EP Energy, a.s.

Condensed Consolidated Interim Financial Statements
as of and for the nine-month period ended 30 September 2017

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

Content

Condensed consolidated interim statement of comprehensive income

For the nine-month period ended 30 September 2017
In millions of EUR ("MEUR")

	Note	30 September 2017 (nine months)	30 September 2016 (nine months)
Sales: Energy	6	1,276	1,300
of which: Electricity		*928*	*929*
Heat		*228*	*237*
Gas		*113*	*111*
Coal		*7*	*23*
Sales: Other	6	19	23
Gain (loss) from commodity derivatives for trading with electricity and gas, net		(5)	4
Total sales		**1,290**	**1,327**
Cost of sales: Energy	7	(913)	(1,014)
Cost of sales: Other	7	(14)	(21)
Total cost of sales		**(927)**	**(1,035)**
Subtotal		**363**	**292**
Personnel expenses	8	(75)	(73)
Depreciation and amortisation	14, 15	(105)	(124)
Repairs and maintenance		(8)	(6)
Emission rights, net	9	(14)	(8)
Taxes and charges		(3)	(3)
Other operating income	10	29	21
Other operating expenses	11	(32)	(27)
Profit (loss) from operations		**155**	**72**
Finance income	12	1	13
Finance expense	12	(54)	(50)
Profit (loss) from financial instruments	12	2	(15)
Net finance income (expense)		**(51)**	**(52)**
Share on profit of equity accounted investees, net of tax		-	(3)
Gain (loss) on disposal of subsidiaries, special purpose entities and associates	5	-	102
Profit (loss) before income tax		**104**	**119**
Income tax expenses	13	(29)	(14)
Profit (loss) from continuing operations		**75**	**105**
Profit (loss) from discontinued operations (net of tax)		-	(12)
Profit (loss) for the period		**75**	**93**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(31)	5
Foreign currency translation differences from presentation currency		31	14
Effective portion of changes in fair value of cash flow hedges, net of tax		30	(2)
Other comprehensive income for the period, net of tax		**30**	**17**
Total comprehensive income for the period		**105**	**110**
Profit (loss) attributable to:			
Owners of the Company			
Profit (loss) for the period from continuing operations		31	77
Profit (loss) for the period from discontinued operations		-	(12)
Profit (loss) for the period attributable to owners of the company		**31**	**65**
Non-controlling interest			
Profit (loss) for the period from continuing operations		44	28
Profit (loss) for the period attributable to non-controlling interest		**44**	**28**
Profit (loss) for the period		**75**	**93**
Total comprehensive income attributable to:			
Owners of the Company		59	81
Non-controlling interest	25	46	29
Total comprehensive income for the period		**105**	**110**
Basic and diluted earnings per share in EUR – continuing operations	24	**1.59**	**3.94**
Basic and diluted earnings per share in EUR	24	**1.59**	**3.32**

The notes presented on pages 8 to 54 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As at 30 September 2017

In millions of EUR ("MEUR")

	Note	30 September 2017	31 December 2016
Assets			
Property, plant and equipment	14	1,542	1,564
Intangible assets	15	42	59
Goodwill	15	103	98
Equity accounted investees	16	15	16
Financial instruments and other financial assets	29	7	6
of which receivables from the parent company/ultimate parent company		-	-
Trade receivables and other assets	18	11	13
Prepayments and other deferrals		-	1
Deferred tax assets	22	1	-
Total non-current assets		**1,721**	**1,757**
Inventories	17	41	48
Trade receivables and other assets	18	326	295
Financial instruments and other financial assets	29	12	2
of which receivables from the parent company/ultimate parent company		*8*	-
Prepayments and other deferrals		5	3
Tax receivables	20	10	23
Cash and cash equivalents	19	502	464
Restricted cash		-	1
Assets/disposal groups held for sale	21	4	5
Total current assets		**900**	**841**
Total assets		**2,621**	**2,598**
Equity			
Share capital	23	505	505
Share premium		116	116
Reserves		(354)	(382)
Retained earnings		105	143
Total equity attributable to equity holders		**372**	**382**
Non-controlling interest	25	462	464
Total equity		**834**	**846**
Liabilities			
Loans and borrowings	26	531	1,140
of which owed to the parent company/ultimate parent company		-	-
Financial instruments and financial liabilities	29	10	11
Provisions	27	17	17
Deferred income	28	93	75
Deferred tax liabilities	22	171	167
Trade payables and other liabilities	30	-	2
Total non-current liabilities		**822**	**1,412**
Trade payables and other liabilities	30	264	270
Loans and borrowings	26	630	10
of which owed to the parent company/ultimate parent company		-	-
Financial instruments and financial liabilities	29	6	4
Provisions	27	27	31
Deferred income	28	21	21
Current income tax liability		16	3
Liabilities from disposal groups held for sale	21	1	1
Total current liabilities		**965**	**340**
Total liabilities		**1,787**	**1,752**
Total equity and liabilities		**2,621**	**2,598**

The notes presented on pages 8 to 54 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

For the nine-month period ended 30 September 2017

	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 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)	-	-	-	-	-	-	-	-	**31**	**31**	**44**	**75**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	(16)	-	-	-	-	**(16)**	(15)	**(31)**
Foreign currency translation differences from presentation currency	-	-	-	-	14	-	-	-	-	**14**	17	**31**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	30	-	**30**	-	**30**
Total other comprehensive income (C)	-	-	-	-	**(2)**	-	-	**30**	-	**28**	**2**	**30**
Total comprehensive income for the period (D) = (B + C)	-	-	-	-	**(2)**	-	-	**30**	**31**	**59**	**46**	**105**
Contributions by and distributions to owners:												
Dividends to equity holders	-	-	-	-	-	-	-	-	(69)	**(69)**	(44)	**(113)**
Total contributions by and distributions to owners (E)	-	-	-	-	-	-	-	-	**(69)**	**(69)**	**(44)**	**(113)**
Changes in ownership interests in subsidiaries:												
Effect of changes in ownership of non-controlling interest	-	-	-	-	-	-	-	-	-	-	(4)	**(4)**
Total changes in ownership interests in subsidiaries (F)	-	-	-	-	-	-	-	-	-	-	**(4)**	**(4)**
Total transactions with owners (G) = (E + F)	-	-	-	-	-	-	-	-	**(69)**	**(69)**	**(48)**	**(117)**
Balance at 30 September 2017 (H) = (A + D + G)	**505**	**116**	**23**	**1**	**(37)**	**-**	**(320)**	**(21)**	**105**	**372**	**462**	**834**

The notes presented on pages 8 to 54 form an integral part of these condensed consolidated interim financial statements.

For the nine-month period ended 30 September 2016

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 2016 (A)	**505**	**116**	**23**	**1**	**(14)**	**(14)**	**(320)**	**(54)**	**400**	**643**	**475**	**1,118**
Total comprehensive income for the period:												
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**65**	**65**	**28**	**93**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	5	-	-	-	-	**5**	-	**5**
Foreign currency translation differences from presentation currency	-	-	-	-	13	-	-	-	-	**13**	1	**14**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	(2)	-	**(2)**	-	**(2)**
Fair value reserve included in other comprehensive income	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**18**	**-**	**-**	**(2)**	**-**	**16**	**1**	**17**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**18**	**-**	**-**	**(2)**	**65**	**81**	**29**	**110**
Contributions by and distributions to owners:												
Decrease in share capital	-	-	-	-	-	-	-	-	-	**-**	-	**-**
Dividends to equity holders	-	-	-	-	-	-	-	-	(344)	**(344)**	(49)	**(393)**
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(344)**	**(344)**	**(49)**	**(393)**
Changes in ownership interests in subsidiaries:												
Effect of disposed entities	-	-	-	-	(19)	14	-	-	(9)	**(14)**	(11)	**(25)**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**(19)**	**14**	**-**	**-**	**(9)**	**(14)**	**(11)**	**(25)**
Total transactions with owners (G) = (E + F)	**-**	**-**	**-**	**-**	**(19)**	**14**	**-**	**-**	**(353)**	**(358)**	**(60)**	**(418)**
Balance at 30 September 2016 (H) = (A + D + G)	**505**	**116**	**23**	**1**	**(15)**	**-**	**(320)**	**(56)**	**112**	**366**	**444**	**810**

The notes presented on pages 8 to 54 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

For the nine-month period ended 30 September 2017

In millions of EUR ("MEUR")	**Note**	**30 September 2017 (nine months)**	**30 September 2016 (nine months) Restated[(1)]**
OPERATING ACTIVITIES			
Profit (loss) for the period		**75**	**93**
Adjustments for:			
Income taxes	13	29	14
Depreciation and amortisation	14, 15	105	124
Non-cash (Gain) loss from commodity derivatives for trading with electricity and gas, net		-	1
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	10	(8)	(1)
Emission rights	9	14	8
Gain on disposal of subsidiaries, special purpose entities, joint ventures, associates and non-controlling interests		-	(102)
Share of profit of equity accounted investees		-	3
(Gain) loss on financial instruments	12	(2)	15
Net interest expense	12	44	36
Change in allowance for impairment to trade receivables and other assets, write-offs		2	3
Other finance fees, net	12	1	1
Change in provisions		(1)	4
Discontinued operations		-	12
Realized foreign exchange (gains) losses, net		-	6
Unrealised foreign exchange (gains) losses, net		1	(6)
Operating profit before changes in working capital		**260**	**211**
Change in trade receivables and other assets		(33)	40
Change in inventories (including proceeds from sale)		7	(10)
Change in assets held for sale and related liabilities		1	17
Change in trade payables and other liabilities		(4)	(40)
Change in restricted cash		1	-
Cash generated from (used in) operations		**232**	**218**
Interest paid		(30)	(30)
Income taxes paid		(12)	(49)
Cash flows generated from (used in) operating activities		**190**	**139**
INVESTING ACTIVITIES			
Change in financial instruments not at fair value		-	3
Loans provided to the owners		(58)	-
Repayment of loans provided to the other entities		-	1
Repayment of loans from discontinued operations		-	302
Proceeds from sale of financial instruments – derivatives		4	8
Acquisition of property, plant and equipment and intangible assets	14, 15	(63)	(84)
Purchase of emission rights		(2)	(1)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		18	1
Acquisition of subsidiaries and special purpose entities, net of cash acquired		(1)	-
Net cash (outflow) inflow from disposal of subsidiaries and special purpose entities including received dividends		-	68
Net cash (outflow) inflow from disposal of discontinued operations		-	156
Increase in participation in existing subsidiaries and special purpose entities		(3)	-
Cash flows from (used in) investing activities		**(105)**	**454**

(1) Cash flow for the 9 month period ended 30 September 2016 was restated in order to present cash flow from disposed entities in line with the 2016 year end reporting (reclassification between cash flow from operating activities and cash flow from investing activities).

For the nine-month period ended 30 September 2017

In millions of EUR ("MEUR")	**Note**	**30 September 2017 (nine months)**	**30 September 2016 (nine months) Restated**
Repayment of borrowings		(5)	(206)
Realized foreign exchange (gains) losses, net		-	(6)
Dividends paid		(65)	(86)
Cash flows from (used in) financing activities		**(57)**	**(284)**
Net increase (decrease) in cash and cash equivalents		*28*	*309*
Cash and cash equivalents at beginning of the period		**464**	**132**
Effect of exchange rate fluctuations on cash held		*10*	-
Cash and cash equivalents at end of the period		**502**	**441**

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 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)

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

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

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

On 18 December 2013 the shareholder of the Company decided to increase share capital by EUR 4 million which was settled by a contribution of EPH Financing II, a.s. and a receivable relating to a shareholder loan used to co-finance the acquisition of a 49% share (associated with a management control) in Stredoslovenská energetika, a.s. As a result of this transaction the Company also recorded a share premium of EUR 116 million.

On 24 January 2014, CE Energy, a.s. (currently EP Infrastructure, a.s.), a 100% subsidiary of EPH, acquired all of the outstanding shares of EP Energy, a.s. from its sole shareholder EPH.

On 5 February 2015 the Company completed a process of decrease of share capital by EUR 264 million due to the capital structure optimisation. As a result of this transaction nominal value of shares decreased from CZK 1,001 per share to CZK 657 per share.

The condensed consolidated interim financial statements of the Company for the nine-month period ended 30 September 2016 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates (together referred to as the "Group" or the "EPE Group"). The Group entities are listed in Note 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.*

The shareholder of the Company as at 30 September 2017 was as follows:

	Interest in share capital		Voting rights
	MEUR	%	%
EP Infrastructure, a.s.	505	100.00	100.00
Total	**505**	**100.00**	**100.00**

The shareholder of the Company as at 31 December 2016 was as follows:

	Interest in share capital		Voting rights
	MEUR	%	%
EP Infrastructure, a.s.	505	100.00	100.00
Total	**505**	**100.00**	**100.00**

The shareholders of Energetický a průmyslový holding, a.s., the parent company of EP Infrastructure, a.s. and ultimate parent of EP Energy, a.s. as of 30 September 2017 and 31 December 2016 were as follows:

	Interest in share capital %		Voting rights %	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
EP Investment S.à r.l (owned by Daniel Křetínský)	37.10	37.17	53.00	37.17
MILEES LIMITED (part of J&T PARTNERS II L.P.)	-	37.17	-	37.17
BIQUES LIMITED (part of J&T PARTNERS I L.P.)	-	25.66	-	25.67
EP Investment II S.à r.l	32.90	-	47.00	-
Own shares(1)	30.00	-	-	-
Total	**100.00**	**100.00**	**100.00**	**100.00**

(1) The shareholders of EPH concluded a series of transactions, through which Daniel Křetínský and selected members of the existing management of EPH became sole owners of EPH. In the first phase of transaction the shareholders Biques Limited (25.67%), Milees Limited (2.17%) and EP Investment S.à.r.l. (2.17%) sold their shares in EPH representing in aggregate 30% of EPH share capital. In the second phase, Milees Limited sold remaining shares (35%) to EP Investment S.à r.l (2.1%) and EP Investment II S.à r.l (32.9%). After the transaction was completed and once own shares are cancelled, Daniel Křetínský (94%) and selected members of management of EPH (6%) will become sole owners of EPH.

The members of the Board of Directors as at 30 September 2017 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 at 16 December 2010 as if contributed by the parent company on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group.

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

2. Basis of preparation

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international accounting standards (International Accounting Standards – IAS and International Financial Reporting Standards – IFRS), specifically IAS 34 Interim Financial Reporting issued by International Accounting Standards Board (IASB), as adopted by the European Union. These statements do not include all the information required for a complete set of IFRS financial statements, and should be read in conjunction with the consolidated financial statements of the EPE Group as of and for the year ended 31 December 2016.

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 November 2017.

(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 2016.

(c) Changes in accounting policies

There were no changes in the accounting policies applied in these condensed consolidated interim financial statements. The accounting policies used are the same as those applied in the Group's consolidated financial statements as of and for the year ended 31 December 2016.

(d) Standards 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:

IFRS 15 Revenue from contracts with customers (Effective for annual periods beginning on or after 1 January 2018) and Clarifications to IFRS 15 Revenue from contract with Customers (Effective for annual periods beginning on or after 1 January 2018)

The new Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt 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 establishes the principles that an entity shall apply 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 is currently evaluating the effect on its financial position and performance but does not expect that the new Standard will have material impact on the financial statements. The timing and measurement of the Group's revenues are not expected to change under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

IFRS 9 Financial Instruments (Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight.)

This Standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and are reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgment will be required.

The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items.

Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The Group is currently evaluating the effect on its financial position and performance however no material impact is expected.

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

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

The standard IFRS 16 will replace the earlier leasing standard, IAS 17. A primary principle of IFRS 16 is that all leases should be reported on the balance sheet, although there are exceptions for small items and for leases with a term of less than 12 months. For lessors, however, the accounting remains largely unchanged and the distinction between operating and finance leases is retained.

Under IFRS 16, a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other nonfinancial assets and depreciated accordingly, and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if this rate can be readily determined. If the rate cannot be readily determined, the lessee's incremental borrowing rate should be used.

Like IAS 17, IFRS 16 requires lessors to classify leases as operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of an underlying asset. Otherwise, the lease is classified as an operating lease.

The new standard increases the disclosure burden for lessees and lessors.

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

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions (Effective for annual periods beginning on or after 1 January 2018 (not adopted by EU yet))

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 Group expects that the amendments will not have a material impact on the Group's financial statements.

Amendments to IAS 7 – Statement of Cash Flows (Effective for annual periods beginning on or after 1 January 2017)

The amendments require new disclosures that help users to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes (such as the effect of foreign exchange gains or losses, changes arising for obtaining or losing control of subsidiaries, changes in fair value).

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

Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses (Effective for annual periods beginning on or after 1 January 2017)

The amendments clarify how and when to account for deferred tax assets in certain situations and clarify how future taxable income should be determined for the purposes of assessing the recognition of deferred tax assets.

The amendments have no material impact on the Group's financial statements because the Group already measures future taxable profit in a manner consistent with the Amendments.

Amendments to IAS 40 – Transfers of Investment Property (Effective for annual periods beginning on or after 1 January 2018 (not adopted by EU yet))

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 Group expects that the amendments will not have 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.

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) 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.

(f) 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 9-month
30 September 2017	25.975	26.553
31 December 2016	27.020	27.033
30 September 2016	27.020	27.035
31 December 2015	27.025	27.283

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 six reportable segments: Mining, Heat Infra, Renewables, Power Distribution and Supply, Holding and Other. Heat Infra and Power Distribution and Supply are the core segments of the Group. Mining segment was classified as discontinued operation in 2015. In April 2016 this segment was disposed by 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 ("Adjusted EBITDA") and capital expenditures.

i. Mining (disposed in 2016)

The Mining segment, represented by Mitteldeutsche Braunkohlengesellschaft GmbH (MIBRAG), produces brown coal, which it supplies to power plants under long-term supply agreements. The two biggest customers – the Lippendorf and Schkopau-power plants – are highly efficient, state-of-the-art power plants operating in base load and are well positioned in the German power merit order. This segment was classified as discontinued operation in 2015 and disposed in 2016. Results of Mining segment are presented under line Profit (loss) from discontinued operations (net of tax).

ii. 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 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.

The segment also included Saale Energie GmbH purchased in 2012, which owns 41.9% of the Schkopau-power plant representing a beneficial use right over 400MW of the plant´s total capacity of 900MW. In December 2013, the EPE Group acquired a 100% share in Helmstedter Revier GmbH which operates a condensation mode power plant in Lippendorf with an installed capacity of 390MW. These entities were classified as discontinued operations in 2015 and disposed in 2016. Profit (loss) from activities related to Saale Energie GmbH and Helmstedter Revier GmbH is presented under line Profit (loss) from discontinued operations (net of tax).

iii. Renewables

The Renewables segment owns and operates three solar power plants and holds a minority interest in an additional solar power plant and a majority interest in one wind farm in the Czech Republic. The Group also owns two solar power plants in Slovakia, a biogas facility in Slovakia and one wind farm in Germany at MIBRAG, which was classified as discontinued operation in 2015 and disposed in 2016. Profit (loss) from renewable activities of MIBRAG is presented under line Profit (loss) from discontinued operations (net of tax).

iv. Power Distribution and Supply

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

SSE-Distribúcia, 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.

v. Other

The segment Other consists of minor operations not fitting to the key segments of the EPE Group.

vi. 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 or associates.

Profit or loss

For the nine-month period ended 30 September 2017

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	-	360	1,021	4	-	1,385	-	(109)	1,276
external revenues	-	*295*	*977*	*4*	-	*1,276*	-	-	*1,276*
inter-segment revenues	-	*65*	*44*	-	-	*109*	-	*(109)*	-
Sales: Other	-	9	9	-	3	21	-	(2)	19
external revenues	-	*9*	*7*	-	*3*	*19*	-	-	*19*
inter-segment revenues	-	-	*2*	-	-	*2*	-	*(2)*	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	-	(5)	-	-	(5)	-	-	(5)
Total sales	**-**	**369**	**1,025**	**4**	**3**	**1,401**	**-**	**(111)**	**1,290**
Cost of sales: Energy	-	(204)	(783)	-	-	(987)	-	74	(913)
external cost of sales	-	*(195)*	*(718)*	-	-	*(913)*	-	-	*(913)*
inter-segment cost of sales	-	*(9)*	*(65)*	-	-	*(74)*	-	*74*	-
Cost of sales: Other	-	(12)	(34)	-	(2)	(48)	-	34	(14)
external cost of sales	-	*(12)*	-	-	*(2)*	*(14)*	-	-	*(14)*
inter-segment cost of sales	-	-	*(34)*	-	-	*(34)*	-	*34*	-
Personnel expenses	-	(40)	(34)	-	(1)	(75)	-	-	(75)
Depreciation and amortisation	-	(53)	(50)	(2)	-	(105)	-	-	(105)
Repairs and maintenance	-	(6)	(2)	-	-	(8)	-	-	(8)
Emission rights, net	-	(14)	-	-	-	(14)	-	-	(14)
Taxes and charges	-	(2)	(1)	-	-	(3)	-	-	(3)
Other operating income	-	19	7	-	-	26	-	3	29
Other operating expenses	-	(8)	(22)	(1)	-	(31)	(1)	-	(32)
Operating profit	**-**	**49**	**106**	**1**	**-**	**156**	**(1)**	**-**	**155**

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Finance income	-	1	1	-	-	2	*113	(114)	1
external finance revenues	-	-	*1*	-	-	*1*	-	-	*1*
inter-segment finance revenues	-	*1*	-	-	-	*1*	**113*	*(114)*	-
Finance expense	-	(1)	(3)	(1)	-	(5)	(64)	15	(54)
Profit (loss) from derivative financial instruments	-	1	-	-	-	1	1	-	2
Share of profit of equity accounted investees	-	-	-	-	-	-	-	-	-
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	-	-	-
Profit (loss) before income tax	**-**	**50**	**104**	**-**	**-**	**154**	***49**	***(99)**	**104**
Income tax expenses	-	(9)	(23)	-	-	(32)	3	-	(29)
Profit from continuing operations	**-**	**41**	**81**	**-**	**-**	**122**	***52**	***(99)**	**75**
Profit (loss) from discontinued operations (net of tax)	-	-	-	-	-	-	-	-	-
Profit (loss) for the period	**-**	**41**	**81**	**-**	**-**	**122**	***52**	***(99)**	**75**

* *EUR 99 million is attributable to intra-group dividends primarily recognised by EP Energy, a.s.*

Other financial information:									
Adjusted EBITDA[(1)]	-	102	156	3	-	261	(1)	-	260

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

Profit or loss

For the nine-month period ended 30 September 2016

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	-	360	1,027	4	-	1,391	-	(91)	1,300
external revenues	-	*317*	*979*	*4*	-	*1,300*	-	-	*1,300*
inter-segment revenues	-	*43*	*48*	-	-	*91*	-	*(91)*	-
Sales: Other	-	9	10	-	5	24	-	(1)	23
external revenues	-	*9*	*10*	-	*4*	*23*	-	-	*23*
inter-segment revenues	-	-	-	-	*1*	*1*	-	*(1)*	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	-	4	-	-	4	-	-	4
Total sales	**-**	**369**	**1,041**	**4**	**5**	**1,419**	**-**	**(92)**	**1,327**
Cost of sales: Energy	-	(210)	(861)	-	-	(1,071)	-	57	(1,014)
external cost of sales	-	*(195)*	*(819)*	-	-	*(1,014)*	-	-	*(1,014)*
inter-segment cost of sales	-	*(15)*	*(42)*	-	-	*(57)*	-	*57*	-
Cost of sales: Other	-	(11)	(38)	-	(4)	(53)	-	32	(21)
external cost of sales	-	*(11)*	*(6)*	-	*(4)*	*(21)*	-	-	*(21)*
inter-segment cost of sales	-	-	*(32)*	-	-	*(32)*	-	*32*	-
Personnel expenses	-	(39)	(32)	-	(1)	(72)	(1)	-	(73)
Depreciation and amortisation	-	(73)	(49)	(2)	-	(124)	-	-	(124)
Repairs and maintenance	-	(5)	(1)	-	-	(6)	-	-	(6)
Emission rights, net	-	(8)	-	-	-	(8)	-	-	(8)
Taxes and charges	-	(2)	(1)	-	-	(3)	-	-	(3)
Other operating income	-	9	10	-	-	19	-	2	21
Other operating expenses	-	(5)	(20)	(1)	-	(26)	(2)	1	(27)
Operating profit	**-**	**25**	**49**	**1**	**-**	**75**	**(3)**	**-**	**72**

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Finance income	-	1	1	-	-	2	*99	*(88)	13
external finance revenues	-	*1*	*1*	-	-	*2*	*11*	-	*13*
inter-segment finance revenues	-	-	-	-	-	-	**88*	**(88)*	-
Finance expense	-	(12)	(2)	(1)	-	(15)	(50)	15	(50)
Profit (loss) from derivative financial instruments	-	(2)	-	-	-	(2)	(13)	-	(15)
Share of profit of equity accounted investees	-	(3)	-	-	-	(3)	-	-	(3)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	46	2	-	-	48	54	-	102
Profit (loss) before income tax	**-**	**55**	**50**	**-**	**-**	**105**	***87**	***(73)**	**119**
Income tax expenses	-	(3)	(12)	-	-	(15)	1	-	(14)
Profit from continuing operations	**-**	**52**	**38**	**-**	**-**	**90**	***88**	***(73)**	**105**
Profit (loss) from discontinued operations (net of tax)	3	(15)	-	-	-	(12)	-	-	(12)
Profit (loss) for the period	**3**	**37**	**38**	**-**	**-**	**78**	***88**	***(73)**	**93**

* *EUR 71 million is attributable to intra-group dividends primarily recognised by EP Energy, a.s.*

Other financial information:									
Adjusted EBITDA[(1)]	-	98	98	3	-	199	(3)	-	196

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

Adjusted EBITDA reconciliation to the closest IFRS indicator

It must be noted that Adjusted 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 30 September 2017

In millions of EUR	**Mining (discontinued)**	**Heat and power**	**Power distribution and supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated financial information**
Profit from operations	**-**	**49**	**106**	**1**	**-**	**156**	**(1)**	**-**	**155**
Depreciation and amortisation	-	53	50	2	-	105	-	-	105
Adjusted EBITDA	**-**	**102**	**156**	**3**	**-**	**261**	**(1)**	**-**	**260**

For the period ended 30 September 2016

In millions of EUR	**Mining (discontinued)**	**Heat and power**	**Power distribution and supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated financial information**
Profit from operations	**-**	**25**	**49**	**1**	**-**	**75**	**(3)**	**-**	**72**
Depreciation and amortisation	-	73	49	2	-	124	-	-	124
Adjusted EBITDA	**-**	**98**	**98**	**3**	**-**	**199**	**(3)**	**-**	**196**

Non-current assets and liabilities

As of and for the period ended 30 September 2017

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	-	1,035	1,217	36	3	2,291	844	(514)	2,621
Reportable segment liabilities	-	(546)	(421)	(43)	(1)	(1,011)	(1,290)	514	(1,787)
Additions to tangible and intangible assets(1)	-	46	27	-	-	73	-	-	73
Additions to tangible and intangible assets (excl. emission rights and goodwill)	-	37	26	-	-	63	-	-	63
Equity accounted investees	-	13	2	-	-	15	-	-	15

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

As of and for the year ended 31 December 2016

In millions of EUR	**Mining (discontinued)**	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Other**	**Total segments**	**Holding**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	-	1,051	1,221	38	5	2,315	822	(539)	2,598
Reportable segment liabilities	-	(548)	(427)	(45)	(2)	(1,022)	(1,268)	538	(1,752)
Additions to tangible and intangible assets(1)	-	82	62	-	-	144	-	-	144
Additions to tangible and intangible assets (excl. emission rights and goodwill)	-	64	62	-	-	126	-	-	126
Equity accounted investees	-	14	2	-	-	16	-	-	16

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

Information about geographical areas

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

As of and for the period ended 30 September 2017

In millions of EUR	Czech Republic	Slovakia	Hungary	Total segments	Consolidated Financial Information
Property, plant and equipment	678	825	39	1,542	1,542
Intangible assets	123	20	2	145	145
Investment property	-	-	-	-	-
Total	**801**	**845**	**41**	**1,687**	**1,687**

In millions of EUR	Czech Republic	Slovakia	Hungary	Other	Total segments	Consolidated Financial Information
Sales: Electricity	220	632	14	62	928	928
Sales: Heat	181	-	47	-	228	228
Sales: Gas	81	32	-	-	113	113
Sales: Coal	6	-	-	1	7	7
Sales: Other	15	4	-	-	19	19
Gain (loss) from commodity derivatives from trading with electricity and gas, net	(5)	-	-	-	(5)	(5)
Total	**498**	**668**	**61**	**63**	**1,290**	**1,290**

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

For the year ended 31 December 2016

In millions of EUR	Czech Republic	Slovakia	Hungary	Total segments	Consolidated Financial Information
Property, plant and equipment	672	848	44	1,564	1,564
Intangible assets	132	21	4	157	157
Total	**804**	**869**	**48**	**1,721**	**1,721**

For the period ended 30 September 2016

In millions of EUR	Czech Republic	Slovakia	Hungary	Other	Total segments	Consolidated Financial Information
Sales: Electricity	217	593	34	85	929	929
Sales: Heat	189	-	48	-	237	237
Sales: Gas	29	79	-	3	111	111
Sales: Coal	16	1	-	6	23	23
Sales: Other	14	4	-	5	23	23
Gain (loss) from commodity derivatives from trading with electricity and gas, net	4	-	-	-	4	4
Total	**469**	**677**	**82**	**99**	**1,327**	**1,327**

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

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

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

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

(1) První energetická a.s. merged with EP ENERGY TRADING, a.s. as 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. 30 September 2017

On 5 April 2017 Stredoslovenská energetika a.s. acquired 100% share in SPV100, s.r.o. for EUR 0.6 million. The value of net assets acquired was approximately zero.

Acquisition of non-controlling interest

On 2 June 2017 Pražská teplárenská, a.s. acquired a 5% share in 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.

ii. 31 December 2016

In 2016 the Group did not acquire any subsidiaries, joint-ventures or associates.

(b) Disposal of investments in 2017 and 2016

i. 30 September 2017

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

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.

ii. 31 December 2016

During the year 2016 the Group disposed of its investments in:

In millions of EUR	**Date of disposal**	**Sales price**	**Equity interest disposed**	**Equity interest after disposal**
			%	**%**
Subsidiaries disposed				
EOP & HOKA s.r.o. and its subsidiary	29/02/2016	5	99.79	-
EP COAL TRADING POLSKA S.A.	29/02/2016	-	100	-
PGP Terminal, a.s. and its associate	29/02/2016	-	60	-
JTSD Braunkohlebergbau GmbH and its subsidiaries and associates*	01/04/2016	156	100	-
LokoTrain s.r.o.	04/04/2016	2	65	-
EP Cargo Deutschland GmbH	05/04/2016	-	100	-
EP CARGO POLSKA s.a.	05/04/2016	1	100	-
ADCONCRETUM REAL ESTATE ltd	04/05/2016	3	100	-
Pražská teplárenská LPZ, a.s.	31/05/2016	82	100	-
Total		**249**	**-**	**-**

* *JTSD Braunkohlebergbau GmbH and its subsidiaries and associates were classified as discontinued operations and the effect of disposal is presented within Profit (loss) from discontinued operations.*

The effects of disposals are provided in the following table:

In millions of EUR	**Net assets sold in 2016**
Property, plant, equipment, land, buildings	27
Investment property	3
Trade receivables and other assets	5
Financial instruments – assets	1
Cash and cash equivalents	14
Deferred tax liabilities	(3)
Loans and borrowings	(1)
Trade payables and other liabilities	(10)
Assets held for sale	14
Liabilities held for sale	(11)
Net identifiable assets and liabilities	**39**
Non-controlling interest	(9)
Net assets value disposed	**30**
Sales price	93
Gain (loss) on disposal	**63**

The effect of discontinued operations disposal is provided in the following table:

In millions of EUR	**Net assets sold in 2016**
Assets held for sale	1,251
Liabilities held for sale	(1,146)
Net identifiable assets and liabilities	**105**
Non-controlling interest	(2)
Translation reserve recycled to statement of comprehensive income	19
Net assets value disposed	**122**
Sales price	156
Gain (loss) on disposal[(1)]	**34**

(1) The total balance of Profit (loss) from discontinued operations, net of tax, amounting to EUR 22 million comprises the effect of disposal of discontinued operations in the amount of EUR 34 million and the loss from discontinued operations in the amount of EUR 12 million.

6. Sales

In millions of EUR	**30 September 2017 (nine months)**	**30 September 2016 (nine months)**
Sales: Energy		
Electricity	928	929
Heat	228	237
Gas	113	111
Coal	7	23
Total Energy	**1,276**	**1,300**
Sales: Other	**19**	**23**
Gain (loss) from commodity derivatives for trading with electricity and gas, net	**(5)**	**4**
Total	**1,290**	**1,327**

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	**30 September 2017 (nine months)**	**30 September 2016 (nine months)**
Cost of Sales: Energy		
Cost of sold electricity	608	706
Cost of sold/consumed gas and other energy products	169	159
Consumption of energy	63	75
Consumption of coal and other material	64	61
Other cost of sales	9	13
Total Energy	**913**	**1,014**
Cost of Sales: Other		
Cost of goods sold	5	10
Consumption of material	4	3
Consumption of energy	2	2
Other cost of sales	3	6
Total Other	**14**	**21**
Total	**927**	**1,035**

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	**30 September 2017 (nine months)**	**30 September 2016 (nine months)**
Wages and salaries	49	49
Compulsory social security contributions	18	17
Board members' remuneration (including boards of subsidiaries)	2	2
Expenses and revenues related to employee benefits (IAS 19)	1	1
Other social expenses	5	4
Total	**75**	**73**

The average number of employees as at 30 September 2017 was 3,690 (30 September 2016: 3,752), of which 98 (30 September 2016: 95) were executives.

9. Emission rights

In millions of EUR	**30 September 2017 (nine months)**	**30 September 2016 (nine months)**
Deferred income (grant) released to profit and loss	6	6
Net creation of provision for emission rights	(20)	(14)
Use of provision for emission rights	23	22
Consumption of emission rights	(23)	(22)
Total	**(14)**	**(8)**

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	**30 September 2017 (nine months)**	**30 September 2016 (nine months)**
Profit from disposal of tangible and intangible assets	8	1
Property acquired free-of-charge and fees from customers	5	5
Rental income	5	4
Compensation from insurance and other companies	3	2
Consulting fees	2	2
Contractual penalties	-	1
Fee and commission income – intermediation	-	1
Other	6	5
Total	**29**	**21**

Profit from disposal of tangible and intangible assets includes profit from sale of unused buildings and land plots in amount of EUR 6 million.

11. Other operating expenses

In millions of EUR	**30 September 2017 (nine months)**	**30 September 2016 (nine months)**
Outsourcing and other administration fees	10	7
Rent expenses	7	5
Office equipment and other material	6	10
Consulting expenses	5	5
Information technology costs	4	4
Advertising expenses	2	1
Transport expenses	2	1
Impairment losses, net	1	3
Loss from receivables written-off	1	2
Insurance expenses	1	2
Gifts and sponsorship	1	-
Administrative expenses	-	1
Own work, capitalised	(13)	(16)
Other	5	2
Total	**32**	**27**

No research and development expenses were recognised in profit and loss for the nine-month period ended 30 September 2017 and 30 September 2016.

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

Recognised in profit or loss

In millions of EUR	**30 September 2017 (nine months)**	**30 September 2016 (nine months)**
Interest income	1	11
Other finance income	-	2
Finance income	**1**	**13**
Interest expense	(45)	(47)
Fees and commissions expense for other services	(1)	(1)
Net foreign exchange profit (loss)	(8)	-
Other services	-	(2)
Finance expense	**(54)**	**(50)**
Profit (loss) from interest rate derivatives for trading	2	(13)
Profit (loss) from sale/settlement of assets at fair value	-	(6)
Profit (loss) from financial assets at fair value	-	4
Profit (loss) from financial instruments	**2**	**(15)**
Net finance income (expense) recognised in profit or loss	**(51)**	**(52)**

13. Income tax expenses

Income taxes recognised in profit or loss

In millions of EUR	**30 September 2017 (nine months)**	**30 September 2016 (nine months)**
Current taxes:		
Current period	(34)	(17)
Total current taxes	**(34)**	**(17)**
Deferred taxes:		
Origination and reversal of temporary differences	5	3
Total deferred taxes	**5**	**3**
Total income taxes (expense)/benefit recognised in profit or loss	**(29)**	**(14)**

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 2017 and 2016. The Slovak corporate income tax rate is 21% for fiscal year 2017 (22% for 2016). The Hungarian corporate income tax rate is 9% for fiscal year 2017 (19% for 2016). 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 2017	**1,379**	**856**	**5**	**33**	**2,273**
Effects of movements in foreign exchange rates	25	21	-	3	**49**
Additions	7	7	-	47	**61**
Disposals	(7)	(6)	-	-	**(13)**
Disposed entities	-	(1)	-	-	**(1)**
Transfers	5	5	-	(10)	**-**
Transfer to disposal group held for sale	(3)	-	-	-	**(3)**
Balance at 30 September 2017	**1,406**	**882**	**5**	**73**	**2,366**
Depreciation and impairment losses					
Balance at 1 January 2017	**(376)**	**(327)**	**(2)**	**(4)**	**(709)**
Effects of movements in foreign exchange rates	(10)	(10)	-	-	**(20)**
Depreciation charge for the period	(58)	(42)	(1)	-	**(101)**
Disposals	4	2	-	-	**6**
Balance at 30 September 2017	**(440)**	**(377)**	**(3)**	**(4)**	**(824)**
Carrying amounts					
At 1 January 2017	**1,003**	**529**	**3**	**29**	**1,564**
At 30 September 2017	**966**	**505**	**2**	**69**	**1,542**

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 2016	**1,352**	**761**	**6**	**67**	**2,186**
Effects of movements in foreign exchange rates	-	-	-	-	**-**
Additions	9	20	-	52	**81**
Disposals	(1)	(1)	-	(2)	**(4)**
Disposed entities	(33)	(10)	-	-	**(43)**
Transfers	9	17	-	(26)	**-**
Transfer from disposal group held for sale	5	19	-	-	**24**
Balance at 30 September 2016	**1,341**	**806**	**6**	**91**	**2,244**
Depreciation and impairment losses					
Balance at 1 January 2016	**(307)**	**(266)**	**(1)**	**(6)**	**(580)**
Effects of movements in foreign exchange rates	-	-	-	-	**-**
Depreciation charge for the period	(58)	(47)	(1)	-	**(106)**
Disposals	1	3	-	2	**6**
Disposed entities	10	6	-	-	**16**
Transfer from disposal group held for sale	-	(1)	-	-	**(1)**
Balance at 30 September 2016	**(354)**	**(305)**	**(2)**	**(4)**	**(665)**
Carrying amounts					
At 1 January 2016	**1,045**	**495**	**5**	**61**	**1,606**
At 30 September 2016	**987**	**501**	**4**	**87**	**1,579**

Idle assets

As at 30 September 2017 and as at 31 December 2016 the Group had no significant idle assets.

Finance lease liabilities

As at 30 September 2017 and as at 31 December 2016 the Group had no significant finance lease liabilities.

Security

As at 30 September 2017 property, plant and equipment with a carrying value of EUR 394 million (31 December 2016: EUR 395 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 2017	**106**	**46**	**27**	**16**	**4**	**199**
Effects of movements in foreign exchange rates	4	1	-	-	-	**5**
Additions	1	-	9	-	2	**12**
Disposals	-	-	(23)	-	-	**(23)**
Transfers	-	1	-	-	(1)	**-**
Balance at 30 September 2017	**111**	**48**	**13**	**16**	**5**	**193**
Balance at 1 January 2017	**(8)**	**(24)**	**-**	**(10)**	**-**	**(42)**
Effects of movements in foreign exchange rates	-	(1)	-	(1)	-	**(2)**
Amortisation for the period	-	(4)	-	-	-	**(4)**
Disposals	-	-				
Balance at 30 September 2017	**(8)**	**(29)**	**-**	**(11)**	**-**	**(48)**
Carrying amount						
At 1 January 2017	**98**	**22**	**27**	**6**	**4**	**157**
At 30 September 2017	**103**	**19**	**13**	**5**	**5**	**145**

In millions of EUR	**Goodwill**	**Software**	**Emission rights**	**Customer relationship and other contracts**	**Other intangible assets**	**Total**
Cost						
Balance at 1 January 2016	**106**	**43**	**31**	**33**	**2**	**215**
Additions	-	1	10	-	2	**13**
Disposals	-	(1)	(22)	-	-	**(23)**
Balance at 30 September 2016	**106**	**43**	**19**	**33**	**4**	**205**
Amortisation and impairment losses						
Balance at 1 January 2016	**(8)**	**(19)**	**-**	**(8)**	**-**	**(35)**
Amortisation for the period	-	(4)	-	(14)	-	**(18)**
Balance at 30 September 2016	**(8)**	**(23)**	**-**	**(22)**	**-**	**(53)**
Carrying amount						
At 1 January 2016	**98**	**24**	**31**	**25**	**2**	**180**
At 30 September 2016	**98**	**20**	**19**	**11**	**4**	**152**

As of 30 September 2017, the EPE Group purchased emission allowances of EUR 2 million (30 September 2016: EUR 1 million). The remaining part of EUR 7 million (30 September 2016: EUR 9 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic and Hungary.

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 that represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

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

In millions of EUR	**30 September 2017**	**31 December 2016**
Elektrárny Opatovice, a.s.	89	85
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.(1)	5	5
Plzeňská energetika a.s.	3	3
SPV100, s.r.o.	1	-
Total goodwill	**103**	**98**

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

For the period ended 30 September 2017 the EPE group did not recognise any goodwill impairment (30 September 2016: EUR 0 million).

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 2016 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 discount rates ranged from 5.22% to 6.30%. Decrease of used discount rates compared to prior year reflect recent market development, namely decrease in risk-free rates used for cost of equity calculation.

There were no impairment indicators as of 30 September 2017.

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 Associates	Country	Ownership 30 September 2017 %	Carrying amount 30 September 2017
Pražská teplárenská Holding a.s.	Czech Republic	49.00	13
Energotel, a.s	Slovakia	20.00	2
Total			**15**

In millions of EUR Associates	Country	Ownership 31 December 2016 %	Carrying amount 31 December 2016
Pražská teplárenská Holding a.s.	Czech Republic	49.00	14
Energotel, a.s	Slovakia	20.00	2
Total			**16**

The Group has no significant shares in the profit/loss from continuing operations of associates for the nine-month period ended 30 September 2017 (30 September 2016: loss EUR 3 million).

Summary financial information for significant standalone associates presented at 100% as of and for the nine-month period ended 30 September 2017:

In millions of EUR Associates	Revenue	Profit (loss)	Other comprehensive income	Total comprehensive income	Assets	Liabilities	Equity
Pražská teplárenská Holding a.s.	26	(1)26	-	(1)26	117	-	(2)117
Energotel, a.s.	7	1		1	13	5	8
	33	**27**	**-**	**27**	**130**	**5**	**125**

In millions of EUR Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Pražská teplárenská Holding a.s.	90	27	-	-
Energotel, a.s.	6	7	-	5
	96	**34**	**-**	**5**

(1) Profit and Loss item represents primarily dividend income from an associate.
(2) Carrying amount covers investment in Pražská teplárenská a.s., which is eliminated in consolidation.

Summary financial information for standalone associates presented at 100% as of and for the year ended 31 December 2016:

In millions of EUR Associates	Revenue	Profit (loss)	Other comprehensive income	Total comprehensive income	Assets	Liabilities	Equity
Pražská teplárenská Holding a.s.	28	(1)28	-	(1)28	115	-	(2)115
Energotel, a.s.	13	2	-	2	15	6	9
	41	**30**	**-**	**30**	**130**	**6**	**124**

In millions of EUR

Associates	**Non-current assets**	**Current assets**	**Non-current liabilities**	**Current liabilities**
Pražská teplárenská Holding a.s.	86	29	-	-
Energotel, a.s.	7	8	-	6
	93	**37**	**-**	**6**

(1) Profit and Loss item represents primarily dividend income from an associate.
(2) Carrying amount covers investment in Pražská teplárenská a.s., which is eliminated in consolidation.

17. Inventories

In millions of EUR	**30 September 2017**	**31 December 2016**
Fossil fuel	27	34
Spare parts	6	6
Raw material and supplies	7	6
Work in progress	1	2
Total	**41**	**48**

As at 30 September 2017 inventories in the amount of EUR 24 million (31 December 2016: EUR 29 million) were subject to pledges.

18. Trade receivables and other assets

In millions of EUR	**30 September 2017**	**31 December 2016**
Trade receivables	133	161
Accrued income	122	73
Advance payments	40	38
Estimated receivables	26	29
Uninvoiced supplies	13	19
Other receivables and assets	23	6
Allowance for bad debts	(20)	(18)
Total	**337**	**308**
Non-current	11	13
Current	326	295
Total	**337**	**308**

As at 30 September 2017 trade receivables with a carrying value of EUR 59 million (31 December 2016: EUR 62 million) were subject to pledges.

19. Cash and cash equivalents

In millions of EUR	**30 September 2017**	**31 December 2016**
Current accounts with banks	502	464
Term deposits	-	-
Total	**502**	**464**

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

As of 30 September 2017 cash equivalents of EUR 386 million are subject to pledges (31 December 2016: EUR 75 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	**30 September 2017**	**31 December 2016**
Value added tax receivables	3	6
Current income tax receivables	6	15
Energy tax	1	2
Total	**10**	**23**

21. Assets and liabilities held for sale

As of 30 September 2017 the balance of asset held for sale (EUR 4 million; 31 December 2016: EUR 5 million) and balance of liabilities held for sale (EUR 1 million; 31 December 2016: EUR 1 million) is represented by Nová Invalidovna, a.s. and Pod Juliskou, a.s. (31 December 2016: Nová Invalidovna, a.s. and Nový Veleslavín, 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 30 September 2017 the net deferred tax liability amounts to EUR 170 million (31 December 2016: EUR 167 million).

23. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 30 September 2017 consisted of 19,549,548 ordinary shares with a par value of CZK 657 each (31 December 2016: 19,549,548 ordinary shares with a par value of CZK 657 each).

The shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 657, at meetings of the Company's shareholders.

30 September 2017	**Number of shares 657 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 2016	**Number of shares 657 CZK**	**Ownership %**	**Voting rights %**
EP Infrastructure, a.s (former CE Energy, a.s.)	19,549,548	100.00	100.00
Total	**19,549,548**	**100.00**	**100.00**

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

	Number of shares	
	30 September 2017	**31 December 2016**
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	**30 September 2017**	**31 December 2016**
Non-distributable reserves	1	1
Translation reserve	(37)	(35)
Hedging reserve	(21)	(51)
Other capital reserves	(320)	(320)
Total	**(377)**	**(405)**
Other capital funds from capital contributions	23	23
Reserves	**(354)**	**(382)**

Non-distributable reserves

The creation of a legal reserve fund in the Czech Republic was prior to 1 January 2014 required at a minimum of 20% (10% for limited liability companies) of net profit (annually) and up to a minimum of 10% (5% for limited liability companies) of the registered share capital (cumulative balance). The legal reserve fund could have only been used to cover losses of the Company and may not have been distributed as a dividend. The calculation of the legal reserve was based on local statutory regulations. The legal reserve of EUR 1 million was reported as of 30 September 2017 (31 December 2016: EUR 1 million). From 1 January 2014, in relation to the newly enacted legislation, legal reserve fund and its creation are no longer, under certain circumstances, obligatory. Similarly, legal reserve fund can be from 1 January 2014, under certain conditions, distributed in a form of dividend.

Translation reserve

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

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 30 September 2017 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 an effect from a cash flow hedge recognised on the EPE Group level.

24. Earnings per share

Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 657 (30 September 2016: in EUR per 1 share of CZK 657) nominal value is 1.59 (30 September 2016: 3.32).

The calculation of basic earnings per share as at 30 September 2017 was based on profit attributable to ordinary shareholders of EUR 31 million (30 September 2016: EUR 65 million), and a weighted average number of ordinary shares outstanding of 19,550 thousand (30 September 2016: 19,550 thousand).

Basic earnings per share from continuing operations in EUR per 1 share of CZK 657 (30 September 2016: in EUR per 1 share of CZK 657) nominal value equal 1.59 (30 September 2016: 3.94).

The calculation of basic earnings per share from continuing operations as of 30 September 2017 was based on profit attributable to ordinary shareholders of EUR 31 million (30 September 2016: EUR 77 million), and a weighted average number of ordinary shares outstanding of 19,550 thousand (30 September 2015: 19,550 thousand).

Weighted average number of ordinary shares as at 30 September 2017

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 at 30 September 2016

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

30 September 2017 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries**	**Stredoslovenská energetika, a.s. and its subsidiaries**	**Stredoslovenská energetika - Distribúcia, a.s.**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**26.18%**	**51.00%**	**51.00%**		
Business activity	Production and distribution of heat	Distribution of electricity	Distribution of electricity		
Country(1)	Czech Republic	Slovakia	Slovakia		
Carrying amount of NCI at 30 September 2017	**66**	**355**	**32**	**9**	**462**
Profit (loss) attributable to non-controlling interest for the period	**3**	**7**	**32**	**2**	**44**
Dividends declared	**(14)**	**(30)**	**-**	**-**	**(44)**
Statement of financial position information(2)					
30 September 2017					
Total assets	340	997(3)	1,011		
of which: non-current	*264*	*882*	*791*		
current	*76*	*115*	*220*		
Total liabilities	75	185	238		
of which: non-current	*30*	*25*	*172*		
current	*45*	*160*	*66*		
Net assets	**265**	**812**	**773**	**-**	**-**
Statement of comprehensive income information(2)					
30 September 2017					
Total revenues	132	461	399		
Profit after tax	14	14	61		
Total comprehensive income for the period(2)	**14**	**14**	**61**	**-**	**-**
Net cash inflows (outflows)(2)	**(35)**	**34**	**-**		

(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 local statutory accounting standards.
(3) Non-current assets includes financial investment in Stredoslovenská energetika – Distribúcia, a.s.

31 December 2016 *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	**26.18%**	**51.00%**		
Business activity	Production and distribution of heat	Distribution of electricity		
Country[1]	Czech Republic	Slovakia		
Carrying amount of NCI at 31 December 2016	**78**	**379**	**7**	**464**
Profit (loss) attributable to non-controlling interest for the year	**21**	**27**	**-**	**48**
Dividends declared	**(15)**	**(34)**	**-**	**(49)**
Statement of financial position information[2]				
31 December 2016				
Total assets	365	1,043		
of which: non-current	*267*	*857*		
current	*98*	*186*		
Total liabilities	66	301		
of which: non-current	*32*	*137*		
current	*34*	*164*		
Net assets	**299**	**742**	**-**	**-**
Statement of comprehensive income information[2]				
30 September 2016				
Total revenues	249	670		
of which: dividends received	-	-		
Profit after tax	52	25		
Total other comprehensive income for the year, net of tax	-	-		
Total comprehensive income for the year[2]	**52**	**25**	**-**	**-**
Net cash inflows (outflows)[2]	**23**	**(25)**		

(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 local statutory accounting standards.*
(3) *Including Stredoslovenská energetika – Distribúcia, a.s.*

26. Loans and borrowings

In millions of EUR	30 September 2017	31 December 2016
Issued debentures at amortised cost	1,114	1,098
Loans payable to credit institutions	34	38
Loans payable to other than credit institutions	13	14
of which owed to the parent company/ultimate parent company	-	-
of which owed to other related companies	*13*	*14*
Total	**1,161**	**1,150**
Non-current	531	1,140
of which owed to the parent company/ultimate parent company	-	-
of which owed to other related companies	*13*	*14*
Current	630	10
of which owed to the parent company/ultimate parent company	-	-
of which owed to other related companies	-	-
Total	**1,161**	**1,150**

27. Provisions

In millions of EUR	Employee benefits	Provision for emission rights	Provision for lawsuits and litigations	Provision for restoration and decommissioning	Other	Total
Balance at 1 January 2017	**12**	**24**	**-**	**3**	**9**	**48**
Provisions released during the period	-	-	-	-	(1)	**(1)**
Provisions made during the period	-	20	1	-	-	**21**
Provisions used during the period	-	(23)	-	-	(1)	**(24)**
Effects of movements in foreign exchange rates	1	(1)	-	-	-	**-**
Balance at 30 September 2017	**13**	**20**	**1**	**3**	**7**	**44**
Non-current	**13**	**-**	**1**	**2**	**1**	**17**
Current	**-**	**20**	**-**	**1**	**6**	**27**

In millions of EUR	Employee benefits	Provision for emission rights	Provision for restoration and decommissioning	Other	Total
Balance at 1 January 2016	**12**	**22**	**3**	**2**	**39**
Provisions made during the period	1	14	-	-	**15**
Provisions used during the period	-	(22)	-	(1)	**(23)**
Balance at 30 September 2016	**13**	**14**	**3**	**1**	**31**
Non-current	**12**	**-**	**3**	**1**	**16**
Current	**1**	**14**	**-**	**-**	**15**

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 2016: EUR 12 million) was recorded by United Energy, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., PT měření, a.s., Stredoslovenská energetika, a.s., Budapesti Erömü Zrt. and 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 CO_2 emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

28. Deferred income

In millions of EUR	**30 September 2017**	**31 December 2016**
Government grants	48	32
Government grants for emission rights	2	-
Other deferred income	64	64
Total	**114**	**96**
Non-current	93	75
Current	21	21
Total	**114**	**96**

Balance of government grants in amount of EUR 48 million (31 December 2016: EUR 32 million) is mainly represented by Elektrárny Opatovice, a.s. of EUR 37 million (31 December 2016: EUR 21 million), Alternative Energy, s.r.o. of EUR 4 million (31 December 2016: EUR 4 million) and United Energy, a.s. of EUR 5 million (31 December 2016: 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 64 million (31 December 2016: EUR 64 million) is mainly represented by Stredoslovenská energetika - Distribúcia, a.s. This balance consists of deferred income related to the following items: fee for grid connection paid by customers (EUR 27 million; 31 December 2016: EUR 26 million), property acquired free-of-charge (EUR 26 million; 31 December 2016: EUR 26 million) and contributions paid by customers for the restoration of tangible assets related to distribution network (EUR 3 million; 31 December 2016: 3 million).

29. Financial instruments

Financial instruments and other financial assets

In millions of EUR	30 September 2017	31 December 2016
Assets carried at amortised cost		
Loans to other than credit institutions	15	6
of which owed by the parent company/ultimate parent company	*8*	-
of which owed by other Group related companies	*6*	*6*
Shares available for sale held at cost	1	1
Total	**16**	**7**
Assets carried at fair value		
Risk management purpose: *of which*	1	-
Currency forwards reported as trading	*1*	-
Hedging: *of which*	2	1
Interest rate swaps cash flow hedge	-	*1*
Commodity derivatives cash flow hedge	2	-
Total	**3**	**1**
Non-current	7	6
Current	12	2
Total	**19**	**8**

Financial instruments and other financial liabilities

In millions of EUR	30 September 2017	31 December 2016
Liabilities carried at fair value		
Hedging: *of which*	3	5
Interest rate swaps cash flow hedge	*3*	*4*
Currency forwards cash flow hedge	-	*1*
Risk management purpose: *of which*	13	10
Interest rate swaps reported as trading	*5*	*7*
Commodity derivatives reported as trading	*6*	*3*
Currency forwards reported as trading	*2*	-
Total	**16**	**15**
Non-current	10	11
Current	6	4
Total	**16**	**15**

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

In millions of EUR	30 September 2017 Nominal amount buy	30 September 2017 Nominal amount sell	30 September 2017 Fair value buy	30 September 2017 Fair value sell
Hedging: *of which*	138	(136)	2	(3)
Interest rate swaps cash flow hedge	*100*	*(100)*	-	*(3)*
Currency forwards cash flow hedge	*36*	*(36)*	-	-
Commodity derivatives cash flow hedge	*2*	-	*2*	-
Risk management purpose: *of which*	510	(510)	1	(13)
Interest rate swaps reported as trading	*200*	*(200)*	-	*(5)*
Commodity derivatives reported as trading	*134*	*(133)*	-	*(6)*
Currency forwards reported as trading	*176*	*(177)*	*1*	*(2)*
Total	**648**	**(646)**	**3**	**(16)**

In millions of EUR	**31 December 2016 Nominal amount buy**	**31 December 2016 Nominal amount sell**	**31 December 2016 Fair value buy**	**31 December 2016 Fair value sell**
Hedging: *of which*	128	(128)	1	(5)
Interest rate swaps cash flow hedge	*100*	*(100)*	-	*(4)*
Commodity derivatives cash flow hedge	*1*	-	*1*	-
Currency forwards cash flow hedge	*23*	*(24)*	-	*(1)*
Interest rate swaps fair value hedge	*4*	*(4)*	-	-
Risk management purpose: *of which*	649	(649)	-	(10)
Currency forwards reported as trading	*102*	*(102)*	-	-
Interest rate swaps reported as trading	*200*	*(200)*	-	*(7)*
Commodity derivatives reported as trading	*347*	*(347)*	-	*(3)*
Total	**777**	**(777)**	**1**	**(15)**

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

Fair value hierarchy for financial instruments carried at fair value

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

		30 September 2017		
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Risk management purpose: *of which*	-	1	-	**1**
Currency forwards reported as trading	-	*1*	-	***1***
Hedging: *of which*	-	2	-	**2**
Commodity derivatives cash flow hedge	-	*2*	-	***2***
Total	**-**	**3**	**-**	**3**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	3	-	**3**
Interest rate swaps cash flow hedge	-	*3*	-	***3***
Risk management purpose: *of which*	-	13	-	**13**
Interest rate swaps reported as trading	-	*5*	-	***5***
Commodity derivatives reported as trading	-	*6*	-	***6***
Currency forwards reported as trading	-	*2*	-	***2***
Total	**-**	**16**	**-**	**16**

		31 December 2016		
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***
Total	**-**	**1**	**-**	**1**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	5	-	**5**
Currency forwards cash flow hedge	-	*1*	-	***1***
Interest rate swaps cash flow hedge	-	*4*	-	***4***
Risk management purpose: *of which*	-	10	-	**10**
Interest rate swaps reported as trading	-	*7*	-	***7***
Commodity derivatives reported as trading	-	*3*	-	***3***
Total	**-**	**15**	**-**	**15**

There were no transfers between fair value levels as of either 30 September 2017 or 31 December 2016.

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	**30 September 2017**	**30 September 2017**
Loans to other than credit institutions	15	15
Shares available for sale	1	[1]-
Financial instruments held at amortised costs	**16**	**15**
Financial liabilities		
Loans and borrowings	**1,161**	**1,174**

In millions of EUR	**Carrying value amount**	**Fair value**
Financial assets	**31 December 2016**	**31 December 2016**
Loans to other than credit institutions	6	6
Shares available for sale	1	[1]-
Financial instruments held at amortised costs	**7**	**6**
Financial liabilities		
Loans and borrowings	**1,150**	**1,184**

(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 reported.

30. Trade payables and other liabilities

In millions of EUR	**30 September 2017**	**31 December 2016**
Trade payables	103	142
Advance payments received	97	62
Liabilities to partners and associations	10	-
Payroll liabilities	11	17
Estimated payables	28	26
Other tax liabilities	6	13
Accrued expenses	4	3
Uninvoiced supplies	1	1
Other liabilities	4	8
Total	**264**	**272**
Non-current	-	2
Current	264	270
Total	**264**	**272**

Trade payables and other liabilities have not been secured as at 30 September 2017, or as at 31 December 2016.

As at 30 September 2017 and 31 December 2016 no liabilities to social and health insurance or tax authorities were overdue.

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

31. Financial commitments and contingencies

Off balance sheet liabilities

In millions of EUR	**30 September 2017**	**31 December 2016**
Granted pledges – securities	890	855
Guarantees given	129	117
Other granted pledges	1,186	886
Total	**2,205**	**1,858**

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

Guarantees given

Guarantees given mainly include contracts for the future supply of energy for EUR 129 million (31 December 2016: EUR 113 million).

Other granted pledges

In millions of EUR	**30 September 2017**	**31 December 2016**
Loans granted(1)	323	325
Property, plant and equipment	394	395
Cash and cash equivalents	386	75
Trade receivables	59	62
Inventories	24	29
Total	**1,186**	**886**

(1) Total balance of pledged granted loans includes intercompany loans of EUR 309 million (31 December 2016: EUR 319 million).

Off balance sheet assets

In millions of EUR	**30 September 2017**	**31 December 2016**
Received promises	383	336
Other received guarantees and warranties	-	4
Total	**383**	**340**

Received promises

Received promises comprise the contracts for the future purchase of energy in amount of EUR 253 million (31 December 2016: EUR 197 million) and regulatory contingent assets related to green energy of EUR 130 million (31 December 2016: EUR 138 million) recognised by SSE Group, which are represented by the contingent assets related to green energy.

In addition, the Group has undrawn credit lines for general business purposes, amount of which is not reported within off balance sheet assets.

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 to purchase the green electricity generated, which is used to cover network losses and pay bonuses. The purchase tariff for green energy is set by RONI and is covered by the Tariff for system operation (“TPS”). For the nine-month period ended 30 September 2017 SSE recognised a loss of EUR 95 million (30 September 2016: EUR 123 million) as the difference between the green energy support costs and revenues from TPS in the period from 1 January 2017 to 30 September 2017. The loss includes revenues adjusted for compensation for past losses, which was recognised as accrued income as at 31 December 2016 (for 2016 revenues as at 31 December 2015).

Based on the current Regulatory Framework the cumulated losses incurred in 2015 and 2016 will be compensated in two years’ time, i.e. relevant amounts in 2017 and 2018 through an increase of revenues from TPS (2015 and 2016 losses to be recovered in 2017 and 2018). Contingent asset as at 30 September

2017 comprises 3/12 of 2016 loss totalling EUR 138 million (i.e. EUR 35 million) and EUR 95 million as a loss incurred in nine-month period ended 30 September 2017 (contingent assets as at 31 December 2016 amounted to EUR 138 million).

Based on the RONI decision dated in December 2016 the resulting contingent asset of EUR 73 million originating in the year 2015 was recognized as accrued income in the combined statement of financial position as of 31 December 2016 and will be fully collected in the course of 2017 (31 December 2015: EUR 77 million originating in the year 2014 was recognized as accrued income in the combined statement of financial position as of 31 December 2015 and was fully collected in the course of 2016). The loss for 2017 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 2018 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 at 30 September 2017 and 31 December 2016 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**
	30 September 2017	**30 September 2017**	**31 December 2016**	**31 December 2016**
Ultimate shareholders	-	-	-	-
Companies controlled by ultimate shareholders	26	19	7	16
Companies under significant influence by ultimate shareholders	3	7	4	15
Associates	8	13	6	14
Total	**37**	**39**	**17**	**45**

(b) The summary of transactions with related parties during the periods ended 30 September 2017 and 30 September 2016 was as follows:

In millions of EUR	**Revenues**	**Expenses**	**Revenues**	**Expenses**
	30 September 2017	**30 September 2017**	**30 September 2016**	**30 September 2016**
Ultimate shareholders	-	-	3	-
Companies controlled by ultimate shareholders	38	93	24	96
Companies under significant influence by ultimate shareholders	23	73	6	16
Associates	14	-	7	-
Total	**75**	**166**	**40**	**112**

Transactions with Members of the EPE Board

As of 30 September 2017 and 31 December 2016 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 at 30 September 2017 and 31 December 2016 is set out below:

		30 September 2017		31 December 2016		2017	2016
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
EP Energy, a.s.	Czech Republic	-	-	-	-	-	-
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s. *	Czech Republic	49	Direct	49	Direct	Equity	Equity
Pražská teplárenská a.s.	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
Pražská teplárenská Trading, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
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
Nový Veleslavín, a.s.	Czech Republic	-	-	100	Direct	-	IFRS5
Pod Juliskou, a.s.	Czech Republic	100	Direct	100	Direct	IFRS5	Full
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
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	99.50	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
MR TRUST s.r.o. *	Czech Republic	-	-	0.50	Direct	-	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
EBEH Opatovice, a.s.v likvidaci	Czech Republic	-	-	100	Direct	-	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
Pražská teplárenská Trading, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.	Czech Republic	95	Direct	95	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Real Estate, a.s.	Czech Republic	50.58	Direct	-	-	Full	-
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nový Veleslavín, a.s.	Czech Republic	-	-	100	Direct	-	IFRS5
Pod Juliskou, a.s.	Czech Republic	100	Direct	100	Direct	IFRS5	Full
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	IFRS5	IFRS5

		30 September 2017		31 December 2016		2017	2016
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso-lidation method	Conso-lidation method
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	50.58	Direct	50.58	Direct	Full	Full
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská energetika – Distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SSE - Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika - Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	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	-	-	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
EP Hungary, 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*

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.

United Energy, a.s.

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

In May 2014, Court of appeal came to the conclusion that one claim challenging the validity of the underlying resolution of the general shareholders meeting is not relevant and UE believes that this conclusion may serve as a precedent for the other claims.

The parallel dispute regarding inadequate compensation is still ongoing with no clear outcome. The court hearing with mediator took place in September 2017 with no decision. Next meeting with mediator is planned be held by the end of 2017.

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 30 September 2017. Since mediation did not lead to any outcome, it was terminated and the next court hearing is planned to be held by the end of the year.

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

The SSE Group is a party to various legal proceedings. As at 30 September 2017 and 2016 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 13 October 2017 the sole shareholder of the Company approved the interim dividend in the amount of EUR 8 million. The interim dividend was settled via set off against the payable of EP Infrastructure, a.s. to the Company.

In October 2017, the Company provided a short-term deposit of EUR 40 million to its parent company EP Infrastructure, a.s. The deposit is expected to return before the year end.

At the end of November the project of merger of EP Energy, a.s. and EP Hungary, a.s. is expected to become effective with the decisive date of 1 January 2017. In connection with the merger the Company's share capital will be increased by increasing the nominal value of the shares from CZK 657 to CZK 665 each.

Except for the matters described above and elsewhere in the notes the Company's management is not aware of any other material subsequent events that could have an effect on the condensed consolidated interim financial statements as at 30 September 2017.

Date:	Signature of the authorised representative	
29 November 2017	Pavel Horský Member of the Board of Directors	Tomáš David Chairman of the Board of Directors