

**EP Energy, a.s.**

**Consolidated annual report for the year  
ended 31 December 2015**

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**I. Independent Auditor's Report on Consolidated Annual Report**



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This document is an English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

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

We have audited the accompanying consolidated financial statements of EP Energy, a.s., prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about EP Energy, a.s. is set out in Note 1 to these consolidated financial statements.

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

The statutory body of EP Energy, a.s. is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as the statutory body determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing, and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.



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

### *Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of EP Energy, a.s. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

### *Other Information*

Other information is defined as information (other than the consolidated financial statements and our auditor's report) included in the consolidated annual report. The statutory body is responsible for the other information.

Our opinion on the consolidated financial statements of EP Energy, a.s. as of 31 December 2015 does not cover the other information and we do not express any form of opinion thereon. In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information included in the consolidated annual report is not materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, whether the consolidated annual report is prepared in accordance with applicable legislation and whether such information otherwise does not appear to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Prague  
28 April 2016

KPMG Česká republika Audit, s.r.o.  
Registration number 71

Vladimír Dvořáček  
Partner  
Registration number 2332

## **II. Introduction by the Chairman of the Board of Directors**



## INTRODUCTION BY THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders, Business Partners, Colleagues and Friends

EP Energy's operating profit before depreciation and amortisation and before inclusion of negative goodwill (EBITDA) under IFRS totalled EUR 331 million in 2015, which is by 17% higher than in 2014. Its results and performance remain strong despite negative developments in the wholesale market with electricity, primarily owing to the robust, low-risk business profile of the Group.

The results achieved by the Power Distribution and Supply segment were positively affected by the improved performance of the companies included in this segment as well as by the compensation of losses reported by the SSE Group as a result of subsidies paid to green energy producers based on a regulated tariff, which are compensated to the SSE Group with a delay.

The Mining segment's performance was mainly affected by the above-average windy weather in Germany during the first quarter of 2015, which led to an overload of power transmission networks resulting in a temporary reduction of power generation and in a decrease in the consumption of MIBRAG's two major customers, the Lippendorf and Schkopau power plants. Despite this, the segment's EBITDA for 2015 was EUR 128 million. Within the Group's restructuring process, this segment as a whole - including the Buschhaus and Schkopau power plants - was transferred directly under the management of the parent company, Energetický a průmyslový holding, a.s. on 1 April 2016. Consequently, the results of the Mining segment and the Buschhaus and Schkopau power plants were not included in the Group's EBITDA.

The Heat and Power segment's results reflect a decrease in the price of electricity in the market and a fewer number of emission rights granted free of charge while compensated by a refund of gift tax due from free emission allowances from 2011 and 2012. The segment shows an 9% increase in the sale of heat year-on-year. An important event of 2015, which will have an impact on our future German power generating activities, was the conclusion of a Memorandum of Understanding between MIBRAG and German Ministry of Economics, according to which the Buschhaus power plant will be transferred to security reserves ("Sicherheitsbereitschaft") for a period of four years as of 1 October 2016 and MIBRAG will be adequately compensated. A final agreement should be entered into at the end of the second quarter of 2016. In this manner MIBRAG will significantly contribute to meeting the goals set for CO2 emissions for 2020 while maintaining its performance.

In accordance with its strategic plans, EP Energy expanded its heat industry activities to Hungary in December 2015, acquiring more than 95% of the shares of a company operating three cogeneration (heat and electricity production) gas heating plants: Kelenföld (with the installed output of 188 MWe and 219 MWt), Újpest (105 MWe and 347 MWt) and Kispest (113 MWe and 282 MWt). These heating plants cover approx. 60% of the heat consumption of Budapest and hold a 3% share in overall electricity generation in Hungary.

In conclusion, I would like to thank all employees and business partners who help us pursue our strategy and accomplish our mission, which is the reliable supply of high-quality energy under attractive cost conditions.

  
.....  
JUDr. Daniel Křetínský  
Chairman of the board of directors



### **III. Other Information**



## **Other information**

### **Subsequent events**

#### ***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 is subject to customary conditions precedent including competition clearance. PT and Veolia Energie ČR, a.s. also entered into an option agreement in relation to the remaining 15% of shares in PT LPZ exercisable between 1 July 2016 and 30 September 2017. If exercised, the total purchase price for 100% of the shares in PT LPZ will amount to CZK 1,920 million (subject to the above post-closing adjustments, which can significantly increase the final price). 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.

On 6 April 2016 the parent company CE Energy, a.s. was renamed to EP Infrastructure, a.s. (EPIF). The change was entered to Commercial register on 11 April 2016.

During 2016 activities and assets held by CEE (in 2016 renamed to EP Infrastructure, a.s.) were reorganized in view of intended sale of a minority share of CEE to third parties. The reorganization also included the following matters relating to the EPE Group:

#### ***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 340 thousand (CZK 9,189 thousand) 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 4,716 thousand (CZK 127,614 thousand) 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 406 thousand (PLN 1,769 thousand) 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 1,603 thousand (CZK 43,371 thousand) 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 352 thousand (CZK 9,523 thousand) 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 487 thousand (CZK 13,176 thousand) 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.

#### ***SSE - Solar s.r.o.***

SSE – Solar was reported as Asset held for sale as of 31 December 2015. As of the date of compilation of these financial statements it was no longer the case.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2015.

### **Environmental activities**

In 2015, the EPE group was very active in terms of environmental protection.

In 2015, the companies from the EPE group continued to be operated in a manner ensuring their failure-free operation and high efficiency in producing electricity and heat, which has direct impact on the volume of produced emissions.

For example Elektrárny Opatovice a.s. (EOP) defended the compliance of its environmental management system with the international standard ISO 14001 during a supervisory audit. EOP's environmental management system strives to minimise the impact of the Company's operations on the environment. Compliance with legislative requirements in terms of environmental protection was confirmed during an inspection carried out by the relevant state administration supervisory body. In 2015, EOP realised a separate project consisting of the implementation and completion of investment projects which will result in the reduction of the emissions of sulphur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>) and particulate matter (PM) by tens of per cent compared to previous years. These projects comprise the reconstruction of four boilers including primary and secondary measures aimed at reducing nitrogen oxides emissions (NO<sub>x</sub>), the replacement of the electrostatic separators on these boilers with textile filters and the completion of one of two newly built desulphurisation lines which will allow for a significant reduction of sulphur dioxide emissions (SO<sub>2</sub>).

Pražská teplárenská also met all emission limits for particulate matter (PM), sulphur dioxide, nitrogen oxides and carbon monoxide in 2015. During 2015, new versions of the integrated permits were issued for specified sources (Malešice heating plant, Michle heating plant, Holešovice heating plant, and Krč heat station), relating to legislative changes. Monitoring plans for reporting carbon dioxide emissions for the Malešice and Holešovice heating plants were updated and approved by the Ministry of the Environment.

The companies from the EPE group employ a functioning sorting system for components of municipal waste.

Recycling, the reuse of materials and composting are preferred to establishing waste dumps, which significantly contributes to a reduction of the volume of produced waste and has economic benefits.

### **Branch**

EPE has no branch abroad.

### **Research and development activities**

In 2015, the EPE group did not carry out any research and development activities and as a result did not incur any research and development costs.

**Financial risk management**

The financial risk management principles of the EPE group are stated in the notes to the consolidated financial statements.

**Employment relations**

The main strengths of the EPE group include good relations with its employees and their loyalty. The Group maintains good and correct relations with the trade unions active within the Group by holding regular meetings and discussions on work, social and wage related issues. The EPE group will continue paying special attention to preventing work accidents. The individual companies primarily concentrate on preventive checks, workplace inspections and the high quality of organised trainings on occupational safety and health.

#### **IV. Report on Relations**

# **REPORT ON RELATIONS**

between the controlling and controlled entities and on relations between the controlled entity and other entities controlled by the same controlling entity (related entities)

prepared by the board of directors of **EP Energy, a.s.**, with its registered office at Příkop 843/4, Zábřovice, Brno, postcode 602 00, ID No.: 292 59 428, in accordance with Section 82 (1) of the Corporations Act (Act No. 90/2012 Coll., as amended)

(“the Report”)

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## **I. Preamble**

The Report has been prepared pursuant to Section 82 (1) of the Corporations Act (Act No. 90/2012 Coll., as amended).

The Report has been submitted for review to the Company’s supervisory board in line with Section 83 (1) of the Corporations Act (Act No.90/2012 Coll., as amended), and the supervisory board’s position will be communicated to the Company’s general meeting which will decide on the approval of the Company’s ordinary financial statements and the distribution of the Company’s profit or the settlement of its loss.

The Report has been prepared for the 2015 accounting period.

## **II. Structure of relations between related entities**

### **CONTROLLED ENTITY**

The controlled entity is EP Energy, a.s., with its registered office at Příkop 843/4, Zábřovice, Brno, postcode 602 00, ID No: 292 59 428, recorded in the Commercial Register maintained by the Regional Court in Brno, section B, insert 6278.

### **DIRECTLY CONTROLLING ENTITIES:**

CE Energy, a.s. (since 24 January 2014)

Registered office: Příkop 843/4, Zábřovice, Brno, postcode  
602 00, Czech Republic  
Reg. No.: 02413507

### **INDIRECTLY CONTROLLING ENTITIES:**

Energetický a průmyslový holding, a.s.

Registered office: Příkop 843/4, Zábřovice, Brno, postcode  
602 00, Czech Republic  
Reg. No.: 28356250



EP Investment S.a r.l.

Registered office: 46A, Avenue J.F. Kennedy, L – 1855  
Luxembourg, Luxembourg  
Reg. No.: B 184488

MILEES LIMITED

Registered office: Akropoleos, 59-61, SAVVIDES CENTRE,  
1st floor, Flat/Office 102, Nicosia, P.C. 2012, Cyprus  
Reg. No.: HE246283

## **OTHER CONTROLLED ENTITIES**

The companies controlled by the same controlling entities are disclosed in note 38 to the consolidated financial statements of the controlled entity.

### **III.**

#### **Role of the controlled entity; method and means of control**

##### **Role of the controlled entity**

- strategic management of the development of a group of directly or indirectly controlled entities
- providing financing and developing financing systems for group entities
- optimising the services utilised/provided in order to improve the entire group's performance
- managing, acquiring and disposing of the Company's ownership interests and other assets

##### **Method and means of control**

The controlling entities hold a majority share of voting rights in EP Energy, a.s., and exercise a controlling influence over EP Energy, a.s.

### **IV.**

#### **Overview of actions pursuant to Section 82 (2)(d) of Act No. 90/2012 Coll., on Corporations**

In 2015 no actions were taken at the initiative or in the interest of the controlling entity that would concern assets exceeding 10% of the controlled entity's equity as determined from the most recent financial statements.

## **V.**

### **Contracts concluded between EP Energy, a.s. and other related entities**

#### **V.1.1.**

##### **In 2015 the following loan agreements were in operation:**

On 21 November 2006 a loan agreement, including valid amendments, was signed by and between a third party as the creditor and VTE Pchery s.r.o. (formerly ČES s.r.o.) as the debtor. On 9 May 2012, based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s.

On 7 December 2009 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and VTE Moldava II, a.s. (formerly Czech Wind Holding, a.s.) as the debtor. On 30 December 2010, based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s.

On 9 December 2009 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and VTE Moldava II, a.s. (formerly Czech Wind Holding, a.s.) as the debtor. On 30 December 2010, based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s.

On 18 December 2009 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and VTE Pchery s.r.o. as the debtor. On 30 December 2010, based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s.

On 29 January 2010 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and Triskata, s.r.o. as the debtor. On 30 December 2010, based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s.

On 4 February 2010 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and VTE Moldava II, a.s. (formerly Czech Wind Holding, a.s.) as the debtor. On 30 December 2010, based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s.

On 27 May 2010 a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the creditor and VTE Moldava, a.s. as the debtor. On 30 December 2010, based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s. In 2015 VTE Moldava II, a.s. became the legal successor of VTE Moldava, a.s.

On 15 June 2010 a loan agreement, including valid amendments, was signed by and between EP Renewables a.s. (formerly Czech Wind Holding, a.s.) as the creditor and ARISUN, s. r. o. as the debtor. In 2015 EP Energy, a.s. became the legal successor of EP Renewables a.s.

On 23 June 2010 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and CHIFFON ENTERPRISES LIMITED as the debtor. On 30 December 2010 based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s. On 26 September 2012 based on a receivable transfer agreement, the receivable was transferred to EP Renewables a.s. In 2015 EP Energy, a.s. became the legal successor of EP Renewables a.s.

On 5 August 2010 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and POWERSUN, a.s. as the debtor. On 31 December 2010, based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s.

On 3 November 2010 a loan agreement, including valid amendments, was signed by and between EP Renewables a.s. (formerly Czech Wind Holding, a.s.) as the creditor and Greeninvest Energy, a.s. as the debtor. In 2015 EP Energy, a.s. became the legal successor of EP Renewables a.s.

On 27 May 2011 a loan agreement, including valid amendments, was signed by and between PT-Holding Investment B.V. as the creditor and Honor Invest, a.s. as the debtor. In 2013 EP Energy, a.s. became the legal successor of Honor Invest, a.s.

On 27 June 2011 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the creditor and VTE Pchery s.r.o. as the debtor. On 25 September 2012 based on a receivable transfer agreement, the receivable was transferred to EP Energy, a.s.

On 19 July 2011 a loan agreement was signed by and between PT-Holding Investment B.V. as the creditor and Energetický a průmyslový holding, a.s. as the debtor. On 31 October 2011 the debt was assumed by EP Energy, a.s., which thus became the new debtor.

On 28 December 2011 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the creditor and VTE Pchery s.r.o. as the debtor.

On 20 June 2012 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EP Energy, a.s. as the creditor.

On 9 July 2012 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EP Energy, a.s. as the creditor.

On 21 August 2012 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the creditor and CHIFFON ENTERPRISES LIMITED as the debtor. On 26 September 2012 based on a receivable transfer agreement, the receivable was transferred to EP Renewables a.s. In 2015 EP Energy, a.s. became the legal successor of EP Renewables a.s.

On 15 October 2012 a loan agreement, including valid amendments, was signed by and between EP Renewables a.s. as the creditor and CHIFFON ENTERPRISES LIMITED as the debtor. In 2015 EP Energy, a.s. became the legal successor of EP Renewables a.s.

On 16 October 2012 a loan agreement was signed by and between EP Energy, a.s. as the creditor and Plzeňská energetika a.s. as the debtor.

On 30 October 2012 a loan agreement was signed by and between EP Energy, a.s. as the creditor and United Energy, a.s. as the debtor.

On 30 October 2012 a loan agreement was signed by and between EP Energy, a.s. as the creditor and EP ENERGY TRADING, a.s. as the debtor.

On 30 October 2012 a loan agreement was signed by and between EP Energy, a.s. as the creditor and EP ENERGY TRADING, a.s. as the debtor.

On 30 October 2012 a loan agreement was signed by and between EP Energy, a.s. as the creditor and Elektrárny Opatovice, a.s. as the debtor.

On 30 October 2012 a loan agreement was signed by and between EP Energy, a.s. as the creditor and Mitteldeutsche Braunkohlengesellschaft mbH as the debtor.

On 17 January 2013 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as a creditor and debtor and United Energy, a.s. as a creditor and debtor.

On 17 January 2013 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as a creditor and debtor and Plzeňská energetika a.s. as a creditor and debtor.

On 17 January 2013 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as a creditor and debtor and EP ENERGY TRADING, a.s. as a creditor and debtor.

On 17 January 2013 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as a creditor and debtor and Elektrárny Opatovice, a.s. as a creditor and debtor.

On 18 January 2013 a loan agreement, including valid amendments, was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EP Energy, a.s. as the creditor.

On 17 June 2013 a loan agreement was signed by and between EP Energy, a.s. as the creditor and EP Germany GmbH as the debtor.

On 26 June 2013 a loan agreement was signed by and between EP Energy, a.s. as the creditor and Elektrárny Opatovice, a.s. as the debtor.

On 28 June 2013 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the debtor and ROLLEON a.s. as the creditor.

On 30 July 2013 a loan agreement was signed by and between EP Energy, a.s. as the creditor and Plzeňská energetika a.s. as the debtor.

On 15 November 2013 a loan agreement was signed by and between EP Energy, a.s. as the creditor and EP ENERGY TRADING, a.s. as the debtor.

On 22 November 2013 a loan agreement was signed by and between Energetický a průmyslový holding, a.s. as the debtor and EP Energy, a.s. as the creditor.

On 30 December 2013 a loan agreement was signed by and between EP Energy, a.s. as the creditor and United Energy, a.s. as the debtor.

On 29 January 2014 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the creditor and CE Energy, a.s. as the debtor.

On 3 March 2014 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the creditor and EP ENERGY HR d.o.o. as the debtor.

On 1 April 2014 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the creditor and VTE Moldava II, a.s. as the debtor.

On 14 April 2014 a loan agreement, including valid amendments, was signed by and between Helmstedter Revier GmbH as the creditor and EP Energy, a.s. as the debtor.

On 14 April 2014 a loan agreement, including valid amendments, was signed by and between JTSD - Braunkohlebergbau GmbH as the creditor and EP Energy, a.s. as the debtor.

On 26 May 2014 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the debtor and PT-Holding Investment B.V. as the creditor.

On 11 June 2014 a loan agreement was signed by and between EP Energy, a.s. as the creditor and CHIFFON ENTERPRISES LIMITED as the debtor.

On 11 June 2014 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the creditor and MR TRUST s.r.o. as the debtor.

On 30 June 2014 a loan agreement, including valid amendments, was signed by and between JTSD - Braunkohlebergbau GmbH as the debtor and EP Energy, a.s. as the creditor.

On 9 July 2014 a loan agreement was signed by and between VTE Moldava II, a.s. as the creditor and EP Renewables a.s. as the debtor. In 2015 EP Energy, a.s. became the legal successor of EP Renewables a.s.

On 25 August 2014 a loan agreement, including valid amendments, was signed by and between EP Sourcing, a.s. (formerly EP Coal Trading, a.s.) as the debtor and EP Energy, a.s. as the creditor.

On 1 December 2014 a loan agreement was signed by and between EP Energy, a.s. as the creditor and TERMONTA PRAHA a.s. as the debtor.

On 27 January 2015 a loan agreement was signed by and between Energotrans SERVIS, a.s. as the creditor and EP Energy, a.s. as the debtor.

On 28 January 2015 a loan agreement, including valid amendments, was signed by and between EP Energy, a.s. as the creditor and NPTH, a.s. as the debtor.

On 25 March 2015 a loan agreement, including valid amendments, was signed by and between Mitteldeutsche Braunkohlengesellschaft mbH as the creditor and EP Energy, a.s. as the debtor.

On 20 May 2015 a loan agreement was signed by and between EP Energy, a.s. as the creditor and EP Sourcing, a.s. as the debtor.

On 29 October 2015 a loan agreement was signed by and between EP Hungary, a.s. as the creditor and EP Energy, a.s. as the debtor.

On 8 December 2015 a loan agreement was signed by and between EP Energy, a.s. as the creditor and EP Hungary, a.s. as the debtor.

On 14 December 2015 a loan agreement was signed by and between EP Energy, a.s. as the creditor and Alternative Energy, s.r.o. as the debtor.

On 28 December 2015 a loan agreement was signed by and between Saale Energie GmbH as the creditor and EP Energy, a.s. as the debtor.

### **V.1.2**

**In 2015 the following agreements on the set-off of receivables and payables were concluded:**

On 5 February 2015 an agreement on the set-off of receivables was signed by and between Energetický a průmyslový holding, a.s. and EP Energy, a.s.

On 5 February 2015 an agreement on the set-off of receivables was signed by and between CE Energy, a.s. and EP Energy, a.s.

On 27 May 2015 an agreement on the set-off of receivables was signed by and between Energetický a průmyslový holding, a.s. and EP Energy, a.s.

On 27 May 2015 an agreement on the set-off of receivables was signed by and between CE Energy, a.s. and EP Energy, a.s.

On 20 July 2015 an agreement on the set-off of receivables was signed by and between EP Energy, a.s. and PT-HOLDING INVESTMENTS B.V.

On 22 December 2015 an agreement on the set-off of receivables was signed by and between EP Energy, a.s. and Plzeňská energetika a.s.



On 24 September 2015 an agreement on the set-off of receivables was signed by and between EP Energy, a.s. and United Energy, a.s.

### **V.1.3.**

#### **Other agreements effective in 2015:**

On 1 May 2013 a framework agreement on the provision of guarantees, including valid amendments, was signed by and between EP Energy, a.s. and EP Energy Trading, a.s.

On 1 August 2013 the ISDA 2002 Master Agreement and the Schedule to the 2002 Master Agreement were signed by and between Energetický a průmyslový holding, a.s. and EP Energy, a.s.

On 30 June 2014 an agreement on the assumption of a liability was signed by and between Mitteldeutsche Braunkohlengesellschaft mbH as the creditor, JTSD – Braunkohlebergbau GmbH as the debtor and EP Energy, a.s. as the new debtor.

On 29 June 2015 an agreement on distribution of benefits from physical reciprocal cash-pooling within a group of financially related entities was signed by and between EP Energy, a.s., United Energy, a.s., Plzeňská energetika a.s., EP ENERGY TRADING, a.s., Elektrárny Opatovice, EP Sourcing, a.s. and Severočeská teplárenská, a.s.

On 23 September 2015, a request for accession of a new party to an agreement on distribution of benefits from physical reciprocal cash-pooling within a group of financially related entities was signed by and between EP Energy, a.s. and Pražská teplárenská Trading, a.s.

On 23 September 2015, a request for accession of a new party to an agreement on distribution of benefits from physical reciprocal cash-pooling within a group of financially related entities was signed by and between EP Energy, a.s. and Energotrans SERVIS, a.s.

On 23 September 2015, a request for accession of a new party to an agreement on distribution of benefits from physical reciprocal cash-pooling within a group of financially related entities was signed by and between EP Energy, a.s. and TERMONTA PRAHA a.s.

On 9 December 2015, a request for accession of a new party to an agreement on distribution of benefits from physical reciprocal cash-pooling within a group of financially related entities was signed by and between EP Energy, a.s. and EP Cargo a.s.

### **V.1.4**

#### **In 2015 the following operating agreements were effective:**

A sublease agreement concluded by and between EP Investment Advisors, s.r.o. and EP Energy, a.s. on 30 September 2013, including all its amendments.

A sublease agreement concluded by and between EP Investment Advisors, s.r.o. and EP Energy, a.s. 30 September 2013, including all its amendments.

An agreement on the provision of meeting rooms concluded by and between Elektrárny Opatovice, a.s. and EP Energy, a.s. on 30 September 2013.

An agreement on the provision of meeting rooms concluded by and between Plzeňská energetika a.s. and EP Energy, a.s. on 30 September 2013.

An agreement on the provision of meeting rooms concluded by and between United Energy, a.s. and EP Energy, a.s. on 30 September 2013.

An agreement on controlling and analytical advisory services concluded by and between Elektrárny Opatovice, a.s. and EP Energy, a.s. on 29 November 2013.

An agreement on controlling and analytical advisory services concluded by and between Plzeňská energetika a.s. and EP Energy, a.s. on 29 November 2013.

An agreement on controlling and analytical advisory services concluded by and between United Energy, a.s. and EP Energy, a.s. on 29 November 2013.

A technical advisory agreement concluded by and between Elektrárny Opatovice, a.s. and EP Energy, a.s. on 2 January 2014.

A technical advisory agreement concluded by and between Plzeňská energetika a.s. and EP Energy, a.s. on 2 January 2014.

A technical advisory agreement concluded by and between United Energy, a.s. and EP Energy, a.s. on 2 January 2014.

An agreement on a joint course of action concluded by EP Energy, a.s. on 24 November 2014 with the following companies:

AISE, s.r.o.

Alternative Energy, s.r.o.

ARISUN, s.r.o.

Claymore Equity, s. r. o.

ČKD Blansko Wind, a.s.

EBEH Opatovice, a.s.

Elektrárny Opatovice, a.s.

EP Coal Trading, a.s.

EP ENERGY TRADING, a.s.

Greeninvest Energy, a.s.

Helmstedter Revier GmbH

CHIFFON ENTERPRISES LIMITED

JTSD Braunkohlebergbau GmbH

NPTH, a.s.

Plzeňská energetika a.s.

POWERSUN a.s.

PT-HOLDING INVESTMENT B.V.

ROLLEON a.s.

Triskata, s.r.o.

UNITED ENERGY COAL TRADING POLSKA S.A.

United Energy, a.s.

VTE Moldava II, a.s.

VTE Pchery, s.r.o.

An agreement on a joint course of action concluded by and between Stredoslovenská energetika, a.s. and EP Energy, a.s. on 15 December 2014.

An agreement on a joint course of action concluded by and between Energotrans SERVIS, a.s. and EP Energy, a.s. on 23 December 2014.

An agreement on a joint course of action concluded by and between Pražská teplárenská a.s. and EP Energy, a.s. on 23 December 2014.

An agreement on providing professional assistance concluded by and between EP Investment Advisors, s.r.o. and EP Energy, a.s. on 2 January 2015.

## **V.2.**

### **Other juridical acts made between EP Energy, a.s. and other related entities**

Except for the above, no other agreements were concluded by and between EP Energy, a.s. and related entities, and no supplies or considerations were provided or received between EP Energy, a.s. and related entities.

EP Energy, a.s. did not take or adopt any other actions or measures in the interest or at the initiative of related entities.

## **V.3.**

### **Transactions, receivables and payables of EP Energy, a.s. vis-à-vis related entities**

The receivables and payables of EP Energy, a.s. from/to related entities as at 31 December 2015 are disclosed in the notes to the consolidated financial statements, which form part of the annual report.

## VI.

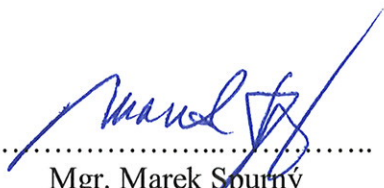
We hereby declare that we have included in this report on relations between related entities of EP Energy, a.s., prepared pursuant to Section 82 (1) of the Corporations Act (Act No. 90/2012 Coll., as amended) for the accounting period from 1 January 2015 to 31 December 2015, all information regarding:


- . agreements between related entities,
- . supplies and considerations provided to related entities,
- . other juridical acts carried out in the interest of related entities, and
- . all measures adopted or implemented in the interest or at the initiative of related entities

that was known to us as at the date of this Report.

In addition, the board of directors of EP Energy, a.s. declares that EP Energy, a.s. incurred no damage as a result of the actions of the controlling entity or of any entity controlled by the same entity. All transactions between the controlled entity and the controlling entity/entities controlled by the same controlling entity were concluded at arm's length. The contractual and other relations with related entities resulted in no loss or financial advantage or disadvantage to EP Energy, a.s.

Prague, 30 March 2016

  
.....  
Mgr. Marek Spurný  
Member of the Board of Directors

  
.....  
Mgr. Pavel Horský  
Member of the Board of Directors



**V. Consolidated Financial Statements and Notes to the  
Financial Statements**

# **EP Energy, a.s.**

## **Consolidated Financial Statements as at and for the year ended 31 December 2015**

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



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## Consolidated statement of comprehensive income

For the year ended 31 December 2015

In thousands of EUR ("TEUR")

	Note	2015	2014 *Restated
Sales: Energy	7	1,916,425	1,788,323
of which: Electricity		1,300,931	1,284,713
Heat		294,907	268,966
Gas		246,076	205,545
Coal		74,511	29,099
Sales: Other	7	43,848	53,832
Gain (loss) from commodity derivatives for trading with electricity and gas, net		10,445	13,217
<b>Total sales</b>		<b>1,970,718</b>	<b>1,855,372</b>
Cost of sales: Energy	8	(1,482,538)	(1,407,162)
Cost of sales: Other	8	(33,076)	(35,084)
<b>Total cost of sales</b>		<b>(1,515,614)</b>	<b>(1,442,246)</b>
<b>Subtotal</b>		<b>455,104</b>	<b>413,126</b>
Personnel expenses	9	(95,186)	(87,204)
Depreciation and amortisation	16, 17	(158,152)	(171,727)
Repairs and maintenance		(8,641)	(10,730)
Emission rights, net	10	(3,890)	(4,517)
Negative goodwill	6	33,085	-
Taxes and charges	11	8,502	(2,103)
Other operating income	12	25,898	21,690
Other operating expenses	13	(51,061)	(47,997)
<b>Profit (loss) from operations</b>		<b>205,659</b>	<b>110,538</b>
Finance income	14	42,198	56,753
Finance expense	14	(89,538)	(74,964)
Profit (loss) from financial instruments	14	(1,847)	659
<b>Net finance income (expense)</b>		<b>(49,187)</b>	<b>(17,552)</b>
Share of profit (loss) of equity accounted investees, net of tax	19	368	600
Gain (loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates	6	(1,407)	-
<b>Profit (loss) before income tax</b>		<b>155,433</b>	<b>93,586</b>
Income tax expenses	15	(53,742)	(26,940)
<b>Profit (loss) from continuing operations</b>		<b>101,691</b>	<b>66,646</b>
Profit (loss) from discontinued operations, net of tax		(19,965)	603
<b>Profit (loss) for the year</b>		<b>81,726</b>	<b>67,249</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations	15	(21,135)	9,089
Foreign currency translation differences from presentation currency	15	59,241	(7,158)
Effective portion of changes in fair value of cash flow hedges, net of tax	15	31,705	(5,484)
Fair value reserve included in other comprehensive income, net of tax	15	(4,325)	(9,919)
<b>Other comprehensive income for the year, net of tax</b>		<b>65,486</b>	<b>(13,472)</b>
<b>Total comprehensive income for the year</b>		<b>147,212</b>	<b>53,777</b>
<b>Profit (loss) attributable to:</b>			
<b>Owners of the Company</b>			
Profit for the year from continuing operations		56,821	37,248
Profit/loss for the year from discontinued operations		(20,339)	422
Profit for the year attributable to owners of the company		<b>36,482</b>	<b>37,670</b>
<b>Non-controlling interest</b>			
Profit for the year from continuing operations		44,870	29,398
Profit for the year from discontinued operations		374	181
Profit for the year attributable to owners of the company		<b>45,244</b>	<b>29,579</b>
<b>Profit (loss) for the year</b>		<b>81,726</b>	<b>67,249</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		96,638	29,918
Non-controlling interest	28	50,574	23,859
<b>Total comprehensive income for the year</b>		<b>147,212</b>	<b>53,777</b>
<b>Basic and diluted earnings per share in EUR – continuing operations</b>	27	<b>2.91</b>	<b>1.91</b>
<b>Basic and diluted earnings per share in EUR</b>	27	<b>1.87</b>	<b>1.93</b>

\* For details refer to Appendix 2 – Restated Consolidated statement of comprehensive income.

The notes presented on pages 9 to 120 form an integral part of these consolidated financial statements.

## Consolidated statement of financial position

As at 31 December 2015

In thousands of EUR ("TEUR")

	Note	2015	2014
<b>Assets</b>			
Property, plant and equipment	16	1,605,706	2,245,936
Intangible assets	17	82,369	154,996
Goodwill	17	98,210	96,241
Investment property	18	2,531	-
Equity accounted investees	19	8,407	127,376
Financial instruments and other financial assets	32	8,306	57,152
<i>of which receivables from the parent company/ultimate parent company</i>		-	-
Trade receivables and other assets	22	21,488	28,999
Deferred tax assets	20	1,898	9,627
<b>Total non-current assets</b>		<b>1,828,915</b>	<b>2,720,327</b>
Inventories	21	47,319	77,022
Extracted minerals and mineral products		-	7,926
Trade receivables and other assets	22	294,944	356,919
Financial instruments and other financial assets	32	313,718	553,933
<i>of which receivables from the parent company/ultimate parent company</i>		305,810	548,115
Prepayments and other deferrals		3,073	2,803
Tax receivables	24	20,320	21,441
Cash and cash equivalents	23	131,629	200,978
Assets/disposal groups held for sale	25	1,094,041	26,131
<b>Total current assets</b>		<b>1,905,044</b>	<b>1,247,153</b>
<b>Total assets</b>		<b>3,733,959</b>	<b>3,967,480</b>
<b>Equity</b>			
Share capital	26	504,843	769,180
Share premium		116,434	116,434
Reserves		(378,646)	(438,802)
Retained earnings		400,240	462,084
<b>Total equity attributable to equity holders</b>		<b>642,871</b>	<b>908,896</b>
Non-controlling interest	28	474,949	462,175
<b>Total equity</b>		<b>1,117,820</b>	<b>1,371,071</b>
<b>Liabilities</b>			
Loans and borrowings	29	1,304,272	1,267,328
<i>of which owed to the parent company/ultimate parent company</i>		-	-
Financial instruments and financial liabilities	32	513	680
Provisions	30	16,325	360,247
Deferred income	31	72,279	63,996
Deferred tax liabilities	20	182,724	240,922
Trade payables and other liabilities	33	6,668	71,951
<b>Total non-current liabilities</b>		<b>1,582,781</b>	<b>2,005,124</b>
Trade payables and other liabilities	33	286,080	350,975
Loans and borrowings	29	45,555	126,430
<i>of which owed to the parent company/ultimate parent company</i>		2,637	2,462
Financial instruments and financial liabilities	32	5,121	830
Provisions	30	23,467	83,248
Deferred income	31	11,459	4,015
Current income tax liability		13,303	9,372
Liabilities from disposal groups held for sale	25	648,373	16,415
<b>Total current liabilities</b>		<b>1,033,358</b>	<b>591,285</b>
<b>Total liabilities</b>		<b>2,616,139</b>	<b>2,596,409</b>
<b>Total equity and liabilities</b>		<b>3,733,959</b>	<b>3,967,480</b>

The notes presented on pages 9 to 120 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2015

<i>In thousands of EUR ("TEUR")</i>	Share capital	Share premium	Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Attributable to owners of the Company Fair value reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
<b>Balance at 1 January 2015 (A)</b>	<b>769,180</b>	<b>116,434</b>	<b>22,538</b>	<b>798</b>	<b>(46,508)</b>	<b>(9,705)</b>	<b>(320,210)</b>	<b>(85,715)</b>	<b>462,084</b>	<b>908,896</b>	<b>462,175</b>	<b>1,371,071</b>
<i>Total comprehensive income for the year:</i>												
<b>Profit or loss (B)</b>	-	-	-	-	-	-	-	-	36,482	36,482	45,244	81,726
<i>Other comprehensive income:</i>												
Foreign currency translation differences for foreign operations	-	-	-	-	(11,679)	-	-	-	-	(11,679)	(9,456)	(21,135)
Foreign currency translation differences from presentation currency	-	-	-	-	44,198	-	-	-	-	44,198	15,043	59,241
Fair value reserve included in other comprehensive income, net of tax	-	-	-	-	-	(4,068)	-	-	-	(4,068)	(257)	(4,325)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	31,705	-	31,705	-	31,705
<b>Total other comprehensive income (C)</b>	-	-	-	-	<b>32,519</b>	<b>(4,068)</b>	-	<b>31,705</b>	-	<b>60,156</b>	<b>5,330</b>	<b>65,486</b>
<b>Total comprehensive income for the year (D) = (B + C)</b>	-	-	-	-	<b>32,519</b>	<b>(4,068)</b>	-	<b>31,705</b>	<b>36,482</b>	<b>96,638</b>	<b>50,574</b>	<b>147,212</b>
<i>Contributions by and distributions to owners:</i>												
Increase (Decrease) in share capital	(264,337)	-	-	-	-	-	-	-	-	(264,337)	259	(264,078)
Dividends to equity holders	-	-	-	-	-	-	-	-	(96,156)	(96,156)	(36,642)	(132,798)
<b>Total contributions by and distributions to owners (E)</b>	<b>(264,337)</b>	-	-	-	-	-	-	-	<b>(96,156)</b>	<b>(360,493)</b>	<b>(36,383)</b>	<b>(396,876)</b>
<i>Changes in ownership interests in subsidiaries:</i>												
Effect from acquisitions through business combinations (Note 6)	-	-	-	-	-	-	-	-	-	-	1,987	1,987
Effect of changes in shareholdings on non-controlling interests	-	-	-	-	-	-	-	-	(2,170)	(2,170)	(3,404)	(5,574)
<b>Total changes in ownership interests in subsidiaries (F)</b>	-	-	-	-	-	-	-	-	<b>(2,170)</b>	<b>(2,170)</b>	<b>(1,417)</b>	<b>(3,587)</b>
<b>Total transactions with owners (G) = (E + F)</b>	<b>(264,337)</b>	-	-	-	-	-	-	-	<b>(98,326)</b>	<b>(362,663)</b>	<b>(37,800)</b>	<b>(400,463)</b>
<b>Balance at 31 December 2015 (H) = (A + D + G)</b>	<b>504,843</b>	<b>116,434</b>	<b>22,538</b>	<b>798</b>	<b>(13,989)</b>	<b>(13,773)</b>	<b>(320,210)</b>	<b>(54,010)</b>	<b>400,240</b>	<b>642,871</b>	<b>474,949</b>	<b>1,117,820</b>

The notes presented on pages 9 to 120 form an integral part of these consolidated financial statements.

**For the year ended 31 December 2014**

<i>In thousands of EUR ("TEUR")</i>	Share capital	Share premium	Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Attributable to owners of the Company Fair value reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
<b>Balance at 1 January 2014 (A)</b>	<b>769,180</b>	<b>116,434</b>	<b>22,538</b>	<b>75,891</b>	<b>(53,726)</b>	<b>(219)</b>	<b>(320,210)</b>	<b>(80,231)</b>	<b>445,608</b>	<b>975,265</b>	<b>480,186</b>	<b>1,455,451</b>
<i>Total comprehensive income for the year:</i>												
<b>Profit or loss (B)</b>	-	-	-	-	-	-	-	-	37,670	37,670	29,579	67,249
<i>Other comprehensive income:</i>												
Foreign currency translation differences for foreign operations	-	-	-	-	5,049	-	-	-	-	5,049	4,040	9,089
Foreign currency translation differences from presentation currency	-	-	-	-	2,169	-	-	-	-	2,169	(9,327)	(7,158)
Fair value reserve included in other comprehensive income, net of tax	-	-	-	-	-	(9,486)	-	-	-	(9,486)	(433)	(9,919)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	(5,484)	-	(5,484)	-	(5,484)
<b>Total other comprehensive income (C)</b>	-	-	-	-	7,218	(9,486)	-	(5,484)	-	(7,752)	(5,720)	(13,472)
<b>Total comprehensive income for the year (D) = (B + C)</b>	-	-	-	-	7,218	(9,486)	-	(5,484)	37,670	29,918	23,859	53,777
<i>Contributions by and distributions to owners:</i>												
Dividends to equity holders	-	-	-	-	-	-	-	-	(96,615)	(96,615)	(42,300)	(138,915)
Transfer from non-distributable reserves - release of legal fund (Note 26)	-	-	-	(75,878)	-	-	-	-	75,878	-	-	-
Transfer to non-distributable reserves - creation of legal fund	-	-	-	785	-	-	-	-	(785)	-	-	-
<b>Total contributions by and distributions to owners (E)</b>	-	-	-	(75,093)	-	-	-	-	(21,522)	(96,615)	(42,300)	(138,915)
<i>Changes in ownership interests in subsidiaries:</i>												
Effect from acquisitions through business combinations (Note 6)	-	-	-	-	-	-	-	-	-	-	758	758
Effect of changes in shareholdings on non-controlling interests	-	-	-	-	-	-	-	-	328	328	(328)	-
<b>Total changes in ownership interests in subsidiaries (F)</b>	-	-	-	-	-	-	-	-	328	328	430	758
<b>Total transactions with owners (G) = (E + F)</b>	-	-	-	(75,093)	-	-	-	-	(21,194)	(96,287)	(41,870)	(138,157)
<b>Balance at 31 December 2014 (H) = (A + D + G)</b>	<b>769,180</b>	<b>116,434</b>	<b>22,538</b>	<b>798</b>	<b>(46,508)</b>	<b>(9,705)</b>	<b>(320,210)</b>	<b>(85,715)</b>	<b>462,084</b>	<b>908,896</b>	<b>462,175</b>	<b>1,371,071</b>

The notes presented on pages 9 to 120 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2015

In thousands of EUR ("TEUR")

	Note	2015	2014 *Restated
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the year		81,726	67,249
Adjustments for:			
Income taxes	15	53,742	26,940
Depreciation and amortisation	16, 17	158,152	171,727
Dividend income	14	-	(1,165)
Impairment losses on property, plant and equipment and intangible assets		(29)	249
Gain (loss) from commodity derivatives for trading with electricity and gas, net		(10,445)	(13,217)
Gain (loss) on disposal of property, plant and equipment, investment property and intangible assets	12,13	(1,895)	2,012
Gain on disposal of inventories	12	(723)	(178)
Emission rights	10	3,890	4,517
Gain on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	6, 19	1,407	-
Share of (profit) loss of equity accounted investees	19	(368)	(600)
Gain on financial instruments	14	1,847	(659)
Net interest expense	14	27,017	22,800
Change in allowance for impairment to trade receivables and other assets, write-offs		3,710	3,374
Change in provisions		4,915	(19,198)
Negative goodwill	6	(33,085)	-
Disposal cost for unrealised investments		-	2,829
Discontinued operations		171,793	192,403
Unrealised foreign exchange (gains) losses, net		(35,697)	16,050
<b>Operating profit before changes in working capital</b>		<b>425,957</b>	<b>475,133</b>
Change in trade receivables and other assets		22,955	(21,419)
Change in inventories (including proceeds from sale)		(21,482)	(7,880)
Change in extracted minerals and mineral products		7,926	(1,790)
Change in assets held for sale and related liabilities		3,669	(2,351)
Change in trade payables and other liabilities		12,360	(26,744)
<b>Cash generated from (used in) operations</b>		<b>451,385</b>	<b>414,949</b>
Interest paid		(65,634)	(65,268)
Income taxes paid		(39,308)	(59,398)
<b>Cash flows generated from (used in) operating activities</b>		<b>346,443</b>	<b>290,283</b>
<b>INVESTING ACTIVITIES</b>			
Dividends received from associates and joint-ventures		4,775	3,949
Dividends received, other		-	1,165
Change in financial instruments not at fair value		1,254	(866)
Loans provided to the owners		-	(60,000)
Loans provided to the other entities		(520)	(699)
Repayment of loans provided to other entities		5,980	1,065
Proceeds (outflows) from sale (settlement) of financial instruments		4,278	10,970
Acquisition of property, plant and equipment, investment property and intangible assets	16, 17, 18	(243,744)	(133,694)
Purchase of emission rights	17	(27,289)	(17,180)
Proceeds from sale of emission rights		4,402	7,161
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		6,513	4,697
Acquisition of subsidiaries and special purpose entities, net of cash acquired	6	8,246	3,477
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	6	2,612	-
Increase (decrease) in participation in existing subsidiaries and special purpose entities, joint-ventures and associates		(5,315)	-
Interest received		17,078	675
<b>Cash flows from (used in) investing activities</b>		<b>(221,730)</b>	<b>(179,280)</b>

\* For details refer to Appendix 4 – Restated Consolidated statement of cash flow.

## Consolidated statement of cash flows (continued)

For the year ended 31 December 2015

In thousands of EUR ("TEUR")

	Note	2015	2014 *Restated
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans received		255,483	164,314
Repayment of borrowings		(294,413)	(192,407)
Dividends paid		(124,850)	(162,895)
<b>Cash flows from (used in) financing activities</b>		<b>(163,780)</b>	<b>(190,988)</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		<i>(39,067)</i>	<i>(79,985)</i>
<b>Cash and cash equivalents at beginning of the year</b>		<b>200,978</b>	<b>283,069</b>
Effect of exchange rate fluctuations on cash held		3,412	(2,106)
<b>Cash and cash equivalents at end of the year</b>		<b>165,323</b>	<b>200,978</b>
<i>Of which relates to: continuing operations</i>	23	<i>131,629</i>	<i>200,978</i>
<i>discontinued operations</i>	25	<i>33,694</i>	<i>-</i>

\* For details refer to Appendix 4 – Restated Consolidated statement of cash flow.

The notes presented on pages 9 to 120 form an integral part of these consolidated financial statements.

## Notes to the consolidated 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 Příkop 843/4, 602 00 Brno, 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 of the Company of EUR 763,650 thousand was settled by a non-cash consideration in the form of shares in Honor Invest, a.s.<sup>(2)</sup>, AISE, s.r.o., První energetická a.s.<sup>(1)</sup>, Czech Energy Holding, a.s.<sup>(2)</sup>, Plzeňská energetika a.s., ROLLEON a.s., EP Renewables a.s. (previously Czech Wind Holding, a.s.) and HC Fin3 N.V.<sup>(2)</sup>

On 26 August 2013 the share capital of EPE increased by a cash contribution of EUR 1,171 thousand 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<sup>(2)</sup>, a.s., Czech Energy Holding, a.s.<sup>(2)</sup>, HC Fin3 N.V.<sup>(2)</sup>, EAST BOHEMIA ENERGY HOLDING LIMITED<sup>(2)</sup>, LIGNITE INVESTMENTS 1 LIMITED<sup>(2)</sup> 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 and the share capital of the Company thus increased by EUR 735 thousand.

On 18 December 2013 the shareholder of the Company decided to increase share capital by EUR 3,624 thousand which was settled by a contribution of EPH Financing II, a.s.<sup>(3)</sup> 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 116,434 thousand.

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 264,337 thousand 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.

As part of the reorganization of the EP Infrastructure Group (previously CE Energy Group) in 2016, the Company sold-off its power generation activities in Germany as well as its mining operations in Germany to its ultimate parent company EPH (effective on 1 April 2016). The decision to sell-off these activities, which comprise an isolated geographical segment (Germany), was reached at the end of 2015. Due to the fact that these operations were predominantly representing the whole German operations, mining operations and condensation power production, the Company presents these activities as discontinued operations as of and for the year ending 31 December 2015 (including restatement of comparatives).

The consolidated financial statements of the Company for the year ended 31 December 2015 include the statements of the Parent Company and its subsidiaries and the Group’s interests in associates and joint-ventures (together referred to as the “Group” or the “EPE Group”). The Group entities are listed in Note 38 – 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.*

(3) *EPH Financing II, a.s. merged with EP Energy, a.s. as at 25 August 2014. EP Energy, a.s. is the successor company.*



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

	Interest in share capital		Voting rights
	TEUR	%	%
CE Energy, a.s. (currently EP Infrastructure, a.s.)	504,843	100.00	100.00
<b>Total</b>	<b>504,843</b>	<b>100.00</b>	<b>100.00</b>

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

	Interest in share capital		Voting rights
	TEUR	%	%
CE Energy, a.s. (currently EP Infrastructure, a.s.)	769,180	100.00	100.00
<b>Total</b>	<b>769,180</b>	<b>100.00</b>	<b>100.00</b>

The shareholders of Energetický a průmyslový holding, a.s. as at 31 December 2015 and 31 December 2014 were as follows:

	Interest in share capital %		Voting rights %	
	2015	2014	2015	2014
EP Investment S.à r.l. (owned by Daniel Křetínský)	20.65	18.52	37.17	33.33
MILEES LIMITED (part of J&T PARTNERS II L.P.)	18.52	18.52	33.33	33.33
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	16.39	18.52	29.50	33.33
Own shares <sup>(1)</sup>	44.44	44.44	-	-
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

(1) In 2014 the parent company EPH acquired 44.44% of its own shares from TIMEWORTH HOLDINGS LIMITED. As at 31 December 2015 these shares were reported within EPH's equity as the shares were not yet cancelled. These shares were cancelled on 22 January 2016.

The members of the Board of Directors as at 31 December 2015 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 ultimate parent Energetický a průmyslový holding, a.s. under the common control principle (refer to Note 3 – Significant Accounting Policies), the Company opted to restate its comparatives, i.e. reported the entities 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 at 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**

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

The consolidated financial statements were approved by the board of directors on 29 April 2016.

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

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

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

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

The accounting policies described in the following paragraphs have been consistently applied by the Group entities and between accounting periods.

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

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

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

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

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

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the following years is included in the following notes:

- Notes 6 and 17 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill,
- Note 7 – Revenues,
- Note 25 – disposal of JTSD Braunkohlebergbau GmbH and its subsidiaries and associates classified as discontinued operations,
- Note 30 – recognition and measurement of provisions,
- Notes 29, 32 and 36 – valuation of loans and borrowings and financial instruments,
- Note 39 – litigations.

#### ***Measurement of fair values***

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

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

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

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

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

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

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

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

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

## **ii. Judgements**

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

- Notes 6 and 17 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill,
- Note 25 – accounting for a sale of JTSD Braunkohlebergbau GmbH and its subsidiaries and associates as at 31 December 2015,
- Note 30 – recognition and measurement of provisions.

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

### ***i. Newly adopted Standards, Amendments to standards and Interpretations effective for the year ended 31 December 2015 that have been applied in preparing the Group's financial statements***

The following paragraphs provide a summary of the key requirements of IFRSs that are effective for annual periods beginning on or after 1 January 2015 and that have thus been applied by the Group for the first time.

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

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

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

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

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

This standard does not have any impact on the consolidated financial statements, since it does not result in a change in the Group's accounting policy regarding levies imposed by governments.

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

At the date of authorisation of these consolidated financial statements, the following significant Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for the period ended 31 December 2015 and thus have not been adopted by the Group:

**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.

It is expected that the amendments will not have a material impact on the Group's 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 Group expects that the amendments will not have a material impact on the presentation of the 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.

It is expected that the amendments will not have any impact on the Group's 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 Group does not expect that the amendments will have any impact on the 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 Group is currently evaluating the effect on its financial position and performance.

**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.

### 3. Significant Accounting Policies

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

Certain comparative amounts in the consolidated statement of financial position have been regrouped or reclassified, where necessary, on a basis consistent with the current period.

#### (a) Basis of consolidation

##### *i. Subsidiaries*

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

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

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

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

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

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

The Group acquired its subsidiaries in two ways:

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

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

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

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

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

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

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

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

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

***viii. Pricing differences***

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

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

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

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

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

**(b) Foreign currency**

***i. Foreign currency transactions***

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Euro, which is the Group's presentation currency. Company's functional currency is Czech crown. Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate at the transaction date.

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

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



stated at fair value are translated to the respective functional currencies at the foreign exchange rates at the dates the fair values are determined.

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

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 36 – Risk management policies and disclosures.

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

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

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

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

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

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

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

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

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

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

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

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

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

#### ***ii. Recognition***

*Financial assets at fair value through profit or loss and available-for-sale assets* are recognised on the date the Group becomes a party to the contractual provisions of the instrument. Regular way purchases

and sales of financial assets including held-to-maturity assets are initially recognised on the trade date, when the Group becomes a party to the contractual provisions of the instrument.

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

### ***iii. Measurement***

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

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

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

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

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

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

### ***v. De-recognition***

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

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

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

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

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

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

## **(e) Derivative financial instruments**

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

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

***Other non-trading derivatives***

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

***Separable embedded derivatives***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(f) Cash and cash equivalents**

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

**(g) Inventories**

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

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

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

**(h) Impairment**

**i. Non-financial assets**

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

The recoverable amount of an asset or cash-generating unit (CGU) is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates

used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

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

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

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

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

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

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

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

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

**i. Owned assets**

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to

accounting policy (n) – Finance income and costs). The cost also includes costs of dismantling and removing the items and restoring the site on which they are located.

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

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

#### ***ii. Leased assets***

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

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

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

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

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

#### ***iii. Subsequent costs***

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

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

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

The estimated useful lives are as follows:

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

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

## (j) Intangible assets

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

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

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

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

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

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

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

### *ii. Research and development*

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

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

In 2015 and 2014, expenditures incurred by the Group did not meet these recognition criteria. Development expenditure has thus been recognised in profit or loss.

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

#### *Recognition and measurement*

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

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

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

#### *Impairment of emission rights*

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

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

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

#### *Recognition of grants*

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

#### *Recognition, measurement of provision*

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

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

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

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

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

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



#### **v. Amortisation**

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

- |                           |              |
|---------------------------|--------------|
| • Software                | 2 – 7 years  |
| • Other intangible assets | 2 – 20 years |

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

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

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

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

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

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

#### **(l) Provisions**

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

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

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

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

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

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

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

Employee benefits provision is presented separately both long and short-term part (if possible to distinguish, otherwise as non-current, if not IFRS 5). The benefit could be classified as short-term, if and

only if the whole benefit category will be settled within 1 year; otherwise, it must be disclosed as long-term.

#### *Pension plans*

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

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

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

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

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

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

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

#### *ii. Warranties*

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

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

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

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

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

#### *v. Restructuring*

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

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

Obligations arising from the decommissioning or dismantling of property, plant and equipment are recognised in connection with the initial recognition of the related assets, provided that the obligation can be reliably estimated. The carrying amounts of the related items of property, plant and equipment are

increased by the same amount that is subsequently amortised as part of the depreciation process of the related assets.

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

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

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

Rehabilitation provisions are recognised for the following restoration activities:

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

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

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

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

### **(m) Revenue**

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

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

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

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

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

Other revenues represent revenues from non-energy activities.

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

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

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

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

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

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

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

### **Energy trading**

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

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

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

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

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

**(n) Finance income and costs**

*i. Finance income*

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

*ii. Finance costs*

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

*iii. Borrowing costs*

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

**(o) Income taxes**

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

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

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

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

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

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

**(p) Dividends**

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

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

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

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

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

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

Any separate major line of business or geographical area of operations or significant part of business, which is decided to be sold, is classified as discontinued operations and is presented in profit or loss under separate line Profit (loss) from discontinued operations, net of tax.

**(r) Segment reporting**

Due to the fact that the Company issued debentures (Senior Secured Notes) in 2012 and 2013 which were listed on the Irish Stock Exchange, the Company reports segmental information in accordance with IFRS 8.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**(g) Derivatives**

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

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

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

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



## 5. Operating segments

The Group operates in five reportable segments: Mining, Heat and Power, Renewables, Power Distribution and Supply and Holding and other. Heat and Power and Power Distribution and Supply are the core segments of the Group. Mining segment was classified as discontinued operation for years 2015 and 2014 (for comparative purposes).

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)*

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.

### *ii. Heat and Power*

The Heat and Power segment owns and operates four large-scale combined heat and power plants (CHPs) in the Czech Republic primarily operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská energetika a.s. and Pražská teplárenská a.s., which is operating the largest district heating system in the Czech Republic, supplying heat to the City of Prague, and three CHPs in Hungary, represented by Budapesti Erőmű 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 includes Saale Energie GmbH purchased in 2012, which owns 41.9% of the Schkopau-power plant representing a beneficial use right over 400MW of the plant's total capacity of 900MW. In December 2013, the EPE Group acquired a 100% share in Helmstedter Revier GmbH which operates a condensation mode power plant in Lippendorf with an installed capacity of 390MW. These entities were classified as discontinued operations in 2015.

### *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.

### *iv. Power Distribution and Supply*

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

The Holding and other segment mainly 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.

## Profit or loss

### For the year ended 31 December 2015

In thousands of EUR

	Mining (discontinued)	Heat and Power	Power Distribution and Supply	Renewables	Holding and other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy	-	416,575	1,648,462	5,069	-	2,070,106	(153,681)	1,916,425
external revenues	-	335,473	1,576,248	4,704	-	1,916,425	-	1,916,425
inter-segment revenues	-	81,102	72,214	365	-	153,681	(153,681)	-
Sales: Other	-	12,210	28,183	-	5,656	46,049	(2,201)	43,848
external revenues	-	12,003	27,598	-	4,247	43,848	-	43,848
inter-segment revenues	-	207	585	-	1,409	2,201	(2,201)	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	-	10,445	-	-	10,445	-	10,445
<b>Total sales</b>	-	<b>428,785</b>	<b>1,687,090</b>	<b>5,069</b>	<b>5,656</b>	<b>2,126,600</b>	<b>(155,882)</b>	<b>1,970,718</b>
Cost of sales: Energy	-	(237,123)	(1,345,337)	(358)	-	(1,582,818)	100,280	(1,482,538)
external cost of sales	-	(218,270)	(1,263,910)	(358)	-	(1,482,538)	-	(1,482,538)
inter-segment cost of sales	-	(18,853)	(81,427)	-	-	(100,280)	100,280	-
Cost of sales: Other	-	(12,485)	(66,665)	(30)	(3,663)	(82,843)	49,767	(33,076)
external cost of sales	-	(12,225)	(17,192)	(8)	(3,651)	(33,076)	-	(33,076)
inter-segment cost of sales	-	(260)	(49,473)	(22)	(12)	(49,767)	49,767	-
Personnel expenses	-	(45,715)	(47,241)	(145)	(2,085)	(95,186)	-	(95,186)
Depreciation and amortisation	-	(83,895)	(71,417)	(2,796)	(44)	(158,152)	-	(158,152)
Repairs and maintenance	-	(5,792)	(2,784)	(521)	(11)	(9,108)	467	(8,641)
Emission rights, net	-	(3,894)	4	-	-	(3,890)	-	(3,890)
Negative goodwill	-	33,085	-	-	-	33,085	-	33,085
Taxes and charges	-	9,438	(808)	(123)	(5)	8,502	-	8,502
Other operating income	-	12,004	9,600	399	442	22,445	3,453	25,898
Other operating expenses	-	(11,097)	(37,126)	(978)	(3,398)	(52,599)	1,538	(51,061)
<b>Operating profit</b>	-	<b>83,311</b>	<b>125,316</b>	<b>517</b>	<b>(3,108)</b>	<b>206,036</b>	<b>(377)</b>	<b>205,659</b>
Finance income	-	1,511	209	1	*134,469	*136,190	*(93,992)	42,198
external finance revenues	-	204	154	1	41,839	42,198	-	42,198
inter-segment finance revenues	-	1,307	55	-	*92,630	*93,992	*(93,992)	-
Finance expense	-	(14,318)	(4,053)	(1,659)	(90,268)	(110,298)	20,760	(89,538)
Profit (loss) from derivative financial instruments	-	(289)	204	(112)	(1,650)	(1,847)	-	(1,847)
Share of profit (loss) of equity accounted investees, net of tax	-	(80)	448	-	-	368	-	368
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	(1,407)	(1,407)	-	(1,407)
<b>Profit (loss) before income tax</b>	-	<b>70,135</b>	<b>122,124</b>	<b>(1,253)</b>	<b>*38,036</b>	<b>*229,042</b>	<b>*(73,609)</b>	<b>155,433</b>
Income tax expenses	-	(7,229)	(29,486)	(547)	(16,480)	(53,742)	-	(53,742)
<b>Profit (loss) for the year before discontinued operations</b>	-	<b>62,906</b>	<b>92,638</b>	<b>(1,800)</b>	<b>*21,556</b>	<b>*175,300</b>	<b>*(73,609)</b>	<b>101,691</b>
Profit (loss) from discontinued operations	28,769	(48,697)	-	(37)	-	(19,965)	-	(19,965)
<b>Profit (loss) for the year</b>	<b>28,769</b>	<b>14,209</b>	<b>92,638</b>	<b>(1,837)</b>	<b>*21,556</b>	<b>*155,335</b>	<b>*(73,609)</b>	<b>81,726</b>

\* EUR 73,344 thousand is attributable to intra-group dividends primarily recognised by EP Energy, a.s.

#### Other financial information:

Adjusted EBITDA <sup>(1)</sup>	-	134,121	196,733	3,313	(3,064)	331,103	(377)	330,726
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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.

# For the year ended 31 December 2014

In thousands of EUR

	Mining (discontinued)	Heat and Power	Power Distribution and Supply	Renewables	Holding and other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy	-	412,223	1,554,985	4,788	-	1,971,996	(183,673)	1,788,323
<i>external revenues</i>	-	300,715	1,483,087	4,521	-	1,788,323	-	1,788,323
<i>inter-segment revenues</i>	-	111,508	71,898	267	-	183,673	(183,673)	-
Sales: Other	-	13,622	36,992	139	4,509	55,262	(1,430)	53,832
<i>external revenues</i>	-	13,610	36,781	139	3,302	53,832	-	53,832
<i>inter-segment revenues</i>	-	12	211	-	1,207	1,430	(1,430)	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	-	13,217	-	-	13,217	-	13,217
<b>Total sales</b>	-	<b>425,845</b>	<b>1,605,194</b>	<b>4,927</b>	<b>4,509</b>	<b>2,040,475</b>	<b>(185,103)</b>	<b>1,855,372</b>
Cost of sales: Energy	-	(226,298)	(1,314,854)	(374)	-	(1,541,526)	134,364	(1,407,162)
<i>external cost of sales</i>	-	(203,693)	(1,203,112)	(357)	-	(1,407,162)	-	(1,407,162)
<i>inter-segment cost of sales</i>	-	(22,605)	(111,742)	(17)	-	(134,364)	134,364	-
Cost of sales: Other	-	(11,327)	(68,169)	(14)	(1,045)	(80,555)	45,471	(35,084)
<i>external cost of sales</i>	-	(11,045)	(23,005)	(12)	(1,022)	(35,084)	-	(35,084)
<i>inter-segment cost of sales</i>	-	(282)	(45,164)	(2)	(23)	(45,471)	45,471	-
Personnel expenses	-	(45,224)	(40,146)	(212)	(1,622)	(87,204)	-	(87,204)
Depreciation and amortisation	-	(89,377)	(79,492)	(2,805)	(53)	(171,727)	-	(171,727)
Repairs and maintenance	-	(8,723)	(1,978)	(420)	(12)	(11,133)	403	(10,730)
Emission rights, net	-	(4,519)	2	-	-	(4,517)	-	(4,517)
Taxes and charges	-	(1,111)	(865)	(120)	(7)	(2,103)	-	(2,103)
Other operating income	-	10,299	6,220	566	906	17,991	3,699	21,690
Other operating expenses	-	(9,669)	(33,223)	(1,426)	(5,020)	(49,338)	1,341	(47,997)
<b>Operating profit</b>	-	<b>39,896</b>	<b>72,689</b>	<b>122</b>	<b>(2,344)</b>	<b>110,363</b>	<b>175</b>	<b>110,538</b>
Finance income	-	(1,710)	1,610	534	*386,336	*386,770	*(330,017)	56,753
<i>external finance revenues</i>	-	(3,225)	1,516	545	57,917	56,753	-	56,753
<i>inter-segment finance revenues</i>	-	1,515	94	(11)	*328,419	*330,017	*(330,017)	-
Finance expense	-	(19,317)	(4,300)	(2,534)	(71,362)	(97,513)	22,549	(74,964)
Profit (loss) from derivative financial instruments	-	(186)	(466)	(120)	1,431	659	-	659
Share of profit (loss) of equity accounted investees, net of tax	-	600	-	-	-	600	-	600
<b>Profit (loss) before income tax</b>	-	<b>19,283</b>	<b>69,533</b>	<b>(1,998)</b>	<b>*314,061</b>	<b>*400,879</b>	<b>*(307,293)</b>	<b>93,586</b>
Income tax expenses	-	(3,632)	(17,810)	(80)	(5,418)	(26,940)	-	(26,940)
<b>Profit (loss) for the year before discontinued operations</b>	-	<b>15,651</b>	<b>51,723</b>	<b>(2,078)</b>	<b>*308,643</b>	<b>*373,939</b>	<b>*(307,293)</b>	<b>66,646</b>
Profit (loss) from discontinued operations	67,263	(66,346)	-	(314)	-	603	-	603
<b>Profit (loss) for the year</b>	<b>67,263</b>	<b>(50,695)</b>	<b>51,723</b>	<b>(2,392)</b>	<b>*308,643</b>	<b>*374,542</b>	<b>*(307,293)</b>	<b>67,249</b>

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

## Other financial information:

Adjusted EBITDA<sup>(1)</sup> - 129,273 152,181 2,927 (2,291) 282,090 175 282,265

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 year ended 31 December 2015

*In thousands of EUR*

	Mining (discontinued)	Heat and power	Power distribution and supply	Renewables	Holding and other	Total segments	Inter-segment eliminations	Consolidated financial information
<b>Profit from operations</b>	-	83,311	125,316	517	(3,108)	206,036	(377)	205,659
Depreciation and amortisation	-	83,895	71,417	2,796	44	158,152	-	158,152
Negative goodwill	-	(33,085)	-	-	-	(33,085)	-	(33,085)
<b>Adjusted EBITDA</b>	-	134,121	196,733	3,313	(3,064)	331,103	(377)	330,726

#### For the year ended 31 December 2014

*In thousands of EUR*

	Mining (discontinued)	Heat and power	Power distribution and supply	Renewables	Holding and other	Total segments	Inter-segment eliminations	Consolidated financial information
<b>Profit from operations</b>	-	39,896	72,689	122	(2,344)	110,363	175	110,538
Depreciation and amortisation	-	89,377	79,492	2,805	53	171,727	-	171,727
<b>Adjusted EBITDA</b>	-	129,273	152,181	2,927	(2,291)	282,090	175	282,265

## Segment assets and liabilities

### For the year ended 31 December 2015

*In thousands of EUR*

	<b>Mining (discontinued)</b>	<b>Heat and Power</b>	<b>Power Distribution and Supply</b>	<b>Renewables</b>	<b>Holding and other</b>	<b>Total segments</b>	<b>Inter-segment eliminations</b>	<b>Consolidated Financial Information</b>
Reportable segment assets	861,922	1,408,514	1,252,907	53,509	1,280,162	4,857,014	(1,123,055)	3,733,959
Reportable segment liabilities	(806,922)	(941,482)	(453,645)	(56,799)	(1,480,270)	(3,739,118)	1,122,979	(2,616,139)
Additions to tangible and intangible assets <sup>(1)</sup>	71,788	<sup>(2)</sup> 159,373	53,291	273	36	284,761	-	284,761
Additions to tangible and intangible assets (excl. emission rights)	65,672	<sup>(3)</sup> 124,472	53,291	273	36	243,744	-	243,744
Equity accounted investees	-	6,817	1,590	-	-	8,407	-	8,407

1) *This balance includes additions to emission rights*

2) *Thereof relating to discontinued operations EUR 25,248 thousand*

3) *Thereof relating to discontinued operations EUR 10,435 thousand.*

### For the year ended 31 December 2014

*In thousands of EUR*

	<b>Mining (discontinued)</b>	<b>Heat and Power</b>	<b>Power Distribution and Supply</b>	<b>Renewables</b>	<b>Holding and other</b>	<b>Total segments</b>	<b>Inter-segment eliminations</b>	<b>Consolidated Financial Information</b>
Reportable segment assets	861,846	1,322,396	1,223,923	62,481	1,500,522	4,971,168	(1,003,688)	3,967,480
Reportable segment liabilities	(769,923)	(884,613)	(457,741)	(65,987)	(1,421,801)	(3,600,065)	1,003,656	(2,596,409)
Additions to tangible and intangible assets <sup>(1)</sup>	52,231	<sup>(2)</sup> 78,373	30,610	497	18	161,729	-	161,729
Additions to tangible and intangible assets (excl. emission rights)	50,486	<sup>(3)</sup> 52,083	30,610	497	18	133,694	-	133,694
Equity accounted investees	24,220	103,156	-	-	-	127,376	-	127,376

1) *This balance includes additions to emission rights*

2) *Thereof relating to discontinued operations EUR 13,212 thousand*

3) *Thereof relating to discontinued operations EUR 4,540 thousand.*

## Information about geographical areas

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

### For the year ended 31 December 2015

*In thousands of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Germany</b>	<b>Hungary</b>	<b>Other</b>	<b>Total segments</b>
Property, plant and equipment	714,535	840,161	14	50,996	-	1,605,706
Intangible assets	135,911	23,796	8	20,864	-	180,579
Investment property	2,531	-	-	-	-	2,531
<b>Total</b>	<b>852,977</b>	<b>863,957</b>	<b>22</b>	<b>71,860</b>	<b>-</b>	<b>1,788,816</b>

*In thousands of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Germany</b>	<b>Hungary</b>	<b>Other</b>	<b>Total segments</b>
Sales: Electricity	259,230	889,591	20,219	11,419	120,472	1,300,931
Sales: Heat	284,611	-	-	10,296	-	294,907
Sales: Gas	154,682	54,315	11,478	-	25,601	246,076
Sales: Coal	28,921	2,245	5,426	526	37,393	74,511
Sales: Other	25,053	6,668	231	450	11,446	43,848
Gain (loss) from commodity derivatives from trading with electricity and gas, net	10,476	(31)	-	-	-	10,445
<b>Total</b>	<b>762,973</b>	<b>952,788</b>	<b>37,354</b>	<b>22,691</b>	<b>194,912</b>	<b>1,970,718</b>

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

### For the year ended 31 December 2014

*In thousands of EUR*

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

*In thousands of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Germany</b>	<b>Hungary</b>	<b>Other</b>	<b>Total segments</b>
Sales: Electricity	324,141	915,254	12,009	924	32,385	1,284,713
Sales: Heat	268,966	-	-	-	-	268,966
Sales: Gas	195,769	9,170	-	-	606	205,545
Sales: Coal	25,295	574	25	440	2,765	29,099
Sales: Other	28,313	5,948	-	-	19,571	53,832
Gain (loss) from commodity derivatives from trading with electricity and gas, net	13,217	-	-	-	-	13,217
<b>Total</b>	<b>855,701</b>	<b>930,946</b>	<b>12,034</b>	<b>1,364</b>	<b>55,327</b>	<b>1,855,372</b>

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

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

As described in the Note 1 – Background, the Company was established on 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 consolidated 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 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 and fair value adjustments. 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.<sup>(2)</sup> (acquired by EPH on 16 March 2010) including:
    - (a) EAST BOHEMIA ENERGY HOLDING LIMITED<sup>(2)</sup> and its subsidiaries (acquired by EPH on 31 December 2010)
    - (b) LIGNITE INVESTMENTS 1 LIMITED<sup>(2)</sup> 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.<sup>(2)</sup> and its subsidiaries and associate (acquired by EPH on 6 October 2009)
  - b. Honor Invest, a.s.<sup>(2)</sup> and its associate Pražská energetika, a.s. (acquired by EPH on 10 August 2009)
  - c. První energetická a.s.<sup>(1)</sup> (acquired by EPH on 6 October 2009)

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



**(a) Acquisitions****i. 31 December 2015***In thousands of EUR*

	<b>Date of acquisition</b>	<b>Purchase price</b>	<b>Cash paid</b>	<b>Other consideration</b>	<b>Equity interest acquired</b>	<b>Equity interest after acquisition</b>
					<b>%</b>	<b>%</b>
<b>New subsidiaries</b>						
LokoTrain s.r.o.	21/07/2015	1,108	(1,108)	-	65	65
Optimum Energy, s.r.o.	01/08/2015	4,890	(4,890)	-	100	100
Budapesti Erömű Zrt. (BERT)	10/12/2015	<sup>(2)</sup> 5,504	-	<sup>(1)(2)</sup> (5,504)	95.62	95.62
<b>Total</b>		<b>11,502</b>	<b>(5,998)</b>	<b>(5,504)</b>	<b>-</b>	<b>-</b>

*(1) Represents estimated deferred consideration contingent on meeting future operating results of BERT.**(2) The purchase price does not include EUR 28,999 thousand 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 6(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 change of ownership interest from 73.40% to 73.82% share and derecognition of non-controlling interest in amount of EUR 1,221 thousand.

On 16 September 2015 EPE acquired a 40% share in EP Cargo a.s. for EUR 3,947 thousand and became a 100% shareholder. As a result of this transaction the Group derecognised non-controlling interest in amount of EUR 2,183 thousand.

**ii. 31 December 2014***In thousands of EUR*

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

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

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

**Acquisition of non-controlling interest**

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

**(b) 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 at 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 thousands of EUR*

	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2015 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	99,443	(48,523)	50,920
Intangible assets	3,028	16,693	19,721
Trade receivables and other assets	29,996	-	29,996
Financial instruments – assets	673	-	673
Inventories	6,114	-	6,114
Cash and cash equivalents	14,244	-	14,244
Provisions	(6,379)	-	(6,379)
Deferred tax liabilities	(1,137)	(7,974)	(9,111)
Loans and borrowings	(69,053)	40,281	(28,772)
Financial instruments – liabilities	(4,119)	-	(4,119)
Trade payables and other liabilities	(31,368)	-	(31,368)
<b>Net identifiable assets and liabilities</b>	<b>41,442</b>	<b>477</b>	<b>41,919</b>
Non-controlling interest			(1,987)
Goodwill on acquisitions of a subsidiary			4,655
Negative goodwill on acquisition of new subsidiaries			(33,085)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>11,502</b>
Consideration paid, satisfied in cash (A)			5,998
Consideration, other			5,504
<b>Total consideration transferred</b>			<b>11,502</b>
Less: Cash acquired (B)			14,244
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>8,246</b>

(1) Represents values at 100% share.

**ii. 31 December 2014**

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

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

(1) Represents values at 100% share.

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

(3) As at 31 December 2014 the purchase price was not yet settled and was classified as liability (refer to Note 33 – Trade payables and other liabilities).

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

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

### 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 and this resulted in reported goodwill in a total amount of EUR 98,210 thousand as at 31 December 2015. For the development of historical goodwill, please refer to Note 17 – Intangible assets (including goodwill).

In 2015 negative goodwill of EUR 33,085 thousand arose upon the acquisitions of BERT (2014: EUR 0 thousand). The Group realized this bargain purchase on BERT acquisition due to the fact that the seller was exiting from the heating market in Hungary and due to the Group's ability to negotiate very favourable terms of the sale.

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

<i>In thousands of EUR</i>	<b>2015 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	32,167
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	3,505

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

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2015 or as at 1 January 2014); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

<i>In thousands of EUR</i>	<b>2015 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	197,257
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	(25,492)

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

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

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

### (c) **Business combinations – acquisition accounting 2015 and 2014**

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

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

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

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

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

<i>In thousands of EUR</i>	<b>Intangible assets</b>	<b>Property, plant and equipment</b>	<b>Other</b>	<b>Deferred tax asset/(liability)</b>	<b>Total net effect on financial position</b>
<b>Subsidiary</b>					
Budapesti Erőmű Zrt. (BERT)	16,693	(48,523)	40,281	(7,974)	<b>477</b>
<b>Total</b>	<b>16,693</b>	<b>(48,523)</b>	<b>40,281</b>	<b>(7,974)</b>	<b>477</b>

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.

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

#### **(d) Disposal of investments in 2015 and 2014**

##### ***i. 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 ENERGET, a.s. The effects of disposals are provided in the following table:

<i>In thousands of EUR</i>	<b>Net assets sold in 2015</b>
Property, plant and equipment	3,956
Intangible assets	19
Financial instruments and other assets	48
Inventories	11
Trade receivables and other assets	622
Cash and cash equivalents	964
Deferred tax liabilities	(473)
Trade payables and other liabilities	(164)
<b>Net identifiable assets and liabilities</b>	<b>4,983</b>
Sales price	3,576
<b>Gain (loss) on disposal</b>	<b>(1,407)</b>

##### ***ii. 31 December 2014***

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

## 7. Sales

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
<b>Sales: Energy</b>		
<i>Electricity</i>	1,300,931	1,284,713
<i>Heat</i>	294,907	268,966
<i>Gas</i>	246,076	205,545
<i>Coal</i>	74,511	29,099
<b>Total Energy</b>	<b>1,916,425</b>	<b>1,788,323</b>
<b>Sales: Other</b>	<b>43,848</b>	<b>53,832</b>
<b>Gain (loss) from commodity derivatives for trading with electricity and gas, net</b>	<b>10,445</b>	<b>13,217</b>
<b>Total for continuing operations</b>	<b>1,970,718</b>	<b>1,855,372</b>

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

## 8. Cost of sales

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
<b>Cost of Sales: Energy</b>		
<i>Cost of sold electricity</i>	959,015	964,649
<i>Cost of sold/consumed gas and other energy products</i>	312,305	229,511
<i>Cost of coal and other material</i>	108,049	116,219
<i>Consumption of energy</i>	87,074	79,920
<i>Other cost of sales</i>	16,095	16,863
<b>Total Energy</b>	<b>1,482,538</b>	<b>1,407,162</b>
<b>Cost of Sales: Other</b>		
<i>Cost of goods sold</i>	18,056	24,956
<i>Consumption of material</i>	5,435	3,758
<i>Consumption of energy</i>	3,672	3,799
<i>Changes in WIP, semi-finished products and finished goods</i>	51	(27)
<i>Other cost of sales</i>	5,862	2,598
<b>Total Other</b>	<b>33,076</b>	<b>35,084</b>
<b>Total for continuing operations</b>	<b>1,515,614</b>	<b>1,442,246</b>

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

## 9. Personnel expenses

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
Wages and salaries	65,064	61,209
Compulsory social security contributions	22,395	21,059
Board members' remuneration (including boards of subsidiaries)	2,204	1,945
Expenses and revenues related to employee benefits (IAS 19)	998	988
Other social expenses	4,525	2,003
<b>Total for continuing operations</b>	<b>95,186</b>	<b>87,204</b>

The average number of employees during 2015 was 3,677 (2014: 3,696), of which 316 (2014: 290) were executives.

## 10. Emission rights

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
Deferred income (grant) released to profit and loss	13,909	13,897
Profit from sale of emission rights	(187)	3,890
Creation of provision for emission rights	(17,612)	(22,304)
Use of provision for emission rights	20,402	31,928
Use of provision for emission rights related to discontinued operations	16,173	10,582
Consumption of emission rights	(20,402)	(31,928)
Consumption of emission rights related to discontinued operations	(16,173)	(10,582)
<b>Total for continuing operations</b>	<b>(3,890)</b>	<b>(4,517)</b>

The Ministries of the Environment of the Czech Republic, Slovakia, Hungary and Germany 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., JTSD Braunkohlebergbau GmbH, Stredoslovenská energetika, a.s., Helmstedter Revier GmbH, Elektrárny Opatovice, a.s. and Budapesti Erőmű Zrt.

Result of transactions with emission rights of JTSD Braunkohlebergbau GmbH Group and Helmstedter Revier GmbH is recognised in profit (loss) from discontinued operations.

## 11. Taxes and charges

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
Gift tax refunds	(10,799)	-
Property and real estate transfer tax	811	829
Electricity tax	22	133
Other taxes and charges	1,464	1,141
<b>Total for continuing operations</b>	<b>(8,502)</b>	<b>2,103</b>

In February 2015 the European Court of Justice issued preliminary ruling on gas emission rights taxation in the Czech Republic. The Czech Republic levied a gift tax at a rate of 32% on greenhouse gas emission allowances acquired free of charge for electricity production in years 2011 and 2012. The European Court of Justice concluded that European law (namely Article 10 of Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003) precludes the imposition of such tax if it does not respect the 10% ceiling on the allocation of emission rights for consideration laid down in cited article. Based on this ruling, the Supreme Administrative Court of the Czech Republic set out principles for determining an amount in which the tax shall be refundable (judgement of 9th July 2015, case no: 1 Afs 6/2013-184). Applying the Supreme Administrative Court ruling, Tax Appeal Board approved tax refund in December 2015. The refund of EUR 10,799 thousand was recognised as income by the Group in the year ended 31 December 2015 and collected in 2015 and 2016.

Related amount of penalty in amount of EUR 2,406 thousand was recognised as penalty in Other operating income (for more details refer to Note 12 – Other operating income).

## 12. Other operating income

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
Rental income	4,908	5,241
Property acquired free-of-charge and fees from customers	3,789	3,931
Consulting fees	3,618	3,608
Compensation from insurance and other companies	3,195	3,930
Contractual penalties	<sup>(1)</sup> 3,044	521
Profit from disposal of tangible and intangible assets	1,859	-
Profit from sale of material	723	178
Decentralisation and cogeneration fee	359	338
Inventories surplus	-	31
Other	4,403	3,912
<b>Total for continuing operations</b>	<b>25,898</b>	<b>21,690</b>

(1) Balance includes penalty received for a gift tax on emission rights in amount of EUR 2,406 thousand recognised in 2011 and 2012 (for more details refer to Note 11 – Taxes and charges).



### 13. Other operating expenses

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
Office equipment and other material	13,672	11,682
Rent expenses	11,238	5,628
Outsourcing and other administration fees	9,527	9,742
Consulting expenses	6,148	5,172
Information technology costs	5,710	6,645
Impairment losses/reversals	2,829	(902)
<i>Of which relates to:</i>		
<i>Trade receivables and other assets</i>	2,639	1,280
<i>Unrealised investment</i>	286	-
<i>Inventories</i>	(67)	252
<i>Property, plant and equipment and intangible assets</i>	(29)	(2,434)
Advertising expenses	2,707	2,663
Contractual penalties	2,594	2,062
Transport expenses	2,430	2,448
Insurance expenses	1,167	1,284
Gifts and sponsorship	1,165	1,813
Loss from receivables written-off	852	1,812
Change in provisions, net	790	(1,509)
Communication expenses	312	336
Training, courses, conferences	267	239
Shortages and damages	234	134
Disposal costs for unrealised investments <sup>(1)</sup>	-	2,829
Net loss on disposal of property, plant and equipment, investment property and intangible assets	-	2,012
Investment property income	-	14
Own work capitalised to fixed assets	(13,474)	(14,890)
Other	2,893	8,783
<b>Total</b>	<b>51,061</b>	<b>47,997</b>

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

No research and development expenses were recognised in profit and loss during the year 2015 and 2014.

#### **Fees payable to statutory auditors**

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

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

### Recognised in profit or loss

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
Interest income	41,830	46,930
Net foreign exchange gain	-	8,626
Dividend income	-	1,165
Other finance income	368	32
<b>Finance income</b>	<b>42,198</b>	<b>56,753</b>
Interest expense	(68,847)	(69,730)
Net foreign exchange loss	(14,633)	-
Fees and commissions expense for guarantees	(71)	(93)
Fees and commissions expense for payment transactions	(460)	(428)
Fees and commissions expense for other services	(5,527)	(4,713)
<b>Finance costs</b>	<b>(89,538)</b>	<b>(74,964)</b>
Profit (loss) from securities	(885)	-
Profit (loss) from other non-derivative liabilities	(204)	-
Profit (loss) from interest rate derivatives reported as trading*	(1)	(45)
Profit (loss) from hedging activities	-	(120)
Profit (loss) profit from currency derivatives reported as trading*	(887)	1,322
Profit (loss) from commodity derivatives reported as trading*	130	(498)
<b>Profit (loss) from financial instruments</b>	<b>(1,847)</b>	<b>659</b>
<b>Net finance (expense) recognised in profit or loss</b>	<b>(49,187)</b>	<b>(17,552)</b>

\* All derivatives are for the risk management purposes.

## 15. Income tax expenses

### Income taxes recognised in profit or loss

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014 Restated</b>
<i>Current taxes:</i>		
Current year	(50,935)	(43,208)
Adjustment for prior periods	(9)	(120)
Withholding tax	(12)	(22)
<b>Total current taxes</b>	<b>(50,956)</b>	<b>(43,350)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences <sup>(1)</sup>	(2,786)	16,410
<b>Total deferred taxes</b>	<b>(2,786)</b>	<b>16,410</b>
<b>Total income tax expense from continuing operations recognised in profit or loss</b>	<b>(53,742)</b>	<b>(26,940)</b>

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

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. According to Czech legislation the corporate income tax rate is 19% for fiscal years ended in 2015 and 2014. The Slovak corporate income tax rate is 22% for fiscal years 2015 and 2014. Current year income tax includes also special sector tax effective in Slovakia and Hungary.

## Income tax recognised in other comprehensive income

*In thousands of EUR*

	2015		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	(21,135)	-	(21,135)
Foreign currency translation differences from presentation currency	59,241	-	59,241
Effective portion of changes in fair value of cash-flow hedges	20,253	11,452	31,705
Fair value reserve included in other comprehensive income	(4,468)	143	(4,325)
<b>Total</b>	<b>53,891</b>	<b>11,595</b>	<b>65,486</b>

*In thousands of EUR*

	2014		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	9,089	-	9,089
Foreign currency translation differences from presentation currency	(7,158)	-	(7,158)
Effective portion of changes in fair value of cash-flow hedges	(5,392)	(92)	(5,484)
Fair value reserve included in other comprehensive income	(13,465)	3,546	(9,919)
<b>Total</b>	<b>(16,926)</b>	<b>3,454</b>	<b>(13,472)</b>

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

## Reconciliation of the effective tax rate

*In thousands of EUR*

		2015		2014
	%		%	
Profit before tax		155,433		93,586
Income tax using the Company's domestic rate	19.00%	29,535	19.00%	17,781
Effect of tax rates in foreign jurisdictions	1.98%	3,081	1.93%	1,809
Non-deductible expenses	12.71%	<sup>(1)</sup> 19,758	14.69%	<sup>(1)</sup> 13,747
Other non-taxable income	(1.55%)	(2,408)	(9.86%)	(9,228)
Tax incentives, tax credits	(0.09%)	(147)	(0.14%)	(131)
Recognition of previously unrecognised tax losses	(0.39%)	(601)	(0.34%)	(324)
Current year losses for which no deferred tax asset was recognised	0.18%	277	1.24%	1,161
Effect of special levy for business in regulated services	2.72%	4,221	2.30%	2,157
Withholding tax, income tax adjustments for prior periods	0.02%	26	0.15%	141
Change in unrecognised temporary differences	-	-	(0.18%)	(173)
<b>Income taxes recognised in profit or loss</b>	<b>34.58%</b>	<b>53,742</b>	<b>28.79%</b>	<b>26,940</b>

(1) The basis consists mainly of non-deductible interest expense of EUR 50,083 thousand (2014: EUR 62,104 thousand).

## 16. Property, plant and equipment

*In thousands of EUR*

	Land and buildings	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under construction	Total
<b>Cost</b>					
<b>Balance at 1 January 2015</b>	<b>1,382,603</b>	<b>1,514,767</b>	<b>1,770</b>	<b>70,163</b>	<b>2,969,303</b>
Effects of movements in foreign exchange rates	9,324	16,604	26	452	<b>26,406</b>
Additions through business combinations	23,961	23,441	3,238	280	<b>50,920</b>
Additions	64,793	96,480	221	74,572	<b>236,066</b>
Disposals	(5,345)	(13,351)	(90)	(734)	<b>(19,520)</b>
Disposed entities	(3,764)	(287)	-	(84)	<b>(4,135)</b>
Transfer to disposal group held for sale	(162)	(5,089)	(6)	(16)	<b>(5,273)</b>
Transfer to discontinued operations	(149,807)	(892,646)	(1)	(25,940)	<b>(1,068,394)</b>
Transfer to investment property	(479)	-	-	-	<b>(479)</b>
Transfers	30,746	21,219	5	(51,970)	<b>-</b>
<b>Balance at 31 December 2015</b>	<b>1,351,870</b>	<b>761,138</b>	<b>5,163</b>	<b>66,723</b>	<b>2,184,894</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2015</b>	<b>(237,820)</b>	<b>(479,543)</b>	<b>(541)</b>	<b>(5,463)</b>	<b>(723,367)</b>
Effects of movements in foreign exchange rates	(2,868)	(3,061)	(4)	(143)	<b>(6,076)</b>
Depreciation charge for the year	(89,617)	(60,399)	(285)	-	<b>(150,301)</b>
Depreciation charge for the year related to discontinued operations	(13,505)	(101,617)	-	-	<b>(115,122)</b>
Disposals	3,352	12,153	69	-	<b>15,574</b>
Disposed entities	84	95	-	-	<b>179</b>
Transfer to discontinued operations	31,491	366,591	-	-	<b>398,082</b>
Transfer of impairment losses to discontinued operations	1,814	-	-	-	<b>1,814</b>
Impairment losses recognised/released in profit or loss	172	-	-	(143)	<b>29</b>
<b>Balance at 31 December 2015</b>	<b>(306,897)</b>	<b>(265,781)</b>	<b>(761)</b>	<b>(5,749)</b>	<b>(579,188)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2015</b>	<b>1,144,783</b>	<b>1,035,224</b>	<b>1,229</b>	<b>64,700</b>	<b>2,245,936</b>
<b>At 31 December 2015</b>	<b>1,044,973</b>	<b>495,357</b>	<b>4,402</b>	<b>60,974</b>	<b>1,605,706</b>

<i>In thousands of EUR</i>	<b>Land and buildings</b>	<b>Technical equipment, plant and machinery</b>	<b>Other equipment, fixtures and fittings</b>	<b>Under construction</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance at 1 January 2014</b>	<b>1,337,310</b>	<b>1,480,377</b>	<b>1,774</b>	<b>76,768</b>	<b>2,896,229</b>
Reclassification of the opening balances as a result of completed Purchase Price Allocation for SSE	10,735	(8,086)	-	(2,649)	-
Effects of movements in foreign exchange rates	(2,891)	(4,438)	(8)	(1,605)	<b>(8,942)</b>
Additions through business combinations	-	129	-	-	<b>129</b>
Additions	35,008	55,031	68	38,389	<b>128,496</b>
Disposals	(8,846)	(3,379)	(86)	(5,854)	<b>(18,165)</b>
Transfer to disposal group held for sale	(6,095)	(22,349)	-	-	<b>(28,444)</b>
Transfers	17,382	17,482	22	(34,886)	-
<b>Balance at 31 December 2014</b>	<b>1,382,603</b>	<b>1,514,767</b>	<b>1,770</b>	<b>70,163</b>	<b>2,969,303</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2014</b>	<b>(134,868)</b>	<b>(319,357)</b>	<b>(316)</b>	<b>(8,216)</b>	<b>(462,757)</b>
Effects of movements in foreign exchange rates	1,616	1,890	3	70	<b>3,579</b>
Depreciation charge for the year	(99,018)	(63,889)	(277)	-	<b>(163,184)</b>
Depreciation charge for the year related to discontinued operations	(10,289)	(102,655)	-	-	<b>(112,944)</b>
Disposals	5,096	2,514	49	2,683	<b>10,342</b>
Transfer to disposal group held for sale	498	1,954	-	-	<b>2,452</b>
Impairment losses recognised/released in profit or loss	(249)	-	-	-	<b>(249)</b>
Impairment losses recognised/released in profit or loss related to discontinued operations	(606)	-	-	-	<b>(606)</b>
<b>Balance at 31 December 2014</b>	<b>(237,820)</b>	<b>(479,543)</b>	<b>(541)</b>	<b>(5,463)</b>	<b>(723,367)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2014</b>	<b>1,202,442</b>	<b>1,161,020</b>	<b>1,458</b>	<b>68,552</b>	<b>2,433,472</b>
<b>At 31 December 2014</b>	<b>1,144,783</b>	<b>1,035,224</b>	<b>1,229</b>	<b>64,700</b>	<b>2,245,936</b>

### Idle assets

As at 31 December 2015 and also as at 31 December 2014 the Group had no significant idle assets.

### Finance lease liabilities

As at 31 December 2015 and also as at 31 December 2014 the Group had no significant finance lease liabilities.

### Security

At 31 December 2015 property, plant and equipment with a carrying value of EUR 374,319 thousand (2014: EUR 335,437 thousand) is subject to pledges to secure bank loans.

### Insurance of property, plant and equipment

As at 31 December 2015 the following items of property, plant and equipment were insured against the risks presented in the table below:

*In thousands of EUR*

Description of property	Carrying amount of property	Natural disaster	Sum insured		Other risks
			General machine risks	Liability for damage	
Land	95,938	-	-	-	-
Buildings	949,035	879,725	-	100,670	49,823
Machinery and equipment	495,357	1,199,000	70,559	15,210	563,838
Fixtures and fittings	4,030	2,982	85,035	-	28
Other long-term tangible assets	372	-	-	-	-
Long-term tangible assets under construction	60,974	2,960	2,960	185	25,125
Investment property	2,531	-	-	-	-
<b>Total</b>	<b>1,608,237</b>	<b>2,084,667</b>	<b>158,554</b>	<b>116,065</b>	<b>638,814</b>

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

*In thousands of EUR*

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

## 17. Intangible assets (including goodwill)

<i>In thousands of EUR</i>	<b>Goodwill</b>	<b>Software</b>	<b>Emission rights</b>	<b>Customer relationship and other contracts</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance at 1 January 2015</b>	<b>104,361</b>	<b>43,501</b>	<b>56,223</b>	<b>108,833</b>	<b>4,108</b>	<b>317,026</b>
Effect of movements in foreign exchange rates	2,547	480	809	349	8	<b>4,193</b>
Additions	-	4,059	41,017	-	1,567	<b>46,643</b>
Additions through business combinations	4,655	204	2,782	16,693	42	<b>24,376</b>
Disposals	-	-	(41,234)	-	(7)	<b>(41,241)</b>
Disposed entities	-	(19)	-	-	-	<b>(19)</b>
Transfer to disposal group held for sale	-	(4)	-	-	-	<b>(4)</b>
Transfer to discontinued operations	(5,053)	(6,247)	(28,205)	(93,059)	(2,754)	<b>(135,318)</b>
Transfers	-	899	-	-	(899)	<b>-</b>
<b>Balance at 31 December 2015</b>	<b>106,510</b>	<b>42,873</b>	<b>31,392</b>	<b>32,816</b>	<b>2,065</b>	<b>215,656</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2015</b>	<b>(8,120)</b>	<b>(15,297)</b>	<b>-</b>	<b>(42,092)</b>	<b>(280)</b>	<b>(65,789)</b>
Effect of movements in foreign exchange rates	(180)	(220)	-	(123)	(12)	<b>(535)</b>
Amortisation for the year	-	(5,923)	-	(1,883)	(45)	<b>(7,851)</b>
Amortisation for the year related to discontinued operations	-	(1,088)	-	(8,609)	(103)	<b>(9,800)</b>
Transfer to disposal group held for sale	-	4	-	-	-	<b>4</b>
Transfer to discontinued operations	-	3,902	-	44,780	212	<b>48,894</b>
<b>Balance at 31 December 2015</b>	<b>(8,300)</b>	<b>(18,622)</b>	<b>-</b>	<b>(7,927)</b>	<b>(228)</b>	<b>(35,077)</b>
<b>Carrying amount</b>						
<b>At 1 January 2015</b>	<b>96,241</b>	<b>28,204</b>	<b>56,223</b>	<b>66,741</b>	<b>3,828</b>	<b>251,237</b>
<b>At 31 December 2015</b>	<b>98,210</b>	<b>24,251</b>	<b>31,392</b>	<b>24,889</b>	<b>1,837</b>	<b>180,579</b>

<i>In thousands of EUR</i>	<b>Goodwill</b>	<b>Software</b>	<b>Emission rights</b>	<b>Customer relationship and other contracts</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance at 1 January 2014</b>	<b>100,742</b>	<b>40,646</b>	<b>71,115</b>	<b>108,935</b>	<b>2,049</b>	<b>323,487</b>
Effect of movements in foreign exchange rates	(1,047)	(115)	(417)	(130)	(15)	(1,724)
Additions	-	2,978	28,035	28	2,192	33,233
Additions through business combinations	4,666	-	-	-	-	4,666
Disposals	-	(37)	(42,510)	-	(89)	(42,636)
Transfers	-	29	-	-	(29)	-
<b>Balance at 31 December 2014</b>	<b>104,361</b>	<b>43,501</b>	<b>56,223</b>	<b>108,833</b>	<b>4,108</b>	<b>317,026</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2014</b>	<b>(8,197)</b>	<b>(7,795)</b>	<b>-</b>	<b>(28,113)</b>	<b>(152)</b>	<b>(44,257)</b>
Effect of movements in foreign exchange rates	77	54	-	47	-	178
Amortisation for the year	-	(6,618)	-	(1,873)	(52)	(8,543)
Amortisation for the year related to discontinued operations	-	(983)	-	(12,153)	(76)	(13,212)
Disposals	-	45	-	-	-	45
<b>Balance at 31 December 2014</b>	<b>(8,120)</b>	<b>(15,297)</b>	<b>-</b>	<b>(42,092)</b>	<b>(280)</b>	<b>(65,789)</b>
<b>Carrying amount</b>						
<b>At 1 January 2014</b>	<b>92,545</b>	<b>32,851</b>	<b>71,115</b>	<b>80,822</b>	<b>1,897</b>	<b>279,230</b>
<b>At 31 December 2014</b>	<b>96,241</b>	<b>28,204</b>	<b>56,223</b>	<b>66,741</b>	<b>3,828</b>	<b>251,237</b>

In 2015, the EPE Group purchased emission rights of EUR 27,289 thousand (2014: EUR 17,180 thousand). The remaining part of EUR 13,728 thousand (2014: EUR 10,855 thousand) was allocated to the Group by the Ministry of the Environment of the Czech Republic.

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

Other intangible assets comprise valuable rights.

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

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

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



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

<i>In thousands of EUR</i>	<b>31 December 2015</b>
Elektrárny Opatovice, a.s.	85,989
EP Cargo a.s.	4,761
Optimum Energy, s.r.o.	<sup>(1)</sup> 4,421
Plzeňská energetika a.s.	2,678
LokoTrain s.r.o.	<sup>(1)</sup> 236
ARISUN, s.r.o.	125
<b>Total goodwill</b>	<b>98,210</b>

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

(1) At the date of Optimum Energy, s.r.o. and LokoTrain s.r.o. acquisition, the Group recognised initial goodwill of EUR 4,655 thousand. As at 31 December 2015 the goodwill balance was increased by FX difference of EUR 2 thousand to a balance of EUR 4,657 thousand.

(2) At the date of EP Cargo a.s. acquisition, the Group recognised initial goodwill of EUR 4,666 thousand. As at 31 December 2014 the goodwill balance was reduced by FX difference of EUR 26 thousand to final balance of EUR 4,640 thousand.

In 2015 the balance of goodwill increased by EUR 4,655 thousand as a result of Optimum Energy, s.r.o. and LokoTrain s.r.o. acquisition (2014: EUR 4,666 thousand as a result of EP Cargo a.s. acquisition). In 2015 the EPE group did not recognise any goodwill impairment (2014: EUR 0 thousand).

### **Goodwill and impairment testing**

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill. 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.

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% (2014: 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 6.23% to 6.92% (2014: 6.69% to 9.53%).

The 2015 and 2014 year testing showed no need for impairment as no CGU with the recoverable value lower than the carrying value including goodwill was identified.

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

The recoverable amount of Elektrárny Opatovice, a.s. was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of Elektrárny Opatovice, a.s. Value in use in 2015 was determined in a similar manner as in 2014. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount (including goodwill) by EUR 426,405 thousand (2014: EUR 350,738 thousand). Key assumptions used in the calculation of value in use were the discount rate, the terminal value growth rate and the planned Adjusted EBITDA. These selected assumptions were as follows:

	2015	2014
Discount rate	6.23%	6.81%
Terminal value growth rate	2.00%	2.00%

The EPE Group uses weighted average cost of capital (WACC). The discount rate is a pre-tax measure. Cost of equity is based on the risk-free rate adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of Elektrárny Opatovice, a.s.

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

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

If Adjusted EBITDA were (Adjusted EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets) 10% less than the management estimates (with all other indicators being constant), the value in use would decrease by EUR 91,234 thousand, which would not indicate any impairment loss.

If the discount rate were higher by one percentage point than currently used (with all other indicators being constant), the value in use would decrease by EUR 146,992 thousand, which would not indicate any impairment loss.

If the terminal value growth rate were one percentage point less than the management estimates (with all other indicators being constant), the value in use would decrease by EUR 118,983 thousand, which would not indicate any impairment loss.

**18. Investment property**

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Opening balance	-	324
Additions	2,052	-
Transfer from property, plant and equipment	479	-
Disposals	-	(323)
Changes in fair value	-	-
Effects of movements in foreign exchange	-	(1)
<b>Closing balance</b>	<b>2,531</b>	<b>-</b>

**Security**

As at 31 December 2015 investment property in amount of EUR 1,200 thousand (2014: EUR 0 thousand) is subject to pledges to secure bank loans.

**19. 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.

<i>In thousands of EUR</i>		<b>Ownership 31 December 2015</b>	<b>Carrying amount 31 December 2015</b>
<b>Associates</b>	<b>Country</b>	<b>%</b>	
Pražská teplárenská Holding a.s.	Czech Republic	49.00	6,817
Energotel, a.s.	Slovakia	20.00	1,546
Other	Slovakia	(1)	44
<b>Total<sup>(2)</sup></b>			<b>8,407</b>

(1) Ownership percentage varies, for details refer to Note 38 – Group entities.

(2) Balance of investments in Equity accounted investees decreased significantly compared to prior year as associates of JTSD Braunkohlebergbau GmbH and Saale Energie GmbH were classified as part of discontinued operations as at 31 December 2015.

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

(1) Ownership percentage varies, for details refer to Note 38 – Group entities.

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

<i>In thousands of EUR</i>		<b>Ownership 31 December 2015</b>	<b>Share of profit (loss) 2015</b>
<b>Associates</b>	<b>Country</b>	<b>%</b>	
Pražská teplárenská Holding a.s.	Czech Republic	49.00	(80)
Energotel, a.s.	Slovakia	20.00	444
Other	Slovakia	(1)	4
<b>Total</b>			<b>368</b>

<i>In thousands of EUR</i>		<b>Ownership 31 December 2014</b>	<b>Share of profit (loss) 2014 Restated</b>
<b>Associates</b>	<b>Country</b>	<b>%</b>	
Pražská teplárenská Holding a.s.	Czech Republic	49.00	600
<b>Total</b>			<b>600</b>

(1) Ownership percentage varies, for details refer to Note 38 – Group entities.

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

*In thousands of EUR*

<b>Associates</b>	<b>Revenue</b>	<b>Profit (loss)</b>	<b>Other comprehensive income</b>	<b>Total comprehensive income</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
Pražská teplárenská Holding a.s.	13,680	*13,149	-	*13,149	100,247	60	100,187
Energotel, a.s.	13,746	2,348	-	2,348	13,602	5,742	7,860
	<b>27,426</b>	<b>15,497</b>	<b>-</b>	<b>15,497</b>	<b>113,849</b>	<b>5,802</b>	<b>108,047</b>

*In thousands of EUR*

<b>Associates</b>	<b>Non-current assets</b>	<b>Current assets</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>
Pražská teplárenská Holding a.s.	92,874	7,373	-	60
Energotel, a.s.	7,504	6,098	3,820	1,922
	<b>100,378</b>	<b>13,471</b>	<b>3,820</b>	<b>1,982</b>

\* *Profit (loss) primarily represents dividend income from Pražská teplárenská a.s.*

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

*In thousands of EUR*

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

*In thousands of EUR*

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

\* *Profit (loss) primarily represents dividend income from Pražská teplárenská a.s.*

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

## 20. Deferred tax assets and liabilities

### Recognised deferred tax assets and liabilities

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

<i>In thousands of EUR</i>	<b>31 December 2015</b>			<b>31 December 2014</b>		
<b>Temporary difference related to:</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Net</b>
Property, plant and equipment	1,555	(189,689)	(188,134)	2,200	(255,697)	(253,497)
Intangible assets	3,179	(1,555)	1,624	30,478	(33,572)	(3,094)
Financial instruments at fair value through profit or loss	779	(17)	762	-	(121)	(121)
Inventories	116	-	116	108	(201)	(93)
Trade receivables and other assets	1,514	-	1,514	1,443	(9)	1,434
Provisions	5,858	-	5,858	15,296	-	15,296
Employee benefits (IAS 19)	2,059	-	2,059	1,948	-	1,948
Loans and borrowings	2,367	(14,055)	(11,688)	5,987	-	5,987
Derivatives	1,224	(2,539)	(1,315)	1,587	(911)	676
Tax losses	9,079	-	9,079	180	-	180
Unpaid interest, net	-	(19)	(19)	-	(11)	(11)
Other items	612	(1,294)	(682)	-	-	-
<b>Subtotal</b>	<b>28,342</b>	<b>(209,168)</b>	<b>(180,826)</b>	<b>59,227</b>	<b>(290,522)</b>	<b>(231,295)</b>
Set-off tax	(26,444)	26,444	-	(49,600)	49,600	-
<b>Total</b>	<b>1,898</b>	<b>(182,724)</b>	<b>(180,826)</b>	<b>9,627</b>	<b>(240,922)</b>	<b>(231,295)</b>

### Movements in deferred tax during the year

*In thousands of EUR*

<b>Balances related to:</b>	<b>Balance at 1 January 2015</b>	<b>Recognised in profit or loss</b>	<b>Recognised in other compre- hensive income</b>	<b>Acquired in business combi- nations<sup>(1)</sup></b>	<b>Transfer to disposal group held for sale<sup>(2)</sup></b>	<b>Transfer to discontinued operations<sup>(3)</sup></b>	<b>Disposed entities<sup>(4)</sup></b>	<b>FX differences</b>	<b>Balance at 31 December 2015</b>
Property, plant and equipment	(253,497)	(5,907)	-	(9,441)	1,087	71,388	425	7,811	(188,134)
Intangible assets	(3,094)	15,860	-	3,172	-	(12,284)	-	(2,030)	1,624
Financial instruments at fair value through profit or loss	(121)	(12)	-	772	-	141	-	(18)	762
Inventories	(93)	(12)	-	-	-	258	-	(37)	116
Trade receivables and other assets	1,434	85	-	-	-	(47)	-	42	1,514
Provisions	15,296	1,456	-	1,949	(25)	(12,922)	-	104	5,858
Employee benefits (IAS 19)	1,948	(39)	143	-	-	-	-	7	2,059
Loans and borrowings	5,987	(10,511)	9,624	(14,021)	-	(2,670)	-	(97)	(11,688)
Derivatives	676	(3,427)	1,828	-	-	-	-	(392)	(1,315)
Tax losses	180	(236)	-	9,102	-	-	-	33	9,079
Unpaid interest, net	(11)	(8)	-	-	-	-	-	-	(19)
Other	-	(35)	-	(644)	(8)	-	48	(43)	(682)
<b>Total</b>	<b>(231,295)</b>	<b>(2,786)</b>	<b>11,595</b>	<b>(9,111)</b>	<b>1,054</b>	<b>43,864</b>	<b>473</b>	<b>5,380</b>	<b>(180,826)</b>

(1) *The purchase of Budapesti Erőmű Zrt. and Optimum Energy, s.r.o.*

(2) *The disposal of EOP & HOKA s.r.o., EP COAL TRADING S.A. and specific assets and liabilities reported by Stredoslovenská energetika, a.s.*

(3) *Transfer of JTSD Braunkohlebergbau GmbH and its subsidiaries and associates to discontinued operations.*

(4) *The disposal of ROLLEON a.s. and ENERGZET, a.s.*

*In thousands of EUR*

<b>Balances related to:</b>	<b>Balance at 1 January 2014</b>	<b>Recognised in profit or loss</b>	<b>Recognised in profit or loss from discontinued operations<sup>(1)</sup></b>	<b>Recognised in other comprehensive income</b>	<b>Transfer to disposal group held for sale<sup>(2)</sup></b>	<b>FX differences</b>	<b>Balance at 31 December 2014</b>
Property, plant and equipment	(289,970)	29,344	4,007	-	1,999	1,123	(253,497)
Intangible assets	9,486	(14,067)	610	-	(47)	924	(3,094)
Financial instruments at fair value through profit or loss	(153)	-	32	-	-	-	(121)
Inventories	(2,241)	34	2,131	-	-	(17)	(93)
Trade receivables and other assets	1,406	50	-	-	-	(22)	1,434
Provisions	11,678	4,540	(833)	-	-	(89)	15,296
Employee benefits (IAS 19)	2,852	(4,407)	-	3,546	-	(43)	1,948
Loans and borrowings	5,192	282	557	-	-	(44)	5,987
Unpaid interest, net	(85)	74	-	-	-	-	(11)
Derivatives	30	736	-	(92)	-	2	676
Tax losses	-	179	-	-	-	1	180
Other	356	(355)	-	-	-	(1)	-
<b>Total</b>	<b>(261,449)</b>	<b>16,410</b>	<b>6,504</b>	<b>3,454</b>	<b>1,952</b>	<b>1,834</b>	<b>(231,295)</b>

(1) *The transfer of JTSD Brunkohlebergbau GmbH to discontinued operations.*

(2) *The disposal of specific assets and liabilities reported by Stredoslovenská energetika, a.s.*

### Unrecognised deferred tax assets

The EPE Group reports the following tax losses carried forward:

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Tax losses carried forward	4,779	9,682
<b>Total</b>	<b>4,779</b>	<b>9,682</b>

A deferred tax asset that has not been recognised in respect of the tax losses is attributable to the following entities:

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
PT Holding Investment B.V.	3,697	3,935
EP ENERGY TRADING, a.s.	1,043	4,718
Other	39	1,029
<b>Total</b>	<b>4,779</b>	<b>9,682</b>

Considering the nature of revenues and expenses, the companies do not expect taxable profit growth to a considerable extent, so no deferred tax was recognised. If a sufficient taxable profit had been achieved in 2016, then the associated tax income (savings) would have been up to EUR 943 thousand (2014: EUR 2,006 thousand).

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

	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>After 2020</b>	<b>Total</b>
<b>Tax losses</b>	-	428	29	3	1,049	3,270	<b>4,779</b>

Tax losses expire over a period of 5 years in the Czech Republic, 4 years in Slovakia and 9 years in the Netherlands for standard tax losses. Under current tax legislation, in some countries tax losses are carried forward indefinitely. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these profits, it is not probable that future taxable profit against which the Group can utilise the benefits from the deferred tax assets will be available.

## 21. Inventories

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Fossil fuel	32,571	24,039
Raw material and supplies	6,817	22,758
Spare parts	6,260	3,388
Work in progress	1,370	1,246
Finished goods and merchandise	301	87
Overburden	-	25,504
<b>Total</b>	<b>47,319</b>	<b>77,022</b>

At 31 December 2015 inventories in the amount of EUR 27,891 thousand (2014: EUR 21,672 thousand) were subject to pledges.



## 22. Trade receivables and other assets

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Trade receivables	167,667	237,174
Accrued income	76,705	41,531
Advance payments	39,789	<sup>(1)</sup> 54,542
Estimated receivables	20,075	15,322
Uninvoiced supplies	18,661	15,541
Other receivables and assets	6,608	31,947
Allowance for bad debts	(13,073)	(10,139)
<b>Total</b>	<b>316,432</b>	<b>385,918</b>
<i>Non-current</i>	21,488	28,999
<i>Current</i>	294,944	356,919
<b>Total</b>	<b>316,432</b>	<b>385,918</b>

(1) This balance contained an amount of EUR 18,000 thousand which was advance payment for dividend paid to parent company. As final decision about profit distribution had not been approved by general meeting, this dividend had been recognised as advance payment as of 31 December 2014.

In 2015, receivables of EUR 852 thousand were written off through profit or loss (2014: EUR 1,812 thousand).

As at 31 December 2015 trade receivables with a carrying value of EUR 71,170 thousand are subject to pledges (2014: EUR 87,391 thousand).

As at 31 December 2015 trade receivables and other assets amounting to EUR 291,953 thousand are not past due (2014: EUR 328,523 thousand); the remaining balance of EUR 24,479 thousand is overdue (2014: EUR 57,395 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 36 – Risk management policies and disclosures.

## 23. Cash and cash equivalents

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Current accounts with banks	129,927	200,483
Term deposits	1,482	338
Cash on hand	220	157
<b>Total</b>	<b>131,629</b>	<b>200,978</b>

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

As at 31 December 2015 cash equivalents of EUR 45,015 thousand are subject to pledges (2014: EUR 102,203 thousand). According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case the Company defaults on bonds payments. As such, the pledged cash is readily available to the EPE Group and does not represent restricted cash.

### Significant investing and financing activities not requiring cash:

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Investing activities	264,337	-
Financing activities	12,051	-
<b>Total</b>	<b>276,388</b>	<b>-</b>

For the year 2015 non-cash investing activities include EPE loan provided to EPH which was set-off against decrease of share capital of EUR 264,337 thousand.

Non-cash financing activities are represented by EPE loan provided to EPH in amount of EUR 12,051 thousand, which was set-off.

For the year 2014 the Group did not recognise any non-cash investing or financing activities.

## 24. Tax receivables

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Value added tax receivables	13,990	12,287
Current income tax receivables	2,860	8,577
Energy tax	2,525	-
Road tax receivables	67	3
Other tax receivables	878	574
<b>Total</b>	<b>20,320</b>	<b>21,441</b>

## 25. Assets and liabilities held for sale

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

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Property, plant and equipment	593,255	20,395
Equity accounted investees	109,067	-
Land and buildings	99,761	5,597
Intangible assets	86,424	-
Inventories	57,475	62
Trade receivables and other assets	51,986	11
Financial instruments and other financial assets	44,406	-
Cash and cash equivalents	33,694	-
Tax receivables	9,011	19
Deferred tax asset	7,695	47
Prepaid expenses	1,267	-
<b>Total</b>	<b>1,094,041</b>	<b>26,131</b>

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

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Provisions	424,532	-
Trade payables and other liabilities	151,188	16
Deferred tax liability	53,511	1,999
Loans and borrowings	19,142	14,400
<b>Total</b>	<b>648,373</b>	<b>16,415</b>

As at 31 December 2015 balances of assets held for sale and liabilities from disposal groups held for sale are represented by EOP & HOKA s.r.o. and specific assets and liabilities of Stredoslovenska energetika, a.s. (which were later in 2016 again reclassified to continuing assets and liabilities as the intention to sell these assets ceased) and discontinued operations related to JTSD Braunkohlebergbau GmbH and its subsidiaries and associates.

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

As part of the reorganization of the EP Infrastructure Group (previously CE Energy Group) in 2016, the Company sold-off its power generation activities in Germany as well as its mining operations in Germany to its ultimate parent company EPH (effective on 1 April 2016). The decision to sell-off these activities, which comprise an isolated geographical segment (Germany), was reached at the end of 2015. Due to the fact that these operations were predominantly representing the whole German operations, mining operations and condensation power production, the Company presents these activities as discontinued operations as of and for the year ending 31 December 2015 (including restatement of comparatives).

For the detailed version of the consolidated statement of comprehensive income from discontinued operations refer to Appendix 3.

*In thousands of EUR*

	<b>31 December 2015 Discontinued</b>	<b>31 December 2014 Discontinued</b>
Revenues	562,985	574,428
Expenses	(552,514)	(528,435)
<b>Profit (loss) from operations</b>	<b>10,471</b>	<b>45,993</b>
Net finance income (expense)	(32,534)	(36,376)
Income tax income (expenses)	2,982	(7,584)
<b>Profit (loss) for the year</b>	<b>(19,965)</b>	<b>603</b>

Of the loss from discontinued operation in 2015 of EUR 19,965 thousand (2014: profit of EUR 603 thousand), a loss of EUR 20,339 thousand (2014: profit of EUR 422 thousand) is attributable to the owners of the Company and profit of EUR 374 thousand (2014: profit of EUR 181 thousand) is attributable to the non-controlling interest.

## Cash flows from (used in) discontinued operations

Cash flows from discontinued operations presented in the table below are included in the total amounts of cash flows presented in the consolidated statement of cash flows.

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014</b>
Net cash from (used in) operating activities	134,926	136,475
Net cash from (used in) investing activities	(164,468)	(87,243)
Net cash from (used in) financing activities	(10,800)	(66,503)
<b>Net cash flows for the year</b>	<b>(40,342)</b>	<b>(17,271)</b>

## 26. Equity

### Share capital and share premium

The authorised, issued and fully paid share capital as at 31 December 2015 consisted of 19,549,548 ordinary shares with a par value of CZK 657 each (2014: 19,549,548 ordinary shares with a par value of CZK 1,001 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.

In 2015 the Company declared dividends in amount of EUR 96,156 thousand (2014: EUR 96,615 thousand) to its sole shareholder.

<b>31 December 2015</b>	<b>Number of shares 657 CZK</b>	<b>Ownership %</b>	<b>Voting rights %</b>
CE Energy, a.s. (currently EP Infrastructure, a.s.)	19,549,548	100.00	100.00
<b>Total</b>	<b>19,549,548</b>	<b>100.00</b>	<b>100.00</b>

<b>31 December 2014</b>	<b>Number of shares 1,001 CZK</b>	<b>Ownership %</b>	<b>Voting rights %</b>
CE Energy, a.s. (currently EP Infrastructure, a.s.)	19,549,548	100.00	100.00
<b>Total</b>	<b>19,549,548</b>	<b>100.00</b>	<b>100.00</b>

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

	<b>Number of shares</b>	
	<b>31 December 2015</b>	<b>31 December 2014</b>
Shares outstanding at the beginning of the period	19,549,548	19,549,548
<b>Shares outstanding at the end of the period</b>	<b>19,549,548</b>	<b>19,549,548</b>

Reserves recognised in equity comprise the following items:

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Non-distributable reserves	798	798
Fair value reserve	(13,773)	(9,705)
Translation reserve	(13,989)	(46,508)
Hedging reserve	(54,010)	(85,715)
Other capital reserves	(320,210)	(320,210)
<b>Total</b>	<b>(401,184)</b>	<b>(461,340)</b>
Other capital funds from capital contributions	22,538	22,538
<b>Reserves</b>	<b>(378,646)</b>	<b>(438,802)</b>

### Non-distributable reserves

The creation of a legal reserve fund in the Czech Republic was prior to 1 January 2014 required at a minimum of 20% (10% for limited liability companies) of net profit (annually) and up to a minimum of 10% (5% for limited liability companies) of the registered share capital (cumulative balance). The legal reserve fund could have only been used to cover losses of the Company and may not have been distributed as a dividend. The calculation of the legal reserve was based on local statutory regulations. The legal reserve of EUR 798 thousand was reported as at 31 December 2015 (2014: EUR 798 thousand). From 1 January 2014, in relation to the newly enacted legislation, legal reserve fund and its creation are no longer, under certain circumstances, obligatory. Similarly, legal reserve fund can be from 1 January 2014, under certain conditions, distributed in a form of dividend. As a result of the enacted legislation, in 2014 EUR 75,878 thousand was transferred from legal reserve fund to retained earnings.

### **Translation reserve**

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

### **Other capital reserves**

As stated in section 3 (a) viii – Pricing differences, in 2009 the Group accounted for pricing differences that arose both from establishment of the Group as at 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 at the acquisition date was recorded in consolidated equity as pricing differences.

In 2010 other capital reserves decreased by EUR 47,385 thousand 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 31,557 thousand 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 1,047 thousand 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 (for more details please refer to Note 32 – Financial instruments and Note 36 – Risk management policies and disclosure).

## 27. Earnings per share

### Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 657 (2014: in EUR per 1 share of CZK 1,001) nominal value equal 1.87 (2014: 1.93).

The calculation of basic earnings per share as at 31 December 2015 was based on profit attributable to ordinary shareholders of EUR 36,482 thousand (2014: EUR 37,670 thousand), and a weighted average number of ordinary shares outstanding of 19,550 thousand (2014: 19,550 thousand).

Basic earnings per share from continuing operations in EUR per 1 share of CZK 657 (2014: in EUR per 1 share of CZK 1,001) nominal value equal 2.91 (2014: 1.91).

The calculation of basic earnings per share from continuing operations as at 31 December 2015 was based on profit attributable to ordinary shareholders of EUR 56,821 thousand (2014: EUR 37,248 thousand), and a weighted average number of ordinary shares outstanding of 19,550 thousand (2014: 19,550 thousand).

### Weighted average number of ordinary shares 2015

<i>In thousands of pieces</i>	<b>Nominal</b>	<b>Weighted</b>
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
<b>Total</b>	<b>19,550</b>	<b>19,550</b>

### Weighted average number of ordinary shares 2014

<i>In thousands of pieces</i>	<b>Nominal</b>	<b>Weighted</b>
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
<b>Total</b>	<b>19,550</b>	<b>19,550</b>

### Dilutive earnings per share

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

## 28. Non-controlling interest

31 December 2015

*In thousands of EUR*

**Non-controlling percentage**

Business activity

Country<sup>(1)</sup>

**Carrying amount of NCI at 31 December 2015**

**Profit (loss) attributable to non-controlling interest**

**Dividends declared**

**Statement of financial position information<sup>(2)</sup>**

Total assets

*of which: non-current*

*current*

Total liabilities

*of which: non-current*

*current*

**Net assets**

**Statement of comprehensive income information<sup>(2)</sup>**

Total revenues

*of which: dividends received*

Profit after tax

Total other comprehensive income for the year, net of tax

**Total comprehensive income for the year<sup>(2)</sup>**

**Net cash inflows (outflows)<sup>(2)</sup>**

	Pražská teplárenská a.s. and its subsidiaries	Stredoslovenská energetika, a.s. and its subsidiaries	Other individually immaterial subsidiaries	Total
<b>Non-controlling percentage</b>	<b>26.18%</b>	<b>51.00%</b>		
Business activity	Production and distribution of heat	Distribution of electricity		
Country <sup>(1)</sup>	Czech Republic	Slovakia		
<b>Carrying amount of NCI at 31 December 2015</b>	<b>85,631</b>	<b>385,716</b>	<b>3,602</b>	<b>474,949</b>
<b>Profit (loss) attributable to non-controlling interest</b>	<b>5,475</b>	<b>38,988</b>	<b>781</b>	<b>45,244</b>
<b>Dividends declared</b>	<b>(7,968)</b>	<b>(28,439)</b>	<b>(235)</b>	<b>(36,642)</b>
<b>Statement of financial position information<sup>(2)</sup></b>				
Total assets	382,973	1,083,411		
<i>of which: non-current</i>	326,521	850,103		
<i>current</i>	56,452	233,308		
Total liabilities	69,394	327,105		
<i>of which: non-current</i>	38,743	178,569		
<i>current</i>	30,651	148,536		
<b>Net assets</b>	<b>313,579</b>	<b>756,306</b>	<b>-</b>	<b>-</b>
<b>Statement of comprehensive income information<sup>(2)</sup></b>				
Total revenues	241,775	948,283		
<i>of which: dividends received</i>	-	346		
Profit after tax	20,909	76,446		
Total other comprehensive income for the year, net of tax	-	(259)		
<b>Total comprehensive income for the year<sup>(2)</sup></b>	<b>20,909</b>	<b>76,187</b>	<b>-</b>	<b>-</b>
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	<b>591</b>	<b>17,261</b>		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 38 – Group entities).

(2) Financial information derived from financial statements prepared in accordance with local statutory accounting standards.

<b>31 December 2014</b>	<b>Pražská teplárenská a.s. and its subsidiaries</b>	<b>Stredoslovenská energetika, a.s. and its subsidiaries</b>	<b>Other individually immaterial subsidiaries</b>	<b>Total</b>
<i>In thousands of EUR</i>				
<b>Non-controlling percentage</b>	<b>26.60%</b>	<b>51.00%</b>		
Business activity	Production and distribution of heat	Distribution of electricity		
Country <sup>(1)</sup>	Czech Republic	Slovakia		
<b>Carrying amount of NCI at 31 December 2014</b>	<b>87,522</b>	<b>373,400</b>	<b>1,253</b>	<b>462,175</b>
<b>Profit (loss) attributable to non-controlling interest</b>	<b>4,167</b>	<b>24,865</b>	<b>547</b>	<b>29,579</b>
<b>Dividends declared</b>	<b>(14,845)</b>	<b>(27,397)</b>	<b>(58)</b>	<b>(42,300)</b>
<b>Statement of financial position information<sup>(2)</sup></b>				
Total assets	385,047	1,048,308		
<i>of which: non-current</i>	337,075	869,916		
<i>current</i>	47,972	178,392		
Total liabilities	69,099	316,151		
<i>of which: non-current</i>	41,544	180,359		
<i>current</i>	27,555	135,792		
<b>Net assets</b>	<b>315,948</b>	<b>732,157</b>	<b>-</b>	<b>-</b>
<b>Statement of comprehensive income information<sup>(3)</sup></b>				
Total revenues	232,182	901,069		
<i>of which: dividends received</i>	-	235		
Profit after tax	15,556	48,491		
Total other comprehensive income for the year, net of tax	-	(129)		
<b>Total comprehensive income for the year<sup>(2)</sup></b>	<b>15,556</b>	<b>48,362</b>	<b>-</b>	<b>-</b>
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	<b>(20,141)</b>	<b>(33,508)</b>	<b>-</b>	<b>-</b>

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 38 – Group entities).

(2) Financial information derived from financial statements prepared in accordance with local statutory accounting standards.



## 29. Loans and borrowings

<i>In thousands of EUR</i>	31 December 2015	31 December 2014
Issued debentures at amortised cost	1,097,441	1,094,298
Loans payable to credit institutions	223,023	199,335
Loans payable to other than credit institutions	9,629	15,124
<i>of which owed to the parent company/ultimate parent company</i>	2,637	2,462
<i>of which owed to other related companies</i>	6,689	12,656
Bank overdraft	19,734	59,123
Revolving credit facility	-	25,011
Liabilities from financial leases	-	867
<b>Total</b>	<b>1,349,827</b>	<b>1,393,758</b>
Non-current	1,304,272	1,267,328
<i>of which owed to the parent company/ultimate parent company</i>	-	-
<i>of which owed to other related companies</i>	6,586	12,452
Current	45,555	126,430
<i>of which owed to the parent company/ultimate parent company</i>	2,637	2,462
<i>of which owed to other related companies</i>	103	204
<b>Total</b>	<b>1,349,827</b>	<b>1,393,758</b>

The weighted average interest rate on loans and borrowings (excl. debentures) for 2015 was 2.49% (2014: 3.07%).

### Issued debentures at amortised costs

Details about debentures issued as at 31 December 2015 are presented in the following table:

<i>In thousands of EUR</i>	Principal	Accrued interest	Unamortised fee	Maturity	Interest rate (%)	Effective interest rate (%)
EP Energy 2018 notes	600,000	4,375	(4,294)	01/05/2018	4.375	4.691
EP Energy 2019 notes	500,000	4,896	(7,536)	01/11/2019	5.875	6.301
<b>Total</b>	<b>1,100,000</b>	<b>9,271</b>	<b>(11,830)</b>	-	-	-

#### i. 2019 notes

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

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

Unless redeemed prematurely, the 2019 Notes will be redeemed by the Group in their principal amount on 1 November 2019.

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

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

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

*ii. 2018 Notes*

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

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

Unless redeemed prematurely, the 2018 Notes will be redeemed by the Group in their principal amount on 1 May 2018.

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

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

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

### **Other loans and borrowings**

#### **Terms and debt repayment schedule**

Terms and conditions of outstanding other loans and borrowing as at 31 December 2015 were as follows:

<i>In thousands of EUR</i>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31 December 2015</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Secured bank loan	EUR	variable*	2022	175,000	-	100,000	75,000
Secured bank loan	CZK	variable*	2021	6,730	513	5,056	1,161
Secured bank loan	EUR	fixed	2023	6,540	4,458	1,542	540
Secured bank loan	CZK	fixed	2021	1,401	-	240	1,161
Unsecured bank loan	EUR	fixed	2023	32,627	8,142	16,985	7,500
Unsecured bank loan	EUR	variable*	2016	715	715	-	-
Unsecured bank loan	CZK	fixed	2016	10	10	-	-
Unsecured loan	CZK	fixed	2018	6,985	103	6,882	-
Unsecured loan	EUR	fixed	2016	2,644	2,644	-	-
Bank overdraft	EUR	variable*		19,734	19,734	-	-
<b>Total interest-bearing liabilities</b>				<b>252,386</b>	<b>36,319</b>	<b>130,705</b>	<b>85,362</b>

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

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

<i>In thousands of EUR</i>	<b>Cur- rency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31 December 2014</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Secured bank loan	EUR	variable*	2019	133,201	17,075	116,126	-
Secured bank loan	EUR	fixed	2023	7,575	1,939	4,758	878
Unsecured bank loan	EUR	fixed	2025	48,214	10,425	25,312	12,477
Unsecured bank loan	CZK	variable*	2024	8,913	898	4,011	4,004
Unsecured bank loan	EUR	variable*	2016	1,432	719	713	-
Unsecured loan	CZK	fixed	2017	12,656	-	12,656	-
Unsecured loan	EUR	fixed	2015	2,468	2,468	-	-
Bank overdraft	EUR	variable*		59,123	59,123	-	-
Revolving credit facility	EUR	variable*		25,011	25,011	-	-
Liabilities from financial leases				867	314	553	-
<b>Total interest-bearing liabilities</b>				<b>299,460</b>	<b>117,972</b>	<b>164,129</b>	<b>17,359</b>

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

### 30. Provisions

<i>In thousands of EUR</i>	<b>Employee benefits</b>	<b>Warranties</b>	<b>Onerous contracts</b>	<b>Provision for emission rights</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2015</b>	<b>91,112</b>	<b>186</b>	<b>-</b>	<b>36,250</b>	<b>175</b>	<b>313,540</b>	<b>2,232</b>	<b>443,495</b>
Provisions made during the year	3,033	460	117	17,612	7,754	191	655	29,822
Provisions made during the year related to discontinued operations	18,934	-	-	22,414	-	8,576	163	50,087
Provisions used during the year	(601)	(29)	-	(20,402)	-	(93)	(149)	(21,274)
Provisions used during the year related to discontinued operations	(22,270)	-	-	(16,173)	-	(5,294)	(462)	(44,199)
Provisions reversed during the year	(1,410)	(160)	-	-	(171)	(109)	(105)	(1,955)
Provisions reversed during the year related to discontinued operations	(88)	-	-	-	-	(6,828)	(333)	(7,249)
Additions through business combinations <sup>(1)</sup>	187	-	-	3,809	-	1,535	848	6,379
Unwinding of discount*	989	-	-	-	-	7,600	-	8,589
Effects of movements in foreign exchange rates	86	4	-	501	3	13	22	629
Transfer to discontinued operations <sup>(2)</sup>	(77,814)	-	-	(22,414)	(7,600)	(315,920)	(784)	(424,532)
<b>Balance at 31 December 2015</b>	<b>12,158</b>	<b>461</b>	<b>117</b>	<b>21,597</b>	<b>161</b>	<b>3,211</b>	<b>2,087</b>	<b>39,792</b>
<b>Non-current</b>	<b>11,946</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161</b>	<b>2,770</b>	<b>1,448</b>	<b>16,325</b>
<b>Current</b>	<b>212</b>	<b>461</b>	<b>117</b>	<b>21,597</b>	<b>-</b>	<b>441</b>	<b>639</b>	<b>23,467</b>

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

(1) The purchase of Budapesti Erömü Zrt.

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

<i>In thousands of EUR</i>	<b>Employee benefits</b>	<b>Warranties</b>	<b>Provision for emission rights</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2014</b>	<b>89,919</b>	<b>199</b>	<b>40,540</b>	<b>1,381</b>	<b>295,400</b>	<b>5,506</b>	<b>432,945</b>
Provisions made during the year	1,480	418	22,304	2	4	354	<b>24,562</b>
Provisions made during the year related to discontinued operations	26,552	-	16,173	-	8,891	735	<b>52,351</b>
Provisions used during the year	(1,984)	(231)	(31,928)	-	(257)	(2,073)	<b>(36,473)</b>
Provisions used during the year related to discontinued operations	(19,097)	-	(10,582)	-	(4,403)	(120)	<b>(34,202)</b>
Provisions reversed during the year	(1,928)	(149)	-	(1,207)	(593)	(2)	<b>(3,879)</b>
Provisions reversed during the year related to discontinued operations	(5,199)	-	-	-	(172)	(2,211)	<b>(7,582)</b>
Unwinding of discount*	1,405	-	-	-	14,675	-	<b>16,080</b>
Effects of movements in foreign exchange rates	(36)	(2)	(257)	(1)	(5)	(6)	<b>(307)</b>
Transfer	-	(49)	-	-	-	49	<b>-</b>
<b>Balance at 31 December 2014</b>	<b>91,112</b>	<b>186</b>	<b>36,250</b>	<b>175</b>	<b>313,540</b>	<b>2,232</b>	<b>443,495</b>
<b>Non-current</b>	<b>46,720</b>	<b>-</b>	<b>-</b>	<b>76</b>	<b>312,994</b>	<b>457</b>	<b>360,247</b>
<b>Current</b>	<b>44,392</b>	<b>186</b>	<b>36,250</b>	<b>99</b>	<b>546</b>	<b>1,775</b>	<b>83,248</b>

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

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.

As at 31 December 2015 the provision for employee benefits in amount of EUR 12,158 thousand (2014: EUR 91,112 thousand) was recorded by United Energy, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., Stredoslovenská energetika, a.s., PT měření, a.s. and Budapesti Erőmű Zrt. This provision decreased significantly compared to previous period as JTSD Braunkohlebergbau GmbH and its subsidiaries and associates were transferred to disposal group held for sale in 2015.

The provision recorded by Stredoslovenská energetika, a.s. amounts to EUR 8,543 thousand (2014: EUR 7,533 thousand). The SSE Group has the following retirement plan with defined benefit and defined contribution plans:

#### *Pension Plans*

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

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

#### *Unfunded pension plan with defined benefit*

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

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

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

#### *Other benefits*

The Group also pays benefits for work and life anniversaries:

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

For comparative purposes, as at 31 December 2014 the provision recorded by Mitteldeutsche Braunkohlengesellschaft GmbH amounts to EUR 14,868 thousand, of which EUR 3,873 thousand represents a defined benefit pension scheme. The remaining balance of EUR 10,995 thousand represents other unfunded employee benefits paid for work and life jubilees and anniversaries.

The schedules below summarise information about the defined benefit obligations and plan assets.

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014</b>
<b>Plan A</b>		
Fair value of plan asset	-	4,172
Present value of obligations	-	(5,889)
<b>Total employee benefit (asset)</b>	<b>-</b>	<b>(1,717)</b>
<b>Plan B</b>		
Fair value of plan asset	-	2,699
Present value of obligations	-	(3,387)
<b>Total employee benefit (asset)</b>	<b>-</b>	<b>(688)</b>
<b>Plan C</b>		
Fair value of plan asset	-	-
Present value of obligations	-	(1,468)
<b>Total employee benefit (asset)</b>	<b>-</b>	<b>(1,468)</b>
<b>Plan assets</b>		
<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Reinsurance contracts – plan A	-	4,172
Reinsurance contracts – plan B	-	2,699
Plan C	-	-
<b>Total</b>	<b>-</b>	<b>6,871</b>

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

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

#### Movement in fair value of plan assets

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

Expense recognised in profit and loss:

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014</b>
Current service costs	-	(410)
Expected return on plan assets	-	87
Current interest costs	-	(155)
Actuarial gains (losses)	-	(261)
<b>Total</b>	<b>-</b>	<b>(739)</b>

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

**As at 31 December 2014**

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

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

For comparative purposes, as at 31 December 2014 the provision recorded by Helmstedter Revier GmbH amounts to EUR 65,381 thousand, of which EUR 21,968 thousand represents a defined benefit pension scheme and EUR 32,419 thousand represents an early retirement scheme. The schedules below summarise information about the defined benefit obligations.



<i>In thousands of EUR</i>	<b>2015</b>	<b>2014</b>
<b>Plan A</b>		
Fair value of plan asset	-	16,258
Present value of obligations	-	(36,629)
<b>Total employee benefit</b>	<b>-</b>	<b>(20,371)</b>
<b>Plan B</b>		
Fair value of plan asset	-	577
Present value of obligations	-	(2,032)
<b>Total employee benefit</b>	<b>-</b>	<b>(1,455)</b>
<b>Plan C</b>		
Fair value of plan asset	-	179
Present value of obligations	-	(321)
<b>Total employee benefit</b>	<b>-</b>	<b>(142)</b>
<b>Early Retirement</b>		
Present value of obligations	-	(32,419)
<b>Total employee benefit</b>	<b>-</b>	<b>(32,419)</b>

**Plan assets**

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Reinsurance contracts – plan A	-	16,258
Reinsurance contracts – plan B	-	577
Reinsurance contracts – plan C	-	179
<b>Total</b>	<b>-</b>	<b>17,014</b>

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

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

**Movement in fair value of plan assets**

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

**Expense recognised in profit and loss:**

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014</b>
Current service costs	-	(1,955)
Current interest costs	-	(2,936)
Expected return on plan assets	-	25
<b>Total</b>	<b>-</b>	<b>(4,866)</b>

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

**As at 31 December 2014**

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

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

**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.

**Provision for lawsuits**

A provision of EUR 161 thousand was recorded by Pražská teplárenská a.s. (2014: EUR 76 thousand).

Remaining balance of provision in 2014 was recorded by Stredoslovenská energetika, a.s. (EUR 99 thousand).

For more details refer to Note 39 – Litigations and Claims.

As disclosed in Note 39 – Litigations and Claims, there are other legal proceedings in which the Group is involved whose results cannot be reliably estimated or outflow of benefits is not probable as at the date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 31 December 2015 and 31 December 2014.

**Provision for restructuring, restoration and decommissioning**

As at 31 December 2014, the provision for restoration and decommissioning was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH and Helmstedter Revier GmbH in the amount of EUR 311,562 thousand.

As at 31 December 2015 the provision decreased significantly compared to previous period as JTSD Braunkohlebergbau GmbH and its subsidiaries and associates were transferred to disposal group held for sale in 2015.

### 31. Deferred income

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Government grants	33,797	30,171
Other deferred income	49,941	37,840
<b>Total</b>	<b>83,738</b>	<b>68,011</b>
<i>Non-current</i>	72,279	63,996
<i>Current</i>	11,459	4,015
<b>Total</b>	<b>83,738</b>	<b>68,011</b>

Balance of government grants in amount of EUR 33,797 thousand (2014: EUR 30,171 thousand) is mainly represented by Elektrárny Opatovice, a.s. of EUR 21,997 thousand (2014: EUR 22,857 thousand), Alternative Energy, s.r.o. of EUR 4,881 thousand (2014: EUR 5,270 thousand) and United Energy, a.s. of EUR 4,842 thousand (2014: EUR 1,389 thousand). These companies were provided with government grants to reduce emission pollutions and to build a biogas facility.

Part of the balance of other deferred income in amount of EUR 48,898 thousand (2014: EUR 36,550 thousand) is represented by Stredoslovenská energetika, a.s. This balance consists of deferred income related to the following items: fee for grid connection paid by customers (EUR 24,786 thousand; 2014 EUR 23,165 thousand), contributions for the acquisitions of tangible assets paid by customers (EUR 16,011 thousand; 2014: EUR 3,939 thousand), property acquired free-of-charge (EUR 4,554 thousand; 2014: EUR 5,683 thousand) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3,547 thousand; 2014: 3,763 thousand).

### 32. Financial instruments

#### Financial instruments and other financial assets

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
<b>Assets carried at amortised cost</b>		
Loans to other than credit institutions	311,969	600,281
<i>of which owed by the parent company/ultimate parent company<sup>(1)</sup></i>	305,810	548,115
<i>of which owed by other Group related companies</i>	5,293	5,581
Shares available for sale held at cost	1,583	2,598
Other equity instruments	248	487
<b>Total</b>	<b>313,800</b>	<b>603,366</b>
<b>Assets carried at fair value</b>		
<b>Hedging: of which</b>	1,258	-
<i>Interest rate swaps cash flow hedge</i>	1,258	-
<b>Risk management purpose: of which</b>	6,740	7,499
<i>Currency forwards reported as trading</i>	4,120	7,076
<i>Commodity derivatives reported as trading</i>	2,620	264
<i>Currency options reported as trading</i>	-	159
<b>Trading: of which</b>	226	220
<i>Equity options for trading</i>	226	220
<b>Total</b>	<b>8,224</b>	<b>7,719</b>
<i>Non-current</i>	8,306	57,152
<i>Current</i>	313,718	553,933
<b>Total</b>	<b>322,024</b>	<b>611,085</b>

(1) Loans provided to related parties as at 31 December 2015 represents loan provided by EP Energy, a.s. to Energetický a průmyslový holding, a.s. due in 2016.

The weighted average interest rate on loans to other than credit institutions as at 31 December 2015 was 3.85% (2014: 4.12%).

# Financial instruments and other financial liabilities

In thousands of EUR

	31 December 2015	31 December 2014
<b>Liabilities carried at fair value</b>		
<b>Hedging: of which</b>	4,392	491
Commodity derivatives cash flow hedge	4,097	-
Interest rate swaps cash flow hedge	295	491
<b>Risk management purpose: of which</b>	1,242	1,019
Currency forwards reported as trading	876	659
Commodity derivatives reported as trading	366	360
<b>Total</b>	<b>5,634</b>	<b>1,510</b>
 Non-current	 513	 680
Current	5,121	830
<b>Total</b>	<b>5,634</b>	<b>1,510</b>

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

In thousands 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
<b>Hedging: of which</b>	209,167	(204,562)	1,258	(4,392)
Interest rate swaps cash flow hedge	100,000	(100,000)	1,258	(295)
Commodity derivatives cash flow hedge	109,167	(104,562)	-	(4,097)
<b>Risk management purpose: of which</b>	393,967	(391,578)	6,740	(1,242)
Currency forwards reported as trading	107,491	(107,993)	4,120	(876)
Commodity derivatives reported as trading	286,476	(283,585)	2,620	(366)
<b>Trading: of which</b>	-	-	226	-
Equity options for trading	-	-	226	-
<b>Total</b>	<b>603,134</b>	<b>(596,140)</b>	<b>8,224</b>	<b>(5,634)</b>

In thousands of EUR	31 December 2014 Nominal amount buy	31 December 2014 Nominal amount sell	31 December 2014 Fair value buy	31 December 2014 Fair value sell
<b>Hedging: of which</b>	14,402	14,402	-	(491)
Interest rate swaps cash flow hedge	14,402	14,402	-	(491)
<b>Risk management purpose: of which</b>	605,104	(598,561)	7,499	(1,019)
Currency forwards reported as trading	114,823	(109,526)	7,076	(659)
Commodity derivatives reported as trading	372,580	(372,918)	264	(360)
Currency options reported as trading	117,701	(116,117)	159	-
<b>Trading: of which</b>	-	-	220	-
Equity options for trading	-	-	220	-
<b>Total</b>	<b>619,506</b>	<b>(612,963)</b>	<b>7,719</b>	<b>(1,510)</b>

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 36 – Risk management policies and disclosures.

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

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 36 – Risk management policies and disclosures.

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

In general, 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.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<i>In thousands of EUR</i>	2015			Total
	Level 1	Level 2	Level 3	
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	1,258	-	<b>1,258</b>
<i>Interest rate swaps cash flow hedge</i>	-	1,258	-	1,258
<b>Risk management purpose: of which</b>	-	6,740	-	<b>6,740</b>
<i>Currency forwards reported as trading</i>	-	4,120	-	4,120
<i>Commodity derivatives reported as trading</i>	-	2,620	-	2,620
<b>Trading: of which</b>	-	226	-	<b>226</b>
<i>Equity options for trading</i>	-	226	-	226
<b>Total</b>	-	<b>8,224</b>	-	<b>8,224</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	4,392	-	<b>4,392</b>
<i>Commodity derivatives cash flow hedge</i>	-	4,097	-	4,097
<i>Interest rate swaps cash flow hedge</i>	-	295	-	295
<b>Risk management purpose: of which</b>	-	1,242	-	<b>1,242</b>
<i>Currency forwards reported as trading</i>	-	876	-	876
<i>Commodity derivatives reported as trading</i>	-	366	-	366
<b>Total</b>	-	<b>5,634</b>	-	<b>5,634</b>

<i>In thousands of EUR</i>	2014			Total
	Level 1	Level 2	Level 3	
<b>Financial assets carried at fair value:</b>				
<b>Risk management purpose: of which</b>	-	7,499	-	<b>7,499</b>
<i>Currency forwards reported as trading</i>	-	7,076	-	7,076
<i>Commodity derivatives reported as trading</i>	-	264	-	264
<i>Currency options reported as trading</i>	-	159	-	159
<b>Trading: of which</b>	-	220	-	<b>220</b>
<i>Equity options for trading</i>	-	220	-	220
<b>Total</b>	-	<b>7,719</b>	-	<b>7,719</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	491	-	<b>491</b>
<i>Interest rate swaps cash flow hedge</i>	-	491	-	491
<b>Risk management purpose: of which</b>	-	1,019	-	<b>1,019</b>
<i>Currency forwards reported as trading</i>	-	659	-	659
<i>Commodity derivatives reported as trading</i>	-	360	-	360
<b>Total</b>	-	<b>1,510</b>	-	<b>1,510</b>

There were no transfers between fair value levels in either 2015 or 2014.

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

<i>In thousands of EUR</i>	<b>Carrying value amount</b>	<b>Fair value</b>
<b>Financial assets</b>	<b>31 December 2015</b>	<b>31 December 2015</b>
Loans to other than credit institutions	311,969	312,610
Shares available for sale	1,583	(1)_
Other equity instruments	248	248
<b>Financial instruments held at amortised costs</b>	<b>313,800</b>	<b>312,858</b>
<b>Financial liabilities</b>		
<b>Loans and borrowings</b>	<b>1,349,827</b>	<b>1,391,106</b>

<i>In thousands of EUR</i>	<b>Carrying value amount</b>	<b>Fair value</b>
<b>Financial assets</b>	<b>31 December 2014</b>	<b>31 December 2014</b>
Loans to other than credit institutions	600,281	631,362
Shares available for sale	2,598	(1)_
Other equity instruments	487	487
<b>Financial instruments held at amortised costs</b>	<b>603,366</b>	<b>631,849</b>
<b>Financial liabilities</b>		
<b>Loans and borrowings</b>	<b>1,393,758</b>	<b>1,406,351</b>

(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 required.*

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

### Transactions with emission rights

The following information pertains to contracts on delivery or sale of emission rights. These contracts do not meet the IAS 39 criteria for derivatives (refer to the Note 3(e) – Derivative financial instruments – Transactions with emission rights and energy) and are reported as off-balance sheet items, not derivatives. The management carefully assessed conditions of the contracts and concluded that all contracts are intended to be settled via physical delivery needed for consumption or physically delivered quantities shall be sold as part of its ordinary business.

### Forward operations

As at 31 December 2015 the EPE Group is contractually obliged to purchase 2,172,971 pieces (2014: 5,488,000 pieces) of emission rights at an average price 8.40 EUR/piece (2014: 5.81 EUR/piece).

### Debentures held to maturity

In December 2013, the management of Stredoslovenská energetika, a.s. sold the debentures held in its Held to maturity portfolio before original maturity in nominal amount of EUR 20,113 thousand. Proceed of this transaction was EUR 20,943 thousand. As a result of this transaction, the Group could not hold any assets in the Held to maturity portfolio until December 2015.

### 33. Trade payables and other liabilities

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Trade payables	158,138	255,257
Advance payments received	61,786	47,352
Estimated payables	30,261	21,799
Payroll liabilities	18,839	21,993
Other tax liabilities	7,824	41,808
Liability from deferred earn-out	<sup>(1)</sup> 5,504	-
Accrued expenses	4,068	9,823
Uninvoiced supplies	640	3,687
Retentions to contractors	125	55
Liabilities arising from acquisitions of subsidiaries and SPEs	-	<sup>(2)</sup> 5,771
Other liabilities	5,563	15,381
<b>Total</b>	<b>292,748</b>	<b>422,926</b>
<i>Non-current</i>	6,668	71,951
<i>Current</i>	286,080	350,975
<b>Total</b>	<b>292,748</b>	<b>422,926</b>

- (1) In 2015 the EPE Group acquired Budapesti Erőmű Zrt. In addition to the purchase price paid, EPIF Group recognised an additional liability in amount of EUR 5,504 thousand as probable future payment to previous owner if agreed criteria are met.
- (2) At the date of EP Cargo a.s. acquisition, the Group recognised a purchase price liability of EUR 5,803 thousand. As at 31 December 2014 the purchase price liability was reduced by FX difference of EUR 32 thousand to a balance of EUR 5,771 thousand. This purchase price liability was paid in 2015.

Trade payables and other liabilities have not been secured as at 31 December 2015, or as at 31 December 2014.

As at 31 December 2015 and 31 December 2014 no liabilities to social and health insurance or tax authorities were overdue.

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

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 36 – Risk management policies and disclosures.

#### Liabilities to social fund

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014</b>
Balance at 1 January	768	765
Acquisitions through business combinations	2	-
Transferred from retained earnings	328	-
Charged to expenses	740	1,115
Disposal/decrease in principal	(907)	(1,106)
Effects of movements in foreign exchange rates	15	(6)
<b>Balance at 31 December</b>	<b>946</b>	<b>768</b>

Liabilities to the social fund are presented under payroll liabilities.

### 34. Financial commitments and contingencies

#### Off balance sheet liabilities

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Granted pledges – securities	1,013,141	1,010,929
Guarantees given	179,315	240,321
Other granted pledges	1,676,868	1,940,890
<b>Total</b>	<b>2,869,324</b>	<b>3,192,140</b>

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

#### Guarantees given

Guarantees given mainly include contracts for the future supply of energy for EUR 173,067 thousand (2014: EUR 162,719 thousand).

#### Other granted pledges

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Loans granted <sup>(1)</sup>	1,157,273	1,394,187
Property, plant and equipment	374,319	335,437
Cash and cash equivalents	45,015	102,203
Trade receivables	71,170	87,391
Inventories	27,891	21,672
Investment property	1,200	-
<b>Total</b>	<b>1,676,868</b>	<b>1,940,890</b>

(1) Total balance of pledged granted loans includes intercompany loans of EUR 924,816 thousand (2014: EUR 846,057 thousand).

#### Off balance sheet assets

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Received promises	262,804	248,376
Other received guarantees and warranties	4,187	1,810
<b>Total</b>	<b>266,991</b>	<b>250,186</b>

#### Received promises

Received promises mainly comprise the contracts for the future purchase of energy in amount of EUR 119,638 thousand (2014: EUR 175,475 thousand), loan commitment received recognised by EPE of EUR 30,344 thousand (2014: EUR 0 thousand) and regulatory contingent assets related to green energy of EUR 73,471 thousand (2014: EUR 53,139 thousand) recognised by Stredoslovenská energetika, a.s., which are represented by the contingent assets related to green energy for the year 2015 (2014: contingent assets cover year 2014).

#### 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 year ended 31 December 2015 the SSE Group recognised a loss of EUR 73,471 thousand (2014: EUR 76,702 thousand) as the difference between the costs of purchased green energy and costs related to the subvention of electricity produced from coal and revenues from TPS in the period from 1 January 2015 to 31 December 2015. The 2015 loss is included in the contingent asset of EUR 73,471 (2014: EUR 53,139 thousand) specified above. Based on the current Regulatory Framework the losses incurred will be compensated in two years' time, i.e. relevant amounts in 2016 and 2017 through an increase of revenues from TPS (2014: in 2015 and 2016). Based on the RONI decision dated in December 2014 the resulting asset of EUR 41,528 thousand originating in the year 2013 was recognised as accrued income in the



combined statement of financial position as of 31 December 2014 and was collected in 2015. Similarly, based on the RONI decision dated in December 2015 the resulting asset of EUR 76,702 thousand 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 collected in the course of 2016. The resulting asset originating in the year 2015 was not recognised as the asset does not meet currently the recognition criteria set by IFRS as adopted by the EU and will be recognised during the course of 2016.

### **35. Operating leases**

During the year ended 31 December 2015, EUR 11,238 thousand (2014: EUR 5,628 thousand) was recognised as an expense in profit or loss in respect of operating leases.

During the year ended 31 December 2015 EUR 4,908 thousand (2014: EUR 5,241 thousand) was recognised as income in profit or loss in respect of operating leases and rent of property.

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

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

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

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

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

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

The Group has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group uses credit databases for analysis of creditworthiness of new customers and after deemed creditworthy they are also subject to Risk committee approval. The Group's policy is also to require suitable collateral to be provided by customers such as a bank guarantee or a parent company guarantee. The exposure to credit risk is monitored on an ongoing basis.

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

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

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

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

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

### Credit risk by type of counterparty

#### As at 31 December 2015

*In thousands of EUR*

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Individuals	Other	Total
<b>Assets</b>							
Cash and cash equivalents	1,228	-	1,480	128,649	-	<sup>(1)</sup> 272	<b>131,629</b>
Trade receivables and other assets	302,587	2,459	15	55	227	11,089	<b>316,432</b>
Financial instruments and other financial assets	10,129	-	310,220	1,675	-	-	<b>322,024</b>
<b>Total</b>	<b>313,944</b>	<b>2,459</b>	<b>311,715</b>	<b>130,379</b>	<b>227</b>	<b>11,631</b>	<b>770,085</b>

(1) Primarily petty cash

#### As at 31 December 2014

*In thousands of EUR*

	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Individuals	Other	Total
<b>Assets</b>							
Cash and cash equivalents	4,479	-	-	196,342	-	<sup>(1)</sup> 157	<b>200,978</b>
Trade receivables and other assets	343,602	16,055	39	4	9,566	16,652	<b>385,918</b>
Financial instruments and other financial assets	117,280	-	491,961	1,841	-	3	<b>611,085</b>
<b>Total</b>	<b>465,361</b>	<b>16,055</b>	<b>492,000</b>	<b>198,187</b>	<b>9,566</b>	<b>16,812</b>	<b>1,197,981</b>

(1) Primarily petty cash

### Credit risk by location of debtor

#### As at 31 December 2015

*In thousands of EUR*

	Czech Republic	Slovakia	Cyprus	Poland	Germany	Hungary	Netherlands	Other	Total
<b>Assets</b>									
Cash and cash equivalents	73,606	55,864	-	170	125	379	1,485	-	<b>131,629</b>
Trade receivables and other assets	129,384	164,870	1,017	281	4,831	13,198	-	2,851	<b>316,432</b>
Financial instruments and other financial assets	320,468	7	-	-	-	688	824	37	<b>322,024</b>
<b>Total</b>	<b>523,458</b>	<b>220,741</b>	<b>1,017</b>	<b>451</b>	<b>4,956</b>	<b>14,265</b>	<b>2,309</b>	<b>2,888</b>	<b>770,085</b>

#### As at 31 December 2014

*In thousands of EUR*

	Czech Republic	Slovakia	Cyprus	Poland	Germany	Other	Total
<b>Assets</b>							
Cash and cash equivalents	90,240	38,705	-	594	71,438	1	<b>200,978</b>
Trade receivables and other assets	179,395	130,013	1,017	8,019	67,024	450	<b>385,918</b>
Financial instruments and other financial assets	563,250	1,495	-	399	45,634	307	<b>611,085</b>
<b>Total</b>	<b>832,885</b>	<b>170,213</b>	<b>1,017</b>	<b>9,012</b>	<b>184,096</b>	<b>758</b>	<b>1,197,981</b>

**ii. Impairment losses**

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

**Credit risk – impairment of financial assets**

**As at 31 December 2015**

*In thousands of EUR*

	<b>Loans to other than credit institutions</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
Before maturity (net)	311,969	291,953	<b>603,922</b>
After maturity (net)	-	24,479	<b>24,479</b>
<b>Total</b>	<b>311,969</b>	<b>316,432</b>	<b>628,401</b>
A – Assets for which a provision has been created (overdue and impaired)			
- Gross	-	34,139	<b>34,139</b>
- specific loss allowance	-	(13,073)	<b>(13,073)</b>
- collective loss allowance <sup>(1)</sup>	-	-	-
<b>Net</b>	<b>-</b>	<b>21,066</b>	<b>21,066</b>
B – Assets for which a provision has not been created (overdue but not impaired)			
- after maturity <30 days	-	2,566	<b>2,566</b>
- after maturity 31–180 days	-	262	<b>262</b>
- after maturity 181–365 days	-	232	<b>232</b>
- after maturity >365 days	-	353	<b>353</b>
<b>Net</b>	<b>-</b>	<b>3,413</b>	<b>3,413</b>
<b>Total</b>	<b>-</b>	<b>24,479</b>	<b>24,479</b>

1) All companies within the Group carry out the detailed analysis of trade receivables and other assets and based on the results of this analysis create a specific loss allowance.

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2015 were as follows:

*In thousands of EUR*

	<b>Loans to other than credit institutions</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Balance at 1 January 2015</b>	-	<b>(10,139)</b>	<b>(10,139)</b>
Impairment losses recognised during the year	-	(3,252)	<b>(3,252)</b>
Impairment losses recognised in profit (loss) from discontinued operations	-	(33)	<b>(33)</b>
Reversals of impairment losses recognised during the year	-	612	<b>612</b>
Use of allowance during the year (write-offs)	-	5	<b>5</b>
Discontinued operations	-	70	<b>70</b>
Differences due to foreign currency translation	-	(336)	<b>(336)</b>
<b>Balance at 31 December 2015</b>	<b>-</b>	<b>(13,073)</b>	<b>(13,073)</b>

**As at 31 December 2014**

*In thousands of EUR*

	<b>Loans to other than credit institutions</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
Before maturity (net)	600,281	328,523	<b>928,804</b>
After maturity (net)	-	57,395	<b>57,395</b>
<b>Total</b>	<b>600,281</b>	<b>385,918</b>	<b>986,199</b>

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

- Gross	-	99,370	<b>99,370</b>
- specific loss allowance	-	(17,346)	<b>(17,346)</b>
- collective loss allowance	-	(37,408)	<b>(37,408)</b>
<b>Net</b>	<b>-</b>	<b>44,616</b>	<b>44,616</b>

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

- after maturity <30 days	-	9,938	<b>9,938</b>
- after maturity 31–180 days	-	751	<b>751</b>
- after maturity 181–365 days	-	1,390	<b>1,390</b>
- after maturity >365 days	-	700	<b>700</b>
<b>Net</b>	<b>-</b>	<b>12,779</b>	<b>12,779</b>
<b>Total</b>	<b>-</b>	<b>57,395</b>	<b>57,395</b>

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

*In thousands of EUR*

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

Impairment losses on trade receivables and other assets at 31 December 2015 and 31 December 2014 relate to several customers that have indicated that they do not expect to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on extensive analyses of the underlying ratings of the customers.

Based on historic default rates, management believes that, apart from the above, no significant collective impairment allowance is necessary in respect of trade receivables and other assets that are not past due or past due.

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

**(b) Liquidity risk**

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

The Group's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and

comparing these changes with the Group's liquidity risk management strategy. The Group also holds, as a part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

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

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

## Maturities of financial assets and liabilities

As at 31 December 2015

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Contractual cash flows<sup>(1)</sup></b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity</b>
<b>Assets</b>							
Cash and cash equivalents	<b>131,629</b>	131,629	131,629	-	-	-	-
Trade receivables and other assets	<sup>(2)</sup> <b>278,855</b>	279,590	215,001	57,910	670	2,194	3,815
Financial instruments and other financial assets	<b>322,024</b>	336,678	162,714	160,424	1,473	10,010	2,057
<i>out of which Derivatives - inflow</i>	<b>8,224</b>	493,885	3,028	227,962	162,895	100,000	-
<i>  outflow</i>	-	(486,752)	(2,999)	(222,261)	(161,492)	(100,000)	-
<b>Total</b>	<b>732,508</b>	<b>747,897</b>	<b>509,344</b>	<b>218,334</b>	<b>2,143</b>	<b>12,204</b>	<b>5,872</b>
<b>Liabilities</b>							
Loans and borrowings	<b>1,349,827</b>	1,537,844	23,691	63,896	1,354,807	95,450	-
Trade payables and other liabilities	<sup>(3)</sup> <b>249,870</b>	249,870	221,295	7,324	5,585	-	15,666
Financial instruments and other financial liabilities	<b>5,634</b>	5,634	578	4,512	513	-	31
<i>out of which Derivatives - inflow</i>	<b>5,634</b>	109,249	30,069	51,847	27,333	-	-
<i>  outflow</i>	-	(109,388)	(29,834)	(52,091)	(27,463)	-	-
<b>Total</b>	<b>1,605,331</b>	<b>1,793,348</b>	<b>245,564</b>	<b>75,732</b>	<b>1,360,905</b>	<b>95,450</b>	<b>15,697</b>
<b>Net liquidity risk position</b>	<b>(872,823)</b>	<b>(1,045,451)</b>	<b>263,780</b>	<b>142,602</b>	<b>(1,358,762)</b>	<b>(83,246)</b>	<b>(9,825)</b>

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

(2) Prepaid expenses and advances provided in total amount of EUR 37,577 thousand are excluded from the carrying amount as these items will cause no future cash inflow.

(3) Advances received in amount of EUR 42,878 thousand are excluded from the carrying amount as these items will cause no future cash outflow.



**As at 31 December 2014**

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Contractual cash flows<sup>(1)</sup></b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity</b>
<b>Assets</b>							
Cash and cash equivalents	<b>200,978</b>	200,978	200,978	-	-	-	-
Trade receivables and other assets	<sup>(2)</sup> <b>349,163</b>	<sup>(2)</sup> 349,163	203,134	62,016	22,347	-	61,666
Financial instruments and other financial assets	<b>611,085</b>	634,036	239,956	330,712	7,713	52,563	3,092
<i>out of which Derivatives - inflow</i>	<b>7,719</b>	575,789	490,281	63	85,445	-	-
<i>outflow</i>	-	(568,561)	(489,035)	(59)	(79,467)	-	-
<b>Total</b>	<b>1,161,226</b>	<b>1,184,177</b>	<b>644,068</b>	<b>392,728</b>	<b>30,060</b>	<b>52,563</b>	<b>64,758</b>
<b>Liabilities</b>							
Loans and borrowings	<b>1,393,758</b>	1,668,856	109,732	61,941	1,477,345	19,838	-
Trade payables and other liabilities	<sup>(3)</sup> <b>413,541</b>	413,541	270,025	72,662	36,459	34,072	323
Financial instruments and other financial liabilities	<b>1,510</b>	6,207	283	5,042	391	491	-
<i>out of which Derivatives - inflow</i>	<b>1,510</b>	43,717	17,147	8,805	17,765	-	-
<i>outflow</i>	-	(44,402)	(17,457)	(8,991)	(17,954)	-	-
<b>Total</b>	<b>1,808,809</b>	<b>2,088,604</b>	<b>380,040</b>	<b>139,645</b>	<b>1,514,195</b>	<b>54,401</b>	<b>323</b>
<b>Net liquidity risk position</b>	<b>(647,583)</b>	<b>(904,427)</b>	<b>264,028</b>	<b>253,083</b>	<b>(1,484,135)</b>	<b>(1,838)</b>	<b>64,435</b>

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

(2) Prepaid expenses and advances provided in total amount of EUR 36,755 thousand are excluded from the carrying amount as these items will cause no future cash inflow.

(3) Advances received in amount of EUR 9,385 thousand are excluded from the carrying amount as these items will cause no future cash outflow.

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

### (c) Interest rate risk

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

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

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

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2015 is as follows:

<i>In thousands of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	131,409	-	-	220	<b>131,629</b>
Trade receivables and other assets	23,486	234	-	292,712	<b>316,432</b>
Financial instruments and other financial assets <sup>(1)</sup>	311,995	217	5,293	4,519	<b>322,024</b>
<i>out of which Derivatives - inflow</i>	330,990	162,895	-	-	493,885
<i>outflow</i>	(225,260)	(161,492)	(100,000)	-	(486,752)
<b>Total</b>	<b>466,890</b>	<b>451</b>	<b>5,293</b>	<b>297,451</b>	<b>770,085</b>
<b>Liabilities</b>					
Loans and borrowings	220,845	1,115,606	13,370	6	<b>1,349,827</b>
Trade payables and other liabilities	44,729	5,505	-	242,514	<b>292,748</b>
Financial instruments and financial liabilities <sup>(1)</sup>	965	541	-	4,128	<b>5,634</b>
<i>out of which Derivatives - inflow</i>	81,916	27,333	-	-	109,249
<i>outflow</i>	(81,925)	(27,463)	-	-	(109,388)
<b>Total</b>	<b>266,539</b>	<b>1,121,652</b>	<b>13,370</b>	<b>246,648</b>	<b>1,648,209</b>
<b>Net interest rate risk position</b>	<b>200,351</b>	<b>(1,121,201)</b>	<b>(8,077)</b>	<b>50,803</b>	<b>(878,124)</b>

1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

Notional amounts of financial instruments are included in Note 32 – Financial instruments.

Interest rate risk exposure as at 31 December 2014 is as follows:

<i>In thousands of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	200,821	-	-	157	<b>200,978</b>
Trade receivables and other assets	91,310	209	-	294,399	<b>385,918</b>
Financial instruments and other financial assets <sup>(1)</sup>	550,724	182	8,288	51,891	<b>611,085</b>
<i>out of which Derivatives - inflow</i>	575,789	-	-	-	575,789
<i>outflow</i>	(468,561)	-	(100,000)	-	(568,561)
<b>Total</b>	<b>842,855</b>	<b>391</b>	<b>8,288</b>	<b>346,447</b>	<b>1,197,981</b>
<b>Liabilities</b>					
Loans and borrowings	242,136	1,135,191	11,047	5,384	<b>1,393,758</b>
Trade payables and other liabilities	58,251	-	-	364,675	<b>422,926</b>
Financial instruments and financial liabilities <sup>(1)</sup>	360	-	-	1,150	<b>1,510</b>
<i>out of which Derivatives - inflow</i>	43,717	-	-	-	43,717
<i>outflow</i>	(44,402)	-	-	-	(44,402)
<b>Total</b>	<b>300,747</b>	<b>1,135,191</b>	<b>11,047</b>	<b>371,209</b>	<b>1,818,194</b>
<b>Net interest rate risk position</b>	<b>542,108</b>	<b>(1,134,800)</b>	<b>(2,759)</b>	<b>(24,762)</b>	<b>(620,213)</b>

1) The Group contractually agreed to swap float interest rate for a fixed rate (at some of its bank loans).

Notional amounts of financial instruments are included in Note 32 – Financial instruments.

### Sensitivity analysis

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

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

<i>In thousands of EUR</i>	<b>2015</b>	<b>2014</b>
Decrease in interest rates by 100 bp	33,032	4,320
Increase in interest rates by 100 bp	(33,032)	(4,320)

The other comprehensive income impact resulting from the change of interest rate is not significant in years 2015 and 2014.

### (d) Foreign exchange risk

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

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

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

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

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

As at 31 December 2015, the exposure to foreign exchange risk translated to thousands of EUR was as follows:

<i>In thousands of EUR</i>	<b>CZK</b>	<b>USD</b>	<b>EUR</b>	<b>PLN</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	61,528	593	69,128	-	380	<b>131,629</b>
Trade receivables and other assets	99,826	-	200,163	-	16,443	<b>316,432</b>
Financial instruments and other financial assets	11,639	-	309,697	-	688	<b>322,024</b>
	<b>172,993</b>	<b>593</b>	<b>578,988</b>	<b>-</b>	<b>17,511</b>	<b>770,085</b>
<b>Off balance assets</b>						
Received promises and guarantees	20,839	-	246,152	-	-	<b>266,991</b>
Receivables from derivative operations	208,915	-	393,886	333	-	<b>603,134</b>
	<b>229,754</b>	<b>-</b>	<b>640,038</b>	<b>333</b>	<b>-</b>	<b>870,125</b>
<b>Liabilities</b>						
Loans and borrowings	15,127	-	1,334,700	-	-	<b>1,349,827</b>
Financial instruments and other financial liabilities	1,144	-	367	26	4,097	<b>5,634</b>
Trade payables and other liabilities	121,548	70	151,378	2	19,750	<b>292,748</b>
	<b>137,819</b>	<b>70</b>	<b>1,486,445</b>	<b>28</b>	<b>23,847</b>	<b>1,648,209</b>
<b>Off balance liabilities</b>						
Granted pledges	1,430,372	-	1,259,637	-	-	<b>2,690,009</b>
Guarantees given	370	-	177,967	-	978	<b>179,315</b>
Payables related to derivative operations	283,949	-	312,191	-	-	<b>596,140</b>
	<b>1,714,691</b>	<b>-</b>	<b>1,749,795</b>	<b>-</b>	<b>978</b>	<b>3,465,464</b>
<b>Net foreign exchange risk position</b>	<b>35,174</b>	<b>523</b>	<b>(907,457)</b>	<b>(28)</b>	<b>(6,336)</b>	<b>(878,124)</b>

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 32 – Financial instruments for more details).

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

<i>In thousands of EUR</i>	<b>CZK</b>	<b>USD</b>	<b>EUR</b>	<b>PLN</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	67,890	7	132,210	870	1	<b>200,978</b>
Trade receivables and other assets	152,710	-	225,105	8,103	-	<b>385,918</b>
Financial instruments and other financial assets	17,571	-	593,115	399	-	<b>611,085</b>
	<b>238,171</b>	<b>7</b>	<b>950,430</b>	<b>9,372</b>	<b>1</b>	<b>1,197,981</b>
<b>Off balance assets</b>						
Received promises and guarantees	18,528	-	231,658	-	-	<b>250,186</b>
Receivables from derivative operations	117,701	-	501,805	-	-	<b>619,506</b>
	<b>136,229</b>	<b>-</b>	<b>733,463</b>	<b>-</b>	<b>-</b>	<b>869,692</b>
<b>Liabilities</b>						
Loans and borrowings	12,640	-	1,381,118	-	-	<b>1,393,758</b>
Financial instruments and other financial liabilities	519	-	991	-	-	<b>1,510</b>
Trade payables and other liabilities	105,647	1	310,667	6,611	-	<b>422,926</b>
	<b>118,806</b>	<b>1</b>	<b>1,692,776</b>	<b>6,611</b>	<b>-</b>	<b>1,818,194</b>
<b>Off balance liabilities</b>						
Granted pledges	1,418,892	-	1,532,927	-	-	<b>2,951,819</b>
Guarantees given	-	-	240,321	-	-	<b>240,321</b>
Payables related to derivative operations	195,643	-	417,320	-	-	<b>612,963</b>
	<b>1,614,535</b>	<b>-</b>	<b>2,190,568</b>	<b>-</b>	<b>-</b>	<b>3,805,103</b>
<b>Net foreign exchange risk position</b>	<b>119,365</b>	<b>6</b>	<b>(742,346)</b>	<b>2,761</b>	<b>1</b>	<b>(620,213)</b>

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 32 – Financial instruments for more details).

The following significant exchange rates applied during the period:

<i>CZK</i>	<b>31 December 2015</b>		<b>31 December 2014</b>	
	<b>Average rate</b>	<b>Reporting date spot rate</b>	<b>Average rate</b>	<b>Reporting date spot rate</b>
EUR 1	27.283	27.025	27.533	27.725
USD 1	24.600	24.824	20.746	22.834
PLN 1	6.525	6.340	6.582	6.492

### Sensitivity analysis

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR, USD and PLN at the reporting date would have increased (decreased) equity by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

<i>Effect in thousands of EUR</i>	<b>2015 Profit (loss)</b>	<b>2014 Profit (loss)</b>
EUR (5% strengthening)	(6,648)	(18,237)
USD (5% strengthening)	(26)	-
PLN (5% strengthening)	(4)	(20)

<i>Effect in thousands of EUR</i>	<b>2015 Other comprehensive income</b>	<b>2014 Other comprehensive income</b>
EUR (5% strengthening)	55,000	55,000

A weakening of the Czech crown against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### (e) **Commodity risk**

The Group's exposure to commodity risk principally consists of exposure to fluctuations in the prices of commodities, especially energy, gas and emission rights, both on the supply and the demand side. The Group's primary exposure to commodity price risks arises from the nature of its physical assets, namely power plants and to a lesser extent from proprietary trading activities.

In case of favourable power prices, the Group manages the natural commodity risk connected with its electricity generation by selling the power it expects to produce in the cogeneration power plants and in ancillary services on an up to two-year forward basis. In case of low power prices, instead of entering into such forward contracts, the Group uses the flexibility of its own power generating capacities to react to current power prices with the aim to achieve better average selling price.

In addition, the Group purchases emission rights on a forward basis.

The Group aims to reduce exposure to fluctuations in commodity prices through the use of swaps and various other types of derivatives.

The Group manages the commodity price risks associated with its proprietary trading activities by generally trading on a back-to-back basis, i.e., purchasing from the market where it has a customer in place to purchase the commodity.

Commodity derivatives primarily represents forwards on purchase or sale of electricity (for more details refer to Note 32 – Financial instruments).

#### **Sensitivity analysis**

An increase/decrease in the price of electricity by 5% would have increased/decreased profit from the related commodity derivatives presented in Note 32 – Financial instruments by the amount as shown in the table below.

<i>Impact in thousands of EUR</i>	<b>2015</b>	<b>Profit (loss)</b>	<b>2014</b>
Increase by 5%	144		890
Decrease by 5%	(144)		(890)

#### (f) **Regulatory risk**

The Group is exposed to risks resulting from the state regulation of electricity selling prices by the states in which it undertakes business activities. In Slovakia electricity prices for households and small enterprises is regulated providing for a capped profit margin per MWh.

In Slovakia the sale of electricity to mid-sized and large customers is the subject matter of composite electricity supply contracts. Such contracts usually determine the price for the supply of the commodity. The price of the distribution and other components is determined based on the RONI's price decisions for distribution companies and the market and transmission system operator. For small enterprises and households, composite electricity supply contracts define the products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity as a supplier of electricity. The RONI sets a maximum margin per MWh to be charged by the supplier. Improper regulation could negatively influence operating performance and cash flows.

The Czech Energy Regulatory Office ("ERO") issues pricing decisions that set forth mandatory guidelines applicable to the calculation of heat prices. These rates are comprised of (i) the economically justified costs necessary for production and distribution of heat, (ii) appropriate profit, and (iii) VAT. Furthermore, the ERO sets the limit price for heat which allows the Company's subsidiaries to set their own heat price on the condition that it is lower than the limit price and follows the calculation principles. Nevertheless, the ERO also has the right to review retroactively the operations of a heat producer for the

previous 5 years with respect to the heat price setting mechanism applied by that particular entity. If the entity is not able fully to support the pricing mechanism applied, ERO can impose significant penalties which might have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects. The fact that the price of heat is not set by the ERO as a fixed amount per unit, gives rise to a degree of uncertainty on the part of the operator as there is the possibility that the calculation it carried out will be assessed as incorrect by the ERO.

As regards electricity produced by cogeneration plants, the ERO also stipulates the amount of subsidy for electricity from high-efficiency cogeneration sources in its price decision in the form of a green bonus, which is set per MWh and granted on an annual or hourly basis. The price decision distinguishes between a basic tariff (which applies to cogeneration plants in general) and additional tariff (which applies only to some of them). The respective tariff is set in the price decision in CZK per MWh and has different levels depending on the size of the plant, overall time of its use during a year and the fuel it uses. It is common that the ERO issues the price decision annually, in the autumn for the coming calendar year.

### (g) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

<i>In thousands of EUR</i>	<b>31 December 2015</b>	<b>31 December 2014</b>
Total liabilities	2,616,139	2,596,409
Less: cash and cash equivalents	131,629	200,978
<b>Net debt</b>	<b>2,484,510</b>	<b>2,395,431</b>
Total equity attributable to equity holders of the Company	642,871	908,896
Less: amounts accumulated in equity relating to cash flow hedges	(54,010)	(85,715)
<b>Adjusted capital</b>	<b>696,881</b>	<b>994,611</b>
<b>Debt to adjusted capital</b>	<b>3.57</b>	<b>2.41</b>

### (h) Hedge accounting

The balance as at 31 December 2015 represents primarily derivative agreements to hedge on interest rate concluded by POWERSUN a.s., an electricity price and a foreign exchange rate concluded by EP ENERGY TRADING, a.s. and the effect from a cash flow hedge recognised on the EPE Group level.

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity.

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

The Group applies hedge accounting for financial instruments designed to hedge the foreign currency risk cash-flows denominated in foreign currency (EUR). The hedging instruments are bonds issued in EUR in total amount of EUR 1,100 million. The hedged cash inflows in EUR arising from EUR denominated transactions (primarily at Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská energetika a.s., EP ENERGY TRADING, a.s.) are expected to occur and impact profit or loss in periods of 2020 to 2029. As a result of the hedging relationship on the Group consolidated level, the Group reported a foreign currency cash flow hedge reserve of EUR 49,363 thousand (2014: 87,087 thousand; 2013: EUR 77,658 thousand) as of 31 December 2015. The management concluded that the entities which cash-flows are hedged are expected to a high degree of probability remain in the Group and therefore the hedged cash-flows are probable to materialize in the expected time horizon.

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

The Group applies hedge accounting for hedging instruments designed to hedge the commodity price risk and the foreign currency risk of cash-flows from Group's power production sold to third parties through commodity derivatives with net settlement, for commodity risk and Group's liabilities denominated in EUR in total amount of EUR 175 million, for foreign currency risk. As a result of the hedging relationship on the Group level, the Group reported a foreign currency cash flow hedge reserve of EUR 1,430 thousand (2014: negative EUR 4,751 thousand). For risk management policies, refer to Note 36 (d) and (e) – Risk management policies and disclosures.

In 2015 amount of EUR 3,453 thousand (2014: EUR 7,569 thousand) was reclassified from other equity to profit or loss due to an applied cash flow hedge.



### 37. 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 31 December 2015 and 31 December 2014 was as follows:**

*In thousands of EUR*

	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	2015	2015	2014	2014
Ultimate shareholders	309,424	2,660	571,635	2,482
Companies controlled by ultimate shareholders	8,084	14,470	5,900	7,423
Companies under significant influence by ultimate shareholders	59	-	-	-
Associates	5,293	6,689	-	12,656
Other related parties	47	187	2	619
<b>Total</b>	<b>322,907</b>	<b>24,006</b>	<b>577,537</b>	<b>23,180</b>

In addition, in 2014 the Company reported EUR 80,204 thousand off-balance sheet in guarantees from the ultimate shareholders.

**(b) The summary of transactions with related parties during the year ended 31 December 2015 and 31 December 2014 was as follows:**

*In thousands of EUR*

	Revenues 2015	Expenses 2015	Revenues 2014	Expenses 2014
Ultimate shareholders	12,277	2,228	20,406	449
Companies controlled by ultimate shareholders	24,454	82,699	7,559	16,584
Companies under significant influence by ultimate shareholders	-	2	6,384	16,073
Associates	13,772	-	141,721	1,824
Other related parties	61	333	97	344
<b>Total</b>	<b>50,564</b>	<b>85,262</b>	<b>176,167</b>	<b>35,274</b>

Transactions with Key management are described in Note 38 – Group entities.

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

#### Transactions with Members of the EPE Board

EPE has provided the following monetary and non-monetary remuneration to the members of board of directors of the Company (employed by the Company) for the years 2015 and 2014:

*In thousands of EUR*

	2015	2014
Total remuneration	429	318

Remuneration of key EPE Group managers is included in Note 9 – Personnel expenses.

### 38. Group entities

The list of the Group entities as at 31 December 2015 and 31 December 2014 is set out below:

		31 December 2015		31 December 2014		2015	2014
	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	100	Direct	Full	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 Mořany, 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	-	-	Full	-
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EKY III, a.s. <sup>(1)</sup>	Czech Republic	-	-	100	Direct	-	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EVO – Komofany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PRVNÍ MOSTECKÁ a.s. <sup>(2)</sup>	Czech Republic	-	-	100	Direct	-	Full
PRVNÍ MOSTECKÁ Servis a.s. <sup>(2)</sup>	Czech Republic	-	-	100	Direct	-	Full
EP Sourcing, a.s. (former EP Coal Trading, a.s.)	Czech Republic	100	Direct	100	Direct	Full	Full
EOP & HOKA s.r.o.	Czech Republic	99.79	Direct	99.79	Direct	IFRS 5	Full
EOP HOKA POLSKA SPÓŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland	100	Direct	100	Direct	IFRS 5	Full
EP COAL TRADING POLSKA S.A.	Poland	100	Direct	100	Direct	IFRS 5	Full
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Optimum Energy, s.r.o.	Czech Republic	100	Direct	-	-	Full	-
ADCONCRETUM REAL ESTATE ltd	Serbia	100	Direct	100	Direct	Full	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
VTE Moldava, a.s. <sup>(3)</sup>	Czech Republic	-	-	100	Direct	-	Full
VTE Pastviny s.r.o. <sup>(3)</sup>	Czech Republic	-	-	100	Direct	-	Full
EP Renewables a.s. <sup>(4)</sup>	Czech Republic	-	-	100	Direct	-	Full
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	IFRS 5	IFRS 5
ČKD Blansko Wind, a.s. <sup>(4)</sup>	Czech Republic	-	-	100	Direct	-	Full
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	0.50	Direct	0.50	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full	Full
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s. r. o. *	Slovakia	80	Direct	80	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full	Full

		31 December 2015		31 December 2014		2015	2014
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
ROLLEON a.s. *	Czech Republic	-	-	100	Direct	-	Full
ENERGZET, a.s.	Czech Republic	-	-	100	Direct	-	Full
EBEH Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Reatex a.s. v likvidaci	Czech Republic	-	-	100	Direct	-	At cost
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	50.58	Direct	50.16	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
Tepllo 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	100	Direct	Full	Full
Nový Veleslavin, 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	-	-	Full	-
JTSD Braunkohlebergbau GmbH	Germany	100	Direct	100	Direct	IFRS 5	Full
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100	Direct	100	Direct	IFRS 5	Full
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	IFRS 5	Full
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	IFRS 5	Full
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	IFRS 5	Equity
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	Direct	48.96	Direct	IFRS 5	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	IFRS 5	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	IFRS 5	Full
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	IFRS 5	Full
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	51	Direct	51	Direct	IFRS 5	Full
Terrakomp GmbH	Germany	100	Direct	100	Direct	IFRS 5	Full
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	IFRS 5	Full
EP Germany GmbH *	Germany	100	Direct	100	Direct	IFRS 5	Full
Saale Energie GmbH	Germany	100	Direct	100	Direct	IFRS 5	Full
Kraftwerk Schkopau GbR	Germany	41.90	Direct	41.90	Direct	IFRS 5	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	44.40	Direct	44.40	Direct	IFRS 5	Equity
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská energetika – Distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SSE - Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika - Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	IFRS 5	IFRS 5
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	At cost
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	At cost
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	Full	Full
EP Cargo a.s.	Czech Republic	100	Direct	60	Direct	Full	Full
LokoTrain s.r.o.	Czech Republic	65	Direct	-	-	Full	-
EP Cargo Deutschland GmbH	Germany	100	Direct	100	Direct	Full	Full
EP CARGO POLSKA s.a.	Poland	100	Direct	-	-	Full	-
PGP Terminal, a.s.	Czech Republic	60	Direct	60	Direct	IFRS 5	Full
PLAZMA LIPTOV, a.s.	Slovakia	50	Direct	-	-	IFRS 5	-

		31 December 2015		31 December 2014		2015	2014
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso- lidation method	Conso- lidation method
EP Hungary, a.s. *	Hungary	100	Direct	-	-	Full	-
Budapesti Erőmű Zrt.	Hungary	95.62	Direct	-	-	Full	-
BE-Optimum Kft.	Hungary	100	Direct	-	-	Full	-
KÖBÁNYAHŐ Kft.	Hungary	25	Direct	-	-	At cost	-
ENERGZET SERVIS a.s.	Czech Republic	100	Direct	-	-	Full	-
* Holding entity							
(1)	EKY III, a.s. merged with United Energy, a.s. as at 1 July 2015. United Energy, a.s. is the successor company.						
(2)	PRVNÍ MOSTECKÁ a.s. and PRVNÍ MOSTECKÁ Servis a.s. merged with Severočeská teplárenská, a.s. as at 1 July 2015. Severočeská teplárenská, a.s. is the successor company.						
(3)	VTE Moldava, a.s. and VTE pastviny s.r.o. merged with VTE Moldava II, a.s. as at 1 August 2015. VTE Moldava II, a.s. is the successor company.						
(4)	EP Renewables a.s. and ČKD Blansko Wind, a.s. merged with EP Energy, a.s. as at 1 August 2015. EP Energy, a.s. is the successor company.						

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

### 39. 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 May 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 2,312 thousand. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. 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 31 December 2015.

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 to this request the hearing has been therefore adjourned for three months.

#### Mitteldeutsche Braunkohlengesellschaft mbH

MIBRAG is involved in an ongoing dispute filed by 50Hertz Transmission GmbH (“50Hertz”) in Germany since 2011. 50Hertz operates an upstream transmission grid and seeks retroactive payment from MIBRAG for costs under the burden-sharing mechanism related to the promotion of renewable energies (the so-called EEG surcharge) between August 2004 and December 2008 under the German Renewable Energies Act (Erneuerbare Energien Gesetz). Transmission grid operators generally charge energy supply companies with the EEG surcharge depending on the quantity of electricity delivered by them to end customers. Energy supply companies are in turn entitled to pass the EEG surcharge on to end customers

as a part of the electricity price. In March 2013, the District Court of Halle (Landgericht Halle) rendered a partial judgement in favour of 50Hertz ordering MIBRAG to provide detailed data on its deliveries of electricity to end customers from August 2004 to December 2008 to allow for a calculation of EEG surcharge payments potentially owed by MIBRAG. MIBRAG filed an appeal against the partial judgement.

On 6 February 2014, MIBRAG's appeal was turned down by the Higher Regional Court, however, a further appeal of the partial judgement has been filed with the Federal Supreme Court (Bundesgerichtshof). A final decision was made in the second quarter of 2015, the appeal was rejected and MIBRAG was required to provide detailed data to 50Hertz for the purposes of a calculation of a potential EEG surcharge for the above noted period. Based on MIBRAG's analysis a provision of EUR 7,600 thousand was recorded as at 31 December 2015, which should reflect the expected payments with respect to EEG surcharge. MIBRAG continues to analyse the situation and its potential financial impact.

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

The SSE Group is a party to various legal proceedings. As at 31 December 2015 no legal provisions were recorded (2014: EUR 99 thousand). The Group management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may prejudice the SSE Group.

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

The SSE Group further faces a claim for EUR 42,952 thousand 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 8,880 thousand (CZK 240 million) consisting of a penalty in the amount of EUR 4,440 thousand (CZK 120 million) and restitution to affected customers in the amount of EUR 4,440 thousand (CZK 120 million). PT intends to appeal the decision and 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.

## 40. Subsequent events

### 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 is subject to customary conditions precedent including competition clearance. PT and Veolia Energie ČR, a.s. also entered into an option agreement in relation to the remaining 15% of shares in PT LPZ exercisable between 1 July 2016 and 30 September 2017. If exercised, the total purchase price for 100% of the shares in PT LPZ will amount to CZK 1,920 million (subject to the above post-closing adjustments, which can significantly increase the final price). 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.

On 6 April 2016 the mother company CE Energy, a.s. was renamed to EP Infrastructure, a.s. (EPIF). The change was entered to Commercial register on 11 April 2016.

During 2016 activities and assets held by CEE (in 2016 renamed to EP Infrastructure, a.s.) were reorganized in view of intended sale of a minority share of CEE to third parties. The reorganization also included the following matters relating to the EPE Group:

### 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 340 thousand (CZK 9,189 thousand) 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 4,716 thousand (CZK 127,614 thousand) 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 406 thousand (PLN 1,769 thousand) 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 1,603 thousand (CZK 43,371 thousand) 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 352 thousand (CZK 9,523 thousand) 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 487 thousand (CZK 13,176 thousand) 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.

### **SSE - Solar s.r.o.**

SSE – Solar was reported as Asset held for sale as of 31 December 2015. As of the date of compilation of these financial statements it was no longer the case.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2015.

### Appendices\*:


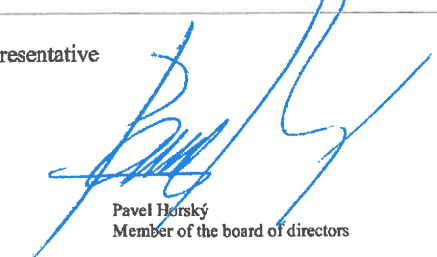
Appendix 1 – Business combinations

Appendix 2 – Restated Consolidated statement of comprehensive income

Appendix 3 – Analysis of results from discontinued operations

Appendix 4 – Restated Consolidated statement of cash flow

\* *Information contained in the appendices form part of the complete set of these consolidated financial statements.*

Date:	Signature of the authorised representative
28 April 2015	 Marek Spurný Member of the board of directors
	 Pavel Horský 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 at 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 at the acquisition date of Budapesti Erőmű Zrt. (BERT) are provided in the following table.

<i>In thousands of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2015 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	99,205	(48,523)	50,682
Intangible assets	3,003	16,693	19,696
Trade receivables and other assets	17,908	-	17,908
Financial instruments – assets	673	-	673
Inventories	6,114	-	6,114
Cash and cash equivalents	11,891	-	11,891
Provisions	(6,379)	-	(6,379)
Deferred tax liabilities	(1,137)	(7,974)	(9,111)
Loans and borrowings	(69,032)	40,281	(28,751)
Financial instruments – liabilities	(4,119)	-	(4,119)
Trade payables and other liabilities	(18,499)	-	(18,499)
<b>Net identifiable assets and liabilities</b>	<b>39,628</b>	<b>477</b>	<b>40,105</b>
Non-controlling interest			(1,516)
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(33,085)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>5,504</b>
Consideration paid, satisfied in cash (A)			-
Consideration, other			5,504
<b>Total consideration transferred</b>			<b>5,504</b>
Less: Cash acquired (B)			11,891
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>11,891</b>

(1) Represents values at 100% share.

<i>In thousands of EUR</i>	<b>2015 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	24,555
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	2,997

<i>In thousands of EUR</i>	<b>2015 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	175,492
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	(26,493)

\* 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 at the acquisition date of LokoTrain s.r.o. are provided in the following table.

<i>In thousands of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment<sup>(2)</sup></b>	<b>2015 Total<sup>(1)</sup></b>
Property, plant, equipment, land, buildings	238	-	238
Intangible assets	25	-	25
Trade receivables and other assets	1,582	-	1,582
Cash and cash equivalents	203	-	203
Loans and borrowings	(21)	-	(21)
Trade payables and other liabilities	(683)	-	(683)
<b>Net identifiable assets and liabilities</b>	<b>1,344</b>	<b>-</b>	<b>1,344</b>
Non-controlling interest			(471)
Goodwill on acquisitions of a subsidiary			235
<b>Cost of acquisition</b>			<b>1,108</b>
Consideration paid (A)			1,108
<b>Total consideration transferred</b>			<b>1,108</b>
Less: Cash acquired (B)			203
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(905)</b>

(1) Represents values at 100% share.

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

<i>In thousands of EUR</i>	<b>2015 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	2,047
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	157

<i>In thousands of EUR</i>	<b>2015 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	4,257
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	309

\* 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 at the acquisition date of Optimum Energy, s.r.o. are provided in the following table.

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustment<sup>(1)</sup></b>	<b>2015 Total</b>
Trade receivables and other assets	10,506	-	10,506
Cash and cash equivalents	2,150	-	2,150
Trade payables and other liabilities	(12,186)	-	(12,186)
<b>Net identifiable assets and liabilities</b>	<b>470</b>	<b>-</b>	<b>470</b>
Non-controlling interest			-
Goodwill on acquisitions of a subsidiary			4,420
<b>Cost of acquisition</b>			<b>4,890</b>
Consideration paid (A)			4,890
<b>Total consideration transferred</b>			<b>4,890</b>
Less: Cash acquired (B)			2,150
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(2,740)</b>

(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.

<i>In thousands of EUR</i>	<b>2015 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	5,565
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	351

<i>In thousands of EUR</i>	<b>2015 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	17,508
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	692

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

## Appendix 2 – Restated Consolidated statement of comprehensive income

### Consolidated statement of comprehensive income

For the year ended 31 December 2014

In thousands of EUR (“TEUR”)

	2014	Discontinued operations	Intragroup eliminations	2014 Restated
Sales: Energy	2,266,647	510,774	(32,450)	1,788,323
of which: Electricity	1,493,903	225,007	(15,817)	1,284,713
Coal	295,870	283,404	(16,633)	29,099
Heat	271,329	2,363	-	268,966
Gas	205,545	-	-	205,545
Sales: Other	117,486	63,654	-	53,832
Gain (loss) from commodity derivatives for trading with electricity and gas, net	13,217	-	-	13,217
<b>Total sales</b>	<b>2,397,350</b>	<b>574,428</b>	<b>(32,450)</b>	<b>1,855,372</b>
Cost of sales: Energy	(1,512,937)	(138,495)	32,720	(1,407,162)
Cost of sales: Other	(50,402)	(15,318)	-	(35,084)
<b>Total cost of sales</b>	<b>(1,563,339)</b>	<b>(153,813)</b>	<b>32,720</b>	<b>(1,442,246)</b>
<b>Subtotal</b>	<b>834,011</b>	<b>420,615</b>	<b>270</b>	<b>413,126</b>
Personnel expenses	(259,551)	(172,347)	-	(87,204)
Depreciation and amortisation	(297,883)	(126,156)	-	(171,727)
Repairs and maintenance	(12,652)	(1,922)	-	(10,730)
Emission rights, net	(20,306)	(15,789)	-	(4,517)
Taxes and charges	(13,590)	(11,487)	-	(2,103)
Other operating income	71,317	35,393	14,234	21,690
Other operating expenses	(144,740)	(82,314)	(14,429)	(47,997)
<b>Profit (loss) from operations</b>	<b>156,606</b>	<b>45,993</b>	<b>75</b>	<b>110,538</b>
Finance income	36,028	5,206	(25,931)	56,753
Finance expense	(90,690)	(41,582)	25,856	(74,964)
Profit (loss) from financial instruments	659	-	-	659
<b>Net finance income (expense)</b>	<b>(54,003)</b>	<b>(36,376)</b>	<b>(75)</b>	<b>(17,552)</b>
Share of profit (loss) of equity accounted investees, net of tax	(830)	(1,430)	-	600
<b>Profit (loss) before income tax</b>	<b>101,773</b>	<b>8,187</b>	<b>-</b>	<b>93,586</b>
Income tax expenses	(34,524)	(7,584)	-	(26,940)
<b>Profit (loss) from continuing operations</b>	<b>67,249</b>	<b>603</b>	<b>-</b>	<b>66,646</b>

## Appendix 3 – Analysis of results from discontinued operations

**For the year ended 31 December**

*In thousands of EUR (“TEUR”)*

	2015	2014
	<b>Discontinued operations after inter-company eliminations</b>	<b>Discontinued operations after inter-company eliminations</b>
<u>Discontinued operations</u>		
Sales: Energy	499,026	510,774
<i>of which: Coal</i>	260,613	283,404
<i>Electricity</i>	235,978	225,007
<i>Heat</i>	2,435	2,363
Sales: Other	63,959	63,654
<b>Total sales</b>	<b>562,985</b>	<b>574,428</b>
Cost of sales: Energy	(138,063)	(138,495)
Cost of sales: Other	(30,231)	(15,318)
<b>Total cost of sales</b>	<b>(168,294)</b>	<b>(153,813)</b>
<b>Subtotal</b>	<b>394,691</b>	<b>420,615</b>
Personnel expenses	(184,026)	(172,347)
Depreciation and amortisation	(124,922)	(126,156)
Repairs and maintenance	6,350	(1,922)
Emission rights, net	(22,091)	(15,789)
Taxes and charges	(9,949)	(11,487)
Other operating income	35,851	35,393
Other operating expenses	(85,433)	(82,314)
<b>Profit (loss) from operations</b>	<b>10,471</b>	<b>45,993</b>
Finance income	5,356	5,206
Finance expense	(37,890)	(41,582)
<b>Net finance income (expense)</b>	<b>(32,534)</b>	<b>(36,376)</b>
Share of profit (loss) of equity accounted investees, net of tax	(884)	(1,430)
<b>Profit (loss) before income tax</b>	<b>(22,947)</b>	<b>8,187</b>
Income tax expenses	2,982	(7,584)
<b>Profit (loss) from discontinued operations</b>	<b>(19,965)</b>	<b>603</b>
<b>Profit (loss) attributable to:</b>		
Owners of the Company	(20,339)	422
Non-controlling interest	374	181
<b>Profit (loss) for the year</b>	<b>(19,965)</b>	<b>603</b>

## Appendix 4 – Restated Consolidated statement of cash flow

### Consolidated statement of cash flows

For the year ended 31 December 2014

In thousands of EUR (“TEUR”)

	2014	2014 Change in presentation	Discontinued operations	2014 Restated
<b>OPERATING ACTIVITIES</b>				
Profit (loss) for the year	67,249		-	67,249
Adjustments for:				
Income taxes	34,524		(7,584)	26,940
Depreciation and amortisation	297,883		(126,156)	171,727
Dividend income	(1,165)		-	(1,165)
Impairment losses on property, plant and equipment and intangible assets	855		(606)	249
Gain (loss) from commodity derivatives for trading with electricity and gas, net	-	(13,217)	-	(13,217)
Loss on disposal of property, plant and equipment, investment property and intangible assets	1,361		651	2,012
Gain on disposal of inventories	(178)		-	(178)
Emission rights	20,306		(15,789)	4,517
Share of (profit) loss of equity accounted investees	830		(1,430)	(600)
Gain on financial instruments	(659)		-	(659)
Net interest expense	59,142		(36,342)	22,800
Change in allowance for impairment to trade receivables and other assets, write-offs	3,545		(171)	3,374
Change in provisions	(1,190)		(18,008)	(19,198)
Disposal cost for unrealised investments	-		2,829	2,829
Discontinued operations	-		192,403	192,403
Unrealised foreign exchange (gains) losses, net	10,503	(7,485)	13,032	16,050
<b>Operating profit before changes in working capital</b>	<b>493,006</b>	<b>(20,702)</b>	<b>2,829</b>	<b>475,133</b>
Change in financial instruments at other than fair value	(73,810)	73,810	-	-
Change in trade receivables and other assets	(21,419)		-	(21,419)
Change in inventories (including proceeds from sale)	(7,880)		-	(7,880)
Change in extracted minerals and mineral products	(1,790)		-	(1,790)
Change in assets held for sale and related liabilities	(2,351)		-	(2,351)
Change in trade payables and other liabilities	(26,744)		-	(26,744)
<b>Cash generated from (used in) operations</b>	<b>359,012</b>	<b>53,108</b>	<b>2,829</b>	<b>414,949</b>
Interest paid	(65,268)	-	-	(65,268)
Income taxes paid	(59,398)	-	-	(59,398)
<b>Cash flows generated from (used in) operating activities</b>	<b>234,346</b>	<b>53,108</b>	<b>2,829</b>	<b>290,283</b>
<b>INVESTING ACTIVITIES</b>				
Dividends received from associates and joint-ventures	3,949	-	-	3,949
Dividends received, other	1,165	-	-	1,165
Change in financial instruments not at fair value	-	(866)	-	(866)
Loans provided to the owners	-	(60,000)	-	(60,000)
Repayment of loans provided to owners	-	-	-	-
Loans provided to the other entities	-	(699)	-	(699)
Repayment of loans provided to other entities	-	1,065	-	1,065
Proceeds (outflows) from sale (settlement) of financial instruments	3,578	7,392	-	10,970
Acquisition of property, plant and equipment, investment property and intangible assets	(133,694)	-	-	(133,694)
Purchase of emission rights	(17,180)	-	-	(17,180)
Proceeds from sale of emission rights	7,161	-	-	7,161
Proceeds from sale of property, plant and equipment, investment property and other intangible assets	7,526	-	(2,829)	4,697
Acquisition of subsidiaries and special purpose entities, net of cash acquired	3,477	-	-	3,477
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	-	-	-	-
Increase (decrease) in participation in existing subsidiaries and special purpose entities, joint-ventures and associates	-	-	-	-
Interest received	675	-	-	675
<b>Cash flows from (used in) investing activities</b>	<b>(123,343)</b>	<b>(53,108)</b>	<b>(2,829)</b>	<b>(179,280)</b>

## Consolidated statement of cash flows (continued)

For the year ended 31 December 2015

In thousands of EUR (“TEUR”)

	2014	2014	Discontinued operations	2014
		Change in presentation		Restated
<b>FINANCING ACTIVITIES</b>				
Proceeds from loans received	164,314	-	-	164,314
Repayment of borrowings	(192,407)	-	-	(192,407)
Dividends paid	(162,895)	-	-	(162,895)
<b>Cash flows from (used in) financing activities</b>	<b>(190,988)</b>	<b>-</b>	<b>-</b>	<b>(190,988)</b>
<i>Net increase (decrease) in cash and cash equivalents</i>	<i>(79,985)</i>	<i>-</i>	<i>-</i>	<i>(79,985)</i>
<b>Cash and cash equivalents at beginning of the year</b>	<b>283,069</b>	<b>-</b>	<b>-</b>	<b>283,069</b>
Effect of exchange rate fluctuations on cash held	(2,106)	-	-	(2,106)
<b>Cash and cash equivalents at end of the year</b>	<b>200,978</b>	<b>-</b>	<b>-</b>	<b>200,978</b>

## **VI. Independent Auditor's Report on Statutory Financial Statements**





KPMG Česká republika Audit, s.r.o.  
Pobřežní 648/1a  
186 00 Praha 8  
Česká republika

Telephone +420 222 123 111  
Fax +420 222 123 100  
Internet www.kpmg.cz

This document is an English translation of the Czech auditor's report.  
Only the Czech version of the report is legally binding.

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

We have audited the accompanying financial statements of EP Energy, a.s., prepared in accordance with Czech accounting legislation, which comprise the balance sheet as of 31 December 2015, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to these financial statements, including a summary of significant accounting policies and other explanatory notes. Information about EP Energy, a.s. is set out in Note 1 to these financial statements.

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

The statutory body of EP Energy, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors, International Standards on Auditing and the relevant guidance of the Chamber of Auditors of the Czech Republic. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of EP Energy, a.s. as of 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with Czech accounting legislation.

### *Other Information*

Other information is defined as information (other than the financial statements and our auditor's report) included in the annual report. The statutory body is responsible for the other information. In connection with our audit of the financial statements, our responsibility is to report on the other information.

As described in Note 2 (j) to the financial statements, EP Energy, a.s. has not prepared an annual report as at 31 December 2015, as it plans to include the respective information in a consolidated annual report. Consequently, this auditor's report does not include our statement on the other information.

Prague  
28 April 2016



KPMG Česká republika Audit, s.r.o.  
Registration number 71



Vladimír Dvořáček  
Partner  
Registration number 2332

## **VII. Statutory Financial Statements and Notes to the Financial Statements**

**BALANCE SHEET**  
full version

**EP Energy, a.s.**  
**Corporate ID 292 594 28**

As of  
31.12.2015  
(in CZK thousand)

Příkop 843/4  
Zábrdovice  
602 00 Brno

		31.12.2015			1.1.2015
		Gross	Adjustment	Net	Net
	<b>TOTAL ASSETS</b>	<b>68 344 178</b>	<b>704 638</b>	<b>67 639 540</b>	<b>74 329 760</b>
<b>B.</b>	<b>Fixed assets</b>	<b>36 157 159</b>	<b>692 716</b>	<b>35 464 443</b>	<b>35 688 221</b>
<i>B.I.</i>	<i>Intangible fixed assets</i>	<i>277</i>	<i>269</i>	<i>8</i>	<i>82</i>
B.I.3.	Software	277	269	8	82
<i>B.II.</i>	<i>Tangible fixed assets</i>	<i>469</i>	<i>257</i>	<i>212</i>	<i>163</i>
B.II.3.	Individual tangible movable assets and sets of tangible movable assets	469	257	212	163
<i>B.III.</i>	<i>Non-current financial assets</i>	<i>36 156 413</i>	<i>692 190</i>	<i>35 464 223</i>	<i>35 687 976</i>
B.III.1.	Equity investments - subsidiary (controlled entity)	36 156 413	692 190	35 464 223	35 687 976
<b>C.</b>	<b>Current assets</b>	<b>32 169 435</b>	<b>11 922</b>	<b>32 157 513</b>	<b>38 641 502</b>
<i>C.II.</i>	<i>Long-term receivables</i>	<i>21 118 940</i>		<i>21 118 940</i>	<i>22 573 293</i>
C.II.2.	Receivables - controlled or controlling entity	21 078 851		21 078 851	22 413 528
C.II.5.	Long-term prepayments made				13
C.II.7.	Other receivables	40 089		40 089	159 752
<i>C.III.</i>	<i>Short-term receivables</i>	<i>10 276 793</i>	<i>11 922</i>	<i>10 264 871</i>	<i>16 039 565</i>
C.III.1.	Trade receivables	27 160	11 922	15 238	34 319
C.III.2.	Receivables - controlled or controlling entity	10 021 553		10 021 553	15 986 686
C.III.6.	State - tax receivables	8 842		8 842	2 864
C.III.7.	Short-term prepayments made	4 732		4 732	4 328
C.III.9.	Other receivables	214 506		214 506	11 368
<i>C.IV.</i>	<i>Current financial assets</i>	<i>773 702</i>		<i>773 702</i>	<i>28 644</i>
C.IV.1.	Cash on hand	24		24	32
C.IV.2.	Cash at bank	773 678		773 678	28 612
<b>D. I.</b>	<b>Other assets</b>	<b>17 584</b>		<b>17 584</b>	<b>37</b>
D.I.1.	Deferred expenses	17 584		17 584	37

		31.12.2015	1.1.2015
	<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>37 097 836</b>	<b>42 902 083</b>
<b>A.</b>	<b>Equity</b>	<b>26 648 815</b>	<b>33 781 976</b>
<i>A.I.</i>	<i>Share capital</i>	<b>12 844 053</b>	<b>19 569 098</b>
A.I.1.	Share capital	12 844 053	19 569 098
<i>A.II.</i>	<i>Capital funds</i>	<b>3 690 927</b>	<b>3 711 781</b>
A.II.1.	Share premium	3 213 312	3 213 312
A.II.2.	Other capital funds	2 279	2 279
A.II.3.	Gains or losses from the revaluation of assets and liabilities	186 926	207 780
A.II.4.	Gains or losses from the revaluation upon transformations of business corporations	288 998	288 998
A.II.5.	Gains or losses from transformations of business corporations	-588	-588
<i>A.IV.</i>	<i>Retained earnings</i>	<b>8 532 164</b>	<b>10 999 517</b>
A.IV.1.	Accumulated profits brought forward	8 532 164	10 999 517
A.V.1.	<i>Profit or loss for the current period (+ -)</i>	<b>1 581 671</b>	
A.V.2.	<i>Profit share prepayments declared (-)</i>		<b>-498 420</b>
<b>B.</b>	<b>Liabilities</b>	<b>10 449 021</b>	<b>9 120 107</b>
<i>B.I.</i>	<i>Reserves</i>	<b>39 282</b>	<b>116 236</b>
B.I.3.	Income tax reserve	38 597	113 766
B.I.4.	Other reserves	685	2 470
<i>B.II.</i>	<i>Long-term liabilities</i>		
B.II.2.	Payables - controlled or controlling entity		150 000
B.II.6.	Bonds issued	29 727 500	30 497 500
B.II.10.	Deferred tax liability	814 393	780 177
<i>B.III.</i>	<i>Short-term liabilities</i>	<b>5 149 170</b>	<b>2 931 266</b>
B.III.1.	Trade payables	64 853	24 089
B.III.2.	Payables - controlled or controlling entity	4 716 406	2 370 272
B.III.4.	Payables to partners and association members	28	375
B.III.5.	Payables to employees	1 681	1 647
B.III.6.	Social security and health insurance payables	408	451
B.III.7.	State - tax payables and subsidies	621	616
B.III.9.	Bonds issued	250 544	257 033
B.III.10.	Estimated payables	13 403	12 323
B.III.11.	Other payables	101 226	264 460
<i>B.IV.</i>	<i>Bank loans and borrowings</i>	<b>5 260 569</b>	<b>6 072 605</b>
B.IV.1.	Long-term bank loans	4 729 375	3 266 559
B.IV.2.	Short-term bank loans	531 194	2 806 046

**PROFIT AND LOSS ACCOUNT**  
structured by the nature of expense method

EP Energy, a.s.  
Corporate ID 292 594 28

Year ended  
31.12.2015  
(in CZK thousand)

Příkop 843/4  
Zábrdovice  
602 00 Brno

		Year ended 31.12.2015
II.	Production	5 981
II.1.	Sales of own products and services	5 981
B.	Purchased consumables and services	69 895
B.1.	Consumed material and energy	447
B.2.	Services	69 448
+	<b>Added value</b>	<b>-63 914</b>
C.	Staff costs	35 243
C.1.	Payroll costs	28 749
C.3.	Social security and health insurance costs	6 490
C.4.	Social costs	4
D.	Taxes and charges	20
E.	Depreciation of intangible and tangible fixed assets	
G.	Change in reserves and provisions relating to operating activities and complex deferred expenses	1 195
IV.	Other operating income	9 765
H.	Other operating expenses	18 725
*	<b>Operating profit or loss</b>	<b>-109 332</b>
VI.	Proceeds from the sale of securities and investments	212 290
J.	Cost of securities and investments sold	132 528
VII.	Income from non-current financial assets	2 010 638
VII.1.	Income from equity investments in subsidiaries and associates	2 010 638
IX.	Income from the revaluation of securities and derivatives	27 263
L.	Costs of the revaluation of securities and derivatives	72 287
M.	Change in reserves and provisions relating to financial activities	118 974
X.	Interest income	1 645 943
N.	Interest expenses	1 705 873
XI.	Other financial income	739 985
O.	Other financial expenses	825 013
*	<b>Financial profit or loss</b>	<b>1 781 444</b>
Q.	Income tax on ordinary activities	90 441
Q 1.	- due	112 558
Q 2.	- deferred	-22 117
**	<b>Profit or loss from ordinary activities</b>	<b>1 581 671</b>
***	<b>Profit or loss for the current period (+/-)</b>	<b>1 581 671</b>
****	<b>Profit or loss before tax</b>	<b>1 672 112</b>

# STATEMENT OF CHANGES IN EQUITY

EP Energy, a.s.  
Corporate ID 292 594 28

Year ended  
31.12.2015  
(in CZK thousand)

Přikop 843/4  
Zábrdovice  
602 00 Brno

	Share capital	Share premium	Gains or losses from the revaluation of assets and liabilities	Gains or losses from the revaluation upon transformations of business corporations	Funds from profit, reserve fund	Other capital funds	Accumulated profits brought forward	Profit or loss for the current period	Profit share prepayments declared	TOTAL EQUITY
Balance at 1 January 2015	19 569 098	3 213 312	207 780	288 998	-588	2 279	10 999 517		-498 420	33 781 976
Change in share capital	-6 725 045									-6 725 045
Profit shares paid							-2 467 353		498 420	-1 968 933
Revaluation of assets and liabilities			-261 010							-261 010
Hedge accounting effect			240 156							240 156
Profit or loss for the current period								1 581 671		1 581 671
Balance at 31 December 2015	12 844 053	3 213 312	186 926	288 998	-588	2 279	8 532 164	1 581 671		26 648 815

# CASH FLOW STATEMENT

EP Energy, a.s.  
Corporate ID 292 594 28

Year ended  
31.12.2015  
(in CZK thousand)

Příkop 843/4  
Zábrdovice  
602 00 Brno

		Year ended 31.12.2015
<b>P.</b>	<b>Opening balance of cash and cash equivalents</b>	<b>28 644</b>
	<i>Cash flows from ordinary activities</i>	
Z.	Profit or loss from ordinary activities before tax	1 672 112
A.1.	Adjustments for non-cash transactions	-1 653 112
A.1.1.	Depreciation of fixed assets	189
A.1.2.	Change in provisions and reserves	120 170
A.1.3.	Profit/(loss) on the sale of fixed assets	-79 762
A.1.4.	Revenues from profit shares	-2 010 638
A.1.5.	Interest expense and interest income	59 930
A.1.6.	Adjustments for other non-cash transactions	256 999
<b>A.*</b>	<b>Net operating cash flow before changes in working capital</b>	<b>19 000</b>
A.2.	Change in working capital	43 413
A.2.1.	Change in operating receivables and other assets	1 804
A.2.2.	Change in operating payables and other liabilities	41 609
<b>A.**</b>	<b>Net cash flow from operations before tax and extraordinary items</b>	<b>62 413</b>
A.3.	Interest paid	
A.4.	Interest received	986 043
A.5.	Income tax paid from ordinary operations	-187 728
<b>A.***</b>	<b>Net operating cash flows</b>	<b>860 728</b>
	<i>Cash flows from investing activities</i>	
B.1.	Fixed assets expenditures	-448 923
B.2.	Proceeds from fixed assets sold	96 650
B.3.	Loans provided to related parties	-211 860
B.3.	Received profit shares	1 225 207
<b>B.***</b>	<b>Net investment cash flows</b>	<b>661 074</b>
	<i>Cash flow from financial activities</i>	
C.1.	Change in payables from financing	2 559 955
C.2.	Impact of changes in equity	-1 638 675
C.2.2.	Capital payments to partners	-1 638 675
<b>C.***</b>	<b>Net financial cash flows</b>	<b>921 280</b>
<b>F.</b>	<b>Net increase or decrease in cash and cash equivalents</b>	<b>2 443 082</b>
<b>R.</b>	<b>Closing balance of cash and cash equivalents</b>	<b>2 471 726</b>



# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

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# EP Energy, a.s.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

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## 1. Description and principal activities

### *Establishment and description of the Company*

EP Energy, a.s. ("the Company") was established on 16 December 2010 by subscribing the registered capital in the form of a non-monetary contribution of 100% of shares of Plzeňská energetika a.s., Honor Invest, a.s., EP Renewables a.s. (formerly Czech Wind Holding, a.s.), První energetická a.s., ROLLEON a.s., Czech Energy Holding, a.s. and of a 51% share in AISE, s.r.o.

The Company's principal activity is the management of its own assets.

### *Ownership structure*

The shareholders of the Company as at 31 December 2015 were:

CE Energy, a.s., Id. No.: 024 13 507	100%
--------------------------------------	------

### *Registered office*

EP Energy, a.s.  
Příkop 843/4  
Zábrdovice  
602 00 Brno  
Czech Republic

### *Identification number*

292 59 428

### *Members of the board of directors and supervisory board as at 31 December 2015*

#### *Board of directors*

JUDr. Daniel Křetínský (Chairman)  
Jan Špringl (Vice-Chairman)  
Marek Spurný  
Pavel Horský  
Jiří Feist  
Tomáš David

#### *Supervisory board*

Ivan Jakabovič  
Martin Fedor  
Miloš Badida

### *Organisational structure*

The Company had fourteen employees as at 31 December 2015.

# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

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### *Changes in the Commercial Register in 2015*

- Merger by acquisition:
  - o On 1 August 2015, the project of a merger by acquisition between the successor company EP Energy, a.s. (Id. No.: 292 59 428) and the dissolving companies EP Renewables, a.s. (Id. No.: 031 39 085) and ČKD Blansko Wind, a.s. (Id. No.: 276 89 701) was recorded in the Commercial Register. The decisive date of this merger was 1 January 2015.
- Change in the registered capital:
  - o The decrease of the registered capital of the Company by CZK 6,725,044,512 by decreasing the nominal value of all 19 549 548 shares issued by the Company from CZK 1,001 per share to CZK 657 per share was recorded in the Commercial Register on 5 February 2015. At the same time, the new amount of the registered capital of CZK 12 844 053 036 was recorded in the Commercial Register.

## **2. Significant accounting policies applied by the Company**

The accompanying financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, and relevant regulations and decrees applicable to entrepreneurs, in particular Decree No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting.

The financial statements have been prepared on the historical cost principle.

All amounts are shown in thousands of Czech crowns unless otherwise stated.

### **a) Tangible and intangible fixed assets**

Fixed assets are understood to be assets with a useful life longer than one year which cost more than TCZK 40 for tangible assets on an individual basis and more than TCZK 60 for intangible assets on an individual basis. Tangible fixed assets costing up to TCZK 40 and intangible fixed assets costing up to TCZK 60 are not recognised in the balance sheet and are expensed in the year that they are acquired.

Purchased tangible and intangible fixed assets are stated at acquisition cost less accumulated depreciation and potential adjustments.

Temporary impairment of tangible and intangible fixed assets is shown through adjustments, which are reported in the correction column of the balance sheet along with depreciation.

# EP Energy, a.s.

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The cost of technical improvement increases the cost of tangible and intangible fixed assets. Repair and maintenance costs are charged to current year expenses.

### *Depreciation*

Tangible and intangible fixed assets are depreciated based on their acquisition cost and estimated useful lives on a straight-line and monthly basis. Depreciation starts in the month following the month in which a relevant asset is put into use and ends in the month in which the asset is disposed. For technical improvements that become part of the depreciated assets, depreciation starts in the month in which a relevant technical improvement is put into use (this does not apply to technical improvements made to fixed assets of another).

Assets are depreciated using the following methods over the following periods:

Asset	Number of years
Computer systems	3 - 5 years
Fixtures and fittings	3 - 10 years
Other tangible fixed assets	5 - 20 years
Software	3 years

Gains or losses from the sale or disposal of fixed assets are determined as the difference between revenues from the sale and the net book value of the relevant assets as at the date of the sale and are charged to profit or loss.

### b) Financial assets

Long-term investments comprise equity investments in subsidiaries and associated companies, debt securities that the Company has the intent and ability to hold to maturity, and other long-term securities for which the Company's intent is not known upon acquisition.

Securities are initially stated at cost defined under Section 48 of Decree No. 500/2002 Coll. The cost of securities does not comprise interest on loans taken for their acquisition and expenses associated with their holding.

Equity investments contributed to the Company's registered capital were valued by an independent expert appointed by the court.

As at the balance sheet date, equity investments are recognised at acquisition cost, and if a particular investment has been impaired, an adjustment is established.

# EP Energy, a.s.

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If securities are held in foreign currencies, they are translated as at the balance sheet date using the current rates of exchange announced by the Czech National Bank against the revaluation of assets and liabilities in equity.

c) Receivables

Receivables are accounted for at their nominal value. Assigned receivables are stated at acquisition cost including other related costs (Section 25 of Act No. 563/1991 Coll.). As at the balance sheet date, temporary impairment of doubtful receivables is accounted for using adjustments that are debited to expenses and are shown in the correction column in the balance sheet. Adjustments are established to receivables that are more than 180 days overdue and to receivables identified based on an analysis of the credit status of individual customers.

The value of receivables from provided loans is increased by uncollected interest (except for default interest).

d) Loans received

Short-term and long-term loans are initially recorded at their nominal value. Upon the preparation of the financial statements the loan balances are increased by unpaid interest charged by banks or other parties. The Company classifies as short-term any part of long-term loans that is due within one year of the balance sheet date.

e) Derivatives

*Trading derivatives*

As at the balance sheet date, derivatives held for trading are recognised at fair value in Other receivables or Other payables. Gains/losses from changes in fair value are recorded in the income statement.

*Hedging derivatives*

The Company uses hedging derivatives (interest rate swaps) to mitigate interest rate risks relating to payments of interest on loans received. Hedging derivatives are recognised at fair value. The hedge is fully in line with the Company's risk management strategy. All interest rate swap transactions are documented and their effectiveness is evaluated on a continuous basis.

The realised portion of financial derivatives is recognised under Other financial expenses/revenues in the income statement. As at the balance sheet date, the unrealised portion is recorded in revaluation of assets and liabilities and recognised as part of equity.

In the case of cash flow hedges, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in equity and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the

# EP Energy, a.s.

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designation is revoked, then the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, the balance in equity is reclassified to profit or loss.

### *Cash flow hedge – hedging the foreign exchange risk with non-derivative financial liabilities*

The Company applies hedge accounting in order to hedge the risk of changes in exchange rates from highly probable future transactions denominated in a foreign currency with defined non-derivative financial liabilities serving as hedging instruments. The hedge is in line with company's risk management strategy. All hedging transactions are documented and the efficiency of each transaction is regularly reviewed. Accounting treatment of hedging instruments is the same as accounting treatment of hedging derivatives described in the previous paragraph.

#### f) Foreign currency transactions

The Company applies the Czech National Bank official rate effective on the date of acquisition of an asset or the occurrence of a liability to foreign currency transactions. During the year foreign exchange gains and losses are only recognised when realised at the time of settlement.

As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the prevailing Czech National Bank official rates. All foreign exchange gains and losses are recognised in financial revenues or expenses.

#### g) Recognition of expenses and revenues

Revenues and expenses are recognised on an accrual basis, i.e. in the period to which they relate in terms of substance and timing. In compliance with the principle of prudence, provisions and adjustments are created to cover all risks, losses and impairment known as at the balance sheet date and are debited to expenses.

#### h) External financing costs

Costs incurred to obtain external financing (including other associated costs) are charged to current year expenses on a one-off basis.

#### i) Income tax

Current income tax is calculated using the effective tax rate and the accounting profit increased or decreased by permanent or temporary non-deductible expenses and non-taxable revenues (e.g. the creation and utilisation of other provisions and adjustments, representation costs, differences between accounting and tax depreciation), sorted by tax on ordinary and extraordinary activities.

Deferred income tax is determined for companies constituting a group of companies and for all accounting units to which the duty to have their financial statements audited applies. Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax asset/liability is utilised.

# EP Energy, a.s.

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A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables.

j) Consolidation

The Company prepares its consolidated financial statements in compliance with the International Financial Reporting Standards as adopted by EU. The Czech translation of these consolidated financial statements will be published along with the consolidated annual report in the Commercial Register.

k) Loans, bonds and overdrafts

The Company classifies as short-term any part of long-term loans, bonds and overdrafts that is due within one year of the balance sheet date.

### 3. Change in accounting policies and procedures

In 2015, no changes were made to the Company's accounting principles and procedures.

### 4. Comparability of information

As described in Note 1, the Company was part of a merger by acquisition with the decisive date of 1 January 2015, which was recorded in the Commercial Register. The prior period information represents the Company's opening balance sheet as at 1 January 2015. Consequently, the income statement and the statement of cash flow do not provide any comparative data.

### 5. Cash flow statement

The cash flow statement has been prepared by an indirect method. Cash equivalents are defined to be short-term financial assets that can be readily converted to a pre-determined amount of cash.

# EP Energy, a.s.

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Cash and cash equivalents as at the year-end can be analysed as follows:

	Balance at 31/12/2015	Balance at 1/1/2015
Cash in hand and cash in transit	24	32
Cash at the bank	773 678	28 612
<b>Total cash and cash equivalents</b>	<b>773 702</b>	<b>28 644</b>

Cash flows from operating, investment and financial activities are shown in the cash flow statement on a non-aggregate basis.

## 6. Long-term investments

31 December 2015

### Equity investments

Company name	Registered office	Ownership	Total profit (+) loss (-) for 2015	Equity at 31/12/2015	Net amount of investment
		in %	in thousands of CZK/ EUR/HRK/PLN	in thousands of CZK/ EUR/HRK/PLN	in TCZK
AISE, s.r.o.*	Pekárenská 400, Zlín	80	21 369 (CZK)	49 761 (CZK)	34 381
ARISUN, s.r.o.*	Pribinova 25, Bratislava	100	-234 (EUR)	-26 (EUR)	31 238
EBEH Opatovice, a.s.*/**	Opatovice nad Labem – Pardubice 2	100	- 145 (CZK)	1 589 (CZK)	1 734
Elektrárny Opatovice, a.s.*	Opatovice nad Labem – Pardubice 2	100	- 185 964 (CZK)	4 668 422 (CZK)	8 178/032
EP Cargo, a.s.*	náměstí Hrdinů 1693/4a – Praha 4 - Nusle	100	77 058 (CZK)	171 527 (CZK)	266 700
EP Cargo Deutschland GmbH *	Theresienhöhe 30, 80 339 Munich, Germany	100	- 66 (EUR)	67 (EUR)	2 784
EP Cargo Polska, s.a.		100	365 (PLN)	565 (PLN)	1 306



# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

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EP ENERGY HR d.o.o.*	Svačićeva 10, Grad Split, Split, Croatia	100	- 115 (HRK)	-226 (HRK)	71
EP ENERGY TRADING, a.s.*	Klimentská 1216/46, Praha 1	100	234 830 (CZK)	500 665 (CZK)	1 042 576
Energzet Servis, a.s.*	Jedovnická 4303/2a, Brno - Židenice	100	1 499 (CZK)	17 209 (CZK)	2 000
EP Hungary, a.s. *	Pařížská 130/26, Josefov, Praha 1	100	7 495 (CZK)	182 495 (CZK)	177 000
Greeninvest Energy, a.s. *	Příkop 843/4, Brno - střed	41.7	16 520 (CZK)	8 120 (CZK)	50 817
CHIFFON ENTERPRISES LIMITED *	Akropoleos 59-61, SAVVIDES CENTER 102, Nicosia, Cyprus	100	- 73 (EUR)	- 411 (EUR)	20 198
VTE Moldava II, a.s.*	Pařížská 130/26, Josefov, Praha 1	100	-1 991 (CZK)	6 228 (CZK)	87 695
JTSD Braunkohlebergbau GmbH*	Auf-Str 1., 06711 Zeitz, Germany	100	4 613 (EUR)	235 544 (EUR)	774 133
NPTH, a.s.*	Opatovice nad Labem – Pardubice 2	100	385 979 (CZK)	11 064 943 (CZK)	9 622 510
PGP Terminal, a.s.*	Hlubinská 917/20, Moravská Ostrava a Přívoz	100	- 540 (CZK)	8 173 (CZK)	20 000
Plzeňská energetika a.s.*	Tylova 1/57, Plzeň	100	CZK 83 303	CZK 1 460 649	818 321
Powersun, a.s.*	Pařížská 130/26, Josefov, Praha 1	100	11 515 (CZK)	22 387 (CZK)	152 184
PT Holding Investment B.V.*	Weteringschans 26, 1017 SG Amsterdam, the Netherlands	100	13 483 (EUR)	177 384 (EUR)	36 058
Stredoslovenská energetika, a.s.*	Pri Rajčianke 8591/4B, Bratislava	49	110 721 (EUR)	491 506 (EUR)	9 317 398
Triskata, s.r.o. *	Pribinova 25, Bratislava	100	- 229 (EUR)	64 (EUR)	36 086
United Energy, a.s.*	Teplárenská 2, Most – Komořany	100	187 873 (CZK)	1 044 205 (CZK)	4 626 947

# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

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VTE Pchery, s.r.o.	Pařížská 130/26, Josefov, Praha 1	64	4 826 (CZK)	9 951 (CZK)	51 602
EP Sourcing a.s.*	Teplárenská 2, Most – Komořany	100	CZK 112 956	CZK 216 017	112 452
<b>Total equity investments</b>					<b>35 464 223</b>

\*Data deriving from non-audited statutory financial statements.

\*\* On 9 June 2014 the sole shareholder decided to cancel a decision to dissolve the company by liquidation.

An provision of TCZK 175 061 was created to an equity investment in EP ENERGY TRADING, a.s. In addition, the Company created the following adjustments: an adjustment of TCZK 11 161 to an investment in Arisun a.s., an adjustment of TCZK 201 826 to an investment in VTE Moldava II, a.s., an adjustment of TCZK 10 381 to an investment in Triskata, a.s., and an adjustment of TCZK 5 703 to an investment in VTE Pchery. The Company also created an adjustment of TCZK 288 058 to an investment in EBEH Opatovice, a.s.

After carrying out impairment tests, the Company did not identify any impairments other than those specified in the preceding paragraph.

At the end of 2015, the Company sold its 100% ownership interest in the subsidiary EP Germany GmbH to JTSD. The purchase price was determined according to the fair value of EP Germany GmbH's equity of TCZK 115 640. The Company also sold its 100% ownership interest in ROLLEON a.s. of TCZK 96 650.

### 1 January 2015

<b>Equity investments</b>		
Company name	Ownership	Net amount of investment
	in %	in TCZK
AISE, s.r.o.	80	34 381
Arisun, a.s.	100	41 090
EBEH Opatovice, a.s.	100	1 734
Elektrárny Opatovice, a.s.	100	8 178 032
EP Cargo, a.s.	60	160 000
EP Cargo Deutschland GmbH	100	775
EP Energy HR d.o.o.	100	72
EP ENERGY TRADING, a.s.	100	1 042 576
EP Germany GmbH	100	693

# EP Energy, a.s.

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VTE Moldava II., a.s.	100	187 695
Greeninvest Energy, a.s.	41.67	50 817
Chiffon	100	20 199
JTSD Braunkohlebergbau GmbH	100	794 185
NPTH, a.s.	100	9 622/510
Plzeňská energetika a.s.	100	818 321
PGP Terminal, a.s.	100	20 000
Powersun	100	152 184
PT Holding Investment B.V.	100	36 058
ROLLEON a.s.	100	132 252
Stredoslovenská energetika, a.s.	49	9 558/194
Triskata	100	45 207
United Energy, a.s.	100	4 626 947
VTE Pchery	64	51 602
EP Coal Trading, a.s.	100	112 452
<b>Total equity investments</b>		<b>35 687 976</b>

An adjustment of TCZK 101 826 was created to an equity investment in VTE Moldava II a.s. as at 1 January 2015. In addition, the Company created an adjustment of TCZK 175 061 to an equity investment in EP ENERGY TRADING, a.s. The Company also created an adjustment of TCZK 288 059 to an investment in EBEH Opatovice, a.s., which was in liquidation as at 1 January 2014.

## 7. Long-term receivables

Long-term receivables – group undertakings primarily comprise loans provided to related parties (see Note 14).

Long-term receivables also include receivables from derivatives as shown in the table below.

Fixed-term contracts reported in Other receivables in TCZK	Counter-party	Due date	Fair value at 31/12/2015	Nominal value TEUR	Fair value at 1/1/2015
Hedging derivative	ČSOB	3/11/2025	33 989	100 000	-
Forward purchase of EUR	Energetický a průmyslový holding, a.s.	1/12/2016	-*		153 652
<b>Total derivatives</b>			<b>33 989</b>	<b>100 000</b>	<b>153 652</b>

\* The value as at 31/12/2015 is recognised in short-term receivables.

# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

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### *Cash flow hedge – hedging the interest risk with interest rate swap*

The Company applies hedge accounting for interest rate swaps that are used for hedging of interest expense on current and planned financing of the Company. Hedged interest expense from financing of Company's needs are considered as highly probable and are expected between years 2018 and 2025. The impact on profit of the Company is expected in this period as well. As at 31 December 2015, TCZK 33 989 from this hedge relationship was recognised in the Company's equity including a related deferred tax of TCZK 6 458 (as at 1 January 2015 – TCZK 0). In 2015, TCZK 0 was transferred from equity to the income statement as a result of realization of hedged planned cash flows.

## 8. Short-term receivables

Short-term receivables primarily comprise loans provided to related parties (see Note 13).

### *Ageing structure of trade receivables*

Receivables of TCZK 202 (1 January 2015: TCZK 2 735) are less than 60 days overdue. The Company believes that it is not necessary to create adjustments to these receivables after performing an analysis of their collectability.

Receivables of TCZK 11 922 (as at 1 January 2015: TCZK 12 230) are more than two years overdue. A 100% adjustment has been created to these receivables (as at 1 January 2015: an adjustment of TCZK 9 173).

Other short-term receivables primarily include a receivable resulting from sale of the equity investment in EP Germany GmbH of TCZK 115 640 to JTSD-Braunkohlebergbau GmbH. As at 1 January 2015, they primarily include a receivable of TCZK 9 671 from VTE Moldava II. A receivable from derivatives (see the table below).

Fixed-term contracts reported in Other receivables in TCZK	Counter-party	Due date	Fair value at 31/12/2015	Fair value at 1/1/2015
Forward purchase of EUR	Energetický a průmyslový holding, a.s.	1/12/2016	97 640	_*
<b>Total swaps and forwards</b>			<b>97 640</b>	<b>-</b>

\* The value as at 1/1/2015 is recognised in long-term receivables.

## 9. Tax receivables

As at 31 December 2015, the Company reports a receivable relating to value added tax and a receivable relating to corporate income tax prepayments. As at 1 January 2015, the Company reports a receivable relating to corporate income tax prepayments (see Note 18).

# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

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### 10. Long-term liabilities

The bonds issued are quoted on the Irish stock exchange. The first tranche is payable in 2019 and bears an interest rate of 5.875% p.a. The second tranche is payable in 2018 and bears an interest rate of 4.375% p.a. A total of 50% + 1 shares of the Company and of other selected subsidiaries are pledged in favour of bond holders.

Interest on both tranches are payable twice a year retrospectively on 1 May and 1 November of each year.

Deferred tax liability of TCZK 814 393 (1 January 2015: TCZK 780 177) is described in note 18. Income tax.

#### *Cash flow hedge - hedging the foreign exchange risk with non-derivative financial liabilities*

The Company applies hedge accounting for hedging instruments designated to hedge foreign exchange risk of revenues denominated in foreign currency (EUR). Out of total nominal MEUR 1 100 of issued bonds, the Company designates MEUR 375 as hedging instrument. Hedged cash flows from dividends from subsidiaries in EUR, which are considered highly probable by Company, are expected between years 2016 and 2030. The impact on profit of the Company is expected in this period as well. As at 31 December 2015, TCZK 262 500 from this hedge relationship was recognised in the Company's equity including a related deferred tax of TCZK 49 875 (as at 1 January 2015 – TCZK 0). In 2015, TCZK 0 was transferred from equity to the income statement as a result of realization of hedged planned cash flows.

### 11. Short-term liabilities

Short-term liabilities primarily comprise payables to related parties arising from received loans of TCZK 4 716 406 (1 January 2015: TCZK 2 370 273), accrued interest on issued bonds of TCZK 250 544 (1 January 2015: TCZK 257 033), and other payables of TCZK 101 226 (1 January 2015: TCZK 264 460).

Other payables include, in particular, a payable to JTSD-Braunkohlebergbau GmbH of TCZK 94 588 (1 January 2015: TCZK 97 038) relating to real estate transfer tax.

# EP Energy, a.s.

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## 12. Bank loans

Long-term bank loans comprise:

Bank	Currency	Balance at 31/12/2015	Balance at 1/1/2015	Interest rate
HSBC Bank Praha	EUR	1 351 250	0	variable
Commerzbank	EUR	1 351 250	0	variable
ČSOB	EUR	2 026 875	0	variable
UniCredit Bank London	EUR	0	3 266 559	variable
<b>Total</b>		<b>4 729 375</b>	<b>3 266 559</b>	

Short-term bank loans and short-term overdrafts comprise:

Bank	Currency	Balance at 31/12/2015	Balance at 1/1/2015	Interest rate
HSBC Bank Praha	EUR	0	693 125	variable
Royal Bank of Scotland	EUR	0	609 131	variable
Komerční banka	EUR	0	1 030 064	variable
UniCredit Bank	EUR	531 194	473 726	variable
<b>Total</b>		<b>531 194</b>	<b>2 806 046</b>	

# EP Energy, a.s.

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## 13. Related parties

a) Long-term receivables from provided loans

31 December 2015

Company name	Due date	Interest rate	Balance at 31/12/2015
Arisun, a.s.	31/12/2024	fixed	4 825
Elektrárny Opatovice, a.s.	29/10/2019	fixed	4 662 677
Elektrárny Opatovice, a.s.	25/6/2018	fixed	783 725
EP ENERGY TRADING, a.s.	29/10/2019	fixed	396 247
EP ENERGY TRADING, a.s.	15/11/2020	fixed	200 000
EP Germany GmbH	31/10/2019	fixed	2 646 095
Greeninvest Energy, a.s.	31/12/2022	fixed	143 054
JTSD Braunkohlebergbau GmbH	29/10/2019	fixed	3 702 425
JTSD Braunkohlebergbau GmbH	30/6/2024	fixed	6 461 678
Plzeňská energetika a.s.	29/7/2018	fixed	268 899
POWERSUN a.s.	31/12/2024	fixed	53 872
Triskata, s.r.o.	31/12/2024	fixed	3 876
United Energy, a.s.	30/12/2019	fixed	668 029
United Energy, a.s.	29/10/2019	fixed	938 566
VTE Moldava II, a.s.	31/12/2024	fixed	59 837
VTE Pchery, s.r.o.	31/12/2024	fixed	85 046
<b>Total at 31/12/2015</b>			<b>21 078 851</b>

1 January 2015	Company name	Due date	Interest rate	Balance at 1/1/2015
	Arisun, a.s.	31/12/2024	fixed	4 775
	Elektrárny Opatovice, a.s.	29/10/2019	fixed	4 783 450
	Elektrárny Opatovice, a.s.	25/6/2018	fixed	804 025
	EP ENERGY TRADING, a.s.	29/10/2019	fixed	406 511
	EP ENERGY TRADING, a.s.	15/11/2020	fixed	200 000
	EP Germany GmbH	31/10/2019	fixed	2 941 990
	Greeninvest Energy, a.s.	31/12/2022	fixed	154 728
	JTSD Braunkohlebergbau GmbH	29/10/2019	fixed	3 798 325
	JTSD Braunkohlebergbau GmbH	30/6/2024	fixed	6 764 900
	Plzeňská energetika a.s.	29/7/2018	fixed	275 864
	Plzeňská energetika a.s.	29/10/2019	fixed	254 879
	POWERSUN a.s.	31/12/2024	fixed	67 044
	Triskata, s.r.o.	31/12/2024	fixed	3 848
	United Energy, a.s.	30/12/2019	fixed	685 333
	United Energy, a.s.	29/10/2019	fixed	1 129 227
	VTE Moldava II, a.s.	31/12/2024	fixed	57 714
	VTE Pchery, s.r.o.	31/12/2024	fixed	80 915
	<b>Total at 1/1/2015</b>			<b>22 413 528</b>

# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

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### b) Short-term receivables from provided loans

31 December 2015

Company name	Interest rate	Balance at 31/12/2015
Alternative Energy, a.s.	fixed	4 055
Energetický a průmyslový holding, a.s.	fixed/variable*	8 264 520
EP Coal Trading, a.s.	variable*	21 822
EP Energy HR d.o.o.	fixed	946
EP ENERGY TRADING, a.s.	fixed/variable*	6 262
Elektrárny Opatovice, a.s.	fixed	758 705
Chiffon Enterprises Limited	fixed	262 681
JTSD Braunkohlebergbau GmbH	fixed	348 678
MR TRUST s.r.o.	fixed	362
Plzeňská energetika, a.s.	fixed	2 202
United Energy, a.s.	fixed	15 328
Termonta, a.s.	fixed	6 674
VTE Moldava II, a.s.	fixed	124 849
EP Hungary, a.s.	fixed	204 469
<b>Total at 31/12/2015</b>		<b>10 021 553</b>

\* A variable interest rate derives from PRIBOR or EURIBOR plus a margin.

1 January 2015

Company name	Interest rate	Balance at 1/1/2015
CE Energy, a.s.	fixed	1 718 229
Energetický a průmyslový holding, a.s.	fixed / variable*	13 478 255
EP Sourcing, a.s.	variable*	56 159
EP Energy HR d.o.o.	fixed	416
EP ENERGY TRADING, a.s.	fixed/variable*	145 027
Elektrárny Opatovice, a.s.	fixed	56 824
CHIFFON ENTERPRISES LIMITED	fixed	240 616
JTSD Braunkohlebergbau GmbH	fixed	144 136
MR TRUST s.r.o.	fixed	331
Plzeňská energetika, a.s.	fixed	4 936
United Energy, a.s.	fixed	17 472
VTE Moldava II, a.s.	fixed	124 285
<b>Total at 1/1/2015</b>		<b>15 986 686</b>

\* A variable interest rate derives from PRIBOR or EURIBOR plus a margin.



# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

c) Other short-term receivables*		
Counter-party	Balance at 31/12/2015	Balance at 1/1/2015
POWERSUN a.s.	--	308
JTSD Braukohlebergbau GmbH	115 640	930
AISE, s.r.o.	--	136
Alternative Energy, s.r.o.	189	123
ARISUN s.r.o.	--	123
VTE Pchery s.r.o.	--	283
Claymore Equity, s.r.o.	35	123
Energotrans SERVIS, a.s.	--	530
Energzet a.s.	--	527
Elektrárny Opatovice, a.s.	267	3 435
EP Auto, s.r.o.	--	1
EPH Gas Holding B.V.	--	332
EP Energy HR d.o.o.	1	1
EP Cargo, a.s.	571	--
EP Sourcing, a.s.	34	335
LokoTrain, s.r.o.	14	--
Greeninvest Energy, a.s.	--	212
Helmstedter Revier GmbH	--	769
CHIFFON ENTERPRISES LIMITED	--	148
EBEH Opatovice, a.s.	--	232
EP Investment Advisors, s.r.o.	1 525	4 309
Plzeňská energetika a.s.	144	2 768
NPTH, a.s.	--	232
Pražská teplárenská, a.s.	497	2 690
PT Holding Investment B.V.	50	169
ROLLEON a.s.	--	95
EP Industries, a.s.	140	--
Stredoslovenská energetika, a.s.	--	1 581
Triskata, s.r.o.	--	123
EP Coal Trading, a.s.	17	--
United Energy, a.s.	157	5 629
EP ENERGY TRADING, a.s.	2 771	8 658
EP COAL TRADING POLSKA S.A.	--	79
VTE Moldava II, a.s.	9 671	10 097
MR TRUST s.r.o.	329	329
S.E.E.V.I.	--	10
<b>Total</b>	<b>132 052</b>	<b>45 317</b>

\* The balances are included in various lines of short-term receivables except for the "Receivables – group undertakings" line.

# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

### d) Short-term payables from received loans

31 December 2015

Company name	Interest rate	Balance at 31/12/2015
Elektrárny Opatovice, a.s.	variable*	602 632
Energotrans SERVIS, a.s.	fixed/variable*	316 404
EP ENERGY TRADING, a.s.	variable*	51 289
JTSD Braunkohlebergbau GmbH	fixed	456 514
Mitteldeutsche Braunkohlengesellschaft GmbH	variable*	2 162 802
Plzeňská energetika, a.s.	variable*	82 378
Pražská teplárenská, a.s.	variable*	126 027
PT Holding Investment B.V.	fixed/variable*	3 049
Saale Energie GmbH	fixed	329 746
Severočeská teplárenská, a.s.	variable*	289 738
United Energy, a.s.	variable*	295 827
<b>Total at 31/12/2015</b>		<b>4 716 406</b>

\* A variable interest rate derives from PRIBOR or EURIBOR plus a margin. All interest rates have been set on a market basis.

1 January 2015

Company name	Interest rate	Balance at 1/1/2015
Elektrárny Opatovice, a.s.	variable*	465 981
Energotrans SERVIS, a.s.	fixed	2 180
Helmstedter Revier GmbH	fixed	424 648
JTSD Braunkohlebergbau GmbH	fixed	648 367
PT Holding Investment B.V.	fixed/variable*	797 069
ROLLEON a.s.	variable*	18 102
United Energy, a.s.	variable*	13 925
<b>Total at 1/1/2015</b>		<b>2 370 272</b>

\* A variable interest rate derives from PRIBOR or EURIBOR plus a margin. All interest rates have been set on a market basis.

# EP Energy, a.s.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

## e) Expenses – interest

Company name	2015
Elektrárny Opatovice, a.s.	7 799
Helmstedter Revier GmbH	5 428
JTSD Braunkohlebergbau GmbH	13 822
Mitteldeutsche Braunkohlen Gesellschaft GmbH	18 730
ED Holding, a.s.	4 603
Energotrans SERVIS, a.s.	4 555
EP ENERGY TRADING, a.s.	1 442
EP HUNGARY, a.s.	383
Pražská teplárenská, a.s.	3 180
Plzeňská energetika, a.s.	1 459
PT Holding Investment B.V.	13 330
ROLLEON, a.s.	346
Saale Energie	41
Severočeská teplárenská, a.s.	12
United Energy, a.s.	2 215
<b>Total</b>	<b>77 345</b>

## f) Revenues – interest

Company name	2015
Arisun, a.s.	173
CE Energy, a.s.	5 878
EP Germany GmbH	212 711
EP Hungary a.s.	1 118
JTSD Braunkohlebergbau GmbH	571 848
Elektrárny Opatovice, a.s.	320 907
Energetický a průmyslový holding, a.s.	329 066
EP ENERGY TRADING, a.s.	36 787
Plzeňská energetika a.s.	27 278
Greeninvest Energy, a.s.	13 326
POWERSUN a.s.	3 512
Triskata, s.r.o.	126
United Energy, a.s.	95 365
VTE Moldava II, a.s.	4 175
VTE Pchery s.r.o.	4 130
Termonta, a.s.	7
MR TRUST s.r.o.	32
NPTH, a.s.	488
EP Sourcing, a.s.	655
CHIFFON ENTERPRISES LIMITED	18 267
<b>Total</b>	<b>1 645 849</b>

# EP Energy, a.s.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

## g) Revenues – dividends

Company name	2015
Rolleon a.s.	5 000
Stredoslovenská energetika, a.s.	691 406
AISE, s.r.o.	9 600
PT Holding Investment B.V.	962 432
NPTH, a.s.	342 200
<b>Total</b>	<b>2 010 638</b>

## h) Revenues – other

Company name	2015
EP Cargo, a.s.	571
LokoTrain, a.s.	15
United Energy, a.s.	12 519
<b>Total</b>	<b>13 105</b>

## 14. Cost of services

These costs primarily include costs incurred for legal and accounting advisory and services rendered by experts.

## 15. Other financial expenses and revenues

Other financial revenues primarily comprise foreign exchange gains of TCZK 718 250.

Other financial expenses comprise foreign exchange losses of TCZK 788 029 and expenses associated with fees for bank loans of TCZK 36 984.

## 16. Employees and executives

The Company had fourteen employees as at 31 December 2015. As at 1 January 2015, the Company had eleven employees. TCZK 11 708 of total personnel expenses relates to executives.

Social security liabilities (31/12/2015: TCZK 118; 1/1/2015: TCZK 127) and health insurance liabilities (31/12/2015: TCZK 290; 1/1/2015: TCZK 265) are not overdue.

# EP Energy, a.s.

## Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

### 17. Fees payable to statutory auditors

This information is disclosed in the notes to the consolidated financial statements in which the Company is included.

### 18. Income tax

#### Current tax

The current tax estimate and overview of income tax prepayments as at 31 December 2015 and as at 1 January 2015 are shown below:

	Balance at 31/12/2015	Balance at 1/1/2015
Current tax estimate	113 558	140 756
Current income tax prepayments	74 961	31 234
<b>Income tax provision</b>	<b>38 597</b>	<b>113 766</b>

Expenses of TCZK 113 558 related to current income tax on ordinary activities in 2015 are decreased by TCZK 1 000 which are result of recording of additional income tax for 2014 and release of income tax provision as at 31 December 2014.

#### Deferred tax

The deferred tax liability consists of the following items:

Deferred tax arising from	Balance at 31/12/2015	Balance at 1/1/2015
Revaluation of fixed assets as part of a merger*	713 959	713 959
Revaluation of the assets of EP Renewables a.s.	67 790	68 692
Long-term investments	-23 689	-2 474
Revaluation of hedging instruments	56 333	-
<b>Total</b>	<b>814 393</b>	<b>780 177</b>

\* The deferred tax liability has arisen from the revaluation of assets within the merger of EP Energy, a.s. with Honor Invest, a.s., Czech Energy Holding, a.s., EAST BOHEMIA ENERGY HOLDING LIMITED, LIGNITE INVESTMENT 1 LIMITED and HC Fin3 N. V.

Change in deferred tax recognized in Profit and loss account of TCZK 22 117 consists of decrease of deferred tax liability from revaluation of the assets of EP Renewables a.s. and of increase of deferred tax asset from long-term investments.

In accordance with the accounting policy described in note 2 (i), a tax rate of 19% was used to calculate deferred tax (2014 – 19%).

# EP Energy, a.s.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

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## 19. Contingencies and commitments

In off-balance sheet records the Company reports a liability of TCZK 25 286 272 representing the shares of the Company's subsidiaries pledged in favour of ČSOB, HSBC and Commerzbank (as of 1 January in favour of Unicredit Bank AG London Branch) in connection with a guarantee for a syndicated loan.

In addition, the Company records off-balance sheet a liability of TCZK 773 701 arising from security interests charged in favour of ČSOB, HSBC and Commerzbank (as of 1 January in favour of Unicredit Bank AG London Branch).

As well as a liability of TCZK 31 071 908 arising from loans put as a security interest in favour of ČSOB, HSBC and Commerzbank (as of 1 January in favour of Unicredit Bank AG London Branch).

The Company reports an off-balance sheet liability from derivative transactions in the nominal value of TCZK 4 717 532.

In addition, the Company reports off-balance sheet a liability from provided guarantees to EP ENERGY TRADING, a.s. of TCZK 893 303, a liability from provided guarantees to EP Cargo, a.s. of TCZK 121 613, and a liability from provided guarantees to LokoTrain, a.s. of TCZK 10 000.

## 20. Receivables kept off-balance sheet

The Company reports off-balance sheet a receivable from derivative transactions in the nominal value of TCZK 4 829 032.

# EP Energy, a.s.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

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## 21. Material subsequent events

On 6 April 2016 the parent company CE Energy, a.s. was renamed to EP Infrastructure, a.s. (EPIF). The change was entered to Commercial register on 11 April 2016.

During 2016 activities and assets held by EPIF were reorganized in view of intended sale of a minority share of EPIF to third parties. The reorganization also included the following matters relating to the EPE Company.

### German assets sale

German assets include MIBRAG and Saale Energie. MIBRAG is a wholly-owned subsidiary of JTSD, Saale Energie is a wholly-owned subsidiary of EP Germany; both EP Germany and JTSD were wholly-owned subsidiaries of EPE.

The German assets were disposed of by means of sale of 100 per cent shares in JTSD by EPE to EPH for TCZK 4 217 112 (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, on 23 February 2016 JTSD set-off its receivables towards EPE in the amount of TCZK 2 215 010 arising from:

- (i) a loan of TCZK 458 060 provided by JTSD to EPE, and
- (ii) a loan of TCZK 1 756 950 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 TCZK 8 497 458; and

JTSD assumed a liability of EP Germany towards EPE in the amount of TCZK 1 670 676 (out of the original total amount of TCZK 2 481 576 outstanding under the loan provided by EPE to EP Germany) for the nominal value thereof, and

EPE contributed TCZK 1 923 984 to the capital funds of JTSD.

Immediately after the capitalization, the total liabilities of JTSD towards EPE amounted to TCZK 8 244 150. These were settled by JTSD making a payment to EPE in the amount of TCZK 8 244 150 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 TCZK 45 692.

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 TCZK 811 650. This was settled by EP Germany making a payment in the amount of TCZK 811 650 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 of TCZK 6 512 was fully settled in cash.

# EP Energy, a.s.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)

Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

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## Other disposals of shares

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 TCZK 6 5129 189 in cash (completed on 29 February 2016),
- b. 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 TCZK 9 523 in cash (completed on 4 April 2016),
- c. 100% of shares in EP CARGO POLSKA s.a. by EP Energy, a.s. (as the seller) to EP Logistics International, a.s. (as the buyer) for the purchase price of TCZK 13 176 in cash (completed on 4 April 2016).

## Repayment of EP Energy's term loans

On 4 April 2016 EPE fully repaid the term loans totalling TCZK 4 733 750 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 TCZK 110 697 towards EPH corresponding to the FX forward fair value. This receivable was acquired by EP Infrastructure, a.s. for the nominal value thereof, i.e., the Company had a receivable of TCZK 110 697 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 TCZK 8 349 611 consisted of unpaid principal loan of TCZK 7 390 477 and unpaid accrued interest of TCZK 959 134.



# EP Energy, a.s.

Notes to the Czech statutory financial statements (non-consolidated, translated from the Czech original)


Year ended 31 December 2015

(All amounts are shown in thousands of Czech crowns "TCZK")

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Apart from the events described above and in other notes to these financial statements, the Company's management is not aware of any other events that have occurred since the balance sheet date that would have any material impact on the financial statements as at 31 December 2015.

Prepared on: 28 April 2016



Pavel Horský  
*Member of the Board of Directors*



Marek Spurný  
*Member of the Board of Directors*

