



Energy Clearing Counterparty, a.s.

Annual Report 2019

Contents

Contents	2
Company profile	3
Principal activity	3
Report of the board of directors on business activities and the state of assets	4
Financial performance	4
Report on relations	5
Financial section	8
Financial statements	8
Independent Auditor's report	31
Contact information	35

Company profile

Energy Clearing Counterparty, a.s. (EnCC), a wholly-owned subsidiary of Burza cenných papírů Praha, a.s. (Prague Stock Exchange, PSE), 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 2019 Energy Clearing Counterparty, a.s. (EnCC) generated revenue from own services of TCZK 1,345 (2018: TCZK 2,593). Its structure is as follows:

(in TCZK)	2019	2018
Central counterparty service	585	586
Other services	760	2,007
Revenue from own services	1,345	2,593

In the 2019 period the Company reported profit after tax of TCZK 134 (2018: TCZK 145).

The Company's total assets as at 31 December 2019 amounted to TCZK 36,476 (2018: TCZK 122,801). Their structure was as follows:

(in TCZK)	2019	2018
Fixed assets (net)	0	0
Receivables and other current assets (net)	32,993	121,451
Cash (net)	3,483	1,350
Total assets	36,476	122,801

It was decided on 25 June 2019 that current period profit should be transferred to retained earnings of previous years pursuant to a decision of the sole shareholder exercising the powers of the General Meeting.

In 2019 the average recalculated number of the Company's employees working under contracts for work was five (the same as in 2018).

Other information:

The Company complies with all applicable labour laws and regulations. The Company does not conduct any research and development activity. As the Company's activity is inherently environmentally friendly, no special activities are conducted in this area.

The Company actively restricts and manages credit risk ensuing from the settlement of securities and derivatives transactions, and liquidity risk, which implies that the Company will not have sufficient resources to meet its obligations. The Company's risk management objectives and methods, including its policy to hedge all major types of transactions that use hedging derivatives, are further described in the Notes to the Consolidated Financial Statements of Prague Stock Exchange. If material events constituting subsequent events occurring between the balance sheet date and the date of preparation of the financial statements, the consequences of those events are described in the Notes to the Financial Statements, but are not recognised in the financial statements. The Company's management is aware of no material subsequent events that would have had an impact on the financial statements for the year ending 31 December 2019.

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 2019 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. 471 15 629, 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 2019 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 2019.

The report also contains information on relations between the Controlled Entity and entities controlled by the same Controlling Entity. This entity was **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%. Pursuant to Section 82 (2) (b) and (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 2019 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 2018 financial statements of EnCC and the proposed transfer of the profit in 2018 of CZK 144 000 to retained profit of last

years on 25 June 2019 by a decision of the sole shareholder. The total amount of retained profits after transfer of profit should be CZK 1 233 000.

No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2019 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 CDCP in the 2019 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. 7 dated 6 December 2019	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. 3 dated 20 January 2017	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.
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
9 January 2018	Agreement on provision compensating payments	Provision of compensating payments from BCPP to ensure minimal profitability.

No acts in accordance with Section 82 (2) (d) of BCA **between EnCC and CDCP** were performed in the 2019 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, 6 March 2020



Ing. Tomáš Lněnička
Member of the Board of Directors

Financial section

Financial statements

**FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2019**

Corporation Name:	Energy Clearing Counterparty, a.s.
Registered Office:	Prague 1, Rybná 682/14
Legal Form:	Joint Stock Company
Business Identification Number:	284 41 681
Date of Preparation:	6 March 2020

BALANCE SHEET	1
INCOME STATEMENT	2
STATEMENT OF CHANGES IN EQUITY	3
1. GENERAL INFORMATION	4
1.1. INCORPORATION AND DESCRIPTION OF THE CORPORATION	4
1.2. BOARD OF DIRECTORS AND SUPERVISORY BOARD AS AT 31 DECEMBER 2019	5
1.3. ORGANIZATIONAL STRUCTURE OF THE COMPANY	5
2. ACCOUNTING POLICIES	6
2.1. BASIC PRINCIPLES OF FINANCIAL STATEMENTS PREPARATION	6
2.2. INTANGIBLE FIXED ASSETS	6
2.3. RECEIVABLES	7
2.4. LIABILITIES	7
2.5. CASH AND CASH EQUIVALENTS	7
2.6. FOREIGN CURRENCY TRANSLATION	7
2.7. INCOME TAX	7
2.8. DEFERRED TAX	7
2.9. RELATED PARTIES	7
2.10. REVENUE RECOGNITION	8
2.11. INTEREST EXPENSE	8
2.12. GROUP REGISTRATION FOR VAT	8
2.13. SUBSEQUENT EVENTS	8
2.14. CHANGE IN ACCOUNTING POLICIES AND PROCEDURES	8
3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE INCOME STATEMENT	9
3.1. FIXED ASSETS	9
3.1.1. <i>Intangible fixed assets</i>	9
3.2. LEASED ASSETS	10
3.3. SHORT-TERM FINANCIAL ASSETS	10
3.4. SHORT-TERM RECEIVABLES	10
3.4.1. <i>Trade receivables</i>	10
3.4.2. <i>Receivables from partners and members of the group</i>	10
3.4.3. <i>Receivables – controlled or controlling entity</i>	10
3.4.4. <i>Unbilled revenue</i>	10
3.4.5. <i>Miscellaneous receivables</i>	11
3.5. DEFERRED TAX ASSET	11
3.6. PREPAID EXPENSES AND ACCRUED INCOME	11
3.7. EQUITY	11
3.8. CURRENT LIABILITIES	11
3.8.1. <i>Trade payables</i>	11
3.8.2. <i>Liabilities to employees</i>	11
3.8.3. <i>Liabilities arising from social security and health insurance</i>	12
3.8.4. <i>Due to government – taxes and subsidies</i>	12
3.8.5. <i>Unbilled deliveries</i>	12
3.8.6. <i>Miscellaneous liabilities</i>	12
3.9. SHORT-TERM BANK LOANS	12
3.10. INCOME TAX ON ORDINARY ACTIVITY	12
3.11. REVENUES ON ORDINARY ACTIVITY BY PRINCIPAL ACTIVITY	13
3.12. COST OF SERVICES	13
3.13. OTHER OPERATING INCOME	13
3.14. OTHER OPERATING EXPENSES	13
3.15. FINANCE INCOME	14
3.16. FINANCE COST	14
3.17. RELATED PARTY TRANSACTIONS	15
3.17.1. <i>Revenues from related party transactions</i>	15
3.17.2. <i>Costs incurred in related party transactions</i>	16
3.17.3. <i>Receivables from related parties</i>	17
3.17.4. <i>Liabilities to related parties</i>	17
4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES	18
4.1. PERSONNEL EXPENSES AND NUMBER OF EMPLOYEES	18
4.2. LOANS, BORROWINGS AND OTHER BENEFITS PROVIDED TO MEMBERS OF THE COMPANY'S BODIES	18

5. CONTIGENCIES AND COMMITMENTS.....	19
6. CONTINGENT LIABILITIES	19
7. SUBSEQUENT EVENTS	19

		As at 31/ 12/ 2019			As at
		Gross	Allowances	Net	31/ 12/ 2018
BALANCE SHEET		Energy Clearing Counterparty, a.s.			
Long-form		Business Identification Number: 284 41 681			
as at 31 December 2019		Rybná 682/14			
(in CZK thousands)		110 05 Praha 1			
TOTAL ASSETS	001	36,479	(3)	36,476	122,801
B. Fixed assets	003	3	(3)	0	0
B.I. Intangible fixed assets	004	3	(3)	0	0
B.I.2. Valuable rights	006	3	(3)	0	0
B.I.2.1. Software	007	3	(3)	0	0
C. Current assets	037	36,425	0	36,425	122,724
C.II. Receivables	046	32,942	0	32,942	121,374
C.II.2. Short-term receivables	057	32,942	0	32,942	121,374
C.II.2.1. Trade receivables	058	31,903	0	31,903	119,354
C.II.2.2. Receivables – controlled or controlling entity	059	760	0	760	2,007
C.II.2.4. Other receivables	061	279	0	279	13
C.II.2.4.1. Receivables from partners	062	11	0	11	11
C.II.2.4.5. Unbilled revenue	066	3	0	3	2
C.II.2.4.6. Miscellaneous receivables	067	265	0	265	0
C.IV. Cash	071	3,483	0	3,483	1,350
C.IV.2. Cash at bank	073	3,483	0	3,483	1,350
D. Prepaid expenses and accrued income	074	51	0	51	77
D.1. Prepaid expenses	075	51	0	51	77

		As at	As at
		31/ 12/ 2019	31/ 12/ 2018
TOTAL EQUITY & LIABILITIES	078	36,476	122,801
A. Equity	079	9,547	9,413
A.I. Basic capital	080	2,000	2,000
A.I.1. Registered capital	081	2,000	2,000
A.II. Share premium and revaluation reserve	084	6,180	6,180
A.II.2. Capital funds	086	6,180	6,180
A.II.2.1. Other capital funds	087	6,180	6,180
A.IV. Profit (loss) brought forward (+/-)	095	1,233	1,088
A.IV.1. Retained earnings	096	1,233	1,088
A.V. Profit (loss) for the year (+/-)	099	134	145
B.+ C. Provisions and liabilities	101	26,929	113,388
C. Liabilities	107	26,929	113,388
C.II. Current liabilities	123	26,929	113,388
C.II.2. Amounts owed to credit institutions	127	1,989	3,440
C.II.4. Trade payables	129	24,877	109,885
C.II.8. Other liabilities	133	63	63
C.II.8.3. Liabilities to employees	136	13	13
C.II.8.4. Liabilities arising from social security and health insurance	137	14	14
C.II.8.5. Due to government – taxes and subsidies	138	7	7
C.II.8.6. Unbilled deliveries	139	19	19
C.II.8.7. Miscellaneous liabilities	140	10	10

INCOME STATEMENT		Energy Clearing Counterparty, a.s.	
By category		Business Identification	
for the year ended		Rybná 682/14	
31 December 2019		110 05 Praha 1	
(in CZK thousands)			
		Year ended 31/ 12/ 2019	Year ended 31/ 12/ 2018
I. Revenue from sale of finished products and services	001	1,345	2,593
A. Production-related consumption	003	358	317
A.2. Consumption of material and energy	005	1	1
A.3. Services	006	357	316
D. Personnel expenses	009	522	522
D.1. Wages and salaries	010	396	396
D.2. Social security and health insurance costs and other costs	011	126	126
D.2.1 Social security and health insurance costs	012	126	126
E. Value adjustments in respect of operating activities	014	0	61
E.1. Value adjustments in respect of intangible and tangible fixed assets	015	0	61
E.1.1. Value adjustments in respect of intangible and tangible fixed assets - permanent	016	0	61
III. Other operating income	020	1 056	0
III.3. Miscellaneous operating income	023	1 056	0
F. Other operating expenses	024	126	26
F.3. Taxes and charges relating to operations	027	102	2
F.5. Miscellaneous operating expenses	029	24	24
* Profit or loss on operating activities (+/-)	030	1,395	1,667
VI. Interest receivable and similar income	039	7	0
VI.2. Other interest receivable and similar income	041	7	0
J. Interest payable and similar expense	043	21	207
J.2. Other interest payable and similar expenses	045	21	207
VII. Other finance income	046	1,338	6,776
K. Other finance cost	047	2,585	8,091
* Profit or loss on financial activities (+/-)	048	(1,261)	(1,522)
** Profit or loss before taxation (+/-)	049	134	145
** Profit or loss after taxation (+/-)	053	134	145
*** Profit or loss for the year (+/-)	055	134	145
Net turnover	056	3,746	9,369

STATEMENT OF CHANGES IN EQUITY		Energy Clearing Counterparty, a.s.			
		Business Identification Number: 284 41 681			
for the year ended 31 December 2019 (in CZK thousands)		Rybná 14/682 110 05 Praha 1			
	Registered capital	Other capital funds	Retained earnings	Profit (loss) for the year (+/-)	Total equity
Balance at 31/ 12/ 2017	2,000	6,180	924	164	9,268
Distribution of profit	0	0	164	(164)	0
Profit (loss) for the year (+/-)	0	0	0	145	145
Balance at 31/ 12/ 2018	2,000	6,180	1,088	145	9,413
Distribution of profit	0	0	145	(145)	0
Profit (loss) for the year (+/-)	0	0	0	134	134
Balance at 31/ 12/ 2019	2,000	6,180	1,233	134	9,547

1. GENERAL INFORMATION

1.1. Incorporation and description of the corporation

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 in Prague, File B, Insert 14531 on 6 August 2008.

Business activities

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

Registered capital

Registered capital recorded in the Commercial Register as at 31 December 2019 is CZK 2,000 thousand and consists of 2,000 registered, physical shares with a nominal value of CZK 1,000 per share.

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

The sole shareholder is Burza cenných papírů Praha, a.s., registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 1773.

Founder:

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

Financial statements preparation

The financial statements have been prepared for the year ended 31 December 2019.

Changes and addenda made to the Commercial Register entry in 2019

The following changes were made to the Commercial Register entry in 2019:

- membership of Helena Čacká expiration as at 30 September 2019
- membership of Tomáš Lněnička commencement as at 1 October 2019

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. The companies carried out a merger by acquisition in accordance with the provision of Section 61 of Act No. 125/2008 Coll., on Transformation of Corporations and Cooperatives, as amended. The merger effective day was 1 January 2014 within the meaning of the provision of Section 10 (1) of Act No. 125/2008 Coll., on Transformation of Corporations 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 winding the dissolving companies up without liquidation. Energy Clearing Counterparty, a.s. assumed assets and liabilities 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 conformed to Act No. 90/2012 Coll., on Corporations 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 2019

		Name
Board of Directors	member	Tomáš Lněnička
Supervisory Board	member	Petr Koblíček
	member	Petr Horáček
	member	Radan Marek

1.3. Organizational structure of the Company

The statutory body is formed by the Board of Directors.

2. ACCOUNTING POLICIES

2.1. Basic principles of financial statements preparation

The financial statements have been prepared based on the books of accounts maintained 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 entities that are entrepreneurs using the double-entry bookkeeping system.

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

These financial statements are not 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.

Explanation Added for Translation into English

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

2.2. Intangible fixed assets

Intangible assets with a useful life of more than one year and a cost exceeding CZK 30 thousand per unit are treated as intangible fixed assets.

Purchased intangible fixed assets are recorded at their acquisition cost, which includes purchase price and other costs directly tied to the acquisition process.

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

	Number of years
Software	3
License	According to validity

Establishment of allowances

When the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to its recoverable amount through an allowance.

2.3. Receivables

Receivables are stated at nominal value less an allowance against doubtful amounts. An allowance against doubtful receivables is created on the basis of an ageing analysis and individual assessment of the debtor's solvency.

2.4. Liabilities

Long-term and short-term liabilities are stated at their nominal values. Other payables also include amounts obtained as a result of the fair value measurement of financial derivatives.

Long-term and short-term liabilities to credit institutions are stated at their nominal value. The part of non-current liabilities to credit institutions that is due within one year of the balance sheet date is also regarded as current liabilities to credit institutions.

2.5. Cash and cash equivalents

Cash and cash equivalents include cash in hand, valuables and cash at bank, including overdrawn amounts of current or overdraft facilities.

Cash equivalents are short-term, highly liquid investments that can be easily and readily exchanged for a known amount of cash and no significant changes in value over time are expected. Cash equivalents are, for example, deposits with a maturity of three months or less from the date of acquisition and liquid securities traded in public markets.

2.6. Foreign currency translation

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

Cash, receivables and liabilities balances 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 balances 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 tax

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. Deferred tax assets are recognized if it is probable that sufficient future taxable profit will be available against which the assets can be utilized.

2.9. Related parties

The Company's related parties are considered to be the following:

- shareholder, of which the Company is a subsidiary or an associate, directly or indirectly, and other subsidiaries and associates of this shareholder;

- 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.

Material transactions with related parties are disclosed in Note 3.17.

2.10. Revenue recognition

Revenue is recognized when services are rendered and are recognized net of discounts and VAT in the period to which they relate.

2.11. Interest expense

All interest expenses are accrued.

2.12. Group registration for VAT

The companies Burza cenných papírů Praha, a.s., POWER EXCHANGE CENTRAL EUROPE, a.s. ("PXE"), and Centrální depozitář cenných papírů, a.s. ("CDCP") established a group (henceforth the "VAT Group") with effect from 1 January 2009 for the purposes of registration for value added tax under Act No. 235/2004 Coll., as amended. Energy Clearing Counterparty, a.s. joined the VAT Group as at 1 January 2011. All the companies within the VAT Group have a joint tax identification number.

As at 1 January 2019, the VAT Group used an advance VAT coefficient of 100% (1 January 2018: 100%) to claim VAT deduction on input for the whole VAT Group for 2019. In the VAT return for December 2019 the Company calculated a settlement coefficient for 2019, amounting to 87% and representing an advance VAT coefficient for 2020.

The VAT return is submitted for the VAT Group by its representing member, i.e. BCPP. Other VAT Group members recognize parts of their own tax liability, or VAT excess, falling on them and recognize a payable to, or a receivable from, BCPP in their books of accounts.

2.13. Subsequent events

The effects of events that occurred between the balance sheet date and the date of the financial statements preparation are recognized in the financial statements provided these events provide additional evidence about conditions that existed at the date of the balance sheet.

If material events reflecting the facts occurring after the balance sheet date happened between the balance sheet date and the date of the financial statements preparation the consequences of these events are disclosed in the notes to the financial statements but not recognized in the financial statements.

2.14. Change in accounting policies and procedures

The Company did not change any accounting policies and procedures in 2019 or 2018. In connection with an amendment to Decree No. 500/2002 Coll., the structure of the financial statements changed. However, it did not result in changes in the accounting methods and procedures.

3. ADDITIONAL INFORMATION ON THE BALANCE SHEET AND THE INCOME STATEMENT**3.1. Fixed assets****3.1.1. Intangible fixed assets**

(in CZK thousands)			
Acquisition cost	Software	Other intangible FA	Total
Balance as at 1 January 2018	3	607	610
Additions	0	0	0
Disposals	0	0	0
Balance as at 31 December 2018	3	607	610
Additions	0	0	0
Disposals	0	(607)	(607)
Balance as at 31 December 2019	3	0	3

(in CZK thousands)			
Accumulated amortization	Software	Other intangible FA	Total
Balance as at 1 January 2018	3	546	549
Additions	0	61	61
Disposals	0	0	0
Balance as at 31 December 2018	3	607	610
Additions	0	0	0
Disposals	0	(607)	(607)
Balance as at 31 December 2019	3	0	3

(in CZK thousands)			
Net book value	Software	Other intangible FA	Total
Balance as at 1 January 2018	0	61	61
Balance as at 31 December 2018	0	0	0
Balance as at 31 December 2019	0	0	0

In 2019 the Company removed from assets a license for limited trading in electric power issued on 29 October 2008 by the Hungarian Energy Regulatory Authority (Magyar Energia Hivatal) with validity for 10 years, due to the fact that the license had expired.

The value of this license is CZK 607 thousand. The asset was acquired in 2008 and was put into use in January 2009.

Amortization of intangible fixed assets charged to expense was as follows:

(in CZK thousands)	
	Amortization
2019	0
2018	61

In 2019 and 2018 no allowances against intangible fixed assets were created.

3.2. Leased assets

The Company has the following contractual payables from rent:

	(in CZK thousands)	
	Balance as at 31 December 2019	Balance as at 31 December 2018
Due within one year	98	74
Due after one year but within five years	413	396
More than five years	18	116
Total	529	586

As at 31 December 2019 the Company has concluded an agreement for rent of the office premises. The total amount of rent paid in 2019 was CZK 82 thousand (2018: CZK 91 thousand).

3.3. Short-term financial assets

	(in CZK thousands)	
Short-term financial assets	Balance as at 31 December 2019	Balance as at 31 December 2018
Bank accounts, of which:	3,483	1,350
- own current accounts	3,483	1,350
Total short-term financial assets	3,483	1,350

3.4. Short-term receivables**3.4.1. Trade receivables**

As at the balance sheet date, the Company recorded trade receivables amounting to CZK 31,903 thousand (2018: 119,354 thousand). These trade receivables result predominantly from the settlement of physical supplies of electric power which were not paid as at 31 December 2019.

No trade receivables are overdue.

3.4.2. Receivables from partners and members of the group

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

As at the balance sheet date, the Company recorded a receivable of CZK 11 thousand (2018: CZK 11 thousand) arising from an excess VAT deduction.

3.4.3. Receivables – controlled or controlling entity

As at the balance sheet date, the Company recorded a receivable of CZK 760 thousand (2018: CZK 2,007 thousand) from Burza cenných papírů Praha, a.s. arising from an agreement on the provision of compensatory payments.

3.4.4. Unbilled revenue

As at the balance sheet date, the Company recorded unbilled revenue of CZK 3 thousand (2018: CZK 2 thousand).

3.4.5. Miscellaneous receivables

As at the balance sheet date, the Company had miscellaneous receivables of CZK 265 thousand (2018: CZK 0 thousand). These are receivables from POWER EXCHANGE CENTRAL EUROPE, a.s. arising from the reimbursement of finance costs incurred in electric power trading.

3.5. Deferred tax asset

As at the balance sheet date, the Company had a deferred tax asset of CZK 772 thousand (2018: CZK 1,825 thousand) due to tax losses from previous periods. The Company does not recognize this deferred tax asset due to prudence.

3.6. Prepaid expenses and accrued income

As at the balance sheet date, the Company recorded receivables within prepaid expenses in the amount of CZK 51 thousand (2018: CZK 77 thousand), mainly related to insurance premium for 2020 and rent expenses and rent-related services.

3.7. Equity

The Company's registered capital recorded in the Commercial Register as at 31 December 2019 of CZK 2,000 thousand (2018: CZK 2,000 thousand) is divided into 2,000 registered shares with a nominal value of CZK 1,000 per share.

At 31 December 2019, the balance of other capital funds amounted to CZK 6,180 thousand (2018: CZK 6,180 thousand). Based on a decision of the sole shareholder, the Company cancelled a reserve fund on 2 June 2016.

Profit or loss for the year 2019 was a profit of CZK 134 thousand (2018: CZK 145 thousand). As at the balance sheet date, the Company reported equity of CZK 9,547 thousand (2018: CZK 9,413 thousand). Based on a decision of the sole shareholder of 25 June 2019, profit of CZK 145 thousand was added to retained earnings.

With respect to profit for 2019, the Company is planning to increase its equity.

3.8. Current liabilities

None of current liabilities were secured by any Company's assets.

3.8.1. Trade payables

As at the balance sheet date, the Company recorded trade payables amounting to CZK 24,877 thousand (2018: CZK 109,885 thousand). These payables relate to physical settlement of electric power supplies which were not paid as at 31 December 2019 and to payable to BCPP.

None of trade payables are overdue.

3.8.2. Liabilities to employees

As at the balance sheet date, the Company had liabilities to employees of CZK 13 thousand (2018: CZK 13 thousand).

3.8.3. Liabilities arising from social security and health insurance

As at the balance sheet date, the Company had liabilities arising from social security and health insurance of CZK 14 thousand (2018: CZK 14 thousand).

None of these payables are overdue.

3.8.4. Due to government – taxes and subsidies

As at the balance sheet date, the Company had liabilities to government of CZK 7 thousand (2018: CZK 7 thousand).

None of these liabilities are overdue.

3.8.5. Unbilled deliveries

As at the balance sheet date, the Company had unbilled deliveries of CZK 19 thousand (2018: CZK 19 thousand).

3.8.6. Miscellaneous liabilities

As at the balance sheet date, the Company had miscellaneous liabilities of CZK 10 thousand (2018: CZK 10 thousand).

3.9. Short-term bank loans

At the balance sheet date, the Company drew an overdraft facility of CZK 1,989 thousand, i.e. EUR 78 thousand, (2018: CZK 3,440 thousand) on an account at UniCredit Bank Czech Republic and Slovakia, a.s. The overdraft limit of this account is EUR 5,000 thousand (2018: EUR 5,000 thousand). The overdraft represents a clearing account which serves only for settlement of power supplies and related services. Payable arising from the overdraft drawing is secured by guarantee issued by Burza cenných papírů Praha, a.s. in the amount EUR 3,000 thousand (2018: EUR 3,000 thousand).

	(in CZK thousands)	
	Balance as at 31 December 2019	Balance as at 31 December 2018
Short-term borrowings – overdraft facility	1,989	3,440
Total short-term bank loans	1,989	3,440

3.10. Income tax on ordinary activity

Reconciliation of income tax expense and the profit reported in the income statement is as follows:

	(in CZK thousands)	
	2019	2018
Profit before tax	134	145
Theoretical tax at a tax rate of 19% (2018: 19%)	25	28
Tax effect of tax non-deductible expenses	3	2
Tax effect of income not subject to tax	0	0
Current tax	28	30
Tax loss carryforward utilization	(28)	(30)
Total income tax on ordinary activity	0	0

According to the Income Tax Act, the company can transfer the tax loss incurred from 2014 to the next five years. The amount of tax loss from 2014 and 2016, which was not recognized in the

financial statements of 2019 and will be carried forward, was CZK 3,919 thousand as at 31 December 2019.

3.11. Revenues on ordinary activity by principal activity

(in CZK thousands)			
2019			
	Domestic	Foreign	Total
Central counterparty services	585	0	585
BCPP services	760	0	760
Revenue from sale of own services	1,345	0	1,345

(in CZK thousands)			
2018			
	Domestic	Foreign	Total
Central counterparty services	586	0	586
BCPP services	2,007	0	2,007
Revenue from sale of own services	2,593	0	2,593

3.12. Cost of services

(in CZK thousands)		
	2019	2018
Rental and services	119	127
Audit	203	140
Other services	35	49
Total	357	316

3.13. Other operating income

(in CZK thousands)		
	2019	2018
Other operating income	0	0
Reimbursement of incurred expenses – PXE (see Note 3.17.1)	1,056	0
Other operating income	1,056	0

3.14. Other operating expenses

(in CZK thousands)		
	2019	2018
Insurance premiums	24	24
Other operating expenses	102	2
Total other operating expenses	126	26

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. Finance income

	(in CZK thousands)	
	2019	2018
Interest receivable	7	0
Foreign exchange gains	1,338	6,776
Total finance income	1,345	6,776

Foreign currency exchange gains mainly relate to electricity supplies that are settled in EUR and to the translation of foreign currency assets and liabilities at the CNB exchange rate as at balance sheet date.

3.16. Finance cost

	(in CZK thousands)	
	2019	2018
Interest payable and similar expense	21	207
- on loans	0	0
- on overdraft facility	21	207
Other finance cost	2,585	8,091
- foreign exchange losses	1,433	6,912
- bank guarantees	825	821
- other bank fees	323	354
- other finance cost	4	4
Total finance cost	2,606	8,298

Foreign currency exchange losses mainly relate to electricity supplies that are settled in EUR and to the translation of foreign currency assets and liabilities at the CNB exchange rate as at 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 party transactions

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

3.17.1. Revenues from related party transactions

Revenues from transactions with related parties include:

2019						(in CZK thousands)
Entity	Relation to the Company	Sales of services	Other operating income	Finance income	Total	
Burza cenných papírů Praha, a.s.	parent company	760	0	0	760	
Centrální depozitář cenných papírů, a.s.	member of the BCPP Group	0	0	0	0	
POWER EXCHANGE CENTRAL EUROPE, a.s.	member of the BCPP Group	585	1,056	1	1642	
Total revenues		1,345	1,056	1	2,402	

2018						(in CZK thousands)
Entity	Relation to the Company	Sales of services	Other operating income	Finance income	Total	
Burza cenných papírů Praha, a.s.	parent company	2,007	0	0	2,007	
Centrální depozitář cenných papírů, a.s.	member of the BCPP Group	0	0	0	0	
POWER EXCHANGE CENTRAL EUROPE, a.s.	member of the BCPP Group	586	0	0	586	
Total revenues		2,593	0	0	2,593	

The Company entered into a contract with PXE for providing central counterparty services in the settlement of trading on the Czech spot energy market. In this contract PXE is obliged to reimburse all incurred expenses which arose in connection with the requirements to ensure margins on spot deals through bank guarantees and 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 2019 was CZK 1,056 thousand (2018: CZK 0 thousand).

3.17.2. Costs incurred in related party transactions

Purchases from related parties include:

2019					
(in CZK thousands)					
Entity	Relation to the Company	Services	Other operating expenses	Finance cost	Total
Burza cenných papírů Praha, a.s.	parent company	119	1	0	120
Centrální depozitář cenných papírů, a.s.	member of the BCCP Group	1	0	0	1
POWER EXCHANGE CENTRAL EUROPE, a.s.	member of the BCCP Group	0	0	1	1
Total cost		120	1	1	122

2018					
(in CZK thousands)					
Entity	Relation to the Company	Services	Other operating expenses	Finance cost	Total
Burza cenných papírů Praha, a.s.	parent company	127	1	0	128
Centrální depozitář cenných papírů, a.s.	member of the BCCP Group	1	0	0	1
POWER EXCHANGE CENTRAL EUROPE, a.s.	member of the BCCP Group	0	0	1	1
Total cost		128	1	1	130

FX losses arise from the drawing and repayment of loans in euros and are also influenced by the change of the FX rate between CZK and EUR.

3.17.3. Receivables from related parties

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
Receivables – controlled or controlling entity		
Burza cenných papírů Praha, a.s.	771	2,018
Receivables – controlled or controlling entity – BCPP	771	2,018

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
Prepaid expenses		
Burza cenných papírů Praha, a.s.	43	69
Centrální depozitář cenných papírů, a.s.	1	1
Total prepaid expenses	44	70

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
Unbilled revenue		
Burza cenných papírů Praha, a.s.	3	2
Total unbilled revenue	3	2

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
Short-term trade receivables		
POWER EXCHANGE CENTRAL EUROPE, a.s.	48	49
Total short-term trade receivables	48	49

3.17.4. Liabilities to related parties

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
Liabilities – controlling entity		
Burza cenných papírů Praha, a.s.	2	2
Total liabilities	2	2

(in CZK thousands)		
Name of the company	Balance as at 31 December 2019	Balance as at 31 December 2018
Unbilled deliveries		
Burza cenných papírů Praha, a.s.	0	1
Total unbilled deliveries	0	1

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES**4.1. Personnel expenses and number of employees**

	Average headcount expressed in full-time equivalents	
	2019	2018
Executive bodies	1	1
Other employees	5	5
Total	6	6

	(in CZK thousands)	
	2019	2018
Personnel expenses	396	396
Social security and health insurance costs	126	126
Total	522	522

The executive body includes the Board of Directors.

During whole year 2019 the Company employed five employees who worked based on an agreement to perform work.

4.2. Loans, borrowings and other benefits provided to members of the Company's bodies

In 2019 and 2018 the members of the Board of Directors and the Supervisory Board received no loans, borrowings or other benefits.

5. CONTINGENCIES AND COMMITMENTS

As at 31 December 2019, the Company had an overdraft facility agreement with Komerční banka, a.s. up to CZK 10,000 thousand (2018: CZK 10,000 thousand). As at 31 December 2019, the Company did not draw the overdraft facility. Since 2013, the Company has had an overdraft facility agreement with UniCredit Bank Czech Republic and Slovakia. The overdraft drawing limit was increased to EUR 5,000 thousand by means of addendum signed in 2018. As at 31 December 2019, the Company drew the overdraft facility of CZK 1,989 thousand, i.e. EUR 78 thousand (2018: CZK 3,440 thousand).

6. CONTINGENT LIABILITIES

As at 31 December 2019, the Company records a bank guarantee from Komerční banka, a.s. in the amount of EUR 3,000 thousand (2018: EUR 3,000 thousand) with European Commodity Clearing AG as a beneficiary, based on a contract made with Komerční banka, a.s. for guaranteeing the settlement of the physical spot energy supply.

As at 31 December 2019, the Company records an indirect bank guarantee from Commerzbank in the amount of EUR 3,000 thousand (2018: EUR 3,000 thousand) with European Commodity Clearing AG as a beneficiary, relating to a bank guarantee provided by Komerční banka, a.s.

The Company's management is not aware of any other contingent liabilities as at 31 December 2019 and 31 December 2018.

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 for the year ended 31 December 2019.

Prague, 6 March 2020



Tomáš Lněnička

Member of the Board of Directors

Independent Auditor's report

(Translation of a report originally issued in Czech - see Note 2 to the financial statements.)

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 accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2019, and the income statement, 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 information. For details of the Company, see 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 2019, and of its financial performance for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

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, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation 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 compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors 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 law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these 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 the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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 Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors 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 Board of Directors 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 Board of Directors 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 overseeing 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 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 law or regulation, 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 Board of Directors.

- Conclude on the appropriateness of the Board of Directors' 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 the Supervisory Board 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.

Ernst & Young Audit, s.r.o.
License No. 401



Roman Hauptfleisch, Auditor
License No. 2009

6 March 2020
Prague, Czech Republic

Contact information

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