

# ALPIQ ENERGY SE

## **Financial Statements for the year ended 31 December 2013 together with Auditor's Report**

(Translation of Financial Statements Originally Issued in Czech – See Note 2 to the Financial Statements)



(Translation of a report originally issued in Czech - see Note 1 to the financial statements.)

## INDEPENDENT AUDITOR'S REPORT

To the Shareholder of ALPIQ ENERGY SE:

We have audited the accompanying financial statements of ALPIQ ENERGY SE, which comprise the balance sheet as at 31 December 2013, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. For details of ALPIQ ENERGY SE, see Note 1 to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Czech Republic, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

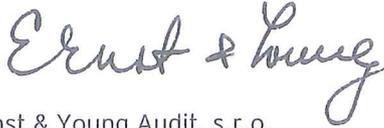
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing as amended by implementation guidance of the Chamber of Auditors of the Czech Republic. Those standards require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

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

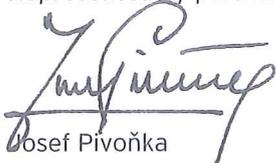
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of ALPIQ ENERGY SE as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Czech Republic.



Ernst & Young Audit, s.r.o.  
License No. 401  
Represented by partner



Josef Pivoňka  
Auditor, License No. 1963

28 April 2014  
Prague, Czech Republic

## Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

## BALANCE SHEET - LONG FORM

		Current year			Prior year 2012
		Gross	Allowances	Net	Net
	<b>TOTAL ASSETS</b>	<b>11 838 574</b>	<b>(202 782)</b>	<b>11 635 792</b>	<b>10 437 277</b>
<b>A.</b>	<b>STOCK SUBSCRIPTION RECEIVABLE</b>				
<b>B.</b>	<b>FIXED ASSETS</b>	<b>192 328</b>	<b>(151 656)</b>	<b>40 672</b>	<b>79 794</b>
B. I.	Intangible assets	156 980	(124 823)	32 157	62 941
B. I. 1	Foundation and organization expenses				
2	Research and development				
3	Software	4 368	(2 769)	1 599	1 942
4	Patents, royalties and similar rights	57	(57)	0	
5	Goodwill	152 496	(121 997)	30 499	60 999
6	Other intangible assets				
7	Intangible assets in progress	59		59	
8	Advances granted for intangible assets				
B. II.	Tangible assets	31 263	(26 833)	4 430	12 768
B. II. 1	Land				
2	Constructions	2 807	(1 841)	966	4 627
3	Separate movable items and groups of movable items	23 764	(20 831)	2 933	4 766
4	Perennial crops				
5	Livestock				
6	Other tangible assets				
7	Tangible assets in progress	531		531	
8	Advances granted for tangible assets				
9	Gain or loss on revaluation of acquired property	4 161	(4 161)	0	3 375
B. III.	Financial investments	4 085	0	4 085	4 085
B. III. 1	Subsidiaries				
2	Associates				
3	Other long-term securities and interests	4 085		4 085	4 085
4	Loans to subsidiaries and associates				
5	Other long-term investments				
6	Long-term investments in progress				
7	Advances granted for long-term investments				
<b>C.</b>	<b>CURRENT ASSETS</b>	<b>11 617 263</b>	<b>(51 126)</b>	<b>11 566 137</b>	<b>10 333 283</b>
C. I.	Inventory	74 666	(15 563)	59 103	86 271
C. I. 1	Materials				
2	Work in progress and semi-finished production				
3	Finished products				
4	Livestock				
5	Goods	74 666	(15 563)	59 103	86 271
6	Advances granted for inventory				
C. II.	Long-term receivables	64 285	0	64 285	57 294
C. II. 1	Trade receivables				
2	Receivables from group companies with majority control				
3	Receivables from group companies with control of 20% - 50%				
4	Receivables from partners, co-operative members and participants in association				
5	Long-term advances granted	38 116		38 116	41 031
6	Unbilled revenue				
7	Other receivables				
8	Deferred tax asset	26 169		26 169	16 263

## BALANCE SHEET - LONG FORM

		Current year			Prior year 2012
		Gross	Allowances	Net	Net
C. III.	Short-term receivables	11 023 944	(35 563)	10 988 381	9 584 088
C. III. 1	Trade receivables	4 388 235	(9 637)	4 378 598	6 485 098
2	Receivables from group companies with majority control	273 739		273 739	242 017
3	Receivables from group companies with control of 20% - 50%				
4	Receivables from partners, co-operative members and participants in association				
5	Social security and health insurance				
6	Due from government - tax receivables	628 976	(25 926)	603 050	278 312
7	Short-term advances granted	1 153 435		1 153 435	647 966
8	Unbilled revenue	2 589 612		2 589 612	159 917
9	Other receivables	1 989 947		1 989 947	1 770 778
C. IV.	Short-term financial assets	454 368	0	454 368	605 630
C. IV. 1	Cash	8 471		8 471	13 346
2	Bank accounts	445 897		445 897	592 284
3	Short-term securities and interests				
4	Short-term financial assets in progress				
D.	OTHER ASSETS - TEMPORARY ACCOUNTS OF ASSETS	28 983	0	28 983	24 200
D. I.	Accrued assets and deferred liabilities	28 983	0	28 983	24 200
D. I. 1	Prepaid expenses	28 983		28 983	24 200
2	Prepaid expenses (specific-purpose expenses)				
3	Unbilled revenue				

## BALANCE SHEET - LONG FORM

		Current year	Prior year 2012
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>11 636 792</b>	<b>10 437 277</b>
<b>A.</b>	<b>EQUITY</b>	<b>1 008 741</b>	<b>636 037</b>
A. I.	Basic capital	172 655	172 655
A. I. 1	Registered capital	172 655	172 655
2	Own shares and own ownership interests (-)		
3	Changes in basic capital		
A. II.	Capital funds	0	0
A. II. 1	Share premium (agio)		
2	Other capital funds		
3	Gain or loss on revaluation of assets and liabilities		
4	Gain or loss on revaluation of company transformations		
A. III.	Reserve funds and other funds created from profit	22 065	19 131
A. III. 1	Legal reserve fund	20 200	17 266
2	Statutory and other funds	1 865	1 865
A. IV.	Profit (loss) for the previous years	441 318	385 568
IV. 1	Retained earnings for the previous years	441 318	385 568
2	Accumulated loss of previous years		
A. V.	Profit (loss) for the year (+ / -)	372 703	58 683
<b>B.</b>	<b>LIABILITIES</b>	<b>10 624 324</b>	<b>9 800 946</b>
B. I.	Provisions	103 665	105 449
B. I. 1	Provisions created under special legislation		
2	Provision for pensions and similar obligations		
3	Provision for corporate income tax		
4	Other provisions	103 665	105 449
B. II.	Long-term liabilities	1 014 725	1 432 980
B. II. 1	Trade payables		
2	Liabilities to group companies with majority control	1 014 725	
3	Liabilities to group companies with control of 20% - 50%		
4	Liabilities to partners, co-operative members and participants in association		
5	Long-term advances received		
6	Bonds payable		
7	Long-term notes payable		
8	Unbilled deliveries		
9	Other liabilities		1 432 980
10	Deferred tax liability		
B. III.	Current liabilities	9 505 934	8 262 517
B. III. 1	Trade payables	3 239 715	4 933 502
2	Liabilities to group companies with majority control		220 644
3	Liabilities to group companies with control of 20% - 50%		
4	Liabilities to partners, co-operative members and participants in association		
5	Liabilities to employees	4 559	11 400
6	Liabilities arising from social security and health insurance	2 171	1 749
7	Due to government – taxes and subsidies	36 474	17 194
8	Short-term advances received	66 041	45 621
9	Bonds payable		
10	Unbilled deliveries	3 554 315	1 149 315
11	Other liabilities	2 602 660	1 883 092
B. IV.	Bank loans and borrowings	0	0
B. IV. 1	Long-term bank loans		
2	Short-term bank loans		
3	Borrowings		
<b>C.</b>	<b>OTHER LIABILITIES - TEMPORARY ACCOUNTS OF LIABILITIES</b>	<b>2 727</b>	<b>294</b>
C. I.	Accrued liabilities and deferred assets	2 727	294
C. I. 1	Accruals	57	294
2	Deferred income	2 670	

Prepared on:	Signature of accounting entity's statutory body:
28. 4. 2014	Zdeněk Čihák  Peter Dworak 

## Czech Statutory Financial Statement Forms (in thousands of Czech crowns)

## INCOME STATEMENT - LONG FORM

		Current year	Prior year 2012	
I.	1	Revenue from sale of goods	87 579 049	81 415 165
A.	2	Cost of goods sold	86 135 941	80 009 768
<b>+</b>		<b>Gross margin</b>	<b>1 443 108</b>	<b>1 405 397</b>
II.		Production	105 715	67 385
II.	1	Revenue from sale of finished products and services	105 715	67 385
	2	Change in inventory produced internally		
	3	Own work capitalized		
B.		Production related consumption	882 606	1 278 933
B.	1	Consumption of material and energy	4 375	3 549
B.	2	Services	878 231	1 275 384
<b>+</b>		<b>Value added</b>	<b>666 217</b>	<b>193 849</b>
C.		Personnel expenses	212 006	199 429
C.	1	Wages and salaries	171 004	162 834
C.	2	Bonuses to members of company or cooperation bodies		
C.	3	Social security and health insurance	33 410	28 706
C.	4	Other social costs	7 592	7 889
D.	1	Taxes and charges	25 684	25 940
E.	1	Amortization and depreciation of intangible and tangible fixed assets	37 411	35 536
III.		Revenue from sale of intangible and tangible fixed assets and materials	1 347	175
III.	1	Revenues from sale of intangible and tangible fixed assets	1 347	175
	2	Revenue from sale of materials		
F.		Net book value of intangible and tangible fixed assets and materials sold	3 313	51
F.	1	Net book value of intangible and tangible fixed assets sold	3 313	51
F.	2	Materials sold		
G.	1	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	(770 048)	(159 010)
IV.	1	Other operating revenues	3 237	17 334
H.	2	Other operating expenses	764 412	44 386
V.	1	Transfer of operating revenues		
I.	2	Transfer of operating expenses		
<b>*</b>		<b>Profit or loss on operating activities</b>	<b>398 023</b>	<b>65 026</b>
VI.	1	Revenue from sale of securities and interests		
J.	2	Securities and interests sold		
VII.		Income from financial investments	145	1 181
VII.	1	Income from subsidiaries and associates		
	2	Income from other long-term securities and interests	145	1 181
	3	Income from other financial investments		
VIII.	1	Income from short-term financial assets		
K.	2	Expenses related to financial assets		
IX.	1	Gain on revaluation of securities and derivatives		
L.	2	Loss on revaluation of securities and derivatives		
M.	1	Change in provisions and allowances relating to financial activities		
X.	1	Interest income	6 315	201
N.	2	Interest expense	41 765	42 910
XI.	1	Other finance income	1 536 151	1 566 691
O.	2	Other finance cost	1 527 980	1 498 547
XII.	1	Transfer of finance income		
P.	2	Transfer of finance cost		
<b>*</b>		<b>Profit or loss on financial activities</b>	<b>(27 134)</b>	<b>26 616</b>

## INCOME STATEMENT - LONG FORM

		Current year	Prior year 2011
Q.	Tax on profit or loss on ordinary activities	(1 814)	32 959
Q. 1	- due	8 091	8 432
Q. 2	- deferred	(9 905)	24 527
**	<b>Profit or loss on ordinary activities after taxation</b>	<b>372 703</b>	<b>58 683</b>
XIII. 1	Extraordinary gains		
R. 2	Extraordinary losses		
S. 1	Tax on extraordinary profit or loss	0	0
S. 1	- due		
S. 2	- deferred		
*	<b>Extraordinary profit or loss</b>	<b>0</b>	<b>0</b>
T. 1	Transfer of share of profit or loss to partners (+/-)		
***	<b>Profit or loss for the year (+/-)</b>	<b>372 703</b>	<b>58 683</b>
****	<b>Profit or loss before taxation</b>	<b>370 889</b>	<b>91 642</b>

Prepared on:	Signature of accounting entity's statutory body:
28. 4. 2014	 
	Zdeněk Čihák                      Peter Dworak

**1. DESCRIPTION OF THE COMPANY**

ALPIQ ENERGY SE ("the Company") is a European joint stock company incorporated by an entry in the Commercial Register on 20 October 2008 in the Czech Republic. The Company's registered office is located at Rohanské nábřeží 670/19, Karlín, 186 00 Prague 8, Czech Republic, and the business registration number (IČ) is 284 77 090. The Company is involved in electricity trading.

The parent company is Alpiq Central Europe AG with its registered office at Oltnerstrasse 63, Niedergösgen, the Swiss Confederation, holding a 100% interest in the Company's basic capital. The ultimate parent company is Alpiq Holding, the Swiss Confederation.

The Company is included in the consolidated group of the parent+ company.

Members of the statutory bodies as at 31 December 2013 were as follows:

Board of Directors	
Chair:	Zdeněk Čihák
Member:	Edgar Carsten Lehrmann
Member:	Peter Dworak

Supervisory Board	
Member:	Erik Saether

Procurators	
Alena Divišová	Karel Kadlec
Cornelia Häuptli Baumgartner	Sabine Schreiber
Kosta Kosorić	Claudia ErniEiholzer
Hans Günther Mayer	Károly Bencsik
Martin Pich	Klára Vaculíková
Sergej Rybalchenko	Hana Lindovská
Fabio Mancin	Martin Šiška
Radomír Roháč	Petr Radina
Laura Feleki	Koryun Shahbazyan
Petr Seigertschmid	Nebojsa Bogdanovic
Gergely Gonda	Pavle Čulibrk
Aldevinas Burokas	

At least two Procurators jointly, or the Board of Directors act and sign on the Company's behalf. The Chair together with a member of the Board of Directors or two Board members jointly act on behalf of the Board of Directors.

In the period from 1 January 2013 to 31 December 2013, the following changes were made to the Commercial Register entry:

Procurators Michal Dubeň and Ivo Pavelek were deleted from the Commercial Register on 23 January 2013. New registered address of the Company, i.e. Rohanské nábřeží 670/19, 186 00 Prague 8, was recorded in the Commercial Register as at the same date.

Procurator Radomír Roháč was recorded in the Commercial Register on 20 March 2013.

Membership of Erik Saether commenced and membership of Reinhold Frank ceased to exist on 7 May 2013. This fact was recorded in the Commercial Register on 7 May 2013.

Procurators Tzvetelina Tzankova and Mihaela Popescu were deleted from the Commercial Register on 26 August 2013. Proxy to Sabine Schreiber was vested as at the same date.

As at 31 December 2013 the Company operates foreign branches in Hungary, the Slovak Republic, Romania, Switzerland and Poland. The branch office in Bulgaria ceased to exist in the liquidation proceedings on 5 March 2013.

## **2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS**

The accompanying financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2013 and 2012.

### **Explanation Added for Translation into English**

These financial statements are presented on the basis of accounting principles and standards generally accepted in the Czech Republic. Certain accounting practices applied by the Company that conform with generally accepted accounting principles and standards in the Czech Republic may not conform with generally accepted accounting principles in other countries.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Company in preparing the 2013 and 2012 financial statements are as follows:

### **a) Intangible Fixed Assets**

Intangible fixed assets are recorded at their acquisition cost and related expenses.

Goodwill arose in relation to the cross-border merger by consolidation with Atel Polska Sp.z o.o. and Alpiq Energia Magyarország Kft. as the difference between the valuation of business assets of these companies and the aggregate of individually revalued asset components, net of assumed liabilities.

Intangible fixed assets with a cost exceeding CZK 60 thousand are amortized over their useful economic lives.

**Amortization**

Amortization is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Software	1 - 4
Patents, royalties and similar rights	6
Goodwill	5

**b) Tangible Fixed Assets**

Tangible fixed assets with a cost exceeding CZK 10 thousand in the case of the acquisition of furniture and fixtures and computer and telecommunication technologies and CZK 40 thousand in other cases are recorded at their acquisition cost, which consists of purchase price, freight, customs duties and other related costs. Vehicles are deemed tangible fixed assets regardless of their acquisition cost.

The costs of technical improvements are capitalized. Repairs and maintenance expenses are expensed as incurred.

Any gain or loss on the revaluation of acquired property represents the difference between the valuation of a part of Alpiq Central Europe AG, (the Branch) acquired by purchase and the aggregate of individually revalued asset components in accounting of the seller, net of assumed liabilities.

**Depreciation**

Depreciation is calculated based on the acquisition cost and the estimated useful life of the related asset. The useful economic lives are as follows:

	Years
Leasehold improvement (buildings)	5
Machinery and equipment	4 – 7
Vehicles	4
Furniture and fixtures	6
Gain or loss on revaluation of acquired property	15

**c) Financial Assets**

Long-term financial assets consist of ownership interests in the Alpiq group companies.

Interests are valued at their acquisition cost, which includes the purchase price and direct costs related to the acquisition.

Short-term financial assets consist of liquid valuables, cash in hand and at bank.

**d) Receivables**

Both long- and short-term receivables are carried at their realizable value after allowance for doubtful accounts. Additions to the allowance account are charged to income. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other receivables.

**e) Derivatives**

Derivatives are initially measured at cost. Derivatives are recorded in other short-term receivables or payables, as appropriate, in the accompanying balance sheet.

Derivatives are classified as derivatives held for trading or hedging derivatives. The latter are designated as either fair value hedges or cash flow hedges. In order to qualify for hedge accounting, the change in the fair value of a derivative or of its estimated cash flow must offset, in whole or in part, the change in the fair value or cash flow arising from the hedged item. In addition, there must be formal documentation of the hedging relationship at inception and the Company must prove that the hedging relationship is highly effective. In all other cases, derivatives are recognized as held-for-trading.

Derivatives are revalued to fair value as at the balance sheet date. Changes in the fair value of derivatives held for trading are reported in income. Due to the Company's scope of business, changes in the fair value of commodity derivatives for purchase or sale of electricity are reported in operating expenses or operating revenues (see Note 17). Changes in the fair value of derivatives designated as fair value hedges are also recognized in income, together with the change in the fair value of the hedged item attributable to the risk being hedged. Changes in the fair value of derivatives designated as cash flow hedges are taken to equity and reflected in the balance sheet through gain or loss on revaluation of assets and liabilities. Any ineffective portion of the hedge is reported in income.

**f) Equity**

The basic capital of the Company is stated at the amount recorded in the Commercial Register maintained in the Municipal Court in Prague. Any increase or decrease in the basic capital made pursuant to the decision of the General Meeting which was not entered in the Commercial Register as at the financial statements date is recorded through changes in basic capital.

In accordance with the Commercial Code, the Company creates a legal reserve fund from profit or from amounts contributed by partners above their contributions.

In the first year in which profit is generated, a joint-stock company should allocate 20% of profit after tax (however, not more than 10% of basic capital) to the legal reserve fund. In subsequent years, the legal reserve fund is allocated 5% of profit after tax until the fund reaches 20% of basic capital. These funds can only be used to offset losses.

**g) Provisions and Liabilities**

Long-term liabilities and current liabilities are carried at their nominal values. Amounts resulting from the revaluation of financial derivatives at fair value are shown in other payables.

**h) Leases**

The Company records leased assets by expensing the lease payments and for finance leases capitalizing the residual value of the leased assets when the lease contract expires and the purchase option is exercised. Lease payments paid in advance are recorded as prepaid expenses and amortized over the lease term.

**i) Foreign Currency Transactions**

Assets and liabilities whose acquisition or production costs were denominated in foreign currencies are translated into Czech crowns at the exchange rate prevailing at the transaction date. On the balance sheet date monetary items are adjusted to the exchange rates as published by the Czech National Bank as at 31 December.

Realized and unrealized exchange rate gains and losses were charged or credited, as appropriate, to income for the year.

**j) Recognition of Revenues and Expenses**

Revenues and expenses are recognized on an accrual basis, that is, they are recognized in the periods in which the actual flow of the related goods or services occurs, regardless of when the related monetary flow arises.

Revenue from the sale of electricity is recognized when electricity is supplied and it comprises billed amounts and the change in balance of supplied yet unbilled electricity.

The change in the balance of unbilled electricity is determined as at the financial statements' date based on an estimate, which is made on assumptions and information about projected consumption received from Operátor trhu s elektrickou energií (Energy Market Operator) or consumption calculated using internal estimates and measuring. An actual amount of billed electricity in the future may differ from the estimate.

Purchased and sold electricity is reported as revenue from sale of goods and cost of goods sold, as appropriate, in the financial statements. Other costs related to electricity trading (distribution services, purchased capacities, etc.) are reported as consumed services.

Within its trading activity, the Company enters into standard annual contracts with other traders for the purchase and the sale of electricity, both affected in the same quantity and at the same point in time. The primary purpose of these contracts is not a physical supply of the commodity. These contracts are classified as derivatives held for trading and are revalued with a corresponding entry in net profit or loss as at the balance sheet day (see Note 3e). The revaluation of unrealized contracts is part of the Company's trading activity and, accordingly, is reported in a net amount as revenue from sale of goods in the financial statements.

**k) Electricity Exchange Trading**

The Company has entered into electricity futures, i.e. commodity contracts for future electricity supplies, at the Energy Exchanges in Prague (PXE), Leipzig (EEX), Budapest (HUPX), Vienna (EXAA) and Warsaw (TGA and GPW). The futures are acquired primarily to secure the supplies of electricity to Company's customers. Movements in futures prices, which are credited or debited, as appropriate, to the Company on a daily basis, are presented within other receivables (losses) and other liabilities (gains). Gains and losses arising from futures are recognized upon the supply of electricity. When the position is closed, any related gains or losses are recognized directly in profit and loss, within other finance income or other finance cost, as appropriate.

If a future contract is concluded for purpose other than to secure electricity supplies to the Company's customers, the Company classifies such a contract as derivative (see Note 3e).

**l) "Color" Certificates**

In order to meet its obligation to deliver certain volume of electricity from renewable sources to end customers in Poland the Company purchases the so-called "color" certificates. These certificates are traded at stock exchanges, classified as goods and remeasured at the balance sheet date taking into consideration all foreseeable risks and contingent losses related to the certificates and the liabilities that are known as at the financial statements preparation date. Also all types of impairment are taken into account. A temporary diminution in the value of the certificates is reflected via an allowance. The allowance amount depends on the price of "color" certificates at the Polish Energy Exchange and is determined as the difference between the acquisition cost and the current market value of the certificates. Purchased certificates are stated at actual cost being determined using the first-in, first-out ('FIFO') method.

**4. FIXED ASSETS****a) Intangible Fixed Assets (in CZK thousands)****COST**

	At beginning of year	Additions	At end of year
Software	3,949	419	4,368
Patents, royalties and similar rights	57	-	57
Goodwill	152,496	-	152,496
Intangibles in progress	-	59	59
2013 Total	156,502	478	156,980
2012 Total	154,840	1,662	156,502

**ACCUMULATED AMORTIZATION**

	At beginning of year	Amortization during year	At end of year	Net book value
Software	(2,007)	(762)	(2,769)	1,599
Patents, royalties and similar rights	(57)	-	(57)	-
Goodwill	(91,497)	(30,500)	(121,997)	30,499
Intangibles in progress	-	-	-	59
2013 Total	(93,561)	(31,262)	(124,823)	32,157
2012 Total	(62,872)	(30,689)	(93,561)	62,941

Patents, royalties and similar rights are amortized over their useful lives as specified in the relevant contract.

The Company shows goodwill of CZK 152,496 thousand on revaluation that arose upon the cross-border merger by consolidation with Atel Polska SP.z o.o. and Alpiq Energie Magyarország Kft as at 1 January 2010. Amortization of the goodwill at an amount of CZK 30,500 thousand was charged into expenses in 2013.

**b) Tangible Fixed Assets (in CZK thousands)****COST**

	At beginning of year	Additions	Disposals	At end of year
Constructions	11,266	-	(8,459)	2,807
Machinery and equipment	18,224	593	(255)	18,562
Vehicles	2,943	-	(805)	2,138
Furniture and fixtures	3,384	-	(320)	3,064
Adjustment to acquired property	4,161	-	-	4,161
Tangibles in progress	-	531	-	531
2013 Total	39,978	1,124	(9,839)	31,263
2012 Total	39,893	688	(603)	39,978

**ACCUMULATED DEPRECIATION**

	At beginning of year	Depreciation during year	Carrying value	Disposals	At end of year	Net book value
Constructions	(6,639)	(429)	(3,232)	8,459	(1,841)	966
Machinery and equipment	(14,696)	(1,592)	-	255	(16,033)	2,529
Vehicles	(2,273)	(245)	-	784	(1,734)	404
Furniture and fixtures	(2,816)	(508)	(81)	341	(3,064)	-
Adjustment to acquired property	(786)	(3,375)	-	-	(4,161)	-
Tangibles in progress	-	-	-	-	-	531
2013 Total	(27,210)	(6,149)	(3,313)	9,839	(26,833)	4,430
2012 Total	(22,915)	(4,847)	-	552	(27,210)	12,768

In 2013 the Company disposed of technical appreciation made in leased premises in the amount of CZK 8,459 thousand due to change of Company's seat.

The total value of small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 8,501 thousand and CZK 7,505 thousand at acquisition cost as at 31 December 2013 and 2012, respectively.

Adjustment to acquired property of CZK 4,161 thousand arose in connection with the acquisition of a part of the business Alpiq Central Europe AG, organizační složka in 2010. In 2013 an extraordinary depreciation in respect of this adjustment to acquired property of CZK 3,375 thousand was charged against income. Thus it was fully written off as at 31 December 2013 and therefore its net book value is zero as at 31 December 2013.

### **c) Long-Term Financial Investments**

Other long-term securities and interests in the total amount of CZK 4,085 thousand represent an investment in Alpiq Turkey Enerji from 2011 at the value of 10% of the interest in the basic capital, i.e. TLR 200 thousand (CZK 2,220 thousand) and a 0.1% ownership interest in Alpiq RomEnergie S.r.l. at the value of CHF 106 thousand (CZK 1,865 thousand) from 2010. The Company acquired the ownership interest from Alpiq Central Europe Ltd for no consideration and increased other capital funds by the value of the ownership interest. Alpiq Central Europe Ltd. is the majority owner of the two companies.

## **5. INVENTORY**

In order to meet its obligation to deliver certain volume of electricity from renewable sources to end customers in Poland the Company purchases the so-called "color" certificates. These certificates are traded at stock exchanges and are classified as goods in the accompanying balance sheet. Certificates have been written down to their estimated net realizable value by an allowance account. The allowance was determined by management based on the price of the "color" certificates at the Polish Energy Exchange (see Note 7).

## **6. RECEIVABLES**

Allowances against outstanding receivables that are considered doubtful were charged to income in 2013 and 2012, respectively (see Note 7). As at 31 December 2013 and 2012, the Company had no overdue receivables except for those against which an allowance has been established.

As at 31 December 2013, long-term advance payments in the total amount of CZK 38,116 thousand comprise an advance deposit to cover potential liabilities arising from the Company's activities performed on the electricity market of CZK 5,600 thousand towards OTE a.s. (electricity market operator), CZK 8,228 thousand towards OKTE, a.s., CZK 23,311 thousand towards SEPS, a.s. and CZK 971 thousand towards CN Transelectrica SA.

As at 31 December 2013 and 2012 the Company had a receivable of CZK 273,739 thousand and CZK 242,017 thousand, respectively related to positive balance in the cash pool system provided by the parent company.

The total value of short-term advance payments made was CZK 1,153,435 thousand and CZK 647,966 thousand as at 31 December 2013 and 2012, respectively. As at 31 December 2013 and 2012 the advance payments consist, in particular, of advance payments of CZK 297,757 thousand and CZK 512,255 thousand for power supplies in the period January through June 2014 and January through June 2013, respectively to TPP MARITSA EAST and CZK 806,810 thousand and CZK 0 thousand, respectively to DTEK Trading LLC. In addition the Company recognizes CZK 0 thousand and CZK 57,822 thousand, respectively of short-term deposits for the purposes of guarantee for liabilities related to deals made at the energy exchanges Prague and Leipzig. In addition, short-term advance payments made include other advances for transmission and other, particularly power-related fees.

As at 31 December 2013 and 2012 the Company reports in short-term tax receivables from the government as follows: value added tax of CZK 601,058 thousand and CZK 287,662 thousand, respectively, corporate income tax of CZK 26,599 thousand and CZK 7,203 thousand, respectively and other taxes of CZK 1,319 thousand and CZK 6,334 thousand, respectively.

Unbilled revenue represents, in particular, unbilled supplies of electricity, services related to electricity supply and distribution fees to eligible customers.

As at 31 December 2013 and 2012, other receivables comprise, in particular, positive fair values of outstanding derivatives (see Note 13) and unrealized gains of CZK 39,255 thousand and CZK 22,167 thousand, respectively related to the entered into futures contracts at the Energy Exchanges where the delivery related to the futures will be rendered in future periods.

Receivables from related parties (see Note 19).

## 7. ALLOWANCES

Allowances reflect a temporary diminution in value of assets (see Notes 5 and 6).

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 31/ 12/ 2011	Decrease	Increase	Balance as at 31/ 12/ 2012	Decrease	Increase	Balance as at 31/ 12/ 2013
Receivables – legal	4,872	-	-	4,872	-	-	4,872
Receivables – tax non-deductible	809,728	(47,483)	11,730	773,975	(746,705)	3,421	30,691
Goods tax non-deductible	90,561	(80,753)	30,736	40,544	(30,211)	5,230	15,563
Total	905,161	(128,236)	42,466	819,391	(776,916)	8,651	51,126

Legal allowances are created in compliance with the Act on Provisions and are tax deductible.

An overall decrease of tax non-deductible allowance in the amount of CZK 746,705 thousand relates to the reversal of the allowance of CZK 746,323 thousand against receivable from MORAVIA ENERGO, a.s., a company that was in bankruptcy. Within the bankruptcy proceedings and in compliance with the resolution to distribute the estate dated 15 April 2013 the filed receivable was decided to be settled only partially. Therefore the Company decided to reverse the allowance and simultaneously write-off the receivable at the same amount (see Note 20). In addition, an allowance against receivable from excise duty in Poland in the amount of CZK 382 thousand was reduced as the original receivable against which the allowance was created, was also reduced.

An overall increase of tax non-deductible allowance against receivables in 2013 in the amount of CZK 3,421 thousand is attributable to an increase in the allowance of CZK 2,188 against receivable related to VAT claimed in Greece and an increase in the allowance of CZK 1,233 thousand against receivable related to excise duty in Poland.

As at 31 December 2013, an allowance against trade receivables totaled CZK 9,637 thousand and against tax deductible receivables CZK 25,926 thousand.

In addition, as at 31 December 2013, the Company created an allowance of CZK 5,230 thousand against "color" certificates and released the allowance of CZK 30,211 thousand established in 2012. The allowance amount depends on the price of "color" certificates at the Polish Energy Exchange and is determined as the difference between the acquisition cost and the current value of the certificates stated at the Polish Energy Exchange as at 31 December 2013.

In 2013, the allowance was reduced by CZK 30,211 thousand due to the decrease or sale of the related color certificates in the total quantity of 147,024 MWh of the total quantity of 250,430 MWh, which was in the warehouse as at 31 December 2012. As at 31 December 2013, the allowance was revalued up to CZK 15,563 thousand as per the current prices at the Polish Energy Exchange, i.e. the allowance was increased by CZK 5,230 thousand with the overall quantity of 250,492 MWh of color certificates held.

## 8. SHORT-TERM FINANCIAL ASSETS

The Company has been participating in the cash-pool system with the ultimate parent company Alpiq Holding AG; the system is administrated by Deutsche Bank AG. Cash provided by the Company within the cash-pooling bears interest of Eonia - 0.05% through 0.5% as of 1 April 2014 (the lower interest rate threshold was 0.2% until 1 April 2013) cash used by the Company within the cash-pooling bears interest of Eonia + 1.5%. As at 31 December 2013 and 2012, the balance of the cash provided within the cash-pooling was CZK 273,739 thousand and CZK 242,017 thousand, respectively and is reflected in short-term receivables in the balance sheet caption Receivables from group companies with majority control.

## 9. OTHER ASSETS

In addition, as at 31 December 2013 and 2012, prepaid expenses of CZK 28,983 thousand and CZK 24,200 thousand, respectively, relate to transmission capacities necessary for electricity supplies in 2013 and 2012, respectively.

## 10. EQUITY

The movements in the capital accounts during 2013 were as follows (in CZK thousands):

	Balance as at 31/ 12/ 2011	Profit transfer	Ownership interest transfer	Balance as at 31/ 12/ 2012	Profit transfer	Ownership interest transfer	Balance as at 31/ 12/ 2013
Basic capital	172,655	-	-	172,655	-	-	172,655
Legal reserve fund	-	17,266	-	17,266	2,934	-	20,200
Other capital funds	-	-	1,865	1,865	-	-	1,865
Retained earnings	265,932	119,636	-	385,568	55,749	-	441,318
Current year profit/loss	136,902	(136,902)	-	58,683	(58,683)	-	372,703

The Company's profit for the year ended 31 December 2012 was CZK 58,683 thousand. Pursuant to the sole shareholder's decision dated 26 June 2013, CZK 2,934 thousand was added to legal reserve fund and CZK 55,749 thousand to retained earnings.

**11. PROVISIONS**

The movements in the provision accounts were as follows (in CZK thousands):

Provisions	Balance as at 31/ 12/ 2011	Additions	Deductions	Balance as at 31/12/2012	Additions	Deductions	Balance as at 31/ 12/ 2013
Loss making contracts	-	15,813	-	15,813	-	(12,248)	3,565
Fee to support renewable sources	178,689	83,311	(175,633)	86,367	63,059	(83,190)	66,236
Other	-	3,269	-	3,269	33,378	(2,783)	33,864
<b>Total</b>	<b>178,689</b>	<b>102,393</b>	<b>(175,633)</b>	<b>105,449</b>	<b>96,437</b>	<b>(98,221)</b>	<b>103,665</b>

As at 31 December 2012, the Company established a provision of CZK 15,813 thousand for potential losses on electricity supplies affected in future years; the reversal portion of the provision amounted to CZK 12,248 thousand in 2013. As at 31 December 2013, the provision balance was CZK 3,565 thousand to cover potential losses on electricity supplies affected in 2014.

In addition, the Company recorded a provision for the fee to support renewable sources in Poland that the Company is obliged to pay from electricity volumes delivered to end customers. The obligation is met either by the payment of the fee determined by the government for the respective period or the purchase and following redemption of the rights to certificates confirming energy produced from renewable sources. In 2013 the Company redeemed rights at a total amount of CZK 83,190 thousand. The provision balance was CZK 66,236 thousand as at 31 December 2013.

In addition, as at 31 December 2013 the Company increased a provision of CZK 12,982 thousand for the pension employee scheme in its branch in Switzerland and reversed a provision in the amount of CZK 2,783 thousand for the same reason in 2013. In addition, as at 31 December 2013 the Company established a provision in the amount of CZK 1,391 thousand for contingent fees and penalties, CZK 11,738 thousand for restructuring of a part of activities, and CZK 7,268 thousand for losses from currency forwards as a result of strong weakening of the Czech crown towards Euro at the end of 2013. These provisions are part of other provisions totaling CZK 33,864 thousand as at 31 December 2013.

**12. CURRENT LIABILITIES**

As at 31 December 2013 and 2012, the Company had no overdue current liabilities.

As at 31 December 2013 and 2012, the Company had liabilities of CZK 2,171 thousand and CZK 1,749 thousand, respectively owing to social security and health insurance premiums.

Unbilled deliveries represent, in particular, unbilled supplies of electricity and related services.

As at 31 December 2013 and 2012, other payables comprise, in particular, negative fair values of outstanding derivatives (see Note 13) and unrealized loss of CZK (4,404) thousand and CZK (3,917) thousand, respectively related to the traded futures contracts at Energy Exchanges where the delivery related to the futures will be rendered in future periods.

Payables to related parties (see Note 19).

**13. DERIVATIVES**

The Company has concluded several contracts for derivatives, which do not qualify as hedging instruments and are classified as held for trading. As at 31 December 2013, the derivatives were revalued at fair value, with the positive and negative fair values of derivatives being included in other receivables and other payables, respectively.

The following table summarizes face values and positive or negative values of outstanding derivatives held for trading as at 31 December 2013 and 2012:

(in CZK thousands)	31.12.2013			31/12/2012		
	Contractual/ Face value	Fair value		Contractual/ Face value	Fair value	
		Positive	Negative		Positive	Negative
Derivatives relating to electricity trading	29,717,302	1,934,566	2,587,079	36,419,403	1,748,003	1,778,306
Currency forwards	3,297,213	16,048	11,177	1,345,572	-	95,025
Derivatives relating to CO2 trading	-	-	-	11,768	-	5,844
Total	33,014,515	1,950,614	2,598,256	37,776,743	1,748,003	1,879,175

**14. INCOME TAXES**

	2013 In CZK thousands	2012 In CZK thousands
Profit before taxes	370,889	91,642
Differences between book and tax depreciation	4,158	431
Non-deductible expenses		
Creation of provisions and allowances	(770,049)	(159,010)
Other (e.g. entertainment expenses, gifts, goodwill amortization, estimated bonuses, penalties and fines)	108,848	103,467
Expenses related to prior year	50,957	12,524
Prior year non-deductible expenses deductible in the current year	(41,292)	(55,192)
Tax paid abroad in prior year	(3,598)	(9,570)
Taxable income	(280,087)	(15,708)
Current income tax rate	19	19
Tax	-	-
Tax paid abroad	8,032	8,432
Tax paid in the Czech Republic for dividends received	59	-
Current tax expense	8,091	8,432

The Company can carry forward tax losses generated in prior years for up to five years. As at 31 December 2013 the Company recorded tax losses of CZK 1,693,499 thousand generated in the Czech Republic that may be used in the years 2014 through 2018. In addition, the Company has tax losses of CZK 263,505 thousand generated by the Swiss branch that may be used by 2018. As at 31 December 2013 tax loss in the amount of CZK 94,720 thousand was recognized also by the Polish branch. The loss arose in 2012 in the amount of CZK 189,440 thousand. In 2013 CZK 94,720 thousand was partly utilized. The loss may be used in five years after the year in which it was incurred at maximum, i.e. by the end of 2017.

The corporate income tax payable on ordinary activities comprises tax payable in the Hungarian branch in the amount of CZK 3,960 thousand and tax payable in Poland in the amount of CZK 4,072 thousand. These taxes predominantly relate to the 2013 profit attained by these branches.

The Company quantified deferred taxes as follows (in CZK thousand):

Deferred tax items	31/12/2013		31.12.2012	
	Deferred tax asset	Deferred tax liability	Deferred tax asset	Deferred tax liability
Difference between net book value of fixed assets for accounting and tax purposes	-	6,066	-	14,937
Allowances	5,670	-	147,584	-
Provisions	18,765	-	18,867	-
Tax loss carryforward	391,186	-	353,451	-
Estimated items (untaken vacation and bonuses and other temporary differences abroad)	6,583	-	20,626	-
<b>Total</b>	<b>422,203</b>	<b>6,066</b>	<b>540,528</b>	<b>14,937</b>
<b>Net</b>	<b>416,137</b>		<b>525,591</b>	

As at 31 December 2013 the Company recorded a deferred tax asset at an amount of CZK 33,053 thousand on temporary differences in the Polish branch and a deferred tax liability of CZK 6,884 thousand related to the revaluation of assets and liabilities within the merger by consolidation with Atel Polska Sp. z o.o. and Alpiq Energia Magyarország Kft.

As at 31 December 2013 and 2012, the Company did not record a deferred tax asset of CZK 389,968 thousand and CZK 509,328 thousand, respectively on the basis that its recovery is uncertain. The Company has a deferred tax asset that is recognized by all the Company's branches. The deferred tax liability in the amount of CZK 6,066 thousand arose in the Czech Republic and is fully set off with the deferred tax asset in the Czech Republic.

**15. LEASES**

The Company leases fixed assets, which are not recorded on balance sheet (see Note 3h).

Assets which are being used by the Company under finance leases (i.e. the assets are transferred to the Company when the lease term expires) as of 31 December 2013 consist of the following (in CZK thousands):

Description	Terms/ Conditions	Total lease	Payments made as at 31/12/2013	Remaining payments as at 31/12/2013	
				Due within one year	Due over one year
Volvo S60 2.0 (PL)	35	959	291	209	459
Peugeot 4007 (PL)	36	1,015	996	19	-
Ford Mondeo (PL)	36	1,004	922	80	2
VW Golf (PL)	35	837	681	155	1
Volvo S80 (PL)	35	1,077	607	242	228
Mazda SkyEnergy (PL)	47	965	285	188	492
BMW (CZ)	54	1,431	1,411	20	-

**16. COMMITMENTS AND CONTINGENCIES**

The following bank guarantees and guarantees of the parent company were issued to the benefit of the Company's business partners (in CZK thousands):

	31/12/2013	31/12/2012
Guarantees issued within Alpiq Holding	2,303,530	1,462,063
Bank guarantees	1,759,910	3,842,082

**17. REVENUES**

The breakdown of revenues from ordinary activities is as follows (in CZK thousands):

	2013		2012	
	Domestic	Foreign	Domestic	Foreign
Provision of aggregate supplies	301,005	144,839	317,379	145,897
Sale of electricity	10,956,646	76,766,984	15,474,489	65,453,023
Change in fair value of derivatives relating to electricity trading	50,450	(672,659)	(132,044)	(195,799)
"Color" certificates and CO2 certificates trading	-	137,499	-	419,605
Total revenues	11,308,101	79,376,663	15,659,824	65,822,726

Revenues from power supplies classified as commodity derivatives are part of revenues from the sale of electricity. They amounted CZK 59,833,983 thousand and CZK 46,279,850 thousand as at 31 December 2013 and 2012, respectively. Costs billed with respect to these derivatives are recognized as cost of the goods sold. They amounted to CZK 59,154,945 thousand and CZK 45,449,386 thousand in 2013 and 2012, respectively.

Summary of revenues and costs on commodity derivative trading (in CZK thousands):

	2013		2012	
	Domestic	Foreign	Domestic	Foreign
Revenues	4,983,549	54,850,434	11,925,085	34,354,765
Costs	(10,795,816)	(48,359,129)	(12,691,203)	(32,758,183)
Total margin	(5,812,267)	6,491,305	(766,118)	1,596,582

## 18. PERSONNEL AND RELATED EXPENSES

The breakdown of personnel expenses is as follows (in CZK thousands):

	2013	2012
Average number of employees	95	98
Wages and salaries	171,004	162,834
Social security and health insurance	33,410	28,706
Social cost	7,592	7,889
Total personnel expenses	212,006	199,429

In 2013, the members of statutory bodies did not receive any bonuses or other remuneration associated with the performance of their function.

Wages and salaries include also wages and salaries paid not only to employees in the Czech Republic but also in the Company branches in Hungary, Poland and Switzerland and include severance pay to employees that left the firm during the year.

**19. RELATED PARTY INFORMATION**

The members of statutory and supervisory bodies, directors and executive officers were granted no loans, guarantees, advances or other benefits in 2013 and they do not hold any shares of the Company. The Company sells electricity and provides services to related parties in the ordinary course of business. Sales were CZK 8,505,500 thousand in the year ended 31 December 2013.

Short-term receivables from related parties as at 31 December were as follows (in CZK thousands):

Related party	31/12/2013	31/12/2012
Alpiq AG	2,470,256	2,005,403
Alpiq Central Europe AG	425	1,057
Alpiq Management AG	777	713
Alpiq Holding Ltd.	278,721	-
Atel Skopje DOOEL	18,391	11,433
Atel Energy Lietuva UAB	202	2,610
Alpiq RomIndustries S.R.L.	365	2,269
Alpiq RomEnergie S.R.L.	-	6,887
Alpiq Energija Bulgaria Ltd.	1,438	13,661
Alpiq Energija (RS) d.o.o.	140,515	130,611
Alpiq Energija Hrvatska d.o.o.	17,487	84,627
Alpiq Energy Albania SH.P.K.	809	742
Alpiq Energy Ukraine LLC	411	-
Alpiq Management Services Ltd.	2,333	834
Alpiq Turkey Enerji Toptan Satis Ltd.	17,133	96,669
Alpiq Energija BH d.o.o.	1,496	22,943
Alpiq Generation (CZ) s.r.o.	29,976	5,028
Total	2,980,737	2,385,487

In 2013 and 2012, short-term receivables from related parties included trade receivables from sales of electricity, unbilled revenue representing unbilled supplies of electricity and other receivables comprising positive values of currency forwards. As at 31 December 2013 the cash pool account has a positive balance of CZK 273,739 thousand and is recognized within Receivables - controlling or controlled person in the accompanying balance sheet. The interest income on the cash pool account was CZK 503 as at 31 December 2013.

The Company purchases electricity and receives services from related parties in the ordinary course of business. Purchases were CZK 9,357,965 thousand in the year ended 31 December 2013.

## ALPIQ ENERGY SE

### Financial Statements for the Year Ended 31 December 2013

Short-term payables to related parties as at 31 December were as follows (in CZK thousands):

Related party	31/12/2013	31/12/2012
Alpiq AG	2,300,310	1,594,231
Alpiq Central Europe AG	-	220,644
Alpiq Holding Ltd.	959,605	212,681
Alpiq Generation (CZ) s.r.o.	116,518	98,046
Atel Skopje DOOEL	4,006	23,085
Alpiq Energia Bulgaria Ltd.	2,358	7,322
Alpiq Csepel Kft.	-	9,765
Alpiq Energija Hrvatska d.o.o.	25,183	5,847
Atel Energija BH d.o.o.	2,779	13,839
Alpiq Energija (RS) d.o.o.	73,338	42,350
Alpiq RomIndustries S.R.L.	24,769	41,022
Alpiq RomEnergie S.R.L.	-	2,030
Alpiq Hellas S.A.	-	4,366
Alpiq Energy Albania SH.P.K.	1,823	1,737
Alpiq Western Europe S.à r.l.	-	1,442,992
Alpiq Turkey Enerji Toptan Satis Ltd.	-	26,967
Atel Energy Lietuva UAB	-	1,399
<b>Total</b>	<b>3,510,689</b>	<b>3,748,323</b>

In 2013 short-term payables to related parties included trade payables from sales of electricity, unbilled deliveries representing unbilled supplies of electricity and other liabilities comprising negative values of currency forwards.

As at 31 December 2013, the position long-term liabilities – controlled or controlling person comprise a loan of CZK 1,014,725 thousand (EUR 37,000 thousand) from the ultimate parent company Alpiq Holding Ltd. The loan bears interest rate of five-year SWAP 1.63% + 1.50%. The five-year SWAP may be adjusted quarterly if it changes by 0.5% from that originally referred. In 2013 the Company redeemed a loan of CZK 501,000 thousand (EUR 20,000 thousand) extended by the fellow subsidiary Alpiq Western Europe S.à r.l. As at 31 December 2012 the two loans were provided by fellow subsidiary Alpiq Western Europe S.à r.l. and were recognized in Other long term liabilities. The loan of CZK 1,014,725 thousand (EUR 37,000 thousand) was transferred from Alpiq Western Europe S.à r.l. to Alpiq Holding Ltd. as at 18 December 2013. Interest of the loans in the amount of CZK 38,229 thousand is reported at account interest expense in the accompanying income statement.

As at 31 December 2012, the position Liabilities - controlled or controlling person included a balance of CZK 220,644 thousand related to the loan provided by the parent company Alpiq Central Europe AG. It was redeemed in 2013. In the current and prior periods, the interest expense relating to the loan was CZK 3,191 thousand and CZK 8,668 thousand, respectively. The interest expense recorded in the current and prior periods relating to the cash pool was CZK 104 thousand and CZK 10,378 thousand, respectively.

**20. SIGNIFICANT ITEMS OF INCOME STATEMENT**

The costs for services comprise, in particular, transmission fees and other costs related to power transmission. These costs amounted to CZK 770,751 thousand in 2013. The remainder is attributable to other services in the amount of CZK 107,480 thousand.

In 2013, taxes and fees totaled CZK 25,684 thousand of which the largest portion is attributable to franchise and license fees in the amount of CZK 9,332 thousand and excise duty of CZK 7,938 thousand in the Polish branch. Other taxes and fees amount to CZK 8,414 thousand.

In 2013 other operating expenses in total amount of CZK 764,412 thousand consist mainly of the write-off of the receivable in the amount of CZK 746,323 thousand from MORAVIA ENERGO, a.s., contractual penalties and fees that amounted to CZK 15,492 thousand and arose as a result of application of agreements for provision of services between fellow subsidiaries and also insurance costs and IT costs and service costs.

Other operating revenues totaling CZK 3,237 thousand comprise revenues from contracted interest on late payment in the amount of CZK 2,823 thousand and other revenues in the amount of CZK 414 thousand.

Revenues from other long-term securities and interest consist of divided of CZK 145 thousand (RON 25 thousand) received from Alpiq RomEnergie S.r.l. in which the Company has a 0.1% interest.

Other financial income and expense include mainly exchange rate gains and losses and gains and losses on derivative transactions.

**21. SUBSEQUENT EVENTS**

On 4 January 2014 procurators Michal Dubeň and Tobias Meyer were recorded in the Commercial Register. Procurator Klára Vaculíková was deleted from the Commercial Register as at the same date.

**22. STATEMENT OF CASH FLOWS (SEE APPENDIX 1)**

The cash flow statement was prepared under the indirect method.

Prepared on:	Signature of accounting unit's statutory body:
28 April 2014	 Peter Dworak
	 Zdeněk Čihák

## CASH FLOW STATEMENT

For the years ended 31.12.2013

		Current year	Prior year 2012
<b>Cash flows from operating activities</b>			
Z.	Profit or loss on ordinary activities before taxation (+/-)	370 889	91 642
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	567 630	(82 070)
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	783 937	35 536
A. 1. 2.	Change in allowances	(768 265)	(85 771)
A. 1. 3.	Change in provisions	(1 784)	(73 240)
A. 1. 4.	Foreign exchange differences		
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	1 966	(124)
A. 1. 6.	Interest expense and interest income	35 451	42 710
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	516 325	(1 181)
A*	Net cash from operating activities before taxation, changes in working capital and extraordinary items	938 519	9 572
A. 2.	Change in non-cash components of working capital	(531 033)	629 460
A. 2. 1.	Change in inventory	52 149	188 168
A. 2. 2.	Change in trade receivables	2 103 258	(648 027)
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(3 444 871)	(1 003 172)
A. 2. 4.	Change in trade payables	(1 693 787)	135 262
A. 2. 5.	Change in other payables, short-term loans and in accruals and deferred income	2 452 219	1 957 229
A**	Net cash from operating activities before taxation, interest paid and extraordinary items	407 486	639 032
A. 3. 1.	Interest paid	(51 809)	(42 910)
A. 4. 1.	Tax paid	20 901	(35 844)
A. 5. 1.	Gains and losses on extraordinary items		
A***	Net cash provided by (used in) operating activities	376 578	560 278
<b>Cash flows from investing activities</b>			
B. 1. 1.	Purchase of fixed assets	(1 602)	(2 350)
B. 2. 1.	Proceeds from sale of fixed assets	1 347	872 745
B. 3. 1.	Loans granted	(31 722)	
B. 4. 1.	Interest received	6 315	201
B. 5. 1.	Dividends received	145	1 181
B. 6. 1.	Change in short-term securities		
B***	Net cash provided by (used in) investing activities	(25 517)	871 777
<b>Cash flows from financing activities</b>			
C. 1. 1.	Change in long-term liabilities and long-term, resp. short-term, loans	(502 323)	(1 381 922)
C. 2. 1.	Effect of changes in basic capital on cash		
C. 2. 2.	Dividends or profit sharing paid		
C. 2. 3.	Effect of other changes in basic capital on cash		
C***	Net cash provided by (used in) financing activities	(502 323)	(1 381 922)
F.	Net increase (decrease) in cash	(151 262)	50 133
P.	Cash and cash equivalents at beginning of year	605 630	555 497
R.	Cash and cash equivalents at end of year	454 369	605 630

Prepared on:	Signature of accounting entity's statutory body:
28. 4. 2014	  Zdeněk Čihák                      Peter Dworak

