

Annual report 2016

Energy Clearing Counterparty, a.s.

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Company profile

Energy Clearing Counterparty, a.s. (“EnCC”), a wholly-owned subsidiary of Burza cenných papírů Praha, a.s. (Prague Stock Exchange), represents a part of the system of trading at POWER EXCHANGE CENTRAL EUROPE (“PXE”). EnCC has no branch abroad.

Principal activity

EnCC acts as a counterparty for spot trades concluded by trading participants via PXE on the Czech Republic’s day-ahead electricity market operated by OTE, a.s. (the OTE day-ahead market). For these purposes, it also acts as a technical non-clearing participant of European Commodity Clearing AG (ECC).

Report of the board of directors on business activities and the state of assets

Financial performance

In 2016 Energy Clearing Counterparty, a.s. (EnCC) generated revenue from own services of TCZK 622 (2015: TCZK 687). As in the previous period, EnCC's services were provided exclusively to POWER EXCHANGE CENTRAL EUROPE, a.s. (PXE), based on an agreement on the provision of central counterparty services in connection with trades concluded via PXE on the Czech Republic's day-ahead electricity market operated by OTE, a.s.

EnCC posted a net profit of TCZK 48 922 (2015: TCZK 2 102). Its structure is as follows:

	(in TCZK)	2016	2015
Gain on sale of investment in subsidiary		49 592	0
Profit share received		1 000	1 580
Ordinary profit + (loss -)		-172	11
Profit + (loss -) from financial operations without gain on sale of investment in subsidiary and received profit share		-1 498	511
Net profit		48 922	2 102

EnCC continues to hold a fixed-term licence (expiring in 2018) for trading in Hungarian electricity, amounting to TCZK 121 (2015: TCZK 182).

EnCC's total assets as at 31 December 2016 amounted to TCZK 97 773 (2015: TCZK 191 755). Their structure was as follows:

	(in TCZK)	2016	2015
Fixed assets (net)		121	20 182
Receivables and other current assets (net)		82 656	141 585
Short-term financial assets (net)		14 996	29 988
Total assets		97 773	191 755

EnCC's fixed assets no longer include long-term investments (2015: TCZK 20 000).

On 2 June 2016 the sole shareholder exercising the powers of EnCC's general meeting decided to use the profit for 2015 of TCZK 2 102 and a reserve fund of TCZK 69 to settle accumulated losses. In 2016, EnCC paid out to shareholders an advance profit distribution of TCZK 48 000 (2015: TCZK 0).

EnCC achieved the above results with the help of an average of six (2015: six) employees working under contracts for work. EnCC complies with all applicable labour laws and regulations. EnCC does not conduct any research and development activity. As EnCC's activity is inherently environmentally friendly, no special activities are conducted in this area. In 2016 the company did not acquire own shares.

Report on relations

Report on relations between the controlling entity and the controlled entity and between the controlled entity and other entities controlled by the same controlling entity for the 2016 accounting period

In accordance with Section 82 of Act No. 90/2012 Coll., Act on Corporations and Cooperatives (Act on Business Corporations), as amended ("BCA"), the Board of Directors of **Energy Clearing Counterparty, a.s.** has prepared this report on relations between

the controlling entity **Burza cenných papírů Praha, a.s.**, with its registered office in Praha 1, Rybná 14/682, identification No. 47115629, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 1773 (the "Controlling Entity" or "BCPP")

and

the controlled entity **Energy Clearing Counterparty, a.s.**, with its registered office in Praha 1, Rybná 682/14, identification No. 28441681, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 14531 (the "Controlled Entity" or "EnCC").

for the 2016 accounting period.

The parent company of the Controlling Entity is **CEESEG Aktiengesellschaft**, with its registered office in 1010 Wien, Wallnerstraße 8, recorded in the Commercial Register maintained by the Commercial Court in Vienna (Handelsgericht Wien) under file No. FN 161826f. The author of this report is not aware of any contractual relationships between EnCC and the parent company of the Controlling Entity or any performance rendered on any other grounds for 2016.

The report also contains information on relations between the Controlled Entity and entities controlled by the same Controlling Entity. For at least part of the past accounting period these entities were:

- **POWER EXCHANGE CENTRAL EUROPE, a.s.**, with its registered office in Praha 1, Rybná 682/14, identification No. 27865444, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 15362 ("PXE") until 31 May 2016;
- **Centrální depozitář cenných papírů, a.s.**, with its registered office in Praha 1, Rybná 682/14, identification No. 25081489, recorded in the Commercial Register maintained by the Municipal Court in Prague, section B, insert 4308 ("CDCP").

The structure of relations between the above entities is characterised by the amount of the participation interest which the Controlling Entity holds in CDCP and EnCC, amounting to 100%. The participation interest of the Controlling Entity in PXE amounted to 33.33%, and indirectly to an additional 66.67% through CDCP and EnCC until 31 May 2016. CDCP and EnCC sold their participation interests to European Energy Exchange AG and PXE ceased to be the Controlled Entity controlled by the same Controlling Entity on the same date.

Pursuant to Section 82 (2) (b) and a (c) of BCA, **control is exercised** through decisions of the sole shareholder (Section 12 (1) of BCA). No holding agreement, joint venture agreement, agreement to exercise voting rights or another similar agreement have been concluded. In relations with other companies, the role of EnCC consists in performing activities in the spot energy market and in holding the licence of a trader in electricity.

Overview of acts and agreements

The report also includes:

- a) information indicating the acts performed in the 2016 accounting period at the instigation or in the interest of the Controlling Entity or entities controlled by the Controlling Entity where such acts concern assets with a value exceeding 10% of the Controlled Entity's equity identified from the last financial statements (Section 82 (2) (d) of BCA); and
- b) an overview of agreements concluded between the Controlled Entity and the Controlling Entity or between controlled entities (Section 82 (2) (e) of BCA).

Concerning a), in exercising the powers of the general meeting pursuant to Section 12 (1) of BCA and in accordance with the Articles of Association of EnCC, the Controlling Entity approved the 2015 financial statements of EnCC and the proposed distribution of the profit of TCZK 2 102 on

2 June 2016 by a decision of the sole shareholder where the profit for 2015 will be used to settle accumulated losses. TCZK 69 of the reserve fund was used to cover accumulated losses from previous years. The reserve fund was cancelled and its balance of TCZK 2 was transferred to retained profits.

On 30 September 2016 a member of the board of directors authorised to act on behalf of the board of directors decided to provide an advance for profit shares of MCZK 48.

No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2016 accounting period.

Concerning b), contracts and agreements were concluded under Section 82 (2) (e) of BCA.

The following agreements defined the relations between the Controlling Entity and the Controlled Entity or multilateral agreements concluded together with PXE and CDCP in the 2016 accounting period:

Date of agreement	Name of agreement	Description of performance
19 December 2008	Agreement on cooperation within the group VAT registration, as amended by Amendment No. 1 dated 31 December 2010	Adjustment of mutual rights within the group pursuant to the VAT Act, together with PXE and CDCP
31 December 2008	Agreement on sub-lease of non-residential premises, as amended by Amendment No. 5 dated 15 December 2016	Sub-lease of non-residential premises that BCPP leases from Burzovní Palác Investment s.r.o.
30 March 2009	Loan agreement, as amended by Amendment No. 2 dated 5 January 2016	Provision of a short-term revolving loan to pay VAT to suppliers of electricity in PXE of up to CZK 150 million from creditors of CDCP and BCPP. Loan agreement was terminated by Amendment No. 2 dated 5 January 2016
18 December 2015	Agreement on opening an account in central records of securities and provision of related services	Provision of the services of a participant in central securities depository

The multilateral agreements mentioned above and the following agreement defined the relations between PXE and the Controlled Entity in the 2016 accounting period:

Date of agreement	Name of agreement	Description of performance
30 August 2013	Agreement to secure services of a central counterparty in connection with trading at the PXE market	Securing services of a central counterparty

No acts in accordance with Section 82 (2) (d) of BCA **between EnCC and PXE and EnCC and CDCP** were performed in the 2016 accounting period.

Assessment of possible harm to the Controlled Entity

The board of directors of EnCC represents that the Controlled Entity did not incur any harm resulting from the above agreements or from acts performed in accordance with Section 82 (2) (d) of BCA.

Assessment of advantages and disadvantages arising from relations within the group of companies

EnCC is involved in the VAT group registration whose representing member is BCPP. The VAT performance ensuing from the activities of EnCC significantly affects the VAT co-efficient of the entire group. The advantages of the participation in the group definitely prevail and no major risks arise from the disadvantages of the participation.

The report is to be attached to the annual report pursuant to a special legal regulation (Section 84 (2) of BCA). No review of the report by an inspection body is required pursuant to Section 83 (3) of BCA.

Prague, 10 March 2017



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Helena Čacká
Member of the Board of Directors

Financial section

Financial statements

FINANCIAL STATEMENTS

31 DECEMBER 2016

Company name:	Energy Clearing Counterparty, a.s.
Registered office:	Praha 1, Rybná 682/14
Legal Status:	Joint Stock Company
Identification Number:	284 41 681
Date:	10 March 2017

Translation note:

This version of the accompanying documents is a translation from the original, which was prepared in Czech. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

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BALANCE SHEETEnergy Clearing Counterparty, a.s.
Identification number: 284 41 681as at 31.12.2016
(in TCZK)Rybná 682/14
110 05 Praha 1

		31. 12. 2016			31. 12. 2015
		Brutto	Correction	Netto	Netto
TOTAL ASSETS	001	98 253	-489	97 764	191 755
B. Fixed assets	003	610	-489	121	20 182
B.I. Intangible fixed assets	004	610	-489	121	182
B.I.2 Intellectual property rights	006	3	-3	0	0
B.I.2.1. Software	007	3	-3	0	0
B.I.4. Other intangible fixed assets	010	607	-486	121	182
B.III. Long-term investments	027	0	0	0	20 000
B.III.3. Equity investments – associated companies	030	0	0	0	20 000
C. Current assets	037	97 618	0	97 618	171 531
C.II. Receivables	046	82 622	0	82 622	141 543
C.II.2. Short-term receivables	057	82 622	0	82 622	141 543
C.II.2.1. Trade receivables	058	81 462	0	81 462	69 873
C.II.2.4. Receivables - other	061	1 160	0	1 160	71 670
C.II.2.4.1. Receivables from shareholders/members	062	0	0	0	9 116
C.II.2.4.3. Tax receivables	064	1 140	0	1 140	62 553
C.II.2.4.5. Estimated receivables	066	20	0	20	1
C.IV. Cash	071	14 996	0	14 996	29 988
C.IV.1. Cash in hand	072	0	0	0	0
C.IV.2. Bank accounts	073	14 996	0	14 996	29 988
D. Deferrals	074	25	0	25	42
D.1. Prepaid expenses	075	25	0	25	42

	31. 12. 2016		31. 12. 2015
TOTAL LIABILITIES AND EQUITY	078	97 764	191 755
A. Equity	079	9 104	8 182
A.I. Registered capital	080	2 000	2 000
A.I.1. Registered capital	081	2 000	2 000
A.II. Premium and capital contributions	084	6 180	6 180
A.II.2. Capital contributions	086	6 180	6 180
A.II.2.1. Other capital contributions	087	6 180	6 180
A.III. Funds from profit	092	0	71
A.III.1. Other reserve funds	93	0	71
A.IV. Retained earnings (+/-)	095	2	-2 171
A.IV.1. Retained profits	096	2	0
A.IV.2. Accumulated losses	097	0	-2 171
A.V. Profit (loss) for the current period (+/-)	099	48 922	2 102
A.VI. Approved advance profit distribution (-)	100	-48 000	0
B.+ C. Liabilities	101	88 660	183 573
C. Liabilities	107	88 660	183 573
C.II. Short-term liabilities	123	88 660	183 573
C.II.2. Liabilities to credit institutions	127	0	44 134
C.II.4. Trade payables	129	57 357	109 706
C.II.7. Liabilities – associated companies	132	0	29 728
C.II.8. Liabilities - other	133	31 303	5
C.II.8.1. Liabilities to shareholders/members	134	1 220	0
C.II.8.3. Payables to employees	136	13	0
C.II.8.4. Social security and health insurance liabilities	137	14	0
C.II.8.5. Tax liabilities and subsidies	138	7	0
C.II.8.6. Estimated payables	139	30	5
C.II.8.7. Other payables	140	30 019	0
D. Accruals	141	0	0
D.1. Accrued expenses	142	0	0
D.2. Deferred revenues	143	0	0

INCOME STATEMENT**Energy Clearing Counterparty, a.s.**
Identification number: 284 41 681as at year ended 31.12.2016
(in TCZK)Rybná 682/14
110 05 Praha 1

		2016	2015
I. Revenue from products and services	001	622	687
A. Cost of sales	003	434	519
A.2. Materials and consumables	005	2	3
A.3. Services	006	432	516
D. Personnel expenses	009	522	522
D.1. Wages and salaries	010	396	396
D.2. Social security, health insurance and other expenses	011	126	126
D.2.1 Social security and health insurance expenses	012	126	126
E. Adjustments relating to operating activities	014	61	61
E.1. Adjustments to intangible and tangible fixed assets	015	61	61
E.1.1. Depreciation and amortisation of intangible and tangible fixed assets	016	61	61
III. Other operating revenues	020	251	461
III.3. Other operating revenues	023	251	461
F. Other operating expenses	024	28	35
F.5. Other operating expenses	029	28	35
* Operating profit (loss) (+/-)	030	-172	11
IV. Revenue from long-term investments – equity investments	031	60 592	1 580
IV.2. Other revenue from equity investments	032	60 592	1 580
G. Cost of equity investments sold	034	10 000	0
J. Interest expense and similar expense	043	482	617
J.1. Interest expense and similar expense – group undertakings	044	222	394
J.2. Other interest expense and similar expense	045	260	223
VII. Other financial revenues	046	930	8 470
K. Other financial expenses	047	1 946	7 342
* Profit (loss) from financial operations	048	49 094	2 091
** Profit (loss) before tax (+/-)	049	48 922	2 102
** Profit (loss) after tax (+/-)	053	48 922	2 102
*** Profit (loss) for the accounting period (+/-)	055	48 922	2 102
Net turnover for the accounting period	056	62 395	11 198

STATEMENT OF CHANGES IN EQUITY**Energy Clearing Counterparty, a.s.**
Identification number: 284 41 681as at 31.12.2016
(in TCZK)Rybná 682/14
110 05 Praha 1

	Registered capital	Other capital contributions	Funds from profit	Accumulated losses	Profit (loss) for the current period	Equity Total
Balance at 31/12/2014	2 000	6 180	71	-4 596	2 425	6 080
Distribution of profit	0	0	0	2 425	-2 425	0
Dividends paid	0	0	0	0	0	0
Profit/loss for the current period	0	0	0	0	2 102	2 102
Balance at 31/12/2015	2 000	6 180	71	-2 171	2 102	8 182
Distribution of profit	0	0	0	2 102	-2 102	0
Reserve fund distribution	0	0	-71	71	0	0
Profit/loss for the current period	0	0	0	0	48 922	48 922
Advances for profit shares for 2016	0	0	0	0	-48 000	-48 000
Balance at 31/12/2016	2 000	6 180	0	2	922	9 104

1. GENERAL INFORMATION

1.1. Incorporation and description of the business

Energy Clearing Counterparty, a.s. (hereinafter the “Company” or “EnCC”), with its registered office at Rybná 682/14, Prague 1, was incorporated by means of a Founding Contract dated 18 July 2008.

The Company was entered in the Commercial Register maintained by the Municipal Court for Prague on 6 August 2008. The Company’s corporate details are maintained in the Commercial Register at the Municipal Court in Prague, File B, Insert 14531.

Principal activities

The Company’s business activities are electricity trading and the renting of real estate, residential and non-residential premises.

Share capital

Share capital as at 31 December 2016 consists of 2 000 registered shares in documentary form, amounting to a total of TCZK 2 000. The shares have a nominal value of TCZK 1 each and have restricted transferability.

Registered shares can be transferred to third parties only with the prior consent of the Board.

The sole shareholder of the Company is Burza cenných papírů Praha, a.s. (Prague Stock Exchange) whose company’s details are maintained in the Commercial Register at the Municipal Court in Prague, File B, Insert 1773.

Founder:

- Burza cenných papírů Praha, a.s. (hereinafter “BCPP”) – capital subscription TCZK 2 000 – 100% paid
- The majority shareholder of BCPP is CEESEG AG.

Balance sheet date

The financial statements were prepared as at 31 December 2016.

Other events

Energy Clearing Counterparty, a.s. has become a successor company of the dissolving companies CENTRAL COUNTERPARTY, a.s. and Central Clearing Counterparty, a.s. According to the provisions of Section 61 of Act No. 125/2008 Coll., the Act on Transformation of Companies and Cooperatives as amended, the companies carried out a merger by acquisition. The 1st of January 2014 was the decisive day of the merger under the provisions of Section 10 (1) of Act No. 125/2008 Coll., the Act on Transformation of Companies and Cooperatives as amended (the “Act on Transformation”). The dissolution of the dissolving companies and their deletion from the Commercial Register was entered on 20 January 2014.

The dissolution and deletion of the companies was preceded by the cancellation of the dissolving companies without liquidation. Energy Clearing Counterparty, a.s. has assumed assets of the dissolving companies including rights and obligations arising from employment relations. The successor company has thus become a universal legal successor of the dissolving companies.

The Company has complied with the Act No. 90/2012 Coll., the Act on Commercial Companies and Cooperatives as a whole following the procedure under Section 777 (5) of the Act.

1.2. Board of Directors and Supervisory Board as at 31 December 2016

	Position	Name
Board of Directors	Member	Helena Čacká
Supervisory Board	Member	Petr Kobic
	Member	Petr Horáček
	Member	Radan Marek

1.3. Organizational structure

The statutory body is formed by the Board of Directors.

2. ACCOUNTING POLICIES

2.1. Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting principles in the Czech Republic and have been prepared under the historical cost convention.

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.

All figures are presented in thousands of Czech crowns (TCZK), unless indicated otherwise.

These financial statements are non-consolidated.

The consolidated financial statements of the narrowest group of entities to which the Company as a consolidated entity belongs are prepared by Burza cenných papírů Praha, a.s., with its registered office at Rybná 14/682, Praha 1. The consolidated financial statements are available at the consolidating entity's registered office.

The consolidated financial statements of the widest group of entities to which the Company as a consolidated entity belongs are prepared by CEESEG AG, with its registered office at Wallnerstraße 8, A-1010 Vienna. The consolidated financial statements are available at the consolidating entity's registered office.

2.2. Intangible fixed assets

All intangible assets with a useful life longer than one year and a unit cost of more than TCZK 30 are treated as intangible fixed assets.

Purchased intangible fixed assets are recorded at cost, which includes all costs incurred in bringing the assets to their present location and condition.

Intangible fixed assets are amortized applying the straight-line basis over their estimated useful lives as follows:

	Number of years
Software	3
Licence	According to validity

Establishment of adjustments

An adjustment for impairment is created when the carrying value of an asset is greater than its estimated recoverable amount.

2.3. Receivables

Receivables are stated at their nominal value less an impairment provision for bad debts. A provision for bad debts is created on the basis of an ageing analysis and individual evaluation of the collectability of the receivables.

2.4. Cash and cash equivalents

Cash is represented by petty-cash and bank accounts including bank overdraft.

Cash equivalents represent short-term liquid financial assets that are easily and readily convertible to known amounts of cash and which are not subject to significant changes in value. Cash equivalents include deposits with a maximum three-month notice period and highly liquid securities traded on a public market.

2.5. Ownership interests in accounting units with substantial influence

Ownership interests in accounting units with substantial influence are formed by enterprises where the Company performs substantial influence but does not have any possibility of controlling or managing such company (hereinafter also the “associated company”).

Ownership interests in associated companies are stated at acquisition cost considering a possible value decrease.

2.6. Foreign currency translation

Transactions denominated in foreign currency are translated and recorded at the prevailing exchange rate as at the transaction date. Trades in electric power which are financially settled in EUR are translated using the exchange rate published by the Czech National Bank at 14:30 on the day of the physical delivery of electricity.

Cash, receivables and liabilities denominated in foreign currencies have been translated at the exchange rate published by the Czech National Bank as at the balance sheet date. All exchange gains and losses on cash, receivables and liabilities are recorded in the income statement.

2.7. 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, having the tax rate valid as at first day of the accounting period, and any adjustments to taxes for previous periods.

2.8. Deferred taxation

Deferred tax is recognized on all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base. A deferred tax asset is recognized if it is probable that sufficient future taxable profit will be available against which the asset can be utilized.

2.9. Related parties

The Company's related parties comprise the following:

- shareholder, of which the Company is a subsidiary or an associate, directly or indirectly, and subsidiaries and associates of this shareholder; and/or
- members of the Board of Directors and Supervisory Board and parties close to such members, including entities in which they have a controlling or significant influence.

Significant transactions and balances with related parties are disclosed in Note 3.17.

2.10. Revenues

Revenues are recorded as at the date of rendering the services and are recognized net of discounts and VAT.

2.11. Interest expenses

All interest expenses are accrued.

2.12. Group VAT registration

The companies Burza cenných papírů Praha, a.s., POWER EXCHANGE CENTRAL EUROPE, a.s. (hereinafter “PXE”) and Centrální depozitář cenných papírů, a.s., (hereinafter “CDCP”), established a group with effect from 1 January 2009 for the purposes of registration for value added tax under

Act No. 235/2004 Coll., as amended. Furthermore, as at 1 January 2011 Energy Clearing Counterparty, a.s. became a member of the group.

As at 1 January 2016, the Group used an advance coefficient of 100% (as at 1 January 2015: 94%). The Group applied this coefficient for calculating a proportional VAT deduction on acquired supplies in 2016. In the VAT return for December 2016 a settlement coefficient of 100% was calculated and represents the advance coefficient for 2017. The difference between the applied deduction based on the advance coefficient during the entire calendar year and the VAT deduction calculated based on the settlement coefficient was settled in December 2016.

The VAT return for the Group is filed by its representative member BCPP. Other members of the Group charge their own part of the tax liability or the excess deduction of taxes, where appropriate, and they have receivables or payables from BCPP in their accounting books.

2.13. Subsequent events

The effects of events, which occurred between the balance sheet date and the date of preparation of the financial statements, are recognized in the financial statements if these events provide further evidence of conditions that existed as at the balance sheet date.

Where significant events occur subsequent to the balance sheet date but prior to the preparation of the financial statements, which are indicative of conditions that arose subsequent to the balance sheet date, the effect of these events are disclosed, but are not themselves recognized in the financial statements.

2.14. Changes in the accounting methods and procedures

The Company has not changed any accounting methods and procedures in 2016 or 2015. In connection with an amendment to Decree No. 500/2002 Coll. the structure of the financial statements changed. However, this did not result in changes in the accounting methods and procedures.

3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND INCOME STATEMENT

3.1. Fixed assets

3.1.1. Intangible fixed assets

(in TCZK)			
Acquisition cost	Software	Other intangible fixed assets	Total
Balance as at 1/1/2015	3	607	610
Additions	0	0	0
Disposals	0	0	0
Balance as at 31/12/2015	3	607	610
Additions	0	0	0
Disposals	0	0	0
Balance as at 31/12/2016	3	607	610

(in TCZK)			
Accumulated amortization	Software	Other intangible fixed assets	Total
Balance as at 1/1/2015	3	364	367
Additions	0	61	61
Disposals	0	0	0
Balance as at 31/12/2015	3	425	428
Additions	0	61	61
Disposals	0	0	0
Balance as at 31/12/2016	3	486	489

(in TCZK)			
Net book value	Software	Other intangible fixed assets	Total
Balance as at 1/1/2015	0	243	243
Balance as at 31/12/2015	0	182	182
Balance as at 31/12/2016	0	121	121

At the balance sheet date, the Company reported licence for limited trading in electric power issued on 29 October 2008 by the Hungarian Energy Regulatory Authority (Magyar Energetika Hivatal) with validity for 10 years.

The value of this licence is TCZK 607. The asset was acquired in 2008 and was put into use in January 2009.

Amortization of intangible assets charged to income amounted to:

(in TCZK)	
	Amortization
2016	61
2015	61

In 2016 and 2015 no impairment of intangible fixed assets was recognized.

3.1.2. Long-term financial assets

The Company does not report any long-term investments in 2016 (2015: TCZK 20 000). In January 2016, BCPP, CDCP and EnCC signed an agreement with European Energy Exchange ("EEX"), based on which EEX acquired 66.67% of PXE's shares.

The registered capital of POWER EXCHANGE CENTRAL EUROPE, a.s. decreased to TCZK 30 000 as at 3 May 2016. The amount corresponding to the decrease of the registered capital was distributed among shareholders proportionately according to their shares.

Based on a decision of the general meeting of POWER EXCHANGE CENTRAL EUROPE, a.s. shares of profit of TCZK 1 000 (2015: TCZK 1 580) were paid out in 2016.

3.2. Leased assets

The Company has the following contractual payables from rent and operative leases:

	(in TCZK)	
	As at 31 December 2016	As at 31 December 2015
Due within 1 year	106	125
Due in 1 to 5 year	351	254
Due after 5 years	266	0
Total	723	379

As at 31 December 2016 the Company has concluded an agreement for rent of the office premises. The total amount of rent paid in 2016 was TCZK 105 (2015: TCZK 110).

3.3. Short-term financial assets

	(in TCZK)	
Short-term financial assets	As at 31 December 2016	As at 31 December 2015
Cash on hand	0	0
Bank accounts, of which:	14 996	29 988
- own current accounts	14 996	29 988
Total	14 996	29 988

3.4. Short-term receivables

3.4.1. Trade receivables

As at 31 December 2016, the Company recognized trade receivables amounting to TCZK 81 462 (2015: TCZK 69 873). These trade receivables result predominantly from the settlement of physical supplies of electric power which were not paid as at 31 December 2016.

No trade receivables are overdue.

3.4.2. Receivables from shareholders and members of the association

The Company has been a member of a VAT group since 1 January 2011 and the settlement of VAT for the whole group is processed by Burza cenných papírů Praha, a.s.

At the balance sheet date, the Company did not report any receivables arising from excess VAT deduction (2015: TCZK 9 116).

3.4.3. State – tax receivable

There is a balance of VAT from invoices received from Czech payers after 31 December 2016 and which apply to 2016 in the amount of TCZK 1 140 (2015: TCZK 62 553).

3.4.4. Estimated receivables

At the balance sheet date, the Company recognised estimated receivables of TCZK 20 (2015: TCZK 1).

3.5. Deferred tax asset

The Company recognized a deferred tax asset in the amount of TCZK 3 303 as at 31 December 2016 (2015: TCZK 2 988) due to tax losses from previous periods. The Company does not claim this receivable since the Company does not expect to apply it.

3.6. Deferrals

At the balance sheet date, the Company recorded receivables within accrued expenses in the amount of TCZK 25 (2015: TCZK 42). Those were fees related to the bank guarantee valid in 2016 and the deferred insurance premium and deferred rent expenses, services connected to rent and rent discount.

3.7. Equity

The fully paid share capital recorded in the Commercial Register as at 31 December 2016 amounts to TCZK 2 000 (2015: TCZK 2 000). It is divided into 2 000 pieces of registered shares in the nominal value of TCZK 1.

At 31 December 2016, the balance of other capital funds amounted to TCZK 6 180 (2015: TCZK 6 180). Based on a decision of the sole shareholder, the Company cancelled a reserve fund on 2 June 2016 (2015: TCZK 71).

The result of operations for 2016 was a profit of TCZK 48 922. As at the balance sheet date, the Company reported equity of TCZK 9 104 (2015: TCZK 8 182). In 2016, the Company paid advances for profit shares for 2016 of TCZK 48 000 (2015: CZK 0).

3.8. Short-term liabilities

Short-term liabilities have not been secured.

3.8.1. Trade payables

At the balance sheet date, the Company recognized trade payables amounting to TCZK 57 357 (2015: TCZK 109 706). These payables relate to physical settlement of electric power supplies which were not paid as at 31 December 2016 and to liability with respect to BCPP.

No trade payables are overdue.

3.8.2. Payables to shareholders/members

As at the balance sheet date the Company reported payables to shareholders/members of TCZK 1 220 (2015: no reported balance). This involved a tax liability with respect to BCPP.

3.8.3. Payables to employees

As at the balance sheet date the Company reported payables to employees of TCZK 13 (2015: no reported balance).

3.8.4. Payables to associated companies

As at the balance sheet date the Company did not report any payables to associated companies (2015: TCZK 29 728, or TEUR 1 100).

3.8.5. Payables to social security and health insurance

As at the balance sheet date the Company recorded social security and health insurance payables of TCZK 14 (31 December 2015: no reported balance).

None of these payables are overdue.

3.8.6. Tax liabilities and subsidies

As at the balance sheet date the Company recorded tax liabilities of TCZK 7 (2015: no reported balance).

None of these liabilities are overdue.

3.8.7. Estimated payables

At the balance sheet date, the Company recorded estimated items in the amount of TCZK 30 (2015: TCZK 5).

3.8.8. Other payables

At the balance sheet date, the Company recorded other payables in the amount of TCZK 30 019 (2015: no reported balance). These payables relate to short-term loan from CDCP, a.s. The loan is due in 2017.

3.9. Short-term bank loans

At 31 December 2016, the Company did not draw the overdraft loan on an account held in Unicredit Bank Czech Republic and Slovakia, a.s. (2015: TCZK 44 134, resp. TEUR 1 633). Overdraft limit is TEUR 3 000 (2015: TEUR 3 000).

	(data in TCZK)	
	As at 31/12/2016	As at 31/12/2015
Short-term financial aids - overdraft	0	44 134
Total short-term bank loans	0	44 134

3.10. Income tax

In 2016, the Company reported a taxable loss of TCZK 1 656. Therefore, the income tax amounted to TCZK 0.

3.11. Proceeds from current activity by main activities

(in TCZK)			
2016			
	Czech Republic	Foreign countries	Total
Central counterparty services	622	0	622
Total proceeds from services	622	0	622

(in TCZK)			
2015			
	Czech Republic	Foreign countries	Total
Central counterparty services	687	0	687
Total proceeds from services	687	0	687

3.12. Services

(in TCZK)		
	2016	2015
Rental and services	140	157
Advisory and legal services	25	201
Audit	225	135
Servicing	9	1
Other services	33	22
Total	432	516

KPMG Česká republika Audit, s.r.o. has not provided the Company with other significant services than auditing the financial statements for 2016 and 2015 and interim financial statements as at 030 September 2016.

3.13. Other operating revenues

(in TCZK)		
	2016	2015
Other operating revenues	30	67
Settlement of expenses spent	221	394
Other operating revenues	251	461

3.14. Other operating expenses

(in TCZK)		
	2016	2015
Insurance	28	23
Other operating expenses	0	12
Other operating expenses	28	35

The Company has entered into insurance contracts for the professional damage liability insurance, liability insurance of statutory bodies, insurance of damage caused by a product and cybernetic risk insurance. Contracts are regularly updated.

3.15. Financial revenues

	(in TCZK)	
	2016	2015
Revenues from long-term investments:	60 592	1 580
- received dividends (PXE)	1 000	1 580
- sale of investments in associates (PXE)	59 592	0
Foreign currency exchange gains	930	8 470
Total financial revenues	61 522	10 050

FX losses are mainly related to supplies of electrical power settled in EUR and to the recalculation of foreign currency assets and liabilities with the CNB FX rate as at balance sheet date.

3.16. Financial expenses

	(in TCZK)	
	2016	2015
Expenses for sold equity investments	10 000	0
Interest paid and similar costs	482	617
- on loans	222	394
- on an overdraft	260	223
Other financial expenses	1 946	7 342
- foreign currency exchange losses	1 028	6 775
- bank guarantees	571	227
- other bank fees	339	340
- other financial expenses	8	0
Total financial expenses	12 428	7 959

Foreign currency exchange losses are mostly connected with electricity supplies that are settled in EUR and by the conversion of foreign currency assets and liabilities by the CNB exchange rate at the balance sheet date. An increased fee charged to financial institutions is connected with the change in settlement of the physical electricity supply.

3.17. Related parties

All significant transactions with related parties were realized on an arm's length basis.

3.17.1. Transactions with related parties – revenues

Revenues from transactions with related parties include:

2016					(in TCZK)
Entity	Relation to the Company	Revenues from own services	Other operating revenues	Financial revenues	Total
POWER EXCHANGE CENTRAL EUROPE, a.s.	member of BCCP group	622	221	1 006	1 849
Total revenues		622	221	1 006	1 849

2015					(in TCZK)
Entity	Relation to the Company	Revenues from own services	Other operating revenues	Financial revenues	Total
Burza cenných papírů Praha, a.s.	parent company	0	0	122	122
POWER EXCHANGE CENTRAL EUROPE, a.s.	company under substantial influence	687	394	2 617	3 698
Total revenues		687	394	2 739	3 820

The Company entered into a contract with PXE for providing central counterparty services in the settlement of trading on the Hungarian and Czech spot energy markets. In this contract PXE is obliged to reimburse all incurred expenses which arose in connection with financing the temporary insufficiency of financial means required for settlement of spot deals on the Czech energy market. The amount of reimbursed expenses in 2016 was TCZK 221 (2015: TCZK 394).

In 2016 the Company has obtained a profit share payment from PXE amounting to TCZK 1 000 (2015: TCZK 1 580).

FX revenues are related to the utilisation and pay off of debt in EUR and influenced by changes in the FX rate between CZK and EUR.

3.17.2. Transactions with related parties – expenses

Purchases from related parties include:

2016						(in TCZK)
Related party	Relationship	Services	Other operating expenses	Financial expenses	Total	
Burza cenných papírů Praha, a.s.	parent company	140	2	208	350	
Centrální depozitář cenných papírů, a.s.	member of BCCP group	7	0	9	16	
POWER EXCHANGE CENTRAL EUROPE, a.s.	member of BCCP group	0	0	5	5	
Total expenses		147	2	222	371	

2015						(in TCZK)
Related party	Relationship	Services	Other operating expenses	Financial expenses	Total	
Burza cenných papírů Praha, a.s.	parent company	157	3	16	176	
Centrální depozitář cenných papírů, a.s.	member of BCCP group	1	0	0	1	
POWER EXCHANGE CENTRAL EUROPE, a.s.	company under substantial influence	0	0	406	406	
Total expenses		158	3	422	583	

The Company has concluded a contract with PXE on the provision of central counterparty services upon the settlement of transactions with Hungarian and Czech spot energy. According to the contract, PXE undertakes to pay expenses incurred by the Company in connection with the coverage of the lack of funds for the settlement of spot transactions with Czech energy. In 2016, the amount of such expenses was TCZK 222 (2015: TCZK 394).

FX losses are related to the utilisation and pay off of debt in EUR and influenced by the change of the FX rate between CZK and EUR.

3.17.3. Receivables from related parties

(in TCZK)		
Company	As at 31/12/2016	As at 31/12/2015
Receivables from members		
Burza cenných papírů Praha, a.s.	0	9 116
Total receivable within the group VAT registration	29	9 116

(in TCZK)		
Company	As at 31/12/2016	As at 31/12/2015
Deferred revenues		
Burza cenných papírů Praha, a.s.	13	8
Centrální depozitář cenných papírů, a.s.	1	1
Total deferred revenues	14	9

(in TCZK)		
Company	As at 31/12/2016	As at 31/12/2015
Short-term trade receivables		
POWER EXCHANGE CENTRAL EUROPE, a.s.	51	57
Total short-term trade payables	51	57

3.17.4. Payables to related parties

(in TCZK)		
Company	As at 31/12/2016	As at 31/12/2015
Liabilities – controlled entity		
Burza cenných papírů Praha, a.s.	1 222	203
Liabilities – associated companies		
POWER EXCHANGE CENTRAL EUROPE, a.s.	0	29 728
Total liabilities	1 222	29 931

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES

4.1. Staff cost and number of employees

	Average recalculated headcount	
	2016	2015
Executive	1	1
Other employees	5	5
Total	6	6

	(in TCZK)	
	2016	2015
Personnel expenses – employees incl. the management body	396	396
Social security and health insurance costs	126	126
Total staff costs	522	522

The executive is represented by the Board of Directors.

During whole year 2016 the Company employed 5 employees who worked based on an agreement to perform work.

4.2. Loans, credits and other benefits provided

In 2016 and 2015 members of the Board of Directors and the Supervisory Board received no loans, borrowings or other benefits.

5. CONTINGENCIES AND COMMITMENTS

At 31 December 2016, the Company entered into an overdraft loan agreement with Komerční banka up to TCZK 10 000 (31 December 2015: TCZK 10 000). At 31 December 2016, the Company did not draw the loan. Since 2013, the Company has had an overdraft loan agreement with UniCredit Bank Czech Republic and Slovakia in the amount of TEUR 3 000 (2015: TEUR 3 000). At 31 December 2016, the Company did not draw the loan (2015: TCZK 44 134, resp. TEUR 1 633).

6. CONTINGENT LIABILITIES

As at 31 December 2016 the Company has a bank guarantee from UniCredit Bank Hungary Zrt. amounting to THUF 1 000 (31 December 2015: THUF 1 000). This guarantee was provided in order to comply with a requirement of the Hungarian Energy Regulatory Authority (Magyar Energetikai Hivatal). This guarantee was necessary for performing the function of a central counterparty for trading in Hungarian energy.

Additionally, the Company records a bank guarantee from Komerční banka, a.s. in the amount of TEUR 3 000 with European Commodity Clearing AG as a beneficiary made with Komerční banka, a.s. for guaranteeing the settlement of the physical spot energy supply.


As at 31 December 2016 the Company reports an indirect bank guarantee from Commerzbank totalling TEUR 3 000 in favour of European Commodity Clearing AG relating to a bank guarantee provided by Komerční banka, a.s.

The Company's management is not aware of any other significant contingent liabilities as at 31 December 2016 and 31 December 2015.

7. SUBSEQUENT EVENTS

The Company's management is not aware of any events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2016.

Prague, 10 March 2017



Helena Čacká
Member of the Board of Directors

Auditor's report on the financial statements and annual report



KPMG Česká republika Audit, s.r.o.

Pobřežní 1a
186 00 Prague 8
Czech Republic
+420 222 123 111
www.kpmg.cz

This document is an 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
Energy Clearing Counterparty, a.s.**

Opinion

We have audited the accompanying financial statements of Energy Clearing Counterparty, 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 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 2016, and of its financial performance 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 supervisory 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

Vladimír Dvořáček is the statutory auditor responsible for the audit of the financial statements of Energy Clearing Counterparty, a.s. as at 31 December 2016, based on which this independent auditor's report has been prepared.

Prague
10 March 2017

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

Vladimír Dvořáček
Partner
Registration number 2332

Contact information

ENERGY CLEARING COUNTERPARTY, a. s.
Rybná 682/14
110 05 Praha 1