

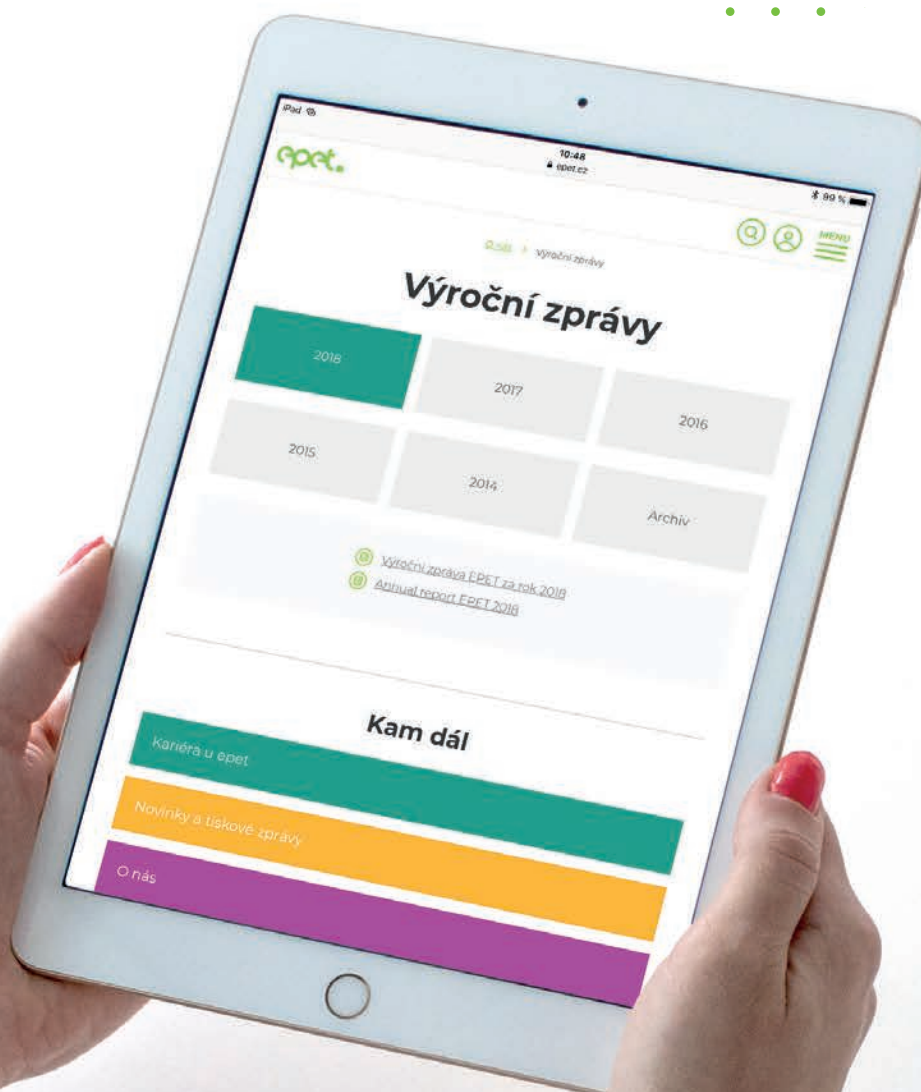
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Annual report 2019

EP ENERGY TRADING, a.s.



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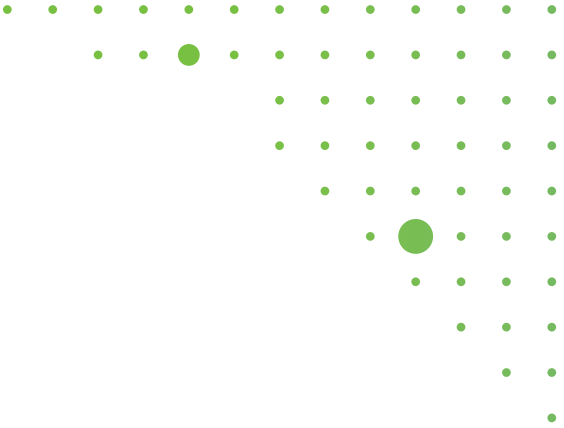
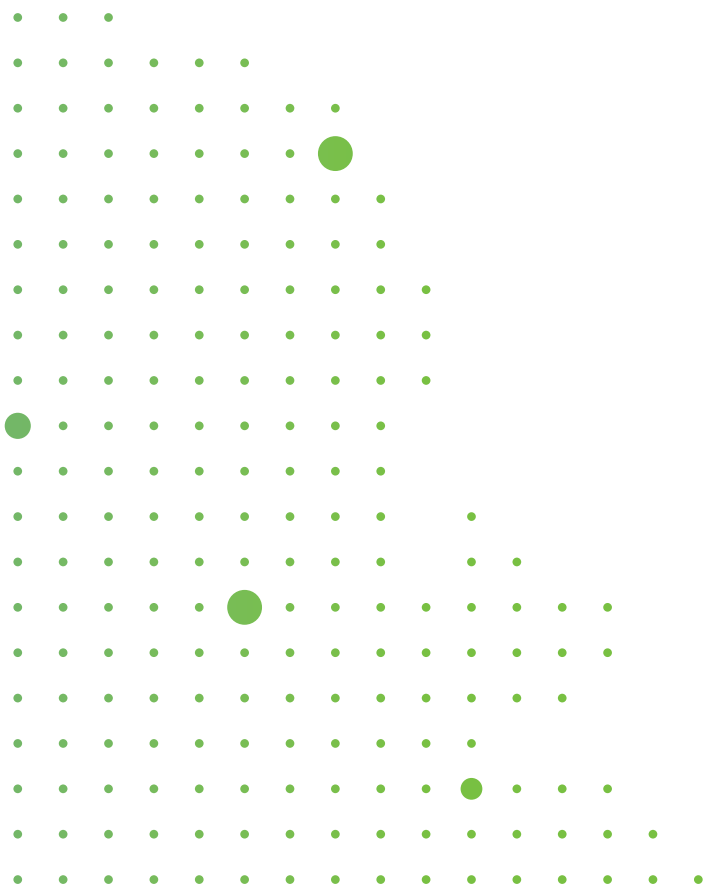


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1.

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 2019, and the Company’s plans for 2020.

In 2019, we met the planned figures for supplies of electricity and natural gas to end customers. More precisely, we supplied 2.9 TWh of electricity and 2.1 TWh of natural gas.

The Company supplies energies to more than 66 000 supply points in the Czech Republic and in Slovakia which represents a growth of 4 000 supply points against 2018.

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 increase the value of the Company.

Since 2018, EP ENERGY TRADING, a.s. started selling its products under the epet brand. The new brand strategy is customer-oriented and aims at simplicity, efficiency, clarity and human touch. To provide our customers with the best price solution and excellent customer experience, we decided to transfer the customer service line to the Company’s registered office.

Similar to last year, we plant to focus on strengthening our position in the energy supplies to households segment through new investment opportunities.

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 on 30 April 2020



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:	Praha – Praha 1, Klimentská 1216/46, Postal Code: 110 02
ID No.:	273 86 643
Tax ID:	CZ27386643
Registration in the Commercial Register:	Municipal Court in Prague, Section B, Insert No. 10233
Phone:	+420 255 707 090
Fax:	+420 255 707 091
E-mail:	info@epet.cz
Website:	www.epet.cz
Customer centre:	+420 255 707 099

Foreign branch:	EP ENERGY TRADING, a.s., organizačná zložka,
Registered office:	Pribinova 25, PSČ 811 09, Bratislava, Slovenská republika
ID No.:	366 82 071

Sole shareholder:	EP Energy, a.s.
Registered office:	Pařížská 130/26, Josefov, 110 00 Praha 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 2019

For the 2019 accounting period, EP ENERGY TRADING, a.s. reported revenues over CZK 12 billion. Profit before tax amounted to CZK 40.1 million.

Principal business activities in 2019

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 2019, total sales of electricity to end customers in the Czech Republic and in Slovakia measured in technical units amounted to 2 863 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 2019, EP ENERGY TRADING, a.s. traded 6 953 GWh of electrical energy including exchange trades.

Natural gas

In 2019, EP ENERGY TRADING, a.s. supplied 2 121 GWh of natural gas to end customers in the Czech Republic, and traded 1 046 GWh of this commodity.

Future development

In 2020, the Company's main task 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 any research and development activities.

Environmental protection and labour-law relations

In handling consumable materials, the Company always adopts environmentally-friendly approach. Employment relations are governed by the Labour Code.

Risk management objectives and methods

As part of its usual business activities, the Company is exposed to currency and market risk. 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 2e to the financial statements.

Other requirements

During 2019, the Company did not acquire any own shares. Information on the branch are listed in the notes to financial statements.


Material subsequent events

Material subsequent events as at the date of the annual report are enclosed in the notes to financial statements which form an integral part of this annual report.

Prague, on 30 April 2020



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



Ing. Ladislav Sladký
Member of the Board of Directors

4.

Report On Relations Between Related Parties

Prepared pursuant to Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as amended, for the accounting period from 1 January 2019 to 31 December 2019.

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 entity, companies exercising direct or indirect control, and other entities controlled by the same controlling entity for the accounting period from 1 January 2019 to 31 December 2019, pursuant to Section 82 of Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as amended.

The entity directly controlling the Company in the period from 1 January 2019 to 31 December 2019 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 No.: 273 86 643, registered on 31 October 2005 in the Commercial Register of the Municipal Court in Prague, Section B, Insert 10233.

II. Controlling entity

a) directly controlling entity

EP Energy, a.s., with its registered office at Prague 1, Pařížská 130/26, postal code 110 00, identification No.: 292 59 428, registered on 16 December 2010 in the Commercial Register of the Municipal Court in Prague, Section B, Insert 21733.

b) indirectly controlling entity

In the period from 1 January 2019 to 31 December 2019, the entity exercising indirect control was EP Investment SARL, with its registered office at avenue J.F. Kennedy 39, 1855, Luxembourg, TIN: 20132465909

III. Role of the controlled entity; 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 bodies' 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 2019:

- 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
- Framework contract on electricity supply and consumption transferring the liability for deviation with Elektrárny Opatovice, a.s. dated 15 December 2010
- Framework contract on electricity supply and consumption transferring the liability for deviation with Plzeňská energetika, a.s. dated 15 December 2010
- Loan agreement with EP Energy, a.s. dated 15 November 2013
- EFET-type framework contract (electricity) with EP Commodities, a.s. dated 1 December 2014
- EFET-type framework contract (gas) with EP Commodities, a.s. dated 1 December 2014
- EFET-type framework contract with Pražská teplárenská a.s. dated 10 December 2013
- EFET-type framework contract with EP Commodities, a.s. dated 1 December 2014
- Framework distribution contract with SPP – distribúcia, a.s. dated 6 October 2015
- Contract on electricity supply – purchase of electricity for 2019 with POWERSUN a.s. dated 12 September 2018
- Contract on electricity supply – purchase of electricity for 2019 with VTE Pchery, s.r.o. dated 17 February 2018
- Contract on combined HV electricity supply for 2019 with VTE Pchery, s. r. o. dated 24 November 2017
- Contract on combined HV electricity supply for 2019 with POWERSUN a.s. dated 10 November 2017
- Contract on combined HV electricity supply for 2019 with MSEM, a.s. dated 5 December 2018
- Contract on combined gas supplies – large and medium customer for 2019, with MSEM, a.s. dated 5 December 2018
- Contract on combined HV electricity supply for 2019 with SOR Libchavy spol. s r.o. dated 1 October 2018
- Contract on combined HV electricity supply for 2019 with Plzeňská teplárenská, a.s., dated 10 December 2018
- Contract on combined gas supplies – large and medium customer for 2018 with SOR Libchavy spol. s.r.o. dated 1 October 2018
- Contract on combined LV electricity supply for 2019 with RPC, a.s. dated 3 October 2017
- Contract on combined LV electricity supply for 2018-2019 with EP Commodities, a.s. dated 30 November 2017
- EFET-type framework contract (electricity) with PT Concept, a.s. (Pražská teplárenská Trading, a.s.) dated 15 April 2015
- EFET-type framework contract (gas) with PT Concept, a.s. (Pražská teplárenská Trading, a.s.) dated 15 October 2012
- Contract on gas supply (2019) with PT Concept, a.s. (Pražská teplárenská Trading, a.s.) dated 15 August 2018
- Contract on gas supply (2020) with PT Concept, a.s. (Pražská teplárenská Trading, a.s.) dated 17 October 2019
- Framework contract on electricity supply and consumption transferring the liability for deviation with United Energy a.s. dated 31 December 2010
- Framework distribution contract with SPP – distribúcia, a.s. dated 6 October 2015
- Contract on maintaining financial security with EP Commodities, a.s. dated 1 December 2017
- Contract for services with EP Commodities, a.s. dated 2 January 2018
- Contract on the provision of professional assistance with EP Infrastructure, a.s., dated 2 January 2018
- Contract on the provision of professional assistance with EP Infrastructure, a.s., dated 1 October 2018
- Contract on the provision of professional assistance with EP Investment Advisors, s.r.o. dated 4 January 2016, including its amendment dated 2 January 2017.

V. Other juridical acts made 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.

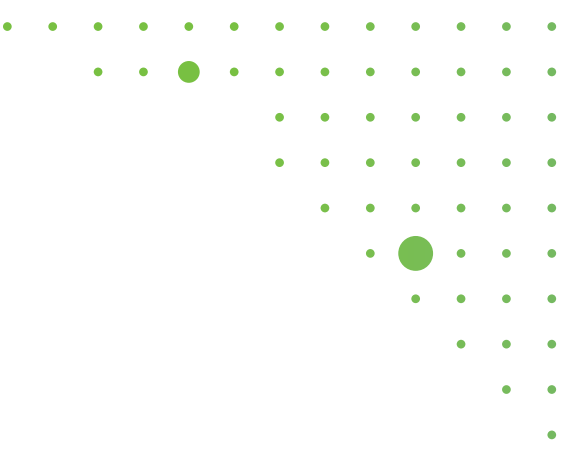
In 2019, the Company paid a dividend of TCZK 99 236 in favour of the controlling entity.

In 2019, 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. Performance and considerations provided and received by the controlled entity

In the respective accounting period, the controlled entity provided and received the following performance and consideration to and from the directly or indirectly controlling entity and other entities controlled by the same controlling entity (in TCZK):

Related party	Performance	Revenue in TCZK	Expenses in TCZK
Pražská teplárenská a.s.	Revenue from sale of goods	49 220	0
	Cost of goods sold	0	16 667
	Other services	0	0
	Total	49 220	16 667
Plzeňská teplárenská a.s.	Revenue from sale of goods	19 282	0
	Cost of goods sold	0	540 688
	Other services	0	360
	Total	19 282	541 048
VTE Pchery, s.r.o.	Revenue from sale of goods	188	0
	Cost of goods sold	0	9 861
	Other services	0	11
	Total	188	9 872
United Energy, a.s.	Revenue from sale of goods	201 313	0
	Cost of goods sold	0	729 510
	Other services	2 863	120
	Total	204 176	729 630
POWERSUN a.s.	Revenue from sale of goods	48	0
	Cost of goods sold	0	4 647
	Other services	0	5
	Total	48	4 652
EP Energy, a.s.	Interest expense	0	4 925
	Guarantee fees	0	1 365
	Interest income	2 645	0
	Other services	0	54
	Total	2 645	6 344
Elektrárny Opatovice, a.s.	Revenue from sale of goods	114 260	0
	Cost of goods sold	0	1 255 137
	Other services	5 374	714
	Total	119 634	1 255 851



Related party	Performance	Revenue in TCZK	Expenses in TCZK
Stredoslovenská energetika, a.s.	Revenue from sale of goods	428 524	0
	Cost of goods sold	0	389 959
	Total	428 524	389 959
EP Commodities, a.s.	Cost of goods sold	0	1 749 056
	Revenue from sale of goods	721 090	0
	Other services	2 119	18 870
	Interest expense	0	892
	Total	723 209	1 768 818
Slovenské elektrárne, a.s.	Cost of goods sold	0	52 113
	Revenue from sale of goods	24 181	0
	Total	24 181	52 113
SOR Libchavy	Cost of goods sold	0	0
	Revenue from sale of goods	13 765	0
	Total	13 765	0
SPP Storage s.r.o.	Cost of goods sold	0	0
	Revenue from sale of goods	2 400	0
	Total	2 400	0
LokoTrains s.r.o.	Cost of goods sold	0	0
	Revenue from sale of goods	43	0
	Total	43	0
MSEM a.s.	Cost of goods sold	0	0
	Revenue from sale of goods	2 742	0
	Total	2 742	0
Alternative Energy s.r.o.	Cost of goods sold	0	0
	Revenue from sale of goods	34	0
	Total	34	0
SPP Distribúcia a.s.	Cost of goods sold	0	21 034
	Revenue from sale of goods	42	0
	Total	42	21 034
Stredoslovenská distribúčná, a.s.	Cost of goods sold	0	81 033
	Total	0	81 033

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 has not incurred 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. Confidentiality also applies to 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 will be 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, on 29 March 2020



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 2019, the supervisory board of EP ENERGY TRADING, a.s. performed its tasks in compliance with the Act on Commercial Companies and Cooperatives 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, or the decisions of the sole shareholder exercising the powers of the general meeting, as well as the compliance with generally binding legal regulations and the Company's statutes.

During 2019, in exercising its right to supervise, the supervisory board complied with 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 proposed distribution of profits.

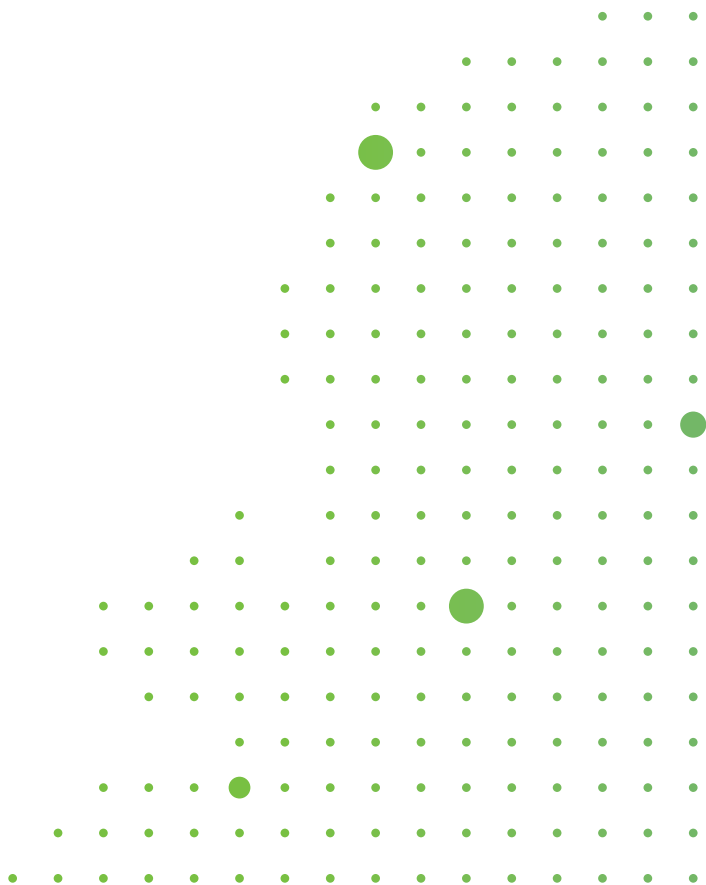
In the shareholder's interest, the supervisory board focused, among other things, on the continuous monitoring of economic results, the fulfilment of the business plan and the resolutions adopted by the regular general meeting. At the same time, it assisted the board of directors in fulfilling the joint 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 on 30 April 2020

Mgr. Michal Antonín
Chairman of the Supervisory Board

Financial guides



6.

Financial Statements Pursuant To The Czech Accounting Principles

BALANCE SHEET

in full format

as at 31 December 2019

(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

Praha - Praha 1, PSČ 11002

Czech Republic

Identification number

273 86 643

Ident. a	ASSETS b	line c	Current period			Prior period
			Gross 1	Adjust. 2	Net 3	Net 4
	TOTAL ASSETS	1	4 000 808	- 243 795	3 757 013	3 795 279
B.	Fixed assets	2	297 016	- 138 819	158 197	167 295
B.I.	Intangible fixed assets	3	98 583	- 73 251	25 332	26 039
B.I.2.	Intellectual property rights	4	62 141	- 56 597	5 544	6 730
B.I.2.1.	Software	5	62 141	- 56 597	5 544	6 730
B.I.4.	Other intangible fixed assets	6	17 114	- 16 654	460	504
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	7	19 328		19 328	18 805
B.I.5.2.	Intangible fixed assets under construction	8	19 328		19 328	18 805
B.II.	Tangible fixed assets	9	198 433	- 65 568	132 865	141 256
B.II.1.	Land and buildings	10	7 561	- 7 245	316	177
B.II.1.2.	Buildings	11	7 561	- 7 245	316	177
B.II.2.	Plant and equipment	12	18 700	- 13 367	5 333	2 052
B.II.3.	Adjustments to acquired fixed assets	13	172 172	- 44 956	127 216	138 694
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	14				333
B.II.5.2.	Tangible fixed assets under construction	15				333

EP ENERGY TRADING, a.s.

Balance sheet

as at 31 December 2019

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
a	b	c	1	2	3	4
C.	Current assets	16	3 590 862	- 104 976	3 485 886	3 531 246
C.II.	Receivables	17	3 561 769	- 104 976	3 456 793	3 461 494
C.II.1.	Long-term receivables	18	137 181		137 181	223 735
C.II.1.4.	Deferred tax asset	19	50 600		50 600	
C.II.1.5.	Receivables - other	20	86 581		86 581	223 735
C.II.1.5.2.	Long-term advances paid	21	86 581		86 581	101 280
C.II.1.5.4.	Other receivables	22				122 455
C.II.2.	Short-term receivables	23	3 424 588	- 104 976	3 319 612	3 237 759
C.II.2.1.	Trade receivables	24	1 064 681	- 104 976	959 705	739 576
C.II.2.2.	Receivables - group undertakings	25	376 931		376 931	541 577
C.II.2.4.	Receivables - other	26	1 982 976		1 982 976	1 956 606
C.II.2.4.3.	Tax receivables	27	2 433		2 433	
C.II.2.4.4.	Short-term advances paid	28	973 890		973 890	577 887
C.II.2.4.5.	Estimated receivables	29	1 003 767		1 003 767	936 311
C.II.2.4.6.	Other receivables	30	2 886		2 886	442 408
C.IV.	Cash	31	29 093		29 093	69 752
C.IV.1.	Cash in hand	32	28		28	24
C.IV.2.	Bank accounts	33	29 065		29 065	69 728
D.	Deferrals	34	112 930		112 930	96 738
D.1.	Prepaid expenses	35	112 062		112 062	96 738
D.3.	Accrued revenues	36	868		868	

EP ENERGY TRADING, a.s.

Balance sheet

as at 31 December 2019

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY	37	3 757 013	3 795 279
A.	Equity	38	506 444	1 368 517
A.I.	Registered capital	39	16 000	16 000
A.I.1.	Registered capital	40	16 000	16 000
A.II.	Premium and capital contributions	41	- 297 280	497 709
A.II.2.	Capital contributions	42	- 297 280	497 709
A.II.2.2.	Revaluation of assets and liabilities (+/-)	43	- 306 565	488 424
A.II.2.5.	Change in revaluation reserve on transformations (+/-)	44	9 285	9 285
A.III.	Funds from profit	45	300	300
A.III.1.	Other reserve funds	46	300	300
A.IV.	Retained earnings (+/-)	47	755 272	781 509
A.IV.1.	Retained profits or accumulated losses (+/-)	48	755 272	781 509
A.V.	Profit (loss) for the current period (+/-)	49	32 152	72 999
B. + C.	Liabilities	50	3 228 801	2 406 534
B.	Provisions	51	22 791	38 530
B.2.	Income tax provision	52		12 054
B.4.	Other provisions	53	22 791	26 476
C.	Liabilities	54	3 206 010	2 368 004
C.I.	Long-term liabilities	55	69 330	163 323
C.I.3.	Long-term advances received	56	30 847	26 432
C.I.8.	Deferred tax liability	57		136 305
C.I.9.	Liabilities - other	58	38 483	586
C.I.9.3.	Other payables	59	38 483	586

EP ENERGY TRADING, a.s.

Balance sheet

as at 31 December 2019

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
C.II.	Short-term liabilities	60	3 136 680	2 204 681
C.II.3.	Short-term advances received	61	905 569	808 174
C.II.4.	Trade payables	62	813 340	656 213
C.II.6.	Liabilities - group undertakings	63	190 853	128 578
C.II.8.	Liabilities - other	64	1 226 918	611 716
C.II.8.3.	Payables to employees	65	6 304	5 475
C.II.8.4.	Social security and health insurance liabilities	66	2 746	2 881
C.II.8.5.	Tax liabilities and subsidies	67	59 426	46 555
C.II.8.6.	Estimated payables	68	818 419	551 739
C.II.8.7.	Other payables	69	340 023	5 066
D.	Accruals	70	21 768	20 228
D.1.	Accrued expenses	71	21 768	20 228

INCOME STATEMENT

classification by nature

for the year ended 31 December 2019

(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

Praha - Praha 1, PSČ 11002

Czech Republic

Identification number

273 86 643

Ident.		line	Current period	Prior period
a	b	c	1	2
I.	Revenue from products and services	1	20 937	22 782
II.	Revenue from goods	2	12 259 829	9 527 149
A.	Cost of sales	3	12 202 527	8 733 933
A.1.	Cost of goods sold	4	12 026 529	8 524 756
A.2.	Materials and consumables	5	3 554	3 568
A.3.	Services	6	172 444	205 609
D.	Personnel expenses	7	86 304	83 288
D.1.	Wages and salaries	8	64 691	62 292
D.2.	Social security, health insurance and other expenses	9	21 613	20 996
D.2.1.	Social security and health insurance expenses	10	20 067	19 442
D.2.2.	Other expenses	11	1 546	1 554
E.	Adjustments relating to operating activities	12	- 157 965	29 207
E.1.	Adjustments to intangible and tangible fixed assets	13	18 129	23 964
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	14	18 129	23 964
E.3.	Adjustments to receivables	15	- 176 094	5 243
III.	Other operating revenues	16	1 038 393	863 850
III.3.	Miscellaneous operating revenues	17	1 038 393	863 850
F.	Other operating expenses	18	1 214 374	868 424
F.3.	Taxes and charges	19	169	323
F.4.	Provisions relating to operating activity and complex prepaid expenses	20	- 3 847	3 438
F.5.	Miscellaneous operating expenses	21	1 218 052	864 663
*	Operating profit (loss) (+/-)	22	- 26 081	698 929

EP ENERGY TRADING, a.s.
Income statement - classification by nature
for the year ended 31 December 2019

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
VI.	Interest revenue and similar revenue	23	2 773	2 945
VI.1.	Interest revenue and similar revenue - group undertakings	24	2 645	2 920
VI.2.	Other interest revenue and similar revenue	25	128	25
J.	Interest expense and similar expense	26	9 607	11 312
J.1.	Interest expense and similar expense - group undertakings	27	4 925	10 859
J.2.	Other interest expense and similar expense	28	4 682	453
VII.	Other financial revenues	29	547 242	144 125
K.	Other financial expenses	30	474 205	747 541
*	Profit (loss) from financial operations	31	66 203	- 611 783
**	Profit (loss) before tax (+/-)	32	40 122	87 146
L.	Income tax	33	7 970	14 147
L.1.	Current tax	34	8 396	16 450
L.2.	Deferred tax (+/-)	35	- 426	- 2 303
**	Profit (loss) after tax (+/-)	36	32 152	72 999
***	Profit (loss) for the accounting period (+/-)	37	32 152	72 999
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	38	13 869 174	10 560 851

CASH FLOW STATEMENT

for the year ended 31 December 2019

(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

Praha - Praha 1, PSČ 11002

Czech Republic

Identification number

273 86 643

	Current period	Prior period
P. Cash and cash equivalents, beginning of period	69 752	65 199
Net operating cash flow		
Z. Accounting profit (loss) from ordinary activities	40 122	87 146
A.1. Non-cash transactions	24 000	58 302
A.1.1. Depreciation and amortisation of fixed assets	6 651	12 486
A.1.2. Change in:	- 168 301	20 159
A.1.2.1. goodwill and adjustments to acquired assets	11 478	11 478
A.1.2.2. provisions and other adjustments	- 179 779	8 681
A.1.5. Expense and revenue interests accounted for	6 834	8 367
A.1.6. Other non-cash transactions	178 816	17 290
A.* Net operating cash flow before taxation and changes in working capital	64 122	145 448
A.2. Changes in working capital	- 196 479	- 157 073
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	- 733 261	- 282 865
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	536 782	125 792
A.** Net operating cash flow before taxation	- 132 357	- 11 625
A.3. Interest paid excluding amounts capitalised	- 9 402	- 13 181
A.4. Interest received	2 135	3 362
A.5. Income tax paid on ordinary income and income tax relating to prior periods	- 22 883	- 11 251
A.*** Net operating cash flow	- 162 507	- 32 695
Investing activities		
B.1. Acquisition of fixed assets	- 6 270	- 6 232
B.1.1. Acquisition of tangible fixed assets	- 1 223	- 279
B.1.2. Acquisition of intangible fixed assets	- 5 047	- 5 953
B.3. Advances and loans to related parties	165 284	115 166
B.*** Net cash flow from investing activities	159 014	108 934
Financing activities		
C.1. Change in long-term resp. short-term liabilities from financing	62 070	- 71 686
C.2. Increase and decrease in equity from cash transactions	- 99 236	
C.2.6. Dividends paid, including withholding tax paid and bonuses paid to board members	- 99 236	
C.*** Net cash flow from financing activities	- 37 166	- 71 686
F. Net increase or decrease in cash balance	- 40 659	4 553
R. Cash and cash equivalents, end of period	29 093	69 752

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

(in thousands of Czech crowns)

Translated from the Czech original

Identification number

273 86 643

Name and regist. office of the Company

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

	Registered capital	Revaluation of assets and liabilities	Change in revaluation reserve on transformations	Other reserve funds	Retained profits or accumulated losses (+/-)	Profit (loss) for the current period	Total
Balance as at 1.1.2019	16 000	488 424	9 285	300	781 509	72 999	1 368 517
Transfer of the profit (loss) of prior year period	--	--	--	--	72 999	-72 999	--
Dividends	--	--	--	--	-99 236	--	-99 236
Change in fair value of hedging instruments	--	-981 468	--	--	--	--	-981 468
Effect of change in fair value of hedging instruments on deferred tax	--	186 479	--	--	--	--	186 479
Profit (loss) for the current period	--	--	--	--	--	32 152	32 152
Balance as at 31.12.2019	16 000	-306 565	9 285	300	755 272	32 152	506 444

	Registered capital	Revaluation of assets and liabilities	Change in revaluation reserve on transformations	Other reserve funds	Retained profits or accumulated losses (+/-)	Profit (loss) for the current period	Total
Balance as at 1.1.2018	16 000	166 249	9 285	300	751 051	30 459	973 344
Transfer of the profit (loss) of prior year period	--	--	--	--	30 459	-30 459	--
Change in fair value of hedging instruments	--	397 205	--	--	--	--	397 205
Effect of change in fair value of hedging instruments on deferred tax	--	-75 030	--	--	--	--	-75 030
Rounding	--	--	--	--	-1	--	-1
Profit (loss) for the current period	--	--	--	--	--	72 999	72 999
Balance as at 31.12.2018	16 000	488 424	9 285	300	781 509	72 999	1 368 517

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

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 2019 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 1
Czech Republic

Identification number

273 86 643

Members of the board of directors and supervisory board as at 31 December 2019

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 EP Investment SARL, with its registered office at 39, Avenue John F. Kennedy, L-1855 Luxembourg.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are not prepared by EP Energy, a.s. as the parent company; the financial statements of all group companies are part of the consolidated financial statements of EP Infrastructure, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1. The consolidated financial statements for 2019 will be published in the Commercial Register.

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

Changes in the Commercial Register

In 2019, no changes were recorded in the Commercial Register.

Foreign branch or any part of foreign establishment

The Company has a branch abroad, EP ENERGY TRADING, a.s., organizačná zložka, with its registered office at Pribinova 25, 811 09 Bratislava, ID: 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 2019.

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.

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

2. Significant accounting policies applied by the Company

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 2018. Comparative information for 2018 is provided in accordance with the structure and designation of balance sheet and income statement items specified by the Decree as amended for 2019.

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 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 charged to profit or loss 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
Adjustments to acquired fixed assets	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

Receivables

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.

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

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) Factoring

The Company accounts for the sale of receivables to a factoring company through profit or loss, i.e. accounts for other operating revenues and expenses arising from the sale of receivables to a factoring company, as the risks and benefits associated with the ownership of receivables are transferred to the factoring company.

e) 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, gas and emission rights, 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 EEX, same as derivatives traded with third parties, are revalued at fair market value, taking as a basis the closing prices on 31 December 2019 as published by the EEX.

On 1 January 2013, the Company began to apply hedge accounting to account for selected commodity derivatives traded on the EEX and commodity forwards with financial settlement in

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

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.

f) Leased assets

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

g) 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.

h) 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.

i) Accounting records of the foreign branch

The accounts of the foreign 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. At the balance sheet date, assets and liabilities denominated in EUR are translated at the prevailing Czech National Bank official rates. Foreign exchange differences arising from the translation of the balance sheet and income statement as at the balance sheet date are recognised in the income statement.

j) 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 Infrastructure, 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.

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

3. Changes to accounting policies

In 2019, the Company changed its method of recognising the settlement of transactions with electricity for which hedge accounting had been applied, to present a truer view of its accounts. Until 2018, the positive settlement was reported in Revenue from the sale of goods and the negative settlement in Cost of goods sold. As the hedged item is the purchase of electricity, from 2019, any remeasurement - both positive and negative - is only reported in Cost of goods sold.

This change does not have any impact on the previous year's result of operations and equity. The Company appropriately adjusted the comparable information for 2018; consequently, this information differs from the information reported in the current period in the financial statements for 2018.

Changes in the reporting method affected the comparable information for 2018 as follows:

	2018 (original)	adjustment	2018 (adjusted)
I. Revenue from goods	10 055 759	-528 610	9 527 149
A. Cost of sales	9 262 543	-528 610	8 733 933
A.1. Cost of goods sold	9 053 366	-528 610	8 524 756

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

4. Fixed assets

a) Intangible fixed assets

2019	Other intangible assets	Software	Intangible assets under constr.	Total
Acquisition cost				
Balance at 31/12/2018	17 062	60 257	18 805	96 124
Additions	--	252	4 532	4 784
Disposals	--	-2 325	--	-2 325
Transfers	52	3 957	-4 009	--
Balance at 31/12/2019	17 114	62 141	19 328	98 583
Accumulated depreciation				
Balance at 31/12/2018	16 558	53 527	--	70 085
Depreciation expense	96	5 395	--	5 491
Disposals	--	-2 325	--	-2 325
Balance at 31/12/2019	16 654	56 597	--	73 251
Net book value 31/12/2018	504	6 730	18 805	26 039
Net book value 31/12/2019	460	5 544	19 328	25 332

2018	Other intangible assets	Software	Intangible assets under constr.	Total
Acquisition cost				
Balance at 31/12/2017	16 500	54 267	18 674	89 441
Additions	562	5 821	300	6 683
Disposals	--	--	--	--
Transfers	--	169	-169	--
Balance at 31/12/2018	17 062	60 257	18 805	96 124
Accumulated depreciation				
Balance at 31/12/2017	9 744	50 988	--	60 732
Depreciation expense	6 814	2 539	--	9 353
Disposals	--	--	--	--
Balance at 31/12/2018	16 558	53 527	--	70 085
Net book value 31/12/2017	6 756	3 279	18 674	28 709
Net book value 31/12/2018	504	6 730	18 805	26 039

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

b) Tangible fixed assets

2019	Constructions	Property, plant and equipment	Adjustm. to assets acquired	Tangible assets under constr.	Total
Acquisition cost					
Balance at 31/12/2018	7 349	14 364	172 172	333	194 218
Additions	212	4 035	--	--	4 247
Disposals	--	-32	--	--	-32
Transfers	--	333	--	-333	--
Balance at 31/12/2019	7 561	18 700	172 172	--	198 433
Accumulated depreciation					
Balance at 31/12/2018	7 172	12 312	33 478	--	52 962
Depreciation expense	73	1 087	11 478	--	12 638
Disposals	--	-32	--	--	-32
Transfers	--	--	--	--	--
Balance at 31/12/2019	7 245	13 367	44 956	--	65 568
Net book value 31/12/2018	177	2 052	138 694	333	141 256
Net book value 31/12/2019	316	5 333	127 216	--	132 865

2018	Constructions	Property, plant and equipment	Adjustm. to assets acquired	Tangible assets under constr.	Total
Acquisition cost					
Balance at 31/12/2017	7 349	13 985	172 172	--	193 506
Additions	--	379	--	333	712
Disposals	--	--	--	--	--
Transfers	--	--	--	--	--
Balance at 31/12/2018	7 349	14 364	172 172	333	194 218
Accumulated depreciation					
Balance at 31/12/2017	6 879	9 472	22 000	--	38 351
Depreciation expense	293	2 840	11 478	--	14 611
Disposals	--	--	--	--	--
Transfers	--	--	--	--	--
Balance at 31/12/2018	7 172	12 312	33 478	--	52 962
Net book value 31/12/2017	470	4 513	150 172	--	155 155
Net book value 31/12/2018	177	2 052	138 694	333	141 256

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

5. 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 for 2019 was TCZK 1 766 (2018 – TCZK 1 754).

The Company also has an operating lease for office premises in Prague (till 31 July 2021), Pilsen (till 31 December 2019) and Bratislava (for an indefinite period with a notice period of 12 months). The annual cost of this lease for 2019 was TCZK 8 711 (2018 – TCZK 9 488).

6. 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:

	31/12/2018	31/12/2019
Tangible fixed assets	1 083	1 193
Total	1 083	1 193

7. Adjustment to assets acquired

As a result of the merger, the Company reports an amount of TCZK 172 172 (2018 – 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 2019 depreciation totalled TCZK 11 478 (2018 – TCZK 11 478).

8. Trade receivables and payables

- Short-term trade receivables total TCZK 1 064 681 (2018 – TCZK 1 020 925), of which TCZK 226 991 (2018 – TCZK 334 773) is overdue. An adjustment of TCZK 104 976 (2018 – TCZK 281 349) was set up as at 31 December 2019 for doubtful receivables.
- Short-term trade payables total TCZK 813 340 (2018 – TCZK 656 213), of which TCZK 14 783 (2018 – TCZK 15 316) is overdue.

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

9. Advances paid

- a) Long-term advances paid total TCZK 86 581 (2018 – TCZK 101 280). The balance primarily comprises a security deposit for trading on the EEX granted to European Commodity Clearing AG of TCZK 2 859 (2018 – TCZK 12 862), a security deposit on electricity trading provided to OKTE, a.s. of TCZK 31 133 (2018 – TCZK 31 414), and a security deposit on electricity trading provided to OTE, a.s. of TCZK 39 955 (2018 – TCZK 39 955).
- b) Short-term advances paid total TCZK 973 890 (2018 – TCZK 577 887) and primarily comprise advances paid for the distribution of electricity and natural gas. The remaining balance of short-term advances paid primarily includes an advance paid to ČEZ Distribuce, a. s. of TCZK 428 801 (2018 – TCZK 213 567) and an advance paid to GasNet, s.r.o. of TCZK 125 973 (2018 – TCZK 131 617) and to E.ON Distribuce, a.s. of TCZK 131 260 (2018 – TCZK 112 434). The Company also provided an advance to EP Commodities, a.s., see note 26.

10. Estimated receivables

Estimated receivables of TCZK 1 003 767 (2018 – TCZK 936 311) primarily comprise estimates for uninvoiced distribution and supply of electricity totalling TCZK 630 921 (2018 – TCZK 566 415) and distribution and supply of natural gas totalling TCZK 371 375 (2018 – TCZK 369 896).

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

Other receivables of TCZK 2 886 (2018 – TCZK 564 863) primarily comprise the revaluation of commodity derivatives to fair value as at 31 December 2019 of TCZK 2 886 (2018 – TCZK 561 808); see note 12.

Other payables of TCZK 378 506 (2018 – TCZK 5 652) primarily comprise the revaluation of commodity derivatives to fair value as at 31 December 2019 of TCZK 377 892 (2018 – TCZK 5 534); 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:

		2019
Forward exchange contracts	Due date	Fair value
Forwards (Commerzbank Aktiengesellschaft)	2020 – 2022	-49 578
Forwards (Komerční banka)	2020 – 2022	-4 549
Forwards (Raiffeisenbank)	2020 – 2022	-2 639
Total		-56 766

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

The fair value of derivatives totals TCZK -56 766 (2018 – TCZK -4 443) of which TCZK -16 705 (2018 – TCZK -527) is recorded in Other long-term payables and TCZK -40 061 (2018 – TCZK -3 916) in Other short-term payables. Derivatives which meet the condition of an effective hedge amounting to TCZK -56 766 (2018 – TCZK -4 443) 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	2020	-418 944	3 060
Futures and forward contracts for sale of electricity	2020	120 315	748
Futures and forward contracts for purchase of electricity	2021	-25 222	832
Futures and forward contracts for sale of electricity	2021	2 820	61
Futures and forward contracts for purchase of electricity	2022	701	44
		-320 330	

The fair value of TCZK 796 (2018: TCZK 51 549) was settled using the daily settlement of contract value changes on the commodities exchange as at 31 December 2019.

The unsettled fair value of derivatives totalled TCZK -321 126 (2018: TCZK 561 808), of which TCZK -299 408 (2018: TCZK 439 353 in Other short-term receivables) is recognised in Other short-term payables and TCZK -21 718 in Other long-term payables (2018: TCZK 122 455 in Other long-term receivables).

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 -321 710 (2018: TCZK 606 854).

c) Commodity derivatives – CO2 emission rights (EUA)

In 2019, the Company started to trade in CO2 emission rights (EUA) with a physical supply for "Sources" (power plants within the EPH group). As at the balance sheet date, the Company held the following forward contracts for trading with emission rights:

Forward exchange contracts	Sales for	Fair value (in TCZK)	Commodity volume (in lots)
forward contracts for the purchase of CO2 emission rights	2020	-26 270	1 114
forward contracts for the sale of CO2 emission rights	2020	26 270	1 114

The net value of these contracts was TCZK 0 as at the balance sheet date.

EP ENERGY TRADING, a.s.

Notes to the Czech statutory financial statements (translated from the Czech original)

Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

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

The Company has not concluded any forward contracts for the purchase and sale of gas for 2020 and subsequent which would not have been concluded for the purpose of purchase, sale or use of the commodity. In 2018, the fair value of forwards which have not been concluded for the purpose of purchase, sale or use of the commodity was TCZK 0.

13. Adjustments

	Adjustment to receivables	Total
Balance at 31/12/2018	281 349	281 349
Additions	19 743	19 743
Release/use	196 116	196 116
Balance at 31/12/2019	104 976	104 976

14. Prepaid expenses

Prepaid expenses of TCZK 112 062 (2018 – TCZK 96 738) mainly represent deferred expenses on the acquisition of new points of supply.

15. Registered capital

The registered capital of TCZK 16 000 (2018 – 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 2019.

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

Balance at 01/01/2019	488 424
Change in fair value of currency derivatives	-52 323
Change in deferred tax relating to currency derivatives	9 941
Change in fair value of commodity derivatives	-929 145
Change in deferred tax relating to commodity derivatives	176 538
Balance at 31/12/2019	-306 565

EP ENERGY TRADING, a.s.

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Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

c) "Revaluation of assets and liabilities" comprises:

Fair value of currency derivatives	-56 765
Deferred tax relating to currency derivatives	10 785
Fair value of commodity derivatives	-321 710
Deferred tax relating to commodity derivatives	61 125
Balance at 31/12/2019	-306 565

17. Provisions

	Provision for untaken holidays	Other provisions	Total
Balance at 31/12/2018	1 678	24 798	26 476
Additions	1 686	256	1 942
Release/utilisation	-1 678	-3 949	- 5 627
Balance at 31/12/2019	1 686	21 105	22 791

18. Advances received

- Short-term advances received consist of advances of TCZK 905 569 (2018 – TCZK 808 174) received from end customers in connection with the sale of electricity and natural gas.
- Long-term advances received total TCZK 30 847 (2018 – TCZK 26 432) and primarily include received security deposits.

19. Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 2 746 (2018 – TCZK 2 881), of which TCZK 1 830 (2018 – TCZK 1 840) relates to social security liabilities and TCZK 916 (2018 – TCZK 1 041) to health insurance liabilities. None of these liabilities are overdue.

20. Tax liabilities and subsidies

Tax liabilities amount to TCZK 59 426 (2018 – TCZK 46 555), of which TCZK 1 456 (2018 – TCZK 1 469) relates to income tax on employment, TCZK 7 900 to taxes on electricity and gas (2018 – TCZK 8 012), and TCZK 50 070 (2018 – TCZK 37 074) to value added tax and road tax.

21. Estimated payables

Estimated payables of TCZK 818 419 (2018 – TCZK 551 739) primarily comprise estimates for uninvoiced electricity and gas distribution totalling TCZK 695 848 (2018 – TCZK 510 571) and estimates for uninvoiced supplies of commodities.

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(All amounts are shown in thousands of Czech crowns "TCZK")

22. Accrued revenues

Accrued revenues total TCZK 21 768 (2018 – TCZK 20 228) and primarily comprise accrued supplies of natural gas.

23. Segment information

The Company supplies two types of commodities to end customers – electricity and natural gas – and provides related services. Revenues in the table below are sorted by countries in which customers have their registered offices. Sales of these commodities and services were as follows:

		Domestic sales	Export		Total
			European Union	Outside EU	
Electricity	2019	8 239 465	459 975	1 209 877	9 909 317
	2018	6 483 338	580 982	253 643	7 317 963
Natural gas	2019	2 346 067	4 255	190	2 350 512
	2018	2 207 535	1 651	0	2 209 186
Services	2019	19 046	1 891	0	20 937
	2018	20 416	2 366	0	22 782
Total	2019	10 604 578	466 121	1 210 067	12 280 766
	2018	8 711 289	584 999	253 643	9 549 931

24. Other operating expenses and revenues

Other operating revenues mainly include revenues from the sale of receivables to a factoring company; receivables sold amounted to TCZK 1 027 387 in 2019 and TCZK 858 088 in 2018.

Other operating expenses represent expenses associated with the buy-out of receivables from a factoring company; expenses amounted to TCZK 1 027 387 in 2019 and TCZK 858 088 in 2018, and write-offs of receivables to TCZK 183 679.

25. Other financial expenses and revenues

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

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Notes to the Czech statutory financial statements (translated from the Czech original)

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(All amounts are shown in thousands of Czech crowns "TCZK")

26. Related parties

a) Trade receivables and payables

The following related party balances are included in the trade receivables and payables described in note 8 above:

	Receivables at		Payables at	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Pražská teplárenská, a.s.	4 111	8 590	742	308
Plzeňská teplárenská, a.s.	2 420	1 604	54 682	29 622
VTE Pchery, s.r.o.	22	13	888	956
United Energy, a.s.	19 558	9 828	82 552	78 952
POWERSUN a.s.	8	8	99	44
EP Energy, a.s.	964	--	485	--
Elektrárny Opatovice, a.s.	9 247	34 924	109 362	189 367
Stredoslovenská energetika, a.s.	42 292	11 077	39 050	5 696
Stredoslovenská distribučná, a.s.	117	--	4 134	4 191
EP Infrastructure, a.s.	--	--	--	217
Slovenské elektrárne, a.s.	9 487	13 087	3 431	5 235
SOR Libchavy spol. s r.o.	1 493	1 456	115	124
SPP Storage s.r.o.	25	181	2	181
SPP Distribúcia, a.s.	5 119	35	2 693	3 618
MSEM, a.s.	34	49	62	63
EP Commodities, a.s.	56 813	21 664	280 141	197 799
Elektrizace železnic Praha a. s.*	--	87	--	495
SEG s.ro.*	--	41	--	--
AVE CZ odpadové hospodářství s.r.o.*	--	987	--	--
AVE SK odpadové hospodárstvo s.r.o.*	--	788	--	--
AVE Ústí nad Labem s.r.o.*	--	118	--	--
AVE Sběrné suroviny a.s.*	--	228	--	--
AVE Kolín s.r.o.*	--	850	--	--
AVE Kralupy s.r.o.*	--	502	--	--
AVE Kladno s.r.o.*	--	224	--	--
Other companies in the group	5	3	23	169
Total	151 715	106 344	578 461	517 037

*Companies were part of the group until 30 September 2018.

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b) Cash pool

The Company reports cash at a group cash pool account kept by EP Energy, a.s. amounting to TCZK 376 931 (2018 – TCZK 541 577). 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 190 853 (2018 – TCZK 128 578); this cash pool is reported in Liabilities – group undertakings.

c) Loans received

The Company did not recognise any loans received as at 31 December 2019 and 31 December 2018.

d) Advances paid

In 2019, the Company provided an advance of TCZK 339 679 to EP Commodities (2018 – TCZK 126 957).

e) Transactions with related parties

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

	Revenue for year		Expenses for year	
	2019	2018	2019	2018
Pražská teplárenská a.s.	49 220	98 761	16 667	10 988
Plzeňská teplárenská, a.s.	19 282	2 064	541 048	44 979
VTE Pchery, s.r.o.	188	189	9 872	4 841
United Energy, a.s.	204 176	130 581	729 630	798 592
POWERSUN a.s.	48	51	4 652	2 980
EP Infrastructure, a.s.	--	--	--	717
EP Energy, a.s.	2 645	2 987	6 344	12 384
Elektrárny Opatovice, a.s.	119 634	190 062	1 255 851	1 477 630
Stredoslovenská energetika a.s.	428 524	130 081	389 959	94 646
Stredoslovenská distribučná, a.s.	--	--	81 033	69 055
SPP Storage s.r.o.	2 400	2 414	--	--
SOR Libchavy spol. s r.o.	13 765	11 230	--	--
MSEM, a.s.	2 742	2 599	--	--
SPP - distribúcia, a.s.	43	1 472	21 034	22 048
Slovenské elektrárne, a.s.	24 181	142 939	52 113	102 067
EP Commodities, a.s.	723 209	315 271	1 768 818	1 410 955
Elektrizace železnic Praha a. s.*	--	8 077	--	--
SEG s.ro.*	--	1 284	--	--
AVE CZ odpadové hospodářství s.r.o.*	--	5 053	--	--
AVE SK odpadové hospodárstvo s.r.o.*	--	8 454	--	--
AVE Ústí nad Labem s.r.o.*	--	555	--	--
AVE Sběrné suroviny a.s.*	--	1 407	--	--

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(All amounts are shown in thousands of Czech crowns "TCZK")

AVE Kolín s.r.o.*	--	4 751	--	--
AVE Kralupy s.r.o.*	--	2 755	--	--
AVE Kladno s.r.o.*	--	965	--	--
Other companies in the group	77	141	--	3
Total	1 590 134	1 064 143	4 877 021	4 051 885

**Companies were part of the group until 30 September 2018.*

27. Employees and executives

Average number of employees and executives and personnel expenses for 2019:

2019	Number	Wages and salaries	Social security and health insurance expenses	Other expenses
Employees and executives	78	56 114	18 019	1 546
Board of Directors	3	8 532	2 033	--
Supervisory Board	3	45	15	--
Total	84	64 691	20 067	1 546

Average number of employees and executives and personnel expenses for 2018:

2018	Number	Wages and salaries	Social security and health insurance expenses	Other expenses
Employees and executives	79	54 428	17 550	1 554
Board of Directors	3	7 819	1 877	--
Supervisory Board	3	45	15	--
Total	85	62 292	19 442	1 554

In 2019 and 2018, members of management, supervisory and administrative bodies received no advances, deposits, loans, guarantees or other benefits, nor do they hold any shares/equity investments in the Company.

28. Fees payable to statutory auditors

This information is stated in the notes to the consolidated financial statements of EP Infrastructure, a.s. in which the Company is included.

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29. Income tax

a) Current tax

Current income tax comprises the tax estimate for 2019 of TCZK 8 646 (2018 – TCZK 21 440), and an adjustment to tax of TCZK -250 (2018 – TCZK 4 990) relating to prior periods.

An income tax provision of TCZK 8 646 (2018 – TCZK 21 440) was reduced by corporate income tax prepayments of TCZK 11 079 (2018 – TCZK 9 386) and the net receivable of TCZK 2 433 was reported in Tax receivables (2018 - the net payable of TCZK 12 054 was reported in Income tax provision).

b) Deferred tax

	Assets		Liabilities		Net	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Tangible and intangible fixed assets	730	685	--	--	730	685
Hedging commodity derivatives	61 125	--	--	-114 871	61 125	-114 871
Deferred tax from valuation difference	--	--	-23 808	-26 352	-23 808	-26 352
Hedging FX derivatives	10 785	844	--	--	10 785	844
Adjustments to receivables and other temporary differences	1 768	3 389	--	--	1 768	3 389
Deferred tax asset/(liability)	74 408	4 918	-23 808	-141 223	50 600	-136 305

In accordance with the accounting policies described in Note 2(g), a tax rate of 19% was used to calculate deferred tax (2018 – 19%).

A change in deferred tax of TCZK 186 905 (2018 - TCZK 72 727) consists of deferred tax from hedging derivatives charged directly to equity of TCZK 186 479 (2018 - TCZK 75 030), and a change in deferred tax recognised in profit/loss of TCZK 426 (2018 - TCZK 2 303).

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30. Contingencies and commitments

The Company has concluded the following bank guarantees in favour of its suppliers as at 31 December 2019:

Bank	Currency	(in TEUR)	(in TCZK)
COMMERZBANK Aktiengesellschaft	CZK	--	75 000
EP Energy, a.s.	EUR	8 000	--

The Company has concluded the following bank guarantees in favour of its suppliers as at 31 December 2018:

Bank	Currency	(in TEUR)	(in TCZK)
COMMERZBANK Aktiengesellschaft	CZK	--	115 000
Komerční banka, a.s.	CZK	--	92 000
EP Energy, a.s.	EUR	8 000	--

The loan received on group level from UniCredit Bank Czech Republic and Slovakia, a.s. was secured by unpaid trade receivables and bank accounts provided as a pledge in 2018. As at 31 December 2018, the book value of pledged receivables was TCZK 766 911 (2018 – TCZK 766 911) and the book value of pledged bank accounts was TCZK 51 882. As at 31 December 2019, the book value of pledged receivables and pledged bank accounts was zero, as the provision of security for the above loan was no longer relevant.

The Company is limited in terms of disposing of the bank account kept with UniCredit Bank Czech Republic and Slovakia of TCZK 4 126. Disposing of these funds has to be approved by the bank. The bank is obliged to abide by the requirements of the energy exchange while the disposing of the account is independent of the Company.

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	
	2019	2018
Cash	29 093	69 752
Marketable securities	--	--
Cash and cash equivalents	29 093	69 752

Other 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 and write-offs of receivables.

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Year ended 31 December 2019

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32. Material subsequent event

On 11 March 2020 the World Health Organization declared the coronavirus outbreak a pandemic, and the Czech government declared a state of emergency on 12 March 2020. Responding to the potentially serious threat Covid-19 presents to public health, the Czech government authorities took measures to contain the outbreak (restrictions on the free movement of people, restriction or suspension of production or service provision in selected industries, etc.).

The Company operates in an industry not significantly affected by the Covid-19 pandemic, has had relatively stable sales during the last several weeks and neither its activities nor its supplies have been discontinued. Based on information publicly available as at the date of preparation of these financial statements, the management assessed the possible development of the pandemic and its expected effect on the Company and the economic environment the Company operates in, including measures already introduced by the Czech government and the governments of other countries where the Company's major business partners and customers reside.

The Company ensures the supply (including distribution) of electricity and gas to end customers especially in the Czech Republic and Slovakia. Further, the Company trades in commodities (electricity, gas and emission rights), where it does not expect an impact due to the coronavirus pandemic. In connection with the coronavirus pandemic, the Company's management expects a decline in the sale of commodities and distribution services especially to corporate customers, which can lead to a decline of the results of operations in 2020 compared to the plan. However, even under the crisis scenario, the Company's management expects positive operating profit. The Company's management does not consider other risks (an increase in the need of adjustments or risks connected with the development of the foreign exchange rate) as material. The Company is of the opinion that the assumptions adopted in the preparation of the financial statements for 2019 remain valid in the long term and only expects a short-term variance due to the current situation relating to the pandemic.

Further, the Company has introduced measures to prevent potential operational risks, such as dividing critical departments into shifts not having any physical contact, working from home, etc.

The Company does not use external credit financing and instead makes use of intercompany financing through cash-pooling within EP Infrastructure, a.s. Group if necessary (see note 26 b)).

The Company closely monitors the current situation with the Covid-19 pandemic in its activity and is operatively adopting measures to ensure the Company's smooth operation and employee protection.

Based on currently publicly available information, the Company's current KPIs and in view of the adopted measures, the Company's management does not anticipate a direct immediate and significant adverse impact of the Covid-19 outbreak on the Company, its operations and financial position in 2020. However, the Company's management cannot preclude the possibility that a potential repeated escalation in the severity of such measures, or a consequential adverse impact of such measures on the economic environment the Company operates in may have an effect on the financial position and operating results, in the medium and longer term. The Company's management will continue to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

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Year ended 31 December 2019

(All amounts are shown in thousands of Czech crowns "TCZK")

The Company's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2019.

Prepared on:

30 April 2020

Ing. Petr Švec, MBA

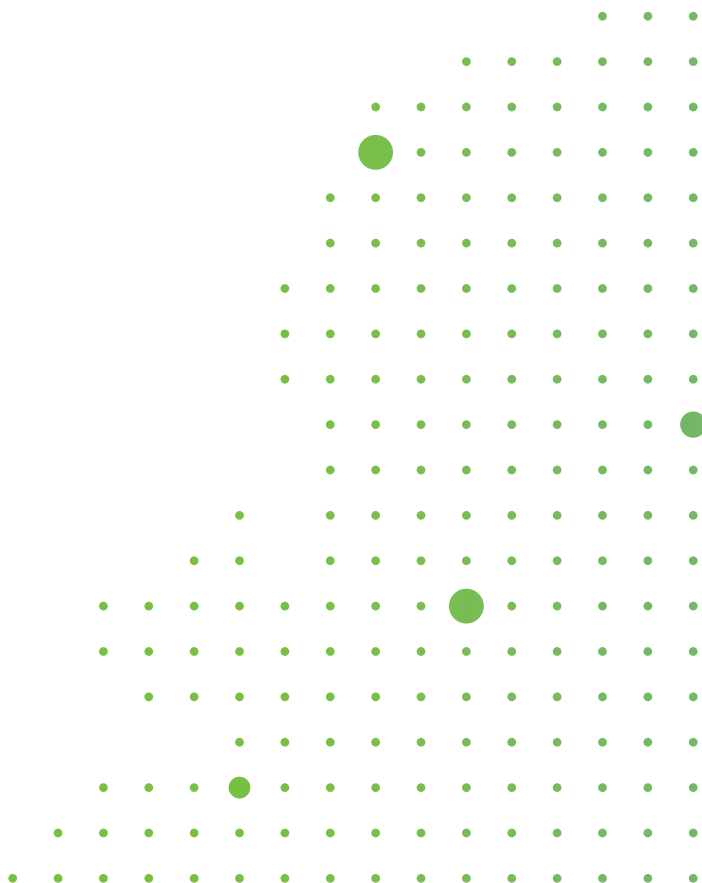
Member of the Board of Directors

Ing. Ladislav Sladký

Member of the Board of Directors

7.

Auditor's Report To Shareholder Of The Company





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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 2019, 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 2019, 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, 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 overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above 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 Kuna is the statutory auditor responsible for the audit of the financial statements of EP ENERGY TRADING, a.s. as at 31 December 2019, based on which this independent auditor's report has been prepared.

Prague
30 April 2020

Signed by

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

Signed by

Petr Kuna
Director
Registration number 2476

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