

ANNUAL REPORT FOR 2015

1. Introduction by the Board of Directors

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

We have just completed the year 2015, which was important for our Company in many respects. In particular, we are glad to have gained the trust of more than thirty thousand customers in the Czech Republic. This is a significant success in the current highly competitive environment where most of the players face loss of customers.

Another important aspect is our co-operation with the majority shareholder VEMEX s.r.o., through which we arrange supplies of natural gas to our customers. Thanks to our proprietary relation with GAZPROM Germania GmbH, and the PAO GAZPROM Group, we have access to the strategic raw resource and the world's largest producer of natural gas and therefore enjoy a unique position on the Czech market. Given that, especially in the household segment, the supply of natural gas is subject to the obligation to ensure the security of supply of natural gas standard, we are glad to be able to secure the supply directly from the source in the aforementioned manner. This is indeed unique on a market characterised by a high level of tradability.

The Company's results in all areas were driven by individual people, the company's employees. We would like to use this opportunity to express our gratitude for their work and loyalty to our Company. On this occasion, Special thanks also go to the Supervisory Board for their support in the management of the 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 2015. I am pleased to conclude that the year was successful, in spite of the resulting loss. The added value increased by CZK 45,267 thousand, which is a positive development.

The Supervisory Board and the Board of Directors co-operate very closely. The General Meeting held on 22 December 2015 approved the new procedural Rules of the Board of Directors and the updated wording of the Company's Articles of Association. The Supervisory Board has been vested with wider competence and will perform more important tasks. I appreciate the excellent co-operation of the Board of Directors with the Supervisory Board in this respect.

The Supervisory Board met four times during 2015. 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 2016.

Vratislav J. Kubínek
Chairman of the Supervisory Board

3. Company identification details:

Company name: VEMEX Energie a.s. (hereinafter the "Company")

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

Identification number: 289 03 765

Registered in the Commercial Register maintained by the City Court in Prague under File B15299

Objects of business:

- Retail sale of energy, in particular electricity and natural gas

Information on the share capital:

The amount of the subscribed share capital amounts to CZK 100 million and the share capital has been fully paid-up. The share capital consists of 500 registered shares in book-entered form with the nominal value of CZK 200,000 each.

Governing bodies

Board of Directors as at 31 December 2015:

Chairman	Václav Lerch
Member	Ing. Karel Nohejl

The following changes in the composition of the Board of Directors occurred in 2015:

On 10 July 2015, Vasily Dinkov was removed from the Commercial Register as the Chairman of the Board of Directors.

On 26 August 2015, the following changes in the composition of the Board of Directors were registered in the Commercial Register based on the resolution of the General Meeting of 25 June 2015: Mr Alexander Kostin was removed as a Member of the Board of Directors; Mr Václav Lerch was registered as the Chairman of the Board of Directors; and Mr Karel Nohejl was registered as a Member of the Board of Directors.

Supervisory Board as at 31 December 2015:

Chairman	Ing. Vratislav Jonáš Kubínek
Member	Sergey Budzulyak
Member	Dzhamil Bulgakov

Procuration as at 31 December 2015:

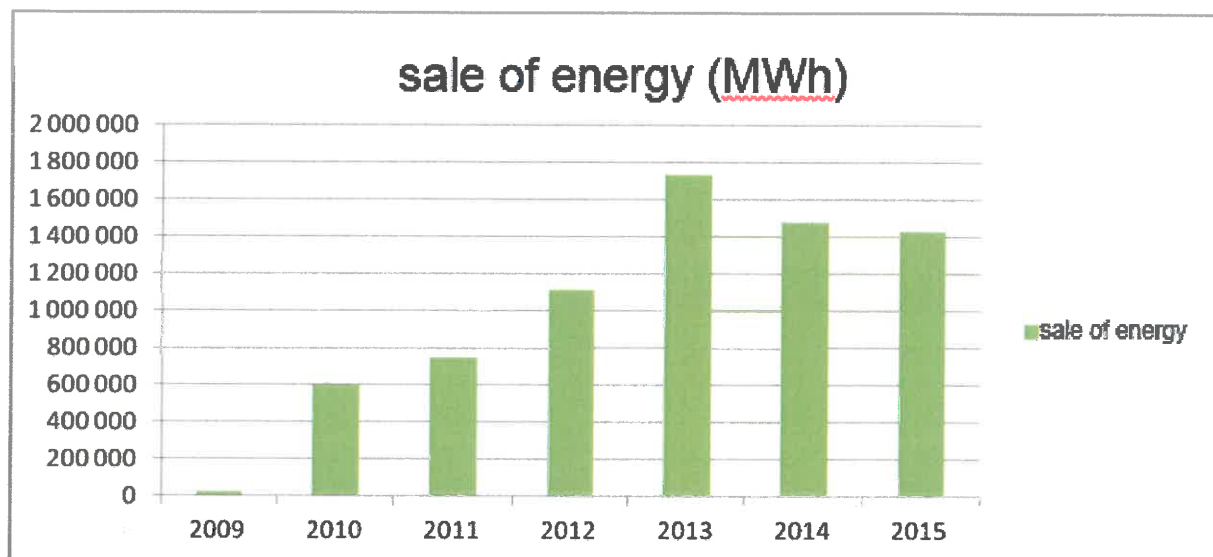
No procuration had been appointed as at the above-specified date.

4. REPORT ON BUSINESS ACTIVITIES AND ASSETS OF THE COMPANY

4.1 Sales function

In the difficult market environment, the total sales in 2015 reached 1,430,060 MWh, of which 856,657 MWh were in the form of electricity and 573,403 MWh were in the form of natural gas. This represents almost a 4% year-on-year increase for the sales of electricity and a 12% year-on-year decrease for the sales of gas.

Total energy sales in 2009-2015 (MWh)



Electricity and natural gas were sold to a total of 32,383 customers, of which 17,757 purchased electricity, which corresponded to a 7 % increase compared to the previous year; and natural gas was sold to 14,626 connected consumption points by the end of 2015, which corresponded to a 3% increase.

In general, we can conclude that the Czech energy market is stabilised and is no longer subject to such massive changes in suppliers as in past years. Consumers are more prudent and base their decisions to change the supplier not only on the better price, but also on the level of customer care.

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

A more rigorous approach to the enforcement of receivables was adopted in the second half of 2015. The method of enforcing receivables has been amended and intensive negotiations have been conducted with debtors owing the greatest amounts.

4.2 Customer care function

Customer satisfaction is our priority. All steps taken in 2015 were aimed at improving our systems and procedures specifically with regard to our customers.

New functionalities of the Company's invoicing system were developed during 2015. Further, the process of digitising agreements received in past was finished and has now been set up as the standard; all agreements thus can be found in electronic form.

The total of 12,000 agreements were processed in 2015. These concern both newly acquired consumption points, where the entire supplier change process was arranged for, and current consumptions points with renewed agreements.

In the last year, we issued 44,076 invoices to our customers for the supply of electricity and natural gas, all within standard deadlines. 1,050 change forms concerning amendments to payment terms and conditions were processed.

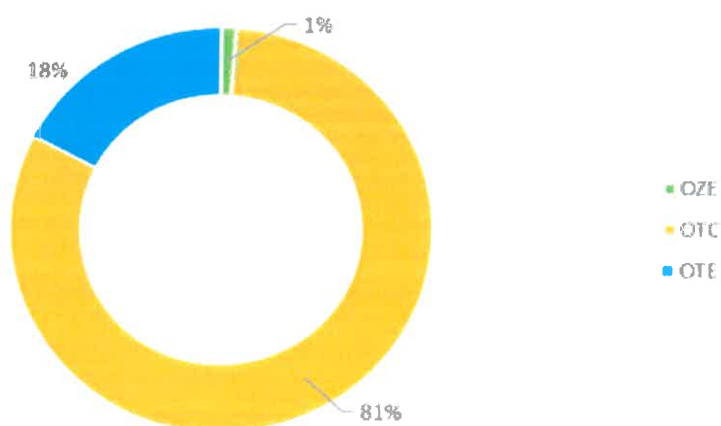
4.3 Purchase of electricity and natural gas in 2015

The purchase function was performed by a stabilised department specialising primarily in electricity trading. The main trading area is the Czech energy market, where the Company has built a strong position.

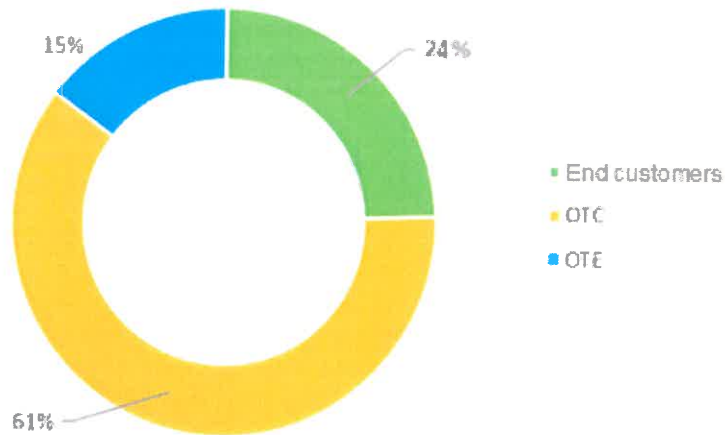
Electricity:

The portfolio of end customers was covered mostly by long-term contracts. Wholesale of electricity thus amounted to 75.5% of total electricity sales (in MWh) in 2015.

Purchases of electricity (in MWh) in 2015



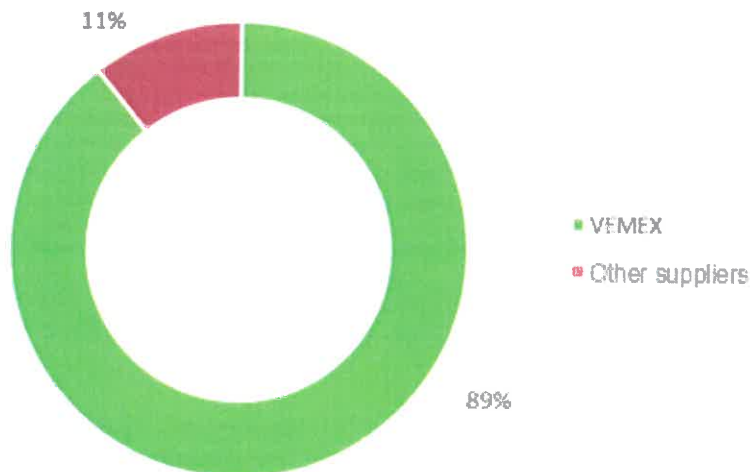
Sales of electricity (in MWh) in 2015



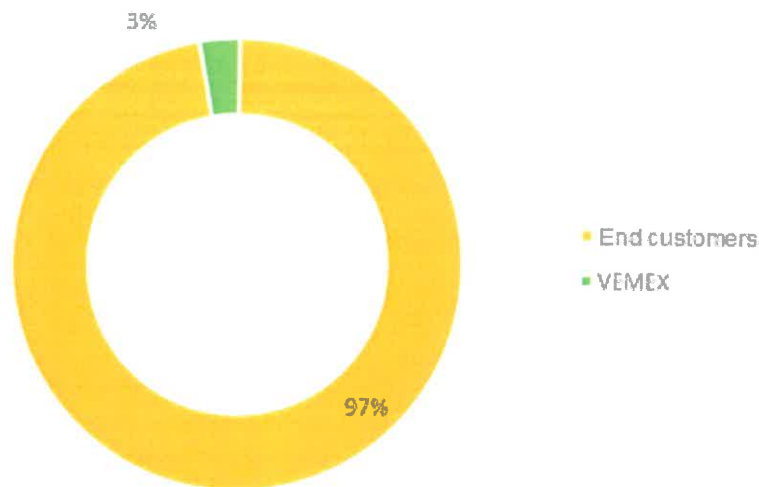
Natural gas:

Purchase of natural gas by VEMEX Energie a.s. is arranged in the form of transferring the liability for deviations to the parent company VEMEX s.r.o., which is responsible for implementing business transactions and ensuring the security of supply of natural gas standard. The portfolio of end customers was covered by long-term contracts, together with purchases on the spot market. A major part of the natural gas portfolio was purchased from the parent company VEMEX s.r.o. in 2015.

Purchases of natural gas (in MWh) in 2015



Sales of natural gas (in MWh) in 2015



4.4 Personnel policy

Considering the needs of the Company and the aim to maintain the conditions for its further growth and the continuous improvement of customer services, certain organisational and personnel changes, too, were undertaken in 2015. The long-term and permanent goal in this area is to improve the quality of the entire corporate management process with the aim to ensure its adequate flexibility throughout the entire period of dynamic growth of the Company.

- In the area of human resources, the number of employees with a university education increased in 2015.
- The time necessary for processing customer requests was shortened thanks to the use of services of handicapped persons.

Year	University education	Secondary education	Total	% of employees with secondary education	% of employees with university education
2014	18	36	54	67%	33%
2015	20	24	44	55%	45%

The Company had 44 employees in 31 December 2015

4.5 Financial function

Due to the loss in 2015, the Company reported negative equity in the amount of CZK 37,556 thousand as at 31 December 2015. Based on the Company's plans, the Board of Directors expects substantial improvement in the financial position in 2016 and has adopted appropriate measures.

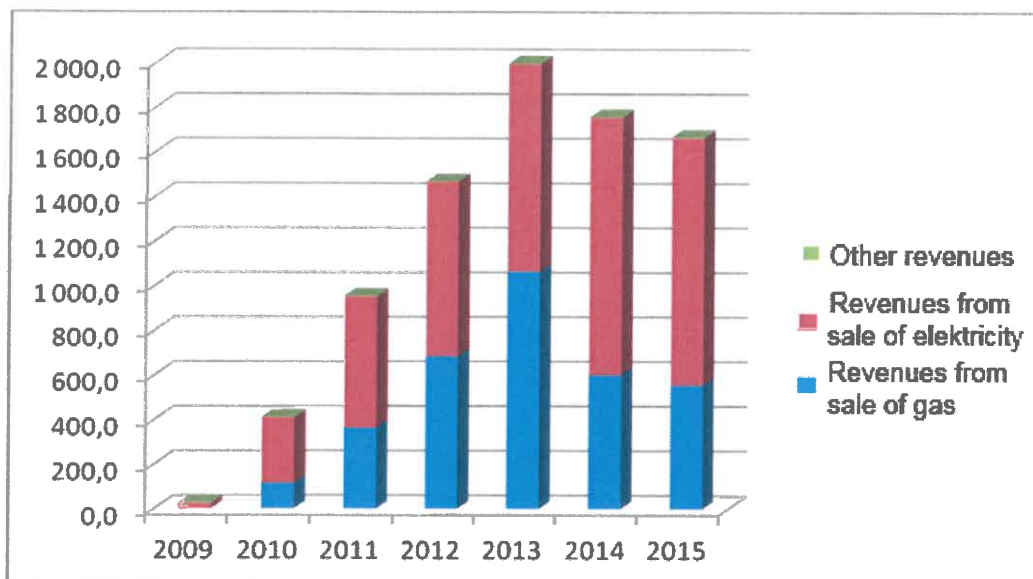
Aggregated profit and loss account for 2015

Indicator	in CZK ths.
Revenues from sale of electricity, natural gas and distribution	1,665,480
Other revenues	11,518
Total revenues	1,676,998
Costs of purchase of electricity, natural gas and distribution	1,581,374
Other expenses	128,235
Total costs	1,709,609
Loss before tax	(32,611)

Aggregated balance sheet as at 31 December 2015

Indicator	in CZK ths.
Fixed assets	9,847
Current assets	505,401
Other assets	17,477
Total net assets	532,725
Equity	(37,556)
Liabilities	570,279
Other liabilities	2
Total liabilities	532,725

Development and structure of turnover In the period 2009 – 2015 (in CZK million)



The complete overview of financial performance of the Company in 2015 is included in the Financial Statements which form an integral part of this annual report.

5. Other Information

5.1 SENIOR COMPANY MANAGEMENT

Senior Company Management as at 31 December 2015:

Sales Manager	Ing. Leona Schovancová, PhD.
Purchase Manager	Ing. Michal Fuka
Customer Care Manager	Miroslava Gašparová
Financial Director	Ing. Milan Konvalinka
General Counsel	Mgr. Dominika Takáčová
HR Manager	Miroslava Damborská

5.2 CAPITAL INVESTMENTS OF THE COMPANY

The company VEMEX Energie a.s. holds 100 % share in its subsidiary with the business name RSP Energy SK a.s., seated in Slovakia. Business activities of this subsidiary were terminated as at 31 December 2011; while the subsidiary still exists, it is not active apart from performing credit collection activities.

5.3 OTHER INFORMATION UNDER SECTION 21 OF ACT 563/1991 Coll.

Expected future development of activities of the accounting unit

The Company continues its current business, i.e. the sale of natural gas and electricity, in 2016. The set goal is to consolidate and increase the number of

customers; improve work efficiency; and achieve the economic results according to the set goals.

Activities in the area of research and development:

The Company neither performs nor intends to perform any activities in the area of research and development.

Activities in the area of environmental protection and labour relations:

The Company does not undertake any particular activities in the area of the environmental protection; nonetheless, the Company complies with all applicable environmental legislation. The Company also complies with the applicable Czech labour laws and regulations and concludes employment contracts exclusively under Czech law.

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 for part of the year 2015. Currency forward contracts are concluded in accordance with the applicable risk management policies and based on approval by the Board of Directors of the Company. The purpose of the risk management is to minimise negative impacts of fluctuations in the CZK/EUR exchange rate on the economic results of the Company.

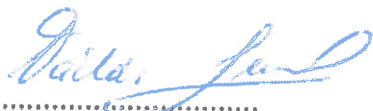
Foreign branch of the Company:

The Company has no foreign branches.

6. INFORMATION ON PERSONS RESPONSIBLE FOR PREPARATION OF THE ANNUAL REPORT

Václav Lerch, as the Chairman of the Board of Directors, and Karel Nohejl, as a Member of the Board of Directors, hereby 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.

In Prague, 20 June 2016



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



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

Company contact details:

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Na Zátorce 289/3
160 00 Prague 6

Telephone: +420 226 291 150
Fax: +420 226 291 151
E-mail: vemexenergie@vemexenergie.cz
Web: www.vemexenergie.cz



Independent auditor's report

to the shareholders of VEMEX Energie a.s.

We have audited the accompanying financial statements of VEMEX Energie a.s., identification number 289 03 765, with registered office at Na Zátorce 289/3, Praha 6 ("the Company"), which comprise the balance sheet as at 31 December 2015, the income statement and statement of changes in equity for the year then ended and notes, including a summary of significant accounting policies and other explanatory information ("the financial statements").

Statutory Body's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors of the Czech Republic, International Standards on Auditing and the related application guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial statements that give a true and fair view 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 control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2015, 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 6 to these financial statements. The Company has negative equity of CZK 37,556,000 as at 31 December 2015. These conditions, along with other matters as set forth in note 6, indicate 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.

Other information

The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.



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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. 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 not materially inconsistent with the financial statements or our knowledge about the Company obtained in the course of the audit of the financial statements, whether the annual report was prepared in compliance with legal requirements, and whether the other information does not appear to be otherwise materially misstated.

If, based on the work we have performed, we conclude that the aforementioned requirements of the other information are not met, we are obliged to report that fact herein.

We have nothing to report in this regard.

20 June 2016

represented by partner

A handwritten signature in blue ink, appearing to read '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 2015

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 2015

Date of preparation of the financial statements: 20 June 2016

BALANCE SHEET

(in thousand Czech crowns)

Ref. a	ASSETS b	31.12.2015			31.12.2014
		Gross 1	Provision 2	Net 3	Net 4
	TOTAL ASSETS	573 943	(41 218)	532 725	652 139
B.	Fixed assets	31 848	(22 001)	9 847	10 657
B. I.	Intangible fixed assets	17 270	(9 187)	8 083	8 298
B. I. 1.	Software	14 969	(9 187)	5 782	8 298
2.	Intangible fixed assets in the course of construction	1 748	-	1 748	-
3.	Advances paid for intangible fixed assets	553	-	553	-
B. II.	Tangible fixed assets	7 418	(5 654)	1 764	2 359
B. II. 1.	Constructions	876	(193)	683	736
2.	Equipment	6 542	(5 461)	1 081	1 623
B. III.	Long-term investments	7 160	(7 160)	-	-
B. III. 1.	Investments in subsidiaries	7 160	(7 160)	-	-
C.	Current assets	524 618	(19 217)	505 401	601 576
C. II.	Long-term receivables	27 069	-	27 069	23 919
C. II. 1.	Long-term advances paid	27 069	-	27 069	23 919
C. III.	Short-term receivables	463 851	(19 217)	464 634	516 795
C. III. 1.	Trade receivables	69 764	(19 217)	50 547	98 001
2.	Taxes - receivables from the state	17 457	-	17 457	33 168
3.	Short-term advances paid	130 888	-	130 888	174 430
4.	Estimated receivables	257 825	-	257 825	205 645
5.	Other receivables	7 917	-	7 917	5 551
C. IV.	Financial assets	13 698	-	13 698	60 862
C. IV. 1.	Cash in hand	103	-	103	179
2.	Cash at bank	13 595	-	13 595	60 683
D. I.	Prepayments and accrued income	17 477	-	17 477	39 036
D. I. 1.	Prepaid expenses	17 465	-	17 465	39 889
2.	Accrued income	12	-	12	17

Ref. a	LIABILITIES AND EQUITY b	31.12.2015	31.12.2014
		5	6
	TOTAL LIABILITIES AND EQUITY	532 725	652 139
A.	Equity	(37 556)	(4 945)
A. I.	Share capital	100 000	100 000
A. I. 1.	Share capital	100 000	100 000
A. III.	Other reserves	1 968	1 968
A. III. 1.	Reserve fund	1 968	1 968
A. IV.	Retained earnings / Accumulated losses	(106 913)	(41 941)
A. IV. 1.	Accumulated losses	(106 913)	(41 941)
A. V.	Profit / (loss) for the current period	(32 611)	(64 972)
B.	Liabilities	570 279	657 063
B. I.	Provisions	6 549	741
B. I. 1.	Other provisions	6 549	741
B. III.	Short-term liabilities	563 730	656 289
B. III. 1.	Trade payables	122 284	179 793
2.	Liabilities to employees	1 153	1 235
3.	Liabilities for social security and health insurance	729	838
4.	Taxes and state subsidies payable	1 839	3 494
5.	Short-term advances received	325 839	342 218
6.	Estimated payables	108 199	126 935
7.	Other payables	3 687	1 776
B. IV.	Bank loans & overdrafts	-	33
B. IV. 1.	Short-term bank loans and overdrafts	-	33
C. I.	Accruals and deferred income	2	21
C. I. 1.	Accrued expenses	2	21

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 2015

Date of preparation of the financial statements: 20 June 2016

INCOME STATEMENT

(in thousand Czech crowns)

Ref. a	DESCRIPTION b	Accounting period	
		2015 1	2014 2
I.	Sales of goods	1 665 480	1 756 969
A.	Cost of goods sold	1 581 374	1 731 985
+	Gross profit	84 106	24 984
II.	Sales of production	616	599
II. 1.	Sales of own products and services	616	599
B.	Cost of sales	67 048	53 176
B. 1.	Raw materials and consumables used	1 436	2 835
B. 2.	Services	65 612	50 341
+	Added value	17 674	(27 593)
C.	Staff costs	31 608	36 049
C. 1.	Wages and salaries	21 354	22 816
C. 2.	Emoluments of board members	2 230	3 789
C. 3.	Social security and health insurance costs	7 603	8 957
C. 4.	Other social costs	421	487
D.	Taxes and charges	267	316
E.	Depreciation and amortisation expense	3 430	2 815
III.	Sales of fixed assets and raw materials	378	-
III. 1.	Sales of fixed assets	378	-
F.	Net book value of fixed assets and raw materials sold	29	-
F. 1.	Net book value of fixed assets sold	29	-
G.	Changes in operating provisions and complex prepaid expenses	11 125	(5 576)
IV.	Other operating income	2 790	2 607
H.	Other operating expenses	1 319	1 211
*	Operating result	(26 936)	(59 801)
IX.	Gain on revaluation of securities and derivatives	1 072	1 588
L.	Loss on revaluation of securities and derivatives	3 146	2 048
X.	Interest income	34	36
N.	Interest expense	16	762
XI.	Other financial income	6 628	3 311
O.	Other financial expenses	10 247	7 296
°	Financial result	(5 675)	(5 771)
**	Profit or loss on ordinary activities after taxation	(32 611)	(64 972)
***	Net profit / (loss) for the financial period	(32 611)	(64 972)
****	Net profit / (loss) before taxation	(32 611)	(64 972)

Statement of changes in shareholders' equity
Year ended 31 December 2015

(CZK'000)	Share capital	Reserve fund	Retained earnings / (Accumulated losses)	Total
As at 1 January 2014	100,000	1,968	(41,941)	60,027
Net loss for 2014	-	-	(64,972)	(64,972)
As at 31 December 2014	100,000	1,968	(106,913)	(4,945)
Net loss for 2015	-	-	(32 611)	(32 611)
As at 31 December 2015	100,000	1,968	(139,524)	(37 556)

1. General information

1.1. Introductory information about the Company

VEMEX Energie a.s. („the Company“) was incorporated on 26 May 2009 and has its registered office at Na Zátorce 289/3, Bubeneč, 160 00 Prague 6, Czech Republic. The Company’s primary business activity is retail of energy, mainly electricity and gas.

The members of the Board of Directors as at 31 December 2015 were as follows:

Name	Position	Date of appointment
Václav Lerch	Chairman	25 June 2015
Karel Nohejl	Vice-Chairman	25 June 2015

The members of the Supervisory board as at 31 December 2015 were as follows:

Name	Position	Date of appointment
Vratislav Jonáš Kubínek	Chairman	26 August 2011
Sergey Budzulyak	Member	21 November 2013
Dzhamil Bulgakov	Member	9 September 2014

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

On 10 July 2015 Vasily Dinkov was erased as a chairman of the Board of Directors (date of membership termination: 4 June 2015).

On 26 August 2015 Alexander Kostin was erased as a member of the Board of Directors (date of membership termination: 25 June 2015).

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 governed by the Board of directors and it has simple organizational structure that includes following departments/divisions:

- Sales Division with Direct and Indirect Sales Department
- Purchase and Trading Division
- Customer Service Division with Front Office, Back Office and Billing Department
- Financial Division
- Separate Legal Department
- Separate Human resources Department

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 and have been prepared under the historical cost convention except derivatives which are shown at fair value.

2.2. Intangible and tangible 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 rates used differ from those allowable for taxation purposes.

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

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.

2.3. Investments in subsidiaries and investments in associates

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.

2.6. 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. The Company has not applied hedge accounting.

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, 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 2.14. 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. 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.

2.9. 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.

2.10. 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. 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; and/or
- subsidiaries.

Material transactions and outstanding balances with related parties are disclosed in Note 14.

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 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 behavior 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 and tangible fixed assets

(CZK'000)	Intangible fixed assets		Tangible fixed assets	
	2015	2014	2015	2014
Net book value as at 1 January	8,298	6,417	2,359	3,211
Additions	2,699	3,612	0	232
Amortisation / Depreciation	(2,914)	(1,731)	(516)	(1,084)
Disposals	0	0	(79)	0
Net book value as at 31 December	8,083	8,298	1,764	2,359

The Company does not use the assets under finance lease contracts that would be recorded as tangible fixed assets after the expiration of the lease and ownership transfer.

4. Receivables

Unsettled trade receivables as at 31 December 2015 have not been secured and none of them are due after more than 5 years.

The overdue receivables as at 31 December 2015 amounted to CZK 31,462 thousand (as at 31 December 2014: CZK 25,472 thousand).

The provision for doubtful receivables as at 31 December 2015 was CZK 19,217 thousand (as at 31 December 2014: CZK 13,900 thousand).

The receivables from other companies within the consolidation group is presented in Note 14.

Estimated receivable include mainly unbilled deliveries of gas including distribution in the amount of CZK 132,265 thousand (as at 31 December 2014: CZK 104,152 thousand) and unbilled deliveries of electricity including distribution in the amount of CZK 125,433 thousand (as at 31 December 2014: 101,493 thousand), refer to Note 2.14.

Prepaid expenses as at 31 December 2015 and as at 31 December 2014 include mainly deferred commission cost paid to agents for new clients' acquisitions.

Short-term and long-term advances paid as at 31 December 2015 and as at 31 December 2014 include mainly advances paid to suppliers of electricity and gas in relation to purchases and distribution of those commodities.

5. Investment in subsidiaries

	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)
31 December 2015								
Foreign entities								
RSP Energy SK a.s.								
Slovak Republic	100	EUR 250	7,048	7,160	100	(97)	204	0
Total				7,160				
Provision for impairment losses				(7,160)				
Net book value				0				

	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2014 net loss (CZK'000)	Equity (CZK'000)	2014 dividend income (CZK'000)
31 December 2014								
Foreign entities								
RSP Energy SK a.s.								
Slovak Republic	100	EUR 250	7,048	7,160	100	(86)	309	0
Total				7,160				
Provision for impairment losses				(7,160)				
Net book value				0				

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

6. Equity

Main shareholders with more than 20% share:

(in %)	31 December 2015	31 December 2014
VEMEX s.r.o.	51.00	51.00
Mikhail Zaputryaev	25.00	25.00
Other shareholders (less than 20 %)	24.00	24.00
Total	100.00	100.00

The Company is part of consolidation unit VEMEX s.r.o. and belongs to the group with the ultimate parent company GAZPROM Germania GmbH.

Authorized and issued share capital:

	31 December 2015		31 December 2014	
	No. of pieces	Carrying value (CZK'000)	No. of pieces	Carrying value (CZK'000)
Ordinary shares of CZK 200,000, fully paid	500	100,000	500	100,000

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 2014 and decided about the allocation the loss incurred in 2014 of CZK 64,972 thousand on 22 December 2015.

The Company had negative equity in the amount of CZK 37,556 thousand as at 31 December 2015. The company GAZPROM Germania GmbH has expressed its intention to support and further develop the Company in the letter of support dated 7 June 2016, including financial support. GAZPROM Germania GmbH is 50% owner of Vemex s.r.o., the 51 % owner of the Company.

7. Provisions

(CZK'000)	31 December 2015	31 December 2014
Other provisions	6,549	741
Total provisions	6,549	741

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

Other provisions in the year 2014 included only the provision for untaken holiday.

8. Payables and commitments

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 2015 amounted to CZK 19,067 thousand (as at 31 December 2014: CZK 2,713 thousand).

The liabilities towards other companies within the consolidation group is presented in Note 14.

Estimated payables include mainly uninvoiced purchases of electricity distribution in the amount of CZK 83,135 thousand (as at 31 December 2014: CZK 94,542 thousand) and uninvoiced purchases of gas distribution in the amount of CZK 22,249 thousand (as at 31 December 2014: 30,206 thousand), refer to Note 2.14.

Short-term advances received as at 31 December 2015 include mainly advances received from customers in relation to deliveries of gas and electricity in the amount of CZK 325,839 thousand (as at 31 December 2014: 340,025 thousand).

9. Bank loans and other borrowings

(tis. Kč)	31. prosince 2015	31. prosince 2014
Short-term bank loans and overdrafts	0	33
Total bank loans and overdrafts	0	33

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 2015			31 December 2014		
	Fair value		Nominal amount	Fair value		Nominal amount
	Positive	Negative		Positive	Negative	
Currency forwards	0	2,382	128,855	0	0	0
Total trading agreements	0	2,382	128,855	0	0	0

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.

11. Income tax

The deferred tax was calculated at 19% (the rate enacted for 2015 and subsequent years).

Deferred tax asset can be analysed as follows:

(CZK'000)	31 December 2015	31 December 2014
Difference between accounting and tax net book value of fixed assets	(659)	183
Provisions	2,195	1,282
Tax losses carried forward	22,745	19,100
Net deferred tax asset	24,281	20,199

A potential net deferred tax asset of CZK 24,281 thousand as at 31 December 2015 (as at 31 December 2014: CZK 20,199 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 2015 and 2014.

The Company had tax losses as at 31 December 2015 of CZK 19,188 thousand, which can be utilized up to 2020, tax losses in the amount of CZK 75,123 thousand, which can be utilized up to 2019 and tax losses in the amount of CZK 25,400 thousand, which can be utilized up to 2018.

12. Revenue analysis

Revenue analysis:

(CZK'000)	2015	2014
Sales of electricity		
- Czech Republic	876,484	844,980
- foreign	232,793	129,623
Sales of gas		
- Czech Republic	556,203	782,366
Total sales of goods	1,665,480	1,756,969

13. Employees

	Staff costs (CZK'000)		Average number of employees during the year	
	2015	2014	2015	2014
Members of management	7,711	8,489	5	8
Other staff	23,897	27,560	42	45
Total	31,608	36,049	47	53

The Company's management includes executive directors and managers directly subordinated to them.

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

Company cars are made available for use by some executive directors and some managers.

Total remuneration for the executive directors in 2015 was CZK 1,246 thousand (2014: CZK 2,760 thousand). Total remuneration for the members of the Supervisory board was CZK 984 thousand (2014: CZK 1,029). These remunerations are part of staff costs.

14. Related party transactions

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

(CZK'000)	2015	2014
Revenues		
Sales of goods	8,135	36,073
Total	8,135	36,073
Costs		
Purchase of goods for resale	347,193	466,629
Purchase of services	2,407	2,510
Interest expense	0	739
Fees for guarantees received	1,777	1,344
Total	351,377	471,222

The following related party balances were outstanding as at:

(CZK'000)	31 December 2015	31 December 2014
Receivables		
Trade receivables	683	3,180
Total	683	3,180
Liabilities		
Trade payables	76,303	91,552
Payables - Guarantee fees	103	293
Total	76,406	91,845

15. Fees paid and payable to the audit company

The total fees paid and payable for statutory audit of financial statements performed by the audit company PricewaterhouseCoopers Audit, s.r.o. for 2015 amounted to CZK 790 thousand.

16. Other facts not presented in the financial statements

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

Counterparty	2015	2014
Commerzbank Praha	49,025	62,478
Commerzbank Berlin	35,000	36,000
GAZPROM Germania GmbH	81,075	31,525
Total	165,100	130,003

Guarantees have been issued in connection 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. Contingent liabilities

The management of the Company is not aware of any significant unrecorded contingent liabilities as at 31 December 2015.

18. Subsequent events

With respect to the negative equity (Note 6) and in connection with going concern assumption for foreseeable future (12 months), the management of the Company received a letter of support dated 7 June 2016 where the company GAZPROM Germania GmbH 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 2015.

20 June 2016



Václav Lerch
Chairman of the Board of Directors



Milan Konvalinka
Finance Director



Karel Nohej
Member of the Board of Directors

31 March 2016

Report on Relations

of

VEMEX Energie a.s.

Pursuant to Section 82 of the Act on Corporations

For the accounting period of the calendar year 2015

The Board of Directors of VEMEX Energie a.s., with its registered office in Prague 6 - Bubeneč, Na Zátorce 289/3, identification number: 289 03 765, registered in the Commercial Register maintained by the City Court in Prague, Section B, File 15299 (hereinafter “**VEMEX Energie**” or “**Company**”) has prepared the following Report on Relations pursuant to Section 82 of Act No. 90/2012 Coll., the Corporations Act (hereinafter the “**Corporations Act**”), for the accounting period of the calendar year 2015 (hereinafter the “**Relevant Period**”).

1. Structure of relations

1.1 According to information available to the Board of Directors of the Company acting with due care, for the whole of the Relevant period, the Company formed a part of a group in which the controlled party is PAO GAZPROM (hereinafter the “**Group**”). Information on the entities forming part of the Group is stated as at 31 December 2015 according to the information available to the statutory body of the Company acting with due care. The structure of relations within the Group is graphically illustrated in Annex No. 1.

1.1.1 Controlling party

In the Relevant period from 1 January 2015 to 31 December 2015, the Company was controlled by the following parties:

Indirect controlling party:

PAO GAZPROM, with its registered office in Moscow, at 16 Nametkina ul., Russian Federation (hereinafter also “**GAZPROM**” or the “**Controlling Party**”), which controls the Company indirectly through the company VEMEX s.r.o.

Direct controlling party:

VEMEX s.r.o., with its registered office in Prague 6 – Bubeneč, Na Zátorce 350/5, identification number: 264 48 831, registered in the Commercial Register kept by the City Court in Prague, Section C, File 82955, directly controls the Company through the ownership of 51% shareholdings in the Company’s share capital.

2. Role of the Company within 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. Method and means of control

The control of the Company occurs mainly in particular through the decisions at the General Meeting and also through different common experts’ committees and bodies common for the whole Group (e.g. the Financial Committee or the Risk Oversight Committee).

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 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.:

- 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 and Amendment 2)
- b) Agreement on Sublease of Non-Residential Premises (for the period from 21 November 2012 to 30 June 2017)
- c) Agreement on Extended Maturity Period of Invoices

- d) Service Agreement No. 2 to Ensure the Security of Supply of Natural Gas Standard, replacing the original Agreement No. 1 (for the period from October 2014 to March 2015)
- e) 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)

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

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

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

During the Relevant period, the Company made 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 10% of the Company's equity reported in the latest Financial Statements as at 31 December 2015. The Company reported negative equity in the amount of CZK 37,556 thousand. Therefore, all legal acts should be disclosed.

Sale and purchase of natural gas, lease and other services follow from the above-specified agreements.

6. Assessment of a loss and its compensation

No loss 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 the relations and risks within the Group

7.1 Evaluation of the 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 participation within the Group.

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

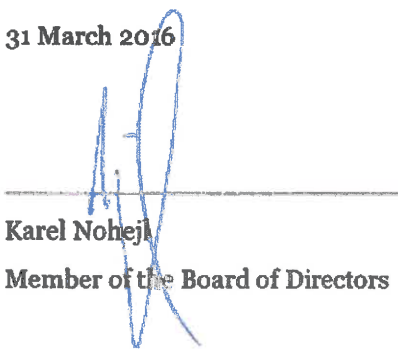
31 March 2016



Václav Lerch

Chairman of the Board of Directors

31 March 2016



Karel Nohejl

Member of the Board of Directors

**Annex 1: Organisational scheme – direct line of the Group PAO GAZPROM
as at 31 December 2015**

