

# **EP Energy, a.s.**

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

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

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## Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2019

In millions of EUR ("MEUR")

	Note	30 June 2019 (six months)	30 June 2018 (six months)
Sales: Energy	6	1,019	913
<i>of which: Electricity</i>		719	624
<i>Heat</i>		199	192
<i>Gas</i>		87	87
<i>Coal</i>		14	10
Sales: Other	6	15	9
Gain (loss) from commodity derivatives for trading with electricity and gas, net		2	(5)
<b>Total sales</b>		<b>1,036</b>	<b>917</b>
Cost of sales: Energy	7	(729)	(664)
Cost of sales: Other	7	(16)	(11)
<b>Total cost of sales</b>		<b>(745)</b>	<b>(675)</b>
<b>Subtotal</b>		<b>291</b>	<b>242</b>
Personnel expenses	8	(50)	(50)
Depreciation and amortisation	14, 15	(67)	(66)
Repairs and maintenance		(6)	(6)
Emission rights, net	9	(15)	(9)
Taxes and charges		(2)	(2)
Other operating income	10	16	13
Other operating expenses	11	(27)	(39)
Own work capitalized		7	7
<b>Profit (loss) from operations</b>		<b>147</b>	<b>90</b>
Finance expense	12	(19)	(40)
Finance income	12	8	-
Profit (loss) from financial instruments	12	1	(2)
<b>Net finance income (expense)</b>		<b>(10)</b>	<b>(42)</b>
Gain (loss) on disposal of subsidiaries, special purpose entities and associates	5	-	(3)
<b>Profit (loss) before income tax</b>		<b>137</b>	<b>45</b>
Income tax expenses	13	(32)	(17)
<b>Profit (loss) from continuing operations</b>		<b>105</b>	<b>28</b>
<b>Profit (loss) for the period</b>		<b>105</b>	<b>28</b>
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences for foreign operations		(17)	10
Foreign currency translation differences from presentation currency		8	(14)
Effective portion of changes in fair value of cash flow hedges, net of tax		(11)	6
<b>Other comprehensive income for the period, net of tax</b>		<b>(20)</b>	<b>2</b>
<b>Total comprehensive income for the period</b>		<b>85</b>	<b>30</b>
<b>Profit (loss) attributable to:</b>			
<b>Owners of the Company</b>			
Profit (loss) for the period from continuing operations		72	14
Profit (loss) for the period attributable to owners of the company		72	14
<b>Non-controlling interest</b>			
Profit (loss) for the period from continuing operations		33	14
Profit (loss) for the period attributable to non-controlling interest		33	14
<b>Profit (loss) for the period</b>		<b>105</b>	<b>28</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		52	16
Non-controlling interest	24	33	14
<b>Total comprehensive income for the period</b>		<b>85</b>	<b>30</b>
<b>Basic and diluted earnings per share in EUR</b>	23	<b>3.68</b>	<b>0.72</b>

The notes presented on pages 8 to 53 form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim statement of financial position

As at 30 June 2019

In millions of EUR ("MEUR")

	Note	30 June 2019	31 December 2018
<b>Assets</b>			
Property, plant and equipment	14	1,465	1,447
Intangible assets	15	46	62
Goodwill	15	102	101
Equity accounted investees	16	2	1
Financial instruments and other financial assets	28	14	11
Trade receivables and other assets	18	6	7
Prepayments and other deferrals		1	1
Deferred tax assets	21	1	-
<b>Total non-current assets</b>		<b>1,637</b>	<b>1,630</b>
Inventories	17	34	32
Trade receivables and other assets	18	286	274
Contract assets	6, 18	25	29
Financial instruments and other financial assets	28	6	23
Prepayments and other deferrals		8	7
Tax receivables	20	5	11
Cash and cash equivalents	19	267	192
Restricted cash		2	3
<b>Total current assets</b>		<b>633</b>	<b>571</b>
<b>Total assets</b>		<b>2,270</b>	<b>2,201</b>
<b>Equity</b>			
Share capital	22	511	511
Share premium		116	116
Reserves		(379)	(359)
Retained earnings		181	109
<b>Total equity attributable to equity holders</b>		<b>429</b>	<b>377</b>
Non-controlling interest	24	450	422
<b>Total equity</b>		<b>879</b>	<b>799</b>
<b>Liabilities</b>			
Loans and borrowings	25	266	274
<i>of which owed to the parent company/ultimate parent company</i>		<i>215</i>	<i>249</i>
Financial instruments and financial liabilities	28	16	12
Provisions	26	18	18
Deferred income	27	46	47
Contract liabilities	6, 27	64	63
Deferred tax liabilities	21	155	161
<b>Total non-current liabilities</b>		<b>565</b>	<b>575</b>
Trade payables and other liabilities	29	182	208
Contract liabilities	6, 29	48	39
Loans and borrowings	25	513	511
<i>of which owed to the parent company/ultimate parent company</i>		<i>1</i>	<i>3</i>
Financial instruments and financial liabilities	28	26	24
Provisions	26	31	35
Deferred income	27	12	7
Current income tax liability		14	3
<b>Total current liabilities</b>		<b>826</b>	<b>827</b>
<b>Total liabilities</b>		<b>1,391</b>	<b>1,402</b>
<b>Total equity and liabilities</b>		<b>2,270</b>	<b>2,201</b>

The notes presented on pages 8 to 53 form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim statement of changes in equity

For the six-month period ended 30 June 2019

<i>In millions of EUR ("MEUR")</i>	Share capital	Share premium	Non-distributable reserves	Translation reserve	Attributable to owners of the Company			Retained earnings	Total	Non-controlling interest	Total Equity
					Fair value reserve	Other capital reserves	Hedging reserve				
<b>Balance at 31 December 2018</b>	<b>511</b>	<b>116</b>	<b>1</b>	<b>(34)</b>	<b>-</b>	<b>(321)</b>	<b>(5)</b>	<b>109</b>	<b>377</b>	<b>422</b>	<b>799</b>
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	-	-	-	-	-	-	-	-
<b>Adjusted balance at 1 January 2019 (A)</b>	<b>511</b>	<b>116</b>	<b>1</b>	<b>(34)</b>	<b>-</b>	<b>(321)</b>	<b>(5)</b>	<b>109</b>	<b>377</b>	<b>422</b>	<b>799</b>
<i>Total comprehensive income for the period:</i>											
<b>Profit or loss (B)</b>	-	-	-	-	-	-	-	<b>72</b>	<b>72</b>	<b>33</b>	<b>105</b>
<i>Other comprehensive income:</i>											
Foreign currency translation differences for foreign operations	-	-	-	(12)	-	-	-	-	(12)	(5)	(17)
Foreign currency translation differences for presentation currency	-	-	-	3	-	-	-	-	3	5	8
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	(11)	-	(11)	-	(11)
<b>Total other comprehensive income (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>-</b>	<b>(20)</b>	<b>-</b>	<b>(20)</b>
<b>Total comprehensive income for the period (D) = (B + C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>(11)</b>	<b>72</b>	<b>52</b>	<b>33</b>	<b>85</b>
<i>Contributions by and distributions to owners:</i>											
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(5)	(5)
<b>Total contributions by and distributions to owners (E)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>(5)</b>
<b>Total transactions with owners (G) = (E + F)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(5)</b>	<b>(5)</b>
<b>Balance at 30 June 2019 (E) = (A + D)</b>	<b>511</b>	<b>116</b>	<b>1</b>	<b>(43)</b>	<b>-</b>	<b>(321)</b>	<b>(16)</b>	<b>181</b>	<b>429</b>	<b>450</b>	<b>879</b>

The notes presented on pages 8 to 53 form an integral part of these condensed consolidated interim financial statements.

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

<i>In millions of EUR ("MEUR")</i>	Share capital	Share premium	Non-distributable reserves	Translation reserve	Attributable to owners of the Company			Retained earnings	Total	Non-controlling interest	Total Equity
					Fair value reserve	Other capital reserves	Hedging reserve				
<b>Balance at 31 December 2017</b>	<b>511</b>	<b>116</b>	<b>1</b>	<b>(34)</b>	-	<b>(303)</b>	<b>(8)</b>	<b>82</b>	<b>365</b>	<b>405</b>	<b>770</b>
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	-	-	-	<b>(2)</b>	<b>(2)</b>	-	<b>(2)</b>
<b>Adjusted balance at 1 January 2018 (A)</b>	<b>511</b>	<b>116</b>	<b>1</b>	<b>(34)</b>	-	<b>(303)</b>	<b>(8)</b>	<b>80</b>	<b>363</b>	<b>405</b>	<b>768</b>
<i>Total comprehensive income for the period:</i>											
<b>Profit or loss (B)</b>	-	-	-	-	-	-	-	<b>14</b>	<b>14</b>	<b>14</b>	<b>28</b>
<i>Other comprehensive income:</i>											
Foreign currency translation differences for foreign operations	-	-	-	2	-	-	-	-	<b>2</b>	<b>8</b>	<b>10</b>
Foreign currency translation differences for presentation currency	-	-	-	(6)	-	-	-	-	<b>(6)</b>	<b>(8)</b>	<b>(14)</b>
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	6	-	<b>6</b>	-	<b>6</b>
<b>Total other comprehensive income (C)</b>	-	-	-	<b>(4)</b>	-	-	<b>6</b>	-	<b>2</b>	-	<b>2</b>
<b>Total comprehensive income for the period (D) = (B + C)</b>	-	-	-	<b>(4)</b>	-	-	<b>6</b>	<b>14</b>	<b>16</b>	<b>14</b>	<b>30</b>
<i>Contributions by and distributions to owners:</i>											
Dividends to equity holders	-	-	-	-	-	-	-	(42)	(42)	(4)	(46)
<b>Total contributions by and distributions to owners (E)</b>	-	-	-	-	-	-	-	<b>(42)</b>	<b>(42)</b>	<b>(4)</b>	<b>(46)</b>
<i>Changes in ownership interests in subsidiaries:</i>											
Effect of disposed entities	-	-	-	-	-	(18)	-	<b>18</b>	-	-	-
<b>Total changes in ownership interests in subsidiaries (F)</b>	-	-	-	-	-	<b>(18)</b>	-	<b>18</b>	-	-	-
<b>Total transactions with owners (G) = (E + F)</b>	-	-	-	-	-	<b>(18)</b>	-	<b>(24)</b>	<b>(42)</b>	<b>(4)</b>	<b>(46)</b>
<b>Balance at 30 June 2018 (E) = (A + D)</b>	<b>511</b>	<b>116</b>	<b>1</b>	<b>(38)</b>	-	<b>(321)</b>	<b>(2)</b>	<b>70</b>	<b>337</b>	<b>415</b>	<b>752</b>

The notes presented on pages 8 to 53 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim financial statements of EP Energy, a.s.  
as of and for the six-month period ended 30 June 2019

## Condensed consolidated interim statement of cash flows

For the six-month period ended 30 June 2019

In millions of EUR ("MEUR")

	Note	30 June 2019 (six months)	30 June 2018 (six months)
<b>OPERATING ACTIVITIES</b>			
Profit (loss) for the period		<b>105</b>	<b>28</b>
Adjustments for:			
Income taxes	13	32	17
Depreciation and amortisation	14, 15	67	66
Impairment losses on property, plant and equipment and intangible assets	14, 15	-	10
Non-cash (gain) loss from commodity derivatives for trading with electricity and gas, net		(2)	5
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	10	(1)	(1)
Emission rights	9	15	9
Gain on disposal of subsidiaries, special purpose entities, joint ventures, associates and non-controlling interest	5	-	3
(Gain) loss on financial instruments	12	(1)	2
Net interest expense	12	19	26
Change in allowance for impairment to trade receivables and other assets, write-offs		-	1
Other finance fees, net		-	3
Change in provisions	11	-	(1)
Unrealised foreign exchange (gains) losses, net		(11)	13
<b>Operating profit before changes in working capital</b>		<b>223</b>	<b>181</b>
Change in trade receivables, contract assets, prepayments and other deferrals and other assets		(4)	63
Change in inventories		(2)	2
Change in trade payables, contract liabilities and other liabilities		(24)	(40)
Change in restricted cash		1	-
<b>Cash generated from (used in) operations</b>		<b>194</b>	<b>206</b>
Interest paid		(21)	(28)
Income taxes paid		(22)	(25)
<b>Cash flows generated from (used in) operating activities</b>		<b>151</b>	<b>153</b>
<b>INVESTING ACTIVITIES</b>			
Purchase of financial instruments		-	(5)
Proceeds (outflow) from sale (settlement) of financial instruments		3	-
Acquisition of property, plant and equipment and intangible assets	14, 15	(31)	(30)
Purchase of emission rights	15	(2)	(2)
Proceeds from sale of emission rights		2	
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		2	1
Acquisition of subsidiaries and special purpose entities, net of cash acquired	5	-	(3)
Net cash (outflow) inflow from disposal of subsidiaries and special purpose entities including received dividends	5	-	36
<b>Cash flows from (used in) investing activities</b>		<b>(26)</b>	<b>(3)</b>
<b>FINANCING ACTIVITIES</b>			
Repayment of borrowings		(45)	(2)
Proceeds from loans received		-	250
Repayment of bonds issued		(3)	(598)
Payment of lease liability		(2)	-
Dividends paid		-	-
<b>Cash flows from (used in) financing activities</b>		<b>(50)</b>	<b>(350)</b>
<i>Net increase (decrease) in cash and cash equivalents</i>		<i>75</i>	<i>(200)</i>
<b>Cash and cash equivalents at beginning of the period</b>		<b>192</b>	<b>371</b>
Effect of exchange rate fluctuations on cash held		-	(3)
<b>Cash and cash equivalents at end of the period</b>		<b>267</b>	<b>168</b>

The notes presented on pages 8 to 53 form an integral part of these condensed consolidated interim financial statements.

## Notes to the condensed consolidated interim financial statements

### 1. Background

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

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

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

The consolidated financial statements of the Company for the six-month period ended 30 June 2019 include the statements of the Parent Company and its subsidiaries and the Group’s interests in associates and joint-ventures (together referred to as the “Group” or the “EPE Group”). The Group entities are listed in Note 32 – Group entities.

- (1) *První energetická a.s. merged with EP ENERGY TRADING, a.s. as at 1 January 2013. EP ENERGY TRADING, a.s. is the successor company.*
- (2) *Honor Invest, a.s., Czech Energy Holding, a.s., EAST BOHEMIA ENERGY HOLDING LIMITED, LIGNITE INVESTMENTS 1 LIMITED and HC Fin3 N.V. merged with EP Energy, a.s. as at 4 November 2013. EP Energy, a.s. is the successor company.*
- (3) *EPH Financing II, a.s. merged with EP Energy, a.s. as at 25 August 2014. EP Energy, a.s. is the successor company.*

The shareholder of the Company as of 30 June 2019 was as follows:

	Interest in share capital		Voting rights
	MEUR	%	%
EP Infrastructure, a.s.	511	100.00	100.00
<b>Total</b>	<b>511</b>	<b>100.00</b>	<b>100.00</b>

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

	Interest in share capital		Voting rights
	MEUR	%	%
EP Infrastructure, a.s.	511	100.00	100.00
<b>Total</b>	<b>511</b>	<b>100.00</b>	<b>100.00</b>

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

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

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

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



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

## **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 2018.

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 August 2019.

### **(b) Critical accounting estimates and assumptions**

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2018.

#### **Determination of fair values**

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

- Property, plant and equipment

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

- Intangible assets

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

- Inventories

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

- Non-derivative financial assets

The fair value of financial assets at amortised cost, FVOCI – debt investment, FVOCI – equity investment, or FVTPL are based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated by management using pricing models or discounted cash flows techniques.

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

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

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

- Non-derivative financial liabilities

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

- Derivatives

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

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

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

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

### (c) Changes in accounting policies

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

The Group has adopted IFRS 16 Leases from 1 January 2019. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

#### **IFRS 16 Leases**

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

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

### *Definition of a leases*

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

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

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

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

### *Lessor accounting*

Lessor classifies leasing as either financial or operating.

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

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

### *Lessee accounting*

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

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

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

*In millions of EUR*

	<b>Land and buildings</b>	<b>Technical equipment, plant and machinery</b>
Balance at 1 January 2019	15	31
Balance at 30 June 2019	14	29

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

### *Service part of lease payment*

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

### *Lease term*

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

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

### *Lease of Land or Lease of Land and Building*

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

### *Subleasing*

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

### *Sale and Lease Back*

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

### *Renewal options*

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

### *Transition*

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

*In millions of EUR*

	<b>1 January 2019</b>
Right-of-use assets presented in property, plant and equipment	46
Deferred tax asset	-
Lease liabilities presented in Loans and borrowings	46
Retained earnings	-

**(d) Standards issued but not yet effective**

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

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

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

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

The amendments are not expected to have any material impact on the Group's financial statements.

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

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

The amendments are not expected to have any material impact on the Group's financial statements.

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

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

The amendments are not expected to have any material impact on the Group's financial statements.

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

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

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

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

**(e) Recently issued accounting standards**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments affect the following standards: IFRS 3 and IFRS 11 (clarified that when obtaining control of a business that is joint operation, previously held interest in that business is remeasured; when obtaining joint control of a business that is joint operation, previously held interest is not remeasured), IAS 12

(clarified how tax consequences of dividends are treated) and IAS 23 (clarified that is specific borrowing remains outstanding after the related asset is ready for use or sale, that borrowing becomes part of the funds that are generally borrowed when calculating the capitalisation rate on general borrowings).

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

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.

**(f) Basis of preparation**

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

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

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

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

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

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

<b>Date</b>	<b>Closing exchange rate CZK/EUR</b>	<b>Average exchange rate CZK/EUR for the 6-month (12-month) period</b>
30 June 2019	25.445	25.684
31 December 2018	25.725	25.643
30 June 2018	26.020	25.500

### 3. Seasonality of operations

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

For the 12 months ended 30 June 2019, the Group reported revenue of EUR 1,957 million (for year ended 31 December 2018: EUR 1,838 million) and Profit from operations of EUR 222 million (for year ended 31 December 2018: EUR 165 million).

### 4. Operating segments

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

Operating segments have been identified primarily on the basis of internal reports used by the EPE's "chief operating decision maker" (Board of Directors) to allocate resources to the segments and assess their performance. Major indicators used by the Board of Directors to measure these segments' performance is operating profit before depreciation, amortization and negative goodwill (EBITDA) and capital expenditures.

#### *i. Heat Infra*

The Heat Infra segment owns and operates large-scale combined heat and power plants (CHPs) in the Czech Republic mainly operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s. 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 Erőmű Zrt., which is supplying the City of Budapest. The heat generated in its co-generation power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the EPE Group owns in most of the cases. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin while the Hungarian operations are regulated using the standard Regulated Asset Base ("RAB") multiplied by WACC plus eligible operating expenditures and allowed depreciation formula.

#### *ii. Renewables*

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

#### *iii. Power Distribution and Supply*

The Power Distribution and Supply segment consists of a Power Distribution division and a Supply division. The Supply division supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. 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.

Stredoslovenská distribučná, a.s. (further "SSD", former SSE-Distribúcia, a.s.), which provides distribution of power, is required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of Energy Regulatory Authority ("RONI"). Entity operates under similar regulatory frameworks whereby allowed revenues are based on the RAB multiplied by the allowed regulatory WACC plus eligible operating expenditures and allowed depreciation in line with regulatory frameworks in other European countries. All key tariff parameters are set for a given regulatory period of five years (current regulatory period is 2017 – 2021).

RONI regulates certain aspects of the SSE's relationships with its customers including the pricing of electricity and services provided to certain customers of SSE. Price of electricity (the commodity) is



regulated for households and small businesses with the annual consumption up to 30 MWh where RONI sets a capped gross profit per MWh. The price of electricity for the wholesale customers is not regulated.

***iv. Holding***

The Holding segment represent 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 six-month period ended 30 June 2019

*In millions of EUR*

	Heat Infra	Power Distribution and Supply	Renewables	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy	297	770	3	1,070	-	-	(51)	1,019
<i>external revenues</i>	254	762	3	1,019	-	-	-	1,019
<i>of which: Electricity</i>	55	661	3	719	-	-	-	719
<i>Heat</i>	199	-	-	199	-	-	-	199
<i>Gas</i>	-	87	-	87	-	-	-	87
<i>Coal</i>	-	14	-	14	-	-	-	14
<i>inter-segment revenues</i>	43	8	-	51	-	-	(51)	-
Sales: Other	5	32	-	37	1	-	(23)	15
<i>external revenues</i>	5	9	-	14	1	-	-	15
<i>inter-segment revenues</i>	-	23	-	23	-	-	(23)	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	2	-	2	-	-	-	2
<b>Total sales</b>	<b>302</b>	<b>804</b>	<b>3</b>	<b>1,109</b>	<b>1</b>	-	<b>(74)</b>	<b>1,036</b>
Cost of sales: Energy	(161)	(619)	-	(780)	-	-	51	(729)
<i>external cost of sales</i>	(153)	(576)	-	(729)	-	-	-	(729)
<i>inter-segment cost of sales</i>	(8)	(43)	-	(51)	-	-	51	-
Cost of sales: Other	(9)	(29)	-	(38)	(1)	-	23	(16)
<i>external cost of sales</i>	(9)	(6)	-	(15)	(1)	-	-	(16)
<i>inter-segment cost of sales</i>	-	(23)	-	(23)	-	-	23	-
Personnel expenses	(24)	(25)	-	(49)	(1)	-	-	(50)
Depreciation and amortisation	(33)	(33)	(1)	(67)	-	-	-	(67)
Repairs and maintenance	(5)	(1)	-	(6)	-	-	-	(6)
Emission rights, net	(15)	-	-	(15)	-	-	-	(15)
Taxes and charges	(1)	(1)	-	(2)	-	-	-	(2)
Other operating income	9	7	-	16	-	-	-	16
Other operating expenses	(7)	(19)	(1)	(27)	-	-	-	(27)
Own work, capitalised	2	5	-	7	-	-	-	7
<b>Operating profit</b>	<b>58</b>	<b>89</b>	<b>1</b>	<b>148</b>	<b>(1)</b>	-	-	<b>147</b>

Notes to the condensed consolidated interim financial statements of EP Energy, a.s. as of and for the six-month period ended 30 June 2019

*In millions of EUR*

	Heat Infra	Power Distribution and Supply	Renewables	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Finance income	6	(1)	-	5	-	152	(149)	8
<i>external finance revenues</i>	3	(1)	-	2	-	6	-	8
<i>inter-segment finance revenues</i>	3	-	-	3	-	146	(149)	-
Finance expense	(7)	(1)	(1)	(9)	-	(21)	11	(19)
Profit (loss) from derivative financial instruments	1	-	-	1	-	-	-	1
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	-	-
<b>Profit (loss) before income tax</b>	<b>58</b>	<b>87</b>	<b>-</b>	<b>145</b>	<b>(1)</b>	<b>131</b>	<b>*(138)</b>	<b>137</b>
Income tax expenses	(11)	(19)	-	(30)	-	(2)	-	(32)
<b>Profit from continuing operations</b>	<b>47</b>	<b>68</b>	<b>-</b>	<b>115</b>	<b>(1)</b>	<b>129</b>	<b>*(138)</b>	<b>105</b>
Profit (loss) from discontinued operations (net of tax)	-	-	-	-	-	-	-	-
<b>Profit (loss) for the period</b>	<b>47</b>	<b>68</b>	<b>-</b>	<b>115</b>	<b>(1)</b>	<b>*129</b>	<b>*(138)</b>	<b>105</b>

\* EUR 138 millions is attributable to intra-group dividends primarily recognised by EP Energy, a.s.

**Other financial information:**

EBITDA <sup>(1)</sup>	91	122	2	215	(1)	-	-	214
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1) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets (negative goodwill not included, if applicable). For EBITDA reconciliation to the closest IFRS measure explanation see below.

## Profit or loss

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

*In millions of EUR*

	Heat Infra	Power Distribution and Supply	Renewables	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Sales: Energy	290	697	3	990	-	-	(77)	913
<i>external revenues</i>	247	663	3	913	-	-	-	913
<i>of which: Electricity</i>	55	566	3	624	-	-	-	624
<i>Heat</i>	192	-	-	192	-	-	-	192
<i>Gas</i>	-	87	-	87	-	-	-	87
<i>Coal</i>	-	10	-	10	-	-	-	10
<i>inter-segment revenues</i>	43	34	-	77	-	-	(77)	-
Sales: Other	6	6	-	12	1	-	(4)	9
<i>external revenues</i>	6	2	-	8	1	-	-	9
<i>inter-segment revenues</i>	-	4	-	4	-	-	(4)	9
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	(5)	-	(5)	-	-	-	(5)
<b>Total sales</b>	<b>296</b>	<b>698</b>	<b>3</b>	<b>997</b>	<b>1</b>	<b>-</b>	<b>(81)</b>	<b>917</b>
Cost of sales: Energy	(154)	(565)	-	(719)	-	-	55	(664)
<i>external cost of sales</i>	(146)	(518)	-	(664)	-	-	-	(664)
<i>inter-segment cost of sales</i>	(8)	(47)	-	(55)	-	-	55	-
Cost of sales: Other	(9)	(27)	-	(36)	(1)	-	26	(11)
<i>external cost of sales</i>	(9)	(1)	-	(10)	(1)	-	-	(11)
<i>inter-segment cost of sales</i>	-	(26)	-	(26)	-	-	26	-
Personnel expenses	(28)	(22)	-	(50)	-	-	-	(50)
Depreciation and amortisation	(34)	(31)	(1)	(66)	-	-	-	(66)
Repairs and maintenance	(5)	(1)	-	(6)	-	-	-	(6)
Emission rights, net	(9)	-	-	(9)	-	-	-	(9)
Taxes and charges	(1)	(1)	-	(2)	-	-	-	(2)
Other operating income	7	6	-	13	-	-	-	13
Other operating expenses	(18)	(20)	-	(38)	-	(1)	-	(39)
Own work, capitalised	2	5	-	7	-	-	-	7
<b>Operating profit</b>	<b>47</b>	<b>42</b>	<b>2</b>	<b>91</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>90</b>

Notes to the condensed consolidated interim financial statements of EP Energy, a.s. as of and for the six-month period ended 30 June 2019

*In millions of EUR*

	Heat Infra	Power Distribution and Supply	Renewables	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Finance income	1	-	-	1	-	55	(56)	-
<i>inter-segment finance revenues</i>	<i>1</i>	-	-	<i>1</i>	-	55	(56)	-
Finance expense	(9)	-	(1)	(10)	-	(39)	9	(40)
Profit (loss) from derivative financial instruments	(1)	-	-	(1)	-	(1)	-	(2)
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	(3)	-	(3)
<b>Profit (loss) before income tax</b>	<b>38</b>	<b>42</b>	<b>1</b>	<b>81</b>	-	<b>11</b>	<b>*(47)</b>	<b>45</b>
Income tax expenses	(10)	(9)	-	(19)	-	2	-	(17)
<b>Profit from continuing operations</b>	<b>28</b>	<b>33</b>	<b>1</b>	<b>62</b>	-	<b>13</b>	<b>*(47)</b>	<b>28</b>
Profit (loss) from discontinued operations (net of tax)	-	-	-	-	-	-	-	-
<b>Profit (loss) for the period</b>	<b>28</b>	<b>33</b>	<b>1</b>	<b>62</b>	-	<b>*13</b>	<b>*(47)</b>	<b>28</b>

\* EUR 47 millions is attributable to intra-group dividends primarily recognised by EP Energy, a.s.

**Other financial information:**

EBITDA <sup>(1)</sup>	81	73	3	157	-	(1)	-	156
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1) EBITDA represents profit from operations plus depreciation of property, plant and equipment and amortisation of intangible assets (negative goodwill not included, if applicable). For EBITDA reconciliation to the closest IFRS measure explanation see below.

### EBITDA reconciliation to the closest IFRS indicator

It must be noted that EBITDA is not indicator that is defined under IFRS. The 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 June 2019

*In millions of EUR*

	Heat and power	Power distribution and supply	Renewables	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated financial information
<b>Profit from operations</b>	<b>58</b>	<b>89</b>	<b>1</b>	<b>148</b>	<b>(1)</b>	-	-	<b>147</b>
Depreciation and amortisation	33	33	1	67	-	-	-	67
<b>EBITDA</b>	<b>91</b>	<b>122</b>	<b>2</b>	<b>215</b>	<b>(1)</b>	-	-	<b>214</b>

#### For the period ended 30 June 2018

*In millions of EUR*

	Heat and power	Power distribution and supply	Renewables	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated financial information
<b>Profit from operations</b>	<b>47</b>	<b>42</b>	<b>2</b>	<b>91</b>	-	<b>(1)</b>	-	<b>90</b>
Depreciation and amortisation	34	31	1	66	-	-	-	66
<b>EBITDA</b>	<b>81</b>	<b>73</b>	<b>3</b>	<b>157</b>	-	<b>(1)</b>	-	<b>156</b>

## Non-current assets and liabilities

### As of and for the period ended 30 June 2019

<i>In millions of EUR</i>	<b>Heat Infra</b>	<b>Power Distribution and Supply</b>	<b>Renewables</b>	<b>Total reportable segments</b>	<b>Other</b>	<b>Holding entities</b>	<b>Inter-segment eliminations</b>	<b>Consolidated Financial Information</b>
Reportable segment assets	995	1,361	32	2,388	2	570	(690)	2,270
Reportable segment liabilities	(570)	(441)	(38)	(1,049)	(1)	(1,031)	690	(1,391)
Additions to tangible and intangible assets <sup>(1)</sup>	27	19	-	46	-	-	-	46
Additions to tangible and intangible assets (excl. emission rights)	12	19	-	31	-	-	-	31
Equity accounted investees	-	2	-	2	-	-	-	2

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

### For the year ended 31 December 2018

<i>In millions of EUR</i>	<b>Heat Infra</b>	<b>Power Distribution and Supply</b>	<b>Renewables</b>	<b>Total reportable segments</b>	<b>Other</b>	<b>Holding entities</b>	<b>Inter-segment eliminations</b>	<b>Consolidated Financial Information</b>
Reportable segment assets	993	1,277	33	2,303	4	452	(558)	2,201
Reportable segment liabilities	(481)	(403)	(39)	(923)	(2)	(1,035)	558	(1,402)
Additions to tangible and intangible assets <sup>(1)</sup>	84	52	-	136	-	-	-	136
Additions to tangible and intangible assets (excl. emission rights)	51	52	-	103	-	-	-	103
Equity accounted investees	-	1	-	1	-	-	-	1

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

### Information about geographical areas

In presenting information on the 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 June 2019

*In millions of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Hungary</b>	<b>Total segments</b>
Property, plant and equipment	609	815	41	1,465
Intangible assets	123	18	7	148
<b>Total</b>	<b>732</b>	<b>833</b>	<b>48</b>	<b>1,613</b>

*In millions of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Hungary</b>	<b>Other</b>	<b>Total segments</b>
Sales: Electricity	180	471	24	44	719
Sales: Heat	154	-	45	-	199
Sales: Gas	75	12	-	-	87
Sales: Coal	8	1	-	5	14
Sales: Other	12	3	-	-	15
Gain (loss) from commodity derivatives from trading with electricity and gas, net	2	-	-	-	2
<b>Total</b>	<b>431</b>	<b>487</b>	<b>69</b>	<b>49</b>	<b>1,036</b>

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



Notes to the condensed consolidated interim financial statements of EP Energy, a.s. as of and for the six-month period ended 30 June 2019

**For the year ended 31 December 2018**

*In millions of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Hungary</b>	<b>Total segments</b>
Property, plant and equipment	585	820	42	1,447
Intangible assets	136	19	8	163
<b>Total</b>	<b>721</b>	<b>839</b>	<b>50</b>	<b>1,610</b>

**For the period ended 30 June 2018**

*In millions of EUR*

	<b>Czech Republic</b>	<b>Slovakia</b>	<b>Hungary</b>	<b>Other</b>	<b>Total segments</b>
Sales: Electricity	161	409	15	39	624
Sales: Heat	159	-	33	-	192
Sales: Gas	73	14	-	-	87
Sales: Coal	6	1	-	3	10
Sales: Other	6	3	-	-	9
Gain (loss) from commodity derivatives from trading with electricity and gas, net	(5)	-	-	-	(5)
<b>Total</b>	<b>400</b>	<b>427</b>	<b>48</b>	<b>42</b>	<b>917</b>

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

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

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

1. If the contributed entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. under the scope of IFRS 3, the Company presents the contributed entities in its consolidated financial statements under the scope of IFRS 3 from the 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). The company was sold in May 2018 to EP Infrastructure, a.s. and the related Pricing difference was derecognised.
  - 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.<sup>(3)</sup> and its subsidiary (acquired by EPH on 6 October 2009)
  - f. HC Fin3 N.V.<sup>(2)</sup> (acquired by EPH on 16 March 2010) including:
    - (a) EAST BOHEMIA ENERGY HOLDING LIMITED<sup>(2)</sup> and its subsidiaries (acquired by EPH on 31 December 2010)
    - (b) LIGNITE INVESTMENTS 1 LIMITED<sup>(2)</sup> and its joint-venture (acquired by EPH on 28 June 2011)
2. If the contributed entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. in a transaction under common control, the Company presents the contributed entities in its consolidated financial statements as common control acquisition from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. The difference between the value contributed to the statutory share capital of the Company as determined by the independent valuation specialist and the net book value of the contributed entity as at the date when contributed to the parent company was presented as a pricing difference in Other capital reserves in Equity. This approach relates to the following entities:
  - a. Czech Energy Holding, a.s.<sup>(2)</sup> and its subsidiaries and associate (acquired by EPH on 6 October 2009)
  - b. Honor Invest, a.s.<sup>(2)</sup> and its associate Pražská energetika, a.s. (acquired by EPH on 10 August 2009)
  - c. První energetická a.s.<sup>(1)</sup> (acquired by EPH on 6 October 2009)

(1) První energetická a.s. merged with EP ENERGY TRADING, a.s. as 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 June 2019**

On 8 March 2019 the Group via its subsidiary Pražská teplárenská, a.s. acquired 60.5% share in Devátá energetická, s.r.o. for EUR 0.5 million. No goodwill or negative goodwill was recognized on the transaction.

**ii. 31 December 2018**

On 10 October 2018 the Group acquired remaining 2% shares in PT měření, a.s. and PT Real Estate, a.s. as part of squeeze out approved by the Shareholders' meetings of PT měření, a.s. and PT Real Estate, a.s. in September 2018.

On 12 October 2018 the Group acquired remaining 2% shares in Pražská teplárenská, a.s. as part of squeeze out approved by the Shareholders' meeting of Pražská teplárenská, a.s. in September 2018.

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

All these transactions resulted in derecognition of non-controlling interest in total amount of EUR 6 million.

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

**(b) Effect of acquisitions**

**i. 30 June 2019**

There were no significant acquisitions in the period from 1 January 2019 to 30 June 2019.

**ii. 31 December 2018**

There was no material acquisition of business in 2018.

**(c) Disposal of investments in 2019 and 2018**

**i. 30 June 2019**

During the period from 1 January 2019 to 30 June 2019 the Group didn't dispose any of its investment.

**ii. 31 December 2018**

On 9 May 2018 EP Energy, a.s. sold its 100% share in Plzeňská energetika, a.s. for EUR 41 million (CZK 1,058 million). The effect of disposal is provided in the following table:

<i>In millions of EUR</i>	<b>Net assets sold in 2018</b>
Property, plant, equipment, land, buildings	47
Trade receivables and other assets	2
Cash and cash equivalents	5
Intangible assets	2
Inventories	1
Deferred tax liabilities	(7)
Trade payables and other liabilities	(2)
Provisions	(2)
Deferred income	(2)
<b>Net identifiable assets and liabilities</b>	<b>44</b>
Non-controlling interest	-
<b>Net assets value disposed</b>	<b>44</b>
Sales price	41
<b>Gain (loss) on disposal</b>	<b>(3)</b>
Cash and cash equivalents disposed	(5)
<b>Net cash inflow from disposal</b>	<b>36</b>

As a result of the sale, corresponding part of a "pricing differences" recognized in Other capital reserves (EUR 18 million) was transferred to retained earnings.

## 6. Sales

*In millions of EUR*

	30 June 2019 (six months)	30 June 2018 (six months)
<b>Sales: Energy</b>		
<i>Electricity</i>	719	624
<i>Heat</i>	199	192
<i>Gas</i>	87	87
<i>Coal</i>	14	10
<b>Total Energy</b>	<b>1,019</b>	<b>913</b>
<b>Sales: Other</b>	<b>15</b>	<b>9</b>
<b>Total revenues from customers</b>	<b>1,034</b>	<b>922</b>
<b>Gain (loss) from commodity derivatives for trading with electricity and gas, net</b>	<b>2</b>	<b>(5)</b>
<b>Total</b>	<b>1,036</b>	<b>917</b>

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

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

The following table provides information about contract assets and contract liabilities from contracts with customers.

*In millions of EUR*

	30 June 2019	31 December 2018
<b>Contract assets</b>	<b>25</b>	<b>29</b>
<i>Current</i>	25	29
<b>Contract liabilities</b>	<b>112</b>	<b>102</b>
<i>Non-current</i>	64	63
<i>Current</i>	48	39

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

The amount of EUR 29 million recognised in current contract liabilities at the beginning of the period has been recognised as revenue in the period for the six months ended 30 June 2019. Remaining part of EUR 10 million will be recognised till the end of 2019.

## 7. Cost of sales

<i>In millions of EUR</i>	<b>30 June 2019 (six months)</b>	<b>30 June 2018 (six months)</b>
<b>Cost of Sales: Energy</b>		
<i>Cost of sold electricity</i>	483	430
<i>Cost of sold gas and other energy products</i>	86	85
<i>Consumption of energy</i>	123	106
<i>Consumption of coal and other material</i>	34	39
<i>Other cost of sales</i>	3	4
<b>Total Energy</b>	<b>729</b>	<b>664</b>
<b>Cost of Sales: Other</b>		
<i>Cost of goods sold</i>	9	4
<i>Consumption of material</i>	3	4
<i>Consumption of energy</i>	2	2
<i>Other cost of sales</i>	2	1
<b>Total Other</b>	<b>16</b>	<b>11</b>
<b>Total</b>	<b>745</b>	<b>675</b>

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

## 8. Personnel expenses

<i>In millions of EUR</i>	<b>30 June 2019 (six months)</b>	<b>30 June 2018 (six months)</b>
Wages and salaries	33	34
Compulsory social security contributions	11	11
Board members' remuneration (including boards of subsidiaries)	1	1
Expenses and revenues related to employee benefits (IAS 19)	1	1
Other social expenses	4	3
<b>Total</b>	<b>50</b>	<b>50</b>

The average number of employees as at 30 June 2019 was 3,311 (30 June 2018: 3,640), of which 74 (30 June 2018: 86) were executives.

## 9. Emission rights

*In millions of EUR*

	30 June 2019 (six months)	30 June 2018 (six months)
Profit from sale of emission rights for trading	2	-
Deferred income (grant) released to profit and loss	7	5
Net creation of provision for emission rights	(24)	(14)
Use of provision for emission rights	28	28
Consumption of emission rights	(28)	(28)
<b>Total</b>	<b>(15)</b>	<b>(9)</b>

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 which represent the right to emit a specific amount of pollutant. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emission 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., Pražská teplárenská a.s., Stredoslovenská energetika, a.s., Elektrárny Opatovice, a.s. and Budapesti Erőmű Zrt.

## 10. Other operating income

*In millions of EUR*

	30 June 2019 (six months)	30 June 2018 (six months)
Property acquired free-of-charge and fees from customers	3	2
Rental income	3	2
Consulting fees	3	2
Contractual penalties	2	-
Profit from disposal of tangible and intangible assets	1	1
Compensation from insurance and other companies	1	2
Profit from sale of material	-	1
Other	3	3
<b>Total</b>	<b>16</b>	<b>13</b>

## 11. Other operating expenses

<i>In millions of EUR</i>	<b>30 June 2019 (six months)</b>	<b>30 June 2018 (six months)</b>
Outsourcing and other administration fees	6	6
Office equipment and other material	4	4
Information technology costs	3	3
Rent expenses	3	5
Consulting expenses	2	2
Transport expenses	1	1
Impairment losses, net	1	<sup>(1)</sup> 10
Impairment from receivables and contract assets with customers	-	1
Advertising expenses	1	1
Insurance expenses	1	1
Gifts and sponsorship	1	1
Change in provisions, net	-	(1)
Other	4	5
<b>Total</b>	<b>27</b>	<b>39</b>

(1) The amount includes impairment of tangible assets in the amount of EUR 7 million and impairment of goodwill of EUR 3 million, both recorded in connection with the sale of 100% shares in Plzeňská energetika a.s. which happened on 9 May 2018.

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

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

### Recognised in profit or loss

<i>In millions of EUR</i>	<b>30 June 2019 (six months)</b>	<b>30 June 2018 (six months)</b>
Net foreign exchange gain	8	-
<b>Finance income</b>	<b>8</b>	<b>-</b>
Interest expense	(19)	(26)
Fees and commissions expense for other services, other	-	(3)
Net foreign exchange loss	-	(11)
<b>Finance expense</b>	<b>(19)</b>	<b>(40)</b>
Profit (loss) from currency derivatives for trading	1	(2)
<b>Profit (loss) from financial instruments</b>	<b>1</b>	<b>(2)</b>
<b>Profit (loss) from derecognition of financial assets at amortized cost</b>	<b>-</b>	<b>-</b>
<b>Net finance income (expense) recognised in profit or loss</b>	<b>(10)</b>	<b>(42)</b>

### 13. Income tax expenses

#### Income taxes recognised in profit or loss

*In millions of EUR*

	30 June 2019 (six months)	30 June 2018 (six months)
<i>Current taxes:</i>		
Current period	(35)	(20)
<b>Total current taxes</b>	<b>(35)</b>	<b>(20)</b>
<i>Deferred taxes:</i>		
Origination and reversal of temporary differences	3	3
<b>Total deferred taxes</b>	<b>3</b>	<b>3</b>
<b>Total income taxes (expense)/benefit recognised in profit or loss</b>	<b>(32)</b>	<b>(17)</b>

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognized in full in the interim period.

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised or the liability settled. According to Czech legislation, the corporate income tax rate is 19% for fiscal years 2019 and 2018. The Slovak corporate income tax rate is 21% for fiscal year 2019 and 2018. The Hungarian corporate income tax rate is 9% for fiscal year 2019 and 2018. 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 <sup>(1)</sup>	Technical equipment, plant and machinery <sup>(1)</sup>	Other equipment, fixtures and fittings	Under construction	Total
<b>Cost</b>					
<b>Restated balance at 31 December 2018</b>	<b>1,453</b>	<b>859</b>	<b>5</b>	<b>43</b>	<b>2,360</b>
Adjustment for change in accounting policy (IFRS 16)	15	31	-	-	46
<b>Balance at 1 January 2019</b>	<b>1,468</b>	<b>890</b>	<b>5</b>	<b>43</b>	<b>2,406</b>
Effects of movements in foreign exchange rates	7	6	-	-	13
Additions	4	3	-	24	31
Disposals	(1)	(2)	-	-	(3)
Transfers	2	7	-	(9)	-
<b>Balance at 30 June 2019</b>	<b>1,480</b>	<b>904</b>	<b>5</b>	<b>58</b>	<b>2,447</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2019</b>	<b>(513)</b>	<b>(393)</b>	<b>(3)</b>	<b>(4)</b>	<b>(913)</b>
Effects of movements in foreign exchange rates	(2)	(4)	-	-	(6)
Depreciation charge for the period	(38)	(27)	-	-	(65)
Disposals	1	1	-	-	2
<b>Balance at 30 June 2019</b>	<b>(552)</b>	<b>(423)</b>	<b>(3)</b>	<b>(4)</b>	<b>(982)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2019 (restated)</b>	<b>955</b>	<b>497</b>	<b>2</b>	<b>39</b>	<b>1,493</b>
<b>At 30 June 2019</b>	<b>928</b>	<b>481</b>	<b>2</b>	<b>54</b>	<b>1,465</b>

(1) Including right-of-use assets (for detail see note 2(c)).



Notes to the condensed consolidated interim financial statements of EP Energy, a.s. as of and for the six-month period ended 30 June 2019

<i>In millions of EUR</i>	<b>Land and buildings</b>	<b>Technical equipment, plant and machinery</b>	<b>Other equipment, fixtures and fittings</b>	<b>Under construction</b>	<b>Total</b>
<b>Cost</b>					
<b>Balance at 1 January 2018</b>	<b>1,463</b>	<b>914</b>	<b>5</b>	<b>37</b>	<b>2,419</b>
Effects of movements in foreign exchange rates	(14)	(10)	-	-	(24)
Additions	2	2	-	26	30
Disposals	(1)	(2)	-	-	(3)
Disposed entities <sup>(1)</sup>	(29)	(77)	-	(1)	(107)
Transfers	5	4	-	(9)	-
<b>Balance at 30 June 2018</b>	<b>1,426</b>	<b>831</b>	<b>5</b>	<b>53</b>	<b>2,315</b>
<b>Depreciation and impairment losses</b>					
<b>Balance at 1 January 2018</b>	<b>(463)</b>	<b>(395)</b>	<b>(2)</b>	<b>(4)</b>	<b>(864)</b>
Effects of movements in foreign exchange rates	6	5	-	-	11
Depreciation charge for the period	(37)	(26)	-	-	(63)
Disposals	-	2	-	-	2
Disposed entities <sup>(1)</sup>	12	48	-	-	60
Impairment losses recognized in profit or loss	(3)	(4)	-	-	(7)
<b>Balance at 30 June 2018</b>	<b>(485)</b>	<b>(370)</b>	<b>(2)</b>	<b>(4)</b>	<b>(861)</b>
<b>Carrying amounts</b>					
<b>At 1 January 2018</b>	<b>1,000</b>	<b>519</b>	<b>3</b>	<b>33</b>	<b>1,555</b>
<b>At 30 June 2018</b>	<b>941</b>	<b>461</b>	<b>3</b>	<b>49</b>	<b>1,454</b>

(1) *Plzeňská energetika, a.s.*

### Idle assets

As of 30 June 2019 and as of 31 December 2018 the Group had no significant idle assets.

### Finance lease liabilities

As of 30 June 2019 and as of 31 December 2018 the Group had no significant finance lease liabilities.

### Security

As of 30 June 2019, property, plant and equipment with a carrying value of EUR 378 million (31 December 2018: EUR 379 million) is subject to pledges to secure received financing.

## 15. Intangible assets (including goodwill)

<i>In millions of EUR</i>	<b>Goodwill</b>	<b>Software</b>	<b>Emission rights</b>	<b>Customer relationships and other contracts</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance at 1 January 2019</b>	<b>110</b>	<b>53</b>	<b>33</b>	<b>14</b>	<b>5</b>	<b>215</b>
Additions	-	-	15	-	-	15
Disposals	-	-	(28)	-	-	(28)
Effect of movements in foreign exchange	1	-	-	-	(1)	-
<b>Balance at 30 June 2019</b>	<b>111</b>	<b>53</b>	<b>20</b>	<b>14</b>	<b>4</b>	<b>202</b>
<b>Balance at 1 January 2019</b>	<b>(9)</b>	<b>(35)</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>(52)</b>
Amortisation for the period	-	(2)	-	-	-	(2)
<b>Balance at 30 June 2019</b>	<b>(9)</b>	<b>(37)</b>	<b>-</b>	<b>(8)</b>	<b>-</b>	<b>(54)</b>
<b>Carrying amount</b>						
<b>At 1 January 2019</b>	<b>101</b>	<b>18</b>	<b>33</b>	<b>6</b>	<b>5</b>	<b>163</b>
<b>At 30 June 2019</b>	<b>102</b>	<b>16</b>	<b>20</b>	<b>6</b>	<b>4</b>	<b>148</b>

<i>In millions of EUR</i>	<b>Goodwill</b>	<b>Software</b>	<b>Emission rights</b>	<b>Customer relationships and other contracts</b>	<b>Other intangible assets</b>	<b>Total</b>
<b>Cost</b>						
<b>Balance at 1 January 2018</b>	<b>113</b>	<b>49</b>	<b>30</b>	<b>17</b>	<b>5</b>	<b>214</b>
Effects of movements in foreign exchange rates	(1)	-	(2)	-	-	(3)
Additions	-	-	14	-	-	14
Disposals	-	-	(28)	-	-	(28)
Disposed entities	(3)	-	(2)	(3)	-	(8)
<b>Balance at 30 June 2018</b>	<b>109</b>	<b>49</b>	<b>12</b>	<b>14</b>	<b>5</b>	<b>188</b>
<b>Balance at 1 January 2018</b>	<b>(9)</b>	<b>(31)</b>	<b>-</b>	<b>(10)</b>	<b>-</b>	<b>(50)</b>
Amortisation for the period	-	(3)	-	-	-	(3)
Disposed entities	3	-	-	3	-	6
Impairment losses recognised in profit or losses	(3)	-	-	-	-	(3)
<b>Balance at 30 June 2018</b>	<b>(9)</b>	<b>(34)</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>(49)</b>
<b>Carrying amount</b>						
<b>At 1 January 2018</b>	<b>104</b>	<b>18</b>	<b>30</b>	<b>7</b>	<b>5</b>	<b>164</b>
<b>At 30 June 2018</b>	<b>100</b>	<b>15</b>	<b>12</b>	<b>7</b>	<b>5</b>	<b>139</b>

As of 30 June 2019, the EPE Group purchased emission allowances of EUR 2 million (31 December 2018: EUR 23 million). The remaining part of EUR 13 million (31 December 2018: EUR 10 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic.

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

Other intangible assets comprise valuable rights.

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

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

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

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

<i>In millions of EUR</i>	<b>30 June 2019</b>
Elektrárny Opatovice, a.s.	91
EP Cargo a.s.	5
EP ENERGY TRADING, a.s.	5
SPV100, s.r.o.	1
<b>Total goodwill</b>	<b>102</b>

<i>In millions of EUR</i>	<b>31 December 2018</b>
Elektrárny Opatovice, a.s.	90
EP Cargo a.s.	5
EP ENERGY TRADING, a.s.	5
SPV100, s.r.o.	1
<b>Total goodwill</b>	<b>101</b>

For the six-month period ended 30 June 2019 the EPE group did not recognise any goodwill impairment.

In 2018 the EPE group recognised goodwill impairment in amount of EUR 3 million recorded in connection with the sale of 100% shares in Plzeňská energetika, a.s. and commercial negotiations between EP Infrastructure and City of Pilsen in relation to a merger of Plzeňská energetika and Plzeňská teplárenská. The sale of 100% shares in Plzeňská energetika, a.s. took place on 9 May 2018.

### 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 2018 was based on the following key assumptions:

Cash-flows were projected based on past experience, actual operating results and the one-year business plan followed by additional four years of modelled projections followed by projected results based on estimated growth factor plus a terminal value if relevant. Cash flows for a terminal period were extrapolated using a constant growth rate of 0% – 2%, which does not exceed the long-term average growth rate for the industry. Other key assumptions considered by management include forecasts of commodity market prices, future electricity and gas prices, investment activity, changes in working capital and changes in the regulatory framework.

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting pre-tax discount rates ranged from 5.43% to 7.33% (2017:

5.31% to 7.33%). Changes in used discount rates compared to prior year reflect recent market development, namely decrease in risk-free rates and cost of debt used for calculation.

There were no impairment indicators as of 30 June 2019.

## 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.

<i>In millions of EUR</i>		<b>Ownership 30 June 2019</b>	<b>Carrying amount 30 June 2019</b>
<b>Associates</b>	<b>Country</b>	<b>%</b>	
Energotel, a.s	Slovakia	20.00	1
Greeninvest Energy, a.s. <sup>(1)</sup>	Czech republic	41.70	1
<b>Total</b>			<b>2</b>

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

<i>In millions of EUR</i>		<b>Ownership 31 December 2018</b>	<b>Carrying amount 31 December 2018</b>
<b>Associates</b>	<b>Country</b>	<b>%</b>	
Energotel, a.s	Slovakia	20.00	1
<b>Total</b>			<b>1</b>

The Group had no significant share in the profit or loss of associates for the six-month period ended 30 June 2019 and 30 June 2018.

For the six-month period ended 30 June 2019 Energotel, a.s. recognised revenues in amount of EUR 5 million (30 June 2018: EUR 6 million) and profit in amount of EUR 1 million (30 June 2018: EUR 1 million). Greeninvest Energy, a.s. recognised revenues in amount of EUR 2 million and profit in amount of EUR 1 million.

Total assets of Energotel, a.s. as at 30 June 2019 amounted to EUR 13 million (31 December 2018: EUR 12 million) and total assets of Greeninvest Energy, a.s. amounted to EUR 22 million.

## 17. Inventories

<i>In millions of EUR</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Fossil fuel	19	18
Spare parts	7	7
Raw material and supplies	7	6
Work in progress	1	1
<b>Total</b>	<b>34</b>	<b>32</b>

As at 30 June 2019 inventories in the amount of EUR 12 million (31 December 2018: EUR 12 million) were subject to pledges.

## 18. Trade receivables and other assets

<i>In millions of EUR</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Trade receivables	135	161
Accrued income	118	98
Advance payments	46	37
Estimated receivables	1	1
Receivables from government grants <sup>(1)</sup>	1	4
Other receivables and assets	7	3
Allowance for bad debts	(16)	(23)
<b>Total</b>	<b>292</b>	<b>281</b>
<i>Non-current</i>	6	7
<i>Current</i>	286	274
<b>Total</b>	<b>292</b>	<b>281</b>

(1) Receivables from government grants represent committed but not received government grants (for detail see note 27).

As of 30 June 2019 trade receivables with a carrying value of EUR 17 million (31 December 2018: EUR 17 million) were subject to pledges.

## 19. Cash and cash equivalents

<i>In millions of EUR</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Current accounts with banks	267	173
Term deposits	-	19
<b>Total</b>	<b>267</b>	<b>192</b>

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

As of 30 June 2019 cash equivalents of EUR 84 million are subject to pledges (31 December 2018: EUR 64 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

<i>In millions of EUR</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Value added tax receivables	2	5
Current income tax receivables	3	5
Energy tax	-	1
<b>Total</b>	<b>5</b>	<b>11</b>

## 21. Deferred tax assets and liabilities

As of 30 June 2019 the net deferred tax liability amounts to EUR 154 million (31 December 2018: EUR 161 million).

## 22. Equity

### Share capital and share premium

The authorised, issued and fully paid share capital as at 30 June 2019 consisted of 19,549,548 ordinary shares with a par value of CZK 665 each (31 December 2018: 19,549,548 ordinary shares with a par value of CZK 665 each).

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

Notes to the condensed consolidated interim financial statements of EP Energy, a.s. as of and for the six-month period ended 30 June 2019

<b>30 June 2019</b>	<b>Number of shares 665 CZK</b>	<b>Ownership %</b>	<b>Voting rights %</b>
EP Infrastructure, a.s.	19,549,548	100.00	100.00
<b>Total</b>	<b>19,549,548</b>	<b>100.00</b>	<b>100.00</b>

<b>31 December 2018</b>	<b>Number of shares 665 CZK</b>	<b>Ownership %</b>	<b>Voting rights %</b>
EP Infrastructure, a.s.	19,549,548	100.00	100.00
<b>Total</b>	<b>19,549,548</b>	<b>100.00</b>	<b>100.00</b>

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

	<b>Number of shares</b>	
	<b>30 June 2019</b>	<b>31 December 2018</b>
Shares outstanding at the beginning of the period	19,549,548	19,549,548
<b>Shares outstanding at the end of the period</b>	<b>19,549,548</b>	<b>19,549,548</b>

Reserves recognised in equity comprise the following items:

<i>In millions of EUR</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Non-distributable reserves	1	1
Translation reserve	(43)	(34)
Hedging reserve	(16)	(5)
Other capital reserves	(321)	(321)
<b>Total</b>	<b>(379)</b>	<b>(359)</b>

### **Translation reserve**

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

### **Other capital reserves**

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

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

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

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

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

In 2018 other capital reserves decreased by EUR 18 million in relation to the disposal of Plzeňská energetika, a.s., previously acquired under common control. The amount corresponds to pricing differences assigned directly to the disposed associate and its direct parent company (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 June 2019 represents primarily derivative agreements to hedge an electricity price and a foreign exchange rate concluded by EP ENERGY TRADING, a.s. and Budapesti Erőmű Zrt. and swaps for hedging interest rate concluded by the Company.

## 23. Earnings per share

### Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 665 (30 June 2018: in EUR per 1 share of CZK 665) nominal value is 3.68 (30 June 2018: 0.72).

The calculation of basic earnings per share as at 30 June 2019 was based on profit attributable to ordinary shareholders of EUR 72 million (30 June 2018: EUR 14 million), and a weighted average number of ordinary shares outstanding of 19,550 thousand (30 June 2018: 19,550 thousand).

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

<i>In thousands of pieces</i>	Nominal	Weighted
Issued ordinary shares	19,550	19,550
<b>Total</b>	<b>19,550</b>	<b>19,550</b>

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

<i>In thousands of pieces</i>	Nominal	Weighted
Issued ordinary shares	19,550	19,550
<b>Total</b>	<b>19,550</b>	<b>19,550</b>

### Dilutive earnings per share

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

## 24. Non-controlling interest

<b>30 June 2019</b>	<b>Stredoslovenská energetika Holding, a.s. and its subsidiaries<sup>(3)</sup></b>	<b>Other individually immaterial subsidiaries</b>	<b>Total</b>
<i>In millions of EUR</i>			
<b>Non-controlling percentage</b>	<sup>(4)</sup> <b>51.00%</b>		
Business activity	Distribution of electricity		
Country <sup>(1)</sup>	Slovakia		
<b>Carrying amount of NCI at 30 June 2019</b>	<b>449</b>	<b>1</b>	<b>450</b>
<b>Profit (loss) attributable to non-controlling interest for the period</b>	<b>34</b>	<b>(1)</b>	<b>33</b>
<b>Dividends declared</b>	<b>(5)</b>	<b>-</b>	<b>(5)</b>
<b>Statement of financial position information<sup>(2)</sup></b>			
<b>30 June 2019</b>			
Total assets	1,182		
of which: non-current	835		
current	347		
Total liabilities	301		
of which: non-current	81		
current	220		
<b>Net assets</b>	<b>881</b>	<b>-</b>	<b>-</b>
<b>Statement of comprehensive income information<sup>(2)</sup></b>			
<b>30 June 2019</b>			
Total revenues	531		
Profit after tax	66		
Total other comprehensive income for the period, net of tax	-		
<b>Total comprehensive income for the period<sup>(2)</sup></b>	<b>66</b>	<b>-</b>	<b>-</b>
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	<b>49</b>		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 32 – Group entities).

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

(3) Including Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.)

(4) Even though the Group holds less than half of the voting rights it assumes its control over the subgroups through shareholders' agreements and management control.



Notes to the condensed consolidated interim financial statements of EP Energy, a.s. as of and for the six-month period ended 30 June 2019

	Pražská teplárenská a.s. and its subsidiaries <sup>(5)</sup>	Stredoslovenská energetika Holding, a.s. and its subsidiaries <sup>(3)</sup>	Other individually immaterial subsidiaries	Total
<b>31 December 2018</b>				
<i>In millions of EUR</i>				
<b>Non-controlling percentage</b>	<b>0.00%</b>	<b>51.00%</b> <sup>(4)</sup>		
Business activity	Production and distribution of heat	Distribution of electricity		
Country <sup>(1)</sup>	Czech Republic	Slovakia		
<b>Carrying amount of NCI at 31 December 2018</b>	-	<b>420</b>	<b>2</b>	<b>422</b>
<b>Profit (loss) attributable to non-controlling interest</b>	-	<b>26</b>	<b>1</b>	<b>27</b>
<b>Dividends declared</b>	<b>(1)</b>	<b>(3)</b>	-	<b>(4)</b>
<b>Statement of financial position information<sup>(2)</sup></b>				
Total assets	-	1,120		
<i>of which: non-current</i>	-	711		
<i>current</i>	-	409		
Total liabilities	-	297		
<i>of which: non-current</i>	-	115		
<i>current</i>	-	182		
<b>Net assets</b>	-	<b>823</b>	-	-
<b>Statement of comprehensive income information<sup>(2)</sup></b>				
<b>30 June 2018</b>				
Total revenues	118	485		
<i>of which: dividends received</i>	-	-		
Profit after tax	19	28		
Total other comprehensive income for the period, net of tax	-	-		
<b>Total comprehensive income for the period<sup>(2)</sup></b>	<b>19</b>	<b>28</b>	-	-
<b>Net cash inflows (outflows)<sup>(2)</sup></b>	-	<b>94</b>		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 32 – Group entities).

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

(3) Including Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.)

(4) Even though the Group holds less than half of the voting rights it assumes its control over the subgroups through shareholders' agreements and management control.

(5) On 12 October 2018 the Group acquired remaining 2% shares in Pražská teplárenská, a.s. as a part of compulsory sell-out procedure ("squeeze-out"). Statement of comprehensive income information represent profit from the beginning of the year till the date of "squeeze-out", The statement of financial position information as of 31 December 2018 is due to completed squeeze-out procedure not presented.

## 25. Loans and borrowings

<i>In millions of EUR</i>	30 June 2019	31 December 2018
Issued debentures at amortised cost	500	502
Loans payable to credit institutions	19	31
Loans payable to other than credit institutions	216	252
<i>of which owed to the parent company/ultimate parent company</i>	216	252
Lease liabilities <sup>(1)</sup>	44	-
<b>Total</b>	<b>779</b>	<b>785</b>
Non-current	266	274
<i>of which owed to the parent company/ultimate parent company</i>	215	249
Current	513	511
<i>of which owed to the parent company/ultimate parent company</i>	1	3
<b>Total</b>	<b>779</b>	<b>785</b>

(1) As part of IFRS 16 implementation the Group recognized Lease liability of EUR 46 million as of 1 January 2019.

## 26. Provisions

<i>In millions of EUR</i>	Employee benefits	Provision for emission rights	Provision for restoration and decommissioning	Provision for lawsuits and litigations	Other	Total
<b>Balance at 1 January 2019</b>	<b>13</b>	<b>29</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>53</b>
Provisions made during the period	-	24	-	-	-	24
Provisions used during the period	-	(28)	-	-	-	(28)
<b>Balance at 30 June 2019</b>	<b>13</b>	<b>25</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>49</b>
<b>Non-current</b>	<b>13</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>2</b>	<b>18</b>
<b>Current</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>4</b>	<b>2</b>	<b>31</b>

<i>In millions of EUR</i>	Employee benefits	Provision for emission rights	Provision for restoration and decommissioning	Provision for lawsuits and litigations	Other	Total
<b>Balance at 1 January 2018</b>	<b>13</b>	<b>28</b>	<b>3</b>	<b>4</b>	<b>7</b>	<b>55</b>
Provisions made during the period	-	14	-	-	-	14
Provisions used during the period	-	(28)	-	-	(1)	(29)
Decrease due to sale of companies <sup>(1)</sup>	-	(1)	-	-	(1)	(2)
Foreign exchange rate difference	-	1	-	-	(1)	-
<b>Balance at 30 June 2018</b>	<b>13</b>	<b>14</b>	<b>3</b>	<b>4</b>	<b>4</b>	<b>38</b>
<b>Non-current</b>	<b>13</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>17</b>
<b>Current</b>	<b>-</b>	<b>14</b>	<b>1</b>	<b>4</b>	<b>2</b>	<b>21</b>

(1) Sale of Plzeňská energetika, a.s.

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

### Employee benefits

The Group recorded a 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 2018: EUR 13 million) was recorded mainly by Stredoslovenská energetika, a.s. and Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.).

### Provision for emission rights

Provision for emission rights is recognised regularly during the year based on the estimated number of tonnes of CO<sub>2</sub> emitted. It is measured at the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

## 27. Deferred income

<i>In millions of EUR</i>	<b>30 June 2019</b>	<b>31 December 2018</b>
Government grants	38	33
Other deferred income	20	21
<b>Total</b>	<b>58</b>	<b>54</b>
<i>Non-current</i>	46	47
<i>Current</i>	12	7
<b>Total</b>	<b>58</b>	<b>54</b>

Balance of government grants in amount of EUR 38 million (2018: EUR 33 million) is mainly represented by Elektrárny Opatovce, a.s. of EUR 25 million (2018: EUR 22 million), Alternative Energy, s.r.o. of EUR 4 million (2018: EUR 4 million) and United Energy, a.s. of EUR 7 million (2018: EUR 6 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 20 million (2018: EUR 21 million) is mainly represented by EP Cargo, a.s. as a compensation raised from unrealized business case representing an acquired asset in amount of EUR 13 million (31 December 2018: EUR 14 million), which is recognized as income over useful life of the asset.

## 28. Financial instruments

### Financial instruments and other financial assets

*In millions of EUR*

	30 June 2019	31 December 2018
<b>Assets carried at amortised cost</b>		
Loans to other than credit institutions	7	6
<i>of which owed by other Group related companies</i>	7	6
<b>Total</b>	<b>7</b>	<b>6</b>
<b>Assets carried at fair value</b>		
<b>Hedging: of which</b>	11	24
<i>Commodity derivatives cash flow hedge</i>	11	24
<b>Risk management purpose: of which</b>	1	3
<i>Commodity derivatives reported as trading</i>	1	3
<b>Equity instruments at fair value through OCI: of which</b>	1	1
<i>Shares and interim certificates at fair value through OCI</i>	1	1
<b>Total</b>	<b>13</b>	<b>28</b>
<i>Non-current</i>	14	11
<i>Current</i>	6	23
<b>Total</b>	<b>20</b>	<b>34</b>

### Financial instruments and other financial liabilities

*In millions of EUR*

	30 June 2019	31 December 2018
<b>Liabilities carried at fair value</b>		
<b>Hedging: of which</b>	42	33
<i>Interest rate swaps cash flow hedge</i>	15	12
<i>Commodity derivatives cash flow hedge</i>	24	21
<i>Currency forwards cash flow hedge</i>	3	-
<b>Risk management purpose: of which</b>	-	3
<i>Commodity derivatives reported as trading</i>	-	3
<b>Total</b>	<b>42</b>	<b>36</b>
<i>Non-current</i>	16	12
<i>Current</i>	26	24
<b>Total</b>	<b>42</b>	<b>36</b>

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

*In millions of EUR*

	30 June 2019 Nominal amount buy	30 June 2019 Nominal amount sell	30 June 2019 Fair value buy	30 June 2019 Fair value sell
<b>Hedging: of which</b>	552	(570)	11	(42)
<i>Interest rate swaps cash flow hedge</i>	250	(250)	-	(15)
<i>Commodity derivatives cash flow hedge</i>	155	(168)	11	(24)
<i>Currency forwards cash flow hedge</i>	147	(152)	-	(3)
<b>Risk management purpose: of which</b>	63	(62)	1	-
<i>Currency forwards reported as trading</i>	51	(50)	-	-
<i>Commodity derivatives reported as trading</i>	12	(12)	1	-
<b>Total</b>	<b>615</b>	<b>(632)</b>	<b>12</b>	<b>(42)</b>

<i>In millions of EUR</i>	<b>31 December 2018 Nominal amount buy</b>	<b>31 December 2018 Nominal amount sell</b>	<b>31 December 2018 Positive fair value</b>	<b>31 December 2018 Negative fair value</b>
<b>Hedging: of which</b>	512	(510)	24	(33)
<i>Interest rate swaps cash flow hedge</i>	253	(253)	-	(12)
<i>Commodity derivatives cash flow hedge</i>	220	(218)	24	(21)
<i>Currency forwards cash flow hedge</i>	39	(39)	-	-
<b>Risk management purpose: of which</b>	177	(180)	3	(3)
<i>Currency forwards reported as trading</i>	170	(173)	-	-
<i>Commodity derivatives reported as trading</i>	7	(7)	3	(3)
<b>Total</b>	<b>689</b>	<b>(690)</b>	<b>27</b>	<b>(36)</b>

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

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

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

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

<i>In millions of EUR</i>	<b>30 June 2019</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	<b>11</b>	-	<b>11</b>
<i>Commodity derivatives cash flow hedge</i>	-	11	-	11
<b>Risk management purpose: of which</b>	-	<b>1</b>	-	<b>1</b>
<i>Commodity derivatives reported as trading</i>	-	1	-	1
<b>Equity instruments at fair value through OCI: of which</b>	-	-	<b>1</b>	<b>1</b>
<i>Shares and interim certificates at fair value through OCI</i>	-	-	1	1
<b>Total</b>	<b>-</b>	<b>12</b>	<b>1</b>	<b>13</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	<b>42</b>	-	<b>42</b>
<i>Interest rate swaps cash flow hedge</i>	-	15	-	15
<i>Commodity derivatives cash flow hedge</i>	-	24	-	24
<i>Currency forwards cash flow hedge</i>	-	3	-	3
<b>Total</b>	<b>-</b>	<b>42</b>	<b>-</b>	<b>42</b>

Notes to the condensed consolidated interim financial statements of EP Energy, a.s. as of and for the six-month period ended 30 June 2019

<i>In millions of EUR</i>	<b>31 December 2018</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets carried at fair value:</b>				
<b>Hedging: of which</b>	-	<b>24</b>	-	<b>24</b>
<i>Commodity derivatives cash flow hedge</i>	-	<i>24</i>	-	<i>24</i>
<b>Risk management purpose: of which</b>	-	<b>3</b>	-	<b>3</b>
<i>Commodity derivatives reported as trading</i>	-	<i>3</i>	-	<i>3</i>
<b>Equity instruments at fair value through OCI: of which</b>	-	-	<b>1</b>	<b>1</b>
<i>Shares and interim certificates at fair value through OCI</i>	-	-	<i>1</i>	<i>1</i>
<b>Total</b>	-	<b>27</b>	<b>1</b>	<b>28</b>
<b>Financial liabilities carried at fair value:</b>				
<b>Hedging: of which</b>	-	<b>33</b>	-	<b>33</b>
<i>Interest rate swaps cash flow hedge</i>	-	<i>12</i>	-	<i>12</i>
<i>Commodity derivatives cash flow hedge</i>	-	<i>21</i>	-	<i>21</i>
<b>Risk management purpose: of which</b>	-	<b>3</b>	-	<b>3</b>
<i>Commodity derivatives reported as trading</i>	-	<i>3</i>	-	<i>3</i>
<b>Total</b>	-	<b>36</b>	-	<b>36</b>

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

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

<i>In millions of EUR</i>	<b>Carrying value amount</b>	<b>Fair value</b>
<b>Financial assets</b>	<b>30 June 2019</b>	<b>30 June 2019</b>
Loans to other than credit institutions	<u>7</u>	<u>7</u>
<b>Financial instruments held at amortised costs</b>	<u><b>7</b></u>	<u><b>7</b></u>
<b>Financial liabilities</b>		
<b>Loans and borrowings</b>	<u><b>779</b></u>	<u><b>803</b></u>
<b>Financial assets</b>	<b>31 December 2018</b>	<b>31 December 2018</b>
Loans to other than credit institutions	<u>6</u>	<u>6</u>
<b>Financial instruments held at amortised costs</b>	<u><b>6</b></u>	<u><b>6</b></u>
<b>Financial liabilities</b>		
<b>Loans and borrowings</b>	<u><b>785</b></u>	<u><b>799</b></u>

As of 30 June 2019 loans to other than credit institutions of EUR 7 million are subject to pledges (30 June 2018: EUR 6 million).

## 29. Trade payables and other liabilities

<i>In millions of EUR</i>	30 June 2019	31 December 2018
Trade payables	100	138
Advance payments received	1	2
Estimated payables	45	29
Payroll liabilities	16	16
Other tax liabilities	13	16
Accrued expenses	3	2
Uninvoiced supplies	1	2
Other liabilities	3	3
<b>Total</b>	<b>182</b>	<b>208</b>
<i>Non-current</i>	-	-
<i>Current</i>	182	208
<b>Total</b>	<b>182</b>	<b>208</b>

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

## 30. Financial commitments and contingencies

### Off balance sheet liabilities

<i>In millions of EUR</i>	30 June 2019	31 December 2018
Granted pledges – securities	618	611
Commitments	370	280
Other granted pledges	746	727
<b>Total</b>	<b>1,734</b>	<b>1,618</b>

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

### Commitments

Majority of commitments is represented by contracts to purchase physical energy in following years by SSE Group in amount of EUR 292 million (2018: EUR 236 million), where physical delivery of the energy will be realised in future and EUR 40 million (2018: EUR 19 million) is related to contracts for purchase of non-current assets. Remaining EUR 38 million (2018: EUR 25 million) arise from different type of service contracts.

### Off balance sheet assets

<i>In millions of EUR</i>	30 June 2019	31 December 2018
Received promises	416	357
<b>Total</b>	<b>416</b>	<b>357</b>

### Received promises

Received promises mainly comprise the contracts for the future sale of energy in amount of EUR 296 million (2018: EUR 219 million) and regulatory contingent assets related to green energy of EUR 117 million (2018: EUR 138 million) recognised by SSE Group.

#### *Regulatory contingent assets related to green energy*

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by primary legislation and to purchase the green electricity generated by them, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the System Operation Tariff (“SOT”). For the six-month period ended 30 June 2019 SSE recognised a loss of EUR 47 million (for the six-months period ended 30 June 2018: a loss of EUR 76 million) as the difference between the green energy support costs and revenues from SOT in the period from 1 January 2019 to 30 June 2019. The

loss includes revenues adjusted for compensation for past losses, which was recognised as an accrued income as at 31 December 2018 (for 2018 revenues as at 31 December 2017). Total effect on Profit from operations due from the aforementioned timing imbalance is a profit of EUR 22 million for the six-month period ended 30 June 2019 (a loss of EUR 27 million for the six-month period ended 30 June 2018).

Based on the current Regulatory Framework the cumulated losses incurred in 2017 and 2018 will be compensated in two years' time, i.e. in 2019 and 2020 through an increase of revenues from SOT. Contingent asset as at 30 June 2019 comprises 6/12 of 2018 loss totalling EUR 139 million (i.e. EUR 69 million) and EUR 47 million as a loss incurred in six-month period ended 30 June 2019 (contingent assets as at 31 December 2018 amounted to EUR 139 million).

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

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

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



### 31. 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 June 2019 and 31 December 2018 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 June 2019	30 June 2019	31 December 2018	31 December 2018
Ultimate shareholder <sup>(1)</sup>	-	-	-	-
Companies controlled by ultimate shareholder	29	239	37	301
Companies under significant influence by ultimate shareholder	2	6	3	9
Associates	7	-	6	-
<b>Total</b>	<b>38</b>	<b>245</b>	<b>46</b>	<b>310</b>

1) Daniel Křetínský represents the ultimate shareholder.

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

*In millions of EUR*

	Revenues 30 June 2019	Expenses 30 June 2019	Revenues 30 June 2018	Expenses 30 June 2018
Ultimate shareholder <sup>(1)</sup>	-	-	-	-
Companies controlled by ultimate shareholder	47	116	42	101
Companies under significant influence by ultimate shareholder	11	45	15	44
Associates	-	-	-	-
<b>Total</b>	<b>58</b>	<b>161</b>	<b>57</b>	<b>145</b>

1) Daniel Křetínský represents the ultimate shareholder.

### Transactions with Members of the EPE Board

For period ended 30 June 2019 and 30 June 2018 the EPE Group's key management personnel is represented by members of the Board of Directors of the following major entities: EP Energy, a.s., Stredoslovenská energetika, a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., United Energy, a.s. and EP ENERGY TRADING, a.s.

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

<i>In millions of EUR</i>	<b>30 June 2019</b>	<b>30 June 2018</b>
Nr. of personnel	50	50
Compensation, fees and rewards	<u>1</u>	<u>1</u>
<b>Total</b>	<b><u>1</u></b>	<b><u>1</u></b>

Other remuneration of Group management (management of all components within the Group) is included in Note 8 – Personnel expenses.

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

## 32. Group entities

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

		30 June 2019		31 December 2018		30 June 2019	31 December 2018
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Owner-ship interest	Conso- lidation method	Conso- lidation method
EP Energy, a.s.	Czech Republic	-	-	-	-	-	-
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full	Full
Pražská teplárenská a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Koncept, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Transit, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
Devátá energetická, s.r.o.	Czech Republic	60.50	Direct	-	-	At cost	-
PT měření, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s.*	Czech Republic	100	Direct	100	Direct	Full	Full
NPTH, a.s.*	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
GABIT spol. s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Sourcing, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
VTE Moldova II, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	100	Direct	100	Direct	Full	Full
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	Equity	IFRS 5
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full	Full
CHIFFON ENTERPRISES LIMITED*	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s. r. o. *	Slovakia	100	Direct	100	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Stredoslovenská energetika Holding, a.s.*	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská distribučná, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE - Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika - Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel,a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
SPV100, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE – MVE, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	Full	Full
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Budapesti Erőmű Zrt.	Hungary	95.62	Direct	95.62	Direct	Full	Full
KÖBÁNYAHŐ 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.

### **33. Litigations and claims**

#### **Elektrárny Opatovice, a.s.**

Elektrárny Opatovice, a.s. is involved in a dispute with its former minority shareholders who claim that compensation received for their shares through a compulsory sell-out procedure (“squeeze-out”) was inadequate, and who are challenging the underlying expert valuation. As the compensation was not paid by Elektrárny Opatovice, a.s. but instead by its former majority shareholder (International Holdings, B.V.), any resulting liability is thus expected to be the responsibility of the former shareholder.

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

The SSE Group is a party to various legal proceedings. As at 30 June 2019 no legal provisions were recorded. The Group management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may prejudice the SSE Group.



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

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

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

### 34. Subsequent events

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

Date:	Signature of the authorised representative	
29 August 2019		
	Pavel Horský <i>Member of the Board of Directors</i>	Tomáš David <i>Chairman of the Board of Directors</i>