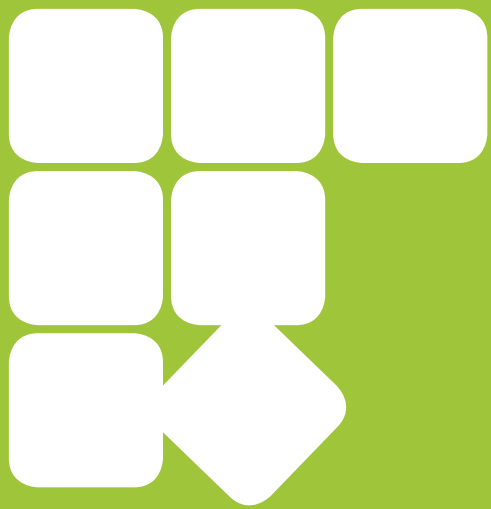


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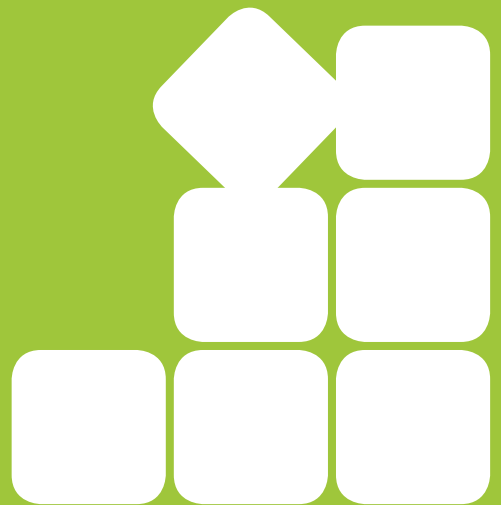
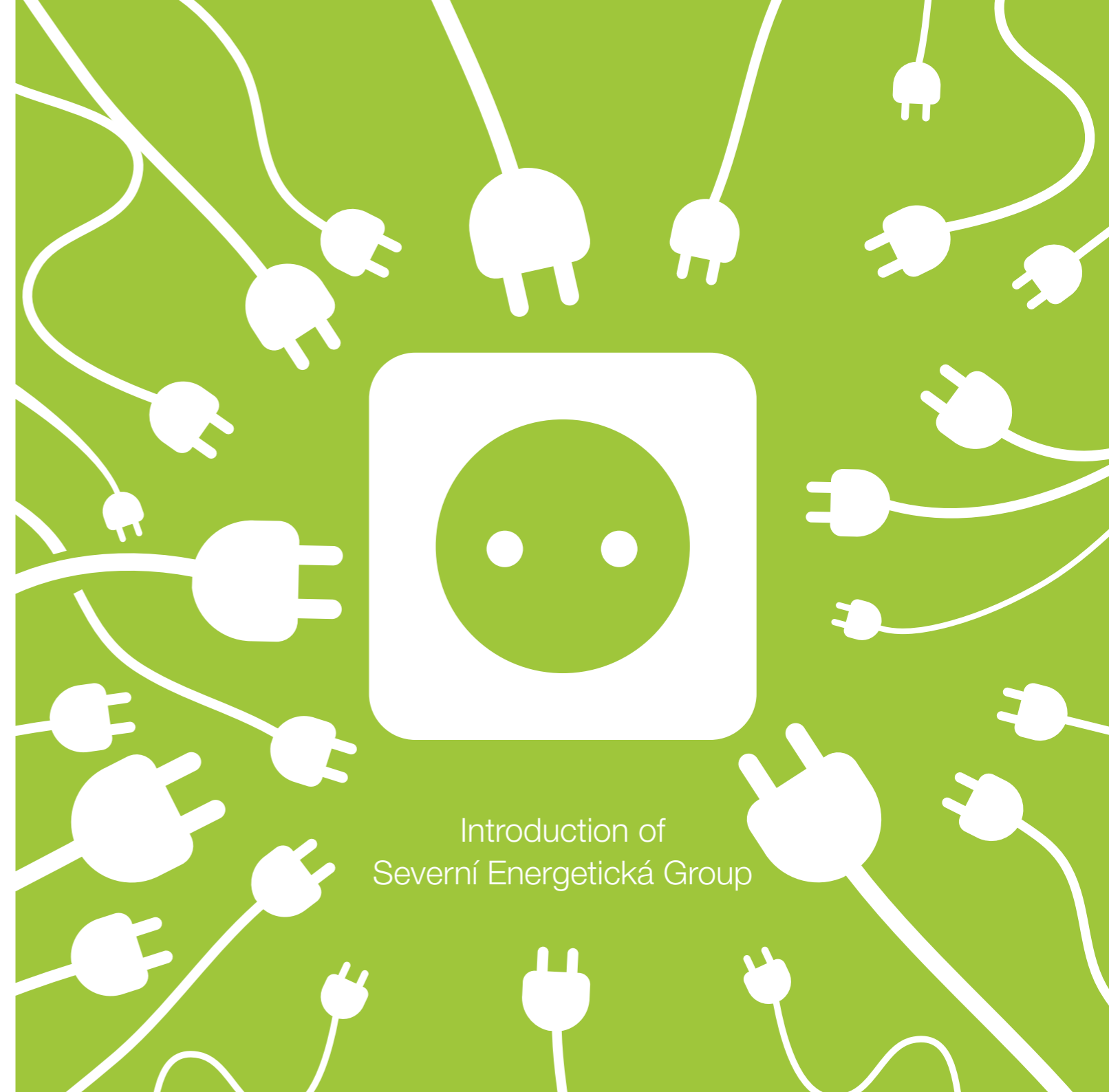
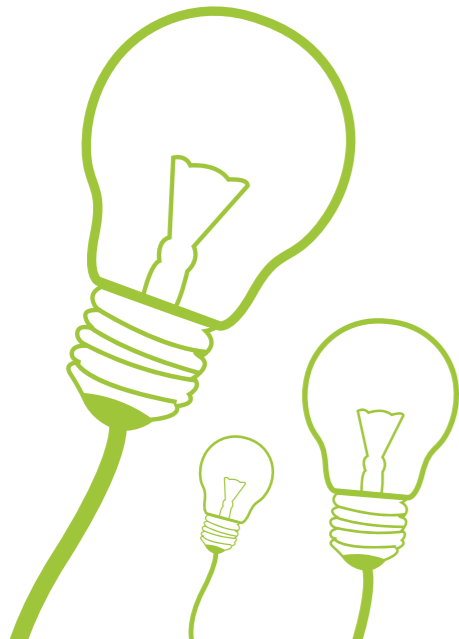


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Introduction of
Severní Energetická Group

Introduction of Severní Energetická Group

The Severní Energetická Group is controlled by Czech shareholders. It was established by a demerger of what then was Litvínovská uhelná, a.s. (OJSC) from the Czech Coal Group and by acquisition of Elektrarna Chvaletice power plant from the ČEZ Group. At present the mining company Severní Energetická, a.s. (OJSC) comprises of Chvaletice coal-fired power station, company Důl Kohinoor, a.s. (OJSC), a unique recreational and horse-racing area Hippodrome Most and since 2014 it also includes company Sev.en WT, a.s. (previously known as Humeco, a.s.)

The Severní Energetická Group combines extraction of coal as an energy source with electricity and heat generation and also with sales of these commodities. The Group operates the biggest brown coal deposit in the Czech Republic – the ČSA mine. Sev.en EC, a.s. also operates one of the newest brown-coal-fired plants with installed power of 4 x 205 MW and achievable power supply exceeding 4 TWh per year. From the viewpoint of efficiency such kind of vertical integration provides the best model. With this model in practice, the energy contained in the fuel is exploited to its maximum. The group's strategy is to provide safe and reliable supply of coal, electricity and heat to its customer while minimizing the social and environmental production impact of these commodities. Severní Energetická group is one of the mainstays of the Czech energy system and a major provider of ancillary services.



Information on Persons Responsible
for Annual Report

Information on Persons Responsible for Annual Report

Responsibility for Annual Report

Declaration:

We hereby declare that the information presented in the 2014 annual report of Sev.en EC, JSC is true to the facts and that no relevant information has been omitted that could influence an accurate and precise assessment of the Company.

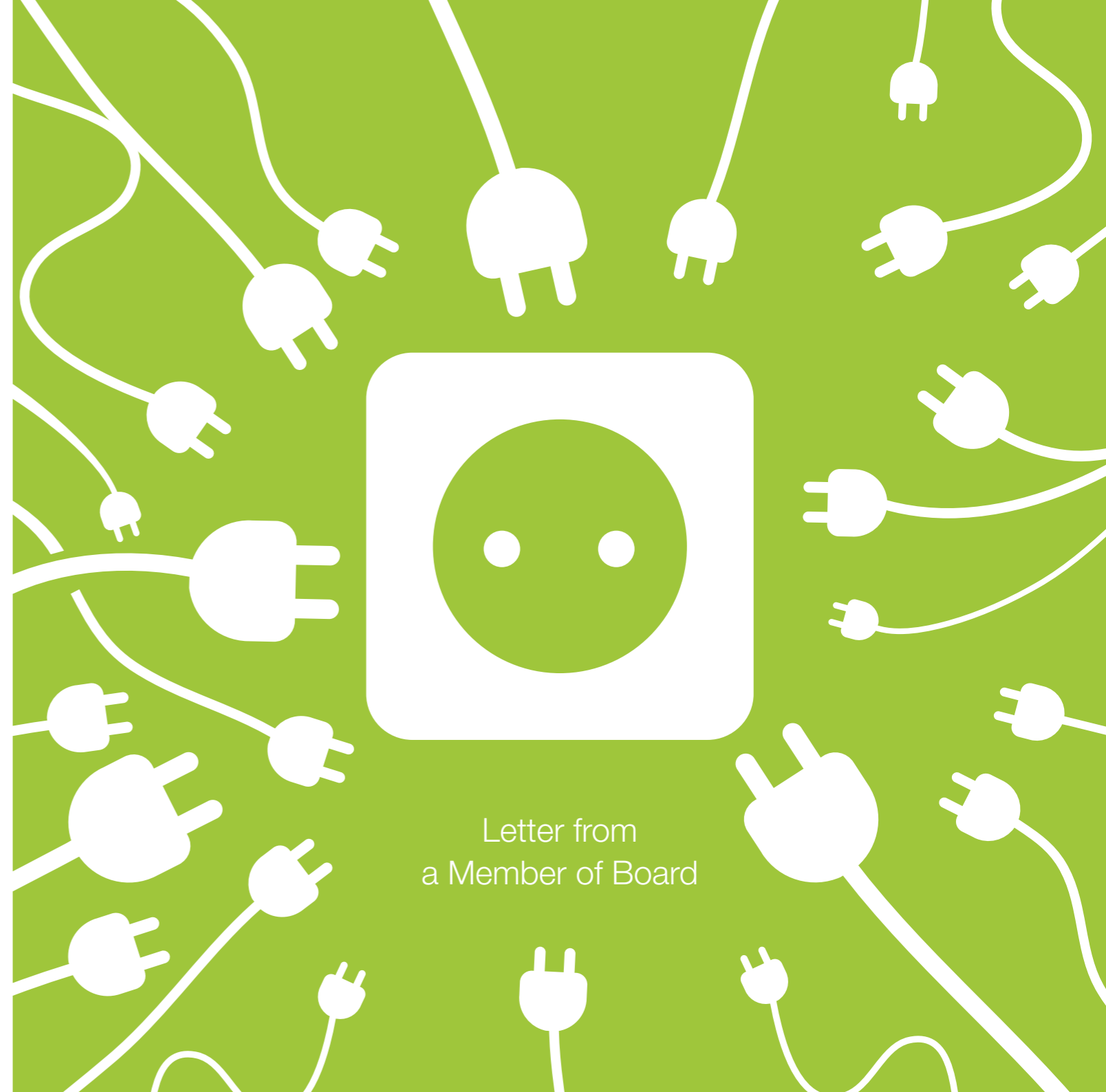
29 March 2016 in Chvaletice

Jan Dienstl
Chairman of the board

Luboš Pavlas
Member of the board

Jan Pozler
Member of the board

Letter from
a Member of Board



Letter from a Member of Board

Dear friends,

Firstly, let me begin by expressing my thanks to all employees of Sev.en EC, a. s. company for managing all tasks in 2015 successfully. The year of 2015 was marked by preparations for the repair of two power plant blocks. In 2014 a public tender „Obnova dvou bloků Elektrárny Chvaletice“ (Revitalisation of two power plant blocks) was opened, and resulted in signing a contract with the winning company KRÁLOVOPOLSKÁ RIA, a.s. in July. It represents a significant milestone in the history of the power plant as the prolongation of the power plant operation lifespan at least until 2030 will have a positive effect not only on Czech energy system and the company itself, but also on its employees and the whole region. We assume that the total price of repair and greening of the two blocks and common and supporting facilities will amount to 2.7 billion. We want to finish all works by the end of 2016.

Although the electricity prices have been continuously low, I can say that it was a successful year, which is reflected in economic results of the company. We managed to effectively sell produced electricity on both spot and futures markets. Despite massive integration of renewable sources that distorts the electricity market we are able to find opportunities to gain profit by selling electricity when there is no wind and sunshine.

In May 2015 the Czech government approved a resolution on updated State Energy Concept for the period of the following 25 years. This resolution does not take a positive stand towards brown-coal energetics. In addition, in October 2015 the Czech government decided to continue the decline of mining at ČSA quarry. In spite of this fact I can see the prospects of the power plant even beyond the year of 2030.

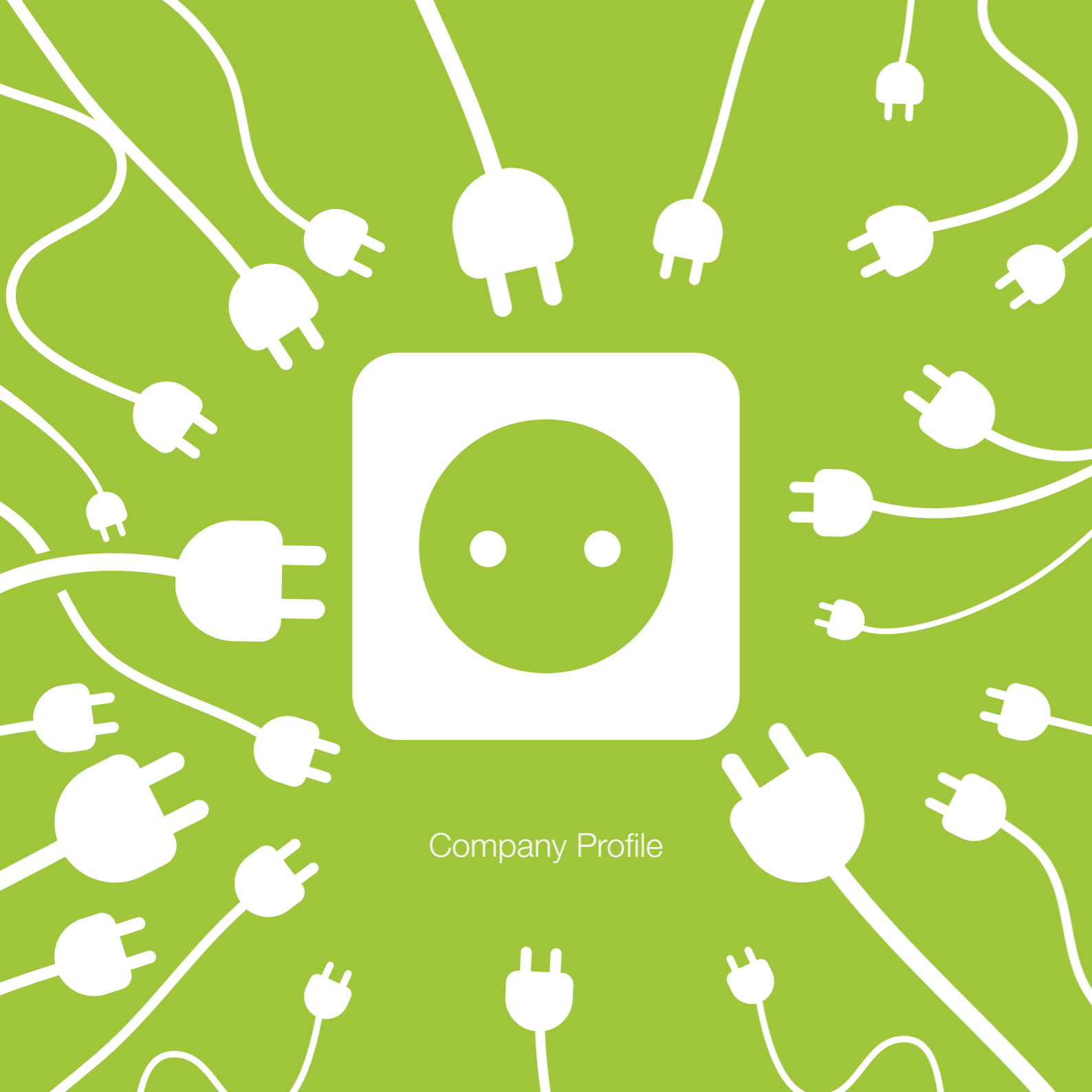
I consider a conclusion of the collective agreement that supports maintenance of social peace in the company for the period of 2015–2017 as a good deed. Let me thank you for the results achieved by the members of employer's negotiating team as well as the representatives of both trade unions.

Sev.en EC, a.s. company is well-aware of its post of a significant company and employer in Pardubice region and supports education, charity projects, sports and leisure activities focusing mainly on children and the youth. We place a great emphasis on mutual transparent communication not only with the mayors of surrounding municipalities but also with schools and other local institutions.

Sev.en EC, a.s. has actively engaged in many important associations such as the Association for District Heating of the Czech Republic, the Czech Association of Energy Sector Employers, Confederation of Industry of Czech Republic, the Association of Energy Managers and Chamber of Commerce of Pardubice region. Our employees have actively worked in bodies of most of these institutions.

On behalf of the Board of Directors and my own, I would hereby like to thank everyone who helped us achieve these positive results. I wish everyone a fruitful year 2016 and most of all a lot of energy to the successful managing of upcoming repair work of power plant facilities.

Luboš Pavlas
Member of the Board and the Managing Director



Company Profile

Company Profile

The joint stock limited company Elektrarna Chvaletice, a.s. was established in 2010 by a separation from ČEZ joint stock company and it became a part of a consolidated ČEZ Group. On September 2, 2013 the company Elektrarna Chvaletice was taken over from the ČEZ Group by the company Severní Energetická that became its 100% shareholder. As of August 1, 2015 the business name of the company was changed from Elektrarna Chvaletice, a.s. to Sev.ev EC, a.s. The core business of the Sev.en EC, a.s. company is the production of electricity and heat, electricity trading and heat distribution. The Sev.en EC, a.s. company operates a brown-coal fired power station in the East Bohemian Region which burns brown coal from the North Bohemia. Electricity production in four power station blocks of the power 205 MW makes it possible to offer a combination of standard products covering the base load (24 hours) and peak loads (12 hours), featuring a dynamic output from 100 to 820 MW. The Sev.en EC, a.s, company (previously known as Elektrárna Chvaletice) establishes itself on the electricity market as a respected partner and it strengthened its position throughout 2015. The company offers both long-term and spot market contracts. A new strategy was implemented in the area of electricity trading where the company decided to leave the segment of trading in electricity supplies and related services to end-customers.

Besides electricity production the power station also ensures heat supplies. Both commodities are produced within one common cycle (so called co-generation), which primarily leads to more efficient usage of the fuel, thus also leading to saving electricity and having a positive impact on the environment. The company produces and offers for sale fully-certified after burning by-products, such as slag, ash, FGD gypsum and stabilisate.

Throughout 2014 a new project team „Obnova“ was established and started preparing a public tender „Obnova dvou bloků Elektrárny Chvaletice“ (renovation of two power station blocks). In July 2015 a contract was concluded with the winning supplier KRÁLOVOPOLSKÁ RIA, a.s. The renovation of the two blocks itself will take place during the year 2016.

Company Profile

The aim of the reconstruction is to lower emissions and actual consumption, to extend the regulatory span and to increase efficiency and reliability of the two blocks with respect to effective usage of brown coal. The primary aim is to prolong the operation life span of the two blocks until 2030. The prolongation will have a positive influence not only on the company itself, but also on its employees, customers, suppliers and the whole region.

Sev.en EC, a.s. is certified by EMS and is a proud holder of Safe Enterprise certificate. The company wants to be an attractive employer and a good neighbour, and therefore it supports the East Bohemian region through sponsorship in many areas. In the last year, the company contributed to various sponsorship projects by the amount exceeding 2 million CZK. The perspective of the company brings perspective to the region where it operates.

Mission of Sev.en EC, a.s.

To ensure safe and reliable supplies of electricity and heat to customers while minimising social and environmental production impacts of these commodities.

Basic Information about the Company

Name:	Sev.en EC, a.s.
Registered office:	K Elektrárně 227, Chvaletice, postal code 533 12
Legal form:	Joint Stock Company
Registered number:	28786009
Dully registered at:	Regional Court in Hradec Kralove, section B, 2905
Bank:	Československá obchodní banka, a.s. Praha / CSOB, OJSC, Prague
Bank account number:	117517863/0300 (CZK) 12484280/0300 (EUR)
Internet:	www.sev-en.cz, www.echas.cz
Email:	echas@echas.cz
Phone:	462 101 111

Scope of Business

The main scope of business of Sev.en EC, a.s. is:

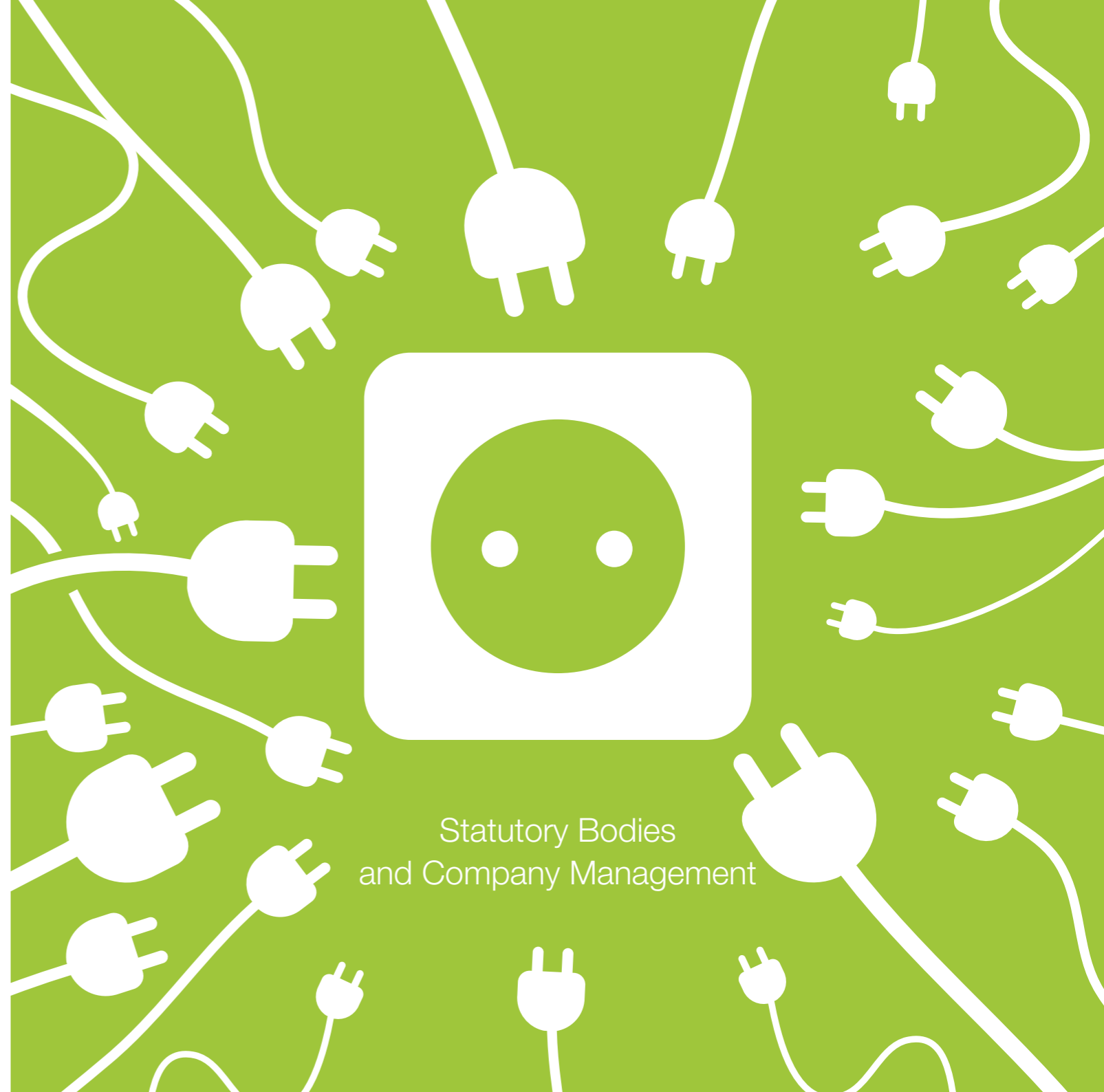
- Electricity production
- Electricity trading
- Thermal energy production
- Thermal energy distribution
- Production, trade and services not specified in Annexes 1 to 3 of the Trade Act
- Plumbing and heating
- Accounting, Bookkeeping, tax accounting
- Rental of property, apartments and commercial space
- Installation, repair, inspection and testing of electrical equipment



Main Events of the Year 2015 and 2016 at the Date of Issuing the Annual Report

Main Events of the Year 2015 and 2016 at the Date of Issuing the Annual Report

2015	
January	Establishment of MaR Operation (10 working positions) – decision of the Board of Directors on taking over activities of operational mechanics responsible for measuring and regulation. Change of the shift calendar for the employees of operation (12-hour shifts). Change in system of remuneration of the employees who are paid by tariff wage.
February	Change of IP (integrated permit) approved – 7th amendment by decision of the Regional Office of October 24, 2014. Signing of Collective Agreement of Elektrárna Chvaletice a.s. for the period of 2015–2017.
May	May 14 to 16, 2015 1st supervisory audit of EMS system in compliance with ČSN EN ISO 14 001 was carried out. Change of IP – 8th amendment by decision of the Regional Office of May 27, 2015.
June	Announcement of the winner of the public tender „Obnova dvou bloků Elektrárny Chvaletice“ (Revitalisation of the two power station blocks of Chvaletice power station).
July	Signing the contract „Obnova dvou bloků Elektrárny Chvaletice“ with the supplier KRÁLOVOPOLSKÁ RIA, a.s. Monitoring of compliance with obligations arising from the legislation to ensure work safety and compliance with obligations under the legislation to ensure the safety of technical devices with higher rate of danger to life and health and safety legislation operation of specified technical equipment.
August	Change of business name of the company to Sev.en EC, a.s. August 27, 2015 Strategic and risk analysis for the year 2015 was carried out – 1st phase of verification of CO ₂ emissions.
October	Announcement of the selection of candidates and the winning candidate to be a member of the Supervisory Board of Sev.en EC, a.s.
November	Selection of the winning candidate to be a member of the Supervisory Board. Control of ČIŽP – integrated prevention (5. And 6. November 2015). Change of integrated permit (IP) – 9th amendment by decision of Regional Office of November 2, 2015.
2016	
January	Change of organisational structure in Department of Facility, Electro and MaR Maintenance. The Code of Ethics, Business Conduct and the Rules of ethical behaviour issued. January 14, 2016 David Knop-Kostka became a new chairperson of the Supervisory Board.



Statutory Bodies
and Company Management

Statutory Bodies and Company Management

Board of Directors

The board of directors is the statutory body that manages the Company and acts on its behalf. The term of office of individual members of the board shall be five years. The boards' competences are specified in detail in the Articles of Association approved by the general meeting.

Members of the board of directors as at 31 December 2015

Chairman	Ing. Jan Dienstl	since 2 September 2013
Member	Ing. Luboš Pavlas	since 2 September 2013
Member	Ing. Jan Pozler	since 2 September 2015

Supervisory Board

The supervisory board is the supervisory body of the Company, it monitors and oversees the board of directors as well as the Company's business and proposes necessary measures to the board. The members of the supervisory board are entitled to inspect all documents and records relating to activities of the Company, control proper keeping of accounting records and check that business activities of the Company are carried out in accordance with valid legislation, articles of association and the instructions of general meeting.

Members of the Supervisory Board as at 31 December 2015

Chairman	Ing. Tomáš Fohler	since 2 September 2013
Member	Jan Dvořáček	since 1 January 2011
Member	Ing. Petr Karas	since 2 September 2013



Project to upgrade Chvaletice Power Station
(Sev.en EC, a.s.)

Project to upgrade Chvaletice Power Station (Sev.en EC, a.s.)

The most important part of Sev.en EC, a.s. business plan is the upgrade of two (B3 and B4) out of four power station blocks by the end of 2016. The aim of the operation life span prolongation of the two blocks is to improve their technical condition and to enhance operation reliability, as well as to ensure meeting of the state given requirements that relate to power station's operation. These requirements include lowered ecological limits which comply with law regulations for pollutant emissions.

In autumn of 2014 a new public tender was opened called „Obnova dvou bloků Elektrárny Chvaletice“ (renovation of two power station blocks). This is the most significant part of several partial steps which lead to repair and prolongation of the power station operation life span. The repair within this tender will include boiler room, engine room, control and management system, high-voltage power devices and electrostatic ash separator. The tender was won by KRÁLOVOPOLSKÁ RIA, a.s. company that offered a price of 2.5 billion CZK. Repairs of desulphurisation absorber nr. 2 and inner and outer coaling cable way will be carried out concurrently, which will result in dust reduction.

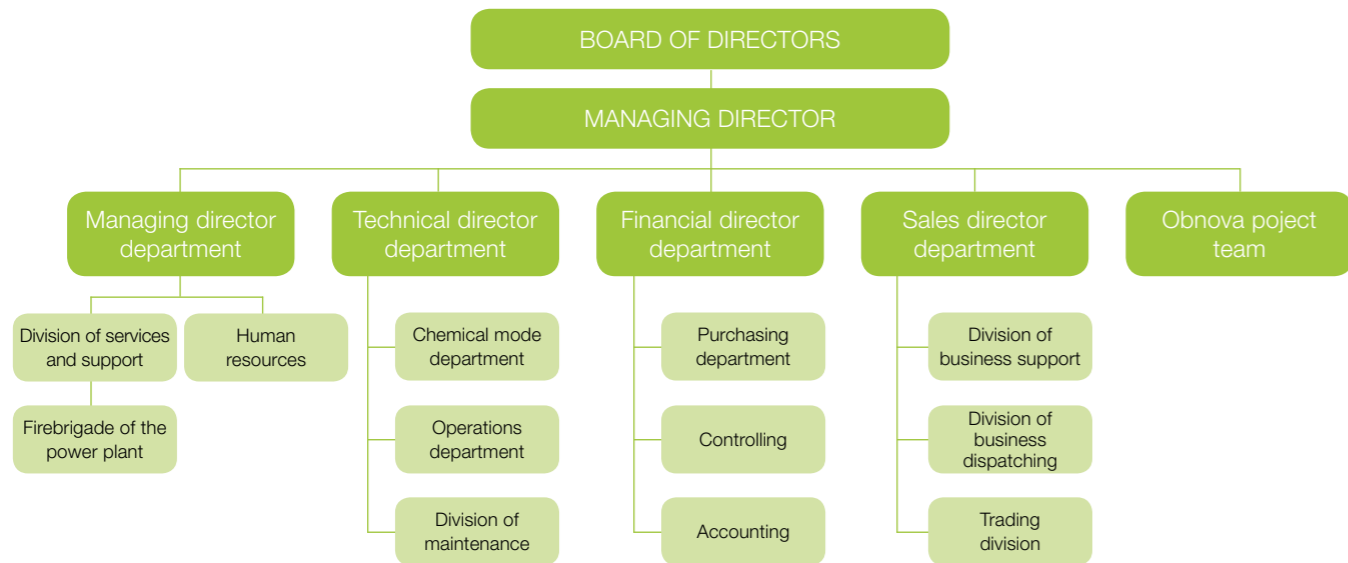
The aim is to technically enhance operation reliability of applied technology, to increase operation economy, to extend the regulation zone of the blocks and to optimise the overall operation in respect to effective usage of brown coal. It is planned that the project will include gradual shutdown of the two blocks for the period of 8 months in the year 2016 that is needed in order to carry out repairs. The Project is also essential in terms of employment rates in the region as well as in terms of providing other business opportunities during the reconstruction process.

Local communities will benefit from the Project mainly due to significant improvement of environmental impact, mainly decreasing emission of solids and carbon dioxides. Since the beginning of the Project, the Sev.en EC, a.s. management has been intensively communicating with all stakeholders, mainly with representatives of surrounding municipalities, controlling bodies and employees. The Project represents one of the crucial investments in the region and the company management has placed great emphasis on both transparency of the public tender as well as on informing representatives of local municipalities and local citizens. It is expected that the repairs and renovation of the other two remaining blocks that may be operated under current conditions till the year 2020 will take place in the first half of 2020.



Basic Organisation Chart
of the Company
as of December 31, 2015

Basic Organisation Chart of the Company as of December 31, 2015



Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Overview of Chosen Technical and Economic Indicators

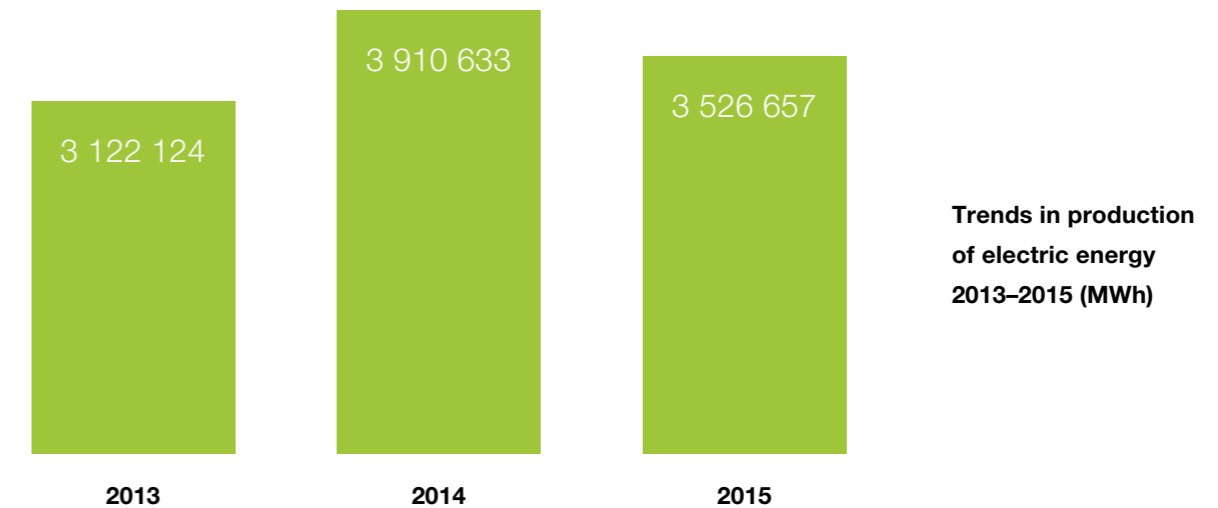
Technical Indicators		2013	2014	2015
Installed power	MW	800	820	820
Electricity production	MWh	3 122 124	3 910 633	3 526 657
Heat supplies	GJ	143 841	130 657	128 667

Economic Indicators		2013	2014	2015
Operating revenues	mil. CZK	4 844	11 052	23 579
out of which revenues for electricity sales	mil. CZK	4 685	9 019	21 129
Operating cost	mil. CZK	4 502	10 650	23 288
Operating economic outturn	mil. CZK	342	402	291
Revenues after taxation	mil. CZK	263	408	358
Total Assets (net)	mil. CZK	7 624	8 010	7 850
Tangible and intangible fixed assets	mil. CZK	2 539	2 396	3 127
Current assets	mil. CZK	5 083	5 546	4 709
Equity	mil. CZK	5 929	5 837	5 195
Nominal capital	mil. CZK	4 406	4 406	4 406
Bank loans and bailouts	mil. CZK	0	0	0
Workforce headcount as of December 31, 2015	number	261	285	301

Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Evaluation of Trends in Technical and Operating Indicators

Sev.en EC, a.s. is one of the biggest sources with combined electricity production and heat in the Czech Republic. Production of electricity and heat represent the core business areas of the company. In 2015 a total of 3 526 657 MWh of electricity was produced (year-on-year decrease by 383 976 MWh) and a total of 128 667 GJ of heat was produced (year-on-year decrease by 1 990 GJ).



The decrease in electricity production is mainly caused by continually decreasing prices of power electricity. The decrease in heat production is mainly caused by the weather conditions in 2015.

Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Electricity Sales

In 2015 the Sev.en EC Company further developed a successful business strategy in electricity trading which was implemented in 2014. As a result of this strategy, the company gained increasing number of contractual partners, became active in trading on European markets and extended its product portfolio. This has strengthened the Sev.en EC, a.s. company position and it a reputation of a respected and solvent producer and business entity. The company was also very successful in public tender for a provider of ancillary services for ČEPS, a.s. company.

As of December 31, 2015 the operation in the end-customer segment was ended and since then the wholesale market has become the only trading platform. Sev.en EC, a.s. company has been actively meeting requirements and regulations of European Union nr. 1227/2011 of European Parliament on Wholesale Energy Market Integrity and Transparency (so called REMIT), thus endorsing the open and transparent market principles.

The events of 2015 on Energy Market, mainly operation failures and shutdowns of production sources, have confirmed the significance of a power station producing electricity from brown-coal as a stabilisation element of the energy system.

Heat Energy Sales

Sev.en EC, a.s. is the most significant supplier of heat in the local area. The total annual supply to the only heat distributor ČEZ Teplárenská, a.s. company in 2015 amounted to 40.4 TJ. The heat energy was further supplied to customers in power station's premises.

Secondary and By-products Sales

The company has also successfully searched for new possibilities of further increase in sales of ancillary services. The year-on-year increase in sales of secondary and by-products was 6 732 tons and the revenues grew almost twice.

Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Shares and Shareholders

The nominal equity of Sev.en EC a.s. company as of December 31, 2015 amounted to 4 406 million CZK. In the Statement of Shareholders as of December 31, 2015 there were no other persons involved in the nominal capital but Sev.en EC, a.s. As of December 31, 2015 the company had a total of 4 406 ordinary registered shares in certificated form of the nominal value of 1 000 000 CZK each. The Sev.en EC, a.s shares are transferable only with the consent of the Board of Directors followed by the approval of the Supervisory Board of the company.

Economic Outturn After Tax

In 2015 the company's economic outturn after tax amounted to 358.2 million CZK. The outturn is positively influenced by a partial refund gift tax for the period of 2011 and 2012. Despite continuously decreasing prices of electricity and initiation of maintenance works related to gradual renewal of the power station's production facilities, the achieved economic outturn is comparable to that of year 2014. Financial management of the company was stable and balanced throughout the whole year. In 2015 the company did not make use of any bank loans or bailouts in order to cover operation cost.

Structure of Assets and Capital

Tangible and intangible fixed assets increased year-on-year by 731 million CZK to the total value of 3 126.7 million CZK, while an essential part of the asset increase is represented by a provided investment deposit related to greening of production blocks B3 and B4. Current assets decreased year-on-year by the amount of 838 million CZK to a total of 4 708.5 million CZK. This decrease was influenced mainly by dividend payment of the amount 1 billion CZK, payment of deposit for greening of the production blocks and a year-on-year decrease of coal stocks by 93 million CZK.

Investments

In 2015 a contract was concluded for greening of two power station blocks and first investment deposit of the amount 730 million CZK was paid. As well as in previous years, investments were made in tangible assets. The aim of such investments was primarily an effort to increase production efficiency and to ensure conditions were met in order to prolong operation of the power station. Preparation and realization of investments was made in compliance with the business plan of the company.



Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Future Prospects

The year 2016 will be a key year for further development of company technology. The first phase of greening of the power station will be initiated as well as preparation of related maintenance and investment activities. The total amount that will be paid in relation to the above mentioned activities totals 2.7 billion CZK. There will still be a need to face negative external influences that will mainly be represented by decrease in power electricity prices, frequent and unsystematic legislative changes and the passed State Energy Policy. The mentioned facts force the company to constantly improve the planning process, to maximize efficiency of all activities and to put emphasis on utilising possible synergies. The company processed and approved the budget for 2016 and secured its financing. Updating of mid-term and long-term plans is carried out on regular basis, thus proving the long-term sustainability of effective business.

Human Resources

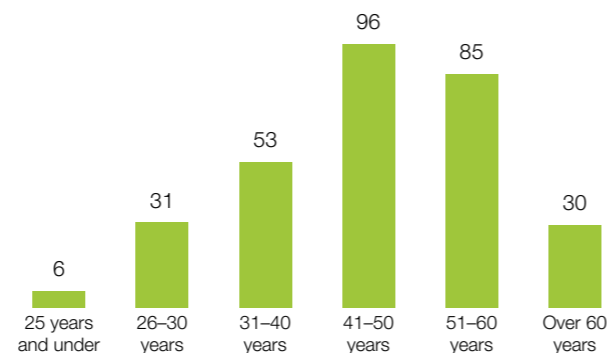
Since January 1, 2014 the personal agenda (selection and recruitment of employees, labour-law, wages, ensuring of health and proficiency competence and the social agenda including benefits) has been in competence of Sev.en EC, a.s. employees.

Trend in Workforce Headcount

	As of 31. 12. 2013	As of 31. 12. 2014	As of 31. 12. 2015
Workforce headcount	261	285	301
Restated workforce headcount	240	277,4	294,7

Work Force by Age as of December 31 2015

Age	Headcount	%
25 years and under	6	2,00
26–30 years	31	10,29
31–40 years	53	17,61
41–50 years	96	31,89
51–60 years	85	28,24
Over 60 years	30	9,97
Total	301	100,00



Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Social Policy

The basis of social policy of the company is formed by a Labour Code including related legislation and a Collective Agreement valid for the period of January 1, 2015 to December 31, 2017 concluded February 3, 2015 in Prague.

A great change for employees of non-stop operation was brought by a transition to 12-hour shifts and by a prolongation of weekly working hours by 1 added hour. This was approved after two surveys of labour union were carried out with the outcome that the increase in working hours will mean increase in earnings. The schedule is to be agreed on in respect to the interest of the majority of non-stop operation employees and the Collective Agreement is to be valid for the period of 3 years. The change in reward system meant an increase in proportion of variable component of wages (bonuses) with the aim to motivate the employees to increase their contribution for meeting company's goals. An increase in tariff salaries by 1% in each year of Collective Agreement validity was agreed, including an increase in bonuses and allowances for non-stop operation and night-work. The rewards and bonuses for retirement, early retirement, disability pension and pre-retirement were cancelled and new forms of motivation of employees were created for high quality training of replacement employees for vacancies and for superior performance and contribution of individual employees.

In the area of benefits a change was made in a way of spending the personal account which now enables a more flexible ad extended usage of the account. The amount of personal account remained the same.

The most significant areas where the contributions were allocated are as follows:

- Food contributions
- Supplemental pension and life insurance contributions
- Contributions to personal accounts spent by the form of "cafeteria"

Other supplementary benefits are granted under the Collective Agreement, such as an additional week of holiday, contribution in the first three calendar days of sick leave, a reward on life jubilee and other.

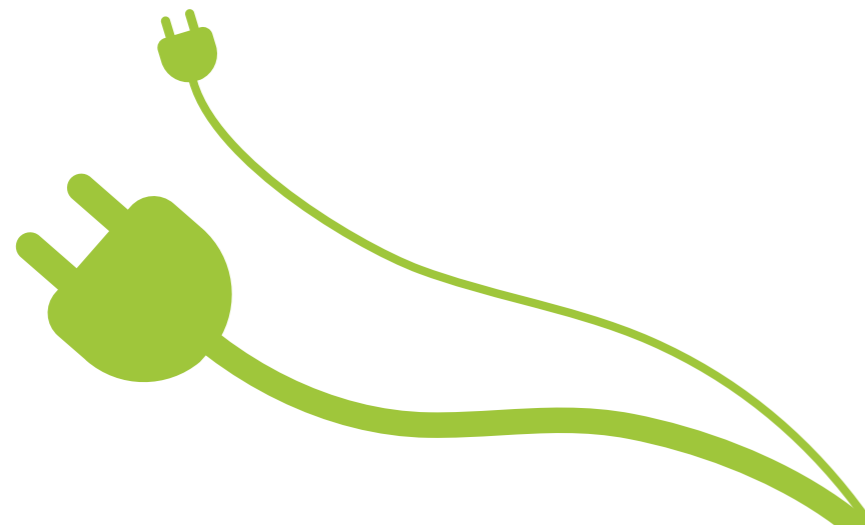
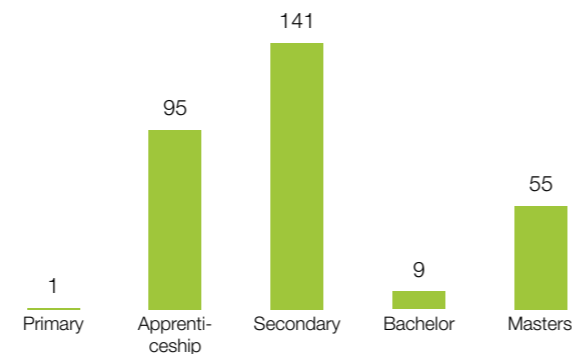
Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Education

The company pays great attention to personal development of their employees. It is common for Sev.en EC, a.s. to organise not only mandatory trainings required to maintain or deepen the qualifications of its staff that is necessary to ensure activities related to the principal business of the company. Sev.en EC also enables its employees to enhance and deepen their qualifications in relation to their professional orientation and career growth (MBA courses, university education).

Education Structure of the Workforce at December 31 2015

Level of education	Headcount	%
Primary	1	0,33
Apprenticeship	95	31,56
Secondary	141	46,85
Bachelor	9	2,99
Masters	55	18,27
Total	301	100,00



Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Health and Safety at Work and Environmental Protection Policy

Sev.en, a.s. is one of the leading production companies in the Pardubice region and it operates on the basis of integrated permit (hereinafter Decision) in compliance with Act nr. 76/2002 Coll, on integrated prevention; and on the basis of certified EMS system in accordance with the ČSN ENO ISO 14001: 2005 ¹. (EMS – Environmental management system). In May 2015 the BUREAU VERITAS CZECH REPUBLIC, spol. s.r.o. performed the first surveillance audit in accordance with standard ČSN EN ISO 14001: 2005; the certification is valid till May 2017.

Sev.en, a.s. ensures safe production of electricity as of a significant component in the power system, with electricity and heat produced in an environmentally friendly manner. In 2015 the plant produced a total of 3 526 657 MWh of electricity at coal consumption of 2 458 967 tons of brown coal and 3 366 tons of liquid fuel.

Results of Continual Measurement of Emissions in 2015

Emissions in the period of January 1, 2015 to December 31, 2015 in tons:	
TZL	324
SO ₂	2 915
NO _x	4 378

Emission limits comply with the conditions of the integrated permit. Air pollution monitoring station for measuring pollutants SO₂ and NO_x is located in the village Hošťalovice in the Iron Mountains and SO₂ air pollution measurements are carried out in Chvaletice.

1) Environmental management system (hereinafter EMS) forms a part of the overall management system of Sev.en EC, a.s. The system includes organizational chart, responsibility division and procedures and processes given by technology, all of which takes consideration of the influence on environment. Sev.en EC, a.s. made the decision to implement EMS voluntarily and at its own cost. The implementation of this environmental management system is a matter of prestige to the top management of the company. The system is expected to lead towards ensuring permanent economic growth and prosperity. As a result of the system implementation, material and energy is saved, lower fees for environmental burden are charged, fines and sanctions are minimized and the production quality is enhanced. Therefore Sev.en EC, a.s. also has its own environmental protection policy. The implementation of EMS documents into plant operation is a task for the plant's managing staffs that are responsible for environmental impact of the company. Similar responsibility is also required from other employees.

Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

CO₂ Emission Allowances

Within the 3rd national allocation plan (2013–2020) each listed operator of the source is granted a certain amount of CO₂ allowances free of charge every year. Since 2013, the allowance amount has been newly divided into allocation allowances for electricity (against the amount of investments made into ecology) and allocation of allowances for heat (not conditioned by any investments). For 2015, in accordance with ES Commission Decision, the total of 1 056 522 pieces of CO₂ allowances for electricity and 8,469 pieces of emission allowances for heat were allocated to Sev.en EC, a.s. by the Ministry of the Environment. The Allowances account of source operators is managed by the company OTE, a.s., and the amount of CO₂ emitted in given calendar year has to be verified and reported to the Ministry of the Environment no later than by March 15 of the following year.

Production of CO₂ emissions from fossil fuels and material was verified by auditing company BUREAU VERITAS CZECH REPUBLIC, spol. s.r.o., in February 2016 by issuing a Statement on Greenhouse Gases in 2015, confirming emission of 3 413 197 tons of CO₂.

Waste

The waste issue is dealt with in accordance with the law, the system of non-waste technology, the use of secondary raw materials and in accordance with the Decision. In 2015, the total cost of the disposal of hazardous and other waste amounted to 3 992 215 CZK.

Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Secondary Energy Products

The most important approach to reducing the waste production is waste prevention and the use of certified energy by-products. Currently, there are 7 certificates for different types of slag, FGD gypsum, stabilizer and various types of fly ash that were produced in the amount of 793 084 tons in 2015. Certified products are used in the construction industry (cement, concrete), as sub and backfilling in the construction of roads and railways, as well as for landscaping and terrain reconstruction purposes. Other products are processed within the programme „Land Reclamation of Chvaletice Region“ which, on the basis of building permit, includes shaping and reclamation of the landscape devastated by earlier activity of Manganese-sulphide plant Chvaletice. Reclamation in the area around Chvaletice municipality happens in compliance with the „Land Reclamation of Chvaletice Region“ programme, as well as with the urban municipality plan of Chvaletice and the „Pardubice Region and Environmental Protection“ strategy. The costs associated with the reclamation in 2015 amounted to 13 177 000 CZK.

Water Management

Wastewater treatment is carried out using the latest technology, in order to minimize the discharge of treated wastewater. Concentration values are measured in accordance with the Decision and all thereof consequent requirements have been met (compliance with the emission limits for discharged water, regular water assessment and payment of the waste water fee). Fees for discharge of wastewater into surface waters are in the amount of 356 739 CZK. Fees for the consumption of surface water of the river Elbe total 48 573 133 CZK.

Control of Environmental Protection

In November 5 and 6, 2015, the Czech Environmental Inspectorate Hradec Kralove, in accordance with Act nr. 76/2002 Coll., performed an inspection on meeting the requirements and duties given by the integrated permit, meeting the duties of reporting into Integrated Pollution Register and of duties and obligations under regulations of Component Acts on Environmental Protection (among others of Act nr. 185/2001 Coll. on waste, Act nr. 254/2001 Coll. the Water Act, and Act nr. 201/2012 on air protection) The inspection check found no breach of IP regulations.



Report of Board of Directors on Business Activities in 2015 and Assets as of December 31, 2015

Safe Enterprise

Sev.en EC, a.s., strictly follows the requirements of the law and other regulations to ensure the safety and health at work in all its activities. As every year, health and safety at work was, in terms of priority, ranked to the highest level also in 2015. This is how the program „Safe Enterprise“ has been implemented and which is one of the company's main objectives. The greatest emphasis is placed on prevention. All operations are controlled so as to ensure utmost safety of people and healthy working environment. Everything was verified during the annual inner audit of the Safe Enterprise programme. As well, in July 2015 the Regional Labour Inspectorate of Pardubice Region carried out an inspection focused on compliance with obligations arising from legislation on ensuring the operation safety of technical devices with higher degree of threat to life and health and legislation on safety of operation of selected technical devices. This inspection check was carried out as a part of annual controlling activity in the validity period the certificate „Bezpečný podnik“ (Safe Enterprise). No deficiencies were identified.

The company carried out a review of safety and health at work in all workplaces, doing so in compliance with the provision of Act No. 262/2006 Coll., The Labour Code. All detected failures were removed and everything was carried out under the supervision of members of trade unions.

In 2015, no work injury of regular staff was recorded (resulting in a sick leave extending 3 days). There was no case of fatal accident at work recorded and there is no record of occupational disease either.

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Regional Support

Sev.en EC, a.s. supports the region in which it operates and where the majority of its employees reside. The support is focused mainly on municipalities neighbouring the power station. The company provides support in a form of donations and sponsorship projects focusing mainly on education, culture, charity, sports and free time activities for children and the youth. The company places emphasis on regular communication and cooperation with representatives of surrounding villages and municipalities. These relations are based on mutual information awareness and transparency.

Sev.en EC, a.s. has cooperated with schools and offers them to carry out excursions to power station's premises. In 2015 almost a thousand of pupils and students of primary, secondary and universities made use of this possibility. In July, a new project of excursions for public called „Energytour“ was launched.

Sponsorship

In 2015, Sev.en EC, a.s. supported more than 40 projects with a total value exceeding 2 million CZK. Among the supported projects are e.g. a donation for tree planting in the National Stud Kladruby nad Labem, donation for repair of pavements in the municipality Tetov or traditional partnership at presentation of František Filipovský Awards for the best dubbing or the national football tournament of juniors, both events took place in Přebouč. The company is also a long-term partner of many sports clubs and cultural events in the region.





Report on Business Related Parties of Sev.en EC, a.s.
Company as of December 31, 2015

Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

This report on business related parties for the period from January 1, 2015 to December 31, 2015 is a written report issued by the statutory authority of controlled entity and deals with business related parties, relations between a controlled entity, entities directly and indirectly involved in controlling, and other entities controlled by the same entity in the accounting period of the year 2015 (hereinafter „Report on business related parties“). The report is in compliance with provisions of the Act 90/2012 Coll., §82, Business Corporations Act, as amended.

The Structure of Relationships Between Individuals and the Role of the Controlled Entity in it as of December 31, 2015

Severní energetická a.s.



Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

The Role of the Controlled Entity

Sev.en EC company, a.s. was a subsidiary of Severní energetická a.s. company throughout the whole accounting period of the year 2015. Severní energetická a.s. is a 100% shareholder of Sev.en EC, a.s. Company. Sev.en EC, a.s. company specialises in electricity and heat production, selling of these commodities on the domestic market and selling electricity on foreign markets. Sev.en EC, a.s. company has no stake in controlled entities belonging to the same business group or in other companies.

Controlling Entity and Controlled Entity

Controlling Entity (Holding Company)

Company: Severní energetická a.s.
Registered Offices: Václava Řezáče 315, Most PSČ 434 01
Registered Number: 28677986
Dully Registered in: Commercial Register of Regional Court in Ústí nad Labem, section B, Entry1986

Controlled Entity

Company: Sev.en EC, a.s.
Registered Offices: K Elektrárně 227, Chvaletice PSČ 533 12
Registered Number: 28786009
Dully Registered in: Commercial Register of the Regional Court in Hradec Králové, section B, Entry 2905

Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Other Entities Controlled by the Same Controlling Entity

Company: Důl Kohinoor a.s.
Registered Offices: Dolní Jiřetín 5, Horní Jiřetín, PSČ 435 43
Registered Number: 25411616
Dully Registered in: Commercial Register of Regional Court in Ústí nad Labem, Section B, Entry 1259

Company: HIPODROM MOST a.s.
Registered Offices: K Hipodromu 213, Velebudice, Most PSČ 434 01
Registered Number: 64653269
Dully Registered in: Commercial Register of Regional Court in Ústí nad Labem, Section B, Entry 813

Company: HUMEKO, a.s. (since 1 January 2016 Sev.en WT, a.s.)
Registered Offices: Václava Řezáče 315, Most PSČ 434 01
Registered Number: 14864657
Dully Registered in: Commercial Register of Regional Court in Ústí nad Labem, Section B, Entry 79



Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Ways and Means of Control

Severní energetická a.s. company, as the sole shareholder, is the controlling entity of Sev.en EC, a.s. company within the meaning of § 74 of Act No. 90/2012 Coll., Business Corporations Act, as amended. There was no Control Agreement concluded. Sev.en EC, a.s. company represents an independent company within the above-described business group. The company is basically by definition a controlled entity through a decision of the General Meeting. Sev.en EC, a.s. Company within a business group develops its activities independently with a wide degree of autonomy. The way of control within the meaning of § 81 paragraph 1, Act No. 90/2012 Coll., Business Corporations Act, as amended, was not used by the controlling entity during the accounting period.

Overview of Negotiations Held within the Accounting Period of 2015

Based on the decision of the sole shareholder Severní energetická a.s. in the competence of the General Meeting in the fiscal year 2015 the company Sev.en EC, a.s. paid to Severní energetická a.s. company share of profits in the amount of 1,000,000,000 CZK. In addition to these facts there were not taken any further negotiations at the instigation or in the interest of the controlling entity or entities controlled on the property, which exceeds 10% of the equity of the controlled entity identified by the last financial statements.

Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Contractual Relations

During the period from January 1, 2015 to December 31, 2015, Sev.en EC, a.s. company entered contractual relationships (Until July 31, 2015 under the trade name Chvaletice a.s.) with the related parties listed below:

The financial performance of Sev.en EC, a.s. company of the following contractual relations with related parties corresponded to the prices and conditions which are customary in the course of trade.

Name: Purchase Agreement
Registered Number: ECHAS-2015-45009798
Conclusion Date: 18 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Sales of brown coal of Sev.en EC, a.s. company

Name: Service Agreement – Financial Services
Registered Number: ECHAS-2015-600006708
Conclusion Date: 30 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services of Sev.en EC, a.s. company – financial services

Name: Service Agreement – Surveying
Registered Number: ECHAS-2015-600006710
Conclusion Date: 30 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services of Sev.en EC, a.s. Company – surveying



Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Name: Service Agreement – Tax operating activities and tax optimization
Registered Number: ECHAS-2015-600006711
Conclusion Date: 30 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services of Sev.en EC, a.s. Company – tax operating activities and tax optimization

Name: Service Agreement – physical protection and security
Registered Number: ECHAS-2015-600006712
Conclusion Date: 30 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services of Sev.en EC, a.s. company – physical protection and security

Name: Service Agreement – Environmental Issues
Registered Number: ECHAS-2015-600006713
Conclusion Date: 30 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services of Sev.en EC, a.s. company – environmental issues

Name: Service Agreement – Human Resources Services
Registered Number: ECHAS-2015-600006714
Conclusion Date: 30 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services of Sev.en EC, a.s. company – human resources Services

Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Name: Service Agreement – Communication Activities
Registered Number: ECHAS-2015-600006715
Conclusion Date: 30 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services of Sev.en EC, a.s. company – communication activities

Name: Amendment No. 1 to a sub-contract on Payment
Conclusion Date: 26 March 2015
Contracting Party: Severní energetická a.s.
Characteristics: Negotiation of terms and conditions for repayment of the loan provided by Sev.en EC, a.s. company

Name: Sublease Agreement of Business and Parking Space as Amended by Amendment No. 1 and Amendment No.
Registered Number: ECHAS-2015-600003583
Conclusion Date: 1 April 2015
Contracting Party: Severní energetická a.s.
Characteristics: Sublease of business space for the benefit of Sev.en EC, a.s. company

Name: Consortium Agreement
Registered Number: ECHAS-2015-600003369
Conclusion Date: 3 April 2015
Contracting Party: Severní energetická a.s., Důl Kohinoor a.s.
Characteristics: A common procedure to award a public contract

Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Name: Amendment No. 3 to the agreement on the settlement of mutual obligations in relation to the provision of system integration
Registered Number: 84_2013CH Dod. 3
Conclusion Date: 30 December 2015
Contracting Party: Severní energetická a.s.
Characteristics: Settlement of mutual obligations in relation to the provision of system integration

During the period from January 1, 2015 to December, 31 2015 the agreements between Sev.en EC, a.s. (Until 31. 7. 2015 under the trade name Chvaletice a.s.) and related parties remained in force and effect:

Name: Purchase Agreement
Registered Number: ECHAS-2015-1
Conclusion Date: 23 December 2014
Contracting Party: Severní energetická a.s.
Characteristics: Sales of brown coal of Elektrárna Chvaletice a.s. company

Name: Provision of Services Agreement – Tax Operating activities and tax optimization
Registered Number: 600003511 ECHAS
Conclusion Date: 30 December 2014
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services to Elektrárna Chvaletice a.s. company – tax operating activities and tax optimization

Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Name: Service Agreement – Environmental Issues
Registered Number: 600003512 ECHAS
Conclusion Date: 30 December 2014
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services to Elektrárna Chvaletice a.s. company – environmental issues

Name: Service Agreement – surveying
Registered Number: 600003513 ECHAS
Conclusion Date: 30 December 2014
Contracting Party: Severní energetická a.s.
Characteristics: Provision of service to the company Elektrárna Chvaletice a.s. – surveying

Name: Provision of Services – Human Resources Services
Registered Number: 600003514 ECHAS
Conclusion Date: 30 December 2014
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services to the company Elektrárna Chvaletice a.s. – human resources services

Name: Service Agreement – Physical Protection and Security
Registered Number: 600003515 ECHAS
Conclusion Date: 30 December 2014
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services to the company Elektrárna Chvaletice a.s. – physical protection and security

Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Name: Service Agreement – Communication Activities
Registered Number: 600003516 ECHAS
Conclusion Date: 30 December 2014
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services to the company Elektrárna Chvaletice a.s. – communication activities

Name: Service Agreement – Financial Services
Registered Number: 600003517 ECHAS
Conclusion Date: 30 December 2014
Contracting Party: Severní energetická a.s.
Characteristics: Provision of services to the company Elektrárna Chvaletice a.s. – financial services

Name: Agreement on the Settlement of Mutual Obligations in Relation to the Provision of System Integration as Amended by Amendment No. 1 and Amendment No. 2
Registered Number: 84_2013CH
Conclusion Date: 20 November 2013
Contracting Party: Severní energetická a.s.
Characteristics: Settlement of mutual obligations in relation to the provision of system integration

Name: Agreement of Repayment Obligation
Conclusion Date: 23 December 2013
Contracting Party: Severní energetická a.s.
Characteristics: Negotiation of terms and conditions for repayment of the loan provided by the company Elektrárna Chvaletice a.s.

Report on Business Related Parties of Sev.en EC, a.s. Company as of December 31, 2015

Other Relations

Sev.en EC, a.s. has not taken any other legal actions in favour of its related parties, nor has it accepted or taken any measures in favour of or in the instigation of its related parties.

Evaluation

All relations between related parties are conducted on the basis of equal access under normal market conditions. There has been no damage or risk to the company Sev.en EC, a.s. resulting from the contractual relations mentioned in this Report. Relations with related parties result in rather benefits to the company Sev.en EC, a.s. with regard to economic, personnel and material support from these relationships.

Conclusion

The Report was issued by 31 December 2015 by statutory authority of Sev.en EC, a.s. company. The Report was issued to the best of the processors knowledge and belief, with maximum effort made, the data having been collected from all available documents and sources. The Report will be submitted to the Board of Directors of Sev.en EC, a.s. to be discussed. The Board of Directors will present its opinion on the Report in the Board of Directors' Annual Activity Report at annual general meeting of the Company.

29 March 2016 in Chvaletice

Ing. Jan Dienstl
Chairperson of the Board
Sev.en EC, a.s.

Ing. Luboš Pavlas
Member of the Board
Sev.en EC, a.s.



Financial statements

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Balance sheet as at 31 December 2015

Income statement for the year ended 31 December 2015

Notes to the financial statements as at 31 December 2015



Financial Statements

Balance sheet as at 31 December 2015

(in thousands of Czech crowns „TCZK“)

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
a	b	c	1	2	3	4
	TOTAL ASSETS (L.02+03+31+63)	001	19 001 099	-11 150 606	7 850 493	8 009 570
	A. Receivables for subscribed registered capital	002				
	B. Fixed assets (L.04+13+23)	003	14 191 871	-11 065 151	3 126 720	2 396 436
B.I.	Intangible fixed assets (L.05 to 12)	004	248 284	- 16 329	231 955	42 505
B.I.1.	Incorporation expenses	005	65	- 65		2
	2. Research and development	006				
	3. Software	007	25 406	- 16 165	9 241	5 815
	4. Intellectual property rights	008	195	- 99	96	
	5. Goodwill	009				
	6. Other intangible fixed assets	010	222 223		222 223	34 639
	7. Intangible fixed assets under construction	011	395		395	2 049
	8. Advance payments for intangible fixed assets	012				
B.II.	Tangible fixed assets (L.14 to 22)	013	13 943 587	-11 048 822	2 894 765	2 353 931
B.II.1.	Land	014	39 235		39 235	37 163
	2. Buildings	015	4 158 730	-3 294 649	864 081	971 032
	3. Plant and equipment	016	7 318 730	-7 087 821	230 909	233 384
	4. Cultivated areas	017				
	5. Adult livestock	018				
	6. Other tangible fixed assets	019	415		415	415
	7. Tangible fixed assets under construction	020	75 701		75 701	60 438
	8. Advance payments for tangible fixed assets	021	729 986		729 986	
	9. Adjustments to acquired fixed assets	022	1 620 790	- 666 352	954 438	1 051 499
B.III.	Long-term investments (L.24 to 30)	023				
B.III.1.	Equity investments - subsidiaries	024				
	2. Equity investments - associated companies	025				
	3. Other long-term securities and ownership interests	026				
	4. Loans - group undertakings, associated companies	027				
	5. Other long-term investments	028				
	6. Long-term investments (provisional value)	029				
	7. Advance payments for long-term investments	030				

Financial Statements

Balance sheet as at 31 December 2015

(in thousands of Czech crowns „TCZK“)

Ident.	ASSETS	line	Current period			Prior period
			Gross	Adjust.	Net	Net
a	b	c	1	2	3	4
C.	Current assets (L.32+39+48+58)	031	4 793 988	- 85 455	4 708 533	5 545 711
C.I.	Inventories (L.33 to 38)	032	715 009	- 82 491	632 518	729 714
C.I.1.	Raw materials	033	714 974	- 82 491	632 483	729 710
	2. Work-in-progress and semi-finished products	034				
	3. Finished goods	035				
	4. Young and other livestock	036				
	5. Goods for resale	037				
	6. Advance payments for inventories	038	35		35	4
C.II.	Long-term receivables (L.40 to 47)	039	651 888		651 888	2 096 303
C.II.1.	Trade receivables	040				
	2. Receivables - group undertakings	041	500 000		500 000	1 982 995
	3. Receivables - associated companies	042				
	4. Receivables from shareholders/members	043				
	5. Long-term advances paid	044				1 386
	6. Estimated receivables	045				
	7. Other receivables	046	151 888		151 888	111 922
	8. Deferred tax asset	047				
C.III.	Short-term receivables (L.49 to 57)	048	2 459 959	- 2 964	2 456 995	1 651 346
C.III.1.	Trade receivables	049	1 793 746	- 2 964	1 790 782	1 492 478
	2. Receivables - group undertakings	050				
	3. Receivables - associated companies	051				
	4. Receivables from shareholders/members	052				
	5. Social security and health insurance	053				
	6. Tax receivables	054				14 758
	7. Short-term advances paid	055	187 119		187 119	22 991
	8. Estimated receivables	056	27		27	65
	9. Other receivables	057	479 067		479 067	121 054
C.IV.	Short-term financial assets (L.59 to 62)	058	967 132		967 132	1 068 348
C.IV.1.	Cash	059				
	2. Bank accounts	060	967 132		967 132	1 068 348
	3. Short-term securities and ownership interests	061				
	4. Short-term investments (provisional value)	062				
D.I.	Deferrals (L. 64+65+66)	063	15 240		15 240	67 423
D.I.1.	Prepaid expenses	064	707		707	1 349
	2. Complex prepaid expenses	065				
	3. Accrued revenues	066	14 533		14 533	66 074

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Balance sheet as at 31 December 2015

(in thousands of Czech crowns „TCZK“)

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
	TOTAL LIABILITIES AND EQUITY (L.68+89+122)	067	7 850 493	8 009 570
A.	Equity (L.69+73+80+83+87+88)	068	5 195 143	5 836 931
A.I.	Registered capital (L.70+71+72)	069	4 406 000	4 406 000
A.I.1.	Registered capital	070	4 406 000	4 406 000
	2. Own shares and ownership interests (-)	071		
	3. Changes in registered capital	072		
A.II.	Capital contributions (L.74 to 79)	073	157	157
A.II.1.	Premium	074	157	157
	2. Other capital contributions	075		
	3. Revaluation of assets and liabilities	076		
	4. Revaluation reserve on transformations	077		
	5. Differences resulting from transformations	078		
	6. Change in revaluation reserve on transformations	079		
A.III.	Funds from profit (L.81+82)	080		
A.III.1.	Reserve fund	081		
	2. Statutory and other funds	082		
A.IV.	Retained earnings (L.84+85+86)	083	430 775	1 022 483
A.IV.1.	Retained profits	084	430 775	1 022 483
	2. Accumulated losses	085		
	3. Other retained earnings	086		
A.V.1	Profit (loss) for the current period (+/-)	087	358 211	408 291
A.V.2	Approved advance profit distribution (-)	088		
B.	Liabilities (L.90+95+106+118)	089	2 600 713	2 172 194
B.I.	Provisions (L.91 to 94)	090	56 400	50 074
B.I.1.	Tax-deductible provisions	091	20 750	20 743
	2. Provision for pensions and other similar payables	092		
	3. Income tax provision	093	6 552	
	4. Other provisions	094	29 098	29 331
B.II.	Long-term liabilities (L.96 to 105)	095	299 613	424 869
B.II.1.	Trade payables	096		
	2. Liabilities - group undertakings	097		
	3. Liabilities - associated companies	098		
	4. Liabilities to shareholders/members	099		
	5. Long-term advances received	100		52 235
	6. Debentures and bonds issued	101		
	7. Long-term bills of exchange payable	102		
	8. Estimated payables	103		
	9. Other payables	104	38 262	78 290
	10. Deferred tax liability	105	261 351	294 344

Ident.	LIABILITIES	line	Current period	Prior period
a	b	c	5	6
B.III.	Short-term liabilities (L.107 to 117)	106	2 244 700	1 697 251
B.III.1.	Trade payables	107	1 857 694	1 541 839
	2. Liabilities - group undertakings	108		
	3. Liabilities - associated companies	109		
	4. Liabilities to shareholders/members	110		
	5. Payables to employees	111	10 726	11 356
	6. Social security and health insurance liabilities	112	6 426	6 923
	7. Tax liabilities and subsidies	113	2 319	4 012
	8. Short-term advances received	114		
	9. Debentures and bonds issued	115		
	10. Estimated payables	116	97 986	16 809
	11. Other payables	117	269 549	116 312
B.IV.	Bank loans and overdrafts (L.119 to 121)	118		
B.IV.1.	Long-term bank loans	119		
	2. Short-term bank loans	120		
	3. Short-term financial liabilities	121		
C.I.	Accruals (L.123+124)	122	54 637	445
C.I.1.	Accrued expenses	123	587	445
	2. Deferred revenues	124	54 050	

Financial Statements

Income statement for the year ended 31 December 2015

classification by nature (in thousands of Czech crowns „TCZK“)

Ident.	TEXT	Line	Current period	Prior period
a	b	c	1	2
I.	Revenue from goods	01	17 660 413	5 272 848
A.	Cost of goods sold	02	17 344 082	5 008 342
+	Gross profit (L.01-02)	03	316 331	264 506
II.	Revenue from production (L.05+06+07)	04	3 495 621	4 024 486
II.1.	Revenue from own products and services	05	3 492 478	4 024 151
II.2.	Change in inventory of own production	06		
II.3.	Own work capitalised	07	3 143	335
B.	Cost of sales (L.09+10)	08	2 938 686	3 307 746
B.1.	Materials and consumables	09	2 496 024	2 993 548
B.2.	Services	10	442 662	314 198
+	Added value (L.03+04-08)	11	873 266	981 246
C.	Personnel expenses (L.13 to 16)	12	234 084	204 372
C.1.	Wages and salaries	13	161 841	135 361
C.2.	Remuneration of board members	14	6 192	4 434
C.3.	Social security and health insurance expenses	15	56 207	50 188
C.4.	Social expenses	16	9 844	14 389
D.	Taxes and charges	17	21 166	24 658
E.	Depreciation of intangible and tangible fixed assets	18	268 220	274 032
III.	Proceeds from disposals of fixed assets and raw material (L.20+21)	19	1 823 875	1 258 767
III.1.	Proceeds from disposals of fixed assets	20	1 804 252	1 256 718
III.2.	Proceeds from disposals of raw material	21	19 623	2 049
F.	Net book value of fixed assets and raw material sold (L.23+24)	22	1 824 513	1 270 248
F.1.	Net book value of fixed assets sold	23	1 818 737	1 269 070
F.2.	Raw materials sold	24	5 776	1 178
G.	Change in provisions and adjustments relating to operating activity and change in complex prepaid expenses	25	- 8 083	- 17 862
IV.	Other operating revenues	26	599 600	495 780
H.	Other operating expenses	27	665 499	578 102
V.	Transfer of operating revenues	28		
I.	Transfer of operating expenses	29		
*	Operating profit (loss) (L.11-12-17-18+19-22-25+26-27+28-29)	30	291 342	402 243

Ident.	TEXT	Line	Current period	Prior period
a	b	c	1	2
VI.	Proceeds from sale of securities and ownership interests	31		
J.	Securities and ownership interests sold	32		
VII.	Revenue from long-term investments (L.34+35+36)	33		
VII.1.	Revenue from investments in group undertakings and associated companies	34		
VII.2.	Revenue from other long-term securities and ownership interests	35		
VII.3.	Revenue from other long-term investments	36		
VIII.	Revenue from short-term financial investments	37		
K.	Financial assets expenses	38		
IX.	Revenue from revaluation of securities and derivatives	39	108 035	998
L.	Expenses for revaluation of securities and derivatives	40	177 261	3 786
M.	Change in provisions and adjustments relating to financial activity	41		
X.	Interest revenue	42	36 742	54 825
N.	Interest expense	43		
XI.	Other financial revenues	44	204 861	46 831
O.	Other financial expenses	45	100 912	29 642
XII.	Transfer of financial revenues	46		
P.	Transfer of financial expenses	47		
*	Profit (loss) from financial operations (L.31-32+33+37-38+39-40-41+42-43+44-45+46-47)	48	71 465	69 226
Q.	Income tax on ordinary profit (loss) (L.50+51)	49	4 596	63 178
Q.1.	- current	50	37 589	122 199
Q.2.	- deferred	51	- 32 993	- 59 021
**	Profit (loss) on ordinary activities after tax (L.30+48-49)	52	358 211	408 291
XIII.	Extraordinary revenues	53		
R.	Extraordinary expenses	54		
S.	Income tax on extraordinary profit (loss) (L.56+57)	55		
S.1.	- current	56		
S.2.	- deferred	57		
*	Extraordinary profit (loss) (L.53-54-55)	58		
T.	Transfer of profit or loss to shareholders/members	59		
***	Profit (loss) for the accounting period (L.52+58-59)	60	358 211	408 291
****	Profit (loss) before tax (L.30+48+53-54)	61	362 807	471 469

Financial Statements

Notes to the financial statements as at 31 December 2015 (in thousands of Czech crowns, “TCZK”) – non-consolidated, translated from the Czech original

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1. Description and principal activities

1.1. Establishment and description of the Company

Sev.en EC, a.s. (previously doing business under the name Elektrárna Chvaletice a.s.) recorded in Section B, Insert 2905 of the Commercial Register kept by the Regional Court in Hradec Králové („the Company“) is a Czech legal entity. The Company was recorded in the Commercial Register on 1 February 2010.

On 24 June 2015 when exercising the powers of the general meeting, the sole shareholder decided to change the Company's by-laws, effective from 1 August 2015, by which the Company's name changed to Sev.en EC, a.s. The change was recorded in the Commercial Register on 1 August 2015.

The principal activities of the Company are the production, purchase and sale of electricity.

The shareholder of the Company as at 31 December 2015

Severní energetická a.s. 100%

Registered office

K Elektrárně 227
533 12 Chvaletice
Czech Republic

Identification number

287 86 009



Financial Statements

Notes to the financial statements as at 31 December 2015
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1.2. Company bodies

Members of the board of directors and the supervisory board as at 31 December 2015

Members of the board of directors	Jan Dienstl, chairman of the board of directors
	Luboš Pavlas, member of the board of directors
	Jan Pozler, member of the board of directors
Members of the supervisory board	Tomáš Fohler, chairman of the supervisory board
	Jan Dvořáček, member of the supervisory board
	Petr Karas, member of the supervisory board

The Company is represented by the board of directors in respect of all matters. At least two members of the board of directors act jointly on behalf of the Company.

Changes in the Commercial Register

The term in office of Jan Pozler, a member of the board of directors, ended on 1 September 2015. Based on a decision of a sole shareholder exercising the powers of the general meeting, Jan Pozler was appointed a member of the board of directors on 26 August 2015, effective from 2 September 2015. This fact was recorded in the Commercial Register on 16 September 2015.

On 16 December 2015 when exercising the powers of the general meeting, the sole shareholder decided to:

- recall Tomáš Fohler as a member of the supervisory board, effective from 2 January 2016,
- appoint David Knop-Kostka a member of the supervisory board, effective from 2 January 2016,
- appoint Jan Dvořáček a member of the supervisory board, effective from 2 January 2016.

On 14 January 2016, David Knop-Kostka was appointed the chairman of the supervisory board. All the above facts were recorded in the Commercial Register on 28 January 2016.

Financial Statements

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1.3. Organisational structure

The Company is organised into the following sections:

- Chief executive officer
- Technical director
- Financial director
- Sales director

2. Significant accounting policies applied by the Company

The financial statements have been prepared based on the accounting records kept in compliance with the Act on Accounting and relevant regulations and decrees effective in the Czech Republic. These financial statements have been prepared in compliance with Decree of the Czech Ministry of Finance No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for business entities using double-entry bookkeeping.

2.1. Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost. Tangible fixed assets costing up to TCZK 40 and intangible fixed assets costing up to TCZK 60 are not recognised in the balance sheet and are expensed in the year that they are acquired.

Depreciation /amortisation is calculated based on the acquisition cost and the estimated useful lives of the relevant assets.

Financial Statements

Notes to the financial statements as at 31 December 2015
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Assets are depreciated /amortised using the following methods over the following periods:

Assets	Method	Period
Incorporation expenses	Straight-line	5 years
Software	Straight-line	3–4 years
Intellectual property rights	Straight-line	3–4 years
Buildings	Straight-line	30–50 years
Machinery and equipment	Straight-line	3–15 years
Office equipment	Straight-line	3–15 years
Adjustments to acquired fixed assets	Straight-line	15 years

The cost of improvement to tangible fixed assets increases their acquisition cost. Adjustments to acquired fixed assets represent a difference between the value of a company (or a part thereof) acquired upon contribution and the total value of individual asset components in the accounting records of the contributing company reduced by the liabilities assumed.

Adjustments to acquired fixed assets comprises a positive difference between the value of assets and liabilities upon the Company's conversion in 2010 and the total value of individual asset components in the accounting records of the accounting entity determined by an appraisal company ZNALEX, s.r.o. for the purposes of conversion as at 1 September 2010. The adjustments were calculated in such an amount that after a deferred tax liability to the adjustments is recorded, the resulting equity would correspond to the amount determined by the appraisal company.

In 2014 the Company adjusted the useful lives of the technological assets and the adjustments so that they were both in line with the new Company's business model in connection with a change of the Company's owner in 2013 and the expected operation of the power plant, i.e. until 2030. The period for depreciating adjustments to acquired fixed assets was extended from 10 years to 15 years (as per statutory requirements).

Financial Statements

Notes to the financial statements as at 31 December 2015
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2.2. Emission rights

Emission rights are recorded as intangible fixed assets that are recognised at cost but are not amortised, or replacement cost if acquired free of charge. Free-of-charge acquisition of emission rights by the first holder is recognised as a provided subsidy. The usage of emission rights is charged to other operating expenses in relation to the estimated volume of emissions produced by the Company in the current accounting period. The subsidy received is released in other operating revenues in the same period in which the emission rights are utilised. The sale of emission rights is recognised in the income statement as "Proceeds from disposals of fixed assets" and "Net book value of fixed assets sold".

2.3. Short-term investments

Short-term investments comprise cash in bank accounts.

2.4. Inventories

Raw materials inventory is stated at cost, which includes the purchase price of the inventory and related customs duties and freight costs incurred in delivering the inventory to the manufacturing facility. Cost is determined using the weighted average method. Certain types of raw materials are directly charged to expenses at cost. Based on a stock-take, as at the balance sheet date the ascertained balance is recorded in the account of raw materials. In the first month of the subsequent accounting period, the balance of inventories recorded as at the balance sheet date of the previous accounting period is charged to expenses.

2.5. Establishment of adjustments and provisions

Tangible fixed assets

Adjustments are established to reduce the cost of tangible fixed assets to net present value.

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Receivables

Adjustments or write-offs are established for receivables and express the level of risk of non-collectability of receivables.

Type of receivable	Adjustment or write off amount
Subject to bankruptcy proceedings or court case	100 %
More than 1 year overdue	100 %
6 to 12 months overdue	50 %
3 to 6 months overdue	20 %

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables.

Inventories

Adjustments are established to reduce the cost of inventory to net realisable value. The cost of redundant, obsolete and slow-moving inventories is reduced to the selling price using adjustments.

Provisions

Statutory provision for reclamation and restoration

Statutory provisions for reclamation and restoration were established pursuant to Act No. 185/2001 Coll., on Waste, as amended, and implementing Regulation of the Ministry of Environment No. 383/2001 Coll., setting out the amount of the provision for reclamation and restoration, maintenance of waste dumps and renewal after their use, and the details of establishing and using this provision.

Financial Statements

Notes to the financial statements as at 31 December 2015
(in thousands of Czech crowns, “TCZK”) – non-consolidated

Provision for untaken holidays

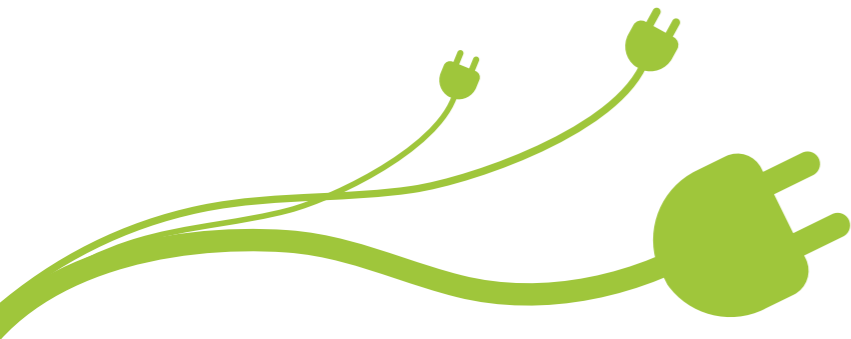
A provision for untaken holidays is established as at the balance sheet date, based on an analysis of untaken holidays in the accounting period and average payroll expenses, including social security and health insurance expenses per employee.

Other provisions

As at the balance sheet date, other provisions are established based on an analysis of the risks and losses, where the reason, amount and term of fulfilment can be determined with high probability, while complying with the accrual/matching principle.

Income tax provision

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined. In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables.



Financial Statements

Notes to the financial statements as at 31 December 2015
(in thousands of Czech crowns, “TCZK”) – non-consolidated

2.6. Foreign currency translation

At the beginning of each calendar month the Company sets a fixed exchange rate based on the Czech National Bank official rate for the last working day of the previous month, which is applied to transactions recorded during the month. During the year foreign exchange gains and losses are only recognised when realised at the time of settlement.

As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the prevailing Czech National Bank official rates. Unrealised foreign exchange gains and losses are recognised in profit or loss.

2.7. Derivatives

A derivative is a financial instrument that meets all of the following conditions:

- Its fair value changes in response to the change in a specified interest rate, price of a security, commodity price, foreign exchange rate, price index, credit rating or credit index, or other variable (“the underlying asset”),
- It is settled at a future date, with the period from the trade date to the settlement date exceeding that of a spot transaction.

Derivatives are recognised in the balance sheet at fair value. Positive fair values of derivatives are recognised in assets under “Other receivables”. Negative fair values of derivatives are recognised in liabilities under “Other payables”. The fair value of financial derivatives is the present value of expected cash flows from these transactions.

Trading derivatives

Derivatives held for trading are recognised in the balance sheet at fair value. Gains/losses from changes in fair value are recorded in the income statement under “Revenue from revaluation of securities and derivatives”/“Expenses for revaluation of securities and derivatives”.

Financial Statements

Notes to the financial statements as at 31 December 2015
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Hedging derivatives

The Company applies hedge accounting if:

- the hedge is in line with the Company's risk management strategy,
- the hedge relationship is formally documented at the inception of the hedge,
- the hedge relationship is expected to be effective throughout its duration,
- the effectiveness of the hedge relationship can be objectively measured,
- the hedge relationship is effective throughout the accounting period.

2.8. Leased assets

Lease payments are expensed on a straight-line basis over the lease term. Where an asset is purchased at the end of the lease, it is recorded at its purchase price.

2.9. Income tax

Income tax for the period comprises current tax and the change in deferred tax. Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods. Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability will be utilised. A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

2.10. Classification of liabilities

The Company classifies as short-term any part of long-term liabilities, bank loans and overdrafts that is due within one year of the balance sheet date.

Financial Statements

Notes to the financial statements as at 31 December 2015
(in thousands of Czech crowns, "TCZK") – non-consolidated

2.11. Recognition of revenues and expenses

Revenues and expenses are recorded accrued based on the accrual/matching principle. Revenues from the sale of electricity are recorded once it is delivered. Purchased and sold electricity is recorded in the financial statements as Revenue from own products and services. As part of its business activities the Company enters into standard contracts for the purchase and sale of electricity with other traders. The purchased and sold electricity is recognised in the financial statements in Revenue from goods and Cost of goods sold.

2.12. Significant estimates and assumptions in preparing the financial statements

In preparing the financial statements, the Company's management uses estimates and makes assumptions that affect the application of accounting policies and the amounts of assets, liabilities, income and expenses recognised in the financial statements. These estimates and assumptions are based on past experience and various other factors deemed appropriate as at the date of preparation of the financial statements and are used where the carrying amounts of assets and liabilities are not readily available from other sources or where uncertainty exists in applying the individual accounting policies. Actual results may differ from the estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised either in the period in which the estimate is revised, providing that the revision relates only to the current accounting period, or in the revision period and future periods, providing the revision affects both the current and future periods. Estimates and underlying assumptions used in the current period affected primarily the amount of the presented tangible and intangible fixed assets, investments, receivables and provisions.

Where significant events occurring between the balance sheet date and the date of preparation of the financial statements are indicative of conditions that arose after the balance sheet date, the effects of such events are disclosed in the notes but not recognised in the financial statements.

Financial Statements

Notes to the financial statements as at 31 December 2015
(in thousands of Czech crowns, "TCZK") – non-consolidated

2.13. Subsequent events

The effects of events that occur between the balance sheet date and the date of preparation of the financial statements are recognised in the financial statements where such events provide further evidence of conditions that existed at the balance sheet date.

Where significant events occurring between the balance sheet date and the date of preparation of the financial statements are indicative of conditions that arose after the balance sheet date, the effects of such events are disclosed in the notes but not recognised in the financial statements.

2.14. Change in accounting policies and procedures, comparability of information, correction of errors

The Company did not significantly change its accounting procedures and policies in the accounting period.



Financial Statements

Notes to the financial statements as at 31 December 2015
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3. Additional information on the balance sheet and the profit and loss account

3.1. Fixed assets

3.1.1. Intangible fixed assets

	Incorporation expenses	Software	Intellectual property rights	Other intangible assets including advances	Intangible fixed assets under construction	Total
Acquisition cost						
Balance at 1/1/2015	65	19 707	95	34 639	2 049	56 555
Additions	–	2 330	100	2 411 265	3 506	2 417 201
Disposals	–	-292	–	-2 223 681	-1 499	-2 225 472
Transfers	–	3 661	–	–	-3 661	–
Balance at 31/12/2015	65	25 406	195	222 223	395	248 284
Accumulated depreciation						
Balance at 1/1/2015	63	13 892	95	–	–	14 050
Depreciation expense	2	2 565	4	–	–	2 571
Disposals	–	-292	–	–	–	-292
Transfers	–	–	–	–	–	–
Balance at 31/12/2015	65	16 165	99	–	–	16 329
Net book value 1/1/2015	2	5 815	–	34 639	2 049	42 505
Net book value 31/12/2015	–	9 241	96	222 223	395	231 955

Financial Statements

Notes to the financial statements as at 31 December 2015
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3.1.2. Tangible fixed assets

	Land	Buildings	Machinery and equipment	Works of art	Adjustments to acquired assets	Tangible assets under construction including advances	Total
Acquisition cost							
Balance at 1/1/2015	37 163	4 153 920	7 278 129	415	1 620 790	60 438	13 150 855
Additions	2 072	4 810	43 433	—	—	749 790	800 105
Disposals	—	—	-3 030	—	—	-4 343	-7 373
Transfers	—	—	198	—	—	-198	—
Balance at 31/12/2015	39 235	4 158 730	7 318 730	415	1 620 790	805 687	13 943 587
Accumulated depreciation							
Balance at 1/1/2015	—	3 162 049	7 044 745	—	569 291	—	10 776 085
Depreciation expense	—	122 482	46 106	—	97 061	—	265 649
Disposals	—	—	-3 030	—	—	—	-3 030
Transfers	—	—	—	—	—	—	—
Balance at 31/12/2015	—	3 284 531	7 087 821	—	666 352	—	11 038 704
Adjustments							
Balance at 1/1/2015	—	20 839	—	—	—	—	20 839
Change in adjustments	—	-10 721	—	—	—	—	-10 721
Balance at 31/12/2015	—	10 118	—	—	—	—	10 118
Balance at 1/1/2015	37 163	971 032	233 384	415	1 051 499	60 438	2 353 931
Balance at 31/12/2015	39 235	864 081	230 909	415	954 438	805 687	2 894 765

Financial Statements

Notes to the financial statements as at 31 December 2015
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Adjustments to acquired assets of TCZK 1 620 790 arose as a result of a non-monetary contribution in the registered capital as at 1 September 2010. A write-off of adjustments of TCZK 97 061 was charged to expenses in 2015 (2014 – TCZK 97 061).

The major addition to fixed assets in 2015 is machinery and equipment of CZK 43 million. An advance for tangible assets under construction of TCZK 729 986 were provided for the renovation of blocks B3 and B4. An adjustment for assets that the Company does not presently use and does not expect to use them in the subsequent period, amounts to TCZK 10 118 as at 31 December 2015 (2014 – TCZK 20 839).

In 2015 the following changes were made in the account of emission rights. In association with these changes, the Company recorded the following amounts in other operating revenues/expenses and revenues/expenses associated with the sale of fixed assets:

	Emission rights
Balance at 1/1/2015	34 639
Free of charge allocation of CO ₂ emission rights	247 663
Purchase of emission rights	2 411 265
Sale of emission rights	-1 818 737
Utilisation of emission rights	-652 607
Balance at 31/12/2015	222 223

Financial Statements

Notes to the financial statements as at 31 December 2015
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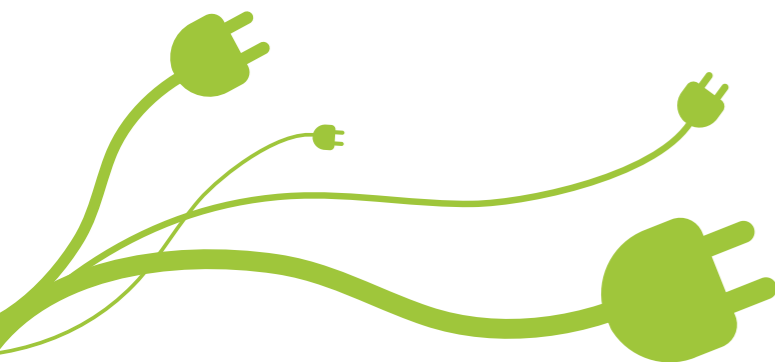
3.1.3. Leased assets

Servis Leasing a.s. is a lessor of passenger and utility vehicles. The rent (operating and finance leases) amounted to TCZK 2 538 in 2015 (2014 – TCZK 2 739). As at 31 December 2015 the payable (future operating lease instalments) from valid lease agreements totals TCZK 6 982 (2014 – TCZK 10 856). The Company uses leased office premises in Prague 6; rent for 2015 totalled TCZK 4 240 (2014 – TCZK 4 304).

3.1.4. Non-capitalised tangible and intangible fixed assets

In accordance with the accounting policy described in note 2.1. above, the Company charged low value tangible and intangible fixed assets to the income statement in the year that they were acquired. The cumulative acquisition cost of these tangible and intangible fixed assets that were still in use was as follows:

	at 31/12/2015	at 31/12/2014
Tangible fixed assets	10 604	7 952
Intangible fixed assets	103	23
Total	10 707	7 975



Financial Statements

Notes to the financial statements as at 31 December 2015
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3.2. Inventories

Inventories mainly consist of spare parts and coal. As at 31 December 2015, spare parts total TCZK 152 168 (2014 – TCZK 141 304) and coal inventories total TCZK 548 389 (2014 – TCZK 640 987). To reduce the cost of raw materials to net realisable value, an adjustment of TCZK 82 491 (2014 – TCZK 80 144) was recorded as at 31 December 2015.

3.3. Long-term receivables

3.3.1. Receivables – group undertakings

Long-term receivables consist of a receivable from Severní energetická a.s. of TCZK 500 000 (2014 – TCZK 1 982 995) – see note 3.15. Related parties.

3.3.2. Other receivables

Other long-term receivables consist of long-term deposits totalling TCZK 151 888 (2014 – TCZK 111 922) provided in connection with trading in electricity and emission rights.

3.4. Short-term receivables

3.4.1. Short-term trade receivables

Short-term trade receivables total TCZK 1 793 746 (2014 – TCZK 1 494 925), of which TCZK 71 185 (2014 – TCZK 7 100) is overdue. Adjustments of TCZK 2 964 (2014 – TCZK 2 447) were set up at 31 December 2015 for doubtful receivables.

3.4.2. Short-term advances paid

Short-term advances paid totalled TCZK 187 119 (2014 – TCZK 22 991). The major items are advances for repairs of TCZK 185 625 (2014 – TCZK 0).

Financial Statements

Notes to the financial statements as at 31 December 2015
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3.4.3. Other short-term receivables

Other short-term receivables of TCZK 479 067 (2014 – TCZK 121 054) primarily consist of a receivable related to the value added tax deduction for January 2016 totalling TCZK 109 704 (January 2015 – TCZK 99 606), a receivable relating to a purchased receivable of TCZK 345 385 (2014 – TCZK 0) and a short-term deposit totalling TCZK 22 703 (2014 – TCZK 20 000) provided in connection with the trading in electricity.

3.5. Accrued revenues

Accrued revenues as at 31 December 2015 total TCZK 14 533 (2014 – TCZK 66 074). They primarily consist of interest revenue related to a long-term receivable from Severní energetická a.s. of TCZK 4 192 (2014 – TCZK 47 823) and revenues from transactions carried out through OTE (electricity market operator) in 2015, but paid only in January 2016 of TCZK 10 341 (2014 – TCZK 18 240).

3.6. Components of cash and cash equivalents

As at 31 December 2015, the Company had account balances with limited disposal of TCZK 22 668 (2014 – TCZK 22 660). These funds have been deposited in a special-purpose tied account and will be used to cover the relevant cost of reclamation in subsequent periods.

3.7. Adjustments

Adjustments	Fixed assets	Inventories	Receivables	Total
Balance at 1/1/2015	20 839	80 144	2 447	103 430
Additions	–	82 491	530	83 021
Release/utilisation	-10 721	-80 144	-13	-90 878
Balance at 31/12/2015	10 118	82 491	2 964	95 573

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3.8. Equity

The Company's registered capital consist of 4 406 certificated, registered ordinary shares, fully subscribed and paid up, with a nominal value of TCZK 1 000. The Company's shares have been pledged in favour of Československá obchodní banka, a.s. based on a contract for the pledge of shares entered into between Československá obchodní banka, a.s and Severní energetická a.s. on 9 December 2014.

	Registered capital	Share premium	Retained earnings	Profit (loss) for the current period	Total
Balance at 1/1/2015	4 406 000	157	1 022 484	408 291	5 836 932
Payment of profit share	–	–	-591 709	-408 291	-1 000 000
Profit at 31/12/2015	–	–	–	358 211	358 211
Balance at 31/12/2015	4 406 000	157	430 775	358 211	5 195 143

3.9. Provisions

	Provision for reclamation and restoration	Provision for compensation of damage resulting from emissions	Other provisions	Total
Balance at 1/1/2015	20 743	8 446	20 885	50 074
Additions	7	321	20 939	21 267
Utilisation	–	-608	-20 885	-21 493
Balance at 31/12/2015	20 750	8 159	20 939	49 848

The statutory provision for reclamation and restoration was established in accordance with the Act on Reserves.

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An income tax provision of TCZK 37 363 (2014 – TCZK 121 527) was reduced with income tax prepayments of TCZK 30 811 (2014 – TCZK 136 285) and the net liability of TCZK 6 552 is reported in Income tax provision (2014 – a receivable of TCZK 14 758 recorded in tax receivables).

3.10. Long-term liabilities

3.10.1. Other payables

In 2014 and 2015 the Company entered into contracts for the sale of options regarding the sale of electricity and purchase of emission rights in 2015 – 2017. Other payables of TCZK 38 262 (2014 – TCZK 78 290) consist primarily of a long-term portion of option premiums of TCZK 36 871 (2014 – TCZK 78 290) related to sold call and put options that will expire in 2017. A short-term portion of TCZK 97 570 (2014 – TCZK 65 527) is reported in Other short-term payables.

3.11. Short-term liabilities

3.11.1. Short-term trade payables

Short-term trade payables total TCZK 1 857 694 (2014 – TCZK 1 541 839), none of which are overdue (2014 – TCZK 14 is overdue).

3.11.2. Other short-term payables

Other short-term payables total TCZK 269 549 (2014 – TCZK 116 312), the major part of which is a payable from CHAR-LINVEST LIMITED of TCZK 100 000 (2014 – TCZK 0) related to a ceded receivable and a deposit of TCZK 54 050 (2014 – TCZK 0) received in connection with electricity trading. In 2014, these payables consisted primarily of due value added tax of TCZK 46 156. Another portion of other short-term payables represents a short-term portion of sold options for the sale of electricity and purchase of emission rights – see note 3.10.1. Other payables.

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3.12. Estimated payables

Estimated payables of TCZK 97 986 (2014 – TCZK 16 809) consist primarily of uninvoiced repairs of TCZK 93 852 (2014 – TCZK 0).

3.13. Deferred revenues

Deferred revenues of TCZK 54 050 (2014 – TCZK 0) arose in connection with the sale of intangible assets (emission rights) contracted in 2015 but carried out in 2016.

3.14. Segment information

		Domestic sales	Export sales	Total
Sale of purchased energy	2015	6 373 355	11 287 058	17 660 413
	2014	2 142 556	3 130 292	5 272 848
Sale of generated energy	2015	2 261 841	1 206 802	3 468 643
	2014	4 003 563	–	4 003 563
Other	2015	23 835	–	23 835
	2014	20 588	–	20 588
Total	2015	8 659 031	12 493 860	21 152 891
	2014	6 166 707	3 130 292	9 296 999



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3.15. Significant items of profit or loss

3.15.1. Other operating revenues

Other operating revenues primarily consist of subsidies for emission rights allocated free of charge of TCZK 247 663 (2014 – TCZK 490 607) and an adjustment to the gift tax related to emission rights of TCZK 351 116 (2014 – TCZK 0) allocated for 2011 and 2012.

3.15.2. Other operating expenses

Other operating expenses consists primarily of the usage of purchased emission rights in 2015 totalling TCZK 652 607 (2014 – TCZK 569 402).

3.15.3. Expenses and revenues related to revaluation of securities and derivatives

In 2015 the Company carried out transactions with derivatives. The Company generated revenues of TCZK 108 035 (2014 – TCZK 998) and incurred expenses of TCZK 177 261 (2014 – TCZK 3 786) in connection with these transactions and the revaluation.

3.15.4. Other financial revenues

Other financial revenues of TCZK 204 861 (2014 – TCZK 46 831) primarily consist of foreign exchange gains of TCZK 82 985 (2014 – TCZK 47 490) and option premium income of TCZK 98 661 (2014 – TCZK 19 507).

3.15.5. Other financial expenses

Other financial expenses primarily consist of foreign exchange losses of TCZK 96 859 (2014 – TCZK 22 443).

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Notes to the financial statements as at 31 December 2015
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3.16. Related parties

Since 1 September 2013, the Company has been a member of a group of companies with Severní energetická a.s. as a parent company.

3.16.1. Receivables and payables

The following related party balances are included in the trade receivables and payables described in notes 3.4. and 3.11. above:

Summary of receivables and payables with related parties of the Severní energetická group:

	Receivables		Payables	
	at 31/12/2015	at 31/12/2014	at 31/12/2015	at 31/12/2014
Severní energetická a.s.	1 129	1 241	194 882	256 794
Total	1 129	1 241	194 882	256 794

Based on the agreement to settle a payable signed in respect of adjusting the purchase price with working capital upon the purchase of shares of Sev.en EC, a.s., Severní energetická a.s. assumed the monetary payable of ČEZ, a. s. to Sev.en EC, a.s. arising from the contract on cash pooling and the contract on mutual credit facilities of TCZK 2 972 995.

The balance as at 31 December 2015 is TCZK 500 000 (2014 – TCZK 1 982 995). As at the balance sheet date, the receivable is reported in the balance sheet in "Long-term receivables – group undertakings". The receivable bears an interest rate of 3M Pribor+2% p.a. and is due by 31 December 2018.

Financial Statements

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3.16.2. Transactions with related parties

The Company purchases products and utilises services of related parties as part of its regular business activities.

Summary of revenues and expenses with related parties within the Severní energetická group:

	Revenues		Expenses	
	2015	2014	2015	2014
Severní energetická a.s.	35 882	53 506	3 161 332	3 579 735
Total	35 882	53 506	3 161 332	3 579 735

Cost related to Severní energetická a.s. primarily comprises cost for the purchase of coal. Revenues related to Severní energetická a.s. primarily comprises interest rate revenues from long-term receivable – see note 3.3.1. Receivables – group undertakings.

3.16.3. Remuneration and loans provided to directors and supervisory board members

	Board of directors		Supervisory board	
	2015	2014	2015	2014
Number of members	3	3	3	3
Fees paid	5 652	3 894	540	540
Other	31	66	–	–

Members of the board of directors and management use the Company's vehicles for both business and private purposes.

Financial Statements

Notes to the financial statements as at 31 December 2015
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3.17. Contingencies and commitments

Based on the contract regarding the procedure on the sale of emission rights acquired free of charge signed in connection with the contract to purchase 100% of the Company's shares entered into between ČEZ, a.s. and Severní energetická a.s., Sev.en EC, a.s. is obliged, in accordance with instructions by ČEZ, a.s., to sell the emission rights and make every effort to sell them at maximum possible price.

As at 31 December 2015, the Company has the following contingencies and commitments relating to the issued and accepted guarantees:

- On 24 October 2013 the Company entered into a contract for the provision of a guarantee revolving loan of TEUR 4 000 with BNP Paribas Fortis SA/NV to secure all existing and future monetary receivables in accordance with the EFET General Agreement and Election sheet entered into between the Company and BNP Paribas London Branch. Based on an amendment to the contract dated 12 August 2014, the credit line was increased to TEUR 6 250. In connection with the increase, BNP Paribas Fortis SA/NV issued bank guarantees of TEUR 2 000.
- Potential receivables of BNP Paribas from Sev.en EC, a.s. and Severní energetická a.s. arising from energy-related or forex transactions are secured by a pledge of up to TEUR 15 000 in favour of BNP Paribas to the account held by Sev.en EC, a.s. The collateral amounted to TEUR 3 005 as at 31 December 2015.
- Based on an agreement on guarantees in favour of Československá obchodní banka, a.s., Severní energetická a.s. secures future debts up to TCZK 30 000 based on a framework contract entered into between Československá obchodní banka, a.s. and Sev.en EC, a.s. on 6 March 2014.



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d) Based on a letter of support issued by Severní energetická a.s. in favour of Československá obchodní banka a.s., Severní energetická a.s. guarantees an amount up to TCZK 200 000 in relation to the contract on the rules for providing bank guarantees and promises entered into between Československá obchodní banka, a.s. and Sev.en EC, a.s. on 13 December 2013.

e) The Company provided a bank guarantee of TEUR 2 000 to EDF Trading Limited in connection with the electricity trading valid until 30 September 2016.

3.18. Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 6 426 (2014 – TCZK 6 923), of which TCZK 4 414 (2014 – TCZK 4 770) relates to social security liabilities and TCZK 2 012 (2014 – TCZK 2 153) to health insurance liabilities. None of these liabilities are overdue.

3.19. Tax liabilities and subsidies

Tax liabilities amount to TCZK 2 319 (2014 – TCZK 4 012) the majority of which, TCZK 2 223 (2014 – TCZK 2 692), is employment tax and TCZK 81 (2014 – TCZK 1 176) is tax on electricity.



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Notes to the financial statements as at 31 December 2015
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3.20. Income tax

3.20.1. Current tax

Current income tax comprises the tax estimate for 2015 of TCZK 37 363 (2014 – TCZK 122 571), an adjustment to the tax estimate for 2014 of TCZK 226 (2014 – adjustment to the tax estimate for 2013 of TCZK 672).

3.20.2. Deferred tax

Deferred tax assets and liabilities

	Assets		Liabilities		Net	
	at 31/12/2015	at 31/12/2014	at 31/12/2015	at 31/12/2014	at 31/12/2015	at 31/12/2014
Tangible and intangible fixed assets	1 922	3 959	-284 746	-319 375	-282 824	-315 416
Receivables	271	272	–	–	271	272
Inventories	15 673	15 227	–	–	15 673	15 227
Provisions	5 529	5 573	–	–	5 529	5 573
Deferred tax asset / liability	23 395	25 031	-284 746	-319 375	-261 351	-294 344

In accordance with the accounting policy described in note 2.9., a tax rate of 19% was used to calculate tax (2014 – 19%).

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Notes to the financial statements as at 31 December 2015
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3.21. Personnel expenses and number of employees

Average number of employees and executives and related personnel expenses for 2015:

	Number	Remuneration provided to directors and supervisory board members*)	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	294	—	158 738	54 126	9 797
Executives	2	6 192	3 103	2 081	47
Total	296	6 192	161 841	56 207	9 844

Average number of employees and executives and related personnel expenses for 2014:

	Number	Remuneration provided to directors and supervisory board members*)	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	275	—	131 835	48 261	14 296
Executives	2	4 434	3 526	1 927	93
Total	277	4 434	135 361	50 188	14 389

*) Remuneration is also paid to members of statutory bodies who are not employees.

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Notes to the financial statements as at 31 December 2015
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4. Additional facts and significant events since the balance sheet date

4.1. Material subsequent events

In 2016, the Company entered into a contract with its parent company, Severní energetická a.s., based on which the latter undertook to provide funds to the Company as necessary and as required until 15 December 2018, with the maximum limit set at CZK 500 million.

The Company's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2015.

	Signature of the authorised representative	
	Prepared on: 29 March 2016	Jan Dienstl Chairman of the board of directors



Independent Auditor's Report



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This document is a signed English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholder of Sev.en EC, a.s.

We have audited the accompanying financial statements of Sev.en EC, a.s., prepared in accordance with Czech accounting legislation, which comprise the balance sheet as of 31 December 2015, and the income statement for the year then ended, and the notes to these financial statements, including a summary of significant accounting policies and other explanatory notes. Information about Sev.en EC, a.s. is set out in Note 1 to these financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of Sev.en EC, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Sev.en EC, a.s. as of 31 December 2015, and of its financial performance for the year then ended in accordance with Czech accounting legislation.

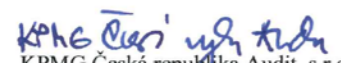
Other Information

Other information is defined as information (other than the financial statements and our auditor's report) included in the annual report. The statutory body is responsible for the other information.

Our opinion on the financial statements of Sev.en EC, a.s. as of 31 December 2015 does not cover the other information and we do not express any form of opinion thereon. 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 included in the annual report is not materially inconsistent with the financial statements or our knowledge obtained in the audit, whether the annual report is prepared in accordance with applicable legislation and whether such information otherwise does not appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Prague, 29 March 2016


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


Otákar Hora
Partner
Registration number 1197





List of abbreviations

List of abbreviations

BOZP	Health and Safety at Work
CO	Carbon Monoxide
CO ₂	Carbon Dioxide
ČEPS	Czech Transmission System
ČIŽP	Czech Environmental Inspectorate
ČNS EN ISO	Environmental Management System
EEX	The European Energy Exchange
ELTO	Extra Light Fuel Oil
EMS	Environmental Management System
ES	European Community
HP	Emergency Plan
HZS	Fire and Rescue Service
IP	Integrated Permit
KHS	Regional Hygiene Station
KrÚ	Regional Authority
KŘ	Regional Directorate
MaR	Measuring and Regulation
NO _x	Nitrogen Oxides
OIP	District Labour Inspectorate
OTE	Electricity Market Operator
PO	Fire Protection
PTO	Obnova Project Team
PXE	Power Exchange Central Europe
SNCR	Selective Non-Catalytic Reduction
SO ₂	Carbon Dioxide
TTO	Heavy Fuel Oil
TZL	Solid Polluters/Dust
ÚO	Local Department
ŽP	Environment

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