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Annual report 2018

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 2018 and the Company’s plans for 2019.

In 2018, we met the planned figures for supplies of electricity and natural gas to end customers. More precisely, we supplied 2.4 TWh of electricity and 2.0 TWh of natural gas.

The Company supplies energies to more than 62 000 supply points in the Czech Republic and in Slovakia.

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.

A significant project that was 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, clarity and human touch. At the same time, a new logo of the Company was presented and new web sites were launched.

Same as in 2018, we will focus on strengthening our position in the segment of energy supplies to households 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, 30 April 2019



Signed by

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 82071

Sole shareholder: EP Energy, a.s.
Registered office: Pařížská 130/26, Josefov, 110 00 Prague 1
Id. No.: 292 59428

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 2018

For the accounting period of 2018, EP ENERGY TRADING, a.s. reported revenues of CZK 10 billion. Profit before tax amounted to CZK 86.6 million.

Principal business activities in 2018

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 2018, total sales of electricity to end customers in the Czech Republic and in Slovakia measured in technical units amounted to 2 389 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 2018, EP ENERGY TRADING, a.s. traded 4 754 GWh of electrical energy including exchange trades.

Natural gas

In 2018, EP ENERGY TRADING, a.s. supplied 2 018 GWh of natural gas to end customers in the Czech Republic, and traded 1 083 GWh of this commodity.

Future development

The Company's main task in 2019 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 2d 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.

Prague, 30 April 2019

Signed by

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

Signed by

Ing. Ladislav Sladký
Member of the board of directors

4.

Report On Relations Between Related Parties

Pursuant to Act No. 90/2012 Coll., on Commercial Companies and Cooperatives, as amended, for the accounting period from 1 January 2018 to 31 December 2018.

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 2018 to 31 December 2018, 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 2018 to 31 December 2018 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 Prague 1, Pařížská 130/26, postal code 110 00, 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 2018 to 31 December 2018, the entity exercising indirect control was EP Investment SARL, with its registered office at avenue J.F. Kennedy 39, 1855, Luxembourg, identification number TIN: 20132465909.

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 2018:

- 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 offtake transferring the liability for deviation with Elektrárny Opatovice, a.s. dated 15 December 2010
- Framework contract on electricity supply and offtake 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 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
- Framework distribution contract with SPP – distribúcia, a.s. dated 6 October 2015
- Contract on electricity supply – purchase of electricity for 2018 with POWERSUN a.s. dated 11 April 2017
- Contract on electricity supply – purchase of electricity for 2018 with VTE Pchery, s.r.o. dated 11 April 2017
- Contract on combined gas supplies – large and medium customer for 2018 with United Energy, a.s. dated 30 June 2017
- Contract on combined gas supplies – large and medium customer for 2018 with AVE CZ odpadové hospodářství s.r.o. dated 30 October 2017
- Contract on combined HV electricity supply for 2018 with VTE Pchery, s. r. o. dated 24 November 2017
- Contract on combined HV electricity supply for 2018 with POWERSUN a.s. dated 10 November 2017
- Contract on combined HV electricity supply for 2018 with Elektrizace železnic Praha a.s. dated 20 December 2017
- Contract on combined gas supplies – large and medium customer for 2018 with Elektrizace železnic Praha a.s. dated 20 December 2017
- Contract on combined HV electricity supply for 2018 with MSEM, a.s. dated 8 December 2017
- Contract on combined gas supplies – large and medium customer for 2018 with MSEM, a.s. dated 8 December 2017
- Contract on combined HV electricity supply for 2018 with SOR Libchavy spol. s r.o. dated 10 November 2017
- Contract on combined electricity supply for 2018 with AVE CZ odpadové hospodářství s.r.o. dated 10 October 2017
- Contract on combined electricity supply for 2018 with AVE Kralupy s.r.o. dated 10 October 2017
- Contract on combined electricity supply for 2018 with AVE Kladno s.r.o. dated 10 October 2017
- Contract on combined electricity supply for 2018 with AVE Kolín s.r.o. dated 10 October 2017
- Contract on combined electricity supply for 2018 with AVE Ústí nad Labem s.r.o. dated 10 October 2017
- Contract on combined electricity supply for 2018 with AVE sběrné suroviny a.s. dated 10 October 2017
- Contract on combined gas supplies – large and medium customer for 2018 with SOR Libchavy spol. s.r.o. dated 10 November 2017
- Contract on combined LV electricity supply for 2018 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
- Contract on combined LV electricity supply for 2018 with AVE Kladno s.r.o. dated 10 October 2017
- Contract on combined gas supplies – small customer for 2018 with AVE Kladno s.r.o. dated 30 October 2017
- Contract on LV electricity supply for 2018 with AVE Kralupy s.r.o. dated 10 October 2017
- Contract on combined LV electricity supply for 2018 with AVE Kolín s.r.o. dated 10 October 2017
- Contract on combined gas supplies – small customer for 2018 with AVE Kolín s.r.o. dated 30 October 2017
- Contract on combined LV electricity supply for 2018 with AVE Sběrné suroviny a.s. dated 10 October 2017

- Contract on combined gas supplies – small customer for 2018 with AVE Sběrné suroviny a.s. dated 30 October 2017
- Contract on combined LV electricity supply for 2018 with AVE Ústí nad Labem s.r.o. dated 10 October 2017
- Contract on combined LV electricity supply for 2018 with AVE CZ odpadové hospodářství s.r.o. dated 10 October 2017
- Contract on combined gas supplies – small customer for 2018 with AVE CZ odpadové hospodářství s.r.o. dated 30 October 2017
- Framework contract for electricity supply and offtake transferring the liability for deviation with Plzeňská energetika a.s. dated 15 December 2010
- Framework contract for electricity supply and offtake 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 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 2018, 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 | Revenue TCZK | Expenses TCZK |
|---------------------------------|--------------------|--------------|---------------|
| Pražská teplárenská a.s. | Revenue from goods | 98 737 | 0 |
| | Cost of goods sold | 0 | 10 988 |
| | Other services | 24 | 0 |
| | Total | 98 761 | 10 988 |
| Plzeňská teplárenská, a.s. | Revenue from goods | 1 528 | 0 |
| | Cost of goods sold | 0 | 44 979 |
| | Other services | 536 | 0 |
| | Total | 2 064 | 44 979 |
| VTE Pchery, s.r.o. | Revenue from goods | 189 | 0 |
| | Cost of goods sold | 0 | 4 828 |
| | Other services | 0 | 13 |
| | Total | 189 | 4 841 |
| United Energy, a.s. | Revenue from goods | 126 283 | 0 |
| | Cost of goods sold | 0 | 798 412 |
| | Other services | 4 298 | 180 |
| | Total | 130 581 | 798 592 |
| POWERSUN a.s. | Revenue from goods | 51 | 0 |
| | Cost of goods sold | 0 | 2 980 |
| | Total | 51 | 2 980 |
| EP Energy, a.s. | Interest expenses | 0 | 10 866 |
| | Guarantee fees | 0 | 1 467 |
| | Interest income | 2 987 | 0 |
| | Other services | 0 | 51 |
| | Total | 2 987 | 12 384 |
| Elektrárny Opatovice, a.s. | Revenue from goods | 180 207 | 0 |
| | Cost of goods sold | 0 | 147 721 |
| | Other services | 9 855 | 420 |
| | Total | 190 062 | 147 763 |
| Stredoslovenská energetika a.s. | Revenue from goods | 130 081 | 0 |
| | Cost of goods sold | 0 | 94 646 |
| | Total | 130 081 | 94 646 |
| EP Commodities, a.s. | Revenue from goods | 0 | 1 392 444 |
| | Cost of goods sold | 313 450 | 0 |
| | Other revenues | 1 821 | 0 |
| | Other expenses | 0 | 18 511 |
| | Total | 315 271 | 1 410 955 |
| Slovenské elektrárne, a.s. | Revenue from goods | 0 | 102 067 |
| | Cost of goods sold | 142 939 | 0 |
| | Total | 142 939 | 102 067 |

5.

Report Of The Supervisory Board On The Results Of Its Activities

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 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, 29 March 2019



Signed by

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



Signed by

Ing. Ladislav Sladký
Member of the board of directors

In 2018, 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 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 2018, 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 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, 30 April 2019

Signed by

Mgr. Michal Antonín
Chairman of the supervisory board

6.

Financial Statements According To Czech Accounting Standards

BALANCE SHEET

in full format

as at 31 December 2018

(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. | ASSETS | line | Current period | | | Prior period |
|-----------|---|----------|------------------|------------------|------------------|------------------|
| | | | Gross | Adjust. | Net | Net |
| a | b | c | 1 | 2 | 3 | 4 |
| | TOTAL ASSETS | 1 | 4 199 675 | - 404 396 | 3 795 279 | 3 300 409 |
| B. | Fixed assets | 2 | 290 342 | - 123 047 | 167 295 | 183 864 |
| B.I. | Intangible fixed assets | 3 | 96 124 | - 70 085 | 26 039 | 28 709 |
| B.I.2. | Intellectual property rights | 4 | 60 257 | - 53 527 | 6 730 | 3 279 |
| B.I.2.1. | Software | 5 | 60 257 | - 53 527 | 6 730 | 3 279 |
| B.I.4. | Other intangible fixed assets | 6 | 17 062 | - 16 558 | 504 | 6 756 |
| B.I.5. | Advance payments for intangible fixed assets and intangible fixed assets under construction | 7 | 18 805 | | 18 805 | 18 674 |
| B.I.5.2. | Intangible fixed assets under construction | 8 | 18 805 | | 18 805 | 18 674 |
| B.II. | Tangible fixed assets | 9 | 194 218 | - 52 962 | 141 256 | 155 155 |
| B.II.1. | Land and buildings | 10 | 7 349 | - 7 172 | 177 | 470 |
| B.II.1.2. | Buildings | 11 | 7 349 | - 7 172 | 177 | 470 |
| B.II.2. | Plant and equipment | 12 | 14 364 | - 12 312 | 2 052 | 4 513 |
| B.II.3. | Adjustments to acquired fixed assets | 13 | 172 172 | - 33 478 | 138 694 | 150 172 |
| B.II.5. | Advance payments for tangible fixed assets and tangible fixed assets under construction | 14 | 333 | | 333 | |
| B.II.5.2. | Tangible fixed assets under construction | 15 | 333 | | 333 | |

EP ENERGY TRADING, a.s.

Balance sheet
as at 31 December 2018

| Ident. a | ASSETS b | line c | Current period | | | Prior period |
|-------------|----------------------------------|-----------|------------------|------------------|------------------|------------------|
| | | | Gross | Adjust. | Net | Net |
| | | | 1 | 2 | 3 | 4 |
| C. | Current assets | 16 | 3 812 595 | - 281 349 | 3 531 246 | 3 012 677 |
| C.II. | Receivables | 17 | 3 742 843 | - 281 349 | 3 461 494 | 2 947 478 |
| C.II.1. | Long-term receivables | 18 | 223 735 | | 223 735 | 157 503 |
| C.II.1.5. | Receivables - other | 19 | 223 735 | | 223 735 | 157 503 |
| C.II.1.5.2. | Long-term advances paid | 20 | 101 280 | | 101 280 | 103 127 |
| C.II.1.5.4. | Other receivables | 21 | 122 455 | | 122 455 | 54 376 |
| C.II.2. | Short-term receivables | 22 | 3 519 108 | - 281 349 | 3 237 759 | 2 789 975 |
| C.II.2.1. | Trade receivables | 23 | 1 020 925 | - 281 349 | 739 576 | 730 721 |
| C.II.2.2. | Receivables - group undertakings | 24 | 541 577 | | 541 577 | 425 994 |
| C.II.2.4. | Receivables - other | 25 | 1 956 606 | | 1 956 606 | 1 633 260 |
| C.II.2.4.4. | Short-term advances paid | 26 | 577 887 | | 577 887 | 596 632 |
| C.II.2.4.5. | Estimated receivables | 27 | 936 311 | | 936 311 | 875 322 |
| C.II.2.4.6. | Other receivables | 28 | 442 408 | | 442 408 | 161 306 |
| C.IV. | Cash | 29 | 69 752 | | 69 752 | 65 199 |
| C.IV.1. | Cash in hand | 30 | 24 | | 24 | 12 |
| C.IV.2. | Bank accounts | 31 | 69 728 | | 69 728 | 65 187 |
| D. | Deferrals | 32 | 96 738 | | 96 738 | 103 868 |
| D.1. | Prepaid expenses | 33 | 96 738 | | 96 738 | 103 853 |
| D.3. | Accrued revenues | 34 | | | | 15 |

EP ENERGY TRADING, a.s.

Balance sheet
as at 31 December 2018

| Ident. a | LIABILITIES b | line c | Current period | Prior period |
|----------------|--|-----------|------------------|------------------|
| | | | 5 | 6 |
| | TOTAL LIABILITIES AND EQUITY | 35 | 3 795 279 | 3 300 409 |
| A. | Equity | 36 | 1 368 517 | 973 344 |
| A.I. | Registered capital | 37 | 16 000 | 16 000 |
| A.I.1. | Registered capital | 38 | 16 000 | 16 000 |
| A.II. | Premium and capital contributions | 39 | 497 709 | 175 534 |
| A.II.2. | Capital contributions | 40 | 497 709 | 175 534 |
| A.II.2.2. | Revaluation of assets and liabilities (+/-) | 41 | 488 424 | 166 249 |
| A.II.2.5. | Change in revaluation reserve on transformations (+/-) | 42 | 9 285 | 9 285 |
| A.III. | Funds from profit | 43 | 300 | 300 |
| A.III.1. | Other reserve funds | 44 | 300 | 300 |
| A.IV. | Retained earnings (+/-) | 45 | 781 509 | 751 051 |
| A.IV.1. | Retained profits (+/-) | 46 | 781 509 | 751 051 |
| A.V. | Profit (loss) for the current period (+/-) | 47 | 72 999 | 30 459 |
| B. + C. | Liabilities | 48 | 2 406 534 | 2 307 952 |
| B. | Provisions | 49 | 38 530 | 29 893 |
| B.2. | Income tax provision | 50 | 12 054 | 6 855 |
| B.4. | Other provisions | 51 | 26 476 | 23 038 |
| C. | Liabilities | 52 | 2 368 004 | 2 278 059 |
| C.I. | Long-term liabilities | 53 | 163 323 | 296 448 |
| C.I.3. | Long-term advances received | 54 | 26 432 | 22 261 |
| C.I.6. | Liabilities - group undertakings | 55 | | 202 133 |
| C.I.8. | Deferred tax liability | 56 | 136 305 | 63 578 |
| C.I.9. | Liabilities - other | 57 | 586 | 8 476 |
| C.I.9.3. | Other payables | 58 | 586 | 8 476 |



INCOME STATEMENT
classification by nature
for the year ended 31 December 2018
(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

EP ENERGY TRADING, a.s.

Balance sheet
as at 31 December 2018

| Ident. | LIABILITIES | line | Current period | Prior period |
|--------------|--|-----------|------------------|------------------|
| a | b | c | 5 | 6 |
| C.II. | Short-term liabilities | 59 | 2 204 681 | 1 981 611 |
| C.II.3. | Short-term advances received | 60 | 808 174 | 814 757 |
| C.II.4. | Trade payables | 61 | 656 213 | 645 465 |
| C.II.6. | Liabilities - group undertakings | 62 | 128 578 | |
| C.II.8. | Liabilities - other | 63 | 611 716 | 521 389 |
| C.II.8.3. | Payables to employees | 64 | 5 475 | 5 013 |
| C.II.8.4. | Social security and health insurance liabilities | 65 | 2 881 | 2 486 |
| C.II.8.5. | Tax liabilities and subsidies | 66 | 46 555 | 34 401 |
| C.II.8.6. | Estimated payables | 67 | 551 739 | 447 369 |
| C.II.8.7. | Other payables | 68 | 5 066 | 32 120 |
| D. | Accruals | 69 | 20 228 | 19 113 |
| D.1. | Accrued expenses | 70 | 20 228 | 19 113 |

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 | 22 782 | 15 643 |
| II. | Revenue from goods | 2 | 10 055 759 | 10 172 152 |
| A. | Cost of sales | 3 | 9 262 543 | 9 820 939 |
| A.1. | Cost of goods sold | 4 | 9 053 366 | 9 633 105 |
| A.2. | Materials and consumables | 5 | 3 568 | 3 750 |
| A.3. | Services | 6 | 205 609 | 184 084 |
| D. | Personnel expenses | 7 | 83 288 | 79 380 |
| D.1. | Wages and salaries | 8 | 62 292 | 59 583 |
| D.2. | Social security, health insurance and other expenses | 9 | 20 996 | 19 797 |
| D.2.1. | Social security and health insurance expenses | 10 | 19 442 | 18 415 |
| D.2.2. | Other expenses | 11 | 1 554 | 1 382 |
| E. | Adjustments relating to operating activities | 12 | 29 207 | 25 915 |
| E.1. | Adjustments to intangible and tangible fixed assets | 13 | 23 964 | 34 320 |
| E.1.1. | Depreciation and amortisation of intangible and tangible fixed assets | 14 | 23 964 | 34 320 |
| E.3. | Adjustments to receivables | 15 | 5 243 | - 8 405 |
| III. | Other operating revenues | 16 | 863 850 | 787 596 |
| III.3. | Miscellaneous operating revenues | 17 | 863 850 | 787 596 |
| F. | Other operating expenses | 18 | 868 424 | 787 264 |
| F.3. | Taxes and charges | 19 | 323 | 352 |
| F.4. | Provisions relating to operating activity and complex prepaid expenses | 20 | 3 438 | 2 042 |
| F.5. | Miscellaneous operating expenses | 21 | 864 663 | 784 870 |
| * | Operating profit (loss) (+/-) | 22 | 698 929 | 261 893 |

EP ENERGY TRADING, a.s.
Income statement - classification by nature
for the year ended 31 December 2018

| Ident. | INCOME STATEMENT | line | Current period | Prior period |
|--------|---|-----------|-------------------|-------------------|
| a | b | c | 1 | 2 |
| VI. | Interest revenue and similar revenue | 23 | 2 945 | 3 979 |
| VI.1. | Interest revenue and similar revenue - group undertakings | 24 | 2 920 | 3 965 |
| VI.2. | Other interest revenue and similar revenue | 25 | 25 | 14 |
| J. | Interest expense and similar expense | 26 | 11 312 | 31 855 |
| J.1. | Interest expense and similar expense - group undertakings | 27 | 10 859 | 31 690 |
| J.2. | Other interest expense and similar expense | 28 | 453 | 165 |
| VII. | Other financial revenues | 29 | 144 125 | 548 639 |
| K. | Other financial expenses | 30 | 747 541 | 735 582 |
| * | Profit (loss) from financial operations | 31 | - 611 783 | - 214 819 |
| ** | Profit (loss) before tax (+/-) | 32 | 87 146 | 47 074 |
| L. | Income tax | 33 | 14 147 | 16 615 |
| L.1. | Current tax | 34 | 16 450 | 11 872 |
| L.2. | Deferred tax (+/-) | 35 | - 2 303 | 4 743 |
| ** | Profit (loss) after tax (+/-) | 36 | 72 999 | 30 459 |
| *** | Profit (loss) for the accounting period (+/-) | 37 | 72 999 | 30 459 |
| * | Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII. | 38 | 11 089 461 | 11 528 009 |

CASH FLOW STATEMENT

for the year ended 31 December 2018

(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 | 65 199 | 84 089 |
| Net operating cash flow | | |
| Z. Accounting profit (loss) from ordinary activities | 87 146 | 47 074 |
| A.1. Non-cash transactions | 58 302 | - 99 176 |
| A.1.1. Depreciation and amortisation of fixed assets | 12 486 | 22 842 |
| A.1.2. Change in: | 20 159 | 5 115 |
| A.1.2.1. goodwill and adjustments to acquired assets | 11 478 | 11 478 |
| A.1.2.2. provisions and other adjustments | 8 681 | - 6 363 |
| A.1.5. Expense and revenue interests accounted for | 8 367 | 27 876 |
| A.1.6. Other non-cash transactions | 17 290 | - 155 009 |
| A.* Net operating cash flow before taxation financial items, changes in working capital and extraordinary items | 145 448 | - 52 102 |
| A.2. Changes in working capital | - 157 073 | 69 773 |
| A.2.1. Change in receivables from operating activities, estimated receivables and deferrals | - 282 865 | 316 913 |
| A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals | 125 792 | - 247 140 |
| A.** Net operating cash flow before taxation, financial balances, and extraordinary items | - 11 625 | 17 671 |
| A.3. Interest paid excluding amounts capitalised | - 13 181 | - 35 791 |
| A.4. Interest received | 3 362 | 3 544 |
| A.5. Income tax paid on ordinary income and income tax relating to prior periods | - 11 251 | 20 295 |
| A.*** Net operating cash flow | - 32 695 | 5 719 |
| Investing activities | | |
| B.1. Acquisition of fixed assets | - 6 232 | - 9 975 |
| B.1.1. Acquisition of tangible fixed assets | - 279 | - 1 168 |
| B.1.2. Acquisition of intangible fixed assets | - 5 953 | - 8 807 |
| B.3. Advances and loans to related parties | 115 166 | 456 727 |
| B.*** Net cash flow from investing activities | 108 934 | 446 752 |
| Financing activities | | |
| C.1. Change in long-term resp. short-term liabilities from financing | - 71 686 | - 471 361 |
| C.*** Net cash flow from financing activities | - 71 686 | - 471 361 |
| F. Net increase or decrease in cash balance | 4 553 | - 18 890 |
| R. Cash and cash equivalents, end of period | 69 752 | 65 199 |

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

(in thousands of Czech crowns)

Translated from the Czech original

| | |
|------------------------------|---|
| | Name and regist. office of the Company |
| Identification number | EP ENERGY TRADING, a.s. |
| 273 86 643 | 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 (+/-) | 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 |

| | 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 |
| Transfer of the profit (loss) of prior year period | -- | -- | -- | -- | 116 096 | -116 096 | -- |
| Change in fair value of hedging instruments | -- | -52 126 | -- | -- | -- | -- | -52 126 |
| Effect of change in fair value of hedging instruments on deferred tax | -- | 9 904 | -- | -- | -- | -- | 9 904 |
| 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 |

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

(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 2018 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
Czech Republic

Identification number

273 86 643

Members of the board of directors and supervisory board as at 31 December 2018

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 avenue J.F. Kennedy 39, 1855, Luxembourg, TIN: 20132465909. 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 Praha 1, Josefov,

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

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

Pařížská 130/26. The consolidated financial statements are available at the consolidating entity's registered office.

Changes in the Commercial Register

In 2018, no changes were recorded in the Commercial Register.

Branch

The Company has a branch 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 2018.

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 2018

(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 2017 is provided in accordance with the structure and designation of balance sheet and income statement items specified by the Decree as amended for 2018.

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 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 |
| 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

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 2018

(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) 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 EEX, same as derivatives traded with third parties, are revalued at fair market value, taking as a basis the closing prices on 31 December 2018 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 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.

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

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

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 Slovakia in EUR. 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 Czech National Bank official rate. 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.

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.

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

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

3. Fixed assets

a) Intangible fixed assets

| 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 amortisation | | | | |
| Balance at 31/12/2017 | 9 744 | 50 988 | -- | 60 732 |
| Amortisation 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 |

| 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 |

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

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

b) Tangible fixed assets

| 2018 | Buildings | 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 | 333 | 52 962 |
| Net book value 31/12/2017 | 470 | 4 513 | 150 172 | 0 | 155 155 |
| Net book value 31/12/2018 | 177 | 2 052 | 138 694 | 333 | 141 256 |

| 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 | 0 | 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 | 0 | 155 155 |

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

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

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 for 2018 was TCZK 1 754 (2017 – TCZK 1 382).

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 for 2018 was TCZK 9 488 (2017 – TCZK 10 138).

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 | 31/12/2018 |
|-----------------------|------------|--------------|
| Tangible fixed assets | 966 | 1 083 |
| Total | 966 | 1 083 |

6. Adjustment to assets acquired

As a result of the merger, the Company reports an amount of TCZK 172 172 (2017 – 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 2018 depreciation totalled TCZK 11 478 (2017 – TCZK 11 478).

7. Trade receivables and payables

- Short-term trade receivables total TCZK 1 020 925 (2017 – TCZK 1 006 827), of which TCZK 334 773 (2017 – TCZK 323 532) is overdue. An adjustment of TCZK 281 349 (2017 – TCZK 276 106) was set up as at 31 December 2018 for doubtful receivables.
- Short-term trade payables total TCZK 656 213 (2017 – TCZK 645 465), of which TCZK 15 316 (2017 – TCZK 6 104) is overdue.

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

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

8. Advances paid

- Long-term advances paid total TCZK 101 280 (2017 – TCZK 103 127). The balance primarily comprises a security deposit for trading on the EEX granted to European Commodity Clearing AG of TCZK 12 862 (2017 – TCZK 12 770), a security deposit on electricity trading provided to OKTE, a.s. of TCZK 31 414 (2017 – TCZK 31 065), and a security deposit on electricity trading provided to OTE, a.s. of TCZK 39 955 (2017 – TCZK 39 955).
- Short-term advances paid total TCZK 577 887 (2017 – TCZK 596 632) 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 213 567 (2017 – TCZK 197 251) and an advance paid to GasNet, s.r.o. of TCZK 131 617 (2017 – TCZK 122 024) and to E.ON Distribuce, a.s. of TCZK 112 434 (2017 – TCZK 97 299).

9. Estimated receivables

Estimated receivables of TCZK 936 311 (2017 – TCZK 875 322) primarily comprise estimates for uninvoiced distribution and supply of electricity totalling TCZK 566 415 (2017 – TCZK 423 705) and distribution and supply of natural gas totalling TCZK 369 896 (2017 – TCZK 451 617).

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

Other receivables of TCZK 564 863 (2017 – TCZK 215 682) primarily comprise the revaluation of commodity derivatives to fair value as at 31 December 2018 of TCZK 561 808 (2017 – TCZK 214 582); see note 11.

11. Derivatives

- Currency hedging derivatives

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

| | Due date | 2018 Fair value |
|---|-------------|--------------------|
| Forward exchange contracts | | |
| Forwards (Commerzbank Aktiengesellschaft) | 2019 – 2022 | -4 018 |
| Swaps (Commerzbank Aktiengesellschaft) | 2018 – 2019 | -425 |
| Total | | -4 443 |

The fair value of derivatives totals TCZK -4 443 (2017 – TCZK -39 510) of which TCZK -527 (2017 – TCZK -8 476) is recorded in Other long-term payables and TCZK -3 916 (2017 – TCZK -31 034) in Other short-term payables. Derivatives which meet the condition of an effective hedge amounting to TCZK -4 443 (2017 – TCZK -39 510) were charged to equity.

- 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:

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

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

| Forward exchange contracts | Sales for | Fair value (in TCZK) | Commodity volume (GWh) |
|---|-----------|----------------------|------------------------|
| Futures and forward contracts for purchase of electricity | 2019 | 1 363 905 | 4 759 |
| Futures and forward contracts for sale of electricity | 2019 | -872 443 | 2 492 |
| Futures and forward contracts for purchase of electricity | 2020 | 115 257 | 545 |
| Futures and forward contracts for purchase of electricity | 2021 | 7 198 | 70 |
| | | 613 917 | |

The fair value of TCZK 51 549 (2017: TCZK 43 446) was settled using the daily settlement of contract value changes on the commodities exchange as at 31 December 2018. The unsettled fair value of derivatives totalled TCZK 561 808 (2017: TCZK 214 582), of which TCZK 439 353 (2017: TCZK 160 206 in Other short-term receivables) is recognised in Other short-term receivables and TCZK 122 455 in Other long-term receivables (2017: TCZK 54 376 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 606 854 (2017: TCZK 244 756).

c) 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 2019 which would not have been concluded for the purpose of purchase, sale or use of the commodity. In 2017, the fair value of forwards which have not been concluded for the purpose of purchase, sale or use of the commodity was TCZK -1 068 and was recognised in Other short-term payables.

12. Adjustments

| | Adjustment to receivables | Total |
|-----------------------|---------------------------|---------|
| Balance at 31/12/2017 | 276 106 | 276 106 |
| Additions | 22 058 | 22 058 |
| Release/utilisation | -16 815 | -16 815 |
| Balance at 31/12/2018 | 281 349 | 281 349 |

13. Prepaid expenses

Prepaid expenses of TCZK 96 738 (2017 – TCZK 103 853) mainly represent deferred expenses on the acquisition of new points of supply.

14. Registered capital

The registered capital of TCZK 16 000 (2017 – TCZK 16 000) consists of sixteen registered ordinary shares with a nominal value of TCZK 1 000.

EP ENERGY TRADING, a.s.

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

Year ended 31 December 2018

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

15. 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 2018.

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

| | |
|--|----------------|
| Balance at 1/1/2018 | 166 249 |
| Change in fair value of currency derivatives | 35 068 |
| Change in deferred tax relating to currency derivatives | -6 663 |
| Change in fair value of commodity derivatives | 362 137 |
| Change in deferred tax relating to commodity derivatives | -68 367 |
| Balance at 31/12/2018 | 488 424 |

c) "Revaluation of assets and liabilities" comprises:

| | |
|--|----------------|
| Fair value of currency derivatives | -4 443 |
| Deferred tax relating to currency derivatives | 844 |
| Fair value of commodity derivatives | 606 854 |
| Deferred tax relating to commodity derivatives | -114 871 |
| Balance at 31/12/2018 | 488 424 |

16. Provisions

| | Income tax provision | Provision for untaken holidays | Other provisions | Total |
|-----------------------|----------------------|--------------------------------|------------------|---------|
| Balance at 31/12/2017 | 12 053 | 110 | 22 928 | 35 091 |
| Additions | 21 440 | 1 678 | 3 847 | 26 965 |
| Release/utilisation | -12 053 | -110 | -1 977 | -14 140 |
| Balance at 31/12/2018 | 21 440 | 1 678 | 24 798 | 47 916 |

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An income tax provision of TCZK 21 440 (2017 – TCZK 12 053) was reduced by corporate income tax prepayments of TCZK 9 386 (2017 – TCZK 5 198) and the net payable of TCZK 12 054 (2017 – TCZK 6 855) was reported in Income tax provision.

17. Advances received

- a) Short-term advances received consist of advances of TCZK 808 174 (2017 – TCZK 814 757) received from end customers in connection with the sale of electricity and natural gas.
- b) Long-term advances received total TCZK 26 432 (2017 – TCZK 22 261) and primarily include received security deposits.

18. Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 2 881 (2017 – TCZK 2 486), of which TCZK 1 840 (2017 – TCZK 1 586) relates to social security liabilities and TCZK 1 041 (2017 – TCZK 890) to health insurance liabilities. None of these liabilities are overdue.

19. Tax liabilities and subsidies

Tax liabilities amount to TCZK 46 555 (2017 – TCZK 34 401), of which TCZK 1 469 (2017 – TCZK 1 228) relates to income tax on employment, TCZK 8 012 to taxes on electricity and gas (2017 – TCZK 8 052), and TCZK 37 074 (2017 – TCZK 25 151) to value added tax and road tax.

20. Estimated payables

Estimated payables of TCZK 551 739 (2017 – TCZK 447 369) primarily comprise estimate of uninvoiced electricity and gas distribution totalling TCZK 510 571 (2017 – TCZK 416 552).

21. Accrued revenues

Accrued revenues amount to TCZK 20 228 (2017 – TCZK 19 113) and mainly include accruals related to the supply of natural gas.

22. 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 were as follows:

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| | | Domestic sales | Export | | Total |
|-------------|------|----------------|----------------|------------|------------|
| | | | European Union | Outside EU | |
| Electricity | 2018 | 7 011 948 | 580 982 | 253 643 | 7 846 573 |
| | 2017 | 5 838 248 | 1 939 706 | 0 | 7 777 954 |
| Natural gas | 2018 | 2 207 535 | 1 651 | 0 | 2 209 186 |
| | 2017 | 1 689 935 | 704 263 | 0 | 2 394 198 |
| Services | 2018 | 20 416 | 2 366 | 0 | 22 782 |
| | 2017 | 15 643 | 0 | 0 | 15 643 |
| Total | 2018 | 9 239 899 | 584 999 | 253 643 | 10 078 541 |
| | 2017 | 7 543 826 | 2 643 969 | 0 | 10 187 795 |

23. 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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24. 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 | |
|--|----------------|----------------|----------------|----------------|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Pražská teplárenská a.s. | 8 590 | 11 830 | 308 | 888 |
| Plzeňská energetika a.s. | -- | 412 | -- | 12 770 |
| Plzeňská teplárenská, a.s. | 1 604 | -- | 29 622 | -- |
| VTE Pchery, s.r.o. | 13 | 16 | 956 | 925 |
| United Energy, a.s. | 9 828 | 12 050 | 78 952 | 88 430 |
| POWERSUN a.s. | 8 | 11 | 44 | 50 |
| SEG s.r.o. | 41 | -- | -- | 308 |
| EP Energy, a.s. | -- | 801 | -- | 13 |
| Elektrárny Opatovice, a.s. | 34 924 | 9 586 | 189 367 | 136 001 |
| SPP Infrastructure, a. s. | -- | -- | -- | -- |
| Stredoslovenská energetika, a.s. | 11 077 | 13 691 | 5 696 | 4 444 |
| Stredoslovenská distribučná, a.s. | -- | -- | 4 191 | 8 466 |
| EP Infrastructure, a.s. | -- | -- | 217 | 545 |
| Best Hotel Properties a.s. | -- | 1 245 | -- | -- |
| SOR Libchavy spol. s r.o. | 1 456 | 1 037 | 124 | 137 |
| SPP Storage s.r.o. | 181 | 22 | 181 | 5 |
| SPP — distribúcia, a.s. | 35 | 4 378 | 3 618 | 2 159 |
| Elektrizace železnic Praha a. s. | 87 | 72 | 495 | 527 |
| AVE CZ odpadové hospodářství s.r.o. | 987 | -- | -- | -- |
| EP Investment Advisors, s.r.o. | -- | 14 | -- | 1 295 |
| AVE SK odpadové hospodářstvo 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 | -- | -- | -- |
| MSEM, a.s. | 49 | 55 | 63 | 51 |
| J&T SERVICES ČR, a.s. (dříve J&T Management, a.s.) | -- | 7 | -- | 236 |
| EP Commodities, a.s. | 21 664 | 203 963 | 197 799 | 154 790 |
| Other companies in the group | 3 | 40 | 169 | 220 |
| Slovenské elektrárne, a.s. | 13 087 | 25 674 | 5 235 | 53 349 |
| Eustream, a.s. | -- | 309 | -- | -- |
| Total | 106 344 | 285 213 | 517 037 | 465 609 |

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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 541 577 (2017 – TCZK 425 994). 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 128 578 (2017 – TCZK 0); this cash pool is reported in Liabilities – group undertakings.

c) Loans received

The Company did not recognise any loans received as at 31 December 2018. The total value of these loans including interest was TCZK 202 133 as at 31 December 2017.

d) Advances paid

In 2018, the Company provided an advance of TCZK 126 957 to EP Commodities (2017 – TCZK 197 737).

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Year ended 31 December 2018

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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 | |
|--|------------------|----------------|-------------------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Pražská teplárenská a.s. | 98 761 | 135 276 | 10 988 | 17 140 |
| Plzeňská energetika a.s. | -- | 17 585 | -- | 157 034 |
| Plzeňská teplárenská, a.s. | 2 064 | -- | 44 979 | -- |
| VTE Pchery, s.r.o. | 189 | 196 | 4 841 | 4 399 |
| United Energy, a.s. | 130 581 | 73 235 | 798 592 | 868 620 |
| POWERSUN a.s. | 51 | 69 | 2 980 | 2 516 |
| SEG s.r.o. | 1 284 | 1 367 | -- | -- |
| Eustream, a.s. | 9 | 2 569 | -- | -- |
| EP Infrastructure, a.s. | -- | -- | 717 | 450 |
| EP Energy, a.s. | 2 987 | 3 965 | 12 384 | 34 159 |
| Best Hotel Properties a.s. | -- | 9 054 | -- | -- |
| Elektrárny Opatovice, a.s. | 190 062 | 85 925 | 1 477 630 | 1 382 788 |
| Stredoslovenská energetika, a.s. | 130 081 | 139 258 | 94 646 | 52 815 |
| Stredoslovenská distribučná, a.s. | -- | -- | 69 055 | 66 336 |
| SPP Storage s.r.o. | 2 414 | 2 301 | -- | -- |
| SOR Libchavy spol. s r.o. | 11 230 | 9 007 | -- | -- |
| Elektrizace železnic Praha a. s. | 8 077 | 7 547 | -- | -- |
| MSEM, a.s. | 2 599 | 2 538 | -- | -- |
| J&T SERVICES ČR, a.s.(formerly J&T Management, a.s.) | -- | 343 | -- | 932 |
| SPP - distribúcia, a.s. | 1 472 | 1 534 | 22 048 | 23 586 |
| AVE CZ odpadové hospodárství 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 | -- | -- | -- |
| AVE Kolín s.r.o. | 4 751 | -- | -- | -- |
| AVE Kralupy s.r.o. | 2 755 | -- | -- | -- |
| AVE Kladno s.r.o. | 965 | -- | -- | -- |
| Slovenské elektrárne, a.s. | 142 939 | 325 906 | 102 067 | 612 280 |
| EP Investment Advisors, s.r.o. | -- | -- | -- | 1 272 |
| EP Commodities, a.s. | 315 271 | 120 366 | 1 410 955 | 1 701 520 |
| Other companies in the group | 132 | 812 | 3 | 70 |
| Total | 1 064 143 | 938 853 | 4 051 885 | 4 925 917 |

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Year ended 31 December 2018

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

25. Employees and executives

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 |

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

| 2017 | Number | Wages and salaries | Social security and health insurance expenses | Other 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 |

In 2018 and 2017 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.

26. Fees payable to statutory auditors

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

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

Year ended 31 December 2018

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

27. Income tax

a) Current tax

Current income tax comprises the tax estimate for 2018 of TCZK 21 440 (2017 – TCZK 12 053), and an adjustment to tax of TCZK -4 990 (2017 – TCZK 181) relating to prior periods.

b) Deferred tax

| | Assets | | Liabilities | | Net | |
|--|------------|------------|-------------|------------|------------|------------|
| | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 | 31/12/2018 | 31/12/2017 |
| Tangible and intangible fixed assets | 685 | 698 | -- | -- | 685 | 698 |
| Hedging commodity derivatives | -- | -- | -114 871 | -46 504 | -114 871 | -46 504 |
| Deferred tax from valuation difference | -- | -- | -26 352 | -28 169 | -26 352 | -28 169 |
| Hedging FX derivatives | 844 | 7 507 | -- | -- | 844 | 7 507 |
| Adjustments to receivables and other temporary differences | 3 389 | 2 890 | -- | -- | 3 389 | 2 890 |
| Deferred tax asset/(liability) | 4 918 | 11 095 | -141 223 | -74 673 | -136 305 | -63 578 |

In accordance with the accounting policies described in Note 2 (f), a tax rate of 19% was used to calculate deferred tax (2017 – 19%).

A change in deferred tax of TCZK 72 727 (2017 - TCZK 5 161) consists of deferred tax from hedging derivatives charged directly to equity of TCZK 75 030, and a change in deferred tax recognised in profit/loss of TCZK -2 303 (2017 - TCZK 4 743).

28. Contingencies and commitments

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 | -- |

EP ENERGY TRADING, a.s.

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Year ended 31 December 2018

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

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

| Bank | 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 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 2018, the book value of pledged receivables was TCZK 766 911 (2017 – TCZK 785 037) and the book value of pledged bank accounts was TCZK 51 882 (2017 – TCZK 51 117).

The Company is limited in terms of disposing of the bank account kept with UniCredit Bank Czech Republic and Slovakia of TCZK 17 876 (2017 – TCZK 14 069). 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.

29. 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 | |
|---------------------------|------------|--------|
| | 2018 | 2017 |
| Cash | 69 752 | 65 199 |
| Marketable securities | -- | -- |
| Cash and cash equivalents | 69 752 | 65 199 |

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.

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Year ended 31 December 2018

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

30. 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 2018.

Prepared on:

30 April 2019



Signed by

Ing. Petr Švec, MBA

Member of the Board of Directors



Signed by

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 2018, 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 2018, 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.



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.

