

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

- ✓ Consolidated sales reached EUR 1,658 million
- ✓ Consolidated EBITDA totaled EUR 271 million
- ✓ Consolidated pro forma adjusted EBITDA for last twelve months amounted to EUR 411 million
  
- ✓ In November 2014, Fitch issued an update on EP Energy's rating - BB+ with outlook stable.



EP Energy, a.s. ("group or Group or EPE or EPE Group") is a vertically integrated energy utility that includes 73 companies. In 2013 the Group 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. 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 and Germany, with smaller activities also in the Slovak Republic. Following our acquisition of a 49% stake (with management control) in SSE, our operations in the Slovak Republic are now more extensive.

## KEY FIGURES AT A GLANCE

### Consolidated financial results in EUR millions

	1-9 2013	1-9 2014
Sales	1,307.7	1,658.0
EBITDA <sup>1</sup>	280.0	270.7
Pro forma Adjusted EBITDA (last twelve months) <sup>2</sup>		411.0
Total net debt per financial statements <sup>3</sup>		1,208.3
Indicative EP Energy Net Consolidated Leverage Ratio <sup>4</sup>		2.87x
Profit from operations	102.8	48.1
Profit before tax	30.2	10.2
Net profit attrib. to EPE	11.9	3.0
Total assets		3,877.9
CAPEX <sup>5</sup>	55.4	84.3

### Physical units (EPE excluding SSE)

	1-9 2013	1-9 2014
Coal production ..... Mt	14.2	15.4
Installed <i>cogeneration</i> Capacity <sup>6</sup> .... MW <sub>e</sub>	500	500
Installed <i>condensation</i> Capacity <sup>6</sup> .. MW <sub>e</sub>	360	750 <sup>9</sup>
Installed heat capacity <sup>6,10</sup> ..... MW <sub>th</sub>	3,250	3,195
Heat supplied <sup>6,7</sup> ..... TJ <sup>8</sup>	12,892	10,237
Power produced <sup>6</sup> ..... GWh	2,126	3,977
Power traded <sup>6,11</sup> ..... GWh	13,675	11,165
Power supplied <sup>6</sup> ..... GWh	1,538	1,479
Natural gas supplied <sup>6</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) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable). 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 EP Energy, a.s. Group (also "EPE Group"). For further discussion over the EPE Group performance refer to the following pages.

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

Actual IFRS EBITDA for the period Jan – Sep 2014	270.7
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>411.0</b>

To derive Pro forma Adjusted EBITDA for the period from October 1, 2013 to September 30, 2014, EPE utilized EPE Group IFRS consolidated financial statements as of and for the year ended December 31, 2013 (EBITDA of EUR 383.5 million) and EPE Group condensed consolidated interim financial statements as of and for the nine month period ended September 30, 2014 (EBITDA of EUR 270.7 million) with the nine month period ended September 30, 2013 (EBITDA of 280.0 million) as comparatives.

The historical financial information of the EPE 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 amount of EUR 23.5 million is related to the period Oct – Nov 2013.

Pro forma Adjusted EBITDA 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) further adjusted to exclude effect of certain transactions (all for a 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, the share of 51% 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 EP Energy, a.s. Group. For further discussion over the EPE Group performance refer to the following pages.

(3) Total net debt per financial statements balance is based on the consolidated financial statements (Total Loans and borrowings (EUR 1,384.7 million) plus Total Financial instruments and financial liabilities (EUR 2.0 million) less Cash and cash equivalents (EUR 165.8 million) less liabilities towards Pražská teplotárenská Holding a.s. (also "PTH") of EUR 12.6 million). For information purposes only, a portion of net debt totalling EUR 20.5 million as of September 30, 2014 belongs to a minority shareholder of Stredoslovenská energetika, a.s. 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 EPE Group.

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

(5) Excluding emission allowances

(6) 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 EPE Group or the ownership share of the EPE Group in each entity. Nevertheless, operating data for MIBRAG and Saale Energie are excluded, the data for Helmstedter Revier GmbH is included in 3Q 2014 figures only.

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

(8) 1 TJ = 0,2778 GWh

(9) 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.

(10) Installed heat capacity on heat exchangers.

(11) 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.

Difference between consolidation scope for 3Q 2013 and 3Q 2014 is described later in section: "Key factors affecting comparability of the results of operations of the EPE Group".

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**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

>> *We remain focused on solid business performance, exploiting group synergies, cost savings, and deleveraging of the group* <<

Dear investors, customers and partners,

Our first three quarters 2014 IFRS EBITDA reached EUR 270.7 million, which is in comparison to the first three quarters 2013 lower by approximately 3%.

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 full consolidation of SSE and consolidation of HSR since January 1, 2014, reached EUR 411 million as compared to EUR 496 million for 2013.

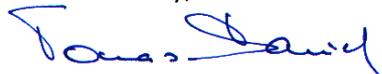
As mentioned above, the primary reason was the unusually warm winter -- the day-degrees (metrics comparing the indoor-to-outdoor temperature difference integrated over defined time period, the primary determinant of space heating needs) 3Q2014-to-3Q2013 were 26% lower. However, due to decoupled capacity-energy 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 EP 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,



Tomáš David  
Member of the Board and CEO

## **Economy and Market development**

### **Economy development:**

According to the preliminary estimates of the Czech Statistical Office, the Czech gross domestic product adjusted for price, seasonal, and calendar effects increased by 2.3%, year-on-year, in the third quarter 2014 and by 0.3% as compared to the second quarter 2014. GDP development was positively affected mainly by manufacturing, in which especially manufacture of transport equipment, chemicals and chemical products were very successful. On the contrary, the gross value added continued to decrease in financial service activities.

According to estimates of the Federal Statistical Office (Destatis) the German gross domestic product adjusted for price, seasonal, and calendar effects rose by 1.3%, year-on-year, in the third quarter 2014 and increased by 0.1%, quarter-on-quarter, in the third quarter 2014.

According to estimates of the Slovak Statistical Office, the Slovak gross domestic product adjusted for price, seasonal, and calendar effects rose by 2.5%, year-on-year, in the second quarter 2014 and increased by 0.6%, quarter-on-quarter, in the third quarter 2014.

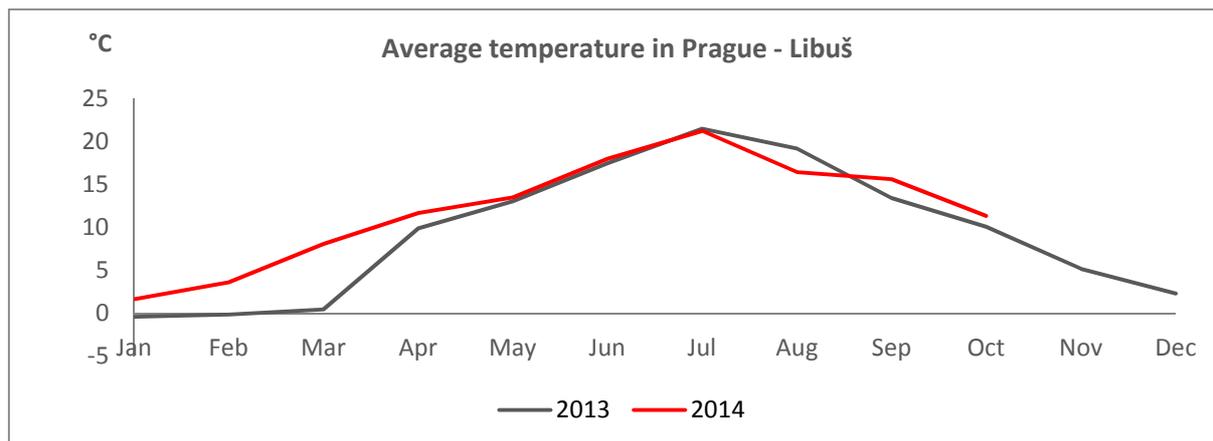
The outlook for the economy development remains rather uncertain. Nevertheless, according to the Czech National Bank, the Czech GDP should increase by 2.5% in 2014 (the most recent forecast published on 6 November 2014); the Bundesbank expects German GDP to grow by 1.5% in 2014 (the most recent forecast published on 6 June 2014) and according to the European Commission, the Slovak GDP should increase by 2.4% in 2014 (the most recent forecast published on 4 November 2014).

### **Weather:**

The heat segment, the renewables segment and electricity production in cogeneration mode are strongly correlated to weather development. Thus, seasonality is natural in the group performance, where the heat segment is the strongest in 1Q and also in 4Q accompanied by higher power production in cogeneration mode.

From the heating business perspective, the first three quarters of the year 2014 were significantly warmer than the first three quarters of the year 2013. An approximate metrics representing "coldness" of the weather pattern is so called "day-degrees" (a metric integrating difference between reference indoor temperature and outdoor temperature over the given period of time), which was for the group and in the areas where we deliver the heat year-to-year by 25.6% lower.

For better illustration, the average temperature in Prague was 4.5 °C in the first quarter 2014 as compared to 0.0 °C in the first quarter 2013 and 12.2 °C in the first three quarters 2014 as compared to 10.5 °C in the first three quarters 2013.



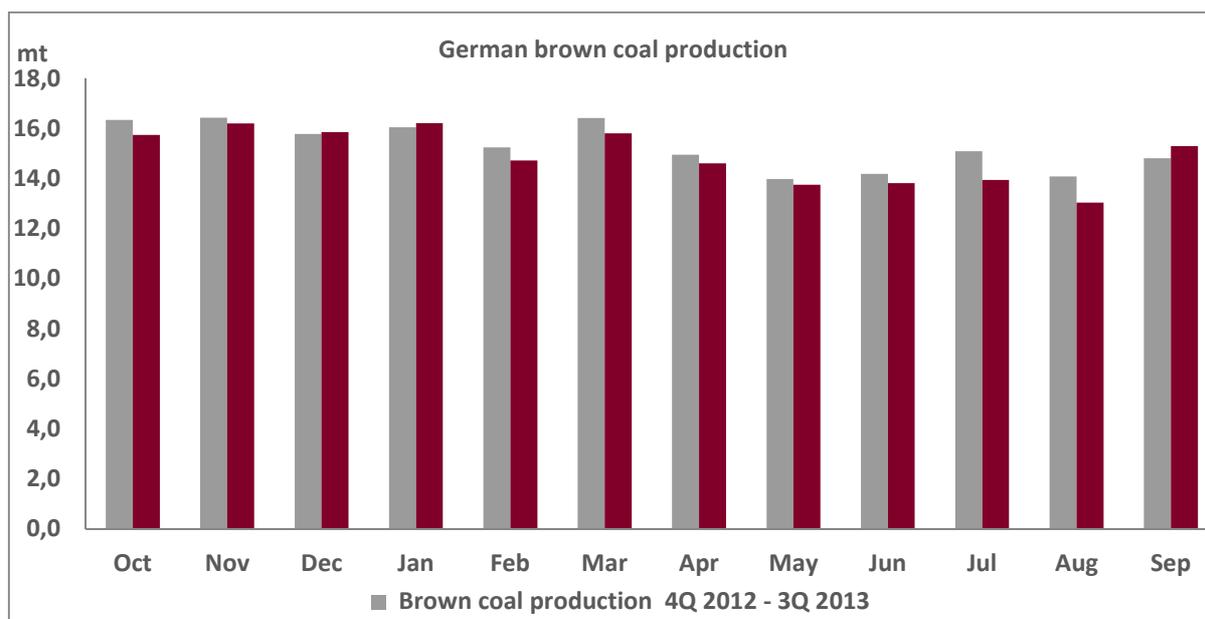
Note: Monthly average calculated from daily averages obtained by ČHMÚ (Czech Hydrometeorological Institute)

### German brown coal market:

Unlike hard coal, brown coal is not a commodity traded on international markets and, therefore, brown coal prices and production volumes are less dependent on market developments compared to other fuels. Brown coal production is rather driven by local demand of several power plants, mainly due to relatively high transportation costs and specific design of such power plants to utilize a certain quality of brown coal. Since brown coal is usually sold under long term contracts, the prices of brown coal are typically driven by escalation formulas specified in such contracts. Overall, brown coal is a comparatively cheap fuel, which secures better position of brown coal fuelled power plants in the power generation merit order compared to other fossil fuels such as hard coal, gas or oil. The favorable merit order position translates to a relatively stable share of brown coal on German power generation of around 26%.

Overall brown coal production in Germany slightly decreased from 134.9 million tons in the first three quarters 2013 to 131.2 million tons in the first three quarters 2014, i.e. by 2.7% according to the statistics of Kohlenwirtschaft e.V.

Through our German subsidiary, MIBRAG, we produce and sell brown coal in Central Germany. MIBRAG is the third largest producer of brown coal in Germany with a total annual production of approximately 20 million tons. Our two biggest customers (Lippendorf and Schkopau) are efficient, state-of-the-art power plants operating in base load and both well positioned in the German power merit order. This could be demonstrated by a stable demand of our customers, which persisted also in the first three quarters 2014. Furthermore, we sell our brown coal based on long term contracts with a high degree of price stability, which mainly depends on indexation related to mining costs, such as labor costs increases. Our three major contracts last until 2039, 2020 and 2022 respectively.



Source: Kohlenwirtschaft e.V.

Note: Data for Sep 2014 approximated based on historical performance as relevant data from Kohlenwirtschaft e.V. are not available yet

#### Heat market:

The group heat business is concentrated in the Czech Republic, where the market remains solid and stable. The market is regionally diversified with local natural “monopolies”, as the infrastructure for heat transportation creates substantial barriers to entry. The fuel basis varies, although the most commonly used ones in the Czech Republic are brown coal, hard coal and natural gas.

Due to our favourable cost structure (given predominantly by the fact that we produce heat in an efficient cogeneration mode and based on brown coal, the most cost efficient source of primary energy), we are able to offer our customers highly competitive prices.

Heat prices are based on a “costs plus reasonable profit” mechanism, required by the legislation and regulation by the independent Energy Regulatory Office, which we comply with. This mechanism supports the stability of the heat segment for market participants and allows us to benefit from our favourable cost position. Given the low price levels we charge compared to market average, we are allowed to set prices (i.e. there is no tariff imposed to us) and we are only monitored by the Energy Regulatory Office.

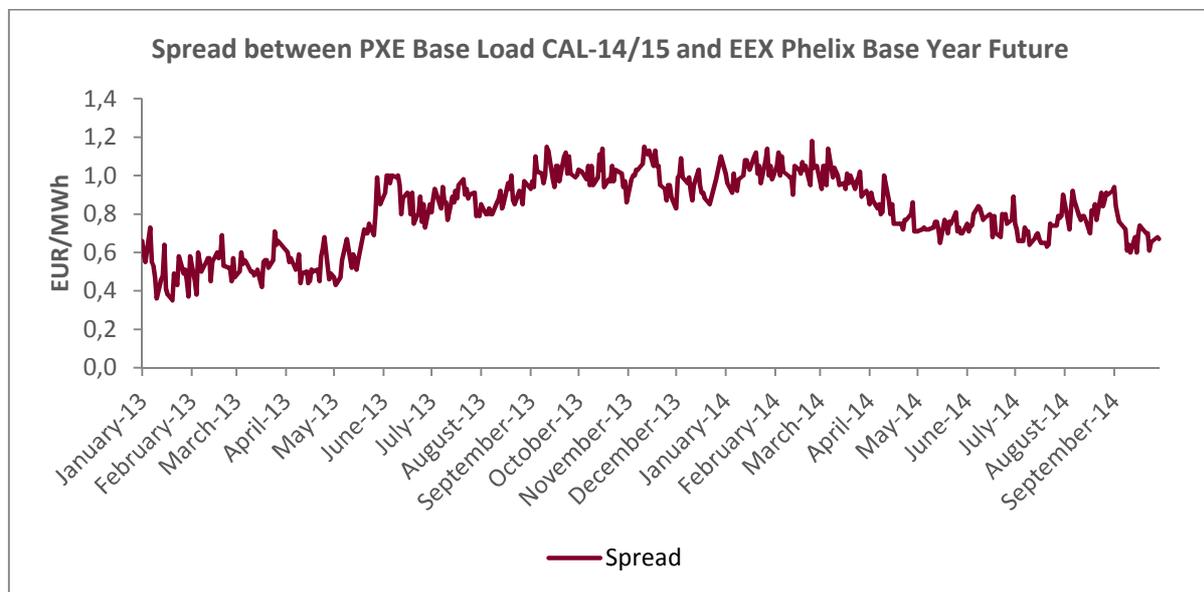
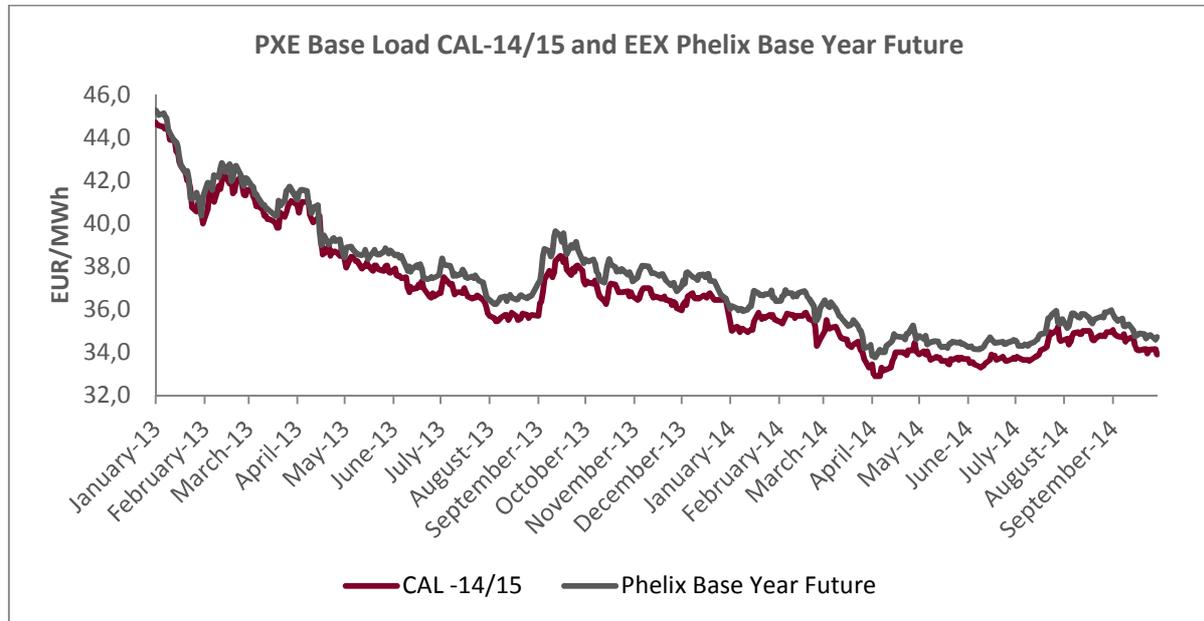
#### Electricity and CO2 market:

During the first three quarters of 2014 power and EU Allowance (“EUA”) prices remained under pressure due to low prices of hard coal and renewable energy production. In the first three quarters 2014 the 1-year forward electricity prices on the European Energy Exchange (also “EEX”) dropped in base load to EUR 35.2 per MWh (compared to EUR 39.5 per MWh year ago) and peak load dropped to EUR 44.7 per MWh (compared to EUR 50.0 per MWh year ago), representing a decrease for the base load and peak load prices of 10.9% and 10.6% respectively.<sup>1</sup>

<sup>1</sup> Source: Thomson Reuters: EEX Base Year Future and Peak Year Future (simple average of the daily price for 1 year forward prices calculated for the respective year)

EUA with spot delivery was traded at average around EUR 5.7 per ton in the first three quarters 2014<sup>2</sup>, which represents substantial increase of the y-t-y prices 29.8%.

As for the Czech market, the power prices follow the German market, as the two markets are physically well interconnected. The spread between German and Czech power prices was oscillating between 0.6 and 1.2 EUR/MWh during the first three quarters 2014. The low spreads encourage cross border trading and, vice versa, the liquidity of the Czech market increases.



Source: PXE Base Load CAL14; EEX Phelix Base Year Future.

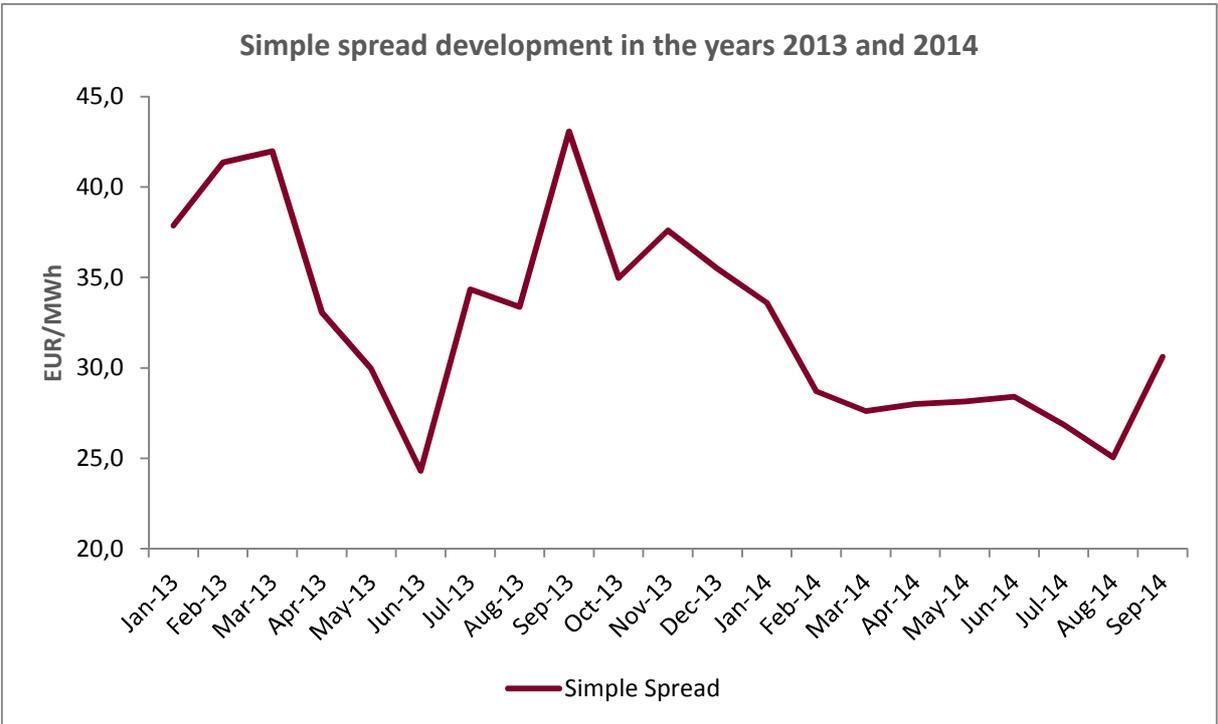
On the Czech market, electricity production from cogenerating units benefits from regulatory support. Up to CZK 200 is received as subsidy for each MWh produced in highly efficient cogeneration mode in 2014.

<sup>2</sup>Source: Thomson Reuters: EUSP.DE, simple average

Additionally, producers supplying their power production directly to distribution grids benefit from the subsidy of CZK 9 for one MWh delivered, which applied to our entire power production in the Czech Republic.

These two subsidies accounted for EUR 3.2 million in the first three quarters 2014 as compared to EUR 4.8 million in the first three quarters 2013 especially due to lower production in cogeneration mode by 24.5% caused by warmer weather in three quarters 2014 and due to CZK depreciation in the first three quarters 2014 as compared to the first three quarters 2013.

Besides relatively low share of power production on EBITDA and cash flow generation of the EPE Group, let us note that from the performance perspective, EPE is exposed to the spread between the power price and the price of emission allowance rather than to development of power prices alone.



Source: Thomson Reuters, EEX Simple Spread defined as the difference between Phelix Day Base and EUA price, using trading day data when both power and EUA are traded and simple monthly averages.

Note: simple spread represents the price difference between power price and EUA price.

## Key developments in the first three quarters 2014

In January 2014, Fitch affirmed EP Energy's rating at BB+ with outlook stable.

On January 24, 2014, CE Energy, a.s., a 100% subsidiary of Energetický a průmyslový holding, a.s. (also "EPH"), acquired all of the outstanding shares of EP Energy, a.s. from EPH.

On January 30, 2014, EP Energy, a.s. provided a loan of EUR 60 million to CE Energy, a.s.

On February 7, 2014, CE Energy, a.s. issued senior notes in the amount of EUR 500 million due in 2021 (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.

EPE concluded on a revolving credit facility with a group of banks with a maximum utilisation of EUR 150 million.

On April 15, 2014, the EPE Group received an EUR 20 million earn-out relating to an acquisition of Stredoslovenská energetika, a.s.

On May 5, 2014, Pražská teplárenská holding, a.s. ("PTH") declared dividends to PT holding Investment B.V. of approximately EUR 141 million. The dividend was offset against intercompany loan of PTH of approximately EUR 139 million, with the remaining balance received in cash on May 19, 2014.

On May 7, 2014, the Company declared and distributed a dividend of EUR 90 million to CE Energy, a.s.

On July 1, 2014 EPH Financing II, a.s. partially repaid bank loan in an amount of EUR 25.5 million.

On July 2, 2014 EP Renewables a.s. was renamed to VTE Moldava II, a.s.

On July 3, 2014 Severočeská teplárenská, a.s. acquired a 8.68% (of which 2.37% was acquired from third parties) share in PRVNÍ MOSTECKÁ a.s. for EUR 1.0 million (CZK 27 million). The total share in PRVNÍ MOSTECKÁ a.s. thus increased to 100%.

On July 9, 2014 Pražská teplárenská Holding a.s. provided loan to PT Holding Investment B.V. in an amount of EUR 12.6 million (CZK 345 million). This loan will be set off against dividend next year.

On July 11, 2014 UNITED ENERGY COAL TRADING POLSKA S.A. was renamed to EP COAL TRADING POLSKA S.A.

On July 22, 2014 EP Renewables II a.s. was renamed to EP Renewables a.s.

On July 31, 2014 the EPE Group acquired 60% share in EŽC a.s. (renamed to EP Cargo, a.s.) for EUR 5.8 million (CZK 160 million).

On August 14, 2014 the 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.

On August 25, 2014 the Company merged with EPH Financing II, a.s. The successor company is EP Energy, a.s.

## **Subsequent events**

On October 9, 2014 EP Energy, a.s. acquired 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 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 EP Energy a.s.'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.

# EP Energy, a.s. (the “Company”) Report on the first three quarters of 2014

## Reporting

This report (the “Report”) is the report required under Section 4.03 of the indenture governing the senior secured notes (the “Notes I” or “2019 Notes”), dated as of October 31, 2012 (the “Indenture I” or “2019 Indenture”) and Section 4.03 of the indenture governing the senior secured notes (the “Notes II” or “2018 Notes”) dated as of April 18, 2013 (the “Indenture II” or “2018 Indenture”) for the nine-month period ended September 30, 2014.

## Presentation of financial information

This Report summarizes consolidated financial and operating data derived from the unaudited condensed consolidated interim financial statements of EP Energy, a.s. as of and for the first three quarters of the year ended September 30, 2014 prepared in accordance with IFRS as adopted by the European Union (“IFRS”).

## Non-IFRS measures

In addition, we have included certain non-IFRS financial measures in this Report, such as EBITDA, Pro forma Adjusted EBITDA and certain other financial measures and ratios. Non-IFRS financial measures are derived on the basis of methodologies other than IFRS.

## Definitions of EBITDA, Pro forma Adjusted EBITDA

(1) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable).

(2) Pro forma Adjusted EBITDA (last twelve months) calculation:

Actual IFRS EBITDA for the period Jan – Sep 2014	270.7
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in financing as if the SSE Group was acquired effectively on January 1, 2013. Pro forma adjustment in amount of EUR 23.5 million is related to the period Oct – Nov 2013.

Pro forma Adjusted EBITDA 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) further adjusted to exclude effect of certain transactions (all for a 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, the share of 51% 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 EP Energy, a.s. Group. For further discussion over the EPE Group performance refer to the following pages.

After the listing of the Notes on the Irish Stock Exchange, the EPE Group has begun to report segment information in accordance with IFRS 8 Segment Reporting (starting with the 2012 annual consolidated financial statements). Since we did not previously report segment information using IFRS 8 rules, it may be difficult to compare our segment data with our “line of business” data previously reported elsewhere. For the purposes of this report we have restated segment information comparatives to comply with the IFRS 8 methodology.

We present EBITDA, Pro forma Adjusted EBITDA and certain other financial measures and ratios because we believe these financial measures may enhance an investor’s understanding of the profitability and cash flow generation of our business that could be used to service or pay down debt, pay income taxes and for other uses, and because they are frequently used by securities analysts, investors and other interested parties in the evaluation of companies generally. We use EBITDA and Pro forma Adjusted EBITDA to assess our performance. EBITDA and Pro forma Adjusted EBITDA are not measures calculated in accordance with IFRS and our use of the terms EBITDA and Pro forma Adjusted EBITDA may vary from others in our industry. EBITDA and Pro forma Adjusted EBITDA differ from Consolidated EBITDA and Adjusted EBITDA as may be defined in the Indenture. EBITDA and Pro forma Adjusted EBITDA should not be considered as an alternative to “Sales: energy,” “Sales: other,” “Gross profit,” “Profit/(loss) from operations,” “Cash generated from (used in) operating activities” or any other performance measure derived in accordance with IFRS.

Although we believe EBITDA, Pro forma Adjusted EBITDA and other certain financial measures and ratios to be useful performance indicators for our group as a whole and certain of our segments, we

believe that such measurements may not accurately reflect our results of operations, and may not serve as accurate performance indicators, of our Power Distribution and Supply segment due to the implementation of our power optimization strategy in this segment.

EBITDA, Pro forma Adjusted EBITDA and all the other non-IFRS measures presented herein have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS. We also note that differences in the consolidation scope as described in part of this Report “Key factors affecting comparability of the results of operations of the EPE group” are impacting the comparability of the financial data.

### **Exchange rates**

For your convenience, we have translated Czech crown amounts in this Report into euro. The exchange rates for the income statement and cash flow statement items are the following average exchange rates of the Czech National Bank in Czech crown per euro for the relevant period.

- Nine-month period ended September 30, 2013: CZK 25.751 per EUR 1.000
- Nine-month period ended September 30, 2014: CZK 27.504 per EUR 1.000

The exchange rates for balance sheet items are the rates as of period end.

- As of December 31, 2013: CZK 27.425 per EUR 1.000
- As of September 30, 2014: CZK 27.500 per EUR 1.000

You should not view such translations as a representation that such Czech crown amounts actually represent such euro amounts, or could be or could have been converted into euro at the rate indicated or at any other rate.

### **Forward-looking statements**

This Report contains “forward-looking statements” within the meaning of the securities laws of certain jurisdictions. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the words “assume,” “believe,” “could,” “estimate,” “anticipate,” “expect,” “intend,” “may,” “will,” “plan,” “continue,” “ongoing,” “potential,” “predict,” “project,” “risk,” “target,” “seek,” “should” or “would” and similar expressions or, in each case, their negative or other variations or comparable terminology or by discussions of strategies, plans, objectives, targets, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth and strategies, our reserves and the industry in which we operate.

By their nature, forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. You should not place undue reliance on these forward-looking statements.

### **Key factors affecting comparability of the results of operations of the EPE Group**

The EPE Group was formed through a series of strategic acquisitions and business combinations. The current EPE Group was originally formed with acquisitions of ownership interests in Pražská energetika (“PRE”) in 2004 and in UE in 2005 by J&T Group, which is one of beneficial owners of EPH (our parent company). EPH was formed in 2009 and the ownership interests in PE, EOP, UE, EPET and PEAS were

transferred to it by J&T Group. We were formed on December 16, 2010, but we have restated financial statements from August 2009, based on the results of our subsidiaries that were owned by EPH during that period. Before our formation, many of our current subsidiaries were subsidiaries of EPH, but because the EPE Group has grown steadily through acquisitions, these entities have been under common control for only a short period of time. The acquisition of various subsidiaries or additional interests in such subsidiaries and the disposition of certain subsidiaries mean that our results of operations necessarily differ before and after these acquisitions and dispositions and do not reflect a change in organic operating results but rather the impact of an acquisition or disposition.

The following table sets out how the main subsidiaries are included in the respective periods in our condensed consolidated interim financial statements:

Periods presented in the EPE Group's condensed consolidated interim financial statements		
Subsidiary	3Q 2013	3Q 2014
EOP	Fully consolidated	Fully consolidated
UE	Fully consolidated	Fully consolidated
PT	Fully consolidated	Fully consolidated
Plzeňská energetika a.s.	Fully consolidated	Fully consolidated
JTSD/MIBRAG	Fully consolidated	Fully consolidated
Saale Energie GmbH	Fully consolidated	Fully consolidated
PEAS, EPET	PEAS merged to EP Energy Trading, a.s. ("EPET") effective January 1, 2013. However, there is no impact on financial performance.	PEAS merged to EP Energy Trading, a.s. ("EPET") effective January 1, 2013. However, there is no impact on financial performance.
První mostecká, a.s.	Fully consolidated	Fully consolidated
Stredoslovenská energetika, a.s.	Not included	Fully consolidated since December 1, 2013
Helmstedter Revier GmbH	Not included	Fully consolidated from the balance sheet perspective since December 31, 2013; operations fully consolidated since January 1, 2014.

We have recently added new businesses to the EPE Group and may have made and may make acquisitions in the future. Newly added or acquired businesses may not be integrated or managed successfully, and we may fail to realize the anticipated synergies, growth opportunities and other benefits expected from these additions or acquisitions. Our consolidated financial statements included in this Report may not be representative of our historical or future results of operations and may not be comparable across periods, which may make it difficult to evaluate our results of operations and future prospects.

#### **Development of the key risks for the group**

The risk profile of the EPE Group has not materially changed since the last reporting date and the risk analysis provided in the Report for the year ended December 31, 2013 is still a valid indication of the key risks that the EPE Group faces. The Group continues to actively keep track of the risks and has dedicated staff to follow different risk areas.

# Management's discussion and analysis of financial condition and results of operations

## Overview of the EPE Group

We are a leading vertically integrated energy utility with operations across the entire energy value chain, focusing on brown coal production, heat and power generation, and distribution as well as energy supply and trading. Our principal operations are in the Czech Republic, Germany and the Slovak Republic. We are among the ten largest industrial groups in the Czech Republic in terms of EBITDA and the third-largest brown coal mining company in Germany by tonnage mined. For the first three quarters 2014, the EPE Group consolidated sales reached EUR 1,658.0 million and consolidated EBITDA reached EUR 270.7 million. A significant part of our business comes from regulated industries (i.e., heat, power distribution and renewable energy) and business contracted through long-term agreements with a stable customer base (i.e., mining and a part of our power generation business), which we believe provides us with stability of cash flows and visibility of future performance.

## Principal operating subsidiaries of the EPE Group

The EPE Group's principal operating subsidiaries are Mitteldeutsche Braunkohlengesellschaft mbH ("MIBRAG"), Elektrárny Opatovice, a.s. ("EOP"), Pražská teplárenská a.s. ("PT"), United Energy, a.s. ("UE"), Saale Energie GmbH ("Saale Energie"), Helmstedter Revier GmbH ("HSR"), EP ENERGY TRADING, a.s. ("EPET") and Stredoslovenská energetika, a.s. ("SSE"). MIBRAG operates in the Mining segment, EOP, PT, Saale Energie, HSR and UE operate in the Heat and Power segment and EPET with SSE operate in the Power Distribution and Supply segment. Together these subsidiaries accounted for the vast majority of the EPE Group's sales and EBITDA in the first three quarters 2014.

For a list of EPE's other subsidiaries and minority interests, see Note 34 to EPE's condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2014.

## EPE 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.

### Mining:

The Mining segment, represented mainly by Mitteldeutsche Braunkohlengesellschaft mbH ("MIBRAG"), produces brown coal, 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.

### 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 EPE 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 EPE Group acquired a 100% share in Helmstedter Revier GmbH which operates a condensation mode power plant with an installed capacity of 390MW.

**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.

**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 reports distribution of electricity in the central Slovakia region. This segment is mainly represented by Stredoslovenská energetika, a.s., EP Coal Trading, a.s. and EP ENERGY TRADING, a.s.

**Other:**

The Other segment mainly represents EP Energy, a.s. The segment profit therefore primarily represents dividends declared by its subsidiaries and results from acquisition accounting.

The operating data are 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 EP Energy a.s. Group or the ownership share of the EPE Group in each entity (unless stated otherwise). Nevertheless, operating data for Saale Energie GmbH are excluded.

We note that Stredoslovenská energetika, a.s. has been fully consolidated since December 1, 2013. Similarly, operations of newly acquired Helmstedter Revier GmbH have been fully consolidated since January 1, 2014, with the balance sheet fully consolidated from December 31, 2013 onwards.

For the purpose of this chapter, we comment on the segments and their performance, based on the segment reporting as presented in the notes to the condensed consolidated interim financial statements of EP Energy, a.s. as of and for the nine-month period ended September 30, 2014 prepared according to IFRS. The EBITDA and any other EBITDA included in this report does not represent EBITDA, as may be defined by any documentation for any financial liabilities of the group.

The table below shows summary financial information for the EPE segments:

In million EUR	For the nine-month period ended	
	September 30,	
	2013	2014
<b>Total sales</b>		
Mining.....	315.7	307.1
Heat and Power .....	482.4	448.3
Renewables.....	4.7	4.7
Power Distribution and Supply .....	655.6	1,099.8
Other.....	2.0	2.6
Total segments.....	1,460.4	1,862.5
Intersegment eliminations.....	(152.7)	(204.5)
Consolidated data .....	<b>1,307.7</b>	<b>1,658.0</b>
<b>Depreciation and amortization</b>		
Mining.....	(86.7)	(79.2)
Heat and Power .....	(89.6)	(84.4)
Renewables.....	(2.6)	(2.6)
Power Distribution and Supply .....	(0.4)	(56.2)
Other.....	0.0	(0.1)
Total segments.....	(179.3)	(222.5)
Intersegment eliminations.....	(0.0)	(0.0)
Consolidated data .....	<b>(179.3)</b>	<b>(222.5)</b>
<b>Negative goodwill</b>		
Mining.....	0.0	0.0
Heat and Power .....	2.2	0.0
Renewables.....	0.0	0.0
Power Distribution and Supply .....	0.0	0.0
Other.....	0.0	0.0
Total segments.....	2.2	0.0
Intersegment eliminations.....	0.0	0.0
Consolidated data .....	<b>2.2</b>	<b>0.0</b>
<b>Profit/(loss) from operations</b>		
Mining.....	52.1	36.4
Heat and Power .....	46.5	16.9
Renewables.....	0.7	(0.4)
Power Distribution and Supply .....	6.1	(3.1)
Other.....	(2.6)	(1.9)
Total segments.....	102.8	47.9
Intersegment eliminations.....	0.0	0.2
Consolidated data .....	<b>102.8</b>	<b>48.1</b>
<b>EBITDA<sup>(1)</sup></b>		
Mining.....	138.8	115.7
Heat and Power .....	133.9	101.3
Renewables.....	3.3	2.2
Power Distribution and Supply .....	6.5	53.1
Other.....	(2.5)	(1.9)
Total segments.....	280.0	270.4
Intersegment eliminations.....	0.0	0.3
Consolidated data .....	<b>280.0</b>	<b>270.7</b>

(1) Represents Profit/(loss) from operations *plus* Depreciation and amortization *less* Negative goodwill.

### **Mining**

Our Mining segment includes JTSD and the MIBRAG Group (excluding MIBRAG Neue Energie). We acquired a 50% share in the MIBRAG Group in June 2011, which was consolidated proportionately in the EPE Group income statement from July 1, 2011 onwards. We acquired the remaining 50% share of

the MIBRAG Group in June 2012. As such, the MIBRAG Group is fully consolidated only from July 1, 2012 onwards. We conduct other mining operations in Germany through our Heat and Power segment, which includes the Schöningen mine in the Helmstedt mining district, which we acquired through our acquisition of the HSR Group on December 31, 2013, and neither the operating data nor the financial data for these mining facilities in our Heat and Power segment is or will be included within our Mining operating data. At the same time, we note that as part of the segmental reporting we reclassified certain gross margin relating to deliveries of MIBRAG's lignite to Buschhaus, Elektrárny Opatovice and United Energy from Mining segment to Heat and Power segment. This reclassification adjustment aims to retain the effects from internal sourcing at Heat and Power facilities.

Our Mining segment accounted for 49.6% of consolidated EBITDA in the first three quarters 2013 and 42.8% of consolidated EBITDA in the first three quarters 2014, in each case before intersegment eliminations. The business of our Mining segment is conducted in Germany through our wholly-owned subsidiary MIBRAG.

The table below shows a summary of key operating data for our Mining segment. The operating data are based on the results of 100% of MIBRAG regardless of the date when MIBRAG joined the EPE Group or the ownership share of the EPE Group in MIBRAG at a particular point in time.

		As of and for the nine-month period ended September 30,	
		2013	2014
Brown coal production.....	In Mt	14.2	15.4
Brown coal sold.....	In Mt	12.8	14.5
Reserves <sup>(1)</sup> .....	In Mt	450.4	425.9

(1) Refers to proved and probable reserves excluding the Buschhaus reserves.

### **Brown coal production and brown coal sold**

For the first three quarters 2014, MIBRAG's brown coal sold increased by 1.7 Mt, or 13.3% to 14.5 Mt as compared to 12.8 Mt for the first three quarters 2013 and brown coal production increased by 1.2 Mt, or 8.5%, to 15.4 Mt as compared to 14.2 Mt for the first three quarters 2013, which was mainly due to realized internal coal deliveries to Buschhaus, Elektrárny Opatovice and United Energy and due to the effect of a new (temporary) customer gained in 2014. Overall EUR sales decreased primarily because of closure of the power plant Mumsdorf in 2013 and lower heat sales due to unusually warm winter.

### **Reserves**

The evolution of reserves is aligned primarily with our brown coal production in the relevant period.

The table below shows a summary of key financial data for our Mining segment. The financial data are based on EPE's consolidated financial information before eliminations of intersegment transactions.

		For the nine-month period ended September 30,	
		2013	2014
Total Sales.....	in EUR millions	315.7	307.1
EBITDA.....	in EUR millions	138.8	115.7

## EBITDA

EBITDA decreased by EUR 23.1 million, or 16.6%, to EUR 115.7 million for the first three quarters 2014 as compared to EUR 138.8 million for the first three quarters 2013, with key driver being mainly the one-off positive non-cash effect of approx. EUR 22.0 million in the first three quarters 2013 (capitalization of overburden removal according to the IFRIC 20 standard).

## Heat and Power

The Heat and Power segment accounted for 47.8% of consolidated EBITDA for the first three quarters 2013 and 37.5% of consolidated EBITDA for the first three quarters 2014, in each case before intersegment eliminations. We conduct our Heat and Power operations in the Czech Republic through the following major subsidiaries: Pražská teplárenská, Elektrárny Opatovice, United Energy and Plzeňská energetika and in Germany through Saale Energie and since the completion of the acquisition of the HSR Group on December 31, 2013, we also conduct our Heat and Power operations in Germany through the HSR Group. We conduct other heat and power operations in Germany through our Mining segment, which includes several combined heat and power (“CHP”) facilities, and neither the operating data nor the financial data for these CHP facilities in our Mining segment is included within our Heat and Power operating data. The table below shows a summary of key operating data for the Heat and Power segment. The operating data are based on the results of the whole entity regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity.

		For the nine-month period ended September 30,	
		2013	2014
Installed heat capacity <sup>(1)</sup> .....	MWth	3,250	3,195
Heat supplied .....	TJ	12,892	10,237
Installed cogeneration capacity .....	MW <sub>e</sub>	500	500
Installed condensation capacity .....	MW <sub>e</sub>	360	750
Certified grid balancing capacity <sup>(2)</sup> .....	MW <sub>e</sub>	205	205
Cogeneration production .....	GWh	507	392
Condensation production .....	GWh	1,619	3,585
Grid balancing services .....	GWh	853	893
Saale Energie <sup>(3)</sup> .....	MW <sub>e</sub>	400	400

(1) Heat capacity installed on heat exchangers.

(2) Grid balancing capacity is included in Installed condensation capacity and Installed cogeneration capacity.

(3) Saale Energie owns a 41.9% interest in the Schkopau CHP plant in Germany (representing a beneficial use and control over 400 MW<sub>e</sub> of the plant's total capacity).

## Installed heat capacity on heat exchangers

Installed heat capacity decreased by 55 MWth to 3,195 MWth as of September 30, 2014 as compared to 3,250 MWth as of September 30, 2013 due to the removal of one boiler in Plzeňská energetika.

## Heat supplied

Heat supplied decreased by 2,655 TJ, or 20.6%, to 10,237 TJ for the first three quarters 2014 as compared to 12,892 TJ for the first three quarters 2013. The decrease in heat supplied was primarily due to significantly warmer weather in the first three quarters 2014 as compared to the first three quarters 2013. As outlined previously in the Report, an approximate metrics representing “coldness” of the weather pattern is so called “day-degrees” (a metric integrating difference between reference indoor temperature and outdoor temperature over the given period of time), which was for the EPE Group and in the areas where we deliver the heat period-to-period by 25.6% lower which resulted in lower heat offtake at customers. This translated into reduction in associated EBITDA period-to-period.

### **Installed condensation capacity (excluding Saale Energie)**

Installed condensation capacity increased by 390 MW<sub>e</sub> to 750 MW<sub>e</sub> as of September 30, 2014 as compared to 360 MW<sub>e</sub> as of September 30, 2013. This increase in installed condensation capacity is associated with the acquisition of Helmstedter Revier GmbH in December 2013.

### **Certified grid balancing capacity**

Certified grid balancing capacity remained at 205 MW<sub>e</sub> as of September 30, 2014 and September 30, 2013.

### **Cogeneration production**

Cogeneration production decreased by 115 GWh, or 22.7%, to 392 GWh for the first three quarters 2014, as compared to 507 GWh for the first three quarters 2013. This decrease in cogeneration production was primarily due to the significantly warmer weather in the first three quarters 2014 as compared to the first three quarters 2013 and therefore lower heat offtake connected with less cogeneration power production.

### **Condensation production (excluding Saale Energie)**

Condensation generation (excluding Saale Energie) increased by 1,966 GWh, or 121.4%, to 3,585 GWh for the first three quarters 2014, as compared to 1,619 GWh for the first three quarters 2013. This increase in condensation generation was primarily due to the acquisition of Helmstedter Revier GmbH in December 2013.

### **Grid balancing services**

Grid balancing services increased by 40 GWh, or 4.7%, to 893 GWh for the first three quarters 2014 as compared to 853 GWh for the first three quarters 2013. This increase in grid balancing services was primarily due to the higher contracted grid balancing volume especially in Plzeňská energetika.

The table below shows a summary of key financial performance data for the Heat and Power segment as well as sales on a division (Heat and Cogeneration and Power Generation) basis. The financial data is based on EPE consolidated financial information before eliminations of intersegment transactions and take into account the ownership share of the EPE Group in each entity and its acquisition date.

		<b>For the nine-month period ended September 30,</b>	
		<b>2013</b>	<b>2014</b>
Total sales .....	in EUR millions	482.4	448.3
EBITDA .....	in EUR millions	133.9	101.3

### **EBITDA**

As part of our energy production optimization process, one of the subsidiaries in our Heat and Power segment, EOP, engages in sales and resales of electricity generated by EOP, as well as electricity purchased on the wholesale market. However, with an increasing number of resales, total costs as a percentage of total sales increase as the margins realized on each subsequent optimization transaction tend to decline as the frequency of optimization transactions increases. Moreover, because our contracts with suppliers for our Heat and Power operations in the Czech Republic are generally priced in Czech crowns (with the exception of the EOP and UE supply contracts for MIBRAG brown coal, which are priced in euros), but our contracts for sales of electricity are primarily priced in euro, EBITDA from our power generation operations presented in CZK as a functional currency may increase or decrease

(and even be negative) depending on currency exchange rate fluctuations (our heat operations are not affected by currency fluctuations as all sales transactions are priced in Czech crowns, however the EBITDA is affected by translation of CZK to EUR for reporting presentation purposes as the EPE Group's presentation currency is EUR). Although we generally lock in the exchange rate at the time a contract is entered through the use of derivatives, the amounts due or paid under these derivative contracts, which offset the exchange rate fluctuation effects discussed above, are not included in EBITDA and are included in the Profit/loss from financial instruments and/or the Finance income and Finance expense lines in our financial information. Therefore EBITDA may not accurately reflect our results of operations and may not serve as accurate performance indicators of EOP, and consequently also EBITDA in the Heat and Power segment.

EBITDA decreased by EUR 32.6 million, or 24.3%, to EUR 101.3 million for the first three quarters 2014 as compared to EUR 133.9 million for the first three quarters 2013. This decrease was mainly due to warmer weather which led to significantly lower heat demand in the first three quarters 2014 as compared to the first three quarters 2013. Further factors that led to the decrease include lower power prices realized, lower power production in cogeneration mode resulting from lower heat offtake and fewer allocated emissions allowances in the first three quarters 2014 compared to the first three quarters 2013. In addition, our heat generation financial performance was negatively impacted by the foreign exchange rate intervention executed by the Czech National Bank in November 2013 which contributed to the fact that for the reporting purposes we translated CZK denominated financial information at an average rate of CZK/EUR 27.504 for the first three quarters 2014 versus CZK/EUR 25.751 for the first three quarters 2013. This negative development was partially offset by the change in the consolidation scope, i.e. the acquisition of Helmstedter Revier GmbH in December 2013. Also, we note that as part of the segmental reporting we reclassified certain gross margin relating to deliveries of MIBRAG's lignite to Buschhaus, Elektrárny Opatovice and United Energy from Mining segment to Heat and Power segment. This reclassification adjustment aims to retain the effects from internal sourcing at Heat and Power facilities.

### **Renewables**

The Renewables segment accounted for 1.2% of consolidated EBITDA in the first three quarters 2013 and for 0.8% of consolidated EBITDA in the first three quarters 2014, in each case before intersegment eliminations. Our Renewables business is conducted in the Czech Republic, Germany and the Slovak Republic through EP Renewables, a.s. (and its subsidiaries) and MNE, and includes wind, solar and biogas operations.

The table below shows a summary of key operating data for the Renewables segment. The operating data are based on the results of the whole entity regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity.

		<b>As of and for the nine-month period ended September 30,</b>	
		<b>2013</b>	<b>2014</b>
Installed Capacity .....	MW <sub>e</sub>	25	25
Power Production.....	GWh	27.2	29.7

### **Installed capacity**

Installed capacity remained at 25 MW<sub>e</sub> at September 30, 2014 and September 30, 2013.

## Power production

Power production increased by 2.5 GWh, or 9.2%, to 29.7 GWh for the first three quarters 2014 as compared to 27.2 GWh for the first three quarters 2013. This increase was primarily due to better wind and solar conditions throughout the first three quarters 2014 as compared to the first three quarters 2013.

The table below shows a summary of key financial data for the Renewables segment. The financial data are based on EPE consolidated financial information before eliminations of intersegment transactions and take into account the ownership share of the EPE Group in each entity and its acquisition date.

		For the nine-month period ended September 30,	
		2013	2014
Total Sales .....	in EUR millions	4.7	4.7
EBITDA.....	in EUR millions	3.3	2.2

## EBITDA

EBITDA decreased by EUR 1.1 million, or 33.3%, to EUR 2.2 million for the first three quarters 2014 as compared to EUR 3.3 million for the first three quarters 2013. This decrease in EBITDA and the stagnation in Sales despite higher power production was mainly due the foreign exchange rate intervention executed by the Czech National Bank in November 2013 which contributed to the fact that for the reporting purposes we translated CZK denominated financial information at an average rate of CZK/EUR 27.504 for the first three quarters 2014 versus CZK/EUR 25.751 for the first three quarters 2013.

## Power Distribution and Supply

The Power Distribution and Supply segment accounted for 2.3% of consolidated EBITDA for the first three quarters 2013 and 19.6% of consolidated EBITDA for the first three quarters 2014, in each case before intersegment eliminations, and is conducted in the Czech Republic, the Slovak Republic and Poland through our subsidiary EPET (including PEAS, which merged with and into EPET on January 1, 2013), United Energy Coal Trading, a.s., UNITED ENERGY COAL TRADING POLSKA S.A., EP Cargo a.s. (acquired on July 31, 2014) and Stredoslovenská energetika, a.s (acquired in late November 2013).

The table below shows a summary of key operating data for the Power Distribution and Supply segment. The operating data are based on the results of the whole entity regardless of the date when each entity joined the EPE Group or the ownership share of the EPE Group in each entity, however the data excludes SSE which is presented separately.

		For the nine-month period ended September 30,	
		2013	2014
Power traded .....	GWh	13,675	11,165
Power supplied .....	GWh	1,538	1,479
Natural gas supplied .....	GWh	1,461	2,271

The table below shows a summary of key operating data for the SSE Group:

		For the nine-month period ended September 30,	
		2013	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

### Power traded

Power traded (excluding SSE) decreased by 2,510 GWh, or 18.4%, to 11,165 GWh for the first three quarters 2014 as compared to 13,675 GWh for the first three quarters 2013. This decrease in power traded was primarily due to a decrease in power trading activity.

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.

Power traded by SSE reached 4,195 GWh in the first three quarters 2014, i.e. 8.9% increase compared to the first three quarters 2013. Main driver was higher re-sold volume coming from renewable resources.

### Power supplied

Power supplied (excluding SSE) decreased by 59 GWh, or 3.8%, to 1,479 GWh for the first three quarters 2014 as compared to 1,538 GWh for the first three quarters 2013. This decrease in power supplied reflects lower power sales in the Czech Republic due to higher competition on the Czech power market as well as warm winter resulting in lower electricity offtake.

Power supply realized by SSE reached 3,143 GWh in the first three quarters 2014, which is a slight decrease by 79 GWh, or 2.5%, in comparison with first three quarters 2013. Similarly to the Czech market, SSE faces higher competition on the Slovak power market. Furthermore, power supply by SSE was negatively influenced by warm weather in the first three quarters 2014.

### Natural gas supplied

Natural gas supplied (excluding SSE) increased by 810 GWh, or 55.4%, to 2,271 GWh for the first three quarters 2014 as compared to 1,461 GWh for the first three quarters 2013. This increase in natural gas supplied was due to higher gas sales to EPET's industrial customers.

Natural gas supplied by SSE reached 147 GWh in the first three quarters 2014, i.e. increase of 88 GWh, or 148.9%, in comparison with the first three quarters 2013. This increase is due to growth of supply portfolio through new customer acquisitions.

### Power distributed

Power distributed by SSE reached 4,275 GWh in the first three quarters 2014, i.e. decrease of 60 GWh, or 1.4%, as compared to the first three quarters 2013. This decrease in power distributed is due to

decline on LV voltage levels that is caused primarily by higher average temperature during winter season.

The table below shows a summary of key financial data for the Power Distribution and Supply segment. The financial data are based on EPE consolidated financial information before eliminations of intersegment transactions and take into account the ownership share of the EPE Group in the entity and acquisition date.

		<b>For the nine-month period ended September 30,</b>	
		<b>2013</b>	<b>2014</b>
Total Sales.....	in EUR millions	655.6	1,099.8
EBITDA .....	in EUR millions	6.5	53.1

### **EBITDA**

As part of our power trading activities, EPET engages in sales of power generated by EPE Group companies, as well as resale of power purchased on the wholesale market in connection with our energy production optimization process, which leads to an overall increase in the volume of sales of power. However, with an increasing number of resale, total costs as a percentage of total sales increase as the margins realized on each subsequent optimization transaction tend to decline as the frequency of optimization transactions increases. Moreover, because our contracts with suppliers for our Heat and Power operations in the Czech Republic are generally priced in Czech crowns (with the exception of the EOP and UE supply contracts for MIBRAG brown coal, which are priced in euros), but we may purchase power in euro, EBITDA from our supply operations may increase or decrease (and even be negative) depending on currency exchange rate fluctuations. Although we generally lock in the exchange rate and power prices at the time a contract is entered into through the use of derivative contracts, the amounts due or paid under these derivative contracts, which offset the exchange rate and power price fluctuation effects discussed above, are only partially included in EBITDA and the remainder is included in the Profit/(loss) from financial instruments line and/or the Finance income and Finance expense lines, unless they qualify for hedge accounting under IFRS, in which case they are reflected in the Cost of sales: Other and Sales: Other lines for currency derivatives and in the Sales: Energy and Cost of sales: Energy for derivatives hedging the price of power. The effect of exchange rate and power price derivatives has been partially included in EBITDA since January 1, 2013, when hedge accounting was put in place at EPET. Hedge accounting was adopted at EPET because it enables EPET to display the effect of hedging financial derivatives in the income statement as a result or cost of operations, as opposed to a solely financial result, therefore allowing the capture of all relevant effects as a part of operating profit. Therefore, EBITDA may not accurately reflect our results of operations and may not serve as an accurate performance indicator of our Energy Supply and Trading segment. The same analysis applies for a portion of the revenues and costs from electricity trading related to financial commodity derivatives. These revenues and costs are only partially reflected in EBITDA, while the remainder is included in Profit/(loss) from financial instruments and/or the Finance income and Finance expense lines. The effect of financial commodity derivatives has been partially included in EBITDA since January 1, 2013, when hedge accounting was put in place at EPET.

EBITDA increased by EUR 46.6 million to EUR 53.1 million for the first three quarters 2014 as compared to EUR 6.5 million for the first three quarters 2013. The increase was due to inclusion of SSE operations for the first three quarters 2014 which was then partly offset by lower profitability at EPET (lower achieved margins).

As of September 30, 2014 the SSE Group reports a contingent asset of EUR 132.7 million (December 31, 2013: EUR 68.9 million), which is represented by the contingent assets related to green energy for the nine-month period ended September 30, 2014 and for the year 2013 (December 31, 2013: contingent assets cover years 2012 and 2013; contingent asset for 2012 was already recovered during the period from January 1, 2014 to September 30, 2014).

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 nine-month period ended September 30, 2014 the SSE Group recognized a loss of EUR 80.8 million 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 January 1, 2014 to September 30, 2014, this loss was partly compensated via a recovery of 2012 loss of EUR 17.0 million. The 2014 loss is included in the contingent asset of EUR 132.7 million specified above. Based on the current Regulatory Framework the incurred losses incurred will be compensated in two years’ time, i.e. relevant amounts in 2015 and 2016 through an increase of revenues from TPS (December 31, 2013: in 2014 and 2015). The resulting asset originating in the nine-month period ended September 30, 2014 and in prior periods was not recognized as the asset does not meet currently the recognition criteria set by IFRS as adopted by the EU.

We note that the EPE and SSE Management are in discussion with URSO in order to seek a partial compensation still to be realized in 2014 for the current year losses. Whereas the negotiations still continue, we currently have an agreement with URSO on an increased TPS for the rest of 2014 which is expected to materialize in approximately EUR 17-21 million in the last quarter 2014.

**Other**

The Other segment accounted for negative 0.9% of consolidated EBITDA for the first three quarters 2013 and negative 0.7% of consolidated EBITDA for the first three quarters 2014, in each case before intersegment eliminations. The table below shows a summary of key financial data for the Other segment:

		For the nine-month period ended September 30,	
		2013	2014
Total sales .....	in EUR millions	2.0	2.6
EBITDA .....	in EUR millions	(2.5)	(1.9)

The main driver of the negative EBITDA in both first three quarters 2013 and 2014 was the other operating expenses of EP Energy. The costs were primarily associated with costs relating to outsourcing of various functions and costs for professional services at EP Energy.

**Other revenues and expenses**

Our repeating expenses are generally related to wages and salaries of executive and part-time employees (administrative staff) and associated social and health insurance, administrative costs for repairs and maintenance, other taxes and fees, costs for audit and accounting services, costs for legal consultancy, operating leases, rent of premises, communication expenses, travel expenses, costs for translation, non-tax deductible fees, rental income and other administrative costs.

## Capital expenditures

Capital expenditures are necessary to maintain and improve the operations of our facilities and meet operating standards dictated by governmental regulations. Construction and maintenance costs have increased throughout the power industry over the past several years, and future costs will be highly dependent on the cost of components and availability of contractors that can perform the work necessary to maintain and improve other facilities.

The table below summarizes our capital expenditures for our Mining segment:

In EUR millions	For the nine-month period ended September 30,	
	2013	2014
Capital expenditures relating to tangible fixed assets.....	35.9	31.6
Capital expenditures relating to intangible fixed assets excluding emission rights .....	0.6	0.6

Our Mining segment includes the MIBRAG Group (excluding MNE). We acquired a 50% share in the MIBRAG Group in June 2011, which was consolidated proportionately from July 1, 2011 onwards for income statement purposes. We acquired the remaining 50% share of the MIBRAG Group in June 2012. As such, the MIBRAG Group is fully consolidated only from July 1, 2012 onwards.

Capital expenditures relating to tangible fixed assets decreased by EUR 4.3 million, or 12.0%, to EUR 31.6 million in the first three quarters 2014 from EUR 35.9 million in the first three quarters 2013. The majority of these capital expenditures are directly connected to MIBRAG's mining operations, notably the development of mining infrastructure in the mining field Peres within MIBRAG's Vereinigtes Schleenhain mine.

Capital expenditures relating to intangible fixed assets (excluding emissions rights) were not material.

The table below summarizes our capital expenditures (disregarding actual cash flows) for the Heat and Power segment:

In EUR millions	For the nine-month period ended September 30,	
	2013	2014
Capital expenditures relating to tangible fixed assets.....	17.7	29.8
Capital expenditures relating to intangible fixed assets excluding emission rights .....	0.3	0.4

Capital expenditures relating to tangible fixed assets increased by EUR 12.1 million, or 68.4%, to EUR 29.8 million in the first three quarters 2014 as compared to EUR 17.7 million in the first three quarters 2013. The main reason is the change of scope, where acquisition of HSR materialized in approximately EUR 4.3 million, specifically general repairs of boiler and coal mills, steam/water circuit, fuel gas systems and electro filters, and investments performed in EOP so as to be in line with the IED (Industrial Emissions Directive) of EUR 14.5 million in the first three quarters 2014 (EUR 0.2 million in the first three quarters 2013). On the contrary, the IED investment was compensated by savings undertaken by remaining entities within the Heat and Power segment.

Capital expenditures relating to intangible fixed assets (excluding emission rights) were not material.

The table below summarizes our capital expenditures (disregarding actual cash flows) for the Renewables segment:

In EUR millions	For the nine-month period ended September 30,	
	2013	2014
Capital expenditures relating to tangible fixed assets.....	0.6	0.5
Capital expenditures relating to intangible fixed assets excluding emission rights .....	0.0	0.0

Capital expenditures relating to tangible fixed assets increased immaterially by EUR 0.1 million in the first three quarters 2014 as compared to the first three quarters 2013.

The table below summarizes our capital expenditures (disregarding actual cash flows) for the Power Distribution and Supply segment:

In EUR millions	For the nine-month period ended September 30,	
	2013	2014
Capital expenditures relating to tangible fixed assets.....	0.0	20.5
Capital expenditures relating to intangible fixed assets excluding emission rights .....	0.3	0.9

Capital expenditures in our Power Distribution and Supply segment in the first three quarters 2014 were primarily affected by changes in the consolidation scope. Acquisition of SSE resulted in capital expenditures of EUR 19.6 million in the first three quarters 2014. Higher level of capital expenditures is expected to materialize also in the following periods.

The table below summarizes our capital expenditures (disregarding actual cash flows) for the Other segment:

In EUR millions	For the nine-month period ended September 30,	
	2013	2014
Capital expenditures relating to tangible fixed assets.....	0.0	0.0
Capital expenditures relating to intangible fixed assets excluding emission rights .....	0.0	0.0

Capital expenditures in the Other segment are not material due to the nature of operations of this segment.

## The EPE Group

### Description of key income statement line items and key performance indicators of the EPE Group

#### Key income statement line items

**Sales: Energy.** EPE presents Sales: Energy in five component parts: sales of electricity (incl. distribution), sales of heat, sales of gas, sales of coal and sales of other energy products across all of our segments. EPE recognizes revenue 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 returns, trade discounts and volume rebates. Discounts are recognized as a reduction of revenue as the sales are recognized, if it is probable that discounts will be granted and the amount can be measured reliably. Revenues from services rendered are recognized 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 recognized if there are significant uncertainties regarding the recovery of the consideration due, associated costs or the possible return of goods.

**Sales: Other.** Sales: Other represent revenues from non-core activities, including sales of brown coal dust and energy by-products (such as ash and gypsum).

**Cost of sales: Energy.** Cost of sales: Energy is divided into five component parts, namely cost of sold energy, cost of sold gas and other energy products, consumption of coal and other material, consumption of energy and other cost of sales. Cost of sales: Energy does not include directly attributable overhead costs (particularly personnel expenses, depreciation and amortization, repairs and maintenance, emission rights, taxes and charges). Cost of sales: Energy also includes losses incurred in energy trading transactions.

**Cost of sales: Other.** Cost of sales: Other is divided into five component parts, namely cost of goods sold, consumption of material, consumption of energy, changes in work-in-progress, semi-finished products and finished goods and other cost of sales. Cost of sales: Other does not include directly attributable overhead costs (particularly personnel expenses, depreciation and amortization, repairs and maintenance, emission rights, taxes and charges).

**Personnel expenses.** Personnel expenses represent expenses related to employees and board members, including wages and salaries of employees, benefits, remuneration of board members, social and health insurance, provisions related to employees (e.g., provisions for untaken holidays, accruals for bonuses and rewards), revenues/expenses related to employee benefits recorded in accordance with IAS 19 and other costs related to employees during the reporting period.

**Depreciation and amortization.** Depreciation represents non-cash expenses of tangible assets over time. Amortization represents non-cash expenses of intangible assets over time.

**Repairs and maintenance.** Repairs and maintenance represent externally incurred costs to bring an asset back to an earlier condition or to keep the asset operating in its present condition.

**Emission rights, net.** Emission rights, net comprise the profit from sale of emission allowances and the consumption of emission allowances on a continuous basis based on the actual production of emissions, with a corresponding decrease in the carrying value of deferred income on a systematic basis over the period for which the rights were issued.

**Negative goodwill.** Negative goodwill (gain on bargain purchase) represents a gain occurring when the price paid for an acquisition is less than the fair value of net assets of the acquired company.

**Taxes and charges.** Taxes and charges comprise gift taxes on emission allowances allocated by the Czech government, electricity taxes, property taxes and other taxes and charges (excluding income tax).

**Other operating income and expenses.** Other operating income and expenses represent items that are of secondary importance compared to the EPE Group's principal activities. These items include, for example, rental income, contractual penalties received from suppliers or paid to customers, consulting fees and commissions expense, transport services, insurance services, consumption of material, gains/losses on sale of intangible assets/property (excluding the sale of emissions allowances), plant and equipment or inventories, creation and reversal of various provisions, outsourcing and administrative fees and professional and advertising services.

**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 (only if total foreign currency gains and losses result in net income; receivables in foreign currency are recalculated mark-to-market at the end of the accounting period to Czech crowns) that do not qualify for hedge accounting, gains on sale of investments in securities and gains on hedging instruments that are recognized in profit or loss.

**Finance expense.** Finance cost comprises interest expense on borrowings, unwinding of the discount on provisions (e.g., on provisions for decommissioning), foreign currency losses (only if total foreign currency gains and losses result in a net expense; payables in foreign currency are recalculated mark-to-market at the end of the accounting period to Czech crowns); realized profit from currency derivative contracts that do not qualify for hedge accounting, changes in the fair value of financial assets at fair value through profit or loss, fees and commissions expense for payment transactions and guarantees and impairment losses recognized on financial assets.

**Profit/(loss) from derivative financial instruments.** Profit/(loss) from derivative financial instruments represents profit or loss from commodity derivatives (including mark-to-market valuations at the end of the accounting period), currency derivatives (including both realized and mark-to-market valuations at the end of the accounting period), hedging activities and interest rate derivatives that do not qualify for hedge accounting.

**Share of profit/(loss) of equity accounted investees.** Share of profit/loss of equity accounted investees represents a share of profit of equity accounted associates.

**Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates.** Gain/Loss on disposal of subsidiaries, special purpose entities, joint ventures and associates comprises gain or loss from selling an ownership interest in a company.

**Income tax expenses.** Income tax expenses represent the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Deferred tax is accounted

for using the balance sheet method and is recognized on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases.

**Other comprehensive income for the year, net of tax.** Other comprehensive income represents the difference between net income in the income statement and comprehensive income (which is the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources; it includes all changes in equity during a period except those resulting from investments by owners and distributions to owners).

**Total comprehensive income for the year.** Total comprehensive income for the year represents the change in equity during a period resulting from transactions and other events, other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income comprises all components of “profit or loss” and of Other comprehensive income, net of tax, and represents the certain gains and losses of the enterprise not recognized in the income statement.

### Results of operations of the EPE Group

The following sections provide a period-by-period comparison of the EPE Group’s historical income statement data. The financial data has been prepared in accordance with IFRS, and has been derived from the EPE’s condensed consolidated interim financial statements for the nine-month period ended September 30, 2014 (which include financial information for the nine-month period ended September 30, 2013 as a comparison) and should be read in conjunction with and is qualified in its entirety by reference to these financial statements, including the notes thereto.

### Results of operations of the EPE Group: the first three quarters 2014 compared to the first three quarters 2013

The following table sets forth our historical income statement data derived from the EPE’s condensed consolidated interim financial statements for the nine-month period ended September 30, 2014, prepared in accordance with IFRS as adopted by the EU, as well as other financial data. For a description of the changes in the reporting perimeter, see “Key factors affecting comparability of the results of operations of the EPE Group”.

## Condensed consolidated interim statement of comprehensive income

For the nine-month period ended 30 September 2014

In thousands of EUR (“TEUR”)

	30 September 2013 (nine months)	30 September 2014 (nine months)
Sales: Energy	1,243,136	1,577,811
<i>of which: Electricity</i>	<i>672,401</i>	<i>1,055,142</i>
Coal	212,341	199,121
Heat	221,040	179,249
Gas	137,354	144,057
Other energy products	-	242
Sales: Other	64,580	80,158
<b>Total sales</b>	<b>1,307,716</b>	<b>1,657,969</b>
Cost of sales: Energy	(801,134)	(1,069,192)
Cost of sales: Other	(16,893)	(38,987)
<b>Total cost of sales</b>	<b>(818,027)</b>	<b>(1,108,179)</b>
	<b>489,689</b>	<b>549,790</b>
Personnel expenses	(134,597)	(188,879)
Depreciation and amortisation	(179,333)	(222,525)
Repairs and maintenance	(10,485)	(10,579)

Emission rights, net	(26,213)	(15,768)
Negative goodwill	2,176	-
Taxes and charges	(7,495)	(9,184)
Other operating income	50,988	44,805
Other operating expenses	(81,900)	(99,513)
<b>Profit (loss) from operations</b>	<b>102,830</b>	<b>48,147</b>
Finance income	21,358	27,884
Finance expense	(80,113)	(78,308)
Profit (loss) from derivative financial instruments	(7,806)	13,683
<b>Net finance income (expense)</b>	<b>(66,561)</b>	<b>(36,741)</b>
Share of profit (loss) of equity accounted investees, net of tax	(5,359)	(1,243)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	(668)	-
<b>Profit (loss) before income tax</b>	<b>30,242</b>	<b>10,163</b>
Income tax revenues (expenses)	(17,786)	(3,839)
<b>Profit (loss) for the period</b>	<b>12,456</b>	<b>6,324</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation differences for foreign operations	1,159	1,406
Foreign currency translation differences for presentation currency	(36,149)	4,813
Effective portion of changes in fair value of cash flow hedges, net of tax	(3,120)	(3,600)
Fair value reserve included in other comprehensive income, net of tax	-	(3,454)
<b>Other comprehensive income for the period, net of tax</b>	<b>(38,110)</b>	<b>(835)</b>
<b>Total comprehensive income for the period</b>	<b>(25,654)</b>	<b>5,489</b>
<b>Profit (loss) attributable to:</b>		
Owners of the Company	11,905	2,977
Non-controlling interest	551	3,347
<b>Profit (loss) for the period</b>	<b>12,456</b>	<b>6,324</b>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	(23,758)	1,171
Non-controlling interest	(1,896)	4,318
<b>Total comprehensive income for the period</b>	<b>(25,654)</b>	<b>5,489</b>

## Key line items

### Sales: Energy

Sales: Energy increased by EUR 334.7 million, or 26.9%, to EUR 1,577.8 million for the first three quarters 2014 as compared to EUR 1,243.1 million for the first three quarters 2013.

### Sales of electricity

Sales of electricity increased by EUR 382.7 million, or 56.9%, to EUR 1,055.1 million for the first three quarters 2014 as compared to EUR 672.4 million for the first three quarters 2013. This increase in sales of electricity reflects mainly the change in the consolidation scope, i.e. the acquisition of Stredoslovenská energetika, a.s. in November 2013 and Helmstedter Revier GmbH in December 2013. This increase was partially offset by the decrease in sales of electricity by EPET due to lower power production in own power plants and warm winter which materialized in lower electricity offtake.

### Sales of heat

Sales of heat decreased by EUR 41.8 million, or 18.9%, to EUR 179.2 million for the first three quarters 2014 as compared to EUR 221.0 million for the first three quarters 2013. This decrease in sales of heat was primarily due to the lower demand of heat generated by PT, EOP, UE, PE caused by significantly warmer weather in the first three quarters 2014 as compared to the first three quarters 2013. As noted previously in the Report, an approximate metrics representing "coldness" of the weather pattern is so called "day-degrees" (a metric integrating difference between reference indoor temperature and

outdoor temperature over the given period of time), which was for the EPE Group and in the areas where we deliver the heat period-to-period by 25.6% lower which resulted in lower heat offtake at customers.

### **Sales of gas**

Sales of gas increased by EUR 6.7 million, or 4.9%, to EUR 144.1 million for the first three quarters 2014 as compared to EUR 137.4 million for the first three quarters 2013. This increase in sales of gas was primarily due to the change in the consolidation scope, i.e. the acquisition of Stredoslovenská energetika, a.s. in November 2013.

### **Sales of coal**

Sales of coal decreased by EUR 13.2 million, or 6.2%, to EUR 199.1 million for the first three quarters 2014 as compared to EUR 212.3 million for the first three quarters 2013 which was caused by acquisition of HSR, where coal deliveries from Mibrag to HSR carried out in 2014 no longer counted for external sales and secondly due to several one-off coal deliveries to external parties carried out by EPCT in 2013.

### **Sales: Other**

Sales: Other increased by EUR 15.6 million, or 24.1%, to EUR 80.2 million for the first three quarters 2014 as compared to EUR 64.6 million for the first three quarters 2013. This increase in Sales: Other was primarily due to the higher trading activity especially in UECT POLSKA s.a.

### **Cost of sales: Energy**

Cost of sales: Energy increased by EUR 268.1 million, or 33.5%, to EUR 1,069.2 million for the first three quarters 2014 as compared to EUR 801.1 million for the first three quarters 2013. This increase in Cost of sales: Energy was primarily due to the change in the consolidation scope, i.e. the acquisition of Stredoslovenská energetika, a.s. in November 2013 and Helmstedter Revier GmbH in December 2013 partially offset by lower cost of sales: Energy by EPET.

### **Cost of sales: Other**

Cost of sales: Other increased by EUR 22.1 million, or 130.8%, to EUR 39.0 million for the first three quarters 2014 as compared to EUR 16.9 million for the first three quarters 2013. This increase in Cost of sales: Other was primarily due to the change in the consolidation scope and due to the increased Cost of sales: Other of UECT and UECT POLSKA.

### **Personnel expenses**

Personnel expenses increased by EUR 54.3 million, or 40.3%, to EUR 188.9 million for the first three quarters 2014 as compared to EUR 134.6 million for the first three quarters 2013. This increase in personnel expenses was due to the change in the consolidation scope, i.e. the acquisition of Stredoslovenská energetika, a.s. in November 2013 and Helmstedter Revier GmbH in December 2013.

### **Depreciation and amortization**

Depreciation and amortization increased by EUR 43.2 million, or 24.1%, to EUR 222.5 million for the first three quarters 2014 as compared to EUR 179.3 million for the first three quarters 2013. This increase in depreciation and amortization was primarily due to the change in the consolidation scope, i.e. the acquisition of Stredoslovenská energetika, a.s. in November 2013 and Helmstedter Revier GmbH in December 2013 partially offset by lower Depreciation and amortization of Mibrag and Pražská teplárenská.

### **Repairs and maintenance**

Repairs and maintenance increased immaterially by EUR 0.1 million, or 0.9%, to EUR 10.6 million for the first three quarters 2014 as compared to EUR 10.5 million for the first three quarters 2013.

### **Emission rights, net**

Emission rights, net decreased by EUR 10.4 million, or 39.8%, to EUR 15.8 million for the first three quarters 2014 as compared to EUR 26.2 million for first three quarters 2013. This decrease in emission rights, net was primarily due to lower consumption of emission allowances by Mibrag and EOP partially offset by acquisition of Helmstedter Revier GmbH in December 2013 and further by lower price. Lower consumption of emission allowances was due to warm winter which translated into lower heat and power production and thus less exhausted emissions.

### **Negative goodwill**

Negative goodwill decreased by EUR 2.2 million to EUR 0.0 million for the first three quarters 2014 as compared to EUR 2.2 million for the first three quarters 2013. Negative goodwill arose upon the step acquisition of PRVNÍ MOSTECKÁ a.s. in the first three quarters 2013.

### **Taxes and charges**

Taxes and charges increased by EUR 1.7 million, or 22.5%, to EUR 9.2 million for the first three quarters 2014 as compared to EUR 7.5 million for the first three quarters 2013. This increase in taxes and charges is immaterial.

### **Other operating income**

Other operating income decreased by EUR 6.2 million, or 12.1%, to EUR 44.8 million for the first three quarters 2014 as compared to EUR 51.0 million for the first three quarters 2013. This decrease is mostly due to lower volume of Own work capitalised primarily resulting from labour costs capitalised in mines partially compensated by higher consulting costs.

### **Other operating expenses**

Other operating expenses increased by EUR 17.6 million, or 21.5%, to EUR 99.5 million for the first three quarters 2014 as compared to EUR 81.9 million for the first three quarters 2013. This increase in Other operating expenses is primarily due to the change in the consolidation scope, i.e. the acquisition of Stredoslovenská energetika, a.s. in November 2013 and Helmstedter Revier GmbH in December 2013 and due to increased consulting and administrative costs at Mibrag.

### **Finance income**

Finance income increased by EUR 6.5 million, or 30.6%, to EUR 27.9 million for the first three quarters 2014 as compared to EUR 21.4 million for the first three quarters 2013. This increase in finance income was primarily due to the increase in interest income caused by the change in the consolidation scope, particularly the acquisition of Helmstedter Revier GmbH in December 2013.

### **Finance expense**

Finance expense decreased by EUR 1.8 million, or 2.3%, to EUR 78.3 million for the first three quarters 2014 as compared to EUR 80.1 million for the first three quarters 2013. This decrease in finance expense was primarily driven by one-off fees related to refinancing of bank loan in the first three quarters 2013 and by decrease in net foreign exchange loss.

### **Profit/(loss) from derivative financial instruments**

Profit/(loss) from derivative financial instruments increased by EUR 21.5 million to a profit of EUR 13.7 million for the first three quarters 2014 as compared to a loss of EUR 7.8 million for the first three quarters 2013. This change in profit/(loss) from financial instruments was primarily due to the reduction of losses from the revaluation of currency derivatives for trading at EOP and by increased profit from commodity financial derivatives at EPET.

### **Share of profit/(loss) of equity accounted investees, net of tax**

Share of profit/(loss) of equity accounted investees, net of tax changed by EUR 4.1 million to a loss of EUR 1.2 million for the first three quarters 2014 as compared to a loss of EUR 5.4 million for the first three quarters 2013. This change in profit/(loss) of equity accounted investees, net of tax is mainly related to MIBRAG associates.

### **Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates.**

Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates changed by EUR 0.7 million to EUR 0.0 million in the first three quarters 2014 as compared to negative EUR 0.7 million in the first three quarters 2013. This increase is related to the negative effect of the disposal of 85% investment in Areál Třeboradice, a.s. on June 28, 2013.

### **Income tax expenses**

Income tax expenses decreased by EUR 14.0 million to EUR 3.8 million for the first three quarters 2014 as compared to EUR 17.8 million for the first three quarters 2013. This decrease in income tax expenses was primarily due to current income taxes decrease by EUR 10.5 million in the first three quarters 2014 as compared to the first three quarters 2013, on the contrary, deferred income taxes decreased by EUR 3.5 million as compared to the first three quarters 2013. The decrease in income tax expenses was primarily due to the decrease in the income tax for the current period recorded in MIBRAG and EOP for the first three quarters 2014 as compared to the first three quarters 2013.

### **Other comprehensive income for the period, net of tax**

Other comprehensive income for the period, net of tax, changed by EUR 37.3 million to negative EUR 0.8 million for the first three quarters 2014 as compared to negative EUR 38.1 million for the first three quarters 2013. This change in other comprehensive income, net of tax, was primarily due to the increase in foreign currency translation differences for presentation currency in the first three quarters 2013, these FX differences did not materialize in the first three quarters 2014 due to the Czech National Bank monetary policy and thus relatively stable EUR/CZK exchange rate during the first three quarters 2014.

### **Liquidity and capital resources of the EPE Group**

#### **Capital resources**

EPE's financial condition and liquidity are and will continue to be influenced by a variety of factors, including:

- our ability to generate cash flows from our operations;
- the level of our outstanding indebtedness, and the interest EPE is obligated to pay on such indebtedness, which affects our financing costs;
- prevailing interest rates, which affect our debt service requirements;
- our ability to continue to borrow funds from banks and international debt capital markets;

- our level of acquisitions activity; and
- our capital expenditure requirements and development projects.

EPE's historical liquidity requirements have arisen primarily from the need for us to meet EPE's debt service requirements, to fund capital expenditures for the general maintenance and expansion of EPE's production and heat distribution facilities and for new facilities, to fund growth in our working capital and to support our acquisition strategy.

EPE's primary sources of liquidity historically have been cash flows from operations of subsidiaries, cash on EPE's balance sheet and external financings (including shareholder loans, since EPE's issuance of the Notes, bonds and, since EPE entered into the SSE Acquisition Credit Facility, borrowings thereunder). EPE's ability to generate cash from our operations depends on future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive market, legislative, regulatory and other factors, many of which are beyond our control.

EPE believes that its operating cash flows, together with the cash reserves and future borrowings permitted under EPE's debt facilities, will be sufficient to fund EPE's working capital requirements, anticipated capital expenditures and debt service requirements as they become due. Since the beginning of the year, we have entered into 4 revolving credit facilities. These revolving credit facilities, together with our internal cash generation capacity shall enable us to meet the Group's short-term liquidity needs, including working capital.

## Cash flow

The following table summarizes our selected consolidated cash flows for the first three quarters 2013 and 2014.

	Nine-month period ended September 30,	
	2013	2014
	(in EUR millions)	
<b>Operating profit before changes in working capital</b> .....	262.8	257.7
<i>Selected changes to working capital</i>		
Change in financial instruments in other than fair value .....	(152.6)	(56.3)
Change in trade receivables and other assets .....	21.1	56.5
Change in inventories (including proceeds from sale) .....	(31.7)	(8.0)
Change in trade payables and other liabilities .....	(4.7)	(26.9)
Change in assets held for sale and related liabilities .....	–	3.1
<b>Cash flows generated from (used in) operating activities</b> .....	<b>17.9</b>	<b>139.7</b>
<b>Cash flows from (used in) investing activities</b> .....	<b>(32.3)</b>	<b>(77.1)</b>
<b>Cash flows from (used in) financing activities</b> .....	<b>(61.5)</b>	<b>(179.3)</b>
<b>Total changes in cash flows</b> .....	<b>(75.9)</b>	<b>(116.7)</b>

Our cash flow figures in the periods analyzed were significantly impacted by certain transactions that we have undertaken, specifically the acquisition of SSE and HSR.

## Operating Activities

Cash flows from (used in) operating activities increased by EUR 121.8 million to EUR 139.7 million for the first three quarters 2014, as compared to EUR 17.9 million for the first three quarters 2013. This change in cash flows from (used in) operating activities is primarily due to improvement of working

capital for the first three quarters 2014 as compared to the first three quarters 2013. The principal reason for the improvement of working capital was a positive change in the financial instruments in other than fair value which primarily relates to upstream loans provided to EPH – even though the total upstreamed funds as 30 September 2014 and 30 September 2013 were of similar value, in the first three quarters 2014 part of the upstream totaling EUR 89.9 million was made via a declared dividend and therefore this dividend is not reported as a part of operating activities. Cash flow positive change in trade receivables and other assets and Inventories was partially offset by negative change in trade payables and other liabilities.

### **Investing Activities**

Cash flows from (used in) investing activities changed by EUR 44.8 million to negative EUR 77.1 million for the first three quarters 2014, as compared to negative EUR 32.3 million for the first three quarters 2013. This change in cash flows from (used in) investing activities is primarily due to the increase in capital expenditures related to the acquisition of Stredoslovenská energetika a.s. and Helmstedter Revier GmbH and due to the decrease in received dividends from equity accounted investees.

### **Financing Activities**

Cash flows from (used in) financing activities changed by EUR 117.8 million to negative cash flows used in financing activities of EUR 179.3 million for the first three quarters 2014, as compared to negative cash flows from financing activities of EUR 61.5 million for the first three quarters 2013. This change in cash flows from (used in) financing activities is primarily due to borrowings and repayments of loans made in the first three quarters 2013, particularly drawing of the syndicated bank loan and subsequent repayment of shareholder debt.

### **Capital expenditures**

Our strategy is to focus capital investments on projects that maintain our technical equipment and increase operational efficiency. We have managed to keep capital expenditures at reasonably low levels by means of controlled business planning, engineering, procurement and project management at our operating subsidiaries. As noted above, the inclusion of SSE's results in our financial statements will correspondingly increase our capital expenditures. We have made, and expect to continue to make, expenditures to maintain compliance with environmental laws. For example, starting in 2016, the stricter emission targets set forth by the European Industrial Emissions Directive (IED) will apply for large combustion plants, including those that we operate, which we estimate will require additional capital expenditures in excess of EUR 80 million for our power plants in the Czech Republic (predominantly at EOP and minor technology improvements at UE and PE), and an additional EUR 6.5 million total for our Schkopau (primarily mercury-related) and MIBRAG power plants in Germany. We are also considering the construction of rail infrastructure for the transport of MIBRAG brown coal to off-takers EOP, UE and Buschhaus. In addition, we expect to incur a one-off capital expenditure in or around 2016 relating to the brown coal train unloading facilities at Buschhaus. We also expect to accelerate our capital expenditure on certain refurbishments to our heating network operations over the next two years in order to be eligible for approximately EUR 6 million in public subsidies in the Czech Republic. We also expect to incur one-off capital expenditures in relation to our two renewable energy projects that are in development, mainly in 2015-2016, with an expected cost of EUR 1.5 million/MW of installed capacity.

During the first three quarters 2013 and 2014, capital expenditures, irrespective of actual cash flows, were as follows:

	<b>As of and for the nine-month period ended September 30,</b>	
	<b>2013</b>	<b>2014</b>
Capital expenditures for tangible fixed assets.....	54.2	82.4
Capital expenditures for intangible fixed assets excluding emission rights .....	1.2	1.9
Capital expenditures for emission rights (incl. free allocations) .....	20.3	19.0
<b>Total capital expenditures .....</b>	<b>75.7</b>	<b>103.3</b>
Property, plant and equipment, at depreciated cost .....	1,534.1	2,279.3

### **Capital expenditures for tangible fixed assets and intangible fixed assets excluding emission rights**

Capital expenditures for tangible fixed assets increased by EUR 28.2 million, or 52.0%, to EUR 82.4 million for the first three quarters 2014 as compared to EUR 54.2 million for the first three quarters 2013. This increase in capital expenditures for tangible fixed assets was primarily due to the acquisition of Stredoslovenská energetika, a.s., which was reflected in our financial statements from December 1, 2013 (capital expenditure in three quarters 2014 of app. EUR 19.6 million) and acquisition of Helmstedter Revier GmbH in December 31, 2013 which materialized in approximately EUR 4.3 million of capital expenditures mainly due to the general repairs of boiler and coal mills. In addition, EOP performed an investment of EUR 14.5 million so as to be in line with the IED (Industrial Emissions Directive) in the first three quarters 2014. On the contrary, the IED investment was compensated by savings undertaken by remaining entities within the Heat and Power segment.

Capital expenditures for intangible fixed assets excluding emission rights increased immaterially by EUR 0.7 million to EUR 1.9 million for the first three quarters 2014 as compared to EUR 1.2 million for the first three quarters 2013.

### **Capital expenditures for emission rights**

For the periods presented in this Report out of all entities included in the EPE Group, MIBRAG, EOP, PE, UE and Buschhaus were required to purchase emission allowances for their own respective consumption due to an insufficient allocation of emission allowances. The share that our Czech operating subsidiaries will need to purchase will increase over time as the result of the allocation system under which fewer emissions allowances are now allocated free of charge. We are exposed to changes in the way emissions allowances are allocated, including the conditions attaching to free allocations and the allocation of emissions allowances, as well as volatility in the market prices of emissions allowances that we need to acquire.

## Contractual and other material financial obligations of the EPE Group

The table sets out our loans and borrowings as of December 31, 2013 and September 30, 2014.

In EUR millions	Dec 31, 2013	Sep 30, 2014
Loans payable to credit institutions .....	325.1	256.2
Loans payable to other than credit institutions .....	142.6	16.3
<i>of which owed to the parent company / ultimate parent company .....</i>	<i>2.3</i>	<i>2.4</i>
<i>of which owed to other related companies.....</i>	<i>140.3</i>	<i>12.6</i>
Bank overdraft .....	-	3.7
Notes.....	1,091.8	1,107.5
Liabilities from financial leases .....	0.2	1.0
<b>Total.....</b>	<b>1,559.7</b>	<b>1,384.7</b>
Non-current .....	1,513.8	1,355.3
<i>of which owed to the parent company / ultimate parent company.....</i>	<i>-</i>	<i>-</i>
<i>of which owed to other related companies.....</i>	<i>139.1</i>	<i>-</i>
Current.....	45.9	29.4
<i>of which owed to the parent company / ultimate parent company.....</i>	<i>2.3</i>	<i>2.4</i>
<i>of which owed to other related companies.....</i>	<i>1.2</i>	<i>12.6</i>
<b>Total.....</b>	<b>1,559.7</b>	<b>1,384.7</b>

## Off-balance sheet arrangements of the EPE Group

The table below sets out EPE's financial commitments and contingencies as of December 31, 2013 and September 30, 2014.

In EUR millions	Dec 31, 2013	Sep 30, 2014
Granted pledges—securities.....	1,041.3	1,030.8
Guarantees and warranties given, granted promises .....	334.4	437.1
Other contingent liabilities .....	1,861.2	1,844.9
<b>Total.....</b>	<b>3,236.9</b>	<b>3,312.8</b>

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

Other contingencies relate to granted loans of EUR 1,334.9<sup>(1)</sup> million (December 31, 2013: EUR 1,284.2<sup>(1)</sup> million), pledged cash<sup>(2)</sup> of EUR 106.0 million (December 31, 2013: EUR 104.7 million) and further pledges of EUR 404.0 million (December 31, 2013: EUR 472.3 million) that include pledged fixed assets of EUR 312.2 million (December 31, 2013: EUR 343.1 million), pledged inventories of EUR 19.0 million (December 31, 2013: EUR 17.9 million) and trade receivables of EUR 72.8 million (December 31, 2013: EUR 111.3 million); all were used as collateral for external financing.

(1) Total balance of pledged granted loans includes intercompany loans of EUR 792.0 million (December 31, 2013: EUR 811.6 million).

(2) According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case the EPE defaults on bond payments. As such, the pledged cash is readily available to the EPE Group and does not represent restricted cash.

## Other granted promises

Other granted promises comprise EUR 304.4 million (December 31, 2013: EUR 261.7 million), which are represented by the contracts for future energy supply, and EUR 132.7 million (December 31, 2013: EUR 68.9 million), which are represented by the contingent assets related to green energy for the nine-

month period ended September 30, 2014 and for the year 2013 (December 31, 2013: contingent assets cover years 2012 and 2013; contingent asset for 2012 was already recovered during the period from January 1, 2014 to September 30, 2014).

### **Contingent assets related to green energy for the reporting period**

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 nine-month period ended September 30, 2014 the SSE Group recognized a loss of EUR 80.8 million 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 January 1, 2014 to September 30, 2014, this loss was partly compensated via a recovery of 2012 loss of EUR 17.0 million. The 2014 loss is included in the contingent asset of EUR 132.7 million 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 (December 31, 2013: in 2014 and 2015). The resulting asset originating in the nine-month period ended September 30, 2014 and in prior periods was not recognized as the asset does not meet currently the recognition criteria set by IFRS as adopted by the EU.

### **Other commitments and contingencies**

EPE’s parent company, Energetický a 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 EPE 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 7.3 million. As these transactions are subject to a confidentiality obligation, disclosure of more detailed information herein is prohibited.

However, the parties have not yet 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, including the preparation of due diligence; this should provide a basis to above 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.

Attachments stored on [www.epenergy.cz](http://www.epenergy.cz):

Unaudited condensed consolidated interim financial statements as of and for the nine-month period ended September 30, 2014 prepared in accordance with IAS 34 – Interim Financial Reporting.

## EP Energy, a.s.

### Consolidated statement of comprehensive income

For the period from 1 July to 30 September 2013 and 2014

In thousands of EUR ("TEUR")

	1 July to 30 September 2013 (unaudited)	1 July to 30 September 2014 (unaudited)
Sales: Energy	350,923	461,095
<i>of which: Electricity</i>	220,944	342,962
Heat	25,585	22,060
Coal	74,009	65,141
Gas	30,385	30,782
Other energy products	-	150
Sales: Other	21,660	28,504
<b>Total sales</b>	<b>372,583</b>	<b>489,599</b>
Cost of sales: Energy	(236,832)	(324,267)
Cost of sales: Other	(5,842)	(14,257)
<b>Cost of sales</b>	<b>(242,674)</b>	<b>(338,524)</b>
	<b>129,909</b>	<b>151,075</b>
Personnel expenses	(43,465)	(63,248)
Depreciation and amortisation	(52,207)	(72,432)
Repairs and maintenance	(3,675)	(4,033)
Emission rights, net	(11,932)	(4,906)
Taxes and charges	(2,086)	(3,409)
Other operating income	20,637	15,750
Other operating expenses	(29,680)	(27,983)
<b>Profit/(loss) from operations</b>	<b>7,501</b>	<b>(9,186)</b>
Finance income	4,743	9,108
Finance expense	(17,854)	(29,492)
Profit/(loss) from financial instruments	(3,565)	7,436
<b>Net finance income/(expense)</b>	<b>(16,676)</b>	<b>(12,948)</b>
Share of profit of equity accounted investees, net of tax	1,334	(638)
<b>Profit/(loss) before income tax</b>	<b>(7,841)</b>	<b>(22,772)</b>
Income tax expenses	386	6,806
<b>Profit/(loss) for the period</b>	<b>(7,455)</b>	<b>(15,966)</b>

## EP Energy, a.s.

### Unaudited condensed consolidated interim statement of cash flows

For the period from 1 July to 30 September 2013 and 2014

In thousand of EUR ("TEUR")

	1 July to 30 September 2013 (unaudited)	1 July to 30 September 2014 (unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit (loss) for the period	(7,455)	(15,966)
<i>Adjustments for:</i>		
Income taxes	(386)	(6,806)
Depreciation and amortization	52,207	72,432
Impairment losses on property, plant and equipment and intangible assets	2,018	42
Gain/Loss on disposal of property, plant and equipment, investment property and intangible assets	1,710	98
Gain / Loss on disposal of inventories	(116)	(299)
Emission rights	11,932	4,906
Share of profit of equity accounted investees	(1,334)	638
Gain / Loss on financial instruments	3,565	(7,436)
Net interest expense	14,952	19,114
Change in allowance for impairment to trade receivables and other assets, write-offs	930	336
Change in provisions	(1,304)	(279)
Unrealized foreign exchange gains/(losses), net	(55,649)	(1,445)
<b>Operating profit before changes in working capital</b>	<b>21,070</b>	<b>65,335</b>
Change in financial instruments not at fair value	1,398	(1,826)
Change in trade receivables and other assets	(8,292)	(24,571)
Change in inventories (including proceeds from sale)	(13,049)	(3,367)
Change in extracted minerals and mineral products	(1,242)	(303)
Change in assets held for sale and related liabilities	-	3,109
Change in trade payables and other liabilities	14,368	52,037
<b>Cash generated from (used in) operations</b>	<b>14,253</b>	<b>90,414</b>
Interest paid	(4,520)	(1,849)
Income taxes paid	(8,401)	(12,104)
<b>Cash flows generated from (used in) operating activities</b>	<b>1,332</b>	<b>76,461</b>
<b>INVESTING ACTIVITIES</b>		
Received dividends	197	(3)
Proceeds from sale of financial instruments - derivatives	(117)	3,905
Acquisition of property, plant and equipment, investment property and intangible assets	(30,473)	(36,160)
Purchase of emission rights	(1,739)	(557)
Proceeds from sale of emission rights	(1)	(2)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	(316)	(4,052)
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	(467)	95
<b>Cash flows from (used in) investing activities</b>	<b>(39,984)</b>	<b>(39,100)</b>

**FINANCING ACTIVITIES**

Proceeds from issue of share capital	1,171	-
Proceeds from loans received	(138,084)	16,246
Repayment of borrowings	189,122	(93,081)
Proceeds from bonds issued	2,849	-
Dividends paid	(2,438)	(26,350)
<b>Cash flows from (used in) financing activities</b>	<b>52,620</b>	<b>(103,185)</b>
<i>Net increase (decrease) in cash and cash equivalents</i>	<i>13,968</i>	<i>(65,824)</i>
<b>Cash and cash equivalents at beginning of the period</b>	<b>228,709</b>	<b>231,973</b>
Effect of exchange rate fluctuations on cash held	3,836	(351)
<b>Cash and cash equivalents at end of the period</b>	<b>246,513</b>	<b>165,798</b>