EP Energy, a.s.

Condensed Consolidated Interim Financial Statements as of and for the six-month period ended 30 June 2016

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

Content

Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2016
In millions of EUR ("MEUR")

	Note	30 June 2016 (six months)	30 June 2015 (six months) Restated*
Sales: Energy	6	940	950
of which: Electricity		*644*	*625*
Heat		*210*	*166*
Gas		*73*	*139*
Coal		*13*	*20*
Sales: Other	6	18	18
Gain (loss) from commodity derivatives for trading with electricity and gas, net		2	8
Total sales		**960**	**976**
Cost of sales: Energy	7	(702)	(737)
Cost of sales: Other	7	(15)	(13)
Total cost of sales		**(717)**	**(750)**
Subtotal		**243**	**226**
Personnel expenses	8	(49)	(42)
Depreciation and amortisation	14, 15	(84)	(78)
Repairs and maintenance		(4)	(5)
Emission rights, net	9	(6)	(1)
Taxes and charges		(2)	(1)
Other operating income	10	16	14
Other operating expenses	11	(24)	(31)
Profit (loss) from operations		**90**	**82**
Finance income	12	14	22
Finance expense	12	(35)	(44)
Profit (loss) from financial instruments	12	(12)	(1)
Net finance income (expense)		**(33)**	**(23)**
Gain (loss) on disposal of subsidiaries, special purpose entities and associates	5	102	-
Profit (loss) before income tax		**159**	**59**
Income tax expenses	13	(21)	(17)
Profit (loss) from continuing operations		**138**	**42**
Profit (loss) from discontinued operations (net of tax)		(12)	(19)
Profit (loss) for the period		**126**	**23**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		7	(14)
Foreign currency translation differences from presentation currency		(1)	45
Effective portion of changes in fair value of cash flow hedges, net of tax		(5)	14
Fair value reserve included in other comprehensive income		-	(1)
Other comprehensive income for the period, net of tax		**1**	**44**
Total comprehensive income for the period		**127**	**67**
Profit (loss) attributable to:			
Owners of the Company			
Profit (loss) for the period from continuing operations		109	24
Profit (loss) for the period from discontinued operations		(12)	(19)
Profit (loss) for the period attributable to owners of the company		**97**	**5**
Non-controlling interest			
Profit (loss) for the period from continuing operations		29	18
Profit (loss) for the period attributable to non-controlling interest		**29**	**18**
Profit (loss) for the period		**126**	**23**
Total comprehensive income attributable to:			
Owners of the Company		97	46
Non-controlling interest	25	30	21
Total comprehensive income for the period		**127**	**67**
Basic and diluted earnings per share in EUR – continuing operations	24	**5.58**	**1.23**
Basic and diluted earnings per share in EUR	24	**4.96**	**0.26**

* *For details refer to Appendix 3 – Restated Condensed consolidated interim statement of comprehensive income.*

The notes presented on pages 8 to 63 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As at 30 June 2016
In millions of EUR ("MEUR")

	Note	30 June 2016	31 December 2015
Assets			
Property, plant and equipment	14	1,574	1,606
Intangible assets	15	58	82
Goodwill	15	98	98
Equity accounted investees	16	16	8
Investment property		-	3
Financial instruments and other financial assets	29	7	8
of which receivables from the parent company/ultimate parent company		-	-
Trade receivables and other assets	18	29	21
Deferred tax assets	22	1	2
Total non-current assets		**1,783**	**1,828**
Inventories	17	49	47
Trade receivables and other assets	18	248	295
Financial instruments and other financial assets	29	27	314
of which receivables from the parent company/ultimate parent company		*26*	*306*
Prepayments and other deferrals		4	3
Tax receivables	20	13	20
Cash and cash equivalents	19	542	132
Assets/disposal groups held for sale	21	-	1,095
Total current assets		**883**	**1,906**
Total assets		**2,666**	**3,734**
Equity			
Share capital	23	505	505
Share premium		116	116
Reserves		(378)	(378)
Retained earnings		153	400
Total equity attributable to equity holders		**396**	**643**
Non-controlling interest	25	445	475
Total equity		**841**	**1,118**
Liabilities			
Loans and borrowings	26	1,126	1,304
of which owed to the parent company/ultimate parent company		-	-
Financial instruments and financial liabilities	29	16	1
Provisions	27	16	16
Deferred income	28	71	72
Deferred tax liabilities	22	180	183
Trade payables and other liabilities	30	3	7
Total non-current liabilities		**1,412**	**1,583**
Trade payables and other liabilities	30	346	286
Loans and borrowings	26	31	46
of which owed to the parent company/ultimate parent company		*3*	*3*
Financial instruments and financial liabilities	29	1	5
Provisions	27	11	23
Deferred income	28	19	12
Current income tax liability		5	13
Liabilities from disposal groups held for sale	21	-	648
Total current liabilities		**413**	**1,033**
Total liabilities		**1,825**	**2,616**
Total equity and liabilities		**2,666**	**3,734**

The notes presented on pages 8 to 63 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

For the six-month period ended 30 June 2016

	Attributable to owners of the Company											
In millions of EUR ("MEUR")	**Share capital**	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 1 January 2016 (A)	**505**	**116**	**23**	**1**	**(14)**	**(14)**	**(320)**	**(54)**	**400**	**643**	**475**	**1,118**
Total comprehensive income for the period:												
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**97**	**97**	**29**	**126**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	5	-	-	-	-	**5**	2	**7**
Foreign currency translation differences from presentation currency	-	-	-	-	-	-	-	-	-	**-**	(1)	**(1)**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	(5)	-	**(5)**	-	**(5)**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**(5)**	**-**	**-**	**1**	**1**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**5**	**-**	**-**	**(5)**	**97**	**97**	**30**	**127**
Contributions by and distributions to owners:												
Dividends to equity holders	-	-	-	-	-	-	-	-	(344)	**(344)**	(49)	**(393)**
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(344)**	**(344)**	**(49)**	**(393)**
Changes in ownership interests in subsidiaries:												
Effect of disposed entities	-	-	-	-	-	-	-	-	-	**-**	(11)	**(11)**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(11)**	**(11)**
Total transactions with owners (G) = (E + F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(344)**	**(344)**	**(60)**	**(404)**
Balance at 30 June 2016 (H) = (A + D + G)	**505**	**116**	**23**	**1**	**(9)**	**(14)**	**(320)**	**(59)**	**153**	**396**	**445**	**841**

The notes presented on pages 8 to 63 form an integral part of these condensed consolidated interim financial statements.

For the six-month period ended 30 June 2015

In millions of EUR ("MEUR")	Attributable to owners of the Company											
	Share capital	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 1 January 2015 (A)	**769**	**116**	**23**	**1**	**(47)**	**(10)**	**(320)**	**(86)**	**462**	**908**	**462**	**1,370**
Total comprehensive income for the period:												
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5**	**5**	**18**	**23**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	(8)	-	-	-	-	**(8)**	(6)	**(14)**
Foreign currency translation differences from presentation currency	-	-	-	-	36	-	-	-	-	**36**	9	**45**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	14	-	**14**	-	**14**
Fair value reserve included in other comprehensive income	-	-	-	-	-	(1)	-	-	-	**(1)**	-	**(1)**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**28**	**(1)**	**-**	**14**	**-**	**41**	**3**	**44**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**28**	**(1)**	**-**	**14**	**5**	**46**	**21**	**67**
Contributions by and distributions to owners:												
Decrease in share capital	(264)	-	-	-	-	-	-	-	-	**(264)**	-	**(264)**
Dividends to equity holders	-	-	-	-	-	-	-	-	(70)	**(70)**	(35)	**(105)**
Total contributions by and distributions to owners (E)	**(264)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(70)**	**(334)**	**(35)**	**(369)**
Changes in ownership interests in subsidiaries:												
Effect of changes in shareholdings on non-controlling interests	-	-	-	-	-	-	-	-	-	-	(1)	**(1)**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**
Total transactions with owners (G) = (E + F)	**(264)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(70)**	**(334)**	**(36)**	**(370)**
Balance at 30 June 2015 (H) = (A + D + G)	**505**	**116**	**23**	**1**	**(19)**	**(11)**	**(320)**	**(72)**	**397**	**620**	**447**	**1,067**

The notes presented on pages 8 to 63 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

For the six-month period ended 30 June 2016

In millions of EUR ("MEUR")	**Note**	**30 June 2016 (six months)**	**30 June 2015 (six months) *Restated**
OPERATING ACTIVITIES			
Profit (loss) for the period		**126**	**23**
Adjustments for:			
Income taxes	13	21	17
Depreciation and amortisation	14, 15	84	78
Non-cash (gain) loss from commodity derivatives for trading with electricity and gas, net		1	(5)
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	10	(1)	(2)
Emission rights	9	6	1
Gain on disposal of subsidiaries, special purpose entities, joint ventures, associates and non-controlling interests		(102)	-
(Gain) loss on financial instruments	12	12	1
Net interest expense	12	22	24
Change in allowance for impairment to trade receivables and other assets, write-offs		2	2
Other finance fees, net	12	1	-
Change in provisions		-	(7)
Discontinued operations		12	83
Realized foreign exchange (gains) losses, net		6	8
Unrealised foreign exchange (gains) losses, net		(8)	2
Operating profit before changes in working capital		**182**	**225**
Change in trade receivables and other assets		40	39
Change in inventories (including proceeds from sale)		(2)	(4)
Change in extracted minerals and mineral products		-	2
Change in assets held for sale and related liabilities		304	8
Change in trade payables and other liabilities		(36)	(32)
Cash generated from (used in) operations		**488**	**238**
Interest paid		(30)	(31)
Income taxes paid		(33)	(23)
Cash flows generated from (used in) operating activities		**425**	**184**
INVESTING ACTIVITIES			
Change in financial instruments not at fair value		3	-
Repayment of loans provided to the other entities		1	-
Proceeds from sale of financial instruments – derivatives		10	(1)
Acquisition of property, plant and equipment and intangible assets	14, 15	(46)	(79)
Purchase of emission rights		(1)	(1)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		-	4
Net cash (outflow) inflow from disposal of subsidiaries and special purpose entities including received dividends	5	224	-
Increase in participation in existing subsidiaries and special purpose entities		-	(1)
Interest received		-	1
Cash flows from (used in) investing activities		**191**	**(77)**
FINANCING ACTIVITIES			
Proceeds from loans received		-	32
Repayment of borrowings		(200)	(88)
Realized foreign exchange (gains) losses, net		(6)	(8)
Dividends paid		-	(69)
Cash flows from (used in) financing activities		**(206)**	**(133)**
Net increase (decrease) in cash and cash equivalents		*410*	*(26)*
Cash and cash equivalents at beginning of the period		**132**	**201**
Effect of exchange rate fluctuations on cash held		-	*2*
Cash and cash equivalents at end of the period		**542**	**177**

* *For details refer to Appendix 4 – Restated Condensed consolidated interim statement of cash flow.*

Notes to the condensed consolidated interim financial statements

1. Background

EP Energy, a.s. (the "Parent Company" or the "Company" or "EPE" or "energy subholding") is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded by Energetický a průmyslový holding, a.s. ("EPH") on 16 December 2010 as a subsidiary that will hold/consolidate investments in entities belonging to the energy segment of Energetický a průmyslový holding, a.s. and its subsidiaries (the "EPH Group").

The energy subholding was established to separate the strategic energy assets from other business activities of the EPH Group.

The share capital at the establishment of the Company of EUR 764 million was settled by a non-cash consideration in the form of shares in Honor Invest, a.s.(2), AISE, s.r.o., První energetická a.s.(1), Czech Energy Holding, a.s.(2), Plzeňská energetika a.s., ROLLEON a.s., EP Renewables a.s. (previously Czech Wind Holding, a.s.) and HC Fin3 N.V.(2)

On 26 August 2013 the share capital of EPE increased by a cash contribution of EUR 1 million based on a decision of the Company's shareholder.

On 4 November 2013 the EPE Group completed the process of the cross-border merger of Honor Invest(2), a.s., Czech Energy Holding, a.s.(2), HC Fin3 N.V.(2), EAST BOHEMIA ENERGY HOLDING LIMITED(2), LIGNITE INVESTMENTS 1 LIMITED(2) and EP Energy, a.s.

EP Energy, a.s. is the successor company and took over all assets, rights and obligations of the acquired companies. As a result of the merger, on 4 November 2013 the Company's nominal value of shares increased from CZK 1,000 to CZK 1,001.

On 18 December 2013 the shareholder of the Company decided to increase share capital by EUR 4 million which was settled by a contribution of EPH Financing II, a.s. and a receivable relating to a shareholder loan used to co-finance the acquisition of a 49% share (associated with a management control) in Stredoslovenská energetika, a.s. As a result of this transaction the Company also recorded a share premium of EUR 116 million.

On 24 January 2014, CE Energy, a.s., a 100% subsidiary of EPH, acquired all of the outstanding shares of EP Energy, a.s. from its sole shareholder EPH.

On 5 February 2015 the Company completed a process of decrease of share capital by EUR 264 million due to the capital structure optimisation. As a result of this transaction nominal value of shares decreased from CZK 1,001 per share to CZK 657 per share.

The condensed consolidated interim financial statements of the Company for the six-month period ended 30 June 2016 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates (together referred to as the "Group" or the "EPE Group"). The Group entities are listed in Note 33 – Group entities.

(1) První energetická a.s. merged with EP ENERGY TRADING, a.s. as at 1 January 2013. EP ENERGY TRADING, a.s. is the successor company.

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

The shareholder of the Company as at 30 June 2016 was as follows:

	Interest in share capital		Voting rights
	MEUR	%	%
EP Infrastructure, a.s. (former CE Energy, a.s.)	505	100.00	100.00
Total	**505**	**100.00**	**100.00**

The shareholder of the Company as at 31 December 2015 was as follows:

	Interest in share capital		Voting rights
	MEUR	%	%
EP Infrastructure, a.s. (former CE Energy, a.s.)	505	100.00	100.00
Total	**505**	**100.00**	**100.00**

The shareholders of Energetický a průmyslový holding, a.s., the parent company of EP Infrastructure, a.s. (former CE Energy, a.s.) and ultimate parent of EP Energy, a.s. as of 30 June 2016 and 31 December 2015 were as follows:

	Interest in share capital %		Voting rights %	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
EP Investment S.à r.l (owned by Daniel Křetínský)	37.17	20.65	37.17	37.17
MILEES LIMITED (part of J&T PARTNERS II L.P.)	37.17	18.52	37.17	33.33
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	25.67	16.39	25.67	29.50
Own shares[(1)]	-	44.44	-	-
Total	**100.00**	**100.00**	**100.00**	**100.00**

(1) In 2014 the parent company EPH acquired 44.44% of its own shares from TIMEWORTH HOLDINGS LIMITED. As of 30 June 2015 these shares were reported within EPH´s equity. These shares were cancelled on 22 January 2016.

The members of the Board of Directors as at 30 June 2016 were:

- Daniel Křetínský (Chairman of the Board of Directors)
- Jan Špringl (Vice-chairman of the Board of Directors)
- Marek Spurný (Member of the Board of Directors)
- Pavel Horský Member of the Board of Directors)
- Jiří Feist (Member of the Board of Directors)
- Tomáš David (Member of the Board of Directors)

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

As the Company was established by its parent Energetický a průmyslový holding, a.s. under the common control principle, the Company opted to restate its comparatives, i.e. reported the entities contributed to the share capital of the Company as at 16 December 2010 as if contributed by the parent company on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group.

Under Czech law the non-cash contribution to the share capital must be valued by an independent valuation specialist. The difference between the value contributed to the statutory share capital as determined by the independent valuation specialist and net book value (after potential fair value adjustments recorded during the Purchase Price Allocation process when acquired by EPH) of the contributed entity as of the date when acquired or contributed by the parent company was presented as a pricing difference in Other capital reserves in Equity.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS), specifically IAS 34 Interim Financial Reporting issued by International Accounting Standards Board (IASB), as adopted by the European Union. These statements do not include all the information required for a complete set of IFRS financial statements, and should be read in conjunction with the consolidated financial statements of the EPE Group as of and for the year ended 31 December 2015.

These condensed consolidated interim financial statements were approved by the Board of Directors on 26 August 2016.

(b) Critical accounting estimates and assumptions

The preparation of condensed consolidated interim financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2015.

(c) Changes in accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as of and for the year ended 31 December 2015. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as of and for the year ending 31 December 2016.

Amendments to IFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The amendments have no impact on the Group's condensed consolidated interim financial statements because the Group has an existing accounting policy to account for acquisitions of joint operations consistent with that set out in the amendments.

Amendments to IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016)

The Amendments to IAS 1 include the following five improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.

- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements

The amendments have no impact on the presentation of the condensed consolidated interim financial statements of the Group.

Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciation and Amortisation (Effective for annual periods beginning on or after 1 January 2016)

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments have no impact on the Group's condensed consolidated interim financial statements as the Group does not apply revenue-based methods of amortisation/depreciation.

Amendments to IAS 16 Property Plant and Equipment and IAS 41 Agriculture (Effective for annual periods beginning on or after 1 January 2016)

The amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

The amendments have no impact on the condensed consolidated interim financial statements as the Group has no bearer plants.

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

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

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

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

The amendments have no impact on the presentation of the condensed consolidated interim financial statements of the Group.

IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018 (not adopted by EU yet))

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group is currently evaluating the effect on its financial position and performance but does not expect that the new Standard will have material impact on the financial statements. The timing and measurement of the Group's revenues are not expected to change under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018 (not adopted by EU yet); to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

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

IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019 (not adopted by EU yet))

The standard IFRS 16 will replace the earlier leasing standard, IAS 17. A primary principle of IFRS 16 is that all leases should be reported on the balance sheet, although there are exceptions for small items and for leases with a term of less than 12 months. For lessors, however, the accounting remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other nonfinancial assets and depreciated accordingly, and the liability accrues interest. The

lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if this rate can be readily determined. If the rate cannot be readily determined, the lessee's incremental borrowing rate should be used.

Like IAS 17, IFRS 16 requires lessors to classify leases as operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of an underlying asset. Otherwise, the lease is classified as an operating lease.

The new standard increases the disclosure burden for lessees and lessors.

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

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

(d) Basis of preparation

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available for sale.

(e) Foreign exchange rates used in the condensed consolidated interim financial statements

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

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

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

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

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the 6-month (12-month) period
30 June 2016	27.130	27.039
31 December 2015	27.025	27.283
30 June 2015	27.245	27.503
31 December 2014	27.725	27.533

3. Seasonality of operations

The seasonal character of sales revenues in the heat generation industry is affected by the climate of the temperate climatic zone. The heating season generally runs from the beginning of September to the end of May the next year. The length of the heating season differs year to year depending on the average day temperature and weather conditions, and as such, period to period comparability of heat revenues and associated expenses is limited.

4. Operating segments

The Group operates in six reportable segments: Mining, Heat Infra, Renewables, Power Distribution and Supply, Holding and Other. Heat Infra and Power Distribution and Supply are the core segments of the Group. Mining segment was classified as discontinued operation in 2015, therefore comparatives were restated (for comparative purposes). In April 2016 this segment was disposed by the Group.

Operating segments have been identified primarily on the basis of internal reports used by the EPE's "chief operating decision maker" (Board of Directors) to allocate resources to the segments and assess their performance. Major indicators used by the Board of Directors to measure these segments' performance is operating profit before depreciation, amortization and negative goodwill ("Adjusted EBITDA") and capital expenditures.

i. Mining (discontinued in 2015 and disposed in 2016)

The Mining segment, represented by Mitteldeutsche Braunkohlengesellschaft GmbH (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. This segment was classified as discontinued operation in 2015 and disposed in 2016. Results of Mining segment are presented under line Profit (loss) from discontinued operations (net of tax).

ii. Heat Infra

The Heat Infra segment owns and operates four large-scale combined heat and power plants (CHPs) in the Czech Republic primarily operated in highly efficient co-generation mode and represented 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, and three CHPs in Hungary, represented by Budapesti Erömü Zrt., which is supplying the City of Budapest. The heat generated in its co-generation 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. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin while the Hungarian operations are regulated using the standard Regulated Asset Base ("RAB") multiplied by WACC plus eligible operating expenditures and allowed depreciation formula.

The segment also included 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 in Lippendorf with an installed capacity of 390MW. These entities were classified as discontinued operations in 2015 and disposed in 2016. Profit (loss) from activities related to Saale Energie GmbH and Helmstedter Revier GmbH is presented under line Profit (loss) from discontinued operations (net of tax).

iii. Renewables

The Renewables segment owns and operates three solar power plants and holds a minority interest in an additional solar power plant and a majority interest in one wind farm in the Czech Republic. The Group also owns two solar power plants in Slovakia, a biogas facility in Slovakia and one wind farm in Germany at MIBRAG, which was classified as discontinued operation in 2015 and disposed in 2016. Profit (loss) from renewable activities of MIBRAG is presented under line Profit (loss) from discontinued operations (net of tax).

iv. Power Distribution and Supply

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

SSE-Distribúcia, which provides distribution of natural gas and power, is required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of Energy Regulatory Authority ("RONI"). Entity operates under similar regulatory frameworks whereby allowed revenues are based on the RAB multiplied by the allowed regulatory WACC plus eligible operating expenditures and allowed depreciation in line with regulatory frameworks in other European countries. All key tariff parameters are set for a given regulatory period of five years.

RONI regulates certain aspects of the SSE's relationships with its customers including the pricing of electricity and services provided to certain customers of SSE. Price of electricity (the commodity) is regulated for households and small businesses with the annual consumption up to 30 MWh where RONI sets a capped gross profit per MWh. The price of electricity for the wholesale customers is not regulated.

v. Other

The segment Other consists of minor operations not fitting to the key segments of the EPE Group.

vi. Holding

The Holding segment represents EP Energy, a.s. as a holding company. The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting or disposals of subsidiaries or associates.

Profit or loss

For the six-month period ended 30 June 2016

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	-	297	703	3	-	1,003	-	(63)	940
external revenues	-	*268*	*669*	*3*	-	*940*	-	-	*940*
inter-segment revenues	-	*29*	*34*	-	-	*63*	-	*(63)*	-
Sales: Other	-	6	11	-	2	19	-	(1)	18
external revenues	-	*6*	*11*	-	*1*	*18*	-	-	*18*
inter-segment revenues	-	-	-	-	*1*	*1*	-	*(1)*	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	-	2	-	-	2	-	-	2
Total sales	**-**	**303**	**716**	**3**	**2**	**1,024**	**-**	**(64)**	**960**
Cost of sales: Energy	-	(158)	(585)	-	-	(743)	-	41	(702)
external cost of sales	-	*(146)*	*(556)*	-	-	*(702)*	-	-	*(702)*
inter-segment cost of sales	-	*(12)*	*(29)*	-	-	*(41)*	-	*41*	-
Cost of sales: Other	-	(7)	(26)	-	(1)	(34)	-	19	(15)
external cost of sales	-	*(7)*	*(7)*	-	*(1)*	*(15)*	-	-	*(15)*
inter-segment cost of sales	-	-	*(19)*	-	-	*(19)*	-	*19*	-
Personnel expenses	-	(27)	(21)	-	-	(48)	(1)	-	(49)
Depreciation and amortisation	-	(49)	(34)	(1)	-	(84)	-	-	(84)
Repairs and maintenance	-	(3)	(1)	-	-	(4)	-	-	(4)
Emission rights, net	-	(6)	-	-	-	(6)	-	-	(6)
Taxes and charges	-	(1)	(1)	-	-	(2)	-	-	(2)
Other operating income	-	6	8	-	-	14	-	2	16
Other operating expenses	-	(7)	(17)	-	-	(24)	-	-	(24)
Operating profit	**-**	**51**	**39**	**2**	**1**	**93**	**(1)**	**(2)**	**90**

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Finance income	-	(1)	-	-	-	(1)	96	(81)	14
external finance revenues	-	*(2)*	-	-	-	*(2)*	*16*	-	*14*
inter-segment finance revenues	-	*1*	-	-	-	*1*	*80*	*(81)*	-
Finance expense	-	(8)	(3)	(1)	-	(12)	(34)	11	(35)
Profit (loss) from derivative financial instruments	-	(2)	-	-	-	(2)	(10)	-	(12)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	46	2	-	-	48	54	-	102
Profit (loss) before income tax	**-**	**86**	**38**	**1**	**1**	**126**	***105**	***(72)**	**159**
Income tax expenses	-	(11)	(10)	-	-	(21)	-	-	(21)
Profit from continuing operations	**-**	**75**	**28**	**1**	**1**	**105**	***105**	***(72)**	**138**
Profit (loss) from discontinued operations (net of tax)	3	(15)	-	-	-	(12)	-	-	(12)
Profit (loss) for the period	**3**	**60**	**28**	**1**	**1**	**93**	***105**	***(72)**	**126**

* *EUR 71 millions is attributable to intra-group dividends primarily recognised by EP Energy, a.s.*

Other financial information:									
Adjusted EBITDA[(1)]	-	100	73	3	1	177	(1)	(2)	174

1) Adjusted EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets (negative goodwill not included, if applicable). For Adjusted EBITDA reconciliation to the closest IFRS measure explanation see below.

Profit or loss

For the six-month period ended 30 June 2015

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	-	223	798	3	-	1 024	-	(74)	950
external revenues	-	*190*	*757*	*3*	-	*950*	-	-	*950*
inter-segment revenues	-	*33*	*41*	-	-	*74*	-	*(74)*	-
Sales: Other	-	6	11	-	2	19	-	(1)	18
external revenues	-	*6*	*11*	-	*1*	*18*	-	-	*18*
inter-segment revenues	-	-	-	-	*1*	*1*	-	*(1)*	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	-	8	-	-	8	-	-	8
Total sales	**-**	**229**	**817**	**3**	**2**	**1 051**	**-**	**(75)**	**976**
Cost of sales: Energy	-	(112)	(676)	-	-	(788)	-	51	(737)
external cost of sales	-	*(104)*	*(633)*	-	-	*(737)*	-	-	*(737)*
inter-segment cost of sales	-	*(8)*	*(43)*	-	-	*(51)*	-	*51*	-
Cost of sales: Other	-	(6)	(29)	-	(1)	(36)	-	23	(13)
external cost of sales	-	*(6)*	*(6)*	-	*(1)*	*(13)*	-	-	*(13)*
inter-segment cost of sales	-	-	*(23)*	-	-	*(23)*	-	*23*	-
Personnel expenses	-	(22)	(19)	-	-	(41)	(1)	-	(42)
Depreciation and amortisation	-	(41)	(36)	(1)	-	(78)	-	-	(78)
Repairs and maintenance	-	(4)	(1)	-	-	(5)	-	-	(5)
Emission rights, net	-	(1)	-	-	-	(1)	-	-	(1)
Taxes and charges	-	(1)	-	-	-	(1)	-	-	(1)
Other operating income	-	6	9	-	-	15	-	(1)	14
Other operating expenses	-	(9)	(22)	-	-	(31)	(1)	1	(31)
Operating profit	**-**	**39**	**43**	**2**	**1**	**85**	**(2)**	**(1)**	**82**

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Finance income	-	2	-	-	-	2	69	(49)	22
external finance revenues	-	*1*	-	-	-	*1*	*21*	-	*22*
inter-segment finance revenues	-	*1*	-	-	-	*1*	*48*	*(49)*	-
Finance expense	-	(4)	(2)	(1)	-	(7)	(48)	11	(44)
Profit (loss) from derivative financial instruments	-	-	-	-	-	-	(1)	-	(1)
Share of profit of equity accounted investees	-	-	-	-	-	-	-	-	-
Profit (loss) before income tax	**-**	**37**	**41**	**1**	**1**	**80**	***18**	***(39)**	**59**
Income tax expenses	-	(8)	(9)	-	-	(17)	-	-	(17)
Profit from continuing operations	**-**	**29**	**32**	**1**	**1**	**63**	***18**	***(39)**	**42**
Profit (loss) from discontinued operations (net of tax)	(28)	9	-	-	-	(19)	-	-	(19)
Profit (loss) for the period	**(28)**	**38**	**32**	**1**	**1**	**44**	***18**	***(39)**	**23**

* *EUR 38 millions is attributable to intra-group dividends primarily recognised by EP Energy, a.s.*

Other financial information:									
Adjusted EBITDA[1]	-	80	79	3	1	163	(2)	(1)	160

1) Adjusted EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets (negative goodwill not included, if applicable). For Adjusted EBITDA reconciliation to the closest IFRS measure explanation see below.

Adjusted EBITDA reconciliation to the closest IFRS measure

It must be noted that Adjusted EBITDA is not a measure that is defined under IFRS. This measure is construed as determined by the Board of Directors and is presented to disclose additional information to measure the economic performance of the Group's business activities. This term should not be used as a substitute to net income, revenues or operating cash flows or any other measure as derived in accordance with IFRS. This non-IFRS measure should not be used in isolation. This measure may not be comparable to similarly titled measures used by other companies.

For the period ended 30 June 2016

In millions of EUR	**Mining (discontinued)**	**Heat and power**	**Power distribution and supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated financial information**
Profit from operations	**-**	**51**	**39**	**2**	**1**	**93**	**(1)**	**(2)**	**90**
Depreciation and amortisation	-	49	34	1	-	84	-	-	84
Adjusted EBITDA	**-**	**100**	**73**	**3**	**1**	**177**	**(1)**	**(2)**	**174**

For the period ended 30 June 2015

In millions of EUR	**Mining (discontinued)**	**Heat and power**	**Power distribution and supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated financial information**
Profit from operations	**-**	**39**	**43**	**2**	**1**	**85**	**(2)**	**(1)**	**82**
Depreciation and amortisation	-	41	36	1	-	78	-	-	78
Adjusted EBITDA	**-**	**80**	**79**	**3**	**1**	**163**	**(2)**	**(1)**	**160**

Non-current assets and liabilities

As of and for the period ended 30 June 2016

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	-	1,077	1,226	42	3	2,348	899	(581)	2,666
Reportable segment liabilities	-	(592)	(466)	(47)	(2)	(1,107)	(1,299)	581	(1,825)
Additions to tangible and intangible assets[1]	-	31	24	-	-	55	-	-	55
Additions to tangible and intangible assets (excl. emission rights)	-	23	23	-	-	46	-	-	46
Equity accounted investees	-	14	2	-	-	16	-	-	16

1) This balance includes additions to emission rights

As of and for the year ended 31 December 2015

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	862	1,409	1,253	54	3	3,581	1,276	(1,123)	3,734
Reportable segment liabilities	(807)	(941)	(454)	(57)	(1)	(2,260)	(1,479)	(1,123)	(2,616)
Additions to tangible and intangible assets[1]	72	[2]159	53	-	-	284	-	-	284
Additions to tangible and intangible assets (excl. emission rights)	66	[3]124	53	-	-	243	-	-	243
Equity accounted investees	-	6	2	-	-	8	-	-	8

1) This balance includes additions to emission rights
2) Thereof relating to discontinued operations EUR 25 millions
3) Thereof relating to discontinued operations EUR 10 millions

Information about geographical areas

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

As of and for the period ended 30 June 2016

In millions of EUR	Czech Republic	Slovakia	Other	Total segments	Consolidated Financial Information
Property, plant and equipment	674	851	49	1,574	1,574
Intangible assets	125	21	18	164	164
Investment property	-	-	-	-	-
Total	**799**	**872**	**67**	**1,738**	**1,738**

In millions of EUR	Czech Republic	Slovakia	Other	Total segments	Consolidated Financial Information
Sales: Electricity	148	406	90	644	644
Sales: Heat	169	-	41	210	210
Sales: Gas	51	19	3	73	73
Sales: Coal	9	1	3	13	13
Sales: Other	13	2	3	18	18
Gain (loss) from commodity derivatives from trading with electricity and gas, net	2	-	-	2	2
Total	**392**	**428**	**140**	**960**	**960**

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

For the year ended 31 December 2015

In millions of EUR	Czech Republic	Slovakia	Other	Total segments	Consolidated Financial Information
Property, plant and equipment	715	840	51	1,606	1,606
Intangible assets	135	24	21	180	180
Investment property		-	3	3	3
Total	**850**	**864**	**75**	**1,789**	**1,789**

For the period ended 30 June 2015

In millions of EUR	Czech Republic	Slovakia	Other	Total segments	Consolidated Financial Information Restated
Sales: Electricity	133	421	71	625	625
Sales: Heat	166	-	-	166	166
Sales: Gas	92	24	23	139	139
Sales: Coal	12	1	7	20	20
Sales: Other	11	3	4	18	18
Gain (loss) from commodity derivatives from trading with electricity and gas, net	8	-	-	8	8
Total	**422**	**449**	**105**	**975**	**975**

The geographical area “Other” comprises income items primarily from Poland, Luxemburg and Germany.

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

As described in the Note 1 – Background, the Company was established on 16 December 2010 by a common control contribution of shares in entities owned by the parent company Energetický a průmyslový holding, a.s. and the Company, as a part of its accounting policy on common control transactions, opted to restate its comparatives. For the purpose of preparation of these condensed consolidated interim financial statements, the contributions by the parent company are presented using one of the following two methods:

1. If the contributed entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. under the scope of IFRS 3, the Company presents the contributed entities in its consolidated financial statements under the scope of IFRS 3 from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. From the view of the EPE Group consolidated financial statements, these transactions are reflected as if carried out directly by the Company, including all goodwill or negative goodwill impacts. The difference between the value contributed to the statutory share capital of the Company as determined by the independent valuation specialist, and net book value (including fair value adjustments as part of the net book value in EPH's consolidated financial statements) of the contributed entity in EPH's consolidated financial statement as at the date when acquired by the parent company, was presented as a pricing difference in Other capital reserves in Equity. This approach relates to the following entities:
    a. AISE, s.r.o. (acquired by EPH on 8 October 2009)
    b. PT Holding Investment B.V. and its associates (acquired by EPH on 20 September 2010)
    c. Plzeňská energetika a.s. (acquired by EPH on 6 October 2009)
    d. VTE Moldava II, a.s. (former EP Renewables a.s.) and its subsidiaries (acquired by EPH on 1 September 2010)
    e. ROLLEON a.s. and its subsidiary (acquired by EPH on 6 October 2009)
    f. HC Fin3 N.V.(2) (acquired by EPH on 16 March 2010) including:
        (a) EAST BOHEMIA ENERGY HOLDING LIMITED(2) and its subsidiaries (acquired by EPH on 31 December 2010)
        (b) LIGNITE INVESTMENTS 1 LIMITED(2) and its joint-venture (acquired by EPH on 28 June 2011)
2. If the contributed entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. in a transaction under common control, the Company presents the contributed entities in its consolidated financial statements as common control acquisition from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. The difference between the value contributed to the statutory share capital of the Company as determined by the independent valuation specialist and the net book value of the contributed entity as at the date when contributed to the parent company was presented as a pricing difference in Other capital reserves in Equity. This approach relates to the following entities:
    a. Czech Energy Holding, a.s.(2) and its subsidiaries and associate (acquired by EPH on 6 October 2009)
    b. Honor Invest, a.s.(2) and its associate Pražská energetika, a.s. (acquired by EPH on 10 August 2009)
    c. První energetická a.s.(1) (acquired by EPH on 6 October 2009)

(1) První energetická a.s. merged with EP ENERGY TRADING, a.s. as of 1 January 2013. EP ENERGY TRADING, a.s. is the successor company.

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

(3) ROLLEON a.s. and its subsidiary were disposed by the Group as of 2 December 2015.

(a) Acquisitions

i. 30 June 2016

There were no acquisitions or step-acquisitions in the period from 1 January 2016 to 30 June 2016.

ii. 31 December 2015

In millions of EUR	**Date of acquisition**	**Purchase price**	**Cash paid**	**Other consideration**	**Equity interest acquired %**	**Equity interest after acquisition %**
New subsidiaries						
LokoTrain s.r.o.	21/07/2015	1	(1)	-	65	65
Optimum Energy, s.r.o.	01/08/2015	5	(5)	-	100	100
Budapesti Erömü Zrt. (BERT)	10/12/2015	(2)6	-	(1)(2)(6)	95.62	95.62
Total		**12**	**(6)**	**(6)**	**-**	**-**

(1) Represents estimated deferred consideration contingent on meeting future operating results of BERT.

(2) The purchase price does not include EUR 29 million paid by the Group in exchange for a loan receivable from BERT assigned by the seller to the acquirer. The loan receivable is not presented in the Note 5(b) – Effect of acquisitions resulting in a change of control detailed table as it is eliminated in consolidation together with respective liability of BERT towards the acquirer.

Acquisition of non-controlling interest

On 28 January 2015 NPTH, a.s. acquired a 0.35% share and on 30 March 2015 additional 0.07% share in Pražská teplárenská a.s. This transaction resulted in a total change of ownership interest from 73.40% to 73.82% share and derecognition of non-controlling interest in amount of EUR 1 million.

On 16 September 2015 EPE acquired a 40% share in EP Cargo a.s. for EUR 4 million and became a 100% shareholder. As a result of this transaction the Group derecognised non-controlling interest in amount of EUR 2 million.

(b) Effect of acquisitions

i. 30 June 2016

There were no acquisitions and step-acquisitions in the period from 1 January 2016 to 30 June 2016.

ii. 31 December 2015

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as of the acquisition date of LokoTrain s.r.o., Optimum Energy, s.r.o. and Budapesti Erömü Zrt. (BERT) are provided in the following table.

In millions of EUR	**Carrying amount[(1)]**	**Fair value adjustment**	**2015 Total[(1)]**
Property, plant, equipment, land, buildings	99	(49)	50
Intangible assets	3	17	20
Trade receivables and other assets	30	-	30
Financial instruments – assets	1	-	1
Inventories	6	-	6
Cash and cash equivalents	14	-	14
Provisions	(6)		(6)
Deferred tax liabilities	(1)	(8)	(9)
Loans and borrowings	(69)	40	(29)
Financial instruments – liabilities	(4)	-	(4)
Trade payables and other liabilities	(31)	-	(31)
Net identifiable assets and liabilities	**42**	**-**	**42**
Non-controlling interest			(2)
Goodwill on acquisitions of a subsidiary			5
Negative goodwill on acquisition of new subsidiaries			(33)
Cost of acquisition			**12**
Consideration paid, satisfied in cash (A)			6
Consideration, other			6
Total consideration transferred			**12**
Less: Cash acquired (B)			14
Net cash inflow (outflow) (C) = (B – A)			**8**

(1) Represents values at 100% share.

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

iii. Rationale for acquisitions

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

- The subsidiaries' businesses are complementary to EPE's portfolio;
- Potential for synergic effects;
- The subsidiaries have an advantageous position within the market;
- Subject industries are expected to grow in the future;

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

The Group's view is that there is long-term strategic value in these investments due to development of the market. As of 30 June 2016 the Group reported goodwill in total amount of EUR 98 million (31 December 2015: EUR 98 million).

For the six-month period ended 30 June 2016 the Group did not recognise any negative goodwill (30 June 2015: EUR 0 million).

(c) Business combinations – acquisition accounting 2016 and 2015

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date; in line with the above, the established fair values were subsequently reported in the consolidated financial statements of the Company. Allocation of the total purchase price among the net assets acquired for financial statement reporting purposes was performed with the support of professional advisors.

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

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

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

As of 30 June 2016 there were no acquisitions therefore the Group did not recognise any fair value adjustment resulting from the business combinations.

Fair value adjustments resulting from business combinations in 2015 are presented in the following table:

In millions of EUR	**Intangible assets**	**Property, plant and equipment**	**Other**	**Deferred tax asset/ (liability)**	**Total net effect on financial position**
Subsidiary					
Budapesti Erömü Zrt. (BERT)	17	(49)	40	(8)	-
Total	**17**	**(49)**	**40**	**(8)**	**-**

The fair value adjustments resulting from the purchase price allocation of LokoTrain s.r.o. and Optimum Energy, s.r.o. were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from these business combinations in 2015.

(d) Disposal of investments in 2016 and 2015

i. 30 June 2016

During the period ended 30 June 2016 the Group disposed of its investments in:

In millions of EUR	**Date of disposal**	**Sales price**	**Equity interest disposed %**	**Equity interest after disposal %**
Subsidiaries disposed				
EOP & HOKA s.r.o. and its subsidiary	29/02/2016	5	99.79	-
EP COAL TRADING POLSKA S.A.	29/02/2016	-	100	-
PGP Terminal, a.s. and its associate	29/02/2016	-	100	-
JTSD Braunkohlebergbau GmbH and its subsidiaries and associates	01/04/2016	156	100	-
LokoTrain s.r.o.	04/04/2016	2	65	-
EP Cargo Deutschland GmbH	05/04/2016	-	100	-
EP CARGO POLSKA s.a.	05/04/2016	1	100	-
ADCONCRETUM REAL ESTATE ltd	04/05/2016	3	100	-
Pražská teplárenská LPZ, a.s. (1)	31/05/2016	71	100	-
Total		**238**	**-**	**-**

(1) Sales price is subject to usual post-closing adjustments resulting from working capital development. As of 30 June 2016 no additional receivable was yet recorded. The settlement of the adjustment, once determined is expected in Q4 2016.

The effects of disposals are provided in the following table:

In millions of EUR	**Net assets sold in 2016**
Property, plant, equipment, land, buildings	27
Investment property	3
Trade receivables and other assets	7
Financial instruments – assets	1
Cash and cash equivalents	14
Deferred tax liabilities	(3)
Loans and borrowings	(1)
Trade payables and other liabilities	(9)
Assets held for sale	1,265
Liabilities held for sale	(1,157)
Net identifiable assets and liabilities	**147**
Non-controlling interest	(11)
Net assets value disposed	**136**
Sales price	238
Gain (loss) on disposal	**102**

For details on major disposals please refer also to Appendix 2.

ii. 31 December 2015

On 2 April 2015 the Group disposed Reatex a.s. v likvidaci and on 2 December 2015 the Group accounted for disposal of its 100% investment in ROLLEON a.s. and ENERGZET, a.s. The effects of disposals are provided in the following table:

In millions of EUR	**Net assets sold in 2015**
Property, plant and equipment	4
Trade receivables and other assets	1
Cash and cash equivalents	1
Deferred tax liabilities	(1)
Net identifiable assets and liabilities	**5**
Sales price	4
Gain (loss) on disposal	**(1)**

6. Sales

In millions of EUR	**30 June 2016 (six months)**	**30 June 2015 (six months) Restated**
Sales: Energy		
Electricity	644	625
Heat	210	166
Gas	73	139
Coal	13	20
Total Energy	**940**	**950**
Sales: Other	**18**	**18**
Gain (loss) from commodity derivatives for trading with electricity and gas, net	**2**	**8**
Total	**960**	**976**

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

7. Cost of sales

In millions of EUR	**30 June 2016 (six months)**	**30 June 2015 (six months) Restated**
Cost of Sales: Energy		
Cost of sold electricity	475	481
Cost of sold/consumed gas and other energy products	76	161
Consumption of energy	51	49
Consumption of coal and other material	44	43
Other cost of sales	56	3
Total Energy	**702**	**737**
Cost of Sales: Other		
Cost of goods sold	8	-
Consumption of material	2	-
Consumption of energy	2	3
Changes in WIP, semi-finished products and finished goods	(1)	-
Other cost of sales	4	10
Total Other	**15**	**13**
Total	**717**	**750**

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

8. Personnel expenses

In millions of EUR	**30 June 2016 (six months)**	**30 June 2015 (six months) Restated**
Wages and salaries	33	28
Compulsory social security contributions	11	10
Board members' remuneration (including boards of subsidiaries)	1	1
Expenses and revenues related to employee benefits (IAS 19)	1	1
Other social expenses	3	2
Total	**49**	**42**

The average number of employees as at 30 June 2016 was 3,734 (30 June 2015: 3,665), of which 325 (30 June 2015: 306) were executives.

9. Emission rights

In millions of EUR	**30 June 2016 (six months)**	**30 June 2015 (six months) Restated**
Deferred income (grant) released to profit and loss	4	6
Net creation of provision for emission rights	(10)	(7)
Use of provision for emission rights	22	20
Consumption of emission rights	(22)	(20)
Total	**(6)**	**(1)**

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

The companies that participate in the emission rights programme are United Energy, a.s., Plzeňská energetika a.s., Pražská teplárenská a.s., Stredoslovenská energetika, a.s., Elektrárny Opatovice, a.s. and Budapesti Erömü Zrt.

German entities JTSD Braunkohlebergbau GmbH and Helmstedter Revier GmbH also participate in the emission rights programme. These entities were classified as discontinued operations and disposed in 2016 therefore effect of transactions with emission rights is presented under line Profit (loss) from discontinued operations (net of tax).

10. Other operating income

In millions of EUR	**30 June 2016 (six months)**	**30 June 2015 (six months) Restated**
Property acquired free-of-charge and fees from customers[1]	4	2
Consulting fees	2	3
Rental income	2	2
Compensation from insurance and other companies	2	1
Profit from disposal of tangible and intangible assets	1	2
Contractual penalties	1	1
Fee and commission income – intermediation	1	-
Other	3	3
Total	**16**	**14**

11. Other operating expenses

In millions of EUR	**30 June 2016 (six months)**	**30 June 2015 (six months) Restated**
Office equipment and other material	7	6
Outsourcing and other administration fees	4	4
Rent expenses	3	6
Information technology costs	3	3
Consulting expenses	3	2
Change in provisions, net	2	3
Impairment losses, net	2	2
Advertising expenses	1	1
Insurance expenses	1	1
Transport expenses	1	1
Gifts and sponsorship	1	1
Own work, capitalised[1]	(7)	(4)
Other	3	5
Total	**24**	**31**

(1) For detailed information related to deferred income to be released refer to Note 28 – Deferred income.

No research and development expenses were recognised in profit and loss for the six-month period ended 30 June 2016 and 30 June 2015.

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

Recognised in profit or loss

In millions of EUR	**30 June 2016 (six months)**	**30 June 2015 (six months) Restated**
Interest income	10	22
Net foreign exchange profit (loss)	2	-
Other finance income	2	-
Finance income	**14**	**22**
Interest expense	(32)	(34)
Fees and commissions expense for other services	(3)	-
Net foreign exchange profit (loss)	-	(10)
Finance expense	**(35)**	**(44)**
Profit (loss) from interest rate derivatives for trading	(10)	-
Profit (loss) from sale/settlement of assets at fair value	(2)	-
Profit (loss) from currency derivatives for trading	-	(1)
Profit (loss) from financial instruments	**(12)**	**(1)**
Net finance income (expense) recognised in profit or loss	**(33)**	**(23)**

13. Income tax expenses

Income taxes recognised in profit or loss

In millions of EUR	**30 June 2016 (six months)**	**30 June 2015 (six months) Restated**
Current taxes:		
Current period	(22)	(23)
Total current taxes	**(22)**	**(23)**
Deferred taxes:		
Origination and reversal of temporary differences	1	6
Total deferred taxes	**1**	**6**
Total income taxes (expense)/benefit recognised in profit or loss	**(21)**	**(17)**

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. According to Czech and Hungarian legislation the corporate income tax rate is 19% for fiscal years ended in 2016 and 2015. The Slovak corporate income tax rate is 22% for fiscal years 2016 and 2015. Current year income tax includes also special sector tax effective in Slovakia and Hungary.

14. Property, plant and equipment

In millions of EUR	**Land and buildings**	**Technical equipment, plant and machinery**	**Other equipment, fixtures and fittings**	**Under construction**	**Total**
Cost					
Balance at 1 January 2016	**1,352**	**761**	**6**	**67**	**2,186**
Effects of movements in foreign exchange rates	(1)	-	-	-	**(1)**
Additions	2	5	-	38	**45**
Disposals	(1)	(3)	-	-	**(4)**
Disposed entities	(33)	(10)	-	-	**(43)**
Transfers	2	3	-	(5)	**-**
Transfer from disposal group held for sale	5	19	-	-	**24**
Balance at 30 June 2016	**1,326**	**775**	**6**	**100**	**2,207**
Depreciation and impairment losses					
Balance at 1 January 2016	**(307)**	**(266)**	**(1)**	**(6)**	**(580)**
Effects of movements in foreign exchange rates	-	1	-	-	**1**
Depreciation charge for the period	(41)	(32)	-	-	**(73)**
Disposals	1	3	-	-	**4**
Disposed entities	10	6	-	-	**16**
Transfer from disposal group held for sale	-	(1)	-	-	**(1)**
Balance at 30 June 2016	**(337)**	**(289)**	**(1)**	**(6)**	**(633)**
Carrying amounts					
At 1 January 2016	**1,045**	**495**	**5**	**61**	**1,606**
At 30 June 2016	**989**	**486**	**5**	**94**	**1,574**

In millions of EUR	**Land and buildings**	**Technical equipment, plant and machinery**	**Other equipment, fixtures and fittings**	**Under construction**	**Total**
Cost					
Balance at 1 January 2015	**1,383**	**1,515**	**2**	**70**	**2,970**
Effects of movements in foreign exchange rates	9	7	-	1	**17**
Additions	6	10	-	61	**77**
Disposals	(3)	(1)	-	-	**(4)**
Transfer to disposal group held for sale	(143)	(856)	-	(24)	**(1,023)**
Transfers	9	3	-	(12)	**-**
Balance at 30 June 2015	**1,261**	**678**	**2**	**96**	**2,037**
Depreciation and impairment losses					
Balance at 1 January 2015	**(238)**	**(480)**	**(1)**	**(5)**	**(724)**
Effects of movements in foreign exchange rates	(1)	(4)	-	-	**(5)**
Depreciation charge for the period	(47)	(27)	-	-	**(74)**
Depreciation charge for the period related to discontinued operations	(4)	(50)	-	-	**(54)**
Impairment losses recognised/released in profit or loss related to discontinued operations	(1)	-	-	-	**(1)**
Disposals	2	1	-	-	**3**
Transfer to disposal group held for sale	26	316	-	-	**342**
Balance at 30 June 2015	**(263)**	**(244)**	**(1)**	**(5)**	**(513)**
Carrying amounts					
At 1 January 2015	**1,145**	**1,035**	**1**	**65**	**2,246**
At 30 June 2015	**998**	**434**	**1**	**91**	**1,524**

Idle assets

As at 30 June 2016 and as at 31 December 2015 the Group had no significant idle assets.

Finance lease liabilities

As at 30 June 2016 and as at 31 December 2015 the Group had no significant finance lease liabilities.

Security

As at 30 June 2016 property, plant and equipment with a carrying value of EUR 361 million (31 December 2015: EUR 374 million) is subject to pledges to secure bank loans.

15. Intangible assets (including goodwill)

In millions of EUR	Goodwill	Software	Emission rights	Customer relationships and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2016	**106**	**43**	**31**	**33**	**2**	**215**
Additions	-	-	9	-	1	**10**
Disposals	-	(3)	(22)	-	-	**(25)**
Balance at 30 June 2016	**106**	**40**	**18**	**33**	**3**	**200**
Amortisation and impairment losses						
Balance at 1 January 2016	**(8)**	**(19)**	**-**	**(8)**	**-**	**(35)**
Amortisation for the period	-	(2)	-	(9)	-	**(11)**
Disposals	-	2	-	-	-	**2**
Balance at 30 June 2016	**(8)**	**(19)**	**-**	**(17)**	**-**	**(44)**
Carrying amount						
At 1 January 2016	**98**	**24**	**31**	**25**	**2**	**180**
At 30 June 2016	**98**	**21**	**18**	**16**	**3**	**156**

In millions of EUR	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2015	**105**	**43**	**56**	**109**	**4**	**317**
Effect of movements in foreign exchange rates	1	-	1	-	-	**2**
Additions	-	1	13	-	1	**15**
Disposals	-	-	(37)	-	-	**(37)**
Transfer to disposal group held for sale	(5)	(6)	(8)	(93)	(2)	**(114)**
Transfers	-	1	-	-	(1)	**-**
Balance at 30 June 2015	**101**	**39**	**25**	**16**	**2**	**183**
Amortisation and impairment losses						
Balance at 1 January 2015	**(8)**	**(16)**	**-**	**(42)**	**-**	**(66)**
Amortisation for the period	-	(3)	-	(1)	-	**(4)**
Amortisation for the period related to discontinued operations	-	-	-	(5)	-	**(5)**
Transfer to disposal group held for sale	-	4	-	41	-	**45**
Balance at 30 June 2015	**(8)**	**(15)**	**-**	**(7)**	**-**	**(30)**
Carrying amount						
At 1 January 2015	**97**	**27**	**56**	**67**	**4**	**251**
At 30 June 2015	**93**	**24**	**25**	**9**	**2**	**153**

As of 30 June 2016, the EPE Group purchased emission allowances of EUR 1 million (30 June 2015: EUR 1 million). The remaining part of EUR 8 million (30 June 2015: EUR 12 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic.

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

Other intangible assets comprise valuable rights.

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

Impairment testing for cash-generating units containing goodwill

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

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

In millions of EUR	**30 June 2016**	**31 December 2015**
Elektrárny Opatovice, a.s.	85	85
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.[(1)]	5	5
Plzeňská energetika a.s.	3	3
Total goodwill	**98**	**98**

(1) Optimum Energy, s.r.o. merged with EP ENERGY TRADING, a.s. as of 1 January 2016. EP ENERGY TRADING, a.s. is the successor company.

For the period ended 30 June 2016 the EPE group did not recognise any goodwill impairment (30 June 2016: EUR 0 million).

Goodwill and impairment testing

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

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

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

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

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

There were no impairment indicators as of 30 June 2016.

16. Equity accounted investees

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

In millions of EUR		Ownership 30 June 2016	Carrying amount 30 June 2016
Associates	**Country**	**%**	
Pražská teplárenská Holding a.s.	Czech Republic	49.00	14
Energotel, a.s	Slovakia	20.00	2
Total			**16**

In millions of EUR		Ownership 31 December 2015	Carrying amount 31 December 2015
Associates	**Country**	**%**	
Pražská teplárenská Holding a.s.	Czech Republic	49.00	7
Energotel, a.s	Slovakia	20.00	1
Total			**8**

The Group did not recognise any share in the profit or loss of associates for the six-month period ended 30 June 2016 and 30 June 2015.

Summary financial information for significant standalone associates presented at 100% as of and for the six-month period ended 30 June 2016:

In millions of EUR

Associates	**Revenue**	**Profit (loss)**	**Other compre-hensive income**	**Total compre-hensive income**	**Assets**	**Liabilities**	**Equity**
Pražská teplárenská Holding a.s.	28	(1)28	-	(1)28	121	7	(2)114
	28	**28**	**-**	**28**	**121**	**7**	**114**

In millions of EUR

Associates	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**
Pražská teplárenská Holding a.s.	86	35	-	7
	86	**35**	**-**	**7**

(1) Profit and Loss item represents primarily dividend income from an associate.
(2) Carrying amount covers investment in Pražská teplárenská a.s., which is eliminated in consolidation.

Summary financial information for standalone associates presented at 100% as of and for the year ended 31 December 2015:

In millions of EUR

Associates	Revenue	Profit (loss)	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
Pražská teplárenská Holding a.s.	13	(1)13	-	(1)13	100	-	(2)100
	13	**13**	**-**	**13**	**100**	**-**	**100**

In millions of EUR

Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Pražská teplárenská Holding a.s.	93	7	-	-
	93	**7**	**-**	**-**

(1) Profit and Loss item represents primarily dividend income from an associate.
(2) Carrying amount covers investment in Pražská teplárenská a.s., which is eliminated in consolidation.

17. Inventories

In millions of EUR	30 June 2016	31 December 2015
Fossil fuel	31	33
Spare parts	7	6
Raw material and supplies	6	6
Work in progress	5	2
Total	**49**	**47**

As at 30 June 2016 inventories in the amount of EUR 27 million (31 December 2015: EUR 28 million) were subject to pledges.

18. Trade receivables and other assets

In millions of EUR	30 June 2016	31 December 2015
Trade receivables	129	168
Accrued income	75	77
Advance payments	48	40
Estimated receivables	25	20
Uninvoiced supplies	10	18
Other receivables and assets	5	6
Allowance for bad debts	(15)	(13)
Total	**277**	**316**
Non-current	29	21
Current	248	295
Total	**277**	**316**

As at 30 June 2016 trade receivables with a carrying value of EUR 51 million (31 December 2015: EUR 71 million) were subject to pledges.

19. Cash and cash equivalents

In millions of EUR	**30 June 2016**	**31 December 2015**
Current accounts with banks	513	130
Bills of exchange issued by banks	18	-
Term deposits	11	2
Total	**542**	**132**

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

As of 30 June 2016 cash equivalents of EUR 144 million are subject to pledges (31 December 2015: EUR 45 million). According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case the Company defaults on bonds payments. As such, the pledged cash is readily available to the EPE Group and does not represent restricted cash.

As of 30 June 2016 the balance of Cash and cash equivalents contains EUR 318 million received in relation to disposal of JTSD Group which took place on 1 April 2016.

20. Tax receivables

In millions of EUR	**30 June 2016**	**31 December 2015**
Value added tax receivables	6	14
Current income tax receivables	6	3
Energy tax	1	2
Other tax receivables	-	1
Total	**13**	**20**

21. Assets and liabilities held for sale

As of 31 December 2015 the balance of assets held for sale (EUR 1,095 million) and balance of liabilities held for sale (EUR 648 million) was represented by JTSD Braunkohlebergbau GmbH and its subsidiaries and associates and by specific assets and liabilities of Stredoslovenská energetika, a.s. In April 2016 JTSD Braunkohlebergbau GmbH and its subsidiaries and associates were disposed. Specific assets and liabilities of Stredoslovenská energetika, a.s. are no longer classified as assets and liabilities held for sale.

22. Deferred tax assets and liabilities

As of 30 June 2016 the net deferred tax liability amounts to EUR 179 million (31 December 2015: EUR 181 million) and comprises of deferred tax asset of EUR 1 million (31 December 2015: EUR 2 million) and deferred tax liability of EUR 180 million (31 December 2015: EUR 183 million).

23. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 30 June 2016 consisted of 19,549,548 ordinary shares with a par value of CZK 657 each (31 December 2015: 19,549,548 ordinary shares with a par value of CZK 657 each).

The shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 657, at meetings of the Company's shareholders.

30 June 2016	**Number of shares 657 CZK**	**Ownership %**	**Voting rights %**
EP Infrastructure, a.s (former CE Energy, a.s.)	19,549,548	100.00	100.00
Total	**19,549,548**	**100.00**	**100.00**

31 December 2015	**Number of shares 657 CZK**	**Ownership %**	**Voting rights %**
EP Infrastructure, a.s (former CE Energy, a.s.)	19,549,548	100.00	100.00
Total	**19,549,548**	**100.00**	**100.00**

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

	Number of shares	
	30 June 2016	**31 December 2015**
Shares outstanding at the beginning of the period	19,549,548	19,549,548
Shares outstanding at the end of the period	**19,549,548**	**19,549,548**

Reserves recognised in equity comprise the following items:

In millions of EUR	**30 June 2016**	**31 December 2015**
Non-distributable reserves	1	1
Translation reserve	(9)	(14)
Fair value reserve	(14)	(14)
Hedging reserve	(59)	(54)
Other capital reserves	(320)	(320)
Total	**(401)**	**(401)**
Other capital funds from capital contributions	23	23
Reserves	**(378)**	**(378)**

Non-distributable reserves

The creation of a legal reserve fund in the Czech Republic was prior to 1 January 2014 required at a minimum of 20% (10% for limited liability companies) of net profit (annually) and up to a minimum of 10% (5% for limited liability companies) of the registered share capital (cumulative balance). The legal reserve fund could have only been used to cover losses of the Company and may not have been distributed as a dividend. The calculation of the legal reserve was based on local statutory regulations. The legal reserve of EUR 1 million was reported as of 30 June 2016 (31 December 2015: EUR 1 million). From 1 January 2014, in relation to the newly enacted legislation, legal reserve fund and its creation are no longer, under certain circumstances, obligatory. Similarly, legal reserve fund can be from 1 January 2014, under certain conditions, distributed in a form of dividend.

Translation reserve

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

Other capital reserves

In 2009 the Group accounted for pricing differences that arose both from establishment of the Group as of 10 August 2009 and acquisition of certain new subsidiaries in the subsequent periods prior to 31 December 2010. Such subsidiaries were acquired under common control of Energetický a průmyslový holding, a.s. and therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combinations as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are recorded at the book value, which is presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition, carrying values of net assets and original goodwill carried forward as of the acquisition date was recorded in consolidated equity as pricing differences.

In 2010 other capital reserves decreased by EUR 47 million in relation to the disposal of Pražská energetika, a.s. (associate), previously acquired under common control. The amount corresponds to pricing differences assigned directly to the disposed associate and its direct parent company (Honor Invest, a.s.). The increase in other capital reserves was recognised against retained earnings.

In 2011 other capital reserves decreased by EUR 32 million in relation to the acquisition of LIGNITE INVESTMENTS 1 LIMITED which was contributed by EPH to the Company's share capital.

In 2013 other capital reserves decreased by EUR 1 million in relation to the disposal of 47.06% share in PRVNÍ MOSTECKÁ a.s. as a part of the step acquisition process and the increase in share capital originating from the revaluation of Czech Energy Holding, a.s. during the merger with EP Energy, a.s.

Hedging reserves

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity. The balance as of 30 June 2016 represents primarily derivative agreements to hedge an interest rate concluded by POWERSUN a.s. and an electricity price and a foreign exchange rate concluded by EP ENERGY TRADING, a.s. and an effect from a cash flow hedge recognised on the EPE Group level (for more details please refer to Note 29 – Financial instruments).

24. Earnings per share

Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 657 (30 June 2015: in EUR per 1 share of CZK 657) nominal value is 4.96 (30 June 2015: 0.26).

The calculation of basic earnings per share as at 30 June 2016 was based on profit attributable to ordinary shareholders of EUR 97 million (30 June 2015: EUR 5 million), and a weighted average number of ordinary shares outstanding of 19,550 thousand (30 June 2015: 19,550 thousand).

Basic earnings per share from continuing operations in EUR per 1 share of CZK 657 (30 June 2015: in EUR per 1 share of CZK 657) nominal value equal 5.58 (30 June 2015: 1.23)

The calculation of basic earnings per share from continuing operations as of 30 June 2016 was based on profit attributable to ordinary shareholders of EUR 109 million (30 June 2015: EUR 24 million), and a weighted average number of ordinary shares outstanding of 19,550 thousand (30 June 2015: 19,550 thousand).

Weighted average number of ordinary shares as at 30 June 2016

In thousands of pieces	**Nominal**	**Weighted**
Issued ordinary shares at 10 August 2009 (1 share/CZK 1,000)	5,020	5,020
Issued ordinary shares at 9 October 2009 (1 share/CZK 1,000)	8,136	8,136
Issued ordinary shares at 1 September 2010 (1 share/CZK 1,000)	399	399
Issued ordinary shares at 20 September 2010 (1 share/CZK 1,000)	4,162	4,162
Issued ordinary shares at 31 December 2010 (1 share/CZK 1,000)	933	933
Issued ordinary shares at 28 June 2011 (1 share/CZK 1,000)	770	770
Issued ordinary shares at 26 August 2013 (1 share/CZK 1,000)	30	30
Issued ordinary shares at 18 December 2013 (1 share/CZK 1,000)	100	100
Decrease of share capital – all shares adjusted to CZK 657	-	-
Total	**19,550**	**19,550**

Weighted average number of ordinary shares as at 30 June 2015

In thousands of pieces	**Nominal**	**Weighted**
Issued ordinary shares at 10 August 2009 (1 share/CZK 1,000)	5,020	5,020
Issued ordinary shares at 9 October 2009 (1 share/CZK 1,000)	8,136	8,136
Issued ordinary shares at 1 September 2010 (1 share/CZK 1,000)	399	399
Issued ordinary shares at 20 September 2010 (1 share/CZK 1,000)	4,162	4,162
Issued ordinary shares at 31 December 2010 (1 share/CZK 1,000)	933	933
Issued ordinary shares at 28 June 2011 (1 share/CZK 1,000)	770	770
Issued ordinary shares at 26 August 2013 (1 share/CZK 1,000)	30	30
Issued ordinary shares at 18 December 2013 (1 share/CZK 1,000)	100	100
Decrease of share capital – all shares adjusted to CZK 657	-	-
Total	**19,550**	**19,550**

Dilutive earnings per share

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

25. Non-controlling interest

30 June 2016 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries**	**Stredoslovenská energetika, a.s. and its subsidiaries**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**26.18%**	**51.00%**		
Business activity	Production and distribution of heat	Distribution of electricity		
Country[(1)]	Czech Republic	Slovakia		
Carrying amount of NCI at 30 June 2016	**80**	**364**	**1**	**445**
Profit (loss) attributable to non-controlling interest for the period	**17**	**12**	**-**	**29**
Dividends declared	**(15)**	**(34)**	**-**	**(49)**
Statement of financial position information[(2)]				
Total assets	447	1,076		
of which: non-current	*287*	*859*		
current	*160*	*217*		
Total liabilities	135	362		
of which: non-current	*33*	*189*		
current	*102*	*173*		
Net assets	**312**	**714**	**-**	**-**
Statement of comprehensive income information[(2)]				
Total revenues	208	457		
of which: dividends received	-	-		
Profit after tax	58	23		
Total other comprehensive income for the period, net of tax	-	-		
Total comprehensive income for the period[(2)]	**58**	**23**	**-**	**-**
Net cash inflows (outflows)[(2)]	**-**	**17**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 33 – Group entities).
(2) Financial information derived from financial statements prepared in accordance with local statutory accounting standards.

31 December 2015 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries**	**Stredoslovenská energetika, a.s. and its subsidiaries**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**26.18%**	**51.00%**		
Business activity	Production and distribution of heat	Distribution of electricity		
Country[1]	Czech Republic	Slovakia		
Carrying amount of NCI at 31 December 2015	**86**	**386**	**3**	**475**
Profit (loss) attributable to non-controlling interest for the year	**5**	**39**	**1**	**45**
Dividends declared	**(8)**	**(29)**	**-**	**(37)**
Statement of financial position information[2]				
Total assets	383	1,083		
of which: non-current	*326*	*850*		
current	*57*	*233*		
Total liabilities	69	327		
of which: non-current	*39*	*179*		
current	*30*	*148*		
Net assets	**314**	**756**	**-**	**-**
Statement of comprehensive income information[2]				
Total revenues	242	948		
of which: dividends received	-	-		
Profit after tax	21	76		
Total other comprehensive income for the year, net of tax	-	-		
Total comprehensive income for the year[2]	**21**	**76**	**-**	**-**
Net cash inflows (outflows)[2]	**1**	**17**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 33 – Group entities).
(2) Financial information derived from financial statements prepared in accordance with local statutory accounting standards.

26. Loans and borrowings

In millions of EUR	**30 June 2016**	**31 December 2015**
Issued debentures at amortised cost	1,099	1,097
Loans payable to credit institutions	55	223
Loans payable to other than credit institutions	3	10
of which owed to the parent company/ultimate parent company	*3*	*3*
of which owed to other related companies	-	*7*
Bank overdraft	-	20
Total	**1,157**	**1,350**
Non-current	1,126	1,304
of which owed to the parent company/ultimate parent company	-	-
of which owed to other related companies	-	*7*
Current	31	46
of which owed to the parent company/ultimate parent company	*3*	*3*
of which owed to other related companies	-	-
Total	**1,157**	**1,350**

27. Provisions

In millions of EUR	**Employee benefits**	**Provision for emission rights**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2016	**12**	**22**	**3**	**2**	**39**
Effects of movements in foreign exchange rates	(1)	-	-	-	**(1)**
Provisions made during the period	1	10	-	-	**11**
Provisions used during the period	-	(22)	-	-	**(22)**
Balance at 30 June 2016	**12**	**10**	**3**	**2**	**27**
Non-current	**12**	**-**	**3**	**1**	**16**
Current	**-**	**10**	**-**	**1**	**11**

In millions of EUR	**Employee benefits**	**Provision for emission rights**	**Provision for lawsuits and litigations**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2015	**91**	**36**	**-**	**314**	**2**	**443**
Provisions made during the period	1	7	-	-	-	**8**
Provisions made during the period related to discontinued operations	10	11	6	-	-	**27**
Provisions used during the period	-	(20)	-	-	-	**(20)**
Provisions used during the period related to discontinued operations	(18)	(16)	-	(3)	-	**(37)**
Unwinding of discount*	1	-	-	4	-	**5**
Transfer to discontinued operations[(1)]	(73)	(11)	(6)	(313)	(1)	**(404)**
Balance at 30 June 2015	**12**	**7**	**-**	**2**	**1**	**22**
Non-current	**12**	**-**	**-**	**1**	**-**	**13**
Current	**-**	**7**	**-**	**1**	**1**	**9**

* *Unwinding of discount fully relates to discontinued operations and is recognised in Profit (loss) from discontinued operations.*

(1) Transfer of JTSD Braunkohlebergbau GmbH and its subsidiaries and associates to disposal group held for sale.

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

Employee benefits

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

The provision for employee benefits in the amount of EUR 12 million (31 December 2015: EUR 12 million) was recorded by United Energy, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., PT měření, a.s., Stredoslovenská energetika, a.s. and Budapesti Erömü Zrt.

Provision for emission rights

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

28. Deferred income

In millions of EUR	**30 June 2016**	**31 December 2015**
Government grants	33	34
Government grants for emission rights	4	-
Other deferred income	53	50
Total	**90**	**84**
Non-current	71	72
Current	19	12
Total	**90**	**84**

Balance of government grants in amount of EUR 33 million (31 December 2015: EUR 34 million) is mainly represented by Elektrárny Opatovice, a.s. of EUR 21 million (31 December 2015: EUR 22 million), Alternative Energy, s.r.o. of EUR 5 million (31 December 2015: EUR 5 million) and United Energy, a.s. of EUR 5 million (31 December 2015: 5 million). These companies were provided with government grants to reduce emission pollutions and to build a biogas facility.

Balance of other deferred income in amount of EUR 53 million (31 December 2015: EUR 50 million) is mainly represented by Stredoslovenská energetika, a.s. This balance consists of deferred income related to the following items: fee for grid connection paid by customers (EUR 26 million; 31 December 2015: EUR 25 million), contributions for the acquisitions of tangible assets paid by customers (EUR 17 million; 31 December 2015: EUR 16 million), property acquired free-of-charge (EUR 6 million; 31 December 2015: EUR 5 million) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3 million; 31 December 2015: 4 million).

29. Financial instruments

Financial instruments and other financial assets

In millions of EUR	**30 June 2016**	**31 December 2015**
Assets carried at amortised cost		
Loans to other than credit institutions	32	312
of which owed by the parent company/ultimate parent company	*26*	*306*
of which owed by other Group related companies	*6*	*5*
Shares available for sale held at cost	1	2
Total	**33**	**314**
Assets carried at fair value		
Risk management purpose: *of which*	1	7
Currency forwards reported as trading	-	*4*
Commodity derivatives reported as trading	*1*	*3*
Hedging: *of which*	-	1
Interest rate swaps cash flow hedge	-	*1*
Total	**1**	**8**
Non-current	7	8
Current	27	314
Total	**34**	**322**

Financial instruments and other financial liabilities

In millions of EUR	**30 June 2016**	**31 December 2015**
Liabilities carried at fair value		
Hedging: *of which*	6	4
Interest rate swaps cash flow hedge	*5*	-
Commodity derivatives cash flow hedge	*1*	*4*
Risk management purpose: *of which*	11	2
Interest rate swaps reported as trading	*11*	-
Commodity derivatives reported as trading	-	*1*
Currency forwards reported as trading	-	*1*
Total	**17**	**6**
Non-current	16	1
Current	1	5
Total	**17**	**6**

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

In millions of EUR	**30 June 2016 Nominal amount buy**	**30 June 2016 Nominal amount sell**	**30 June 2016 Fair value buy**	**30 June 2016 Fair value sell**
Hedging: *of which*	101	(102)	-	(6)
Interest rate swaps cash flow hedge	*100*	*(100)*	-	*(5)*
Commodity derivatives cash flow hedge	*1*	*(2)*	-	*(1)*
Risk management purpose: *of which*	674	(671)	1	(11)
Interest rate swaps reported as trading	*200*	*(200)*	-	*(11)*
Commodity derivatives reported as trading	*357*	*(354)*	*1*	-
Currency forwards reported as trading	*117*	*(117)*	-	-
Total	**775**	**(773)**	**1**	**(17)**

In millions of EUR	**31 December 2015 Nominal amount buy**	**31 December 2015 Nominal amount sell**	**31 December 2015 Fair value buy**	**31 December 2015 Fair value sell**
Hedging: *of which*	209	(205)	1	(4)
Interest rate swaps cash flow hedge	*100*	*(100)*	*1*	-
Commodity derivatives cash flow hedge	*109*	*(105)*	-	*(4)*
Risk management purpose: *of which*	394	(391)	7	(2)
Currency forwards reported as trading	*108*	*(108)*	*4*	*(1)*
Commodity derivatives reported as trading	*286*	*(283)*	*3*	*(1)*
Total	**603**	**(596)**	**8**	**(6)**

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

Fair value hierarchy for financial instruments carried at fair value

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

	30 June 2016			
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Risk management purpose: *of which*	-	1	-	**1**
Commodity derivatives reported as trading	-	*1*	-	***1***
Total	**-**	**1**	**-**	**1**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	6	-	**6**
Interest rate swaps cash flow hedge	-	*5*	-	***5***
Commodity derivatives cash flow hedge	-	*1*	-	***1***
Risk management purpose: *of which*		11		**11**
Interest rate swaps reported as trading	-	*11*	-	***11***
Total	**-**	**17**	**-**	**17**

	31 December 2015			
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	1	-	**1**
Interest rate swaps cash flow hedge	-	*1*	-	***1***
Risk management purpose: *of which*	-	7	-	**7**
Currency forwards reported as trading	-	*4*	-	***4***
Commodity derivatives reported as trading	-	*3*	-	***3***
Total	**-**	**8**	**-**	**8**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	4	-	**4**
Commodity derivatives cash flow hedge	-	*4*	-	***4***
Risk management purpose: *of which*	-	2	-	**2**
Currency forwards reported as trading	-	*1*	-	***1***
Commodity derivatives reported as trading	-	*1*	-	***1***
Total	**-**	**6**	**-**	**6**

There were no transfers between fair value levels as of either 30 June 2016 or 31 December 2015.

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

In millions of EUR	**Carrying value amount**	**Fair value**
Financial assets	**30 June 2016**	**30 June 2016**
Loans to other than credit institutions	32	32
Shares available for sale	1	(1) -
Financial instruments held at amortised costs	**33**	**32**
Financial liabilities		
Loans and borrowings	**1,157**	**1,192**

In millions of EUR	**Carrying value amount**	**Fair value**
Financial assets	**31 December 2015**	**31 December 2015**
Loans to other than credit institutions	312	313
Shares available for sale	2	(1) -
Financial instruments held at amortised costs	**314**	**313**
Financial liabilities		
Loans and borrowings	**1,350**	**1,391**

(1) *These equity instruments do not have a quoted price in an active market and their fair value cannot be otherwise measured reliably, therefore they are held at cost and disclosure of fair value is not reported.*

30. Trade payables and other liabilities

In millions of EUR	**30 June 2016**	**31 December 2015**
Trade payables	114	158
Advance payments received	71	62
Liabilities to partners and associations	68	-
Payroll liabilities	46	19
Estimated payables	29	30
Other tax liabilities	6	8
Liability from deferred earn-out	(1) 6	(1) 6
Accrued expenses	2	4
Uninvoiced supplies	1	1
Other liabilities	6	5
Total	**349**	**293**
Non-current	3	7
Current	346	286
Total	**349**	**293**

(1) *In 2015 the EPE Group acquired Budapesti Erömü Zrt. In addition to the purchase price paid, EPE Group recognised an additional liability in amount of EUR 6 million as a probable future payment to previous owner if agreed criteria are met.*

Trade payables and other liabilities have not been secured as at 30 June 2016, or as at 31 December 2015.

As at 30 June 2016 and 31 December 2015 no liabilities to social and health insurance or tax authorities were overdue.

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

31. Financial commitments and contingencies

Off balance sheet liabilities

In millions of EUR	**30 June 2016**	**31 December 2015**
Granted pledges – securities	980	1,013
Guarantees given	210	180
Other granted pledges	947	1,676
Total	**2,137**	**2,869**

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

On 17 March 2016 50% minus one share of the capital stock of EP Energy was pledged as part of the refinancing of EP Infrastructure, a.s.

Guarantees given

Guarantees given mainly include contracts for the future supply of energy for EUR 200 million (31 December 2015: EUR 163 million).

Other granted pledges

In millions of EUR	**30 June 2016**	**31 December 2015**
Loans granted[(1)]	364	1,157
Property, plant and equipment	361	374
Cash and cash equivalents	144	45
Trade receivables	51	71
Inventories	27	28
Investment property	-	1
Total	**947**	**1,676**

(1) Total balance of pledged granted loans includes intercompany loans of EUR 324 million (31 December 2015: EUR 925 million).

Off balance sheet assets

In millions of EUR	**30 June 2016**	**31 December 2015**
Received promises	299	263
Other received guarantees and warranties	4	4
Total	**303**	**267**

Received promises

Received promises mainly comprise the contracts for the future purchase of energy in amount of EUR 102 million (31 December 2015: EUR 120 million) and regulatory contingent assets related to green energy of EUR 111 million (31 December 2015: EUR 73 million) recognised by Stredoslovenská energetika, a.s., which are represented by the contingent assets related to green energy for the years 2016 and 2015 (31 December 2015: contingent assets cover year 2015).

Regulatory contingent assets related to green energy

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by RONI and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the Tariff for system operation ("TPS"). For the six-month period ended 30 June 2016 SSE recognised a loss of EUR 36 million (30 June 2015: EUR 22 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 1 January 2016 to 30 June 2016. The loss disregards effects from recognition and releasing of accrued income as described below. Based on the current Regulatory Framework the cumulated losses incurred in 2015 and 2016 will be compensated in two years' time, i.e. relevant amounts in 2017 and 2018 through an increase of revenues from TPS (2013 and 2014 losses to be recovered in 2015 and 2016). The 2016 loss is included in the

contingent asset of EUR 111 million (31 December 2015: EUR 73 million) specified above. Based on the RONI decision dated in December 2015 the resulting asset of EUR 77 million originating in the year 2014 was recognised as accrued income in the combined statement of financial position as of 31 December 2015 and will be fully collected in the course of 2016; for the six-month period ended 30 June 2016, SSE already released EUR 38 million from the accrued income to profit and loss account (30 June 2015: EUR 21 million). The resulting contingent asset originating in the year 2015 which is expected to be approved by RONI in the second half of 2016 was proportionately recognized as accrued income totaling EUR 37 million during 2016 (30 June 2015: EUR 27 million). The loss for 2016 has not yet been recognized as the asset does not yet meet the recognition criteria set by IFRS as adopted by the EU and will be recognised during the course of 2017 once an URSO confirmation on the exact amount shall be received.

32. Related parties

Identity of related parties

The Group has a related party relationship with its shareholders and other parties, as identified in the following table:

(a) The summary of outstanding balances with related parties as at 30 June 2016 and 31 December 2015 was as follows:

In millions of EUR	**Accounts receivable and other financial assets 30 June 2016**	**Accounts payable and other financial liabilities 30 June 2016**	**Accounts receivable and other financial assets 31 December 2015**	**Accounts payable and other financial liabilities 31 December 2015**
Ultimate shareholders	26	43	309	3
Companies controlled by ultimate shareholders	21	13	8	14
Associates	6	28	6	7
Total	**53**	**84**	**323**	**24**

(b) The summary of transactions with related parties during the period ended 30 June 2016 and 30 June 2015 was as follows:

In millions of EUR	**Revenues 30 June 2016**	**Expenses 30 June 2016**	**Revenues 30 June 2015**	**Expenses 30 June 2015**
Ultimate shareholders	6	-	7	1
Companies controlled by ultimate shareholders	16	57	12	37
Associates	6	-	14	2
Total	**28**	**57**	**33**	**40**

Transactions with Members of the EPE Board

As of 30 June 2016 and 31 December 2015 EPE did not provide any significant monetary and non-monetary remuneration to the members of Board of Directors of the Company.

All transactions were performed under the arm’s length principle.

33. Group entities

The list of the Group entities as at 30 June 2016 and 31 December 2015 is set out below:

		30 June 2016		31 December 2015		2016	2015
	Country of incorporation	**Owner-ship %**	**Owner-ship interest**	**Owner-ship %**	**Owner-ship interest**	**Conso-lidation method**	**Conso-lidation method**
EP Energy, a.s.	Czech Republic	-	-	-	-	-	-
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s. *	Czech Republic	49	Direct	49	Direct	Equity	Equity
Pražská teplárenská a.s.	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
Pražská teplárenská Trading, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská LPZ, a.s.	Czech Republic	-	-	100	Direct	-	Full
Nový Veleslavín, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nové Modřany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties I, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties II, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties III, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties IV, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT měření, a.s.	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Sourcing, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EOP & HOKA s.r.o.	Czech Republic	-	-	99.79	Direct	-	IFRS5
EOP HOKA POLSKA SPOŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland	-	-	100	Direct	-	IFRS5
EP COAL TRADING POLSKA S.A	Poland	-	-	100	Direct	-	IFRS5
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Optimum Energy, s.r.o.(1)	Czech Republic	-	-	100	Direct	-	Full
ADCONCRETUM REAL ESTATE ltd	Serbia	-	-	100	Direct	-	Full
Plzeňská energetika a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
VTE Moldava II, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	99.50	Direct	99.50	Direct	Full	Full
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	IFRS 5	IFRS 5
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	0.50	Direct	0.50	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full	Full
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s. r. o. *	Slovakia	80	Direct	80	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full	Full
EBEH Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
Pražská teplárenská Trading, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full

		30 June 2016		31 December 2015		2016	2015
	Country of incorporation	**Owner-ship %**	**Owner-ship interest**	**Owner-ship %**	**Owner-ship interest**	**Conso-lidation method**	**Conso-lidation method**
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská LPZ, a.s.	Czech Republic	-	-	100	Direct	-	Full
Nový Veleslavín, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nové Modřany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties I, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties II, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties III, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties IV, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT měření, a.s.	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
JTSD Braunkohlebergbau GmbH	Germany	-	-	100	Direct	-	IFRS 5
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	-	-	100	Direct	-	IFRS 5
MIBRAG Consulting International GmbH	Germany	-	-	100	Direct	-	IFRS 5
GALA-MIBRAG-Service GmbH	Germany	-	-	100	Direct	-	IFRS 5
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	-	-	50	Direct	-	IFRS 5
Fernwärme GmbH Hohenmölsen – Webau	Germany	-	-	48.96	Direct	-	IFRS 5
Ingenieurbüro für Grundwasser GmbH	Germany	-	-	25	Direct	-	IFRS 5
Bohr & Brunnenbau GmbH	Germany	-	-	100	Direct	-	IFRS 5
Helmstedter Revier GmbH	Germany	-	-	100	Direct	-	IFRS 5
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	-	-	51	Direct	-	IFRS 5
Terrakomp GmbH	Germany	-	-	100	Direct	-	IFRS 5
MIBRAG Neue Energie GmbH	Germany	-	-	100	Direct	-	IFRS 5
EP Germany GmbH *	Germany	-	-	100	Direct	-	IFRS 5
Saale Energie GmbH	Germany	-	-	100	Direct	-	IFRS 5
Kraftwerk Schkopau GbR	Germany	-	-	41.90	Direct	-	IFRS 5
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	-	-	44.40	Direct	-	IFRS 5
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská energetika – Distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SSE - Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika - Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	IFRS 5
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel,a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	Full	Full
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
LokoTrain s.r.o.	Czech Republic	-	-	65	Direct	-	Full
EP Cargo Deutschland GmbH	Germany	-	-	100	Direct	-	Full
EP CARGO POLSKA s.a.	Poland	-	-	100	Direct	-	Full
PGP Terminal, a.s.	Czech Republic	-	-	60	Direct	-	IFRS 5
PLAZMA LIPTOV, a.s.	Slovakia	-	-	50	Direct	-	IFRS 5
EP Hungary, a.s.*	Czech Republic	100	Direct	100	Direct	Full	Full
Budapesti Erömü Zrt.	Hungary	95.62	Direct	95.62	Direct	Full	Full
BE-Optimum Kft.	Hungary	100	Direct	100	Direct	Full	Full
KÖBÁNYAHÖ Kft.	Hungary	25	Direct	25	Direct	At cost	At cost
ENERGZET SERVIS a.s.	Czech Republic	100	Direct	100	Direct	Full	Full

* *Holding entity*

(1) *Optimum Energy, s.r.o. merged with EP ENERGY TRADING, a.s. as of 1 January 2016. EP ENERGY TRADING, a.s. is the successor company*

The structure above is listed by ownership of companies at the different levels within the Group.

34. Litigations and claims

Elektrárny Opatovice, a.s.

Elektrárny Opatovice, a.s. is involved in a dispute with its former minority shareholders who claim that compensation received for their shares through a compulsory sell-out procedure ("squeeze-out") was inadequate, and who are challenging the underlying expert valuation. As the compensation was not paid by Elektrárny Opatovice, a.s. but instead by its former majority shareholder (International Holdings, B.V.), any resulting liability is thus expected to be the responsibility of the former shareholder.

United Energy, a.s.

United Energy, a.s. is involved in several disputes with its former shareholders, who claim that compensation received for their shares subject to a compulsory buy-out procedure ("squeeze-out") was inadequate, and who are challenging the validity of the underlying resolution of the general shareholders meeting. The outcome of this matter is unforeseeable and United Energy, a.s. intends to defend itself.

In May 2014, Court of appeal came to the conclusion that one claim challenging the validity of the underlying resolution of the general shareholders meeting is not relevant and UE believes that this conclusion may serve as a precedent for the other claims. Next court hearing is planned to be held in second half of 2016.

The parallel dispute regarding inadequate compensation is still ongoing with no clear outcome. Next court hearing is expected to be held in Q3 2016.

Plzeňská energetika a.s.

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika a.s. (PE) for approximately EUR 2 million. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. EPE Group's management believes that the claim is unfounded and should be dismissed by the court. For this reason Plzeňská energetika a.s. did not create a provision for this litigation as at 30 June 2016.

In February 2016 both parties, i.e. PE as well as SI, received an official request from the court to settle the dispute by mediation. Following this request the hearing has been adjourned until further notice.

In June 2016 SI has filed an additional claim for unjust enrichment against PE for approximately EUR 1 million. Additional claim covers period 2013 – 2014.

Stredoslovenská energetika, a.s. Group ("SSE Group")

The SSE Group is a party to various legal proceedings. As of 30 June 2016 no legal provisions were recorded (31 December 2015: EUR 0 million). The EPE Group management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may prejudice the SSE Group.

Based on a reasonable estimate the SSE Group´s management does not expect a significant material impact on the SSE Group due to on-going legal proceedings.

The SSE Group further faces a claim for EUR 43 million plus lawsuit costs. Based on the legal analysis of the case the SSE Group´s management does not expect an impact on the SSE Group and considers the risk of failure in these proceedings to be unlikely. The SSE Group did not record any provision related to this lawsuit.

Regulatory proceedings by ERO against Pražská teplárenská ("PT")

PT is involved in regulatory proceedings commenced in October 2015 by ERO claiming that prices charged to customers of PT's local small-scale heating infrastructures in 2011 were in breach of the Czech Act on Prices. In March 2016, ERO issued a decision ordering PT to pay EUR 9 million (CZK 240 million) consisting of a penalty in the amount of EUR 4.5 million (CZK 120 million) and restitution to affected customers in the amount of EUR 4.5 million (CZK 120 million). PT appealed the decision on 24 March 2016 with supplemental information provided on 14 April 2016. On 7 July 2016 PT received a resolution from ERO by which the Chairman of ERO returned the case again to the first instance for a new hearing.

PT believes that it has reasonable arguments to succeed, nevertheless it cannot be ruled out that PT may ultimately be obliged to make the payment, regarding which no provision has yet been created. These proceedings may be relevant but not necessarily decisive in assessing the prices charged under similar circumstances from 2012 onwards.

35. Subsequent events

On 1 July 2016 EP Energy, a.s. completed an internal reorganisation process of Pražská teplárenská a.s. ("PT"), where real estate entities were spun-off from PT to a newly established sister company of PT called PT Real Estate, a.s.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the condensed consolidated interim financial statements as at 30 June 2016.

Appendices*:

Appendix 1 – Business combinations
Appendix 2 – Disposals of investments and related transactions
Appendix 3 – Restated Condensed consolidated interim statement of comprehensive income
Appendix 4 – Restated Condensed consolidated interim statement of cash flow

* *Information contained in the appendix form part of the complete set of these condensed consolidated interim financial statements.*

Date:	Signature of the authorised representative	
26 August 2016	Pavel Horský Member of the Board of Directors	Tomáš David Member of the Board of Directors

Appendix 1 – Business combinations

The following tables provide further information on the amounts recognised for assets acquired and liabilities assumed as of the acquisition date for individually significant business combinations through step acquisitions and acquisitions.

Effect of acquisitions

i. 31 December 2015

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as of the acquisition date of Budapesti Erömü Zrt. (BERT) are provided in the following table.

In millions of EUR	**Carrying amount[(1)]**	**Fair value adjustment**	**2015 Total[(1)]**
Property, plant, equipment, land, buildings	99	(49)	50
Intangible assets	3	17	20
Trade receivables and other assets	18	-	18
Financial instruments – assets	1	-	1
Inventories	6	-	6
Cash and cash equivalents	12	-	12
Provisions	(6)		(6)
Deferred tax liabilities	(1)	(8)	(9)
Loans and borrowings	(69)	40	(29)
Financial instruments – liabilities	(4)	-	(4)
Trade payables and other liabilities	(18)	-	(18)
Net identifiable assets and liabilities	**41**	**-**	**41**
Non-controlling interest			(2)
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(33)
Pricing differences in equity			-
Cost of acquisition			**6**
Consideration paid, satisfied in cash (A)			-
Consideration, other			6
Total consideration transferred			**6**
Less: Cash acquired (B)			12
Net cash inflow (outflow) (C) = (B – A)			**12**

(1) Represents values at 100% share.

In millions of EUR	**2015 Total**
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	24
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	3

In millions of EUR	**2015 Total**
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	175
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	(26)

* *Before intercompany elimination; based on local statutory financial information which include a significant one-off non-cash assets write-off.*

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as of the acquisition date of LokoTrain s.r.o. are provided in the following table.

In millions of EUR	**Carrying amount[(1)]**	**Fair value adjustment[(2)]**	**2015 Total[(1)]**
Trade receivables and other assets	2	-	2
Trade payables and other liabilities	(1)	-	(1)
Net identifiable assets and liabilities	**1**	**-**	**1**
Non-controlling interest			-
Goodwill on acquisitions of a subsidiary			-
Cost of acquisition			**1**
Consideration paid (A)			1
Total consideration transferred			**1**
Less: Cash acquired (B)			-
Net cash inflow (outflow) (C) = (B – A)			**(1)**

(1) Represents values at 100% share.
(2) The result of purchase price allocation was not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from business combinations in 2015.

Consideration paid represents cost paid by the direct parent company EP Cargo a.s. for the acquisition of 65% share in LokoTrain s.r.o.

In millions of EUR	**2015 Total**
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	2
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	-

In millions of EUR	**2015 Total**
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	4
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	-

* *Before intercompany elimination; based on local statutory financial information*

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as of the acquisition date of Optimum Energy, s.r.o. are provided in the following table.

In millions of EUR	**Carrying amount**	**Fair value adjustment[(1)]**	**2015 Total**
Trade receivables and other assets	10	-	10
Cash and cash equivalents	2	-	2
Trade payables and other liabilities	(12)	-	(12)
Net identifiable assets and liabilities	**-**	**-**	**-**
Non-controlling interest			-
Goodwill on acquisitions of a subsidiary			5
Cost of acquisition			**5**
Consideration paid (A)			5
Total consideration transferred			**5**
Less: Cash acquired (B)			2
Net cash inflow (outflow) (C) = (B – A)			**(3)**

(1) The result of purchase price allocation was not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from business combinations in 2015.

Consideration paid represents cost paid by the direct parent company EP ENERGY TRADING, a.s. for the acquisition of 100% share in Optimum Energy, s.r.o.

In millions of EUR	**2015 Total**
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	6
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	-

In millions of EUR	**2015 Total**
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	18
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	1

* *Before intercompany elimination; based on local statutory financial information*

Appendix 2 – Disposals of investments and related transactions

Details on major disposals

On 29 February 2016 the Group accounted for disposal of its 99.79% investment in EOP & HOKA s.r.o. and its subsidiary EOP HOKA POLSKA SPOŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA and EP COAL TRADING POLSKA S.A. The effects of disposal are provided in the following table:

In millions of EUR	**Net assets sold in 2016**
Assets held for sale	13
Liabilities held for sale	(9)
Net identifiable assets and liabilities	**4**
Sales price	5
Gain (loss) on disposal	**1**

On 1 April 2016 the Group accounted for disposal of its 100% investment in JTSD Braunkohlebergbau GmbH and its subsidiaries and associates. The effects of disposal are provided in the following table:

In millions of EUR	**Net assets sold in 2016**
Assets held for sale	1,251
Liabilities held for sale	(1,146)
Net identifiable assets and liabilities	**105**
Non-controlling interest	(2)
Net assets value disposed	**103**
Sales price	156
Gain (loss) on disposal	**53**

On 31 May 2016 the Group accounted for disposal of its 100% investment in Pražská teplárenská LPZ, a.s. The effects of disposal are provided in the following table:

In millions of EUR	**Net assets sold in 2016**
Property, plant and equipment	27
Trade receivables and other assets	4
Cash and cash equivalents	13
Deferred tax liabilities	(3)
Trade payables and other liabilities	(7)
Net identifiable assets and liabilities	**34**
Non-controlling interest	(9)
Net assets value disposed	**25**
Sales price	71
Gain (loss) on disposal	**46**

Pražská teplárenská ("PT") spin-off

In May 2015, PT spunoff certain assets consisting of small local heat sources and related distribution networks located predominantly on the left bank of Vltava river into Pražská teplárenská LPZ, a.s. ("PT LPZ").

On 29 February 2016, PT as seller entered into a share purchase agreement with Veolia Energie ČR, a.s. as buyer relating to the sale of 85% of shares in PT LPZ for EUR 60,322 thousand (CZK 1,632 million) subject to usual post-closing adjustments based on working capital level against the benchmarked value. Consummation of the transaction was subject to customary conditions precedent including competition clearance. The completion of the transaction took place on 1 June 2016. PT and Veolia Energie ČR, a.s. also entered into an option agreement in relation to the remaining 15% of shares in PT LPZ. As the option was exercised, the total purchase price for 100% of the shares in PT LPZ amounted to CZK 1,920 million (subject to the above post-closing adjustments, which can increase the final price; post-closing adjustment is to be calculated based on working capital movement and once determined it is expected to be settled in Q4 2016). Due to the absence of several approvals, the relevant assets and liabilities were not presented as Assets and liabilities held for sale as of 31 December 2015.

German assets sale

German assets include, among others, MIBRAG and Saale Energie. MIBRAG is a wholly-owned subsidiary of JTSD Braunkohlebergbau GmbH ("JTSD"), Saale Energie is a wholly-owned subsidiary of EP Germany; both EP Germany and JTSD were wholly-owned subsidiaries of EPE (where EP Germany has been since 31 December 2015 directly owned by JTSD as a result of the sale of all EP Germany shares by EPE to JTSD for EUR 4.3 million, corresponding to fair value of equity of EP Germany).

The German assets were disposed of by means of sale of 100 per cent shares in JTSD by EPE to EPH for EUR 156.0 million (corresponding to fair value of equity of JTSD); the disposal was completed on 1 April 2016 and the purchase price was fully settled in cash.

Further, as a part of the pre-sale restructuring, on 23 February 2016:

- JTSD set-off (a part of) its receivables towards EPE in the amount of EUR 81.9 million arising from (i) a loan of EUR 16.9 million provided by JTSD to EPE, and (ii) a loan of EUR 65.0 million provided by MIBRAG to EPE (assumed by JTSD from EPE for the nominal value thereof); following the set off, the total liabilities of JTSD towards EPE amounted to EUR 314.4 million; and

- (i) JTSD assumed a liability of EP Germany towards EPE in the amount of EUR 61.8 million (out of the original total amount of EUR 91.8 million outstanding under the loan provided by EPE to EP Germany) for the nominal value thereof, and (ii) EPE contributed EUR 71.2 million to the capital funds of JTSD.

Immediately after the capitalization, the total liabilities of JTSD towards EPE amounted to EUR 305.0 million. These were settled by JTSD making a payment to EPE in the amount of EUR 305.0 million (out of the funds drawn under a bank loan contracted by JTSD in the total amount of EUR 309.0 million for this purpose) and the outstanding receivable of EPE towards JTSD was acquired by EPH for its nominal value as of the date of the JTSD acquisition by EPH; the consideration was fully settled in cash (EUR 1,690 thousand).

The outstanding amount of the original loan provided by EPE to EP Germany immediately after JTSD assumed part of this liability of EP Germany to EPE was EUR 30.0 million. This was settled by EP Germany making a payment in the amount of EUR 30.0 million (out of the funds drawn under a bank loan contracted by EP Germany in the total amount of EUR 31.0 million for this purpose) and the outstanding receivable of EPE towards EP Germany was acquired by EPH for its nominal value as of the date of the JTSD acquisition by EPH; the consideration was fully settled in cash (EUR 241 thousand).

Other disposals of shares

The restructuring further included a number of other (smaller in terms of the acquisition price) transfers of assets. These include sale of:

a. 60% of shares in PGP Terminal, a.s. by EPE (as the seller) to EPH (as the buyer) for the purchase price of EUR 0,3 million (CZK 9,1 millions) in cash (completed on 29 February 2016),

b. 99.78% ownership interest in EOP & HOKA s.r.o. by EP Sourcing, a.s. (as the seller) to EP Coal Trading, a.s. (as the buyer) for the purchase price of EUR 4,7 million (CZK 127,6 million) in cash (completed on 29 February 2016),

c. 100% of shares in EP COAL TRADING Spółka akcyjna by EP Sourcing, a.s. (as the seller) to EP Coal Trading, a.s. (as the buyer) for the purchase price of EUR 0,4 million (PLN 1,8 million) in cash (completed on 29 February 2016),

d. 65% ownership interest in LOKOTRAIN, s.r.o. by EP Cargo a.s. (as the seller) to EP Logistics International, a.s. (as the buyer) for the purchase price of EUR 1,6 million (CZK 43,3 million) in cash (completed on 4 April 2016),

e. 100% ownership interest in EP Cargo Deutschland GmbH by EP Energy, a.s. (as the seller) to EP Logistics International, a.s. (as the buyer) for the purchase price of EUR 0,4 million (CZK 9,5 million) in cash (completed on 4 April 2016),

f. 100% of shares in EP CARGO POLSKA s.a. by EPE (as the seller) to EP Logistics International, a.s. (as the buyer) for the purchase price of EUR 0,5 million (CZK 13,2 million) in cash (completed on 4 April 2016).

In addition, management of EP Energy Trading sold 100% of shares in Adconcretum real estate Ltd., which owns investment property in Serbia, to EPH for EUR 3.5 million.

Repayment of EP Energy's term loans

On 4 April 2016 EPE fully repaid the term loans totalling EUR 175.0 million previously provided by ČSOB, HSBC and Commerzbank using the proceeds from the sale of JTSD.

On 4 April 2016 EPE unwound an existing FX forward with EPH and as a result, EPE had a receivable of EUR 4.1 million towards EPH corresponding to the FX forward fair value. This receivable was acquired by EP Infrastructure, a.s. (formerly CE Energy, a.s.) for the nominal value thereof, i.e., the Company had a receivable of EUR 4.1 million towards EP Infrastructure, a.s.

On 4 April 2016 EP Infrastructure, a.s. assumed from EPH all debts of EPH owed to EPE at their nominal values. The debts of EPH towards EPE of EUR 308.7 million consisted of unpaid principal loan of EUR 273.2 million and unpaid accrued interest of EUR 35.5 million.

On 2 May 2016 the sole shareholder of EPE decided on distribution of EPE´s accumulated profit in total amount of EUR 327.8 million. Part of the receivable was settled against the FX forward (EUR 4.1 million) and assumed debts (both described above). Total set-off debts comprised of EUR 250.4 million (loan principal) and EUR 33.1 million (unpaid interests). As at 30 June 2016 EPE has still the outstanding liability from declared dividends of EUR 40.2 million.

Appendix 3 – Restated Condensed consolidated interim statement of comprehensive income

Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2015

In millions of EUR ("MEUR")

		2015 (six months)	Discontinued operations	Intragroup eliminations	2015 (six months) *Restated
Sales: Energy		1,125	224	(49)	950
of which:	*Electricity*	*683*	*103*	*(45)*	*625*
	Heat	*167*	*1*	-	*166*
	Gas	*139*	-	-	*139*
	Coal	*136*	*120*	*(4)*	*20*
Sales: Other		50	32	-	18
Gain (loss) from commodity derivatives for trading with electricity and gas, net		8	-	-	8
Total sales		**1,183**	**256**	**(49)**	**976**
Cost of sales: Energy		(754)	(66)	49	(737)
Cost of sales: Other		(18)	(6)	1	(13)
Total cost of sales		**(772)**	**(72)**	**50**	**(750)**
Subtotal		**411**	**184**	**1**	**226**
Personnel expenses		(132)	(90)	-	(42)
Depreciation and amortisation		(137)	(59)	-	(78)
Repairs and maintenance		(5)	-	-	(5)
Emission rights, net		(12)	(11)	-	(1)
Taxes and charges		(6)	(5)	-	(1)
Other operating income		38	20	4	14
Other operating expenses		(78)	(42)	(5)	(31)
Profit (loss) from operations		**79**	**(3)**	**-**	**82**
Finance income		9	2	(15)	22
Finance expense		(48)	(19)	15	(44)
Profit (loss) from financial instruments		(1)	-	-	(1)
Net finance income (expense)		**(40)**	**(17)**	**-**	**(23)**
Share of profit (loss) of equity accounted investees, net of tax		(1)	(1)	-	-
Profit (loss) before income tax		**38**	**(21)**	**-**	**59**
Income tax expenses		(15)	2	-	(17)
Profit (loss) from continuing operations		**23**	**(19)**	**-**	**42**

Appendix 4 – Restated Condensed consolidated interim statement of cash flow

Condensed consolidated interim statement of cash flows

For the six-month period ended 30 June 1015

In millions of EUR ("MEUR")	2015	Change in presentation	Discontinued operations	2015 *Restated
OPERATING ACTIVITIES				
Profit (loss) for the period	23	-	-	23
Adjustments for:				
Income taxes	15	-	2	17
Depreciation and amortisation	137	-	(59)	78
Dividend income	-	-	-	-
Impairment losses on property, plant and equipment and intangible assets	1	-	(1)	-
Non-cash (gain) loss from commodity derivatives for trading with electricity and gas, net	-	(5)	-	(8)
Loss on disposal of property, plant and equipment, investment property and intangible assets	(2)	-	-	(2)
Emission rights	12	-	(11)	1
Share of (profit) loss of equity accounted investees	1	-	(1)	-
Gain on financial instruments	1	-	-	1
Net interest expense	29	-	(5)	24
Change in allowance for impairment to trade receivables and other assets, write-offs	2	-	-	2
Change in provisions	(3)	-	(4)	(7)
Discontinued operations	-	-	83	83
Realised foreign exchange (gains) losses, net	-	8	-	8
Unrealised foreign exchange (gains) losses, net	(15)	22	(5)	2
Operating profit before changes in working capital	**201**	**25**	**(1)**	**225**
Change in financial instruments at other than fair value	17	(17)	-	-
Change in trade receivables and other assets	23	-	16	39
Change in inventories (including proceeds from sale)	(3)	-	(1)	(4)
Change in extracted minerals and mineral products	2	-	-	2
Change in assets held for sale and related liabilities	3	-	5	8
Change in trade payables and other liabilities	(6)	-	(26)	(32)
Cash generated from (used in) operations	**237**	**8**	**(7)**	**238**
Interest paid	(31)	-	-	(31)
Income taxes paid	(30)	-	7	(23)
Cash flows generated from (used in) operating activities	**176**	**8**	**-**	**184**
INVESTING ACTIVITIES				
Change in financial instruments not at fair value	-	-	-	-
Proceeds (outflows) from sale (settlement) of financial instruments	(1)	-	-	(1)
Acquisition of property, plant and equipment, investment property and intangible assets	(79)	-	-	(79)
Purchase of emission rights	(1)	-		(1)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	4	-	-	4
Increase (decrease) in participation in existing subsidiaries and special purpose entities, joint-ventures and associates	(1)	-	-	(1)
Interest received	1	-	-	1
Cash flows from (used in) investing activities	**(77)**	**-**	**-**	**(77)**
FINANCING ACTIVITIES				
Proceeds from loans received	32	-	-	32
Repayment of borrowings	(88)	-	-	(88)
Realised foreign exchange (gains) losses, net	-	(8)		(8)
Dividends paid	(69)	-	-	(69)
Cash flows from (used in) financing activities	**(125)**	**(8)**	**-**	**(133)**
Net increase (decrease) in cash and cash equivalents	(26)	-	-	*(26)*
Cash and cash equivalents at beginning of the period	**201**	**-**	**-**	**201**
Effect of exchange rate fluctuations on cash held	2	-	-	2
Cash and cash equivalents at end of the period	**177**	**-**	**-**	**177**