

# Report on the first three quarters of the year 2014 for CE Energy, a.s.

- ✓ Consolidated EBITDA reached EUR 241<sup>1</sup> million
- ✓ Consolidated pro forma adjusted EBITDA for the last twelve months EUR 360<sup>1</sup> million
- ✓ In November 2014, Fitch issued an update on CE Energy's rating - B+ with outlook stable.



CE Energy, a.s. (also "Company" or "CE Energy" or "Group" or "CEE" or "CEE Group") is a vertically integrated energy utility that includes 74 companies. In January 2014 CE Energy acquired a 100% share in EP Energy, a.s. (also "EP Energy" or "EPE" or "EPE Group"), which was the leading heat supplier in the Czech Republic, the second largest power generator in the Czech Republic and the third largest mining company in Germany in 2013. The Group benefits from relatively low exposure to market developments, as a significant majority of EBITDA is generated by regulated assets or assets with long term off take contracts. The Group's key operations are located in the Czech Republic, Germany and in the Slovak Republic.

<sup>1</sup> Stredoslovenská energetika (also "SSE") included on a proportionate basis

## KEY FIGURES AT A GLANCE

### Consolidated financial results in EUR millions

	1-9 2013 <sup>1</sup>	1-9 2014
Total sales	1,307.7	1,658.0
EBITDA <sup>2</sup>	280.0	270.6
EBITDA incl. SSE on a proportionate basis <sup>3</sup>	280.0	240.9
Pro forma Adjusted EBITDA (last twelve months) <sup>4</sup>		410.9
Pro forma Adjusted EBITDA incl. SSE on a proportionate basis (last twelve months) <sup>5</sup>		360.0
Total net debt per financial statements <sup>6</sup>		1,686.9
Total net debt per financial statements incl. SSE on a proportionate basis <sup>7</sup>		1,666.4
Indicative CE Energy Net Consolidated Leverage Ratio (incl. SSE on a prop. basis) <sup>8</sup>		4.44x
Profit from operations	102.8	48.0
Profit or loss before tax	30.2	(1.9)
Net profit or loss attributable to CEE	11.9	(10.5)
Total assets		4,111.5
CAPEX <sup>9</sup>	55.4	84.3

### Physical units (CEE excluding SSE)

	1-9 2013	1-9 2014
Coal production ..... Mt	14.2	15.4
Installed <i>cogeneration</i> Capacity <sup>10</sup> .. MW <sub>e</sub>	500	500
Installed <i>condensation</i> Capacity <sup>10</sup> MW <sub>e</sub>	360	750 <sup>15</sup>
Installed heat capacity <sup>10,14</sup> ..... MW <sub>th</sub>	3,250	3,195
Heat supplied <sup>10,11</sup> ..... TJ <sup>13</sup>	12,892	10,237
Power produced <sup>10</sup> ..... GWh	2,126	3,977
Power traded <sup>10,12</sup> ..... GWh	13,675	11,165
Power supplied <sup>10</sup> ..... GWh	1,538	1,479
Natural gas supplied <sup>10</sup> ..... GWh	1,461	2,271
Saale Energie ..... MW <sub>e</sub>	400	400

### Physical units SSE

	1-9 2013	1-9 2014
Power distributed ..... GWh	4,335	4,275
Power traded..... GWh	3,853	4,195
Power supplied ..... GWh	3,222	3,143
Natural gas supplied ..... GWh	59	147
Power produced ..... GWh	16	16
Installed capacity ..... MW <sub>e</sub>	62	63

(1) Operations of CEE for the first three quarters 2013 are represented by consolidated results of the EPE Group.

(2) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable) with the SSE EBITDA included on a fully consolidated basis (i.e. EUR 58.1 million). The EBITDA included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the CEE Group. For further discussion over the CEE Group performance refer to the following pages and to the Report for the first three quarters of the year 2014 for EP Energy, a.s.

(3) EBITDA incl. SSE on a proportionate basis represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable) with the SSE EBITDA included on the proportionate 49% basis (i.e. EUR 28.5 million). The EBITDA incl. SSE on a proportionate basis included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the CEE Group. For further discussion over the CEE Group performance refer to the following pages and to the Report for the first three quarters of the year 2014 for EP Energy, a.s.

(4) Pro forma Adjusted EBITDA (last twelve months) calculation in EUR millions:

Actual IFRS EBITDA for the period Jan – Sep 2014	270.6
Actual IFRS EBITDA for the period Jan – Dec 2013*	383.5
Actual IFRS EBITDA for the period Jan – Sep 2013*	(280.0)
Pro forma SSE scope adjustment for the period Oct – Nov 2013	23.5
Saale Energie adjustment	8.3
MIBRAG overburden adjustment	(3.6)
Goodwill impairment losses adjustment	8.6
<b>Pro forma Adjusted EBITDA (last twelve months)</b>	<b>410.9</b>

\*Operations of CEE for the first three quarters 2013 and for the year 2013 are represented by consolidated results of the EPE Group.

To derive Pro forma Adjusted EBITDA for the period from Oct 1, 2013 to Sep 30, 2014, CEE utilized IFRS consolidated statement of comprehensive income of EP Energy, a.s. for the year ended December 31, 2013 (EBITDA of EUR 383.5 million), IFRS condensed consolidated interim statement of comprehensive income of CE Energy, a.s. for the nine-month period ended September 30, 2014 (EBITDA of EUR 270.6 million) and IFRS condensed consolidated interim statement of comprehensive income of EP Energy, a.s. for the nine-month period ended September 30, 2013 (EBITDA of 280.0 million) as comparatives.

The historical financial information of the CEE Group have been further adjusted to reflect a consolidation of a 49% share (associated with a management control) in Stredoslovenská energetika, a.s. (also “SSE”) and its subsidiaries using the full method of consolidation including related changes in financing as if the SSE Group was acquired effectively on January 1, 2013. Pro forma adjustment in the amount of EUR 23.5 million is related to the period Oct – Nov 2013.

Pro forma Adjusted EBITDA (last twelve months) represents pro forma profit from operations plus pro forma depreciation of property, plant and equipment and pro forma amortization of intangible assets minus pro forma negative goodwill (if applicable) with the SSE EBITDA included on a fully consolidated basis, further adjusted to exclude effect of certain transactions (all for the twelve-month period ended September 30, 2014):

(a) the items related to Saale Energie, which lead to an EUR 8.3 million decrease to EBITDA in the twelve-month period ended September 30, 2014, which, due to the accounting treatment of the

specific contractual arrangement with Schkopau (an associate of Saale Energie), are charged to operating costs of Saale Energie but relate to entries that would otherwise not be included in EBITDA.

(b) the impact of capitalisation of overburden accounted for in MIBRAG, which lead to an EUR 3.6 million increase to EBITDA for the twelve-month period ended September 30, 2014.

(c) the impact of non-cash goodwill impairment losses of Renewables segment, which lead to an EUR 8.6 million decrease to EBITDA in the twelve-month period ended September 30, 2014.

For information purposes only, a 51% share of non-controlling interest of Stredoslovenská energetika, a.s. and its subsidiaries on the Pro forma Adjusted EBITDA amounted to EUR 50.9 million in the twelve-month period ended September 30, 2014 (of which EUR 38.8 million relates to the period from December 1, 2013 to September 30, 2014 and EUR 12.1 million relates to the period from October 1, 2013 to November 30, 2013).

The Pro forma Adjusted EBITDA included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the CEE Group. For further discussion over the CEE Group performance refer to the Report for the first three quarters of the year 2014 for EP Energy, a.s.

(5) Pro forma Adjusted EBITDA incl. SSE on a proportionate basis (last twelve months) represents Pro forma Adjusted EBITDA (last twelve months) further adjusted to exclude a non-controlling interest of 51% of SSE EBITDA (i.e. EUR 50.9 million).

The Pro forma Adjusted EBITDA incl. SSE on a proportionate basis included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the CEE Group. For further discussion over the CEE Group performance refer the Report for the first three quarters of the year 2014 for EP Energy, a.s.

(6) Total net debt balance is based on the consolidated financial statements of CEE (Total Loans and borrowings (EUR 3,041.9 million) plus Total Financial instruments and financial liabilities (EUR 2.0 million) less Cash and cash equivalents (EUR 185.8 million)), but excludes the subordinated loans and borrowings owed to Energetický a průmyslový holding, a.s. (also "EPH") of EUR 1,158.7 million and liabilities towards Pražská teplotárenská Holding, a.s. (also "PTH") of EUR 12.6 million. The Total net debt included in this report does not represent the term Indebtedness as may be defined by any documentation for any financial liabilities of the CEE or EPE Group.

(7) Total net debt incl. SSE on a proportionate basis is represented by the Total net debt as defined above less a portion of net debt totalling EUR 20.5 million belonging to a minority shareholder of Stredoslovenská energetika, a.s. The Total net debt incl. SSE on a proportionate basis included in this report does not represent the term Indebtedness as may be defined by any documentation for any financial liabilities of the CEE or EPE Group.

(8) We include in this report the calculation as of September 30, 2014 of our "Net Consolidated Leverage Ratio", as defined in the CE Energy Indenture. The calculation of our Net Consolidated Leverage Ratio differs from any leverage ratio included in the offering memoranda for the senior notes or otherwise included herein, and consistent with the definition, is made on the basis of certain good faith judgments made by us.

(9) Excluding emission allowances

(10) The operating data is based on the results of the respective entities on a 100% basis for the full period, regardless of the date when each entity joined the CEE Group or the ownership share of the CEE Group in each entity. Nevertheless, operating data for MIBRAG and Saale Energie are excluded and the data for Helmstedter Revier GmbH is included in the 3Q 2014 figures only.

(11) Represented by Elektrárny Opatovice, a.s. (also "EOP"), Severočeská teplárenská, a.s. (also "ST"), Plzeňská energetika a.s. (also "PE") and Pražská teplárenská a.s. (also "PT").

(12) Please note that there was a change in the methodology of reporting of power traded (thus the volume for the first three quarters 2013 mentioned above does not correspond to the number reported last year). This change represents an inclusion of the financial derivatives into the total volume of power traded. We changed the approach in order to reflect more accurately the activity of the power trading in the report because financial derivatives represent an important part of the power trading.

(13) 1 TJ = 0,2778 GWh

(14) Installed heat capacity on heat exchangers.

(15) Installed condensation capacity as of September 30, 2014 includes additional 390 MW<sub>e</sub> related to Helmstedter Revier GmbH as compared to 360 MW<sub>e</sub> for EOP, PE, PT and United Energy as of September 30, 2013.

For additional information please also refer to the Report on the first three quarters of the year 2014 for EP Energy, a.s. which forms a part of the complete set of this report.

## **CONTENT:**

The word from management	
Financial condition and results of operations of the CEE Group as of and for the nine-month period ended September 30, 2014	1
Description of material differences in the financial condition and results of operations between CE Energy and EP Energy (both on a fully consolidated basis)	5
Subsequent events	6
Appendix 1	7
Appendix 2	13

## **Attachments:**

EP Energy, a.s. – Unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2014 are presented in a separate file as an attachment to this report

EP Energy, a.s. – Report for the first three quarters of the year 2014 for EP Energy, a.s. is presented in a separate file as an attachment to this report

Dear investors and partners,

Our first three quarters 2014 IFRS EBITDA reached EUR 241 million, which is in comparison to the first three quarters 2013 lower by approximately 14%.

Our business operations, particularly in Power and Heat segment, were influenced by a warm winter in the first quarter 2014 and to lesser extent by declining power prices. Less favorable conditions for the Power and Heat segment persisted also in the second and third quarter 2014. The Pro forma Adjusted EBITDA for the twelve-month period ended September 30, 2014, reflecting proportionate consolidation of SSE and consolidation of HSR since January 1, 2014, reached EUR 360 million as compared to EUR 425 million for 2013.

As mentioned above, the primary reason was the unusually warm winter -- the day-degrees (metrics comparing the indoor-to-outdoor temperature difference integrated over defined time period, the primary determinant of space heating needs) 3Q2014-to-3Q2013 were 26% lower. However, due to decoupled capacity-energy pricing that we use in our key operations the impact of the temperatures was below-proportional. Further, the following three other factors influenced our 3Q 2014 EBITDA:

- Firstly, results of Stredoslovenská energetika were adversely impacted by the time-shifted reimbursement of regulatory charges relating to green energy subsidies to renewable energy producers in the central Slovakia region (paid by SSE and later reimbursed by system operator). The adverse financial effect shall be, according to the legislation, compensated in two years' time. Nevertheless, we are in intense negotiations with the regulator to seek earlier compensation. In August we reached a partial agreement on an increase of the distribution tariff which shall materialize in a compensation of EUR 17-21 million.
- Secondly, even though we primarily rely on heat generation within our Heat and Power segment, continuously weakening power prices, together with lower electricity consumption (again due to warm winter), negatively influenced our results.
- Finally, foreign exchange rate intervention executed by the Czech National Bank in November 2013 resulting in EUR/CZK spot rate deterioration by approximately 7% leads to lower translation of operating results denominated in CZK to EUR denominated EBITDA figures. Following the Czech National Bank's statements, we believe, that the foreign exchange rate change is temporary and should be reversing in future.

To react on the pressure by above mentioned factors, we have launched operating expenses and capital expenditure cuts program. The first impacts are expected to materialize already in 2014 results. Our initial expected savings are up to EUR 20 million per year ramping up based on particular deployment of savings and optimization measures.

On behalf of the Board of Directors and everyone at CE Energy, I would like to thank you for your ongoing support as we strive to continue creating the shareholder value while keeping our low risk-profile.

Yours faithfully,



Pavel Horský  
Member of the Board

# Financial condition and results of operations of the CEE Group as of and for the nine-month period ended September 30, 2014

## Condensed consolidated interim statement of comprehensive income

For the nine-month period ended September 30, 2014

In thousands of EUR ("TEUR")

	30 September 2014 (nine months) (unaudited)	30 September 2013 (nine months) <sup>(1)</sup> (unaudited)
Sales: Energy	1,577,811	1,243,136
<i>of which: Electricity</i>	<i>1,055,142</i>	<i>672,401</i>
Heat	179,249	221,040
Coal	199,121	212,341
Gas	144,057	137,354
Other energy products	242	-
Sales: Other	80,158	64,580
<b>Total sales</b>	<b>1,657,969</b>	<b>1,307,716</b>
Cost of sales: Energy	(1,069,192)	(801,134)
Cost of sales: Other	(38,987)	(16,893)
<b>Total cost of sales</b>	<b>(1,108,179)</b>	<b>(818,027)</b>
	<b>549,790</b>	<b>489,689</b>
Personnel expenses	(188,879)	(134,597)
Depreciation and amortisation	(222,525)	(179,333)
Repairs and maintenance	(10,579)	(10,485)
Emission rights, net	(15,768)	(26,213)
Negative goodwill	-	2,176
Taxes and charges	(9,184)	(7,495)
Other operating income	44,805	50,988
Other operating expenses	(99,629)	(81,900)
<b>Profit (loss) from operations</b>	<b>48,031</b>	<b>102,830</b>
Finance income	42,875	21,358
Finance expense	(105,252)	(80,113)
Profit (loss) from derivative financial instruments	13,728	(7,806)
<b>Net finance income (expense)</b>	<b>(48,649)</b>	<b>(66,561)</b>
Share of profit (loss) of equity accounted investees, net of tax	(1,243)	(5,359)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	(668)
<b>Profit (loss) before income tax</b>	<b>(1,861)</b>	<b>30,242</b>
Income tax revenues (expenses)	(5,253)	(17,786)
<b>Profit (loss) for the period</b>	<b>(7,114)</b>	<b>12,456</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation differences for foreign operations	1,406	1,159
Foreign currency translation differences for presentation currency	(3,424)	(36,149)
Effective portion of changes in fair value of cash flow hedges, net of tax	(3,600)	(3,120)
Fair value reserve included in other comprehensive income	(3,454)	-
<b>Other comprehensive income for the period, net of tax</b>	<b>(9,072)</b>	<b>(38,110)</b>
<b>Total comprehensive income for the period</b>	<b>(16,186)</b>	<b>(25,654)</b>
<b>Profit (loss) attributable to:</b>		
Owners of the Company	(10,461)	11,905
Non-controlling interest	3,347	551
<b>Profit (loss) for the period</b>	<b>(7,114)</b>	<b>12,456</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	(20,504)	(23,758)
Non-controlling interest	4,318	(1,896)
<b>Total comprehensive income for the period</b>	<b>(16,186)</b>	<b>(25,654)</b>

(1) Unaudited condensed consolidated interim statement of comprehensive income of EP Energy for the nine-month period ended September 30, 2013



## Condensed consolidated interim statement of financial position

As of September 30, 2014

In thousands of EUR ("TEUR")

	30 September 2014 (unaudited)	31 December 2013 <sup>1</sup> (unaudited)
<b>Assets</b>		
Property, plant and equipment	2,279,347	2,433,472
Intangible assets	148,233	186,685
Goodwill	96,986	92,545
Investment property	323	324
Participations with significant influence	128,769	260,800
Financial instruments and other financial assets	284,117	274,359
<i>of which receivables from the parent company</i>	<i>275,138</i>	<i>261,284</i>
Trade receivables and other assets	12,309	29,380
Deferred tax assets	9,676	8,014
<b>Total non-current assets</b>	<b>2,959,760</b>	<b>3,285,579</b>
Inventories	78,378	69,992
Extracted minerals and mineral products	5,946	6,136
Trade receivables and other assets	280,135	318,290
Financial instruments and other financial assets	536,481	516,842
<i>of which receivables from the parent company</i>	<i>481,435</i>	<i>467,104</i>
Prepayments and other deferrals	3,939	3,345
Tax receivables	37,549	13,406
Cash and cash equivalents	185,752	288,321
Assets/disposal groups held for sale	23,568	49
<b>Total current assets</b>	<b>1,151,748</b>	<b>1,216,381</b>
<b>Total assets</b>	<b>4,111,508</b>	<b>4,501,960</b>
<b>Equity</b>		
Share capital	78	78
Reserves	(1,055,749)	529,657
Retained earnings	510,393	445,433
<b>Total equity attributable to equity holders</b>	<b>(545,278)</b>	<b>975,168</b>
Non-controlling interest	442,638	480,186
<b>Total equity</b>	<b>(102,640)</b>	<b>1,455,354</b>
<b>Liabilities</b>		
Loans and borrowings	3,006,848	1,513,784
<i>of which owed to the parent company</i>	<i>1,158,668</i>	-
Financial instruments and other financial liabilities	834	1,649
Provisions	336,263	339,219
Deferred income	32,595	39,898
Deferred tax liabilities	252,191	269,463
Trade payables and other liabilities	71,264	76,679
<b>Total non-current liabilities</b>	<b>3,699,995</b>	<b>2,240,692</b>
Trade payables and other liabilities	340,502	384,094
Loans and borrowings	34,994	312,491
<i>of which owed to the parent company</i>	<i>2,418</i>	<i>2,287</i>
Financial instruments and other financial liabilities	1,204	5,587
Provisions	73,613	93,726
Deferred income	40,045	2,124
Current income tax liability	5,333	7,892
Liabilities from disposal groups held for sale	18,462	-
<b>Total current liabilities</b>	<b>514,153</b>	<b>805,914</b>
<b>Total liabilities</b>	<b>4,214,148</b>	<b>3,046,606</b>
<b>Total equity and liabilities</b>	<b>4,111,508</b>	<b>4,501,960</b>

(1) Unaudited consolidated statement of financial position of CE Energy as of December 31, 2013

## Condensed consolidated interim statement of cash flows

For the nine-month period ended September 30, 2014

In thousands of EUR ("TEUR")

	30 September 2014 (nine months) (unaudited)	30 September 2013 (nine months) <sup>1</sup> (unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit (loss) for the period	(7,114)	12,456
<i>Adjustments for:</i>		
Income taxes	5,253	17,786
Depreciation and amortisation	222,525	179,333
Dividend income	(235)	-
Impairment losses on property, plant and equipment and intangible assets	472	2,835
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	1,144	1,126
(Gain) loss on disposal of inventories	(451)	(155)
Emission rights	15,768	26,213
(Gain) loss on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	-	668
Share of (profit) loss of equity accounted investees	1,243	5,359
(Gain) loss on financial instruments	(13,728)	7,806
Net interest expense	62,583	53,125
Change in allowance for impairment to trade receivables and other assets, write-offs	2,011	1,981
Change in provisions	(29,138)	(9,553)
Negative goodwill	-	(2,176)
Unrealised foreign exchange (gains) losses, net	(4,012)	(33,956)
<b>Operating profit (loss) before changes in working capital</b>	<b>256,321</b>	<b>262,848</b>
Change in financial instruments at other than fair value	5,166	(152,577)
Change in trade receivables and other assets	56,618	21,087
Change in inventories (including proceeds from sale)	(8,039)	(31,688)
Change in extracted minerals and mineral products	190	(1,320)
Change in assets held for sale and related liabilities	3,111	-
Change in trade payables and other liabilities	(26,543)	(4,738)
<b>Cash generated from (used in) operations</b>	<b>286,824</b>	<b>93,612</b>
Interest paid	(54,539)	(35,222)
Income taxes paid	(49,902)	(40,503)
<b>Cash flows generated from (used in) operating activities</b>	<b>182,383</b>	<b>17,887</b>
<b>INVESTING ACTIVITIES</b>		
Received dividends from equity accounted investees	4,183	25,669
Proceeds from sale of financial instruments – derivatives	7,927	311
Acquisition of property, plant and equipment, investment property and other intangible assets	(84,271)	(55,416)
Purchase of emission rights	(7,341)	(5,864)
Proceeds from sale of emission rights	1,169	427
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	3,221	2,291
Acquisition of subsidiaries and special purpose entities, net of cash acquired	(2,326)	-
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	-	7,052
Increase in participation in existing subsidiaries and special purpose entities	-	(7,301)
Proceeds from sale of participation with significant influence	-	233
Interest received	330	311
<b>Cash flows from (used in) investing activities</b>	<b>(77,108)</b>	<b>(32,287)</b>

**FINANCING ACTIVITIES**

Proceeds from issue of share capital	-	1,171
Proceeds from loans received	83,878	531,086
Repayments of borrowings	(729,533)	(870,335)
Proceeds from bonds issued	492,203	594,540
Dividends paid	(53,851)	(317,968)
<b>Cash flows from (used in) financing activities</b>	<b>(207,303)</b>	<b>(61,506)</b>
<i>Net increase (decrease) in cash and cash equivalents</i>	<i>(102,028)</i>	<i>(75,906)</i>
<b>Cash and cash equivalents at beginning of the period</b>	<b>288,321</b>	<b>325,099</b>
Effect of exchange rate fluctuations on cash held	(541)	(2,680)
<b>Cash and cash equivalents at end of the period</b>	<b>185,752</b>	<b>246,513</b>

(1) Unaudited condensed consolidated interim statement of cash flows of EP Energy for the nine-month period ended September 30, 2013

## **Description of material differences in the financial condition and results of operations between CE Energy and EP Energy (both on a fully consolidated basis)**

For information purposes, on December 30, 2013, CE Energy drew a bank loan of EUR 269.6 million and provided funds of EUR 261.3 million to Energetický a průmyslový holding.

On January 24, 2014, CE Energy acquired all of the outstanding shares of EP Energy from Energetický a průmyslový holding for EUR 1,500.3 million and recognized a subordinated intercompany loan of the same amount.

On January 30, 2014, EP Energy provided a loan of EUR 60.0 million to CE Energy.

On January 30, 2014, CE Energy made a repayment of the bank loan of EUR 45.9 million.

On February 7, 2014, CE Energy issued Senior Notes due in 2021 (the "2021 Notes") of EUR 500.0 million, pursuant to an intercreditor agreement. The 2021 Notes bear interest at 7.000% per annum, payable semi-annually on each 1 February and August 1, beginning on 1 August 2014. The intercompany loans to Energetický a průmyslový holding are subordinated to the 2021 Notes.

The 2021 Notes are secured by a pledge of 100% of the capital stock of CE Energy and by a pledge of 50% minus one share of the capital stock of EP Energy. 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, the incurrence of indebtedness, restricted payments, transactions with affiliates, liens and sales of assets.

On February 7, 2014, proceeds from the 2021 Notes less upfront fee were used for a repayment of a remaining balance of the bank loan amounting to EUR 223.8 million and for a repayment of a part of the intercompany loans totalling EUR 250.5 million.

On May 7, 2014, EPE declared and distributed a dividend of EUR 89.9 million to CE Energy which was then used as a partial repayment of the intercompany loan to Energetický a průmyslový holding.

On July 31, 2014, CE Energy paid EUR 16.9 million of bond interests.

On August 14, 2014, CE Energy, as a sole shareholder of EPE, decided on a non-cash decrease of share capital by EUR 245 million (CZK 6,725 million) to optimise the EPE's capital structure.

As of September 30, 2014, after payment of bond interests CE Energy had EUR 19.95 million on its bank account, which together with an EUR 18 million dividend received from EPE on October 22, 2014 sufficiently cover two upcoming semi-annual payments on the 2021 Notes.

For additional information on Economy and Market development, Reporting and Management's discussion and analysis of financial condition and results of operations, Risk factors please also refer to the Report on the first three quarters of the year 2014 for EP Energy, a.s.

## **Subsequent events**

On October 9, 2014, EP Energy, a.s. acquired a 60% share in PGP Terminal, a.s. for EUR 700 thousand.

On October 22, 2014, EP Energy, a.s. declared and paid an interim dividend of EUR 18 million to CE Energy, a.s.

On October 22, 2014, EP Energy, a.s. prepaid EUR 50 million of the Stredoslovenská energetika acquisition loan.

Except for the matters described above and elsewhere in the Report for the first three quarters of the year 2014 for CE Energy, a.s. or EP Energy, a.s. or in the Notes to Condensed Consolidated Interim Financial Statements of EP Energy, a.s. as of and for the nine-month period ended September 30, 2014, the CEE's management is not aware of any other material subsequent events that could have an effect on the condensed consolidated interim financial statements as at September 30, 2014.

## Appendix 1

### Details of adjustments recorded to the EPE's condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2014 to derive CEE's condensed consolidated interim financial statements for the same period

The following tables set forth the condensed consolidated interim statement of comprehensive income of CE Energy for the nine-month period ended September 30, 2014, the condensed consolidated interim statement of financial position of CE Energy as of September 30, 2014, and the condensed consolidated interim statement of cash flows of CE Energy for the nine-month period ended September 30, 2014 derived from the EPE's condensed consolidated interim financial statements for the nine-month period ended September 30, 2014.

#### Consolidated statement of comprehensive income

For the nine-month period ended September 30, 2014

In thousands of EUR ("TEUR")

	EPE consolidated figures <sup>1</sup> (unaudited)	CEE standalone income statement <sup>2</sup> Adjustment 1 (unaudited)	Intercompany eliminations <sup>3</sup> Adjustment 2 (unaudited)	Related FX impact <sup>4</sup> Adjustment 3 (unaudited)	CE Energy consolidated figures (unaudited)
Sales: Energy	1,577,811	-	-	-	1,577,811
<i>of which: Electricity</i>	1,055,142	-	-	-	1,055,142
<i>Heat</i>	179,249	-	-	-	179,249
<i>Coal</i>	199,121	-	-	-	199,121
<i>Gas</i>	144,057	-	-	-	144,057
<i>Other energy products</i>	242	-	-	-	242
Sales: Other	80,158	-	-	-	80,158
<b>Total sales</b>	<b>1,657,969</b>	-	-	-	<b>1,657,969</b>
Cost of sales: Energy	(1,069,192)	-	-	-	(1,069,192)
Cost of sales: Other	(38,987)	-	-	-	(38,987)
<b>Total cost of sales</b>	<b>(1,108,179)</b>	-	-	-	<b>(1,108,179)</b>
	<b>549,790</b>	-	-	-	<b>549,790</b>
Personnel expenses	(188,879)	-	-	-	(188,879)
Depreciation and amortisation	(222,525)	-	-	-	(222,525)
Repairs and maintenance	(10,579)	-	-	-	(10,579)
Emission rights, net	(15,768)	-	-	-	(15,768)
Taxes and charges	(9,184)	-	-	-	(9,184)
Other operating income	44,805	-	-	-	44,805
Other operating expenses	(99,513)	(116)	-	-	(99,629)
<b>Profit (loss) from operations</b>	<b>48,147</b>	<b>(116)</b>	-	-	<b>48,031</b>

Finance income	27,884	16,503	(1,512)	-	42,875
Finance expense	(78,308)	(28,456)	1,512	-	(105,252)
Profit (loss) from derivative financial instruments	13,683	45	-	-	13,728
Income from controlled entities	-	89,921	(89,921)	-	-
<b>Net finance income (expense)</b>	<b>(36,741)</b>	<b>78,013</b>	<b>(89,921)</b>	<b>-</b>	<b>(48,649)</b>
Share of profit (loss) of equity accounted investees, net of tax	(1,243)	-	-	-	(1,243)
<b>Profit (loss) before income tax</b>	<b>10,163</b>	<b>77,897</b>	<b>(89,921)</b>	<b>-</b>	<b>(1,861)</b>
Income tax revenues (expenses)	(3,839)	(1,414)	-	-	(5,253)
<b>Profit (loss) for the period</b>	<b>6,324</b>	<b>76,483</b>	<b>(89,921)</b>	<b>-</b>	<b>(7,114)</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>					
Foreign currency translation differences for foreign operations	1,406	-	-	-	1,406
Foreign currency translation differences for presentation currency	4,813	-	-	(8,237)	(3,424)
Fair value reserve included in other comprehensive income	(3,600)	-	-	-	(3,600)
Effective portion of changes in fair value of cash flow hedges, net of tax	(3,454)	-	-	-	(3,454)
<b>Other comprehensive income for the period, net of tax</b>	<b>(835)</b>	<b>-</b>	<b>-</b>	<b>(8,237)</b>	<b>(9,072)</b>
<b>Total comprehensive income for the period</b>	<b>5,489</b>	<b>76,483</b>	<b>(89,921)</b>	<b>(8,237)</b>	<b>(16,186)</b>
<b>Profit (loss) attributable to:</b>					
Owners of the Company	2,977	76,483	(89,921)	-	(10,461)
Non-controlling interest	3,347	-	-	-	3,347
<b>Profit (loss) for the period</b>	<b>6,324</b>	<b>76,483</b>	<b>(89,921)</b>	<b>-</b>	<b>(7,114)</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company	1,171	76,483	(89,921)	(8,237)	(20,504)
Non-controlling interest	4,318	-	-	-	4,318
<b>Total comprehensive income for the period</b>	<b>5,489</b>	<b>76,483</b>	<b>(89,921)</b>	<b>(8,237)</b>	<b>(16,186)</b>

(1) Unaudited condensed consolidated interim statement of comprehensive income of EP Energy, a.s. for the nine-month period ended September 30, 2014

(2) In the Adjustment 1, EPE consolidated figures have been adjusted to include CEE unaudited statutory statement of comprehensive income for the nine-month period ended September 30, 2014.

(3) The Adjustment 2 covers eliminations of intercompany transactions between EPE and CEE for the nine-month period ended September 30, 2014.

(4) The Adjustment 3 represents foreign exchange differences.

## Condensed consolidated interim statement of financial position

As of September 30, 2014

In thousands of EUR ("TEUR")

	EPE consolidated figures <sup>1</sup>	CEE standalone statement of financial position <sup>2</sup>	Intercompany eliminations <sup>3</sup>	Elimination of investment and equity of EPE and related FX impact <sup>4</sup>	CE Energy consolidated figures
	(unaudited)	Adjustment 1 (unaudited)	Adjustment 2 (unaudited)	Adjustment 3 (unaudited)	(unaudited)
<b>Assets</b>					
Property, plant and equipment	2,279,347	-	-	-	2,279,347
Intangible assets	148,233	-	-	-	148,233
Goodwill	96,986	-	-	-	96,986
Investment property	323	-	-	-	323
Participations with control	-	1,501,634	-	(1,501,634)	-
Participations with significant influence	128,769	-	-	-	128,769
Financial instruments and other financial assets	8,979	275,138	-	-	284,117
<i>of which receivables from the parent company</i>	-	275,138	-	-	275,138
Trade receivables and other assets	12,309	-	-	-	12,309
Deferred tax assets	9,676	-	-	-	9,676
<b>Total non-current assets</b>	<b>2,684,622</b>	<b>1,776,772</b>	<b>-</b>	<b>(1,501,634)</b>	<b>2,959,760</b>
Inventories	78,378	-	-	-	78,378
Extracted minerals and mineral products	5,946	-	-	-	5,946
Trade receivables and other assets	280,178	37	(80)	-	280,135
Financial instruments and other financial assets	597,915	-	(61,434)	-	536,481
<i>of which receivables from the parent company</i>	542,869	-	(61,434)	-	481,435
Prepayments and other deferrals	3,939	-	-	-	3,939
Tax receivables	37,549	-	-	-	37,549
Cash and cash equivalents	165,798	19,954	-	-	185,752
Assets/disposal groups held for sale	23,568	-	-	-	23,568
<b>Total current assets</b>	<b>1,193,271</b>	<b>19,991</b>	<b>(61,514)</b>	<b>-</b>	<b>1,151,748</b>
<b>Total assets</b>	<b>3,877,893</b>	<b>1,796,763</b>	<b>(61,514)</b>	<b>(1,501,634)</b>	<b>4,111,508</b>
<b>Equity</b>					
Share capital	769,180	78	-	(769,180)	78
Share premium	116,434	-	-	(116,434)	-
Reserves	(432,856)	-	-	(622,893)	(1,055,749)
Retained earnings	427,391	76,129	-	6,873	510,393
<b>Total equity attributable to equity holders</b>	<b>880,149</b>	<b>76,207</b>	<b>-</b>	<b>(1,501,634)</b>	<b>(545,278)</b>
Non-controlling interest	442,638	-	-	-	442,638
<b>Total equity</b>	<b>1,322,787</b>	<b>76,207</b>	<b>-</b>	<b>(1,501,634)</b>	<b>(102,640)</b>



<b>Liabilities</b>					
Loans and borrowings	1,355,382	1,651,466	-	-	3,006,848
<i>of which owed to the parent company</i>	-	1,158,668	-	-	1,158,668
Financial instruments and other financial liabilities	834	-	-	-	834
Provisions	336,263	-	-	-	336,263
Deferred income	32,595	-	-	-	32,595
Deferred tax liabilities	250,776	1,415	-	-	252,191
Trade payables and other liabilities	71,264	-	-	-	71,264
<b>Total non-current liabilities</b>	<b>2,047,114</b>	<b>1,652,881</b>	-	-	<b>3,699,995</b>
Trade payables and other liabilities	339,979	603	(80)	-	340,502
Loans and borrowings	29,356	67,072	(61,434)	-	34,994
<i>of which owed to the parent company</i>	2,418	-	-	-	2,418
Financial instruments and other financial liabilities	1,204	-	-	-	1,204
Provisions	73,613	-	-	-	73,613
Deferred income	40,045	-	-	-	40,045
Current income tax liability	5,333	-	-	-	5,333
Liabilities from disposal groups held for sale	18,462	-	-	-	18,462
<b>Total current liabilities</b>	<b>507,992</b>	<b>67,675</b>	<b>(61,514)</b>	-	<b>514,153</b>
<b>Total liabilities</b>	<b>2,555,106</b>	<b>1,720,556</b>	<b>(61,514)</b>	-	<b>4,214,148</b>
<b>Total equity and liabilities</b>	<b>3,877,893</b>	<b>1,796,763</b>	<b>(61,514)</b>	<b>(1,501,634)</b>	<b>4,111,508</b>

(1) Unaudited condensed consolidated interim statement of financial position of EP Energy, a.s. as of September 30, 2014

(2) In the Adjustment 1, EPE consolidated figures have been adjusted to include the CEE statutory statement of financial position as of September 30, 2014.

(3) The Adjustment 2 covers eliminations of intercompany balances between EPE and CEE as of September 30, 2014.

(4) The Adjustment 3 is related to elimination of investment of CEE in EPE in the amount of EUR 1,500.3 million together with the associated FX impact and to elimination of equity of EPE.

## Condensed consolidated interim statement of cash flows

For the nine-month period ended September 30, 2014

In thousands of EUR ("TEUR")

	EPE consolidated figures <sup>1</sup>	CEE standalone statement of cash flows incl. impact from CEE consolidation <sup>2</sup>	Bonds issue <sup>3</sup>	Repayment of purchase price <sup>4</sup>	Proceeds from loans and repayments of borrowings <sup>5</sup>	Intercompany eliminations <sup>6</sup>	CE Energy consolidated figures
	(unaudited)	Adjustment 1 (unaudited)	Adjustment 2 (unaudited)	Adjustment 3 (unaudited)	Adjustment 4 (unaudited)	Adjustment 5 (unaudited)	(unaudited)
<b>OPERATING ACTIVITIES</b>							
Profit (loss) for the period	6,324	76,483	-	-	-	(89,921)	(7,114)
<i>Adjustments for:</i>							
Income taxes	3,839	1,414	-	-	-	-	5,253
Depreciation and amortisation	222,525	-	-	-	-	-	222,525
Dividend income	(235)	(89,921)	-	-	-	89,921	(235)
Impairment losses on property, plant and equipment and intangible assets	472	-	-	-	-	-	472
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	1,144	-	-	-	-	-	1,144
(Gain) loss on disposal of inventories	(451)	-	-	-	-	-	(451)
Emission rights	15,768	-	-	-	-	-	15,768
Share of (profit) loss of equity accounted investees	1,243	-	-	-	-	-	1,243
(Gain) loss on financial instruments	(13,683)	(45)	-	-	-	-	(13,728)
Net interest expense	48,018	14,565	-	-	-	-	62,583
Change in allowance for impairment to trade receivables and other assets, write-offs	2,011	-	-	-	-	-	2,011
Change in provisions	(29,138)	-	-	-	-	-	(29,138)
Unrealised foreign exchange (gains) losses, net	(99)	(3,913)	-	-	-	-	(4,012)
<b>Operating profit (loss) before changes in working capital</b>	<b>257,738</b>	<b>(1,417)</b>	-	-	-	-	<b>256,321</b>
Change in financial instruments at other than fair value	(56,268)	-	-	-	-	61,434	5,166
Change in trade receivables and other assets	56,528	10	-	-	-	80	56,618
Change in inventories (including proceeds from sale)	(8,039)	-	-	-	-	-	(8,039)
Change in extracted minerals and mineral products	190	-	-	-	-	-	190
Change in assets held for sale and related liabilities	3,111	-	-	-	-	-	3,111
Change in trade payables and other liabilities	(26,946)	483	-	-	-	(80)	(26,543)
<b>Cash generated from (used in) operations</b>	<b>226,314</b>	<b>(924)</b>	-	-	-	<b>61,434</b>	<b>286,824</b>
Interest paid	(36,710)	(17,829)	-	-	-	-	(54,539)
Income taxes paid	(49,902)	-	-	-	-	-	(49,902)
<b>Cash flows generated from (used in) operating activities</b>	<b>139,702</b>	<b>(18,753)</b>	-	-	-	<b>61,434</b>	<b>182,383</b>

**INVESTING ACTIVITIES**

Received dividends	4,183	90,000	-	-	-	(90,000)	4,183
Proceeds from sale of financial instruments – derivatives	7,927	-	-	-	-	-	7,927
Acquisition of property, plant and equipment, investment property and other intangible assets	(84,271)	-	-	-	-	-	(84,271)
Purchase of emission rights	(7,341)	-	-	-	-	-	(7,341)
Proceeds from sale of emission rights	1,169	-	-	-	-	-	1,169
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	3,221	-	-	-	-	-	3,221
Acquisition of subsidiaries and special purpose entities, net of cash acquired	(2,326)	-	-	-	-	-	(2,326)
Interest received	330	-	-	-	-	-	330
<b>Cash flows from (used in) investing activities</b>	<b>(77,108)</b>	<b>90,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(90,000)</b>	<b>(77,108)</b>

**FINANCING ACTIVITIES**

Proceeds from loans received	83,878	-	-	-	61,434	(61,434)	83,878
Repayments of borrowings	(119,365)	-	-	(340,482)	(269,686)	-	(729,533)
Proceeds from bonds issued	-	-	492,203	-	-	-	492,203
Dividends paid	(143,851)	-	-	-	-	90,000	(53,851)
<b>Cash flows from (used in) financing activities</b>	<b>(179,338)</b>	<b>-</b>	<b>492,203</b>	<b>(340,482)</b>	<b>(208,252)</b>	<b>28,566</b>	<b>(207,303)</b>

<i>Net increase (decrease) in cash and cash equivalents</i>	<i>(116,744)</i>	<i>71,247</i>	<i>492,203</i>	<i>(340,482)</i>	<i>(208,252)</i>	<i>-</i>	<i>(102,028)</i>
<b>Cash and cash equivalents at beginning of the period</b>	<b>283,069</b>	<b>5,252</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>288,321</b>
Effect of exchange rate fluctuations on cash held	(527)	(14)	-	-	-	-	(541)
<b>Cash and cash equivalents at end of the period</b>	<b>165,798</b>	<b>76,485</b>	<b>492,203</b>	<b>(340,482)</b>	<b>(208,252)</b>	<b>-</b>	<b>185,752</b>

- (1) Unaudited condensed consolidated interim statement of cash flows of EP Energy, a.s. for the nine-month period ended September 30, 2014
- (2) In the Adjustment 1, EPE consolidated figures have been adjusted to include CEE statutory statement of cash flows for the nine-month period ended September 30, 2014 and adjustments relating to CEE Group consolidation.
- (3) The Adjustment 2 covers a cash inflow from Senior Notes 2021 less upfront fees paid.
- (4) The Adjustment 3 comprises a cash outflow from repayment of purchase price for acquisition of EPE shares.
- (5) The Adjustment 4 comprises a cash inflow (outflow) from proceeds from loans (repayment of borrowings).
- (6) The Adjustment 5 covers eliminations of intercompany balances between EPE and CEE for the nine-month period ended September 30, 2014.

## Appendix 2

### Condensed consolidated interim statement of comprehensive income

For the period from July 1, 2014 to September 30, 2014

In thousands of EUR ("TEUR")

	July 1 to September 30, 2014 (unaudited)	July 1 to September 30, 2013 (unaudited) <sup>1</sup>
Sales: Energy	461,095	350,923
<i>of which: Electricity</i>	<i>342,962</i>	<i>220,944</i>
Heat	22,060	25,585
Coal	65,141	74,009
Gas	30,782	30,385
Other energy products	150	-
Sales: Other	28,504	21,660
<b>Total sales</b>	<b>489,599</b>	<b>372,583</b>
Cost of sales: Energy	(324,267)	(236,832)
Cost of sales: Other	(14,257)	(5,842)
<b>Total cost of sales</b>	<b>(338,524)</b>	<b>(242,674)</b>
	<b>151,075</b>	<b>129,909</b>
Personnel expenses	(63,248)	(43,465)
Depreciation and amortisation	(72,432)	(52,207)
Repairs and maintenance	(4,033)	(3,675)
Emission rights, net	(4,906)	(11,932)
Taxes and charges	(3,409)	(2,086)
Other operating income	15,830	20,637
Other operating expenses	(28,033)	(29,680)
<b>Profit (loss) from operations</b>	<b>(9,156)</b>	<b>7,501</b>
Finance income	12,933	4,743
Finance expense	(38,462)	(17,854)
Profit (loss) from derivative financial instruments	7,469	(3,565)
<b>Net finance income (expense)</b>	<b>(18,060)</b>	<b>(16,676)</b>
Share of profit (loss) of equity accounted investees, net of tax	(638)	1,334
<b>Profit (loss) before income tax</b>	<b>(27,854)</b>	<b>(7,841)</b>
Income tax revenues (expenses)	5,392	386
<b>Profit (loss) for the period</b>	<b>(22,462)</b>	<b>(7,455)</b>

(1) Unaudited condensed consolidated interim statement of comprehensive income of EP Energy for the period from July 1, 2013 to September 30, 2013

## Condensed consolidated interim statement of cash flows

For the period from July 1, 2014 to September 30, 2014

In thousands of EUR ("TEUR")

	July 1 to September 30, 2014 (unaudited)	July 1 to September 30, 2013 (unaudited) <sup>1</sup>
<b>OPERATING ACTIVITIES</b>		
Profit (loss) for the period	(22,462)	(7,455)
<i>Adjustments for:</i>		
Income taxes	(5,392)	(386)
Depreciation and amortisation	72,432	52,207
Impairment losses on property, plant and equipment and intangible assets	42	2,018
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	98	1,710
(Gain) loss on disposal of inventories	(299)	(116)
Emission rights	4,906	11,932
Share of (profit) loss of equity accounted investees	638	(1,334)
(Gain) loss on financial instruments	(7,469)	3,565
Net interest expense	23,681	14,952
Change in allowance for impairment to trade receivables and other assets, write-offs	336	930
Change in provisions	(279)	(1,304)
Unrealised foreign exchange (gains) losses, net	(1,169)	(55,649)
<b>Operating profit (loss) before changes in working capital</b>	<b>65,063</b>	<b>21,070</b>
Change in financial instruments at other than fair value	(357)	1,398
Change in trade receivables and other assets	(24,574)	(8,292)
Change in inventories (including proceeds from sale)	(3,367)	(13,049)
Change in extracted minerals and mineral products	(303)	(1,242)
Change in assets held for sale and related liabilities	3,109	-
Change in trade payables and other liabilities	51,142	14,368
<b>Cash generated from (used in) operations</b>	<b>90,713</b>	<b>14,253</b>
Interest paid	(19,678)	(4,520)
Income taxes paid	(12,104)	(8,401)
<b>Cash flows generated from (used in) operating activities</b>	<b>58,931</b>	<b>1,332</b>
<b>INVESTING ACTIVITIES</b>		
Received dividends from equity accounted investees	(3)	197
Proceeds from sale of financial instruments – derivatives	3,905	(117)
Acquisition of property, plant and equipment, investment property and other intangible assets	(36,160)	(30,473)
Purchase of emission rights	(557)	(1,739)
Proceeds from sale of emission rights	(2)	(1)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	(4,052)	(316)
Acquisition of subsidiaries and special purpose entities, net of cash acquired	(2,326)	-
Increase in participation in existing subsidiaries and special purpose entities	-	(7,301)
Proceeds from sale of participations with significant influence	-	233
Interest received	95	(467)
<b>Cash flows from (used in) investing activities</b>	<b>(39,100)</b>	<b>(39,984)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of share capital	-	1,171
Proceeds from loans received	16,246	(138,084)
Repayments of borrowings	(93,376)	189,122
Proceeds from bonds issued	-	2,849
Dividends paid	(26,350)	(2,438)
<b>Cash flows from (used in) financing activities</b>	<b>(103,480)</b>	<b>52,620</b>
<i>Net increase (decrease) in cash and cash equivalents</i>	<i>(83,649)</i>	<i>13,968</i>
<b>Cash and cash equivalents at beginning of the period</b>	<b>269,761</b>	<b>228,709</b>
Effect of exchange rate fluctuations on cash held	(360)	3,836
<b>Cash and cash equivalents at end of the period</b>	<b>185,752</b>	<b>246,513</b>

(1) Unaudited condensed consolidated interim statement of cash flows of EP Energy for the period from July 1, 2013 to September 30, 2013