

ANNUAL REPORT

**FOR THE REPORTING PERIOD FROM
1 JANUARY 2018 TO 31 DECEMBER 2018**

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 HoldingAG).

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 2018

Board of Directors

Chair:	Zdeněk Čihák
Member:	Edgar Carsten Lehmann
Member:	Peter Dworak

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
Georgios Peponis	Tereza Jášková
Gerqely Gonda	

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.

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 2018 to 31 December 2018:

On 17 October 2018 the procurator Georgios Peponis was registered in the Public register.

Based on the Agreement on purchase of a part of business signed on 1 June 2018 and registered in the Public register on the same day between the company ALPIQ ENERGY SE as the seller and the company Alpiq Services CZ s.r.o. with registered office at Jungmannova 26/15, Nové Město, 110 00 Prague 1, Czech Republic, and the business registration number (IČ) 019 19 202 incorporated by an entry in the Public Register maintained with the Registration Court in Prague, File C 284506 as purchaser, there was a transfer of ownership of part of business on 1 June 2018 referred to as Intragroup Services from company ALPIQ ENERGY SE to company Alpiq Services CZ s.r.o.

Significant events from 1 January 2018 to 31 December 2018:

On 27 September 2017 the Company received a decision of the Romanian Tax Authority (ANAF) whereby it was assessed RON 792.7 million (CZK 4,373 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 in 2017. 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 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 26 June 2018, the Company received the decision of ANAF appealing body with respect to its appeal. In the main proceedings, ANAF appealing body supported view of ANAF and dismissed the objection with regard to a part of an amount of RON 589 million (CZK 3,294 million) as being without merit. The decision of the tax authority of the assessment in the amount of RON 204 million (CZK 1,125 million) was annulled by the appellate body of ANAF and it ordered a reaudit. In one matter concerning an immaterial amount, ANAF ruled in favor of the Company. In December 2018, the Company filed the respective merit claim against the decision of ANAF appealing body, including full evidence and expert opinions. The decision on the appeal made by ANAF will be contested by the Company by making use of all available local and international legal means of appeal.

As at 31 December 2018 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 2018 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 exchange CROPEX in Croatia.

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 Bulgaria or ancillary services in Hungary. Moreover, the Company offers wide scale of individual products for end customers including tranche procurement and portfolio management.

In 2018 the business result was significantly influenced by high and unpredictable volatility of wholesale electricity prices which caused material losses to the Company and result from open electricity positions. The loss was further influenced by creation of provision for potential losses on electricity supplies in 2019 in Poland in total amount of CZK 44 million and resulted in total negative operating loss of CZK (373) million. The loss of the year in the amount of CZK 501 million was further negatively influenced by overdue receivables and insolvency proceedings of several business partners. The Company therefore created an allowance against receivables and advanced payments in the amount of CZK 107 million.

In 2019 the Company plans to consolidate and selectively develop 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 energy 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, extending of office spaces in the new seat of the Company and also by extending the scope of supporting services.

Due to the specialization and expansion of supporting services the board of directors of the company decided on 9 February 2018 to spin off all these activities including employees and related fixed assets into separate service company which will expand them further and provide them across the whole Alpiq Group (see point 1). Based on the Agreement on purchase of a part of business the Company sold part of the business to Alpiq Services CZ s.r.o. on 1 June 2018.

The value of sold part of the business was set in total amount of CZK 79,630 thousand based on the expert independent opinion done by company Deloitte Advisory s.r.o. The Company realized a profit from this transaction in the amount of CZK 72,187 thousand.

Other

Following significant losses realized in 2018 the Company reassessed internal market risk management policies and expects a positive result again in 2019.

In addition, the Company's liquidity will be significantly strengthened in 2019 as a result of the decision on the suspension of the tax audit assessment in Romania, which will allow the Company to release CZK 3,346 million secured by the issued bank guarantee (see Note 8). At the same time, the Company's financial performance will improve as a result of savings on bank guarantee costs of CZK 31 million per year.

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 2018 to 31 December 2018 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 2018

The Company has the following foreign branches:

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

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

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

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

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

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

The Company carried out no research & development activities in 2018.

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 98 as at 31 December 2018. 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 23 January 2019 based on the shareholder's decision Peter Dworak was recalled from the position member of the Company and appointed Jan Kožušník as a member of the Company. These events were registered in the Public register on 2 February 2019.

On 26 January 2019 the Company returned the trading license in Romania. The license was terminated with effective date of 20 February 2019 when it was approved by the Romanian Energy Regulator.

On 29 January 2019, the Supreme Court in Bucharest decided that tax authority's (ANAF) assessment of RON 589 million (CZK 3,249 million) is not enforceable (suspended) until a court first instance decision has been reached. The endorsement of the Company's request means that the Company is not obliged to secure the tax assessment by the bank guarantee. The bank guarantee and pledged bank account, which was used as a guarantee for the bank guarantee, were rescinded on 14 February 2019.


On 7 March 2019 the Company deregistered the permanent establishment in Lithuania.

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 29 March 2019


.....
ALPIQ ENERGY SE
Zdeněk Čihák
Board of Directors Chairman;


.....
ALPIQ ENERGY SE
Jan Kožušník
Board of Directors member

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2018

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

BALANCE SHEET - LONG FORM

		Current year			Prior year
		Gross	Allowances	Net	Net
	TOTAL ASSETS	19,995,883	(183,780)	19,812,103	20,486,457
A.	STOCK SUBSCRIPTION RECEIVABLE				
B.	FIXED ASSETS	3,374,722	(19,510)	3,355,212	4,441,238
B. I.	Intangible fixed assets	6,458	(5,535)	923	997
B. I. 1.	Development				
2.	Valuable rights	6,458	(5,535)	923	426
1.	Software	6,458	(5,535)	923	426
2.	Other valuable rights				
3.	Goodwill				
4.	Other intangible fixed assets				
5.	Advances granted for intangible fixed assets and intangible fixed assets in progress	0	0	0	571
1.	Advances granted for intangible fixed assets				
2.	Intangible fixed assets in progress				571
B. II.	Tangible fixed assets	15,366	(13,975)	1,391	13,707
B. II. 1.	Land and structures	2,039	(1,650)	389	5,071
1.	Land				
2.	Structures	2,039	(1,650)	389	5,071
2.	Movable assets and sets of movable assets	13,327	(12,325)	1,002	8,636
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	0
1.	Advances granted for tangible fixed assets				
2.	Tangible fixed assets in progress				
B. III.	Long-term investments	3,352,898	0	3,352,898	4,426,534
B. III. 1.	Interests – controlled or controlling entity				
2.	Loans and borrowings – controlled or controlling entity				
3.	Interests – significant influence				
4.	Loans and borrowings - significant influence				
5.	Other long-term securities and interests	7,087		7,087	7,087
6.	Loans and borrowings - other				
7.	Other long-term investments	3,345,811	0	3,345,811	4,419,447
1.	Miscellaneous long-term investments	3,345,811		3,345,811	4,419,447
2.	Advances granted for long-term investments				
C.	CURRENT ASSETS	16,581,885	(164,270)	16,417,615	15,999,892
C. I.	Inventories	66,634	(15,492)	51,142	100,620
C. I. 1.	Materials				
2.	Work in progress and semi-finished production				
3.	Finished products and goods	66,634	(15,492)	51,142	100,620
1.	Finished products				
2.	Goods	66,634	(15,492)	51,142	100,620
4.	Livestock				
5.	Advances granted for inventories				
C. II.	Receivables	15,879,165	(148,778)	15,730,387	15,506,882
C. II. 1.	Long-term receivables	137,857	0	137,857	307,296
1.	Trade receivables				
2.	Receivables – controlled or controlling entity				
3.	Receivables – significant influence				
4.	Deferred tax asset	74,001		74,001	90,984
5.	Other receivables	63,856		63,856	216,312
5.1.	Receivables from partners				
5.2.	Long-term advances granted	63,856		63,856	216,312
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.	Short-term receivables	15,741,308	(148,778)	15,592,530	15,199,586
1.	Trade receivables	801,961	(135,698)	666,263	767,992
2.	Receivables – controlled or controlling entity	134,506		134,506	
3.	Receivables – significant influence				
4.	Other receivables	14,804,841	(13,080)	14,791,761	14,431,594
4.1.	Receivables from partners				
4.2.	Social security and health insurance				
4.3.	Due from government - tax receivables	20,006	(409)	19,597	41,823
4.4.	Short-term advances granted	419,165	(11,616)	407,549	417,005
4.5.	Unbilled revenue	10,920,197		10,920,197	11,317,827
4.6.	Miscellaneous receivables	3,445,473	(1,055)	3,444,418	2,654,939
C. III.	Short-term financial assets	0	0	0	0
1.	Interests - controlled or controlling entity				
2.	Other short-term financial assets				
C. IV.	Cash	636,088	0	636,088	392,100
1.	Cash in hand	71		71	135
2.	Cash at bank	636,015		636,015	392,055
D. I.	Prepaid expenses and accrued income	39,276	0	39,276	45,527
D. I. 1.	Prepaid expenses	39,276		39,276	45,527
2.	Prepaid expenses (specific-purpose expenses)				
3.	Accrued income				

BALANCE SHEET - LONG FORM

		Current year	Prior year
TOTAL EQUITY & LIABILITIES		19,812,103	20,486,457
A.	EQUITY	4,797,634	6,298,985
A. I.	Basic capital	172,655	172,655
A. I. 1.	Registered capital	172,655	172,655
2.	Own ownership interests (-)		
3.	Changes in basic capital		
A. II.	Share premium and revaluation reserve	0	0
A. II. 1.	Share premium		
2.	Capital funds	0	0
1.	Other capital funds		
2.	Gain or loss on revaluation of assets and liabilities (+/-)		
3.	Gain or loss on revaluation upon corporate transformation (+/-)		
4.	Differences arising on corporate transformation (+/-)		
5.	Differences arising between balance sheet date and transformation date (+/-)		
A. III.	Reserves from profit	5,311,545	5,311,545
A. III. 1.	Other reserves		
2.	Statutory and other reserves	5,311,545	5,311,545
		0	0
A. IV.	Profit (loss) brought forward (+/-)	(185,215)	(282,153)
IV. 1.	Retained earnings	(185,215)	(282,153)
2.	Other profit (loss) brought forward (+/-)		
A. V. 1.	Profit (loss) for the year (+/-)	(501,351)	66,936
A. VI. 2.	Approved decision on advances for profit distribution (-)	0	0
B. + C.	PROVISIONS AND LIABILITIES	14,989,606	15,158,362
B. I.	Provisions	55,255	8,231
B. I. 1.	Provision for pensions and similar obligations		
2.	Provision for corporate income tax		
3.	Provisions recognized under special legislation		
4.	Other provisions	55,255	8,231
C.	Liabilities	14,934,351	15,150,121
C. I.	Long-term liabilities	526,414	510,800
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	514,500	510,800
7.	Liabilities – significant influence		
8.	Deferred tax liability		
9.	Other liabilities	11,914	0
1.	Liabilities to partners		
2.	Unbilled deliveries		
3.	Miscellaneous liabilities	11,914	
C. II.	Current liabilities	14,407,937	14,639,321
1.	Bonds payable		0
1.	Convertible bonds		
2.	Other bonds		
2.	Amounts owed to credit institutions		
3.	Short-term advances received	179,169	110,757
4.	Trade payables	450,781	555,683
5.	Short-term notes payable		
6.	Liabilities – controlled or controlling entity		827,405
7.	Liabilities – significant influence		
8.	Other liabilities	13,777,987	13,145,476
1.	Liabilities to partners		
2.	Short-term borrowings		
3.	Liabilities to employees	3,401	9,811
4.	Liabilities arising from social security and health insurance	1,458	4,471
5.	Due to government – taxes and subsidies	28,661	49,417
6.	Unbilled deliveries	10,452,917	10,874,955
7.	Miscellaneous liabilities	3,291,550	2,206,822
D. I.	Accruals and deferred income	24,863	29,120
D. I. 1.	Accruals		
2.	Deferred income	24,863	29,120

ALPIQ ENERGY SE for the year ended 31.12.2018

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	443,827	711,042
II.	Revenue from sale of goods	140,750,358	138,531,078
A.	Production-related consumption	141,277,328	139,006,757
A.1.	Cost of goods sold	140,031,752	138,024,929
A.2.	Consumption of material and energy	3,144	7,157
A.3.	Services	1,242,432	974,671
B.	Change in inventory produced internally (+/-)	0	0
C.	Own work capitalized (-)	0	0
D.	Personnel expenses	192,877	258,192
D.1.	Wages and salaries	145,248	192,977
D.2.	Social security and health insurance costs and other costs	37,629	63,215
D.2.1.	Social security and health insurance costs	32,125	54,822
D.2.2.	Other costs	5,504	8,393
E.	Value adjustments in respect of operating activities	105,419	25,821
E.1.	Value adjustments in respect of intangible and tangible fixed assets	3,911	6,200
E.1.1.	Value adjustments in respect of intangible and tangible fixed assets - permanent	3,911	6,200
E.1.2.	Value adjustments in respect of intangible and tangible fixed assets - temporary		
E.2.	Value adjustments in respect of inventory		
E.3.	Value adjustments in respect of receivables	101,508	19,421
III.	Other operating income	98,749	8,053
III.1.	Income from sale of fixed assets	4,591	817
III.2.	Income from sale of materials		
III.3.	Miscellaneous operating income	92,158	7,236
F.	Other operating expenses	97,838	(239,475)
F.1.	Net book value of fixed assets sold	445	
F.2.	Net book value of materials sold		
F.3.	Taxes and charges relating to operations	37,939	25,013
F.4.	Provisions relating to operations and prepaid expenses (specific-purpose expenses)	47,024	(267,958)
F.5.	Miscellaneous operating expenses	12,430	3,470
*	Profit or loss on operating activities (+/-)	(372,528)	201,078
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	0
V.	Income from other long-term investments	0	729
V.1.	Income from other long-term investments - subsidiaries or parents		
V.2.	Other income from other long-term investments		729
H.	Expenses relating to other long-term investments	0	0
VI.	Interest receivable and similar income	2,144	1,345
VI.1.	Interest receivable and similar income - subsidiaries or parents		
VI.2.	Other interest receivable and similar income	2,144	1,345
I.	Value adjustments and provisions relating to financial activities	0	0
J.	Interest payable and similar expenses	22,164	8,616
J.1.	Interest payable and similar expenses - subsidiaries or parents	21,094	7,837
J.2.	Other interest payable and similar expenses	1,070	779
VII.	Other finance income	5,270	36,739
K.	Other finance cost	73,740	159,495
*	Profit or loss on financial activities (+/-)	(88,490)	(129,298)
**	Profit or loss before taxation (+/-)	(461,018)	71,780

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 31.12.2018

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

INCOME STATEMENT - LONG FORM

		Current year	Prior year
L.	Income tax	40,333	(25,158)
L.1.	Income tax due	23,349	38,403
L.2.	Income tax deferred (+/-)	16,984	(63,561)
**	Profit or loss after taxation (+/-)	(501,351)	96,938
M.	Transfer of share of profit or loss to partners (+/-)	0	0
***	Profit or loss for the year (+/-)	(501,351)	96,938
*	Net turnover	141,298,348	139,288,986

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 31.12.2018
Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

CASH FLOW STATEMENT

For the years ended 31 December 2018 and 2017

		Current year	Prior year
<i>Cash flows from operating activities</i>			
Z	Profit or loss on ordinary activities before taxation (+/-)	(481,018)	71,780
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	386,797	(1,238,289)
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	3,911	6,200
A. 1. 2.	Change in allowances	101,508	11,037
A. 1. 3.	Change in provisions	47,024	(267,958)
A. 1. 4.	Foreign exchange differences	732	5,357
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	(4,146)	(817)
A. 1. 6.	Interest expense and interest income	20,020	7,271
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	197,748	(997,379)
A *	Net cash from operating activities before taxation, changes in working capital and extraordinary items	(84,221)	(1,154,509)
A. 2.	Change in non-cash components of working capital	237,563	(200,839)
A. 2. 1.	Change in inventory	49,478	(48,441)
A. 2. 2.	Change in trade receivables	(4,355)	332,460
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	570,582	(2,578,936)
A. 2. 4.	Change in trade payables	(105,332)	(412,463)
A. 2. 5.	Change in other payables, and in accruals and deferred income	(272,810)	2,504,541
A **	Net cash from operating activities before taxation, interest paid and extraordinary items	143,342	(1,385,348)
A. 3. 1.	Interest paid	(22,164)	(8,616)
A. 4. 1.	Income Tax paid	(34,904)	(33,695)
A ***	Net cash provided by (used in) operating activities	88,274	(1,407,859)
<i>Cash flows from investing activities</i>			
B. 1. 1.	Purchase of fixed assets	(14,488)	(7,366)
B. 2. 1.	Proceeds from sale of fixed assets	4,591	817
B. 3. 1.	Loans granted	(134,506)	
B. 4. 1.	Interest received	2,144	1,345
B. 5. 1.	Cash restricted in use	1,100,291	(4,441,969)
B ***	Net cash provided by (used in) investing activities	958,032	(4,447,173)
<i>Cash flows from financing activities</i>			
C. 1.	Change in long-term liabilities, and long-term and short-term loans	(800,410)	1,134,833
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
C ***	Net cash provided by (used in) financing activities	(800,410)	5,755,433
F.	Net increase (decrease) in cash	243,896	(99,399)
P.	Cash and cash equivalents at beginning of year	392,190	491,589
R.	Cash and cash equivalents at end of year	638,086	392,190

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

ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2018

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 2018 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
Georgios Peponis	Tereza Jášková
Gergely Gonda	

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 AG, 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.

The following changes were made to the Public Register entry in the period from 1 January 2018 to 31 December 2018:

On 17 October 2018 the procurator Georgios Peponis was registered in the Public register.

Based on the Agreement on purchase of a part of business signed on 1 June 2018 and registered in the Public register on the same day between the company ALPIQ ENERGY SE as the seller and the company Alpiq Services CZ s.r.o. with registered office at Jungmannova 26/15, Nové Město, 110 00 Prague 1, Czech Republic, and the business registration number (IČ) 019 19 202 incorporated by an entry in the Public Register maintained with the Registration Court in Prague, File C 284506 as purchaser, there was a transfer of ownership of part of business on 1 June 2018 referred to as Intragroup Services from company ALPIQ ENERGY SE to company Alpiq Services CZ s.r.o.

Significant events from 1 January 2018 to 31 December 2018:

On 27 September 2017 the Company received a decision of the Romanian Tax Authority (ANAF) whereby it was assessed RON 792.7 million (CZK 4,373 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 in 2017. 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 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 26 June 2018, the Company received the decision of ANAF appealing body with respect to its appeal. In the main proceedings, ANAF appealing body supported view of ANAF and dismissed the objection with regard to a part of an amount of RON 589 million (CZK 3,294 million) as being without merit. The decision of the tax authority of the assessment in the amount of RON 204 million (CZK 1,125 million) was annulled by the appellate body of ANAF and it ordered a re-audit. In one matter concerning an immaterial amount, ANAF ruled in favor of the Company. In December 2018, the Company filed the respective merit claim against the decision of ANAF appealing body, including full evidence and expert opinions. The decision on the appeal made by ANAF will be contested by the Company by making use of all available local and international legal means of appeal.

As at 31 December 2018 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 2017 and 2018.

The current and prior period information in the income statement and the cash flow statement contains balances for the period from 1 January 2018 to 31 December 2018 and from 1 January 2017 and 31 December 2017 respectively. The balance sheet includes the current and comparable period containing the balances as at 31 December 2018 and 31 December 2017 respectively.

All the information disclosed in the notes to the financial statements contains the balances as at 31 December 2018 and comparable period as at 31 December 2017.

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 2018 and the financial statements as at 31 December 2017 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 (constructions)	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) Cash

Within the Alpiq group with a parent company Alpiq Holding AG, a system for utilization of idle money of individual group companies, i.e. cash-pooling, has been introduced. Cash deposited in, or used from, this system as at the balance sheet date is reported in 'Short-term receivables – controlled or controlling entity' or 'Current liabilities – controlled or controlling entity', as appropriate, in the accompanying balance sheet and the change in the deposited cash is reported in 'Loans granted' or 'Change in long-term liabilities, and long-term and short-term loans' in the accompanying cash flow statement.

e) 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.

f) 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 financial cost and revenues, respectively.

Revenues from power, gas and coal supplies classified as commodity derivatives are part of revenues from the sale of electricity and gas. Costs billed with respect to these derivatives are recognized as cost of the goods sold.

g) 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.

h) 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.

i) 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.

j) 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.

k) 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 3f). 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.

l) 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) 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.

m) 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 (HENEX), Sofia (IBEX), Zagreb (CROPEX) 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 Miscellaneous receivables (losses) and Miscellaneous 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 3f).

n) "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.

o) 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	Transfers	At end of year
Software	5,375	512	-	571	6,458
Intangibles in progress	571	-	-	(571)	-
2018 Total	5,946	512	-	-	6,458
2017 Total	157,871	571	(152,496)	-	5,946

ACCUMULATED AMORTIZATION

	At beginning of year	Amortization during year	Disposals	At end of year	Net book value
Software	(4,949)	(586)	-	(5,535)	923
Intangibles in progress	-	-	-	-	-
2018 Total	(4,949)	(586)	-	(5,535)	923
2017 Total	(157,094)	(351)	(152,496)	(4,949)	997

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	Effect sale of business part	Transfers	At end of year
Constructions	10,739	-	(4,391)	(4,082)	(227)	2,039
Machinery and equipment	25,636	-	(800)	(12,990)	621	12,467
Vehicles	1,040	-	(1,040)	-	-	-
Furniture and fixtures	3,181	-	(14)	(2,307)	-	860
Tangibles in progress	-	394	-	-	-394	-
2018 Total	40,596	394	(6,245)	(19,379)	-	15,366
2017 Total	39,334	6,524	(5,262)	-	-	40,596

ACCUMULATED DEPRECIATION

	At beginning of year	Depreciation during year	Net book value	Disposals	Effect sale of business part	At end of year	Net book value
Constructions	(5,668)	(1,090)	-	4,391	717	(1,650)	389
Machinery and equipment	(17,310)	(2,120)	(21)	800	7,186	(11,465)	1,002
Vehicles	(794)	(7)	(239)	1,040	-	-	-
Furniture and fixtures	(3,117)	(108)	(185)	14	2,536	(860)	-
Tangibles in progress	-	-	-	-	-	-	-
2018 Total	(26,889)	(3,325)	(445)	6,245	10,439	(13,975)	1,391
2017 Total	(26,302)	(5,849)	-	5,262	-	(26,889)	13,707

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.

In 2018 the additions relate primarily to the replacement of hardware in Hungarian branch. During the year the Company transferred part of the fixed assets in net amount CZK 8,940 thousand within sale of part of business to Alpiq Services CZ s.r.o. (see Note 1).

In 2018 the disposals relate primarily to the disposal of fit-outs in previous offices and two cars.

The total value of small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 3,063 thousand and CZK 13,653 thousand at acquisition cost as at 31 December 2018 and 31 December 2017, 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 all the companies.

Miscellaneous long-term investments in the amount of CZK 3,345,811 thousand and CZK 4,419,447 thousand as at 31 December 2018 and 31 December 2017 represent financial resources on bank account pledged against the bank guarantee issued to Tax Authority in Romania in the dispute of tax assessment (see notes 1 and 21).

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 (see Note 7). As at 31 December 2018 and 31 December 2017, the Company had no significant overdue receivables except for those against which an allowance was created.

As at 31 December 2018, long-term advance payments in the total gross amount of CZK 63,856 thousand comprise mainly advances for deliveries of electricity and color certificates from local producers in Poland of CZK 22,258 thousand and advance deposits to cover potential liabilities arising from the Company's activities performed on the electricity market of CZK 6,600 thousand towards OTE, a.s. (electricity market operator), CZK 30,870 thousand towards OKTE, a.s. and CZK 3,858 thousand towards SEPS, a.s. As at 31 December 2017, long-term advance payments in the total gross amount of CZK 219,059 thousand comprise mainly advances for deliveries of electricity and color certificates from local producers in Poland of CZK 177,979 thousand and 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 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%), cash used by the Company within the cash-pooling bears interest of Eonia +2%. As at 31 December 2018, the Company had a receivable towards its parent company in the amount of CZK 134,506 thousand resulting from positive balance of the cash provided within the cash-pooling that is reflected in current assets in the balance sheet caption Receivables – controlled or controlling entity. As at 31 December

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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 prior year current liabilities in the balance sheet caption Liabilities – controlled or controlling entity.

The total gross value of short-term advance payments made was CZK 419,165 thousand and CZK 422,642 thousand as at 31 December 2018 and 31 December 2017, respectively. Balances as at 31 December 2018 and 31 December 2017 comprise, in particular, advance payments for electricity deliveries and color certificates to local producers in Poland for the 2019 and 2018 periods, respectively and advances for cover future power exchange contracts, transmission and other, particularly power-related fees.

As at 31 December 2018 and 31 December 2017, the Company reports in short-term tax receivables from the government in gross amounts as follows: value added tax receivable of CZK 12,180 thousand and CZK 25,165 thousand, respectively, corporate income tax receivable of CZK 6,955 thousand and CZK 16,032 thousand, respectively and other taxes of CZK 871 thousand and CZK 4,087 thousand, respectively.

Unbilled revenue represents, in particular, unbilled supplies of electricity and gas, and cross border transmission capacities.

As at 31 December 2018 and 31 December 2017, other receivables comprise, in particular, positive fair values of outstanding derivatives in the amount of CZK 3,366,282 thousand and CZK 2,576,965 thousand, respectively (see Note 13) and positive unrealized margins of CZK 13,055 thousand and CZK 67,447 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 2018 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/ 2016	Decrease	Increase	Balance as at 31/ 12/ 2017	Decrease	Increase	Balance as at 31/ 12/ 2018
Receivables – legal	3,887	(189)	-	3,698	(97)	-	3,601
Receivables and advances – tax non-deductible	23,962	(5,701)	25,311	43,572	(4,974)	106,579	145,177
Goods – tax non-deductible	15,492	-	-	15,492	-	-	15,492
Total	43,341	(5,890)	25,311	62,762	(5,071)	106,579	164,270

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

Legal allowance of CZK 3,601 thousand as at 31 December 2018 and CZK 3,698 thousand as at 31 December 2017 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 and 2018.

A decrease in tax non-deductible allowance is attributable, in particular, to reversal of the allowance of CZK 3,052 thousand against excise tax receivable redeemed against the tax liability in current year

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and to the reversal of allowances of CZK 1,298 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 2018.

An overall increase of tax non-deductible allowance against receivables and advanced payments in the reporting period in the amount of CZK 106,579 thousand is attributable to overdue trade receivables, miscellaneous receivables and to short-term advanced payments. The allowances against receivables and advanced payments were negatively influenced by insolvency proceedings of several counterparties.

As at 31 December 2018, an allowance against trade receivables totaled CZK 148,369 thousand and against tax receivables CZK 409 thousand.

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 2018 and 31 December 2017, respectively.

8. OTHER ASSETS

As at 31 December 2018 and 31 December 2017, prepaid expenses of CZK 39,276 thousand and CZK 45,527 thousand, respectively, relate to accrued expenses for electricity supplies and transmission capacities necessary for electricity supplies in the coming years and rent prepaid in 2018 a 2017.

9. STATEMENT OF CHANGES IN EQUITY

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

	Balance as at 31/ 12/ 2016	Transfer of loss	Monetary contribution into equity	Profit	Balance as at 31/ 12/ 2017	Transfer of profit	Loss	Balance as at 31/ 12/ 2018
Basic capital	172,655	-	-	-	172,655	-	-	172,655
Other capital funds	690,945	-	4,620,600	-	5,311,545	-	-	5,311,545
Retained earnings	1,101,135	(1,101,135)	-	-	-	-	-	-
Accumulate d loss	-	(282,153)	-	-	(282,153)	96,938	-	(185,215)
Current year profit/loss	(1,383,288)	1,383,288	-	96,938	96,938	(96,938)	(501,351)	(501,351)
Total	581,447	-	4,620,600	96,938	5,298,985	-	(501,351)	4,797,634

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 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.

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The Company's profit for the year ended 31 December 2017 was CZK 96,938 thousand. Pursuant to the sole shareholder's decision dated 10 April 2018 the profit was used to cover accumulated losses.

The Company proposes to transfer the result for the year ended 31 December 2018 (loss of CZK 501,351 thousand) to accumulated losses.

In prior 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/ 2016	Additions	Deductions	Balance as at 31/ 12/ 2017	Additions	Deductions	Balance as at 31/ 12/ 2018
Loss making contracts	261,403	-	(261,403)	-	43,578	-	43,578
Fee to support renewable sources	5,518	4,611	(5,518)	4,611	9,908	(4,611)	9,908
Other	9,268	-	(5,648)	3,620	12	(1,863)	1,769
Total	276,189	4,611	(272,569)	8,231	53,498	(6,474)	55,255

In the 2018 reporting period, the Company created a provision for potential loss making contracts in the amount by CZK 43,578 thousand. The provision was created in 2018 for potential losses on electricity supplies in 2019.

For the purposes of the provision amount determination, an open position of portfolio of electricity contracts was valued using the CZK/EUR foreign exchange rates as published by the Czech National Bank and the of electricity futures rates applicable as at 31 December 2018. The final CZK/EUR exchange rate and the price of electricity, at which the open positions of electricity portfolio will be closed, may significantly differ from the rates and prices used for the provision determination. Due to a possible fluctuation of foreign exchange rates and electricity prices copying the developments in global markets, the net profit or loss from contracts for electricity supplies covered by the provision may significantly differ from the net profit or loss anticipated as at 31 December 2018.

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 9,908 thousand and CZK 4,611 thousand as at 31 December 2018 and 31 December 2017, respectively.

The decrease in other provisions is attributable mainly to cover the previous office rent payable in 2018.

11. LONG-TERM LIABILITIES

On 5 December 2017 the Company obtained a long-term loan from parent company Alpiq AG in the amount of EUR 20,000 thousand. The loan is due on 30 November 2024. As at 31 December 2018 the value of the loan is CZK 514,500 thousand and as at 31 December 2017 the value is CZK 510,800 thousand and is reflected in long-term liabilities in the balance sheet caption Liabilities – controlled or controlling entity.

Long-term miscellaneous liabilities as at 31 December 2018 contain settlement of positions with energy counterparty in the amount of CZK 11,914 thousand and payable in 2021 (see also Note 12).

12. CURRENT LIABILITIES

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. As at 31 December 2018, the company had a receivable towards its parent company in the amount of CZK 134,506 thousand resulting from positive balance of the cash provided within the cash-pooling and is reflected in current assets in the balance sheet caption Receivables – 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.

As at 31 December 2018 the Company had no significant overdue current liabilities.

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 2018 and 31 December 2017, the Company had liabilities of CZK 1,458 thousand and CZK 4,471 thousand, respectively owing to social security and health insurance premiums payable next year in January.

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

As at 31 December 2018 and 31 December 2017, miscellaneous liabilities comprise, in particular, negative fair values of outstanding derivatives in the amount of CZK 3,193,886 thousand and CZK 2,206,822 thousand, respectively (see Note 13). Miscellaneous liabilities as at 31 December 2018 contain also settlement of positions with energy counterparty in the total amount of CZK 97,664 thousand and payable within one year.

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 2018 and 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 fair values of outstanding derivatives held for trading as at 31 December 2018 and 31 December 2017:

(in CZK thousands)	31/ 12/ 2018			31/ 12/ 2017		
	Contractual/ Face value	Positive	Fair value Negative	Contractual/ Face value	Positive	Fair value Negative
Derivatives relating to electricity trading	23,218,067	3,209,656	3,062,958	22,083,549	2,252,514	1,896,018
Derivatives relating to gas trading	5,670,669	133,731	109,338	5,455,793	272,533	292,258
Derivatives relating to emission allowances	114,031	14,625	11,652	29,929	937	100
Derivatives relating to coal trading	3,640	-	3,640	1,342	-	1,342
Currency forwards	2,490,523	8,270	4,747	3,025,867	40,953	17,104
Derivatives relating to color certificates trading	97,923	-	1,551	102,235	10,028	-
Total	31,594,853	3,366,282	3,193,886	30,698,715	2,576,965	2,206,822

14. INCOME TAXES

	2018 in CZK thousands	2017 in CZK thousands
Profit / (Loss) before taxes	(461,018)	71,780
Difference between book and tax depreciation	3,325	5,849
Non-deductible expenses		
Creation / (release) of provisions and allowances	148,629	(248,537)
Other (e.g. entertainment expenses, donations, goodwill write-off, estimated bonuses, fines and penalties)	2,052	79,272
Revenues related to prior tax period	26,048	105,235
Expenses related to prior tax period	-	(10,916)
Non-deductible expenses incurred in prior tax period and deductible in current period	(100,872)	(61,577)
Taxable income	(381,836)	(58,894)
Tax loss carryforward utilized	-	-
Current income tax rate, %	19	19
Tax	-	-
Current tax abroad	23,269	38,360
Tax paid on dividends received in the Czech Republic	80	43
Current tax expense	23,349	38,403

The corporate income tax payable on ordinary activities for 2018 comprises tax payable in the Hungarian branch in the amount of CZK 15,449 thousand, tax payable in the Polish branch in the amount of CZK 7,820 thousand and tax paid on dividends received in the Czech Republic in the amount of CZK 80 thousand.

The Company can carry forward tax losses generated in prior years for up to five years. As at 31 December 2018 the Company recorded tax losses of CZK 2,170,981 thousand generated in the Czech Republic in the years 2013 through 2018 that may be used in the years 2019 through 2023.

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

Deferred tax items	31/ 12/ 2018		31/ 12/ 2017	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	1 170		2,316	-
Allowances	30,527		11,222	-
Provisions	10,498		1,564	-
Tax loss carryforward	412,486		326,826	-
Estimated items (untaken vacation and bonuses and other temporary differences)	99,005	(91,362)	40,219	(19,619)
Total	553,686	(91,362)	382,147	(19,619)
Net	462,324		362,528	

As at 31 December 2018 the Company recorded a deferred tax asset at an amount of CZK 48,082 thousand on temporary differences in the Polish branch and a deferred tax asset of CZK 25,919 thousand as a result of the future utilization of tax losses in the Czech Republic.

As at 31 December 2018 and 31 December 2017, the Company did not record a deferred tax asset of CZK 388,323 thousand and CZK 271,544 thousand, respectively on the basis that its recovery was uncertain. As at 31 December 2018 the deferred tax liability in the amount of CZK 91,362 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 3i).

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 2018 consist of the following (in CZK thousands):

Description	Terms/ Conditions	Total lease	Payments made as at 31/ 12/ 2018	Remaining payments as at 31/ 12/ 2018	
				Due within one year	Due over one year
VW Passat	47	959	959	-	-
VW Passat	47	919	919	-	-
VW Jetta	48	576	390	103	83
Volvo XC60	47	1,076	666	183	227
Infiniti Q70	35	975	676	178	121
Volvo VT60	59	694	298	91	305
Lexus IS 300	47	946	359	151	436

16. COMMITMENTS AND CONTINGENCIES

The following bank guarantees which include also the bank guarantee in the amount of CZK 3,246,931 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/ 2018	31/ 12/ 2017
Guarantees issued in the Alpiq Holding Group	3,501,061	3,629,963
Bank guarantees	5,801,274	6,196,044

17. REVENUES

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

	01/ 01/ 2018 – 31/ 12/ 2018		01/ 01/ 2017 – 31/ 12/ 2017	
	Domestic	Foreign	Domestic	Foreign
Sale of electricity	27,710,632	94,612,657	20,507,499	99,763,920
Sale of gas	3,710,376	14,060,057	2,967,378	13,880,049
Sale of coal	-	(107)	-	7,651
Change in fair value of derivatives relating to electricity trading	(393,201)	183,295	(163,790)	1,006,850
Change in fair value of derivatives relating to gas trading	181,172	(137,045)	4,623	118,577
Change in fair value of derivatives relating to coal trading	-	(2,298)	-	(15,646)
Change in fair value of derivatives relating to color certificates and CO2 certificates trading	-	(20,781)	-	9,738
"Color" certificates and CO2 certificates trading	-	796,740	-	410,429
Other	1,761	490,927	21,419	715,187
Total revenues	31,210,740	109,983,445	23,337,129	115,896,755

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 112,797,841 thousand as at 31 December 2018. Costs billed with respect to these derivatives are recognized as cost of the goods sold. They amounted to CZK 112,826,338 thousand in 2018.

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

	01/ 01/ 2018 – 31/ 12/ 2018		01/ 01/ 2017 – 31/ 12/ 2017	
	Domestic	Foreign	Domestic	Foreign
Revenues	27,599,682	85,198,159	16,694,798	88,337,074
Costs	(26,597,158)	(86,229,180)	(15,926,271)	(89,765,858)
Total margin	1,002,524	(1,031,021)	768,527	(1,428,784)

18. PERSONNEL AND RELATED EXPENSES

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

	01/ 01/ 2018 – 31/ 12/ 2018	01/ 01/ 2017 – 31/ 12/ 2017
Average number of employees	98	149
Wages and salaries	145,248	192,977
Social security and health insurance	32,125	54,822
Social cost	5,504	8,393
Total personnel expenses	182,877	256,192

Wages and salaries for 2018 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.

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 2018 to 31 December 2018 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 40,974,236 thousand in the reporting period from 1 January 2018 to 31 December 2018.

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

Related party	31/ 12/ 2018	31/ 12/ 2017
Alpiq AG	4,902,231	5,111,845
Alpiq Holding AG	142,776	23,849
Alpiq Blue Energy AG	-	4,418
Alpiq Energija Skopje DOOE	135,666	54,737
Alpiq RomIndustries S.R.L.	113,074	41,938
Alpiq Energia Bulgaria Ltd.	986	2,595
Alpiq Energija (RS) d.o.o.	309	2,171
Alpiq Energija Hrvatska d.o.o.	-	4,066
Alpiq Energy Albania SH.P.K.	862	2,124
Alpiq Energy Ukraine LLC	1,883	1,357
Alpiq Energy Hellas S.A.	-	8,607
Alpiq Turkey Enerji Toptan Satis Ltd.	1,965	6,091
Alpiq Energija BH d.o.o.	153,004	372,298
Alpiq Generation (CZ) s.r.o.	14,098	15,328
Alpiq Energia Italia S.p.A.	-	1,989
Alpiq Energie France S.A.S.	-	1,978
Alpiq Energija Espana S.A.U.	-	5,031
Alpiq Csepel Kft.	8,917	-
Po Prostu Energia SA	1,245	15
PPC Bulgaria AD*	63,447	13,223
EDF Trading Limited**	171,190	144,761
NKM Aramszolgaltato Zrt. (former EDF Demasz)**	-	37,412
Total	5,711,653	5,855,833

*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 2018 and 31 December 2017, 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 2,328 thousand and CZK 10,412 thousand, respectively.

As at 31 December 2018 the company had a receivable towards its parent company in the amount of CZK 134,506 thousand resulting from positive balance of the cash provided within the cash-pooling and is reflected in current assets in the balance sheet caption Receivables – controlled or controlling entity. The interest expense recorded in the current period relating to the cash-pooling was CZK 6,616 thousand.

The Company purchases electricity and gas, receives services from related parties in the ordinary course of business, pays interest expense for using loans and fees for guarantees provided. Purchases were CZK 44,388,207 thousand in the period from 1 January 2018 to 31 December 2018.

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Financial Statements for the year ended 31 December 2018

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

Related party	31/ 12/ 2018	31/ 12/ 2017
Alpiq AG	4,781,825	4,962,358
Alpiq Holding AG	4,302	2,125
Alpiq Generation (CZ) s.r.o.	72,766	70,310
Alpiq Energija Skopje DOOE	61,985	40,130
Alpiq Energija Bulgaria Ltd.	2,154	3,757
Alpiq Energija Hrvatska d.o.o.	-	2,640
Atel Energija BH d.o.o.	108,586	331,306
Alpiq Energija (RS) d.o.o.	1,458	20,160
Alpiq RomIndustries S.R.L.	42,695	52,041
Alpiq Energy Albania SH.P.K.	2,264	3,131
Alpiq Turkey Enerji Toptan Satis Ltd.	4,261	723
Alpiq Csepel Kft.	-	-
Alpiq Energy Hellas S.A.	-	3,440
Po Prostu Energia SA	195	-
EDF Trading Limited*	540,807	304,333
NKM Aramszolgalato Zrt. (former EDF Demasz)*	-	3,127
Total	5,623,298	5,799,581

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

In 2018, short-term payables to related parties included trade payables from sales of electricity, gas and emission allowances; unbilled deliveries representing unbilled supplies of electricity, gas and emission allowances, other liabilities comprising negative values of currency and commodity forwards, liabilities from received support services (SLAs) and guarantee fees.

On 5 December 2017 the Company obtained a long-term loan from parent company Alpiq AG in the amount of EUR 20,000 thousand. As at 31 December 2018 the value of the loan is CZK 514,500 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 14,478 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 969,995 thousand in 2018. The remainder is attributable to IT services in the amount of CZK 86,622 thousand and other services in the amount of CZK 185,815 thousand.

In the reporting period, taxes and fees totaled CZK 37,939 thousand of which the largest portion is attributable to concession and license fees in the amount of CZK 31,872 thousand. Other taxes and fees amount to CZK 6,067 thousand.

In 2018, other operating expenses in the total amount of CZK 12,430 thousand represent expenses related to transfer of part of business to Alpiq Services CZ s.r.o. in the amount of CZK 7,443 thousand (see Note 1), fines and penalties for late payment of CZK 3,321 thousand, CZK 1,492 thousand related to insurance costs and CZK 174 thousand related to other costs.

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

Other operating revenues in the total amount of CZK 92,158 thousand consist mainly of revenues from the transfer of part of the business to Alpiq Services CZ s.r.o. (see Note 1) in the amount of CZK 79,630 thousand, revenues from re-invoicing of rent in the amount of CZK 8,597 thousand, issuing of contractual penalties in the amount of CZK 1,736 thousand and other revenues in the amount of CZK 2,195 thousand.

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).

Statutory auditor's fee is disclosed in the Consolidated annual report of the group.

21. SUBSEQUENT EVENTS

On 26 January 2019 the Company returned the trading license in Romania. The license was terminated with effective date of 20 February 2019 when it was approved by the Romanian Energy Regulator.

On 23 January 2019 based on the shareholder's decision Peter Dworak was recalled from the position member of the Company and appointed Jan Kožušník as a member of the Company. These events were registered in the Public register on 2 February 2019.

On 29 January 2019, the Supreme Court in Bucharest decided that tax authority's (ANAF) assessment of RON 589 million (CZK 3,249 million) is not enforceable (suspended) until a court first instance decision has been reached. The endorsement of the Company's request means that the Company is not obliged to secure the tax assessment by the bank guarantee. The bank guarantee and pledged bank account, which was used as a guarantee for the bank guarantee, were rescinded on 14 February 2019.

On 7 March 2019 the Company deregistered the permanent establishment in Lithuania.



ALPIQ ENERGY SE

Financial Statements for the year ended 31 December 2018

22. STATEMENT OF CASH FLOWS

The cash flow statement was prepared under the indirect method.

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

Prepared on:	Signature of accounting unit's statutory body:	
29 March 2019	 Jan Kožušník	 Zdeněk Čihák

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 2018 to 31 December 2018

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 2018 to 31 December 2018 (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 2018 to 31 December 2018.

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 Pozitarno 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;

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

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

ALPIQ 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.

Alpiq Services CZ s.r.o. established and existing under the laws of the Czech Republic, with its registered seat office located at Jungmannova 26/15, Nové Město, 110 00 Prague, 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 145-147 of the Alpiq Holding AG's annual report available on this link: https://www.alpiq.com/fileadmin/user_upload/documents/publications/annual_report/alpiq_annual_report_2018_en.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, natural gas, emission allowances, certificates of origin of electricity from renewable resources, other commodity derivatives and financial derivatives linked to energy commodities. 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, till 31 May 2018 the Company also provided supporting services to Related Parties in various fields (accounting, reporting, risk management, controlling, portfolio management, scheduling, administrative support, invoicing, payments, IT, etc.), and had 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 2017):

Counterparty	Type of action	Value in CZK
Alpiq AG	Sale of electricity	28,293,239,526
Alpiq AG	Purchase of electricity	28,442,794,447
Alpiq AG	Sale of gas	9,716,376,541
Alpiq AG	Purchase of gas	11,700,939,354
Alpiq AG	Purchase of CO2	553,479,440
Alpiq Generation (CZ) s.r.o.	Purchase of electricity	1,373,575,250
Alpiq Energija BH d.o.o	Purchase of electricity	1,404,339,207
Alpiq Energija Skopje d.o.o.e.	Sale of electricity	756,944,044
Alpiq Energija Skopje d.o.o.e.	Purchase of electricity	669,243,747

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; as of 1 June 2018 the agreements were transferred to related party Alpiq Services CZ s.r.o.;
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; as of 1 June 2018 the agreement was transferred to related party Alpiq Services CZ s.r.o.;
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; the agreement was cancelled by the deletion of Alpiq Energija Hrvatska d . o . o. from the public register as at 15 June 2018;
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, IT etc. with the controlling person Alpiq AG concluded in 2017 and updated in 2018; as of 1 June 2018 the agreement was transferred to related party Alpiq Services CZ s.r.o.;
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; as of 1 June 2018 the agreement was transferred to related party Alpiq Services CZ s.r.o.;
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; as of 1 June 2018 the agreements were transferred to related party Alpiq Services CZ s.r.o.;
8. Consulting services agreement with related party Alpiq Generation (CZ) s.r.o. concluded on 30 June 2010 with effect from 1 January 2010; as of 1 June 2018 the agreement was transferred to related party Alpiq Services CZ s.r.o.;
9. MAXIMO software consulting services agreement concluded with the controlling person, Alpiq AG, with effect from 1 May 2010 for an indefinite period of time;
10. Cash-pooling agreement with Alpiq Holding Ltd. The agreement is effective from 5 March 2012 for an indefinite period of time;
11. Framework contract (EFET) on gas purchase and supply concluded with controlling person Alpiq AG, with effect from 1 October 2014 for an indefinite period of time (part of the contract is the amendment from 26 September 2016 on trading with emission allowances CO2);
12. Framework contract (EFET) on power purchase and supply concluded with legal predecessor of controlling person Alpiq AG, with effect from 1 January 2010 for an indefinite period of time;
13. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq RomIndustries S.R.L., with effect from 1 November 2013 for an indefinite period of time;
14. Framework contract (EFET) on gas purchase and supply concluded with related party Alpiq RomIndustries S.R.L., with effect from 20 May 2016 for an indefinite period of time;

15. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Turkey Enerji Toptan Satis Ltd., with effect from 31 January 2012 for an indefinite period of time;
16. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energia Bulgaria EOOD, with effect from 29 January 2010 for an indefinite period of time;
17. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energija BH d.o.o., with effect from 29 January 2010 for an indefinite period of time;
18. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energija RS d.o.o., with effect from 29 January 2010 for an indefinite period of time;
19. Framework contract (EFET) on power purchase and supply concluded with related party Alpiq Energija Hrvatska d.o.o, with effect from 1 January 2010 for an indefinite period of time;
20. Framework contract (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 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; the agreement was cancelled in 2018.
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; as of 1 June 2018 the agreement was transferred to related party Alpiq Services CZ s.r.o.;
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. 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;
30. 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;
31. Transfer and assignment of telecommunication services Agreement concluded with Daktele s.r.o. to PO PROSTU ENERGIA SA with effect from 1 January 2017;
32. 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; as of 1 June 2018 the agreement was transferred to related party Alpiq Services CZ s.r.o.;
33. 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 indefinite period of time;
34. Hedging frame contract (ISDA) concluded on 10 May 2016 with parent company Alpiq AG, for an indefinite period of time;

35. Guarantee line agreement with indirectly controlling related party Alpiq Holding AG from 10 March 2017 for an indefinite period of time;
36. 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 that was replaced by agreement from 13 February 2018 for a period from 20 December 2017 to 31 December 2018 that was replaced by agreement from 11 December 2018 for a period from 8 October 2018 to 30 June 2019;
37. Agreement for providing of balancing services with related party PO PROSTU ENERGIA SA dated 25 July 2017;
38. 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;
39. Contractual commitment for re-invoicing of external IT costs with controlling related party Alpiq AG with effectivity in year 2017;
40. Contractual commitment for providing IT services with related parties Alpiq Energija Espana S.A.U. concluded in 2017; as of 1 June 2018 the agreement was transferred to related party Alpiq Services CZ s.r.o.;
41. 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 5 September 2018;
42. Framework contract (EFET) on power purchase and supply concluded with related party PO PROSTU ENERGIA SA, with effect from 11 May 2018 for an indefinite period of time;
43. Agreement on purchase of part of business concluded on 1 June 2018 with related party Alpiq Services CZ s.r.o.;
44. Reporting obligation agreement on EU "EMIR" concluded on 14 September 2018 with related party Alpiq Generation (CZ) s.r.o.;
45. Framework contract (EFET) on gas purchase and supply concluded with related party PO PROSTU ENERGIA SA, with effect from 5 March 2019 for an indefinite period of time;
46. Consulting agreement on finance services, management services, back-office, middle-office, risk management, scheduling, IT and office management with the related party Alpiq Services CZ s.r.o. concluded on 14 November 2018 for the period from 1 June 2018 for an indefinite period of time;
47. Service agreement on implementation and support of software OTL with controlling person Alpiq AG concluded on 11 March 2019 for the period from 1 October 2018 for an indefinite period of time.

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

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

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

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

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

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

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

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

The Company declares that Alpiq Group comprises more than one hundred 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 29 March 2019.

In Prague, on 29 March 2019



ALPIQ ENERGY SE
Zdeněk Čihák
Chairman of the Board of Directors



ALPIQ ENERGY SE
Jan Kožušník
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 2018, 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 2018, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Company's Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the Czech Republic and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young Audit, s.r.o.
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A handwritten signature in blue ink, appearing to read 'Jiří Křepelka', is written over a faint, larger version of the signature.

Jiří Křepelka, Auditor
License No. 2163

29 March 2019
Prague, Czech Republic