



ANNUAL REPORT

EP Commodities

EP **Commodities**

ANNUAL REPORT 2016

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Introduction by the Managing Director

Dear shareholders, business partners, colleagues and friends,

2016 was another successful year for EP Commodities, a.s. ("the Company"). We managed to further develop trading with natural gas and prepare for the trade with other energy commodities.

Owing to the dynamic development of the Company's sole ultimate owner, Energetický a průmyslový holding, a.s. (EPH), significant changes occurred in the Company, primarily the rapid development of trading in electricity and preparations for the operation of an energy dispatching centre in Prague.

EP Commodities ought to fulfil the function of a trading centre for the entire EPH group in the future.

Trading in gas is EP Commodities' primary and historically oldest activity associated with the EPH group's profile. Last year, EP Commodities traded in gas in Slovakia, the Czech Republic (OTE), Germany (NCG and Gaspool), Holland (TTF), Austria (CEGH) and Italy (PSV). It also acquired a trading licence in Hungary and expects to perform deals on this market in 2017.

In addition to wholesale in gas, EP Commodities again supplied gas to a fleet of gas power stations controlled by EPH in Italy (EP Produzione) and to the portfolio of end customers of EP ENERGY TRADING, a member of the EPH group.

Trading in electricity is a fast growing segment of our business. This product is currently financially traded at EEX and PXE. In 2016, we commenced our preparations for the physical trading in electricity in Germany, the Czech Republic, Slovakia, Hungary and UK.

In 2016, we commenced our project of establishing an energy management and dispatching centre in Prague, which mostly contributed to an increase in the number of the Company's employees.

We achieved excellent results primarily due to the work of our people. We managed to maintain the trading profitability of existing products and prepare the base for further growth in a number of other products in other European countries.

I would like to thank all employees for their performance and our partners for our successful cooperation in 2016.

Prague, 19 June 2017

Daniel Pexidr

A handwritten signature in black ink, consisting of several fluid, overlapping strokes that form a stylized representation of the name Daniel Pexidr.

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



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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 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 Commodities, a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague
19 June 2017

Signed by

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

Signed by

Petr Škoda
Partner
Registration number 1842

Company Background

Company name:	EP Commodities, a.s.
Registered office:	Prague 1, Klimentská 1216/46, 110 02
Identification number:	034 37 680
Tax identification number:	CZ03437680
Entry in the Commercial Register:	Municipal Court in Prague, section B, file number 19973
Tel.:	+420 255 707 090
E-mail:	info@epcommodities.cz
Website:	www.epcommodities.cz
Sole shareholder:	Energetický a průmyslový holding, a.s.
Registered office:	Pařížská 130/26, Josefov, 110 00 Prague 1
Identification number:	283 56 250

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.

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 2016

For the 2016 accounting period, EP Commodities, a.s. recognised revenues of CZK 18.8 billion. The profit before tax was CZK 62.9 million.

PRINCIPAL BUSINESS ACTIVITIES IN 2016

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

Total trading in natural gas in all markets amounted to 57 TWh in 2016.

FURTHER DEVELOPMENT

In 2017, 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

On 3 February 2017, the following change in the ownership structure was recorded in the Commercial Register – EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1 became the sole shareholder.

In 2017, the principal activities of the Company expanded by trading in electricity.

No other material subsequent events occurred as at the date of signing the Annual Report.

Prague, 19 June 2017



Miroslav Haško

Chairman of the Board of Directors



Daniel Pexidr

Member of the Board of Directors

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

In 2016, the Supervisory Board of EP Commodities, a.s. performed 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 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 2016, 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 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 result.

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.

Report on Relations between Related Parties

pursuant to Act No. 90/2012 Coll., on Corporations and Cooperatives
for the accounting period from
1 January 2016 to 31 December 2016

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 1 January 2016 to 31 December 2016 in compliance with 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 Energetický a průmyslový holding, a.s., with its registered office in Pařížská 130/26, Josefov, 110 00 Prague 1.

In the respective period, Energetický a průmyslový holding, 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 Prague 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 2016, 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:

- | | |
|--|---|
| <ul style="list-style-type: none"> (1) EFET-type framework agreement with EP ENERGY TRADING, a.s. dated 1 December 2014 (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 (3) Loan agreement with Energetický a průmyslový holding, a.s. dated 24 August 2015 (4) Loan agreement with Energetický a průmyslový holding, a.s. dated 12 May 2016 (5) Framework agreement to provide guarantees with Energetický a průmyslový holding, a.s. dated 2 February 2015 (6) Agreement for the supply of natural gas of 2 March 2016 with EP Produzione Centrale Livorno Ferraris S.p.A. (7) Agreement for the supply of natural gas of 10 October 2016 with EP Produzione Centrale Livorno Ferraris S.p.A. (8) Agreement for the supply of natural gas with EP Produzione S.p.A. (9) Agreement for the supply of natural gas of 10 October 2016 with EP Produzione S.p.A. (10) Amendment to the contract: agreement for the supply of natural gas of 30 November 2016 with EP Produzione S.p.A. | <ul style="list-style-type: none"> (11) Emission Allowances Single Trade Agreement for the EU ETS with EP Produzione S.p.A. (a total of 77 agreements concluded in 2016) (12) Agreement for flexible gas supplies and withdrawals with eustream, a.s. dated 15 December 2015. (13) Framework agreement on balancing platform access of 23 October 2015 with eustream, a.s. (14) Contract for title transfer services of 27 April 2016 with eustream, a.s. (15) Framework contract on access to the transmission network and gas transmission of 25 May 2016 with eustream, a.s. (16) Agreement for the provision of data reporting under Article 9 (9) of REMIT Implementing Acts of 31 March 2016 with NAFTA, a.s. (17) Contract for the supply of natural gas of 2 December 2015 with NAFTA, a.s. (18) Contract for the supply of natural gas of 16 November 2015 with NAFTA, a.s. (19) Contract on Future Gas Storage Agreement – the Inverse Storage of 25 September 2015 with NAFTA, a.s. (20) Gas Storage Agreement – the Inverse Storage of 29 October 2015 with NAFTA, a.s. (21) Purchase Agreement (Annex No. 2 to the Gas Storage Agreement – the Inverse Storage) of 29 October 2015 with NAFTA, a.s. (22) Gas Storage Agreement – the Inverse Storage of 28 January 2016 with NAFTA, a.s. |
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- (23) Purchase Agreement (Annex No. 2 to the Gas Storage Agreement – the Inverse Storage) of 28 January 2016 with NAFTA, a.s.
- (24) Gas Storage Agreement of 28 January 2016 with NAFTA, a.s.
- (25) Gas Storage Agreement – the Inverse Storage of 1 December 2016 with NAFTA, a.s.
- (26) Purchase Agreement (Annex No. 2 to the Gas Storage Agreement – the Inverse Storage) of 1 December 2016 with NAFTA, a.s.
- (27) Contract for the provision of ICT services for consideration with United Energy, a.s. dated 1 April 2015
- (28) Contract for the supply of gas (to meet the gas supply security standard) of 20 October 2015 with SPP-distribúcia, a.s.
- (29) EFET-type framework agreement with Stredoslovenská energetika, a.s. dated 1 April 2015

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 2016, 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	
		2016	2015	2016	2015
EP ENERGY, a.s.	Other services	–	–	–	32
EP ENERGY TRADING, a.s.	Revenues from the sale of goods	1 071 206	1 579 733	–	–
	Revenues from the sale of services	–	65 001	–	–
	Costs of goods sold	–	–	524 075	488 728
	Other services	–	–	1 054	527
	Other expenses	–	–	654	99
EP Investment Advisors, s.r.o.	Other expenses	–	–	–	35
Energetický a průmyslový holding, a.s.	Other financial expenses	–	–	32 133	4 339
	Interest expense and revenue	14 595	–	1 053	–
NAFTA, a.s.	Other services	–	–	11 075	3 717
	Revenues from the sale of goods	270	–	–	–
	Costs of goods sold	–	–	367 362	–
Stredoslovenská energetika, a.s.	Revenues from the sale of goods	704 853	2 432	–	–
	Costs of goods sold	–	–	488	260
SPP-distribúcia, a.s.	Revenues from the sale of goods	11 871	11 865	–	–
United Energy, a.s.	Other services	–	–	72	58
eustream, a.s.	Revenues from the sale of services	64 352	–	–	–
	Costs of goods sold	–	–	4 413	–
	Other services	–	–	53 897	–
EP PRODUZIONE S.p.A.	Revenues from the sale of goods	5 890 307	–	–	–
	Derivatives	17 255	–	6 970	–
EP Produzione Centrale Livorno Ferraris S.p.A.	Revenues from the sale of goods	2 720 199	–	–	–
Total		10 494 908	1 659 031	1 003 246	497 795

The controlling entity provided the controlled entity with a loan of up to TCZK 50 000.
As at 31 December 2016 the controlled entity drew a loan totalling TCZK 30 000.

The controlled entity provided a short-term loan to the controlling entity payable in 2017.
As at 31 December 2016 the loan amounted to TCZK 292 469.

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 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 Statutory Board of EP Commodities, a.s., and has been submitted for review to the Supervisory Board. 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



Miroslav Haško

Chairman of the Board of Directors



Daniel Pexidr

Member of the Board of Directors

Statutory Financial Statements and Notes to the Financial Statements

Balance Sheet

IN FULL FORMAT

as at 31 December 2016

(in thousands of Czech crowns)

Translated from the Czech original

EP Commodities, a.s.

Klimentská 1216/46

110 00 Prague 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
	TOTAL ASSETS	1	3 316 911	-51	3 316 860	647 869
B.	Fixed assets	2	17 186	-51	17 135	14 097
B.I.	Intangible fixed assets	3	17 061	-43	17 018	13 921
B.I.4.	Other intangible fixed assets	4	96	-43	53	72
B.I.5.	Advance payments for intangible fixed assets and intangible fixed assets under construction	5	16 965		16 965	13 849
B.I.5.2	Intangible fixed assets under construction	6	16 965		16 965	13 849
B.II.	Tangible fixed assets	7	125	-8	117	176
B.II.1.	Land and buildings	8				97
B.II.1.2.	Buildings	9				97
B.II.2.	Plant and equipment	10	125	-8	117	
B.II.5.	Advance payments for tangible fixed assets and tangible fixed assets under construction	11				79
B.II.5.1.	Advance payments for tangible fixed assets	12				79
C.	Current assets	13	3 299 132		3 299 132	631 238
C.I.	Inventories	14				119
C.I.3.	Finished goods and goods for resale	15				119
C.I.3.2.	Goods for resale	16				119
C.II.	Receivables	17	2 924 111		2 924 111	556 314
C.II.1.	Long-term receivables	18	160 886		160 886	52 045
C.II.1.5.	Receivables – other	19	160 886		160 886	52 045
C.II.1.5.2.	Long-term advances paid	20	160 886		160 886	32 603
C.II.1.5.4.	Other receivables	21				19 442
C.II.2.	Short-term receivables	22	2 763 225		2 763 225	504 269
C.II.2.1.	Trade receivables	23	2 410 839		2 410 839	405 161
C.II.2.2.	Receivables – group undertakings	24	292 469		292 469	
C.II.2.4.	Receivables – other	25	59 917		59 917	99 108
C.II.2.4.3.	Tax receivables	26	55 535		55 535	67 742
C.II.2.4.4.	Short-term advances paid	27	2		2	
C.II.2.4.5.	Estimated receivables	28	4 380		4 380	
C.II.2.4.6.	Other receivables	29				31 366
C.IV.	Cash	30	375 021		375 021	74 805
C.IV.1.	Cash in hand	31	6		6	31
C.IV.2.	Bank accounts	32	375 015		375 015	74 774
D.	Deferrals	33	593		593	2 534
D.1.	Prepaid expenses	34	593		593	2 534

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY	35	3 316 860	647 869
A.	Equity	36	258 056	207 892
A.I.	Registered capital	37	100 000	100 000
A.I.1.	Registered capital	38	100 000	100 000
A.IV.	Retained earnings (+/-)	39	107 892	10 157
A.IV.1.	Retained profits	40	107 892	10 157
A.V.	Profit (loss) for the current period (+/-)	41	50 164	97 735
B. + C.	Liabilities	42	2 110 685	373 369
B.	Provisions	43		18 569
B.2.	Income tax provision	44		18 569
C.	Liabilities	45	2 110 685	354 800
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	2 109 427	354 800
C.II.3.	Short-term advances received	50	4 723	
C.II.4.	Trade payables	51	1 961 163	309 114
C.II.6.	Liabilities – group undertakings	52	30 529	30 371
C.II.8.	Liabilities – other	53	113 012	15 315
C.II.8.3.	Payables to employees	54	1 044	398
C.II.8.4.	Social security and health insurance liabilities	55	433	177
C.II.8.5.	Tax liabilities and subsidies	56	818	95
C.II.8.6.	Estimated payables	57	7 853	14 645
C.II.8.7.	Other payables	58	102 864	
D.	Accruals	59	948 119	66 608
D.1.	Accrued expenses	60	948 119	66 608

Income Statement

CLASSIFICATION BY NATURE

for the year ended 31 December 2016

(in thousands of Czech crowns)

Translated from the Czech original

EP Commodities, a.s.

Klimentská 1216/46

110 00 Prague 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	151 695	76 965
II.	Revenue from goods	2	18 603 961	2 827 669
A.	Cost of sales	3	18 496 446	2 807 828
A.1.	Cost of goods sold	4	18 371 406	2 798 760
A.2.	Materials and consumables	5	1 053	247
A.3.	Services	6	123 987	8 821
D.	Personnel expenses	7	13 529	6 399
D.1.	Wages and salaries	8	10 685	4 979
D.2.	Social security, health insurance and other expenses	9	2 844	1 420
D.2.1.	Social security and health insurance expenses	10	2 826	1 412
D.2.2.	Other expenses	11	18	8
E.	Adjustments relating to operating activities	12	27	20
E.1.	Adjustments to intangible and tangible fixed assets	13	27	20
E.1.1.	Depreciation and amortisation of intangible and tangible fixed assets	14	27	20
III.	Other operating revenues	15	614	
III.3.	Other operating revenues	16	614	
F.	Other operating expenses	17	1 208	104
F.3.	Taxes and charges	18	108	63
F.5.	Other operating expenses	19	1 100	41
*	Operating profit (loss) (+/-)	20	245 060	90 283
VI.	Interest revenue and similar revenue	21	14 596	1
VI.1.	Interest revenue and similar revenue – group undertakings	22	14 595	
VI.2.	Other interest revenue and similar revenue	23	1	1
J.	Interest expense and similar expense	24	1 133	372
J.1.	Interest expense and similar expense – group undertakings	25	1 053	371
J.2.	Other interest expense and similar expense	26	80	1
VII.	Other financial revenues	27	252 685	44 847
K.	Other financial expenses	28	448 350	14 876
*	Profit (loss) from financial operations	29	-182 202	29 600
**	Profit (loss) before tax (+/-)	30	62 858	119 883
L.	Income tax	31	12 694	22 148
L.1.	Current tax	32	12 694	22 148
**	Profit (loss) after tax (+/-)	33	50 164	97 735
***	Profit (loss) for the accounting period (+/-)	34	50 164	97 735
*	Net turnover for the accounting period = I. + II. + III. + IV. + V. + VI. + VII.	35	19 023 551	2 949 482

Cash Flow Statement

for the year ended 31 December 2016
(in thousands of Czech crowns)
Translated from the Czech original

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

		Current period	Prior period
P.	Cash and cash equivalents, beginning of period	74 805	94 803
	Net operating cash flow		
Z.	Accounting profit (loss) from ordinary activities	62 858	119 883
A.1.	Non-cash transactions	-13 339	391
A.1.1.	Depreciation and amortisation of fixed assets	27	20
A.1.6.	Expense and revenue interests accounted for	-13 463	371
A.1.7.	Other non-cash transactions	97	
A*.	Net operating cash flow before taxation financial items, changes in working capital and extraordinary items	49 519	120 274
A.2.	Changes in working capital	565 646	-150 281
A.2.1.	Change in receivables from operating activities, estimated receivables and deferrals	-2 070 453	-540 425
A.2.2.	Change in short-term liabilities from operating activities, estimated payables and accruals	2 635 980	390 263
A.2.3.	Change in inventories	119	-119
A.**	Net operating cash flow before taxation, financial balances, and extraordinary items	615 165	-30 007
A.3.	Interest paid excluding amounts capitalised	-1 133	-372
A.4.	Interest received	14 596	1
A.5.	Income tax paid on ordinary income and income tax relating to prior periods	-34 197	-5 965
A.***	Net operating cash flow	594 431	-36 343
	Investing activities		
B.1.	Acquisition of fixed assets	-3 162	-14 026
B.1.1.	Acquisition of tangible fixed assets	-125	-177
B.1.2.	Acquisition of intangible fixed assets	-3 037	-13 849
B.3.	Advances and loans to related parties	-292 469	
B.***	Net cash flow from investing activities	-295 631	-14 026
	Financing activities		
C.1.	Change in long-term resp. short-term liabilities from financing	1 416	30 371
C.***	Net cash flow from financing activities	1 416	30 371
F.	Net increase or decrease in cash balance	300 216	-19 998
R.	Cash and cash equivalents, end of period	375 021	74 805

Statement of Changes in Equity

for the year ended 31 December 2016
(in thousands of Czech crowns)
Translated from the Czech original

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

	Registered capital	Retained earnings and profit (loss) for the current period	Total
Balance as at 1.1.2016	100 000	107 892	207 892
Profit (loss) for the current period	–	50 164	50 164
Balance as at 31.12.2016	100 000	158 056	258 056

	Registered capital	Retained earnings and profit (loss) for the current period	Total
Balance as at 1.1.2015	100 000	10 157	110 157
Profit (loss) for the current period	–	97 735	97 735
Balance as at 31.12.2015	100 000	107 892	207 892

Notes to the Financial Statements

(non-consolidated, translated
from the Czech original)

Year ended 31 December 2016

(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 registered on 29 September 2014. The principal activities of the Company are trading in gas 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 2016 was:

Energetický a průmyslový holding, a.s.
Pařížská 130/26
110 00 Prague 1-Josefov
Czech Republic

REGISTERED OFFICE

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

IDENTIFICATION NUMBER

034 37 680

STATUTORY BODY AS AT 31 DECEMBER 2016

MEMBERS OF THE BOARD OF DIRECTORS

Miroslav Haško, chairman

Daniel Pexidr, member

Marek Spurný, member

Pavel Horský, member

Jan Špringl, member

MEMBERS OF THE SUPERVISORY BOARD

Daniel Křetínský, chairman

Peter Černák, member

Petr Sekanina, member

The Consolidated Financial Statements of the narrowest and 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, Prague 1, Josefov. The Consolidated Financial Statements are available at the consolidating entity's registered office.

CHANGES IN THE COMMERCIAL REGISTER

In 2016, the following changes were recorded in the Commercial Register:

Jan Špringl was removed from the office of chairman of the Board of Directors and Miroslav Haško was appointed a new chairman of the Board of Directors. This change was recorded in the Commercial Register on 8 December 2016.

Jan Špringl was appointed a member of the Board of Directors. This change was recorded in the Commercial Register on 8 December 2016.

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. 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.

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 AND PROVISIONS

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 2016.

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.

C FOREIGN CURRENCY TRANSLATION

The Company applies the Czech National Bank official rate to foreign currency transactions. During the year foreign exchange gains and losses are 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.

D 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, taking as a basis the closing prices on 31 December 2016 as published by the relevant commodities stock exchange.

E 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.

F 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.

G 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. Fixed Assets

A INTANGIBLE FIXED ASSETS FOR 2016

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

Intangible fixed assets for 2015

	Other intangible assets	Intangible assets under construction	Total
Acquisition cost			
Balance at 1/1/2015	96	–	96
Additions	–	13 849	13 849
Disposals	–	–	–
Transfers	–	–	–
Balance at 31/12/2015	96	13 849	13 945
Accumulated amortisation			
Balance at 1/1/2015	5	–	5
Amortisation expense	19	–	19
Disposals	–	–	–
Transfers	–	–	–
Balance at 31/12/2015	24	–	24
Net book value 1/1/2015	91	–	91
Net book value 31/12/2015	72	13 849	13 921

B TANGIBLE FIXED ASSETS FOR 2016

	Building	Property, plant and equipment	Advance payments for tangible fixed assets	Total
Acquisition cost				
Balance at 1/1/2016	98	–	79	177
Additions	–	125	–	125
Disposals	-98	–	–	-98
Transfers	–	–	-79	-79
Balance at 31/12/2016	–	125	–	125
Accumulated depreciation				
Balance at 1/1/2016	1	–	–	1
Depreciation expense	–	8	–	8
Disposals	-1	–	–	-1
Transfers	–	–	–	0
Balance at 31/12/2016	–	8	–	8
Net book value 1/1/2016	97	–	79	176
Net book value 31/12/2016	–	117	–	117

Tangible fixed assets for 2015

	Building	Advance payments for tangible fixed assets	Total
Acquisition cost			
Balance at 1/1/2015	–	–	–
Additions	98	79	177
Disposals	–	–	–
Transfers	–	–	–
Balance at 31/12/2015	98	79	177
Accumulated depreciation			
Balance at 1/1/2015	–	–	–
Depreciation expense	1	–	1
Disposals	–	–	–
Balance at 31/12/2015	1	–	1
Net book value 1/1/2015	–	–	–
Net book value 31/12/2015	97	79	176

4. Cash

	31/12/2016	31/12/2015
Cash in hand	6	31
Bank account	375 015	74 774
Total	375 021	74 805

5. Trade Receivables and Payables

- a) Short-term trade receivables total TCZK 2 410 839 (2015 – TCZK 405 161), of which none are overdue.
- b) Short-term trade payables total TCZK 1 961 163 (2015 – TCZK 309 114), of which none are overdue.

6. Tax Receivables

As at 31 December 2016, tax receivables amounted to TCZK 55 535 (2015– TCZK 67 742) and consisted of overpaid corporate income tax pre-payments (advances paid totalled TCZK 14 978 and tax estimate based on calculation totalled TCZK 12 044) of TCZK 2 934 (2015 – TCZK 0) and a VAT receivable.

As at the date of preparation of the notes to these financial statements, the Specialised Tax Authority, seated at nábr. Kpt. Jaroše 1000/7, Prague 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:

Taxable period	Excess deduction
September 2015	13 976
October 2015	38 266
Total	52 242

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 2016, long-term advances paid amounted to TCZK 160 886 (2015 – TCZK 32 603).

Counterparty	Currency	2016		2015	
		Amount in TCZK	Amount in TEUR	Amount in TCZK	Amount in TEUR
OTE, a.s.	CZK	17 000	–	17 000	–
NET4GAS, s.r.o.	CZK	2 000	–	2 600	–
Gas Connest Austria GmbH	EUR	–	100	–	100
GRTgaz Deutschland	EUR	–	24	–	24
eustream, a.s.	EUR	–	1 577	–	27
Central European Gas Hub AG	EUR	–	51	–	51
European Commodity Clearing AG	EUR	–	3 500	–	280

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, eustream, a.s.).

8. Registered Capital

(in TCZK)

	Registered capital	Total
Balance at 31/12/2015	100 000	100 000
Balance at 31/12/2016	100 000	100 000

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

9. Equity

As at the date of preparation of the financial statements, no decision was made about the distribution of the retained profits for 2016 (TCZK 50 164).

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	2017	426 932
Forward sales	2017	-518 187
Forward purchases	2018	63 178
Forward sales	2018	-64 436
TOTAL		-92 513

Fair value of TCZK 11 472 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 -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 2015 total fair value amounted to TCZK 50 808, of which TCZK 19 442 are shown as Other long-term receivables and TCZK 31 366 as Other short-term receivables.

11. Provisions

In 2016, the income tax provision of TCZK 12 044 (2015 – TCZK 22 148) was reduced by income tax prepayments of TCZK 14 978 (2015 – TCZK 3 579) and the net receivable of TCZK 2 934 was recorded in tax receivables (2015 – net liability of TCZK 18 569 was recorded in Income tax provision).

12. Revenues from and Expenses on Ordinary Activities

The Company's principal activity is trading in commodities.

In 2016, the sales of the commodities and related services were as follows:

		Domestic sales	European Union	Outside EU	Total
Natural gas	2016	1 742 049	15 961 135	636 068	18 339 252
	2015	2 023 728	670 662	133 279	2 827 669
Allowances	2016	160	264 549	–	264 709
	2015	–	–	–	–
Services	2016	–	151 695	–	151 695
	2015	65 100	11 865	–	76 965
Total	2016	1 742 209	16 377 379	636 068	18 755 656
	2015	2 088 828	682 257	133 279	2 904 634

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 2016

2016	Number	Wages and salaries (in TCZK)	Social security and health insurance expenses (in TCZK)	Social expenses (in TCZK)
Employees	10	10 685	2 825	1
Board of Directors and Supervisory Board	5	–	–	–
Total	15	10 685	2 825	1

2015	Number	Wages and salaries (in TCZK)	Social security and health insurance expenses (in TCZK)	Total (in TCZK)
Employees	4	4 979	1 412	6 391
Board of Directors and Supervisory Board	3	–	–	–
Total	7	4 979	1 412	6 391

Board of director and Supervisory Board members are not remunerated for their function by the Company.

As at 31 December 2016 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 433 (2015 – TCZK 177), of which TCZK 247 (2015 – TCZK 105) relates to social security liabilities and TCZK 186 (2015 – TCZK 72) to health insurance liabilities. None of these liabilities are overdue.

16. Tax Liabilities and Subsidies

Tax liabilities amount to TCZK 818 (2015 – TCZK 95) and consist of personal income tax of TCZK 260 and gas tax of TCZK 558. None of these liabilities are overdue.

17. Estimated Payables

Estimated payables of TCZK 7 853 (2015 – TCZK 14 645) primarily include an estimated payable relating to a leased gas holder.

18. Accrued Expenses

Accrued expenses of TCZK 948 119 (2015 – TCZK 66 608) primarily include accrued gas supplies with ČEZ, a. s. of TCZK 182 013, Gazprom Marketing & Trading Ltd of TCZK 281 869 and SNAM RETE GAS of TCZK 452 946, and also accrued bonuses for guarantees of 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 2016 of TCZK 12 044 (2015 – TCZK 22 148) and adjustment to the tax estimate for prior years of TCZK 650 (2015 – TCZK 0).

B DEFERRED TAX

In 2016 and 2015, the Company did not account for deferred tax as it did not recognise any temporary differences.

20. Related Parties

A TRADE RECEIVABLES AND PAYABLES

The following related party balances are included in the trade receivables and payables described in note 5 above:

	Receivables at		Payables at	
	31/12/2016	31/12/2015	31/12/2016	31/12/2015
EP ENERGY TRADING, a.s.	121 657	243 660	36 183	81 516
EP Investment Advisors, s.r.o.	–	–	–	15
Energetický a průmyslový holding, a.s.	–	–	32 133	–
eustream, a.s.	–	–	–	94
NAFTA, a.s.	135	–	41 476	31
Stredoslovenská energetika, a.s.	24 553	114	187	–
SPP Infrastructure	48 055	–	1 182	–
SPP-distribúcia, a.s.	–	11 864	–	–
United Energy, a.s	–	–	8	71
EP PRODUZIONE S.p.A.	1 135 501	–	11 692	–
EP Produzione Centrale Livorno Ferraris S.p.A.	529 568	–	–	–
Other	–	–	25	–
Total	1 859 469	255 638	122 886	81 727

B TRANSACTIONS WITH RELATED PARTIES

		Sales for		Expenses for	
		2016	2015	2016	2015
EP ENERGY, a.s.	Other services	–	–	–	32
EP ENERGY TRADING, a.s.	Revenues from goods	1 071 206	1 579 733	–	–
	Revenue from services	–	65 001	–	–
	Cost of goods sold	–	–	524 075	488 728
	Other services	–	–	1 054	527
	Other expenses	–	–	654	99
EP Investment Advisors, s.r.o.	Other expenses	–	–	–	35
Energetický a průmyslový holding, a.s.	Other financial expenses	–	–	32 133	4 339
	Interest expense and income	14 595	–	1 053	–
NAFTA, a.s.	Other services	–	–	11 075	3 717
	Revenues from goods	270	–	–	–
	Cost of goods sold	–	–	367 362	–
Stredoslovenská energetika, a.s.	Revenues from goods	704 853	2 432	–	–
	Cost of goods sold	–	–	488	260
SPP - distribúcia, a.s.	Revenues from goods	11 871	11 865	–	–
United Energy, a.s.	Other services	–	–	72	58
eustream, a.s.	Revenues from services	64 352	–	–	–
	Cost of goods sold	–	–	4 413	–
	Other services	–	–	53 897	–
EP PRODUZIONE S.p.A.	Revenues from goods	5 890 307	–	–	–
	Derivatives	17 255	–	6 970	–
EP Produzione Centrale Livorno Ferraris S.p.A.	Revenues from goods	2 720 199	–	–	–
Total		10 494 908	1 659 031	1 003 246	497 795

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

C LOANS RECEIVED

The Company has received a short-term loan from Energetický a průmyslový holding, a.s. which is due in 2017. As at 31 December 2016, the value of this loan including interest was TCZK 30 529 (2015 – TCZK 30 371).

D LOANS PROVIDED

EP Commodities, a.s. has provided a short-term loan to Energetický a průmyslový holding, a.s. which is due in 2017. As at 31 December 2016, the value of this loan was TCZK 292 469 (2015 – TCZK 0).

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 2016, the Company concluded the following guarantees in favour of its suppliers and business partners:

Warrantor	Currency	Amount in TEUR
Energetický a průmyslový holding a.s.	EUR	207 280
HSBC Bank plc	EUR	39 553
Total	EUR	246 833

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	
	2016	2015
Cash	375 021	74 805
Marketable securities	0	0
Cash and cash equivalents	375 021	74 805

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

Cash amounting to TCZK 23 744 (2015 – TCZK 15 826) is recorded on the bank account with restricted disposition. This restriction arises from the respective contract based on requirements of the energy exchange.

24. Material Subsequent Event

On 3 February 2017, the following change in the ownership structure was recorded in the Commercial Register – EP Power Europe, a.s., with its registered office at Pařížská 130/26, Josefov, 110 00 Prague 1 became the sole shareholder.

In 2017, the principal activities of the Company expanded by trading in electricity.

Prepared on: 19 June 2017



Miroslav Haško

Chairman of the Board of Directors



Daniel Pexidr

Member of the Board of Directors

