# Energetický a průmyslový holding, a.s.

## Condensed Consolidated Interim Financial Statements as of and for the six-month period ended 30 June 2019 (unaudited)

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

# Content

# Condensed consolidated interim statement of comprehensive income

**For the six-month period ended 30 June 2019**

| *In millions of EUR ("MEUR")* | **Note** | **2019 (six months)** | **2018 (six months)** |
|---|---|---|---|
| Sales: Energy | 7 | 3,763 | 3,067 |
| *of which: Electricity* | | *2,140* | *1,657* |
| *Gas* | | *1,267* | *1,049* |
| *Heat* | | *229* | *195* |
| *Coal* | | *127* | *164* |
| *Other energy products* | | *-* | *2* |
| Sales: Other | 7 | 201 | 225 |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | 7 | (13) | (21) |
| **Total sales** | | **3,951** | **3,271** |
| Cost of sales: Energy | 8 | (2,245) | (1,740) |
| Cost of sales: Other | 8 | (155) | (185) |
| **Total cost of sales** | | **(2,400)** | **(1,925)** |
| **Subtotal** | | **1,551** | **1,346** |
| Personnel expenses | 9 | (249) | (246) |
| Depreciation and amortisation | 16, 17 | (329) | (260) |
| Repairs and maintenance | | (25) | (34) |
| Emission rights, net | 10 | (152) | (47) |
| Negative goodwill | 6 | 2 | - |
| Taxes and charges | 11 | (45) | (52) |
| Other operating income | 12 | 84 | 61 |
| Other operating expenses | 13 | (156) | (171) |
| Own work, capitalized | | 15 | 14 |
| **Profit (loss) from operations** | | **696** | **611** |
| Finance income | 14 | 37 | 19 |
| Finance expense | 14 | (104) | (126) |
| Profit (loss) from financial instruments | 14 | 9 | 26 |
| **Net finance income (expense)** | | **(58)** | **(81)** |
| Share of profit (loss) of equity accounted investees, net of tax | 19 | 73 | 40 |
| **Profit (loss) before income tax** | | **711** | **570** |
| Income tax expenses | 15 | (173) | (146) |
| **Profit (loss) for the period** | | **538** | **424** |
| **Items that are not reclassified subsequently to profit or loss:** | | | |
| Revaluation of property, plant and equipment | 16 | 1,337 | - |
| **Items that are or may be reclassified subsequently to profit or loss:** | | | |
| Foreign currency translation differences from foreign operations | | (61) | 54 |
| Foreign currency translation differences from presentation currency | | 48 | (59) |
| Effective portion of changes in fair value of cash-flow hedges, net of tax | | 11 | 224 |
| Fair value reserve included in other comprehensive income, net of tax | | - | (10) |
| **Other comprehensive income for the period, net of tax** | | **1,335** | **209** |
| **Total comprehensive income for the period** | | **1,873** | **633** |
| **Profit (loss) attributable to:** | | | |
| Owners of the Company | | 252 | 193 |
| Non-controlling interest | 29 | 286 | 231 |
| **Profit (loss) for the period** | | **538** | **424** |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | 713 | 430 |
| Non-controlling interest | 29 | 1,160 | 203 |
| **Total comprehensive income for the period** | | **1,873** | **633** |
| **Total basic and diluted earnings per share in EUR** | 28 | **0.07** | **0.05** |

The notes presented on pages 9 to 93 form an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated interim statement of financial position

**As at 30 June 2019**
*In millions of EUR ("MEUR")*

| | Note | 30 June 2019 | 31 December 2018 |
|---|---|---|---|
| **Assets** | | | |
| Property, plant and equipment | 16 | 10,449 | 8,532 |
| Intangible assets | 17 | 167 | 213 |
| Goodwill | 17 | 151 | 149 |
| Investment property | 18 | 3 | 3 |
| Equity accounted investees | 19 | 1,167 | 1,061 |
| Restricted cash | 23 | - | 1 |
| Financial instruments and other financial assets | 33 | 165 | 149 |
| Trade receivables and other assets | 21 | 171 | 190 |
| Deferred tax assets | 26 | 86 | 67 |
| **Total non-current assets** | | **12,359** | **10,365** |
| | | | |
| Inventories | 20 | 313 | 251 |
| Extracted minerals and mineral products | | 151 | 155 |
| Trade receivables and other assets | 21 | 896 | 907 |
| Contract assets | 7 | 61 | 37 |
| Financial instruments and other financial assets | 33 | 746 | 365 |
| Prepayments and other deferrals | | 41 | 50 |
| Tax receivables | 24 | 111 | 163 |
| Restricted cash | 23 | 29 | 29 |
| Cash and cash equivalents | 22 | 1,175 | 1,006 |
| Assets/disposal groups held for sale | 25 | 1 | 1 |
| **Total current assets** | | **3,524** | **2,964** |
| **Total assets** | | **15,883** | **13,329** |
| | | | |
| **Equity** | | | |
| Share capital | 27 | 152 | 152 |
| Share premium | 27 | 64 | 64 |
| Other reserves | 27 | 796 | 337 |
| Retained earnings | | 943 | 1,080 |
| **Total equity attributable to equity holders** | | **1,955** | **1,633** |
| Non-controlling interest | 29 | 2,533 | 1,504 |
| **Total equity** | | **4,488** | **3,137** |
| | | | |
| **Liabilities** | | | |
| Loans and borrowings | 30 | 5,251 | 4,915 |
| Financial instruments and financial liabilities | 33 | 237 | 154 |
| Provisions | 31 | 1,070 | 968 |
| Deferred income | 32 | 107 | 112 |
| Contract liabilities | 7 | 98 | 94 |
| Deferred tax liabilities | 26 | 1,454 | 1,009 |
| Trade payables and other liabilities | 34 | 71 | 149 |
| **Total non-current liabilities** | | **8,288** | **7,401** |
| | | | |
| Trade payables and other liabilities | 34 | 996 | 1,080 |
| Contract liabilities | 7 | 103 | 74 |
| Loans and borrowings | 30 | 1,299 | 1,028 |
| Financial instruments and financial liabilities | 33 | 269 | 201 |
| Provisions | 31 | 308 | 374 |
| Deferred income | 32 | 23 | 10 |
| Current income tax liability | | 109 | 24 |
| **Total current liabilities** | | **3,107** | **2,791** |
| **Total liabilities** | | **11,395** | **10,192** |
| **Total equity and liabilities** | | **15,883** | **13,329** |

The notes presented on pages 9 to 93 form an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated interim statement of changes in equity

## For the six-month period ended 30 June 2019

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of EUR ("MEUR")* | **Share capital** | **Share premium** | **Reserve for own shares** | **Other capital funds from capital contributions** | **Non-distribu-table reserves** | **Translation reserve** | **Fair value reserve** | **Other capital reserves** | **Hedging reserve** | **Retained earnings** [(1)] | **Total** | **Non-controlling interest** | **Total Equity** |
| **Balance as at 1 January 2019** | **152** | **64** | **-** | **23** | **12** | **(102)** | **(17)** | **(54)** | **475** | **1,080** | **1,633** | **1,504** | **3,137** |
| Adjustment on initial application of IFRS 16 (net of tax) | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Adjusted balance as at 1 January 2019** (A) | **152** | **64** | **-** | **23** | **12** | **(102)** | **(17)** | **(54)** | **475** | **1,080** | **1,633** | **1,504** | **3,137** |
| *Total comprehensive income for the period:* | | | | | | | | | | | | | |
| Profit or loss (B) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **252** | **252** | **286** | **538** |
| *Other comprehensive income:* | | | | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | - | - | - | (35) | - | - | - | - | (35) | (26) | **(61)** |
| Foreign currency translation differences from presentation currency | - | - | - | - | - | 22 | - | - | - | - | 22 | 26 | **48** |
| Revaluation reserve included in other comprehensive income, net of tax | - | - | - | - | - | - | 452 | - | - | - | 452 | 885 | **1,337** |
| Effective portion of changes in fair value of cash-flow hedges, net of tax | - | - | - | - | - | - | - | - | 22 | - | 22 | (11) | **11** |
| **Total other comprehensive income** (C) | **-** | **-** | **-** | **-** | **-** | **(13)** | **452** | **-** | **22** | **-** | **461** | **874** | **1,335** |
| **Total comprehensive income for the period** (D) = (B + C) | **-** | **-** | **-** | **-** | **-** | **(13)** | **452** | **-** | **22** | **252** | **713** | **1,160** | **1,873** |
| *Contributions by and distributions to owners:* | | | | | | | | | | | | | |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | (393) | (393) | (125) | **(518)** |
| Transfer from non-distributable reserves | - | - | - | - | - | - | (5) | - | - | 5 | - | - | - |
| Transfer to non-distributable reserves – creation of legal fund | - | - | - | - | 3 | - | - | - | - | (3) | - | - | - |
| **Total contributions by and distributions to owners** (E) | | **-** | **-** | **-** | **3** | **-** | **(5)** | **-** | **-** | **(391)** | **(393)** | **(125)** | **(518)** |
| *Changes in ownership interests in subsidiaries:* | | | | | | | | | | | | | |
| Effect of changes in shareholding on non-controlling interests | - | - | - | - | - | - | - | - | - | 2 | 2 | (6) | **(4)** |
| **Total changes in ownership interests in subsidiaries** (F) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2** | **2** | **(6)** | **(4)** |
| **Total transactions with owners** (G) = (E + F) | **-** | **-** | **-** | **-** | **3** | **-** | **(5)** | **-** | **-** | **(389)** | **(391)** | **(131)** | **(522)** |
| **Balance as at 30 June 2019** (H) = (A + D + G) | **152** | **64** | **-** | **23** | **15** | **(115)** | **430** | **(54)** | **497** | **943** | **1,955** | **2,533** | **4,488** |

The notes presented on pages 9 to 93 form an integral part of these condensed consolidated interim financial statements.

**For the six-month period ended 30 June 2018**

| | Attributable to owners of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of EUR ("MEUR")* | **Share capital** | **Share premium** | **Reserve for own shares** | **Other capital funds from capital contributions** | **Non-distribu-table reserves** | **Translation reserve** | **Fair value reserve** | **Other capital reserves** | **Hedging reserve** | **Retained earnings** [(1)] | **Total** | **Non-controlling interest** | **Total Equity** |
| **Balance as at 1 January 2018** | **152** | **64** | **(1,444)** | **23** | **8** | **(94)** | **(38)** | **(54)** | **117** | **2,431** | **1,165** | **1,515** | **2,680** |
| Adjustment on initial application of IFRS 9 (net of tax) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(7)** | **(7)** | **(2)** | **(9)** |
| **Adjusted balance as at 1 January 2018** (A) | **152** | **64** | **(1,444)** | **23** | **8** | **(94)** | **(38)** | **(54)** | **117** | **2,424** | **1,158** | **1,513** | **2,671** |
| *Total comprehensive income for the period:* | | | | | | | | | | | | | |
| Profit or loss (B) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **193** | **193** | **231** | **424** |
| *Other comprehensive income:* | | | | | | | | | | | | | |
| Foreign currency translation differences for foreign operations | - | - | - | - | - | 26 | - | - | - | - | 26 | 28 | **54** |
| Foreign currency translation differences from presentation currency | - | - | - | - | - | (26) | - | - | - | - | (26) | (33) | **(59)** |
| Revaluation reserve included in other comprehensive income, net of tax | - | - | - | - | - | - | (10) | - | - | - | (10) | - | **(10)** |
| Effective portion of changes in fair value of cash-flow hedges, net of tax | - | - | - | - | - | - | - | - | 247 | - | 247 | (23) | **224** |
| **Total other comprehensive income** (C) | **-** | **-** | **-** | **-** | **-** | **-** | **(10)** | **-** | **247** | **-** | **237** | **(28)** | **209** |
| **Total comprehensive income for the period** (D) = (B + C) | **-** | **-** | **-** | **-** | **-** | **-** | **(10)** | **-** | **247** | **193** | **430** | **203** | **633** |
| *Contributions by and distributions to owners:* | | | | | | | | | | | | | |
| Dividends to equity holders | - | - | - | - | - | - | - | - | - | (9) | (9) | (35) | **(44)** |
| **Total contributions by and distributions to owners** (E) | | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(9)** | **(9)** | **(35)** | **(44)** |
| *Changes in ownership interests in subsidiaries:* | | | | | | | | | | | | | |
| Effect of changes in shareholding on non-controlling interests | - | - | - | - | - | - | - | - | - | 6 | 6 | (6) | **-** |
| **Total changes in ownership interests in subsidiaries** (F) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **6** | **6** | **(6)** | **-** |
| **Total transactions with owners** (G) = (E + F) | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **(3)** | **(3)** | **(41)** | **(44)** |
| **Balance as at 30 June 2018** (H) = (A + D + G) | **152** | **64** | **(1,444)** | **23** | **8** | **(94)** | **(48)** | **(54)** | **364** | **2,614** | **1,585** | **1,675** | **3,260** |

The notes presented on pages 9 to 93 form an integral part of these condensed consolidated interim financial statements.

# Condensed consolidated interim statement of cash flows

**For the six-month period ended 30 June 2019**

| *In millions of EUR ("MEUR")* | **Note** | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit (loss) for the period | | 538 | 424 |
| *Adjustments for:* | | | |
| Income taxes | 15 | 173 | 146 |
| Depreciation and amortisation | 16, 17 | 329 | 260 |
| Dividend income | 14 | (1) | (1) |
| Impairment losses on property, plant and equipment, intangible assets and financial assets | 13, 14 | 1 | 11 |
| Impairment losses of other financial assets | 14 | 1 | 74 |
| Non-cash (gain) loss from commodity derivatives for trading with electricity, gas and emission rights, net | 7, 10 | 39 | 21 |
| (Gain) loss on disposal of property, plant and equipment, investment property and intangible assets | 12 | 1 | (4) |
| Emission rights | 10 | 152 | 47 |
| Share of (profit) loss of equity accounted investees | 19 | (73) | (40) |
| (Gain) loss on financial instruments | 14 | (10) | (100) |
| Net interest expense | 14 | 81 | 107 |
| Change in allowance for impairment to trade receivables and other assets, write-offs | | (21) | 2 |
| Change in provisions | | 9 | 23 |
| Negative goodwill | 6 | (2) | - |
| Other finance fees | | - | (9) |
| Unrealised foreign exchange (gains) losses, net | | (15) | 16 |
| **Operating profit before changes in working capital** | | **1,202** | **977** |
| Change in trade receivables and other assets | | 97 | 32 |
| Change in inventories (including proceeds from sale) | | (34) | 3 |
| Change in extracted minerals and mineral products | | 4 | 26 |
| Change in trade payables and other liabilities | | (277) | (153) |
| Change in restricted cash | | 4 | (86) |
| **Cash generated from (used in) operations** | | **996** | **799** |
| Interest paid | | (81) | (125) |
| Income taxes paid | | (64) | (158) |
| **Cash flows generated from (used in) operating activities** | | **851** | **516** |

# Condensed consolidated interim statement of cash flows (continued)

**For the six-month period ended 30 June 2019**

| *In millions of EUR ("MEUR")* | **Note** | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Dividends received, other | | - | 1 |
| Change in financial instruments | | (10) | 54 |
| Loans provided to the owners | | (124) | (45) |
| Loans provided to the other entities | | (798) | (297) |
| Repayment of loans provided to other entities | | 604 | 271 |
| Proceeds from sale of financial instruments - derivatives | | 33 | 7 |
| Acquisition of property, plant and equipment, investment property and intangible assets | 16, 17, 18 | (136) | (124) |
| Purchase of emission rights | 17 | (217) | (86) |
| Proceeds from sale of emission rights | | 7 | 25 |
| Proceeds from sale of property, plant and equipment, investment property and other intangible assets | | 6 | 9 |
| Acquisition of subsidiaries, net of cash acquired | 6 | (93) | (2) |
| (Increase) decrease in participation in existing subsidiaries | | (4) | - |
| Interest received | | 1 | 2 |
| **Cash flows from (used in) investing activities** | | **(731)** | **(185)** |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from loans received | | 775 | 674 |
| Repayment of borrowings | | (452) | (1,115) |
| Proceeds from bonds issued, net of transaction fees | | 157 | 771 |
| Repayments of bonds issued | | (2) | (677) |
| Finance fees paid from repayment of borrowings | | (2) | - |
| Payment of lease liability | | (17) | - |
| Dividends paid | | (417) | (40) |
| **Cash flows from (used in) financing activities** | | **42** | **(387)** |
| *Net increase (decrease) in cash and cash equivalents* | | *162* | *(56)* |
| **Cash and cash equivalents at beginning of the period** | | **1,006** | **816** |
| Effect of exchange rate fluctuations on cash held | | 7 | 7 |
| **Cash and cash equivalents at end of the period** | | **1,175** | **767** |

The notes presented on pages 9 to 93 form an integral part of these condensed consolidated interim financial statements.

# Notes to the condensed consolidated interim financial statements

## 1. Background

Energetický a průmyslový holding, a.s. (the "Parent Company" or "the Company" or "EPH") is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded on 7 August 2009 and entered in the Commercial Register on 10 August 2009.

The main activities of the Company are corporate investments in the energy and mining sectors. Besides power generation and mining activities the Group also operates in logistics and as a trading house.

On 24 February 2017 EPH completed the previously concluded agreement with a consortium of global institutional investors led by Macquarie Infrastructure and Real Assets ("MIRA") on the sale of a 31% stake in EP Infrastructure, a.s., an energy infrastructure subholding focused on gas transmission, gas and power distribution, heat and power generation and gas storage ("EPIF"). The remaining 69% of EPIF remains with EPH, which will also retain management control over EPIF.

Following the sale of a minority shareholding in EPIF changes also occurred in the shareholder structure of EPH where at the end of the transaction Daniel Křetínský (94%) and selected members of the existing management of EPH (6%), became sole owners of EPH.

The consolidated financial statements of the Company for the six-month period ended 30 June 2019 comprise the statements of the Parent Company and its subsidiaries (together referred to as the "Group" or "EPH Group") and the Group's interests in associates and joint ventures. The Group entities are listed in Note 37 – Group entities.

The shareholders of the Company as at 30 June 2019 were as follows:

| *In millions of EUR* | **Interest in share capital** | | **Voting rights** |
|---|---|---|---|
| | MEUR | % | % |
| EP Investment S.à.r.l. | 81 | 53.00 | 53.00 |
| EP Investment II S.à.r.l. (owned by Daniel Křetínský) | 71 | 47.00 | 47.00 |
| **Total** | **152** | **100.00** | **100.00** |

The shareholders of the Company as at 31 December 2018 were as follows:

| *In millions of EUR* | **Interest in share capital** | | **Voting rights** |
|---|---|---|---|
| | MEUR | % | % |
| EP Investment S.à.r.l. | 81 | 53.00 | 53.00 |
| EP Investment II S.à.r.l. (owned by Daniel Křetínský) | 71 | 47.00 | 47.00 |
| **Total** | **152** | **100.00** | **100.00** |

The members of the Board of Directors as at 30 June 2019 were:

- JUDr. Daniel Křetínský (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. Jan Špringl (Member of the Board of Directors)

**Transaction overview related to the shareholder structure of EPH Group**

**Changes in 2018**

On 19 September 2018 own shares were cancelled and the difference between the nominal value and purchase price in excess over the nominal value of EUR 1,444 million originally presented as a reserve for own shares was released to retained earnings.

In 2018 the Company carried out several acquisitions and sold several subsidiaries. The transactions are described in Note 6 – Acquisition and disposals of subsidiaries.

**Changes in 2019**

No change to shareholder structure has occurred in the six-month period ended 30 June 2019.

In 2019 the Company carried out several acquisitions and sold several subsidiaries. The transactions are described in Note 6 – Acquisition and disposals of subsidiaries.

## 2. Basis of preparation

### (a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS), specifically IAS 34 Interim Financial Reporting issued by International Accounting Standards Board (IASB), as adopted by the European Union. These statements do not include all the information required for a complete set of IFRS financial statements and should be read in conjunction with the consolidated financial statements of the EPH Group as at and for the year ended 31 December 2018.

This is the first set of the Group's financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note 2(c).

The consolidated financial statements were approved by the Board of Directors on 30 September 2019.

### (b) Critical accounting estimates and assumptions

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of revaluation model according to IAS 16 Property, plant and equipment that the Group applies for the first time for selected assets in the accounting period beginning 1 January 2019 (refer to Note 2(c) – Changes in accounting policies).

### (c) Changes in accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as of and for the year ended 31 December 2018.

The Group has adopted IFRS 16 Leases from 1 January 2019 and changed its accounting policy for measurement of selected property, plant and equipment according to IAS 16. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

**IFRS 16 Leases**

IFRS 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities under representing its obligation to make lease payments. Lessor accounting remains similar to previous accounting policies.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations. The details of the changes in accounting policies are described below.

*Definition of a lease*

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. An agreement is or contains a leasing arrangement if it gives the customer the right to control the use of an identified asset in a time period in exchange for consideration. Control exists if the customer has the right to obtain (the ability to influence through a decision) basically all economic benefits from the use of the asset and also to manage its use.

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed.

The Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets and short-term leases (lease term 12 months or shorter). The Group recognises the lease payments associated with these leases as an expense.

An accounting unit uses this standard for all rentals, including a rental with a right of use as a part of sub-leasing, with the exception of rental for the purpose of investigating or using minerals, oil, natural gas and similar renewable resources; rental of biological assets as a part of the IAS 41 Agriculture standard held by the lessee; concessions for services as a part of IFRIC 12 Service Concession Arrangements; licences for intellectual property provided by the lessor to the extent of IFRS 15 Revenue from Contracts with Customers; and intangible assets in scope of IAS 38 Intangible Assets.

*Lessor accounting*

Lessor classifies leasing as either financial or operating.

In the case of financial leasing the lessor reports in its statement of financial position a receivable in an amount equal to the net financial investment in the leasing. In the statement of comprehensive income then during the leasing term it reports financial revenues.

In the case of operating leasing the lessor recognises an underlying asset in the report on financial position. In the income statement then during the leasing term it reports leasing payments as revenues and depreciation of the underlying asset as an expense.

*Lessee accounting*

IFRS 16 removes the lessee’s duty to classify leasing as operating or financial. Exception applies for short-term leases (lease term 12 months or shorter) and leases of low value assets (lower than 5 thousand EUR). This lease payments are recognised as an expense on a straight-line basis over lease period.

Upon the commencement of a leasing arrangement, the lessee recognises a right-of-use asset against a lease liability, which is valued at the current value of the leasing payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate.

The Group presents right-of-use assets in property, plant and equipment, the same line item as it presents underlying assets of the same nature that it owns. The right-of-use assets is initially measured at cost and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. The carrying amounts of right-of-use assets are as below.

| *In millions of EUR* | **Land and buildings** | **Technical equipment, plant and machinery** |
|---|---|---|
| Balance at 1 January 2019 | 45 | 74 |
| Balance at 30 June 2019 | 44 | 86 |

In a statement of comprehensive income, the lessee reports interest expense and (straight-line) depreciation of a right-of-use asset. A company (lessee) depreciates an asset in accordance with the requirements of the IAS 16.

*Service part of a lease payment*

Companies within the Group accounting for leases of vehicles do not separate the service fee from the lease payments. Total lease payments are used to calculate the lease liability. For other leasing contracts the service fee is separated from the lease payments. Service fee is recognised as a current expense in statement of comprehensive income, remaining part is used to calculate the leasing liability.

*Lease term*

The term of a leasing arrangement is determined as of the leasing arrangement commencement date based on the non-voidable leasing arrangement.

Leasing agreements where the lease term is set as an unfixed term (or with a set notice term more than 12 months) cannot be regarded as short-term leasing arrangements benefiting from an exception from application. The non-voidable term is set for the determination of the value of an asset as the notice term. In the event the non-voidable term is set as shorter than 12 months, a company applies the exception and assesses the transaction as a short-term leasing arrangement.

*Lease of land or lease of land and building*

In the event of the lease of land that is not covered by IAS 41 or IAS 2, it is always an operating lease. In the case of the lease of a building and land, the total rent is divided proportionately into rent for the building and rent for the land in accordance with the fair value.

*Subleasing*

The classification of subleasing into financial and operating is governed primarily by the original agreement, where, if the primary agreement is short-term, it is always an operating leasing arrangement and then the properties of the actual sublease are assessed. When assessing the classification, the value of an asset for use, not the value of the underlying asset, is taken into consideration. If the lessee provides or assumes that it will provide subleasing of an asset, the main leasing arrangement does not meet the conditions for leasing of small assets.

*Sale and lease back*

If the accounting unit (seller-lessee) transfers an asset to another accounting unit (buyer-lessor) and re-leases the asset from the buyer-lessor, then the seller-lessee and the buyer-lessor recognise the agreement on transfer and leasing based on evaluation whether the transfer of the asset is a sale or is not a sale.

*Renewal options*

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

*Transition*

On transition to IFRS 16 the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings which was immaterial. The detail of impact on transition is summarised below.

| *In millions of EUR* | **1 January 2019** |
|---|---|
| Right-of-use assets presented in property, plant and equipment | 119 |
| Deferred tax asset | - |
| Lease liabilities presented in Loans and borrowings | 119 |
| Retained earnings | - |

**Revaluation model for property, plant and equipment**

The Group decided to change its accounting policy relating to reporting of gas transmission pipelines of eustream, a.s. starting 1 January 2019. Per the new accounting policy, the gas transmission pipelines shall be following the IAS 16 Revaluation model where the relevant fixed assets are carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. Under the old accounting policy, the gas transmission pipelines were reported using the IAS 16 Cost model where the relevant fixed assets were carried at cost less accumulated depreciation and impairment. The Group has decided to change its accounting policy because it believes that it will result in consolidated financial statements providing reliable and more relevant information about the gas transmission pipelines, which is one of the major fixed asset groups in the EPIF Group (one of the main sub-holding of EPH Group). The gas transmission pipeline generates revenue by charging tariffs for the transmission of gas through its pipelines and by the sale of gas in-kind which it receives from shippers and which remains in the network of eustream after serving the network´s technological needs. Transmission tariffs in the Slovak Republic, for the current regulatory period (2017-2021), are based purely on direct comparison of tariffs (also known as benchmarking) with other transmission system operators, primarily competitors across Europe and are directly set by the regulator and are not directly impacted by natural gas prices. However, from the beginning of the next regulatory period in 2022, benchmarking of tariffs will be used only as the secondary adjustment of the reference prices calculated on the cost base principles. As such, fair value of eustream´s gas transmission assets will be of a primary importance in order to assess recoverability of costs, therefore we believe that presentation of fair value of these assets is more relevant than reporting these assets at amortized costs.

Gas transmission pipelines create a separate class of assets with distinct characteristics which differentiate the transmission network from other gas networks (such as gas distribution network) the Group operates. These characteristics among others are:

- transmission pipelines are all made of steel and operate under high pressure whereas the gas distribution network pipelines are made of combination of steel and polyethylene while the vast majority of the gas networks runs under low pressure;
- eustream's transmission pipeline system mainly consists of four to five parallel pipelines mostly 1200 or 1400 mm in diameter with an operating pressure of 7.35 MPa. The total length of the pipeline is app. 2,332 kilometres. In comparison, SPP Distribúcia, a.s. ("SPPD") owns over 33 thousand kilometres of gas distribution network. The difference is also in the number of pressure regulation stations – eustream operates just 5 while SPPD needs 1,732 to keep the gas distribution network functioning;

- the gas transmission pipeline is circumscribed by entry and exit points which are as follows:
    - Veľké Kapušany (entry/exit point to/from the gas transmission system in Ukraine);
    - Baumgarten (entry/exit point to/from the gas transmission system in Austria);
    - Lanžhot (entry/exit point to/from the gas transmission system in Czech Republic);
    - Budince (entry/exit point to/from the gas transmission system in Ukraine);
    - Veľké Zlievce (entry/exit point to/from the gas transmission system in Hungary);
    - domestic point (entry/exit point to/from the distribution systems and storage facilities in Slovakia).
- due to its nature of operations eustream's gas transmission network is primarily characterized by high volume of gas transmitted. Whereas in 2018 eustream transmitted nearly 60 bcm of gas, SPPD distributed less than 10% of that volume, i.e. app.4.8 bcm;
- on the other hand, SPPD provides gas distribution to end-consumers under standard framework distribution agreements (with tariffs established by the regulator based on standard RAB based regulatory formula) entered into with natural gas suppliers. As of the end of June 2019, SPPD has standard framework distribution agreements in place with 28 natural gas suppliers with five major suppliers (SPP, innogy, ZSE energia, ČEZ Slovensko and Slovakia Energy) holding over 86 per cent. of the market share and contributing 86 per cent. of SPPD's annual total revenue in 2018.

It is to note that the gas transmission assets have already been reported in the local statutory accounts of eustream using the IAS 16 Revaluation model. The other fixed assets of the EPH Group (incl. eustream's fixed assets other than transmission pipeline assets) will be still reported using IAS 16 Cost model, but the Group cannot exclude that it will in the future change the accounting policy for other critical fixed assets as well.

As of 1 January 2019, eustream's transmission pipeline system had a carrying value of EUR 1,686 million under the Cost model and EUR 3,477 million under the Revaluation model. Revaluation of assets was recorded without effect on prior periods. The difference of EUR 1,791 million with a corresponding deferred tax impact of EUR 454 million was recognized as a current period revaluation under IAS 16 and reported in other comprehensive income for the period. In subsequent revaluation, the changes will be recognised as follows:

- an increase in revalued amount is recognised in other comprehensive income. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.
- a decrease in revalued amount primarily decreases amount accumulated as revaluation surplus in equity; eventual remaining part of decrease in revalued amount is recognised in profit or loss;
- accumulated depreciation is eliminated against gross carrying amount of the asset.

Deferred tax asset or liability is recognised from the difference between revalued amount and tax base of an asset. Deferred tax is recognized in equity or in profit or loss, in the same manner as the revaluation itself.

Revalued asset is depreciated on a straight-line basis, revaluation surplus is released to retained earnings as the asset is depreciated. If the revalued asset is derecognised or sold, the revaluation surplus as a whole is transferred to retained earnings. These transfers are made directly in equity and do not affect other comprehensive income.

## (d) Standards issued 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 and thus have not been adopted by the Group:

**Amendments to References to the Conceptual Framework in IFRS Standards (Effective for annual periods beginning on or after 1 January 2020 (not adopted by EU yet))**

Amendments to References to the Conceptual Framework in IFRS Standards sets out amendments to IFRS Standards, their accompanying documents and IFRS practice statements to reflect the issue of the revised Conceptual Framework for Financial Reporting in 2018.

Some Standards, their accompanying documents and IFRS practice statements contain references to, or quotations from, the IASC's Framework for the Preparation and Presentation of Financial Statements adopted by the Board in 2001 (Framework) or the Conceptual Framework for Financial Reporting issued in 2010. Amendments updates some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

**Amendment to IFRS 3 – Definition of a Business (Effective for annual periods beginning on or after 1 January 2020 (not adopted by EU yet))**

The amendment is aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amended definition of business emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. Moreover, the amendment adds a supplementary guidance and an optional concentration test.

The Group is currently reviewing the effect on the amendment on its accounting policies.

**Amendments to IAS 1 and IAS 8 – Definition of Material (Effective for annual periods beginning on or after 1 January 2020 (not adopted by EU yet))**

The amendment clarifies the definition of "material" and ensures that the definition is consistent across all IFRS Standards. The amended definition states, that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decision that the primary users make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments will probably have no material impact on the Group's financial statements.

**IFRS 17 Insurance Contracts (effective for annual reporting periods beginning on or after 1 January 2021 (not adopted by EU yet))**

Insurance contracts combine features of both a financial instrument and a service contract. In addition, many insurance contracts generate cash flows with substantial variability over a long period. To provide useful information about these features, IFRS 17 combines current measurement of the future cash flows with the recognition of profit over the period that services are provided under the contract; presents insurance service results separately from insurance finance income or expenses; and requires an entity to make an accounting policy choice of whether to recognise all insurance finance income or expenses in profit or loss or to recognise some of that income or expenses in other comprehensive income.

Because of the nature of the Group's main business it is expected that the Standard will have no impact on the Group's financial statements.

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.

## (e) Recently issued accounting standards

Following paragraphs provide summary of the additional key requirements of IFRSs that are effective for annual period beginning on or after 1 January 2019 and that have thus been applied by the Group for the first time.

**IFRS 16 Leases (Effective for annual periods beginning on or after 1 January 2019)**

IFRS 16 superseded IAS 17 Leases and related interpretations. For more information see Note 2(c).

The first-time application of the standard led to an increase in both property, plant and equipment (accounting for the rights of use) and financial liabilities (recognition of the corresponding lease liabilities) in the balance sheet. The impact of the transition is described in Note 2(c).

**IFRIC 23 Uncertainty over Income Tax Treatments (Effective for annual periods beginning on or after 1 January 2019)**

The Interpretation provides a framework to consider, recognise and measure the accounting impact of taxable profit (tax loss), tax bases, unused tax losses, unused tax credit and tax rates, when there is uncertainty over income tax treatments under IAS 12. The Interpretation also explains when to reconsider the accounting for tax uncertainties.

The adoption of IFRIC 23 had no material impact on the Group financial statements.

**Amendments to IAS 28 – Long term Interests in Associates and Joint Ventures (Effective for annual periods beginning on or after 1 January 2019)**

The amendment clarifies that companies account for long-term interests in an associate or joint venture to which equity method is not applied using IFRS 9.

The amendment had no material impact on the Group’s financial statements.

**Amendment to IAS 19 – Plan Amendments, Curtailment or Settlement (Effective for annual periods beginning on or after 1 January 2019)**

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period and that the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

The amendment had no material impact on the Group’s financial statements.

**Amendment to IFRS 9 - Prepayment Features with Negative Compensation (Effective for annual periods beginning on or after 1 January 2019)**

The narrow-scope amendment to IFRS 9 enables companies to measure at amortised cost some pre-payable financial assets with negative compensation. The assets affected, that include some loans and debt securities, would otherwise have been measured at fair value through profit or loss (FVTPL).

Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than unpaid amounts of principal and interest. However, to qualify for amortised cost measurement, the negative compensation must be “reasonable compensation for early termination of the contract”.

The amendment had no material impact on the Group’s financial statements.

**Amendments from the 2015 - 2017 cycle of annual improvements (Effective for annual periods beginning on or after 1 January 2019)**

The amendments affect the following standards: IFRS 3 and IFRS 11 (clarified that when obtaining control of a business that is joint operation, previously held interest in that business is remeasured; when obtaining joint control of a business that is joint operation, previously held interest is not remeasured), IAS 12 (clarified how tax consequences of dividends are treated) and IAS 23 (clarified that is specific borrowing remains outstanding after the related asset is ready for use or sale, that borrowing becomes part of the funds that are generally borrowed when calculating the capitalisation rate on general borrowings).

The amendments had no material impact on the Group’s financial statements.

### (f) Basis of preparation

The condensed consolidated interim financial statements have been prepared on the basis of the historical cost convention, except for the following assets and liabilities which are stated at their fair value: transmission gas pipelines at revalued amounts, derivative financial instruments, financial assets and liabilities at fair value through profit or loss and financial instruments at fair value through other comprehensive income.

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

The following exchange rates were used during translations of the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, that 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.

These condensed consolidated interim 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.

| | **CZK/EUR** | | **CZK/GBP** | |
|---|---|---|---|---|
| **Date** | **Closing exchange rate** | **Average exchange rate for the 6-month (12-month) period** | **Closing exchange rate** | **Average exchange rate for the 6-month (12-month) period** |
| 30 June 2019 | 25.445 | 25.684 | 28.388 | 29.403 |
| 31 December 2018 | 25.725 | 25.643 | 28.762 | 28.990 |
| 30 June 2018 | 26.020 | 25.500 | 29.367 | 28.986 |

## 3. Seasonality of operations

The seasonal character of sales revenues in the heat generation industry is affected by the climate of the temperate climatic zone. The heating season generally runs from the beginning of September to the end of May the next year. The length of the heating season differs year to year depending on the average day temperature and weather conditions, and as such, period to period comparability of heat revenues and associated expenses is limited.

For the 12 months ended 30 June 2019, the Group reported revenue of EUR 7,678 million (for year ended 31 December 2018: EUR 6,998 million) and Profit from operations of EUR 1,324 million (for year ended 31 December 2018: EUR 1,190 million).

## 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.

Selected items of property, plant and equipment – pipeline for natural gas transmission by eustream, a.s. – are recognized in revalued amount in accordance with IAS 16. The revalued amount represents the fair value as at the date of revaluation, net of any subsequent accumulated depreciation and subsequent accumulated impairment. The revaluation was prepared as at 1 January 2016 by an independent expert and will be carried out regularly (at least every five years), so that the carrying amount does not differ materially from the amount recognised on the balance sheet date using fair values.

Revaluation was conducted by an independent expert who used mainly the cost approach supported by the market approach for some types of asset. In general, the replacement cost method was used and the indexed historical cost method for assets where reproductive rates were not available. By determining the fair value of individual assets with the cost approach, physical deterioration, plus technological and economic obsolescence of assets was acknowledged.

The assumptions used in the revaluation model are based on the reports of the independent appraisers. The resulting reported amounts of these assets and the related revaluation surplus of assets do not necessarily represent the value in which these assets could or will be sold. There are uncertainties about future economic conditions, changes in technology and the competitive environment within the industry, which could potentially result in future adjustments to estimated revaluations and useful lives of assets that can significantly modify the reported financial position and profit. For further information, refer to Note 16 – Property, plant and equipment.

### (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, debt and equity instruments at FVOCI and financial assets at amortized cost 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, 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 financial assets at amortized cost 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, gas and emission rights 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

EPH is a leading Central European energy group that owns and operates assets in the Czech Republic, the Slovak Republic, Germany, Italy, the UK, Poland and Hungary. EPH is a vertically integrated energy company covering the complete value chain in the energy sector, including more than 70 companies operating in electricity and heat production from conventional and renewable sources, electricity and heat distribution, electricity and gas trade and their supply to final customers and coal extraction and, last but not least, EPH is an important regional player in various segments of the gas industry, including gas transmission, gas distribution and gas storage.

Following an internal reorganisation initiated at the end of 2015, EPH Group is centered around two main sub-holdings – EP Infrastructure (or "EPIF Group") and EP Power Europe (or "EPPE Group") – that are ringfenced and steered separately. Each group operates in reportable segments under IFRS 8 Operating Segments, which have been identified primarily on the basis of internal reports used by the Group's "Chief operating decision maker" (Board of Directors) to allocate resources to the segments and assess their performance. Major indicators used by the Board of Directors to measure these segments' performance is operating profit before depreciation, amortization and negative goodwill (or "EBITDA") and capital expenditures.

## EP Infrastructure Group

The EPIF Group is a leading European energy infrastructure utility focused on gas transmission, gas and power distribution, heat and power generation and gas storage. With principal operations in the Slovak Republic and the Czech Republic, EP Infrastructure is a unique entity with a large and diverse infrastructure asset base.

The EPIF Group operates critical energy infrastructure through various subsidiaries in five reportable segments under IFRS 8: Gas transmission, Gas and power distribution, Gas storage, Heat Infra and Other.

### *Gas Transmission*

The EPIF Group transports the natural gas (with the conditions ship or pay) through the Slovak Republic primarily based on a long-term contract concluded with a gas supplier located in Russia. The contract entitles this gas supplier to use the gas pipelines in accordance with a transport capacity needed for the transportation of natural gas to the customers in central and Western Europe. The EPIF Group assessed the contractual conditions in the ship-or-pay arrangement and concluded that the arrangement does not include a derivative as the contract do not give flexibility to the EPIF Group that has always to provide its capacity to the customer. Revenue is recognised based on the contract (fixed element) and based on actual transmitted volume which drives the amount of gas-in-kind received from the shippers (see below).

eustream, a.s. provides access to the transmission network and transport services under this long-term contract. The most significant user (shipper) of this network is the gas supplier located in Russia, other clients are typically significant European gas companies transporting natural gas from Russia and Asia sites to Europe.

The largest part of the transmission capacity is used based on the long-term contracts. Furthermore eustream, a.s. also concludes short term transportation contracts within the entry-exit system.

Transportation charges shall be reimbursed by the appropriate shipper directly to eustream, a.s. Since 2005 charges are fully regulated by Energy Regulatory Authority ("RONI"). The regulatory framework provides a stable and sustainable environment for the transmission business. The price regulation is based on benchmarking mechanism (price cap without a revenue ceiling), tariff is set on a basis of other EU operators, which create a range in which RONI sets a tariff. Once a contract is concluded it is fixed for a lifetime of the contract.

According to the regulated trade and price conditions the shipper provides part of charges in kind of natural gas used for operating purposes to cover the consumption of gas in the transmission network operation. In accordance with the regulated trade and price conditions the shipper is entitled to pay this part of charges also in cash.

Because of the contractual nature of the shipping arrangement with the Russian gas supplier, management carefully assessed the contractual conditions with the view of whether the contract includes any significant lease arrangement as per IFRS 16, which could lead to a derecognition of the transmission pipelines. As there is no indication that the Russian gas supplier is in control of the asset and there are several other shippers using the asset, management concluded that no material indications of such leasing relationship were noted and that the transmission pipeline should be recognised in eustream's fixed assets.

***Gas and Power Distribution***

The Gas and power distribution segment consists of Power distribution division, Gas distribution division and Supply division. The Power distribution division distributes electricity in the central Slovakia region while Gas distribution division is responsible for distribution of natural gas covering almost the complete gas distribution network in Slovakia. The Supply division primarily supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. This segment is mainly represented by Stredoslovenská energetika, a.s., SPP – distribúcia, a.s., Stredoslovenská distribučná, a.s. (further "SSD") and EP ENERGY TRADING, a.s.

The subsidiary companies SPP - distribúcia and SSD, which provide distribution of natural gas and power, are required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of RONI. Both entities operate under similar regulatory frameworks whereby allowed revenues are based on the Regulated Asset Base ("RAB") multiplied by the allowed regulatory WACC plus eligible operating expenditures and allowed depreciation in line with regulatory frameworks in other European countries. All key tariff parameters are set for a given regulatory period of five years (current regulatory period is 2017 – 2021).

Sales of natural gas to medium and large customers are subject to contracts for the delivery of gas concluded usually for one or more years. The prices agreed in the contracts usually include a capacity and commodity components.

With respect to SSE, RONI regulates certain aspects of the SSE's relationships with its customers including the pricing of electricity and services provided to certain customers of SSE. Price of electricity (the commodity) is regulated for households and small business with the annual consumption up to 30 MWh where RONI sets a capped gross profit per MWh. The price of electricity for the wholesale customers is not regulated.

***Gas Storage***

The Gas storage segment is represented by NAFTA a.s., SPP Storage, s.r.o., POZAGAS a.s. and NAFTA Germany GmbH and its subsidiaries which store natural gas under long-term contracts in underground storage facilities located in the Czech Republic, Slovakia and Germany.

The EPIF Group stores natural gas in two locations in the Czech Republic and Slovakia and three locations in Germany. The storage capacities are utilised for injection, withdrawal and storage of natural gas according to seasonal needs to ensure the standards of security of supply based on the valid legislation and to utilise short-term market volatility of gas prices. Charges for storage are agreed upon the period of contracts. Fee for storage depends primarily on the booked capacity per year and annual price indexes, furthermore products with higher deliverability and flexibility are priced with premium.

***Heat Infra***

The Heat Infra segment owns and operates four large-scale combined heat and power plants (CHPs) in the Czech Republic mainly operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská teplárenská, 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, and three CHPs in Hungary, represented by Budapesti Erömü Zrt., which is supplying the City of Budapest. The heat generated in its co-generation power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the Group owns in most of the cases. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin while the Hungarian operations are regulated using the standard RAB multiplied by WACC plus eligible operating expenditures and allowed depreciation formula. EP Sourcing, a.s. (former EP Coal Trading, a.s.) and EP Cargo a.s., as main suppliers of the above-mentioned entities, are also included in this segment.

***EPIF Other***

The Other 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 EPIF Group also runs two solar power plants in Slovakia, and a biogas facility in Slovakia.

**EP Power Europe Group**

The EPPE Group is unique energy utility which specializes on power generation, lignite mining, renewables and trading. It operates mainly in Italy, Germany, the UK, the Czech Republic and Slovakia.

The EPPE Group operates in three reportable segments under IFRS 8:  Generation and Mining, Renewable energy and Other.

***Generation and Mining***

The Generation part of the segment is mainly represented by investments in assets that generate electricity in condensation mode and are also located in markets where there is an active capacity market, or it is expected that such market shall be soon implemented. This segment includes EP Produzione S.P.A., which, together with its subsidiaries, operates  five gas-fired power plants on the Italian mainland and in Sicily and a coal-fired power plant in Sardinia; EP Langage Limited and EP SHB Limited, both modern CCGT power plants in the UK; Kraftwerk Mehrum GmbH, a coal-fired power plant located in Lower Saxony; Ergosud S.P.A., a joint operation of a CCGT power plant in Calabria; and recent acquisitions of EP Ballylumford Limited and EP Kilroot Limited, gas and coal power plants in Northern Ireland.

The Mining part of the segment is represented by Mitteldeutsche Braunkohlengesellschaft GmbH, which produces lignite and supplies it 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. Further, this segment includes a former Vattenfall fleet of four critical and dependable baseload power plants and associated lignite mines: Lausitz Energie Kraftwerke AG (two units are already in in security stand-by mode), Kraftwerk Schwarze Pumpe GmbH, Lausitz Energie Bergbau AG, GMB GmbH and Transport- und Speditiongesellschaft Schwarze Pumpe mbH,  which are consolidated by equity method; and Helmstedter Revier GmbH, the lignite power plant which has been in security stand-by mode since 2016.

Other entities included in the segment are EP Commodities, a.s., which specializes in trading (wholesale) of gas, electricity and emission allowances.

***Renewable Energy***

The Renewable energy segment is mainly represented by biomass power plants Biomasse Crotone S.P.A. and Biomasse Italia S.P.A., located in Calabria, and recently acquired Fusine Energia S.r.l. located in Lombardy. All of them operate in the energy valorisation of primarily Italian wooden biomass. Italy represents an excellence in this industry at European level. This, through the sustainable and efficient maintenance activities of the wood forests, also generates important environmental benefits, like the prevention of fires and the reduction of hydrogeological risks. Further, the segment includes Lynemouth Power Limited, one of Europe’s largest coal-to-pure-biomass conversion projects, which operation was commenced in 2018 and enjoys contract for difference for plant’s full output until 2027, and MIBRAG Neue Energie GmbH that operates a wind farm in Germany.

***EPPE Other***

The EPPE Other segment was mainly represented by Energy Scanner Limited which was liquidated in March 2019.

The rest of EPH Group

***EPH Other***

The segment EPH Other consists of companies which are not managed within the EPIF or EPPE Group.

Main entities within this segment are: EP Cargo Deutschland GmbH, EP CARGO POLSKA, S.A., EP Coal Trading a.s., EP Coal Trading Polska s.a., Lokotrain s.r.o., EOP HOKA group and SPEDICA Group which arrange complex logistical solutions for the segment's customers; Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. and MINING SERVICES AND ENGINEERING Sp. z o.o., which main activity is excavation of hard coal in southern Poland; and Slovenské elektrárne, a.s. and its subsidiaries, the largest electricity producer in Slovakia, which operates two nuclear power plants, hydroelectric, and thermal power plants.

***Holding entities***

The Holding entities segment mainly represents Energetický a průmyslový holding, a.s., EP Infrastructure, a.s., EP Energy, a.s., Slovak Gas Holding B.V., EPH Gas Holding B.V., Seattle Holding B.V., SPP Infrastructure, a.s., Czech Gas Holding Investment B.V., EP Power Europe, a.s., EPPE Italy N.V., EPPE Germany a.s., LEAG Holding, a.s., and Slovak Power Holding B.V.

The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting or disposals of subsidiaries and associates.

## Profit or loss

### For the six-month period ended 30 June 2019

| | EPIF Group | | | | | EPPE Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of EUR* | **Gas Trans-mission** | **Gas and Power Distribution** | **Gas Storage** | **Heat Infra** | **EPIF Other** | **Generation and Mining** | **Renewable Energy** | **EPPE Other** | **EPH Other** | **Total segments** | **Holding Entities** | **Inter-segment eliminations** | **Consolidated Financial Information** |
| Sales: Energy | 411 | 985 | 119 | 362 | 3 | 1,838 | 231 | - | 4 | 3,953 | - | (190) | 3,763 |
| *external revenues* | *384* | *932* | *103* | *304* | *3* | *1,803* | *231* | *-* | *3* | *3,763* | *-* | *-* | *3,763* |
| *of which: Electricity* | *-* | *647* | *-* | *66* | *3* | *1,193* | *231* | *-* | *-* | *2,140* | *-* | *-* | *2,140* |
| *Gas* | *384* | *285* | *103* | *-* | *-* | *495* | *-* | *-* | *-* | *1,267* | *-* | *-* | *1,267* |
| *Heat* | *-* | *-* | *-* | *227* | *-* | *1* | *-* | *-* | *1* | *229* | *-* | *-* | *229* |
| *Coal* | *-* | *-* | *-* | *11* | *-* | *114* | *-* | *-* | *2* | *127* | *-* | *-* | *127* |
| *Other energy products* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* |
| *inter-segment revenues* | *27* | *53* | *16* | *58* | *-* | *35* | *-* | *-* | *1* | *190* | *-* | *(190)* | *-* |
| Sales: Other | - | 3 | - | 9 | 2 | 57 | 9 | - | 196 | 276 | - | (75) | 201 |
| *external revenues* | *-* | *3* | *-* | *9* | *2* | *57* | *9* | *-* | *121* | *201* | *-* | *-* | *201* |
| *inter-segment revenues* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *75* | *75* | *-* | *(75)* | *-* |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | - | 2 | - | - | - | (15) | - | - | - | (13) | - | - | (13) |
| **Total sales** | **411** | **990** | **119** | **371** | **5** | **1,880** | **240** | **-** | **200** | **4,216** | **-** | **(265)** | **3,951** |
| Cost of sales: Energy | (27) | (637) | (10) | (191) | - | (1,423) | (144) | - | (3) | (2,435) | - | 190 | (2,245) |
| *external cost of sales* | *(26)* | *(504)* | *(9)* | *(180)* | *-* | *(1,379)* | *(144)* | *-* | *(3)* | *(2,245)* | *-* | *-* | *(2,245)* |
| *inter-segment cost of sales* | *(1)* | *(133)* | *(1)* | *(11)* | *-* | *(44)* | *-* | *-* | *-* | *(190)* | *-* | *190* | *-* |
| Cost of sales: Other | - | (1) | 1 | (11) | (1) | (17) | (19) | - | (180) | (228) | - | 73 | (155) |
| *external cost of sales* | *-* | *(1)* | *1* | *(11)* | *(1)* | *(17)* | *(19)* | *-* | *(107)* | *(155)* | *-* | *-* | *(155)* |
| *inter-segment cost of sales* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *-* | *(73)* | *(73)* | *-* | *73* | *-* |
| Personnel expenses | (15) | (46) | (15) | (33) | (1) | (113) | (8) | - | (11) | (242) | (7) | - | (249) |
| Depreciation and amortisation | (62) | (78) | (14) | (42) | (1) | (93) | (35) | - | (4) | (329) | - | - | (329) |
| Repairs and maintenance | - | (1) | - | (8) | - | (13) | (2) | - | (1) | (25) | - | - | (25) |
| Emission rights, net | - | - | - | (21) | - | (131) | - | - | - | (152) | - | - | (152) |
| Negative goodwill | - | - | - | - | - | - | - | - | - | - | 2 | - | 2 |
| Taxes and charges | - | (1) | (2) | (2) | - | (39) | (1) | - | - | (45) | - | - | (45) |
| Other operating income | 2 | 7 | 1 | 20 | - | 49 | - | - | 11 | 90 | 1 | (7) | 84 |
| Other operating expenses | (10) | (23) | (8) | (11) | (1) | (63) | (17) | - | (7) | (140) | (24) | 8 | (156) |
| Own work, capitalized | 2 | 9 | - | 2 | - | 2 | - | - | - | 15 | - | - | 15 |
| **Operating profit** | **301** | **219** | **72** | **74** | **1** | **39** | **14** | **-** | **5** | **725** | **(28)** | **(1)** | **696** |

| | **EPIF Group** | | | | | **EPPE Group** | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| *In millions of EUR* | **Gas Trans-mission** | **Gas and Power distribution** | **Gas Storage** | **Heat Infra** | **EPIF Other** | **Generation and Mining** | **Renewable Energy** | **EPPE Other** | **EPH Other** | **Total segments** | **Holding Entities** | **Inter-segment eliminations** | **Consolidated Financial Information** |
| Finance income | 1 | - | 2 | 6 | - | 16 | 3 | - | 7 | 35 | *324 | *(322) | 37 |
| *external finance revenues* | *1* | - | *1* | *3* | - | *6* | *1* | - | *1* | *13* | *24* | - | *37* |
| *inter-segment finance revenues* | - | - | *1* | *3* | - | *10* | *2* | - | *6* | *22* | **300* | **(322)* | - |
| Finance expense | (22) | (9) | (4) | (8) | (1) | (18) | (11) | - | (6) | (79) | (83) | 58 | (104) |
| Profit (loss) from financial instruments | 3 | (1) | (1) | 1 | - | (2) | (2) | - | 6 | 4 | 5 | - | 9 |
| Share of profit (loss) of equity accounted investees, net of tax | - | - | - | - | - | 61 | - | - | 23 | 84 | - | (11) | 73 |
| Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Profit (loss) before income tax** | **283** | **209** | **69** | **73** | **-** | **96** | **4** | **-** | **35** | **769** | **218** | **(276)** | **711** |
| Income tax expenses | (77) | (53) | (17) | (14) | - | (9) | 1 | - | (1) | (170) | (3) | - | (173) |
| **Profit (loss) for the period** | **206** | **156** | **52** | **59** | **-** | **87** | **5** | **-** | **34** | **599** | **215** | **(276)** | **538** |

* *EUR 265 million is attributable to intra-group dividends primarily recognised by Czech Gas Holding Investment B.V., SPP Infrastructure, a.s. and EP Energy, a.s.*

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Other financial information:** | | | | | | | | | | | | | |
| EBITDA(1) | 363 | 297 | 86 | 116 | 2 | 132 | 49 | - | 9 | 1,054 | (30) | (1) | 1,023 |

1) *EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets (negative goodwill not included, if applicable). For EBITDA reconciliation to the closest IFRS measure explanation see below.*

## For the six-month period ended 30 June 2018

| *In millions of EUR* | EPIF Group | | | | | EPPE Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Gas Trans-mission** | **Gas and Power Distribution** | **Gas Storage** | **Heat Infra** | **EPIF Other** | **Generation and Mining** | **Renewable Energy** | **EPPE Other** | **EPH Other** | **Total segments** | **Holding Entities** | **Inter-segment eliminations** | **Consolidated Financial Information** |
| Sales: Energy | 379 | 876 | 102 | 304 | 3 | 1,466 | 101 | - | 88 | 3,319 | - | (252) | 3,067 |
| *external revenues* | *350* | *830* | *85* | *258* | *3* | *1,430* | *86* | - | *25* | *3,067* | - | - | *3,067* |
| *of which: Electricity* | - | *563* | - | *57* | *3* | *948* | *86* | - | - | *1,657* | - | - | *1,657* |
| *Gas* | *350* | *267* | *85* | - | - | *347* | - | - | - | *1,049* | - | - | *1,049* |
| *Heat* | - | - | - | *193* | - | *1* | - | - | *1* | *195* | - | - | *195* |
| *Coal* | - | - | - | *8* | - | *133* | - | - | *23* | *164* | - | - | *164* |
| *Other energy products* | - | - | - | - | - | *1* | - | - | *1* | *2* | - | - | *2* |
| *inter-segment revenues* | *29* | *46* | *17* | *46* | - | *36* | *15* | - | *63* | *252* | - | *(252)* | - |
| Sales: Other | - | 3 | - | 6 | 1 | 58 | 61 | - | 97 | 226 | - | (1) | 225 |
| *external revenues* | - | *3* | - | *6* | *1* | *59* | *61* | - | *95* | *225* | - | - | *225* |
| *inter-segment revenues* | - | - | - | - | - | *(1)* | - | - | *2* | *1* | - | *(1)* | - |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | - | (5) | - | - | - | (16) | - | - | - | (21) | - | - | (21) |
| **Total sales** | **379** | **874** | **102** | **310** | **4** | **1,508** | **162** | **-** | **185** | **3,524** | **-** | **(253)** | **3,271** |
| Cost of sales: Energy | (21) | (573) | (5) | (160) | - | (1,047) | (118) | - | (3) | (1,927) | - | 187 | (1,740) |
| *external cost of sales* | *(20)* | *(448)* | *(5)* | *(151)* | - | *(996)* | *(118)* | - | *(2)* | *(1,740)* | - | - | *(1,740)* |
| *inter-segment cost of sales* | *(1)* | *(125)* | - | *(9)* | - | *(51)* | - | - | *(1)* | *(187)* | - | *187* | - |
| Cost of sales: Other | - | (1) | - | (10) | (1) | (24) | (43) | - | (170) | (249) | - | 64 | (185) |
| *external cost of sales* | - | *(1)* | - | *(10)* | *(1)* | *(24)* | *(43)* | - | *(106)* | *(185)* | - | - | *(185)* |
| *inter-segment cost of sales* | - | - | - | - | - | - | - | - | *(64)* | *(64)* | - | *64* | - |
| Personnel expenses | (15) | (42) | (10) | (29) | (1) | (125) | (7) | - | (10) | (239) | (7) | - | (246) |
| Depreciation and amortisation | (42) | (76) | (10) | (35) | (1) | (91) | (4) | - | (1) | (260) | - | - | (260) |
| Repairs and maintenance | - | (1) | - | (5) | - | (24) | (3) | - | (1) | (34) | - | - | (34) |
| Emission rights, net | - | - | - | (9) | - | (45) | 7 | - | - | (47) | - | - | (47) |
| Negative goodwill | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Taxes and charges | (1) | (2) | (1) | (1) | - | (47) | - | - | - | (52) | - | - | (52) |
| Other operating income | - | 7 | - | 8 | - | 40 | 4 | - | 8 | 67 | - | (6) | 61 |
| Other operating expenses | (9) | (26) | (5) | (22) | - | (74) | (15) | - | (7) | (158) | (19) | 6 | (171) |
| Own work, capitalized | 1 | 9 | - | 2 | - | 2 | - | - | - | 14 | - | - | 14 |
| **Operating profit** | **292** | **169** | **71** | **49** | **1** | **73** | **(17)** | **-** | **1** | **639** | **(26)** | **(2)** | **611** |

| *In millions of EUR* | EPIF Group | | | | | EPPE Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Gas Trans-mission** | **Gas and Power distribution** | **Gas Storage** | **Heat Infra** | **EPIF Other** | **Generation and Mining** | **Renewable Energy** | **EPPE Other** | **EPH Other** | **Total segments** | **Holding Entities** | **Inter-segment eliminations** | **Consolidated Financial Information** |
| Finance income | 1 | 2 | 3 | - | - | 9 | 1 | - | 9 | 25 | *778 | *(784) | 19 |
| *external finance revenues* | *1* | *2* | *1* | - | - | *6* | *1* | - | *4* | *15* | *4* | - | *19* |
| *inter-segment finance revenues* | - | - | *2* | - | - | *3* | - | - | *5* | *10* | **774* | **(784)* | - |
| Finance expense | (22) | (8) | (3) | (8) | (1) | (10) | (4) | - | (9) | (65) | (110) | 49 | (126) |
| Profit (loss) from financial instruments | - | (1) | - | (1) | - | (3) | 8 | - | - | 3 | 22 | 1 | 26 |
| Share of profit (loss) of equity accounted investees, net of tax | - | - | - | - | - | 34 | - | - | 17 | 51 | - | (11) | 40 |
| Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Profit (loss) before income tax** | **271** | **162** | **71** | **40** | **-** | **103** | **(12)** | **-** | **18** | **653** | **664** | **(747)** | **570** |
| Income tax expenses | (66) | (40) | (17) | (10) | - | (10) | (4) | - | (2) | (149) | 3 | - | (146) |
| **Profit (loss) for the period** | **205** | **122** | **54** | **30** | **-** | **93** | **(16)** | **-** | **16** | **504** | **667** | **(747)** | **424** |

* *EUR 736 million is attributable to intra-group dividends primarily recognised by Czech Gas Holding Investment B.V., SPP Infrastructure, a.s. and EP Energy, a.s.*

**Other financial information:**

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EBITDA | 334 | 245 | 81 | 84 | 2 | 164 | (13) | - | 2 | 899 | (26) | (2) | 871 |

1) *EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets (negative goodwill not included, if applicable). For EBITDA reconciliation to the closest IFRS measure explanation see below.*

## EBITDA reconciliation to the closest IFRS measure

It must be noted that EBITDA is not a measure that is defined under IFRS. This measure is construed as determined by the Board of Directors and is presented to disclose additional information to measure the economic performance of the Group's business activities. This term should not be used as a substitute to net income, revenues or operating cash flows or any other measure as derived in accordance with IFRS. This non-IFRS measure should not be used in isolation. This measure may not be comparable to similarly titled measures used by other companies.

**For the six-month period ended 30 June 2019**

| *In millions of EUR* | Gas Trans-mission | Gas and Power distribution | Gas Storage | Heat Infra | EPIF Other | Generation and Mining | Renewable Energy | EPPE Other | EPH Other | Total segments | Holding Entities | Inter-segment eliminations | Consolidated Financial Information |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profit from operations** | **301** | **219** | **72** | **74** | **1** | **39** | **14** | **-** | **5** | **725** | **(28)** | **(1)** | **696** |
| Depreciation and amortisation | 62 | 78 | 14 | 42 | 1 | 93 | 35 | - | 4 | 329 | - | - | 329 |
| Negative goodwill | - | - | - | - | - | - | - | - | - | - | (2) | - | (2) |
| **EBITDA** | **363** | **297** | **86** | **116** | **2** | **132** | **49** | **-** | **9** | **1,054** | **(30)** | **(1)** | **1,023** |

**For the six-month period ended 30 June 2018**

| *In millions of EUR* | Gas Trans-mission | Gas and Power distribution | Gas Storage | Heat Infra | EPIF Other | Generation and Mining | Renewable Energy | EPPE Other | EPH Other | Total segments | Holding Entities | Inter-segment eliminations | Consolidated Financial Information |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Profit from operations** | **292** | **169** | **71** | **49** | **1** | **73** | **(17)** | **-** | **1** | **639** | **(26)** | **(2)** | **611** |
| Depreciation and amortisation | 42 | 76 | 10 | 35 | 1 | 91 | 4 | - | 1 | 260 | - | - | 260 |
| Negative goodwill | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **EBITDA** | **334** | **245** | **81** | **84** | **2** | **164** | **(13)** | **-** | **2** | **899** | **(26)** | **(2)** | **871** |

## Non-current assets and liabilities

### For the six-month period ended 30 June 2019

| *In millions of EUR* | Gas Trans-mission | Gas and Power distribution | Gas Storage | Heat Infra | EPIF Other | Generation and Mining | Renewable Energy | EPPE Other | EPH Other | Total segments | Holding Entities | Inter-segment eliminations | Consolidated Financial Information |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Reportable segment assets | 4,573 | 4,143 | 979 | 1,329 | 35 | 4,479 | 878 | - | 685 | 17,101 | 3,463 | (4,681) | 15,883 |
| Reportable segment liabilities | (2,515) | (1,533) | (649) | (670) | (39) | (2,888) | (616) | - | (397) | (9,307) | (6,769) | 4,681 | (11,395) |
| Additions to tangible and intangible assets(1) | 28 | 29 | 2 | 17 | - | 270 | 17 | - | 24 | 387 | - | - | 387 |
| Additions to tangible and intangible assets (excl. emission rights, right-of-use assets and goodwill) | 25 | 28 | 1 | 12 | - | 53 | 15 | - | 4 | 138 | - | - | 138 |
| Equity accounted investees | - | 1 | - | - | - | 954 | - | - | 212 | 1,167 | - | - | 1,167 |

1) *This balance includes additions to emission rights, right-of-use assets and goodwill.*

### For the year ended 31 December 2018

| *In millions of EUR* | Gas Trans-mission | Gas and Power distribution | Gas Storage | Heat Infra | EPIF Other | Generation and Mining | Renewable Energy | EPPE Other | EPH Other | Total segments | Holding Entities | Inter-segment eliminations | Consolidated Financial Information |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Reportable segment assets | 2,418 | 3,963 | 979 | 1,300 | 37 | 4,234 | 932 | - | 649 | 14,512 | 2,766 | (3,949) | 13,329 |
| Reportable segment liabilities | (1,916) | (1,491) | (625) | (550) | (41) | (2,755) | (667) | - | (402) | (8,447) | (5,695) | 3,950 | (10,192) |
| Additions to tangible and intangible assets(1) | 53 | 81 | 6 | 89 | 1 | 204 | 69 | - | 8 | 511 | - | - | 511 |
| Additions to tangible and intangible assets (excl. emission rights and goodwill) | 51 | 81 | 6 | 52 | 1 | 114 | 66 | - | 8 | 379 | - | - | 379 |
| Equity accounted investees | - | 1 | - | - | - | 869 | - | - | 191 | 1,061 | - | - | 1,061 |

1) *This balance includes additions to emission rights and goodwill.*

## Information about geographical areas

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

**As at and for the period ended 30 June 2019**

| *In millions of EUR* | Czech Republic | Slovakia | Germany | Italy | United Kingdom | Hungary | Other | Total segments |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 948 | 7,409 | 713 | 422 | 906 | 41 | 10 | 10,449 |
| Intangible assets | 134 | 58 | 33 | 39 | 47 | 7 | - | 318 |
| Investment property | 3 | - | - | - | - | - | - | 3 |
| **Total** | **1,085** | **7,467** | **746** | **461** | **953** | **48** | **10** | **10,770** |

**For the six-month period ended 30 June 2019**

| *In millions of EUR* | Czech Republic | Slovakia | Germany | Italy | United Kingdom | Hungary | Other | Total segments |
|---|---|---|---|---|---|---|---|---|
| Sales: Electricity | 212 | 480 | 167 | 692 | 427 | 24 | 138 | 2,140 |
| Sales: Gas | 138 | 486 | 93 | 53 | 166 | 75 | 256 | 1,267 |
| Sales: Heat | 182 | - | 1 | - | - | 45 | 1 | 229 |
| Sales: Coal | 8 | - | 116 | - | - | - | 3 | 127 |
| Sales: Other energy products | - | - | - | - | - | - | - | - |
| Sales: Other | 62 | 10 | 77 | 1 | 10 | 1 | 40 | 201 |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | (11) | 8 | 4 | - | (9) | - | (5) | (13) |
| **Total** | **591** | **984** | **458** | **746** | **594** | **145** | **433** | **3,951** |

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

**For the year ended 31 December 2018**

| *In millions of EUR* | **Czech Republic** | **Slovakia** | **Germany** | **Italy** | **United Kingdom** | **Hungary** | **Other** | **Total segments** |
|---|---|---|---|---|---|---|---|---|
| Property, plant and equipment | 887 | 5,666 | 732 | 401 | 797 | 42 | 7 | 8,532 |
| Intangible assets | 154 | 67 | 43 | 40 | 50 | 8 | - | 362 |
| Investment property | 3 | - | - | - | - | - | - | 3 |
| **Total** | **1,044** | **5,733** | **775** | **441** | **847** | **50** | **7** | **8,897** |

**For the six-month period ended 30 June 2018**

| *In millions of EUR* | **Czech Republic** | **Slovakia** | **Germany** | **Italy** | **United Kingdom** | **Hungary** | **Other** | **Total segments** |
|---|---|---|---|---|---|---|---|---|
| Sales: Electricity | 162 | 410 | 134 | 503 | 402 | 15 | 31 | 1,657 |
| Sales: Gas | 93 | 435 | 73 | 21 | 93 | 7 | 327 | 1,049 |
| Sales: Heat | 160 | - | 1 | - | - | 33 | 1 | 195 |
| Sales: Coal | 16 | 11 | 133 | - | - | - | 4 | 164 |
| Sales: Other energy products | 1 | - | - | - | 1 | - | - | 2 |
| Sales: Other | 36 | 4 | 62 | 44 | 14 | 1 | 64 | 225 |
| Gain (loss) from commodity derivatives for trading with electricity and gas, net | (44) | - | - | - | 23 | - | - | (21) |
| **Total** | **424** | **860** | **403** | **568** | **533** | **56** | **427** | **3,271** |

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

# 6. Acquisitions and disposals of subsidiaries

## (a) Acquisitions

### *i. 30 June 2019*

| *In millions of EUR* | **Date of acquisition** | **Equity interest acquired %** | **Equity interest after acquisition %** |
|---|---|---|---|
| **New subsidiaries** | | | |
| Fusine Energia S.r.l. | 7/02/2019 | 100 | 100 |
| EP Kilroot Limited and EP Ballylumford Limited | 12/06/2019 | 100 | 100 |
| **Total** | | **-** | **-** |

On 8 March 2019 the Group via its subsidiary Pražská teplárenská, a.s. acquired 60.5% share in Devátá energetická, s.r.o. No goodwill or negative goodwill was recognized on the transaction.

On 10 January 2019 the Group via its subsidiary EP Logistics International, a.s. acquired 100% share in AVE SR Východ a.s. (subsequently renamed to EP Intermodal a.s.). No goodwill or negative goodwill was recognized on the transaction.

**Fusine Energia S.r.L.**

On 7 February 2019, the EPH Group through EP New Energy Italia S.r.l. ("EPNEI"), a subsidiary of NADURENE a.s. and EP Power Europe, a.s., acquired Fusine Energia S.r.L. ("Fusine") from Holcim Italia Group. The acquired company operates the biomass power plant in Fusine, province of Sondrio, with an installed capacity of 7 MW. The operation is part of the strategy of the Group to develop the renewable energy business. This is the third investment in biomass energy done by EPH. EPNEI completed in December 2017 the acquisition of the biomass power plants owned by Biomasse Italia and Biomasse Crotone (with a total capacity of 73 MW).

**EP Kilroot Limited and EP Ballylumford Limited**

On 12 June 2019, EP UK Investments Limited ("EPUKI"), a subsidiary of EP Power Europe, a.s., acquired generation assets at Ballylumford and Kilroot, with a combined installed capacity of 1.4 GW, in Northern Ireland, from AES Corporation ("AES"). The acquisition includes a combined cycle gas turbine ("CCGT"), a battery storage facility, open cycle turbines and a coal fired power station. EPUKI acquired AES' entire Northern Irish business including all assets, systems and key management and staff. This represents the first acquisition by EPH into Northern Ireland's energy market, which forms part of the all-island Irish market.

**Acquisition of non-controlling interest**

On 19 January 2019 the Group acquired remaining 41.65% interest in Centro Energia Ferrara S.p.A. and Centro Energia Teverola S.p.A. The ownership of the Group increased to 100% as a result of the transaction.

This transaction resulted in derecognition of non-controlling interest in total amount of EUR 6 million.

### *ii. 31 December 2018*

| *In millions of EUR* | Date of acquisition | Equity interest acquired % | Equity interest after acquisition % |
|---|---|---|---|
| **New subsidiaries** | | | |
| SAJDOK a.s. | 5/01/2018 | 100 | 100 |
| Plzeňská teplárenská, a.s. | 31/10/2018 | (1)35 | (2)35 |
| NAFTA Germany GmbH and its subsidiaries (NAFTA Germany) | 31/12/2018 | 100 | (3)100 |
| **Total** | | - | - |

(1) *Including management control.*
(2) *Effective ownership of EPH Group is 24.15%.*
(3) *Effective ownership of EPH Group is 47.61%.*

On 5 January 2018, the Group acquired 100% share in SAJDOK a.s. for EUR 2 million.

On 31 October 2018, the Group has completed merger of Plzeňská energetika, a.s. ("PE") and Plzeňská teplárenská, a.s. ("PLTEP"), the sole owner of which was the City of Pilsen, resulting in PLTEP as successor company in which the EPIF Group would have a 35% interest (a 24.15% effective interest of EPH Group) and management control through shareholders' agreement. Prior to the merger, the EP Infrastructure, a.s. made a cash contribution of EUR 23 million (CZK 604 million) to the entity PE, as a result the NAV of PE amounted to EUR 66 million as at the date of the merger. The Group subsequently contributed 100% of shares of PE and the City of Pilsen contributed 100% of shares in PLTEP to PLTEP as the successor company. The consideration transferred is therefore calculated as 65% of NAV of PE which amounted to EUR 43 million as at the date of merger.

On 31 December 2018, the Group through NAFTA Germany GmbH, a subsidiary of NAFTA a.s. has completed acquisition of 80.3% underground gas storage facilities Inzenham – West, Wolfersberg and Breitbrunn/Eggstätt in the German state of Bavaria from DEA Deutsche Erdoel AG and Storengy Deutschland GmbH. As part of the transaction NAFTA has also acquired ownership of 19.7% participation interest in Breitbrunn/Eggstätt from Storengy Deutschland GmbH and became 100% owner of Inzenham – West, Wolfersberg and Breitbrunn/Eggstätt underground storage facilities, with a storage capacity of 1.8 billion cubic meters.

**Acquisition of non-controlling interest**

In January 2018, the Company settled a deferred consideration of EUR 3 million relating to 2015 acquisition of Budapesti Erömü Zrt.

On 2 May 2018 the Group acquired remaining 20% shares in Claymore Equity, s.r.o.

On 31 May 2018 the Group acquired 75% non-controlling interest in DCR INVESTMENT a.s. through sale from WOOGEL LIMITED (25% owned subsidiary) to Energetický a průmyslový holding, a.s. The ownership of the Group increased to 100% as a result of the transaction.

On 10 October 2018 the Group acquired through its subsidiary EP Energy, a.s. remaining 2% shares in PT měření, a.s. and through its subsidiary Pražská teplárenská Holding a.s. remaining 2% shares in PT Real Estate, a.s. as part of squeeze out approved by the Shareholders' meetings of PT Měření, a.s. and PT Real Estate, a.s. in September 2018. Effectively the Group increased its shareholding interest in PT Měření, a.s. and PT Real Estate, a.s. from 67.62% to 69%.

On 12 October 2018 the Group acquired through its subsidiary EP Energy, a.s. remaining 2% shares in Pražská teplárenská, a.s. as part of squeeze out approved by the Shareholders' meeting of Pražská teplárenská, a.s. in September 2018. Effectively the Group increased its shareholding interest in Pražská teplárenská, a.s. from 67.62% to 69%.

On 29 November 2018 and 31 December 2018 the Group acquired through its subsidiary SPEDICA GROUP COMPANIES, s.r.o. ("SGC") it two steps remaining 38.80% shares in RM LINES, a.s. SGC increased by this transaction its shareholding interest in RM LINES, a.s. from 61.2% to 100% and effectively the Group increased its shareholding interest in RM LINES, a.s. from 41.2% to 67.33%.

On 27 December the Group acquired 31% interest in PT Real Estate, a.s. ("PTRE") and its subsidiaries through sale of PTRE from Pražská teplárenská Holding a.s. (subsidiary with 69% shareholding interest) to Energetický a průmyslový holding, a.s.

All these transactions resulted in derecognition of non-controlling interest in total amount of EUR 23 million.

## (b) Effect of acquisitions

### *i. 30 June 2019*

**Subsidiaries**

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited are provided in the following table.

| *In millions of EUR* | **Carrying amount(1)** | **Fair value adjustment** | **2019 Total(1)** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 97 | 71 | 168 |
| Intangible assets | 12 | (5) | 7 |
| Trade receivables and other assets | 46 | - | 46 |
| Financial instruments – assets | 4 | - | 4 |
| Inventories | 43 | (15) | 28 |
| Cash and cash equivalents | 24 | - | 24 |
| Restricted cash | 3 | - | 3 |
| Deferred tax asset | 3 | 15 | 18 |
| Provisions | (16) | (113) | (129) |
| Deferred tax liabilities | (9) | (3) | (12) |
| Loans and borrowings | (4) | - | (4) |
| Trade payables and other liabilities | (35) | - | (35) |
| **Net identifiable assets and liabilities** | **168** | **(50)** | **118** |
| Non-controlling interest | | | - |
| Goodwill on acquisitions of a subsidiary | | | 1 |
| Negative goodwill on acquisition of new subsidiaries | | | (2) |
| **Cost of acquisition** | | | **117** |
| Consideration paid, satisfied in cash (A) | | | 117 |
| Purchase price liability | | | - |
| Consideration, other | | | - |
| **Total consideration transferred** | | | **117** |
| Less: Cash acquired (B) | | | 24 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **(93)** |

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

As at the date of publication of the consolidated financial statements, the purchase price allocation process for Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited has not been completed. It is therefore possible that adjustments will be made in the allocation of the purchase price to the individual assets and liabilities and recognition of goodwill or negative goodwill.

### *ii. **31 December 2018***

### Subsidiaries

The fair value of the consideration transferred and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of SAJDOK a.s., Plzeňská teplárenská, a.s. and NAFTA Germany GmbH are provided in the following table.

| *In millions of EUR* | **Carrying amount(1)** | **Fair value adjustment** | **2018 Total(1)** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 304 | 13 | 317 |
| Intangible assets | 3 | 1 | 4 |
| Trade receivables and other assets | 14 | - | 14 |
| Financial instruments – assets | 2 | 2 | 4 |
| Inventories | 3 | - | 3 |
| Cash and cash equivalents | 75 | - | 75 |
| Deferred tax asset | 6 | 6 | 12 |
| Provisions | (87) | (22) | (109) |
| Deferred tax liabilities | (10) | (10) | (20) |
| Loans and borrowings | (33) | - | (33) |
| Trade payables and other liabilities | (26) | - | (26) |
| **Net identifiable assets and liabilities** | **251** | **(10)** | **241** |
| Non-controlling interest | | | (79) |
| Goodwill on acquisitions of a subsidiary | | | 1 |
| Negative goodwill on acquisition of new subsidiaries | | | (5) |
| **Cost of acquisition** | | | **158** |
| Consideration paid, satisfied in cash (A) | | | 120 |
| Purchase price liability | | | - |
| Consideration, other(2) | | | 38 |
| **Total consideration transferred** | | | **158** |
| Less: Cash acquired (B) | | | 75 |
| **Net cash inflow (outflow) (C) = (B – A)** | | | **(45)** |

*(2) Represents values at 100% share.*
*(3) Consideration other is presented mainly by the 65% of net book value of previously recognised share in Plzeňská energetika a.s.*

As at the date of publication of the consolidated financial statements, the purchase price allocation process for NAFTA Germany GmbH has not been completed. It is therefore possible that adjustments will be made in the allocation of the purchase price to the individual assets and liabilities and recognition of negative goodwill.

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

### *iii. **Rationale for acquisitions***

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

- The subsidiaries' businesses are complementary to EPH'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 Trading segment with the Generation segment, i.e. securing coal and gas supplies for own coal and gas fired 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, EPH 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 in the Central and Western Europe.

The Group's view is that there is long-term strategic value in these investments due to the development of the market and this resulted in historical goodwill in the total amount of EUR 151 million. For the development of historical goodwill, please refer to Note 17 – Intangible assets (including goodwill).

In 2019, the Group recognized goodwill of EUR 1 million from the acquisition of EP Kilroot Limited and EP Ballylumford Limited and negative goodwill of EUR 2 million from the acquisition of Fusine Energia S.r.l.

In 2018, the Group recognised goodwill of EUR 1 million from the acquisition of SAJDOK a.s. and negative goodwill of EUR 5 million from the acquisition of NAFTA Germany 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.

| *In millions of EUR* | **30 June 2019**<br>**Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date | 5 |
| Profit (loss) of the acquirees recognised since the acquisition date | 1 |

| *In millions of EUR* | **30 June 2018**<br>**Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date | 2 |
| Profit (loss) of the acquirees recognised since the acquisition date | - |

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 2018 or as at 1 January 2017); this financial information was derived from the statutory or IFRS financial statements of the acquired entities.

| *In millions of EUR* | **30 June 2019**<br>**Total** |
|---|---|
| Revenue of the acquirees recognised in the six-month period ended 30 June 2019* | 149 |
| Profit (loss) of the acquires recognised in the six-month period ended 30 June 2019* | 3 |

| *In millions of EUR* | **30 June 2018**<br>**Total** |
|---|---|
| Revenue of the acquirees recognised in the six-month period ended 30 June 2018* | 2 |
| Profit (loss) of the acquires recognised in the six-month period ended 30 June 2018* | - |

* *Before intercompany elimination; based on local statutory financial information.*

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

## (c) Business combinations – acquisition accounting 2019 and 2018

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 also involves 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 2019 are presented in the following table:

| *In millions of EUR* | **Property, plant and equipment** | **Intangible assets** | **Inventories** | **Provisions** | **Deferred tax asset/ (liability)** | **Total net effect on financial position** |
|---|---|---|---|---|---|---|
| **Subsidiary** | | | | | | |
| EP Kilroot Limited and EP Ballylumford Limited | 71 | (5) | (15) | (113) | [(1)]12 | **(50)** |
| **Total** | **71** | **(5)** | **(15)** | **(113)** | **12** | **(50)** |

*(1) Represents increase in deferred tax asset by EUR 15 million and increase in deferred tax liability by EUR 3 million.*

Fair value adjustments resulting from business combinations in 2018 are presented in the following table:

| *In millions of EUR* | **Property, plant and equipment** | **Intangible assets** | **Financial instruments - assets** | **Provisions** | **Deferred tax asset/ (liability)** | **Total net effect on financial position** |
|---|---|---|---|---|---|---|
| **Subsidiary** | | | | | | |
| Plzeňská teplárenská, a.s. | (63) | 1 | 2 | (16) | [(1)]16 | **(60)** |
| NAFTA Germany GmbH | 76 | - | - | (6) | (20) | **50** |
| **Total** | **13** | **1** | **2** | **(22)** | **(4)** | **(10)** |

*(1) Represents increase in deferred tax asset and decrease in deferred tax liability.*

The fair value adjustments resulting from the purchase price allocation of SAJDOK a.s. were not significant and therefore management of the Group decided not to recognise any fair value adjustment resulting from this business combination in 2018.

As at the date of publication of the consolidated financial statements, the purchase price allocation process for NAFTA Germany GmbH, Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited has not been completed. It is therefore possible that adjustments will be made in the allocation of the purchase price to the individual assets and liabilities and recognition of negative goodwill

## (d) Disposal of investments

### *i. 30 June 2019*

On 8 January 2019, in connection with the termination of the liquidation process of Nafta Exploration s.r.o. the company was dissolved from the Commercial Register and deconsolidated without any significant impact on the Group’s financial statements.

On 26 March 2019, in connection with the termination of the liquidation process of Energy Scanner Ltd. the company was dissolved from the Commercial Register and deconsolidated without any significant impact on the Group’s financial statements.

On 23 April 2019, EPH sold its 60% share in PGP Terminal, a.s. The entity was deconsolidated without any significant impact on the Group’s financial statements.

### *ii. 31 December 2018*

On 29 November 2018 the Group disposed SPEDICA AGRO, s.r.o. The effect is provided in the following table:

| *In millions of EUR* | **Net assets sold in 2018** |
|---|---|
| Property, plant and equipment | 1 |
| Trade receivables and other assets | 2 |
| Cash and cash equivalents | 1 |
| Trade payables and other liabilities | (2) |
| **Net identifiable assets and liabilities** | **2** |
| Non-controlling interest | (1) |
| **Net assets value disposed** | **1** |
| Sales price | 2 |
| **Gain (loss) on disposal** | **1** |

## 7. Sales

| *In millions of EUR* | | | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|---|---|
| **Sales:** Energy | | | | |
| | *of which:* | *Electricity* | 2,140 | 1,657 |
| | | *Gas* | 1,267 | 1,049 |
| | | *Heat* | 229 | 195 |
| | | *Coal* | 127 | 164 |
| | | *Other* | - | 2 |
| **Total Energy** | | | **3,763** | **3,067** |
| **Sales: Other** | | | **201** | **225** |
| **Total revenues from customers** | | | **3,964** | **3,292** |
| **Gain (loss) from commodity derivatives for trading with electricity and gas, net** | | | **(13)** | **(21)** |
| **Total** | | | **3,951** | **3,271** |

The amount of EUR 228 million (30 June 2018: EUR 214 million) from Sales: Energy (gas) relates to distribution of gas. The amount of EUR 181 million (30 June 2018: EUR 138 million) from Sales: Energy (electricity) relates to distribution of electricity.

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.

For disaggregation of revenue based on type of service and based on geographical area refer to Note 5 – Operating segments.

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Contract assets | 61 | 37 |
| *Current* | *61* | *37* |
| *Non-current* | | - |
| Contract liabilities | 201 | 168 |
| *Current* | *103* | *74* |
| *Non-current* | *98* | *94* |

Contract assets and liabilities primarily relate to not invoiced part of fulfilled performance obligation, received payments for services and goods where control over the assets was not transferred to customer and deferred income related to grid connection fees collected and free-of-charge non-current assets transferred from customers.

The amount of EUR 64 million recognised in current contract liabilities at the beginning of the period has been recognised as revenue in the period for the six months ended 30 June 2019. Remaining part of EUR 10 million will be recognised till the end of 2019.

## 8. Cost of sales

| *In millions of EUR* | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|
| **Cost of Sales: Energy** | | |
| *Cost of sold electricity* | 812 | 601 |
| *Consumption of fuel and other material* | 764 | 675 |
| *Cost of sold gas and other energy products* | 511 | 325 |
| *Consumption of energy* | 91 | 86 |
| *Other cost of sales* | 67 | 53 |
| **Total Energy** | **2,245** | **1,740** |
| | | |
| **Cost of Sales: Other** | | |
| *Other cost of goods sold* | 101 | 103 |
| *Other cost of sales* | 46 | 47 |
| *Consumption of material* | 9 | 30 |
| *Consumption of energy* | 5 | 5 |
| *Changes in WIP, semi-finished products and finished goods* | (6) | - |
| **Total Other** | **155** | 185 |
| **Total** | **2,400** | **1,925** |

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 overheads (particularly personnel expenses, depreciation and amortisation, repairs and maintenance, emission rights, taxes and charges etc.).

## 9. Personnel expenses

| *In millions of EUR* | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|
| Wages and salaries | 174 | 167 |
| Compulsory social security contributions | 50 | 51 |
| Expenses and revenues related to employee benefits (IAS 19) | 11 | 14 |
| Board members' remuneration (including boards of subsidiaries) | 4 | 3 |
| Other social expenses | 10 | 11 |
| **Total** | **249** | **246** |

The average number of employees in the six-month period ended 30 June 2019 was 10,610 (30 June 2018: 10,255), of which 250 were executives (30 June 2018: 224).

## 10. Emission rights

| *In millions of EUR* | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|
| Deferred income (grant) released to profit and loss | 10 | 7 |
| Profit (loss) from sale of emission rights | (14) | (19) |
| Creation of provision for emission rights | (170) | (79) |
| Gain (loss) from commodity derivatives for trading with emission rights, net | 23 | 44 |
| Use of provision for emission rights | 249 | 117 |
| Consumption of emission rights | (249) | (117) |
| **Total** | **(152)** | **(47)** |

The Ministries of the Environment of the Czech Republic, Slovakia, Germany, Hungary, Italy and United Kingdom 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 teplárenská, a.s., Pražská teplárenská a.s., Elektrárny Opatovice, a.s., SPP Storage, s.r.o., JTSD - Braunkohlebergbau GmbH, Helmstedter Revier GmbH, Kraftwerk Mehrum GmbH, Stredoslovenská energetika, a.s., NAFTA a.s., eustream, a.s., Budapesti Erömü Zrt., Lynemouth Power Limited, EP UK Investments LTD and its selected subsidiaries, Fiume Santo S.P.A., Centro Energia Ferrara S.R.L. and EP Produzione S.P.A.

## 11. Taxes and charges

| *In millions of EUR* | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|
| Carbon price support(1) | 28 | 37 |
| Property tax and real estate transfer tax | 8 | 5 |
| Electricity tax | 4 | 4 |
| Other taxes and charges expenses (revenues) | 5 | 6 |
| **Total** | **45** | **52** |

*(1) Carbon Price Support (CPS) is the rate of climate change levy that applies to fossil fuel used for electricity generation in the United Kingdom.*

## 12. Other operating income

| *In millions of EUR* | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|
| Consulting fees | 19 | 3 |
| Compensation from insurance companies | 8 | 8 |
| Decentralization and cogeneration fee | 8 | - |
| Tolling fee | 7 | 7 |
| Rental income | 6 | 7 |
| Property acquired free-of-charge and fees from customers | 3 | 6 |
| Inventories surplus | 3 | 2 |
| Ecological tax reimbursement | 3 | 3 |
| Profit from disposal of tangible and intangible assets | 2 | (1)6 |
| Contractual penalties | 2 | 1 |
| Transportation revenues | 2 | 2 |
| Profit from sale of material | 2 | 2 |
| Revenues from written off liabilities | - | - |
| Other | 19 | 14 |
| **Total** | **84** | **61** |

*(1) Profit from disposal of tangible and intangible assets includes profit from sale of Pod Juliskou, a.s. in amount of EUR 1 million representing land and not utilized non-production buildings.*

## 13. Other operating expenses

| *In millions of EUR* | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|
| Outsourcing and other administration fees | 49 | 31 |
| Office equipment and other material | 21 | 23 |
| Consulting expenses | 15 | 13 |
| Insurance expenses | 10 | 9 |
| Rent expenses | 10 | 19 |
| Information technologies costs | 10 | 8 |
| Transport expenses | 7 | 7 |
| Fees and commissions expense – intermediation | 3 | 3 |
| Gifts and sponsorship | 2 | 3 |
| Advertising expenses | 2 | 2 |
| Security services | 2 | 2 |
| Training, courses, conferences | 2 | 1 |
| Communication expenses | 1 | 1 |
| Re-transmission fee(1) | - | 4 |
| Change in provisions, net | (2) | (1) |
| Impairment losses | (19) | 14 |
| *Of which relates to: Property, plant and equipment and intangible assets* | (2) *1* | *8* |
| *Inventories* | *1* | *-* |
| *Goodwill* | - | (3) *3* |
| *Trade receivables and other assets* | *(21)* | *3* |
| Other | 43 | 32 |
| **Total** | **156** | **171** |

*(1) Re-transmission fee is National Grid's recovery of costs of installing and maintaining the transmission system in England, Wales and offshore. The amount paid is based on geographical location and size of generation.*
*(2) The amount includes impairment of tangible assets in the amount of EUR 1 million recorded by eustream, a.s.*
*(3) Impairment of goodwill recorded by Plzeňská energetika a.s.*

No significant research and development expenses were recognised in profit and loss for the six-month period ended 30 July 2019 and 2018.

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

## Recognised in profit or loss

| *In millions of EUR* | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|
| Interest income | 18 | 9 |
| Net foreign exchange gain | 17 | 7 |
| Dividend income | 1 | 1 |
| Other finance income | 1 | 2 |
| **Finance income** | **37** | **19** |
| Interest expense incl. various financing and refinancing related fees | (92) | (111) |
| Interest expense from unwind of provision discounting | (7) | (5) |
| Fees and commissions expense for payment transactions | (1) | - |
| Fees and commissions expense for guarantees | - | (1) |
| Fees and commissions expense for other services | (4) | (9) |
| **Finance expense** | **(104)** | **(126)** |
| Profit (loss) from assets at fair value through profit or loss(1) | 6 | 32 |
| Profit (loss) from currency derivatives for trading | 5 | (10) |
| Profit (loss) from hedging derivatives | 2 | 1 |
| Profit (loss) from interest rate derivatives for trading | 1 | (1) |
| Profit (loss) from other derivatives for trading | (1) | (1) |
| Impairment losses on financial assets | (1) | 2 |
| Profit (loss) from commodity derivatives for trading | (3) | 3 |
| **Profit (loss) from financial instruments** | **9** | **26** |
| **Net finance income (expense) recognised in profit or loss** | **(58)** | **(81)** |

*(1) In 2019, profit from assets at FVTPL of EUR 6 million is a result of sale of shares held for trading.*
*In 2018, profit from assets at FVTPL consists mainly from net gain of EUR 25 million reported in Profit/loss from financial instruments resulting from an acquisition, a subsequent sale and revaluation of a retained share of an indirect minority shareholding in MÁTRAI ERŐMŰ ZRT. ÉVES BESZÁMOLÓ ("ME"). While EPH entered into the transaction originally with aim to have a joint control over ME and acquired a 36.3% indirect stake in ME (through 50% stake in joint venture MATRA ENERGY HOLDING Zrt.), subsequently after transaction closing EPH decided to sell most of its shareholding to its joint venture partner. As of 31 December 2018, EPH held 11% indirect share in ME, recorded in Financial instruments and other financial assets. In 2019 the Group sold whole 11% interest in ME to a third party, no gain or loss from the transaction was reported.*
*Moreover in 2018, profit from assets at FVTPL of EUR 4 million is a result of sale of 10% share in Veolia Energie ČR, a.s. As at 31 December 2017 these shares were reclassified from Shares available for sale to Shares at fair value through profit or loss. Cost was used as the best approximate of fair value as these equity instruments did not have a quoted market price in an active market and their fair value could not be otherwise measured reliably. Subsequently in 2018 the Group sold whole 10% interest in Veolia Energie ČR, a.s. to a third party and reported a profit from sale of EUR 4 million.*

# 15. Income tax expenses

## Income taxes recognised in profit or loss

| *In millions of EUR* | 30 June 2019 (six months) | 30 June 2018 (six months) |
|---|---|---|
| *Current taxes:* | | |
| Current period | (191) | (156) |
| Adjustment for prior periods | 5 | 2 |
| **Total current taxes** | **(186)** | **(154)** |
| *Deferred taxes:* | | |
| Origination and reversal of temporary differences | 13 | 8 |
| **Total deferred taxes** | **13** | **8** |
| **Total income taxes (expense) benefit recognised in profit or loss** | **(173)** | **(146)** |

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 2019 and 2018. The Slovak corporate income tax rate is 21% for fiscal year 2019 and 2018. The German federal income tax rate range for 2019 and 2018 is 28.47% – 30.00% and Poland income tax rate for fiscal years 2019 and 2018 is 19%. Italian income tax rate for fiscal years 2019 and 2018 is 24% and Hungarian income tax rate for fiscal years 2019 and 2018 is 9%. British income tax rate for fiscal years 2019 and 2018 is 19%. Current year income tax includes also special sector tax effective in Slovakia and Hungary.

## Income tax recognised in other comprehensive income

| *In millions of EUR* | 2019 (six months) | | |
|---|---|---|---|
| | Gross | Income tax | Net of income tax |
| Foreign currency translation differences for foreign operations | (61) | - | (61) |
| Foreign currency translation differences from presentation currency | 48 | - | 48 |
| Effective portion of changes in fair value of cash-flow hedges(1) | 20 | (9) | 11 |
| Fair value reserve included in other comprehensive income(1) | 1,791 | (454) | 1,337 |
| **Total** | **1,798** | **(463)** | **1,335** |

*(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.*

| *In millions of EUR* | 2018 (six months) | | |
|---|---|---|---|
| | Gross | Income tax | Net of income tax |
| Foreign currency translation differences for foreign operations | 54 | - | 54 |
| Foreign currency translation differences from presentation currency | (59) | - | (59) |
| Effective portion of changes in fair value of cash-flow hedges(1) | 337 | (113) | 224 |
| Fair value reserve included in other comprehensive income(1) | (13) | 3 | (10) |
| **Total** | **319** | **(110)** | **209** |

*(1) Deferred tax recognized in other comprehensive income of equity accounted investees is not shown in the table as it is not relevant to the financial statements of the Group.*

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

# 16. Property, plant and equipment

| *In millions of EUR* | Land and buildings[(1)] | Gas pipelines – fair value model | Gas pipelines – cost model | Technical equipment, plant and machinery[(1)] | Other equipment, fixtures and fittings | Under construction | Total |
|---|---|---|---|---|---|---|---|
| **Cost or revaluation** | | | | | | | |
| **Balance at 31 December 2018** | **2,694** | **-** | **4,570** | **4,181** | **57** | **152** | **11,654** |
| Adjustment for change in accounting policy (IFRS 16) | 45 | - | - | 74 | - | - | 119 |
| **Balance at 1 January 2019** | **2,739** | **-** | **4,570** | **4,255** | **57** | **152** | **11,773** |
| Effects of movements in foreign exchange rates | 7 | - | - | 4 | 1 | 1 | **13** |
| Additions | 6 | - | 1 | 43 | 4 | 98 | **152** |
| Reclassification | - | 1,686 | (1,978) | - | - | - | **(292)** |
| Revaluation | - | 1,791 | - | - | - | - | **1,791** |
| Additions through business combinations[(2)] | 4 | - | - | 164 | - | - | **168** |
| Disposals | (2) | - | (3) | (27) | - | - | **(32)** |
| Transfers | 6 | - | 4 | 13 | - | (23) | **-** |
| **Balance at 30 June 2019** | **2,760** | **3,477** | **2,594** | **4,452** | **62** | **228** | **13,573** |
| | | | | | | | |
| **Depreciation and impairment losses** | | | | | | | |
| **Balance at 1 January 2019** | **(751)** | **-** | **(737)** | **(1,623)** | **(8)** | **(3)** | **(3,122)** |
| Effects of movements in foreign exchange rates | (3) | - | - | (4) | - | - | **(7)** |
| Reclassification (eliminated against cost) | - | - | 292 | - | - | - | **292** |
| Depreciation charge for the period | (58) | (41) | (33) | (177) | (2) | - | **(311)** |
| Disposals | 1 | - | 2 | 22 | - | - | **25** |
| Impairment losses recognised in profit or loss | - | - | - | (1) | - | - | **(1)** |
| **Balance at 30 June 2019** | **(811)** | **(41)** | **(476)** | **(1,783)** | **(10)** | **(3)** | **(3,124)** |
| | | | | | | | |
| **Carrying amounts** | | | | | | | |
| **At 1 January 2019** | **1,988** | **-** | **3,833** | **2,632** | **49** | **149** | **8,651** |
| **At 30 June 2019** | **1,949** | **3,436** | **2,118** | **2,669** | **52** | **225** | **10,449** |

*(1) Including right-of-use assets (for detail see Note 2(c)).*
*(2) Purchase of Fusine Energia S.r.L., EP Kilroot Limited and EP Ballylumford Limited.*

| *In millions of EUR* | **Land and buildings** | **Gas pipelines** | **Technical equipment, plant and machinery** | **Other equipment, fixtures and fittings** | **Under construction** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2018** | **2,434** | **4,550** | **3,601** | **17** | **453** | **11,055** |
| Effects of movements in foreign exchange rates | (14) | - | (12) | 1 | - | **(25)** |
| Additions | 3 | 1 | 39 | - | 79 | **122** |
| Additions through business combinations(1) | - | - | 1 | - | - | **1** |
| Disposals | (5) | (2) | (13) | - | (2) | **(22)** |
| Transfers | 6 | 4 | 9 | - | (19) | **-** |
| **Balance at 30 June 2018** | **2,424** | **4,553** | **3,625** | **18** | **511** | **11,131** |
| | | | | | | |
| **Depreciation and impairment losses** | | | | | | |
| **Balance at 1 January 2018** | **(649)** | **(629)** | **(1,337)** | **(8)** | **(2)** | **(2,625)** |
| Effects of movements in foreign exchange rates | 2 | - | 6 | 1 | - | **9** |
| Depreciation charge for the period | (51) | (57) | (133) | - | - | **(241)** |
| Disposals | 4 | 2 | 9 | - | 2 | **17** |
| Impairment losses recognised in profit or loss | (4) | - | (4) | - | - | **(8)** |
| **Balance at 30 June 2018** | **(698)** | **(684)** | **(1,459)** | **(7)** | **-** | **(2,848)** |
| | | | | | | |
| **Carrying amounts** | | | | | | |
| **At 1 January 2018** | **1,785** | **3,921** | **2,264** | **9** | **451** | **8,430** |
| **At 30 June 2018** | **1,726** | **3,869** | **2,166** | **11** | **511** | **8,283** |

*(1) Purchase of SAJDOK a.s.*

The Company considered potential implication of IFRIC 12 on recognition of the assets held in regulated sectors. However, management concluded that the interpretation is not relevant for the Group as the operation of the infrastructure assets is not under Service Concession agreement.

### Revaluation of gas pipeline

Gas pipeline for natural gas transmission by eustream a.s. is recognised at revalued amount, primarily using the cost approach, especially the replacement cost method. Replacement costs are based on the acquisition cost of equivalent assets (EA) and are the estimated net book value of the assets from the acquisition cost of EA, useful lives and age of existing assets (replacement cost less depreciation methodology). For more details on revaluation, refer to Note 2(c) and Note 4(a).

If the pipeline was accounted for using the cost model, the net book value of the asset as at 30 June 2019 would be EUR 1,667 million.

### Security

At 30 June 2019, property, plant and equipment with a carrying value of EUR 1,268 million (31 December 2018: EUR 1,292 million) is subject to pledges to secure financial indebtedness.

## 17. Intangible assets (including goodwill)

| *In millions of EUR* | **Goodwill** | **Software** | **Emission rights** | **Customer relationship and other contracts** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2019** | **189** | **87** | **70** | **298** | **15** | **659** |
| Effect of movements in foreign exchange rates | 1 | - | - | - | - | **1** |
| Additions | - | 1 | 233 | - | 1 | **235** |
| Disposals | - | (1) | (270) | - | (2) | **(273)** |
| Additions through business combinations[(1)] | 1 | - | 7 | - | - | **8** |
| Transfers | - | 1 | - | - | (1) | **-** |
| **Balance at 30 June 2019** | **191** | **88** | **40** | **298** | **13** | **630** |
| **Amortisation and impairment losses** | | | | | | |
| **Balance at 1 January 2019** | **(40)** | **(53)** | **-** | **(200)** | **(4)** | **(297)** |
| Amortisation for the period | - | (6) | - | (12) | - | **(18)** |
| Disposals | - | 1 | - | - | 2 | **3** |
| **Balance at 30 June 2019** | **(40)** | **(58)** | **-** | **(212)** | **(2)** | **(312)** |
| **Carrying amount** | | | | | | |
| **At 1 January 2019** | **149** | **34** | **70** | **98** | **11** | **362** |
| **At 30 June 2019** | **151** | **30** | **40** | **86** | **11** | **318** |

*(1) Purchase of EP Kilroot Limited and EP Ballylumford Limited.*

| *In millions of EUR* | **Goodwill** | **Software** | **Emission rights** | **Customer relationship and other contracts** | **Other intangible assets** | **Total** |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| **Balance at 1 January 2018** | **188** | **83** | **45** | **302** | **14** | **632** |
| Effect of movements in foreign exchange rates | (2) | - | (1) | - | - | **(3)** |
| Additions | - | 1 | 105 | - | 1 | **107** |
| Disposals | - | (3) | (119) | - | - | **(122)** |
| Additions through business combinations(1) | 1 | - | - | - | - | **1** |
| Transfers | - | 1 | - | - | (1) | **-** |
| **Balance at 30 June 2018** | **187** | **82** | **30** | **302** | **14** | **615** |
| **Amortisation and impairment losses** | | | | | | |
| **Balance at 1 January 2018** | **(37)** | **(46)** | **-** | **(176)** | **(4)** | **(263)** |
| Effect of movements in foreign exchange rates | - | 1 | - | - | - | **1** |
| Amortisation for the period | - | (6) | - | (13) | - | **(19)** |
| Disposals | - | 3 | - | - | - | **3** |
| Impairment losses recognised in profit or loss | (3) | - | - | - | - | **(3)** |
| **Balance at 30 June 2018** | **(40)** | **(48)** | **-** | **(189)** | **(4)** | **(281)** |
| **Carrying amount** | | | | | | |
| **At 1 January 2018** | **151** | **37** | **45** | **126** | **10** | **369** |
| **At 30 June 2018** | **147** | **34** | **30** | **113** | **10** | **334** |

*(1) Purchase of SAJDOK a.s.*

As of 30 June 2019, EPH Group purchased emission allowances of EUR 217 million (30 June 2018: EUR 87 million). The remaining part of EUR 16 million (30 June 2018: EUR 18 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic, Slovakia and Hungary.

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 and long-term intangible assets under construction.

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

The Group has also carried out research activities reflected in these consolidated financial statements. Research costs are recognised as operating expenses in the income statement immediately when incurred. No significant research costs were incurred during the period from 1 January 2019 to 30 June 2019 and the year 2018.

### Impairment testing for cash-generating units containing goodwill

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

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

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| EP Energy, a.s.: | | |
| Elektrárny Opatovice, a.s. | 91 | 90 |
| EP Cargo a.s. | 5 | 5 |
| EP ENERGY TRADING, a.s. | 5 | 5 |
| SPV100, s.r.o. | 1 | 1 |
| Biomasse Crotone S.P.A. | 20 | 20 |
| Biomasse Italia S.P.A. | 16 | 16 |
| Helmstedter Revier GmbH | 6 | 6 |
| EP Investment Advisors, s.r.o. | 3 | 3 |
| SPEDICA GROUP COMPANIES, s.r.o. | 2 | 2 |
| EP Ballylumford Limited | 1 | - |
| SAJDOK a.s. | 1 | 1 |
| **Total goodwill** | **151** | **149** |

During the period from 1 January 2019 to 30 June 2019, the balance of goodwill increased by EUR 1 million as a result of acquisition of EP Ballylumford Limited and EP Kilroot Limited. Remaining increase of EUR 1 million was caused by positive effect of changes in the FX rate.

As at the date of publication of the consolidated financial statements, the purchase price allocation process for Fusine Energia S.r.l., EP Kilroot Limited and EP Ballylumford Limited has not been completed. It is therefore possible that adjustments will be made in the allocation of the purchase price to the individual assets and liabilities and recognition of goodwill or negative goodwill.

In 2018, the balance of goodwill increased by EUR 1 million as a result of acquisition of SAJDOK a.s. and decreased by EUR 3 million as a result of goodwill impairment recorded by Plzeňská energetika a.s.

**Goodwill and impairment testing**

In compliance with IAS 36, the Group annually conducts impairment testing of goodwill. 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.

The calculation of the recoverable amounts as at 31 December 2018 for CGUs containing goodwill 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 an additional four years of modelled projections followed by projected results based on an estimated growth factor plus a terminal value if relevant. Cash flows for a terminal period were extrapolated using a constant growth rate of 0% – 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 pre-tax discount rates ranged from 4.01% to 9.17%. Changes in used discount rates compared to prior year reflect recent market development, namely increase in risk-free rates and cost of debt used for calculation.

There were no impairment indicators as of 30 June 2019.

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

As at 30 June 2019, management did not identify any impairment trigger that would cause the Group to perform impairment testing of Goodwill recognized in relation to Elektrárny Opatovice, a.s. According to the Group’s policy, the impairment test will be performed as at 31 December 2019 unless impairment trigger is identified earlier.

For the purposes of impairment testing as at 31 December 2018, 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 2018 was determined in a similar manner as in 2017. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount (including goodwill) by EUR 254 million as of 31 December 2018. Key assumptions used in the calculation of value in use were the discount rate, the terminal value growth rate and the planned EBITDA. These selected assumptions were as follows:

| | **31 December 2018** |
|---|---|
| Discount rate | 6.10% |
| Terminal value growth rate | 2.00% |

The EPH Group uses weighted average cost of capital (WACC). The discount rate is a pre-tax measure. Cost of equity is 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 Adjusted EBITDA was based on an expectation of future outcomes taking into account past experience. In particular, we have reflected the following:

a. estimated refurbishments necessary to comply with applicable regulations (impact especially on electricity output/sales, OPEX and CAPEX);

b. market expectations regarding power and CO2 prices, development based on historical trends;

c. a slight decrease in heat supplies and modest increase of heat prices;

d. the inflation driven development of various other positions, especially overhead costs.

The Group did not identify any CGU for which reasonably possible change in key management assumptions (EBITDA, terminal growth, discount rate) would cause that recoverable amount would decrease below its carrying amount.

## 18. Investment property

| *In millions of EUR* | **30 June 2019** | **30 June 2018** |
|---|---|---|
| Opening balance | 3 | 3 |
| Changes during the reporting period | - | - |
| **Closing balance** | **3** | **3** |

### Security

As at 30 June 2019, no investment property is subject to pledges to secure bank loans (31 December 2018: EUR 0 million).

## 19. Equity accounted investees

The Group has the following investments in associates and joint ventures:

| *In millions of EUR* | | Ownership 30 June 2019 | Carrying amount 30 June 2019 |
|---|---|---|---|
| **Associates and joint ventures** | **Country** | **%** | |
| LEAG Group[(1)] | *(3)* | 50.00 | 804 |
| SPH Group[(2)] | *(3)* | *(4)* | 211 |
| Kraftwerk Schkopau GbR | Germany | 41.90 | 67 |
| Ergosud S.P.A. | Italy | 50.00 | 61 |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH | Germany | 50.00 | 19 |
| Fernwärme GmbH Hohenmölsen - Webau | Germany | 48.96 | 4 |
| Energotel, a.s. | Slovakia | 26.60 | 1 |
| Greeninvest Energy, a.s.[(5)] | Czech Republic | 28.77 | - |
| Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. | Poland | 38.93 | - |
| **Total** | | **-** | **1,167** |

| *In millions of EUR* | | Ownership 31 December 2018 | Carrying amount 31 December 2018 |
|---|---|---|---|
| **Associates and joint ventures** | **Country** | **%** | |
| LEAG Group[(1)] | *(3)* | 50.00 | 717 |
| SPH Group[(2)] | *(3)* | *(4)* | 191 |
| Kraftwerk Schkopau GbR | Germany | 41.90 | 71 |
| Ergosud S.P.A. | Italy | 50.00 | 57 |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH | Germany | 50.00 | 20 |
| Fernwärme GmbH Hohenmölsen - Webau | Germany | 48.96 | 4 |
| Energotel, a.s. | Slovakia | 26.60 | 1 |
| Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. | Poland | 38.93 | - |
| **Total** | | **-** | **1,061** |

(1) *Comprising LEAG Holding, a.s.; Lausitz Energie Verwaltungs GmbH; Lausitz Energie Kraftwerke AG; Kraftwerk Schwarze Pumpe GmbH; Lausitz Energie Bergbau AG; GMB GmbH, Transport- und Speditionsgesellschaft Schwarze Pumpe mbH and Lausitz Energie Erneurbare Verwaltungs GmbH.*

(2) *Comprising Slovak Power Holding B.V., Slovenské elektrárne a.s. Centrum pre vedu a výskum, s.r.o.; Ochrana a bezpečnosť SE, a.s.; Slovenské elektrárne – energetické služby, s.r.o.; Slovenské elektrárne Česká republika, s.r.o.; SE Služby inžinierskych stavieb, s.r.o.; REAKTORTEST, s.r.o.; Chladiace veže Bohunice, spol. s r.o. and ÚJV Řež, a.s.*

(3) *Country of incorporation varies, for details refer to Note 37 – Group entities.*

(4) *Ownership percentage varies, for details refer to Note 37 – Group entities.*

(5) *The Group has changed the classification of its investment in Greeninvest Energy, a.s. from IFRS 5 to equity accounted investees. The carrying amount has however not changed due to the recognition of an impairment and comparatives were therefore not restated.*

### Przedsiebiorstwo Górnicze SILESIA Sp. z o.o.

In 2018, the Group's share on loss of PGS was EUR 5 million. As the carrying amount of the investment in PGS decreased to zero in course of 2018, the Group recognized share on loss of EUR 3 million and discontinued recognising its share on further losses. As at 30 June 2019 the unrecognized share on loss in PGS for the reporting period amounts to EUR 12 million and cumulative unrecognized share on loss in PGS amounts to EUR 14 million (31 December 2018: EUR 2 million unrecognized share on loss in PGS both for the period and cumulatively).

### SPH Group

In 2016, EP Slovakia B.V., EPH's subsidiary, completed the first stage of acquisition of 50% shares in Slovak Power Holding B.V. ("SPH"), which is the owner of 66% shares in Slovenské elektrárne a.s. ("SE"). The second stage involves a put or call option for the remaining 50% shares in SPH which may be used by Enel Produzione SpA ("Enel") or EP Slovakia B.V. respectively. The total price for both of the two stages of acquisition is subject to an adjustment mechanism. The adjustment will be applied upon closing of the second stage of the transaction and will reflect certain parameters, including the change in the net financial position of SE, the development of energy prices on the Slovak markets, the efficiency of operation of SE and the enterprise value of the completed third and fourth block of the Mochovce Power Plant. Since 2018, there is an additional parameter – a loan provided by Enel to SPH during 2018 must be repaid by the advance repayment or at the final maturity date (January 2027) as a condition to the use of the put or call option. This amendment to the original mechanism means that the exercise date of said put option by Enel can take place only once the additional condition above is satisfied. EPH call option is not conditional in this respect, however, as part of the settlement of the transfer of the remaining shares in SPH, EPH will take over from Enel the outstanding amount of the loan. The base trigger event for the exercise of the options remain in place, i.e. either (a) 12 months after obtaining the trial operation permit for unit 4 of the Mochovce nuclear power plant; or (b) upon reaching the long stop date, which is defined in share purchase agreement concluded between the parties. The fair value of the put and call options has been assessed by the Group. As the fair value of the option is not significant, the option has not been recognized.

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

*In millions of EUR*

| Associates and joint ventures | Country | Ownership 30 June 2019 % | Share of profit (loss) for the six-month period ended 30 June 2019 |
|---|---|---|---|
| LEAG Group | *(1)* | 50.00 | 57 |
| SPH Group | *(1)* | *(2)* | 13 |
| Ergosud S.P.A. | Italy | 50.00 | 3 |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH | Germany | 50.00 | 1 |
| Kraftwerk Schkopau GbR | Germany | 41.90 | (1) |
| **Total** | | **-** | **73** |

*In millions of EUR*

| Associates and joint ventures | Country | Ownership 30 June 2018 % | Share of profit (loss) for the six-month period ended 30 June 2018 |
|---|---|---|---|
| LEAG Group | *(1)* | 50.00 | 33 |
| SPH Group | *(1)* | *(2)* | 10 |
| Ergosud S.P.A. | Italy | 50.00 | 2 |
| Kraftwerk Schkopau GbR | Germany | 41.90 | (2) |
| Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. | Poland | 38.93 | (3) |
| **Total** | | **-** | **40** |

*(1) Country of incorporation varies, for details refer to Note 37 – Group entities.*
*(2) Ownership percentage varies, for details refer to Note 37 – Group entities.*

The table below provides summary financial information for joint venture LEAG, presented at 100% as at 30 June 2019 and 31 December 2018 and for the six-month period ended 30 June 2019 and 2018.

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| **Statement of financial position information** | | |
| **Total assets** | **6,592** | **6,418** |
| Non-current assets | 3,169 | 3,015 |
| Current assets | 3,423 | 3,403 |
| *of which: cash and cash equivalents* | *1,824* | *584* |
| *other current assets* | *1,599* | *2,819* |
| **Total liabilities** | **4,985** | **4,983** |
| Non-current liabilities | 3,207 | 2,715 |
| *of which: financial liabilities (excluding trade payables)* | *17* | *10* |
| *other non-current liabilities* | *3,190* | *2,705* |
| Current liabilities | 1,778 | 2,268 |
| *of which: financial liabilities (excluding trade payables)* | *1,713* | *1,418* |
| *other current liabilities* | *65* | *850* |
| **Equity** | **1,607** | **1,435** |

| | **30 June 2019 (six months)** | **30 June 2018 (six months)** |
|---|---|---|
| **Statement of comprehensive income information** | | |
| Revenues | 1,232 | 1,129 |
| *of which: interest income* | - | - |
| Depreciation and amortization | (126) | (125) |
| Interest expense | (22) | (36) |
| Income tax expense | (12) | 71 |
| **Profit (loss) for the period** | **114** | **66** |
| Other comprehensive income | 59 | 520 |
| **Total comprehensive income for the period** | **173** | **586** |

Summary financial information for standalone associates, presented at 100% as at 30 June 2019 and for the six-month period then ended.

*In millions of EUR*

| **Associates and joint ventures** | **Revenue** | **Profit (loss)** | **Other compre-hensive income** | **Total compre-hensive income** | **Assets** | **Liabilities** | **Equity** |
|---|---|---|---|---|---|---|---|
| SPH Group | 1,313 | 42 | 28 | 70 | 7,607 | 6,862 | 745 |
| Kraftwerk Schkopau GbR(1) | 15 | 3 | - | 3 | 224 | 119 | 105 |
| Kraftwerk Schkopau Betriebsgesellschaft GmbH(1) | 54 | - | - | - | 11 | 11 | - |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH(1) | 29 | 3 | - | 3 | 56 | 30 | 26 |
| Fernwärme GmbH Hohenmölsen - Webau(1) | 3 | - | - | - | 14 | 5 | 9 |
| Energotel, a.s. | 5 | - | - | - | 13 | 7 | 6 |
| Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. | 65 | (30) | - | (30) | 275 | 333 | (58) |
| Ergosud S.P.A. | 19 | 6 | - | 6 | 279 | 158 | 121 |
| Greeninvest Energy, a.s. | 2 | 1 | - | 1 | 22 | 12 | 10 |
| **Total** | **1,505** | **25** | **28** | **53** | **8,501** | **7,537** | **964** |

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

*In millions of EUR*

| Associates and joint ventures | Non-current assets | Current assets | Non-current liabilities | Current liabilities |
|---|---|---|---|---|
| SPH Group | 6,958 | 649 | 6,075 | 787 |
| Kraftwerk Schkopau GbR[(1)] | 7 | 217 | 118 | 1 |
| Kraftwerk Schkopau Betriebsgesellschaft GmbH[(1)] | - | 11 | - | 11 |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[(1)] | 26 | 30 | 20 | 10 |
| Fernwärme GmbH Hohenmölsen - Webau[(1)] | 13 | 1 | 1 | 4 |
| Energotel, a.s. | 5 | 8 | - | 7 |
| Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. | 229 | 46 | 20 | 313 |
| Ergosud S.P.A. | 225 | 54 | 132 | 26 |
| Greeninvest Energy, a.s. | 16 | 6 | 12 | - |
| **Total** | **7,479** | **1,022** | **6,378** | **1,159** |

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

Summary financial information for standalone associates, presented at 100% as at 31 December 2018 and for the year then ended.

*In millions of EUR*

| Associates and joint ventures | Revenue | Profit (loss) | Other compre-hensive income | Total compre-hensive income | Assets | Liabilities | Equity |
|---|---|---|---|---|---|---|---|
| SPH Group | 2,823 | 46 | (78) | (32) | 7,609 | 6,930 | 679 |
| Kraftwerk Schkopau GbR[(1)] | 36 | 6 | - | 6 | 221 | 112 | 109 |
| Kraftwerk Schkopau Betriebsgesellschaft GmbH[(1)] | 108 | - | - | - | 22 | 21 | 1 |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH[(1)] | 57 | 5 | - | 5 | 56 | 28 | 28 |
| Fernwärme GmbH Hohenmölsen - Webau[(1)] | 5 | - | - | - | 14 | 5 | 9 |
| Energotel, a.s. | 12 | 1 | - | 1 | 12 | 5 | 7 |
| Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. | 169 | (15) | - | (15) | 270 | 297 | (27) |
| Ergosud S.P.A. | 44 | 10 | - | 10 | 282 | 167 | 115 |
| **Total** | **3,254** | **53** | **(78)** | **(25)** | **8,486** | **7,565** | **921** |

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

*In millions of EUR*

| **Associates and joint ventures** | **Non-current assets** | **Current assets** | **Non-current liabilities** | **Current liabilities** |
|---|---|---|---|---|
| SPH Group | 6,701 | 908 | 5,960 | 970 |
| Kraftwerk Schkopau GbR(1) | 9 | 212 | 110 | 2 |
| Kraftwerk Schkopau Betriebsgesellschaft GmbH(1) | - | 22 | - | 21 |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH(1) | 28 | 28 | 18 | 10 |
| Fernwärme GmbH Hohenmölsen - Webau(1) | 14 | - | 1 | 4 |
| Energotel, a.s. | 5 | 7 | - | 5 |
| Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. | 214 | 56 | 278 | 19 |
| Ergosud S.P.A. | 203 | 79 | 141 | 26 |
| **Total** | **7,174** | **1,312** | **6,508** | **1,057** |

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

## 20. Inventories

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Fossil fuel | 103 | 51 |
| Spare parts | 93 | 63 |
| Raw material and supplies | 78 | 87 |
| Overburden | 28 | 23 |
| Work in progress | 7 | 7 |
| Finished goods and merchandise | 4 | 20 |
| **Total** | **313** | **251** |

As at 30 June 2019, inventories in the amount of EUR 56 million (31 December 2018: EUR 52 million) were subject to pledges.

## 21. Trade receivables and other assets

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Trade receivables | 726 | 811 |
| Accrued income | 139 | 103 |
| Advance payments | 130 | 135 |
| Estimated receivables | 9 | 8 |
| Uninvoiced supplies | 2 | - |
| Other receivables and assets | 84 | 84 |
| Allowance for bad debts | (23) | (44) |
| **Total** | **1,067** | **1,097** |
| | | |
| *Non-current* | 171 | 190 |
| *Current* | 896 | 907 |
| **Total** | **1,067** | **1,097** |

As at 30 June 2019, trade receivables with a carrying value of EUR 147 million are subject to pledges (31 December 2018: EUR 142 million).

## 22. Cash and cash equivalents

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Current accounts with banks | 1,084 | 867 |
| Term deposits | 82 | 139 |
| Bills of exchange issued by banks | 9 | - |
| **Total** | **1,175** | **1,006** |

Term deposits and bills of exchange issued by banks with original maturity of up to three months are classified as cash equivalents.

As at 30 June 2019, cash equivalents of EUR 265 million are subject to pledges (31 December 2018: EUR 180 million). According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case EPE defaults on bonds payments. As such, the pledged cash is readily available to the EPH Group and does not represent restricted cash.

## 23. Restricted cash

As at 30 June 2019, the balance of restricted cash is represented mainly by EUR 15 million (31 December 2018: EUR 21 million) representing security given by EGGBOROUGH POWER LIMITED ("EPL") to the pension fund, this is expected to remain in place until risk on the schemes funding deficit is eliminated. It may be partly used for early retirement obligations during 2019. EUR 5 million represents cash on debt service reserve account by EP UK Finance Limited (31 December 2018: EUR 0 million). EUR 3 million restricted cash is recorded by EP Ballylumford Limited and EP Kilroot Limited on Pension Escrow accounts (31 December 2018: EUR 0 million) and EUR 1 million is represented by collateralised cash with National Grid relating to grid connection charges by EP UK INVESTMENTS LTD (31 December 2018: EUR 2 million represented by collateralised cash with National Grid and EUR 2 million collateral with National Grid relating to balancing mechanism deposited with Elexon).

## 24. Tax receivables

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Value added tax receivables | 85 | 98 |
| Current income tax receivables | 18 | 55 |
| Energy tax | - | 1 |
| Withholding tax | - | 1 |
| Other tax receivables | 8 | 8 |
| **Total** | **111** | **163** |

## 25. Assets and liabilities held for sale

As at 30 June 2019, balances of assets held for sale and liabilities held for sale are represented by Nová Invalidovna, a.s. (31 December 2018: Nová Invalidovna, a.s.). This entity does not represent business but a group of land plots and unused buildings.

## 26. Deferred tax assets and liabilities

As at 30 June 2019, the net deferred tax liability amounts to EUR 1,368 million (31 December 2018: EUR 942 million). The increase of deferred tax liability is caused by change of Group accounting policy relating to reporting of gas transmission pipelines of eustream, a.s. starting 1 January 2019 (for more details refer to Note 2(c) – Change in accounting policy).

# 27. Equity

## Share capital and share premium

The authorised, issued and fully paid share capital as at 30 June 2019 consisted of 18,344,932 ordinary shares with a par value of CZK 100 each (31 December 2018: 18,344,932 shares) and 1,700,641,760 ordinary shares with a par value of CZK 1 each (31 December 2018: 1,700,641,760 shares).

The shareholders are entitled to receive dividends and to one vote per 1 CZK share and 100 votes per 100 CZK share, at meetings of the Company's shareholders.

| **30 June 2019** | **Number of shares** | | **Ownership** | **Voting rights** |
|---|---|---|---|---|
| | **1 CZK** | **100 CZK** | **%** | **%** |
| EP Investment S.à.r.l. | 1,574,538,029 | 2,990,835 | 53.00 | 53.00 |
| EP Investment II S.à.r.l. (owned by Daniel Křetínský) | 126,103,731 | 15,354,097 | 47.00 | 47.00 |
| **Total** | **1,700,641,760** | **18,344,932** | **100.00** | **100.00** |

| **31 December 2018** | **Number of shares** | | **Ownership** | **Voting rights** |
|---|---|---|---|---|
| | **1 CZK** | **100 CZK** | **%** | **%** |
| EP Investment S.à.r.l. | 1,574,538,029 | 2,990,835 | 53.00 | 53.00 |
| EP Investment II S.à.r.l. (owned by Daniel Křetínský) | 126,103,731 | 15,354,097 | 47.00 | 47.00 |
| **Total** | **1,700,641,760** | **18,344,932** | **100.00** | **100.00** |

## Share premium

The Company recognised a Share premium of EUR 64 million in 2012.

## Other reserves

Reserves recognised in equity comprise the following items:

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Hedging reserve | 497 | 475 |
| Fair value reserve | 430 | (17) |
| Other capital funds from capital contributions | 23 | 23 |
| Non-distributable reserves | 15 | 12 |
| Other capital reserves | (54) | (54) |
| Translation reserve | (115) | (102) |
| **Total** | **796** | **337** |

## Non-distributable reserves

The legal reserve of EUR 15 million was reported as at 30 June 2019 (31 December 2018: EUR 12 million).

## Translation reserve

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

## Other capital reserves

In 2009 the Group accounted for pricing differences that arose both from establishment of the Group as at 10 August 2009 and acquisition of certain new subsidiaries in the subsequent periods prior to 9 October 2009. Such subsidiaries were acquired under common control of J&T Finance Group, a.s. (which held controlling interest in the Group at the time of acquisition of the subsidiaries), and therefore excluded from 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 recorded at the book value, which is presented in the financial statements of J&T Finance Group, 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 in relation to the disposal of certain subsidiaries the revaluation reserve increased by EUR 74 million. The amount corresponds not only to pricing differences assigned directly to disposed subsidiaries but also to their direct parent companies (SPEs), which, although they remained in scope, are not cash generating units as standalones and thereby do not carry any goodwill potential.

In 2011 other capital reserves increased further by EUR 56 million in relation to the several subsidiaries that were spun off to EP Industries, a.s. as a part of non-cash dividend distribution.

In 2013 other capital reserves increased by EUR 1 million due to the process of restructuralisation in SPP Group.

**Fair value reserve**

For more details on revaluation, refer to Note 2(c) and Note 4(a).

**Hedging reserves**

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity (for more details please refer to Note 33 – Financial instruments).

During the period the Group recycled EUR 27 million as income from hedging reserves to profit or loss (2018: EUR 15 million as expense).

## 28. Earnings per share

### Basic earnings per share

Basic earnings per share in EUR per equivalent 1,000 CZK of share nominal value equal 0.07 (30 June 2018: 0.05).

The calculation of basic earnings per share as at 30 June 2019 was based on a profit attributable to ordinary shareholders of EUR 252 million (30 June 2018: EUR 193 million), and a weighted average number of ordinary shares outstanding of 3,535 million (30 June 2018: 3,535 million).

### Weighted average number of ordinary shares as at 30 June 2019

| *In millions of shares* | **Nominal** | **Weighted** |
|---|---|---|
| Issued ordinary shares as at 1 January 2019 | 3,535 | 3,535 |
| **Total** | **3,535** | **3,535** |

### Weighted average number of ordinary shares as at 30 June 2018

| *In millions of shares* | **Nominal** | **Weighted** |
|---|---|---|
| Issued ordinary shares as at 1 January 2018 | 3,535 | 3,535 |
| **Total** | **3,535** | **3,535** |

### Dilutive earnings per share

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

## 29. Non-controlling interest

| **30 June 2019**<br>*In millions of EUR* | **Pražská teplárenská a.s. and its subsidiaries** | **Stredoslo-venská energetika, a.s. and its subsidiaries** | **NAFTA a.s. and its subsidiaries** | **SPP Infrastruc-ture, a.s. and its subsidiaries[3]** | **SPP – distribúcia, a.s. and its subsidiaries** | **EP Produzione Centrale Livorno Ferraris S.P.A.** | **eustream, a.s.** | **Plzeňská teplárenská, a.s.** | **Other subsi-diaries[4]** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-controlling percentage** | **31.00%** | **[8]66.19%** | **[8]52.41%** | **[8]66.19%** | **[8]66.19%** | **25.00%** | **[8]66.19%** | **[8]75.85%** | | |
| Business activity | Production and distribution of heat | Distribution of electricity | Gas storage and exploration | Distribution of gas | Distribution of gas | Production of electricity and heat | Distribution of gas | Production and distribution of heat | | |
| Country[1] | Czech Republic | Slovakia | Slovakia | Slovakia | Slovakia | Italy | Slovakia | Czech Republic | | |
| **Carrying amount of NCI at 30 June 2019** | **82** | **583** | **152** | **(296)** | **1,124** | **46** | **1,362** | **150** | **(670)** | **2,533** |
| **Profit (loss) attributable to non-controlling interest** | **7** | **43** | **18** | **-** | **61** | **1** | **138** | **9** | **9** | **286** |
| **Dividends declared** | **(1)** | **(6)** | **(1)** | **-** | **-** | **-** | **-** | **(9)** | **[5](108)** | **(125)** |
| **Statement of financial position[2]** | | | | | | | | | | |
| Total assets | 377 | 1,182 | 941 | 6,587 | 2,842 | 224 | 4,573 | 252 | | |
| *of which: non-current* | *275* | *835* | *859* | *[6]6,208* | *2,295* | *145* | *3,983* | *181* | | |
| *current* | *102* | *347* | *82* | *379* | *547* | *79* | *590* | *71* | | |
| Total liabilities | 111 | 301 | 651 | 1,970 | 1,144 | 40 | 2,515 | 54 | | |
| *of which: non-current* | *41* | *81* | *505* | *1,335* | *974* | *10* | *2,352* | *23* | | |
| *current* | *70* | *220* | *146* | *635* | *170* | *30* | *163* | *31* | | |
| **Net assets** | **266** | **881** | **290** | **4,617** | **1,698** | **184** | **2,058** | **198** | **-** | **-** |
| **Statement of comprehensive income[2]**<br>**30 June 2019** | | | | | | | | | | |
| Total revenues | 537 | 531 | 80 | 73 | 235 | 142 | 415 | 63 | | |
| *of which: dividends received* | - | - | - | *[7]50* | - | - | - | - | | |
| Profit after tax | 183 | 66 | 35 | 50 | 92 | 5 | 206 | 12 | | |
| **Total comprehensive income for the period[2]** | **183** | **66** | **37** | **50** | **92** | **5** | **1,540** | **12** | **-** | **-** |
| **Net cash inflows (outflows)[2]** | **-** | **49** | **(11)** | **3** | **48** | **7** | **148** | **23** | **-** | **-** |

(1) *Principal place of business of subsidiaries and associates varies (for detail refer to Note 37 – Group entities).*
(2) *Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.*
(3) *Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP – distribúcia, a.s. and its subsidiaries, eustream, a.s. and its subsidiaries and POZAGAS a.s.*
(4) *Column "Other subsidiaries" represents primarily 31% non-controlling interest in holding entities in EPIF Group. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.*

*(5) Dividends in amount of EUR 96 million were paid by EP Infrastructure, a.s.*
*(6) Includes financial investments in eustream, a.s., SPP – distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI.*
*(7) Includes dividends from eustream, a.s., SPP – distribúcia, a..s, NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.*
*(8) Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements and management control.*

| **31 December 2018**<br>*In millions of EUR* | **Pražská teplárenská a.s. and its subsidiaries** | **Stredoslovenská energetika, a.s. and its subsidiaries** | **NAFTA a.s. and its subsidiaries** | **SPP Infrastructure, a.s. and its subsidiaries(3)** | **SPP – distribúcia, a.s. and its subsidiaries** | **EP Produzione Centrale Livorno Ferraris S.P.A.** | **eustream, a.s.** | **Plzeňská teplárenská, a.s.** | **Other subsidiaries(4)** | **Total** |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-controlling percentage** | **31.00%** | **(8)66.19%** | **(8)52.41%** | **(8)66.19%** | **(8)66.19%** | **25.00%** | **(8)66.19%** | **(8)75.85%** | | |
| Business activity | Production and distribution of heat | Distribution of electricity | Gas storage and exploration | Distribution of gas | Distribution of gas | Production of electricity and heat | Distribution of gas | Production and distribution of heat | | |
| Country(1) | Czech Republic | Slovakia | Slovakia | Slovakia | Slovakia | Italy | Slovakia | Czech Republic | | |
| **Carrying amount of NCI at 31 December 2018** | **85** | **545** | **166** | **(327)** | **1,064** | **45** | **333** | **148** | **(555)** | **1,504** |
| **Profit (loss) attributable to non-controlling interest** | **7** | **34** | **36** | **-** | **104** | **1** | **260** | **5** | **(3)** | **444** |
| **Dividends declared** | **(1)** | **(3)** | **(1)** | **(448)** | **-** | **(2)** | **-** | **-** | **(5)(71)** | **(526)** |
| **Statement of financial position(2)** | | | | | | | | | | |
| Total assets | 341 | 1,120 | 964 | 6,268 | 2,723 | 238 | 2,418 | 237 | | |
| *of which: non-current* | *270* | *711* | *720* | *(6)6,214* | *2,305* | *151* | *2,237* | *186* | | |
| *current* | *71* | *409* | *244* | *54* | *418* | *87* | *181* | *51* | | |
| Total liabilities | 67 | 297 | 648 | 1,702 | 1,116 | 60 | 1,916 | 42 | | |
| *of which: non-current* | *32* | *115* | *336* | *1,228* | *1,014* | *15* | *1,765* | *22* | | |
| *current* | *35* | *182* | *312* | *474* | *102* | *45* | *151* | *20* | | |
| **Net assets** | **274** | **823** | **316** | **4,566** | **1,607** | **178** | **502** | **195** | **-** | **-** |
| **Statement of comprehensive income(2)**<br>**30 June 2018** | | | | | | | | | | |
| Total revenues | 118 | 485 | 84 | 680 | 220 | 126 | 522 | - | | |
| *of which: dividends received* | - | - | - | *(7)657* | - | - | - | - | | |
| Profit after tax | 19 | 28 | 41 | 657 | 90 | 4 | 204 | - | | |
| **Total comprehensive income for the period(2)** | **19** | **28** | **41** | **657** | **90** | **4** | **204** | **-** | **-** | **-** |
| **Net cash inflows (outflows)(2)** | **-** | **94** | **4** | **8** | **31** | **11** | **(17)** | **-** | **-** | **-** |

*(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 37 – Group entities).*

*(2) Financial information derived from financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group.*

*(3) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP – distribúcia, a.s. and its subsidiaries, eustream, a.s. and its subsidiaries and POZAGAS a.s.*

*(4) Column "Other subsidiaries" represents primarily 31% non-controlling interest in holding entities in EPIF Group. The non-controlling interest in these entities is negative as the consolidated net asset value of the entities after elimination of investment in subsidiaries is negative.*

*(5) Dividends in amount of EUR 71 million were paid by EP Infrastructure, a.s.*

*(6) Includes financial investments in eustream, a.s., SPP – distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI.*

(7) *Includes dividends from eustream, a.s., SPP – distribúcia, a..s, NAFTA, a.s. and POZAGAS a.s. eliminated in calculation of NCI.*
(8) *Even though the immediate parent companies hold less than half of the voting rights, the Group assumes its control over the subgroups through shareholders' agreements and management control.*

## 30. Loans and borrowings

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Issued debentures at amortised costs | 3,470 | 3,313 |
| Loans payable to credit institutions | 2,474 | 2,186 |
| Revolving credit facility | 308 | 386 |
| Bank overdraft | 151 | 39 |
| Liabilities from financial leases | 130 | 2 |
| Loans payable to other than credit institutions | 17 | 17 |
| **Total** | **6,550** | **5,943** |
| | | |
| *Non-current* | 5,251 | 4,915 |
| *Current* | 1,299 | 1,028 |
| **Total** | **6,550** | **5,943** |

### EP Infrastructure, a.s.

On 8 April 2019, EP Infrastructure, a.s. ("EPIF") issued 8-Year Floating Rate Notes due 8 April 2027 in the total nominal volume of EUR 70,000,000, which have been admitted to trading on the Third Market operated by Vienna Stock Exchange (the "Issue"). Banca IMI acted as a Sole Dealer on the Issue. EPIF will use the proceeds of the Issue for general corporate purposes.

On 24 April 2019, EP Infrastructure, a.s. (the "EPIF") collected proceeds from an EUR 182,500,000 loan agreement issued under German law (so called "Schuldschein"). The transaction was launched with a volume of EUR 100 million, but given the strong demand by Schuldschein investor community, EPIF decided to increase the final size. The term of the floating rate Schuldschein loan agreements is five and seven years. COMMERZBANK AG and RAIFFEISEN BANK INTERNATIONAL AG acted as arrangers for the Schuldschein loan agreements. EPIF will use the proceeds from the Schuldschein loan agreements for its general corporate purposes.

On 21 May 2019, EP Infrastructure, a.s. ("EPIF") signed a new EUR 265 million term facilities agreement. The facilities are unsecured and rank pari passu with other financial indebtedness of EPIF and have a six and seven-year term. Bank of China (Hungary) Close Ltd., acting through Bank of China (Hungary) Close Ltd., Prague branch, odštěpný závod, Komerční banka, a.s., SMBC Bank EU AG, and UniCredit Bank Czech Republic and Slovakia, a.s. acted as mandated lead arrangers and bookrunners, with UniCredit Bank AG, London Branch acting as Agent. EPIF intends to use the proceeds of the new facilities to refinance the bonds issued by EP Energy, a.s. that mature in the fourth quarter of 2019 (the "2019 EPE Bonds").

### Energetický a průmyslový holding, a.s.

#### *Private placement*

On 8 March 2019, Energetický a průmyslový holding, a.s. ("EPH") issued 1-Year Fixed Rate Private Placement Bonds due 8 March 2020 in the total nominal volume of EUR 61,897,934 (the "Issue"). EPH has used the proceeds of the Issue for general corporate purposes.

On 28 June 2019, Energetický a průmyslový holding, a.s. ("EPH") issued 1-Year Fixed Rate Private Placement Bonds due 28 June 2020 in the total nominal volume of EUR 18,175,576 (the "Issue"). EPH has used the proceeds of the Issue for general corporate purposes.

### EP Produzione S.P.A.

In first quarter of 2019, EP Produzione S.P.A. utilized term loans in total amount of EUR 100 million based on Facilities Agreements dated 28 January 2019 and 5 February 2019.

### EP New Energy Italia S.R.L.

On 30 May 2019, EP New Energy Italia S.R.L. entered into a refinancing Facilities Agreement and during the first half of 2019 utilised term loans in the total amount of EUR 119 million.

## 31. Provisions

| *In millions of EUR* | **Employee benefits** | **Provision for emission rights** | **Onerous contracts** | **Provision for lawsuits and litigations** | **Provision for restoration and decommissioning[3]** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2019** | **128** | **248** | **11** | **17** | **892** | **46** | **1,342** |
| Provisions made during the period | 14 | 170 | - | 2 | 10 | 7 | **203** |
| Provisions used during the period | (20) | (249) | - | - | (14) | (3) | **(286)** |
| Provisions reversed during the period | - | - | (1) | - | - | (16) | **(17)** |
| Acquisitions through business combinations[1] | 8 | 8 | 109 | - | 2 | 2 | **129** |
| Unwinding of discount[2] | - | - | - | - | 6 | - | **6** |
| Effects of movements in foreign exchange rate | (1) | 1 | - | - | 1 | - | **1** |
| **Balance at 30 June 2019** | **129** | **178** | **119** | **19** | **897** | **36** | **1,378** |
| | | | | | | | |
| *Non-current* | *101* | *-* | *100* | *1* | *844* | *24* | ***1,070*** |
| *Current* | *28* | *178* | *19* | *18* | *53* | *12* | ***308*** |

*(1) The purchase of EP Kilroot Limited and EP Ballylumford Limited.*
*(2) Unwinding of discount is included in interest expense.*
*(3) As at 30 June 2019, the balance in amount of EUR 422 million represents mining related provisions recorded by JTSD - Braunkohlebergbau GmbH and Helmstedter Revier GmbH. Remaining balance of EUR 475 million represents other decommissioning provisions.*

| *In millions of EUR* | **Employee benefits** | **Provision for emission rights** | **Onerous contracts** | **Provision for lawsuits and litigations** | **Provision for restoration and decommissioning[2]** | **Other** | **Total** |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2018** | **142** | **120** | **33** | **20** | **833** | **25** | **1,173** |
| Provisions made during the period | 17 | 79 | - | - | 8 | 3 | **107** |
| Provisions used during the period | (22) | (117) | - | - | (14) | (3) | **(156)** |
| Provisions reversed during the period | - | - | - | (2) | - | (5) | **(7)** |
| Unwinding of discount[1] | - | - | - | - | 5 | - | **5** |
| Effects of movements in foreign exchange rate | (1) | (1) | - | - | 1 | (1) | **(2)** |
| **Balance at 30 June 2018** | **136** | **81** | **33** | **18** | **833** | **19** | **1,120** |
| | | | | | | | |
| *Non-current* | *104* | *-* | *33* | *-* | *781* | *2* | ***920*** |
| *Current* | *32* | *81* | *-* | *18* | *52* | *17* | ***200*** |

*(1) Unwinding of discount is included in interest expense.*

*(2) As at 30 June 2018, the balance in amount of EUR 393 million represents mining related provisions recorded by JTSD - Braunkohlebergbau GmbH and Helmstedter Revier GmbH. Remaining balance of EUR 440 million represents other decommissioning provisions.*

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 judgement.

**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 129 million (31 December 2018: EUR 128 million) was recorded by Mitteldeutsche Braunkohlengesellschaft GmbH, Helmstedter Revier GmbH, Kraftwerk Mehrum GmbH, Eggborough Power Limited, Stredoslovenská distribučná, a.s., SPP – distribúcia, a.s., NAFTA a.s., NAFTA Germany GmbH, eustream, a.s., Stredoslovenská energetika Holding, a.s., EP Produzione S.P.A., Fiume Santo S.P.A., EP Produzione Centrale Livorno Ferraris S.P.A., Elektrárny Opatovice, a.s., Pražská teplárenská, a.s., PT Měření, a.s., Mining Services and Engineering Sp. z o.o., JTSD Braunkohlebergbau GmbH, Fusine Energia S.r.l, Bullylumford Limited and United Energy, a.s.

**Provision for emission rights**

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of $CO_2$ emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

**Provision for lawsuits**

A provision of EUR 17 million was recorded by JTSD - Braunkohlebergbau GmbH (31 December 2018: EUR 16 million).

For more details refer to Note 38 – Litigations and claims.

As disclosed in Note 38 – Litigations and claims, there are other legal proceedings in which the Group is involved and for which the possibility of an outflow of resources was assessed as remote as at the date of the preparation of these consolidated financial statements, and therefore no provision was recorded as at 30 June 2019 and 31 December 2018.

**Provision for restoration and decommissioning**

The provision of EUR 897 million (31 December 2018: EUR 892 million) was primarily recorded by JTSD - Braunkohlebergbau GmbH (EUR 324 million; 31 December 2018: EUR 332 million), EP Produzione S.P.A. (EUR 123 million; 31 December 2018: EUR 118 million), Helmstedter Revier GmbH (EUR 98 million; 31 December 2018: EUR 117 million), NAFTA a.s. (EUR 97 million; 31 December 2018: EUR 96 million), Fiume Santo S.P.A. (EUR 88 million; 31 December 2018: EUR 84 million), NAFTA Germany GmbH (EUR 69 million; 31 December 2018: EUR 69 million), Eggborough Power Limited (EUR 14 million; 31 December 2018: EUR 14 million), Kraftwerk Mehrum GmbH (EUR 17 million, 31 December 2018: EUR 17 million), POZAGAS a.s. (EUR 9 million, 31 December 2018: EUR 9 million) eustream, a.s. (EUR 8 million; 31 December 2018: EUR 8 million) and Lynemouth Power Limited (EUR 11 million; 31 December 2018: EUR 11 million).

## 32. Deferred income

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Government grants | 104 | 98 |
| Other deferred income | 26 | 24 |
| **Total** | **130** | **122** |
| | | |
| Non-current | 107 | 112 |
| Current | 23 | 10 |
| **Total** | **130** | **122** |

Balance of government grants in amount of EUR 104 million (31 December 2018: EUR 98 million) is mainly represented by Elektrárny Opatovice, a.s. of EUR 25 million (31 December 2018: EUR 22 million), Alternative Energy, s.r.o. of EUR 4 million (31 December 2018: EUR 4 million), eustream, a.s. of EUR 62 million (31 December 2018: EUR 62 million), United Energy a.s. of EUR 7 million (31 December 2018: EUR 6 million), Plzeňská teplárenská, a.s. of EUR 3 million (31 December 2018: EUR 0 million) and Budapesti Erőmű Zrt. of EUR 2 million (31 December 2018: EUR 0 million). Elektrárny Opatovice, a.s. and Alternative Energy, s.r.o. were provided with government grants to reduce emission pollutions and to build biogas facility. This deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets constructed and is recognised as other operating income.

Balance of government grants recognised by eustream, a.s. includes the grants allocated by the European Commission for various business projects.

Balance of other deferred income in amount of EUR 26 million (31 December 2018: EUR 24 million) consists mainly of deferred income recognised by EP Cargo a.s. in the amount of EUR 13 million (31 December 2018: EUR 14 million) which represents compensation raised from a business partner from an unrealized business case. The compensation covers capitalized additional investment costs and expected losses from a previously concluded rent contract. Because the losses from the rent contract occur over duration of the contract and because the capitalized costs are depreciated over time, the compensation is also recognised in revenues over time.

# 33. Financial instruments

## Financial instruments and other financial assets

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| **Assets carried at amortised cost** | | |
| Loans to other than credit institutions(1) | 765 | 391 |
| Other short-term deposits | 1 | 1 |
| Impairment of loans to other than credit institutions | (93) | (92) |
| **Total** | **673** | **300** |
| | | |
| **Assets carried at fair value** | | |
| **Hedging:** *of which* | 84 | 37 |
| *Commodity derivatives cash flow hedge(2)* | *49* | *33* |
| *Currency forwards cash flow hedge* | *35* | - |
| *Other derivatives fair value hedge* | - | *4* |
| **Risk management purpose:** *of which* | 130 | 106 |
| *Commodity derivatives reported as trading* | *127* | *104* |
| *Currency forwards reported as trading* | *3* | *2* |
| **Equity instruments at fair value through PL:** *of which* | - | 48 |
| *Shares at fair value through PL* | - | *48* |
| **Equity instruments at fair value through OCI:** *of which* | 24 | 23 |
| *Shares and interim certificates at fair value through OCI* | *24* | *23* |
| **Total** | **238** | **214** |
| | | |
| Non-current | 165 | 149 |
| Current | 746 | 365 |
| **Total** | **911** | **514** |

*(1) As at 30 June 2019 EPH Group reported a financial receivable against Slovenský plynárenský priemysel, a.s. ("SPP") (51% shareholder of SPP Infrastructure, a.s.) of EUR 124 million which will be settled with dividends in the second half of 2019.*

*(2) Commodity derivatives designated as cash flow hedges primarily relate to forwards for sale/purchase of electricity which EP ENERGY TRADING, a.s. used to hedge the cash flows related to purchase/sale of electricity utilised for electricity supply to final customers. The effectiveness of the hedging relationship is typically assessed by comparison of hedged volume to actual volumes sourced or delivered.*
*Additionally, eustream, a.s. is active in hedging cash inflows predominantly from gas-in-kind received from shippers. eustream, a.s. regularly performs estimations of the surplus of natural gas from received gas-in-kind and enters into short and mid-term commodity swaps in order to hedge its natural gas selling prices.*

## Financial instruments and other financial liabilities

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| **Liabilities carried at amortised cost** | | |
| Issued bills of exchange at amortised costs | 110 | 83 |
| **Total** | **110** | **83** |
| | | |
| **Liabilities carried at fair value** | | |
| **Hedging:** *of which* | 217 | 138 |
| *Interest rate swaps cash flow hedge* | *180* | *82* |
| *Commodity derivatives cash flow hedge* | *26* | *43* |
| *Interest rate derivatives fair value hedge* | *9* | - |
| *Currency forwards cash flow hedge* | *2* | *13* |
| **Risk management purpose:** *of which* | 179 | 134 |
| *Commodity derivatives reported as trading* | *174* | *129* |
| *Interest rate swaps reported as trading* | *4* | *4* |
| *Currency forwards reported as trading* | *1* | *1* |
| **Total** | **396** | **272** |
| | | |
| Non-current | 237 | 154 |
| Current | 269 | 201 |
| **Total** | **506** | **355** |

As at 30 June 2019, the Group recorded a valuation allowance of EUR 1 million (31 December 2018: EUR 0 million) to loans provided to its associate Przedsiębiorstwo Górnicze SILESIA Sp. z o.o. ("PGS"). At the same time, the Group reported a valuation allowance of EUR 32 million (31 December 2018: EUR 32 million) to its financial investment in PGS (refer to Note 19 – Equity accounted investees). Valuation adjustments were recorded as a result of the impairment test carried out as at 31 December 2018. The results of the impairment tests reflect the current conditions on the Polish hard coal market.

Furthermore, as at 30 June 2019 the Group recorded as a result of the carried-out credit analysis a valuation allowance of EUR 88 million (31. December 2018: EUR 87 million) to loans provided to a third party as the Company has doubts about a borrower's ability to fully settle its debts. Increase of EUR 1 million in six-month period ended 30 June 2019 was caused by negative effect of changes in the FX rate.

Shares at fair value through profit or loss as at 31 December 2018 primarily represent shares of Uniper SE of EUR 32 million and 11% interest held in MÁTRAI ERŐMŰ ZRT. ÉVES BESZÁMOLÓ of EUR 10 million. These shares were sold during six-month period ended 30. June 2019.

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

| *In millions of EUR* | **30 June 2019 Nominal amount buy** | **30 June 2019 Nominal amount sell** | **30 June 2019 Positive fair value** | **30 June 2019 Negative fair value** |
|---|---|---|---|---|
| **Hedging:** *of which* | 3,261 | (3,279) | 84 | (217) |
| *Interest rate swaps cash flow hedge* | *2,402* | *(2,402)* | - | *(180)* |
| *Commodity derivatives cash flow hedge* | *433* | *(447)* | *49* | *(26)* |
| *Currency forwards cash flow hedge* | *302* | *(306)* | *35* | *(2)* |
| *Interest rate derivatives fair value hedge* | *124* | *(124)* | - | *(9)* |
| **Risk management purpose:** *of which* | 4,207 | (4,229) | 130 | (179) |
| *Commodity derivatives reported as trading* | *3,015* | *(3,046)* | *127* | *(174)* |
| *Currency forwards reported as trading* | *788* | *(779)* | *3* | *(1)* |
| *Interest rate swaps reported as trading* | *404* | *(404)* | - | *(4)* |
| **Total** | **7,468** | **(7,508)** | **214** | **(396)** |

| *In millions of EUR* | **31 December 2018 Nominal amount buy** | **31 December 2018 Nominal amount sell** | **31 December 2018 Positive fair value** | **31 December 2018 Negative fair value** |
|---|---|---|---|---|
| **Hedging:** *of which* | 3,204 | (3,202) | 37 | 138 |
| *Interest rate swaps cash flow hedge* | *2,388* | *(2,388)* | - | *82* |
| *Commodity derivatives cash flow hedge* | *564* | *(562)* | *33* | *43* |
| *Currency forwards cash flow hedge* | *155* | *(155)* | - | *13* |
| *Other derivatives fair value hedge* | *97* | *(97)* | *4* | - |
| **Risk management purpose:** *of which* | 2,983 | (2,994) | 106 | 134 |
| *Commodity derivatives reported as trading* | *1,683* | *(1,695)* | *104* | *129* |
| *Currency forwards reported as trading* | *900* | *(899)* | *2* | *1* |
| *Interest rate swaps reported as trading* | *400* | *(400)* | - | *4* |
| **Total** | **6,187** | **(6,196)** | **143** | **272** |

Commodity derivatives are recognised in respect of contracts for purchase and sale of electricity, which are denominated in CZK and EUR where the contractual condition of derivatives does not meet the "own use exemption" as noted in IFRS 9.2.4.

### Fair value hierarchy for financial instruments carried at fair value

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

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

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

| | 30 June 2019 | | | |
|---|---|---|---|---|
| *In millions of EUR* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 84 | - | **84** |
| *Commodity derivatives cash flow hedge* | - | *49* | - | ***49*** |
| *Currency forwards cash flow hedge* | - | *35* | - | ***35*** |
| **Risk management purpose:** *of which* | - | 130 | - | **130** |
| *Commodity derivatives reported as trading* | - | *127* | - | ***127*** |
| *Currency forwards reported as trading* | - | *3* | - | ***3*** |
| **Equity instruments at fair value through OCI:** *of which* | - | - | 24 | **24** |
| *Shares and interim certificates at fair value through OCI* | - | - | *24* | ***24*** |
| **Total** | **-** | **214** | **24** | **238** |
| | | | | |
| **Financial liabilities carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 217 | - | **217** |
| *Interest rate swaps cash flow hedge* | - | *180* | - | ***180*** |
| *Commodity derivatives cash flow hedge* | - | *26* | - | ***26*** |
| *Interest rate derivatives fair value hedge* | - | *9* | - | ***9*** |
| *Currency forwards cash flow hedge* | - | *2* | - | ***2*** |
| **Risk management purpose:** *of which* | - | 179 | - | **179** |
| *Commodity derivatives reported as trading* | - | *174* | - | ***174*** |
| *Interest rate swaps reported as trading* | - | *4* | - | ***4*** |
| *Currency forwards reported as trading* | - | *1* | - | ***1*** |
| **Total** | **-** | **396** | **-** | **396** |

| | 31 December 2018 | | | |
|---|---|---|---|---|
| *In millions of EUR* | **Level 1** | **Level 2** | **Level 3** | **Total** |
| **Financial assets carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 37 | - | **37** |
| *Commodity derivatives cash flow hedge* | - | *33* | - | ***33*** |
| *Other derivatives fair value hedge* | - | *4* | - | ***4*** |
| **Risk management purpose:** *of which* | - | 106 | - | **106** |
| *Commodity derivatives reported as trading* | - | *104* | - | ***104*** |
| *Currency forwards reported as trading* | - | *2* | - | ***2*** |
| **Equity instruments at fair value through PL:** | | | | |
| *of which* | 38 | - | 10 | **48** |
| *Shares at fair value through PL* | *38* | - | *10* | ***48*** |
| **Equity instruments at fair value through OCI:** | | | | |
| *of which* | - | - | 23 | **23** |
| *Shares and interim certificates at fair value through OCI* | - | - | *23* | ***23*** |
| **Total** | **38** | **143** | **33** | **214** |
| | | | | |
| **Financial liabilities carried at fair value:** | | | | |
| **Hedging:** *of which* | - | 138 | - | **138** |
| *Interest rate swaps cash flow hedge* | - | *82* | - | ***82*** |
| *Commodity derivatives cash flow hedge* | - | *43* | - | ***43*** |
| *Currency forwards cash flow hedge* | - | *13* | | ***13*** |
| **Risk management purpose:** *of which* | - | 134 | - | **134** |
| *Commodity derivatives reported as trading* | - | *129* | - | ***129*** |
| *Interest rate swaps reported as trading* | - | *4* | - | ***4*** |
| *Currency forwards reported as trading* | - | *1* | - | ***1*** |
| **Total** | **-** | **272** | **-** | **272** |

There were no transfers between fair value levels as of either 30 June 2019 or 31 December 2018.

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

| *In millions of EUR* | **Carrying value 30 June 2019** | **Fair value 30 June 2019** |
|---|---|---|
| **Financial assets** | | |
| Loans to other than credit institutions | (1)672 | 774 |
| Other short-term deposits | 1 | 1 |
| **Total** | **673** | **775** |
| | | |
| **Financial liabilities** | | |
| Issued bills of exchange at amortised costs | 110 | 102 |
| **Total** | **110** | **102** |

| *In millions of EUR* | **Carrying value 31 December 2018** | **Fair value 31 December 2018** |
|---|---|---|
| **Financial assets** | | |
| Loans to other than credit institutions | (1)299 | 331 |
| Other short-term deposits | 1 | 1 |
| **Total** | **300** | **332** |
| | | |
| **Financial liabilities** | | |
| Issued bills of exchange at amortised costs | 83 | 77 |
| **Total** | **83** | **77** |

*(1) Loans to other than credit institutions are stated net of impairment.*

## 34. Trade payables and other liabilities

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Trade payables | 524 | 585 |
| Accrued expenses | 156 | 111 |
| Estimated payables | 88 | 93 |
| Payroll liabilities | 55 | 72 |
| Other tax liabilities | 45 | 42 |
| Other contingent consideration(1) | 41 | 41 |
| Uninvoiced supplies | 31 | 40 |
| Advance payments received | 15 | 87 |
| Liabilities to partners and associations | 15 | 32 |
| Other liabilities | 97 | 126 |
| **Total** | **1,067** | **1,229** |
| | | |
| *Non-current* | 71 | 149 |
| *Current* | 996 | 1,080 |
| **Total** | **1,067** | **1,229** |

*(1) In 2016, the EPH Group acquired 33% share in SPH Group. In addition to the purchase price paid upon closing of the first stage of the transaction, remaining part of the purchase price will be subject to a price adjustment mechanism. As at 30 June 2019, EPH Group recognised a liability of EUR 41 million as an estimate of probable future payment (31 December 2018: EUR 41 million).*

Trade payables and other liabilities have not been secured as at 30 June 2019 or as at 31 December 2018.

## 35. Financial commitments and contingencies

### Off balance sheet liabilities

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Granted pledges – securities | 1,001 | 995 |
| Commitments | 874 | 683 |
| Guarantees given(1) | 93 | 104 |
| Other granted pledges | 2,012 | 1,942 |
| **Total** | **3,980** | **3,724** |

*(1) Total balance of guarantees given includes also guarantees for loans given by the Company where debtors are individual companies within the Group.*

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

### Guarantees given

Guarantees given include mainly guarantees in the amount of EUR 93 million (31 December 2018: EUR 103 million) used as collateral for external financing.

### Commitments

In 2018, Mitteldeutsche Braunkohlengesellschaft mbH (“MIBRAG”) concluded agreements with Saxony’s Upper Mining Authority (“SOBA”) and Saxony-Anhalt’s State Office of Geology and Mining (“LAGB”), to ensure that the expenses for restoring open-cast mines are covered. The concluded agreements provide for the establishment of a special fund designed to financially shore up future liquidity requirements, which is to be set up successively by transferring certain assets to developed companies by MIBRAG and by reinvesting the assets within the fund. The special fund including the income generated by this fund will be pledged “insolvency-proof” as security to the States of Saxony and Saxony-Anhalt. A total of EUR 358 million is to be accrued by the special purpose vehicles by 2034 (Profen) and 2037 (Schleenhain). Subsequently, the accrued funds will be continuously reduced as the rehabilitation obligations are successively met. EPH Group considers concluding the agreement to be an important and favourable step because from the perspective of Group cash-flow management it enables to accrue the total amount over time (not as a lump sum) until 2034 and 2037 respectively.

Majority of remaining commitments is represented by contracts to purchase physical energy in following years by SSE Group in amount of EUR 292 million (31 December 2018: EUR 236 million), where physical delivery of the energy will be realised in future. Contracts for purchase of non-current assets of EUR 40 million (31 December 2018: EUR 19 million) are recognised by SSE Group, EUR 82 million by eustream, a.s., EUR 52 million by EP UK Investments Limited and EUR 9 million recognized by SPP – distribúcia, a.s. (31 December 2018: EUR 20 million related to contracts for purchase of non-current assets and EUR 39 million represented by contracts for future purchase of emission rights). Remaining EUR 41 million (31 December 2018: EUR 30 million) arise from different type of service contracts.

### Other granted pledges

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Property, plant and equipment | 1,268 | 1,292 |
| Cash and cash equivalents(1) | 285 | 201 |
| Loans granted(2) | 256 | 255 |
| Trade receivables | 147 | 142 |
| Inventories | 56 | 52 |
| **Total** | **2,012** | **1,942** |

*(1) According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case EPE defaults on bonds payments. As such, the pledged cash is readily available to the Group and does not represent restricted cash.*
*Pledged cash and cash equivalents include pledged restricted cash of EUR 20 million (31 December 2018: EUR 21 million).*
*(2) Total balance of pledged granted loans includes intercompany loans of EUR 249 million (31 December 2018: EUR 249 million), which are eliminated in these consolidated financial statements.*

As at 30 June 2019 and 31 December 2018 other granted pledges include net book value of property, plant and equipment, cash and cash equivalents, trade receivables and inventories pledged by EP SHB Limited, EP Langage Limited, Lynemouth Power Limited and EP UK Finance Limited. Total value of assets pledged by each of these companies is limited by value of net assets less loan payable to EP UK Finance Limited.

### Off balance sheet assets

| *In millions of EUR* | **30 June 2019** | **31 December 2018** |
|---|---|---|
| Received promises | 417 | 357 |
| Other received guarantees and warranties | 114 | 116 |
| **Total** | **531** | **473** |

### Received promises

Received promises mainly comprise the contracts for the future purchase of energy in amount of EUR 296 million (31 December 2018: EUR 218 million) and regulatory contingent assets related to green energy of EUR 117 million (31 December 2018: EUR 139 million) recognised by SSE Group.

*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 primary legislation and to purchase the green electricity generated by them, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the System Operation Tariff (“SOT”). For the six-month period ended 30 June 2019 SSE recognised a loss of EUR 47 million (for the six-months period ended 30 June 2018: a loss of EUR 76 million) as the difference between the green energy support costs and revenues from SOT in the period from 1 January 2019 to 30 June 2019. The loss includes revenues adjusted for compensation for past losses, which was recognised as an accrued income as at 31 December 2018 (for 2018 revenues as at 31 December 2017). Total effect on Profit from operations due from the aforementioned timing imbalance is a profit of EUR 22 million for the six-month period ended 30 June 2019 (a loss of EUR 27 million for the six-month period ended 30 June 2018).

Based on the current Regulatory Framework the cumulated losses incurred in 2017 and 2018 will be compensated in two years’ time, i.e. in 2019 and 2020 through an increase of revenues from SOT. Contingent asset as at 30 June 2019 comprises 6/12 of 2018 loss totalling EUR 139 million (i.e. EUR

69 million) and EUR 47 million as a loss incurred in six-month period ended 30 June 2019 (contingent assets as at 31 December 2018 amounted to EUR 139 million).

Based on the RONI decision dated in December 2018 the resulting contingent asset of EUR 97 million originating in the year 2017 was recognized as accrued income in the consolidated statement of financial position as of 31 December 2018 and will be fully collected in the course of 2019 (31 December 2017: EUR 138 million originating in the year 2016 was recognized as accrued income in the consolidated statement of financial position as of 31 December 2017 and was fully collected in the course of 2018). The loss for 2019 has not yet been recognized as the asset does not yet meet the recognition criteria set by IFRS as adopted by the EU and will be recognised during the course of 2020 once a RONI confirmation on the exact amount shall be received.

In the middle of August 2018, Slovak government approved the legal act relating to SOT (amendment to the Slovak Renewable Energy Sources Act) drafted by Slovak Ministry of economy („ME"). Parliament approved the change later in 2018 and in November 2018 the final version of legal act relating to SOT was published in the Official Journal.

Primarily, the legal act transfers SOT clearing duty from the distribution companies to a state-owned company, in this case OKTE a.s., from 1 January 2020. Following the current legislation, from the accounting and cash flow perspective, the Group expects the SOT deficit to be fully recognised in statement of financial position in course of 2019 and 2020. Settlement of the receivable is to occur during the course of 2020 and 2021 at the latest.

**Other received guarantees and warranties**

Other received guarantees and warranties mainly consist of guarantees received from parent company of the customer to secure trade receivables in the amount of EUR 86 million (31 December 2018: EUR 77 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and guarantees received from banks of EUR 26 million (31 December 2018: EUR 26 million) recognised by NAFTA a.s.

## 36. 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 30 June 2019 and 31 December 2018 was as follows:

| *In millions of EUR* | **Accounts receivable and other financial assets 30 June 2019** | **Accounts payable and other financial liabilities 30 June 2019** | **Accounts receivable and other financial assets 31 December 2018** | **Accounts payable and other financial liabilities 31 December 2018** |
|---|---|---|---|---|
| Ultimate shareholders[1] | - | - | - | - |
| Companies controlled by ultimate shareholders | - | - | - | - |
| Associates and joint ventures | 256 | 99 | 189 | 103 |
| Key management personnel of the entity or its parent | - | - | - | - |
| Other related parties | - | - | - | - |
| **Total** | **256** | **99** | **189** | **103** |

*(1) Daniel Křetínský represents the ultimate shareholder.*

### (b) The summary of transactions with related parties during the period ended 30 June 2019 and 30 June 2018 was as follows:

| *In millions of EUR* | **Revenues 30 June 2019** | **Expenses 30 June 2019** | **Revenues 30 June 2018** | **Expenses 30 June 2018** |
|---|---|---|---|---|
| Ultimate shareholders[1] | - | - | - | - |
| Companies controlled by ultimate shareholders | - | - | 2 | 1 |
| Associates and joint ventures | 175 | 288 | 28 | 52 |
| Key management personnel of the entity or its parent | - | - | - | - |
| Other related parties | - | - | - | - |
| **Total** | **175** | **288** | **30** | **53** |

*(1) Daniel Křetínský represents the ultimate shareholder.*

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

### Transactions with the key management personnel

For the period ended 30 June 2019 and 2018 the EPH Group´s key management personnel is represented by members of the Board of Directors of the following major entities: EP Energy, a.s., EP Infrastructure, a.s., Stredoslovenská energetika, a.s., SPP Infrastructure, a.s., eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s., POZAGAS, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., United Energy, a.s., Plzeňská teplárenská, a.s., SPP Storage, s.r.o., EP ENERGY TRADING, a.s, EP Power Europe, a.s., Eggborough Power Limited, Lynemouth Power Limited, EP SHB Limited, EP Langage Limited, Energetický a průmyslový holding, a.s., EP Commodities, a.s., EP Produzione S.P.A. Group, EPNEI Group, EP Investment Advisors, s.r.o., JTSD - Braunkohlebergbau GmbH Group, EP Germany GmbH Group and Kraftwerk Mehrum GmbH.

Total compensation and related social and health insurance charges incurred by the respective entities were as follows:

| *In millions of EUR* | **30 June 2019** | **30 June 2018** |
|---|---|---|
| Nr. of personnel | 89 | 89 |
| Compensation, fees and rewards | 5 | 5 |
| Compulsory social security contributions | 1 | 1 |
| **Total** | **6** | **6** |

Other remuneration of Group management (management of all components within the Group) is included in Note 9 – Personnel expenses.

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

## 37. Group entities

The list of the Group entities as at 30 June 2019 and 31 December 2018 is set out below:

| | | 30 June 2019 | | 31 December 2018 | | 30 June 2019 | 31 December 2018 |
|---|---|---|---|---|---|---|---|
| | **Country of incorporation** | **Ownership %** | **Ownership interest** | **Ownership %** | **Ownership interest** | **Consolidation method** | **Consolidation method** |
| Energetický a průmyslový holding, a.s. | Czech Republic | - | - | - | - | - | - |
| EP Power Europe, a.s. * | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EPPE Germany, a.s. * | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Lausitz Energie Kraftwerke AG | Germany | 10 | Direct | 10 | Direct | Equity | Equity |
| Lausitz Energie Bergbau AG | Germany | 10 | Direct | 10 | Direct | Equity | Equity |
| LEAG Holding, a.s. * | Czech Republic | 50 | Direct | 50 | Direct | Equity | Equity |
| Lausitz Energie Verwaltungs GmbH | Germany | 100 | Direct | 100 | Direct | Equity | Equity |
| Lausitz Energie Kraftwerke AG | Germany | 80 | Direct | 80 | Direct | Equity | Equity |
| Kraftwerk Schwarze Pumpe GmbH | Germany | 100 | Direct | 100 | Direct | Equity | Equity |
| Lausitz Energie Bergbau AG | Germany | 80 | Direct | 80 | Direct | Equity | Equity |
| GMB GmbH | Germany | 100 | Direct | 100 | Direct | Equity | Equity |
| Transport- und Speditionsgesellschaft Schwarze Pumpe mbH | Germany | 100 | Direct | 100 | Direct | Equity | Equity |
| Lausitz Energie Erneurbare Verwaltungs GmbH | Germany | 100 | Direct | 100 | Direct | Equity | Equity |
| EP New Energies GmbH | Germany | 100 | Direct | - | - | Full | - |
| EP Mehrum GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Kraftwerk Mehrum GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| JTSD - Braunkohlebergbau GmbH | Germany | 90 | Direct | 90 | Direct | Full | Full |
| Mitteldeutsche Braunkohlengesellschaft mbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| MIBRAG Consulting International GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| GALA-MIBRAG-Service GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH | Germany | 50 | Direct | 50 | Direct | Equity | Equity |
| Fernwärme GmbH Hohenmölsen - Webau | Germany | 48.96 | Direct | 48.96 | Direct | Equity | Equity |
| Ingenieurbüro für Grundwasser GmbH | Germany | 25 | Direct | 25 | Direct | Equity | Equity |
| Bohr & Brunnenbau GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Helmstedter Revier GmbH (Buschhaus) | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH (NORGAM mbH ) | Germany | 51 | Direct | 51 | Direct | Full | Full |
| Terrakomp GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| MIBRAG Neue Energie GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| EP Germany GmbH * | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Saale Energie GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Kraftwerk Schkopau GbR | Germany | 41.90 | Direct | 41.90 | Direct | Equity | Equity |
| Kraftwerk Schkopau Betriebsgesellschaft mbH | Germany | 44.40 | Direct | 44.40 | Direct | Equity | Equity |
| EP UK Investments Limited | United Kingdom | 100 | Direct | 100 | Direct | Full | Full |
| Eggborough Power Limited | United Kingdom | 100 | Direct | 100 | Direct | Full | Full |
| Lynemouth Power Limited | United Kingdom | 100 | Direct | 100 | Direct | Full | Full |
| EP UK Power Development Ltd(1) | United Kingdom | 100 | Direct | 100 | Direct | Full | Full |
| EP SHB Limited | United Kingdom | 100 | Direct | 100 | Direct | Full | Full |
| Humberland Limited(1) | United Kingdom | 100 | Direct | 100 | Direct | At cost | At cost |
| EP Langage Limited | United Kingdom | 100 | Direct | 100 | Direct | Full | Full |
| EP Ballylumford Limited | United Kingdom | 100 | Direct | - | - | Full | - |
| EP Kilroot Limited | United Kingdom | 100 | Direct | - | - | Full | - |
| RVA Group Limited(1) | United Kingdom | 100 | Direct | 100 | Direct | At cost | At cost |
| RVA Consulting Engineers Limited(1) | United Kingdom | 100 | Direct | 100 | Direct | At cost | At cost |
| RVA GmbH | Germany | 100 | Direct | - | - | At cost | - |
| RVA Engineering Solutions Limited(1) | United Kingdom | 100 | Direct | 100 | Direct | At cost | At cost |
| EP UK Finance Limited | United Kingdom | 100 | Direct | 100 | Direct | Full | Full |
| Energy Scanner Limited *(1) | United Kingdom | - | - | 100 | Direct | - | Full |

| | | 30 June 2019 | | 31 December 2018 | | 30 June 2019 | 31 December 2018 |
|---|---|---|---|---|---|---|---|
| | Country of incorporation | Ownership % | Ownership interest | Ownership % | Ownership interest | Consolidation method | Consolidation method |
| EP INVEST LIMITED[(1)] | United Kingdom | 100 | Direct | 100 | Direct | Full | Full |
| EP Commodities, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EPPE Italy N.V. | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| EP Produzione S.P.A. | Italy | 100 | Direct | 100 | Direct | Full | Full |
| Fiume Santo S.P.A. | Italy | 100 | Direct | 100 | Direct | Full | Full |
| EP Produzione Centrale Livorno Ferraris S.P.A. | Italy | 75 | Direct | 75 | Direct | Full | Full |
| Centro Energia Ferrara S.R.L. | Italy | 100 | Direct | 58.35 | Direct | Full | Full |
| Centro Energia Teverola S.R.L. | Italy | 100 | Direct | 58.35 | Direct | Full | Full |
| Ergosud S.P.A. | Italy | 50 | Direct | 50 | Direct | Equity | Equity |
| NADURENE a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP New Energy Italia S.R.L. | Italy | 100 | Direct | 100 | Direct | Full | Full |
| Fusine Energia S.R.L. | Italy | 100 | Direct | - | - | Full | - |
| Biomasse Crotone S.P.A. | Italy | 100 | Direct | 100 | Direct | Full | Full |
| Biomasse Italia S.P.A. | Italy | 100 | Direct | 100 | Direct | Full | Full |
| Fores Italia S.R.l. | Italy | 50 | Direct | 50 | Direct | At cost | At cost |
| Biomasse Servizi S.R.L. | Italy | 100 | Direct | 100 | Direct | Full | Full |
| EP Yuzivska B.V. | Netherlands | 100 | Direct | 100 | Direct | At cost | At cost |
| EP Sophievska B.V. | Netherlands | 90 | Direct | - | - | At cost | - |
| RUBY Equity Investments S.à r.l. | Luxembourg | 100 | Direct | 100 | Direct | Full | Full |
| EP Hagibor, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| CR-EP s.r.o. | Czech Republic | 50 | Direct | 50 | Direct | At cost | At cost |
| HG1 s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | At cost | At cost |
| HG5 s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | At cost | At cost |
| EP Fleet, k.s. | Czech Republic | 0.10 | Direct | 0.10 | Direct | Full | Full |
| EP Investment Advisors, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Fleet, k.s. | Czech Republic | 99.80 | Direct | 99.80 | Direct | Full | Full |
| EP Auto, s.r.o. * | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Fleet, k.s. | Czech Republic | 0.10 | Direct | 0.10 | Direct | Full | Full |
| WOOGEL LIMITED * | Cyprus | 25 | Direct | 25 | Direct | Full | Full |
| MINING SERVICES AND ENGINEERING Sp. z o.o. | Poland | 100 | Direct | 100 | Direct | Full | Full |
| Przedsiebiorstwo Górnicze SILESIA Sp. z o.o. | Poland | 38.93 | Direct | 38.93 | Direct | Equity | Equity |
| SEDILAS ENTERPRISES LIMITED | Cyprus | 100 | Direct | 100 | Direct | Full | Full |
| EPH Financing SK, a.s. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| EPH Financing CZ, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Coal Trading, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EOP & HOKA s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| SAJDOK a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EOP HOKA SK, s.r.o. | Slovakia | 50 | Direct | 50 | Direct | Full | Full |
| EOP HOKA POLSKA SPOŁKA Z OGRANICZONA ODPOWIEDZIALNOSCIA | Poland | 100 | Direct | 100 | Direct | Full | Full |
| EOP HOKA SK, s.r.o. | Slovakia | 50 | Direct | 50 | Direct | Full | Full |
| EP COAL TRADING POLSKA S.A. | Poland | 100 | Direct | 100 | Direct | Full | Full |
| EP Slovakia B.V. * | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| Slovak Power Holding B.V. * | Netherlands | 50 | Direct | 50 | Direct | Equity | Equity |
| Slovenské elektrárne, a.s. | Slovakia | 66 | Direct | 66 | Direct | Equity | Equity |
| Centrum pre vedu a výskum, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Equity | Equity |
| Ochrana a bezpečnosť SE, a.s. | Slovakia | 100 | Direct | 100 | Direct | Equity | Equity |
| Slovenské elektrárne – energetické služby, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Equity | Equity |
| Slovenské elektrárne Česká republika, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Equity | Equity |
| SE Služby inžinierskych stavieb, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Equity | Equity |
| REAKTORTEST, s.r.o. | Slovakia | 49 | Direct | 49 | Direct | Equity | Equity |
| ÚJV Řež, a.s. | Czech Republic | 27.80 | Direct | 27.80 | Direct | Equity | Equity |

| | | 30 June 2019 | | 31 December 2018 | | 30 June 2019 | 31 December 2018 |
|---|---|---|---|---|---|---|---|
| | Country of incorporation | Ownership % | Ownership interest | Ownership % | Ownership interest | Consolidation method | Consolidation method |
| Energotel, a.s. | Slovakia | 20 | Direct | 20 | Direct | Equity | Equity |
| Nadácia EPH | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| ADCONCRETUM REAL ESTATE DOO BEOGRAD-STARI GRAD | Serbia | 100 | Direct | 100 | Direct | Full | Full |
| PGP Terminal, a.s. * | Czech Republic | - | - | 60 | Direct | - | Full |
| PLAZMA LIPTOV, a.s. | Slovakia | - | - | 50 | Direct | - | At cost |
| EP Logistics International, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| LokoTrain s.r.o. | Czech Republic | 65 | Direct | 65 | Direct | Full | Full |
| EP Cargo Deutschland GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| EP Merseburg Transport und Logistik GmbH | Germany | 51 | Direct | - | - | At cost | - |
| EP CARGO POLSKA S.A. | Poland | 100 | Direct | 100 | Direct | Full | Full |
| EP Cargo Invest, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Intermodal a.s. | Czech Republic | 100 | Direct | - | - | Full | - |
| SPEDICA GROUP COMPANIES, s.r.o. | Czech Republic | 67.33 | Direct | 67.33 | Direct | Full | Full |
| SPEDICA LOGISTIC, s.r.o. | Czech Republic | 67 | Direct | 67 | Direct | Full | Full |
| SGC-LOGISTIC GmbH | Germany | 100 | Direct | 100 | Direct | At cost | At cost |
| RAILSPED, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| RM LINES, a.s. | Czech Republic | 100 | Direct | 61.20 | Direct | Full | Full |
| SPEDICA, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| JTSD - Braunkohlebergbau GmbH | Germany | 10 | Direct | 10 | Direct | Full | Full |
| Mitteldeutsche Braunkohlengesellschaft mbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| MIBRAG Consulting International GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| GALA-MIBRAG-Service GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| MUEG Mitteldeutsche Umwelt- und Entsorgung GmbH | Germany | 50 | Direct | 50 | Direct | Equity | Equity |
| Fernwärme GmbH Hohenmölsen - Webau | Germany | 48.96 | Direct | 48.96 | Direct | Equity | Equity |
| Ingenieurbüro für Grundwasser GmbH | Germany | 25 | Direct | 25 | Direct | Equity | Equity |
| Bohr & Brunnenbau GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Helmstedter Revier GmbH (Buschhaus) | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Norddeutsche Geselschaft zur Ablagerung von Mineralstoffen mbH (NORGAM mbH ) | Germany | 51 | Direct | 51 | Direct | Full | Full |
| Terrakomp GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| MIBRAG Neue Energie GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| EP Germany GmbH * | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Saale Energie GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| Kraftwerk Schkopau GbR | Germany | 41.90 | Direct | 41.90 | Direct | Equity | Equity |
| Kraftwerk Schkopau Betriebsgesellschaft mbH | Germany | 44.40 | Direct | 44.40 | Direct | Equity | Equity |
| DCR INVESTMENT a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| ABS PROPERTY LIMITED | Ireland | 100 | Direct | 100 | Direct | Full | Full |
| SLUGGERIA a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Properties, a.s. | Czech Republic | - | - | 100 | Direct | Full | Full |
| EP Real Estate, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| RPC, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Nová Invalidovna, a.s. | Czech Republic | 100 | Direct | 100 | Direct | IFRS 5 | IFRS 5 |
| Nové Modřany, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| PT Properties I, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| PT Properties II, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| PT Properties III, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| PT Properties IV, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Kardašovská Properties a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Properties, a.s. | Czech Republic | 100 | Direct | - | - | Full | Full |
| EPIF Investments a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Infrastructure, a.s. * | Czech Republic | 69 | Direct | 69 | Direct | Full | Full |
| EP Energy, a.s. * | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |

| | | 30 June 2019 | | 31 December 2018 | | 30 June 2019 | 31 December 2018 |
|---|---|---|---|---|---|---|---|
| | Country of incorporation | Ownership % | Ownership interest | Ownership % | Ownership interest | Consolidation method | Consolidation method |
| AISE, s.r.o. | Czech Republic | 80 | Direct | 80 | Direct | Full | Full |
| Pražská teplárenská a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| PT Koncept, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| TERMONTA PRAHA a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| PT Transit, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Teplo Neratovice, spol. s r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Devátá energetická, s.r.o. | Czech Republic | 60.5 | Direct | - | - | At cost | - |
| PT měření, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| PT Holding Investment B.V. * | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| Pražská teplárenská Holding a.s. * | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| NPTH, a.s. * | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| United Energy, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EVO – Komořany, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Severočeská teplárenská, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| United Energy Moldova, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| United Energy Invest, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| GABIT spol. s r.o. | Czech Republic | 100 | Direct | 100 | Direct | At cost | At cost |
| EP Sourcing, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP ENERGY TRADING, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| VTE Moldava II, a.s. * | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| MR TRUST s.r.o.* | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| ARISUN, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| Greeninvest Energy, a.s. | Czech Republic | 41.70 | Direct | 41.70 | Direct | Equity | IFRS 5 |
| POWERSUN a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Triskata, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| VTE Pchery, s.r.o. | Czech Republic | 64 | Direct | 64 | Direct | Full | Full |
| CHIFFON ENTERPRISES LIMITED * | Cyprus | 100 | Direct | 100 | Direct | Full | Full |
| Claymore Equity, s.r.o. * | Slovakia | 80 | Direct | 80 | Direct | Full | Full |
| Alternative Energy, s.r.o. | Slovakia | 90 | Direct | 90 | Direct | Full | Full |
| Elektrárny Opatovice, a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| V A H O s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Stredoslovenská energetika Holding, a.s. | Slovakia | 49 | Direct | 49 | Direct | Full | Full |
| Stredoslovenská distribučná, a.s. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| Elektroenergetické montáže, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| SSE – Metrológia s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| Stredoslovenská energetika – Project Development, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| SSE–Solar, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| SPX, s.r.o. | Slovakia | 33.33 | Direct | 33.33 | Direct | Equity | Equity |
| Energotel, a.s. | Slovakia | 20 | Direct | 20 | Direct | Equity | Equity |
| SSE CZ, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| SPV100, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | At cost | At cost |
| SSE – MVE, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| Stredoslovenská energetika, a.s. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| EP ENERGY HR d.o.o. | Croatia | 100 | Direct | 100 | Direct | Full | Full |
| EP Cargo a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Budapesti Erömü Zrt. | Hungary | 95.62 | Direct | 95.62 | Direct | Full | Full |
| KÖBÁNYAHÖ Kft. | Hungary | 25 | Direct | 25 | Direct | At cost | At cost |
| ENERGZET SERVIS a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Plzeňská teplárenská, a.s. | Czech Republic | 35 | Direct | 35 | Direct | Full | Full |
| Plzeňská teplárenská, AUTODOPRAVA s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Plzeňská teplárenská SERVIS IN a.s. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| Czech Gas Holding Investment B.V.* | Netherlands | 100 | Direct | 100 | Direct | Full | Full |

| | | 30 June 2019 | | 31 December 2018 | | 30 June 2019 | 31 December 2018 |
|---|---|---|---|---|---|---|---|
| | **Country of incorporation** | **Ownership %** | **Ownership interest** | **Ownership %** | **Ownership interest** | **Consolidation method** | **Consolidation method** |
| NAFTA a.s. | Slovakia | 40.45 | Direct | 40.45 | Direct | Full | Full |
| Nafta Exploration s.r.o. v likvidácii | Slovakia | - | - | 100 | Direct | - | Full |
| Karotáž a cementace, s.r.o. | Czech Republic | 51 | Direct | 51 | Direct | At cost | At cost |
| POZAGAS a.s. | Slovakia | 65 | Direct | 65 | Direct | Full | Full |
| NAFTA Services, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Sophievska B.V. | Netherlands | 10 | Direct | - | - | At cost | - |
| NAFTA International B.V. * | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Germany GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Bavaria GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Speicher Management GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Speicher GmbH&Co. KG | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Speicher Inzenham GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA RV | Ukraine | 100 | Direct | 100 | Direct | Full | Full |
| CNG Holdings Netherlands B.V. | Netherlands | 50 | Direct | 50 | Direct | Equity | Equity |
| CNG LLC | Ukraine | 100 | Direct | 100 | Direct | Equity | Equity |
| EPH Gas Holding B.V. * | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| Seattle Holding B.V. * | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| Slovak Gas Holding B.V. * | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| SPP Infrastructure, a.s. | Slovakia | 49 | Direct | 49 | Direct | Full | Full |
| eustream, a.s. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| Central European Gas HUB AG | Austria | 15 | Direct | 15 | Direct | At cost | At cost |
| eastring B.V. | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| Plynárenská metrológia, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| SPP – distribúcia, a.s. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| SPP – distribúcia Servis, s.r.o. | Slovakia | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA a.s. | Slovakia | 56.15 | Direct | 56.15 | Direct | Full | Full |
| Nafta Exploration s.r.o. v likvidácii | Slovakia | - | - | 100 | Direct | - | Full |
| Karotáž a cementace, s.r.o. | Czech Republic | 51 | Direct | 51 | Direct | At cost | At cost |
| POZAGAS a.s. | Slovakia | 65 | Direct | 65 | Direct | Full | Full |
| NAFTA Services, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| EP Sophievska B.V. | Netherlands | 10 | Direct | - | - | At cost | - |
| NAFTA International B.V.* | Netherlands | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Germany GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Bavaria GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Speicher Management GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Speicher GmbH&Co. KG | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA Speicher Inzenham GmbH | Germany | 100 | Direct | 100 | Direct | Full | Full |
| NAFTA RV | Ukraine | 100 | Direct | 100 | Direct | Full | Full |
| CNG Holdings Netherlands B.V. | Netherlands | 50 | Direct | 50 | Direct | Equity | Equity |
| CNG LLC | Ukraine | 100 | Direct | 100 | Direct | Equity | Equity |
| GEOTERM KOŠICE, a.s. | Slovakia | 95.82 | Direct | 95.82 | Direct | Full | Full |
| SPP Storage, s.r.o. | Czech Republic | 100 | Direct | 100 | Direct | Full | Full |
| POZAGAS a.s. | Slovakia | 35 | Direct | 35 | Direct | Full | Equity |
| SLOVGEOTERM a.s. | Slovakia | 50 | Direct | 50 | Direct | Equity | Equity |
| GEOTERM KOŠICE, a.s. | Slovakia | 0.08 | Direct | 0.08 | Direct | Full | Full |
| GALANTATERM spol. s r.o. | Slovakia | 0.5 | Direct | 0.5 | Direct | At cost | At cost |
| GALANTATERM spol. s r.o. | Slovakia | 17.5 | Direct | 17.5 | Direct | At cost | At cost |
| SPP Infrastructure Financing B.V. | Netherlands | 100 | Direct | 100 | Direct | Full | Full |

* *Holding entity*

(1) *This company is exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts, by virtue of section 479A.*

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

## 38. Litigations and claims

### Elektrárny Opatovice, a.s.

Elektrárny 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 Elektrárny Opatovice, a.s. but instead by its former majority shareholder (International Holdings, B.V.), any resulting liability is thus expected to be the responsibility of the former shareholder.

### Stredoslovenská energetika Holding, a.s. Group (“SSE Group”)

The SSE Group is a party to various legal proceedings. As at 30 June 2019 no legal provisions were recorded. The 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.

### Regulatory proceedings by ERO against Pražská teplárenská (“PT”)

PT is involved in regulatory proceedings commenced in October 2015 by ERO claiming that prices charged to customers of PT’s local small-scale heating infrastructures in 2011 were in breach of the Czech Act on Prices. In March 2016, ERO issued a decision ordering PT to pay EUR 9 million (CZK 240 million) consisting of a penalty in the amount of EUR 4.5 million (CZK 120 million) and restitution to affected customers in the amount of EUR 4.5 million (CZK 120 million). PT appealed the decision on 24 March 2016 with supplemental information provided on 14 April 2016. On 7 July 2016 PT received a resolution from ERO by which the Chairman of ERO returned the case again to the first instance for a new hearing. In November 2016 PT received new decision which confirmed the result of the court of the first instance. PT appealed again and on 23 December 2016 ERO issued a decision changing the amount to be paid to EUR 8 million (CZK 222 million) consisting of a penalty in the amount of EUR 4 million (CZK 111 million) and restitution to affected customers in the amount of EUR 4 million (CZK 111 million). On 26 January 2017 PT filed an appeal on the decision and applied for suspensive effect. At the same time PT submitted a fine of EUR 4 million to the ERO’s account. On 23 February 2017 the regional court satisfied the request for a suspensive effect in full and on 28 April 2017 the ERU returned the fine back to PT and PT again conservatively recorded a provision of EUR 4 million. On 7 March 2019 the regional court cancelled the ERO decision and returned the matter back to ERO for a new proceeding. On 24 April 2019 ERO filed a cassation complaint to the Supreme Administrative Court. In June 2019 PT filed a request to ERO to terminate the proceedings due to the limitation period.

In August 2018, Pražská teplárenská a.s. (“PT“) received a notice on the commencement of an investigation procedure concerning a possible breach under provisions of the Act on Prices, which PT, as the seller in the price location “Prague – local gas sources”, is alleged to have committed in 2014 by demanding from customers heat energy prices which amount did not comply with the conditions of price regulation. On 10 January 2019, as part of the procedure, PT received a notification on an expert appointment according to which the Energy Regulatory Office asked the appointed expert to prepare an expert opinion on the above. In July 2019, PT was asked by the Energy Regulatory Office to comment on the content of the file. When this is completed, Energy Regulatory Office is expected to issue its decision. As the process is in its beginning, it is difficult to predict an outcome. Also, the PT expects that the investigation may not be concluded until the court decides in the 2011 case. Therefore, as of 30 June 2019 no provision was recorded.

### Plzeňská teplárenská, a.s. (“PLTEP”)

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika a.s. (“PE”; merged with Plzeňská teplárenská, a.s. effectively on 31 October 2018, until then Plzeňská energetika, a.s. is used in the paragraph) for approximately EUR 2 million. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. In February 2016 both parties, i.e. PE as well as SI, received an official request from the court to settle the dispute by mediation. Following this request the hearing has been adjourned until further notice. In June 2016 SI has filed an additional claim for unjust enrichment against PE for approximately EUR 1 million. Additional claim covers period 2013 – 2014. The claim was further extended in 2018 to the total of ca EUR 4 million. In January 2018, another court hearing was held and the Court ruled in favor of Plzeňská energetika, a.s. SI appealed and as a result of the appeal, the legal case was returned back to the District court, the hearing is expected to take place at the end of Q3 2019. Since the legal case is still open and after considering all the circumstances Plzeňská teplárenská, a.s. reported as of 30 June 2019 an adequate provision representing its best estimate of the outcome.

***Waste incineration plant project and related bank guarantee***

PLTEP relationships with ČKD PRAHA DIZ, a.s., the former general supplier of the project ZEVO Plzeň (waste incineration plant, "ZEVO"), are primarily burdened by the year 2016 when PLTEP prematurely terminated a contract for work before the work itself was completed. In line with contractual documentation, PLTEP exercised a bank guarantee on completion of the work. ČKD PRAHA DIZ, a.s. has challenged this decision. ČKD PRAHA DIZ, a.s. is now in insolvency proceeding and is currently represented by an insolvency administrator. The bankruptcy was declared in May 2019. Based on an internal analysis, PLTEP recorded a provision in an appropriate amount as at 31 December 2018 to account for this fact and in 2019 PLTEP almost fully used this provision against realized payment.

**Mitteldeutsche Braunkohlengesellschaft mbH**

MIBRAG is involved in an ongoing dispute filed by 50Hertz Transmission GmbH ("50Hertz") in Germany since 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).

The 50Hertz's request for detailed data on the basis of which the calculation of the relevant electricity quantities could be calculated was granted by the highest court in 2015.

The decision of the Higher Regional Court in Naumburg concerning the obligation to off-take the EEG electricity is now legally binding. The scope of this is still subject in lawsuits at administrative court in Frankfurt and district court in Halle.

Based on MIBRAG's analysis, a provision of EUR 16.9 million in total is recorded in the financial statements (EUR 1.35 million increase in 2019). Provision covers both the economic risk for MIBRAG with respect to this legal dispute as well as the costs of the proceedings, on the basis of the information available at the time of preparation of financial statements.

**EP Produzione S.P.A and Fiume Santo S.P.A.**

Over the last few months of 2018 EP Produzione and Fiume Santo were subject to a tax audit carried out by the Revenue Agency for the 2015 and 2016 tax years. Assisted by their external consultants, the companies have been providing the information deemed necessary to present, before the relevant courts, the clarifications which may result in a positive outcome in respect of the tax findings raised by the Revenue Agency. As for EPP, it has been possible to close on July 2019 a settlement agreement concerning direct tax issues. Moreover, Revenue Agency started on May 2019 a tax audit on EP Produzione Livorno Ferraris for the 2016 tax year. Also in this case, the company will provide information to get a positive outcome.

# 39. Subsequent events

## (a) Major acquisitions

*Acquisition of generation business and other activities in France*

On 9 July 2019 Energetický a průmyslový holding, a.s. – through its wholly owned subsidiary EP Power Europe – and Uniper successfully concluded the negotiations announced at the end of December 2018 on the sale of Uniper's activities in France.

The scope of the transaction includes mainly Uniper's French sales business, two gas-fired power plants in Saint-Avold (Lorraine), two coal-fired power plants in Saint-Avold and Gardanne (Provence), the biomass power plant "Provence 4 Biomasse" in Gardanne and wind and solar power plants. The activities and assets at these sites and at Uniper France's headquarters in Colombes near Paris were fully transferred to EPH on completion.

*Acquisition of Locon Logistik & Consulting AG*

On 26 July 2019 EP Logistics International, a.s. ("EPLI") took over 100% share of LOCON Logistik & Consulting AG and its subsidiary companies ("LOCON Group").

The LOCON Group has been operating as a private rail carrier specializing in container rail transport in Germany for 17 years but is also active in rail construction contracts. LOCON's fleet consists of thirty locomotives and more than 250 freight wagons, and LOCON also operates a diesel locomotive service center and a container train dock in Brandenburg.

The acquisition of a licensed railway carrier for Germany was one of the strategic objectives of EPLI, and therefor LOCON has become one of the key elements of further development of the logistics group under the auspices of EPH.

## (b) Other subsequent events

On 23 July 2019, EP Infrastructure successfully placed its longest international eurobond of EUR 600 million with a 7-year tenor and 1.698% coupon. EPIF used the bond proceeds to prepay EUR 600 million of EPIF bank loans due in 2022.

Beginning 1 August 2018 SPP – distribúcia, a.s. changed its accounting policy relating to reporting of its fixed assets from IAS 16 Cost model to IAS 16 Revaluation model. EPIF is currently reviewing and analysing the effect of the change on its fixed assets register and accounting policies.

On 31 June, 49% interest in NADURENE a.s. was sold to Lausitz Energie Bergbau AG. Full method of consolidation of subsidiary companies held by NADURENE a.s. has not been affected after the sale as EP Power Europe, a.s. has retained 51% interest (75.5% effective ownership interest of the Group) as well as management control over the companies.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the condensed consolidated interim financial statements as at 30 June 2019.

# Appendices*:

Appendix 1 – Business combinations

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

| Date: | Signature of the authorised representative | |
|---|---|---|
| 30 September 2019 | JUDr. Daniel Křetínský<br>Chairman of the board of directors | Mgr. Pavel Horský<br>Member of the board of directors |

# Appendix 1 – Business combinations

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

## Effect of acquisitions

### *i. 30 June 2019*

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

| *In millions of EUR* | **Carrying amount[(1)]** | **Fair value adjustment** | **2019 Total** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 9 | - | 9 |
| Trade receivables and other assets | 5 | - | 5 |
| Financial instruments – assets | 4 | - | 4 |
| Deferred tax assets | 2 | - | 2 |
| Provisions | (1) | - | (1) |
| Loans and borrowings | (3) | - | (3) |
| Trade payables and other liabilities | (2) | - | (2) |
| **Net identifiable assets and liabilities** | **14** | **-** | **14** |
| Non-controlling interest | | | - |
| Negative goodwill on acquisition of new subsidiaries | | | (2) |

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

| *In millions of EUR* | **30 June 2019 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date | 5 |
| Profit (loss) of the acquirees recognised since the acquisition date | 1 |

| *In millions of EUR* | **30 June 2019 Total** |
|---|---|
| Revenue of the acquirees recognised in the six-month period ended 30 June 2019* | 6 |
| Profit (loss) of the acquirees recognised in the six-month period ended 30 June 2019* | 1 |

* *Before intercompany elimination; based on local statutory financial information.*

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

| *In millions of EUR* | **Carrying amount(1)** | **Fair value adjustment** | **2019 Total** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 88 | 71 | 159 |
| Intangible assets | 12 | (5) | 7 |
| Trade receivables and other assets | 41 | - | 41 |
| Inventories | 43 | (15) | 28 |
| Cash and cash equivalents | 24 | - | 24 |
| Restricted cash | 3 | - | 3 |
| Deferred tax assets | 1 | 15 | 16 |
| Provisions | (15) | (113) | (128) |
| Deferred tax liabilities | (9) | (3) | (12) |
| Loans and borrowings | (1) | - | (1) |
| Trade payables and other liabilities | (33) | - | (33) |
| **Net identifiable assets and liabilities** | **154** | **(50)** | **104** |
| Non-controlling interest | | | - |
| Goodwill on acquisitions of a subsidiary | | | 1 |

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

| *In millions of EUR* | **30 June 2019 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date* | - |
| Profit (loss) of the acquirees recognised since the acquisition date* | - |

*143*

| *In millions of EUR* | **30 June 2019 Total** |
|---|---|
| Revenue of the acquirees recognised in the six-month period ended 30 June 2019* | 143 |
| Profit (loss) of the acquirees recognised in the six-month period ended 30 June 2019* | 2 |

* *Before intercompany elimination; based on local statutory financial information.*

### *ii.* ***31 December 2018***

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

| *In millions of EUR* | **Carrying amount[1]** | **Fair value adjustment[2]** | **2018 Total** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 1 | - | 1 |
| Trade receivables and other assets | 1 | - | 1 |
| Trade payables and other liabilities | (1) | - | (1) |
| **Net identifiable assets and liabilities** | **1** | **-** | **1** |
| Non-controlling interest | | | - |
| Goodwill on acquisitions of a subsidiary | | | 1 |

(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 2018.*

| *In millions of EUR* | **2018 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date | 5 |
| Profit (loss) of the acquirees recognised since the acquisition date | - |

| *In millions of EUR* | **2018 Total** |
|---|---|
| Revenue of the acquirees recognised in the year ended 31 December 2018* | 5 |
| Profit (loss) of the acquirees recognised in the year ended 31 December 2018* | - |

* *Before intercompany elimination; based on local statutory financial information*.

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

| *In millions of EUR* | **Carrying amount[(1)]** | **Fair value adjustment** | **2018 Total** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 199 | (63) | 136 |
| Intangible assets | 3 | 1 | 4 |
| Trade receivables and other assets | 9 | - | 9 |
| Financial instruments – assets | 2 | 2 | 4 |
| Inventories | 2 | - | 2 |
| Cash and cash equivalents | 32 | - | 32 |
| Deferred tax assets | - | 6 | 6 |
| Provisions | (14) | (16) | (30) |
| Deferred tax liabilities | (10) | 10 | - |
| Loans and borrowings | (33) | - | (33) |
| Trade payables and other liabilities | (8) | - | (8) |
| **Net identifiable assets and liabilities** | **182** | **(60)** | **122** |
| Non-controlling interest | | | (79) |
| Goodwill on acquisitions of a subsidiary | | | - |

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

| *In millions of EUR* | **2018 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date* | 22 |
| Profit (loss) of the acquirees recognised since the acquisition date* | 2 |

* *These figures include information after merger of Plzeňská energetika a.s. and Plzeňská teplárenská, a.s.*

| *In millions of EUR* | **2018 Total** |
|---|---|
| Revenue of the acquirees recognised in the year ended 31 December 2018* | 71 |
| Profit (loss) of the acquirees recognised in the year ended 31 December 2018* | 16 |

* *Before intercompany elimination; based on local statutory financial information.*

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

| *In millions of EUR* | **Carrying amount[(1)]** | **Fair value adjustment** | **2018 Total** |
|---|---|---|---|
| Property, plant, equipment, land, buildings | 104 | 76 | 180 |
| Trade receivables and other assets | 4 | - | 4 |
| Inventories | 1 | - | 1 |
| Cash and cash equivalents | 43 | - | 43 |
| Deferred tax assets | 6 | - | 6 |
| Provisions | (73) | (6) | (79) |
| Deferred tax liabilities | - | (20) | (20) |
| Trade payables and other liabilities | (17) | - | (17) |
| **Net identifiable assets and liabilities** | **68** | **50** | **118** |
| Non-controlling interest | | | - |
| Negative goodwill on acquisition of new subsidiaries | | | (5) |

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

| *In millions of EUR* | **2018 Total** |
|---|---|
| Revenue of the acquirees recognised since the acquisition date | - |
| Profit (loss) of the acquirees recognised since the acquisition date | - |

| *In millions of EUR* | **2018 Total** |
|---|---|
| Revenue of the acquirees recognised in the year ended 31 December 2018* | 44 |
| Profit (loss) of the acquirees recognised in the year ended 31 December 2018* | 16 |

* *Before intercompany elimination; based on local statutory financial information.*

As at the date of publication of the consolidated financial statements, the purchase price allocation process for NAFTA Germany GmbH has not been completed. It is therefore possible that adjustments will be made in the allocation of the purchase price to the individual assets and liabilities and recognition of negative goodwill.