



**EP Energy, a.s.**

**Consolidated Financial Statements  
as of and for the year ended 31 December 2013**

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



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## **Independent Auditor's Report to the Shareholder of EP Energy, a.s.**

We have audited the accompanying consolidated financial statements of EP Energy, a.s., which comprise the consolidated statement of financial position as of 31 December 2013, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and the notes to these consolidated financial statements including a summary of significant accounting policies and other explanatory notes. Information about the company is set out in Note 1 to these consolidated financial statements.

### *Statutory Body's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of EP Energy, a.s. as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Prague  
28 April 2014

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# Consolidated statement of comprehensive income

For the year ended 31 December 2013

In thousands of EUR ("TEUR")

	Note	2013	2012
Sales: Energy	7	1,779,206	1,562,861
of which: Electricity		982,596	892,137
Heat		321,141	272,800
Coal		281,569	250,328
Gas		193,900	147,596
Sales: Other	7	94,735	70,397
<b>Total sales</b>		<b>1,873,941</b>	<b>1,633,258</b>
Cost of sales: Energy	8	(1,155,177)	(1,005,290)
Cost of sales: Other	8	(25,485)	(16,784)
<b>Total cost of sales</b>		<b>(1,180,662)</b>	<b>(1,022,074)</b>
		<b>693,279</b>	<b>611,184</b>
Personnel expenses	9	(184,246)	(150,499)
Depreciation and amortisation	16, 17	(239,662)	(207,255)
Repairs and maintenance		(12,184)	(18,176)
Emission rights, net	10	(32,616)	5,369
Negative goodwill	6	17,800	117,691
Taxes and charges	11	(11,648)	(15,193)
Other operating income	12	80,990	89,369
Other operating expenses	13	(150,105)	(89,568)
<b>Profit (loss) from operations</b>		<b>161,608</b>	<b>342,922</b>
Finance income	14	88,271	20,243
Finance expense	14	(97,482)	(80,062)
Profit (loss) from financial instruments	14	(2,165)	(3,898)
<b>Net finance income/(expense)</b>		<b>(11,376)</b>	<b>(63,717)</b>
Share of profit (loss) of equity accounted investees, net of tax	19	(5,377)	(358)
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint-ventures and associates	6	(668)	174,218
<b>Profit (loss) before income tax</b>		<b>144,187</b>	<b>453,065</b>
Income tax expenses	15	(21,245)	(40,608)
<b>Profit (loss) for the year</b>		<b>122,942</b>	<b>412,457</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations	15	21,390	1,965
Foreign currency translation differences from presentation currency	15	(100,719)	33,457
Fair value reserve included in other comprehensive income	15	(219)	-
Effective portion of changes in fair value of cash flow hedges, net of tax	15	(80,738)	80
<b>Other comprehensive income for the year, net of tax</b>		<b>(160,286)</b>	<b>35,502</b>
<b>Total comprehensive income for the year</b>		<b>(37,344)</b>	<b>447,959</b>
<b>Profit (loss) attributable to:</b>			
Owners of the Company		113,201	413,252
Non-controlling interest	28	9,741	(795)
<b>Profit (loss) for the year</b>		<b>122,942</b>	<b>412,457</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(37,599)	443,211
Non-controlling interest	28	255	4,748
<b>Total comprehensive income for the year</b>		<b>(37,344)</b>	<b>447,959</b>
<b>Basic and diluted earnings per share in EUR</b>	27	<b>5.82</b>	<b>21.28</b>

The notes presented on pages 9 to 116 form an integral part of these consolidated financial statements.

## Consolidated statement of financial position

As at 31 December 2013

In thousands of EUR ("TEUR")

	Note	2013	2012 Restated*
<b>Assets</b>			
Property, plant and equipment	16	2,433,472	1,660,382
Intangible assets	17	186,685	180,628
Goodwill	17	92,545	104,296
Investment property	18	324	358
Participations with significant influence	19	260,800	160,819
Financial instruments and other financial assets	32	13,075	17,303
<i>of which receivables from the parent company</i>		-	-
Trade receivables and other assets	22	29,333	16,508
Deferred tax assets	20	8,014	1,273
<b>Total non-current assets</b>		<b>3,024,248</b>	<b>2,141,567</b>
Inventories	21	69,992	33,014
Extracted minerals and mineral products		6,136	4,177
Trade receivables and other assets	22	318,290	249,204
Financial instruments and other financial assets	32	516,842	543,835
<i>of which receivables from the parent company</i>		467,104	490,135
Prepayments and other deferrals		3,345	2,466
Tax receivables	24	13,406	19,292
Cash and cash equivalents	23	283,069	325,099
Assets/disposal groups held for sale	25	49	10,302
<b>Total current assets</b>		<b>1,211,129</b>	<b>1,187,389</b>
<b>Total assets</b>		<b>4,235,377</b>	<b>3,328,956</b>
<b>Equity</b>			
Share capital	26	769,180	763,650
Share premium		116,434	-
Reserves		(355,957)	(204,305)
Retained earnings		445,608	596,978
<b>Total equity attributable to equity holders</b>		<b>975,265</b>	<b>1,156,323</b>
Non-controlling interest	28	480,186	283,890
<b>Total equity</b>		<b>1,455,451</b>	<b>1,440,213</b>
<b>Liabilities</b>			
Loans and borrowings	29	1,513,784	653,779
<i>of which owed to the parent company</i>		-	126,730
Financial instruments and financial liabilities	32	1,649	1,472
Provisions	30	339,219	240,652
Deferred tax liabilities	20	269,463	194,153
Trade payables and other liabilities	33	76,679	4,892
<b>Total non-current liabilities</b>		<b>2,200,794</b>	<b>1,094,948</b>
Trade payables and other liabilities	33	383,971	324,185
Loans and borrowings	29	45,934	381,742
<i>of which owed to the parent company</i>		2,287	377,009
Financial instruments and financial liabilities	32	5,587	597
Provisions	30	93,726	63,524
Deferred income	31	42,022	17,542
Current income tax liability		7,892	4,415
Liabilities from disposal groups held for sale	25	-	1,790
<b>Total current liabilities</b>		<b>579,132</b>	<b>793,795</b>
<b>Total liabilities</b>		<b>2,779,926</b>	<b>1,888,743</b>
<b>Total equity and liabilities</b>		<b>4,235,377</b>	<b>3,328,956</b>

\* For details refer to Note 2(e) – Changes in accounting policies and Appendix 2 – Restated Consolidated statement of financial position.

The notes presented on pages 9 to 116 form an integral part of these consolidated financial statements.

## Consolidated statement of changes in equity

For the year ended 31 December 2013

In thousands of EUR ("TEUR")

	Share capital	Share premium	Other 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
<b>Balance at 1 January 2013 (A)</b>	763,650	-	22,538	75,891	15,922	-	(319,163)	507	596,978	1,156,323	283,890	1,440,213
<i>Total comprehensive income for the year:</i>												
Profit or loss (B)	-	-	-	-	-	-	-	-	113,201	113,201	9,741	122,942
<i>Other comprehensive income:</i>												
Foreign currency translation differences for foreign operations	-	-	-	-	20,405	-	-	-	-	20,405	985	21,390
Foreign currency translation differences from presentation currency	-	-	-	-	(90,248)	-	-	-	-	(90,248)	(10,471)	(100,719)
Fair value reserve included in other comprehensive income	-	-	-	-	-	(219)	-	-	-	(219)	-	(219)
Effective portion of changes in fair value of cash-flow hedges	-	-	-	-	-	-	-	(80,738)	-	(80,738)	-	(80,738)
<b>Total other comprehensive income (C)</b>	-	-	-	-	(69,843)	(219)	-	(80,738)	-	(150,800)	(9,486)	(160,286)
<b>Total comprehensive income for the year (D) = (B + C)</b>	-	-	-	-	(69,843)	(219)	-	(80,738)	113,201	(37,599)	255	(37,344)
<i>Contributions by and distributions to owners:</i>												
Increase in share capital	4,795	116,434	-	-	-	-	-	-	-	121,229	-	121,229
Dividends to equity holders	-	-	-	-	-	-	-	-	(263,661)	(263,661)	(168,478)	(432,139)
<b>Total contributions by and distributions to owners (E)</b>	4,795	116,434	-	-	-	-	-	-	(263,661)	(142,432)	(168,478)	(310,910)
<i>Changes in ownership interests in subsidiaries:</i>												
Effect of merged entities	735	-	-	-	-	-	(735)	-	(1,909)	(1,909)	-	(1,909)
Effect of disposals through step acquisition	-	-	-	-	195	-	(312)	-	117	-	-	-
Effects from acquisitions through step acquisition (Note 6)	-	-	-	-	-	-	-	-	-	-	2,264	2,264
Effect from acquisitions through business combinations (Note 6)	-	-	-	-	-	-	-	-	-	-	370,393	370,393
Effect of changes in shareholdings on non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total changes in ownership interests in subsidiaries (F)</b>	735	-	-	-	-	-	(1,047)	-	882	882	(8,138)	(7,256)
<b>Total transactions with owners (G) = (E + F)</b>	5,530	116,434	-	-	195	-	(1,047)	-	(910)	(1,027)	364,519	363,492
<b>Balance at 31 December 2013 (H) = (A + D + G)</b>	769,180	116,434	22,538	75,891	(53,726)	(219)	(320,210)	(80,231)	445,608	975,265	480,186	1,455,451

The notes presented on pages 9 to 116 form an integral part of these consolidated financial statements.

**For the year ended 31 December 2012**

*In thousands of EUR ("TEUR")*

<b>Balance at 1 January 2012 (A)</b>	<b>763,650</b>	<b>22,538</b>	<b>677</b>	<b>(10,018)</b>	<b>(319,163)</b>	<b>(1,005)</b>	<b>258,940</b>	<b>715,619</b>	<b>(265)</b>	<b>715,354</b>
<i>Total comprehensive income for the year:</i>										
Profit or loss (B)	-	-	-	-	-	-	413,252	413,252	(795)	412,457
<i>Other comprehensive income:</i>										
Foreign currency translation differences for foreign operations	-	-	-	2,005	-	-	-	2,005	(40)	1,965
Foreign currency translation differences from presentation currency	-	-	-	27,874	-	-	-	27,874	5,583	33,457
Effective portion of changes in fair value of cash-flow hedges	-	-	-	-	-	80	-	80	-	80
<b>Total other comprehensive income (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,879</b>	<b>-</b>	<b>80</b>	<b>-</b>	<b>29,959</b>	<b>5,543</b>	<b>35,502</b>
<b>Total comprehensive income for the year (D) = (B + C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,879</b>	<b>-</b>	<b>80</b>	<b>413,252</b>	<b>443,211</b>	<b>4,748</b>	<b>447,959</b>
<i>Transfers within equity:</i>										
Transfer to non-distributable reserves	-	-	75,214	-	-	-	(75,214)	-	-	-
<b>Total transfers within equity (E)</b>	<b>-</b>	<b>-</b>	<b>75,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(75,214)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Contributions by and distributions to owners:</i>										
Dividends to equity holders	-	-	-	-	-	-	-	-	(39)	(39)
<b>Total contributions by and distributions to owners (F)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(39)</b>	<b>(39)</b>
<i>Changes in ownership interests in subsidiaries:</i>										
Effect of disposals through step acquisition	-	-	-	(3,939)	-	1,432	-	(2,507)	(6,747)	(9,254)
Effects from acquisitions through step acquisition (Note 6)	-	-	-	-	-	-	-	-	279,446	279,446
Effect of changes in shareholdings on non-controlling interests	-	-	-	-	-	-	-	-	6,747	6,747
<b>Total changes in ownership interests in subsidiaries (G)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,939)</b>	<b>-</b>	<b>1,432</b>	<b>-</b>	<b>(2,507)</b>	<b>279,446</b>	<b>276,939</b>
<b>Total transactions with owners (H) = (F + G)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,939)</b>	<b>-</b>	<b>1,432</b>	<b>-</b>	<b>(2,507)</b>	<b>279,407</b>	<b>276,900</b>
<b>Balance at 31 December 2012 (I) = (A + D + E + H)</b>	<b>763,650</b>	<b>22,538</b>	<b>75,891</b>	<b>15,922</b>	<b>(319,163)</b>	<b>507</b>	<b>596,978</b>	<b>1,156,323</b>	<b>283,890</b>	<b>1,440,213</b>

The notes presented on pages 9 to 116 form an integral part of these consolidated financial statements.

## Consolidated statement of cash flows

For the year ended 31 December 2013

In thousands of EUR ("TEUR")

	Note	2013	2012
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the year		122,942	412,457
Adjustments for:			
Income taxes	15	21,245	40,608
Depreciation and amortisation	16, 17	239,662	207,255
Impairment losses on property, plant and equipment and intangible assets		20,471	3,500
Change in fair value of investment property	18	11	-
Loss on disposal of property, plant and equipment, investment property and intangible assets	13	4,183	1,193
Gain on disposal of inventories	12	(370)	(358)
Emission rights	10	32,616	(5,369)
Gain on disposal of subsidiaries, special purpose entities, joint-ventures, associates and non-controlling interests	6	668	(174,218)
Share of profit (loss) of equity accounted investees	19	5,377	358
Gain on financial instruments	14	2,165	3,898
Net interest expense	14	64,485	57,672
Change in allowance for impairment to trade receivables and other assets, write-offs		11,665	2,108
Change in provisions		(10,342)	(60,932)
Negative goodwill	6	(17,800)	(117,691)
Unrealised foreign exchange (gains)/losses, net		17,554	29,644
<b>Operating profit before changes in working capital</b>		<b>514,532</b>	<b>400,125</b>
Change in financial instruments at other than fair value		(179,204)	(295,271)
Change in trade receivables and other assets		27,519	(52,380)
Change in inventories (including proceeds from sale)		(26,394)	(1,869)
Change in extracted minerals and mineral products		(1,959)	(2,148)
Change in assets held for sale and related liabilities		-	(76,642)
Change in trade payables and other liabilities		(43,261)	(637,155)
<b>Cash generated from (used in) operations</b>		<b>291,233</b>	<b>(665,340)</b>
Interest paid		(83,443)	(54,767)
Income taxes paid		(55,761)	(34,642)
<b>Cash flows generated from (used in) operating activities</b>		<b>152,029</b>	<b>(754,749)</b>
<b>INVESTING ACTIVITIES</b>			
Received dividends		25,470	-
Proceeds from sale of financial instruments – derivatives		4,171	(1,393)
Acquisition of property, plant and equipment, investment property and intangible assets	16, 17, 18	(98,839)	(75,447)
Purchase of emission rights	17	(12,448)	(17,937)
Proceeds from sale of emission rights		1,156	24,699
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		3,403	557
Acquisition of subsidiaries and special purpose entities, net of cash acquired	6	(263,452)	34,594
Net cash inflow from disposal of subsidiaries and special purpose entities including received dividends	6	7,052	512,166
Increase in participation in existing subsidiaries and special purpose entities		(7,256)	-
Cash flow from contingent consideration		-	-
Interest received		653	3,222
<b>Cash flows from (used in) investing activities</b>		<b>(340,090)</b>	<b>480,461</b>

## Notes to the consolidated 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.<sup>(2)</sup>, AISE, s.r.o., První energetická a.s.<sup>(1)</sup>, Czech Energy Holding, a.s.<sup>(2)</sup>, Plzeňská energetika a.s., ROLLEON a.s., EP Renewables a.s. (previously Czech Wind Holding, a.s.) and HC Fin3 N.V.<sup>(2)</sup>

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<sup>(2)</sup>, a.s., Czech Energy Holding, a.s.<sup>(2)</sup>, HC Fin3 N.V.<sup>(2)</sup>, EAST BOHEMIA ENERGY HOLDING LIMITED<sup>(2)</sup>, LIGNITE INVESTMENTS 1 LIMITED<sup>(2)</sup> 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.

The consolidated financial statements of the Company for the year ended 31 December 2013 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates and joint-ventures (together referred to as the "Group" or the "EPE Group"). The Group entities are listed in Note 38 – 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 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
<b>Total</b>	<b>769,180</b>	<b>100.00</b>		<b>100.00</b>

The shareholder of the Company as at 31 December 2012 was as follows:

	Interest in share capital		Voting rights	
	TEUR	%		%
Energetický a průmyslový holding, a.s.	763,650	100.00		100.00
<b>Total</b>	<b>763,650</b>	<b>100.00</b>		<b>100.00</b>

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

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

The members of the board of directors as at 31 December 2013 were:

- JUDr. Daniel Křetínský (chairman of the board of directors)
- Ing. Jan Špringl (vice-chairman of the board of directors)
- Mgr. Marek Spurný (member of the board of directors)
- Mgr. Pavel Horský (member of the board of directors)
- Ing. Jiří Feist (member of the board of directors)
- Mgr. Ing. Tomáš David (member of the board of directors)

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

As the Company was established by its parent Energetický a průmyslový holding, a.s. under the common control principle (refer to Note 3 – Significant Accounting Policies), 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**

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

The consolidated financial statements were approved by the board of directors on 28 April 2014.

### **(b) Basis of measurement**

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

- investment property
- derivative financial instruments
- available-for-sale financial instruments

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

The accounting policies described in the following paragraphs have been consistently applied by the Group entities and between accounting periods except for accounting policies as described in note 2(e) – Changes in accounting policies.

### **(c) Functional and presentation currency**

The consolidated financial statements are presented in Euro (“EUR”). The Company’s functional currency is the Czech crown (“CZK”). All financial information presented in Euros has been rounded to the nearest thousand (for more details refer to Note 2(e) vi. – Change in presentation currency).

### **(d) Use of estimates and judgments**

The preparation of financial statements in accordance with International Financial Reporting Standards requires the use of certain critical accounting estimates that affect the reported amounts of assets, liabilities, income and expenses. It also requires management to exercise judgment in the process of applying the Company’s accounting policies. The resulting accounting estimates will, by definition, seldom equal the related actual results.

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

#### ***i. Assumptions and estimation uncertainties***

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 is included in the following notes:

- Notes 6 and 17 – accounting for business combinations, recognition of goodwill/negative goodwill, impairment testing of goodwill,
- Note 7 - Revenues
- Note 30 – measurement of defined benefit obligations, recognition and measurement of provisions,
- Notes 32 and 36 – valuation of financial instruments,
- Note 39 – litigations.

#### ***Measurement of fair values***

A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

would not have a significant impact on the decisions made by the users of these consolidated financial statements.

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

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

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

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

*Stripping costs in the production phase of a surface mine*

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

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

*Recognition of stripping activity asset*

Stripping activity asset shall be recognised only if

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

*Measurement of the stripping activity asset*

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

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

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

In accordance with IFRIC 20, the accounting policy for stripping costs is applied prospectively from 1 January 2013. As at 31 December 2013 the Group recognised an inventory resulting from the stripping activity of EUR 25,585 thousand (refer to Note 21 – Inventories).

**iii. Employee benefits**

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

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

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

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

**iv. Fair value measurement**

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required in financial statements for financial instruments; accordingly, the EPE Group has included additional disclosures in this regard (refer to Note 32 – Financial instruments).

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

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

**v. Presentation of items of other comprehensive income**

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

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

**vi. Change in presentation currency**

By currency, EPE Group revenues and operating profit generated in Euro for the year ended 31 December 2013 represent a significant share of the total revenues and operating profit. Due to the acquisition of a 49% stake in Stredoslovenská energetika, a.s. on 16 December 2013 and the acquisition of the Helmstedter Revier GmbH ("HSR") on 20 December 2013, the share of EPE Group's revenue and operating profit generated in Euro further increased. As a result, the EPE Group changed its presentation currency from Czech crowns to Euro. This presentation currency was used for the first time for consolidated financial statements for the year ending 31 December 2013. The change allowed the EPE Group's financial statements to be presented in the currency that most closely represents the main operating currency of the operations of the EPE Group.

**(f) Recently issued accounting standards**

**i. Newly adopted Standards, Amendments to standards and Interpretations effective for the year ended 31 December 2013 that have been applied in preparing the Group's financial statements**

The following paragraphs provide a summary of the key requirements of IFRSs that are effective for annual periods beginning on or after 1 January 2013 and that have thus been applied by the Group for the first time.

**Amendments to IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013)**

The amendments contain new disclosure requirements for financial assets and liabilities that are either offset in the statement of financial position, or subject to master netting arrangements or similar

agreements. The amendments do not have any impact on the Group's financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

**IFRS 13 Fair Value Measurement (effective prospectively for annual periods beginning on or after 1 January 2013)**

IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 Financial Instruments: Disclosures will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The Standard does not have a material impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

**Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2013)**

The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted.

The Amendments do not have any impact on the financial statements, since it does not result in a change in the Group's accounting policy. The measurement of deferred tax assets and liabilities relating to investment properties measured using the fair value model in IAS 40 will not change.

**IAS 19 Employee Benefits (effective for annual periods beginning on or after 1 January 2013)**

The amendment requires actuarial gains and losses to be recognised immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognising actuarial gains and losses, and eliminates the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognised in profit or loss to be calculated based on the rate used to discount the defined benefit obligation.

The Group has adopted the amendment to its Group accounting policies. For quantitative impact refer to Note 2e iii – Employee benefits and Note 30 – Provisions.

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

The interpretation sets out requirements relating to the recognition of production stripping costs and initial and subsequent measurement of stripping activity assets.

To the extent that benefits from production stripping are realised in the form of inventory produced, the related production stripping costs are accounted for in accordance with IAS 2 Inventories.

Production stripping costs that improve access to ore to be mined in the future are recognised as a non-current asset if, and only if, all of the following criteria are met:

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

The stripping activity asset shall be accounted for as an addition to, or as an enhancement of, an existing asset.

The stripping activity asset shall initially be recognised at cost while after initial recognition, it shall be carried at either its cost or its re-valued amount, less depreciation or amortisation and impairment losses, in the same way as the existing asset of which it is a part.

The interpretation also requires that when the costs of the stripping activity asset and of the inventory produced are not separately identifiable, the entity allocates production stripping costs between the two based on a 'relevant' production measure.

The Group has adopted this interpretation to its Group accounting policies. For quantitative impact refer to Note 2e ii – Stripping costs and Note 21 – Inventories).

**Improvements to IFRSs issued in 2012 (effective for annual reports beginning on or after 1 January 2013)**

Since the improvements are focused on issued such as the first adoption of IFRSs (IFRS 1), interim financial reporting (IAS 34), financial instruments (IAS 32), recognition of spare parts (IAS 16), the adoption did not have any material effect on amounts reported in these consolidated financial statements.

***ii. Standards adopted by the EU but not yet effective***

At the date of authorisation of these consolidated financial statements, the following significant Standards, Amendments to Standards and Interpretations have been issued but are not yet effective for the period ended 31 December 2013 and thus have not been adopted by the Group:

**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 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).

The Group does not expect the new standard to have any impact on the financial statements, since the assessment of control over its current investees under the new standard is not expected to change 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.

The Group does not expect the new standard to have any impact on the financial statements, since the assessment of the joint arrangements under the new standard is not expected to result in a change in the accounting treatment of existing 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.

**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 consolidated 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 consolidated financial statements should be 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 Group does not expect the amendments to the standard to have a material impact on the 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 Group does not expect the amendments to have any impact on the financial statements since it does not apply offsetting to any of its financial assets and financial liabilities and it has not entered into master netting arrangements.

**IFRIC 21, 'Levies' (effective for annual reports beginning on or after 1 January 2014)**

The new interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37, 'Provisions, Contingent Liabilities and Contingent Assets' and those where the timing and amount of the levy is certain. The Interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes, fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards.

The management of the Group is about to discuss an adoption of this interpretation.

***iii. Other International Financial Reporting Standards***

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

### 3. Significant Accounting Policies

Except for the changes explained in Note 2(e) – Changes in accounting policies, the EPE Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Certain comparative amounts in the consolidated statement of comprehensive income and consolidated statement of financial position have been re-presented, either as a result of a change in the accounting policy regarding the presentation of items of other comprehensive income or a change in the accounting policy for emission rights (see Note 17 – Intangible assets and Appendix 2 – Restated Consolidated statement of financial position).

#### (a) Basis of consolidation

##### *i. Subsidiaries*

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

##### *ii. Equity accounted investees*

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

##### *iii. Joint-ventures*

Joint-ventures are enterprises in which the Group has a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. The strategic, financial and operating policy decisions of the joint-venture require the unanimous consent of the parties sharing control. The consolidated financial statements include the Group's share of its interests in joint-ventures using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of joint-ventures are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Where the Group transacts with its joint-ventures, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint-venture. Joint-ventures are recognised from the date the Group has control over its share of future economic benefits through its share of the assets and liabilities of the venture, until the date that joint control ceases.

##### *iv. Special purpose entities ("SPEs")*

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

##### *v. Accounting for business combinations*

The Group acquired its subsidiaries in two ways:

- As a business combination transaction within the scope of IFRS 3 which requires initial measurement of assets and liabilities at fair value.
- As a business combination under common control which is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both

before and after the business combination, and that control is not transitory. Such acquisitions are excluded from the scope of IFRS 3. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements (i.e. value at cost as at the date of acquisition less accumulated depreciation and/or potential impairment). No new goodwill or negative goodwill was recognised on these acquisitions.

**vi. *Non-controlling interests***

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

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

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

**vii. *Transactions eliminated on consolidation***

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the enterprise. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**viii. *Unification of accounting policies***

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

**ix. *Pricing differences***

The Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. or subsidiaries contributed to the share capital of the Company by Energetický a průmyslový holding, a.s. As these acquired or contributed entities and EPE were under common control of Energetický a průmyslový holding, a.s., they were therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value presented in the consolidated financial statements of Energetický a průmyslový holding, a.s. (i.e. including historical goodwill less potential impairment) as at the date these entities were acquired by Energetický a průmyslový holding, a.s. (acquisition date). The difference between the cost of acquisition and carrying values of net assets of the acquiree and original goodwill carried forward as at the acquisition date were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in Equity. "Note 6 – Acquisitions and contributions of subsidiaries, special purpose entities, joint-ventures and associates" summarises the effects of all common control transactions in both periods.

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

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

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

***xi. Disposal of subsidiaries and equity accounted investees***

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

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

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

**(b) Foreign currency**

***i. Foreign currency transactions***

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

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

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

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

A summary of the main foreign exchange rates applicable for the reporting period is presented in Note 36 – Risk management policies and disclosures.

***ii. Financial statements of foreign operations***

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

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

***iii. Translation to presentation currency***

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

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

**(c) Non-derivative financial assets**

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

**i. Classification**

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

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

*Held-to-maturity assets* are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity.

*Available-for-sale financial assets* are non-derivative financial assets that are not designated as fair value through profit or loss, loans and receivables, cash and cash equivalents or as held to maturity.

**ii. Recognition**

*Financial assets at fair value through profit or loss and available-for-sale assets* are recognised on the date the Group becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets including held-to-maturity assets are initially recognised on the trade date, when the Group becomes a party to the contractual provisions of the instrument.

*Loans and receivables* are recognised on the day they are originated.

**iii. Measurement**

Upon initial recognition, financial assets are measured at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs directly attributable to the acquisition of the financial instrument. Attributable transaction costs relating to financial assets measured at fair value through profit or loss are recognised in profit or loss as incurred. For the methods used to estimate fair value, refer to Note 4 – Determination of fair values.

Subsequent to initial recognition, financial assets are measured at their fair value, except for loans and receivables and held-to-maturity instruments, which are measured at amortised cost, less any impairment loss.

In measuring the amortised cost, any difference between cost and redemption value is recognised in profit or loss over the period of the asset or liability on an effective interest rate basis.

**iv. Gains and losses on subsequent measurement**

For financial assets at fair value through profit or loss, gains and losses arising from a change in fair value are recognised in profit or loss.

For assets available for sale, changes in fair value, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve. When an available-for-sale asset is derecognised, the cumulative gains and losses in other comprehensive income are transferred to profit or loss. Interest income and expense from available-for-sale securities are recorded in profit or loss by applying the effective interest rate method.

**v. De-recognition**

A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or when the rights to receive the contractual cash flows are transferred in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

**vi. Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and the transactions are intended to be settled on a net basis.

**(d) Non-derivative financial liabilities**

The Group has the following non-derivative financial liabilities: loans and borrowings, debt securities issued, bank overdrafts, and trade and other payables. Such financial liabilities are initially recognised at the settlement date at fair value plus any directly attributable transaction costs except for financial liabilities at fair value through profit and loss, where transaction costs are recognised in profit or loss as incurred. Financial liabilities are subsequently measured at amortised cost using the effective interest rate, except for financial liabilities at fair value through profit or loss. For the methods used to estimate fair value, refer to Note 4 – Determination of fair values.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

**(e) Derivative financial instruments**

The Group holds derivative financial instruments to hedge its foreign currency, interest rate and commodity risk exposures.

Derivatives are recognised initially at fair value, with attributable transaction costs recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

***Other non-trading derivatives***

When a derivative financial instrument is not held for trading and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

***Separable embedded derivatives***

Financial and non-financial contracts (where they have not already been measured at fair value through profit or loss) are assessed to determine whether they contain any embedded derivatives.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

***Cash flow hedges and fair value hedges***

The majority of financial derivatives are held for hedging purposes but do not meet the criteria for hedge accounting as stated by IAS 39. These derivatives are designated for trading, and related profit and loss from changes in fair value is recognised in profit and loss.

Hedging instruments which consist of derivatives associated with a currency risk are classified either as cash-flow hedges or fair value hedges.

From the inception of the hedge, the Group maintains a formal documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. The Group also periodically assesses the hedging instrument's effectiveness in offsetting exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

In the case of a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion of the gain or loss on the hedging instrument is recognised in profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then the hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

In the case of a fair value hedge, the gain or loss from re-measuring the hedging instrument at fair value is recognised in profit or loss.

#### ***Transactions with emission rights and energy***

According to IAS 39, certain contracts for emission rights and energy fall into the scope of the standard. Most purchase and sales contracts entered into by the Group provide for physical delivery of quantities intended for consumption or sale as part of its ordinary business. Such contracts are thus excluded from the scope of IAS 39.

In particular, swaps and forward purchases and sales for physical delivery are considered to fall outside the scope of application of IAS 39, when the contract concerned is considered to have been entered into as part of the Group's normal business activity. This is demonstrated to be the case when all the following conditions are fulfilled:

- a physical delivery takes place under such contracts;
- the volumes purchased or sold under the contracts correspond to the Group's operating requirements; and
- the contract cannot be considered a written option as defined by IAS 39.

The Group thus considers that transactions negotiated with a view to balancing the volumes between emission rights and energy purchases and sale commitments are part of its ordinary business and do not therefore fall under the scope of IAS 39.

Contracts which fall under the scope of IAS 39 are carried at fair value with changes in the fair value recognised in profit or loss. The Group presents revenues and expenses related to emission rights trading net in the line Emission rights, net.

#### **(f) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances on hand and in banks, and short-term highly liquid investments with original maturities of three months or less.

#### **(g) Inventories**

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

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

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

#### **(h) Impairment**

##### ***i. Non-financial assets***

The carrying amounts of the Group's assets, other than inventories (refer to accounting policy (g) – Inventories), investment properties (refer to accounting policy (k) – Investment property) and deferred tax assets (refer to accounting policy (o) – Income taxes) are reviewed at each reporting date to determine

whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have an indefinite useful life or that are not yet available for use, the recoverable amount is estimated at least each year at the same time.

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

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

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

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

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

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

## ***ii. Financial assets (including trade and other receivables)***

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

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

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

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

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

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

## **(i) Property, plant and equipment**

### ***i. Owned assets***

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (refer to accounting policy (h) – Impairment). Opening balances are presented at net book values, which include adjustment from revaluation within the Purchase Price Allocation process.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and capitalised borrowing costs (refer to accounting policy (n) – Finance income and costs). The cost also includes costs of dismantling and removing the items and restoring the site on which they are located.

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

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

### ***ii. Leased assets***

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

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

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

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

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

### **iii. Subsequent costs**

Subsequent costs are capitalised only if it is probable that the future economic benefits embodied in an item of property, plant and equipment will flow to the Group and its cost can be measured reliably. All other expenditures, including the costs of the day-to-day servicing of property, plant and equipment, are recognised in profit or loss as incurred.

### **iv. Depreciation**

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of items of property, plant and equipment. Land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

The estimated useful lives are as follows:

• Power plant buildings and structures	50 – 100 years
• Buildings and structures	20 – 50 years
• Machinery, electric generators, gas producers, turbines and drums	20 – 30 years
• Distribution network	10 – 30 years
• Machinery and equipment	4 – 20 years
• Fixtures, fittings and others	3 – 20 years

Depreciation methods and useful lives, as well as residual values, are reassessed annually at the reporting date. For companies acquired under IFRS 3 for which a purchase price allocation was prepared, the useful lives are reassessed based on the purchase price allocation process.

## **(j) Intangible assets**

### **i. Goodwill and intangible assets acquired in a business combination**

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

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

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

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

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

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

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

*Summary of quantitative impact*

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

The current accounting policy valid since 1 January 2013 grosses-up intangible assets and a provision for estimated pollutants. The Company believes that the current accounting policy better depicts the overall financial position in respect of emission allowances giving the user of the consolidated financial statements overview of emission allowances physically held at the end of the period and simultaneously presenting an estimated liability relating to the emitted pollutants. As there is no impact on the statement of comprehensive income, the Company decided not to present the restated statement of financial position as at 1 January 2012 on the face of the consolidated financial statements as the Company assessed that it would not have a significant impact on the decisions made by the users of these consolidated financial statements.

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

**iv. Software and other intangible assets**

Software and other intangible assets acquired by the Group that have definite useful lives are stated at cost less accumulated amortisation (see below) and impairment losses (refer to accounting policy (h) – Impairment).

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

**v. Amortisation**

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

- |                           |             |
|---------------------------|-------------|
| • Software                | 2 – 4 years |
| • Other intangible assets | 2 – 6 years |

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

**(k) Investment property**

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

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

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

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

## **(I) Provisions**

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

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

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

### ***i. Employee benefits***

#### **Long-term employee benefits**

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

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

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

#### ***Pension plans***

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

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

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

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

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

assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in profit or loss as a finance cost.

**vii. Onerous contracts**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

**(m) Revenue**

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

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

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

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

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

Other revenues represent revenues from non-energy activities.

**Revenues from sale of electricity, heat and gas**

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

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

**Revenues from sale of coal**

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

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

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

#### **Energy trading**

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

#### **ii. Government grants**

Government grants are recognised initially at fair value as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which the expenses the grant is intended to compensate are recognised. Grants that compensate the Company for the cost of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

#### **iii. Rental income**

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

### **(n) Finance income and costs**

#### **i. Finance income**

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

#### **ii. Finance costs**

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

#### **iii. Borrowing costs**

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

**(o) Income taxes**

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

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

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

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

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

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

**(p) Dividends**

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

**(q) Non-current assets held for sale and disposal groups**

Non-current assets (or disposal groups comprising assets and liabilities) which are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (and all assets and liabilities in a disposal group) are re-measured in accordance with the Group's relevant accounting policies. Then, on initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, and investment property, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale are included in profit or loss. The same applies to gains and losses on subsequent re-measurement. Gains are not recognised in excess of any cumulative impairment loss.

Any gain or loss on the re-measurement of a non-current asset (or disposal group) classified as held for sale that does not meet the definition of a discontinued operation is included in profit or loss from continuing operations.

**(r) Segment reporting**

Due to the fact that the Company issued debentures (Senior Secured Notes) in 2012 and 2013 which were listed on the Irish Stock Exchange, the Company reports segmental information in accordance with IFRS 8.

Segment results that are reported to the Group's board of directors (the chief operating decision maker) include items directly attributable to the segment as well as those that can be allocated on a reasonable basis. The support is provided by four executive committees: a strategic committee, an investment committee, a risk management committee and a compliance committee.

#### **4. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### **(a) Property, plant and equipment**

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values or the income approach method. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly. The income approach method determines the value of property based on its ability to generate desired economic benefit for the owners. The key objective of the income based method is to determine the property value as a function of the economic benefit.

##### **(b) Intangible assets**

The fair value of intangible assets recognised as a result of a business combination is based on the discounted cash flows expected to be derived from the use or eventual sale of the assets.

##### **(c) Investment property**

The fair value of investment property is determined by an independent registered valuer. The fair value is assessed based on current prices in an active market for similar properties in the same location and condition, or where not available, by applying generally applicable valuation methodologies that consider the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation (discounting).

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

##### **(d) Inventories**

The fair value of inventories acquired in a business combination is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

##### **(e) Non-derivative financial assets**

The fair value of financial assets at fair value through profit or loss, held-to-maturity investments and available-for-sale financial assets is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flows techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market-related measures at the reporting date.

The fair value of trade and other receivables, excluding construction work in progress, but including service concession receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

The fair value of trade and other receivables and of held-to-maturity investments is determined for disclosure purposes only.

**(f) Non-derivative financial liabilities**

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

**(g) Derivatives**

The fair value of forward electricity contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

The fair value of other derivatives (exchange rate, commodity, foreign CPI indices) embedded in a contract is estimated by discounting the difference between the forward values and the current values for the residual maturity of the contract using a risk-free interest rate (based on zero coupon).

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and counterparty when appropriate.

## **5. Operating segments**

The Group operates in 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 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. This segment is mainly represented by Stredoslovenská energetika, a.s., United Energy 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 and results from acquisition accounting.

## Profit or loss

For the year 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
Sales: Energy	354,466	652,759	960,146	5,958	-	1,973,329	(194,123)	1,779,206
external revenues	314,419	553,771	905,349	5,667	-	1,779,206	-	1,779,206
inter-segment revenues	40,047	98,988	54,797	291	-	194,123	(194,123)	-
Sales: Other	65,857	20,510	11,620	171	3,136	101,294	(6,559)	94,735
external revenues	59,977	20,470	11,620	171	2,497	94,735	-	94,735
inter-segment revenues	5,880	40	-	-	639	6,559	(6,559)	-
Cost of sales: Energy	(52,647)	(375,174)	(902,013)	(86)	-	(1,329,920)	174,743	(1,155,177)
external cost of sales	(52,647)	(299,730)	(802,736)	(64)	-	(1,155,177)	-	(1,155,177)
inter-segment cost of sales	-	(75,444)	(99,277)	(22)	-	(174,743)	174,743	-
Cost of sales: Other	(5,081)	(15,087)	(30,698)	(27)	(331)	(51,224)	-	(25,485)
external cost of sales	(5,081)	(14,710)	(5,343)	(21)	(330)	(25,485)	-	(25,485)
inter-segment cost of sales	-	(377)	(25,355)	(6)	(1)	(25,739)	25,739	-
Personnel expenses	(126,458)	(49,984)	(5,941)	(369)	(1,494)	(184,246)	-	(184,246)
Depreciation and amortisation	(110,170)	(115,906)	(10,070)	(3,450)	(66)	(239,662)	-	(239,662)
Repairs and maintenance	(3,162)	(8,355)	(85)	(569)	(13)	(12,184)	-	(12,184)
Emission rights, net	(9,904)	(22,713)	1	-	-	(32,616)	-	(32,616)
Negative goodwill	-	2,176	15,624	-	-	17,800	-	17,800
Taxes and charges	(9,923)	(1,251)	(68)	(403)	(3)	(11,648)	-	(11,648)
Other operating income	44,422	33,534	2,888	718	220	81,782	(792)	80,990
Other operating expenses	(82,160)	(35,381)	(13,977)	(14,599)	(4,715)	(150,832)	727	(150,105)
Finance income	2,676	(2,561)	(1,338)	617	*267,962	*267,356	*(179,085)	88,271
external finance revenues	2,603	(4,617)	(1,338)	617	91,006	88,271	-	88,271
inter-segment finance revenues	73	2,056	-	-	*176,956	*179,085	*(179,085)	-
Finance expense	(26,212)	(30,261)	(7,365)	(4,806)	(73,202)	(141,846)	44,364	(97,482)
Profit (loss) from derivative financial instruments	(139)	(5,349)	(1,631)	(124)	5,078	(2,165)	-	(2,165)
Share of profit (loss) of equity accounted investees, net of tax	(4,332)	(1,045)	-	-	-	(5,377)	-	(5,377)
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	(668)	-	-	-	(668)	-	(668)
Profit (loss) before income tax	37,233	45,244	17,093	(16,969)	*196,572	*279,173	*(134,986)	144,187
Income tax expenses	(14,281)	(8,326)	804	136	422	(21,245)	-	(21,245)
Profit (loss) for the year	22,952	36,918	17,897	(16,833)	*196,994	*257,928	*(134,986)	122,942

\*EUR 134,758 thousand is attributable to inter-group dividends primarily recognised by EP Energy, a.s.

For the year ended 31 December 2012

In thousands of EUR

	Mining	Heat and Power	Power Distribution and Supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy external revenues	284,612	652,309	845,285	5,210	-	1,787,416	(224,555)	1,562,861
inter-segment revenues	284,612	493,239	780,138	4,832	-	1,562,861	-	1,562,861
Sales: Other external revenues	-	159,050	65,147	358	-	224,555	(224,555)	-
inter-segment revenues	50,710	14,915	25,891	676	4,534	96,726	(26,329)	70,397
Cost of sales: Energy external cost of sales	50,710	14,875	79	676	4,057	70,397	-	70,397
inter-segment cost of sales	-	40	25,812	-	477	26,329	(26,329)	-
Cost of sales: Other external cost of sales	(39,216)	(364,395)	(825,160)	(80)	-	(1,228,851)	223,561	(1,005,290)
inter-segment cost of sales	(39,216)	(300,123)	(665,871)	(80)	-	(1,005,290)	-	(1,005,290)
Cost of sales: Other external cost of sales	(3,261)	(12,608)	(25,932)	(40)	(756)	(42,597)	223,561	(16,784)
inter-segment cost of sales	(3,261)	13,165	(25,932)	-	(756)	(16,784)	-	(16,784)
Personnel expenses	(97,999)	(25,773)	-	(40)	-	(25,813)	25,813	-
Depreciation and amortisation	(85,630)	(47,091)	(2,307)	(199)	(2,903)	(150,499)	-	(150,499)
Repairs and maintenance	(5,886)	(118,443)	(318)	(2,824)	(40)	(207,255)	-	(207,255)
Emission rights, net	(12,687)	(12,051)	(120)	(119)	-	(18,176)	-	(18,176)
Negative goodwill	99,025	18,056	-	-	-	5,369	-	5,369
Taxes and charges	(5,608)	18,666	-	-	-	117,691	-	117,691
Other operating income	79,824	(9,108)	(40)	(437)	-	(15,193)	-	(15,193)
Other operating expenses	(59,142)	7,954	1,710	597	-	90,085	(716)	89,369
Finance income	2,665	(21,119)	(4,335)	(1,273)	(6,006)	(91,875)	2,307	(89,568)
external finance revenues	2,625	6,284	438	1,153	*103,487	*114,027	*93,784	20,243
inter-segment finance revenues	40	2,227	80	1,153	14,158	20,243	-	20,243
Finance expense	(31,699)	4,057	358	-	*89,329	*93,784	-	-
Profit (loss) from derivative financial instruments	(159)	(51,028)	(2,625)	(5,489)	(29,670)	(120,511)	40,449	(80,062)
Share of profit (loss) of equity accounted investees, net of tax	636	3,341	(8,114)	(119)	1,153	(3,898)	-	(3,898)
Gain/(loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	(994)	-	-	-	(358)	-	(358)
Profit (loss) before income tax	176,185	100,349	-	-	73,869	174,218	-	174,218
Income tax expenses	(13,006)	185,037	4,373	(2,944)	*143,668	*506,319	*53,254	453,065
Profit (loss) for the year	163,179	(22,233)	(1,114)	(79)	(4,176)	(40,608)	-	(40,608)
		162,804	3,259	(3,023)	*139,492	*465,711	*53,254	412,457

\*EUR 53.335 thousand is attributable to inter-group dividends primarily recognised by EP Energy, a.s.

## Non-current assets and liabilities

For the year ended 31 December 2013

*In thousands of EUR*

	Mining	Heat and 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

For the year ended 31 December 2012

*In thousands of EUR*

	Mining	Heat and Power	Distribution and Supply	Renewables	Other	Total segments	Inter-segment eliminations	Consolidated Financial Information
Reportable segment assets	928,759	1,832,737	170,406	87,828	1,466,905	4,486,635	(1,157,679)	3,328,956
Reportable segment liabilities	(674,383)	(1,093,516)	(138,743)	(88,425)	(1,051,313)	(3,046,380)	1,157,637	(1,888,743)
Additions to tangible and intangible assets	40,011	97,720	557	2,426	79	140,793	-	140,793
Equity accounted investees	30,549	130,270	-	-	-	160,819	-	160,819

Notes to the consolidated financial statements of EP Energy, a.s. as of and for the year ended 31 December 2013

### Information about geographical areas

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

For the year ended 31 December 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
<b>Total</b>	<b>874,214</b>	<b>962,507</b>	<b>876,303</b>	<b>2</b>	<b>2,713,026</b>	<b>2,713,026</b>

*In thousands of EUR*

	Czech Republic	Slovakia	Germany	Other	Total segments	Consolidated Financial Information
Sales: Electricity	435,581	376,435	165,038	5,542	982,596	982,596
Sales: Heat	315,121	-	6,020	-	321,141	321,141
Sales: Coal	5,573	373	270,478	5,145	281,569	281,569
Sales: Gas	192,114	979	677	130	193,900	193,900
Sales: Other	30,660	757	59,977	3,341	94,735	94,735
<b>Total</b>	<b>979,049</b>	<b>378,544</b>	<b>502,190</b>	<b>14,158</b>	<b>1,873,941</b>	<b>1,873,941</b>

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

Notes to the consolidated financial statements of EP Energy, a.s. as of and for the year ended 31 December 2013

For the year ended 31 December 2012

*In thousands of EUR*

	Czech Republic	Slovakia	Cyprus	Germany	Other	Total segments	Consolidated Financial Information
Property, plant and equipment	861,575	20,207	-	778,600	-	1,660,382	1,660,382
Intangible assets	186,396	1,273	-	97,215	40	284,924	284,924
Investment property	358	-	-	-	-	358	358
<b>Total</b>	<b>1,048,329</b>	<b>21,480</b>	<b>-</b>	<b>875,815</b>	<b>40</b>	<b>1,945,664</b>	<b>1,945,664</b>

*In thousands of EUR*

	Czech Republic	Slovakia	Cyprus	Germany	Other	Total segments	Consolidated Financial Information
Sales: Electricity	381,458	362,288	40,250	103,329	4,812	892,137	892,137
Sales: Heat	267,550	-	-	5,250	-	272,800	272,800
Sales: Coal	13,602	79	-	234,499	2,148	250,328	250,328
Sales: Gas	146,363	1,233	-	-	-	147,596	147,596
Sales: Other	19,210	477	-	50,710	-	70,397	70,397
<b>Total</b>	<b>828,183</b>	<b>364,077</b>	<b>40,250</b>	<b>393,788</b>	<b>6,960</b>	<b>1,633,258</b>	<b>1,633,258</b>

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

## 6. 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 consolidated 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.<sup>(2)</sup> (acquired by EPH on 16 March 2010) including:
    - (a) EAST BOHEMIA ENERGY HOLDING LIMITED<sup>(2)</sup> and its subsidiaries (acquired by EPH on 31 December 2010)
    - (b) LIGNITE INVESTMENTS 1 LIMITED<sup>(2)</sup> 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.<sup>(2)</sup> and its subsidiaries and associate (acquired by EPH on 6 October 2009)
  - b. Honor Invest, a.s.<sup>(2)</sup> and its associate Pražská energetika, a.s. (acquired by EPH on 10 August 2009)
  - c. První energetická a.s.<sup>(1)</sup> (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. 31 December 2013**

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

(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 represents a probable earn-out to be 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.

### ii. 31 December 2012

<i>In thousands of EUR</i>	<b>Date of acquisition</b>	<b>Purchase price</b>	<b>Cash paid</b>	<b>Other consideration<sup>(1)</sup></b>	<b>Equity interest acquired %</b>	<b>Equity interest after acquisition %</b>
<b>New subsidiaries</b>						
JTSD Braunkohlebergbau GmbH and its subsidiaries and associates	29/06/2012	26,755	(26,755)	125,819	<sup>(2)</sup> 100	100
Pražská teplárenská a.s. and its subsidiaries and associates	29/06/2012	-	-	740,134	<sup>(2)</sup> 73.26	73.26
Saale Energie GmbH and its associates	17/07/2012	91,080	(91,080)	-	100	100
<b>Total</b>		<b>117,835</b>	<b>(117,835)</b>	<b>865,953</b>	<b>-</b>	<b>-</b>

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

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

<i>In thousands of EUR</i>	<b>Date of acquisition</b>	<b>Purchase price</b>	<b>Cash paid</b>	<b>Equity interest acquired %</b>	<b>Equity interest after acquisition %</b>
<b>New associates</b>					
COOP ENERGY, a.s.	15/06/2012	39	(39)	40	40
<b>Total</b>		<b>39</b>	<b>(39)</b>	<b>-</b>	<b>-</b>

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

### Step acquisitions

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

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

**(b) Effect of acquisitions and step acquisitions**

**i. 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.

<i>In thousands of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment</b>	<b>2013 Total<sup>(1)</sup></b>
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)
<b>Net identifiable assets and liabilities</b>	<b>403,338</b>	<b>327,402</b>	<b>730,740</b>
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			-
<b>Cost of acquisition</b>			<b>345,336</b>
Consideration paid, satisfied in cash (A)			353,251
Consideration, contingent			(20,000)
Consideration, other			12,085
New shares issued			-
<b>Total consideration transferred</b>			<b>345,336</b>
Less: Cash acquired (B)			89,799
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(263,452)</b>

(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.

## ii. 31 December 2012

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

<i>In thousands of EUR</i>	Carrying amount <sup>(1)</sup>	Fair value adjustment <sup>(1)</sup>	2012 Total <sup>(1)</sup>
Property, plant, equipment, land, buildings	1,000,546	232,020	1,232,566
Intangible assets	20,086	91,645	111,731
Participations with significant influence	102,707	31,969	134,676
Inventories	15,684	-	15,684
Trade receivables and other assets	152,899	-	152,899
Financial instruments – assets	486,733	-	486,733
Assets held for sale, net	6,396	2,496	8,892
Cash and cash equivalents	419,047	-	419,047
Provisions	(245,983)	(57,995)	(303,978)
Deferred tax liabilities	(54,597)	(68,175)	(122,772)
Loans and borrowings	(319,813)	-	(319,813)
Trade payables and other liabilities	(413,952)	(20,788)	(434,740)
<b>Net identifiable assets and liabilities</b>	<b>1,169,753</b>	<b>211,172</b>	<b>1,380,925</b>
Non-controlling interest			(279,446)
Goodwill on acquisition and step acquisition of subsidiaries			-
Negative goodwill on acquisition and step acquisition of subsidiaries			(117,691)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>983,788</b>
Consideration paid, satisfied in cash (A)			117,835
Consideration, other			865,953
<b>Total consideration transferred</b>			<b>983,788</b>
Less: Cash acquired <sup>(2)</sup> (B)			419,047
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>301,212</b>

(1) Represents values at 100% share.

(2) Of which EUR 267,317 thousand was already recognised in the consolidation before acquisition of the remaining 50% share in JTSD Braunkohlebergbau GmbH and gaining control in Pražská teplárenská a.s. (both companies were consolidated using a proportionate consolidation method), as such, net cash inflow is EUR 34,594 thousand.

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

In 2012, the EPE Group also acquired a 40% share in COOP ENERGY, a.s., for which it paid EUR 39 thousand. This is not included in the effect of acquisition presented above.

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

## iii. Rationale for acquisitions

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

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

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

As further expansion in energy sectors of 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 initial goodwill in a total amount of EUR 92,545 thousand; in 2013 goodwill in amount of EUR 5,053 thousand and a goodwill impairment loss amounting EUR 8,589 thousand were recognised. The decrease in the total amount of goodwill compared to prior year balance (2012: EUR 104,296 thousand) was caused by significant changes in foreign exchange rate of CZK compared to EUR and goodwill impairment recognised in 2013.

Negative goodwill arose upon the step acquisition of PRVNÍ MOSTECKÁ a.s. and acquisition of Stredoslovenská energetika, a.s. totalling EUR 17,800 thousand (31 December 2012: EUR 117,691 thousand from the step acquisition of JTSD Braunkohlebergbau GmbH and acquisition of Saale Energie GmbH). The Group reconsidered the identification and measurement of all identified assets and liabilities acquired in these business combinations; consistent results were obtained in respect of negative goodwill.

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

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	145,291
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	22,526

<i>In thousands of EUR</i>	<b>2012 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	609,199
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	105,634

The following table provides information on the estimated revenues and profit or loss that would have been included in the consolidated statement of comprehensive income, if the acquisition had occurred at the beginning of the reporting period (i.e. as at 1 January 2012 or as at 1 January 2013); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)	850,401
Profit (loss) of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)	67,887

<i>In thousands of EUR</i>	<b>2012 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	991,211
Profit (loss) of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	237,880

\* *Before intercompany elimination*

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

### (c) **Business combinations – acquisition accounting 2013 and 2012**

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

The valuation analysis is based on historical and prospective information prevailing as at the date of the business combination (which involves as well certain estimates and approximations such as business plan

forecasts, useful life of assets, and the weighted average cost of capital components). Any prospective information that may impact the future value of the acquired assets is based on management's expectations of the competitive and economic environments that will prevail at the time.

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

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

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

<i>In thousands of EUR</i>	<b>Intangible assets</b>	<b>Property, plant and equipment (including mine property)</b>	<b>Provisions</b>	<b>Deferred tax asset/ (liability)</b>	<b>Total net effect on financial position</b>
<b>Subsidiary</b>					
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)
<b>Total</b>	<b>7,177</b>	<b>431,165</b>	<b>(14,245)</b>	<b>(96,695)</b>	<b>327,402</b>

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.

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

<i>In thousands of EUR</i>	<b>Intangible assets</b>	<b>Property, plant and equipment (including mine property)</b>	<b>Other</b>	<b>Deferred tax asset/ (liability)</b>	<b>Total net effect on financial position</b>
<b>Subsidiary</b>					
JTSD Braunkohlebergbau GmbH	(975)	182,098	(73,635)	(27,301)	80,187
Pražská teplárenská a.s.	3,315	49,922	3,666	(10,803)	46,100
Saale Energie GmbH	89,305	-	25,651	(30,071)	84,885
<b>Total</b>	<b>91,645</b>	<b>232,020</b>	<b>(44,318)</b>	<b>(68,175)</b>	<b>211,172</b>

**(d) Disposal of investments in 2013 and 2012**

**i. 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:

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

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:

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

(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.

**31 December 2012**

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

<i>In thousands of EUR</i>	<b>Net assets sold in 2012</b>
Assets/disposal groups held for sale <sup>(1)</sup>	492,561
Liabilities from assets/disposal groups held for sale <sup>(1)</sup>	(80,744)
<b>Net identifiable assets and liabilities<sup>(1)</sup></b>	<b>411,817</b>
Sales price <sup>(1)</sup>	512,166
<b>Gain (loss) on disposal<sup>(1)</sup></b>	<b>100,349</b>
Consideration received, satisfied in cash <sup>(1)</sup>	512,166
Less: Cash disposed <sup>(1)</sup>	-
<b>Net cash inflow (all in cash)<sup>(1)</sup></b>	<b>512,166</b>

(1) Represents values at a 73.26% share.

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

*In thousands of EUR*

	<b>Net assets disposed in 2012</b>
Property, plant, equipment, land, buildings	587,598
Intangible assets	11,661
Participations with significant influence	12,324
Deferred tax assets	-
Inventories	9,165
Trade receivables and other assets	90,796
Financial instruments – assets	323,518
Cash and cash equivalents	267,317
Provisions	(123,635)
Deferred tax liabilities	(35,608)
Loans and borrowings	(159,906)
Trade payables and other liabilities	(189,079)
Assets held for sale, net	4,680
Non-controlling interests	(6,747)
<b>Net identifiable assets and liabilities disposed at carrying value</b>	<b>792,084</b>
Fair value of disposed net identifiable assets and liabilities	865,953
<b>Gain (loss) on disposal</b>	<b>73,869</b>

Net identifiable assets and liabilities disposed at carrying value are attributable to JTSD Braunkohlebergbau GmbH in the amount of EUR 85,726 thousand, and to Pražská teplárenská a.s. in the amount of EUR 706,358 thousand. The fair values of disposed net identifiable assets and liabilities attributable to JTSD Braunkohlebergbau GmbH is EUR 125,819 thousand and Pražská teplárenská a.s. EUR 740,134 thousand, respectively.

## 7. Sales

<i>In thousands of EUR</i>	2013	2012
<b>Sales: Energy</b>		
<i>Electricity</i>	982,596	892,137
<i>Heat</i>	321,141	272,800
<i>Coal</i>	281,569	250,328
<i>Gas</i>	193,900	147,596
<b>Total Energy</b>	<b>1,779,206</b>	<b>1,562,861</b>
<b>Sales: Other</b>	<b>94,735</b>	<b>70,397</b>
<b>Total</b>	<b>1,873,941</b>	<b>1,633,258</b>
Domestic revenues	979,049	828,183
Foreign sales	894,892	805,075
<b>Total</b>	<b>1,873,941</b>	<b>1,633,258</b>

Revenues are recognised based on accounting policies described in the Note 3 (m) Revenue.

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

## 8. Cost of sales

<i>In thousands of EUR</i>	2013	2012
<b>Cost of Sales: Energy</b>		
<i>Cost of sold electricity</i>	608,562	552,122
<i>Cost of sold/consumed gas and other energy products</i>	221,318	150,738
<i>Cost of coal and other material</i>	200,631	223,044
<i>Consumption of energy</i>	96,471	52,380
<i>Other cost of sales</i>	28,195	27,006
<b>Total Energy</b>	<b>1,155,177</b>	<b>1,005,290</b>
<b>Cost of Sales: Other</b>		
<i>Cost of goods sold</i>	16,502	8,949
<i>Consumption of material</i>	5,036	6,085
<i>Consumption of energy</i>	2,513	1,273
<i>Changes in WIP, semi-finished products and finished goods</i>	(468)	119
<i>Other cost of sales</i>	1,902	358
<b>Total Other</b>	<b>25,485</b>	<b>16,784</b>
<b>Total</b>	<b>1,180,662</b>	<b>1,022,074</b>

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

## 9. Personnel expenses

<i>In thousands of EUR</i>	2013	2012
Wages and salaries	131,748	101,977
Compulsory social security contributions	40,479	31,738
Board members' remuneration (including boards of subsidiaries, associates and joint-ventures)	9,199	14,596
Expenses and revenues related to employee benefits (IAS 19)	968	955
Creation and reversal of provisions for personnel costs	-	(239)
Other social expenses	1,852	1,472
<b>Total</b>	<b>184,246</b>	<b>150,499</b>

The average number of employees during 2013 was 6,187 (2012: 4,057), of which 321 (2012: 107) were executives.

## 10. Emission rights

<i>In thousands of EUR</i>	2013	2012
Deferred income (grant) released to profit and loss	8,863	47,409
Profit from sale of emission rights	717	9,545
Creation of provision for emission rights	(42,196)	(51,585)
Use of provision for emission rights	49,935	94,460
Consumption of emission rights	(49,935)	(94,460)
<b>Total</b>	<b>(32,616)</b>	<b>5,369</b>

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 and Elektrárny Opatovice, a.s.

## 11. Taxes and charges

<i>In thousands of EUR</i>	2013	2012
Electricity tax	7,869	6,125
Property and real estate transfer tax	588	4,017
Gift tax on emission rights	-	8,113
Other taxes and charges	3,191	(3,062)
<b>Total</b>	<b>11,648</b>	<b>15,193</b>

A gift tax (32 %) on emission rights was applicable in the Czech Republic for 2011 and 2012. From 2013, this tax no longer applies.

## 12. Other operating income

<i>In thousands of EUR</i>	2013	2012
Own work, capitalised <sup>(1)</sup>	36,311	7,239
Compensation from insurance and other companies	19,790	6,761
Ecological tax reimbursement	6,825	4,614
Consulting fees	6,117	1,273
Rental income	3,854	2,903
Inventories surplus	1,342	875
Decentralisation and cogeneration fee	807	-
Contractual penalties	656	1,153
Profit from sale of material	370	358
Change in provisions, net <sup>(2)</sup>	-	60,693
Other	4,918	3,500
<b>Total</b>	<b>80,990</b>	<b>89,369</b>

(1) This position is mainly represented by stripping costs amounting to EUR 25,585 thousand which were capitalised to inventories. The rest of the balance relates to own work capitalised in mines (primarily labour cost).

(2) Change in provision is presented under Other operating expenses in 2013.

## 13. Other operating expenses

<i>In thousands of EUR</i>	2013	2012
Office equipment and other material	22,295	15,670
Transport expenses	21,918	17,898
Impairment losses	21,031	3,500
Outsourcing and other administration fees	19,654	13,761
Consulting expenses	17,640	11,454
Rent expenses	9,974	7,636
Loss from receivables written-off	9,947	2,466
Contractual penalties	4,585	358
Net loss on disposal of property, plant and equipment, investment property and intangible assets	4,183	1,193
Administrative expense	2,770	1,114
Insurance expenses	2,562	2,267
Gifts and sponsorship	2,503	2,187
Advertising expenses	2,372	2,269
Information technology costs	1,949	1,153
Training, courses, conferences	1,363	1,074
Shortages and damages	1,256	517
Communication expenses	774	557
Investment property income	23	40
Change in provisions, net	(6,756)	-
Other	10,062	4,454
<b>Total</b>	<b>150,105</b>	<b>89,568</b>

The increase in other operating expenses was caused primarily by the acquisition of Stredoslovenská energetika, a.s.

No research and development expenses were recognised in profit and loss for the year ended 31 December 2013 and 31 December 2012.

### Fees payable to statutory auditors

The information is disclosed in the notes to consolidated financial statements of Energetický a průmyslový holding, a.s. in which the EPE Group is included.

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

### Recognised in profit or loss

*In thousands of EUR*

	2013	2012
Interest income	27,732	20,203
Net foreign exchange gain	59,956	-
Other finance income	583	40
<b>Finance income</b>	<b>88,271</b>	<b>20,243</b>
Interest expense	(92,217)	(77,875)
Fees and commissions expense for guarantees	(348)	(477)
Fees and commissions expense for payment transactions	(278)	(318)
Net foreign exchange loss	-	(239)
Fees and commissions expense for other services	(4,639)	(1,153)
<b>Finance costs</b>	<b>(97,482)</b>	<b>(80,062)</b>
Profit (loss) from securities	2,185	-
Profit (loss) from other non-derivative liabilities	751	-
Profit (loss) from other derivatives for trading	214	159
Profit (loss) from interest rate derivatives for trading	(66)	(1,193)
Profit (loss) from hedging activities	(130)	(80)
Profit (loss) profit from currency derivatives for trading	(313)	7,477
Profit (loss) from commodity derivatives for trading	(4,806)	(10,261)
<b>Profit (loss) from financial instruments</b>	<b>(2,165)</b>	<b>(3,898)</b>
<b>Net finance (expense) recognised in profit or loss</b>	<b>(11,376)</b>	<b>(63,717)</b>

## 15. Income tax expenses

### Income taxes recognised in profit or loss

*In thousands of EUR*

	2013	2012
<i>Current taxes:</i>		
Current year	(47,692)	(37,505)
Adjustment for prior periods	(9,112)	7,039
Withholding tax	(2)	-
<b>Total current taxes</b>	<b>(56,806)</b>	<b>(30,466)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	35,561	(10,142)
<b>Total deferred taxes</b>	<b>35,561</b>	<b>(10,142)</b>
<b>Total income taxes (expense)/benefit recognised in profit or loss</b>	<b>(21,245)</b>	<b>(40,608)</b>

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 ended in 2013 and 2012. The Slovak corporate income tax rate is 22% for fiscal year 2013 and 23% for fiscal year 2012. The German federal income tax rate for 2013 and 2012 is 26.98%.

### Income tax recognised in other comprehensive income

*In thousands of EUR*

	2013		Net of income tax
	Gross	Income tax	
Effective portion of changes in fair value of cash-flow hedges	(80,738)	-	(80,738)
Foreign currency translation differences for foreign operations	21,390	-	21,390
Foreign currency translation differences from presentation currency	(100,719)	-	(100,719)
Fair value reserve included in other comprehensive income	(219)	-	(219)
<b>Total</b>	<b>(160,286)</b>	<b>-</b>	<b>(160,286)</b>

*In thousands of EUR*

	2012		
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	1,965	-	1,965
Foreign currency translation differences from presentation currency	33,457	-	33,457
Effective portion of changes in fair value of cash-flow hedges	80	-	80
<b>Total</b>	<b>35,502</b>	<b>-</b>	<b>35,502</b>

The foreign currency translation differences related to non-controlling interest are presented under Other comprehensive income.

### Reconciliation of the effective tax rate

*In thousands of EUR*

		2013		2012
	%		%	
Profit before tax		144,187		453,065
Income tax using the Company's domestic rate	19.00%	27,396	19.00%	86,083
Effect of tax rates in foreign jurisdictions	2.62%	3,781	3.22%	14,597
Non-deductible expenses	8.29%	11,959	1.20%	5,434
Other non-taxable income	(24.58%)	<sup>(1)</sup> (35,447)	(14.40%)	<sup>(1)</sup> (65,227)
Tax incentives, tax credits	(0.15%)	(210)	(0.05%)	(239)
Recognition of previously unrecognised tax losses	(0.52%)	(748)	(0.04%)	(199)
Current year losses for which no deferred tax asset was recognised	3.78%	5,445	0.83%	3,739
Effect of changes in tax rate	(0.03%)	(46)	-	-
Withholding tax, income tax adjustments for prior periods	6.32%	9,115	(0.58%)	(2,625)
Change in unrecognised temporary differences	-	-	(0.21%)	(955)
<b>Income taxes recognised in profit or loss</b>	<b>14.73%</b>	<b>21,245</b>	<b>8.96%</b>	<b>40,608</b>

- (1) The basis consists mainly of negative goodwill of EUR 17,800 thousand, revenues from dividends from participations of EUR 22,937 and a portion of a cashflow hedge of EUR 76,317 thousand (2012: EUR 117,691 thousand of negative goodwill, gain on disposal of subsidiaries, special purpose entities, joint-ventures and associates of EUR 174,218 thousand and revenues from dividends from participations of EUR 22,330 thousand).

## 16. Property, plant and equipment

<i>In thousands of EUR</i>	<b>Land and buildings</b>	<b>Technical equipment, plant and machinery</b>	<b>Other equipment, fixtures and fittings</b>	<b>Under construction</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance at 1 January 2013</b>	<b>681,305</b>	<b>1,160,979</b>	<b>636</b>	<b>67,741</b>	<b>1,910,661</b>
Effects of movements in foreign exchange rates	(52,477)	(36,083)	(53)	(1,991)	(90,604)
Additions through step acquisitions <sup>(1)</sup>	10,892	4,252	-	24	15,168
Additions through business combinations <sup>(2)</sup>	625,564	297,700	1,168	51,976	976,408
Additions	28,967	47,594	68	16,880	93,509
Disposals	(1,177)	(7,331)	(50)	(355)	(8,913)
Transfers	44,236	13,266	5	(57,507)	-
<b>Balance at 31 December 2013</b>	<b>1,337,310</b>	<b>1,480,377</b>	<b>1,774</b>	<b>76,768</b>	<b>2,896,229</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2013</b>	<b>(78,799)</b>	<b>(171,282)</b>	<b>(198)</b>	<b>-</b>	<b>(250,279)</b>
Effects of movements in foreign exchange rates	9,476	11,791	26	459	21,752
Depreciation charge for the year	(63,180)	(161,123)	(188)	-	(224,491)
Disposals	481	1,257	44	-	1,782
Impairment losses recognised in profit or loss	(2,846)	-	-	(8,675)	(11,521)
<b>Balance at 31 December 2013</b>	<b>(134,868)</b>	<b>(319,357)</b>	<b>(316)</b>	<b>(8,216)</b>	<b>(462,757)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2013</b>	<b>602,506</b>	<b>989,697</b>	<b>438</b>	<b>67,741</b>	<b>1,660,382</b>
<b>At 31 December 2013</b>	<b>1,202,442</b>	<b>1,161,020</b>	<b>1,458</b>	<b>68,552</b>	<b>2,433,472</b>

- (1) An additional purchase of a 35.29% share in PRVNÍ MOSTECKÁ a.s. and the gaining of control over this entity.  
 (2) The purchase of Stredoslovenská energetika, a.s. and Helmstedter Revier GmbH.

<i>In thousands of EUR</i>	<b>Land and buildings</b>	<b>Technical equipment, plant and machinery</b>	<b>Other equipment, fixtures and fittings</b>	<b>Under construction</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance at 1 January 2012</b>	<b>474,961</b>	<b>706,550</b>	<b>1,047</b>	<b>52,364</b>	<b>1,234,922</b>
Effects of movements in foreign exchange rates	14,138	10,932	(263)	40	24,847
Additions	13,125	35,755	-	24,738	73,618
Disposals	(875)	(1,949)	(80)	-	(2,904)
Additions through step acquisitions <sup>(1)</sup>	417,278	774,805	1,794	38,689	1,232,566
Disposals through step acquisitions <sup>(1)</sup>	(289,782)	(386,193)	(351)	(19,852)	(696,178)
Transfer to assets held for sale	(4,375)	(3,540)	-	-	(7,915)
Transfer from assets held for sale	46,057	5,648	-	-	51,705
Transfers	10,778	18,971	(1,511)	(28,238)	-
<b>Balance at 31 December 2012</b>	<b>681,305</b>	<b>1,160,979</b>	<b>636</b>	<b>67,741</b>	<b>1,910,661</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2012</b>	<b>(63,333)</b>	<b>(105,620)</b>	<b>(698)</b>	<b>-</b>	<b>(169,651)</b>
Effects of movements in foreign exchange rates	(913)	(873)	464	-	(1,322)
Depreciation charge for the year	(52,500)	(137,533)	(159)	-	(190,192)
Disposals	318	835	-	-	1,153
Disposals through step acquisitions <sup>(1)</sup>	37,987	70,398	195	-	108,580
Impairment losses recognised in profit or loss	(1,034)	-	-	-	(1,034)
Transfer to/from assets held for sale	676	1,511	-	-	2,187
<b>Balance at 31 December 2012</b>	<b>(78,799)</b>	<b>(171,282)</b>	<b>(198)</b>	<b>-</b>	<b>(250,279)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2012</b>	<b>411,628</b>	<b>600,930</b>	<b>349</b>	<b>52,364</b>	<b>1,065,271</b>
<b>At 31 December 2012</b>	<b>602,506</b>	<b>989,697</b>	<b>438</b>	<b>67,741</b>	<b>1,660,382</b>

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

#### Idle assets

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

#### Finance lease liabilities

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

#### Security

At 31 December 2013 property, plant and equipment with a carrying value of EUR 343,140 thousand (2012: EUR 341,169 thousand) is subject to pledges to secure bank loans.

### Insurance of property, plant and equipment

As at 31 December 2013 the following items of property, plant and equipment were insured against the risks presented in the table below:

*In thousands of EUR*

Description of property	Carrying amount of property	Natural disaster	Amounts insured		Other risks
			General machine risks	Liability for damage	
Land	155,957	-	-	-	-
Buildings	1,046,485	1,024,230	-	45,693	2,588
Machinery and equipment	1,161,020	1,201,658	236,963	10,942	47,118
Fixtures and fittings	1,384	3,438	44,051	-	-
Other long-term tangible assets	74	-	-	-	-
Long-term tangible assets under construction	68,552	4,376	-	-	-
Investment property	324	-	-	-	-
<b>Total</b>	<b>2,433,796</b>	<b>2,233,702</b>	<b>281,014</b>	<b>56,635</b>	<b>49,706</b>

As at 31 December 2012 the following items of property, plant and equipment were insured against the risks presented in the table below:

*In thousands of EUR*

Description of property	Carrying amount of property	Natural disaster	Amounts insured		Other risks
			General machine risks	Liability for damage	
Land	110,700	-	-	-	-
Buildings	491,806	918,616	8,711	51,830	1,870
Machinery and equipment	989,697	955,211	122,753	3,858	58,870
Fixtures and fittings	358	4,415	48,210	-	-
Other long-term tangible assets	80	-	-	-	-
Long-term tangible assets under construction	67,741	4,773	-	-	-
Investment property	358	-	-	-	-
<b>Total</b>	<b>1,660,740</b>	<b>1,883,015</b>	<b>179,674</b>	<b>55,688</b>	<b>60,740</b>

## 17. Intangible assets (including goodwill)

<i>In thousands of EUR</i>	<b>Goodwill</b>	<b>Software</b>	<b>Emission rights</b>	<b>Customer relationship and other contracts</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance at 1 January 2013</b>	<b>104,296</b>	<b>13,604</b>	<b>86,515</b>	<b>102,665</b>	<b>636</b>	<b>307,716</b>
Effect of movements in foreign exchange rates	(8,607)	(1,272)	(5,113)	(1,056)	198	(15,850)
Additions	-	3,801	40,667	-	1,529	45,997
Additions through business combinations <sup>(1)</sup>	5,053	20,471	41	7,326	4,793	37,684
Disposals	-	(1,064)	(50,995)	-	(1)	(52,060)
Transfers	-	5,106	-	-	(5,106)	-
<b>Balance at 31 December 2013</b>	<b>100,742</b>	<b>40,646</b>	<b>71,115</b>	<b>108,935</b>	<b>2,049</b>	<b>323,487</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2013</b>	<b>-</b>	<b>(4,734)</b>	<b>-</b>	<b>(17,979)</b>	<b>(79)</b>	<b>(22,792)</b>
Effect of movements in foreign exchange rates	753	485	-	340	14	1,592
Amortisation for the year	-	(4,610)	-	(10,474)	(87)	(15,171)
Impairment losses	(8,950)	-	-	-	-	(8,950)
Disposals	-	1,064	-	-	-	1,064
<b>Balance at 31 December 2013</b>	<b>(8,197)</b>	<b>(7,795)</b>	<b>-</b>	<b>(28,113)</b>	<b>(152)</b>	<b>(44,257)</b>
<b>Carrying amount</b>						
<b>At 1 January 2013</b>	<b>104,296</b>	<b>8,870</b>	<b>86,515</b>	<b>84,686</b>	<b>557</b>	<b>284,924</b>
<b>At 31 December 2013</b>	<b>92,545</b>	<b>32,851</b>	<b>71,115</b>	<b>80,822</b>	<b>1,897</b>	<b>279,230</b>

(1) Purchase of Stredoslovenská energetika, a.s. and Helmstedter Revier GmbH.

<i>In thousands of EUR</i>	<b>Goodwill</b>	<b>Software</b>	<b>Emission rights</b>	<b>Customer relationship and other contracts</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance at 1 January 2012</b>	<b>101,628</b>	<b>9,264</b>	<b>107,209</b>	<b>12,752</b>	<b>814</b>	<b>231,667</b>
Effect of movements in foreign exchange rates	2,668	(861)	3,661	1,792	21	7,281
Additions	-	1,670	65,346	-	159	67,175
Acquisitions through business combinations <sup>(2)</sup>	-	1,184	-	88,121	-	89,305
Disposals	-	-	(94,460)	-	-	(94,460)
Additions through step acquisitions <sup>(1)</sup>	-	8,346	13,885	-	195	22,426
Disposals through step acquisitions <sup>(1)</sup>	-	(6,357)	(9,126)	-	(195)	(15,678)
Transfers	-	358	-	-	(358)	-
<b>Balance at 31 December 2012</b>	<b>104,296</b>	<b>13,604</b>	<b>86,515</b>	<b>102,665</b>	<b>636</b>	<b>307,716</b>
<b>Amortisation and impairment losses</b>						
<b>Balance at 1 January 2012</b>	-	(4,767)	-	(2,287)	(78)	(7,132)
Effect of movements in foreign exchange rates	-	(87)	-	(61)	-	(148)
Amortisation for the year	-	(3,858)	-	(13,165)	(40)	(17,063)
Disposal through step acquisitions <sup>(1)</sup>	-	3,978	-	-	39	4,017
Impairment losses recognised in profit or loss	-	-	-	(2,466)	-	(2,466)
<b>Balance at 31 December 2012</b>	-	<b>(4,734)</b>	-	<b>(17,979)</b>	<b>(79)</b>	<b>(22,792)</b>
<b>Carrying amount</b>						
<b>At 1 January 2012</b>	<b>101,628</b>	<b>4,497</b>	<b>107,209</b>	<b>10,465</b>	<b>736</b>	<b>224,535</b>
<b>At 31 December 2012</b>	<b>104,296</b>	<b>8,870</b>	<b>86,515</b>	<b>84,686</b>	<b>557</b>	<b>284,924</b>

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

(2) Acquisition of Saale Energie GmbH.

In 2013, the EPE Group purchased emission allowances of EUR 12,448 thousand (2012: EUR 17,937 thousand). The remaining part of EUR 28,219 thousand (2012: EUR 47,409 thousand) was allocated to the Group by the Ministry of the Environment of the Czech Republic.

Amortisation of intangible assets is included in the row Depreciation and amortisation in the consolidated 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):

<i>In thousands of EUR</i>	<b>31 December 2013</b>
Elektrárny Opatovice, a.s. <sup>(1)</sup>	84,729
Helmstedter Revier GmbH	5,053
Plzeňská energetika a.s.	2,638
ARISUN, s.r.o.	125
<b>Total goodwill</b>	<b>92,545</b>

<i>In thousands of EUR</i>	<b>31 December 2012</b>
EAST BOHEMIA ENERGY HOLDING LIMITED <sup>(1)</sup>	92,323
POWERSUN a.s.	8,552
Plzeňská energetika a.s.	2,864
ČKD Blansko Wind, a.s.	318
ARISUN, s.r.o.	159
VTE Moldava, a.s.	80
<b>Total goodwill</b>	<b>104,296</b>

(1) *EAST BOHEMIA ENERGY HOLDING LIMITED merged with EP Energy, a.s. as at 4 November 2013. EP Energy, a.s. is the successor company. Goodwill originally recorded to EAST BOHEMIA ENERGY LIMITED was transferred to Elektrárny Opatovice, a.s. (the most significant subsidiary of EAST BOHEMIA ENERGY LIMITED).*

In 2013 the balance of goodwill increased by EUR 5,053 thousand as a result of the Helmstedter Revier GmbH acquisition. In 2013 the EPE Group recognised a goodwill impairment loss totalling EUR 8,950 thousand which relates to a decrease in recoverable value of POWERSUN a.s., ČKD Blansko Wind, a.s. and VTE Moldava, a.s. An additional decrease in the goodwill balance amounting EUR 7,854 thousand compared to 31 December 2012 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 followed by projected results based on estimated growth factor plus a terminal value if relevant. Cash flows for a terminal period were extrapolated using a constant growth rate of 2% (2012: 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% (2012: range from 8.08% to 8.32%).

Current year testing showed no need for impairment except for the entities POWERSUN a.s., ČKD Blansko Wind, a.s. and VTE Moldava, a.s. where the recoverable value was lower than the carrying value including goodwill. As a result, a goodwill recognised for these entities was fully impaired.

**Additional information on CGU with significant goodwill assigned:**

The recoverable amount of Elektrárny Opatovice, a.s. was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of Elektrárny Opatovice, a.s. Value in use in 2013 was determined in a similar manner as in 2012. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount by EUR 254,731 thousand, including goodwill of EUR 84,729 thousand. Key assumptions used in the calculation of value in use were the discount rate, the terminal value growth rate and the EBITDA growth rate. These assumptions were as follows:

	2013	2012
Discount rate	<sup>(1)</sup> 7.70% - 8.97%	8.08%
Terminal value growth rate	2.00%	2.00%

(1) The discount rate is weighted across the relevant periods. For the period until 2020 a discount rate of 7.70% is used, for the terminal value a discount rate of 8.97% is used.

The discount rate was a pre-tax measure based on the risk-free rate adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of Elektrárny Opatovice, a.s.

Budgeted EBITDA was based on an expectation of future outcomes taking into account past experience. In particular, we have reflected the following:

- expected refurbishments necessary to comply with applicable regulations (impact especially on electricity output/sales, OPEX and CAPEX);
- market expectations regarding power and CO2 prices, development based on historical trends;
- a slight decrease in heat supplies and modest increase of heat prices;
- the inflation driven development of various other positions, especially overhead costs.

If EBITDA were (EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets) 10% less than the management estimates (with all other indicators being constant), the value in use would decrease by EUR 89,081 thousand, which would not indicate any impairment loss.

If the discount rate were higher by one percentage point than currently used (with all other indicators being constant), the value in use would decrease by EUR 62,095 thousand, which would not indicate any impairment loss.

If the terminal value growth rate were one percentage point less than the management estimates (with all other indicators being constant), the value in use would decrease by EUR 649 thousand, which would not indicate any impairment loss.

## 18. Investment property

*In thousands of EUR*

	31 December 2013	31 December 2012
Opening balance	358	349
Additions	-	-
Changes in fair value	(11)	-
Effects of movements in foreign exchange	(23)	9
<b>Closing balance</b>	<b>324</b>	<b>358</b>

### Security

As at 31 December 2013 no investment property (2012: EUR 358 thousand) is subject to pledges to secure bank loans.

## 19. Participations with significant influence

The Group has the following investments in associates:

*In thousands of EUR*

		Ownership 31 December 2013 %	Carrying amount 31 December 2013
<b>Associates</b>	<b>Country</b>		
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
<b>Total</b>			<b>260,800</b>

*In thousands of EUR*

		Ownership 31 December 2012 %	Carrying amount 31 December 2012
<b>Associates</b>	<b>Country</b>		
Pražská teplárenská Holding a.s.	Czech Republic	49.00	23,747
PRVNÍ MOSTECKÁ a.s.	Czech Republic	47.06	6,125
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	(1)	30,549
Associates of Saale Energie GmbH	Germany	(1)	100,398
<b>Total</b>			<b>160,819</b>

(1) Ownership percentage varies, for details refer to Note 38 – Group entities.

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

*In thousands of EUR*

		Ownership 31 December 2013 %	Share of profit (loss) 2013
<b>Associates</b>	<b>Country</b>		
Pražská teplárenská Holding a.s.	Czech Republic	49.00	1,528
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	(1)	(4,331)
Associates of Saale Energie GmbH	Germany	(1)	(2,574)
<b>Total</b>			<b>(5,377)</b>

*In thousands of EUR*

		Ownership 31 December 2012 %	Share of profit (loss) 2012
<b>Associates</b>	<b>Country</b>		
Pražská teplárenská Holding a.s.	Czech Republic	49.00	-
PRVNÍ MOSTECKÁ a.s.	Czech Republic	47.06	199
Associates of JTSD			
Braunkohlebergbau GmbH	Germany	(1)	636
Associates of Saale Energie GmbH	Germany	(1)	(1,193)
<b>Total</b>			<b>(358)</b>

(1) Ownership percentage varies, for details refer to Note 38 – Group entities.

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

*In thousands of EUR*

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

*In thousands of EUR*

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

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

*In thousands of EUR*

<b>Associates</b>	<b>Revenue</b>	<b>Profit (loss)</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Equity</b>
PRVNÍ MOSTECKÁ a.s.	19,449	358	39,539	26,492	13,047
Pražská teplárenská Holding a.s.	48,125	*48,125	141,249	40	141,209
Kraftwerk Schkopau GbR <sup>(1)</sup>	31,182	6,125	229,992	121,599	108,393
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	95,653	-	9,905	9,865	40
Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	40,449	1,869	73,548	48,648	24,900
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	4,096	318	10,422	5,370	5,052
Ingenieurbüro für Grundwasser GmbH <sup>(1)</sup>	1,631	159	875	318	557
	<b>240,585</b>	<b>56,954</b>	<b>505,530</b>	<b>212,332</b>	<b>293,198</b>

*In thousands of EUR*

	<b>Non-current assets</b>	<b>Current assets</b>	<b>Non-current liabilities</b>	<b>Current liabilities</b>
<b>Associates</b>				
PRVNÍ MOSTECKÁ a.s.	15,434	24,105	1,154	25,338
Pražská teplárenská Holding a.s.	92,761	48,488	-	40
Kraftwerk Schkopau GbR <sup>(1)</sup>	38,663	191,329	-	121,599
Kraftwerk Schkopau Betriebsgesellschaft GmbH <sup>(1)</sup>	-	9,905	-	9,865
Mitteldeutsche Umwelt- und Entsorgung GmbH <sup>(1)</sup>	51,512	22,036	35,999	12,649
Fernwärme GmbH Hohenmölsen - Webau <sup>(1)</sup>	8,990	1,432	3,381	1,989
Ingenieurbüro für Grundwasser GmbH <sup>(1)</sup>	477	398	-	318
	<b>207,837</b>	<b>297,693</b>	<b>40,534</b>	<b>171,798</b>

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

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

## 20. Deferred tax assets and liabilities

### Unrecognised deferred tax assets

The EPE Group reports the following tax losses carried forward:

<i>In thousands of EUR</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Tax losses carried forward	28,659	19,730
<b>Total</b>	<b>28,659</b>	<b>19,730</b>

The total amount of tax losses carried forward is EUR 28,659 thousand (2012: EUR 19,730 thousand), of which EUR 0 thousand (2012: EUR 0 thousand) was used as the basis for deferred tax recognition. The amount of EUR 28,659 thousand (2012: EUR 19,730 thousand), for which no deferred tax was recognised, relates mainly to the company PT Holding Investment B.V. in an amount of EUR 2,582 thousand (2012: EUR 9,427 thousand), EP Energy, a.s. in an amount of EUR 12,014 thousand (2012: EUR 0 thousand), EP Energy Trading, a.s. in an amount of EUR 6,547 thousand (2012: EUR 0 thousand) and Alternative Energy, s.r.o. in an amount of EUR 3,094 thousand (2012: EUR 1,790 thousand). Considering the nature of revenues and expenses, the companies do not expect taxable profit growth to a considerable extent, so no deferred tax was recognised. If a sufficient taxable profit had been achieved in 2013, then the associated tax income (savings) would have been up to EUR 5,445 thousand (2012: EUR 3,749 thousand).

Tax losses expire over a period of 5 years in the Czech Republic, 7 years in Slovakia (or 7 years for losses arising before 1 January 2004 in the Czech Republic or 5 years for tax losses arising before 1 January 2010 in Slovakia) and 9 years in the Netherlands for standard tax losses. Under current tax legislation, some deductible temporary differences do not expire. Deferred tax assets have not been recognised in respect of these items because, due to the varying nature of the sources of these profits, it is not probable that future taxable profit against which the Group can utilise the benefits from the deferred tax assets will be available.

### Recognised deferred tax assets and liabilities

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

<i>In thousands of EUR</i>	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>	<b>31 December 2013</b>	<b>31 December 2012</b>
	<b>Assets</b>	<b>Assets</b>	<b>Liabilities</b>	<b>Liabilities</b>	<b>Net</b>	<b>Net</b>
<b>Temporary difference related to:</b>						
Property, plant and equipment	1,165	1,266	(291,135)	(206,087)	(289,970)	(204,821)
Intangible assets	9,371	-	115	(12,411)	9,486	(12,411)
Financial instruments at fair value through profit or loss	-	-	(153)	(78)	(153)	(78)
Inventories	-	6,650	(2,241)	-	(2,241)	6,650
Trade receivables and other assets	1,424	-	(18)	(1,909)	1,406	(1,909)
Provisions	11,688	14,916	(10)	-	11,678	14,916
Employee benefits (IAS 19)	2,844	955	8	-	2,852	955
Loans and borrowings	5,178	3,341	14	-	5,192	3,341
Derivatives	528	-	(498)	(2,188)	30	(2,188)
Unpaid interest, net	-	-	(85)	-	(85)	-
Other items	356	2,665	-	-	356	2,665
Setoff tax	(24,540)	(28,520)	24,540	28,520	-	-
<b>Total</b>	<b>8,014</b>	<b>1,273</b>	<b>(269,463)</b>	<b>(194,153)</b>	<b>(261,449)</b>	<b>(192,880)</b>

A deferred tax asset is recognised for the carry-forward of unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. An estimate of the expiry of tax losses is shown below:

	2013	2014	2015	2016	2017	After 2018
<b>Tax losses</b>	-	328	438	438	438	27,017

### Movements in temporary differences during the period

*In thousands of EUR*

#### Temporary difference related to:

	Balance at 1 January 2013	Recognised in profit or loss	Acquired in business combinations <sup>(1)</sup>	FX differences	Balance at 31 December 2013
Property, plant and equipment	(204,821)	28,351	(122,044)	8,544	(289,970)
Intangible assets	(12,411)	384	(1,641)	23,154	9,486
Financial instruments at fair value through profit or loss	(78)	(153)	-	78	(153)
Inventories	6,650	(6,717)	-	(2,174)	(2,241)
Trade receivables and other assets	(1,909)	(326)	1,253	2,388	1,406
Provisions	14,916	6,323	6,651	(16,212)	11,678
Employee benefits (IAS 19)	955	(74)	2,229	(258)	2,852
Loans and borrowings	3,341	3,076	-	(1,225)	5,192
Unpaid interest, net	-	23	(107)	(1)	(85)
Derivatives	(2,188)	1,544	-	674	30
Other	2,665	3,130	-	(5,439)	356
<b>Total</b>	<b>(192,880)</b>	<b>35,561</b>	<b>(113,659)</b>	<b>9,529</b>	<b>(261,449)</b>

(1) The purchase of Sredoslovenská energetika, a.s. and Helmstedter Revier GmbH and an additional purchase of a 35.29% share in PRVNÍ MOSTECKÁ a.s. and the gaining of control over this entity.

Temporary difference related to:	Balance at 1 January 2012	Recognised in profit or loss	Acquired in business combinations <sup>(1)</sup>	Disposed through step acquisitions <sup>(2)</sup>	Transfer to disposal group held for sale	FX differences	Balance at 31 December 2012
Property, plant and equipment	(115,426)	(8,273)	(118,118)	39,585	1,790	(4,379)	(204,821)
Intangible assets	17,403	636	(27,841)	(3,062)	-	453	(12,411)
Financial instruments at fair value through profit or loss	(78)	-	-	-	-	-	(78)
Inventories	2,403	(239)	4,415	-	-	71	6,650
Trade receivables and other assets	1,085	(2,108)	-	(915)	-	29	(1,909)
Provisions	(194)	(557)	15,670	-	-	(3)	14,916
Employee benefits (IAS 19)	504	80	358	-	-	13	955
Loans and borrowings	1,163	2,148	-	-	-	30	3,341
Tax losses	39	(39)	-	-	-	-	-
Derivatives	(1,938)	(199)	-	-	-	(51)	(2,188)
Other	1,473	(1,591)	2,744	-	-	39	2,665
<b>Total</b>	<b>(93,566)</b>	<b>(10,142)</b>	<b>(122,772)</b>	<b>35,608</b>	<b>1,790</b>	<b>(3,798)</b>	<b>(192,880)</b>

(1) An additional purchase of 50% in JTSD Braunkohlebergbau GmbH and the gaining of control of Pražská teplárenská a.s. and the acquisition of Saale Energie GmbH.

(2) The sale of 50% in JTSD Braunkohlebergbau GmbH and 73.26% in Pražská teplárenská a.s. as a part of step acquisition process.

## 21. Inventories

<i>In thousands of EUR</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Overburden	25,585	-
Fossil fuel	20,230	18,377
Raw material and supplies	17,736	10,103
Spare parts	3,555	3,858
Work in progress	1,769	716
Finished goods and merchandise	1,590	398
Value adjustment to inventories	(473)	(438)
<b>Total</b>	<b>69,992</b>	<b>33,014</b>

At 31 December 2013 inventories in the amount of EUR 17,933 thousand (2012: EUR 13,087 thousand) were subject to pledges.

## 22. Trade receivables and other assets

<i>In thousands of EUR</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Trade receivables	247,858	209,785
Estimated receivables	40,352	19,849
Advance payments	35,177	28,321
Uninvoiced supplies	17,983	-
Other receivables and assets	15,121	14,957
Accrued income	15	-
Allowance for bad debts	(8,883)	(7,200)
<b>Total</b>	<b>347,623</b>	<b>265,712</b>
<i>Non-current</i>	29,333	16,508
<i>Current</i>	318,290	249,204
<b>Total</b>	<b>347,623</b>	<b>265,712</b>

In 2013, receivables of EUR 10,281 thousand were written off through profit or loss (2012: EUR 2,466 thousand).

As at 31 December 2013 trade receivables with a carrying value of EUR 111,277 thousand are subject to pledges (2012: EUR 132,458 thousand).

As at 31 December 2013 trade receivables and other assets amounting to EUR 327,194 thousand are not past due (2012: EUR 234,527 thousand); the remaining balance of EUR 20,429 thousand is overdue (2012: EUR 31,185 thousand).

The Group's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in Note 36 – Risk management policies and disclosures.

## 23. Cash and cash equivalents

<i>In thousands of EUR</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Current accounts with banks	278,391	261,575
Term deposits	4,545	55,489
Bills of exchange issued by banks	-	7,955
Cash on hand	133	80
<b>Total</b>	<b>283,069</b>	<b>325,099</b>

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

As at 31 December 2013 cash equivalents of EUR 104,678 thousand are subject to pledges (2012: EUR 119,372 thousand).

## 24. Tax receivables

*In thousands of EUR*

	31 December 2013	31 December 2012
Value added tax receivables	8,128	12,490
Current income tax receivables	5,137	2,705
Road tax receivables	3	-
Other tax receivables	138	4,097
<b>Total</b>	<b>13,406</b>	<b>19,292</b>

## 25. Assets and liabilities held for sale

The following items are presented within Assets/disposal groups held for sale:

*In thousands of EUR*

	31 December 2013	31 December 2012
Property, plant and equipment	49	10,262
Trade receivables and other assets	-	40
<b>Total</b>	<b>49</b>	<b>10,302</b>

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

*In thousands of EUR*

	31 December 2013	31 December 2012
Deferred tax liability	-	1,790
<b>Total</b>	<b>-</b>	<b>1,790</b>

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

As of 31 December 2012 balances were fully represented by 100% share held in Areál Třeboradice, a.s. As of 28 June 2013 the Group sold its 85% of its 100% share in Areál Třeboradice, a.s. As the Group lost its control of this entity, no assets/disposal groups held for sale (31 December 2012: EUR 10,302 thousand) and liabilities from disposal groups held for sale (31 December 2012: EUR 1,790 thousand) are reported by this entity. Remaining 15% share in Areál Třeboradice, a.s. is classified as shares available for sale reported under Financial instruments and other financial assets.

## 26. Equity

### Share capital and share premium

The authorised, issued and fully paid share capital as of 31 December 2013 consisted of 19,549,548 ordinary shares with a par value of CZK 1,001 each (2012: 19,419,548 ordinary shares with a par value of CZK 1,000 each).

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

On 28 June 2013 the Company declared dividends to its sole shareholder amounting to EUR 263,661 thousand. On the same date a loan provided to the shareholder was set off against the dividends declared.

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
<b>Total</b>	<b>19,549,548</b>	<b>100.00</b>	<b>100.00</b>

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

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

	Number of shares	
	31 December 2013	31 December 2012
Shares outstanding at the beginning of the period	19,419,548	19,419,548
New shares issued	130,000	-
<b>Shares outstanding at the end of the period</b>	<b>19,549,548</b>	<b>19,419,548</b>

On 16 December 2013 EPH Financing II, a.s., an acquisition vehicle holding the 49% share in SSE and related acquisition financing, was contributed by EPH to EP Energy, a.s. Together with the shares of EPH Financing II, a.s., EPH contributed a receivable relating to a shareholder's loan used to co-finance the acquisition of the 49% share in Stredoslovenská energetika, a.s. The related increase in EP Energy, a.s. share capital was entered into the commercial register on 18 December 2013.

As a result of this transaction, EP Energy, a.s. recorded a share premium of EUR 116,434 thousand.

Reserves recognised in equity comprise the following items:

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
Non-distributable reserves	75,891	75,891
Fair value reserve	(219)	-
Translation reserve	(53,726)	15,922
Hedging reserve	(80,231)	507
Other capital reserves	(320,210)	(319,163)
<b>Total</b>	<b>(378,495)</b>	<b>(226,843)</b>
Other capital funds from capital contributions	22,538	22,538
<b>Reserves</b>	<b>(355,957)</b>	<b>(204,305)</b>

#### Non-distributable reserves

The creation of a legal reserve fund in the Czech Republic is required at a minimum of 20% (10% for limited liability companies) of net profit (annually) and up to a minimum of 10% (5% for limited liability companies) of the registered share capital (cumulative balance). The legal reserve fund can only be used to cover losses of the Company and may not be distributed as a dividend. The calculation of the legal reserve is based on local statutory regulations. The legal reserve of EUR 75,891 thousand was reported as at 31 December 2013 (2012: 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.

#### 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

As stated in section 3 (a) ix – Pricing differences, 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 31 December 2013 represents primarily derivative agreements to hedge an interest rate concluded by POWERSUN a.s. and 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 32 – Financial instruments).

## 27. Earnings per share

### Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 1,001 nominal value is 5.82 (2012: 21.28).

The calculation of basic earnings per share as at 31 December 2013 was based on profit attributable to ordinary shareholders of EUR 113,201 thousand, and a weighted average number of ordinary shares outstanding of 19,435 thousand.

The calculation of basic earnings per share as at 31 December 2012 was based on profit attributable to ordinary shareholders of EUR 413,252 thousand, and a weighted average number of ordinary shares outstanding of 19,420 thousand.

### Weighted average number of ordinary shares 2013

<i>In thousands of pieces</i>	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
Issued ordinary shares at 26 August 2013 (1 share/CZK 1,000)	30	11
Issued ordinary shares at 18 December 2013 (1 share/CZK 1,000)	100	4
<b>Total</b>	<b>19,550</b>	<b>19,435</b>

### Weighted average number of ordinary shares 2012

<i>In thousands of pieces</i>	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
<b>Total</b>	<b>19,420</b>	<b>19,420</b>

### Dilutive 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.

## 28. Non-controlling interest

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
Stredoslovenská energetika, a.s.	375,546	-
Pražská teplárenská a.s.	103,321	284,487
Helmstedter Revier GmbH	1,410	-
United Energy, a.s.	505	-
AISE, s.r.o.	255	278
Elektrárny Opatovice, a.s.	3	-
Claymore Equity, s.r.o.	(47)	(40)
VTE Pchery, s.r.o.	(182)	(199)
Alternative Energy, s.r.o.	(625)	(636)
<b>Total</b>	<b>480,186</b>	<b>283,890</b>

## 29. Loans and borrowings

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
Issued debentures at amortised cost	1,091,805	493,397
Loans payable to credit institutions	325,127	18,297
Loans payable to other than credit institutions	142,628	521,639
<i>of which owed to the parent company</i>	2,287	503,739
<i>of which owed to other related companies</i>	140,341	-
Liabilities from financial leases	158	239
Bank overdraft	-	1,949
<b>Total</b>	<b>1,559,718</b>	<b>1,035,521</b>
Non-current	1,513,784	653,779
<i>of which owed to the parent company</i>	-	126,730
<i>of which owed to other related companies</i>	139,136	-
Current	45,934	381,742
<i>of which owed to the parent company</i>	2,287	377,009
<i>of which owed to other related companies</i>	1,205	-
<b>Total</b>	<b>1,559,718</b>	<b>1,035,521</b>

The weighted average interest rate on loans for 2013 was 4.85 % (2012: 5.06 %).

### Issued debentures at amortised costs

#### i. 2019 notes

The Senior Secured Notes were issued on 31 October 2012, are listed on the Irish Stock Exchange and comprise EUR 500 million Senior Secured Notes due 2019 (the "2019 Notes"). The 2019 Notes bear interest at 5.875% per annum, payable semi-annually in arrears on 1 May and 1 November of each year.

The Company may redeem some or all of the 2019 Notes at a redemption price equal to 100% of the principal amount of the 2019 Notes redeemed, plus accrued and unpaid interest and additional amounts, if any, plus a "make whole" premium. Further, the Company may redeem all, but not part, of the 2019 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of a certain change of control triggering events, the Company may be required to offer to redeem the 2019 Notes at 101% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts, if any.

Unless redeemed prematurely (an option which the Company currently does not consider), the 2019 Notes will be redeemed by the Group in their principal amount on 1 November 2019.

The 2019 Notes are guaranteed by certain subsidiaries of EPE on a senior secured basis. The 2019 Notes and the guarantees thereof are secured by first ranking liens on certain assets that secure EPE's and the guarantors' obligations.

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

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

## ii. 2018 Notes

On 18 April 2013 EPE issued additional Senior Secured Notes due in 2018 (the "2018 Notes"). These second notes are listed on the Irish Stock Exchange and amount to EUR 600 million. The 2018 Notes bear interest at 4.375% per annum, payable semi-annually in arrears on 1 May and 1 November of each year.

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

Unless redeemed prematurely (an option which the Company currently does not consider), the 2018 Notes will be redeemed by the Group in their principal amount on 1 May 2018.

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

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

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

## Other loans and borrowings

### Terms and debt repayment schedule

Terms and conditions of outstanding other loans and borrowing as at 31 December 2013 were as follows:

<i>In thousands of EUR</i>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31 December 2013</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Secured bank loan	EUR	variable*	2025	6,240	-	-	6,240
Secured bank loan	EUR	fixed	2014	24	24	-	-
Unsecured bank loan	CZK	variable*	2024	10,161	982	3,979	5,200
Unsecured bank loan	EUR	fixed	2023	74,423	14,600	38,125	21,698
Unsecured bank loan	EUR	variable*	2019	234,279	17,407	72,221	144,651
Unsecured loan	CZK	fixed	2015	140,341	1,205	139,136	-
Unsecured loan	EUR	fixed	2014	2,287	2,287	-	-
Liabilities from financial leases				158	158	-	-
<b>Total interest-bearing liabilities</b>				<b>467,913</b>	<b>36,663</b>	<b>253,461</b>	<b>177,789</b>

\* Variable interest rate is derived as PRIBOR or EURIBOR plus a margin. All interest rates are market based.

Terms and conditions of outstanding other loans and borrowing as at 31 December 2012 were as follows:

<i>In thousands of EUR</i>	<b>Currency</b>	<b>Nominal interest rate</b>	<b>Year of maturity (up to)</b>	<b>Balance at 31 December 2012</b>	<b>Due within 1 year</b>	<b>Due in 1–5 years</b>	<b>Due in following years</b>
Secured bank loan	EUR	fixed	2025	6,881	517	1,432	4,932
Secured bank loan	CZK	variable*	2023	7,518	358	2,586	4,574
Unsecured bank loan	CZK	fixed	2021	4,495	517	1,830	2,148
Unsecured bank loan	EUR	fixed	2016	6,006	676	5,330	-
Unsecured bank loan	EUR	variable*	2017	3,421	-	3,421	-
Secured bank loan**	EUR	variable*	2017	(10,024)	-	(10,024)	-
Unsecured loan	CZK	fixed	2015	243,158	225,855	17,303	-
Unsecured loan	EUR	fixed	2019	278,481	151,751	-	126,730
Bank overdraft	EUR	variable*	undefined	1,949	1,949	-	-
Liabilities from financial leases				239	119	120	-
<b>Total interest-bearing liabilities</b>				<b>542,124</b>	<b>381,742</b>	<b>21,998</b>	<b>138,384</b>

\* Variable interest rate is derived as PRIBOR, EURIBOR, or CZEONIA plus a margin. All interest rates are market based.

\*\* Relates to the Senior Facilities Agreement – the fees were paid in 2012 but the principal was drawn and repaid in 2013.

### 30. Provisions

<i>In thousands of EUR</i>	<b>Employee benefits</b>	<b>Warranties</b>	<b>Provision for emission rights</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2013 (Restated)</b>	<b>25,259</b>	<b>239</b>	<b>51,591</b>	<b>1,074</b>	<b>223,666</b>	<b>2,347</b>	<b>304,176</b>
Provisions made during the period	13,860	270	42,196	39	2,058	2,152	60,575
Provisions used during the period	(17,133)	-	(49,935)	-	(2,272)	(1,115)	(70,455)
Provisions reversed during the period	(1,155)	(308)	-	(1,001)	(5,275)	(462)	(8,201)
Additions through step acquisitions <sup>(1)</sup>	-	-	-	-	-	4	4
Additions through business combinations <sup>(2)</sup>	69,594	-	-	1,299	69,091	2,434	142,418
Unwinding of discount*	193	-	-	-	8,145	-	8,338
Effects of movements in foreign exchange rates	(699)	(2)	(3,312)	(30)	(13)	146	(3,910)
<b>Balance at 31 December 2013</b>	<b>89,919</b>	<b>199</b>	<b>40,540</b>	<b>1,381</b>	<b>295,400</b>	<b>5,506</b>	<b>432,945</b>
<b>Non-current</b>	<b>43,602</b>	<b>-</b>	<b>-</b>	<b>82</b>	<b>295,072</b>	<b>463</b>	<b>339,219</b>
<b>Current</b>	<b>46,317</b>	<b>199</b>	<b>40,540</b>	<b>1,299</b>	<b>328</b>	<b>5,043</b>	<b>93,726</b>

\* Unwinding of discount is included in interest expense.

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

(2) The purchase of Stredoslovenská energetika, a.s. and Helmstedter Revier GmbH.

<i>In thousands of EUR</i>	<b>Em- ployee benefits</b>	<b>Warran- ties</b>	<b>Provision for emission rights</b>	<b>Provision for lawsuits and litigations</b>	<b>Provision for restoration and decommissioning</b>	<b>Other</b>	<b>Total</b>
<b>Balance at 1 January 2012 (Restated)</b>	<b>11,977</b>	<b>78</b>	<b>92,054</b>	<b>1,240</b>	<b>105,426</b>	<b>9,070</b>	<b>219,845</b>
Provisions made during the period	18,454	159	51,585	-	30,625	14,000	114,823
Provisions used during the period	(5,568)	-	(94,460)	-	-	(12,727)	(112,755)
Provisions reversed during the period	(835)	-	-	(239)	(90,124)	(20,602)	(111,800)
Additions through step acquisitions <sup>(1)</sup>	17,590	78	-	195	259,633	26,482	303,978
Disposals through step acquisitions <sup>(1)</sup>	(7,800)	(78)	-	(156)	(105,928)	(9,673)	(123,635)
Unwinding of discount*	-	-	-	-	5,210	-	5,210
Effects of movements in foreign exchange rates	509	2	2,412	34	5,222	331	8,510
Transfer	(9,068)	-	-	-	13,602	(4,534)	-
<b>Balance at 31 December 2012 (Restated)</b>	<b>25,259</b>	<b>239</b>	<b>51,591</b>	<b>1,074</b>	<b>223,666</b>	<b>2,347</b>	<b>304,176</b>
<b>Non-current</b>	<b>15,395</b>	<b>-</b>	<b>-</b>	<b>1,074</b>	<b>223,666</b>	<b>517</b>	<b>240,652</b>
<b>Current</b>	<b>9,864</b>	<b>239</b>	<b>51,591</b>	<b>-</b>	<b>-</b>	<b>1,830</b>	<b>63,524</b>

\* Unwinding of discount is included in interest expense.

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

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 89,919 thousand (2012: EUR 25,259 thousand) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, United Energy, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., Stredoslovenská energetika, a.s. and Helmstedter Revier GbmH.

The provision recorded by Mitteldeutsche Braunkohlengesellschaft GmbH amounts to EUR 16,679 thousand (2012: EUR 21,042 thousand), of which EUR 8,504 thousand (2012: EUR 3,938 thousand) represents a defined benefit pension scheme. The schedules below summarise information about the defined benefit obligations and plan assets.

<i>In thousands of EUR</i>	2013	2012
<b>Plan A</b>		
Fair value of plan asset	3,906	3,540
Present value of obligations	(5,151)	(4,733)
<b>Total employee benefit/(asset)</b>	<b>(1,245)</b>	<b>(1,193)</b>

<b>Plan B</b>		
Fair value of plan asset	3,067	3,660
Present value of obligations	(3,939)	(4,932)
<b>Total employee benefit/(asset)</b>	<b>(872)</b>	<b>(1,272)</b>

<b>Plan C</b>		
Fair value of plan asset	-	-
Present value of obligations	(1,423)	(1,472)
<b>Total employee benefit/(asset)</b>	<b>(1,423)</b>	<b>(1,472)</b>

**Plan assets**

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
Reinsurance contracts – plan A	3,906	3,540
Reinsurance contracts – plan B	3,067	3,660
Plan C	-	-
<b>Total</b>	<b>6,973</b>	<b>7,200</b>

**Movement in the present value of defined benefit obligations**

<i>In thousands of EUR</i>	Plan A	Plan B	Plan C	Total
<b>Balance at 1 January 2013</b>	<b>(4,733)</b>	<b>(4,932)</b>	<b>(1,472)</b>	<b>(11,137)</b>
Benefits paid by plan	104	1,070	125	1,299
Current service costs	(367)	-	(50)	(417)
Current interest costs	(117)	(50)	(30)	(197)
Actuarial gains/(losses)	(36)	(39)	11	(64)
Effects of movements in foreign exchange	(2)	12	(7)	3
<b>Balance at 31 December 2013</b>	<b>(5,151)</b>	<b>(3,939)</b>	<b>(1,423)</b>	<b>(10,513)</b>

<i>In thousands of EUR</i>	Plan A	Plan B	Plan C	Total
<b>Balance at 1 January 2012</b>	<b>(3,372)</b>	<b>(4,884)</b>	<b>(1,240)</b>	<b>(9,496)</b>
Benefits paid by plan	80	597	80	757
Current service costs	(358)	-	(40)	(398)
Current interest costs	(159)	(239)	(80)	(478)
Actuarial gains/(losses)	(875)	(398)	(199)	(1,472)
Effects of movements in foreign exchange	(49)	(8)	7	(50)
<b>Balance at 31 December 2012</b>	<b>(4,733)</b>	<b>(4,932)</b>	<b>(1,472)</b>	<b>(11,137)</b>

**Movement in fair value of plan assets**

<i>In thousands of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Total</b>
<b>Balance at 1 January 2013</b>	<b>3,540</b>	<b>3,660</b>	-	<b>7,200</b>
Benefits paid by plan	(89)	(736)	-	(825)
Contributions to plan assets	367	24	-	391
Expected return on plan assets	87	83	-	170
Current interest costs	-	38	-	38
Actuarial gains/(losses)	10	-	-	10
Effects of movements in foreign exchange	(9)	(2)	-	(11)
<b>Balance at 31 December 2013</b>	<b>3,906</b>	<b>3,067</b>	-	<b>6,973</b>

<i>In thousands of EUR</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>	<b>Total</b>
<b>Balance at 1 January 2012</b>	<b>3,178</b>	<b>4,302</b>	-	<b>7,480</b>
Benefits paid by plan	(80)	(875)	-	(955)
Contributions to plan assets	358	40	-	398
Expected return on plan assets	119	119	-	238
Actuarial gains/(losses)	(40)	40	-	-
Effects of movements in foreign exchange	5	34	-	39
<b>Balance at 31 December 2012</b>	<b>3,540</b>	<b>3,660</b>	-	<b>7,200</b>

**Expense recognised in profit and loss:**

<i>In thousands of EUR</i>	<b>2013</b>	<b>2012</b>
Current service costs	417	398
Expected return on plan assets	(170)	(238)
Current interest costs	197	478
Actuarial gains/(losses)	64	1,472
<b>Total</b>	<b>508</b>	<b>2,110</b>

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

As at 31 December 2013

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>
Discount rate	2.50	1.10	2.04
Expected return on assets	3.50	1.10	N/A
Annual rate of increase in salaries	0.00	N/A	0.00
Post retirement pension increase	0.00	N/A	0.00
Mortality & disability	(1)	(1)	(1)

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

As at 31 December 2012

<i>In %</i>	<b>Plan A</b>	<b>Plan B</b>	<b>Plan C</b>
Discount rate	2.50	1.15	2.04
Expected return on assets	3.50	1.15	N/A
Annual rate of increase in salaries	0.00	N/A	0.00
Post retirement pension increase	0.00	N/A	0.00
Mortality & disability	(1)	(1)	(1)

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

The provision recorded by Helmstedter Revier GmbH amounts to EUR 59,903 thousand (2012: EUR 0 thousand), of which EUR 20,240 thousand (2012: EUR 0 thousand) represents a defined benefit pension scheme and EUR 34,558 thousand (2012: EUR 0 thousand) represents an early retirement scheme. The schedules below summarise information about the defined benefit obligations.

<i>In thousands of EUR</i>	2013	2012
<b>Plan A</b>		
Present value of obligations	(19,492)	-
<b>Total employee benefit</b>	<b>(19,492)</b>	<b>-</b>
<b>Plan B</b>		
Present value of obligations	(732)	-
<b>Total employee benefit</b>	<b>(732)</b>	<b>-</b>
<b>Plan C</b>		
Present value of obligations	(16)	-
<b>Total employee benefit</b>	<b>(16)</b>	<b>-</b>
<b>Early Retirement</b>		
Present value of obligations	(34,558)	-
<b>Total employee benefit</b>	<b>(34,558)</b>	<b>-</b>

**Expense recognised in profit and loss:**

As Helmstedter Revier GmbH was acquired on 20 December 2013, there were no current service costs, interest costs or actuarial gains or losses recognised in profit and loss for the year ending 31 December 2013.

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

As at 31 December 2013

<i>In %</i>	Plan A	Plan B	Plan C	Early Retirement
Discount rate	3.60	3.60	3.60	2.07
Expected return on assets	0.00	0.00	0.00	0.00
Annual rate of increase in salaries	2.50	2.50	2.50	2.50
Post retirement pension increase	2.00	2.00	2.00	0.00
Mortality & disability	(1)	(1)	(1)	0.03

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

The provision recorded by Stredoslovenská energetika, a.s. amounts to EUR 9,980 thousand (2012: EUR 0 thousand). The SSE Group has the following retirement plan with defined benefit and defined contribution plans:

**Pension Plans**

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

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

**Unfunded pension plan with defined benefit**

According to the Corporate Group collective agreement for the period 2011 – 2013, whose validity was extended in the December 2013 amendment to the corporate collective agreement for the period from 1 January 2014 – 31 December 2014, the Group is obliged to pay its employees upon age pension or disability pension, depending on seniority, the following multiples of the average monthly salary:

	Multiples of average monthly wage
5 years or less	4
5 – 10 years	5
10 – 15 years	6
15 – 20 years	7
20 – 25 years	9
25 years and more	11

The minimum requirement of the Labour Code to post the retirement, equal to one average monthly salary, is included in the above multiples.

#### *Other benefits*

The Group also pays benefits for work and life anniversaries:

- one monthly wage after 25 years of service;
- 40% to 110% of the employee's monthly salary depending on seniority in the Group at the age of 50.

#### **Provision for emission rights**

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

#### **Provision for lawsuits**

The most significant provision for lawsuits as at 31 December 2012 of EUR 994 thousand recognised by United Energy, a.s. as a probable liability for environmental pollution was released as the disputes were settled out of court. A provision of EUR 1,299 thousand was recorded by Stredoslovenská energetika, a.s. For more details refer to Note 39 – Litigations and Claims.

As disclosed in Note 39 – Litigations and Claims, there are other legal proceedings in which the Group is involved whose results cannot be reliably estimated as at the date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 31 December 2012 and 31 December 2013.

#### **Provision for restructuring, restoration and decommissioning**

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

The following expense items are considered:

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

Estimates are reviewed by an external expert/engineering office to ensure that mining provisions have been properly created. These external experts determine the value of all expense items listed above on the basis of usual market prices. In 2013, quantities and values were adjusted based on the latest knowledge. Consequently, the provisions were recalculated for IFRS accounting purposes on the basis of the new settlement values. An annual inflation rate of 1.7% (2012: 1.7%) was used to calculate the provision for adjustments based on the current price basis and a discount rate of 3.64% (2012: 3.68%) for the whole period.

In 2012 the remaining 50% share in JTSD Braunkohlebergbau GmbH was acquired. As a result of the step-acquisition the provision increased by EUR 153,705 thousand, this effect was calculated by an external valuation specialist during a Purchase Price Allocation process. At the year-end, the Company reassessed several factors, specifically the inflation and discount rates to be in line with best practice used

in the mining sector. These changes in estimates resulted in a one-off reversal of the reclamation provision for Schleenhain and Profen mines totalling EUR 84,964 thousand. This impact is presented within Other operating income.

As at 31 December 2013, the provision for restoration and decommissioning was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH and Helmstedter Revier GmbH in the amount of EUR 292,648 thousand (2012: EUR 223,190 thousand). The rehabilitation is expected to occur in the period from 2030 to 2058 in the case of JTSD Braunkohlebergbau GmbH and in the period from 2017 to 2070 in the case of Helmstedter Revier GmbH.

In 2013 due to the acquisition of Helmstedter Revier GmbH the provision increased by EUR 69,091 thousand. This effect was calculated by an external valuation specialist during a Purchase Price Allocation process.

The Group performs stress testing using inflation and discount rate shock, i.e. an immediate decrease/increase in inflation or discount rate by 10 basis points ('bp').

At the reporting date, a change of 10 basis points in inflation rate would have increased or decreased the provision for restructuring by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

At the reporting date, a change of 10 basis points in discount rate would have increased or decreased the provision for restructuring by the amounts shown in the table below. This analysis assumes that all other variables remain constant.

*In thousands of EUR*

	<b>2013</b>	<b>2012</b>
	<b>Profit (loss)</b>	<b>Profit (loss)</b>
Decrease of inflation rate by 10 bp	(16,262)	(11,733)
Increase of inflation rate by 10 bp	14,714	10,619
Decrease of discount rate by 10 bp	34,332	24,778
Increase of discount rate by 10 bp	(28,090)	(20,284)

### 31. Deferred income

*In thousands of EUR*

	<b>31 December 2013</b>	<b>31 December 2012</b>
Government grants	6,752	2,864
Other deferred income	35,270	14,678
<b>Total</b>	<b>42,022</b>	<b>17,542</b>

Balance of other deferred income in amount of EUR 34,494 thousand is represented by newly acquired Stredoslovenská energetika, a.s. This balance consists of deferred income related to the following items: fee for grid connection paid by customers (EUR 21,694 thousand), contributions for the acquisitions of tangible assets paid by customers (EUR 4,634 thousand), property acquired free-of-charge (EUR 4,187 thousand) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3,979 thousand).

## 32. Financial instruments

### Financial instruments and other financial assets

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
<b>Assets carried at amortised cost</b>		
Loans to other than credit institutions	519,130	548,528
<i>of which owed by the parent company</i>	467,104	490,135
<i>of which owed by other Group related companies</i>	5,494	58,194
Bills of exchange held to maturity	-	756
Shares available for sale held at cost	1,725	636
Other equity instruments	494	557
<b>Total</b>	<b>521,349</b>	<b>550,477</b>
<b>Assets carried at fair value</b>		
Currency forwards	8,125	4,813
Equity options for trading	222	239
Commodity derivatives for trading	221	5,609
<b>Total</b>	<b>8,568</b>	<b>10,661</b>
<i>Non-current</i>	13,075	17,303
<i>Current</i>	516,842	543,835
<b>Total</b>	<b>529,917</b>	<b>561,138</b>

### Financial instruments and other financial liabilities

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
<b>Liabilities carried at fair value</b>		
Currency forwards	3,795	279
Commodity derivatives	2,706	-
Interest rate swaps	735	1,750
Other financial liabilities	-	40
<b>Total</b>	<b>7,236</b>	<b>2,069</b>
<i>Non-current</i>	1,649	1,472
<i>Current</i>	5,587	597
<b>Total</b>	<b>7,236</b>	<b>2,069</b>

The weighted average interest rate on loans to other than credit institutions as at 31 December 2013 was 4.12% (2012: 4.23%).

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

<i>In thousands of EUR</i>	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) <sup>(1)</sup>	28	(110)	-	(735)
<b>Total</b>	<b>642,143</b>	<b>(639,187)</b>	<b>8,568</b>	<b>(7,236)</b>

<i>In thousands of EUR</i>	31 December 2012 Nominal amount buy	31 December 2012 Nominal amount sell	31 December 2012 Fair value buy	31 December 2012 Fair value sell
Commodity derivatives – futures/forwards	572,235	(569,809)	5,609	-
Currency forwards	285,163	(280,708)	4,813	(279)
Equity options	-	-	239	-
Interest rate swaps (IRS) <sup>(1)</sup>	40	(199)	-	(1,750)
<b>Total</b>	<b>857,438</b>	<b>(850,716)</b>	<b>10,661</b>	<b>(2,029)</b>

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

Swap derivatives are recognised in respect of interest rate swaps as described in detail in Note 36 – Risk management policies and disclosures.

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity, which are denominated in CZK and EUR with maturity up to 1 year and where the contractual condition of derivatives does not meet the “own use exemption” as noted in IAS 39.5.

Sensitivity analysis relating to the fair values of financial instruments is included in the Note 36 – Risk management policies and disclosures.

#### 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.

Were fair values to differ by 10% from management estimates, the net carrying amount of financial instruments would be an estimated EUR 133 thousand (2012: EUR 863 thousand) higher or lower than disclosed as at 31 December 2013.

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

<i>In thousands of EUR</i>	2012			
	Level 1	Level 2	Level 3	Total
<b>Financial assets carried at fair value:</b>				
Commodity derivatives for trading	-	5,609	-	5,609
Currency forwards for trading	-	4,813	-	4,813
Equity options for trading	-	239	-	239
<b>Total</b>	<b>-</b>	<b>10,661</b>	<b>-</b>	<b>10,661</b>
<b>Financial liabilities carried at fair value:</b>				
Interest rate swaps	-	1,750	-	1,750
Currency forwards	-	279	-	279
<b>Total</b>	<b>-</b>	<b>2,029</b>	<b>-</b>	<b>2,029</b>

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

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

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

<i>In thousands of EUR</i>	<b>Carrying value amount</b>	<b>Fair value</b>
<b>Financial assets</b>	<b>31 December 2012</b>	<b>31 December 2012</b>
Loans to other than credit institutions	548,528	549,761
Bills of exchange held to maturity	756	756
Shares available for sale	636	636
Other equity instruments	557	557
<b>Financial instruments held at amortised costs</b>	<b>550,477</b>	<b>551,710</b>
<b>Cash and cash equivalents</b>	<b>325,099</b>	<b>325,099</b>
 <b>Financial liabilities</b>		
<b>Loans and borrowings</b>	<b>1,035,521</b>	<b>1,042,323</b>

All financial instruments held at amortised costs are categorised within Level 2 of the fair value hierarchy (for more details of valuation methods refer to Note 2 (d) i Assumption and estimation uncertainties).

#### Transactions with emission rights

The following information pertains to contracts on delivery or sale of emission rights. These contracts do not meet the IAS 39 criteria for derivatives (refer to the Note 3 – Significant Accounting Policies) and are reported as off-balance sheet items.

#### Swap operations

As at 31 December 2013 the EPE Group reports commitments for a purchase of 755,000 pieces (2012: 1,711,845 pieces) of emission rights at an average price of 9.19 EUR/piece (2012: 9.17 EUR/piece) and at the same time the EPE Group is committed to sell 536,845 pieces (2012: 1,711,845 pieces) of emission rights at average price of 9.91 EUR/piece (2012: 9.77 EUR/piece).

#### Forward operations

As at 31 December 2013 the EPE Group is contractually obliged to purchase 5,060,900 pieces (2012: 4,795,883 pieces) of emission rights at an average price 6.52 EUR/piece (2012: 11.23 EUR/piece).

#### Hedge accounting

##### *Cash flow hedges – hedge of foreign currency risk with non-derivative financial liability*

The Group applies consolidated hedge accounting for hedging instruments designed to hedge the foreign currency risk of revenues denominated in foreign currency (EUR). The hedging instruments are bonds issued in EUR in total amount of EUR 1,100 million. The hedged cash inflows in EUR due from EUR denominated transactions (primarily at Mitteldeutsche Braunkohlengesellschaft GmbH, Saale Energie GmbH, Elektrárny Opatovice, a.s. United Energy, a.s., Plzeňská energetika a.s.) are expected to occur and

impact profit or loss in periods of 2020 to 2029. As a result of the hedging relationship on the EPE Group consolidated level, the EPE Group reported a foreign currency cash flow hedge reserve of EUR 77,658 thousand as of 31 December 2013.

There was no amount reclassified from other equity to profit or loss due to an applied cash flow hedge for the year 2013.

### Debentures held to maturity

In December 2013, the management of Stredoslovenská energetika, a.s. decided to sell the debentures held in its Held to maturity portfolio before original maturity. These debentures were therefore reclassified to Available for sale portfolio in total amount of EUR 20,113 thousand. All of these debentures were sold in December 2013. As a result of this transaction, the Group will not hold any debentures in the Held to maturity portfolio until December 2015.

## 33. Trade payables and other liabilities

<i>In thousands of EUR</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Trade payables	281,720	222,355
Advance payments received	66,643	30,470
Other tax liabilities	37,406	23,866
Estimated payables	25,224	22,872
Payroll liabilities	19,655	12,172
Accrued expenses	13,103	5,091
Uninvoiced supplies	4,673	2,426
Retentions to contractors	770	278
Other liabilities	11,456	9,547
<b>Total</b>	<b>460,650</b>	<b>329,077</b>
<i>Non-current</i>	76,679	4,892
<i>Current</i>	383,971	324,185
<b>Total</b>	<b>460,650</b>	<b>329,077</b>

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

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

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

The Group's exposure to currency and liquidity risk related to trade payables and other liabilities is disclosed in Note 36 – Risk management policies and disclosures.

### Liabilities to social fund

<i>In thousands of EUR</i>	<b>2013</b>	<b>2012</b>
Balance at 1 January	716	736
Acquisitions through business combinations	132	-
Transferred from retained earnings	355	-
Charged to expenses	216	119
Disposal/decrease in principal	(597)	(159)
Effects of movements in foreign exchange rates	(57)	20
<b>Balance at 31 December</b>	<b>765</b>	<b>716</b>

Liabilities to the social fund are presented under payroll liabilities.

### 34. Financial commitments and contingencies

<i>In thousands of EUR</i>	<b>31 December 2013</b>	<b>31 December 2012</b>
Granted pledges – securities	1,041,289	1,697,295
Other granted promises	283,042	-
Other granted guarantees and warranties	3,737	-
Other contingent liabilities	1,861,247	1,594,073
<b>Total</b>	<b>3,189,315</b>	<b>3,291,368</b>

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

Other contingent liabilities relate to granted loans of EUR 1,284,219<sup>(1)</sup> thousand (31 December 2012: EUR 987,987<sup>(1)</sup> thousand), pledged cash of EUR 104,678 thousand (31 December 2012: EUR 119,372 thousand) and further pledges of EUR 472,350 thousand (31 December 2012: EUR 486,714 thousand) that include pledged fixed assets of EUR 343,140 thousand (31 December 2012: EUR 341,169 thousand), pledged inventories of EUR 17,933 thousand (31 December 2012: EUR 13,087 thousand) and trade receivables of EUR 111,277 thousand (31 December 2012: EUR 132,458 thousand); all were used as collateral for external financing.

(1) Total balance of pledged granted loans includes intercompany loans of EUR 811,622 thousand (31 December 2012: EUR 439,459 thousand).

#### **Other granted promises**

Other granted promises comprise EUR 261,702 thousand, which are represented by the contracts for future energy supply, and EUR 21,340 thousand, which are represented by the Regulatory contingent assets related to green energy.

#### *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 URISO and is covered by the Tariff for system operation (“TPS”). In the year 2013 (irrespective of the actual acquisition of the SSE Group by EPE Group) the SSE Group recognized a loss in the amount of EUR 21,340 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. Based on the current Regulatory Framework the loss incurred will be compensated in period t+2, i.e. in 2015 through an increase of revenues from TPS. The resulting asset was not recognized as the asset does not meet the recognition criteria set by IFRS as adopted by the EU.

#### **Other commitments and contingencies**

EPE’s parent company, Energetický průmyslový holding, a.s. (“EPH”), 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 7,955 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.

### 35. Operating leases

#### Leases as lessee

Non-cancellable operating lease rentals (total future minimum lease payments) are payable as follows:

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
Less than one year	1,228	1,511
Between one and five years	4	80
More than five years	-	119
<b>Total</b>	<b>1,232</b>	<b>1,710</b>

The Group leases a number of cars and administration space under operating leases. The administration space leases typically run for an initial period of 5 to 10 years, with a renewal option after these periods. During the year ended 31 December 2013, EUR 9,974 thousand (2012: EUR 7,636 thousand) was recognised as an expense in profit or loss in respect of operating leases.

#### Leases as lessor

Non-cancellable operating lease rentals are payable as follows:

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
Less than one year	-	-
Between one and five years	-	597
More than five years	-	-
<b>Total</b>	<b>-</b>	<b>597</b>

The Group leases out its property under operating leases (refer to Note 18 – Investment property).

During the year ended 31 December 2013 EUR 3,854 thousand (2012: EUR 2,903 thousand) was recognised as income in profit or loss in respect of operating leases and rent of investment property.

### 36. Risk management policies and disclosures

This section provides details of the Group's exposure to financial and operational risks and the way it manages such risk. The most important types of financial risks to which the Group is exposed are credit risk, liquidity risk, interest rate risk and foreign exchange risk.

As part of its operations, the Group is exposed to different market risks, notably the risk of changes in interest rates, exchange rates and commodity prices. To minimise this exposure, the Group enters into derivatives contracts to hedge individual transactions and overall exposures, using instruments available on the market.

#### (a) Credit risk

##### *i. Exposure to credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and loans and advances.

The Group has established a credit policy under which each new customer requesting products/services over a certain limit (which is based on the size and nature of the particular business) is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's policy is also to require suitable collateral to be provided by customers. The exposure to credit risk is monitored on an ongoing basis.

### Additional aspects mitigating credit risk

The Group operates mainly as an energy and power generation company, and thus has a specific customer structure. The distribution companies represent a very low credit risk. The large clients are dependent upon electricity supplies which significantly mitigates the credit risks. In addition, bank guarantees and advance payments are required before active operation with traders. Previous experience shows that such elements are very favourable in terms of credit risk elimination.

The carrying amount of financial assets (plus guarantees issued) represents the maximum credit exposure if counterparties fail to carry out completely their contractual obligations and any collateral or security proves to be of no value. The amount therefore greatly exceeds expected losses, which are included in the allowance for impairment.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

At the reporting date, the maximum exposure to credit risk by the type of counterparty and by geographic region is provided in the following tables.

### Credit risk by type of counterparty

As at 31 December 2013

<i>In thousands of EUR</i>	<b>Corporate (non-financial institutions)</b>	<b>State, government</b>	<b>Financial institutions</b>	<b>Banks</b>	<b>Individuals</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	948	-	-	281,988	-	<sup>(1)</sup> 133	283,069
Trade receivables and other assets	327,762	3,316	53	1,119	5,127	10,246	347,623
Financial instruments and other financial assets	524,910	-	-	4,417	11	579	529,917
<b>Total</b>	<b>853,620</b>	<b>3,316</b>	<b>53</b>	<b>287,524</b>	<b>5,138</b>	<b>10,958</b>	<b>1,160,609</b>
<b>Liabilities</b>							
Loans and borrowings	142,787	-	1,088,058	328,873	-	-	1,559,718
Financial instruments and other financial liabilities	2,706	-	-	4,530	-	-	7,236
Trade payables and other liabilities	383,051	42,757	-	-	33,939	903	460,650
<b>Total</b>	<b>528,544</b>	<b>42,757</b>	<b>1,088,058</b>	<b>333,403</b>	<b>33,939</b>	<b>903</b>	<b>2,027,604</b>

(1) Primarily petty cash

<b>As at 31 December 2012</b>							
<i>In thousands of EUR</i>	<b>Corporate (non-financial institutions)</b>	<b>State, government</b>	<b>Financial institutions</b>	<b>Banks</b>	<b>Individuals</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>							
Cash and cash equivalents	28,043	-	-	296,976	-	<sup>(1)</sup> 80	325,099
Trade receivables and other assets	224,185	1,869	-	40	239	39,379	265,712
Financial instruments and other financial assets	550,517	756	-	5,251	-	4,614	561,138
<b>Total</b>	<b>802,745</b>	<b>2,625</b>	<b>-</b>	<b>302,267</b>	<b>239</b>	<b>44,073</b>	<b>1,151,949</b>
<b>Liabilities</b>							
Loans and borrowings	521,877	-	493,397	20,247	-	-	1,035,521
Financial instruments and other financial liabilities	-	-	-	2,069	-	-	2,069
Trade payables and other liabilities	260,581	25,975	-	40	9,348	33,133	329,077
<b>Total</b>	<b>782,458</b>	<b>25,975</b>	<b>493,397</b>	<b>22,356</b>	<b>9,348</b>	<b>33,133</b>	<b>1,366,667</b>

(1) Primarily petty cash

#### Credit risk by location

<b>As at 31 December 2013</b>								
<i>In thousands of EUR</i>	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Cyprus</b>	<b>Poland</b>	<b>Germany</b>	<b>Ireland</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents	121,676	71,910	-	769	88,709	-	5	283,069
Trade receivables and other assets	160,263	95,105	1,017	237	70,243	-	20,758	347,623
Financial instruments and other financial assets	483,133	576	-	-	46,208	-	-	529,917
<b>Total</b>	<b>765,072</b>	<b>167,591</b>	<b>1,017</b>	<b>1,006</b>	<b>205,160</b>	<b>-</b>	<b>20,763</b>	<b>1,160,609</b>
<b>Liabilities</b>								
Loans and borrowings	152,946	79,843	-	24	6,239	<sup>(2)</sup> 1,091,805	<sup>(1)</sup> 228,861	1,559,718
Financial instruments and other financial liabilities	7,236	-	-	-	-	-	-	7,236
Trade payables and other liabilities	159,244	130,383	20	2,890	164,863	-	3,250	460,650
<b>Total</b>	<b>319,426</b>	<b>210,226</b>	<b>20</b>	<b>2,914</b>	<b>171,102</b>	<b>1,091,805</b>	<b>232,111</b>	<b>2,027,604</b>

(1) The amount primarily represents a loan amounting EUR 228,859 thousand drawn by EPH Financing II, a.s. in the United Kingdom.

(2) The amount represents issued bonds which are quoted on Irish stock exchange.

**As at 31 December 2012**
*In thousands of EUR*

	Czech Republic	Slovakia	Cyprus	Netherlands	Germany	Ireland	Other	Total
<b>Assets</b>								
Cash and cash equivalents	274,264	2,705	-	39	47,932	-	159	325,099
Trade receivables and other assets	153,142	39,419	5,012	-	65,911	-	2,228	265,712
Financial instruments and other financial assets	512,928	756	-	-	47,454	-	-	561,138
<b>Total</b>	<b>940,334</b>	<b>42,880</b>	<b>5,012</b>	<b>39</b>	<b>161,297</b>	<b>-</b>	<b>2,387</b>	<b>1,151,949</b>
<b>Liabilities</b>								
Loans and borrowings	535,839	9,428	-	-	6,881	(2) 493,397	(1) (10,024)	1,035,521
Financial instruments and other financial liabilities	2,069	-	-	-	-	-	-	2,069
Trade payables and other liabilities	158,751	26,014	4,137	40	136,834	-	3,301	329,077
<b>Total</b>	<b>696,659</b>	<b>35,442</b>	<b>4,137</b>	<b>40</b>	<b>143,715</b>	<b>493,397</b>	<b>(6,723)</b>	<b>1,366,667</b>

(1) The amount represents fees paid in connection with obtaining a long term bank loan. The principal was not drawn by 31 December 2012; the loan was drawn and repaid in 2013.

(2) The amount represents issued bonds which are quoted on Irish stock exchange.

**ii. Impairment losses**

The ageing of financial assets, excluding cash and cash equivalents and derivatives, at the reporting date was:

**Credit risk – impairment of financial assets**
**As at 31 December 2013**
*In thousands of EUR*

	Loans to other than credit institutions	Shares available for sale and other equity instruments	Trade receivables and other assets	Total
Before maturity (net)	519,130	2,219	327,194	848,543
After maturity (net)	-	-	20,429	20,429
<b>Total</b>	<b>519,130</b>	<b>2,219</b>	<b>347,623</b>	<b>868,972</b>

A – Assets for which a provision has been created (overdue and impaired)

- Gross	-	-	28,612	28,612
- specific loss allowance	-	-	(8,193)	(8,193)
- collective loss allowance	-	-	(690)	(690)
<b>Net</b>	<b>-</b>	<b>-</b>	<b>19,729</b>	<b>19,729</b>

B – Assets for which a provision has not been created (overdue but not impaired)

- after maturity <30 days	-	-	130	130
- after maturity 31–180 days	-	-	88	88
- after maturity 181–365 days	-	-	21	21
- after maturity >365 days	-	-	461	461
<b>Net</b>	<b>-</b>	<b>-</b>	<b>700</b>	<b>700</b>
<b>Total</b>	<b>-</b>	<b>-</b>	<b>20,429</b>	<b>20,429</b>

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2013 were as follows:

<i>In thousands of EUR</i>	<b>Loans to other than credit institutions</b>	<b>Shares available for sale and other equity instruments</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Balance at 1 January 2013</b>	-	-	7,200	7,200
Impairment losses recognised during the period	-	-	6,258	6,258
Use of allowance during the period (write-offs)	-	-	(3)	(3)
Reversals of impairment losses recognised during the period	-	-	(4,124)	(4,124)
Differences due to foreign currency translation	-	-	(448)	(448)
<b>Balance at 31 December 2013</b>	-	-	<b>8,883</b>	<b>8,883</b>

**As at 31 December 2012**

<i>In thousands of EUR</i>	<b>Financial instruments: held to maturity</b>	<b>Loans to other than credit institutions</b>	<b>Shares available for sale and other equity instruments</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
Before maturity (net)	756	548,528	1,193	234,527	785,004
After maturity (net)	-	-	-	31,185	31,185
<b>Total</b>	<b>756</b>	<b>548,528</b>	<b>1,193</b>	<b>265,712</b>	<b>816,189</b>

A – Assets for which a provision has been created (overdue and impaired)

- Gross	-	-	21,201	21,201
- specific loss allowance	-	-	(7,200)	(7,200)
- collective loss allowance	-	-	-	-
<b>Net</b>	-	-	<b>14,001</b>	<b>14,001</b>

B – Assets for which a provision has not been created (overdue but not impaired)

- after maturity <30 days	-	-	6,563	6,563
- after maturity 31–180 days	-	-	10,621	10,621
- after maturity 181–365 days	-	-	-	-
- after maturity >365 days	-	-	-	-
<b>Net</b>	-	-	<b>17,184</b>	<b>17,184</b>
<b>Total</b>	-	-	<b>31,185</b>	<b>31,185</b>

The movements in the allowance for impairment in respect of financial assets during the year ended 31 December 2012 were as follows:

<i>In thousands of EUR</i>	<b>Financial instruments: held to maturity</b>	<b>Loans to other than credit institutions</b>	<b>Shares available for sale and other equity instruments</b>	<b>Trade receivables and other assets</b>	<b>Total</b>
<b>Balance at 1 January 2012</b>	-	-	-	7,364	7,364
Impairment losses recognised during the period	-	-	-	3,261	3,261
Reversals of impairment losses recognised during the period	-	-	-	(2,227)	(2,227)
Use of allowance during the period (write-offs)	-	-	-	(1,352)	(1,352)
Differences due to foreign currency translation	-	-	-	154	154
<b>Balance at 31 December 2012</b>	-	-	-	7,200	7,200

Impairment losses on trade receivables and other assets at 31 December 2013 and 31 December 2012 relate to several customers that have indicated that they do not expect to be able to pay their outstanding balances, mainly due to economic circumstances. The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible, based on extensive analyses of the underlying ratings of the customers.

Based on historic default rates, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables and other assets that are not past due or past due by up to 30 days.

The allowance for impairment in respect of financial assets is used to record impairment losses unless the Group is satisfied that no recovery of the amount owed is possible; at that point the amounts are considered irrecoverable and are written off against the financial asset directly.

## (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Various methods of managing liquidity risk are used by individual companies in the Group.

The Group's management focuses on methods used by financial institutions, i.e. diversification of sources of funds. This diversification makes the Group flexible and limits its dependency on one financing source. Liquidity risk is evaluated in particular by monitoring changes in the structure of financing and comparing these changes with the Group's liquidity risk management strategy. The Group also holds, as a part of its liquidity risk management strategy, a portion of its assets in highly liquid funds.

Typically the Group ensures that it has sufficient cash on demand and assets within short maturity to meet expected operational expenses for a period of 90 days, including servicing financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The table below provides an analysis of financial assets and liabilities by relevant maturity groupings based on the remaining period from the reporting date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities. Therefore, in the case of liabilities, the earliest possible repayment date is shown while for assets the latest possible repayment date is disclosed. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "undefined maturity" category.

## Maturities of financial assets and liabilities

As at 31 December 2013

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Contractual cash flows <sup>(1)</sup></b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity</b>
<b>Assets</b>							
Cash and cash equivalents	283,069	283,069	283,069	-	-	-	-
Trade receivables and other assets	347,623	<sup>(2)</sup> 333,868	246,969	37,079	18,624	7	31,189
Financial instruments and other financial assets	529,917	553,956	1,214	489,385	8,075	10,211	45,071
<i>out of which derivatives</i>	8,568	8,568	1,200	2,190	5,178	-	-
<b>Total</b>	<b>1,160,609</b>	<b>1,170,893</b>	<b>531,252</b>	<b>526,464</b>	<b>26,699</b>	<b>10,218</b>	<b>76,260</b>
<b>Liabilities</b>							
Loans and borrowings	1,559,718	1,927,310	2,996	107,939	1,098,750	717,625	-
Financial instruments and other financial liabilities	7,236	6,345	2,095	2,958	963	329	-
<i>out of which derivatives</i>	7,236	6,345	2,095	2,958	963	329	-
Trade payables and other liabilities	460,650	458,273	316,895	64,908	44,247	31,793	430
<b>Total</b>	<b>2,027,604</b>	<b>2,391,928</b>	<b>321,986</b>	<b>175,805</b>	<b>1,143,960</b>	<b>749,747</b>	<b>430</b>
<b>Net liquidity risk position</b>	<b>(866,995)</b>	<b>(1,221,035)</b>	<b>209,266</b>	<b>350,659</b>	<b>(1,117,261)</b>	<b>(739,529)</b>	<b>75,830</b>

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.

(2) Prepaid expenses and advances provided are excluded.

# As at 31 December 2012

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Contractual cash flows <sup>(1)</sup></b>	<b>Up to 3 months</b>	<b>3 months to 1 year</b>	<b>1-5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity</b>
<b>Assets</b>							
Cash and cash equivalents	325,099	325,099	325,099	-	-	-	-
Trade receivables and other assets	265,712	<sup>(2)</sup> 244,471	151,154	58,353	4,614	6,842	23,508
Financial instruments and other financial assets	561,138	587,987	1,551	557,041	5,648	22,593	1,154
<i>out of which derivatives</i>	10,661	7,836	1,551	3,461	2,824	-	-
<b>Total</b>	<b>1,151,949</b>	<b>1,157,557</b>	<b>477,804</b>	<b>615,394</b>	<b>10,262</b>	<b>29,435</b>	<b>24,662</b>
<b>Liabilities</b>							
Loans and borrowings	1,035,521	1,299,562	2,387	441,209	153,381	702,585	-
Financial instruments and other financial liabilities	2,069	2,108	278	358	1,472	-	-
<i>out of which derivatives</i>	2,069	2,108	278	358	1,472	-	-
Trade payables and other liabilities	329,077	320,048	156,842	57,080	875	2,705	102,546
<b>Total</b>	<b>1,366,667</b>	<b>1,621,718</b>	<b>159,507</b>	<b>498,647</b>	<b>155,728</b>	<b>705,290</b>	<b>102,546</b>
<b>Net liquidity risk position</b>	<b>(214,718)</b>	<b>(464,161)</b>	<b>318,297</b>	<b>116,747</b>	<b>(145,466)</b>	<b>(675,855)</b>	<b>(77,884)</b>

(1) Contractual cash flows disregarding discounting to net present value and including potential interest.

(2) Prepaid expenses and advances provided are excluded.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or in significantly different amounts.

## (c) Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets (including investments) and interest-bearing liabilities mature or re-price at different times or in differing amounts. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. The table below provides information on the extent of the Group's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market rate of interest before maturity, the next re-pricing date. Those assets and liabilities that do not have a contractual maturity date or are not interest-bearing are grouped together in the "maturity undefined" category.

Various types of derivatives are used to reduce the amount of debt exposed to interest rate fluctuations and to reduce borrowing costs and include mainly interest rate swaps.

These contracts are normally agreed with a notional amount and expiry date lower than or equal to that of the underlying financial liability, so that any change in the fair value and/or expected future cash flows of these contracts is offset by a corresponding change in the fair value and/or the expected future cash flows from the underlying position.

Financial information relating to interest bearing and non-interest bearing assets and liabilities and their contractual maturity or re-pricing dates as at 31 December 2013 is as follows:

<i>In thousands of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	282,936	-	-	133	283,069
Trade receivables and other assets	335	-	-	347,288	347,623
Financial instruments and other financial assets	468,585	2,623	5,494	53,215	529,917
<b>Total</b>	<b>751,856</b>	<b>2,623</b>	<b>5,494</b>	<b>400,636</b>	<b>1,160,609</b>
<b>Liabilities</b>					
Loans and borrowings	244,770	768,000	540,680	6,268	1,559,718
Financial instruments and financial liabilities	4,181	-	329	2,726	7,236
Trade payables and other liabilities	5,013	9	5	455,623	460,650
<b>Total</b>	<b>253,964</b>	<b>768,009</b>	<b>541,014</b>	<b>464,617</b>	<b>2,027,604</b>
<b>Net interest rate risk position</b>	<b>497,892</b>	<b>(765,386)</b>	<b>(535,520)</b>	<b>(63,981)</b>	<b>(866,995)</b>

Notional amounts of financial instruments are included in Note 32 – Financial instruments.

Interest rate risk exposure as at 31 December 2012 is as follows:

<i>In thousands of EUR</i>	<b>Up to 1 year</b>	<b>1 year to 5 years</b>	<b>Over 5 years</b>	<b>Undefined maturity (or non-interest bearing)</b>	<b>Total</b>
<b>Assets</b>					
Cash and cash equivalents	325,019	-	-	80	325,099
Trade receivables and other assets	58,592	-	-	207,120	265,712
Financial instruments and other financial assets	538,743	239	11,138	11,018	561,138
<b>Total</b>	<b>922,354</b>	<b>239</b>	<b>11,138</b>	<b>218,218</b>	<b>1,151,949</b>
<b>Liabilities</b>					
Loans and borrowings	381,742	33,254	487,868	132,657	1,035,521
Financial instruments and financial liabilities	597	80	-	1,392	2,069
Trade payables and other liabilities	120,048	4,018	-	205,011	329,077
<b>Total</b>	<b>502,387</b>	<b>37,352</b>	<b>487,868</b>	<b>339,060</b>	<b>1,366,667</b>
<b>Net interest rate risk position</b>	<b>419,967</b>	<b>(37,113)</b>	<b>(476,730)</b>	<b>(120,842)</b>	<b>(214,718)</b>

Notional amounts of financial instruments are included in Note 32 – Financial instruments.

### Sensitivity analysis

The Group performs stress testing using a standardised interest rate shock, i.e. an immediate decrease/increase in interest rates by 100 basis points ('bp') along the whole yield curve is applied to the interest rate positions of the portfolio.

At the reporting date, a change of 100 basis points in interest rates would have increased or decreased profit by the amounts shown in the table below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

<i>In thousands of EUR</i>	<b>2013</b>	<b>2012</b>
Decrease in interest rates by 100 bp	58,662	22,593
Increase in interest rates by 100 bp	(58,662)	(22,593)

**(d) Foreign exchange risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Group is exposed to a currency risk on sales, purchases and borrowings that are denominated in currency other than the respective functional currencies of Group entities, primarily EUR, USD and PLN.

Various types of derivatives are used to reduce the exchange rate risk on foreign currency assets, liabilities and expected future cash flows. These include forward exchange contracts, most with a maturity of less than one year.

These contracts are also normally agreed with a notional amount and expiry date equal to that of the underlying financial liability or the expected future cash flows, so that any change in the fair value and/or future cash flows of these contracts stemming from a potential appreciation or depreciation of the Czech crown against other currencies is fully offset by a corresponding change in the fair value and/or the expected future cash flows of the underlying position.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

As of 31 December 2013, the exposure to foreign exchange risk translated to thousands of EUR was as follows:

<i>In thousands of EUR</i>	<b>CZK</b>	<b>USD</b>	<b>EUR</b>	<b>PLN</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	88,645	6	193,527	890	1	<b>283,069</b>
Trade receivables and other assets	115,477	-	231,943	203	-	<b>347,623</b>
Financial instruments and other financial assets	15,807	-	514,110	-	-	<b>529,917</b>
	<b>219,929</b>	<b>6</b>	<b>939,580</b>	<b>1,093</b>	<b>1</b>	<b>1,160,609</b>
Off-balance sheet assets	3,745,717	-	1,129,183	-	-	<b>4,874,900</b>
<i>Notional amounts of derivatives*</i>	<i>172,419</i>	<i>-</i>	<i>508,004</i>	<i>-</i>	<i>-</i>	<i>680,423</i>
<b>Liabilities</b>						
Loans and borrowings	150,660	-	1,409,058	-	-	<b>1,559,718</b>
Financial instruments and other financial liabilities	806	-	6,430	-	-	<b>7,236</b>
Trade payables and other liabilities	119,744	50	337,960	2,849	47	<b>460,650</b>
	<b>271,210</b>	<b>50</b>	<b>1,753,448</b>	<b>2,849</b>	<b>47</b>	<b>2,027,604</b>
Off-balance sheet liabilities	218,063	-	741,134	-	-	<b>959,197</b>
<i>Notional amounts of derivatives*</i>	<i>215,396</i>	<i>-</i>	<i>425,084</i>	<i>-</i>	<i>-</i>	<i>640,480</i>

\* *Also includes the spot part of forwards.*

Off-balance sheet assets and liabilities include notional amounts of financial instruments (refer to Note 32 – Financial instruments for more details).

As of 31 December 2012, the exposure to foreign exchange risk translated to thousands of EUR was as follows:

<i>In thousands of EUR</i>	<b>CZK</b>	<b>USD</b>	<b>EUR</b>	<b>PLN</b>	<b>Other</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	208,353	-	116,547	199	-	<b>325,099</b>
Trade receivables and other assets	125,736	-	138,425	1,551	-	<b>265,712</b>
Financial instruments and other financial assets	462,450	-	98,688	-	-	<b>561,138</b>
	<b>796,539</b>	-	<b>353,660</b>	<b>1,750</b>	-	<b>1,151,949</b>
Off-balance sheet assets	3,232,976	-	1,159,029	-	-	<b>4,392,005</b>
<i>Notional amounts of derivatives*</i>	<b>700,518</b>	-	<b>219,570</b>	-	-	<b>920,088</b>
<b>Liabilities</b>						
Loans and borrowings	245,545	-	789,976	-	-	<b>1,035,521</b>
Financial instruments and other financial liabilities	1,035	-	1,034	-	-	<b>2,069</b>
Trade payables and other liabilities	137,271	-	190,215	1,472	119	<b>329,077</b>
	<b>383,851</b>	-	<b>981,225</b>	<b>1,472</b>	<b>119</b>	<b>1,366,667</b>
Off-balance sheet liabilities	931,822	-	101,989	-	-	<b>1,033,811</b>
<i>Notional amounts of derivatives*</i>	<b>761,019</b>	-	<b>90,493</b>	-	-	<b>851,512</b>

\* Also includes the spot part of forwards.

The following significant exchange rates applied during the period:

<b>CZK</b>	<b>31 December 2013</b>		<b>31 December 2012</b>	
	<b>Average rate</b>	<b>Reporting date spot rate</b>	<b>Average rate</b>	<b>Reporting date spot rate</b>
EUR 1	25.974	27.425	25.143	25.140
USD 1	19.565	19.894	19.583	19.055
PLN 1	6.189	6.603	6.010	6.172

### Sensitivity analysis

A strengthening (weakening) of the Czech crown, as indicated below, against the EUR, USD and PLN at the reporting date would have increased (decreased) equity by the amounts shown in the following table. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably likely at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

<i>Effect in thousands of EUR</i>	<b>Profit (loss)</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
EUR (5% strengthening)	40,693	31,384
USD (5% strengthening)	2	-
PLN (5% strengthening)	88	-

A weakening of the Czech crown against the above currencies at the reporting date would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

### (e) Commodity risk

The Group is exposed to risks resulting from fluctuations in the prices of commodities, especially energy and emission rights, both on the supply and demand side. Various types of derivatives are used to reduce the exposure to fluctuations in commodity prices, especially swaps.

An increase/decrease in the price of electricity by 1 EUR per megawatt-hour would have increased/decreased profit from the derivative contracts by the amount as shown in the table below.

<i>Impact in thousands of EUR</i>	<b>Profit (loss)</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
Increase by 1 EUR per megawatt-hour	61	159
Decrease by 1 EUR per megawatt-hour	(61)	(159)

An increase/decrease in the price of energy by 5% would have increased/decreased profit from the derivatives by the amount as shown in the table below.

<i>Impact in thousands of EUR</i>	<b>Profit (loss)</b>	
	<b>31 December 2013</b>	<b>31 December 2012</b>
Increase by 5%	256	239
Decrease by 5%	(256)	(239)

#### (f) **Operational risk**

Operational risk is the risk of loss arising from fraud, unauthorised activities, error, omission, inefficiency or system failure. It arises from all the Group's activities and is a risk faced by all business organisations. Operational risk includes legal risk.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and avoid control procedures which restrict initiative and creativity.

The primary responsibility for the implementation of controls to address operational risk is assigned to management within each subsidiary. This responsibility is supported by the development of overall standards within the Group for the management of operational risk, which is carried out by the Risk Department and covers the following areas:

- requirements for the reconciliation and monitoring of transactions
- identification of operational risk within the framework of each subsidiary's control system (development of conditions for decreasing and limitation of operational risk, as well as its impacts and consequences; recommendations for appropriate solutions in this area)
- this overview of the Group's operational risk events allows the Group to specify the direction of the steps and process to take in order to limit these risks, as well as to make decisions with regard to:
  - accepting the individual risks that are faced;
  - initiating processes leading to limitation of possible impacts; or
  - decreasing the scope of the relevant activity or discontinuing it entirely.

#### (g) **Capital management**

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of its business.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Group's debt to adjusted capital ratio at the end of the reporting period was as follows:

<i>In thousands of EUR</i>	31 December 2013	31 December 2012
Total liabilities	2,779,926	1,888,743
Less: cash and cash equivalents	283,069	325,099
<b>Net debt</b>	<b>2,496,857</b>	<b>1,563,644</b>
Total equity attributable to equity holders of the Company	975,265	1,156,323
Less: amounts accumulated in equity relating to cash flow hedges	(80,231)	507
<b>Adjusted capital</b>	<b>1,055,496</b>	<b>1,155,816</b>
<b>Debt to adjusted capital</b>	<b>2.37</b>	<b>1.35</b>

### 37. Related parties

#### Identity of related parties

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

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

<i>In thousands of EUR</i>	Accounts receivable and other financial assets	Accounts payable and other financial liabilities	Accounts receivable and other financial assets	Accounts payable and other financial liabilities
	2013	2013	2012	2012
Ultimate shareholders and companies they control	473,463	7,779	492,124	505,966
Associates	5,498	140,341	11,735	17,860
Other related parties	19,768	3,880	75,179	1,353
<b>Total</b>	<b>498,729</b>	<b>152,000</b>	<b>579,038</b>	<b>525,179</b>

In addition, the Company reported EUR 158,281 thousand (2012: EUR 171,201 thousand) off-balance sheet in guarantees from the ultimate shareholders and companies they control.

(b) **The summary of transactions with related parties during the period ended 31 December 2013 and 31 December 2012 was as follows:**

<i>In thousands of EUR</i>	Revenues 2013	Expenses 2013	Revenues 2012	Expenses 2012
Ultimate shareholders and companies they control	21,403	4,517	17,222	26,848
Associates	24,409	3,682	36,392	199
Key management personnel of the entity or its parent	-	269	-	1,591
Other related parties	149	348	755	596
<b>Total</b>	<b>45,961</b>	<b>8,816</b>	<b>54,369</b>	<b>29,234</b>

Transactions with Key management are described in Note 38 – Group entities.

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

### 38. Group entities

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

		31 December 2013		31 December 2012	2013	2012
	Country of incorporation	Owner- ship %	Owner- ship interest	Owner- ship %	Owner- ship interest	Conso- lidation method
EP Energy, a.s.	Czech Republic	-	-	-	-	-
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full
Honor Invest, a.s. <sup>*(4)</sup>	Czech Republic	-	-	100	Direct	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full
Pražská teplárenská Holding a.s. *	Czech Republic	49	Direct	49	Direct	Equity
Pražská teplárenská a.s.	Czech Republic	47.33	Direct	47.33	Direct	Full
Areál Třeboradice, a.s.	Czech Republic	-	-	100	Direct	IFRS 5
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	85	Direct	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full
První energetická a.s. <sup>(3)</sup>	Czech Republic	-	-	100	Direct	Full
Czech Energy Holding, a.s. <sup>*(4)</sup>	Czech Republic	-	-	100	Direct	Full
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full
EKY III, a.s.	Czech Republic	100	Direct	100	Direct	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full
EVO – Komofany, a.s.	Czech Republic	100	Direct	100	Direct	Full
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full
PRVNÍ MOSTECKÁ a.s.	Czech Republic	50.57	Direct	-	-	Full <sup>(2)</sup>
PRVNÍ MOSTECKÁ Servis a.s.	Czech Republic	100	Direct	-	-	Full <sup>(2)</sup>
PRVNÍ MOSTECKÁ a.s.	Czech Republic	47.06	Direct	47.06	Direct	Full <sup>(2)</sup>
PRVNÍ MOSTECKÁ Servis a.s.	Czech Republic	100	Direct	100	Direct	Full
United Energy Coal Trading, a.s.	Czech Republic	100	Direct	100	Direct	Full
UNITED ENERGY COAL TRADING POLSKA S.A.	Poland	100	Direct	100	Direct	Full
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full
COOP ENERGY, a.s.	Czech Republic	-	-	40	Direct	-
Plzeňská energetika a.s.	Czech Republic	100	Direct	100	Direct	Full
EP Renewables a.s.	Czech Republic	100	Direct	100	Direct	Full
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	IFRS 5
ČKD Blansko Wind, a.s.	Czech Republic	100	Direct	100	Direct	Full
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full
MR TRUST s.r.o. *	Czech Republic	0.50	Direct	0.50	Direct	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full
MR TRUST s.r.o. *	Czech Republic	99.50	Direct	99.50	Direct	Full
VTE Pastviny s.r.o.	Czech Republic	100	Direct	100	Direct	Full
VTE Moldava, a.s.	Czech Republic	100	Direct	100	Direct	Full
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	Full
Claymore Equity, s. r. o. *	Slovakia	80	Direct	80	Direct	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full
ROLLEON a.s. *	Czech Republic	100	Direct	100	Direct	Full
ENERGZET, a.s.	Czech Republic	100	Direct	100	Direct	Full
HC Fin3 N.V. <sup>*(4)</sup>	Netherlands	-	-	100	Direct	Full
EAST BOHEMIA ENERGY HOLDING LIMITED <sup>*(4)</sup>	Cyprus	-	-	100	Direct	Full
EBEH Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full
Reatex a.s.	Czech Republic	100	Direct	100	Direct	Full
EOP & HOKA s.r.o.	Czech Republic	99.79	Direct	99.79	Direct	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	Full
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full
Pražská teplárenská a.s.	Czech Republic	50.07	Direct	50.07	Direct	Full

		31 December 2013		31 December 2012		2013	2012
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
Areál Třeboradice, a.s.	Czech Republic	-	-	100	Direct	-	IFRS 5
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full <sup>(1)</sup>
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	85	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full <sup>(1)</sup>
LIGNITE INVESTMENTS 1 LIMITED <sup>*(4)</sup>	Cyprus	-	-	100	Direct	-	Full
JTSD Braunkohlebergbau GmbH	Germany	100	Direct	100	Direct	Full	Full <sup>(1)</sup>
Mitteldeutsche Braunkohlengesellschaft mbH	Germany	100	Direct	100	Direct	Full	Full <sup>(1)</sup>
MIBRAG Consulting International GmbH (former Montan Bildungs- und Entwicklungsgesellschaft mbH)	Germany	100	Direct	100	Direct	Full	Full <sup>(1)</sup>
GALA-MIBRAG-Service GmbH	Germany	100	Direct	100	Direct	Full	Full <sup>(1)</sup>
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 <sup>(5)</sup>	At cost
Helinstedter Revier GmbH	Germany	100	Direct	-	-	Full	-
Norddeutsche Gesellschaft zur Ablagerung von Mineralstoffen mbH	Germany	51	Direct	-	-	Full	-
Terrakomp GmbH	Germany	100	Direct	-	-	Full	-
MIBRAG Neue Energie GmbH	Germany	100	Direct	100	Direct	Full	Full <sup>(1)</sup>
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	-	-	Full	-
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	-	-	Full	-
Stredoslovenská energetika – Distribúcia, a.s.	Slovakia	100	Direct	-	-	Full	-
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	-	-	Full	-
SSE - Metrologia s.r.o.	Slovakia	100	Direct	-	-	Full	-
Stredoslovenská energetika - Projekt Development, s.r.o.	Slovakia	100	Direct	-	-	Full	-
SSE-Solar, s.r.o.	Slovakia	100	Direct	-	-	Full	-
SPX, s.r.o.	Slovakia	33.33	Direct	-	-	At cost	-
Energotel, a.s.	Slovakia	20	Direct	-	-	At cost	-
SSE CZ, s.r.o.	Czech Republic	100	Direct	-	-	Full	-
EP ENERGY HR d.o.o.	Croatia	100	Direct	-	-	Full	-

\* Special purpose entity (SPE)

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

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

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

(4) 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.

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

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

### Transactions with Members of the EPE Board

EPE has provided the following monetary and non-monetary remuneration to the members of board of directors of the Company for the financial periods 2013 and 2012:

In thousands of EUR	2013	2012
Total remuneration	269	1,591

Remuneration of key EPE Group managers is included in Note 9 – Personnel expenses.

### 39. Litigations and claims

#### **Elektrárny Opatovice, a.s.**

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

On 21 November 2012, the Company re-filed a proposal for issuing a preliminary measure, on the basis of which on 23 November 2012 the Regional Court in Ústí nad Labem made a decision on a preliminary measure. Under the measure, the fossil fuel supplier was obliged to supply coal to Elektrárny Opatovice, a.s. during 2013 as per the valid contract. On 13 December 2012, the fossil fuel supplier filed an appeal against this measure with the High Court in Prague. The appeal had no suspending effect. The Court of Appeal confirmed the lower court's decision in February 2013 and upheld the preliminary measure for 2013. As part of the preliminary measure, Elektrárny Opatovice, a.s. had to file a lawsuit against the fossil fuel supplier and the first court meeting was supposed to be held in December 2013. Parallel to the legal lawsuit, the EPE Group (representing both Elektrárny Opatovice, a.s. and United Energy, a.s. groups) was pursuing an out-of-court agreement with the fossil fuel supplier. In December 2013 an agreement on an out-of-court settlement was concluded and all resulting financial effects were recorded in the EPE Group consolidated financial statements as of and for the year ending 31 December 2013.

#### **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.**

- a) Several court actions were brought by United Energy, a.s. against a fossil fuel supplier (the lawsuit amount was EUR 9,371 thousand (31 December 2012: EUR 10,223 thousand)). In addition, the fossil fuel supplier filed an action for payment of EUR 7,876 thousand (31 December 2012: EUR 8,592 thousand) plus associated fees and interest, seeking payment for deliveries of fuel in the amount of EUR 4,230 thousand (31 December 2012: EUR 4,614 thousand) plus associated fees and interest and payment of contractual penalties for breach of a non-disclosure obligation of EUR 3,646 thousand (31 December 2012: EUR 3,978 thousand) plus associated fees and interest. Parallel to the court actions, the EPE Group (representing both Elektrárny Opatovice, a.s. and United Energy, a.s. Groups) was pursuing an out-of-court agreement with the fossil fuel supplier. As a result of the out-of-court settlement agreement from December 2013 all litigations with the fossil fuel supplier have been settled and the related financial effects were recorded in the EPE Group consolidated financial statements as of and for the year ending 31 December 2013.
- b) There was another lawsuit against United Energy, a.s. by an off-taker of granulate (the lawsuit amount was EUR 109 thousand (31 December 2012: EUR 119 thousand)). As a result of the out-of-court settlement agreement from December 2013 all litigations have been settled and the associated financial effects were recorded in the EPE Group consolidated financial statements as of and for the year ending 31 December 2013.
- c) 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 31 December 2013. The first court hearing is planned for the second 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 31 December 2013 the legal provisions amount to 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 21,753 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.

### **40. Subsequent events**

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

The EPE Group is currently considering a merger of EPH Financing II, a.s. into EP Energy, a.s. with the decisive date 1 January 2014.

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

On 15 January 2014 EPH has repaid shareholders loans owed to TIMEWORTH HOLDINGS LIMITED (member of the PPF Group N.V.) in the total principal amount of EUR 235 million.

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 incurred intercompany loans (which 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) 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, EUR 251 million of which 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.

On 30 January 2014 EP Energy, a.s. provided a loan of EUR 60 million to CE Energy, a.s. and expect to provide additional EUR 90 million either in a form of a loan or as a dividend in May 2014.

On 10 February 2014 EPH repurchased 7.4% of TIMEWORTH HOLDINGS LIMITED shares of EPH in total amount of EUR 55,551 thousand, which brought TIMEWORTH HOLDINGS LIMITED shareholding in EPH down to 40% and increased each of the remaining shareholders' stakes to 20%.

EP Energy, a.s. further understands that TIMEWORTH HOLDINGS LIMITED is in advanced discussions with the other EPH's shareholders to sell its remaining 40% stake in EPH, either by sale of the shares to EPH and their subsequent cancellation or by purchase of TIMEWORTH HOLDINGS LIMITED shares by the remaining shareholders with funds up-streamed from EPH. Once this transaction is completed, each of the remaining shareholders will beneficially hold approximately one-third of EPH.

On 2 April 2014 EPE concluded on a revolving credit facility with Komerční banka, a.s. with a maximum utilisation of EUR 75 million.

As at the date of preparation of these consolidated financial statements, the EPE Group is in the process of restructuring of EP Renewables a.s. group. This transaction will have no impact on the consolidated financial statements of EP Energy, a.s.

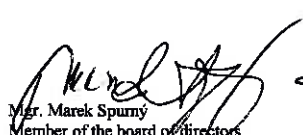
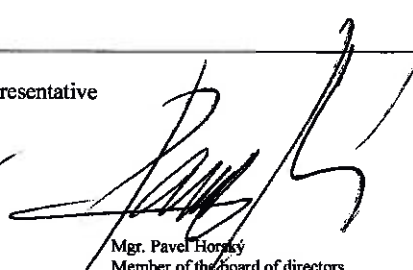
Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 December 2013.

## Appendices\*:

Appendix 1 – Business combinations

Appendix 2 – Restated Consolidated statement of financial position

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

Date:	Signature of the authorised representative
28 April 2014	 
	<p>Mgr. Marek Spurný Member of the board of directors</p> <p>Mgr. Pavel Horáky Member of the board of directors</p>

## 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.

<i>In thousands of EUR</i>	<b>Carrying amount<sup>(1)</sup></b>	<b>Fair value adjustment<sup>(2)</sup></b>	<b>2013 Total<sup>(1)</sup></b>
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)
<b>Net identifiable assets and liabilities</b>	<b>12,807</b>	<b>-</b>	<b>12,807</b>
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			-
<b>Cost of acquisition</b>			<b>8,367</b>
Consideration paid, satisfied in cash (A)			2,341
Consideration, other			6,026
<b>Total consideration transferred</b>			<b>8,367</b>
Less: Cash acquired (B)			2,341
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>-</b>

(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.

<i>In thousands of EUR</i>	<b>2013 Total</b>
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.

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>2013 Total</b>
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)
<b>Net identifiable assets and liabilities</b>	<b>386,136</b>	<b>337,523</b>	<b>723,659</b>
Non-controlling interest			(368,983)
Goodwill on acquisition of new subsidiaries			-
Negative goodwill on acquisition of new subsidiaries			(15,624)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>339,052</b>
Consideration paid, satisfied in cash (A)			359,052
Consideration, other			-
Consideration, contingent			(20,000)
New shares issued			-
<b>Total consideration transferred</b>			<b>339,052</b>
Less: Cash acquired (B)			49,074
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(309,978)</b>

<i>In thousands of EUR</i>	<b>2013 Total</b>
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

<i>In thousands of EUR</i>	<b>2013 Total</b>
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.

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>2013 Total</b>
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)
<b>Net identifiable assets and liabilities</b>	<b>4,395</b>	<b>(10,121)</b>	<b>(5,726)</b>
Non-controlling interest			(1,410)
Goodwill on acquisition of new subsidiaries			5,053
Negative goodwill on acquisition of new subsidiaries			-
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>(2,083)</b>
Consideration paid, satisfied in cash (A)			(8,142)
Consideration, other			6,059
Consideration, contingent			-
New shares issued			-
<b>Total consideration transferred</b>			<b><sup>(1)</sup>(2,083)</b>
Less: Cash acquired (B)			38,384
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>46,526</b>

(1) For more details for the negative purchase price see Note 6 – 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.

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	-
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	-

<i>In thousands of EUR</i>	<b>2013 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)*	<sup>(1)</sup> 3,346
Profit (loss) of the acquirees recognised in the year ended 31 December 2013 (subsidiaries)*	<sup>(1)</sup> (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

**ii. 31 December 2012**

**JTSD Braunkohlebergbau GmbH including its subsidiaries and associates**

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

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>2012 Total</b>
Property, plant, equipment, land, buildings	625,156	182,098	807,254
Intangible assets	13,144	(975)	12,169
Participations with significant influence	24,649	6,318	30,967
Inventories	8,580	-	8,580
Trade receivables and other assets	45,592	-	45,592
Financial instruments – assets	7,176	-	7,176
Cash and cash equivalents	72,387	-	72,387
Provisions	(243,175)	(57,995)	(301,170)
Deferred tax liabilities	(9,828)	(27,301)	(37,129)
Loans and borrowings	(319,813)	-	(319,813)
Trade payables and other liabilities	(52,457)	(21,958)	(74,415)
<b>Net identifiable assets and liabilities</b>	<b>171,411</b>	<b>80,187</b>	<b>251,598</b>
Non-controlling interest			-
Goodwill on acquisition of new subsidiaries			-
Negative goodwill on acquisition of new subsidiaries			(99,024)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>152,574</b>
Consideration paid, satisfied in cash (A)			26,755
Consideration, other			125,819
Consideration, contingent			-
New shares issued			-
<b>Total consideration transferred</b>			<b>152,574</b>
Less: Cash acquired (B)			72,387
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>45,632</b>

<i>In thousands of EUR</i>	<b>2012 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	373,228
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	103,559

<i>In thousands of EUR</i>	<b>2012 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	571,213
Profit (loss) of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	70,318

\* *Before intercompany elimination*

### **Pražská teplárenská a.s.**

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

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>2012 Total</b>
Property, plant, equipment, land, buildings	375,390	49,922	425,312
Intangible assets	6,942	3,315	10,257
Inventories	6,630	-	6,630
Trade receivables and other assets	92,824	-	92,824
Financial instruments – assets	436,700	-	436,700
Assets held for sale, net	6,396	2,496	8,892
Cash and cash equivalents	315,484	-	315,484
Provisions	(2,808)	-	(2,808)
Deferred tax liabilities	(41,888)	(10,803)	(52,691)
Trade payables and other liabilities	(222,190)	1,170	(221,020)
<b>Net identifiable assets and liabilities</b>	<b>973,480</b>	<b>46,100</b>	<b>1,019,580</b>
Non-controlling interest			(279,446)
Goodwill on acquisition of new subsidiaries			-
Negative goodwill on acquisition of new subsidiaries			-
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>740,134</b>
Consideration paid, satisfied in cash (A)			-
Consideration, other			740,134
Consideration, contingent			-
New shares issued			-
<b>Total consideration transferred</b>			<b>740,134</b>
Less: Cash acquired (B)			315,484
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>315,484</b>

<i>In thousands of EUR</i>	<b>2012 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	110,567
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	(1,194)

<i>In thousands of EUR</i>	<b>2012 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	294,834
Profit (loss) of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	183,113

\* *Before intercompany elimination*

### Saale Energie GmbH including its subsidiaries

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

<i>In thousands of EUR</i>	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>2012 Total</b>
Intangible assets	-	89,305	89,305
Participations with significant influence	78,058	25,651	103,709
Inventories	474	-	474
Trade receivables and other assets	14,483	-	14,483
Financial instruments – assets	42,857	-	42,857
Cash and cash equivalents	31,176	-	31,176
Deferred tax liabilities	(2,881)	(30,071)	(32,952)
Trade payables and other liabilities	(139,305)	-	(139,305)
<b>Net identifiable assets and liabilities</b>	<b>24,862</b>	<b>84,885</b>	<b>109,747</b>
Non-controlling interest			-
Goodwill on acquisition of subsidiaries			-
Negative goodwill on acquisition of subsidiaries			(18,667)
Pricing differences in equity			-
<b>Cost of acquisition</b>			<b>91,080</b>
Consideration paid, satisfied in cash (A)			91,080
Consideration, other			-
<b>Total consideration transferred</b>			<b>91,080</b>
Less: Cash acquired (B)			31,176
<b>Net cash inflow (outflow) (C) = (B – A)</b>			<b>(59,904)</b>

<i>In thousands of EUR</i>	<b>2012 Total</b>
Revenue of the acquirees recognised since the acquisition date (subsidiaries)	125,404
Profit (loss) of the acquirees recognised since the acquisition date (subsidiaries)	3,269

<i>In thousands of EUR</i>	<b>2012 Total</b>
Revenue of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	125,164
Profit (loss) of the acquirees recognised in the year ended 31 December 2012 (subsidiaries)*	(15,551)

\* Before intercompany elimination

## **Appendix 2 – Restated Consolidated statement of financial position**

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

# Consolidated statement of financial position

As at 31 December 2012

In thousands of EUR ("TEUR")

	31 December 2012	Restatement effect from Note 2(c)	31 December 2012
	Original		Restated
<b>Assets</b>			
Property, plant and equipment	1,660,382	-	1,660,382
Intangible assets	129,037	51,591	180,628
Goodwill	104,296	-	104,296
Investment property	358	-	358
Participations with significant influence	160,819	-	160,819
Financial instruments and other financial assets	17,303	-	17,303
<i>of which receivables from the parent company</i>	-	-	-
Trade receivables and other assets	16,508	-	16,508
Deferred tax assets	1,273	-	1,273
<b>Total non-current assets</b>	<b>2,089,976</b>	<b>51,591</b>	<b>2,141,567</b>
Inventories	33,014	-	33,014
Extracted minerals and mineral products	4,177	-	4,177
Trade receivables and other assets	249,204	-	249,204
Financial instruments and other financial assets	543,835	-	543,835
<i>of which receivables from the parent company</i>	490,135	-	490,135
Prepayments and other deferrals	2,466	-	2,466
Tax receivables	19,292	-	19,292
Cash and cash equivalents	325,099	-	325,099
Assets/disposal groups held for sale	10,302	-	10,302
<b>Total current assets</b>	<b>1,187,389</b>	<b>-</b>	<b>1,187,389</b>
<b>Total assets</b>	<b>3,277,365</b>	<b>51,591</b>	<b>3,328,956</b>
<b>Equity</b>			
Share capital	763,650	-	763,650
Reserves	(204,305)	-	(204,305)
Retained earnings	596,978	-	596,978
<b>Total equity attributable to equity holders</b>	<b>1,156,323</b>	<b>-</b>	<b>1,156,323</b>
Non-controlling interest	283,890	-	283,890
<b>Total equity</b>	<b>1,440,213</b>	<b>-</b>	<b>1,440,213</b>
<b>Liabilities</b>			
Loans and borrowings	653,779	-	653,779
<i>of which owed to the parent company</i>	126,730	-	126,730
Financial instruments and financial liabilities	1,472	-	1,472
Provisions	240,652	-	240,652
Deferred tax liabilities	194,153	-	194,153
Trade payables and other liabilities	4,892	-	4,892
<b>Total non-current liabilities</b>	<b>1,094,948</b>	<b>-</b>	<b>1,094,948</b>
Trade payables and other liabilities	324,185	-	324,185
Loans and borrowings	381,742	-	381,742
<i>of which owed to the parent company</i>	377,009	-	377,009
Financial instruments and financial liabilities	597	-	597
Provisions	11,933	51,591	63,524
Deferred income	17,542	-	17,542
Current income tax liability	4,415	-	4,415
Liabilities from disposal groups held for sale	1,790	-	1,790
<b>Total current liabilities</b>	<b>742,204</b>	<b>51,591</b>	<b>793,795</b>
<b>Total liabilities</b>	<b>1,837,152</b>	<b>51,591</b>	<b>1,888,743</b>
<b>Total equity and liabilities</b>	<b>3,277,365</b>	<b>51,591</b>	<b>3,328,956</b>

## Consolidated statement of financial position

As at 1 January 2012

In thousands of EUR ("TEUR")

	1 January 2012 Original	Restatement effect from Note 2(c)	1 January 2012 Restated
<b>Assets</b>			
Property, plant and equipment	1,065,271	-	1,065,271
Intangible assets	30,853	92,054	122,907
Goodwill	101,628	-	101,628
Investment property	349	-	349
Participations with significant influence	40,078	-	40,078
Financial instruments and other financial assets	47,248	-	47,248
<i>of which receivables from the parent company</i>	-	-	-
Trade receivables and other assets	13,643	-	13,643
Deferred tax assets	1,240	-	1,240
<b>Total non-current assets</b>	<b>1,300,310</b>	<b>92,054</b>	<b>1,392,364</b>
Inventories	23,450	-	23,450
Extracted minerals and mineral products	1,977	-	1,977
Trade receivables and other assets	158,411	-	158,411
Financial instruments and other financial assets	271,744	-	271,744
<i>of which receivables from the parent company</i>	258,992	-	258,992
Prepayments and other deferrals	2,171	-	2,171
Tax receivables	16,628	-	16,628
Cash and cash equivalents	87,713	-	87,713
Assets/disposal groups held for sale	464,341	-	464,341
<b>Total current assets</b>	<b>1,026,435</b>	<b>-</b>	<b>1,026,435</b>
<b>Total assets</b>	<b>2,326,745</b>	<b>92,054</b>	<b>2,418,799</b>
<b>Equity</b>			
Share capital	763,650	-	763,650
Reserves	(306,971)	-	(306,971)
Retained earnings	258,940	-	258,940
<b>Total equity attributable to equity holders</b>	<b>715,619</b>	<b>-</b>	<b>715,619</b>
Non-controlling interest	(265)	-	(265)
<b>Total equity</b>	<b>715,354</b>	<b>-</b>	<b>715,354</b>
<b>Liabilities</b>			
Loans and borrowings	381,357	-	381,357
<i>of which owed to the parent company</i>	78	-	78
Financial instruments and financial liabilities	1,395	-	1,395
Provisions	125,465	-	125,465
Deferred tax liabilities	94,806	-	94,806
Trade payables and other liabilities	3,140	-	3,140
<b>Total non-current liabilities</b>	<b>606,163</b>	<b>-</b>	<b>606,163</b>
Trade payables and other liabilities	707,203	-	707,203
Loans and borrowings	166,163	-	166,163
<i>of which owed to the parent company</i>	4,845	-	4,845
Financial instruments and financial liabilities	28,605	-	28,605
Provisions	2,326	92,054	94,380
Deferred income	11,667	-	11,667
Current income tax liability	6,938	-	6,938
Liabilities from disposal groups held for sale	82,326	-	82,326
<b>Total current liabilities</b>	<b>1,005,228</b>	<b>92,054</b>	<b>1,097,282</b>
<b>Total liabilities</b>	<b>1,611,391</b>	<b>92,054</b>	<b>1,703,445</b>
<b>Total equity and liabilities</b>	<b>2,326,745</b>	<b>92,054</b>	<b>2,418,799</b>