

ANNUAL REPORT

**FOR THE REPORTING PERIOD FROM
1 JANUARY 2016 TO 31 DECEMBER 2016**

OF

ALPIQ ENERGY SE

with its registered address at Rohanské nábřeží 670/19, 186 00 Prague 8,
business registration No. (IC): 284 77 090

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1. GENERAL PART

ALPIQ ENERGY SE ("the Company") is a European joint stock company having its registered address at Rohanské nábřeží 670/19, 186 00, Prague 8 Czech Republic, business registration No. (IC): 284 77 090, Tax ID: CZ 284 77 090, incorporated by an entry in the Public Register maintained with the Registration Court in Prague, File H81, on 20 October 2008. The Company is involved in electricity and gas trading and associated services. Alpiq Energy SE is a member of the Swiss energy group Alpiq (parent company of whole group is Alpiq Holding Ltd.).

2. Company Profile

Name:	ALPIQ ENERGY SE
Registered Address:	Rohanské nábřeží 670/19, 186 00 Prague 8
Business Registration Number:	284 77 090
Legal form:	European company (société européenne - SE)
Business:	production, trading and services not included in appendices 1 to 3 of the Trade Licensing Act gas trading (as of 1 April 2014)
Scope of activities:	electricity trading lease of real estate, apartments and non-residential premises.
Basic capital:	EUR 7,000,000 (CZK 172,655,000)
Statutory bodies of the Company:	as at 31 December 2016

Board of Directors	
Chair:	Zdeněk Čihák
Member:	Edgar Carsten Lehmann
Member:	Peter Dworak

Supervisory Board	
Member:	Markus Brokhof

Procurators:	
Alena Divišová	Michal Dubeň
Cornelia Häuptli Baumgartner	Tomáš Plocek
Martin Hulena	Claudia Erni Eiholzer
Hans Günther Mayer	Marie Adamová
Janberk Sahin	Tobias Meyer
Marek Musial	Hana Lindovská
Radomír Roháč	Martin Šiška
Jacek Zoladek	Karel Ouška
Paulius Gineitis	Pavle Čulibrk
Gergely Gonda	Martin Pich
Gergely Gonda	Martin Pich

At least two members of the Board of Directors jointly (including the Board of Director's chairman and a member), or at least two procurators act and sign on the Company's behalf. In compliance with the provisions of Section 164, paragraph 3 of Act No. 89/2012, the Civil Code, the Board of Directors Chairman is empowered to carry out legal acts towards the employees.

Sole Shareholder: Alpiq AG (Alpiq Central Europe AG until 24 June 2014)
Olten, Bahnhofquai 12, zip code 4600
the Swiss Confederation
business registration No.: CHE-105.974.401

The following changes were made to the Public Register entry in the in the period from 1 January 2016 to 31 December 2016:

On 21 January 2016 procurators Laura Feleki, Fabio Mancin and Petr Radina were deleted from the Public Register.

On 21 January 2016 the information was added in the Public Register entry regarding the manner of acting, specifically that in compliance with Section 164 para. 3 of Act No. 89/20012 Coll., the Civil Code the Board of Directors' chairman is authorized to carry out legal acts with respect to Company employees.

On 5 March 2016 the extension of terms for another 6 years for the Board of Directors' member Peter Dworak was recorded in the Public Register.

On 5 March 2016 procurator Koryun Shahbazyan was deleted from the Public Register.

On 27 July 2016 procurator Karel Ouška was recorded in the Public Register. Procurator Nebojsa Bogdanovic was deleted from the Public Register as at the same date.

On 27 October 2016 procurators Karel Kadlec and Petr Seigertschmid were deleted from the Public register.

On 26 November 2016 procurator Kosta Kosoric was deleted from the Public register.

Significant events from 1 January 2016 to 31 December 2016:

The Company received a license for electricity traders in Serbia on 22 January 2016.

On 16 March 2016 it was decided to close the Slovakian branch ALPIQ ENERGY SE, o.z.

The Company received a license for electricity and gas traders in Croatia on 3 October 2016 and 17 October 2016 respectively.

On 5 December 2016 the Company received a monetary contribution into the equity from parent company Alpiq AG in the amount of CZK 676,375 thousand (EUR 25,000 thousand).

On 14 December 2016 the Company registered Polish subsidiary PO PROSTU ENERGIA SA which was subsequently sold to its parent company Alpiq AG on 23 December 2016.

As at 31 December 2016 the Company operates foreign branches in Hungary, Romania, Switzerland and Poland and permanent establishment in Lithuania.

3. FINANCIAL SECTION

3.1. Board of Director's Report on Company Business Activities and its Assets for the reporting period from 1 January 2016 to 31 December 2016

In connection with the Company business activities and the state of corporate assets for the reporting period from 1 January 2016 to 31 December 2016 (the "Reference Period") the Board of Directors states the following:

Total operating expenses excluding corporate income tax expense amounted to CZK 92,452,119 thousand in the reference period.

The largest portion of these expenses is attributable to the purchase of electricity and gas of CZK 91,461,324 thousand, other costs for production consumption of CZK 750,391 thousand, personnel expenses of CZK 209,880 thousand, other taxes and charges of CZK 23,991 thousand, write offs of fixed assets of CZK 3,698 thousand and other operating expenses of CZK 2,835 thousand.

Operating revenues totaled CZK 91,236,821 thousand in the reference period and comprised revenues from the sales of electricity and gas of CZK 90,936,766 thousand, revenues from other services of CZK 281,423 thousand and other operating revenues of CZK 18,632 thousand.

Changes in provisions and allowances totaled CZK 187,849 thousand, of which CZK 187,240 thousand related to provision creation and CZK 609 thousand to creation of allowances to receivables and color certificates.

The Company reported profit on operating activities in the amount of CZK 1,403,147 thousand. Gross margin from the sales of electricity and gas was negative and in the amount of CZK 524,558 thousand.

The financial activities resulted in profit of CZK 45,445 thousand and comprise of profits and losses from foreign exchange and derivative operations recognized net in the profit and loss statement as financial income in the amount of CZK 63,418 thousand. The financial income, net was partially offset by financial expenses.

The balance sheet total is CZK 12,239,659 thousand. Long-term investments of CZK 20,896 thousand comprise, in particular, other long-term securities and interests of CZK 7,087 thousand representing following investments:

Investment	Company	Amount in thous.		Amount in thous. in foreign currency
		CZK	Currency	
6,53%	Alpiq Turkey Enerji Toptan Satış Ltd.	5,082	TRY	517
0,1%	Alpiq RomEnergie S.r.l.	1,865	CHF	106
10%	Atel Energy Romania S.r.l	111	RON	18
1%	Alpiq Energy Ukraine LLC*	29	UAH	12
Investice spolu		7,087		

*acquired as a result of the merger between Alpiq Energy SE and Alpiq Lithuania

Alpiq AG is the majority owner of all the companies mentioned above.
The Company did not acquire any its own ownership interests or shares.

Current assets – overview of significant items : Amount in thous. CZK

Current assets	12,042,622
<u>Short-term receivables</u>	11,235,847
<i>Thereof most significant items:</i>	
Unbilled revenue	8,516,250
Trade receivables	1,116,776
Other receivables	1,226,439
<u>Short-term financial assets</u>	491,589
<u>Inventory*</u>	52,179
<u>Long-term receivables</u>	263,007
<i>Thereof most significant items:</i>	
Long-term advances granted**	235,584
Deferred tax asset	27,423
<u>Other assets***</u>	176,141

* Inventory is represented by "color certificates" traded on the Polish Energy Exchange in the net amount of CZK 52,179 thousand. They are classified as goods in the accompanying balance sheet.

** Long-term advances mainly to cover potential liabilities arising from the Company's activities performed on the electricity market

*** Other assets consisted of prepaid expenses for energy supplies and transmission capacities necessary for their supplies in 2017.

Equity amounted to CZK 581,447 thousand as at the balance sheet date. The loss of the Company for the year 2016 was significantly negative in the amount of CZK (1,383,288) thousand. The effect of the loss in 2016 was partially compensated by the sole shareholder's resolution to provide monetary contribution into equity in the amount of CZK 676,375 thousand (EUR 25,000 thousand).

Liabilities were CZK 11,656,433 thousand. Current liabilities totaling CZK 11,380,244 thousand comprised unbilled deliveries of CZK 8,386,254 thousand, trade payables of CZK 969,097 thousand, short-term advances received of CZK 129,112 thousand, other liabilities of CZK 1,644,742 thousand, liabilities related to employment relations of CZK 11,212 thousand and other tax liabilities to the government of CZK 30,741 thousand and liabilities from negative balance on cash-pooling to parent company of CZK 209,086 thousand. Other liabilities were CZK 1,779 thousand. A provision for fees to support renewable sources in Poland that the Company is obliged to pay from electricity volumes delivered to end customers amounted to CZK 5,518 thousand, provision for loss contracts amounted to CZK 261,403 thousand and other provisions amounted to CZK 9,268 thousand.

3.2. Report on the Company's business performance and past and projected developments in corporate activities

During the year 2016 the Company expanded its core activities in trading with electricity and gas, cross-border optimization of energy flows and providing energy services. The Company was active in majority of markets and power exchanges of Central and Eastern Europe. As a result of the merger of Alpiq Energy SE with Alpiq Energija Lietuva AB, in 2016 the Company also expanded its trading activities to all Baltic countries and also to the power markets NASDAQ and Nordpool in the Scandinavian countries.

During the year 2016 the Company was entered into contracts with financial settlement (Contracts for Difference), expanded its portfolio by trading with CO₂ and coal derivatives and significantly increased its activities in spot trading.

In terms of energy services the Company provides services related to portfolio management and balancing, purchase of energy and color certificates from renewable producers or ancillary services in Hungary. Moreover, the Company offers wide scale of individual products for end customers including energy consulting.

In 2016 the business result was significantly influenced by high and unpredictable volatility of wholesale electricity prices which mainly in the last quarter of 2016 caused material losses to the Company and result from open electricity positions. The loss was further influenced by creation of provision for potential losses on electricity supplies in 2017 in total amount of CZK 187 million and resulted in total negative operating loss of CZK (1,403) million. Due to these facts the capital position was strengthened by monetary contribution into equity by sole shareholder in the amount of CZK 676 million (EUR 25 million) and by increasing the credit line provided by parent company. Concurrently the Company reevaluated its internal risk limits and business model and reorganized its trading department.

In the years to come, the Company will continue in developing its electricity and gas trading business in the region of Central and East Europe and Baltic countries. The Company started the activity on the energy exchanges SEEPEX in Serbia and IBEX in Bulgaria. In 2017 the Company plans to start the activity on energy exchanges in Serbia and Croatia where the Company in 2016 received a license for electricity and gas trading

Providing services

In the years 2014 and 2015, the Company started to provide supporting services to Alpiq Group companies (especially IT services), which resulted to significant increase of employees and extending of office spaces. In the same period, there were partly relocated employees from Swiss branch to Czech Republic and remaining part of employees was transferred to parent company Alpiq AG.

This trend continued also in 2016 when the provided IT services to Alpiq Group were expanded also to other administrative positions and scheduling. The expansion of providing services is planned also for future periods which results into relocation of the Company into new premises and seat in 2017.

3.3. Report on Relations between the Controlling and the Controlled Persons and Persons controlled by the same Controlling Person for the reporting period from 1 January 2016 to 31 December 2016

The Report on Relations between the Controlling Person and Controlled Person and between the Controlled Person and other persons controlled by the Same Controlling Person (the "Report on Relations") for the Reference Period is an integral part of this Annual Report.

3.4. The annual financial statements for the reporting period from 1 January 2016 to 31 December 2016

The annual financial statements for the reporting period from 1 January 2014 to 31 December 2015 are an integral part of this Annual Report and was audited by the audit firm Ernst & Young Audit, s.r.o.

4. FOREIGN BRANCHES AS AT 31 DECEMBER 2016

The Company has the following foreign branches:

ALPIQ ENERGY SE Magyarországi Fióktelepe
1085 Budapest, Kálvin tér 12.
Hungary

ALPIQ ENERGY SE SPÓŁKA EUROPEJSKA ODDZIAŁ W POLSCE
00,609 Waszawa, ul. Armii Ludowej 26
Poland

ALPIQ ENERGY SE PRAGA – SUCURSALA BUCURESTI
Bucuresti, Sectorul 1, Str. Nicolae Caramfil 43
Romania

ALPIQ ENERGY SE, Prag, Zweigniederlassung Niedergösgen
Oltnerstrasse 63, 5013 Niedergösgen
the Swiss Confederation

Permanent establishment in Lithuania
ALPIQ ENERGY SE
Lvovo str. Business Registration No. (IC) 25
09320 Vilnius
Lithuania

5. INFORMATION ON CORPORATE ACTIVITIES PURSUANT TO SECTION 21(2) OF ACT 563/1991 COLL.

The Company carried out no research & development activities in 2016.

In compliance with the valid legal requirements the Company pays permanent attention to environmental protection, particularly the waste management.

The Company strictly complies with the Labor Code. Trade unions are not active in the Company. The average number of employees was 134 as at 31 December 2016. Social expenses were withdrawn in accordance with the internal policy. The major employee benefits include meal allowances, contributions to language courses and leisure activities.

6. SUBSEQUENT EVENTS

On 24 January 2017 the procurator Martin Pich was deleted from the Public register.

On 16 March 2017 procurators Pavle Čulibrk, Alena Divišová, Radomír Roháč, Michal Dubeň, Janberk Sahin and Tomáš Plocek were deleted from the Public register.

7. CONFIDENTIALITY

1. All information and matters, which are part of trade secrets of the Controlling Person, Controlled Person and other Related Parties, are deemed confidential including any and all information that any related party marks and designates as confidential. In addition, all business-related information that could by itself or in connection with other information or facts result in detriment to any related party is deemed confidential.

2. To avoid any detriment to the Controlled Person with regard to paragraph 1 of this article above, this report does not contain any other confidential information and facts.

In Prague on 31 March 2017



ALPIQ ENERGY SE
Zdeněk Čihák
Board of Directors Chairman;



ALPIQ ENERGY SE
Peter Dworak
Board of Directors member

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2016

(Translation of Financial Statements Originally Issued in Czech –
See Note 2 to the Financial Statements)

ALPIQ ENERGY SE as at 31.12.2016

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

BALANCE SHEET - LONG FORM

		Current year			Prior year 2015
		Gross	Allowances	Net	Net
TOTAL ASSETS		12,466,396	(226,737)	12,239,659	9,239,815
A.	STOCK SUBSCRIPTION RECEIVABLE				
B.	FIXED ASSETS	204,292	(183,396)	20,896	14,707
B. I.	Intangible fixed assets	157,871	(157,094)	777	197
B. I. 1.	Research and development				
2.	Valuable rights	5,375	(4,598)	777	197
1.	Software	5,375	(4,598)	777	197
2.	Other valuable rights				
3.	Goodwill	152,496	(152,496)		
4.	Other intangible fixed assets				
5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	0	0	0	0
1.	Advances granted for intangible fixed assets				
2.	Intangible fixed assets in progress				
B. II.	Tangible fixed assets	39,334	(26,302)	13,032	7,423
B. II. 1.	Land and structures	6,395	(3,700)	2,695	4,084
1.	Land				
2.	Structures	6,395	(3,700)	2,695	4,084
2.	Movable assets and sets of movable assets	23,841	(18,441)	5,400	3,339
3.	Gain or loss on revaluation of acquired property	4,161	(4,161)		
4.	Other tangible fixed assets		0	0	0
1.	Perennial crops				
2.	Livestock				
3.	Miscellaneous tangible fixed assets				
5.	Advances granted for tangible fixed assets and tangible fixed assets in progress	4,937	0	4,937	0
1.	Advances granted for tangible fixed assets				
2.	Tangible fixed assets in progress	4,937		4,937	
B. III.	Long-term investments	7,087	0	7,087	7,087
B. III. 1.	Interests – controlled or controlling entity				
2.	Loans and borrowings – controlled or controlling entity				
3.	Shares in associates				
4.	Loans and borrowings to associates				
5.	Other long-term securities and interests	7,087		7,087	7,087
6.	Loans and borrowings – other				
7.	Other long-term investments	0	0	0	0
1.	Miscellaneous long-term investments				
2.	Advances granted for long-term investments				
C.	CURRENT ASSETS	12,085,963	(43,341)	12,042,622	9,110,414
C. I.	Inventories	67,671	(15,492)	52,179	9,710
C. I. 1.	Materials				
2.	Work in progress and semi-finished production				
3.	Finished products and goods	67,671	(15,492)	52,179	9,710
1.	Finished products				
2.	Goods	67,671	(15,492)	52,179	9,710
4.	Livestock				
5.	Advances granted for inventories				
C. II.	Receivables	11,526,708	(27,849)	11,498,854	8,581,601
C. II. 1.	Long-term receivables	263,007	0	263,007	79,351
1.	Trade receivables				
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Deferred tax asset	27,423		27,423	30,861
5.	Other receivables	235,584	0	235,584	48,490
5.1.	Receivables from partners				
5.2.	Long-term advances granted	235,584		235,584	48,490
5.3.	Unbilled revenue				
5.4.	Miscellaneous receivables				

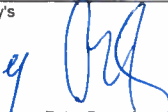
The accompanying income statement, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

BALANCE SHEET - LONG FORM

		Current year			Prior year 2015
		Gross	Allowances	Net	Net
C. II. 2.	Short-term receivables	11,263,696	(27,849)	11,235,847	8,502,250
1.	Trade receivables	1,137,800	(21,024)	1,116,776	831,849
2.	Receivables – controlled or controlling entity				116,952
3.	Receivables – significant influence				
4.	Other receivables	10,125,896	(6,825)	10,119,071	7,553,449
4.1.	Receivables from partners				
4.2.	Social security and health insurance				
4.3.	Due from government - tax receivables	112,791	(6,825)	105,966	185,424
4.4.	Short-term advances granted	270,416		270,416	439,524
4.5.	Unbilled revenue	8,516,250		8,516,250	6,286,775
4.6.	Miscellaneous receivables	1,226,439		1,226,439	641,726
C. III.	Short-term financial assets	0	0	0	0
1.	Shares in subsidiaries or parents				
2.	Other short-term financial assets				
C. IV.	Cash	491,589	0	491,589	519,103
1.	Cash in hand	234		234	392
2.	Cash at bank	491,355		491,355	518,711
D. I.	Prepaid expenses and accrued income	176,141	0	176,141	114,694
D. I. 1.	Prepaid expenses	176,141		176,141	114,694
2.	Prepaid expenses (specific-purpose expenses)				
3.	Accrued income				

BALANCE SHEET - LONG FORM

		Current year	Prior year 2015
TOTAL EQUITY & LIABILITIES		12,239,869	9,239,815
A.	EQUITY	581,447	1,288,360
A. I.	Basic capital	172,655	172,655
A. I. 1.	Registered capital	172,655	172,655
2.	Own ownership interests (-)		
3.	Changes in basic capital		
A. II.	Share premium and revaluation reserve	0	0
A. II. 1.	Share premium		
2.	Capital funds	0	0
1.	Other capital funds		
2.	Gain or loss on revaluation of assets and liabilities (+/-)		
3.	Gain or loss on revaluation upon corporate transformation (+/-)		
4.	Differences arising on corporate transformation (+/-)		
	Differences arising between balance sheet date and transformation date (+/-)		
A. III.	Reserves from profit	690,945	14,570
A. III. 1.	Other reserves		
2.	Statutory and other reserves	690,945	14,570
		0	0
A. IV.	Profit (loss) brought forward (+/-)	1,101,135	834,221
IV. 1.	Retained earnings	1,101,135	834,221
2.	Accumulated loss (-)		
3.	Other profit (loss) brought forward (+/-)		
A. V. 1.	Profit (loss) for the year (+/-)	(1,383,288)	266,914
A. VI. 2.	Approved decision on advances for profit distribution (-)	0	0
B. + C.	PROVISIONS AND LIABILITIES	11,656,433	7,949,840
B. I.	Provisions	276,189	88,949
B. I. 1.	Provision for pensions and similar obligations		
2.	Provision for corporate income tax		
3.	Provisions recognized under special legislation		
4.	Other provisions	276,189	88,949
C.	Liabilities	11,380,244	7,860,891
C. I.	Long-term liabilities	0	0
1.	Bonds payable	0	0
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		
3.	Long-term advances received		
4.	Trade payables		
5.	Long-term notes payable		
6.	Liabilities – controlled or controlling entity		
7.	Liabilities – significant influence		
8.	Deferred tax liability		
9.	Other liabilities	0	0
1.	Liabilities to partners		
2.	Unbilled deliveries		
3.	Miscellaneous liabilities		
C. II.	Current liabilities	11,380,244	7,860,891
1.	Bonds payable	0	0
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		
3.	Short-term advances received	129,112	76,384
4.	Trade payables	969,097	511,665
5.	Short-term notes payable		
6.	Liabilities – controlled or controlling entity	209,086	
7.	Liabilities – significant influence		
8.	Other liabilities	10,072,949	7,272,842
1.	Liabilities to partners		
2.	Short-term borrowings		
3.	Liabilities to employees	7,601	6,806
4.	Liabilities arising from social security and health insurance	3,611	3,016
5.	Due to government – taxes and subsidies	30,741	55,248
6.	Unbilled deliveries	8,386,254	6,488,444
7.	Miscellaneous liabilities	1,644,742	719,329
D. I.	Accruals and deferred income	1,779	1,615
D. I. 1.	Accruals	12	12
2.	Deferred income	1,767	1,603

Prepared on:	Signature of entity's statutory body:
31.3.2017	Zdeněk Čihák  Peter Dworak

ALPIQ ENERGY SE for the year ended 31.12.2016

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT - LONG FORM

		Current year	Prior year 1.1.2014-31.12.2015
I.	Revenue from sale of finished products and services	281,423	332,507
II.	Revenue from sale of goods	90,936,766	174,308,241
A.	Production-related consumption	92,211,715	173,860,674
A.1.	Cost of goods sold	91,461,324	172,239,437
A.2.	Consumption of material and energy	5,355	9,846
A.3.	Services	745,036	1,611,391
B.	Change in inventory produced internally (+/-)	0	0
C.	Own work capitalized (-)	0	0
D.	Personnel expenses	209,880	398,834
D.1.	Wages and salaries	163,092	308,956
D.2.	Social security and health insurance costs and other costs	46,788	89,875
D.2.1.	Social security and health insurance costs	40,061	69,877
D.2.2.	Other costs	6,727	19,998
E.	Value adjustments in respect of operating activities	4,307	27,396
E.1.	Value adjustments in respect of intangible and tangible fixed assets	3,698	38,023
E.1.1.	Value adjustments in respect of intangible and tangible fixed assets - permanent	3,698	38,023
E.1.2.	Value adjustments in respect of intangible and tangible fixed assets - temporary		
E.2.	Value adjustments in respect of inventory	6	(77)
E.3.	Value adjustments in respect of receivables	603	(10,550)
III.	Other operating income	18,632	71,923
III.1.	Income from sale of fixed assets		729
III.2.	Income from sale of materials		
III.3.	Miscellaneous operating income	18,632	71,194
F.	Other operating expenses	214,066	37,686
F.1.	Net book value of fixed assets sold		77
F.2.	Net book value of materials sold		
F.3.	Taxes and charges relating to operations	23,991	42,319
F.4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	187,240	(14,716)
F.5.	Miscellaneous operating expenses	2,835	10,006
*	Profit or loss on operating activities (+/-)	(1,403,147)	388,084
IV.	Income from long-term investments - interests	0	0
IV.1.	Income from interests in subsidiaries or parents		
IV.2.	Other income from interests		
G.	Cost of interests sold	2	0
V.	Income from other long-term investments	869	61
V.1.	Income from other long-term investments - subsidiaries or parents		
V.2.	Other income from other long-term investments	869	61
H.	Expenses relating to other long-term investments	0	0
VI.	Interest receivable and similar income	2,284	6,493
VI.1.	Interest receivable and similar income - subsidiaries or parents		327
VI.2.	Other interest receivable and similar income	2,284	6,166
I.	Value adjustments and provisions relating to financial activities	0	0
J.	Interest payable and similar expenses	1,524	30,852
J.1.	Interest payable and similar expenses - subsidiaries or parents	1,200	30,852
J.2.	Other interest payable and similar expenses	324	
VII.	Other finance income	63,629	0
K.	Other finance cost	19,811	75,112
*	Profit or loss on financial activities (+/-)	45,445	(99,410)
**	Profit or loss before taxation (+/-)	(1,357,702)	288,674

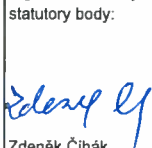

The accompanying balance sheet, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

ALPIQ ENERGY SE for the year ended 31.12.2016

Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

INCOME STATEMENT - LONG FORM

		Current year	Prior year 1.1.2014-31.12.2015
L.	Income tax	25,586	21,760
L.1.	Income tax due	22,148	26,114
L.2.	Income tax deferred (+/-)	3,438	(4,354)
**	Profit or loss after taxation (+/-)	(1,383,288)	266,914
M.	Transfer of share of profit or loss to partners (+/-)	0	0
***	Profit or loss for the year (+/-)	(1,383,288)	266,914
*	Net turnover	91,303,603	174,719,225

Prepared on:	Signature of entity's statutory body:	
31.3.2017		
	Zdeněk Čihák	Peter Dworak

1. DESCRIPTION OF THE COMPANY

ALPIQ ENERGY SE ("the Company") is a European joint stock company incorporated by an entry in the Public Register on 20 October 2008 in the Czech Republic. The Company's registered office is located at Rohanské nábřeží 670/19, Karlín, 186 00 Prague 8, Czech Republic, and the business registration number (IČ) is 284 77 090. The Company is involved in electricity and gas trading and providing related services.

Merger Project

On 29 April 2014, the statutory bodies of Alpiq Central Europe AG (currently Alpiq AG), a sole shareholder of ALPIQ ENERGY SE, and Alpiq Energija Lietuva AB (hereinafter the "dissolving company" or "Alpiq Lithuania"), approved a project of merger by acquisition in accordance with Act No. 125/2008 Coll. on Transformations of Corporations and Cooperatives, as amended. As a result of the merger the assets and liabilities of the dissolving company passed to ALPIQ ENERGY SE. The effective date of the merger in the Czech Republic was 1 January 2014, the opening balance sheet was prepared as at the same date. This fact was recorded in the Public Register on 1 February 2015. As a result of the aforementioned merger project, the Company prepared the financial statements as at 31 December 2015 for the two-year period from 1 January 2014 to 31 December 2015.

As at 31 December 2016 the Company prepared the financial statements for one-year period from 1 January 2016 to 31 December 2016.

Members of the statutory bodies as at 31 December 2016 were as follows:

Board of Directors	
Chair:	Zdeněk Čihák
Member:	Edgar Carsten Lehmann
Member:	Peter Dworak

Supervisory Board	
Member:	Markus Brokhof

Procurators	
Alena Divišová	Michal Dubeň
Cornelia Häuptli Baumgartner	Tomáš Plocek
Martin Hulena	Claudia Erni Eiholzer
Hans Günther Mayer	Marie Adamová
Janberk Sahin	Tobias Meyer
Marek Musial	Hana Lindovská
Radomír Roháč	Martin Šiška
Jacek Zoladek	Karel Ouška
Paulius Gineitis	Pavle Čulibrk
Gergely Gonda	Martin Pich

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2016

The parent company is Alpiq AG with its registered office at Bahnhofquai 12, Olten, the Swiss Confederation, holding a 100% interest in the Company's basic capital. The ultimate parent company is Alpiq Holding Ltd, the Swiss Confederation.

The Company is included in the consolidated group of the parent company.

At least two members of the Board of Directors jointly (including the Board of Directors' chairman and a member), or at least two procurators act and sign on the Company's behalf. In compliance with Section 164 para. 3 of Act No. 89/2012 Coll., the Civil Code, the Board of Directors' chairman is authorized to carry out legal acts with respect to Company employees.

The following changes were made to the Public Register entry in the period from 1 January 2016 to 31 December 2016:

On 21 January 2016 procurators Laura Feleki, Fabio Mancin and Petr Radina were deleted from the Public Register.

On 21 January 2016 the information was added in the Public Register entry regarding the manner of acting, specifically that in compliance with Section 164 para. 3 of Act No. 89/2012 Coll., the Civil Code the Board of Directors' chairman is authorized to carry out legal acts with respect to Company employees.

On 5 March 2016 the extension of terms for another 6 years for the Board of Directors' member Peter Dworak was recorded in the Public Register.

On 5 March 2016 procurator Koryun Shahbazyan was deleted from the Public Register.

On 27 July 2016 procurator Karel Ouška was recorded in the Public Register. Procurator Nebojsa Bogdanovic was deleted from the Public Register as at the same date.

On 27 October 2016 procurators Karel Kadlec and Petr Seigertschmid were deleted from the Public register.

On 26 November 2016 procurator Kosta Kosoric was deleted from the Public register.

Significant events from 1 January 2016 to 31 December 2016:

The Company received a license for electricity trade in Serbia on 22 January 2016.

On 16 March 2016 it was decided to close the Slovakian branch ALPIQ ENERGY SE, o.z.

The Company received a license for electricity and gas trade in Croatia on 3 October 2016 and 17 October 2016 respectively.

On 5 December 2016 the Company received a monetary contribution into the equity from parent company Alpiq AG in the amount of CZK 676,375 thousand (EUR 25,000 thousand).

On 14 December 2016 the Company registered Polish subsidiary PO PROSTU ENERGIA SA which was subsequently sold to its parent company Alpiq AG on 23 December 2016.

As at 31 December 2016 the Company operates foreign branches in Hungary, Romania, Switzerland and Poland and has a permanent establishment in Lithuania.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2015 and 2016.

As a result of the merger with Alpiq Lithuania, the Company was obliged to prepare its annual financial statements as at 31 December 2015 for the period from 1 January 2014 to 31 December 2015. The cross-border merger by acquisition with the effective date of 1 January 2014 was recorded in the Public Register on 1 February 2015. Therefore the accounting and tax periods for the preparation of the Company's financial statements covered two years.

Due to fact that the Company prepared the financial statements for the two-year period last year, the prior period information in the income statement and the cash flow statement contains balances for the period from 1 January 2014 to 31 December 2015. The balance sheet includes the comparable period containing the balances as at 31 December 2015.

All the information disclosed in the notes to the financial statements contains the balances as at 31 December 2016, comparable period as at 31 December 2015 and in some cases also the opening balances as at 1 January 2014 related to the period prior to merger with information about the merger effect.

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.

3. CHANGES IN ACCOUNTING POLICIES, RECLASSIFICATION

Exchange rate gains and losses and changes in the fair values of financial derivatives presented in the income statement for the period from 1 January 2014 to 31 December 2015 were reclassified. The reclassification is done by mutual offsetting and presentation of net position in Other finance cost or Other finance income, as appropriate. Formerly foreign exchange differences and changes in fair values of financial derivatives were recognized gross at the same positions.

Pursuant to requirements of the Act on Accounting amendment and the related guidelines as applicable from 1 January 2016, the presentation of items in the balance sheet and in the income statement has changed. To achieve the comparability of these items with the respective items for the preceding reporting period, the items in the balance sheet and in the income statement for 2015 have been appropriately adjusted. The Company has followed the Czech accounting standard for entrepreneurs No. 024 "Comparative Period for the Reporting Period Started in 2016" and made the following adjustments:

	Items as at 31/12/2015 (disclosures valid till 31/12/2015)	Amount in thd. CZK	Items as at 31/12/2015 (disclosures valid from 1/1/2016)	Amount in thd. CZK
1	G.1. Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	(25,343)	E.2 Value adjustments in respect of inventory	(77)
			E.3. Value adjustments in respect of receivables	(10,550)
			F.4. Provisions relating to operations and prepaid expenses (specific-purpose expenses)	(14,716)
2	X.1. Interest income	6,493	VI.1 Interest receivable and similar income - subsidiaries or parents	327
			VI.2. Other interest receivable and similar income	6,166

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Company in preparing the financial statements as at 31 December 2016 and the financial statements as at 31 December 2015 are as follows:

a) Intangible Fixed Assets

Intangible fixed assets are recorded at their acquisition cost and related expenses.

Goodwill arose in relation to the cross-border merger by acquisition with Atel Polska Sp.z o.o. and Alpiq Energia Magyarország Kft. as the difference between the valuation of business assets of these companies and the aggregate of individually revalued asset components, net of assumed liabilities.

Intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their useful economic lives.

Amortization

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Software	1 - 4
Patents, royalties and similar rights	6
Goodwill	5

b) Tangible Fixed Assets

Tangible fixed assets with a cost exceeding CZK 10 thousand in the case of the acquisition of furniture and fixtures and computer and telecommunication technologies and CZK 40 thousand in other cases are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs. Vehicles are deemed tangible fixed assets regardless of their acquisition cost.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Depreciation

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Leasehold improvement (buildings)	over the lease term
Machinery and equipment	4 – 7
Vehicles	4
Furniture and fixtures	6

c) Financial Assets

Long-term financial assets consist of ownership interests in the Alpiq group companies.

Interests are valued at their acquisition cost, which includes the purchase price and direct costs related to the acquisition.

Short-term financial assets consist of liquid valuables, cash in hand and at bank.

d) Receivables

Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other receivables.

e) Derivatives

Derivatives are initially measured at cost. Derivatives are recorded in other short-term receivables or payables, as appropriate, in the accompanying balance sheet.

Derivatives are classified as derivatives held for trading or hedging derivatives. The latter are designated as either fair value hedges or cash flow hedges. In order to qualify for hedge accounting, the change in the fair value of a derivative or of its estimated cash flow must offset, in whole or in part, the change in the fair value or cash flow arising from the hedged item. In addition, there must be formal documentation of the hedging relationship at inception and the Company must prove that the hedging relationship is highly effective. In all other cases, derivatives are recognized as financial and held-for-trading.

Derivatives are revalued to fair value as at the balance sheet date. The Company recognizes fair values of derivatives to costs and revenues on netting principle. The net position of financial derivatives is recognized either in Other finance cost or in Other finance income, as appropriate in the income statement. Due to the Company's scope of business, changes in the fair value of commodity derivatives for purchase or sale of electricity, gas, coal and color certificates are reported net in income statement on position Revenue from sale of goods (see Note 18). Changes in the fair value of derivatives designated as fair value hedges are also recognized in income, together with the change in the fair value of the hedged item attributable to the risk being hedged. Changes in the fair value of derivatives designated as cash flow hedges are taken to equity and reflected in the balance sheet through gain or loss on revaluation of assets and liabilities. Any ineffective portion of the hedge is reported in income.

f) Equity

The basic capital of the Company is stated at the amount recorded in the Public Register maintained in the Municipal Court in Prague. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the financial statements date is recorded through changes in basic capital.

The Company has conformed to Act No. 90/2012 Coll., on corporations and cooperatives (Corporations Act). The Corporations Act no longer requires that corporations establish a legal reserve fund; this fact was reflected in the Articles of Association, letter 4 valid as of 27 November 2014 by means of expressing conformity to Act No. 90/2012, Coll.

As a result of the amendment to the Articles of Association, the legal reserve fund was reversed in prior year and the balance was presented in equity caption retained earnings - see Note 11.

g) Provisions and Liabilities

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial and commodity derivatives at fair value are shown in other payables.

h) Leases

The Company records leased assets by expensing the lease payments and, for finance leases, capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortized over the lease term.

i) Foreign Currency Transactions

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the exchange rate prevailing at the transaction date. On the balance sheet date monetary items are adjusted to the exchange rates as published by the Czech National Bank as at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

j) Recognition of Revenues and Expenses

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Revenue from the sale of electricity and gas is recognized when electricity and gas are supplied and it comprises billed amounts and the change in balance of supplied yet unbilled electricity and gas.

The change in the balance of unbilled electricity and gas is determined as at the financial statements' date based on an estimate, which is made on assumptions and information about projected consumption received from Energy Market Operator or consumption calculated using internal estimates and measuring. An actual amount of billed electricity and gas in the future may differ from the estimate.

Purchased and sold electricity and gas are reported as revenue from sale of goods and cost of goods sold, as appropriate, in the financial statements. Other costs related to electricity and gas trading (distribution services, purchased capacities, etc.) are reported as consumed services. Sold capacities are presented as revenue from sale of goods.

Within its trading activity, the Company enters into standard contracts with other traders for the purchase and the sale of electricity and gas, both effected in the same quantity and at the same point in time. These contracts are classified as derivatives held for trading and are revalued with a corresponding entry in net profit or loss as at the balance sheet day (see Note 4e). The revaluation of unrealized contracts is part of the Company's trading activity and, accordingly, is reported in a net amount as revenue from sale of goods in the financial statements.

k) Income Tax

The corporate income tax expense is calculated based on the statutory tax rate and book income before taxes, increased or decreased by the appropriate permanent and temporary differences (e.g. non-deductible provisions and allowances, entertainment expenses, differences between book and tax depreciation, etc.). In addition, the following items are taken into consideration: tax base decreasing items (donations), tax deductible items (tax loss, research and development costs) and income tax reliefs.

The deferred tax position reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for corporate income tax purposes, taking into consideration the period of realization.

l) Electricity Exchange Trading

The Company has entered into electricity futures, i.e. commodity contracts for future electricity supplies, at the Energy Exchanges in Prague (PXE), on markets that are part of European Energy Exchange (EEX), Budapest (HUPX), Vienna (EXAA), Stockholm (NASDAQ), Lysaker (Nordpool), Bucharest (OPCOM) and Warsaw (TGA and GPW), Athens (LAGIE), Sofia (IBEX) and Belgrade (SEPEEX). The futures are acquired primarily to secure the supplies of electricity to Company's customers. In case of variation margining the movements in futures prices, which are credited or debited, as appropriate, to the Company on a daily basis, are presented within other receivables (losses) and other liabilities (gains). Gains and losses arising from futures are recognized upon the supply of electricity. When the position is closed, any related gains or losses are recognized directly in profit and loss, within other finance income or other finance cost, as appropriate.

If a future contract is concluded for purpose other than to secure electricity supplies to the Company's customers, the Company classifies such a contract as derivative (see Note 4e).

m) "Color" Certificates

In order to meet its obligation to deliver certain volume of electricity from renewable sources to end customers in Poland the Company purchases the so-called "color" certificates. These certificates are traded at stock exchanges, classified as goods and re-measured at the balance sheet date taking into consideration all foreseeable risks and contingent losses related to the certificates and the liabilities that are known as at the financial statements preparation date. Also all types of impairment are taken into account. A temporary diminution in the value of the certificates is reflected via an allowance. The allowance amount depends on the price of "color" certificates at the Polish Energy Exchange and is determined as the difference between the acquisition cost and the current market value of the certificates. Purchased certificates are stated at actual cost being determined using the first-in, first-out ('FIFO') method.

n) Subsequent Events

The impact of events that occurred between the balance sheet date and the date of the financial statements preparation is 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.

5. FIXED ASSETS**a) Intangible Fixed Assets (in CZK thousands)****COST**

	At beginning of year	Additions	Disposals	At end of year
Software	4,615	760	-	5,375
Goodwill	152,496	-	-	152,496
2016 Total	157,111	760	-	157,871
2015 Total	156,980	188	(57)	157,111

ACCUMULATED AMORTIZATION

	At beginning of year	Amortization during year	Disposals	At end of year	Net book value
Software	(4,418)	(180)	-	(4,598)	777
Goodwill	(152,496)	-	-	(152,496)	-
2016 Total	(156,914)	(180)	-	(157,094)	777
2015 Total	(124,823)	(32,148)	57	(156,914)	197

Patents, royalties and similar rights are amortized over their useful lives as specified in the relevant contract.

The Company shows goodwill of CZK 152,496 thousand on revaluation that arose upon the cross-border merger by acquisition with Atel Polska SP.z o.o. and Alpiq Energie Magyarország Kft as at 1 January 2010. Amortization of the goodwill at an amount of CZK 30,499 thousand was charged into income in the reporting period and the goodwill was thus fully written off as at 31 December 2015.

b) Tangible Fixed Assets (in CZK thousands)**COST**

	At beginning of year	Merger effect	Additions	Disposals	At end of year
Constructions	6,395	-	-	-	6,395
Machinery and equipment	19,314	-	3,505	(3,038)	19,781
Vehicles	318	-	664	-	982
Furniture and fixtures	3,057	-	21	-	3,078
Adjustment to acquired property	4,161	-	-	-	4,161
Tangibles in progress	-	-	4,937	-	4,937
2016 Total	33,245	-	9,127	(3,038)	39,334
2015 Total	31,263	27	8,931	(6,976)	33,245

ACCUMULATED DEPRECIATION

	At beginning of year	Merger effect	Depreciation during year	Net book value	Disposals	At end of year	Net book value
Constructions	(2,311)	-	(1,389)	-	-	(3,700)	2,695
Machinery and equipment	(16,055)	-	(2,009)	-	3,038	(15,026)	4,755
Vehicles	(266)	-	(83)	-	-	(349)	633
Furniture and fixtures	(3,029)	-	(37)	-	-	(3,066)	12
Adjustment to acquired property	(4,161)	-	-	-	-	(4,161)	-
Tangibles in progress	-	-	-	-	-	-	4,937
2016 Total	(25,822)	-	(3,518)	-	3,038	(26,302)	13,032
2015 Total	(26,833)	(13)	(5,875)	(77)	6,976	(25,822)	7,423

In 2014 and 2015, technical improvement of leasehold premises at an acquisition cost of CZK 4,390 thousand was capitalized on grounds that the office space was expanded and its layout modified.

In relation with expanded leasehold premises, furniture and information technology equipment at an acquisition cost of CZK 4,392 thousand were purchased.

In 2016 the machinery and equipment at an acquisition cost of CZK 3,505 thousand was purchased and related mainly to system services in Hungary. Moreover, the Company acquired one car at the acquisition cost of CZK 664 thousand. In 2016 in relation with planned movement into the new premises the Company capitalized tangibles in progress in the total amount of CZK 4,937 thousand.

The total value of small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 11,924 thousand and CZK 10,655 thousand at acquisition cost as at 31 December 2016 and 31 December 2015, respectively.

c) Long-Term Financial Investments

Other long-term securities and interests in the total amount of CZK 7,087 thousand represent investments in related parties. The Company has a 0.1% ownership interest in Alpiq RomEnergie S.r.l. at the value of CHF 106 thousand (CZK 1,865 thousand) acquired in 2010 for no consideration from Alpiq Central Europe Ltd (currently Alpiq AG). In prior accounting period the Company had a 10% ownership interest in Alpiq Turkey Enerji Toptan Satis Ltd at the value of TLR 200 thousand (CZK 2,220 thousand) acquired in 2011. In 2014 and 2015 Alpiq Turkey Enerji changed its basic capital: the 10% interest of the Company was increased by TLR 317 thousand (CZK 2,862 thousand) in 2014, while the original 10% interest was decreased to 6.53% in 2015. The ownership interest change was due to the increase in basic capital of Alpiq Turkey Enerji and an investment only at the majority owner Alpiq AG. Furthermore, following the decision of Atel Energy Romania S.r.l. shareholders dated 2 September 2014 the Company acquired for consideration a 10% interest in the Atel Energy Romania S.r.l.'s basic capital at the value of RON 18 thousand (CZK 111 thousand).

As a result of the merger of Alpiq Energy SE and Alpiq Lithuania the successor company Alpiq Energy SE acquired a 1% interest in the basic capital of Alpiq Energy Ukraine as at 1 January 2014. The value of the interest is UAH 12 thousand (CZK 29 thousand).

On 14 December 2016 the Company registered Polish subsidiary PO PROSTU ENERGIA SA with basic capital PLN 200 thousand (CZK 1,227 thousand) which was subsequently sold to its parent company Alpiq AG on 23 December 2016.

Alpiq AG is the majority owner of the all companies.

6. INVENTORY

In order to meet its obligation to deliver certain volume of electricity from renewable sources to end customers in Poland the Company purchases the so-called "color" certificates. These certificates are traded at stock exchanges and are classified as goods in the accompanying balance sheet. Certificates have been written down to their estimated net realizable value by an allowance account. The allowance was determined by management based on the price of the "color" certificates at the Polish Energy Exchange (see Note 8).

7. RECEIVABLES

Allowances against outstanding receivables that are considered doubtful were charged to income in reporting period, respectively (see Note 8). As at 31 December 2016 and 31 December 2015, the Company had no significant overdue receivables except for those against which an allowance was created.

As at 31 December 2016, long-term advance payments in the total amount of CZK 235,584 thousand comprise mainly an advances for deliveries of electricity and color certificates from local producers in Poland of CZK 192,509 and an advance deposits to cover potential liabilities arising from the Company's activities performed on the electricity market of CZK 6,598 thousand towards OTE a.s. (electricity market operator), CZK 32,424 thousand towards OKTE, a.s. and CZK 4,053 thousand towards SEPS, a.s.

As at 31 December 2015 the Company had a receivable of CZK 116,952 thousand towards the parent company, respectively related to positive balance in the cash-pooling system. As at 31 December 2016 the balance was negative.

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2016

The total value of short-term advance payments made was CZK 270,416 thousand and CZK 439,524 thousand as at 31 December 2016 and 31 December 2015 prior to merger, respectively. Balances as at 31 December 2016 and 31 December 2015 comprise, in particular, advance payments for electricity deliveries and color certificates to local producers in Poland and Bulgarian company Nationalna elektriceska kompanija (NEK) for the 2017 and 2016 periods, respectively. In addition, short-term advance payments made include other advances for transmission and other, particularly power-related fees.

As at 31 December 2016 and 31 December 2015 the Company reports in short-term tax receivables from the government in gross amounts as follows: value added tax of CZK 110,253 thousand and CZK 192,447 thousand, respectively, corporate income tax of CZK 2,358 thousand and CZK 5,776 thousand, respectively and other taxes of CZK 180 thousand and CZK 873 thousand, respectively.

Unbilled revenue represents, in particular, unbilled supplies of electricity and gas, and distribution fees to eligible customers.

As at 31 December 2016 and 31 December 2015, other receivables comprise, in particular, positive fair values of outstanding derivatives in the amount of CZK 1,017,508 thousand and CZK 578,525 thousand, respectively (see Note 14) and unrealized gains of CZK 159,223 thousand and CZK 16,147 thousand, respectively related to the entered into futures contracts at the Energy Exchanges where the delivery related to the futures will be rendered in future periods. As at 31 December 2016 other receivables also include receivables from related parties (see Note 20).

8. ALLOWANCES

Allowances reflect a temporary diminution in value of assets (see Notes 6 and 7).

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 01/ 01/ 2014 prior to merger	Merger effect	Decrease	Increase	Balance as at 31/ 12/ 2015	Decrease	Increase	Balance as at 31/ 12/ 2016
Receivables – legal	4,872	-	(4,872)	3,887	3,887	-	-	3,887
Receivables – tax non-deductible	30,691	2,233	(19,108)	9,543	23,359	(7,846)	8,449	23,962
Goods – tax non-deductible	15,563	-	(558)	481	15,486	-	6	15,492
Total	51,126	2,233	(24,538)	13,911	42,732	(7,846)	8,455	43,341

Legal allowances are created in compliance with the Act on Provisions and are tax deductible.

Legal allowance of CZK 3,887 thousand is attributable to creation of 100% allowance against trade receivable which the Company created in prior year due to opening the insolvency proceedings at the Company's debtor.

A decrease in tax non-deductible allowance is attributable, in particular, to reversal of the allowance of CZK 6,848 thousand against receivable related to VAT claimed in Romania and to the reversal of allowances of CZK 998 thousand against trade receivables.

An overall increase of tax non-deductible allowance against receivables in the reporting period in the amount of CZK 8,449 thousand is attributable to overdue trade receivables.

As at 31 December 2016, an allowance against trade receivables totaled CZK 21,024 thousand and against tax deductible receivables CZK 6,825 thousand.

In addition, the Company increased an allowance of CZK 6 thousand against "color" certificates. The allowance amount depends on the price of "color" certificates at the Polish Energy Exchange and is determined as the difference between the acquisition cost and the current value of the certificates stated at the Polish Energy Exchange as at 31 December 2016.

9. SHORT-TERM FINANCIAL ASSETS

The Company has been participating in the cash-pool system with the ultimate parent company Alpiq Holding AG; the system is administrated by Deutsche Bank AG. Cash provided by the Company within the cash-pooling bears interest of Eonia - 0.5 % (minimal interest rate is 0.00%), cash used by the Company within the cash-pooling bears interest of Eonia + 2%. As at 31 December 2015 the balance of the cash provided within the cash-pooling was CZK 116,952 thousand and is reflected in short-term receivables in the balance sheet caption Receivables - controlled or controlling entity. As at 31 December 2016 the company had a liability towards its parent company in the amount of CZK 209,086 resulting from negative balance of the cash provided within the cash-pooling and is reflected in current liabilities in the balance sheet caption Liabilities – controlled or controlling entity.

10. OTHER ASSETS

As at 31 December 2016 and 31 December 2015, prepaid expenses of CZK 176,141 thousand and CZK 114,694 thousand, respectively, relate to accrued expenses for electricity supplies and transmission capacities necessary for electricity supplies in the coming years and rent prepaid in 2016 a 2015.

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2016

11. EQUITY

The movements in the capital accounts during the reporting period were as follows (in CZK thousands):

	Balance as at 01/ 01/ 2014 prior to merger	Merger effect	Profit transfer	Transfer of reserve fund	Profit	Balance as at 31/ 12/ 2015	Transfer of reserve fund	Monetary contribution into equity	Loss	Balance as at 31/ 12/ 2016
Basic capital	172,655	-	-	-	-	172,655	-	-	-	172,655
Reserve fund	20,200	-	-	(20,200)	-	-	-	-	-	-
Other capital funds	1,865	12,705	-	-	-	14,570	-	676,375	-	690,945
Retained earnings	441,318	-	372,703	20,200	-	834,221	266,914	-	-	1,101,135
Current year profit/loss	372,703	-	(372,703)	-	266,914	266,914	(266,914)	-	(1,383,288)	(1,383,288)

The basic capital of the Company consists of 700 pcs of shares in certified form with a nominal value of CZK 246,650 (EUR 10,000). Total balance of basic capital is CZK 172,655,000 (EUR 7,000,000).

The Company's profit for the year ended 31 December 2013 was CZK 372,703 thousand. Pursuant to the sole shareholder's decision dated 16 June 2014 the profit was added to retained earnings. In addition the legal reserve fund of CZK 20,200 thousand was reversed and transferred to retained earnings; this fact is disclosed in Note 4f of general accounting principles.

The Company's profit for the year ended 31 December 2015 was CZK 266,914 thousand. Pursuant to the sole shareholder's decision dated 27 June 2016 the profit was added to retained earnings.

Other capital funds were increased in prior period by CZK 12,705 thousand due to the merger, of which CZK 7,117 thousand are other capital funds at Alpiq Lithuania as at 1 January 2014 and CZK 5,588 thousand are attributable to an increase of Alpiq Lithuania basic capital in 2014 due to the change of legal form and transfer to other capital funds within the merger process.

Other capital funds were increased in current period by CZK 676,375 thousand (EUR 25,000 thousand) by monetary contribution into the equity by parent company Alpiq AG.

12. PROVISIONS

The movements in the provision accounts were as follows (in CZK thousands):

Provisions	Balance as at 01/ 01/ 2014 prior to merger	Additions	Deductions	Balance as at 31/ 12/ 2015	Additions	Deductions	Balance as at 31/ 12/ 2016
Loss making contracts	3,565	123,197	(48,470)	78,292	186,949	(3,838)	261,403
Fee to support renewable sources	66,236	24,139	(82,610)	7,765	6,123	(8,370)	5,518
Other	33,864	3	(30,975)	2,892	6,376	-	9,268
Total	103,665	147,339	(162,055)	88,949	199,448	(12,208)	276,189

In the reporting period, the Company increased a provision by CZK 186,949 thousand for potential losses on electricity supplies which will be effected in 2017. The provision recorded as at 31 December 2015 to cover the losses incurred in 2016 in the amount of CZK 3,838 was reversed in full.

For the purposes of the provision amount determination, an open position of portfolio of electricity contracts was valued using the CZK/EUR foreign exchange rates as published by the Czech National Bank and the of electricity futures rates applicable as at 31 December 2016. The final CZK/EUR exchange rate and the price of electricity, at which the open positions of electricity portfolio will be closed, may significantly differ from the rates and prices used for the provision determination. Due to a possible fluctuation of foreign exchange rates and electricity prices copying the developments in global markets, the net profit or loss from contracts for electricity supplies covered by the provision may significantly differ from the net profit or loss anticipated as at 31 December 2016.

In addition, the Company recorded a provision for the fee to support renewable sources in Poland that the Company is obliged to pay from electricity volumes delivered to end customers. The obligation is met either by the payment of the fee determined by the government for the respective period or the purchase and following redemption of the rights to certificates confirming energy produced from renewable sources. The provision balance was CZK 5,518 thousand as at 31 December 2016.

Due to planed relocation of the Company into new premises the other provisions were increased mainly by a provision recorded to cover current office rent payable in 2017 and 2018.

13. CURRENT LIABILITIES

As at 31 December 2016 the Company had no significant overdue current liabilities to third parties. As at 31 December 2016 the Company had overdue current liability to its parent company of CZK 120,077 thousand.

As at 31 December 2015 the Company had no overdue current liabilities.

As at 31 December 2016 and 31 December 2015, the Company had liabilities of CZK 3,611 thousand and CZK 3,015 thousand, respectively owing to social security and health insurance premiums.

Unbilled deliveries represent, in particular, unbilled supplies of electricity and related services.

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As at 31 December 2016 and 31 December 2015, other liabilities comprise, in particular, negative fair values of outstanding derivatives (see Note 14) and unrealized loss of CZK (0) and CZK (2,537) thousand, respectively related to the traded futures contracts at Energy Exchanges where the delivery related to the futures will be rendered in future periods.

Payables to related parties (see Note 20).

14. DERIVATIVES

The Company has concluded several contracts for derivatives, which do not qualify as hedging instruments and are classified as held for trading. As at 31 December 2016, the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively.

The following table summarizes face values and positive or negative values of outstanding derivatives held for trading as at 31 December 2016 and 31 December 2015:

(in CZK thousands)	31/ 12/ 2016			31/ 12/ 2015		
	Contractual/ Face value	Fair value Positive	Negative	Contractual/ Face value	Fair value Positive	Negative
Derivatives relating to electricity trading	15,470,477	648,271	1,134,839	11,420,649	492,428	676,532
Derivatives relating to gas trading	6,278,888	318,878	461,803	1,243,166	78,112	32,335
Derivatives relating to coal trading	14,303	14,306	-	-	-	-
Currency forwards	3,248,443	34,673	47,849	1,856,722	7,985	3,302
Derivatives relating to color certificates trading	153,507	1,380	251	68,487	-	4,622
Total	25,165,618	1,017,508	1,644,742	14,589,024	578,525	716,791

15. INCOME TAXES

As a result of the cross border merger the prior accounting and tax periods are from 1 January 2014 to 31 December 2015. The Company filed its corporate income tax return for two calendar years, specifically for 2014 and 2015. For the year 2016 the Company will file corporate income tax return for current one year tax period.

	2016 in CZK thousands	2015 in CZK thousands
Profit before taxes	(1,357,702)	288,674
Difference between book and tax depreciation	(932)	5,306
Non-deductible expenses		
Creation of provisions and allowances	187,849	(25,343)
Other (e.g. entertainment expenses, donations, goodwill write-off, estimated bonuses, fines and penalties)	64,086	106,791
Revenues related to prior tax period	5,968	3,830
Expenses related to prior tax period	(24,079)	(7,595)
Non-deductible expenses incurred in prior tax period and deductible in current period	(54,276)	(70,574)
Taxable income	(1,179,086)	301,089
Tax loss carryforward utilized	-	(301,089)
Current income tax rate, %	19	19
Tax	-	-
Current tax abroad	22,148	26,107
Tax paid on dividends received in the Czech Republic	-	7
Current tax expense	22,148	26,114

The corporate income tax payable on ordinary activities for 2016 comprises tax payable in the Hungarian branch in the amount of CZK 19,879 thousand, tax payable in the Polish branch in the amount of CZK 2,292 thousand and difference between prior year accrual and final corporate income tax in Lithuania in the amount of CZK (23) thousand.

The Company can carry forward tax losses generated in prior years for up to five years. As at 31 December 2016 the Company recorded tax losses of CZK 2,662,583 thousand generated in the Czech Republic, Poland and Switzerland in the years 2011 through 2016 that may be used in the years 2016 through 2020.

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The Company quantified deferred taxes as follows (in CZK thousand):

Deferred tax items	31/ 12/ 2016		31/ 12/ 2015	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	1,247	-	-	(468)
Allowances	2,227	-	3,563	-
Allowances - merger effect	339	-	339	-
Provisions	52,494	-	20,417	-
Tax loss carryforward	505,891	-	317,653	-
Estimated items (untaken vacation and bonuses and other temporary differences abroad)	27,295	(6,670)	26,211	(33,163)
Total	589,492	(6,670)	368,183	(33,631)
Net	578,823		334,552	

As at 31 December 2016 the Company recorded a deferred tax asset at an amount of CZK 27,084 thousand on temporary differences in the Polish branch and a deferred tax asset of CZK 339 thousand as a result of the merger.

As at 31 December 2016 and 31 December 2015, the Company did not record a deferred tax asset of CZK 555,400 thousand and CZK 303,691 thousand, respectively on the basis that its recovery was uncertain. The deferred tax liability in the amount of CZK 6,670 thousand arose in Poland and was fully offset with the deferred tax asset.

16. LEASES

The Company leases fixed assets, which are not recorded on the balance sheet (see Note 4h).

Assets which are being used by the Company under finance leases (i.e. the assets are transferred to the Company when the lease term expires) as at 31 December 2016 consist of the following (in CZK thousands):

Description	Terms/ Conditions	Total lease	Payments made as at 31/ 12/ 2016	Remaining payments as at 31/ 12/ 2016	
				Due within one year	Due over one year
Mazda SkyEnergy (PL)	47	1,005	880	125	-
VW Passat [AS] (PL)	47	998	489	168	341
VW Passat [MM] (PL)	47	947	443	175	329
VW Jetta (PL)	47	593	190	106	297
Volvo XC60 (PL)	47	962	164	188	610

17. COMMITMENTS AND CONTINGENCIES

The following bank guarantees and guarantees of the parent company were issued to the benefit of the Company's business partners (in CZK thousands):

	31/ 12/ 2016	31/ 12/ 2015
Guarantees issued in the Alpiq Holding Group	3,065,145	2,592,745
Bank guarantees	1,724,767	1,966,856

18. REVENUES

The breakdown of revenues from ordinary activities is as follows (in CZK thousands):

	01/ 01/ 2016 – 31/ 12/ 2016		01/ 01/ 2014 – 31/ 12/ 2015	
	Domestic	Foreign	Domestic	Foreign
Sale of electricity	9,798,245	71,754,074	22,490,411	149,040,972
Sale of gas	1,913,118	7,460,325	356,641	1,402,263
Change in fair value of derivatives relating to electricity trading	(182,599)	(211,222)	-	468,851
Change in fair value of derivatives relating to gas trading	(281,859)	184,514	-	45,776
Change in fair value of derivatives relating to coal trading	-	14,306	-	-
"Color" certificates and CO2 certificates trading	-	454,371	-	333,020
Other	6,183	308,733	123,010	379,804
Total revenues	11,253,088	79,965,101	22,970,062	151,670,686

Revenues from power, gas and coal supplies classified as commodity derivatives are part of revenues from the sale of electricity and gas. They amounted CZK 60,252,121 thousand as at 31 December 2016. Costs billed with respect to these derivatives are recognized as cost of the goods sold. They amounted to CZK 60,688,062 thousand in the reporting period, i.e. in 2016.

Summary of revenues and costs on commodity derivative trading (in CZK thousands):

	01/ 01/ 2016 – 31/ 12/ 2016		01/ 01/ 2014 – 31/ 12/ 2015	
	Domestic	Foreign	Domestic	Foreign
Revenues	9,299,920	50,952,201	11,938,806	96,629,756
Costs	(8,079,938)	(52,608,124)	(14,070,408)	(94,586,974)
Total margin	1,219,982	(1,655,923)	(2,131,602)	2,042,782

19. PERSONNEL AND RELATED EXPENSES

The breakdown of personnel expenses is as follows (in CZK thousands):

	01/ 01/ 2016 – 31/ 12/ 2016	01/ 01/ 2014 – 31/ 12/ 2015
Average number of employees	134	112
Wages and salaries	163,092	308,956
Social security and health insurance	40,061	69,877
Social cost	6,727	19,998
Total personnel expenses	209,880	398,831

Wages and salaries for the year 2016 include also wages and salaries paid not only to employees in the Czech Republic but also in the Company's branches in Hungary and Poland.

20. RELATED PARTY INFORMATION

The members of statutory and supervisory bodies, directors and executive officers were granted no loans, guarantees, advances or other benefits in the reporting period from 1 January 2016 to 31 December 2016 and they do not hold any shares of the Company. The Company sells electricity and gas and provides services to related parties in the ordinary course of business. Sales were CZK 31,955,927 thousand in the reporting period from 1 January 2016 to 31 December 2016.

Short-term receivables from related parties as at 31 December were as follows (in CZK thousands):

Related party	31/ 12/ 2016	31/ 12/ 2015
Alpiq AG	3,894,285	2,489,129
Alpiq Holding Ltd.	34,673	7,985
Alpiq Energija Skopje DOOE	21,925	14,412
Alpiq RomIndustries S.R.L.	33,127	66,072
Alpiq Energia Bulgaria Ltd.	1,758	1,150
Alpiq Energija (RS) d.o.o.	253,211	157,829
Alpiq Energija Hrvatska d.o.o.	127,924	19,072
Alpiq Energy Albania SH.P.K.	1,922	1,446
Alpiq Energy Ukraine LLC	1,435	623
Alpiq Turkey Enerji Toptan Satis Ltd.	2,849	588
Alpiq Energija BH d.o.o.	91,281	48,762
Alpiq Generation (CZ) s.r.o.	635	18,282
Alpiq Csepel Kft.	-	20,948
Alpiq Energia Italia S.p.A.	618	
Alpiq Energie France S.A.S.	1,933	1,933
Po Prostu Energia SA	34	
PPC Bulgaria AD*	28,191	43,761
Total	4,495,801	2,891,992

* Joint venture company

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Financial Statements for the year ended 31 December 2016

As at 31 December 2016 and 31 December 2015, short-term receivables from related parties included trade receivables from sales of electricity and gas, unbilled revenue representing unbilled supplies of electricity and gas, receivables from providing services and other receivables comprising positive values of currency forwards and loans provided to sister companies in the amount of CZK 47,842 thousand.

The Company purchases electricity and gas, receives services from related parties in the ordinary course of business, pays interest expense for using loans and fees for guarantees provided. Purchases were CZK 35,066,893 thousand in the period from 1 January 2016 to 31 December 2016.

Short-term payables to related parties as at 31 December were as follows (in CZK thousands):

Related party	31/ 12/ 2016	31/ 12/ 2015
Alpiq AG	5,038,264	3,056,778
Alpiq Holding Ltd.	47,849	14,757
Alpiq Generation (CZ) s.r.o.	71,068	92,507
Alpiq Energija Skopje DOOE	26,985	9,742
Alpiq Energia Bulgaria Ltd.	2,713	2,632
Alpiq Energija Hrvatska d.o.o.	148,587	43,363
Atel Energija BH d.o.o.	2,314	2,579
Alpiq Energija (RS) d.o.o.	153,105	124,554
Alpiq RomIndustries S.R.L.	35,707	21,970
Alpiq Energy Albania SH.P.K.	1,712	1,849
Alpiq Turkey Enerji Toptan Satis Ltd.	-	443
Alpiq Csepel Kft.	34	66
Alpiq Energy Hellas S.A.	3,614	1,130
Total	5,531,952	3,372,370

In 2016, short-term payables to related parties included trade payables from sales of electricity, gas and CO₂; unbilled deliveries representing unbilled supplies of electricity and gas and other liabilities comprising negative values of currency and commodity forwards.

As at 31 December 2016 the company had a liability towards its parent company in the amount of CZK 209,086 resulting from negative balance of the cash provided within the cash-pooling and is reflected in current liabilities in the balance sheet caption Liabilities – controlled or controlling entity. The interest expense recorded in the current period relating to the cash-pooling was CZK 1,200 thousand.

21. SIGNIFICANT ITEMS OF INCOME STATEMENT

The costs for services comprise, in particular, transmission fees and other costs related to power transmission. These costs amounted to CZK 473,960 thousand in 2016. The remainder is attributable to IT services in the amount of CZK 65,649 thousand and other services in the amount of CZK 205,427 thousand.

In the reporting period, taxes and fees totaled CZK 23,991 thousand of which the largest portion is attributable to concession and license fees in the amount of CZK 20,917 thousand. Other taxes and fees amount to CZK 3,074 thousand.

In 2016, other operating expenses in the total amount of CZK 2,835 thousand represent fines and penalties for late payment of CZK 8 thousand, CZK 1,402 thousand related to insurance costs and CZK 1,425 thousand related to other costs.

Other operating revenues in the total amount of CZK 18,632 thousand consist mainly of revenues from re-invoicing of IT systems of CZK 13,263 thousand, contractual fines/compensation for the failure to meet the terms and conditions of power supply contracts of CZK 470 thousand, revenues of CZK 794 thousand related to refund of VAT claimed for a receivable already written off and other revenues in the amount of CZK 4,105 thousand.

Revenues from other income from other long-term investments consist of dividend of CZK 869 thousand (TRY 119 thousand) received from Alpiq Turkey Enerji Toptan Satis Ltd in which the Company has a 6.53% share.

Other financial income and expense include mainly exchange rate gains and losses and gains and losses on financial derivative transactions that are recognized net (see Note 3).

22. SUBSEQUENT EVENTS

On 24 January 2017 the procurator Martin Pich was deleted from the Public register.

On 16 March 2017 procurators Pavle Čulibrk, Alena Divišová, Radomír Roháč, Michal Dubeň, Janberk Sahin and Tomáš Plocek were deleted from the Public register.

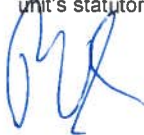

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2016

23. STATEMENT OF CASH FLOWS (SEE APPENDIX 1)

The cash flow statement was prepared under the indirect method.

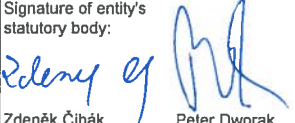
24. STATEMENT OF CHANGES IN EQUITY (SEE POINT 11 OF FOOTNOTES)

Prepared on:	Signature of accounting unit's statutory body:
31 March 2017	 Peter Dworak
	 Zdeněk Čihák

CASH FLOW STATEMENT

For the years ended 31 December 2016 and 2015

		Current year	Prior year 1.1.2014-31.12.2015
Cash flows from operating activities			
Z.	Profit or loss on ordinary activities before taxation (+/-)	(1,357,702)	288,674
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	680,369	(464,021)
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	3,698	43,190
A. 1. 2.	Change in allowances	609	(10,626)
A. 1. 3.	Change in provisions	187,240	(14,716)
A. 1. 4.	Foreign exchange differences	612	2,590
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	2	(652)
A. 1. 6.	Interest expense and interest income	(760)	24,359
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	488,968	(508,166)
A *	Net cash from operating activities before taxation, changes in working capital and extraordinary items	(677,333)	(175,347)
A. 2.	Change in non-cash components of working capital	(352,857)	1,125,725
A. 2. 1.	Change in inventory	(42,475)	49,470
A. 2. 2.	Change in trade receivables	(292,044)	3,535,009
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(2,398,773)	(2,689,355)
A. 2. 4.	Change in trade payables	455,063	(2,730,754)
A. 2. 5.	Change in other payables, and in accruals and deferred income	1,925,372	2,961,354
A **	Net cash from operating activities before taxation, interest paid and extraordinary items	(1,030,190)	950,377
A. 3. 1.	Interest paid	(1,524)	(30,852)
A. 4. 1.	Income Tax paid	(19,054)	(3,286)
A ***	Net cash provided by (used in) operating activities	(1,050,767)	916,289
Cash flows from investing activities			
B. 1. 1.	Purchase of fixed assets	(9,617)	(12,135)
B. 2. 1.	Proceeds from sale of fixed assets	150	579
B. 3. 1.	Loans granted	116,952	156,787
B. 4. 1.	Interest received	2,284	6,493
B. 5. 1.	Dividends received		61
B ***	Net cash provided by (used in) investing activities	109,769	151,785
Cash flows from financing activities			
C. 1.	Change in long-term liabilities, and long-term and short-term loans	237,109	(1,014,725)
C. 2. 1.	Effect of other changes in equity on cash		
C. 2. 2.	Profit shares paid		
C. 2. 3.	Effect of other changes in own capital on cash	676,375	11,435
C ***	Net cash provided by (used in) financing activities	913,484	(1,003,290)
F.	Net increase (decrease) in cash	(27,514)	64,734
P.	Cash and cash equivalents at beginning of year	519,103	454,368
R.	Cash and cash equivalents at end of year	491,589	519,103

Prepared on:	Signature of entity's statutory body:
31.3.2017	 Zdeněk Čihák Peter Dworak

Report on relations between the controlling person and the controlled person and between the controlled person and other persons controlled by the same controlling person for the period from 1 January 2016 to 31 December 2016

This report on relations between the controlling person and the controlled person and between the controlled person and other persons controlled by the same controlling person (hereinafter the "Report on Relations") was prepared by *ALPIQ ENERGY SE (a European company), with its registered office located at Rohanské nábřeží 670/19, 186 00 Prague 8, Company Identification No. (IČO) 284 77 090, registered in the Public Register maintained in Prague under file No. H81* (hereinafter the "Company" or the "Controlled Person") pursuant to Section 82 of Act No. 90/2012 Coll., on Business Corporations (hereinafter the "Business Corporations Act") for the period from 1 January 2016 to 31 December 2016 (hereinafter the "Accounting Period"). In preparing this Report on Relations, the Company's statutory body used the understanding and information available to the members of the statutory body as at the date of preparation of this Report. This Report on Relations constitutes an inseparable part of the Company's Annual Report for the period from 1 January 2016 to 31 December 2016.

1. Structure of relations between related parties

Throughout the Accounting period, the Company was a member of the Alpiq Group. The Company's shareholder holding with a 100% interest is Alpiq AG (the "Controlling Person"). The ultimate parent company is Alpiq Holding AG, established under the laws of the Swiss Confederation, with the seat in Lausanne, Chemin de Mornex 10, CH 1003, Switzerland, recorded in commercial register of Canton Vaud under identification number CH-400-3923145-9 (hereinafter "Alpiq Holding AG"). Alpiq Holding AG is the sole shareholder of Alpiq AG and indirectly controls the Company.

1.1. Brief description of the Controlled Person and the Controlling Person:

Controlled Person

Business name: ALPIQ ENERGY SE
Registered office: Rohanské nábřeží 670/19, 186 00 Prague 8
Identification No.: 284 77 090
Legal form: European company

Controlling Person

Business name: Alpiq AG
Registered office: Olten, Bahnhofquai 12, post code 4600, the Swiss Confederation
Identification No.: CH-105.974.401
Legal form: joint-stock company
The company was established under the laws of the Swiss Confederation.

Indirectly controlling Person (ultimate parent company of group Alpiq):

Business name: Alpiq Holding AG
Registered office: Lausanne, Chemin de Mornex 10, post code 1003, the Swiss Confederation
Identification No.: CH-400.3.923.145-9
Legal form: joint-stock company
The company was established under the laws of the Swiss Confederation.

1.2. Companies controlled by the same Controlling Person and having also the contractual obligations with the Company in the Accounting Period

Alpiq Energija Bulgaria EOOD, established and existing under the laws of Bulgaria, with its registered office located at Pozitamo Sqr 2, 1303 Sofia, Bulgaria (hereinafter „Alpiq Energija Bulgaria EOOD“), with Alpiq AG being the sole shareholder;

Alpiq Energie France SAS, established and existing under the laws of France, with its registered office located at 127 avenue Charles de Gaule, 92200 Neuilly sur Seine, France (hereinafter „Alpiq Energie France SAS“), with Alpiq AG being the sole shareholder;

Alpiq Energija RS doo Beograd, established and existing under the laws of Serbia, with its registered office located at Bulevar Zorana Djindjica 64, 11070 Beograd, Serbia (hereinafter „Alpiq Energija RS doo Beograd“), with Alpiq AG being the sole shareholder;

Alpiq Energija BH d.o.o., established and existing under the laws of Bosnia and Herzegovina, with its registered office located at Street Kaptol 5/2, 71000 Sarajevo, Bosnia and Herzegovina (hereinafter „Alpiq Energija BH d.o.o.“), with Alpiq AG being the sole shareholder;

Alpiq Energija Hrvatska d.o.o., established and existing under the laws of Croatia, with its registered office located at Vijenac 7, 100 00 Zagreb, Croatia (hereinafter „Alpiq Energija Hrvatska d.o.o.“), with Alpiq AG being the sole shareholder;

Alpiq Energy Albania SHPK, established and existing under the laws of Albania, with its registered office located at str. Deshmoret E4 Shkurtit, Sky Tower BLDG 3/4, 1031 Tirana, Albania (hereinafter „Alpiq Energy Albania SHPK“), with Alpiq AG being the sole shareholder;

Alpiq Energy Hellas SA, established and existing under the laws of Greece, with its registered office located at 179 Sygrou Av., 171 21 Athens, Greece (hereinafter „Alpiq Energy Hellas SA“), with Alpiq AG being the majority shareholder (94.97%) and Panos Zeritis holding the remaining 5.03% interest (a natural person residing in Greece);

Alpiq Energy Ukraine LLC, established and existing under the laws of Ukraine, with its registered office located at 25-B, P. Sagaydachnogo str., 04070 Kiev, Ukraine (hereinafter „Alpiq Energy Ukraine LLC“), with Alpiq AG being the majority shareholder (99%) and Alpiq Energy SE holding the remaining 1% interest;

Alpiq Generation (CZ) s.r.o., established and existing under the laws of the Czech Republic, with its registered office located at Dubská 257, 27203 Kladno – Dubí, the Czech Republic (hereinafter „Alpiq Generation (CZ) s.r.o.“), with Alpiq AG being the sole shareholder;

Alpiq ROMINDUSTRIES S.R.L., established and existing under the laws of Romania, with its registered office located at Str. Washington, Nr.1, Sector 1, Etaj 1, 011792 Bucharest, Romania (hereinafter „Alpiq ROMINDUSTRIES S.R.L.“), with Alpiq AG being the sole owner;

Alpiq RomEnergie S.R.L., established and existing under the laws of Romania, with its registered office located at Str. Washington, nr. 1, Sector 1, Etaj 1, 011792 Bucharest, Romania (hereinafter „Alpiq RomEnergie S.R.L.“), with Alpiq AG being the majority shareholder (99.9%) and Alpiq Energy SE holding the remaining 0.1% interest;

Atel Energy Romania S.R.L., established and existing under the laws of Romania, with its registered office located at Camera nr.1, Etaj 2, Ap.4, Str. Nicolae Caramfil 43, Bucuresti Sectorul 1, Romania (hereinafter „Atel Energy Romania S.R.L.“), with Alpiq AG being the majority shareholder (90%) and Alpiq Energy SE holding the remaining 10% interest;

ALPIQ TURKEY ENERJI TOPTAN SATIŞ LTD. ŞTİ., established and existing under the laws of Turkey, with its registered office located at Valikonağı Cad. No. 70, Ayaz Aptartmani Kat. 4/11, 343 65 Teşvikiye - Şişli İstanbul, Turkey (hereinafter „ALPIQ TURKEY ENERJI TOPTAN SATIŞ LTD. ŞTİ.“), with Alpiq AG being the majority shareholder (93.47%) and Alpiq Energy SE holding the remaining 6.53% interest;

Alpiq Energija Skopje d.o.o.e., established and existing under the laws of Macedonia, with its registered office located at Albert Ajnštajn 4/1, 1000 Skopje, Macedonia (hereinafter „Alpiq Energija Skopje d.o.o.e.“), with Alpiq AG being the sole owner;

Alpiq Csepel Kft., established and existing under the laws of Hungary, with its registered office located at Kálvín tér 12, 1085 Budapest, Hungary (hereinafter „Alpiq Csepel Kft.“), with Alpiq AG being the sole owner;

PPC Bulgaria AD, joint venture company, established and existing under the laws of Bulgaria, with its registered office located at Pozitamo Sqr 2, Triaditsa District, Sofia 1000, Bulgaria (hereinafter „PPC Bulgaria“), with Public Power Corporation S.A. being the majority shareholder (85%) and Alpiq AG holding the remaining 15% interest.

ALPIQ ENERGIA ITALIA S.p.A., established and existing under the laws of Italia, with its registered seat office located at Via Stephenson 73, Milano, Italia, with Alpiq Italia SRL being the sole owner;

PO PROSTU ENERGIA SA, established and existing under the laws of Poland, with its registered seat office located at Ul. Aleja Armij Ludowej 26, Warsaw, Poland, with Alpiq AG being the sole owner.

The Controlled Person with brief description provided in Article 1.1. is acquainted with the Controlling Person with brief description also provided in Article 1.1. and other persons controlled by the same Controlling Person. To the best knowledge of the statutory representatives the list of entities belonging to Alpiq Group (entities controlled directly or indirectly by Alpiq Holding AG) is enlisted on pages 142-146 of the Alpiq Holding AG's annual report available on this link: http://www.alpiq.com/images/Alpiq_GB_2016_E_tcm95-149556.pdf.

2. The Company's role in the relationships between the Company and other persons controlled by the same Controlling Person (hereinafter the "Related Parties")

The Company trades with an electricity, gas, emission allowances and commodity derivatives. The Company's activities are in line with its business strategy comprise purchases and sales of the above commodities to Related Parties stipulated in Article 1.2 and to the Controlling Person stipulated in Article 1.1.

In addition, the Company is a supporting service provider to Related Parties in various fields (accounting, reporting, risk management, controlling, portfolio management, scheduling, administrative support, invoicing, payments, IT, etc.), and has a significant position in determining the business strategies in some Related Parties. In terms of these tasks the Company participates on creation or enforcement of Alpiq Group's policies.

The Company is the ultimate Controlled Person controlled by Alpiq AG; no other legal entities are indirectly controlled or managed through the Company.

3. Method and means of control

The Company is subject to single management by Alpiq AG and indirectly to Alpiq Holding AG with which the Company forms a concern pursuant to Section 79 of the Business Corporations Act. Single management is particularly exercised through regular meetings of the Company's statutory body members with Alpiq AG management and the methodologies and guidelines issued by Alpiq AG that are reflected in the Company's internal rules and regulations.

Alpiq AG also asserts the interests of the concern by exercising the rights of the sole shareholder exercising the powers of the General Meeting, particularly by electing and recalling members of the Company's bodies and approving their remuneration. As a result of its control, Alpiq AG is able,

to a certain extent, to change the Company's Memorandum of Association. In addition, under the Memorandum of Association, certain explicitly stipulated legal actions that do not constitute regular day-to-day business management require prior consent of the sole shareholder exercising the powers of the General Meeting.

4. Overview of actions taken in the past accounting period at the initiative or in the interest of the Controlling Person or the entities controlled by the Controlling Person, where such actions concerned assets exceeding 10% of the Company's equity

In the Accounting Period, the following actions were taken at the initiative or in the interest of the directly or indirectly controlling person, i.e. Alpiq AG or Alpiq Holding AG, or in the interest of persons controlled by the Controlling Person, that concerned the Company's assets exceeding 10% of equity (determined from the last annual financial statements, i.e. the Financial Statements for years 2014-2015):

Counterparty	Performance
Alpiq AG	Sale of electricity in amount of: 23,449,836,371 CZK
Alpiq AG	Purchase of electricity in amount of: 24,191,446,640 CZK
Alpiq AG	Sale of gas in amount of: 5,692,464,407 CZK
Alpiq AG	Purchase of gas in amount of: 5,911,941,757 CZK
Alpiq AG	Purchase of CO2 in amount of: 356,564,837 CZK
Alpiq Energija Hrvatska d.o.o.	Sale of electricity in amount of: 605,387,907 CZK
Alpiq Energija Hrvatska d.o.o.	Purchase of electricity in amount of: 961,754,786 CZK
Alpiq Generation (CZ) s.r.o.	Purchase of electricity in amount of: 1,390,419,152 CZK
Alpiq ROMINDUSTRIES S.R.L.	Sale of electricity in amount of: 266,549,079 CZK
Alpiq ROMINDUSTRIES S.R.L.	Purchase of electricity in amount of: 309,868,054 CZK
ALPIQ TURKEY ENERJI TOPTAN SATIŞ LTD. ŞTİ.	Sale of electricity in amount of: 173,724,344 CZK
Alpiq Energija RS doo Beograd	Sale of electricity in amount of: 816,067,193 CZK
Alpiq Energija RS doo Beograd	Purchase of electricity in amount of: 1,367,213,042 CZK
PPC Bulgaria AD	Sale of electricity in amount of: 575,248,261 CZK

5. Overview of contracts and agreements between Related Parties

The following contracts and agreements between the Controlled Person and the Controlling Person and/or other Related Parties were effective in the Accounting Period:

1. Consulting agreements with related parties on accounting and tax, risk management, electricity supply scheduling, controlling, budget and portfolio management in Alpiq Energija RS d.o.o., Alpiq Energija BH d.o.o. and Alpiq RomIndustries S.R.L. concluded on 15 April 2010 with effect from 1 March 2010 for an indefinite period of time;
2. Consulting agreement on accounting and tax, risk management, electricity supply scheduling, controlling, budget and portfolio management with related party Alpiq Turkey Enerji Toptan Satis Ltd., concluded on 18 March 2013 with effect from 1 January 2012 for an indefinite period of time;
3. Consulting agreement on administrative support and portfolio management with related party Alpiq Energija Hrvatska d . o . o., concluded on 25 April 2013 with effect from 1 January 2012 for an indefinite period of time;
4. Consulting agreement on accounting, reporting, controlling and administrative support, energy solutions, scheduling, support with internal controls and operational procurement with the controlling person Alpiq AG, with effect from 1 January 2016, 1 March 2016, 1 April 2016, 1 August 2016 and 1 December 2016 for an indefinite period of time;
5. Consulting agreement on accounting and tax, risk management, electricity supply scheduling, controlling, budget and portfolio management with related party Alpiq Energija Skopje d.o.o.e., concluded on 13 December 2012 with effect from 1 January 2012 for an indefinite period of time;
6. Consulting agreement on electricity trading concluded with related party Alpiq Energy Hellas A.E. on 30 April 2009 with effect from 1 April 2009 for an indefinite period of time;
7. Consulting services agreements on accounting and tax, controlling, risk management and administrative support with related parties Alpiq Energia Bulgaria EOOD and Atel Energy Romania S.R.L.. Contracts were concluded by legal predecessor of the Company on 1 August 2007 and 29 October 2007, respectively, with effect from 1 January 2007 for an indefinite period of time;
8. Consulting services agreement with related party Alpiq Generation (CZ) s.r.o. concluded on 30 June 2010 with effect from 1 January 2010;
9. MAXIMO software consulting services agreement concluded with the controlling person, Alpiq AG, with effect from 1 May 2010 for an indefinite period of time;
10. Cash-pooling agreement with Alpiq Holding Ltd. The agreement is effective from 5 March 2012 for an indefinite period of time;
11. Framework contract (EFET) on gas purchase and supply concluded with controlling person Alpiq AG, with effect from 1 October 2014 for an indefinite period of time (part of the contract is the amendment from 26 September 2016 on trading with emission allowances CO2);
12. Framework contract (EFET) on power purchase and supply concluded with legal predecessor of controlling person Alpiq AG, with effect from 1 January 2010 for an indefinite period of time;
13. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq RomIndustries S.R.L., with effect from 1 November 2013 for an indefinite period of time;
14. Framework contract (EFET) on gas purchase and supply concluded with related party Alpiq RomIndustries S.R.L., with effect from 20 May 2016 for an indefinite period of time;
15. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Turkey Enerji Toptan Satis Ltd., with effect from 31 January 2012 for an indefinite period of time;
16. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energia Bulgaria EOOD, with effect from 29 January 2010 for an indefinite period of time;

17. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energija BH d.o.o., with effect from 29 January 2010 for an indefinite period of time;
18. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energija RS d.o.o., with effect from 29 January 2010 for an indefinite period of time;
19. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energija Hrvatska d.o.o, with effect from 1 January 2010 for an indefinite period of time;
20. Framework contract on power purchase and supply concluded between legal predecessors of Alpiq Energy SE and Alpiq Generation (CZ) s.r.o., with effect from 12 February 2004 to 24 January 2016 (replaced by framework contract (EFET) stated below);
21. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energy Hellas S.A., with effect from 1 March 2014 for an indefinite period of time;
22. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energija Skopje d.o.o.e., with effect from 5 October 2010 for an indefinite period of time;
23. Framework contract on power purchase and supply concluded with majority shareholder (Public Power Corporation S.A.) of related party PPC Bulgaria AD, with effect from 1 March 2015 for an indefinite period of time;
24. Agreements between related parties on strategic services and local services in Alpiq Energija RS d.o.o., Alpiq Energija BH d.o.o., Alpiq Energija Hrvatska d.o.o., Alpiq Energy Albania SH.P.K. and Alpiq Energija Skopje d.o.o.e.. Agreements are effective from 1 January 2012 for an indefinite period of time;
25. IT service agreement concluded with the controlling person, Alpiq AG. The agreement is effective from 1 January 2016 for an indefinite period of time;
26. IT support agreement concluded with the controlling person, Alpiq AG, effective from 1 January 2016 for an indefinite period of time;
27. Service agreement on consulting and other services connected with access to the Bulgarian electricity market concluded on 18 October 2013 with related party Alpiq Energia Bulgaria EOOD for an indefinite period of time from 1 January 2013;
28. Consulting agreement on accounting, administrative support and payments concluded on 31 December 2015 with related party Alpiq Energie France S.A.S. for an indefinite period of time from 1 March 2015;
29. Loan agreement with related party Alpiq Energy Albania SH.P.K. concluded on 2 November 2011 with effect from 30 June 2010 for an indefinite period of time;
30. Loan agreement with related party Alpiq Energy Ukraine LLC concluded on 5 November 2012 with effect from 15 May 2013 for an indefinite period of time;
31. Loan agreement with related party Alpiq Energija BH d.o.o. concluded on 3 April 2015 with effect from 7 April 2015 for an indefinite period of time;
32. Commodity hedging contract (gas) with related party Alpiq Csepel Kft. Concluded on 4 August 2015 with effect from 1 September 2015 to 31 March 2016;
33. Consulting agreement on accounting, administrative support, payments, invoicing, controlling, risk management, scheduling, portfolio management and legal support concluded on 3 September 2014 with related party PPC Bulgaria AD for an indefinite period of time from 3 September 2014;
34. Hedging frame contract (ISDA) concluded on 24 August 2014 with ultimate parent company of whole group, Alpiq Holding AG, for an indefinite period of time from 1 September 2014;
35. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Generation (CZ) s.r.o., with effect from 25 January 2016 for an indefinite period of time;
36. Transfer and assignment of software works and service Agreement concluded with Efekt Technologies Sp. z o.o. to Alpiq AG dated 20 December 2016;
37. Transfer and assignment of telecommunication services Agreement concluded with Daktela s.r.o. to PO PROSTU ENERGIA SA with effect from 1 January 2017;

38. Share purchase agreement concluded with related party Alpiq AG on the purchase of shares of PO PROSTU ENERGIA with effect from 23 December 2016;
39. Consulting agreement on accounting, administrative support and payments concluded on 2 February 2017 with related party ALPIQ ENERGY ITALIA S.p.A. for an indefinite period of time from 29 August 2016;
40. Service agreement on consulting and other services connected with access to particular electricity and gas markets, portfolio management and optimization and support to new markets and projects concluded on 3 January 2017 with related party Alpiq AG for a period from 1 January 2015 and from 1 January 2016 to indefinite period of time;
41. Hedging frame contract (ISDA) concluded on 10 May 2016 with parent company Alpiq AG, for an indefinite period of time;
42. Guarantee line agreement with indirectly controlling related party Alpiq Holding AG from 26 February 2016 for an indefinite period of time;

6. Assessment of damage or detriment suffered, if any, and its settlement and evaluation of advantages or disadvantages and risks, if any, resulting from the relations between the Related Parties.

a. Assessment of damage or detriment suffered as a result of the relations between Related Parties

The statutory body of the Company, taking into account the circumstances and conditions under which the actions between the related parties in the accounting period were realized (conditions common in the ordinary course of business), concluded that the Company did not suffer any damage due to the influence. For that reason, the statutory body does not provide its comment either on settlement of damages, or on manner and time of such settlement, in the related party report.

b. Evaluation of advantages and disadvantages resulting from the relations between Related Parties

The Company's statutory body further declares that the Company's advantages as member of the concern, Alpiq Group, prevail, including, in particular, the Company's financial stability resulting from cash-pooling and diversification of risk thanks to the opportunity to operate, via the concern, in various Central and Eastern European markets. The Company can moreover use concern brand and logo Alpiq.

c. Evaluation of risks involved in the relations between Related Parties

The Company did not identify any material risks resulting from the relations between Related Parties.

7. Lack of information necessary for the preparation of the Report on Relations

The Company declares that Alpiq Group comprises more than one hundred and thirty related parties incorporated and existing under the laws of various world countries. Pursuant to Section 82(3) of the Business Corporations Act, the Controlled Person declares that given the circumstances and acting with due care, the dominant entity was requested to provide information on the complete structure of relations between related parties, including the ownership interests therein of the dominant entity or indirectly controlling person or other related parties. Information containing the list of Alpiq Group entities is included in section 1.2. The statutory body of the Company declares that as at the date of this report it is not aware of any other entities controlled directly or indirectly by Alpiq AG or Alpiq Holding AG.

This Report on Relations was prepared by the Controlled Person's statutory body as at 31 March 2017.

In Prague, on 31 March 2017



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ALPIQ ENERGY SE
Zdeněk Čihák
Chairman of the Board of Directors



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ALPIQ ENERGY SE
Peter Dworak
Member of the Board of Directors

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

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ALPIQ ENERGY SE:

Opinion

We have audited the accompanying financial statements of ALPIQ ENERGY SE (the Company) prepared in accordance with accounting principles generally accepted in the Czech Republic, which comprise the balance sheet as at 31 December 2016, and the income statement, statement of changes in equity and statement of cash flows 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 2016, and of its financial performance and its cash flows 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 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.

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.



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- 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 Board of Directors 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

A handwritten signature in blue ink, appearing to read 'Josef Pivoňka', written over a horizontal line.

Josef Pivoňka, Auditor
License No. 1963

31 March 2017
Prague, Czech Republic