

**ANNUAL REPORT**

**FOR THE REPORTING PERIOD FROM  
1 JANUARY 2017 TO 31 DECEMBER 2017**

OF

**ALPIQ ENERGY SE**

with its registered address at Jungmannova 26/15, 110 00 Prague 1, 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 Jungmannova 26/15, 110 00, Prague 1 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:	Jungmannova 26/15, 110 00 Prague 1
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 2017

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

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Supervisory Board	
Member:	Markus Brokhof

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Procurators:	
Cornelia Häuptli Baumgartner	Claudia Erni Eiholzer
Martin Hulena	Marie Adamová
Hana Lindovská	Tobias Meyer
Martin Šiška	Karel Ouška
Gergely Gonda	Tereza Jášková

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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 period from 1 January 2017 to 31 December 2017:

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.

On 24 April 2017 the Company changed its official seat to address Jungmannova 26/15, 110 00, Prague 1.

On 12 June 2017 the procurator Tereza Jášková was registered in the Public register.

On 18 August 2017 procurators Marek Musial, Jacek Żoładek and Paulius Gineitis were deleted from the Public register.

On 3 November 2017 the procurator Hans Günther Mayer was deleted from the Public register.

Significant events from 1 January 2017 to 31 December 2017:

On 27 September 2017 the Company received a decision of the Romanian Tax Authority (ANAF) whereby it was assessed RON 792.7 million (EUR 172.4 million) on VAT, income tax and accessories for the period from 2010 to 2014. The bank guarantee was issued to cover the assessment. The Company disagrees with the decision and has appealed the decision to the superior Tax Authority. The management of the Company is convinced that the decision of Romanian Tax Authority is unjustifiable and legally unsubstantiated. This opinion is supported also by analyses of tax and legal experts. The Company will take all possible legal actions against this decision. The Company secured the required amount of tax assessment by a bank guarantee due in the event of a final and legally binding decision of the appellate bodies and courts.

On 31 October 2017 the Company received a monetary contribution into the equity from parent company Alpiq AG in the amount of CZK 4,620,600 thousand (EUR 180,000 thousand).

On 10 November 2017 the Company received a license for gas trade in Lithuania.

On 5 December 2017 the Company obtained long-term loan from parent company Alpiq AG in the amount of CZK 513,100 thousand (EUR 20,000 thousand).

On 5 December 2017 the statutory representatives of the Company decided to transfer business activities from its permanent establishment in Lithuania into the Polish branch with effective day 1 January 2018.

As at 31 December 2017 the Company operates foreign branches in Hungary, Romania, Switzerland and Poland and has a permanent establishment in Lithuania.

### **3. REPORT ON THE COMPANY'S BUSINESS PERFORMANCE AND PROJECTED DEVELOPMENTS**

#### **Business performance**

During the year 2017 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 and also in Baltic countries. The Company started the activity on the energy exchanges SEEPEX in Serbia and IBEX in Bulgaria and started direct trading activity in Serbia and Croatia where the Company in 2016 received a license for electricity and gas trading.

In terms of energy services the Company provides services related to market access on forward, spot and balancing, portfolio management and hedging services on all main CESEE power and gas markets as well as management and off-taking of certificates from renewable producers mainly in Poland and Romania or ancillary services in Hungary. Moreover, the Company offers wide scale of individual products for end customers including tranche procurement and portfolio management.

Following year 2016 when the Company reevaluated its internal risk limits and business model and reorganized its trading department the trading activities in 2017 stabilized. The Company's revenues increased by 52% to CZK 138 billion and the Company realized profit on operating activities in positive amount of CZK 201,078 thousand and the net result of CZK 96 938 thousand.

In the years to come, the Company will continue in developing its electricity and gas trading and origination business in the region of Central and East Europe and Baltic countries. The Company plans to further develop its gas business, by utilization of local gas storages and entering new gas exchanges and markets.

#### **Providing services**

In prior years the Company started significantly expanding its supporting services provided to Alpiq Group companies, which resulted to significant increase of employees and extending of office spaces in the new seat of the Company. This trend continued also in year 2017 when the provided services to Alpiq Group were expanded also to other areas of IT and finance. Revenues of these services were in the amount of CZK 111,118 thousand.

Due to the specialization and expansion of supporting services the company's shareholder decided to spin off these activities into separate service company which will expand them further and provide them across the whole Alpiq Group (see point 8).

#### **Other**

Due to the negative decision of the first instance of the Romanian tax authority (see point 2) the equity position of the Company was strengthened by monetary contribution into Company's equity (out of the registered capital) by sole shareholder in the amount of CZK 4,620,600 thousand (EUR 180,000 thousand). Part of these financial resources were pledged to the bank for issuing bank guarantee to Romanian tax authority. These financial resources are in the balances sheet on position Miscellaneous long-term investments and negatively influenced the cash-flow from investing activities.

Moreover, the financial position of the Company was strengthened by obtaining a long-term loan from parent company in the amount of CZK 513,100 thousand (EUR 20,000 thousand).

### **4. RELATED PARTY REPORT**

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.

## 5. FINANCIAL STATEMENTS

The annual financial statements for the reporting period from 1 January 2017 to 31 December 2017 are an integral part of this Annual Report and was audited by the audit firm Ernst & Young Audit, s.r.o.

## 6. FOREIGN BRANCHES AS AT 31 DECEMBER 2017

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 Warszawa, 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

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

The Company carried out no research & development activities in 2017.

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 149 as at 31 December 2017. Social expenses were withdrawn in accordance with the internal policy. The major employee benefits include meal allowances, contributions to language courses and leisure activities.

The Company does not own any own shares at the date of the annual report.

## 8. SUBSEQUENT EVENTS

On 9 February 2018, the board of directors of the parent company decided to spin off a part of the business providing supporting services to companies in the Alpiq group and to third parties into a separate company. Following the shareholder's decision, the Company plans in 2018 to sell the part of the business to entity Alpiq Services CZ s.r.o.

## 9. CONFIDENTIALITY

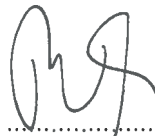
1. All information and matters, which are part of trade secrets of the Controlling Person, Controlled Person and other Related Parties, are deemed confidential including any and all information that any related party marks and designates as confidential. In addition, all business-related information 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 27 March 2018



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 2017**

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



## ALPIQ ENERGY SE as at 31.12.2017

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

## BALANCE SHEET - LONG FORM

		Current year			Prior year
		Gross	Allowances	Net	Net
<b>TOTAL ASSETS</b>		<b>20,581,057</b>	<b>(94,600)</b>	<b>20,488,457</b>	<b>12,239,659</b>
<b>A.</b>	<b>STOCK SUBSCRIPTION RECEIVABLE</b>				
<b>B.</b>	<b>FIXED ASSETS</b>	<b>4,473,076</b>	<b>(31,838)</b>	<b>4,441,238</b>	<b>20,896</b>
B. I.	<b>Intangible fixed assets</b>	<b>5,946</b>	<b>(4,949)</b>	<b>997</b>	<b>777</b>
B. I. 1.	Research and development				
2.	Valuable rights	5,375	(4,949)	426	777
1.	Software	5,375	(4,949)	426	777
2.	Other valuable rights				
3.	Goodwill				
4.	Other intangible fixed assets				
5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	571	0	571	0
1.	Advances granted for intangible fixed assets				
2.	Intangible fixed assets in progress	571		571	
B. II.	<b>Tangible fixed assets</b>	<b>40,596</b>	<b>(26,889)</b>	<b>13,707</b>	<b>13,032</b>
B. II. 1.	Land and structures	10,739	(5,668)	5,071	2,695
1.	Land				
2.	Structures	10,739	(5,668)	5,071	2,695
2.	Movable assets and sets of movable assets	29,857	(21,221)	8,636	5,400
3.	Gain or loss on revaluation of acquired property				
4.	Other tangible fixed assets	0	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	0	0	0	4,937
1.	Advances granted for tangible fixed assets				
2.	Tangible fixed assets in progress				4,937
B. III.	<b>Long-term investments</b>	<b>4,426,534</b>	<b>0</b>	<b>4,426,534</b>	<b>7,087</b>
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	4,419,447	0	4,419,447	0
1.	Miscellaneous long-term investments	4,419,447		4,419,447	
2.	Advances granted for long-term investments				
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>16,062,454</b>	<b>(62,762)</b>	<b>15,999,692</b>	<b>12,042,622</b>
C. I.	<b>Inventories</b>	<b>116,112</b>	<b>(15,492)</b>	<b>100,620</b>	<b>52,179</b>
C. I. 1.	Materials				
2.	Work in progress and semi-finished production				
3.	Finished products and goods	116,112	(15,492)	100,620	52,179
1.	Finished products				
2.	Goods	116,112	(15,492)	100,620	52,179
4.	Livestock				
5.	Advances granted for inventories				
C. II.	<b>Receivables</b>	<b>15,554,152</b>	<b>(47,270)</b>	<b>15,506,882</b>	<b>11,498,854</b>
C. II. 1.	<b>Long-term receivables</b>	<b>310,043</b>	<b>(2,747)</b>	<b>307,296</b>	<b>263,007</b>
1.	Trade receivables				
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Deferred tax asset	90,984		90,984	27,423
5.	Other receivables	219,059	(2,747)	216,312	235,584
5.1.	Receivables from partners				
5.2.	Long-term advances granted	219,059	(2,747)	216,312	235,584
5.3.	Unbilled revenue				
5.4.	Miscellaneous receivables				

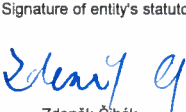

The accompanying income statement, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

## BALANCE SHEET - LONG FORM

		Current year			Prior year
		Gross	Allowances	Net	Net
C. II. 2.	<b>Short-term receivables</b>	15,244,109	(44,523)	15,199,586	11,235,847
1.	Trade receivables	803,417	(35,425)	767,992	1,116,776
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Other receivables	14,440,692	(9,098)	14,431,594	10,119,071
4.1.	Receivables from partners				
4.2.	Social security and health insurance				
4.3.	Due from government - tax receivables	45,284	(3,461)	41,823	105,966
4.4.	Short-term advances granted	422,642	(5,637)	417,005	270,416
4.5.	Unbilled revenue	11,317,827		11,317,827	8,516,250
4.6.	Miscellaneous receivables	2,654,939		2,654,939	1,226,439
C. III.	<b>Short-term financial assets</b>	0	0	0	0
1.	Shares in subsidiaries or parents				
2.	Other short-term financial assets				
C. IV.	<b>Cash</b>	392,190	0	392,190	491,589
1.	Cash in hand	135		135	234
2.	Cash at bank	392,055		392,055	491,355
D. I.	<b>Prepaid expenses and accrued income</b>	45,527	0	45,527	176,141
D. I. 1.	Prepaid expenses	45,527		45,527	176,141
2.	Prepaid expenses (specific-purpose expenses)				
3.	Accrued income				

## BALANCE SHEET - LONG FORM

		Current year	Prior year
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>20,486,457</b>	<b>12,239,659</b>
<b>A.</b>	<b>EQUITY</b>	<b>5,298,985</b>	<b>581,447</b>
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.	<b>Share premium and revaluation reserve</b>	<b>0</b>	<b>0</b>
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 (+/-)		
5.	Differences arising between balance sheet date and transformation date (+/-)		
A. III.	<b>Reserves from profit</b>	<b>5,311,545</b>	<b>690,945</b>
A. III. 1.	Other reserves		
2.	Statutory and other reserves	5,311,545	690,945
		0	0
A. IV.	<b>Profit (loss) brought forward (+/-)</b>	<b>(282,153)</b>	<b>1,101,135</b>
IV. 1.	Retained earnings		1,101,135
2.	Accumulated loss (-)	(282,153)	
3.	Other profit (loss) brought forward (+/-)		
A. V. 1.	<b>Profit (loss) for the year (+/-)</b>	<b>96,938</b>	<b>(1,383,288)</b>
A. VI. 2.	<b>Approved decision on advances for profit distribution (-)</b>	<b>0</b>	<b>0</b>
<b>B. + C.</b>	<b>PROVISIONS AND LIABILITIES</b>	<b>15,158,352</b>	<b>11,656,433</b>
B. I.	<b>Provisions</b>	<b>8,231</b>	<b>276,189</b>
B. I. 1.	Provision for pensions and similar obligations		
2.	Provision for corporate income tax		
3.	Provisions recognized under special legislation		
4.	Other provisions	8,231	276,189
C.	<b>Liabilities</b>	<b>15,150,121</b>	<b>11,380,244</b>
C. I.	<b>Long-term liabilities</b>	<b>510,800</b>	<b>0</b>
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	510,800	
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.	<b>Current liabilities</b>	<b>14,639,321</b>	<b>11,380,244</b>
1.	Bonds payable	0	0
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		
3.	Short-term advances received	110,757	129,112
4.	Trade payables	555,683	969,097
5.	Short-term notes payable		
6.	Liabilities – controlled or controlling entity	827,405	209,086
7.	Liabilities – significant influence		
8.	Other liabilities	13,145,476	10,072,949
1.	Liabilities to partners		
2.	Short-term borrowings		
3.	Liabilities to employees	9,811	7,601
4.	Liabilities arising from social security and health insurance	4,471	3,611
5.	Due to government – taxes and subsidies	49,417	30,741
6.	Unbilled deliveries	10,874,955	8,386,254
7.	Miscellaneous liabilities	2,206,822	1,644,742
D. I.	<b>Accruals and deferred income</b>	<b>29,120</b>	<b>1,779</b>
D. I. 1.	Accruals		12
2.	Deferred income	29,120	1,767

Prepared on:	Signature of entity's statutory body:
27.3.2018	 
	Zdeněk Čihák      Peter Dworak

## ALPIQ ENERGY SE for the year ended 31.12.2017

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

## INCOME STATEMENT - LONG FORM

		Current year	Prior year
I.	Revenue from sale of finished products and services	711,042	281,423
II.	Revenue from sale of goods	138,531,078	90,936,766
A.	Production-related consumption	139,006,757	92,211,715
A.1.	Cost of goods sold	138,024,929	91,461,324
A.2.	Consumption of material and energy	7,157	5,355
A.3.	Services	974,671	745,036
B.	Change in inventory produced internally (+/-)	0	0
C.	Own work capitalized (-)	0	0
D.	Personnel expenses	256,192	209,880
D.1.	Wages and salaries	192,977	163,092
D.2.	Social security and health insurance costs and other costs	63,215	46,788
D.2.1.	Social security and health insurance costs	54,822	40,061
D.2.2.	Other costs	8,393	6,727
E.	Value adjustments in respect of operating activities	25,621	4,307
E.1.	Value adjustments in respect of intangible and tangible fixed assets	6,200	3,698
E.1.1.	Value adjustments in respect of intangible and tangible fixed assets - permanent	6,200	3,698
E.1.2.	Value adjustments in respect of intangible and tangible fixed assets - temporary		
E.2.	Value adjustments in respect of inventory		6
E.3.	Value adjustments in respect of receivables	19,421	603
III.	Other operating income	8,053	18,632
III.1.	Income from sale of fixed assets	817	
III.2.	Income from sale of materials		
III.3.	Miscellaneous operating income	7,236	18,632
F.	Other operating expenses	(239,475)	214,066
F.1.	Net book value of fixed assets sold		
F.2.	Net book value of materials sold		
F.3.	Taxes and charges relating to operations	25,013	23,991
F.4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	(267,958)	187,240
F.5.	Miscellaneous operating expenses	3,470	2,835
*	Profit or loss on operating activities (+/-)	201,078	(1,403,147)
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	0	2
V.	Income from other long-term investments	729	869
V.1.	Income from other long-term investments - subsidiaries or parents		
V.2.	Other income from other long-term investments	729	869
H.	Expenses relating to other long-term investments	0	0
VI.	Interest receivable and similar income	1,345	2,284
VI.1.	Interest receivable and similar income - subsidiaries or parents		
VI.2.	Other interest receivable and similar income	1,345	2,284
I.	Value adjustments and provisions relating to financial activities	0	0
J.	Interest payable and similar expenses	8,616	1,524
J.1.	Interest payable and similar expenses - subsidiaries or parents	7,837	1,200
J.2.	Other interest payable and similar expenses	779	324
VII.	Other finance income	36,739	63,629
K.	Other finance cost	159,495	19,811
*	Profit or loss on financial activities (+/-)	(129,298)	45,445
**	Profit or loss before taxation (+/-)	71,780	(1,357,702)

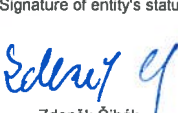

The accompanying balance sheet, cash flow statement, statement of changes in equity and notes are an integral part of the financial statements.

## ALPIQ ENERGY SE for the year ended 31.12.2017

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

## INCOME STATEMENT - LONG FORM

		Current year	Prior year
L.	<b>Income tax</b>		
L.1.	Income tax due	(25,158)	25,586
L.2.	Income tax deferred (+/-)	38,403	22,148
		(63,561)	3,438
**	<b>Profit or loss after taxation (+/-)</b>	96,938	(1,383,288)
M.	<b>Transfer of share of profit or loss to partners (+/-)</b>	0	0
***	<b>Profit or loss for the year (+/-)</b>	96,938	(1,383,288)
*	<b>Net turnover</b>	139,288,986	91,303,603

Prepared on: 27.3.2018	Signature of entity's statutory body:	
	 Zdeněk Čihák	 Peter Dworak

# ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2017

## 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 Jungmannova 26/15, Nové Město, 110 00 Prague 1, 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.

Members of the statutory bodies as at 31 December 2017 were as follows:

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

Supervisory Board	
Member:	Markus Brokhof

Procurators	
Cornelia Häuptli Baumgartner	Claudia Erni Eiholzer
Martin Hulena	Marie Adamová
Hana Lindovská	Tobias Meyer
Martin Šiška	Karel Ouška
Gergely Gonda	Tereza Jášková

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 2017 to 31 December 2017:

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.

On 24 April 2017 the Company changed its official seat to address Jungmannova 26/15, 110 00, Prague 1.

## ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2017

On 12 June 2017 the procurator Tereza Jášková was registered in the Public register.

On 18 August 2017 procurators Marek Musial, Jacek Żoładek and Paulius Gineitis were deleted from the Public register.

On 3 November 2017 the procurator Hans Günther Mayer was deleted from the Public register.

Significant events from 1 January 2017 to 31 December 2017:

On 27 September 2017 the Company received a decision of the Romanian Tax Authority (ANAF) whereby it was assessed RON 792.7 million (EUR 172.4 million) on VAT, income tax and accessories for the period from 2010 to 2014. The bank guarantee was issued to cover the assessment. The Company disagrees with the decision and has appealed the decision to the superior Tax Authority. The management of the Company is convinced that the decision of Romanian Tax Authority is unjustifiable and legally unsubstantiated. This opinion is supported also by analyses of tax and legal experts. The Company will take all possible legal actions against this decision. The Company secured the required amount of tax assessment by a bank guarantee due in the event of a final and legally binding decision of the appellate bodies and courts.

On 31 October 2017 the Company received a monetary contribution into the equity from parent company Alpiq AG in the amount of CZK 4,620,600 thousand (EUR 180,000 thousand).

On 10 November 2017 the Company received a license for gas trade in Lithuania.

On 5 December 2017 the Company obtained a long-term loan from parent company Alpiq AG in the amount of CZK 513,100 thousand (EUR 20,000 thousand).

On 5 December 2017 the statutory representatives of the Company decided to transfer business activities from its permanent establishment in Lithuania into the Polish branch with effective day 1 January 2018.

As at 31 December 2017 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 2016 and 2017.

The current and prior period information in the income statement and the cash flow statement contains balances for the period from 1 January 2017 to 31 December 2017 and from 1 January 2016 and 31 December 2016 respectively. The balance sheet includes the current and comparable period containing the balances as at 31 December 2017 and 31 December 2016 respectively.

All the information disclosed in the notes to the financial statements contains the balances as at 31 December 2017 and comparable period as at 31 December 2016.

### **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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in preparing the financial statements as at 31 December 2017 and the financial statements as at 31 December 2016 are as follows:

### **a) Intangible Fixed Assets**

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

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



**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. Miscellaneous long-term investments represent the cash on bank account pledged by the issued bank guarantee (see note 1).

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, emission allowances and color certificates are reported net in income statement on position Revenue from sale of goods (see Note 17). 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.

**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, gas, coal, emission allowances and color certificates, 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 3e). 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, 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. 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 with physical delivery 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 or it is a contract with financial settlement without physical delivery, the Company classifies such a contract as derivative (see Note 3e).

**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.

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

	At beginning of year	Additions	Disposals	At end of year
Software	5,375	-	-	5,375
Goodwill	152,496	-	(152,496)	-
Intangibles in progress	-	571	-	571
2017 Total	157,871	571	(152,496)	5,946
2016 Total	157,111	760	-	157,871

**ACCUMULATED AMORTIZATION**

	At beginning of year	Amortization during year	Disposals	At end of year	Net book value
Software	(4,598)	(351)	-	(4,949)	426
Goodwill	(152,496)	-	(152,496)	-	-
Intangibles in progress	-	-	-	-	571
2017 Total	(157,094)	(351)	(152,496)	(4,949)	997
2016 Total	(156,914)	(180)	-	(157,094)	777

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

The 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 was fully disposed during the year 2017.

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

	At beginning of year	Additions	Disposals	Transfers	At end of year
Constructions	6,395	1,336	-	3,008	10,739
Machinery and equipment	19,781	1,056	(1,101)	5,900	25,636
Vehicles	982	58	-	-	1,040
Furniture and fixtures	3,078	-	-	103	3,181
Adjustment to acquired property	4,161	-	(4,161)	-	-
Tangibles in progress	4,937	4,074	-	(9,011)	-
2017 Total	39,334	6,524	(5,262)	-	40,596
2016 Total	33,245	9,127	(3,038)	-	39,334

**ACCUMULATED DEPRECIATION**

	At beginning of year	Depreciation during year	Disposals	At end of year	Net book value
Constructions	(3,700)	(1,968)	-	(5,668)	5,071
Machinery and equipment	(15,026)	(3,385)	1,101	(17,310)	8,326
Vehicles	(349)	(445)	-	(794)	246
Furniture and fixtures	(3,066)	(51)	-	(3,117)	64
Adjustment to acquired property	(4,161)	-	4,161	-	-
Tangibles in progress	-	-	-	-	-
2017 Total	(26,302)	(5,849)	5,262	(26,889)	13,707
2016 Total	(25,822)	(3,518)	3,038	(26,302)	13,032

In 2016 the machinery and equipment at an acquisition cost of CZK 3,505 thousand was purchased and related mainly to equipment for 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.

In 2017 the additions relate primarily to the movement of the Company into new premises and comprise mainly of the office equipment and new hardware. During the year the Company acquired one car that was previously used via financial leasing.

Moreover, in 2017 the Company disposed the adjustment to acquired property.

The total value of small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 13,653 thousand and CZK 11,924 thousand at acquisition cost as at 31 December 2017 and 31 December 2016, 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:

- 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)
- 6.53% ownership interest in Alpiq Turkey Enerji Toptan Satis Ltd at the value of TLR 517 thousand (CZK 5,082 thousand) acquired in 2011.
- 10% interest in the Atel Energy Romania S.r.l.'s basic capital at the value of RON 18 thousand (CZK 111 thousand).
- 1% interest in the basic capital of Alpiq Energy Ukraine acquired by the merger with Alpiq Lithuania as at 1 January 2014 at the value UAH 12 thousand (CZK 29 thousand).

Alpiq AG is the majority owner of the all companies.

Miscellaneous long-term investments in the amount of CZK 4,419,447 thousand represent financial resources on bank account pledged against the bank guarantee issued to Tax Authority in Romania in the dispute of tax assessment (see note 1).

## **5. 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 7).

## **6. RECEIVABLES**

Allowances against outstanding receivables that are considered doubtful were charged to income in reporting period, respectively (see Note 7). As at 31 December 2017 and 31 December 2016, the Company had no significant overdue receivables except for those against which an allowance was created.

As at 31 December 2017, long-term advance payments in the total gross amount of CZK 219,059 thousand comprise mainly an advances for deliveries of electricity and color certificates from local producers in Poland of CZK 177,979 and an advance deposits to cover potential liabilities arising from the Company's activities performed on the electricity market of CZK 6,601 thousand towards OTE a.s. (electricity market operator), CZK 30,648 thousand towards OKTE, a.s. and CZK 3,831 thousand towards SEPS, a.s.

The total gross value of short-term advance payments made was CZK 422,642 thousand and CZK 270,416 thousand as at 31 December 2017 and 31 December 2016 prior to merger, respectively. Balances as at 31 December 2017 and 31 December 2016 comprise, in particular, advance payments for electricity deliveries and color certificates to local producers in Poland for the 2018 and 2017 periods, respectively and Bulgarian company TPP Maritsa East. In addition, short-term advance payments made include other advances for cover future power exchange contracts, transmission and other, particularly power-related fees.

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### Financial Statements for the year ended 31 December 2017

As at 31 December 2017 and 31 December 2016 the Company reports in short-term tax receivables from the government in gross amounts as follows: value added tax of CZK 25,165 thousand and CZK 110,253 thousand, respectively, corporate income tax of CZK 16,032 thousand and CZK 2,358 thousand, respectively and other taxes of CZK 4,087 thousand and CZK 180 thousand, respectively.

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

As at 31 December 2017 and 31 December 2016, other receivables comprise, in particular, positive fair values of outstanding derivatives in the amount of CZK 2,576,965 thousand and CZK 1,017,508 thousand, respectively (see Note 13) and unrealized gains of CZK 67,447 thousand and CZK 159,223 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 2017 other receivables also include receivables from related parties (see Note 19).

## 7. ALLOWANCES

Allowances reflect a temporary diminution in value of assets (see Notes 5 and 6).

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 31/ 12/ 2015	Decrease	Increase	Balance as at 31/ 12/ 2016	Decrease	Increase	Balance as at 31/ 12/ 2017
Receivables – legal	3,887	-	-	3,887	(189)	-	3,698
Receivables and advances – tax non- deductible	23,359	(7,846)	8,449	23,962	(5,701)	25,311	43,572
Goods – tax non- deductible	15,486	-	6	15,492	-	-	15,492
Total	42,732	(7,846)	8,455	43,341	(5,890)	25,311	62,762

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

Legal allowance of CZK 3,698 thousand is attributable to creation of 100% allowance against trade receivable which the Company created in 2015 due to opening the insolvency proceedings at the Company's debtor. The decrease of the allowance is attributable to the FX revaluation as of 31 December 2017.

A decrease in tax non-deductible allowance is attributable, in particular, to reversal of the allowance of CZK 3,368 thousand against excise tax receivable redeemed against the tax liability in current year and to the reversal of allowances of CZK 2,233 thousand against trade receivables due to completed insolvency proceedings. The rest of the decrease of allowances related to receivables in foreign currencies is attributable to the FX revaluation as of 31 December 2017.

An overall increase of tax non-deductible allowance against receivables and advanced payments in the reporting period in the amount of CZK 25,311 thousand is attributable to overdue trade receivables and to long-term and short-term advanced payments.

As at 31 December 2017, an allowance against trade receivables totaled CZK 43,809 thousand and against tax deductible receivables CZK 3,461 thousand.



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Financial Statements for the year ended 31 December 2017

In addition, the Company creates an allowance 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 2017.

### 8. OTHER ASSETS

As at 31 December 2017 and 31 December 2016, prepaid expenses of CZK 45,527 thousand and CZK 176,141 thousand, respectively, relate to accrued expenses for electricity supplies and transmission capacities necessary for electricity supplies in the coming years and rent prepaid in 2017 a 2016.

### 9. STATEMENT OF CHANGES IN EQUITY EQUITY

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

	Balance as at 31/ 12/ 2015	Transfer of profit	Monetary contribution into equity	Loss	Balance as at 31/ 12/ 2016	Transfer of loss	Monetary contribution into equity	Profit	Balance as at 31/ 12/ 2016
Basic capital	172,655	-	-	-	172,655	-	-	-	172,655
Other capital funds	14,570	-	676,375	-	690,945	-	4,620,600	-	5,311,545
Retained earnings	834,221	266,914	-	-	1,101,135	(1,101,135)	-	-	-
Accumulated loss	-	-	-	-	-	(282,153)	-	-	(282,153)
Current year profit/loss	266,914	(266,914)	-	(1,383,288)	(1,383,288)	1,383,288	-	96,938	96,938
Total	1,288,360	-	676,375	(1,383,288)	581,447	-	4,620,600	96,938	5,298,985

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 2015 was CZK 266,914 thousand. Pursuant to the sole shareholder's decision dated 27 June 2016 the profit was added to retained earnings.

The Company's loss for the year ended 31 December 2016 was CZK 1,383,288 thousand. Pursuant to the sole shareholder's decision dated 25 April 2017 the loss was partially covered by retained earnings in the amount of CZK 1,101,135 thousand. The rest of the loss was transferred to accumulated losses.

Other capital funds were increased in prior period by CZK 676,375 thousand (EUR 25,000 thousand) by monetary contribution into the equity by parent company Alpiq AG. In current period the other capital funds were increased by CZK 4,620,600 thousand (EUR 180,000 thousand) by monetary contribution into the equity by parent company Alpiq AG.

**10. PROVISIONS**

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

Provisions	Balance as at 31/ 12/ 2015	Additions	Deductions	Balance as at 31/ 12/ 2016	Additions	Deductions	Balance as at 31/ 12/ 2017
Loss making contracts	78,292	186,949	(3,838)	261,403	-	(261,403)	-
Fee to support renewable sources	7,765	6,123	(8,370)	5,518	4,611	(5,518)	4,611
Other	2,892	6,376	-	9,268	-	(5,648)	3,620
<b>Total</b>	<b>88,949</b>	<b>199,448</b>	<b>(12,208)</b>	<b>276,189</b>	<b>4,611</b>	<b>(272,569)</b>	<b>8,231</b>

In the reporting period, the Company reversed a provision for loss making contracts in whole amount by CZK 261,403 thousand. The provision was created in prior years for potential losses on electricity supplies in 2017.

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 4,611 thousand as at 31 December 2017.

The decrease in other provisions is attributable mainly to cover the previous office rent payable in 2017.

**11. LONG-TERM LIABILITIES**

On 5 December 2017 the Company obtained a long-term loan from parent company Alpiq AG in the amount of CZK 513,100 thousand (EUR 20,000 thousand). The loan is due on 30 November 2024. As at 31 December 2017 the value of the loan is CZK 510,800 thousand and is reflected in long-term liabilities in the balance sheet caption Liabilities – controlled or controlling entity.

**12. CURRENT LIABILITIES**

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 2017 and 31 December 2016 the company had a liability towards its parent company in the amount of CZK 818,798 thousand and CZK 209,086 thousand respectively, 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.

As at 31 December 2017 the Company reflects in the balance sheet caption Liabilities – controlled or controlling entity a short-term financial liability to its parent company in the amount of CZK 8,607 thousand related to transfer of part of loan of Alpiq Energy Hellas S.A..

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### Financial Statements for the year ended 31 December 2017

As at 31 December 2017 the Company had no significant overdue current liabilities to third parties. As at 31 December 2017 the Company had overdue current liability to its related party companies in the amount of CZK 258,932 thousand.

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 2017 and 31 December 2016, the Company had liabilities of CZK 4,471 thousand and CZK 3,611 thousand, respectively owing to social security and health insurance premiums.

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

As at 31 December 2017 and 31 December 2016, other liabilities comprise, in particular, negative fair values of outstanding derivatives in the amount of CZK 2,206,822 thousand and CZK 1,644,742 thousand, respectively (see Note 13).

Payables to related parties (see Note 19).

### 13. 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 2017, 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 2017 and 31 December 2016:

(in CZK thousands)	31/ 12/ 2017			31/ 12/ 2016		
	Contractual/ Face value	Fair value Positive	Negative	Contractual/ Face value	Fair value Positive	Negative
Derivatives relating to electricity trading	22,083,549	2,252,514	1,896,018	15,470,477	648,271	1,134,839
Derivatives relating to gas trading	5,455,793	272,533	292,258	6,278,888	318,878	461,803
Derivatives relating to emission allowances	29,929	937	100	-	-	-
Derivatives relating to coal trading	1,342	-	1,342	14,303	14,306	-
Currency forwards	3,025,867	40,953	17,104	3,248,443	34,673	47,849
Derivatives relating to color certificates trading	102,235	10,028	-	153,507	1,380	251
<b>Total</b>	<b>30,698,715</b>	<b>2,576,965</b>	<b>2,206,822</b>	<b>25,165,618</b>	<b>1,017,508</b>	<b>1,644,742</b>

**14. INCOME TAXES**

	2017 in CZK thousands	2016 in CZK thousands
Profit before taxes	71,780	(1,357,702)
Difference between book and tax depreciation	5,849	(932)
Non-deductible expenses		
Creation of provisions and allowances	(248,537)	187,849
Other (e.g. entertainment expenses, donations, goodwill write-off, estimated bonuses, fines and penalties)	79,272	64,086
Revenues related to prior tax period	105,235	5,968
Expenses related to prior tax period	(10,916)	(24,079)
Non-deductible expenses incurred in prior tax period and deductible in current period	(61,577)	(54,276)
Taxable income	(58,894)	(1,179,086)
Tax loss carryforward utilized	-	-
Current income tax rate, %	19	19
Tax	-	-
Current tax abroad	38,360	22,148
Tax paid on dividends received in the Czech Republic	43	-
Current tax expense	38,403	22,148

The corporate income tax payable on ordinary activities for 2017 comprises tax payable in the Hungarian branch in the amount of CZK 1,372 thousand, tax payable in the Polish branch in the amount of CZK 36,988 thousand and tax paid on dividends received in the Czech Republic in the amount of CZK 43 thousand.

The Company can carry forward tax losses generated in prior years for up to five years. As at 31 December 2017 the Company recorded tax losses of CZK 1,720,136 thousand generated in the Czech Republic in the years 2012 through 2017 that may be used in the years 2018 through 2022.

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2017

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

Deferred tax items	31/ 12/ 2017		31/ 12/ 2016	
	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	2,316	-	1,247	-
Allowances	11,222	-	2,227	-
Allowances - merger effect	-	-	339	-
Provisions	1,564	-	52,494	-
Tax loss carryforward	326,826	-	505,891	-
Estimated items (untaken vacation and bonuses and other temporary differences)	40,219	(19,619)	27,295	(6,670)
<b>Total</b>	<b>382,147</b>	<b>(19,619)</b>	<b>589,492</b>	<b>(6,670)</b>
<b>Net</b>	<b>362,528</b>		<b>582,823</b>	

As at 31 December 2017 the Company recorded a deferred tax asset at an amount of CZK 16,787 thousand on temporary differences in the Polish branch and a deferred tax asset of CZK 74,197 thousand as a result of the future utilization of tax losses in the Czech Republic.

As at 31 December 2017 and 31 December 2016, the Company did not record a deferred tax asset of CZK 271,544 thousand and CZK 555,400 thousand, respectively on the basis that its recovery was uncertain. The deferred tax liability in the amount of CZK 19,619 thousand arose in Poland and was fully offset with the deferred tax asset.

## 15. LEASES

The Company leases fixed assets, which are not recorded on the balance sheet (see Note 3h).

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 2017 consist of the following (in CZK thousands):

Description	Terms/ Conditions	Total lease	Payments made as at 31/ 12/ 2017	Remaining payments as at 31/ 12/ 2017	
				Due within one year	Due over one year
Mazda SkyEnergy (PL)	47	1,003	1,003	-	-
VW Passat (PL)	47	997	656	168	173
VW Passat (PL)	47	945	617	175	153
VW Jetta (PL)	47	592	296	106	190
Volvo XC60 (PL)	47	961	351	188	422
Infiniti Q70	35	1,002	512	183	307
Volvo VT60	59	714	212	94	408

**16. COMMITMENTS AND CONTINGENCIES**

The following bank guarantees which include also the bank guarantee in the amount of CZK 4,345,697 thousand issued to Tax Authority in Romania in the dispute of tax assessment and guarantees of the parent company were issued to the benefit of the Company's business partners (in CZK thousands):

	31/ 12/ 2017	31/ 12/ 2016
Guarantees issued in the Alpiq Holding Group	3,629,963	3,065,145
Bank guarantees	6,196,044	1,724,767

**17. REVENUES**

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

	01/ 01/ 2017 – 31/ 12/ 2017		01/ 01/ 2016 – 31/ 12/ 2016	
	Domestic	Foreign	Domestic	Foreign
Sale of electricity	20,507,499	99,763,920	9,798,245	71,754,074
Sale of gas	2,967,378	13,880,049	1,913,118	7,460,325
Sale of coal	-	7,651	-	-
Change in fair value of derivatives relating to electricity trading	(163,790)	1,006,850	(182,599)	(119,862)
Change in fair value of derivatives relating to gas trading	4,623	118,577	(281,859)	93,157
Change in fair value of derivatives relating to coal trading	-	(15,646)	-	14,303
Change in fair value of derivatives relating to color certificates and CO2 certificates trading	-	9,738	-	-
"Color" certificates and CO2 certificates trading	-	410,429	-	454,371
Other	21,419	715,187	6,183	308,733
<b>Total revenues</b>	<b>23,337,129</b>	<b>115,896,755</b>	<b>11,253,088</b>	<b>79,965,101</b>

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 105,031,872 thousand as at 31 December 2017. Costs billed with respect to these derivatives are recognized as cost of the goods sold. They amounted to CZK 105,692,129 thousand in the reporting period, i.e. in 2017.

## ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2017

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

	01/ 01/ 2017 – 31/ 12/ 2017		01/ 01/ 2016 – 31/ 12/ 2016	
	Domestic	Foreign	Domestic	Foreign
Revenues	16,694,798	88,337,074	9,299,920	50,952,201
Costs	(15,926,271)	(89,765,858)	(8,079,938)	(52,608,124)
Total margin	768,527	(1,428,784)	1,219,982	(1,655,923)

### 18. PERSONNEL AND RELATED EXPENSES

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

	01/ 01/ 2017 – 31/ 12/ 2017	01/ 01/ 2016 – 31/ 12/ 2016
Average number of employees	149	134
Wages and salaries	192,977	163,092
Social security and health insurance	54,822	40,061
Social cost	8,393	6,727
Total personnel expenses	256,192	209,880

Wages and salaries for the year 2017 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.

## ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2017

### 19. 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 2017 to 31 December 2017 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 63,091,746 thousand in the reporting period from 1 January 2017 to 31 December 2017.

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

Related party	31/ 12/ 2017	31/ 12/ 2016
Alpiq AG	5,111,845	3,894,285
Alpiq Holding Ltd.	23,849	34,673
Alpiq Blue Energy AG	4,418	-
Alpiq Energija Skopje DOOE	54,737	21,925
Alpiq RomIndustries S.R.L.	41,938	33,127
Alpiq Energia Bulgaria Ltd.	2,595	1,758
Alpiq Energija (RS) d.o.o.	2,171	253,211
Alpiq Energija Hrvatska d.o.o.	4,066	127,924
Alpiq Energy Albania SH.P.K.	2,124	1,922
Alpiq Energy Ukraine LLC	1,357	1,435
Alpiq Energy Hellas S.A.	8,607	-
Alpiq Turkey Enerji Toptan Satis Ltd.	6,091	2,849
Alpiq Energija BH d.o.o.	372,298	91,281
Alpiq Generation (CZ) s.r.o.	15,328	635
Alpiq Energia Italia S.p.A.	1,989	618
Alpiq Energie France S.A.S.	1,978	1,933
Alpiq Energija Espana S.A.U.	5,031	-
Po Prostu Energia SA	15	34
PPC Bulgaria AD*	13,223	28,191
EDF Trading Limited**	144,761	246,680
NKM Aramszolgaltato Zrt. (former EDF Demasz)**	37,412	31,680
<b>Total</b>	<b>5,855,833</b>	<b>4,774,161</b>

\*Alpiq Group owns 15% share

\*\*Entities belonging to EDF Group that includes also significant shareholder of Alpiq Group the entity EDF Alpes Investissements Sàrl

As at 31 December 2017 and 31 December 2016, short-term receivables from related parties included trade receivables from sales of electricity and gas, unbilled revenue representing unbilled supplies of electricity, gas, coal and emission allowances and other receivables comprising positive values of currency and commodity forwards, receivables from providing services and loans provided to sister companies in the amount of CZK 10,412 thousand.



## ALPIQ ENERGY SE

### Financial Statements for the year ended 31 December 2017

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 67,037,706 thousand in the period from 1 January 2017 to 31 December 2017.

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

Related party	31/ 12/ 2017	31/ 12/ 2016
Alpiq AG	4,962,358	5,038,264
Alpiq Holding Ltd.	2,125	47,849
Alpiq Generation (CZ) s.r.o.	70,310	71,068
Alpiq Energija Skopje DOOE	40,130	26,985
Alpiq Energia Bulgaria Ltd.	3,757	2,713
Alpiq Energija Hrvatska d.o.o.	2,640	148,587
Atel Energija BH d.o.o.	331,306	2,314
Alpiq Energija (RS) d.o.o.	20,160	153,105
Alpiq RomIndustries S.R.L.	52,041	35,707
Alpiq Energy Albania SH.P.K.	3,131	1,712
Alpiq Turkey Enerji Toptan Satis Ltd.	723	-
Alpiq Csepel Kft.	-	34
Alpiq Energy Hellas S.A.	3,440	3,614
EDF Trading Limited*	304,333	210,131
NKM Aramszolgalato Zrt. (former EDF Demasz)*	3,127	10,771
<b>Total</b>	<b>5,799,581</b>	<b>5,752,854</b>

\*Entities belonging to EDF Group that includes also significant shareholder of Alpiq Group the entity EDF Alpes Investissements Sàrl

In 2017, short-term payables to related parties included trade payables from sales of electricity, gas and CO<sub>2</sub>; unbilled deliveries representing unbilled supplies of electricity, gas and emission allowances and other liabilities comprising negative values of currency and commodity forwards.

As at 31 December 2017 the company had a liability towards its parent company in the amount of CZK 818,798 thousand 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 6,881 thousand.

As at 31 December 2017 the Company reflects in the balance sheet caption Liabilities – controlled or controlling entity a short-term financial liability to its parent company in the amount of CZK 8,607 thousand related to the transfer of part of loan of Alpiq Energy Hellas SA.

On 5 December 2017 the Company obtained a long-term loan from parent company Alpiq AG in the amount of CZK 513,100 thousand (EUR 20,000 thousand). As at 31 December 2017 the value of the loan is CZK 510,800 thousand and is reflected in long-term liabilities in the balance sheet caption Liabilities – controlled or controlling entity. The interest expense recorded in the current period relating to the loan was CZK 956 thousand.

**20. 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 737,490 thousand in 2017. The remainder is attributable to IT services in the amount of CZK 72,312 thousand and other services in the amount of CZK 164,869 thousand.

In the reporting period, taxes and fees totaled CZK 25,013 thousand of which the largest portion is attributable to concession and license fees in the amount of CZK 19,721 thousand. Other taxes and fees amount to CZK 5,292 thousand.

Other operating revenues in the total amount of CZK 7,236 thousand consist mainly of revenues from re-invoicing of IT systems of CZK 1,393 thousand, from re-invoicing of rent in the amount of CZK 5,374 thousand and other revenues in the amount of CZK 469 thousand.

Revenues from other income from other long-term investments consist of dividend of CZK 729 thousand (TRY 126 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).

**21. SUBSEQUENT EVENTS**

On 9 February 2018, the board of directors of the parent company decided to spin off a part of the business providing supporting services to companies in the Alpiq group and to third parties into a separate company. Following the shareholder's decision, the Company plans in 2018 to sell the part of the business to entity Alpiq Services CZ s.r.o.

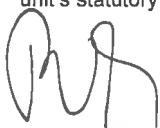

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2017

**22. STATEMENT OF CASH FLOWS**

The cash flow statement was prepared under the indirect method.


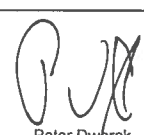
**23. STATEMENT OF CHANGES IN EQUITY (SEE POINT 9 OF FOOTNOTES)**

Prepared on:	Signature of accounting unit's statutory body:
27 March 2018	 Peter Dworak
	 Zdeněk Čihák

CASH FLOW STATEMENT

For the years ended 31 December 2017 and 2016

		Current year	Prior year
<b>Cash flows from operating activities</b>			
Z.	Profit or loss on ordinary activities before taxation (+/-)	71,780	(1,357,702)
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	(1,238,289)	680,369
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	6,200	3,698
A. 1. 2.	Change in allowances	11,037	609
A. 1. 3.	Change in provisions	(267,958)	187,240
A. 1. 4.	Foreign exchange differences	5,357	612
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	(817)	2
A. 1. 6.	Interest expense and interest income	7,271	(760)
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	(997,379)	488,968
A *	Net cash from operating activities before taxation, changes in working capital and extraordinary items	(1,164,509)	(677,333)
A. 2.	Change in non-cash components of working capital	(200,839)	(352,857)
A. 2. 1.	Change in inventory	(48,441)	(42,475)
A. 2. 2.	Change in trade receivables	332,460	(292,044)
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(2,576,936)	(2,398,773)
A. 2. 4.	Change in trade payables	(412,463)	455,063
A. 2. 5.	Change in other payables, and in accruals and deferred income	2,504,541	1,925,372
A **	Net cash from operating activities before taxation, interest paid and extraordinary items	(1,365,348)	(1,030,190)
A. 3. 1.	Interest paid	(8,616)	(1,524)
A. 4. 1.	Income Tax paid	(33,695)	(19,054)
A ***	Net cash provided by (used in) operating activities	(1,407,659)	(1,050,767)
<b>Cash flows from investing activities</b>			
B. 1. 1.	Purchase of fixed assets	(7,366)	(9,617)
B. 2. 1.	Proceeds from sale of fixed assets	817	150
B. 3. 1.	Loans granted		116,952
B. 4. 1.	Interest received	1,345	2,284
B. 5. 1.	Cash restricted in use	(4,441,969)	
B ***	Net cash provided by (used in) investing activities	(4,447,173)	109,769
<b>Cash flows from financing activities</b>			
C. 1.	Change in long-term liabilities, and long-term and short-term loans	1,134,833	237,109
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	4,620,600	676,375
C ***	Net cash provided by (used in) financing activities	5,755,433	913,484
F.	Net increase (decrease) in cash	(99,399)	(27,514)
P.	Cash and cash equivalents at beginning of year	491,589	519,103
R.	Cash and cash equivalents at end of year	392,190	491,589

Prepared on:	Signature of entity's statutory body:
27.3.2018	 
	Zdeněk Čihák                      Peter Dwbrak

## **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 2017 to 31 December 2017**

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 Jungmannova 26/15, 110 00 Prague 1, 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 2017 to 31 December 2017 (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 2017 to 31 December 2017.

### **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: Jungmannova 26/15, 110 00 Prague 1  
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. u likvidaciji, 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;

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. ŞTI., 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. ŞTI.“), 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 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.

Alpiq Energija Espana S.A.U., established and existing under the laws of Spain, with its registered seat office located at c/Pedro Teixeira 8, Planta 3ª, Madrid, Spain, 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 147-151 of the Alpiq Holding AG's annual report available on this link: [http://www.alpiq.com/portal/fileadmin/user\\_upload/documents/publication/en/annual-report/2017/annual\\_report\\_en\\_2017.PDF](http://www.alpiq.com/portal/fileadmin/user_upload/documents/publication/en/annual-report/2017/annual_report_en_2017.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.

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 (parent company of Alpiq Group) 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 (Alpiq Holding 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 Code of Rules. In addition, under Code of Rules, 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 2016):

<b>Counterparty</b>	<b>Type of action</b>	<b>Value in CZK</b>
Alpiq AG	Sale of electricity	47,040,251,725
Alpiq AG	Purchase of electricity	48,276,588,494
Alpiq AG	Sale of gas	10,916,917,968
Alpiq AG	Purchase of gas	11,464,359,767
Alpiq AG	Purchase of CO2	59,252,171
Alpiq AG	Sale of SLA	63 555 940
Alpiq AG	Purchase of IT services	62,088,805
Alpiq Energija Hrvatska d.o.o. u likvidaciji	Sale of electricity	292,409,574
Alpiq Energija Hrvatska d.o.o. u likvidaciji	Purchase of electricity	526,125,035
Alpiq Generation (CZ) s.r.o.	Sale of electricity	395,545,121
Alpiq Generation (CZ) s.r.o.	Purchase of electricity	1,488,430,652
Alpiq ROMINDUSTRIES S.R.L.	Sale of electricity	422,824,181
Alpiq ROMINDUSTRIES S.R.L.	Purchase of electricity	753,907,306
Alpiq Energija BH d.o.o	Sale of electricity	112,214,952
Alpiq Energija BH d.o.o	Purchase of electricity	1,305,166,203
Alpiq Energija BH d.o.o	Providing of strategic services	371,181,658
Alpiq Energija Skopje d.o.o.e.	Sale of electricity	345,253,282
Alpiq Energija Skopje d.o.o.e.	Purchase of electricity	263,163,237
Alpiq Energija RS doo Beograd	Sale of electricity	340,564,434



## 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 for financial projects and with internal controls, administrative support 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 CO<sub>2</sub>);
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 (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;
21. 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;
22. 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;
23. IT service agreement concluded with the controlling person, Alpiq AG. The agreement is effective from 1 January 2016 for an indefinite period of time;
24. IT support agreement concluded with the controlling person, Alpiq AG, effective from 1 January 2016 for an indefinite period of time;
25. 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;
26. 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;
27. 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;
28. 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;
29. 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;
30. 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;
31. 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;
32. Transfer and assignment of telecommunication services Agreement concluded with Daktele s.r.o. to PO PROSTU ENERGIA SA with effect from 1 January 2017;
33. 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;
34. 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;
35. Hedging frame contract (ISDA) concluded on 10 May 2016 with parent company Alpiq AG, for an indefinite period of time;
36. Guarantee line agreement with indirectly controlling related party Alpiq Holding AG from 26 February 2016 for an indefinite period of time;
37. Agreement for providing of office premises with related party PO PROSTU ENERGIA SA from 31 October 2016 for a period from 1 November 2016 to 31 May 2018.

38. Agreement for providing of balancing services with related party PO PROSTU ENERGIA SA dated 25 July 2017.
39. Agreement on contribution of shareholder into the Company's equity by making payment outside the registered capital with parent company Alpiq AG with effect from 9 October 2017.
40. Agreement on provision of intercompany loan with controlling related party Alpiq AG from 5 December 2017 effective from 5 December 2017 to 30 November 2024.
41. Agreement for providing of office premises with related party PO PROSTU ENERGIA SA from 13 February 2018 with effect from 20 December 2017 to 31 December 2018.
42. Contractual commitment for re-invoicing of external IT costs with controlling related party Alpiq AG with effectivity in year 2017.
43. Contractual commitment for providing IT services with related parties Alpiq Energija Espana S.A.U. and Alpiq RomIndustries S.R.L. concluded in 2017.
44. Agreement for the transfer of part of the loan of Alpiq Hellas SA with related party Alpiq Hellas AS and controlling related party Alpiq AG from 17 December 2017.

**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

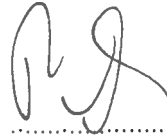
The Company declares that Alpiq Group comprises more than one hundred and thirty related parties incorporated and existing under the laws of various world countries. Pursuant to Section 82(3) of the Business Corporations Act, the Controlled Person declares that given the circumstances and acting with 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 27 March 2018.

In Prague, on 27 March 2018



ALPIQ ENERGY SE  
Zdeněk Čihák  
Chairman of the Board of Directors



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 2017, 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 2017, 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.
- 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.



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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

Josef Pivoňka, Auditor  
License No. 1963

27 March 2018  
Prague, Czech Republic