

# ALPIQ ENERGY SE

Special Purpose Financial Statements for the year ended 31 December 2014 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 special purpose financial statements (the 'financial statements') of ALPIQ ENERGY SE, which comprise the balance sheet as at 31 December 2014, and the income statement, 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. The financial statements have been prepared by management of ALPIQ ENERGY SE for the purposes of participation in public tenders.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with basis of the special purpose financial statements and accounting principles stated in Note 2 to the financial statements, 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.

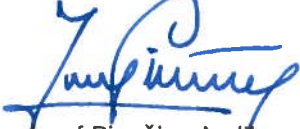
*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of ALPIQ ENERGY SE as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with basic principles of the special purpose financial statements and accounting principles stated in Note 2 to the financial statement

*Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 2 to the financial statements, which describe the basis of accounting. The financial statements have been prepared by management of ALPIQ ENERGY SE for the purposes of participation in public tenders. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for ALPIQ ENERGY SE and companies listing public tenders and should not be distributed to or used by parties other than ALPIQ ENERGY SE or companies listing public tenders.

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



Josef Pivoňka, Auditor  
License No. 1963

30 April 2015  
Prague, Czech Republic

## ALPIQ ENERGY SE as at 31.12.2014

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

## BALANCE SHEET - LONG FORM

		Current year			Prior year 2013
		Gross	Allowances	Net	Net
	<b>TOTAL ASSETS</b>	<b>9 982 710</b>	<b>(219 259)</b>	<b>9 743 451</b>	<b>11 635 792</b>
<b>A.</b>	<b>STOCK SUBSCRIPTION RECEIVABLE</b>				
<b>B.</b>	<b>FIXED ASSETS</b>	<b>193 568</b>	<b>(180 364)</b>	<b>13 204</b>	<b>40 672</b>
B. I.	Intangible assets	157 062	(156 171)	891	32 157
B. I. 1	Foundation and organization expenses				
2	Research and development				
3	Software	4 566	(3 675)	891	1 599
4	Patents, royalties and similar rights				
5	Goodwill	152 496	(152 496)		30 499
6	Other intangible assets				
7	Intangible assets in progress				59
8	Advances granted for intangible assets				
B. II.	Tangible assets	29 419	(24 193)	5 226	4 430
B. II. 1	Land				
2	Constructions	4 013	(2 041)	1 972	966
3	Separate movable items and groups of movable items	21 245	(17 991)	3 254	2 933
4	Perennial crops				
5	Livestock				
6	Other tangible assets				
7	Tangible assets in progress				531
8	Advances granted for tangible assets				
9	Gain or loss on revaluation of acquired property	4 161	(4 161)	0	
B. III.	Financial investments	7 087	0	7 087	4 085
B. III. 1	Subsidiaries				
2	Associates				
3	Other long-term securities and interests	7 087		7 087	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>9 720 151</b>	<b>(38 895)</b>	<b>9 681 256</b>	<b>11 566 137</b>
C. I.	Inventory	38 727	(16 104)	22 623	59 103
C. I. 1	Materials				
2	Work in progress and semi-finished production				
3	Finished products				
4	Livestock				
5	Goods	38 727	(16 104)	22 623	59 103
6	Advances granted for inventory				
C. II.	Long-term receivables	83 749	0	83 749	64 285
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	39 109		39 109	38 116
6	Unbilled revenue				
7	Other receivables				
8	Deferred tax asset	44 640		44 640	26 169

The accompanying notes are an integral part of the financial statements.

## ALPIQ ENERGY SE as at 31.12.2014

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

## BALANCE SHEET - LONG FORM

		Current year			Prior year 2013
		Gross	Allowances	Net	Net
C. III.	Short-term receivables	8 983 683	(22 791)	8 960 892	10 988 381
C. III. 1	Trade receivables	879 683	(12 858)	866 825	4 378 598
2	Receivables from group companies with majority control	658 783		658 783	273 739
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	249 195	(9 933)	239 262	603 050
7	Short-term advances granted	698 970		698 970	1 153 435
8	Unbilled revenue	5 955 066		5 955 066	2 589 612
9	Other receivables	541 986		541 986	1 989 947
C. IV.	Short-term financial assets	613 992	0	613 992	454 368
C. IV. 1	Cash	13 474		13 474	8 471
2	Bank accounts	600 518		600 518	445 897
3	Short-term securities and interests				
4	Short-term financial assets in progress				
D.	<b>OTHER ASSETS - TEMPORARY ACCOUNTS OF ASSETS</b>	<b>48 991</b>	<b>0</b>	<b>48 991</b>	<b>28 983</b>
D. I.	Accrued assets and deferred liabilities	48 991	0	48 991	28 983
D. I. 1	Prepaid expenses	48 991		48 991	28 983
2	Prepaid expenses (specific-purpose expenses)				
3	Unbilled revenue				

## ALPIQ ENERGY SE as at 31.12.2014

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

## BALANCE SHEET - LONG FORM

		Current year	Prior year 2013
<b>TOTAL EQUITY &amp; LIABILITIES</b>		<b>9 743 451</b>	<b>11 635 793</b>
<b>A.</b>	<b>EQUITY</b>	<b>1 211 075</b>	<b>1 008 741</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		
5	Gain or loss on company transformations		
6	Gain or loss on revaluation upon company transformations		
A. III.	Reserve funds and other funds created from profit	14 570	22 065
A. III. 1	Legal reserve fund		20 200
2	Statutory and other funds	14 570	1 865
A. IV.	Profit (loss) for the previous years	834 222	441 318
IV. 1	Retained earnings for the previous years	834 222	441 318
2	Accumulated loss of previous years		
3	Other retained earnings for previous years		
A. V.	Profit (loss) for the year (+ / -)	189 628	372 703
<b>B.</b>	<b>LIABILITIES</b>	<b>8 517 992</b>	<b>10 624 325</b>
B. I.	Provisions	79 670	103 665
B. I. 1	Provisions created under special legislation		
2	Provision for pensions and similar obligations		
3	Provision for corporate income tax		
4	Other provisions	79 670	103 665
B. II.	Long-term liabilities	1 025 825	1 014 725
B. II. 1	Trade payables		
2	Liabilities to group companies with majority control	1 025 825	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		
10	Deferred tax liability		
B. III.	Current liabilities	7 412 497	9 505 935
B. III. 1	Trade payables	768 568	3 239 715
2	Liabilities to group companies with majority control	13 864	
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	5 665	4 559
6	Liabilities arising from social security and health insurance	2 280	2 171
7	Due to government – taxes and subsidies	91 755	36 474
8	Short-term advances received	142 772	66 041
9	Bonds payable		
10	Unbilled deliveries	5 573 764	3 554 315
11	Other liabilities	813 829	2 602 660
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>14 384</b>	<b>2 727</b>
C. I.	Accrued liabilities and deferred assets	14 384	2 727
C. I. 1	Accruals	56	57
2	Deferred income	14 328	2 670

Prepared on:	Signature of accounting entity's statutory body:		
30.04.2015	Zdeněk Čihák		Peter Dworak

The accompanying notes are an integral part of the financial statements.

## ALPIQ ENERGY SE as at 31.12.2014

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

## INCOME STATEMENT - LONG FORM



		Current year	Prior year 2013
I.	1 Revenue from sale of goods	89 525 238	87 579 049
A.	2 Cost of goods sold	88 459 007	86 135 941
	<b>+</b> Gross margin	<b>1 066 231</b>	<b>1 443 108</b>
II.	Production	133 311	105 715
II.	1 Revenue from sale of finished products and services	133 311	105 715
	2 Change in inventory produced internally		
	3 Own work capitalized		
B.	Production related consumption	750 780	882 606
B.	1 Consumption of material and energy	4 099	4 375
B.	2 Services	746 681	878 231
	<b>+</b> Value added	<b>448 762</b>	<b>666 217</b>
C.	Personnel expenses	217 099	212 006
C.	1 Wages and salaries	168 722	171 004
C.	2 Bonuses to members of company or cooperation bodies		
C.	3 Social security and health insurance	34 046	33 410
C.	4 Other social costs	14 331	7 592
D.	1 Taxes and charges	19 454	25 684
E.	1 Amortization and depreciation of intangible and tangible fixed assets	34 173	37 411
III.	Revenue from sale of intangible and tangible fixed assets and materials	335	1 347
III.	1 Revenues from sale of intangible and tangible fixed assets	335	1 347
	2 Revenue from sale of materials		
F.	Net book value of intangible and tangible fixed assets and materials sold	77	3 313
F.	1 Net book value of intangible and tangible fixed assets sold	77	3 313
	2 Materials sold		
G.	Change in provisions and allowances relating to operations and in prepaid expenses (specific-purpose expenses)	(38 455)	(770 048)
IV.	1 Other operating revenues	37 156	3 237
H.	2 Other operating expenses	3 061	764 412
V.	1 Transfer of operating revenues		
I.	2 Transfer of operating expenses		
	<b>*</b> Profit or loss on operating activities	<b>250 844</b>	<b>398 023</b>
VI.	1 Revenue from sale of securities and interests		
J.	2 Securities and interests sold		
VII.	Income from financial investments	42	145
VII.	1 Income from subsidiaries and associates		
	2 Income from other long-term securities and interests	42	145
	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	6 330	6 315
N.	2 Interest expense	26 431	41 765
XI.	1 Other finance income	42	30 850
O.	2 Other finance cost	50 297	22 679
XII.	1 Transfer of finance income		
P.	2 Transfer of finance cost		
	<b>*</b> Profit or loss on financial activities	<b>(70 314)</b>	<b>(27 134)</b>

## ALPIQ ENERGY SE as at 31.12.2014

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

## INCOME STATEMENT - LONG FORM

		Current year	Prior year 2013
Q.	Tax on profit or loss on ordinary activities	(9 098)	(1 814)
Q. 1	- due	9 036	8 091
Q. 2	- deferred	(18 134)	(9 905)
**	Profit or loss on ordinary activities after taxation	189 628	372 703
XIII. 1	Extraordinary gains		
R. 2	Extraordinary losses		
S. 1	Tax on extraordinary profit or loss	0	0
S. 1	- due		
S. 2	- deferred		
*	Extraordinary profit or loss	0	0
T. 1	Transfer of share of profit or loss to partners (+/-)		
***	Profit or loss for the year (+/-)	189 628	372 703
****	Profit or loss before taxation	180 530	370 889

Prepared on:	Signature of accounting entity's statutory body:		
30.04.2015	Zdeněk Čihák		
	Peter Dworak		



# ALPIQ ENERGY SE

Special Purpose Financial Statements for the year ended 31 December 2014

## 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.

### **Merger Project**

On 29 April 2014, the statutory bodies of Alpiq Central Europe AG (currently Alpiq AG), a sole shareholder of ALPIQ ENERGY SE, and Alpiq Energija Lietuva UAB (hereinafter the "dissolving company" or "Alpiq Lithuania"), approved a project of merger by acquisition in accordance with Act No. 125/2008 Coll. On Transformations of Corporations and Cooperatives, as amended. As a result of the merger the assets and liabilities of the dissolving company passed to ALPIQ ENERGY SE. The effective date of the merger in the Czech Republic was 1 January 2014, the opening balance sheet was prepared as at the same date. This fact was recorded in the Commercial Register on 1 February 2015.

Members of the statutory bodies as at 31 December 2014 were as follows:

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

Supervisory Board	
Member:	Markus Brokhof

Procurators	
Alena Divišová	Karel Kadlec
Cornelia Häuptli Baumgartner	Nathalie Malinowski
Kosta Kosorić	Claudia Erni Eiholzer
Hans Günther Mayer	Károly Bencsik
Martin Pich	Tobias Meyer
Fabio Mancin	Hana Lindovská
Radomír Roháč	Martin Šiška
Laura Feleki	Petr Radina
Petr Seigertschmid	Koryun Shahbazyan
Gergely Gonda	Nebojsa Bogdanovic
Aldevinas Burokas	Pavle Čulibrk
Philipp Beuleke	Michal Dubeň
Martin Hulena	

## ALPIQ ENERGY SE

### Special Purpose Financial Statements for the year ended 31 December 2014

As of 24 June 2014, the parent company is Alpiq AG with its registered office at Bahnhofquai 12, Olten, the Swiss Confederation, holding a 100% interest in the Company's basic capital. The original parent company Alpiq Central Europe AG, ceased to exist within the merger process in which Alpiq AG has become a successor company on 24 June 2014. The ultimate parent company is Alpiq Holding, the Swiss Confederation.

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

At least two members of the Board of Directors jointly (including the Board of Director's chairman and a member), or at least two procurators act and sign on the Company's behalf. The following changes were made to the Commercial Register entry in the year ended 31 December 2014:

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

Alpiq Energy SE's Articles of Association were amended and approved by the sole shareholder on 28 February 2014. Another amendment to the Articles of Association was approved on 27 November 2014.

ALPIQ ENERGY SE has conformed to Act No. 90/2012 Coll., on corporations and cooperatives (Corporations Act). This fact was recorded in the Commercial Register on 26 April 2014.

ALPIQ ENERGY SE received a license for gas traders in the Czech Republic on 1 April 2014; this fact was recorded in the Commercial Register on 13 May 2014.

Procurators Martin Hulena, Nathalie Malinowski and Phillip Beuleke were recorded in the Commercial Register on 13 August 2014. Procurator Sabine Schreiber was deleted from the Commercial Register on the same date.

On 13 August 2014, the change of the corporate name and address of the sole shareholder from Alpiq Central Europe AG, Niedergösgen, Oltnerstrasse 63, the Swiss Confederation to Alpiq AG, Olten, Bahnhofquai 12, the Swiss Confederation was recorded in the Commercial Register.

Membership of Markus Brokhof commenced and membership of Erik Saether ceased to exist on 14 August 2014. This fact was recorded in the Commercial Register on 23 October 2014.

Procurator Sergey Rybalchenko was deleted from the Commercial Register on 29 September 2014.

As at 31 December 2014 the Company operates foreign branches in Hungary, the Slovak Republic, Romania, Switzerland and Poland.

## **2. BASIS OF PRESENTATION OF SPECIAL PURPOSE FINANCIAL STATEMENTS**

The accompanying special purpose financial statements were prepared in accordance with the Czech Act on Accounting and the related guidelines as applicable for 2014 and 2013.

As a result of the merger with Alpiq Lithuania, the Company is obliged to prepare its annual financial statements as at 31 December 2015 for the period from 1 January 2014 to 31 December 2015. The cross-border merger by consolidation with the effective date of 1 January 2014 was recorded in the Commercial Register on 1 February 2015. Therefore the accounting and tax periods for the preparation of the Company's financial statements cover two years.

2

The accompanying balance sheet and income statement are an integral part of the special purpose financial statements.

## ALPIQ ENERGY SE

### Special Purpose Financial Statements for the year ended 31 December 2014

Considering its participation in public tenders the Company decided to prepare its financial statements for the year ended 31 December 2014. Therefore the accompanying financial statements have been prepared as special purpose financial statements.

The information contained in the balance sheet as at 31 December 2013 and in the income statement for the year then ended are considered to be comparative figures.

The balance sheet as at 31 December 2014 and the income statement for the year then ended contain financial information related to Alpiq Lithuania, as since the merger effective date, which is 1 January 2014, all Alpiq Lithuania's transactions are considered to be transactions performed by Alpiq Energy SE from accounting perspective.

All the information contained in the notes to the financial statements contain the opening balances taken from the accounts for the year ended 31 December 2013, information about the merger effect, additions, disposals and the closing balances as at 31 December 2014.

#### **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. CHANGES IN ACCOUNTING POLICIES, RECLASSIFICATION**

Exchange rate gains and losses and changes in the fair values of derivatives presented in the income statement for the year ended 31 December 2014 were reclassified. The reclassification is done by mutual offsetting and presentation of net position in Other finance cost or Other finance income, as appropriate. Formerly foreign exchange differences and changes in fair values of derivatives were recognized gross at the same positions. Comparative figures for the year ended 31 December 2013 were also reclassified.

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

The accounting policies applied by the Company in preparing the 2014 and 2013 special purpose 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.

## ALPIQ ENERGY SE

Special Purpose Financial Statements for the year ended 31 December 2014

### 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)	over the lease term
Machinery and equipment	4 – 7
Vehicles	4
Furniture and fixtures	6

### 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.

4

The accompanying balance sheet and income statement are an integral part of the special purpose financial statements.

**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 18). 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.

In 2013 and 2014, fair values of derivatives were recognized differently; i.e. the netting principle to costs and revenues was applied. The net position is recognized either in Other finance cost or in Other finance income, as appropriate in the income statement. This accounting treatment is also disclosed in Note 3.

**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.

The Company has conformed to Act No. 90/2012 Coll., on corporations and cooperatives (Corporations Act). The Corporations Act no longer requires that corporations establish a legal reserve fund; this fact was reflected in the Articles of Association, letter 4 valid as of 27 November 2014 by means of expressing conformity to Act No. 90/2012, Coll.

As a result of the amendment to the Articles of Association the legal reserve fund was reversed and the balance is presented in equity caption retained earnings - see Note 11.

**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 effected 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 4e). 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 4e).

**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.

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

	At beginning of year	Additions	Disposals	Transfers	At end of year
Software	4,368	139	-	59	4,566
Patents, royalties and similar rights	57	-	(57)	-	-
Goodwill	152,496	-	-	-	152,496
Intangibles in progress	59	-	-	(59)	-
2014 Total	156,980	139	(57)	-	157,062
2013 Total	156,502	478	-	-	156,980

**ACCUMULATED AMORTIZATION**

	At beginning of year	Amortization during year	Disposals	At end of year	Net book value
Software	(2,769)	(906)	-	(3,675)	891
Patents, royalties and similar rights	(57)	-	57	-	-
Goodwill	(121,997)	(30,499)	-	(152,496)	-
Intangibles in progress	-	-	-	-	-
2014 Total	(124,823)	(31,405)	57	(156,171)	891
2013 Total	(93,561)	(31,262)	-	(124,823)	32,157

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 30,499 thousand was charged into income in 2014 and the goodwill was thus fully written-off as at 31 December 2014.



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

	At beginning of year	Merger effect	Additions	Disposals	Transfers	At end of year
Constructions	2,807	-	1,298	(92)	-	4,013
Machinery and equipment	18,562	27	2,265	(4,025)	531	17,360
Vehicles	2,138	-	-	(1,280)	-	858
Furniture and fixtures	3,064	-	64	(101)	-	3,027
Adjustment to acquired property	4,161	-	-	-	-	4,161
Tangibles in progress	531	-	-	-	(531)	-
2014 Total	31,263	27	3,627	(5,498)	-	29,419
2013 Total	39,978	-	1,124	(9,839)	-	31,263

**ACCUMULATED DEPRECIATION**

	At beginning of year	Merger effect	Depreciation during year	Net book value	Disposals	At end of year	Net book value
Constructions	(1,841)	-	(292)	-	92	(2,041)	1,972
Machinery and equipment	(16,413)	(13)	(1,975)	(5)	4,025	(14,381)	2,979
Vehicles	(1,734)	-	(226)	(72)	1,280	(752)	106
Furniture and fixtures	(2,684)	-	(275)	-	101	(2,858)	169
Adjustment to acquired property	(4,161)	-	-	-	-	(4,161)	-
2014 Total	(26,833)	(13)	(2,768)	(77)	5,498	(24,193)	5,226
2013 Total	(27,210)	-	(6,149)	(3,313)	9,839	(26,833)	4,430

In 2014, technical improvement of leasehold premises at an acquisition cost of CZK 1,298 thousand was capitalized on grounds that the office space was expanded and its layout modified.

The total value of small tangible fixed assets which are not reflected in the accompanying balance sheet was CZK 9,139 thousand and CZK 8,501 thousand at acquisition cost as at 31 December 2014 and 2013, 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 (currently Alpiq AG) in 2010. In 2013 the adjustment to acquired property was fully written off and its net book value was CZK 0 thousand as at 31 December 2013.

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

Other long-term securities and interests in the total amount of CZK 7,087 thousand represent investments in related parties. The Company has a 10% ownership interest in Alpiq Turkey Enerji at the value of TLR 200 thousand (CZK 2,220 thousand) acquired in 2011 and a 0.1% ownership interest in Alpiq RomEnergie S.r.l. at the value of CHF 106 thousand (CZK 1,865 thousand) acquired in 2010 for no consideration from Alpiq Central Europe Ltd (currently Alpiq AG). In 2014 Alpiq Turkey Enerji increased its basic capital and the 10 % interest of the Company was increased by TLR 317 thousand (CZK 2,862 thousand). Following the decision of Atel Energy Romania S.r.l. shareholders dated 2 September 2014 the Company acquired for consideration a 10% interest in the Atel Energy Romania S.r.l.'s basic capital at the value of RON 18 thousand (CZK 111 thousand).

As a result of the merger of Alpiq Energy SE and Alpiq Lithuania the successor company Alpiq Energy SE acquired a 1% interest in the basic capital of Alpiq Energy Ukraine as at 1 January 2014. The value of the interest is UAH 12 thousand (CZK 29 thousand).

Alpiq AG is the majority owner of all companies.

## **6. 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 8).

## **7. RECEIVABLES**

Allowances against outstanding receivables that are considered doubtful were charged to income in 2014 and 2013, respectively (see Note 8). As at 31 December 2014 and 2013 the Company had no overdue receivables except for those against which an allowance was established.

As at 31 December 2014, long-term advance payments in the total amount of CZK 39,109 thousand comprise an advance deposit to cover potential liabilities arising from the Company's activities performed on the electricity market of CZK 6,600 thousand towards OTE a.s. (electricity market operator), CZK 8,318 thousand towards OKTE, a.s., CZK 23,566 thousand towards SEPS, a.s., CZK 619 thousand towards CN Transelectrica SA and CZK 6 thousand towards other companies.

As at 31 December 2014 and 2013 the Company had a receivable of CZK 658,783 thousand and CZK 273,739 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 698,970 thousand and CZK 1,153,435 thousand as at 31 December 2014 and 2013, respectively. Balances as at 31 December 2014 and 2013 comprise, in particular, advance payments for electricity deliveries to TPP MARITSA EAST, DTEK Trading LLC and Nationalna elektriceska kompanija (NEK) for the 2015 and 2014 periods, respectively. In addition, short-term advance payments made include other advances for transmission and other, particularly power-related fees.

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As at 31 December 2014 and 2013 the Company reports in short-term tax receivables from the government in gross amounts as follows: value added tax of CZK 247,977 thousand and CZK 601,058 thousand, respectively, corporate income tax of CZK 0 thousand and CZK 26,599 thousand, respectively and other taxes of CZK 1,218 thousand and CZK 1,319 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 2014 and 2013, other receivables comprise, in particular, positive fair values of outstanding derivatives in the amount of CZK 541,582 thousand and CZK 1,950,614 thousand, respectively (see Note 14) and unrealized gains of CZK 312 thousand and CZK 39,255 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 20).

### 8. ALLOWANCES

Allowances reflect a temporary diminution in value of assets (see Notes 6 and 7).

Changes in the allowance accounts (in CZK thousands):

Allowances against:	Balance as at 31/ 12/ 2012	Decrease	Increase	Balance as at 31/ 12/ 2013	Merger effect	Decrease	Increase	Balance as at 31/ 12/ 2014
Receivables – legal	4,872	-	-	4,872	-	-	-	4,872
Receivables – tax non-deductible	773,975	(746,705)	3,421	30,691	2,228	(21,235)	6,235	17,919
Goods tax non-deductible	40,544	(30,211)	5,230	15,563	-	(576)	1,117	16,104
Total	819,391	(776,916)	8,651	51,126	2,228	(21,811)	7,352	38,895

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

A decrease in tax non-deductible allowance is attributable, in particular, to reversal of the allowance of CZK 21,230 thousand against receivable related to VAT claimed in Greece. The allowance was released as the original tax receivable was settled.

An overall increase of tax non-deductible allowance against receivables in 2014 in the amount of CZK 6,235 thousand is attributable to an increase in the allowance of CZK 5,243 thousand against receivable related to excise duty in Poland and an addition to allowance against overdue trade receivables in the amount of CZK 992 thousand.

In addition allowances against receivables increased by CZK 2,228 thousand due to the merger. The Company assumed an allowance established at Alpiq Lithuania against a 100% value of an overdue trade receivable as at 31 December 2013.

As at 31 December 2014, an allowance against trade receivables totaled CZK 12,858 thousand and against tax deductible receivables CZK 9,933 thousand.

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In addition, the Company increased an allowance of CZK 541 thousand, net against "color" certificates. 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 2014. In 2014, the allowance was reduced by CZK (576) thousand due to the decrease or sale of the related color certificates in the total quantity of 2,000 MWh of the total quantity of 255,492 MWh, which was in the warehouse as at 31 December 2013. As at 31 December 2014, the allowance was revalued up to CZK 16,104 thousand as per the current prices at the Polish Energy Exchange, i.e. the allowance was increased by CZK 1,117 thousand with the overall quantity of 224,636 MWh of color certificates held.

### 9. 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 - 0.5 % (however +0.05% at minimum), cash used by the Company within the cash-pooling bears interest of Eonia + 2%. As at 31 December 2014 and 2013, the balance of the cash provided within the cash-pooling was CZK 658,783 thousand and CZK 273,739 thousand, respectively and is reflected in short-term receivables in the balance sheet caption Receivables from group companies with majority control.

### 10. OTHER ASSETS

As at 31 December 2014 and 2013, prepaid expenses of CZK 48,991 thousand and CZK 28,983 thousand, respectively, relate to accrued expenses for electricity supplies and transmission capacities necessary for electricity supplies in the coming years and rent prepaid in 2014 a 2013.

### 11. EQUITY

The movements in the capital accounts during 2014 were as follows (in CZK thousands):

	Balance as at 31/ 12/ 2012	Profit transfer	Increase	Balance as at 31/ 12/ 2013	Merger effect	Profit transfer	Transfer of legal reserve fund	Increase	Balance as at 31/ 12/ 2014
Basic capital	172,655	-	-	172,655	-	-	-	-	172,655
Legal reserve fund	17,266	2,934	-	20,200	-	-	(20,200)	-	-
Other capital funds	1,865	-	-	1,865	12,705	-	-	-	14,570
Retained earnings	385,568	55,749	-	441,318	-	372,703	20,200	-	834,222
Current year profit/loss	58,683	(58,683)	372,703	372,703	-	(372,703)	-	189,628	189,628

The Company's profit for the year ended 31 December 2013 was CZK 372,703 thousand. Pursuant to the sole shareholder's decision dated 16 June 2014 the profit was added to retained earnings. In addition the legal reserve fund of CZK 20,200 thousand was reversed and transferred to retained earnings; this fact is disclosed in Note 4f of general accounting principles.

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Other capital funds were increased by CZK 12,705 thousand due to the merger, of which CZK 7,117 thousand are other capital funds at Alpiq Lithuania as at 1 January 2014 and CZK 5,588 thousand are attributable to an increase of Alpiq Lithuania basic capital in 2014 due to the change of legal form and transfer to other capital funds within the merger process.

### 12. PROVISIONS

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

Provisions	Balance as at 31/ 12/ 2012	Additions	Deductions	Balance as at 31/ 12/ 2013	Additions	Deductions	Balance as at 31/ 12/ 2014
Loss making contracts	15,813	-	(12,248)	3,565	53,916	(3,565)	53,916
Fee to support renewable sources	86,367	63,059	(83,190)	66,236	16,431	(66,236)	16,431
Other	3,269	33,378	(2,783)	33,864	-	(24,541)	9,323
Total	105,449	96,437	(98,221)	103,665	70,347	(94,342)	79,670

As at 31 December 2014, the Company established a provision of CZK 53,916 thousand for potential losses on electricity supplies which will be effected in 2015 and 2017. The provision established in 2013 has been reversed in full to cover the losses incurred 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. The provision balance was CZK 16,431 thousand as at 31 December 2014.

Other provisions created in prior year have been reversed in the total amount of CZK 24,541 thousand. The provision for the pension employee scheme in its branch in Switzerland in the amount of CZK 7,044 thousand was used to settle a liability to the pension fund. In addition the Company reversed a provision of CZK 10,229 thousand for restructuring of certain activities and relocation of employees from Switzerland to the Czech Republic. In addition, a provision of CZK 7,268 thousand established for losses from currency forwards as a result of strong weakening of the Czech crown towards Euro in 2013 was reversed in full. As at 31 December 2014 the total balance of other provisions includes a provision for pension plan in the amount of CZK 5,938 thousand, provision for restructuring of certain activities in the amount of CZK 1,508 thousand and a provision for contingent fees and penalties in Romania and Bulgaria in the amount of CZK 1,877 thousand.

### 13. CURRENT LIABILITIES

As at 31 December 2014 and 2013, the Company had no overdue current liabilities.

As at 31 December 2014 and 2013, the Company had liabilities of CZK 2,280 thousand and CZK 2,171 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 2014 and 2013, other liabilities comprise, in particular, negative fair values of outstanding derivatives (see Note 14) and unrealized loss of CZK (270) and CZK (4,404) 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 20).

#### 14. 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 2014, 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 2014 and 2013:

(in CZK thousands)	31.12.2014			31/12/2013		
	Contractual/ Face value	Fair value Positive	Fair value Negative	Contractual/ Face value	Fair value Positive	Fair value Negative
Derivatives relating to electricity trading	16,145,710	519,085	765,209	29,717,302	1,934,566	2,587,079
Currency forwards	3,250,248	15,130	24,339	3,297,213	16,048	11,177
Derivatives relating to color certificates trading	117,177	7,367	4,169	-	-	-
<b>Total</b>	<b>19,513,135</b>	<b>541,582</b>	<b>793,717</b>	<b>33,014,515</b>	<b>1,950,614</b>	<b>2,598,256</b>

#### 15. INCOME TAXES

As a result of the cross border merger the accounting and tax periods are from 1 January 2014 to 31 December 2015. The Company will file its corporate income tax return for two calendar years in 2016. Therefore the Company does not include corporate income tax calculation for the year ended 31 December 2014.

The Company can carry forward tax losses generated in prior years for up to five years. As at 31 December 2014 the Company recorded tax losses of CZK 2,148,452 thousand generated in the Czech Republic, Poland and Switzerland in the years 2009 through 2013 that may be used in the years 2015 through 2019.

The corporate income tax payable on ordinary activities for 2014 comprises tax payable in the Hungarian branch in the amount of CZK 8,006 thousand, tax payable in Lithuania in the amount of CZK 1,023 thousand and tax paid on dividends in the amount of CZK 7 thousand received in the Czech Republic. These taxes predominantly relate to the 2014 profit. As at 31 December 2013 corporate income tax payable on ordinary activities comprised tax payable in the Hungarian branch in the amount of CZK 3,960 thousand, tax payable in Poland in the amount of CZK 4,072 thousand and tax paid on dividends in the amount of CZK 59 thousand received in the Czech Republic.

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

Deferred tax items	31/12/2014		31.12.2013	
	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	-	65	-	6,066
Allowances	4,884	-	5,670	-
Allowances - merger effect	341	-	-	-
Provisions	15,137	-	18,765	-
Tax loss carryforward	408,206	-	391,186	-
Estimated items (untaken vacation and bonuses and other temporary differences abroad)	15,662	-	6,583	-
<b>Total</b>	<b>444,230</b>	<b>65</b>	<b>422,203</b>	<b>6,066</b>
<b>Net</b>	<b>444,165</b>		<b>416,137</b>	

As at 31 December 2014 the Company recorded a deferred tax asset at an amount of CZK 44,299 thousand on temporary differences in the Polish branch and a deferred tax asset of CZK 341 thousand as a result of the merger.

As at 31 December 2014 and 2013, the Company did not record a deferred tax asset of CZK 399,525 thousand and CZK 389,968 thousand, respectively on the basis that its recovery was uncertain. The deferred tax liability in the amount of CZK 65 thousand arose in the Czech Republic and is fully set off with the deferred tax asset in the Czech Republic.

## 16. LEASES

The Company leases fixed assets, which are not recorded on balance sheet (see Note 4h).

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 2014 consist of the following (in CZK thousands):

Description	Terms/ Conditions	Total lease	Payments made as at 31/ 12/ 2014	Remaining payments as at 31/ 12/ 2014	
				Due within one year	Due over one year
Peugeot 4007 (PL)	36	1,079	1,079	-	-
Ford Mondeo (PL)	36	1,068	1,068	-	-
VW Golf (PL)	35	890	890	-	-
Volvo S80 (PL)	35	1,145	902	243	-
Mazda SkyEnergy (PL)	47	1,027	500	200	327
Volvo S60 2.0 (PL)	35	1,020	533	222	265

**17. 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):

	31.12.2014	31.12.2013
Guarantees issued in the Alpiq Holding Group	2,123,988	2,303,530
Bank guarantees	1,963,887	1,759,910

**18. REVENUES**

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

	2014		2013	
	Domestic	Foreign	Domestic	Foreign
Provision of aggregate supplies	120,665	153,070	301,005	144,839
Sale of electricity	11,982,849	76,820,727	10,956,646	76,766,984
Change in fair value of derivatives relating to electricity trading	-	406,857	50,450	(672,659)
"Color" certificates and CO2 certificates trading	-	174,381	-	137,499
Total revenues	12,103,514	77,555,035	11,308,101	76,376,663

Revenues from power supplies classified as commodity derivatives are part of revenues from the sale of electricity. They amounted CZK 53,458,195 thousand and CZK 59,833,983 thousand as at 31 December 2014 and 2013, respectively. Costs billed with respect to these derivatives are recognized as cost of the goods sold. They amounted to CZK 53,677,044 thousand and CZK 59,154,945 thousand in 2014 and 2013, respectively.

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

	2014		2013	
	Domestic	Foreign	Domestic	Foreign
Revenues	4,949,747	48,508,448	4,983,549	54,850,434
Costs	(7,119,887)	(46,557,157)	(10,795,816)	(48,359,129)
Total margin	(2,170,140)	1,951,291	(5,812,267)	6,491,305



**19. PERSONNEL AND RELATED EXPENSES**

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

	2014	2013
Average number of employees	97	95
Wages and salaries	168,722	171,004
Social security and health insurance	34,046	33,410
Social cost	14,331	7,592
Total personnel expenses	217,099	212,006

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.

**20. RELATED PARTY INFORMATION**

The members of statutory and supervisory bodies, directors and executive officers were granted no loans, guarantees, advances or other benefits in 2014 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 26,853,546 thousand in the year ended 31 December 2014.

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

Related party	31.12.2014	31.12.2013
Alpiq AG	2,151,980	2,470,681
Alpiq Management AG	-	777
Alpiq Holding Ltd.	15,130	278,721
Atel Skopje DOOEL	32,748	18,391
Atel Energy Lietuva AB	-	202
Alpiq RomIndustries S.R.L.	125,415	365
Alpiq Energia Bulgaria Ltd.	15,760	1,438
Alpiq Energija (RS) d.o.o.	152,083	140,515
Alpiq Energija Hrvatska d.o.o.	103,448	17,487
Alpiq Energy Albania SH.P.K.	1,151	809
Alpiq Energy Ukraine LLC	417	411
Alpiq Management Services Ltd.	-	2,333
Alpiq Turkey Enerji Toptan Satis Ltd.	64,795	17,133
Alpiq Energija BH d.o.o.	6,347	1,496
Alpiq Generation (CZ) s.r.o.	153	29,976
Alpiq Energy Hellas S.A.	95,776	-
Total	2,765,203	2,980,735

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In 2014 and 2013, short-term receivables from related parties included trade receivables from sales of electricity, unbilled revenue representing unbilled supplies of electricity, advance payments made and other receivables comprising positive values of currency forwards. As at 31 December 2014 the cash pool account has a positive balance of CZK 658,783 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 322 thousand in the current year.

The Company purchases electricity, receives services from related parties in the ordinary course of business, pays interest expense for using loans and fees for guarantees provided. Purchases were CZK 29,046,635 thousand in the year ended 31 December 2014.

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

Related party	31.12.2014	31.12.2013
Alpiq AG	2,704,384	2,300,310
Alpiq Holding Ltd.	38,203	959,605
Alpiq Generation (CZ) s.r.o.	119,075	116,518
Atel Skopje DOOEL	1,892	4,006
Alpiq Energia Bulgaria Ltd.	4,889	2,358
Alpiq Energija Hrvatska d.o.o.	32,544	25,183
Atel Energija BH d.o.o.	3,589	2,779
Alpiq Energija (RS) d.o.o.	123,181	73,338
Alpiq RomIndustries S.R.L.	11,679	24,769
Alpiq Energy Albania SH.P.K.	1,849	1,823
Alpiq Turkey Enerji Toptan Satis Ltd.	1,842	-
Total	3,043,127	3,510,689

In 2014, short-term payables to related parties included trade payables from sales of electricity, unbilled deliveries representing unbilled supplies of electricity, short-term loan assumed within the merger process and other liabilities comprising negative values of currency forwards.

A short-term loan of CZK 13,864 thousand (EUR 500 thousand) extended by the ultimate parent company of the Alpiq Holding Ltd. which was assumed as a result of the merger is classified within Liabilities to group companies with majority control. The loan was redeemed after the special purpose financial statements' date. i.w. on 31 January 2015. Interest expense in the amount of CZK 666 thousand is reported in the position interest expense in the accompanying income statement.

As at 31 December 2014, the position long-term liabilities – controlled or controlling person comprise a loan of CZK 1,025,825 thousand (EUR 37,000 thousand) from the ultimate parent company Alpiq Holding Ltd. The loan bears interest rate of five-year SWAP 0.45% + 1.50%. The five-year SWAP may be adjusted quarterly if it changes by 0.5% from that originally referred. In 2014, it was reduced by 0.66% at the end of the first quarter and for another 0.52% at the end of the third quarter. Interest of the loans in the amount of CZK 25,505 thousand is reported at account interest expense in the accompanying income statement.

The interest expense recorded in the current and prior periods relating to the cash pool was CZK 0 thousand and CZK 104 thousand, respectively.

## **21. 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 600,912 thousand in 2014. The remainder is attributable to other services in the amount of CZK 145,769 thousand.

In 2014, taxes and fees totaled CZK 19,454 thousand of which the largest portion is attributable to franchise and license fees in the amount of CZK 17,959 thousand. Other taxes and fees amount to CZK 1,495 thousand.

In 2014, other operating expenses in the total amount of CZK 3,061 thousand represent fines and penalties for late payment of CZK 1,064 thousand and also insurance costs, costs for IT technologies and servicing.

Other operating revenues in the total amount of CZK 37,156 thousand consist of revenues from contractual fines/compensation for the failure to meet the terms and conditions of power supply contracts amounting to CZK 31,391 thousand, revenues of CZK 4,648 thousand related to liabilities written off due to legislative changes and other revenues in the amount of CZK 1,117 thousand.

Revenues from other long-term securities and interest consist of divided of CZK 42 thousand (RON 7 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 that are recognized net (see Note 3).

## **22. SUBSEQUENT EVENTS**

On 3 January 2015 procurators Marek Musial, Jacek Zoladek, Paulius Gineitis were recorded in the Commercial Register. Procurator Aldevinas Burokas was deleted from the Commercial Register as at the same date. On 5 March 2015 procurators Philipp Beuleke and Nathalie Malinowski were deleted from the Commercial Register and procurator Janberk Sahin was recorded as at the same date.



On 1 February 2015, a cross-border merger by consolidation was entered in the Commercial Register. As a result of this merger, Alpiq Energija Lietuva AB, a joint stock company established and existing in accordance with the Lithuanian law, with its registered address at Lvovo 25, Vilnius, Lithuania, business registration number: 302,026,534, recorded in the Lithuanian commercial register as a dissolving company, merged into ALPIQ ENERGY SE as the successor company as at the effective date 1 January 2014.

A portion of the loan of CZK 555,900 thousand (EUR 20,000 thousand) provided by the ultimate parent company Alpiq Holding Ltd. was redeemed on 30 January 2015.

On 1 January 2015 the remaining employees of the Swiss branch were transferred to Alpiq AG.

**23. 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:	
30 April 2015	 Peter Dworak	 Zdeněk Čihák

## CASH FLOW STATEMENT

For the years ended 31.12.2014

		Current year	Prior year 2013
<b>Cash flows from operating activities</b>			
Z.	Profit or loss on ordinary activities before taxation (+/-)	180 530	370 889
A. 1.	Adjustments to reconcile profit or loss to net cash provided by or used in operating activities	(354 128)	567 630
A. 1. 1.	Depreciation and amortization of fixed assets and write-off of receivables	34 173	783 937
A. 1. 2.	Change in allowances	(14 459)	(768 265)
A. 1. 3.	Change in provisions	(23 995)	(1 784)
A. 1. 4.	Foreign exchange differences	(1 102)	
A. 1. 5.	(Gain)/Loss on disposal of fixed assets	(258)	1 966
A. 1. 6.	Interest expense and interest income	20 101	35 451
A. 1. 7.	Other non-cash movements (e.g. revaluation at fair value to profit or loss, dividends received)	(368 588)	516 325
A*	Net cash from operating activities before taxation, changes in working capital and extraordinary items	(173 598)	938 519
A. 2.	Change in non-cash components of working capital	707 900	(512 939)
A. 2. 1.	Change in inventory	35 939	52 149
A. 2. 2.	Change in trade receivables	3 510 632	2 103 258
A. 2. 3.	Change in other receivables and in prepaid expenses and unbilled revenue	(2 547 700)	(3 426 778)
A. 2. 4.	Change in trade payables	(2 469 852)	(1 693 787)
A. 2. 5.	Change in other payables, short-term loans and in accruals and deferred income	2 178 881	2 452 219
A**	Net cash from operating activities before taxation, interest paid and extraordinary items	534 302	425 580
A. 3. 1.	Interest paid	(26 431)	(51 809)
A. 4. 1.	Tax paid	18 863	(23 362)
A. 5. 1.	Gains and losses on extraordinary items		
A***	Net cash provided by (used in) operating activities	526 734	350 409
<b>Cash flows from investing activities</b>			
B. 1. 1.	Purchase of fixed assets	(6 782)	(1 602)
B. 2. 1.	Proceeds from sale of fixed assets	335	1 347
B. 3. 1.	Loans granted	(385 044)	(31 722)
B. 4. 1.	Interest received	4 886	6 315
B. 5. 1.	Dividends received	42	145
B***	Net cash provided by (used in) investing activities	(386 583)	(25 517)
<b>Cash flows from financing activities</b>			
C. 1. 1.	Change in long-term liabilities and long-term, resp. short-term, loans	13 864	(476 154)
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	5 588	
C***	Net cash provided by (used in) financing activities	19 452	(476 154)
F.	Net increase (decrease) in cash	159 623	(151 262)
P.	Cash and cash equivalents at beginning of year	454 369	605 630
R.	Cash and cash equivalents at end of year	613 992	454 369

Prepared on:	Signature of accounting entity's statutory body:		
30.04.2015	Zdeněk Čihák	Peter Dworak	

