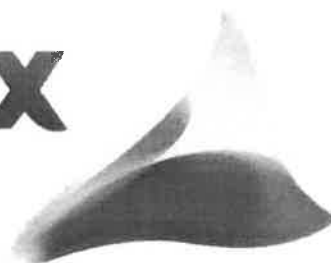


Vemex
ENERGIE



ANNUAL REPORT 2017

1. Introduction by the Board of Directors

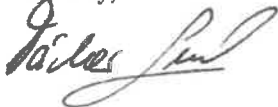
Dear shareholders, customers, partners and friends of our Company,

We are looking back at an year 2017, in which we further focused on extending and further improving the quality of customer care, enhancing internal processes, launching a new website as well as a new customer portal. All this for the convenience of our customers.

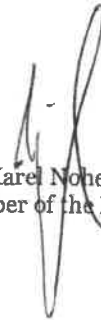
We are pleased that our Company has, through VEMEX s.r.o., indirect capital ties to the largest natural gas producer in the world, GAZPROM. We are also pleased that WINGAS GmbH, one of the strongest players in the gas industry in Europe, is our partner. Therefore, our customers can enjoy the guaranteed security of natural gas supplied directly from the source.

We would like to use this opportunity to acknowledge the beneficial cooperation with the majority 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 further successful development of our Company.

Sincerely,



Václav Lerch
Chairman of the Board of Directors



Ing. Karel Nohejl
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 2017. The Supervisory Board and the Board of Directors co-operate intensively. The Supervisory Board adopts decisions in line with its remit, based on proposals submitted by the Company's Board of Directors. In this respect, I can confirm that the cooperation between the Supervisory Board and the Board of Directors has run smoothly.

The Supervisory Board met four times in 2017. 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 year 2018.



Vsevolod K. Sharov
Chairman of the Supervisory Board

3. Company details

Company: VEMEX Energie a.s. (hereinafter „Company“)

Registered office: Na Zátorce 289/3, 160 00 Prague 6

ID Number: 289 03 765

Registered in the Commercial Register kept at Municipal Court in Prague, Section B, Insert 15299

Business activity:

- Production, trading and services not listed in Appendices 1 to 3 to the Trade Licensing Act;
- Trading in gas;
- Trading in electricity;
- Provision and facilitation of consumer credit.

Share capital details:

The share capital value is CZK 100 million; the share capital is fully paid-up. The capital consists of 500 registered shares in book-entry form with a nominal value of CZK 200,000 each.

Statutory bodies

Board of Directors as at 31 December 2017:

Chairman	Václav Lerch
Member	Ing. Karel Nohejl

No changes in the Board of Directors composition occurred in 2017.

Supervisory Board as at 31 December 2017:

Chairman	Vsevolod Konstantinovich Sharov
Member	Sergey Sergeevich Lapyrenok
Member	Igor Gennadievich Telenchak

The following changes in the Supervisory Board composition occurred in 2017:

As of 11 August 2017 the office and membership of Sergey Budzulyak were terminated.
As of 4 October 2017 Mr I. Telenchakov has been appointed as a member and to his office.

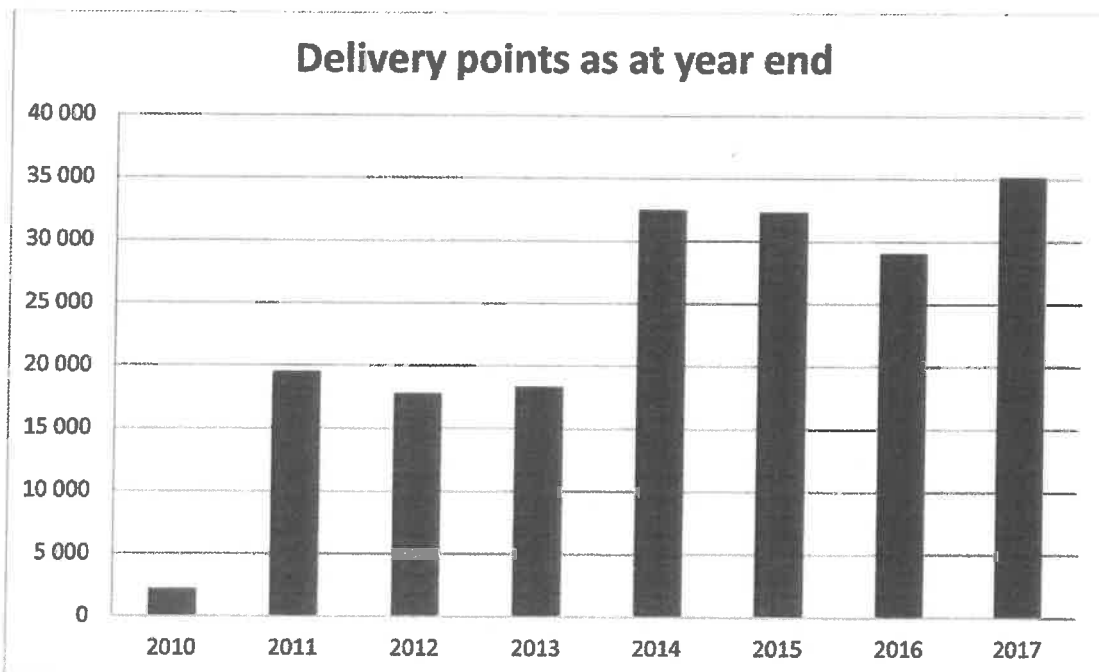
4. Report on the Company's Business and Financial Performance

4.1 Sales function

The total energy volume sold to end customers in 2017 was 722,890 MWh, of which 245,015 MWh was in the form of electricity and 477,875 MWh was in the form of natural gas.

Electricity and natural gas were delivered to a total of 35,199 consumption points in 2017, of which 20,940 were electricity consumption points and 14,259 were natural gas consumption points. This represented an approximate 21% year-on-year increase in the number of consumption points, primarily resulting from a gradual introduction of deliveries to new consumption points acquired predominantly from e-auctions realised during 2016 and 2017.

Growth in the number of consumption points for VEMEX Energie a.s. (2010 - 2017)



Since the beginning of 2017, the Company has focused on reducing inefficient sales channels. This has resulted in a gradual reversal of the trend regarding the number of consumption points supplied.

Competitive pressures in the Czech energy market continued to increase in 2017. There is a large group of customers who change suppliers on the basis of a single criterion - the current price. We anticipate in future involuntary termination of business from few small energy suppliers. As a result, a supplier's tradition and stability could once again become a significant decisive factor for the customer when choosing their energy supplier. This development will also be reflected in our improved negotiating position towards our sales partners.

In 2017, optimization and acceleration of debt collection and debt recovery processes continued. We managed to reduce the average monthly invoice debt from CZK 31.2 million in 2016 to CZK 25.7 million in 2017.

Intensive efforts were made in particular to improve recovery of advance payments. In addition to accelerating the sending of reminders, advance payment collection by phone was introduced. The average success rate rose from 46% in 2016 to 70% in 2017. The average advance payment debt after collection process decreased from CZK 8.7 million to CZK 4.1 million. This has resulted in decreased average debt on advance payments that entered into the collection phase from CZK 16.4 million to CZK 13.5 million.

4.2 Customer care

Throughout 2017, we focused on improving our pro-customer approach, supported by the development of the Company's information systems. In the first half of the year, we launched a new CM module - Requirement Registration, accelerating and enhancing the customer requirements management; a total of 8,633 customer requirements were resolved. We have begun to use the new Post Service for systemic sending of customers' documents issued. The OnLine Customer Portal was launched in the fourth quarter, enabling an easy customer login free of charge 24 hours per day to monitor and track payments and invoices and resolve any requirements.

The Back Office department received and processed 13,150 customer agreements. These included newly acquired customers including energy supplier change management, as well as current consumptions points with renewed agreements, demonstrating the satisfaction of our existing customers with our services.

In 2017, the Front Office department handled an average daily number of 67 incoming calls lasting on average 4:20 minutes each. Furthermore, during the whole year, we handled 15,427 e-mails and 172 customers contacted us personally.

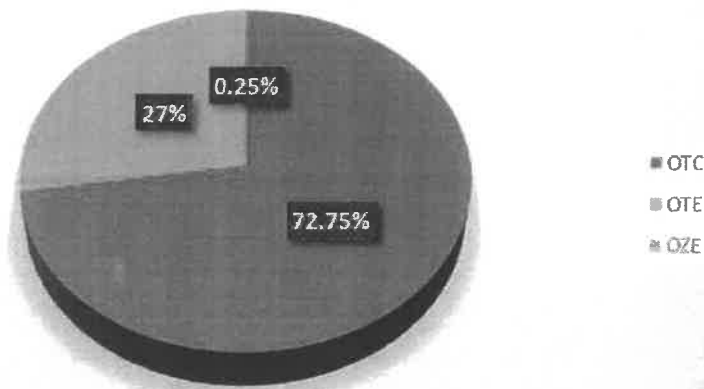
4.3 Purchase of electricity and natural gas in 2017

In terms of energy purchasing, the Company specialises primarily in electricity trading. The main trading area is the Czech energy market, where the Company has built a strong position.

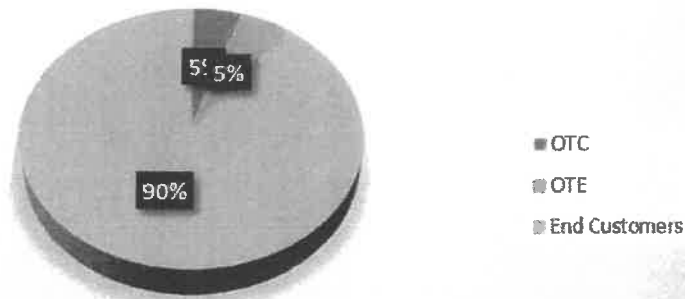
Electricity:

The end-customer portfolio was largely covered by long-term contracts. The remaining balance was covered by short-term deals and trading with OTE.

Electricity Purchase 2017



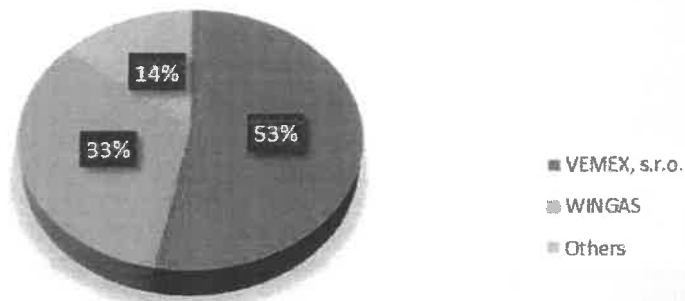
Electricity Sales 2017

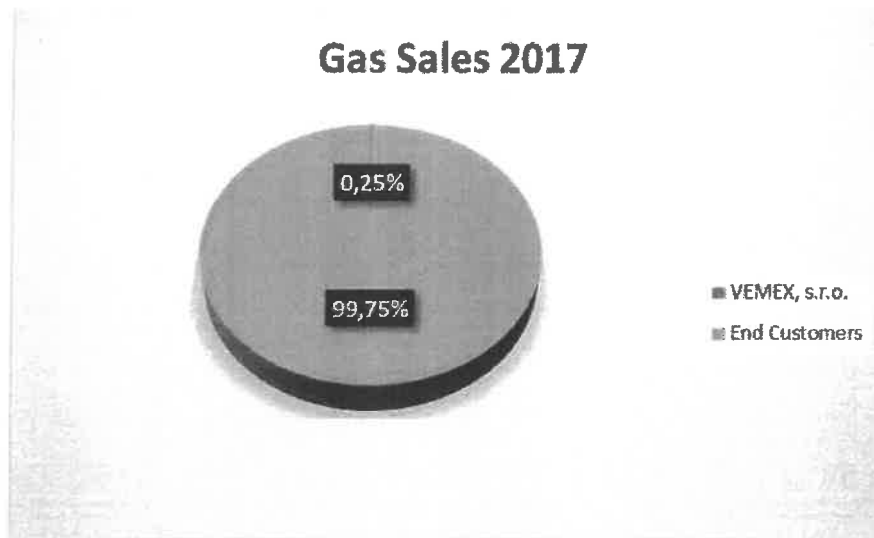


Natural gas:

Purchase of gas in 2017 at VEMEX Energie a.s. was partly executed on the basis of a gas supply contract with VEMEX s.r.o. and, additionally, with a gas supply contract from the company WINGAS GmbH. The natural gas bought has been primarily sold to the portfolio of end customers.

Gas Purchase 2017





4.4 Human resources

In 2017, the Company continued to build an employer brand and came even closer to customers and job seekers as a result of social networking.

During the year, a number of new employees joined the company who positively contributed to the Company development and to the creation of a pleasant work atmosphere. Several minor organizational changes were implemented - for example, the Debt management and collection department was transferred to the Finance Department. At the end of the year, Employer Satisfaction Survey was carried out, which showed that employees particularly appreciate working in a friendly, informal environment of a stable company, enabling flexible working hours.

As at 31 December 2017 the Company had 47 employees.

4.5 Finance

In 2017, VEMEX Energie a.s. continued to perform as a financially stable company. All obligations towards suppliers, customers, employees as well as state institutions were met in due dates.

Financial results were negatively affected by the extraordinary electricity price hike in the first quarter of the year. The Company expects a significant improvement in financial performance in the coming years.

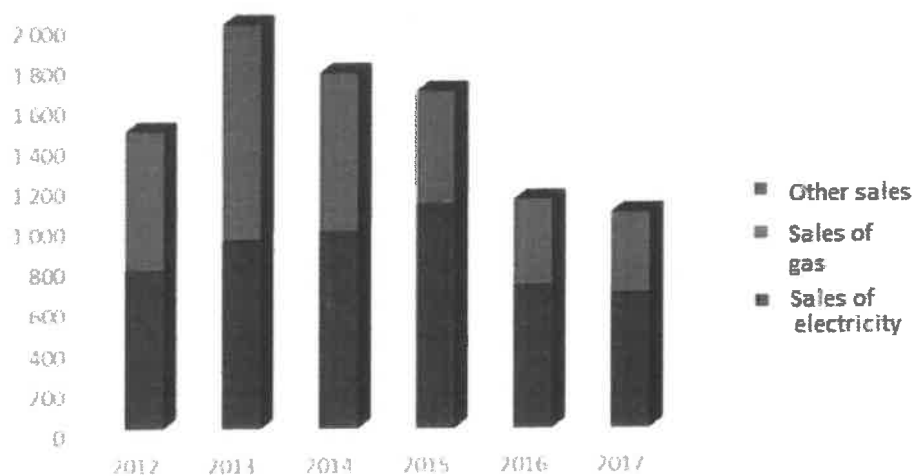
Aggregated profit and loss statement for 2017 in CZK thousand

Indicator	in CZK thousand
Revenues from electricity, natural gas & distribution	1,065,799
Other revenues	5,820
Total revenues	1,071,619
Costs of purchasing electricity, natural gas & distribution	1,039,924
Other costs	68,253
Total costs	1,108,177
Loss before tax	(36,558)

Aggregated balance sheet as of 31 December 2017 in '000 CZK

Indicator	in CZK thousand
Fixed assets	3,989
Current assets	501,191
Prepayments and accrued income	21,452
Total assets	526,632
Equity	(7,869)
Liabilities	534,501
Total liabilities	526,632

Actual Development and Composition of the Company's Turnover in 2012 - 2017



The complete Company's financial results for 2017 are contained in the financial statements attached to this annual report.

5. Other information

5.1 Top Company management

Top Company management as at 31 December 2017:

Sales Director	Světozár Pokorný
Purchasing Director	Ing. Michal Fuka
Customer Care Director	Bc. Marie Zapadlová
Finance Director	Ing. Martin Likler

5.2 Investments of the Company

VEMEX Energie a.s. has a subsidiary in Slovakia, RSP Energy SK a.s., with a 100% share. The operation of this subsidiary was terminated as at 31 December 2011. The company still exists, but is not active except for activity required for debt collection and recovery.

5.3 Other information

Expected development of the entity's activities:

In 2018, the Company continues with the same business activity as before, i.e. the sale of natural gas and electricity. The objective is to consolidate customers and increase their number, to continue to optimize internal processes and to achieve a positive financial result in line with the budget.

Research and Development:

The Company is neither involved, nor planning to get involved, in any research and development activities.

Environmental protection and labour issues:

The company does not carry out any specific environmental protection activities but complies with all applicable legislative requirements governing this area. The terms of the labour relations, the Company proceeds in line with relevant Czech legislation and concludes all employment contracts exclusively under Czech law.

Use of financial instruments:

Based on the predicted long-term appreciation of the CZK exchange rate against the EUR, a fixation of the exchange rate for electricity and gas contracts in 2018 is not planned. However, the development of the exchange rate will continue to be monitored and if the risk of a possible change in its development trend occurs, a decision will be made on a potential use of hedging tools.

Foreign branches:

The Company has no branch abroad.

Own shares:

The Company did not own own shares during the year 2017.

6. Subsequent events

With respect to the negative equity in the amount of CZK 7,869 thousand and in connection with going concern assumption for foreseeable future (12 months), the management of the Company received a letter of support dated 2 May 2018 where the company GAZPROM Germania GmbH (the 50,14 % shareholder of VEMEX s.r.o.) has expressed its financial support.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2017.

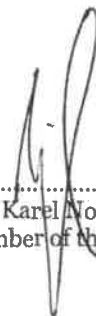
7. Information on persons responsible for preparing the Annual Report

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, 21 May 2018



.....
Václav Lerch
Chairman of the Board



.....
Ing. Karel Nohejl
Member of the Board

Company contact details:

Address: Na Zátorce 289/3
160 00 Prague 6

Telephone: +420 226 291 150
Fax: +420 226 291 151
Help Line: +420 800 400 420
E-mail: info@vemexenergie.cz
Web: 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, Praha 6 ("the Company") prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, 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 2017, of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Emphasis of Matter

We draw attention to note 7 to these financial statements. The Company has negative equity of CZK 7,869,000 as at 31 December 2017. This condition indicates the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

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.

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

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**

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.

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.

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.



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

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.

21 May 2018

PricewaterhouseCoopers Audit s.r.o.
represented by partner

Věra Výtvarová
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 2017

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 2017
 Date of preparation of the financial statements: 21. May 2018

BALANCE SHEET

(In thousand Czech crowns)

Ref. a	ASSETS b	Row c	31.12.2017			31.12.2016
			Gross 1	Provision 2	Net 3	Net 4
	TOTAL ASSETS	001	564 480	(37 848)	526 632	490 695
B.	Fixed assets	003	21 379	(17 390)	3 989	4 409
B. I.	Intangible fixed assets	004	11 470	(7 999)	3 471	3 497
B. I. 2.	Royalties	006	11 470	(7 999)	3 471	3 497
B. I. 2. 1.	Software	007	11 470	(7 999)	3 471	3 497
B. II.	Tangible fixed assets	014	2 749	(2 231)	518	912
B. II. 1.	Land and constructions	015	320	(107)	213	231
B. II. 1. 2.	Constructions	017	320	(107)	213	231
B. II. 2.	Equipment	018	2 429	(2 124)	305	681
B. III.	Long-term investments	027	7 160	(7 160)	-	-
B. III. 1.	Investments - subsidiaries and controlling party	028	7 160	(7 160)	-	-
C.	Current assets	037	521 649	(20 458)	501 191	469 513
C. II.	Receivables	046	473 375	(20 458)	452 917	403 830
C. II. 1.	Long-term receivables	047	20 998	-	20 998	10 327
C. II. 1. 5.	Receivables - other	052	20 998	-	20 998	10 327
C. II. 1. 5. 2.	Long-term advances paid	054	20 998	-	20 998	10 327
C. II. 2.	Short-term receivables	057	452 377	(20 458)	431 919	393 503
C. II. 2. 1.	Trade receivables	058	61 267	(20 458)	40 809	40 701
C. II. 2. 4.	Receivables - other	061	391 110	-	391 110	352 802
C. II. 2. 4. 4.	Short-term advances paid	065	135 851	-	135 851	107 936
C. II. 2. 4. 5.	Estimated receivables	066	252 841	-	252 841	241 719
C. II. 2. 4. 6.	Other receivables	067	2 418	-	2 418	3 147
C. IV.	Cash	071	48 274	-	48 274	65 683
C. IV. 1.	Cash in hand	072	60	-	60	118
C. IV. 2.	Cash at bank	073	48 214	-	48 214	65 565
D.	Prepayments and accrued income	074	21 452	-	21 452	16 773
D. 1.	Prepaid expenses	075	21 335	-	21 335	16 765
D. 3.	Accrued income	077	117	-	117	8

Ref.	LIABILITIES AND EQUITY	Row	31.12.2017	31.12.2016
			5	6
a	b	c		
	TOTAL LIABILITIES AND EQUITY	078	526 632	490 695
A.	Equity	079	(7 869)	28 689
A. I.	Share capital	080	100 000	100 000
A. I. 1.	Share capital	081	100 000	100 000
A. III.	Other reserves	092	1 968	1 968
A. III. 1.	Other reserve funds	093	1 968	1 968
A. IV.	Retained earnings / Accumulated losses	095	(73 279)	(139 524)
A. IV. 2.	Accumulated losses	097	(73 279)	(139 524)
A. V.	Profit / (loss) for the current period	099	(36 558)	66 245
B. + C.	Liabilities	101	534 501	462 006
B.	Provisions	102	4 139	6 581
B. 4.	Other provisions	106	4 139	6 581
C.	Liabilities	107	530 362	455 425
C. II.	Short-term liabilities	123	530 362	455 425
C. II. 3.	Short-term advances received	126	300 392	274 710
C. II. 4.	Trade payables	129	65 745	66 811
C. II. 8.	Liabilities - other	133	164 225	113 904
C. II. 8. 3.	Liabilities to employees	136	1 089	1 281
C. II. 8. 4.	Liabilities for social security and health insurance	137	715	831
C. II. 8. 5.	Taxes and state subsidies payable	138	6 178	8 524
C. II. 8. 6.	Estimated payables	139	154 403	102 056
C. II. 8. 7.	Other liabilities	140	1 840	1 212

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 Date of preparation of the financial statements: 21 May 2018

INCOME STATEMENT

(In thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2017	2016
			1	2
I.	Sales of products and services	01	801	316
II.	Sales of goods	02	1 065 799	1 131 130
A.	Cost of sales	03	1 068 945	1 020 987
A. 1.	Cost of goods sold	04	1 039 924	987 262
A. 2.	Raw materials and consumables used	05	1 150	1 542
A. 3.	Services	06	27 871	32 183
D.	Staff costs	09	30 976	30 115
D. 1.	Wages and salaries	10	22 642	22 217
D. 2.	Social security, health insurance and other social costs	11	8 334	7 898
D. 2. 1.	Social security and health insurance costs	12	7 806	7 491
D. 2. 2.	Other social costs	13	528	407
E.	Value adjustments in operating activities	14	2 144	6 222
E. 1.	Value adjustments of fixed assets	15	1 504	5 621
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	1 504	5 621
E. 3.	Provision for impairment of receivables	19	640	601
III.	Operating income - other	20	2 065	3 535
III. 1.	Sales of fixed assets	21	310	904
III. 3.	Other operating income	23	1 755	2 631
F.	Operating expenses - other	24	1 025	7 386
F. 1.	Net book value of fixed assets sold	25	123	41
F. 3.	Taxes and charges from operating activities	27	-193	458
F. 4.	Operating provisions and complex prepaid expenses	28	(2 442)	32
F. 5.	Other operating expenses	29	3 151	6 855
*	Operating result	30	(34 425)	70 271
VI.	Interest and similar income	39	12	10
VI. 2.	Other interest and similar income	41	12	10
J.	Interest and similar expenses	43	680	492
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	680	492
VII.	Other financial income	46	2 942	416
K.	Other financial expenses	47	4 407	3 960
*	Financial result	48	(2 133)	(4 026)
**	Net profit / (loss) before taxation	49	(36 558)	66 245
**	Net profit / (loss) after taxation	53	(36 558)	66 245
***	Net profit / (loss) for the financial period	55	(36 558)	66 245
	Net turnover for the financial period = I. + II. + III. + IV. + V. + VI. + VII.	56	1 071 619	1 135 407

Company name: VEMEX Energie a.s.
 Identification number: 28903765
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CASH FLOW STATEMENT

(In thousand Czech crowns)

Ref.	TEXT	Accounting period	
		2017	2016
a	b	1	2
	Cash flows from operating activities		
	Net profit/(loss) on ordinary activities before tax	(36 558)	66 245
A. 1.	Adjustments for non-cash movements:	183	9 763
A. 1. 1.	Depreciation and amortisation of fixed assets	1 504	5 621
A. 1. 2.	Change in provisions	(1 802)	633
A. 1. 3.	(Profit)/loss from disposal of fixed assets	(187)	(863)
A. 1. 5.	Net interest expense/(income)	668	482
A. 1. 6.	Other non-cash movements	-	3 890
A *	Net cash flow from operating activities before tax and changes in working capital	(36 375)	76 008
A. 2.	Working capital changes:	20 531	(24 221)
A. 2. 1.	Change in receivables and prepayments	(54 406)	84 086
A. 2. 2.	Change in short-term payables and accruals	74 937	(108 307)
A **	Net cash flow from operating activities before tax	(15 844)	51 787
A. 3.	Interest paid	(680)	(492)
A. 4.	Interest received	12	10
A ***	Net cash flow from operating activities	(16 512)	51 305
B. 1.	Acquisition of fixed assets	(1 207)	(224)
B. 2.	Proceeds from sale of fixed assets	310	904
B ***	Net cash flow from investing activities	(897)	680
	Net increase/(decrease) in cash and cash equivalents	(17 409)	51 985
	Cash and cash equivalents at the beginning of the year	65 683	13 698
	Cash and cash equivalents at the end of the year	48 274	65 683

Statement of changes in shareholders' equity
for the year ended 31 December 2017

(CZK'000)	Share capital	Reserve fund	Accumulated losses	Total
As at 1 January 2016	100,000	1,968	(139,524)	(37,556)
Net profit for the period	-	-	66,245	66,245
As at 31 December 2016	100,000	1,968	(73,279)	28,689
Loss for the period	-	-	(36,558)	(36,558)
As at 31 December 2017	100,000	1,968	(109,837)	(7,869)

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 was dismissed from the position of chairman of the Supervisory Board (date of membership termination: 8 December 2016).

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

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

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

On 11 January 2018 Sergey Budzulyak was dismissed from the position of member of the Supervisory Board (date of membership termination: 11 August 2017).

On 11 January 2018 Igor Gennadievich Telenchak has been appointed as member of the Supervisory Board (member from: 4 October 2017).

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.

2.2. 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 to 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 this asset.

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

2.3. 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.

2.4. 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.

2.5. 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.

2.6. 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.

2.7. 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 2.14).

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), 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 2.14. 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 2.14. Revenues in category VO are represented by invoices actually issued.

2.8. 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 11.

2.9. 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.

2.10. Interest expense

All borrowing costs are expensed.

2.11. 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.

2.12. 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.

2.13. 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.

2.14. 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

(CZK'000)	1 January 2017	Additions / transfers	Disposals	31 December 2017
Cost				
Software	10,305	1,165	-	11,470
Total	10,305	1,165	-	11,470
Accumulated amortisation				
Software	(6,808)	(1,191)	-	(7,999)
Total	(6,808)	(1,191)	-	(7,999)
Net book value	3,497			3,471

(CZK'000)	1 January 2016	Additions / transfers	Disposals	31 December 2016
Cost				
Software	14,969	2,457	(7,121)	10,305
Advances paid for intangible assets and intangible fixed assets in the course of construction	2,301	(2,301)	-	-
Total	17,270	156	(7,121)	10,305
Accumulated amortisation				
Software	(9,187)	(4,742)	7,121	(6,808)
Total	(9,187)	(4,742)	7,121	(6,808)
Net book value	8,083			3,497

4. Tangible fixed assets

(CZK'000)	1 January 2017	Additions / transfers	Disposals	31 December 2017
Cost				
Constructions	320	-	-	320
Equipment	3,072	42	(685)	2,429
Total	3,392	42	(685)	2,749
Accumulated depreciation				
Constructions	(89)	(18)	-	(107)
Equipment	(2,391)	(295)	562	(2,124)
Total	(2,480)	(313)	562	(2,231)
Net book value	912			518

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

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

5. Investment in subsidiaries

31 December 2017	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2017 loss* (CZK'000)	Equity* (CZK'000)	2017 dividend income (CZK'000)
Foreign entities								
RSP Energy SK a.s.	100	EUR 250	7,048	7,160	100	85	199	-
Total				7,160				
Provision for impairment losses				(7,160)				
Net book value				-				

* Unaudited

VEMEX Energie a.s.
Notes to financial statements
for the year ended 31 December 2017

31 December 2016	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)
Foreign entities								
RSP Energy SK a.s.	100	EUR 250	7,048	7,160	100	(84)	120	-
Total				7,160				
Provision for impairment losses				(7,160)				
Net book value				-				

* Unaudited

There are no differences between the percentage of ownership and the percentage of voting rights in any subsidiary RSP Energy SK a.s. with registered office in Stromová 13, Bratislava, Slovak Republic.

6. Receivables

Overdue receivables as at 31 December 2017 amounted to CZK 22,819 thousand (as at 31 December 2016: CZK 27,655 thousand).

The provision for doubtful receivables as at 31 December 2017 was CZK 20,458 thousand (as at 31 December 2016: CZK 19,818 thousand).

The receivables from other companies within the consolidation group is presented in Note 11.

Estimated receivables include mainly unbilled deliveries of gas including distribution in the amount of CZK 116,480 thousand (as at 31 December 2016: CZK 127,338 thousand) and unbilled deliveries of electricity including distribution in the amount of CZK 136,361 thousand (as at 31 December 2016: CZK 114,381 thousand), refer to Note 2.14.

Prepaid expenses as at 31 December 2017 and as at 31 December 2016 include mainly deferred commission cost paid to agents for new clients' acquisitions.

Short-term and long-term advances paid as at 31 December 2017 and as at 31 December 2016 include mainly advances paid to suppliers of electricity and gas in relation to purchases and distribution of those commodities.

Unsettled receivables have not been covered by guarantees 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 2017		31 December 2016	
	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 2017	31 December 2016
VEMEX s.r.o.	51	51
GEEN Holding a.s.	49	49
Total	100	100

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 Company had negative equity in the amount of CZK 7,869 thousand as at 31 December 2017. GAZPROM Germania GmbH (50,14 % shareholder of VEMEX s.r.o.) has expressed its intention to support the Company in the letter of support dated 2 May 2018, including financial support.

The general meeting of the shareholders approved the financial statements for 2016 and decided about the allocation the profit incurred in 2016 of CZK 66,245 thousand on 23 June 2017.

Until the date of preparation of these financial statements, the Company has not proposed allocation of the loss incurred in 2017.

8. Provisions

Other provisions as at 31 December 2017 included the provision for pending legal disputes in the amount of CZK 4,139 thousand (as at 31 December 2016: CZK 6,000 thousand) and as at 31. December 2016 other provisions also included a provision for untaken holiday in amount of CZK 581 thousand (as at 31 December 2017: CZK 0).

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.

Total non-cancellable future commitments in respect of operating leases (not recorded in the balance sheet) amounted to CZK 3,596 thousand as at 31 December 2017 (as at 31 December 2016: CZK 2,399 thousand).

The Company did not provide any guarantees which were not recorded in the balance sheet or disclosed in notes to financial statements.

The management of the Company is not aware of any contingent liabilities as at 31 December 2017.

Estimated payables include mainly uninvoiced purchases of electricity distribution in the amount of CZK 91,742 thousand (as at 31 December 2016: CZK 63,794 thousand) and uninvoiced purchases of gas distribution in the amount of CZK 39,820 thousand (as at 31 December 2016: CZK 36,336 thousand) refer to Note 2.14.

Short-term advances received as at 31 December 2017 include mainly advances received from customers in relation to deliveries of gas and electricity in the amount of CZK 300,392 thousand (as at 31 December 2016: CZK 274,710 thousand).

10. Revenue analysis

Revenue analysis:

(CZK'000)	2017	2016
Sales of electricity		
- Czech Republic	657,688	570,583
- foreign	9,715	136,810
Sales of gas		
- Czech Republic	398,396	423,737
Total sales of goods	1,065,799	1,131,130

11. Related party transactions

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

(CZK'000)	2017	2016
Revenues		
Sales of goods	475	1,429
Sales of services	191	-
Total	666	1,429
Costs		
Purchase of goods for resale - VEMEX s.r.o	135,012	129,625
Purchase of goods for resale - WINGAS GmbH	75,647	58,395
Purchase of services	2,533	2,956
Interest expense	680	492
Fees for guarantees received	1,526	1,803
Total	215,398	193,271

(CZK'000)	31 December 2017	31 December 2016
Receivables		
Trade receivables	101	(29)
Total	101	(29)
Liabilities		
Liabilities to companies within the consolidation group	19,613	35,372
Out of which:		
- Trade payables	19,613	34,401
- Other payables	-	971
Total	19,613	35,372

No loans were provided to members of the Board of Directors and Supervisory Board as at 31 December 2017 and 2016.

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.

12. 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 2017 amounted to CZK 440 thousand.

13. Employees

	2017		2016	
	number	CZK'000	number	CZK'000
Emoluments to members of the Supervisory Board	3	831	3	976
Wages and salaries to management	6	4,803	7	5,440
Wages and salaries to other employees	34	17,008	34	15,801
Social security costs		5,740		5,484
Health insurance costs		2,066		2,007
Other social costs		528		407
Wages and salaries total	43	30,976	44	30,115

In accordance with §39b, par. 6d) of the Decree 500/2002, the Company does not disclose the emoluments of Statutory Body separately. The emoluments of the Statutory Body are disclosed in total with other management.

The Company's management includes members of Board of Directors and senior staff members directly reporting to the Board of Directors.

Other transactions with the Company's management are described in Note 11 - Related party transactions.

14. Income tax

The deferred tax was calculated at 19% (the rate enacted for 2017 and subsequent years).

Deferred tax asset / (liability) can be analysed as follows:

(CZK'000)	31 December 2017	31 December 2016
Deferred tax asset / (liability) arising from:		
Difference between accounting and tax net book value of fixed assets	(252)	(322)
Provisions	1,500	1,973
Tax losses carried forward	16,693	10,399
Net deferred tax asset	17,941	12,050

A potential net deferred tax asset of CZK 17,941 thousand as at 31 December 2017 (as at 31 December 2016: CZK 12,050 thousand), has not been recognised as it is not probable that future taxable profit will be available against which the unused tax credits can be utilised. The 19% rate has been used to calculate it as at 31 December 2017 and 2016.

The Company has tax losses as at 31 December 2017 of CZK 31,252 thousand, which can be utilised up to 2019, tax losses in the amount of CZK 19,189 thousand, which can be utilized up to 2020 and tax losses in the amount of CZK 37,418 thousand, which can be utilized up to 2022.

15. Other facts not presented in the financial statements

Guarantees issued for the Company (in CZK'000):

Counterparty	2017	2016
Commerzbank Praha	34,540	49,020
Commerzbank Berlin	21,800	20,000
GAZPROM Germania GmbH	94,498	106,594
Total	150,838	175,614

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.

16. Subsequent events

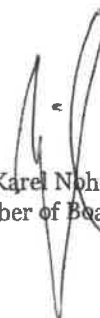
With respect to the negative equity (Note 7) and in connection with going concern assumption for foreseeable future (12 months), the management of the Company received a letter of support dated 2 May 2018 where the company GAZPROM Germania GmbH (50,14 % shareholder of VEMEX s.r.o.) has expressed its financial support.

No other events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2017.

Prague, 21 May 2018



Václav Lerch
Chairman of the Board of Directors



Ing. Karel Nohejl
Member of Board of Directors

Report on relations

of the company

VEMEX Energie, a.s.

Pursuant to Section 82 of the Corporations Act

For the accounting period 2017

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 (in this Report also the “**VEMEX Energie a.s.**” or 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 2017 (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 2017 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, 16 Nametkina str., Russian federation, (in this Report also the “**POA 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 concluded with 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, including valid amendments)
- b) Amendment 4 to Framework Agreement on Purchase and Sale of Natural Gas dated 22 December 2016 and valid since 1. January 2017 about change of purchasing price for year 2017
- c) Service Agreement to Ensure the Security of Supply of Natural Gas Standard dated 31 August 2016 valid for the period from October 2016 to March 2017

- d) Agreement on Sublease of Non-Residential Premises dated 21 November 2012 (for the period from 21 November 2012 to 30 June 2017)
- e) Amendment 1, dated 28 February 2017, to Agreement on Sublease of Non-Residential Premises for rent space extension
- f) Three-sided Agreement on cession of the lease contract dated 20 November 2017 among VEMEX Energie a.s., VEMEX s.r.o. and landlord, valid from 1 January 2018
- g) Amendment 2, dated 22 December 2017, to Agreement on Sublease of Non-Residential Premises about change of roles of Lessee and Sub-lessee based on concluded Agreement on cession of the lease contract (see contract in point f), valid since 1 January 2018
- h) Agreement on Lease of vehicle dated 27 April 2017 valid since car handover to 31 December 2017
- i) Amendment 1 to Agreement on Lease of vehicle dated 12 December 2017 for lease period extension to 31 July 2018
- j) Agreement on combined electricity supply from networks of low voltage dated 11 December 2012 (supply point Na Zátorce, valid until 31 December 2017)
- k) Agreement on combined gas supply dated 11 December 2012 (supply point Na Zátorce, valid until 31 December 2017)
- l) Agreement on combined electricity supply from networks of low voltage dated 27 May 2014 (supply point Kolín)
- m) Agreement on combined gas supply dated 13 December 2017 (CNG station, valid from 1 January 2018)

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
- b) Loan agreement dated 8 February 2017, valid till 31 July 2017
- c) Loan agreement dated 29 December 2017, valid till 31 July 2018

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 dated 15 December 2016 for period of calendar year 2017
- c) Binding offer to Framework Agreement for Natural Gas Supply dated 28 March 2017 for period from April 2017 till December 2018
- d) Binding offer to Framework Agreement for Natural Gas Supply dated 23 November 2017 for period of calendar year 2018.

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.

Purchase of natural gas from 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.

Drawing and repayment of a loan provided by company GAZPROM Germania 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 2018



Václav Lerch
Chairman of the Board of Directors

31 March 2018



Ing. Karel Nohýl
Member of the board of Directors

Annex No. 1: The structure of relations within the Group as at 31. December 2017:

