

Report on the first half of the year 2014 for CE Energy, a.s.

- ✓ Consolidated EBITDA reached EUR 187¹ million
- ✓ Consolidated pro forma adjusted EBITDA for the last twelve months amounted to EUR 363¹ million



CE Energy, a.s. (also "Company" or "CE Energy" or "Group" or "CEE" or "CEE Group") is a vertically integrated energy utility that includes 71 companies. In January 2014 CE Energy acquired a 100% share in EP Energy, a.s. (also "EP Energy" or "EPE" or "EPE Group"), which was the leading heat supplier in the Czech Republic, the second largest power generator in the Czech Republic and the third largest mining company in Germany in 2013. The Group benefits from relatively low exposure to market developments, as a significant majority of EBITDA is generated by regulated assets or assets with long term off take contracts. The Group's key operations are located in the Czech Republic, Germany and in the Slovak Republic.

¹ Stredoslovenská energetika (also "SSE") included on a proportionate basis

KEY FIGURES AT A GLANCE

Consolidated financial results in EUR millions

	1H 2013 ¹	1H 2014
Total sales	935.1	1,168.4
EBITDA ²	220.3	207.3
EBITDA incl. SSE on a proportionate basis ³	220.3	187.1
Pro forma Adjusted EBITDA (last twelve months) ⁴		409.6
Pro forma Adjusted EBITDA incl. SSE on a proportionate basis (last twelve months) ⁵		363.4
Total net debt per financial statements ⁶		1,705.9
Total net debt per financial statements incl. SSE on a proportionate basis ⁷		1,674.7
Indicative CE Energy Net Consolidated Leverage Ratio (incl. SSE on a prop. basis) ⁸		4.34x
Profit from operations	95.3	57.2
Profit before tax	38.1	26.0
Net profit attributable to CEE	16.6	9.8
Total assets		4,171.9
CAPEX ⁹	24.9	48.1

Physical units (CEE excluding SSE)

	1H 2013	1H 2014
Coal production Mt	9.5	10.2
Installed <i>cogeneration</i> Capacity ¹⁰ .. MW _e	500	500
Installed <i>condensation</i> Capacity ¹⁰ MW _e	360	750
Installed heat capacity ¹⁰ MW _{th}	3,988	3,933
Heat supplied ^{10,11} TJ ¹¹	11,455	9,017
Power produced ¹⁰ GWh	1,479	2,718
Power traded ¹⁰ GWh	9,137	7,247
Power supplied ¹⁰ GWh	1,032	994
Natural gas supplied ¹⁰ GWh	1,185	1,680
Saale Energie MW _e	400	400

Physical units SSE

	1H 2013	1H 2014
Power distributed GWh	3,020	2,959
Power traded..... GWh	2,682	2,913
Power supplied GWh	2,266	2,286
Natural gas supplied GWh	49	113
Power produced GWh	11.4	9.9
Installed capacity MW _e	61.8	61.8

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

(2) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable) with the SSE EBITDA included on a fully consolidated basis (i.e. EUR 39.6 million). The EBITDA included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the CEE Group. For further discussion over the CEE Group performance refer to the following pages and to the Report for the first half of the year 2014 for EP Energy, a.s.

(3) EBITDA incl. SSE on a proportionate basis represents profit from operations plus depreciation of property, plant and equipment and amortization of intangible assets minus negative goodwill (if applicable) with the SSE EBITDA included on the proportionate 49% basis (i.e. EUR 19.4 million). The EBITDA incl. SSE on a proportionate basis included in this report does not represent the term EBITDA as may be defined by any documentation for any financial liabilities of the CEE Group. For further discussion over the CEE Group performance refer to the following pages and to the Report for the first half of the year 2014 for EP Energy, a.s.

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

Actual IFRS EBITDA for the period Jan – Jun 2014	207.3
Actual IFRS EBITDA for the period Jan – Dec 2013*	383.5
Actual IFRS EBITDA for the period Jan – Jun 2013*	(220.3)
Pro forma SSE scope adjustment for the period Jul – Nov 2013	32.6
Saale Energie adjustment	8.8
MIBRAG overburden adjustment	(10.9)
Goodwill impairment losses adjustment	8.6
Pro forma Adjusted EBITDA (last twelve months)	409.6

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

To derive Pro forma Adjusted EBITDA for the period from July 1, 2013 to June 30, 2014, CEE utilized IFRS consolidated statement of comprehensive income of EP Energy, a.s. for the year ended December 31, 2013 (EBITDA of EUR 383.5 million), IFRS condensed consolidated interim statement of comprehensive income of CE Energy, a.s. for the six-month period ended June 30, 2014 (EBITDA of EUR 207.3 million) and IFRS condensed consolidated interim statement of comprehensive income of EP Energy, a.s. for the six-month period ended June 30, 2013 (EBITDA of 220.3 million) as comparatives.

The historical financial information of the CEE Group have been further adjusted to reflect a consolidation of a 49% share (associated with a management control) in Stredoslovenská energetika, a.s. (also “SSE”) and its subsidiaries using the full method of consolidation including related changes in financing as if the SSE Group was acquired effectively on January 1, 2013. Pro forma adjustment in the amount of EUR 32.6 million is related to the period Jul – Nov 2013.

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

(a) the items related to Saale Energie, which lead to an EUR 8.8 million decrease to EBITDA in the twelve-month period ended June 30, 2014, which, due to the accounting treatment of the specific

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

(b) the impact of capitalisation of overburden accounted for in MIBRAG, which lead to an EUR 10.9 million increase to EBITDA for the twelve-month period ended June 30, 2014.

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

For information purposes only, a 51% share of non-controlling interest of Stredoslovenská energetika, a.s. and its subsidiaries on the Pro forma Adjusted EBITDA amounted to EUR 46.2 million in the twelve-month period ended June 30, 2014 (of which EUR 29.4 million relates to the period from December 1, 2013 to June 30, 2014 and EUR 16.8 million relates to the period from July 1, 2013 to November 30, 2013).

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

(5) Pro forma Adjusted EBITDA incl. SSE on a proportionate basis (last twelve months) represents Pro forma Adjusted EBITDA (last twelve months) further adjusted to exclude a non-controlling interest of 51% of SSE EBITDA (i.e. EUR 46.2 million).

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

(6) Total net debt per financial statements balance is based on the consolidated financial statements of CEE (Total Loans and borrowings (EUR 3,130.8 million) plus Total Financial instruments and financial liabilities (EUR 5.7 million) less Cash and cash equivalents (EUR 269.8 million)), but excludes the subordinated loans and borrowings to Energetický a průmyslový holding, a.s. (also "EPH") of EUR 1,160.8 million. The Total net debt included in this report does not represent the term Indebtedness as may be defined by any documentation for any financial liabilities of the CEE or EPE Group.

(7) Total net debt per financial statements incl. SSE on a proportionate basis is represented by the Total net debt as defined above less a portion of net debt totalling EUR 31.2 million belonging to a minority shareholder of Stredoslovenská energetika, a.s. The Total net debt incl. SSE on a proportionate basis included in this report does not represent the term Indebtedness as may be defined by any documentation for any financial liabilities of the CEE or EPE Group.

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

(9) Excluding emission allowances

(10) The operating data is based on the results of the respective entities on a 100% basis for the full period, regardless of the date when each entity joined the CEE Group or the ownership share of the CEE Group in each entity. Nevertheless, operating data for MIBRAG and Saale Energie are excluded and the data for HSR are included in the 1H 2014 figures.

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

(12) 1 TJ = 0,2778 GWh

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

CONTENT:

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

Attachments:

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

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

Dear investors and partners,

Our 1H 2014 IFRS EBITDA reached EUR 207 million, which is in comparison to 1H 2013 lower by approximately 6%.

Our business operations, particularly in Power and Heat segment, were influenced by an exceptionally warm winter in 1Q 2014. The Pro forma Adjusted EBITDA for the twelve-month period ended June 30, 2014, reflecting proportionate consolidation of SSE and consolidation of HSR for 1H 2014 only, reached EUR 363 million as compared to EUR 425 million for 2013.

As mentioned before, the primary reason was the unusually warm winter -- the day-degrees (metrics comparing the indoor-to-outdoor temperature difference integrated over defined time period, the primary determinant of space heating needs) 1H2014-to-1H2013 were 23% lower. However, due to decoupled capacity-energy pricing that we use in our key operations the impact of the temperatures was below-proportional. Further, other three factors influenced the H1 EBITDA:

- Firstly, results of Stredoslovenská energetika were adversely impacted by the time-shifted reimbursement of regulatory charges relating to green energy subsidies to renewable energy producers in the central Slovakia region (paid by SSE and later reimbursed by system operator). The adverse financial effect shall be, according to the legislation, compensated in two years' time. Nevertheless, we are in intense negotiations with the regulator to seek earlier compensation. Recently, while these negotiations continue, a partial agreement has already been reached on increasing the distribution tariff which shall materialize in a compensation of EUR 17-21 million still in 2014.
- Secondly, even though we primarily rely on heat generation within our Heat and Power segment, continuously weakening power prices, together with lower electricity consumption (again due to warm winter), negatively influenced our results.
- Finally, foreign exchange rate intervention executed by the Czech National Bank in November 2013 resulting in EUR/CZK spot rate deterioration by approximately 7% leads to lower translation of operating results denominated in CZK to EUR denominated EBITDA figures. Following the Czech National Bank's statements, we believe, that the foreign exchange rate change is temporary and should be reversing in future.

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

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

Sincerely yours,



Pavel Horský
Member of the Board

Financial condition and results of operations of the CEE Group as of and for the six-month period ended June 30, 2014

Condensed consolidated interim statement of comprehensive income

For the six-month period ended June 30, 2014

In thousands of EUR ("TEUR")

	30 June 2014 (six months) (unaudited)	30 June 2013 (six months) ¹ (unaudited)
Sales: Energy	1,116,716	892,213
<i>of which: Electricity</i>	<i>712,180</i>	<i>451,457</i>
Heat	157,189	195,455
Coal	133,980	138,332
Gas	113,275	106,969
Other energy products	92	-
Sales: Other	51,654	42,920
Total sales	1,168,370	935,133
Cost of sales: Energy	(744,925)	(564,302)
Cost of sales: Other	(24,730)	(11,051)
Total cost of sales	(769,655)	(575,353)
	398,715	359,780
Personnel expenses	(125,631)	(91,132)
Depreciation and amortisation	(150,093)	(127,126)
Repairs and maintenance	(6,546)	(6,810)
Emission rights, net	(10,862)	(14,281)
Negative goodwill	-	2,176
Taxes and charges	(5,775)	(5,409)
Other operating income	28,975	30,351
Other operating expenses	(71,596)	(52,220)
Profit (loss) from operations	57,187	95,329
Finance income	29,942	16,615
Finance expense	(66,790)	(62,259)
Profit (loss) from derivative financial instruments	6,259	(4,241)
Net finance income (expense)	(30,589)	(49,885)
Share of profit (loss) of equity accounted investees, net of tax	(605)	(6,693)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	(668)
Profit (loss) before income tax	25,993	38,083
Income tax revenues (expenses)	(10,645)	(18,172)
Profit (loss) for the period	15,348	19,911
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	1,008	1,814
Foreign currency translation differences for presentation currency	(4,495)	(44,528)
Effective portion of changes in fair value of cash flow hedges, net of tax	(1,967)	(5,409)
Fair value reserve included in other comprehensive income	(1,494)	-
Other comprehensive income for the period, net of tax	(6,948)	(48,123)
Total comprehensive income for the period	8,400	(28,212)
Profit (loss) attributable to:		
Owners of the Company	9,761	16,642
Non-controlling interest	5,587	3,269
Profit (loss) for the period	15,348	19,911
Total comprehensive income attributable to:		
Owners of the Company	1,723	(28,103)
Non-controlling interest	6,677	(109)
Total comprehensive income for the period	8,400	(28,212)

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

Condensed consolidated interim statement of financial position

As of June 30, 2014

In thousands of EUR ("TEUR")

	30 June 2014 (unaudited)	31 December 2013 ¹ (unaudited)
Assets		
Property, plant and equipment	2,332,269	2,433,472
Intangible assets	155,552	186,685
Goodwill	92,466	92,545
Investment property	324	324
Participations with significant influence	129,429	260,800
Financial instruments and other financial assets	278,836	274,359
<i>of which receivables from the parent company</i>	269,296	261,284
Trade receivables and other assets	14,435	29,380
Deferred tax assets	8,527	8,014
Total non-current assets	3,011,838	3,285,579
Inventories	74,480	69,992
Extracted minerals and mineral products	5,643	6,136
Trade receivables and other assets	250,100	318,290
Financial instruments and other financial assets	530,538	516,842
<i>of which receivables from the parent company</i>	476,599	467,104
Prepayments and other deferrals	4,606	3,345
Tax receivables	24,921	13,406
Cash and cash equivalents	269,761	288,321
Assets/disposal groups held for sale	47	49
Total current assets	1,160,096	1,216,381
Total assets	4,171,934	4,501,960
Equity		
Share capital	78	78
Reserves	(1,053,744)	529,657
Retained earnings	530,287	445,433
Total equity attributable to equity holders	(523,379)	975,168
Non-controlling interest	444,563	480,186
Total equity	(78,816)	1,455,354
Liabilities		
Loans and borrowings	2,996,478	1,513,784
<i>of which owed to the parent company</i>	1,160,778	-
Financial instruments and other financial liabilities	1,319	1,649
Provisions	328,861	339,219
Deferred income	37,242	39,898
Deferred tax liabilities	255,933	269,463
Trade payables and other liabilities	34,886	76,679
Total non-current liabilities	3,654,719	2,240,692
Trade payables and other liabilities	376,233	384,094
Loans and borrowings	134,317	312,491
<i>of which owed to the parent company</i>	2,374	2,287
Financial instruments and other financial liabilities	4,340	5,587
Provisions	64,333	93,726
Deferred income	11,237	2,124
Current income tax liability	5,571	7,892
Total current liabilities	596,031	805,914
Total liabilities	4,250,750	3,046,606
Total equity and liabilities	4,171,934	4,501,960

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

Condensed consolidated interim statement of cash flows

For the six-month period ended June 30, 2014

In thousands of EUR ("TEUR")

	30 June 2014 (six months) (unaudited)	30 June 2013 (six months) ¹ (unaudited)
OPERATING ACTIVITIES		
Profit (loss) for the period	15,348	19,911
<i>Adjustments for:</i>		
Income taxes	10,645	18,172
Depreciation and amortisation	150,093	127,126
Dividend income	(235)	-
Impairment losses on property, plant and equipment and intangible assets	430	817
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	1,046	(584)
(Gain) loss on disposal of inventories	(152)	(39)
Emission rights	10,862	14,281
(Gain) loss on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	-	668
Share of (profit) loss of equity accounted investees	605	6,693
(Gain) loss on financial instruments	(6,259)	4,241
Net interest expense	38,902	38,173
Change in allowance for impairment to trade receivables and other assets, write-offs	1,675	1,051
Change in provisions	(28,859)	(8,249)
Negative goodwill	-	(2,176)
Unrealised foreign exchange (gains) losses, net	(2,843)	21,693
Operating profit (loss) before changes in working capital	191,258	241,778
Change in financial instruments at other than fair value	5,523	(153,975)
Change in trade receivables and other assets	81,192	29,379
Change in inventories (including proceeds from sale)	(4,672)	(18,639)
Change in extracted minerals and mineral products	493	(78)
Change in assets held for sale and related liabilities	2	
Change in trade payables and other liabilities	(77,685)	(19,106)
Cash generated from (used in) operations	196,111	79,359
Interest paid	(34,861)	(30,702)
Income taxes paid	(37,798)	(32,102)
Cash flows generated from (used in) operating activities	123,452	16,555
INVESTING ACTIVITIES		
Received dividends from equity accounted investees	4,186	25,472
Proceeds from sale of financial instruments – derivatives	4,022	428
Acquisition of property, plant and equipment, investment property and other intangible assets	(48,111)	(24,943)
Purchase of emission rights	(6,784)	(4,125)
Proceeds from sale of emission rights	1,171	428
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	7,273	2,607
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	-	7,052
Interest received	235	778
Cash flows from (used in) investing activities	(38,008)	7,697

FINANCING ACTIVITIES

Proceeds from loans received	67,632	669,170
Repayments of borrowings	(636,157)	(1,059,457)
Proceeds from bonds issued	492,203	591,691
Dividends paid	(27,501)	(315,530)
Cash flows from (used in) financing activities	(103,823)	(114,126)
<i>Net increase (decrease) in cash and cash equivalents</i>	<i>(18,379)</i>	<i>(89,874)</i>
Cash and cash equivalents at beginning of the period	288,321	325,099
Effect of exchange rate fluctuations on cash held	(181)	(6,516)
Cash and cash equivalents at end of the period	269,761	228,709

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

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

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

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

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

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

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

The 2021 Notes are secured by a pledge of 100% of the capital stock of CE Energy and by a pledge of 50% minus one share of the capital stock of EP Energy. The indenture pursuant to which the 2021 Notes were issued contains a number of restrictive covenants, including limitations on the ability of subsidiaries to upstream payments to CE Energy, the incurrence of indebtedness, restricted payments, transactions with affiliates, liens and sales of assets.

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

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

As of June 30, 2014, i.e. after the partial repayment of loan to Energetický a průmyslový holding which occurred on May 7, 2014, CE Energy had EUR 37.8 million of free liquidity on its accounts, i.e. sufficient amount to cover two semi-annual interest payments on the 2021 Notes.

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

Subsequent events

The CEE Group is currently considering a merger of ENERZET, a.s. into ROLLEON a.s.

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

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

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

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

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

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

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

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

Shareholder of the Group is currently considering a non-cash decrease of share capital of EP Energy by approximately EUR 241 million to optimize EPE's capital structure.

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

Appendix 1

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

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

Consolidated statement of comprehensive income

For the six-month period ended June 30, 2014

In thousands of EUR ("TEUR")

	EPE consolidated figures ¹	CEE standalone income statement ²	Intercompany eliminations ³	Related FX impact ⁴	CE Energy consolidated figures
	(unaudited)	Adjustment 1 (unaudited)	Adjustment 2 (unaudited)	Adjustment 3 (unaudited)	(unaudited)
Sales: Energy	1,116,716	-	-	-	1,116,716
<i>of which: Electricity</i>	712,180	-	-	-	712,180
<i>Heat</i>	157,189	-	-	-	157,189
<i>Coal</i>	133,980	-	-	-	133,980
<i>Gas</i>	113,275	-	-	-	113,275
<i>Other energy products</i>	92	-	-	-	92
Sales: Other	51,654	-	-	-	51,654
Total sales	1,168,370	-	-	-	1,168,370
Cost of sales: Energy	(744,925)	-	-	-	(744,925)
Cost of sales: Other	(24,730)	-	-	-	(24,730)
Total cost of sales	(769,655)	-	-	-	(769,655)
	398,715	-	-	-	398,715
Personnel expenses	(125,631)	-	-	-	(125,631)
Depreciation and amortisation	(150,093)	-	-	-	(150,093)
Repairs and maintenance	(6,546)	-	-	-	(6,546)
Emission rights, net	(10,862)	-	-	-	(10,862)
Taxes and charges	(5,775)	-	-	-	(5,775)
Other operating income	29,055	-	(80)	-	28,975
Other operating expenses	(71,530)	(66)	-	-	(71,596)
Profit (loss) from operations	57,333	(66)	(80)	-	57,187

Finance income	18,776	12,059	(893)	-	29,942
Finance expense	(48,816)	(18,947)	973	-	(66,790)
Profit (loss) from derivative financial instruments	6,247	12	-	-	6,259
Income from controlled entities	-	89,921	(89,921)	-	-
Net finance income (expense)	(23,793)	83,045	(89,841)	-	(30,589)
Share of profit (loss) of equity accounted investees, net of tax	(605)	-	-	-	(605)
Profit (loss) before income tax	32,935	82,979	(89,921)	-	25,993
Income tax revenues (expenses)	(10,645)	-	-	-	(10,645)
Profit (loss) for the period	22,290	82,979	(89,921)	-	15,348
Items that are or may be reclassified subsequently to profit or loss:					
Foreign currency translation differences for foreign operations	1,008	-	-	-	1,008
Foreign currency translation differences for presentation currency	6,313	-	-	(10,808)	(4,495)
Fair value reserve included in other comprehensive income	(1,967)	-	-	-	(1,967)
Effective portion of changes in fair value of cash flow hedges, net of tax	(1,494)	-	-	-	(1,494)
Other comprehensive income for the period, net of tax	3,860	-	-	(10,808)	(6,948)
Total comprehensive income for the period	26,150	82,979	(89,921)	(10,808)	8,400
Profit (loss) attributable to:					
Owners of the Company	16,703	82,979	(89,921)	-	9,761
Non-controlling interest	5,587	-	-	-	5,587
Profit (loss) for the period	22,290	82,979	(89,921)	-	15,348
Total comprehensive income attributable to:					
Owners of the Company	19,473	82,979	(89,921)	(10,808)	1,723
Non-controlling interest	6,677	-	-	-	6,677
Total comprehensive income for the period	26,150	82,979	(89,921)	(10,808)	8,400

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

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

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

(4) The Adjustment 3 represents foreign exchange differences.

Condensed consolidated interim statement of financial position

As of June 30, 2014

In thousands of EUR ("TEUR")

	EPE consolidated figures ¹	CEE standalone statement of financial position ²	Intercompany eliminations ³	Elimination of investment and equity of EPE and related FX impact ⁴	CE Energy consolidated figures
	(unaudited)	Adjustment 1 (unaudited)	Adjustment 2 (unaudited)	Adjustment 3 (unaudited)	(unaudited)
Assets					
Property, plant and equipment	2,332,269	-	-	-	2,332,269
Intangible assets	155,552	-	-	-	155,552
Goodwill	92,466	-	-	-	92,466
Investment property	324	-	-	-	324
Participations with control	-	1,504,369	-	(1,504,369)	-
Participations with significant influence	129,429	-	-	-	129,429
Financial instruments and other financial assets	8,643	270,193	-	-	278,836
<i>of which receivables from the parent company</i>	-	269,296	-	-	269,296
Trade receivables and other assets	14,435	-	-	-	14,435
Deferred tax assets	8,527	-	-	-	8,527
Total non-current assets	2,741,645	1,774,562	-	(1,504,369)	3,011,838
Inventories	74,480	-	-	-	74,480
Extracted minerals and mineral products	5,643	-	-	-	5,643
Trade receivables and other assets	250,146	34	(80)	-	250,100
Financial instruments and other financial assets	591,431	-	(60,893)	-	530,538
<i>of which receivables from the parent company</i>	537,492	-	(60,893)	-	476,599
Prepayments and other deferrals	4,606	-	-	-	4,606
Tax receivables	24,921	-	-	-	24,921
Cash and cash equivalents	231,973	37,788	-	-	269,761
Assets/disposal groups held for sale	47	-	-	-	47
Total current assets	1,183,248	37,822	(60,973)	-	1,160,096
Total assets	3,924,892	1,812,384	(60,973)	(1,504,369)	4,171,934
Equity					
Share capital	769,180	78	-	(769,180)	78
Share premium	116,434	-	-	(116,434)	-
Reserves	(428,280)	-	-	(625,464)	(1,053,744)
Retained earnings	440,789	82,789	-	6,709	530,287
Total equity attributable to equity holders	898,123	82,867	-	(1,504,369)	(523,379)
Non-controlling interest	444,563	-	-	-	444,563
Total equity	1,342,686	82,867	-	(1,504,369)	(78,816)

Liabilities					
Loans and borrowings	1,343,143	1,653,335	-	-	2,996,478
<i>of which owed to the parent company</i>	-	1,160,778	-	-	1,160,778
Financial instruments and other financial liabilities	1,319	-	-	-	1,319
Provisions	328,861	-	-	-	328,861
Deferred income	37,242	-	-	-	37,242
Deferred tax liabilities	255,933	-	-	-	255,933
Trade payables and other liabilities	34,886	-	-	-	34,886
Total non-current liabilities	2,001,384	1,653,335	-	-	3,654,719
Trade payables and other liabilities	374,813	1,500	(80)	-	376,233
Loans and borrowings	120,528	74,682	(60,893)	-	134,317
<i>of which owed to the parent company</i>	2,374	-	-	-	2,374
Financial instruments and other financial liabilities	4,340	-	-	-	4,340
Provisions	64,333	-	-	-	64,333
Deferred income	11,237	-	-	-	11,237
Current income tax liability	5,571	-	-	-	5,571
Total current liabilities	580,822	76,182	(60,973)	-	596,031
Total liabilities	2,582,206	1,729,517	(60,973)	-	4,250,750
Total equity and liabilities	3,924,892	1,812,384	(60,973)	(1,504,369)	4,171,934

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

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

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

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

Condensed consolidated interim statement of cash flows

For the six-month period ended June 30, 2014

In thousands of EUR ("TEUR")

	EPE consolidated figures ¹	CEE standalone statement of cash flows incl. impact from CEE consolidation ²	Bonds issue ³	Repayment of purchase price ⁴	Repayment of loans ⁵	Intercompany eliminations ⁶	CE Energy consolidated figures
	(unaudited)	Adjustment 1 (unaudited)	Adjustment 2 (unaudited)	Adjustment 3 (unaudited)	Adjustment 4 (unaudited)	Adjustment 5 (unaudited)	(unaudited)
OPERATING ACTIVITIES							
Profit (loss) for the period	22,290	82,979	-	-	-	(89,921)	15,348
<i>Adjustments for:</i>							
Income taxes	10,645	-	-	-	-	-	10,645
Depreciation and amortisation	150,093	-	-	-	-	-	150,093
Dividend income	(235)	-	-	-	-	-	(235)
Impairment losses on property, plant and equipment and intangible assets	430	-	-	-	-	-	430
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	1,046	-	-	-	-	-	1,046
(Gain) loss on disposal of inventories	(152)	-	-	-	-	-	(152)
Emission rights	10,862	-	-	-	-	-	10,862
Share of (profit) loss of equity accounted investees	605	-	-	-	-	-	605
(Gain) loss on financial instruments	(6,247)	(12)	-	-	-	-	(6,259)
Net interest expense	28,904	10,078	-	-	-	(80)	38,902
Change in allowance for impairment to trade receivables and other assets, write-offs	1,675	-	-	-	-	-	1,675
Change in provisions	(28,859)	-	-	-	-	-	(28,859)
Unrealised foreign exchange (gains) losses, net	1,346	(3,139)	-	-	-	(1,050)	(2,843)
Operating profit (loss) before changes in working capital	192,403	89,906	-	-	-	(91,051)	191,258
Change in financial instruments at other than fair value	(54,442)	(928)	-	-	-	60,893	5,523
Change in trade receivables and other assets	81,099	13	-	-	-	80	81,192
Change in inventories (including proceeds from sale)	(4,672)	-	-	-	-	-	(4,672)
Change in extracted minerals and mineral products	493	-	-	-	-	-	493
Change in assets held for sale and related liabilities	2	-	-	-	-	-	2
Change in trade payables and other liabilities	(78,983)	1,378	-	-	-	(80)	(77,685)
Cash generated from (used in) operations	135,900	90,369	-	-	-	(30,158)	196,111

Interest paid	(34,861)	-	-	-	-	-	(34,861)
Income taxes paid	(37,798)	-	-	-	-	-	(37,798)
Cash flows generated from (used in) operating activities	63,241	90,369	-	-	-	(30,158)	123,452
INVESTING ACTIVITIES							
Received dividends	4,186	-	-	-	-	-	4,186
Proceeds from sale of financial instruments – derivatives	4,022	-	-	-	-	-	4,022
Acquisition of property, plant and equipment, investment property and other intangible assets	(48,111)	-	-	-	-	-	(48,111)
Purchase of emission rights	(6,784)	-	-	-	-	-	(6,784)
Proceeds from sale of emission rights	1,171	-	-	-	-	-	1,171
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	7,273	-	-	-	-	-	7,273
Interest received	235	-	-	-	-	-	235
Cash flows from (used in) investing activities	(38,008)	-	-	-	-	-	(38,008)
FINANCING ACTIVITIES							
Proceeds from loans received	67,632	-	-	-	-	-	67,632
Repayments of borrowings	(26,284)	-	-	(340,187)	(269,686)	-	(636,157)
Proceeds from bonds issued	-	-	492,203	-	-	-	492,203
Dividends paid	(117,501)	-	-	-	-	90,000	(27,501)
Cash flows from (used in) financing activities	(76,153)	-	492,203	(340,187)	(269,686)	90,000	(103,823)
<i>Net increase (decrease) in cash and cash equivalents</i>	<i>(50,920)</i>	<i>90,369</i>	<i>492,203</i>	<i>(340,187)</i>	<i>(269,686)</i>	<i>59,842</i>	<i>(18,379)</i>
Cash and cash equivalents at beginning of the period	283,069	5,252	-	-	-	-	288,321
Effect of exchange rate fluctuations on cash held	(176)	(5)	-	-	-	-	(181)
Cash and cash equivalents at end of the period	231,973	95,616	492,203	(340,187)	(269,686)	59,842	269,761

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

Appendix 2

Condensed consolidated interim statement of comprehensive income

For the period from April 1, 2014 to June 30, 2014

In thousands of EUR ("TEUR")

	April 1 to June 30, 2014 (unaudited)	April 1 to June 30, 2013 (unaudited) ¹
Sales: Energy	498,310	365,962
<i>of which: Electricity</i>	<i>352,392</i>	<i>213,497</i>
Heat	50,417	59,386
Coal	53,992	57,332
Gas	41,476	35,747
Other energy products	33	-
Sales: Other	22,763	20,861
Total sales	521,073	386,823
Cost of sales: Energy	(355,371)	(240,264)
Cost of sales: Other	(11,231)	(5,067)
Total cost of sales	(366,602)	(245,331)
	154,471	141,492
Personnel expenses	(66,665)	(46,897)
Depreciation and amortisation	(80,436)	(65,526)
Repairs and maintenance	(3,599)	(2,547)
Emission rights, net	(3,667)	(4,347)
Taxes and charges	(2,873)	(2,632)
Other operating income	16,366	23,888
Other operating expenses	(34,611)	(24,412)
Profit (loss) from operations	(21,014)	19,019
Finance income	12,268	9,340
Finance expense	(34,667)	(41,882)
Profit (loss) from derivative financial instruments	2,913	(447)
Net finance income (expense)	(19,486)	(32,989)
Share of profit (loss) of equity accounted investees, net of tax	(531)	(6,025)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	(668)
Profit (loss) before income tax	(41,031)	(20,663)
Income tax revenues (expenses)	3,484	(22,200)
Profit (loss) for the period	(37,547)	(42,863)

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

Condensed consolidated interim statement of cash flows

For the period from April 1, 2014 to June 30, 2014

In thousands of EUR ("TEUR")

	April 1 to June 30, 2014 (unaudited)	April 1 to June 30, 2013 (unaudited) ¹
OPERATING ACTIVITIES		
Profit (loss) for the period	(37,547)	(42,863)
<i>Adjustments for:</i>		
Income taxes	(3,484)	22,200
Depreciation and amortisation	80,436	65,526
Dividend income	(235)	-
Impairment losses on property, plant and equipment and intangible assets	430	621
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	533	120
(Gain) loss on disposal of inventories	(152)	(39)
Emission rights	3,667	4,347
(Gain) loss on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	-	668
Share of (profit) loss of equity accounted investees	531	6,025
(Gain) loss on financial instruments	(2,913)	447
Net interest expense	22,665	27,808
Change in allowance for impairment to trade receivables and other assets, write-offs	511	(44)
Change in provisions	(19,159)	(36,996)
Unrealised foreign exchange (gains) losses, net	3,057	31,685
Operating profit (loss) before changes in working capital	48,340	79,505
Change in financial instruments at other than fair value	(6,219)	8,063
Change in trade receivables and other assets	93,645	60,355
Change in inventories (including proceeds from sale)	(7,339)	(17,622)
Change in extracted minerals and mineral products	1,649	(274)
Change in assets held for sale and related liabilities	2	196
Change in trade payables and other liabilities	(28,425)	12,027
Cash generated from (used in) operations	101,653	142,250
Interest paid	(32,734)	(10,755)
Income taxes paid	(16,287)	(24,123)
Cash flows generated from (used in) operating activities	52,632	107,372
INVESTING ACTIVITIES		
Received dividends from equity accounted investees	4,186	25,472
Proceeds from sale of financial instruments – derivatives	7,776	(4,891)
Acquisition of property, plant and equipment, investment property and other intangible assets	(31,837)	(16,378)
Purchase of emission rights	759	1,703
Proceeds from sale of emission rights	155	(5,008)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	6,100	886
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	-	7,052
Interest received	135	543
Cash flows from (used in) investing activities	(12,726)	9,379
FINANCING ACTIVITIES		
Proceeds from loans received	67,574	271,837
Repayments of borrowings	(114,506)	(715,003)
Proceeds from bonds issued	-	572,957
Dividends paid	(27,501)	(315,530)
Cash flows from (used in) financing activities	(74,433)	(185,739)
<i>Net increase (decrease) in cash and cash equivalents</i>	<i>(34,527)</i>	<i>(68,988)</i>
Cash and cash equivalents at beginning of the period	304,361	300,136
Effect of exchange rate fluctuations on cash held	(73)	(2,439)
Cash and cash equivalents at end of the period	269,761	228,709

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