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Annual report 2017

EP ENERGY TRADING, a.s.

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1.

Introduction By The Managing Director

Ladies and gentlemen,

Let me inform you about the business activities of EP ENERGY TRADING, a.s. ("the Company") in 2017 and the Company's plans for 2018.

In 2017, we met the planned figures for supplies of electricity and natural gas to end customers. More precisely, we supplied 2.1 TWh of electricity and 2.2 TWh of natural gas.

In 2017, the Company made only small financial investments and now it supplies energies to more than 60 000 supply points.

Increasing the loyalty and satisfaction of our customers, business partners and employees is the Company's primary principle, enabling us to achieve good financial results in a long run and succeed in a tough competition.

In 2018, we plan to vastly implement and subsequently launch a new customer system, which was already started in 2017, and, same as in 2017, we will focus on strengthening our position in the segment of energy supplies to households through new investment opportunities.

Another significant project that started in 2017 and will be introduced to our customers at the beginning of 2018 is the Company's rebranding - EP ENERGY TRADING, a.s. started selling its products under the **epet** brand. The new brand strategy is customer-oriented and aims at simplicity, effectivity, understandability and human approach.

At the same time, a new logo of the Company was presented and new web sites were launched.

I would like to thank you all for your cooperation. I am confident that you will be satisfied with our services in the future as well.

Prague, 30 April 2018



Ing. Petr Švec, MBA

Managing director of EP ENERGY TRADING, a.s.

2.

Selected Company Information

Trade name:	EP ENERGY TRADING, a.s.
Registered office:	Prague – Prague 1, Klimentská 1216/46, postal code 110 02
Id. No.:	273 86 643
Tax Id. No.:	CZ27386643
Recorded in the Commercial Register:	Municipal Court in Prague, section B, file no. 10233
Tel.:	+420 255 707 090
Fax:	+420 255 707 091
E-mail:	info@epet.cz
Website:	www.epet.cz
Customer centre:	Slovanská alej 30, postal code 326 00, Pilsen
Tel.:	+420 255 707 099

Branch:	EP ENERGY TRADING, a.s., organizačná zložka
Registered office:	Pribinova 25, postal code 811 09, Bratislava, Slovakia
Id. No.:	366 82 071

Sole shareholder:	EP Energy, a.s.
Registered office:	Pařížská 130/26, Josefov, 110 00 Prague 1
Id. No.:	292 59 428

Company Profile

EP ENERGY TRADING, a.s., a joint stock company, is a reliable supplier of electricity and natural gas to households, companies and wholesale customers in the Czech Republic and in Slovakia.

To our customers we offer a professional attitude, fast and open dealing, high quality services, and, importantly, interesting and competitive prices. The Company is a respected alternative to all dominant energy suppliers.

Another business activity of the Company is trading in electricity and natural gas in wholesale market.

The Company is part of the EP ENERGY group, which is the most significant supplier of heat and the second largest electricity producer in the Czech Republic. Thanks to the economic strengths of the owner, having its own energy sources available, EP ENERGY TRADING, a.s. is a stable partner for its customers, offering some of the best price conditions in the market and the certainty of meeting contractual obligations.

3.

Report Of The Board Of Directors On The Company's Business Activities And The State Of Its Assets

All data presented have been prepared in compliance with Czech Accounting Standards.

Financial results for 2017

For the accounting period of 2017, EP ENERGY TRADING, a.s. reported revenues of CZK 10 billion. Profit before tax amounted to CZK 47.1 million.

Principal business activities in 2017

The Company's principal business activity is the sale of electricity and natural gas to end customers in the Czech Republic and in Slovakia, and trading in electricity and natural gas in the wholesale market.

Electricity

In 2017, total sales of electricity to end customers in the Czech Republic and in Slovakia measured in technical units amounted to 2 074 GWh. Electricity supplies in Slovakia are effected through EP ENERGY TRADING, a.s., organizačná zložka.

EP ENERGY TRADING, a.s. has an exclusive position in buying and selling electricity from the group's generation sources and obtaining electricity for end customers.

In 2017, EP ENERGY TRADING, a.s. traded 6 594 GWh of electrical energy including FX transactions.

Natural gas

In 2017, EP ENERGY TRADING, a.s. supplied 2 205 GWh of natural gas to end customers in the Czech Republic, and traded 1 666 GWh of this commodity.

Future development

The Company's main task in 2018 is to maintain its current market position in the sale of electricity and gas, and to increase sales in the household segment. The Company will focus on maintaining profitability in the segments of supplies to end customers, despite high competition in the market and the prudent approach to risk that the Company applies.

EP ENERGY TRADING, a.s. aims to further strengthen relations with its partners and to develop business relations with new counterparties.

Internally, the Company will focus on process optimisation and improving the quality of services to end customers.

Research and development activities

The Company does not focus on research and development activities.

Environmental protection and labour relations

In handling consumable materials, the Company always adopts an approach friendly to the environment. Employment relations are governed by the Labour Code.

Risk management objectives and methods

The Company is exposed to currency and market risk as part of its common business activities. The Company's management in cooperation with its Risk Management department monitors and assesses the risks on a regular basis. The management's objective is to reduce any possible negative effects of the risks, which is done through currency and commodity derivatives. The Company applies hedge accounting, the principles of which are further described in note 2 to the financial statements.

Material subsequent event

No material subsequent events occurred between the signing date of the annual report and the date of the financial statements.

4.

Report On Relations Between Related Parties

Pursuant to Act No. 90/2012 Coll., on Corporations and Cooperatives, as amended, for the accounting period from 1 January 2017 to 31 December 2017.

The board of directors of EP ENERGY TRADING, a.s., with its registered office in Prague - Prague 1, Klimentská 1216/46, postal code 110 02, has prepared this report on relations between the controlled company, companies exercising direct or indirect control, and other entities controlled by the same controlling entity for the accounting period from 1 January 2017 to 31 December 2017, pursuant to Section 82 of Act No. 90/2012 Coll., on Corporations and Cooperatives, as amended.

The entity directly controlling the Company in the period from 1 January 2017 to 31 December 2017 was EP Energy, a.s., with its registered office at Pařížská 130/26, Josefov, postal code 110 00, Prague 1.

In the respective period, EP Energy, a.s. as the direct controlling entity owned 16 shares of the controlled entity, representing 100% of its registered capital and a corresponding share in the voting rights.

I. Controlled entity

EP ENERGY TRADING, a.s., with its registered office at Prague – Prague 1, Klimentská 1216/46, postal code 110 02, identification number 273 86 643, recorded on 31 October 2005 in the Commercial Register maintained by the Municipal Court in Prague, section B, file 10233.

II. Controlling entity

a) directly controlling entity

EP Energy, a.s., with its registered office at Pařížská 130/26, Josefov, postal code 110 00, Prague 1, identification number 292 59 428, recorded on 16 December 2010 in the Commercial Register maintained by the Municipal Court in Prague, section B, file 21733.

b) indirectly controlling entity

In the period from 1 January 2017 to 31 December 2017, the entity exercising indirect control was Energetický a průmyslový holding, a.s., with its registered office at Pařížská 130/26, Josefov, postal code 110 00, Prague 1, identification number 283 56 250, recorded on 10 August 2009 in the Commercial Register maintained by the Municipal Court in Prague, section B, file 21747.

III. The controlled entity's role, method and means of control

The controlled entity's role within the group of companies is trading in commodities in a wholesale market and supplying commodities to end customers. To fulfil this role, the controlled entity enters into business relations with related parties. All contractual relationships with related parties were established on arm's length basis, and all supplies and related consideration have been agreed based on the arm's length principle.

The controlling entity exercises its controlling influence through appointing and removing statutory board and supervisory board members, in compliance with applicable legislation and the controlled entity's articles of association.

IV. Contracts entered into with related parties in the last accounting period

The following contracts between the controlled entity, direct and indirect controlling entities and other entities controlled by the same controlling entity were in effect in 2017:

- EFET-type framework contract with Stredoslovenská energetika, a.s. dated 1 October 2007
- Framework contract with Stredoslovenská energetika-Distribúcia, a.s. dated 1 July 2007
- Contract on combined LV electricity supply for 2015 – 2016 with První Mostecká a. s. dated 27 August 2014
- Framework contract on electricity supply and withdrawal with transfer of liability for deviation with Elektrárny Opatovice, a.s. dated 15 December 2010
- Framework contract on electricity supply and withdrawal with transfer of liability for deviation with Plzeňská energetika, a.s. dated 15 December 2010
- Contract on combined LV electricity supply for 2016 with Teplo Neratovice spol. s r. o. dated 3 November 2015
- Loan agreement with EP Energy, a.s. dated 15 November 2013
- EFET-type framework contract with Pražská teplárenská, a.s. dated 10 December 2013
- EFET-type framework contract with Helmstedter Revier GmbH dated 1 February 2014
- EFET-type framework contract with EP Commodities, a.s. dated 1 December 2014
- Contract on lease of business premises and services with EP Commodities, a.s. dated 1 October 2014
- Framework distribution contract with SPP – distribúcia, a.s. dated 6 October 2015
- Electricity supply contract – purchase of electricity for 2017 with POWERSUN a.s. dated 27 September 2016
- Electricity supply contract – purchase of electricity for 2017 with Greeninvest Energy, a.s., dated 27 September 2016
- Electricity supply contract – purchase of electricity for 2016 with AVE CZ odpadové hospodářství s.r.o., dated 20 September 2016
- Electricity supply contract – purchase of electricity for 2016 with ZDIBE, spol. s r.o., dated 20 September 2016
- Contract on combined gas supplies – large and medium customer for 2017 with United Energy, a.s., dated 14 September 2016
- Contract on combined gas supplies – large and medium customer for 2017 with Plzeňská energetika a.s. dated 14 September 2016
- Contract on combined HV electricity supply for 2017 with VTE Pchery, s. r. o. dated 13 December 2016
- Contract on combined HV electricity supply for 2017 with POWERSUN a.s., dated 19 October 2015
- Contract on combined HV electricity supply for 2017 with SPP Storage, s.r.o., dated 14 June 2015
- Contract on combined HV electricity supply for 2017 with CZECH PRINT CENTER a.s., dated 5 December 2016
- Contract on combined HV electricity supply for 2017 with Elektrizace železnic Praha a.s., dated 12 December 2016
- Contract on combined gas supplies – large and medium customer for 2017 with Elektrizace železnic Praha a.s., dated 12 December 2016
- Contract on combined HV electricity supply for 2017 with MSEM a.s., dated 15 December 2016
- Contract on combined gas supplies – large and medium customer for 2017 with MSEM a.s., dated 15 December 2016
- Contract on combined HV electricity supply for 2017 with SOR Libchavy spol. s r.o., dated 12 February 2016
- Contract on combined gas supplies – large and medium customer for 2017 with SOR Libchavy spol. s r.o., dated 12 February 2016
- Contract on LV electricity supplies for 2017 with J&T SERVICES ČR, a.s., dated 10 August 2016
- Contract on combined gas supplies – small customer for 2017 with Technické služby Slaný s.r.o., dated 12 October 2016
- Contract on combined gas supplies – small customer for 2017 with Technické služby Beroun, s.r.o. dated 12 October 2016
- Contract on combined gas supplies – small customer for 2017 with Elektrizace železnic Praha a.s. dated 12 December 2016
- Contract on combined gas supplies – small customer for 2017 with AVE sběrné suroviny a.s. dated 12 October 2016
- Contract on combined gas supplies – small customer for 2017 with AVE Kolín s.r.o. dated 12 October 2016



- Contract on combined gas supplies – small customer for 2017 with AVE CZ odpadové hospodářství s.r.o. dated 12 October 2016
- Contract on combined gas supplies – small customer for 2017 with AVE Břeclav a.s. dated 12 October 2016
- Contract on combined LV electricity supplies for 2017 with SPRITER, a.s. dated 9 November 2015
- Contract on combined gas supplies – small customer for 2017 with Plzeňská energetika a.s. dated 28 November 2016
- Framework contract for electricity supply and take-off with transferring responsibility for a deviation with Plzeňská energetika, a.s. dated 15 December 2010
- Framework contract for electricity supply and take-off with transferring responsibility for a deviation with United Energy, a.s. dated 31 December 2010
- Contract on sublease of premises intended for business activities and provision of services with EP Commodities, a.s. dated 1 October 2014
- Framework distribution contract with SPP – distribúcia , a.s. dated 6 October 2015
- Contract on maintenance of financial security with EP Commodities, a.s. dated 1 December 2017

V. Other juridical acts performed in the interest of related parties

During the respective accounting period, no juridical acts – other than those performed within exercising the rights pertaining to the controlled entity's shareholder – were performed in the interest of the direct and indirect controlling entity or other entities controlled by the same controlling entity.

VI. Other measures adopted or effected in the interest or at the instigation of related parties

During the respective accounting period, no measures – other than those adopted or effected within exercising the rights pertaining to the controlled entity's shareholder – were adopted or effected between the controlled entity and the direct and indirect controlling entity or other entities controlled by the same controlling entity.

In 2017, no acts were performed in the interest or at the instigation of the controlling entity that would concern more than 10% of the controlled entity's equity.

VII. Supplies and consideration provided and received by the controlled entity

In the respective accounting period, the controlled entity provided and received the following supplies and consideration (in thousands of Czech crowns) to and from the direct or indirect controlling entity and other entities controlled by the same controlling entity:

Related party	Supply	Revenues TCZK	Expenses TCZK
Pražská teplárenská a.s.	Revenue from goods	135 180	0
	Cost of goods sold	0	17 140
	Other services	96	0
	Total	135 276	17 140
Plzeňská energetika a.s.	Revenue from goods	16 908	0
	Cost of goods sold	0	157 034
	Other services	677	0
	Total	17 585	157 034
VTE Pchery, s.r.o.	Revenue from goods	196	0
	Cost of goods sold	0	4 399
	Total	196	4 399
United Energy, a.s.	Revenue from goods	70 380	0
	Cost of goods sold	0	868 403
	Other services	2 855	217
	Total	73 235	868 620
POWERSUN a.s.	Revenue from goods	69	0
	Cost of goods sold	0	2 516
	Total	69	2 516
Alternative Energy, s.r.o.	Revenue from goods	70	0
	Total	70	0
EP Energy, a.s.	Interest expenses	0	31 696
	Guarantee fees	0	2 463
	Interest income	3 965	0
	Total	3 965	34 159
Elektrárny Opatovice, a.s.	Revenue from goods	81 200	0
	Cost of goods sold	0	1 382 662
	Other services	4 725	126
	Total	85 925	1 382 788
Stredoslovenská energetika, a.s.	Revenue from goods	139 258	0
	Cost of goods sold	0	52 815
	Total	139 258	52 815

Related party	Supply	Revenues TCZK	Expenses TCZK
EP Commodities, a.s.	Revenue from goods	0	1 701 520
	Cost of goods sold	114 465	0
	Other services	5 901	0
	Total	120 366	1 701 520
Slovenské elektrárne, a.s.	Revenue from goods	0	612 280
	Cost of goods sold	325 906	0
	Total	325 906	612 280

VIII. Damage incurred by the controlled entity and its settlement

The controlled entity did not incur any damage nor did it gain any advantage as a result of the above contracts, other juridical acts, other measures, or supplies and consideration provided and received.

IX. Advantages and disadvantages arising from relations between related parties, associated risks

The controlled entity does not gain any advantages or suffer any disadvantages from its relations with related parties. All related-party relations are governed by the arm's length principle. No entity gains any illegitimate advantages or disadvantages; all the relations are neutral in this respect. The controlled entity does not incur any risks from these relations.

X. Confidentiality

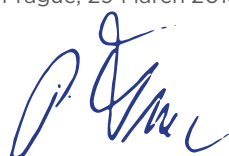
Within the holding group, all information and facts that are a part of the trade secret of the controlling entities, controlled entity and other related parties are deemed confidential. The same applies to all information that has been designated as confidential by any related party. Confidential is also any and all business information that may on its own or in connection with other information and facts result in damage to any related party.

XI. Conclusion

This report has been prepared by EP ENERGY TRADING, a.s., and has been submitted for review to the supervisory board and auditors. As the controlled entity has a statutory duty to prepare an annual report, the report on relations will be attached thereto.

The annual report will be deposited in the Collection of Deeds maintained by the Municipal Court in Prague.

Prague, 29 March 2018



Ing. Petr Švec, MBA
Member of the board of directors



Ing. Ladislav Sladký
Member of the board of directors

5.

Report Of The Supervisory Board On The Results Of Its Activities

In 2017, the supervisory board of EP ENERGY TRADING, a.s. performed its tasks in compliance with the Business Corporations Act and the Company's statutes.

At its meetings, the supervisory board regularly monitored the Company's economic results, the state of its assets and reviewed any economic analyses. It checked and verified the fulfilment of tasks assigned to the board of directors by the general meeting and the decisions of the sole shareholder exercising the powers of the general meeting, as well as the observance of generally binding legal regulations and the Company's statutes.

During 2017, in exercising its right to supervise, the supervisory board followed the Company's statutes and generally binding legal regulations applicable to the activities of joint stock companies. In the mentioned period, the supervisory board focussed primarily on its main task, i.e. the supervision over the exercise of powers of the board of directors and the examination of the annual financial statements and the proposal for the settlement of the financial results.

In the shareholder's interest, the supervisory board focused, among other things, on the continuous monitoring of economic results, the fulfilment of the business plan and the resolutions adopted by the regular general meeting. At the same time, it assisted the board of directors in fulfilling the joint stock company's development strategy.

The board of directors has provided the supervisory board with all necessary underlying materials, information and explanations. The supervisory board did not discover any shortcomings or violations of the Company's statutes or applicable legal regulations in the activities of the board of directors.

Prague, 30 April 2018

Mgr. Michal Antonín
Chairman of the supervisory board

Financial guides

6.

Financial Statements According To Czech Accounting Standards

BALANCE SHEET

in full format

as at 31 December 2017

(in thousands of Czech crowns)

Translated from the Czech original

Name and regist. office of the Company

EP ENERGY TRADING, a.s.

Klimentská 1216/46, PSČ 11002

Praha - Praha 1

Czech Republic

Identification number

273 86 643

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS	1	3 675 598	- 375 189	3 300 409	4 033 720
B.	Fixed assets	2	282 947	- 99 083	183 864	207 641
B.I.	Intangible fixed assets	3	89 441	- 60 732	28 709	37 678
B.I.2.	Intellectual property rights	4	54 267	- 50 988	3 279	8 461
B.I.2.1.	Software	5	54 267	- 50 988	3 279	8 461
B.I.4.	Other intangible fixed assets	6	16 500	- 9 744	6 756	11 850
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	7	18 674		18 674	17 367
B.I.5.2.	Intangible fixed assets under construction	8	18 674		18 674	17 367
B.II.	Tangible fixed assets	9	193 506	- 38 351	155 155	169 963
B.II.1.	Land and buildings	10	7 349	- 6 879	470	1 608
B.II.1.2.	Buildings	11	7 349	- 6 879	470	1 608
B.II.2.	Plant and equipment	12	13 985	- 9 472	4 513	5 985
B.II.3.	Adjustments to acquired fixed assets	13	172 172	- 22 000	150 172	161 650
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	14				720
B.II.5.2.	Tangible fixed assets under construction	15				720

EP ENERGY TRADING, a.s.

Balance sheet

as at 31 December 2017

Ident. a	ASSETS b	line c	Current period			Prior period
			Gross 1	Adjust. 2	Net 3	Net 4
C.	Current assets	16	3 288 783	- 276 106	3 012 677	3 743 311
C.II.	Receivables	17	3 223 584	- 276 106	2 947 478	3 659 222
C.II.1.	Long-term receivables	18	157 503		157 503	219 064
C.II.1.5.	Receivables - other	19	157 503		157 503	219 064
C.II.1.5.2.	Long-term advances paid	20	103 127		103 127	219 064
C.II.1.5.4.	Other receivables	21	54 376		54 376	
C.II.2.	Short-term receivables	22	3 066 081	- 276 106	2 789 975	3 440 158
C.II.2.1.	Trade receivables	23	1 006 827	- 276 106	730 721	1 287 745
C.II.2.2.	Receivables - group undertakings	24	425 994		425 994	882 286
C.II.2.4.	Receivables - other	25	1 633 260		1 633 260	1 270 127
C.II.2.4.3.	Tax receivables	26				28 310
C.II.2.4.4.	Short-term advances paid	27	596 632		596 632	349 299
C.II.2.4.5.	Estimated receivables	28	875 322		875 322	777 823
C.II.2.4.6.	Other receivables	29	161 306		161 306	114 695
C.IV.	Cash	30	65 199		65 199	84 089
C.IV.1.	Cash in hand	31	12		12	41
C.IV.2.	Bank accounts	32	65 187		65 187	84 048
D.	Deferrals	33	103 868		103 868	82 768
D.1.	Prepaid expenses	34	103 853		103 853	82 768
D.3.	Accrued revenues	35	15		15	

EP ENERGY TRADING, a.s.

Balance sheet

as at 31 December 2017

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY	36	3 300 409	4 033 720
A.	Equity	37	973 344	985 107
A.I.	Registered capital	38	16 000	16 000
A.I.1.	Registered capital	39	16 000	16 000
A.II.	Premium and capital contributions	40	175 534	217 756
A.II.2.	Capital contributions	41	175 534	217 756
A.II.2.2.	Revaluation of assets and liabilities (+/-)	42	166 249	208 471
A.II.2.5.	Change in revaluation reserve on transformations (+/-)	43	9 285	9 285
A.III.	Funds from profit	44	300	300
A.III.1.	Other reserve funds	45	300	300
A.IV.	Retained earnings (+/-)	46	751 051	634 955
A.IV.1.	Retained profits	47	751 051	634 955
A.V.	Profit (loss) for the current period (+/-)	48	30 459	116 096
B. + C.	Liabilities	49	2 307 952	3 017 898
B.	Provisions	50	29 893	24 240
B.2.	Income tax provision	51	6 855	3 244
B.4.	Other provisions	52	23 038	20 996
C.	Liabilities	53	2 278 059	2 993 658
C.I.	Long-term liabilities	54	296 448	729 924
C.I.3.	Long-term advances received	55	22 261	46 964
C.I.6.	Liabilities - group undertakings	56	202 133	602 245
C.I.8.	Deferred tax liability	57	63 578	68 739
C.I.9.	Liabilities - other	58	8 476	11 976
C.I.9.3.	Other payables	59	8 476	11 976

EP ENERGY TRADING, a.s.

Balance sheet

as at 31 December 2017

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
C.II.	Short-term liabilities	60	1 981 611	2 263 734
C.II.3.	Short-term advances received	61	814 757	714 238
C.II.4.	Trade payables	62	645 465	1 119 085
C.II.6.	Liabilities - group undertakings	63		46 982
C.II.8.	Liabilities - other	64	521 389	383 429
C.II.8.3.	Payables to employees	65	5 013	6 128
C.II.8.4.	Social security and health insurance liabilities	66	2 486	2 488
C.II.8.5.	Tax liabilities and subsidies	67	34 401	11 606
C.II.8.6.	Estimated payables	68	447 369	342 919
C.II.8.7.	Other payables	69	32 120	20 288
D.	Accruals	70	19 113	30 715
D.1.	Accrued expenses	71	19 113	30 715

INCOME STATEMENT

classification by nature

for the year ended 31 December 2017

(in thousands of Czech crowns)

Translated from the Czech original

Name and regist. office of the Company

EP ENERGY TRADING, a.s.
 Klimentská 1216/46, PSČ 11002
 Praha - Praha 1
 Czech Republic

Identification number

273 86 643

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
I.	Revenue from products and services	1	15 643	24 929
II.	Revenue from goods	2	10 172 152	13 938 233
A.	Cost of sales	3	9 820 939	13 607 142
A.1.	Cost of goods sold	4	9 633 105	13 459 011
A.2.	Materials and consumables	5	3 750	3 800
A.3.	Services	6	184 084	144 331
D.	Personnel expenses	7	79 380	73 803
D.1.	Wages and salaries	8	59 583	56 034
D.2.	Social security, health insurance and other expenses	9	19 797	17 769
D.2.1.	Social security and health insurance expenses	10	18 415	16 724
D.2.2.	Other expenses	11	1 382	1 045
E.	Adjustments relating to operating activities	12	25 915	126 061
E.1.	Adjustments to intangible and tangible fixed assets	13	34 320	18 893
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	14	34 320	18 893
E.3.	Adjustments to receivables	15	- 8 405	107 168
III.	Other operating revenues	16	787 596	454 236
III.3.	Miscellaneous operating revenues	17	787 596	454 236
F.	Other operating expenses	18	787 264	506 861
F.3.	Taxes and charges	19	352	200
F.4.	Provisions relating to operating activity and complex prepaid expenses	20	2 042	20 871
F.5.	Miscellaneous operating expenses	21	784 870	485 790
*	Operating profit (loss) (+/-)	22	261 893	103 531

EP ENERGY TRADING, a.s.
Income statement - classification by nature
for the year ended 31 December 2017

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
IV.	Revenue from long-term investments - equity investments	23		94 324
IV.1.	Revenue from equity investments - group undertakings	24		94 324
H.	Expenses related to other long-term investments	25		68 390
VI.	Interest revenue and similar revenue	26	3 979	1 857
VI.1.	Interest revenue and similar revenue - group undertakings	27	3 965	1 791
VI.2.	Other interest revenue and similar revenue	28	14	66
J.	Interest expense and similar expense	29	31 855	37 429
J.1.	Interest expense and similar expense - group undertakings	30	31 690	36 793
J.2.	Other interest expense and similar expense	31	165	636
VII.	Other financial revenues	32	548 639	358 856
K.	Other financial expenses	33	735 582	341 076
*	Profit (loss) from financial operations	34	- 214 819	8 142
**	Profit (loss) before tax (+/-)	35	47 074	111 673
L.	Income tax	36	16 615	- 4 423
L.1.	Current tax	37	11 872	5 614
L.2.	Deferred tax (+/-)	38	4 743	- 10 037
**	Profit (loss) after tax (+/-)	39	30 459	116 096
***	Profit (loss) for the accounting period (+/-)	40	30 459	116 096
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	41	11 528 009	14 872 435

CASH FLOW STATEMENT

for the year ended 31 December 2017

(in thousands of Czech crowns)

Translated from the Czech original

Name and regist. office of the Company

EP ENERGY TRADING, a.s.
Klimentská 1216/46, PSČ 11002
Praha - Praha 1
Czech Republic

Identification number

273 86 643

	Current period	Prior period
P. Cash and cash equivalents, beginning of period	84 089	246 033
Net operating cash flow		
Z. Accounting profit (loss) from ordinary activities	47 074	111 673
A.1. Non-cash transactions	- 99 176	625 548
A.1.1. Depreciation and amortisation of fixed assets	22 842	8 371
A.1.2. Change in:	5 115	138 561
A.1.2.1. goodwill and adjustments to acquired assets	11 478	10 522
A.1.2.2. provisions and other adjustments	- 6 363	128 039
A.1.3. Profit(-) Loss(+) on sale of fixed assets		- 25 934
A.1.5. Expense and revenue interests accounted for	27 876	35 572
A.1.6. Other cash and non-cash transactions	- 155 009	468 978
A.* Net operating cash flow before taxation financial items, changes in working capital and extraordinary items	- 52 102	737 221
A.2. Changes in working capital	69 773	- 88 825
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	316 913	178 677
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	- 247 140	- 289 944
A.2.3. Change in inventories		22 442
A.** Net operating cash flow before taxation, financial balances, and extraordinary items	17 671	648 396
A.3. Interest paid excluding amounts capitalised	- 35 791	- 37 429
A.4. Interest received	3 544	1 857
A.5. Income tax paid on ordinary income and income tax relating to prior periods	20 295	- 59 769
A.*** Net operating cash flow	5 719	553 055
Investing activities		
B.1. Acquisition of fixed assets	- 9 975	- 24 830
B.1.1. Acquisition of tangible fixed assets	- 1 168	- 4 338
B.1.2. Acquisition of intangible fixed assets	- 8 807	- 20 492
B.2. Proceeds from sales of fixed assets		94 324
B.2.2. Proceeds from sale of financial investments		94 324
B.3. Advances and loans to related parties	456 727	- 831 211
B.*** Net cash flow from investing activities	446 752	- 761 717
Financing activities		
C.1. Change in long-term resp. short-term liabilities from financing	- 471 361	46 718
C.*** Net cash flow from financing activities	- 471 361	46 718
F. Net increase or decrease in cash balance	- 18 890	- 161 944
R. Cash and cash equivalents, end of period	65 199	84 089

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

(in thousands of Czech crowns)

Translated from the Czech original

Name and regist. office of the
Company

EP ENERGY TRADING, a.s.
Klimentská 1216/46, PSČ 11002
Praha - Praha 1
Czech Republic

Identification number

273 86 643

	Registered capital	Revaluation of assets and liabilities	Change in revaluation reserve on transformations	Other reserve funds	Retained profits	Profit (loss) for the current period	Total
Balance as at 1.1.2017	16 000	208 471	9 285	300	634 955	116 096	985 107
Change in fair value of hedging instruments	--	--	--	--	116 096	-116 096	--
Change in fair value of hedging instruments	--	-42 222	--	--	--	--	-42 222
Profit (loss) for the current period	--	--	--	--	--	30 459	30 459
Balance as at 31.12.2017	16 000	166 249	9 285	300	751 051	30 459	973 344

	Registered capital	Revaluation of assets and liabilities	Change in revaluation reserve on transformations	Other reserve funds	Retained profits	Profit (loss) for the current period	Total
Balance as at 1.1.2016	16 000	-158 805	9 285	300	428 518	206 438	501 736
Change in fair value of hedging instruments	--	--	--	--	206 438	-206 438	--
Change in fair value of hedging instruments	--	453 427	--	--	--	--	453 427
Effect of change in fair value of hedging instruments on deferred tax	--	-86 151	--	--	--	--	-86 151
Rounding	--	--	--	--	-1	--	-1
Profit (loss) for the current period	--	--	--	--	--	116 096	116 096
Balance as at 31.12.2016	16 000	208 471	9 285	300	634 955	116 096	985 107

1. Description and principal activities

Establishment and description of the Company

EP ENERGY TRADING, a.s. ("the Company") was registered upon an entry in the Commercial Register maintained by the Municipal Court in Prague under the file number 10233, section B, on 31 October 2005 as United Energy Trading, a.s. The principal activities of the Company are electricity trading and the sale of electricity, natural gas and related services to end customers in the Czech Republic and Slovakia

Ownership structure

The sole shareholder of the Company as at 31 December 2017 is:

EP Energy, a.s.
Pařížská 130/26
110 00 Praha 1
Czech Republic

Registered office

EP ENERGY TRADING, a.s.
Klimentská 1216/46
110 02 Praha - Praha 1
Czech Republic

Identification number

273 86 643

Members of the board of directors and supervisory board as at 31 December 2017

Members of the board of directors

Miodrag Maksimović (chairman)
Ing. Petr Švec, MBA
Ing. Ladislav Sladký

Members of the supervisory board

Mgr. Michal Antonín (chairman)
Mgr. Lenka Marečková
Marek Spurný

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by Energetický a průmyslový holding, a.s. with its registered office at Pařížská 130/26, Josefov, Praha 1. The consolidated financial statements are available at the consolidating entity's registered office.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by EP Energy, a.s. with its registered office at Pařížská 130/26, Josefov, Praha 1. The consolidated financial statements are available at the consolidating entity's registered office.



Changes in the Commercial Register

On 2 May 2017, EP ENERGY TRADING, a.s., identification number: 27386643, acquired an ownership title to a part of an enterprise, solely engaged in trading in electricity and gas, Central Energy, s.r.o., identification number: 27820114 with its registered office at Přerov II Předmostí, Prostějovská 14/63, post code 75124, recorded in the Commercial Register maintained by the Regional Court in Ostrava, section C, file number 30586.

Branch

The Company has a branch EP ENERGY TRADING, a.s., organizačná zložka, with its registered office at Pribinova 25, Bratislava 811 09, identification number: 36 682 071, which was recorded in the Slovak Commercial Register on 3 October 2006. Mr Miroslav Rozkoš and Mr Petr Švec were in charge of the branch as at 31 December 2017.

Organisational structure

The Company is organised into six divisions – Sales, Business development, Sales dispatch, Portfolio management and Energy communication, Finance and Trading in Electricity, which report to the Managing Director.

2. General accounting principles, accounting policies and their changes and deviations

These financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, (“the Act on Accounting”) and Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provisions of the Act on Accounting, for business entities using double-entry bookkeeping, as amended for 2017. Comparative information for 2016 is provided in accordance with the structure and designation of balance sheet and income statement items specified by the Decree as amended for 2017.

The financial statements have been prepared on a going concern basis.

a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost. Tangible fixed assets costing less than TCZK 40 and intangible fixed assets costing less than TCZK 60 are not recognised in the balance sheet and are expensed in the year that they are acquired.

Assets are depreciated using the following methods over the following periods:

Assets	Method	Period
Incorporation expenses	Straight-line	5 years
PC equipment	Straight-line	4 years
Adjustment	Straight-line	15 years

In the income statement, depreciation is presented in “Depreciation and amortisation of intangible and tangible fixed assets”.

Technical improvements increase the cost of fixed assets if the related expenses exceed TCZK 40. Technical improvements to leased office premises are reported in “Buildings”. Leasehold improvements are depreciated over the lease term.

b) Establishment of adjustments and provisions

Assets

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables.

In the income statement, the establishment and release of adjustments is presented in “Adjustments to receivables”.

Provisions

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined. In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables.

A provision for untaken holidays is established as at the balance sheet date, based on an analysis of untaken holidays in the accounting period and average payroll expenses, including social security and health insurance expenses per employee.

c) Foreign currency translation

The Company applies the Czech National Bank official rate to foreign currency transactions. During the year foreign exchange gains and losses are recognised when realised at the time of settlement and unrealised exchange gains and losses are recognised at monthly closing dates.

At the balance sheet date, foreign currency monetary assets and liabilities are translated at the prevailing Czech National Bank official rates. Unrealised foreign exchange gains and losses are recognised in profit or loss.

d) Derivatives

Currency derivatives

Effective from 1 January 2013, the Company uses hedging derivatives (currency forwards and swaps) to mitigate foreign exchange risks relating to payments in foreign currencies. Hedging derivatives are recognised at fair value. Hedging fully complies with the Company’s risk management strategy. All forward and swap transactions are documented, and their effectiveness is assessed regularly.

As at the balance sheet date, the realised part of financial derivatives was recognised in the income statement and the unrealised part as “Revaluation of assets and liabilities” in equity, considering the deferred tax effect.



Commodity derivatives

Futures and forwards that have been concluded for the purpose of purchase, sale or use of a commodity, i.e. electricity, and are expected to be settled by delivery of the commodity do not meet the definition of a derivative and therefore are not remeasured at fair value.

Commodity contracts, i.e. futures and forwards, that are not expected to be settled by the delivery of the commodity are considered to be derivatives and are remeasured at fair value.

As at the balance sheet date, commodity derivatives held for trading concluded at the PXE, same as derivatives traded with third parties, are revalued at fair market value, taking as a basis the closing prices on 31 December 2017 as published by the PXE.

On 1 January 2013, the Company began to apply hedge accounting to account for selected commodity derivatives traded on the PXE in accordance with the internal risk management policy. Hedge accounting is applied in accordance with Czech Accounting Standard No. 110 "Derivatives". As at the balance sheet date, hedging instruments are reported at fair value and gains (losses) on the effective change in their fair values are recognised in "Revaluation of assets and liabilities" in equity, considering the deferred tax effect.

e) Leased assets

Lease payments are expensed on a straight-line basis over the lease term.

f) Income tax

Income tax for the period comprises current tax and the change in deferred tax.

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.

Deferred tax is provided on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability will be utilised.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

Deferred tax in respect of items that are recorded directly in equity is also recorded in equity.

g) Classification of liabilities

The Company classifies as short-term any part of long-term liabilities, bank loans and overdrafts that is due within one year of the balance sheet date.

h) Accounting records of the branch

The accounts of the branch are maintained separately in EUR in Slovakia. Each day individual journal entries are translated at the Czech National Bank official rates and imported to the accounts of the Czech entity. As at the balance sheet date, assets and liabilities denominated in EUR are translated at the prevailing Czech National Bank official rates. As at the balance sheet date, foreign exchange differences arising from the translation of balance-sheet and profit-and-loss-account items are recorded in the income statement.

i) Consolidation

Pursuant to Section 62(2) of Decree No. 500/2002 Coll., the financial statements of the Company and other entities subject to consolidation are included in the consolidated financial statements prepared by EP Energy, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1. These consolidated financial statements will be published in compliance with Section 62(3c) of the Decree implementing Section 21a of the Accounting Act.

j) Changes of accounting policies

The Company uses a regression-free factoring in respect of certain customers. Since 2017 the Company has reported the sale of receivables in Other operating revenues and Other operating expenses. As a result of the change, comparative information in respect of these positions was adjusted by TCZK 446 977. The change does not have an impact on the 2016 profit/loss.

3. Fixed assets

a) Intangible fixed assets

2017	Other intangible assets	Software	Intangible assets under constr.	Total
Acquisition cost				
Balance at 31/12/2016	12 102	51 154	17 367	80 623
Additions	4 650	3 113	1 307	9 070
Disposals	-252	--	--	-252
Transfers	--	--	--	--
Balance at 31/12/2017	16 500	54 267	18 674	89 441
Accumulated amortisation				
Balance at 31/12/2016	252	42 693	--	42 945
Amortisation expense	9 744	8 295	--	18 039
Disposals	-252	--	--	-252
Balance at 31/12/2017	9 744	50 988	--	60 732
Net book value 31/12/2016	11 850	8 461	17 367	37 678
Net book value 31/12/2017	6 756	3 279	18 674	28 709

2016	Incorporation expenses	Software	Intangible assets under constr.	Total
Acquisition cost				
Balance at 31/12/2015	252	46 007	13 872	60 131
Additions	11 850	5 147	3 495	20 492
Disposals	--	--	--	--
Transfers	--	--	--	--
Balance at 31/12/2016	12 102	51 154	17 367	80 623
Accumulated amortisation				
Balance at 31/12/2015	252	37 016	--	37 268
Amortisation expense	--	5 677	--	5 677
Disposals	--	--	--	--
Balance at 31/12/2016	252	42 693	--	42 945
Net book value 31/12/2015	--	8 991	13 872	22 863
Net book value 31/12/2016	11 850	8 461	17 367	37 678

b) Tangible fixed assets

2017	Buildings	Property, plant and equipment	Adjustm. to assets acquired	Tangible assets under constr.	Total
Acquisition cost					
Balance at 31/12/2016	7 235	12 077	172 172	720	192 204
Additions	114	1 188	--	--	1 302
Disposals	--	--	--	--	--
Transfers	--	720	--	-720	--
Balance at 31/12/2017	7 349	13 985	172 172	--	193 506
Accumulated depreciation					
Balance at 31/12/2016	5 627	6 092	10 522	--	22 241
Depreciation expense	1 252	3 380	11 478	--	16 110
Disposals	--	--	--	--	--
Transfers	--	--	--	--	--
Balance at 31/12/2017	6 879	9 472	22 000	--	38 351
Net book value 31/12/2016	1 608	5 985	161 650	720	169 963
Net book value 31/12/2017	470	4 513	150 172	--	155 155

2016	Buildings	Property, plant and equipment	Adjustm. to assets acquired	Tangible assets under constr.	Total
Acquisition cost					
Balance at 31/12/2015	5 566	10 200	--	50	15 816
Merger with Optimum Energy	--	--	172 172	--	172 172
Additions	1 669	1 999	--	670	4 338
Disposals	--	-122	--	--	-122
Transfers	--	--	--	--	--
Balance at 31/12/2016	7 235	12 077	172 172	720	192 204
Accumulated depreciation					
Balance at 31/12/2015	5 566	3 581	--	--	9 147
Depreciation expense	61	2 633	10 522	--	13 216
Disposals	--	-122	--	--	-122
Transfers	--	--	--	--	--
Balance at 31/12/2016	5 627	6 092	10 522	--	22 241
Net book value 31/12/2015	--	6 619	--	50	6 669
Net book value 31/12/2016	1 608	5 985	161 650	720	169 963

4. Leased assets

The Company has an operating lease for company cars for a period of 36 months from the contract date. The annual cost of this lease and rent of printers for 2017 was TCZK 1 382 (2016 – TCZK 478).

The Company also has an operating lease for office premises in Prague (till 31 July 2021), Pilsen (till 30 September 2021) and Bratislava (for an indefinite period with a notice period of 12 months). The annual cost of this lease was TCZK 10 138 (2016 – TCZK 6 212).

5. Non-capitalised tangible and intangible fixed assets

In accordance with the accounting policy described in note 2(a) above, the Company charged low value tangible and intangible fixed assets to the income statement in the year that they were acquired. The cumulative acquisition cost of non-capitalised tangible and intangible fixed assets charged into income statement in the current year was as follows:

	31/12/2017	31/12/2016
Tangible fixed assets	966	1 545
Total	966	1 545



6. Adjustments to assets acquired

As a result of the merger, the Company reports an amount of TCZK 172 172 (2016 – TCZK 172 172) as adjustments to acquired assets. The price was determined based on an external expert's appraisal as at the valuation date 31 December 2014. The adjustments are depreciated for accounting purposes over a period of 15 years; for 2017 depreciation totalled TCZK 11 478 (2016 – TCZK 10 522).

7. Trade receivables and payables

- a) Short-term trade receivables total TCZK 1 066 827 (2016 – TCZK 1 572 256), of which TCZK 323 532 (2016 – TCZK 336 360) is overdue. An adjustment of TCZK 276 106 (2016 – TCZK 284 511) has been set up for doubtful receivables.
- b) Short-term trade payables total TCZK 645 465 (2016 – TCZK 1 119 085), of which TCZK 6 104 is overdue (2016 – TCZK 50 510).

8. Advances paid

- a) Long-term advances paid total TCZK 103 127 (2016 – TCZK 219 064). The balance primarily comprises a security deposit for trading on the PXE granted to European Commodity Clearing AG of TCZK 12 770 (2016 – TCZK 91 868), a security deposit on electricity trading provided to OKTE, a.s. of TCZK 31 065 (2016 – TCZK 59 885) and a security deposit on electricity trading provided to OTE, a.s. of TCZK 39 955 (2016 – TCZK 39 955).
- b) Short-term advances paid total TCZK 596 632 (2016 – TCZK 349 299) and primarily comprise advances paid for the distribution of electricity and natural gas. The remaining balance of short-term advances paid includes primarily an advance paid to ČEZ Distribuce, a. s. of TCZK 197 251 (2016 – TCZK 208 574) and an advance paid to GasNet, s.r.o. of TCZK 122 024 (2016 – TCZK 99 657) and to E.ON Distribuce, a.s. of TCZK 97 299 (2016 – TCZK 64 278).

9. Tax receivables

In 2016 tax receivables included corporate income tax prepayments paid in Slovakia.

10. Estimated receivables

Estimated receivables of TCZK 875 322 (2016 – TCZK 777 823) primarily comprise estimates for uninvoiced distribution and supply of electricity totalling TCZK 423 705 (2016 – TCZK 397 636) and distribution and supply of natural gas totalling TCZK 451 617 (2016 – TCZK 380 187).

11. Other receivables – long-term and short-term

Other receivables of TCZK 215 682 (2016 – TCZK 114 695) primarily comprise the revaluation of commodity derivatives to fair value as at 31 December 2017 of TCZK 214 582 (2016 – TCZK 107 015); see note 12.

12. Derivatives

a) Currency hedging derivatives

As at the balance sheet date, the Company held the following derivatives for cash flow hedging purposes:

Forward exchange contracts	Due date	2017 Fair value
Forwards (Commerzbank Aktiengesellschaft)	2018 – 2020	-35 913
Swaps (Commerzbank Aktiengesellschaft)	2018 – 2019	-3 597
Total		-39 510

The fair value of derivatives totals TCZK -39 510 (2016 – TCZK -6 481) of which TCZK -8 476 (2016 – TCZK -3 209) is recorded in Other long-term payables and TCZK -31 034 (2016 – TCZK - 3 272) in Other short-term payables. Derivatives which meet the condition of an effective hedge amounting to TCZK -39 510 (2016 – TCZK -6 481) were charged to equity.

b) Commodity hedging derivatives and derivatives held for trading – electricity

As at the balance sheet date, the Company held the following forward contracts for trading with electricity:

Forward exchange contracts	Sales for	Fair value in TCZK	Commodity volume (GWh)
Futures and forward contracts for purchase of electricity	2018	924 235	4 968
Futures and forward contracts for sale of electricity	2018	-746 798	3 225
Futures and forward contracts for purchase of electricity	2019	269 832	1 253
Futures and forward contracts for sale of electricity	2019	-189 600	929
Futures and forward contracts for purchase of electricity	2020	359	44
		258 028	

The fair value of TCZK 43 446 (2016: TCZK 221 311) was settled using the daily settlement of contract value changes on the commodities exchange as at 31 December 2017. The unsettled fair value of derivatives totalled TCZK 214 582 (2016: TCZK 86 113), of which TCZK 160 206 (2016: TCZK 94 881 in Other short-term receivables) was recorded in Other short-term receivables and TCZK 54 376 is recorded in Other long-term receivables (2016: TCZK -8 768 in Other long-term payables).

The Company records certain contracts traded on the PXE and OTC market as hedging derivatives. The fair value of hedging derivatives charged to equity totals TCZK 244 756 (2016: TCZK 263 853).

c) Commodity hedging derivatives and derivatives held for trading – gas

The Company concluded forward contracts for the purchase and sale of gas in 2018. The fair value of these derivatives is TCZK -1 068 and is reported in Other short-term payables (2016 – TCZK 12 134 in Other short-term receivables).

13. Adjustments

	Adjustment to receivables	Total
Balance at 31/12/2016	284 511	284 511
Additions	62 977	62 977
Release/utilisation	-71 382	-71 382
Balance at 31/12/2017	276 106	276 106

14. Prepaid expenses

As at 31 December 2017, prepaid expenses total TCZK 103 853 (2016 – TCZK 82 768) represent mainly deferred expenses for the acquisition of new points of supply.

15. Registered capital

The registered capital of TCZK 16 000 (2016 – TCZK 16 000) consists of sixteen registered ordinary shares with a nominal value of TCZK 1 000.

16. Equity

a) Profit distribution

As at the date of preparation of the financial statements, the Company's management did not decide on the manner of distribution of the profit for 2017.

b) Movements in the "Revaluation of assets and liabilities" account:

Balance at 1/1/2017	208 471
Change in fair value of currency derivatives	-33 029
Change in deferred tax relating to currency derivatives	6 276
Change in fair value of commodity derivatives	-19 097
Change in deferred tax relating to commodity derivatives	3 628
Balance at 31/12/2017	166 249

c) "Revaluation of assets and liabilities" comprises:

Fair value of currency derivatives	-39 510
Deferred tax relating to currency derivatives	7 507
Fair value of commodity derivatives	244 756
Deferred tax relating to commodity derivatives	-46 504
Balance at 31/12/2017	166 249

17. Provisions

	Income tax provision	Provision for untaken holidays	Other provisions	Total
Balance at 31/12/2016	5 560	147	20 849	26 556
Additions	12 053	110	2 079	14 242
Release/utilisation	-5 560	-147	--	-5 707
Balance at 31/12/2017	12 053	110	22 928	35 091

An income tax provision of TCZK 12 053 (2016 – TCZK 5 560) was reduced with corporate income tax prepayments of TCZK 5 198 (2016 – TCZK 2 316) and the net payable was reported in Income tax provision.

18. Advances received

- a) Short-term advances received consist of advances of TCZK 814 757 (2016 – TCZK 714 238) received from end customers in connection with the sale of electricity and natural gas.
- b) Long-term advances received total TCZK 22 261 (2016 – TCZK 46 964) and primarily include received security deposits.

19. Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 2 486 (2016 – TCZK 2 488), of which TCZK 1 586 (2016 – TCZK 1 389) relates to social security liabilities and TCZK 900 (2016 – TCZK 1 099) to health insurance liabilities. None of these liabilities are overdue.

20. Tax liabilities and subsidies

Tax liabilities amount to TCZK 34 401 (2016 – TCZK 11 606), of which TCZK 1 228 (2016 – TCZK 1 563) relates to income tax on employment, TCZK 8 052 to taxes on electricity and gas (2016 – TCZK 8 342), and TCZK 25 121 (2016 – TCZK 1 701) to value added tax.

21. Estimated payables

Estimated payables of TCZK 447 369 (2016 – TCZK 342 919) primarily comprise estimated items relating to uninvoiced electricity and gas distribution totalling TCZK 416 552 (2016 – TCZK 313 881).

22. Accrued revenues

Tax liabilities amount to TCZK 19 113 (2016 – TCZK 30 715) and mainly include accruals relating to the supply of natural gas.

23. Segment information

The Company supplies two types of commodities to end customers – electricity and natural gas – and provides related services. Sales of these commodities and services in 2017 were as follows:

		Export			
		Domestic sales	European Union	Outside EU	Total
Electricity	2017	5 838 248	1 939 706	--	7 777 954
	2016	5 449 363	5 663 136	9 090	11 121 589
Natural gas	2017	1 689 935	704 263	--	2 394 198
	2016	2 588 310	188 188	40 146	2 816 644
Services	2017	15 643	--	--	15 643
	2016	13 200	11 729	--	24 929
Total	2017	7 543 826	2 643 969	--	10 187 795
	2016	8 050 873	5 863 053	49 236	13 963 162

24. Other financial expenses and revenues

Other financial revenues and expenses primarily comprise foreign exchange gains and losses from currency and commodity trading derivatives and foreign exchange gains and losses.

25. Other operating expenses and revenues

The Company uses a regression-free factoring in respect of certain customers – in 2017 receivables totalling TCZK 779 020 (2016 – TCZK 446 977) were sold.

26 Related parties

a) Trade receivables and payables

The following related party balances are included in the trade receivables and payables described in note 7 above:

	Receivables at		Payables at	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
Pražská teplárenská a.s.	11 830	121 818	888	2 858
Plzeňská energetika a.s.	412	748	12 770	14 831
VTE Pchery, s.r.o.	16	37	925	695
United Energy, a.s.	12 050	3 015	88 430	107 968
POWERSUN a.s.	11	10	50	50
SEG s.r.o.	--	--	308	--
Alternative Energy, a.s.	--	99	--	--
EP Energy, a.s.	801	--	13	1 406
Elektrárny Opatovice, a.s.	9 586	7 277	136 001	161 827
SPP Infrastructure, a. s.	--	195	--	--
Stredoslovenská energetika, a.s.	13 691	243 501	4 444	10 675
Stredoslovenská energetika, a.s. distribúcia	--	--	8 466	--
EP Infrastructure, a.s.	--	--	545	--
Panorama byty, s.r.o.a.s.	--	3 330	--	--
Best Hotel Properties a.s.	1 245	887	--	--
SOR Libchavy spol. s r.o.	1 037	1 404	137	111
Danube Facility Services, s.r.o.	--	8 477	--	2
SPP Storage s.r.o.	22	--	5	--
SPP -- distribúcia , a.s.	4 378	3 604	2 159	2 145
AVE CZ odpadové hospodárství s.r.o.	--	1 045	--	344
Elektrizace železnic Praha a. s.	72	--	527	10
EP Investment Advisor s.r.o.	14	--	1 295	--
AVE SK odpadové hospodárstvo s.r.o.	--	776	--	--
MSEM, a.s.	55	101	51	57
Helmstedter Revier GmbH (Buschhaus)	--	31 020	--	31 708
J&T SERVICES ČR, a.s. (dříve J&T Management, a.s.)	7	260	236	561
EP Commodities, a.s.	203 963	36 183	154 790	121 657
Slovenské elektrárne, a.s.	25 674	73 918	53 349	222 531
Eustream, a.s.	309	--	--	--
Other group entities	40	2 428	220	480
Total	285 213	540 133	465 609	679 916

b) Cash pool

The Company reports cash at a group cash pool account kept by EP Energy, a.s. amounting to TCZK 425 994 (2016 – TCZK 882 286). This cash pool is reported in Receivables – group undertakings. The Company has borrowed cash from the group cash pool account maintained with EP Energy a.s. of TCZK 0 (2016 – TCZK 46 982); this cash pool is reported in Liabilities – group undertakings.

c) Loans received

The Company received long-term loans from EP Energy, a.s. The loans are due in 2020. The total value of these loans including interest is TCZK 202 133 as at 31 December 2017 (2016 – TCZK 602 245).

d) Transactions with related parties

All material transactions with related parties were realised based on the arm's length principle.

	Revenue for year		Expenses for year	
	2017	2016	2017	2016
AISE, s.r.o.	--	53	--	--
Pražská teplárenská a.s.	135 276	482 341	17 140	18 001
Plzeňská energetika a.s.	17 585	4 096	157 034	160 415
VTE Pchery, s.r.o.	196	282	4 399	4 989
United Energy, a.s.	73 235	28 482	868 620	626 574
POWERSUN a.s.	69	65	2 516	2 468
Triskata, s.r.o.	--	45	--	--
SEG s.ro.	1 367	--	--	--
Eustream, a.s.	2 569	--	--	--
EP Infrastructure, a.s.	--	--	450	--
Alternative Energy, a.s.	--	364	--	--
EP Energy, a.s.	3 965	1 509	34 159	40 302
Best Hotel Properties a.s.	9 054	7 218	--	--
ARISUN, s.r.o.		45		--
Elektrárny Opatovice, a.s.	85 925	97 637	1 382 788	1 185 403
SPP Infrastructure, a. s.		2 877		--

	Revenue for year		Expenses for year	
	2017	2016	2017	2016
Stredoslovenská energetika a.s.	139 258	1 760 156	52 815	124 869
Stredoslovenská energetika a.s. - distribúcia	--	--	66 336	--
SPP Storage s.r.o	2 301	--	--	--
SOR Libchavy spol. s r.o.	9 007	11 203	--	--
Elektrizace železnic Praha a. s.	7 547	7 139	--	--
MSEM, a.s.	2 538	2 479	--	--
Helmstedter Revier GmbH (Buschhaus)	--	168 302	--	1 507 709
J&T SERVICES ČR, a.s.(dříve J&T Management, a.s.)	343	385	932	987
Panorama byty, s.r.o.	--	471	--	--
SPP - distribúcia,a.s.	1 534	--	23 586	19 829
AVE CZ odpadové hospodářství s.r.o.	--	2 204	--	--
AVE SK odpadové hospodárstvo s.r.o.	--	8 068	--	--
Slovenské elektrárne, a.s.	325 906	296 274	612 280	623 512
EP Investment Advisor, s.r.o.	--	--	1 272	--
EP Commodities, a.s.	120 366	525 783	1 701 520	1 071 206
Ostatní společnosti ve skupině	812	12 378	70	421
Celkem	938 853	3 419 856	4 925 917	5 386 685

27. Employees and executives

Average number of employees and executives and personnel expenses for 2017:

2017	Number	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees and executives	78	52 159	16 694	1 382
Board of Directors	3	7 379	1 706	--
Supervisory Board	3	45	15	--
Total	84	59 583	18 415	1 382

Average number of employees and executives and personnel expenses for 2016:

2016	Number	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees and executives	74	49 033	15 087	1 045
Board of Directors	3	6 956	1 622	--
Supervisory Board	3	45	15	--
Total	80	56 034	16 724	1 045

28. Fees payable to statutory auditors

The information is disclosed in the notes to the consolidated financial statements prepared by EP Energy, a.s. in which the Company is included.

29. Income tax

a) Current tax

Current tax comprises the tax estimate for 2017 of TCZK 12 053 (2016 – TCZK 5 560), and an adjustment to the tax estimate for prior tax periods of TCZK -181 (2016 – TCZK 54).

b) Deferred tax

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Tangible and intangible fixed assets	698	527	--	--	698	527
Hedging commodity derivatives	--	--	46 504	50 132	-46 504	-50 132
Deferred tax from valuation difference	--	--	28 169	30 350	-28 169	-30 350
Hedging FX derivatives	7 507	1 231	--	--	7 507	1 231
Adjustments to receivables and other temporary differences	2 890	9 985	--	--	2 890	9 985
Deferred tax asset/(liability)	11 095	11 743	74 673	80 482	-63 578	-68 739

In accordance with the accounting policies described in Note 2, a tax rate of 19% was used to calculate deferred tax (2016 – 19%).

A change in deferred tax of TCZK 5 161 consists of deferred tax from hedging derivatives charged directly to equity of TCZK 9 904 and a change in deferred tax recorded in profit/loss of TCZK 4 743.

30. Contingencies and commitments

The Company has concluded the following guarantees in favour of its suppliers as at 31 December 2017:

Guarantor	Currency	(in TEUR)	(in TCZK)
COMMERZBANK Aktiengesellschaft	CZK	--	80 000
Komerční banka, a.s.	CZK	--	90 000
EP Energy, a.s.	EUR	8 000	--

The Company has concluded the following guarantees in favour of its suppliers as at 31 December 2016:

Guarantor	Currency	(in TEUR)	(in TCZK)
COMMERZBANK Aktiengesellschaft	CZK	--	140 000
Komerční banka, a.s.	CZK	--	85 000
EP Energy, a.s.	EUR	24 000	--

The loan received on group level from UniCredit Bank Czech Republic and Slovakia, a.s. is secured by unpaid trade receivables and bank accounts provided as a pledge. As at 31 December 2017, the book value of pledged receivables was TCZK 785 037 (2016 – TCZK 1 218 708) and the book value of pledged bank accounts was TCZK 51 117 (2016 – TCZK 47 361).

31. Cash flow statement

For the purposes of the cash flow statement, cash and cash equivalents are defined to include cash in hand, cash in transit, cash at the bank and other financial assets whose valuation can be reliably determined and that can be readily converted to cash. Cash and cash equivalents as at the year-end are as follows:

	Balance at 2017	Balance at 2016
Cash	65 199	84 089
Marketable securities	--	--
Cash and cash equivalents	65 199	84 089

In the cash flow statement, cash flows from operating, investment or financial activities are reported on a gross basis.

Other cash and non-cash transaction position of the cash flow statement includes the change in fair value of commodity hedging derivatives settled using the margin bank account.

32. Material subsequent event

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2017.

Prepared on:

30 April 2018



Ing. Petr Švec, MBA
Member of the Board of Directors



Ing. Ladislav Sladký
Member of the Board of Directors

7.

Auditor's Report To Shareholder Of The Company

**KPMG Česká republika Audit, s.r.o.**

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This document is an unsigned English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of EP ENERGY TRADING, a.s.

Opinion

We have audited the accompanying financial statements of EP Energy Trading, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2017, and the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes. Information about the Company is set out in Note 1 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors, and Auditing Standards of the Chamber of Auditors of the Czech Republic, consisting of International Standards on Auditing (ISAs) as amended by relevant application guidelines. Our responsibilities under those regulations 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 the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body 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 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 laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those 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 matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

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. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Statutory Body and Supervisory Board for the Financial Statements

The statutory body 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 statutory body 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 statutory body 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 statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations 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 regulations, we exercise professional judgment and maintain professional skepticism 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 control.
- Obtain an understanding of internal control 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's 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 disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.



Statutory Auditor Responsible for the Engagement

Petr Škoda is the statutory auditor responsible for the audit of the financial statements of EP Energy Trading, a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
30 April 2018

Signed by

KPMG Česká republika Audit, s.r.o.
Registration number 71

Signed by

Petr Škoda
Partner
Registration number 1842

