other parties controlled by the Controlling Party, which would involve assets exceeding in value CZK 2,869 thousand, which represents 10% of the Company's equity reported in the latest Financial Statements as at 31 December 2016.

Sale and purchase of natural gas with company VEMEX s.r.o. according to agreements above mentioned in section 4.2.

Purchase of natural gas from company WINGAS GmbH according to agreements above mentioned in section 4.2.

**6. Assessment of a detriment and its compensation**

No detriment occurred to the Company on the basis of the agreements entered into in the Relevant period between the Company and other entities from the Group, other acts which were implemented in the interest, or at the instigation of, of such entities by the Company in the Relevant period.

**7. Evaluation of relations and risks within the Group**

**7.1. Evaluation of advantages and disadvantages of relations within the Group**

The Company benefits from its membership in the Group particularly in terms of ensuring a secure supply of natural gas for its customers since the Group is the world's largest natural gas extractor with a strong business and financial background and, in addition to the access to natural gas, the Group can also provide access to financing of the Company's activities.

No disadvantages have arisen to the Company from the participation within the Group.

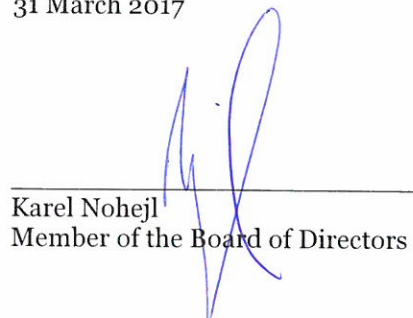
**7.2. No risks have arisen to the Company from the relations within the Group.**

31 March 2017



Václav Lerch  
Chairman of the Board of Directors

31 March 2017



Karel Nohejl  
Member of the Board of Directors

**Annex No. 1: The structure of relations within the Group PAO GAZPROM as at 31 December 2016**

