EP Energy, a.s.

Condensed Consolidated Interim Financial Statements as of and for the six-month period ended 30 June 2018

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

Content

Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2018
In millions of EUR ("MEUR")

	Note	30 June 2018 (six months)	30 June 2017 (six months)
Sales: Energy	6	913	933
of which: Electricity		*624*	*641*
Heat		*192*	*195*
Gas		*87*	*87*
Coal		*10*	*10*
Sales: Other	6	9	11
Gain (loss) from commodity derivatives for trading with electricity and gas, net		(5)	(3)
Total sales		**917**	**941**
Cost of sales: Energy	7	(664)	(657)
Cost of sales: Other	7	(11)	(9)
Total cost of sales		**(675)**	**(666)**
Subtotal		**242**	**275**
Personnel expenses	8	(50)	(49)
Depreciation and amortisation	14, 15	(66)	(69)
Repairs and maintenance		(6)	(5)
Emission rights, net	9	(9)	(10)
Taxes and charges		(2)	(2)
Other operating income	10	13	22
Other operating expenses	11	(32)	(23)
Profit (loss) from operations		**90**	**139**
Finance expense	12	(40)	(38)
Profit (loss) from financial instruments	12	(2)	5
Net finance income (expense)		**(42)**	**(33)**
Gain (loss) on disposal of subsidiaries, special purpose entities and associates	5	(3)	-
Profit (loss) before income tax		**45**	**106**
Income tax expenses	13	(17)	(28)
Profit (loss) from continuing operations		**28**	**78**
Profit (loss) for the period		**28**	**78**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		10	(25)
Foreign currency translation differences from presentation currency		(14)	27
Effective portion of changes in fair value of cash flow hedges, net of tax	13	6	27
Other comprehensive income for the period, net of tax		**2**	**29**
Total comprehensive income for the period		**30**	**107**
Profit (loss) attributable to:			
Owners of the Company			
Profit (loss) for the period from continuing operations		14	43
Profit (loss) for the period attributable to owners of the company		**14**	**43**
Non-controlling interest			
Profit (loss) for the period from continuing operations		14	35
Profit (loss) for the period attributable to non-controlling interest		**14**	**35**
Profit (loss) for the period		**28**	**78**
Total comprehensive income attributable to:			
Owners of the Company		16	70
Non-controlling interest	25	14	37
Total comprehensive income for the period		**30**	**107**
Basic and diluted earnings per share in EUR	24	**0.72**	**2.20**

The notes presented on pages 8 to 60 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As at 30 June 2018
In millions of EUR ("MEUR")

	Note	30 June 2018	31 December 2017
Assets			
Property, plant and equipment	14	1,454	1,555
Intangible assets	15	39	60
Goodwill	15	100	104
Equity accounted investees	16	1	1
Financial instruments and other financial assets	29	11	*7*
Trade receivables and other assets	18	22	23
Prepayments and other deferrals		1	1
Deferred tax assets	22	1	2
Total non-current assets		**1,629**	**1,753**
Inventories	17	38	41
Trade receivables and other assets	18	269	375
Contract assets	6, 18	45	-
Financial instruments and other financial assets	29	21	8
Prepayments and other deferrals		8	8
Tax receivables	20	8	16
Cash and cash equivalents	19	168	371
Restricted cash		1	1
Assets/disposal groups held for sale	21	1	4
Total current assets		**559**	**824**
Total assets		**2,188**	**2,577**
Equity			
Share capital	23	511	511
Share premium		116	116
Reserves		(360)	(344)
Retained earnings		70	82
Total equity attributable to equity holders		**337**	**365**
Non-controlling interest	25	415	405
Total equity		**752**	**770**
Liabilities			
Loans and borrowings	26	760	515
of which owed to the parent company/ultimate parent company		*250*	-
Financial instruments and financial liabilities	29	14	11
Provisions	27	17	18
Deferred income	28	53	119
Contract liabilities	6, 28	63	-
Deferred tax liabilities	22	164	176
Trade payables and other liabilities	30	1	4
Total non-current liabilities		**1,072**	**843**
Trade payables and other liabilities	30	209	272
Contract liabilities	6, 30	76	-
Loans and borrowings	26	17	614
of which owed to the parent company/ultimate parent company		*1*	-
Financial instruments and financial liabilities	29	18	8
Provisions	27	21	37
Deferred income	28	14	13
Current income tax liability		9	19
Liabilities from disposal groups held for sale	21	-	1
Total current liabilities		**364**	**964**
Total liabilities		**1,436**	**1,807**
Total equity and liabilities		**2,188**	**2,577**

The notes presented on pages 8 to 60 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 2018

	Attributable to owners of the Company											
In millions of EUR ("MEUR")	**Share capital**	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 31 December 2017	**511**	**116**	**23**	**1**	**(34)**	**-**	**(326)**	**(8)**	**82**	**365**	**405**	**770**
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	-	-	-	-	**(2)**	**(2)**	-	**(2)**
Adjusted balance at 1 January 2018 (A)	**511**	**116**	**23**	**1**	**(34)**	**-**	**(326)**	**(8)**	**80**	**363**	**405**	**768**
Total comprehensive income for the period:												
Profit or loss (B)	-	-	-	-	-	-	-	-	**14**	**14**	**14**	**28**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	2	-	-	-	-	**2**	8	**10**
Foreign currency translation differences for presentation currency	-	-	-	-	(6)	-	-	-	-	**(6)**	(8)	**(14)**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	-	6	-	**6**	-	**6**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**6**	**-**	**2**	**-**	**2**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**6**	**14**	**16**	**14**	**30**
Contributions by and distributions to owners:												
Dividends to equity holders	-	-	-	-	-	-	-	-	(42)	(42)	(4)	(46)
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(42)**	**(42)**	**(4)**	**(46)**
Changes in ownership interests in subsidiaries:												
Effect of disposed entities	**-**	**-**	**-**	**-**	**-**	**-**	**(18)**	**-**	**18**	**-**	**-**	**-**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**-**	**-**	**(18)**	**-**	**18**	**-**	**-**	**-**
Total transactions with owners (G) = (E + F)	**-**	**-**	**-**	**-**	**-**	**-**	**(18)**	**-**	**(24)**	**(42)**	**(4)**	**(46)**
Balance at 30 June 2018 (E) = (A + D)	**511**	**116**	**23**	**1**	**(38)**	**-**	**(344)**	**(2)**	**70**	**337**	**415**	**752**

The notes presented on pages 8 to 60 form an integral part of these condensed consolidated interim financial statements.

For the six-month period ended 30 June 2017

	Attributable to owners of the Company											
In millions of EUR ("MEUR")	**Share capital**	**Share premium**	**Other capital funds from capital contributions**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Other capital reserves**	**Hedging reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 1 January 2017 (A)	**505**	**116**	**23**	**1**	**(35)**	**-**	**(320)**	**(51)**	**143**	**382**	**464**	**846**
Total comprehensive income for the period:												
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**43**	**43**	**35**	**78**
Other comprehensive income:												
Foreign currency translation differences for foreign operations	-	-	-	-	(14)	-	-	-	-	**(14)**	(11)	**(25)**
Foreign currency translation differences from presentation currency	-	-	-	-	14	-	-	-	-	**14**	13	**27**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	27	-	**27**	-	**27**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27**	**-**	**27**	**2**	**29**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**27**	**43**	**70**	**37**	**107**
Contributions by and distributions to owners:												
Dividends to equity holders	-	-	-	-	-	-	-	-	(69)	(69)	(44)	(113)
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(69)**	**(69)**	**(44)**	**(113)**
Changes in ownership interests in subsidiaries:												
Effect of disposed entities	-	-	-	-	-	-	-	-	-	-	**(4)**	**(4)**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
Total transactions with owners (G) = (E + F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(69)**	**(69)**	**(48)**	**(117)**
Balance at 30 June 2017 (H) = (A + D + G)	**505**	**116**	**23**	**1**	**(35)**	**-**	**(320)**	**(24)**	**117**	**383**	**453**	**836**

The notes presented on pages 8 to 60 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows

For the six-month period ended 30 June 2018

In millions of EUR ("MEUR")	**Note**	**30 June 2018 (six months)**	**30 June 2017 (six months)**
OPERATING ACTIVITIES			
Profit (loss) for the period		**28**	**78**
Adjustments for:			
Income taxes	13	17	28
Depreciation and amortisation	14, 15	66	69
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		5	1
(Gain) loss on disposal of property, plant and equipment, investment property and intangible assets	10	(1)	(8)
Emission rights	9	9	10
Gain on disposal of subsidiaries, special purpose entities, joint ventures, associates and non/controlling interest		3	-
(Gain) loss on financial instruments	12	2	(5)
Net interest expense	12	26	31
Change in allowance for impairment to trade receivables and other assets, write-offs		1	2
Other finance fees, net		3	-
Change in provisions	11	(1)	(1)
Unrealised foreign exchange (gains) losses, net		13	13
Operating profit before changes in working capital		**181**	**218**
Change in trade receivables, contract assets and other assets		63	11
Change in inventories		2	3
Change in trade payables, contract liabilities and other liabilities		(40)	(49)
Change in restricted cash		-	1
Cash generated from (used in) operations		**206**	**184**
Interest paid		(28)	(29)
Income taxes paid		(25)	(13)
Cash flows generated from (used in) operating activities		**153**	**142**
INVESTING ACTIVITIES			
Purchase of financial instruments		(5)	(1)
Loans provided to the owners		-	(58)
Acquisition of property, plant and equipment and intangible assets	14, 15	(30)	(23)
Purchase of emission rights	15	(2)	(2)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		1	17
Acquisition of subsidiaries and special purpose entities, net of cash acquired	5	(3)	(1)
Net cash (outflow) inflow from disposal of subsidiaries and special purpose entities including received dividends	5	36	-
Increase in participation in existing subsidiaries and special purpose entities	5	-	(4)
Cash flows from (used in) investing activities		**(3)**	**(72)**
FINANCING ACTIVITIES			
Repayment of borrowings		(2)	(5)
Proceeds from loans received		250	-
Repayment of bonds issued		(598)	-
Dividends paid		-	(20)
Cash flows from (used in) financing activities		**(350)**	**(25)**
Net increase (decrease) in cash and cash equivalents		*(200)*	*45*
Cash and cash equivalents at beginning of the period		**371**	**464**
Effect of exchange rate fluctuations on cash held		(3)	-
Cash and cash equivalents at end of the period		**168**	**509**

Notes to the condensed consolidated interim financial statements

1. Background

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

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

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

The consolidated financial statements of the Company for the six-month period ended 30 June 2018 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates and joint-ventures (together referred to as the "Group" or the "EPE Group"). The Group entities are listed in Note 33 – Group entities.

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

The shareholder of the Company as of 30 June 2018 was as follows:

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

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

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

The members of the Board of Directors as of 30 June 2018 were:

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

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

As the Company was established by its parent Energetický a průmyslový holding, a.s. under the common control principle, the Company opted to restate its comparatives, i.e. reported the entities contributed to the share capital of the Company as of 16 December 2010 as if contributed by the parent company on the date when the respective entities were acquired by the EPH Group or were contributed to the EPH Group.

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

2. Basis of preparation

(a) Statement of compliance

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

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 29 August 2018.

(b) Critical accounting estimates and assumptions

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2017, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9.

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 for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

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

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

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

(c) Changes in accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as of and for the year ended 31 December 2017.

(d) Recently issued accounting standards

Following paragraphs provide summary of the additional key requirements of IFRSs that are effective for annual period beginning on or after 1 January 2018 and that have thus been applied by the Group for the first time.

IFRS 15 Revenue from Contracts with Customers

The Standard provides a framework that replaces existing revenue recognition guidance in IFRS.

The Group has adopted IFRS 15 using cumulative effect method with the effect of initial applying this standard recognized at the date of initial application (i.e. as of 1 January 2018) and accordingly the balances as presented on 31 December 2017 were not restated and are presented following standards and interpretation valid for periods starting prior 1 January 2018.

Following table summarizes the effect on the Group's financial statements as of 30 June 2018:

30 June 2018 *In millions of EUR*	**Amount without adoption IFRS 15**	**Impact of adoption IFRS 15**	**30 June 2018 as reported**
Trade and other receivables	314	(45)	269
Contract assets	-	45	45
Other current assets	245	-	245
Total current assets	**559**	**-**	**559**
Trade and other payables	285	(76)	209
Contract liabilities	-	76	76
Other current liabilities	79	-	79
Total current liabilities	**364**	**-**	**364**
Deferred income	116	(63)	53
Contract liabilities	-	63	63
Other non-current liabilities	956	-	956
Total non-current liabilities	**1,072**	**-**	**1,072**

Major impacts of IFRS 15 applications were as follows:

- Reclassification of not invoiced part of fulfilled performance obligation from Trade and other receivables to Contract assets of EUR 45 million representing new class of assets presented in statement of financial position
- Reclassification of received payments for services and goods where control over the assets was not transferred to customer from Trade payables and other liabilities to Contract liabilities of EUR 76 million
- Reclassification of deferred income related to grid connection fees collected and free-of-charge non-current assets transferred from customers to Contract liabilities in a total amount of EUR 63 million

The Group adopted a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on the criteria for meeting the performance obligation, the revenue is recognised:

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

The Group´s identified following main sources of Revenue in scope of IFRS 15:

- *Sale of gas, electricity, heat or other energy products (energy products)*

  The Group recognizes the revenue upon delivery of the energy products to the customer. The moment of the transfer of the control over the products is considered at the moment of delivery, i.e. when the customer gains the benefits and the Group fulfils the performance obligation.

Where the Group acts as energy provider it was analysed if the distribution service invoiced is recognized as revenue from customers under IFRS 15. Judgement may be required to determine whether the Group acts as principal or agent in those cases. The key judgement is that the distribution services are not separable as a performance obligation from the integrated delivery service of the energy product. Therefore, it has been concluded that the Group acts as a principal and therefore materially all distribution services which are billed to its customers as part of the revenues from energy delivery are presented gross in the statement of comprehensive income.

- *Electricity infrastructure services*

  The Group provides services connected with the infrastructure by providing distribution of energy products. The revenue from all these contracts is recognized over the time of contract. As the Group fulfils the performance obligation arisen from those contracts equally over the time of the contract, the revenues are recognized as the control over benefits from contract is transferred to client, therefore equally over the time of contract.

- *Non-cash considerations received*

  The Group measures the non-cash consideration received at fair value. The revenue is then recognized over the estimated time of the service provided for which the consideration is received.

Because of the timing and measurement of the Group’s revenues and with respect to the nature of the Group’s operations and the types of revenues it earns there is no material effect to the opening balance of the Group’s equity as at 1 January 2018.

IFRS 9 Financial Instruments

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

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

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

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

Detail of IFRS 9 impact on opening balances:

In millions of EUR	**31 December 2017 as reported**	**Impact of adopting IFRS 9**	**1 January 2018**
Trade receivables	155	(1)	154
Loans to other than credit institutions	7	(1)	6
Total	**162**	**(2)**	**160**

I. Classification and measurement of financial assets and financial liabilities

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

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

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

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

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

Principal is the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. Loans and receivables which met SPPI test and business model test are normally classified by the Group as financial asset at amortised cost.

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

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

The Company may make an irrevocable election at initial recognition for particular investments in equity instruments that would otherwise be measured at fair value through profit or loss and are not held for trading to present subsequent changes in fair value in other comprehensive income. The Group has equity securities classified as financial assets at fair value through other comprehensive income. The key type of financial assets measured at fair value through comprehensive income by the Group are therefore investments in equity instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

II. Impairment of financial assets

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

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

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

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

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

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

Stage I:

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

Stage II:

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

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

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

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

Stage III:

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

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

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

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

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

POCI:

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

For the purposes of ECL calculation, the Group uses components needed for the calculation, namely probability of default (PD), loss given default (LGD) and exposure at default (EAD). The Company identifies five types of financial assets and corresponding ECL models for the purposes of calculating expected credit losses:

- *Long term and short term loans and receivables from related parties*

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

- *Short term loans provided to third parties*

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

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

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

- *Short-term trade receivables from third parties*

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

- *Investments to equity instrument*

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

Credit impaired financial assets

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

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

Impact of the new impairment model

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

III. Hedge accounting

For hedge accounting, the Group has chosen to apply requirements of IFRS 9 from 1 January 2018. The Group has determined that hedge accounting relationships applied prior to 1 January 2018 already met the requirements of IFRS 9 and were aligned with the Group's risk management strategy and objectives. Therefore application of IFRS 9 had no impact on hedge accounting from 1 January 2018.

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

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

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

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

IFRIC 22 Foreign Currency Translations and Advance Consideration (Effective for annual periods beginning on or after 1 January 2018)

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

The adoption of haven't had an impact on the financial statements.

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

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

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

(e) 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:

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

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

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

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

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

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

The Group has launched a group-wide project to implement IFRS 16. The Group accounting policy is currently being drafted to implement requirements of IFRS 16 and simultaneously the evaluation and implementation phase shall be completed in the fourth quarter 2018. The Group expects that the greatest impact will be in area of non-current tangible assets. Quantification of effects will be determined at the end of 2018.

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

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

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

Amendments to IAS 28 – Long term Interests in Associates and Joint Ventures (Effective for annual periods beginning on or after 1 January 2019 (not adopted by EU yet))

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

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

Amendment to IAS 19 – Plan Amendments, Curtailment or Settlement (Effective for annual periods beginning on or after 1 January 2019 (not adopted by EU yet))

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

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

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

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

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

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

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

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

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

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

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

(f) Basis of preparation

The condensed consolidated interim financial statements have been prepared under 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.

Date	Closing exchange rate CZK/EUR	Average exchange rate CZK/EUR for the 6-month (12-month) period
30 June 2018	26.020	25.500
31 December 2017	25.540	26.330
30 June 2017	26.195	26.784

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 2018, the Group reported revenue of EUR 1,809 million (12 months ended 30 June 2017: EUR 1,823 million) and Profit from operations of EUR 193 million (12 months ended 30 June 2017: EUR 174 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 primarily 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 Erömü Zrt., which is supplying the City of Budapest. The heat generated in its co-generation power plants is supplied mainly to retail customers through well maintained and robust district heating systems that the EPE Group owns in most of the cases. Czech based heat supply is regulated in a way of cost plus a reasonable profit margin while the Hungarian operations are regulated using the standard Regulated Asset Base ("RAB") multiplied by WACC plus eligible operating expenditures and allowed depreciation formula.

ii. Renewables

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

iii. Power Distribution and Supply

The Power Distribution and Supply segment consists of a Power Distribution division and a Supply division. The Supply division supplies power and natural gas to end-consumers in the Czech Republic and Slovakia. 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 natural gas and power, is required by law to provide non-discriminatory access to the distribution network. Prices are subject to the review and approval of Energy Regulatory Authority ("RONI"). Entity operates under similar regulatory frameworks whereby allowed revenues are based on the RAB multiplied by the allowed regulatory WACC plus eligible operating expenditures and allowed depreciation in line with regulatory frameworks in other European countries. All key tariff parameters are set for a given regulatory period of five years (current regulatory period is 2017 – 2021).

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

iv.Holding entities

The Holding entities 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 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
external revenues	*247*	*663*	*3*	*913*	-	-	-	*913*
of which: Electricity	*55*	*566*	*3*	*624*	-	-	-	*624*
Heat	*192*	-	-	*192*	-	-	-	*192*
Gas	-	*87*	-	*87*	-	-	-	*87*
Coal	-	*10*	-	*10*	-	-	-	*10*
inter-segment revenues	*43*	*34*	-	*77*	-	-	*(77)*	-
Sales: Other	6	6	-	12	1	-	(4)	9
external revenues	*6*	*2*	-	*8*	*1*	-	-	*9*
inter-segment revenues	-	*4*	-	*4*	-	-	*(4)*	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	(5)	-	(5)	-	-	-	(5)
Total sales	**296**	**698**	**3**	**997**	**1**	**-**	**(81)**	**917**
Cost of sales: Energy	(154)	(565)	-	(719)	-	-	55	(664)
external cost of sales	*(146)*	*(518)*	-	*(664)*	-	-	-	*(664)*
inter-segment cost of sales	*(8)*	*(47)*	-	*(55)*	-	-	*55*	-
Cost of sales: Other	(9)	(27)	-	(36)	(1)	-	26	(11)
external cost of sales	*(9)*	*(1)*	-	*(10)*	*(1)*	-	-	*(11)*
inter-segment cost of sales	-	*(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	(16)	(15)	-	(31)	-	(1)	-	(32)
Operating profit	**47**	**42**	**2**	**91**	**-**	**(1)**	**-**	**90**

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)	-
inter-segment finance revenues	*1*	-	-	*1*	-	*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)
Profit (loss) before income tax	**38**	**42**	**1**	**81**	**-**	**11**	***(47)**	**45**
Income tax expenses	(10)	(9)	-	(19)	-	2	-	(17)
Profit from continuing operations	**28**	**33**	**1**	**62**	**-**	**13**	***(47)**	**28**
Profit (loss) from discontinued operations (net of tax)	-	-	-	-	-	-	-	-
Profit (loss) for the period	**28**	**33**	**1**	**62**	**-**	***13**	***(47)**	**28**

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

Other financial information:								
EBITDA[(1)]	81	73	3	157	-	(1)	-	156

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 2017

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	298	710	3	1,011	-	-	(78)	933
external revenues	*250*	*680*	*3*	*933*	-	-	-	*933*
of which: Electricity	*55*	*583*	*3*	*641*	-	-	-	*641*
Heat	*195*	-	-	*195*	-	-	-	*195*
Gas	-	*87*	-	*87*	-	-	-	*87*
Coal	-	*10*	-	*10*	-	-	-	*10*
inter-segment revenues	*48*	*30*	-	*78*	-	-	*(78)*	-
Sales: Other	6	4	-	10	1	-	-	11
external revenues	*6*	*4*	-	*10*	*1*	-	-	*11*
inter-segment revenues	-	-	-	-	-	-	-	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	(3)	-	(3)	-	-	-	(3)
Total sales	**304**	**711**	**3**	**1,018**	**1**	**-**	**(78)**	**941**
Cost of sales: Energy	(164)	(547)	-	(711)	-	-	54	(657)
external cost of sales	*(159)*	*(498)*	-	*(657)*	-	-	-	*(657)*
inter-segment cost of sales	*(5)*	*(49)*	-	*(54)*	-	-	*54*	-
Cost of sales: Other	(8)	(22)	-	(30)	(1)	-	22	(9)
external cost of sales	*(8)*	-	-	*(8)*	*(1)*	-	-	*(9)*
inter-segment cost of sales	-	*(22)*	-	*(22)*	-	-	*22*	-
Personnel expenses	(27)	(22)	-	(49)	-	-	-	(49)
Depreciation and amortisation	(36)	(32)	(1)	(69)	-	-	-	(69)
Repairs and maintenance	(4)	(1)	-	(5)	-	-	-	(5)
Emission rights, net	(10)	-	-	(10)	-	-	-	(10)
Taxes and charges	(1)	(1)	-	(2)	-	-	-	(2)
Other operating income	15	4	-	19	-	-	3	22
Other operating expenses	(9)	(14)	-	(23)	-	-	-	(23)
Operating profit	**60**	**76**	**2**	**138**	**-**	**-**	**1**	**139**

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	-	81	(82)	-
external finance revenues	*1*	-	-	*1*	-	*(1)*	-	-
inter-segment finance revenues	-	-	-	-	-	*82*	*(82)*	-
Finance expense	-	(3)	-	(3)	-	(44)	9	(38)
Profit (loss) from derivative financial instruments	2	1	-	3	-	2	-	5
Gain (loss) on disposal of subsidiaries, special purpose entities, joint ventures and associates	-	-	-	-	-	-	-	-
Profit (loss) before income tax	**63**	**74**	**2**	**139**	**-**	***39**	***(72)**	**106**
Income tax expenses	(12)	(17)	-	(29)	-	1	-	(28)
Profit from continuing operations	**51**	**57**	**2**	**110**	**-**	***40**	***(72)**	**78**
Profit (loss) from discontinued operations (net of tax)	-	-	-	-	-	-	-	-
Profit (loss) for the period	**51**	**57**	**2**	**110**	**-**	***40**	***(72)**	**78**

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

Other financial information:								
EBITDA[(1)]	96	108	3	207	-	-	1	208

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 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
Profit from operations	**47**	**42**	**2**	**91**	**-**	**(1)**	**-**	**90**
Depreciation and amortisation	34	31	1	66	-	-	-	66
EBITDA	**81**	**73**	**3**	**157**	**-**	**(1)**	**-**	**156**

For the period ended 30 June 2017

In millions of EUR	Heat and power	Power distribution and supply	Renewables	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated financial information
Profit from operations	**60**	**76**	**2**	**138**	**-**	**-**	**1**	**139**
Depreciation and amortisation	36	32	1	69	-	-	-	69
EBITDA	**96**	**108**	**3**	**207**	**-**	**-**	**1**	**208**

Non-current assets and liabilities

As of and for the 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**
Reportable segment assets	959	1,282	33	2,274	2	651	(739)	2,188
Reportable segment liabilities	(632)	(440)	(39)	(1,111)	(1)	(1,063)	739	(1,436)
Additions to tangible and intangible assets[(1)]	25	19	-	44	-	-	-	44
Additions to tangible and intangible assets (excl. emission rights)	11	19	-	30	-	-	-	30
Equity accounted investees	-	1	-	1	-	-	-	1

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

As of and for the year ended 31 December 2017

In millions of EUR	**Heat Infra**	**Power Distribution and Supply**	**Renewables**	**Total reportable segments**	**Other**	**Holding entities**	**Inter-segment eliminations**	**Consolidated Financial Information**
Reportable segment assets	1,060	1,251	35	2,346	3	828	(600)	2,577
Reportable segment liabilities	(655)	(439)	(41)	(1,135)	(1)	(1,271)	600	(1,807)
Additions to tangible and intangible assets[(]	74	50	-	124	-	-	-	124
Additions to tangible and intangible assets (excl. emission rights and goodwill)	48	49	-	97	-	-	-	97
Equity accounted investees	-	1	-	1	-	-	-	1

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

Information about geographical areas

In presenting information on the 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 2018

In millions of EUR

	Czech Republic	Slovakia	Hungary	Total segments
Property, plant and equipment	595	822	37	1,454
Intangible assets	118	18	3	139
Total	**713**	**840**	**40**	**1,593**

In millions of EUR

	Czech Republic	Slovakia	Hungary	Other	Total segments
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)
Total	**400**	**427**	**48**	**42**	**917**

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

For the year ended 31 December 2017

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

For the period ended 30 June 2017

In millions of EUR	Czech Republic	Slovakia	Hungary	Other	Total segments
Sales: Electricity	140	431	39	31	641
Sales: Heat	156	-	39	-	195
Sales: Gas	69	18	-	-	87
Sales: Coal	9	-	-	1	10
Sales: Other	9	2	-	-	11
Gain (loss) from commodity derivatives from trading with electricity and gas, net	(3)	-	-	-	(3)
Total	**380**	**451**	**78**	**32**	**941**

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

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

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

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

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

(a) Acquisitions

i. 30 June 2018

There were no acquisitions or step-acquisitions in the period from 1 January 2018 to 30 June 2018.

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

ii. 31 December 2017

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

On 14 December 2017 PT Holding Investment B.V. ("PTHI") acquired 51% in Pražská teplárenská Holding a.s. ("PTH") that holds 47.42% in Pražská teplárenská. a.s. ("PT") and two other minor companies (see note 33). The Company increased by this transaction its shareholding in PTH from 49% to 100% and effectively increased its shareholding in the PT from 73.82% to 98%. PTHI paid for the share in PTH EUR 121 million and gained control over cash held by PTH of EUR 13 million (net cash paid EUR 108 million) and derecognized non-controlling interest in amount of EUR 69 million.

(b) Disposal of investments in 2018 and 2017

i. 30 June 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:

In millions of EUR	**Net assets sold in 2018**
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)
Net identifiable assets and liabilities	**44**
Non-controlling interest	-
Net assets value disposed	**44**
Sales price	41
Gain (loss) on disposal	**(3)**
Cash and cash equivalents disposed	(5)
Net cash inflow from disposal	**36**

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.

ii. 31 December 2017

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

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

6. Sales

In millions of EUR	**30 June 2018 (six months)**	**30 June 2017 (six months)**
Sales: Energy		
Electricity	624	641
Heat	192	195
Gas	87	87
Coal	10	10
Total Energy	**913**	**933**
Sales: Other	**9**	**11**
Total revenues from customers	**922**	**944**
Gain (loss) from commodity derivatives for trading with electricity and gas, net	**(5)**	**(3)**
Total	**917**	**941**

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

In millions of EUR	**30 June 2018**	**1 January 2018**
Contract assets	45	53
Current	*45*	*53*
Non-current	-	-
Contract liabilities	139	127
Current	*76*	*64*
Non-current	*63*	*63*

As at 1 January 2018 the amount of current Contract liabilities amounted to EUR 64 million. The amount of EUR 47 million recognised in Contract liabilities at the beginning of the period has been recognised as revenue in the period for the six months ended 30 June 2018. The remaining part of EUR 17 million will be recognised till the end of 2018.

7. Cost of sales

In millions of EUR	**30 June 2018 (six months)**	**30 June 2017 (six months)**
Cost of Sales: Energy		
Cost of sold electricity	430	408
Cost of sold/consumed gas and other energy products	85	84
Consumption of energy	106	107
Consumption of coal and other material	39	53
Other cost of sales	4	5
Total Energy	**664**	**657**
Cost of Sales: Other		
Cost of goods sold	4	4
Consumption of material	4	3
Consumption of energy	2	2
Changes in WIP, semi-finished products and finished goods	-	(1)
Other cost of sales	1	1
Total Other	**11**	**9**
Total	**675**	**666**

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

8. Personnel expenses

In millions of EUR	**30 June 2018 (six months)**	**30 June 2017 (six months)**
Wages and salaries	34	33
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	3	3
Total	**50**	**49**

The average number of employees as at 30 June 2018 was 3,640 (30 June 2017: 3,702), of which 86 (30 June 2017: 96) were executives.

9. Emission rights

In millions of EUR	**30 June 2018 (six months)**	**30 June 2017 (six months)**
Deferred income (grant) released to profit and loss	5	4
Net creation of provision for emission rights	(14)	(14)
Use of provision for emission rights	28	23
Consumption of emission rights	(28)	(23)
Total	**(9)**	**(10)**

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 Erömü Zrt.

10. Other operating income

In millions of EUR	**30 June 2018 (six months)**	**30 June 2017 (six months)**
Profit from disposal of tangible and intangible assets	1	(1) 8
Property acquired free-of-charge and fees from customers	2	3
Rental income	2	3
Compensation from insurance and other companies	2	3
Consulting fees	2	2
Profit from sale of material	1	-
Other	3	3
Total	**13**	**22**

(1) Profit from disposal of tangible and intangible assets includes profit from sale of Nový Veleslavín, a.s. (holding a land plot and a not utilized building) in amount of EUR 7 million.

11. Other operating expenses

In millions of EUR	30 June 2018 (six months)	30 June 2017 (six months)
Outsourcing and other administration fees	6	5
Rent expenses	5	4
Consulting expenses	2	4
Office equipment and other material	4	3
Information technology costs	3	3
Transport expenses	1	2
Impairment losses, net	(1)10	1
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)	(1)
Own work, capitalised	(7)	(5)
Other	5	4
Total	**32**	**23**

(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 2018 and 30 June 2017.

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

Recognised in profit or loss

In millions of EUR	30 June 2018 (six months)	30 June 2017 (six months)
Interest expense	(26)	(31)
Fees and commissions expense for other services, other	(3)	-
Net foreign exchange profit (loss)	(11)	(7)
Finance expense	**(40)**	**(38)**
Profit (loss) from interest rate derivatives for trading	-	3
Profit (loss) from hedging cash flows	-	2
Profit (loss) from currency derivatives for trading	(2)	-
Profit (loss) from financial instruments	**(2)**	**(33)**
Net finance income (expense) recognised in profit or loss	**(42)**	**(33)**

13. Income tax expenses

Income taxes recognised in profit or loss

In millions of EUR	30 June 2018 (six months)	30 June 2017 (six months)
Current taxes:		
Current period	(20)	(31)
Total current taxes	**(20)**	**(31)**
Deferred taxes:		
Origination and reversal of temporary differences	3	3
Total deferred taxes	**3**	**3**
Total income taxes (expense)/benefit recognised in profit or loss	**(17)**	**(28)**

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

Income tax recognised in other comprehensive income

In millions of EUR		**30 June 2018 (six months)**	
	Gross	**Income tax**	**Net of income tax**
Foreign currency translation differences for foreign operations	10	-	10
Foreign currency translation differences from presentation currency	(14)	-	(14)
Effective portion of changes in fair value of cash-flow hedges	7	(1)	6
Fair value reserve included in other comprehensive income	-	-	-
Total	**3**	**(1)**	**2**

In millions of EUR		**30 June 2017 (six months)**	
	Gross	**Income tax**	**Net of income tax**
Foreign currency translation differences for foreign operations	(25)	-	(25)
Foreign currency translation differences from presentation currency	27	-	27
Effective portion of changes in fair value of cash-flow hedges	33	(6)	27
Fair value reserve included in other comprehensive income	-	-	-
Total	**35**	**(6)**	**29**

14. Property, plant and equipment

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

(1) Plzeňská energetika, a.s.

In millions of EUR	**Land and buildings**	**Technical equipment, plant and machinery**	**Other equipment, fixtures and fittings**	**Under construction**	**Total**
Cost					
Balance at 1 January 2017	**1,379**	**856**	**5**	**33**	**2,273**
Effects of movements in foreign exchange rates	21	17	-	-	**38**
Additions	3	2	-	17	**22**
Disposals	(2)	(5)	-	(1)	**(8)**
Disposed entities	-	(1)	-	-	**(1)**
Transfers	2	2	-	(4)	**-**
Balance at 30 June 2017	**1,403**	**871**	**5**	**45**	**2,324**
Depreciation and impairment losses					
Balance at 1 January 2017	**(376)**	**(327)**	**(2)**	**(4)**	**(709)**
Effects of movements in foreign exchange rates	(8)	(9)	-	-	**(17)**
Depreciation charge for the period	(37)	(28)	(1)	-	**(66)**
Disposals	1	2	-	-	**3**
Balance at 30 June 2017	**(420)**	**(362)**	**(3)**	**(4)**	**(789)**
Carrying amounts					
At 1 January 2017	**1,003**	**529**	**3**	**29**	**1,564**
At 30 June 2017	**983**	**509**	**2**	**41**	**1,535**

Security

As at 30 June 2018 property, plant and equipment with a carrying value of EUR 377 million (31 December 2017: EUR 403 million) is subject to pledges to secure bank loans.

15. Intangible assets (including goodwill)

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

In millions of EUR	**Goodwill**	**Software**	**Emission rights**	**Customer relationships and other contracts**	**Other intangible assets**	**Total**
Cost						
Balance at 1 January 2017	**106**	**46**	**27**	**16**	**4**	**199**
Effects of movements in foreign exchange rates	3	1	-	1	(1)	**4**
Additions	1	-	8	-	1	**10**
Disposals	-	-	(23)	-	-	**(23)**
Balance at 30 June 2017	**110**	**47**	**12**	**17**	**4**	**190**
Amortisation and impairment losses						
Balance at 1 January 2017	**(8)**	**(24)**	**-**	**(10)**	**-**	**(42)**
Effects of movements in foreign exchange rates	-	(1)	-	-	-	**(1)**
Amortisation for the period	-	(3)	-	-	-	**(3)**
Disposals	-	-	-	-	-	**-**
Balance at 30 June 2017	**(8)**	**(28)**	**-**	**(10)**	**-**	**(46)**
Carrying amount						
At 1 January 2017	**98**	**22**	**27**	**6**	**4**	**157**
At 30 June 2017	**102**	**19**	**12**	**7**	**4**	**144**

As of 30 June 2018, the EPE Group purchased emission allowances of EUR 2 million (30 June 2017: EUR 2 million). The remaining part of EUR 12 million (30 June 2017: EUR 6 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic and Hungary.

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

Other intangible assets comprise valuable rights.

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

Impairment testing for cash-generating units containing goodwill

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

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

In millions of EUR	**30 June 2018**	**31 December 2017**
Elektrárny Opatovice, a.s.	89	90
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.(1)	5	5
Plzeňská energetika a.s.	-	3
SPV100, s.r.o.	1	1
Total goodwill	**100**	**104**

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

For the period ended 30 June 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. (30 June 2017: EUR 0 million) which took place on 9 May 2018 (see Note 5).

Goodwill and impairment testing

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

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

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

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting pre-tax discount rates ranged from 5.31% to 7.33%. Changes in used discount rates compared to prior year reflect recent market development, namely decrease in risk-free rates and cost of debt used for calculation.

There were no impairment indicators as of 30 June 2018 except those described above regarding the impairment of goodwill from Plzeňská energetika, a.s.

Additional information on CGU with significant goodwill assigned:

Management didn't identify any impairment trigger that would cause the Group to perform impairment testing of Goodwill recognized in relation to Elektrárny Opatovice, a.s. According to the Group's policy, the impairment test will be performed as at 31 December 2018 unless impairment trigger is identified earlier.

As of 31 December 2017 the recoverable amount of Elektrárny Opatovice, a.s. was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of Elektrárny Opatovice, a.s. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount (including goodwill) by EUR 595 million as of 31 December 2017. Key assumptions used in the calculation of value in use were the discount rate, the terminal value growth rate and the planned EBITDA. These selected assumptions were as follows:

	31 December 2017
Discount rate	6.28%
Terminal value growth rate	2.00%

The EPE Group uses weighted average cost of capital (WACC). The discount rate is a pre-tax measure. Cost of equity is based on the risk-free rate adjusted for a risk premium to reflect both the increase risk of investing in equities generally and the systemic risk of Elektrárny Opatovice, a.s.

Budgeted EBITDA was based on an expectation of future outcomes taking into account past experience. In particular, we have reflected the following:

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

b. market expectations regarding power and CO2 prices, development;

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

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

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

16. Equity accounted investees

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

In millions of EUR		**Ownership 30 June 2018**	**Carrying amount 30 June 2018**
Associates	**Country**	**%**	
Energotel, a.s	Slovakia	20.00	1
Total			**1**

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

The Group had no significant share in the profit or loss of associates for the six-month period ended 30 June 2018 and 30 June 2017.

Summary financial information for significant standalone associates presented at 100% as of and for the six-month period ended 30 June 2018:

In millions of EUR

Associates	Revenue	Profit (loss)	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
Energotel, a.s.	6	1	-	1	13	6	7
	6	**1**	**-**	**1**	**13**	**6**	**7**

In millions of EUR

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

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

In millions of EUR

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

In millions of EUR

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

(1) Profit and Loss item represents primarily dividend income from an Pražská teplárenská, a.s.
(2) Carrying amount covers investment in Pražská teplárenská a.s., which is eliminated in consolidation.
(3) Profit and loss item represents the amount from the beginning of the year to the date of acquisition of remaining 51% share in Pražská teplárenská Holding, a.s. that took place in December 2017

17. Inventories

In millions of EUR	30 June 2018	31 December 2017
Fossil fuel	23	26
Spare parts	7	8
Raw material and supplies	7	6
Work in progress	1	1
Total	**38**	**41**

As at 30 June 2018 inventories in the amount of EUR 20 million (31 December 2017: EUR 20 million) were subject to pledges.

18. Trade receivables and other assets

In millions of EUR	**30 June 2018**	**31 December 2017**
Trade receivables	140	155
Accrued income	118	138
Estimated receivables	-	35
Uninvoiced supplies	-	19
Advance payments	34	41
Receivables from government grants[(1)]	16	17
Other receivables and assets	5	13
Allowance for bad debts	(22)	(20)
Total	**291**	**398**
Non-current	22	23
Current	269	375
Total	**291**	**398**

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

As at 30 June 2018 trade receivables with a carrying value of EUR 38 million (31 December 2017: EUR 51 million) were subject to pledges.

Beginning 1 January 2018 the balance of estimated receivables and uninvoiced supplies (EUR 45 million as of 30 June 2018) is stated on a separate line in the statement of financial position (see Note 2(d)).

19. Cash and cash equivalents

In millions of EUR	**30 June 2018**	**31 December 2017**
Current accounts with banks	168	345
Bills of exchange	-	25
Term deposits	-	1
Total	**168**	**371**

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

As of 30 June 2018 cash equivalents of EUR 83 million are subject to pledges (31 December 2017: EUR 269 million). According to the bond documentation cash balances at specific entities are pledged in favour of the bondholders in case the Company defaults on bonds payments. As such, the pledged cash is readily available to the EPE Group and does not represent restricted cash.

Significant investing and financing activities not requiring cash:

In millions of EUR	**30 June 2018**	**30 June 2017**
Investing activities	-	50
Financing activities	-	(50)
Total	**-**	**-**

There were no non-cash activities for the six-month period ended 30 June 2018 (30 June 2017: non-cash investing activities included EPE loan provided to EP Infrastructure, a.s. which was set-off against dividends declared by EP Energy, a.s. in amount of EUR 50 million).

20. Tax receivables

In millions of EUR	30 June 2018	31 December 2017
Value added tax receivables	3	5
Current income tax receivables	4	9
Other taxes receivables	1	-
Energy tax	-	2
Total	**8**	**16**

21. Assets and liabilities held for sale

As of 30 June 2018 the balance of asset held for sale (EUR 1 million; 31 December 2017: EUR 4 million) and balance of liabilities held for sale (EUR 0 million; 31 December 2017: EUR 1 million) is represented by Nová Invalidovna, a.s. (31 December 2017: Nová Invalidovna, a.s. and Pod Juliskou, a.s.). These entities do not represent businesses but a group of land plots and not used buildings.

22. Deferred tax assets and liabilities

As of 30 June 2018 the net deferred tax liability amounts to EUR 163 million (31 December 2017: EUR 174 million).

23. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 30 June 2018 consisted of 19,549,548 ordinary shares with a par value of CZK 665 each (31 December 2017: 19,549,548 ordinary shares with a par value of CZK 665 each).

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

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

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

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

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

Reserves recognised in equity comprise the following items:

In millions of EUR	**30 June 2018**	**31 December 2017**
Non-distributable reserves	1	1
Translation reserve	(38)	(34)
Hedging reserve	(2)	(8)
Other capital reserves	(344)	(326)
Total	**(383)**	**(367)**
Other capital funds from capital contributions	23	23
Reserves	**(360)**	**(344)**

Translation reserve

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

Other capital reserves

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

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

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

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

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

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 2018 represents primarily derivative agreements to hedge an electricity price and a foreign exchange rate concluded by EP ENERGY TRADING, a.s. and Budapesti Erőmű Zrt. and swaps for hedging interest rate concluded by the Company.

During the period the Group recycled EUR 0 million from Other comprehensive income to Profit or loss (2017: EUR 0 million).

24. Earnings per share

Basic earnings per share

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

Basic earnings per share in EUR per 1 share of CZK 665 (30 June 2017: in EUR per 1 share of CZK 657) nominal value is 0.72 (30 June 2017: 2.20).

The calculation of basic earnings per share as at 30 June 2018 was based on profit attributable to ordinary shareholders of EUR 14 million (30 June 2017: EUR 43 million), and a weighted average number of ordinary shares outstanding of 19,550 thousand (30 June 2017: 19,550 thousand).

Weighted average number of ordinary shares as at 30 June 2018

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

Weighted average number of ordinary shares as at 30 June 2017

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

Dilutive earnings per share

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

25. Non-controlling interest

30 June 2018 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries**	**Stredoslovenská energetika, a.s. and its subsidiaries[3]**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**2.00%**	**51.00%[4]**		
Business activity	Production and distribution of heat	Distribution of electricity		
Country[1]	Czech Republic	Slovakia		
Carrying amount of NCI at 30 June 2018	**5**	**408**	**2**	**415**
Profit (loss) attributable to non-controlling interest for the period	**-**	**14**	**-**	**14**
Dividends declared	**(1)**	**(3)**	**-**	**(4)**
Statement of financial position information[2]				
30 June 2018				
Total assets	365	1,108		
of which: non-current	*266*	*732*		
current	*99*	*376*		
Total liabilities	98	308		
of which: non-current	*30*	*128*		
current	*68*	*180*		
Net assets	**267**	**800**	**-**	**-**
Statement of comprehensive income information[2]				
30 June 2018				
Total revenues	118	485		
of which: dividends received	-	-		
Profit after tax	19	28		
Total other comprehensive income for the period, net of tax	-	-		
Total comprehensive income for the period[2]	**19**	**28**	**-**	**-**
Net cash inflows (outflows)[2]	**(20)**	**53**		

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

31 December 2017 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries**	**Stredoslovenská energetika, a.s. and its subsidiaries[(3)]**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**2.00%**	**51.00%[(4)]**		
Business activity	Production and distribution of heat	Distribution of electricity		
Country[(1)]	Czech Republic	Slovakia		
Carrying amount of NCI at 31 December 2017	**6**	**397**	**2**	**405**
Profit (loss) attributable to non-controlling interest for the year	**6**	**58**	**2**	**66**
Dividends declared	**(14)**	**(40)**	**-**	**(54)**
Statement of financial position information[(2)]				
31 December 2017				
Total assets	346	1,095		
of which: non-current	*280*	*766*		
current	*66*	*329*		
Total liabilities	65	316		
of which: non-current	*35*	*140*		
current	*30*	*176*		
Net assets	**281**	**779**	**-**	**-**
Statement of comprehensive income information[(2)]				
30 June 2017				
Total revenues	124	598		
of which: dividends received				
Profit after tax	20	55		
Total other comprehensive income for the year, net of tax	-	-		
Total comprehensive income for the period[(2)]	**20**	**55**	**-**	**-**
Net cash inflows (outflows)[(2)]	**(9)**	**49**		

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

26. Loans and borrowings

In millions of EUR	**30 June 2018**	**31 December 2017**
Issued debentures at amortised cost	501	1,102
Loans payable to other then credit institutions	251	-
of which owed to the parent company/ultimate parent company	*251*	-
Loans payable to credit institutions	25	27
Total	**777**	**1,129**
Non-current	760	515
of which owed to the parent company/ultimate parent company	*250*	-
Current	17	614
of which owed to the parent company/ultimate parent company	*1*	-
Total	**777**	**1,129**

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

27. Provisions

In millions of EUR	**Employee benefits**	**Provision for emission rights**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2018	**13**	**28**	**3**	**11**	**55**
Provisions made during the period	-	14	-	-	**14**
Provisions used during the period	-	(28)	-	(1)	**(29)**
Decrease due to sale of companies [(1)]	-	(1)	-	(1)	**(2)**
Effects of movements in foreign exchange rates	-	1	-	(1)	**-**
Balance at 30 June 2018	**13**	**14**	**3**	**8**	**38**
Non-current	**13**	**-**	**2**	**2**	**17**
Current	**-**	**14**	**1**	**6**	**21**

(1) *Sale of Plzeňská energetika, a.s.*

In millions of EUR	**Employee benefits**	**Provision for emission rights**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2017	**12**	**24**	**3**	**9**	**48**
Provisions released during the period	-	-	-	(1)	**(1)**
Provisions made during the period	-	14	-	1	**15**
Provisions used during the period	-	(23)	-	(1)	**(24)**
Effects of movements in foreign exchange rates	1	-	-	(1)	**-**
Balance at 30 June 2017	**13**	**15**	**3**	**7**	**38**
Non-current	**13**	**-**	**2**	**2**	**17**
Current	**-**	**15**	**1**	**5**	**21**

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

Employee benefits

The Group recorded a provision for long-term employee benefits related to its employees. Valuations of these provisions are sensitive to assumptions used in the calculations, such as future salary and benefit levels, discount rates, employee leaving rate, late retirement rate, mortality and life expectancy. The management considered various estimated factors and how these estimates would impact the recognised provision. As a result of this analysis, no significant variances to the recorded provision are expected.

The provision for employee benefits in the amount of EUR 13 million (31 December 2017: EUR 13 million) was recorded mainly by Stredoslovenská energetika, a.s. and Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.).

Provision for emission rights

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

28. Deferred income

In millions of EUR	**30 June 2018**	**31 December 2017**
Government grants	48	48
Other deferred income	19	84
Total	**67**	**132**
Non-current	53	119
Current	14	13
Total	**67**	**132**

Balance of government grants in amount of EUR 48 million (2017: EUR 48 million) is mainly represented by Elektrárny Opatovice, a.s. of EUR 38 million (2017: EUR 38 million), Alternative Energy, s.r.o. of EUR 4 million (2017: EUR 5 million) and United Energy, a.s. of EUR 5 million (2017: EUR 5 million). These companies were provided with government grants to reduce emission pollutions and to build a biogas facility.

Balance of other deferred income in amount of EUR 19 million (2017: EUR 84 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 14 million (31 December 2017: EUR 15 million), which is recognized as income over useful life of the asset.

Beginning 1 January 2018 the balance of other deferred income and free-of-charge received property recognized by Stredoslovenská distribučná, a.s. has been recognized as contract liabilities in a separate line in the statement of financial position (see Note 2(d)).

29. Financial instruments

Financial instruments and other financial assets

In millions of EUR	**30 June 2018**	**31 December 2017 (restated)**
Assets carried at amortised cost		
Loans to other than credit institutions	6	7
of which owed by the parent company/ultimate parent company	*-*	*-*
of which owed by other Group related companies	*6*	*7*
Total	**6**	**7**
Assets carried at fair value		
Hedging: *of which*	21	6
Currency forwards cash flow hedge	*1*	*-*
Commodity derivatives cash flow hedge	*20*	*6*
Risk management purpose: *of which*	4	1
Currency forwards reported as trading	*1*	*1*
Commodity derivatives reported as trading	*3*	
Equity instruments at fair value through OCI: *of which*	1	*1
*Shares and interim certificates at fair value through OCI**	*1*	**1*
Total	**26**	**8**
Non-current	11	7
Current	21	8
Total	**32**	**15**

* According to IFRS 9 this balance was restated as of 31 December 2017 from Shares available for sale to Equity instruments at fair value through OCI

Financial instruments and other financial liabilities

In millions of EUR	**30 June 2018**	**31 December 2017**
Liabilities carried at fair value		
Hedging: *of which*	29	12
Interest rate swaps cash flow hedge	*11*	*10*
Commodity derivatives cash flow hedge	*18*	*-*
Currency forwards cash flow hedge	*-*	*2*
Risk management purpose: *of which*	3	7
Currency forwards reported as trading	*1*	*-*
Commodity derivatives reported as trading	*2*	*7*
Total	**32**	**19**
Non-current	14	11
Current	18	8
Total	**32**	**19**

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

In millions of EUR	**30 June 2018 Nominal amount buy**	**30 June 2018 Nominal amount sell**	**30 June 2018 Fair value buy**	**30 June 2018 Fair value sell**
Hedging: *of which*	514	(509)	21	(29)
Interest rate swaps cash flow hedge	*254*	*(254)*	*-*	*(11)*
Commodity derivatives cash flow hedge	*138*	*(135)*	*20*	*(18)*
Currency forwards cash flow hedge	*122*	*(120)*	*1*	*-*
Risk management purpose: *of which*	84	(84)	4	(3)
Currency forwards reported as trading	*70*	*(70)*	*1*	*(1)*
Commodity derivatives reported as trading	*14*	*(14)*	*3*	*(2)*
Total	**598**	**(593)**	**25**	**(32)**

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

Fair value hierarchy for financial instruments carried at fair value

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

		30 June 2018		
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	**-**	**21**	**-**	**21**
Currency forwards cash flow hedge	*-*	*1*		*1*
Commodity derivatives cash flow hedge	*-*	*20*	*-*	*3*
Risk management purpose: of which	**-**	**4**	**-**	**4**
Currency forwards reported as trading	*-*	*1*	*-*	*1*
Commodity derivatives reported as trading	*-*	*3*	*-*	*3*
Equity instruments at fair value through OCI: of which	**-**	**-**	**1**	**1**
Shares and interim certificates at fair value through OCI	*-*	*-*	*1*	*1*
Total	**-**	**25**	**1**	**26**
Financial liabilities carried at fair value:				
Hedging: *of which*	**-**	**29**	**-**	**29**
Interest rate swaps cash flow hedge	*-*	*11*	*-*	*11*
Commodity derivatives cash flow hedge	*-*	*18*	*-*	*18*
Risk management purpose: *of which*	**-**	**3**	**-**	**3**
Currency forwards reported as trading	*-*	*1*	*-*	*1*
Commodity derivatives reported as trading	*-*	*2*	*-*	*2*
Total	**-**	**32**	**-**	**32**

		31 December 2017 (restated)		
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	6	-	**6**
Commodity derivatives cash flow hedge	-	*6*	-	***6***
Risk management purpose: of which	-	*1*	-	**1**
Currency forwards reported as trading	**-**	**1**	**-**	***1***
Equity instruments at fair value through OCI: of which	**-**	**-**	**1**	**1**
Shares and interim certificates at fair value through OCI	-	-	*1*	*1*
Total	**-**	**7**	**1**	**8**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	12	-	**12**
Currency forwards cash flow hedge	-	*2*	-	***2***
Interest rate swaps cash flow hedge	-	*10*	-	***10***
Risk management purpose: *of which*	-	7	-	**7**
Commodity derivatives reported as trading	-	*7*	-	*7*
Total	**-**	**19**	**-**	**19**

There were no transfers between fair value levels as of either 30 June 2018 or 31 December 2017.

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

In millions of EUR	**Carrying value amount**	**Fair value**
Financial assets	**30 June 2018**	**30 June 2018**
Loans to other than credit institutions	6	6
Financial instruments held at amortised costs	**6**	**6**
Financial liabilities		
Loans and borrowings	**777**	**778**

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

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

30. Trade payables and other liabilities

In millions of EUR	**30 June 2018**	**31 December 2017**
Trade payables	107	141
Advance payments received	-	64
Liabilities from dividends	42	-
Estimated payables	31	28
Payroll liabilities	14	17
Other tax liabilities	10	13
Accrued expenses	1	3
Uninvoiced supplies	2	1
Other liabilities	3	9
Total	**210**	**276**
Non-current	1	4
Current	209	272
Total	**210**	**276**

Trade payables and other liabilities have not been secured as at 30 June 2018, or as at 31 December 2017.

Beginning 1 January 2018 the balance of advance payments received (EUR 76 million as of 30 June 2018) related to customers' contract is stated as Contract liabilities on a separate line in the statement of financial position (see Note 2(d)).

31. Financial commitments and contingencies

Off balance sheet liabilities

In millions of EUR	**30 June 2018**	**31 December 2017**
Granted pledges – securities	857	905
Commitments	304	255
Other granted pledges	904	1,154
Total	**2,065**	**2,314**

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

Commitments

Majority of commitments is represented by contracts to purchase physical energy in following years by SSE Group in amount of EUR 250 million (2017: EUR 239 million), where physical delivery of the energy will be realised in future and EUR 22 million is related to contracts for purchase of non-current assets. Remaining EUR 32 million arise from different type of service contracts.

Other granted pledges

In millions of EUR	**30 June 2018**	**31 December 2017**
Loans granted(1)	386	411
Property, plant and equipment	377	403
Cash and cash equivalents	83	269
Trade receivables	38	51
Inventories	20	20
Total	**904**	**1,154**

(1) Total balance of pledged granted loans includes intercompany loans of EUR 380 million (31 December 2017: EUR 404 million).

Off balance sheet assets

In millions of EUR	30 June 2018	31 December 2017
Received promises	379	372
Total	**379**	**372**

Received promises

Received promises mainly comprise the contracts for the future supply of energy in amount of EUR 255 million (2017: EUR 239 million) and regulatory contingent assets related to green energy of EUR 124 million (2017: EUR 97 million) recognised by SSE Group.

Regulatory contingent assets related to green energy

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by primary legislation and to purchase the green electricity generated by them, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the System Operation Tariff (“SOT”). For the six-month period ended 30 June 2018 SSE recognised a loss of EUR 76 million (for the six-month period ended 30 June 2017: a loss of EUR 60 million) as the difference between the green energy support costs and revenues from SOT in the period from 1 January 2018 to 30 June 2018. The loss includes revenues adjusted for compensation for past losses, which was recognised as an accrued income as at 31 December 2017 (for 2017 revenues as at 31 December 2016). Total effect on Profit from operations due from the aforementioned timing imbalance is a loss of EUR 27 million for the six-month period ended 30 June 2018 (a profit of EUR 8 million for the six-month period ended 30 June 2017).

Based on the current Regulatory Framework the cumulated losses incurred in 2016 and 2017 will be compensated in two years’ time, i.e. in 2018 and 2019 through an increase of revenues from SOT. Contingent asset as at 30 June 2018 comprises 6/12 of 2017 loss totalling EUR 97 million (i.e. EUR 49 million) and EUR 76 million as a loss incurred in six-month period ended 30 June 2018 (contingent assets as at 31 December 2017 amounted to EUR 97 million).

Based on the RONI decision dated in December 2017 the resulting contingent asset of EUR 138 million originating in the year 2016 was recognized as accrued income in the consolidated statement of financial position as of 31 December 2017 and will be fully collected in the course of 2018 (31 December 2016: EUR 73 million originating in the year 2015 was recognized as accrued income in the consolidated statement of financial position as of 31 December 2016 and was fully collected in the course of 2017). The loss for 2018 has not yet been recognized as the asset does not yet meet the recognition criteria set by IFRS as adopted by the EU and will be recognised during the course of 2019 once an RONI confirmation on the exact amount shall be received.

32. Related parties

Identity of related parties

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

(a) The summary of outstanding balances with related parties as at 30 June 2018 and 31 December 2017 was as follows:

In millions of EUR	**Accounts receivable and other financial assets**	**Accounts payable and other financial liabilities**	**Accounts receivable and other financial assets**	**Accounts payable and other financial liabilities**
	30 June 2018	**30 June 2018**	**31 December 2017**	**31 December 2017**
Ultimate shareholder[1]	-	-	-	-
Companies controlled by ultimate shareholder	24	315	17	28
Companies under significant influence by ultimate shareholder	3	6	3	9
Associates	6	-	7	-
Total	**33**	**321**	**27**	**37**

1) *Daniel Křetínský represents the ultimate shareholder.*

(b) The summary of transactions with related parties during the period ended 30 June 2018 and 30 June 2017 was as follows:

In millions of EUR	**Revenues**	**Expenses**	**Revenues**	**Expenses**
	30 June 2018	**30 June 2018**	**30 June 2017**	**30 June 2017**
Ultimate shareholder[1]	-	-	-	-
Companies controlled by ultimate shareholder	42	101	34	70
Companies under significant influence by ultimate shareholder	15	44	16	51
Associates	-	-	14	-
Total	**57**	**145**	**64**	**121**

1) *Daniel Křetínský represents the ultimate shareholder.*

Transactions with Members of the EPE Board

For period ended 30 June 2018 and 30 June 2017 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. (for 2017 also members of the Board of Directors of Plzeňská energetika a.s. represented EPE Group's key management personnel).

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

In millions of EUR	**30 June 2018**	**30 June 2017**
Nr. of personnel	50	50
Compensation, fees and rewards	1	1
Total	**1**	**1**

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.

33. Group entities

The list of the Group entities as at 30 June 2018 and 31 December 2017 is set out below:

		30 June 2018		31 December 2017		2018	2017
	Country of incorporation	**Owner-ship %**	**Owner-ship interest**	**Owner-ship %**	**Owner-ship interest**	**Conso-lidation method**	**Conso-lidation method**
EP Energy, a.s.	Czech Republic	-	-	-	-	-	-
AISE, s.r.o.	Czech Republic	80	Direct	80	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s.*	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.(5)	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
PT Koncept, a.s.(4)	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Transit, a.s.(3)	Czech Republic	100	Direct	100	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Real Estate, a.s.	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	-	-	100	Direct	-	IFRS5
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	IFRS5	IFRS5
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nové Modřany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties I, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties II, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties III, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties IV, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT měření, a.s.(5)	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
GABIT spol. s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Sourcing, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Plzeňská energetika a.s.	Czech Republic	-	-	100	Direct	-	Full
VTE Moldava II, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o. *	Czech Republic	100	Direct	100	Direct	Full	Full
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	IFRS 5	IFRS 5
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full	Full
CHIFFON ENTERPRISES LIMITED*	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s. r. o. *	Slovakia	80	Direct	80	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s.(5)	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
PT Koncept, a.s.(4)	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Transit, a.s.(3)	Czech Republic	100	Direct	100	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Real Estate, a.s.(6)	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	-	-	100	Direct	-	IFRS5
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	IFRS5	IFRS5
Michelský trojúhelník, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Nové Modřany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties I, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full

		30 June 2018		31 December 2017		2018	2017
	Country of incorporation	**Owner-ship %**	**Owner-ship interest**	**Owner-ship %**	**Owner-ship interest**	**Conso-lidation method**	**Conso-lidation method**
PT Properties II, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties III, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Properties IV, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT měření, a.s.(5)	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská distribučná, a.s.(2)	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE - Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika - Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE-Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	IFRS 5
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel,a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
SPV100, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	Full	Full
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Budapesti Erömü Zrt.	Hungary	95.62	Direct	95.62	Direct	Full	Full
KÖBÁNYAHÖ Kft.	Hungary	25	Direct	25	Direct	At cost	At cost
ENERGZET SERVIS a.s.	Czech Republic	100	Direct	100	Direct	Full	Full

* *Holding entity*
(1) *EP Hungary, a.s. merged with EP Energy, a.s. as of 30 November 2017. EP Energy, a.s. is the successor company.*
(2) *On 1 March 2018 Stredoslovenská energetika – Distribúcia, a.s. was renamed to Stredoslovenská distribučná, a.s.*
(3) *On 1 February 2018 Energotrans SERVIS, a.s. was renamed to PT Transit, a.s.*
(4) *On 1 February 2018 Pražská teplárenská Trading, a.s. was renamed to PT Koncept, a.s.*
(5) *In July 2018 the shares of Pražská teplárenská a.s. and PT měření, a.s. were transferred to EP Energy, a.s. as part of internal reorganization.*
(6) *In July 2018 the shares of PT Real Estate, a.s. were transferred to Pražská teplárenská Holding a.s. as part of internal reorganization.*

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

34. Litigations and claims

Elektrárny Opatovice, a.s.

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

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

The SSE Group is a party to various legal proceedings. As at 30 June 2018 no legal provisions were recorded. The Group management has decided not to disclose details in respect of material legal claims as they are currently ongoing and disclosure may prejudice the SSE Group.

Regulatory proceedings by ERO against Pražská teplárenská ("PT")

PT is involved in regulatory proceedings commenced in October 2015 by ERO claiming that prices charged to customers of PT's local small-scale heating infrastructures in 2011 were in breach of the Czech Act on Prices. In March 2016, ERO issued a decision ordering PT to pay EUR 9 million (CZK 240 million) consisting of a penalty in the amount of EUR 4.5 million (CZK 120 million) and restitution to affected customers in the amount of EUR 4.5 million (CZK 120 million). PT appealed the decision on 24 March 2016 with supplemental information provided on 14 April 2016. On 7 July 2016 PT received a resolution from ERO by which the Chairman of ERO returned the case again to the first instance for a new hearing. In November 2016 PT received new decision which confirmed the result of the court of the first instance. PT appealed again and on 23 December 2016 ERO issued a decision changing the amount to be paid to EUR 8 million (CZK 222 million) consisting of a penalty in the amount of EUR 4 million (CZK 111 million) and restitution to affected customers in the amount of EUR 4 million (CZK 111 million). On 26 January 2017 PT filed an appeal on the decision and applied for suspensive effect. At the same time PT submitted a fine of EUR 4 million to the ERO's account. On 23 February 2017 the regional court satisfied the request for a suspensive effect in full and on 28 April 2017 the ERU returned the fine back to PT and PT again conservatively recorded a provision of EUR 4 million. No development has taken place since then.

35. Subsequent events

In July 2018, EP Energy and Pražská teplárenská Holding as a result of internal reorganisation became 98% shareholders of Pražská teplárenská, PT měření and PT Real Estate respectively. EP Energy and Pražská teplárenská Holding currently intend to squeeze-out the remaining minority shareholders and become sole owners of the respective subsidiaries. The purchase price for the minority shares is expected to be app. EUR 9 million.

On 3 July 2018, Fitch Ratings upgraded EP Energy´s credit rating from BB+ to BBB- (outlook stable) with 2019 Notes' credit rating upgraded to BBB (outlook stable).

Except for the matter described above and elsewhere in the notes, the Company's management is not aware of any other material subsequent events that could have an effect on the condensed consolidated interim financial statements as at 30 June 2018.

Date:	Signature of the authorised representative	
29 August 2018	Marek Spurný Member of the Board of Directors	Pavel Horský Member of the Board of Directors