



# **CE Energy, a.s.**

## **Consolidated Financial Statements as of and for the year ended 31 December 2014**

prepared in accordance with International Financial Reporting Standards  
as adopted by the European Union







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## **Independent Auditor's Report to the Shareholder of CE Energy, a.s.**

We have audited the accompanying consolidated financial statements of CE Energy, a.s., which comprise the consolidated statement of financial position as of 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about CE Energy, a.s. is set out in Note 1 to these consolidated financial statements.

### *Statutory Body's Responsibility for the Consolidated Financial Statements*

The statutory body of CE Energy, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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



### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of CE Energy, a.s. as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague  
28 April 2015

KPMG Česká republika Audit, s.r.o.  
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## Consolidated statement of comprehensive income

For the year ended 31 December 2014

In thousands of EUR ("TEUR")

	Note	2014	2013
Sales: Energy	7	2,266,647	1,779,206
of which: Electricity		1,493,903	982,596
Coal		295,870	281,569
Heat		271,329	321,141
Gas		205,545	193,900
Sales: Other	7	117,486	94,735
Gain (loss) from commodity derivatives for trading with electricity and gas, net		13,217	(3,222)
<b>Total sales</b>		<b>2,397,350</b>	<b>1,870,719</b>
Cost of sales: Energy	8	(1,512,937)	(1,155,177)
Cost of sales: Other	8	(50,402)	(25,485)
<b>Total cost of sales</b>		<b>(1,563,339)</b>	<b>(1,180,662)</b>
		<b>834,011</b>	<b>690,057</b>
Personnel expenses	9	(259,551)	(184,246)
Depreciation and amortisation	16, 17	(297,883)	(239,662)
Repairs and maintenance		(12,652)	(12,184)
Emission rights, net	10	(20,306)	(32,616)
Negative goodwill	6	-	17,800
Taxes and charges	11	(13,590)	(11,648)
Other operating income	12	71,237	80,990
Other operating expenses	13	(144,869)	(150,105)
<b>Profit (loss) from operations</b>		<b>156,397</b>	<b>158,386</b>
Finance income	14	53,329	88,321
Finance expense	14	(170,341)	(97,707)
Profit (loss) from financial instruments	14	704	1,057
<b>Net finance income/(expense)</b>		<b>(116,308)</b>	<b>(8,329)</b>
Share of profit (loss) of equity accounted investees, net of tax	19	(830)	(5,377)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates	6	-	(668)
<b>Profit (loss) before income tax</b>		<b>39,259</b>	<b>144,012</b>
Income tax expenses	15	(35,936)	(21,245)
<b>Profit (loss) for the year</b>		<b>3,323</b>	<b>122,767</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations	15	9,089	21,390
Foreign currency translation differences from presentation currency	15	(3,493)	(100,719)
Fair value reserve included in other comprehensive income	15	(9,919)	(219)
Effective portion of changes in fair value of cash flow hedges, net of tax	15	(5,484)	(80,738)
<b>Other comprehensive income for the year, net of tax</b>		<b>(9,807)</b>	<b>(160,286)</b>
<b>Total comprehensive income for the year</b>		<b>(6,484)</b>	<b>(37,519)</b>
<b>Profit (loss) attributable to:</b>			
Owners of the Company		(26,256)	113,026
Non-controlling interest	28	29,579	9,741
<b>Profit (loss) for the year</b>		<b>3,323</b>	<b>122,767</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(30,343)	(37,774)
Non-controlling interest	28	23,859	255
<b>Total comprehensive income for the year</b>		<b>(6,484)</b>	<b>(37,519)</b>
<b>Basic and diluted earnings per share in EUR</b>	27	<b>(2,626)</b>	<b>11,303</b>

The notes presented on pages 9 to 108 form an integral part of these consolidated financial statements.

## Consolidated statement of financial position

As at 31 December 2014

In thousands of EUR ("TEUR")

	Note	2014	2013
<b>Assets</b>			
Property, plant and equipment	16	2,245,936	2,433,472
Intangible assets	17	154,996	186,685
Goodwill	17	96,241	92,545
Investment property	18	-	324
Participations with significant influence	19	127,376	260,800
Financial instruments and other financial assets	33	337,428	274,406
<i>of which receivables from the parent company</i>		280,096	261,285
Trade receivables and other assets	22	28,999	29,333
Deferred tax assets	20	9,627	8,014
<b>Total non-current assets</b>		<b>3,000,423</b>	<b>3,285,579</b>
Inventories	21	77,022	69,992
Extracted minerals and mineral products		7,926	6,136
Trade receivables and other assets	22	338,959	318,290
Financial instruments and other financial assets	33	491,959	516,842
<i>of which receivables from the parent company</i>		486,141	467,104
Prepayments and other deferrals		2,803	3,345
Tax receivables	24	21,448	13,406
Cash and cash equivalents	23	238,387	288,321
Assets/disposal groups held for sale	25	26,131	49
<b>Total current assets</b>		<b>1,204,635</b>	<b>1,216,381</b>
<b>Total assets</b>		<b>4,205,058</b>	<b>4,501,960</b>
<b>Equity</b>			
Share capital	26	78	78
Reserves		(311,368)	529,657
Retained earnings		494,598	445,433
<b>Total equity attributable to equity holders</b>		<b>183,308</b>	<b>975,168</b>
Non-controlling interest	28	462,175	480,186
<b>Total equity</b>		<b>645,483</b>	<b>1,455,354</b>
<b>Liabilities</b>			
Loans and borrowings	29	1,760,444	1,513,784
<i>of which owed to the parent company</i>		-	-
Financial instruments and financial liabilities	33	680	1,649
Provisions	31	360,247	339,219
Deferred income	32	63,996	39,898
Deferred tax liabilities	20	242,325	269,463
Trade payables and other liabilities	34	71,951	76,679
<b>Total non-current liabilities</b>		<b>2,499,643</b>	<b>2,240,692</b>
Trade payables and other liabilities	34	350,993	384,094
Loans and borrowings	29	400,791	312,491
<i>of which owed to the parent company</i>		262,435	2,287
Liabilities from returned capital contribution	30	194,268	-
<i>of which owed to the parent company</i>		194,268	-
Financial instruments and financial liabilities	33	830	5,587
Provisions	31	83,248	93,726
Deferred income	32	4,015	2,124
Current income tax liability		9,372	7,892
Liabilities from disposal groups held for sale	25	16,415	-
<b>Total current liabilities</b>		<b>1,059,932</b>	<b>805,914</b>
<b>Total liabilities</b>		<b>3,559,575</b>	<b>3,046,606</b>
<b>Total equity and liabilities</b>		<b>4,205,058</b>	<b>4,501,960</b>

The notes presented on pages 9 to 108 form an integral part of these consolidated financial statements.



## Consolidated statement of changes in equity

For the year ended 31 December 2014

<i>In thousands of EUR (“TEUR”)</i>	Share capital	Other funds from capital contributions	Non-distributable reserves	Translation reserve	Attributable to owners of the Company			Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
					Fair value reserve	Other capital reserves						
<b>Balance at 1 January 2014 (A)</b>	<b>78</b>	<b>22,538</b>	<b>75,891</b>	<b>(53,726)</b>	<b>(219)</b>	<b>565,404</b>	<b>(80,231)</b>	<b>445,433</b>	<b>975,168</b>	<b>480,186</b>	<b>1,455,354</b>	
<i>Total comprehensive income for the year:</i>												
Profit or loss (B)	-	-	-	-	-	-	-	(26,256)	(26,256)	29,579	3,323	
<i>Other comprehensive income:</i>												
Foreign currency translation differences for foreign operations	-	-	-	5,049	-	-	-	-	5,049	4,040	9,089	
Foreign currency translation differences from presentation currency	-	-	-	5,834	-	-	-	-	5,834	(9,327)	(3,493)	
Fair value reserve included in other comprehensive income	-	-	-	-	(9,486)	-	-	-	(9,486)	(433)	(9,919)	
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	(5,484)	-	(5,484)	-	(5,484)	
<b>Total other comprehensive income (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,883</b>	<b>(9,486)</b>	<b>-</b>	<b>(5,484)</b>	<b>-</b>	<b>(4,087)</b>	<b>(5,720)</b>	<b>(9,807)</b>	
<b>Total comprehensive income for the year (D) = (B + C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,883</b>	<b>(9,486)</b>	<b>-</b>	<b>(5,484)</b>	<b>(26,256)</b>	<b>(30,343)</b>	<b>23,859</b>	<b>(6,484)</b>	
<i>Contributions by and distributions to owners:</i>												
Contribution to capital funds (Note 26)	-	738,425	-	-	-	-	-	-	738,425	-	738,425	
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(42,300)	(42,300)	
Transfer from non-distributable reserves - release of legal fund (Note 26)	-	-	(75,878)	-	-	-	-	75,878	-	-	-	
Transfer to non-distributable reserves - creation of legal fund	-	-	785	-	-	-	-	(785)	-	-	-	
<b>Total contributions by and distributions to owners (E)</b>	<b>-</b>	<b>738,425</b>	<b>(75,093)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>75,093</b>	<b>738,425</b>	<b>(42,300)</b>	<b>696,125</b>	
<i>Changes in ownership interests in subsidiaries:</i>												
Effects from acquisitions under common control (Note 26)	-	-	-	-	-	(1,500,270)	-	-	(1,500,270)	-	(1,500,270)	
Effect from acquisitions of non-controlling interests	-	-	-	-	-	-	-	-	-	758	758	
Effect of changes in shareholdings on non-controlling interests	-	-	-	-	-	-	-	328	328	(328)	-	
<b>Total changes in ownership interests in subsidiaries (F)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,500,270)</b>	<b>-</b>	<b>328</b>	<b>(1,499,942)</b>	<b>430</b>	<b>(1,499,512)</b>	
<b>Total transactions with owners (G) = (E + F)</b>	<b>-</b>	<b>738,425</b>	<b>(75,093)</b>	<b>-</b>	<b>-</b>	<b>(1,500,270)</b>	<b>-</b>	<b>75,421</b>	<b>(761,517)</b>	<b>(41,870)</b>	<b>(803,387)</b>	
<b>Balance at 31 December 2014 (H) = (A + D + G)</b>	<b>78</b>	<b>760,963</b>	<b>798</b>	<b>(42,843)</b>	<b>(9,705)</b>	<b>(934,866)</b>	<b>(85,715)</b>	<b>494,598</b>	<b>183,308</b>	<b>462,175</b>	<b>645,483</b>	

The notes presented on pages 9 to 108 form an integral part of these consolidated financial statements.

**For the year ended 31 December 2013**
*In thousands of EUR ("TEUR")*

	Share capital	Other capital funds from capital contributions	Non-distributable reserves	Attributable to owners of the Company Translation reserve	Fair value reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
<b>Balance at 1 January 2013 (A)</b>	<b>78</b>	<b>22,538</b>	<b>75,891</b>	<b>15,922</b>	<b>-</b>	<b>444,487</b>	<b>507</b>	<b>596,978</b>	<b>1,156,401</b>	<b>283,890</b>	<b>1,440,291</b>
<i>Total comprehensive income for the year:</i>											
Profit or loss (B)	-	-	-	-	-	-	-	113,026	113,026	9,741	122,767
<i>Other comprehensive income:</i>											
Foreign currency translation differences for foreign operations	-	-	-	20,405	-	-	-	-	20,405	985	21,390
Foreign currency translation differences from presentation currency	-	-	-	(90,248)	-	-	-	-	(90,248)	(10,471)	(100,719)
Fair value reserve included in other comprehensive income	-	-	-	-	(219)	-	-	-	(219)	-	(219)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	(80,738)	-	(80,738)	-	(80,738)
<b>Total other comprehensive income (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,843)</b>	<b>(219)</b>	<b>-</b>	<b>(80,738)</b>	<b>-</b>	<b>(150,800)</b>	<b>(9,486)</b>	<b>(160,286)</b>
<b>Total comprehensive income for the year (D) = (B + C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(69,843)</b>	<b>(219)</b>	<b>-</b>	<b>(80,738)</b>	<b>113,026</b>	<b>(37,774)</b>	<b>255</b>	<b>(37,519)</b>
<i>Contributions by and distributions to owners:</i>											
Dividends to equity holders	-	-	-	-	-	-	-	(263,661)	(263,661)	(168,478)	(432,139)
<b>Total contributions by and distributions to owners (E)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(263,661)</b>	<b>(263,661)</b>	<b>(168,478)</b>	<b>(432,139)</b>
<i>Changes in ownership interests in subsidiaries:</i>											
Effect of merged entities	-	-	-	-	-	-	-	(1,909)	(1,909)	-	(1,909)
Effect of disposals through step acquisition	-	-	-	195	-	(312)	-	117	-	-	-
Effect of acquisitions under common control (Note 26)	-	-	-	-	-	121,229	-	-	121,229	-	121,229
Effects from acquisitions through step acquisition (Note 6)	-	-	-	-	-	-	-	-	-	2,264	2,264
Effects of acquisitions through business combinations (Note 6)	-	-	-	-	-	-	-	-	-	370,393	370,393
Effect of acquisition of non-controlling interests	-	-	-	-	-	-	-	882	882	(8,138)	(7,256)
<b>Total changes in ownership interests in subsidiaries (F)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195</b>	<b>-</b>	<b>120,917</b>	<b>-</b>	<b>(910)</b>	<b>120,202</b>	<b>364,519</b>	<b>484,721</b>
<b>Total transactions with owners (G) = (E + F)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195</b>	<b>-</b>	<b>120,917</b>	<b>-</b>	<b>(264,571)</b>	<b>(143,459)</b>	<b>196,041</b>	<b>52,582</b>
<b>Balance at 31 December 2013 (H) = (A + D + G)</b>	<b>78</b>	<b>22,538</b>	<b>75,891</b>	<b>(53,726)</b>	<b>(219)</b>	<b>565,404</b>	<b>(80,231)</b>	<b>445,433</b>	<b>975,168</b>	<b>480,186</b>	<b>1,455,354</b>

The notes presented on pages 9 to 108 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2014

In thousands of EUR ("TEUR")

	Note	2014	2013
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the year		3,323	122,767
Adjustments for:			
Income taxes	15	35,936	21,245
Depreciation and amortisation	16, 17	297,883	239,662
Dividend income		(1,165)	-
Impairment losses on property, plant and equipment and intangible assets		855	20,471
Change in fair value of investment property	18	-	11
Loss on disposal of property, plant and equipment, investment property and intangible assets	13	1,361	4,183
Gain on disposal of inventories	12	(178)	(370)
Emission rights	10	20,306	32,616
Gain on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	6	-	668
Share of profit (loss) of equity accounted investees	19	830	5,377
Gain on financial instruments	14	(704)	2,165
Net interest expense	14	121,976	64,660
Change in allowance for impairment to trade receivables and other assets, write-offs		3,545	11,665
Change in provisions		(1,190)	(10,342)
Negative goodwill	6	-	(17,800)
Unrealised foreign exchange (gains)/losses, net		15,473	17,554
<b>Operating profit before changes in working capital</b>		<b>498,251</b>	<b>514,532</b>
Change in financial instruments at other than fair value		(10,904)	(440,485)
Change in trade receivables and other assets		(21,466)	27,519
Change in inventories (including proceeds from sale)		(7,880)	(26,394)
Change in extracted minerals and mineral products		(1,790)	(1,959)
Change in assets held for sale and related liabilities		(2,351)	-
Change in trade payables and other liabilities		(26,849)	(43,138)
<b>Cash generated from (used in) operations</b>		<b>427,011</b>	<b>30,075</b>
Interest paid		(85,640)	(83,443)
Income taxes paid		(59,398)	(55,761)
<b>Cash flows generated from (used in) operating activities</b>		<b>281,973</b>	<b>(109,129)</b>
<b>INVESTING ACTIVITIES</b>			
Received dividends		5,114	25,470
Proceeds from sale of financial instruments – derivatives		3,578	4,171
Acquisition of property, plant and equipment, investment property and intangible assets	16, 17, 18	(133,694)	(98,839)
Purchase of emission rights	17	(17,180)	(12,448)
Proceeds from sale of emission rights		7,161	1,156
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		7,526	3,403
Acquisition of subsidiaries and special purpose entities, net of cash acquired	6	3,477	(263,452)
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	6	-	7,052
Increase in participation in existing subsidiaries and special purpose entities		-	(7,256)
Cash flow from contingent consideration		-	-
Interest received		675	653
<b>Cash flows from (used in) investing activities</b>		<b>(123,343)</b>	<b>(340,090)</b>



## Consolidated statement of cash flows (continued)

**For the year ended 31 December 2014**

*In thousands of EUR ("TEUR")*

	Note	2014	2013
<b>FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		-	1,171
Proceeds from loans received		164,314	1,038,861
Repayment of borrowings		(808,024)	(893,481)
Proceeds from bonds issued		492,203	591,689
Payment of finance lease liabilities		-	(81)
Dividends paid		(54,895)	(315,530)
<b>Cash flows from (used in) financing activities</b>		<b>(206,402)</b>	<b>422,629</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		<i>(47,772)</i>	<i>(26,590)</i>
<b>Cash and cash equivalents at beginning of the year</b>		<b>288,321</b>	<b>325,177</b>
Effect of exchange rate fluctuations on cash held		(2,162)	(10,266)
<b>Cash and cash equivalents at end of the year</b>		<b>238,387</b>	<b>288,321</b>

## Notes to the consolidated financial statements

### 1. Background

CE Energy, a.s. (the “Parent Company” or the “Company” or “CEE” or “energy subholding”) is a joint-stock company, with its registered office at Příkop 843/4, 602 00 Brno, Czech Republic. The Company was founded by Energetický a průmyslový holding, a.s. (“EPH”) on 6 December 2013 as a subsidiary that will hold/consolidate investments in entities belonging to the energy segment of Energetický a průmyslový holding, a.s. and its subsidiaries (the “EPH Group”). Also, the entity was specifically founded to raise additional debt in a form of corporate bonds.

The main activities of the Company are corporate investments in the energy and mining sectors and financing of CEE Group activities.

The consolidated financial statements of the Company for the year ended 31 December 2014 include the statements of the Parent Company and its subsidiaries and the Group’s interests in associates and joint-ventures (together referred to as the “Group” or the “CEE Group”). The Group entities are listed in Note 39 – Group entities.

The shareholder of the Company as at 31 December 2014 was as follows:

	Interest in share capital		Voting rights	
	TEUR	%		%
Energetický a průmyslový holding, a.s.	78	100.00		100.00
<b>Total</b>	<b>78</b>	<b>100.00</b>		<b>100.00</b>

The shareholder of the Company as at 31 December 2013 was as follows:

	Interest in share capital		Voting rights	
	TEUR	%		%
Energetický a průmyslový holding, a.s.	78	100.00		100.00
<b>Total</b>	<b>78</b>	<b>100.00</b>		<b>100.00</b>

The shareholders of Energetický a průmyslový holding, a.s. as at 31 December 2014 and 31 December 2013 were as follows:

	Interest in share capital %		Voting rights %	
	2014	2013	2014	2013
TIMEWORTH HOLDINGS LIMITED (owned by PPF Group N.V.)	-	44.44	-	44.44
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	18.52	18.52	33.33	18.52
EP Investment S.à r.l. <sup>(1)</sup> (owned by Daniel Křetínský)	18.52	-	33.33	-
MACKAREL ENTERPRISES LIMITED (owned by Daniel Křetínský)	-	18.52	-	18.52
MILEES LIMITED (part of J&T PARTNERS II L.P.)	18.52	18.52	33.33	18.52
Own shares <sup>(2)</sup>	44.44	-	-	-
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

(1) In 2013 shares in EPH were owned by MACKAREL ENTERPRISES LIMITED.

(2) In 2014 the parent company EPH acquired 44.44% of its own shares from TIMEWORTH HOLDINGS LIMITED. As of 31 December 2014 these shares were reported within EPH’s equity as the shares were not yet cancelled.

The members of the Board of Directors as at 31 December 2014 were:

- Daniel Křetínský (Chairman of the Board of Directors)
- Marek Spurný (Member of the Board of Directors)
- Pavel Horský (Member of the Board of Directors)

Information relating to the establishment of the parent company Energetický a průmyslový holding, a.s. and its shareholder structure was disclosed in the 2010 consolidated financial statements of Energetický a průmyslový holding, a.s. published on 20 May 2011.

As the Company was established by its parent Energetický a průmyslový holding, a.s. under the common control principle (refer to Note 3 – Significant Accounting Policies), the Company opted to restate its comparatives, i.e. reported the entities acquired by the Company from EPH as if acquired from the parent company on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group.

## **2. Basis of preparation**

### **(a) Statement of compliance**

The consolidated financial statements have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS) issued by International Accounting Standards Board (IASB), as adopted by the European Union.

The consolidated financial statements were approved by the board of directors on 28 April 2015.

### **(b) Basis of measurement**

The consolidated financial statements have been prepared on a going-concern basis using the historical cost method, except for the following material items in the statement of financial position, which are measured at fair value:

- derivative financial instruments
- available-for-sale financial instruments

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell.

The accounting policies described in the following paragraphs have been consistently applied by the Group entities and between accounting periods except for accounting policies as described in Note 2(e) – Changes in accounting policies.

### **(c) Functional and presentation currency**

The consolidated financial statements are presented in Euro (“EUR”). The Company’s functional currency is the Czech crown (“CZK”). All financial information presented in Euros has been rounded to the nearest thousand. The reason for the presentation currency is that by currency, CEE Group revenues and operating profit generated in Euro represent a significant share of the total revenues and operating profit.

### **(d) Use of estimates and judgments**

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### ***i. Assumptions and estimation uncertainties***

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2015 is included in the following notes:

- Notes 6 and 17 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill,
- Note 7 – Revenues,



- Note 31 – measurement of defined benefit obligations, recognition and measurement of provisions,
- Notes 33 and 37 – valuation of financial instruments,
- Note 40 – litigations.

#### *Measurement of fair values*

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control Framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuation should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different level of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

#### *ii. Judgements*

Information about judgements made in the application of accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 6 and 17 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill,
- Note 30 – measurement of defined benefit obligations, recognition and measurement of provisions.

### **(e) Recently issued accounting standards**

#### *i. Newly adopted Standards, Amendments to standards and Interpretations effective for the year ended 31 December 2014 that have been applied in preparing the Group's financial statements*

The following paragraphs provide a summary of the key requirements of IFRSs that are effective for annual periods beginning on or after 1 January 2014 and that have thus been applied by the Group for the first time.

#### **IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)**

This standard is to be applied retrospectively when there is a change in control conclusion.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that are currently SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control

that differ from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The application of new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

This standard does not have any impact on the consolidated financial statements, since the assessment of control over its current investees under the new standard did not result in a change of previous conclusions regarding the Group's control over its investees.

#### **IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)**

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out, from IAS 31, jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in the consolidated financial statements.

This standard does not have any impact on the financial statements, since the assessment of the joint arrangements under the new standard did not result in a change in the accounting treatment of existing or historical joint arrangements.

#### **IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)**

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The Group adopted this standard in the consolidated statement of financial position as of 31 December 2014 as required and disclosed more extensive disclosure in the consolidated financial statements for the period beginning on 1 January 2014. For detail refer to Note 28 – Non-controlling interest.

#### **IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)**

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements; these have been incorporated into IFRS 10, Consolidated Financial Statements.

In consolidated financial statements there is no need to separately disclose the change in IAS 27 since the remaining portion of IAS 27 relates only to separate financial statements and the portion of IAS 27 that relates to the consolidated financial statements is addressed as part of the IFRS 10 discussion.

**IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)**

Limited amendments are made to IAS 28 (2008):

Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

Changes in interests held in associates and joint ventures:

Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered re-measurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment not be re-measured.

This amendment does not have any impact on the consolidated financial statements.

**Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)**

The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendment does not have any impact on the consolidated financial statements since the Group does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

***ii. Standards adopted by the EU but not yet effective***

At the date of authorisation of these consolidated financial statements, the following significant Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for the period ended 31 December 2014 and thus have not been adopted by the Group:

**Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after 1 January 2016)**

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group is currently evaluating the effect on its financial position and performance.



**IFRIC 21 Levies (effective for annual periods beginning on or after 1 January 2015)**

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government.

In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs.

The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached.

The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period.

It is expected that the interpretation, when initially applied, will not have a material impact on the financial statements, since it does not result in a change in the Group's accounting policy regarding levies imposed by governments.

***iii. Other International Financial Reporting Standards***

The Group has not early adopted any IFRS standards where adoption is not mandatory at the reporting date. Where transition provisions in adopted IFRS give an entity the choice of whether to apply new standards prospectively or retrospectively, the Group elects to apply the Standards prospectively from the date of transition.

### **3. Significant Accounting Policies**

The CEE Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

#### **(a) Basis of consolidation**

##### *i. Subsidiaries*

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise, so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The consolidated financial statements include the Group's interests in other entities based on the Group's ability to control such entities regardless of whether control is actually exercised or not. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

##### *ii. Equity accounted investees*

Associates are enterprises in which the Group has significant influence, but not control, over financial and operating policies. Investments in associates are accounted for under the equity method and are initially recognised at cost. The consolidated financial statements include the Group's share of the total profit or loss and other comprehensive income of associates from the date that the significant influence commences until the date that the significant influence ceases. When the Group's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and the recognition of further losses is discontinued, except to the extent that the Group has incurred obligations in respect of or has made payments on behalf of the associate.

##### *iii. Special purpose entities ("SPEs")*

The Group has established a number of special purpose entities (SPEs) for trading and investment purposes. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

##### *iv. Accounting for business combinations*

The Group acquired its subsidiaries in two ways:

- As a business combination transaction within the scope of IFRS 3 which requires initial measurement of assets and liabilities at fair value.
- As a business combination under common control which is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. Such acquisitions are excluded from the scope of IFRS 3. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements (i.e. value at cost as at the date of acquisition less accumulated depreciation and/or potential impairment). No new goodwill or negative goodwill was recognised on these acquisitions.

##### *v. Non-controlling interests*

Acquisitions of non-controlling interest are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill and no gain or loss is recognised as a result of such transactions.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date.

Changes in the Group's interest in subsidiary that do not result in a loss of control are accounted for as equity transaction.

***vi. Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

***vii. Unification of accounting policies***

The accounting policies and procedures applied by the consolidated companies in their financial statements were unified in the consolidation, and agree with the accounting policies applied by the Parent Company.

***viii. Pricing differences***

The Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. As these acquired or contributed entities and CEE were under common control of Energetický a průmyslový holding, a.s., they were therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the cost of acquisition and carrying values of net assets of the acquiree and original goodwill carried forward as at the acquisition date were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in Equity. "Note 6 – Acquisitions and contributions of subsidiaries, special purpose entities, joint-ventures and associates" summarises the effects of all common control transactions in both periods.

***ix. Reversal of accumulated amortisation, depreciation and bad debt allowances in common control acquisitions***

Accumulated amortisation and depreciation of intangible and tangible assets acquired as part of a common control transaction were reversed against the gross carrying amount of the underlying intangible and tangible assets, i.e. the intangible and tangible assets were recognised at their net book values as at the acquisition date.

Similarly, in acquisitions involving common control transactions, any bad debt allowances were reversed against gross amounts of purchased receivables as at the acquisition date.

***x. Disposal of subsidiaries and equity accounted investees***

Gain or loss from the sale of investments in subsidiaries and equity accounted investees is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

If the assets and liabilities are sold by selling the interest in a subsidiary or an associate the profit or loss on sale is recognised in total under Gain (loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates in the statement of comprehensive income.

If the Group disposes of a subsidiary that was acquired under a common control transaction and pricing differences were recognised on the acquisition (see Note 3(a) – Pricing differences), the pricing differences are reclassified from other capital reserves to retained earnings at the date of the subsidiary's disposal.

**(b) Foreign currency**

***i. Foreign currency transactions***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euro, which is the Group's presentation currency.

Company's functional currency is Czech crown. Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate at the transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated to the respective functional currencies of Group entities at the exchange rate at the reporting date; where the functional currency is Czech crowns, at the exchange rate of the Czech National Bank.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the respective functional currencies of Group entities at the foreign exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the respective functional currencies at the foreign exchange rates at the dates the fair values are determined.

Foreign exchange differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (except for impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), a financial liability designated as a hedge of the net investment in a foreign operation, or qualifying cash flow hedges to the extent that the hedge is effective, in which case foreign exchange differences arising on retranslation are recognised in other comprehensive income.

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 37 – Risk management policies and disclosures.

#### ***ii. Financial statements of foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated into Czech crowns at foreign exchange rates at the reporting date. The income and expenses of foreign operations are translated into Czech crowns using a foreign exchange rate that approximates the foreign exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests.

#### ***iii. Translation to presentation currency***

These consolidated financial statements are presented in Euro which is the Company's presentation currency. The assets and liabilities, including goodwill and fair value adjustments arising on consolidation, are translated from Czech crowns into Euros at foreign exchange rate at the reporting date. The income and expenses are translated from Czech crowns into Euros using a foreign exchange rate that approximates the foreign exchange rate at the date of the transaction.

Foreign exchange differences arising on translation are recognised in other comprehensive income and presented in the translation reserve in equity. The relevant proportion of the translation difference is allocated to non-controlling interests if applicable.

### **(c) Non-derivative financial assets**

The Group has the following non-derivative financial instruments: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity assets and available-for-sale financial assets.

#### ***i. Classification***

*Financial instruments at fair value through profit or loss* are those that the Group principally holds for trading, that is, with the purpose of short-term profit taking. They include investments and contracts that are not designated as hedging instruments.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments, not quoted in an active market, which are not classified as available for sale or held to maturity or at fair value through profit or loss. Loans and receivables mainly comprise loans to other than credit institutions (mainly to the parent company) and trade and other receivables.

*Held-to-maturity assets* are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

*Available-for-sale financial assets* are non-derivative financial assets that are not designated as fair value through profit or loss, loans and receivables, cash and cash equivalents or as held to maturity.

## **ii. Recognition**

*Financial assets at fair value through profit or loss and available-for-sale assets* are recognised on the date the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets including held-to-maturity assets are initially recognised on the trade date, when the Group becomes a party to the contractual provisions of the instrument.

*Loans and receivables* are recognised on the day they are originated.

## **iii. Measurement**

Upon initial recognition, financial assets are measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial instrument. Attributable transaction costs relating to financial assets measured at fair value through profit or loss are recognised in profit or loss as incurred. For the methods used to estimate fair value, refer to Note 4 – Determination of fair values.

Subsequent to initial recognition, financial assets are measured at their fair value, except for loans and receivables and held-to-maturity instruments, which are measured at amortised cost, less any impairment loss.

In measuring the amortised cost, any difference between cost and redemption value is recognised in profit or loss over the period of the asset or liability on an effective interest rate basis.

## **iv. Gains and losses on subsequent measurement**

For financial assets at fair value through profit or loss, gains and losses arising from a change in fair value are recognised in profit or loss.

For assets available for sale, changes in fair value, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an available-for-sale asset is derecognised, the cumulative gains and losses in other comprehensive income are transferred to profit or loss. Interest income and expense from available-for-sale securities are recorded in profit or loss by applying the effective interest rate method.

## **v. De-recognition**

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

## **vi. Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

# **(d) Non-derivative financial liabilities**

The Group has the following non-derivative financial liabilities: loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables. Such financial liabilities are initially recognised at the settlement date at fair value plus any directly attributable transaction costs except for financial liabilities at fair value through profit and loss, where transaction costs are recognised in profit or loss as incurred. Financial liabilities are subsequently measured at amortised cost using the effective interest rate, except for financial liabilities at fair value through profit or loss. For the methods used to estimate fair value, refer to Note 4 – Determination of fair values.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

**(e) Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency, interest rate and commodity risk exposures.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

***Other non-trading derivatives***

When a derivative financial instrument is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

***Separable embedded derivatives***

Financial and non-financial contracts (where they have not already been measured at fair value through profit or loss) are assessed to determine whether they contain any embedded derivatives.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

***Cash flow hedges and fair value hedges***

The majority of financial derivatives are held for hedging purposes but do not meet the criteria for hedge accounting as stated by IAS 39. These derivatives are designated for trading, and related profit and loss from changes in fair value is recognised in profit and loss.

Hedging instruments which consist of derivatives associated with a currency risk are classified either as cash-flow hedges or fair value hedges.

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

In the case of a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

In the case of a fair value hedge, the gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss.

***Derivatives where the underlying asset is a commodity***

Cash-settled contracts and contracts that do not qualify for the application of the own-use exemption are regarded as trading derivatives.

The following procedure applies to other commodity and financial derivatives that are not designated as hedging derivatives and are not intended for the sale of electricity from the Group's Sources or for delivery to end customers (the own-use exemption is not applied).

At the date of the financial statements, trading derivatives are measured at fair value. The change in fair value is recognised in profit or loss. In the separate accounts, the measurement is recognised in profit or loss from financial operations. For the purposes of Group reporting, where trading in commodity



derivatives forms a significant part of the Group's total trading activities, the measurement effect is recognised in "Gain (loss) from commodity derivatives for trading with electricity and gas, net", a separate line item under "Total sales".

#### ***Transactions with emission rights and energy***

According to IAS 39, certain contracts for emission rights and energy fall into the scope of the standard. Most purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended for consumption or sale as part of its ordinary business. Such contracts are thus excluded from the scope of IAS 39.

In particular, swaps and forward purchases and sales for physical delivery are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements; and
- the contract cannot be considered a written option as defined by IAS 39.

The Group thus considers that transactions negotiated with a view to balancing the volumes between emission rights and energy purchases and sale commitments are part of its ordinary business and do not therefore fall under the scope of IAS 39.

Contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognised in profit or loss. The Group presents revenues and expenses related to emission rights trading net in the line Emission rights, net.

#### **(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances on hand and in banks, and short-term highly liquid investments with original maturities of three months or less.

#### **(g) Inventories**

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses.

Purchased inventory and inventory in transit are initially stated at cost, which includes the purchase price and other directly attributable expenses incurred in acquiring the inventories and bringing them to their current location and condition. Inventories of a similar nature are valued using the weighted average method except for the energy production segment, where the first-in, first-out principle is used.

Internally manufactured inventory and work in progress are initially stated at production costs. Production costs include direct costs (direct material, direct labour and other direct costs) and part of overhead directly attributable to inventory production (production overhead). The valuation is written down to net realisable value if the net realisable value is lower than production costs.

#### **(h) Impairment**

##### ***i. Non-financial assets***

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy (g) – Inventories), investment properties (refer to accounting policy (k) – Investment property) and deferred tax assets (refer to accounting policy (o) – Income taxes) are reviewed at each reporting date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least each year at the same time.

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their

present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”, or “CGU”). For the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU or CGUs, and then to reduce the carrying amounts of the other assets in the CGU (or group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

## ***ii. Financial assets (including trade and other receivables)***

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. IAS 39 does not provide clear guidance on what is significant relative to cost or what is a prolonged decline in the fair value. As such, the Group policy states that impairment should be considered if declines in equity markets have been, and continue to be, severe with many equity global indices down by nearly 50% from their 12-month highs for a period longer than 6 months (impairment criteria).

The recoverable amount of the Group's investment in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. In determining the recoverable amount for loans and receivables consideration is also given to the credit standing and performance of the borrower and the value of any collateral or third-party guarantee.

An impairment loss in respect of a held-to-maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss and

recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

**(i) Property, plant and equipment**

***i. Owned assets***

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (h) – Impairment). Opening balances are presented at net book values, which include adjustment from revaluation within the Purchase Price Allocation process.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to accounting policy (n) – Finance income and costs). The cost also includes costs of dismantling and removing the items and restoring the site on which they are located.

Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at fair value until construction or development is complete, at which time it is reclassified as investment property.

When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items (major components) of property, plant and equipment.

***ii. Leased assets***

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Under finance leases, leased assets are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation (see below) and impairment losses (refer to accounting policy (h) – Impairment).

Minimum lease payments for finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Other leases are operating leases and, except for investment property, the leased assets are not recognised in the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

In identifying lease agreements, the Group also considers the additional criteria defined in IFRIC 4 – Determining Whether an Arrangement Contains a Lease, as to whether an agreement that conveys a right to use an asset meets the definition of a lease. Certain purchase and supply contracts in the energy business (electricity and gas) may be classified as leases if the criteria are met.

***iii. Subsequent costs***

Subsequent costs are capitalised only if it is probable that the future economic benefits embodied in an item of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures, including the costs of the day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

#### ***iv. Depreciation***

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

• Power plant buildings and structures	50 – 100 years
• Buildings and structures	20 – 50 years
• Machinery, electric generators, gas producers, turbines and drums	20 – 30 years
• Distribution network	10 – 30 years
• Machinery and equipment	4 – 20 years
• Fixtures, fittings and others	3 – 20 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date. For companies acquired under IFRS 3 for which a purchase price allocation was prepared, the useful lives are reassessed based on the purchase price allocation process.

#### **(j) Intangible assets**

##### ***i. Goodwill and intangible assets acquired in a business combination***

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate/joint-venture at the date of acquisition. Goodwill on acquisitions of subsidiaries/joint-ventures is included under intangible assets. Goodwill on acquisitions of associates is included in the carrying amount of investments in associates.

If the Group's share in the fair value of identifiable assets and liabilities of a subsidiary or equity accounted investees as at the acquisition date exceeds the acquisition cost, the Group shall reconsider identification and measurement of identifiable assets and liabilities, and the acquisition cost. Any excess arising on the re-measurement (negative goodwill) is recognised in profit and loss account in the period of acquisition.

Upon acquisition of non-controlling interests (while maintaining control), no goodwill is recognised.

Subsequent to initial recognition, goodwill is measured at cost less accumulated impairment losses (refer to accounting policy (h) – Impairment) and is tested annually for impairment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Intangible assets acquired in a business combination are recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortisation and are recorded at cost less any impairment losses (refer to accounting policy (h) – Impairment). Intangible assets with a definite useful life are amortised over their useful lives and are recorded at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (h) – Impairment).

##### ***ii. Research and development***

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset.

In 2014 and 2013, expenditures incurred by the Group did not meet these recognition criteria. Development expenditure has thus been recognised in profit or loss.

### ***iii. Emission rights***

#### ***Recognition and measurement***

Emission rights (purchased or issued by a government) are initially recognised at fair values. Where an active market exists fair value should be based on the market price in accordance with IFRS 13 (for allocated emission rights the fair value is determined as the price at the date of allocation; for purchased emission rights the fair value typically equals the purchase price). If it is determined that an active market does not exist then alternative valuation techniques are applied to estimate the fair value in accordance with IFRS 13.

Subsequently, emission rights are accounted for under the cost method under intangible assets.

The Group's accounting policy is to use the first-in, first-out principle ("FIFO") for emission rights disposal (consumption or sale).

#### ***Impairment of emission rights***

At each reporting date, the Group assesses whether there is any indication that emission rights may be impaired.

Where an impairment indicator exists, the Group reviews the recoverable amounts of the cash generating unit, to which the emission rights were allocated, to determine whether such amounts continue to exceed the assets' carrying values. In case the carrying value of a cash generating unit is greater than its recoverable value, impairment exists.

Any identified emission rights impairment is recognised directly as a debit to a profit or loss account and a credit to a valuation adjustment.

#### ***Recognition of grants***

A grant is initially recognised as deferred income and recognised in profit on a systematic basis over the compliance period, which is the relevant calendar year, regardless of whether the allowance received continues to be held by the entity. The pattern for the systematic recognition of the deferred income in profit is assessed based on estimated pollutants emitted in the current month, taking into account the estimated coverage of the estimated total annually emitted pollutants by allocated emission allowances. The release of deferred income to a profit and loss account is performed on a quarterly basis; any subsequent update to the estimate of total annual pollutants is taken into account during the following monthly or quarterly assessment. Any disposals of certificates or changes in their carrying amount do not affect the manner in which grant income is recognised.

#### ***Recognition, measurement of provision***

A provision is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted.

It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. It means that the provision is measured based on the current carrying amount of the certificates on hand if sufficient certificates are owned to settle the current obligation, by using a FIFO method. The group companies identify (in each provision measurement period) which of the certificates are "marked for settling" the provision and this allocation is consistently applied.

Otherwise, if a shortfall of emission allowances on hand as compared to the estimated need exists at the reporting date, then the provision for the shortfall is recorded based on the current market value of the emission certificates at the end of the reporting period.

### ***iv. Software and other intangible assets***

Software and other intangible assets acquired by the Group that have definite useful lives are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (h) – Impairment).

Intangible assets that have an indefinite useful life are not amortised and are instead tested annually for impairment. Their useful life is reviewed at each period-end to assess whether events and circumstances continue to support an indefinite useful life.

#### **v. Amortisation**

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets other than goodwill, from the date the asset is available for use. The estimated useful lives are as follows:

- Software 2 – 4 years
- Other intangible assets 2 – 6 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### **(k) Investment property**

Investment property is property held by the Group either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes.

Investment property is measured at fair value, as determined by an independent registered valuer. Fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies. Any gain or loss arising from a change in fair value is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Rental income from investment property is accounted for as described in the accounting policy (m) – Revenue.

### **(l) Provisions**

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of economic benefits will be required to settle the obligation and when a reliable estimate of the amount can be made.

Provisions are recognised at the expected settlement amount. Long-term obligations are reported as liabilities at the present value of their expected settlement amounts, if the effect of discount is material, using as a discount rate the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss in finance costs.

The effects of changes in interest rates, inflation rates and other factors are recognised in profit or loss in operating income or expenses. Changes in estimates of provisions can arise in particular from deviations from originally estimated costs, from changes in the settlement date or in the scope of the relevant obligation. Changes in estimates are generally recognised in profit or loss at the date of the change in estimate (see below).

#### **i. Employee benefits**

##### **Long-term employee benefits**

Liability relating to long-term employee benefits and service awards excluding pension plans is defined as an amount of the future payments, to which employees will be entitled in return for their service in the current and prior periods. Future liability which is calculated using the projected unit credit method is discounted to its present value. The discount rate used is based on yields of high quality corporate bonds as at the end of the reporting period, which maturity approximately corresponds with the maturity of the future obligation. The revaluation of the net liability from defined benefit plans (including actuarial gains and losses) shall be recognised in full immediately in other comprehensive income.

Contributions for pension insurance resulting from Collective agreement are expensed when incurred.



Employee benefits provision is presented separately both long and short-term part (if possible to distinguish, otherwise as non-current, if not IFRS 5). The benefit could be classified as short-term, if and only if the whole benefit category will be settled within 1 year; otherwise, it must be disclosed as long-term.

#### *Pension plans*

In accordance with IAS 19, the projected unit credit method is the only permitted actuarial method. The benchmark (target value) applied to measure defined benefit pension obligations is the present value of vested pension rights of active and former employees and beneficiaries (present value of the defined benefit obligation). It must in general be assumed that each partial benefit of the pension commitment is earned evenly from commencement of service until the respective due date.

If specific plan assets are established to cover the pension payments, these plan assets can be netted against the pension obligations and only the net liability is shown. The valuation of existing plan assets is based on the fair value at the balance sheet date in accordance with IAS 19.

Assets used to cover pension obligations that do not fully meet the requirement of plan assets have to be carried as assets on the balance sheet. Any netting off against the liability to be covered will not apply in this respect.

The Group recognises all actuarial gains and losses arising from benefit plans immediately in other comprehensive income and all expenses related to the defined benefit plan in profit or loss.

The Group recognises gains and losses on the curtailment or settlement of a benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment or settlement comprises any resulting change in the fair value of plan assets, any change in the present value of the defined benefit obligation, any related actuarial gains and losses and past service costs that had not been previously recognised.

#### **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### *ii. Warranties*

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and weighting of all possible outcomes against associated probabilities.

#### *iii. Provision for lawsuits and litigations*

Settlement of a lawsuit represents an individual potential obligation. Determining the best estimate either involves expected value calculations, where possible outcomes, stated based on a legal study, are weighted by their likely probabilities or it is the single most likely outcome, adjusted as appropriate to consider risk and uncertainty.

#### *iv. Provision for emission rights*

A provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the reporting date.

#### *v. Restructuring*

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

#### *vi. Asset retirement obligation and provision for environmental remediation*

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognised in connection with the initial recognition of the related assets, provided that the obligation can

be reliably estimated. The carrying amounts of the related items of property, plant and equipment are increased by the same amount that is subsequently amortised as part of the depreciation process of the related assets.

A change in the estimate of a provision for the decommissioning and restoration of property, plant and equipment is generally recognised against a corresponding adjustment to the related assets, with no effect on profit or loss. If the related items of property, plant and equipment have already been fully depreciated, changes in the estimate are recognised in profit or loss.

No provisions are recognised for contingent asset retirement obligations where the type, scope, timing and associated probabilities cannot be determined reliably.

Provisions for environmental remediation in respect of contaminated sites are recognised when the site is contaminated and when there is a legal or constructive obligation to remediate the related site.

Rehabilitation provisions are recognised for the following restoration activities:

- dismantling and removing structures;
- rehabilitating mines and tailings dams;
- dismantling operating facilities;
- closure of plant and waste sites; and
- restoration and reclamation of affected areas.

The entity records the present value of the provision in the period in which the obligation is incurred. The obligation generally arises when the asset is installed or the environment is disturbed at the production location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets. Over time, the discounted liability is increased to reflect the change in the present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

#### ***vii. Onerous contracts***

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

### **(m) Revenue**

#### ***i. Revenues from own products and goods sold and services rendered***

Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from the sale of own products and goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates. Discounts are recognised as a reduction of revenue as the sales are recognised, if it is probable that discounts will be granted and the amount can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

Revenues from the sale of energy comprise mainly revenues relating to production and sale of electricity, heat energy and its distribution and sale of gas and coal.

Other revenues represent revenues from non-energy activities.

### **Revenues from sale of electricity, heat and gas**

Revenues from sales of electricity, heat and gas to retail customers are recognised at the time the electricity, heat or gas is supplied on the basis of periodic meter readings and also include an estimate of the value of electricity and consumption after the date of the last meter reading of the year. Revenues between the date of the meter reading and the end of the year are based on estimates of the daily consumption record, adjusted to take account of weather conditions and other factors that may affect estimated consumption such as:

- inputs to the distribution companies system (measured value)
- supply of high and very high voltage levels (measured value)
- estimation of network losses
- estimation of low voltage level supply

### **Revenues from sale of coal**

Sales of coal are measured at the fair value of the consideration received, excluding any applicable taxes, excise duties, charges, discounts and rebates. Most of the sales are priced as carriage paid to (CPT), delivered at place (DAP) or delivered duty paid (DDP). The Group has concluded that it is acting as a principal in all of its sales arrangements, delivering complete supplies to specified places including responsibility for transportation, handling and potentially solving duty tax issues and insurance. A significant proportion of Group production is sold under long-term contracts, which contain automatic price escalation formulae and/or are updated from time to time by amendments specifying pricing for the next period. However, the sales revenue is only recognised on an individual sale when all of the following criteria are met:

- the significant risks and rewards of ownership of the product have been transferred to the customer;
- the Group has retained neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the sale will flow to the Group; and
- the costs incurred or to be incurred in respect of the sale can be measured reliably.

All these conditions are generally satisfied when the product is delivered to the destination specified by the customer and as such, the title passes to the customer. Sales revenue is commonly subject to adjustments based on an inspection of the product by the customer. Where there are agreed differences in volume or quality of delivered products, this is reflected as reduction or increase (usually for better qualities of coal) in sales revenue recognised on the sale transaction.

### **Energy trading**

Revenues from energy trading comprise both realised (settled) and unrealised (change in fair value) net gains and losses from trading in physical and financial energy contracts.

#### ***ii. Government grants***

Government grants are recognised initially at fair value as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses the grant is intended to compensate are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

#### ***iii. Rental income***

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

**(n) Finance income and costs**

*i. Finance income*

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, gains on sale of investments in securities and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

*ii. Finance costs*

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, fees and commissions expense for payment transactions and guarantees, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss.

*iii. Borrowing costs*

Borrowing costs that arise in connection with the acquisition, construction or production of a qualifying asset, from the time of acquisition or from the beginning of construction or production until entry into service, are capitalised and subsequently amortised alongside the related asset. In the case of a specific financing arrangement, the respective borrowing costs for that arrangement are used. For non-specific financing arrangements, borrowing costs to be capitalised are determined based on a weighted average of the borrowing costs.

**(o) Income taxes**

Income taxes comprise current and deferred tax. Income taxes are recognised in profit or loss, except to the extent that they relate to a business combination or to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the reporting period, using tax rates enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is measured using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. No deferred tax is recognised on the following temporary differences: temporary differences arising from the initial recognition of assets or liabilities that is not a business combination and that affects neither accounting nor taxable profit or loss, and temporary differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. No deferred tax is recognised on the initial recognition of goodwill.

The amount of deferred tax is based on the expected manner of realisation or settlement of the temporary differences, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but there is an intention to settle current tax liabilities and assets on a net basis, or the tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses, tax credits and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(p) Dividends**

Dividends are recognised as distributions within equity upon approval by the Company's shareholders.

**(q) Non-current assets held for sale and disposal groups**

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (and all assets and liabilities in a disposal group) are re-measured in accordance with the Group's relevant accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement. Gains are not recognised in excess of any cumulative impairment loss.

Any gain or loss on the re-measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation is included in profit or loss from continuing operations.

**(r) Segment reporting**

Due to the fact that the Company issued debentures (Senior Notes) in 2014 which were listed on the Irish Stock Exchange, the Company reports segmental information in accordance with IFRS 8.

Segment results that are reported to the Group's board of directors (the chief operating decision maker) include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. The support is provided by four executive committees: a strategic committee, an investment committee, a risk management committee and a compliance committee.

#### **4. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **(a) Property, plant and equipment**

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values or the income approach method. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The income approach method determines the value of property based on its ability to generate desired economic benefit for the owners. The key objective of the income based method is to determine the property value as a function of the economic benefit.

##### **(b) Intangible assets**

The fair value of intangible assets recognised as a result of a business combination is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

##### **(c) Investment property**

The fair value of investment property is determined by an independent registered valuer. The fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies that consider the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation (discounting).

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

##### **(d) Inventories**

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

##### **(e) Non-derivative financial assets**

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flows techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the reporting date.

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of trade and other receivables and of held-to-maturity investments is determined for disclosure purposes only.



**(f) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

**(g) Derivatives**

The fair value of forward electricity contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of other derivatives (exchange rate, commodity, foreign CPI indices) embedded in a contract is estimated by discounting the difference between the forward values and the current values for the residual maturity of the contract using a risk-free interest rate (based on zero coupon).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

## 5. Operating segments

The Group operates in five reportable segments: Mining, Heat and Power, Renewables, Power Distribution and Supply and Other. Mining, Heat and Power and Power Distribution and Supply are the core segments of the Group.

### *i. Mining*

The Mining segment, represented by Mitteldeutsche Braunkohlengesellschaft GmbH (MIBRAG), produces lignite, which it supplies to power plants under long-term supply agreements. The two biggest customers – the Lippendorf and Schkopau-power plants – are highly efficient, state-of-the-art power plants operating in base load and are well positioned in the German power merit order.

### *ii. Heat and Power*

The Heat and Power segment owns and operates four large-scale combined heat and power plants (CHPs) in the Czech Republic operated in highly efficient cogeneration mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská energetika a.s. and Pražská teplárenská a.s., which is operating the largest district heating system in the Czech Republic, supplying heat to the City of Prague. The heat generated in its cogeneration power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the CEE Group owns in most of the cases. The segment also includes Saale Energie GmbH purchased in 2012, which owns 41.9% of the Schkopau-power plant representing a beneficial use right over 400MW of the plant's total capacity of 900MW. In December 2013, the CEE Group acquired a 100% share in Helmstedter Revier GmbH which operates a condensation mode power plant (Buschhaus) with an installed capacity of 390MW.

### *iii. Renewables*

The Renewables segment owns and operates three solar power plants and holds a minority interest in an additional solar power plant and a majority interest in one wind farm in the Czech Republic. The Group also owns one wind farm in Germany at MIBRAG, two solar power plants in Slovakia, and a biogas facility in Slovakia.

### *iv. Power Distribution and Supply*

The Power Distribution and Supply segment consists of a Power Distribution division and a Supply division. The Supply division supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. The Power Distribution division purchases and sells in the wholesale market power generated by the Heat and Power segment and purchases from external sources and purchases electricity and natural gas to supply customers through the Supply division. In addition, this segment distributes electricity in the central Slovakia region. This segment is mainly represented by Stredoslovenská energetika Group, EP Coal Trading, a.s., EP Cargo a.s. and EP ENERGY TRADING, a.s.

### *v. Other*

The Other segment mainly represents CE Energy, a.s. and EP Energy, a.s. The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting.

## Profit or loss

### For the year ended 31 December 2014

*In thousands of EUR*

	Mining	Heat and Power	Power Distribution and Supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy	348,411	620,823	1,554,985	5,993	-	2,530,212	(263,565)	2,266,647
<i>external revenues</i>	287,172	493,497	1,480,252	5,726	-	2,266,647	-	2,266,647
<i>inter-segment revenues</i>	61,239	127,326	74,733	267	-	263,565	(263,565)	-
Sales: Other	71,375	17,627	36,993	139	4,509	130,643	(13,157)	117,486
<i>external revenues</i>	59,648	17,615	36,782	139	3,302	117,486	-	117,486
<i>inter-segment revenues</i>	11,727	12	211	-	1,207	13,157	(13,157)	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	-	13,217	-	-	13,217	-	13,217
Cost of sales: Energy	(68,766)	(355,003)	(1,314,853)	(377)	-	(1,738,999)	226,062	(1,512,937)
<i>external cost of sales</i>	(52,139)	(273,230)	(1,187,208)	(360)	-	(1,512,937)	-	(1,512,937)
<i>inter-segment cost of sales</i>	(16,627)	(81,773)	(127,645)	(17)	-	(226,062)	226,062	-
Cost of sales: Other	(12,474)	(14,151)	(68,168)	(35)	(1,045)	(95,873)	45,471	(50,402)
<i>external cost of sales</i>	(12,474)	(13,869)	(23,004)	(33)	(1,022)	(50,402)	-	(50,402)
<i>inter-segment cost of sales</i>	-	(282)	(45,164)	(2)	(23)	(45,471)	45,471	-
Personnel expenses	(132,648)	(84,845)	(40,146)	(290)	(1,622)	(259,551)	-	(259,551)
Depreciation and amortisation	(102,633)	(112,240)	(79,492)	(3,465)	(53)	(297,883)	-	(297,883)
Repairs and maintenance	(1,236)	(9,406)	(1,978)	(423)	(12)	(13,055)	403	(12,652)
Emission rights, net	(7,461)	(12,847)	2	-	-	(20,306)	-	(20,306)
Taxes and charges	(9,616)	(2,982)	(865)	(120)	(7)	(13,590)	-	(13,590)
Other operating income	26,034	30,577	12,517	589	826	70,543	694	71,237
Other operating expenses	(59,991)	(42,769)	(39,521)	(1,780)	(5,149)	(149,210)	4,341	(144,869)
Finance income	1,728	1,825	1,610	534	*403,639	*409,336	*(356,007)	53,329
<i>external finance revenues</i>	1,324	(215)	1,432	545	50,243	53,329	-	53,329
<i>inter-segment finance revenues</i>	404	2,040	178	(11)	*353,396	*356,007	*(356,007)	-
Finance expense	(24,469)	(36,119)	(4,300)	(2,901)	(151,014)	(218,803)	48,462	(170,341)
Profit (loss) from derivative financial instruments	-	(185)	(466)	(120)	1,475	704	-	704
Share of profit (loss) of equity accounted investees, net of tax	1,044	(1,874)	-	-	-	(830)	-	(830)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	-	-
<b>Profit (loss) before income tax</b>	<b>29,298</b>	<b>(1,569)</b>	<b>69,535</b>	<b>(2,256)</b>	<b>*251,547</b>	<b>*346,555</b>	<b>*(307,296)</b>	<b>39,259</b>
Income tax expenses	(5,305)	(5,916)	(17,809)	(76)	(6,830)	(35,936)	-	(35,936)
<b>Profit (loss) for the year</b>	<b>23,993</b>	<b>(7,485)</b>	<b>51,726</b>	<b>(2,332)</b>	<b>*244,717</b>	<b>*310,619</b>	<b>*(307,296)</b>	<b>3,323</b>

\* EUR 307,485 thousand is attributable to intra-group dividends primarily recognised by EP Energy, a.s.

**For the year ended 31 December 2013**

<i>In thousands of EUR</i>	<b>Mining</b>	<b>Heat and Power</b>	<b>Power Distribution and Supply</b>	<b>Renewables</b>	<b>Other</b>	<b>Total segments</b>	<b>Inter-segment eliminations</b>	<b>Consolidated Financial Information</b>
Sales: Energy	354,466	652,759	960,146	5,958	-	1,973,329	(194,123)	1,779,206
<i>external revenues</i>	314,419	553,771	905,349	5,667	-	1,779,206	-	1,779,206
<i>inter-segment revenues</i>	40,047	98,988	54,797	291	-	194,123	(194,123)	-
Sales: Other	65,857	20,510	11,620	171	3,136	101,294	(6,559)	94,735
<i>external revenues</i>	59,977	20,470	11,620	171	2,497	94,735	-	94,735
<i>inter-segment revenues</i>	5,880	40	-	-	639	6,559	(6,559)	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	-	(3,222)	-	-	(3,222)	-	(3,222)
Cost of sales: Energy	(52,647)	(375,174)	(902,013)	(86)	-	(1,329,920)	174,743	(1,155,177)
<i>external cost of sales</i>	(52,647)	(299,730)	(802,736)	(64)	-	(1,155,177)	-	(1,155,177)
<i>inter-segment cost of sales</i>	-	(75,444)	(99,277)	(22)	-	(174,743)	174,743	-
Cost of sales: Other	(5,081)	(15,087)	(30,698)	(27)	(331)	(51,224)	25,739	(25,485)
<i>external cost of sales</i>	(5,081)	(14,710)	(5,343)	(21)	(330)	(25,485)	-	(25,485)
<i>inter-segment cost of sales</i>	-	(377)	(25,355)	(6)	(1)	(25,739)	25,739	-
Personnel expenses	(126,458)	(49,984)	(5,941)	(369)	(1,494)	(184,246)	-	(184,246)
Depreciation and amortisation	(110,170)	(115,906)	(10,070)	(3,450)	(66)	(239,662)	-	(239,662)
Repairs and maintenance	(3,162)	(8,355)	(85)	(569)	(13)	(12,184)	-	(12,184)
Emission rights, net	(9,904)	(22,713)	1	-	-	(32,616)	-	(32,616)
Negative goodwill	-	2,176	15,624	-	-	17,800	-	17,800
Taxes and charges	(9,923)	(1,251)	(68)	(403)	(3)	(11,648)	-	(11,648)
Other operating income	44,422	33,534	2,888	718	220	81,782	(792)	80,990
Other operating expenses	(82,160)	(35,381)	(13,977)	(14,599)	(4,715)	(150,832)	727	(150,105)
Finance income	2,676	(2,561)	(1,338)	617	*268,012	*267,406	*(179,085)	88,321
<i>external finance revenues</i>	2,603	(4,617)	(1,338)	617	91,056	88,321	-	88,321
<i>inter-segment finance revenues</i>	73	2,056	-	-	*176,956	*179,085	*(179,085)	-
Finance expense	(26,212)	(30,261)	(7,365)	(4,806)	(73,427)	(142,071)	44,364	(97,707)
Profit (loss) from derivative financial instruments	(139)	(5,349)	1,591	(124)	5,078	1,057	-	1,057
Share of profit (loss) of equity accounted investees, net of tax	(4,332)	(1,045)	-	-	-	(5,377)	-	(5,377)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	(668)	-	-	-	(668)	-	(668)
<b>Profit (loss) before income tax</b>	<b>37,233</b>	<b>45,244</b>	<b>17,093</b>	<b>(16,969)</b>	<b>*196,397</b>	<b>*278,998</b>	<b>*(134,986)</b>	<b>144,012</b>
Income tax expenses	(14,281)	(8,326)	804	136	422	(21,245)	-	(21,245)
<b>Profit (loss) for the year</b>	<b>22,952</b>	<b>36,918</b>	<b>17,897</b>	<b>(16,833)</b>	<b>*196,819</b>	<b>*257,753</b>	<b>*(134,986)</b>	<b>122,767</b>

\* EUR 134,758 thousand is attributable to intra-group dividends primarily recognised by EP Energy, a.s.

## Non-current assets and liabilities

### For the year ended 31 December 2014

*In thousands of EUR*

	Mining	Heat and Power	Power Distribution and Supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Reportable segment assets	861,846	1,322,396	1,223,923	62,481	1,738,100	5,208,746	(1,003,688)	4,205,058
Reportable segment liabilities	(769,923)	(884,613)	(457,741)	(65,987)	(2,384,967)	(4,563,231)	1,003,656	(3,559,575)
Additions to tangible and intangible assets	52,231	78,373	30,610	497	18	161,729	-	161,729
Equity accounted investees	24,220	103,156	-	-	-	127,376	-	127,376

### For the year ended 31 December 2013

*In thousands of EUR*

	Mining	Heat and Power	Power Distribution and Supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Reportable segment assets	888,931	1,515,631	1,276,989	63,861	1,630,061	5,375,473	(873,513)	4,501,960
Reportable segment liabilities	(543,728)	(1,037,534)	(864,523)	(64,959)	(1,409,148)	(3,919,892)	873,286	(3,046,606)
Additions to tangible and intangible assets	68,817	60,077	9,438	1,061	113	139,506	-	139,506
Equity accounted investees	24,876	235,924	-	-	-	260,800	-	260,800

## Information about geographical areas

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

### For the year ended 31 December 2014

*In thousands of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Germany</b>	<b>Other</b>	<b>Total segments</b>	<b>Consolidated Financial Information</b>
Property, plant and equipment	674,336	861,468	710,129	3	2,245,936	2,245,936
Intangible assets	135,270	25,873	90,094	-	251,237	251,237
<b>Total</b>	<b>809,606</b>	<b>887,341</b>	<b>800,223</b>	<b>3</b>	<b>2,497,173</b>	<b>2,497,173</b>

*In thousands of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Germany</b>	<b>Other</b>	<b>Total segments</b>	<b>Consolidated Financial Information</b>
Sales: Electricity	324,141	915,254	221,199	33,309	1,493,903	1,493,903
Sales: Heat	268,966	-	2,363	-	271,329	271,329
Sales: Coal	22,459	574	269,632	3,205	295,870	295,870
Sales: Gas	195,769	9,170	-	606	205,545	205,545
Sales: Other	28,313	5,949	63,653	19,571	117,486	117,486
Gain (loss) from commodity derivatives from trading with electricity and gas, net	13,217	-	-	-	13,217	13,217
<b>Total</b>	<b>852,865</b>	<b>930,947</b>	<b>556,847</b>	<b>56,691</b>	<b>2,397,350</b>	<b>2,397,350</b>

The geographical area Other comprises income items primarily from Poland, Hungary, Switzerland and Luxembourg.



**For the year ended 31 December 2013**

*In thousands of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Germany</b>	<b>Other</b>	<b>Total segments</b>	<b>Consolidated Financial Information</b>
Property, plant and equipment	725,221	932,552	775,697	2	2,433,472	2,433,472
Intangible assets	148,669	29,955	100,606	-	279,230	279,230
Investment property	324	-	-	-	324	324
<b>Total</b>	<b>874,214</b>	<b>962,507</b>	<b>876,303</b>	<b>2</b>	<b>2,713,026</b>	<b>2,713,026</b>

*In thousands of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Germany</b>	<b>Other</b>	<b>Total segments</b>	<b>Consolidated Financial Information</b>
Sales: Electricity	435,581	376,435	165,038	5,542	982,596	982,596
Sales: Heat	315,121	-	6,020	-	321,141	321,141
Sales: Coal	5,573	373	270,478	5,145	281,569	281,569
Sales: Gas	192,114	979	677	130	193,900	193,900
Sales: Other	30,660	757	59,977	3,341	94,735	94,735
Gain (loss) from commodity derivatives from trading with electricity and gas, net	*(3,222)	-	-	-	*(3,222)	*(3,222)
<b>Total</b>	<b>975,827</b>	<b>378,544</b>	<b>502,190</b>	<b>14,158</b>	<b>1,870,719</b>	<b>1,870,719</b>

The geographical area Other comprises income items primarily from Poland and Switzerland.

## 6. Acquisitions and contributions of subsidiaries, special purpose entities, joint-ventures and associates

As described in the Note 1 – Background, the Company was established on 6 December 2013 by the parent company Energetický a průmyslový holding, a.s. On 24 January 2014 CEE acquired from EPH 100% shares in EPE for EUR 1,500,270 thousand. The Company, as a part of its accounting policy on common control transactions, opted to restate its comparatives. For the purpose of preparation of these consolidated financial statements, the entities acquired as part of acquisition of shares in EPE are presented using one of the following two methods:

1. If the acquired entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. under the scope of IFRS 3, the Company presents the acquired entities in its consolidated financial statements under the scope of IFRS 3 from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. From the view of the CEE Group consolidated financial statements, these transactions are reflected as if carried out directly by the Company, including all goodwill or negative goodwill impacts. This approach relates to the following entities:
  - a. AISE, s.r.o. (acquired by EPH on 8 October 2009)
  - b. PT Holding Investment B.V. and its associates (acquired by EPH on 20 September 2010) including Pražská teplárenská a.s. and its subsidiaries and associates (acquired by EPE Group on 29 June 2012 through step acquisition)
  - c. Plzeňská energetika a.s. (acquired by EPH on 6 October 2009)
  - d. VTE Moldava II, a.s. (former EP Renewables a.s.) and its subsidiaries (acquired by EPH on 1 September 2010)
  - e. ROLLEON a.s. and its subsidiary (acquired by EPH on 6 October 2009)
  - f. HC Fin3 N.V.<sup>(1)</sup> (acquired by EPH on 16 March 2010) including:
    - (a) EAST BOHEMIA ENERGY HOLDING LIMITED<sup>(1)</sup> and its subsidiaries (acquired by EPH on 31 December 2010)
    - (b) LIGNITE INVESTMENTS 1 LIMITED<sup>(1)</sup> and its joint-venture (acquired by EPH on 28 June 2011) including JTSD Braunkohlebergbau GmbH and its subsidiaries and associates (acquired by EPE Group on 29 June 2012 through step acquisition)
  - g. Saale Energie GmbH and its associates (acquired by EPE Group on 17 July 2012)
  - h. PRVNÍ MOSTECKÁ a.s. and its subsidiary (acquired by EPE Group on 14 January 2013 through step acquisition)
  - i. Stredoslovenská energetika, a.s. and its subsidiaries and associates (acquired by EPH on 27 November 2013 and subsequently contributed to the EPE Group on 16 December 2013)
  - j. Helmstedter Revier GmbH and its subsidiaries (acquired by EPE Group on 20 December 2013)

(1) Honor Invest, a.s., Czech Energy Holding, a.s., HC Fin3 N.V., EAST BOHEMIA ENERGY HOLDING LIMITED and LIGNITE INVESTMENTS 1 LIMITED merged with EP Energy, a.s. as at 4 November 2013. EP Energy, a.s. is the successor company.

2. If the acquired entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. in a transaction under common control, the Company presents the acquired entities in its consolidated financial statements as common control acquisition from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. This approach relates to the following entities:

- a. Czech Energy Holding, a.s.<sup>(1)</sup> and its subsidiaries and associate (acquired by EPH on 6 October 2009)
- b. Honor Invest, a.s.<sup>(1)</sup> and its associate Pražská energetika, a.s. (acquired by EPH on 10 August 2009)
- c. První energetická a.s.<sup>(2)</sup> (acquired by EPH on 6 October 2009)

The purchase price of 100% shares in EPE in amount of EUR 1,500,270 thousand was recorded in consolidated equity as pricing difference (refer to Note 26 – Equity).

- (1) *Honor Invest, a.s., Czech Energy Holding, a.s., HC Fin3 N.V., EAST BOHEMIA ENERGY HOLDING LIMITED and LIGNITE INVESTMENTS 1 LIMITED merged with EP Energy, a.s. as at 4 November 2013. EP Energy, a.s. is the successor company.*
- (2) *První energetická a.s. merged with EP ENERGY TRADING, a.s. as at 1 January 2013. EP ENERGY TRADING, a.s. is the successor company.*

## (a) Acquisitions and step-acquisitions

### i. 31 December 2014

*In thousands of EUR*

	Date of acquisition	Purchase price	Purchase price liability	Other consid-eration	Equity interest acquired %	Equity interest after acquisition %
<b>New subsidiaries</b>						
EP Cargo a.s.	31/07/2014	5,803	(5,803)	-	60	60
<b>Total</b>		<b>5,803</b>	<b>(5,803)</b>	<b>-</b>	<b>-</b>	<b>-</b>

On 31 July 2014 the Group acquired 60% share in EP Cargo a.s. for EUR 5,803 thousand. The purchase price liability has not yet been settled as at 31 December 2014.

On 11 December 2014 EP Energy, a.s. purchased EP Cargo Deutschland GmbH and on 30 September 2014 the Group acquired 60% share in PGP Terminal, a.s. Both these investments are held at cost as they are immaterial.

### Acquisition of non-controlling interest

On 3 July 2014 Severočeská teplárenská, a.s., a subsidiary of United Energy, a.s., acquired a 8.68% share in PRVNÍ MOSTECKÁ a.s., which resulted in change of ownership interest from 91.32% to 100% share. The 2.37% share was acquired from third parties, remaining 6.31% share acquisition was classified as transfer within the Group.

**ii. 31 December 2013***In thousands of EUR*

	<b>Date of acquisition</b>	<b>Purchase price</b>	<b>Cash paid</b>	<b>Other consideration</b>	<b>Equity interest acquired %</b>	<b>Equity interest after acquisition %</b>
<b>New subsidiaries</b>						
PRVNÍ MOSTECKÁ a.s. and its subsidiary	14/01/2013	2,341	(2,341)	<sup>(1)</sup> 6,026	<sup>(2)</sup> 82.35	82.35
Stredoslovenská energetika, a.s. and its subsidiaries	27/11/2013	<sup>(3)</sup> 339,052	<sup>(3)</sup> (359,052)	(20,000)	49	49
Helmstedter Revier GmbH and its subsidiaries	20/12/2013	<sup>(4)</sup> (2,083)	8,142	6,059	100	100
<b>Total</b>		<b>339,310</b>	<b>(353,251)</b>	<b>(7,915)</b>	<b>-</b>	<b>-</b>

*(1) Fair value of interest already held as at the date of step acquisition.**(2) Percentages presented in the table are equity interests after step acquisition.**(3) The purchase price equals the cash paid to the seller (EUR 359,052 thousand) reduced by a contingent consideration receivable of EUR 20,000 thousand which represented an earn-out which was received from the seller in 2014.**(4) For more details for the negative purchase price see below.***Common control acquisitions**

On 27 November 2013 EPH Group acquired a 49% share (associated with management control) in Stredoslovenská energetika, a.s. and its subsidiaries. In relation with the completion of the transaction the acquirer EPH Financing II, a.s. and EPH agreed with the National Property Fund of the Slovak Republic (the 51% shareholder of Stredoslovenská energetika, a.s.) and the Ministry of Economy of the Slovak Republic on a new Shareholders' Agreement ("SHA") which grants the acquirer specific rights and obligations and governs the relationship of the acquirer with the other 51% shareholder. As a result of the concluded SHA and based on the other relevant facts and circumstances, the acquirer concluded that it controls Stredoslovenská energetika, a.s. because it has the power to govern the financial and operating activities of the acquiree so as to obtain benefits from its activities and thus the Stredoslovenská energetika, a.s. subgroup shall be consolidated in the CEE Group financial statements for the period ended 31 December 2013.

On 16 December 2013, the EPH Group contributed this entity to the CEE Group. As this transaction was a common control transaction, the Company presents the entity in its consolidated financial statements from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s.

On 20 December 2013 the CEE Group acquired a 100% share in Helmstedter Revier GmbH and its subsidiaries with the transfer of shares on 31 December 2013. The CEE Group received a consideration from the seller for the transfer of shares, i.e. CEE Group reported a negative purchase price of EUR 2,083 thousand. Negative purchase price reflects the fact that the CEE Group took over, together with the acquisition of assets, all liabilities relating to the mine recultivation and employees' related matters such as employee benefits obligations. The CEE Group believes that the acquisition of Helmstedter Revier GmbH fits into the CEE Group broad strategy of vertical integration, among other things, by enabling utilization of the spare mining capacity in MIBRAG mines.

**Step acquisition**

On 14 January 2013 Severočeská teplárenská, a.s, a subsidiary of United Energy, a.s., acquired a 35.29% share in PRVNÍ MOSTECKÁ a.s. for EUR 2,341 thousand. The total share in PRVNÍ MOSTECKÁ a.s. thus increased to 82.35% and CEE Group obtained control of this entity.

**Acquisition of non-controlling interest**

On 19 December 2013 Severočeská teplárenská, a.s, acquired 15.28% share in PRVNÍ MOSTECKÁ a.s. This transaction resulted to change in ownership interest from 82.35% to 97.63% share.

On 29 July 2013 Pražská teplárenská a.s. acquired 10% share in Energotrans SERVIS a.s., which resulted to change in ownership interest from 85% to 95% share.

**(b) Effect of acquisitions and step acquisitions**

**i. 31 December 2014**

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of EP Cargo a.s. are provided in the following table.

<i>In thousands of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment<sup>(2)</sup></b>	<b>2014 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	129	-	129
Trade receivables and other assets	3,687	-	3,687
Financial instruments – assets	300	-	300
Cash and cash equivalents	3,477	-	3,477
Trade payables and other liabilities	(5,698)	-	(5,698)
<b>Net identifiable assets and liabilities</b>	<b>1,895</b>	<b>-</b>	<b>1,895</b>
Non-controlling interest			(758)
Goodwill on acquisitions of a subsidiary			4,666
Negative goodwill on acquisitions of a subsidiary			-
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>5,803</b>
Consideration paid, satisfied in cash (A)			-
Purchase price liability, not yet settled <sup>(3)</sup>			5,803
New shares issued			-
<b>Total consideration transferred</b>			<b>5,803</b>
Less: Cash acquired (B)			3,477
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>3,477</b>

(1) Represents values at 100% share.

(2) The result of purchase price allocation was not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from business combinations in 2014.

(3) As at 31 December 2014 the purchase price has not yet been settled and is classified as liability (refer to Note 34 – Trade payables and other liabilities).

The table above does not include the effect from the acquisition of a non-controlling interest in PRVNÍ MOSTECKÁ a.s.

In 2014, the CEE Group completed the Purchase Price Allocation (“PPA”) process for SSE which did not result in any change of fair value of acquired net assets, however classification of certain fixed assets was updated. For details on the restated opening balances of fixed assets please refer to the Note 16 – Property, plant and equipment.

**ii. 31 December 2013**

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of PRVNÍ MOSTECKÁ a.s. including its subsidiary, Helmstedter Revier GmbH, including its subsidiaries and Stredoslovenská energetika, a.s. including its subsidiaries and associates are provided in the following table.

<i>In thousands of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2013 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	560,411	431,165	991,576
Intangible assets	25,454	7,177	32,631
Deferred tax assets	1,729	4,124	5,853
Inventories	10,704	-	10,704
Trade receivables and other assets	87,397	-	87,397
Financial instruments – assets	21,291	-	21,291
Cash and cash equivalents	89,799	-	89,799
Provisions	(128,177)	(14,245)	(142,422)
Deferred tax liabilities	(18,693)	(100,819)	(119,512)
Loans and borrowings	(83,507)	-	(83,507)
Trade payables and other liabilities	(163,070)	-	(163,070)
<b>Net identifiable assets and liabilities</b>	<b>403,338</b>	<b>327,402</b>	<b>730,740</b>
Non-controlling interest			(372,657)
Goodwill on acquisitions of a subsidiary			5,053
Negative goodwill on acquisitions of a subsidiary			(17,800)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>345,336</b>
Consideration paid, satisfied in cash (A)			353,251
Consideration, contingent			(20,000)
Consideration, other			12,085
New shares issued			-
<b>Total consideration transferred</b>			<b>345,336</b>
Less: Cash acquired (B)			89,799
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(263,452)</b>

(1) Represents values at 100% share.

The table above does not include the effect from the acquisition of a non-controlling interest in PRVNÍ MOSTECKÁ a.s. and Energotrans SERVIS a.s.

For details on major acquisitions please refer to Appendix 1.

**iii. Rationale for acquisitions**

The Group strategic rationale for realised acquisitions comprised several factors, including:

- The subsidiaries' businesses are complementary to CEE's portfolio;
- Potential for synergic effects;
- The subsidiaries have an advantageous position within the market;
- Subject industries are expected to grow in the future;
- Further vertical integration of the Heat and Power segment with the Mining segment, i.e. securing coal supplies for own coal heating plants.

As further expansion in energy sectors of the countries in which the Group currently has operations is one of the strategic aims of the Group, CEE is investing both in energy companies and in companies supplying the energy industry. The Group's current aim is to further strengthen its position, and become an important participant in the energy market.

The Group's view is that there is long-term strategic value in these investments due to development of the market and this resulted in reported goodwill in a total amount of EUR 96,241 thousand as of 31 December 2014. The increase in the total amount of goodwill compared to prior year balance (2013:

EUR 92,545 thousand) was caused by initial goodwill of EUR 4,666 thousand recognised on the acquisition of EP Cargo a.s. and reduced by changes in foreign exchange rate of CZK compared to EUR.

In 2014 the Group did not recognise any negative goodwill. In 2013 negative goodwill arose upon the step acquisition of PRVNÍ MOSTECKÁ a.s. and acquisition of Stredoslovenská energetika, a.s. totalling EUR 17,800 thousand. The Group reconsidered the identification and measurement of all identified assets and liabilities acquired in these business combinations; consistent results were obtained in respect of negative goodwill.

The following table provides information on revenues and profit or loss of acquirees that have been included in the consolidated statement of comprehensive income for the reporting period.

<i>In thousands of EUR</i>	<b>2014 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	9,689
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	894

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	145,291
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	22,526

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2014 or as at 1 January 2013); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

<i>In thousands of EUR</i>	<b>2014 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2014 (subsidiaries)	29,340
Profit (loss) of the acquirees recognised in the year ended 31 December 2014 (subsidiaries)	3,084

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)	850,401
Profit (loss) of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)	67,887

\* *Before intercompany elimination*

For details on major acquisitions please refer also to Appendix 1.

### (c) **Business combinations – acquisition accounting 2014 and 2013**

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date by the parent company Energetický a průmyslový holding, a.s. (except for acquisitions under common control, which are carried in net book values); in line with the above, the established fair values were subsequently reported in the consolidated financial statements of the Company. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes was performed with the support of professional advisors.

The valuation analysis is based on historical and prospective information prevailing as at the date of the business combination (which involves as well certain estimates and approximations such as business plan forecasts, useful life of assets, and the weighted average cost of capital components). Any prospective information that may impact the future value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail at the time.

The results of the valuation analyses are also used for determining the amortisation and depreciation periods of the values allocated to specific intangible and tangible fixed assets.

Purchase price allocation was performed for all business combinations within the scope of IFRS 3.

The fair value adjustments resulting from the purchase price allocation for EP Cargo a.s. were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from this business combinations in 2014.

Fair value adjustments resulting from business combinations in 2013 are presented in the following table.

<i>In thousands of EUR</i>	<b>Intangible assets</b>	<b>Property, plant and equipment (including mine property)</b>	<b>Provisions</b>	<b>Deferred tax asset/(liability)</b>	<b>Total net effect on financial position</b>
<b>Subsidiary</b>					
Stredoslovenská energetika, a.s. and its subsidiaries	7,177	431,165	-	(100,819)	<b>337,523</b>
Helmstedter Revier GmbH and its subsidiaries	-	-	(14,245)	4,124	<b>(10,121)</b>
<b>Total</b>	<b>7,177</b>	<b>431,165</b>	<b>(14,245)</b>	<b>(96,695)</b>	<b>327,402</b>

The fair value adjustments resulting from the purchase price allocation of PRVNÍ MOSTECKÁ a.s. were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from this business combination in 2013.

#### (d) Disposal of investments in 2014 and 2013

##### i. 31 December 2014

The Group did not dispose of any investment in the year ended 31 December 2014.

##### ii. 31 December 2013

On 14 January 2013 the Group accounted for a disposal of its 47.06% investment in PRVNÍ MOSTECKÁ a.s. as a part of the step acquisition process. The effects of the disposal are provided in the following table:

<i>In thousands of EUR</i>	<b>Net assets disposed in 2013</b>
Participation with significant influence	6,026
<b>Net identifiable assets and liabilities disposed at carrying value</b>	<b>6,026</b>
Fair value of disposed net identifiable assets and liabilities	6,026
<b>Gain (loss) on disposal</b>	<b>-</b>

On 28 June 2013 the Group accounted for disposal of its 85% investment in Areál Třeboradice, a.s. The effects of disposal are provided in the following table:

<i>In thousands of EUR</i>	<b>Net assets sold in 2013</b>
Assets/disposal groups held for sale <sup>(1)</sup>	8,819
Liabilities from assets/disposal groups held for sale <sup>(1)</sup>	(1,099)
<b>Net identifiable assets and liabilities<sup>(1)</sup></b>	<b>7,720</b>
Sales price	7,052
<b>Gain (loss) on disposal<sup>(1)</sup></b>	<b>(668)</b>

(1) Represents values at 85% share.

As of 28 June 2013 the Group lost its control of this entity and remaining 15% share in Areál Třeboradice, a.s. is therefore reported as equity instrument under Financial instruments and other financial assets.



## 7. Sales

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
<b>Sales: Energy</b>		
<i>Electricity</i>	1,493,903	982,596
<i>Coal</i>	295,870	281,569
<i>Heat</i>	271,329	321,141
<i>Gas</i>	205,545	193,900
<b>Total Energy</b>	<b>2,266,647</b>	<b>1,779,206</b>
<b>Sales: Other</b>	<b>117,486</b>	<b>94,735</b>
<b>Gain (loss) from commodity derivatives for trading with electricity and gas, net</b>	<b>13,217</b>	<b>(3,222)</b>
<b>Total</b>	<b>2,397,350</b>	<b>1,870,719</b>
Domestic revenues	852,865	975,827
Foreign sales	1,544,485	894,892
<b>Total</b>	<b>2,397,350</b>	<b>1,870,719</b>

Revenues are recognised based on accounting policies described in the Note 3(m) – Revenue.

Other sales are represented mainly by sales of lignite dust, briquettes, gypsum, reimbursements of transportation and disposal costs, sewage sludge incineration and restoration services to third parties.

## 8. Cost of sales

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
<b>Cost of Sales: Energy</b>		
<i>Cost of sold electricity</i>	948,746	608,562
<i>Cost of sold/consumed gas and other energy products</i>	231,688	221,318
<i>Cost of coal and other material</i>	216,173	200,631
<i>Consumption of energy</i>	80,824	96,471
<i>Other cost of sales</i>	35,506	28,195
<b>Total Energy</b>	<b>1,512,937</b>	<b>1,155,177</b>
<b>Cost of Sales: Other</b>		
<i>Cost of goods sold</i>	31,849	16,502
<i>Consumption of material</i>	9,537	5,036
<i>Consumption of energy</i>	6,362	2,513
<i>Changes in WIP, semi-finished products and finished goods</i>	55	(468)
<i>Other cost of sales</i>	2,599	1,902
<b>Total Other</b>	<b>50,402</b>	<b>25,485</b>
<b>Total</b>	<b>1,563,339</b>	<b>1,180,662</b>

Cost of sales presented in the above table contains only cost of purchased energy and purchased materials consumed in producing energy output, it does not contain directly attributable overhead (particularly personnel expenses, depreciation and amortisation, repairs and maintenance, emission rights, taxes and charges, etc.).

## 9. Personnel expenses

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
Wages and salaries	185,133	131,748
Compulsory social security contributions	58,599	40,479
Board members' remuneration (including boards of subsidiaries)	12,829	9,199
Expenses and revenues related to employee benefits (IAS 19)	988	968
Other social expenses	2,002	1,852
<b>Total</b>	<b>259,551</b>	<b>184,246</b>

The average number of employees during 2014 was 6,585 (2013: 6,187), of which 314 (2013: 321) were executives.

## 10. Emission rights

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
Deferred income (grant) released to profit and loss	16,701	8,863
Profit from sale of emission rights	1,470	717
Creation of provision for emission rights	(38,477)	(42,196)
Use of provision for emission rights	42,510	49,935
Consumption of emission rights	(42,510)	(49,935)
<b>Total</b>	<b>(20,306)</b>	<b>(32,616)</b>

The Ministries of the Environment of the Czech Republic, Slovakia and Germany set a limit on the amount of a pollutant that can be emitted. Companies are granted emission allowances and are required to hold an equivalent number of allowances which represent the right to emit a specific amount of pollutant. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emission allowance must buy credits from those who pollute less or from other market participants. The transfer of allowances is referred to as a trade.

The companies that participate in the emission rights programme are United Energy, a.s., Plzeňská energetika a.s., Pražská teplárenská a.s., JTSD Braunkohlebergbau GmbH, Stredoslovenská energetika, a.s., Helmstedter Revier GmbH and Elektrárny Opatovice, a.s.

## 11. Taxes and charges

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
Electricity tax	8,585	7,869
Property and real estate transfer tax	1,209	588
Other taxes and charges	3,796	3,191
<b>Total</b>	<b>13,590</b>	<b>11,648</b>

## 12. Other operating income

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
Own work, capitalised <sup>(1)</sup>	17,606	36,311
Consulting fees	14,647	6,117
Compensation from insurance and other companies <sup>(2)</sup>	10,333	19,790
Ecological tax reimbursement	7,465	6,825
Rental income	6,298	3,854
Property acquired free-of-charge and fees from customers	3,931	-
Inventories surplus	2,612	1,342
Contractual penalties	1,162	656
Decentralisation and cogeneration fee	338	807
Profit from sale of material	178	370
Other	6,667	4,918
<b>Total</b>	<b>71,237</b>	<b>80,990</b>

(1) This position is mainly represented by own work capitalised in mines (primarily labour cost) and stripping cost.

(2) This balance is represented mainly by compensation received by JTSD Braunkohlebergbau GmbH in the amount of EUR 6,251 thousand out of which EUR 4,490 thousand relates to payback of employer's liability insurance coverage for 2013.

## 13. Other operating expenses

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
Office equipment and other material	33,841	22,295
Outsourcing and other administration fees	31,459	19,654
Consulting expenses	15,635	17,640
Rent expenses	13,285	9,974
Information technology costs	6,645	1,949
Transport expenses	4,969	21,918
Change in provisions, net	4,005	(6,756)
Advertising expenses	3,367	2,372
Insurance expenses	3,145	2,562
Gifts and sponsorship	2,844	2,503
Disposal costs for unrealised investments <sup>(1)</sup>	2,829	-
Shortages and damages	2,702	1,256
Administrative expense	2,490	2,770
Contractual penalties	2,136	4,585
Training, courses, conferences	2,038	1,363
Loss from receivables written-off	1,983	9,947
Net loss on disposal of property, plant and equipment, investment property and intangible assets	1,361	4,183
Communication expenses	714	774
Investment property income	14	23
Impairment losses/reversals	(501)	21,031
Other	9,908	10,062
<b>Total</b>	<b>144,869</b>	<b>150,105</b>

(1) EKY III, a.s., a subsidiary of United energy, a.s., was involved in project Modernisation of electric energy production ("Modernizace výroby elektrické energie"). In 2014 management of United Energy, a.s. decided not to realise this project.

No research and development expenses were recognised in profit and loss for the year ended 31 December 2014 and 31 December 2013.

### Fees payable to statutory auditors

The information is disclosed in the notes to the consolidated financial statements of Energetický a průmyslový holding, a.s. in which the CEE Group is included.

## 14. Finance income and expense, profit (loss) from financial instruments

### Recognised in profit or loss

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
Interest income	43,054	27,782
Net foreign exchange gain	9,078	59,956
Dividend income	1,165	-
Other finance income	32	583
<b>Finance income</b>	<b>53,329</b>	<b>88,321</b>
Interest expense	(105,247)	(84,104)
Interest expense from unwind of deemed interest discounting of non-interest bearing loan provided by the parent company	(43,703)	-
Interest expense from unwind of provision discounting	(16,080)	(8,338)
Fees and commissions expense for guarantees	(145)	(348)
Fees and commissions expense for payment transactions	(442)	(278)
Fees and commissions expense for other services	(4,724)	(4,639)
<b>Finance costs</b>	<b>(170,341)</b>	<b>(97,707)</b>
Profit (loss) profit from currency derivatives for trading	1,322	(313)
Profit (loss) from other non-derivative liabilities	45	751
Profit (loss) from securities	-	2,185
Profit (loss) from other derivatives for trading	-	214
Profit (loss) from interest rate derivatives for trading	(45)	(66)
Profit (loss) from hedging activities	(120)	(130)
Profit (loss) from commodity derivatives for trading	(498)	(1,584)
<b>Profit (loss) from financial instruments</b>	<b>704</b>	<b>1,057</b>
<b>Net finance (expense) recognised in profit or loss</b>	<b>(116,308)</b>	<b>(8,329)</b>

## 15. Income tax expenses

### Income taxes recognised in profit or loss

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
<i>Current taxes:</i>		
Current year	(56,508)	(47,692)
Adjustment for prior periods	(908)	(9,112)
Withholding tax	(22)	(2)
<b>Total current taxes</b>	<b>(57,438)</b>	<b>(56,806)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences <sup>(1)</sup>	21,502	35,561
<b>Total deferred taxes</b>	<b>21,502</b>	<b>35,561</b>
<b>Total income taxes (expense)/benefit recognised in profit or loss</b>	<b>(35,936)</b>	<b>(21,245)</b>

(1) For details refer to Note 20 – Deferred tax assets and liabilities.

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. According to Czech legislation the corporate income tax rate is 19% for fiscal years ended in 2014 and 2013. The Slovak corporate income tax rate is 22% for fiscal year 2014 (2013: 23%). The German federal income tax rate for 2014 is 27.62% (2013: 26.98%) and Poland income tax rate for fiscal years 2014 and 2013 is 19%.

## Income tax recognised in other comprehensive income

*In thousands of EUR*

	2014		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	9,089	-	9,089
Foreign currency translation differences from presentation currency	(3,493)	-	(3,493)
Effective portion of changes in fair value of cash-flow hedges	(5,392)	(92)	(5,484)
Fair value reserve included in other comprehensive income	(13,465)	3,546	(9,919)
<b>Total</b>	<b>(13,261)</b>	<b>3,454</b>	<b>(9,807)</b>

*In thousands of EUR*

	2013		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	21,390	-	21,390
Fair value reserve included in other comprehensive income	(219)	-	(219)
Effective portion of changes in fair value of cash-flow hedges	(80,738)	-	(80,738)
Foreign currency translation differences from presentation currency	(100,719)	-	(100,719)
<b>Total</b>	<b>(160,286)</b>	<b>-</b>	<b>(160,286)</b>

The foreign currency translation differences related to non-controlling interest are presented under Other comprehensive income.

## Reconciliation of the effective tax rate

*In thousands of EUR*

		2014		2013
	%		%	
Profit before tax		39,259		144,012
Income tax using the Company's domestic rate	19.00%	7,459	19.00%	27,362
Effect of tax rates in foreign jurisdictions	6.58%	2,582	2.62%	3,781
Non-deductible expenses	61.69%	<sup>(1)</sup> 24,218	8.29%	11,959
Other non-taxable income	(24.93%)	(9,787)	(24.57%)	<sup>(2)</sup> (35,413)
Tax incentives, tax credits	(0.33%)	(131)	(0.15%)	(210)
Recognition of previously unrecognised tax losses	(0.83%)	(324)	(0.52%)	(748)
Current year losses for which no deferred tax asset was recognised	28.56%	11,212	3.78%	5,445
Effect of changes in tax rate	-	-	(0.03%)	(46)
Withholding tax, income tax adjustments for prior periods	2.37%	929	6.33%	9,115
Change in unrecognised temporary differences	(0.57%)	(222)	-	-
<b>Income taxes recognised in profit or loss</b>	<b>91.54%</b>	<b>35,936</b>	<b>14.75%</b>	<b>21,245</b>

- (1) The basis consists mainly of non-deductible interest expense of EUR 79,140 thousand (2013: EUR 27,510 thousand).
- (2) The basis consists mainly of negative goodwill of EUR 17,800 thousand, revenues from dividends from participations of EUR 22,937 and a portion of a cashflow hedge of EUR 76,317 thousand.

## 16. Property, plant and equipment

*In thousands of EUR*

	Land and buildings	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under construction	Total
<b>Cost</b>					
<b>Balance at 1 January 2014</b>	<b>1,337,310</b>	<b>1,480,377</b>	<b>1,774</b>	<b>76,768</b>	<b>2,896,229</b>
Reclassification of the opening balances as a result of completed Purchase Price Allocation for SSE	10,735	(8,086)	-	(2,649)	-
Effects of movements in foreign exchange rates	(2,891)	(4,438)	(8)	(1,605)	(8,942)
Additions through business combinations	-	129	-	-	129
Additions	35,008	55,031	68	38,389	128,496
Disposals	(8,846)	(3,379)	(86)	(5,854)	(18,165)
Transfer to disposal group held for sale	(6,095)	(22,349)	-	-	(28,444)
Transfers	17,382	17,482	22	(34,886)	-
<b>Balance at 31 December 2014</b>	<b>1,382,603</b>	<b>1,514,767</b>	<b>1,770</b>	<b>70,163</b>	<b>2,969,303</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2014</b>	<b>(134,868)</b>	<b>(319,357)</b>	<b>(316)</b>	<b>(8,216)</b>	<b>(462,757)</b>
Effects of movements in foreign exchange rates	1,616	1,890	3	70	3,579
Depreciation charge for the year	(109,307)	(166,544)	(277)	-	(276,128)
Disposals	5,096	2,514	49	2,683	10,342
Transfer to disposal group held for sale	498	1,954	-	-	2,452
Impairment losses recognised in profit or loss	(855)	-	-	-	(855)
<b>Balance at 31 December 2014</b>	<b>(237,820)</b>	<b>(479,543)</b>	<b>(541)</b>	<b>(5,463)</b>	<b>(723,367)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2014</b>	<b>1,202,442</b>	<b>1,161,020</b>	<b>1,458</b>	<b>68,552</b>	<b>2,433,472</b>
<b>At 31 December 2014</b>	<b>1,144,783</b>	<b>1,035,224</b>	<b>1,229</b>	<b>64,700</b>	<b>2,245,936</b>

*In thousands of EUR*

	<b>Land and buildings</b>	<b>Technical equipment, plant and machinery</b>	<b>Other equipment, fixtures and fittings</b>	<b>Under construction</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance at 1 January 2013</b>	<b>681,305</b>	<b>1,160,979</b>	<b>636</b>	<b>67,741</b>	<b>1,910,661</b>
Effects of movements in foreign exchange rates	(52,477)	(36,083)	(53)	(1,991)	<b>(90,604)</b>
Additions through step acquisitions <sup>(1)</sup>	10,892	4,252	-	24	<b>15,168</b>
Additions through business combinations <sup>(2)</sup>	625,564	297,700	1,168	51,976	<b>976,408</b>
Additions	28,967	47,594	68	16,880	<b>93,509</b>
Disposals	(1,177)	(7,331)	(50)	(355)	<b>(8,913)</b>
Transfers	44,236	13,266	5	(57,507)	<b>-</b>
<b>Balance at 31 December 2013</b>	<b>1,337,310</b>	<b>1,480,377</b>	<b>1,774</b>	<b>76,768</b>	<b>2,896,229</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2013</b>	<b>(78,799)</b>	<b>(171,282)</b>	<b>(198)</b>	<b>-</b>	<b>(250,279)</b>
Effects of movements in foreign exchange rates	9,476	11,791	26	459	<b>21,752</b>
Depreciation charge for the year	(63,180)	(161,123)	(188)	-	<b>(224,491)</b>
Disposals	481	1,257	44	-	<b>1,782</b>
Impairment losses recognised in profit or loss	(2,846)	-	-	(8,675)	<b>(11,521)</b>
<b>Balance at 31 December 2013</b>	<b>(134,868)</b>	<b>(319,357)</b>	<b>(316)</b>	<b>(8,216)</b>	<b>(462,757)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2013</b>	<b>602,506</b>	<b>989,697</b>	<b>438</b>	<b>67,741</b>	<b>1,660,382</b>
<b>At 31 December 2013</b>	<b>1,202,442</b>	<b>1,161,020</b>	<b>1,458</b>	<b>68,552</b>	<b>2,433,472</b>

(1) An additional purchase of a 35.29% share in PRVNÍ MOSTECKÁ a.s. and the gaining of control over this entity.

(2) The purchase of Stredoslovenská energetika, a.s. and Helmstedter Revier GmbH.

### Idle assets

As at 31 December 2014 and also as at 31 December 2013 the Group had no significant idle assets.

### Finance lease liabilities

As at 31 December 2014 and also as at 31 December 2013 the Group had no significant finance lease liabilities.

### Security

At 31 December 2014 property, plant and equipment with a carrying value of EUR 335,437 thousand (2013: EUR 343,140 thousand) is subject to pledges to secure bank loans.

### Insurance of property, plant and equipment

As at 31 December 2014 the following items of property, plant and equipment were insured against the risks presented in the table below:

*In thousands of EUR*

Description of property	Carrying amount of property	Natural disaster	Amounts insured		Other risks
			General machine risks	Liability for damage	
Land	152,584	-	-	-	-
Buildings	992,199	1,057,916	-	48,145	55,716
Machinery and equipment	1,035,224	1,325,994	226,775	11,003	678,661
Fixtures and fittings	1,170	3,535	45,981	-	6
Other long-term tangible assets	59	-	-	-	-
Long-term tangible assets under construction	64,700	4,328	-	-	7,249
<b>Total</b>	<b>2,245,936</b>	<b>2,391,773</b>	<b>272,756</b>	<b>59,148</b>	<b>741,632</b>

As at 31 December 2013 the following items of property, plant and equipment were insured against the risks presented in the table below:

*In thousands of EUR*

Description of property	Carrying amount of property	Natural disaster	Amounts insured		Other risks
			General machine risks	Liability for damage	
Land	155,957	-	-	-	-
Buildings	1,046,485	1,024,230	-	45,693	2,588
Machinery and equipment	1,161,020	1,201,658	236,963	10,942	47,118
Fixtures and fittings	1,384	3,438	44,051	-	-
Other long-term tangible assets	74	-	-	-	-
Long-term tangible assets under construction	68,552	4,376	-	-	-
Investment property	324	-	-	-	-
<b>Total</b>	<b>2,433,796</b>	<b>2,233,702</b>	<b>281,014</b>	<b>56,635</b>	<b>49,706</b>



## 17. Intangible assets (including goodwill)

<i>In thousands of EUR</i>	<b>Goodwill</b>	<b>Software</b>	<b>Emission rights</b>	<b>Customer relationship and other contracts</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance at 1 January 2014</b>	<b>100,742</b>	<b>40,646</b>	<b>71,115</b>	<b>108,935</b>	<b>2,049</b>	<b>323,487</b>
Effect of movements in foreign exchange rates	(1,047)	(115)	(417)	(130)	(15)	(1,724)
Additions	-	2,978	28,035	28	2,192	33,233
Additions through business combinations	4,666	-	-	-	-	4,666
Disposals	-	(37)	(42,510)	-	(89)	(42,636)
Transfers	-	29	-	-	(29)	-
<b>Balance at 31 December 2014</b>	<b>104,361</b>	<b>43,501</b>	<b>56,223</b>	<b>108,833</b>	<b>4,108</b>	<b>317,026</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2014</b>	<b>(8,197)</b>	<b>(7,795)</b>	<b>-</b>	<b>(28,113)</b>	<b>(152)</b>	<b>(44,257)</b>
Effect of movements in foreign exchange rates	77	54	-	47	-	178
Amortisation for the year	-	(7,601)	-	(14,026)	(128)	(21,755)
Disposals	-	45	-	-	-	45
<b>Balance at 31 December 2014</b>	<b>(8,120)</b>	<b>(15,297)</b>	<b>-</b>	<b>(42,092)</b>	<b>(280)</b>	<b>(65,789)</b>
<b>Carrying amount</b>						
<b>At 1 January 2014</b>	<b>92,545</b>	<b>32,851</b>	<b>71,115</b>	<b>80,822</b>	<b>1,897</b>	<b>279,230</b>
<b>At 31 December 2014</b>	<b>96,241</b>	<b>28,204</b>	<b>56,223</b>	<b>66,741</b>	<b>3,828</b>	<b>251,237</b>

<i>In thousands of EUR</i>	<b>Goodwill</b>	<b>Software</b>	<b>Emission rights</b>	<b>Customer relationship and other contracts</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance at 1 January 2013</b>	<b>104,296</b>	<b>13,604</b>	<b>86,515</b>	<b>102,665</b>	<b>636</b>	<b>307,716</b>
Effect of movements in foreign exchange rates	(8,607)	(1,272)	(5,113)	(1,056)	198	(15,850)
Additions	-	3,801	40,667	-	1,529	45,997
Additions through business combinations <sup>(1)</sup>	5,053	20,471	41	7,326	4,793	37,684
Disposals	-	(1,064)	(50,995)	-	(1)	(52,060)
Transfers	-	5,106	-	-	(5,106)	-
<b>Balance at 31 December 2013</b>	<b>100,742</b>	<b>40,646</b>	<b>71,115</b>	<b>108,935</b>	<b>2,049</b>	<b>323,487</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2013</b>	<b>-</b>	<b>(4,734)</b>	<b>-</b>	<b>(17,979)</b>	<b>(79)</b>	<b>(22,792)</b>
Effect of movements in foreign exchange rates	753	485	-	340	14	1,592
Amortisation for the year	-	(4,610)	-	(10,474)	(87)	(15,171)
Impairment losses	(8,950)	-	-	-	-	(8,950)
Disposals	-	1,064	-	-	-	1,064
<b>Balance at 31 December 2013</b>	<b>(8,197)</b>	<b>(7,795)</b>	<b>-</b>	<b>(28,113)</b>	<b>(152)</b>	<b>(44,257)</b>
<b>Carrying amount</b>						
<b>At 1 January 2013</b>	<b>104,296</b>	<b>8,870</b>	<b>86,515</b>	<b>84,686</b>	<b>557</b>	<b>284,924</b>
<b>At 31 December 2013</b>	<b>92,545</b>	<b>32,851</b>	<b>71,115</b>	<b>80,822</b>	<b>1,897</b>	<b>279,230</b>

(1) Purchase of Stredoslovenská energetika, a.s. and Helmstedter Revier GmbH.

In 2014, the CEE Group purchased emission allowances of EUR 17,180 thousand (2013: EUR 12,448 thousand). The remaining part of EUR 10,855 thousand (2013: EUR 28,219 thousand) was allocated to the Group by the Ministry of the Environment of the Czech Republic.

Amortisation of intangible assets is included in the row Depreciation and amortisation in the consolidated statement of comprehensive income.

Other intangible assets comprise valuable rights.

All intangible assets, excluding goodwill, were recognised as assets with definite useful life.

#### **Impairment testing for cash-generating units containing goodwill**

For the purpose of impairment testing, goodwill is allocated to the Group's cash-generating units which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to single cash generating units are as follows (no intangible assets with indefinite useful lives were identified):

<i>In thousands of EUR</i>	<b>31 December 2014</b>
Elektrárny Opatovice, a.s. <sup>(1)</sup>	83,813
Helmstedter Revier GmbH	5,053
EP Cargo a.s.	<sup>(2)</sup> 4,640
Plzeňská energetika a.s.	2,610
ARISUN, s.r.o.	125
<b>Total goodwill</b>	<b>96,241</b>

*In thousands of EUR***31 December 2013**

Elektrárny Opatovice, a.s. <sup>(1)</sup>	84,729
Helmstedter Revier GmbH	5,053
Plzeňská energetika a.s.	2,638
ARISUN, s.r.o.	125
<b>Total goodwill</b>	<b>92,545</b>

- (1) *EAST BOHEMIA ENERGY HOLDING LIMITED merged with EP Energy, a.s. as at 4 November 2013. EP Energy, a.s. is the successor company. Goodwill originally recorded to EAST BOHEMIA ENERGY LIMITED was transferred to Elektrárny Opatovice, a.s. (the most significant subsidiary of EAST BOHEMIA ENERGY LIMITED).*
- (2) *At the date of EP Cargo a.s. acquisition, the Group recognised initial goodwill of EUR 4,666 thousand. As at 31 December 2014 the goodwill balance was reduced by FX difference of EUR 26 thousand to final balance of EUR 4,640 thousand.*

In 2014 the balance of goodwill increased by EUR 4,666 thousand as a result of EP Cargo a.s. acquisition (2013: EUR 5,053 thousand as a result of Helmstedter Revier GmbH acquisition). In 2014 the CEE group did not recognise any goodwill impairment (2013: EUR 8,950 thousand).

The net increase in the goodwill of EUR 3,696 thousand was earned by recognition of the new goodwill of EUR 4,666 thousand as a result of EP Cargo a.s. acquisition and negative effect of changes in the FX rate.

### **Goodwill and impairment testing**

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill arising from a business combination during the current period and impairment testing of goodwill already recognised in prior years, at year end. The Group also conducts impairment testing of other intangible assets with indefinite useful lives, and of cash generating units (CGUs) where a trigger for impairment testing is identified. As at the acquisition date goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the CGU, to which the goodwill relates, on the basis of a value in use that reflects estimated future discounted cash flows. Value in use is derived from management forecasts of future cash flows updated since the date of acquisition. The discount rates applied to the cash flow projections are calculated as the weighted average cost of capital (WACC) of each CGU.

As at year end, the Group conducted impairment testing for all significant goodwill amounts.

The calculation of the recoverable amounts was based on the following key assumptions:

Cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by additional four years of modelled projections followed by projected results based on estimated growth factor plus a terminal value if relevant. Cash flows for a terminal period were extrapolated using a constant growth rate of 0.5% – 2% (2013: 2%), which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of commodity market prices, future electricity and gas prices, investment activity, changes in working capital and changes in the regulatory framework.

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting discount rates ranged from 6.69% to 9.53% (2013: range from 7.70% to 11.55%). Decrease of used discount rates reflect recent market development, namely decrease in risk-free rates used for cost of equity calculation.

Current year testing showed no need for impairment as no CGU with the recoverable value lower than the carrying value including goodwill was identified.

**Additional information on CGU with significant goodwill assigned:**

The recoverable amount of Elektrárny Opatovice, a.s. was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of Elektrárny Opatovice, a.s. Value in use in 2014 was determined in a similar manner as in 2013. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount by EUR 350,738 thousand, including goodwill of EUR 83,813 thousand. Key assumptions used in the calculation of value in use were the discount rate, the terminal value growth rate and the EBITDA growth rate. These assumptions were as follows:

	2014	2013
Discount rate	6.81%	<sup>(1)</sup> 7.70% - 8.97%
Terminal value growth rate	2.00%	2.00%

(1) The discount rate is weighted across the relevant periods. For the period until 2020 a discount rate of 7.70% is used, for the terminal value a discount rate of 8.97% is used.

The discount rate was a pre-tax measure based on the risk-free rate adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of Elektrárny Opatovice, a.s.

Budgeted EBITDA was based on an expectation of future outcomes taking into account past experience. In particular, we have reflected the following:

- expected refurbishments necessary to comply with applicable regulations (impact especially on electricity output/sales, OPEX and CAPEX);
- market expectations regarding power and CO2 prices, development based on historical trends;
- a slight decrease in heat supplies and modest increase of heat prices;
- the inflation driven development of various other positions, especially overhead costs.

If EBITDA were (EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets) 10% less than the management estimates (with all other indicators being constant), the value in use would decrease by EUR 127,895 thousand, which would not indicate any impairment loss.

If the discount rate were higher by one percentage point than currently used (with all other indicators being constant), the value in use would decrease by EUR 115,973 thousand, which would not indicate any impairment loss.

If the terminal value growth rate were one percentage point less than the management estimates (with all other indicators being constant), the value in use would decrease by EUR 92,752 thousand, which would not indicate any impairment loss.

## 18. Investment property

*In thousands of EUR*

	31 December 2014	31 December 2013
Opening balance	324	358
Disposals	(323)	-
Changes in fair value	-	(11)
Effects of movements in foreign exchange	(1)	(23)
<b>Closing balance</b>	<b>-</b>	<b>324</b>

### Security

As at 31 December 2014 no investment property (2013: EUR 0 thousand) is subject to pledges to secure bank loans.

## 19. Participations with significant influence

The Group has the investments in associates that are stated in the table below. All these associates are in line with the Group strategic activities.

*In thousands of EUR*

Associates	Country	Ownership 31 December 2014 %	Carrying amount 31 December 2014
Pražská teplárenská Holding a.s.	Czech Republic	49.00	13,044
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	(1)	24,220
Associates of Saale Energie GmbH	Germany	(1)	90,112
<b>Total</b>			<b>127,376</b>

*In thousands of EUR*

Associates	Country	Ownership 31 December 2013 %	Carrying amount 31 December 2013
Pražská teplárenská Holding a.s.	Czech Republic	49.00	140,725
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	(1)	24,876
Associates of Saale Energie GmbH	Germany	(1)	95,199
<b>Total</b>			<b>260,800</b>

(1) Ownership percentage varies, for details refer to Note 39 – Group entities.

The Group has the following shares in the profit (loss) of associates:

*In thousands of EUR*

Associates	Country	Ownership 31 December 2014 %	Share of profit (loss) 2014
Pražská teplárenská Holding a.s.	Czech Republic	49.00	600
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	(1)	1,044
Associates of Saale Energie GmbH	Germany	(1)	(2,474)
<b>Total</b>			<b>(830)</b>

*In thousands of EUR*

Associates	Country	Ownership 31 December 2013 %	Share of profit (loss) 2013
Pražská teplárenská Holding a.s.	Czech Republic	49.00	1,528
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	(1)	(4,331)
Associates of Saale Energie GmbH	Germany	(1)	(2,574)
<b>Total</b>			<b>(5,377)</b>

(1) Ownership percentage varies, for details refer to Note 39 – Group entities.

Summary financial information for standalone associates presented at 100% as at and for the year ended 31 December 2014.

*In thousands of EUR*

<b>Associates</b>	<b>Revenue</b>	<b>Profit (loss)</b>	<b>Other comprehensive income</b>	<b>Total comprehensive income</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
Pražská teplárenská Holding a.s.	27,648	*26,822	-	*26,822	110,761	44	110,717
Kraftwerk Schkopau GbR <sup>(1)</sup>	36,716	6,266	-	6,266	234,964	126,440	108,524
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	100,857	2	-	2	10,234	10,206	28
Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	47,662	3,080	-	3,080	66,797	40,493	26,304
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	4,609	191	-	191	13,030	7,389	5,641
Ingenieurbüro für Grundwasser GmbH <sup>(1)</sup>	1,969	190	-	190	1,259	688	571
	<b>219,461</b>	<b>36,551</b>	<b>-</b>	<b>36,551</b>	<b>437,045</b>	<b>185,260</b>	<b>251,785</b>

*In thousands of EUR*

<b>Associates</b>	<b>Non-current assets</b>	<b>Current assets</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>
Pražská teplárenská Holding a.s.	84,111	26,650	-	44
Kraftwerk Schkopau GbR <sup>(1)</sup>	-	234,964	102,258	24,182
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	-	10,234	-	10,206
Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	40,181	26,616	22,529	17,964
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	8,187	4,843	1,088	6,301
Ingenieurbüro für Grundwasser GmbH <sup>(1)</sup>	702	557	-	688
	<b>133,181</b>	<b>303,864</b>	<b>125,875</b>	<b>59,385</b>

\* Profit and Loss item represents primarily dividend income from an associate.

(1) Data from standalone financial statements according to German GAAP

Summary financial information for standalone associates presented at 100% as at and for the year ended 31 December 2013.

*In thousands of EUR*

<b>Associates</b>	<b>Revenue</b>	<b>Profit (loss)</b>	<b>Other comprehensive income</b>	<b>Total comprehensive income</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
Pražská teplárenská Holding a.s.	288,149	*286,928	-	*286,928	372,959	749	372,210
Kraftwerk Schkopau GbR <sup>(1)</sup>	31,201	6,128	-	6,128	227,282	118,848	108,434
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	100,319	2	-	2	11,140	11,112	28
Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	41,669	3,279	-	3,279	70,868	44,406	26,462
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	4,916	316	-	316	10,077	4,494	5,583
Ingenieurbüro für Grundwasser GmbH <sup>(1)</sup>	1,812	177	-	177	1,094	532	562
	<b>468,066</b>	<b>296,830</b>	<b>-</b>	<b>296,830</b>	<b>693,420</b>	<b>180,141</b>	<b>513,279</b>

*In thousands of EUR*

	<b>Non-current assets</b>	<b>Current assets</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>
<b>Associates</b>				
Pražská teplárenská Holding a.s.	85,031	287,928	-	749
Kraftwerk Schkopau GbR <sup>(1)</sup>	30,830	196,452	109,195	9,653
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	-	11,140	-	11,112
Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	43,731	27,137	28,989	15,417
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	8,509	1,568	2,169	2,325
Ingenieurbüro für Grundwasser GmbH <sup>(1)</sup>	471	623	-	532
	<b>168,572</b>	<b>524,848</b>	<b>140,353</b>	<b>39,788</b>

\* *Profit and Loss item represents primarily dividend income from an associate.*

(1) *Data from standalone financial statements according to German GAAP*

## 20. Deferred tax assets and liabilities

### Unrecognised deferred tax assets

The CEE Group reports the following tax losses carried forward:

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Tax losses carried forward	9,682	28,659
<b>Total</b>	<b>9,682</b>	<b>28,659</b>

The total amount of tax losses carried forward is EUR 10,560 thousand (2013: EUR 28,659 thousand), of which EUR 0 thousand (2013: EUR 0 thousand) was used as the basis for deferred tax recognition. The amount of EUR 9,682 thousand (2013: EUR 28,659 thousand), for which no deferred tax was recognised, relates mainly to the company PT Holding Investment B.V. in an amount of EUR 3,953 thousand (2013: EUR 2,582 thousand), EP ENERGY TRADING, a.s. in an amount of EUR 4,718 thousand (2013: EUR 6,547 thousand), Stredoslovenska energetika, a.s. in an amount of EUR 873 thousand (2013: EUR 0 thousand) and VTE Moldava II, a.s. in an amount of EUR 430 thousand (2013: EUR 0 thousand). Considering the nature of revenues and expenses, the companies do not expect taxable profit growth to a considerable extent, so no deferred tax was recognised. If a sufficient taxable profit had been achieved in 2014, then the associated tax income (savings) would have been up to EUR 1,840 thousand (2013: EUR 5,445 thousand).

Tax losses expire over a period of 5 years in the Czech Republic, 7 years in Slovakia and 9 years in the Netherlands for standard tax losses. Under current tax legislation, some deductible temporary differences do not expire. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these profits, it is not probable that future taxable profit against which the Group can utilise the benefits from the deferred tax assets will be available.

### Recognised deferred tax assets and liabilities

The following deferred tax assets and (liabilities) have been recognised:

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>Assets</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Liabilities</b>	<b>Net</b>	<b>Net</b>
<b>Temporary difference related to:</b>						
Property, plant and equipment	2,200	1,165	(255,697)	(291,135)	(253,497)	(289,970)
Intangible assets	30,478	9,371	(33,572)	115	(3,094)	9,486
Financial instruments at fair value through profit or loss	-	-	(121)	(153)	(121)	(153)
Inventories	108	-	(201)	(2,241)	(93)	(2,241)
Trade receivables and other assets	1,443	1,424	(9)	(18)	1,434	1,406
Provisions	15,296	11,688	-	(10)	15,296	11,678
Employee benefits (IAS 19)	1,948	2,844	-	8	1,948	2,852
Loans and borrowings	5,987	5,178	-	14	5,987	5,192
Derivatives	1,587	528	(911)	(498)	676	30
Tax losses	180	-	-	-	180	-
Unpaid interest, net	-	-	(11)	(85)	(11)	(85)
Other items	-	356	(1,403)	-	(1,403)	356
Setoff tax	(49,600)	(24,540)	49,600	24,540	-	-
<b>Total</b>	<b>9,627</b>	<b>8,014</b>	<b>(242,325)</b>	<b>(269,463)</b>	<b>(232,698)</b>	<b>(261,449)</b>



A deferred tax asset is recognised for the carry-forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. An estimate of the expiry of tax losses is shown below:

	2014	2015	2016	2017	2018	After 2019
<b>Tax losses</b>	-	424	-	625	1,578	7,055

### Movements in temporary differences during the period

*In thousands of EUR*

<b>Temporary difference related to:</b>	<b>Balance at 1 January 2014</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	<b>Transfer to disposal group held for sale</b>	<b>FX differences</b>	<b>Balance at 31 December 2014</b>
Property, plant and equipment	(289,970)	33,351	-	1,999	1,123	(253,497)
Intangible assets	9,486	(13,457)	-	(47)	924	(3,094)
Financial instruments at fair value through profit or loss	(153)	32	-	-	-	(121)
Inventories	(2,241)	2,165	-	-	(17)	(93)
Trade receivables and other assets	1,406	50	-	-	(22)	1,434
Provisions	11,678	3,707	-	-	(89)	15,296
Employee benefits (IAS 19)	2,852	(4,407)	3,546	-	(43)	1,948
Loans and borrowings	5,192	839	-	-	(44)	5,987
Unpaid interest, net	(85)	74	-	-	-	(11)
Derivatives	30	736	(92)	-	2	676
Tax losses	-	179	-	-	1	180
Other	356	(1,767)	-	-	8	(1,403)
<b>Total</b>	<b>(261,449)</b>	<b>21,502</b>	<b>3,454</b>	<b>1,952</b>	<b>1,843</b>	<b>(232,698)</b>

### Movements in temporary differences during the period

*In thousands of EUR*

Temporary difference related to:	Balance at 1 January 2013	Recognised in profit or loss	Acquired in business combinations <sup>(1)</sup>	FX differences	Balance at 31 December 2013
Property, plant and equipment	(204,821)	28,351	(122,044)	8,544	(289,970)
Intangible assets	(12,411)	384	(1,641)	23,154	9,486
Financial instruments at fair value through profit or loss	(78)	(153)	-	78	(153)
Inventories	6,650	(6,717)	-	(2,174)	(2,241)
Trade receivables and other assets	(1,909)	(326)	1,253	2,388	1,406
Provisions	14,916	6,323	6,651	(16,212)	11,678
Employee benefits (IAS 19)	955	(74)	2,229	(258)	2,852
Loans and borrowings	3,341	3,076	-	(1,225)	5,192
Unpaid interest, net	-	23	(107)	(1)	(85)
Derivatives	(2,188)	1,544	-	674	30
Other	2,665	3,130	-	(5,439)	356
<b>Total</b>	<b>(192,880)</b>	<b>35,561</b>	<b>(113,659)</b>	<b>9,529</b>	<b>(261,449)</b>

(1) *The purchase of Stredoslovenská energetika, a.s. and Helmstedter Revier GmbH and an additional purchase of a 35.29% share in PRVNÍ MOSTECKÁ a.s. and the gaining of control over this entity.*

## 21. Inventories

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Overburden	25,504	25,585
Fossil fuel	24,039	20,230
Raw material and supplies	23,167	17,736
Spare parts	3,758	3,555
Work in progress	1,246	1,769
Finished goods and merchandise	87	1,590
Value adjustment to inventories	(779)	(473)
<b>Total</b>	<b>77,022</b>	<b>69,992</b>

At 31 December 2014 inventories in the amount of EUR 21,672 thousand (2013: EUR 17,933 thousand) were subject to pledges.

## 22. Trade receivables and other assets

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Trade receivables	237,174	247,858
Advance payments	36,573	35,177
Accrued income	41,531	15
Uninvoiced supplies	15,541	17,983
Estimated receivables	15,322	40,352
Other receivables and assets	31,956	15,121
Allowance for bad debts	(10,139)	(8,883)
<b>Total</b>	<b>367,958</b>	<b>347,623</b>
<i>Non-current</i>	28,999	29,333
<i>Current</i>	338,959	318,290
<b>Total</b>	<b>367,958</b>	<b>347,623</b>

In 2014, receivables of EUR 2,015 thousand were written off through profit or loss (2013: EUR 10,281 thousand).

As at 31 December 2014 trade receivables with a carrying value of EUR 87,391 thousand are subject to pledges (2013: EUR 111,277 thousand).

As at 31 December 2014 trade receivables and other assets amounting to EUR 310,563 thousand are not past due (2013: EUR 327,194 thousand); the remaining balance of EUR 57,395 thousand is overdue (2013: EUR 20,429 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 37 – Risk management policies and disclosures.

## 23. Cash and cash equivalents

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Current accounts with banks	237,892	283,643
Term deposits	338	4,545
Cash on hand	157	133
<b>Total</b>	<b>238,387</b>	<b>288,321</b>

Term deposits with original maturity of up to three months are classified as cash equivalents.

As at 31 December 2014 cash equivalents of EUR 102,203 thousand are subject to pledges (2013: EUR 104,678 thousand). According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case the Company defaults on bonds payments. As such, the pledged cash is readily available to the CEE Group and does not represent restricted cash.

## 24. Tax receivables

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Value added tax receivables	12,294	8,128
Current income tax receivables	8,577	5,137
Road tax receivables	3	3
Other tax receivables	574	138
<b>Total</b>	<b>21,448</b>	<b>13,406</b>

## 25. Assets and liabilities held for sale

The following items are presented within Assets/disposal groups held for sale:

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Property, plant and equipment	20,395	49
Land and buildings	5,597	-
Inventories	62	-
Deferred tax asset	47	-
Tax receivables	19	-
Trade receivables and other assets	11	-
<b>Total</b>	<b>26,131</b>	<b>49</b>

The following items are presented within Liabilities from disposal groups held for sale:

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Loans and borrowings	14,400	-
Deferred tax liability	1,999	-
Trade payables and other liabilities	16	-
<b>Total</b>	<b>16,415</b>	<b>-</b>

As of 31 December 2014 balances of assets held for sale and liabilities from disposal groups held for sale are fully represented by specific assets and liabilities reported by Stredoslovenská energetika, a.s.

As of 31 December 2013 balance of assets held for sale was fully represented by tangible assets held by United Energy, a.s.

## 26. Equity

### Share capital and share premium

The authorised, issued and fully paid share capital as of 31 December 2014 consisted of 10 ordinary shares with a par value of CZK 200,000 each (2013: 10 ordinary shares with a par value of CZK 200,000 each).

The shareholder is entitled to receive dividends and to cast 200,000 votes per 200,000 CZK share, at meetings of the Company's shareholders.

<b>31 December 2014</b>	<b>Number of shares 200,000 CZK</b>	<b>Ownership %</b>	<b>Voting rights %</b>
Energetický a průmyslový holding, a.s.	10	100.00	100.00
<b>Total</b>	<b>10</b>	<b>100.00</b>	<b>100.00</b>

<b>31 December 2013</b>	<b>Number of shares 200,000 CZK</b>	<b>Ownership %</b>	<b>Voting rights %</b>
Energetický a průmyslový holding, a.s.	10	100.00	100.00
<b>Total</b>	<b>10</b>	<b>100.00</b>	<b>100.00</b>

The reconciliation of the number of shares outstanding at the beginning and at the end of the period is hereby provided.

	Number of shares	
	31 December 2014	31 December 2013
Shares outstanding at the beginning of the period	10	10
<b>Shares outstanding at the end of the period</b>	<b>10</b>	<b>10</b>

Reserves recognised in equity comprise the following items:

<i>In thousands of EUR</i>	31 December 2014	31 December 2013
Other funds from capital contributions	760,963	22,538
Non-distributable reserves	798	75,891
Fair value reserve	(9,705)	(219)
Translation reserve	(42,843)	(53,726)
Hedging reserve	(85,715)	(80,231)
Other capital reserves	(934,866)	565,404
<b>Reserves</b>	<b>(311,368)</b>	<b>529,657</b>

#### **Non-distributable reserves**

The creation of a legal reserve fund in the Czech Republic was prior to 1 January 2014 required at a minimum of 20% (10% for limited liability companies) of net profit (annually) and up to a minimum of 10% (5% for limited liability companies) of the registered share capital (cumulative balance). The legal reserve fund could have only been used to cover losses of the Company and may not have been distributed as a dividend. The calculation of the legal reserve was based on local statutory regulations. The legal reserve of EUR 798 thousand was reported as at 31 December 2014 (2013: EUR 75,891 thousand). From 1 January 2014, in relation to the newly enacted legislation, legal reserve fund and its creation are no longer, under certain circumstances, obligatory. Similarly, legal reserve fund can be from 1 January 2014, under certain conditions, distributed in a form of dividend. As a result of the enacted legislation, in 2014 EUR 75,878 thousand was transferred from legal reserve fund to retained earnings.

#### **Translation reserve**

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group and translation of the consolidated financial statements to presentation currency.

#### **Other capital reserves**

As stated in section 3 (a) viii – Pricing differences, the Group accounted for pricing differences that arose from establishment of the Group as at 6 December 2013 and acquisition of subsidiaries in the subsequent periods prior to 24 January 2014. Such subsidiaries were acquired under common control of Energetický a průmyslový holding, a.s. and therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combinations as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are recorded at the book value, which is presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition, carrying values of net assets and original goodwill carried forward as at the acquisition date was recorded in consolidated equity as pricing differences.

Specifically, on 24 January 2014 CEE acquired 100% share in EPE from its shareholder EPH for a purchase price of EUR 1,500,270 thousand. The Company, as a part of its accounting policy on common control transactions, opted to restate its comparatives, therefore the whole purchase price of share in EPE was recorded in consolidated equity as a pricing difference.

### Hedging reserves

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity. The balance as at 31 December 2014 represents primarily derivative agreements to hedge an interest rate concluded by POWERSUN a.s. and an electricity price and a foreign exchange rate concluded by EP ENERGY TRADING, a.s. and an effect from a cash flow hedge recognised on the CEE Group level (for more details please refer to Note 33 – Financial instruments).

### Other funds from capital contributions

Other funds from capital contribution primarily represent parent company's equity contribution of EUR 691,000 thousand and capitalisation of deemed interest discount of EUR 47,425 thousand from the non-interest bearing loan provided by the parent company in 2014.

## 27. Earnings per share

### Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 200,000 nominal value is negative 2,626 (2013: positive 11,303).

The calculation of basic earnings per share as at 31 December 2014 was based on loss attributable to ordinary shareholders of EUR 26,256 thousand, and a weighted average number of ordinary shares outstanding of 10.

The calculation of basic earnings per share as at 31 December 2013 was based on profit attributable to ordinary shareholders of EUR 11,303 thousand, and a weighted average number of ordinary shares outstanding of 10.

### Weighted average number of ordinary shares 2014

<i>In pieces</i>	Nominal	Weighted
Issued ordinary shares at 6 December 2013 (1 share/CZK 200,000)	10	10
<b>Total</b>	<b>10</b>	<b>10</b>

### Weighted average number of ordinary shares 2013

<i>In pieces</i>	Nominal	Weighted
Issued ordinary shares at 6 December 2013 (1 share/CZK 200,000)	10	10
<b>Total</b>	<b>10</b>	<b>10</b>

### Dilutive earnings per share

As the Group issued no convertible debentures or other financial instruments with dilutive potential effects on ordinary share, diluted earnings per share is the same as basic earnings per share.

## 28. Non-controlling interest

<i>In thousands of EUR</i>	31 December 2014	31 December 2013
Stredoslovenská energetika, a.s.	373,400	375,546
Pražská teplárenská a.s.	87,522	103,321
EP Cargo a.s.	1,348	-
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	1,287	1,410
AISE, s.r.o.	290	255
EOP & HOKA s.r.o.	4	3
PRVNÍ MOSTECKÁ a.s.	-	505
Claymore Equity, s.r.o.	(60)	(47)
VTE Pchery, s.r.o.	(198)	(182)
Alternative Energy, s.r.o.	(1,418)	(625)
<b>Total</b>	<b>462,175</b>	<b>480,186</b>

The Group has investments with significant non-controlling interest in the following subsidiaries:

*In thousands of EUR*

			<b>Non-controlling interest 31 December 2014</b>	<b>Carrying amount of non-controlling interest 31 December 2014</b>
<b>Subsidiaries with non-controlling interest</b>	<b>Principal place of business</b>	<b>Business activity</b>	<b>%</b>	
Pražská teplárenská a.s. and its subsidiaries	Czech Republic	Production and distribution of heat	26.60	87,522
Stredoslovenská energetika, a.s. and its subsidiaries and associates	Slovakia <sup>(1)</sup>	Distribution of electricity	51.00	373,400
<b>Total</b>			<b>-</b>	<b>460,922</b>

(1) Principal place of business of SSE CZ, s.r.o. is Czech Republic (for detail refer to Note 39 – Group entities).

*In thousands of EUR*

			<b>Non-controlling interest 31 December 2013</b>	<b>Carrying amount of non-controlling interest 31 December 2013</b>
<b>Subsidiaries with non-controlling interest</b>	<b>Country</b>	<b>Business activity</b>	<b>%</b>	
Pražská teplárenská a.s. and its subsidiaries	Czech Republic	Production and distribution of heat	26.74	103,321
Stredoslovenská energetika, a.s. and its subsidiaries and associates	Slovakia <sup>(1)</sup>	Distribution of electricity	51.00	375,546
<b>Total</b>			<b>-</b>	<b>478,867</b>

(1) Principal place of business of SSE CZ, s.r.o. is Czech Republic (for detail refer to Note 39 – Group entities).

### 31 December 2014

*In thousands of EUR*

	<b>Profit attributable to non-controlling interest</b>	<b>Dividends distributed to non- controlling interest</b>
<b>Subsidiaries with non-controlling interest</b>		
Pražská teplárenská a.s. and its subsidiaries	4,167	(14,845)
Stredoslovenská energetika, a.s. and its subsidiaries and associates	24,865	(27,397)
<b>Total</b>	<b>29,032</b>	<b>(42,242)</b>

### 31 December 2013

*In thousands of EUR*

	<b>Profit attributable to non-controlling interest</b>	<b>Dividends distributed to non- controlling interest</b>
<b>Subsidiaries with non-controlling interest</b>		
Pražská teplárenská a.s. and its subsidiaries	3,466	(168,362)
Stredoslovenská energetika, a.s. and its subsidiaries and associates	3,973	-
<b>Total</b>	<b>7,439</b>	<b>(168,362)</b>

## **Pražská teplárenská a.s. and its subsidiaries**

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
<b>Statement of comprehensive income information</b>		
Total revenues	232,182	276,216
<i>of which: dividends received</i>	-	-
Profit after tax	15,556	15,994
Total other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive income for the year</b>	<b>15,556</b>	<b>15,994</b>
<b>Statement of cashflow information</b>		
Net cash inflows (outflows)	<b>(20,141)</b>	<b>(71,025)</b>
<b>Statement of financial position information</b>		
Total assets	385,047	440,759
<i>of which: non-current</i>	337,075	366,477
<i>current</i>	47,972	74,282
Total liabilities	69,099	82,806
<i>of which: non-current</i>	41,544	43,865
<i>current</i>	27,555	38,941
<b>Shareholder equity</b>	<b>315,948</b>	<b>357,953</b>

## **Stredoslovenská energetika, a.s. and its subsidiaries**

<i>In thousands of EUR</i>	<b>2014</b>	<sup>(1)</sup> <b>2013</b>
<b>Statement of comprehensive income information</b>		
Total revenues	901,069	98,257
<i>of which: dividends received</i>	235	-
Profit after tax	48,491	11,469
Total other comprehensive income for the year, net of tax	(129)	(183)
<b>Total comprehensive income for the year</b>	<b>48,362</b>	<b>11,286</b>
<b>Statement of cashflow information</b>		
Net cash inflows (outflows)	<b>(33,508)</b>	<b>20,374</b>
<b>Statement of financial position information</b>		
Total assets	1,048,308	649,286
<i>of which: non-current</i>	869,916	516,135
<i>current</i>	178,392	133,151
Total liabilities	316,151	250,898
<i>of which: non-current</i>	180,359	118,728
<i>current</i>	135,792	132,170
<b>Shareholder equity</b>	<b>732,157</b>	<b>398,388</b>

(1) Data represent Company's results from the date of acquisition.



## 29. Loans and borrowings

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Issued debentures at amortised cost	1,601,803	1,091,805
Loans payable to other than credit institutions	275,096	142,628
<i>of which owed to the parent company</i>	262,435	2,287
<i>of which owed to other related companies</i>	12,656	140,341
Loans payable to credit institutions	199,335	591,684
Bank overdraft	59,123	-
Revolving credit facility	25,011	-
Liabilities from financial leases	867	158
<b>Total</b>	<b>2,161,235</b>	<b>1,826,275</b>
Non-current	1,760,444	1,513,784
<i>of which owed to other related companies</i>	12,452	139,136
Current	400,791	312,491
<i>of which owed to the parent company</i>	262,435	2,287
<i>of which owed to other related companies</i>	204	1,205
<b>Total</b>	<b>2,161,235</b>	<b>1,826,275</b>

The weighted average interest rate on loans and borrowings for 2014 including non-interest bearing loan provided by the parent company was 1.00 % (2013: 4.85 %).

### Issued debentures at amortised costs

#### i. 2019 notes

The Senior Secured Notes were issued by EP Energy, a.s. (“EPE”), CEE’s subsidiary, on 31 October 2012, are listed on the Irish Stock Exchange and comprise EUR 500 million Senior Secured Notes due 2019 (the “2019 Notes”). The 2019 Notes bear interest at 5.875% per annum, payable semi-annually in arrears on 1 May and 1 November of each year.

EPE may redeem some or all of the 2019 Notes at a redemption price equal to 100% of the principal amount of the 2019 Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, EPE may redeem all, but not part, of the 2019 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of a certain change of control triggering events, EPE may be required to offer to redeem the 2019 Notes at 101% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts, if any.

Unless redeemed prematurely (an option which EPE currently does not consider), the 2019 Notes will be redeemed by the EPE Group in their principal amount on 1 November 2019.

The 2019 Notes are guaranteed by certain subsidiaries of EPE on a senior secured basis. The 2019 Notes and the guarantees thereof are secured by first ranking liens on certain assets that secure EPE's and the guarantors' obligations.

The indenture pursuant to which the 2019 Notes were issued contains a number of restrictive covenants, including limitations on restricted payments, transactions with affiliates, liens and sales of collateral. EPE has to monitor the relationship between the total amount of debt and adjusted EBITDA; under certain circumstances, a specific limit must not be exceeded when considering additional debt. The level of debt must be also considered before certain profit distributions.

The 2019 Notes are stated at net of debt issue costs of EUR 12 million. These costs are allocated to the profit and loss account over the term of the 2019 Notes through the effective interest rate of 6.301%.

#### ii. 2018 Notes

On 18 April 2013 EPE Group issued additional Senior Secured Notes due in 2018 (the “2018 Notes”). These second notes are listed on the Irish Stock Exchange and amount to EUR 600 million. The 2018 Notes bear interest at 4.375% per annum, payable semi-annually in arrears on 1 May and 1 November of each year.

EPE may redeem some or all of the 2018 Notes at a redemption price equal to 100% of the principal amount of the 2018 Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, EPE may redeem all, but not part, of the 2018 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of a certain change of control triggering events, EPE may be required to offer to redeem the 2018 Notes at 101% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts, if any.

Unless redeemed prematurely (an option which EPE currently does not consider), the 2018 Notes will be redeemed by the EPE Group in their principal amount on 1 May 2018.

The 2018 Notes rank *pari passu* with the EPE Senior Secured Notes due 2019 issued on 31 October 2012 (the “2019 Notes”). The 2018 Notes and 2019 Notes share the same security package and are guaranteed by certain subsidiaries of EPE on a senior secured basis. The 2018 Notes and the guarantees thereof are also secured by first ranking liens on the same assets that secure EPE’s and the guarantors’ obligations under the 2019 Notes.

The indenture pursuant to which the 2018 Notes were issued contains similar covenants as the indenture of the 2019 Notes.

The 2018 Notes are stated at net of debt issue costs of EUR 8 million. These costs are allocated to the profit and loss account over the term of the 2018 Notes through the effective interest rate of 4.691%.

### *iii. 2021 Notes*

On 24 January 2014, CE Energy, a.s. acquired all of the outstanding shares of EP Energy, a.s. from Energetický a průmyslový holding, a.s. and intercompany loans owed by CE Energy, a.s. to Energetický a průmyslový holding, a.s. in an aggregate amount equal to the consideration payable by CE Energy, a.s. to Energetický a průmyslový holding, a.s. for the acquisition of the shares of EP Energy, a.s. of EUR 1,500 million. The intercompany loans are subordinated to the senior notes issued by CE Energy, a.s. on 7 February 2014 in the amount of EUR 500 million due in 2021 (the “2021 Notes”), pursuant to an intercreditor agreement. A part of the intercompany loans totaling EUR 251 million was repaid with a portion of the proceeds of the 2021 Notes. The 2021 Notes are secured by a pledge of 100% of the capital stock of CE Energy, a.s. and by a pledge of 50% minus one share of the capital stock of EP Energy, a.s.

The indenture pursuant to which the 2021 Notes were issued contains a number of restrictive covenants, including limitations on the ability of subsidiaries to upstream payments to CE Energy, a.s., the incurrence of indebtedness, restricted payments, transactions with affiliates, liens and sales of assets.

The 2021 Notes are stated at net of debt issue costs of EUR 8 million. These costs are allocated to the profit and loss account over the term of the 2021 Notes through the effective interest rate of 7.285%.

## Other loans and borrowings

### Terms and debt repayment schedule

Terms and conditions of outstanding other loans and borrowings as at 31 December 2014 were as follows:

<i>In thousands of EUR</i>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31 December 2014</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Secured bank loan	EUR	variable*	2019	133,201	17,075	116,126	-
Unsecured bank loan	EUR	fixed	2025	55,789	12,364	30,070	13,355
Unsecured bank loan	EUR	variable*	2016	1,432	719	713	-
Unsecured bank loan	CZK	variable*	2024	8,913	898	4,011	4,004
Unsecured loan	EUR	fixed	2015	2,468	2,468	-	-
Unsecured loan	CZK	fixed	2017	272,628	259,972	12,656	-
Revolving credit facility	EUR	variable*		25,011	25,011	-	-
Bank overdraft	EUR	variable*		59,123	59,123	-	-
Liabilities from financial leases				867	314	553	-
<b>Total interest-bearing liabilities</b>				<b>559,432</b>	<b>377,944</b>	<b>164,129</b>	<b>17,359</b>

\* Variable interest rate is derived as PRIBOR or EURIBOR plus a margin. All interest rates are market based.

Terms and conditions of outstanding other loans and borrowings as at 31 December 2013 were as follows:

<i>In thousands of EUR</i>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31 December 2013</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Secured bank loan	EUR	variable*	2025	272,797	266,557	-	6,240
Secured bank loan	EUR	fixed	2014	24	24	-	-
Unsecured bank loan	CZK	variable*	2024	10,161	982	3,979	5,200
Unsecured bank loan	EUR	fixed	2023	74,423	14,600	38,125	21,698
Unsecured bank loan	EUR	variable*	2019	234,279	17,407	72,221	144,651
Unsecured loan	CZK	fixed	2015	140,341	1,205	139,136	-
Unsecured loan	EUR	fixed	2014	2,287	2,287	-	-
Liabilities from financial leases				158	158	-	-
<b>Total interest-bearing liabilities</b>				<b>734,470</b>	<b>303,220</b>	<b>253,461</b>	<b>177,789</b>

\* Variable interest rate is derived as PRIBOR or EURIBOR plus a margin. All interest rates are market based.

### European Investment Bank Facility – EP Energy Distribution Network Slovakia

In December 2014 EP Energy, a.s. entered into a finance contract with the European Investment Bank (“EIB”). Under the finance contract, EIB provides for a facility of up to EUR 125,000 thousand for the purpose of financing of certain capital expenditure program for the power distribution network of Stredoslovenská energetika – Distribúcia, a.s.

No loan has been drawn under this facility yet. In the utilization request, the borrower may select the interest rate (fixed or floating), tenor and repayment (bullet or amortizing). As regards repayment, the Company may opt for up 8-years tenor for bullet repayment and up to 12-years tenor for amortizing loans.

The EIB facilities can be drawn in up to two loans within 18-month availability period.

When drawn, the EIB loans would be secured pari passu with other senior debt of the Company and benefit from the same guarantees.

**30. Liabilities from returned capital contribution**

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Liabilities from returned capital contribution	194,268	-
<i>of which owed to the parent company</i>	<u>194,268</u>	<u>-</u>
<b>Total</b>	<b><u>194,268</u></b>	<b><u>-</u></b>
Non-current	-	-
Current	<u>194,268</u>	<u>-</u>
<b>Total</b>	<b><u>194,268</u></b>	<b><u>-</u></b>

On 24 January 2014, CE Energy, a.s. acquired all of the outstanding shares of EP Energy, a.s. from Energetický a průmyslový holding, a.s. for EUR 1,500,270 thousand and recognised a liability for subordinated non-interest bearing loan of the same amount due in 2022. The Company applied a discount rate of 7% to establish a fair value of the loan taking into account planned future repayments in 2014. The difference between the shareholder loan's value and fair value totalling EUR 538,118 thousand was recorded to other funds from capital contributions in Equity.

At the end of December 2014, EPH capitalised part of the non-interest bearing loan to CEE's equity (EUR 691,000 thousand). Out of this amount EUR 394,575 thousand decreased the balance of shareholder's loan liability and EUR 296,425 thousand was already included in other capital funds as a difference between the shareholder loans's value and fair value.

In addition, EPH and CEE agreed that the remaining part of the shareholder loan shall be settled by a non-cash offset by mid – February 2015. As a result, as of 31 December 2014 the difference between the value of non-cash offset and amortised costs of the loan at the expected settlement date of EUR 194,268 thousand was recognised by CEE as a liability from returned capital contribution to the CEE's parent company EPH.

**31. Provisions**

<i>In thousands of EUR</i>	<b>Em- ployee benefits</b>	<b>Warran- ties</b>	<b>Provision for emission rights</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>89,919</b>	<b>199</b>	<b>40,540</b>	<b>1,381</b>	<b>295,400</b>	<b>5,506</b>	<b>432,945</b>
Provisions made during the period	28,032	418	38,477	2	8,895	1,089	<b>76,913</b>
Provisions used during the period	(21,081)	(231)	(42,510)	-	(4,660)	(2,193)	<b>(70,675)</b>
Provisions reversed during the period	(7,127)	(149)	-	(1,207)	(765)	(2,213)	<b>(11,461)</b>
Unwinding of discount*	1,405	-	-	-	14,675	-	<b>16,080</b>
Effects of movements in foreign exchange rates	(36)	(2)	(257)	(1)	(5)	(6)	<b>(307)</b>
Transfer	-	(49)	-	-	-	49	<b>-</b>
<b>Balance at 31 December 2014</b>	<b><u>91,112</u></b>	<b><u>186</u></b>	<b><u>36,250</u></b>	<b><u>175</u></b>	<b><u>313,540</u></b>	<b><u>2,232</u></b>	<b><u>443,495</u></b>
<b>Non-current</b>	<b>46,720</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>312,994</b>	<b>457</b>	<b>360,247</b>
<b>Current</b>	<b>44,392</b>	<b>186</b>	<b>36,250</b>	<b>99</b>	<b>546</b>	<b>1,775</b>	<b>83,248</b>

\* Unwinding of discount is included in interest expense.

<i>In thousands of EUR</i>	<b>Em- ployee benefits</b>	<b>Warran- ties</b>	<b>Provision for emission rights</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2013</b>	<b>25,259</b>	<b>239</b>	<b>51,591</b>	<b>1,074</b>	<b>223,666</b>	<b>2,347</b>	<b>304,176</b>
Provisions made during the period	13,860	270	42,196	39	2,058	2,152	<b>60,575</b>
Provisions used during the period	(17,133)	-	(49,935)	-	(2,272)	(1,115)	<b>(70,455)</b>
Provisions reversed during the period	(1,155)	(308)	-	(1,001)	(5,275)	(462)	<b>(8,201)</b>
Additions through step acquisitions <sup>(1)</sup>	-	-	-	-	-	4	<b>4</b>
Additions through business combinations <sup>(2)</sup>	69,594	-	-	1,299	69,091	2,434	<b>142,418</b>
Unwinding of discount*	193	-	-	-	8,145	-	<b>8,338</b>
Effects of movements in foreign exchange rates	(699)	(2)	(3,312)	(30)	(13)	146	<b>(3,910)</b>
<b>Balance at 31 December 2013</b>	<b>89,919</b>	<b>199</b>	<b>40,540</b>	<b>1,381</b>	<b>295,400</b>	<b>5,506</b>	<b>432,945</b>
<b>Non-current</b>	<b>43,602</b>	<b>-</b>	<b>-</b>	<b>82</b>	<b>295,072</b>	<b>463</b>	<b>339,219</b>
<b>Current</b>	<b>46,317</b>	<b>199</b>	<b>40,540</b>	<b>1,299</b>	<b>328</b>	<b>5,043</b>	<b>93,726</b>

\* Unwinding of discount is included in interest expense.

(1) An additional purchase of a 35.29% share in PRVNÍ MOSTECKÁ a.s. and the gaining of control over this entity.

(2) The purchase of Stredoslovenská energetika, a.s. and Helmstedter Revier GmbH.

Accounting for provisions involves frequent use of estimates, such as probability of occurrence of uncertain events or calculation of the expected outcome. Such estimates are based on past experience, statistical models and professional judgment.

### Employee benefits

The Group recorded a significant amount as provision for long-term employee benefits related to its employees. Valuations of these provisions are sensitive to assumptions used in the calculations, such as future salary and benefit levels, discount rates, employee leaving rate, late retirement rate, mortality and life expectancy. The management considered various estimated factors and how these estimates would impact the recognised provision. As a result of this analysis, no significant variances to the recorded provision are expected.

The provision for employee benefits in the amount of EUR 91,112 thousand (2013: EUR 89,919 thousand) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, United Energy, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., Stredoslovenská energetika, a.s. and Helmstedter Revier GmbH.

The provision recorded by Mitteldeutsche Braunkohlengesellschaft GmbH amounts to EUR 14,868 thousand (2013: EUR 16,679 thousand), of which EUR 3,873 thousand (2013: EUR 3,540 thousand) represents a defined benefit pension scheme. The remaining balance of EUR 10,995 thousand (2013: EUR 13,139 thousand) represents by other unfunded employee benefits paid for work and life jubilees and anniversaries. The schedules below summarise information about the defined benefit obligations and plan assets.

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
<b>Plan A</b>		
Fair value of plan asset	4,172	3,906
Present value of obligations	(5,889)	(5,151)
<b>Total employee benefit/(asset)</b>	<b>(1,717)</b>	<b>(1,245)</b>
<b>Plan B</b>		
Fair value of plan asset	2,699	3,067
Present value of obligations	(3,387)	(3,939)
<b>Total employee benefit/(asset)</b>	<b>(688)</b>	<b>(872)</b>
<b>Plan C</b>		
Fair value of plan asset	-	-
Present value of obligations	(1,468)	(1,423)
<b>Total employee benefit/(asset)</b>	<b>(1,468)</b>	<b>(1,423)</b>

**Plan assets**

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Reinsurance contracts – plan A	4,172	3,906
Reinsurance contracts – plan B	2,699	3,067
Plan C	-	-
<b>Total</b>	<b>6,871</b>	<b>6,973</b>

**Movement in the present value of defined benefit obligations**

<i>In thousands of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>(5,151)</b>	<b>(3,939)</b>	<b>(1,423)</b>	<b>(10,513)</b>
Benefits paid by plan	-	640	119	<b>759</b>
Expected return on plan assets	27	-	-	<b>27</b>
Current service costs	(361)	-	(49)	<b>(410)</b>
Current interest costs	(120)	(31)	(29)	<b>(180)</b>
Actuarial gains (losses)	(284)	(57)	(86)	<b>(427)</b>
<b>Balance at 31 December 2014</b>	<b>(5,889)</b>	<b>(3,387)</b>	<b>(1,468)</b>	<b>(10,744)</b>

<i>In thousands of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Total</b>
<b>Balance at 1 January 2013</b>	<b>(4,733)</b>	<b>(4,932)</b>	<b>(1,472)</b>	<b>(11,137)</b>
Benefits paid by plan	104	1,070	125	<b>1,299</b>
Current service costs	(367)	-	(50)	<b>(417)</b>
Current interest costs	(117)	(50)	(30)	<b>(197)</b>
Actuarial gains (losses)	(36)	(39)	11	<b>(64)</b>
Effects of movements in foreign exchange	(2)	12	(7)	<b>3</b>
<b>Balance at 31 December 2013</b>	<b>(5,151)</b>	<b>(3,939)</b>	<b>(1,423)</b>	<b>(10,513)</b>

**Movement in fair value of plan assets**

<i>In thousands of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>3,906</b>	<b>3,067</b>	-	<b>6,973</b>
Benefits paid by plan	(27)	(457)	-	<b>(484)</b>
Contributions to plan assets	127	4	-	<b>131</b>
Expected return on plan assets	-	60	-	<b>60</b>
Current interest costs	-	25	-	<b>25</b>
Actuarial gains (losses)	166	-	-	<b>166</b>
<b>Balance at 31 December 2014</b>	<b>4,172</b>	<b>2,699</b>	-	<b>6,871</b>

<i>In thousands of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Total</b>
<b>Balance at 1 January 2013</b>	<b>3,540</b>	<b>3,660</b>	-	<b>7,200</b>
Benefits paid by plan	(89)	(736)	-	<b>(825)</b>
Contributions to plan assets	367	24	-	<b>391</b>
Expected return on plan assets	87	83	-	<b>170</b>
Current interest costs	-	38	-	<b>38</b>
Actuarial gains (losses)	10	-	-	<b>10</b>
Effects of movements in foreign exchange	(9)	(2)	-	<b>(11)</b>
<b>Balance at 31 December 2013</b>	<b>3,906</b>	<b>3,067</b>	-	<b>6,973</b>

**Expense recognised in profit and loss:**

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
Current service costs	(410)	(417)
Expected return on plan assets	87	170
Current interest costs	(155)	(159)
Actuarial gains (losses)	(261)	(54)
Effects of movements in foreign exchange rate	-	(8)
<b>Total</b>	<b>(739)</b>	<b>(468)</b>

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

**As at 31 December 2014**

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>
Discount rate	2.30	0.46	1.63
Expected return on assets	3.50	0.46	N/A
Annual rate of increase in salaries	0.00	N/A	0.00
Post retirement pension increase	0.00	N/A	0.00
Mortality & disability	(1)	(1)	(1)

(1) Assumptions regarding future mortality are based on published statistics and mortality tables 2005G.

**As at 31 December 2013**

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>
Discount rate	2.50	1.10	2.04
Expected return on assets	3.50	1.10	N/A
Annual rate of increase in salaries	0.00	N/A	0.00
Post retirement pension increase	0.00	N/A	0.00
Mortality & disability	(1)	(1)	(1)

(1) *Assumptions regarding future mortality are based on published statistics and mortality tables 2005G.*

The provision recorded by Helmstedter Revier GmbH amounts to EUR 65,381 thousand (2013: EUR 59,903 thousand), of which EUR 21,968 thousand (2013: EUR 20,240 thousand) represents a defined benefit pension scheme and EUR 32,419 thousand (2013: EUR 34,558 thousand) represents an early retirement scheme. The schedules below summarise information about the defined benefit obligations.

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
<b>Plan A</b>		
Fair value of plan asset	16,258	-
Present value of obligations	(36,629)	(19,492)
<b>Total employee benefit</b>	<b>(20,371)</b>	<b>(19,492)</b>
<b>Plan B</b>		
Fair value of plan asset	577	403
Present value of obligations	(2,032)	(1,135)
<b>Total employee benefit</b>	<b>(1,455)</b>	<b>(732)</b>
<b>Plan C</b>		
Fair value of plan asset	179	129
Present value of obligations	(321)	(144)
<b>Total employee benefit</b>	<b>(142)</b>	<b>(16)</b>
<b>Early Retirement</b>		
Present value of obligations	(32,419)	(34,558)
<b>Total employee benefit</b>	<b>(32,419)</b>	<b>(34,558)</b>
<b>Plan assets</b>		
<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Reinsurance contracts – plan A	16,258	-
Reinsurance contracts – plan B	577	403
Reinsurance contracts – plan C	179	129
<b>Total</b>	<b>17,014</b>	<b>532</b>



**Movement in the present value of defined benefit obligations**

<i>In thousands of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Early retirement</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>(19,492)</b>	<b>(1,135)</b>	<b>(144)</b>	<b>(34,558)</b>	<b>(55,329)</b>
Benefits paid by plan	-	32	-	1,590	<b>1,622</b>
Current service costs	(552)	(68)	(36)	(1,299)	<b>(1,955)</b>
Current interest costs	(741)	(43)	(6)	(2,146)	<b>(2,936)</b>
Transfer to/from pension plans	(3,994)	-	-	3,994	-
Actuarial gains (losses) recognised in other comprehensive income	(11,850)	(818)	(135)	-	<b>(12,803)</b>
<b>Balance at 31 December 2014</b>	<b>(36,629)</b>	<b>(2,032)</b>	<b>(321)</b>	<b>(32,419)</b>	<b>(71,401)</b>

**Movement in fair value of plan assets**

<i>In thousands of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>-</b>	<b>403</b>	<b>129</b>	<b>532</b>
Contributions to plan assets	16,258	176	50	<b>16,484</b>
Expected return on plan assets	-	19	6	<b>25</b>
Actuarial gains (losses) recognised in other comprehensive income	-	(21)	(6)	<b>(27)</b>
<b>Balance at 31 December 2014</b>	<b>16,258</b>	<b>577</b>	<b>179</b>	<b>17,014</b>

**Expense recognised in profit and loss:**

<i>In thousands of EUR</i>	<b>2014</b>	<b>(1) 2013</b>
Current service costs	(1,955)	-
Current interest costs	(2,936)	-
Expected return on plan assets	25	-
<b>Total</b>	<b>(4,866)</b>	<b>-</b>

(1) As Helmstedter Revier GmbH was acquired on 20 December 2013, there were no current service costs, interest costs or actuarial gains or losses recognised in profit and loss for the year ending 31 December 2013.

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

**As at 31 December 2014**

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Early Retirement</b>
Discount rate	1.78	1.78	1.78	0.50
Expected return on assets	2.50	2.50	2.50	0.00
Annual rate of increase in salaries	1.75	1.75	1.75	2.50
Post retirement pension increase	0.00	0.00	0.00	0.00
Mortality & disability	(1)	(1)	(1)	0.03

(1) Assumptions regarding future mortality are based on published statistics and mortality tables 2005G.

**As at 31 December 2013**

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Early Retirement</b>
Discount rate	3.60	3.60	3.60	2.07
Expected return on assets	0.00	0.00	0.00	0.00
Annual rate of increase in salaries	2.50	2.50	2.50	2.50
Post retirement pension increase	2.00	2.00	2.00	0.00
Mortality & disability	(1)	(1)	(1)	0.03

(1) *Assumptions regarding future mortality are based on published statistics and mortality tables 2005G.*

The provision recorded by Stredoslovenská energetika, a.s. amounts to EUR 7,533 thousand (2013: EUR 9,980 thousand). The SSE Group has the following retirement plan with defined benefit and defined contribution plans:

*Pension Plans*

This program has a defined contribution pension plan under which the Group pays fixed contributions to third parties or government. The Group has no legal or constructive obligation to pay further funds, if the amount of plan assets is insufficient to pay all the performance of employees who are eligible for the current and prior periods.

The amount of benefits depends on several factors, such as age, years of service and salary.

*Unfunded pension plan with defined benefit*

According to the Corporate Group collective agreement for the period 2015 – 2016, the Group is obliged to pay its employees upon age pension or disability pension, depending on seniority, the following multiples of the average monthly salary:

	<b>Multiples of average monthly wage</b>
10 years or less	2
11 – 15 years	4
16 – 20 years	5
21 – 25 years	6
25 years and more	7

According to the Corporate Group collective agreement valid for the period 2011 – 2013, whose validity was extended in the December 2013 amendment to the corporate collective agreement for the period from 1 January 2014 – 31 December 2014, the Group was obliged to pay its employees upon age pension or disability pension, depending on seniority, the following multiples of the average monthly salary:

	<b>Multiples of average monthly wage</b>
5 years or less	4
6 – 10 years	5
11 – 15 years	6
16 – 20 years	7
21 – 25 years	9
25 years and more	11

The minimum requirement of the Labour Code to post the retirement, equal to one average monthly salary, is included in the above multiples.

*Other benefits*

The Group also pays benefits for work and life anniversaries:

- one monthly wage after 25 years of service;
- 40% to 110% of the employee's monthly salary depending on seniority in the Group at the age of 50.

### **Provision for emission rights**

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

### **Provision for lawsuits**

A provision of EUR 175 thousand was recorded by Stredoslovenská energetika, a.s. and Pražská teplárenská a.s. For further details refer to Note 40 – Litigations and Claims.

As disclosed in Note 40 – Litigations and Claims, there are other legal proceedings in which the Group is involved whose results cannot be reliably estimated as at the date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 31 December 2013 and 31 December 2014.

### **Provision for restructuring, restoration and decommissioning**

According to the German Federal Mining Law, a mining company is obliged to re-cultivate/reclaim all the land used for mining purposes after discontinuation of mining operations. The requirements to be met for this purpose are set forth in a comprehensive framework operations plan and compliance is monitored by the mining authorities.

The following expense items are considered:

- Dewatering and flooding expenses
- Creation and stability of slope systems
- Soil preparation and treatment for subsequent agricultural and forest use
- Removal of all technical plants and equipment

Estimates are reviewed by an external expert/engineering office to ensure that mining provisions have been properly created. These external experts determine the value of all expense items listed above on the basis of usual market prices. In 2014, quantities and values were adjusted based on the latest knowledge. Consequently, the provisions were recalculated for IFRS accounting purposes on the basis of the new settlement values. An annual inflation rate of 1.7% (2013: 1.7%) was used to calculate the provision for adjustments based on the current price basis and a discount rate of 3.64% (2013: 3.64%) for the whole period in case of Mitteldeutsche Braunkohlengesellschaft GmbH and annual inflation rate of 1.7% (2013: 1.7%) was used to calculate the provision for adjustments based on the current price basis and a discount rate of 1.33% (2013: 1.33%) in case of Helmstedter Revier GmbH.

As at 31 December 2014, the provision for restoration and decommissioning was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH and Helmstedter Revier GmbH in the amount of EUR 311,562 thousand (2013: EUR 292,648 thousand). The rehabilitation is expected to occur in the period from 2030 to 2061 in the case of JTSD Braunkohlebergbau GmbH and in the period from 2015 to 2069 in the case of Helmstedter Revier GmbH.

The Group performs stress testing using inflation and discount rate shock, i.e. an immediate decrease/increase in inflation or discount rate by 10 basis points ('bp').

At the reporting date, a change of 10 basis points in inflation rate would have increased or decreased the provision for restructuring by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

At the reporting date, a change of 10 basis points in discount rate would have increased or decreased the provision for restructuring by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
Decrease of inflation rate by 10 bp	19,237	16,262
Increase of inflation rate by 10 bp	(17,111)	(14,714)
Decrease of discount rate by 10 bp	(34,408)	(34,332)
Increase of discount rate by 10 bp	28,152	28,090

## 32. Deferred income

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Government grants	30,171	6,752
Other deferred income	37,840	35,270
<b>Total</b>	<b>68,011</b>	<b>42,022</b>
<i>Non-current</i>	63,996	39,898
<i>Current</i>	4,015	2,124
<b>Total</b>	<b>68,011</b>	<b>42,022</b>

Balance of government grants in amount of EUR 30,171 thousand is mainly represented by Elektrárny Opatovice, a.s. of EUR 22,857 thousand (2013: EUR 1,094) and Alternative Energy, s.r.o. of EUR 5,270 thousand (2013: EUR 5,658 thousand). These companies were provided with government grants to reduce emission pollutions and to build a biogas facility.

Balance of other deferred income in amount of EUR 36,550 thousand (2013: EUR 34,494 thousand) is represented by Stredoslovenská energetika, a.s. This balance consists of deferred income related to the following items: fee for grid connection paid by customers (EUR 23,165 thousand; 2013 EUR 21,694 thousand), contributions for the acquisitions of tangible assets paid by customers (EUR 3,939 thousand; 2013: EUR 4,634 thousand), property acquired free-of-charge (EUR 5,683 thousand; 2013: EUR 4,187 thousand) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3,763 thousand; 2013: 3,979 thousand).

### 33. Financial instruments

#### Financial instruments and other financial assets

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Assets carried at amortised cost</b>		
Loans to other than credit institutions	818,403	780,461
<i>of which owed by the parent company</i>	766,237	728,389
Shares available for sale held at cost	2,598	1,725
Other equity instruments	487	494
<b>Total</b>	<b>821,488</b>	<b>782,680</b>
<b>Assets carried at fair value</b>		
Currency forwards	7,076	8,125
Commodity derivatives for trading	264	221
Equity options for trading	220	222
Currency options for trading	159	-
<b>Total</b>	<b>7,719</b>	<b>8,568</b>
<i>Non-current</i>	337,248	274,406
<i>of which owed by the parent company</i>	280,096	261,285
<i>Current</i>	491,959	516,842
<i>of which owed by the parent company</i>	486,141	467,104
<b>Total</b>	<b>829,207</b>	<b>791,248</b>

#### Financial instruments and other financial liabilities

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
<b>Liabilities carried at fair value</b>		
Currency forwards	659	3,795
Interest rate swaps	491	735
Commodity derivatives	360	2,706
<b>Total</b>	<b>1,510</b>	<b>7,236</b>
<i>Non-current</i>	680	1,649
<i>Current</i>	830	5,587
<b>Total</b>	<b>1,510</b>	<b>7,236</b>

The weighted average interest rate on loans to other than credit institutions as at 31 December 2014 was 6.30 % (2013: 4.12 %).

Fair values and respective nominal amounts of derivatives are disclosed in the following table.

<i>In thousands of EUR</i>	<b>31 December 2014 Nominal amount buy</b>	<b>31 December 2014 Nominal amount sell</b>	<b>31 December 2014 Fair value buy</b>	<b>31 December 2014 Fair value sell</b>
Currency forwards	232,524	(225,643)	7,076	(659)
Commodity derivatives – futures/forwards	372,580	(372,918)	264	(360)
Equity options	-	-	220	-
Currency options	-	-	159	-
Interest rate swaps (IRS) <sup>(1)</sup>	14,402	-	-	(491)
<b>Total</b>	<b>619,506</b>	<b>(598,561)</b>	<b>7,719</b>	<b>(1,510)</b>

(1) Nominal amounts include only forward part of swaps.

<i>In thousands of EUR</i>	<b>31 December 2013 Nominal amount buy</b>	<b>31 December 2013 Nominal amount sell</b>	<b>31 December 2013 Fair value buy</b>	<b>31 December 2013 Fair value sell</b>
Commodity derivatives – futures/forwards	381,521	(384,084)	221	(2,706)
Currency forwards	260,594	(254,993)	8,125	(3,795)
Equity options	-	-	222	-
Interest rate swaps (IRS) <sup>(1)</sup>	28	(110)	-	(735)
<b>Total</b>	<b>642,143</b>	<b>(639,187)</b>	<b>8,568</b>	<b>(7,236)</b>

(1) *Nominal amounts include only forward part of swaps.*

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 37 – Risk management policies and disclosures.

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity, which are denominated in CZK and EUR with maturity up to 1 year and where the contractual condition of derivatives does not meet the “own use exemption” as noted in IAS 39.5.

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 37 – Risk management policies and disclosures.

#### **Fair value hierarchy for financial instruments carried at fair value**

Financial instruments carried at fair value are measured based on quoted market prices at the reporting date. If the market for a financial instrument is not active, fair value is established using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information that market participants would use in setting a price for the financial instrument.

Were fair values to differ by 10% from management estimates, the net carrying amount of financial instruments would be an estimated EUR 621 thousand (2013: EUR 133 thousand) higher or lower than disclosed as at 31 December 2014.

<i>In thousands of EUR</i>	<b>2014</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets carried at fair value:</b>				
Currency forwards	-	7,076	-	<b>7,076</b>
Commodity derivatives	-	264	-	<b>264</b>
Equity options	-	220	-	<b>220</b>
Currency options	-	159	-	<b>159</b>
<b>Total</b>	<b>-</b>	<b>7,719</b>	<b>-</b>	<b>7,719</b>
<b>Financial liabilities carried at fair value:</b>				
Currency forwards	-	659	-	<b>659</b>
Interest rate swaps	-	491	-	<b>491</b>
Commodity derivatives	-	360	-	<b>360</b>
<b>Total</b>	<b>-</b>	<b>1,510</b>	<b>-</b>	<b>1,510</b>

<i>In thousands of EUR</i>	2013			Total
	Level 1	Level 2	Level 3	
<b>Financial assets carried at fair value:</b>				
Currency forwards	-	8,125	-	8,125
Equity options	-	222	-	222
Commodity derivatives	-	221	-	221
<b>Total</b>	<b>-</b>	<b>8,568</b>	<b>-</b>	<b>8,568</b>
<b>Financial liabilities carried at fair value:</b>				
Currency forwards	-	3,795	-	3,795
Commodity derivatives	-	2,706	-	2,706
Interest rate swaps	-	735	-	735
<b>Total</b>	<b>-</b>	<b>7,236</b>	<b>-</b>	<b>7,236</b>

There were no transfers between fair value levels in either 2014 or 2013.

The fair value of financial instruments held at amortised costs is shown in the table below:

<i>In thousands of EUR</i>	Carrying value amount	Fair value
<b>Financial assets</b>	<b>31 December 2014</b>	<b>31 December 2014</b>
Loans to other than credit institutions	818,403	867,722
Shares available for sale	2,598	2,598
Other equity instruments	487	487
<b>Financial instruments held at amortised costs</b>	<b>821,488</b>	<b>870,807</b>
<b>Cash and cash equivalents</b>	<b>238,387</b>	<b>238,387</b>

<b>Financial liabilities</b>		
Loans and borrowings	2,161,235	2,193,695
Liabilities from returned capital contribution	194,268	194,268
<b>Total</b>	<b>2,355,503</b>	<b>2,387,963</b>

<i>In thousands of EUR</i>	Carrying value amount	Fair value
<b>Financial assets</b>	<b>31 December 2013</b>	<b>31 December 2013</b>
Loans to other than credit institutions	780,461	810,807
Shares available for sale	1,725	1,725
Other equity instruments	494	494
<b>Financial instruments held at amortised costs</b>	<b>782,680</b>	<b>813,026</b>
<b>Cash and cash equivalents</b>	<b>288,321</b>	<b>288,321</b>

<b>Financial liabilities</b>		
<b>Loans and borrowings</b>	<b>1,826,275</b>	<b>1,834,421</b>

All financial instruments held at amortised costs are categorised within Level 2 of the fair value hierarchy (for more details of valuation methods refer to Note 2(d) i – Assumption and estimation uncertainties).

### Transactions with emission rights

The following information pertains to contracts on delivery or sale of emission rights. These contracts do not meet the IAS 39 criteria for derivatives (refer to the Note 3 – Significant Accounting Policies) and are reported as off-balance sheet items.

#### Swap operations

As at 31 December 2014 the CEE Group reports commitments for a purchase of 100,000 pieces (2013: 755,000 pieces) of emission rights at an average price of 9.34 EUR/piece (2013: 9.19 EUR/piece) and at the same time the CEE Group is committed to sell no (2013: 536,845 pieces) emission rights (2013: at average price 9.91 EUR/piece).

### *Forward operations*

As at 31 December 2014 the CEE Group is contractually obliged to purchase 5,488,000 pieces (2013: 5,060,900 pieces) of emission rights at an average price 5.81 EUR/piece (2013: 6.52 EUR/piece).

### **Hedge accounting**

#### *Cash flow hedges – hedge of foreign currency risk with non-derivative financial liability*

The Group applies consolidated hedge accounting for hedging instruments designed to hedge the foreign currency risk of revenues denominated in foreign currency (EUR). The hedging instruments are bonds issued in EUR in total amount of EUR 1,100 million. The hedged cash inflows in EUR due from EUR denominated transactions (primarily at Mitteldeutsche Braunkohlengesellschaft GmbH, Saale Energie GmbH, Elektrárny Opatovice, a.s. United Energy, a.s., Plzeňská energetika a.s.) are expected to occur and impact profit or loss in periods of 2020 to 2029. As a result of the hedging relationship on the CEE Group consolidated level, the CEE Group reported a foreign currency cash flow hedge reserve of EUR 87,087 thousand as of 31 December 2014 (2013: EUR 77,658 thousand).

#### *Cash flow hedges – hedge of foreign currency risk and commodity price risk of revenues of power production with non-derivative financial liability and financial derivatives*

The Group applies consolidated hedge accounting for hedging instruments designed to hedge the commodity price risk and the foreign currency risk of revenues from Group's power production sold to third parties through commodity derivatives with net settlement for commodity risk and Group's liabilities denominated in EUR in total amount of EUR 134.5 million for foreign currency risk. As a result of the hedging relationship on the CEE Group consolidated level, the CEE Group reported a foreign currency cash flow hedge reserve of negative EUR 4,333 thousand as of 31 December 2014 (2013: EUR 0 thousand). For risk management policies, refer to Note 37 (d) and (e) – Risk management policies and disclosures.

There was no amount reclassified from other equity to profit or loss due to an applied cash flow hedge for the year 2014 and 2013.

### **Debentures held to maturity**

In December 2013, the management of Stredoslovenská energetika, a.s. decided to sell the debentures held in its Held to maturity portfolio before original maturity. These debentures were therefore reclassified to Available for sale portfolio in total amount of EUR 20,113 thousand. All of these debentures were sold in December 2013. As a result of this transaction, the Group will not hold any debentures in the Held to maturity portfolio until December 2015.



### 34. Trade payables and other liabilities

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Trade payables	255,265	281,720
Advance payments received	47,352	66,643
Other tax liabilities	41,808	37,406
Payroll liabilities	21,993	19,655
Estimated payables	21,808	25,347
Accrued expenses	9,823	13,103
Liabilities arising from acquisitions of subsidiaries and SPEs	<sup>(1)</sup> 5,771	-
Uninvoiced supplies	3,687	4,673
Retentions to contractors	55	770
Other liabilities	15,382	11,456
<b>Total</b>	<b>422,944</b>	<b>460,773</b>
<i>Non-current</i>	71,951	76,679
<i>Current</i>	350,993	384,094
<b>Total</b>	<b>422,944</b>	<b>460,773</b>

(1) At the date of EP Cargo a.s. acquisition, the Group recognised a purchase price liability of EUR 5,803 thousand. As at 31 December 2014 the purchase price liability was reduced by FX difference of EUR 32 thousand to a balance of EUR 5,771 thousand.

Trade payables and other liabilities have not been secured as at 31 December 2014, or as at 31 December 2013.

As at 31 December 2014 and 31 December 2013 no liabilities to social and health insurance or tax authorities were overdue.

Estimated payables are recognised based on contractual conditions or invoices received after the balance sheet date but before the financial statements are published.

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 37 – Risk management policies and disclosures.

#### Liabilities to social fund

<i>In thousands of EUR</i>	<b>2014</b>	<b>2013</b>
Balance at 1 January	765	716
Acquisitions through business combinations	-	132
Transferred from retained earnings	-	355
Charged to expenses	1,115	216
Disposal/decrease in principal	(1,106)	(597)
Effects of movements in foreign exchange rates	(6)	(57)
<b>Balance at 31 December</b>	<b>768</b>	<b>765</b>

Liabilities to the social fund are presented under payroll liabilities.

### 35. Financial commitments and contingencies

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Granted pledges – securities	2,500,376	1,041,289
Other granted promises	292,560	330,605
Other granted guarantees and warranties	900	3,737
Other contingent liabilities	1,940,890	1,861,247
<b>Total</b>	<b>4,734,726</b>	<b>3,236,878</b>

Granted pledges represent securities of individual Group companies used as collateral for external financing.

Other contingencies relate to granted loans of EUR 1,394,187<sup>(1)</sup> thousand (2013: EUR 1,284,219<sup>(1)</sup> thousand), pledged cash of EUR 102,203 thousand (2013: EUR 104,678 thousand) and further pledges of EUR 444,500 thousand (2013: EUR 472,350 thousand) that include pledged fixed assets of EUR 335,437

thousand (2013: EUR 343,140 thousand), pledged inventories of EUR 21,672 thousand (2013: EUR 17,933 thousand) and trade receivables of EUR 87,391 thousand (2013: EUR 111,277 thousand); all were used as collateral for external financing.

(1) *Total balance of pledged granted loans includes intercompany loans of EUR 846,057 thousand (2013: EUR 811,622 thousand).*

### **Other granted promises**

Other granted promises comprise EUR 239,421 thousand (2013: EUR 261,702 thousand), which are represented by the contracts for future energy supply, and EUR 53,139 thousand (2013: EUR 68,903 thousand), which are represented by the contingent assets related to green energy for the year 2014 (2013: contingent assets cover years 2012 and 2013).

#### *Regulatory contingent assets related to green energy*

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries ("URSO") and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by URSO and is covered by the Tariff for system operation ("TPS"). For the year ended 31 December 2014 the SSE Group recognised a loss of EUR 53,139 thousand (2013: EUR 41,528 thousand) as the difference between the costs of purchased green energy and costs related to the subvention of electricity produced from coal and revenues from TPS in the period from 1 January 2014 to 31 December 2014. The 2014 loss is included in the contingent asset of EUR 53,139 thousand (2013: EUR 68,903 thousand) specified above. Based on the current Regulatory Framework the losses incurred will be compensated in two years' time, i.e. relevant amounts in 2015 and 2016 through an increase of revenues from TPS (2013: in 2014 and 2015). Based on the URSO decision dated in December 2014 the resulting asset of EUR 41,528 thousand originating in the year 2013 was recognised as accrued income in the consolidated statement of financial position. The resulting asset originating in the year 2014 was not recognised as the asset does not meet currently the recognition criteria set by IFRS as adopted by the EU.

### **Other commitments and contingencies**

CEE's parent company, Energetický průmyslový holding, a.s. ("EPH"), and a major energy company (the "Interested Party") are parties to contractual arrangements under of which they have agreed to use their best efforts to agree on the potential sale of certain heating assets currently held by a certain member of CEE Group (the "Transaction"), provided that the specified conditions will be met, inter alia, that the terms and conditions of the transaction will be agreed between the parties and the transaction will be approved by the respective corporate bodies of each relevant entity. If the Transaction is not completed within the agreed period, EPH will use its best efforts to provide the Interested Party with a similar alternative asset ("the Alternative Transaction"). If the transaction is not completed by the extended deadline either, EPH will pay to the Interested Party compensation of approximately EUR 7,214 thousand. As these transactions are subject to a confidentiality obligation, disclosure of more detailed information herein is prohibited.

However, the parties have not yet finally agreed as at the date hereof whether, or under what terms and conditions, the Transaction or the Alternative Transaction will be entered into and completed. Currently EPH is engaged in negotiations with the Interested Party concerning the terms and conditions of the foregoing transactions; this should provide a basis to conclude with certainty whether or not any of the transactions will be entered into and completed.

For the above reasons, the heating assets in question have not yet been recorded as Assets Held for Sale under IFRS 5 and the above compensation has not yet been recorded by EPH.

### **36. Operating leases**

#### **Leases as lessee**

The Group has no significant non-cancellable operating leases.

The Group leases a number of cars and administration space under operating leases. The administration space leases typically run for an initial period of 5 to 10 years, with a renewal option after these periods. During the year ended 31 December 2014, EUR 13,285 thousand (2013: EUR 9,974 thousand) was recognised as an expense in profit or loss in respect of operating leases.

#### **Leases as lessor**

The Group leases out its property under operating leases.

During the year ended 31 December 2014 EUR 6,298 thousand (2013: EUR 3,854 thousand) was recognised as income in profit or loss in respect of operating leases and rent of property.

### **37. Risk management policies and disclosures**

This section provides details of the Group's exposure to financial and operational risks and the way it manages such risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

As part of its operations, the Group is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices. To minimise this exposure, the Group enters into derivatives contracts to hedge individual transactions and overall exposures, using instruments available on the market.

#### **(a) Credit risk**

##### ***i. Exposure to credit risk***

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans and advances.

The Group has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's policy is also to require suitable collateral to be provided by customers. The exposure to credit risk is monitored on an ongoing basis.

#### **Additional aspects mitigating credit risk**

The Group operates mainly as an energy and power generation company, and thus has a specific customer structure. The distribution companies represent a very low credit risk. The large clients are dependent upon electricity supplies which significantly mitigates the credit risks. In addition, bank guarantees and advance payments are required before active operation with traders. Previous experience shows that such elements are very favourable in terms of credit risk elimination.

The carrying amount of financial assets (plus guarantees issued) represents the maximum credit exposure if counterparties fail to carry out completely their contractual obligations and any collateral or security proves to be of no value. The amount therefore greatly exceeds expected losses, which are included in the allowance for impairment.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At the reporting date, the maximum exposure to credit risk by the type of counterparty and by geographic region is provided in the following tables.

### Credit risk by type of counterparty

As at 31 December 2014

<i>In thousands of EUR</i>	<b>Corporate (non-financial institutions)</b>	<b>State, government</b>	<b>Financial institutions</b>	<b>Banks</b>	<b>Individuals</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	4,479	-	-	233,751	-	<sup>(1)</sup> 157	<b>238,387</b>
Trade receivables and other assets	325,643	16,055	38	4	9,566	16,652	<b>367,958</b>
Financial instruments and other financial assets	55,306	-	772,057	1,841	-	3	<b>829,207</b>
<b>Total</b>	<b>385,428</b>	<b>16,055</b>	<b>772,095</b>	<b>235,596</b>	<b>9,566</b>	<b>16,812</b>	<b>1,435,552</b>
<b>Liabilities</b>							
Loans and borrowings	58	-	<sup>(2)</sup> 1,852,329	308,848	-	-	<b>2,161,235</b>
Liabilities from returned capital contribution	-	-	194,268	-	-	-	<b>194,268</b>
Financial instruments and other financial liabilities	360	-	-	1,150	-	-	<b>1,510</b>
Trade payables and other liabilities	257,560	49,277	5,874	2	19,365	90,866	<b>422,944</b>
<b>Total</b>	<b>257,978</b>	<b>49,277</b>	<b>2,052,471</b>	<b>310,000</b>	<b>19,365</b>	<b>90,866</b>	<b>2,779,957</b>

(1) Primarily petty cash

(2) Primarily represents issued bonds which are quoted on Irish stock exchange.

**As at 31 December 2013**

<i>In thousands of EUR</i>	<b>Corporate (non-financial institutions)</b>	<b>State, government</b>	<b>Financial institutions</b>	<b>Banks</b>	<b>Individuals</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	948	-	-	287,240	-	<sup>(1)</sup> 133	<b>288,321</b>
Trade receivables and other assets	327,762	3,316	53	1,119	5,127	10,246	<b>347,623</b>
Financial instruments and other financial assets	57,852	-	728,389	4,417	11	579	<b>791,248</b>
<b>Total</b>	<b>386,562</b>	<b>3,316</b>	<b>728,442</b>	<b>292,776</b>	<b>5,138</b>	<b>10,958</b>	<b>1,427,192</b>

**Liabilities**

Loans and borrowings	142,787	-	<sup>(2)</sup> 1,088,058	595,430	-	-	<b>1,826,275</b>
Financial instruments and other financial liabilities	2,706	-	-	4,530	-	-	<b>7,236</b>
Trade payables and other liabilities	383,051	42,757	-	123	33,939	903	<b>460,773</b>
<b>Total</b>	<b>528,544</b>	<b>42,757</b>	<b>1,088,058</b>	<b>600,083</b>	<b>33,939</b>	<b>903</b>	<b>2,294,284</b>

(1) Primarily petty cash

(2) Primarily represents issued bonds which are quoted on Irish stock exchange.

**Credit risk by location of counterparty**
**As at 31 December 2014**

<i>In thousands of EUR</i>	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Cyprus</b>	<b>Poland</b>	<b>Germany</b>	<b>Ireland</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents	127,649	38,705	-	594	71,438	-	1	<b>238,387</b>
Trade receivables and other assets	161,426	130,013	1,017	8,019	67,033	-	450	<b>367,958</b>
Financial instruments and other financial assets	781,372	1,495	-	399	45,634	-	307	<b>829,207</b>
<b>Total</b>	<b>1,070,447</b>	<b>170,213</b>	<b>1,017</b>	<b>9,012</b>	<b>184,105</b>	<b>-</b>	<b>758</b>	<b>1,435,552</b>
<b>Liabilities</b>								
Loans and borrowings	876,384	51,508	-	-	5,720	<sup>(2)</sup> 1,094,297	<sup>(1)</sup> 133,326	<b>2,161,235</b>
Liabilities from returned capital contribution	194,268	-	-	-	-	-	-	<b>194,268</b>
Financial instruments and other financial liabilities	1,150	-	-	-	360	-	-	<b>1,510</b>
Trade payables and other liabilities	145,625	105,521	11	221	163,554	-	8,012	<b>422,944</b>
<b>Total</b>	<b>1,217,427</b>	<b>157,029</b>	<b>11</b>	<b>221</b>	<b>169,634</b>	<b>1,094,297</b>	<b>141,338</b>	<b>2,779,957</b>

(1) The amount primarily represents a loan amounting to EUR 132,826 thousand drawn by EPH Financing II, a.s. in the United Kingdom. As at 25 August 2014 EPH Financing II, a.s. merged with EP Energy, a.s. This loan was taken over by EP Energy, a.s., the successor company.

(2) The amount represents issued bonds which are quoted on Irish stock exchange.

**As at 31 December 2013***In thousands of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Cyprus</b>	<b>Poland</b>	<b>Germany</b>	<b>Ireland</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents	126,928	71,910	-	769	88,709	-	5	<b>288,321</b>
Trade receivables and other assets	160,263	95,105	1,017	237	70,243	-	20,758	<b>347,623</b>
Financial instruments and other financial assets	744,464	576	-	-	46,208	-	-	<b>791,248</b>
<b>Total</b>	<b>1,031,655</b>	<b>167,591</b>	<b>1,017</b>	<b>1,006</b>	<b>205,160</b>	<b>-</b>	<b>20,763</b>	<b>1,427,192</b>
<b>Liabilities</b>								
Loans and borrowings	419,503	79,843	-	24	6,239	<sup>(2)</sup> 1,091,805	<sup>(1)</sup> 228,861	<b>1,826,275</b>
Financial instruments and other financial liabilities	7,236	-	-	-	-	-	-	<b>7,236</b>
Trade payables and other liabilities	159,367	130,383	20	2,890	164,863	-	3,250	<b>460,773</b>
<b>Total</b>	<b>586,106</b>	<b>210,226</b>	<b>20</b>	<b>2,914</b>	<b>171,102</b>	<b>1,091,805</b>	<b>232,111</b>	<b>2,294,284</b>

(1) The amount primarily represents a loan amounting to EUR 228,859 thousand drawn by EPH Financing II, a.s. in the United Kingdom.

(2) The amount represents issued bonds which are quoted on Irish stock exchange.

**ii. Impairment losses**

The ageing of financial assets, excluding cash and cash equivalents and derivatives, at the reporting date was:

**Credit risk – impairment of financial assets****As at 31 December 2014***In thousands of EUR*

	<b>Loans to other than credit institutions</b>	<b>Shares available for sale and other equity instruments</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
Before maturity (net)	818,403	3,085	310,563	<b>1,132,051</b>
After maturity (net)	-	-	57,395	<b>57,395</b>
<b>Total</b>	<b>818,403</b>	<b>3,085</b>	<b>367,958</b>	<b>1,189,446</b>
A – Assets for which a provision has been created (overdue and impaired)				
- Gross	-	-	99,370	<b>99,370</b>
- specific loss allowance	-	-	(17,346)	<b>(17,346)</b>
- collective loss allowance	-	-	(37,408)	<b>(37,408)</b>
<b>Net</b>	<b>-</b>	<b>-</b>	<b>44,616</b>	<b>44,616</b>
B – Assets for which a provision has not been created (overdue but not impaired)				
- after maturity <30 days	-	-	9,938	<b>9,938</b>
- after maturity 31–180 days	-	-	751	<b>751</b>
- after maturity 181–365 days	-	-	1,390	<b>1,390</b>
- after maturity >365 days	-	-	700	<b>700</b>
<b>Net</b>	<b>-</b>	<b>-</b>	<b>12,779</b>	<b>12,779</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>57,395</b>	<b>57,395</b>

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2014 were as follows:

<i>In thousands of EUR</i>	<b>Loans to other than credit institutions</b>	<b>Shares available for sale and other equity instruments</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	-	-	<b>8,883</b>	<b>8,883</b>
Impairment losses recognised during the period	-	-	4,000	<b>4,000</b>
Reversals of impairment losses recognised during the period	-	-	(2,654)	<b>(2,654)</b>
Differences due to foreign currency translation	-	-	(90)	<b>(90)</b>
<b>Balance at 31 December 2014</b>	-	-	<b>10,139</b>	<b>10,139</b>

**As at 31 December 2013**

<i>In thousands of EUR</i>	<b>Loans to other than credit institutions</b>	<b>Shares available for sale and other equity instruments</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
Before maturity (net)	780,461	2,219	327,194	<b>1,109,874</b>
After maturity (net)	-	-	20,429	<b>20,429</b>
<b>Total</b>	<b>780,461</b>	<b>2,219</b>	<b>347,623</b>	<b>1,130,303</b>

A – Assets for which a provision has been created (overdue and impaired)

- Gross	-	-	28,612	<b>28,612</b>
- specific loss allowance	-	-	(8,193)	<b>(8,193)</b>
- collective loss allowance	-	-	(690)	<b>(690)</b>
<b>Net</b>	-	-	<b>19,729</b>	<b>19,729</b>

B – Assets for which a provision has not been created (overdue but not impaired)

- after maturity <30 days	-	-	130	<b>130</b>
- after maturity 31–180 days	-	-	88	<b>88</b>
- after maturity 181–365 days	-	-	21	<b>21</b>
- after maturity >365 days	-	-	461	<b>461</b>
<b>Net</b>	-	-	<b>700</b>	<b>700</b>
<b>Total</b>	-	-	<b>20,429</b>	<b>20,429</b>

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2013 were as follows:

<i>In thousands of EUR</i>	<b>Loans to other than credit institutions</b>	<b>Shares available for sale and other equity instruments</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Balance at 1 January 2013</b>	-	-	<b>7,200</b>	<b>7,200</b>
Impairment losses recognised during the period	-	-	6,258	<b>6,258</b>
Use of allowance during the period (write-offs)	-	-	(3)	<b>(3)</b>
Reversals of impairment losses recognised during the period	-	-	(4,124)	<b>(4,124)</b>
Differences due to foreign currency translation	-	-	(448)	<b>(448)</b>
<b>Balance at 31 December 2013</b>	-	-	<b>8,883</b>	<b>8,883</b>

Impairment losses on trade receivables and other assets at 31 December 2014 and 31 December 2013 relate to several customers that have indicated that they do not expect to be able to pay their outstanding

balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on extensive analyses of the underlying ratings of the customers.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables and other assets that are not past due or past due by up to 30 days.

The allowance for impairment in respect of financial assets is used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Various methods of managing liquidity risk are used by individual companies in the Group.

The Group's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The Group also holds, as a part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

Typically the Group ensures that it has sufficient cash on demand and assets within short maturity to meet expected operational expenses for a period of 90 days, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below provides an analysis of financial assets and liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category.



## Maturities of financial assets and liabilities

As at 31 December 2014

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Contractual cash flows<sup>(1)</sup></b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity</b>
<b>Assets</b>							
Cash and cash equivalents	<b>238,387</b>	238,387	238,387	-	-	-	-
Trade receivables and other assets	<b>367,958</b>	<sup>(2)</sup> 331,204	203,152	44,039	22,347	-	61,666
Financial instruments and other financial assets	<b>829,207</b>	890,185	177,806	506,304	150,420	52,563	3,092
<i>out of which derivatives</i>	<b>7,719</b>	7,719	1,500	275	5,944	-	-
<b>Total</b>	<b>1,435,552</b>	<b>1,459,776</b>	<b>619,345</b>	<b>550,343</b>	<b>172,767</b>	<b>52,563</b>	<b>64,758</b>
<b>Liabilities</b>							
Loans and borrowings	<b>2,161,235</b>	2,645,601	<sup>(3)</sup> 387,117	79,039	1,161,025	1,018,420	-
Liabilities from returned capital contribution	<b>194,268</b>	194,268	194,268	-	-	-	-
Financial instruments and other financial liabilities	<b>1,510</b>	6,207	283	5,042	391	491	-
<i>out of which derivatives</i>	<b>1,510</b>	6,207	283	5,042	391	491	-
Trade payables and other liabilities	<b>422,944</b>	413,558	270,033	72,671	36,459	34,072	323
<b>Total</b>	<b>2,779,957</b>	<b>3,259,634</b>	<b>851,701</b>	<b>156,752</b>	<b>1,197,875</b>	<b>1,052,983</b>	<b>323</b>
<b>Net liquidity risk position</b>	<b>(1,344,405)</b>	<b>(1,799,858)</b>	<b>(232,356)</b>	<b>393,591</b>	<b>(1,025,108)</b>	<b>(1,000,420)</b>	<b>64,435</b>

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.

(2) Prepaid expenses and advances provided are excluded.

(3) This balance comprises overdrafts and revolving credit facility totalling EUR 84,134 thousand.

**As at 31 December 2013**

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Contractual cash flows <sup>(1)</sup></b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity</b>
<b>Assets</b>							
Cash and cash equivalents	<b>288,321</b>	288,321	288,321	-	-	-	-
Trade receivables and other assets	<b>347,623</b>	<sup>(2)</sup> 333,868	246,969	37,079	18,624	7	31,189
Financial instruments and other financial assets	<b>791,248</b>	815,288	1,214	489,385	269,407	10,211	45,071
<i>out of which derivatives</i>	<b>8,568</b>	8,568	1,200	2,190	5,178	-	-
<b>Total</b>	<b>1,427,192</b>	<b>1,437,477</b>	<b>536,504</b>	<b>526,464</b>	<b>288,031</b>	<b>10,218</b>	<b>76,260</b>
<b>Liabilities</b>							
Loans and borrowings	<b>1,826,275</b>	2,193,867	269,553	107,939	1,098,750	717,625	-
Financial instruments and other financial liabilities	<b>7,236</b>	6,345	2,095	2,958	963	329	-
<i>out of which derivatives</i>	<b>7,236</b>	6,345	2,095	2,958	963	329	-
Trade payables and other liabilities	<b>460,773</b>	458,395	316,895	65,030	44,247	31,793	430
<b>Total</b>	<b>2,294,284</b>	<b>2,685,607</b>	<b>588,543</b>	<b>175,927</b>	<b>1,143,960</b>	<b>749,747</b>	<b>430</b>
<b>Net liquidity risk position</b>	<b>(867,092)</b>	<b>(1,248,130)</b>	<b>(52,039)</b>	<b>350,537</b>	<b>(855,929)</b>	<b>(739,529)</b>	<b>75,830</b>

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.

(2) Prepaid expenses and advances provided are excluded.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

**(c) Interest rate risk**

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped together in the "maturity undefined" category.

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs and include mainly interest rate swaps.

These contracts are normally agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows from the underlying position.

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2014 is as follows:

<i>In thousands of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	238,230	-	-	157	<b>238,387</b>
Trade receivables and other assets	73,333	-	209	294,416	<b>367,958</b>
Financial instruments and other financial assets	488,750	280,278	8,288	51,891	<b>829,207</b>
<b>Total</b>	<b>800,313</b>	<b>280,278</b>	<b>8,497</b>	<b>346,464</b>	<b>1,435,552</b>
<b>Liabilities</b>					
Loans and borrowings	502,109	1,135,191	518,551	5,384	<b>2,161,235</b>
Liabilities from returned capital contribution	194,268	-	-	-	<b>194,268</b>
Financial instruments and financial liabilities	360	-	-	1,150	<b>1,510</b>
Trade payables and other liabilities	64,021	-	-	358,923	<b>422,944</b>
<b>Total</b>	<b>760,758</b>	<b>1,135,191</b>	<b>518,551</b>	<b>365,457</b>	<b>2,779,957</b>
<b>Net interest rate risk position</b>	<b>39,555</b>	<b>(854,913)</b>	<b>(510,054)</b>	<b>(18,993)</b>	<b>(1,344,405)</b>

Notional amounts of financial instruments are included in Note 33 – Financial instruments.

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2013 is as follows:

<i>In thousands of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	288,188	-	-	133	<b>288,321</b>
Trade receivables and other assets	335	-	-	347,288	<b>347,623</b>
Financial instruments and other financial assets	729,916	2,623	5,494	53,215	<b>791,248</b>
<b>Total</b>	<b>1,018,439</b>	<b>2,623</b>	<b>5,494</b>	<b>400,636</b>	<b>1,427,192</b>
<b>Liabilities</b>					
Loans and borrowings	511,327	768,000	540,680	6,268	<b>1,826,275</b>
Financial instruments and financial liabilities	4,181	-	329	2,726	<b>7,236</b>
Trade payables and other liabilities	5,013	9	5	455,746	<b>460,773</b>
<b>Total</b>	<b>520,521</b>	<b>768,009</b>	<b>541,014</b>	<b>464,740</b>	<b>2,294,284</b>
<b>Net interest rate risk position</b>	<b>497,918</b>	<b>(765,386)</b>	<b>(535,520)</b>	<b>(64,104)</b>	<b>(867,092)</b>

Notional amounts of financial instruments are included in Note 33 – Financial instruments.

### Sensitivity analysis

The Group performs stress testing using a standardised interest rate shock, i.e. an immediate decrease/increase in interest rates by 100 basis points ('bp') along the whole yield curve is applied to the interest rate positions of the portfolio.

At the reporting date, a change of 100 basis points in interest rates would have increased or decreased profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

*In thousands of EUR*

	2014	2013
Decrease in interest rates by 100 bp	28,030	46,864
Increase in interest rates by 100 bp	(28,030)	(46,864)

#### (d) Foreign exchange risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other than the respective functional currencies of Group entities, primarily EUR, USD and PLN.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forward exchange contracts, most with a maturity of less than one year.

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the Czech crown against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

As of 31 December 2014, the exposure to foreign exchange risk translated to thousands of EUR was as follows:

<i>In thousands of EUR</i>	CZK	USD	EUR	PLN	Other	Total
<b>Assets</b>						
Cash and cash equivalents	67,917	7	169,592	870	1	238,387
Trade receivables and other assets	134,742	-	225,113	8,103	-	367,958
Financial instruments and other financial assets	17,571	-	811,237	399	-	829,207
	<b>220,230</b>	<b>7</b>	<b>1,205,942</b>	<b>9,372</b>	<b>1</b>	<b>1,435,552</b>
Off-balance sheet assets	117,702	-	794,365	-	-	912,067
<i>Notional amounts of derivatives</i>	117,702	-	501,804	-	-	619,506
<b>Liabilities</b>						
Loans and borrowings	272,613	-	1,888,622	-	-	2,161,235
Liabilities from returned capital contribution	194,268	-	-	-	-	194,268
Financial instruments and other financial liabilities	519	-	991	-	-	1,510
Trade payables and other liabilities	105,666	1	310,667	6,610	-	422,944
	<b>573,066</b>	<b>1</b>	<b>2,200,280</b>	<b>6,610</b>	<b>-</b>	<b>2,779,957</b>
Off-balance sheet liabilities	214,171	-	581,437	-	-	795,608
<i>Notional amounts of derivatives</i>	195,643	-	402,918	-	-	598,561

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 33 – Financial instruments for more details).

As of 31 December 2013, the exposure to foreign exchange risk translated to thousands of EUR was as follows:

<i>In thousands of EUR</i>	<b>CZK</b>	<b>USD</b>	<b>EUR</b>	<b>PLN</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	88,717	6	198,707	890	1	<b>288,321</b>
Trade receivables and other assets	115,477	-	231,943	203	-	<b>347,623</b>
Financial instruments and other financial assets	15,807	-	775,441	-	-	<b>791,248</b>
	<b>220,001</b>	<b>6</b>	<b>1,206,091</b>	<b>1,093</b>	<b>1</b>	<b>1,427,192</b>
Off-balance sheet assets	3,745,717	-	1,129,183	-	-	4,874,900
<i>Notional amounts of derivatives*</i>	172,419	-	508,004	-	-	680,423
<b>Liabilities</b>						
Loans and borrowings	150,660	-	1,675,615	-	-	<b>1,826,275</b>
Financial instruments and other financial liabilities	806	-	6,430	-	-	<b>7,236</b>
Trade payables and other liabilities	119,744	50	338,083	2,849	47	<b>460,773</b>
	<b>271,210</b>	<b>50</b>	<b>2,020,128</b>	<b>2,849</b>	<b>47</b>	<b>2,294,284</b>
Off-balance sheet liabilities	218,063	-	741,134	-	-	959,197
<i>Notional amounts of derivatives*</i>	215,396	-	425,084	-	-	640,480

\* Also includes the spot part of forwards.

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 33 – Financial instruments for more details).

The following significant exchange rates applied during the period:

<b>CZK</b>	<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>Average rate</b>	<b>Reporting date spot rate</b>	<b>Average rate</b>	<b>Reporting date spot rate</b>
EUR 1	27.533	27.725	25.974	27.425
USD 1	20.746	22.834	19.565	19.894
PLN 1	6.582	6.492	6.189	6.603

### Sensitivity analysis

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR, USD and PLN at the reporting date would have increased (decreased) equity by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

<i>Effect in thousands of EUR</i>	<b>Profit (loss)</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
EUR (5% strengthening)	49,717	40,702
USD (5% strengthening)	-	2
PLN (5% strengthening)	(138)	88

A weakening of the Czech crown against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (e) Commodity risk

The Group is exposed to risks resulting from fluctuations in the prices of commodities, especially energy and emission rights, both on the supply and demand side. Various types of derivatives are used to reduce the exposure to fluctuations in commodity prices, especially swaps.

An increase/decrease in the price of electricity by 1 EUR per megawatt-hour would have increased/decreased profit from the derivative contracts by the amount as shown in the table below.

<i>Impact in thousands of EUR</i>	<b>Profit (loss)</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
Increase by 1 EUR per megawatt-hour	434	61
Decrease by 1 EUR per megawatt-hour	(434)	(61)

An increase/decrease in the price of energy by 5% would have increased/decreased profit from the derivatives by the amount as shown in the table below.

<i>Impact in thousands of EUR</i>	<b>Profit (loss)</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
Increase by 5%	890	256
Decrease by 5%	(890)	(256)

#### **(f) Operational risk**

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures which restrict initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to management within each subsidiary. This responsibility is supported by the development of overall standards within the Group for the management of operational risk, which is carried out by the Risk Department and covers the following areas:

- requirements for the reconciliation and monitoring of transactions
- identification of operational risk within the framework of each subsidiary's control system (development of conditions for decreasing and limitation of operational risk, as well as its impacts and consequences; recommendations for appropriate solutions in this area)
- this overview of the Group's operational risk events allows the Group to specify the direction of the steps and process to take in order to limit these risks, as well as to make decisions with regard to:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

#### **(g) Capital management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

<i>In thousands of EUR</i>	<b>31 December 2014</b>	<b>31 December 2013</b>
Total liabilities	3,559,575	3,046,606
Less: cash and cash equivalents	238,387	288,321
<b>Net debt</b>	<b>3,321,188</b>	<b>2,758,285</b>
Total equity attributable to equity holders of the Company	183,308	975,168
Less: amounts accumulated in equity relating to cash flow hedges	(85,715)	(80,231)
<b>Adjusted capital</b>	<b>269,023</b>	<b>1,055,399</b>
<b>Debt to adjusted capital</b>	<b>12.35</b>	<b>2.61</b>

### 38. Related parties

The Group has a related party relationship with its shareholders and other parties, as identified in the following table:

**(a) The summary of outstanding balances with related parties as at 31 December 2014 and 31 December 2013 was as follows:**

<i>In thousands of EUR</i>	<b>Accounts receivable and other financial assets  2014</b>	<b>Accounts payable and other financial liabilities  2014</b>	<b>Accounts receivable and other financial assets  2013</b>	<b>Accounts payable and other financial liabilities  2013</b>
Ultimate shareholders	771,780	456,731	732,677	3,574
Companies controlled by ultimate shareholders	5,920	7,424	2,117	4,205
Associates	-	12,656	5,498	140,341
Other related parties	10	25,423	19,768	3,880
<b>Total</b>	<b>777,690</b>	<b>502,234</b>	<b>760,060</b>	<b>152,000</b>

In addition, the Company reported EUR 80,204 thousand (2013: EUR 158,281 thousand) off-balance sheet in guarantees from the ultimate shareholder.

**(b) The summary of transactions with related parties during the period ended 31 December 2014 and 31 December 2013 was as follows:**

<i>In thousands of EUR</i>	<b>Revenues 2014</b>	<b>Expenses 2014</b>	<b>Revenues 2013</b>	<b>Expenses 2013</b>
Ultimate shareholders	39,184	44,130	18,407	109
Companies controlled by ultimate shareholders	5,503	16,607	3,046	4,408
Associates	148,105	17,897	24,409	3,682
Key management personnel of the entity or its parent	-	318	-	269
Other related parties	97	377	149	348
<b>Total</b>	<b>192,889</b>	<b>79,329</b>	<b>46,011</b>	<b>8,816</b>

Transactions with Key management are described in Note 39 – Group entities.

All transactions were performed under the arm's length principle.

### 39. Group entities

The list of the Group entities as at 31 December 2014 and 31 December 2013 is set out below:

		31 December 2014		31 December 2013		2014	2013
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
CE Energy, a.s.	Czech Republic	-	-	-	-	-	-
EP Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s. *	Czech Republic	49	Direct	49	Direct	Equity	Equity
Pražská teplárenská a.s.	Czech Republic	47.42	Direct	47.33	Direct	Full	Full
Pražská teplárenská Trading, a.s.	Czech Republic	100	Direct	-	-	Full	-
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	-	-	Full	-
Pražská teplárenská LPZ, a.s.	Czech Republic	100	Direct	-	-	Full	-
Nový Veleslavín, a.s.	Czech Republic	100	Direct	-	-	Full	-
Pod Juliskou, a.s.	Czech Republic	100	Direct	-	-	Full	-
Nová Invalidovna, a.s.	Czech Republic	100	Direct	-	-	Full	-
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	-	-	Full	-
Nové Modřany, a.s.	Czech Republic	100	Direct	-	-	Full	-
PT Properties I, a.s.	Czech Republic	100	Direct	-	-	Full	-
PT Properties II, a.s.	Czech Republic	100	Direct	-	-	Full	-
PT Properties III, a.s.	Czech Republic	100	Direct	-	-	Full	-
PT Properties IV, a.s.	Czech Republic	100	Direct	-	-	Full	-
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EKY III, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PRVNÍ MOSTECKÁ a.s.	Czech Republic	100	Direct	97.63	Direct	Full	Full <sup>(1)</sup>
PRVNÍ MOSTECKÁ Servis a.s.	Czech Republic	100	Direct	100	Direct	Full	Full <sup>(1)</sup>
EP Coal Trading, a.s. (former United Energy Coal Trading, a.s.)	Czech Republic	100	Direct	100	Direct	Full	Full
EOP & HOKA s.r.o.	Czech Republic	99.79	Direct	99.79	Direct	Full	Full
EOP HOKA POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland	100	Direct	-	-	At cost	-
EP COAL TRADING POLSKA S.A. (former UNITED ENERGY COAL TRADING POLSKA S.A.)	Poland	100	Direct	100	Direct	Full	Full
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
ADCONCRETUM REAL ESTATE ltd	Serbia	100	Direct	-	-	Full	-
Plzeňská energetika a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
VTE Moldava II, a.s. (former EP Renewables a.s.) *	Czech Republic	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	99.50	Direct	99.50	Direct	Full	Full
VTE Moldava, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
VTE Pastviny s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Renewables a.s. *	Czech Republic	100	Direct	-	-	Full	-
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	IFRS 5	IFRS 5
ČKD Blansko Wind, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	0.50	Direct	0.50	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full	Full
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s. r. o. *	Slovakia	80	Direct	80	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full	Full
ROLLEON a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full



		31 December 2014		31 December 2013		2014	2013
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
ENERGZET, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EBEH Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Reatex a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	50.16	Direct	50.07	Direct	Full	Full
Pražská teplárenská Trading, a.s.	Czech Republic	100	Direct	-	-	Full	-
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	-	-	Full	-
Pražská teplárenská LPZ, a.s.	Czech Republic	100	Direct	-	-	Full	-
Nový Veleslavín, a.s.	Czech Republic	100	Direct	-	-	Full	-
Pod Juliskou, a.s.	Czech Republic	100	Direct	-	-	Full	-
Nová Invalidovna, a.s.	Czech Republic	100	Direct	-	-	Full	-
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	-	-	Full	-
Nové Modřany, a.s.	Czech Republic	100	Direct	-	-	Full	-
PT Properties I, a.s.	Czech Republic	100	Direct	-	-	Full	-
PT Properties II, a.s.	Czech Republic	100	Direct	-	-	Full	-
PT Properties III, a.s.	Czech Republic	100	Direct	-	-	Full	-
PT Properties IV, a.s.	Czech Republic	100	Direct	-	-	Full	-
JTSD Braunkohlebergbau GmbH	Germany	100	Direct	100	Direct	Full	Full
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Full	Full
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Full	Full
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Full	Full
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Full	Full
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	51	Direct	51	Direct	Full	Full
Terrakomp GmbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
EP Germany GmbH *	Germany	100	Direct	100	Direct	Full	Full
Saale Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Schkopau GbR	Germany	41.90	Direct	41.90	Direct	Equity	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	44.40	Direct	44.40	Direct	Equity	Equity
EPH Financing II, a.s. * (2)	Czech Republic	-	-	100	Direct	-	Full
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská energetika – Distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SSE - Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika - Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	IFRS 5	Full
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	At cost	At cost
Energotel, a.s.	Slovakia	20	Direct	20	Direct	At cost	At cost
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	At cost	At cost
EP Cargo a.s.	Czech Republic	60	Direct	-	-	Full	-
EP Cargo Deutschland GmbH	Germany	100	Direct	-	-	At cost	-
PGP Terminal, a.s.	Czech Republic	60	Direct	-	-	At cost	-

\* *Special purpose entity (SPE)*

(1) *Full consolidation method has been applied since 14 January 2013 when the CEE Group obtained control over the entity.*

(2) *EPH Financing II, a.s. merged with EP Energy, a.s. as at 25 August 2014. EP Energy, a.s. is the successor company.*

The structure above is listed by ownership of companies at the different levels within the Group.

#### **Transactions with Members of the CEE Board**

CEE provided no monetary and non-monetary remuneration to the members of board of directors of the Company for the financial periods 2014 and 2013.

Remuneration of key CEE Group managers is included in Note 9 – Personnel expenses.

### **40. Litigations and claims**

#### **Elektrárny Opatovice, a.s.**

Elektrárny Opatovice, a.s. is involved in a dispute with its former minority shareholders who claim that compensation received for their shares through a compulsory sell-out procedure (“squeeze-out”) was inadequate, and who are challenging the underlying expert valuation. As the compensation was not paid by Elektrárny Opatovice, a.s. but instead by its former majority shareholder (International Holdings, B.V.), any resulting liability is thus expected to be the responsibility of the former shareholder.

#### **United Energy, a.s.**

United Energy, a.s. is involved in several disputes with its former shareholders, who claim that compensation received for their shares subject to a compulsory sell-out procedure (“squeeze-out”) was inadequate, and who are challenging the validity of the underlying resolution of the general shareholders meeting. The outcome of this matter is unforeseeable and United Energy, a.s. intends to defend itself.

In May 2014, Court of appeal came to the conclusion that one claim challenging the validity of the underlying resolution of the general shareholders meeting is not relevant and UE believes that this conclusion may serve as a precedent for the other claims.

#### **Plzeňská energetika a.s.**

In August 2012, Škoda Investment a.s. filed a claim for unjust enrichment against Plzeňská energetika a.s. for approximately EUR 2,272 thousand. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. CEE Group’s management believes that the claim is unfounded and should be dismissed by the court. For this reason Plzeňská energetika a.s. did not create a provision for this litigation as at 31 December 2014. First court hearing already took place on 14 October 2014 with no outcome. Škoda Investment a.s. was asked to provide further details clarifying the claim by mid of December 2014. These details were delivered in time and PE was then asked to provide its opinion. Following court hearing is planned to be scheduled for the end of first half of 2015.

#### **Mitteldeutsche Braunkohlengesellschaft mbH**

MIBRAG is involved in an ongoing dispute filed by 50Hertz Transmission GmbH (“50Hertz”) in Germany in 2011. 50Hertz operates an upstream transmission grid and seeks retroactive payment from MIBRAG for costs under the burden-sharing mechanism related to the promotion of renewable energies (the so-called EEG surcharge) between August 2004 and December 2008 under the German Renewable Energies Act (Erneuerbare Energien Gesetz). Transmission grid operators generally charge energy supply companies with the EEG surcharge depending on the quantity of electricity delivered by them to end customers. Energy supply companies are in turn entitled to pass the EEG surcharge on to end customers as a part of the electricity price. In March 2013, the District Court of Halle (Landgericht Halle) rendered a partial judgement in favour of 50Hertz ordering MIBRAG to provide detailed data on its deliveries of electricity to end customers from August 2004 to December 2008 to allow for a calculation of EEG surcharge payments potentially owed by MIBRAG. MIBRAG filed an appeal against the partial judgement.

On 6 February 2014, MIBRAG’s appeal was turned down by the Higher Regional Court, however, a further appeal of the partial judgement is possible and has already been filed with the Federal Supreme Court (Bundesgerichtshof). A decision is expected in 2015.

If the court ultimately decides in favour of 50Hertz that detailed data should be provided by MIBRAG to 50Hertz for the purposes of the calculation of a potential EEG surcharge for the above period, MIBRAG's liability could be significant.

**Stredoslovenská energetika, a.s. Group ("SSE Group")**

The SSE Group is a party to various legal proceedings. As of 31 December 2014 the legal provisions amount to EUR 99 thousand (31 December 2013: EUR 1,299 thousand). The CEE Group management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may prejudice the SSE Group.

Based on a reasonable estimate the SSE Group's management does not expect a significant material impact on the SSE Group due to on-going legal proceedings.

The SSE Group further faces a claim for EUR 42,952 thousand (derived from a historical conversion of the original claim base of Slovak crowns equivalent to USD 30,000 thousand) plus lawsuit costs. Based on the legal analysis of the case the SSE Group's management does not expect an impact on the SSE Group and considers the risk of failure in these proceedings to be unlikely. The SSE Group did not record any provision related to this lawsuit.

#### 41. Subsequent events

In January 2015, the Company drew a new bank loan from UniCredit Bank Czech Republic and Slovakia, a.s. ("the Bank") totalling EUR 75 million, which was used to purchase bonds in the same amount. On 11 March 2015, the bonds were cancelled. The Bank's security is at the same level as that of the bond holders.

In February 2015 the European Court of Justice issued preliminary ruling on gas emission allowances taxation in the Czech Republic. The Czech Republic levied a gift tax at a rate of 32% on greenhouse gas emission allowances acquired free of charge for electricity production. The European Court of Justice concluded that European law (namely Article 10 of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003) precludes the imposition of such tax if it does not respect the 10% ceiling on the allocation of emission allowances for consideration laid down in cited article. The Supreme Administrative Court of the Czech Republic is now obliged to apply this preliminary ruling and to determine an amount in which the tax shall be refundable. Following the Supreme Administrative Court ruling that is expected to be issued this year, the other public authorities (courts, tax offices) should conclude all disputes regarding the tax payment in such a way that the tax shall be refunded (in the amount set by the Supreme Administrative Court ruling). With respect to the CEE Group the refund might be in the region of up to EUR 18 million.

On 5 February 2015, a decrease in the registered capital of EP Energy, a.s. by EUR 243 million was recorded in the Commercial Register. As at the same date, a principal of a short-term loan granted by EP Energy, a.s. of EUR 60 million was offset with a receivable relating to the decreased registered capital. The remaining portion of the receivable of EUR 183 million was ceded to Energetický a průmyslový holding, a.s. at the same date. Subsequently, a receivable from the ceded receivable, and a loan provided to EPH, totalling EUR 261 million including a portion of unpaid interest was fully offset with the received non-interest bearing loan amounting to EUR 458 million. As a result, the principals of all loans provided between CEE and EPH were fully offset.


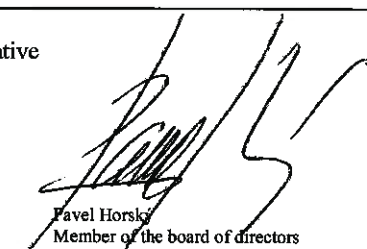
On 28 April 2015, CE Energy entered into a loan agreement as a borrower with UniCredit Bank Czech Republic and Slovakia, a.s. ("UNI") as a lender ("CEE UNI Loan Agreement"). The CEE UNI Loan Agreement provides for a loan of up to EUR 100,000 thousand for the main purpose of refinancing a EUR 75,000 thousand loan between CEE and UNI and for financing of repurchase of the CEE bonds by CE Energy.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2014.

#### Appendices\*:

##### Appendix 1 – Business combinations

\* Information contained in the appendices form part of the complete set of these consolidated financial statements.

<p>Date:</p>   <p>28 April 2015</p>	<p>Signature of the authorised representative</p>    <p>Marek Spurný Member of the board of directors</p> <p>Pavel Horský Member of the board of directors</p>
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## Appendix 1 – Business combinations

The following tables provide further information on the amounts recognised for assets acquired and liabilities assumed as at the acquisition date for individually significant business combinations through step acquisitions and acquisitions.

### Effect of acquisitions

#### i. 31 December 2013

#### PRVNÍ MOSTECKÁ a.s. including its subsidiary

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date are provided in the following table.

<i>In thousands of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment<sup>(2)</sup></b>	<b>2013 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	15,168	-	15,168
Trade receivables and other assets	21,288	-	21,288
Cash and cash equivalents	2,341	-	2,341
Provisions	(4)	-	(4)
Deferred tax liabilities	(1,126)	-	(1,126)
Trade payables and other liabilities	(24,860)	-	(24,860)
<b>Net identifiable assets and liabilities</b>	<b>12,807</b>	<b>-</b>	<b>12,807</b>
Non-controlling interest			(2,264)
Goodwill on step acquisition of a subsidiary			-
Negative goodwill on step acquisition of a subsidiary			(2,176)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>8,367</b>
Consideration paid, satisfied in cash (A)			2,341
Consideration, other			6,026
<b>Total consideration transferred</b>			<b>8,367</b>
Less: Cash acquired (B)			2,341
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>-</b>

(1) Represents values at 100% share

(2) The result of purchase price allocation was not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from business combinations in 2013.

Consideration paid represents cost paid by the direct parent company Severočeská teplárenská, a.s, a subsidiary of United Energy, a.s., for the acquisition of 35.29% share in PRVNÍ MOSTECKÁ a.s.

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	20,344
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	285

As the acquisition occurred as at 14 January 2013 and for the period from 1 January 2013 to 13 January 2013 there were no significant transactions, the amount of the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2013) is the same as stated in the table above.

### Stredoslovenská energetika, a.s. including its subsidiaries and associates

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date are provided in the following table.

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>2013 Total</b>
Property, plant, equipment, land, buildings	483,388	431,165	914,553
Intangible assets	21,936	7,177	29,113
Inventories	2,616	-	2,616
Trade receivables and other assets	55,903	-	55,903
Financial instruments – assets	21,291	-	21,291
Cash and cash equivalents	49,074	-	49,074
Provisions	(12,749)	-	(12,749)
Deferred tax liabilities	(17,567)	(100,819)	(118,386)
Loans and borrowings	(83,507)	-	(83,507)
Trade payables and other liabilities	(134,249)	-	(134,249)
<b>Net identifiable assets and liabilities</b>	<b>386,136</b>	<b>337,523</b>	<b>723,659</b>
Non-controlling interest			(368,983)
Goodwill on acquisition of new subsidiaries			-
Negative goodwill on acquisition of new subsidiaries			(15,624)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>339,052</b>
Consideration paid, satisfied in cash (A)			359,052
Consideration, other			-
Consideration, contingent			(20,000)
New shares issued			-
<b>Total consideration transferred</b>			<b>339,052</b>
Less: Cash acquired (B)			49,074
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(309,978)</b>

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	124,947
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	22,241

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)*	826,711
Profit (loss) of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)*	81,884

\* Before intercompany elimination

## Helmstedter Revier GmbH including its subsidiaries and associates

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date are provided in the following table.

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>2013 Total</b>
Property, plant, equipment, land, buildings	61,855	-	61,855
Intangible assets	3,518	-	3,518
Deferred tax asset	1,729	4,124	5,853
Inventories	8,088	-	8,088
Trade receivables and other assets	10,206	-	10,206
Cash and cash equivalents	38,384	-	38,384
Provisions	(115,424)	(14,245)	(129,669)
Trade payables and other liabilities	(3,961)	-	(3,961)
<b>Net identifiable assets and liabilities</b>	<b>4,395</b>	<b>(10,121)</b>	<b>(5,726)</b>
Non-controlling interest			(1,410)
Goodwill on acquisition of new subsidiaries			5,053
Negative goodwill on acquisition of new subsidiaries			-
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>(2,083)</b>
Consideration paid, satisfied in cash (A)			(8,142)
Consideration, other			6,059
Consideration, contingent			-
New shares issued			-
<b>Total consideration transferred</b>			<b><sup>(1)</sup>(2,083)</b>
Less: Cash acquired (B)			38,384
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>46,526</b>

(1) For more details for the negative purchase price see Note 6 – Acquisitions and contributions of subsidiaries, special purpose entities, joint-ventures and associates

Consideration paid represents cost received (negative purchase price) by the direct parent company JTSD Braunkohlebergbau GmbH. This amount was decreased by the compensation claim represented in the table above as other consideration.

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	-
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	-

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)*	<sup>(1)</sup> 3,346
Profit (loss) of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)*	<sup>(1)</sup> (14,282)

\* Before intercompany elimination

(1) Data from standalone financial statements of Helmstedter Revier GmbH for the period from 1 October to 31 December 2013 according to German GAAP