KPMG

EP Energy, a.s.

Condensed Consolidated Interim Financial Statements as of and for the six-month period ended 30 June 2013

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

KPMG

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Independent Auditor's Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying consolidated statement of financial position of EP Energy, a.s. ("the Company") as of 30 June 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information ("the consolidated interim financial statements"). Management is responsible for the preparation and fair presentation of these consolidated interim financial statements in accordance with IAS 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial statements do not present fairly, in all material respects, the financial position of the entity as at 30 June 2013, and of its financial performance and its cash flows for the six month period then ended in accordance with IAS 34, "Interim Financial Reporting".

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Prague, Czech Republic
August 27, 2013

Content

Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2013

In millions of CZK ("MCZK")

	Note	30 June 2013 (six months)	30 June 2012 (six months)
Sales: Energy	6	22,929	17,461
of which: Electricity		*11,602*	*9,973*
Heat		*5,023*	*3,574*
Coal		*3,555*	*1,863*
Gas		*2,749*	*1,999*
Other energy products		-	*52*
Sales: Other	6	1,103	541
Total sales		**24,032**	**18,002**
Cost of sales: Energy	7	(14,502)	(10,749)
Cost of sales: Other	7	(284)	(508)
Total cost of sales		**(14,786)**	**(11,257)**
		9,246	**6,745**
Personnel expenses	8	(2,342)	(1,398)
Depreciation and amortisation	15, 16	(3,267)	(1,771)
Repairs and maintenance		(175)	(179)
Emission rights, net	9	(367)	(68)
Negative goodwill	5	56	2,540
Taxes and charges	10	(139)	(190)
Other operating income	11	780	221
Other operating expenses	12	(1,342)	(725)
Profit/(loss) from operations		**2,450**	**5,175**
Finance income	13	427	246
Finance expense	13	(1,600)	(865)
Profit/(loss) from derivative financial instruments	13	(109)	(102)
Net finance income/(expense)		**(1,282)**	**(721)**
Share of profit/(loss) of equity accounted investees, net of tax	17	(172)	9
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates	5	-	4,484
Profit/(loss) before income tax		**996**	**8,947**
Income tax expenses	14	(467)	(492)
Profit/(loss) for the period		**529**	**8,455**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		45	86
Effective portion of changes in fair value of cash flow hedges, net of tax		(137)	(18)
Other comprehensive income for the period, net of tax		**(92)**	**68**
Total comprehensive income for the period		**437**	**8,523**
Profit/(loss) attributable to:			
Owners of the Company		445	8,457
Non-controlling interest		84	(2)
Profit/(loss) for the period		**529**	**8,455**
Total comprehensive income attributable to:			
Owners of the Company		353	8,526
Non-controlling interest		84	(3)
Total comprehensive income for the period		**437**	**8,523**
Basic and diluted earnings per share in CZK	25	**22.91**	**435.51**

The notes presented on pages 9 to 60 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As at 30 June 2013
In millions of CZK ("MCZK")

	Note	30 June 2013	31 December 2012 Restated*
Assets			
Property, plant and equipment	15	40,241	41,742
Intangible assets	16	3,618	4,541
Goodwill	16	2,622	2,622
Investment property		9	9
Participations with significant influence	17	6,976	4,043
Financial instruments and other financial assets	30	1,003	435
of which receivables from the parent company		-	-
Trade receivables and other assets	19	339	415
Deferred tax assets	23	91	32
Total non-current assets		**54,899**	**53,839**
Inventories	18	1,311	830
Extracted minerals and mineral products		107	105
Trade receivables and other assets	19	6,301	6,265
Financial instruments and other financial assets	30	10,508	13,672
of which receivables from the parent company		*10,031*	*12,322*
Prepayments and other deferrals		67	62
Tax receivables	21	667	485
Cash and cash equivalents	20	5,935	8,173
Assets/disposal groups held for sale	22	-	259
Total current assets		**24,896**	**29,851**
Total assets		**79,795**	**83,690**
Equity			
Share capital	24	19,420	19,420
Reserves	24	(5,664)	(5,569)
Retained earnings		8,777	15,219
Total equity attributable to equity holders		**22,533**	**29,070**
Non-controlling interest	26	2,907	7,137
Total equity		**25,440**	**36,207**
Liabilities			
Loans and borrowings	27	32,529	16,436
of which owed to the parent company		-	*3,186*
Financial instruments and financial liabilities	30	39	37
Provisions	28	6,246	6,050
Deferred tax liabilities	23	4,630	4,881
Trade payables and other liabilities	31	1,332	123
Total non-current liabilities		**44,776**	**27,527**
Trade payables and other liabilities	31	7,418	8,150
Loans and borrowings	27	533	9,597
of which owed to the parent company		*134*	*9,478*
Financial instruments and financial liabilities	30	41	15
Provisions	28	764	1,597
Deferred income	29	443	441
Current income tax liability		380	111
Liabilities from disposal groups held for sale	22	-	45
Total current liabilities		**9,579**	**19,956**
Total liabilities		**54,355**	**47,483**
Total equity and liabilities		**79,795**	**83,690**

* *For detail refer to Note 2(c) – Changes in accounting policies and Appendix 2 – Restated Consolidated statement of financial position*

The notes presented on pages 9 to 60 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

For the six-month period ended 30 June 2013

In millions of CZK ("MCZK")	Attributable to owners of the Company								Non-controlling interest	Total Equity
	Share capital	Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Other capital reserves	Hedging reserve	Retained earnings	Total		
Balance as at 1 January 2013 (A)	19,420	579	1,903	49	(8,112)	12	15,219	29,070	7,137	36,207
Total comprehensive income for the period:										
Profit or loss (B)	-	-	-	-	-	-	445	445	84	529
Other comprehensive income:										
Foreign currency translation differences for foreign operations	-	-	-	45	-	-	-	45	-	45
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	(137)	-	(137)	-	(137)
Total other comprehensive income (C)	-	-	-	45	-	(137)	-	(92)	-	(92)
Total comprehensive income for the period (D) = (B + C)	-	-	-	45	-	(137)	445	353	84	437
Contributions by and distributions to owners:										
Dividends to equity holders	-	-	-	-	-	-	(6,842)	(6,842)	(4,372)	(11,214)
Total contributions by and distributions to owners (E)	-	-	-	-	-	-	(6,842)	(6,842)	(4,372)	(11,214)
Changes in ownership interests in subsidiaries:										
Effect of disposal through step acquisition	-	-	-	5	(8)	-	3	-	-	-
Effect from acquisition through step acquisition	-	-	-	-	-	-	-	-	58	58
Effect of merged entities	-	-	-	-	-	-	(48)	(48)	-	(48)
Total changes in ownership interests in subsidiaries (F)	-	-	-	5	(8)	-	(45)	(48)	58	10
Total transactions with owners (G) = (E + F)	-	-	-	5	(8)	-	(6,887)	(6,890)	(4,314)	(11,204)
Balance at 30 June 2013 (H) = (A + D + G)	19,420	579	1,903	99	(8,120)	(125)	8,777	22,533	2,907	25,440

The notes presented on pages 9 to 60 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

For the six-month period ended 30 June 2012

In millions of CZK ("MCZK")	Attributable to owners of the Company									
	Share capital	Other capital funds from capital contributions	Non-distributable reserves	Translation reserve	Other capital reserves	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total Equity
Balance as at 1 January 2012 (A)	19,420	579	17	26	(8,112)	(26)	6,558	18,462	(6)	18,456
Total comprehensive income for the period:										
Profit or loss (B)	-	-	-	-	-	-	8,457	8,457	(2)	8,455
Other comprehensive income:										
Foreign currency translation differences for foreign operations	-	-	-	87	-	-	-	87	(1)	86
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	(18)	-	(18)	-	(18)
Total other comprehensive income (C)	-	-	-	87	-	(18)	-	69	(1)	68
Total comprehensive income for the period (D) = (B + C)	-	-	-	87	-	(18)	8,457	8,526	(3)	8,523
Transfers within equity:										
Transfer to non-distributable reserves	-	-	2	-	-	-	(2)	-	-	-
Total transfers within equity (E)	-	-	2	-	-	-	(2)	-	-	-
Contributions by and distributions to owners:										
Dividends to equity holders	-	-	-	-	-	-	-	-	(1)	(1)
Total contributions by and distributions to owners (F)	-	-	-	-	-	-	-	-	(1)	(1)
Changes in ownership interests in subsidiaries:										
Effect of changes in shareholding on non-controlling interests	-	-	-	-	-	-	-	-	173	173
Effect of disposals through step acquisition	-	-	-	(101)	-	36	-	(65)	(173)	(238)
Effect from acquisitions through step acquisition	-	-	-	-	-	-	-	-	7,165	7,165
Total changes in ownership interests in subsidiaries (G)	-	-	-	(101)	-	36	-	(65)	7,165	7,100
Total transactions with owners (H) = (F + G)	-	-	-	(101)	-	36	-	(65)	7,164	7,099
Balance at 30 June 2012 (I) = (A + D + E + H)	19,420	579	19	12	(8,112)	(8)	15,013	26,923	7,155	34,078

The notes presented on pages 9 to 60 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

For the six-month period ended 30 June 2013

In millions of CZK ("MCZK")	Note	30 June 2013 (six months)	30 June 2012 (six months)
OPERATING ACTIVITIES			
Profit/(loss) for the period		529	8,455
Adjustments for:			
Income taxes	14	467	492
Depreciation and amortisation	15, 16	3,267	1,771
Impairment losses on property, plant and equipment and intangible assets	15	21	9
(Gain)/loss on disposal of property, plant and equipment, investment property and intangible assets	11	(15)	(2)
(Gain)/loss on disposal of inventories	11	(1)	(2)
Emission rights	9	367	68
(Gain)/loss on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	5	-	(4,484)
Share of (profit)/loss of equity accounted investees	17	172	(9)
(Gain)/loss on financial instruments	13	109	102
Net interest expense	13	981	518
Change in allowance for impairment to trade receivables and other assets, write-offs		27	2
Change in provisions		(212)	(13)
Negative goodwill	5	(56)	(2,540)
Unrealised foreign exchange (gains)/losses, net		86	85
Operating profit/(loss) before changes in working capital		**5,742**	**4,452**
Change in financial instruments at other than fair value		(3,957)	(3,327)
Change in trade receivables and other assets		755	(915)
Change in inventories (including proceeds from sale)		(479)	53
Change in extracted minerals and mineral products		(2)	(8)
Change in assets held for sale and related liabilities		-	(2,115)
Change in trade payables and other liabilities		(491)	(11,684)
Cash generated from (used in) operations		**1,568**	**(13,544)**
Interest paid		(789)	(533)
Income taxes paid		(825)	(299)
Cash flows generated from (used in) operating activities		**(46)**	**(14,376)**
INVESTING ACTIVITIES			
Received dividends from equity accounted investees		661	-
Proceeds from sale of financial instruments – derivatives		11	(19)
Acquisition of property, plant and equipment, investment property and intangible assets	15, 16	(641)	(353)
Purchase of emission rights	16	(106)	(226)
Proceeds from sale of emission rights	9	11	70
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		67	17
Acquisition of subsidiaries and special purpose entities, net of cash acquired	5	-	2,404
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	5	182	12,286
Interest received		20	26
Cash flows from (used in) investing activities		**205**	**14,205**

Condensed consolidated interim statement of cash flows (continued)

For the six-month period ended 30 June 2013
In millions of CZK ("MCZK")

	Note	30 June 2013 (six months)	30 June 2012 (six months)
FINANCING ACTIVITIES			
Proceeds from loans received		17,197	10,695
Repayment of borrowings		(27,227)	(1,281)
Proceeds from bonds issued		15,915	-
Payment of finance lease liabilities		-	(1)
Dividends paid		(8,188)	(2)
Cash flows from (used in) financing activities		**(2,303)**	**9,411**
Net increase (decrease) in cash and cash equivalents		(2,144)	9,240
Cash and cash equivalents at beginning of the period		**8,173**	**2,263**
Effect of exchange rate fluctuations on cash held		(94)	(4)
Cash and cash equivalents at end of the period		**5,935**	**11,499**

The notes presented on pages 9 to 60 form an integral part of the condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Background

EP Energy, a.s. (the "Parent Company" or the "Company" or "EPE" or "energy subholding") is a joint-stock company, with its registered office at Příkop 843/4, 602 00 Brno, Czech Republic. The Company was founded by Energetický a průmyslový holding, a.s. ("EPH") on 16 December 2010 as a subsidiary that will hold/consolidate investments in entities belonging to the energy segment of Energetický a průmyslový holding, a.s. and its subsidiaries (the "EPH Group").

The energy subholding was established to separate the strategic energy assets from other business activities of the EPH Group.

The share capital of the Company of CZK 19,420 million was settled by a non-cash consideration in the form of shares in Honor Invest, a.s., AISE, s.r.o., První energetická a.s.[1], Czech Energy Holding, a.s., Plzeňská energetika a.s., ROLLEON a.s., EP Renewables a.s., HC Fin3 N.V. and LIGNITE INVESTMENTS 1 LIMITED.

The condensed consolidated interim financial statements of the Company for the six-month period ended 30 June 2013 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates (together referred to as the "Group" or the "EPE Group"). The Group entities are listed in Note 34 – Group entities.

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

The shareholder of the Company as at 30 June 2013 and 31 December 2012 was as follows:

	Interest in share capital		Voting rights
	MCZK	**%**	**%**
Energetický a průmyslový holding, a.s.	19,420	100.00	100.00
Total	**19,420**	**100.00**	**100.00**

The shareholders of Energetický a průmyslový holding, a.s. as at 30 June 2013 and 31 December 2012 were as follows:

	Interest in share capital %		Voting rights %	
	2013	**2012**	**2013**	**2012**
TIMEWORTH HOLDINGS LIMITED (owned by PPF Group N.V.)	44.44	44.44	44.44	44.44
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	18.52	18.52	18.52	18.52
MACKAREL ENTERPRISES LIMITED (owned by Daniel Křetínský)	18.52	18.52	18.52	18.52
MILEES LIMITED (part of J&T PARTNERS II L.P.)	18.52	18.52	18.52	18.52
Total	**100.00**	**100.00**	**100.00**	**100.00**

The members of the Board of Directors as at 30 June 2013 were:

- JUDr. Daniel Křetínský (Chairman of the Board of Directors)
- Ing. Jan Špringl (Vice-Chairman of the Board of Directors)
- Mgr. Marek Spurný (Member of the Board of Directors)
- Mgr. Pavel Horský (Member of the Board of Directors)
- Ing. Jiří Feist (Member of the Board of Directors)
- Mgr. Ing. Tomáš David (Member of the Board of Directors)

Information relating to the establishment of the parent company Energetický a průmyslový holding, a.s. and its shareholder structure was disclosed in the 2010 consolidated financial statements of Energetický a průmyslový holding, a.s. published on 20 May 2011.

As the Company was established by its parent Energetický a průmyslový holding, a.s. under the common control principle, the Company opted to restate its comparatives, i.e. reported the entities contributed to the share capital of the Company as at 16 December 2010 as if contributed by the parent company on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group.

Under Czech law the non-cash contribution to the share capital must be valued by an independent valuation specialist. The difference between the value contributed to the statutory share capital as determined by the independent valuation specialist and net book value (after potential fair value adjustments recorded during the Purchase Price Allocation process when acquired by EPH) of the contributed entity as of the date when acquired or contributed by the parent company was presented as a pricing difference in Other capital reserves in Equity.

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS), specifically IAS 34 Interim Financial Reporting issued by International Accounting Standards Board (IASB), as adopted by the European Union. These statements do not include all the information required for a complete set of IFRS financial statements, and should be read in conjunction with the consolidated financial statements of the EPE Group as of and for the year ended 31 December 2012.

These condensed consolidated interim financial statements were approved by the Board of Directors on 27 August 2013.

(b) Critical accounting estimates and assumptions

The preparation of condensed consolidated interim financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions. It also requires management to exercise judgement in the process of applying the Company's accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2012.

(c) Changes in accounting policies

Except as described below, the accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2012. The following changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2013.

i. Emission Rights

Recognition and measurement

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

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

The Group's accounting policy is to use FIFO for emission rights disposal (consumption or sale).

Impairment of emission rights

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

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

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

Recognition of grants

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

Recognition, measurement of provision

The provision is recognised regularly during the year based on the estimated number of tonnes of CO2 emitted.

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

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

Summary of quantitative impact

Under the previous accounting policy for emission rights, EPE Group recorded a provision only for a shortfall of emission rights as compared to emission rights held as intangible assets at a particular reporting date. Subsequently, during the period, the EPE Group derecognised emission rights from intangible assets based on estimated pollutants emitted for a reporting period.

Current accounting policy valid since 1 January 2013 practically grosses-up intangible assets and a provision for estimated pollutants. As such, tbere is no impact on the Statement of Comprehensive Income. Therefore, the Company decided not to present the restated statement of financial position as at 1 January 2012 on the face of the condensed consolidated interim financial statements as the Company assessed that it would not have a significant impact on the decisions made by the users of these condensed consolidated interim financial statements.

For original and restated Consolidated statement of financial position refer to Appendix 2.

ii. Stripping costs (IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after 1 January 2013))

Stripping costs during development phase of the mine (before production begins)

Stripping costs incurred in the development of a mine before production commences are capitalised as part of the cost of constructing the mine and subsequently amortised over the life of the mine on a units-of-production basis.

Stripping costs in the production phase of a surface mine

Stripping costs incurred subsequently during the production phase of its operation are deferred for those operations where this is the most appropriate basis for matching the cost against the related economic benefits and the effect is material. This is generally the case where there are fluctuations in stripping costs over the life of the mine.

a) To the extent that the benefit from the stripping activity is realised in the form of inventory produced, the EPE Group accounts for the costs of that stripping activity in accordance with the principles of IAS 2 Inventories
b) To the extent that the benefit is improved access to ore, the EPE Group recognises these costs as a non-current asset. This "stripping activity asset" will be accounted for as part of an existing tangible or intangible asset.

Recognition of stripping activity asset

Stripping activity asset shall be recognised only if

- it is probable that the future economic benefit associated with the stripping activity will flow to the EPE Group;
- the EPE Group can identify the component of the ore body for which access has been improved;
- the costs relating to the stripping activity associated with that component can be measured reliably.

Measurement of the stripping activity asset (SAA)

a) <u>Initially</u>: at cost – representing costs directly incurred to perform the stripping activity and directly attributable overhead costs.

   When the costs of the SAA and the inventory produced are not separately identifiable, the EPE Group allocates the production stripping cots between the inventory produced and the SAA by using an allocation basis that is based on a relevant production measure.

b) <u>Subsequently</u>: in revaluated amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part. SAA is amortised systematically over the expected useful life of the identified component of the ore body (which is mostly shorter than the mine´s useful life) that becomes more accessible as a result of the stripping activity.

In accordance with IFRIC 20, the accounting policy for stripping costs is applied prospectively from 1 January 2013. As at 30 June 2013 the Group recognised an inventory resulting from the stripping activity of CZK 377 million (refer to Note 18 – Inventories).

iii. Employee benefits

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

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

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

Notwithstanding the above, the change had no significant impact on the measurements of the EPE Group's assets and liabilities.

iv. Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in interim financial statements for financial instruments; accordingly, the EPE Group has included additional disclosures in this regard (see Note 30).

In accordance with the transitional provisions of IFRS 13, the EPE Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures.

Notwithstanding the above, the change had no significant impact on the measurements of the EPE Group's assets and liabilities.

v. Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the EPE Group has modified the presentation of items of other comprehensive income in its condensed consolidated interim statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

(d) Basis of preparation

The condensed consolidated interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment property, derivative financial instruments, financial assets and liabilities at fair value through profit or loss and available for sale.

(e) Foreign exchange rates used in the condensed consolidated interim financial statements

The following exchange rates were used during translations of foreign subsidiaries, associates and joint-ventures using EUR as the functional currency:

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the 6-month (12-month) period
30 June 2013	25.950	25.699
31 December 2012	25.140	25.143
30 June 2012	25.640	25.170
31 December 2011	25.800	24.586

3. Seasonality of operations

The seasonal character of sales revenues in the heat generation industry is affected by the climate of the temperate climatic zone. The heating season generally runs from the beginning of September to the end of May the next year. The length of the heating season differs year to year depending on the average day temperature and weather conditions, and as such, period to period comparability of heat revenues and associated expenses is limited. In addition, the EPE Group acquired significant subsidiaries at the end of the first half of 2012 and therefore comparable data for the period ended 30 June 2012 do not cover profit and loss items of the acquired entities. These acquisitions caused substantial changes in the Group's structure and significantly influenced the comparability of financial information.

4. Operating segments

The Group operates in five reportable segments: Mining, Heat and Power, Renewables, Energy Supply and Trading and Other. Mining and Heat and Power are the core segments of the Group.

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

(ii) The Heat and Power segment owns and operates four large-scale combined heat and power plants (CHPs) in the Czech Republic operated in highly efficient cogeneration mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská energetika a.s. and Pražská teplárenská a.s., which is operating the largest district heating system in the Czech Republic, supplying heat to the City of Prague. The heat generated in its cogeneration power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the EPE Group owns in most of the cases. The segment also includes Saale Energie GmbH purchased in 2012, which owns 41.9% of the Schkopau-power plant representing a beneficial use right over 400MW of the plant's total capacity of 900MW.

(iii) The Renewables segment owns and operates three solar power plants and holds a minority interest in an additional solar power plant and a majority interest in one wind farm in the Czech Republic. The Group also owns one wind farm in Germany at MIBRAG, two solar power plants in Slovakia, and a biogas facility in Slovakia.

(iv) The Energy Supply and Trading segment consists of an Energy Supply division and a Trading division. The Energy Supply division supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. The Trading division purchases and sells in the wholesale market power generated by the Heat and Power segment and purchases electricity and natural gas to supply customers through the Energy Supply division.

(v) The Other segment mainly represents EP Energy, a.s. The segment profit therefore primarily represent dividends received from its subsidiaries and results from acquisition accounting.

Profit or loss

For the six-month period ended 30 June 2013

In millions of CZK	Mining	Heat and Power	Trading and supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy	4,665	9,302	11,206	73	-	25,246	(2,317)	22,929
external revenues	*4,115*	*7,979*	*10,766*	*69*	-	*22,929*	-	*22,929*
inter-segment revenues	*550*	*1,323*	*440*	*4*	-	*2,317*	*(2,317)*	-
Sales: Other	832	237	331	2	38	1,440	(337)	1,103
external revenues	*757*	*236*	*70*	*2*	*38*	*1,103*	-	*1,103*
inter-segment revenues	*75*	*1*	*261*	-	-	*337*	*(337)*	-
Cost of sales: Energy	(656)	(5,172)	(11,059)	(2)	-	(16,889)	2,387	(14,502)
external cost of sales	*(656)*	*(4,113)*	*(9,731)*	*(2)*	-	*(14,502)*	-	*(14,502)*
inter-segment cost of sales	-	*(1,059)*	*(1,328)*	-	-	*(2,387)*	*2,387*	-
Cost of sales: Other	(66)	(183)	(294)	-	(8)	(551)	267	(284)
external cost of sales	*(66)*	*(178)*	*(32)*	-	*(8)*	*(284)*	-	*(284)*
inter-segment cost of sales	-	*(5)*	*(262)*	-	-	*(267)*	*267*	-
Personnel expenses	(1,642)	(647)	(29)	(4)	(20)	(2,342)	-	(2,342)
Depreciation and amortisation	(1,579)	(1,634)	(6)	(47)	(1)	(3,267)	-	(3,267)
Repairs and maintenanee	(44)	(124)	-	(7)	-	(175)	-	(175)
Emission rights, net	(158)	(209)	-	-	-	(367)	-	(367)
Negative goodwill	-	56	-	-	-	56	-	56
Taxes and charges	(118)	(15)	(1)	(5)	-	(139)	-	(139)
Other operating ineome	587	179	20	4	-	790	(10)	780
Other operating expenses	(980)	(261)	(46)	(14)	(51)	(1,352)	10	(1,342)
Finance income	50	128	1	8	1,163	1,350	(923)	427
external finance revenues	*49*	*47*	*1*	*8*	*322*	*427*	-	*427*
inter-segment finance revenues	*1*	*81*	-	-	*841*	*923*	*(923)*	-
Finance expense	(451)	(640)	(41)	(62)	(1,329)	(2,523)	923	(1,600)
Profit/(loss) from derivative financial instruments	-	(79)	(48)	(2)	20	(109)	-	(109)
Share of profit/(loss) of equity accounted investees, net of tax	(146)	(26)	-	-	-	(172)	-	(172)
Gain/(loss) on disposal of subsidiaries, speeial purpose entities, joint-ventures and associates	-	-	-	-	-	-	-	-
Profit/(loss) before income tax	**294**	**912**	**34**	**(56)**	**(188)**	**996**	-	**996**
Income tax expenses	(203)	(263)	(7)	(4)	10	(467)	-	(467)
Profit/(loss) for the period	**91**	**649**	**27**	**(60)**	**(178)**	**529**	-	**529**

For the six-month period ended 30 June 2012

In millions of CZK	Mining	Heat and Power	Trading and supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy	2,114	8,088	10,007	62	-	20,271	(2,810)	17,461
external revenues	*2,114*	*6,113*	*9,178*	*56*	-	*17,461*	-	*17,461*
inter-segment revenues	-	*1,975*	*829*	*6*	-	*2,810*	*(2,810)*	-
Sales: Other	397	118	-	10	17	542	(1)	541
external revenues	*397*	*117*	-	*10*	*17*	*541*	-	*541*
inter-segment revenues	-	*1*	-	-	-	*1*	*(1)*	-
Cost of sales: Energy	-	(3,788)	(9,751)	(2)	-	(13,541)	2,792	(10,749)
external cost of sales	-	*(2,978)*	*(7,770)*	*(1)*	-	*(10,749)*	-	*(10,749)*
inter-segment eost of sales	-	*(810)*	*(1,981)*	*(1)*	-	*(2,792)*	*2,792*	-
Cost of sales: Other	(368)	(135)	(1)	(1)	(3)	(508)	-	(508)
external cost of sales	*(368)*	*(135)*	*(1)*	*(1)*	*(3)*	*(508)*	-	*(508)*
inter-segment cost of sales	-	-	-	-	-	-	-	-
Personnel expenses	(787)	(565)	(24)	(2)	(20)	(1,398)	-	(1,398)
Depreciation and amortisation	(575)	(1,167)	(3)	(26)	-	(1,771)	-	(1,771)
Repairs and maintenance	(69)	(106)	(2)	(2)	-	(179)	-	(179)
Emission rights, net	(129)	61	-	-	-	(68)	-	(68)
Negative goodwill	2,540	-	-	-	-	2,540	-	2,540
Taxes and charges	(61)	(122)	-	(7)	-	(190)	-	(190)
Other operating income	108	101	7	12	-	228	(7)	221
Other operating expenses	(451)	(219)	(44)	(13)	(24)	(751)	26	(725)
Finance income	47	36	53	16	345	497	(251)	246
external finance revenues	*47*	*11*	*48*	*16*	*124*	*246*	-	*246*
inter-segment finance revenues	-	*25*	*5*	-	*221*	*251*	*(251)*	-
Finance expense	(188)	(712)	(29)	(70)	(117)	(1,116)	251	(865)
Profit/(loss) from derivative financial instruments	-	18	(119)	(1)	-	(102)	-	(102)
Share of profit/(loss) of equity accounted investees, net of tax	3	6	-	-	-	9	-	9
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates	-	2,590	-	-	1,894	4,484	-	4,484
Profit/(loss) before income tax	**2,581**	**4,204**	**94**	(24)	**2,092**	**8,947**	-	**8,947**
Income tax expenses	(16)	(420)	(17)	(1)	(38)	(492)	-	(492)
Profit/(loss) for the period	**2,565**	**3,784**	77	(25)	**2,054**	**8,455**	-	**8,455**

Assets and liabilities

As at and for the period ended 30 June 2013

In millions of CZK	Mining	Heat and Power	Trading and Supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Reportable segment assets	23,566	46,787	3,833	2,067	38,636	114,889	(35,094)	79,795
Reportable segment liabilities	(16,874)	(32,027)	(3,197)	(2,140)	(35,210)	(89,448)	35,093	(54,355)
Additions to tangible and intangible assets	618	482	7	8	1	1,116	-	1,116
Equity accounted investees	646	6,330	-	-	-	6,976	-	6,976

As at and for the year ended 31 December 2012

In millions of CZK	Mining	Heat and Power	Trading and Supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Reportable segment assets	23,349	46,075	4,284	2,208	36,878	112,794	(29,104)	83,690
Reportable segment liabilities	(16,954)	(27,491)	(3,488)	(2,223)	(26,430)	(76,586)	29,103	(47,483)
Additions to tangible and intangible assets	1,243	3,517	14	61	2	4,837	-	4,837
Equity accounted investees	768	3,275	-	-	-	4,043	-	4,043

Information about geographical areas

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

For the period ended 30 June 2013

In millions of CZK	Czech Republic	Slovakia	Germany	Total segments	Consolidated Financial Information
Property, plant and equipment	20,637	508	19,096	40,241	**40,241**
Intangible assets	3,958	33	2,249	6,240	**6,240**
Investment property	9	-	-	9	**9**
Total	**24,604**	**541**	**21,345**	**46,490**	**46,490**

In millions of CZK	Czech Republic	Slovakia	Germany	Other	Total segments	Consolidated Financial Information
Sales: Electricity	5,539	3,865	2,171	27	11,602	**11,602**
Sales: Heat	4,897	-	126	-	5,023	**5,023**
Sales: Coal	157	5	3,347	46	3,555	**3,555**
Sales: Gas	2,749	-	-	-	2,749	**2,749**
Sales: Other	327	7	756	13	1,103	**1,103**
Total	**13,669**	**3,877**	**6,400**	**86**	**24,032**	**24,032**

The geographical area "Other" comprises income items primarily from Poland and Hungary.

For the year ended 31 December 2012

In millions of CZK	**Czech Republic**	**Slovakia**	**Cyprus**	**Germany**	**Other**	**Total segments**	**Consolidated financial information**
Property, plant and equipment	21,660	508	-	19,574	-	41,742	41,742
Intangible assets	4,686	32	-	2,444	1	7,163	7,163
Investment property	9	-	-	-	-	9	9
Total	**26,355**	**540**	-	**22,018**	**1**	**48,914**	**48,914**

For the period ended 30 June 2012

In millions of CZK	**Czech Republic**	**Slovakia**	**Cyprus**	**Germany**	**Other**	**Total segments**	**Consolidated Financial Information**
Sales: Electricity	4,873	3,978	174	890	58	9,973	**9,973**
Sales: Heat	3,527	-	-	47	-	3,574	**3,574**
Sales: Coal	71	-	-	1,792	-	1,863	**1,863**
Sales: Gas	1,999	-	-	-	-	1,999	**1,999**
Sales: Other energy products	52	-	-	-	-	52	**52**
Sales: Other	115	8	-	397	21	541	**541**
Total	**10,637**	**3,986**	**174**	**3,126**	**79**	**18,002**	**18,002**

The geographical area “Other” comprises income items primarily from Poland and Switzerland.

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

As described in the Note 1 Background, the Company was established on 16 December 2010 by a common control contribution of shares in entities owned by the parent company Energetický a průmyslový holding, a.s. and the Company, as a part of its accounting policy on common control transactions, opted to restate its comparatives. For the purpose of preparation of these condensed consolidated interim financial statements, the contributions by the parent company are presented using one of the following two methods:

1. If the contributed entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. under the scope of IFRS 3, the Company presents the contributed entities in its consolidated financial statements under the scope of IFRS 3 from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. From the view of the EPE Group consolidated financial statements, these transactions are reflected as if carried out directly by the Company, including all goodwill or negative goodwill impacts. The difference between the value contributed to the statutory share capital of the Company as determined by the independent valuation specialist, and net book value (including fair value adjustments as part of the net book value in EPH's consolidated financial statements) of the contributed entity in EPH's consolidated financial statement as at the date when acquired by the parent company, was presented as a pricing difference in Other capital reserves in Equity. This approach relates to the following entities:
   a. AISE, s.r.o. (acquired by EPH on 8 October 2009)
   b. PT Holding Investment B.V. and its associates (acquired by EPH on 20 September 2010)
   c. Plzeňská energetika a.s. (acquired by EPH on 6 October 2009)
   d. EP Renewables a.s. and its subsidiaries (acquired by EPH on 1 September 2010)
   e. ROLLEON a.s. and its subsidiary (acquired by EPH on 6 October 2009)
   f. HC Fin3 N.V. (acquired by EPH on 16 March 2010) including:
      a) EAST BOHEMIA ENERGY HOLDING LIMITED and its subsidiaries (acquired by EPH on 31 December 2010)
      b) LIGNITE INVESTMENTS 1 LIMITED and its joint-venture (acquired by EPH on 28 June 2011)
2. If the contributed entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. in a transaction under common control, the Company presents the contributed entities in its consolidated financial statements as common control acquisition from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. The difference between the value contributed to the statutory share capital of the Company as determined by the independent valuation specialist and the net book value of the contributed entity as at the date when contributed to the parent company was presented as a pricing difference in Other capital reserves in Equity. This approach relates to the following entities:
   a. Czech Energy Holding, a.s. and its subsidiaries and associate (acquired by EPH on 6 October 2009)
   b. Honor Invest, a.s. and its associate Pražská energetika, a.s. (acquired by EPH on 10 August 2009)
   c. První energetická a.s. (acquired by EPH on 6 October 2009)[1]

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

(a) Acquisitions and step-acquisitions

i. 30 June 2013

In millions of CZK	Date of acquisition	Purchase price	Cash paid	Other consideration(1)	Equity interest acquired %	Equity interest after acquisition %
New subsidiaries						
PRVNÍ MOSTECKÁ a.s. and its subsidiary	14/01/2013	60	(60)	154	(2)82.35	82.35
Total		**60**	**(60)**	**154**	-	-

(1) Fair value of interest already held as at the date of step acquisition.

(2) Percentages presented in the table are equity interests after step acquisitions.

Step acquisitions

On 14 January 2013 Severočeská teplárenská, a.s, a subsidiary of United Energy, a.s., acquired the 35.29% share in PRVNÍ MOSTECKÁ a.s. for CZK 60 million. The total share in PRVNÍ MOSTECKÁ a.s. thus increased to 82.35% and EPE Group obtained control of this entity.

ii. 31 December 2012

In millions of CZK	Date of acquisition	Purchase price	Cash paid	Other consideration(1)	Equity interest acquired %	Equity interest after acquisition %
New subsidiaries						
JTSD Braunkohlebergbau GmbH and its subsidiaries and associates	29/06/2012	686	(686)	3,226	(2)100	100
Pražská teplárenská a.s. and its subsidiaries and associates	29/06/2012	-	-	18,977	(2)73.26	73.26
Saale Energie GmbH and its associates	17/07/2012	2,308	(2,308)	-	100	100
Total		**2,994**	**(2,994)**	**22,203**	-	-

(1) Fair value of interest already held as at the date of step acquisition.

(2) Percentages presented in the table are equity interests after step acquisitions.

In millions of CZK	Date of acquisition	Purchase price	Cash paid	Equity interest acquired %	Equity interest after acquisition %
New associates					
COOP ENERGY, a.s.	15/06/2012	1	(1)	40	40
Total		**1**	**(1)**	-	-

On 17 July 2012 the Group acquired a 41.9% share in the German power plant Kraftwerk Schkopau GbR and a 44.4% share in Kraftwerk Schkopau Betriebsgesellschaft GmbH through the acquisition of a 100% share in Saale Energie GmbH (SEG) by EP Germany GmbH from NRG Energy, Inc. for a consideration of EUR 141 million (CZK 3,570 million). The purchase price was reduced by an acquired loan of EUR 50 million (CZK 1,262 million) and the remaining part was paid at the date of acquisition. EP Germany GmbH was acquired by EP Energy, a.s. in 2011 but was not consolidated until 31 December 2012 as it was acquired only as a shell company.

Step acquisitions

On 29 June 2012 LIGNITE INVESTMENTS 1 LIMITED acquired the remaining 50% share in JTSD Braunkohlebergbau GmbH for EUR 27 million (CZK 686 million). The total share in JTSD Braunkohlebergbau GmbH, thus increased to 100% and EPE Group obtained control of this entity.

On 29 June 2012 Pražská teplárenská Holding a.s. and PT Holding Investment B.V. signed a new shareholders' agreement. As a result of this contract, the EPE Group obtained control of Pražská teplárenská a.s. which resulted in full consolidation from 29 June 2012 (with respective non-controlling interest) as opposed to proportionate consolidation until 28 June 2012. The total share in Pražská teplárenská a.s. remained unchanged (73.26%).

(b) Effect of acquisitions

i. 30 June 2013

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

In millions of CZK	**Carrying amount(1)**	**Fair value adjustment(2)**	**2013 Total(1)**
Property, plant, equipment, land, buildings	389	-	389
Trade receivables and other assets	545	-	545
Cash and cash equivalents	60	-	60
Deferred tax liabilities	(29)	-	(29)
Trade payables and other liabilities	(637)	-	(637)
Net identifiable assets and liabilities	**328**	-	**328**
Non-controlling interest			(58)
Goodwill on step acquisition of a subsidiary			-
Negative goodwill on step acquisition of a subsidiary			(56)
Pricing differences in equity			-
Cost of acquisition			**214**
Consideration paid, satisfied in cash (A)			60
Consideration, other			154
Total consideration transferred			**214**
Less: Cash acquired (B)			60
Net cash inflow (outflow) (C) = (B – A)			-

(1) *Represents values at 100% share*

(2) *The result of purchase price allocation was not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from business combinations in 2013.*

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

ii. 31 December 2012

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the step acquisition date of JTSD Braunkohlebergbau GmbH and Pražská teplárenská a.s. and acquisition date of Saale Energie GmbH are provided in the following table.

In millions of CZK	**Carrying amount**(1)	**Fair value adjustment**(1)	**2012 Total**(1)
Property, plant, equipment, land, buildings	25,654	5,949	31,603
Intangible assets	515	2,323	2,838
Participations with significant influence	2,610	812	3,422
Inventories	402	-	402
Trade receivables and other assets	3,916	-	3,916
Financial instruments – assets	12,467	-	12,467
Assets held for sale, net	164	64	228
Cash and cash equivalents	10,735	-	10,735
Provisions	(6,307)	(1,487)	(7,794)
Deferred tax liabilities	(1,399)	(1,739)	(3,138)
Loans and borrowings	(8,200)	-	(8,200)
Trade payables and other liabilities	(10,572)	(533)	(11,105)
Net identifiable assets and liabilities	**29,985**	**5,389**	**35,374**
Non-controlling interest			(7,165)
Goodwill on acquisition and step acquisition of subsidiaries			-
Negative goodwill on acquisition and step acquisition of subsidiaries			(3,012)
Pricing differences in equity			-
Cost of acquisition			**25,197**
Consideration paid, satisfied in cash (A)			2,994
Consideration, other			22,203
Total consideration transferred			**25,197**
Less: Cash acquired(2) (B)			10,735
Net cash inflow (outflow) (C) = (B – A)			**7,741**

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

(2) *Of which CZK 6,854 million was already recognised in the consolidation before acquisition of the remaining 50% share in JTSD Braunkohlebergbau GmbH and gaining control in Pražská teplárenská a.s. (both companies were consolidated using a proportionate consolidation method), as such, net cash inflow is CZK 887 million.*

The intangible assets recognised during the Purchase Price Allocation process are represented by two customer contracts of Saale Energie GmbH. The first contract is a long-term energy supply agreement in which the electricity price is calculated on a cost-plus basis and is on better than market terms. The second one stipulates a right to use a power-plant of Kraftwerk Schkopau GbR (an associate of Saale Energie GmbH) under better than market terms.

In 2012, the EPE Group also acquired a 40% share in COOP ENERGY, a.s., for which it paid CZK 1 million. This is not included in the effect of acquisition presented above.

Consideration paid represents cost paid by the direct parent company LIGNITE INVESTMENTS 1 LIMITED for the acquisition of the remaining 50% share in JTSD Braunkohlebergbau GmbH and costs paid by EP Germany GmbH for Saale Energie GmbH. No consideration was paid to obtain control of Pražská teplárenská a.s.

iii. Rationale for acquisitions

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

- The subsidiaries' businesses are complementary to EPE's portfolio;
- Potential for synergic effects;
- The subsidiaries have an advantageous position within the market;

- Subject industries are expected to grow in the future.
- Further vertical integration of the Heat and Power segment with the Mining segment, i.e. securing coal supplies for own coal heating plants.

As further expansion in energy sectors of countries in which the Group currently has operations is one of the strategic aims of the Group, EPE is investing both in energy companies and in companies supplying the energy industry. The Group's current aim is to further strengthen its position, and become an important participant in the energy market.

The Group's view is that there is long-term strategic value in these investments due to development of the market and this resulted in initial goodwill from 2010 and 2011 in a total amount of CZK 2,622 million; in 2012 and 2013 no goodwill was recognised.

Negative goodwill arose upon the step acquisition of PRVNÍ MOSTECKÁ a.s. totalling CZK 56 million (30 June 2012: CZK 2,540 million from the step acquisition of JTSD Braunkohlebergbau GmbH). The Group reconsidered the identification and measurement of all identified assets and liabilities acquired in these business combinations; consistent results were obtained in respect of negative goodwill.

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

In millions of CZK	**2013 Total**
Revenue of the acquiree recognised since the acquisition date (subsidiary)	300
Profit/(loss) of the acquiree recognised since the acquisition date (subsidiary)	10

As the acquisition occurred as at 14 January 2013 and for the period from 1 January 2013 to 13 January 2013 there were no significant transactions, the amount of the estimated revenues and profit or loss that would have been included in the condensed consolidated interim statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2013) is the same as stated in the table above.

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2012); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

In millions of CZK	**2012 Total**
Revenue of the acquirees recognised in the six-month period ended 30 June 2012 (subsidiaries and joint-ventures)(1)	8,294
Profit/(loss) of the acquirees recognised in the six-month period ended 30 June 2012 (subsidiaries and joint-ventures)(1)	3,515

(1) Before intercompany eliminations

For details on major acquisitions for the year ended 31 December 2012 please refer also to Appendix 1.

(c) Business combinations – acquisition accounting 2013 and 2012

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

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

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

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

The fair value adjustments resulting from the purchase price allocation were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from business combinations in 2013.

Fair value adjustments resulting from business combinations in 2012 are presented in the following table.

In millions of CZK	**Intangible assets**	**Property, plant and equipment (including mine property)**	**Other**	**Deferred tax asset/ (liability)**	**Total net effect on financial position**
Subsidiary					
JTSD Braunkohlebergbau GmbH	(25)	4,669	(1,888)	(700)	2,056
Pražská teplárenská a.s.	85	1,280	94	(277)	1,182
Saale Energie GmbH	2,263	-	650	(762)	2,151
Total	**2,323**	**5,949**	**(1,144)**	**(1,739)**	**5,389**

(d) Disposal of investments in 2013 and 2012

i. 30 June 2013

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

In millions of CZK	**Net assets disposed in 2013**
Participation with significant influence	154
Net identifiable assets and liabilities disposed at carrying value	**154**
Fair value of disposed net identifiable assets and liabilities	154
Gain/(loss) on disposal	**-**

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

In millions of CZK	**Net assets sold in 2013**
Assets/disposal groups held for sale(1)	219
Liabilities from assets/disposal groups held for sale(1)	(37)
Net identifiable assets and liabilities(1)	**182**
Sales price	182
Gain/(loss) on disposal(1)	-

(1) Represents values at 85% share.

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

ii. 31 December 2012

In 2012 the Group disposed of its investment in Energotrans, a.s. (a former subsidiary of Pražská teplárenská a.s.), which was classified as Assets/disposal groups held for sale as at 31 December 2011. The effects of the disposals are provided in the following table:

In millions of CZK	**Net assets sold in 2012**
Assets/disposal groups held for sale(1)	12,713
Liabilities from assets/disposal groups held for sale(1)	(2,084)
Net identifiable assets and liabilities(1)	**10,629**
Sales price(1)	13,219
Gain/(loss) on disposal(1)	**2,590**
Consideration received, satisfied in cash(1)	13,219
Less: Cash disposed(1)	-
Net cash inflow (all in cash)(1)	**13,219**

(1) Represents values at 73.26% share.

On 29 June 2012 the Group accounted for a disposal of its 50% investment in JTSD Braunkohlebergbau GmbH and its 73.26% investment in Pražská teplárenská a.s. as part of the step acquisition process. The effects of the disposals are provided in the following table:

In millions of CZK	**Net assets disposed in 2012**
Property, plant, equipment, land, buildings	15,066
Intangible assets	299
Participations with significant influence	316
Deferred tax assets	-
Inventories	235
Trade receivables and other assets	2,328
Financial instruments – assets	8,295
Cash and cash equivalents	6,854
Provisions	(3,170)
Deferred tax liabilities	(913)
Loans and borrowings	(4,100)
Trade payables and other liabilities	(4,848)
Assets held for sale, net	120
Non-controlling interests	(173)
Net identifiable assets and liabilities disposed at carrying value	**20,309**
Fair value of disposed net identifiable assets and liabilities	22,203
Gaiu/(loss) on disposal	**1,894**

Net identifiable assets and liabilities disposed at carrying value are attributable to JTSD Braunkohlebergbau GmbH in the amount of CZK 2,198 million, and to Pražská teplárenská a.s. in the amount of CZK 18,111 million. The fair values of disposed net identifiable assets and liabilities attributable to JTSD Braunkohlebergbau GmbH is CZK 3,226 million and Pražská teplárenská a.s. are CZK 3,226 million and CZK 18,977 million, respectively.

6. Sales

In millions of CZK	**30 June 2013 (six months)**	**30 June 2012 (six months)**
Sales: Energy		
Electricity	11,602	9,973
Heat	5,023	3,574
Coal	3,555	1,863
Gas	2,749	1,999
Other energy products	-	52
Total Energy	**22,929**	**17,461**
Sales: Other	**1,103**	**541**
Total Sales	**24,032**	**18,002**
Domestic revenues	13,669	10,637
Foreign sales	10,363	7,365
Total	**24,032**	**18,002**

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

7. Cost of sales

In millions of CZK	**30 June 2013 (six months)**	**30 June 2012 (six months)**
Cost of Sales: Energy		
Cost of sold electricity	6,987	6,212
Cost of sold gas and other energy products	3,507	1,967
Consumption of coal and other material(1)	2,308	1,998
Consumption of energy	1,415	269
Other cost of sales	285	303
Total Energy	**14,502**	**10,749**
Cost of Sales: Other		
Cost of goods sold	198	206
Consumption of material	54	-
Consumption of energy	29	14
Changes in WIP, semi-finished products and finished goods	(18)	(15)
Other cost of sales	21	303
Total Other	**284**	**508**
Total	**14,786**	**11,257**

(1) This position includes primarily coal consumed during production of electricity and heat.

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

8. Personnel expenses

In millions of CZK	**30 June 2013 (six months)**	**30 June 2012 (six months)**
Wages and salaries	1,640	955
Compulsory social security contributions	507	305
Board members' remuneration (including boards of subsidiaries, associates and joint-ventures)	144	104
Expenses and revenues related to employee benefits (IAS 19)	15	8
Creation and reversal of provisions for personnel costs	8	2
Other social expenses	28	24
Total	**2,342**	**1,398**

The average number of employees as of 30 June 2013 was 4,019 (30 June 2012: 2,922), of which 106 (30 June 2012: 100) were executives.

9. Emission rights

In millions of CZK	**30 June 2013 (six months)**	**30 June 2012 (six months)**
Deferred income (grant) released to profit and loss	190	731
Profit from sale of emission rights	-	70
Net creation of provision for emission rights	(557)	(869)
Use of provision for emission rights	1,297	2,375
Consumption of emission rights	(1,297)	(2,375)
Total	**(367)**	**(68)**

The Ministries of the Environment of the Czech Republic and Germany set a limit on the amount of a pollutant that can be emitted. Companies are granted emission allowances and are required to hold an equivalent number of allowances which represent the right to emit a specific amount of pollutant. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emission allowance must buy credits from those who pollute less or from other market participants. The transfer of allowances is referred to as a trade.

The companies that participate in the emission rights programme are United Energy, a.s., Plzeňská energetika a.s., Pražská teplárenská a.s., JTSD Braunkohlebergbau GmbH and Elektrárny Opatovice, a.s.

10. Taxes and charges

In millions of CZK	**30 June 2013 (six months)**	**30 June 2012 (six months)**
Electricity tax	108	59
Property and real estate transfer tax	8	6
Gift tax on emission rights	-	114
Other taxes and charges	23	11
Total	**139**	**190**

A gift tax (32 %) on emission rights has been applicable in the Czech Republic for 2011 and 2012. From 2013 this tax is not applicable any more.

11. Other operating income

In millions of CZK	**30 June 2013 (six months)**	**30 June 2012 (six months)**
Own work, capitalised[(1)]	413	-
Consulting fees	118	24
Ecological tax reimbursement	74	39
Rental income	40	27
Change in provisions, net	36	18
Profit from sale of tangible and intangible assets, net	15	2
Compensation from insurance companies	12	5
Contractual penalties	7	47
Inventories surplus	4	9
Profit from sale of material, net	1	2
Staff catering	-	7
Other	60	41
Total	**780**	**221**

(1) This position is mainly represented by stripping costs amounting to CZK 377 million which were capitalised to inventories.

12. Other operating expenses

In millions of CZK	**30 June 2013 (six months)**	**30 June 2012 (six months)**
Transport expenses	269	141
Outsourcing and other administration fees	249	81
Office equipment and other material	233	122
Consulting expenses	170	72
Rent expenses	115	75
Insurance expenses	34	25
Gifts and sponsorship	30	12
Loss from receivables written-off	29	30
Fees and commissions expense	24	34
Administrative expenses	24	8
Advertising expenses	22	21
Information technology costs	17	16
Training, courses, conferences	15	9
Communication expenses	9	7
Contractual penalties	8	8
Shortages and damages	-	1
Impairment losses, net	(12)	9
Other	106	54
Total	**1,342**	**725**

The increase in other operating expenses was caused primarily by the acquisition of the remaining 50% share in JTSD Braunkohlebergbau GmbH in June 2012.

No research and development expenses were recognised in profit and loss for the period ended 30 June 2013 and 30 June 2012.

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

Recognised in profit or loss

In millions of CZK	30 June 2013 (six months)	30 June 2012 (six months)
Interest income	427	219
Net foreign exchange gain/(loss)	-	27
Finance income	**427**	**246**
Interest expense	(1,408)	(737)
Net foreign exchange profit/(loss)	(180)	-
Fees and commissions expense for guarantees	(6)	(6)
Fees and commissions expense for payment transactions	(2)	(62)
Other services	(4)	(60)
Finance expense	**(1,600)**	**(865)**
Profit/(loss) from commodity derivatives for trading	(77)	(141)
Profit/(loss) from currency derivatives for trading	(31)	54
Profit/(loss) from hedging activities	(2)	(1)
Profit/(loss) from other derivatives for trading	-	3
Profit/(loss) from interest rate derivatives for trading	1	(17)
Profit/(loss) from financial instruments	**(109)**	**(102)**
Net finance income (expense) recognised in profit or loss	**(1,282)**	**(721)**

14. Income tax expenses

Income taxes recognised in profit or loss

In millions of CZK	30 June 2013 (six months)	30 June 2012 (six months)
Current taxes:		
Current period	(810)	(656)
Adjustment for prior periods	-	31
Total current taxes	**(810)**	**(625)**
Deferred taxes:		
Origination and reversal of temporary differences	343	133
Total deferred taxes	**343**	**133**
Total income taxes (expense)/benefit recognised in profit or loss	**(467)**	**(492)**

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. According to Czech legislation the corporate income tax rate is 19% for fiscal years ending in 2013 and 2012. The German federal income tax rate for 2013 and 2012 is 26.98%.

In the period ended 30 June 2013, the EPE Group reported negative goodwill of CZK 56 million (30 June 2012: 2,540 million) and in the period ended 30 June 2012 the EPE Group recognised Gain on disposal of subsidiaries, special purpose entities, joint-ventures and associates of CZK 4,484 million. Both items represent non-taxable revenues.

15. Property, plant and equipment

In millions of CZK	Land and buildings	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under construction	Total
Cost					
Balance at 1 January 2013	**17,128**	**29,187**	**16**	**1,703**	**48,034**
Effects of movements in foreign exchange rates	68	627	-	31	**726**
Additions	175	218	1	236	**630**
Additions through step acquisition	279	109	-	1	**389**
Disposals	(6)	(63)	(1)	-	**(70)**
Transfers	108	178	-	(286)	-
Balance at 30 June 2013	**17,752**	**30,256**	**16**	**1,685**	**49,709**
Depreciation and impairment losses					
Balance at 1 January 2013	**(1,981)**	**(4,306)**	**(5)**	-	**(6,292)**
Effects of movements in foreign exchange rates	(5)	(87)	-	-	**(92)**
Depreciation charge for the period	(786)	(2,293)	(2)	-	**(3,081)**
Disposals	-	17	1	-	**18**
Impairment losses recognised in profit or loss	(21)	-	-	-	**(21)**
Balance at 30 June 2013	**(2,793)**	**(6,669)**	**(6)**	-	**(9,468)**
Carrying amounts					
At 1 January 2013	**15,147**	**24,881**	**11**	**1,703**	**41,742**
At 30 June 2013	**14,959**	**23,587**	**10**	**1,685**	**40,241**

In millions of CZK	Land and buildings	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under construction	Total
Cost					
Balance at 1 January 2012	**12,254**	**18,229**	**27**	**1,351**	**31,861**
Effects of movements in foreign exchange rates	(6)	(69)	-	(4)	**(79)**
Additions	25	52	-	259	**336**
Disposals	(8)	(13)	-	-	**(21)**
Additions through step acquisitions(1)	10,699	19,866	46	992	**31,603**
Disposals through step acquisitions(1)	(7,430)	(9,902)	(9)	(509)	**(17,850)**
Transfer to assets held for sale	(110)	(89)	-	-	**(199)**
Transfer from assets held for sale	1,158	142	-	-	**1,300**
Transfers	1	3	-	(4)	-
Balance at 30 June 2012	**16,583**	**28,219**	**64**	**2,085**	**46,951**
Depreciation and impairment losses					
Balance at 1 January 2012	**(1,634)**	**(2,725)**	**(18)**	-	**(4,377)**
Effects of movements in foreign exchange rates	1	15	-	-	**16**
Depreciation charge for the period	(540)	(1,171)	(1)	-	**(1,712)**
Disposals	1	6	-	-	**7**
Transfer to/from assets held for sale	17	38	-	-	**55**
Disposals through step acquisitions(1)	974	1,805	5	-	**2,784**
Impairment losses recognised in profit or loss	(9)	-	-	-	**(9)**
Balance at 30 June 2012	**(1,190)**	**(2,032)**	**(14)**	-	**(3,236)**
Carrying amounts					
At 1 January 2012	**10,620**	**15,504**	**9**	**1,351**	**27,484**
At 30 June 2012	**15,393**	**26,187**	**50**	**2,085**	**43,715**

(1) Additional purchase of 50% in JTSD Braunkohlebergbau GmbH and the gaining of control of Pražská teplárenská a.s.

Idle assets

As at 30 June 2013 and also as at 31 December 2012 the Group had no significant idle assets.

Finance lease liabilities

As at 30 June 2013 and also as at 31 December 2012 the Group had no significant finance lease liabilities.

Security

At 30 June 2013 property, plant and equipment with a carrying value of CZK 12,131 million (31 December 2012: CZK 8,577 million) is subject to pledges to secure debentures issued by the Company.

16. Intangible assets (including goodwill)

In millions of CZK	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balanee at 1 January 2013 (Restated)	**2,622**	**342**	**2,175**	**2,581**	**16**	**7,736**
Effect of movements in foreign exchange rates	-	3	10	73	1	**87**
Additions	-	11	475	-	-	**486**
Disposals	-	-	(1,297)	-	-	**(1,297)**
Transfers	-	1	-	-	(1)	-
Balance at 30 June 2013	**2,622**	**357**	**1,363**	**2,654**	**16**	**7,012**
Amortisation and impairment losses						
Balance at 1 January 2013	-	**(119)**	-	**(452)**	**(2)**	**(573)**
Effect of movements in foreign exchange rates	-	-	-	(13)	-	**(13)**
Amortisation for the period	-	(52)	-	(133)	(1)	**(186)**
Balance at 30 June 2013	-	**(171)**	-	**(598)**	**(3)**	**(772)**
Carrying amount						
At 1 January 2013 (Restated)	2,622	223	2,175	2,129	14	7,163
At 30 June 2013	2,622	186	1,363	2,056	13	6,240

In millions of CZK	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2012 (Restated)	**2,622**	**239**	**2,766**	**329**	**21**	**5,977**
Effect of movements in foreign exchange rates	-	-	(2)	-	-	**(2)**
Additions	-	15	1,431	-	2	**1,448**
Disposals	-	-	(2,375)	-	-	**(2,375)**
Additions through step acquisitions[1]	-	214	356	-	5	**575**
Disposal through step acquisitions[1]	-	(163)	(234)	-	(5)	**(402)**
Transfers	-	9	-	-	(9)	-
Balance at 30 June 2012 (Restated)	**2,622**	**314**	**1,942**	**329**	**14**	**5,221**
Amortisation and impairment losses						
Balance at 1 January 2012	-	**(123)**	-	**(59)**	**(2)**	**(184)**
Effect of movements in foreign exchange rates	-	(1)	-	-	-	**(1)**
Amortisation for the period	-	(41)	-	(17)	(1)	**(59)**
Disposals through step acquisitions[1]	-	102	-	-	1	**103**
Balance at 30 June 2012	-	**(63)**	-	**(76)**	**(2)**	**(141)**
Carrying amount						
At 1 January 2012 (Restated)	**2,622**	**116**	**2,766**	**270**	**19**	**5,793**
At 30 June 2012 (Restated)	**2,622**	**251**	**1,942**	**253**	**12**	**5,080**

(1) Additional purchase of 50% in JTSD Braunkohlebergbau GmbH and the gaining of control of Pražská teplárenská a.s.

In 2013, the EPE Group purchased emission allowances of CZK 106 million (31 December 2012: CZK 451 million). The remaining part of CZK 369 million (31 December 2012: CZK 1,192 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic.

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

Other intangible assets comprise valuable rights.

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

Impairment testing for cash-generating units containing goodwill

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

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

In millions of CZK	**30 June 2013**
EAST BOHEMIA ENERGY HOLDING LIMITED	2,321
POWERSUN a.s.	215
Plzeňská energetika a.s.	72
ČKD Blansko Wind, a.s.	8
ARISUN, s.r.o.	4
VTE Moldava, a.s.	2
Total goodwill	**2,622**

In millions of CZK	**31 December 2012**
EAST BOHEMIA ENERGY HOLDING LIMITED	2,321
POWERSUN a.s.	215
Plzeňská energetika a.s.	72
ČKD Blansko Wind, a.s.	8
ARISUN, s.r.o.	4
VTE Moldava, a.s.	2
Total goodwill	**2,622**

Goodwill and impairment testing

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

As at the year end, the Group conducted impairment testing for all significant goodwill amounts.

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

Cash-flows were projected based on past experience, actual operating results and the 1-year business plan followed by additional 4-year projections. Cash flows for a terminal period were extrapolated using a constant growth rate of 2%, which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of commodity market prices, future electricity and gas prices, investment activity, changes in working capital and changes in the regulatory framework.

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting discount rates ranged from 8.08% to 8.32%.

There were no impairment indicators as of 30 June 2013.

17. Participations with significant influence

The Group has the following investments in associates:

In millions of CZK

Associates	Country	Ownership 30 June 2013 %	Carrying amount 30 June 2013
Pražská teplárenská Holding a.s.	Czech Republic	49.00	3,830
Associates of JTSD Braunkohlebergbau GmbH	Germany	*(1)*	2,500
Associates of Saale Energie GmbH	Germany	*(1)*	646
Total			**6,976**

(1) Ownership percentage varies, for details refer to Note 34 – Group entities

In millions of CZK

Associates	Country	Ownership 31 December 2012 %	Carrying amount 31 December 2012
Pražská teplárenská Holding a.s.	Czech Republic	49.00	597
PRVNÍ MOSTECKÁ a.s.	Czech Republic	47.06	154
Associates of JTSD Braunkohlebergbau GmbH	Germany	(1)	768
Associates of Saale Energie GmbH	Germany	*(1)*	2,524
Total			**4,043**

(1) Ownership percentage varies, for details refer to Note 34 – Group entities

The Group's share of loss from the above associates for the six-month period ended 30 June 2013 was CZK 172 million (30 June 2012: profit of CZK 9 million).

Summary financial information for standalone associates, presented at 100% as at and for the period ended 30 June 2013

In millions of CZK

Associates	Revenue	Profit/(Loss)	Assets	Liabilities	Equity
Pražská teplárenská Holding a.s.	7,825	*7,810	10,155	7	10,148
Kraftwerk Schkopau GbR(1)	447	79	5,842	455	5,387
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	1,343	-	408	407	1
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	516	44	1,905	1,191	714
Fernwärme GmbH Hohenmölsen - Webau(1)	70	11	258	110	148
Ingenieurbüro für Grundwasser GmbH	*(2)*	*(2)*	*(2)*	*(2)*	*(2)*
	10,201	**7,944**	**18,568**	**2,170**	**16,398**

** Profit and Loss item represents primarily dividend income from an associate.*

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

(2) Data not available as at 30 June 2013. This entity is not significant and therefore prepares its standalone financial statements only at the year end.

In millions of CZK

Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Pražská teplárenská Holding a.s.	2,332	7,823	-	7
Kraftwerk Schkopau GbR(1)	903	4,939	-	455
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	-	408	-	407
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	1,171	734	861	330
Fernwärme GmbH Hohenmölsen - Webau(1)	34	224	7	103
Ingenieurbüro für Grundwasser GmbH	(2)	(2)	(2)	(2)
	4,440	**14,128**	**868**	**1,302**

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

(2) Data not available as at 30 June 2013. This entity is not significant and therefore prepares its standalone financial statements only at the year end.

Summary financial information for standalone associates, presented at 100% as at and for the year ended 31 December 2012

In millions of CZK

Associates	Revenue	Profit/(Loss)	Assets	Liabilities	Equity
PRVNÍ MOSTECKÁ a.s.	489	9	994	666	328
Pražská teplárenská Holding a.s.	1,210	*1,210	3,551	1	3,550
Kraftwerk Schkopau GbR(1)	784	154	5,782	3,057	2,725
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	2,405	-	249	248	1
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	1,017	47	1,849	1,223	626
Fernwärme GmbH Hohenmölsen - Webau(1)	103	8	262	135	127
Ingenieurbüro für Grundwasser GmbH(1)	41	4	22	8	14
	6,049	**1,432**	**12,709**	**5,338**	**7,371**

** Profit and Loss item represents primarily dividend income from an associate.*

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

In millions of CZK

Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
PRVNÍ MOSTECKÁ a.s.	388	606	29	637
Pražská teplárenská Holding a.s.	2,332	1,219	-	1
Kraftwerk Schkopau GbR(1)	972	4,810	-	3,057
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	-	249	-	248
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	1,295	554	905	318
Fernwärme GmbH Hohenmölsen - Webau(1)	226	36	85	50
Ingenieurbüro für Grundwasser GmbH(1)	12	10	-	8
	5,225	**7,484**	**1,019**	**4,319**

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

18. Inventories

In millions of CZK	30 June 2013	31 December 2012
Fossil fuel	472	462
Overburden	377	-
Raw material and supplies	294	254
Spare parts	101	97
Work in progress	67	18
Finished goods and merchandise	10	10
Valuation adjustment to inventories	(10)	(11)
Total	**1,311**	**830**

At 30 June 2013 inventories in the amount of CZK 404 million were subject to pledges (31 December 2012: CZK 329 million).

19. Trade receivables and other assets

In millions of CZK	30 June 2013	31 December2012
Trade receivables	4,723	5,274
Advance payments	682	712
Estimated receivables	466	499
Uninvoiced supplies	286	-
Other receivables and assets	663	376
Allowance for bad debts	(180)	(181)
Total	**6,640**	**6,680**
Non-current	339	415
Current	6,301	6,265
Total	**6,640**	**6,680**

As at 30 June 2013 trade receivables amounting to CZK 2,550 million were subject to pledges (31 December 2012: CZK 3,330 million).

20. Cash and cash equivalents

In millions of CZK	30 June 2013	31 December 2012
Current accounts with banks	5,794	6,576
Term deposits	138	1,395
Cash on hand	3	2
Bills of exchange issued by banks	-	200
Total	**5,935**	**8,173**

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

As at 30 June 2013 cash equivalents of CZK 4,225 million are subject to pledges (31 December 2012: CZK 3,001 million).

21. Tax receivables

In millions of CZK	30 June 2013	31 December 2012
Current income tax receivables	352	68
Value added tax receivables	228	314
Other tax receivables	87	103
Total	**667**	**485**

22. Assets and liabilities held for sale

As of 31 December 2012 balances were fully represented by 100% share held in Areál Třeboradice, a.s. As of 30 June 2013 the Group sold its 85% share in Areál Třeboradice, a.s. As the Group lost its control of this entity, no assets/disposal groups held for sale (31 December 2012: CZK 259 million) and liabilities from disposal groups held for sale (31 December 2012: CZK 45 million) are reported. Remaining 15% share in Areál Třeboradice, a.s. was classified as shares available for sale reported under Financial instruments and other financial assets.

23. Deferred tax assets and liabilities

As at 30 June 2013 the net deferred tax position amounts to CZK 4,539 million (31 December 2012: CZK 4,849 million) comprises a deferred tax asset of CZK 91 million (31 December 2012: CZK 32 million) and deferred tax liability of CZK 4,630 million (31 December 2012: CZK 4,881 million).

24. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as of 30 June 2013 consisted of 19,419,548 ordinary shares with a par value of CZK 1,000 each (31 December 2012: 19,419,548 ordinary shares with a par value of CZK 1,000 each).

The shareholder is entitled to receive dividends and to cast 1,000 votes per 1,000 CZK share, at meetings of the Company's shareholders.

On 28 June 2013 the Company declared dividends to its sole shareholder amounting to CZK 6,842 million. On the same date a loan provided to the shareholder was set off against the dividends declared.

30 June 2013	**Number of shares 1,000 CZK**	**Ownership %**	**Voting rights %**
Energetický a průmyslový holding, a.s.	19,419,548	100.00	100.00
Total	**19,419,548**	**100.00**	**100.00**

31 December 2012	**Number of shares 1,000 CZK**	**Ownership %**	**Voting rights %**
Energetický a průmyslový holding, a.s.	19,419,548	100.00	100.00
Total	**19,419,548**	**100.00**	**100.00**

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

	Number of shares	
	30 June 2013	**31 December 2012**
Shares outstanding at the beginning of the period	19,419,548	19,419,548
Shares outstanding at the end of the period	**19,419,548**	**19,419,548**

Reserves recognised in equity comprise the following items:

In millions of CZK	**30 June 2013**	**31 December 2012**
Non-distributable reserves	1,903	1,903
Translation reserve	99	49
Hedging reserve	(125)	12
Other capital reserves	(8,120)	(8,112)
Total	**(6,243)**	**(6,148)**
Other capital funds from capital contributions	579	579
Reserves	**(5,664)**	**(5,569)**

Non-distributable reserves

The creation of a legal reserve fund in the Czech Republic is required at a minimum of 20% (10% for limited liability companies) of net profit (annually) and up to a minimum of 10% (5% for limited liability companies) of the registered share capital (cumulative balance). The legal reserve fund can only be used to cover losses of the Company and may not be distributed as a dividend. The calculation of the legal reserve is based on local statutory regulations. The legal reserve of CZK 1,903 million was reported as at 30 June 2013 (31 December 2012: CZK 1,903 million).

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations of the Group.

Other capital reserves

In 2009 the Group accounted for pricing differences that arose both from establishment of the Group as at 10 August 2009 and acquisition of certain new subsidiaries in the subsequent periods prior to 31 December 2010. Such subsidiaries were acquired under common control of Energetický a průmyslový holding, a.s. and therefore excluded from scope of IFRS 3, which defines recognition of goodwill raised from business combinations as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are recorded at the book value, which is presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment). The difference between the cost of acquisition, carrying values of net assets and original goodwill carried forward as at the acquisition date was recorded in consolidated equity as pricing differences.

In 2010 other capital reserves decreased by CZK 1,169 million in relation to the disposal of Pražská energetika, a.s. (associate), previously acquired under common control. The amount corresponds to pricing differences assigned directly to the disposed associate and its direct parent company (Honor Invest, a.s.). The increase in other capital reserves was recognised against retained earnings.

In 2011 other capital reserves decreased by CZK 770 million in relation to the acquisition of LIGNITE INVESTMENTS 1 LIMITED which was contributed by EPH to the Company's share capital.

In 2013 other capital reserves decreased by CZK 8 million in relation to the disposal of 47.06% share in PRVNÍ MOSTECKÁ a.s. as a part of the step acquisition process.

Hedging reserves

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity. The balance as at 30 June 2013 is represented by derivative agreements to hedge the selling price of heat concluded by POWERSUN a.s. and electricity concluded by EP Energy Trading, a.s.

25. Earnings per share

Basic earnings per share

Basic earnings per 1,000 CZK share is CZK 22.91 (30 June 2012: CZK 435.51).

The calculation of basic earnings per share as at 30 June 2013 was based on profit attributable to ordinary shareholders of CZK 445 million, and a weighted average number of ordinary shares outstanding of 19,420 thousand.

The calculation of basic earnings per share as at 30 June 2012 was based on profit attributable to ordinary shareholders of CZK 8,457 million, and a weighted average number of ordinary shares outstanding of 19,420 thousand.

Weighted average number of ordinary shares as at 30 June 2013

In millions of CZK	**Nominal**	**Weighted**
Issued ordinary shares at 10 August 2009 (1 share/CZK 1,000)	5,020	5,020
Issued ordinary shares at 9 October 2009 (1 share/CZK 1,000)	8,136	8,136
Issued ordinary shares at 1 September 2010 (1 share/CZK 1,000)	399	399
Issued ordinary shares at 20 September 2010 (1 share/CZK 1,000)	4,162	4,162
Issued ordinary shares at 31 December 2010 (1 share/CZK 1,000)	933	933
Issued ordinary shares at 28 June 2011 (1 share/CZK 1,000)	770	770
Total	**19,420**	**19,420**

Weighted average number of ordinary shares as at 30 June 2012

In millions of CZK	**Nominal**	**Weighted**
Issued ordinary shares at 10 August 2009 (1 share/CZK 1,000)	5,020	5,020
Issued ordinary shares at 9 October 2009 (1 share/CZK 1,000)	8,136	8,136
Issued ordinary shares at 1 September 2010 (1 share/CZK 1,000)	399	399
Issued ordinary shares at 20 September 2010 (1 share/CZK 1,000)	4,162	4,162
Issued ordinary shares at 31 December 2010 (1 share/CZK 1,000)	933	933
Issued ordinary shares at 28 June 2011 (1 share/CZK 1,000)	770	770
Total	**19,420**	**19,420**

Diluted earnings per share

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

26. Non-controlling interest

In millions of CZK	**30 June 2013**	**31 December 2012**
Pražská teplárenská a.s.	2,871	7,152
PRVNÍ MOSTECKÁ a.s.	60	-
AISE, s.r.o.	5	7
Claymore Equity, s. r. o.	(1)	(1)
VTE Pchery, s.r.o.	(4)	(5)
Alternative Energy, s.r.o.	(24)	(16)
Total	**2,907**	**7,137**

27. Loans and borrowings

In millions of CZK	**30 June 2013**	**31 December 2012**
Issued debentures at amortised cost	28,318	12,404
Loans payable to other than credit institutions	3,983	13,114
of which owed to the parent company	*134*	*12,664*
of which owed to other related companies	*3,849*	-
Loans payable to credit institutions	702	460
Bank overdraft	54	49
Liabilities from financial leases	5	6
Total	**33,062**	**26,033**
Non-current	32,529	16,436
of which owed to the parent company	-	*3,186*
of which owed to other related companies	*3,816*	-
Current	533	9,597
of which owed to the parent company	*134*	*9,478*
of which owed to other related companies	*33*	-
Total	**33,062**	**26,033**

Issued debentures at amortised costs

The Senior Secured Notes were issued on 31 October 2012, and are listed on the Irish Stock Exchange and comprise EUR 500 million (CZK 12,975 million) Senior Secured Notes due 2019 (the "2019 Notes"). The 2019 Notes bear interest at 5.875% per annum, payable semi-annually in arrears on 1 May and 1 November of each year. Unless redeemed prematurely, the 2019 Notes will be redeemed by the Group in their principal amount on 1 November 2019.

The 2019 Notes rank pari passu with the loans under the Senior Facilities Agreement. The 2019 Notes are guaranteed by certain of EPE's subsidiaries on a senior secured basis. The 2019 Notes and the guarantees thereof are secured by first ranking liens on the same assets that secure EPE's and the guarantors' obligations under the Senior Facilities Agreement.

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

The 2019 Notes are stated net of debt issue costs of EUR 12 million (CZK 311 million). These costs are allocated to the profit and loss account over the term of the 2019 Notes through the effective interest rate of 6.301%.

As at 18 April 2013 EPE issued second Senior Secured Notes due in 2018 (the "2018 Notes"). These second notes are listed on the Irish Stock Exchange and comprise EUR 600 million (CZK 15,570 million). The 2018 Notes bear interest at 4.375% per annum, payable semi-annually in arrears on 1 May and 1 November of each year. Unless redeemed prematurely, the 2018 Notes will be redeemed by the Group in their principal amount on 1 May 2018.

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

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

The 2018 Notes are stated net of debt issue costs of EUR 8 million (CZK 208 million). These costs are allocated to the profit and loss account over the term of the 2018 Notes through the effective interest rate of 4.691%.

28. Provisions

In millions of CZK	Employee benefits	Warranties	Provision for emission rights	Provision for lawsuits and litigations	Provision for restoration and decommissioning	Other	Total
Balance at 1 January 2013 (Restated)	**635**	**6**	**1,297**	**27**	**5,623**	**59**	**7,647**
Provisions made during the period	145	-	557	-	7	32	**741**
Provisions used during the period	(310)	-	(1,297)	-	(25)	(30)	**(1,662)**
Provisions reversed during the period	(10)	(2)	-	-	(7)	(12)	**(31)**
Effects of movements in foreign exchange rates	15	-	2	-	182	1	**200**
Unwind of discount*	-	-	-	-	115	-	**115**
Transfer	-	(2)	-	-	-	2	-
Balance at 30 June 2013	**475**	**2**	**559**	**27**	**5,895**	**52**	**7,010**
Non-current	*311*	*-*	*-*	*27*	*5,895*	*13*	*6,246*
Current	*164*	*2*	*559*	*-*	*-*	*39*	*764*

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

In millions of CZK	Employee benefits	Warranties	Provision for emission rights	Provision for lawsuits and litigations	Provision for restructuring, restoration and decommissioning	Other	Total
Balance at 1 January 2012 (Restated)	**309**	**2**	**2,375**	**32**	**2,720**	**234**	**5,672**
Provisions made during the period	60	-	869	-	18	55	**1,002**
Provisions used during the period	(119)	-	(2,375)	-	-	(8)	**(2,502)**
Provisions reversed during the period	(9)	-	-	-	-	(11)	**(20)**
Effects of movements in foreign exchange	-	-	-	-	(14)	(6)	**(20)**
Disposals through step acquisitions	(200)	(2)	-	(4)	(2,716)	(248)	**(3,170)**
Additions through step acquisitions	451	2	-	5	6,657	679	7,794
Balance at 30 June 2012 (Restated)	**492**	**2**	**869**	**33**	**6,665**	**695**	**8,756**
Non-current	*365*	*-*	*-*	*33*	*6,665*	*528*	*7,591*
Current (Restated)	*127*	*2*	*869*	*-*	*-*	*167*	*1,165*

Accounting for provisions involves frequent use of estimates, such as probability of occurrence of uncertain events or calculation of the expected outcome. Such estimates are based on past experience, statistical models and professional judgment.

Employee benefits

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

The provision for employee benefits in the amount of CZK 475 million (31 December 2012: CZK 635 million) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, United Energy, a.s., Elektrárny Opatovice, a.s., and Pražská teplárenská a.s.

Provision for emission rights

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

Provision for lawsuits

The most significant provision for lawsuits is represented by a provision of CZK 25 million (31 December 2012: CZK 25 million) recognised by United Energy, a.s. as a probable liability for environmental pollution. As disclosed in the Note 35 – Litigations and Claims, the total amount claimed is CZK 54 million (31 December 2012: 54 million); the recorded provision represents the management's best estimate of the probable outcome.

Provision for restructuring, restoration and decommissioning

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

The following expense items are considered:

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

Other provisions

Other provisions mainly include mining provisions recorded by Mitteldeutsche Braunkohlengesellschaft GmbH of CZK 15 million (31 December 2012: CZK 41 million).

29. Deferred income

In millions of CZK	30 June 2013	31 December 2012
Government grants for emission rights	136	-
Other government grants	72	72
Other deferred income	235	369
Total	**443**	**441**

30. Financial instruments

Financial instruments and other financial assets

In millions of CZK	30 June 2013	31 December 2012
Assets carried at amortised cost		
Loans to other than credit institutions	11,413	13,790
of which owed by the parent company	*10,031*	*12,322*
of which owed by other Group related companies	*153*	*1,463*
Shares available for sale held at cost	33	16
Bills of exchange held to maturity	-	19
Other equity instruments	14	14
Total	**11,460**	**13,839**
Assets carried at fair value		
Currency forwards used for hedging	44	-
Equity options for trading	6	6
Commodity derivatives for trading	1	141
Currency forwards for trading	-	121
Total	**51**	**268**
Non-current	1,003	435
Current	10,508	13,672
Total	**11,511**	**14,107**

As at 30 June 2013 granted loans of CZK 10,041 million are subject to pledges (31 December 2012: CZK 13,790 million).

Financial instruments and other financial liabilities

In millions of CZK	30 June 2013	31 December 2012
Liabilities carried at fair value		
Currency forwards for trading	36	7
Interest rate swaps	28	44
Currency forwards used for hedging	16	-
Other financial liabilities	-	1
Total	**80**	**52**
Non-current	39	37
Current	41	15
Total	**80**	**52**

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

In millions of CZK	30 June 2013 Nominal amount buy	30 June 2013 Nominal amount sell	30 June 2013 Fair value buy	30 June 2013 Fair value sell
Commodity derivatives – futures/forwards	9,864	(9,955)	1	-
Currency forwards	3,581	(3,588)	44	(52)
Equity options	-	-	6	-
Interest rate swaps (IRS)[(1)]	1	(2)	-	(28)
Total	13,446	(13,545)	51	(80)

In millions of CZK	31 December 2012 Nominal amount buy	31 December 2012 Nominal amount sell	31 December 2012 Fair value buy	31 December 2012 Fair value sell
Commodity derivatives – futures/forwards	14,386	(14,325)	141	-
Currency forwards	7,169	(7,057)	121	(7)
Equity options	-	-	6	-
Interest rate swaps (IRS)[(1)]	1	(5)	-	(44)
Total	21,556	(21,387)	268	(51)

(1) Nominal amounts include only forward part of swaps.

Fair value hierarchy for financial instruments carried at fair value

Financial instruments carried at fair value are measured based on quoted market prices at the reporting date. If the market for a financial instrument is not active, fair value is established using valuation techniques. In applying valuation techniques, management uses estimates and assumptions that are consistent with available information that market participants would use in setting a price for the financial instrument.

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

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

		30 June 2013		
In millions of CZK	Level 1	Level 2	Level 3	Total
Financial assets carried at fair value:				
Currency forwards	-	44	-	**44**
Equity options	-	6	-	**6**
Commodity derivatives	-	1	-	**1**
Total	-	**51**	-	**51**
Financial liabilities carried at fair value:				
Currency forwards	-	52	-	**52**
Interest rate swaps	-	28	-	**28**
Total	-	**80**	-	**80**

In millions of CZK	Level 1	31 Deeember 2012 Level 2	Level 3	Total
Financial assets carried at fair value:				
Commodity derivatives	-	141	-	141
Currency forwards	-	121	-	121
Equity options		6		6
Total	-	**268**	-	**268**
Financial liabilities carried at fair value:				
Interest rate swaps	-	44	-	44
Currency forwards	-	7	-	7
Total	-	**51**	-	**51**

There were no transfers between fair value levels in either 2013 or 2012.

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

In millions of CZK	Carrying value 30 June 2013	Fair value 30 June 2013
Financial assets		
Loans to other than credit institutions	11,413	12,331
Shares available for sale	33	33
Other equity instruments	14	14
Financial instruments held at amortised costs	**11,460**	**12,378**
Cash and cash equivalents	**5,935**	**5,935**
Financial liabilities		
Loans and borrowings	**33,062**	**32,874**

In millions of CZK	Carrying value 31 December 2012	Fair value 31 December 2012
Financial assets		
Loans to other than credit institutions	13,790	13,821
Bills of exchange held to maturity	19	19
Shares available for sale	16	16
Other equity instruments	14	14
Financial instruments held at amortised costs	**13,839**	**13,870**
Cash and cash equivalents	**8,173**	**8,173**
Financial liabilities		
Loans and borrowings	**26,033**	**26,204**

31. Trade payables and other liabilities

In millions of CZK	30 June 2013	31 December 2012
Trade payables	4,725	5,590
Advance payments received(1)	1,767	766
Other tax liabilities	810	600
Estimated payables	511	575
Payroll liabilities	366	306
Uninvoiced supplies	143	61
Accrued expenses	78	128
Retentions to contractors	22	7
Other liabilities	328	240
Total	**8,750**	**8,273**
Non-current	1,332	123
Current	7,418	8,150
Total	**8,750**	**8,273**

(1) *This position is mainly represented by advances received from final customers for services on regular monthly basis. These advances are settled annually against the real consumption (heat, electricity).*

Trade payables and other liabilities have not been secured as at 30 June 2013, or as at 31 December 2012.

As at 30 June 2013 and 31 December 2012 no liabilities to social and health insurance or tax authorities were overdue.

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

32. Financial commitments and contingencies

In millions of CZK	30 June 2013	31 December 2012
Granted pledges – securities	41,594	42,670
Other contingent liabilities	62,330	40,075
Total	**103,924**	**82,745**

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

Other contingent liabilities relate to granted loans of CZK 43,020(1) million (31 December 2012: CZK 24,838(1) million), pledged cash of CZK 4,225 million (31 December 2012: CZK 3,001 million) and further pledges of CZK 15,085 million (31 December 2012: CZK 12,236 million) that include pledged fixed assets of CZK 12,131 million (31 December 2012: CZK 8,577 million), pledged inventories of CZK 404 million (31 December 2012: CZK 329 million) and trade receivables of CZK 2,550 million (31 December 2012: CZK 3,330 million); all were used as collateral for external financing.

(1) *Total balance of pledged granted loans includes intercompany loans of CZK 32,979 million (31 December 2012: CZK 11,048 million).*

Other commitments and contingencies

EPE's parent company, Energetický a průmyslový holding, a.s. ("EPH"), and a major energy company ("the Interested Party") are parties to contractual arrangements under which they have agreed to use their best efforts to agree on the potential sale of certain heating assets currently held by a certain member of EPE Group ("the Transaction"), provided that the specified conditions will be met, inter alia, that the terms and conditions of the transaction will be agreed between the parties and the transaction will be approved by the respective corporate bodies of each relevant entity. If the Transaction is not completed within the agreed period, EPH will use its best efforts to provide the Interested Party with a similar alternative asset ("the Alternative Transaction"). If the transaction is not completed by the extended deadline either, EPH will pay to the Interested Party compensation of approximately CZK 200 million. As these transactions are subject to a confidentiality obligation, disclosure of more detailed information herein is prohibited.

However, the parties have not yet agreed as at the date hereof whether, or under what terms and conditions, the Transaction or the Alternative Transaction will be entered into and completed. Currently EPH is engaged in negotiations with the Interested Party concerning the terms and conditions of the foregoing transactions, including the preparation of due diligence; this should provide a basis to above conclude with certainty whether or not any of the transactions will be entered into and completed.

For the above reasons, the heating assets in question have not yet been recorded as Assets Held for Sale under IFRS 5 as of 30 June 2013 and the above compensation has not yet been recorded by EPH.

33. Related parties

Identity of related parties

The Group has a related party relationship with its shareholders and other parties, as identified in the following table:

(1) – Ultimate shareholders and companies they control

(2) – Associates

(3) – Key management personnel of the entity or its parent

(4) – Other related parties

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

(a) The summary of outstanding balances with related parties as at 30 June 2013 and 31 December 2012 was as follows:

In millions of CZK		Accounts receivable and other financial assets 2013	Accounts payable and other financial liabilities 2013	Accounts receivable and other financial assets 2012	Accounts payable and other financial liabilities 2012
AC Sparta Praha fotbal, a.s.	1	-	-	5	4
COOP ENERGY, a.s.	2	10	-	5	-
EGEM s.r.o.	1	-	-	-	21
Elektrizace železnic Praha a. s.	1	-	1	-	-
Energetický a průmyslový holding, a.s.	1	10,031	138	12,322	12,683
EP Investment Advisors, s.r.o.	1	4	1	3	7
Greeninvest Energy, a.s.	2	143	-	280	-
J & T BANKA, a.s.	4	175	38	991	30
J & T BANKA, a.s., pobočka zahraničnej banky	4	37	-	51	-
JTG Services Anstalt	4	-	-	-	2
J&T SERVICES ČR, a.s. (dříve J&T Management, a.s.)	4	-	2	1	2
PPF banka a.s.	4	429	-	847	-
Pražská teplárenská Holding a.s.	2	-	3,843	-	443
První brněnská strojírna, a.s.	1	-	-	-	1
PRVNÍ MOSTECKÁ a.s.*	2	-	-	10	-
Przedsiębiorstwo Górnicze Silesia	1	21	1	41	4
REATEX a.s.	2	-	6	-	6
SOR Libchavy spol. s r.o.	1	2	-	1	-
Total		**10,852**	**4,030**	**14,557**	**13,203**

* *Until 13 January 2013. Full consolidation method has been applied since 14 January 2013 when the EPE Group obtained control over the entity.*

Outstanding balances with Energetický a průmyslový holding, a.s. relate primarily to mutual loans and borrowings. In addition, the Company reported CZK 275 million (31 December 2012: CZK 4,304 million) off-balance sheet guarantees from Energetický a průmyslový holding, a.s.

(b) The summary of transactions with related parties during the period ended 30 June 2013 and 30 June 2012 was as follows:

In millions of CZK		Revenues 2013	Expenses 2013	Revenues 2012	Expenses 2012
AC Sparta Praha fotbal, a.s.	1	3	9	3	9
EGEM s.r.o.	1	-	-	-	1
Elektrizace železnic Praha a.s.	1	4	-	4	-
Energetický a průmyslový holding, a.s.	1	322	180	138	41
EP Investment Advisors, s.r.o.	1	-	11	-	6
J & T BANKA, a.s.	4	2	-	5	8
MSEM, a.s.	1	1	-	1	-
PPF banka a.s.	3	2	-	3	-
Pražská teplárenská Holding a.s.	2	612	-	1	-
PROFI EMG s.r.o. (former PROFI-ELRO s.r.o.)	1	-	2	-	1
PRVNÍ MOSTECKÁ a.s.*	2	-	-	188	2
Przedsiębiorstwo Górnicze Silesia	1	7	-	15	-
SERW, spol. s r.o.	1	5	-	4	-
Slovenský plynárenský priemysel, a.s.	1	1	-	-	-
SOR Libchavy spol. s r.o.	1	7	-	-	-
Total		**966**	**202**	**362**	**68**

* *Until 13 January 2013. Full consolidation method has been applied since 14 January 2013 when the EPE Group obtained control over the entity.*

34. Group entities

The list of the Group entities as at 30 June 2013 and 31 December 2012 is set out below:

		30 June 2013		31 December 2012		2013	2012
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
EP Energy, a.s. *	Czech Republic	-	-	-	-	-	-
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full	Full
Honor Invest, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s. *	Czech Republic	49	Direct	49	Direct	Equity	Equity
Pražská teplárenská a.s.	Czech Republic	47.33	Direct	47.33	Direct	Full	Full(1)
Arcál Třeboradice, a.s.	Czech Republic	15	Direct	100	Direct	IFRS 5	IFRS 5
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full(1)
Energotrans SERVIS, a.s.	Czech Republic	85	Direct	85	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full(1)
První energetická a.s.(3)	Czech Republic	-	-	100	Direct	-	Full
Czech Energy Holding, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EKY III, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PRVNÍ MOSTECKÁ a.s.	Czech Republic	35.29	Direct	-	-	Full(2)	-
PRVNÍ MOSTECKÁ Servis a.s.	Czech Republic	100	Direct	-	-	Full(2)	-
PRVNÍ MOSTECKÁ a.s.	Czech Republic	47.06	Direct	47.06	Direct	Full(2)	Equity
PRVNÍ MOSTECKÁ Servis a.s.	Czech Republic	100	Direct	100	Direct	Full(2)	Equity
United Energy Coal Trading, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
UNITED ENERGY COAL TRADING POLSKA S.A.	Poland	100	Direct	100	Direct	Full	Full
EP ENERGY TRADING, a.s. (former United Energy Trading, a.s.)	Czech Republic	100	Direct	100	Direct	Full	Full
COOP ENERGY, a.s.	Czech Republic	40	Direct	40	Direct	At cost	At cost
Plzeňská energetika a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Renewables a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	IFRS 5	IFRS 5
ČKD Blansko Wind, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	0.50	Direct	0.50	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	99.50	Direct	99.50	Direct	Full	Full
VTE Pastviny s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
VTE Moldava, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s. r. o. *	Slovakia	80	Direct	80	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full	Full
ROLLEON a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
ENERGZET, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
HC Fin3 N.V. *	Netherlands	100	Direct	100	Direct	Full	Full
EAST BOHEMIA ENERGY HOLDING LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
EBEH Opatovice, a.s.*	Czech Republic	100	Direct	100	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Reatex a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EOP & HOKA s.r.o.	Czech Republic	99.79	Direct	99.79	Direct	Full	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	50.07	Direct	50.07	Direct	Full	Full(1)
Arcál Třeboradice, a.s.	Czech Republic	15	Direct	100	Direct	IFRS 5	IFRS 5

	Country of incorporation	30 June 2013 Owner-ship %	30 June 2013 Owner-ship interest	31 December 2012 Owner-ship %	31 December 2012 Owner-ship interest	2013 Conso-lidation method	2012 Conso-lidation method
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full(1)
Energotrans SERVIS, a.s.	Czech Republic	85	Direct	85	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full(1)
LIGNITE INVESTMENTS 1 LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
JTSD Braunkohlebergbau GmbH	Germany	100	Direct	100	Direct	Full	Full(1)
Mitteldeutsche Braunkohlen Gesellschaft GmbH	Germany	100	Direct	100	Direct	Full	Full(1)
MIBRAG Consulting International GmbH(former Montan Bildungs- und Entwicklungsgesellschaft mbH)	Germany	100	Direct	100	Direct	Full	Full(1)
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Full	Full(1)
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Full(4)	At cost
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Full	Full(1)
EP Germany GmbH *	Germany	100	Direct	100	Direct	Full	Full
Saale Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
Kraftwerk Schkopau GbR	Germany	41.90	Direct	41.90	Direct	Equity	Equity
Kraftwerk Schkopau Betriebsgesellschaft mbH	Germany	44.40	Direct	44.40	Direct	Equity	Equity

* *Special purpose entity (SPE)*

(1) *Full consolidation method has been applied since 29 June 2012 when the EPE Group obtained control over the entities.*

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

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

(4) *Since 1 January 2013 Bohr & Brunnenbau GmbH has been fully consolidated by EPE Group.*

The structure above is listed by ownership of companies at the different levels within the Group.

Transactions with Members of the EPE Board

As of 30 June 2013 EPE has provided no monetary or non-monetary remuneration (31 December 2012: CZK 40 million) to the members of Board of Directors of the Company.

35. Litigations and claims

Elektrárny Opatovice, a.s.

a) On 7 June 2012, a notice of withdrawal from the Contract on Coal Supplies was filed by the supplier against Elektrárny Opatovice, a.s. The management of the Company and of the Energetický a průmyslový holding, a.s. Group ("EPH") subsequently took necessary legal steps as it considers the supplier's notice illegitimate. Until the end of 2012, the supplier provided coal to the Company based on the resolution of the Regional Court in Ústí nad Labem on a preliminary measure dated 22 June 2012.

On 21 November 2012, the Company re-filed a proposal for issuing a preliminary measure, on the basis of which on 23 November 2012 the Regional Court in Ústí nad Labem made a resolution on a preliminary measure. Under the measure, the coal supplier is obliged to supply coal to Elektrárny Opatovice, a.s. during 2013 as per the valid contract. On 13 December 2012, the coal supplier filed an appeal against this measure with the High Court in Prague. The appeal had no suspending effect. The Court of appeal satisfied the appeal in February 2013 and upheld the preliminary measure for 2013.

The Company is also seeking alternative methods for coal supplies. The Company's management is convinced that the above facts do not adversely affect the Company's ability to continue as a going concern.

b) Elektrárny Opatovice, a.s. involved in a dispute with its former minority shareholders who claim that the compensation received for their shares through a compulsory sell-out procedure ("squeeze-out") was inadequate, and who are challenging the underlying expert valuation. As the compensation was not paid by Elektrárny Opatovice, a.s. but instead by its former majority shareholder (International Holdings, B.V.), any resulting liability is thus expected to be the responsibility of the former shareholder.

United Energy, a.s.

a) Several court actions were brought by United Energy, a.s. against a fossil fuel supplier (the lawsuit amount is CZK 257 million (31 December 2012: CZK 257 million)). In addition, the fossil fuel supplier filed an action for payment of CZK 216 million (31 December 2012: CZK 216 million) plus associated fees and interest, seeking payment for deliveries of fuel in the amount of CZK 116 million (31 December 2012: CZK 116 million) plus associated fees and interest and payment of contractual penalties for breach of a non-disclosure obligation of CZK 100 million (31 December 2012: CZK 100 million) plus associated fees and interest. United Energy, a.s. filed a statement with respect to the matter, rejecting all claims in terms of their merit and amount.

b) There is another lawsuit against United Energy, a.s. by an off-taker of granulate (the lawsuit amount is CZK 3 million (31 December 2012: CZK 3 million)).

c) Nine lawsuits have been brought against United Energy, a.s. for environmental damages allegedly caused by the United Energy, a.s.'s operations. The aggregate amount of the alleged claims is no more than CZK 54 million (31 December 2012: CZK 54 million). The provision created for the lawsuit amounts to CZK 25 million (31 December 2012: CZK 25 million).

d) United Energy, a.s. is involved in several disputes with its former shareholders, who claim that the compensation received for their shares subject to a compulsory sell-out procedure ("squeeze-out") was inadequate, and who are challenging the validity of the underlying resolution of the general shareholder meeting. The outcome of this matter is unforeseeable and United Energy, a.s. intends to defend itself.

Plzeňská energetika a.s.

In August 2012, Škoda Investment a.s. filed a claim for unjust enrichment against Plzeňská energetika a.s. for approximately CZK 63 million. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s. and thereby illegally restrict the ownership of Škoda Investment a.s. EPE Group's management believes that the claim is unfounded and should be dismissed by the court. For this reason Plzeňská energetika a.s. did not create a provision for this litigation as at 30 June 2013.

Mitteldeutsche Braunkohlen Gesellschaft GmbH

MIBRAG is involved in an ongoing dispute filed by 50Hertz Transmission GmbH ("50Hertz") in Germany in 2011. 50Hertz operates an upstream transmission grid and seeks retroactive payment from MIBRAG for costs under the burden-sharing mechanism related to the promotion of renewable energies (the so-called EEG surcharge) between August 2004 and December 2008 under the German Renewable Energies Act (Erneuerbare Energien Gesetz). Transmission grid operators generally charge energy supply companies with the EEG surcharge depending on the quantity of electricity delivered by them to end customers. Energy supply companies are in turn entitled to pass the EEG surcharge on to end customers as a part of the electricity price (see "Regulation – Renewable Energies Act (EEG)"). In March 2013, the District Court of Halle (Landgericht Halle) rendered a partial judgement in favour of 50Hertz ordering MIBRAG to provide detailed data on its deliveries of electricity to end customers from August 2004 to December 2008 to allow for a calculation of EEG surcharge payments potentially owed by MIBRAG. MIBRAG filed an appeal against the partial judgement. If the court ultimately decides in favour of

50Hertz on whether MIBRAG owes 50Hertz the EEG surcharge for the above period, MIBRAG's liability could be significant.

Except for the matters described above or elsewhere in the Notes, there were neither significant changes nor new significant litigations in the period ended 30 June 2013 except for those described in the consolidated financial statements of the Group as at and for the year ended 31 December 2012.

36. Subsequent events

In May 2013 companies EDF and Energetický a průmyslový holding, a.s., parent company of EP Energy a.s., signed an agreement for sale of a 49% share in Stredoslovenská energetika ("SSE") held by French company EDF. Currently, negotiations with the major shareholder of SSE about new shareholder agreement are held. These negotiations should result in gaining management control over SSE and full consolidation of SSE by the EPH group. The value of this transaction is approximately € 400 million.

If this transaction is approved by SEE Board of Directors and European antitrust authority, EPH will acquire shares of SEE. Consequently, it is expected that this new acquisition and debt financing will be transferred to Group´s equity.

The EPE Group is in advanced stage of negotiations to acquire a German brown coal-fired plant and its adjacent brown coal mine. The transaction is expected to be completed during 2013.

In the beginning of August 2013 the Supervisory Board of EPH decided on a monetary CZK 30 million increase in EPE share capital.

The EPE Group is currently considering a merger of ENERGZET, a.s. into ROLLEON a.s. The accounting effects of the merger should be as of 1 January 2013.

As at the date of preparation of these consolidated financial statements, the EPE Group is in the process of cross-border merger preparation. The following companies are being merged as follows: Honor Invest, a.s., Czech Energy Holding, a.s., EAST BOHEMIA ENERGY HOLDING LIMITED, HC Fin3 N.V. and LIGNITE INVESTMENTS I LIMITED. EP Energy, a.s. as successor company will take over all assets, rights and obligations arising from employment relationships of the acquired companies.

On 30 July 2013 the EPE Group sold its 40% share in COOP ENERGY, a.s.

Management of EPE Group decided to close the business and liquidate the Company EBEH Opatovice, a.s. which currently does not have any business activity.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the condensed consolidated interim financial statements as of and for the six-month period ended 30 June 2013.

Appendices:

Appendix 1 – Business combinations
Appendix 2 – Restated Consolidated statement of financial position

Date:	Signature of the authorised representative	
27 August 2013	Mgr. Marek Spurný Member of the Board of Directors	Mgr. Pavel Horský Member of the Board of Directors

Appendix 1 – Business combinations

The following tables provide further information on the amounts recognised for assets acquired and liabilities assumed as at the acquisition date for individually significant business combinations through step acquisitions and acquisitions.

Effect of acquisitions

i. 31 December 2012

JTSD Braunkohlebergbau GmbH including its subsidiaries and associates

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

In millions of CZK	Carrying amount	Fair value adjustment	2012 Total
Property, plant, equipment, land, buildings	16,029	4,669	20,698
Intangible assets	337	(25)	312
Participations with significant influence	632	162	794
Inventories	220	-	220
Trade receivables and other assets	1,169	-	1,169
Financial instruments – assets	184	-	184
Cash and cash equivalents	1,856	-	1,856
Provisions	(6,235)	(1,487)	(7,722)
Deferred tax liabilities	(252)	(700)	(952)
Loans and borrowings	(8,200)	-	(8,200)
Trade payables and other liabilities	(1,345)	(563)	(1,908)
Net identifiable assets and liabilities	**4,395**	**2,056**	**6,451**
Non-controlling interest			-
Goodwill on acquisition of new subsidiaries			-
Negative goodwill on acquisition of new subsidiaries			(2,539)
Pricing differences in equity			-
Cost of acquisition			**3,912**
Consideration paid, satisfied in cash (A)			686
Consideration, other			3,226
Consideration, contingent			-
New shares issued			-
Total consideration transferred			**3,912**
Less: Cash acquired (B)			1,856
Net cash inflow (outflow) (C) = (B – A)			**1,170**

In millions of CZK	2012 Total
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	9,374
Profit/(loss) of the acquirees recognised since the acquisition date (subsidiaries)	2,601

In millions of CZK	2012 Total
Revenue of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	14,362
Profit/(loss) of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	1,768

* *Before intercompany elimination*

Pražská teplárenská a.s.

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

In millions of CZK	Carrying amount	Fair value adjustment	2012 Total
Property, plant, equipment, land, buildings	9,625	1,280	10,905
Intangible assets	178	85	263
Inventories	170	-	170
Trade receivables and other assets	2,380	-	2,380
Financial instruments – assets	11,197	-	11,197
Assets held for sale, net	164	64	228
Cash and cash equivalents	8,089	-	8,089
Provisions	(72)	-	(72)
Deferred tax liabilities	(1,074)	(277)	(1,351)
Trade payables and other liabilities	(5,697)	30	(5,667)
Net identifiable assets and liabilities	**24,960**	**1,182**	**26,142**
Non-controlling interest			(7,165)
Goodwill on acquisition of new subsidiaries			-
Negative goodwill on acquisition of new subsidiaries			-
Pricing differences in equity			-
Cost of acquisition			**18,977**
Consideration paid, satisfied in cash (A)			-
Consideration, other			18,977
Consideration, contingent			-
New shares issued			-
Total consideration transferred			**18,977**
Less: Cash acquired (B)			8,089
Net cash inflow (outflow) (C) = (B – A)			**8,089**

In millions of CZK	**2012 Total**
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	2,777
Profit/(loss) of the acquirees recognised since the acquisition date (subsidiaries)	(30)

In millions of CZK	**2012 Total**
Revenue of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	7,413
Profit/(loss) of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	4,604

** Before intercompany elimination*

Saale Energie GmbH including its subsidiaries

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

In millions of CZK	**Carrying amount**	**Fair value adjustment**	**2012 Total**
Intangible assets	-	2,263	2,263
Participations with significant influence	1,978	650	2,628
Inventories	12	-	12
Trade receivables and other assets	367	-	367
Financial instruments – assets	1,086	-	1,086
Cash and cash equivalents	790	-	790
Deferred tax liabilities	(73)	(762)	(835)
Trade payables and other liabilities	(3,530)	-	(3,530)
Net identifiable assets and liabilities	**630**	**2,151**	**2,781**
Non-controlling interest			-
Goodwill on acquisition of subsidiaries			-
Negative goodwill on acquisition of subsidiaries			(473)
Pricing differences in equity			-
Cost of acquisition			**2,308**
Consideration paid, satisfied in cash (A)			2,308
Consideration, other			-
Total consideration transferred			**2,308**
Less: Cash acquired (B)			790
Net cash inflow (outflow) (C) = (B – A)			**(1,518)**

In millions of CZK	**2012 Total**
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	3,146
Profit/(loss) of the acquirees recognised since the acquisition date (subsidiaries)	82

In millions of CZK	**2012 Total**
Revenue of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	3,147
Profit/(loss) of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	(391)

** Before intercompany elimination*

Appendix 2 – Restated Consolidated statement of financial position

The following table summarises the material impacts resulting from the change in accounting policies in the EPE Group's financial position.

Consolidated statement of financial position

As at 31 December 2012
In millions of CZK ("MCZK")

	31 December 2012 Original	Restatement effect from Note 2(c)	31 December 2012 Restated
Assets			
Property, plant and equipment	41,742	-	41,742
Intangible assets	3,244	1,297	4,541
Goodwill	2,622	-	2,622
Investment property	9	-	9
Participations with significant influence	4,043	-	4,043
Financial instruments and other financial assets	435	-	435
of which receivables from the parent company	-	-	-
Trade receivables and other assets	415	-	415
Deferred tax assets	32	-	32
Total non-current assets	**52,542**	**1,297**	**53,839**
Inventories	830	-	830
Extracted minerals and mineral products	105	-	105
Trade receivables and other assets	6,265	-	6,265
Financial instruments and other financial assets	13,672	-	13,672
of which receivables from the parent company	*12,322*	-	*12,322*
Prepayments and other deferrals	62	-	62
Tax receivables	485	-	485
Cash and cash equivalents	8,173	-	8,173
Assets/disposal groups held for sale	259	-	259
Total current assets	**29,851**	-	**29,851**
Total assets	**82,393**	**1,297**	**83,690**
Equity			
Share capital	19,420	-	19,420
Reserves	(5,569)	-	(5,569)
Retained earnings	15,219	-	15,219
Total equity attributable to equity holders	**29,070**	-	**29,070**
Non-controlling interest	7,137	-	7,137
Total equity	**36,207**	-	**36,207**
Liabilities			
Loans and borrowings	16,436	-	16,436
of which owed to the parent company	*3,186*	-	*3,186*
Financial instruments and financial liabilities	37	-	37
Provisions	6,050	-	6,050
Deferred tax liabilities	4,881	-	4,881
Trade payables and other liabilities	123	-	123
Total non-current liabilities	**27,527**	-	**27,527**
Trade payables and other liabilities	8,150	-	8,150
Loans and borrowings	9,597	-	9,597
of which owed to the parent company	*9,478*	-	*9,478*
Financial instruments and financial liabilities	15	-	15
Provisions	300	1,297	1,597
Deferred income	441	-	441
Current income tax liability	111	-	111
Liabilities from disposal groups held for sale	45	-	45
Total current liabilities	**18,659**	**1,297**	**19,956**
Total liabilities	**46,186**	**1,297**	**47,483**
Total equity and liabilities	**82,393**	**1,297**	**83,690**

Consolidated statement of financial position

As at 1 January 2012

In millions of CZK ("MCZK")

	1 January 2012 Original	Restatement effect from Note 2(c)	1 January 2012 Restated
Assets			
Property, plant and equipment	27,484	-	27,484
Intangible assets	796	2,375	3,171
Goodwill	2,622	-	2,622
Investment property	9	-	9
Participations with significant influence	1,034	-	1,034
Financial instruments and other financial assets	1,219	-	1,219
of which receivables from the parent company	-	-	-
Trade receivables and other assets	352	-	352
Deferred tax assets	32	-	32
Total non-current assets	**33,548**	**2,375**	**35,923**
Inventories	605	-	605
Extracted minerals and mineral products	51	-	51
Trade receivables and other assets	4,087	-	4,087
Financial instruments and other financial assets	7,011	-	7,011
of which receivables from the parent company	*6,682*	-	*6,682*
Prepayments and other deferrals	56	-	56
Tax receivables	429	-	429
Cash and cash equivalents	2,263	-	2,263
Assets/disposal groups held for sale	11,980	-	11,980
Total current assets	**26,482**	-	**26,482**
Total assets	**60,030**	**2,375**	**62,405**
Equity			
Share capital	19,420	-	19,420
Reserves	(7,516)	-	(7,516)
Retained earnings	6,558	-	6,558
Total equity attributable to equity holders	**18,462**	-	**18,462**
Non-controlling interest	(6)	-	(6)
Total equity	**18,456**	-	**18,456**
Liabilities			
Loans and borrowings	9,839	-	9,839
of which owed to the parent company	*2*	-	*2*
Financial instruments and financial liabilities	36	-	36
Provisions	3,237	-	3,237
Deferred tax liabilities	2,446	-	2,446
Trade payables and other liabilities	81	-	81
Total non-current liabilities	**15,639**	-	**15,639**
Trade payables and other liabilities	18,246	-	18,246
Loans and borrowings	4,287	-	4,287
of which owed to the parent company	*125*	-	*125*
Financial instruments and financial liabilities	738	-	738
Provisions	60	2,375	2,435
Deferred income	301	-	301
Current income tax liability	179	-	179
Liabilities from disposal groups held for sale	2,124	-	2,124
Total current liabilities	**25,935**	**2,375**	**28,310**
Total liabilities	**41,574**	**2,375**	**43,949**
Total equity and liabilities	**60,030**	**2,375**	**62,405**