# EP Infrastructure Group

## Combined Financial Statements as of and for the years ended 31 December 2015, 31 December 2014 and 31 December 2013

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# Independent Auditor's Report on Combined Financial Statements to the Board of Directors of Energetický a průmyslový holding, a.s.

We have audited the accompanying combined financial statements of the Central European energy infrastructure operations of Energetický a průmyslový holding, a.s. and its subsidiaries (the "Reporting entity" or "EP Infrastructure Group"), as it is described in Note 1, which comprise the combined statements of financial position as of 31 December 2015, 31 December 2014 and 31 December 2013, and the combined statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to these combined financial statements including a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Combined Financial Statements*

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards as adopted by the E.U. and for such internal control as management determines is necessary to enable the preparation of combined 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 combined financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the combined 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 internal control. 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 combined 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 combined financial statements give true and fair view of the combined financial position of the Reporting Entity as at 31 December 2015, 31 December 2014 and 31 December 2013 and of its combined financial performance and combined cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by E.U.

*Basis of Accounting*

Without modifying our opinion, we draw attention to Note 2(a) to the combined financial statements, which explains the basis of preparation, including the approach to and the purpose for preparing them. As set out in Note 1, these combined financial statements are prepared solely in connection with the planned initial public offering of the EP Infrastructure Group and may not be suitable for any other purpose.

Prague
8 April 2016

KPMG Česká republika Audit

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# Content

# Combined statements of comprehensive income

## For the year ended

| *In thousands of EUR ("TEUR")* | Note | 2015 | 2014 | 2013 |
|---|---|---|---|---|
| Continuing operations | | | | |
| Sales: Energy | 7 | 3,221,722 | 3,015,553 | 2,609,377 |
| *of which: Gas* | | *1,553,438* | *1,435,026* | *1,453,208* |
| *Electricity* | | *1,298,762* | *1,282,489* | *830,427* |
| *Heat* | | *294,907* | *268,966* | *315,121* |
| *Coal* | | *74,615* | *29,072* | *10,621* |
| Sales: Other | 7 | 33,014 | 35,337 | 31,958 |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | | 10,445 | 13,217 | (3,222) |
| **Total sales** | | **3,265,181** | **3,064,107** | **2,638,113** |
| Cost of sales: Energy | 8 | (1,534,978) | (1,542,665) | (1,292,735) |
| Cost of sales: Other | 8 | (22,117) | (17,222) | (17,765) |
| **Total cost of sales** | | **(1,557,095)** | **(1,559,887)** | **(1,310,500)** |
| **Subtotal** | | **1,708,086** | **1,504,220** | **1,327,613** |
| Personnel expenses | 9 | (195,712) | (196,335) | (176,779) |
| Depreciation and amortisation | 16, 17 | (394,935) | (411,741) | (367,585) |
| Repairs and maintenance | | (11,950) | (12,943) | (13,622) |
| Emission rights, net | 10 | (2,890) | (3,155) | (21,212) |
| Negative goodwill | 6 | 33,085 | - | 256,750 |
| Taxes and charges | 11 | 3,801 | (6,908) | (5,264) |
| Other operating income | 12 | 53,969 | 54,260 | 57,714 |
| Other operating expenses | 13 | (121,808) | (115,310) | (131,555) |
| **Profit (loss) from operations** | | **1,071,646** | **812,088** | **926,060** |
| Finance income | 14 | 46,203 | 107,028 | 112,255 |
| Finance expense | 14 | (231,639) | (275,513) | (213,954) |
| Profit (loss) from financial instruments | 14 | (7,447) | (9,980) | 2,057 |
| **Net finance income (expense)** | | **(192,883)** | **(178,465)** | **(99,642)** |
| Share of profit (loss) of equity accounted investees, net of tax | 18 | 8,683 | 6,363 | 3,517 |
| Gain (loss) on disposal of subsidiaries, joint-ventures and associates | 6 | (1,407) | 19,460 | (668) |
| **Profit (loss) before income tax** | | **886,039** | **659,446** | **829,267** |
| Income tax expenses | 15 | (263,366) | (220,882) | (210,017) |
| **Profit (loss) from continuing operations** | | **622,673** | **438,564** | **619,250** |
| Discontinued operations | | | | |
| Profit (loss) from discontinued operations, net of tax | 24 | - | (22,758) | (90,591) |
| **Profit (loss) for the year** | | **622,673** | **415,806** | **528,659** |
| **Other comprehensive income** | | | | |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | | |
| Foreign currency translation differences for foreign operations | 15 | (64,073) | 31,647 | 196,132 |
| Foreign currency translation differences from presentation currency | 15 | 111,223 | (20,942) | (260,818) |
| Effective portion of changes in fair value of cash-flow hedges, net of tax | 15 | 77,825 | (5,925) | (78,442) |
| Fair value reserve included in other comprehensive income, net of tax | 15 | (834) | (399) | (390) |
| **Other comprehensive income for the year, net of tax** | | **124,141** | **4,381** | **(143,518)** |
| **Total comprehensive income for the year** | | **746,814** | **420,187** | **385,141** |
| **Profit (loss) attributable to:** | | | | |
| **Owners of the Company** | | | | |
| Profit (loss) for the year from continuing operations | | 288,079 | 147,170 | 393,600 |
| Profit (loss) for the year from discontinued operations | | - | (11,151) | (44,390) |
| Profit (loss) for the year attributable to owners of the company | | **288,079** | **136,019** | **349,210** |
| **Non-controlling interest** | | | | |
| Profit (loss) for the year from continuing operations | | 334,594 | 291,394 | 225,650 |
| Profit (loss) for the year from discontinued operations | | - | (11,607) | (46,201) |
| Profit (loss) for the year attributable to non-controlling interest | | **334,594** | **279,787** | **179,449** |
| **Profit (loss) for the year** | | **622,673** | **415,806** | **528,659** |
| **Total comprehensive income attributable to:** | | | | |
| Owners of the Company | | 340,632 | 134,731 | 190,828 |
| Non-controlling interest | | 406,182 | 285,456 | 194,313 |
| **Total comprehensive income for the year** | | **746,814** | **420,187** | **385,141** |

The notes presented on pages 10 to 144 form an integral part of these combined financial statements.

# Combined statements of financial position

**As at 31 December 2015**

*In thousands of EUR ("TEUR")*

| | Note | 31 December 2015 | 31 December 2014 | 31 December 2013 | 1 January 2013 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 16 | 6,886,298 | 6,994,409 | 7,261,673 | 881,781 |
| Intangible assets | 17 | 189,988 | 184,253 | 228,532 | 92,869 |
| Goodwill | 17 | 98,210 | 91,188 | 87,492 | 104,296 |
| Investment property | | 2,531 | - | 324 | 358 |
| Equity accounted investees | 18 | 57,939 | 54,261 | 176,224 | 29,872 |
| Financial instruments and other financial assets | 32 | 609,360 | 785,360 | 562,394 | 255,044 |
| *of which receivables from related parties* | | *584,270* | *772,790* | *557,277* | *250,376* |
| Trade receivables and other assets | 21 | 22,301 | 29,013 | 25,983 | 12,399 |
| Deferred tax assets | 19 | 1,898 | 2,435 | 11,114 | 1,289 |
| **Total non-current assets** | | **7,868,525** | **8,140,919** | **8,353,736** | **1,377,908** |
| Inventories | 20 | 236,111 | 225,243 | 210,479 | 27,089 |
| Trade receivables and other assets | 21 | 524,553 | 378,278 | 355,331 | 187,840 |
| Financial instruments and other financial assets | 32 | 386,284 | 515,157 | 484,468 | 499,723 |
| *of which receivables from related parties* | | *324,092* | *493,349* | *468,562* | *490,135* |
| Prepayments and other deferrals | | 5,484 | 3,610 | 4,109 | 1,262 |
| Tax receivables | 24 | 25,455 | 20,005 | 14,725 | 13,964 |
| Cash and cash equivalents | 22 | 383,536 | 822,450 | 620,575 | 277,159 |
| Restricted cash | 23 | 250,500 | - | - | - |
| Assets/disposal groups held for sale | 25 | 29,329 | 26,131 | 1,533,747 | 10,302 |
| **Total current assets** | | **1,841,252** | **1,990,874** | **3,223,434** | **1,017,339** |
| **Total assets** | | **9,709,777** | **10,131,793** | **11,577,170** | **2,395,247** |
| **Equity** | | | | | |
| Equity attributable to owners of EP Infrastructure Group | 26 | 786,952 | 489,699 | 858,500 | 828,659 |
| Non-controlling interest | 27 | 1,862,842 | 2,218,378 | 3,040,595 | 283,890 |
| **Total equity** | | **2,649,794** | **2,708,077** | **3,899,095** | **1,112,549** |
| **Liabilities** | | | | | |
| Loans and borrowings | 28 | 4,714,149 | 4,150,558 | 4,056,414 | 526,119 |
| *of which owed to related parties* | | *47,078* | *155,403* | *770,373* | *395,799* |
| Financial instruments and financial liabilities | 32 | 4,813 | 5,880 | 1,799 | 1,485 |
| Provisions | 30 | 138,831 | 131,326 | 137,301 | 5,374 |
| Deferred income | 31 | 96,810 | 85,688 | 89,298 | 322 |
| Deferred tax liabilities | 19 | 1,068,536 | 1,067,486 | 1,132,573 | 115,056 |
| Trade payables and other liabilities | 33 | 18,536 | 13,794 | 9,391 | 4,312 |
| **Total non-current liabilities** | | **6,041,675** | **5,454,732** | **5,426,776** | **652,668** |
| Trade payables and other liabilities | 33 | 454,090 | 470,656 | 544,850 | 191,831 |
| Loans and borrowings | 28 | 444,707 | 1,186,209 | 674,362 | 375,776 |
| *of which owed to related parties* | | *86,068* | *265,746* | *17,883* | *283* |
| Liabilities from returned capital contribution | 29 | - | 194,268 | - | - |
| *of which owed to related parties* | | - | *194,268* | - | - |
| Financial instruments and financial liabilities | 32 | 15,570 | 12,379 | 5,937 | 594 |
| Provisions | 30 | 27,924 | 54,903 | 56,866 | 52,258 |
| Deferred income | 31 | 12,211 | 4,294 | 11,224 | 3,384 |
| Current income tax liability | | 46,403 | 29,860 | 66,939 | 4,397 |
| Liabilities from disposal groups held for sale | 25 | 17,403 | 16,415 | 891,121 | 1,790 |
| **Total current liabilities** | | **1,018,308** | **1,968,984** | **2,251,299** | **630,030** |
| **Total liabilities** | | **7,059,983** | **7,423,716** | **7,678,075** | **1,282,698** |
| **Total equity and liabilities** | | **9,709,777** | **10,131,793** | **11,577,170** | **2,395,247** |

The notes presented on pages 10 to 144 form an integral part of these combined financial statements.

# Combined statements of changes in equity

**For the year ended 31 December 2015**

| *In thousands of EUR ("TEUR")* | **Net assets attributable to owners of EP Infrastructure Group** | **Non-controlling interest** | **Total Equity** |
|---|---|---|---|
| **Balance as at 1 January 2015** (A) | **489,699** | **2,218,378** | **2,708,077** |
| Profit (B) | 288,079 | 334,594 | **622,673** |
| Other comprehensive income (C) | 52,553 | 71,588 | **124,141** |
| **Total comprehensive income for the year** (D) = (B + C) | **340,632** | **406,182** | **746,814** |
| *Contributions by and distributions to owners:* | | | |
| Contribution to equity(1) | 160,317 | - | **160,317** |
| Increase of share capital of subsidiaries | - | 259 | **259** |
| Decrease of share capital of subsidiaries(2) | - | (128,469) | **(128,469)** |
| Dividend distributions(3) | (201,526) | (632,091) | **(833,617)** |
| **Total contributions by and distributions to owners** (E) | **(41,209)** | **(760,301)** | **(801,510)** |
| *Changes in ownership interests in subsidiaries:* | | | |
| Effect of changes in shareholdings on non-controlling interest | (2,170) | (3,404) | **(5,574)** |
| Effects from acquisitions through business combinations | - | 1,987 | **1,987** |
| **Total changes in ownership interests in subsidiaries** (F) | **(2,170)** | **(1,417)** | **(3,587)** |
| **Total transactions with owners** (G) = (E + F) | **(43,379)** | **(761,718)** | **(805,097)** |
| **Balance as at 31 December 2015** (H) = (A + D + G) | **786,952** | **1,862,842** | **2,649,794** |

1) *Contribution to equity of EUR 160,317 thousand is represented by two effects:*
   a) *proceeds of EUR 4,301 thousand from sold investment in EP Germany GmbH Group (a group of subsidiaries and associates originally owned by EP Energy, a.s., one of the combining entities, but excluded from these combined financial statements, sold to JTSD Braunkohlebergbau GmbH, the excluded company, on 31 December 2015), this amount is presented as contribution from owners in these combined financial statements,*
   b) *receivable of EUR 156,016 thousand from upcoming sale of JTSD Braunkohlebergbau GmbH Group (a group of entities originally owned by one of the combining entities but excluded from these combined financial statements), this amount is presented as contribution from owners in these combined financial statements.*

2) *Decrease of share capital of combined entities of EUR 128,469 thousand is represented by decrease of share capital of SPP Infrastructure, a.s., part of which was distributed to minority shareholders.*

3) *The effect of EUR 201,526 thousand is represented by dividends declared to Energetický a průmyslový holding, a.s., the ultimate controlling party. The effect of EUR 632,091 thousand is represented by dividends declared by subsidiaries reporting non-controlling interest (SPP Infrastructure, a.s. and its subsidiaries, NAFTA a.s. and its subsidiaries, AISE, s.r.o., Stredoslovenská energetika, a.s. and its subsidiaries, Pražská teplárenská a.s.) to their respective non-controlling shareholders outside the EP Infrastructure Group.*

The notes presented on pages 10 to 144 form an integral part of these combined financial statements.

**For the year ended 31 December 2014**

| *In thousands of EUR ("TEUR")* | **Net assets attributable to owners of EP Infrastructure Group** | **Non-controlling interest** | **Total Equity** |
|---|---|---|---|
| **Balance as at 1 January 2014** (A) | **858,500** | **3,040,595** | **3,899,095** |
| Profit (B) | 136,019 | 279,787 | **415,806** |
| Other comprehensive income (C) | (1,288) | 5,669 | **4,381** |
| **Total comprehensive income for the year** (D) = (B + C) | **134,731** | **285,456** | **420,187** |
| *Contributions by and distributions to owners:* | | | |
| Contributions to equity(1) | 996,425 | - | **996,425** |
| Effect of distribution of non-cash dividends to owners(2) | (1,500,270) | - | **(1,500,270)** |
| Decrease of share capital of subsidiaries(3) | - | (642,294) | **(642,294)** |
| Dividend distributions(4) | - | (463,595) | **(463,595)** |
| **Total contributions by and distributions to owners** (E) | **(503,845)** | **(1,105,889)** | **(1,609,734)** |
| *Changes in ownership interests in subsidiaries:* | | | |
| Effect of changes in shareholdings on non-controlling interest | 313 | (313) | **-** |
| Effect of disposed entities | - | (2,229) | **(2,229)** |
| Effects from acquisitions through business combinations | - | 758 | **758** |
| **Total changes in ownership interests in subsidiaries** (F) | **313** | **(1,784)** | **(1,471)** |
| **Total transactions with owners** (G) = (E + F) | **(503,532)** | **(1,107,673)** | **(1,611,205)** |
| **Balance as at 31 December 2014** (H) = (A + D + G) | **489,699** | **2,218,378** | **2,708,077** |

1) *Contributions to equity of EUR 996,425 thousand are represented by two effects:*
   a) *capitalisation of loan of EUR 738,425 thousand by Energetický a průmyslový holding, a.s.,*
   b) *declaration of dividends of EUR 258,000 thousand from JTSD Braunkohlebergbau GmbH, a subsidiary owned by one of the combining entities but excluded from these combined financial statements, this distribution is presented as contribution from owners in these combined financial statements.*

2) *In January 2014 CE Energy, a.s. acquired EP Energy a.s. from EPH. The amount of EUR 1,500,270 thousand represents the purchase price of EP Energy shares.*

3) *Decrease of share capital of combined entities of EUR 642,294 thousand is represented by decrease of share capital of SPP Infrastructure, a.s., part of which was distributed to minority shareholders.*

4) *The effect of EUR 463,395 thousand is represented by dividends declared by subsidiaries reporting non-controlling interest (SPP Infrastructure, a.s. and its subsidiaries, NAFTA a.s. and its subsidiaries, AISE, s.r.o., Stredoslovenská energetika, a.s. and its subsidiaries, Pražská teplárenská a.s.) to their respective non-controlling shareholders outside the EP Infrastructure Group*

The notes presented on pages 10 to 144 form an integral part of these combined financial statements.

**For the year ended 31 December 2013**

| *In thousands of EUR ("TEUR")* | **Net assets attributable to owners of EP Infrastructure Group** | **Non-controlling interest** | **Total Equity** |
|---|---|---|---|
| **Balance as at 1 January 2013** (A) | **828,659** | **283,890** | **1,112,549** |
| Profit or loss (B) | 349,210 | 179,449 | **528,659** |
| Other comprehensive income (C) | (158,382) | 14,864 | **(143,518)** |
| **Total comprehensive income for the year** (D) = (B + C) | **190,828** | **194,313** | **385,141** |
| *Contributions by and distributions to owners:* | | | |
| Contributions to equity[(1)] | 121,997 | - | **121,997** |
| Dividend distributions[(2)] | (263,661) | (389,146) | **(652,807)** |
| **Total contributions by and distributions to owners** (E) | **(141,664)** | **(389,146)** | **(530,810)** |
| *Changes in ownership interests in subsidiaries:* | | | |
| Effect of changes in shareholdings on non-controlling interest[(3)] | (18,471) | (165,764) | **(184,235)** |
| Effect of merged entities | (852) | 1,057 | **205** |
| Effect of acquisitions through business combinations[(4)] | - | 3,113,981 | **3,113,981** |
| Effects from acquisitions of subsidiaries through step acquisition | - | 2,264 | **2,264** |
| **Total changes in ownership interests in subsidiaries** (F) | **(19,323)** | **2,951,538** | **2,932,215** |
| **Total transactions with owners** (G) = (E + F) | **(160,987)** | **2,562,392** | **2,401,405** |
| **Balance as at 31 December 2013** (H) = (A + D + G) | **858,500** | **3,040,595** | **3,899,095** |

1) *In 2013 EPH contributed EUR 121,997 thousand to EPE's equity.*

2) *Dividend distribution of EUR 652,807 thousand represents the effect of dividends declared by EP Energy, a.s. to EPH of EUR 263,661 thousand and the effect of dividends of EUR 389,146 thousand declared by subsidiaries (Stredoslovenská energetika, a.s. and its subsidiaries, Slovenský plynárenský priemysel, a.s. and its subsidiaries, NAFTA a.s. and its subsidiaries and Pražská teplárenská a.s.) reporting non-controlling interest to their respective non-controlling shareholders outside the EP Infrastructure Group. Effects of dividends declared by subsidiaries (Stredoslovenská energetika, a.s. and its subsidiaries, Slovenský plynárenský priemysel, a.s. and its subsidiaries and associates, NAFTA a.s. and its subsidiaries and Pražská teplárenská a.s.) on retained earnings of EP Infrastructure ("EPIF") for 2013 was nil, because the companies within EPIF's scope which received the dividend distribution from these subsidiaries retained this distribution and did not distribute these dividends further up the ownership structure.*

3) *Effect of changes in shareholdings on non-controlling interests of EUR 184,235 thousand primarily arises from the acquisition of additional 40.45% share in NAFTA a.s. at the end of 2013.*

4) *Effect of acquisitions through business combinations of EUR 3,113,981 thousand arose from acquisitions of the shares in the following subsidiaries: Slovenský plynárenský priemysel, a.s. (49% share including management control), NAFTA a.s. (56.15% share), Stredoslovenská energetika, a.s. (49% share including management control).*

The notes presented on pages 10 to 144 form an integral part of these combined financial statements.

# Combined statements of cash flows

**For the year ended 31 December**

| *In thousands of EUR ("TEUR")* | **Note** | **2015** | **2014** | **2013** |
|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | |
| Profit (loss) for the year | | 622,673 | 415,806 | 528,659 |
| *Adjustments for:* | | | | |
| Income taxes | 15 | 263,366 | 220,882 | 210,017 |
| Depreciation and amortisation | 16, 17 | 394,935 | 411,741 | 367,585 |
| Dividend income | 14 | (700) | (1,865) | (500) |
| Impairment losses on property, plant and equipment, intangible assets and financial assets | | 6,655 | 4,896 | 27,414 |
| Change in fair value of investment property | | - | - | 11 |
| Loss on disposal of property, plant and equipment, investment property and intangible assets | 13 | 3,921 | 7,141 | 3,900 |
| Gain on disposal of inventories | 12 | (1,144) | (1,909) | (770) |
| Emission rights | 10 | 2,890 | 3,155 | 21,212 |
| Gain on disposal of subsidiaries, joint-ventures, associates and non-controlling interests | 6, 18 | 1,407 | (19,460) | 668 |
| Share of (profit) loss of equity accounted investees | 18 | (8,683) | (6,363) | (3,517) |
| Gain on financial instruments | 14 | 7,447 | 9,980 | (2,057) |
| Net interest expense | 14 | 170,547 | 172,273 | 137,217 |
| Change in allowance for impairment to trade receivables and other assets, write-offs | | 7,643 | 3,209 | 18,129 |
| Change in provisions | | (26,937) | (1,319) | (41,122) |
| Negative goodwill | 6 | (33,085) | - | (256,750) |
| Unrealised foreign exchange (gains) losses, net | | (20,462) | 73,339 | 19,634 |
| **Operating profit before changes in working capital** | | **1,390,473** | **1,291,506** | **1,029,730** |
| | | | | |
| Change in trade receivables and other assets | | 18,970 | (18,442) | (520,654) |
| Change in inventories (including proceeds from sale) | | (8,677) | (15,234) | 227,036 |
| Change in assets held for sale and related liabilities | | (170) | 19,254 | (392,470) |
| Change in trade payables and other liabilities | | (13,914) | 25,856 | 132,497 |
| Change in restricted cash | | (250,500) | - | - |
| **Cash generated from (used in) operations** | | **1,136,182** | **1,302,940** | **476,139** |
| | | | | |
| Interest paid | | (183,895) | (203,051) | (146,158) |
| Income taxes paid | | (250,969) | (288,690) | (210,046) |
| **Cash flows generated from (used in) operating activities** | | **701,318** | **811,199** | **119,935** |

# Combined statements of cash flows (continued)

**For the year ended 31 December**

| *In thousands of EUR ("TEUR")* | **Note** | **2015** | **2014** | **2013** |
|---|---|---|---|---|
| **INVESTING ACTIVITIES** | | | | |
| Dividends received from associates and joint-ventures | | 452 | 1,336 | 22,852 |
| Dividends received, other | | 700 | 1,865 | - |
| Change in financial instruments not at fair value | | 2,226 | (545) | 243,679 |
| Loans provided to the owners | | (549,902) | (399,800) | (492,928) |
| Loans provided to the other entities | | (6,313) | (8,294) | (125,102) |
| Repayment of loans provided to other entities | | 8,200 | 63,134 | 71,200 |
| Proceeds (outflows) from sale (settlement) of financial instruments | | 19,121 | (8,263) | 8,039 |
| Acquisition of property, plant and equipment, investment property and intangible assets | 16, 17 | (231,343) | (172,711) | (161,398) |
| Purchase of emission rights | 17 | (5,974) | (7,126) | (115) |
| Proceeds from sale of emission rights | | 4,402 | 7,161 | 1,156 |
| Proceeds from sale of property, plant and equipment, investment property and other intangible assets | | 11,423 | 16,190 | 23,330 |
| Acquisition of subsidiaries, joint-ventures and associates, net of cash acquired | 6 | 8,246 | 3,477 | (739,093) |
| Net cash inflow from disposal of subsidiaries, joint-ventures and associates | 6 | 2,612 | 21,603 | 7,052 |
| Increase (decrease) in participation in existing subsidiaries, special purpose entities, joint-ventures and associates | | (5,574) | - | (173,173) |
| Interest received | | 17,923 | 20,139 | 45,692 |
| **Cash flows from (used in) investing activities** | | **(723,801)** | **(461,834)** | **(1,268,809)** |
| | | | | |
| **FINANCING ACTIVITIES** | | | | |
| Proceeds from loans received | | 1,383,183 | 2,200,862 | 1,394,054 |
| Repayment of borrowings | | (1,680,567) | (3,261,586) | (701,212) |
| Proceeds from bonds issued, net of transaction fees | | 500,000 | 987,523 | 1,341,689 |
| Repayment of bonds issued | | (125,000) | - | - |
| Dividends paid | | (513,350) | (68,130) | (536,198) |
| **Cash flows from (used in) financing activities** | | **(435,734)** | **(141,331)** | **1,498,333** |
| | | | | |
| *Net increase (decrease) in cash and cash equivalents* | | (458,217) | 208,034 | 349,459 |
| **Cash and cash equivalents at beginning of the year** | | **822,450** | **620,575** | **277,159** |
| Effect of exchange rate fluctuations on cash held | | 19,303 | (6,159) | (6,043) |
| **Cash and cash equivalents at end of the year** | | **383,536** | **822,450** | **620,575** |

The notes presented on pages 10 to 144 form an integral part of these combined financial statements.

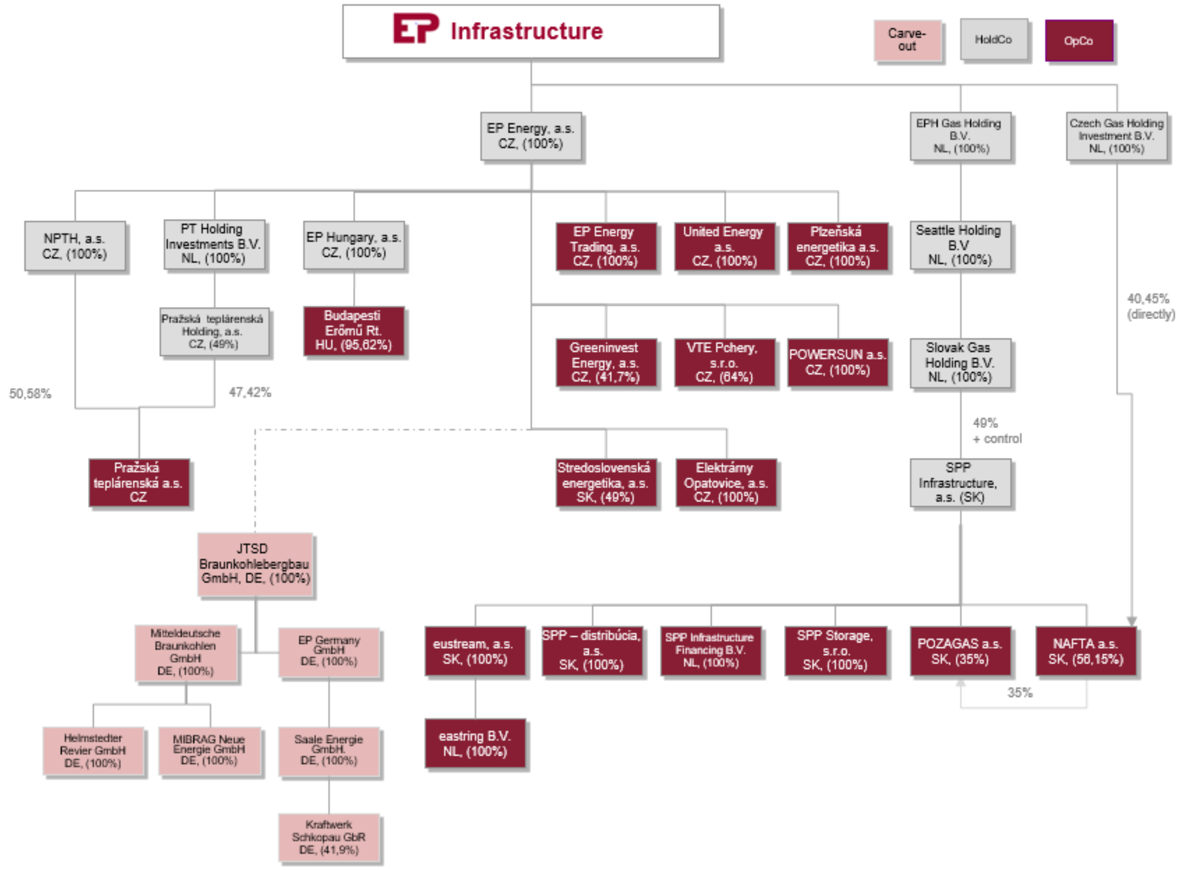
# Notes to the combined financial statements

## 1. Background

### (a) Purpose of presentation and description of the combined entities

These combined financial statements were prepared under the responsibility of the management of Energetický a průmyslový holding, a.s. ("EPH") for the purpose of the planned initial public offering of the EP Infrastructure Group ("EPIF" or "EP Infrastructure Group").

Simplified overview of EP Infrastructure Group as of 31 December 2015 as presented in these combined financial statements:




In the first half of 2016, Energetický a průmyslový holding, a.s., the controlling shareholder and a leading player on the heat, coal and electricity market in Central Europe, restructured its holdings in group entities involved in energy infrastructure activities in Central Europe to place all such entities under one intermediary parent, CE Energy, a.s., whose name was changed to EP Infrastructure, a.s. on 6 April 2016. The restructuring involved the sale of EPH's ownership interests in EPH Gas Holding B.V. and the Czech Gas Holding Investment B.V. to EP Infrastructure a.s. in exchange for a consideration.

The Combined Financial Statements for the fiscal years from 1 January 2013 to 31 December 2013, from 1 January 2014 to 31 December 2014 and from 1 January 2015 to 31 December 2015 comprise entities within the consolidated EPH Group that represent EPH's energy infrastructure activities in Central Europe. These entities are specifically identified in Note 38 – Group entities.

The purpose of these combined financial statements is to provide historical information of the EP Infrastructure Group for the purposes of the planned initial public offering of EP Infrastructure Group which shall be then used for an envisaged capital transaction (initial public offering). For this reason, the combined financial statements present only historical information of those entities that are part of the EP Infrastructure Group following the restructuring.

The combined financial statements of EP Infrastructure Group present the combined assets, liabilities, results of operations of:

a. all entities within the EPH Gas Holding B.V. Group – comprising EPH Gas Holding B.V. and its subsidiaries and associates (together “EPH Gas Holding Group”);

b. all entities within the Czech Gas Holding Investment B.V. Group – comprising Czech Gas Holding Investment B.V. and its subsidiaries (together “CGHI Group”); and

c. all entities within the Carve-out CE Energy, a.s. Group – comprising CE Energy a.s. and its subsidiaries, but excluding JTSD Braunkohlebergbau GmbH and its subsidiaries and EP Germany GmbH and its subsidiaries (together “the Excluded Subsidiaries”), (collectively “Carve-out CEE Group”).

For the purposes of these combined financial statements EPH Gas Holding Group, CGHI Group and Carve-out CEE Group are referred to, individually, as “a combining entity” or, collectively, as “the combining entities” and together they represent the EP Infrastructure Group (“EPIF Group”).

The Excluded Subsidiaries are not included in the combined financial statements of EPIF Group because they comprise mainly mining and merchant power generating assets in Germany and, as such, do not represent central European energy infrastructure assets/activities of EPH. For this reason, the Excluded Subsidiaries were sold to Energetický a průmyslový holding, a.s. by one of the subsidiaries of CE Energy a.s. in the first half of 2016 and will not be owned or consolidated by EPIF going forward. The Excluded subsidiaries are treated in these combined financial statements as related parties, under the control of EPH.

Financial information of the combining entities included in these combined financial statements is included based on the period in which these entities were under the control of EPH. The major events influencing composition of these combined financial statements for the periods reported are the following:

### *i. SPP Infrastructure, a.s. Group*

On 23 January 2013, EPH acquired 100% share in Slovak Gas Holding, B. V. (“SGH”), which owned a 49% share in Slovenský plynárenský priemysel, a.s. (“SPP”) and exercised operating and management control over SPP.

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the Slovak Republic and EPH signed a framework agreement on the sale and purchase of shares regulating the method of reorganisation of the SPP Group, which was completed on 4 June 2014. As part of the transaction on the same date SPP contributed ownership interests in its investee entities comprising all gas transmission, gas storage and gas distribution activities (comprising SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o.) into a newly-established 100% subsidiary, SPP Infrastructure, a.s. (“SPPI Group”).

On 4 June 2014, SPP a.s. transferred 49% of the shares (and management control) in SPP Infrastructure, a.s. to SGH, and simultaneously reacquired 49% of its own shares from SGH, to become an entity owned by 100% by the Slovak Republic. As at the date of the preparation of these combined financial statements, SPP Infrastructure, a.s. was from that date owned by the Slovak Republic (51% share) and by Slovak Gas Holding B.V. (49%), however Slovak Gas Holding also exercises management control over the SPPI Group. As such, SPPI Group’s operations are included in these combined financial statements since the date of acquisition of SPP by EPH Gas Holding, i.e. 2013 combined statement of comprehensive income includes approximately 11 months of SPPI Group 2013 operations. The remaining assets of SPP not transferred to SPPI, represented primarily the gas supply activities of SPP and are reported as a discontinued operation in the 2013 and 2014 combined financial statements.

### *ii. Stredoslovenská energetika, a.s. Group*

Acquisition of a 49% equity share (including management control) in Stredoslovenská energetika, a.s. Group (“SSE Group”) by EPIF Group was completed on 27 November 2013. Therefore these combined financial statements consolidate SSE Group from that date, i.e. 2013 combined statement of comprehensive income includes only one month of SSE Group 2013 operations.

## (b) Principal Activities

The main activities of the EPIF Group are natural gas transmission, gas and power distribution and supply, gas storage, heat and power production.

The Gas transmission segment is responsible for the transmission of natural gas from the Ukrainian border to the western borders of Slovakia and vice-versa and to a virtual domestic point in Slovakia.

The Gas and power distribution segment includes mainly the distribution of natural gas covering all of Slovakia, power distribution in the central Slovakia region and to lesser extent also power and gas supply in other regions of Slovakia and the Czech Republic.

The Gas storage segment comprises mainly gas storage in underground storage facilities located in Slovakia and the Czech Republic and, to minor extent, also exploration and production of hydrocarbons.

The Heat Infra segment is primarily represented by a group of plants located in the Czech Republic and Hungary that (with exception of PT) operate primarily in a co-generation mode, i.e. producing both heat and power.

## (c) Registered address of EP Infrastructure, a.s.

Příkop 843/4

Zábrdovice

602 00 Brno

The Czech Republic

# 2. Basis of preparation

## (a) Basis of accounting

The Combined financial statements presented are for the years ended 31 December 2015, 2014 and 2013 and represent entities that shall form the EPIF Group after the reorganisation. The Combined financial statements have been prepared in a consistent manner with the financial information of the each of the combining entities which is included in the audited consolidated financial statements of the EPH Group prepared in accordance with IFRS as adopted by the EU ("EU IFRS").

The Excluded Subsidiaries (refer to Note 1(a)(i)) are unrelated businesses compared to the purpose and economic activities of the EPIF Group companies included in the combined reporting entity. Accordingly, management believes that the combined reporting entity best represents the operations of the Group whose shares will be offered in the transaction described in Note 1(a) – "Background – Purpose of presentation and the description of combined entities", when it does not include the Excluded Subsidiaries.

IFRS do not provide specific requirements regarding the preparation of combined financial statements, and accordingly in preparing the combined financial information, the Group developed combination accounting policies referring to IAS 8 – Accounting Policies, Changes in Accounting Estimates and judgments, as described in the following basis of combination as set out in Note 3(a) – Significant accounting policies – Basis of accounting.

In order to reflect the historical transactions with these Excluded Subsidiaries, EPIF Group has adopted an accounting policy under which the historical acquisition costs for these groups is reported as distributions to the shareholder (EPH) and similarly dividends declared by these groups to EPIF Group are treated as contributions made by shareholder (EPH) into the EPIF Group capital.

At the reporting date (i.e. 31 December 2015), EPIF Group has recognised a receivable which represents a contractual right to receive cash when the sale of the Excluded Subsidiaries is finalized after the year end. As a result, a receivable due from parent is recognised in these combined financial statements because there is an enforceable contractual right to receive cash. The comparative periods do not include this receivable (as no contractual commitment existed for the sale of the Excluded Subsidiaries prior to 2015). The transaction is described in Note 26 – Equity.

The EPIF Group did not form a separate legal group with a single parent company as at 31 December 2015, 2014 or 2013 and therefore the financial statements do not include an amount presented as share capital. Instead, all share capital, capital reserves and equity transactions (including cash flows relating to dividends, acquisitions and disposals of the Excluded Subsidiaries) are included in one equity caption entitled “Equity attributable to owners of EP Infrastructure Group”.

The hedging, fair value and translation reserves represent the same movements and balances of these reserves as they related to the combining entities in the consolidated financial statements of EPH.

Retained earnings represent undistributed accumulated earnings of the combined entities since they have been part of the EPH group adjusted for consolidation entries and also include paid-in capital of the combined entities.

Dividend distributions relate to dividends paid or declared by entities in the EPIF Group and contributions relate to cash or non-cash contributions made by shareholders into the EPIF Group companies.

The Group has not previously been required to prepare consolidated financial statements and hence no such financial information has previously been presented.

The principal accounting policies adopted are detailed in the Note 3 – Significant accounting policies.

The combined financial statements were approved by the controlling shareholder on 8 April 2016.

## (b) Basis of measurement

The combined 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 combined financial statements are presented in Euro (“EUR”). The EPH’s functional currency is the Czech crown (“CZK”). All financial information presented in Euros has been rounded to the nearest thousand. The reason for using the Euro as the presentation currency is that the largest share of the EPIF Group’s revenues and operating profit is generated by entities that have a Euro functional currency.

## (d) Use of estimates and judgements

The preparation of the combined financial statements 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 judgement in the process of applying the Company’s accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

### *i. Assumptions and estimation uncertainties*

Information about assumptions and estimation uncertainties that have a significant risk 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 Slovenský plynárenský priemysel, a.s. classified as discontinued operations,
- Note 26 (and 2(a) Basis of accounting) – accounting treatment of the Excluded Subsidiaries
- Note 30 – recognition and measurement of provisions,
- Notes 28, 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:

- Note 5 – recognition of a transmission pipeline as a fixed asset rather than derecognition of the transmission pipeline as a leased out asset (IFRIC 4), consideration whether the ship-or-pay arrangements at eustream, a.s. do not represent a derivative,
- Notes 6 and 17 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill,
- Note 26 – accounting for a sale of JTSD Braunkohlebergbau GmbH as of 31 December 2015,
- Note 30 – recognition and measurement of provisions,

- Note 32 – own use exemption application for forward contracts on power and CO2 emission allowances,
- Note 32 and 36 – hedge accounting application.

## (e) Application of IFRS 1

These are the EPIF Group's first financial statements prepared in accordance with IFRSs as adopted by EU.

As the Group has never prepared any financial statements before these combined financial statements the Group has not prepared a reconciliation of these financial statements which are based on IFRS-EU to previous GAAP. The reason for the set-up and the basis of preparation of these combined financial statements are described in the Note 1 and 2.

The Group reflected mandatory exception in applying IFRS 1 in these combined financial statements as follows:

- Estimates – The Group applied the same accounting policies with each IFRS effective at the end of 31 December 2015. All the estimates taken over at the beginning of the first period presented are consistent with estimates from IFRS group reporting packages of relevant entities used for consolidation purposes of EPH.
- Derecognition of financial instruments – As the EPH Group was established after 1 January 2004, no financial instruments were derecognised before 1 January 2004 and as a result, this mandatory exemption is not applicable.
- Hedge accounting – Hedging relationships accounted for as hedges prior to 1 January 2013 (transition date) are accounted for in the same way in these combined financial statements as these combined financial statements are based on IFRS-EU financial information of the combined entities.
- Assets and liabilities of subsidiaries, associates and joint ventures - In these combined financial statements, the assets and liabilities of the subsidiaries (combining entities) are measured at the same carrying amounts as in the IFRS financial statements of the subsidiaries (if prepared in accordance with IFRS), after adjusting for the effects of consolidation procedures and business combination accounting.

The Group did not elect to apply any of the optional exemption when applying IFRS 1.

## (f) Recently issued accounting standards

### *i. Standards adopted by the EU but not yet effective*

At the date of authorisation of these combined 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 EPIF Group has consistently applied the following accounting policies to all periods presented in these combined financial statements.

## (a) Basis of combination

The accounting standards applied in the combined financial statements for the year ended 31 December 2015 are consistently applied by all combining entities and equity accounted investees and are consistent with those used to prepare the combined financial statements for the years ended 31 December 2014 and 2013.

The combination methods used by the combined Group consist of the following:

### *i. Subsidiaries (companies over which the combining entities exercise control) are fully combined*

Subsidiaries are entities controlled by a parent entity. Control exists when a parent 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. With the exception of the Excluded Subsidiaries described in Note 1 – Background, the combined 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. With the exception of the Excluded Subsidiaries described in Note 1 – Background, the financial statements of subsidiaries are included in the combined financial statements from the date that control commences until the date that control ceases.

All intra-group balances, equity items (share capital, legal funds etc.), income, expenses and unrealised gains and losses arising from transactions between combining entities have been eliminated in the same manner as if the combined financial statements represented consolidated financial statements of EPIF Group. Transactions with Excluded Subsidiaries are accounted as if they are undertaken with EPH.

### *ii. Equity accounted investees (companies in which the Group has significant influence, but not control) are combined using the equity method*

Associates are enterprises in which the Combining Entities have significant influence, but not control, over financial and operating policies. A joint venture is an arrangement in which the EPIF Group has joint control, whereby the Group has rights to the net assets or the arrangement, rights to its assets and obligations for its liabilities. Investments in associates and joint ventures are accounted for under the equity method and are initially recognised at cost. The combined financial statements include EPIF Group's share of the total profit or loss and other comprehensive income of associates and joint ventures 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 or joint venture, 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 or joint venture.

Share on equity of equity accounted investees is presented in combined statement of financial position, share of profit/loss of equity accounted investees is presented in combined statement of comprehensive income.

### *iii. Accounting for business combinations*

The EPIF 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. In such cases, the Group recognised the assets and liabilities acquired based on the carrying amounts recognised previously in the EPH's consolidated financial statements. No new goodwill or negative goodwill was recognised on these acquisitions.

### *iv. Non-controlling interests*

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. As such, 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.

### *v. Transactions eliminated on combination*

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements. Unrealised gains arising from transactions with associates and jointly controlled entities 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.

### *vi. Pricing differences*

The EPIF Group accounted for pricing differences which arose from the acquisition of subsidiaries from EPH or subsidiaries contributed to the share capital of any of the combining entities by EPH. Pricing differences represent the difference between the legal acquisition price paid or payable by the EPIF Group and carrying values of net assets of the acquiree (including the original goodwill as recorded by EPH) as at the acquisition date. Pricing differences are presented in Other capital reserves in Equity. "Note 6 – Acquisitions and disposals of subsidiaries, joint-ventures and associates" summarises the effects of common control transactions in all periods presented.

### *vii. 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, 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 (refer to Note 3a vi – Pricing differences), the pricing differences that were initially recorded on acquisition 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 combined financial statements are presented in Euro, which is the Group's presentation currency. 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.

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. At disposals relevant part of translation reserve is recycled to financial income or expense in the statement of comprehensive income.

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

These combined financial statements are presented in Euro which is the Group’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 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, swaps and 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) Restricted cash

Restricted cash comprise cash earmarked for a specific purpose and therefore is not available for immediate and general use by the Group.

It may be classified as a current or non-current asset, depending on when it is expected to be used.

## (h) 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.

Natural gas, raw materials, and other inventories include the cost of acquisition or production and related costs.

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.

## (i) Impairment

### *i. Non-financial assets*

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy (h) – Inventories), investment properties (refer to accounting policy (l) – Investment property) and deferred tax assets (refer to accounting policy (p) – 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.

### (j) 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 (i) – Impairment). Opening balances are presented at net book values, which include adjustments 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 (o) – 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 (i) – 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. Free-of-charge received property***

Several items of gas and electricity equipment were obtained "free of charge" from municipal and local authorities. This equipment was recorded as property, plant, and equipment at the costs incurred by the municipal and local authorities with a corresponding amount recorded as deferred income. These costs approximate the fair value of the obtained assets. The deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

***iv. 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.

***v. 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, buildings and structures | 20 – 80 years |
| • Machinery, electric generators, gas producers, turbines and boilers | 20 – 50 years |
| • Distribution network | 10 – 60 years |
| • Machinery and equipment | 4 – 40 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.

## (k) 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 (i) – 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 disposed.

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 (i) – 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 (i) – 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.

### *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 allowances. 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 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. 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 allowances 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 (i) – 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 – 4 years
- Other intangible assets 2 – 6 years

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

## (l) 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 (n) – Revenue.

## (m) 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 $CO_2$ 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. Provision for restoration and decommissioning***

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.

All the provisions for environmental remediation and asset retirement obligation are presented under Provision for restoration and decommissioning.

#### *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.

### (n) 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. 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.

**Government grants and subsidies provided by the European Union**

Grants and subsidies are not recognised unless there is reasonable assurance that:

- the company will comply with the conditions related to the receipt of grants and subsidies, and
- the grants and subsidies will be received.

Grants and subsidies are recognised in the income statement on a systematic basis over the periods in which the company recognises expenses that were to offset the grants and subsidies. Specifically, grants and subsidies whose primary purpose is to enable the company to purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the balance sheet, and are recognised in the income statement on a systematic and rational basis during the useful life of the related assets.

***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.

## (o) 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.

## (p) 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.

### (q) Dividends

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

### (r) Non-current assets held for sale and disposal groups and discontinued operations

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.

# 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 and gas 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 under IFRS 8: Gas transmission, Gas and power distribution, Gas storage, Heat Infra and Other.

Operating segments have been identified primarily on the basis of internal reports used by the EPH'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. Gas transmission*

This segment operates in transmission of natural gas from the Ukrainian border to the Slovakia (eustream, a.s.) and vice-versa.

The Group transports the natural gas (with the conditions ship or pay) through the Slovak Republic primarily based on a long term contract concluded with a gas supplier located in Russia. The contract entitles this gas supplier to use the gas pipelines in accordance with a transport capacity needed for the transportation of natural gas to the customers in central and Western Europe. The Group assessed the contractual conditions in the ship-or-pay arrangement and concluded that the arrangement does not include a derivative and revenue is recognised based on the contract (fixed element) and based on actual transmitted volume which drives the amount of gas-in-kind received from the shippers (see below).

From 1 July 2006 eustream, a.s. provides access to the transmission network and transport services under this long term contract. The most significant user (shipper) of this network is the gas supplier located in Russia, other clients are typically significant European gas companies transporting natural gas from Russia and Asia sites to Europe.

The largest part of the transmission capacity is used based on the long-term contracts. Furthermore eustream, a.s. also concludes short term transportation contracts within the entry-exit system.

Transportation charges shall be reimbursed by the appropriate shipper directly to eustream, a.s. Since 2005 charges are fully regulated by Energy Regulatory Authority ("RONI"). The regulatory framework provides a stable and sustainable environment for the transmission business. The price regulation is based on benchmarking mechanism (price cap without a revenue ceiling), tariff is set on a basis of other EU operators, which create a range in which RONI sets a tariff. Once a contract is concluded it is fixed for a lifetime of the contract.

According to the regulated trade and price conditions the shipper provides part of charges in kind of natural gas used for operating purposes to cover the consumption of gas in the transmission network operation. In accordance with the regulated trade and price conditions the shipper is entitled to pay this part of charges also in cash.

Because of the contractual nature of the shipping arrangement with the Russian gas supplier, management carefully assessed the contractual conditions with the view of whether the contract includes any significant lease arrangement as per IFRIC 4, which could lead to a derecognition of the transmission pipelines. No material indications of such leasing relationship were noted and the management concluded that the transmission pipeline should be recognised in eustream's fixed assets.

### *ii. Gas and power distribution*

The Gas and power distribution segment consists of Power distribution division, Gas distribution division and Supply division. The Power distribution division distributes electricity in the central Slovakia region while Gas distribution division is responsible for distribution of natural gas covering almost the complete gas distribution network in Slovakia. The Supply division primarily supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. This segment is mainly represented by Stredoslovenská energetika, a.s., SPP –distribúcia, a.s., Stredoslovenská energetika – Distribúcia, a.s. (further "SSE-Distribúcia") and EP ENERGY TRADING, a.s.

The subsidiary companies SPP-distribúcia and SSE-Distribúcia, which provide distribution of natural gas and power, are required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of RONI. Both entities operate under similar regulatory frameworks whereby allowed revenues are based on the Regulated Asset Base ("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.

Sales of natural gas to medium and large customers are subject to contracts for the delivery of gas concluded usually for one or more years. The prices agreed in the contracts usually include a capacity and commodity components.

With respect to SSE, 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 business 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.

***iii. Gas storage***

The Gas storage segment is represented by NAFTA a.s. and SPP Storage, s.r.o. which store natural gas under long-term contracts in underground storage facilities located in the Czech Republic and Slovakia.

The Group stores natural gas in two locations in the Czech Republic and Slovakia. The storage capacities are utilised for injection, withdrawal and storage of natural gas according to seasonal needs to ensure the standards of security of supply based on the valid legislation and to utilise short-term market volatility of gas prices. Charges for storage are agreed upon the period of contracts. Fee for storage depends primarily on the booked capacity per year and annual price indexes, furthermore products with higher deliverability and flexibility are priced with premium.

***iv. Heat Infra***

The Heat Infra segment owns and operates four large-scale combined heat and power plants (CHPs) in the Czech Republic primarily operated in highly efficient co-generation mode and represented 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 Erömü Zrt., which is supplying the City of Budapest. The heat generated in its co-generation power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the 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 RAB multiplied by WACC plus eligible operating expenditures and allowed depreciation formula. EP Coal Trading, a.s. and EP Cargo a.s., as main suppliers of the above mentioned entities, are also included in this segment.

***v. Holding and other***

The Other segment covers two sub-segments: Renewables sub-segment and Other sub-segment.

The Renewables sub-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 runs two solar power plants in Slovakia, and a biogas facility in Slovakia.

The Other sub-segment mainly represents EP Infrastructure, a.s., EP Energy, a.s., Slovak Gas Holding B.V., EPH Gas Holding B.V., Seattle Holding B.V., SPP Infrastructure, a.s. and Czech Gas Holding Investment B.V. The sub-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* | Gas trans-mission | Gas and power distribution | Gas storage | Heat Infra | Holding and other | Total segments | Inter-segment eliminations | Combined financial information |
|---|---|---|---|---|---|---|---|---|
| Sales: Energy | 776,200 | 1,869,868 | 232,331 | 492,219 | 5,069 | 3,375,687 | (153,965) | 3,221,722 |
| *external revenues* | *775,700* | *1,849,912* | *180,251* | *411,159* | *4,700* | *3,221,722* | - | *3,221,722* |
| *inter-segment revenues* | *500* | *19,956* | *52,080* | *81,060* | *369* | *153,965* | *(153,965)* | - |
| Sales: Other | - | 6,019 | - | 22,952 | 5,653 | 34,624 | (1,610) | 33,014 |
| *external revenues* | - | *6,019* | - | *22,748* | *4,247* | *33,014* | - | *33,014* |
| *inter-segment revenues* | - | - | - | *204* | *1,406* | *1,610* | *(1,610)* | - |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | - | 10,445 | - | - | - | 10,445 | - | 10,445 |
| **Total sales** | **776,200** | **1,886,332** | **232,331** | **515,171** | **10,722** | **3,420,756** | **(155,575)** | **3,265,181** |
| Cost of sales: Energy | (43,500) | (1,314,674) | (20,754) | (306,763) | (358) | (1,686,049) | 151,071 | (1,534,978) |
| *external cost of sales* | *(35,107)* | *(1,190,782)* | *(20,751)* | *(287,980)* | *(358)* | *(1,534,978)* | - | *(1,534,978)* |
| *inter-segment cost of sales* | *(8,393)* | *(123,892)* | *(3)* | *(18,783)* | - | *(151,071)* | *151,071* | - |
| Cost of sales: Other | - | (1,935) | 687 | (17,472) | (3,692) | (22,412) | 295 | (22,117) |
| *external cost of sales* | - | *(1,935)* | *687* | *(17,212)* | *(3,657)* | *(22,117)* | - | *(22,117)* |
| *inter-segment cost of sales* | - | - | - | *(260)* | *(35)* | *(295)* | *295* | - |
| Personnel expenses | (32,300) | (87,502) | (23,438) | (49,242) | (3,230) | (195,712) | - | (195,712) |
| Depreciation and amortisation | (109,300) | (170,976) | (26,621) | (85,198) | (2,840) | (394,935) | - | (394,935) |
| Repairs and maintenance | (1,200) | (4,492) | (9) | (6,123) | (531) | (12,355) | 405 | (11,950) |
| Emission rights, net | 1,000 | 4 | - | (3,894) | - | (2,890) | - | (2,890) |
| Negative goodwill | - | - | - | 33,085 | - | 33,085 | - | 33,085 |
| Taxes and charges | (900) | (1,231) | (3,302) | 9,364 | (130) | 3,801 | - | 3,801 |
| Other operating income | 3,000 | 20,635 | 4,726 | 26,526 | (433) | 54,454 | (485) | 53,969 |
| Other operating expenses | (15,500) | (66,205) | (10,628) | (23,151) | (9,046) | (124,530) | 2,722 | (121,808) |
| **Operating profit** | **577,500** | **259,956** | **152,992** | **92,303** | **(9,538)** | **1,073,213** | **(1,567)** | **1,071,646** |
| Finance income | 11,900 | 2,053 | 501 | 1,597 | *1,781,684 | *1,797,735 | *(1,751,532) | 46,203 |
| *external finance revenues* | *900* | *488* | *143* | *263* | *44,409* | *46,203* | - | *46,203* |
| *inter-segment finance revenues* | *11,000* | *1,565* | *358* | *1,334* | **1,737,275* | **1,751,532* | **(1,751,532)* | - |
| Finance expense | (43,700) | (19,971) | (6,800) | (14,374) | (224,453) | (309,298) | 77,659 | (231,639) |
| Profit (loss) from derivative financial instruments | (600) | (1,655) | - | (328) | (4,864) | (7,447) | - | (7,447) |
| Share of profit (loss) of equity accounted investees, net of tax | - | 448 | 3,815 | (80) | 4,500 | 8,683 | - | 8,683 |
| Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates | - | - | - | - | (1,407) | (1,407) | - | (1,407) |
| **Profit (loss) before income tax** | **545,100** | **240,831** | **150,508** | **79,118** | **1,545,922** | **2,561,479** | **(1,675,440)** | **886,039** |
| Income tax expenses | (138,800) | (62,486) | (36,032) | (9,107) | (16,941) | (263,366) | - | (263,366) |
| **Profit (loss) for the year before discontinued operations** | **406,300** | **178,345** | **114,476** | **70,011** | **1,528,981** | **2,298,113** | **(1,675,440)** | **622,673** |
| Profit (loss) from discontinued operations | - | - | - | - | - | - | - | - |
| **Profit (loss) for the year** | **406,300** | **178,345** | **114,476** | **70,011** | **1,528,981** | **2,298,113** | **(1,675,440)** | **622,673** |

* *EUR 1,673,784 thousand is attributable to intra-group dividends primarily recognised by Slovak Gas Holding B.V., Czech Gas Holding Investment B.V., SPP Infrastructure, a.s. and EP Energy, a.s.*

**Other financial information:**

| | Gas trans-mission | Gas and power distribution | Gas storage | Heat Infra | Holding and other | Total segments | Inter-segment eliminations | Combined financial information |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA[(1)] | 686,800 | 430,932 | 179,613 | 144,416 | (6,698) | 1,435,063 | (1,567) | 1,433,496 |

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* | **Gas trans-mission** | **Gas and power distribution** | **Gas storage** | **Heat Infra** | **Holding and other** | **Total segments** | **Inter-segment eliminations** | **Combined financial information** |
|---|---|---|---|---|---|---|---|---|
| Sales: Energy | 629,900 | 1,817,520 | 220,069 | 441,416 | 75,137 | 3,184,042 | (168,489) | 3,015,553 |
| *external revenues* | *629,900* | *1,791,685* | *188,535* | *330,623* | *74,810* | *3,015,553* | - | *3,015,553* |
| *inter-segment revenues* | - | *25,835* | *31,534* | *110,793* | *327* | *168,489* | *(168,489)* | - |
| Sales: Other | - | 10,937 | - | 20,955 | 4,645 | 36,537 | (1,200) | 35,337 |
| *external revenues* | - | *10,937* | - | *20,955* | *3,445* | *35,337* | - | *35,337* |
| *inter-segment revenues* | - | | - | - | *1,200* | *1,200* | *(1,200)* | - |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | - | 13,217 | - | - | - | 13,217 | - | 13,217 |
| **Total sales** | **629,900** | **1,841,674** | **220,069** | **462,371** | **79,782** | **3,233,796** | **(169,689)** | **3,064,107** |
| Cost of sales: Energy | (39,900) | (1,324,242) | (21,720) | (256,486) | (68,874) | (1,711,222) | 168,557 | (1,542,665) |
| *external cost of sales* | *(39,900)* | *(1,182,008)* | *(17,891)* | *(234,034)* | *(68,832)* | *(1,542,665)* | - | *(1,542,665)* |
| *inter-segment cost of sales* | - | *(142,234)* | *(3,829)* | *(22,452)* | *(42)* | *(168,557)* | *168,557* | - |
| Cost of sales: Other | - | (2,756) | (203) | (13,511) | (1,059) | (17,529) | 307 | (17,222) |
| *external cost of sales* | - | *(2,756)* | *(203)* | *(13,229)* | *(1,034)* | *(17,222)* | - | *(17,222)* |
| *inter-segment cost of sales* | - | - | - | *(282)* | *(25)* | *(307)* | *307* | - |
| Personnel expenses | (35,600) | (84,449) | (24,016) | (46,736) | (5,534) | (196,335) | - | (196,335) |
| Depreciation and amortisation | (118,700) | (173,982) | (25,215) | (89,786) | (4,058) | (411,741) | - | (411,741) |
| Repairs and maintenance | (1,300) | (2,053) | (13) | (8,947) | (1,030) | (13,343) | 400 | (12,943) |
| Emission rights, net | 1,500 | 2 | (138) | (4,519) | - | (3,155) | - | (3,155) |
| Negative goodwill | - | - | - | - | - | - | - | - |
| Taxes and charges | (900) | (1,506) | (3,203) | (1,168) | (131) | (6,908) | - | (6,908) |
| Other operating income | 3,900 | 20,944 | 6,125 | 22,439 | 1,591 | 54,999 | (739) | 54,260 |
| Other operating expenses | (14,100) | (71,356) | (7,437) | (18,280) | (5,089) | (116,262) | 952 | (115,310) |
| **Operating profit** | **424,800** | **202,276** | **144,249** | **45,377** | **(4,402)** | **812,300** | **(212)** | **812,088** |
| Finance income | 29,900 | 8,439 | 251 | (1,542) | *732,686 | *769,734 | *(662,706) | 107,028 |
| *external finance revenues* | *29,900* | *8,439* | *259* | *(3,155)* | *71,585* | *107,028* | - | *107,028* |
| *inter-segment finance revenues* | - | - | *(8)* | *1,613* | **661,101* | **662,706* | **(662,706)* | - |
| Finance expense | (31,100) | (12,945) | (4,615) | (19,367) | (294,382) | (362,409) | 86,896 | (275,513) |
| Profit (loss) from derivative financial instruments | 1,900 | (480) | - | (171) | (11,229) | (9,980) | - | (9,980) |
| Share of profit (loss) of equity accounted investees, net of tax | - | - | 3,063 | 600 | 2,700 | 6,363 | - | 6,363 |
| Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates | - | - | - | - | 19,460 | 19,460 | - | 19,460 |
| **Profit (loss) before income tax** | **425,500** | **197,290** | **142,948** | **24,897** | ***444,833** | ***1,235,468** | *** (576,022)** | **659,446** |
| Income tax expenses | (108,200) | (49,935) | (36,121) | (4,760) | (21,866) | (220,882) | - | (220,882) |
| **Profit (loss) for the year before discontinued operations** | **317,300** | **147,355** | **106,827** | **20,137** | ***422,967** | ***1,014,586** | *** (576,022)** | **438,564** |
| Profit (loss) from discontinued operations | - | - | - | - | (22,758) | (22,758) | - | (22,758) |
| **Profit (loss) for the year** | **317,300** | **147,355** | **106,827** | **20,137** | ***400,209** | ***991,828** | *** (576,022)** | **415,806** |

* *EUR 576,958 thousand is attributable to intra-group dividends primarily recognised by Slovak Gas Holding B.V., Czech Gas Holding Investment B.V., SPP Infrastructure, a.s. and EP Energy, a.s.*

**Other financial information:**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA[(1)] | 543,500 | 376,258 | 169,464 | 135,163 | (344) | 1,224,041 | (212) | 1,223,829 |

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 2013

| *In thousands of EUR* | **Gas transmission** | **Gas and power distribution** | **Gas storage** | **Heat Infra** | **Holding and other** | **Total segments** | **Inter-segment eliminations** | **Combined financial information** |
|---|---|---|---|---|---|---|---|---|
| Sales: Energy | 647,200 | 1,245,488 | 201,500 | 550,036 | 142,360 | 2,786,584 | (177,207) | 2,609,377 |
| *external revenues* | *647,300* | *1,215,681* | *153,500* | *450,827* | *142,069* | *2,609,377* | - | *2,609,377* |
| *inter-segment revenues* | *(100)* | *29,807* | *48,000* | *99,209* | *291* | *177,207* | *(177,207)* | - |
| Sales: Other | - | 6,520 | - | 22,778 | 3,307 | 32,605 | (647) | 31,958 |
| *external revenues* | - | *6,520* | - | *22,770* | *2,668* | *31,958* | - | *31,958* |
| *inter-segment revenues* | - | - | - | *8* | *639* | *647* | *(647)* | - |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | - | (3,222) | - | - | - | (3,222) | - | (3,222) |
| **Total sales** | **647,200** | **1,248,786** | **201,500** | **572,814** | **145,667** | **2,815,967** | **(177,854)** | **2,638,113** |
| Cost of sales: Energy | (88,700) | (934,303) | (22,900) | (287,901) | (136,282) | (1,470,086) | 177,351 | (1,292,735) |
| *external cost of sales* | *(88,700)* | (800,316) | *(22,437)* | *(258,422)* | *(122,860)* | *(1,292,735)* | - | *(1,292,735)* |
| *inter-segment cost of sales* | - | (133,987) | *(463)* | *(29,479)* | *(13,422)* | *(177,351)* | *177,351* | - |
| Cost of sales: Other | (200) | (2,311) | (200) | (15,096) | (342) | (18,149) | 384 | (17,765) |
| *external cost of sales* | *(200)* | (2,311) | *(200)* | *(14,718)* | *(336)* | *(17,765)* | - | *(17,765)* |
| *inter-segment cost of sales* | - | - | - | *(378)* | *(6)* | *(384)* | *384* | - |
| Personnel expenses | (38,200) | (64,487) | (21,700) | (49,967) | (2,425) | (176,779) | - | (176,779) |
| Depreciation and amortisation | (113,400) | (113,763) | (31,200) | (106,168) | (3,054) | (367,585) | - | (367,585) |
| Repairs and maintenance | (1,700) | (2,985) | - | (8,355) | (582) | (13,622) | - | (13,622) |
| Emission rights, net | 1,600 | 1 | (100) | (22,713) | - | (21,212) | - | (21,212) |
| Negative goodwill | - | 15,618 | - | 2,186 | 238,946 | 256,750 | - | 256,750 |
| Taxes and charges | (200) | (667) | (2,800) | (1,188) | (409) | (5,264) | - | (5,264) |
| Other operating income | 4,900 | 9,311 | 8,900 | 33,711 | 1,320 | 58,142 | (428) | 57,714 |
| Other operating expenses | (20,600) | (47,506) | (6,400) | (34,759) | (22,661) | (131,926) | 371 | (131,555) |
| **Operating profit** | **390,700** | **107,694** | **125,100** | **82,564** | **220,178** | **926,236** | **(176)** | **926,060** |
| Finance income | 10,300 | (618) | 200 | (5,731) | *272,102 | *276,253 | *(163,998) | 112,255 |
| *external finance revenues* | *10,300* | *(640)* | *200* | *(7,302)* | *109,697* | *112,255* | - | *112,255* |
| *inter-segment finance revenues* | - | *22* | - | *1,571* | **162,405* | **163,998* | **(163,998)* | - |
| Finance expense | (8,500) | (8,250) | (9,200) | (19,742) | (204,471) | (250,163) | 36,209 | (213,954) |
| Profit (loss) from derivative financial instruments | (2,400) | 1,591 | - | (5,349) | 8,215 | 2,057 | - | 2,057 |
| Share of profit (loss) of equity accounted investees, net of tax | - | - | 1,989 | 1,528 | - | 3,517 | - | 3,517 |
| Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates | - | - | - | (668) | - | (668) | - | (668) |
| **Profit (loss) before income tax** | **390,100** | **100,417** | **118,089** | **52,602** | ***296,024** | ***957,232** | ***(127,965)** | **829,267** |
| Income tax expenses | (143,400) | (26,852) | (21,600) | (11,403) | (6,662) | (209,917) | (100) | (210,017) |
| **Profit (loss) for the year before discontinued operations** | **246,700** | **73,565** | **96,489** | **41,199** | ***289,362** | ***747,315** | ***(128,065)** | **619,250** |
| Profit (loss) from discontinued operations | - | - | - | - | (90,591) | (90,591) | - | (90,591) |
| **Profit (loss) for the year** | **246,700** | **73,565** | **96,489** | **41,199** | ***198,771** | ***656,724** | ***(128,065)** | **528,659** |

* *EUR 134,758 thousand is attributable to intra-group dividends primarily recognised by EP Energy, a.s*

**Other financial information**

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Adjusted EBITDA[1] | 504,100 | 205,839 | 156,300 | 186,546 | (15,714) | 1,037,071 | (176) | 1,036,895 |

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* | **Gas trans-mission** | **Gas and power distribution** | **Gas storage** | **Heat Infra** | **Holding and other** | **Total segments** | **Inter-segment eliminations** | **Combined financial information** |
|---|---|---|---|---|---|---|---|---|
| **Profit from operations** | **577,500** | **259,956** | **152,992** | **92,303** | **(9,538)** | **1,073,213** | **(1,567)** | **1,071,646** |
| Depreciation and amortisation | 109,300 | 170,976 | 26,621 | 85,198 | 2,840 | 394,935 | - | 394,935 |
| Negative goodwill | - | - | - | (33,085) | - | (33,085) | - | (33,085) |
| **Adjusted EBITDA** | **686,800** | **430,932** | **179,613** | **144,416** | **(6,698)** | **1,435,063** | **(1,567)** | **1,433,496** |

**For the year ended 31 December 2014**

| *In thousands of EUR* | **Gas trans-mission** | **Gas and power distribution** | **Gas storage** | **Heat Infra** | **Holding and other** | **Total segments** | **Inter-segment eliminations** | **Combined financial information** |
|---|---|---|---|---|---|---|---|---|
| **Profit from operations** | **424,800** | **202,276** | **144,249** | **45,377** | **(4,402)** | **812,300** | **(212)** | **812,088** |
| Depreciation and amortisation | 118,700 | 173,982 | 25,215 | 89,786 | 4,058 | 411,741 | - | 411,741 |
| **Adjusted EBITDA** | **543,500** | **376,258** | **169,464** | **135,163** | **(344)** | **1,224,041** | **(212)** | **1,223,829** |

**For the year ended 31 December 2013**

| *In thousands of EUR* | **Gas trans-mission** | **Gas and power distribution** | **Gas storage** | **Heat Infra** | **Holding and other** | **Total segments** | **Inter-segment eliminations** | **Combined financial information** |
|---|---|---|---|---|---|---|---|---|
| **Profit from operations** | **390,700** | **107,694** | **125,100** | **82,564** | **220,178** | **926,236** | **(176)** | **926,060** |
| Depreciation and amortisation | 113,400 | 113,763 | 31,200 | 106,168 | 3,054 | 367,585 | - | 367,585 |
| Negative goodwill | - | (15,618) | - | (2,186) | (238,946) | (256,750) | - | (256,750) |
| **Adjusted EBITDA** | **504,100** | **205,839** | **156,300** | **186,546** | **(15,714)** | **1,037,071** | **(176)** | **1,036,895** |

## Segment assets and liabilities

### For the year ended 31 December 2015

| *In thousands of EUR* | **Gas trans-mission** | **Gas and power distribution** | **Gas storage** | **Heat Infra** | **Holding and other** | **Total segments** | **Inter-segment eliminations** | **Combined financial information** |
|---|---|---|---|---|---|---|---|---|
| Reportable segment assets | 3,161,500 | 4,010,082 | 860,457 | 1,063,038 | 3,276,427 | 12,371,504 | (2,661,727) | 9,709,777 |
| Reportable segment liabilities | (1,991,747) | (1,595,701) | (517,603) | (572,291) | (5,044,403) | (9,721,745) | 2,661,762 | (7,059,983) |
| Additions to tangible and intangible assets(1) | 11,000 | 94,112 | 11,844 | 135,095 | 308 | 252,359 | - | 252,359 |
| Additions to tangible and intangible assets (excl. emission rights) | 10,100 | 94,112 | 11,416 | 115,407 | 308 | 231,343 | - | 231,343 |
| Equity accounted investees | - | 1,590 | 24,732 | 6,817 | 24,800 | 57,939 | - | 57,939 |

*1) This balance includes additions to emission rights.*

### For the year ended 31 December 2014

| *In thousands of EUR* | **Gas trans-mission** | **Gas and power distribution** | **Gas storage** | **Heat Infra** | **Holding and other** | **Total segments** | **Inter-segment eliminations** | **Combined financial information** |
|---|---|---|---|---|---|---|---|---|
| Reportable segment assets | 3,509,509 | 4,163,187 | 629,228 | 973,882 | 3,490,651 | 12,766,457 | (2,634,664) | 10,131,793 |
| Reportable segment liabilities | (1,390,410) | (1,669,813) | (312,672) | (512,013) | (6,173,827) | (10,058,735) | 2,635,019 | (7,423,716) |
| Additions to tangible and intangible assets(1) | 58,358 | 53,944 | 13,545 | 67,024 | 522 | 193,393 | - | 193,393 |
| Additions to tangible and intangible assets (excl. emission rights) | 55,758 | 53,944 | 13,080 | 49,407 | 522 | 172,711 | - | 172,711 |
| Equity accounted investees | - | - | 20,917 | 13,044 | 20,300 | 54,261 | - | 54,261 |

*1) This balance includes additions to emission rights.*

### For the year ended 31 December 2013

| *In thousands of EUR* | **Gas trans-mission** | **Gas and power distribution** | **Gas storage** | **Heat Infra** | **Holding and other** | **Total segments** | **Inter-segment eliminations** | **Combined financial information** |
|---|---|---|---|---|---|---|---|---|
| Reportable segment assets | 3,774,610 | 4,434,485 | 664,520 | 1,146,202 | 4,254,702 | 14,274,519 | (2,697,349) | 11,577,170 |
| Reportable segment liabilities | (1,374,466) | (1,563,258) | (304,389) | (666,567) | (6,490,470) | (10,399,150) | 2,721,075 | (7,678,075) |
| Additions to tangible and intangible assets(1) | 46,286 | 46,092 | 31,923 | 60,357 | 7,292 | 191,950 | - | 191,950 |
| Additions to tangible and intangible assets (excl. emission rights) | 43,945 | 46,092 | 31,923 | 32,129 | 7,292 | 161,381 | - | 161,381 |
| Equity accounted investees | - | - | 17,854 | 140,724 | 17,646 | 176,224 | - | 176,224 |

*1) This balance includes additions to emission rights.*

## 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*

| | Czech Republic | Slovakia | Other | Total |
|---|---|---|---|---|
| Property, plant and equipment | 714,535 | 6,120,753 | 51,010 | 6,886,298 |
| Intangible assets | 135,912 | 131,415 | 20,871 | 288,198 |
| Investment property | 2,531 | - | - | 2,531 |
| **Total** | **852,978** | **6,252,168** | **71,881** | **7,177,027** |

*In thousands of EUR*

| | Czech Republic | Slovakia | Other | Total |
|---|---|---|---|---|
| Sales: Electricity | 259,230 | 887,422 | 152,110 | 1,298,762 |
| Sales: Gas | 197,893 | 1,295,418 | 60,127 | 1,553,438 |
| Sales: Coal | 28,921 | 2,245 | 43,449 | 74,615 |
| Sales: Heat | 284,611 | - | 10,296 | 294,907 |
| Sales: Other | 24,362 | 6,626 | 2,026 | 33,014 |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | 10,476 | (31) | - | 10,445 |
| **Total** | **805,493** | **2,191,680** | **268,008** | **3,265,181** |

The geographical area Other comprises income items primarily from Poland, Germany, Hungary, United Kingdom, France and Luxembourg.

**For the year ended 31 December 2014**

*In thousands of EUR*

| | Czech Republic | Slovakia | Other | Total |
|---|---|---|---|---|
| Property, plant and equipment | 674,336 | 6,320,073 | - | 6,994,409 |
| Intangible assets | 135,270 | 140,171 | - | 275,441 |
| Investment property | - | - | - | - |
| **Total** | **809,606** | **6,460,244** | **-** | **7,269,850** |

*In thousands of EUR*

| | Czech Republic | Slovakia | Other | Total |
|---|---|---|---|---|
| Sales: Electricity | 324,139 | 913,033 | 45,317 | 1,282,489 |
| Sales: Gas | 306,853 | 1,100,927 | 27,246 | 1,435,026 |
| Sales: Coal | 22,433 | 574 | 6,065 | 29,072 |
| Sales: Heat | 268,966 | - | - | 268,966 |
| Sales: Other | 28,313 | 5,948 | 1,076 | 35,337 |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | 13,217 | - | - | 13,217 |
| **Total** | **963,921** | **2,020,482** | **79,704** | **3,064,107** |

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

**For the year ended 31 December 2013**

*In thousands of EUR*

| | Czech Republic | Slovakia | Other | Total |
|---|---|---|---|---|
| Property, plant and equipment | 725,221 | 6,536,452 | - | 7,261,673 |
| Intangible assets | 148,670 | 167,354 | - | 316,024 |
| Investment property | 324 | - | - | 324 |
| **Total** | **874,215** | **6,703,806** | **-** | **7,578,021** |

*In thousands of EUR*

| | Czech Republic | Slovakia | Other | Total |
|---|---|---|---|---|
| Sales: Electricity | 435,580 | 377,049 | 17,798 | 830,427 |
| Sales: Gas | 366,400 | 1,074,301 | 12,507 | 1,453,208 |
| Sales: Coal | 5,573 | 373 | 4,675 | 10,621 |
| Sales: Heat | 315,121 | - | - | 315,121 |
| Sales: Other | 30,661 | 757 | 540 | 31,958 |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | (3,222) | - | - | (3,222) |
| **Total** | **1,150,113** | **1,452,480** | **35,520** | **2,638,113** |

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

# 6. Acquisitions and disposals of subsidiaries, joint-ventures and associates

As described in Note 1 – Background, the EP Infrastructure Group is comprised of the Central European energy infrastructure activities of EPH, which during the reporting periods were held by selected intermediate parent companies controlled by EPH. For the purpose of preparation of these combined financial statements, the historical transfer of investments by the controlling shareholder (which is treated as an entity outside the combined reporting group) to the EP Infrastructure Group were presented using one of the following two methods:

1. If transferred entities were acquired by Energetický a průmyslový holding, a.s. under an IFRS 3 business combination since 1 January 2013, the Group presents the contributed entities in its combined financial statements from the original date of acquisition by Energetický a průmyslový holding, a.s. From the view of the EPIF Group combined financial statements, these transactions are reflected as if carried out directly by the Group, including all goodwill impacts. The consideration paid or payable by the EPIF Group is presented as a decrease in Equity.
2. If the entities were acquired by the shareholders of Energetický a průmyslový holding, a.s. and later transferred to EPH in a transaction under common control, the Group presents the entities in its combined financial statements as common control acquisition from the original date of acquisition by the Energetický a průmyslový holding, a.s. The difference between the value contributed to the equity of the Group as determined by the independent valuation specialist and the net book value of the contributed entity as at the date when contributed to EPH was presented as a pricing difference in Other capital reserves in Equity.
3. Where the Group undertakes a business combination with a third party, the Group applies fully the requirements of IFRS 3.

## (a) Acquisitions and step-acquisitions

### *i. 31 December 2015*

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

*(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 and step-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* | Date of acquisition | Purchase price | Cash paid | Other consideration | Equity interest acquired % | Equity interest after acquisition % |
|---|---|---|---|---|---|---|
| **New subsidiaries** | | | | | | |
| EP Cargo a.s. | 31/07/2014 | 5,803 | (5,803) | - | 60 | 60 |
| **Total** | | **5,803** | **(5,803)** | **-** | **-** | **-** |

On 31 July 2014 the EPIF Group acquired 60% share in EP Cargo a.s. for EUR 5,803 thousand. The purchase price liability was not settled as at 31 December 2014. It was paid in 2015.

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 immaterial.

### Acquisition of non-controlling interest

On 3 July 2014 Severočeská teplárenská, a.s., a subsidiary of United Energy, a.s., acquired the final 2.37% share in PRVNÍ MOSTECKÁ a.s. for EUR 313 thousand, which resulted in change of ownership interest to 100% share and derecognition of non-controlling interest in amount of EUR 313 thousand.

### *iii. 31 December 2013*

| *In thousands of EUR* | Date of acquisition | Purchase price | Cash paid | Other consideration | Equity interest acquired % | Equity interest after acquisition % |
|---|---|---|---|---|---|---|
| **New subsidiaries** | | | | | | |
| PRVNÍ MOSTECKÁ a.s. and its subsidiary | 14/01/2013 | 8,367 | (2,341) | (1)(6,026) | (2)82.35 | 82.35 |
| Slovenský plynárenský priemysel, a.s. and its subsidiaries and associates | 23/01/2013 | 735,310 | (735,310) | - | 49 | 49 |
| Stredoslovenská energetika, a.s. and its subsidiaries | 27/11/2013 | (3)339,052 | (3)(359,052) | 20,000 | 49 | 49 |
| **Total** | | **1,082,729** | **(1,096,703)** | **13,974** | **-** | **-** |

*(1) Fair value of interest already held as at the date of step acquisition.*
*(2) Percentages presented in the table are equity interests after step acquisition.*
*(3) The purchase price equals the cash paid to the seller (EUR 359,052 thousand) reduced by a contingent consideration receivable of EUR 20,000 thousand which represents earn-out received from the seller in 2014.*

On 23 January 2013 the EPIF Group acquired a 49% share (including management control) in Slovenský plynárenský priemysel, a.s. and its subsidiaries and associates. The acquisition took place through the purchase of Seattle Holding B.V. which owns 100% of Slovak Gas Holding B.V., which in turn holds 49% share of Slovenský plynárenský priemysel, a.s. (including management control). In relation with the completion of the transaction Slovak Gas Holding B.V. and the Group agreed with the National Property Fund of the Slovak Republic (the 51% shareholder of Slovenský plynárenský priemysel, a.s.) and the Ministry of Economy of the Slovak Republic on a new Shareholders´Agreement (“SHA”) which grants the Slovak Gas Holding B.V. specific rights and obligations and governs the relationship of the acquirer with the other 51% shareholder. As a result of the concluded SHA and based on the other relevant facts and circumstances, the Slovak Gas Holding B.V. concluded that it controls Slovenský plynárenský priemysel, a.s. because it has the power to govern the financial and operating activities of the acquiree so as to obtain benefits from its activities and thus the Slovenský plynárenský priemysel, a.s. subgroup have been consolidated in the EPIF Group combined financial statements from 23 January 2013.

Details about the acquisition including purchase consideration, net identifiable assets and liabilities acquired negative goodwill arising from this transaction are presented in Appendix 1.

On 27 November 2013 the EPIF Group acquired a 49% share (including management control) in Stredoslovenská energetika, a.s. and its subsidiaries. In relation with the completion of the transaction the acquirer EPH Financing II, a.s.(1) and EPH agreed with the National Property Fund of the Slovak Republic (the 51% shareholder of Stredoslovenská energetika, a.s.) and the Ministry of Economy of the Slovak Republic on a new Shareholders´Agreement ("SHA") which granted the EPH Financing II, a.s.(1) specific rights and obligations and governs the relationship of the acquirer with the other 51% shareholder. As a result of the concluded SHA and based on the other relevant facts and circumstances, EPH Financing II, a.s.(1) concluded that it controls Stredoslovenská energetika, a.s. because it has the power to govern the financial and operating activities of the acquiree so as to obtain benefits from its activities and thus the Stredoslovenská energetika, a.s. subgroup have been consolidated in the EPIF Group combined financial statements from 27 November 2013.

Details about the acquisition including purchase consideration, net identifiable assets and liabilities acquired and negative goodwill arising from this transaction are presented in Appendix 1.

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

**Step acquisition**

On 14 January 2013 Severočeská teplárenská, a.s, a subsidiary of United Energy, a.s., acquired a 35.29% share in PRVNÍ MOSTECKÁ a.s. for EUR 2,341 thousand. The total share in PRVNÍ MOSTECKÁ a.s. thus increased to 82.35% and EPH Group obtained control of this entity.

For detailed disclosure of gain/loss recognised from the deemed disposal of the previously held interest refer to Note 6 (d) – Disposal of investments.

**Acquisition of non-controlling interest**

On 29 July 2013 Pražská teplárenská a.s. acquired a 10% share in Energotrans SERVIS a.s. for EUR 7,429 thousand, which resulted in the change in ownership interest from a 85% to a 95% share and derecognition of non-controlling interest in amount of EUR 6,396 thousand.

On 19 December 2013 Severočeská teplárenská, a.s, acquired a 15.28% share in PRVNÍ MOSTECKÁ a.s. for EUR 2,814 thousand. This transaction resulted in the change in ownership interest from 82.35% to 97.63% share and derecognition of non-controlling interest in amount of EUR 1,954 thousand.

On 30 December 2013 Czech Gas Holding Investment B.V. acquired a 40.45% share in NAFTA a.s. for EUR 156,000 thousand. Through the SPP ownership this transaction resulted in a change in effective ownership interest from 27.51% to 67.96% and derecognition of non-controlling investment in amount of EUR 157,414 thousand.

## (b) Effect of acquisitions and step acquisitions resulting in a change of control

### *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* | **Carrying amount[(1)]** | **Fair value adjustment** | **2015 Total[(1)]** |
|---|---|---|---|
| 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) |
| **Net identifiable assets and liabilities** | **41,442** | **477** | **41,919** |
| 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 | | | - |
| **Cost of acquisition** | | | **11,502** |
| Consideration paid, satisfied in cash (A) | | | 5,998 |
| Consideration, other | | | 5,504 |
| **Total consideration transferred** | | | **11,502** |
| Less: Cash acquired (B) | | | 14,244 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **8,246** |

*(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.

| *In thousands of EUR* | **Carrying amount[(1)]** | **Fair value adjustment[(2)]** | **2014 Total[(1)]** |
|---|---|---|---|
| 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) |
| **Net identifiable assets and liabilities** | **1,895** | **-** | **1,895** |
| Non-controlling interest | | | (758) |
| Goodwill on acquisitions of a subsidiary | | | 4,666 |
| Pricing differences in equity | | | - |
| **Cost of acquisition** | | | **5,803** |
| Consideration paid, satisfied in cash (A) | | | - |
| Purchase price liability, not yet settled | | | 5,803 |
| **Total consideration transferred** | | | **5,803** |
| Less: Cash acquired (B) | | | 3,477 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **3,477** |

*(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.*

### *iii. 31 December 2013*

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of PRVNÍ MOSTECKÁ a.s. including its subsidiary, Stredoslovenská energetika, a.s. including its subsidiaries and associates and Slovenský plynárenský priemysel, a.s. including its subsidiaries, associates and joint-ventures are provided in the following table.

| *In thousands of EUR* | **Carrying amount**(1) | **Fair value adjustment**(1) | **2013 Total**(1) |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 7,019,552 | (206,135) | 6,813,417 |
| Intangible assets | 136,813 | 139,677 | 276,490 |
| Participations with significant influence | 93,257 | (54,300) | 38,957 |
| Deferred tax assets | - | - | - |
| Inventories | 451,946 | (38,100) | 413,846 |
| Trade receivables and other assets | 587,106 | (23,000) | 564,106 |
| Financial instruments – assets | 250,890 | - | 250,890 |
| Assets held for sale, net | 222 | - | 222 |
| Cash and cash equivalents | 357,610 | - | 357,610 |
| Provisions | (252,051) | - | (252,051) |
| Deferred tax liabilities | (1,062,096) | 7,181 | (1,054,915) |
| Loans and borrowings | (2,269,106) | - | (2,269,106) |
| Financial instruments – liabilities | (39,569) | - | (39,569) |
| Trade payables and other liabilities | (644,173) | - | (644,173) |
| **Net identifiable assets and liabilities** | **4,630,401** | **(174,677)** | **4,455,724** |
| Non-controlling interest | | | (3,116,245) |
| Goodwill on acquisition of subsidiaries | | | - |
| Negative goodwill on acquisition and step acquisition of subsidiaries | | | (2)(256,750) |
| Pricing differences in equity | | | - |
| **Cost of acquisition** | | | **1,082,729** |
| Consideration paid, satisfied in cash (A) | | | 1,096,703 |
| Consideration, contingent | | | (20,000) |
| Consideration, other | | | 6,026 |
| **Total consideration transferred** | | | **1,082,729** |
| Less: Cash acquired (B) | | | 357,610 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **(739,093)** |

*(1) Represents values at 100% share.*

*(2) Management of the EPIF Group reassessed the fair value of assets and liabilities acquired and obtained approximately the same results. Therefore negative goodwill that arose upon the acquisitions was recognised in the statement of comprehensive income upon the acquisitions.*

For details on major acquisitions please refer to Appendix 1 – Business combinations.

### *iv. Rationale for acquisitions*

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

- The subsidiaries' businesses are complementary to Group'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, the Group 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 the development of the market and this resulted in historical goodwill in the total amount of EUR 98,210 thousand. 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; 2013: EUR 256,750 thousand from the step acquisition of PRVNÍ MOSTECKÁ a.s. and acquisitions of Slovenský plynárenský priemysel, a.s. and Stredoslovenská energetika, a.s.). 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 Group reconsidered the identification and measurement of all identified assets and liabilities acquired in these business combinations; consistent results were obtained in respect of negative goodwill.

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.

| *In thousands of EUR* | **2015 Total** |
|---|---:|
| 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 |

| *In thousands of EUR* | **2014 Total** |
|---|---:|
| Revenue of the acquirees recognised since the acquisition date (subsidiaries) | 9,689 |
| Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries) | 894 |

| *In thousands of EUR* | **2013 Total** |
|---|---:|
| Revenue of the acquirees recognised since the acquisition date (subsidiaries) | 1,646,285 |
| Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries) | 389,835 |

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 or as at 1 January 2013); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

| *In thousands of EUR* | **2015 Total** |
|---|---:|
| Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)* | 197,257 |
| Profit (loss) of the acquires recognised in the year ended 31 December 2015 (subsidiaries)* | (25,492) |

| *In thousands of EUR* | **2014 Total** |
|---|---:|
| Revenue of the acquirees recognised in the year ended 31 December 2014 (subsidiaries)* | 29,340 |
| Profit (loss) of the acquires recognised in the year ended 31 December 2014 (subsidiaries)* | 3,084 |

| *In thousands of EUR* | **2013 Total** |
|---|---:|
| Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)* | (1)2,098,293 |
| Profit (loss) of the acquires recognised in the year ended 31 December 2013 (subsidiaries)* | (1)618,512 |

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

1) *The financial information for SPPI Group disregarding revenues of Slovenský plynárenský priemysel, a.s. due to its spun-off in 2014.*

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

## (c) Business combinations – acquisition accounting 2015, 2014 and 2013

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 combined 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 also involves 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:

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

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.

Fair value adjustments resulting from business combinations in 2013 are presented in the following table:

| *In thousands of EUR* | **Intangible assets** | **Property, plant and equipment** | **Other** | **Deferred tax asset/ (liability)** | **Total net effect on financial position** |
|---|---|---|---|---|---|
| **Subsidiary** | | | | | |
| Slovenský plynárenský priemysel, a.s. and its subsidiaries and associates | 132,500 | (637,300) | (115,400) | 108,000 | **(512,200)** |
| Stredoslovenská energetika, a.s. and its subsidiaries | 7,177 | 431,165 | - | (100,819) | **337,523** |
| **Total** | **139,677** | **(206,135)** | **(115,400)** | **7,181** | **(174,677)** |

The fair value adjustments resulting from the purchase price allocation of PRVNÍ MOSTECKÁ a.s. were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from this business combination in 2013.

## (d) Disposal of investments in 2015, 2014 and 2013

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

| *In thousands of EUR* | **Net assets sold in 2015** |
|---|---|
| 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) |
| **Net identifiable assets and liabilities** | **4,983** |
| | |
| Sales price | 3,576 |
| **Gain (loss) on disposal** | **(1,407)** |

### *ii. 31 December 2014*

On 4 June 2014 the Group accounted for disposal of its 49% investment in Slovenský plynárenský priemysel, a.s. The effects of disposal are provided in the following table:

| *In thousands of EUR* | **Net assets sold in 2014** |
|---|---|
| Assets/disposal groups held for sale | 1,187,460 |
| Liabilities from assets/disposal groups held for sale | (1,183,089) |
| **Net identifiable assets and liabilities(1)** | **4,371** |
| Non-controlling interest | (2,229) |
| **Total** | **2,142** |
| | |
| Sales price (received in cash) | 21,602 |
| **Gain (loss) on disposal** | **19,460** |

*(1) Represents values at 100% share.*

### *iii. 31 December 2013*

On 14 January 2013 the Group accounted for a disposal of its 47.06% investment in PRVNÍ MOSTECKÁ a.s. as a part of the step acquisition process. The effects of the disposal are provided in the following table:

| *In thousands of EUR* | **Net assets disposed in 2013** |
|---|---|
| Participation with significant influence | 6,026 |
| **Net identifiable assets and liabilities disposed at carrying value** | **6,026** |
| | |
| Fair value of disposed net identifiable assets and liabilities | 6,026 |
| **Gain (loss) on disposal** | **-** |

On 28 June 2013 the Group accounted for disposal of its 85% investment in Areál Třeboradice, a.s. The effects of disposal are provided in the following table:

| *In thousands of EUR* | **Net assets sold in 2013** |
|---|---|
| Assets/disposal groups held for sale(1) | 8,819 |
| Liabilities from assets/disposal groups held for sale(1) | (1,099) |
| **Net identifiable assets and liabilities(1)** | **7,720** |
| | |
| Sales price | 7,052 |
| **Gain (loss) on disposal(1)** | **(668)** |

*(1) Represents values at 85% share.*

As of 28 June 2013 the Group lost its control of this entity and remaining 15% share in Areál Třeboradice, a.s. is therefore reported as equity instrument under Financial instruments and other financial assets.

# 7. Sales

| *In thousands of EUR* | | | **2015** | **2014** | **2013** |
|---|---|---|---|---|---|
| **Sales:** Energy | | | | | |
| | *of which:* | *Gas* | 1,553,438 | 1,435,026 | 1,453,208 |
| | | *Electricity* | 1,298,762 | 1,282,489 | 830,427 |
| | | *Heat* | 294,907 | 268,966 | 315,121 |
| | | *Coal* | 74,615 | 29,072 | 10,621 |
| **Total Energy** | | | **3,221,722** | **3,015,553** | **2,609,377** |
| **Sales: Other** | | | **33,014** | **35,337** | **31,958** |
| **Gain (loss) from commodity derivatives for trading with electricity and gas, net** | | | **10,445** | **13,217** | **(3,222)** |
| **Total for continuing operations** | | | **3,265,181** | **3,064,107** | **2,638,113** |

Other sales are represented mainly by sales of lignite dust, briquettes, gypsum, revenues from transportation and disposal costs, sewage sludge incineration and restoration services to third parties.

# 8. Cost of sales

| *In thousands of EUR* | **2015** | **2014** | **2013** |
|---|---|---|---|
| **Cost of Sales: Energy** | | | |
| *Cost of sold electricity* | 958,992 | 964,649 | 608,562 |
| *Cost of sold gas and other energy products* | 325,629 | 325,271 | 355,961 |
| *Consumption of coal and other material* | 120,009 | 129,249 | 140,416 |
| *Consumption of energy* | 114,253 | 106,785 | 170,413 |
| *Changes in WIP, semi-finished products and finished goods* | (466) | 83 | (264) |
| *Other cost of sales* | 16,561 | 16,628 | 17,647 |
| **Total Energy** | **1,534,978** | **1,542,665** | **1,292,735** |
| **Cost of Sales: Other** | | | |
| *Other cost of goods sold* | 8,382 | 9,000 | 11,146 |
| *Consumption of material* | 5,628 | 3,854 | 3,251 |
| *Consumption of energy* | 3,672 | 3,799 | 2,194 |
| *Other cost of sales* | 5,071 | 393 | 1,442 |
| *Changes in WIP, semi-finished products and finished goods* | (636) | 176 | (268) |
| **Total Other** | **22,117** | **17,222** | **17,765** |
| **Total for continuing operations** | **1,557,095** | **1,559,887** | **1,310,500** |

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

| *In thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| Wages and salaries | 132,302 | 133,581 | 120,226 |
| Compulsory social security contributions | 47,952 | 49,068 | 38,072 |
| Board members' remuneration (including boards of subsidiaries) | 4,462 | 3,630 | 2,362 |
| Expenses related to employee benefits (IAS 19) | 1,827 | 1,646 | 2,368 |
| Other social expenses | 9,169 | 8,410 | 13,751 |
| **Total for continuing operations** | **195,712** | **196,335** | **176,779** |

The average number of employees during 2015 was 6,873 (2014: 6,759; 2013: 7,771), of which 353 were executives (2014: 313; 2013: 328).

# 10. Emission rights

| *In thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| Deferred income (grant) released to profit and loss | 17,438 | 17,340 | 5,332 |
| Profit (loss) from sale (purchase) of emission rights | (1,478) | 1,470 | 732 |
| Creation of provision for emission rights | (18,850) | (21,965) | (27,276) |
| Use of provision for emission rights | 22,032 | 31,959 | 49,935 |
| Consumption of emission rights | (22,032) | (31,959) | (49,935) |
| **Total for continuing operations** | **(2,890)** | **(3,155)** | **(21,212)** |

The Ministries of the Environment of the Czech Republic, Slovakia and Hungary set a limit on the amount of a pollutant that can be emitted. Companies are granted emission allowances 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 allowance must buy credits from those who pollute less or from other market participants. The transfer of allowances 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., Elektrárny Opatovice, a.s., Stredoslovenská energetika, a.s., NAFTA a.s., eustream, a.s. and Budapesti Erömü Zrt.

# 11. Taxes and charges

| *In thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| Gift tax refunds | (10,799) | - | - |
| Property tax and real estate transfer tax | 1,705 | 1,726 | 372 |
| Electricity tax | 22 | 133 | 567 |
| Other taxes and charges expenses | 5,271 | 5,049 | 4,325 |
| **Total for continuing operations** | **(3,801)** | **6,908** | **5,264** |

In February 2015 the European Court of Justice issued preliminary ruling on gas emission allowances 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 allowances 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

| *In thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| Own work capitalised to fixed assets | 24,455 | 27,666 | 21,294 |
| Compensation from insurance companies | 6,242 | 5,716 | 19,279 |
| Rental income | 4,970 | 5,241 | 3,111 |
| Property acquired free-of-charge and fees from customers | 4,154 | 4,283 | 493 |
| Consulting fees | 3,618 | 3,528 | 4,743 |
| Contractual penalties | (1)3,542 | 758 | 1,369 |
| Profit from sale of material | 1,144 | 1,909 | 770 |
| Decentralisation and cogeneration fee | 358 | 338 | 807 |
| Inventories surplus | 332 | 111 | 823 |
| Other | 5,154 | 4,710 | 5,025 |
| **Total for continuing operations** | **53,969** | **54,260** | **57,714** |

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

| *In thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| Rent expenses | 21,030 | 14,531 | 18,927 |
| Outsourcing and other administration fees | 18,781 | 18,955 | 11,516 |
| Consulting expenses | 15,012 | 13,414 | 12,767 |
| Office equipment and other material | 13,702 | 11,712 | 1,454 |
| Impairment losses | 13,471 | 11,250 | 34,465 |
| *Of which relates to: Property, plant and equipment and intangible assets* | *6,655* | *4,896* | *(1)18,464* |
| *Trade receivables and other assets* | *3,286* | *1,420* | *5,285* |
| *Inventories* | *3,244* | *2,105* | *1,766* |
| *Unrealised investment* | *286* | *2,829* | *-* |
| *Goodwill* | *-* | *-* | *(2)8,950* |
| Information technologies costs | 7,271 | 7,461 | 2,937 |
| Transport expenses | 5,495 | 4,860 | 5,623 |
| Net loss on disposal of property, plant and equipment, investment property and intangible assets | 3,921 | 7,141 | 3,900 |
| Insurance expenses | 3,765 | 3,908 | 3,835 |
| Advertising expenses | 3,048 | 2,880 | 2,402 |
| Contractual penalties | 3,033 | 2,106 | 4,407 |
| Gifts and sponsorship | 1,476 | 2,736 | 3,288 |
| Security services | 1,294 | 1,612 | 1,800 |
| Communication expenses | 1,058 | 1,278 | 1,764 |
| Training, courses, conferences | 1,051 | 1,129 | 1,462 |
| Loss from receivables written-off | 827 | 1,812 | 9,933 |
| Shortages and damages | 343 | 271 | 503 |
| Investment property income | - | 14 | 23 |
| Change in provisions (continuing operations), net | (911) | (2,733) | (1,470) |
| Other | 8,141 | 10,973 | 12,019 |
| **Total for continuing operations** | **121,808** | **115,310** | **131,555** |

1) *Amount is mainly represented by impairment of project "Chomutov" recognised by EP Renewables a.s. in amount of EUR 4,620 thousand and impairment of project "Modernizace výroby elektrické energie" in amount of EUR 2,844 thousand. For detail refer to Note 17 – Intangible assets (including goodwill).*

2) *This amount represents impairment of goodwill in amount of EUR 8,950 thousand relating to EP Renewables project.*

No material research and development expenses were recognised in profit and loss for the year ended 31 December 2015, 31 December 2014 and 31 December 2013.

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

## Recognised in profit or loss

| *In thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| Interest income | 45,134 | 96,258 | 57,932 |
| Net foreign exchange gain | - | 8,872 | 53,241 |
| Dividend income | 700 | 1,865 | 500 |
| Other finance income | 369 | 33 | 582 |
| **Finance income** | **46,203** | **107,028** | **112,255** |
| Interest expense | (212,048) | (264,828) | (192,838) |
| Net foreign exchange loss | (2,239) | - | - |
| Fees and commissions expense for other financing services | (12,803) | (6,461) | (18,238) |
| Interest expense from unwind of provision discounting | (3,633) | (3,703) | (2,311) |
| Fees and commissions expense for payment transactions | (845) | (428) | (162) |
| Fees and commissions expense for guarantees | (71) | (93) | (405) |
| **Finance costs** | **(231,639)** | **(275,513)** | **(213,954)** |
| Profit (loss) from commodity derivatives reported as trading* | 1,730 | 1,502 | (3,845) |
| Profit (loss) from currency derivatives reported as trading* | (187) | 1,222 | (313) |
| Profit (loss) from interest rate derivatives reported as trading* | (3,101) | (13,929) | (835) |
| Profit (loss) from hedging derivatives | (4,800) | (120) | (130) |
| Profit (loss) from other financial assets held at fair value | (885) | - | - |
| Profit (loss) from other non-derivative assets | (204) | 1,345 | 4,680 |
| Profit (loss) from securities | - | - | 2,186 |
| Profit (loss) from other derivatives reported as trading | - | - | 314 |
| **Profit (loss) from financial instruments** | **(7,447)** | **(9,980)** | **2,057** |
| **Net finance income (expense) recognised in profit or loss for continuing operations** | **(192,883)** | **(178,465)** | **(99,642)** |

* *All derivatives are for the risk management purposes.*

# 15. Income tax expenses

## Income taxes recognised in profit or loss

| *In thousands of EUR* | **2015** | **2014** | **2013** |
|---|---|---|---|
| *Current taxes:* | | | |
| Current year | (268,089) | (240,193) | (269,127) |
| Withholding tax | (4,484) | (4,986) | (202) |
| Adjustment for prior periods | 91 | (820) | 126 |
| **Total current taxes** | **(272,482)** | **(245,999)** | **(269,203)** |
| *Deferred taxes:* | | | |
| Origination and reversal of temporary differences | 9,116 | 25,117 | 59,186 |
| **Total deferred taxes** | **9,116** | **25,117** | **59,186** |
| **Total income taxes (expense) benefit recognised in profit or loss for continuing operations** | **(263,366)** | **(220,882)** | **(210,017)** |

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 2015, 2014 and 2013. The Slovak corporate income tax rate is 22% for fiscal year 2015 (2014: 22%; 2013: 23%). 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 | (64,073) | - | (64,073) |
| Foreign currency translation differences from presentation currency | 111,223 | - | 111,223 |
| Effective portion of changes in fair value of cash-flow hedges | 78,550 | (725) | 77,825 |
| Fair value reserve included in other comprehensive income | (844) | 10 | (834) |
| **Total** | **124,856** | **(715)** | **124,141** |

| *In thousands of EUR* | | **2014** | |
|---|---|---|---|
| | **Gross** | **Income tax** | **Net of income tax** |
| Foreign currency translation differences for foreign operations | 31,647 | - | 31,647 |
| Foreign currency translation differences from presentation currency | (20,942) | - | (20,942) |
| Effective portion of changes in fair value of cash-flow hedges | (5,628) | (297) | (5,925) |
| Fair value reserve included in other comprehensive income | (399) | - | (399) |
| **Total** | **4,678** | **(297)** | **4,381** |

| *In thousands of EUR* | | **2013** | |
|---|---|---|---|
| | **Gross** | **Income tax** | **Net of income tax** |
| Foreign currency translation differences for foreign operations | 185,275 | - | 185,275 |
| Foreign currency translation differences from presentation currency | (249,949) | - | (249,949) |
| Effective portion of changes in fair value of cash-flow hedges | (78,635) | 193 | (78,442) |
| Fair value reserve included in other comprehensive income | (440) | 38 | (402) |
| **Total** | **(143,749)** | **231** | **(143,518)** |

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

### Reconciliation of the effective tax rate

| *In thousands of EUR* | | **2015** | | **2014** | | **2013** |
|---|---|---|---|---|---|---|
| | **%** | | **%** | | **%** | |
| Profit from continuing operations before tax | | 886,039 | | 659,446 | | 829,267 |
| Income tax using the Czech domestic rate (19%) | 19.00% | 168,347 | 19.00% | 125,295 | 19.00% | 157,561 |
| Effect of tax rates in foreign jurisdictions | 3.18% | 28,212 | 3.45% | 22,769 | 0.37% | 3,064 |
| Non-deductible expenses | 2.50% | (1)22,157 | 2.48% | (1)16,316 | 0.60% | 4,958 |
| Other non-taxable income | (0.75%) | (2)(6,664) | (4.83%) | (31,838) | (4.89%) | (2)(40,594) |
| Tax incentives, tax credits | (0.01%) | (147) | (0.02%) | (131) | (0.03%) | (210) |
| Recognition of previously unrecognised tax losses | (0.07%) | (601) | (0.05%) | (325) | (0.16%) | (1,340) |
| Effect of special levy for business in regulated services | 4.50% | 39,877 | 4.01% | 26,462 | 9.74% | 80,785 |
| Current year losses for which no deferred tax asset was recognised | 1.37% | 12,164 | 7.98% | 52,604 | 0.31% | 2,572 |
| Withholding tax, income tax adjustments for prior periods | 0.00% | 21 | 0.14% | 942 | 0.01% | 76 |
| Effect of changes in tax rate | - | - | 1.36% | 8,961 | 0.38% | 3,145 |
| Change in unrecognised temporary differences | - | - | (0.03%) | (173) | - | - |
| **Income taxes recognised in profit or loss for continuing operations** | **29.72%** | **263,366** | **33.49%** | **220,882** | **25.33%** | **210,017** |

*(1) The basis consists mainly of non-deductible interest expense of EUR 80,165 thousand (2014: EUR 95,794 thousand; 2013: EUR 27,591 thousand).*

*(2) The basis consists mainly of negative goodwill of EUR 33,085 thousand (2014: EUR 0 thousand; 2013: EUR 256,750 thousand).*

## 16. Property, plant and equipment

| *In thousands of EUR* | Land and buildings | Gas pipelines | Technical equipment, plant and machinery | Other equipment, fixtures and fittings | Under construction | Total |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2015** | **1,826,148** | **4,479,100** | **1,422,440** | **2,960** | **97,382** | **7,828,030** |
| Effects of movements in foreign exchange rates | 16,909 | - | 25,672 | 30 | 1,692 | 44,303 |
| Additions | 56,893 | 6,000 | 66,504 | 220 | 84,643 | 214,260 |
| Additions through business combinations[(1)] | 23,961 | - | 23,441 | 3,238 | 280 | 50,920 |
| Disposals | (7,569) | (5,300) | (11,702) | (90) | (3,837) | (28,498) |
| Transfers | 35,312 | 9,800 | 31,134 | (400) | (75,846) | - |
| Disposed entities[(2)] | (3,766) | - | (287) | - | (84) | (4,137) |
| Transfer to investment property | (479) | - | - | - | - | (479) |
| Transfer to disposal group held for sale[(3)] | (162) | - | (5,089) | (6) | (16) | (5,273) |
| **Balance at 31 December 2015** | **1,947,247** | **4,489,600** | **1,552,113** | **5,952** | **104,214** | **8,099,126** |
| | | | | | | |
| **Depreciation and impairment losses** | | | | | | |
| **Balance at 1 January 2015** | **(264,739)** | **(254,600)** | **(307,609)** | **(1,044)** | **(5,629)** | **(833,621)** |
| Effects of movements in foreign exchange rates | (2,786) | - | (16,531) | (64) | (18) | (19,399) |
| Depreciation charge for the year | (110,154) | (143,564) | (116,919) | (328) | (133) | (371,098) |
| Disposals | 4,431 | 1,300 | 9,687 | 90 | - | 15,508 |
| Disposed entities[(2)] | 86 | - | 95 | - | - | 181 |
| Impairment losses recognised in profit or loss | (4,979) | - | (1,330) | - | (343) | (6,652) |
| Transfer to disposal group held for sale[(3)] | 40 | - | 2,207 | 6 | - | 2,253 |
| **Balance at 31 December 2015** | **(378,101)** | **(396,864)** | **(430,400)** | **(1,340)** | **(6,123)** | **(1,212,828)** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| **At 1 January 2015** | **1,561,409** | **4,224,500** | **1,114,831** | **1,916** | **91,753** | **6,994,409** |
| **At 31 December 2015** | **1,569,146** | **4,092,736** | **1,121,713** | **4,612** | **98,091** | **6,886,298** |

*(1) The purchase of LokoTrain s.r.o. and Budapesti Erömü Zrt. (BERT).*
*(2) The disposal of ROLLEON a.s. and ENERGZET, a.s.*
*(3) The transfer of EOP & HOKA s.r.o. to disposal group held for sale.*

| *In thousands of EUR* | **Land and buildings** | **Gas pipelines** | **Technical equipment, plant and machinery** | **Other equipment, fixtures and fittings** | **Under construction** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2014** | **1,792,228** | **4,435,406** | **1,326,265** | **3,973** | **195,729** | **7,753,601** |
| Effects of movements in foreign exchange rates | (1,872) | (6) | (4,816) | (7) | (585) | **(7,286)** |
| Additions | 26,347 | 600 | 41,200 | 79 | 99,213 | **167,439** |
| Additions through business combinations[(1)] | - | - | 129 | - | - | **129** |
| Disposals | (15,605) | (19,900) | (7,222) | (1,109) | (10,275) | **(54,111)** |
| Transfers | 31,145 | 63,000 | 89,233 | 24 | (183,402) | **-** |
| Transfer to intangible assets | - | - | - | - | (398) | **(398)** |
| Transfer to inventory | - | - | - | - | (2,900) | **(2,900)** |
| Transfer to disposal group held for sale[(2)] | (6,095) | - | (22,349) | - | - | **(28,444)** |
| **Balance at 31 December 2014** | **1,826,148** | **4,479,100** | **1,422,440** | **2,960** | **97,382** | **7,828,030** |
| | | | | | | |
| **Depreciation and impairment losses** | | | | | | |
| **Balance at 1 January 2014** | **(152,017)** | **(128,350)** | **(202,822)** | **(972)** | **(7,767)** | **(491,928)** |
| Effects of movements in foreign exchange rates | 1,103 | 50 | 994 | 1,101 | 64 | **3,312** |
| Depreciation charge for the year | (119,489) | (145,600) | (110,648) | (2,282) | - | **(378,019)** |
| Disposals | 7,006 | 19,300 | 4,658 | 1,109 | 3,326 | **35,399** |
| Impairment losses recognised in profit or loss | (1,840) | - | (1,745) | - | (1,252) | **(4,837)** |
| Transfer to disposal group held for sale | 498 | - | 1,954 | - | - | **2,452** |
| **Balance at 31 December 2014** | **(264,739)** | **(254,600)** | **(307,609)** | **(1,044)** | **(5,629)** | **(833,621)** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| **At 1 January 2014** | **1,640,211** | **4,307,056** | **1,123,443** | **3,001** | **187,962** | **7,261,673** |
| **At 31 December 2014** | **1,561,409** | **4,224,500** | **1,114,831** | **1,916** | **91,753** | **6,994,409** |

*(1) The purchase of EP Cargo a.s.*
*(2) The transfer of SSE–Solar, s.r.o. to disposal group held for sale.*

| *In thousands of EUR* | **Land and buildings** | **Gas pipelines** | **Technical equipment, plant and machinery** | **Other equipment, fixtures and fittings** | **Under construction** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2013** | **610,264** | **-** | **432,579** | **636** | **25,369** | **1,068,848** |
| Effects of movements in foreign exchange rates | (29,666) | (1,472) | (36,477) | (29) | (33,865) | **(101,509)** |
| Additions | 17,926 | 3,003 | 18,486 | 270 | 112,032 | **151,717** |
| Disposals | (3,743) | (7,931) | (7,102) | (98) | (21,098) | **(39,972)** |
| Additions through business combinations(2) | 1,302,102 | 4,441,806 | 921,780 | 6,094 | 126,467 | **6,798,249** |
| Additions through step acquisition(1) | 10,892 | - | 4,252 | - | 24 | **15,168** |
| Transfers | 8,153 | - | 3,247 | - | (11,400) | **-** |
| Transfer to disposal group held for sale | (123,700) | - | (10,500) | (2,900) | (1,800) | **(138,900)** |
| **Balance at 31 December 2013** | **1,792,228** | **4,435,406** | **1,326,265** | **3,973** | **195,729** | **7,753,601** |
| | | | | | | |
| **Depreciation and impairment losses** | | | | | | |
| **Balance at 1 January 2013** | **(76,553)** | **-** | **(110,334)** | **(180)** | **-** | **(187,067)** |
| Effects of movements in foreign exchange rates | 19,704 | 3,666 | 102 | 1,235 | 896 | **25,603** |
| Depreciation charge for the year | (90,392) | (139,947) | (96,680) | (2,566) | - | **(329,585)** |
| Disposals | 1,345 | 7,931 | 5,476 | 39 | - | **14,791** |
| Impairment losses recognised in profit or loss | (6,221) | - | (1,386) | - | (8,663) | **(16,270)** |
| Transfer to disposal group held for sale | 100 | - | - | 500 | - | **600** |
| **Balance at 31 December 2013** | **(152,017)** | **(128,350)** | **(202,822)** | **(972)** | **(7,767)** | **(491,928)** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| **At 1 January 2013** | **533,711** | **-** | **322,245** | **456** | **25,369** | **881,781** |
| **At 31 December 2013** | **1,640,211** | **4,307,056** | **1,123,443** | **3,001** | **187,962** | **7,261,673** |

*(1) An additional purchase of a 35.29% share in PRVNÍ MOSTECKÁ a.s. and the gaining of control over this entity*
*(2) The purchase of Slovenský plynárenský priemysel, a.s. and Stredoslovenská energetika, a.s.*

## Idle assets

As at 31 December 2015, 31 December 2014 and also 31 December 2013 the Group had no significant idle assets.

## Finance lease liabilities

As at 31 December 2015, 31 December 2014 and also 31 December 2013 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; 2013: EUR 343,154 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*

| | | Sum insured | | | |
|---|---|---|---|---|---|
| **Description of property** | **Carrying amount of property** | **Natural risk(1)** | **General machine risks** | **Liability for damage** | **Other risks** |
| Land and buildings | 1,569,146 | 879,725 | - | 100,670 | 390,838 |
| Gas pipelines | 4,092,736 | - | - | - | - |
| Technical equipment, plant and machinery | 1,121,713 | 1,199,000 | 70,559 | 15,210 | 803,052 |
| Other equipment, fixtures and fittings | 4,612 | 2,982 | 85,035 | - | 497 |
| Long-term tangible assets under construction | 98,091 | 2,960 | 2,960 | 185 | - |
| Investment property | 2,531 | - | - | - | - |
| **Total** | **6,888,829** | **2,084,667** | **158,554** | **116,065** | **1,194,387** |

(1) *Natural risk includes risk of fire, risk of accidents, risk of intentional 3rd party damage, risk of terrorist activities and risk of environmental damage.*

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*

| | | Sum insured | | | |
|---|---|---|---|---|---|
| **Description of property** | **Carrying amount of property** | **Natural risk(1)** | **General machine risks** | **Liability for damage** | **Other risks** |
| Land and buildings | 1,561,409 | 1,057,916 | - | 48,145 | 386,356 |
| Gas pipelines | 4,224,500 | - | - | - | - |
| Technical equipment, plant and machinery | 1,114,831 | 1,325,994 | 216,118 | 11,003 | 348,675 |
| Other equipment, fixtures and fittings | 1,916 | 3,535 | 45,981 | - | 484 |
| Long-term tangible assets under construction | 91,753 | 4,328 | - | - | - |
| **Total** | **6,994,409** | **2,391,773** | **262,099** | **59,148** | **735,515** |

(1) *Natural risk includes risk of fire, risk of accidents, risk of intentional 3rd party damage, risk of terrorist activities and risk of environmental damage.*

As at 31 December 2013 the following items of property, plant and equipment were insured against the risks presented in the table below:

*In thousands of EUR*

| | | Sum insured | | | |
|---|---|---|---|---|---|
| **Description of property** | **Carrying amount of property** | **Natural risk(1)** | **General machine risks** | **Liability for damage** | **Other risks** |
| Land and buildings | 1,640,211 | 1,024,230 | - | 45,688 | 2,588 |
| Gas pipelines | 4,307,056 | 1,819,909 | - | - | 72,051 |
| Technical equipment, plant and machinery | 1,123,443 | 1,201,658 | 236,963 | 10,942 | 47,118 |
| Other equipment, fixtures and fittings | 3,001 | 3,428 | 44,047 | - | - |
| Long-term tangible assets under construction | 187,962 | 4,376 | - | - | - |
| Investment property | 324 | - | - | - | - |
| **Total** | **7,261,997** | **4,053,601** | **281,010** | **56,630** | **121,757** |

(1) *Natural risk includes risk of fire, risk of accidents, risk of intentional 3rd party damage, risk of terrorist activities and risk of environmental damage.*

# 17. Intangible assets (including goodwill)

| *In thousands of EUR* | **Goodwill** | **Software** | **Emission rights** | **Customer relationship and other contracts** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2015** | **99,308** | **44,456** | **39,833** | **170,074** | **4,768** | **358,439** |
| Effect of movements in foreign exchange rates | 2,548 | 322 | 810 | 349 | 302 | **4,331** |
| Additions | - | 12,496 | 21,016 | - | 2,535 | **36,047** |
| Disposals | - | (1,021) | (26,493) | - | (507) | **(28,021)** |
| Additions through business combinations(1) | 4,655 | 204 | 2,782 | 16,693 | 42 | **24,376** |
| Disposed entities(2) | - | (19) | - | - | - | **(19)** |
| Transfers | - | 1,489 | - | - | (1,489) | **-** |
| **Balance at 31 December 2015** | **106,511** | **57,927** | **37,948** | **187,116** | **5,651** | **395,153** |
| | | | | | | |
| **Amortisation and impairment losses** | | | | | | |
| **Balance at 1 January 2015** | **(8,120)** | **(17,491)** | **-** | **(54,322)** | **(3,065)** | **(82,998)** |
| Effect of movements in foreign exchange rates | (181) | (425) | - | (122) | (14) | **(742)** |
| Amortisation for the year | - | (689) | - | (22,483) | (665) | **(23,837)** |
| Disposals | - | 118 | - | - | 507 | **625** |
| Impairment losses recognised in profit or loss | - | (3) | - | - | - | **(3)** |
| **Balance at 31 December 2015** | **(8,301)** | **(18,490)** | **-** | **(76,927)** | **(3,237)** | **(106,955)** |
| | | | | | | |
| **Carrying amount** | | | | | | |
| **At 1 January 2015** | **91,188** | **26,965** | **39,833** | **115,752** | **1,703** | **275,441** |
| **At 31 December 2015** | **98,210** | **39,437** | **37,948** | **110,189** | **2,414** | **288,198** |

*(1) Purchase of LokoTrain s.r.o., Optimum Energy, s.r.o. and Budapesti Erömü Zrt. (BERT)*
*(2) The disposal of ROLLEON a.s. and ENERGZET, a.s.*

| *In thousands of EUR* | **Goodwill** | **Software** | **Emission rights** | **Customer relationship and other contracts** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2014** | **95,689** | **42,694** | **53,672** | **170,176** | **5,370** | **367,601** |
| Effect of movements in foreign exchange rates | (1,047) | (114) | (418) | (130) | (383) | **(2,092)** |
| Additions | - | 2,843 | 20,682 | 28 | 2,401 | **25,954** |
| Disposals | - | (2,809) | (34,103) | - | (1,176) | **(38,088)** |
| Additions through business combinations[(1)] | 4,666 | - | - | - | - | **4,666** |
| Transfer from tangible assets under construction | - | 398 | - | - | - | **398** |
| Transfers | - | 1,444 | - | - | (1,444) | **-** |
| **Balance at 31 December 2014** | **99,308** | **44,456** | **39,833** | **170,074** | **4,768** | **358,439** |
| | | | | | | |
| **Amortisation and impairment losses** | | | | | | |
| **Balance at 1 January 2014** | **(8,197)** | **(8,956)** | **-** | **(31,896)** | **(2,528)** | **(51,577)** |
| Effect of movements in foreign exchange rates | 77 | 77 | - | 47 | 40 | **241** |
| Amortisation for the year | - | (10,635) | - | (22,473) | (614) | **(33,722)** |
| Disposals | - | 2,023 | - | - | 96 | **2,119** |
| Impairment losses recognised in profit or loss | - | - | - | - | (59) | **(59)** |
| **Balance at 31 December 2014** | **(8,120)** | **(17,491)** | **-** | **(54,322)** | **(3,065)** | **(82,998)** |
| | | | | | | |
| **Carrying amount** | | | | | | |
| **At 1 January 2014** | **87,492** | **33,738** | **53,672** | **138,280** | **2,842** | **316,024** |
| **At 31 December 2014** | **91,188** | **26,965** | **39,833** | **115,752** | **1,703** | **275,441** |

*(1) Purchase of EP Cargo a.s.*

| *In thousands of EUR* | **Goodwill** | **Software** | **Emission rights** | **Customer relationship and other contracts** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2013** | **104,296** | **11,227** | **75,816** | **13,097** | **618** | **205,054** |
| Effect of movements in foreign exchange rates | (8,607) | (940) | (5,115) | (1,088) | (228) | **(15,978)** |
| Additions | - | 2,772 | 30,569 | - | 6,892 | **40,233** |
| Disposals | - | (1,078) | (56,326) | - | (1,194) | **(58,598)** |
| Additions through business combinations(1) | - | 31,050 | 8,728 | 226,567 | 10,145 | **276,490** |
| Transfers | - | 7,263 | - | - | (7,263) | **-** |
| Transfer to disposal group held for sale | - | (7,600) | - | (68,400) | (3,600) | **(79,600)** |
| **Balance at 31 December 2013** | **95,689** | **42,694** | **53,672** | **170,176** | **5,370** | **367,601** |
| | | | | | | |
| **Amortisation and impairment losses** | | | | | | |
| **Balance at 1 January 2013** | **-** | **(4,101)** | **-** | **(3,712)** | **(76)** | **(7,889)** |
| Effect of movements in foreign exchange rates | 753 | 568 | - | 345 | 12 | **1,678** |
| Amortisation for the year | - | (8,701) | - | (28,529) | (770) | **(38,000)** |
| Disposals | - | 1,078 | - | - | - | **1,078** |
| Impairment losses recognised in profit or loss | (8,950) | - | - | - | (2,194) | **(11,144)** |
| Transfer to disposal group held for sale | - | 2,200 | - | - | 500 | **2,700** |
| **Balance at 31 December 2013** | **(8,197)** | **(8,956)** | **-** | **(31,896)** | **(2,528)** | **(51,577)** |
| | | | | | | |
| **Carrying amount** | | | | | | |
| **At 1 January 2013** | **104,296** | **7,126** | **75,816** | **9,385** | **542** | **197,165** |
| **At 31 December 2013** | **87,492** | **33,738** | **53,672** | **138,280** | **2,842** | **316,024** |

*(1) Purchase of Slovenský plynárenský priemysel, a.s and Stredoslovenská energetika, a.s.*

In 2015, the Group purchased emission allowances of EUR 5,974 thousand (2014: EUR 7,126 thousand; 2013: EUR 115 thousand). The remaining part of EUR 15,042 thousand (2014: EUR 13,556 thousand; 2013: EUR 30,454 thousand) was allocated to the Group by the Ministry of the Environment of the Czech Republic and Slovakia.

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

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

The Group did not capitalise any development costs in 2015, 2014 and 2013.

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised as operating expenses in the income statement immediately when incurred. No significant research costs were incurred during 2015, 2014 and 2013.

### 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:

| *In thousands of EUR* | **31 December 2015** |
|---|---|
| EP Energy, a.s.: | |
| Elektrárny Opatovice, a.s. | 85,989 |
| EP Cargo a.s. | 4,761 |
| Optimum Energy, s.r.o. (1) | 4,421 |
| Plzeňská energetika a.s. | 2,678 |
| LokoTrain s.r.o. (1) | 236 |
| ARISUN, s.r.o. | 125 |
| **Total goodwill** | **98,210** |

| *In thousands of EUR* | **31 December 2014** |
|---|---|
| EP Energy, a.s.: | |
| Elektrárny Opatovice, a.s. | 83,813 |
| EP Cargo a.s. | 4,640 |
| Plzeňská energetika a.s. | 2,610 |
| ARISUN, s.r.o. | 125 |
| **Total goodwill** | **91,188** |

| *In thousands of EUR* | **31 December 2013** |
|---|---|
| EP Energy, a.s.: | |
| Elektrárny Opatovice, a.s. | 84,729 |
| Plzeňská energetika a.s. | 2,638 |
| ARISUN, s.r.o. | 125 |
| **Total goodwill** | **87,492** |

*(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.*

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; 2013: EUR 0 thousand). In 2015 the Group did not recognise any goodwill impairment (2014: EUR 0 thousand; 2013: EUR 8,950 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 an additional four years of modelled projections followed by projected results based on an 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%; 2013: 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: range from 6.69% to 9.53%; 2013: range from 7.70% to 11.55%).

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

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

The 2013 year testing showed no need for impairment except for the entities POWERSUN a.s., ČKD Blansko Wind, a.s. and VTE Moldava, a.s. where the recoverable value was lower than the carrying value including goodwill. As a result, a goodwill recognised for these entities was fully impaired.

**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 and 2013. 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; 2013: EUR 254,731 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** | **2013** |
|---|---|---|---|
| Discount rate | 6.23% | 6.81% | 8.49% |
| Terminal value growth rate | 2.00% | 2.00% | 2.00% |

EPIF 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:

a. estimated refurbishments necessary to comply with applicable regulations (impact especially on electricity output/sales, OPEX and CAPEX);

b. market expectations regarding power and CO2 prices, development based on historical trends;

c. a slight decrease in heat supplies and modest increase of heat prices;

d. 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. Participations with significant influence

The Group has the following investments in associates:

| *In thousands of EUR* | | Ownership 31 December 2015 | Carrying amount 31 December 2015 |
|---|---|---|---|
| **Associates** | **Country** | **%** | |
| Pražská teplárenská Holding a.s. | Czech Republic | 49.00 | 6,817 |
| POZAGAS a.s. | Slovakia | 41.30 | 49,432 |
| Energotel, a.s. | Slovakia | 20.00 | 1,546 |
| Other | Slovakia | *(1)* | 144 |
| **Total** | | **-** | **57,939** |

| *In thousands of EUR* | | Ownership 31 December 2014 | Carrying amount 31 December 2014 |
|---|---|---|---|
| **Associates** | **Country** | **%** | |
| Pražská teplárenská Holding a.s. | Czech Republic | 49.00 | 13,044 |
| POZAGAS a.s. | Slovakia | 41.30 | 41,117 |
| Other | Slovakia | *(1)* | 100 |
| **Total** | | **-** | **54,261** |

| *In thousands of EUR* | | Ownership 31 December 2013 | Carrying amount 31 December 2013 |
|---|---|---|---|
| **Associates** | **Country** | **%** | |
| Pražská teplárenská Holding a.s. | Czech Republic | 49.00 | 140,725 |
| POZAGAS a.s. | Slovakia | 41.30 | 35,400 |
| Other | Slovakia | *(1)* | 99 |
| **Total** | | **-** | **176,224** |

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

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

| *In thousands of EUR* | | Ownership 31 December 2015 | Share of profit (loss) 2015 |
|---|---|---|---|
| **Associates** | **Country** | **%** | |
| Pražská teplárenská Holding a.s. | Czech Republic | 49.00 | (80) |
| POZAGAS a.s. | Slovakia | 41.30 | 8,315 |
| Energotel, a.s. | Slovakia | 20.00 | 444 |
| Other | Slovakia | *(1)* | 4 |
| **Total** | | **-** | **8,683** |

| *In thousands of EUR* | | Ownership 31 December 2014 | Share of profit (loss) 2014 |
|---|---|---|---|
| **Associates** | **Country** | **%** | |
| Pražská teplárenská Holding a.s. | Czech Republic | 49.00 | 600 |
| POZAGAS a.s. | Slovakia | 41.30 | 5,763 |
| **Total** | | **-** | **6,363** |

| *In thousands of EUR* | **Country** | Ownership 31 December 2013 | Share of profit (loss) 2013 |
|---|---|---|---|
| **Associates and joint-ventures** | | **%** | |
| Pražská teplárenská Holding a.s. | Czech Republic | 49.00 | 1,528 |
| POZAGAS a.s. | Slovakia | 41.30 | (155) |
| Other | Slovakia | *(1)* | 2,144 |
| **Total** | | **-** | **3,517** |

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

Summary financial information for standalone associates, presented at 100% as at 31 December 2015 and for the year then ended.

*In thousands of EUR*

| Associates | Revenue | Profit (loss) | Other compre-hensive income | Total compre-hensive income | Assets | Liabilities | Equity |
|---|---|---|---|---|---|---|---|
| Pražská teplárenská Holding a.s. | 13,680 | *13,149 | - | *13,149 | 100,247 | 60 | 100,187 |
| POZAGAS a.s. | 28,580 | 10,899 | - | 10,899 | 89,427 | 18,763 | 70,664 |
| Energotel, a.s. | 13,746 | 2,348 | - | 2,348 | 13,602 | 5,742 | 7,860 |
| | **56,006** | **26,396** | **-** | **26,396** | **203,276** | **24,565** | **178,711** |

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

*In thousands of EUR*

| Associates | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
|---|---|---|---|---|
| Pražská teplárenská Holding a.s. | 92,874 | 7,373 | - | 60 |
| POZAGAS a.s. | 56,631 | 32,796 | 14,984 | 3,779 |
| Energotel, a.s. | 7,504 | 6,098 | 3,820 | 1,922 |
| **Total** | **157,009** | **46,267** | **18,804** | **5,761** |

Summary financial information for standalone associates, presented at 100% as at 31 December 2014 and for the year then ended.

*In thousands of EUR*

| Associates | Revenue | Profit (loss) | Other compre-hensive income | Total compre-hensive income | Assets | Liabilities | Equity |
|---|---|---|---|---|---|---|---|
| Pražská teplárenská Holding a.s. | 27,648 | *26,822 | - | *26,822 | 110,761 | 44 | 110,717 |
| POZAGAS a.s. | 26,920 | 7,778 | - | 7,778 | 77,477 | 17,712 | 59,765 |
| | **54,568** | **34,600** | **-** | **34,600** | **188,238** | **17,756** | **170,482** |

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

*In thousands of EUR*

| Associates | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
|---|---|---|---|---|
| Pražská teplárenská Holding a.s. | 84,111 | 26,650 | - | 44 |
| POZAGAS a.s. | 56,966 | 20,511 | 13,281 | 4,431 |
| **Total** | **141,077** | **47,161** | **13,281** | **4,475** |

Summary financial information for standalone associates, presented at 100% as at 31 December 2013 and for the year then ended.

*In thousands of EUR*

| Associates | Revenue | Profit (loss) | Other compre-hensive income | Total compre-hensive income | Assets | Liabilities | Equity |
|---|---|---|---|---|---|---|---|
| Pražská teplárenská Holding a.s. | 288,149 | *286,928 | - | *286,928 | 372,959 | 749 | 372,210 |
| POZAGAS a.s. | 25,487 | (3,157) | - | (3,157) | 67,201 | 15,242 | 51,959 |
| **Total** | **313,636** | **283,771** | **-** | **283,771** | **440,160** | **15,991** | **424,169** |

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

*In thousands of EUR*

| Associates | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
|---|---|---|---|---|
| Pražská teplárenská Holding a.s. | 85,031 | 287,928 | - | 749 |
| POZAGAS a.s. | 57,757 | 9,444 | 11,996 | 3,246 |
| | **142,788** | **297,372** | **11,996** | **3,995** |

# 19. Deferred tax assets and liabilities

## Recognised deferred tax assets and liabilities

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

| *In thousands of EUR* | **31 December 2015 Assets** | **31 December 2015 Liabilities** | **31 December 2015 Net** | **31 December 2014 Assets** | **31 December 2014 Liabilities** | **31 December 2014 Net** | **31 December 2013 Assets** | **31 December 2013 Liabilities** | **31 December 2013 Net** |
|---|---|---|---|---|---|---|---|---|---|
| **Temporary difference related to:** | | | | | | | | | |
| Property, plant and equipment | 1,555 | (1,049,507) | (1,047,952) | 2,092 | (1,045,507) | (1,043,415) | 2,239 | (1,106,728) | (1,104,489) |
| Intangible assets | 3,649 | (20,365) | (16,716) | 470 | (35,203) | (34,733) | - | (31,215) | (31,215) |
| Investment property | - | - | - | - | - | - | - | (17) | (17) |
| Financial instruments at fair value through profit or loss | 779 | (17) | 762 | - | - | - | - | - | - |
| Inventories | 2,346 | - | 2,346 | 1,521 | - | 1,521 | 1,893 | (1) | 1,892 |
| Trade receivables and other assets | 1,614 | - | 1,614 | 1,525 | (3,924) | (2,399) | 2,914 | - | 2,914 |
| Provisions | 32,423 | - | 32,423 | 34,051 | - | 34,051 | 22,708 | (26) | 22,682 |
| Employee benefits (IAS 19) | 5,145 | - | 5,145 | 4,888 | - | 4,888 | 4,852 | - | 4,852 |
| Loans and borrowings | 2,367 | (18,465) | (16,098) | 3,680 | - | 3,680 | 2,932 | - | 2,932 |
| Unpaid interest, net | - | (19) | (19) | - | (11) | (11) | - | (85) | (85) |
| Tax losses | 9,079 | - | 9,079 | 193 | - | 193 | - | - | - |
| Derivatives | 2,924 | (15,571) | (12,647) | 3,705 | (4,011) | (306) | 1,306 | (1,276) | 30 |
| Other items | 1,720 | (26,295) | (24,575) | 321 | (28,841) | (28,520) | 12,550 | (33,505) | (20,955) |
| **Subtotal** | **63,601** | **(1,130,239)** | **(1,066,638)** | **52,446** | **(1,117,497)** | **(1,065,051)** | **51,394** | **(1,172,853)** | **(1,121,459)** |
| Setoff tax | (61,703) | 61,703 | - | (50,011) | 50,011 | - | (40,280) | 40,280 | - |
| **Total** | **1,898** | **(1,068,536)** | **(1,066,638)** | **2,435** | **(1,067,486)** | **(1,065,051)** | **11,114** | **(1,132,573)** | **(1,121,459)** |

## Movements in deferred tax during the year

*In thousands of EUR*

| Balances related to: | Balance at 1 January 2015 | Recognised in profit or loss | Recognised in other comprehensive income | Acquired in business combinations(1) | Transfer to disposal group held for sale(2) | Disposed entities(3) | Effect of movements in foreign exchange rate | Balance at 31 December 2015 |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | (1,043,415) | 4,491 | - | (9,441) | 1,088 | 425 | (1,100) | (1,047,952) |
| Intangible assets | (34,733) | 15,260 | - | 3,172 | - | - | (415) | (16,716) |
| Financial instruments at fair value through profit or loss | - | (12) | - | 772 | - | - | 2 | 762 |
| Inventories | 1,521 | 821 | - | - | - | - | 4 | 2,346 |
| Trade receivables and other assets | (2,399) | 4,009 | - | - | - | - | 4 | 1,614 |
| Provisions | 34,051 | (3,563) | - | 1,949 | (25) | - | 11 | 32,423 |
| Employee benefits (IAS 19) | 4,888 | 89 | 10 | - | - | - | 158 | 5,145 |
| Loans and borrowings | 3,680 | (1,612) | (4,144) | (14,021) | - | - | (1) | (16,098) |
| Unpaid interest, net | (11) | (8) | - | - | - | - | - | (19) |
| Tax losses | 193 | (236) | - | 9,102 | - | - | 20 | 9,079 |
| Derivatives | (306) | (15,367) | 3,419 | - | - | - | (393) | (12,647) |
| Other | (28,520) | 5,244 | - | (644) | - | 48 | (703) | (24,575) |
| **Total** | **(1,065,051)** | **9,116** | **(715)** | **(9,111)** | **1,063** | **473** | **(2,413)** | **(1,066,638)** |

*(1) The purchase of Budapesti Erömü Zrt. and Optimum Energy, s.r.o.*
*(2) The transfer of EOP & HOKA s.r.o. and specific assets and liabilities reported by Stredoslovenská energetika, a.s. to disposal group held for sale.*
*(3) The disposal of ROLLEON a.s. and ENERGZET, a.s.*

*In thousands of EUR*

| **Balances related to:** | **Balance at 1 January 2014** | **Recognised in profit or loss** | **Recognised in other comprehensive income or equity** | **Transfer to disposal group held for sale(1)** | **Effect of movements in foreign exchange rate** | **Balance at 31 December 2014** |
|---|---|---|---|---|---|---|
| Property, plant and equipment | (1,104,489) | 30,966 | - | 1,999 | 28,109 | (1,043,415) |
| Intangible assets | (31,215) | (4,454) | - | (47) | 983 | (34,733) |
| Investment property | (17) | 17 | - | - | - | - |
| Inventories | 1,892 | (624) | - | - | 253 | 1,521 |
| Trade receivables and other assets | 2,914 | (4,929) | - | - | (384) | (2,399) |
| Provisions | 22,682 | 10,869 | - | - | 500 | 34,051 |
| Employee benefits (IAS 19) | 4,852 | (836) | - | - | 872 | 4,888 |
| Loans and borrowings | 2,932 | 782 | - | - | (34) | 3,680 |
| Unpaid interest, net | (85) | 74 | - | - | - | (11) |
| Tax losses | - | 240 | - | - | (47) | 193 |
| Derivatives | 30 | (27) | (297) | - | (12) | (306) |
| Other | (20,955) | (6,961) | - | - | (604) | (28,520) |
| **Total** | **(1,121,459)** | **25,117** | **(297)** | **1,952** | **29,636** | **(1,065,051)** |

*(1) The transfer of specific assets and liabilities reported by Stredoslovenská energetika, a.s. to disposal group held for sale.*

*In thousands of EUR*

| **Balances related to:** | **Balance at 1 January 2013** | **Recognised in profit or loss** | **Recognised in other comprehensive income or equity** | **Acquired in business com-binations(1)** | **Transfer to disposal group held for sale** | **Effect of movements in foreign exchange rate** | **Balance at 31 December 2013** |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | (66,557) | 29,300 | - | (1,066,508) | (11,559) | 10,835 | (1,104,489) |
| Intangible assets | (6,465) | (427) | - | (11,880) | (6,490) | (5,953) | (31,215) |
| Investment property | (19) | - | - | | - | 2 | (17) |
| Available-for-sale financial assets | | 4,928 | - | (5,000) | | 72 | - |
| Inventories | 90 | (3,490) | - | 5,508 | - | (216) | 1,892 |
| Trade receivables and other assets | 102 | (3,417) | - | 6,009 | - | 220 | 2,914 |
| Provisions | (1,329) | 22,122 | - | 804 | - | 1,085 | 22,682 |
| Employee benefits (IAS 19) | 696 | 26 | - | 4,536 | 1,203 | (1,609) | 4,852 |
| Loans and borrowings | 214 | 2,888 | - | | - | (170) | 2,932 |
| Unpaid interest, net | - | 23 | - | (110) | | 2 | (85) |
| Derivatives | (2,138) | (2,556) | 231 | 5,000 | - | (507) | 30 |
| Other | (38,361) | 9,789 | - | 6,726 | - | 891 | (20,955) |
| **Total** | **(113,767)** | **59,186** | **231** | **(1,054,915)** | **(16,846)** | **4,652** | **(1,121,459)** |

*(1) The purchase of Slovenský plynárenský priemysel, a.s. and Stredoslovenská energetika, a.s. and an additional purchase of a 35.29% share in PRVNÍ MOSTECKÁ a.s. and the gaining of control over this entity.*

### Unrecognised deferred tax assets

A deferred tax asset has not been recognised in respect of the following tax losses that are available for carry forward by certain EPIF Group entities:

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Tax losses carried forward | 394,241 | 341,473 | 142,572 |
| **Total** | **394,241** | **341,473** | **142,572** |

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

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Slovak Gas Holding B.V. | 304,561 | 278,199 | 67,201 |
| EPH Gas Holding B.V. | 53,382 | 41,423 | 41,422 |
| Seattle Holding B.V. | 26,804 | 9,528 | 5,291 |
| Czech Gas Holding Investment B.V. | 4,715 | 2,641 | 24 |
| PT Holding Investment B.V. | 3,697 | 3,953 | 2,589 |
| EP ENERGY TRADING, a.s. | 1,043 | 4,718 | 6,547 |
| Other | 39 | 1,011 | 19,498 |
| **Total** | **394,241** | **341,473** | **142,572** |

Considering the nature of revenues and expenses, the companies do not expect significant taxable profit growth, so no deferred tax was recognised. If sufficient taxable profit were to be achieved in 2015, then the associated tax income (savings) would be up to EUR 78,835 thousand (2014: EUR 68,235 thousand; 2013: EUR 28,352 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:

| | **2015** | **2016** | **2017** | **2018** | **2019** | **After 2020** | **Total** |
|---|---|---|---|---|---|---|---|
| **Tax losses** | - | 428 | 29 | 3 | 1,049 | 392,732 | **394,241** |

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, some deductible temporary differences do not expire. 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.

## 20. Inventories

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Natural gas | 175,168 | 177,815 | 164,600 |
| Fossil fuel | 32,571 | 24,039 | 20,230 |
| Raw material and supplies | 19,945 | 18,525 | 20,113 |
| Spare parts | 6,560 | 3,688 | 3,381 |
| Work in progress | 1,370 | 1,005 | 1,724 |
| Finished goods and merchandise | 497 | 171 | 431 |
| **Total** | **236,111** | **225,243** | **210,479** |

At 31 December 2015 inventories in the amount of EUR 27,891 thousand (2014: EUR 21,672 thousand; 2013: EUR 17,940 thousand) were subject to pledges.

## 21. Trade receivables and other assets

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Trade receivables | 220,901 | 272,816 | 240,019 |
| Receivable from parent for capital contribution (Note 26 – Equity) | 156,016 | - | - |
| Accrued income | 76,705 | 41,531 | 115 |
| Estimated receivables | 48,136 | 42,563 | 54,275 |
| Advance payments | 41,430 | 37,197 | 61,414 |
| Receivable from accrued earn-out | - | - | (1)20,000 |
| Other receivables and assets | 17,872 | 23,855 | 17,552 |
| Allowance for bad debts | (14,206) | (10,671) | (12,061) |
| **Total** | **546,854** | **407,291** | **381,314** |
| | | | |
| *Non-current* | 22,301 | 29,013 | 25,983 |
| *Current* | 524,553 | 378,278 | 355,331 |
| **Total** | **546,854** | **407,291** | **381,314** |

1) *In 2013 the EPIF Group acquired Stredoslovenská energetika, a.s. for EUR 359,052 thousand, of which contingent consideration in amount of EUR 20,000 thousand was recognised as probable earn-out. This amount was received in 2014.*

In 2015 EUR 827 thousand receivables were written-off through profit or loss (2014: EUR 1,812 thousand; 2013: EUR 9,933 thousand).

As at 31 December 2015 trade receivables with a carrying value of EUR 73,922 thousand are subject to pledges (2014: EUR 87,391 thousand; 2013: EUR 111,285 thousand).

As at 31 December 2015 trade receivables and other assets amounting EUR 521,239 thousand are not past due (2014: EUR 395,083 thousand; 2013: EUR 358,457 thousand), remaining balance of EUR 25,615 thousand is overdue (2014: EUR 12,208 thousand; 2013: EUR 22,857 thousand). For more detailed aging analysis refer to Note 36 (a)(ii) – Risk management – credit risk (impairment losses).

The receivable from parent for capital contribution represents future proceeds related to the planned sale of the excluded German entities to EPH. For more details refer to Note 26 – Equity.

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.

## 22. Cash and cash equivalents

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Current accounts with banks | 318,779 | 475,219 | 527,613 |
| Term deposits | 64,482 | 346,938 | 92,744 |
| Cash on hand and valuables | 275 | 293 | 218 |
| **Total** | **383,536** | **822,450** | **620,575** |

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

As at 31 December 2015 cash equivalents of EUR 110,559 thousand are subject to pledges (2014: EUR 117,875 thousand; 2013: EUR 309,443 thousand) to bondholders. According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case EPE defaults on bonds payments. As such, the pledged cash is readily available to the Group and does not represent restricted cash.

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

| *In thousands of EUR* | 31 December 2015 | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Investing activities | 634,737 | - | 263,661 |
| Financing activities | 271,151 | - | - |
| **Total** | **905,888** | **-** | **263,661** |

For the year 2015 non-cash investing activities include SPPI loan provided to Slovenský plynárenský priemysel, a.s. which was set-off against dividends declared by Slovenský plynárenský priemysel, a.s. in amount of EUR 312,000 thousand and decrease of share capital of EUR 128,469 thousand (for detail refer to Note 26 – Equity. Balance of EUR 194,268 thousand relates to liability from returned capital contribution non-cash set-off against receivables (for detail refer to Note 29 – Liabilities from returned capital contribution).

Non-cash financing activities are represented by CEE loan provided to EPH in amount of EUR 261,285 thousand and EPE loan provided to EPH in amount of 9,866 thousand, which were set-off.

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

For the year 2013 balance of non-cash investing activities is represented by EPE loan provided to EPH which was set-off against dividends declared by EPE.

## 23. Restricted cash

As at 31 December 2015 balance of restricted cash in amount of EUR 250,500 thousand is represented by cash reserved for 51% shareholder of SPP Infrastructure, a.s. to be declared and paid as dividend in 2016 (actual distribution happened on 22 February 2016). SPPI deposited this amount to special bank account and is not allowed to use this cash for any other purpose other than for the payment of these dividends to Slovenský plynárenský priemysel, a.s.

## 24. Tax receivables

| *In thousands of EUR* | 31 December 2015 | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Value added tax receivables | 14,137 | 8,171 | 8,502 |
| Current income tax receivables | 6,748 | 11,718 | 6,106 |
| Energy tax | 2,525 | - | - |
| Other tax receivables | 2,045 | 116 | 117 |
| **Total** | **25,455** | **20,005** | **14,725** |

## 25. Assets and liabilities held for sale and discontinued operations

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

| *In thousands of EUR* | 31 December 2015 | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| Property, plant and equipment | 20,822 | 20,395 | 138,300 |
| Land and buildings | 5,720 | 5,597 | - |
| Cash and cash equivalents | 1,152 | - | 390,702 |
| Trade receivables and other assets | 1,118 | 11 | 915,046 |
| Inventories | 386 | 62 | - |
| Tax receivables | 69 | 19 | - |
| Prepaid expenses | 37 | - | - |
| Deferred tax asset | 25 | 47 | 1,203 |
| Intangible assets | - | - | 76,900 |
| Financial instruments and other financial assets | - | - | 8,314 |
| Participations with significant influence | - | - | 3,282 |
| **Total** | **29,329** | **26,131** | **1,533,747** |

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

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Loans and borrowings | 13,738 | 14,400 | 295,497 |
| Deferred tax liability | 3,040 | 1,999 | 18,049 |
| Trade and other liabilities | 625 | 16 | 502,067 |
| Provisions | - | - | 49,400 |
| Financial instruments and other financial liabilities | - | - | 26,108 |
| **Total** | **17,403** | **16,415** | **891,121** |

As at 31 December 2015 the balance of assets held for sale (EUR 29,329 thousand; 31 December 2014: EUR 26,131 thousand) and balance of liabilities held for sale (EUR 17,403 thousand; 31 December 2014: EUR 16,415 thousand) is represented by EOP & HOKA s.r.o. and specific assets and liabilities of Stredoslovenska energetika, a.s. (2014: fully represented by specific assets and liabilities of Stredoslovenska energetika, a.s.)

As of 31 December 2013 balance of assets held for sale totalling EUR 1,533,698 thousand and liabilities held for sale totalling EUR 891,121 thousand relate to discontinued operations represented by Slovenský plynárenský priemysel, a.s. The management classified Slovenský plynárenský priemysel, a.s as discontinued operations as the management is of the opinion that Slovenský plynárenský priemysel, a.s represents a separate major line of business of operations because it deals with supply of gas to end customers. Furthermore, it is part of a single co-ordinated plan to dispose of this line of business. Remaining balance of assets held for sale in amount of EUR 49 thousand relates to United Energy, a.s.

On 23 January 2013, EPH acquired 100% share in Slovak Gas Holding, B. V. (“SGH”), which owned a 49% share in Slovenský plynárenský priemysel, a.s. (“SPP”) and exercised operating and management control over SPP.

On 19 December 2013, the National Property Fund of the Slovak Republic, the Ministry of Economy of the Slovak Republic and EPH signed a framework agreement on the sale and purchase of shares regulating the method of reorganisation of the SPP Group, which was completed on 4 June 2014. As part of the transaction SPP contributed ownership interests in its investee entities comprising all gas transmission, gas storage and gas distribution activities (comprising SPP – distribúcia, a.s., eustream, a.s., NAFTA a.s., SPP Infrastructure Financing B.V., SPP Bohemia, a.s., SPP Storage, s.r.o., Pozagas, a.s., GEOTERM Košice, a.s., Probugas, a.s., SLOVGEOTERM, a.s. and GALANTATERM, spol. s r.o.) into a newly-established 100% subsidiary, SPP Infrastructure, a.s. (“SPPI Group”).

On 4 June 2014, SPP a.s. transferred 49% of the shares (and management control) in SPP Infrastructure, a.s. to SGH, and simultaneously reacquired 49% of its own shares from SGH, to become an entity owned by 100% by the Slovak Republic. As at the date of the preparation of these combined financial statements, SPP Infrastructure, a.s. was from that date owned by the Slovak Republic (51% share) and by Slovak Gas Holding B.V. (49%), however Slovak Gas Holding also exercises management control over the SPPI Group. As such, SPPI Group’s operations are included in these combined financial statements since the date of acquisition of SPP by EPH Gas Holding, i.e. 2013 combined statement of comprehensive income includes approximately 11 months of SPPI Group 2013 operations. The remaining assets of SPP not transferred to SPPI, represented primarily the gas supply activities of SPP and are reported as a discontinued operation in the 2013 and 2014 combined financial statements.

For the detailed version of the consolidated statement of comprehensive income from discontinued operations refer to Appendix 2.

| *In thousands of EUR* | **31 December 2015 Discontinued** | **31 December 2014 Discontinued** | **31 December 2013 Discontinued** |
|---|---|---|---|
| Revenues | - | 597,048 | (1)1,309,310 |
| Expenses | - | (631,591) | (1)(1,315,663) |
| **Profit (loss) from operations** | **-** | **(34,543)** | **(6,353)** |
| Net finance income (expense) | - | 204,493 | (50,358) |
| Income tax expenses | - | (192,708) | (33,880) |
| **Profit (loss) for the year** | **-** | **(22,758)** | **(90,591)** |

*(1) Values after intercompany eliminations between continuing and discontinued operations.*

In 2015 the Group did not recognise any profit or loss from discontinued operations (2014: loss of EUR 22,758 thousand, of which EUR 11,151 thousand was attributable to the owners of the Company and EUR 11,607 thousand was attributable to the non-controlling interest; 2013: loss of EUR 90,591 thousand, of which EUR 44,390 thousand was attributable to the owners of the Company and EUR 46,201 thousand was 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.

| *In thousands of EUR* | **2015** | **2014** | **2013** |
|---|---|---|---|
| Net cash from (used in) operating activities | - | 209,836 | (364,850) |
| Net cash from (used in) investing activities | - | (23,417) | (3,063) |
| Net cash from (used in) financing activities | - | (110,000) | (284,193) |
| **Net cash flows for the year** | **-** | **76,419** | **(652,106)** |

## 26. Equity

### Share capital

The Group did not form a separate legal group with a single Parent company holding exclusively the combining entities as of 31 December 2015 and in the past and therefore does not have a single parent with own share capital. Consequently, the combined financial statements do not include an amount presented as share capital. Instead, equity of the combined group represents the aggregated equity of the combining entities attributable to EPH (the common parent of the combining entities). Effectively this amount represents the aggregation of the consolidated equity attributable to following entities (the top intermediate parent companies in the combined group) excluding amounts relating to the Excluded Subsidiaries (as described in Note 1 – Background):

- CE Energy, a.s., EPH Gas Holding B.V. and Czech Gas Holding Investment B.V. as at 31 December 2015 and 31 December 2014,
- EP Energy, a.s., EPH Gas Holding B.V., Czech Gas Holding Investment B.V. and CE Energy, a.s. as at 31 December 2013,
- EP Energy, a.s., EPH Gas Holding B.V. and Czech Gas Holding N.V. as at 1 January 2013.

## Equity attributable to owners of EP Infrastructure Group

Equity attributable to owners of EP Infrastructure Group comprise the following items:

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Retained Earnings | 733,391 | 649,008 | 437,583 |
| Other capital reserves | 141,295 | (19,022) | 559,916 |
| Fair value reserve | (840) | (422) | (197) |
| Hedging reserve | (30,880) | (85,305) | (79,616) |
| Translation reserve | (56,014) | (54,560) | (59,186) |
| **Total** | **786,952** | **489,699** | **858,500** |

### *Other capital reserves*

Other capital reserves of the combined Group comprise all equity accounts of the combining entities, except for reserves created from total comprehensive income.

Additionally this position includes the aggregated effect of investments in the Excluded subsidiaries and equity transactions with these entities (e.g. dividends received from the Excluded Subsidies) and so-called pricing differences from common control business combinations described in Note 3(a)(vi) – Pricing differences.

### *Contributions by and distribution to owners*

2015 (refer to combined statement of changes in equity)

Contribution to equity of EUR 160,317 thousand is represented by two effects:

- proceeds of EUR 4,301 thousand from sold investment in EP Germany GmbH Group (a group of subsidiaries and associates originally owned by EP Energy, a.s., one of the combining entities, but excluded from these combined financial statements, sold to JTSD Braunkohlebergbau GmbH, the excluded company, on 31 December 2015), this amount is presented as contribution from owners in these combined financial statements,
- EUR 156,016 thousand represents amount of receivable due from parent related to the sale of JTSD Braunkohlebergbau GmbH Group described in Note 2(a) – Basis of preparation – Basis of measurement. The final selling price will be equal to the fair value at the date of legal transfer. The receivable is measured at an amount equal to the fair value of JTSD Braunkohlebergbau GmbH Group based on external valuation of the Excluded Subsidiaries as at 31 December 2015. The sale was completed on 1 April 2016 and the proceeds related to the sale were transferred at the same date.

Decrease of share capital of combined entities of EUR 128,469 thousand is represented by decrease of share capital of SPP Infrastructure, a.s., part of which was distributed to minority shareholders.

The effect of EUR 201,526 thousand is represented by dividends declared to Energetický a průmyslový holding, a.s., the ultimate controlling party, by CE Energy, a.s. and EPH Gas Holding B.V. The effect of EUR 632,091 thousand is represented by dividends declared by subsidiaries reporting non-controlling interest (SPP Infrastructure, a.s. and its subsidiaries, NAFTA a.s. and its subsidiaries, AISE, s.r.o., Stredoslovenská energetika, a.s. and its subsidiaries, Pražská teplárenská a.s.) to their respective non-controlling shareholders outside the EP Infrastructure Group.

2014 (refer to combined statement of changes in equity)

In January 2014 CEE acquired 100% share in EPE from EPH for a purchase price of EUR 1,500,270 thousand. The combined Group, as a part of its accounting policy on common control business combinations, has restated its comparatives as if the Group had acquired EPE and its subsidiaries for the date they came under control by EPH, therefore the whole purchase price for these shares in EPE was recorded in consolidated equity as a pricing difference in June 2014 (this includes the benefit received in the form of a non-interest bearing loan from EPH for the purchase price as described in Note 29 – Liabilities from returned capital contribution).

Contributions to equity of EUR 996,425 thousand recorded in 2014 are represented by two effects:

- capitalisation of loan of EUR 738,425 thousand by Energetický a průmyslový holding, a.s., (as described in Note 29 – Liabilities from returned capital contribution),
- declaration of dividends of EUR 258,000 thousand from one of the Excluded subsidiaries (JTSD Braunkohlebergbau GmbH) which is presented as contribution from owners in these combined financial statements.

Decrease of share capital of SPP Infrastructure, a.s. in the amount of EUR 1,259,400 thousand, of which EUR 642,294 thousand was distributed to minority shareholders. The difference was distributed to Slovak Gas Holding B.V. which is within the combining group.

The amount of EUR 463,395 thousand represents dividends declared by combining group companies to non-controlling interest (SPP Infrastructure, a.s. and its subsidiaries, NAFTA a.s. and its subsidiaries, AISE, s.r.o., Stredoslovenská energetika, a.s. and its subsidiaries, Pražská teplárenská a.s.) to their respective non-controlling shareholders outside the EP Infrastructure Group.

2013 (refer to combined statement of changes in equity)

In 2013 EPH contributed EUR 121,997 thousand to EPE's equity.

Dividend distribution of EUR 652,807 thousand is represented by the effect of dividends declared by EP Energy, a.s. to EPH of EUR 263,661 thousand and the dividends of EUR 389,146 thousand declared by subsidiaries (Stredoslovenská energetika, a.s. and its subsidiaries, Slovenský plynárenský priemysel, a.s. and its subsidiaries, NAFTA a.s. and its subsidiaries and Pražská teplárenská a.s.) reporting non-controlling interest to their respective non-controlling shareholders outside the EP Infrastructure Group.

Effects of dividends declared by subsidiaries (Stredoslovenská energetika, a.s. and its subsidiaries, Slovenský plynárenský priemysel, a.s. and its subsidiaries and associates, NAFTA a.s. and its subsidiaries and Pražská teplárenská a.s.) on retained earnings of EP Infrastructure ("EPIF") for 2013 was nil, because the companies within EPIF's scope which received the dividend distribution from these subsidiaries retained this distribution and did not distribute these dividends further up the ownership structure.

Changes in shareholdings on non-controlling interests of EUR 184,235 primarily arose from the acquisition of additional 40.45% share in NAFTA a.s. at the end of 2013 (refer to Note 6 (a)(iii) – Acquisitions and ste-acquisitions).

Effect of acquisitions through business combinations of EUR 3,113,981 thousand arose from acquisitions of the shares in the following subsidiaries: Slovenský plynárenský priemysel, a.s. (49% share including management control), NAFTA a.s. (56.15% share), Stredoslovenská energetika, a.s. (49% share including management control) (refer to Appendix 1).

***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 combined financial statements to presentation currency. This is presented in line Foreign currency translation differences for foreign operations and in line Foreign currency translation differences from presentation currency in the statement of changes in equity.

As CZK is the functional currency of EPH, all the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on combination and adjustments on disposals, are translated into Czech crowns at foreign exchange rates at the reporting date. These translation differences are presented under foreign currency translation differences for foreign operations in other comprehensive income in the statement of changes 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.

As the presentation currency is EUR, after translation into CZK all the assets and liabilities, including goodwill and fair value adjustments arising on combination, 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. The acquisitions and disposals are translated into Euros using a foreign exchange rate as at the date of transaction. These translation differences are presented under Foreign currency translation differences from presentation currency in other comprehensive income in the statement of changes 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.

***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. Non-controlling interest

| 31 December 2015<br>*In thousands of EUR* | Pražská teplárenská a.s. and its subsidiaries | Stredoslovenská energetika, a.s. and its subsidiaries | NAFTA a.s. and its subsidiaries | SPP Infrastructure, a.s. and its subsidiaries(3) | Other individually immaterial subsidiaries | Total |
|---|---|---|---|---|---|---|
| **Non-controlling percentage** | **26.18%** | **51.00%** | **31.01%** | **51.00%** | | |
| Business activity | Production and distribution of heat | Distribution of electricity | Gas storage and exploration | Distribution of gas | | |
| Country(1) | Czech Republic | Slovakia | Slovakia | Slovakia | | |
| | | | | | | |
| **Carrying amount of NCI at 31 December 2015** | **85,631** | **385,716** | **104,717** | **1,285,130** | **1,648** | **1,862,842** |
| **Profit (loss) attributable to non-controlling interest** | **5,475** | **38,988** | **33,412** | **255,937** | **782** | **334,594** |
| **Dividends declared** | **(7,968)** | **(28,439)** | **(31,728)** | **(563,862)** | **(94)** | **(632,091)** |
| | | | | | | |
| **Statement of financial position information(2)** | | | | | | |
| Total assets | 382,973 | 1,083,411 | 759,198 | 6,047,947 | | |
| *of which: non-current* | *326,521* | *850,103* | *689,013* | *5,085,747* | | |
| *current* | *56,452* | *233,308* | *70,185* | *962,200* | | |
| Total liabilities | 69,394 | 327,105 | 394,402 | 3,340,347 | | |
| *of which: non-current* | *38,743* | *178,569* | *306,043* | *3,013,300* | | |
| *current* | *30,651* | *148,536* | *88,359* | *327,047* | | |
| **Net assets** | **313,579** | **756,306** | **364,796** | **2,707,600** | **-** | **-** |
| | | | | | | |
| **Statement of comprehensive income information(2)** | | | | | | |
| Total revenues | 241,775 | 948,283 | 216,427 | 1,231,700 | | |
| *of which: dividends received* | - | *346* | - | *700* | | |
| Profit after tax | 20,909 | 76,446 | 106,644 | 554,100 | | |
| Total other comprehensive income for the year, net of tax | - | (259) | 185 | 23,052 | | |
| **Total comprehensive income for the year(2)** | **20,909** | **76,187** | **106,829** | **577,152** | **-** | **-** |
| | | | | | | |
| **Net cash inflows (outflows)(2)** | **591** | **17,261** | **(51,294)** | **(27,797)** | | |

*(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.*
*(3) Excluding NAFTA a.s. and its subsidiaries.*

| **31 December 2014**<br>*In thousands of EUR* | **Pražská teplárenská a.s. and its subsidiaries** | **Stredoslovenská energetika, a.s. and its subsidiaries** | **NAFTA a.s. and its subsidiaries** | **Slovenský plynárenský priemysel, a.s. and its subsidiaries(2)(4)** | **Other individually immaterial subsidiaries** | **Total** |
|---|---|---|---|---|---|---|
| **Non-controlling percentage** | **26.60%** | **51.00%** | **31.01%** | **51.00%** | | |
| Business activity | Production and distribution of heat | Distribution of electricity | Gas storage and exploration | Distribution of gas | | |
| Country(1) | Czech Republic | Slovakia | Slovakia | Slovakia | | |
| **Carrying amount of NCI at 31 December 2014** | **87,522** | **373,400** | **97,919** | **1,659,571** | **(34)** | **2,218,378** |
| **Profit (loss) attributable to non-controlling interest** | **4,167** | **24,865** | **29,594** | **(2)220,796** | **365** | **279,787** |
| **Dividends declared** | **(14,845)** | **(27,397)** | **(41,285)** | **(378,716)** | **(1,352)** | **(463,595)** |
| **Statement of financial position information(3)** | | | | | | |
| Total assets | 385,047 | 1,048,308 | 526,562 | 6,073,547 | | |
| *of which: non-current* | *337,075* | *869,916* | *448,754* | *5,234,847* | | |
| *current* | *47,972* | *178,392* | *77,808* | *838,700* | | |
| Total liabilities | 69,099 | 316,151 | 179,286 | 2,636,147 | | |
| *of which: non-current* | *41,544* | *180,359* | *128,156* | *2,362,000* | | |
| *current* | *27,555* | *135,792* | *51,130* | *274,147* | | |
| **Net assets** | **315,948** | **732,157** | **347,276** | **3,437,400** | **-** | **-** |
| **Statement of comprehensive income information(3)** | | | | | | |
| Total revenues | 232,182 | 901,069 | 205,269 | 1,231,500 | | |
| *of which: dividends received* | - | *235* | - | *700* | | |
| Profit after tax | 15,556 | 48,491 | 90,984 | 507,442 | | |
| Total other comprehensive income for the year, net of tax | - | (129) | (8) | (229) | | |
| **Total comprehensive income for the year(3)** | **15,556** | **48,362** | **90,976** | **507,213** | **-** | **-** |
| **Net cash inflows (outflows)(3)** | **(20,141)** | **(33,508)** | **(5,427)** | **90,313** | **-** | **-** |

*(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 38 – Group entities).*
*(2) This amount includes profit attributable to non-controlling interest of Slovenský plynárenský priemysel, a.s. and its subsidiaries in amount of EUR 103,756 thousand for the period from 1 January 2014 to 28 June 2014. For detail refer to Note 25 – Assets and liabilities held for sale.*
*(3) Financial information derived from financial statements prepared in accordance with local statutory accounting standards.*
*(4) Excluding NAFTA a.s. and its subsidiaries.*

| **31 December 2013**<br>*In thousands of EUR* | **Pražská teplárenská a.s. and its subsidiaries** | **Stredoslovenská energetika, a.s. and its subsidiaries[2]** | **NAFTA a.s. and its subsidiaries[2]** | **Slovenský plynárenský priemysel, a.s. and its subsidiaries[2][4]** | **Other individually immaterial subsidiaries** | **Total** |
|---|---|---|---|---|---|---|
| **Non-controlling percentage** | **26.74%** | **51.00%** | **31.01%** | **51.00%** | | |
| Business activity | Production and distribution of heat | Distribution of electricity | Gas storage and exploration | Distribution of gas | | |
| Country[1] | Czech Republic | Slovakia | Slovakia | Slovakia | | |
| | | | | | | |
| **Carrying amount of NCI at 31 December 2013** | **103,321** | **375,546** | **119,681** | **2,442,138** | **(91)** | **3,040,595** |
| **Profit (loss) attributable to non-controlling interest** | **3,466** | **6,208** | **27,494** | **142,698** | **(417)** | **179,449** |
| **Dividends declared** | **(168,362)** | **-** | **(532)** | **(220,188)** | **(64)** | **(389,146)** |
| | | | | | | |
| **Statement of financial position information[3]** | | | | | | |
| Total assets | 440,759 | 649,286 | 403,617 | 7,965,083 | | |
| *of which: non-current* | *366,477* | *516,135* | *308,920* | *6,056,980* | | |
| *current* | *74,282* | *133,151* | *94,697* | *1,908,103* | | |
| Total liabilities | 82,806 | 250,898 | 142,528 | 3,078,272 | | |
| *of which: non-current* | *43,865* | *118,728* | *105,926* | *1,866,324* | | |
| *current* | *38,941* | *132,170* | *36,602* | *1,211,948* | | |
| **Net assets** | **357,953** | **398,388** | **261,089** | **4,886,811** | **-** | **-** |
| | | | | | | |
| **Statement of comprehensive income information[3]** | | | | | | |
| Total revenues | 276,216 | 98,257 | 197,982 | 1,361,118 | | |
| *of which: dividends received* | - | - | - | *500* | | |
| Profit after tax | 15,994 | 11,469 | 99,704 | 180,996 | | |
| Total other comprehensive income for the year, net of tax | - | (183) | (57) | 3,271 | | |
| **Total comprehensive income for the year[3]** | **15,994** | **11,286** | **99,647** | **184,267** | **-** | **-** |
| | | | | | | |
| **Net cash inflows (outflows)[3]** | **(71,025)** | **20,374** | **16,843** | **33,450** | **-** | **-** |

1) *Principal place of business of subsidiaries and associates varies (for detail refer to Note 38 – Group entities).*
2) *Data represent Company's results from the date of acquisition.*
3) *Financial information derived from financial statements prepared in accordance with local statutory accounting standards.*
4) *Excluding NAFTA a.s. and its subsidiaries.*

# 28. Loans and borrowings

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Issued debentures | 3,245,756 | 2,861,902 | 1,854,619 |
| *of which owed to related parties* | *12,292* | *25,377* | *3,748* |
| Loans payable to credit institutions | 1,612,710 | 1,994,087 | 1,851,680 |
| Revolving credit facility | 145,000 | 25,011 | - |
| Loans payable to other than credit institutions | 118,752 | 393,374 | 1,024,332 |
| *of which owed to related parties* | *118,450* | *393,369* | *784,508* |
| Bank overdraft | 19,734 | 59,123 | - |
| Liabilities from financial leases | 14,500 | 867 | 145 |
| Subordinated liabilities | 2,404 | 2,403 | - |
| *of which owed to related parties* | *2,404* | *2,403* | - |
| **Total** | **5,158,856** | **5,336,767** | **4,730,776** |
| | | | |
| Non-current | 4,714,149 | 4,150,558 | 4,056,414 |
| *of which owed to related parties* | *47,078* | *155,403* | *770,373* |
| Current | 444,707 | 1,186,209 | 674,362 |
| *of which owed to related parties* | *86,068* | *265,746* | *17,883* |
| **Total** | **5,158,856** | **5,336,767** | **4,730,776** |

The weighted average interest rate on loans for 2015 was 2.70% (2014: 3.81%; 2013: 5.07%).

### Issued debentures at amortised costs

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

| *In thousands of EUR* | **Principal** | **Accrued interest** | **Unamortised fee** | **Maturity** | **Interest rate (%)** | **Effective interest rate (%)** |
|---|---|---|---|---|---|---|
| SPP Infrastructure Financing bond I | (1)749,185 | 12,868 | (2,253) | 18/07/2020 | 3.750 | 3.773/3.717 |
| SPP Infrastructure Financing bond II | (2)493,900 | 11,615 | (515) | 12/02/2025 | 2.625 | 2.685 |
| EP Energy 2018 notes | 600,000 | 4,375 | (4,294) | 01/05/2018 | 4.375 | 4.691 |
| SPPD bond | (3)496,570 | 6,854 | (1,624) | 23/06/2021 | 2.625 | 2.828 |
| CE Energy bond | 375,000 | 10,968 | (4,253) | 01/02/2021 | 7.000 | 7.285 |
| EP Energy 2019 notes | 500,000 | 4,896 | (7,536) | 01/11/2019 | 5.875 | 6.301 |
| **Total** | **3,214,655** | **51,576** | **(20,475)** | **-** | **-** | **-** |

1) *Balance consists of two tranches. The first tranche of EUR 500,000 thousand is stated net of discount of EUR 3,050 thousand, which will be released through the effective interest rate for the whole period until its maturity. The second tranche of EUR 250,000 thousand is stated with a premium of EUR 2,235 thousand. Therefore two effective interest rates are presented.*

2) *Balance represents bond principal in amount of EUR 500,000 thousand which is stated net of discount of EUR 6,100 thousand. This discount will be released through effective interest rate for the whole period until its maturity.*

3) *Balance represents bond principal in amount of EUR 500,000 thousand which is stated net of discount of EUR 3,430 thousand. This discount will be released through effective interest rate for the whole period until its maturity.*

<u>EP Energy bonds</u>

In 2012 and 2013 EP Energy Group (“EPE”, “EPE Group”) issued the senior secured notes. EPE Group comprises energy entities subsidiaries and associates as described in Note 38 – Group entities.

*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 Group 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 Group 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 Group 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.

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 certain types of payments, transactions with affiliates, liens and sales of collateral. The EPE Group 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 net of debt issue costs of EUR 10 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 Group 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 Group 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 Group 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.

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 the guarantees 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 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%.

<u>SPP Infrastructure Financing bond (2020 Notes)</u>

The first tranche of guaranteed notes in the amount of EUR 500 million was issued on 18 July 2013 and the second tranche in the amount of EUR 250 million was issued on 10 September 2013. The notes are due in 2020 (“2020 Notes”) and are listed on the official market of the Irish Stock Exchange. The 2020 Notes bear an interest of 3.75% per annum, payable annually in arrears on 18 July of each year. The 2020 Notes were issued by SPP Infrastructure Financing B.V., and are guaranteed by eustream, a.s.

The terms and conditions pursuant to which the 2020 Notes were issued contain a limited number of restrictive covenants, mainly negative pledges.

The 2020 Notes are stated net of debt issue costs of EUR 5 million. These costs are allocated to the profit and loss account over the term of the 2020 Notes through the effective interest rates of 3.773% (first tranche) and 3.717% (second tranche).

The proceeds of the 2020 Notes were on-lent to eustream, a.s. via the purchase of 2020 Intra-group notes issued by eustream, a.s. bearing 4.12% p.a. while interest payments are aligned to effectively finance payments by SPP Infrastructure Financing B.V.

<u>CE Energy bond (2021 Notes)</u>

On 24 January 2014, CE Energy, a.s. acquired all of the outstanding shares of EP Energy, a.s. from Energetický a průmyslový holding, a.s. This transaction raised a consideration payable which was transformed to intercompany loan owed by CE Energy, a.s. to Energetický a průmyslový holding, a.s. in an

aggregate amount equal to the consideration payable by CE Energy, a.s. to Energetický a průmyslový holding, a.s. for the acquisition of the shares of EP Energy, a.s. of EUR 1,500 million. This loan was settled in 2015.

The intercompany loans are subordinated to the senior notes issued by CE Energy, a.s. on 7 February 2014 in the amount of EUR 500 million due in 2021 (the “2021 Notes”), pursuant to an intercreditor agreement. A part of the intercompany loans totaling EUR 251 million was repaid with a portion of the proceeds of the 2021 Notes. The 2021 Notes are secured by a pledge of 100% of the capital stock of CE Energy, a.s. and by a pledge of 50% minus one share of the capital stock of EP Energy, a.s.

The indenture pursuant to which the 2021 Notes were issued contains a number of restrictive covenants, including limitations on the ability of CE Energy, a.s. to upstream payments to Energetický a průmyslový holding, a.s., the incurrence of indebtedness, restricted payments, transactions with affiliates, liens and sales of assets.

The 2021 Notes are stated net of debt issue costs of EUR 8 million. These costs are allocated to the profit and loss account over the term of the 2021 Notes through the effective interest rate of 7.285%.

As noted in Note 40 – Subsequent events, CE Energy 2021 Notes were fully redeemed on 1 April 2016.

2021 SPPD bond

On 23 June 2014, SPP - distribúcia, a.s. issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The maturity of bonds is on 23 June 2021. The 2021 SPPD bond is stated net of debt issue costs of EUR 3 million. These costs are allocated to the profit and loss account through the effective interest rate of 2.828%.

SPP Infrastructue Financing bond II (2025 Notes)

On 12 February 2015, SPP Infrastructure Financing B.V. issued bonds in the amount of EUR 500 million with a fixed interest rate of 2.625% p.a. The maturity of bonds is on 12 February 2025. The 2020 SPP IF bond is stated net of debt issue costs of EUR 1 million. These costs are allocated to the profit and loss account through the effective interest rate of 2.685%.

## Other loans and borrowings

### Terms and debt repayment schedule

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

| *In thousands of EUR* | Cur-rency | Nominal interest rate | Year of maturity (up to) | Balance at 31/12/15 | Due within 1 year | Due in 1–5 years | Due in following years |
|---|---|---|---|---|---|---|---|
| Secured bank loan | EUR | variable* | 2022 | 1,179,588 | 122,057 | 982,531 | 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 | variable* | 2019 | 175,714 | 703 | 175,011 | - |
| Unsecured bank loan | EUR | fixed | 2023 | 242,727 | 8,242 | 71,985 | 162,500 |
| Unsecured bank loan | CZK | fixed | 2016 | 10 | 10 | - | - |
| Unsecured loan | EUR | fixed | 2024 | 111,767 | 83,567 | 12,200 | 16,000 |
| *of which owed to related parties* | | | | *111,761* | *83,561* | *12,200* | *16,000* |
| Unsecured loan | CZK | fixed | 2018 | 6,985 | 103 | 6,882 | - |
| *of which owed to related parties* | | | | *6,689* | *103* | *6,586* | - |
| Revolving credit facility | EUR | variable* | | 145,000 | 145,000 | - | - |
| Overdraft | EUR | variable* | | 19,734 | 19,734 | - | - |
| Subordinated liability | EUR | fixed | 2016 | 2,404 | 2,404 | - | - |
| *of which owed to related parties* | | | | *2,404* | *2,404* | - | - |
| Liabilities from financial leases | EUR | | | 14,500 | 2,300 | 4,100 | 8,100 |
| **Total interest-bearing liabilities** | | | | **1,913,100** | **389,091** | **1,259,547** | **264,462** |

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

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

| *In thousands of EUR* | Cur-rency | Nominal interest rate | Year of maturity (up to) | Balance at 31/12/14 | Due within 1 year | Due in 1–5 years | Due in following years |
|---|---|---|---|---|---|---|---|
| Secured bank loan | EUR | variable* | 2019 | 1,673,772 | 545,087 | 1,128,685 | - |
| Secured bank loan | CZK | variable* | 2024 | 8,913 | 898 | 4,011 | 4,004 |
| Secured bank loan | EUR | fixed | 2023 | 7,579 | 1,843 | 4,933 | 803 |
| Unsecured bank loan | EUR | variable* | 2021 | 261,331 | 50,718 | 713 | 209,900 |
| Unsecured bank loan | EUR | fixed | 2023 | 42,492 | 9,882 | 22,610 | 10,000 |
| Unsecured loan | CZK | fixed | 2017 | 272,628 | 259,972 | 12,656 | - |
| *of which owed to related parties* | | | | *272,628* | *259,972* | *12,656* | - |
| Unsecured loan | EUR | fixed | 2019 | 120,746 | 3,376 | 94,370 | 23,000 |
| *of which owed to related parties* | | | | *120,741* | *3,371* | *94,370* | *23,000* |
| Revolving credit facility | EUR | variable* | | 25,011 | 25,011 | - | - |
| Overdraft | EUR | variable* | | 59,123 | 59,123 | - | - |
| Subordinated liability | EUR | fixed | 2015 | 2,403 | 2,403 | - | - |
| *of which owed to related parties* | | | | *2,403* | *2,403* | - | - |
| Liabilities from financial leases | CZK | | | 867 | 314 | 553 | - |
| **Total interest-bearing liabilities** | | | | **2,474,865** | **958,627** | **1,268,531** | **247,707** |

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

Terms and conditions of outstanding loans as at 31 December 2013 were as follows:

| *In thousands of EUR* | **Currency** | **Nominal interest rate** | **Year of maturity (up to)** | **Balance at 31/12/13** | **Due within 1 year** | **Due in 1–5 years** | **Due in following years** |
|---|---|---|---|---|---|---|---|
| Secured bank loan | EUR | variable* | 2018 | 1,433,238 | 614,817 | 818,421 | - |
| Secured bank loan | CZK | fixed | 2024 | 10,161 | 982 | 3,979 | 5,200 |
| Secured bank loan | EUR | fixed | 2023 | 3,101 | 3 | - | 3,098 |
| Unsecured bank loan | EUR | variable* | 2020 | 333,858 | 17,407 | 116,800 | 199,651 |
| Unsecured bank loan | EUR | fixed | 2023 | 71,322 | 13,029 | 39,693 | 18,600 |
| Secured loan | EUR | variable | 2016 | 239,824 | - | 239,824 | - |
| Unsecured loan | EUR | fixed | 2019 | 644,167 | 16,678 | - | 627,489 |
| *of which owed to related parties* | | | | *644,167* | *16,678* | - | *627,489* |
| Unsecured loan | CZK | fixed | 2015 | 140,341 | 1,205 | 139,136 | - |
| *of which owed to related parties* | | | | *140,341* | *1,205* | *139,136* | - |
| Liabilities from financial leases | CZK | | | 145 | 145 | - | - |
| **Total interest-bearing liabilities** | | | | **2,876,157** | **664,266** | **1,357,853** | **854,038** |

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

On 15 January 2013, Slovak Gas Holding B.V. ("SGH") entered into a syndicated facilities agreement for up to EUR 1,500 million (the "Senior Facilities Agreement") while the whole committed amount was drawn on 22 January 2013. The facilities comprised a (a) Euro term loan facility A in an aggregate amount of EUR 1,300,000 thousand and (b) Euro term loan bridge facility B in an aggregate amount of EUR 200,000 thousand arranged between SGH and group of banks led by J.P. MORGAN EUROPE LIMITED as agent and security agent.

The interest rate under the Senior Facilities Agreement was EURIBOR, plus mandatory costs and a margin. The margin on Facility B was not subject to adjustment.

As a result of the refinancing of SGH, the Euro term loan facility A and the Euro term loan bridge facility B were terminated on 2 June 2014.

On 29 May 2014, SGH has entered into:

(a) Euro term loan facility A in an aggregate amount of EUR 298,668 thousand;

(b) Euro term loan facility B in an aggregate amount of EUR 500,000 thousand;

(c) Euro term loan facility C1 in an aggregate amount of EUR 663,000 thousand;

(d) Euro term loan facility C2 in an aggregate amount of EUR 317,000 thousand.

arranged between SGH and a group of banks led by UNICREDIT BANK AG, LONDON BRANCH as agent and security agent.

The loan bears interest of EURIBOR plus margin at prevailing market rates and is due as follows:

(a) The maturity date of Facility A was 31 October 2014 and was fully repaid;

(b) The maturity date of Facility B was 27 November 2015 and it was fully repaid;

(c) The maturity dates of Facility C1 are as follows:

- 31 October 2015 EUR 150,000 thousand first instalment and it was fully repaid;
- 31 October 2016 EUR 150,000 thousand second instalment and it was fully repaid;
- 31 October 2017 EUR 150,000 thousand third instalment and it was fully repaid;
- 31 October 2018 EUR 150,000 thousand fourth instalment, of which EUR 50,000 thousand was repaid;
- 29 May 2019 EUR 63,000 thousand fifth instalment.

(d) The maturity date of Facility C2 is 5 years after the closing date i.e. 29 May 2019. During 2015 EUR 59,995 thousand was repaid.

On 29 April 2015 SGH signed an appendix to the existing Euro term loan agreement and drew a new Facility C3 totalling Euro 500,000,000, which was subsequently utilised on 6 May 2015 to repay Facility B.

(e) The maturity dates of Facility C3 are as follows:

- 31 October 2015 EUR 100,000 thousand first instalment and it was fully repaid;
- 31 October 2016 EUR 100,000 thousand second instalment;
- 31 October 2017 EUR 100,000 thousand third instalment;
- 31 October 2018 EUR 100,000 thousand fourth instalment;
- 29 May 2019 EUR 100,000 thousand fifth instalment.

As noted in Note 40 – Subsequent events, the loan was fully repaid.

**Fair value information**

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

| *In thousands of EUR* | **31 December 2015** | | **31 December 2014** | | **31 December 2013** | |
|---|---|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| Issued debentures at amortised costs | 3,245,756 | 3,309,606 | 2,861,902 | 2,920,507 | 1,854,619 | 1,803,318 |
| Loans payable to credit institutions | 1,612,710 | 1,627,601 | 1,994,087 | 2,108,984 | 1,851,680 | 1,852,361 |
| Revolving credit facility | 145,000 | 145,000 | 25,011 | 25,011 | - | - |
| Loans payable to other than credit institutions | 118,752 | 116,999 | 393,374 | 317,637 | 1,024,332 | 1,035,326 |
| Bank overdraft | 19,734 | 19,734 | 59,123 | 59,123 | - | - |
| Liabilities from financial leases | 14,500 | 14,761 | 867 | 867 | 145 | 145 |
| Subordinated liabilities | 2,404 | 2,404 | 2,403 | 2,403 | - | - |
| **Total** | **5,158,856** | **5,236,105** | **5,336,767** | **5,434,532** | **4,730,776** | **4,691,150** |

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

## 29. Liabilities from returned capital contribution

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Liabilities from returned capital contribution | - | 194,268 | - |
| *of which owed to the parent company* | *-* | *194,268* | *-* |
| **Total** | **-** | **194,268** | **-** |
| | | | |
| *Non-current* | - | - | - |
| *Current* | - | 194,268 | - |
| *of which owed to the parent company* | *-* | *194,268* | *-* |
| **Total** | **-** | **194,268** | **-** |

On 24 January 2014, CE Energy, a.s. acquired all of the outstanding shares of EP Energy, a.s. from Energetický a průmyslový holding, a.s. for EUR 1,500,270 thousand and recognised a liability for subordinated non-interest bearing loan of the same amount due in 2022. The Company applied a discount rate of 7% to establish a fair value of the loan taking into account planned future repayments in 2014. The difference between the shareholder loan’s value and fair value totalling EUR 538,118 thousand was recorded to other funds from capital contributions in Equity.

At the end of December 2014, EPH capitalised part of the non-interest bearing loan to CEE’s equity (EUR 691,000 thousand). Out of this amount EUR 394,575 thousand decreased the balance of shareholder’s loan liability and EUR 296,425 thousand was already included in other capital funds as a difference between the shareholder loans’s value and fair value.

As a result, as of 31 December 2014 the difference between the value of non-cash offset and amortised costs of the loan at the expected settlement date of EUR 194,268 thousand was recognised by CEE as a liability from returned capital contribution to the CEE’s parent company EPH. This liability was settled in February 2015 via a non-cash off-set with existing receivables.

# 30. Provisions

| *In thousands of EUR* | **Employee benefits** | **Onerous contracts** | **Warranties** | **Provision for emission rights** | **Provision for lawsuits and litigations** | **Provision for restoration and decommissioning** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2015** | **21,210** | **-** | **186** | **21,707** | **263** | **113,813** | **29,050** | **186,229** |
| Provisions made during the year | 5,259 | 117 | 460 | 18,850 | 154 | 390 | 1,653 | **26,883** |
| Provisions used during the year | (975) | - | (29) | (22,032) | - | (1,340) | [2](17,917) | **(42,293)** |
| Provisions reversed during the year | (1,492) | - | (160) | - | (259) | (2,451) | [2](10,347) | **(14,709)** |
| Additions through business combinations[1] | 187 | - | - | 3,809 | - | 1,535 | 848 | **6,379** |
| Unwinding of discount* | 200 | - | - | - | - | 3,433 | - | **3,633** |
| Effects of movements in foreign exchange rate | 86 | - | 5 | 500 | 3 | 14 | 25 | **633** |
| **Balance at 31 December 2015** | **24,475** | **117** | **462** | **22,834** | **161** | **115,394** | **3,312** | **166,755** |
| | | | | | | | | |
| **Non-current** | **23,762** | **-** | **-** | **-** | **161** | **113,267** | **1,641** | **138,831** |
| **Current** | **713** | **117** | **462** | **22,834** | **-** | **2,127** | **1,671** | **27,924** |

* *Unwinding of discount is included in interest expense.*
(1) *The purchase of Budapesti Erömü Zrt.*
(2) *For more details to NAFTA a.s. price arbitration refer to Note 39 – Litigations and claims.*

| *In thousands of EUR* | **Employee benefits** | **Warranties** | **Provision for emission rights** | **Provision for lawsuits and litigations** | **Provision for restoration and decommissioning** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2014** | **22,311** | **182** | **31,959** | **1,495** | **117,426** | **20,794** | **194,167** |
| Provisions made during the year | 3,426 | 518 | 21,965 | 10 | 23 | 10,413 | **36,355** |
| Provisions used during the year | (2,063) | (363) | (31,959) | - | (5,337) | (2,094) | **(41,816)** |
| Provisions reversed during the year | (2,428) | (149) | - | (1,227) | (1,997) | (51) | **(5,852)** |
| Unwinding of discount* | - | - | - | - | 3,703 | - | **3,703** |
| Effects of movements in foreign exchange rate | (36) | (2) | (258) | (15) | (5) | (12) | **(328)** |
| **Balance at 31 December 2014** | **21,210** | **186** | **21,707** | **263** | **113,813** | **29,050** | **186,229** |
| | | | | | | | |
| **Non-current** | **20,705** | **-** | **-** | **76** | **109,702** | **843** | **131,326** |
| **Current** | **505** | **186** | **21,707** | **187** | **4,111** | **28,207** | **54,903** |

* *Unwinding of discount is included in interest expense.*

| *In thousands of EUR* | **Employee benefits** | **Onerous contracts** | **Warranties** | **Provision for emission rights** | **Provision for lawsuits and litigations** | **Provision for restoration and decommissioning** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2013** | **3,786** | **-** | **239** | **51,591** | **1,074** | **336** | **606** | **57,632** |
| Provisions made during the year | 3,569 | 23,215 | 270 | 27,276 | 770 | 1,197 | 11,234 | **67,531** |
| Provisions used during the year | (835) | (13,822) | - | (49,935) | - | (809) | (43) | **(65,444)** |
| Provisions reversed during the year | (1,374) | [(2)](60,291) | (308) | (100) | (1,040) | (2,811) | (44) | **(65,968)** |
| Additions through business combinations[(1)] | 19,240 | 73,329 | - | 4,825 | 27,076 | 117,927 | 9,654 | **252,051** |
| Unwinding of discount* | - | 193 | - | - | - | 2,118 | - | **2,311** |
| Effects of movements in foreign exchange rate | (375) | (124) | (19) | (1,698) | (1,685) | (532) | (113) | **(4,546)** |
| Transfer to discontinued operations | (1,700) | (22,500) | - | - | (24,700) | - | (500) | **(49,400)** |
| **Balance at 31 December 2013** | **22,311** | **-** | **182** | **31,959** | **1,495** | **117,426** | **20,794** | **194,167** |
| | | | | | | | | |
| **Non-current** | **21,759** | **-** | **-** | **-** | **73** | **114,598** | **871** | **137,301** |
| **Current** | **552** | **-** | **182** | **31,959** | **1,422** | **2,828** | **19,923** | **56,866** |

* *Unwinding of discount is included in interest expense.*

(1) *The purchase of Slovenský plynárenský priemysel, a.s. and Stredoslovenská energetika, a.s.*

(2) *Slovenský plynárenský priemysel, a.s. was acquired by the Group and the purchase price allocation process was carried out at a time when the purchase price of natural gas for the year 2013 had not yet been revised. Slovenský plynárenský priemysel, a.s. initiated the process of this revision and a new contract amendment has been signed. As a result of this process Slovenský plynárenský priemysel, a.s. has reassessed the provision for onerous contracts.*

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 judgement.

### Employee benefits

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

The provision for employee benefits in the amount of EUR 24,475 thousand (2014: EUR 21,210 thousand; 2013: EUR 22,311 thousand) was recorded by Elektrárny Opatovice, a.s., Pražská teplárenská, a.s., PT měření, a.s., United Energy, a.s., Stredoslovenská energetika a.s., NAFTA a.s., SPPI Group and Budapesti Erőmű Zrt.

*i. Stredoslovenská energetika, a.s.*

The provision recorded by Stredoslovenská energetika, a.s. amounts to EUR 8,543 thousand (2014: EUR 7,533 thousand; 2013: EUR 9,980 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:

| **Years of service** | **Multiples of average monthly wage** |
|---|---:|
| 10 years or less | 2 |
| 11 – 15 years | 4 |
| 16 – 20 years | 5 |
| 21 – 25 years | 6 |
| 25 years and more | 7 |

For comparative purposes, according to the SSE Group collective agreement for the period 2011 – 2013, whose validity was extended in the December 2013 amendment to the SSE Group collective agreement for the period from 1 January 2014 to 31 December 2014, 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:

| **Years of service** | **Multiples of average monthly wage** |
|---|---:|
| 5 years or less | 4 |
| 5 – 10 years | 5 |
| 10 – 15 years | 6 |
| 15 – 20 years | 7 |
| 20 – 25 years | 9 |
| 25 years and more | 11 |

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 SSE 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.

*ii. SPPI Group*

The provision recorded by SPPI Group amounts to EUR 9,200 thousand (2014: EUR 7,400 thousand, 2013: EUR 9,000 thousand). The SPPI Group has the following retirement plan with a defined contribution plans:

*Unfunded pension plan with defined benefit*

According to the SPPI Group collective agreement for the period 2014 – 2015 from December 2013, the Group is obliged to pay its employees upon age pension or disability pension, depending on seniority, from one to six multiples of the average monthly salary.

*Other benefits*

The SPPI Group also pays benefits for work and life anniversaries based on the seniority of its employees.

**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; 2013: EUR 82 thousand).

Remaining balance of provision in 2014 was recorded by Stredoslovenská energetika, a.s. (EUR 99 thousand; 2013: EUR 1,299 thousand) and NAFTA a.s. (EUR 88 thousand; 2013: EUR 0 thousand).

For more details refer to Note 40 – Litigations and Claims.

As disclosed in Note 40 – Litigations and Claims, there are other legal proceedings in which the Group is involved whose results cannot be reliably estimated as at the date of the preparation of these combined financial statements, and therefore no provision was recorded as at 31 December 2015, 31 December 2014 and 31 December 2013.

**Provision for restoration and decommissioning**

The provision of EUR 115,394 thousand (2014: EUR 113,813 thousand; 2013: EUR 117,426 thousand) was primarily recorded by NAFTA a.s. (EUR 99,082 thousand; 2014: EUR 99,238 thousand; 2013: EUR 107,019 thousand) and SPPI Group (EUR 13,100 thousand; 2014: EUR 12,900 thousand; 2013: EUR 2,990 thousand).

eustream, a.s. estimated the provision for decontamination and restoration using the existing technology and current prices adjusted for expected future inflation and discounted using a discount rate that reflects the current market assessment of the time value of money – risk free rate.

NAFTA a.s. currently has 163 production wells in addition to 245 storage wells. Production wells that are currently in production or are being used for other purposes are expected to be abandoned after reserves have been fully produced or when it has been determined that the wells will not be used for any other purposes. Storage wells are expected to be abandoned after the end of their useful lives. NAFTA a.s. has the obligation to dismantle the production and storage wells, decontaminate contaminated soil, restore the area, and restore the site to its original condition to the extent as stipulated by law.

The provision for abandonment and restoration has been estimated using existing technology and reflects expected future inflation. The present value of these costs was calculated using a discount rate, which reflects the current market assessment of the time value of money – risk free rate (3.15% 2014: 3.7%; 2013:

3.7%). The provision takes into account the estimated costs for the abandonment of production and storage wells and centres, and the costs of restoring the sites to their original condition. These costs are expected to be incurred between 2016 and 2093.

SPP Storage, s.r.o. ("SPP Storage") currently has 41 production wells and storage facility. SPP Storage's provision for decontamination and restoration resulted from a legislative requirement to dismantle an underground storage facility, mainly production wells and storage wells after the operation of the underground storage facility is discontinued.

The Group uses stress tests in the form of inflation and discount rate shocks, i.e. simulated immediate decreases/increases in inflation or the discount rate by 100 basis points ('bp').

At the reporting date, a change of 100 basis points in the inflation rate would have increased or decreased the provision for asset retirement obligations by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

At the reporting date, a change of 100 basis points in the discount rate would have increased or decreased the provision for asset retirement obligations by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

*In thousands of EUR*

| | **2015** | **2014** | **2013** |
|---|---|---|---|
| | **Profit (loss)** | **Profit (loss)** | **Profit (loss)** |
| Decrease of inflation rate by 100 bp | 11,696 | 6,998 | 5,929 |
| Increase of inflation rate by 100 bp | (9,628) | (6,222) | (5,390) |
| | | | |
| Decrease of discount rate by 100 bp | 12,347 | 12,474 | 12,551 |
| Increase of discount rate by 100 bp | (10,102) | (10,206) | (10,280) |

## 31. Deferred income

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Government grants | 45,699 | 39,845 | 14,752 |
| Free-of-charge received property | 15,754 | 16,083 | 52,444 |
| Other deferred income | 47,568 | 34,054 | 33,326 |
| **Total** | **109,021** | **89,982** | **100,522** |
| | | | |
| Non-current | 96,810 | 85,688 | 89,298 |
| Current | 12,211 | 4,294 | 11,224 |
| **Total** | **109,021** | **89,982** | **100,522** |

Several items of gas and electricity equipment were obtained "free of charge" from municipal and local authorities. This equipment was recorded as property, plant, and equipment at the costs incurred (that approximate fair value of these assets) by the municipal and local authorities with a corresponding amount recorded as deferred income. This deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge and is recognised as other operating income.

Balance of government grants in amount of EUR 45,699 thousand (2014: EUR 39,845 thousand; 2013: EUR 14,752 thousand) is mainly represented by Elektrárny Opatovice, a.s. of EUR 21,997 thousand (2014: EUR 22,857 thousand; 2013: EUR 1,094 thousand), Alternative Energy, s.r.o. of EUR 4,881 thousand (2014: EUR 5,270 thousand; 2013: EUR 5,658 thousand), SPPI Group of EUR 11,400 thousand (2014: EUR 9,400 thousand; 2013: EUR 8,000 thousand) and United Energy, a.s. of EUR 4,842 thousand (2014: EUR 1,389 thousand; 2013: EUR 0 thousand). Elektrárny Opatovice, a.s. and Alternative Energy, s.r.o. were provided with government grants to reduce emission pollutions and to build biogas facility. This deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets constructed and is recognised as other operating income.

Balance of government grants recognised by SPPI Group includes the grants allocated by the European Commission for the reverse flow projects of the KS04 and Plavecký Peter gas pipelines, and the cross-border interconnection points between Poland and Slovakia and between Hungary and Slovakia.

Balance of other deferred income in amount of EUR 47,568 thousand (2014: EUR 34,054 thousand; 2013: EUR 33,326 thousand) is mainly represented by Stredoslovenská energetika, a.s. This balance consists of deferred income related to the following items: fee for grid connection paid by customers (EUR 24,786 thousand; 2014: EUR 23,165 thousand; 2013: EUR 21,694 thousand), contributions for the acquisitions of tangible assets paid by customers (EUR 16,011 thousand; 2014: EUR 3,939 thousand; 2013: EUR 4,634 thousand) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3,547 thousand; 2014: EUR 3,763 thousand; 2013: EUR 3,979 thousand).

## 32. Financial instruments

### Financial instruments and other financial assets

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| **Assets carried at amortised cost** | | | |
| Loans to other than credit institutions | 909,282 | 1,266,865 | 1,025,899 |
| *of which receivables from the related parties(1)* | *908,362* | *1,266,139* | *1,025,839* |
| Shares available for sale | 9,784 | 10,839 | 9,968 |
| Other short-term deposits (intended for investing activities) | 248 | 307 | 310 |
| Other equity instruments | - | 487 | 510 |
| **Total** | **919,314** | **1,278,498** | **1,036,687** |
| | | | |
| **Assets carried at fair value** | | | |
| **Hedging:** *of which* | 69,264 | 15,816 | 4,592 |
| *Commodity derivatives cash flow hedge(2)* | *67,200* | *14,300* | *700* |
| *Interest rate swaps cash flow hedge* | *1,258* | - | - |
| *Currency forwards cash flow hedge* | - | *1,516* | *3,892* |
| *Other derivatives cash flow hedge* | *806* | - | - |
| **Risk management purpose:** *of which* | 6,840 | 5,983 | 5,364 |
| *Currency forwards reported as trading* | *4,120* | *5,560* | *4,232* |
| *Commodity derivatives reported as trading* | *2,620* | *264* | *221* |
| *Currency swaps reported as trading* | *100* | - | - |
| *Currency options reported as trading* | - | *159* | - |
| *Interest rate swaps reported as trading* | - | - | *911* |
| **Trading:** *of which* | 226 | 220 | 219 |
| *Equity options for trading* | *226* | *220* | *219* |
| **Total** | **76,330** | **22,019** | **10,175** |
| | | | |
| Non-current | 609,360 | 785,360 | 562,394 |
| *of which receivables from the related parties* | *584,270* | *772,790* | *557,277* |
| Current | 386,284 | 515,157 | 484,468 |
| *of which receivables from the related parties* | *324,092* | *493,349* | *468,562* |
| **Total** | **995,644** | **1,300,517** | **1,046,862** |

*(1) Loans provided to related parties as at 31 December primarily represent loans provided by:*

*(a) EP Energy, a.s. to Energetický a průmyslový holding, a.s. (EUR 305,810 thousand due in 2016), JTSD Braunkohlebergbau GmbH (EUR 389,002 thousand due in 2024) and EP Germany GmbH (EUR 97,913 thousand due in 2019),*

*(b) Czech Gas Holding Investments B.V. to Energetický a průmyslový holding, a.s. (EUR 104,964 thousand due in 2019). All interest rates were set to follow market rates at the loan's inception.*

*(2) Commodity derivatives designated as cash flow hedges primarily relate to forwards for sale/purchase of electricity which EP ENERGY TRADING, a.s. uses to hedge the cash flows related to purchase/sale of electricity utilised for electricity supply to final customers. The effectiveness of the hedging relationship is typically assessed by comparison of hedged volume to actual volumes sourced or delivered.*

*Subsequently, eustream, a.s. is active in hedging cash inflows predominantly from gas-in-kind received from shippers. eustream, a.s. regularly performs estimations of the surplus of natural gas from received gas-in-kind and enters into short and mid-term commodity swaps in order to hedge its natural gas selling prices.*

## Financial instruments and other financial liabilities

| *In thousands of EUR* | 31 December 2015 | 31 December 2014 | 31 December 2013 |
|---|---|---|---|
| **Liabilities carried at fair value** | | | |
| **Hedging:** *of which* | 10,692 | 7,496 | 849 |
| *Interest rate swaps cash flow hedge* | *6,595* | *7,496* | *329* |
| *Commodity derivatives cash flow hedge* | *4,097* | - | *500* |
| *Currency forwards cash flow hedge* | - | - | *20* |
| **Risk management purpose:** *of which* | 9,691 | 10,763 | 6,887 |
| *Interest rate swaps reported as trading* | *8,449* | *9,744* | *406* |
| *Currency forwards reported as trading* | *876* | *659* | *3,772* |
| *Commodity derivatives reported as trading* | *366* | *360* | *2,709* |
| **Total** | **20,383** | **18,259** | **7,736** |
| | | | |
| Non-current | 4,813 | 5,880 | 1,799 |
| Current | 15,570 | 12,379 | 5,937 |
| **Total** | **20,383** | **18,259** | **7,736** |

The weighted average interest rate on loans to other than credit institutions for 2015 was 5.17% (2014: 5.74%; 2013: 7.22%).

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 |
|---|---|---|---|---|
| **Hedging:** *of which* | 921,120 | (921,120) | 69,264 | (10,692) |
| *Interest rate swaps cash flow hedge* | *663,120* | *(663,120)* | *1,258* | *(6,595)* |
| *Commodity derivatives cash flow hedge* | *258,000* | *(258,000)* | *67,200* | *(4,097)* |
| *Other derivatives cash flow hedge* | - | - | *806* | - |
| **Risk management purpose:** *of which* | 638,134 | (631,140) | 6,840 | (9,691) |
| *Commodity derivatives reported as trading* | *286,476* | *(283,585)* | *2,620* | *(366)* |
| *Currency forwards reported as trading* | *216,658* | *(212,555)* | *4,120* | *(876)* |
| *Interest rate swaps reported as trading* | *135,000* | *(135,000)* | - | *(8,449)* |
| *Currency swaps reported as trading* | - | - | *100* | - |
| **Trading:** *of which* | - | - | 226 | - |
| *Equity options for trading* | - | - | *226* | - |
| **Total** | **1,559,254** | **(1,552,260)** | **76,330** | **(20,383)** |

| *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 |
|---|---|---|---|---|
| **Hedging:** *of which* | 313,300 | (135,000) | 15,816 | (7,496) |
| *Commodity derivatives cash flow hedge* | *178,300* | - | *14,300* | - |
| *Interest rate swaps cash flow hedge* | *135,000* | *(135,000)* | - | *(7,496)* |
| *Currency forwards cash flow hedge* | - | - | *1,516* | - |
| **Risk management purpose:** *of which* | 1,273,406 | (1,252,461) | 5,983 | (10,763) |
| *Interest rate swaps reported as trading* | *668,302* | *(653,900)* | - | *(9,744)* |
| *Commodity derivatives reported as trading* | *372,580* | *(372,918)* | *264* | *(360)* |
| *Currency forwards reported as trading* | *232,524* | *(225,643)* | *5,560* | *(659)* |
| *Currency options reported as trading* | - | - | *159* | - |
| **Trading:** *of which* | - | - | 220 | - |
| *Equity options for trading* | - | - | *220* | - |
| **Total** | **1,586,706** | **(1,387,461)** | **22,019** | **(18,259)** |

| *In thousands of EUR* | **31 December 2013 Nominal amount buy** | **31 December 2013 Nominal amount sell** | **31 December 2013 Fair value buy** | **31 December 2013 Fair value sell** |
|---|---|---|---|---|
| **Hedging:** *of which* | 212,499 | (208,770) | 4,592 | (849) |
| *Commodity derivatives cash flow hedge* | *31,700* | *(31,700)* | *700* | *(500)* |
| *Interest rate swaps cash flow hedge* | *262* | *(591)* | - | *(329)* |
| *Currency forwards cash flow hedge* | *180,537* | *(176,479)* | *3,892* | *(20)* |
| **Risk management purpose:** *of which* | 1,201,568 | (1,164,548) | 5,364 | (6,887) |
| *Interest rate swaps reported as trading* | *687,819* | *(650,000)* | *911* | *(406)* |
| *Commodity derivatives reported as trading* | *460,409* | *(457,558)* | *221* | *(2,709)* |
| *Currency forwards reported as trading* | *53,340* | *(56,990)* | *4,232* | *(3,772)* |
| **Trading:** *of which* | - | - | 219 | - |
| *Equity options for trading* | - | - | *219* | - |
| **Total** | **1,414,067** | **(1,373,318)** | **10,175** | **7,736** |

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 and gas, which are denominated in CZK and EUR with maturity up to one 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).

| | | **2015** | | |
|---|---|---|---|---|
| *In thousands of EUR* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 69,264 | - | **69,264** |
| *Commodity derivatives cash flow hedge* | - | *67,200* | - | ***67,200*** |
| *Interest rate swaps cash flow hedge* | - | *1,258* | - | ***1,258*** |
| *Other derivatives cash flow hedge* | - | *806* | - | ***806*** |
| **Risk management purpose:** *of which* | - | 6,840 | - | **6,840** |
| *Currency forwards reported as trading* | - | *4,120* | - | ***4,120*** |
| *Commodity derivatives reported as trading* | - | *2,620* | - | ***2,620*** |
| *Currency swaps reported as trading* | - | *100* | - | ***100*** |
| **Trading:** *of which* | - | 226 | - | **226** |
| *Equity options for trading* | - | *226* | - | ***226*** |
| **Total** | **-** | **76,330** | **-** | **76,330** |
| | | | | |
| **Financial liabilities carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 10,692 | - | **10,692** |
| *Interest rate swaps cash flow hedge* | - | *6,595* | - | ***6,595*** |
| *Commodity derivatives cash flow hedge* | - | *4,097* | - | ***4,097*** |
| **Risk management purpose:** *of which* | - | 9,691 | - | **9,691** |
| *Interest rate swaps reported as trading* | - | *8,449* | - | ***8,449*** |
| *Currency forwards reported as trading* | - | *876* | - | ***876*** |
| *Commodity derivatives reported as trading* | - | *366* | - | ***366*** |
| **Total** | **-** | **20,383** | **-** | **20,383** |

| | | **2014** | | |
|---|---|---|---|---|
| *In thousands of EUR* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 15,816 | - | **15,816** |
| *Commodity derivatives cash flow hedge* | - | *14,300* | - | ***14,300*** |
| *Currency forwards cash flow hedge* | - | *1,516* | - | ***1,516*** |
| **Risk management purpose:** *of which* | - | 5,983 | - | **5,983** |
| *Currency forwards reported as trading* | - | *5,560* | - | ***5,560*** |
| *Commodity derivatives reported as trading* | - | *264* | - | ***264*** |
| *Currency options reported as trading* | - | *159* | - | ***159*** |
| **Trading:** *of which* | - | 220 | - | **220** |
| *Equity options for trading* | - | *220* | - | ***220*** |
| **Total** | **-** | **22,019** | **-** | **22,019** |
| | | | | |
| **Financial liabilities carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 7,496 | - | **7,496** |
| *Interest rate swaps cash flow hedge* | - | *7,496* | - | ***7,496*** |
| **Risk management purpose:** *of which* | - | 10,763 | - | **10,763** |
| *Interest rate swaps reported as trading* | - | *9,744* | - | ***9,744*** |
| *Currency forwards reported as trading* | - | *659* | - | ***659*** |
| *Commodity derivatives reported as trading* | - | *360* | - | ***360*** |
| **Total** | **-** | **18,259** | **-** | **18,259** |

| | | 2013 | | |
|---|---|---|---|---|
| *In thousands of EUR* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 4,592 | - | **4,592** |
| *Currency forwards cash flow hedge* | - | *3,892* | - | ***3,892*** |
| *Commodity derivatives cash flow hedge* | - | *700* | - | ***700*** |
| **Risk management purpose:** *of which* | - | 5,364 | - | **5,364** |
| *Currency forwards reported as trading* | - | *4,232* | - | ***4,232*** |
| *Interest rate swaps reported as trading* | - | *911* | - | ***911*** |
| *Commodity derivatives reported as trading* | - | *221* | - | ***221*** |
| **Trading:** *of which* | - | 219 | - | **219** |
| *Equity options for trading* | - | *219* | - | ***219*** |
| **Total** | **-** | **10,175** | **-** | **10,175** |
| | | | | |
| **Financial liabilities carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 849 | - | **849** |
| *Commodity derivatives cash flow hedge* | - | *500* | - | ***500*** |
| *Interest rate swaps cash flow hedge* | - | *329* | - | ***329*** |
| *Currency forwards cash flow hedge* | - | *20* | - | ***20*** |
| **Risk management purpose:** *of which* | - | 6,887 | - | **6,887** |
| *Currency forwards reported as trading* | - | *3,772* | - | ***3,772*** |
| *Commodity derivatives reported as trading* | - | *2,709* | - | ***2,709*** |
| *Interest rate swaps reported as trading* | - | *406* | - | ***406*** |
| **Total** | **-** | **7,736** | **-** | **7,736** |

There were no transfers between fair value levels in either 2015, 2014 or 2013.

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

| *In thousands of EUR* | **Carrying value 31 December 2015** | **Fair value 31 December 2015** |
|---|---|---|
| **Financial assets** | | |
| Loans to other than credit institutions | 909,282 | 909,923 |
| Shares available for sale held at cost, net | 9,784 | (1)- |
| Other short-term deposits (intended for investing activities) | 248 | 248 |
| **Total** | **919,314** | **919,955** |

| *In thousands of EUR* | **Carrying value 31 December 2014** | **Fair value 31 December 2014** |
|---|---|---|
| **Financial assets** | | |
| Loans to other than credit institutions | 1,266,865 | 1,287,583 |
| Shares available for sale held at cost, net | 10,839 | (1)- |
| Other short-term deposits (intended for investing activities) | 307 | 307 |
| Other equity instruments | 487 | 487 |
| **Total** | **1,278,498** | **1,299,216** |

| *In thousands of EUR* | **Carrying value 31 December 2013** | **Fair value 31 December 2013** |
|---|---|---|
| **Financial assets** | | |
| Loans to other than credit institutions | 1,025,899 | 1,059,847 |
| Shares available for sale held at cost, net | 9,968 | (1)- |
| Other short-term deposits (intended for investing activities) | 310 | 310 |
| Other equity instruments | 510 | 510 |
| **Total** | **1,036,687** | **1,070,635** |

*(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 detail 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 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, therefore the contracts are not reported as derivatives.

*Forward operations*

As at 31 December 2015 the Group is contractually obliged to purchase 2,172,971 pieces (2014: 1,405,000 pieces; 2013: 1,545,900 pieces) of emission rights at an average price 8.40 EUR/piece (2014: 4.37 EUR/piece; 2013: 6.22 EUR/piece).

*Swap operations*

As at 31 December 2015 and 2014 the Group reports no commitments for a purchase of emission rights.

As at 31 December 2013 the Group reports commitments for a purchase of 755,000 pieces (2012: 1,711,845 pieces) of emission rights at an average price of 9.19 EUR/piece (2012: 9.17 EUR/piece) and at the same time the Group is committed to sell 755,000 pieces at average price 9.91 EUR/piece (2012: 1,711,845 pieces at average price 9.77 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

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Trade payables | 192,015 | 156,675 | 206,098 |
| Advance payments received | 121,100 | 144,858 | 73,223 |
| Estimated payables | 59,636 | 48,368 | 58,775 |
| Payroll liabilities | 40,345 | 40,995 | 33,927 |
| Other tax liabilities | 17,110 | 22,781 | 8,753 |
| Liability from deferred earn-out | (1)5,504 | - | - |
| Liabilities to partners and associations | 625 | - | - |
| Retentions to contractors | 125 | 54 | 770 |
| Liabilities arising from the acquisition of non-controlling interests | - | (2)5,771 | (2)155,989 |
| Other liabilities | 36,166 | 64,948 | 16,706 |
| **Total** | **472,626** | **484,450** | **554,241** |
| | | | |
| *Non-current* | 18,536 | 13,794 | 9,391 |
| *Current* | 454,090 | 470,656 | 544,850 |
| **Total** | **472,626** | **484,450** | **554,241** |

*(1) In 2015 the EPIF Group acquired Budapesti Erömü 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) This balance is fully represented by the liability for the purchase of 60% share in EP Cargo a.s. by EP Energy, a.s. (2013: 40% share in NAFTA a.s. by Czech Gas Holding Investment B.V.).*

Trade payables and other liabilities have not been secured as at 31 December 2015, as at 31 December 2014, or as at 31 December 2013.

# 34. Commitments and contingencies

## Off balance sheet liabilities

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Granted pledges – securities | 7,064,196 | 7,392,901 | 7,102,531 |
| Guarantees given | 975,835 | 187,905 | 1,148,860 |
| Other granted pledges | 1,745,164 | 1,956,562 | 2,066,052 |
| **Total** | **9,785,195** | **9,537,368** | **10,317,443** |

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

## Guarantees given

Guarantees given include guarantees in the amount of EUR 802,768 thousand (2014: EUR 1,623 thousand; 2013: EUR 956,061 thousand) used as collateral for external financing and contracts for the future supply of energy for EUR 173,067 thousand (2014: EUR 162,719 thousand; 2013: EUR 220,174 thousand).

## Other granted pledges

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Loans granted(1) | 1,157,273 | 1,394,187 | 1,284,230 |
| Property, plant and equipment | 374,319 | 335,437 | 343,154 |
| Cash and cash equivalents | 110,559 | 117,875 | 309,443 |
| Trade receivables | 73,922 | 87,391 | 111,285 |
| Inventories | 27,891 | 21,672 | 17,940 |
| Investment property | 1,200 | - | - |
| **Total** | **1,745,164** | **1,956,562** | **2,066,052** |

*(1) Total balance of pledged granted loans includes intercompany loans of EUR 437,901 thousand (2014: EUR 415,719 thousand; 2013: EUR 525,170 thousand), which are eliminated in these combined financial statements.*

## Off balance sheet assets

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Received promises | 243,148 | 924,820 | 788,598 |
| Other received guarantees and warranties | 132,887 | 185,048 | 100,445 |
| **Total** | **376,035** | **1,109,868** | **889,043** |

## 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; 2013: EUR 309,250 thousand), loan commitment received recognised by EPE of EUR 30,344 thousand (2014: EPH Gas Holding B.V. of EUR 619,240 thousand; 2013: EPH Gas Holding B.V. of EUR 338,542 thousand) and regulatory contingent assets related to green energy of EUR 73,471 thousand (2014: EUR 53,139 thousand; 2013: EUR 68,903 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 years 2013, 2014 and 2015).

*Regulatory contingent assets related to green energy*

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by RONI and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the Tariff for system operation (“TPS”). For the year ended 31 December 2015 the SSE Group recognised a loss of EUR 73,471 thousand (2014: EUR 76,702 thousand; 2013: EUR 41,528 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; 2013: EUR 68,903 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.

**Other received guarantees and warranties**

Other received guarantees and warranties mainly consist of guarantees received to secure trade receivables in the amount of EUR 95,700 thousand (2014: EUR 121,300 thousand; 2013: EUR 0 thousand) recognised by SPP Infrastructure, a.s., EUR 33,000 thousand (2014: EUR 61,638 thousand; 2013: EUR 0 thousand) recognised by NAFTA a.s. and EUR 0 thousand (2014: EUR 0 thousand; 2013: EUR 72,015 thousand) recognised by eustream, a.s. as guarantee received for transport services and investment activities.

## 35. Operating leases

During the year ended 31 December 2015, EUR 21,030 thousand (2014: EUR 14,531 thousand; 2013: EUR 18,927 thousand) was recognised as an expense in profit or loss in respect of operating leases.

During the year ended 31 December 2015, EUR 4,970 thousand (2014: EUR 5,241 thousand; 2013: EUR 3,111 thousand) was recognised as income in profit or loss in respect of operating leases.

## 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, commodity price 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.

### Credit risk by type of counterparty

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.

**As at 31 December 2015**

| *In thousands of EUR* | **Corporate (non-financial institutions)** | **State, government** | **Financial institutions** | **Banks** | **Individuals** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | |
| Cash and cash equivalents | 1,280 | - | 1,480 | 380,501 | - | (1)275 | **383,536** |
| Restricted cash | - | - | - | 250,500 | - | - | **250,500** |
| Trade receivables and other assets | 373,771 | 2,459 | 156,031 | 2,556 | 948 | 11,089 | **546,854** |
| Financial instruments and other financial assets | 539,958 | - | 415,211 | 40,475 | - | - | **995,644** |
| **Total** | **915,009** | **2,459** | **572,722** | **674,032** | **948** | **11,364** | **2,176,534** |

*(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** |
|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | |
| Cash and cash equivalents | 4,479 | - | - | 817,678 | - | (1)293 | **822,450** |
| Trade receivables and other assets | 374,763 | 16,055 | 39 | 4 | 5,427 | 11,003 | **407,291** |
| Financial instruments and other financial assets | 514,993 | - | 772,083 | 13,441 | - | - | **1,300,517** |
| **Total** | **894,235** | **16,055** | **772,122** | **831,123** | **5,427** | **11,296** | **2,530,258** |

*(1) Primarily petty cash*

**As at 31 December 2013**

| *In thousands of EUR* | **Corporate (non-financial institutions)** | **State, government** | **Financial institutions** | **Banks** | **Individuals** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | |
| Cash and cash equivalents | 948 | - | - | 619,403 | - | (1)224 | **620,575** |
| Trade receivables and other assets | 334,795 | 3,316 | 101 | 1,119 | 5,906 | 36,077 | **381,314** |
| Financial instruments and other financial assets | 307,603 | - | 732,712 | 5,959 | 11 | 577 | **1,046,862** |
| **Total** | **643,346** | **3,316** | **732,813** | **626,481** | **5,917** | **36,878** | **2,048,751** |

*(1) Primarily petty cash*

## Credit risk by location of debtor

### As at 31 December 2015

| *In thousands of EUR* | Czech Republic | Slovakia | Germany | United Kingdom | Netherlands | Hungary | Other | Total |
|---|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | | |
| Cash and cash equivalents | 167,956 | 181,020 | 125 | 29,706 | 4,179 | 379 | 171 | **383,536** |
| Restricted cash | - | 250,500 | - | - | - | - | - | **250,500** |
| Trade receivables and other assets | 290,628 | 190,639 | 17,822 | 963 | - | 13,198 | 33,604 | **546,854** |
| Financial instruments and other financial assets | 425,432 | 69,723 | 486,915 | - | 869 | 688 | 12,017 | **995,644** |
| **Total** | **884,016** | **691,882** | **504,862** | **30,669** | **5,048** | **14,265** | **45,792** | **2,176,534** |

### As at 31 December 2014

| *In thousands of EUR* | Czech Republic | Slovakia | Germany | United Kingdom | Netherlands | Other | Total |
|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | |
| Cash and cash equivalents | 193,358 | 566,750 | - | 52,836 | 9,450 | 56 | **822,450** |
| Trade receivables and other assets | 171,763 | 187,641 | 10,137 | 249 | 211 | 37,290 | **407,291** |
| Financial instruments and other financial assets | 787,417 | 8,695 | 492,390 | - | 304 | 11,711 | **1,300,517** |
| **Total** | **1,152,538** | **763,086** | **502,527** | **53,085** | **9,965** | **49,057** | **2,530,258** |

### As at 31 December 2013

| *In thousands of EUR* | Czech Republic | Slovakia | Germany | United Kingdom | Netherlands | Other | Total |
|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | |
| Cash and cash equivalents | 127,933 | 250,410 | - | 42,158 | 200,027 | 47 | **620,575** |
| Trade receivables and other assets | 169,277 | 118,061 | 22,337 | 28,386 | 199 | 43,054 | **381,314** |
| Financial instruments and other financial assets | 744,925 | 3,050 | 291,957 | 192 | 86 | 6,652 | **1,046,862** |
| **Total** | **1,042,135** | **371,521** | **314,294** | **70,736** | **200,312** | **49,753** | **2,048,751** |

### *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* | **Loans to other than credit institutions** | **Other short-term deposits (intended for investing activities)** | **Trade receivables and other assets** | **Total** |
|---|---|---|---|---|
| Before maturity (net) | 909,282 | 248 | 521,239 | **1,430,769** |
| After maturity (net) | - | - | 25,615 | **25,615** |
| **Total** | **909,282** | **248** | **546,854** | **1,456,384** |
| | | | | |
| A – Assets for which a provision has been created (overdue and impaired) | | | | |
| - Gross | - | - | 36,404 | **36,404** |
| - specific loss allowance | - | - | (14,206) | **(14,206)** |
| - collective loss allowance[(1)] | - | - | - | **-** |
| **Net** | **-** | **-** | **22,198** | **22,198** |
| B – Assets for which a provision has not been created (overdue but not impaired) | | | | |
| - after maturity <30 days | - | - | 2,568 | **2,568** |
| - after maturity 31–180 days | - | - | 264 | **264** |
| - after maturity 181–365 days | - | - | 232 | **232** |
| - after maturity >365 days | - | - | 353 | **353** |
| **Net** | **-** | **-** | **3,417** | **3,417** |
| **Total** | **-** | **-** | **25,615** | **25,615** |

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. Therefore none of the companies recorded any significant collective 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* | **Loans to other than credit institutions** | **Other own term deposits (intended for investing activities)** | **Trade receivables and other assets** | **Total** |
|---|---|---|---|---|
| **Balance at 1 January 2015** | **-** | **-** | **(10,671)** | **(10,671)** |
| Impairment losses recognised during the year | - | - | (4,244) | **(4,244)** |
| Reversals of impairment losses recognised during the year | - | - | 958 | **958** |
| Use of allowance during the period (write-offs) | - | - | 83 | **83** |
| Transfer to disposal group held for sale | - | - | 16 | **16** |
| Effects of movements in foreign exchange rate | - | - | (348) | **(348)** |
| **Balance at 31 December 2015** | **-** | **-** | **(14,206)** | **(14,206)** |

## Credit risk – impairment of financial assets

**As at 31 December 2014**

| *In thousands of EUR* | **Loans to other than credit institutions** | **Other short-term deposits (intended for investing activities)** | **Trade receivables and other assets** | **Total** |
|---|---|---|---|---|
| Before maturity (net) | 1,266,865 | 307 | 395,083 | **1,662,255** |
| After maturity (net) | - | - | 12,208 | **12,208** |
| **Total** | **1,266,865** | **307** | **407,291** | **1,674,463** |
| A – Assets for which a provision has been created (overdue and impaired) | | | | |
| - Gross | - | - | 17,944 | **17,944** |
| - specific loss allowance | - | - | (10,671) | **(10,671)** |
| - collective loss allowance[(1)] | - | - | - | **-** |
| **Net** | **-** | **-** | **7,273** | **7,273** |
| B – Assets for which a provision has not been created (overdue but not impaired) | | | | |
| - after maturity <30 days | - | - | 2,093 | **2,093** |
| - after maturity 31–180 days | - | - | 751 | **751** |
| - after maturity 181–365 days | - | - | 406 | **406** |
| - after maturity >365 days | - | - | 1,685 | **1,685** |
| **Net** | **-** | **-** | **4,935** | **4,935** |
| **Total** | **-** | **-** | **12,208** | **12,208** |

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. Therefore none of the companies recorded any significant collective loss allowance.*

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* | **Loans to other than credit institutions** | **Other own term deposits (intended for investing activities)** | **Trade receivables and other assets** | **Total** |
|---|---|---|---|---|
| **Balance at 1 January 2014** | - | - | **(12,061)** | **(12,061)** |
| Impairment losses recognised during the year | - | - | (3,906) | **(3,906)** |
| Reversals of impairment losses recognised during the year | - | **-** | 2,486 | **2,486** |
| Use of allowance during the period (write-offs) | - | - | 2,720 | **2,720** |
| Effects of movements in foreign exchange rate | - | - | 90 | **90** |
| **Balance at 31 December 2014** | **-** | **-** | **(10,671)** | **(10,671)** |

## Credit risk – impairment of financial assets

**As at 31 December 2013**

| *In thousands of EUR* | **Loans to other than credit institutions** | **Other own term deposits (intended for investing activities)** | **Trade receivables and other assets** | **Total** |
|---|---|---|---|---|
| Before maturity (net) | 1,025,899 | 310 | 358,457 | **1,384,666** |
| After maturity (net) | - | - | 22,857 | **22,857** |
| **Total** | **1,025,899** | **310** | **381,314** | **1,407,523** |
| | | | | |
| A – Assets for which a provision has been created (overdue and impaired) | | | | |
| - Gross | - | - | 19,605 | **19,605** |
| - specific loss allowance | - | - | (12,061) | **(12,061)** |
| - collective loss allowance(1) | - | - | - | **-** |
| **Net** | **-** | **-** | **7,544** | **7,544** |
| B – Assets for which a provision has not been created (overdue but not impaired) | | | | |
| - after maturity <30 days | - | - | 4,330 | **4,330** |
| - after maturity 31–180 days | - | - | - | **-** |
| - after maturity 181–365 days | - | - | 1,321 | **1,321** |
| - after maturity >365 days | - | - | 9,662 | **9,662** |
| **Net** | **-** | **-** | **15,313** | **15,313** |
| **Total** | **-** | **-** | **22,857** | **22,857** |

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. Therefore none of the companies recorded any significant collective loss allowance.*

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2013 were as follows:

| *In thousands of EUR* | **Loans to other than credit institutions** | **Other own term deposits (intended for investing activities)** | **Trade receivables and other assets** | **Total** |
|---|---|---|---|---|
| **Balance at 1 January 2013** | **-** | **-** | **(7,200)** | **(7,200)** |
| Impairment losses recognised during the year | - | - | (9,405) | **(9,405)** |
| Reversals of impairment losses recognised during the year | - | **-** | 4,120 | **4,120** |
| Use of allowance during the period (write-offs) | - | - | 5,198 | **5,198** |
| Discontinued operations | - | - | (5,506) | **(5,506)** |
| Effects of movements in foreign exchange rate | - | - | 732 | **732** |
| **Balance at 31 December 2013** | **-** | **-** | **(12,061)** | **(12,061)** |

Impairment losses on trade receivables and other assets at 31 December 2015, 31 December 2014 and 31 December 2013 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 required 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**

| *In thousands of EUR* | **Carrying amount** | **Contractual cash flows[1]** | **Up to 3 months** | **3 months to 1 year** | **1–5 years** | **Over 5 years** | **Undefined maturity** |
|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | |
| Cash and cash equivalents | **383,536** | 383,536 | 383,536 | - | - | - | - |
| Restricted cash | **250,500** | 250,500 | 250,500 | - | - | - | - |
| Trade receivables and other assets | [2]**508,428** | 509,315 | 287,587 | 214,561 | 2,270 | 2,194 | 2,703 |
| Financial instruments and other financial assets | **995,644** | 1,010,296 | 180,651 | 206,675 | 363,603 | 249,155 | 10,212 |
| *out of which Derivatives - outflow* | ***76,330*** | *751,886* | *50,635* | *353,507* | *247,744* | *100,000* | - |
| *inflow* | | *(744,753)* | *(50,607)* | *(347,806)* | *(246,340)* | *(100,000)* | - |
| **Total** | **2,138,108** | **2,153,647** | **1,102,274** | **421,236** | **365,873** | **251,349** | **12,915** |
| | | | | | | | |
| ***Liabilities*** | | | | | | | |
| Loans and borrowings | **5,158,856** | 5,570,868 | 211,100 | 310,074 | 3,411,046 | 1,638,648 | - |
| Trade payables and other liabilities | [3]**370,441** | 370,472 | 316,278 | 21,232 | 17,453 | - | 15,509 |
| Financial instruments and financial liabilities | **20,383** | 21,882 | 10,827 | 6,211 | 4,813 | - | 31 |
| *out of which Derivatives - outflow* | ***20,383*** | *807,368* | *599,617* | *88,275* | *119,476* | - | - |
| *inflow* | | *(807,507)* | *(599,382)* | *(88,520)* | *(119,605)* | - | - |
| **Total** | **5,549,680** | **5,963,222** | **538,205** | **337,517** | **3,433,312** | **1,638,648** | **15,540** |
| **Net liquidity risk position** | **(3,411,572)** | **(3,809,575)** | **564,069** | **83,719** | **(3,067,439)** | **(1,387,299)** | **(2,625)** |

*(1) Contractual cash flows disregard discounting to net present value and include potential future interest.*
*(2) Prepaid expenses and advances provided in total amount of EUR 38,426 thousand are excluded from the carrying amount as these items will cause no future cash inflow.*
*(3) Advances received in amount of EUR 102,185 thousand are excluded from the carrying amount as these items will cause no future cash outflow.*

## Maturities of financial assets and liabilities

**As at 31 December 2014**

| *In thousands of EUR* | Carrying amount | Contractual cash flows[1] | Up to 3 months | 3 months to 1 year | 1–5 years | Over 5 years | Undefined maturity |
|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | |
| Cash and cash equivalents | **822,450** | 822,450 | 822,450 | - | - | - | - |
| Trade receivables and other assets | **[2]370,383** | 370,395 | 295,127 | 34,777 | 22,361 | - | 18,130 |
| Financial instruments and other financial assets | **1,300,517** | 1,361,496 | 7,323 | 516,052 | 573,361 | 253,426 | 11,334 |
| *out of which Derivatives - outflow* | ***22,019*** | *803,491* | *656,783* | *5,263* | *141,445* | - | - |
| *inflow* | | *(545,799)* | *(466,273)* | *(59)* | *(79,467)* | - | - |
| **Total** | **2,493,350** | **2,554,341** | **1,124,900** | **550,829** | **595,722** | **253,426** | **29,464** |
| | | | | | | | |
| ***Liabilities*** | | | | | | | |
| Loans and borrowings | **5,336,767** | 6,255,352 | 645,170 | 888,253 | 2,832,174 | 1,889,755 | - |
| Liabilities from returned capital contribution | **194,268** | 194,268 | 194,268 | - | - | - | - |
| Trade payables and other liabilities | **[3]377,564** | 377,564 | 313,573 | 51,134 | 12,374 | - | 483 |
| Financial instruments and financial liabilities | **18,259** | 22,957 | 10,133 | 6,742 | 5,591 | 491 | - |
| *out of which Derivatives - outflow* | ***18,259*** | *783,215* | *756,645* | *8,805* | *17,765* | - | - |
| *inflow* | | *(841,662)* | *(660,702)* | *(41,315)* | *(139,645)* | - | - |
| **Total** | **5,926,858** | **6,850,141** | **1,163,144** | **946,129** | **2,850,139** | **1,890,246** | **483** |
| **Net liquidity risk position** | **(3,433,508)** | **(4,295,800)** | **(38,244)** | **(395,300)** | **(2,254,417)** | **(1,636,820)** | **28,981** |

*(1) Contractual cash flows disregard discounting to net present value and include potential future interest.*
*(2) Prepaid expenses and advances provided in total amount of EUR 36,908 thousand are excluded from the carrying amount as these items will cause no future cash inflow.*
*(3) Advances received in amount of EUR 106,886 thousand are excluded from the carrying amount as these items will cause no future cash outflow.*

## Maturities of financial assets and liabilities

**As at 31 December 2013**

| *In thousands of EUR* | **Carrying amount** | **Contractual cash flows(1)** | **Up to 3 months** | **3 months to 1 year** | **1–5 years** | **Over 5 years** | **Undefined maturity** |
|---|---|---|---|---|---|---|---|
| ***Assets*** | | | | | | | |
| Cash and cash equivalents | **620,575** | 620,575 | 620,575 | - | - | - | - |
| Trade receivables and other assets | **(2)367,507** | 367,547 | 259,755 | 33,834 | 15,262 | 7 | 58,689 |
| Financial instruments and other financial assets | **1,046,862** | 1,070,628 | 2,516 | 490,351 | 431,940 | 137,249 | 8,572 |
| *out of which Derivatives - outflow* | ***10,175*** | *857,455* | *689,142* | *65,946* | *102,367* | - | - |
| *inflow* | | *(848,004)* | *(687,915)* | *(63,679)* | *(96,410)* | - | - |
| **Total** | **2,034,944** | **2,058,750** | **882,846** | **524,185** | **447,202** | **137,256** | **67,261** |
| | | | | | | | |
| ***Liabilities*** | | | | | | | |
| Loans and borrowings | **4,730,776** | 5,379,351 | 477,519 | 321,478 | 2,380,897 | 2,199,457 | - |
| Trade payables and other liabilities | **(3)551,865** | 551,865 | 343,367 | 196,203 | 8,752 | - | 3,543 |
| Financial instruments and financial liabilities | **7,736** | 6,845 | 2,095 | 3,308 | 1,113 | 329 | - |
| *out of which Derivatives - outflow* | | *556,612* | *152,700* | *289,597* | *114,315* | - | - |
| *inflow* | | *(525,314)* | *(154,280)* | *(293,200)* | *(77,834)* | - | - |
| **Total** | **5,290,377** | **5,938,061** | **822,981** | **520,989** | **2,390,762** | **2,199,786** | **3,543** |
| **Net liquidity risk position** | **(3,255,433)** | **(3,879,311)** | **59,865** | **3,196** | **(1,943,560)** | **(2,062,530)** | **63,718** |

*(1) Contractual cash flows disregard discounting to net present value and include potential future interest.*
*(2) Prepaid expenses and advances provided in total amount of EUR 13,807 thousand are excluded from the carrying amount as these items will cause no future cash inflow.*
*(3) Advances received in amount of EUR 2,376 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 would occur significantly earlier or in significantly different amounts.

## (c) Interest rate risk

The Group's operations are subject to the risk that interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities will 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 lower than or equal to that of the underlying financial liability and expiry date, 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:

| *In thousands of EUR* | **Up to 1 year** | **1 year to 5 years** | **Over 5 years** | **Undefined maturity (or non-interest bearing)** | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 383,261 | - | - | 275 | **383,536** |
| Restricted cash | 250,500 | - | - | - | **250,500** |
| Trade receivables and other assets | 89,753 | 233 | - | 456,868 | **546,854** |
| Financial instruments and other financial assets(1) | 480,495 | 257,230 | 244,394 | 13,525 | **995,644** |
| *out of which Derivatives - outflow* | *404,142* | *247,744* | *100,000* | - | ***751,886*** |
| *inflow* | *(398,413)* | *(246,340)* | *(100,000)* | - | ***(744,753)*** |
| **Total** | **1,204,009** | **257,463** | **244,394** | **470,668** | **2,176,534** |
| **Liabilities** | | | | | |
| Loans and borrowings | 1,514,729 | 2,100,706 | 1,543,416 | 5 | **5,158,856** |
| Trade payables and other liabilities | 189,838 | 17,373 | - | 265,415 | **472,626** |
| Financial instruments and financial liabilities(1) | 10,923 | 4,841 | - | 4,619 | **20,383** |
| *out of which Derivatives - outflow* | *687,892* | *119,476* | - | - | ***807,368*** |
| *inflow* | *(687,902)* | *(119,605)* | - | - | ***(807,507)*** |
| **Total** | **1,715,490** | **2,122,920** | **1,543,416** | **270,039** | **5,651,865** |
| **Net interest rate risk position** | **(511,481)** | **(1,865,457)** | **(1,299,022)** | **200,629** | **(3,475,331)** |

*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:

| *In thousands of EUR* | **Up to 1 year** | **1 year to 5 years** | **Over 5 years** | **Undefined maturity (or non-interest bearing)** | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 822,157 | - | - | 293 | **822,450** |
| Trade receivables and other assets | 18,615 | 209 | - | 388,467 | **407,291** |
| Financial instruments and other financial assets[(1)] | 495,959 | 523,391 | 249,581 | 31,586 | **1,300,517** |
| *out of which Derivatives - outflow* | *662,046* | *141,445* | - | - | ***803,491*** |
| *inflow* | *(466,332)* | *(79,467)* | - | - | ***(545,799)*** |
| **Total** | **1,336,731** | **523,600** | **249,581** | **420,346** | **2,530,258** |
| **Liabilities** | | | | | |
| Loans and borrowings | 2,096,014 | 1,264,561 | 1,973,827 | 2,365 | **5,336,767** |
| Liabilities from returned capital contribution | 194,268 | - | - | - | **194,268** |
| Trade payables and other liabilities | 35,418 | - | - | 449,032 | **484,450** |
| Financial instruments and financial liabilities[(1)] | 10,009 | 7,100 | - | 1,150 | **18,259** |
| *out of which Derivatives - outflow* | *765,450* | *17,765* | - | - | ***783,215*** |
| *inflow* | *(702,017)* | *(139,645)* | - | - | ***(841,662)*** |
| **Total** | **2,335,709** | **1,271,661** | **1,973,827** | **452,547** | **6,033,744** |
| **Net interest rate risk position** | **(998,978)** | **(748,061)** | **(1,724,246)** | **(32,201)** | **(3,503,486)** |

*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 2013 is as follows:

| *In thousands of EUR* | **Up to 1 year** | **1 year to 5 years** | **Over 5 years** | **Undefined maturity (or non-interest bearing)** | **Total** |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | 620,351 | - | - | 224 | **620,575** |
| Trade receivables and other assets | 3,281 | - | - | 378,033 | **381,314** |
| Financial instruments and other financial assets[(1)] | 729,135 | 165,742 | 131,750 | 20,235 | **1,046,862** |
| *out of which Derivatives - outflow* | *755,088* | *102,367* | - | - | ***857,455*** |
| *inflow* | *(751,594)* | *(96,410)* | - | - | ***(848,004)*** |
| **Total** | **1,352,767** | **165,742** | **131,750** | **398,492** | **2,048,751** |
| **Liabilities** | | | | | |
| Loans and borrowings | 1,686,930 | 1,057,824 | 1,985,969 | 53 | **4,730,776** |
| Trade payables and other liabilities | 161,012 | 9 | 5 | 393,215 | **554,241** |
| Financial instruments and financial liabilities[(1)] | 4,181 | - | 329 | 3,226 | **7,736** |
| *out of which Derivatives - outflow* | *442,297* | *114,315* | - | - | ***556,612*** |
| *inflow* | *(447,480)* | *(77,834)* | - | - | ***(525,314)*** |
| **Total** | **1,852,123** | **1,057,833** | **1,986,303** | **396,494** | **5,292,753** |
| **Net interest rate risk position** | **(499,356)** | **(892,091)** | **(1,854,553)** | **1,998** | **(3,224,002)** |

*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.

| *In thousands of EUR* | **2015**<br>**Profit (loss)** | **2014**<br>**Profit (loss)** | **2013**<br>**Profit (loss)** |
|---|---|---|---|
| Decrease in interest rates by 100 bp | 123,221 | 113,145 | 120,672 |
| Increase in interest rates by 100 bp | (123,221) | (113,145) | (120,672) |

## (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 that 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 functional currency against the foreign 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 of 31 December 2015, Group's financial assets and liabilities based on denomination translated to thousands of EUR was as follows:

| *In thousands of EUR* | **CZK** | **USD** | **EUR** | **PLN** | **[1]Other** | **Total** |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 63,393 | 615 | 318,999 | 145 | 384 | **383,536** |
| Restricted cash | - | - | 250,500 | - | - | **250,500** |
| Trade receivables and other assets | 257,898 | 329 | 272,000 | 184 | 16,443 | **546,854** |
| Financial instruments and other financial assets | 11,639 | - | 980,964 | 2,353 | 688 | **995,644** |
| | **332,930** | **944** | **1,822,463** | **2,682** | **17,515** | **2,176,534** |
| **Off balance sheet assets** | | | | | | |
| Received promises and guarantees | 20,839 | - | 355,196 | - | - | **376,035** |
| Receivables from derivative operations | 208,915 | - | 1,350,006 | 333 | - | **1,559,254** |
| | **229,754** | **-** | **1,705,202** | **333** | **-** | **1,935,289** |
| **Liabilities** | | | | | | |
| Loans and borrowings | 14,831 | - | 5,144,025 | - | - | **5,158,856** |
| Trade payables and other liabilities | 122,046 | 109 | 330,590 | 125 | 19,756 | **472,626** |
| Financial instruments and financial liabilities | 3,541 | - | 12,720 | 25 | 4,097 | **20,383** |
| | **140,418** | **109** | **5,487,335** | **150** | **23,853** | **5,651,865** |
| **Off balance sheet liabilities** | | | | | | |
| Granted pledges | 1,431,578 | - | 7,377,782 | - | - | **8,809,360** |
| Guarantees given | 371 | - | 974,486 | - | 978 | **975,835** |
| Payables related to derivative operations | 283,949 | - | 1,268,311 | - | - | **1,552,260** |
| | **1,715,898** | **-** | **9,620,579** | **-** | **978** | **11,337,455** |
| **Net FX risk position** | **192,512** | **835** | **(3,664,872)** | **2,532** | **(6,338)** | **(3,475,331)** |

*1) Section Other is mainly represented with Hungarian forint.*

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 32 – Financial instruments for more details).

As of 31 December 2014, Group's financial assets and liabilities based on denomination translated to thousands of EUR was as follows:

| *In thousands of EUR* | **CZK** | **USD** | **EUR** | **PLN** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 69,585 | 111 | 752,421 | 332 | 1 | **822,450** |
| Trade receivables and other assets | 135,308 | 360 | 271,532 | 91 | - | **407,291** |
| Financial instruments and other financial assets | 17,571 | - | 1,280,537 | 2,409 | - | **1,300,517** |
| | **222,464** | **471** | **2,304,490** | **2,832** | **1** | **2,530,258** |
| **Off balance sheet assets** | | | | | | |
| Received promises and guarantees | 18,528 | - | 1,091,340 | - | - | **1,109,868** |
| Receivables from derivative operations | 117,701 | - | 1,469,005 | - | - | **1,586,706** |
| | **136,229** | **-** | **2,560,345** | **-** | **-** | **2,696,574** |
| **Liabilities** | | | | | | |
| Loans and borrowings | 282,408 | - | 5,054,359 | - | - | **5,336,767** |
| Liabilities from returned capital contribution | 194,268 | - | - | - | - | **194,268** |
| Trade payables and other liabilities | 112,522 | 187 | 371,281 | 453 | 7 | **484,450** |
| Financial instruments and financial liabilities | 1,713 | - | 16,546 | - | - | **18,259** |
| | **590,911** | **187** | **5,442,186** | **453** | **7** | **6,033,744** |
| **Off balance sheet liabilities** | | | | | | |
| Granted pledges | 1,418,893 | | 7,930,570 | | | **9,349,463** |
| Guarantees given | - | - | 187,905 | - | - | **187,905** |
| Payables related to derivative operations | 195,643 | - | 1,191,818 | - | - | **1,387,461** |
| | **1,614,536** | **-** | **9,310,293** | **-** | **-** | **10,924,829** |
| **Net FX risk position** | **(368,447)** | **284** | **(3,137,696)** | **2,379** | **(6)** | **(3,503,486)** |

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 32 – Financial instruments for more details).

As of 31 December 2013, Group's financial assets and liabilities based on denomination translated to thousands of EUR was as follows:

| *In thousands of EUR* | **CZK** | **USD** | **EUR** | **PLN** | **Other** | **Total** |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and cash equivalents | 92,418 | 3,006 | 524,983 | 168 | - | **620,575** |
| Trade receivables and other assets | 113,965 | 4,100 | 263,114 | 135 | - | **381,314** |
| Financial instruments and other financial assets | 16,194 | - | 1,030,668 | - | - | **1,046,862** |
| | **222,577** | **7,106** | **1,818,765** | **303** | **-** | **2,048,751** |
| **Off balance sheet assets** | | | | | | |
| Received promises and guarantees | 5,086 | - | 883,957 | - | - | **889,043** |
| Receivables from derivative operations | 172,419 | - | 1,241,648 | - | - | **1,414,067** |
| | **177,505** | **-** | **2,125,605** | **-** | **-** | **2,303,110** |
| **Liabilities** | | | | | | |
| Loans and borrowings | 150,660 | - | 4,580,116 | - | - | **4,730,776** |
| Trade payables and other liabilities | 132,376 | 249 | 421,003 | 566 | 47 | **554,241** |
| Financial instruments and financial liabilities | 806 | - | 6,930 | - | - | **7,736** |
| | **283,842** | **249** | **5,008,049** | **566** | **47** | **5,292,753** |
| **Off balance sheet liabilities** | | | | | | |
| Granted pledges | 2,562,526 | - | 6,606,057 | - | - | **9,168,583** |
| Guarantees given | 1,954 | - | 1,146,906 | - | - | **1,148,860** |
| Payables related to derivative operations | 214,695 | - | 1,158,623 | - | - | **1,373,318** |
| | **2,779,175** | **-** | **8,911,586** | **-** | **-** | **11,690,761** |
| **Net FX risk position** | **(61,265)** | **6,857** | **(3,189,284)** | **(263)** | **(47)** | **(3,244,002)** |

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:

| | **31 December 2015** | | **31 December 2014** | | **31 December 2013** | |
|---|---|---|---|---|---|---|
| *CZK* | **Average rate** | **Reporting date spot rate** | **Average rate** | **Reporting date spot rate** | **Average rate** | **Reporting date spot rate** |
| EUR 1 | 27.283 | 27.025 | 27.533 | 27.725 | 25.974 | 27.425 |
| USD 1 | 24.600 | 24.824 | 20.746 | 22.834 | 19.565 | 19.894 |
| PLN 1 | 6.525 | 6.340 | 6.582 | 6.492 | 6.189 | 6.603 |

### Sensitivity analysis

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR and PLN at the reporting date would have increased (decreased) net assets 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.

| *Effect in thousands of EUR* | **2015** **Profit (loss)** | **2014** **Profit (loss)** | **2013** **Profit (loss)** |
|---|---|---|---|
| EUR (5% strengthening) | (3,361) | (27,709) | (39,989) |
| PLN (5% strengthening) | (125) | (119) | 13 |

| *Effect in thousands of EUR* | **2015** **Other comprehensive income** | **2014** **Other comprehensive income** | **2013** **Other comprehensive income** |
|---|---|---|---|
| EUR (5% strengthening) | 55,000 | 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 allowances, 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 allowances 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 and swaps relating to gas which is typically used to hedge the commodity price for eustream's operations, specifically locking the sales prices for surplus of gas-in-kind received from shippers (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.

| *Impact in thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| | **Profit (loss)** | **Profit (loss)** | **Profit (loss)** |
| Increase by 5% | 144 | 890 | 270 |
| Decrease by 5% | (144) | (890) | (270) |

An increase/decrease in the price of natural gas by 5% would have increased/decreased profit from the related commodity derivatives described in Note 32 – Financial instruments by the amount as shown in the table below.

| *Impact in thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| | **Profit (loss)** | **Profit (loss)** | **Profit (loss)** |
| Increase by 5% | (9,544) | (8,202) | (8,008) |
| Decrease by 5% | 9,544 | 8,202 | 8,008 |

An increase/decrease in the price of fuel oil 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.

| *Impact in thousands of EUR* | 2015 | 2014 | 2013 |
|---|---|---|---|
| | **Profit (loss)** | **Profit (loss)** | **Profit (loss)** |
| Increase by 5% | - | - | (10,010) |
| Decrease by 5% | - | - | 10,010 |

## (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.

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 basic framework for the price regulation of gas supplies is provided by Act No. 250/2012 Coll. on Regulation in Network Industries and the Regulation Policy for the current 2012 – 2016 regulation period. Details related to the scope and method of conducting price regulation are determined in the generally-binding legal regulations issued by the RONI.

In 2015, gas supplies to households, gas supplies to small businesses, gas supplies to suppliers of last resort, electricity supplies to households and electricity supplies to small businesses continue to be subject to price regulation.

## (g) Concentration risk

Major part of gas transmission, gas and power distribution and gas storage revenues, which are primarily recognized by SPPI Group and Stredoslovenská energetika – Distribúcia, a.s., are concentrated to a small number of customers. This is caused by the nature of business which has high barriers of entry. At the same time, majority of these revenues is subject to regulation as well as recognized under long-term contracts, often under ‚take or pay‘ schemes which limit the volatility of revenues year-on-year. From the credit risk perspectives, the counterparties are typically high-profile entities which are dependent on the supplied service which naturally limits the present credit risk.

## (h) 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:

| *In thousands of EUR* | **31 December 2015** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| Total liabilities | 7,059,983 | 7,423,716 | 7,678,075 |
| Less: cash and cash equivalents | 383,536 | 822,450 | 620,575 |
| **Net debt** | **6,676,447** | **6,601,266** | **7,057,500** |
| | | | |
| Total equity attributable to the equity holders | 786,952 | 489,699 | 858,500 |
| Less: amounts accumulated in equity relating to cash flow hedges | (30,880) | (85,305) | (79,616) |
| **Adjusted capital** | **817,832** | **575,004** | **938,116** |
| **Debt to adjusted capital** | **8.16** | **11.48** | **7.52** |

## (i) 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., a gas price and a foreign exchange rate concluded by SPP Infrastructure, a.s. and the effect from a cash flow hedge recognised on the EPIF 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; 2013: EUR 0 thousand). For risk management policies, refer to Note 36 (d) and (e) – Risk management policies and disclosures.

*Cash flow hedges – hedge of commodity price risk*

The Group applies hedge accounting for commodity hedging instruments designed to hedge cash flow from sales of gas. The hedging instruments are commodity swaps used by eustream, a.s. in order to hedge selling price for its surplus of gas in-kind. A decline in the prices could result in a decrease in net income and cash flows.

## 37. 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, 31 December 2014 and 31 December 2013 was as follows:

| *In thousands of EUR* | **Accounts receivable and other financial assets 2015** | **Accounts payable and other financial liabilities 2015** | **Accounts receivable and other financial assets 2014** | **Accounts payable and other financial liabilities 2014** | **Accounts receivable and other financial assets 2013** | **Accounts payable and other financial liabilities 2013** |
|---|---|---|---|---|---|---|
| Ultimate controlling party(1) | 414,388 | 5,071 | 771,780 | 545,295 | 732,677 | 637,643 |
| *Of which financial instruments* | *414,387* | *5,041* | *771,779* | *536,279* | *732,629* | *629,821* |
| Companies controlled by ultimate controlling party | 505,900 | 138,383 | 499,662 | 59,183 | 292,589 | 25,844 |
| *Of which financial instruments* | *492,294* | *109,123* | *494,322* | *38,702* | *291,957* | *14,346* |
| Companies under significant influence by ultimate controlling party | 59 | - | 1,800 | 1,574 | - | - |
| *Of which financial instruments* | - | - | - | - | - | - |
| Associates | 5,293 | 6,689 | 5,581 | 12,656 | 5,494 | 140,341 |
| *Of which financial instruments* | *5,293* | *6,689* | *5,581* | *12,656* | *5,494* | *140,341* |
| Other related parties | 51 | 12,414 | 10 | 25,442 | 23 | 3,897 |
| *Of which financial instruments* | - | *12,292* | - | *25,377* | - | *3,748* |
| **Total** | **925,691** | **162,557** | **1,278,833** | **644,150** | **1,030,783** | **807,725** |

*1) Energetický a průmyslový holding, a.s. represents the ultimate controlling party.*

In 2015 the Group reported no off-balance sheet in guarantees from the companies controlled by shareholders (2014: EUR 623,984 thousand; 2013: EUR 345,322 thousand).

### (b) The summary of transactions with related parties during the period ended 31 December 2015, 31 December 2014 and 31 December 2013 was as follows:

| *In thousands of EUR* | **Revenues 2015** | **Expenses 2015** | **Revenues 2014** | **Expenses 2014** | **Revenues 2013** | **Expenses 2013** |
|---|---|---|---|---|---|---|
| Ultimate controlling party(1) | 14,297 | 7,892 | 39,184 | 63,939 | 25,388 | 38,563 |
| *Of which interests* | *14,297* | *5,832* | *37,827* | *63,674* | *20,911* | *38,412* |
| Companies controlled by ultimate controlling party | 72,410 | 160,706 | 32,279 | 16,777 | 23,419 | 10,131 |
| *Of which interests* | *28,793* | *1,561* | *25,026* | - | *21,446* | *358* |
| Companies under significant influence by ultimate controlling party | - | 2 | 2,729 | 10,124 | - | - |
| *Of which interests* | - | - | - | - | - | - |
| Associates | 13,772 | 293 | 140,524 | 1,822 | 23,065 | 3,682 |
| *Of which interests* | *488* | *293* | - | *1,822* | - | *3,682* |
| Other related parties | 61 | 1,034 | 92 | 385 | 121 | 475 |
| *Of which financial instruments* | *47* | *587* | *80* | - | *100* | *99* |
| **Total** | **100,540** | **169,927** | **214,808** | **93,047** | **71,993** | **52,851** |

*1) Energetický a průmyslový holding, a.s. represents the ultimate controlling party.*

### Transactions with the key management personnel

For the financial years ended 31 December 2015, 2014 and 2013 the EPIF Group´s key management personnel is represented by members of the Board of Directors of the following major entities: EP Energy, a.s., Stredoslovenská energetika, a.s., SPP Infrastructure, a.s., eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., United Energy, a.s., Plzeňská energetika a.s., SPP Storage, s.r.o. and EP ENERGY TRADING, a.s.

Total compensation and related social and health insurance charges incurred by the respective entities were as follows:

| *In thousands of EUR* | **2015** | **2014** | **2013** |
|---|---|---|---|
| Nr. of personnel | 62 | 58 | 46 |
| Compensation, fees and rewards | 3,111 | 2,466 | 1,891 |
| Compulsory social security contributions | 711 | 608 | 438 |
| **Total** | **3,822** | **3,074** | **2,329** |

Other remuneration of Group management (management of all components within the Group) is included in Note 9 – Personnel expenses.

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

# 38. Group entities

The list of the Group entities as at 31 December 2015, 31 December 2014 and 31 December 2013 is set out below:

| | | 31 December 2015 | | 31 December 2014 | | 31 December 2013 | | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Country of incorporation | Ownership % | Ownership interest | Ownership % | Ownership interest | Ownership % | Ownership interest | Combi-nation method | Combi-nation method | Combi-nation method |
| EP Infrastructure, a.s. (CE Energy, a.s.) * | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| EP Energy, a.s. * | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| AISE, s.r.o. | Czech Republic | 80 | Direct | 80 | Direct | 80 | Direct | Full | Full | Full |
| PT Holding Investment B.V. * | Netherlands | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Pražská teplárenská Holding a.s. * | Czech Republic | 49 | Direct | 49 | Direct | 49 | Direct | Equity | Equity | Equity |
| Pražská teplárenská a.s. | Czech Republic | 47.42 | Direct | 47.42 | Direct | 47.33 | Direct | Full | 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 | 100 | Direct | Full | Full | Full |
| Energotrans SERVIS, a.s. | Czech Republic | 95 | Direct | 95 | Direct | 95 | Direct | Full | Full | Full |
| Teplo Neratovice, spol. s r.o. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | 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 Modřany, a.s. | Czech Republic | 100 | Direct | 100 | Direct | - | - | Full | Full | - |
| PT Properties I, a.s. | Czech Republic | 100 | Direct | 100 | Direct | - | - | Full | Full | - |
| PT Properties II, a.s. | Czech Republic | 100 | Direct | 100 | Direct | - | - | Full | Full | - |
| PT Properties III, a.s. | Czech Republic | 100 | Direct | 100 | Direct | - | - | Full | Full | - |
| PT Properties IV, a.s. | Czech Republic | 100 | Direct | 100 | Direct | - | - | Full | Full | - |
| PT měření, a.s. | Czech Republic | 47.42 | Direct | - | - | - | - | Full | - | - |
| United Energy, a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| EVO – Komořany, a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Severočeská teplárenská, a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| PRVNÍ MOSTECKÁ a.s.(2) | Czech Republic | - | - | 100 | Direct | 97.63 | Direct | - | Full | Full(1) |
| PRVNÍ MOSTECKÁ Servis a.s.(2) | Czech Republic | - | - | 100 | Direct | 100 | Direct | - | Full | Full(1) |
| United Energy Moldova, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| EKY III, a.s.(3) | Czech Republic | - | - | 100 | Direct | 100 | Direct | - | Full | Full |
| United Energy Invest, a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| EP Sourcing, a.s. (former EP Coal Trading, a.s.) | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| EOP & HOKA s.r.o. | Czech Republic | 99.79 | Direct | 99.79 | Direct | 99.79 | Direct | IFRS 5 | Full | Full |
| EOP HOKA POLSKA SPOŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA | Poland | 100 | Direct | 100 | Direct | - | - | IFRS 5 | Full | - |
| EP ENERGY TRADING, a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | 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 | 100 | Direct | Full | Full | Full |
| VTE Moldava II, a.s. (former EP Renewables a.s.) * | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| MR TRUST s.r.o.* | Czech Republic | 99.50 | Direct | 99.50 | Direct | 99.50 | Direct | Full | Full | Full |
| VTE Moldava, a.s.(4) | Czech Republic | - | - | 100 | Direct | 100 | Direct | - | Full | Full |
| VTE Pastviny s.r.o.(4) | Czech Republic | - | - | 100 | Direct | 100 | Direct | - | Full | Full |

| | | 31 December 2015 | | 31 December 2014 | | 31 December 2013 | | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Country of incorporation | Ownership % | Ownership interest | Ownership % | Ownership interest | Ownership % | Ownership interest | Combi-nation method | Combi-nation method | Combi-nation method |
| EP Renewables a.s. *(5) | Czech Republic | - | - | 100 | Direct | - | - | - | Full | - |
| Arisun, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Greeninvest Energy, a.s. | Czech Republic | 41.70 | Direct | 41.70 | Direct | 41.70 | Direct | IFRS 5 | IFRS 5 | IFRS 5 |
| ČKD Blansko Wind, a.s.(5) | Czech Republic | - | - | 100 | Direct | 100 | Direct | - | Full | Full |
| POWERSUN a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Triskata, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| MR TRUST s.r.o. * | Czech Republic | 0.50 | Direct | 0.50 | Direct | 0.50 | Direct | Full | Full | Full |
| VTE Pchery, s.r.o. | Czech Republic | 64 | Direct | 64 | Direct | 64 | Direct | Full | Full | Full |
| CHIFFON ENTERPRISES LIMITED * | Cyprus | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Claymore Equity, s.r.o. * | Slovakia | 80 | Direct | 80 | Direct | 80 | Direct | Full | Full | Full |
| Alternative Energy, s.r.o. | Slovakia | 90 | Direct | 90 | Direct | 90 | Direct | Full | Full | Full |
| ROLLEON a.s. * | Czech Republic | - | - | 100 | Direct | 100 | Direct | - | Full | Full |
| ENERGZET, a.s. | Czech Republic | - | - | 100 | Direct | 100 | Direct | - | Full | Full |
| EBEH Opatovice, a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Elektrárny Opatovice, a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Reatex a.s. | Czech Republic | - | - | 100 | Direct | 100 | Direct | - | Full | Full |
| V A H O s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| NPTH, a.s. * | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Pražská teplárenská a.s. | Czech Republic | 50.58 | Direct | 50.16 | Direct | 50.07 | Direct | Full | 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 | 100 | Direct | Full | Full | Full |
| Energotrans SERVIS, a.s. | Czech Republic | 95 | Direct | 95 | Direct | 95 | Direct | Full | Full | Full |
| Teplo Neratovice, spol. s r.o. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | 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 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 | - | - |
| EPH Financing II, a.s.*(6) | Czech Republic | - | - | - | - | 100 | Direct | - | - | Full |
| Stredoslovenská energetika, a.s. | Slovakia | 49 | Direct | 49 | Direct | 49 | Direct | Full | Full | Full |
| Stredoslovenská energetika – Distribúcia, a.s. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Elektroenergetické montáže, a.s. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| SSE – Metrológia s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Stredoslovenská energetika – Projekt Development, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| SSE–Solar, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | IFRS 5 | IFRS 5 | Full |
| SPX, s.r.o. | Slovakia | 33.33 | Direct | 33.33 | Direct | 33.33 | Direct | Equity | Full | Full |
| Energotel, a.s. | Slovakia | 20 | Direct | 20 | Direct | 20 | Direct | Equity | Full | Full |
| SSE CZ, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| EP ENERGY HR d.o.o. | Croatia | 100 | Direct | 100 | Direct | 100 | Direct | Full | 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 | - |

| | | 31 December 2015 | | 31 December 2014 | | 31 December 2013 | | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Country of incorporation | Ownership % | Ownership interest | Ownership % | Ownership interest | Ownership % | Ownership interest | Combi-nation method | Combi-nation method | Combi-nation method |
| 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 | - | - |
| EP Hungary, a.s. * | Czech Republic | 100 | Direct | - | - | - | - | Full | - | - |
| Budapesti Erömü Zrt. | Hungary | 95.62 | Direct | - | - | - | - | Full | - | - |
| BE-Optimum Kft. | Hungary | 100 | Direct | - | - | - | - | Full | - | - |
| KÖBÁNYAHÖ Kft. | Hungary | 25 | Direct | - | - | - | - | At cost | - | - |
| ENERGZET SERVIS a.s. | Czech Republic | 100 | Direct | - | - | - | - | Full | - | - |
| Czech Gas Holding Investment B.V.* | Netherlands | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| NAFTA a.s. | Slovakia | 40.45 | Direct | 40.45 | Direct | 40 | Direct | Full | Full | Full |
| Nafta Exploration s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Karotáž a cementace, s.r.o. | Slovakia | 51 | Direct | 51 | Direct | 51 | Direct | Full | Full | Full |
| AUTOKAC s.r.o. - v likvidaci | Slovakia | 83.33 | Direct | 83.33 | Direct | 83.33 | Direct | Full | Full | Full |
| AG Banka, a.s. v konkurze | Slovakia | 39 | Direct | 39 | Direct | 39 | Direct | Full | Full | Full |
| POZAGAS a.s. | Slovakia | 35 | Direct | 35 | Direct | 35 | Direct | Equity | Equity | Equity |
| NAFTA Services, s.r.o. | Czech Republic | 100 | Direct | - | - | - | - | Full | - | - |
| NAFTA International B.V. | Netherlands | 100 | Direct | - | - | - | - | Full | - | - |
| Czech Gas Holding N.V. * | Netherlands | - | - | 100 | Direct | 100 | Direct | - | Full | Full |
| EPH Gas Holding B.V. * | Netherlands | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Seattle Holding B.V. * | Netherlands | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Slovak Gas Holding B.V. | Netherlands | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Slovenský plynárenský priemysel, a.s. | Slovakia | - | - | - | - | 49 | Direct | - | - | IFRS 5 |
| SPP Infrastructure, a.s. | Slovakia | 49 | Direct | 49 | Direct | 100 | Direct | Full | Full | Full |
| eustream, a.s. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Central European Gas HUB AG | Austria | 15 | Direct | 15 | Direct | 15 | Direct | Full | Full | Full |
| Eastring B.V. | Netherlands | 100 | Direct | - | - | - | - | Full | - | - |
| SPP – distribúcia, a.s. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Plynárenská metrológia, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| SPP – distribúcia Servis, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| NAFTA a.s. | Slovakia | 56.15 | Direct | 56.15 | Direct | 56.15 | Direct | Full | Full | Full |
| Nafta Exploration s.r.o. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| Karotáž a cementace, s.r.o. | Czech Republic | 51 | Direct | 51 | Direct | 51 | Direct | Full | Full | Full |
| AUTOKAC s.r.o. - likvidaci | Czech Republic | 83.33 | Direct | 83.33 | Direct | 83.33 | Direct | Full | Full | Full |
| AG Banka, a.s. v konkurze | Slovakia | 39 | Direct | 39 | Direct | 39 | Direct | Full | Full | Full |
| POZAGAS a.s. | Slovakia | 35 | Direct | 35 | Direct | 35 | Direct | Equity | Equity | Equity |
| NAFTA Services, s.r.o. | Slovakia | 100 | Direct | - | - | - | - | Full | - | - |
| NAFTA International B.V. | Netherlands | 100 | Direct | - | - | - | - | Full | - | - |
| GEOTERM KOŠICE, a.s. | Slovakia | 95.82 | Direct | 95.82 | Direct | 95.82 | Direct | Full | Full | Full |
| Nadácia SPP | Slovakia | - | - | - | - | 100 | Direct | - | - | IFRS 5 |
| EkoFond, n.f. | Slovakia | - | - | - | - | 100 | Direct | - | - | IFRS 5 |
| SPP CZ, a.s. | Czech Republic | - | - | - | - | 100 | Direct | - | - | IFRS 5 |
| SPP Storage, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| SPP Bohemia a.s. | Czech Republic | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| SPP Servis, a.s. | Slovakia | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| POZAGAS a.s. | Slovakia | 35 | Direct | 35 | Direct | 35 | Direct | Equity | Equity | Equity |
| P R O B U G A S a.s. | Slovakia | - | - | - | - | 50 | Direct | - | - | IFRS 5 |
| SLOVGEOTERM a.s. | Slovakia | 50 | Direct | 50 | Direct | 50 | Direct | Equity | Equity | Equity |
| GEOTERM KOŠICE, a.s. | Slovakia | 0.08 | Direct | 0.08 | Direct | 0.08 | Direct | Full | Full | Full |
| GALANTATERM spol. s r.o. | Slovakia | 0.50 | Direct | 0.50 | Direct | 0.50 | Direct | Full | Full | Full |
| GALANTATERM spol. s r.o. | Slovakia | 17.50 | Direct | 17.50 | Direct | 17.50 | Direct | Full | Full | Full |

| | | 31 December 2015 | | 31 December 2014 | | 31 December 2013 | | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|---|---|---|---|
| | Country of incorporation | Ownership % | Ownership interest | Ownership % | Ownership interest | Ownership % | Ownership interest | Combi-nation method | Combi-nation method | Combi-nation method |
| Plynárenský športový klub | Slovakia | - | - | - | - | 100 | Direct | - | - | IFRS 5 |
| NAFTOPROJEKT, spol. s r.o. | Slovakia | - | - | - | - | 34 | Direct | - | - | IFRS 5 |
| Slovenská kreditná banka, a.s. "v konkurze" | Slovakia | - | - | - | - | 37.67 | Direct | - | - | IFRS 5 |
| Globe 21 a.s. | Czech Republic | - | - | - | - | 49 | Direct | - | - | IFRS 5 |
| SPP Infrastructure Financing B.V. | Netherlands | 100 | Direct | 100 | Direct | 100 | Direct | Full | Full | Full |
| SPP CNG s.r.o. | Slovakia | - | - | - | - | 100 | Direct | - | - | IFRS 5 |

* *Holding entity*

(1) *Full consolidation method has been applied since 14 January 2013 when the Group obtained control over the entity.*

(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) *EKY III, a.s. merged with United Energy, a.s. as at 1 July 2015. United Energy, a.s. is the successor company.*

(4) *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.*

(5) *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.*

(6) *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 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.

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

The SSE Group is a party to various legal proceedings. As of 31 December 2015 no legal provisions were recorded (2014: EUR 99 thousand; 31 December 2013: EUR 1,299 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.

### NAFTA a.s.

NAFTA a.s. has entered into long-term storage contracts with various customers operating in Europe. The prices and other contractual conditions in these contracts are subject to change due to various contractually defined factors. In this regard, in 2012 NAFTA a.s. entered into price arbitration, which it reflected in the financial statements for previous periods. The price arbitration ended with a positive result in 2015. The arbitration result is significant and is fully reflected in NAFTA's revenues for 2015. It was decided not to disclose additional data on this matter since the management of NAFTA believes that this would breach confidentiality and/or trade secrets and/or may cause damage to NAFTA.

### 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 CZK 240 million consisting of a penalty in the amount of CZK 120 million and restitution to affected customers in the amount of 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

### EPIF Facility Agreement

On 29 February 2016, EPIF entered into a Term Loan Facilities Agreement between, among others, several banks as arrangers and lenders and UniCredit Bank AG, London Branch as agent and security agent (the "EPIF Facility Agreement").

The EPIF Facility Agreement provides for the following term loan facilities in the aggregate amount of EUR 1,600 million:

- Facility A in an amount of EUR 533 million;
- Facility B1 in an amount of EUR 304 million;
- Facility B2 in an amount of EUR 229 million; and
- Facility C in an amount of EUR 534 million.

As of 5 April 2016, the total principal amount outstanding under the EPIF Facility Agreement was EUR 1,600 million. The maturity date for Facility A is three years after the signing date of the EPIF Facility Agreement, the maturity date for Facilities B1 and B2 is four years after the signing date of the EPIF Facility Agreement and the maturity date for Facility C is five years after the signing date of the EPIF Facility Agreement.

The interest rate under the EPIF Facility Agreement is calculated as a margin plus the reference rate. The reference rate is EURIBOR and, if EURIBOR is less than zero, that rate is zero.

Furthermore, on 10 March 2016 the Company received an equity injection from EPH in the form of increase of the registered capital of the Company in the amount of CZK 1,462 million (EUR 54.1 million).

The amounts drawn under the EPIF Facility Agreement and obtained thereunder were (partly) utilized as follows (disregarding the cash already held at the Company level, Czech Gas Holding Investment B.V. ("CGHI") and Slovak Gas Holding B.V. ("SGH") level), rounded to hundred thousands:

- full repayment of the external financing of the Company in the total amount of EUR 475.0 million, including (i) repayment of bank financing in the total amount of EUR 100.0 million, and (ii) early redemption of all outstanding notes issued by the Company in February 2014 in the total aggregate nominal value of EUR 375.0 million (with part of the notes redeemed from equity injection by EPH in the amount of CZK 1,462 million (EUR 54.1 million));

- repayment of the external bank financing of SGH in the amount of EUR 838.0 million; the loan provided by the Company to SGH for this purpose is used as a collateral for the financing banks providing the financing under the EPIF Facility Agreement; in addition, SGH acceded to the financing under the EPIF Facility Agreement as a guarantor;

- repayment of the external bank financing of CGHI in the amount of EUR 70.0 million;

- payment of EUR 209.0 million including a provision of an upstream loan in the amount of EUR 155.0 million by the Company to EPH, among other in connection with the JTSD sale (see below); and

- payment of the transaction costs in the amount of EUR 20.5 million and costs related to early redemption of CEE Notes, payment of accrued interest and other related costs in relation to CEE Notes and other refinanced bank financing in the aggregate amount of EUR 40.6 million.

Further, as a part of the restructuring, the Company assumed liabilities in the amount of EUR 308.7 million owed by EPH to EPE as well as liabilities in the amount of EUR 105.6 million owed by EPH to CGHI, in each case for their nominal value.

**Risk management purposes derivatives**

As a part of the restructuring, EPH, CGHI and SGH transferred by way of novation of the underlying agreements the interest rate swaps and pre hedging of the interest rates under the current hedging structure to the Company, which resulted in Company holding receivables corresponding to the interest rate swap market to market value as per the novated interest rate swaps (agreements) in the amount of appr. EUR 20.0 million towards EPH, EUR 0.6 million towards CGHI and EUR 8.9 million towards SGH.

EPH and EPE also unwound an existing FX forward and as a result, EPE had a receivable in the amount of EUR 4.1 million towards the Selling Shareholder corresponding to the FX forward market to market value. This receivable was acquired by the Company for the nominal value thereof, i.e., the Company had a receivable in the amount of EUR 4.1 million towards EPH and EPE had a receivable in the amount of EUR 4.1 million towards the Company.

**Acquisition of CGHI**

In order to obtain the indirect share in NAFTA as a part of the restructuring, the Company acquired 100% shares of CGHI from EPH for a consideration of EUR 355.7 million. The acquisition was tax-exempt and the consideration was set according to criteria that do not take into account market value. As a result, the purchase price cannot be taken as guidance to determine the market value of CGHI and its subsidiaries.

The transfer of CGHI shares was completed on 31 March 2016 and the purchase price was paid fully by setting off intragroup receivables held by the Company against EPH in the amounts of EUR 105.6 million plus accrued interest resulting from the assumption by the Company of EPH's liability towards CGHI under a loan provided by CGHI to EPH and EUR 250.1 million resulting from the assumption by the Company of EPH's liability towards EPE under a loan provided by EPE to EPH in the total amount of EUR 308.7 million.

**Acquisition of EPH Gas Holding B.V. ("EPHGH")**

In order to obtain the indirect share in SPPI, as a part of the restructuring, the Company acquired 100% shares of EPHGH from EPH for a consideration of EUR 3,235.0 million. The acquisition was tax-exempt and the consideration was set according to criteria that do not take into account market value. As a result, the purchase price cannot be taken as guidance to determine the market value of EPHGH and its subsidiaries.

The transfer of EPHGH shares was completed on 23 March 2016 and the purchase price was partially paid in cash and partially by setting off intragroup receivables of the Company against EPH, among other, (i) in the amount of EUR 211.3 million (out of which EUR 209.0 million was paid from the EPIF Facility Agreement financing) corresponding to the upstream payments to EPH (including the upstream loan in the amount of EUR 155.0 million in connection with the sale of JTSD) to EPH, (ii) in the amount of EUR 58.6 million resulting from the assumption by the Company of EPH's liability towards EPE under a loan provided by EPE to EPH in the total amount of EUR 308.7 million, as described above under "Acquisition of CGHI" and (iii) in the amount of EUR 24.1 million arising from the hedging operations, as described above under "Hedging". EPH intends to capitalize the remaining receivable towards the Company arising from the EPHGH sale by means of increase of the registered capital of the Company.

### German assets sale

German assets include, among others, 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 (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). Due to the nature of the German assets, which are out of the scope of the Group's infrastructure business, the restructuring entailed disposition of the German assets.

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 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).

### 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.

**Other disposals of shares**

The restructuring further includes 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 EP Energy, a.s. (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 intends to sell 100% of shares in Adconcretum real estate Ltd., which owns investment property in Serbia.

**Settlement of Intragroup Loans and Receivables**

The restructuring involves a number of set-offs of intragroup receivables, both within the EPIF Group and between the EPIF Group and EPH Group, with some of them used as a manner of payment of acquisition prices. The outcome of the restructuring shall be such that, through non-cash settlements (set-offs, capitalizations) or cash settlements, no significant loan relationships between the EPIF Group and the EPH Group (excluding the EPIF Group) will exist.

**Repayment of EP Energy's term loans**

On 4 April 2016 EPE fully repaid the term loans totalling EUR 175 million previously provided by ČSOB, HSBC and Commerzbank using the proceeds from the sale of JTSD.

**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 combined financial statements as at 31 December 2015.

## Appendices*:

Appendix 1 – Business combinations
Appendix 2 – Combined statement of comprehensive income from discontinued operations

* *Information contained in the appendices form part of the complete set of these combined financial statements.*

| Date: | Signature of the authorised representative | |
|---|---|---|
| 8 April 2016 | Daniel Křetínský<br>Chairman of the board of directors<br>of Energetický a průmyslový holding, a.s. | Pavel Horský<br>Member of the board of directors of<br>Energetický a průmyslový holding, a.s |

# 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 and step acquisition**

***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 Erömü Zrt. (BERT) are provided in the following table.

| *In thousands of EUR* | **Carrying amount(1)** | **Fair value adjustment** | **2015 Total(1)** |
|---|---|---|---|
| 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) |
| **Net identifiable assets and liabilities** | **39,628** | **477** | **40,105** |
| Non-controlling interest | | | (1,516) |
| Goodwill on acquisitions of a subsidiary | | | - |
| Negative goodwill on acquisition of new subsidiaries | | | (33,085) |
| Pricing differences in equity | | | - |
| **Cost of acquisition** | | | **5,504** |
| Consideration paid, satisfied in cash (A) | | | - |
| Consideration, other | | | 5,504 |
| **Total consideration transferred** | | | **5,504** |
| Less: Cash acquired (B) | | | 11,891 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **11,891** |

(1) *Represents values at 100% share.*

| *In thousands of EUR* | **31 December 2015 Total** |
|---|---|
| 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 |

| *In thousands of EUR* | **2015 Total** |
|---|---|
| Revenue of the acquirees recognised in the period ended 31 December 2015 (subsidiaries)* | 175,492 |
| Profit (loss) of the acquirees recognised in the period ended 31 December 2015 (subsidiaries)* | (26,493) |

* *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 LokoTrain s.r.o. are provided in the following table.

| *In thousands of EUR* | **Carrying amount[(1)]** | **Fair value adjustment[(2)]** | **2015 Total[(1)]** |
|---|---|---|---|
| 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) |
| **Net identifiable assets and liabilities** | **1,344** | **-** | **1,344** |
| Non-controlling interest | | | (471) |
| Goodwill on acquisitions of a subsidiary | | | 235 |
| **Cost of acquisition** | | | **1,108** |
| Consideration paid (A) | | | 1,108 |
| **Total consideration transferred** | | | **1,108** |
| Less: Cash acquired (B) | | | 203 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **(905)** |

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

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

| *In thousands of EUR* | **31 December 2015 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date (subsidiaries) | 2,047 |
| Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries) | 157 |

| *In thousands of EUR* | **2015 Total** |
|---|---|
| Revenue of the acquirees recognised in the period ended 31 December 2015 (subsidiaries)* | 4,257 |
| Profit (loss) of the acquirees recognised in the period 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.

| *In thousands of EUR* | **Carrying amount** | **Fair value adjustment(1)** | **2015 Total** |
|---|---|---|---|
| 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) |
| **Net identifiable assets and liabilities** | **470** | **-** | **470** |
| Non-controlling interest | | | - |
| Goodwill on acquisitions of a subsidiary | | | 4,420 |
| **Cost of acquisition** | | | **4,890** |
| Consideration paid (A) | | | 4,890 |
| **Total consideration transferred** | | | **4,890** |
| Less: Cash acquired (B) | | | 2,150 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **(2,740)** |

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

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

| *In thousands of EUR* | **31 December 2015 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date (subsidiaries) | 5,565 |
| Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries) | 351 |

| *In thousands of EUR* | **2015 Total** |
|---|---|
| Revenue of the acquirees recognised in the period ended 31 December 2015 (subsidiaries)* | 17,508 |
| Profit (loss) of the acquirees recognised in the period ended 31 December 2015 (subsidiaries)* | 692 |

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

### *ii. 31 December 2013*

**PRVNÍ MOSTECKÁ a.s. including its subsidiary**

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

| *In thousands of EUR* | **Carrying amount(1)** | **Fair value adjustment(2)** | **2013 Total(1)** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 15,168 | - | 15,168 |
| Trade receivables and other assets | 21,288 | - | 21,288 |
| Cash and cash equivalents | 2,341 | - | 2,341 |
| Provisions | (4) | - | (4) |
| Deferred tax liabilities | (1,126) | - | (1,126) |
| Trade payables and other liabilities | (24,860) | - | (24,860) |
| **Net identifiable assets and liabilities** | **12,807** | **-** | **12,807** |
| Non-controlling interest | | | (2,264) |
| Goodwill on step acquisition of a subsidiary | | | - |
| Negative goodwill on step acquisition of a subsidiary | | | (2,176) |
| Pricing differences in equity | | | - |
| **Cost of acquisition** | | | **8,367** |
| Consideration paid, satisfied in cash (A) | | | 2,341 |
| Consideration, other | | | 6,026 |
| **Total consideration transferred** | | | **8,367** |
| Less: Cash acquired (B) | | | 2,341 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **-** |

*(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 2013.*

Consideration paid represents cost paid by the direct parent company Severočeská teplárenská, a.s, a subsidiary of United Energy, a.s., for the acquisition of 35.29% share in PRVNÍ MOSTECKÁ a.s.

| *In thousands of EUR* | **2013 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date (subsidiaries) | 20,344 |
| Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries) | 285 |

As the acquisition occurred as at 14 January 2013 and for the period from 1 January 2013 to 13 January 2013 there were no significant transactions, the amount of 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 2013) is the same as stated in the table above.

### Stredoslovenská energetika, a.s. including its subsidiaries and associates

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

| *In thousands of EUR* | **Carrying amount[(1)]** | **Fair value adjustment[(1)]** | **2013 Total[(1)]** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 483,388 | 431,165 | 914,553 |
| Intangible assets | 21,936 | 7,177 | 29,113 |
| Inventories | 2,616 | - | 2,616 |
| Trade receivables and other assets | 55,903 | - | 55,903 |
| Financial instruments – assets | 21,291 | - | 21,291 |
| Cash and cash equivalents | 49,074 | - | 49,074 |
| Provisions | (12,749) | - | (12,749) |
| Deferred tax liabilities | (17,567) | (100,819) | (118,386) |
| Loans and borrowings | (83,507) | - | (83,507) |
| Trade payables and other liabilities | (134,249) | - | (134,249) |
| **Net identifiable assets and liabilities** | **386,136** | **337,523** | **723,659** |
| Non-controlling interest | | | (368,983) |
| Goodwill on acquisition of new subsidiaries | | | - |
| Negative goodwill on acquisition of new subsidiaries | | | (15,624) |
| Pricing differences in equity | | | - |
| **Cost of acquisition** | | | **339,052** |
| Consideration paid, satisfied in cash (A) | | | 359,052 |
| Consideration, other | | | - |
| Consideration, contingent | | | (20,000) |
| New shares issued | | | - |
| **Total consideration transferred** | | | **339,052** |
| Less: Cash acquired (B) | | | 49,074 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **(309,978)** |

*(1) Represents values at 100% share*

Consideration paid represents cost paid by the direct parent company EPH Financing II, a.s. for the acquisition of 49% share in Stredoslovenská energetika, a.s.

| *In thousands of EUR* | **2013 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date (subsidiaries) | 124,947 |
| Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries) | 22,241 |

| *In thousands of EUR* | **2013 Total** |
|---|---|
| Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)* | 826,711 |
| Profit (loss) of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)* | 81,884 |

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

**Slovenský plynárenský priemysel, a.s. including its subsidiaries and associates and Slovak Gas Holding B.V. and Seattle Holding B.V.**

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

| *In thousands of EUR* | **Carrying amount(1)** | **Fair value adjustment(1)** | **2013 Total(1)** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 6,520,996 | (637,300) | 5,883,696 |
| Intangible assets | 114,877 | 132,500 | 247,377 |
| Participation with significant influence | 93,257 | (54,300) | 38,957 |
| Inventories | 449,330 | (38,100) | 411,230 |
| Trade receivables and other assets | 509,915 | (23,000) | 486,915 |
| Financial instruments – assets | 229,599 | - | 229,599 |
| Assets held for sale, net | 222 | - | 222 |
| Cash and cash equivalents | 306,195 | - | 306,195 |
| Provisions | (239,298) | - | (239,298) |
| Deferred tax liabilities | (1,043,403) | 108,000 | (935,403) |
| Loans and borrowings | (2,185,599) | - | (2,185,599) |
| Financial instruments – liabilities | (39,569) | - | (39,569) |
| Trade payables and other liabilities | (485,064) | - | (485,064) |
| **Net identifiable assets and liabilities** | **4,231,458** | **(512,200)** | ***3,719,258** |
| Non-controlling interest | | | (2,744,998) |
| Goodwill on acquisition of new subsidiaries | | | - |
| Negative goodwill on acquisition of new subsidiaries | | | (238,950) |
| Pricing differences in equity | | | - |
| **Cost of acquisition** | | | **735,310** |
| Consideration paid, satisfied in cash (A) | | | 735,310 |
| Consideration, other | | | - |
| Consideration, contingent | | | - |
| New shares issued | | | - |
| **Total consideration transferred** | | | **735,310** |
| Less: Cash acquired (B) | | | 306,195 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **(429,115)** |

* *Net identifiable assets and liabilities of EUR 3,719,258 thousand are attributable to Slovenský plynárenský priemysel, a.s. (EUR 5,247,575 thousand), Slovak Gas Holding B.V. (EUR (1,441,073) thousand) and Seattle Holding B.V. (EUR (87,244) thousand).*

(1) *Represents values at 100% share.*

Consideration paid represents cost paid by the direct parent company Slovak Gas Holding B.V.

| *In thousands of EUR* | **2013 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date (subsidiaries) | 1,500,994 |
| Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries) | 367,309 |

| *In thousands of EUR* | **2013 Total** |
|---|---|
| Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)* | (1)1,251,238 |
| Profit (loss) of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)* | (1)536,343 |

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

(1) *The financial information for SPPI Group disregarding revenues of Slovenský plynárenský priemysel, a.s. due to its spun-off in 2014.*

# Appendix 2 – Analysis of results from discontinued operations

### For the year ended 31 December 2014

*In thousands of EUR ("TEUR")*

| | Discontinued operations for the year ended 31 December 2014 | Inter-company eliminations | Discontinued operations after inter-company eliminations |
|---|---|---|---|
| Discontinued operations | | | |
| Sales: Energy | 811,517 | (214,496) | 597,021 |
| *of which: Gas* | *801,367* | *(212,810)* | *588,557* |
| *Electricity* | *10,147* | *(1,685)* | *8,462* |
| *Heat* | *3* | *(1)* | *2* |
| *Coal* | - | - | - |
| Sales: Other | 27 | - | 27 |
| **Total sales** | **811,544** | **(214,496)** | **597,048** |
| Cost of sales: Energy | (831,704) | 214,320 | (617,384) |
| Cost of sales: Other | (558) | 553 | (5) |
| **Total cost of sales** | **(832,262)** | **214,873** | **(617,389)** |
| | **(20,718)** | **377** | **(20,341)** |
| Personnel expenses | (10,360) | | (10,360) |
| Depreciation and amortisation | - | | - |
| Repairs and maintenance | (1,305) | | (1,305) |
| Emission rights, net | - | | - |
| Negative goodwill | - | | - |
| Taxes and charges | (131) | | (131) |
| Other operating income | 6,136 | (6,136) | - |
| Other operating expenses | (8,162) | 5,756 | (2,406) |
| **Profit (loss) from operations** | **(34,540)** | **(3)** | **(34,543)** |
| Finance income | 490 | (490) | - |
| Finance expense | (14,604) | 493 | (14,111) |
| Profit (loss) from financial instruments | 218,604 | | 218,604 |
| **Net finance income (expense)** | **204,490** | **3** | **204,493** |
| Share of profit (loss) of equity accounted investees, net of tax | - | | |
| Gain (loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates | - | | |
| **Profit (loss) before income tax** | **169,950** | | **169,950** |
| Income tax expenses | (192,708) | | (192,708) |
| **Profit (loss) from discontinued operations** | **(22,758)** | **-** | **(22,758)** |
| **Profit (loss) attributable to:** | | | |
| Owners of the Company | (11,151) | - | (11,151) |
| Non-controlling interest | (11,607) | - | (11,607) |
| **Profit (loss) for the year** | **(22,758)** | **-** | **(22,758)** |

## For the year ended 31 December 2013

*In thousands of EUR ("TEUR")*

| | Discontinued operations for the year ended 31 December 2013 | Inter-company eliminations | Discontinued operations after inter-company eliminations |
|---|---|---|---|
| Discontinued operations | | | |
| Sales: Energy | 1,745,439 | (450,798) | 1,294,641 |
| *of which: Gas* | *1,733,118* | *(447,794)* | *1,285,324* |
| *Electricity* | *12,205* | *(2,965)* | *9,240* |
| *Coal* | - | - | - |
| *Heat* | *116* | *(39)* | *77* |
| Sales: Other | - | - | - |
| **Total sales** | **1,745,439** | **(450,798)** | **1,294,641** |
| | | | |
| Cost of sales: Energy | (1,689,921) | 449,873 | (1,240,048) |
| Cost of sales: Other | (1,194) | 1,155 | (39) |
| **Total cost of sales** | **(1,691,115)** | **451,028** | **(1,240,087)** |
| | | | |
| | **54,324** | **230** | **54,554** |
| | | | |
| Personnel expenses | (17,402) | - | (17,402) |
| Depreciation and amortisation | (13,668) | - | (13,668) |
| Repairs and maintenance | (1,694) | - | (1,694) |
| Emission rights, net | - | - | - |
| Negative goodwill | - | - | - |
| Taxes and charges | (1,194) | - | (1,194) |
| Other operating income | 20,405 | (5,736) | 14,669 |
| Other operating expenses | (47,124) | 5,506 | (41,618) |
| **Profit (loss) from operations** | **(6,353)** | **-** | **(6,353)** |
| | | | |
| Finance income | 501 | (5,506) | (5,005) |
| Finance expense | (14,130) | 5,506 | (8,624) |
| Profit (loss) from financial instruments | (36,729) | - | (36,729) |
| **Net finance income (expense)** | **(50,358)** | **-** | **(50,358)** |
| | | | |
| Share of profit (loss) of equity accounted investees, net of tax | - | - | - |
| Gain (loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates | - | - | - |
| **Profit (loss) before income tax** | **(56,711)** | **-** | **(56,711)** |
| | | | |
| Income tax expenses | (33,880) | - | (33,880) |
| **Profit (loss) from discontinued operations** | **(90,591)** | **-** | **(90,591)** |
| | | | |
| **Profit (loss) attributable to:** | | | |
| Owners of the Company | (44,390) | - | (44,390) |
| Non-controlling interest | (46,201) | - | (46,201) |
| **Profit (loss) for the year** | **(90,591)** | **-** | **(90,591)** |