



Annual report 2017

Energy Clearing Counterparty, a.s.

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Company profile

Energy Clearing Counterparty, a.s. (“EnCC” or “the Company”), 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 2017 Energy Clearing Counterparty, a.s. (EnCC) generated revenue from own services of TCZK 2 914 (2016: TCZK 622). Its structure is as follows:

(in TCZK)	2017	2016
Central counterparty service	548	622
Other services	2 366	0
Revenue from own services	2 914	622

The Company increased revenue from own services by TCZK 2 292, primarily due to an agreement concluded with Burza cenných papírů Praha, a.s.

In the 2017 period the Company reported profit after tax of TCZK 164 (2016: TCZK 48 922); TCZK 48 758 less compared with the prior period. However, in 2016 the Company's result was influenced by a one-off contribution of TCZK 50 592, representing profit from the sale of interest and share on profit in POWER EXCHANGE CENTRAL EUROPE, a.s.

The Company's total assets as at 31 December 2017 amounted to TCZK 106 484 (2016: TCZK 97 764). Their structure was as follows:

(in TCZK)	2017	2016
Fixed assets (net)	61	121
Receivables and other current assets (net)	84 325	82 647
Cash (net)	22 098	14 996
Total assets	106 484	97 764

On 19 May 2017 the sole shareholder exercising the powers of the Company general meeting decided to settle an advance profit distribution for 2016 totalling TCZK 48 000. The remaining part of the profit was transferred to retained profits.

In 2017 the average recalculated number of the Company's employees working under contracts for work was six (the same as in 2016).

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.

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 2017 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 2017 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 2017.

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 2017 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 2016 financial statements of EnCC and the proposed distribution of the profit of CZK 48 924 000 on 19 May 2017 by a decision of the sole shareholder. The profit was used to settle an advance for the payment of profit shares for 2016 totalling CZK 48 000 000. The advance was paid based on the decision of the statutory body of EnCC as at 30 September 2016. By paying the profit share of CZK 24 000 per one share, the advance

was settled in full. The total amount of retained profits, having settled the profit share advance, was CZK 924 000.

No other acts pursuant to Section 82 (2) (d) of BCA were performed in the 2017 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 2017 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. 6 dated 21 December 2017	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 December 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 2017 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.

EnCC - Report on relations between related parties for 2017

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, 8 March 2018



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Ing. Helena Čacká
Member of the Board of Directors

Financial section

Financial statements

FINANCIAL STATEMENTS

31 DECEMBER 2017

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:	8 March 2018

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 31.12.2017
(in TCZK)Rybná 682/14
110 05 Praha 1

		31. 12. 2017			31. 12. 2016
		Gross	Correction	Net	Net
TOTAL ASSETS	001	107 033	-549	106 484	97 764
B. Fixed assets	003	610	-549	61	121
B.I. Intangible fixed assets	004	610	-549	61	121
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	-546	61	121
C. Current assets	037	106 392	0	106 392	97 618
C.II. Receivables	046	84 294	0	84 294	82 622
C.II.2. Short-term receivables	057	84 294	0	84 294	82 622
C.II.2.1. Trade receivables	058	79 146	0	79 146	81 462
C.II.2.2. Receivables - group undertaking	059	2 366	0	2 366	
C.II.2.4. Receivables - other	061	2 782	0	2 782	1 160
C.II.2.4.1. Receivables from shareholders/members	062	522	0	522	0
C.II.2.4.3. Tax receivables	064	2 260	0	2 260	1 140
C.II.2.4.5. Estimated receivables	066	0	0	0	20
C.IV. Cash	071	22 098	0	22 098	14 996
C.IV.2. Bank accounts	072	22 098	0	22 098	0
D. Deferrals	074	31	0	31	25
D.1. Prepaid expenses	075	31	0	31	25

		31. 12. 2017	31. 12. 2016
TOTAL LIABILITIES AND EQUITY	078	106 484	97 764
A. Equity	079	9 268	9 104
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.IV. Retained earnings (+/-)	095	924	2
A.IV.1. Retained profits	096	924	2
A.V. Profit (loss) for the current period (+/-)	099	164	48 922
A.VI. Approved advance profit distribution (-)	100	0	-48 000
B.+ C. Liabilities	101	97 216	88 660
C. Liabilities	107	97 216	88 660
C.II. Short-term liabilities	123	97 216	88 660
C.II.2. Liabilities to credit institutions	127	61 586	0
C.II.4. Trade payables	129	35 565	57 357
C.II.8. Liabilities - other	133	64	31 303
C.II.8.1. Liabilities to shareholders/members	134	0	1 220
C.II.8.3. Payables to employees	136	13	13
C.II.8.4. Social security and health insurance liabilities	137	14	14
C.II.8.5. Tax liabilities and subsidies	138	7	7
C.II.8.6. Estimated payables	139	20	30
C.II.8.7. Other payables	140	10	30 019

INCOME STATEMENT		Energy Clearing Counterparty, a.s. Identification number: 284 41 681	
as at year ended 31.12.2017 (in TCZK)		Rybná 682/14 110 05 Praha 1	
		2017	2016
I. Revenue from products and services	001	2 914	622
A. Cost of sales	003	304	434
A.2. Materials and consumables	005	2	2
A.3. Services	006	302	432
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	120	251
III.3. Other operating revenues	023	120	251
F. Other operating expenses	024	32	28
F.5. Other operating expenses	029	32	28
* Operating profit (loss) (+/-)	030	2 115	-172
IV. Revenue from long-term investments – equity investments	031	0	60 592
IV.2. Other revenue from equity investments	032	0	60 592
G. Cost of equity investments sold	034	0	10 000
J. Interest expense and similar expense	043	311	482
J.1. Interest expense and similar expense – group undertakings	044	21	222
J.2. Other interest expense and similar expense	045	290	260
VII. Other financial revenues	046	4 156	930
K. Other financial expenses	047	5 796	1 946
* Profit (loss) from financial operations	048	-1 950	49 094
** Profit (loss) before tax (+/-)	049	164	48 922
** Profit (loss) after tax (+/-)	053	164	48 922
*** Profit (loss) for the accounting period (+/-)	055	164	48 922
Net turnover for the accounting period	056	7 190	62 395

STATEMENT OF CHANGES IN EQUITY		Energy Clearing Counterparty, a.s. Identification number: 284 41 681				
as at 31.12.2017 (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 31/12/2015	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
Distribution of profit	0	0	0	922	-922	0
Profit/loss for the current period	0	0	0	0	164	164
Balance at 31/12/2017	2 000	6 180	0	924	164	9 268

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 2017 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 2017.

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 2017

	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 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. 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 2017, the Group used an advance coefficient of 100% (as at 1 January 2016: 100%). The Group applied this coefficient for calculating a proportional VAT deduction on acquired supplies in 2017. In the VAT return for December 2017 a settlement coefficient of 100% was calculated and represents the advance coefficient for 2018. 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 2017.

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 2017 or 2016. 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 1/1/2016	3	607	610
Additions	0	0	0
Disposals	0	0	0
Balance as at 31/12/2017	3	607	610
Additions	0	0	0
Disposals	0	0	0
Balance as at 31/12/2017	3	607	610

(in TCZK)			
Accumulated amortization	Software	Other intangible fixed assets	Total
Balance as at 1/1/2016	3	425	428
Additions	0	61	61
Disposals	0	0	0
Balance as at 31/12/2016	3	486	489
Additions	0	61	61
Disposals	0	0	0
Balance as at 31/12/2017	3	546	549

(in TCZK)			
Net book value	Software	Other intangible fixed assets	Total
Balance as at 1/1/2016	0	182	182
Balance as at 31/12/2016	0	121	121
Balance as at 31/12/2017	0	61	61

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 Energia 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	
2017	61
2016	61

In 2017 and 2016 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 2017. 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.

3.2. Leased assets

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

	(in TCZK)	
	As at 31 December 2017	As at 31 December 2016
Due within 1 year	104	106
Due in 1 to 5 year	400	351
Due after 5 years	238	266
Total	742	723

As at 31 December 2017 the Company has concluded an agreement for rent of the office premises. The total amount of rent paid in 2017 was TCZK 90 (2016: TCZK 105).

3.3. Short-term financial assets

	(in TCZK)	
	As at 31 December 2017	As at 31 December 2016
Short-term financial assets		
Bank accounts, of which:	22 098	14 996
- own current accounts	22 098	14 996
Total	22 098	14 996

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

As at 31 December 2017, the Company recognized trade receivables amounting to TCZK 79 146 (2016: TCZK 81 462). These trade receivables result predominantly from the settlement of physical supplies of electric power which were not paid as at 31 December 2017.

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 reported a receivable of TCZK 522 (2016: TCZK 0) arising from an excess VAT deduction.

3.4.3. Receivables – group undertakings

At the balance sheet date, the Company recognised a receivable of TCZK 2 366 (2016: TCZK 0) towards Burza cenných papírů Praha, a.s. arising from an agreement on the provision of compensatory payments.

3.4.4. State – tax receivable

There is a balance of VAT from invoices received from Czech payers after 31 December 2017 and which apply to 2017 in the amount of TCZK 2 260 (2016: TCZK 1 140).

3.4.5. Estimated receivables

At the balance sheet date, the Company did not recognize any estimated receivables (2016: TCZK 20).

3.5. Deferred tax asset

The Company recognized a deferred tax asset in the amount of TCZK 2 351 as at 31 December 2017 (2016: TCZK 3 303) 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 31 (2016: TCZK 25). Those were fees related to the bank guarantee valid in 2018 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 2017 amounts to TCZK 2 000 (2016: TCZK 2 000). It is divided into 2 000 pieces of registered shares in the nominal value of TCZK 1.

At 31 December 2017, the balance of other capital funds amounted to TCZK 6 180 (2016: TCZK 6 180). Based on a decision of the sole shareholder, the Company cancelled a reserve fund on 2 June 2016.

The result of operations for 2017 was a profit of TCZK 164 (2016: TCZK 48 922). As at the balance sheet date, the Company reported equity of TCZK 9 268 (2016: TCZK 9 104). In 2016, the Company paid advances for profit shares for 2016 of TCZK 48 000. Based on a decision of the sole shareholder in 2017, the profit distribution from 2016 was in the same amount and the residential amount of TCZK 922 was redistributed to retained profits.

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 35 566 (2016: TCZK 57 357). These payables relate to physical settlement of electric power supplies which were not paid as at 31 December 2017 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 did not report any payables to shareholders/members (2016: TCZK 1 220).

3.8.3. Payables to employees

As at the balance sheet date the Company reported payables to employees of TCZK 13 (2016: TCZK 13).

3.8.4. Payables to associated companies

As at the balance sheet date the Company did not report any payables to associated companies (2016: TCZK 0).

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 2016: TCZK 14).

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 (2016: TCZK 7).

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 20 (2016: TCZK 30).

3.8.8. Other payables

At the balance sheet date, the Company recorded other payables in the amount of TCZK 10 (2016: TCZK 30 019). These payables were relate to short-term loan from CDCP, a.s., in 2016. The loan was paid up in 2017.

3.9. Short-term bank loans

At 31 December 2017, the Company drew an overdraft loan of TCZK 64 586 or TEUR 2 411 (2016: 0) on an account at Unicredit Bank Czech Republic and Slovakia, a.s. The overdraft limit of this account is TEUR 3 000 (2016: TEUR 3 000). The overdraft represents a clearing account which serves only for settlement of power supplies and related services. Payable arising from the overdraft drawing possibility is secured by guarantee issued by Burza cenných papírů Praha, a.s. in amount TEUR 3 000 (2016: TEUR 3 000).

	(data in TCZK)	
	As at 31/12/2017	As at 31/12/2016
Short-term financial aids - overdraft	61 586	0
Total short-term bank loans	61 586	0

3.10. Income tax

The income tax charge for the year can be reconciled to the profit according to the income statement, as follows:

	(údaje v tis. Kč)	
	Rok 2017	Rok 2016
Profit before tax	164	48 922
Theoretical tax at a tax rate of 19% (2016: 19 %)	31	9 295
Tax effect of not deductible expenses	4	2 217
Tax effect of non-taxable income	0	-11 512
Current Tax	35	0
The application of tax loss from previous years	-35	0
Total income tax on ordinary activities	0	0

3.11. Proceeds from current activity by main activities

(in TCZK)

2017			
	Czech Republic	Foreign countries	Total
Central counterparty services	548	0	548
BCPP services	2 366	0	2 366
Total proceeds from services	2 914	0	2 914

(in TCZK)

2016			
	Czech Republic	Foreign countries	Total
Central counterparty services	622	0	622
Total proceeds from services	622	0	622

3.12. Services

(in TCZK)

	2017	2016
Rental and services	132	140
Advisory and legal services	0	25
Audit	135	225
Servicing	0	9
Other services	35	33
Total	303	432

3.13. Other operating revenues

(in TCZK)

	2017	2016
Other operating revenues	27	30
Settlement of expenses spent	93	221
Other operating revenues	120	251

3.14. Other operating expenses

(in TCZK)

	2017	2016
Insurance	28	28
Other operating expenses	4	0
Other operating expenses	32	28

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)	
	2017	2016
Revenues from long-term investments:	0	60 592
- received dividends (PXE)	0	1 000
- sale of investments in associates (PXE)	0	59 592
Foreign currency exchange gains	4 156	930
Total financial revenues	4 156	61 522

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)	
	2017	2016
Expenses for sold equity investments	0	10 000
Interest paid and similar costs	311	482
- on loans	93	222
- on an overdraft	218	260
Other financial expenses	5 796	1 946
- foreign currency exchange losses	4 611	1 028
- bank guarantees	871	571
- other bank fees	310	339
- other financial expenses	4	8
Total financial expenses	6 107	12 428

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:

2017					(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	2 366	0	13	2 379
Centrální depozitář cenných papírů, a.s.	member of BCCP group	0	0	111	111
POWER EXCHANGE CENTRAL EUROPE, a.s.	member of BCCP group	548	93	0	641
Total revenues		2 914	93	124	3 131

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

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 2017 was TCZK 93 (2016: TCZK 221).

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:

2017					(in TCZK)
Related party	Relationship	Services	Other operating expenses	Financial expenses	Total
Burza cenných papírů Praha, a.s.	parent company	132	2	35	169
Centrální depozitář cenných papírů, a.s.	member of BCCP group	1	0	72	73
POWER EXCHANGE CENTRAL EUROPE, a.s.	member of BCCP group	0	0	2	2
Total expenses		133	2	109	244

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

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 2017, the amount of such expenses was TCZK 109 (2016: TCZK 222).

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 31/12/2017	As at 31/12/2016
Receivables from members		
Burza cenných papírů Praha, a.s.	2 888	0
Total receivable within the group VAT registration	2 366	29

	(in TCZK)	
Company	As at 31/12/2017	As at 31/12/2016
Deferred revenues		
Burza cenných papírů Praha, a.s.	24	13
Centrální depozitář cenných papírů, a.s.	1	1
Total deferred revenues	25	14

	(in TCZK)	
Company	As at 31/12/2017	As at 31/12/2016
Short-term trade receivables		
POWER EXCHANGE CENTRAL EUROPE, a.s.	43	51
Total short-term trade payables	43	51

3.17.4. Payables to related parties

	(in TCZK)	
Company	As at 31/12/2017	As at 31/12/2016
Liabilities – controlled entity		
Burza cenných papírů Praha, a.s.	2	1 222
Total liabilities	2	1 222

4. EMPLOYEES, MANAGEMENT AND STATUTORY BODIES**4.1. Staff cost and number of employees**

	Average recalculated headcount	
	2017	2016
Executive	1	1
Other employees	5	5
Total	6	6

	(in TCZK)	
	2017	2016
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 2017 the Company employed 5 employees who worked based on an agreement to perform work.

4.2. Loans, credits and other benefits provided

In 2017 and 2016 members of the Board of Directors and the Supervisory Board received no loans, borrowings or other benefits.

5. CONTINGENCIES AND COMMITMENTS

At 31 December 2017, the Company entered into an overdraft loan agreement with Komerční banka up to TCZK 10 000 (31 December 2016: TCZK 10 000). At 31 December 2017, 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 (2016: TEUR 3 000). At 31 December 2017, the Company did not draw the loan (2016: 0). At 31 December 2017, the Company drew an overdraft loan of TCZK 61 586 or TEUR 2 411 (2016: TCZK 0).

6. CONTINGENT LIABILITIES

As at 31 December 2017 the Company has a bank guarantee from UniCredit Bank Hungary Zrt. amounting to THUF 1 000 (31 December 2016: THUF 1 000). This guarantee was provided in order to comply with a requirement of the Hungarian Energy Regulatory Authority (Magyar Energia 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 (2016: 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 2017 the Company reports an indirect bank guarantee from Commerzbank totalling TEUR 3 000 (2016: 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 2017 and 31 December 2016.

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 2017.

Prague, 8 March 2018



Helena Čacká
Member of the Board of Directors

Auditor's report on the financial statements and annual report



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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 2017, and the income statement and 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 2017, 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 statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to



those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.
- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Statutory Auditor Responsible for the Engagement

Vladimír Dvořáček is the statutory auditor responsible for the audit of the financial statements of Energy Clearing Counterparty, a.s. as at 31 December 2017, based on which this independent auditor's report has been prepared.

Prague
8 March 2018

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

Vladimír Dvořáček
Partner
Registration number 2332

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