EP Energy, a.s.

Condensed Consolidated Interim Financial Statements
as of and for the three-month period ended 31 March 2018

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

Content

Condensed consolidated interim statement of comprehensive income

For the three-month period ended 31 March 2018

In millions of EUR ("MEUR")

	Note	2018 (three months)	2017 (three months)
Sales: Energy	6	517	541
of which: Electricity		*335*	*358*
Heat		*141*	*134*
Gas		*36*	*43*
Coal		*5*	*6*
Sales: Other	6	4	5
Gain (loss) from commodity derivatives for trading with electricity and gas, net	6	(1)	(3)
Total sales		**520**	**543**
Cost of sales: Energy	7	(351)	(366)
Cost of sales: Other	7	(5)	(5)
Total cost of sales		**(356)**	**(371)**
Subtotal		**164**	**172**
Personnel expenses	8	(23)	(22)
Depreciation and amortisation	14, 15	(34)	(35)
Repairs and maintenance		(2)	(2)
Emission rights, net	9	(7)	(6)
Taxes and charges		(1)	(1)
Other operating income	10	8	13
Other operating expenses	11	(22)	(13)
Profit (loss) from operations		**83**	**106**
Finance income	12	3	-
Finance expense	12	(15)	(16)
Profit (loss) from financial instruments	12	-	3
Net finance income (expense)		**(12)**	**(13)**
Gain (loss) on disposal of subsidiaries, special purpose entities and associates		-	-
Profit (loss) before income tax		**71**	**93**
Income tax expenses	13	(20)	(21)
Profit (loss) from continuing operations		**51**	**72**
Profit (loss) from discontinued operations, net of tax		-	-
Profit (loss) for the period		**51**	**72**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(8)	1
Foreign currency translation differences from presentation currency		5	(2)
Effective portion of changes in fair value of cash flow hedges, net of tax		4	-
Other comprehensive income for the period, net of tax		**1**	**(1)**
Total comprehensive income for the period		**52**	**71**
Profit (loss) attributable to:			
Owners of the Company			
Profit for the period from continuing operations		39	49
Profit (loss) for the period from discontinued operations		-	-
Profit for the period attributable to owners of the company		**39**	**49**
Non-controlling interest			
Profit for the period from continuing operations		12	23
Profit for the period attributable to non-controlling interest		**12**	**23**
Profit (loss) for the period		**51**	**72**
Total comprehensive income attributable to:			
Owners of the Company		40	48
Non-controlling interest	25	12	23
Total comprehensive income for the period		**52**	**71**
Basic and diluted earnings per share in EUR – continuing operations	24	**1.99**	**2.51**
Basic and diluted earnings per share in EUR	24	**1.99**	**2.51**

The notes presented on pages 8 to 50 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As of 31 March 2018
In millions of EUR ("MEUR")

	Note	31 March 2018	31 December 2017
Assets			
Property, plant and equipment	14	1,528	1,555
Intangible assets	15	47	60
Goodwill	15	102	104
Equity accounted investees	16	1	1
Financial instruments and other financial assets	29	6	7
of which receivables from the parent company/ultimate parent company		-	-
Trade receivables and other assets	18	23	23
Prepayments and other deferrals		-	1
Deferred tax assets		1	2
Total non-current assets		**1,708**	**1,753**
Inventories	17	38	41
Trade receivables and other assets	18	369	375
Financial instruments and other financial assets	29	3	8
of which receivables from the parent company/ultimate parent company		-	-
Prepayments and other deferrals		10	8
Tax receivables	20	12	16
Cash and cash equivalents	19	469	371
Restricted cash		-	1
Assets/disposal groups held for sale	21	1	4
Total current assets		**902**	**824**
Total assets		**2,610**	**2,577**
Equity			
Share capital	23	511	511
Share premium		116	116
Reserves		(343)	(344)
Retained earnings		119	82
Total equity attributable to equity holders		**403**	**365**
Non-controlling interest	25	417	405
Total equity		**820**	**770**
Liabilities			
Loans and borrowings	26	515	515
of which owed to the parent company/ultimate parent company		-	-
Financial instruments and financial liabilities	29	9	11
Provisions	27	18	18
Deferred income	28	114	119
Deferred tax liabilities	22	174	176
Trade payables and other liabilities	30	-	4
Total non-current liabilities		**830**	**843**
Trade payables and other liabilities	30	247	272
Loans and borrowings	26	628	614
of which owed to the parent company/ultimate parent company		-	-
Financial instruments and financial liabilities	29	6	8
Provisions	27	25	37
Deferred income	28	22	13
Current income tax liability		32	19
Liabilities from disposal groups held for sale	21	-	1
Total current liabilities		**960**	**964**
Total liabilities		**1,790**	**1,807**
Total equity and liabilities		**2,610**	**2,577**

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Condensed consolidated interim statement of changes in equity

For the three-month period ended 31 March 2018

	Attributable to owners of the Company											
In millions of EUR ("MEUR")	**Share capital**	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 31 December 2017	**511**	**116**	**23**	**1**	**(34)**	**-**	**(326)**	**(8)**	**82**	**365**	**405**	**770**
Adjustment on initial application of IFRS9 (net of tax)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2)**	**(2)**	**-**	**(2)**
Adjusted balance at 1 January 2018 (A)	**511**	**116**	**23**	**1**	**(34)**	**-**	**(326)**	**(8)**	**80**	**363**	**405**	**768**
Total comprehensive income for the period:												
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39**	**39**	**12**	**51**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	(6)	-	-	-	-	**(6)**	(2)	**(8)**
Foreign currency translation differences for presentation currency	-	-	-	-	3	-	-	-	-	**3**	2	**5**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	-	4	-	**4**	-	**4**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**(3)**	**-**	**-**	**4**	**-**	**1**	**-**	**1**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**(3)**	**-**	**-**	**4**	**39**	**40**	**12**	**52**
Contributions by and distributions to owners:												
Dividends to equity holders	-	-	-	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 March 2018 (E) = (A + D)	**511**	**116**	**23**	**1**	**(37)**	**-**	**(326)**	**(4)**	**119**	**403**	**417**	**820**

The notes presented on pages 8 to 50 form an integral part of these condensed consolidated interim financial statements.

For the three-month period ended 31 March 2017

In millions of EUR ("MEUR")	Attributable to owners of the Company											
	Share capital	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 1 January 2017 (A)	**505**	**116**	**23**	**1**	**(35)**	**-**	**(320)**	**(51)**	**143**	**382**	**464**	**846**
Total comprehensive income for the period:												
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**49**	**49**	**23**	**72**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	1	-	-	-	-	**1**	-	**1**
Foreign currency translation differences for presentation currency	-	-	-	-	(2)	-	-	-	-	**(2)**	-	**(2)**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(1)**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**(1)**	**-**	**-**	**-**	**49**	**48**	**23**	**71**
Contributions by and distributions to owners:												
Dividends to equity holders	-	-	-	-	-	-	-	-	(20)	(20)	-	(20)
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(20)**	**(20)**	**-**	**(20)**
Balance at 31 March 2017 (E) = (A + D)	**505**	**116**	**23**	**1**	**(36)**	**-**	**(320)**	**(51)**	**172**	**410**	**487**	**897**

The notes presented on pages 8 to 50 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

For the three-month period ended 31 March 2018

In millions of EUR ("MEUR")	**Note**	**31 March 2018 (three months)**	**31 March 2017 (three months)**
OPERATING ACTIVITIES			
Profit (loss) for the period		51	72
Adjustments for:			
Income taxes	13	20	21
Depreciation and amortisation	14, 15	34	35
Impairment losses on property, plant and equipment and intangible assets	14, 15	11	-
Gain (loss) from commodity derivatives for trading with electricity and gas, net		1	5
Gain (loss) on disposal of property, plant and equipment, investment property and intangible assets	10	(1)	(7)
Emission rights	9	7	6
Gain on financial instruments	12	-	(3)
Net interest expense	12	15	15
Change in allowance for impairment to trade receivables and other assets, write-offs		1	1
Change in provisions		1	(5)
Other finance fees, net		-	1
Unrealised foreign exchange (gains)/losses, net		(3)	-
Operating profit before changes in working capital		**137**	**141**
Change in trade receivables and other assets		7	(26)
Change in inventories (including proceeds from sale)		3	6
Change in assets held for sale and related liabilities		-	3
Change in trade payables and other liabilities		(25)	(20)
Change in restricted cash		1	1
Cash generated from (used in) operations		**123**	**105**
Income taxes paid		(8)	(10)
Cash flows generated from (used in) operating activities		**115**	**95**
INVESTING ACTIVITIES			
Change in financial instruments not at fair value		-	(2)
Proceeds (outflows) from sale (settlement) of financial instruments		(3)	(6)
Acquisition of property, plant and equipment and intangible assets	14, 15	(10)	(8)
Purchase of emission rights	15	(2)	(2)
Acquisition of subsidiaries and special purpose entities, net of cash acquired	5	(3)	-
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		-	12
Cash flows from (used in) investing activities		**(18)**	**(6)**
FINANCING ACTIVITIES			
Repayment of borrowings		-	(3)
Dividends paid		-	(20)
Cash flows from (used in) financing activities		**-**	**(23)**
Net increase (decrease) in cash and cash equivalents		97	66
Cash and cash equivalents at beginning of the period		**371**	**464**
Effect of exchange rate fluctuations on cash held		1	-
Cash and cash equivalents at end of the period		**469**	**530**

The notes presented on pages 8 to 50 form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Background

EP Energy, a.s. (the "Parent Company" or the "Company" or "EPE" or "energy subholding") is a joint-stock company, with its registered office at Pařížská 130/26, 110 00 Praha 1, Czech Republic. The Company was founded by Energetický a průmyslový holding, a.s. ("EPH") on 16 December 2010 as at that time a subsidiary that will hold/consolidate investments in entities belonging to the energy segment of Energetický a průmyslový holding, a.s. and its subsidiaries (the "EPH Group").

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

The share capital at the establishment of the Company of EUR 764 million was settled by a non-cash consideration in the form of shares in Honor Invest, a.s.(2), AISE, s.r.o., První energetická a.s.(1), Czech Energy Holding, a.s.(2), Plzeňská energetika a.s., ROLLEON a.s., EP Renewables a.s. (previously Czech Wind Holding, a.s.) and HC Fin3 N.V.(2)

The consolidated financial statements of the Company for the three-month period ended 31 March 2018 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates and joint-ventures (together referred to as the "Group" or the "EPE Group"). The Group entities are listed in Note 33 – Group entities.

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

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

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

The shareholder of the Company as of 31 March 2018 was as follows:

	Interest in share capital		Voting rights
	MEUR	%	%
EP Infrastructure, a.s.	511	100.00	100.00
Total	**511**	**100.00**	**100.00**

The shareholder of the Company as of 31 December 2017 was as follows:

	Interest in share capital		Voting rights
	MEUR	%	%
EP Infrastructure, a.s.	511	100.00	100.00
Total	**511**	**100.00**	**100.00**

The members of the Board of Directors as of 31 March 2018 were:

- Tomáš David (Chairman of the Board of Directors)
- Petr Sekanina (Vice-chairman of the Board of Directors)
- Marek Spurný (Member of the Board of Directors)
- Pavel Horský Member of the Board of Directors)
- Jiří Feist (Member of the Board of Directors)
- William David George Price (Member of the Board of Directors)

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

As the Company was established by its parent Energetický a průmyslový holding, a.s. under the common control principle, the Company opted to restate its comparatives, i.e. reported the entities contributed to the

share capital of the Company as of 16 December 2010 as if contributed by the parent company on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group.

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

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS), specifically IAS 34 Interim Financial Reporting issued by International Accounting Standards Board (IASB), as adopted by the European Union. These statements do not include all the information required for a complete set of IFRS financial statements, and should be read in conjunction with the consolidated financial statements of the EPE Group as of and for the year ended 31 December 2017.

This is the first set of the Group's financial statements where IFRS 9 and IFRS 15 have been applied. Changes to significant accounting policies are described in Note 2(c).

These condensed consolidated interim financial statements were approved by the Board of Directors on 30 May 2018.

(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 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9.

(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 2017.

IFRS 15 Revenue from Contracts with Customers

The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. The Group adopted a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also established the principles that an entity applies to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The Group adopted IFRS 15 Revenue from Contracts with Customers in annual period beginning on 1 January 2018. Because of the timing and measurement of the Group's revenues and with respect to the nature of the Group's operations and the types of revenues it earns there is no material effect to the opening balance of the Group's equity as at 1 January 2018.

IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and measurement.

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented in 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

The following table summarises the impact, net of tax, of transition to IFRS 9 on the opening balance of reserves, retained earnings and NCI.

In millions of EUR	**Impact of adopting IFRS 9 on opening balance**
Retained earnings	
Recognition of expected credit losses under IFRS 9	(2)
Impact at 1 January 2018	(2)
Non-controlling interests	
Recognition of expected credit losses under IFRS 9	-
Impact at 1 January 2018	-

I. Classification and measurement of financial assets and financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. However, it eliminates the previous IAS 39 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets is described below.

Under IFRS 9, on initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI – debt investment, FVOCI – equity investment, or FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (`SPPI test`)

Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. Loans and

receivables which met SPPI test and business model test are normally classified by the Group as financial asset at amortised cost.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (`SPPI test`)

The key type of financial assets measured at fair value through comprehensive income by the Group are investments in equity instruments.

All investments in equity instruments and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

Indicators that cost might not be representative of fair value include:

(a) significant change in the performance of the investee compared with budgets, plans or milestones;

(b) changes in expectation that the investee's technical product milestones will be achieved;

(c) a significant change in the market for the investee's equity or its products or potential products;

(d) a significant change in the global economy or the economic environment in which the investee operates;

(e) a significant change in the performance of comparable entities, or in the valuations implied by the overall market;

(f) internal matters of the investee such as fraud, commercial disputes, litigations, changes in management or strategy;

(g) evidence from external transactions in the investee's equity, either by the investee (such as a fresh issue of equity) or by transfers of equity instruments between third parties.

The list above is not exhaustive. The Company uses all information about the performance and operations of the investee that becomes available after the date of initial recognition. To the extent that any such relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the Group must fair value.

Cost is never the best estimate of fair value for investments in quoted equity instruments.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. The key type of financial assets measured at fair value by through profit of loss by the Group are derivatives.

The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss to present subsequent changes in fair value in other comprehensive income. The Group has equity securities classified as financial assets at fair value through other comprehensive income.

The Company may, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as an ‘accounting mismatch’) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

II. Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group measures loss allowances at an amount equal to lifetime ECLs except for those financial assets for which credit risk has not increased significantly since initial recognition.

The Group has elected to measure loss allowances for trade receivables and contract assets at an amount equal to lifetime ECLs.

The ECL model is based on the principle of expected credit losses. For the purposes of designing the ECL model, the portfolio of financial assets is split into segments. Financial assets within each segment are allocated to three stages (Stage I - III) or to a group of financial assets that are impaired at the date of the first recognition purchased or originated credit-impaired financial assets ("POCI"). At the date of the initial recognition, the financial asset is included in Stage I or POCI. Subsequent allocation to stages is as follows: assets with significant increase in credit risk (SICR) since initial recognition (Stage II), respectively credit impaired assets (Stage III).

Stage I:

Financial assets at initial recognition (excluding POCI) and financial assets that have not become SICR (Stage 2) compared with the first reporting date or Stage 3;

Stage II:

(a) a financial asset or its significant portion is overdue for more than 30 days (if a financial asset or its significant portion is overdue for more than 30 days and less than 90 days, and the delay does not indicate an increase in counterparty credit risk, the individual approach shall be used and the financial asset shall be classified in Stage I) or;

(b) the Group negotiates with the debtor about debt’s restructuring (at the request of the debtor or the Company) or;

(c) the probability of default (PD) of the debtor increases by 20% (not relevant condition in ECL model for intercompany loans and receivables); or

(d) other material events occur which require individual assessment (e.g., development of external ratings of sovereign credit risk).

Stage III:

(a) a financial asset or its significant part is overdue for more than 90 days; or;

(b) legal action has been taken in relation to the debtor which outcome or the actual process may have an impact on the debtor's ability to repay the debt

(c) insolvency proceedings or similar proceedings under the foreign legislation have been initiated in respect of the debtor, which may lead to a declaration of bankruptcy and the application for the opening of this proceeding has not been refused or rejected or the proceedings have not been discontinued within 30 days of initiation ((b) and (c) are considered as "Default event") or;

(d) the PD of the borrower increases by 100% compared to the previous rating (not relevant condition in ECL model for intercorporate loans and receivables);

(e) other material events occur which require individual assessment (e.g. development of external ratings of sovereign credit risk).

POCI:

Financial assets that meet the POCI condition at the time of initial recognition.

For the purposes of ECL calculation, the Group uses components needed for the calculation, namely probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Company

identifies five types of financial assets and corresponding ECL models for the purposes of calculating expected credit losses:

- *Long term and short term intercompany loans and receivables*

3-stage ECL model based on individual assessment of future cash-flows. The provision is assessed on an individual basis for each borrower and its amount is calculated as the difference between the borrower's available cash flows generated by ordinary course of business and the cash flows required to repay the debt. This calculation shall be made for the next 12 months for Stage I and for the entire duration of the financial asset for Stage II and III. For Stage III, the Company takes into account both cash flows generated by borrower's ordinary course of business and collateral proceeds. The cash-flow model requires at least two forward-looking-information (FLI) scenarios. The Company shall assign to each scenario probability of such scenario and the final ECL value will be probability weighted average ECL of all scenarios:

- *Short term loans provided to third parties*

3-stage ECL model based on PD. In case the exposure is in stage I or II, the Company has a choice to apply the standard ECL formula or to apply an individual assessment (similar to the one applied for intercompany loans). As the original maturity is less than 12m, the actual calculation for stage 1 and stage 2 will be the same. ECL for stage III is calculated based on individual assessment of proceeds expected to be received from the borrower.

- *Long term loans provided to third parties and long term receivables*

3-stage ECL model based on PD. 12 month ECL is calculated for stage I, life-time ECL for stage II and III. In case the exposure is allocated to stage I or II, the Company has a choice to apply the standard ECL formula or to apply an individual assessment (similar to the one applied for the intercompany loans). ECL for stage III is calculated based on individual assessment of proceeds expected to be received from the borrower.

- *Short-term receivables from third parties*

Simplified approach based on historical provision matrix with FLI. While using simplified approach, there is no need to define the stage for individual exposure. Lifetime ECL is calculated for each asset taking into account the exposure at default, collaterals and probability of default determined based on historical matrix of PDs.

- *Investments to equity instrument*

3-stage ECL model based on individual assessment. Stage I: general definition. Stage II: (a) decrease of EBITDA of the investee by 20% since the last assessment date or; (b) FV decrease by more than 20% since the last assessment date or; (c) overdue of dividends payments or; (d) other significant events - to be assessed individually for each investment. Stage III: (a) negative value of EBITDA of the investee; (b) decrease of FV by more than 50% since last assessment date or; (c) legal action has been initiated in relation to the debtor which outcome or the actual process may have an impact on the debtor's ability to repay the debt (c) insolvency proceedings or similar proceedings under the foreign legislation initiated in respect of the debtor, which may lead to a declaration of bankruptcy and the application for the opening of this proceeding has not been refused or rejected or the proceedings have not been discontinued within 30 days of initiation ((c) and (d) are considered as "Default event").

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and investments to equity instrument are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the asset.

Impact of the new impairment model

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile, but the Group has determined that the application of IFRS 9's impairment requirements at 1 January 2018 resulted in non-significant additional impairment allowances.

(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:

IFRIC 22 Foreign Currency Translations and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018 (not adopted by EU yet))

The Interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group has assessed the estimated impact of the adoption of IFRIC 22 on its consolidated financial statements. Based on the result of the assessment the Group expect that the new Standard will not have a material impact on the financial statements.

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

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new Standard introduces a number of limited scope exceptions for lessees which include:

- leases with a lease term of 12 months or less and containing no purchase options, and
- leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new Standard and the distinction between operating and finance leases will be retained.

The Group is currently evaluating the effect on its financial position and performance.

IFRIC 23 Uncertainty over Income Tax Treatments (Effective for annual periods beginning on or after 1 January 2019 (not adopted by EU yet))

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 Group has assessed the estimated impact of the adoption of IFRIC 23 on its consolidated financial statements. Based on the result of the assessment the Group expect that the new Standard will not have a material impact on the 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 (not adopted by EU yet))

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 will have 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 (not adopted by EU yet))

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

Amendments to References to the Conceptual Framework in IFRS Standards (Effective for annual periods beginning on or after 1 January 2020)

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.

Amendments from the 2014 - 2016 cycle of annual improvements (Effective for annual periods beginning on or after 1 January 2019)

The amendments affect the following standards: IFRS 1 (deleted the short-term exemptions in paragraphs E3-E7, because they have now served their intended purpose), IFRS 12 (clarified the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5), IAS 28 (clarified that the lection to measure at FVTPL an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition).

The amendments will probably have no material 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 2018 and that have thus been applied by the Group for the first time.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018)

The amendments clarify share-based payment accounting on the following areas:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity settled.

The adoption of amendments to IFRS 2 haven't had an impact on the financial statements.

Amendments to IAS 40 – Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018)

The amendments reinforce the principle for transfers into, or out of, investment property in IAS 40 Investment Property to specify that such a transfer should only be made when there has been a change in use of the property. Based on the amendments a transfer is made when and only when there is an actual change in use – i.e. an asset meets or ceases to meet the definition of investment property and there is evidence of the change in use. A change in management intention alone does not support a transfer.

The amendments have not a material impact on the Group's financial statements because the Group transfers a property asset to, or from, investment property only when there is an actual change in use.

(f) Basis of preparation

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

(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.

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the 3-month (12-month) period
31 March 2018	25.43	25.402
31 December 2017	25.54	26.33
31 March 2017	27.03	27.02

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.

4. Operating segments

The Group operates in following reportable segments: Heat Infra, Renewables, Power Distribution and Supply, Holding and Other. Heat Infra and Power Distribution and Supply are the core segments of the Group.

Operating segments have been identified primarily on the basis of internal reports used by the EPE'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 (EBITDA) and capital expenditures.

i. Heat Infra

The Heat Infra segment owns and operates four large-scale combined heat and power plants (CHPs) in the Czech Republic primarily operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská energetika a.s. and Pražská teplárenská a.s., which is operating the largest district heating system in the Czech Republic, supplying heat to the City of Prague, 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 EPE 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 Regulated Asset Base ("RAB") multiplied by WACC plus eligible operating expenditures and allowed depreciation formula.

ii. Renewables

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

iii. Power Distribution and Supply

The Power Distribution and Supply segment consists of a Power Distribution division and a Supply division. The Supply division supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. Also, this segment distributes electricity in the central Slovakia region. This segment is mainly represented by Stredoslovenská distribučná, a.s., Stredoslovenská energetika, a.s., EP Sourcing, a.s., EP Cargo a.s. and EP ENERGY TRADING, a.s.

Stredoslovenská distribučná, a.s. (further "SSD", former SSE-Distribúcia, a.s.), which provides distribution of natural gas and power, is required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of Energy Regulatory Authority ("RONI"). Entity operates under similar regulatory frameworks whereby allowed revenues are based on the 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).

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 businesses 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.

iv. Holding

The Holding segment represents EP Energy, a.s. as a holding company. 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 three-month period ended 31 March 2018

In millions of EUR	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	217	347	1	-	565	-	(48)	517
external revenues	*188*	*328*	*1*	-	*517*	-	-	*517*
inter-segment revenues	*29*	*19*	-	-	*48*	-	*(48)*	-
Sales: Other	4	2	-	-	6	-	(2)	4
external revenues	*4*	-	-	-	*4*	-	-	*4*
inter-segment revenues	-	*2*	-	-	*2*	-	*(2)*	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	(1)	-	-	(1)	-	-	(1)
Total sales	**221**	**348**	**1**	**-**	**570**	**-**	**(50)**	**520**
Cost of sales: Energy	(116)	(269)	-	-	(385)	-	34	(351)
external cost of sales	*(111)*	*(240)*	-	-	*(351)*	-	-	*(351)*
inter-segment cost of sales	*(5)*	*(29)*	-	-	*(34)*	-	*34*	-
Cost of sales: Other	(5)	(15)	-	-	(20)	-	15	(5)
external cost of sales	*(5)*	-	-	-	*(5)*	-	-	*(5)*
inter-segment cost of sales	-	*(15)*	-	-	*(15)*	-	*15*	-
Personnel expenses	(13)	(10)	-	-	(23)	-	-	(23)
Depreciation and amortisation	(18)	(16)	-	-	(34)	-	-	(34)
Repairs and maintenance	(1)	(1)	-	-	(2)	-	-	(2)
Emission rights, net	(7)	-	-	-	(7)	-	-	(7)
Taxes and charges	(1)	-	-	-	(1)	-	-	(1)
Other operating income	5	2	-	-	7	-	1	8
Other operating expenses	(16)	(6)	-	-	(22)	-	-	(22)
Operating profit	**49**	**33**	**1**	**-**	**83**	**-**	**-**	**83**
Finance income	1	-	-	-	1	7	(5)	3
external finance revenues	-	-	-	-	-	*3*	-	*3*
inter-segment finance revenues	*1*	-	-	-	*1*	*4*	*(5)*	-
Finance expense	(4)	(1)	-	-	(5)	(15)	5	(15)
Profit (loss) from derivative financial instruments	-	-	-	-	-	-	-	-
Profit (loss) before income tax	**46**	**32**	**1**	**-**	**79**	**(8)**	**-**	**71**
Income tax expenses	(12)	(8)	-	-	(20)	-	-	(20)
Profit for the continuing operations	**34**	**24**	**1**	**-**	**59**	**(8)**	**-**	**51**
Discontinued operations	-	-	-	-	-	-	-	-
Profit (loss) for the period	**34**	**24**	**1**	**-**	**59**	**(8)**	**-**	**51**
Other financial information:								
EBITDA[1]	67	49	1	-	117	-	-	117

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 three-month period ended 31 March 2017

In millions of EUR	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	208	382	1	-	591	-	(50)	541
external revenues	*178*	*362*	*1*	-	*541*	-	-	*541*
inter-segment revenues	*30*	*20*	-	-	*50*	-	*(50)*	-
Sales: Other	3	2	-	-	5	-	-	5
external revenues	*3*	*2*	-	-	*5*	-	-	*5*
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	(3)	-	-	(3)	-	-	(3)
Total sales	**211**	**381**	**1**	**-**	**593**	**-**	**(50)**	**543**
Cost of sales: Energy	(114)	(284)	-	-	(398)	-	32	(366)
external cost of sales	*(113)*	*(253)*	-	-	*(366)*	-	-	*(366)*
inter-segment cost of sales	*(1)*	*(31)*	-	-	*(32)*	-	*32*	-
Cost of sales: Other	(4)	(14)	-	-	(18)	-	13	(5)
external cost of sales	*(4)*	*(1)*	-	-	*(5)*	-	-	*(5)*
inter-segment cost of sales	-	*(13)*	-	-	*(13)*	-	*13*	-
Personnel expenses	(12)	(10)	-	-	(22)	-	-	(22)
Depreciation and amortisation	(19)	(15)	(1)	-	(35)	-	-	(35)
Repairs and maintenance	(1)	(1)	-	-	(2)	-	-	(2)
Emission rights, net	(6)	-	-	-	(6)	-	-	(6)
Taxes and charges	(1)	-	-	-	(1)	-	-	(1)
Other operating income	10	1	-	-	11	-	2	13
Other operating expenses	(7)	(9)	-	-	(16)	-	3	(13)
Operating profit	**57**	**49**	**-**	**-**	**106**	**-**	**-**	**106**
Finance income	-	-	-	-	-	5	(5)	-
external finance revenues	-	-	-	-	-	-	-	-
inter-segment finance revenues	-	-	-	-	-	*5*	*(5)*	-
Finance expense	(4)	(1)	-	-	(5)	(15)	4	(16)
Profit (loss) from derivative financial instruments	2	-	-	-	2	1	-	3
Profit (loss) before income tax	**55**	**48**	**-**	**-**	**103**	**(9)**	**(1)**	**93**
Income tax expenses	(10)	(10)	-	-	(20)	(1)	-	(21)
Profit for the continuing operations	**45**	**38**	**-**	**-**	**83**	**(10)**	**(1)**	**72**
Discontinued operations	-	-	-	-	-	-	-	-
Profit (loss) for the period	**45**	**38**	**-**	**-**	**83**	**(10)**	**(1)**	**72**
Other financial information:								
EBITDA[1]	76	64	1	-	141	-	-	141

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 indicator

It must be noted that EBITDA is not an indicator that is defined under IFRS. This indicator 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 indicator as derived in accordance with IFRS. This non-IFRS indicator should not be used in isolation. This indicator may not be comparable to similarly titled indicators used by other companies.

For the period ended 31 March 2018

In millions of EUR	**Heat Infra**	**Power distribution and supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated financial information**
Profit from operations	**49**	**33**	**1**	**-**	**83**	**-**	**-**	**83**
Depreciation and amortisation	18	16	-	-	34	-	-	34
EBITDA	**67**	**49**	**1**	**-**	**117**	**-**	**-**	**117**

For the period ended 31 March 2017

In millions of EUR	**Heat Infra**	**Power distribution and supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated financial information**
Profit from operations	**57**	**49**	**-**	**-**	**106**	**-**	**-**	**106**
Depreciation and amortisation	19	15	1	-	35	-	-	35
EBITDA	**76**	**64**	**1**	**-**	**141**	**-**	**-**	**141**

Non-current assets and liabilities

As of and for the period ended 31 March 2018

In millions of EUR	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	1,079	1,270	34	2	2,385	884	(659)	2,610
Reportable segment liabilities	(642)	(428)	(40)	(1)	(1,111)	(1,338)	659	(1,790)
Additions to tangible and intangible assets[1]	14	8	-	-	22	-	-	22
Additions to tangible and intangible assets (excl. emission rights and goodwill)	2	8	-	-	10	-	-	10
Equity accounted investees	-	1	-	-	1	-	-	1

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

As of and for the year ended 31 December 2017

In millions of EUR	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	1,060	1,251	35	3	2,349	828	(600)	2,577
Reportable segment liabilities	(655)	(439)	(41)	(1)	(1,136)	(1,271)	600	(1,807)
Additions to tangible and intangible assets[1]	74	50	-	-	124	-	-	124
Additions to tangible and intangible assets (excl. emission rights and goodwill)	48	49	-	-	97	-	-	97
Equity accounted investees	-	1	-	-	1	-	-	1

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

Information about geographical areas

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

As of and for the period ended 31 March 2018

In millions of EUR

	Czech Republic	Slovakia	Hungary	Total segments
Property, plant and equipment	664	827	37	1,528
Intangible assets	122	19	8	149
Total	**786**	**846**	**45**	**1,677**

In millions of EUR

	Czech Republic	Slovakia	Hungary	Other	Total segments
Sales: Electricity	87	207	14	27	335
Sales: Heat	115	-	26	-	141
Sales: Gas	34	2	-	-	36
Sales: Coal	1	3	-	1	5
Sales: Other	4	-	-	-	4
Gain (loss) from commodity derivatives from trading with electricity and gas, net	(1)	-	-	-	(1)
Total	**240**	**212**	**40**	**28**	**520**

The geographical area Other comprises income items primarily from United Kingdom, Belgium, Switzerland and Luxembourg.

For the year ended 31 December 2017

In millions of EUR	Czech Republic	Slovakia	Hungary	Total segments
Property, plant and equipment	684	833	38	1,555
Intangible assets	141	20	3	164
Total	**825**	**853**	**41**	**1,719**

For the period ended 31 March 2017

In millions of EUR	Czech Republic	Slovakia	Hungary	Other	Total segments
Sales: Electricity	88	217	35	18	358
Sales: Heat	106	-	28	-	134
Sales: Coal	26	17	-	-	43
Sales: Gas	6	-	-	-	6
Sales: Other	5	-	-	-	5
Gain (loss) from commodity derivatives from trading with electricity and gas, net	(3)	-	-	-	(3)
Total	**228**	**234**	**63**	**18**	**543**

The geographical area “Other” comprises income items primarily from United Kingdom, Switzerland and Luxembourg.

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

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

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

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

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

(3) ROLLEON a.s. and its subsidiary were disposed by the Group as of 2 December 2015.

(a) Acquisitions

i. 31 March 2018

There were no acquisitions or step-acquisitions in the period from 1 January 2018 to 31 March 2018.

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

ii. 31 December 2017

On 2 June 2017 Pražská teplárenská, a.s. acquired a 5% share in PT Transit, a.s. (previously Energotrans SERVIS a.s.). This transaction resulted in a total change of ownership interest from 95% to 100% share and derecognition of non-controlling interest in amount of EUR 4 million.

On 14 December 2017 PT Holding Investment B.V. ("PTHI") acquired 51% in Pražská teplárenská Holding a.s. ("PTH") that holds 47.42% in Pražská teplárenská. a.s. ("PT") and two other minor companies (see note 37). The Company increased by this transaction its shareholding in PTH from 49% to 100% and effectively increased its shareholding in the PT from 73.82% to 98%. PTHI paid for the share in PTH EUR 121 million and gained control over cash held by PTH of EUR 13 million (net cash paid EUR 108 million) and derecognized non-controlling interest in amount of EUR 69 million.

(b) Effect of acquisitions

i. 31 March 2017

There were no acquisitions or step-acquisitions in the period from 1 January 2018 to 31 March 2018.

ii. 31 December 2017

In April 2017 the Group acquired 100% share in SPV100, s.r.o for EUR 0.6 million. The value of net assets acquired was approximately zero.

(c) Disposal of investments in 2018 and 2017

i. 31 March 2018

During the period from 1 January 2018 to 31 March 2018 the Group didn't dispose any of its investment.

ii. 31 December 2017

During the year 2017 the Group didn't dispose any of its investment.

On 4 October 2017 in connection with the termination of the liquidation process of EBEH Opatovice, a.s. v likvidaci, the entity was deconsolidated without any significant impact on the Group's financial statements.

6. Sales

In millions of EUR	**31 March 2018 (three months)**	**31 March 2017 (three months)**
Sales: Energy		
Electricity	335	358
Heat	141	134
Gas	36	43
Coal	5	6
Total Energy	**517**	**541**
Sales: Other	**4**	**5**
Gain (loss) from commodity derivatives for trading with electricity and gas, net	**(1)**	**(3)**
Total	**520**	**543**

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

7. Cost of sales

In millions of EUR	**31 March 2018 (three months)**	**31 March 2017 (three months)**
Cost of Sales: Energy		
Cost of sold electricity	205	207
Cost of sold/consumed gas and other energy products	34	41
Consumption of energy	83	81
Cost of coal and other material	26	34
Other cost of sales	3	3
Total Energy	**351**	**366**
Cost of Sales: Other		
Cost of goods sold	2	2
Consumption of material	2	1
Consumption of energy	1	1
Other cost of sales	-	1
Total Other	5	5
Total	**356**	**371**

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

8. Personnel expenses

In millions of EUR	**31 March 2018 (three months)**	**31 March 2017 (three months)**
Wages and salaries	16	15
Compulsory social security contributions	5	5
Board members' remuneration (including boards of subsidiaries)	1	1
Other social expenses	1	1
Total	**23**	**22**

The average number of employees in the three-month period ended 31 March 2018 was 3,642 (31 March 2017: 3,767), of which 85 (31 March 2017: 97) were executives.

9. Emission rights

In millions of EUR	**31 March 2018 (three months)**	**31 March 2017 (three months)**
Deferred income (grant) released to profit and loss	5	3
Creation of provision for emission rights	(12)	(9)
Use of provision for emission rights	24	20
Consumption of emission rights	(24)	(20)
Total	**(7)**	**(6)**

The Ministries of the Environment of the Czech Republic, Slovakia and Hungary set a limit on the amount of a pollutant that can be emitted. Companies are granted emission rights and are required to hold an equivalent number of allowances that 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 rights must buy credits from those who pollute less or from other market participants. The transfer of rights is referred to as a trade.

The companies that participate in the emission rights programme are United Energy, a.s., Plzeňská energetika a.s., Pražská teplárenská a.s., Stredoslovenská energetika, a.s., Elektrárny Opatovice, a.s. and Budapesti Erömü Zrt.

10. Other operating income

In millions of EUR	**31 March 2018 (three months)**	**31 March 2017 (three months)**
Property acquired free-of-charge and fees from customers	1	1
Consulting fees	2	1
Rental income	1	1
Compensation from insurance and other companies	1	1
Profit from disposal of tangible and intangible assets	1	(1)7
Other	2	2
Total	**8**	**13**

(1) Profit from disposal of tangible and intangible assets includes profit from sale of Nový Veleslavín, a.s. (holding a land plot and a not utilized building) in amount of EUR 6 million.

11. Other operating expenses

In millions of EUR	**31 March 2018 (three months)**	**31 March 2017 (three months)**
Contractual penalties	-	(1)4
Outsourcing and other administration fees	3	2
Rent expenses	2	2
Office equipment and other material	1	2
Information technology costs	2	1
Consulting expenses	1	1
Impairment losses/reversals	(2)11	1
Transport expenses	1	1
Change in provisions, net	-	(2)
Insurance expenses	1	-
Own work, capitalised	(3)	(2)
Other	3	3
Total	**22**	**13**

(1) Contractual penalties include penalty in the amount of EUR 4 million by ERO to Pražská teplárenská, a.s., returned later in year 2017 (see note 34).

(2) The amount includes impairment of tangible assets in the amount of EUR 7 million and impairment of goodwill in the amount of EUR 3 million, both recorded by Plzeňská energetika a.s.

No research and development expenses were recognised in profit and loss for the three-month period ended 31 March 2018 and 31 March 2017.

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

Recognised in profit or loss

In millions of EUR	**31 March 2018 (three months)**	**31 March 2017 (three months)**
Net foreign exchange profit	3	-
Finance income	**3**	**-**
Interest expense	(15)	(15)
Fees and commissions expense for other services	-	(1)
Finance costs	**(15)**	**(16)**
Profit (loss) profit from interest rate derivatives for trading	-	1
Profit (loss) from cash flows hedge	-	2
Profit (loss) from financial instruments	**-**	**3**
Net finance (expense) recognised in profit or loss	**(12)**	**(13)**

13. Income tax expenses

Income taxes recognised in profit or loss

In millions of EUR	**31 March 2018 (three months)**	**31 March 2017 (three months)**
Current taxes:		
Current period	(21)	(24)
Total current taxes	**(21)**	**(24)**
Deferred taxes:		
Origination and reversal of temporary differences	1	3
Total deferred taxes	**1**	**3**
Total income taxes (expense)/benefit recognised in profit or loss	**(20)**	**(21)**

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 2018 and 2017. The Slovak corporate income tax rate is 21% for fiscal year 2018 (21% for 2017). The Hungarian corporate income tax rate is 9% for fiscal year 2018 (9% for 2017). Current year income tax includes also impact of special sector tax effective in Slovakia and Hungary.

14. Property, plant and equipment

In millions of EUR	**Land and buildings**	**Technical equipment, plant and machinery**	**Other equipment, fixtures and fittings**	**Under construction**	**Total**
Cost					
Balance at 1 January 2018	**1,463**	**914**	**5**	**37**	**2,419**
Effect of movements in foreign exchange	3	2	-	-	**5**
Additions	-	-	-	10	**10**
Disposals	-	(1)	-	-	**(1)**
Transfers	2	3	-	(5)	**-**
Balance at 31 March 2018	**1,468**	**918**	**5**	**42**	**2,433**
Depreciation and impairment losses					
Balance at 1 January 2018	**(463)**	**(395)**	**(2)**	**(4)**	**(864)**
Effect of movements in foreign exchange	-	(1)	-	-	**(1)**
Depreciation charge for the period	(19)	(14)	-	-	**(33)**
Disposals	-	1	-	-	**1**
Impairment losses recognized in profit or loss	(3)	(5)	-	-	**(8)**
Balance at 31 March 2018	**(485)**	**(414)**	**(2)**	**(4)**	**(905)**
Carrying amounts					
At 1 January 2018	**1,000**	**519**	**3**	**33**	**1,555**
At 31 March 2018	**983**	**504**	**3**	**38**	**1,528**

In millions of EUR	**Land and buildings**	**Technical equipment, plant and machinery**	**Other equipment, fixtures and fittings**	**Under construction**	**Total**
Cost					
Balance at 1 January 2017	**1,379**	**856**	**5**	**33**	**2,273**
Additions	-	-	-	8	**8**
Disposals	(1)	(5)	-	-	**(6)**
Transfers	1	1	-	(2)	**-**
Balance at 31 March 2017	**1,379**	**852**	**5**	**39**	**2,275**
Depreciation and impairment losses					
Balance at 1 January 2017	**(376)**	**(327)**	**(2)**	**(4)**	**(709)**
Depreciation charge for the period	(18)	(15)	-	-	**(33)**
Disposals	-	1	-	-	**1**
Balance at 31 March 2017	**(394)**	**(341)**	**(2)**	**(4)**	**(741)**
Carrying amounts					
At 1 January 2017	**1,003**	**529**	**3**	**29**	**1,564**
At 31 March 2017	**985**	**511**	**3**	**35**	**1,534**

Idle assets

As of 31 March 2018 and as of 31 December 2017 the Group had no significant idle assets.

Finance lease liabilities

As of 31 March 2018 and as of 31 December 2017 the Group had no significant finance lease liabilities.

Security

As of 31 March 2018 property, plant and equipment with a carrying value of EUR 403 million (31 December 2017: EUR 403 million) is subject to pledges to secure bank loans.

15. Intangible assets (including goodwill)

In millions of EUR	**Goodwill**	**Software**	**Emission rights**	**Customer relationships and other contracts**	**Other intangible assets**	**Total**
Cost						
Balance at 1 January 2018	**113**	**49**	**30**	**17**	**5**	**214**
Effect of movements in foreign exchange	1	-	1	-	(1)	**1**
Additions	-	-	12	-	-	**12**
Disposals	-	-	(24)	-	-	**(24)**
Balance at 31 March 2018	**114**	**49**	**19**	**17**	**4**	**203**
Balance at 1 January 2018	**(9)**	**(31)**	**-**	**(10)**	**-**	**(50)**
Amortisation for the period	-	(1)	-	-	-	**(1)**
Impairment losses recognized in profit or loss	(3)	-	-	-	-	**(3)**
Balance at 31 March 2018	**(12)**	**(32)**	**-**	**(10)**	**-**	**(54)**
Carrying amount						
At 1 January 2018	**104**	**18**	**30**	**7**	**5**	**164**
At 31 March 2018	**102**	**17**	**19**	**7**	**4**	**149**

In millions of EUR	**Goodwill**	**Software**	**Emission rights**	**Customer relationships and other contracts**	**Other intangible assets**	**Total**
Cost						
Balance at 1 January 2017	**106**	**46**	**27**	**16**	**4**	**199**
Additions	-	-	9	-	-	**9**
Disposals	-	-	(20)	-	-	**(20)**
Balance at 31 March 2017	**106**	**46**	**16**	**16**	**4**	**188**
Balance at 1 January 2017	**(8)**	**(24)**	**-**	**(10)**	**-**	**(42)**
Amortisation for the period	-	(2)	-	-	-	**(2)**
Disposals	-	-	-	-	-	**-**
Balance at 31 March 2017	**(8)**	**(26)**	**-**	**(10)**	**-**	**(44)**
Carrying amount						
At 1 January 2017	**98**	**22**	**27**	**6**	**4**	**157**
At 31 March 2017	**98**	**20**	**16**	**6**	**4**	**144**

As of 31 March 2018, the EPE Group purchased emission allowances of EUR 2 million (31 December 2017: EUR 19 million). The remaining part of EUR 10 million (31 December 2017: EUR 7 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic.

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

Other intangible assets comprise valuable rights.

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

Impairment testing for cash-generating units containing goodwill

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

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

In millions of EUR	**31 March 2018**
Elektrárny Opatovice, a.s.	91
EP Cargo a.s.	5
EP ENERGY TRADING, a.s.(1)	5
Plzeňská energetika a.s.	-
SPV100, s.r.o.	1
Total goodwill	**102**

In millions of EUR	**31 December 2017**
Elektrárny Opatovice, a.s.	90
EP Cargo a.s.	5
EP ENERGY TRADING, a.s. (1)	5
Plzeňská energetika a.s.	3
SPV100, s.r.o.	1
Total goodwill	**104**

(1) Goodwill arising from Optimum Energy, s.r.o. which merged with EP ENERGY TRADING, a.s. as of 1 January 2016. EP ENERGY TRADING, a.s. is the successor company

For the three-month period ended 31 March 2018 the EPE group recognised goodwill impairment in amount of EUR 3 million recorded by Plzeňská energetika, a.s. (31 March 2017: EUR 0 million) based on the results from independent valuation made for the purpose of a Share purchase agreement on sale of 100% shares in Plzeňská energetika, a.s. (see Note 35).

Goodwill and impairment testing

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

The calculation of the recoverable amounts as at 31 December 2017 was based on the following key assumptions:

Cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by additional four years of modelled projections followed by projected results based on estimated growth factor plus a terminal value if relevant. Cash flows for a terminal period were extrapolated using a constant growth rate of 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 5.31% to 7.33%. Changes in used discount rates compared to prior year reflect recent market development, namely decrease in risk-free rates and cost of debt used for calculation.

There were no impairment indicators as of 31 March 2018 except those described above regarding the impairment of goodwill from Plzeňská energetika, a.s.

16. Equity accounted investees

The Group has the investments in associates that are stated in the table below. All these associates are in line with the Group strategic activities.

In millions of EUR		Ownership 31 March 2018	Carrying amount 31 March 2018
Associates	**Country**	**%**	
Energotel, a.s	Slovakia	20.00	1
Total			**1**

In millions of EUR		Ownership 31 December 2017	Carrying amount 31 December 2017
Associates	**Country**	**%**	
Energotel, a.s	Slovakia	20.00	1
Total			**1**

The Group had no significant share in the profit or loss of associates for the three-month period ended 31 March 2018 and 31 March 2017.

Summary financial information for standalone associates presented at 100% as of and for the three-month period ended 31 March 2018:

In millions of EUR

Associates	**Revenue**	**Profit (loss)**	**Other compre-hensive income**	**Total compre-hensive income**	**Assets**	**Liabilities**	**Equity**
Energotel, a.s.	3	1	-	1	13	5	8
	3	**1**	**-**	**1**	**13**	**5**	**8**

In millions of EUR

Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Energotel, a.s.	6	7	-	5
	6	**7**	**-**	**5**

Summary financial information for standalone associates presented at 100% as of and for the year ended 31 December 2017:

In millions of EUR

Associates	Revenue	Profit (loss)	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
Pražská teplárenská Holding a.s.[3]	27	[1]26	-	[1]26	119	-	[2]119
Energotel, a.s.	12	1	-	1	13	7	6
	39	**27**	**-**	**27**	**132**	**7**	**125**

In millions of EUR

Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Energotel, a.s.	6	7	-	7
	6	**7**	**-**	**7**

(1) Profit and Loss item represents primarily dividend income from Pražská teplárenská, a.s.
(2) Carrying amount covers investment in Pražská teplárenská a.s., which is eliminated in consolidation.
(3) Profit and loss item represents the amount from the beginning of the year to the date of acquisition of remaining 57% share in Pražská teplárenská Holding, a.s. that took place in December 2017.

17. Inventories

In millions of EUR	31 March 2018	31 December 2017
Fossil fuel	22	26
Raw material and supplies	7	6
Spare parts	8	8
Work in progress	1	1
Total	**38**	**41**

At 31 March 2018 inventories in the amount of EUR 20 million (31 December 2017: EUR 20 million) were subject to pledges.

18. Trade receivables and other assets

In millions of EUR	31 March 2018	31 December 2017
Trade receivables	175	155
Accrued income	128	138
Advance payments	40	41
Estimated receivables	42	35
Uninvoiced supplies	7	19
Receivables from government grants[1]	17	17
Other receivables and assets	5	13
Allowance for bad debts	(22)	(20)
Total	**392**	**398**
Non-current	23	23
Current	369	375
Total	**392**	**398**

(1) Receivables from government grants represents committed but not received government grants (for detail see note 28).

As of 31 March 2018 trade receivables with a carrying value of EUR 46 million (31 December 2017: EUR 51 million) were subject to pledges.

19. Cash and cash equivalents

In millions of EUR	**31 March 2018**	**31 December 2017**
Current accounts with banks	469	345
Bills of exchange	-	25
Term deposits	-	1
Total	**469**	**371**

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

As of 31 March 2018 cash equivalents of EUR 348 million are subject to pledges (31 December 2017: EUR 269 million). According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case the Company defaults on bonds payments. As such, the pledged cash is readily available to the EPE Group and does not represent restricted cash.

20. Tax receivables

In millions of EUR	**31 March 2018**	**31 December 2017**
Value added tax receivables	2	5
Current income tax receivables	9	9
Energy tax	1	2
Total	**12**	**16**

21. Assets and liabilities held for sale

As of 31 March 2018 the balance of asset held for sale (EUR 1 million; 31 December 2017: EUR 4 million) and balance of liabilities held for sale (EUR 0 million; 31 December 2017: EUR 1 million) is represented by Nová Invalidovna, a.s. (31 December 2017: Nová Invalidovna, a.s. and Pod Juliskou, a.s.). These entities do not represent businesses but a group of land plots and unused buildings.

22. Deferred tax assets and liabilities

As of 31 March 2018 the net deferred tax liability amounts to EUR 173 million (31 December 2017: EUR 174 million).

23. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 31 March 2018 consisted of 19,549,548 ordinary shares with a par value of CZK 665 each (31 December 2017: 19,549,548 ordinary shares with a par value of CZK 665 each).

The shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 665 at meetings of the Company's shareholders.

31 March 2018	**Number of shares 665 CZK**	**Ownership %**	**Voting rights %**
EP Infrastructure, a.s.	19,549,548	100.00	100.00
Total	**19,549,548**	**100.00**	**100.00**

31 December 2017	**Number of shares 665 CZK**	**Ownership %**	**Voting rights %**
EP Infrastructure, a.s.	19,549,548	100.00	100.00
Total	**19,549,548**	**100.00**	**100.00**

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

	Number of shares	
	31 March 2018	**31 December 2017**
Shares outstanding at the beginning of the period	19,549,548	19,549,548
Shares outstanding at the end of the period	**19,549,548**	**19,549,548**

Reserves recognised in equity comprise the following items:

In millions of EUR	**31 March 2018**	**31 December 2017**
Non-distributable reserves	1	1
Translation reserve	(37)	(34)
Hedging reserve	(4)	(8)
Other capital reserves	(326)	(326)
Total	**(366)**	**(367)**
Other capital funds from capital contributions	23	23
Reserves	**(343)**	**(344)**

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

In 2010 other capital reserves decreased by EUR 47 million in relation to the disposal of Pražská energetika, a.s. (associate), previously acquired under common control. The amount corresponds to pricing differences assigned directly to the disposed associate and its direct parent company (Honor Invest, a.s.). The increase in other capital reserves was recognised against retained earnings.

In 2011 other capital reserves decreased by EUR 32 million in relation to the acquisition of LIGNITE INVESTMENTS 1 LIMITED which was contributed by EPH to the Company's share capital.

In 2013 other capital reserves decreased by EUR 1 million in relation to the disposal of 47.06% share in PRVNÍ MOSTECKÁ a.s. as a part of the step acquisition process and the increase in share capital originating from the revaluation of Czech Energy Holding, a.s. during the merger with EP Energy, a.s.

In 2017 other capital reserves decreased by EUR 6 million as a result of increase in share capital originating from the revaluation of EP Hungary, a.s. during the merger with EP Energy, a.s.

Hedging reserves

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity. The balance as of 31 March 2018 represents primarily derivative agreements to hedge an electricity price and a foreign exchange rate concluded by EP ENERGY TRADING, a.s. and Budapesti Erőmű Zrt. and swaps to hedge interest rates concluded by the Company.

There was no recycling of items in other comprehensive income to profit or loss in period from 1 January to 31 March 2018 or in period from 1 January to 31 March 2017.

24. Earnings per share

Basic earnings per share

On 30 November 2017 EP Energy, a.s. merged with EP Hungary, a.s. The merger resulted in an increase in the Company's share by increasing the par value of ordinary shares from CZK 657 to CZK 665 each.

Basic earnings per share in EUR per 1 share of CZK 665 (31 March 2017: in EUR per 1 share of CZK 657) nominal value is 1.99 (31 March 2017: 2.51).

The calculation of basic earnings per share as of 31 March 2018 was based on profit attributable to ordinary shareholders of EUR 39 million (31 March 2017: EUR 49 million, and a weighted average number of ordinary shares outstanding of 19,550 thousand (31 March 2017: 19,550 thousand).

Basic earnings per share from continuing operations in EUR per 1 share of CZK 665 (31 March 2017: in EUR per 1 share of CZK 657) nominal value equal 1.99 (31 March 2017: 2.51).

The calculation of basic earnings per share from continuing operations as of 31 March 2018 was based on profit attributable to ordinary shareholders of EUR 39 million (31 March 2017: EUR 49 million), and a weighted average number of ordinary shares outstanding of 19,550 thousand (31 March 2017: 19,550 thousand).

Weighted average number of ordinary shares as of 31 March 2018

In thousands of pieces	**Nominal**	**Weighted**
Issued ordinary shares	19,550	19,550
Total	**19,550**	**19,550**

Weighted average number of ordinary shares as of 31 March 2017

In thousands of pieces	**Nominal**	**Weighted**
Issued ordinary shares	19,550	19,550
Total	**19,550**	**19,550**

Dilutive earnings per share

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

25. Non-controlling interest

31 March 2018 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries**	**Stredoslovenská energetika, a.s. and its subsidiaries[3]**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**2.00%**	**51.00%**		
Business activity	Production and distribution of heat	Distribution of electricity		
Country[1]	Czech Republic	Slovakia		
Carrying amount of NCI at 31 March 2018	**7**	**409**	**1**	**417**
Profit (loss) attributable to non-controlling interest	**-**	**12**	**-**	**12**
Dividends declared	**-**	**-**	**-**	**-**
Statement of financial position information[2]				
Total assets	383	1,101		
of which: non-current	*275*	*733*		
current	*108*	*368*		
Total liabilities	83	300		
of which: non-current	*31*	*174*		
current	*52*	*126*		
Net assets	**300**	**801**	**-**	**-**
Statement of comprehensive income information[2] **31 March 2018**				
Total revenues	82	227		
of which: dividends received	-	-		
Profit after tax	18	23		
Total other comprehensive income for the period, net of tax	-	-		
Total comprehensive income for the period[2]	**18**	**23**	**-**	**-**
Net cash inflows (outflows)[2]	**(21)**	**39**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 33 – Group entities).
(2) Financial information derived from financial statements prepared in accordance with IFRS (including FV adjustments arising from the acquisition by the Group).
(3) Including Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.).

31 December 2017 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries**	**Stredoslovenská energetika, a.s. and its subsidiaries[3]**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**2.00%**	**51.00%**		
Business activity	Production and distribution of heat	Distribution of electricity		
Country[1]	Czech Republic	Slovakia		
Carrying amount of NCI at 31 December 2017	**6**	**397**	**2**	**405**
Profit (loss) attributable to non-controlling interest	**6**	**58**	**2**	**66**
Dividends declared	**(14)**	**(40)**	**-**	**(54)**
Statement of financial position information[2]				
Total assets	346	1,095		
of which: non-current	*280*	*766*		
current	*66*	*329*		
Total liabilities	65	316		
of which: non-current	*35*	*140*		
current	*30*	*176*		
Net assets	**281**	**779**	**-**	**-**
Statement of comprehensive income information[2]				
31 March 2017				
Total revenues	80	313		
of which: dividends received				
Profit after tax	15	36		
Total other comprehensive income for the period, net of tax	-	-		
Total comprehensive income for the period[2]	**15**	**36**	**-**	**-**
Net cash inflows (outflows)[2]	**(1)**	**20**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 33 – Group entities).
(2) Financial information derived from individual financial statements prepared in accordance with IFRS (including FV adjustments arising from the acquisition by the Group).
(3) Including Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.)

26. Loans and borrowings

In millions of EUR	**31 March 2018**	**31 December 2017**
Issued debentures at amortised cost	1,117	1,102
Loans payable to credit institutions	26	27
Total	**1,143**	**1,129**
Non-current	515	515
Current	628	614
Total	**1,143**	**1,129**

27. Provisions

In millions of EUR	**Employee benefits**	**Provision for emission rights**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2018	**13**	**28**	**3**	**11**	**55**
Provisions made during the period	-	12	-	1	**13**
Provisions used during the period	-	(24)	-	-	**(24)**
Foreign exchange rate difference	-	-	-	(1)	**(1)**
Balance at 31 March 2018	**13**	**16**	**3**	**11**	**43**
Non-current	**13**	**-**	**2**	**3**	**18**
Current	**-**	**16**	**1**	**8**	**25**

In millions of EUR	**Employee benefits**	**Provision for emission rights**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2017	**12**	**24**	**3**	**9**	**48**
Provisions made during the period	-	9	-	-	**9**
Provisions used during the period	-	(20)	-	(5)	**(25)**
Balance at 31 March 2017	**12**	**13**	**3**	**4**	**32**
Non-current	**12**	**-**	**2**	**2**	**16**
Current	**-**	**13**	**1**	**2**	**16**

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

Employee benefits

The Group recorded a 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 13 million (31 December 2017: EUR 13 million) was recorded mainly by Stredoslovenská energetika, a.s. and Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.).

Provision for emission rights

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

28. Deferred income

In millions of EUR	**31 March 2018**	**31 December 2017**
Government grants	53	48
Other deferred income	83	84
Total	**136**	**132**
Non-current	114	119
Current	22	13
Total	**136**	**132**

Balance of government grants in amount of EUR 53 million (2017: EUR 48 million) is mainly represented by Elektrárny Opatovice, a.s. of EUR 40 million (2017: EUR 38 million), Alternative Energy, s.r.o. of EUR 5 million (2017: EUR 5 million) and United Energy, a.s. of EUR 5 million (2017: EUR 5 million). These companies were provided with government grants to reduce emission pollutions and to build a biogas facility.

Balance of other deferred income in amount of EUR 83 million (2017: EUR 84 million) is mainly represented by the SSE Group and EP Cargo, a.s. The balance consists of deferred income related to the following items: fee for grid connection paid by customers (EUR 32 million; 2017 EUR 31 million), property acquired free-of-charge (EUR 29 million; 2017: EUR 29 million) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3 million; 2017: 3 million) by SSE Group and a compensation raised from unrealized business case recorded as other deferred income in amount of EUR 15 million (2017: EUR 15 million) by EP Cargo, a.s.

29. Financial instruments

Financial instruments and other financial assets

In millions of EUR	**31 March 2018**	**31 December 2017**
Assets carried at amortised cost		
Loans to other than credit institutions	6	7
of which owed by the parent company/ultimate parent company	-	-
of which owed by other Group related companies	*6*	*7*
Shares available for sale held at cost	-	1
Total	**6**	**8**
Assets carried at fair value		
Hedging: *of which*	1	6
Commodity derivatives cash flow hedge	*1*	*6*
Risk management purpose: *of which*	1	1
Currency forwards reported as trading	*1*	*1*
Equity instruments at fair value through OCI: *of which*	1	-
Shares and interim certificates at fair value through OCI	*1*	-
Total	**3**	**7**
Non-current	6	7
Current	3	8
Total	**9**	**15**

Financial instruments and other financial liabilities

In millions of EUR	**31 March 2018**	**31 December 2017**
Liabilities carried at fair value		
Hedging: *of which*	11	12
Interest rate swaps cash flow hedge	*9*	*10*
Currency forwards cash flow hedge	*2*	*2*
Risk management purpose: *of which*	4	7
Commodity derivatives reported as trading	*4*	*7*
Total	**15**	**19**
Non-current	9	11
Current	6	8
Total	**15**	**19**

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

In millions of EUR	**31 March 2018 Nominal amount buy**	**31 March 2018 Nominal amount sell**	**31 March 2018 Fair value buy**	**31 March 2018 Fair value sell**
Hedging: *of which*	388	(389)	1	(11)
Interest rate swaps cash flow hedge	*304*	*(304)*	-	*(9)*
Commodity derivatives cash flow hedge	*1*	-	*1*	-
Currency forwards cash flow hedge	*83*	*(85)*	-	*(2)*
Risk management purpose: *of which*	77	(75)	1	(4)
Currency forwards reported as trading	*36*	*(35)*	*1*	-
Commodity derivatives reported as trading	*41*	*(40)*	-	*(4)*
Total	**465**	**(464)**	**2**	**(15)**

In millions of EUR	**31 December 2017 Nominal amount buy**	**31 December 2017 Nominal amount sell**	**31 December 2017 Positive fair value**	**31 December 2017 Negative fair value**
Hedging: *of which*	428	(424)	6	(12)
Interest rate swaps cash flow hedge	*304*	*(304)*	-	*(10)*
Commodity derivatives cash flow hedge	*6*	-	*6*	-
Currency forwards cash flow hedge	*118*	*(120)*	-	*(2)*
Risk management purpose: *of which*	226	(225)	1	(7)
Currency forwards reported as trading	*168*	*(167)*	*1*	-
Commodity derivatives reported as trading	*58*	*(58)*	-	*(7)*
Total	**654**	**(649)**	**7**	**(19)**

Fair value hierarchy for financial instruments carried at fair value

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

	31 March 2018			
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	1	-	**1**
Commodity derivatives cash flow hedge	-	1	-	***1***
Risk management purpose: of which	-	1	-	**1**
Currency forwards reported as trading	-	1	-	***1***
Equity instruments at fair value through OCI: of which	-	-	1	**1**
Shares and interim certificates at fair value through OCI	-	-	1	***1***
Total	**-**	**2**	**1**	**3**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	11	-	**11**
Interest rate swaps cash flow hedge	-	*9*	-	***9***
Currency forwards cash flow hedge		*2*		***2***
Risk management purpose: *of which*	-	4	-	**4**
Commodity derivatives reported as trading	-	*4*	-	***4***
Total	**-**	**15**	**-**	**15**

	31 December 2017			
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	6	-	**6**
Commodity derivatives cash flow hedge	-	*6*	-	***6***
Risk management purpose: of which	-	*1*	-	**1**
Currency forwards reported as trading	-	**1**	-	***1***
Total	**-**	**7**	**-**	**7**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	12	-	**12**
Currency forwards cash flow hedge	-	*2*	-	***2***
Interest rate swaps cash flow hedge	-	*10*	-	***10***
Risk management purpose: *of which*	-	7	-	**7**
Commodity derivatives reported as trading	-	*7*	-	***7***
Total	**-**	**19**	**-**	**19**

There were no transfers between fair value levels as of either 31 March 2018 or 31 December 2017.

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

In millions of EUR	**Carrying value amount**	**Fair value**
Financial assets	**31 March 2018**	**31 March 2018**
Loans to other than credit institutions	6	6
Financial instruments held at amortised costs	**6**	**6**
Financial liabilities		
Loans and borrowings	**1,143**	**1,145**

In millions of EUR	**Carrying value amount**	**Fair value**
Financial assets	**31 December 2017**	**31 December 2017**
Loans to other than credit institutions	7	7
Shares available for sale	1	(1) -
Financial instruments held at amortised costs	**8**	**7**
Financial liabilities		
Loans and borrowings	**1,129**	**1,132**

(1) These equity instruments do not have a quoted price in an active market and their fair value cannot be otherwise measured reliably, therefore they are held at cost and disclosure of fair value is not required.

30. Trade payables and other liabilities

In millions of EUR	**31 March 2018**	**31 December 2017**
Trade payables	110	141
Advance payments received	63	64
Estimated payables	39	28
Payroll liabilities	15	17
Other tax liabilities	14	13
Accrued expenses	3	3
Uninvoiced supplies	1	1
Other liabilities	2	9
Total	**247**	**276**
Non-current	-	4
Current	247	272
Total	**247**	**276**

Trade payables and other liabilities have not been secured as of 31 March 2018, or as of 31 December 2017.

31. Financial commitments and contingencies

Off balance sheet liabilities

In millions of EUR	**31 March 2018**	**31 December 2017**
Granted pledges – securities	909	905
Commitments	248	255
Other granted pledges	1,232	1,154
Total	**2,389**	**2,314**

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

Commitments

Majority of commitments is represented by contracts to purchase physical energy in following years by SSE Group in amount of EUR 248 million (2017: EUR 239 million).

Other granted pledges

In millions of EUR	**31 March 2018**	**31 December 2017**
Loans granted(1)	415	411
Property, plant and equipment	403	403
Cash and cash equivalents	348	269
Trade receivables	46	51
Inventories	20	20
Total	**1,232**	**1,154**

(1) Total balance of pledged granted loans includes intercompany loans of EUR 408 million (31 December 2017: EUR 404 million).

(2) According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case the Company defaults on bonds payments. As such, the pledged cash is readily available to the EPE Group and does not represent restricted cash

Off balance sheet assets

In millions of EUR	**31 March 2018**	**31 December 2017**
Received promises	340	372
Total	**340**	**372**

Received promises

Received promises mainly comprise the contracts for the future purchase of energy in amount of EUR 238 million (2017: EUR 239 million) and regulatory contingent assets related to green energy of EUR 101 million (2017: EUR 97 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 Tariff for system operation ("TPS"). For the three-month period ended 31 March 2018 SSE recognised a loss of EUR 29 million (for the three-month period ended 31 March 2017: a loss of EUR 20 million) as the difference between the green energy support costs and revenues from TPS in the period from 1 January 2018 to 31 March 2018. The loss includes revenues adjusted for compensation for past losses, which was recognised as an accrued income as at 31 December 2017 (for 2017 revenues as at 31 December 2016).

Based on the current Regulatory Framework the cumulated losses incurred in 2016 and 2017 will be compensated in two years' time, i.e. in 2018 and 2019 through an increase of revenues from TPS. Contingent asset as at 31 March 2018 comprises 9/12 of 2017 loss totalling EUR 97 million (i.e. EUR 73 million) and EUR 29 million as a loss incurred in three-month period ended 31 March 2018 (contingent assets as at 31 December 2017 amounted to EUR 97 million).

Based on the RONI decision dated in December 2017 the resulting contingent asset of 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 will be fully collected in the course of 2018 (31 December 2016: EUR 73 million originating in the year 2015 was recognized as accrued income in the consolidated statement of financial position as of 31 December 2016 and was fully collected in the course of 2017). The loss for 2018 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 2019 once an RONI confirmation on the exact amount shall be received.

32. Related parties

Identity of related parties

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

(a) The summary of outstanding balances with related parties as of 31 March 2018 and 31 December 2017 was as follows:

In millions of EUR	**Accounts receivable and other financial assets**	**Accounts payable and other financial liabilities**	**Accounts receivable and other financial assets**	**Accounts payable and other financial liabilities**
	31 March 2018	**31 March 2018**	**31 December 2017**	**31 December 2017**
Ultimate shareholders[1]	-	-	-	-
Companies controlled by ultimate shareholders	14	15	17	28
Companies under significant influence by ultimate shareholders	3	8	3	9
Associates	6	-	7	-
Total	**23**	**23**	**27**	**37**

(b) The summary of transactions with related parties during the period ended 31 March 2018 and 31 March 2017 was as follows:

In millions of EUR	**Revenues**	**Expenses**	**Revenues**	**Expenses**
	31 March 2018	**31 March 2018**	**31 March 2017**	**31 March 2017**
Ultimate shareholders[1]	-	-	-	-
Companies controlled by ultimate shareholders	7	50	13	32
Companies under significant influence by ultimate shareholders	8	24	9	23
Associates	-	-	-	5
Total	**15**	**74**	**22**	**60**

1) Daniel Křetínský represents the ultimate shareholder.

Transactions with Members of the EPE Board

As of 31 March 2018 and 31 December 2017 EPE did not provide any significant monetary and non-monetary remuneration to the members of Board of Directors of the Company.

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

33. Group entities

The list of the Group entities as of 31 March 2018 and 31 December 2017 is set out below:

		31 March 2018		31 December 2017		2018	2017
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
EP Energy, a.s.	Czech Republic	-	-	-	-	-	-
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
PT Koncept, a.s.(4)	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Transit, a.s.(3)	Czech Republic	100	Direct	100	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Real Estate, a.s.	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	-	-	100	Direct	-	IFRS5
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	IFRS5	IFRS5
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
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
PT měření, a.s.	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
GABIT spol. s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
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
Plzeňská energetika 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	IFRS 5	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	At cost	At cost
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
PT Koncept, a.s.(4)	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Transit, a.s.(3)	Czech Republic	100	Direct	100	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Real Estate, a.s.	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	-	-	100	Direct	-	IFRS5
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	IFRS5	IFRS5
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
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

		31 March 2018		31 December 2017		2018	2017
	Country of incorporation	**Owner-ship %**	**Owner-ship interest**	**Owner-ship %**	**Owner-ship interest**	**Conso-lidation method**	**Conso-lidation method**
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
PT měření, a.s.	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská distribučná, a.s.(2)	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 - Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	IFRS 5
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	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

* *Holding entity*

(1) EP Hungary, a.s. merged with EP Energy, a.s. as of 30 November 2017. EP Energy, a.s. is the successor company.

(2) On 1 March 2018 Stredoslovenská energetika – Distribúcia, a.s. was renamed to Stredoslovenská distribučná, a.s.

(3) On 1 February 2018 Energotrans SERVIS, a.s. was renamed to PT Transit, a.s.

(4) On 1 February 2018 Pražská teplárenská Trading, a.s. was renamed to PT Koncept, a.s.

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

34. 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.

Plzeňská energetika a.s.

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika, a.s. (PE) 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. After considering all the circumstances Plzeňská energetika a.s. created an adequate provision as at 31 December 2017. In January 2018, another court hearing was held and the Court ruled in favor of Plzeňská energetika, a.s. Since the counterparty has appealed, the provision was not fully released.

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

The SSE Group is a party to various legal proceedings. As at 31 March 2018 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. No development has taken place since then.

35. Subsequent events

On 5 April 2018, EP Energy, a.s. ("the Company") granted a loan to VTE Pchery, s.r.o. that used the funds to repay its bank loan of EUR 2 million.

On 1 May 2018, the Company redeemed the bonds issued in 2013 in their principal amount of EUR 598 million using combination of own resources of EUR 348 million and loan from parent company amounting to EUR 250 million.

On 9 May 2018, EP Energy, a.s. signed a Share purchase agreement with its parent company, EP Infrastructure, a.s., on sale of 100% shares in Plzeňská energetika, a.s. for a consideration of EUR 41 million (CZK 1,058 million). The purchase price was ascertained as by an independent valuation expert. As a result of the sale, Plzeňská energetika ceased to be a guarantor of EP Energy, a.s. 2019 Notes. Purchase price was settled on 10 May 2018 in cash and cash proceeds shall be used in compliance with the indenture.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other material subsequent events that could have an effect on the consolidated financial statements as at 31 March 2018.

Date:	Signature of the authorised representative	
30 May 2018	Pavel Horský Member of the Board of Directors	Tomáš David Chairman of the Board of Directors