

2012

ANNUAL REPORT



ENERGY
TRADING

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1. INTRODUCTION BY THE CEO

Dear ladies and gentlemen,

Please allow me to inform you of the business activities of EP ENERGY TRADING, a. s. during the course of 2012 and simultaneously of the company's goals in 2013.

In 2012, we achieved planned gas and electricity deliveries to end users, and the financial results match planned values. The company's economic indicators rank it among the most important suppliers of energy.

Our company has focused on optimizing and improving the quality of its customer services and expanding its customer information system to serve Slovakia.

The company's most important, and from the outside the most visible event of 2012 was a brand change. The aim was to express affiliation with the EP ENERGY Group as the parent company. In October, United Energy Trading thus transformed itself into EP ENERGY TRADING, a new logo and website were created, and all other Corporate Identity elements were gradually also changed.

Simultaneously, in 2012 a merger with První energetická, a. s. was also commenced. The merger came into effect as of 1 January 2013 with the successor company EP ENERGY TRADING, a. s. This resulted in greater efficiencies in the companies in light of the fact that until then, EP ENERGY TRADING, a. s. had been purchasing all the electricity it supplied to its end customers precisely from První energetická, a. s.

Increasing the loyalty and satisfaction of our customers, business partners and employees remains our priority. We are aware that this is the main principle that we can utilize as a foundation for future long-term excellent financial results and to perform in the face of strong competition. I would thus like to thank everyone for their cooperation up to now.

Prague, 20 June 2013



Ing. Petr Švec, MBA

CEO, EP ENERGY TRADING, a. s.

2. SELECTED COMPANY INFORMATION

Business name: EP ENERGY TRADING, a. s.

Up to 1 October 2012: United Energy Trading, a. s.

Registered office: Klimentská 1216/46, 110 02 Prague 1

ID No.: 27386643

Tax ID: CZ27386643

Commercial Register: Prague Municipal Court, Section B, File no. 10233

Tel.: +420 255 707 090

Fax: +420 255 707 091

Email: info@epet.cz

Web: www.epet.cz

Client centre: Švihovská 8, 301 00 Pilsen

Tel: +420 255 707 098 (businesses) / +420 255 707 099 (households)

Branch: EP ENERGY TRADING, a. s., organizačná zložka,

Registered office: Pribinova 25, 811 09 Bratislava, Slovakia

ID No.: 36682071

Up to 17 October 2012 under the name United Energy Trading, a. s., organizačná zložka.

Sole shareholder:

EP Energy, a.s.

Registered office: Příkop 843/4, 602 00 Brno

ID No.: 29259428

Company profile

EP ENERGY TRADING, a. s., a joint-stock company, is a reliable supplier of electricity and natural gas to households, companies and bulk buyers in the Czech Republic and Slovakia.

It offers its customers a professional approach, quick and open negotiations, high-quality services, and especially interesting and competitive pricing. It is a respected alternative to all dominant energy suppliers.

The company is part of the EP ENERGY Group, which is the top supplier of heat and the second largest producer of electricity in the Czech Republic. Thanks to the economic strength of this owner, which has its own energy resources, EP ENERGY TRADING is a stable partner for its customers, offering some of the best pricing on the market and the certainty that contractual obligations shall be fulfilled.

Vybrané ukazatele

	2010	2011	2012
Revenues	CZK 7.858 billion	CZK 9.236 billion	CZK 8.497 billion
Operating profit	CZK 265.86 million	CZK 123.23 million	CZK 85.42 million
Pre-tax profit	CZK 277.83 million	CZK 173.57 million	CZK 109.40 million
Total assets	CZK 1.500 billion	CZK 1.720 billion	CZK 2.399 billion
Equity	CZK 425.47 million	CZK 562.98 million	CZK 651.83 million

3. REPORT BY THE BOARD OF DIRECTORS ON THE COMPANY'S BUSINESS ACTIVITIES AND ITS ASSETS

All information presented has been compiled pursuant to Czech accounting standards.

2012 Financial results

For the 2012 fiscal period, EP ENERGY TRADING, a. s. reported revenues of CZK 8.5 billion. Pre-tax net income was CZK 109.4 million.

Main business activity in 2012

The company's main business activity is the sale of electricity and gas to end-users in the Czech Republic and Slovakia.

Electricity

Total sale of electricity to end-users in 2012 in technical units was 1 551 GWh in the Czech Republic and 228 GWh in Slovakia. All electricity was purchased from První energetická, a. s. In Slovakia, electricity is supplied via the company branch EP ENERGY TRADING, a. s., organizačná zložka.

Natural gas

In 2012, EP ENERGY TRADING, a. s. supplied end users in the Czech Republic with 1 784 GWh of natural gas.

Further development

In 2013, the main task is to maintain current market positions in the sale of electricity and gas, and to increase sales in the household segment.

Internally, the company will focus on process optimization following the merger with První energetická, a. s. and on increasing the quality of the services it provides to its end users.

R & D activities

The company does not focus on activities in the area of research and development.

Environmental protection and labour relations

The company always thinks ecologically when handling consumable materials.

Labour relations are governed by the Labour Code.

4. REPORT ON RELATIONSHIPS BETWEEN RELATED PARTIES

I. The subsidiary

EP ENERGY TRADING, a. s. (originally United Energy Trading, a. s.), with its registered office at Klimentská 1216/46, 110 02 Prague 1, ID No. 27386643, registered on 31 October 2005 in the Commercial Register held by the Prague Municipal Court, Section B, File no. 10233.

II. Parent companies

a) direct parents

EP Energy, a. s., with its registered office at Příkop 843/4, 602 00 Brno, ID No. 29259428, registered on 16 December 2010 in the Commercial Register held by the Brno Regional Court, Section B, File no. 6278.

b) indirect parents

From 1 January 2012 to 31 December 2012, **Energetický a průmyslový holding, a. s.**, with its registered office at Příkop 843/4, 602 00 Brno, ID No. 28356250, registered on 10 August 2009 in the Commercial Register held by the Brno Regional Court, Section B, File no. 5924, was an indirect parent company.

III. Contracts signed with related parties during the last fiscal period

During the 2012 fiscal period, the following contracts were signed between the subsidiary and direct or indirect parent companies and between the subsidiary and subsidiaries of the same parent company:

- (1) On 31 December 2012, a Commercial Lease was signed with EP Investment Advisors, s. r. o.
- (2) On 15 June 2012, a Loan Contract was signed with Energetický a průmyslový holding, a. s.
- (3) On 8 May 2012, a Loan Contract was signed with Energetický a průmyslový holding, a. s.
- (4) On 18 October 2012, a Loan Contract was signed with EP Energy, a. s.
- (5) On 31 October 2012, a Loan Contract was signed with EP Energy, a. s.
- (6) On 27 September 2012, a Service Contract was signed with Pražská teplárenská, a. s.
- (7) On 12 September 2012, a Service Contract was signed with Elektrárny Opatovice, a. s.
- (8) On 11 September 2012, a Service Contract was signed with Plzeňská energetika a. s.
- (9) On 11 September 2012, Service Contract no. UE_12_00130 was signed with United Energy, a. s.

IV. Other legal acts undertaken in the interest of related parties

During the fiscal period, no legal acts were undertaken in the interest of direct or indirect parent companies or parties with the same parent company beyond the scope of regular legal acts undertaken within the scope of exercising their rights as shareholders in a subsidiary.

V. Other measures taken in the interest of or at the behest of related parties

During the fiscal period, no measures were taken or received between the subsidiary and direct or indirect parent companies or parties with the same parent company beyond the scope of regular measures taken by the subsidiary in relation to a parent company as a shareholder in the subsidiary.

VI. Fulfilment provided to and received by the subsidiary

During the fiscal period the following fulfilment and counter-fulfilment were provided by the subsidiary to direct or indirect parent companies and parties with the same parent company (amounts are given in thousands of CZK):

Related party	Subject of fulfilment	Revenues in TCZK	Costs in TCZK
EP Investment Advisors, s. r. o.	Loan interest	--	1
	Rental	50	--
	Total	50	1
První energetická, a. s.	Delivery of electricity	260 203	2 732 152
	Services	974	716
	Rental	1 148	--
	Total	262 325	2 732 868
Pražská teplárenská, a. s.	Delivery of electricity	739	--
	Services	7	--
	Total	748	--
Plzeňská energetika a. s.	Delivery of electricity	74	--
	Delivery of natural gas	3 428	--
	Services	24	--
	Total	3 526	--
VTE Pchery, s. r. o.	Delivery of electricity	341	5 600
United Energy, a. s.	Interest	257	--
	Services	22	240
	Delivery of electricity	3	--
	Total	623	5 840
POWERSUN a. s.	Delivery of electricity	246	4 087
ENERGZET, a. s.	Delivery of electricity	6 288	--
Energetický a průmyslový holding, a. s.	Interest	293	360
Alternative Energy, s. r. o.	Delivery of electricity	996	--
EP Energy, a. s.	Interest	37	2 067
Elektrárny Opatovice, a. s.	Services	40	--

VII. Losses incurred by the subsidiary and their compensation

The subsidiary incurred no losses or material benefits due to the above contracts, other legal acts, other measures and fulfilment or counter-fulfilment.

VIII. Confidentiality of information

Within the scope of the holding company, information and facts that are part of the business secret of parent companies, subsidiaries and other related parties and information so designated by any related party are considered confidential. All information related to business activities that could alone or in concert with other information or facts could be detrimental to any related party is also considered confidential.

To avoid damage to the subsidiary, pursuant to Section 51 of Act No. 513/1991, the Commercial Code, as amended, this report contains no information of this nature.

IX. Conclusion

This report was compiled by the board of directors of the subsidiary, EP ENERGY TRADING, a. s. (formerly United Energy Trading, a. s.), submitted for review to the supervisory board, and for verification to an auditor. Given that the subsidiary is legally required to produce an annual report, this report shall be attached to it.

The annual report shall be maintained at the collection of documents held by the Prague Municipal Court.

Prague, 30 March 2013

As authorized by the Board of Directors, for the Board of Directors of the subsidiary:



.....
Ing. Petr Švec, MBA
member of the board of directors



.....
Ing. Ladislav Sladký
member of the board of directors

5. REPORT BY THE SUPERVISORY BOARD ON THE RESULTS OF SUPERVISORY ACTIVITIES

During 2012, the Supervisory Board of EP ENERGY TRADING, a.s. (formerly United Energy Trading, a.s.) fulfilled its tasks in accordance with the Commercial Code and the company's articles.

During its sessions, it regularly monitored the company's financial results, the state of its assets, and reviewed business analyses. It checked and verified the fulfilment of tasks assigned to the Board of Directors by the General Meeting, or rather decisions by the sole shareholder in exercising the authority of a General Meeting, as well as adherence to generally applicable legislation and the company's articles.

During 2012, in exercising its supervisory rights, the Supervisory Board followed the company's articles and generally applicable legislation applicable to the activity of joint-stock companies. During this time, the Supervisory Board primarily devoted itself to its main task, i.e. to monitoring the activities of the Board of Directors, and subsequent review of the annual financial statement and proposed division of profits.

In the interests of the shareholder, it concentrated, among other things, on regularly checking financial results, fulfilment of the business plan and decisions of the regular General Meeting. Simultaneously, it assisted the Board of Directors in the fulfilment of the joint-stock company's development strategy.

The Board of Directors provided the Supervisory Board with all required documentation, information and explanations. No errors or violation of the company's articles or of current legislation were found in the activities of the Board of Directors.

Prague, 10 June 2013



Mgr. Michal Antonín
Chairman of the Supervisory Board

6. FINANCIAL STATEMENT PURSUANT TO CZECH ACCOUNTING STANDARDS



BALANCE SHEET in full format as at 31 December 2012
(in thousands of Czech Crowns "TCZK")

Ident.	ASSETS		Current period			Prior period
			Gross 1	Adjust. 2	Net 3	Net 4
a	b					
		TOTAL ASSETS	2 425 083	-26 010	2 399 073	1 719 756
B.		Fixed assets	33 969	-11 787	22 182	15 104
	I.	Intangible fixed assets	25 194	-9 741	15 453	9 046
	1.	Incorporation expenses	252	-252		
	3.	Software	24 618	-9 489	15 129	2 312
	7.	Intangible fixed assets under construction	324		324	6 734
	II.	Tangible fixed assets	7 975	-2 046	5 929	6 058
	2.	Buildings	5 061	-1 166	3 895	3 666
	3.	Plant and equipment	2 914	-880	2 034	1 402
	7.	Tangible fixed assets under construction				990
	III.	Long-term investments	800		800	
	2.	Investments in associated companies	800		800	
C.		Current assets	2 383 639	-14 223	2 369 416	1 699 874
	I.	Inventories	6 925		6 925	5 793
	1.	Raw materials	6 925		6 925	5 793
	II.	Long-term receivables	4 801		4 801	
	2.	Receivables – group undertakings	4 801		4 801	
	III.	Short-term receivables	2 231 734	-14 223	2 217 511	1 549 588
	1.	Trade receivables	1 279 060	-14 223	1 264 837	895 202
	2.	Receivables – group undertakings				2 251
	6.	Tax receivables	76 910		76 910	44 452
	7.	Short-term advances paid	154 949		154 949	172 480
	8.	Estimated receivables	494 262		494 262	201 219
	9.	Other receivables	226 553		226 553	233 984
	IV.	Short-term financial assets	140 179		140 179	144 493
	1.	Cash	104		104	56
	2.	Bank accounts	140 075		140 075	144 437
D.	I.	Deferrals	7 475		7 475	4 778
	1.	Prepaid expenses	7 475		7 475	3 534
	3.	Accrued revenues				1 244

Ident.			LIABILITIES	Current period	Prior period
a			b	5	6
			TOTAL LIABILITIES AND EQUITY	2 399 073	1 719 756
A.			Equity	651 826	562 978
	I.		Registered capital	15 000	15 000
		1.	Registered capital	15 000	15 000
	III.		Reserve funds, undistributable fund and other funds from profit	3 116	3 116
		1.	Statutory reserve fund / Undistributable fund	3 116	3 116
	IV.		Retained earnings	544 862	407 355
		1.	Retained profits	544 862	407 355
	V.		Profit (loss) for the current period	88 848	137 507
B.			Liabilities	1 726 785	1 103 852
	I.		Provisions	185	33 831
		3.	Income tax provision		33 623
		4.	Other provisions	185	208
	II.		Long-term liabilities	205 861	76
		2.	Liabilities – group undertakings	205 859	
		9.	Other payables		19
		10.	Deferred tax liability	2	57
	III.		Short-term liabilities	1 520 739	1 038 291
		1.	Trade payables	905 154	606 008
		2.	Liabilities – group undertakings	56	
		5.	Payables to employees	7 279	6 535
		6.	Payables to social security and health insurance	2 193	2 668
		7.	Tax liabilities and subsidies	7 861	59 859
		8.	Short-term advances received	452 574	168 874
		10.	Estimated payables	145 418	193 670
		11.	Other payables	204	677
	IV.		Bank loans and overdrafts		31 654
		2.	Short-term bank loans		31 654
C.	I.		Accruals	20 462	52 926
		1.	Accrued expenses	20 412	52 643
		2.	Deferred revenues	50	283

**INCOME STATEMENT classification by nature
for the year ended 31 December 2012 (in thousands of Czech crowns "TCZK")**

Ident.		TEXT	Accounting period	
a		b	Current 1	Prior 2
	I.	Revenue from goods	8 493 796	9 232 355
A.		Cost of goods sold	8 289 444	9 018 568
	+	Gross profit	204 352	213 787
	II.	Revenue from production	2 947	3 554
	II.1.	Revenue from own products and services	2 947	3 554
B.		Cost of sales	51 380	55 424
B.1.		Materials and consumables	3 180	4 063
B.2.		Services	48 200	51 361
	+	Added value	155 919	161 917
C.		Personnel expenses	40 295	32 469
C.1.		Wages and salaries	30 697	24 381
C.2.		Remuneration of board members	225	225
C.3.		Social security and health insurance expenses	8 874	7 341
C.4.		Social expenses	499	522
D.		Taxes and charges	80	39
E.		Depreciation of intangible and tangible fixed assets	7 296	486
G.		Change in provisions and adjustments relating to operating activity and change in complex prepaid expenses	8 616	1 262
	IV.	Other operating revenues	1 826	2 353
H.		Other operating expenses	16 034	6 789
	*	Operating profit (loss)	85 424	123 225
K.		Financial assets expenses		
	IX.	Revenue from revaluation of securities and derivatives	61 176	84 075
L.		Expenses for revaluation of securities and derivatives	24 937	38 218
	X.	Interest revenue	1 232	4 630
N.		Interest expense	4 326	2 016
	XI.	Other financial revenues	116 994	90 161
O.		Other financial expenses	126 162	88 286
	*	Profit (loss) from financial operations	23 977	50 346
Q.		Income tax on ordinary profit (loss)	20 553	36 064
Q.1.		– current	20 608	36 022
Q.2.		– deferred	-55	42
	**	Profit (loss) on ordinary activities after tax	88 848	137 507
	***	Profit (loss) for the accounting period	88 848	137 507
	****	Profit (loss) before tax	109 401	173 571

NOTES TO THE FINANCIAL STATEMENT (non-consolidated) for the year ended 31 December 2012 (in thousands of Czech crowns "TCZK")

1) Description

Establishment and description of the Company

EP ENERGY TRADING, a.s. ("the Company") was registered on 31 October 2005. It is a company specialising in the sale of electricity, natural gas and related services to end users in the Czech Republic and Slovakia.

Ownership structure

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

EP Energy, a. s.
Příkop 843/4
Brno
Postcode 602 00
Czech Republic

Registered office

EP ENERGY TRADING, a. s.
Klimentská 1216/46
Praha 1
Postcode 110 02
Czech Republic

Identification number

27386643

Members of the board of directors and supervisory board as at 31 December 2012

Members of the board of directors	Members of the supervisory board
František Čupr (Chairman)	Mgr. Michal Antonín (Chairman)
Ing. Petr Švec, MBA	Mgr. Lenka Marečková
Ing. Ladislav Sladký	Mgr. Ing. Jiří Nováček

Changes in the Commercial Register

In 2012, following changes in the board of directors and supervisory board were made:

- on 1 April 2012 Mrs. Markéta Celerýnová ended as the member of the board of directors,
- on 1 April 2012 Mr. Ladislav Sladký was appointed as the member of the board of directors,
- on 1 October 2012 Mr. Marek Janča ended as the member of the supervisory board,
- on 1 October 2012 Mr. Michal Antonín was appointed as the member of the supervisory board.

These changes were entered into Commercial Register as at 10 July and 26 November 2012.

As at 1 January 2013 Mr. František Čupr ended as the chairman of the board of directors and Mr. Miodrag Maksimovič was appointed as the chairman of the board of directors. This change was entered into Commercial Register as at 6 February 2013.

Branch

The Company has a branch in Slovakia, with its registered office at Pribinova 25, Bratislava, postcode 811 09, Slovakia, which was registered on 3 October 2006. As at 31 December 2012 Mr. Ladislav Bekéni and František Mr. Čupr were the managers of the branch.

Organisational structure

The Company is organised into four divisions – Sales and Marketing, Sales Dispatch, Gas Trading, and Finance, which report to the Managing Director. All activities are carried out at the Company's registered office.

2) Significant accounting policies applied by the Company

The financial statements have been prepared based on the accounting records kept in compliance with the Act on Accounting and relevant regulations and decrees effective in the Czech Republic.

The Company's accounts are maintained and the financial statements have been prepared in compliance with Act No. 563/1991 Coll., on Accounting, as amended, Regulation No. 500/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll. on accounting, for accounting units – businessmen using double-entry accounting, as amended, and Czech Accounting Standards for businessmen, as amended.

a) Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at acquisition cost. Tangible fixed assets costing up to TCZK 40 and intangible fixed assets costing up to TCZK 60 are not recognised in the balance sheet and are charged to the profit and loss account in the year that they are acquired.

Assets are depreciated using the following methods over the following periods:

Assets	Method	Period
Incorporation expenses	Straight-line	5 years
Software	Straight-line	3 years
PC equipment	Straight-line	4 years

Technical improvement increases the cost of fixed assets if expenses relating to the improvement of fixed assets or extension of useful life exceed TCZK 40. The Company discloses improvement in leased office premises in caption Buildings. Technical improvement to leased assets is depreciated for the period of the lease agreement.

b) Long term investments

Long term investments comprise investments in group undertakings and associated companies.

Long-term investments are stated at cost, which includes expenses directly incurred in connection with the acquisition, such as fees and commissions paid to brokers, advisors and stock exchanges.

As at the balance sheet date, investments are recognised at acquisition cost, and if a particular investment has been impaired, an adjustment is established.

c) Establishment of adjustments and provisions

Receivables

The Company establishes adjustments for doubtful receivables based on an analysis of the credit status of customers and the ageing structure of receivables.

Provisions

An income tax provision is established as the financial statements are prepared before the tax liability is determined. In the subsequent accounting period, the Company releases this provision and records the actual tax liability determined.

In the balance sheet, the income tax provision is reduced by income tax prepayments, and the net receivable (if any) is recorded in tax receivables.

d) Foreign currency translation

The Company applies the Czech National Bank official rate to foreign currency transactions. During the year foreign exchange gains and losses are only recognised when realised at the time of settlement.

As at the balance sheet date, foreign currency monetary assets and liabilities are translated at the prevailing Czech National Bank official rates. Unrealised foreign exchange gains and losses are recognised in the profit and loss account.

e) Derivatives

Trading derivatives

Financial derivatives held for trading are carried at fair value and gains (losses) from changes in their fair values are recorded in the profit and loss account.

f) Leased assets

Lease payments are expensed on a straight-line basis over the lease term.

g) Income tax

Income tax for the period comprises current tax and the change in deferred tax.

Current tax comprises an estimate of tax payable calculated based on the taxable income, using the tax rate valid as at the first day of the accounting period, and any adjustments to taxes payable for previous periods.

Deferred tax is based on all temporary differences between the carrying and tax value of assets and liabilities, and other temporary differences (tax losses carried forward, if any), multiplied by the tax rate expected to be valid for the period in which the tax liability/asset will be utilised.

A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

Deferred tax in respect of items that are recorded directly in equity is also recorded in equity.

h) Classification of liabilities

The Company classifies as short-term any part of long-term liabilities, bank loans and overdrafts that is due within one year of the balance sheet date.

i) Consolidation

Pursuant to Section 62 (2) of Decree No. 500/2002 Coll. ("the Decree"), the financial statements of the Company and of all its consolidated entities have been included in the consolidated financial statements of EP Energy, a.s. The consolidated financial statements of the parent company will be published in accordance with Section 62 (3c) of the Decree and with Section 21a of the Act on Accounting.

j) Accounting records of the branch

The accounts of the branch are maintained separately in Slovakia in EUR. Each month individual journal entries are translated at the Czech National Bank official rates and imported to the accounts of the Czech entity. As at the balance sheet date, assets and liabilities denominated in EUR are translated at the prevailing Czech National Bank official rates. As at the balance sheet date, foreign exchange differences arising from the translation of balance-sheet and profit-and-loss-account items are recorded in the profit and loss account.

3) Fixed assets

a) Intangible fixed assets:

	Incorporation expenses	Software	Intangible fixed assets under construction	Total
Acquisition cost				
Balance at 1/1/2012	252	6 187	6 734	13 173
Additions	--	11 697	324	12 021
Disposals	--	--	--	--
Transfers	--	6 734	-6 734	--
Balance at 31/12/2012	252	24 618	324	25 194
Accumulated depreciation				
Balance at 1/1/2012	252	3 875	--	4 127
Depreciation expense	--	5 614	--	5 614
Disposals	--	--	--	--
Balance at 31/12/2012	252	9 489	--	9 741
Net book value 1/1/2012	--	2 312	6 734	9 046
Net book value 31/12/2012	--	15 129	324	15 453

In 2012 the Company put in use SAP software, which was partly recorded within intangible fixed assets under construction as at 31 December 2011.

b) Tangible fixed assets:

	Buildings	Plant and equipment	Tangible assets under construction	Total
Acquisition cost				
Balance at 1/1/2012	3 773	1 659	990	6 422
Additions	1 288	265	--	1 553
Disposals	--	--	--	--
Transfers	--	990	-990	--
Balance at 31/12/2012	5 061	2 914	--	7 975
Accumulated depreciation				
Balance at 1/1/2012	107	257	--	364
Depreciation expense	1 059	623	--	1 682
Disposals	--	--	--	--
Transfers	--	--	--	--
Balance at 31/12/2012	1 166	880	--	2 046
Net book value 1/1/2012	3 666	1 402	990	6 058
Net book value 31/12/2012	3 895	2 034	--	5 929

4) Leased assets

The Company has an operating lease for company cars for a period of 36 months from the date of the conclusion of the lease. The annual expenses of this lease and lease of printer for 2012 were TCZK 1 245 (2011 – TCZK 1 262).

5) Non-capitalised tangible and intangible fixed assets

In accordance with the accounting policy described in note 2(a) above, the Company charged low value tangible and intangible fixed assets to the profit and loss account in the year that they were acquired. The cumulative acquisition cost of non-capitalised tangible and intangible fixed assets charged into profit and loss account in the current year was as follows:

	Balance at 31/12/2012	Balance at 31/12/2011
Tangible fixed assets	1 652	2 177
Intangible fixed assets (software)	144	59
Total	1 796	2 236

6) Long term investment

At 31/12/2012:

Investment in associates	Ownership	Shares held	Nominal share value in TCZK	Acquisition cost in TCZK
COOP ENERGY, a.s.	40%	40	20	800

Registered office in associate:

COOP ENERGY, a.s.

Hvězdova 1716/2b

Praha 4

140 00

In 2012 the Company has no dividend income from Long term investments.

7) Inventories

The Company's inventories comprise purchased natural gas totaling TCZK 6 925 (2011 – TCZK 5 793).

8) Trade receivables and payables

a) **Short-term trade receivables total** TCZK 1 279 060 (2011 – TCZK 900 809), of which TCZK 207 614 (2011 – TCZK 101 756) is overdue. An adjustment of TCZK 14 223 (2011 – TCZK 5 607) was set up at 31 December 2012 for doubtful receivables.

b) **Short-term trade payables total** TCZK 905 154 (2011 – TCZK 606 008), of which TCZK 248 293 (2011 – TCZK 61 898) is overdue.

9) Short-term advances paid

Short-term advances paid total TCZK 154 949 (2011 – TCZK 172 480). Balance primarily comprises an advance of TCZK 75 555 (2011 – 98 178) paid to První energetická a.s. for trading on behalf of the Company at the Prague Energy Exchange (“PXE”).

Another significant portion of short-term advances paid consists of guarantees for trading outside PXE amounting of TCZK 26 448 (2011 – TCZK 11 145) Resting amount consist mostly of advances paid for the distribution of electricity and natural gas.

10) Tax receivables

Tax receivables amount to TCZK 76 910 (2011 – 44 452) and consist of VAT receivable amounting to TCZK 54 266 (2011 – TCZK 0) and advances for corporate income tax of TCZK 42 856 (2011 – TCZK 44 452) reduced by income tax provision of TCZK 20 212.

11) Estimated receivables

Estimated receivables primarily comprise an estimated item relating to the uninvoiced distribution and supply of electricity totaling TCZK 356 449 (2011 – TCZK 168 467) and the distribution and supply of natural gas totaling TCZK 137 242 (2011 – TCZK 32 752).

12) Other receivables

	Balance at 31/12/2012	Balance at 31/12/2011
Funds deposited in respect of revaluation of trades at PXE	161 187	144 779
Remeasurement of financial derivatives to fair value (see point 13)	63 815	78 851
Short-term loan provided to Property service CEE, a.s. + interest	0	10 122
Other	1 551	232
Total other short-term receivables	226 553	233 984

Loan to the company Property Service CEE, a.s. including interest was settled in 2012.

13) Trading derivatives

As at the balance sheet date the Company held following derivatives for trading (disclosed in caption Other receivables):

Financial instrument	Due date	Fair value at 31/12/2012 (TCZK)
FX swap TEUR 3 000 (Commerzbank)	15 January 2013	21
Forward purchase TEUR 28 000 (Commerzbank)	21 January – 15 April 2013	9 398
Forward purchase TEUR 9 500 (Citibank)	28 August – 12 September 2013	116
Forward purchase TEUR 1 141 511 (Citibank)	22 January – 22 March 2013	27 302
Forward purchase TEUR 63 377 (RBS)	22 January – 23 December 2013	26 978
Total		63 815

As at 31 December 2011 the Company held derivatives for trading whose total fair value of TCZK 78 851 was presented in Other receivables.

14) Adjustments

	Adjustment to receivables
Balance at 1/1/2012	5 607
Additions	8 729
Release/utilisation	-113
Balance at 31/12/2012	14 223

15) Registered capital

Registered capital of TCZK 15 000 (2011 – TCZK 15 000) consist of fifteen registered shares with nominal value of TCZK 1 000.

16) Equity

	Registered capital	Profit for the current period	Retained earnings	Statutory reserve fund	Total
Balance at 1/1/2012	15 000	137 507	407 355	3 116	562 978
Additions to funds	--	-137 507	137 507	--	--
Profit for 2012	--	88 848	--	--	88 848
Balance at 31/12/2012	15 000	88 848	544 862	3 116	651 826

17) Provisions

	Provision for untaken holiday	Income tax provision	Total
Balance at 1/1/2012	208	33 623	33 831
Additions	--	20 212	20 212
Release/Utilization	23	33 623	33 646
Balance at 31/12/2012	185	20 212	20 397
Income tax prepayments	--	-42 856	-42 856
Balance at 31/12/2012 less income tax prepayments	185	-22 644	-22 459

18) Short-term advances received

Short-term advances received consist of advances of TCZK 452 574 (2011 – TCZK 168 874) received from end users in connection with the sale of electricity and natural gas.

19) Social security and health insurance liabilities

Social security and health insurance liabilities total TCZK 2 193 (2011 – TCZK 2 668), of which TCZK 1 379 (2010 – TCZK 1 862) relates to social security liabilities and TCZK 814 (2011 – TCZK 806) relates to health insurance liabilities. None of these liabilities are overdue.

20) Tax liabilities and subsidies

Tax liabilities amount to TCZK 7 861 (2011 – TCZK 59 859), of which TCZK 0 (2010 – TCZK 50 238) is value added tax, TCZK 6 669 are taxes related to electricity and gas and TCZK 303 (2011 – TCZK 7 829) relates to environmental tax. None of these liabilities are overdue.

21) Estimated payables

Estimated payables primarily comprise estimated items relating to the uninvoiced distribution of electricity TCZK 113 485 (2011 – TCZK 173 800) and estimated items relating to uninvoiced gas totaling TCZK 27 901 (2011 – TCZK 17 338).

22) Bank loans

As at 31 December 2012 the Company have no bank loan (2011 – TCZK 31 654).

23) Accrued expenses

Accrued expenses amount to TCZK 20 412 (2011 – TCZK 52 643) and consist mainly from payables related to distribution of natural gas.

24) Segment information

The Company supplies end users with two types of commodities – electricity and natural gas – as well as with related services. Sales of these commodities and services in 2012 and 2011 were as follows:

	Year	Domestic sales	Export		Total
			Slovakia	Austria	
Electricity	2012	4 176 654	602 419	--	4 779 073
	2011	3 856 296	417 623	--	4 273 919
Natural gas	2012	3 683 769	30 954	--	3 714 723
	2011	4 309 859	5 000	643 577	4 958 436
Services	2012	2 947	--	--	2 947
	2011	3 554	--	--	3 554
Total	2012	7 863 370	633 373	--	8 496 743
	2011	8 169 709	422 623	643 577	9 235 909

25) Related parties

a) Trade receivables and payables

The following related party balances are included in the trade receivables and payables described in note 8 above:

	Receivables at 31/12		Payables at 31/12	
	2012	2011	2012	2011
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a. s.	17 815	--	--	--
Best Hotel Properties, a. s.	1 124	--	--	--
SOR Libchavy spol. s r. o.	1 059	--	--	--
J&T FACILITY MANAGEMENT, s. r. o.	7 407	--	87	--
DIAMOND HOTELS SLOVAKIA, s. r. o.	898	--	--	--
První energetická a. s.	29 558	15 940	558 576	260 718
POWERSUN a. s.	37	25	78	--
SERW, spol. s r. o.	91	--	--	134
Elektrizace železnic Praha a. s.	27	--	--	126
United Energy, a. s.	--	--	49	40
PRVNÍ MOSTECKÁ a. s.	--	1319	--	--
Plzeňská energetika a. s.	--	314	--	--
VTE Pchery, s. r. o.	33	11	650	--
ENERGZET, a. s.	163	348	--	94
BHP Tatry, s. r. o.	685	--	--	--
MSEM a. s.	--	--	22	64
Other group companies	3 967	--	55	--
Total	62 864	17 957	559 517	261 176

b) Loans provided

In 2012 the Company provided COOP ENERGY, a. s. with a long-term loan of TCZK 4 500. The loan including interest is due in 2014 and is disclosed in Long-term receivables – group undertakings.

c) Loans received

The Company was provided with a long-term loan from EP Energy, a. s. amounting to TEUR 8 106. Interest rate is 5.99% p.a. and the loan is due in 2019. Total balance of the loan including interest is TCZK 205 859 as at 31 December 2012.

d) Other receivables and advances paid

Other Short-term receivables and Short-term advances paid, which are described in notes 12 and 9, include receivables of TCZK 75 555 (2011 – TCZK 144 779) and TCZK 161 187 (2011 – TCZK 98 178), respectively, relating to funds deposited with První energetická a. s. for the purpose of trading at PXE.

e) Transactions with related parties

	Sales		Purchases	
	2012	2011	2012	2011
První energetická a. s.	262 325	218 618	2 732 152	2 421 705
SOR Libchavy spol. s r. o.	12 424	--	--	--
POWERSUN a. s.	246	229	4 087	--
SERW, spol. s r. o.	3 423	7 751	--	--
Elektrizace železnic Praha a. s.	2 713	6 445	--	--
EP Investment Advisors, s. r. o.	50	--	--	1500
United Energy, a. s.	22	--	--	240
PRVNÍ MOSTECKÁ a. s.	--	10 567	--	--
Plzeňská energetika, a. s.	3 452	2 712	--	--
VTE Pchery, s. r. o.	341	287	5600	--
ENERGZET, a. s.	6 288	5 522	--	981
MSEM, a. s.	1 146	1 053	--	--
DIAMOND HOTELS SLOVAKIA, s. r. o.	9 806	--	--	--
Pražská teplárenská a. s.	746	--	--	--
Best Hotel Properties, a. s.	9 654	--	--	--
SLOVENSKÉ ENERGETICKÉ STROJÁRNE a. s.	14 629	--	--	--
BURSON PROPERTIES, a. s.	1 047	--	--	--
Other group companies	21 086	--	--	--
Total	349 398	253 184	2 741 839	2 424 426

f) Remuneration and loans provided to directors and supervisory board members:

	Board of directors		Supervisory board	
	2012	2011	2012	2011
Number of members	3	3	3	3
Fees paid	180	180	45	45

g) Group relations

The Company has not concluded a controlling agreement with its sole shareholder, EP Energy, a. s. A report on relations between related parties will form part of the annual report.

26) Employees and executives

Average number of employees and executives and personnel expenses for 2012 and 2011:

2012	Number	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	47	25 504	7 289	470
Executives	3	5 193	1 585	29
Total	50	30 697	8 874	499

2011	Number	Wages and salaries	Social security and health insurance expenses	Social expenses
Employees	34	22 059	6 556	493
Executives	2	2 322	785	29
Total	36	24 381	7 341	522

27) Fees payable to statutory auditors

This information is disclosed in the notes to the consolidated financial statements of EP Energy, a. s., which include the Company.

28) Income tax

a) Current tax

Current income tax comprises the tax estimate for 2012 of TCZK 20 212 (2011 – TCZK 33 831), and an adjustment to the tax estimate for 2011 of TCZK 396 (2011 – TCZK 2 191).

b) Deferred tax

	Assets		Liabilities		Net	
	2012	2011	2012	2011	2012	2011
Tangible and intangible fixed assets	--	--	-2	-57	-2	-57
Deferred tax asset/(liability)	--	--	-2	- 57	-2	-57

In accordance with the accounting policy described in note 2 (g), a tax rate of 19% was used to calculate deferred tax (2011 – 19%).

29) Contingencies and commitments

The Company has concluded the following bank guarantees in favor of its suppliers as at 31 December 2012:

Bank	Maturity	Currency	Amount in TEUR	Amount in TEUR
COMMERZBANK	2013	CZK	--	128 500
COMMERZBANK	2013	EUR	1 200	--
Citibank	2014	CZK	--	40 000

The loan received on group level from UniCredit Bank is secured by trade receivables. At 31 December 2012 is amounting of TCZK 863 136.

30) Material subsequent event

As at 1 January 2013 a merger of EP ENERGY TRADING, a. s. with registered office Prague – Prague 1, Klimentská 1216/46, Postcode 110 02, identification number: 273 86 643 and První energetická a. s. took place. As a result of merger by acquisition, the assets and liabilities of the dissolving company První energetická a. s. were transferred to the successor company EP ENERGY TRADING, a. s. with registered office Prague – Prague 1, Klimentská 1216/46, Postcode 110 02, ID No.: 273 86 643.

7. AUDITOR'S REPORT TO COMPANY SHAREHOLDERS





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This document is an English translation of the Czech auditor's report.
Only the Czech version of the report is legally binding.

Independent Auditor's Report to the Shareholders of EP ENERGY TRADING, a.s.

Financial statements

On the basis of our audit, on 5 March 2013 we issued an auditor's report on the Company's statutory financial statements, which are included in this annual report, and our report was as follows:

"We have audited the accompanying financial statements of EP ENERGY TRADING, a.s., which comprise the balance sheet as of 31 December 2012, and the income statement for the year then ended, and the notes to these 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 financial statements.

Statutory Body's Responsibility for the Financial Statements

The statutory body of EP ENERGY TRADING, a.s. is responsible for the preparation of financial statements that give a true and fair view in accordance with Czech accounting legislation and for such internal controls as the statutory body determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Act on Auditors and International Standards on Auditing 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 financial statements are free from material misstatement.

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

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

KPMG Česká republika Audit, s.r.o., a Czech limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodní rejstřík vedený
Městským soudem v Praze
oddíl C, vložka 24105.

IC 49619187
DIČ CZ09901990



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of EP ENERGY TRADING, a.s. as of 31 December 2012, and of its financial performance for the year then ended in accordance with Czech accounting legislation."

Report on relations between related parties

We have reviewed the factual accuracy of the information disclosed in the report on relations between related parties of EP ENERGY TRADING, a.s. for the year ended 31 December 2012. The responsibility for the preparation and factual accuracy of this report rests with the Company's statutory body. Our responsibility is to express our view on the report on relations based on our review.

We conducted our review in accordance with Auditing Standard No. 56 of the Chamber of Auditors of the Czech Republic. This standard requires that we plan and perform the review to obtain limited assurance as to whether the report on relations is free of material misstatement. A review is limited primarily to inquiries of the Company's personnel and analytical procedures and examination, on a test basis, of the factual accuracy of information, and thus provides less assurance than an audit. We have not performed an audit of the report on relations and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that would lead us to believe that the report on relations between related parties of EP ENERGY TRADING, a.s. for the year ended 31 December 2012 contains material factual misstatements.

Annual report

We have audited the consistency of the annual report with the audited financial statements. This annual report is the responsibility of the Company's statutory body. Our responsibility is to express our opinion on the consistency of the annual report with the audited 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 plan and perform the audit to obtain reasonable assurance that the information disclosed in the annual report describing matters that are also presented in the financial statements is, in all material respects, consistent with the audited financial statements. We believe that the audit we have conducted provides a reasonable basis for our audit opinion.

In our opinion, the information disclosed in the annual report is, in all material respects, consistent with the audited financial statements.

Prague
6 September 2013

KPMG Česká republika Audit
KPMG Česká republika Audit, s.r.o.
Licence number 71

Petr Škoda
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