



ANNUAL REPORT 2019

Preface by the Board of Directors

Dear shareholders and business partners of the Company:

Compared to the previous year 2019 was characterized by stabilization and following decrease of prices of energies on the world markets and especially on European markets. Excess of gas supply and efforts of major suppliers to accumulate gas to overcome fears of possible transit disruption through Ukraine resulted in significant reduction of purchase prices, which significantly benefited also our Company mainly in purchases on spot markets.

By combination of purchases on spot markets, timely and flexible reactions to the customers' needs and optimization of deliveries we improved significantly negative outlook of the Company for the year 2019 and significantly reduced the planned loss. This positive result was achieved despite of the ongoing limited purchase possibilities, especially in gas.

The Company in 2019 continued to focus on gradual restructuring and significant improvement of the current client portfolio and acquisition of new consumers with higher added value. We significantly reduced acquisition of new customers via e-auctions. Necessary resulting gap in volumes and delivery points is being replaced mainly by KAM and indirect sales channels and priority is placed on volumes with reasonable margin.

During the year we continued to improve external and internal management processes. We created and introduced new General terms and conditions reflecting topical needs of energy markets. We have prepared the project of implementation of upgraded invoicing system, which will reflect current and future needs of the Company. The project will be implemented within 2020 and beside the software part it will involve purchase of new hardware.

We further improved our HR work. We approached our employees fairly and with increased motivation and we further improved working environment in the premises of our Company.

In completion of the most critical tasks we closely co-operated with the supervisory board and shareholders' representatives.

In closing, we would like to thank shareholders, the supervisory board, customers, business partners, and staff members for trust, help and support, due to which the Company belongs to renowned and trustworthy suppliers of energies on the Czech market.

Sincerely,



Ing. Štefan Koman
Chairman of the Board of Directors

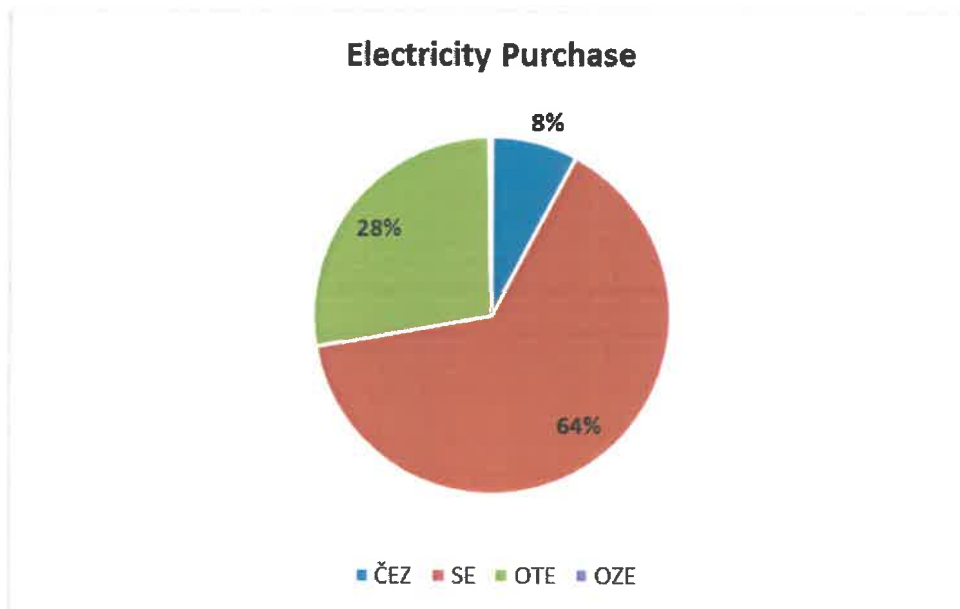


Ing. Oldřich Jandl
Member of the Board of Directors

2. Report on the Company's business activities and on the state of its assets

2.1. Purchase of electricity and gas

In 2019 the Company purchased electricity mainly from the company Slovenské elektrárne, a.s. and ČEZ, a.s. Daily purchases were executed at OTE, a.s. Share of electricity from renewable resources was negligible.



Purchase of gas in 2019 at VEMEX Energie a.s. was executed solely on the basis of a gas supply contract with the company WINGAS GmbH.

2.2. Sale of electricity and gas

The total energy volume sold to end customers in 2019 was 454,893 MWh, of which 122,462 MWh was in the form of electricity and 332,431 MWh was in the form of natural gas.

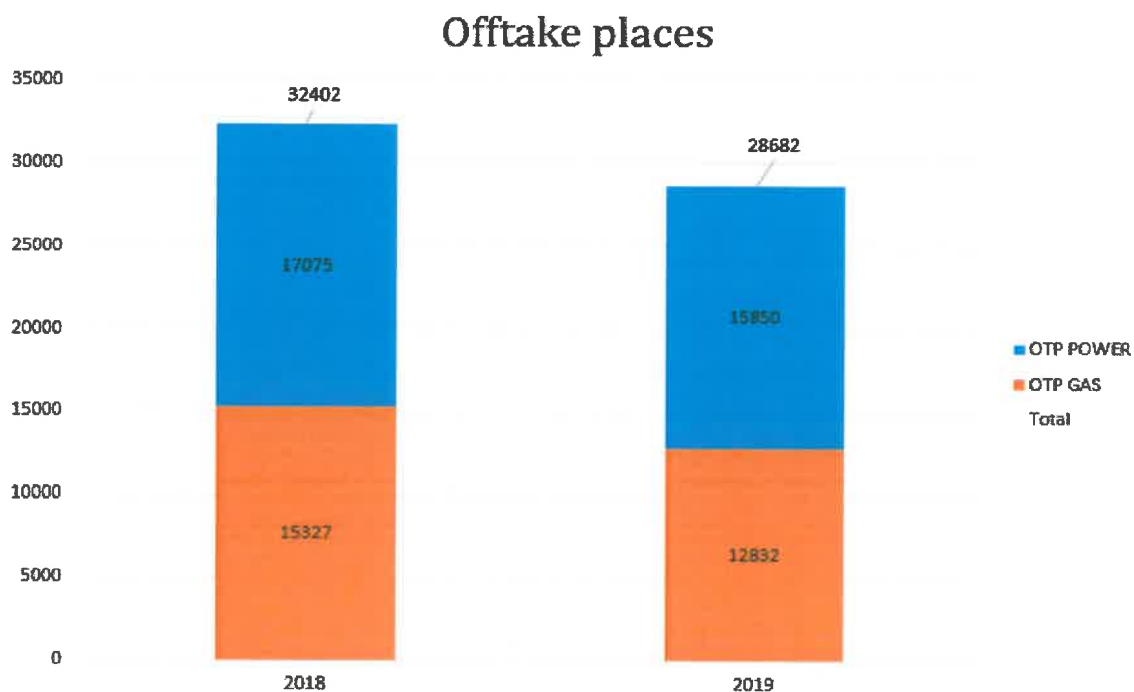
3. Customer care

3.1 Customers and consumption points

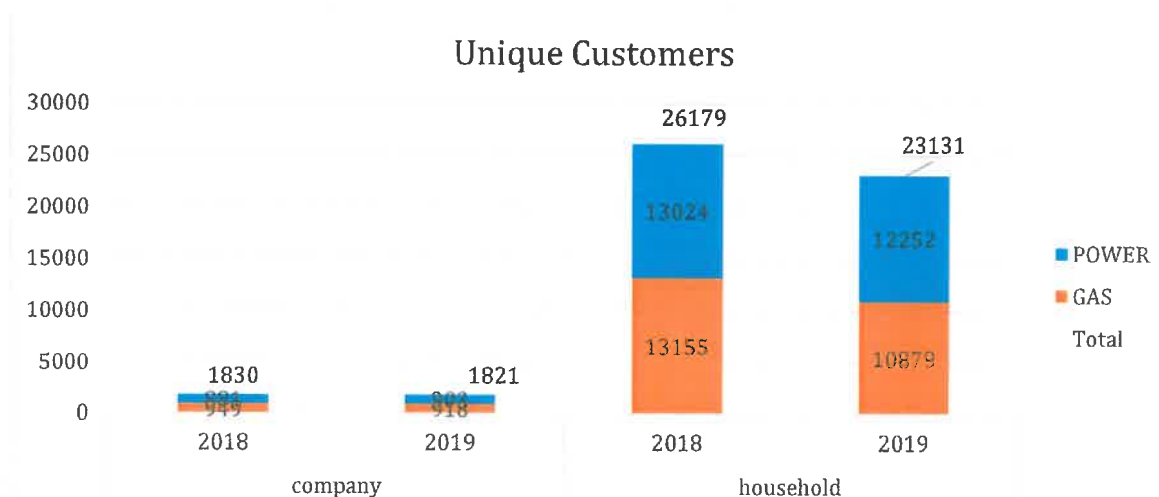
Electricity and natural gas were delivered to a total of 28,682 consumption points at the end of 2019, of which 15,850 were electricity consumption points and 12,832 were natural gas consumption points. This represented an approximate 11% year-on-year decrease in the number of consumption points. In case of electricity there was a decrease of approximately 7.2%. In case of natural gas there was a decrease of approximately 16.3%. Decrease of consumption points was caused mainly by change of the strategy of the Company, which entails reduction of e-auction activities.

As at 31 December 2019 the Company had in total 24,952 customers, out of which 1,821 were companies and 23,131 households.

Development of the number of consumption points in the period 2018-2019



Development of the number of customers in the period 2018-2019



During 2019 the Company continued to cut back on inefficient sales channels, which led to a smaller number of consumption points.

2019 was also the year of greater emphasis on a more customer-friendly approach. Back Office received and processed 8 782 contracts.

Front Office in 2019 handled 11,939 incoming calls with an average duration of 4:26 minutes, and 16,481 e-mails. In total Front Office processed 28,420 customer requests. 164 customers opted to resolve their concerns by paying the Company headquarters a personal visit. Within the year there was an overall improvement of quality of the Call centre and stabilization of staff.

3.2 Development of Receivables

		2018 (mil. CZK)	2019 (mil. CZK)	Difference (+/-)
1	Average debt	23,65	23,2	(0,45)
2	Average advances receivable before collection activities	6,71	6,81	0,10
3	Average advances receivable after collection activities	1,27	1,28	0,01
4	Success rate of advances collection activities	80,01 %	81,44 %	1,43 %

The situation in the receivables area is stabilized, fluctuations occur only for short periods in the range of days. There was a significant decline in new hard-recoverable receivables. In 2019 the Collection Agency was handed on average 12 invoices per month with the average amount of CZK 112 thousand (in 2018 it was 24 invoices with the amount of CZK 242 thousand). In 2019 the Law office was handed on average 27 invoices per month with the average amount of CZK 143 thousand (in 2018 it was 69 invoices with the amount of CZK 409 thousand).

In 2019, the receivables department was merged with the invoicing department, this is especially important for early monitoring of problem customers since the moment the invoicing. This merger also led to improved quality in receivables collection.

4. Financial results

In 2019, the Company continued to perform as a financially stable company. All obligations towards suppliers, customers, employees as well as state institutions were met in due dates.

Aggregated profit and loss statement '000 CZK

Indicator	2018	2019
Revenues from electricity, natural gas & distribution	744,434	684,878
Other revenues	6,564	4,631
Total revenues	750,998	689,509
Costs of purchasing electricity, natural gas & distribution	708,602	648,409
Other costs	69,990	76,834
Total costs	778,592	725,243
Loss before tax	(27,594)	(35,734)

Aggregated balance sheet in '000 CZK

Indicator	2018	2019
Fixed assets	3,257	2,497
Current assets	470,157	390,357
Total assets	473,414	392,854
Equity	(35,463)	(71,197)
Liabilities	508,877	464,051
Total liabilities	473,414	392,854

The complete Company's financial results for 2019 are contained in the financial statements attached to this annual report.

5. Human resources

The Company fully complied with all statutory duties towards its employees in 2019 and it worked hard to create incentives and benefits for the vacant positions which it advertised in the Czech job market. The Company was recruiting in 2019 new employees in difficult conditions of low unemployment. Despite of this, a number of new hires joined the Company, who made a positive contribution to business development, to good working relationships in a collegial atmosphere and to a pleasant work climate.

As at 31 December 2019, the company had 46 employees, out of which 5 were on maternity leave. Fluctuation in 2019 was 40%, while in 2018 it was 28%. The increase of fluctuation was caused mainly by the restructuring of the company and significant excess of free job positions on labor market of the Czech

Republic when individual employers tried to attract employees by offering excessive salaries and benefits.

6. Other information

6.1 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 it is not active.

6.2 Expected development of the entity's activities

In 2020, the Company continues with the same business activity as before, i.e. the sale of natural gas and electricity. The objective is to consolidate the customer portfolio, increase efficiency and ultimately achieve a positive financial result.

6.3 Research and Development

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

6.4 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. In terms of labour relations, the Company proceeds in line with relevant Czech legislation.

6.5 Foreign branches

The Company has no branch abroad.

6.6 Own shares

The Company did not acquire any own shares during the year 2019.

7. Subsequent events

The Management of the Company evaluated potential impacts of COVID-19 on its activities and business. This fact is further described in Note 16 of the Notes to financial statements, which form an integral part of this Annual report.

No other events have occurred subsequent to year-end that would have a material impact on the Annual report as at 31 December 2019.

8. Information on persons responsible for preparing the Annual Report

Štefan Koman, as the Chairman of the Board of Directors, and Oldřich Jandl, 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, 20 April 2020



.....
Ing. Štefan Koman
Chairman of the Board of Directors



.....
Ing. Oldřich Jandl
Member of the Board of Directors

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Report on relations

of the company

VEMEX Energie a.s.

Pursuant to Section 82 of the Corporations Act

For the accounting period 2019

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 “**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 2019 (the “**Relevant period**”).

1. **Structure of relations**

In the Relevant period from 1 January 2019 to 31 December 2019 the Company formed a part of a group (the “**Group**”) in which the controlling party is VEMEX s.r.o. (the “**Controlling party**”). The Controlling party was further controlled by the following companies:

- GAZPROM Germania GmbH with 50.14 % of share capital and voting rights;
- Centrex Europe Energy & Gas AG with 33.00 % of share capital and voting rights;
- MND Group B.V. with 16.86 % of share capital and voting rights.

During the whole Relevant period the Controlling party was controlled by all shareholders who acted in conformity.

Information on the entities forming part of the Group is stated as at 31 December 2019 according to the information available to the statutory body of the Company acting with due managerial care.

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.

3. **Other linked companies**

The Company requested that the aforementioned Controlling party provides a list of other companies which were controlled by the same Controlling party during the last accounting period. The Company prepared this report on the basis of the report from the Controlling party and other available information. The structure of relations within the Group is graphically illustrated on the last page of this report.

4. **Methods and means of control**

In the Relevant period the Controlling party controlled the 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.

5. **Overview of concluded and valid contracts in the Relevant period**

The contracts specified below were concluded between the Company and the Controlling party. The value of activities and considerations during the accounting period between the companies mentioned above is disclosed in notes to the 2019 Financial Statements.

Company	Contract subject
VEMEX s.r.o., Czech Republic	Amendment 1, dated 28 February 2017, to Agreement on Sublease of Non-Residential Premises for rent space extension
VEMEX s.r.o., Czech Republic	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, valid since 1 January 2018
VEMEX s.r.o., Czech Republic	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

Company	Contract subject
VEMEX s.r.o., Czech Republic	Amendment 3, dated 28 January 2019, to Agreement on Sublease of Non-Residential Premises for rent space adjustment
VEMEX s.r.o., Czech Republic	Amendment 4, dated 25 June 2019, to Agreement on Sublease of Non-Residential Premises for extension of the rental period and rent fee adjustment

6. Other legal acts implemented for the benefit of the Company

In the Relevant period the Company was using guarantees from the company GAZPROM Germania GmbH for the purpose of purchase and distribution of electricity and gas.

In the Relevant period the Company had valid contracts with the companies GAZPROM Germania GmbH and WINGAS GmbH. Although those are the companies, which do not form a part of the Group, contracts with those companies were significant for the Company and therefore the list of valid contracts with those two counterparties is stated below.

Company	Contract subject
GAZPROM Germania GmbH, Germany	Agreement on provision of guarantees dated 15 April 2014
GAZPROM Germania GmbH, Germany	Loan Agreement dated 5 February 2019 valid till 30 September 2019
GAZPROM Germania GmbH, Germany	Amendment 1, dated 25 September 2019 to the Loan Agreement concluded on 5 February 2019, which increases the amount of the loan and extends the contract until 31 October 2020
WINGAS GmbH, Germany	EFET frame agreement on purchase of gas dated 1 December 2015
WINGAS GmbH, Germany	Binding offer dated 15 August 2018 on the basis of the frame agreement on purchase of gas for the years 2019 and 2020
WINGAS GmbH, Germany	Service agreement dated 15 August 2018 on provision of Security of supply standard for the period from October 2018 to March 2019

7. Overview of performance made at the instigation of or in the interest of the Controlling party

During the Relevant period the Company made below mentioned acts, which would involve assets exceeding in value 10% of the Company's equity (equity of the Company as at 31 December 2018 was -35,463 ths. CZK, therefore all acts) on the basis of contracts listed in section 5.

Sublease of non-residential premises to VEMEX s.r.o.

8. Assessment of a detriment and its compensation

No detriment occurred to the Company on the basis of the agreements entered into and valid in the Relevant period between the Company and the Controlling party.

9. Evaluation of relations and risks within the Group

9.1. Evaluation of advantages and disadvantages of relations within the Group.

The Company benefits from its membership in the Group particularly in terms of shared renting of non-residential premises. No disadvantages have arisen to the Company from the participation within the Group.

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

10. Final statement

This report was prepared by the Board of Directors of the Company and was submitted to the Supervisory Board and the auditor responsible for the audit of the Financial Statements. The Company will issue an Annual Report as required by law, an integral part of which will be the Company's Report on Relations.

The Annual Report will be registered in the Collection of Documents of the Commercial Register at the relevant Court.

20 April 2020

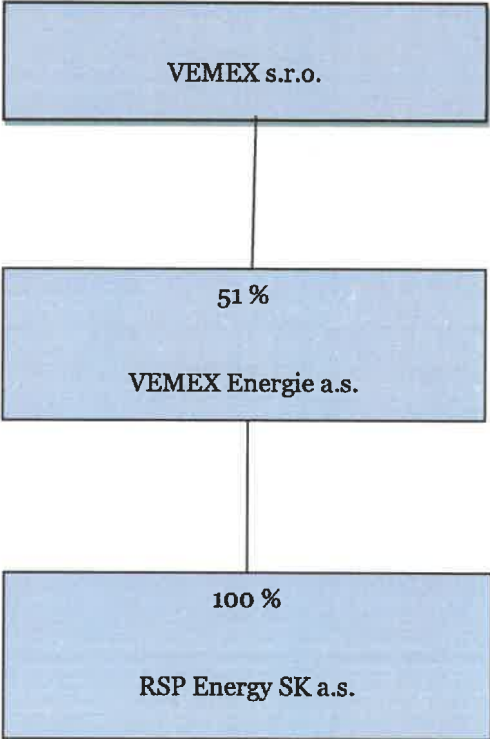


Ing. Štefan Koman
Chairman of the Board of Directors



Ing. Oldřich Jandl
Member of the Board of Directors

The structure of relations of the Group as at 31 December 2019



VEMEX Energie a.s.

Financial statements

31 December 2019

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 2019
 Date of preparation of the financial statements: 20 April 2020

BALANCE SHEET

(in thousand Czech crowns)

Ref. a	ASSETS b	Row c	31.12.2019			31.12.2018
			Gross 1	Provision 2	Net 3	Net 4
	TOTAL ASSETS	001	435,107	(42,253)	392,854	473,414
B.	Fixed assets	003	22,690	(20,193)	2,497	3,257
B. I.	Intangible fixed assets	004	12,151	(10,438)	1,713	2,554
B. I. 2.	Royalties	006	11,979	(10,438)	1,541	2,339
B. I. 2. 1.	Software	007	11,979	(10,438)	1,541	2,339
B. I. 5.	Advances paid and intangible fixed assets in the course of construction	011	172	-	172	215
B. I. 5. 2.	Intangible fixed assets in the course of construction	013	172	-	172	215
B. II.	Tangible fixed assets	014	3,379	(2,595)	784	703
B. II. 1.	Land and constructions	015	320	(140)	180	196
B. II. 1. 2.	Constructions	017	320	(140)	180	196
B. II. 2.	Equipment	018	2,876	(2,455)	421	112
B. II. 5.	Advances paid and tangible fixed assets in the course of construction	024	183	-	183	395
B. II. 5. 1.	Advances paid for tangible fixed assets	025	183	-	183	-
B. II. 5. 2.	Tangible fixed assets in the course of construction	026	-	-	-	395
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	412,417	(22,060)	390,357	470,157
C. II.	Receivables	046	401,435	(22,060)	379,375	425,370
C. II. 1.	Long-term receivables	047	12,422	-	12,422	6,847
C. II. 1. 5.	Receivables - other	052	12,422	-	12,422	6,847
C. II. 1. 5. 2.	Long-term advances paid	054	12,422	-	12,422	6,847
C. II. 2.	Short-term receivables	057	376,813	(22,060)	354,753	397,251
C. II. 2. 1.	Trade receivables	058	36,894	(20,570)	16,324	24,365
C. II. 2. 4.	Receivables - other	061	339,919	(1,490)	338,429	372,886
C. II. 2. 4. 4.	Short-term advances paid	065	121,097	-	121,097	140,170
C. II. 2. 4. 5.	Estimated receivables	066	216,112	-	216,112	229,869
C. II. 2. 4. 6.	Other receivables	067	2,710	(1,490)	1,220	2,847
C. II. 3.	Prepayments and accrued income	068	12,200	-	12,200	21,272
C. II. 3. 1.	Prepaid expenses	069	12,127	-	12,127	21,268
C. II. 3. 3.	Accrued income	071	73	-	73	4
C. IV.	Cash	075	10,982	-	10,982	44,787
C. IV. 1.	Cash in hand	076	75	-	75	65
C. IV. 2.	Cash at bank	077	10,907	-	10,907	44,722

Ref. a	LIABILITIES AND EQUITY b	Row	31.12.2019	31.12.2018
		c	5	6
	TOTAL LIABILITIES AND EQUITY	082	392,854	473,414
A.	Equity	083	(71,197)	(35,463)
A. I.	Share capital	084	100,000	100,000
A. I. 1.	Share capital	085	100,000	100,000
A. III.	Other reserves	096	1,968	1,968
A. III. 1.	Other reserve funds	097	1,968	1,968
A. IV.	Retained earnings / Accumulated losses	099	(137,431)	(109,837)
A. IV. 1.	Retained earnings or accumulated losses (+/-)	100	(137,431)	(109,837)
A. V.	Profit / (loss) for the current period	102	(35,734)	(27,594)
B. + C.	Liabilities	104	464,051	508,877
B.	Provisions	105	3,392	4,093
B. 4.	Other provisions	109	3,392	4,093
C.	Liabilities	110	460,659	504,784
C. II.	Short-term liabilities	126	460,659	504,784
C. II. 3.	Short-term advances received	131	289,375	307,754
C. II. 4.	Trade payables	132	26,689	30,909
C. II. 6.	Liabilities - subsidiaries and controlling party	134	10,164	-
C. II. 8.	Liabilities - other	136	134,431	166,121
C. II. 8. 3.	Liabilities to employees	139	1,358	1,191
C. II. 8. 4.	Liabilities for social security and health insurance	140	1,066	752
C. II. 8. 5.	Taxes and state subsidies payable	141	4,890	6,016
C. II. 8. 6.	Estimated payables	142	123,489	155,298
C. II. 8. 7.	Other liabilities	143	3,628	2,864

Company name: VEMEX Energie a.s.
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INCOME STATEMENT

(In thousand Czech crowns)

Ref. a	TEXT b	Row c	Accounting period	
			2019	2018
			1	2
I.	Sales of products and services	01	535	586
II.	Sales of goods	02	684,878	744,434
A.	Cost of sales	03	687,199	744,351
A. 1.	Cost of goods sold	04	648,409	708,602
A. 2.	Raw materials and consumables used	05	1,386	1,344
A. 3.	Services	06	37,404	34,405
D.	Staff costs	09	30,677	25,977
D. 1.	Wages and salaries	10	22,481	19,001
D. 2.	Social security, health insurance and other social costs	11	8,196	6,976
D. 2. 1.	Social security and health insurance costs	12	7,664	6,542
D. 2. 2.	Other social costs	13	532	434
E.	Value adjustments in operating activities	14	643	3,762
E. 1.	Value adjustments of fixed assets	15	1,258	1,545
E. 1. 1.	Depreciation, amortisation and write off of fixed assets	16	1,258	1,545
E. 3.	Provision for impairment of receivables	19	(615)	2,217
III.	Operating income - other	20	2,360	4,443
III. 1.	Sales of fixed assets	21	11	-
III. 3.	Other operating income	23	2,349	4,443
F.	Operating expenses - other	24	1,693	659
F. 3.	Taxes and charges from operating activities	27	1,756	370
F. 4.	Operating provisions and complex prepaid expenses	28	(701)	(45)
F. 5.	Other operating expenses	29	638	334
*	Operating result	30	(32,439)	(25,286)
VI.	Interest and similar income	39	110	26
VI. 2.	Other interest and similar income	41	110	26
J.	Interest and similar expenses	43	779	524
J. 1.	Interest and similar expenses - subsidiaries or controlling party	44	779	524
VII.	Other financial income	46	1,626	1,509
K.	Other financial expenses	47	4,252	3,319
*	Financial result	48	(3,295)	(2,308)
**	Net profit / (loss) before taxation	49	(35,734)	(27,594)
**	Net profit / (loss) after taxation	53	(35,734)	(27,594)
***	Net profit / (loss) for the financial period	55	(35,734)	(27,594)
	Net turnover for the financial period	56	689,509	750,998

Company name: VEMEX Energie a.s.
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STATEMENT OF CASH FLOWS

(in thousand Czech crowns)

Ref.	TEXT	Accounting period	
		2019	2018
a	b	1	2
	Cash flows from operating activities		
	Net profit / (loss) before tax	(35,734)	(27,594)
A. 1.	Adjustments for non-cash movements:	600	4,215
A. 1. 1.	Depreciation and amortisation of fixed assets	1,258	1,545
A. 1. 2.	Change in provisions	(1,316)	2,172
A. 1. 3.	(Profit)/loss from disposal of fixed assets	(11)	-
A. 1. 5.	Net interest expense/(income)	669	498
A *	Net cash flow from operating activities before tax and changes in working capital	(35,134)	(23,379)
A. 2.	Working capital changes:	(7,679)	20,987
A. 2. 1.	Change in receivables and prepayments	46,610	46,782
A. 2. 2.	Change in short-term payables and accruals	(54,289)	(25,795)
A **	Net cash flow from operating activities before tax	(42,813)	(2,392)
A. 3.	Interest paid	(779)	(524)
A. 4.	Interest received	110	26
A ***	Net cash flow from operating activities	(43,482)	(2,890)
B. 1.	Acquisition of fixed assets	(498)	(597)
B. 2.	Proceeds from sale of fixed assets	11	-
B ***	Net cash flow from investing activities	(487)	(597)
C. 1.	Change in long- and short-term liabilities	10,164	-
C ***	Net cash flow from financing activities	10,164	-
	Net increase/(decrease) in cash and cash equivalents	(33,805)	(3,487)
	Cash and cash equivalents at the beginning of the year	44,787	48,274
	Cash and cash equivalents at the end of the year	10,982	44,787

Company name: VEMEX Energie a.s.
 Identification number: 28903765
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STATEMENT OF CHANGES IN EQUITY

(in thousand Czech crowns)

	Note	Share capital	Other reserve funds	Retained earnings	Total
As at 1 January 2018		100,000	1,968	(109,837)	(7,869)
Net profit/(loss) for the current period		-	-	(27,594)	(27,594)
As at 31 December 2018		100,000	1,968	(137,431)	(35,463)
Net profit/(loss) for the current period		-	-	(35,734)	(35,734)
As at 31 December 2019		100,000	1,968	(173,165)	(71,197)

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. The Company’s primary business activity is retail of energy mainly electricity and gas.

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 their acquisition.

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

The amortisation / depreciation plan is updated during the useful life of the intangible and tangible fixed assets in the case of change of 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 an 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 the Czech National Bank 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 treats advances paid for the acquisition of fixed assets or inventories as part of these assets 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 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 recognition

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 to 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; and/or
- subsidiaries.

Material transactions and outstanding balances with related parties are disclosed in Notes 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. A 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 the Cash-flow statement using the indirect method. Cash equivalents represent short-term liquid assets, 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 supply 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 for the consumption balance kept by OTE.

3. Intangible fixed assets

(CZK'000)	1 January 2019	Additions / transfers	Disposals	31 December 2019
Cost				
Software	11,673	306	-	11,979
Total	11,673	306	-	11,979
Accumulated amortisation				
Software	(9,334)	(1,104)	-	(10,438)
Total	(9,334)	(1,104)	-	(10,438)
Net book value	2,339			1,541

(CZK'000)	1 January 2018	Additions / transfers	Disposals	31 December 2018
Cost				
Software	11,470	203	-	11,673
Total	11,470	203	-	11,673
Accumulated amortisation				
Software	(7,999)	(1,335)	-	(9,334)
Total	(7,999)	(1,335)	-	(9,334)
Net book value	3,471			2,339

4. Tangible fixed assets

(CZK'000)	1 January 2019	Additions / transfers	Disposals	31 December 2019
Cost				
Constructions	320	-	-	320
Equipment	2,429	447	-	2,876
Tangible fixed assets in the course of construction	395	(395)	-	-
Advances for tangible fixed assets	-	183	-	183
Total	3,144	235	-	3,379
Accumulated depreciation				
Constructions	(124)	(16)	-	(140)
Equipment	(2,317)	(138)	-	(2,455)
Total	(2,441)	(154)	-	(2,595)
Net book value	703			784

(CZK'000)	1 January 2018	Additions / transfers	Disposals	31 December 2018
Cost				
Constructions	320	-	-	320
Equipment	2,429	-	-	2,429
Tangible fixed assets in the course of construction	-	395	-	395
Total	2,749	395	-	3,144
Accumulated depreciation				
Constructions	(107)	(17)	-	(124)
Equipment	(2,124)	(193)	-	(2,317)
Total	(2,231)	(210)	-	(2,441)
Net book value	518			703

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

5. Investment in subsidiaries

31 December 2019	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2019 loss* (CZK'000)	Equity* (CZK'000)	2019 dividend income (CZK'000)
Foreign entities								
RSP Energy SK a.s.	100	EUR 250	7,048	7,160	100	(61)	68	-
Total				7,160				
Provision for impairment losses				(7,160)				
Net book value				-				

* Unaudited

31 December 2018	Number of shares	Nominal value	Cost (CZK'000)	Carrying value (CZK'000)	% of capital	2018 loss* (CZK'000)	Equity* (CZK'000)	2018 dividend income (CZK'000)
Foreign entities								
RSP Energy SK a.s.	100	EUR 250	7,048	7,160	100	(67)	131	-
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 2019 amounted to CZK 23,841 thousand (as at 31 December 2018: CZK 23,389 thousand).

The provision for doubtful receivables as at 31 December 2019 was CZK 22,060 thousand (as at 31 December 2018: CZK 22,675 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 100,121 thousand (as at 31 December 2018: CZK 115,071 thousand) and unbilled deliveries of electricity including distribution in the amount of CZK 115,991 thousand (as at 31 December 2018: CZK 114,798 thousand), refer to Note 2.14.

Prepaid expenses as at 31 December 2019 and as at 31 December 2018 include mainly deferred commission cost paid to agents for new clients' acquisitions.

Short-term and long-term advances paid as at 31 December 2019 and as at 31 December 2018 include mainly advances paid to suppliers of electricity and gas in relation to purchases and distribution of those commodities.

Unsettled receivables as at 31 December 2019 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 2019		31 December 2018	
	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 2019	31 December 2018
VEMEX s.r.o.	51	51
GEEN Holding a.s.	49	49
Total	100	100

The Company forms a part of the only consolidation group and its parent Company is VEMEX s.r.o. with the registered office at Prague 6, Na Zátorce 289/3.

The consolidated financial statements of the group of entities of which the Company is a part can be obtained in the registered office of the Company VEMEX s.r.o, Prague 6, Na Zátorce 289/3.

The Company is fully governed by the new Corporations Act; 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 during the year ended 31 December 2019 incurred a net loss of CZK 35,734 thousand and at the same time the Company's negative equity amounted to CZK 71,197 thousand. This event represents material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. 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 April 2020, including financial support.

The general meeting of shareholders approved the financial statements for 2018 and decided about the allocation of the loss incurred in 2018 of CZK 27,594 thousand on 20 June 2019.

Up to the date of preparation of these financial statements the Company has not proposed allocation of the loss incurred in 2019.

8. Provisions

Other provisions as at 31 December 2019 included the provision for pending legal disputes in the amount of CZK 2,949 thousand (as at 31 December 2018: CZK 3,646 thousand) and the provision for untaken holiday in the amount of CZK 443 thousand (as at 31 December 2018: CZK 447 thousand).

9. Payables, commitments and contingent liabilities

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

Total non-cancellable future commitments in respect of operating leases (not recorded in the balance sheet) amounted to CZK 6,702 thousand as at 31 December 2019 (as at 31 December 2018: CZK 2,672 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 2019.

Estimated payables include mainly uninvoiced purchases of electricity and distribution in the amount of CZK 14,800 thousand (as at 31 December 2018: CZK 84,239 thousand) and uninvoiced purchases of gas and distribution in the amount of CZK 102,875 thousand (as at 31 December 2018: CZK 60,870 thousand) refer to Note 2.14.

Short-term advances received as at 31 December 2019 include mainly advances received from customers in relation to deliveries of gas and electricity in the amount of CZK 289,375 thousand (as at 31 December 2018: CZK 307,754 thousand).

10. Revenue analysis

Revenue analysis:

(CZK'000)	2019	2018
Sales of electricity		
- Czech Republic	381,876	428,951
Sales of gas		
- Czech Republic	303,002	315,483
Total sales of goods	684,878	744,434

11. Related-party transactions

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

(CZK'000)	2019	2018
Revenues		
Sales of goods	-	8,606
Sales of services	658	1,047
Total	658	9,653
Costs		
Purchase of goods for resale - WINGAS GmbH	197,891	204,982
Purchase of services	134	151
Interest expense	1,194	524
Fees for guarantees received	1,685	551
Total	200,904	206,208

(CZK'000)	31 December 2019	31 December 2018
Receivables		
Trade receivables	5	49
Total	5	49
Liabilities		
Liabilities to related parties	35,017	36,681
Out of which:		
Trade payables	26	14
Loan payable	10,164	-
Accruals	24,827	36,667
Total	35,017	36,681

Loans payable are subject to market interest rates.

No loans were provided to the members of the Board of Directors and Supervisory Board as at 31 December 2019 and December 2018.

Loans were provided to former executive directors and 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 2019 amounted to CZK 440 thousand.

13. Employees

	2019		2018	
	number	CZK'000	number	CZK'000
Emoluments to members of the Supervisory Board	3	925	3	875
Wages and salaries to management	5	5,279	6	4,785
Wages and salaries to other employees	34	16,277	30	13,341
Social security costs		5,657		4,800
Health insurance costs		2,007		1,742
Other social costs		532		434
Wages and salaries total	42	30,677	39	25,977

Company in accordance with §39b, par. 6d) of the Decree 500/2002 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 2019 and subsequent years).

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

(CZK'000)	31 December 2019	31 December 2018
Deferred tax asset / (liability) arising from:		
Difference between accounting and tax net book value of fixed assets	(206)	(252)
Provisions	1,102	1,126
Tax losses carried forward	22,790	21,957
Net deferred tax asset / (liability)	23,686	22,831

A potential net deferred tax asset of CZK 23,686 thousand as at 31 December 2019 (as at 31 December 2018: CZK 22,831 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 2019 and 2018.

The Company has tax losses as at 31 December 2019 of CZK 19,189 thousand, which can be utilised up to 2020, tax losses in the amount of CZK 38,108 thousand, which can be utilized up to 2022, tax losses in the amount of CZK 27,879 thousand, which can be utilized up to 2023 and tax losses in the amount of CZK 34,772 thousand, which can be utilized up to 2024.

15. Other facts not presented in the financial statements

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

Counterparty	2019	2018
Commerzbank Praha	90,312	45,015
Commerzbank Berlin	11,800	11,800
GAZPROM Germania GmbH	88,935	12,863
Total	191,047	69,678

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

There were first news from China regarding the COVID-19 (coronavirus) at the end of 2019. This virus spread across the whole world and caused significant economical disruptions in the first months of 2020. The Company's management did not note up to the release of these financial statements any significant decrease of revenues or worsening payment morale of customers, but the situation is rapidly evolving and therefore it is hard to estimate any future impacts of this pandemic on the Company's activities. The Company's management will continue in monitoring of potential impacts and will take any possible steps to mitigate any negative impacts on the Company and its employees.

The Company's management considered potential impacts of the COVID-19 on its business activities and came to conclusion, that it does not create a material uncertainty regarding its going concern. Based on this fact, financial statements as at 31 December 2019 of the Company were prepared under the going concern principle.

No further events have occurred subsequent to year-end that would have a material impact on the financial statements as at 31 December 2019.

20 April 2020



Ing. Štefan Koman
Chairman of the Board of Directors



Ing. Oldřich Jandl
Member of the Board of Directors



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 2019, the income statement, statement of changes in equity and statement of cash flows for the year ended 31 December 2019 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 2019, of its financial performance and its cash flows for the year ended 31 December 2019 in accordance with Czech accounting legislation.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note 7 in the financial statements, which indicates that the Company during the year ended 31 December 2019 incurred a net loss of CZK 35,734,000 and at the same time the Company's negative equity amounted to CZK 71,197,000. As stated in Note 7, these events or conditions, along with other matters as set forth in this Note, indicate that a material uncertainty exists that may cast significant doubt of the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 therein. 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

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Independent auditor's report

the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

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

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

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

Responsibilities of the Board of Directors and Supervisory Board of the Company 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 of the Company is responsible for overseeing the 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.



Independent auditor's report

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

20 April 2020

PricewaterhouseCoopers Audit s.r.o.
represented by Partner

Věra Výtvarová
Věra Výtvarová
Statutory Auditor, Licence No. 1930

This report is addressed to the shareholders of VEMEX Energie a.s.

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.