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# **Annual Report** 2017

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

# Contents

5	<b>1</b>	<b>Introduction by the Chairman of the Board of Directors</b>
8		<b>Company Profile</b>
9	<b>2</b>	<b>Company Background</b>
10	<b>3</b>	<b>Report of the Board of Directors on the Company's Business Activities and the State of its Assets</b>
13	<b>4</b>	<b>Report of the Supervisory Board on the Results of its Supervisory Activities</b>
15		<b>Report on Relations between Related Parties</b>
23		<b>Balance Sheet</b>
25		<b>Income Statement</b>
26		<b>Cash Flow Statement</b>
27		<b>Statement of Changes in Equity</b>
28		<b>Notes to the Czech statutory financial statements</b> (translated from the Czech original)
28	1.	Description and principal activities
30	2.	Significant accounting policies applied by the Company
30	A	Tangible and intangible fixed assets
30	B	Establishment of adjustments
30	C	Provisions
31	D	Foreign currency translation
31	E	Commodity derivatives
31	F	Income tax
32	G	Classification of liabilities
32	H	Recognition of revenues and expenses
32	3.	Intangible fixed assets
33	4.	Cash
33	5.	Trade receivables and payables
34	6.	Tax Receivables
35	7.	Advance payments
35	8.	Registered capital
36	9.	Equity
36	10.	Derivatives
37	11.	Provisions

37	12. Revenues from and expenses on ordinary activities
37	13. Other financial revenues and expenses
38	14. Employees
38	15. Social security and health insurance liabilities
39	16. Tax liabilities and subsidies
39	17. Estimated payables
39	18. Accrued expenses
39	19. Income tax
39	A Current tax
39	B Deferred tax
40	20. Related parties
40	A Trade receivables and payables
41	B Transactions with related parties
42	C Loans received
42	D Loans provided
42	21. Fees payable to statutory auditors
42	22. Contingencies and commitments
43	23. Cash flow statement
43	24. Material subsequent event
44	<b>Independent Auditor's Report to the Shareholder of EP Commodities, a. s.</b>

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**1 Introduction by the Chairman  
of the Board of Directors**

## Dear shareholders, business partners and colleagues,

I would like to present to you the Annual Report of EP Commodities (“EPC”) for 2017. Last year again showed significant growth in volumes, revenues and profit. EPC entered into more transactions with a larger number of counterparties in a larger number of countries than ever before, following our long-term strategy to be an important European player in trading with commodities and provide support to Energetický a průmyslový holding (“EPH”), especially concerning commodity trading. Considering higher commodity market transparency and competition, our economic results prove that we have been able to create added value not only for EPC but also for our business partners either within the EPH group or outside the group.

### **HIGH PERFORMANCE**

Our financial results for 2017 show that our performance has further improved, especially owing to the expansion of our internal infrastructure ensuring access to new commodity markets. We also maintained our responsible approach to risk management in all aspects of our business. In 2017, EPC reached revenues of more than CZK 35 billion, showing a year-on-year 89% increase, and net profit of almost CZK 250 million, which is four times the profit generated in 2016.

Considering operating indicators for 2017, EPC traded more than 104 TWh of natural gas, which is by 82% more than the previous year. EPC also started to trade in electricity and emission allowances: 36 TWh of electricity and 49 million tons of emission allowances. Furthermore, EPC entered into transactions with products such as CSS (“clean spark spread”) and CDS (“clean dark spread”) and financial traded hard coal.

We paid increased attention to the recruitment of new employees. In 2017, the average number of full-time employees was 38.

### **MILESTONES AND FUTURE OUTLOOKS**

In 2017, we passed a number of significant milestones. In addition to opening commodity markets in new countries, mainly used for trading in electricity but also in gas, we continued to develop our new dispatching and optimisation centre for power plants owned by EPH in Germany. We are optimists

when considering our prospects for 2018. We expect that our new dispatching and optimisation centre will be put into full operation by the end of 2018, which means that another milestone in the history of our company will be reached. This expansion as well as the strengthening of our access to markets help us trade in gas and electricity in all countries in which EPH operates (Czech Republic, Germany, Hungary, Italy, Slovakia and United Kingdom), also including Austria and the Netherlands hubs in which EPC trades only in gas.

Our team of people has been growing and developing continuously. We have moved to new premises that offer better quality and comfort to all employees. This undoubtedly help us further expand and improve our business activities. We will continue to seek new growth opportunities while paying increased attention to risk management.

At last, I would like to thank all employees, shareholders and partners for their involvement in fulfilling our strategy. Their cooperation and support made our business activities possible. We are grateful to all of you for our success in 2017.

Prague, 28 June 2018



Miroslav Haško

Chairman of the Board of Directors

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## Company Profile

EP Commodities, a.s. is a joint-stock company specialising in trading in energy commodities, which mainly involves whole-sale transactions with natural gas, electricity, emission allowances, coal (financially) and other products (e.g. dark and spark spreads) throughout the European regions.

The Company is part of the Energetický a průmyslový holding, a.s. (EPH) group, which is a leading Central European energy group that owns and operates facilities in the Czech Republic, Slovakia, Germany, Italy, Great Britain and Hungary.

EP Commodities, a.s. primarily focuses on countries in which the EPH group has its own assets or whose liquidity enables effective trading. In addition to the physical and financial securing of assets for the EPH group, it also performs sourcing of the end customer portfolios in selected countries.

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## 2 Company Background

Company name	<b>EP Commodities, a. s.</b>
Registered office	Praha 1, Klimentská 1216/46, PSČ 110 00
Identification number	034 37 680
Tax identification number	CZ03437680
Entry in the Commercial Register	Municipal Court in Prague, section B, insert 19973
Phone	+420 255 707 090
E-mail	info@epcommodities.cz
Website	www.epcommodities.cz
Sole shareholder	EP Power Europe, a. s.
Registered office	Pařížská 130/26, Josefov, 110 00 Praha 1
Identification number	278 58 685

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**3**      **Report of the Board of Directors**  
on the Company's Business Activities  
and the State of its Assets

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

### **ECONOMIC RESULTS FOR 2017**

For the 2017 accounting period, EP Commodities, a.s. recognised revenues of CZK 35.5 billion and the result of operations before tax of CZK 308.6 million, primarily owing to a margin generated from the wholesale market with natural gas, electricity and emission allowances and revenues from provided services.

### **PRINCIPAL BUSINESS ACTIVITIES IN 2017**

The Company's principal business activity is the wholesale of natural gas on European markets.

Total trading in natural gas and electricity in all markets amounted to 140 TWh in 2017.

### **FURTHER DEVELOPMENT**

In 2018, the Company primarily aims to complete the building of its business infrastructure and preparations for the operation of an energy dispatching centre in Prague.

The Company also plans to increase the number of employees and expand the entire corporate team.

### **RESEARCH AND DEVELOPMENT**

The Company does not carry out any research and development activities.

### **ENVIRONMENTAL PROTECTION AND LABOUR-LAW 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 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 commodity derivatives.

### **MATERIAL SUBSEQUENT EVENTS**

No material subsequent events occurred as at the date of signing the annual report.

Prague, 28 June 2018



Miroslav Haško

Chairman of the Board of Directors



Daniel Pexidr

Member of the Board of Directors

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**4**      **Report of the Supervisory Board**  
on the Results of its Supervisory Activities

In 2017, the Supervisory Board of EP Commodities, a.s. performed tasks in compliance with the Business Corporations Act and the Company's statutes.

The Supervisory Board regularly monitored the Company's economic results, the state of its assets and reviewed economic analyses. It checked and verified the fulfilment of tasks given to the Board of Directors by the General Meeting, resp. the decision of the sole shareholder during the exercise of powers of the General Meeting, as well as the observance of generally binding legal regulations and the Company's statutes.

During 2017, when exercising its right to supervise, the Supervisory Board followed the Company's statutes and generally binding legal regulations valid for the activities of joint stock companies. In the mentioned period, the Supervisory Board focused 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 profit settlement.

In the shareholder's interest, the Supervisory Board also concentrated, among other things, on the continuous monitoring of economic results, the performance of the business plan and the resolutions adopted by the regular General Meeting. It simultaneously aided 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 background 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 June 2018

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# **Report on Relations between Related Parties**

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

The Board of Directors of EP Commodities, a.s., (“the Company”), with its registered office in Prague 1, Klimentská 1216/46, 110 00, has prepared this report on relations between the controlled entity, companies exercising direct or indirect control and other entities controlled by the same controlling entity for the period from 01 January 2017 to 31 December 2017 in compliance with Section 82 of Act No. 90/2012 Coll., on Corporations and Cooperatives, as amended.

The direct controlling entity for the accounting period from 1 January 2017 to 31 December 2017 was EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Praha 1.

In the respective period, EP Power Europe, a.s., as the direct controlling entity owned 10 shares of the controlled entity, representing 100% of the Company’s registered capital and 100% of its voting rights.

## **I. CONTROLLED ENTITY**

**EP Commodities, a.s.**, with its registered office in Prague 1, Klimentská 1216/46, 110 00, ident. no. 034 37 680, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 19973 on 29 September 2014.

## **II. CONTROLLING ENTITY**

**Energetický a průmyslový holding, a.s.**, with its registered office in Pařížská 130/26, Josefov, 110 00 Praha 1, identification number: 283 56 250, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 21747 on 10 August 2009.

## **III. THE CONTROLLED ENTITY’S ROLE, METHOD AND MEANS OF CONTROL**

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

The controlling entity exercises its controlling influence through the appointment and recalling of Statutory Board and Supervisory Board members in compliance with effective legislation and the controlled entity’s articles of association.

#### IV. CONTRACTS WITH RELATED PARTIES IN EFFECT IN THE LAST ACCOUNTING PERIOD

In 2017, the contracts in effect between the controlled entity and the direct and indirect controlling entities and other entities controlled by the same controlling entities were as follows:

- |      |  |      |  |
|------|--|------|--|
| (1)  | EFET-type framework agreement with EP ENERGY TRADING, a.s. dated 1 December 2014   | (11) | Agreement for flexible gas supplies and withdrawals with eustream, a.s. dated 15 December 2015.                                |
| (2)  | Contract for the sub-lease of business premises and for the provision of services with EP ENERGY TRADING, a.s. dated 1 October 2014      | (12) | Framework agreement on balancing platform access of 23 October 2015 with eustream, a.s.  |
| (3)  | Loan agreement with Energetický a průmyslový holding, a.s. dated 24 August 2015  | (13) | Contract for title transfer services of 27 April 2016 with eustream, a.s.  |
| (4)  | Loan agreement with Energetický a průmyslový holding, a.s. dated 12 May 2016 as amended by the amendment to the contract of 29 June 2017 | (14) | Framework contract on access to the transmission network and gas transmission of 25 May 2016 with eustream, a.s.               |
| (5)  | Framework agreement to provide guarantees with Energetický a průmyslový holding, a.s. dated 2 February 2015                              | (15) | Agreement for the provision of data reporting under Article 9 (9) of REMIT Implementing Acts of 31 March 2016 with NAFTA, a.s. |
| (6)  | Agreement for the supply of natural gas of 2 March 2016 with EP Produzione Centrale Livorno Ferraris S.p.A.                              | (16) | Contract for the supply of natural gas of 2 December 2015 with NAFTA, a.s.   |
| (7)  | Agreement for the supply of natural gas of 10 October 2016 with EP Produzione Centrale Livorno Ferraris S.p.A.                           | (17) | Contract for the supply of natural gas of 16 November 2015 with NAFTA, a.s.  |
| (8)  | Agreement for the supply of natural gas with EP Produzione S.p.A.  | (18) | Contract on future gas storage agreement – the inverse storage of 25 September 2015 with NAFTA, a.s.                           |
| (9)  | Agreement for the supply of natural gas of 10 October 2016 with EP Produzione S.p.A.   | (19) | Gas storage agreement – the inverse storage of 29 October 2015 with NAFTA, a.s.  |
| (10) | Amendment to the contract: agreement for the supply of natural gas of 30 November 2016 with EP Produzione S.p.A.                         | (20) | Purchase agreement (annex no. 2 to the gas storage agreement – the inverse storage) of 29 October 2015 with NAFTA, a.s.        |
|      |  | (21) | Gas storage agreement – the inverse storage of 28 January 2016 with NAFTA, a.s.  |
|      |  | (22) | Purchase agreement (annex no. 2 to the gas storage agreement – the inverse storage) of 28 January 2016 with NAFTA, a.s.        |
|      |  | (23) | Gas storage agreement of 28 January 2016 with NAFTA, a.s.  |

- |  |  |
|--|--|
| <p>(24) Gas storage agreement – the inverse storage of 1 December 2016 with NAFTA, a.s.</p> <p>(25) Purchase agreement (annex no. 2 to the gas storage agreement – the inverse storage) of 1 December 2016 with NAFTA, a.s.</p> <p>(26) Contract for the provision of ICT services for consideration with United Energy, a.s. dated 1 April 2015</p> <p>(27) Contract for the supply of gas (to meet the gas supply security standard) of 20 October 2015 with SPP-distribúcia, a.s.</p> <p>(28) EFET-type framework agreement with Stredoslovenská energetika, a.s. dated 1 April 2015</p> <p>(29) Service level agreement with EP UK Investments Ltd dated 3 May 2017</p> <p>(30) ISDA master agreement with EP Produzione S.p.A. dated 18 July 2016</p> <p>(31) General agreement concerning the delivery and acceptance of electricity with EP UK Investments Ltd dated 3 May 2017</p> | <p>(32) General agreement concerning the delivery and acceptance of electricity with Budapesti Erömü Zrt dated 2 May 2017</p> <p>(33) General agreement concerning the delivery and acceptance of natural gas with Budapesti Erömü Zrt dated 2 May 2017</p> <p>(34) Agreement on assumption of payment obligations with Energetický a průmyslový holding, a.s. and EP Power Europe, a.s. dated 1 July 2017</p> <p>(35) Agreement on the set-off of receivables with EP Power Europe, a.s. dated 1 July 2017</p> <p>(36) Loan agreement with EP Power Europe, a.s. of 1 July 2017</p> <p>(37) Contract to maintain financial hedging with EP Energy Trading, a.s. of 1 December 2017</p> <p>(38) Contract for the provision of services with EP Investment Advisors, s.r.o. of 3 January 2017</p> <p>(39) Contract for the provision of professional assistance with EP Investment Advisors, s.r.o. of 2 January 2017</p> |
|--|--|

**V. OTHER JURIDICAL ACTS PERFORMED  
IN THE INTEREST OF RELATED PARTIES**

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

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

**VII. SUPPLIES PROVIDED AND CONSIDERATION  
RECEIVED BY THE CONTROLLED ENTITY**

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

		Sales		Purchases	
		2017	2016	2017	2016
EP ENERGY TRADING, a.s.	Sale of goods	1 701 520	1 071 206	115 683	524 075
	Derivatives	179 874	–	113 891	–
	Sale of services	–	–	4 850	1 054
	Other expenses	–	–	–	654
	<b>Total</b>	<b>1 881 394</b>	<b>1 071 206</b>	<b>234 424</b>	<b>525 783</b>
EP Investment Advisors, s.r.o.	Sale of services	–	–	3 409	–
Energetický a průmyslový holding, a.s.	Other financial expenses	–	–	24 744	32 133
	Interest expense and revenue	6 017	14 595	236	1 053
	<b>Total</b>	<b>6 017</b>	<b>14 595</b>	<b>24 980</b>	<b>33 186</b>
NAFTA, a.s.	Sale of services	–	–	54 804	11 075
	Sale of goods	132	270	1 980	367 362
	<b>Total</b>	<b>132</b>	<b>270</b>	<b>56 784</b>	<b>378 437</b>
Stredoslovenská energetika, a.s.	Sale of goods	46 139	704 853	1 263 125	488
	Sale of services	1 532	–	857	–
	<b>Total</b>	<b>47 671</b>	<b>704 853</b>	<b>1 263 982</b>	<b>488</b>
SPP - distribúcia, a.s.	Sale of goods	8 811	11 871	–	–
United Energy, a.s.	Other services	–	–	30	72
SPP Infrastructure, a.s.	Sale of goods	–	64 352	–	4 413
	Other services	–	–	–	53 897
	<b>Total</b>	<b>–</b>	<b>64 352</b>	<b>–</b>	<b>58 310</b>
Budapesti Erömű Zrt	Sale of goods	432 159	–	–	–
	Derivatives	12 750	–	–	–
	Other services	24 311	–	–	–
	<b>Total</b>	<b>469 220</b>	<b>–</b>	<b>–</b>	<b>–</b>
EP PRODUZIONE S.p.A.	Sale of goods	11 495 995	5 890 307	1 260 665	–
	Sale of services	95 592	–	–	–
	Derivatives	964 525	17 255	615 470	6 970
	<b>Total</b>	<b>12 556 112</b>	<b>5 907 562</b>	<b>1 876 135</b>	<b>6 970</b>
eustream, a.s.	Sale of goods	–	–	60 357	–
EP Power Europe, a.s.	Interest expense and revenue	8 338	–	–	–
Mitteldeutsche Braunkohlengesellschaft mbH	Derivatives	58 931	–	–	–
other	Other expenses	–	–	338	–
EP UK Investments, Ltd	Sale of services	1 891	–	–	–
EP Produzione Centrale Livorno Ferraris S.p.A.	Sale of goods	5 334 618	2 720 199	–	–
	<b>Total</b>	<b>20 373 135</b>	<b>10 494 908</b>	<b>3 520 439</b>	<b>1 003 246</b>

The Company does not report any unpaid received loans as at 31 December 2017. A short-term loan received from Energetický a průmyslový holding, a.s. payable in 2017 was fully repaid in 2017.

EP Commodities, a.s. provided a short-term loan to EP Power Europe, a.s. payable in 2018. This loan amounted to TCZK 629 728 as at 31 December 2017.

#### **VIII. DAMAGE INCURRED BY THE CONTROLLED ENTITY AND RELATED 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, and provided supplies and received consideration.

#### **IX. ADVANTAGES AND DISADVANTAGES ARISING FROM RELATIONS BETWEEN RELATED PARTIES, ASSOCIATED RISKS**

The controlled entity does not gain any advantages or 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. In addition, the controlled entity does not incur any risks from these relations.

#### **X. CONFIDENTIALITY**

Within the group, all information and facts that are 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 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 Commodities, a.s., and has been submitted for review to the Supervisory Board and for examination by an auditor. 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, 28 March 2018



Miroslav Haško

Chairman of the Board of Directors



Daniel Pexidr

Member of the Board of Directors

# Balance Sheet

## IN FULL FORMAT

as at 31 December 2017

(in thousands of Czech crowns)

Translated from the Czech original

EP Commodities, a.s.

Klimentská 1216/46

110 00 Praha 1-Nové Město

Czech Republic

Identification number 034 37 680

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
a	b	c	1	2	3	4
	<b>TOTAL ASSETS</b>	<b>1</b>	<b>6 784 286</b>	<b>-5 386</b>	<b>6 778 900</b>	<b>3 316 860</b>
<b>B.</b>	<b>Fixed assets</b>	<b>2</b>	<b>19 048</b>	<b>-5 386</b>	<b>13 662</b>	<b>17 135</b>
B.I.	Intangible fixed assets	3	18 871	-5 353	13 518	17 018
B.I.2.	Intellectual property rights	4	17 321	-5 290	12 031	–
B.I.2.1.	Software	5	17 321	-5 290	12 031	–
B.I.4.	Other intangible fixed assets	6	96	-63	33	53
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	7	1 454	–	1 454	16 965
B.I.5.2.	Intangible fixed assets under construction	8	1 454	–	1 454	16 965
B.II.	Tangible fixed assets	9	177	-33	144	117
B.II.2.	Plant and equipment	10	177	-33	144	117
<b>C.</b>	<b>Current assets</b>	<b>11</b>	<b>6 756 336</b>	<b>–</b>	<b>6 756 336</b>	<b>3 299 132</b>
C.I.	Inventories	12	24 827	–	24 827	–
C.I.3.	Finished goods and goods for resale	13	24 827	–	24 827	–
C.I.3.2.	Goods for resale	14	24 827	–	24 827	–
C.II.	Receivables	15	6 046 111	–	6 046 111	2 924 111
C.II.1.	Long-term receivables	16	631 970	–	631 970	160 886
C.II.1.4.	Deferred tax asset	17	1 605	–	1 605	–
C.II.1.5.	Receivables – other	18	630 365	–	630 365	160 886
C.II.1.5.2.	Long-term advances paid	19	613 891	–	613 891	160 886
C.II.1.5.4.	Other receivables	20	16 474	–	16 474	–
C.II.2.	Short-term receivables	21	5 414 141	–	5 414 141	2 763 225
C.II.2.1.	Trade receivables	22	3 882 276	–	3 882 276	2 410 839
C.II.2.2.	Receivables – group undertakings	23	629 728	–	629 728	292 469
C.II.2.4.	Receivables – other	24	902 137	–	902 137	59 917
C.II.2.4.3.	Tax receivables	25	57 163	–	57 163	55 535
C.II.2.4.4.	Short-term advances paid	26	38 963	–	38 963	2
C.II.2.4.5.	Estimated receivables	27	173 649	–	173 649	4 380
C.II.2.4.6.	Other receivables	28	632 362	–	632 362	–
C.IV.	Cash	29	685 398	–	685 398	375 021
C.IV.1.	Cash in hand	30	14	–	14	6
C.IV.2.	Bank accounts	31	685 384	–	685 384	375 015
<b>D.</b>	<b>Deferrals</b>	<b>32</b>	<b>8 902</b>	<b>–</b>	<b>8 902</b>	<b>593</b>
D.1.	Prepaid expenses	33	8 902	–	8 902	593

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>34</b>	<b>6 778 900</b>	<b>3 316 860</b>
<b>A.</b>	<b>Equity</b>	<b>35</b>	<b>507 593</b>	<b>258 056</b>
A.I.	Registered capital	36	100 000	100 000
A.I.1.	Registered capital	37	100 000	100 000
A.IV.	Retained earnings (+/-)	38	158 056	107 892
A.IV.1.	Retained profits	39	158 056	107 892
A.V.	Profit (loss) for the current period (+/-)	40	249 537	50 164
<b>B. + C.</b>	<b>Liabilities</b>	<b>41</b>	<b>5 018 733</b>	<b>2 110 685</b>
<b>B.</b>	<b>Provisions</b>	<b>42</b>	<b>51 440</b>	–
B.2.	Income tax provision	43	42 992	–
B.4.	Other provisions	44	8 448	–
<b>C.</b>	<b>Liabilities</b>	<b>45</b>	<b>4 967 293</b>	<b>2 110 685</b>
C.I.	Long-term liabilities	46	–	1 258
C.I.9.	Liabilities – other	47	–	1 258
C.I.9.3.	Other payables	48	–	1 258
C.II.	Short-term liabilities	49	4 967 293	2 109 427
C.II.3.	Short-term advances received	50	1 046 440	4 723
C.II.4.	Trade payables	51	3 880 931	1 961 163
C.II.6.	Liabilities – group undertakings	52	–	30 529
C.II.8.	Liabilities – other	53	39 922	113 012
C.II.8.3.	Payables to employees	54	2 683	1 044
C.II.8.4.	Social security and health insurance liabilities	55	1 079	433
C.II.8.5.	Tax liabilities and subsidies	56	13 824	818
C.II.8.6.	Estimated payables	57	3 817	7 853
C.II.8.7.	Other payables	58	18 519	102 864
<b>D.</b>	<b>Accruals</b>	<b>59</b>	<b>1 252 574</b>	<b>948 119</b>
D.1.	Accrued expenses	60	1 252 475	948 119
D.2.	Deferred revenues	61	99	–

# Income Statement

## CLASSIFICATION BY NATURE

for the year ended 31 December 2017

(in thousands of Czech crowns)

Translated from the Czech original

EP Commodities, a.s.

Klimentská 1216/46

110 00 Praha 1-Nové Město

Czech Republic

Identification number 034 37 680

Ident.	INCOME STATEMENT	line	Current period	Prior period
a	b	c	1	2
I.	Revenue from products and services	1	176 904	151 695
II.	Revenue from goods	2	35 350 165	18 603 961
A.	Cost of sales	3	35 409 669	18 496 446
A.1.	Cost of goods sold	4	35 248 798	18 371 406
A.2.	Materials and consumables	5	12 942	1 053
A.3.	Services	6	147 929	123 987
D.	Personnel expenses	7	32 558	13 529
D.1.	Wages and salaries	8	25 179	10 685
D.2.	Social security, health insurance and other expenses	9	7 379	2 844
D.2.1.	Social security and health insurance expenses	10	7 312	2 826
D.2.2.	Other expenses	11	67	18
E.	Adjustments relating to operating activities	12	5 335	27
E.1.	Adjustments to intangible and tangible fixed assets	13	5 335	27
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	14	5 335	27
III.	Other operating revenues	15	56 990	614
III.3.	Miscellaneous operating revenues	16	56 990	614
F.	Other operating expenses	17	20 989	1 208
F.3.	Taxes and charges	18	16	108
F.4.	Provisions relating to operating activity and complex prepaid expenses	19	8 448	–
F.5.	Miscellaneous operating expenses	20	12 525	1 100
<b>*</b>	<b>Operating profit (loss) (+/-)</b>	<b>21</b>	<b>115 508</b>	<b>245 060</b>
VI.	Interest revenue and similar revenue	22	14 356	14 596
VI.1.	Interest revenue and similar revenue – group undertakings	23	14 355	14 595
VI.2.	Other interest revenue and similar revenue	24	1	1
J.	Interest expense and similar expense	25	1 390	1 133
J.1.	Interest expense and similar expense – group undertakings	26	236	1 053
J.2.	Other interest expense and similar expense	27	1 154	80
VII.	Other financial revenues	28	3 054 270	252 685
K.	Other financial expenses	29	2 874 193	448 350
<b>*</b>	<b>Profit (loss) from financial operations</b>	<b>30</b>	<b>193 043</b>	<b>-182 202</b>
<b>**</b>	<b>Profit (loss) before tax (+/-)</b>	<b>31</b>	<b>308 551</b>	<b>62 858</b>
L.	Income tax	32	59 014	12 694
L.1.	Current tax	33	60 619	12 694
L.2.	Deferred tax (+/-)	34	-1 605	–
<b>**</b>	<b>Profit (loss) after tax (+/-)</b>	<b>33</b>	<b>249 537</b>	<b>50 164</b>
<b>***</b>	<b>Profit (loss) for the accounting period (+/-)</b>	<b>34</b>	<b>249 537</b>	<b>50 164</b>
<b>*</b>	<b>Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.</b>	<b>35</b>	<b>38 652 685</b>	<b>19 023 551</b>

# Cash Flow Statement

for the year ended 31 December 2017  
(in thousands of Czech crowns)  
Translated from the Czech original

EP Commodities, a.s.  
Klimentská 1216/46  
110 00 Praha 1-Nové Město  
Czech Republic  
Identification number 034 37 680

	<b>Current period</b>	<b>Prior period</b>
<b>P. Cash and cash equivalents, beginning of period</b>	<b>375 021</b>	<b>74 805</b>
<b>Net operating cash flow</b>		
Z. Accounting profit (loss) from ordinary activities	308 551	62 858
A.1. Non-cash transactions	817	-13 339
A.1.1. Depreciation and amortisation of fixed assets	5 335	27
A.1.2. Change in:	8 448	-
A.1.2.2. provisions and other adjustments	8 448	-
A.1.5. Expense and revenue interests accounted for	-12 966	-13 463
A.1.6. Other non-cash transactions	-	97
<b>A.* Net operating cash flow before taxation financial items, changes in working capital and extraordinary items</b>	<b>309 368</b>	<b>49 519</b>
A.2. Changes in working capital	373 644	565 646
A.2.1. Change in receivables from operating activities, estimated receivables and deferrals	-2 794 379	-2 070 453
A.2.2. Change in short-term liabilities from operating activities, estimated payables and accruals	3 192 850	2 635 980
A.2.3. Change in inventories	-24 827	119
<b>A.** Net operating cash flow before taxation, financial balances, and extraordinary items</b>	<b>683 012</b>	<b>615 165</b>
A.3. Interest paid excluding amounts capitalised	-1 390	-1 133
A.4. Interest received	14 356	14 596
A.5. Income tax paid on ordinary income and income tax relating to prior periods	-14 693	-34 197
<b>A.*** Net operating cash flow</b>	<b>681 285</b>	<b>594 431</b>
<b>Investing activities</b>		
B.1. Acquisition of fixed assets	-1 862	-3 162
B.1.1. Acquisition of tangible fixed assets	-52	-125
B.1.2. Acquisition of intangible fixed assets	-1 810	-3 037
B.3. Advances and loans to related parties	-337 259	-292 469
<b>B.*** Net cash flow from investing activities</b>	<b>-339 121</b>	<b>-295 631</b>
<b>Financing activities</b>		
C.1. Change in long-term resp. short-term liabilities from financing	-31 787	1 416
<b>C.*** Net cash flow from financing activities</b>	<b>-31 787</b>	<b>1 416</b>
<b>F. Net increase or decrease in cash balance</b>	<b>310 377</b>	<b>300 216</b>
<b>R. Cash and cash equivalents, end of period</b>	<b>685 398</b>	<b>375 021</b>

# Statement of Changes in Equity

for the year ended 31 December 2017  
(in thousands of Czech crowns)  
Translated from the Czech original

EP Commodities, a.s.  
Klimentská 1216/46  
110 00 Praha 1-Nové Město  
Czech Republic  
Identification number 034 37 680

	<b>Registered capital</b>	<b>Retained profits</b>	<b>Profit (loss) for the current period</b>	<b>Total</b>
Balance as at 1.1.2017	100 000	107 892	50 164	258 056
Transfer of the profit (loss) of prior year period	–	50 164	-50 164	–
Profit (loss) for the current period	–	–	249 537	249 537
Balance as at 31.12.2017	100 000	158 056	249 537	507 593

	<b>Registered capital</b>	<b>Retained profits</b>	<b>Profit (loss) for the current period</b>	<b>Total</b>
Balance as at 1.1.2016	100 000	10 157	97 735	207 892
Transfer of the profit (loss) of prior year period	–	97 735	-97 735	–
Profit (loss) for the current period	–	–	50 164	50 164
Balance as at 31.12.2016	100 000	107 892	50 164	258 056

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

Year ended 31 December 2017

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

## 1. Description and principal activities

### ESTABLISHMENT AND DESCRIPTION OF THE COMPANY

EP Commodities, a.s. ("the Company") was incorporated on 29 September 2014 by being recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, file number 19973. The principal activities of the Company are trading in gas and electricity and manufacture, trade and services not listed in Annexes 1 to 3 to the Trades Licensing Act.

### OWNERSHIP STRUCTURE

The Company's sole shareholder as at 31 December 2017 was:

EP Power Europe, a. s.  
Pařížská 130/26  
110 00 Praha 1-Josefov  
Czech Republic

### REGISTERED OFFICE

EP Commodities, a. s.  
Klimentská 1216/46  
Praha 1- Nové Město  
Czech Republic

### IDENTIFICATION NUMBER

034 37 680

## STATUTORY BODY AS AT 31 DECEMBER 2017

### MEMBERS OF THE BOARD OF DIRECTORS

**Miroslav Haško**

CHAIRMAN

**Daniel Pexidr**

MEMBER

**Marek Spurný**

MEMBER

**Pavel Horský**

MEMBER

**Jan Špringl**

MEMBER

### SUPERVISORY BOARD

**Daniel Křetínský**

CHAIRMAN

**Peter Černák**

MEMBER

**Petr Sekanina**

MEMBER

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, Praha 1, Josefov. 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 Power Europe, a.s., with its registered office at Pařížská 130/26, Praha 1, Josefov. The consolidated financial statements are available at the consolidating entity's registered office.

## CHANGES IN THE COMMERCIAL REGISTER

In 2017, the following changes were recorded in the Commercial Register:

- The business activities were extended by trading in gas and trading in electricity; it was recorded on 24 February 2017.
- The sole shareholder Energetický a průmyslový holding, a.s., identification number 283 56 250, was deleted on 3 February 2017.
- The sole shareholder EP Power Europe, a.s., identification number 278 58 685 was recorded on 3 February 2017.
- The shares changed from the certificated registered shares to book-entered shares; it was recorded on 3 February 2017.

## ORGANISATIONAL STRUCTURE

The Company is not internally organised into units.

## 2. Significant accounting policies applied by the Company

The financial statements have been prepared based on the accounting records kept in compliance with the Act on Accounting and relevant regulations and decrees effective in the Czech Republic.

These financial statements have been prepared in compliance with Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for business entities using double-entry bookkeeping.

The Company's accounts are maintained in accordance with general accounting principles, in particular the historic cost principle (unless otherwise stated below), the accrual principle, the prudence principle and the going concern principle.

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

The amounts in these financial statements are shown in thousands of Czech crowns (TCZK) unless otherwise stated.

### 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.

### B ESTABLISHMENT OF ADJUSTMENTS

#### RECEIVABLES

Receivables are initially stated at their nominal value which is subsequently reduced by appropriate adjustments for doubtful receivables and bad debts.

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables. No adjustments were established in 2017.

### C PROVISIONS

Provisions are established to cover future risks and expenses where the purpose is known and where it is probable that they will occur, but their amount or date on which they will occur is generally uncertain.

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.

## **D FOREIGN CURRENCY TRANSLATION**

The Company applies the Czech National Bank official rate to foreign currency transactions. During the year the Company recognises only realised foreign exchange gains and losses and unrealised foreign exchange differences as at the date of monthly statements.

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 COMMODITY DERIVATIVES**

As at the balance sheet date, commodity derivatives are revalued at fair market value.

Futures and forwards that have been concluded for the purpose of purchase, sale or use of a commodity, electricity and gas, and are expected to be settled by delivery of the commodity to end buyers, 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 commodities stock exchanges, same as derivatives traded with third parties, are revalued at fair market value, based on the closing prices on 31 December 2017 as published by the relevant commodities stock exchange.

## **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 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 asset/liability is utilised.

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

## 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 RECOGNITION OF REVENUES AND EXPENSES

Revenues and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing.

## 3. Intangible fixed assets

2017	Other intangible assets	Acquisition of intangible assets	Software	Total
<b>Acquisition cost</b>				
Balance at 1/1/2017	96	16 965	–	<b>17 061</b>
Additions	–	–	1 810	<b>1 810</b>
Disposals	–	–	–	–
Transfers	–	-15 511	15 511	–
Balance at 31/12/2017	96	1 454	17 321	<b>18 871</b>
<b>Accumulated amortisation</b>				
Balance at 1/1/2017	43	–	–	<b>43</b>
Amortisation expense	20	–	5 290	<b>5 310</b>
Disposals	–	–	–	–
Transfers	–	–	–	–
Balance at 31/12/2017	63	–	5 290	<b>5 353</b>
<b>Net book value 1/1/2017</b>	<b>53</b>	<b>16 965</b>	<b>–</b>	<b>17 018</b>
<b>Net book value 31/12/2017</b>	<b>33</b>	<b>1 454</b>	<b>12 031</b>	<b>13 518</b>

2016	Other intangible assets	Acquisition of intangible assets	Total
<b>Acquisition cost</b>			
Balance at 1/1/2016	96	13 849	<b>13 945</b>
Additions	–	3 037	<b>3 037</b>
Disposals	–	–	–
Transfers	–	79	<b>79</b>
Balance at 31/12/2016	96	16 965	<b>17 061</b>
<b>Accumulated amortisation</b>			
Balance at 1/1/2016	24	–	<b>24</b>
Amortisation expense	19	–	<b>19</b>
Disposals	–	–	–
Transfers	–	–	–
Balance at 31/12/2016	43	–	<b>43</b>
<b>Net book value 1/1/2016</b>	<b>72</b>	<b>13 849</b>	<b>13 921</b>
<b>Net book value 31/12/2016</b>	<b>53</b>	<b>16 965</b>	<b>17 018</b>

## 4. Cash

Cash amounting to TCZK 471 719 (2016 – TCZK 23 744) is recorded on the bank account with restricted disposition. This restriction arises from the respective contract based on requirements of the energy exchange.

## 5. Trade receivables and payables

- a) Short-term trade receivables total TCZK 3 882 276 (2016 – TCZK 2 410 839), of which TCZK 1 852 (2016 – TCZK 0) is overdue.
- b) Short-term trade payables total TCZK 3 880 931 (2016 – TCZK 1 961 163), of which TCZK 261 (2016 – TCZK 0) is overdue.
- c) In 2017, estimated receivables primarily include deviations in respect of SNAM RETE GAS of TCZK 60 081, estimated receivables of TCZK 55 812 in respect of operating energy dispatching project for LEAG company and estimated receivables of TCZK 57 440 relating to the provision of services in respect of EP PRODUZIONE S.p.A.
- d) Short-term advances received of TCZK 1 046 440 (2016 – TCZK 4 723) represent advances from the trading partners of the Company (EP ENERGY TRADING, a.s., EP PRODUZIONE S.p.A.)

## 6. Tax Receivables

As at 31 December 2017, tax receivables amounted to TCZK 57 163 (2016 – TCZK 55 535) and consisted of a VAT receivable of TCZK 57 163 (2016 – TCZK 52 600).

As at the date of preparation of the notes to these financial statements, the specialised tax authority, seated at nábř. Kpt. Jaroše 1000/7, Praha 7 („the Tax Authority“) was carrying out a tax inspection under Section 87 (1) of the Tax Procedure Rules, reviewing value added tax for the taxable period of September 2015 and October 2015.

Due to the ongoing tax inspection, the following excess deductions were retained by the Tax Authority for the above taxable period:

<b>Taxable period</b>	<b>Excess deduction</b>
September 2015	13 976
October 2015	38 266
<b>Total</b>	<b>52 242</b>

EP Commodities, a.s. has met its duty to inform the Tax Authority during the tax inspection, responded to all summons of the Tax Authority within the relevant deadlines, and met all of its obligations towards the Tax Authority.

EP Commodities, a.s. believes that all excess deductions claimed are legitimate and it will continue its full cooperation with the Tax Authority.

## 7. Advance payments

As at 31 December 2017, long-term advances paid amounted to TCZK 613 891 (2016 – TCZK 160 886) and short-term advances paid amounted to TCZK 38 963 (2016 – TCZK 2).

Counterparty	Currency	2017		2016	
		Amount in TCZK	Amount in TEUR	Amount in TCZK	Amount in TEUR
OTE, a.s.	CZK	22 000	–	17 000	–
NET4GAS, s.r.o.	CZK	1 000	–	2 000	–
Gas Connect Austria GmbH	EUR	–	–	–	100
GRTgaz Deutschland GmbH	EUR	–	–	–	24
eustream, a.s.	EUR	–	352	–	1 577
Central European Gas Hub AG	EUR	–	50	–	51
European Commodity Clearing AG	EUR	–	22 000	–	3 500
CITIGROUP GLOBAL MARKETS LIMITED, organizační složka	EUR	–	1 050	–	–
Keler Kszf Közponi	EUR	–	681	–	–

Long-term advances paid primarily include trading deposits (OTE, a.s., Central European Gas Hub AG, European Commodity Clearing AG). The other long-term advances paid have been provided to the operators of the natural gas transmission networks (NET4GAS, s.r.o, Gas Connect Austria GmbH, GRTgaz Deutschland GmbH, eustream, a.s.).

## 8. Registered capital

(in TCZK)

	Registered capital	Total
Balance at 31/12/2017	100 000	100 000
Balance at 31/12/2016	100 000	100 000

The registered capital of TCZK 100 000 consists of 10 registered book-entered shares at TCZK 10 000 per share.

## 9. Equity

The 2016 profit of TCZK 50 164 was transferred to the retained profits account. As at the date of preparation of the financial statements, no decision was made about the distribution of the retained profits for 2017 (TCZK 249 537).

## 10. Derivatives

As at the balance sheet date, the Company held the following forward exchange contracts for trading in natural gas, emission allowances, coal and electricity:

Forward exchange contract	Due date	Fair value in TCZK
Forward purchases	2018	2 948 987
Forward sales	2018	-3 292 144
Forward purchases	2019	624 905
Forward sales	2019	-322 407
<b>Total</b>		<b>-40 659</b>

As at 31 December 2017, the fair value of TCZK -689 495 (2016 – TCZK 11 472) was settled using the daily settlement of contract value changes on the commodities exchange. The unsettled fair value totalled TCZK 648 836, of which TCZK 632 362 was recorded in Other short-term receivables and TCZK 16 474 in Other long-term receivables. In 2016, the fair value amounted to TCZK -103 985, of which TCZK -102 727 was recorded in Other short-term payables and TCZK -1 258 in Other long-term payables.

As at 31 December 2017, the fair value of commodity contracts concluded with related parties was TCZK 255 379.

## 11. Provisions

In 2017, an income tax provision of TCZK 60 482 (2016 – TCZK 12 044) was created. In the Financial Statements, this amount was reduced by corporate income tax prepayments of TCZK 17 490 (2016 – TCZK 14 978) and the net payable of TCZK 42 922 was recorded in Income tax provision (2016 – a net receivable of TCZK 2 934 was recorded in Tax receivables).

## 12. Revenues from and expenses on ordinary activities

The Company's principal activity is trading in a commodity – gas.

In 2017, the sales of the commodity and related services were as follows:

		Domestic sales	European Union	Outside EU	Total
Natural gas	2017	2 860 518	27 261 218	4 134 084	34 255 820
	2016	1 742 049	15 961 135	636 068	18 339 252
Electricity	2017	5 481	35 099	104	40 684
	2016	–	–	–	–
Allowances	2017	–	1 053 661	–	1 053 661
	2016	160	264 549	–	264 709
Services	2017	13	176 891	–	176 904
	2016	–	151 695	–	151 695
<b>Total</b>	<b>2017</b>	<b>2 866 012</b>	<b>28 526 869</b>	<b>4 134 188</b>	<b>35 527 069</b>
	<b>2016</b>	<b>1 742 209</b>	<b>16 377 379</b>	<b>636 068</b>	<b>18 755 656</b>

## 13. Other financial revenues and expenses

Other financial revenues and expenses primarily include revenues and expenses related to the revaluation of securities and derivatives and also represent realised and unrealised gains and losses from commodity derivatives held for trading, and foreign exchange gains and losses and bonuses for guarantees issued by the parent company.

## 14. Employees

Average number of employees and personnel expenses for 2017

2017	Number	Wages and salaries (in TCZK)	Social security and health insurance expenses (in TCZK)	Other expenses (in TCZK)
Employees	38	25 179	7 312	67
Board of Directors and Supervisory Board	8	–	–	–
<b>Total</b>	<b>46</b>	<b>25 179</b>	<b>7 312</b>	<b>67</b>

  

2016	Number	Wages and salaries (in TCZK)	Social security and health insurance expenses (in TCZK)	Other expenses (in TCZK)
Employees	10	10 685	2 826	18
Board of Directors and Supervisory Board	5	–	–	–
<b>Total</b>	<b>15</b>	<b>10 685</b>	<b>2 826</b>	<b>18</b>

Board of Director and Supervisory Board members are not remunerated by the Company for discharging their duties.

As at 31 December 2017 the Company had incurred no pension liabilities to former members of management, supervisory and administrative bodies.

## 15. Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 1 079 (2016 – TCZK 433), of which TCZK 757 (2016 – TCZK 247) relates to social security liabilities and TCZK 322 (2016 – TCZK 186) to health insurance liabilities. None of these liabilities are overdue.

## 16. Tax liabilities and subsidies

Tax liabilities amount to TCZK 13 824 (2016 – TCZK 818) and consist of personal income tax of TCZK 555 (2016 – TCZK 260) and gas taxes of TCZK 13 269 (2016 – gas tax of TCZK 558).

## 17. Estimated payables

Estimated payables of TCZK 3 817 (2016 – TCZK 7 853) primarily include an estimated payable relating to project of operating the energy dispatching for LEAG company.

## 18. Accrued expenses

Accrued expenses of TCZK 1 252 475 (2016 – TCZK 948 119) primarily include accrued gas supplies with ČEZ, a. s. of TCZK 107 297 (2016 – TCZK 182 013), Gazprom Marketing & Trading Ltd of TCZK 627 451 (2016 – TCZK 281 869) and SNAM RETE GAS of TCZK 511 890 (2016 – TCZK 452 946), and also accrued bonuses for guarantees of TCZK 5 455 (2016 – TCZK 31 284) provided by Energetický a průmyslový holding, a.s.

## 19. Income tax

### A CURRENT TAX

Current income tax comprises the tax estimate for 2017 of TCZK 60 482 (2016 – TCZK 12 044) and adjustment to the tax estimate for prior years of TCZK 137 (2016 – TCZK 650).

### B DEFERRED TAX

Deferred income tax includes a tax receivable in respect of a provision for annual payroll bonuses and untaken holidays of TCZK 1 605 (2016 – TCZK 0).

## 20. Related parties

### A TRADE RECEIVABLES AND PAYABLES

The following related party balances are included in the trade receivables and payables (including advances received) described in note 5 above:

	Receivables at		Payables at	
	31/12/2017	31/12/2016	31/12/2017	31/12/2016
EP ENERGY TRADING, a.s.	154 798	121 657	203 958	36 183
EP Investment Advisors, s.r.o.	–	–	3 414	–
Energetický a průmyslový holding, a.s.	–	–	24 043	32 133
eustream, a.s.	8 994	–	113	–
NAFTA a.s.	128	135	260	41 476
Stredoslovenská energetika, a.s.	8 563	24 553	96 335	187
SPP Infrastructure, a. s.	43 392	48 055	–	1 182
SPP - distribúcia, a.s.	8 811	–	–	–
United Energy, a.s	–	–	–	8
EP PRODUZIONE S.p.A.	2 208 252	1 135 501	2 161 841	11 692
EP Produzione Centrale Livorno Ferraris S.p.A.	612 696	529 568	–	–
EP Power Europe, a.s.	382	–	–	–
EP UK Investments Limited	1 891	–	–	–
Mitteldeutsche Braunkohlengesellschaft mbH	9 599	–	–	–
Budapesti Erömü Zrt.	189 815	–	–	–
Other	–	–	24	25
<b>Total</b>	<b>3 247 321</b>	<b>1 859 469</b>	<b>2 489 988</b>	<b>122 886</b>

## B TRANSACTIONS WITH RELATED PARTIES

		Sales for		Expenses for	
		2017	2016	2017	2016
EP ENERGY TRADING, a.s.	Sale of goods	1 701 520	1 071 206	115 683	524 075
	Derivatives	179 874	–	113 891	–
	Sale of services	–	–	4 850	1 054
	Other expenses	–	–	–	654
	<b>Total</b>	<b>1 881 394</b>	<b>1 071 206</b>	<b>234 424</b>	<b>525 783</b>
EP Investment Advisors, s.r.o.	Sale of services	–	–	3 409	–
Energetický a průmyslový holding, a.s.	Other financial expenses	–	–	24 744	32 133
	Interest expense and income	6 017	14 595	236	1 053
	<b>Total</b>	<b>6 017</b>	<b>14 595</b>	<b>24 980</b>	<b>33 186</b>
NAFTA a.s.	Sale of services	–	–	54 804	11 075
	Sale of goods	132	270	1 980	367 362
	<b>Total</b>	<b>132</b>	<b>270</b>	<b>56 784</b>	<b>378 437</b>
Stredoslovenská energetika, a.s.	Sale of goods	46 139	704 853	1 263 125	488
	Sale of services	1 532	–	857	–
	<b>Total</b>	<b>47 671</b>	<b>704 853</b>	<b>1 263 982</b>	<b>488</b>
SPP - distribúcia, a.s.	Sale of goods	8 811	11 871	–	–
United Energy, a.s.	Other services	–	–	30	72
SPP Infrastructure, a.s.	Sale of goods	–	64 352	–	4 413
	Other services	–	–	–	53 897
	<b>Total</b>	<b>–</b>	<b>64 352</b>	<b>–</b>	<b>58 310</b>
Budapesti Erömü Zrt.	Sale of goods	432 159	–	–	–
	Derivatives	12 750	–	–	–
	Other services	24 311	–	–	–
	<b>Total</b>	<b>469 220</b>	<b>–</b>	<b>–</b>	<b>–</b>
EP PRODUZIONE S.p.A.	Sale of goods	11 495 995	5 890 307	1 260 665	–
	Sale of services	95 592	–	–	–
	Derivatives	964 525	17 255	615 470	6 970
	<b>Total</b>	<b>12 556 112</b>	<b>5 907 562</b>	<b>1 876 135</b>	<b>6 970</b>
eustream, a.s.	Sale of goods	–	–	60 357	–
EP Power Europe, a.s.	Interest expense and income	8 338	–	–	–
Mitteldeutsche Braunkohlengesellschaft mbH	Derivatives	58 931	–	–	–
Other	Other expenses	–	–	338	–
EP UK Investments, Ltd	Sale of services	1 891	–	–	–
EP Produzione Centrale Livorno Ferraris S.p.A.	Sale of goods	5 334 618	2 720 199	–	–
	<b>Total</b>	<b>20 373 135</b>	<b>10 494 908</b>	<b>3 520 439</b>	<b>1 003 246</b>

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

## C LOANS RECEIVED

As at 31 December 2017, the Company does not record any outstanding received loan (2016 – TCZK 30 529). A short-term loan received from Energetický a průmyslový holding, a.s. which was due in 2017 was repaid in 2017.

## D LOANS PROVIDED

EP Commodities, a.s. provided a short-term loan to EP Power Europe, a.s. which is due in 2018. As at 31 December 2017, the value of this loan was TCZK 629 728 (2016 – TCZK 292 469).

## 21. Fees payable to statutory auditors

The information is disclosed in the notes to the consolidated financial statements of Energetický a průmyslový holding, a.s. in which the Company is included.

## 22. Contingencies and commitments

As at 31 December 2017, the Company concluded the following guarantees in favour of its suppliers and business partners:

<b>Warrantor</b>	<b>Currency</b>	<b>2017 Amount in TEUR</b>	<b>2016 Amount in TEUR</b>
Energetický a průmyslový holding a.s.	EUR	213 680	207 280
Sumitomo Mitsui Banking Corporation	EUR	25 380	–
HSBC Bank plc	EUR	53	39 553
<b>Total</b>		<b>238 813</b>	<b>246 833</b>

## 23. 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 31/12	
	2017	2016
Short-term financial assets	685 398	375 021
Marketable securities	0	0
Cash and cash equivalents	685 398	375 021

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

## 24. Material subsequent event

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

Prepared on: 28 June 2018



Miroslav Haško

Chairman of the Board of Directors



Daniel Pexidr

Member of the Board of Directors

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



**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 Commodities, a.s.**

***Opinion***

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

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

***Basis for Opinion***

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



### ***Other Information***

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

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

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

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

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

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

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

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

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



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

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

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

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

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



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

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

Prague  
28 June 2018

*Signed by*

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

*Signed by*

Petr Škoda  
Partner  
Registration number 1842

