

# 2016

## Annual Report



Translated from the Czech original. Only the Czech version is legally binding.

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FINANCIAL STATEMENTS ACCORDING TO CZECH ACCOUNTING STANDARDS

AUDITOR'S REPORT TO SHAREHOLDER OF THE COMPANY

## 1. INTRODUCTION BY THE MANAGING DIRECTOR

Ladies and gentlemen,

Let me inform you about the business activities of EP ENERGY TRADING, a.s. in 2016 and the Company's plans for 2017.

In 2016, we met the planned figures for supplies of electricity and natural gas to final customers. More precisely, we supplied 2.3 TWh of electricity and 1.9 TWh of natural gas.

As at 1 January 2016, the merger with Optimum Energy, s.r.o. was effected; with this significant financial investment, and other smaller investments in the household segment, we are now serving over 55 000 supply points.

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

In 2017, we plan to implement and subsequently develop a new customer system, and, same as in 2016, we will focus on strengthening our position in the segment of energy supplies to households through new investment opportunities.

In 2016, we were very active in the wholesale market in electric energy, trading primarily on the German exchange. We are also one of the largest business partners on the Czech PXE. Our know-how in the field enables us to buy energies for our customers efficiently.

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, 28 April 2017

**Ing. Petr Švec, MBA**

Managing director of EP ENERGY TRADING, a.s.

## 2. SELECTED COMPANY INFORMATION

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

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

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

## COMPANY PROFILE

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

#### Economic results for 2016

For the accounting period of 2016, EP ENERGY TRADING, a.s. reported revenues of CZK 14 billion. Profit before tax amounted to CZK 111.67 million.

#### Principal business activities in 2016

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

#### Electricity

Total sales of electricity to final customers in 2016 measured in technical units amounted to 2 061 GWh in the Czech Republic and 239 GWh in Slovakia. Electricity supplies in Slovakia are effected through EP ENERGY TRADING, a.s., organizačná zložka.

The purchasing of electricity was carried out internally, through the Electricity Trading division, which has an exclusive position in buying and selling electricity from the group's generation sources and obtaining electricity for final customers of EP ENERGY TRADING, a.s. It is also involved in cross-border trading, in particular in the Central European region.

In 2016, the Company traded 15 775 GWh of electricity, including exchange trades.

#### Natural gas

In 2016, EP ENERGY TRADING, a.s. supplied 1 883 GWh of natural gas to final customers in the Czech Republic and Slovakia, and traded 2 408 GWh of this commodity.

#### Future development

The Company's main task in 2017 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 final customers, despite of high competition in the market and the prudent approach to risk that the Company applies.

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

Internally, the Company will focus on process optimisation and improving the quality of services to final 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 a part of its common business activity. The Company's management in cooperation with its Risk Management department monitors and assesses the risks on 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.

#### Material subsequent event

As of the date of this annual report, no material subsequent events occurred which would not be disclosed in the financial statements disclosed to this annual report.

Prague, 28 April 2017

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 Corporations and Cooperatives, as amended, for the accounting period from 1 January to 31 December 2016.

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 2016 to 31 December 2016, pursuant to Section 82 of Act No. 90/2012 Coll., on Corporations and Cooperatives, as amended.

The entity directly controlling the Company in the period from 1 January 2016 to 31 December 2016 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) direct controlling entity

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

#### b) indirect controlling entity

In the period from 1 January 2016 to 31 December 2016, the entity exercising indirect control was Energetický a průmyslový holding, a.s., with its registered office at Pařížská 130/26, Josefov, postal code 110 00, Prague 1, identification number 283 56 250, recorded on 10 August 2009 in the Commercial Register maintained by the Municipal Court in Prague, section B, file 21747.

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

The controlled entity's role within the group of companies is trading in commodities in a wholesale market and supplying commodities to final 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 and effective 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 2016:

- (1) EFET-type framework contract with Stredoslovenská energetika, a.s. dated 1 October 2007
- (2) Framework contract with Stredoslovenská energetika-Distribúcia, a.s. dated 1 July 2007
- (3) Contract on combined LV electricity supply for 2015 – 2016 with První Mostecká a. s. dated 27 August 2014
- (4) Framework contract on electricity supply and withdrawal with transfer of liability for deviation with Elektrárny Opatovice, a.s. dated 15 December 2010
- (5) Framework contract on electricity supply and withdrawal with transfer of liability for deviation with Plzeňská energetika, a.s. dated 15 December 2010
- (6) Contract on combined LV electricity supply for 2016 with Teplo Neratovice spol. s r. o. dated 3 November 2015
- (7) Contract on electricity supply – purchase for 2016 with POWERSUN a.s. dated 4 December 2015
- (8) Credit agreement with EP Energy, a.s. dated 30 October 2012
- (9) Credit agreement with EP Energy, a.s. dated 30 October 2012
- (10) Credit agreement with EP Energy, a.s. dated 15 November 2013
- (11) Book-keeping agreement with Alternative Energy, s.r.o. dated 2 January 2013
- (12) Book-keeping agreement with ARISUN, s.r.o. dated 2 January 2013
- (13) Book-keeping agreement with Triskata, s.r.o. dated 2 January 2013
- (14) Book-keeping agreement with AISE, s.r.o. dated 2 January 2013
- (15) Contract on combined gas supply – large and medium customer for 2016 with Plzeňská energetika a.s. dated 28 April 2015
- (16) Contract on combined natural gas supply for 2016 with Plzeňská energetika a.s. dated 4 November 2015
- (17) Contract on combined natural gas supply – large and medium customer for 2016 with United Energy, a.s. dated 22 December 2015
- (18) Contract on combined electricity supply and distribution services for 2016 with Alternative Energy, s.r.o. dated 29 June 2015
- (19) Contract on electricity supply – purchase of electricity for 2016 with POWERSUN a.s. dated 4 December 2015
- (20) Contract on electricity supply – purchase of electricity for 2016 with VTE Pchery, s. r. o. dated 4 December 2015.
- (21) EFET-type framework contract with Pražská teplárenská, a.s. dated 10 December 2013
- (22) Contract on combined HV electricity supply for 2016 with VTE Pchery, s. r. o. dated 30 December 2015
- (23) Contract on combined HV electricity supply for 2016 to 2017 with POWERSUN a.s. dated 23 October 2015
- (24) EFET-type framework contract with Helmstedter Revier GmbH dated 1 February 2014
- (25) Contract on combined electricity supply for 2016 to 2017 with SPP Storage, s.r.o. dated 21 August 2015
- (26) Contract on combined electricity supply for 2016 – 2017 with TERMONTA PRAHA a.s. dated 30 June 2014

- (27) Contracts on electricity supply – purchase of electricity for 2016 with Greeninvest Energy a.s. dated 4 December 2015
- (28) EFET-type framework contract with EP Commodities, a.s. dated 1 December 2014
- (29) Contract on lease of business premises and services with EP Commodities, a.s. dated 1 October 2014
- (30) Framework contract on distribution with SPP – distribúcia, a.s. dated 6 October 2015
- (31) Contract on transfer of interest in Adconcretum Real Estate doo Beograd between EP ENERGY TRADING, a.s. and Energetický a průmyslový holding, a.s. dated 27 April 2016

#### 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 2016, no acts were performed in the interest or at the instigation of the controlling entity that would concern more than 10% of the controlled entity's equity.

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

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

Related party	Supply	Revenues TCZK	Expenses TCZK
AISE, s.r.o.	Advisory and other services	53	0
Pražská teplárenská a.s.	Revenue from goods	482 143	0
	Cost of goods sold	0	18 001
	Other services	198	0
	<b>Total</b>	<b>482 341</b>	<b>18 001</b>
Plzeňská energetika a.s.	Revenue from goods	3 568	0
	Cost of goods sold	0	160 415
	Other services	528	0
	<b>Total</b>	<b>4 096</b>	<b>160 415</b>
VTE Pchery, s.r.o.	Revenue from goods	282	0
	Cost of goods sold	0	4 989
	<b>Total</b>	<b>282</b>	<b>4 989</b>
United Energy, a.s.	Revenue from goods	26 523	0
	Cost of goods sold	0	626 454
	Other services	1 959	120
	<b>Total</b>	<b>28 482</b>	<b>626 574</b>
POWERSUN a.s.	Revenue from goods	65	0
	Cost of goods sold	0	2 468
	<b>Total</b>	<b>65</b>	<b>2 468</b>
Triskata, s.r.o.	Other services	45	0
Alternative Energy, s.r.o.	Revenue from goods	242	0
	Advisory and other services	122	0
	<b>Total</b>	<b>364</b>	<b>0</b>
EP Energy, a.s.	Interest expense	0	36 712
	Guarantee fees	0	3 530
	Interest income	1 509	0
	Other expenses and revenues	0	60
	<b>Total</b>	<b>1 509</b>	<b>40 302</b>
ARISUN, s.r.o.	Other services	45	0
Elektrárny Opatovice, a.s.	Revenue from goods	93 191	0
	Cost of goods sold	0	1 180 410
	Other services	4 446	4 993
	<b>Total</b>	<b>97 637</b>	<b>1 185 403</b>
SPP Infrastructure, a.s.	Revenue from goods	2 877	0
Stredoslovenská energetika, a.s. group	Revenue from goods	1 758 535	0
	Cost of goods sold	0	124 867
	Other expenses and revenues	1 621	2
	<b>Total</b>	<b>1 760 156</b>	<b>124 869</b>
Helmstedter Revier GmbH	Cost of goods sold	0	1 507 709
	Revenue from goods	156 160	0
	Other revenues	12 142	
	<b>Total</b>	<b>168 302</b>	<b>1 507 709</b>
EP Commodities, a.s.	Cost of goods sold	0	1 071 206
	Revenue from goods	524 075	0
	Other revenues	1 708	0
	<b>Total</b>	<b>525 783</b>	<b>1 071 206</b>
Slovenské elektrárne, a.s.	Cost of goods sold	0	623 512
	Revenue from goods	296 274	0
	<b>Total</b>	<b>296 274</b>	<b>623 512</b>

<b>SPP Distribúcia a.s.</b>	Cost of goods sold	0	19 829
	<b>Total</b>	<b>0</b>	<b>19 829</b>

#### VIII. Damage incurred by the controlled entity and its settlement

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

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

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

#### X. Confidentiality

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

#### XI. Conclusion

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

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

Prague, 31 March 2017

SIGNED BY

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

SIGNED BY

.....  
Ing. Ladislav Sladký  
Member of the board of directors

## 5. REPORT OF THE SUPERVISORY BOARD ON THE RESULTS OF ITS ACTIVITIES

In 2016, the supervisory board of EP ENERGY TRADING, a.s. performed its tasks in compliance with the Business Corporations Act and the Company's statutes.

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

During 2016, in exercising its right to supervise, the supervisory board followed the Company's statutes and generally binding legal regulations applicable to the activities of joint stock companies. In the mentioned period, the supervisory board focussed primarily on its main task, i.e. the supervision over the exercise of powers of the board of directors and the examination of the annual financial statements and the proposal for the settlement of the financial results.

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

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

Prague, 28 April 2017

Mgr. Michal Antonín

Chairman of the supervisory board

FINANCIAL STATEMENTS ACCORDING TO CZECH ACCOUNTING  
STANDARDS

# BALANCE SHEET

in full format

as at 31 December 2016

(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

110 02 Praha 1

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
	<b>TOTAL ASSETS</b>	<b>1</b>	<b>4 383 417</b>	<b>- 349 697</b>	<b>4 033 720</b>	<b>3 435 476</b>
<b>B.</b>	<b>Fixed assets</b>	<b>2</b>	<b>272 827</b>	<b>- 65 186</b>	<b>207 641</b>	<b>230 096</b>
B.I.	Intangible fixed assets	3	80 623	- 42 945	37 678	22 863
B.I.2.	Intellectual property rights	4	51 154	- 42 693	8 461	8 991
B.I.2.1.	Software	5	51 154	- 42 693	8 461	8 991
B.I.4.	Other intangible fixed assets	6	12 102	- 252	11 850	
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	7	17 367		17 367	13 872
B.I.5.2.	Intangible fixed assets under construction	8	17 367		17 367	13 872
B.II.	Tangible fixed assets	9	192 204	- 22 241	169 963	6 669
B.II.1.	Land and buildings	10	7 235	- 5 627	1 608	
B.II.1.2.	Buildings	11	7 235	- 5 627	1 608	
B.II.2.	Plant and equipment	12	12 077	- 6 092	5 985	6 619
B.II.3.	Adjustments to acquired fixed assets	13	172 172	- 10 522	161 650	
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	14	720		720	50
B.II.5.2.	Tangible fixed assets under construction	15	720		720	50
B.III.	Long-term investments	16				200 564
B.III.1.	Equity investments - group undertakings	17				200 564

## EP ENERGY TRADING, a.s.

### Balance sheet

as at 31 December 2016

Ident. a	ASSETS b	line c	Current period			Prior period
			Gross	Adjust.	Net	Net
			1	2	3	4
<b>C.</b>	<b>Current assets</b>	<b>18</b>	<b>4 027 822</b>	<b>- 284 511</b>	<b>3 743 311</b>	<b>3 165 258</b>
C.I.	Inventories	19				22 442
C.I.3.	Finished goods and goods for resale	20				22 442
C.I.3.2.	Goods for resale	21				22 442
C.II.	Receivables	22	3 943 733	- 284 511	3 659 222	2 937 155
C.II.1.	Long-term receivables	23	219 064		219 064	332 279
C.II.1.4.	Deferred tax asset	24				39 801
C.II.1.5.	Receivables - other	25	219 064		219 064	292 478
C.II.1.5.2.	Long-term advances paid	26	219 064		219 064	256 718
C.II.1.5.4.	Other receivables	27				35 760
C.II.2.	Short-term receivables	28	3 724 669	- 284 511	3 440 158	2 604 876
C.II.2.1.	Trade receivables	29	1 572 256	- 284 511	1 287 745	1 740 298
C.II.2.2.	Receivables - group undertakings	30	882 286		882 286	51 075
C.II.2.4.	Receivables - other	31	1 270 127		1 270 127	813 503
C.II.2.4.3.	Tax receivables	32	28 310		28 310	213 718
C.II.2.4.4.	Short-term advances paid	33	349 299		349 299	221 402
C.II.2.4.5.	Estimated receivables	34	777 823		777 823	357 272
C.II.2.4.6.	Other receivables	35	114 695		114 695	21 111
C.IV.	Cash	36	84 089		84 089	205 661
C.IV.1.	Cash in hand	37	41		41	68
C.IV.2.	Bank accounts	38	84 048		84 048	205 593
<b>D.</b>	<b>Deferrals</b>	<b>39</b>	<b>82 768</b>		<b>82 768</b>	<b>40 122</b>
D.1.	Prepaid expenses	40	82 768		82 768	40 122

## EP ENERGY TRADING, a.s.

### Balance sheet

as at 31 December 2016

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>41</b>	<b>4 033 720</b>	<b>3 435 476</b>
<b>A.</b>	<b>Equity</b>	<b>42</b>	<b>985 107</b>	<b>472 272</b>
A.I.	Registered capital	43	16 000	15 000
A.I.1.	Registered capital	44	16 000	15 000
A.II.	Premium and capital contributions	45	217 756	- 158 805
A.II.2.	Capital contributions	46	217 756	- 158 805
A.II.2.2.	Revaluation of assets and liabilities (+/-)	47	208 471	- 158 805
A.II.2.3.	Revaluation reserve on transformations (+/-)	48	9 285	
A.III.	Funds from profit	49	300	
A.III.2.	Statutory and other funds	50	300	
A.IV.	Retained earnings (+/-)	51	634 955	409 639
A.IV.1.	Retained profits	52	634 955	409 639
A.V.	Profit (loss) for the current period (+/-)	53	116 096	206 438
<b>B. + C.</b>	<b>Liabilities</b>	<b>54</b>	<b>3 017 898</b>	<b>2 916 354</b>
<b>B.</b>	<b>Provisions</b>	<b>55</b>	<b>24 240</b>	<b>932</b>
B.2.	Income tax provision	56	3 244	
B.4.	Other provisions	57	20 996	932
<b>C.</b>	<b>Liabilities</b>	<b>58</b>	<b>2 993 658</b>	<b>2 915 422</b>
C.I.	Long-term liabilities	59	729 924	616 453
C.I.3.	Long-term advances received	60	46 964	8 040
C.I.6.	Liabilities - group undertakings	61	602 245	602 509
C.I.8.	Deferred tax liability	62	68 739	
C.I.9.	Liabilities - other	63	11 976	5 904
C.I.9.3.	Other payables	64	11 976	5 904

**EP ENERGY TRADING, a.s.****Balance sheet**

as at 31 December 2016

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
C.II.	Short-term liabilities	65	2 263 734	2 298 969
C.II.3.	Short-term advances received	66	714 238	426 098
C.II.4.	Trade payables	67	1 119 085	1 470 898
C.II.6.	Liabilities - group undertakings	68	46 982	80 123
C.II.8.	Liabilities - other	69	383 429	321 850
C.II.8.3.	Payables to employees	70	6 128	5 195
C.II.8.4.	Social security and health insurance liabilities	71	2 488	2 528
C.II.8.5.	Tax liabilities and subsidies	72	11 606	31 814
C.II.8.6.	Estimated payables	73	342 919	256 201
C.II.8.7.	Other payables	74	20 288	26 112
<b>D.</b>	<b>Accruals</b>	<b>75</b>	<b>30 715</b>	<b>46 850</b>
D.1.	Accrued expenses	76	30 715	46 850

# INCOME STATEMENT

**classification by nature**  
for the year ended 31 December 2016  
(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

110 02 Praha 1

Czech Republic

Identification number

273 86 643

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
I.	Revenue from products and services	1	24 929	192 207
II.	Revenue from goods	2	13 938 233	19 078 406
A.	Cost of sales	3	13 607 142	19 211 136
A.1.	Cost of goods sold	4	13 459 011	18 946 018
A.2.	Materials and consumables	5	3 800	2 306
A.3.	Services	6	144 331	262 812
D.	Personnel expenses	7	73 803	67 858
D.1.	Wages and salaries	8	56 034	51 145
D.2.	Social security, health insurance and other expenses	9	17 769	16 713
D.2.1.	Social security and health insurance expenses	10	16 724	15 744
D.2.2.	Other expenses	11	1 045	969
E.	Adjustments relating to operating activities	12	126 061	- 358
E.1.	Adjustments to intangible and tangible fixed assets	13	18 893	3 910
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	14	18 893	3 910
E.3.	Adjustments to receivables	15	107 168	- 4 268
III.	Other operating revenues	16	7 259	3 499
III.3.	Other operating revenues	17	7 259	3 499
F.	Other operating expenses	18	59 884	7 256
F.3.	Taxes and charges	19	200	451
F.4.	Provisions relating to operating activity and complex prepaid expenses	20	20 871	679
F.5.	Other operating expenses	21	38 813	6 126
*	<b>Operating profit (loss) (+/-)</b>	<b>22</b>	<b>103 531</b>	<b>- 11 780</b>

**EP ENERGY TRADING, a.s.****Income statement - classification by nature**

for the year ended 31 December 2016

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
IV.	Revenue from long-term investments - equity investments	23	94 324	
IV.1.	Revenue from equity investments - group undertakings	24	94 324	
G.	Cost of equity investments sold	25	68 390	
VI.	Interest revenue and similar revenue	28	1 857	2 150
VI.1.	Interest revenue and similar revenue - group undertakings	27	1 791	1 989
VI.2.	Other interest revenue and similar revenue	28	66	161
J.	Interest expense and similar expense	29	37 429	37 184
J.1.	Interest expense and similar expense - group undertakings	30	36 793	36 912
J.2.	Other interest expense and similar expense	31	636	272
VII.	Other financial revenues	32	358 856	553 785
K.	Other financial expenses	33	341 076	270 977
*	<b>Profit (loss) from financial operations</b>	<b>34</b>	<b>8 142</b>	<b>247 774</b>
**	<b>Profit (loss) before tax (+/-)</b>	<b>35</b>	<b>111 673</b>	<b>235 994</b>
L.	Income tax	36	- 4 423	29 556
L.1.	Current tax	37	5 614	29 706
L.2.	Deferred tax (+/-)	38	- 10 037	- 150
**	<b>Profit (loss) after tax (+/-)</b>	<b>39</b>	<b>116 096</b>	<b>206 438</b>
***	<b>Profit (loss) for the accounting period (+/-)</b>	<b>40</b>	<b>116 096</b>	<b>206 438</b>
*	<b>Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.</b>	<b>41</b>	<b>14 425 458</b>	<b>19 662 769</b>

# CASH FLOW STATEMENT

for the year ended 31 December 2016

(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 .....

110 02 Praha 1 .....

Czech Republic .....

## Identification number

273 86 643 .....

	Current period	Prior period
<b>P. Cash and cash equivalents, beginning of period</b>	<b>246 033</b>	<b>712 152</b>
<b>Net operating cash flow</b>		
Z. Accounting profit (loss) from ordinary activities	111 673	235 994
A.1. Non-cash transactions	625 548	- 42 834
A.1.1. Depreciation and amortisation of fixed assets	8 371	3 910
A.1.2. Change in:	138 561	- 3 589
A.1.2.1. goodwill and adjustments to acquired assets	10 522	
A.1.2.2. provisions and other adjustments	128 039	- 3 589
A.1.4. Profit(-) Loss(+) on sale of securities	- 25 934	
A.1.6. Expense and revenue interests accounted for	35 572	35 034
A.1.7. Other cash and non-cash transactions	468 978	- 78 189
<b>A.* Net operating cash flow before taxation financial items, changes in working capital and extraordinary items</b>	<b>737 221</b>	<b>193 160</b>
A.2. Changes in working capital	- 88 825	- 393 708
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	178 677	132 704
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	- 289 944	- 504 109
A.2.3. Change in inventories	22 442	- 22 303
<b>A.** Net operating cash flow before taxation,</b>	<b>648 396</b>	<b>- 200 548</b>
A.3. Interest paid excluding amounts capitalised	- 37 429	- 37 184
A.4. Interest received	1 857	2 150
A.5. Income tax paid on ordinary income and income tax relating to prior periods	- 59 769	8 339
<b>A.*** Net operating cash flow</b>	<b>553 055</b>	<b>- 227 243</b>
<b>Investing activities</b>		
B.1. Acquisition of fixed assets	- 24 830	- 159 270
B.1.1. Acquisition of tangible fixed assets	- 4 338	- 6 448
B.1.2. Acquisition of intangible fixed assets	- 20 492	- 20 648
B.1.3. Acquisition of long-term investments		- 132 174
B.2. Proceeds from sales of fixed assets	94 324	
B.2.2. Proceeds from sale of financial investments	94 324	
B.3. Advances and loans to related parties	- 831 211	- 51 075
<b>B.*** Net cash flow from investing activities</b>	<b>- 761 717</b>	<b>- 210 345</b>
<b>Financing activities</b>		
C.1. Change in long-term resp. short-term liabilities from financing	46 718	- 68 903
<b>C.*** Net cash flow from financing activities</b>	<b>46 718</b>	<b>- 68 903</b>
<b>F. Net increase or decrease in cash balance</b>	<b>- 161 944</b>	<b>- 506 491</b>
<b>R. Cash and cash equivalents, end of period</b>	<b>84 089</b>	<b>205 661</b>

# STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

(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

110 02 Praha 1

Czech Republic

Identification number

273 86 643

	Registered capital	Revaluation of assets and liabilities	Revaluation reserve on transformations	Statutory and other funds	Retained earnings and profit (loss) for the current period	Total
Balance as at 31.12.2015	15 000	-158 805	--	--	616 077	472 272
Effect of merger with Optimum Energy	1 000	--	9 285	300	18 879	29 464
Balance as at 1.1.2016	16 000	-158 805	9 285	300	634 956	501 736
Change in fair value of hedging instruments	--	453 427	--	--	--	453 427
Effect of change in fair value of hedging instruments on deferred tax	--	-86 151	--	--	--	-86 151
Rounding	--	--	--	--	-1	-1
Profit (loss) for the current period	--	--	--	--	116 096	116 096
Balance as at 31.12.2016	16 000	208 471	9 285	300	751 051	985 107

	Registered capital	Revaluation of assets and liabilities	Revaluation reserve on transformations	Statutory and other funds	Retained earnings and profit (loss) for the current period	Total
Balance as at 1.1.2015	15 000	-36 607	--	--	406 741	385 134
Release of merger elimination	--	--	--	--	2 898	2 898
Change in revaluation	--	-150 861	--	--	--	-150 861
Effect of change in revaluation on deferred tax	--	28 663	--	--	--	28 663
Profit (loss) for the current period	--	--	--	--	206 438	206 438
Balance as at 31.12.2015	15 000	-158 805	--	--	616 077	472 272

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

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## 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 2016 is:

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

### *Registered office*

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

### *Identification number*

273 86 643

### *Members of the board of directors and supervisory board as at 31 December 2016*

#### *Members of the board of directors*

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

#### *Members of the supervisory board*

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

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

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

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

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## *Changes in the Commercial Register*

As at 1 January 2016, the assets and liabilities of the dissolving company Optimum Energy, s.r.o. were transferred to the Company as a result of a merger by acquisition; this was recorded in the Commercial Register on 1 January 2016.

As a result of the merger, the registered capital was increased to MCZK 16; this change was recorded in the Commercial Register on 1 January 2016.

On 15 September 2016, all of the Company's shares changed their form from certificated to book-entered ones.

On 1 December 2016, the Company acquired an ownership title to a part of an enterprise, solely engaged in trading in electricity and gas, Energie pro život s.r.o. This was recorded in the Commercial Register on 14 December 2016.

On 1 November 2016, Mr Jiří Nováček ceased to be member of the supervisory board and on 1 November 2016 Mr Marek Spurný became member of the supervisory board.

## *Branch*

The Company has a branch EP ENERGY TRADING, a.s., organizačná zložka, with its registered office at Pribinova 25, Bratislava 811 09, 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 2016.

## *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 2016

(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 2016. Comparative information for 2015 is provided in accordance with the structure and designation of balance sheet and income statement items specified by the Decree as amended for 2016.

As at 1 January 2016, the Company merged with Optimum Energy; comparative information is derived from the Company's financial statements as at 31 December 2015. The effect of the merger as at 1 January 2016 is recorded in movement tables in the notes to the financial statements. This procedure is in line with the interpretation of the National Accounting Council I-30.

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 up to TCZK 40 and intangible fixed assets costing up to TCZK 60 are not recognised in the balance sheet and are expensed in the year that they are acquired.

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

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

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) Long-term investments

Long-term investments comprise equity investments in subsidiaries and associated companies.

Long-term investments are stated at acquisition cost, which includes expenses directly incurred in connection with the acquisition, such as fees and commissions paid to brokers, advisers and stock exchanges.

As at the balance sheet date, investments are recognised at acquisition cost, and if a particular investment has been impaired, an adjustment is established.

#### c) 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.

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

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### 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.

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.

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.

### d) 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 only recognised when realised at the time of settlement.

As 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.

### 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, and are expected to be settled by delivery of the commodity do not meet the definition of a derivative and therefore are not remeasured at fair value.

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

As at the balance sheet date, commodity derivatives held for trading concluded at the PXE, same as derivatives traded with third parties, are revalued at fair market value, taking as a basis the closing prices on 31 December 2016 as published by the PXE.

On 1 January 2013, the Company began to apply hedge accounting to account for selected commodity derivatives traded on the PXE in accordance with the internal risk management policy.

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

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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 based 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 liability/asset 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 branch

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

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 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 2016

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

## 3. Fixed assets

### a) Intangible fixed assets

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

2015	Incorporation expenses	Software	Assets under constr.	Total
<b>Acquisition cost</b>				
Balance at 31/12/2014	252	36 894	2 337	39 483
Additions	--	9 113	11 535	20 648
Disposals	--	--	--	--
Transfers	--	--	--	--
Balance at 31/12/2015	252	46 007	13 872	60 131
<b>Accumulated amortisation</b>				
Balance at 31/12/2014	252	35 082	--	35 334
Amortisation expense	--	1 934	--	1 934
Disposals	--	--	--	--
Balance at 31/12/2015	252	37 016	--	37 268
<b>Net book value 31/12/2014</b>	<b>--</b>	<b>1 811</b>	<b>2 337</b>	<b>4 148</b>
<b>Net book value 31/12/2015</b>	<b>--</b>	<b>8 991</b>	<b>13 872</b>	<b>22 863</b>

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

## b) Tangible fixed assets

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

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

2015	Buildings	Plant and equipment	Assets under constr.	Total
<b>Acquisition cost</b>				
Balance at 31/12/2014	5 566	3 802	--	9 368
Additions	--	6 398	50	6 448
Disposals	--	--	--	--
Transfers	--	--	--	--
Balance at 31/12/2015	5 566	10 200	50	15 816
<b>Accumulated depreciation</b>				
Balance at 1/1/2014	4 672	2 499	--	7 171
Depreciation expense	894	1 082	--	1 976
Disposals	--	--	--	--
Transfers	--	--	--	--
Balance at 31/12/2015	5 566	3 581	--	9 147
<b>Net book value 31/12/2014</b>	<b>894</b>	<b>1 303</b>	<b>--</b>	<b>2 197</b>
<b>Net book value 31/12/2015</b>	<b>--</b>	<b>6 619</b>	<b>50</b>	<b>6 669</b>

## 4. Leased assets

The Company has an operating lease for company cars for a period of 6 - 12 months from the contract date. The annual cost of this lease and the lease of a printer for 2016 was TCZK 478 (2015 – TCZK 1 288).

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 2016 was TCZK 6 212 (2015 – TCZK 5 782).

## 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:

	31/12/2016	31/12/2015
Tangible fixed assets	1 545	654
Total	1 545	654

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

## 6. Long-term investments

On 1 January 2016, the Company merged with Optimum Energy, s.r.o. by an acquisition.

On 27 April 2016, an ownership interest in Adconcretum Real Estate doo Beograd, identification number (IČO) 21037141 was sold to Energetický a průmyslový holding, a.s., for TCZK 94 324.

In 2016, the Company had no dividend income from long-term investments.

2015

Ownership interests	Ownership	Acquisition cost in	Acquisition cost in TEUR
		TCZK	
ADCONCRETUM REAL ESTATE DOO BEOGRAD	100%	68 390	2 057
Optimum Energy, s.r.o.	100%	132 174	--
Total		200 564	--

## 7. Adjustments to acquired assets

As a result of the merger, the Company reports an amount of TCZK 172 172 (2015 – TCZK 0) 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 2016 depreciation totalled TCZK 10 522.

## 8. Inventories

The Company's inventories do not comprise purchased natural gas (2015 – TCZK 22 442).

## 9. Trade receivables and payables

- Short-term trade receivables total TCZK 1 572 256 (2015 – TCZK 1 913 113), of which TCZK 336 360 is overdue (2015 – TCZK 345 576). An adjustment of TCZK 284 511 (2015 – TCZK 172 815) was set up at 31 December 2016 for doubtful receivables.
- Short-term trade payables total TCZK 1 119 085 (2015 – TCZK 1 470 898), of which TCZK 50 510 is overdue (2015 – TCZK 91 728).

## 10. Advances paid

- Long-term advances paid total TCZK 219 064 (2015 – TCZK 256 718). The balance primarily comprises a security deposit for trading on the PXE granted to European Commodity Clearing AG of TCZK 91 868 (2015 – TCZK 135 125), a security deposit on electricity trading provided to OKTE, a.s. of TCZK 59 885 (2015 – TCZK 35 844) and a security deposit on electricity trading provided to OTE, a.s. of TCZK 39 955 (2015 – TCZK 39 950).

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

- b) Short-term advances paid total TCZK 349 299 (2015 – TCZK 221 402) and primarily comprise advances paid for the distribution of electricity and natural gas. The remaining balance of short-term advances paid includes primarily an advance paid to ČEZ Distribuce, a. s. of TCZK 208 574 (2015 – TCZK 140 499) and an advance paid to GasNet, s.r.o. of TCZK 99 657 (2015 – TCZK 43 769).

### 11. Tax receivables

Tax receivables amount to TCZK 28 310 (2015 – TCZK 213 718) and mainly include corporate income tax prepayments paid in Slovakia of TCZK 28 310 (2015 – TCZK 0) and value added tax receivables of TCZK 0 (2015 – TCZK 213 718).

### 12. Estimated receivables

Estimated receivables of TCZK 777 823 (2015 – TCZK 357 272) primarily comprise estimates for uninvoiced distribution and supply of electricity totalling TCZK 397 636 (2015 – TCZK 182 462) and distribution and supply of natural gas totalling TCZK 380 187 (2015 – TCZK 174 810).

### 13. Other receivables – long-term and short-term

Other receivables of TCZK 114 695 (2015 – TCZK 56 871) primarily comprise the revaluation of commodity derivatives to fair value as at 31 December 2016 of TCZK 107 015 (2015 – TCZK 48 225); see note 14.

### 14. Derivatives

- a) Currency hedging derivatives

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

		2016
Forward exchange contracts	Due date	Fair value
Forwards (Commerzbank Aktiengesellschaft)	2017 – 2019	-5 313
Swaps (Commerzbank Aktiengesellschaft)	2017 – 2019	-1 168
Total		-6 481

The fair value of derivatives totals TCZK -6 481 (2015 – TCZK -22 892) of which TCZK -3 209 (2015 – TCZK -5 904) is recorded in Other long-term payables and TCZK -3 272 (2015 – TCZK -16 988) in Other short-term payables. Derivatives which meet the condition of an effective hedge amount to TCZK -6 481 (2015 – TCZK -22 892) were reported in 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	Due in	Fair value (TCZK)	Commodity volume (MWh)
Futures and forward contracts for purchase of electricity	2017	2 899 485	13 815

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

Futures and forward contracts for purchase of electricity	2017	-2 637 888	12 680
Futures and forward contracts for purchase of electricity	2018	205 705	1 305
Futures and forward contracts for purchase of electricity	2018	-180 314	1 119
Futures and forward contracts for purchase of electricity	2019	73 735	464
Futures and forward contracts for purchase of electricity	2019	-60 251	403
Other commodity contracts with electricity	2017 - 2019	6 952	-
		307 424	

The fair value of TCZK 221 311 (2015 – TCZK -135 716) was settled using the daily settlement of contract value changes on the commodities exchange as at 31 December 2016. The unsettled fair value of derivatives totalled TCZK 86 113 (2015 – TCZK 43 090), of which TCZK 94 881 (2015 – TCZK 7 330) was recorded in Other short-term receivables and TCZK -8 768 (2015 – TCZK -35 760) is recorded in Other long-term payables.

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

The Company has concluded forward contracts for the purchase and sale of gas in 2017. The fair value of these derivatives is TCZK 12 134 (TCZK 5 135) and is reported in Other short-term receivables.

### 15. Adjustments

	Adjustment to receivables	Total
Balance at 31/12/2015	172 815	172 815
Merger with Optimum Energy	4 528	4 528
Balance at 1/1/2016	177 343	177 343
Additions	148 572	148 572
Release/utilisation	-41 404	-41 404
Balance at 31/12/2016	284 511	284 511

### 16. Prepaid expenses

Prepaid expenses of TCZK 82 768 (2015 – TCZK 40 122) represent mainly deferred expenses for the acquisition of new points of supply.

### 17. Registered capital

The registered capital of TCZK 16 000 (2015 – TCZK 15 000) consists of sixteen registered ordinary shares with a nominal value of TCZK 1 000. As at result of the merger with Optimum Energy, as at 1 January 2016 the registered capital was increased to TCZK 16 000.

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

## 18. Equity

### a) Profit distribution

A decision concerning the settlement of the 2016 profit had not been made as at the date of preparing these financial statements.

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

Balance at 1/1/2016	-158 805
Change in fair value of currency derivatives	16 412
Change in deferred tax relating to currency derivatives	- 3 118
Change in fair value of commodity derivatives	437 015
Change in deferred tax relating to commodity derivatives	-83 033
Balance at 31/12/2016	208 471

### c) "Revaluation of assets and liabilities" comprises:

Fair value of currency derivatives	-6 481
Deferred tax relating to currency derivatives	1 231
Fair value of commodity derivatives	263 853
Deferred tax relating to commodity derivatives	-50 132
Balance at 31/12/2016	208 471

## 19. Provisions

	Income tax provision	Provision for untaken holidays	Other provisions	Total
Balance at 31/12/2015	--	932	--	932
Merger with Optimum Energy	1 049	--	--	1 049
Balance at 1/1/2016	1 049	932	--	1 981
Additions	5 560	147	20 849	24 240
Release/Utilisation	-1 049	-932	--	-1 981
Balance at 31/12/2016	5 560	147	20 849	26 556

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

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An income tax provision of TCZK 5 560 (2015 – TCZK 0) was reduced with corporate income tax prepayments of TCZK 2 316 (2015 – TCZK 0) and the net payable was reported in Income tax provision.

### 20. Advances received

- a) Short-term advances received consist of advances of TCZK 714 238 (2015 – TCZK 426 098) received from end customers in connection with the sale of electricity and natural gas.
- b) Long-term advances received total TCZK 46 964 (2015 – TCZK 8 040) and primarily include received security deposits.

### 21. Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 2 488 (2015 – TCZK 2 528), of which TCZK 1 389 (2015 – TCZK 1 630) relates to social security liabilities and TCZK 1 099 (2015 – TCZK 898) relates to health insurance liabilities. None of these liabilities are overdue.

### 22. Tax liabilities and subsidies

Tax liabilities total TCZK 11 606 (2015 – TCZK 31 814), of which TCZK 1 563 (2015 – TCZK 1 338) relates to income tax on employment, TCZK 8 342 to taxes on electricity and gas (2015 - TCZK 3 364), TCZK 1 701 (2015 – TCZK 0) to value added tax and TCZK 0 (2015 – TCZK 27 112) to corporate income tax. None of these liabilities are overdue.

As at the date of preparing the notes to these financial statements, the specialised tax authority, seated at Nábř. Kpt. Jaroše 1000/7 Prague 7, was carrying out a tax inspection under Section 87(1) of the Tax Procedure Rules, reviewing value added tax for the taxable periods September 2015 and October 2015 and retaining excess deductions of EP ENERGY TRADING, a.s. of TCZK 42 238.

The September inspection was commenced on 18 November 2015. The retained excess deductions for this period were TCZK 42 238. Retained excess deductions amount is included in the Tax liabilities position.

The October inspection was commenced on 9 December 2015. The related VAT liability of TCZK 6 760 was paid on 24 November 2015.

EP ENERGY TRADING, a.s. performed all necessary procedures associated with these inspections. As at 28 March 2017, the inspection was successfully closed.

### 23. Estimated payables

Estimated payables of TCZK 342 919 (2015 – TCZK 256 201) primarily comprise estimated items relating to uninvoiced electricity and gas distribution totalling TCZK 313 881 (2015 – TCZK 232 169).

### 24. Accrued expenses

Accrued expenses total TCZK 30 715 (2015 – TCZK 46 850) and mainly include accruals relating to the supply of natural gas.

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

## 25. Segment information

The Company supplies two types of commodities to end customers – electricity and natural gas – and provides related services. Sales of these commodities and services in 2016 were as follows:

		Domestic sales	Export		Total
			European Union	Outside EU	
Electricity	2016	5 449 363	5 663 136	9 090	11 121 589
	2015	6 111 690	6 166 750	635 232	12 913 672
Natural gas	2016	2 588 310	188 188	40 146	2 816 644
	2015	4 080 978	1 945 230	138 526	6 164 734
Services	2016	13 200	11 729	--	24 929
	2015	75 591	116 616	--	192 207
Total	2016	8 050 873	5 863 053	49 236	13 963 162
	2015	10 268 259	8 228 596	773 758	19 270 613

## 26. Other financial expenses and revenues

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

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

## 27. Related parties

### a) Trade receivables and payables

The following related-party balances are included in the trade receivables and payables described in note 9 above:

	Receivables at		Payables at	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Pražská teplárenská a.s.	121 818	1 009	2 858	1 796
Plzeňská energetika a.s.	748	585	14 831	19 258
VTE Pchery, s.r.o.	37	18	695	1 129
United Energy, a.s.	3 015	11 339	107 968	70 601
POWERSUN a.s.	10	11	50	55
Energetický a průmyslový holding, a.s.	--	28	--	--
Alternative Energy, a.s.	99	32	--	--
EP Energy, a.s.	--	--	1 406	2 751
Elektrárny Opatovice, a.s.	7 277	7 954	161 827	146 732
SPP Infrastructure, a. s.	195	17 479	--	4
Stredoslovenská energetika, a.s.	243 501	253 039	10 675	38 862
SLOVENKSÉ ENERGETICKÉ STROJÁRNE a.s.	--	7 196	--	--
Panorama byty, s.r.o.a.s.	3 330	--	--	--
Best Hotel Properties a.s.	887	943	--	--
SOR Libchavy spol. s r.o.	1 404	1 436	111	131
Danube Facility Services, s.r.o.	8 477	6 630	2	96
DIAMOND HOTELS SLOVAKIA, s.r.o.	--	13	--	--
SPP — distribúcia , a.s.	3 604	--	2 145	--
AVE CZ odpadové hospodářství s.r.o.	1 045	--	344	--
Elektrizace železnic Praha a. s.	--	21	10	605
BHP Tatry, s.r.o.	--	630	--	--
AVE SK odpadové hospodářstvo s.r.o.	776	--	--	--
MSEM, a.s.	101	87	57	109
Helmstedter Revier GmbH (Buschhaus)	31 020	64 380	31 708	208 951
J&T SERVICES ČR, a.s. (formerly J&T Management, a.s.)	260	327	561	490
EP Commodities, a.s.	36 183	81 514	121 657	243 660
Slovenské elektrárne, a.s.	73 918	--	222 531	--
NAFTA a.s. – organizační složka	--	--	--	30 632
Other companies from the group	2 428	2 132	480	51
Total	540 133	456 803	679 916	765 913

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

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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 882 286 (2015 – TCZK 51 075). 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 46 982 (2015 – TCZK 0); this cash pool is reported in Liabilities – group undertakings.

c) Loans received

The Company received long-term loans from EP Energy, a.s. The loans are due in 2019 and 2020. The total value of these loans including interest is TCZK 602 245 as at 31 December 2016 (2015 – TCZK 602 509).

The Company reports a short-term loan from Optimum Energy, s.r.o. of TCZK 80 123. The loan, reported in 2015 in Liabilities – group undertakings, ceased to exist within the merger as at 1 January 2016.

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

### d) Transactions with related parties

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

	Sales for year		Expenses for year	
	2016	2015	2016	2015
DIAMOND HOTELS SLOVAKIA, s.r.o.	--	9 603	--	--
AISE, s.r.o.	53	106	--	--
Pražská teplárenská a.s.	482 341	9 592	18 001	17 278
Plzeňská energetika a.s.	4 096	8 049	160 415	178 003
VTE Pchery, s.r.o.	282	446	4 989	6 954
United Energy, a.s.	28 482	198 975	626 574	757 299
POWERSUN a.s.	65	99	2 468	3 004
Triskata, s.r.o.	45	90	--	--
ENERGZET, a.s.	--	2 728	--	335
Energetický a průmyslový holding, a.s.	--	--	--	--
Alternative Energy, a.s.	364	307	--	--
EP Energy, a.s.	1 509	1 989	40 302	49 316
Best Hotel Properties a.s.	7 218	--	--	--
ARISUN, s.r.o.	45	90	--	--
Elektrárny Opatovice, a.s.	97 637	279 602	1 185 403	1 264 016
SPP Infrastructure, a. s.	2 877	47 025	--	--
Stredoslovenská energetika a.s.	1 760 156	2 679 065	124 869	324 253
Slovenske energetické strojárne, a.s.	--	15 378	--	--
SOR Libchavy spol. s r.o.	11 203	12 706	--	--
Elektrizace železnic Praha a. s.	7 139	7 970	--	--
MSEM, a.s.	2 479	2 496	--	--
Helmstedter Revier GmbH (Buschhaus)	168 302	471 978	1 507 709	2 566 546
J&T SERVICES ČR, a.s.(formerly J&T Management, a.s.)	385	348	987	1 032
Panorama byty, s.r.o.	471	--	--	--
SPP - distribúcia,a.s.	--	--	19 829	--
AVE CZ odpadové hospodárství s.r.o.	2 204	--	--	--
AVE SK odpadové hospodárstvo s.r.o.	8 068	--	--	--
Slovenské elektrárne, a.s.	296 274	--	623 512	--
NAFTA a.s.	--	271	--	375 223
EP Commodities, a.s.	525 783	489 042	1 071 206	1 644 733
Other companies from the group	12 378	44 666	421	1 653
Total	3 419 856	4 282 621	5 386 685	7 189 645

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

## 28. Employees and executives

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

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

Average number of employees and executives and personnel expenses for 2015:

2015	Number	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	68	39 504	12 594	969
Members of the board of directors and executives	7	11 596	3 135	--
Supervisory board	3	45	15	--
Total	78	51 145	15 744	969

## 29. Fees payable to statutory auditors

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

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

### 30. Income tax

#### a) Current tax

Current income tax comprises the tax estimate for 2016 of TCZK 5 560 (2015 – TCZK 28 392), and tax adjustments of TCZK 54 (2015 – TCZK 1 314) relating to prior periods.

#### b) Deferred tax

	Assets		Liabilities		Net	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015	31/12/2016	31/12/2015
Tangible and intangible fixed assets	527	689	--	--	527	689
Hedging commodity derivatives	--	32 899	50 132	--	-50 132	32 899
Deferred tax from valuation difference	--	--	30 350	--	-30 350	--
Hedging FX derivatives	1 231	4 349	--	--	1 231	4 349
Adjustments to receivables and other temporary differences	9 985	1 864	--	--	9 985	1 864
Deferred tax asset/(liability)	11 743	39 801	80 482	--	-68 739	39 801

In accordance with the accounting policy described in note 2 (g), a tax rate of 19% was used to calculate deferred tax (2015 – 19%).

In accordance with the accounting policy described in note 2 (g), a deferred tax asset resulting from tax losses of TCZK 24 125 as at 31 December 2015 was not recognized. These tax losses were fully utilized in the 2016 current tax calculation.

A change in deferred tax of TCZK 108 540 consists of deferred tax from hedging derivatives charged directly to equity of TCZK 86 151, a change in deferred tax recorded in profit/loss of TCZK -10 037 and the remaining movement of TCZK 32 426 mainly attributable to the merger with Optimum Energy, s.r.o. as at 1 January 2016.

### 31. Contingencies and commitments

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

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

The Company has concluded the following guarantees in favour of its suppliers as at 31 December 2015:

# EP ENERGY TRADING, a.s.

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

Year ended 31 December 2016

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

Bank	Currency	Amount in TEUR	Amount in TCZK
COMMERZBANK Aktiengesellschaft	CZK	--	175 000
Komerční banka, a.s.	CZK	--	67 000
EP Energy, a.s.	EUR	24 100	--

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 2016, the book value of pledged receivables was TCZK 1 218 708 (2015 – TCZK 1 610 097) and the book value of pledged bank accounts was TCZK 47 361 (2015 – TCZK 207 924).

### 32. 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	
	2016	2015
Cash	84 089	205 661
Marketable securities	--	--
Cash and cash equivalents	84 089	205 661

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

The difference between the balance of cash in the cash flow statement between 31 December 2015 and 1 January 2016 of TCZK 40 372 is attributable to the merger with Optimum Energy, s.r.o.

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.

Cash amounting to TCZK 36 692 (2015 – TCZK -2 128) is recorded on the bank account with restricted disposition. This restriction arises from the respective contract based on requirements of the energy exchange.

# **EP ENERGY TRADING, a.s.**

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

Year ended 31 December 2016

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

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## **33. 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 2016.

Prepared on:

28 April 2017

SIGNED BY

Ing. Petr Švec, MBA

Member of the board of directors

SIGNED BY

Ing. Ladislav Sladký

Member of the board of directors



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

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

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

***Opinion***

We have audited the accompanying financial statements of EP ENERGY TRADING, a.s. ("the Company"), prepared in accordance with Czech accounting legislation, which comprise the balance sheet as at 31 December 2016, and the income statement, the statement of changes in equity and the cash flow statement for the year 2016 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 2016, and of its financial performance and its cash flows for the year 2016 then ended in accordance with Czech accounting legislation.

***Basis for Opinion***

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



### ***Other Information***

In accordance with Section 2(b) of the Act on Auditors, other information is defined as information included in the annual report other than the financial statements and our auditor's report. The statutory body is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable laws and regulations, in particular, whether the other information complies with laws and regulations in terms of formal requirements and the procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with those requirements could influence judgments made on the basis of the other information.

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

- the other information describing matters that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- the other information has been prepared in accordance with applicable laws and regulations.

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

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

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

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



***Statutory Auditor Responsible for the Engagement***

Petr Škoda is the statutory auditor responsible for the audit of the financial statements of EP ENERGY TRADING, a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague  
28 April 2017

*Signed by*

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

*Signed by*

Petr Škoda  
Partner  
Registration number 1842