KPMG

EP Energy, a.s.

Condensed Consolidated Interim Financial Statements as of and for the six-month period ended 30 June 2014

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

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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 2014, 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 2014, 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 28, 2014

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IČ 49619187
DIČ CZ699001996

Content

Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2014
In thousands of EUR ("TEUR")

	Note	30 June 2014 (six months)	30 June 2013 (six months)
Sales: Energy	6	1,116,716	892,213
of which: Electricity		*712,180*	*451,457*
Heat		*157,189*	*195,455*
Coal		*133,980*	*138,332*
Gas		*113,275*	*106,969*
Other energy products		*92*	-
Sales: Other	6	51,654	42,920
Total sales		**1,168,370**	**935,133**
Cost of sales: Energy	7	(744,925)	(564,302)
Cost of sales: Other	7	(24,730)	(11,051)
Total cost of sales		**(769,655)**	**(575,353)**
		398,715	**359,780**
Personnel expenses	8	(125,631)	(91,132)
Depreciation and amortisation	15, 16	(150,093)	(127,126)
Repairs and maintenance		(6,546)	(6,810)
Emission rights, net	9	(10,862)	(14,281)
Negative goodwill	5	-	2,176
Taxes and charges	10	(5,775)	(5,409)
Other operating income	11	29,055	30,351
Other operating expenses	12	(71,530)	(52,220)
Profit (loss) from operations		**57,333**	**95,329**
Finance income	13	18,776	16,615
Finance expense	13	(48,816)	(62,259)
Profit (loss) from derivative financial instruments	13	6,247	(4,241)
Net finance income (expense)		**(23,793)**	**(49,885)**
Share of profit (loss) of equity accounted investees, net of tax	17	(605)	(6,693)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	5	-	(668)
Profit (loss) before income tax		**32,935**	**38,083**
Income tax revenues (expenses)	14	(10,645)	(18,172)
Profit (loss) for the period		**22,290**	**19,911**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		1,008	1,814
Foreign currency translation differences for presentation currency		6,313	(44,528)
Effective portion of changes in fair value of cash flow hedges, net of tax		(1,494)	(5,409)
Fair value reserve included in other comprehensive income, net of tax		(1,967)	-
Other comprehensive income for the period, net of tax		**3,860**	**(48,123)**
Total comprehensive income for the period		**26,150**	**(28,212)**
Profit (loss) attributable to:			
Owners of the Company		16,703	16,642
Non-controlling interest		5,587	3,269
Profit (loss) for the period		**22,290**	**19,911**
Total comprehensive income attributable to:			
Owners of the Company		19,473	(28,103)
Non-controlling interest		6,677	(109)
Total comprehensive income for the period		**26,150**	**(28,212)**
Basic and diluted earnings per share in EUR	25	**0.85**	**0.86**

The notes presented on pages 9 to 53 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As at 30 June 2014
In thousands of EUR ("TEUR")

	Note	30 June 2014	31 December 2013
Assets			
Property, plant and equipment	15	2,332,269	2,433,472
Intangible assets	16	155,552	186,685
Goodwill	16	92,466	92,545
Investment property		324	324
Participations with significant influence	17	129,429	260,800
Financial instruments and other financial assets	30	8,643	13,075
of which receivables from the parent company/ultimate parent company		-	-
Trade receivables and other assets	19	14,435	29,333
Deferred tax assets	23	8,527	8,014
Total non-current assets		**2,741,645**	**3,024,248**
Inventories	18	74,480	69,992
Extracted minerals and mineral products		5,643	6,136
Trade receivables and other assets	19	250,146	318,290
Financial instruments and other financial assets	30	591,431	516,842
of which receivables from the parent company/ultimate parent company		*537,492*	*467,104*
Prepayments and other deferrals		4,606	3,345
Tax receivables	21	24,921	13,406
Cash and cash equivalents	20	231,973	283,069
Assets/disposal groups held for sale	22	47	49
Total current assets		**1,183,247**	**1,211,129**
Total assets		**3,924,892**	**4,235,377**
Equity			
Share capital	24	769,180	769,180
Share premium		116,434	116,434
Reserves	24	(428,280)	(355,957)
Retained earnings		440,789	445,608
Total equity attributable to equity holders		**898,123**	**975,265**
Non-controlling interest	26	444,563	480,186
Total equity		**1,342,686**	**1,455,451**
Liabilities			
Loans and borrowings	27	1,343,143	1,513,784
of which owed to the parent company/ultimate parent company		-	-
Financial instruments and financial liabilities	30	1,319	1,649
Provisions	28	328,861	339,219
Deferred income	29	37,242	39,898
Deferred tax liabilities	23	255,933	269,463
Trade payables and other liabilities	31	34,886	76,679
Total non-current liabilities		**2,001,384**	**2,240,692**
Trade payables and other liabilities	31	374,813	383,971
Loans and borrowings	27	120,528	45,934
of which owed to the parent company/ultimate parent company		*2,374*	*2,287*
Financial instruments and financial liabilities	30	4,340	5,587
Provisions	28	64,333	93,726
Deferred income	29	11,237	2,124
Current income tax liability		5,571	7,892
Total current liabilities		**580,822**	**539,234**
Total liabilities		**2,582,206**	**2,779,926**
Total equity and liabilities		**3,924,892**	**4,235,377**

The notes presented on pages 9 to 53 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 2014

	Attributable to owners of the Company											
In thousands of EUR ("TEUR")	**Share capital**	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 1 January 2014 (A)	**769,180**	**116,434**	**22,538**	**75,891**	**(53,726)**	**(219)**	**(320,210)**	**(80,231)**	**445,608**	**975,265**	**480,186**	**1,455,451**
Total comprehensive income for the period:												
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,703**	**16,703**	**5,587**	**22,290**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	607	-	-	-	-	**607**	401	**1,008**
Foreign currency translation differences for presentation currency	-	-	-	-	5,806	-	-	-	-	**5,806**	507	**6,313**
Fair value reserve included in other comprehensive income, net of tax	-	-	-	-	-	(2,149)	-	-	-	**(2,149)**	182	**(1,967)**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	(1,494)	-	**(1,494)**	-	**(1,494)**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**6,413**	**(2,149)**	**-**	**(1,494)**	**-**	**2,770**	**1,090**	**3,860**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**6,413**	**(2,149)**	**-**	**(1,494)**	**16,703**	**19,473**	**6,677**	**26,150**
Transfers within equity:												
Transfer from non-distributable reserves (Note 24)	-	-	-	(75,878)	-	-	-	-	75,878	-	-	-
Transfer to non-distributable reserves	-	-	-	785	-	-	-	-	(785)	-	-	-
Total transfers within equity (E)	**-**	**-**	**-**	**(75,093)**	**-**	**-**	**-**	**-**	**75,093**	**-**	**-**	**-**
Contributions by and distributions to owners:												
Dividends to equity holders	-	-	-	-	-	-	-	-	(96,615)	**(96,615)**	(42,300)	**(138,915)**
Total contributions by and distributions to owners (F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(96,615)**	**(96,615)**	**(42,300)**	**(138,915)**
Balance at 30 June 2014 (G) = (A + D + E + F)	**769,180**	**116,434**	**22,538**	**798**	**(47,313)**	**(2,368)**	**(320,210)**	**(81,725)**	**440,789**	**898,123**	**444,563**	**1,342,686**

The notes presented on pages 9 to 53 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 thousands of EUR ("TEUR")	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 at 1 January 2013 (A)	**763,650**	**22,538**	**75,891**	**15,922**	**(319,163)**	**507**	**596,978**	**1,156,323**	**283,890**	**1,440,213**
Total comprehensive income for the period:										
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**16,642**	**16,642**	**3,269**	**19,911**
Other comprehensive income:										
Foreign currency translation differences for foreign operations	-	-	-	1,853	-	-	-	**1,853**	(39)	**1,814**
Foreign currency translation differences from presentation currency	-	-	-	(41,189)	-	-	-	**(41,189)**	(3,339)	**(44,528)**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	(5,409)	-	**(5,409)**	-	**(5,409)**
Total other comprehensive income (C)	**-**	**-**	**-**	**(39,336)**	**-**	**(5,409)**	**-**	**(44,745)**	**(3,378)**	**(48,123)**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**(39,336)**	**-**	**(5,409)**	**16,642**	**(28,103)**	**(109)**	**(28,212)**
Contributions by and distributions to owners:										
Dividends to equity holders	-	-	-	-	-	-	(263,661)	**(263,661)**	(168,362)	**(432,023)**
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**(263,661)**	**(263,661)**	**(168,362)**	**(432,023)**
Changes in ownership interests in subsidiaries:										
Effect of merged entities	-	-	-	-	-	-	(1,909)	**(1,909)**	-	**(1,909)**
Effect of disposals through step acquisition	-	-	-	195	(312)	-	117	**-**	-	**-**
Effects from acquisitions through step acquisition	-	-	-	-	-	-	-	**-**	2,264	**2,264**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**195**	**(312)**	**-**	**(1,792)**	**(1,909)**	**2,264**	**355**
Total transactions with owners (G) = (E + F)	**-**	**-**	**-**	**195**	**(312)**	**-**	**(265,453)**	**(265,570)**	**(166,098)**	**(431,668)**
Balance at 30 June 2013 (H) = (A + D + G)	**763,650**	**22,538**	**75,891**	**(23,219)**	**(319,475)**	**(4,902)**	**348,167**	**862,650**	**117,683**	**980,333**

The notes presented on pages 9 to 53 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 2014

In thousands of EUR ("TEUR")	**Note**	**30 June 2014 (six months)**	**30 June 2013 (six months)**
OPERATING ACTIVITIES			
Profit (loss) for the period		**22,290**	**19,911**
Adjustments for:			
Income taxes	14	10,645	18,172
Depreciation and amortisation	15, 16	150,093	127,126
Dividend income		(235)	-
Impairment losses on property, plant and equipment and intangible assets	15	430	817
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	11	1,046	(584)
(Gain) loss on disposal of inventories	11	(152)	(39)
Emission rights	9	10,862	14,281
(Gain) loss on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	5	-	668
Share of (profit) loss of equity accounted investees	17	605	6,693
(Gain) loss on financial instruments	13	(6,247)	4,241
Net interest expense	13	28,904	38,173
Change in allowance for impairment to trade receivables and other assets, write-offs		1,675	1,051
Change in provisions		(28,859)	(8,249)
Negative goodwill	5	-	(2,176)
Unrealised foreign exchange (gains)/losses, net		1,346	21,693
Operating profit (loss) before changes in working capital		**192,403**	**241,778**
Change in financial instruments at other than fair value		(54,442)	(153,975)
Change in trade receivables and other assets		81,099	29,379
Change in inventories (including proceeds from sale)		(4,672)	(18,639)
Change in extracted minerals and mineral products		493	(78)
Change in assets held for sale and related liabilities		2	-
Change in trade payables and other liabilities		(78,983)	(19,106)
Cash generated from (used in) operations		**135,900**	**79,359**
Interest paid		(34,861)	(30,702)
Income taxes paid		(37,798)	(32,102)
Cash flows generated from (used in) operating activities		**63,241**	**16,555**
INVESTING ACTIVITIES			
Received dividends from equity accounted investees		4,186	25,472
Proceeds from sale of financial instruments – derivatives		4,022	428
Acquisition of property, plant and equipment, investment property and intangible assets	15, 16	(48,111)	(24,943)
Purchase of emission rights	16	(6,784)	(4,125)
Proceeds from sale of emission rights		1,171	428
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		7,273	2,607
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	5	-	7,052
Interest received		235	778
Cash flows from (used in) investing activities		**(38,008)**	**7,697**

Condensed consolidated interim statement of cash flows (continued)

For the six-month period ended 30 June 2014

In thousands of EUR ("TEUR")	Note	30 June 2014 (six months)	30 June 2013 (six months)
FINANCING ACTIVITIES			
Proceeds from loans received		67,632	669,170
Repayments of borrowings		(26,284)	(1,059,457)
Proceeds from bonds issued		-	591,691
Dividends paid		(117,501)	(315,530)
Cash flows from (used in) financing activities		**(76,153)**	**(114,126)**
Net increase (decrease) in cash and cash equivalents		*(50,920)*	*(89,874)*
Cash and cash equivalents at beginning of the period		**283,069**	**325,099**
Effect of exchange rate fluctuations on cash held		*(176)*	*(6,516)*
Cash and cash equivalents at end of the period		**231,973**	**228,709**

The notes presented on pages 9 to 53 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 EUR 763,650 thousand was settled by a non-cash consideration in the form of shares in Honor Invest, a.s.(2), AISE, s.r.o., První energetická a.s.(1), Czech Energy Holding, a.s.(2), Plzeňská energetika a.s., ROLLEON a.s., EP Renewables a.s. (previously Czech Wind Holding, a.s.) and HC Fin3 N.V.(2)

On 26 August 2013 the share capital of EPE increased by a cash contribution of EUR 1,171 thousand based on a decision of the Company's shareholder.

On 4 November 2013 the EPE Group completed the process of the cross-border merger of Honor Invest(2), a.s., Czech Energy Holding, a.s.(2), HC Fin3 N.V.(2), EAST BOHEMIA ENERGY HOLDING LIMITED(2), LIGNITE INVESTMENTS 1 LIMITED(2) and EP Energy, a.s.

EP Energy, a.s. is the successor company and took over all assets, rights and obligations of the acquired companies. As a result of the merger, on 4 November 2013 the Company's nominal value of shares increased from CZK 1,000 to CZK 1,001 and the share capital of the Company thus increased by EUR 735 thousand.

On 18 December 2013 the shareholder of the Company decided to increase share capital by EUR 3,624 thousand which was settled by a contribution of EPH Financing II, a.s. and a receivable relating to a shareholder loan used to co-finance the acquisition of a 49% share (associated with a management control) in Stredoslovenská energetika, a.s. As a result of this transaction the Company also recorded a share premium of EUR 116,434 thousand.

On 24 January 2014, CE Energy, a.s., a 100% subsidiary of EPH, acquired all of the outstanding shares of EP Energy, a.s. from its sole shareholder Energetický a průmyslový holding, a.s.

The condensed consolidated interim financial statements of the Company for the six-month period ended 30 June 2014 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.

(2) Honor Invest, a.s., Czech Energy Holding, a.s., EAST BOHEMIA ENERGY HOLDING LIMITED, LIGNITE INVESTMENTS 1 LIMITED and HC Fin3 N.V. merged with EP Energy, a.s. as at 4 November 2013. EP Energy, a.s. is the successor company.

The shareholder of the Company as at 30 June 2014 was as follows:

	Interest in share capital		Voting rights
	TEUR	%	%
CE Energy, a.s.	769,180	100.00	100.00
Total	**769,180**	**100.00**	**100.00**

The shareholder of the Company as at 31 December 2013 was as follows:

	Interest in share capital		Voting rights
	TEUR	%	%
Energetický a průmyslový holding, a.s.	769,180	100.00	100.00
Total	**769,180**	**100.00**	**100.00**

The shareholders of Energetický a průmyslový holding, a.s. as at 30 June 2014 and 31 December 2013 were as follows:

	Interest in share capital %		Voting rights %	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
TIMEWORTH HOLDINGS LIMITED (owned by PPF Group N.V.)	-	44.44	-	44.44
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	18.52	18.52	33.33	18.52
MACKAREL ENTERPRISES LIMITED (owned by Daniel Křetínský)	18.52	18.52	33.33	18.52
MILEES LIMITED (part of J&T PARTNERS II L.P.)	18.52	18.52	33.33	18.52
Own shares	44.44	-	-	-
Total	**100.00**	**100.00**	**100.00**	**100.00**

The members of the Board of Directors as at 30 June 2014 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 2013.

These condensed consolidated interim financial statements were approved by the Board of Directors on 28 August 2014.

(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 2013.

(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 2013.

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

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 2014.

IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)

This standard is to be applied retrospectively when there is a change in control conclusion.

IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that are currently SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that differ from the existing requirements in IAS 27 (2008). Under the new single control model, an investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with the investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

The application of new standard also includes disclosure requirements and requirements relating to the preparation of consolidated financial statements. These requirements are carried forward from IAS 27 (2008).

This standard does not have any impact on the condensed consolidated interim financial statements, since the assessment of control over its current investees under the new standard did not result in a change of previous conclusions regarding the Group's control over its investees.

IFRS 11 Joint Arrangements (effective for annual periods beginning on or after 1 January 2014)

IFRS 11, Joint Arrangements, supersedes and replaces IAS 31, Interest in Joint Ventures. IFRS 11 does not introduce substantive changes to the overall definition of an arrangement subject to joint control, although the definition of control, and therefore indirectly of joint control, has changed due to IFRS 10.

Under the new standard, joint arrangements are divided into two types, each having its own accounting model defined as follows:

- a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.
- a joint venture is one whereby the jointly controlling parties, known as joint venturers, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out, from IAS 31, jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. The remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of equity accounting or proportionate consolidation; they must now always use the equity method in the consolidated financial statements.

This standard does not have any impact on the financial statements, since the assessment of the joint arrangements under the new standard did not result in a change in the accounting treatment of existing or historical joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2014)

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The Group is evaluating the need for additional disclosures to annual notes to consolidated financial statements. For condensed consolidated interim financial statements this standard does not have any impact.

IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements; these have been incorporated into IFRS 10, Consolidated Financial Statements.

In condensed consolidated interim financial statements there is no need to separately disclose the change in IAS 27 since the remaining portion of IAS 27 relates only to separate financial statements and the portion of IAS 27 that relates to the condensed consolidated interim financial statements is addressed as part of the IFRS 10 discussion.

IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)

Limited amendments are made to IAS 28 (2008):

Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

Changes in interests held in associates and joint ventures:

Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered re-measurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment not be re-measured.

The amendment does not have any material impact on the condensed consolidated interim financial statements.

Amendments to IAS 32 – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)

The amendments do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application.

The amendments clarify that an entity currently has a legally enforceable right to set-off if that right is:

- not contingent on a future event; and
- enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The amendment does not have any impact on the condensed consolidated interim financial statements since the Group does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

(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 2014	27.450	27.444
31 December 2013	27.425	25.974
30 June 2013	25.950	25.699
31 December 2012	25.140	25.143

3. Seasonality of operations and significant acquisitions

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 2013 and therefore comparable data for the period ended 30 June 2013 do not cover profit and loss items of the acquired entities for the whole period. 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, Power Distribution and Supply and Other. Mining, Heat and Power and Power Distribution and Supply are the core segments of the Group.

i. Mining

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. Heat and Power

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. In December 2013, the EPE Group acquired a 100% share in Helmstedter Revier GmbH which operates a condensation mode power plant in Lippendorf with an installed capacity of 352MW.

iii. Renewables

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. Power Distribution and Supply

The Power Distribution and Supply segment consists of a Power Distribution division and a Supply division. The Supply division supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. The Power Distribution division purchases and sells in the wholesale market power generated by the Heat and Power segment and purchases from external sources and purchases electricity and natural gas to supply customers through the Supply division. In addition, this segment distributes electricity in the central Slovakia region. This segment is mainly represented by Stredoslovenská energetika, a.s., EP Coal Trading, a.s. and EP ENERGY TRADING, a.s.

v. Other

The Other segment mainly represents EP Energy, a.s. The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting.

Profit or loss

For the six-month period ended 30 June 2014

In thousands of EUR	**Mining**	**Heat and Power**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	169,339	333,640	740,435	3,128	-	1,246,542	(129,826)	1,116,716
external revenues	*136,705*	*274,678*	*702,343*	*2,990*	-	*1,116,716*	-	*1,116,716*
inter-segment revenues	*32,634*	*58,962*	*38,092*	*138*	-	*129,826*	*(129,826)*	-
Sales: Other	33,730	9,109	13,509	83	1,171	57,602	(5,948)	51,654
external revenues	*28,210*	*9,098*	*13,445*	*83*	*818*	*51,654*	-	*51,654*
inter-segment revenues	*5,520*	*11*	*64*	-	*353*	*5,948*	*(5,948)*	-
Cost of sales: Energy	(21,592)	(176,700)	(655,099)	(105)	-	(853,496)	108,571	(744,925)
external cost of sales	*(12,168)*	*(136,659)*	*(596,001)*	*(97)*	-	*(744,925)*	-	*(744,925)*
inter-segment cost of sales	*(9,424)*	*(40,041)*	*(59,098)*	*(8)*	-	*(108,571)*	*108,571*	-
Cost of sales: Other	(5,177)	(12,374)	(31,560)	(17)	242	(48,886)	24,156	(24,730)
external cost of sales	*(5,177)*	*(12,221)*	*(7,558)*	*(16)*	*242*	*(24,730)*	-	*(24,730)*
inter-segment cost of sales	-	*(153)*	*(24,002)*	*(1)*	-	*(24,156)*	*24,156*	-
Personnel expenses	(64,845)	(42,281)	(17,588)	(188)	(729)	(125,631)	-	(125,631)
Depreciation and amortisation	(54,480)	(56,276)	(37,572)	(1,739)	(26)	(150,093)	-	(150,093)
Repairs and maintenance	(704)	(4,960)	(850)	(204)	(6)	(6,724)	178	(6,546)
Emission rights, net	(3,844)	(7,020)	2	-	-	(10,862)	-	(10,862)
Negative goodwill	-	-	-	-	-	-	-	-
Taxes and charges	(4,446)	(677)	(565)	(81)	(6)	(5,775)	-	(5,775)
Other operating income	14,477	11,274	2,009	278	167	28,205	850	29,055
Other operating expenses	(39,278)	(15,365)	(16,292)	(560)	(2,143)	(73,638)	2,108	(71,530)
Finance income	1,183	6,952	294	279	*314,638	*323,346	*(304,570)	18,776
external finance revenues	*1,129*	*5,900*	*243*	*250*	*11,254*	*18,776*	-	*18,776*
inter-segment finance revenues	*54*	*1,052*	*51*	*29*	**303,384*	**304,570*	**(304,570)*	-
Finance expense	(8,673)	(23,470)	(6,076)	(1,430)	(30,770)	(70,419)	21,603	(48,816)
Profit (loss) from derivative financial instruments	-	99	5,237	(61)	972	6,247	-	6,247
Share of profi (loss) of equity accounted investees, net of tax	-	(605)	-	-	-	(605)	-	(605)
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates	-	-	-	-	-	-	-	-
Profit (loss) before income tax	**15,690**	**21,346**	**(4,116)**	**(617)**	**283,510**	**315,813**	**(282,878)**	**32,935**
Income tax expenses	(4,373)	(6,821)	628	(77)	(2)	(10,645)	-	(10,645)
Profit (loss) for the period	**11,317**	**14,525**	**(3,488)**	**(694)**	**283,508**	**305,168**	**(282,878)**	**22,290**

*EUR 282,997 thousand is attributable to inter-group dividends primarily recognised by EP Energy, a.s.
These dividends were eliminated from profit or loss and returned back to Retained earnings.

For the six-month period ended 30 June 2013

In thousands of EUR	**Mining**	**Heat and Power**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	181,525	361,960	436,048	2,840	-	982,373	(90,160)	892,213
external revenues	*160,123*	*310,479*	*418,927*	*2,684*	-	*892,213*	-	*892,213*
inter-segment revenues	*21,402*	*51,481*	*17,121*	*156*	-	*90,160*	*(90,160)*	-
Sales: Other	32,374	9,222	12,880	78	1,479	56,033	(13,113)	42,920
external revenues	*29,456*	*9,183*	*2,724*	*78*	*1,479*	*42,920*	-	*42,920*
inter-segment revenues	*2,918*	*39*	*10,156*	-	-	*13,113*	*(13,113)*	-
Cost of sales: Energy	(25,526)	(201,253)	(430,328)	(78)	-	(657,185)	92,883	(564,302)
external cost of sales	*(25,526)*	*(160,045)*	*(378,653)*	*(78)*	-	*(564,302)*	-	*(564,302)*
inter-segment cost of sales	-	*(41,208)*	*(51,675)*	-	-	*(92,883)*	*92,883*	-
Cost of sales: Other	(2,569)	(7,121)	(11,440)	-	(311)	(21,441)	10,390	(11,051)
external cost of sales	*(2,569)*	*(6,926)*	*(1,245)*	-	*(311)*	*(11,051)*	-	*(11,051)*
inter-segment cost of sales	-	*(195)*	*(10,195)*	-	-	*(10,390)*	*10,390*	-
Personnel expenses	(63,894)	(25,176)	(1,128)	(156)	(778)	(91,132)	-	(91,132)
Depreciation and amortisation	(61,442)	(63,582)	(234)	(1,829)	(39)	(127,126)	-	(127,126)
Repairs and maintenance	(1,713)	(4,825)	-	(272)	-	(6,810)	-	(6,810)
Emission rights, net	(6,148)	(8,133)	-	-	-	(14,281)	-	(14,281)
Negative goodwill	-	2,176	-	-	-	2,176	-	2,176
Taxes and charges	(4,592)	(584)	(39)	(194)	-	(5,409)	-	(5,409)
Other operating income	22,452	6,965	778	156	-	30,351	-	30,351
Other operating expenses	(37,744)	(10,156)	(1,790)	(545)	(1,985)	(52,220)	-	(52,220)
Finance income	1,946	4,981	39	311	45,254	52,531	(35,916)	16,615
external finance revenues	*1,907*	*1,829*	*39*	*311*	*12,529*	*16,615*	-	*16,615*
inter-segment finance revenues	*39*	*3,152*	-	-	*32,725*	*35,916*	*(35,916)*	-
Finance expense	(17,549)	(24,904)	(1,595)	(2,413)	(51,714)	(98,175)	35,916	(62,259)
Profit (loss) from derivative financial instruments	-	(3,074)	(1,868)	(78)	779	(4,241)	-	(4,241)
Share of profi (loss) of equity accounted investees, net of tax	(5,681)	(1,012)	-	-	-	(6,693)	-	(6,693)
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates	-	(668)	-	-	-	(668)	-	(668)
Profit (loss) before income tax	**11,439**	**34,816**	**1,323**	**(2,180)**	**(7,315)**	**38,083**	**-**	**38,083**
Income tax expenses	(7,899)	(10,234)	(272)	(156)	389	(18,172)	-	(18,172)
Profit (loss) for the period	**3,540**	**24,582**	**1,051**	**(2,336)**	**(6,926)**	**19,911**	**-**	**19,911**

Assets and liabilities

As at and for the period ended 30 June 2014

In thousands of EUR	**Mining**	**Heat and Power**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	866,545	1,376,777	1,151,537	64,912	1,703,043	5,162,814	(1,237,922)	3,924,892
Reportable segment liabilities	(774,899)	(917,880)	(770,718)	(66,776)	(1,289,746)	(3,820,019)	1,237,813	(2,582,206)
Additions to tangible and intangible assets	19,682	29,376	17,503	591	17	67,169	-	67,169
Equity accounted investees	24,876	104,553	-	-	-	129,429	-	129,429

As at and for the period ended 31 December 2013

In thousands of EUR	**Mining**	**Heat and Power**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	888,931	1,515,631	1,276,989	63,861	1,363,478	5,108,890	(873,513)	4,235,377
Reportable segment liabilities	(543,728)	(1,037,534)	(864,523)	(64,959)	(1,142,468)	(3,653,212)	873,286	(2,779,926)
Additions to tangible and intangible assets	68,817	60,077	9,438	1,061	113	139,506	-	139,506
Equity accounted investees	24,876	235,924	-	-	-	260,800	-	260,800

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.

As at and for the period ended 30 June 2014

In thousands of EUR	Czech Republic	Slovakia	Germany	Other	Total segments	Consolidated Financial Information
Property, plant and equipment	685,657	908,959	737,650	3	2,332,269	2,332,269
Intangible assets	135,426	27,528	85,064	-	248,018	248,018
Investment property	324	-	-	-	324	324
Total	**821,407**	**936,487**	**822,714**	**3**	**2,580,611**	**2,580,611**

In thousands of EUR	Czech Republic	Slovakia	Germany	Other	Total segments	Consolidated Financial Information
Sales: Electricity	157,004	430,182	115,983	9,011	712,180	712,180
Sales: Heat	155,871	-	1,318	-	157,189	157,189
Sales: Coal	5,688	283	127,712	297	133,980	133,980
Sales: Gas	108,478	4,387	-	410	113,275	113,275
Sales: Other energy products	92	-	-	-	92	92
Sales: Other	14,466	999	29,907	6,282	51,654	51,654
Total	**441,599**	**435,851**	**274,920**	**16,000**	**1,168,370**	**1,168,370**

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

For the year ended 31 December 2013

In thousands of EUR	Czech Republic	Slovakia	Germany	Other	Total segments	Consolidated Financial Information
Property, plant and equipment	725,221	932,552	775,697	2	2,433,472	2,433,472
Intangible assets	148,669	29,955	100,606	-	279,230	279,230
Investment property	324	-	-	-	324	324
Total	**874,214**	**962,507**	**876,303**	**2**	**2,713,026**	**2,713,026**

For the period ended 30 June 2013

In thousands of EUR	Czech Republic	Slovakia	Germany	Other	Total segments	Consolidated Financial Information
Sales: Electricity	215,534	150,395	84,478	1,050	451,457	**451,457**
Sales: Heat	190,552	-	4,903	-	195,455	**195,455**
Sales: Coal	6,109	195	130,238	1,790	138,332	**138,332**
Sales: Gas	106,969	-	-	-	106,969	**106,969**
Sales: Other	12,724	272	29,418	506	42,920	**42,920**
Total	**531,888**	**150,862**	**249,037**	**3,346**	**935,133**	**935,133**

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

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.(2) (acquired by EPH on 16 March 2010) including:
        (a) EAST BOHEMIA ENERGY HOLDING LIMITED(2) and its subsidiaries (acquired by EPH on 31 December 2010)
        (b) LIGNITE INVESTMENTS 1 LIMITED(2) 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.(2) and its subsidiaries and associate (acquired by EPH on 6 October 2009)
    b. Honor Invest, a.s.(2) and its associate Pražská energetika, a.s. (acquired by EPH on 10 August 2009)
    c. První energetická a.s.(1) (acquired by EPH on 6 October 2009)

(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.

(2) Honor Invest, a.s., Czech Energy Holding, a.s., HC Fin3 N.V., EAST BOHEMIA ENERGY HOLDING LIMITED and LIGNITE INVESTMENTS 1 LIMITED merged with EP Energy, a.s. as at 4 November 2013. EP Energy, a.s. is the successor company.

(a) Acquisitions and step-acquisitions

i. 30 June 2014

There were no acquisitions or step-acquisitions in the period from 1 January 2014 to 30 June 2014.

ii. 31 December 2013

In thousands of EUR	**Date of acquisition**	**Purchase price**	**Cash paid**	**Other consid-eration**	**Equity interest acquired %**	**Equity interest after acquisition %**
New subsidiaries						
PRVNÍ MOSTECKÁ a.s. and its subsidiary	14/01/2013	2,341	(2,341)	(1)6,026	(2)82.35	82.35
Stredoslovenská energetika, a.s. and its subsidiaries	27/11/2013	(3)339,052	(3) (359,052)	(20,000)	49	49
Helmstedter Revier GmbH and its subsidiaries	20/12/2013	(4) (2,083)	8,142	6,059	100	100
Total		**339,310**	**(353,251)**	**(7,915)**	**-**	**-**

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

Common control acquisitions

On 27 November 2013 EPH Group acquired a 49% share (associated with management control) in Stredoslovenská energetika, a.s. and its subsidiaries. In relation with the completion of the transaction the acquirer EPH Financing II, a.s. and EPH agreed with the National Property Fund of the Slovak Republic (the 51% shareholder of Stredoslovenská energetika, a.s.) and the Ministry of Economy of the Slovak Republic on a new Shareholders´Agreement ("SHA") which grants the acquirer specific rights and obligations and governs the relationship of the acquirer with the other 51% shareholder. As a result of the concluded SHA and based on the other relevant facts and circumstances, the acquirer concluded that it controls Stredoslovenská energetika, a.s. because it has the power to govern the financial and operating activities of the acquiree so as to obtain benefits from its activities and thus the Stredoslovenská energetika, a.s. subgroup shall be consolidated in the EPE Group financial statements for the period ended 31 December 2013.

On 16 December 2013, the EPH Group contributed this entity to the EPE Group. As this transaction was a common control transaction, the Company presents the entity in its consolidated financial statements from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s.

Together with Stredoslovenská energetika, a.s. EPH Group contributed EPH Financing II, a.s. to EPE Group's share capital. EPE Group decided not to restate its comparatives because of this acquisition as the balances of this entity were immaterial as at the date of common control acquisition.

On 20 December 2013 the EPE Group acquired a 100% share in Helmstedter Revier GmbH and its subsidiaries with the transfer of shares on 31 December 2013. The EPE Group received a consideration from the seller for the transfer of shares, i.e. EPE Group reported a negative purchase price of EUR 2,083 thousand. Negative purchase price reflects the fact that the EPE Group took over, together with the acquisition of assets, all liabilities relating to the mine recultivation and employees´ related matters such as employee benefits obligations. The EPE Group believes that the acquisition of Helmstedter Revier GmbH fits into the EPE Group broad strategy of vertical integration, among other things, by enabling utilization of the spare mining capacity in MIBRAG mines.

Step acquisition

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

Acquisition of non-controlling interest

On 19 December 2013 Severočeská teplárenská, a.s, acquired 15.28% share in PRVNÍ MOSTECKÁ a.s. This transaction resulted to change in ownership interest from 82.35% to 97.63% share.

On 29 July 2013 Pražská teplárenská a.s. acquired 10% share in Energotrans SERVIS a.s., which resulted to change in ownership interest from 85% to 95% share.

(b) Effect of acquisitions and step acquisitions

i. 30 June 2014

There were no acquisitions or step-acquisitions in the period from 1 January 2014 to 30 June 2014. However, in the period ended 30 June 2014, the EPE Group completed the Purchase Price Allocation (“PPA”) process for SSE which did not result in any change of fair value of acquired net assets, however classification of certain fixed assets was updated. For details on the restated opening balances of fixed assets please refer to the Note 15 – Property, plant and equipment.

ii. 31 December 2013

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

In thousands of EUR	**Carrying amount**[(1)]	**Fair value adjustment**	**2013 Total**[(1)]
Property, plant, equipment, land, buildings	560,411	431,165	991,576
Intangible assets	25,454	7,177	32,631
Deferred tax assets	1,729	4,124	5,853
Inventories	10,704	-	10,704
Trade receivables and other assets	87,397	-	87,397
Financial instruments – assets	21,291	-	21,291
Cash and cash equivalents	89,799	-	89,799
Provisions	(128,177)	(14,245)	(142,422)
Deferred tax liabilities	(18,693)	(100,819)	(119,512)
Loans and borrowings	(83,507)	-	(83,507)
Trade payables and other liabilities	(163,070)	-	(163,070)
Net identifiable assets and liabilities	**403,338**	**327,402**	**730,740**
Non-controlling interest			(372,657)
Goodwill on acquisitions of a subsidiary			5,053
Negative goodwill on acquisitions of a subsidiary			(17,800)
Pricing differences in equity			-
Cost of acquisition			**345,336**
Consideration paid, satisfied in cash (A)			353,251
Consideration, contingent			(20,000)
Consideration, other			12,085
New shares issued			-
Total consideration transferred			**345,336**
Less: Cash acquired (B)			89,799
Net cash inflow (outflow) (C) = (B – A)			**(263,452)**

(1) Represents values at 100% share.

In 2013, the EPE Group also acquired a 100% share in EPH Financing II, a.s. from EPH as contribution to share capital. This transaction is not included in the effect of acquisition presented above as the amounts are immaterial.

The table above does not include the effect from the acquisition of a non-controlling interest in PRVNÍ MOSTECKÁ a.s. and Energotrans SERVIS a.s.

For details on major acquisitions please refer to Appendix 1.

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 the 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 reported goodwill in a total amount of EUR 92,466 thousand as of 30 June 2014. The decrease in the total amount of goodwill compared to prior year balance (31 December 2013: EUR 92,545 thousand) was caused by changes in foreign exchange rate of CZK compared to EUR.

In the six-month period ended 30 June 2013 negative goodwill of EUR 2,176 thousand arose upon the step acquisition of PRVNÍ MOSTECKÁ a.s. The Group reconsidered the identification and measurement of all identified assets and liabilities acquired in these business combination; 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 comparative period.

In thousands of EUR	**1-6/2013 Total**
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	11,685
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	388

As the acquisition of PRVNÍ MOSTECKÁ a.s. 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.

For details on major acquisitions for the year ended 31 December 2013 please refer also to Appendix 1.

(c) Business combinations – acquisition accounting 2014 and 2013

The acquiree's identifiable assets, liabilities and contingent liabilities were recognised and measured at their fair values at the acquisition date by the 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.

As there were no acquisitions and step-acquisitions in the period from 1 January 2014 to 30 June 2014, the Group did not recognised any fair value adjustments resulting from the purchase price allocation as at 30 June 2014.

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

In thousands of EUR	**Intangible assets**	**Property, plant and equipment (including mine property)**	**Provisions**	**Deferred tax asset (liability)**	**Total net effect on financial position**
Subsidiary					
Stredoslovenská energetika, a.s. and its subsidiaries	7,177	431,165	-	(100,819)	**337,523**
Helmstedter Revier GmbH and its subsidiaries	-	-	(14,245)	4,124	**(10,121)**
Total	**7,177**	**431,165**	**(14,245)**	**(96,695)**	**327,402**

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

(d) Disposal of investments in 2014 and 2013

i. 30 June 2014

The Group did not dispose any investment in the six-month period ended 30 June 2014.

ii. 31 December 2013

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

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

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

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

(1) Represents values at 85% share.

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

6. Sales

In thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Sales: Energy		
Electricity	*712,180*	*451,457*
Heat	*157,189*	*195,455*
Coal	*133,980*	*138,332*
Gas	*113,275*	*106,969*
Other energy products	*92*	*-*
Total Energy	**1,116,716**	**892,213**
Sales: Other	**51,654**	**42,920**
Total Sales	**1,168,370**	**935,133**
Domestic revenues	441,599	531,888
Foreign sales	726,771	403,245
Total	**1,168,370**	**935,133**

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 thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Cost of Sales: Energy		
Cost of sold electricity	472,895	271,878
Cost of sold gas and other energy products	122,091	136,464
Consumption of coal and other material(1)	95,087	89,809
Consumption of energy	45,310	55,061
Other cost of sales	9,542	11,090
Total Energy	**744,925**	**564,302**
Cost of Sales: Other		
Cost of goods sold	13,413	7,705
Consumption of material	7,693	2,101
Consumption of energy	4,244	1,128
Changes in WIP, semi-finished products and finished goods	(1,487)	(700)
Other cost of sales	867	817
Total Other	**24,730**	**11,051**
Total	**769,655**	**575,353**

(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 thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Wages and salaries	87,968	63,816
Compulsory social security contributions	27,593	19,728
Board members' remuneration (including boards of subsidiaries and joint-ventures)	6,005	5,603
Expenses and revenues related to employee benefits (IAS 19)	1,084	584
Other social expenses	2,981	1,401
Total	**125,631**	**91,132**

The average number of employees as of 30 June 2014 was 6,469 (30 June 2013: 4,019), of which 323 (30 June 2013: 106) were executives.

9. Emission rights

In thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Deferred income (grant) released to profit and loss	7,126	7,393
Loss from sale of emission rights	(484)	-
Net creation of provision for emission rights	(17,504)	(21,674)
Use of provision for emission rights	40,137	50,469
Consumption of emission rights	(40,137)	(50,469)
Total	**(10,862)**	**(14,281)**

The Ministries of the Environment of the Czech Republic, Slovakia 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, Helmstedter Revier GmbH, Elektrárny Opatovice, a.s. and Stredoslovenská energetika a.s.

10. Taxes and charges

In thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Electricity tax	3,966	4,202
Property and real estate transfer tax	780	311
Other taxes and charges	1,029	896
Total	**5,775**	**5,409**

11. Other operating income

In thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Consulting fees	7,916	4,592
Compensation from insurance and other companies	[(4)]5,231	467
Ecological tax reimbursement	3,092	2,879
Own work, capitalised[(1)]	2,960	16,071
Rental income	2,544	1,556
Property acquired free-of-charge and fees from customers[(2)]	1,622	-
Inventories surplus	1,275	156
Contractual penalties	757	272
Decentralisation and cogeneration fee	214	-
Profit from sale of material, net	152	39
Profit from sale of tangible and intangible assets, net	-	584
Change in provisions, net[(3)]	-	1,401
Other	3,292	2,334
Total	**29,055**	**30,351**

(1) This position is mainly represented by own work capitalised in mines (primarily labour cost) and stripping cost.
(2) For detailed information related to deferred income to be released refer to Note 29 – Deferred income.
(3) Change in provision is presented under Other operating expenses in 2014.
(4) This balance is represented mainly by compensation received by JTSD Braunkohlebergbau GmbH in the amount of EUR 4,898 thousand out of which EUR 4,490 thousand relates to payback of employer's liability insurance coverage for 2013.

12. Other operating expenses

In thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Outsourcing and other administration fees	15,360	9,689
Office equipment and other material	13,254	9,067
Transport expenses	12,116	10,467
Consulting expenses	6,632	6,615
Rent expenses	5,909	4,475
Information technology costs	3,586	662
Shortages and damages	1,835	-
Insurance expenses	1,515	1,323
Administrative expenses	1,497	934
Impairment losses, net	1,118	(467)
Advertising expenses	1,047	856
Net loss on disposal of property, plant and equipment, investment property and intangible assets	1,046	-
Gifts and sponsorship	1,026	1,167
Loss from receivables written-off	996	1,128
Training, courses, conferences	880	584
Contractual penalties	439	311
Communication expenses	380	350
Fees and commissions expense	-	934
Change in provisions, net	(298)	-
Other	3,192	4,125
Total	**71,530**	**52,220**

No material research and development expenses were recognised in profit and loss for the six-month period ended 30 June 2014 and 30 June 2013.

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

Recognised in profit or loss

In thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Interest income	18,301	16,615
Net foreign exchange profit (loss)	237	-
Dividend income	235	-
Other finance income	3	-
Finance income	**18,776**	**16,615**
Interest expense	(47,205)	(54,788)
Net foreign exchange profit (loss)	-	(7,004)
Fees and commissions expense for guarantees	(72)	(233)
Fees and commissions expense for payment transactions	(83)	(78)
Fees and commissions expense for other services	(1,456)	(156)
Finance expense	**(48,816)**	**(62,259)**
Profit (loss) from commodity derivatives for trading	5,199	(2,996)
Profit (loss) from currency derivatives for trading	1,140	(1,206)
Profit (loss) from interest rate derivatives for trading	(31)	39
Profit (loss) from hedging activities	(61)	(78)
Profit (loss) from financial instruments	**6,247**	**(4,241)**
Net finance income (expense) recognised in profit or loss	**(23,793)**	**(49,885)**

14. Income tax expenses

Income taxes recognised in profit or loss

In thousands of EUR	**30 June 2014 (six months)**	**30 June 2013 (six months)**
Current taxes:		
Current period	(22,954)	(31,519)
Adjustment for prior periods	(435)	-
Withholding tax	(14)	-
Total current taxes	**(23,403)**	**(31,519)**
Deferred taxes:		
Origination and reversal of temporary differences	12,758	13,347
Total deferred taxes	**12,758**	**13,347**
Total income taxes (expense)/benefit recognised in profit or loss	**(10,645)**	**(18,172)**

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 2014 and 2013. The German federal income tax rate for 2014 and 2013 is 26.98%. The Slovak corporate income tax rate is 22% for fiscal years 2014 and 2013.

15. Property, plant and equipment

In thousands of EUR	Land and buildings	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under construction	Total
Cost					
Balance at 1 January 2014	**1,337,310**	**1,480,377**	**1,774**	**76,768**	**2,896,229**
Reclassification of the opening balances as a result of completed Purchase Price Allocation for SSE	10,735	(8,086)	-	(2,649)	**-**
Effects of movements in foreign exchange rates	(454)	(364)	19	(19)	**(818)**
Additions	6,643	15,851	3	24,310	**46,807**
Disposals	(4,901)	(2,186)	(29)	(1,822)	**(8,938)**
Transfers	8,974	12,511	-	(21,485)	**-**
Balance at 30 June 2014	**1,358,307**	**1,498,103**	**1,767**	**75,103**	**2,933,280**
Depreciation and impairment losses					
Balance at 1 January 2014	**(134,868)**	**(319,357)**	**(316)**	**(8,216)**	**(462,757)**
Effects of movements in foreign exchange rates	68	139	30	6	**243**
Depreciation charge for the period	(50,335)	(88,314)	(142)	-	**(138,791)**
Disposals	608	116	-	-	**724**
Impairment losses recognised in profit or loss	(430)	-	-	-	**(430)**
Balance at 30 June 2014	**(184,957)**	**(407,416)**	**(428)**	**(8,210)**	**(601,011)**
Carrying amounts					
At 1 January 2014	**1,213,177**	**1,152,934**	**1,458**	**65,903**	**2,433,472**
At 30 June 2014	**1,173,350**	**1,090,687**	**1,339**	**66,893**	**2,332,269**

In thousands of EUR	**Land and buildings**	**Technical equipment, plant and machinery**	**Other equipment, fixtures and fittings**	**Under construction**	**Total**
Cost					
Balance at 1 January 2013	**681,305**	**1,160,979**	**636**	**67,741**	**1,910,661**
Effects of movements in foreign exchange rates	(18,891)	(12,255)	(19)	(887)	**(32,052)**
Additions	6,810	8,483	39	9,183	**24,515**
Disposals	(233)	(2,451)	(39)	-	**(2,723)**
Additions through step acquisitions(1)	10,892	4,252	-	24	**15,168**
Transfers	4,202	6,926	-	(11,128)	**-**
Balance at 30 June 2013	**684,085**	**1,165,934**	**617**	**64,933**	**1,915,569**
Depreciation and impairment losses					
Balance at 1 January 2013	**(78,799)**	**(171,282)**	**(198)**	**-**	**(250,279)**
Effects of movements in foreign exchange rates	2,571	2,851	5	-	**5,427**
Depreciation charge for the period	(30,585)	(89,225)	(78)	-	**(119,888)**
Disposals	-	662	39	-	**701**
Impairment losses recognised in profit or loss	(817)	-	-	-	**(817)**
Balance at 30 June 2013	**(107,630)**	**(256,994)**	**(232)**	**-**	**(364,856)**
Carrying amounts					
At 1 January 2013	**602,506**	**989,697**	**438**	**67,741**	**1,660,382**
At 30 June 2013	**576,455**	**908,940**	**385**	**64,933**	**1,550,713**

(1) An additional purchase of a 35.29% share in PRVNÍ MOSTECKÁ a.s. and the gaining of control over this entity.

Idle assets

As at 30 June 2014 and also as at 31 December 2013 the Group had no significant idle assets.

Finance lease liabilities

As at 30 June 2014 and also as at 31 December 2013 the Group had no significant finance lease liabilities.

Security

At 30 June 2014 property, plant and equipment with a carrying value of EUR 340,127 thousand (31 December 2013: EUR 343,140 thousand) is subject to pledges to secure bank loans.

16. Intangible assets (including goodwill)

In thousands of EUR	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2014	**100,742**	**40,646**	**71,115**	**108,935**	**2,049**	**323,487**
Effect of movements in foreign exchange rates	(86)	(9)	(41)	(11)	(1)	**(148)**
Additions	-	619	19,058	-	685	**20,362**
Disposals	-	(4)	(40,137)	-	-	**(40,141)**
Transfers	-	(237)	-	-	237	**-**
Balance at 30 June 2014	**100,656**	**41,015**	**49,995**	**108,924**	**2,970**	**303,560**
Amortisation and impairment losses						
Balance at 1 January 2014	**(8,197)**	**(7,795)**	**-**	**(28,113)**	**(152)**	**(44,257)**
Effect of movements in foreign exchange rates	7	4	-	3	-	**14**
Amortisation for the period	-	(4,060)	-	(7,171)	(71)	**(11,302)**
Disposals	-	3	-	-	-	**3**
Balance at 30 June 2014	**(8,190)**	**(11,848)**	**-**	**(35,281)**	**(223)**	**(55,542)**
Carrying amount						
At 1 January 2014	**92,545**	**32,851**	**71,115**	**80,822**	**1,897**	**279,230**
At 30 June 2014	**92,466**	**29,167**	**49,995**	**73,643**	**2,747**	**248,018**

In thousands of EUR	Goodwill	Software	Emission rights	Customer relationship and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2013	**104,296**	**13,604**	**86,515**	**102,665**	**636**	**307,716**
Effect of movements in foreign exchange rates	(3,256)	(314)	(2,005)	(371)	-	**(5,946)**
Additions	-	428	18,483	-	-	**18,911**
Disposals	-	-	(50,469)	-	-	**(50,469)**
Transfers	-	39	-	-	(39)	**-**
Balance at 30 June 2013	**101,040**	**13,757**	**52,524**	**102,294**	**597**	**270,212**
Amortisation and impairment losses						
Balance at 1 January 2013	**-**	**(4,734)**	**-**	**(17,979)**	**(79)**	**(22,792)**
Effect of movements in foreign exchange rates	-	168	-	109	3	**280**
Amortisation for the period	-	(2,023)	-	(5,175)	(40)	**(7,238)**
Balance at 30 June 2013	**-**	**(6,589)**	**-**	**(23,045)**	**(116)**	**(29,750)**
Carrying amount						
At 1 January 2013	**104,296**	**8,870**	**86,515**	**84,686**	**557**	**284,924**
At 30 June 2013	**101,040**	**7,168**	**52,524**	**79,249**	**481**	**240,462**

In 2014, the EPE Group purchased emission allowances of EUR 7,358 thousand (31 December 2013: EUR 12,448 thousand). The remaining part of EUR 11,700 thousand (31 December 2013: EUR 28,219 thousand) was allocated to the Group by the Ministry of the Environment of the Czech Republic and Germany.

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 thousands of EUR	**30 June 2014**
Elektrárny Opatovice, a.s.	84,652
Helmstedter Revier GmbH	5,053
Plzeňská energetika a.s.	2,636
ARISUN, s.r.o.	125
Total goodwill	**92,466**

In thousands of EUR	**31 December 2013**
Elektrárny Opatovice, a.s.	84,729
Helmstedter Revier GmbH	5,053
Plzeňská energetika a.s.	2,638
ARISUN, s.r.o.	125
Total goodwill	**92,545**

The decrease in closing balance of goodwill as at 30 June 2014 compared to 31 December 2013 resulted from changes in the FX rate.

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 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 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 one-year business plan followed by additional four years of modelled projections plus a terminal value if relevant. 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 7.70% to 11.55%.

There were no impairment indicators as of 30 June 2014.

17. Participations with significant influence

The Group has the following investments in associates:

In thousands of EUR

Associates	Country	Ownership 30 June 2014 %	Carrying amount 30 June 2014
Pražská teplárenská Holding a.s.	Czech Republic	49.00	13,152
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	*(1)*	24,876
Associates of Saale Energie GmbH	Germany	*(1)*	91,401
Total			**129,429**

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

In thousands of EUR

Associates	Country	Ownership 31 December 2013 %	Carrying amount 31 December 2013
Pražská teplárenská Holding a.s.	Czech Republic	49.00	140,725
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	*(1)*	24,876
Associates of Saale Energie GmbH	Germany	*(1)*	95,199
Total			**260,800**

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

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

In thousands of EUR

Associates	Country	Ownership 30 June 2014 %	Share of profit (loss) for the six-month period ended 30 June 2014
Pražská teplárenská Holding a.s.	Czech Republic	49.00	580
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	*(1)*	-
Associates of Saale Energie GmbH	Germany	*(1)*	(1,185)
Total			**(605)**

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

In thousands of EUR

Associates	Country	Ownership 30 June 2013 %	Share of profit (loss) for the six-month period ended 30 June 2013
Pražská teplárenská Holding a.s.	Czech Republic	49.00	410
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	*(1)*	(5,675)
Associates of Saale Energie GmbH	Germany	*(1)*	(1,428)
Total			**(6,693)**

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

Summary financial information for standalone associates presented at 100% as at and for the period ended 30 June 2014.

In thousands of EUR

Associates	Revenue	Profit (Loss)	Assets	Liabilities	Equity
Pražská teplárenská Holding a.s.	27,493	*26,864	112,109	328	111,781
Kraftwerk Schkopau GbR(1)	11,501	(3,064)	1,236,476	1,129,582	106,894
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	51,597	1	4,697	4,670	27
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	21,469	1,013	69,407	41,869	27,538
Fernwärme GmbH Hohenmölsen - Webau(1)	2,334	144	13,163	7,431	5,732
	114,394	**24,958**	**1,435,852**	**1,183,880**	**251,972**

In thousands of EUR

Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Pražská teplárenská Holding a.s.	84,953	27,156	-	328
Kraftwerk Schkopau GbR(1)	28,283	1,208,193	102,305	1,027,277
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	-	4,697	-	4,670
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	41,922	27,485	21,379	20,490
Fernwärme GmbH Hohenmölsen - Webau(1)	8,207	4,956	1,115	6,316
	163,365	**1,272,487**	**124,799**	**1,059,081**

* *Profit and Loss item represents primarily dividend income from an associate.*
(1) *Data from standalone financial statements according to German GAAP.*

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

In thousands of EUR

Associates	Revenue	Profit (Loss)	Assets	Liabilities	Equity
Pražská teplárenská Holding a.s.	288,149	*286,928	372,959	749	372,210
Kraftwerk Schkopau GbR(1)	31,201	6,128	227,282	118,848	108,434
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	100,319	2	11,140	11,112	28
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	41,669	3,279	70,868	44,406	26,462
Fernwärme GmbH Hohenmölsen - Webau(1)	4,916	316	10,077	4,494	5,583
Ingenieurbüro für Grundwasser GmbH(1)	1,812	177	1,094	532	562
	468,066	**296,830**	**693,420**	**180,141**	**513,279**

In thousands of EUR

Associates	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**
Pražská teplárenská Holding a.s.	85,031	287,928	-	749
Kraftwerk Schkopau GbR(1)	30,830	196,452	109,195	9,653
Kraftwerk Schkopau Betriebsgesellschaft GmbH(1)	-	11,140	-	11,112
Mitteldeutsche Umwelt- und Entsorgung GmbH(1)	43,731	27,137	28,989	15,417
Fernwärme GmbH Hohenmölsen - Webau(1)	8,509	1,568	2,169	2,325
Ingenieurbüro für Grundwasser GmbH(1)	471	623	-	532
	168,572	**524,848**	**140,353**	**39,788**

* *Profit and Loss item represents primarily dividend income from an associate.*
(1) Data from standalone financial statements according to German GAAP.

18. Inventories

In thousands of EUR	**30 June 2014**	**31 December 2013**
Overburden	26,464	25,585
Raw material and supplies	20,792	17,736
Fossil fuel	19,779	20,230
Work in progress	4,330	1,769
Spare parts	3,495	3,555
Finished goods and merchandise	324	1,590
Value adjustment to inventories	(704)	(473)
Total	**74,480**	**69,992**

At 30 June 2014 inventories in the amount of EUR 17,212 thousand (31 December 2013: EUR 17,933 thousand) were subject to pledges.

19. Trade receivables and other assets

In thousands of EUR	**30 June 2014**	**31 December 2013**
Trade receivables	190,414	247,858
Advance payments	40,882	35,177
Estimated receivables	13,834	40,352
Uninvoiced suplies	9,413	17,983
Accrued income	2	15
Other receivables and assets	19,367	15,121
Allowance for bad debts	(9,331)	(8,883)
Total	**264,581**	**347,623**
Non-current	14,435	29,333
Current	250,146	318,290
Total	**264,581**	**347,623**

As at 30 June 2014 trade receivables with a carrying value of EUR 81,573 thousand are subject to pledges (31 December 2013: EUR 111,277 thousand).

20. Cash and cash equivalents

In thousands of EUR	30 June 2014	31 December 2013
Current accounts with banks	217,814	278,391
Term deposits	14,001	4,545
Cash on hand	158	133
Total	**231,973**	**283,069**

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

As at 30 June 2014 cash equivalents of EUR 105,922 thousand are subject to pledges (31 December 2013: EUR 104,678 thousand). According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case the Company defaults on bonds payments. As such, the pledged cash is readily available to the EPE Group and does not represent restricted cash.

21. Tax receivables

In thousands of EUR	30 June 2014	31 December 2013
Current income tax receivables	17,211	5,137
Value added tax receivables	7,607	8,128
Road tax receivables	11	3
Other tax receivables	92	138
Total	**24,921**	**13,406**

22. Assets and liabilities held for sale

As of 30 June 2014 and 31 December 2013 balance of assets held for sale is fully represented by tangible assets held by United Energy, a.s.

23. Deferred tax assets and liabilities

As at 30 June 2014 the net deferred tax liability amounts to EUR 247,406 thousand (31 December 2013: EUR 261,449 thousand) and comprises of deferred tax asset of EUR 8,527 thousand (31 December 2013: EUR 8,014 thousand) and deferred tax liability of EUR 255,933 thousand (31 December 2013: EUR 269,463 thousand).

24. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as of 30 June 2014 consisted of 19,549,548 ordinary shares with a par value of CZK 1,001 each (31 December 2013: 19,549,548 ordinary shares with a par value of CZK 1,001 each).

The shareholder is entitled to receive dividends and to cast 1,001 votes per 1,001 CZK share, at meetings of the Company's shareholders.

30 June 2014	**Number of shares 1,001 CZK**	**Ownership %**	**Voting rights %**
CE Energy, a.s.	19,549,548	100.00	100.00
Total	**19,549,548**	**100.00**	**100.00**

31 December 2013	**Number of shares 1,001 CZK**	**Ownership %**	**Voting rights %**
Energetický a průmyslový holding, a.s.	19,549,548	100.00	100.00
Total	**19,549,548**	**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 2014	**31 December 2013**
Shares outstanding at the beginning of the period	19,549,548	19,419,548
New shares issued	-	130,000
Shares outstanding at the end of the period	**19,549,548**	**19,549,548**

Reserves recognised in equity comprise the following items:

In thousands of EUR	**30 June 2014**	**31 December 2013**
Non-distributable reserves	798	75,891
Fair value reserve	(2,368)	(219)
Translation reserve	(47,313)	(53,726)
Hedging reserve	(81,725)	(80,231)
Other capital reserves	(320,210)	(320,210)
Total	**(450,818)**	**(378,495)**
Other capital funds from capital contributions	22,538	22,538
Reserves	**(428,280)**	**(355,957)**

The creation of a legal reserve fund in the Czech Republic was prior to 1 January 2014 required at a minimum of 20% (10% for limited liability companies) of net profit (annually) and up to a minimum of 10% (5% for limited liability companies) of the registered share capital (cumulative balance). The legal reserve fund could have only been used to cover losses of the Company and may not have been distributed as a dividend. The calculation of the legal reserve was based on local statutory regulations. The legal reserve of EUR 798 thousand was reported as at 30 June 2014 (31 December 2013: EUR 75,891 thousand). From 1 January 2014, in relation to the newly enacted legislation, legal reserve fund and its creation are no longer, under certain circumstances, obligatory. Similarly, legal reserve fund can be from 1 January 2014, under certain conditions, distributed in a form of dividend.

Translation reserve

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

Other capital reserves

In 2009 the Group accounted for pricing differences that arose both from establishment of the Group as at 10 August 2009 and acquisition of certain new subsidiaries in the subsequent periods prior to 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 EUR 47,385 thousand 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 EUR 31,557 thousand 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 EUR 1,047 thousand in relation to the disposal of 47.06% share in PRVNÍ MOSTECKÁ a.s. as a part of the step acquisition process and the increase in share capital originating from the revaluation of Czech Energy Holding, a.s. during the merger with EP Energy, a.s.

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 2014 represents primarily derivative agreements to hedge an interest rate concluded by POWERSUN a.s., an electricity price and a foreign exchange rate concluded by EP ENERGY TRADING, a.s. and an effect from a cash flow hedge recognised on the EPE Group level (for more details please refer to Note 30 – Financial instruments).

25. Earnings per share

Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 1,001 nominal value is 0.85 (30 June 2013: 0.86).

The calculation of basic earnings per share as at 30 June 2014 was based on profit attributable to ordinary shareholders of EUR 16,703 thousand, and a weighted average number of ordinary shares outstanding of 19,550 thousand.

The calculation of basic earnings per share as at 30 June 2013 was based on profit attributable to ordinary shareholders of EUR 16,642 thousand, and a weighted average number of ordinary shares outstanding of 19,420 thousand.

Weighted average number of ordinary shares as at 30 June 2014

In thousands of pieces	**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
Increase in nominal value of ordinary shares at 26 August 2013 (1 share/CZK 1,001)	30	30
Issued ordinary shares at 18 December 2013 (1 share/CZK 1,001)	100	100
Total	**19,550**	**19,550**

Weighted average number of ordinary shares as at 30 June 2013

In thousands of pieces	**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 thousands of EUR	**30 June 2014**	**31 December 2013**
Stredoslovenská energetika, a.s.	350,411	375,546
Pražská teplárenská a.s.	93,079	103,321
Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH	1,365	1,410
PRVNÍ MOSTECKÁ a.s.	514	505
AISE, s.r.o.	201	255
EOP & HOKA s.r.o.	3	3
Claymore Equity, s.r.o.	(54)	(47)
VTE Pchery, s.r.o.	(183)	(182)
Alternative Energy, s.r.o.	(773)	(625)
Total	**444,563**	**480,186**

27. Loans and borrowings

In thousands of EUR	**30 June 2014**	**31 December 2013**
Issued debentures at amortised cost	1,092,957	1,091,805
Loans payable to credit institutions	366,960	325,127
Loans payable to other than credit institutions	2,380	142,628
of which owed to the parent company/ultimate parent company	**2,374*	*2,287*
of which owed to other related companies	-	*140,341*
Liabilities from financial leases	1,025	158
Bank overdraft	349	-
Total	**1,463,671**	**1,559,718**
Non-current	1,343,143	1,513,784
of which owed to other related companies	-	*139,136*
Current	120,528	45,934
of which owed to the parent company/ultimate parent company	**2,374*	*2,287*
of which owed to other related companies	-	*1,205*
Total	**1,463,671**	**1,559,718**

* *The amount is fully represented by a loan received from Energetický a průmyslový holding, a.s., a parent company of EPE's sole shareholder CE Energy, a.s.*

Issued debentures at amortised costs

i. CE Energy, a.s. 2021 Notes

For information purposes, on 24 January 2014, CE Energy, a.s. acquired all of the outstanding shares of EP Energy, a.s. from Energetický a průmyslový holding, a.s. and intercompany loans owed by CE Energy, a.s. to Energetický a průmyslový holding, a.s. in an aggregate amount equal to the consideration payable by CE Energy, a.s. to Energetický a průmyslový holding, a.s. for the acquisition of the shares of EP Energy, a.s. of EUR 1,500 million. The intercompany loans are subordinated to the senior notes issued by CE Energy, a.s. on 7 February 2014 in the amount of EUR 500 million due in 2021 (the "2021 Notes"), pursuant to an intercreditor agreement. A part of the intercompany loans totaling EUR 251 million was repaid with a portion of the proceeds of the 2021 Notes. The 2021 Notes are secured by a pledge of 100% of the capital stock of CE Energy, a.s. and by a pledge of 50% minus one share of the capital stock of EP Energy, a.s.

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

28. Provisions

In thousands of EUR	**Employee benefits**	**Warranties**	**Provision for emission rights**	**Provision for lawsuits and litigations**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2014	**89,919**	**199**	**40,540**	**1,381**	**295,400**	**5,506**	**432,945**
Provisions made during the period	12,944	-	17,504	-	22	912	**31,382**
Provisions used during the period	(30,075)	-	(40,137)	-	(2,018)	(1,997)	**(74,227)**
Provisions reversed during the period	(382)	-	-	(1,200)	-	(32)	**(1,614)**
Effects of movements in foreign exchange rates	(2)	-	(22)	-	(1)	(1)	**(26)**
Unwind of discount*	-	-	-	-	4,734	-	**4,734**
Transfer	-	(49)	-	-	-	49	**-**
Balance at 30 June 2014	**72,404**	**150**	**17,885**	**181**	**298,137**	**4,437**	**393,194**
Non-current	*30,493*	*-*	*-*	*82*	*297,824*	*462*	*328,861*
Current	*41,911*	*150*	*17,885*	*99*	*313*	*3,975*	*64,333*

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

In thousands of EUR	**Employee benefits**	**Warranties**	**Provision for emission rights**	**Provision for lawsuits and litigations**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2013 (Restated)	**25,259**	**239**	**51,591**	**1,074**	**223,666**	**2,347**	**304,176**
Provisions made during the period	5,642	-	21,674	-	272	1,245	**28,833**
Provisions used during the period	(12,063)	-	(50,469)	-	(973)	(1,167)	**(64,672)**
Provisions reversed during the period	(389)	(78)	-	-	(272)	(467)	**(1,206)**
Effects of movements in foreign exchange rates	(145)	(5)	(1,255)	(34)	-	(32)	**(1,471)**
Unwind of discount*	-	-	-	-	4,475	-	**4,475**
Transfer	-	(78)	-	-	-	78	**-**
Balance at 30 June 2013	**18,304**	**78**	**21,541**	**1,040**	**227,168**	**2,004**	**270,135**
Non-current	*11,985*	*-*	*-*	*1,040*	*227,168*	*501*	*240,694*
Current	*6,319*	*78*	*21,541*	*-*	*-*	*1,503*	*29,441*

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

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 EUR 72,404 thousand (31 December 2013: EUR 89,919 thousand) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, United Energy, a.s., EOP & HOKA s.r.o., Pražská teplárenská a.s., Stredoslovenská energetika, a.s. and Helmstedter Revier GhmH.

Provision for emission rights

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

Provision for lawsuits

A provision of EUR 181 thousand was recorded by Stredoslovenská energetika, a.s. and Pražská teplárenská a.s. For further details refer to Note 35 – Litigations and Claims.

As disclosed in Note 35 – Litigations and Claims, there are other legal proceedings in which the Group is involved whose results cannot be reliably estimated as at the date of the preparation of these condensed consolidated interim financial statements, and therefore no provision was recorded as at 30 June 2014 and 31 December 2013.

Provision for 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 mbH and Helmstedter Revier GmbH of EUR 3,924 (31 December 2013: EUR 3,012 thousand).

29. Deferred income

In thousands of EUR	**30 June 2014**	**31 December 2013**
Government grants for emission rights	6,978	-
Government grants	7,557	6,752
Other deferred income	33,944	35,270
Total	**48,479**	**42,022**
Non-current	37,242	39,898
Current	11,237	2,124
Total	**48,479**	**42,022**

Balance of other deferred income in amount of EUR 33,944 thousand (31 December 2013: EUR 35,270 thousand) is mainly represented by Stredoslovenská energetika, a.s. This balance includes deferred income related to the following items: fee for grid connection paid by customers (EUR 21,674 thousand; 31 December 2013: EUR 21,694 thousand), contributions for the acquisitions of tangible assets paid by customers (EUR 3,800 thousand; 31 December 2013: EUR 4,634 thousand), property acquired free-of-charge (EUR 3,845 thousand; 31 December 2013 EUR 4,187 thousand) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3,871 thousand; 31 December 2013: EUR 3,979 thousand).

30. Financial instruments

Financial instruments and other financial assets

In thousands of EUR	**30 June 2014**	**31 December 2013**
Assets carried at amortised cost		
Loans to other than credit institutions	589,645	519,130
of which owed by the parent company/ultimate parent company	**537,492*	*467,104*
Shares available for sale held at cost	1,724	1,725
Other equity instruments	492	494
Total	**591,861**	**521,349**
Assets carried at fair value		
Currency forwards	7,618	8,125
Commodity derivatives for trading	373	221
Equity options for trading	222	222
Total	**8,213**	**8,568**
Non-current	8,643	13,075
Current	591,431	516,842
of which owed by the parent company/ultimate parent company	**537,492*	*467,104*
Total	**600,074**	**529,917**

* *The amount is represented by loan provided to Energetický a průmyslový holding, a.s.,a parent company of EPE's sole shareholder CE Energy, a.s., in amount of EUR 476,599 thousand and to CE Energy, a.s. in amount of EUR 60,893 thousand.*

Financial instruments and other financial liabilities

In thousands of EUR	**30 June 2014**	**31 December 2013**
Liabilities carried at fair value		
Commodity derivatives	3,397	2,706
Currency forwards	1,631	3,795
Interest rate swaps	631	735
Total	**5,659**	**7,236**
Non-current	1,319	1,649
Current	4,340	5,587
Total	**5,659**	**7,236**

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

In thousands of EUR	**30 June 2014 Nominal amount buy**	**30 June 2014 Nominal amount sell**	**30 June 2014 Fair value buy**	**30 June 2014 Fair value sell**
Commodity derivatives – futures/forwards	341,363	(343,689)	373	(3,397)
Currency forwards	245,739	(224,474)	7,618	(1,631)
Interest rate swaps (IRS)[(1)]	25,019	(527)	-	(631)
Equity options	-	-	222	-
Total	**612,121**	**(568,690)**	**8,213**	**(5,659)**

In thousands of EUR	**31 December 2013 Nominal amount buy**	**31 December 2013 Nominal amount sell**	**31 December 2013 Fair value buy**	**31 December 2013 Fair value sell**
Commodity derivatives – futures/forwards	381,521	(384,084)	221	(2,706)
Currency forwards	260,594	(254,993)	8,125	(3,795)
Equity options	-	-	222	-
Interest rate swaps (IRS)[(1)]	28	(110)	-	(735)
Total	**642,143**	**(639,187)**	**8,568**	**(7,236)**

(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.

		30 June 2014		
In thousands of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Currency forwards	-	7,618	-	**7,618**
Commodity derivatives for trading	-	373	-	**373**
Equity options	-	222	-	**222**
Total	**-**	**8,213**	**-**	**8,213**
Financial liabilities carried at fair value:				
Commodity derivatives for trading	-	3,397	-	**3,397**
Currency forwards	-	1,631	-	**1,631**
Interest rate swaps	-	631	-	**631**
Total	**-**	**5,659**	**-**	**5,659**

		31 December 2013		
In thousands of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Currency forwards for trading	-	8,125	-	**8,125**
Equity options for trading	-	222	-	**222**
Commodity derivatives for trading	-	221	-	**221**
Total	**-**	**8,568**	**-**	**8,568**
Financial liabilities carried at fair value:				
Currency forwards	-	3,795	-	**3,795**
Commodity derivatives for trading	-	2,706	-	**2,706**
Interest rate swaps	-	735	-	**735**
Total	**-**	**7,236**	**-**	**7,236**

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

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

In thousands of EUR	**Carrying value amount**	**Fair value**
Financial assets	**30 June 2014**	**30 June 2014**
Loans to other than credit institutions	589,645	612,011
Shares available for sale	1,724	1,724
Other equity instruments	492	492
Financial instruments held at amortised costs	**591,861**	**614,227**
Cash and cash equivalents	**231,973**	**231,973**
Financial liabilities		
Loans and borrowings	**1,463,671**	**1,432,018**

In thousands of EUR	**Carrying value amount**	**Fair value**
Financial assets	**31 December 2013**	**31 December 2013**
Loans to other than credit institutions	519,130	551,183
Shares available for sale	1,725	1,725
Other equity instruments	494	494
Financial instruments held at amortised costs	**521,349**	**553,402**
Cash and cash equivalents	**283,069**	**283,069**
Financial liabilities		
Loans and borrowings	**1,559,718**	**1,564,815**

31. Trade payables and other liabilities

In thousands of EUR	**30 June 2014**	**31 December 2013**
Trade payables	208,560	281,720
Advance payments received	66,072	66,643
Other tax liabilities	37,499	37,406
Estimated payables	24,110	25,224
Payroll liabilities	21,751	19,655
Uninvoiced supplies	11,974	4,673
Accrued expenses	5,087	13,103
Retentions to contractors	64	770
Other liabilities	34,582	11,456
Total	**409,699**	**460,650**
Non-current	34,886	76,679
Current	374,813	383,971
Total	**409,699**	**460,650**

Trade payables and other liabilities have not been secured as at 30 June 2014, or as at 31 December 2013.

As at 30 June 2014 and 31 December 2013 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 thousands of EUR	**30 June 2014**	**31 December 2013**
Granted pledges – securities	1,040,364	1,041,289
Other granted promises	408,843	330,605
Other granted guarantees and warranties	4,543	3,737
Other contingencies	1,831,473	1,861,247
Total	**3,285,223**	**3,236,878**

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

Other contingencies relate to granted loans of EUR 1,286,639(1) thousand (31 December 2013: EUR 1,284,219(1) thousand), pledged cash of EUR 105,922 thousand (31 December 2013: EUR 104,678 thousand) and further pledges of EUR 438,912 thousand (31 December 2013: EUR 472,350 thousand) that include pledged fixed assets of EUR 340,127 thousand (31 December 2013: EUR 343,140 thousand), pledged inventories of EUR 17,212 thousand (31 December 2013: EUR 17,933 thousand) and trade receivables of EUR 81,573 thousand (31 December 2013: EUR 111,277 thousand); all were used as collateral for external financing.

(1) Total balance of pledged granted loans includes intercompany loans of EUR 749,147 thousand (31 December 2013: EUR 811,622 thousand).

Other granted promises

Other granted promises comprise EUR 296,807 thousand (31 December 2013: EUR 261,702 thousand), which are represented by the contracts for future energy supply, and EUR 112,036 thousand (31 December 2013: EUR 68,903 thousand), which are represented by the contingent assets related to green energy for the six-month period ended 30 June 2014 and for the year 2013 (31 December 2013: contingent assets cover years 2012 and 2013; contingent asset for 2012 was already recovered during the period from 1 January 2014 to 30 June 2014).

Regulatory contingent assets related to green energy

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by Regulatory Office for Network Industries ("URSO") and to purchase the green electricity generated, which is used to cover network losses. The purchase tariff for green energy is set by URSO and is covered by the Tariff for system operation ("TPS"). For the six-month period ended 30 June 2014 the SSE Group recognised a loss of EUR 60,134 thousand as the difference between the costs of purchased green energy and costs related to the subvention of electricity produced from coal and revenues from TPS in the period from 1 Janury 2014 to 30 June 2014, this loss was partly compensated via a recovery of 2012 loss of EUR 17,001 thousand. The 2014 loss is included in the contingent asset of EUR 112,306 thousand specified above. Based on the current Regulatory Framework the losses incurred will be compensated in two years' time, i.e. relevant amounts in 2015 and 2016 through an increase of revenues from TPS (31 December 2013: in 2014 and 2015). The resulting asset originating in the six-month period ended 30 June 2014 and in prior periods was not recognised as the asset does not meet currently the recognition criteria set by IFRS as adopted by the EU.

Other commitments and contingencies

Energetický a průmyslový holding, a.s. ("EPH"), parent company of EPE's sole shareholder CE Energy, a.s., and a major energy company (the "Interested Party") are parties to contractual arrangements under of 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 EUR 7,286 thousand. 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 and the above compensation has not yet been recorded by EPH.

33. Related parties

(a) The summary of outstanding balances with related parties as at 30 June 2014 and 31 December 2013 was as follows:

In thousands of EUR	**Accounts receivable and other financial assets**	**Accounts payable and other financial liabilities**	**Accounts receivable and other financial assets**	**Accounts payable and other financial liabilities**
	30 June 2014	**30 June 2014**	**31 December 2013**	**31 December 2013**
Ultimate shareholders and companies they control	545,840	120,947	473,463	7,779
Associates	5,748	-	5,498	140,341
Other related parties	9	670	19,768	3,880
Total	**551,597**	**121,617**	**498,729**	**152,000**

In addition, as at 31 December 2013 the Company reported EUR 158,281 thousand off-balance sheet in guarantees from the ultimate shareholders and companies they control. There are no such guarantees reported as at 30 June 2014.

(b) The summary of transactions with related parties during the period ended 30 June 2014 and 30 June 2013 was as follows:

In thousands of EUR	**Revenues**	**Expenses**	**Revenues**	**Expenses**
	30 June 2014	**30 June 2014**	**30 June 2013**	**30 June 2013**
Ultimate shareholders and companies they control	13,432	3,757	13,619	7,860
Associates	*140,674	1,619	23,814	-
Other related parties	56	107	156	-
Total	**154,162**	**5,483**	**37,589**	**7,860**

* *Amount primarily represents dividend income from an associate Pražská teplárenská Holding a.s.*

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

34. Group entities

The list of the Group entities as at 30 June 2014 and 31 December 2013 is set out below:

		30 June 2014		31 December 2013		2014	2013
	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
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
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
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	91.32	Direct	50.57	Direct	Full	Full(1)
PRVNÍ MOSTECKÁ Servis a.s.	Czech Republic	100	Direct	100	Direct	Full	Full(1)
PRVNÍ MOSTECKÁ a.s.	Czech Republic	6.31	Direct	47.06	Direct	Full	Full(1)
PRVNÍ MOSTECKÁ Servis a.s.	Czech Republic	100	Direct	100	Direct	Full	Full(1)
EP Coal Trading, a.s. (former United Energy Coal Trading, a.s.)	Czech Republic	100	Direct	100	Direct	Full	Full
EOP & HOKA s.r.o.	Czech Republic	99.79	Direct	99.79	Direct	Full	Full
EOP HOKA POLSKA SPOŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA	Poland	100	Direct	-	-	At cost	-
UNITED ENERGY COAL TRADING POLSKA S.A.	Poland	100	Direct	100	Direct	Full	Full
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
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 Moldava, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
VTE Pastviny s.r.o.	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
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	At cost	At cost
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
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
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
JTSD Braunkohlebergbau GmbH	Germany	100	Direct	100	Direct	Full	Full
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Consulting International GmbH	Germany	100	Direct	100	Direct	Full	Full
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Full	Full

		30 June 2014		31 December 2013		2014	2013
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
Mitteldeutsche Umwelt- und Entsorgung GmbH	Germany	50	Direct	50	Direct	Equity	Equity
Fernwärme GmbH Hohenmölsen – Webau	Germany	48.96	Direct	48.96	Direct	Equity	Equity
Ingenieurbüro für Grundwasser GmbH	Germany	25	Direct	25	Direct	Equity	Equity
Bohr & Brunnenbau GmbH	Germany	100	Direct	100	Direct	Full	Full
Helmstedter Revier GmbH	Germany	100	Direct	100	Direct	Full	Full
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	51	Direct	51	Direct	Full	Full
Terrakomp GmbH	Germany	100	Direct	100	Direct	Full	Full
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
EP Germany GmbH *	Germany	100	Direct	100	Direct	Full	Full
Saale Energie GmbH	Germany	100	Direct	100	Direct	Full	Full
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
EPH Financing II, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská energetika – Distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SSE - Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika - Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	At cost	At cost
Energotel,a.s.	Slovakia	20	Direct	20	Direct	At cost	At cost
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	At cost	At cost

* *Special purpose entity (SPE)*

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

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 2014 EPE has provided no monetary or non-monetary remuneration (31 December 2013: EUR 269 thousand) to the members of Board of Directors of the Company.

35. Litigations and claims

EBEH Opatovice, a.s.

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

United Energy, a.s.

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

Plzeňská energetika a.s.

In August 2012, Škoda Investment a.s. filed a claim for unjust enrichment against Plzeňská energetika a.s. for approximately EUR 2,297 thousand. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. EPE Group’s management believes that the claim is unfounded and should be dismissed by the court. For this reason Plzeňská energetika a.s. did not create a provision for this litigation as at 30 June 2014. The first court hearing is currently planned to be scheduled for the third quarter of 2014.

Mitteldeutsche Braunkohlengesellschaft mbH

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. In March 2013, the District Court of Halle (Landgericht Halle) rendered a partial judgement in favour of 50Hertz ordering MIBRAG to provide detailed data on its deliveries of electricity to end customers from August 2004 to December 2008 to allow for a calculation of EEG surcharge payments potentially owed by MIBRAG. MIBRAG filed an appeal against the partial judgement.

On 6 February 2014, MIBRAG´s appeal was turned down by the Higher Regional Court, however, a further appeal of the partial judgement is possible and has already been filed with the Federal Supreme Court (Bundesgerichtshof). A decision is expected in 2015.

If the court ultimately decides in favour of 50Hertz that detailed data should be provided by MIBRAG to 50Hertz for the purposes of the calculation of a potential EEG surcharge for the above period, MIBRAG's liability could be significant.

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

The SSE Group is a party to various legal proceedings. As of 30 June 2014 the legal provisions amount to EUR 99 thousand (31 December 2013: EUR 1,299 thousand). The EPE Group management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may prejudice the SSE Group.

The SSE Group further faces a claim for EUR 21,965 thousand (USD 30,000 thousand) plus lawsuit costs. Based on the legal analysis of the case the SSE Group´s management does not expect an impact on the SSE Group and considers the risk of failure in these proceedings to be unlikely. The SSE Group did not record any provision related to this lawsuit.

36. Subsequent events

The EPE Group is currently considering a merger of ENERGZET, a.s. into ROLLEON a.s.

On 1 July 2014 EPH Financing II, a.s. partially repaid bank loan in an amount of EUR 25,480 thousand.

On 2 July 2014 EP Renewables a.s. was renamed to VTE Moldava II, a.s.

On 3 July 2014 Severočeská teplárenská, a.s. acquired a 8.68% share in PRVNÍ MOSTECKÁ a.s. for EUR 987 thousand (CZK 27 million). The total share in PRVNÍ MOSTECKÁ a.s. thus increased to 100%.

On 9 July 2014 Pražská teplárenská Holding a.s. provided loan to PT Holding Investment B.V. in an amount of EUR 12,588 thousand (CZK 345 million). This loan will be set off against dividend next year.

On 11 July 2014 UNITED ENERGY COAL TRADING POLSKA S.A. was renamed to EP COAL TRADING POLSKA S.A.

On 22 July 2014 EP Renewables II a.s. was renamed to EP Renewables a.s.

On 31 July 2014 the EPE Group acquired 60% share in EŽC a.s. for EUR 5,803 thousand (CZK 160 million).

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

Shareholder of the Group is currently considering a non-cash decrease of share capital of the Company by approximately EUR 241 million to optimise the Company's capital structure.

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 at 30 June 2014.

Appendices*:

Appendix 1 – Business combinations

* *Information contained in the appendices form part of the complete set of these condensed consolidated interim financial statements.*

Date:	Signature of the authorised representative	
28 August 2014	Mgr. Tomáš David 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 2013

PRVNÍ MOSTECKÁ a.s. including its subsidiary

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

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

(1) Represents values at 100% share.
(2) The result of purchase price allocation was not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from business combinations in 2013.

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

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

As the acquisition occurred as at 14 January 2013 and for the period from 1 January 2013 to 13 January 2013 there were no significant transactions, the amount of the estimated revenues and profit or loss that would have been included in the 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.

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

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

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

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

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

* *Before intercompany elimination*

Helmstedter Revier 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 thousands of EUR	**Carrying amount**	**Fair value adjustment**	**2013 Total**
Property, plant, equipment, land, buildings	61,855	-	61,855
Intangible assets	3,518	-	3,518
Deferred tax asset	1,729	4,124	5,853
Inventories	8,088	-	8,088
Trade receivables and other assets	10,206	-	10,206
Cash and cash equivalents	38,384	-	38,384
Provisions	(115,424)	(14,245)	(129,669)
Trade payables and other liabilities	(3,961)	-	(3,961)
Net identifiable assets and liabilities	**4,395**	**(10,121)**	**(5,726)**
Non-controlling interest			(1,410)
Goodwill on acquisition of new subsidiaries			5,053
Negative goodwill on acquisition of new subsidiaries			-
Pricing differences in equity			-
Cost of acquisition			**(2,083)**
Consideration paid, satisfied in cash (A)			(8,142)
Consideration, other			6,059
Consideration, contingent			-
New shares issued			-
Total consideration transferred			(1)**(2,083)**
Less: Cash acquired (B)			38,384
Net cash inflow (outflow) (C) = (B – A)			**46,526**

(1) For more details for the negative purchase price see Note 5 – Acquisitions and contributions of subsidiaries, special purpose entities, joint-ventures and associates.

Consideration paid represents cost received (negative purchase price) by the direct parent company JTSD Braunkohlebergbau GmbH. This amount was decreased by the compensation claim represented in the table above as other consideration.

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

In thousands of EUR	**2013 Total**
Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)*	(1)3,346
Profit (loss) of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)*	(1)(14,282)

* *Before intercompany elimination*

(1) Data from standalone financial statements of Helmstedter Revier GmbH for the period from 1 October to 31 December 2013 according to German GAAP.