The Eggborough CCGT Project

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The Eggborough CCGT (Generating Station) Order

Land at and in the vicinity of the Eggborough Power Station site, near Selby, North Yorkshire DN14 0BS

Funding Statement

The Planning Act 2008

The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009

Regulation 5(2)(h)

Applicant: Eggborough Power Limited
Date: May 2017

DOCUMENT HISTORY

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Approved By	Nick McDonald (NM)		
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GLOSSARY

Abbreviation	Description
AGI	Above ground installation
APFP Regulations	The Infrastructure Planning (Applications: Prescribed Forms and Procedure) Regulations 2009. Sets out detailed procedures that must be followed for submitting and publicising applications for Nationally Significant Infrastructure Projects.
Applicant	Eggborough Power Limited or EPL.
Application	The Application for a Development Consent Order made to the Secretary of State under Section 37 of the Planning Act 2008 in respect of the Project, required pursuant to Section 31 of the Planning Act 2008 because the Project is a Nationally Significant Infrastructure Project under Section 14(1)(a) and Section 15 of the Planning Act 2008 by virtue of being an onshore generating station in England or Wales of 50 Megawatts electrical capacity of more.
Associated Development	Defined under S.115(2) of The Planning Act 2008 as development which is associated with the principal development and that has a direct relationship with it. Associated development should either support the construction or operation of the principal development, or help address its impacts. It should not be an aim in itself but should be subordinate to the principal development.
CCGT	Combined Cycle Gas Turbine
DCO	A Development Consent Order made by the relevant Secretary of State pursuant to the Planning Act 2008 to authorise a NSIP. A DCO does or can incorporate or remove the need for a range of consents which would otherwise be required for a development. A DCO can also include powers of compulsory acquisition.
EIA	Environmental Impact Assessment. The assessment of the likely significant environmental effects of a development undertaken in accordance with the EIA Regulations.
EIA Regulations	The Infrastructure Planning (Environmental Impact Assessment) Regulations 2009 setting out how the EIA of Nationally Significant Infrastructure Projects must be carried out and the procedures that must be followed.
ES	The Environmental Statement documenting the findings of the EIA.
ha	Hectares. A metric measurement of area.
Land Plan(s)	A plan showing all of the land that is required for the Project and / or over which rights are to be sought as part of the DCO.
NSIP	A Nationally Significant Infrastructure Project that must be authorised by the making of a DCO under 2008 Act.
NTS	National transmission system
NYCC	North Yorkshire County Council.
Order	The Eggborough CCGT (Generating Station) Order, being the DCO that would be made by the Secretary of State authorising the Project, a draft of which has been submitted as part of the Application.
Order Limits	The limits of the land to which the Application for the DCO relates and shown on the Land Plan and Works Plans within which the Project must be carried out and which is required for its construction and operation.

Abbreviation	Description
PA 2008	The Planning Act 2008 which is the legislation in relation to applications for NSIPs, including pre-application consultation and publicity, the examination of applications and decision making by the Secretary of State.
PINS	The Planning Inspectorate. A Government agency responsible for receiving and administering the acceptance and examination of applications for NSIPs on behalf of the Secretary of State.
Project or Proposed Development	The development to which the Application relates and which requires a DCO, and as listed at Schedule 1 to the Order.
Site	The land corresponding to the Order Limits and encompassing the Order land and which is required for the construction and operation of the Project.
SDC	Selby District Council.
SoS	The Secretary of State. The decision maker for DCO applications and head of Government department. In this case the SoS for the Department for Business, Energy and Industrial Strategy
Statement of Reasons	A statement setting out the reasons and justification for the compulsory acquisition of land or rights in land within the Order Limits.
Works Plans	Plans showing the numbered works referred to at Schedule 1 to the Order and submitted with the Application.

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APPENDICES

1.0 INTRODUCTION

Overview

1.1 This Funding Statement has been prepared on behalf of Eggborough Power Limited ('EPL' or the 'Applicant'). It forms part of the application (the 'Application') for a Development Consent Order (a 'DCO'), that has been submitted to the Secretary of State (the 'SoS') for Business, Energy and Industrial Strategy ('BEIS'), under section 37 of 'The Planning Act 2008' (the 'PA 2008').

1.2 EPL is seeking development consent for the construction, operation and maintenance of a new gas-fired electricity generating station with a gross output capacity of up to 2,500 megawatts ('MW'), including electrical and water connections, a new gas supply pipeline and other Associated Development (the 'Project' or 'Proposed Development') on land at and in the vicinity of the existing Eggborough coal-fired power station, near Selby, North Yorkshire.

1.3 A DCO is required for the Proposed Development as it falls within the definition and thresholds for a 'Nationally Significant Infrastructure Project' (a 'NSIP') under sections 14 and 15(2) of the PA 2008.

1.4 The DCO, if made by the SoS, would be known as the 'Eggborough CCGT (Generating Station) Order' (the 'Order').

EPL

1.5 EPL owns and operates the existing Eggborough coal-fired power station (the 'existing coal-fired power station'), near Selby, including a significant proportion of the land required for the Proposed Development.

1.6 EPL was acquired by EP UK Investments Ltd (EP UK) in late 2014; a subsidiary of Energetický A Prumyslový Holding ('EPH'). EPH owns and operates energy generation assets in the Czech Republic, Slovak Republic, Germany, Italy, Hungary, Poland and the United Kingdom.

The Proposed Development Site

1.7 The Proposed Development Site (the 'Site' or the 'Order limits') is located at and in the vicinity of the existing coal-fired power station approximately 8 kilometres south of Selby.

1.8 The existing coal-fired power station is bound to the north by Wand Lane, with the River Aire located approximately 650 metres ('m') further to the north and the A19 Selby Road immediately to the west. Eggborough Village is located approximately 750 m to the south-west.

1.9 The entire Site lies within the administrative boundaries of Selby District Council ('SDC') and North Yorkshire County Council ('NYCC').

1.10 The existing coal-fired power station was officially opened in 1970 and comprises four coal-fired boilers units, which together are capable of generating up to 2,000 MW of electricity. The existing coal-fired power station also includes a turbine hall and boiler house, an emissions stack (chimney) of approximately 198 m in height, eight concrete cooling towers of approximately 115 m in height, an administration and control block, a coal stockyard and a dedicated rail line for the delivery of coal, in addition to ancillary buildings, structures and infrastructure and utility connections.

1.11 The Site itself extends to approximately 102 hectares and comprises land within the operational area of the existing coal-fired power station for the new gas-fired generating station and electrical and groundwater supply connections; corridors of land to the north of the existing coal-fired power station for the cooling water connections and gas supply pipeline; an area of land to the south-east of the main coal stockyard for surface water discharge connections; and corridors of land to the west and south of the operational area of the existing coal-fired power station for ground and towns water supply connections.

1.12 The land required for the generating station and electrical and groundwater connections is owned by EPL, as well as the majority of the land for the cooling and towns water and surface water discharge connections. The majority of the land required for the gas supply pipeline is not owned by EPL.

1.13 The area surrounding the Site is predominantly flat and for the most part comprises agricultural land interspersed with small settlements and farmsteads. The area is however crossed by transport infrastructure, notably the A19 and railway lines, including the East Coast Mainline, in addition to overhead electricity lines associated with the existing coal-fired power station and other power stations within the wider area.

1.14 A more detailed description of the Site is provided at Chapter 3 'Description of the Site' of the Environmental Statement ('ES') Volume I (Application Document Ref. 6.2).

The Proposed Development

1.15 The main components of the Proposed Development are summarised below:

1.16 The **'Proposed Power Plant'** (Work No. 1) - an electricity generating station with a gross output capacity of up to 2,500 MW located on the main coal stockyard area of the existing coal-fired power station, comprising:

- Work No. 1A - a combined cycle gas turbine ('CCGT') plant, comprising up to three CCGT units, including turbine hall and heat recovery steam generator buildings, emissions stacks and administration/control buildings;
  - Work No. 1B - a peaking plant and black start plant fuelled by natural gas with a combined gross output capacity of up to 299 MW, comprising a peaking plant consisting of up to two open cycle gas turbine units or up to ten reciprocating engines and a black start plant consisting of one open cycle gas turbine unit or up to three reciprocating gas engines, including turbine buildings, diesel generators and storage tanks for black start start-up prior to gas-firing and emissions stacks;
  - Work No. 1C - combined cycle gas turbine plant cooling infrastructure, comprising up to three banks of cooling towers, cooling water pump house buildings and cooling water dosing plant buildings; and
  - ancillary buildings, enclosures, plant, equipment and infrastructure connections and works.
- The **'Proposed Electricity Connection'** (Work No. 3) - electrical connection works, comprising:
  - Work No. 3A - up to 400 kilovolt ('kV') underground electrical cables to and from the existing National Grid ('NG') 400 kV substation;

- Work No. 3B - works within the NG substation, including underground and over electrical cables, connection to busbars and upgraded or replacement equipment.

- The **'Proposed Cooling Water Connections'** (Work No. 4) - cooling water connection works, comprising works to the existing cooling water supply and discharge pipelines and intake and outfall structures within the River Aire, including, as necessary, upgraded or replacement pipelines, buildings, enclosures and structures, and underground electrical supply cables, transformers and control systems cables.
- The **'Proposed Borehole and Towns Mains Water Connections'** (Work No. 5) - ground and towns water supply connection works, comprising works to the existing groundwater boreholes and pipelines, existing towns water pipelines, replacement and new pipelines, plant, buildings, enclosures and structures, and underground electrical supply cables, transformers and control systems cables.
- The **'Proposed Rail Works'** (Work No. 10) - rail infrastructure and access works, comprising alterations to or replacement of the existing private rail line serving the existing coal-fired power station site, including new rail lines, installation of replacement crossover points and ancillary equipment and vehicular and pedestrian access and facilities.
- The **'Proposed Surface Water Discharge Connection'** (Work No. 9) - surface water drainage connection works to Hensall Dyke to the south-east of the main coal stockyard, comprising works to install or upgrade drainage pipes and works to Hensall Dyke.
- The **'Proposed Gas Connection'** (Work No. 6) - gas supply pipeline connection works for the transport of natural gas to Work No. 1, comprising an underground high pressure steel pipeline of up to 1,000 millimetres (nominal bore) in diameter and approximately 4.6 kilometres in length, including cathodic protection posts, marker posts and underground electrical supply cables, transformers and control systems cables, running from Work No. 1 under the River Aire to a connection point with the National Transmission System ('NTS') for gas No. 29 Feeder pipeline west of Burn Village.
- The **'Proposed AGI'** (Work No. 7) - an Above Ground Installation ('AGI') west of Burn Village, connecting the gas supply pipeline (Work No. 6) to the NTS No. 29 Feeder pipeline, comprising:
  - Work No. 7A - a compound for National Grid's apparatus; and
  - Work No. 7B - a compound for EPL's apparatus.
- The **'Proposed Construction Laydown Area'** (Work No. 2A) - an area for temporary construction and laydown during the construction phase, including contractor compounds and facilities, requiring the infilling of the existing coal-fired power station back-up cooling water lagoon.
- The **'Proposed Carbon Capture Readiness ('CCR') Land'** (Work No. 2B) - an area of land to be reserved for carbon capture plant should such technology become viable in the future. It is proposed that this 'reserve' land is provided on part of the area to be used for temporary construction and laydown.
- The 'Proposed Retained Landscaping' (Work No. 8) - encompassing the existing mature tree and shrub planting along the northern and eastern sides of Wand Lane and to the eastern boundary of the existing coal-fired power station site, including that on the embankment around the eastern, southern and western boundaries of the main coal stockyard.

1.17 The 'Associated Development', for the purposes of section 115 of the PA 2008 comprises Work Nos. 2 to 10 of the Proposed Development.

1.18 It is anticipated that subject to the DCO having been made by the SoS (and a final investment decision by EPL), construction work on the Proposed Development would commence in early 2019. The overall construction programme is expected to last approximately three years, although the duration of the electrical and water connection and gas supply pipeline connection works would be significantly less. The construction phase is therefore anticipated to be completed in 2022 with the Proposed Development entering commercial operation later that year.

1.19 A more detailed description of the Proposed Development is provided at Schedule 1 'Authorised Development' of the draft DCO and Chapter 4 'The Proposed Development' of the ES Volume I (Application Document Ref. 6.2) and the areas within which each of the main components of the Proposed Development are to be built is shown by the coloured and hatched areas on the Works Plans (Application Document Ref. 4.4).

The Purpose and Structure of this Document

1.20 This Statement has been produced pursuant to Regulation 5(2)(h) of the APFP Regulations and the Department of Communities and Local Government guidance, 'Planning Act 2008: Guidance related to procedures for the compulsory acquisition of land' (September 2013) (the 'Guidance').

1.21 This Statement is required because the development consent order sought for the Project - the Eggborough CCGT (Generating Station) Order (the Order) - would authorise the compulsory acquisition of land or interests in land. This gives rise to the requirement under Regulation 5(2)(h) of the APFP Regulations for the Applicant to provide a statement indicating how the Order containing these powers is proposed to be funded.

1.22 This Statement is one of a number of documents accompanying the Application and submitted to the Secretary of State, and should be read alongside and is informed by those documents. In particular, this document supplements the Statement of Reasons (Application Document Ref. 3.2).

2.0 CAPITAL FUNDING

Corporate Structure and Assets

2.1 EPL (Company Number 03782700) is the applicant for the Order pursuant to the APFP Regulations. EPL is registered in England and Wales.

2.2 EPL was acquired by EP UK Investments Ltd (EPUKI) in January 2015. This was achieved by buying the entire share capital of Eggborough Holdco 2 sarl - a holding company that owned EPL and no other assets.

2.3 EPUKI is a subsidiary of Energetický A Prumyslový Holding (EPH). EPH owns and operates energy generation assets in the Czech Republic, Slovak Republic, Germany, Italy, Hungary, Poland and the United Kingdom.

2.4 EPUKI owns EPL and Lynemouth Power Limited.

2.5 EPL owns and operates Eggborough Power Station - a 2GW coal fired power station. EPL last filed accounts to 30 September 2015 and reported net assets of £(6)m. This balance sheet position reflects full provision for cost of future closure of the site (net current assets were £57m). A closure date of 31 March 2017 was assumed at the point of signing the accounts, however, EPL has since been successful in securing a Capacity Market agreement that ends at 30 September 2018, and the existing coal-fired power station is therefore anticipated to operate until that time.

2.6 EPH last filed accounts to 31 December 2015, reporting net assets of €11.3bn. EPH owns a large and cash generative group of companies in the European energy sector, and is privately owned.

2.7 The audited accounts referred to above are attached at **Appendix 1** (EPL), and **Appendix 2** (EPH).

Project Cost

2.8 The current cost estimate for the Project that is the subject of the Application is £1,000m. This cost estimate includes construction costs, preparation costs, supervision costs and land acquisition costs (including compensation payable in respect of any compulsory acquisition). This includes all aspects for the project including land acquisition, equipment purchase, construction, installation, commissioning and connection to fuel supply and power export.

2.9 This is an estimate of the anticipated outturn cost and therefore includes an allowance for inflation.

Project Funding

2.10 Through EPH group EPL has the ability to procure the financial resources necessary to fund the works to be authorised by the Order.

2.11 Project development costs incurred prior to the commencement of construction will be funded from the cash reserves of EPL, with additional support from the EPH group if required. Construction costs will be funded from a combination of EPH resources and debt finance, with the exact combination dependent upon market conditions at the date construction commences.

2.12 EPL and the EPH Group work with a variety of financial institutions and advisors on projects both within the UK and Europe and have extensive experience of financing major capital projects.

2.13 These funds will meet the capital expenditure for the cost of the Project, the cost of acquiring land or obtaining necessary rights for the Project (as identified in the Order (Document Ref. 2.1) and whether compulsorily or otherwise), and any compensation payable as a result of the Project and in accordance with the Order.

2.14 A Final Investment Decision (FID) on the Project will be taken by EPL, subject to final Board authority of the EPH Group, once development consent is granted and following successful participation in the capacity market auction.

2.15 EPL and the EPH Group has assessed and taken expert advice on the commercial viability of the Project and are confident that the Project will be commercially viable and can therefore be funded if development consent is granted.

2.16 EPL and EPH Group have already committed significant resources to date and are seeking to develop the Project on an accelerated timeline in order to meet the Government's recognised and urgent need for new electricity generating capacity.

2.17 It is clear that EPL already has sufficient funding, or will have access to sufficient funding, to carry out the Project.

3.0 FUNDING FOR LAND ACQUISITION AND BLIGHT

3.1 The current cost estimate (see paragraph 2.8 above) includes an amount to cover the total cost of the payment of compensation for the compulsory acquisition included in the Order and required for the Project.

3.2 Should any claims for blight arise as a consequence of the Application, EPL has sufficient funds to meet the cost of acquiring these interests at whatever stage they are served. However, EPL has not identified any interests in the Order land who it considers could be eligible to serve a blight notice.

APPENDIX 1: AUDITED ACCOUNTS (EPL)

Registered Number: 03782700

EGGBOROUGH POWER LIMITED

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE EIGHTEEN MONTH PERIOD ENDED 30 SEPTEMBER 2015

Eggborough Power Limited
Directors and Advisors

DIRECTORS

Pavel Horský
Daniel Křetínský
Andrew Neil O'Hara
Jan Špringl
Marek Spurný
Paul David Tomlinson

COMPANY SECRETARY

Eversecretary Limited

REGISTERED OFFICE

Eggborough Power Station
Goole
East Yorkshire
DN14 0BS

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditor
Atria One
144 Morrison Street
Edinburgh
EH3 8EX

SOLICITORS

Eversheds LLP
Bridgewater Place,
Water Lane,
Leeds,
LS11 5DR

The Directors present their strategic report on the group for the eighteen month period ended 30 September 2015.

PRINCIPAL ACTIVITIES

The principal activity of the company and its subsidiary during the year was the operation of the Eggborough coal-fired power station. Trading of the station's output is carried out under the Energy Management Services Agreement (EMSA) between the Company and a third party Commodity Agent experienced in trading power, coal and carbon within the UK electricity market.

Since 31 March 2010 Eggborough Power Limited has been a wholly owned subsidiary of Eggborough Holdco 2 S.àr.l, a company registered in Luxembourg. On 15 January 2015, Eggborough Holdco 2 S.àr.l was acquired by EP United Kingdom s.r.o. a company incorporated in the Czech Republic. The Directors consider the ultimate parent undertaking to be Energetický a průmyslový holding, a.s., a company incorporated in the Czech Republic.

REVIEW OF THE BUSINESS

The result for the financial period is set out in the profit and loss account on page 9. The Group's loss for the period was £179m (2014 (restated): £34m profit) was transferred to reserves. The Directors consider the results to be satisfactory.

Total generation for the period was 8.5 TWh and the plant operated at a load factor of 33% reflecting less favourable market conditions for coal fired generators in the UK. The reduced load factor is consistent with other UK coal generators and reflects the impact of UK Government policy and lower gas prices.

During the period covered by these Financial Statements the expectation of future net cash flows that will be created by the power station assets has been reassessed downwards (reflecting the adverse movements in commercial factors noted previously). As a result, it was necessary to impair the book value of fixed assets and inventory.

The Company decided to commence formal consultation with employees in September 2015 in connection with a possible cessation of generation in March 2016. In December 2015, the Station was awarded a contract (by National Grid plc) to enter two units into the Strategic Balancing Reserve in the winter of 2016/17.

The most likely date for cessation of generation is March 2017, however, government policy to support coal generation is being introduced such as the capacity market auctions in spring 2017 which may enable the Station to continue operations for a number of years.

EXCEPTIONAL ITEMS

Exceptional items relating to the fall in future coal spreads and expected future cash generation, along with the subsequent recognition of a potential closure of the Station in March 2017, contributed to a net £118m charge (2014: £1m gain).

- £47m impairment of fixed assets to scrap value
- £39m acceleration of expected timing and re-examination of costs of decommissioning
- £20m business restructuring
- £12m impairment of inventory to scrap value

KEY PERFORMANCE INDICATORS

The Group uses a number of key performance indicators ("KPIs") to measure its safety and operational performance. The principal KPIs are set out below:

Key Performance Indicator	Description	18 months to 30 September 2015	12 months to 31 March 2014 (Restated)
Generation	Station output in TWh, after deductions for works power and direct supply sales	8.5 TWh	11.8 TWh
Load Factor	Generation as a proportion of total theoretical station capacity (including planned outages)	33%	71%
EBITDA[1]	Earnings before interest, tax, depreciation and amortisation	£(70)m	£53m
Employee Lost Time Incidents	Incidents resulting in employees taking more than 24 hours off work	1	1
All Accident Rate	Number of employee and contractor incidents (of any severity) per 100,000 hours worked	2.96	2.66

[1] *EBITDA is a non-statutory measure which is calculated by adding back depreciation and amortisation to operating (loss)/profit excluding exceptional items.*

Key Performance Indicators (continued)

Achieving safe and profitable generation is considered by the Directors to be of fundamental importance. Eggborough's approach to occupational safety and health is industry leading and this was recognised with a Gold award in the 2015 and 2014 RoSPA (Royal Society for the Prevention of Accidents) Safety Awards.

BUSINESS AND MARKET REVIEW

The outlook for the UK energy market is dominated by global commodity prices and UK Government energy policy, the main priorities of which are to decarbonise electricity generation, maintaining security of supply whilst reducing cost to consumers.

In April 2013 the UK Government introduced the Carbon Price Support (CPS) which is a tax on the fuel used by fossil fuel generators. In the period covered by these Financial Statements, there were two substantial increases in the rate of CPS. The approximate cost impact from April 2014 was £21 per tonne of coal delivered; rising to £41 per tonne from April 2015 (it was approximately £11 per tonne in the period ending March 2014).

Coal prices have continued to fall over the period covered in these Financial Statements due to the to the combined effect of lower demand from China and increased coal exports from the US which is being displaced by the growth of US shale gas. This price fall has not been large enough, however, to offset the increase in costs due to CPS.

At the same time, wholesale gas prices have fallen significantly, furthermore, gas generation is relatively less affected by increases in CPS. This has resulted in higher output from gas powered stations.

In May 2016, the UK Government announced an early Capacity Market auction to take place early in 2017 for the 2017/18 delivery year. This auction is intended to provide revenue support to stations such as Eggborough to continue to provide generation capacity.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is responsible for determining strategies and policies for risk and control, and management is responsible for Designing, operating and monitoring risk and control processes which implement Board policies effectively. Risk management and internal control are considered by the Board and its committees during the accounting period.

The risk management process operating throughout the accounting period and up to the date of approval of the report was based on the identification, mitigation and monitoring of the key risks that influence the Group's strategy and business objectives.

The Board reviews the Group's business objectives and the strategic, financial, legal and regulatory and operational risks and controls associated with these. Risks reviewed by the Board include:

- safe operation of the plant;
- security;
- plant condition and reliability;
- human performance;
- IT systems and business continuity;
- major contracts;
- the financial position of the Group;
- treasury and trading financial exposures including collateral;
- changes in energy markets (including electricity, coal and carbon prices and future developments in carbon schemes);
- policy proposals by legislative bodies in the markets in which we operate;
- safety regulations; and
- commercial and environmental regulation.

Throughout the period the Group's reporting arrangements monitored business performance against the business plan. Risk logs identifying business risks facing the Group were regularly considered at Board meetings and mitigation plans were established and monitored.

The conduct of risk assessment involves senior management of the entire Group in addition to the Executive Directors. The results of these assessments are summarised and reported to the Board. These risk assessments will continue to be used as part of the Group's evaluation of the risks it faces.

FINANCIAL RISK MANAGEMENT

The Company is exposed to market price fluctuations in the price of coal, EUA's and wholesale power. It manages these risks by entering forward contracts on each of these items for a proportion of expected output.

FUNDING AND CASHFLOW

The group has no debt and was fully equity funded throughout the period.

Group cash balances, including restricted cash, were £50m at 30 September 2015, a decrease of £91m, reflecting the increasing margin challenges faced by coal generators and higher than average levels of expenditure on the plant.

The reported net liabilities position of £(6)m includes full provision for costs of closure and decommissioning the power station. The great majority of these decommissioning cashflows will occur after cessation of generation and after a period of cash generative operations over winter 2015/16 and the SBR contract over winter 2016/17.

PRIOR YEAR RESTATEMENT

During the 18 months ended 30 September 2015, the Group amended its accounting policy on reporting Carbon Price Support (CPS). As a result of this change, the Group now records CPS on the Balance Sheet under inventory, which is measured on a LIFO (last in, first out stock valuation) basis. Previously, the Group recognised all CPS charges directly to the Profit and Loss at the point that the liability to HMRC was triggered (delivery). With the exception of this change, all other accounting polices remain the same and have been applied consistently throughout the financial year.

The adoption of this revised policy better aligns the Company's treatment with other coal powered power stations.

As a result of this change, profit before tax in the 12 months ended 31 March 2014 is restated to a level that is £7m higher than was previously reported. The profit before tax in 18 months to 30 September 2015 would have been £5m lower if the previous accounting policy had been applied. £12m of prepaid CPS is reported on the Group Balance Sheet at 30 Sept 2015.

GOING CONCERN

The Directors believe that the Going Concern basis is appropriately applied within these Financial Statements. The Company's ultimate owner Energetický a průmyslový holding, a.s. (EPH) has provided a 'Letter of Support' which confirms their commitment to ensuring that EPL has sufficient funds to meet its obligations under the Supplemental Balancing Reserve Contract.

FUTURE DEVELOPMENTS

With effect from 1 January 2016, the station has chosen to 'Opt Out' of the Industrial Emissions Directive (IED). This means that it avoids the need for major capital investment to improve emissions performance but also means that it may only operate for 17,500 hours or until 31 December 2023, whichever occurs first.

The Station has a contract to run two units in the SBR until March 2017 and continues to actively develop further options to extend plant operations beyond March 2017.

By order of the board

[redacted]

Andrew Neil O'Hara
Director
29 June 2016

Eggborough Power Limited
Directors' Report for the eighteen month period ended 30 September 2015

The directors present their eighteen month report and audited consolidated financial statements of the Group for the period ended 30 September 2015.

COMPANY REGISTRATION

The Company is registered in England with the company number 03782700.

DIRECTORS

The Directors of the Company who were in office during the eighteen months, and up to the date of signing the financial statements, unless otherwise stated were:

Jason Richard Lee Clarke	(resigned 16 January 2015)
Peter Douglas Coleman	(resigned 16 January 2015
Pavel Horský	(appointed 16 January 2015)
Daniel Křetínský	(appointed 16 January 2015)
Zachery Lewis	(resigned 16 January 2015)
Andrew Neil O'Hara	
William Francis Sebastian Rickett	(resigned 16 January 2015)
Jan Śpringl	(appointed 16 January 2015)
Marek Spurný	(appointed 16 January 2015)
Paul David Tomlinson	

DIVIDEND

No dividends have been paid or are proposed.

CHARITABLE AND POLITICAL DONATIONS

The Group made charitable donations during the eighteen month period of £3,781 (2014: £2,643) of which £nil (2014: £900) was made in support of the local community and £3,781 (2014: £1,743) were made to two national registered charities. No political donations were made during the year (2014: £nil).

RESEARCH AND DEVELOPMENT

The Group is committed to investing in new technologies to improve plant and environmental performance to ensure it is in the best position to meet the demands of future environmental constraints. Expenditure on research and development during the eighteen months ended 30 September 2015 was £nil (2014: £3.6m).

EMPLOYEES

The Company is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well-established formal consultation procedures.

The Group encourages the involvement of employees in the Group's performance through the provision for all employees of an annual bonus scheme linked to the Group's performance. Employees are briefed regularly in relation to the financial and economic factors that affect the performance of the Group.

The Group is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Group gives full and fair consideration to applications for employment of disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the group. If members of staff become disabled the group continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary. The policy is supported by a Code of Practice on harassment that recognises that all employees have the right to be treated with dignity and respect.

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Having made enquiries of fellow Directors and of the auditor, each of the Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of their Report of which the auditor is unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the auditor is aware of that information.

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

[redacted]

Andrew Neil O'Hara
Director
29 June 2016

Eggborough Power Limited
Independent auditor's report to the members of Eggborough Power Limited

Report on the financial statements

Our opinion

In our opinion, Eggborough Power Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2015 and of the group's loss and cash flows for the 18 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report and consolidated financial statements (the "Annual Report"), comprise:

- the consolidated and company balance sheets as at 30 September 2015;
- the consolidated profit and loss account and consolidated statement of total recognised gains and losses for the period then ended;
- the consolidated cashflow statement for the period then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's and the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

What an audit of financial statements involves (continued)
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

[redacted]

Mark Hoskyns-Abrahall (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
30 June 2016

Eggborough Power Limited
Consolidated Profit and Loss Account for the eighteen month period ended 30 September 2015

	Note	**Eighteen months ended 30 Sept 2015**	Twelve months ended 31 Mar 2014 Restated
		£m	£m
Turnover	2	**510**	653
Other income	2	**-**	7
Cost of sales		**(388)**	(491)
Gross profit		**122**	169
Operating costs	3	**(201)**	(133)
Operating (loss) / profit on ordinary activities before interest and taxation		**(79)**	36
Finance charges	6	**3**	2
Exceptional items	7	**(118)**	1
(Loss) / profit on ordinary activities before taxation		**(194)**	39
Taxation on (loss) / profit on ordinary activities	8	**15**	(7)
(Loss)/ profit for the financial period	20	**(179)**	32

All activities are continuing.

The prior year comparative (2014) has been restated to reflect a change in accounting policy on Carbon Price Support (note 1).

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the financial year stated above and their historical costs equivalents.

Consolidated Statement of Total Recognised Gains and Losses for the eighteen month Period Ended 30 September 2015

	Note	**Eighteen months ended 30 Sept 2015**	Twelve months ended 31 Mar 2014 Restated
		£m	£m
(Loss) / profit for the financial period/year		**(179)**	27
Restatement of prior year due to change in accounting policy		**-**	7
Prior year tax adjustment in respect of accounting change		**-**	(2)
Group profit for the financial year (after restatement)		**(179)**	32
Items taken directly to the reserves			
Actuarial (loss) / gain	18	**(10)**	(6)
Recognise prior year pension asset	18	**1**	2
Deferred Tax	15	**2**	-
Capital reduction	20	**-**	64
Total recognised (losses) / gains for the period/year		**(186)**	92

During the period, the Company changed its policy on accounting for Carbon Price Support (CPS) (note 1).

The cumulative impact on recognised profit at 30 September 2015 resulting from the change in accounting policy on CPS is an increase of £12m (before any adjustment for taxation). £12m is now recognised in Stock at 30 September 2015, refer note 13. Profit before tax in the period to 30 September 2015 wouldl have been £5m lower if the previous accounting policy had been applied.

Eggborough [redacted]

		[redacted]		[redacted]	
	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
		£m	[redacted]	£m	£m
[redacted]					
[redacted]	[redacted]	-	[redacted]	-	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	-	-	-	-
[redacted]					
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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		[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	-	-	-	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	-	[redacted]	-
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]
[redacted]					
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	-	-	-	-
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]	[redacted]	[redacted]

[redacted]

[redacted]
by:

[redacted]

Andrew Neil O'Hara
Director
29 June 2016

Eggborough Power Limited
Consolidated Cashflow Statement for the eighteen month period ended 30 September 2015

	Note	30 Sept 2015 £m	31 Mar 2014 Restated £m
Net cash (outflow)/inflow from operating activities	24	**(96)**	60
Taxation		**4**	(8)
Capital expenditure and financial investment			
Proceeds on disposal of fixed assets		**1**	3
Equity Dividends paid to shareholders		**-**	(50)
Change in cash		**(91)**	5

1. ACCOUNTING POLICIES

(i) Basis of Preparation
These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with aspects of the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results can differ from those estimates.

Management believe that the going concern basis is appropriately applied. At the balance sheet date, the negative net assets position includes full provision for closure and future decommissioning, it also precedes cash generative operations after the balance sheet date. Furthermore, the company's ultimate owner Energetický a průmyslový holding, a.s., has provided a 'Letter of Support' to the Company and a guarantee to the main pension scheme (note 18).

During the 18 months ended 30 September 2015, the Group amended its accounting policy on reporting Carbon Price Support (CPS). As a result of this change, the Group now records CPS on the Balance Sheet under inventory, which is measured on a LIFO basis. Previously, the Group recognised all CPS charges directly to the Profit and Loss at the point that the liability to HMRC was triggered (delivery). With the exception of this change, all other accounting polices remain the same and have been applied consistently throughout the financial year.

(ii) Basis of Consolidation
The financial statements consolidate the financial statements of the Company and its subsidiary undertaking, Eggborough Newco Limited.

The subsidiary is consolidated into the financial statements of the Group from the date that control commences until the date control ceases, using the acquisition method of accounting.

Control exists when the company has power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

Intra-Group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

(iii) Turnover
Turnover is recognised through the Energy Management Services Agreement with the Commodity Agent, and represents the net settled position of power sale and purchase contracts. Turnover also includes revenues from participating within the Balancing Mechanism (in periods where this results in net revenue), the provision of ancillary services, direct sales to end customers and sales of station by-products. Turnover is shown net of value added tax and climate change levy.

(iv) Fuel Costs
All fuel costs which relate to the generation of electricity are included within cost of sales.

Coal burn costs are valued at the prevailing market price, and are net of gains and losses made on any settled financial coal swaps transacted by the Commodity Agent.

Carbon costs represent the cost of acquiring certificates under the European Union Emissions Trading Scheme (EU ETS) in order to settle the liability arising on carbon emissions in the period. Where contracts have been entered into to acquire these EU ETS certificates, or where EU ETS certificates are already held by the Company, the liability will be valued at the weighted average purchase price of these certificates. Where carbon emissions exceed the contracted level of certificates, the excess is valued at the prevailing market price for EU ETS certificates at the period end date.

During the 18 month period, the Company amended its accounting policy on Carbon Price Support (CPS) as described above.

(v) Research and Development
Research and development expenditure is charged to the Profit and Loss Account in the period in which it is incurred, until such time that the expenditure leads to further investment that can be shown to have an economic payback.

(vi) Pensions and Other Post Retirement Benefits
The Group provides for pension costs in accordance with FRS 17 – Post Retirement Benefits. Contributions to the Group's defined benefit pension scheme are assessed by qualified actuaries. Pension plan assets are measured using market values. Pension plan liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

Any increase in the present value of the liabilities of the Group's defined benefit pension plan expected to arise from employee service in the period is charged against operating profit. The expected return on the plan's assets and the increase during the period in the present value of the plan's liabilities arising from the passage of time are included in other finance income.

Actuarial losses are recognised immediately in the Statement of Total Recognised Gains and Losses. Actuarial gains are only recognised to the extent that the year end coincides with a triennial valuation of the pension scheme and the recoverability of the asset has been agreed with the pension trustees.

1. ACCOUNTING POLICES (continued)

(vii) Intangible Assets
Intangible assets represent carbon certificates that have been purchased by the company to surrender against its obligations under the EU Emissions Trading System (EU TS).

(viii) Tangible Fixed Assets and Depreciation, including Decommissioning Costs
IT assets are depreciated over four years on a straight line basis.

Land is held at historical cost value and is not depreciated.

During the period, Plant and Strategic Spares have been impaired to residual scrap value. An impairment is reflected in the financial period as a result of future market margins declining. Prior to this, plant and strategic spares were valued at full historical cost and were depreciated on a straight-line basis over the useful economic life of the Power Plant.

A review has been performed by the Directors to appraise the remaining useful economic life of the operating plant. Taking into account the current configuration of the plant, existing and emergent legislation, and expectations of future market developments, the plant has been assessed as having a useful economic life that ends on 31 March 2017 (2014: 31 March 2020). This is reflected in depreciation charges in the current period of account.

The costs of decommissioning the power station have been re-estimated in the period. An assessment of the processes and methods likely to be used for decommissioning has been undertaken and quotations received from experts in power station decommissioning.

The directors' annually consider the carrying value of tangible assets based on market indicators to ensure they are appropriately valued in the financial statements.

(ix) Stocks of Spares, Coal, Oil, Biomass and Consumables
Stocks of coal, oil, and biomass are valued at average cost.

Inventory, including general consumables is valued at net realisable value (scrap), this is consistent with the treatment of fixed assets noted above. Prior to this, the provision increased year on year to ensure that any inventory held at station closure (2014: 31 March 2020) was valued at £nil.

Coal stock represents coal which has been transferred to the mill bunkers but not yet burnt. All remaining coal held onsite is owned by a third party commodity agent.

The carrying value of inventory for the Power Station is reduced to scrap value following an impairment review.

(x) Taxation
Current tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and those stated in the financial statements. Deferred tax is measured, on an undiscounted basis, at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are only recognised to the extent that it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted.

Deferred tax is recognised in the Profit and Loss Account except to the extent that it is attributable to a gain or loss that is or has been recognised directly in the Statement of Total Recognised Gains and Losses in which case the deferred tax is recognised directly in that statement.

(xi) Restricted Cash
Cash which is placed in term deposits which mature more than one day after the end of the financial year, has been used as collateral with counterparty is classified under current assets as restricted cash.

Restricted cash includes amounts held in a restricted bank account as part of the pension funding agreement with the Trustees of the main Company pension scheme (note 18).

2. TURNOVER

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Turnover	510	653
Other Income		
Insurance proceeds	-	7
	-	7

All income is attributable to continuing activities.

3. OPERATING COST DISCLOSURE

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 restated £m
Operating costs		
Materials and services	145	89
Depreciation and, movements in provisions	10	18
Staff costs (note 4)	46	26
Total operating costs	201	133

The Materials and Services prior year comparator is restated due to the Group's change in Accounting Policy relating to recognition of Carbon Price Support.

The auditor's remuneration for audit services was £95,333 (2014: £68,870).The auditor's remuneration for other services was £151,847 (2014: £68,700).

4. STAFF COSTS

Group and Company

a) **Staff costs**	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Wages and salaries	35	19
Social security costs	4	2
Pension costs (note 18)	7	5
Total staff costs	46	26

b) **Employee numbers**

	18 months ended 30 Sept 2015 Number	12 months 31 Mar 2014 Number
Average number of employees during the eighteen months / year was:		
Management and support staff	59	61
Asset management	103	108
Operations	136	138
	298	307

5. SUMMARY OF DIRECTORS' EMOLUMENTS

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Directors' emoluments		
Aggregate amounts	4	3

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Highest paid director		
Aggregate amounts	3	3

	Number of directors	
	18 months ended 30 Sept 2015	12 months ended 31 Mar 2014
The number of directors who:		
Are members of a money purchase pension scheme	1	1
Are members of a defined benefit pension scheme	1	1

All emoluments in the eighteen months ended 30 September 2015 and year ended 31 March 2014 were made by the Company.

6. FINANCE CHARGES

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Interest receivable and similar income		
Expected return on assets in the pension scheme (note 18)	11	7
Interest on pension scheme liabilities (note 18)	(8)	(5)
	3	2

7. EXCEPTIONAL ITEMS

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Exceptional items		
Restructuring and other	20	-
Spares impairment	12	-
Fixed asset impairment	47	-
Decommissioning provision	39	-
Loss on disposal of fixed assets	-	2
Net proceeds of disposal of fixed assets affected by insurance claim	-	(3)
	118	(1)

The potential cessation of generation in March 2017 has resulted in the recognition of a £20m provision for the termination of operations at Eggborough Power Station.

The value of spares and fixed assets has been reduced to scrap value (refer note 1).

During the period the cost of decommissioning the Station was re-assessed using a range of expert inputs, furthermore, the present value of the liability has been adjusted to reflect the revised cessation date of March 2017.

In 2014, a £2m charge was recorded eliminating the book value associated with assets that are no longer required following a successful change in operational processes. In addition, a £3m credit was recorded recognising a settled insurance claim.

8. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 Restated £m
Current tax		
UK corporation tax on (loss)/profit for the period	**(12)**	12
Adjustments in respect of prior periods	**2**	-
	(10)	12
Deferred tax		
Origination and reversal of timing differences	**(5)**	(4)
Change in tax rate – impact on deferred tax	**-**	(1)
	(5)	(5)

The current tax assessed for the year is lower (2014: higher) than the standard rate of corporation tax in the UK of 20.67% (2014: 23%). A reconciliation of the effective tax rate for the current year tax charge is set out below.

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 Restated £m
(Loss)/profit on ordinary activities before taxation	**(194)**	39
Tax charge on profit on ordinary activities at standard rate 20.67% (2014: 23%)	**(40)**	9
Expenses not allowable	**8**	-
Accelerated capital allowances	**10**	-
Effect of other timing differences	**2**	-
Difference in tax rates for losses carried back	**(1)**	-
Adjustment in respect of prior periods	**2**	-
Effect of tax losses not recognised	**9**	-
Depreciation on qualifying capital expenditure in year in excess of capital allowances	**-**	3
Current tax charge for period/year	**(10)**	12

9. DIVIDENDS

Group and Company

	18 months ended 30 Sept 2015 £m	12 months ended 31 Mar 2014 £m
Equity - Ordinary		
Final paid (2014); 61pence per £1.00 share	**-**	50

No dividend is proposed for the eighteen month period ended 30 September 2015.

10. INTANGIBLE ASSETS

Group and Company

	Intangible assets £m
Cost	
At 1 April 2014	64
Additions	35
Disposals	(99)
At 30 September 2015	-

The Company has an intangible asset of £nil (2014: £64m). Intangible assets relate to European Union Allowances (EUA) purchased to settle the Company's carbon liability for 2013 (£64m) and 2014 (£35m). EUA allowances that have been contracted for the six month period to September 2015 are yet to be transferred across to the Company's registry and therefore are not recognised as an intangible asset. All EUA allowances are valued at their weighted average purchase price.

11. TANGIBLE ASSETS

Group and Company fixed assets

	Buildings £m	Strategic Spares £m	Plant & Machinery £m	Software £m	Total £m
Cost or valuation					
At 1 April 2014	38	11	155	4	208
Other adjustments	3	-	-	-	3
Transfer	-	(3)	3	-	-
Disposals	-	(2)	-	-	(2)
Impairment of Assets	(1)	(2)	(44)	-	(47)
At 30 September 2015	40	4	114	4	162
Accumulated depreciation and impairment losses					
At 1 April 2014	31	5	99	4	139
Depreciation for the period	1	1	6	-	8
Transfer	-	(1)	1	-	-
Disposals	-	(1)	-	-	(1)
At 30 September 2015	32	4	106	4	146
Net book amount					
At 30 September 2015	8	-	8	-	16
At 31 March 2014	7	6	56	-	69

Freehold land, with a cost of £105,000 (2014: £105,000), has not been depreciated.

Net book value of £16m at 30 September 2015 represents the estimated recoverable scrap value at that date.

12. INVESTMENTS

Group and Company

The Company acquired the entire issued share capital of Eggborough Newco Limited (a company incorporated in the United Kingdom) on 31 March 2010 for a consideration of £2. A decision was made to voluntarily dissolve Eggborough Newco Limited on 3 November 2015.

In addition, the Company was gifted 22,000 shares in the Electricity Supply Pension Scheme on 31 March 2010. No value is attributable to this investment.

13. STOCKS

Group and Company

	30 Sept 2015 £m	31 Mar 2014 Restated £m
Spares	-	8
Fuel and prepaid CPS	13	8
Consumables	-	2
	13	18

2014 prior year comparative has been restated to include prepaid Carbon Price Support, following a change in accounting policy.

During the period, the net value of Spares has been reduced to scrap value. This is explained in note 1.

14. DEBTORS

	Group		Company	
	30 Sept 2015 £m	31 Mar 2014 £m	**30 Sept 2015 £m**	31 Mar 2014 £m
Amounts falling due within one year:				
Trade debtors	7	26	7	27
Other debtors	17	17	17	17
Prepayments and other receivables	4	2	4	2
	28	45	28	46

Other debtors include £17m (2014: £17m) relating to EUA certificates acquired on the group's behalf by a third party commodity agent that had not been transferred to the Groups EU ETS registry at the balance sheet date. These certificates are valued at the weighted average price paid for them in the year.

Transactions between Eggborough Power Limited and Eggborough Newco Limited are presented on a net basis reflecting the agreement in place. These transactions are on an unsecured basis with no interest chargeable and no fixed repayment date.

	Group		Company	
	30 Sept 2015 £m	31 Mar 2014 £m	**30 Sept 2015 £m**	31 Mar 2014 £m
Amounts falling due after more than one year:	-	-	-	4

Eggborough Newco Limited was liquidated on the 3 November 2015. The £4m intercompany loan to Eggborough Newco Limited which is unsecured, interest free was cancelled in June 2015.

15. DEFERRED TAXATION

Group and Company

	30 Sep 2015 £m	31 Mar 2014 £m
Accelerated capital allowances	2	8
Short term timing differences	4	(1)
Taxation losses	9	-
Deferred tax not recognised	(15)	-
Deferred tax asset	-	7

	£m
As at 1 April 2014	7
Deferred tax charge:	
- disclosed in Profit and Loss Account	(5)
- disclosed in Statement of Recognised Gains and Losses	(2)
As at 30 September 2015	-

Group and company

	30 Sep 2015 £m	31 Mar 2014 £m
Included in:		
Retirement benefits (note 18)	-	-
Provisions for liabilities and charges (note 17)	-	7
	-	7

The Finance Bill 2015 (2) announced that the corporation tax rate will be reduced to 19% from 1 April 2017 and to 18% from 1 April 2020. The Finance Bill was not enacted at the balance sheet date and deferred taxes balances have been recognised at 20%, the different rate of corporation tax.

The deferred tax asset has not been recognised due to potential closure on 31 March 2017.

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
Amounts due within one year:	**30 Sep 2015**	31 mar 2014	**30 Sep 2015**	31 Mar 2014
	£m	£m	**£m**	£m
Trade creditors	**5**	6	**5**	6
Amounts owed to group undertakings	**-**	-	**-**	4
Corporation tax	**-**	6	**-**	6
Taxation and social security	**1**	1	**1**	1
Other creditors	**17**	80	**17**	80
Accruals and deferred income	**11**	42	**11**	42
	34	135	**34**	139

Other creditors include £17m (2014: £80m) relating to the Company's obligations under the European Union Emissions Trading Scheme. The obligation is to be settled in EUA certificates, which have been valued at the average purchase price of certificates acquired in the year.

Amounts owed to group undertakings are on an unsecured basis with no interest payable with no fixed repayment date and are reported on a net basis, reflecting the agreement in place.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Group and Company

	Deferred Tax	**Restructure & other**	**Site restoration**	**Total**
	£m	**£m**	**£m**	**£m**
As at 1 April 2014	7	-	15	22
(Decreased)/ increased during the period	(7)	20	42	55
As at 30 September 2015	**-**	**20**	**57**	**77**

The site restoration provision is to provide for all costs of the eventual decommissioning of Eggborough Power Station scheduled in 2017 (2014: 2020) and is stated at 2015 prices.

18. POST RETIREMENT BENEFIT OBLIGATIONS

Group and Company

Eggborough Power Limited contributes to the pension arrangement operated by the Eggborough Power Group within the Electricity Supply Pension Scheme (ESPS). The ESPS is a defined benefit scheme, which is externally funded and subject to an actuarial valuation. Each pension group that participates in the ESPS is financially independent from the other groups.

The disclosures below relate to the Eggborough Power Group of the ESPS (the EP Group). The FRS 17 liabilities have been based on the results of the triennial actuarial valuation of the scheme as at 31 March 2012 which have been adjusted using agreed assumptions to roll the valuation forwards by Broadstone using methodology prescribed under Financial Reporting Standard 17.

For this Group, the updated valuation was determined using the projected unit credit method ("PUC Method").

The following contributions were made to the pension arrangements during the eighteen month period ended 30 September 2015 was:

Company Contributions	£11.0m
Member Contributions	£0.2m

The Company contributions include deficit repair contributions of £3.8m (2014: £2.5m). The Company also pays contributions toward the cost of the additional benefits being accrued during the year. For the 18 month period to 30 September 2015, the total cost of this accrual, including the member share amounted to £7.2m (12 month to 31 March 2014: £4.0m). Based on the ongoing funding assumptions from the 2012 Actuarial Valuation, this cost of accrual represents 47.8% of pensionable earnings.

Following the completion of the 31 March 2012 actuarial valuation, a deficit repair plan was agreed between the shareholders and trustees whereby additional contributions of £2.6m per annum would be paid into the scheme until 31 December 2019.

EPL's ultimate parent company, Energetický a průmyslový holding, a.s. has entered into an agreement to fund outstanding liabilities of the 'Eggborough Power Group scheme' pension scheme in the event that EPL is unable to do so.

18. POST RETIREMENT BENEFIT OBLIGATIONS (continued)

The amounts disclosed in the balance sheet under FRS 17 in respect of the Company's funded defined benefit pension scheme are as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Fair value of plan assets	137	120	113	94	82	72
Present value of defined benefit obligations	(139)	(119)	(110)	(97)	(80)	(86)
	(2)	1	3	(3)	2	(14)
Related deferred tax asset	-	-	-	1	-	4
Adjustment to derecognise pension asset	-	(1)	(3)	-	(2)	-
Net pension liability	(2)	-	-	(2)	-	(10)

Restricted cash balances include £19.8m (2014: £15.9m) which is held in an Escrow arrangement under a funding agreement with the Pension Trustees, these amounts are not reflected above.

Group and Company

The major assumptions used by the actuaries for the defined benefit plan were:

	30 Sep 2015 % pa	31 Mar 2014 % pa
Retail price inflation (RPI)	3.1	3.3
Rate of general increase in salaries	3.6	3.8
Rate of increase of pensions in payment	3.0	3.2
Discount rate	3.8	4.4
Expected return on assets	5.0	6.1

Mortality assumptions:

	30 Sep 2015 Male years	30 Sep 2015 Female years	31 Mar 2014 Male years	31 Mar 2014 Female years
Life expectancy for active members currently aged 63	86.6	89.1	87.1	89.5
Life expectance for active members aged 63 in 20 years time	88.9	91.4	89.4	91.9

Changes in the fair value of plan assets are as follows:

	30 Sep 2015 £m	31 Mar 2014 £m
Opening fair value of plan assets	120	113
Expected return on plan assets	11	7
Actuarial (losses)/ gains	1	(3)
Contributions by employer	11	6
Benefits paid	(6)	(3)
Closing fair value of plan assets	137	120

The actual return on scheme assets during the 18 month period to 31 September 2015 was £11m (2014: £4m).

The major categories of plan assets are as follows:

	30 Sep 2015 £m	31 Mar 2014 £m
Equities	65	60
Bonds	60	48
Target Return Funds	12	12
Closing fair value of plan assets	137	120

Changes in the present value of the defined benefit obligations are as follows:

	30 Sep 2015 £m	31 Mar 2014 £m
Opening defined benefit obligations	119	110
Current service cost	8	5
Interest cost	8	5
Actuarial losses	10	2
Benefits paid	(6)	(3)
Closing defined benefit obligations	139	119

18. POST RETIREMENT BENEFIT OBLIGATIONS (continued)

The amounts recognised in the profit and loss account are as follows:

	30 Sep 2015 £m	31 Mar 2014 £m
Current service cost	7	5
Interest cost	8	5
Expected return on plan assets	(11)	(7)
Total amounts recognised in the profit and loss account	4	3

Analysis of the amount recognised in the statement of total recognised gains and losses (STRGL)

	30 Sep 2015 £m	31 Mar 2014 £m
Total actuarial (loss)/gain	(10)	(6)
Deferred Tax	2	-
Total amounts recognised in the STRGL	(8)	(6)

The history of experience gains and losses is as follows:

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Actual return less expected return on post employment plan assets	-	(3)	10	(1)	2	15
As % of plan assets at the end of the year	0%	3%	9%	1%	2%	21%
Experience gains arising on plan liabilities	-	(3)	-	-	-	1
As % of plan liabilities at the end of the year	0%	2%	0%	0%	0%	1%

19. CALLED UP SHARE CAPITAL

Group and Company

	30 Sep 2015 £m	31 Mar 2014 £m
Allotted, called up and fully paid		
82,000,000 (2014: 82,000,000) ordinary shares of £1 each	82	82

20. RECONCILIATION OF SHAREHOLDERS' (DEFICIT)/FUNDS AND MOVEMENT ON RESERVES

Group and Company

	Called up Share capital £m	Capital reserves £m	Profit & Loss account £m	Total £m
Reserves position at 1 April 2014	82	134	(43)	173
Change in accounting policy on CPS	-	-	7	7
Reserves position at 1 April 2014 (restated)	82	134	(36)	180
(Loss) for the financial year	-	-	(179)	(179)
Deferred Tax (note 15)	-	-	2	2
Transfer from capital reserves to profit and loss	-	(132)	132	-
FRS 17 actuarial movements	-	-	(10)	(10)
Recognise prior year pension asset	-	-	1	1
As at 30 September 2015	82	2	(90)	(6)

The £134m Capital Reserve includes £132m that relates to the restatement of Tangible Fixed Assets to historical cost in 2011 being the total capital contribution the Group received from previous shareholders. These Tangible Fixed Assets have been fully impaired to scrap value in these financial statements.

On the 26 April 2013, the shareholders approved a share resolution that reduced 90,069,460 ordinary shares at £1 each to 82,000,000 at £1 each. The reduction was effected by cancelling and extinguishing 8,069,460 of existing ordinary shares registered in the name of Eggborough HoldCo2 S.à.r.l.

21. COMMITMENTS

At 30 September 2015, the Company had £nil capital commitments (2014: £nil) and £7m (2014: £nil) commitments to purchase fuel.

In 2010, the company sold the coal stock to a third party commodity agent with a commitment to repurchase it at market rates. The current agreement is an extension of the original agreement and expires 31 March 2016. If this agreement had ended on 30 September 2015 the value of the liability would have been £58m. At the date of signing these accounts, the agreement had expired with no financial penalties due.

22. RELATED PARTIES

Group and Company

The Group was acquired by Energetický a průmyslový holding, a.s. on the 15th January 2015. Prior to this, the Group was owned by a consortium of companies, with the majority ownership held by affiliates of funds and accounts managed by Strategic Value partners, LLC and its affiliates. The Group has controls in place to monitor expenditure with other parties who may be deemed a related party as defined by FRS 8 - Related Parties.

There was £nil net intercompany debtor with Eggborough Newco Ltd (2014: £0.4m). There was a small intercompany balance of £2k with Eggborough HoldCo 2 S.àr.l.

There were no outstanding balances or transactions entered into with any companies with whom the directors of the Group have significant influence or control over.

23. ULTIMATE PARENT UNDERTAKING

Group and Company

In the opinion of the Directors, the Company's ultimate controlling party is Energetický a průmyslový holding, a.s., a company incorporated in the Czech Republic. The parent undertaking of the largest group is EP United Kingdom s.r.o. a company incorporated in Czech Republic. The Company's immediate parent company is Eggborough HoldCo 2 S.àr.l., a company incorporated in Luxembourg.

24. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOWS

Group

	Note	30 Sep 2015 £m	31 mar 2014 Restated £m
Operating (loss)/profit		(79)	36
Depreciation charge, provision movement and other non-cash capital additions		2	18
Pension deficit repair payments	18	(4)	(2)
		(81)	52
Decrease/(increase) in stocks	13	5	(6)
Decrease /(increase) in debtors	14	17	11
(Decrease) /increase in creditors	16	(101)	(20)
Total net decrease in working capital		(79)	(15)
Net decrease/ (increase) in emissions allowances		64	23
Net Cash inflow from operating activities		(96)	60

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

Group

	30 Sep 2015 £m	31 Mar 2014 £m
(Decrease)/increase in cash in the period/year	(91)	5
Movement in net debt for the period/year	(91)	5
Net cash at 1 April 2014	141	136
Net cash at 30 September 2015	50	141

26. ANALYSIS OF NET FUNDS

Group

	At 1 April 2014 £m	Cash Flows £m	At 30 Sep 2015 £m
Cash at bank in hand	114	(92)	22
Restricted Cash	27	1	28
Debt due within 1 year	-	-	-
Debt due after 1 year	-	-	-
	141	(91)	50

APPENDIX 2: AUDITED ACCOUNTS (EPH)

KPMG Česká republika Audit, s.r.o.
Pobřežní 648/1a
186 00 Praha 8
Česká republika

Telephone +420 222 123 111
Fax +420 222 123 100
Internet www.kpmg.cz

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

Independent Auditor's Report to the Shareholders of Energetický a průmyslový holding, a.s.

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

Statutory Body's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Information

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

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

We have nothing to report in this regard.

Prague
31 May 2016

[redacted]

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

Vladimír Dvořáček
Partner
Registration number 2332

Energetický a průmyslový holding, a.s.

Consolidated Financial Statements
as of and for the year ended 31 December 2015

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

Content

Consolidated statement of comprehensive income

For the year ended 31 December 2015

In thousands of EUR ("TEUR")

	Note	2015	2014
Continuing operations			
Sales: Energy	7	4,440,004	3,532,759
of which: Electricity		*2,270,032*	*1,491,679*
Gas		*1,581,128*	*1,435,027*
Heat		*298,580*	*271,329*
Coal		*289,170*	*334,724*
Other energy products		*1,094*	-
Sales: Other	7	119,574	118,888
Gain (loss) from commodity derivatives for trading with electricity and gas, net		11,790	13,217
Total sales		**4,571,368**	**3,664,864**
Cost of sales: Energy	8	(2,088,704)	(1,647,561)
Cost of sales: Other	8	(59,723)	(69,484)
Total cost of sales		**(2,148,427)**	**(1,717,045)**
Subtotal		**2,422,941**	**1,947,819**
Personnel expenses	9	(441,608)	(397,680)
Depreciation and amortisation	16, 17	(540,327)	(548,422)
Repairs and maintenance		(59,701)	(16,091)
Emission rights, net	10	(51,782)	(18,944)
Negative goodwill	6	285,307	-
Taxes and charges	11	(53,777)	(20,164)
Other operating income	12	63,054	61,959
Other operating expenses	13	(241,621)	(162,433)
Profit (loss) from operations		**1,382,486**	**846,044**
Finance income	14	32,098	48,319
Finance expense	14	(260,630)	(259,646)
Profit (loss) from financial instruments	14	(49,621)	(20,882)
Net finance income (expense)		**(278,153)**	**(232,209)**
Share of profit (loss) of equity accounted investees, net of tax	19	4,799	(3,378)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates	6	(1,407)	108,681
Profit (loss) before income tax		**1,107,725**	**719,138**
Income tax expenses	15	(269,462)	(224,942)
Profit (loss) from continuing operations		**838,263**	**494,196**
Discontinued operations			
Profit (loss) from discontinued operations, net of tax	26	-	(22,758)
Profit (loss) for the year		**838,263**	**471,438**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations	15	(68,057)	16,008
Foreign currency translation differences from presentation currency	15	109,949	(5,728)
Effective portion of changes in fair value of cash-flow hedges, net of tax	15	77,825	(5,885)
Fair value reserve included in other comprehensive income, net of tax	15	5,902	(9,843)
Other comprehensive income for the year, net of tax		**125,619**	**(5,448)**
Total comprehensive income for the year		**963,882**	**465,990**
Profit (loss) attributable to:			
Owners of the Company			
Profit (loss) for the year from continuing operations		494,520	198,195
Profit (loss) for the year from discontinued operations		-	(11,151)
Profit (loss) for the year attributable to owners of the company		**494,520**	**187,044**
Non-controlling interest			
Profit (loss) for the year from continuing operations		343,743	296,001
Profit (loss) for the year from discontinued operations		-	(11,607)
Profit (loss) for the year attributable to non-controlling interest		**343,743**	**284,394**
Profit (loss) for the year		**838,263**	**471,438**
Total comprehensive income attributable to:			
Owners of the Company		547,902	176,247
Non-controlling interest		415,980	289,743
Total comprehensive income for the year		**963,882**	**465,990**
Basic and diluted earnings per share from continuing operations in EUR	28	**0.10**	**0.03**
Total basic and diluted earnings per share in EUR	28	**0.10**	**0.03**

The notes presented on pages 9 to 142 form an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 December 2015
In thousands of EUR ("TEUR")

	Note	2015	2014
Assets			
Property, plant and equipment	16	7,947,196	7,705,822
Intangible assets	17	274,822	269,295
Goodwill	17	136,816	98,938
Investment property	18	2,531	-
Equity accounted investees	19	247,007	206,031
Restricted cash	24	32,255	-
Financial instruments and other financial assets	33	151,540	159,376
Trade receivables and other assets	22	47,561	29,157
Deferred tax assets	20	63,134	9,681
Total non-current assets		**8,902,862**	**8,478,300**
Inventories	21	164,051	91,796
Extracted minerals and mineral products		184,558	185,741
Trade receivables and other assets	22	587,714	449,332
Financial instruments and other financial assets	33	308,599	82,443
Prepayments and other deferrals		93,878	5,240
Tax receivables	25	82,907	27,650
Restricted cash	24	255,950	-
Cash and cash equivalents	23	705,838	910,087
Assets/disposal groups held for sale	26	23,521	26,131
Total current assets		**2,407,016**	**1,778,420**
Total assets		**11,309,878**	**10,256,720**
Equity			
Share capital	27	207,651	207,651
Share premium	27	63,694	63,694
Reserve for own shares	27	(932,382)	(932,382)
Other reserves	27	(136,422)	(189,789)
Retained earnings		1,641,899	1,149,534
Total equity attributable to equity holders		**844,440**	**298,708**
Non-controlling interest	29	1,943,943	2,241,468
Total equity		**2,788,383**	**2,540,176**
Liabilities			
Loans and borrowings	30	4,850,919	4,247,830
Financial instruments and financial liabilities	33	32,472	28,564
Provisions	31	824,751	479,427
Deferred income	32	96,810	85,688
Deferred tax liabilities	20	1,119,475	1,126,411
Trade payables and other liabilities	34	120,981	84,324
Total non-current liabilities		**7,045,408**	**6,052,244**
Trade payables and other liabilities	34	753,012	550,351
Loans and borrowings	30	376,163	891,508
Financial instruments and financial liabilities	33	87,923	55,064
Provisions	31	171,296	116,688
Deferred income	32	12,151	4,294
Current income tax liability		60,875	29,980
Liabilities from disposal groups held for sale	26	14,667	16,415
Total current liabilities		**1,476,087**	**1,664,300**
Total liabilities		**8,521,495**	**7,716,544**
Total equity and liabilities		**11,309,878**	**10,256,720**

The notes presented on pages 9 to 142 form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

In thousands of EUR ("TEUR")	Attributable to owners of the Company												
	Share capital	**Share premium**	**Reserve for own shares**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance as at 1 January 2015 (A)	207,651	63,694	(932,382)	22,538	5,869	(70,021)	(9,886)	(53,868)	(84,421)	1,149,534	298,708	2,241,468	2,540,176
Total comprehensive income for the year:													
Profit or loss (B)	-	-	-	-	-	-	-	-	-	494,520	494,520	343,743	838,263
Other comprehensive income:													
Foreign currency translation differences for foreign operations	-	-	-	-	-	(22,038)	-	-	-	-	(22,038)	(46,019)	**(68,057)**
Foreign currency translation differences from presentation currency	-	-	-	-	-	14,672	-	-	-	-	14,672	95,277	**109,949**
Revaluation reserve included in other comprehensive income, net of tax	-	-	-	-	-	-	6,323	-	-	-	6,323	(421)	**5,902**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	-	-	54,425	-	54,425	23,400	**77,825**
Total other comprehensive income (C)	-	-	-	-	-	**(7,366)**	**6,323**	-	**54,425**	-	**53,382**	**72,237**	**125,619**
Total comprehensive income for the year (D) = (B + C)	-	-	-	-	-	**(7,366)**	**6,323**	-	**54,425**	**494,520**	**547,902**	**415,980**	**963,882**
Transfers within equity:													
Transfer from non-distributable reserves - release of legal fund (Note 27)	-	-	-	-	(15)	-	-	-	-	15	-	-	-
Total transfers within equity (E)	-	-	-	-	**(15)**	-	-	-	-	**15**	-	-	-
Contributions by and distributions to owners:													
Increase in share capital	-	-	-	-	-	-	-	-	-	-	-	259	**259**
Decrease in share capital	-	-	-	-	-	-	-	-	-	-	-	(128,469)	**(128,469)**
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	(632,223)	**(632,223)**
Total contributions by and distributions to owners (F)	-	-	-	-	-	-	-	-	-	-	-	**(760,433)**	**(760,433)**
Changes in ownership interests in subsidiaries:													
Effect of changes in shareholding on non-controlling interest	-	-	-	-	-	-	-	-	-	(2,170)	(2,170)	(3,404)	**(5,574)**
Effects from acquisitions through business combinations (Note 6)	-	-	-	-	-	-	-	-	-	-	-	50,332	**50,332**
Total changes in ownership interests in subsidiaries (G)	-	-	-	-	-	-	-	-	-	**(2,170)**	**(2,170)**	**46,928**	**44,758**
Total transactions with owners (H) = (F + G)	-	-	-	-	**(15)**	-	-	-	-	**(2,155)**	**(2,170)**	**(713,505)**	**(715,675)**
Balance as at 31 December 2015 (I) = (A + D + E + H)	**207,651**	**63,694**	**(932,382)**	**22,538**	**5,854**	**(77,387)**	**(3,563)**	**(53,868)**	**(29,996)**	**1,641,899**	**844,440**	**1,943,943**	**2,788,383**

The notes presented on pages 9 to 142 form an integral part of these consolidated financial statements.

For the year ended 31 December 2014

In thousands of EUR ("TEUR")	Share capital	Share premium	Reserve for own shares	Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Fair value reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
	Attributable to owners of the Company												
Balance as at 1 January 2014 (A)	354,850	63,694	-	22,538	80,962	(74,472)	(288)	(53,868)	(78,771)	904,715	1,219,360	3,042,005	4,261,365
Total comprehensive income for the year:													
Profit or loss (B)	-	-	-	-	-	-	-	-	-	**187,044**	**187,044**	**284,394**	**471,438**
Other comprehensive income:													
Foreign currency translation differences for foreign operations	-	-	-	-	-	10,650	-	-	-	-	10,650	5,358	**16,008**
Foreign currency translation differences from presentation currency	-	-	-	-	-	(6,199)	-	-	-	-	(6,199)	471	**(5,728)**
Revaluation reserve included in other comprehensive income, net of tax	-	-	-	-	-	-	(9,598)	-	-	-	(9,598)	(245)	**(9,843)**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	-	-	(5,650)	-	(5,650)	(235)	**(5,885)**
Total other comprehensive income (C)	-	-	-	-	-	**4,451**	**(9,598)**	-	**(5,650)**	-	**(10,797)**	**5,349**	**(5,448)**
Total comprehensive income for the year (D) = (B + C)	-	-	-	-	-	**4,451**	**(9,598)**	-	**(5,650)**	**187,044**	**176,247**	**289,743**	**465,990**
Transfers within equity:													
Transfer from non-distributable reserves - release of legal fund (Note 27)	-	-	-	-	(75,878)	-	-	-	-	75,878	-	-	-
Transfer to non-distributable reserves - creation of legal fund	-	-	-	-	785	-	-	-	-	(785)	-	-	-
Total transfers within equity (E)	-	-	-	-	**(75,093)**	-	-	-	-	**75,093**	-	-	-
Contributions by and distributions to owners:													
Own shares acquired (Note 27)	(147,199)	-	(932,382)	-	-	-	-	-	-	-	(1,079,581)	-	**(1,079,581)**
Decrease in share capital	-	-	-	-	-	-	-	-	-	-	-	(642,294)	**(642,294)**
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	(463,839)	**(463,839)**
Total contributions by and distributions to owners (F)	**(147,199)**	-	**(932,382)**	-	-	-	-	-	-	-	**(1,079,581)**	**(1,106,133)**	**(2,185,714)**
Changes in ownership interests in subsidiaries:													
Effect of changes in shareholding on non-controlling interest	-	-	-	-	-	-	-	-	-	(17,318)	(17,318)	17,324	**6**
Effect of disposals	-	-	-	-	-	-	-	-	-	-	-	(2,229)	**(2,229)**
Effects from acquisitions through business combinations (Note 6)	-	-	-	-	-	-	-	-	-	-	-	758	**758**
Total changes in ownership interests in subsidiaries (G)	-	-	-	-	-	-	-	-	-	**(17,318)**	**(17,318)**	**15,853**	**(1,465)**
Total transactions with owners (H) = (F + G)	**(147,199)**	-	**(932,382)**	-	-	-	-	-	-	**(17,318)**	**(1,096,899)**	**(1,090,280)**	**(2,187,179)**
Balance as at 31 December 2014 (I) = (A + D + E + H)	**207,651**	**63,694**	**(932,382)**	**22,538**	**5,869**	**(70,021)**	**(9,886)**	**(53,868)**	**(84,421)**	**1,149,534**	**298,708**	**2,241,468**	**2,540,176**

The notes presented on pages 9 to 142 form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2015

In thousands of EUR ("TEUR")	**Note**	**2015**	**2014**
OPERATING ACTIVITIES			
Profit (loss) for the year		838,263	471,438
Adjustments for:			
Income taxes	15	269,462	224,942
Depreciation and amortisation	16, 17	540,327	548,422
Dividend income		(4,410)	(9,865)
Impairment losses on property, plant and equipment, intangible assets and financial assets		23,184	5,502
Gain (loss) from commodity derivatives for trading with electricity and gas, net		(11,790)	(13,217)
Loss on disposal of property, plant and equipment, investment property and intangible assets	13	2,784	6,492
Gain on disposal of inventories	12	(1,211)	(1,909)
Emission rights	10	51,782	18,944
Gain (loss) on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	6	1,407	(108,681)
Share of (profit) loss of equity accounted investees	19	(4,799)	3,378
Loss on financial instruments	14	49,621	20,882
Net interest expense	14	223,037	205,554
Change in allowance for impairment to trade receivables and other assets, write-offs		11,272	3,412
Change in provisions		(66,740)	5,340
Negative goodwill	6	(285,307)	-
Unrealised foreign exchange (gains) losses, net		(57,729)	47,557
Operating profit before changes in working capital		**1,579,153**	**1,428,191**
Change in trade receivables and other assets		(31,190)	(32,432)
Change in inventories (including proceeds from sale)		(32,792)	(11,756)
Change in extracted minerals and mineral products		1,183	(14,984)
Change in assets held for sale and related liabilities		348	19,254
Change in trade payables and other liabilities		(16,749)	(136,959)
Change in restricted cash		(253,562)	-
Cash generated from (used in) operations		**1,246,391**	**1,251,314**
Interest paid		(187,416)	(193,148)
Income taxes paid		(264,878)	(305,576)
Cash flows generated from (used in) operating activities		**794,097**	**752,590**

Consolidated statement of cash flows (continued)

For the year ended 31 December 2015

In thousands of EUR ("TEUR")	Note	2015	2014
INVESTING ACTIVITIES			
Dividends received from associates and joint-ventures		4,832	3,949
Dividends received, other		4,410	9,865
Change in financial instruments not at fair value		3,924	27,931
Loans provided to the owners		(440,210)	(399,800)
Loans provided to the other entities		(140,522)	(46,864)
Repayment of loans provided to other entities		11,351	17,419
Proceeds from sale of financial instruments - derivatives		24,397	2,613
Acquisition of property, plant and equipment, investment property and intangible assets	16, 17, 18	(332,213)	(237,170)
Purchase of emission rights	17	(27,343)	(17,544)
Proceeds from sale of emission rights		25,694	7,161
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		12,938	18,476
Acquisition of subsidiaries, special purpose entities, joint-ventures and associates, net of cash acquired	6	75,485	3,477
Net cash inflow from disposal of subsidiaries, special purpose entities, joint-ventures and associates	6	2,612	43,193
Increase (decrease) in participation in existing subsidiaries, special purpose entities, joint-ventures and associates		(5,574)	6
Capital contribution paid to associates and joint ventures		-	(10,092)
Interest received		1,153	1,340
Cash flows from (used in) investing activities		**(779,066)**	**(576,040)**
FINANCING ACTIVITIES			
Purchase of own shares	27	-	(1,079,581)
Decrease in share capital in not wholly owned subsidiaries		-	(4,548)
Proceeds from loans received		1,205,983	2,319,351
Repayment of borrowings		(1,609,583)	(2,406,204)
Proceeds from bonds issue, net of transaction fees		589,978	987,523
Repayments of bonds issued		(125,000)	-
Payment of finance lease liabilities		-	-
Dividends paid		(301,831)	(68,130)
Cash flows from (used in) financing activities		**(240,453)**	**(251,589)**
Net increase (decrease) in cash and cash equivalents		(225,422)	(75,039)
Cash and cash equivalents at beginning of the year		**910,087**	**994,676**
Effect of exchange rate fluctuations on cash held		21,173	(9,550)
Cash and cash equivalents at end of the year		**705,838**	**910,087**

The notes presented on pages 9 to 142 form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. Background

Energetický a průmyslový holding, a.s. (the "Parent Company" or "the Company" or "EPH") is a joint-stock company, with its registered office at Příkop 843/4, 602 00 Brno, Czech Republic. The Company was founded on 7 August 2009 and entered in the Commercial Register on 10 August 2009.

The main activities of the Company are corporate investments in the energy and mining sectors.

The consolidated financial statements of the Company for the year ended 31 December 2015 comprise the statements of the Parent Company and its subsidiaries (together referred to as the "Group" or "EPH Group") and the Group's interests in associates. The Group entities are listed in Note 39 – Group entities.

The shareholders of the Company as at 31 December 2015 were as follows:

In thousands of EUR	Interest in share capital		Voting rights
		%	%
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	58,160	16.39	29.50
MILEES LIMITED (part of J&T PARTNERS II L.P.)	65,718	18.52	33.33
EP Investment S.à r.l. (owned by Daniel Křetínský)	73,276	20.65	37.17
Own shares[(1)]	10,497	44.44	-
Total	**207,651**	**100.00**	**100.00**

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

The shareholders of the Company as at 31 December 2014 were as follows:

In thousands of EUR	Interest in share capital		Voting rights
		%	%
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	65,718	18.52	33.33
MILEES LIMITED (part of J&T PARTNERS II L.P.)	65,718	18.52	33.33
EP Investment S.à r.l. (owned by Daniel Křetínský)	65,718	18.52	33.33
Own shares[(1)]	10,497	44.44	-
Total	**207,651**	**100.00**	**100.00**

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

The members of the Board of Directors as at 31 December 2015 were:

- Daniel Křetínský (Chairman of the Board of Directors)
- Marek Spurný (Member of the Board of Directors)
- Pavel Horský (Member of the Board of Directors)
- Jan Špringl (Member of the Board of Directors)

Transaction overview related to the establishment of EPH Group

On 7 August 2009 KHASOMIA LIMITED, owned by J&T Finance Group, a.s., decided on the establishment of its subsidiary Energetický a průmyslový holding, a.s. Its share capital of EUR 321,059 thousand was settled by a non-cash consideration in the form of shares in Honor Invest, a.s., BAULIGA a.s. and Masna Holding Limited. KHASOMIA LIMITED thus became the 100% shareholder of EPH. On 10 August 2009, EPH was entered in the Commercial Register.

On the same date, EPH bought SEDILAS ENTERPRISES LIMITED from J&T FINANCIAL INVESTMENT LIMITED.

On 8 September 2009, the sole shareholder of EPH (KHASOMIA LIMITED) decided to increase the share capital by a subscription of 2,782,999,000 common registered shares, each for a nominal value of CZK 1 (EUR 109,266 thousand). All shares were offered to MACKAREL ENTERPRISES LIMITED.

On 6 October 2009, based on a subscription contract, the shares were assigned to MACKAREL ENTERPRISES LIMITED for a non-cash consideration in the form of a capital contribution of MACKAREL ENTERPRISES LIMITED's own participations, namely První brněnská strojírna, a.s., (100%), ROLLEON a.s. and its subsidiary (100%), ESTABAMER LIMITED and its subsidiary (100%), Plzeňská energetika a.s. (100%), Naval Architects Shipping Company Ltd. and its subsidiaries (80%), and HERINGTON INVESTMENTS LIMITED and its subsidiaries (80%).

As a result, MACKAREL ENTERPRISES LIMITED became a shareholder of EPH.

On 6 October 2009 EPH also acquired a 100% share in Czech Energy Holding, a.s. from J&T Private Equity B.V. and a 100% share in První energetická a.s. from its parent company KHASOMIA LIMITED.

On 8 October 2009 EPH acquired a 100% share in EP Investment Advisors, s.r.o. (former J&T Investment Advisors, s.r.o.) from J&T CORPORATE INVESTMENTS LIMITED.

On 9 October 2009 based on a stock transfer agreement KHASOMIA LIMITED assigned its 100% share in EPH as follows:

- 50% share to TIMEWORTH HOLDINGS LIMITED, part of the PPF Group
- 25% share to BIQUES LIMITED
- 25% share to MILEES LIMITED

Thereby, J&T Finance Group, a.s. lost its control over EPH.

On 9 October 2009 the increase in capital was entered in the Commercial Register in the final amount of EUR 430,325 thousand. As a result, MACKAREL ENTERPRISES LIMITED owned a 25.228% share in EPH, while the overall percentage share of the companies TIMEWORTH HOLDINGS LIMITED, BIQUES LIMITED and MILEES LIMITED was diluted.

On 14 October 2009 KHASOMIA LIMITED and all four shareholders of EPH concluded a share transfer agreement on the transfer of a 5.228% share in MACKAREL ENTERPRISES LIMITED to KHASOMIA LIMITED, which consequently sold the acquired stake to the three other shareholders as follows:

- sale of a 1.307% stake to BIQUES LIMITED
- sale of a 1.307% stake to MILEES LIMITED
- sale of a 2.614% stake to TIMEWORTH HOLDINGS LIMITED

Changes in 2010

On 8 January 2010 the general meeting decided on an increase in the share capital of EUR 14,820 thousand. Shares at nominal value of CZK 1 were assigned as follows:

- BIQUES LIMITED EUR 2,964 thousand
- MILEES LIMITED EUR 2,964 thousand
- MACKAREL ENTERPRISES LIMITED EUR 2,964 thousand
- TIMEWORTH HOLDINGS LIMITED EUR 5,928 thousand

Subsequently, on 30 June 2010 the general meeting decided on an additional increase in the share capital of EUR 2,724 thousand.

Shares at nominal value of CZK 1 were assigned as follows:

- BIQUES LIMITED EUR 545 thousand
- MILEES LIMITED EUR 545 thousand
- MACKAREL ENTERPRISES LIMITED EUR 545 thousand
- TIMEWORTH HOLDINGS LIMITED EUR 1,089 thousand

In 2010 the Company also carried out several acquisitions, established subsidiaries and special purpose entities, and sold subsidiaries and associates. The transactions were described in the Notes to Consolidated Financial Statements as at 31 December 2010.

Changes in 2011

On 15 September 2011 the Company's general meeting decided on the demerger of an industrial segment to a company called EP Industries, a.s. EP Industries, a.s. was established on the basis of an EPH shareholders' agreement – shareholders have decided that investments in industrial assets other than energy assets will be spun off from EPH. The EPH shareholding structure, which will continue to include energy operations, will remain as it has been until now.

The reason for the demerger was to continue the process of simplifying and clarifying the EPH structure. This step completed the process of separating EPH's key strategic line, which is investment in energy assets in the central European region, from investments in other industries, which will be concentrated in EP Industries, a.s.

The following companies and sub-groups were spun-off to EP Industries, a.s. Group: EP Investments Advisors, s.r.o., BAULIGA a.s., Masna Holding Limited, ESTABAMER LIMITED, První brněnská strojírna, a.s., NAVAL ARCHITECTS SHIPPING COMPANY LIMITED, HERINGTON INVESTMENTS LIMITED and ED Holding a.s.

This transaction resulted in the decrease of share capital by EUR 119,810 thousand to EUR 328,059 thousand.

Changes in 2012

On 7 August 2012 the general meeting decided on an increase in the share capital of EUR 26,791 thousand. Shares with a nominal value of CZK 1 each were assigned to TIMEWORTH HOLDINGS LIMITED as a set-off of a mutual receivable according to the Equity Swaps Agreement.

This increase in share capital was entered into the Commercial Register on 31 August 2012.

In connection with the issue of shares, the Group recognised share premium amounting to EUR 63,694 thousand.

Changes in 2013

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

On 4 November 2013 the EPH Group completed the process of the cross-border merger of Honor Invest, a.s., Czech Energy Holding, a.s., HC Fin3 N.V., EAST BOHEMIA ENERGY HOLDING LIMITED, LIGNITE INVESTMENTS 1 LIMITED and EP Energy, a.s. EP Energy, a.s. is the successor company and took over all assets, rights and obligations of the acquired companies.

Changes in 2014

On 3 February the General Meeting decided on a purchase of 673,359,040 pieces of own shares with a nominal value of CZK 1 each from TIMEWORTH HOLDINGS LIMITED. Other shareholders waived the right to purchase the own shares. As a result of this transaction share capital decreased by EUR 24,450 thousand and the voting rights changed as follows:

- BIQUES LIMITED 20%
- MILEES LIMITED 20%
- MACKAREL ENTERPRISES LIMITED 20%
- TIMEWORTH HOLDINGS LIMITED 40%

On 20 June 2014 EPH purchased remaining 472,171,300 pieces of own shares with a nominal value 1 CZK each and 28,946,239 pieces of own shares in nominal value 100 CZK each from TIMEWORTH HOLDINGS LIMITED. Share capital decreased by EUR 147,199 thousand to final amount of EUR 207,651 thousand and the difference between the nominal value and purchase price in excess over the nominal value of EUR 932,382 thousand is presented as a reserve for own shares. The structure of voting rights changed as follows:

- BIQUES LIMITED 33%
- MILEES LIMITED 33%
- MACKAREL ENTERPRISES LIMITED 33%

On 4 December 2014 EP Investment S.à r.l. acquired all shares in EPH from MACKAREL ENTERPRISES LIMITED (the shares were all previously held by MACKAREL ENTERPRISES LIMITED).

As at 31 December 2014 (and also as at 31 December 2015) own shares were reported within EPH´s equity as the shares were not yet cancelled. These shares were cancelled on 22 January 2016.

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

Changes in 2015

In 2015 the Company carried out several acquisitions and sold several subsidiaries. The transactions are described in Note 6 – Acquisition and contribution of subsidiaries, special purpose entities and associates.

2. Basis of preparation

(a) Statement of compliance

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

The consolidated financial statements were approved by the board of directors on 31 May 2016.

(b) Basis of measurement

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

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

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise 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 31 – measurement of defined benefit obligations, recognition and measurement of provisions,
- Notes 30, 33 and 37 – valuation of financial instruments
- Note 40 – 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 31 – measurement of defined benefit obligations, recognition and measurement of provisions,
- Note 33 – own use exemption application for forward contracts on power and CO2 emission allowances,
- Note 33 and 37 – hedge accounting application.

(e) Recently issued accounting standards

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

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

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

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

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

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

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

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

ii. Standards adopted by the EU but not yet effective

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

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

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

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

It is expected that the amendments will not have a material impact on the Group's financial statements because the Group has an existing accounting policy to account for acquisitions of joint operations consistent with that set out in the amendments.

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

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

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

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

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

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

The Group expects that the amendments will not have a material impact on the presentation of the financial statements of the Group.

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

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

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

It is expected that the amendments will not have any impact on the Group's financial statements as the Group does not apply revenue-based methods of amortisation/depreciation.

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

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

The Group does not expect that the amendments will have any impact on the financial statements as the Group has no bearer plants.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other nonfinancial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if this rate can be readily determined. If the rate cannot be readily determined, the lessee's incremental borrowing rate should be used.

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

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

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

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

3. Significant Accounting Policies

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

Certain comparative amounts have been regrouped or reclassified, where necessary, on a basis consistent with the current period.

(a) Basis of consolidation

i. Subsidiaries

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

ii. Equity accounted investees

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

iii. Special purpose entities ("SPEs")

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

iv. Accounting for business combinations

The Group acquired its subsidiaries in two ways:

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

v. Non-controlling interests

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

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

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

vi. Transactions eliminated on consolidation

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

vii. Unification of accounting policies

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

viii. Pricing differences

The Group accounted for pricing differences which arose from establishment of the Group and acquisition of certain new subsidiaries in the subsequent period. Such subsidiaries were acquired under common control of J&T Finance Group, and therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from a business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of J&T Finance Group, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition and carrying values of net assets of the acquiree and original goodwill carried forward as at the acquisition date were recorded to consolidated equity as pricing differences presented within other capital reserves.

ix. Reversal of accumulated amortisation, depreciation and bad debt allowances in common control acquisitions

Accumulated amortisation and depreciation of intangible and tangible assets acquired as part of a common control transaction were reversed against the gross carrying amount of the underlying intangible and tangible assets, i.e. the intangible and tangible assets were recognised at their net book values as at the acquisition date.

Similarly, in acquisitions involving common control transactions, any bad debt allowances were reversed against gross amounts of purchased receivables as at the acquisition date.

x. Disposal of subsidiaries and equity accounted investees

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

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

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

(b) Foreign currency

i. Foreign currency transactions

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

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

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

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

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 37 – Risk management policies and disclosures.

ii. Financial statements of foreign operations

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

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

iii. Translation to presentation currency

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

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

(c) Non-derivative financial assets

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

i. Classification

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

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

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

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

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

(h) Impairment

i. Non-financial assets

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

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

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

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

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

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

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

ii. Financial assets (including trade and other receivables)

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

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

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

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

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

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

(i) Property, plant and equipment

i. Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (h) – Impairment). Opening balances are presented at net book values, which include 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 (n) – Finance income and costs). The cost also includes costs of dismantling and removing the items and restoring the site on which they are located.

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

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

ii. Leased assets

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

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

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

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

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

iii. Free-of-charge received property

Several items of gas 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. 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.

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 and structures	50 – 100 years
• Buildings and structures	20 – 80 years
• Machinery, electric generators, gas producers, turbines and boilers	20 – 50 years
• Mines and mine property	15 – 30 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.

(j) Intangible assets

i. Goodwill and intangible assets acquired in a business combination

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

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

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

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

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

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

ii. Research and development

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

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

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

iii. Emission rights

Recognition and measurement

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

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

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

Impairment of emission rights

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

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

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

Recognition of grants

A grant is initially recognised as deferred income and recognised in profit on a systematic basis over the compliance period, which is the relevant calendar year, regardless of whether the allowance received continues to be held by the entity. The pattern for the systematic recognition of the deferred income in profit is assessed based on estimated pollutants emitted in the current month, taking into account the estimated coverage of the estimated total annually emitted pollutants by allocated emission 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 (h) – Impairment).

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

v. Amortisation

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

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

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

(k) Investment property

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

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

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

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

(l) Provisions

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

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

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

i. Employee benefits

Long-term employee benefits

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

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

Employee benefits provision is presented separately both long and short-term part (if possible to distinguish, otherwise as non-current, if not IFRS 5). The benefit could be classified as short-term, if and only if the whole benefit category will be settled within 1 year; otherwise, it must be disclosed as long-term.

Pension plans

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

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

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

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

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

Short-term employee benefits

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

ii. Warranties

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

iii. Provision for lawsuits and litigations

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

iv. Provision for emission rights

A provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO_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.

(m) Revenue

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

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

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

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

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

Other revenues represent revenues from non-energy activities.

Revenues from sale of electricity, heat and gas

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

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

Revenues from sale of coal

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

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

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

Energy trading

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

Derivatives where the underlying asset is a commodity

Cash-settled contracts and contracts that do not qualify for the application of the own-use exemption are regarded as trading derivatives.

The following procedure applies to other commodity and financial derivatives that are not designated as hedging derivatives and are not intended for the sale of electricity from the Group's Sources or for delivery to end customers (the own-use exemption is not applied).

At the date of the financial statements, trading derivatives are measured at fair value. The change in fair value is recognised in profit or loss. In the separate accounts, the measurement is recognised in profit or loss from financial operations. For the purposes of Group reporting, where trading in commodity derivatives forms a significant part of the Group's total trading activities, the measurement effect is recognised in "Gain (loss) from commodity derivatives for trading with electricity and gas, net", a separate line item under "Total sales".

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.

(n) Finance income and costs

i. Finance income

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

ii. Finance costs

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

iii. Borrowing costs

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

(o) Income taxes

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

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

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

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

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

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

(p) Dividends

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

(q) Non-current assets held for sale and disposal groups 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 nine reportable segments under IFRS 8: Gas transmission, Gas and power distribution, Gas storage, Heat Infra, Generation, Mining, Trading, Other and Holding entities.

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. 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. EP Sourcing, a.s. and EP Cargo a.s., as main suppliers of the above mentioned entities, are also included in this segment.

v. Generation

The Generation segment is mainly represented by investments in assets that generate electricity in condensation mode and are also located in markets where there is an active capacity market or it is expected that such market shall be soon implemented. This segment is primarily composed of recent acquisitions such as EP Produzione S.p.A. and its subsidiaries, Ergosud S.p.A., Eggborough Holdco 2 S.à r.l. and its subsidiary (EPL), which were acquired at only a fractions of their replacement value, yet the assets are believed to generate considerable value to the owners, specifically from the capacity market regime. In addition, this segment also operates recently acquired three CHPs in Hungary, represented by Budapesti Erömü Zrt., which is supplying the City of Budapest with heat, but at the same is very active in ancillary services and in condensation power production. The Hungarian heat production is regulated using the standard RAB multiplied by WACC plus eligible expenditures and allowed depreciation formula.

The Generation segment also 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.

Other entities which are part of the segment are: Helmstedter Revier GmbH (Buschhaus) and Saale Energie GmbH.

vi. Mining

The Mining segment, represented by Mitteldeutsche Braunkohlengesellschaft GmbH (MIBRAG), produces brown coal, which it supplies to power plants under long-term supply agreements. The two biggest customers – the Lippendorf and Schkopau-power plants – are highly efficient, state-of-the-art power plants operating in base load and are well positioned in the German power merit order.

vii. Trading

The Trading segment is mainly represented by EP Commodities, a.s., EP Cargo Deutschland GmbH, EP CARGO POLSKA, s.a., EP Coal Trading Polska s.a. and LokoTrain s.r.o. These entities are primarily active in commodity (mainly gas, power and coal) trading and in arranging complex logistical solutions for the segment's customers.

viii. Other

The segment Other consists of minor operations not fitting to the key segments of the EPH Group. Main entities within this segment are: AISE, a.r.o. and Mining Services and Engineering Sp. z o.o.

ix. Holding entities

The Holding entities segment mainly represents Energetický a průmyslový holding, a.s., 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.

The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting.

Profit or loss

For the year ended 31 December 2015

In thousands of EUR	Gas Trans-mission	Gas and Power distribution	Gas Storage	Heat Infra	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy	776,200	1,869,935	231,143	468,876	1,097,738	323,184	104,436	1,238	4,872,750	-	(432,746)	4,440,004
external revenues	*775,700*	*1,815,223*	*180,111*	*349,532*	*1,003,224*	*269,186*	*45,790*	*1,238*	*4,440,004*	-	-	*4,440,004*
inter-segment revenues	*500*	*54,712*	*51,032*	*119,344*	*94,514*	*53,998*	*58,646*	-	*432,746*	-	*(432,746)*	-
Sales: Other	-	6,019	-	19,436	13,429	70,428	17,633	8,278	135,223	-	(15,649)	119,574
external revenues	-	*6,019*	-	*19,232*	*13,429*	*59,237*	*14,788*	*6,869*	*119,574*	-	-	*119,574*
inter-segment revenues	-	-	-	*204*	-	*11,191*	*2,845*	*1,409*	*15,649*	-	*(15,649)*	-
Gain (loss) from commodity derivatives for trading with electricity and gas, net	-	10,445	-	-	-	-	1,345	-	11,790	-	-	11,790
Total sales	**776,200**	**1,886,399**	**231,143**	**488,312**	**1,111,167**	**393,612**	**123,414**	**9,516**	**5,019,763**	-	**(448,395)**	**4,571,368**
Cost of sales: Energy	(43,500)	(1,318,579)	(20,754)	(258,332)	(659,445)	(64,227)	(103,245)	-	(2,468,082)	-	379,378	(2,088,704)
external cost of sales	*(35,106)*	*(1,036,514)*	*(20,666)*	*(238,878)*	*(613,295)*	*(58,914)*	*(85,331)*	-	*(2,088,704)*	-	-	*(2,088,704)*
inter-segment cost of sales	*(8,394)*	*(282,065)*	*(88)*	*(19,454)*	*(46,150)*	*(5,313)*	*(17,914)*	-	*(379,378)*	-	*379,378*	-
Cost of sales: Other	-	(1,935)	687	(47,566)	(57,549)	(12,207)	(12,989)	(4,589)	(136,148)	1,213	75,212	(59,723)
external cost of sales	-	*(1,935)*	*687*	*(3,504)*	*(26,568)*	*(12,207)*	*(12,833)*	*(4,576)*	*(60,936)*	*1,213*	-	*(59,723)*
inter-segment cost of sales	-	-	-	*(44,062)*	*(30,981)*	-	*(156)*	*(13)*	*(75,212)*	-	*75,212*	-
Personnel expenses	(32,300)	(87,502)	(23,438)	(47,224)	(105,877)	(136,495)	(1,338)	(1,704)	(435,878)	(5,730)	-	(441,608)
Depreciation and amortisation	(109,300)	(170,976)	(26,621)	(84,622)	(46,151)	(102,332)	(14)	(183)	(540,199)	(128)	-	(540,327)
Repairs and maintenance	(1,200)	(4,492)	(9)	(6,120)	(45,315)	(2,910)	(5)	(28)	(60,079)	(31)	409	(59,701)
Emission rights, net	1,000	4	-	(3,244)	(42,139)	(7,403)	-	-	(51,782)	-	-	(51,782)
Negative goodwill	-	-	-	-	285,307	-	-	-	285,307	-	-	285,307
Taxes and charges	(900)	(1,231)	(3,302)	9,557	(48,630)	(9,154)	(5)	(107)	(53,772)	(5)	-	(53,777)
Other operating income	600	13,468	1,047	14,112	12,869	23,361	85	699	66,241	8,316	(11,503)	63,054
Other operating expenses	(13,100)	(60,191)	(6,852)	(10,181)	(82,786)	(56,824)	(705)	(2,256)	(232,895)	(19,468)	10,742	(241,621)
Operating profit	**577,500**	**254,965**	**151,901**	**54,692**	**321,451**	**25,421**	**5,198**	**1,348**	**1,392,476**	**(15,833)**	**5,843**	**1,382,486**

In thousands of EUR	Gas Trans-mission	Gas and Power distribution	Gas Storage	Heat Infra	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Finance income	11,900	2,121	939	8,667	10.862	1,731	(135)	7,495	43,580	*1,772,828	*(1,784,310)	32,098
external finance revenues	900	634	586	7,365	10,309	273	(109)	7,506	27,464	4,634	-	32,098
inter-segment finance revenues	11,000	1,487	353	1,302	553	1,458	(26)	(11)	16,116	*1,768,194	*(1,784,310)	-
Finance expense	(43,700)	(20,039)	(7,238)	(16,781)	(24,978)	(28,810)	(75)	(3,930)	(145,551)	(228,982)	113,903	(260,630)
Profit (loss) from derivative financial instruments	(600)	(1,655)	-	556	(41,673)	-	-	119	(43,253)	(6,368)	-	(49,621)
Share of profit (loss) of equity accounted investees, net of tax	-	448	3,815	(80)	(1,494)	1,703	-	(4,093)	299	4,500	-	4,799
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	-	-	-	(1,407)	-	(1,407)
Profit (loss) before income tax	**545,100**	**235,840**	**149,417**	**47,054**	**264,168**	**45**	**4,988**	**939**	**1,247,551**	***1,524,738**	***(1,664,564)**	**1,107,725**
Income tax expenses	(138,800)	(62,486)	(36,032)	(8,510)	(10,371)	4,206	(986)	(272)	(253,251)	(16,211)	-	(269,462)
Profit (loss) for the year before discontinued operations	**406,300**	**173,354**	**113,385**	**38,544**	**253,797**	**4,251**	**4,002**	**667**	**994,300**	***1,508,527**	***(1,664,564)**	**838,263**
Profit (loss) from discontinued operations	-	-	-	-	-	-	-	-	-	-	-	-
Profit (loss) for the year	**406,300**	**173,354**	**113,385**	**38,544**	**253,797**	**4,251**	**4,002**	**667**	**994,300**	***1,508,527**	***(1,664,564)**	**838,263**

* *EUR 1,659,136 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.*

	Gas Trans-mission	Gas and Power distribution	Gas Storage	Heat Infra	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Other financial information:												
Adjusted EBITDA[1]	686,800	425,941	178,522	139,314	82,295	127,753	5,212	1,531	1,647,368	(15,705)	5,843	1,637,506

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	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Conso-lidated Financial Information
Sales: Energy	629,900	1,816,005	220,053	440,700	214,592	339,221	-	39,764	3,700,235	70,350	(237,826)	3,532,759
external revenues	*629,900*	*1,791,800*	*188,942*	*326,323*	*198,508*	*287,172*	-	*39,764*	*3,462,409*	*70,350*	-	*3,532,759*
inter-segment revenues	-	*24,205*	*31,111*	*114,377*	*16,084*	*52,049*	-	-	*237,826*	-	*(237,826)*	-
Sales: Other	-	10,937	-	20,959	4,144	71,375	12,534	11,870	131,819	-	(12,931)	118,888
external revenues	-	*10,937*	-	*20,959*	*4,144*	*59,648*	*12,534*	*10,666*	*118,888*	-	-	*118,888*
inter-segment revenues	-	-	-	-	-	*11,727*	-	*1,204*	*12,931*	-	*(12,931)*	-
Gain (loss) from commodity derivatives for trading with electricity and gas, net	-	13,217	-	-	-	-	-	-	13,217	-	-	13,217
Total sales	**629,900**	**1,840,159**	**220,053**	**461,659**	**218,736**	**410,596**	**12,534**	**51,634**	**3,845,271**	**70,350**	**(250,757)**	**3,664,864**
Cost of sales: Energy	(39,900)	(1,322,852)	(21,695)	(255,608)	(133,380)	(54,974)	(4)	-	(1,828,413)	(68,501)	249,353	(1,647,561)
external cost of sales	*(39,900)*	*(1,162,392)*	*(21,695)*	*(233,035)*	*(69,895)*	*(52,139)*	*(4)*	-	*(1,579,060)*	*(68,501)*	-	*(1,647,561)*
inter-segment cost of sales	-	*(160,460)*	-	*(22,573)*	*(63,485)*	*(2,835)*	-	-	*(249,353)*	-	*249,353*	-
Cost of sales: Other	-	(2,756)	(203)	(13,511)	(2,857)	(12,474)	(12,204)	(26,384)	(70,389)	361	544	(69,484)
external cost of sales	-	*(2,756)*	*(203)*	*(13,229)*	*(2,857)*	*(12,474)*	*(12,204)*	*(26,122)*	*(69,845)*	*361*	-	*(69,484)*
inter-segment cost of sales	-	-	-	*(282)*	-	-	-	*(262)*	*(544)*	-	*544*	-
Personnel expenses	(35,600)	(84,449)	(24,016)	(46,737)	(39,912)	(132,647)	(137)	(26,611)	(390,109)	(7,571)	-	(397,680)
Depreciation and amortisation	(118,700)	(173,982)	(25,215)	(89,785)	(26,328)	(102,632)	(1)	(10,464)	(547,107)	(1,315)	-	(548,422)
Repairs and maintenance	(1,300)	(2,053)	(13)	(8,939)	(1,103)	(1,236)	-	(1,187)	(15,831)	(652)	392	(16,091)
Emission rights, net	1,500	2	(138)	(4,519)	(8,328)	(7,461)	-	-	(18,944)	-	-	(18,944)
Taxes and charges	(900)	(1,506)	(3,203)	(1,168)	(1,991)	(9,616)	(7)	(1,761)	(20,152)	(12)	-	(20,164)
Other operating income	1,800	9,831	245	13,827	12,275	23,318	91	308	61,695	6,793	(6,529)	61,959
Other operating expenses	(12,000)	(60,266)	(1,498)	(9,689)	(26,454)	(57,274)	(103)	10,056	(157,228)	(9,531)	4,326	(162,433)
Operating profit	**424,800**	**202,128**	**144,317**	**45,530**	**(9,342)**	**55,600**	**169**	**(4,409)**	**858,793**	**(10,078)**	**(2,671)**	**846,044**

In thousands of EUR	Gas Trans-mission	Gas and Power distribution	Gas Storage	Heat Infra	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Conso-lidated Financial Information
Finance income	29,900	8,283	137	1,878	4,051	1,731	8	8,008	53,996	*551,899	*(557,576)	48,319
external finance revenues	1,200	1,883	137	267	3,524	1,285	8	8,008	16,312	32,007	-	48,319
inter-segment finance revenues	28,700	6,400	-	1,611	527	446	-	-	37,684	*519,892	*(557,576)	-
Finance expense	(31,100)	(12,875)	(4,497)	(22,787)	(21,041)	(24,429)	(41)	(15,307)	(132,077)	(253,515)	125,946	(259,646)
Profit (loss) from derivative financial instruments	1,900	(480)	-	(171)	(120)	-	521	(142)	1,508	(22,390)	-	(20,882)
Share of profit (loss) of equity accounted investees, net of tax	-	-	3,063	600	(2,474)	1,044	-	(8,311)	(6,078)	2,700	-	(3,378)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	-	-	-	108,681	-	108,681
Profit (loss) before income tax	**425,500**	**197,056**	**143,020**	**25,050**	**(28,926)**	**33,946**	**657**	**(20,161)**	**776,142**	***377,297**	***(434,301)**	**719,138**
Income tax expenses	(108,200)	(49,935)	(36,121)	(4,760)	(2,360)	(5,305)	(133)	2,604	(204,210)	(20,732)	-	(224,942)
Profit for the period	**317,300**	**147,121**	**106,899**	**20,290**	**(31,286)**	**28,641**	**524**	**(17,557)**	**571,932**	***356,565**	***(434,301)**	**494,196**
Discontinued operations	-	-	-	-	-	-	-	-	-	(22,758)	-	(22,758)
Profit (loss) for the year	**317,300**	**147,121**	**106,899**	**20,290**	**(31,286)**	**28,641**	**524**	**(17,557)**	**571,932**	***333,807**	***(434,301)**	**471,438**

* *EUR 435,841 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	376,110	169,532	135,315	16,986	158,232	170	6,055	1,405,900	(8,763)	(2,671)	1,394,466

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 distribu-tion	Gas Storage	Heat Infra	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Conso-lidated Financial Information
Profit from operations	**577,500**	**254,965**	**151,901**	**54,692**	**321,451**	**25,421**	**5,198**	**1,348**	**1,392,476**	**(15,833)**	**5,843**	**1,382,486**
Depreciation and amortisation	109,300	170,976	26,621	84,622	46,151	102,332	14	183	540,199	128	-	540,327
Negative goodwill	-	-	-	-	(285,307)	-	-	-	(285,307)	-	-	(285,307)
Adjusted EBITDA	**686,800**	**425,941**	**178,522**	**139,314**	**82,295**	**127,753**	**5,212**	**1,531**	**1,647,368**	**(15,705)**	**5,843**	**1,637,506**

For the year ended 31 December 2014

In thousands of EUR	Gas Trans-mission	Gas and Power distribution	Gas Storage	Heat Infra	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Conso-lidated Financial Information
Profit from operations	**424,800**	**202,128**	**144,317**	**45,530**	**(9,342)**	**55,600**	**169**	**(4,409)**	**858,793**	**(10,078)**	**(2,671)**	**846,044**
Depreciation and amortisation	118,700	173,982	25,215	89,785	26,328	102,632	1	10,464	547,107	1,315	-	548,422
Negative goodwill	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted EBITDA	**543,500**	**376,110**	**169,532**	**135,315**	**16,986**	**158,232**	**170**	**6,055**	**1,405,900**	**(8,763)**	**(2,671)**	**1,394,466**

Non-current 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	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Conso-lidated Financial Information
Reportable segment assets	3,161,500	4,010,082	860,516	960,618	1,634,783	861,922	36,170	119,251	11,644,842	3,086,360	(3,421,324)	11,309,878
Reportable segment liabilities	(1,991,947)	(1,595,701)	(517,562)	(512,499)	(1,204,542)	(806,922)	(25,228)	(73,560)	(6,727,761)	(5,215,058)	3,421,324	(8,521,495)
Additions to tangible and intangible assets	11,000	94,112	11,844	132,724	72,422	71,788	564	1,101	395,555	292	-	395,847
Additions to tangible and intangible assets (excl. emission rights)	10,100	94,112	11,416	114,162	34,794	65,672	564	1,103	331,923	292	-	332,215
Equity accounted investees	-	1,590	24,732	6,817	129,803	24,316	-	34,949	222,207	24,800	-	247,007

For the year ended 31 December 2014

In thousands of EUR	Gas Trans-mission	Gas and Power distribution	Gas Storage	Heat Infra	Generation	Mining	Trading	Other	Total segments	Holding entities	Inter-segment eliminations	Conso-lidated Financial Information
Reportable segment assets	3,509,509	4,920,652	629,225	973,568	432,927	861,846	12,645	116,814	11,457,186	2,806,614	(4,007,080)	10,256,720
Reportable segment liabilities	(1,391,567)	(2,427,266)	(312,672)	(511,872)	(447,739)	(769,923)	(8,297)	(73,137)	(5,942,473)	(5,782,436)	4,008,365	(7,716,544)
Additions to tangible and intangible assets	55,420	53,943	13,545	67,024	13,710	52,231	2	12,208	268,083	187	-	268,270
Additions to tangible and intangible assets (excl. emission rights)	52,820	53,943	13,080	49,406	5,037	50,487	2	12,208	236,983	187	-	237,170
Equity accounted investees	-	-	20,917	13,044	90,111	24,220	-	37,436	185,728	20,303	-	206,031

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	Germany	Italy	United Kingdom	Hungary	Other	Total segments
Property, plant and equipment	717,745	6,120,753	666,483	355,179	34,151	50,996	1,889	7,947,196
Intangible assets	139,396	131,418	86,433	2,414	31,066	20,864	47	411,638
Investment property	-	-	-	-	-	-	2,531	2,531
Total	**857,141**	**6,252,171**	**752,916**	**357,593**	**65,217**	**71,860**	**4,467**	**8,361,365**

In thousands of EUR	Czech Republic	Slovakia	Germany	Italy	United Kingdom	Hungary	Other	Total segments
Sales: Electricity	259,230	887,422	145,273	445,390	404,483	11,419	116,815	2,270,032
Sales: Gas	196,304	1,298,176	22,390	39	9,884	-	54,335	1,581,128
Sales: Coal	28,921	2,245	252,909	4,191	-	526	378	289,170
Sales: Heat	284,611	-	2,435	-	-	10,297	1,237	298,580
Sales: Other energy products	-	-	-	-	1,094	-	-	1,094
Sales: Other	25,836	7,339	64,190	8,708	-	605	12,896	119,574
Gain (loss) from commodity derivatives for trading with electricity and gas, net	11,821	(31)	-	-	-	-	-	11,790
Total	**806,723**	**2,195,151**	**487,197**	**458,328**	**415,461**	**22,847**	**185,661**	**4,571,368**

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

For the year ended 31 December 2014
In thousands of EUR

	Czech Republic	Slovakia	Germany	Other	Total segments
Property, plant and equipment	674,527	6,320,075	710,129	1,091	7,705,822
Intangible assets	137,921	140,170	90,094	48	368,233
Investment property	-	-	-	-	-
Total	**812,448**	**6,460,245**	**800,223**	**1,139**	**8,074,055**

In thousands of EUR

	Czech Republic	Slovakia	Germany	Other	Total segments
Sales: Electricity	324,139	913,033	221,199	33,308	1,491,679
Sales: Gas	306,853	1,100,927	4,195	23,052	1,435,027
Sales: Coal	25,351	574	269,632	39,167	334,724
Sales: Heat	268,966	-	2,363	-	271,329
Sales: Other	29,196	5,948	63,653	20,091	118,888
Gain (loss) from commodity derivatives for trading with electricity and gas, net	13,217	-	-	-	13,217
Total	**967,722**	**2,020,482**	**561,042**	**115,618**	**3,664,864**

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

6. Acquisitions and contributions of subsidiaries, special purpose entities and associates

(a) 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						
Eggborough Holdco 2 S.à r.l. and its subsidiary (EPL)	15/01/2015	81,583	(81,583)	-	100	100
EP Produzione S.p.A., its subsidiaries and Ergosud S.p.A. (EPP Group)	01/07/2015	(52,257)	(27,743)	(3)80,000		
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		**40,828**	**(115,324)**	**(74,496)**	**-**	**-**

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

(2) The purchase price does not include EUR 28,999 thousand paid by the Group in exchange for a loan receivable from BERT assigned by the seller to the acquirer. The loan receivable is not presented in the Note 6(b) – Effect of acquisitions resulting in a change of control detailed table as it is eliminated in consolidation together with respective liability of BERT towards the acquirer.

(3) The Group received a payment from the seller totalling EUR 80,000 thousand for the Ergosud S.p.A. shares which is a consideration for certain liabilities taken over as part of the overall transaction.

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						
WOOGEL LIMITED	18/03/2014	-	-	-	25	25
EP Cargo a.s.	31/07/2014	5,803	(5,803)	-	60	60
Total		**5,803**	**(5,803)**	-	-	-

On 18 March 2014 EPH Group acquired 25% share (associated with management control) in WOOGEL LIMITED. WOOGEL LIMITED acquired DCR INVESTMENT a.s. (former EPH Financing I, a.s.) from EPH. As a result of this transaction financial interest in DCR INVESTMENT a.s. (former EPH Financing I, a.s.) decreased to 25%.

On 31 July 2014 the 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.

Partial disposals – loss of control

In thousands of EUR	Date of disposal/ acquisition	Purchase price	Cash paid	Other consideration[1]	Equity interest before the sale %	Equity interest after the sale %
New associate						
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	25/08/2014	-	-	29,826	99.91	38.93
Total		**-**	**-**	**29,826**	**-**	**-**

(1) Fair value of interest acquired as at the date of acquisition.

On 25 August 2014 the Group sold its 61% share in Przedsiebiorstwo Górnicze Silesia Sp. z o.o. As the Group lost control over this entity, the transaction was recorded as disposal of subsidiary in the first step and as an acquisition of 38.93% share in associate in the second step.

Acquisition of non-controlling interest

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

(b) Effect of acquisitions and step acquisitions

i. 31 December 2015

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of Eggborough Holdco 2 S.à r.l. and its subsidiary, EP Produzione S.p.A., its subsidiaries and Ergosud S.p.A. (EPP Group), LokoTrain s.r.o., Optimum Energy, s.r.o. and Budapesti Erömü Zrt. (BERT) and are provided in the following table.

In thousands of EUR	**Carrying amount**(1)	**Fair value adjustment**	**2015 Total**(1)
Property, plant, equipment, land, buildings	1,337,595	(887,811)	449,784
Intangible assets	5,866	16,499	22,365
Equity accounted investee(2)	91,837	(47,886)	43,951
Trade receivables and other assets	297,737	(20,343)	277,394
Financial instruments – assets	21,951	-	21,951
Inventories	48,788	(503)	48,285
Cash and cash equivalents	110,809	-	110,809
Restricted cash	34,838	(195)	34,643
Deferred tax asset	-	48,763	48,763
Provisions	(498,331)	59,071	(439,260)
Deferred tax liabilities	(2,053)	(7,974)	(10,027)
Loans and borrowings	(86,446)	40,281	(46,165)
Financial instruments – liabilities	(4,119)	-	(4,119)
Trade payables and other liabilities	(220,998)	4,990	(216,008)
Net identifiable assets and liabilities	**1,137,474**	**(795,108)**	**342,366**
Non-controlling interest			(50,332)
Goodwill on acquisitions of a subsidiary			34,101
Negative goodwill on acquisition of new subsidiaries			(285,307)
Cost of acquisition			**40,828**
Consideration paid, satisfied in cash (A)			115,324
Consideration received, satisfied in cash (C)			(80,000)
Consideration, other			5,504
Total consideration transferred			**40,828**
Less: Cash acquired (B)			110,809
Net cash inflow (outflow) (D) = (B – A – C)			**75,485**

(1) Represents values at 100% share.
(2) Represents 50% share on equity of acquired equity accounted investee Ergosud S.p.A.

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
New shares issued			-
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.

The table above does not include the effect from the acquisition of 25% share in WOOGEL LIMITED and the acquisition of a non-controlling interest in PRVNÍ MOSTECKÁ a.s. as the effects are immaterial.

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

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

iii. Rationale for acquisitions

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

- The subsidiaries' businesses are complementary to EPH's portfolio;
- Potential for synergic effects;
- The subsidiaries have an advantageous position within the market;
- Subject industries are expected to grow in the future;
- Further vertical integration of the Trading segment with the Generation segment, i.e. securing coal and gas supplies for own coal and gas fired plants.

As further expansion in energy sectors of the countries in which the Group currently has operations is one of the strategic aims of the Group, EPH 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 in the Central and Western Europe.

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 136,816 thousand. For the development of historical goodwill, please refer to Note 17 – Intangible assets (including goodwill).

In 2015 negative goodwill of EUR 285,307 thousand arose upon the acquisitions of BERT and EPP Group (2014: EUR 0 thousand). The Group realized bargain purchase gain of EUR 33,085 thousand on the BERT acquisition due to the fact that the seller was exiting the heating market in Hungary and due to the Group's expectation that the economy of BERT shall be sustainable in the future including extension of current power trading and supply contracts.

In addition, the Group realised a bargain purchase gain of EUR 252,222 thousand on the acquisition of the EPP Group. Similarly to BERT, the seller (E.ON) was exiting the Italian market and the assets were sold only for a transaction of their replacement value while the Group believes that their enterprise value is higher primarily because of expected assets' utilization in the planned Italian capacity market.

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)	1,082,794
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	(404,095)

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

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

In thousands of EUR	**2015 Total**
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	1,412,119
Profit (loss) of the acquires recognised in the year ended 31 December 2015 (subsidiaries)*	(612,945)

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

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

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

(c) Business combinations – acquisition accounting 2015 and 2014

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

The valuation analysis is based on historical and prospective information prevailing as at the date of the business combination (which 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 (including mine property)	Other	Deferred tax asset/ (liability)	Total net effect on financial position
Subsidiary					
Eggborough Holdco 2 S.à r.l. and its subsidiary	-	17,458	(28,537)	-	**(11,079)**
EP Produzione S.p.A., its subsidiaries and Ergosud S.p.A.	(194)	(856,746)	23,671	48,763	**(784,506)**
Budapesti Erömü Zrt. (BERT)	16,693	(48,523)	40,281	(7,974)	**477**
	16,499	**(887,811)**	**35,415**	**40,789**	**(795,108)**

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

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

(d) Disposal of investments

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	1,183,088
Net identifiable assets and liabilities(1)	**4,372**
Non-controlling interest	(2,230)
Total	**2,142**
Sales price	21,602
Gain (loss) on disposal	**19,460**

(1) Represents values at 100% share.

On 25 August 2014 the Group accounted for a disposal of its 61% investment in Przedsiebiorstwo Górnicze Silesia Sp. z o.o. The effects of the disposals are provided in the following table:

In thousands of EUR	**Net assets disposed in 2014**
Property, plant, equipment, land, buildings	173,099
Intangible assets	3,152
Deferred tax assets	20,141
Inventories	15,185
Trade receivables and other assets	37,718
Cash and cash equivalents	2,409
Provisions	(16,471)
Loans and borrowings	(170,266)
Trade payables and other liabilities	(20,018)
Total	**44,949**
Non-controlling interest	1
Net identifiable assets and liabilities disposed at carrying value	**44,950**
Associates recognised after the sale(1)	29,826
Sales price(2)	104,345
Gain (loss) on disposal	**89,221**

(1) *As a result of the transaction the Company recognised 38.91% share in Przedsiebiorstwo Górnicze Silesia Sp. z o.o. at fair value of EUR 29,826 thousand.*

(2) *Sales price includes sales price received in cash and a loan provided to Przedsieborstwo Górnicze Silesia Sp. z o.o. firstly recognized after disposal.*

7. Sales

In thousands of EUR			2015	2014
Sales: Energy				
	of which:	*Electricity*	2,270,032	1,491,679
		Gas	1,581,128	1,435,027
		Heat	298,580	271,329
		Coal	289,170	334,724
		Other	1,094	-
Total Energy			**4,440,004**	**3,532,759**
Sales: Other			**119,574**	**118,888**
Gain (loss) from commodity derivatives for trading with electricity and gas, net			**11,790**	**13,217**
Total for continuing operations			**4,571,368**	**3,664,864**

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

8. Cost of sales

In thousands of EUR	2015	2014
Cost of Sales: Energy		
Cost of sold electricity	914,333	948,747
Cost of sold gas and other energy products	347,889	334,093
Consumption of coal and other material	663,525	229,207
Consumption of energy	120,212	107,688
Changes in WIP, semi-finished products and finished goods	(466)	83
Other cost of sales	43,211	27,743
Total Energy	**2,088,704**	**1,647,561**
Cost of Sales: Other		
Other cost of sales	27,755	15,245
Other cost of goods sold	14,151	25,888
Consumption of material	12,349	22,990
Consumption of energy	7,846	9,900
Changes in WIP, semi-finished products and finished goods	(2,378)	(4,539)
Total Other	**59,723**	**69,484**
Total for continuing operations	**2,148,427**	**1,717,045**

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
Wages and salaries	304,195	279,106
Compulsory social security contributions	96,137	91,331
Board members' remuneration (including boards of subsidiaries)	20,022	14,544
Expenses and revenues related to employee benefits (IAS 19)	3,125	1,655
Other social expenses	18,129	11,044
Total for continuing operations	**441,608**	**397,680**

The average number of employees during 2015 was 10,094 (2014: 10,860), of which 391 were executives (2014: 344).

10. Emission rights

In thousands of EUR	2015	2014
Deferred income (grant) released to profit and loss	16,507	17,723
Profit (loss) from sale of emission rights	(1,375)	1,470
Creation of provision for emission rights	(66,914)	(38,137)
Use of provision for emission rights	59,439	42,541
Consumption of emission rights	(59,439)	(42,541)
Total for continuing operations	**(51,782)**	**(18,944)**

The Ministries of the Environment of the Czech Republic, Slovakia, Germany, Hungary, Italy and United Kingdom 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., JTSD Braunkohlebergbau GmbH, Helmstedter Revier GmbH, Elektrárny Opatovice, a.s., Stredoslovenská energetika, a.s., NAFTA a.s., eustream, a.s., Budapesti Erömü Zrt., Eggborough Power Limited, Fiume Santo S.p.A., Centro Energia Ferrara S.p.A. and EP Produzione S.p.A.

11. Taxes and charges

In thousands of EUR	2015	2014
Gift tax refunds	(10,799)	-
Carbon price support[1]	39,107	-
Property tax and real estate transfer tax	12,233	2,106
Electricity tax	8,451	8,584
Other taxes and charges expenses (revenues)	4,785	9,474
Total for continuing operations	**53,777**	**20,164**

(1) Carbon Price Support (CPS) is the rate of climate change levy that applies to fossil fuel used for electricity generation in the United Kingdom.

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**
Consulting fees	15,731	17,376
Compensation from insurance companies	13,103	12,125
Rental income	6,135	6,316
Ecological tax reimbursement	6,097	7,465
Property acquired free-of-charge and fees from customers	4,154	4,283
Contractual penalties	(1)3,783	1,399
Inventories surplus	2,720	2,692
Profit from sale of material	1,211	1,909
Decentralisation and cogeneration fee	358	338
Fee and commission income - intermediation	23	-
Other	9,739	8,056
Total for continuing operations	**63,054**	**61,959**

(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**
Outsourcing and other administration fees	44,488	41,411
Office equipment and other material	40,158	33,874
Rent expenses	34,777	22,582
Impairment losses	34,112	8,822
Of which relates to: Property, plant and equipment and intangible assets	*23,184*	*5,502*
Inventories	*8,501*	*2,170*
Trade receivables and other assets	*2,427*	*1,150*
Consulting expenses	33,378	27,359
Re-transmission fee(2)	18,690	-
Insurance expenses	13,128	7,113
Information technologies costs	11,035	7,537
Transport expenses	9,422	8,860
Advertising expenses	4,709	3,685
Training, courses, conferences	3,672	3,062
Gifts and sponsorship	3,076	3,910
Contractual penalties	3,044	2,181
Security services	2,930	1,612
Net loss on disposal of property, plant and equipment, investment property and intangible assets	2,784	6,492
Fees and commissions expense – intermediation	2,613	2,490
Communication expenses	1,795	1,826
Environmental expenses	1,303	
Shortages and damages	937	2,839
Loss from receivables written-off	344	1,983
Disposal costs for unrealised investments(1)	286	2,829
Investment property income	62	31
Change in provisions (continuing operations), net	(20,146)	2,781
Own work capitalised to fixed assets	(28,572)	(44,975)
Other	23,596	14,129
Total for continuing operations	**241,621**	**162,433**

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

(2) Re-transmission fee is National Grid's recovery of costs of installing and maintaining the transmission system in England, Wales and offshore. The amount paid is based on geographical location and size of generation.

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

Fees payable to statutory auditors

In thousands of EUR	**2015**	**2014**
Statutory audits	881	938
Other attestation services	509	755
Tax advisory	78	128
Total	**1,468**	**1,821**

The figures presented above include expenses recorded by all subsidiaries and also associates and joint-ventures consolidated using the equity method in 100% amount. The figures include all audit engagements such as audits of entry/exit reporting packages, extraordinary statutory audits, half-year reviews, audits of valuations, etc.

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

Recognised in profit or loss

In thousands of EUR	2015	2014
Interest income	22,925	38,422
Dividend income	4,410	9,865
Net foreign exchange gain	4,011	-
Other finance income	752	32
Finance income	**32,098**	**48,319**
Interest expense	(233,739)	(224,193)
Interest expense from unwind of provision discounting	(12,223)	(19,783)
Fees and commissions expense for payment transactions	(888)	(467)
Fees and commissions expense for guarantees	(644)	(135)
Net foreign exchange loss	-	(5,089)
Fees and commissions expense for other services	(13,136)	(9,979)
Finance expense	**(260,630)**	**(259,646)**
Profit (loss) from commodity derivatives for trading	(38,008)	2,024
Profit (loss) from currency derivatives for trading	(3,781)	(10,060)
Profit (loss) from hedging derivatives	(3,761)	(120)
Profit (loss) from interest rate derivatives for trading	(2,982)	(14,071)
Profit (loss) from other derivatives for trading	(885)	-
Profit (loss) from other non-derivative liabilities	(204)	1,345
Profit (loss) from financial instruments	**(49,621)**	**(20,882)**
Net finance income (expense) recognised in profit or loss for continuing operations	**(278,153)**	**(232,209)**

15. Income tax expenses

Income taxes recognised in profit or loss

In thousands of EUR	2015	2014
Current taxes:		
Current year	(287,682)	(253,425)
Withholding tax	(4,484)	(4,986)
Adjustment for prior periods	598	(1,608)
Total current taxes	**(291,568)**	**(260,019)**
Deferred taxes:		
Origination and reversal of temporary differences	22,106	35,077
Total deferred taxes	**22,106**	**35,077**
Total income taxes (expense) benefit recognised in profit or loss for continuing operations	**(269,462)**	**(224,942)**

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 and 2014. The Slovak corporate income tax rate is 22% for fiscal years 2015 and 2014. The German federal income tax rate range for 2015 is 28.22% – 29.13% (2014: 27.62%) and Poland income tax rate for fiscal years 2015 and 2014 is 19%. Italian income tax rate for fiscal year 2015 is 31.40% and Hungarian income tax rate is 19%. British income tax rate for fiscal year 2015 is 20%. 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	(68,057)	-	(68,057)
Foreign currency translation differences from presentation currency	109,949	-	109,949
Effective portion of changes in fair value of cash-flow hedges	78,550	(725)	77,825
Fair value reserve included in other comprehensive income	4,129	1,773	5,902
Total	**124,571**	**1,048**	**125,619**

In thousands of EUR		2014	
	Gross	**Income tax**	**Net of income tax**
Foreign currency translation differences for foreign operations	16,008	-	16,008
Foreign currency translation differences from presentation currency	(5,728)	-	(5,728)
Effective portion of changes in fair value of cash-flow hedges	(5,793)	(92)	(5,885)
Fair value reserve included in other comprehensive income	(13,389)	3,546	(9,843)
Total	**(8,902)**	**3,454**	**(5,448)**

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
	%		%	
Profit from continuing operations before tax		1,107,725		719,138
Income tax using the Company's domestic rate (19%)	19.00%	210,468	19.00%	136,636
Effect of tax rates in foreign jurisdictions	3.49%	38,710	1.72%	12,342
Non-deductible expenses	1.95%	(1)21,600	4.13%	(1)29,667
Other non-taxable income	(5.58%)	(2)(61,799)	(4.83%)	(34,744)
Tax incentives, tax credits	(0.01%)	(147)	(0.02%)	(131)
Recognition of previously unrecognised tax losses	(0.05%)	(601)	(0.23%)	(1,629)
Effect of special levy for business in regulated services	3.60%	39,877	3.68%	26,462
Current year losses for which no deferred tax asset was recognised	1.56%	17,247	7.41%	53,284
Withholding tax, income tax adjustments for prior periods	0.33%	3,657	0.24%	1,730
Change in unrecognised temporary differences	-	-	0.18%	1,325
Effect of changes in tax rate	0.04%	450	-	-
Income taxes recognised in profit or loss for continuing operations	**24.33%**	**269,462**	**31.28%**	**224,942**

(1) *The basis consists mainly of non-deductible interest expense of EUR 112,786 thousand (2014: EUR 153,121 thousand).*
(2) *The basis consists mainly of negative goodwill of EUR 285,307 thousand (2014: EUR 0 thousand).*

16. Property, plant and equipment

In thousands of EUR	Land and buildings	Mine property	Gas pipelines	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under construction	Total
Cost							
Balance at 1 January 2015	**1,986,597**	**76**	**4,479,100**	**2,276,645**	**3,196**	**104,811**	**8,850,425**
Effects of movements in foreign exchange rates	16,906	-	-	22,762	27	1,676	**41,371**
Additions	65,913	-	6,000	124,674	358	116,192	**313,137**
Additions through business combinations[1]	131,364	-	-	303,104	3,804	11,512	**449,784**
Disposals	(8,307)	-	(5,300)	(16,525)	(258)	(3,837)	**(34,227)**
Disposed entities[2]	(3,766)	-	-	(287)	-	(84)	**(4,137)**
Transfers	35,428	-	9,800	35,911	(394)	(80,745)	**-**
Transfer to intangible assets	-	-	-	-	-	(173)	**(173)**
Transfer to investment property	(479)	-	-	-	-	-	**(479)**
Balance at 31 December 2015	**2,223,656**	**76**	**4,489,600**	**2,746,284**	**6,733**	**149,352**	**9,615,701**
Depreciation and impairment losses							
Balance at 1 January 2015	**(302,609)**	**(23)**	**(254,600)**	**(579,386)**	**(2,356)**	**(5,629)**	**(1,144,603)**
Effects of movements in foreign exchange rates	(1,190)	-	-	(14,059)	(143)	(17)	**(15,409)**
Depreciation charge for the year	(124,902)	(24)	(143,564)	(237,376)	(333)	(223)	**(506,422)**
Disposals	4,439	-	1,300	14,841	258	91	**20,929**
Disposed entities[2]	86	-	-	95	-	-	**181**
Impairment losses recognised in profit or loss	(14,306)	-	-	(7,942)	(138)	(795)	**(23,181)**
Balance at 31 December 2015	**(438,482)**	**(47)**	**(396,864)**	**(823,827)**	**(2,712)**	**(6,573)**	**(1,668,505)**
Carrying amounts							
At 1 January 2015	**1,683,988**	**53**	**4,224,500**	**1,697,259**	**840**	**99,182**	**7,705,822**
At 31 December 2015	**1,785,174**	**29**	**4,092,736**	**1,922,457**	**4,021**	**142,779**	**7,947,196**

(1) *Purchase of LokoTrain s.r.o., Optimum Energy, s.r.o., Budapesti Erömü Zrt. (BERT), Eggborough Holdco 2 S.à r.l. and its subsidiary and EP Produzione S.p.A., its subsidiaries and Ergosud S.p.A.*

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

In thousands of EUR	**Land and buildings**	**Mine property**	**Gas pipelines**	**Technical equipment, plant and machinery**	**Other equipment, fixtures and fittings**	**Under construction**	**Total**
Cost							
Balance at 1 January 2014	**2,030,702**	**2,881**	**4,435,406**	**2,211,996**	**5,324**	**242,625**	**8,928,934**
Reclassification of the opening balances as a result of completed Purchase Price Allocation for SSE	10,735	-	-	(8,086)	-	(2,649)	-
Effects of movements in foreign exchange rates	(2,891)	(5)	(6)	(4,846)	(30)	(588)	**(8,366)**
Additions	46,990	-	600	77,072	172	104,280	**229,114**
Additions through business combinations[(1)]	-	-	-	129	-	-	**129**
Disposals	(15,605)	-	(19,900)	(8,347)	(1,109)	(11,065)	**(56,026)**
Disposed entities[(2)]	(110,165)	(2,876)	-	(85,340)	(1,185)	(12,052)	**(211,618)**
Transfers	32,926	76	63,000	116,416	24	(212,442)	-
Transfer to intangible assets	-	-	-	-	-	(398)	**(398)**
Transfer to inventory	-	-	-	-	-	(2,900)	**(2,900)**
Transfer to disposal group held for sale[(3)]	(6,095)	-	-	(22,349)	-	-	**(28,444)**
Balance at 31 December 2014	**1,986,597**	**76**	**4,479,100**	**2,276,645**	**3,196**	**104,811**	**8,850,425**
Depreciation and impairment losses							
Balance at 1 January 2014	**(188,733)**	**(183)**	**(128,350)**	**(390,847)**	**(1,751)**	**(7,767)**	**(717,631)**
Effects of movements in foreign exchange rates	1,374	-	50	750	6	64	**2,244**
Depreciation charge for the year	(132,375)	(154)	(145,600)	(220,814)	(2,431)	-	**(501,374)**
Disposals	7,006	-	19,300	5,889	1,109	3,326	**36,630**
Disposed entities[(2)]	12,067	314	-	25,427	711	-	**38,519**
Impairment losses recognised in profit or loss	(2,446)	-	-	(1,745)	-	(1,252)	**(5,443)**
Transfer to disposal group held for sale[(3)]	498	-	-	1,954	-	-	**2,452**
Balance at 31 December 2014	**(302,609)**	**(23)**	**(254,600)**	**(579,386)**	**(2,356)**	**(5,629)**	**(1,144,603)**
Carrying amounts							
At 1 January 2014	**1,841,969**	**2,698**	**4,307,056**	**1,821,149**	**3,573**	**234,858**	**8,211,303**
At 31 December 2014	**1,683,988**	**53**	**4,224,500**	**1,697,259**	**840**	**99,182**	**7,705,822**

(1) *The purchase of EP Cargo a.s.*
(2) *The disposal of Przedsiebiorstwo Górnicze Silesia Sp. z o.o.*
(3) *The reclassification of SSE–Solar, s.r.o. to Assets held for sale.*

Idle assets

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

Finance lease liabilities

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

Security

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

Insurance of property, plant and equipment

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

In thousands of EUR

Description of property	Carrying amount of property	Sum insured Natural risk(1)	General machine risks	Liability for damage	Other risks
Land	230,300	-	-	-	-
Buildings	1,554,874	879,725	-	101,421	438,525
Machinery and equipment	1,921,328	1,199,740	70,641	2,708,534	4,428,002
Gas pipelines	4,092,736	-	-	-	-
Fixtures and fittings	4,213	2,982	85,035	-	497
Other long-term tangible assets	908	-	43	-	-
Long-term tangible assets under construction	142,779	2,960	2,960	185	25,125
Arts and collections	29	740	-	-	370
Mines	29	-	-	-	-
Investment property	2,531	-	-	-	-
Total	**7,949,727**	**2,086,147**	**158,679**	**2,810,140**	**4,892,519**

(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

Description of property	Carrying amount of property	Sum insured Natural risk(1)	General machine risks	Liability for damage	Other risks
Land	172,988	-	-	-	-
Buildings	1,511,000	1,057,916	-	48,965	440,805
Machinery and equipment	1,697,259	1,326,715	226,915	11,003	918,829
Gas pipelines	4,224,500	-	-	-	-
Fixtures and fittings	202	3,535	45,981	-	484
Other long-term tangible assets	609	-	49	-	-
Long-term tangible assets under construction	99,182	4,328	-	-	7,249
Arts and collections	29	721	-	-	361
Mines	53	-	-	-	-
Total	**7,705,822**	**2,393,215**	**272,945**	**59,968**	**1,367,728**

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	**107,058**	**49,566**	**63,043**	**263,133**	**7,523**	**490,323**
Effect of movements in foreign exchange rates	3,957	325	809	349	305	**5,745**
Additions	-	13,598	63,634	-	3,426	**80,658**
Disposals	-	(1,021)	(64,061)	-	(507)	**(65,589)**
Additions through business combinations[(1)]	34,101	1,242	3,061	18,021	41	**56,466**
Disposed entities[(2)]	-	(19)	-	-	-	**(19)**
Transfer from tangible assets under construction	-	173	-	-	-	**173**
Transfers	-	1,489	-	-	(1,489)	**-**
Balance at 31 December 2015	**145,116**	**65,353**	**66,486**	**281,503**	**9,299**	**567,757**
Amortisation and impairment losses						
Balance at 1 January 2015	**(8,120)**	**(20,304)**	**-**	**(90,492)**	**(3,174)**	**(122,090)**
Effect of movements in foreign exchange rates	(180)	(433)	-	(123)	(10)	**(746)**
Amortisation for the year	-	(1,912)	-	(31,225)	(768)	**(33,905)**
Disposals	-	118	-	-	507	**625**
Impairment losses recognised in profit or loss	-	(3)	-	-	-	**(3)**
Balance at 31 December 2015	**(8,300)**	**(22,534)**	**-**	**(121,840)**	**(3,445)**	**(156,119)**
Carrying amount						
At 1 January 2015	**98,938**	**29,262**	**63,043**	**172,641**	**4,349**	**368,233**
At 31 December 2015	**136,816**	**42,819**	**66,486**	**159,663**	**5,854**	**411,638**

(1) *Purchase of LokoTrain s.r.o., Optimum Energy, s.r.o., Budapesti Erömü Zrt. (BERT), Eggborough Holdco 2 S.à r.l. and its subsidiary and EP Produzione S.p.A., its subsidiaries and Ergosud S.p.A.*

(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	**103,446**	**47,110**	**76,828**	**265,597**	**7,584**	**500,565**
Effect of movements in foreign exchange rates	(1,054)	(334)	(430)	(132)	(184)	**(2,134)**
Additions	-	4,152	31,100	143	3,761	**39,156**
Disposals	-	(2,837)	(44,455)	-	(1,176)	**(48,468)**
Disposed entities(1)		(367)		(2,475)	(1,018)	**(3,860)**
Additions through business combinations(2)	4,666	-	-	-	-	**4,666**
Transfer from tangible assets under construction	-	398	-	-	-	**398**
Transfers	-	1,444	-	-	(1,444)	-
Balance at 31 December 2014	**107,058**	**49,566**	**63,043**	**263,133**	**7,523**	**490,323**
Amortisation and impairment losses						
Balance at 1 January 2014	**(8,204)**	**(11,012)**	-	**(56,007)**	**(2,844)**	**(78,067)**
Effect of movements in foreign exchange rates	84	60	-	49	35	**228**
Amortisation for the year	-	(11,665)	-	(34,649)	(734)	**(47,048)**
Disposals	-	2,052	-	-	96	**2,148**
Disposed entities(1)	-	261	-	115	332	**708**
Impairment losses recognised in profit or loss	-	-	-	-	(59)	**(59)**
Balance at 31 December 2014	**(8,120)**	**(20,304)**	-	**(90,492)**	**(3,174)**	**(122,090)**
Carrying amount						
At 1 January 2014	**95,242**	**36,098**	**76,828**	**209,590**	**4,740**	**422,498**
At 31 December 2014	**98,938**	**29,262**	**63,043**	**172,641**	**4,349**	**368,233**

(1) *Disposal of Przedsiebiorstwo Górnicze Silesia Sp. z o.o.*
(2) *Purchase of EP Cargo a.s.*

In 2015, EPH Group purchased emission allowances of EUR 27,343 thousand (2014: EUR 17,544 thousand). The remaining part of EUR 36,291 thousand (2014: EUR 13,556 thousand) was allocated to the Group by the Ministry of the Environment of the Czech Republic, Slovakia and Hungary.

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

Other intangible assets comprise valuable rights.

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

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 and 2014.

Impairment testing for cash-generating units containing goodwill

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

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

In thousands of EUR	**31 December 2015**
EP Energy, a.s.:	
Elektrárny Opatovice, a.s.	85,989
Helmstedter Revier GmbH	5,053
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
Eggborough Power Limited (1)	30,784
EP Investments Advisors, s.r.o.	2,769
Total goodwill	**136,816**

In thousands of EUR	**31 December 2014**
EP Energy, a.s.:	
Elektrárny Opatovice, a.s.	83,813
Helmstedter Revier GmbH	5,053
EP Cargo a.s.	4,640
Plzeňská energetika a.s.	2,610
ARISUN, s.r.o.	125
EP Investments Advisors, s.r.o.	2,697
Total goodwill	**98,938**

(1) At the date of Optimum Energy, s.r.o., LokoTrain s.r.o. and EPL acquisitions, the Group recognised initial goodwill of EUR 34,101 thousand. As at 31 December 2015 the goodwill balance was increased by FX difference of EUR 1,340 thousand to a balance of EUR 35,441 thousand.

In 2015 the balance of goodwill increased by EUR 34,101 thousand as a result of Eggborough Power Limited, 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). Remaining increase of EUR 3,777 thousand was earned by positive effect of changes in the FX rate (2014: decrease of EUR 970 thousand due to the negative effect of changes in the FX rate). In 2015 the Group did not recognise any goodwill impairment (2014: EUR 0 thousand).

Goodwill and impairment testing

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

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

Cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by 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%), 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%).

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

Additional information on CGU with significant goodwill assigned:

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

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

The EPH 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. expected 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. Investment property

In thousands of EUR	**31 December 2015**	**31 December 2014**
Opening balance	-	324
Additions	2,052	-
Transfer from property, plant and equipment	479	-
Disposals	-	(323)
Effects of movements in foreign exchange rates	-	(1)
Closing balance	**2,531**	**-**

Security

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

19. Equity accounted investees

The Group has the following investments in associates:

In thousands of EUR		Ownership 31 December 2015	Carrying amount 31 December 2015
Associates	**Country**	**%**	
Kraftwerk Schkopau GbR	Germany	41.90	84,738
POZAGAS a.s.	Slovakia	41.30	49,432
Ergosud S.p.A.	Italy	50.00	45,042
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	Poland	38.93	34,948
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	20,716
Pražská teplárenská Holding a.s.	Czech Republic	49.00	6,817
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	3,581
Energotel, a.s.	Slovakia	20.00	1,546
Other		*(1)*	187
Total		-	**247,007**

In thousands of EUR		Ownership 31 December 2014	Carrying amount 31 December 2014
Associates	**Country**	**%**	
Kraftwerk Schkopau GbR	Germany	41.90	90,099
POZAGAS a.s.	Slovakia	41.30	41,117
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	Poland	38.93	37,438
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	20,756
Pražská teplárenská Holding a.s.	Czech Republic	49.00	13,044
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	3,445
Other		*(1)*	132
Total		-	**206,031**

(1) *Ownership percentage varies, for details refer to Note 39 – 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)
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	Poland	38.91	(4,093)
Ergosud S.p.A.	Italy	50.00	1,093
Energotel, a.s.	Slovakia	20.00	444
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	1,224
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	476
Kraftwerk Schkopau GbR	Germany	41.90	(2,587)
POZAGAS a.s.	Slovakia	41.30	8,315
Other		*(1)*	7
Total		-	**4,799**

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
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	Poland	38.91	(8,311)
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50.00	1,044
Kraftwerk Schkopau GbR	Germany	41.90	(2,474)
POZAGAS a.s.	Slovakia	41.30	5,763
Total		-	**(3,378)**

(1) Ownership percentage varies, for details refer to Note 39 – 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
Kraftwerk Schkopau GbR(1)	32,009	6,112	-	6,112	222,172	119,914	102,258
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	101,961	2	-	2	9,097	9,071	26
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	51,122	3,676	-	3,676	62,439	35,473	26,966
Fernwärme GmbH Hohenmölsen - Webau(1)	4,724	442	-	442	14,618	8,396	6,222
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
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	80,242	(10,368)	-	(10,368)	246,080	252,699	(6,619)
	326,064	**26,620**	-	**26,620**	**757,682**	**450,118**	**307,564**

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

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

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
Kraftwerk Schkopau GbR(1)	20,922	201,250	10,541	109,373
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	-	9,097	-	9,071
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	36,715	25,724	22,791	12,682
Fernwärme GmbH Hohenmölsen - Webau(1)	519	14,099	1,288	7,108
POZAGAS a.s.	56,631	32,796	14,984	3,779
Energotel, a.s.	7,504	6,098	3,820	1,922
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	205,837	40,243	189,192	63,507
Total	**421,002**	**336,680**	**242,616**	**207,502**

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

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 comprehensive income	Total comprehensive income	Assets	Liabilities	Equity
Pražská teplárenská Holding a.s.	27,648	*26,822	-	*26,822	110,761	44	110,717
Kraftwerk Schkopau GbR(1)	36,716	6,266	-	6,266	234,964	126,440	108,524
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	100,857	2	-	2	10,234	10,206	28
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	47,662	3,080	-	3,080	66,797	40,493	26,304
Fernwärme GmbH Hohenmölsen - Webau(1)	4,609	191	-	191	13,030	7,389	5,641
POZAGAS a.s.	26,920	7,778	-	7,778	77,477	17,712	59,765
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	112,176	(36,334)	(611)	(36,945)	249,607	256,877	(7,270)
	356,588	**7,805**	**(611)**	**7,194**	**762,870**	**459,161**	**303,709**

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

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

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
Kraftwerk Schkopau GbR(1)	-	234,964	102,258	24,182
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	-	10,234	-	10,206
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	40,181	26,616	22,529	17,964
Fernwärme GmbH Hohenmölsen - Webau(1)	8,187	4,843	1,088	6,301
POZAGAS a.s.	56,966	20,511	13,281	4,431
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	221,797	27,810	218,639	38,238
Total	**411,242**	**351,628**	**357,795**	**101,366**

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

20. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

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

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
Temporary difference related to:						
Property, plant and equipment	43,785	(1,162,570)	(1,118,785)	2,200	(1,157,532)	(1,155,332)
Intangible assets	29,995	(34,517)	(4,522)	30,497	(51,394)	(20,897)
Financial instruments at fair value through profit or loss	778	(157)	621	-	(122)	(122)
Inventories	2,346	(258)	2,088	1,515	(201)	1,314
Trade receivables and other assets	1,707	(46)	1,661	1,515	(3,933)	(2,418)
Provisions	76,302	(4,051)	72,251	46,891	-	46,891
Employee benefits (IAS 19)	5,415	-	5,415	4,905	-	4,905
Loans and borrowings	5,068	(14,283)	(9,215)	6,528	-	6,528
Unpaid interest, net	-	(19)	(19)	-	(11)	(11)
Tax losses	9,081	-	9,081	180	-	180
Derivatives	3,000	(19,763)	(16,763)	3,715	(4,011)	(296)
Other items	6,513	(4,667)	1,846	4,509	(1,981)	2,528
Subtotal	**183,990**	**(1,240,331)**	**(1,056,341)**	**102,455**	**(1,219,185)**	**(1,116,730)**
Set-off tax	(120,856)	120,856	-	(92,774)	92,774	-
Total	**63,134**	**(1,119,475)**	**(1,056,341)**	**9,681**	**(1,126,411)**	**(1,116,730)**

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	(1,155,332)	(30)	-	37,506	514	425	(1,868)	(1,118,785)
Intangible assets	(20,897)	13,549	-	3,162	-	-	(336)	(4,522)
Financial instruments at fair value through profit or loss	(122)	(31)	-	772	-	-	2	621
Inventories	1,314	551	-	216	-	-	7	2,088
Trade receivables and other assets	(2,418)	4,113	-	(49)	-	-	15	1,661
Provisions	46,891	21,059	1,586	2,617	-	-	98	72,251
Employee benefits (IAS 19)	4,905	216	187	75	-	-	32	5,415
Unpaid interest, net	(11)	(8)	-	-	-	-	-	(19)
Loans and borrowings	6,528	(11,367)	9,624	(14,021)	-	-	21	(9,215)
Tax losses	180	(234)	-	9,102	-	-	33	9,081
Derivatives	(296)	(5,677)	(10,349)	-	-	-	(441)	(16,763)
Other	2,528	(35)	-	(644)	-	48	(51)	1,846
Total	**(1,116,730)**	**22,106**	**1,048**	**38,736**	**514**	**473**	**(2,488)**	**(1,056,341)**

(1) The purchase of Eggborough Holdco 2 S.à r.l. and its subsidiary, EP Produzione S.p.A., its subsidiaries and Ergosud S.p.A. and Budapesti Erömü Zrt.
(2) The reclassification of SSE–Solar, s.r.o. to Assets and liabilities 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**	**Disposed entities[1]**	**Transfer to disposal group held for sale[2]**	**Effect of movements in foreign exchange rate**	**Balance at 31 December 2014**
Property, plant and equipment	(1,218,669)	35,116	-	(3,066)	1,999	29,288	(1,155,332)
Intangible assets	(18,013)	(3,897)	-	-	(47)	1,060	(20,897)
Financial instruments at fair value through profit or loss	(146)	24	-	-	-	-	(122)
Inventories	(73)	1,598	-	(192)	-	(19)	1,314
Trade receivables and other assets	2,917	(4,929)	-	-	-	(406)	(2,418)
Provisions	34,312	15,068	-	(2,312)	-	(177)	46,891
Employee benefits (IAS 19)	6,235	(3,306)	3,546	(1,482)	-	(88)	4,905
Unpaid interest, net	(73)	62	-	-	-	-	(11)
Loans and borrowings	10,173	3,737	-	(7,327)	-	(55)	6,528
Tax losses	7,220	(1,876)	-	(5,046)	-	(118)	180
Derivatives	-	(204)	(92)	-	-	-	(296)
Other	9,553	(6,316)	-	(716)	-	7	2,528
Total	**(1,166,564)**	**35,077**	**3,454**	**(20,141)**	**1,952**	**29,492**	**(1,116,730)**

(1) *The disposal of Przedsiebiorstwo Górnicze Silesia Sp. z o.o.*

(2) *The reclassification of SSE–Solar, s.r.o. to Assets and liabilities held for sale.*

Unrecognised deferred tax assets

A deferred tax asset has not been recognised in respect of the following items:

In thousands of EUR	31 December 2015	31 December 2014
Tax losses carried forward	394,753	341,509
Total	**394,753**	**341,509**

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
Slovak Gas Holding B.V.	304,561	278,199
EPH Gas Holding B.V.	53,382	41,423
Seattle Holding B.V.	26,804	9,528
Czech Gas Holding Investment B.V.	4,715	2,641
PT Holding Investment B.V.	3,697	3,953
EP ENERGY TRADING, a.s.	1,043	4,718
Other	551	1,047
Total	**394,753**	**341,509**

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 73,591 thousand (2014: EUR 74,475 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	-	894	29	3	1,085	392,742	**394,753**

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

21. Inventories

In thousands of EUR	**31 December 2015**	**31 December 2014**
Raw material and supplies	56,123	35,218
Fossil fuel	38,731	24,039
Spare parts	34,755	3,688
Overburden	25,975	25,504
Work in progress	4,747	3,090
Finished goods and merchandise	3,720	257
Total	**164,051**	**91,796**

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

22. Trade receivables and other assets

In thousands of EUR	**31 December 2015**	**31 December 2014**
Trade receivables	440,786	330,970
Accrued income	77,131	41,532
Advance payments	61,546	37,795
Estimated receivables	48,162	42,573
Other receivables and assets	21,927	36,313
Allowance for bad debts	(14,277)	(10,694)
Total	**635,275**	**478,489**
Non-current	47,561	29,157
Current	587,714	449,332
Total	**635,275**	**478,489**

In 2015 EUR 344 thousand receivables were written-off through profit or loss (2014: EUR 1,983 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).

As at 31 December 2015 trade receivables and other assets amounting EUR 581,317 thousand are not past due (2014: EUR 419,906 thousand), remaining balance of EUR 53,958 thousand is overdue (2014: EUR 58,583 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables excluding construction work in progress is disclosed in Note 37 – Risk management policies and disclosures.

23. Cash and cash equivalents

In thousands of EUR	31 December 2015	31 December 2014
Current accounts with banks	640,480	562,845
Term deposits	65,053	346,938
Cash on hand and valuables	305	304
Total	**705,838**	**910,087**

Term deposits and bills of exchange issued by banks with original maturity of up to three months are classified as cash equivalents.

As at 31 December 2015 cash equivalents of EUR 167,775 thousand are subject to pledges (2014: EUR 167,558 thousand). 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 EPH Group and does not represent restricted cash.

24. Restricted cash

As at 31 December 2015 balance of restricted cash in amount of EUR 288,205 thousand is represented by EUR 250,500 thousand of cash reserved for 51% shareholder of SPP Infrastructure, a.s. which was declared and paid as dividend in 2016 (actual distribution happened on 22 February 2016). SPPI deposited this amount to special bank account and was not allowed to use this cash for any other purpose other than for the payment of these dividends to Slovenský plynárenský priemysel, a.s.

Remaining balance of EUR 37,705 thousand is represented by cash deposited by Eggborough Power Limited. EUR 27,042 thousands represents security given by EPL to the pension fund, this will remain in place until risk on the schemes funding deficit is eliminated. EUR 5,516 thousands represents security given to the Environment Agency in connection with future commitments at EPLs ash disposal site. EUR 5,147 thousands represents collateral deposited with National Grid. This cash balance enables EPL to participate in network balancing activity in the UK (when the system is long suppliers 'bid' to avoid supplying, when the system is short National Grid 'offers' available plant short term contracts to generate.

25. Tax receivables

In thousands of EUR	31 December 2015	31 December 2014
Current income tax receivables	18,302	14,097
Value added tax receivables	59,129	12,919
Energy tax	2,525	-
Road tax receivable	68	4
Other tax receivables	2,883	630
Total	**82,907**	**27,650**

26. 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
Property, plant and equipment	17,924	20,395
Land and buildings	5,597	5,597
Inventories	-	62
Deferred tax asset	-	47
Tax receivables	-	19
Trade receivables and other assets	-	11
Total	**23,521**	**26,131**

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

In thousands of EUR	**31 December 2015**	**31 December 2014**
Loans and borrowings	12,001	14,400
Deferred tax liability	2,585	1,999
Trade and other liabilities	81	16
Total	**14,667**	**16,415**

As at 31 December 2015 and 2014 balances of assets held for sale and liabilities from disposal groups held for sale are fully represented by specific assets and liabilities reported by Stredoslovenská energetika, a.s. As at the reporting date, these assets and liabilities were no longer reported as held for sale.

On 4 June 2014, SPP sold its 49% interest including management control in SPP Infrastructure, a.s. to Slovak Gas Holding B.V. ("SGH"), and simultaneously acquired own shares from SGH, to become 100% owned by the Slovak Government.

Since 4 June 2014, SPP Infrastructure, a.s. is owned by Slovak Government (51% share) and by SGH (49%), which also exercises management control over the newly established group. The ultimate parent company of the SPP Infrastructure, a.s. is Energetický a průmyslový holding, a.s.

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**
Revenues	-	597,048
Expenses	-	(631,591)
Profit (loss) from operations	-	**(34,543)**
Net finance income (expense)	-	204,493
Income tax expenses	-	(192,708)
Profit (loss) for the year	-	**(22,758)**

Of the loss from discontinued operation in 2014 of EUR 22,758 thousand an amount of EUR 11,151 thousand was attributable to the owners of the Company and EUR 11,607 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**
Net cash from (used in) operating activities	-	209,836
Net cash from (used in) investing activities	-	(23,417)
Net cash from (used in) financing activities	-	(110,000)
Net cash flows for the year	-	**76,419**

27. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 31 December 2015 consisted of 57,892,478 ordinary shares with a par value of CZK 100 each (2014: 57,892,478 shares) and 3,301,099,240 ordinary shares with a par value of CZK 1 each (2014: 3,301,099,240 shares).

The shareholders are entitled to receive dividends and to one vote per 1 CZK share and 100 votes per 100 CZK share, at meetings of the Company's shareholders.

31 December 2015	**Number of shares**		**Ownership**	**Voting rights**
	1 CZK	**100 CZK**	**%**	**%**
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	236,085,576	12,537,213	16.39	29.50
EP Investment S.à r.l. (owned by Daniel Křetínský)	1,683,397,724	1,935,906	18.52	37.17
MILEES LIMITED (part of J&T PARTNERS II L.P.)	236,085,600	14,473,120	20.65	33.33
Own shares(1)	1,145,530,340	28,946,239	44.44	-
Total	**3,301,099,240**	**57,892,478**	**100.00**	**100.00**

31 December 2014	**Number of shares**		**Ownership**	**Voting rights**
	1 CZK	**100 CZK**	**%**	**%**
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	236,085,700	14,473,120	18.52	33.33
EP Investment S.à r.l. (owned by Daniel Křetínský)	1,683,397,600	-	18.52	33.33
MILEES LIMITED (part of J&T PARTNERS II L.P.)	236,085,600	14,473,119	18.52	33.33
Own shares(1)	1,145,530,340	28,946,239	44.44	-
Total	**3,301,099,240**	**57,892,478**	**100.00**	**100.00**

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

The reconciliation of the number of shares outstanding at the beginning and at the end of the year is provided as follows:

	Number of shares 2015	
	1 CZK	**100 CZK**
Shares outstanding at the beginning of the year	3,301,099,240	57,892,478
Shares outstanding at the end of the year	**3,301,099,240**	**57,892,478**

	Number of shares 2014	
	1 CZK	**100 CZK**
Shares outstanding at the beginning of the year	3,301,099,240	57,892,478
Shares outstanding at the end of the year	**3,301,099,240**	**57,892,478**

Reserves recognised in equity comprise the following items:

In thousands of EUR	31 December 2015	31 December 2014
Other capital funds from capital contributions	22,538	22,538
Non-distributable reserves	5,854	5,869
Fair value reserve	(3,563)	(9,886)
Hedging reserve	(29,996)	(84,421)
Other capital reserves	(53,868)	(53,868)
Translation reserve	(77,387)	(70,021)
Total	**(136,422)**	**(189,789)**

Non-distributable reserves

The creation of a legal reserve fund in the Czech Republic was prior to 1 January 2014 required at a minimum of 20% (10% for limited liability companies) of net profit (annually) and up to a minimum of 10% (5% for limited liability companies) of the registered share capital (cumulative balance). The legal reserve fund could have only been used to cover losses of the Company and may not have been distributed as a dividend. The calculation of the legal reserve was based on local statutory regulations. The legal reserve of EUR 5,854 thousand was reported as at 31 December 2015 (2014: EUR 5,869 thousand). From 1 January 2014, in relation to the newly enacted legislation in the Czech Republic, legal reserve fund and its creation are no longer, under certain circumstances, obligatory. Similarly, legal reserve fund can be from 1 January 2014, under certain conditions, distributed in a form of dividend. As a result of the enacted legislation, in 2014 EUR 75,878 thousand was transferred from legal reserve fund to retained earnings.

Translation reserve

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

Other capital reserves

In 2009 the Group accounted for pricing differences that arose both from establishment of the Group as at 10 August 2009 and acquisition of certain new subsidiaries in the subsequent periods prior to 9 October 2009. Such subsidiaries were acquired under common control of J&T Finance Group, a.s. and therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are recorded at the book value, which is presented in the financial statements of J&T Finance Group, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition, carrying values of net assets and original goodwill carried forward as at the acquisition date was recorded in consolidated equity as pricing differences.

In 2010 in relation to the disposal of certain subsidiaries the revaluation reserve increase by EUR 74,465 thousand. The amount corresponds not only to pricing differences assigned directly to disposed subsidiaries but also to their direct parent companies (SPEs), which, although they remained in scope, are not cash generating units as standalones and thereby do not carry any goodwill potential.

In 2011 other capital reserves increased further by EUR 55,589 thousand in relation to the several subsidiaries that were spun off to EP Industries, a.s. as a part of non-cash dividend distribution.

In 2013 other capital reserves decreased by EUR 312 thousand in relation to the disposal of 47.06% share in PRVNÍ MOSTECKÁ a.s. as a part of the step acquisition process and increased by EUR 1,057 thousand due to the process of restructuralisation in SPP Group (for more detail refer to Note 26 – Asset and liabilities held for sale and discontinued operations).

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 33 – Financial instruments and Note 37 – Risk management policies and disclosure).

Share premium

Along with the equity reserves described above, the Company recognised a Share premium of EUR 63,694 thousand in 2012. For more information on share issues refer to Note 1 – Background.

Reserve for own shares

In 2014 EPH acquired 44.44% of its own shares from TIMEWORTH HOLDINGS LIMITED. These shares were reported within EPH's equity as reserve for own shares in amount of EUR 932,382 thousand as the shares were not cancelled as at 31 December 2015. These shares were cancelled on 22 January 2016.

This reserve represents difference between the purchase price and the nominal value of the shares. The nominal value of the shares amounting EUR 147,199 thousand is recognised as a decrease in Share capital in 2014.

28. Earnings per share

Basic earnings per share

Basic earnings per share in EUR per equivalent 1,000 CZK of share nominal value equal 0.10 (2014: 0.03).

The calculation of basic earnings per share as at 31 December 2015 was based on a profit attributable to ordinary shareholders of EUR 494,520 thousand (2014: EUR 187,044 thousand), and a weighted average number of ordinary shares outstanding of 5,050 million (2014: 6,953 million).

Basic earnings per share from continuing operations in EUR per equivalent 1,000 CZK of share nominal value equal 0.10 (2014: 0.03).

The calculation of basic earnings per share from continuing operations as at 31 December 2015 was based on profit attributable to ordinary shareholders of EUR 494,520 thousand (2014: EUR 198,195 thousand), and a weighted average number of ordinary shares outstanding of 5,050 million (2014: 6,953 million).

Weighted average number of ordinary shares 2015

In millions of shares	**Nominal**	**Weighted**
Issued ordinary shares at 10 August 2009 (1 share/CZK 100) adjusted to 1 share/CZK 1	8,248	8,248
Issued ordinary shares at 9 October 2009 (1 share/CZK 1)	2,783	2,783
Issued ordinary shares at 8 January 2010 (1 share/CZK 1)	390	390
Issued ordinary shares at 30 June 2010 (1 share/CZK 1)	70	70
Decrease of share capital – effect of demerger by spin-off at 30 September 2011 (1 share/CZK 100) adjusted to 1 share/CZK 1	(2,459)	(2,459)
Decrease of share capital – effect of demerger by spin-off at 30 September 2011 (1 share/CZK 1)	(615)	(615)
Issued ordinary shares at 7 August 2012 (1 share/CZK 1)	673	673
Own shares acquired at 3 February 2014 (1share/CZK 1)	(673)	(356)
Own shares acquired at 20 June 2014 (1share/CZK 1)	(472)	(472)
Own shares acquired at 20 June 2014 (1share/CZK 100)	(2,895)	(2,895)
Total	**5,050**	**5,050**

Weighted average number of ordinary shares 2014

In millions of shares	Nominal	Weighted
Issued ordinary shares at 10 August 2009 (1 share/CZK 100) adjusted to 1 share/CZK 1	8,248	8,248
Issued ordinary shares at 9 October 2009 (1 share/CZK 1)	2,783	2,783
Issued ordinary shares at 8 January 2010 (1 share/CZK 1)	390	390
Issued ordinary shares at 30 June 2010 (1 share/CZK 1)	70	70
Decrease of share capital – effect of demerger by spin-off at 30 September 2011 (1 share/CZK 100) adjusted to 1 share/CZK 1	(2,459)	(2,459)
Decrease of share capital – effect of demerger by spin-off at 30 September 2011 (1 share/CZK 1)	(615)	(615)
Issued ordinary shares at 7 August 2012 (1 share/CZK 1)	673	673
Own shares acquired at 3 February 2014 (1share/CZK 1)	(673)	(356)
Own shares acquired at 20 June 2014 (1share/CZK 1)	(472)	(250)
Own shares acquired at 20 June 2014 (1share/CZK 100)	(2,895)	(1,531)
Total	**5,050**	**6,953**

Dilutive earnings per share

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

29. Non-controlling interest

31 December 2015 *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]	EP Produzione Centrale Livorno Ferraris S.p.A.[4]	Other individually immaterial subsidiaries	Total
Non-controlling percentage	**26.18%**	**51.00%**	**31.01%**	**51.00%**	**25.00%**		
Business activity	Production and distribution of heat	Distribution of electricity	Gas storage and exploration	Distribution of gas	Production of electricity and heat		
Country[1]	Czech Republic	Slovakia	Slovakia	Slovakia	Italy		
Carrying amount of NCI at 31 December 2015	**85,631**	**385,716**	**104,717**	**1,285,130**	**49,850**	**32,899**	**1,943,943**
Profit (loss) attributable to non-controlling interest	**5,475**	**38,988**	**33,412**	**255,937**	**4,034**	**5,897**	**343,743**
Dividends declared	**(7,968)**	**(28,439)**	**(31,728)**	**(563,862)**	**-**	**(226)**	**(632,223)**
Statement of financial position information[2]							
Total assets	382,973	1,083,411	759,198	6,047,947	240,967		
of which: non-current	*326,521*	*850,103*	*689,013*	*5,085,747*	*159,392*		
current	*56,452*	*233,308*	*70,185*	*962,200*	*81,575*		
Total liabilities	69,394	327,105	394,402	3,340,347	41,568		
of which: non-current	*38,743*	*178,569*	*306,043*	*3,013,300*	*13,576*		
current	*30,651*	*148,536*	*88,359*	*327,047*	*27,992*		
Net assets	**313,579**	**756,306**	**364,796**	**2,707,600**	**199,399**	-	-
Statement of comprehensive income information[2]							
Total revenues	241,775	948,283	216,427	1,231,700	106,084		
of which: dividends received	-	*346*	-	*700*	-		
Profit after tax	20,909	76,446	106,644	554,100	16,264		
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**	**16,264**	-	-
Net cash inflows (outflows)[2]	**591**	**17,261**	**(51,294)**	**(27,797)**	**9,064**		

(1) *Principal place of business of subsidiaries and associates varies (for detail refer to Note 39 – 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.*
(4) *Data represent Company's results from the date of acquisition.*

31 December 2014 *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**	**23,056**	**2,241,468**
Profit (loss) attributable to non-controlling interest	**4,167**	**24,865**	**29,594**	**(2)220,796**	**4,972**	**284,394**
Dividends declared	**(14,845)**	**(27,397)**	**(41,285)**	**(378,716)**	**(1,596)**	**(463,839)**
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 39 – 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 26 – 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.

30. Loans and borrowings

In thousands of EUR	31 December 2015	31 December 2014
Issued debentures at amortised costs	3,336,723	2,863,559
Loans payable to credit institutions	1,686,083	2,124,793
Revolving credit facility	145,000	25,011
Loans payable to other than credit institutions	23,304	65,985
Bank overdraft	19,734	59,123
Liabilities from financial leases	16,238	867
Total	**5,227,082**	**5,139,338**
Non-current	4,850,919	4,247,830
Current	376,163	891,508
Total	**5,227,082**	**5,139,338**

The weighted average interest rate on loans for 2015 was 3.50% (2014: 2.58%).

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	(4,012)	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	(6,643)	01/11/2019	5.875	6.301
EPH Financing CZ notes	49,214	517	(715)	30/09/2018	4.200	4.720
EPH Financing SK notes	41,230	202	(656)	29/06/2018	4.180	4.735
Total	**3,305,099**	**52,295**	**(20,671)**	-	-	-

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

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

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

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

SPP Infrastructure Financing bond (2020 Notes)

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.

CE Energy bond (2021 Notes)

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 41 – 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%.

EPH Financing SK notes

On 29 June 2015, EPH Financing SK, a.s. issued bonds in the amount of EUR 41 million with a fixed interest rate of 4.200% p.a. The maturity of bonds is on 29 June 2018. The EPH Financing SK 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 4.735%.

EPH Financing CZ notes

On 30 September 2015, EPH Financing CZ, a.s. issued bonds in the amount of EUR 49 million (CZK 1,330 million) with a fixed interest rate of 4.200% p.a. The maturity of bonds is on 30 September 2018. The EPH Financing CZ 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 4.720%.

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
Unsecured bank loan	EUR	fixed	2025	248,150	8,802	74,146	165,202
Unsecured bank loan	EUR	variable*	2019	175,714	703	175,011	-
Secured bank loan	CZK	variable*	2026	59,794	513	35,178	24,103
Unsecured bank loan	CZK	variable*	2017	14,886	-	14,886	-
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	CZK	fixed	2016	10	10	-	-
Unsecured loan	CZK	fixed	2018	14,831	7,949	6,882	-
Unsecured loan	EUR	fixed	2016	8,473	8,473	-	-
Revolving credit facility	EUR	variable*		145,000	145,000	-	-
Overdraft	EUR	variable*		19,734	19,734	-	-
Liabilities from financial leases				16,238	2,683	5,455	8,100
Total interest-bearing liabilities				**1,890,359**	**320,382**	**1,295,871**	**274,106**

* 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	689,520	984,252	-
Secured bank loan	CZK	variable*	2024	8,913	898	4,011	4,004
Secured bank loan	EUR	fixed	2023	7,575	1,939	4,758	878
Unsecured bank loan	EUR	variable*	2024	261,331	50,718	713	209,900
Unsecured bank loan	EUR	fixed	2025	103,234	10,445	80,312	12,477
Unsecured bank loan	CZK	variable*	2026	69,968	41	21,349	45,578
Unsecured loan	EUR	fixed	2016	45,761	883	44,878	-
Unsecured loan	CZK	fixed	2017	20,224	7,568	12,656	-
Revolving credit facility	EUR	variable*		25,011	25,011	-	-
Overdraft	EUR	variable*		59,123	59,123	-	-
Liabilities from financial leases	CZK			867	314	553	-
Total interest-bearing liabilities				**2,275,779**	**846,460**	**1,153,482**	**275,837**

* 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 41 – 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	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Issued debentures at amortised costs	3,336,723	3,399,809	2,863,559	2,922,163
Loans payable to credit institutions	1,686,083	1,689,191	2,124,793	2,161,487
Revolving credit facility	145,000	145,000	25,011	25,011
Loans payable to other than credit institutions	23,304	23,583	65,985	68,496
Bank overdraft	19,734	19,734	59,123	59,123
Liabilities from financial leases	16,238	16,499	867	867
Total	**5,227,082**	**5,233,816**	**5,139,338**	**5,237,147**

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).

31. Provisions

In thousands of EUR	Employee benefits	Warranties	Provision for emission rights	Onerous contracts	Provision for lawsuits and litigations	Provision for restoration and decommissioning	Other	Total
Balance at 1 January 2015	**101,633**	**186**	**37,879**	-	**263**	**425,678**	**30,476**	**596,115**
Provisions made during the year	24,739	460	66,914	118	7,754	10,890	1,824	**112,699**
Provisions used during the year	(24,252)	(29)	(59,439)	(4,514)	-	(9,181)	(22,538)	**(119,953)**
Provisions reversed during the year	(11,182)	(160)	-	(20,451)	(259)	(9,279)	(10,680)	**(52,011)**
Acquisitions through business combinations[(1)]	26,462	-	53,406	94,874	860	258,693	4,965	**439,260**
Unwinding of discount*	1,189	-	-	-	-	11,034	-	**12,223**
Effects of movements in foreign exchange rate	775	5	3,092	137	42	3,409	254	**7,714**
Balance at 31 December 2015	**119,364**	**462**	**101,852**	**70,164**	**8,660**	**691,244**	**4,301**	**996,047**
Non-current	*72,465*	-	-	*70,047*	*174*	*680,233*	*1,832*	***824,751***
Current	*46,899*	*462*	*101,852*	*117*	*8,486*	*11,011*	*2,469*	***171,296***

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

(1) *The purchase of Eggborough Holdco 2 S.à r.l. and its subsidiary, EP Produzione S.p.A., its subsidiaries and Ergosud S.p.A. and Budapesti Erömü Zrt.*

In thousands of EUR	**Employee benefits**	**Warranties**	**Provision for emission rights**	**Provision for lawsuits and litigations**	**Asset retirement obligation**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2014	**106,071**	**182**	**42,553**	**1,495**	**107,019**	**309,608**	**25,378**	**592,306**
Provisions made during the year	30,854	518	38,137	10	-	8,915	11,962	**90,396**
Provisions used during the year	(21,190)	(363)	(42,541)	-	-	(5,509)	(2,223)	**(71,826)**
Provisions reversed during the year	(7,627)	(149)	-	(1,227)	-	(6,400)	(2,263)	**(17,666)**
Disposed entities[(1)]	(7,798)	-		-	-	(6,296)	(2,377)	**(16,471)**
Unwinding of discount*	1,405	-		-	-	18,378		**19,783**
Effects of movements in foreign exchange rate	(82)	(2)	(270)	(15)	-	(37)	(1)	**(407)**
Transfer	-	-	-	-	(107,019)	107,019	-	**-**
Balance at 31 December 2014	**101,633**	**186**	**37,879**	**263**	**-**	**425,678**	**30,476**	**596,115**
Non-current	*56,941*	-	-	*76*	-	*421,567*	*843*	***479,427***
Current	*44,692*	*186*	*37,879*	*187*	-	*4,111*	*29,633*	***116,688***

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

(1) The disposal of Przedsiebiorstwo Górnicze Silesia Sp. z o.o.

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 significant amount as 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 119,364 thousand (2014: EUR 101,633 thousand) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, Elektrárny Opatovice, a.s., Mining Services and Engineering Sp. z o.o., Pražská teplárenská, a.s., United Energy, a.s., Helmstedter Revier GmbH, Stredoslovenská energetika a.s., NAFTA a.s., SPPI Group, Budapesti Erömü Zrt., Eggborough Power Limited, EP Produzione Centrale Livorno Ferraris S.p.A., EP Produzione S.p.A. and Fiume Santo S.p.A.

i. Mitteldeutsche Braunkohlengesellschaft GmbH

The provision recorded by Mitteldeutsche Braunkohlengesellschaft GmbH amounts to EUR 12,371 thousand (2014: EUR 14,868 thousand), of which EUR 4,262 thousand (2014: EUR 3,873 thousand) represents a defined benefit pension scheme. The remaining balance of EUR 8,109 thousand (2014: EUR 10,995 thousand) represents by other unfunded employee benefits paid for work and life jubilees and anniversaries.

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

In thousands of EUR	**2015**	**2014**
Plan A		
Fair value of plan asset	4,195	4,172
Present value of obligations	(5,810)	(5,889)
Total employee benefit (asset)	**(1,615)**	**(1,717)**
Plan B		
Fair value of plan asset	1,941	2,699
Present value of obligations	(3,182)	(3,387)
Total employee benefit (asset)	**(1,241)**	**(688)**
Plan C		
Fair value of plan asset	-	-
Present value of obligations	(1,406)	(1,468)
Total employee benefit (asset)	**(1,406)**	**(1,468)**

Movement in the present value of defined benefit obligations

In thousands of EUR	Plan A	Plan B	Plan C	Total
Balance at 1 January 2015	**(5,889)**	**(3,387)**	**(1,468)**	**(10,744)**
Benefits paid by plan	318	1,201	115	**1,634**
Current service costs	-	-	(54)	**(54)**
Current interest costs	(83)	(15)	(23)	**(121)**
Actuarial gains (losses)	(156)	(981)	24	**(1,113)**
Balance at 31 December 2015	**(5,810)**	**(3,182)**	**(1,406)**	**(10,398)**

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

Movement in fair value of plan assets

In thousands of EUR	Plan A	Plan B	Plan C	Total
Balance at 1 January 2015	**4,172**	**2,699**	-	**6,871**
Benefits paid by plan	(318)	(498)	-	**(816)**
Contributions to plan assets	226	378	-	**604**
Expected return on plan assets	61	-	-	**61**
Current interest costs	-	11	-	**11**
Actuarial gains (losses)	54	(649)	-	**(595)**
Balance at 31 December 2015	**4,195**	**1,941**	-	**6,136**

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

Expense recognised in profit and loss:

In thousands of EUR	2015	2014
Current service costs	(54)	(410)
Expected return on plan assets	61	87
Current interest costs	(110)	(155)
Total	**(103)**	**(478)**

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

As at 31 December 2015

In %	**Plan A**	**Plan B**	**Plan C**
Discount rate	1.15	0.46	1.72
Expected return on assets	3.50	0.46	N/A
Annual rate of increase in salaries	0.00	*N/A*	0.00
Post retirement pension increase	0.00	*N/A*	0.00
Mortality & disability	*(1)*	*(1)*	*(1)*

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

As at 31 December 2014

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

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

ii. Helmstedter Revier GmbH

The provision recorded by Helmstedter Revier GmbH amounts to EUR 65,443 thousand (2014: EUR 65,381 thousand), of which EUR 23,288 thousand (2014: EUR 21,968 thousand) represents a defined benefit pension scheme and EUR 35,715 thousand (2014: EUR 32,419 thousand) represents an early retirement scheme. The schedules below summarise information about the defined benefit obligations.

In thousands of EUR	**2015**	**2014**
Plan A		
Fair value of plan asset	22,377	16,258
Present value of obligations	(44,026)	(36,629)
Total employee benefit	**(21,649)**	**(20,371)**
Plan B		
Fair value of plan asset	693	577
Present value of obligations	(2,177)	(2,032)
Total employee benefit	**(1,484)**	**(1,455)**
Plan C		
Fair value of plan asset	211	179
Present value of obligations	(366)	(321)
Total employee benefit	**(155)**	**(142)**
Early Retirement		
Present value of obligations	(35,715)	(32,419)
Total employee benefit	**(35,715)**	**(32,419)**

Movements in the present value of defined benefit obligations

In thousands of EUR	Plan A	Plan B	Plan C	Early retirement	Total
Balance at 1 January 2015	**(36,629)**	**(2,032)**	**(321)**	**(32,419)**	**(71,401)**
Benefits paid by plan	11	33	-	1,073	**1,117**
Current service costs	(3,145)	(80)	(19)	(4,370)	**(7,614)**
Current interest costs	(651)	(36)	(6)	1	**(692)**
Actuarial gains (losses) recognised in other comprehensive income	(3,612)	(62)	(20)	-	**(3,694)**
Balance at 31 December 2015	**(44,026)**	**(2,177)**	**(366)**	**(35,715)**	**(82,284)**

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

Movement in fair value of plan assets

In thousands of EUR	Plan A	Plan B	Plan C	Total
Balance at 1 January 2015	**16,258**	**577**	**179**	**17,014**
Contributions to plan assets	6,009	105	29	**6,143**
Expected return on plan assets	304	12	3	**319**
Actuarial gains (losses) recognised in other comprehensive income	(194)	(1)	-	**(195)**
Balance at 31 December 2015	**22,377**	**693**	**211**	**23,281**

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

Expense recognised in profit and loss:

In thousands of EUR	**2015**	**2014**
Current service costs	(7,614)	(1,955)
Current interest costs	(692)	(2,936)
Expected return on plan assets	319	25
Total	**(7,987)**	**(4,866)**

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

As at 31 December 2015

In %	**Plan A**	**Plan B**	**Plan C**	**Early Retirement**
Discount rate	1.72	1.72	1.72	0.76
Expected return on assets	2.50	2.50	2.50	0.00
Annual rate of increase in salaries	1.75	1.75	1.75	2.50
Post retirement pension increase	0.00	0.00	0.00	0.00
Mortality & disability	*(1)*	*(1)*	*(1)*	0.03

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

As at 31 December 2014

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

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

iii. Stredoslovenská energetika, a.s.

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

Pension Plans

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

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

Unfunded pension plan with defined benefit

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

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.

iv. SPPI Group

The provision recorded by SPPI Group amounts to EUR 9,200 thousand (2014: EUR 7,400 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.

v. Other

In 2015 provision for employee benefits was also recorded by newly acquired EP Produzione S.p.A. (EUR 6,087 thousand), Fiume Santo S.p.A. (EUR 6,038 thousand), Eggborough Power Limited (EUR 3,515 thousand) and EP Produzione Centrale Livorno Ferraris S.p.A. (EUR 925 thousand). All balances of provision represent a defined benefit pension scheme.

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 7,600 thousand was recorded by JTSD Braunkohlebergbau GmbH in 2015.

Remaining balance of provision was recorded by Eggborough Power Limited (EUR 887 thousand; 2014: EUR 0 thousand), Pražská teplárenská a.s. (EUR 161 thousand; 2014: EUR 76 thousand) and Fiume Santo S.p.A. (EUR 13 thousand; 2014: 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 consolidated financial statements, and therefore no provision was recorded as at 31 December 2015 and 31 December 2014.

Provision for restoration and decommissioning

The provision of EUR 691,244 thousand (2014: EUR 425,678 thousand) was primarily recorded by JTSD Braunkohlebergbau GmbH (EUR 230,152 thousand; 2014: EUR 230,877 thousand), Helmstedter Revier GmbH (EUR 85,491 thousand; 2014: EUR 80,685 thousand), NAFTA a.s. (EUR 99,082 thousand; 2014: EUR 99,238 thousand), Eggborough Power Limited (EUR 77,959 thousand; 2014: EUR 0 thousand), Fiume Santo S.p.A. (EUR 66,088 thousand; 2014: EUR 0 thousand) and SPPI Group (excluding NAFTA a.s.) (EUR 13,100 thousand; 2014: EUR 12,900 thousand).

Since 2014 the asset retirement obligation provision has been presented under provision for restoration and decommissioning as this provision has the same content and properties.

According to the German Federal Mining Law, a mining company is obliged to re-cultivate/reclaim all the land used for mining purposes after discontinuation of mining operations. The requirements to be met for this purpose are set forth in a comprehensive framework operations plan and compliance is monitored by the mining authorities.

The following expense items are considered:

- Dewatering and flooding expenses
- Creation and stability of slope systems
- Soil preparation and treatment for subsequent agricultural and forest use
- Removal of all technical plants and equipment

Estimates are reviewed by an external expert/engineering office to ensure that mining provisions have been properly created. These external experts determine the value of all expense items listed above on the basis of usual market prices. In 2015, quantities and values were adjusted based on the latest knowledge. Consequently, the provisions were recalculated for IFRS accounting purposes on the basis of the new settlement values. An annual inflation rate of 1.7% (2014: 1.7%) was used to calculate the provision for adjustments based on the current price basis and a discount rate of 3.64% (2014: 3.64%) in case of JTSD Braunkohlebergbau GmbH and annual inflation rate of 1.7% (2014: 1.7%) was used to calculate the provision for adjustments based on the current price basis and a discount rate of 1.33% (2014: 1.33%) in case of Helmstedter Revier GmbH.

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 restoration recognised by JTSD Braunkohlebergbau GmbH and Helmstedter Revier GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In thousands of EUR	2015	2014
	Profit (loss)	**Profit (loss)**
Decrease of inflation rate by 100 bp	19,728	19,237
Increase of inflation rate by 100 bp	(17,536)	(17,111)

At the reporting date, a change of 100 basis points in the discount rate would have increased or decreased the provision for restoration recognised by JTSD Braunkohlebergbau GmbH and Helmstedter Revier GmbH by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In thousands of EUR	2015	2014
	Profit (loss)	**Profit (loss)**
Decrease of discount rate by 100 bp	35,072	34,408
Increase of discount rate by 100 bp	(28,695)	(28,152)

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%). 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 restoration recognised by SPPI Group (including NAFTA a.s.) by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In thousands of EUR	2015	2014
	Profit (loss)	**Profit (loss)**
Decrease of inflation rate by 100 bp	11,696	6,998
Increase of inflation rate by 100 bp	(9,628)	(6,222)

At the reporting date, a change of 100 basis points in the discount rate would have increased or decreased the provision for restoration recognised by SPPI Group (including NAFTA a.s.) by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

In thousands of EUR

	2015	2014
	Profit (loss)	**Profit (loss)**
Decrease of discount rate by 100 bp	12,347	12,474
Increase of discount rate by 100 bp	(10,102)	(10,206)

As at 31 December 2015 Eggborough Power Limited recognised a provision for restoration and decommissioning in amount of EUR 77,959 thousand. The company has an obligation to ensure that there are no issues with its ash-disposal site 60 years after the company is liquidated.

32. Deferred income

In thousands of EUR	31 December 2015	31 December 2014
Government grants	45,699	39,845
Free-of-charge received property	15,754	16,083
Other deferred income	47,508	34,054
Total	**108,961**	**89,982**
Non-current	96,810	85,688
Current	12,151	4,294
Total	**108,961**	**89,982**

Several items of gas 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. 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.

Balance of government grants in amount of EUR 45,699 thousand (2014: EUR 39,845 thousand) is mainly represented by Elektrárny Opatovice, a.s. of EUR 21,997 thousand (2014: EUR 22,857 thousand), Alternative Energy, s.r.o. of EUR 4,881 thousand (2014: EUR 5,270 thousand), SPPI Group of EUR 11,400 thousand (2014: EUR 9,400 thousand) and United Energy a.s. of EUR 4,842 thousand (2014: EUR 1,389 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.

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 47,508 thousand (2014: EUR 34,054 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), contributions for the acquisitions of tangible assets paid by customers (EUR 16,011 thousand; 2014: EUR 3,939 thousand) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3,547 thousand; 2013: EUR 3,763 thousand).

33. Financial instruments

Financial instruments and other financial assets

In thousands of EUR	31 December 2015	31 December 2014
Assets carried at amortised cost		
Loans to other than credit institutions	275,296	139,234
Shares available for sale held at cost	85,868	84,796
Other short-term deposits (intended for investing activities)	304	307
Other equity instruments	-	487
Total	**361,468**	**224,824**
Assets carried at fair value		
Hedging: *of which*	92,502	15,816
Commodity derivatives cash flow hedge[(1)]	*67,200*	*14,300*
Commodity derivatives fair value hedge	*23,238*	-
Interest rate swaps cash flow hedge	*1,258*	-
Currency forwards cash flow hedge	-	*1,516*
Other derivatives cash flow hedge	*806*	-
Risk management purpose: *of which*	5,943	959
Commodity derivatives reported as trading	*4,532*	*782*
Currency forwards reported as trading	*1,311*	*18*
Currency swaps reported as trading	*100*	-
Currency options reported as trading	-	*159*
Interest rate swaps reported as trading	-	-
Trading: *of which*	226	220
Equity options for trading	*226*	*220*
Total	**98,671**	**16,995**
Non-current	151,540	159,376
Current	308,599	82,443
Total	**460,139**	**241,819**

(1) *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
Liabilities carried at amortised cost		
Issued bills of exchange at amortised costs	82,918	55,278
Total	**82,918**	**55,278**
Liabilities carried at fair value		
Hedging: *of which*	10,692	7,496
Interest rate swaps cash flow hedge	*6,595*	*7,496*
Commodity derivatives cash flow hedge	*4,097*	-
Risk management purpose: *of which*	26,785	20,854
Currency forwards reported as trading	*12,038*	*10,475*
Interest rate swaps reported as trading	*8,611*	*10,019*
Commodity derivatives reported as trading	*6,136*	*360*
Total	**37,477**	**28,350**
Non-current	32,472	28,564
Current	87,923	55,064
Total	**120,395**	**83,628**

The weighted average interest rate on loans to other than credit institutions for 2015 was 6.49% (2014: 6.30%).

Shares available for sale held at cost primarily represent a 10% share in Veolia Energie ČR, a.s. (EUR 75,867 thousand).

The management of EPH is of the opinion that it is extremely difficult to calculate fair value for this stake. Veolia Energie ČR, a.s. is not publicly traded, the Company does not have access to business plans or other reliable financial information based on which fair value of the share could be reasonably determined. As a result, the management of EPH decided to exercise the exception in IAS 39.46 and carry the shares at cost.

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*	493,000	(493,000)	92,502	(10,692)
Commodity derivatives cash flow hedge	*258,000*	*(258,000)*	*67,200*	*(4,097)*
Commodity derivatives fair value hedge	-	-	*23,238*	-
Interest rate swaps cash flow hedge	*235,000*	*(235,000)*	*1,258*	*(6,595)*
Other derivatives cash flow hedge	-	-	*806*	-
Risk management purpose: *of which*	1,594,205	(1,589,003)	5,943	(26,785)
Currency forwards reported as trading	*676,050*	*(675,619)*	*1,311*	*(12,038)*
Interest rate swaps reported as trading	*581,714*	*(581,714)*	-	*(8,611)*
Commodity derivatives reported as trading	*336,441*	*(331,670)*	*4,532*	*(6,136)*
Currency swaps reported as trading	-	-	*100*	
Trading: *of which*	-	-	226	-
Equity options for trading	-	-	*226*	-
Total	**2,087,205**	**(2,082,003)**	**98,671**	**(37,477)**

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	(313,300)	15,816	(7,496)
Commodity derivatives cash flow hedge	*178,300*	*(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	1,652,457	1,638,088	959	(20,854)
Interest rate swaps reported as trading	*690,214*	*(675,812)*	-	*(10,019)*
Currency forwards reported as trading	*471,961*	*(473,241)*	*18*	*(10,475)*
Commodity derivatives reported as trading	*372,580*	*(372,918)*	*782*	*(360)*
Currency options reported as trading	*117,702*	*(116,117)*	*159*	-
Trading: *of which*	-	-	220	-
Equity options for trading	-	-	*220*	-
Total	**1,965,757**	**(1,951,388)**	**16,995**	**(28,350)**

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 37 – Risk management policies and disclosures.

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity, which are denominated in CZK and EUR with maturity up to 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 37 – 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*	-	92,502	-	**92,502**
Commodity derivatives cash flow hedge	-	*67,200*	-	***67,200***
Commodity derivatives fair value hedge	-	*23,238*	-	***23,238***
Interest rate swaps cash flow hedge	-	*1,258*	-	***1,258***
Other derivatives cash flow hedge	-	*806*	-	***806***
Risk management purpose: *of which*	-	5,943	-	**5,943**
Commodity derivatives reported as trading	-	*4,532*	-	***4,532***
Currency forwards reported as trading	-	*1,311*	-	***1,311***
Currency swaps reported as trading	-	*100*	-	***100***
Trading: *of which*	-	226	-	**226**
Equity options for trading	-	*226*	-	*226*
Total	-	**98,671**	-	**98,671**
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	-	26,785	-	**26,785**
Currency forwards reported as trading	-	*12,038*	-	***12,038***
Interest rate swaps reported as trading	-	*8,611*	-	***8,611***
Commodity derivatives reported as trading	-	*6,136*	-	***6,136***
Total	-	**37,477**	-	**37,477**

In thousands of EUR	Level 1	2014 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*	-	959	-	**959**
Commodity derivatives reported as trading	-	*782*	-	***782***
Currency options reported as trading	-	*159*	-	***159***
Currency forwards reported as trading	-	*18*	-	***18***
Trading: *of which*	-	220	-	**220**
Equity options for trading	-	*220*	-	***220***
Total	-	**16,995**	-	**16,995**
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*	-	20,854	-	**20,854**
Interest rate swaps reported as trading	-	*10,019*	-	***10,019***
Currency forwards reported as trading	-	*10,475*	-	***10,475***
Commodity derivatives reported as trading	-	*360*	-	***360***
Total	-	**28,350**	-	**28,350**

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

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

In thousands of EUR	Carrying value 31 December 2015	Fair value 31 December 2015
Financial assets		
Loans to other than credit institutions	275,296	356,199
Shares available for sale held at cost, net*	85,868	(1)-
Other short-term deposits (intended for investing activities)	304	304
Total	**361,468**	**356,503**
Financial liabilities		
Issued bills of exchange at amortised costs	82,918	82,950
Total	**82,918**	**82,950**

In thousands of EUR	Carrying value 31 December 2014	Fair value 31 December 2014
Financial assets		
Loans to other than credit institutions	139,234	170,377
Shares available for sale held at cost, net*	84,796	(1)-
Other short-term deposits (intended for investing activities)	307	307
Other equity instruments	487	487
Total	**224,824**	**171,171**
Financial liabilities		
Issued bills of exchange at amortised costs	55,278	55,341
Total	**55,278**	**55,341**

* *As noted above Shares available for sale held at cost, net primarily represent the acquired 10% share in Veolia Energie ČR, a.s.*

(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 EPH Group is contractually obliged to purchase 3,565,971 pieces (2014: 5,488,000 pieces) of emission rights at an average price 7.10 EUR/piece (2014: 5.81 EUR/piece).

Debentures held to maturity

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

34. Trade payables and other liabilities

In thousands of EUR	**31 December 2015**	**31 December 2014**
Trade payables	412,138	270,076
Advance payments received	121,032	144,858
Payroll liabilities	86,064	47,034
Accrued expenses	80,214	11,234
Other tax liabilities	49,178	56,303
Estimated payables	38,777	21,764
Uninvoiced supplies	24,144	21,545
Liability from deferred earn-out	(2)5,504	-
Retentions to contractors	125	55
Liabilities arising from the acquisition of non-controlling interests	-	(1)5,771
Other liabilities	56,817	56,035
Total	**873,993**	**634,675**
Non-current	120,981	84,324
Current	753,012	550,351
Total	**873,993**	**634,675**

(1) *This balance is fully represented by the liability for the purchase of 60% share in EP Cargo a.s. by EP Energy, a.s. paid in 2015.*

(2) *In 2015 the EPE 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.*

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

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

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

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 37 – Risk management policies and disclosures.

Liabilities to social fund

In thousands of EUR	2015	2014
Balance at 1 January	1,019	1,276
Charged to expenses	1,624	1,556
Transferred from retained earnings	506	164
Additions through business combinations	2	-
Disposal/decrease in principal	(1,749)	(1,962)
Effects of movements in foreign exchange	15	(15)
Balance at 31 December	**1,417**	**1,019**

Liabilities to the social fund are presented under payroll liabilities.

35. Financial commitments and contingencies

Off balance sheet liabilities

In thousands of EUR	31 December 2015	31 December 2014
Granted pledges – securities	7,194,633	7,515,761
Guarantees given	976,460	241,669
Other granted pledges	1,802,380	2,006,245
Total	**9,973,473**	**9,763,675**

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

Guarantees given

Guarantees given include mainly guarantees in the amount of EUR 802,768 thousand (2014: EUR 1,623 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).

Other granted pledges

In thousands of EUR	31 December 2015	31 December 2014
Loans granted(1)	1,157,273	1,394,187
Property, plant and equipment	374,319	335,437
Cash and cash equivalents	167,775	167,558
Trade receivables	73,922	87,391
Inventories	27,891	21,672
Investment property	1,200	-
Total	**1,802,380**	**2,006,245**

(1) Total balance of pledged granted loans includes intercompany loans of EUR 846,134 thousand (2014: EUR 846,057 thousand).

Off balance sheet assets

In thousands of EUR	31 December 2015	31 December 2014
Received promises	243,148	248,291
Other received guarantees and warranties	132,887	184,436
Total	**376,035**	**432,727**

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) and regulatory contingent assets related to green energy of EUR 73,471 thousand (2014: EUR 53,139 thousand) recognised by Stredoslovenská energetika, a.s., which are represented by the contingent assets related to green energy for the year 2015 (2014: contingent assets cover 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) as the difference between the costs of purchased green energy and costs related to the subvention of electricity produced from coal and revenues from TPS in the period from 1 January 2015 to 31 December 2015. The 2015 loss is included in the contingent asset of EUR 73,471 (2014: EUR 53,139 thousand) specified above. Based on the current Regulatory Framework the losses incurred will be compensated in two years' time, i.e. relevant amounts in 2016 and 2017 through an increase of revenues from TPS (2014: in 2015 and 2016). Based on the RONI decision dated in December 2014 the resulting asset of EUR 41,528 thousand originating in the year 2013 was recognised as accrued income in the consolidated 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 consolidated 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 yet 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) recognised by SPP Infrastructure, a.s. and EUR 33,000 thousand (2014: EUR 61,638 thousand) recognised by NAFTA a.s. as guarantee received for transport services and investment activities.

36. Operating leases

During the year ended 31 December 2015, EUR 34,777 thousand (2014: EUR 22,582 thousand) was recognised as an expense in profit or loss in respect of operating leases.

During the year ended 31 December 2015, EUR 6,135 thousand (2014: EUR 6,316 thousand) was recognised as income in profit or loss in respect of operating leases.

37. 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, concentration risk and regulatory risk.

As part of its operations, the Group is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices. To minimise this exposure, the Group enters into derivatives contracts to mitigate or manage the risks associated with individual transactions and overall exposures, using instruments available on the market.

(a) Credit risk

i. Exposure to credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans and advances.

The Group has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group uses credit databases for analysis of creditworthiness of new customers and after deemed creditworthy they are also subject to Risk committee approval. The Group's policy is also to require suitable collateral to be provided by customers such as a bank guarantee or a parent company guarantee. The exposure to credit risk is monitored on an ongoing basis.

Additional aspects mitigating credit risk

The Group operates mainly as an energy and power generation company, and thus has a specific customer structure. The distribution companies represent a comparatively low credit risk. The large clients are dependent upon electricity supplies which significantly mitigates the credit risks. In addition, bank guarantees and advance payments are required before active operation with traders. Previous experience shows that such elements are very favourable in terms of credit risk mitigation.

The carrying amount of financial assets (plus guarantees issued) represents the maximum credit exposure if counterparties fail to carry out completely their contractual obligations and any collateral or security proves to be of no value. The maximum credit exposure amounts disclosed below therefore greatly exceed expected losses, which are included in the allowance for impairment.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At the reporting date, the maximum exposure to credit risk by the type of counterparty and by geographic region is provided in the following tables.

Credit risk by type of counterparty

As at 31 December 2015

In thousands of EUR	Corporate (non-financial institutions)	State, government	Financial institutions	Banks	Individuals	Other	Total
Assets							
Cash and cash equivalents	1,926	-	1,643	701,912	-	[(1)]357	**705,838**
Restricted cash	-	-	-	288,205	-	-	**288,205**
Trade receivables and other assets	439,099	2,693	2,650	2,558	169,282	18,993	**635,275**
Financial instruments and other financial assets	317,226	-	101,549	41,280	84	-	**460,139**
Total	**758,251**	**2,693**	**105,842**	**1,033,955**	**169,366**	**19,350**	2,089,457

(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	-	-	905,304	-	[(1)]304	**910,087**
Trade receivables and other assets	431,510	16,071	90	4	10,313	20,501	**478,489**
Financial instruments and other financial assets	225,922	-	2,453	13,441	-	3	**241,819**
Total	**661,911**	**16,071**	**2,543**	**918,749**	**10,313**	**20,808**	1,630,395

(1) Primarily petty cash

Credit risk by location of debtor

As at 31 December 2015

In thousands of EUR	Czech Republic	Slovakia	Cyprus	Italy	Poland	Germany	Hungary	United Kingdom	Other	Total
Assets										
Cash and cash equivalents	335,689	182,022	-	90,658	1,744	31,221	379	59,902	4,223	**705,838**
Restricted cash	-	250,500	-	-	-	-	-	37,705	-	**288,205**
Trade receivables and other assets	135,783	192,716	1,020	172,528	3,355	59,424	13,211	22,850	34,388	**635,275**
Financial instruments and other financial assets	90,060	69,723	87,930	119	24,348	44,406	688	23,238	119,627	**460,139**
Total	**561,532**	**694,961**	**88,950**	**263,305**	**29,447**	**135,051**	**14,278**	**143,695**	**158,238**	**2,089,457**

As at 31 December 2014

In thousands of EUR	Czech Republic	Slovakia	Cyprus	Italy	Poland	Germany	United Kingdom	Other	Total
Assets									
Cash and cash equivalents	208,873	566,750	-	-	740	71,438	52,836	9,450	**910,087**
Trade receivables and other assets	167,791	189,683	1,018	-	8,593	74,445	249	36,710	**478,489**
Financial instruments and other financial assets	86,693	8,695	56,636	-	32,406	45,634	-	11,755	**241,819**
Total	**463,357**	**765,128**	**57,654**	-	**41,739**	**191,517**	**53,085**	**57,915**	**1,630,395**

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)	275,296	304	581,317	**856,917**
After maturity (net)	-	-	53,958	**53,958**
Total	**275,296**	**304**	**635,275**	**910,875**
A – Assets for which a provision has been created (overdue and impaired)				
- Gross	-	-	87,936	**87,936**
- specific loss allowance	-	-	(13,459)	**(13,459)**
- collective loss allowance	-	-	(33,465)	**(33,465)**
Net	-	-	**41,012**	41,012
B – Assets for which a provision has not been created (overdue but not impaired)				
- after maturity <30 days	-	-	10,718	**10,718**
- after maturity 31–180 days	-	-	741	**741**
- after maturity 181–365 days	-	-	1,134	**1,134**
- after maturity >365 days	-	-	353	**353**
Net	-	-	**12,946**	12,946
Total	-	-	**53,958**	53,958

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	-	-	**(10,694)**	**(10,694)**
Impairment losses recognised during the year	-	-	(4,739)	**(4,739)**
Reversals of impairment losses recognised during the year	-	-	958	**958**
Use of allowance during the period (write-offs)	-	-	878	**878**
Effects of movements in foreign exchange rate	-	-	(680)	**(680)**
Balance at 31 December 2015	-	-	**(14,277)**	**(14,277)**

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)	139,234	307	419,906	**559,447**
After maturity (net)	-	-	58,583	**58,583**
Total	**139,234**	**307**	**478,489**	**618,030**
A – Assets for which a provision has been created (overdue and impaired)				
- Gross	-	-	99,575	**99,575**
- specific loss allowance	-	-	(17,492)	**(17,492)**
- collective loss allowance	-	-	(37,408)	**(37,408)**
Net	-	-	**44,675**	**44,675**
B – Assets for which a provision has not been created (overdue but not impaired)				
- after maturity <30 days	-	-	10,130	**10,130**
- after maturity 31–180 days	-	-	1,687	**1,687**
- after maturity 181–365 days	-	-	406	**406**
- after maturity >365 days	-	-	1,685	**1,685**
Net	-	-	**13,908**	**13,908**
Total	-	-	**58,583**	**58,583**

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	-	-	**(12,069)**	**(12,069)**
Impairment losses recognised during the year	-	-	(4,111)	**(4,111)**
Reversals of impairment losses recognised during the year	-	-	2,720	**2,720**
Use of allowance during the period (write-offs)	-	-	2,690	**2,690**
Effects of movements in foreign exchange rate	-	-	76	**76**
Balance at 31 December 2014	-	-	**(10,694)**	**(10,694)**

Impairment losses on trade receivables and other assets at 31 December 2015 and 31 December 2014 relate to several customers that have indicated that they do not expect to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on extensive analyses of the underlying ratings of the customers.

Based on historic default rates, management believes that, apart from the above, no significant collective impairment allowance is necessary in respect of trade receivables and other assets that are not past due or past due.

The allowance for impairment in respect of financial assets is used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Various methods of managing liquidity risk are used by individual companies in the Group.

The Group's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The Group also holds, as a part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

Typically the Group ensures that it has sufficient cash on demand and assets within short maturity to meet expected operational expenses for a period of 90 days, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below provides an analysis of financial assets and liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest 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	**705,838**	705,838	705,838	-	-	-	-
Restricted cash	**288,205**	288,205	250,500	5,450		32,255	
Trade receivables and other assets	[2]**594,372**	596,076	424,838	131,361	26,323	2,194	11,360
Financial instruments and other financial assets	**460,139**	499,463	85,418	143,798	52,619	131,332	86,296
out of which Derivatives - inflow	*98,671*	*723,163*	*50,635*	*324,784*	*247,744*	*100,000*	-
outflow	-	*(718,276)*	*(50,607)*	*(321,329)*	*(246,340)*	*(100,000)*	-
Total	**2,048,554**	**2,089,582**	**1,466,594**	**280,609**	**78,942**	**165,781**	**97,656**
Liabilities							
Loans and borrowings	**5,227,082**	5,677,462	129,635	324,926	3,512,123	1,710,773	5
Trade payables and other liabilities	[3]**771,911**	771,911	489,030	96,406	91,411	28,487	66,577
Financial instruments and financial liabilities	**120,394**	125,909	41,201	50,258	34,419	-	31
out of which Derivatives - inflow	*37,477*	*1,364,042*	*1,050,307*	*194,259*	*119,476*	-	-
outflow	-	*(1,363,727)*	*(1,049,708)*	*(194,414)*	*(119,605)*	-	-
Total	**6,119,387**	**6,575,282**	**659,866**	**471,590**	**3,637,953**	**1,739,260**	**66,613**
Net liquidity risk position	**(4,070,833)**	**(4,485,700)**	**806,728**	**(190,981)**	**(3,559,011)**	**(1,573,479)**	**31,043**

(1) *Contractual cash flows disregarding discounting to net present value and including potential interest.*
(2) *Prepaid expenses and advances provided in total amount of EUR 40,903 thousand are excluded from the carrying amount as these items will cause no future cash inflow.*
(3) *Advances received in amount of EUR 102,082 thousand are excluded from the carrying amount as these items will cause no future cash outflow.*

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	**910,087**	910,087	910,087	-	-	-	-
Trade receivables and other assets	**(2)441,013**	441,025	311,288	45,798	22,361	-	61,578
Financial instruments and other financial assets	**241,819**	253,232	5,313	32,545	77,521	52,563	85,290
out of which Derivatives - inflow	***16,995***	*675,403*	*528,935*	*71,657*	*74,811*	-	-
outflow	-	*(674,181)*	*(527,687)*	*(71,683)*	*(74,811)*	-	-
Total	**1,592,919**	**1,604,344**	**1,226,688**	**78,343**	**99,882**	**52,563**	**146,868**
Liabilities							
Loans and borrowings	**5,139,338**	6,095,896	191,669	854,306	2,879,432	2,170,489	-
Trade payables and other liabilities	**(3)527,791**	527,791	358,291	85,452	48,833	34,072	1,143
Financial instruments and financial liabilities	**83,628**	91,236	49,737	12,935	28,073	491	-
out of which Derivatives - inflow	***28,350***	*1,290,354*	*1,028,539*	*94,648*	*17,765*	*149,402*	-
outflow	-	*(1,277,207)*	*(1,032,559)*	*(122,597)*	*(122,051)*	-	-
Total	**5,750,757**	**6,714,923**	**599,697**	**952,693**	**2,956,338**	**2,205,052**	**1,143**
Net liquidity risk position	**(4,157,838)**	**(5,110,579)**	**626,991**	**(874,350)**	**(2,856,456)**	**(2,152,489)**	**145,725**

(1) *Contractual cash flows disregarding discounting to net present value and including potential interest.*
(2) *Prepaid expenses and advances provided in total amount of EUR 37,476 thousand are excluded from the carrying amount as these items will cause no future cash inflow.*
(3) *Advances received in amount of EUR 106,884 thousand are excluded from the carrying amount as these items will cause no future cash outflow.*

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

(c) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities 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	705,534	-	-	304	**705,838**
Restricted cash	255,950	-	32,255	-	**288,205**
Trade receivables and other assets	148,669	234	-	486,372	**635,275**
Financial instruments and other financial assets[1]	220,791	47,353	56,771	135,224	**460,139**
out of which Derivatives - inflow	*723,163*	-	-	-	***723,163***
outflow	*(618,276)*	-	*(100,000)*	-	***(718,276)***
Total	**1,330,944**	**47,587**	**89,026**	**621,900**	**2,089,457**
Liabilities					
Loans and borrowings	1,501,368	2,192,890	1,532,819	5	**5,227,082**
Trade payables and other liabilities	275,880	19,133	-	578,980	**873,993**
Financial instruments and financial liabilities[1]	77,313	21,370	-	21,712	**120,394**
out of which Derivatives - inflow	*1,364,042*	-	-	-	***1,364,042***
outflow	*(1,363,727)*	-	-	-	***(1,363,727)***
Total	**1,854,561**	**2,233,393**	**1,532,819**	**600,697**	**6,221,470**
Net interest rate risk position	**(523,617)**	**(2,185,806)**	**(1,443,793)**	**21,203**	**(4,132,013)**

(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 33 – 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	909,783	-	-	304	**910,087**
Trade receivables and other assets	73,356	209	-	404,924	**478,489**
Financial instruments and other financial assets[(1)]	25,157	65,528	8,288	142,846	**241,819**
out of which Derivatives - inflow	*675,403*	-	-	-	***675,403***
outflow	*(574,181)*	-	*(100,000)*	-	***(674,181)***
Total	**1,008,296**	**65,737**	**8,288**	**548,074**	**1,630,395**
Liabilities					
Loans and borrowings	1,851,717	1,308,074	1,974,162	5,385	**5,139,338**
Trade payables and other liabilities	64,448	-	-	570,227	**634,675**
Financial instruments and financial liabilities[(1)]	52,314	20,348	-	10,966	**83,628**
out of which Derivatives - inflow	*1,290,354*	-	-	-	***1,290,354***
outflow	*(1,277,207)*	-	-	-	***(1,277,207)***
Total	**1,968,479**	**1,328,422**	**1,974,162**	**586,578**	**5,857,641**
Net interest rate risk position	**(960,183)**	**(1,262,685)**	**(1,965,874)**	**(38,504)**	**(4,227,246)**

(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 33 – 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 Profit (loss)**	**2014 Profit (loss)**
Decrease in interest rates by 100 bp	142,989	139,694
Increase in interest rates by 100 bp	(142,989)	(139,694)

(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, GBP and PLN.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forward exchange contracts, most with a maturity of less than one year.

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the Czech crown against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

As of 31 December 2015, the exposure to foreign exchange risk translated to thousands of EUR was as follows:

In thousands of EUR	CZK	USD	EUR	GBP	PLN	Other	Total
Assets							
Cash and cash equivalents	128,100	636	464,759	110,752	1,212	379	**705,838**
Restricted cash	-	-	250,500	37,705	-	-	**288,205**
Trade receivables and other assets	101,104	334	492,827	21,776	2,791	16,443	**635,275**
Financial instruments and other financial assets	98,935	-	292,867	23,238	44,411	688	**460,139**
	328,139	**970**	**1,500,953**	**193,471**	**48,414**	**17,510**	**2,089,457**
Off-balance sheet assets							
Received promises and guarantees	20,839	-	355,196	-	-	-	**376,035**
Receivables related to derivative operations	237,497	11,321	1,816,747	-	21,640	-	**2,087,205**
	258,336	**11,321**	**2,171,943**	-	**21,640**	-	**2,463,240**
Liabilities							
Loans and borrowings	142,850	-	5,084,232	-	-	-	**5,227,082**
Trade payables and other liabilities	123,022	41	674,538	54,216	2,426	19,750	**873,993**
Financial instruments and financial liabilities	75,451	-	40,821	-	26	4,097	**120,395**
	341,323	**41**	**5,799,591**	**54,216**	**2,452**	**23,847**	**6,221,470**
Off-balance sheet liabilities							
Granted pledges	1,532,792	-	7,426,516	37,705	-	-	**8,997,013**
Guarantees given	371	-	975,111	-	-	978	**976,460**
Receivables from derivative operations	267,960	11,409	1,750,747	-	-	**51,887**	**2,082,003**
	1,801,123	**11,409**	**10,152,374**	**37,705**	-	**52,865**	**12,055,476**
Net FX risk position	**(13,184)**	**929**	**(4,298,638)**	**139,255**	**45,962**	**(6,337)**	**(4,132,013)**

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 33 – Financial instruments for more details).

As of 31 December 2014, the exposure to foreign exchange risk translated to thousands of EUR was as follows:

In thousands of EUR	CZK	USD	EUR	GBP	PLN	Other	Total
Assets							
Cash and cash equivalents	84,274	114	824,598	-	1,100	1	**910,087**
Trade receivables and other assets	136,575	360	332,880	-	8,673	1	**478,489**
Financial instruments and other financial assets	89,435	-	109,609	-	42,775	-	**241,819**
	310,284	**474**	**1,267,087**	-	**52,548**	**2**	**1,630,395**
Off-balance sheet assets							
Received promises and guarantees	17,849	-	414,878	-	-	-	432,727
Receivables from derivative operations	144,876	-	1,820,881	-	-	-	1,965,757
	162,725	-	2,235,759	-	-	-	2,398,484
Liabilities							
Loans and borrowings	101,627	-	5,037,711	-	-	-	**5,139,338**
Trade payables and other liabilities	107,555	187	519,815	-	7,080	38	**634,675**
Financial instruments and financial liabilities	60,311	-	23,317	-	-	-	**83,628**
	269,493	**187**	**5,580,843**	-	**7,080**	**38**	**5,857,641**
Off-balance sheet liabilities							
Granted pledges	1,517,551	-	8,004,455	-	-	-	**9,522,006**
Guarantees given	-	-	241,669	-	-	-	**241,669**
Payables related to derivative operations	574,325	-	1,375,949	-	1,114	-	**1,951,388**
	2,091,876	-	**9,622,073**	-	**1,114**	-	**11,715,063**
Net FX risk position	**40,791**	**287**	**(4,313,756)**	-	**45,468**	**(36)**	(4,227,246)

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 33 – Financial instruments for more details).

The following significant exchange rates applied during the period:

	31 December 2015		31 December 2014	
CZK	**Average rate**	**Reporting date spot rate**	**Average rate**	**Reporting date spot rate**
EUR 1	27.283	27.025	27.533	27.725
USD 1	24.600	24.824	20.746	22.834
GBP 1	37.595	36.822	34.164	35.591
PLN 1	6.525	6.340	6.582	6.492

Sensitivity analysis

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR, USD, GBP and PLN at the reporting date would have increased (decreased) equity by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect in thousands of EUR	**2015 Profit (loss)**	**2014 Profit (loss)**
EUR (5% strengthening)	(560)	12,678
USD (5% strengthening)	(31)	-
GBP (5% strengthening)	(4,026)	-
PLN (5% strengthening)	(2,232)	(2,142)

Effect in thousands of EUR	**2015 Other comprehensive income**	**2014 Other comprehensive income**
EUR (5% strengthening)	55,000	55,000

A weakening of the Czech crown against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(e) Commodity risk

The Group's exposure to commodity risk principally consists of exposure to fluctuations in the prices of commodities, especially energy, gas and emission 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 33 – 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 33 – Financial instruments by the amount as shown in the table below.

Impact in thousands of EUR	2015 Profit (loss)	2014 Profit (loss)
Increase by 5%	144	890
Decrease by 5%	(144)	(890)

An increase/decrease in the price of natural gas by 5% would have increased/decreased profit from the related commodity derivatives described in Note 33 – Financial instruments by the amount as shown in the table below.

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

(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 are regulated providing for a capped profit margin per MWh.

In Slovakia the sale of electricity to mid-sized and large customers is the subject matter of composite electricity supply contracts. Such contracts usually determine the price for the supply of the commodity. The price of the distribution and other components is determined based on the RONI's price decisions for distribution companies and the market and transmission system operator. For small enterprises and households, composite electricity supply contracts define the products for which price lists are issued in accordance with the RONI's price decisions for the regulated entity as a supplier of electricity. The RONI sets a maximum margin per MWh to be charged by the supplier. Improper regulation could negatively influence operating performance and cash flows.

The Czech Energy Regulatory Office ("ERO") issues pricing decisions that set forth mandatory guidelines applicable to the calculation of heat prices. These rates are comprised of (i) the economically justified costs necessary for production and distribution of heat, (ii) appropriate profit, and (iii) VAT. Furthermore, the ERO sets the limit price for heat which allows the Company's subsidiaries to set their own heat price on the condition that it is lower than the limit price and follows the calculation principles. Nevertheless, the ERO also has the right to review retroactively the operations of a heat producer for the previous 5 years with respect to the heat price setting mechanism applied by that particular entity. If the entity is not able fully to support the pricing mechanism applied, ERO can impose significant penalties which might have a material adverse effect on the Group's business, financial condition, results of operations, cash flows and prospects. The fact that the price of heat is not set by the ERO as a fixed amount per unit, gives rise to a degree of uncertainty on the part of the operator as there is the possibility that the calculation it carried out will be assessed as incorrect by the ERO.

As regards electricity produced by cogeneration plants, the ERO also stipulates the amount of subsidy for electricity from high-efficiency cogeneration sources in its price decision in the form of a green bonus, which is set per MWh and granted on an annual or hourly basis. The price decision distinguishes between a basic tariff (which applies to cogeneration plants in general) and additional tariff (which applies only to some of them). The respective tariff is set in the price decision in CZK per MWh and has different levels depending on the size of the plant, overall time of its use during a year and the fuel it uses. It is common that the ERO issues the price decision annually, in the autumn for the coming calendar year.

Hungarian operations are regulated using the standard RAB multiplied by WACC plus eligible operating expenditures and allowed depreciation formula.

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**
Total liabilities	8,521,495	7,716,544
Less: cash and cash equivalents	705,838	910,087
Net debt	**7,815,657**	**6,806,457**
Total equity attributable to equity holders of the Company	844,440	298,708
Less: amounts accumulated in equity relating to cash flow hedges	(29,996)	(84,421)
Adjusted capital	**874,436**	**383,129**
Debt to adjusted capital	**8.94**	**17.77**

(i) Hedge accounting

The balance of EUR 54,425 thousand (2014: negative EUR 5,650 thousand) 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 EPH 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 negative 49,363 thousand (2014: negative 87,087 thousand) as of 31 December 2015. The management concluded that the entities which cash-flows are hedged are expected to a high degree of probability remain in the Group and therefore the hedged cash-flows are probable to materialize in the expected time horizon.

Cash flow hedges – hedge of foreign currency risk and commodity price risk of revenues of power production with non-derivative financial liability and financial derivatives

The Group applies hedge accounting for hedging instruments designed to hedge the commodity price risk and the foreign currency risk of cash-flows from Group's power production sold to third parties through commodity derivatives with net settlement, for commodity risk and Group's liabilities denominated in EUR in total amount of EUR 175 million, for foreign currency risk. As a result of the hedging relationship on the Group level, the Group reported a foreign currency cash flow hedge reserve of EUR 1,430 thousand (2014: negative EUR 4,751 thousand). For risk management policies, refer to Note 37 (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.

In 2015 amount of EUR 3,453 thousand (2014: EUR 7,569 thousand) was reclassified from other equity to profit or loss due to an applied cash flow hedge.

38. Related parties

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

(a) The summary of outstanding balances with related parties as at 31 December 2015 and 31 December 2014 was as follows:

In thousands of EUR	**Accounts receivable and other financial assets 2015**	**Accounts payable and other financial liabilities 2015**	**Accounts receivable and other financial assets 2014**	**Accounts payable and other financial liabilities 2014**
Ultimate shareholders	40,992	-	11,349	-
Companies controlled by ultimate shareholders	4,174	767	11,300	8,034
Associates	33,195	8,068	41,943	18,024
Key management personnel of the entity or its parent	10	-	-	7
Other related parties	85	66,435	61	174,277
Total	**78,456**	**75,270**	**64,653**	**200,342**

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

In thousands of EUR	**Revenues 2015**	**Expenses 2015**	**Revenues 2014**	**Expenses 2014**
Ultimate shareholders	2,837	-	1,352	-
Companies controlled by ultimate shareholders	4,230	1,451	2,614	2,674
Associates	21,205	17,181	162,905	241,405
Key management personnel of the entity or its parent	-	-	-	718
Other related parties	61	13,472	787	15,173
Total	**28,333**	**32,104**	**167,658**	**259,970**

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

Transactions with Members of the EPH Board

EPH has provided the following monetary and non-monetary remuneration to the members of board of directors of the Company for the financial periods 2015 and 2014:

In thousands of EUR	**2015**	**2014**
Total remuneration	**1,170**	**1,076**

Remuneration of key EPH Group managers is included in Note 9 – Personnel expenses.

39. Group entities

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

		31 December 2015		31 December 2014		2015	2014
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Conso-lidation method	Conso-lidation method
Energetický a průmyslový holding, a.s.	Czech Republic	-	-	-	-	-	-
EP Fleet, k.s.	Czech Republic	0.10	Direct	0.10	Direct	Full	Full
EP Investment Advisors, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Fleet, k.s.	Czech Republic	99.80	Direct	99.80	Direct	Full	Full
EP Auto, s.r.o. *	Czech Republic	100	Direct	100	Direct	Full	Full
EP Fleet, k.s.	Czech Republic	0.10	Direct	0.10	Direct	Full	Full
CE Energy, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
EP Energy, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s. *	Czech Republic	49	Direct	49	Direct	Equity	Equity
Pražská teplárenská a.s.	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
Pražská teplárenská Trading, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská LPZ, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nový Veleslavín, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nové 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	Full	Full
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PRVNÍ MOSTECKÁ a.s. (1)	Czech Republic	-	-	100	Direct	-	Full
PRVNÍ MOSTECKÁ Servis a.s. (1)	Czech Republic	-	-	100	Direct	-	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EKY III, a.s. (2)	Czech Republic	-	-	100	Direct	-	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Sourcing, a.s. (former EP Coal Trading, a.s.)	Czech Republic	100	Direct	100	Direct	Full	Full
EOP & HOKA s.r.o.	Czech Republic	99.79	Direct	99.79	Direct	Full	Full
EOP HOKA POLSKA SPOŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland	100	Direct	100	Direct	Full	Full
EP COAL TRADING POLSKA S.A.	Poland	100	Direct	100	Direct	Full	Full
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
ADCONCRETUM REAL ESTATE ltd	Serbia	100	Direct	100	Direct	Full	Full
Optimum Energy, s.r.o.	Czech Republic	100	Direct	-	-	Full	-
Plzeňská energetika a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
VTE Moldava II, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o.*	Czech Republic	99.50	Direct	99.50	Direct	Full	Full
VTE Moldava, a.s. (3)	Czech Republic	-	-	100	Direct	-	Full

		31 December 2015		31 December 2014		2015	2014
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Conso-lidation method	Conso-lidation method
VTE Pastviny s.r.o. (3)	Czech Republic	-	-	100	Direct	-	Full
EP Renewables a.s. *(4)	Czech Republic	-	-	100	Direct	-	Full
ČKD Blansko Wind, a.s. (4)	Czech Republic	-	-	100	Direct	-	Full
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	IFRS 5	IFRS 5
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	0.50	Direct	0.50	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full	Full
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s.r.o. *	Slovakia	80	Direct	80	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full	Full
ROLLEON a.s. *	Czech Republic	-	-	100	Direct	-	Full
ENERGZET, a.s.	Czech Republic	-	-	100	Direct	-	Full
EBEH Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Reatex a.s.	Czech Republic	-	-	100	Direct	-	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	50.58	Direct	50.16	Direct	Full	Full
Pražská teplárenská Trading, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská LPZ, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nový Veleslavín, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nové Modřany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties I, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties II, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties III, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties IV, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT měření, a.s.	Czech Republic	50.58	Direct	-	-	Full	-
JTSD Braunkohlebergbau GmbH	Germany	100	Direct	100	Direct	Full	Full
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Consulting International GmbH (former Montan Bildungs- und Entwicklungsgesellschaft mbH)	Germany	100	Direct	100	Direct	Full	Full
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Full	Full
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen - Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Full	Full
Helmstedter Revier GmbH (Buschhaus)	Germany	100	Direct	100	Direct	Full	Full
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH (NORGAM mbH)	Germany	51	Direct	51	Direct	Full	Full
Terrakomp GmbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
EP Germany GmbH *	Germany	100	Direct	100	Direct	Full	Full
Saale Energie GmbH	Germany	100	Direct	100	Direct	Full	Full

		31 December 2015		31 December 2014		2015	2014
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Conso-lidation method	Conso-lidation method
Kraftwerk Schkopau GbR	Germany	41.90	Direct	41.90	Direct	Equity	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	44.40	Direct	44.40	Direct	Equity	Equity
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská energetika – Distrubúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SSE – Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika – Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE–Solar, s.r.o.	Slovakia	100	Direct	100	Direct	IFRS 5	IFRS 5
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	At cost
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	At cost
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	Full	Full
EP Cargo a.s.	Czech Republic	100	Direct	60	Direct	Full	Full
LokoTrain s.r.o.	Czech Republic	65	Direct	-	-	Full	-
EP Cargo Deutschland GmbH	Germany	100	Direct	-	-	Full	-
EP CARGO POLSKA s.a.	Poland	100	Direct	-	-	Full	-
PGP Terminal, a.s. *	Czech Republic	60	Direct	60	Direct	Full	Full
PLAZMA LIPTOV, a.s.	Slovakia	50	Direct	-	-	At cost	-
EP Hungary, a.s.	Czech Republic	100	Direct	-	-	Full	-
Budapesti Erömü Zrt.	Hungary	95.62	Direct	-	-	Full	-
BE-Optimum Kft.	Hungary	100	Direct	-	-	Full	-
KÖBÁNYAHŐ Kft.	Hungary	25	Direct	-	-	Equity	-
ENERGZET SERVIS a.s.	Czech Republic	100	Direct	-	-	Full	-
EP United Kingdom, s.r.o. *	Czech Republic	100	Direct	100	Direct	Full	Full
EP UK Investments Ltd *	United Kingdom	100	Direct	100	Direct	Full	Full
Eggborough Holdco 2 S.à r.l. *	Luxembourg	100	Direct	-	-	Full	-
Eggborough Power Limited	United Kingdom	100	Direct	-	-	Full	-
Energy Scanner Ltd. *	United Kingdom	100	Direct	-	-	Full	-
EP Commodities, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
WOOGEL LIMITED *	Cyprus	25	Direct	25	Direct	Full	Full
DCR INVESTMENT a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Mining Services and Engineering Sp. z o.o.	Poland	100	Direct	100	Direct	Full	Full
Przedsiebiorstwo Górnicze Silesia Sp. z o.o.	Poland	38.93	Direct	38.93	Direct	Equity	Equity
Sedilas Enterprises limited	Cyprus	100	Direct	100	Direct	Full	Full
EPH Financing SK, a.s.	Slovakia	100	Direct	-	-	Full	-
EPH Financing CZ, a.s.	Czech Republic	100	Direct	-	-	Full	-
EP Coal Trading, a.s.	Czech Republic	100	Direct	-	-	Full	-
Czech Gas Holding Investment B.V.*	Netherlands	100	Direct	100	Direct	Full	Full
NAFTA a.s.	Slovakia	40.45	Direct	40.45	Direct	Full	Full
Nafta Exploration s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Karotáž a cementace, s.r.o.	Slovakia	51	Direct	51	Direct	Full	Full
AUTOKAC s.r.o. - v likvidaci	Slovakia	83.33	Direct	83.33	Direct	Full	Full
AG Banka, a.s. v konkurze	Slovakia	39	Direct	39	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	35	Direct	35	Direct	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
EP Produzione S.p.A.	Italy	100	Direct	-	-	Full	-
Fiume Santo S.p.A.	Italy	100	Direct	-	-	Full	-
Sunshine 1 S.r.l.	Italy	100	Direct	-	-	Full	-
EP Produzione Centrale Livorno Ferraris S.p.A.	Italy	75	Direct	-	-	Full	-

	Country of incorporation	31 December 2015 Ownership %	31 December 2015 Ownership interest	31 December 2014 Ownership %	31 December 2014 Ownership interest	2015 Consolidation method	2014 Consolidation method
Centro Energia Ferrara S.p.A.	Italy	58.35	Direct	-	-	Full	-
Centro Energia Teverola S.p.A.	Italy	58.35	Direct	-	-	Full	-
Ergosud S.p.A.	Italy	50	Direct	-	-	Equity	-
EPH Gas Holding B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Seattle Holding B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Slovak Gas Holding B.V.	Netherlands	100	Direct	100	Direct	Full	Full
SPP Infrastructure, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
eustream, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Central European Gas HUB AG	Austria	15	Direct	15	Direct	At cost	At cost
eastring B.V.	Netherlands	100	Direct	-	-	At cost	-
SPP – distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Plynárenská metrológia, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
SPP – distribúcia Servis, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
NAFTA a.s.	Slovakia	56.15	Direct	56.15	Direct	Full	Full
Nafta Exploration s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Karotáž a cementace, s.r.o.	Czech Republic	51	Direct	51	Direct	Full	Full
AUTOKAC s.r.o. - likvidaci	Czech Republic	83.33	Direct	83.33	Direct	Full	Full
AG Banka, a.s. v konkurze	Slovakia	39	Direct	39	Direct	Full	Full
POZAGAS a.s.	Slovakia	35	Direct	35	Direct	Equity	Equity
NAFTA Services, s.r.o.	Czech Republic	100	Direct	-	-	Full	
NAFTA International B.V.	Netherlands	100	Direct	-	-	Full	
GEOTERM KOŠICE, a.s.	Slovakia	95.82	Direct	95.82	Direct	Full	Full
SPP Storage, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
SPP Bohemia a.s.	Czech Republic	100	Direct	100	Direct	At cost	At cost
SPP Servis, a.s.	Slovakia	100	Direct	100	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	35	Direct	35	Direct	Equity	Equity
SLOVGEOTERM a.s.	Slovakia	50	Direct	50	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	0.08	Direct	0.08	Direct	Full	Full
GALANTATERM spol. s r.o.	Slovakia	0.5	Direct	0.5	Direct	At cost	At cost
GALANTATERM spol. s r.o.	Slovakia	17.5	Direct	17.5	Direct	At cost	At cost
SPP Infrastructure Financing B.V.	Netherlands	100	Direct	100	Direct	Full	Full
Nadácia EPH	Slovakia	100	Direct	100	Direct	Full	Full
EP Slovakia B.V. *	Netherlands	100	Direct	-	-	Full	-

* *Holding entity*

(1) *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.*

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

(3) *VTE Moldava, a.s. and VTE Pastviny s.r.o. merged with VTE Moldava II, a.s. as at 1 August 2015. VTE Moldava II, a.s. is the successor company.*

(4) *EP Renewables a.s. and ČKD Blansko Wind, a.s. merged with EP Energy, a.s. as at 1 August 2015. EP Energy, a.s. is the successor company.*

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

40. 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 first half of 2016.

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

Plzeňská energetika a.s.

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika a.s. (PE) for approximately EUR 2,312 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 this request the hearing has been adjourned until further notice.

Mitteldeutsche Braunkohlengesellschaft mbH

MIBRAG is involved in an ongoing dispute filed by 50Hertz Transmission GmbH ("50Hertz") in Germany since 2011. 50Hertz operates an upstream transmission grid and seeks retroactive payment from MIBRAG for costs under the burden-sharing mechanism related to the promotion of renewable energies (the so-called EEG surcharge) between August 2004 and December 2008 under the German Renewable Energies Act (Erneuerbare Energien Gesetz). Transmission grid operators generally charge energy supply companies with the EEG surcharge depending on the quantity of electricity delivered by them to end customers. Energy supply companies are in turn entitled to pass the EEG surcharge on to end customers as a part of the electricity price. In March 2013, the District Court of Halle (Landgericht Halle) rendered a partial judgement in favour of 50Hertz ordering MIBRAG to provide detailed data on its deliveries of electricity to end customers from August 2004 to December 2008 to allow for a calculation of EEG surcharge payments potentially owed by MIBRAG. MIBRAG filed an appeal against the partial judgement.

On 6 February 2014, MIBRAG´s appeal was turned down by the Higher Regional Court, however, a further appeal of the partial judgement has been filed with the Federal Supreme Court (Bundesgerichtshof). A final decision was made in the second quarter of 2015, the appeal was rejected and MIBRAG was required to provide detailed data to 50Hertz for the purposes of a calculation of a potential EEG surcharge for the above noted period. Based on MIBRAG's analysis a provision of EUR 7,600 thousand was recorded as at 31 December 2015, which should reflect the expected payments with respect to EEG surcharge. MIBRAG continues to analyse the situation and its potential financial impact.

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

The SSE Group is a party to various legal proceedings. As of 31 December 2015 no legal provisions were recorded (2014: EUR 99 thousand). The Group management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may prejudice the SSE Group.

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

The SSE Group further faces a claim for EUR 42,952 thousand plus lawsuit costs. Based on the legal analysis of the case the SSE Group´s management does not expect an impact on the SSE Group and considers the risk of failure in these proceedings to be unlikely. The SSE Group did not record any provision related to this lawsuit.

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 EUR 8,880 thousand (CZK 240 million) consisting of a penalty in the amount of EUR 4,440 thousand (CZK 120 million) and restitution to affected customers in the amount of EUR 4,440 thousand (CZK 120 million). PT intends to appeal the decision and believes that it has reasonable arguments to succeed, nevertheless it cannot be ruled out that PT may ultimately be obliged to make the payment, regarding which no provision has yet been created. These proceedings may be relevant but not necessarily decisive in assessing the prices charged under similar circumstances from 2012 onwards.

Eggborough Power Limited

EPL is charged with a single count that, on 16 October 2014 at Gale Common, the company caused a water discharge activity, namely the discharge of Pulverised Fuel Ash slurry into Blowell Drain, except under and to the extent authorised by an environmental permit. Hearing of the matter has been adjourned and a new Court date is awaited.

As at 31 December 2015 EPL recorded an adequate provision to cover this risk.

41. Subsequent events

(a) Major acquisitions

Slovenské elektrárne, a.s.

On 18 December 2015, EP Slovakia BV ("EP Slovakia"), EPH's subsidiary, signed an agreement with Enel Produzione SpA ("Enel Produzione"), a subsidiary of Enel SpA, on the sale of Enel Produzione's share in Slovenské elektrárne, a.s. ("Slovenské elektrárne"). Under the sale, the entire 66% share in Slovenské elektrárne held by Enel Produzione will be transferred to a new company ("HoldCo"). EP Slovakia may then acquire up to 100% of the registered capital of HoldCo. The transfer of HoldCo to EP Slovakia will be carried out in two stages.

1. In the first stage, Enel Produzione will sell a 50% share in the registered capital of HoldCo to EP Slovakia for EUR 375 million, of which EUR 150 million will be paid upon the closing of the first stage, and the remaining EUR 225 million will be paid by EPH upon the closing of the second stage. The final cost may be different as it will be adjusted using a mechanism described below.

2. The second stage involves a put or call option which may be used by Enel Produzione or EP Slovakia within 12 months from the date on which the Mochovce Power Plant receives a permit for the trial operation of the reactors of the third and fourth block, currently under construction. Upon the use of either option, Enel Produzione will transfer the remaining 50% share in the registered capital of HoldCo to EP Slovakia for consideration of another EUR 375 million. This amount will be payable upon closing the transaction and is also subject to the adjustment mechanism described below. The final settlement and the closing of the second stage is conditional upon obtaining of a final permit for commercial operation of the third and fourth block of the Mochovce Power Plant.

As mentioned above, the total price for Enel Produzione's current share in Slovenské elektrárne, i.e. EUR 750 million, will be subject to an adjustment mechanism. The adjustments will be determined by independent experts and applied upon closing of the second stage of the transaction and will reflect certain parameters, including the change in the net financial position of Slovenské elektrárne, the development of energy prices on the Slovak markets, the efficiency of operation of Slovenské elektrárne (as compared to reference values laid down in the agreement) and the enterprise value of the third and fourth block of the Mochovce Power Plant.

The transaction is subject to the approval by anti-monopoly authorities, which has not been granted as at the date of preparation of the financial statements.

Lynemouth Power Limited

On 10 January 2016, by means of its subsidiary EP UK Investments Ltd., EPH acquired Lynemouth Power Limited from German RWE Supply & Trading GMBH (RWE). Lynemouth Power Limited operates a hard coal power plant with a generation capacity of 420MW, which is now getting ready to transfer to biomass combustion. Towards the end of last year, the power plant was granted a permit from the EU to sign a Contract for Difference with the UK cabinet. Having been remodelled to biomass combustion, the power plant will generate about 2.3 TWh of low-carbon electricity a year, which equals for instance the consumption of about 700,000 UK households.

Purchase of selected German lignite assets from Vattenfall AB

On 18 April 2016, a consortium consisting of EPH and its financial partner PPF Investments Ltd. ("Consortium"), announced to have signed a contract on the acquisition of lignite assets from Vattenfall AB ("Vattenfall") in Saxony and Brandenburg.

The Consortium and Vattenfall agreed on the following capital structure of the company owning Vattenfall's coal assets in Germany: the company records liabilities and provisions, in particular relating to the reclamation and decommissioning of individual facilities of approximately EUR 2 billion. As a compensation for the liabilities, the consortium acquires significant assets worth EUR 3.4 billion (in line with Vattenfall accounting policies). Furthermore, the company is expected to retain approximately EUR 1.7 billion in cash in its accounts. In view of the currently tense economic situation, the Consortium undertook to waive its right to dividends, if any, for the next years to come.

The Consortium assumes all statutory duties arising from the assets, including provisions for decommissioning and reclamation works.

Vattenfall's assets comprise the second largest lignite mines and power plants in Germany. They include, for example opencast mining in the Jänschwalde, Welzow-Süd, Nochten and Reichwalde mines, as well Jänschwalde, Schwarze Pumpe, Boxberg power plants and one block of the Lippendorf power plant. The overall generation capacity totals 8,000 MW and the company has about 7,500 employees.

The acquisition is yet subject to approval by the Swedish government and other standard regulations. The transaction is expected to be completed in the third quarter of 2016.

(b) EPIF reorganization

During 2016 activities and assets held by EP Infrastructure, a.s. ("EPIF", formerly CE Energy, a.s.) were reorganized. The reorganization also included the following matters:

German assets sale

German assets include, among others, MIBRAG and Saale Energie ("German assets"). 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).

The German assets were disposed of by means of sale of 100% 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 1.7 million).

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 0.2 million).

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 0.3 million (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 4.7 million (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 0.4 million (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 1.6 million (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 0.4 million (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 0.5 million (CZK 13,176 thousand) in cash (completed on 4 April 2016); and,

g. 100% of shares in Adconcretum real estate Ltd., which owns investment property in Serbia, were sold by EP Energy Trading ("EPET") to EPH (as the buyer) for approximately EUR 3.5 million.

EPIF Facility Agreement

On 29 February 2016, EP Infrastructure, a.s. ("EPIF", formerly CE Energy, a.s.) 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 a reference rate. The reference rate is EURIBOR and, if EURIBOR is less than zero, that rate is zero.

Furthermore, on 10 March 2016 EPIF received an equity injection from EPH in the form of increase of the registered capital of EPIF 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 EPIF, 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 EPIF 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 EPIF 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 EPIF 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 EPIF 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 EPIF notes, payment of accrued interest and other related costs in relation to EPIF notes and other refinanced bank financing in the aggregate amount of EUR 40.6 million.

Further, as a part of the restructuring, EPIF 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. The debts of EPH towards EPE, assumed by EPIF on 4 April 2016, of EUR 308.7 million consisted of unpaid principal loan of EUR 273.2 million and unpaid accrued interest of EUR 35.5 million.

In addition, in course of March and April 2016 the following assets were pledged as part of the EPIF refinancing: 50% minus one share of the capital stock of EPE, shares in SPPI, CGHI, SGH, EPH Gas Holding B.V. ("EPHGH") and Seattle Holding B.V. ("SH"), EPIF's bank accounts and EPIF's receivables from its loan provided to SGH.

(c) Other subsequent events

Furthermore, the following material events occurred in 2016:

Repayment of EP Energy's term loans and other financing matters

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 from EPE to EPH.

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

On 2 May 2016, EPIF as a sole shareholder of EP Energy decided on a dividend declaration of EUR 328 million (CZK 8,868 million), of which (a) EUR 40 million (CZK 1,090 million) shall be paid in cash within two months from the dividend declaration date and (b) EUR 288 (CZK 7,778 million) was, on the same day, offset with loans previously provided by EPE to EPIF and with a receivable of EUR 4.1 million EPE had towards EPIF from the FX forward which was unwound on 4 April 2016.

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.

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 60.3 million (CZK 1,632 million) subject to usual post-closing adjustments based on working capital level against the benchmarked value. 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.

Potential sale of a minority share in subsidiary EPIF

EPH, the sole shareholder of EPIF, is considering a bilateral transaction with global infrastructure investors to sell its minority share in EPIF.

Other subsequent events

Pražská teplárenská a.s. intends to carry out another step of an internal restructuring, where its real estate subsidiaries are being spun-off to a newly established sister company PT Real Estate, a.s. which has the same shareholders' structure as Pražská teplárenská a.s. The project is expected to be finalized in 2016.

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

As of 28 April 2016 the voting rights of the shareholders of Energetický a průmyslový holding, a.s., the ultimate parent of EP Energy, a.s., changed, and the structure of their resulting voting rights was as follows:

- BIQUES LIMITED 25.67%
- EP Investment S.à r.l. 37.16%
- MILEES LIMITED 37.16%

Appendices*:

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

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

[redacted]

Date:	Signature of the authorised representative
31 May 2016	[redacted] Daniel Křetínský [redacted] Chairman of the board of directors [redacted] Pavel Horský [redacted] Member of the board of directors

[redacted]

Appendix 1 – Business combinations

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

Effect of acquisitions

i. 31 December 2015

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of Eggborough Holdco 2 S.à r.l. and its subsidiary Eggborough Power Limited are provided in the following table.

In thousands of EUR	**Carrying amount**	**Fair value adjustment**	**2015 Total**
Property, plant, equipment, land, buildings	28,773	17,458	46,231
Intangible assets	7	-	7
Trade receivables and other assets	150,857	(21,539)	129,318
Financial instruments – assets	21,247	-	21,247
Inventories	935	-	935
Cash and cash equivalents	52,405	-	52,405
Restricted cash	34,838	(195)	34,643
Provisions	(136,046)	(4,636)	(140,682)
Trade payables and other liabilities	(89,800)	(2,167)	(91,967)
Net identifiable assets and liabilities	**63,216**	**(11,079)**	**52,137**
Goodwill on acquisitions of a subsidiary			29,446
Negative goodwill on acquisition of new subsidiaries			-
Pricing differences in equity			-
Cost of acquisition			**81,583**
Consideration paid, satisfied in cash (A)			81,583
Consideration, other			-
Total consideration transferred			**81,583**
Less: Cash acquired (B)			52,405
Net cash inflow (outflow) (C) = (B – A)			**(29,178)**

(1) Represents values at 100% share.

In thousands of EUR	**2015 Total**
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	410,941
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	(423,543)

As the acquisition occurred as at 15 January 2015 and for the period from 1 January 2015 to 14 January 2015 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 2015) is the same as stated in the table above.

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of EP Produzione S.p.A. and its subsidiaries Fiume Santo S.p.A., Sunshine 1 S.r.l., EP Produzione Centrale Livorno Ferraris S.p.A., Centro Energia Ferrara S.p.A., Centro Energia Teverola S.p.A. and Ergosud S.p.A. are provided in the following table.

In thousands of EUR	**Carrying amount[(1)]**	**Fair value adjustment**	**2015 Total[(1)]**
Property, plant, equipment, land, buildings	1,209,379	(856,746)	352,633
Intangible assets	2,831	(194)	2,637
Equity accounted investees	91,837	(47,886)	43,951
Trade receivables and other assets	116,884	1,196	118,080
Financial instruments – assets	31	-	31
Inventories	41,739	(503)	41,236
Cash and cash equivalents	44,160		44,160
Deferred tax asset	-	48,763	48,763
Provisions	(355,906)	63,707	(292,199)
Deferred tax liabilities	(916)	-	(916)
Loans and borrowings	(17,393)	-	(17,393)
Trade payables and other liabilities	(99,830)	7,157	(92,673)
Net identifiable assets and liabilities	**1,032,816**	**(784,506)**	**248,310**
Non-controlling interest			(48,345)
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(252,222)
Pricing differences in equity			-
Cost of acquisition			**(52,257)**
Consideration paid, satisfied in cash (A)			27,743
Consideration received, satisfied in cash (C)			(80,000)
Total consideration transferred			**(52,257)**
Less: Cash acquired (B)			44,160
Net cash inflow (outflow) (D) = (B – A – C)			**96,417**

(1) Represents values at 100% share of subsidiaries and 50% share in associate (equity accounted investees).

In thousands of EUR	**2015 Total**
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	639,686
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	15,943

In thousands of EUR	**2015 Total**
Revenue of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	803,921
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	(163,910)

* *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 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	**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 year ended 31 December 2015 (subsidiaries)*	175,492
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	(26,493)

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

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	**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 year ended 31 December 2015 (subsidiaries)*	4,257
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	309

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

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

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**
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	**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 year ended 31 December 2015 (subsidiaries)*	17,508
Profit (loss) of the acquirees recognised in the year ended 31 December 2015 (subsidiaries)*	692

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

ii. 31 December 2014

EP Cargo a.s.

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)]**	**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
New shares issued			-
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.*

Purchase price liability represents liability recognised by the direct parent company EP Energy, a.s. for the acquisition of 60% share in EP Cargo a.s.

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	**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

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

Appendix 2 – Consolidated statement of comprehensive income from discontinued operations

Consolidated statement of comprehensive income

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)**
Subtotal	**(20,718)**	**377**	**(20,341)**
Personnel expenses	(10,360)	-	(10,360)
Repairs and maintenance	(1,305)	-	(1,305)
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**
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)**