EP Infrastructure, 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

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The Information should be read in conjunction with the "Condensed Consolidated Interim Financial Statements as of and for the six-month period ended 30 June 2018" as published on www.epinfrastructure.cz.

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders, business partners, colleagues and friends,

In the first half of 2018, EP Infrastructure, a.s. (“**EPIF**”) and its subsidiaries (collectively the “**Group**“) continued to successfully operate their traditional energy infrastructure assets in Central Europe. The Group’s core activities remain the transmission, distribution and storage of natural gas, the distribution of electricity and district heating.

The Group owns and operates:

- the gas transmission pipeline through Slovakia, the largest corridor for supplies of Russian gas to Western, Central and Southern Europe;
- the distribution network of natural gas in Slovakia;
- the electricity distribution network in Slovakia as one of the country’s three main distributors of electricity;
- the largest gas storage capacities in Central Europe; and
- significant heat distribution networks and heat production plants in the Czech Republic and Hungary.

I am pleased to confirm that the Group managed its operations seamlessly over the first six months of 2017. All customers´ expectations were met, no major breakdowns or failures were encountered and reliability of our networks and operated systems was again at anticipated high levels.

Also, from the financial perspective, the Group’s core operations remained stable and predictable in the first half of 2018. EBITDA[i] and Adjusted EBITDA[ii] reached EUR 742 million and EUR 779 million, respectively, for the six months ended 30 June 2018, which represents a slight decrease in Adjusted EBITDA of EUR 14 million (-1.8%) compared to the six months ended 30 June 2017. For the twelve months ended 30 June 2018, EBITDA and Adjusted EBITDA, reached EUR 1 450 million and EUR 1 454 million, respectively, (the “LTM Adjusted EBITDA”)[iii]. The minor decline in performance measured by Adjusted EBITDA primarily relates to the fact that 2018 was warmer than 2017.

The Group also generated Free cash flow[iv] of EUR 606 million for the six months ended 30 June 2018, a decrease of 1% on the six months ended 30 June 2017. The half-year results reconfirm that the Group, with its diversified character of regulated and long-term contracted activities, has operated in a stable and predictable business environment and has continued to excel at converting operating profit into cash.

The Gas Transmission business remained the most significant contributor to the Group’s performance with Adjusted EBITDA of EUR 334 million, representing a stable performance in-line with the Group’s 2017 first half results. In the first half of 2018, the volume of natural gas transported by Eustream was more than 28 billion cubic metres, 9.6% lower than in the corresponding period in 2017 but fully in line with the Group’s expectations. This drop in volume does not affect the stability of the results from this business which can be attributed to the ship or pay structure of the transmission contracts, and continuing favourable conditions in the gas market. Development projects continue to focus on the enhancement of energy security and the creation of new business opportunities. We have achieved significant progress by launching processes to increase the transit capacities from the Czech Republic to Slovakia and by obtaining financial support for the EU projects of Slovak – Polish interconnection and for the Eastring project.

In the Gas and Power Distribution business, 2017 results were primarily driven by a colder January than expected, which resulted in the distribution of an above average volumes of gas by this business. We are therefore extremely pleased that the results of this business for the first half of 2018 exceeded the Group's expectations. Adjusted EBITDA reached EUR 273 million and the business distributed natural gas volume of 2.7 billion cubic metres in the first six months of 2018, a level almost consistent with the same period in 2017. In addition, the Groups' Power distribution division distributed more than 3.2 TWh of electricity during the first six months of 2018; a stable volume that is in line with the volume distributed during the same period in 2017. We continued to renovate and reconstruct our backbone network to ensure a reliable provision of our traditional distribution services that reflect modern trends in terms of electricity distribution. Our total capital expenditures in this business were EUR 27 million in the first half of 2018.

In the Heat Infra business we supplied 12 PJ of heat, which represents a decrease in volume of 7.4%, as a result of warmer weather, particularly in April and May 2018. Nevertheless, due to our two component pricing system and other minor positive factors, the Heat Infra business was able to improve Adjusted EBITDA to EUR 93 million, which represents a slight increase in performance compared to the first half of 2017 (if disregarding the impact of the sale of various unused pieces of real estate of EUR 7 million in H1 2017). We continue being a key supplier of ancillary services both in the Czech Republic and in Hungary.

The Gas Storage business continues to be a major player in the Central European region. We provide our customers with an overall storage capacity of almost 41 TWh. Our storage facilities once again fulfilled our customers' requests to draw more intensively from the storage facilities and we supplied our customers with gas without any interruptions. The financial performance of this business remained stable when compared to the corresponding period in 2017, taking into account that Pozagas is now (for the first time) a fully consolidated entity.

Alongside delivering on business results, the Group has continued to optimize its capital structure. After being awarded investment grade rating from all three major rating agencies, EPIF successfully entered the capital markets in April 2018 by issuing notes with the nominal amount of EUR 750 million and a 6-year maturity. The proceeds were used to repay part of EPIF's bank financing. Subsequent to the repayment of EUR 598 million of EP Energy notes in May 2018, and despite challenging market conditions, EPIF refinanced its entire bank financing in July 2018, which resulted in a decrease in its overall financing costs as well as a longer duration of the debt. We expect to continue with this strategy in the future.

In conclusion, the Group again proved its role as a leading infrastructure player in the Central European region. I would like to express my personal thanks to our employees, investors and partners who have been central in the realisation of our business strategy.

Daniel Křetínský
Chairman of the Board of directors of EP Infrastructure

Appendix:

Key Financials

in EUR million	**Six months ended 30 June 2018**	**Six months ended 30 June 2017**
EBITDA	742	801
Adjusted EBITDA	779	793
Free cash flow	606	613

	12 months ended 30 June 2018	**12 months ended 31 December 2017**
LTM EBITDA	*1 450*	*1 509*
LTM Adjusted EBITDA	*1 454*	*1 468*
LTM Free cash flow[v]	*1 033*	*1 040*
Net debt[vi]	*4 293*	*4 581*

Key non-financial performance indicators

KPI	**Unit**	**Six months ended 30 June 2018**	**Six months ended 30 June 2017**
Gas transmitted	bcm	28.19	31.19
Gas distributed	bcm	2.67	2.71
Power distributed	TWh	3.22	3.16
Heat supplied	PJ	11.98	12.94

[i] EBITDA represents operating profit plus depreciation of property, plant and equipment and amortisation of intangible assets less negative goodwill (if applicable).

[ii] Adjusted EBITDA represents operating profit plus depreciation of property, plant and equipment and amortisation of intangible assets less negative goodwill (if applicable), adjusted by (a) excluding non-cash non-recurring impairment charge relating to property, plant and equipment and intangible assets at Plzeňská energetika a.s. ("PE") as a result of commercial negotiations between the Group and the City of Pilsen in relation to a potential future merger of PE and Plzeňská teplárenská, a.s. ("PLTEP"), resulting in PLTEP as a successor company in which the Group would have a 35 per cent. interest and management control (effect of EUR -10 million in H1 2018) and (b) adding back (if negative) or deducting (if positive) the difference between (i) compensation for the expenses for mandatory purchase and off-take of energy from renewable sources pursuant to the Slovak RES Promotion Act and the Decree recognised in revenues in the relevant period and (ii) net expenses accounted for the mandatory purchase of energy from renewable resources in accordance with the Slovak RES Promotion Act, in each case inclusive of accruals (effect of EUR -27 million in H1 2018; EUR 8 million in H1 2017; EUR 41 million in 2017; EUR 6 million in LTM).

Slovak RES Promotion Act means Slovak Act No. 309/2009 Coll., on promotion of renewable energy sources and high-efficiency cogeneration and on amendments to certain acts (zákon o podpore obnoviteľných zdrojov energie a vysoko účinnej kombinovanej výroby a o zmene a doplnení niektorých zákonov).

Decree means the Slovak Decree of the Regulator No. 18/2017 Coll. (or any other applicable decree or law replacing it).

Reconciliation is as follows:

Key Metrics	Gas Transmission	Gas and Power Distribution	Heat Infra	Gas Storage	Other	Total segments	Holding entities	Intersegment-eliminations	Consolidated financial information
					(in EUR millions)				
Six months ended 30 June 2018									
EBITDA	334	246	83	81	1	745	(3)	-	**742**
Impairment to the line items property, plant and equipment and intangible assets at PE	-	-	10	-	-	10	-	-	**10**
System Operation Tariff surplus / deficit	-	27	-	-	-	27	-	-	**27**
Adjusted EBITDA	**334**	**273**	**93**	**81**	**1**	**782**	**(3)**	**-**	**779**
Six months ended 30 June 2017									
EBITDA	336	292	99	76	2	805	(2)	(2)	**801**
Impairment to the line items property, plant and equipment and intangible assets at PE	-	-	-	-	-	-	-	-	**-**
System Operation Tariff surplus / deficit	-	(8)	-	-	-	(8)	-	-	**(8)**
Adjusted EBITDA	**336**	**284**	**99**	**76**	**2**	**797**	**(2)**	**(2)**	**793**
12 months ended 30 June 2018									
LTM EBITDA	662	505	141	149	4	1,461	(13)	2	**1,450**
Impairment to the line items property, plant and equipment and	-	-	10	-	-	10	-	-	**10**

intangible assets at PE									
System Operation Tariff surplus / deficit	-	(6)	-	-	-	(6)	-	-	**(6)**
LTM Adjusted EBITDA..................	**662**	**499**	**151**	**149**	**4**	**1,465**	**(13)**	**2**	**1,454**
2017									
EBITDA	664	551	157	144	5	1,521	(12)	-	**1,509**
Impairment to the line items property, plant and equipment and intangible assets at PE	-	-	-	-	-	-	-	-	-
System Operation Tariff surplus / deficit	-	(41)	-	-	-	(41)	-	-	**(41)**
Adjusted EBITDA..	**664**	**510**	**157**	**144**	**5**	**1,480**	**(12)**	**-**	**1,468**

[iii] LTM Adjusted EBITDA is calculated as Adjusted EBITDA for the six-month period ending 30 June 2018 plus Adjusted EBITDA for 2017 less Adjusted EBITDA for the six-month period ending 30 June 2017.

[iv] Free cash flow represents Cash generated from operations, disregarding Change in restricted cash, less Income tax paid and Acquisition of property, plant and equipment and intangible assets as presented in the consolidated statement of cash flows of the Group

[v] LTM Free cash flow is calculated as free cash flow for the six-month period ending 30 June 2018 plus free cash flow for 2017 less free cash flow for the six-month period ending 30 June 2017.

[vi] Net debt represents gross debt less cash and cash equivalents (as included in the consolidated financial statements of the Group). Gross debt for the Group represents the sum of indebtedness (representing principal amount and disregarding, among other things, unamortised fees, discounts and accrued interest) including finance leases but excluding mark-to-market of hedging instruments as included in the consolidated financial statements of the Group in the line items non-current loans and borrowings and current loans and borrowings, disregarding unamortised fees and accrued interest.

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Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information

To: the Board of Directors of EP Infrastructure, a.s.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of EP Infrastructure, a.s. as at 30 June 2018, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the 6 month period then ended, and notes to the condensed consolidated interim financial information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2018 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Prague
11 September 2018

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
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Content

Condensed consolidated interim statement of comprehensive income

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

	Note	2018 (six months)	2017 (six months)
Sales: Energy	7	1,564	1,587
of which: Gas		*736*	*742*
Electricity		*625*	*640*
Heat		*193*	*195*
Coal		*10*	*10*
Sales: Other	7	10	11
Gain (loss) from commodity derivatives for trading with electricity and gas, net	7	(5)	(3)
Total sales		**1,569**	**1,595**
Cost of sales: Energy	8	(661)	(661)
Cost of sales: Other	8	(11)	(10)
Total cost of sales		**(672)**	**(671)**
Subtotal		**897**	**924**
Personnel expenses	9	(99)	(95)
Depreciation and amortisation	15, 16	(164)	(167)
Repairs and maintenance		(6)	(5)
Emission rights, net	10	(9)	(9)
Taxes and charges		(4)	(4)
Other operating income	11	15	28
Other operating expenses	12	(52)	(38)
Profit (loss) from operations		**578**	**634**
Finance income	13	2	2
Finance expense	13	(105)	(92)
Profit (loss) from financial instruments	13	(4)	5
Net finance income (expense)		**(107)**	**(85)**
Share of profit of equity accounted investees, net of tax		-	(2)
Profit (loss) before income tax		**471**	**547**
Income tax expenses	14	(130)	(146)
Profit (loss) from continuing operations		**341**	**401**
Profit (loss) for the period		**341**	**401**
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		23	(56)
Foreign currency translation differences from presentation currency		(26)	56
Effective portion of changes in fair value of cash flow hedges, net of tax	14	(38)	44
Other comprehensive income for the period, net of tax		**(41)**	**44**
Total comprehensive income for the period		**300**	**445**
Profit (loss) attributable to:			
Owners of the Company			
Profit for the period from continuing operations		158	198
Profit for the period attributable to owners of the company		**158**	**198**
Non-controlling interest			
Profit for the period from continuing operations	26	183	203
Profit for the period attributable to non-controlling interest		**183**	**203**
Profit (loss) for the period		**341**	**401**
Total comprehensive income attributable to:			
Owners of the Company		135	230
Non-controlling interest	26	165	215
Total comprehensive income for the period		**300**	**445**
Basic and diluted earnings per share in EUR	25	**0.49**	**0.61**

The notes presented on pages 8 to 63 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

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

	Note	30 June 2018	31 December 2017
Assets			
Property, plant and equipment	15	6,467	6,592
Intangible assets	16	100	129
Goodwill	16	100	104
Equity accounted investees	17	1	1
Financial instruments and other financial assets	30	12	14
Trade receivables and other assets	19	73	76
Deferred tax assets		1	2
Total non-current assets		**6,754**	**6,918**
Inventories	18	196	219
Trade receivables and other assets	19	304	446
Contract assets	19	78	-
Financial instruments and other financial assets	30	126	284
Prepayments and other deferrals		13	12
Tax receivables	21	17	25
Cash and cash equivalents	20	523	584
Restricted cash		91	1
Assets/disposal groups held for sale	22	1	5
Total current assets		**1,349**	**1,576**
Total assets		**8,103**	**8,494**
Equity			
Share capital	24	2,988	2,988
Share premium		8	8
Reserves		(3,915)	(3,892)
Retained earnings		642	587
Total equity attributable to equity holders		**(277)**	**(309)**
Non-controlling interest	26	1,656	1,497
Total equity		**1,379**	**1,188**
Liabilities			
Loans and borrowings	27	4,578	4,510
Financial instruments and financial liabilities	30	69	22
Provisions	28	140	139
Deferred income	29	116	195
Contract liabilities	7, 29	77	-
Deferred tax liabilities	23	966	990
Trade payables and other liabilities	31	30	29
Total non-current liabilities		**5,976**	**5,885**
Trade payables and other liabilities	31	241	629
Contract liabilities	7, 31	132	-
Loans and borrowings	27	256	671
Financial instruments and financial liabilities	30	51	27
Provisions	28	31	52
Deferred income	29	21	18
Current income tax liability		16	23
Liabilities from disposal groups held for sale	22	-	1
Total current liabilities		**748**	**1,421**
Total liabilities		**6,724**	**7,306**
Total equity and liabilities		**8,103**	**8,494**

The notes presented on pages 8 to 63 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

In millions of EUR ("MEUR")	Share capital	Share premium	Other capital funds from capital contributions	Other capital funds	Non-distributable reserves	Translation reserve	Fair value reserve	Hedging reserve	Other capital reserves	Retained earnings	Total	Non-controlling interest	Total Equity
	Attributable to owners of the Company												
Balance at 31 December 2017	**2,988**	**8**	**23**	**689**	**1**	**(65)**	**(1)**	**(13)**	**(4,526)**	**587**	**(309)**	**1,497**	**1,188**
Adjustment on initial application of IFRS 9 (net of tax)	-	-	-	-	-	-	-	-	-	(3)	(3)	(1)	(4)
Adjusted balance at 1 January 2018 (A)	**2,988**	**8**	**23**	**689**	**1**	**(65)**	**(1)**	**(13)**	**(4,526)**	**584**	**(312)**	**1,496**	**1,184**
Total comprehensive income for the period:													
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**158**	**158**	**183**	**341**
Other comprehensive income:													
Foreign currency translation differences for foreign operations	-	-	-	-	-	(7)	-	-	-	-	**(7)**	30	**23**
Foreign currency translation differences for presentation currency	-	-	-	-	-	6	-	-	-	-	**6**	(32)	**(26)**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	-	-	(22)	-	-	**(22)**	(16)	**(38)**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(22)**	**-**	**-**	**(23)**	**(18)**	**(41)**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**-**	**(1)**	**-**	**(22)**	**-**	**158**	**135**	**165**	**300**
Contributions by and distributions to owners:													
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(100)	(100)	(5)	(105)
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(100)**	**(100)**	**(5)**	**(105)**
Balance at 30 June 2018 (E) = (A + D)	**2,988**	**8**	**23**	**689**	**1**	**(66)**	**(1)**	**(35)**	**(4,526)**	**642**	**(277)**	**1,656**	**1,379**

The notes presented on pages 8 to 63 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**	**Other capital funds**	**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)	**2,988**	**8**	**23**	**689**	**1**	**(63)**	**(1)**	**(4,526)**	**(54)**	**980**	**45**	**1,627**	**1,672**
Total comprehensive income for the period:													
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**198**	**198**	**203**	**401**
Other comprehensive income:													
Foreign currency translation differences for foreign operations	-	-	-	-	-	(9)	-	-	-	-	**(9)**	(47)	**(56)**
Foreign currency translation differences from presentation currency	-	-	-	-	-	5	-	-	-	-	**5**	51	**56**
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	-	36	-	**36**	8	**44**
Total other comprehensive income (C)	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**36**	**-**	**32**	**12**	**44**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**-**	**-**	**(4)**	**-**	**-**	**36**	**198**	**230**	**215**	**445**
Contributions by and distributions to owners:													
Dividends to equity holders	-	-	-	-	-	-	-	-	-	(675)	**(675)**	(123)	**(798)**
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(675)**	**(675)**	**(123)**	**(798)**
Changes in ownership interest in subsidiaries that do not result in loss of control:													
Effect of changes in shareholdings on non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(4)	**(4)**
Effect of disposed entities	-	-	-	-	-	-	-	-	-	-	-	-	-
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**	**(4)**
Total transactions with owners (G) = (E + F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(675)**	**(675)**	**(127)**	**(802)**
Balance at 30 June 2017 (H) = (A + D + G)	**2,988**	**8**	**23**	**689**	**1**	**(67)**	**(1)**	**(4,526)**	**(18)**	**503**	**(400)**	**1,715**	**1,315**

The notes presented on pages 8 to 63 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		341	401
Adjustments for:			
Income taxes	14	130	146
Depreciation and amortisation	15, 16	164	167
Dividend income	13	(2)	(2)
Impairment losses on property, plant and equipment and intangible assets	15, 16	10	1
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	11	(1)	(12)
Emission rights	10	9	9
Share of profit of equity accounted investees		-	2
Gain (loss) on financial instruments	13	4	(5)
Net interest expense	13	88	87
Change in allowance for impairment to trade receivables and other assets, write-offs		-	1
Change in provisions		(5)	2
Other finance fees, net		6	-
Unrealised foreign exchange (gains)/losses, net		7	(10)
Operating profit before changes in working capital		**756**	**788**
Change in trade receivables and other assets		63	36
Change in inventories		23	23
Change in trade payables and other liabilities		(39)	(61)
Change in restricted cash		(90)	-
Cash generated from (used in) operations		**713**	**786**
Interest paid		(76)	(90)
Income taxes paid		(142)	(137)
Cash flows generated from (used in) operating activities		**495**	**559**
INVESTING ACTIVITIES			
Received dividends		2	2
Purchase of financial instruments		-	(2)
Loans provided to NCI owners		(44)	-
Loans provided to the other entities		-	(2)
Proceeds (outflows) from sale (settlement) of financial instruments		(2)	10
Acquisition of property, plant and equipment and intangible assets	15, 16	(55)	(36)
Purchase of emission rights	16	(2)	(2)
Acquisition of subsidiaries and special purpose entities, net of cash acquired	6	(3)	(1)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		6	25
Increase in participation in existing subsidiaries and special purpose entities		-	(4)
Cash flows from (used in) investing activities		**(98)**	**(10)**

In millions of EUR ("MEUR")	**Note**	**30 June 2018 (six months)**	**30 June 2017 (six months)**
FINANCING ACTIVITIES			
Proceeds from loans received		250	12
Repayment of borrowings		(751)	(15)
Proceeds from bonds issued		750	-
Repayments of bonds issued		(598)	-
Finance fees paid from repayment of borrowings		(6)	(7)
Dividends paid		(100)	(230)
Cash flows from (used in) financing activities		**(455)**	**(240)**
Net increase (decrease) in cash and cash equivalents		(58)	309
Cash and cash equivalents at beginning of the period		**584**	**729**
Effect of exchange rate fluctuations on cash held		(3)	**-**
Cash and cash equivalents at end of the period		**523**	**1,038**

The notes presented on pages 8 to 63 form an integral part of these condensed consolidated interim financial statements.

Notes to the condensed consolidated interim financial statements

1. Background

EP Infrastructure, a.s. (the "Parent Company" or the "Company" or "EPIF" or "infrastructure 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 6 December 2013 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 infrastructure subholding was established to separate the strategic infrastructure energy assets from other business activities of the EPH Group.

The main activities of the EPIF Group are natural gas transmission, gas and power distribution and supply, gas storage and heat production and distribution.

On 10 March 2016 the Company's shareholder decided to issue new shares. This issue of shares increased share capital of the Company by EUR 54 million. On 20 April 2016 the share capital of the Company was increased by EUR 2,934 million by a non-cash consideration in the form of shares in Czech Gas Holding Investment B.V. and EPH Gas Holding B.V.

On 24 February 2017 EPH completed the previously concluded agreement with a consortium of global institutional investors led by Macquarie Infrastructure and Real Assets (MIRA) on the sale of a 31% stake in EPIF. The remaining 69% of EPIF remains with EPH, which will also retain management control over EPIF.

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

The consolidated financial statements of the Company for the year ended 31 December 2017 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 "EPIF Group"). The Group entities are listed in Note 34 – Group entities.

The shareholders of the Company as at 30 June 2018 were as follows:

	Interest in share capital		Voting rights
	MEUR	**%**	**%**
EPIF Investments a.s.	2,062	69.00	69.00
CEI INVESTMENTS S.a.r.l.	926	31.00	31.00
Total	**2,988**	**100.00**	**100.00**

The shareholders of the Company as at 31 December 2017 were as follows:

	Interest in share capital		Voting rights
	MEUR	**%**	**%**
EPIF Investments a.s.	2,062	69.00	69.00
CEI INVESTMENTS S.a.r.l.	926	31.00	31.00
Total	**2,988**	**100.00**	**100.00**

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

- Daniel Křetínský (Chairman of the Board of Directors)
- Jiří Zrůst (Vice-chairman of the Board of Directors)
- Gary Mazzotti (Vice-chairman of the Board of Directors)
- Stéphane Louis Brimont (Member of the Board of Directors)
- Marek Spurný (Member of the Board of Directors)
- Pavel Horský (Member of the Board of Directors)
- Milan Jalový (Member of the Board of Directors)

Information relating to the establishment of the 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 present the contributed entities as if sold by EPH to the 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 at 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 EPIF Group as of and for the year ended 31 December 2017.

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

(b) Critical accounting estimates and assumptions

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

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

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

(c) Changes in accounting policies

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

(d) Standards issued but not yet effective

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

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 of 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)

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

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

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

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

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

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

(e) Recently issued accounting standards

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

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

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

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

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

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	(3)
Impact at 1 January 2018	(3)
Non-controlling interests	
Recognition of expected credit losses under IFRS 9	(1)
Impact at 1 January 2018	(1)

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	215	(3)	212
Loans to other than credit institutions	276	(1)	275
Total	**491**	**(4)**	**487**

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 assess the 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 considers 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 considering 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.

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 summarize 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	382	(78)	304
Contract assets	-	78	78
Other current assets	967	-	967
Total current assets	**1,349**	**-**	**1,349**
Trade and other payables	373	(132)	241
Contract liabilities	-	132	132
Other current liabilities	375	-	375
Total current liabilities	**748**	**-**	**748**

30 June 2018 *In millions of EUR*	**Amount without adoption IFRS 15**	**Impact of adoption IFRS 15**	**30 June 2018 as reported**
Deferred income	193	(77)	116
Contract liabilities	-	77	77
Other non-current liabilities	5,783	-	5,783
Total non-current liabilities	**5,976**	**-**	**5,976**

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 78 million representing new class of assets presented in the statement of financial position
- Reclassification of received payments for services and goods, where control over the asset was not transferred to customer, from Trade payables and other liabilities to Contract liabilities of EUR 132 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 77 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.

- *Gas and electricity infrastructure services*

  The Group provides services connected with the infrastructure by providing transmission or distribution of energy products or by providing storage capacities. Some of these services include ship-or-pay clauses (at gas transmission business) and store-or-pay clauses (at gas storage business), which reserve daily or monthly capacity for the customer with corresponding billing. The revenues from all these contracts are 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.

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

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

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

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

(f) Basis of preparation

The condensed consolidated interim financial statements have been prepared on a 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 3,078 million (12 months ended 30 June 2017: EUR 3,147 million) and Profit from operations of EUR 1,108 million (12 months ended 30 June 2017: EUR 1,135 million).

4. Determination of fair values

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

(a) Property, plant and equipment

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

(b) Intangible assets

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

(c) 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.

(d) 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.

(e) 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.

(f) 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.

5. Operating segments

The Group operates in four reportable segments under IFRS 8: Gas transmission, Gas and power distribution, Gas storage and Heat Infra.

Operating segments have been identified primarily on the basis of internal reports used by the EPH'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. Gas transmission

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

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

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

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

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

Because of the contractual nature of the shipping arrangement with the Russian gas supplier, management carefully assessed the contractual conditions with the view of whether the contract includes any significant lease arrangement as per IFRIC 4, which could lead to a derecognition of the transmission pipelines. As there is no indication that the Russian gas supplier is in control of the asset and there are several other shippers using the asset, management concluded that no material indications of such leasing relationship were noted and that the transmission pipeline should be recognised in eustream's fixed assets.

ii. Gas and power distribution

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

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

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

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

iii. Gas storage

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

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

iv. Heat Infra

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

v. Other

The Other operations represents mainly 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 runs two solar power plants in Slovakia, and a biogas facility in Slovakia. In 2016 the Other segment also included Mitteldeutsche Braunkohlengesellschaft GmbH (MIBRAG), Saale Energie GmbH and Helmstedter Revier GmbH, which were classified as discontinued operations and disposed in 2016

vi. Holding entities

The Holding entities mainly represent EP Infrastructure, a.s., EP Energy, a.s., Slovak Gas Holding B.V., EPH Gas Holding B.V., Seattle Holding B.V., SPP Infrastructure, a.s. and Czech Gas Holding Investment B.V. The segment profit therefore primarily represents dividends received from its subsidiaries, finance expense and results from acquisition accounting or disposals of subsidiaries and associates.

Profit or loss

For the six-month period ended 30 June 2018

In millions of EUR	**Gas Transmission**	**Gas and Power distribution and supply**	**Gas Storage**	**Heat infra**	**Total reportable segments**	**Other**	**Holding entities**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	379	875	102	304	1,660	3	-	(99)	1,564
external revenues	350	865	86	260	1,561	3	-	-	1,564
of which: Gas	*350*	*300*	*86*	-	*736*	-	-	-	*736*
Electricity	-	*565*	-	*57*	*622*	*3*	-	-	*625*
Heat	-	-	-	*193*	*193*	-	-	-	*193*
Coal	-	-	-	*10*	*10*	-	-	-	*10*
inter-segment revenues	29	10	16	44	99	-	-	(99)	-
Sales: Other	-	3	-	6	9	1	-	-	10
external revenues	-	3	-	6	9	1	-	-	10
inter-segment revenues	-	-	-	-	-	-	-	-	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	(5)	-	-	(5)	-	-	-	(5)
Total sales	**379**	**873**	**102**	**310**	**1,664**	**4**	**-**	**(99)**	**1,569**
Cost of sales: Energy	(21)	(573)	(5)	(161)	(760)	-	-	99	(661)
external cost of sales	(19)	(485)	(5)	(152)	(661)	-	-	-	(661)
inter-segment cost of sales	(2)	(88)	-	(9)	(99)	-	-	99	-
Cost of sales: Other	-	(1)	-	(9)	(10)	(1)	-	-	(11)
external cost of sales	-	(1)	-	(9)	(10)	(1)	-	-	(11)
inter-segment cost of sales	-	-	-	-	-	-	-	-	-
Personnel expenses	(15)	(42)	(10)	(29)	(96)	(1)	(2)	-	(99)
Depreciation and amortisation	(42)	(76)	(10)	(35)	(163)	(1)	-	-	(164)
Repairs and maintenance	-	(1)	-	(5)	(6)	-	-	-	(6)
Emission rights, net	-	-	-	(9)	(9)	-	-	-	(9)
Taxes and charges	-	(1)	(1)	(2)	(4)	-	-	-	(4)
Other operating income	-	9	-	7	16	-	-	(1)	15
Other operating expenses	(9)	(18)	(5)	(19)	(51)	(1)	(1)	1	(52)
Operating profit	**292**	**170**	**71**	**48**	**581**	**-**	**(3)**	**-**	**578**

In millions of EUR	**Gas Transmission**	**Gas and Power distribution and supply**	**Gas Storage**	**Heat infra**	**Total reportable segments**	**Other**	**Holding entities**	**Inter-segment eliminations**	**Consolidated Financial Information**
Finance income	1	-	2	1	4	-	*767	*(769)	2
external finance revenues	1	-	1	-	2	-	-	-	2
inter-segment finance revenues	-	-	1	1	2	-	*767	*(769)	-
Finance expense	(22)	(7)	(3)	(9)	(41)	(1)	(98)	35	(105)
Profit (loss) from derivative financial instruments	-	-	-	(1)	(1)	-	(3)	-	(4)
Profit (loss) before income tax	**271**	**163**	**70**	**39**	**543**	**(1)**	***663**	***(734)**	**471**
Income tax expenses	(66)	(41)	(17)	(10)	(134)	-	4	-	(130)
Profit from continuing operations	**205**	**122**	**53**	**29**	**409**	**(1)**	***667**	***(734)**	**341**
Profit (loss) from discontinued operations (net of tax)	-	-	-	-	-	-	-	-	-
Profit (loss) for the period	**205**	**122**	**53**	**29**	**409**	**(1)**	***667**	***(734)**	**341**

* *EUR 734 million is attributable to intra-group dividends primarily recognised by SPP Infrastructure, a.s. and EP Energy, a.s.*

Other financial information:									
EBITDA(1)	334	246	81	83	744	1	(3)	-	742

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

For the six-month period ended 30 June 2017

In millions of EUR	**Gas Transmission**	**Gas and Power distribution and supply**	**Gas Storage**	**Heat infra**	**Total reportable segments**	**Other**	**Holding entities**	**Inter-segment eliminations**	**Consolidated Financial Information**
Sales: Energy	376	905	96	309	1,686	3	-	(102)	1,587
external revenues	*346*	*898*	*79*	*261*	*1,584*	*3*	-	-	*1,587*
of which: Gas	*346*	*317*	*79*	-	*742*	-	-	-	*742*
Electricity	-	*581*	-	*56*	*637*	*3*	-	-	*640*
Heat	-	-	-	*195*	*195*	-	-	-	*195*
Coal	-	-	-	*10*	*10*	-	-	-	*10*
inter-segment revenues	*30*	*7*	*17*	*48*	*102*	-	-	*(102)*	-
Sales: Other	-	2	-	8	10	1	-	-	11
external revenues	-	*2*	-	*8*	*10*	*1*	-	-	*11*
inter-segment revenues	-	-	-	-	-	-	-	-	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	(3)	-	-	(3)	-	-	-	(3)
Total sales	**376**	**904**	**96**	**317**	**1,693**	**4**	**-**	**(102)**	**1,595**
Cost of sales: Energy	(19)	(562)	(8)	(172)	(761)	-	-	100	(661)
external cost of sales	*(17)*	*(470)*	*(8)*	*(166)*	*(661)*	-	-	-	*(661)*
inter-segment cost of sales	*(2)*	*(92)*	-	*(6)*	*(100)*	-	-	*100*	-
Cost of sales: Other	-	-	(1)	(8)	(9)	(1)	-	-	(10)
external cost of sales	-	-	*(1)*	*(8)*	*(9)*	*(1)*	-	-	*(10)*
inter-segment cost of sales	-	-	-	-	-	-	-	-	-
Personnel expenses	(15)	(41)	(10)	(28)	(94)	-	(1)	-	(95)
Depreciation and amortisation	(43)	(77)	(10)	(36)	(166)	(1)	-	-	(167)
Repairs and maintenance	(1)	(1)	-	(3)	(5)	-	-	-	(5)
Emission rights, net	2	-	-	(11)	(9)	-	-	-	(9)
Taxes and charges	-	(1)	(2)	(1)	(4)	-	-	-	(4)
Other operating income	1	8	4	15	28	-	-	-	28
Other operating expenses	(8)	(15)	(3)	(10)	(36)	(1)	(1)	-	(38)
Operating profit	**293**	**215**	**66**	**63**	**637**	**1**	**(2)**	**(2)**	**634**

In millions of EUR	**Gas Transmission**	**Gas and Power distribution and supply**	**Gas Storage**	**Heat infra**	**Total reportable segments**	**Other**	**Holding entities**	**Inter-segment eliminations**	**Consolidated Financial Information**
Finance income	2	-	2	1	5	-	*259	*(262)	2
external finance revenues	*2*	-	-	-	*2*	-	-	-	*2*
inter-segment finance revenues	-	-	*2*	*1*	*3*	-	**259*	**(262)*	-
Finance expense	(22)	(11)	(4)	-	(37)	(1)	(89)	35	(92)
Profit (loss) from derivative financial instruments	-	(1)	(2)	2	(1)	-	6	-	5
Share of profit of equity accounted investees	-	-	(1)	-	(1)	-	(1)	-	(2)
Profit (loss) before income tax	**273**	**203**	**61**	**66**	**603**	**-**	***173**	***(229)**	**547**
Income tax expenses	(66)	(51)	(15)	(12)	(144)	-	(2)	-	(146)
Profit from continuing operations	**207**	**152**	**46**	**54**	**459**	**-**	***171**	***(229)**	**401**
Profit (loss) from discontinued operations (net of tax)	-	-	-	-	-	-	-	-	-
Profit (loss) for the period	**207**	**152**	**46**	**54**	**459**	**-**	***171**	***(229)**	**401**

* *EUR 226 million is attributable to intra-group dividends primarily recognised by SPP Infrastructure, a.s. and EP Energy, a.s.*

Other financial information:									
EBITDA(1)	336	292	76	99	803	2	(2)	(2)	801

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	Gas Trans-mission	Gas and Power distribution and supply	Gas Storage	Heat infra	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Profit from operations	**292**	**170**	**71**	**48**	**581**	**-**	**(3)**	**-**	**578**
Depreciation and amortisation	42	76	10	35	163	1	-	-	164
EBITDA	**334**	**246**	**81**	**83**	**744**	**1**	**(3)**	**-**	**742**

For the period ended 30 June 2017

In millions of EUR	Gas Trans-mission	Gas and Power distribution and supply	Gas Storage	Heat infra	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated Financial Information
Profit from operations	**293**	**215**	**66**	**63**	**637**	**1**	**(2)**	**(2)**	**634**
Depreciation and amortisation	43	77	10	36	166	1	-	-	167
EBITDA	**336**	**292**	**76**	**99**	**803**	**2**	**(2)**	**(2)**	**801**

Non-current assets and liabilities

As of and for the period ended 30 June 2018

In millions of EUR	**Gas transmission**	**Gas and power distribution**	**Gas storage**	**Heat Infra**	**Total reportable segments**	**Other**	**Holding entities**	**Inter-segment eliminations**	**Consolidated financial information**
Reportable segment assets	2,481	3,993	844	1,043	8,361	36	2,286	(2,580)	8,103
Reportable segment liabilities	(1,926)	(1,522)	(531)	(665)	(4,644)	(41)	(4,619)	2,580	(6,724)
Additions to tangible and intangible assets[1]	18	27	1	23	69	-	-	-	69
Additions to tangible and intangible assets (excl. emission rights and goodwill)	16	27	1	11	55	-	-	-	55
Equity accounted investees	-	1	-	-	1	-	-	-	1

1) This balance includes additions to emission rights and goodwill

For the year ended 31 December 2017

In millions of EUR	**Gas transmission**	**Gas and power distribution**	**Gas storage**	**Heat Infra**	**Total reportable segments**	**Other**	**Holding entities**	**Inter-segment eliminations**	**Consolidated financial information**
Reportable segment assets	2,719	4,028	836	1,089	8,672	38	2,473	(2,689)	8,494
Reportable segment liabilities	(1,888)	(1,524)	(485)	(676)	(4,573)	(41)	(5,381)	2,689	(7,306)
Additions to tangible and intangible assets[1]	14	78	6	75	173	1	-	-	174
Additions to tangible and intangible assets (excl. emission rights and goodwill)	14	77	5	48	144	1	-	-	145
Equity accounted investees	-	1	-	-	1	-	-	-	1

1) This balance includes additions to emission rights and goodwill

Information about geographical areas

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

As of and for the period ended 30 June 2018

In millions of EUR

	Czech Republic	Slovakia	Hungary	Total segments
Property, plant and equipment	735	5,695	37	6,467
Intangible assets	120	77	3	200
Total	**855**	**5,772**	**40**	**6,667**

In millions of EUR

	Czech Republic	Slovakia	Hungary	United Kingdom	Other	Total segments
Sales: Gas	100	575	-	5	56	736
Sales: Electricity	163	408	15	16	23	625
Sales: Heat	160	-	33	-	-	193
Sales: Coal	6	1	-	-	3	10
Sales: Other	7	3	-	-	-	10
Gain (loss) from commodity derivatives from trading with electricity and gas, net	(5)	-	-	-	-	(5)
Total	**431**	**987**	**48**	**21**	**82**	**1,569**

The geographical area Other comprises income items primarily from Netherlands, Ukraine and Switzerland

For the year ended 31 December 2017

In millions of EUR	Czech Republic	Slovakia	Other	Total segments
Property, plant and equipment	782	5,772	38	6,592
Intangible assets	141	89	3	233
Total	**923**	**5,861**	**41**	**6,825**

For the period ended 30 June 2017

In millions of EUR	Czech Republic	Slovakia	Hungary	United Kingdom	Other	Total segments
Sales: Gas	105	525	-	8	104	742
Sales: Electricity	140	431	39	15	15	640
Sales: Heat	156	-	39	-	-	195
Sales: Coal	10	-	-	-	-	10
Sales: Other	9	2	-	-	-	11
Gain (loss) from commodity derivatives for trading with electricity and gas, net	(3)	-	-	-	-	(3)
Total	**417**	**958**	**78**	**23**	**119**	**1,595**

The geographical area "Other" comprises income items primarily from Switzerland and Ukraine.

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

As described in the Note 1 – Background, the Company was established on 6 December 2013 by the parent company Energetický a průmyslový holding, a.s.

On 24 January 2014 EPIF acquired from EPH 100% shares in EPE for EUR 1,500 million, on 23 March 2016 acquired 100% share in EPH Gas Holding B.V. ("EPH Gas") for EUR 3,235 million and on 30 March 2016 acquired 100% share in Czech Gas Holding Investment B.V. ("CGHI") for EUR 356 million. For the purpose of preparation of these consolidated financial statements, the entities acquired as part of acquisition of shares in EPE, CGHI and EPH Gas are presented using one of the following two methods:

1. If the acquired entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. under the scope of IFRS 3, the Company presents the acquired entities in its consolidated financial statements under the scope of IFRS 3 from the original date of acquisition by the parent company Energetický a průmyslový holding, a.s. From the view of the EPIF Group consolidated financial statements, these transactions are reflected as if carried out directly by the Company, including all goodwill or negative goodwill impacts. The consideration paid or payable by the EPIF Group is presented as a decrease of Other capital reserves in Equity.
2. If the acquired entities were previously acquired by the parent company Energetický a průmyslový holding, a.s. in a transaction under common control, the Company presents the acquired 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 equity of the Group as determined by the independent valuation specialist and the net book value of the contributed entity as at the date when contributed to EPH was presented as a pricing difference in Other capital reserves in Equity.

(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

In millions of EUR	**Date of acquisition**	**Consideration transferred**	**Cash paid**	**Other consideration**	**Equity interest acquired %**	**Equity interest after acquisition %**
New subsidiaries						
POZAGAS a.s.	12/12/2017	73	22	(1)51	30	(2)100
		73	**22**	**51**	**30**	**100**

(1) Fair value of interest already held as at the date of step acquisition
(2) Effective ownership of EPIF group is 61,98%

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

Step acquisitions

On 12 December 2017 NAFTA a.s. acquired a 30% share in POZAGAS a.s. for EUR 22 million. This transaction resulted in total change of the Group's ownership interest in POZAGAS a.s. from 41.29% to 61.98% and EPIF Group obtained control of this entity.

Acquisition of non-controlling interest

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 Investments 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 34). The Company increased by this transaction its shareholding in PTH from 49% to 100% and effectively increased its shareholding in 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 of EUR 69 million.

(b) Effect of acquisitions

i. 30 June 2018

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

ii. 31 December 2017

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

In millions of EUR	**Carrying amount(1)**	**Fair value adjustment**	**2017 Total(1)**
Property, plant, equipment, land, buildings	33	4	37
Trade receivables and other assets	7	(1)	6
Cash and cash equivalents	47	-	47
Provisions	(9)	(2)	(11)
Deferred tax liabilities	(3)	-	(3)
Trade payables and other liabilities	(3)	-	(3)
Net identifiable assets and liabilities	**72**	**1**	**73**
Non-controlling interest			-
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			-
Cost of acquisition			**73**
Consideration paid, satisfied in cash (A)			22
Consideration, other			(2)51
Total consideration transferred			**73**
Less: Cash acquired (B)			47
Net cash inflow (outflow) (C) = (B – A)			**25**

(1) Represents values at 100% share.
(2) Consideration other is presented mainly by the fair value of previously recognized share in POZAGAS a.s.

(c) Disposal of investments in 2018 and 2017

i. 30 June 2018

During the period from 1 January 2018 to 30 June 2018 the Group didn’t dispose any of its investment.

ii. 31 December 2017

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

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

7. Sales

In millions of EUR	30 June 2018 (six months)	30 June 2017 (six months)
Sales: Energy		
Gas	736	742
Electricity	625	640
Heat	193	195
Coal	10	10
Total Energy	**1,564**	**1,587**
Sales: Other	**10**	**11**
Total revenues from customers	**1,574**	**1,598**
Gain (loss) from commodity derivatives for trading with electricity and gas, net	**(5)**	**(3)**
Total	**1,569**	**1,595**

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	78	60
Current	*78*	*60*
Non-current	-	-
Contract liabilities	209	178
Current	*132*	*101*
Non-current	*77*	*77*

As at 1 January 2018 the amount of current contract liabilities amounted to EUR 101 million. The amount of EUR 84 million recognised in current contract liabilities at the beginning of the period has been recognised as revenue in the period for the six months ended 30 June 2018. Remaining part of EUR 17 million will be recognised till the end of 2018.

8. 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
Consumption of energy	126	130
Consumption of coal and other material	49	66
Cost of sold gas and other energy products	52	52
Other cost of sales	4	5
Total Energy	**661**	**661**
Cost of Sales: Other		
Other cost of goods sold	4	4
Consumption of material	4	3
Consumption of energy	2	2
Other cost of sales	1	1
Total Other	11	10
Total	**672**	**671**

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

9. Personnel expenses

In millions of EUR	30 June 2018 (six months)	30 June 2017 (six months)
Wages and salaries	66	64
Compulsory social security contributions	24	23
Board members' remuneration (including boards of subsidiaries)	3	3
Expenses related to employee benefits (IAS 19)	1	-
Other social expenses	5	5
Total	**99**	**95**

The average number of employees in the six-month period ended 30 June 2018 was 6,323 (30 June 2017: 6,343), of which 118 (30 June 2017: 125) were executives.

10. Emission rights

In millions of EUR	30 June 2018 (six months)	30 June 2017 (six months)
Deferred income (grant) released to profit and loss	7	6
Creation of provision for emission rights	(16)	(15)
Use of provision for emission rights	28	23
Consumption of emission rights	(28)	(23)
Total	**(9)**	**(9)**

The Ministries of the Environment of the Czech Republic, Slovakia and Hungary set a limit on the amount of a pollutant that can be emitted. Companies are granted emission rights and are required to hold an equivalent number of allowances that represent the right to emit a specific amount of pollutant. The total amount of allowances and credits cannot exceed the cap, limiting total emissions to that level. Companies that need to increase their emission rights must buy credits from those who pollute less or from other market participants. The transfer of rights is referred to as a trade.

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

11. Other operating income

In millions of EUR	30 June 2018 (six months)	30 June 2017 (six months)
Compensation from insurance and other companies	3	3
Rental income	3	3
Property acquired free-of-charge and fees from customers	2	3
Consulting fees	2	2
Profit from disposal of tangible and intangible assets	1	(1)12
Profit from sale of material	1	-
Contractual penalties	-	1
Other	3	4
Total	**15**	**28**

(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.

12. Other operating expenses

In millions of EUR	30 June 2018 (six months)	30 June 2017 (six months)
Rent expenses	12	10
Impairment losses, net	(1) 11	1
Impairment from receivables and contract assets with customers	1	1
Outsourcing and other administration fees	9	5
Information technology costs	6	5
Office equipment and other material	4	3
Consulting expenses	4	5
Insurance expenses	2	2
Transport expenses	2	3
Advertising expenses	1	1
Gift and sponsorship	1	1
Security expenses	1	1
Communication expenses	-	1
Change in provisions, net	(1)	2
Own work, capitalised	(12)	(10)
Other	11	7
Total	**52**	**38**

(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 by Plzeňská energetika a.s. (For more detail refer to Note 16 – Intangible assets)

No material research and development expenses were recognised in profit and loss for the three-month period ended 30 June 2018 and 30 June 2017.

13. 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)
Dividend income	2	2
Finance income	**2**	**2**
Interest expense	(87)	(85)
Interest expense from unwind of provision discounting	(1)	(2)
Fees and commissions expense for other services, other	(5)	(1)
Net foreign exchange loss	(12)	(4)
Finance costs	**(105)**	**(92)**
Profit (loss) profit from interest rate derivatives for trading	(1)	6
Profit (loss) from cash flows hedge	(1)	1
Profit (loss) from currency derivatives for trading	(2)	-
Impairment losses from financial assets	-	(2)
Profit (loss) from financial instruments	**(4)**	**5**
Net finance (expense) recognised in profit or loss	**(107)**	**(85)**

14. 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	(140)	(153)
Total current taxes	**(140)**	**(153)**
Deferred taxes:		
Origination and reversal of temporary differences	10	7
Total deferred taxes	**10**	**7**
Total income taxes (expense)/benefit recognised in profit or loss	**(130)**	**(146)**

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	23	-	23
Foreign currency translation differences from presentation currency	(26)	-	(26)
Effective portion of changes in fair value of cash-flow hedges	(48)	10	(38)
Fair value reserve included in other comprehensive income	-	-	-
Total	**(51)**	**10**	**(41)**

In millions of EUR		30 June 2017 (six months)	
	Gross	Income tax	Net of income tax
Foreign currency translation differences for foreign operations	(56)	-	(56)
Foreign currency translation differences from presentation currency	56	-	56
Effective portion of changes in fair value of cash-flow hedges	55	(11)	44
Fair value reserve included in other comprehensive income	-	-	-
Total	**55**	**(11)**	**44**

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

15. Property, plant and equipment

In millions of EUR	Land and buildings	Gas pipelines	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under constructio n	Total
Cost						
Balance at 1 January 2018	**2,094**	**4,548**	**1,715**	**7**	**73**	**8,437**
Effect of movements in foreign exchange	(16)	(1)	(13)	-	-	**(30)**
Additions	2	1	3	-	48	**54**
Disposals	(3)	(2)	(11)	-	(2)	**(18)**
Transfers	7	4	7	-	(18)	**-**
Balance at 30 June 2018	**2,084**	**4,550**	**1,701**	**7**	**101**	**8,443**
Depreciation and impairment losses						
Balance at 1 January 2018	**(562)**	**(631)**	**(646)**	**(2)**	**(4)**	**(1,845)**
Effect of movements in foreign exchange	6	-	8	-	-	**14**
Depreciation charge for the period	(45)	(56)	(50)	-	-	**(151)**
Disposals	3	2	8	-	-	**13**
Impairment losses recognized in profit or loss	(4)	-	(5)	-	2	**(7)**
Balance at 30 June 2018	**(602)**	**(685)**	**(685)**	**(2)**	**(2)**	**(1,976)**
Carrying amounts						
At 1 January 2018	**1,532**	**3,917**	**1,069**	**5**	**69**	**6,592**
At 30 June 2018	**1,482**	**3,865**	**1,016**	**5**	**99**	**6,467**

In millions of EUR	Land and buildings	Gas pipelines	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under constructio n	Total
Cost						
Balance at 1 January 2017	**1,969**	**4,510**	**1,643**	**7**	**97**	**8,226**
Effect of movements in foreign exchange	26	1	19	-	-	**46**
Additions	3	1	3	-	28	**35**
Disposals	(5)	(1)	(9)	-	(1)	**(16)**
Disposed entities	-	-	(1)	-	-	**(1)**
Transfers	12	10	12	-	(34)	**-**
Transfer to disposal group held for sale	1	-	-	-	-	1
Balance at 30 June 2017	**2,006**	**4,521**	**1,667**	**7**	**90**	**8,291**
Depreciation and impairment losses						
Balance at 1 January 2017	**(459)**	**(515)**	**(535)**	**(2)**	**(8)**	**(1,519)**
Effect of movements in foreign exchange	(8)	-	(8)	-	(1)	**(17)**
Depreciation charge for the period	(45)	(56)	(53)	-	-	**(154)**
Disposals	1	1	5	-	-	**7**
Impairment losses recognized in profit or loss	(2)	-	(1)	-	2	(1)
Balance at 30 June 2017	**(513)**	**(570)**	**(592)**	**(2)**	**(7)**	**(1,684)**
Carrying amounts						
At 1 January 2017	**1,510**	**3,995**	**1,108**	**5**	**89**	**6,707**
At 30 June 2017	**1,493**	**3,951**	**1,075**	**5**	**83**	**6,607**

Security

As of 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.

16. 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	**112**	**67**	**36**	**171**	**11**	**397**
Effect of movements in foreign exchange	(1)	-	(3)	-	(1)	**(5)**
Additions	-	-	14	-	1	**15**
Disposals	-	(3)	(28)	-	-	**(31)**
Transfers	-	1	-	-	(1)	**-**
Balance at 30 June 2018	**111**	**65**	**19**	**171**	**10**	**376**
Balance at 1 January 2018	**(8)**	**(36)**	**-**	**(115)**	**(5)**	**(164)**
Effect of movement in foreign exchange	-	-	-	1	-	**1**
Amortisation for the period	-	(4)	-	(9)	-	**(13)**
Disposals	-	3	-	-	-	**3**
Impairment losses recognized in profit or loss	(3)	-	-	-	-	**(3)**
Balance at 30 June 2018	**(11)**	**(37)**	**-**	**(123)**	**(5)**	**(176)**
Carrying amount						
At 1 January 2018	**104**	**31**	**36**	**56**	**6**	**233**
At 30 June 2018	**100**	**28**	**19**	**48**	**5**	**200**

In millions of EUR	Goodwill	Software	Emission rights	Customer relationships and other contracts	Other intangible assets	Total
Cost						
Balance at 1 January 2017	**106**	**64**	**34**	**170**	**11**	**385**
Effect of movements in foreign exchange	3	-	(1)	-	-	**2**
Additions	1	-	10	-	1	**12**
Disposals	-	(2)	(25)	-	-	**(27)**
Transfers	-	1	-	-	(1)	**-**
Balance at 30 June 2017	**110**	**63**	**18**	**170**	**11**	**372**
Balance at 1 January 2017	**(8)**	**(27)**	**-**	**(98)**	**(4)**	**(137)**
Effect of movements in foreign exchange	-	(1)	-	-	-	**(1)**
Amortisation for the period	-	(5)	-	(8)	-	**(13)**
Disposals	-	2	-	-	-	**2**
Balance at 30 June 2017	**(8)**	**(31)**	**-**	**(106)**	**(4)**	**(149)**
Carrying amount						
At 1 January 2017	**98**	**37**	**34**	**72**	**7**	**248**
At 30 June 2017	**102**	**32**	**18**	**64**	**7**	**223**

As of 30 June 2018, the EPIF Group purchased emission allowances of EUR 2 million (31 December 2017: EUR 19 million). The remaining part of EUR 12 million (31 December 2017: EUR 9 million) was allocated to the Group by the Ministry of the Environment of the Czech Republic, Slovakia and Hungary.

Amortisation of intangible assets is included in the row Depreciation and amortisation in the 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*

Impairment of Property, plant and equipment (EUR 7 million) and Goodwill (EUR 3 million) at Plzeňská energetika is a result of commercial negotiations between EP Infrastructure and City of Pilsen in relation to a merger of Plzeňská energetika and Plzeňská teplárenská, in which EP Infrastructure is expected to receive 35% shareholding and a management control in exchange of contribution of cash and 100% shares in Plzeňská energetika. Refer also to Note 36 - Subsequent events for additional details.

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 EPIF 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 considering 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, discount rate) would cause that recoverable amount would decrease below its carrying amount.

17. 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 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	12	6	6
	6	**1**	**-**	**1**	**12**	**6**	**6**

In millions of EUR

Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Energotel, a.s.	5	7	-	6
	5	**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.(2)	27	(1)26	-	(1)26	119	-	(2)119
POZAGAS a.s. (3)	18	(7)	-	(7)	90	17	73
Energotel, a.s.	12	1	-	1	13	7	6
	57	**20**	**-**	**20**	**222**	**24**	**198**

In millions of EUR

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

(1) Profit and Loss item represents primarily dividend income from Pražská teplárenská, a.s.

(2) On 14 December 2017 the Group increased its share in Pražská teplárenská Holding, a.s. from 49% to 100%. Profit and Loss item represents the amounts from the beginning of the year to the date of the acquisition of remaining 51% share.

(3) On 12 December 2017 the Group increased its share in POZAGAS a.s. from 41.29% to 61.98% and gained management control over the entity. Profit and Loss item represents the amounts from the beginning of the year to the date of obtaining the control over the entity.

18. Inventories

In millions of EUR	30 June 2018	31 December 2017
Natural gas	140	164
Fossil fuel	23	26
Raw material and supplies	18	15
Spare parts	13	13
Work in progress	2	1
Total	**196**	**219**

At 30 June 2018 inventories in the amount of EUR 21 million (31 December 2017: EUR 20 million) were subject to pledges.

19. Trade receivables and other assets

In millions of EUR	**30 June 2018**	**31 December 2017**
Trade receivables	173	215
Accrued income	118	138
Estimated receivables	-	60
Advance payments	34	40
Receivables from government grants(1)	70	72
Other receivables and assets	7	18
Allowance for bad debts	(25)	(21)
Total	**377**	**522**
Non-current	73	76
Current	304	446
Total	**377**	**522**

(1) Receivables from government grants represents committed but not received government grants (for detail see note 29).

As of 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 (EUR 78 million as of 30 June 2018) is stated as Contract assets on a separate line in the statement of financial position (see Note 2(e)).

20. Cash and cash equivalents

In millions of EUR	**30 June 2018**	**31 December 2017**
Current accounts with banks	523	522
Bills of exchange	-	25
Term deposits	-	37
Total	**523**	**584**

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

As of 30 June 2018 cash equivalents of EUR 86 million are subject to pledges (31 December 2017: EUR 366 million). According to the bond documentation cash balances at specific entities are pledged in favor 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	220	-
Financing activities	(220)	-
Total	**-**	**-**

Non-cash investing activities include partial set-off of a loan granted by SPP Infrastructure provided to Slovenský plynárenský priemysel in 2017 (51% shareholder of SPP Infrastructure). The total amount of the loan was EUR 264 million (30 June 2017: EUR 0 million), of which the amount of EUR 220 million (30 June 2017: EUR 0 million) was set-off against dividends declared by SPPI to Slovenský plynárenský priemysel in 2018.

21. Tax receivables

In millions of EUR	30 June 2018	31 December 2017
Current income tax receivables	13	17
Value added tax receivables	4	6
Energy tax	-	2
Total	**17**	**25**

22. 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 5 million) and balance of liabilities held for sale (EUR 0 million; 31 December 2017: EUR 1 million) are represented by Nová Invalidovna, a.s. (31 December 2017: Nová Invalidovna, a.s. and Pod Juliskou, a.s.). These entities do not represent businesses but a group of land plots and unused buildings.

23. Deferred tax assets and liabilities

As of 30 June 2018 the net deferred tax liability amounts to EUR 965 million (31 December 2017: EUR 988 million).

24. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 30 June 2018 consisted of 222,870,000 ordinary shares with a par value of CZK 250 each (2017: 222,870,000 ordinary shares) ("Shares A") and 100,130,000 shares (with which special rights are connected as specified in the Articles of Incorporation) with a par value of CZK 250 each (2017: 100,130,000 shares) ("Shares B").

The shareholder is entitled to receive dividends and to cast 1 vote per 1 share of nominal value CZK 250 at meetings of the Company's shareholders.

30 June 2018 *In thousands of pieces*	Number of shares 250 CZK Shares A	Shares B	Ownership %	Voting rights %
Energetický a průmyslový holding, a.s.	222,870	-	69.00	69.00
CEI INVESTMENTS S.a.r.l.	-	100,130	31.00	31.00
Total	**222,870**	**100,130**	**100.00**	**100.00**

31 December 2017 *In thousands of pieces*	Number of shares 250 CZK Shares A	Shares B	Ownership %	Voting rights %
Energetický a průmyslový holding, a.s.	222,870	-	69.00	69.00
CEI INVESTMENTS S.a.r.l.	-	100,130	31.00	31.00
Total	**222,870**	**100,130**	**100.00**	**100.00**

Reserves recognised in equity comprise the following items:

In millions of EUR	**30 June 2018**	**31 December 2017**
Non-distributable reserves	1	1
Fair value reserve	(1)	(1)
Hedging reserve	(35)	(13)
Translation reserve	(66)	(65)
Other capital reserves	(3,814)	(3,814)
Total	**(3,915)**	**(3,892)**

Other capital reserves

As stated in section 3 (a) vii – Pricing differences, the Group accounted for pricing differences which arose from the acquisition of subsidiaries from Energetický a průmyslový holding, a.s. or subsidiaries contributed to the share capital of the Company by Energetický a průmyslový holding, a.s. As these acquired or contributed entities were under common control of Energetický a průmyslový holding, a.s., they were therefore excluded from the scope of IFRS 3, which defines recognition of goodwill raised from business combination as the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets, liabilities and contingent liabilities of the acquired subsidiary. Acquirees under common control are treated under the net book value 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 and carrying values of net assets of the acquiree and original goodwill carried forward as at the acquisition date were recorded to consolidated equity as pricing differences. Pricing differences are presented in Other capital reserves in Equity. "Note 6 – Acquisitions and contributions of subsidiaries, special purpose entities, joint-ventures and associates" summarises the effects of all common control transactions in both periods.

Translation reserve

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

Hedging reserves

The effective portion of fair value changes in financial derivatives designated as cash flow hedges are recognised in equity (for more details please refer to Note 30 – Financial instruments).

During the period the Group recycled EUR 1 million from Hedging reserves to Profit or loss (2017: EUR 0 million).

25. Earnings per share

Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 250 (30 June 2017: in EUR per 1 share of CZK 250) nominal value equal 0.49 (30 June 2017: 0.61).

The calculation of basic earnings per share as at 30 June 2018 was based on profit attributable to ordinary shareholders of EUR 158 million (30 June 2017: EUR 198 million), and a weighted average number of ordinary shares outstanding of 323,000,000 (30 June 2017: 323,000,000).

Weighted average number of ordinary shares as at 30 June 2018

In pieces	**Nominal**	**Weighted**
Issued shares	323,000,000	323,000,000
of which classified as:		
Ordinary shares "A" (1 share/CZK 250)	*222,870,000*	*222,870,000*
Shares "B" (1 share/CZK 250)	*100,130,000*	*100,130,000*
Total	**323,000,000**	**323,000,000**

Weighted average number of ordinary shares as at 30 June 2017

In pieces	**Nominal**	**Weighted**
Issued shares	323,000,000	323,000,000
of which on 6 February 2017 classified as:		
Ordinary shares "A" (1 share/CZK 250)	*222,870,000*	*222,870,000*
Shares "B" (1 share/CZK 250)	*100,130,000*	*100,130,000*
Total	**323,000,000**	**323,000,000**

(1) Transaction does not represent increase in available resources, therefore it is reflected retrospectively in the calculation of weighted number of shares

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.

26. Non-controlling interest

30 June 2018 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries**	**Stredo-slovenská energetika, a.s. and its subsidiaries**	**NAFTA a.s. and its subsidiaries**	**SPP – distribúcia, a.s. and its subsidiaries**	**eustream, a.s.**	**POZAGAS a.s.**	**Other subsidiaries(3)**	**Total**
Non-controlling percentage	**2%**	(7)**51.00%**	**31.01%**	(7)**51.00%**	(7)**51.00%**	**38.02%**		
Business activity	Production and distribution of heat	Distribution of electricity	Gas storage and exploration	Distribution of gas	Distribution of gas	Gas storage and exploration		
Country(1)	Czech Republic	Slovakia	Slovakia	Slovakia	Slovakia	Slovakia		
Carrying amount of NCI at 30 June 2018	**5**	**408**	**87**	**834**	**283**	**29**	**10**	**1,656**
Profit (loss) attributable to non-controlling interest	**-**	**14**	**13**	**46**	**104**	**1**	**5**(6)	**183**
Dividends declared	**(1)**	**(3)**	**(1)**(5)	**-**(5)	**-**(5)	**-**	**-**	**(5)**
Statement of financial position information(2)								
Total assets	365	1,108	654	2,752	2,481	94		
of which: non-current	*266*	*732*	(4)*376*	*2,328*	*2,254*	*37*		
current	*99*	*376*	*278*	*424*	*227*	*57*		
Total liabilities	98	308	412	1,116	1,926	18		
of which: non-current	*30*	*127*	*196*	*1,010*	*1,759*	*15*		
current	*68*	*181*	*216*	*106*	*167*	*3*		
Net assets	**267**	**800**	**242**	**1,636**	**555**	**76**		**-**
Statement of comprehensive income information(2)								
Total revenues	118	485	84	220	522	14		
of which: dividends received	-	-	-	--	-	-		
Profit after tax	19	28	41	90	204	3		
Total comprehensive income for the period(2)	**19**	**28**	**41**	**90**	**204**	**3**		**-**
Net cash inflows (outflows)(2)	**(20)**	**53**	**20**	**87**	**74**	**6**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 34 – Group entities).
(2) Financial information derived from individual financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group
(3) Column "Other subsidiaries" represents primarily non-controlling interest in holding entities and other immaterial subsidiaries
(4) Excluding financial investments in POZAGAS
(5) Excluding dividends paid to SPP Infrastructure a.s.
(6) Excluding dividends received from subsidiaries of SPP Infrastructure a.s.
(7) 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**	**Stredo-slovenská energetika, a.s. and its subsidiaries**	**NAFTA a.s. and its subsidiaries**	**SPP – distribúcia, a.s. and its subsidiaries**	**eustream, a.s.**	**POZAGAS a.s.**	**Other subsidiaries(3)**	**Total**
Non-controlling percentage	**2%**	(7)**51.00%**	**31.01%**	(7)**51.00%**	(7)**51.00%**	**38.02%**		
Business activity	Production and distribution of heat	Distribution of electricity	Gas storage and exploration	Distribution of gas	Distribution of gas	Gas storage and exploration		
Country(1)	Czech Republic	Slovakia	Slovakia	Slovakia	Slovakia	Slovakia		
Carrying amount of NCI at 31 December 2017	**6**	**397**	**98**	**866**	**424**	**28**	**(322)**	**1,497**
Profit (loss) attributable to non-controlling interest	**6**	**58**	**22**	**79**	**198**	**-**	**8**(6)	**371**
Dividends declared	**(14)**	**(40)**	**(2)**(5)	**-**(5)	**-**(5)	**-**	**(378)**	**(434)**
Statement of financial position information(2)								
Total assets	346	1,095	649	2,814	2,719	90		
of which: non-current	*280*	*766*	*(4)608*	*2,367*	*2,291*	*38*		
current	*66*	*329*	*41*	*447*	*428*	*52*		
Total liabilities	65	316	371	1,116	1,888	17		
of which: non-current	*34*	*140*	*294*	*1,018*	*1,752*	*15*		
current	*30*	*176*	*77*	*98*	*136*	*3*		
Net assets	**281**	**779**	**278**	**1,698**	**831**	**73**	**-**	**-**
Statement of comprehensive income information(2)								
Total revenues	204	1,001	164	423	760	-		
of which: dividends received	-	-	-	--	-	-		
Profit after tax	25	115	71	155	388	-		
Total comprehensive income for the year(2)	**25**	**115**	**71**	**155**	**388**	**-**	**-**	**-**
Net cash inflows (outflows)(2)	**(35)**	**1**	**(9)**	**(43)**	**(33)**	**(-)**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 34 – Group entities).
(2) Financial information derived from individual financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group
(3) Column "Other subsidiaries" represents primarily non-controlling interest in holding entities and other immaterial subsidiaries
(4) Excluding financial investments in POZAGAS
(5) Excluding dividends paid to SPP Infrastructure a.s.
(6) Excluding dividends received from subsidiaries of SPP Infrastructure a.s.
(7) 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.

27. Loans and borrowings

In millions of EUR	**30 June 2018**	**31 December 2017**
Issued debentures	3,021	2,873
Loans payable to credit institutions	1,799	2,294
Bank overdraft	9	9
Liabilities from financial leases	5	5
Total	**4,834**	**5,181**
Non-current	4,578	4,510
Current	256	671
Total	**4,834**	**5,181**

On 19 April 2018, EP Infrastructure successfully placed at par its debut international offering of EUR 750 million 1.659% fixed rate unsecured notes due 2024 in the denomination of EUR 100,000 each (“2024 Notes”).

Unless previously redeemed or cancelled, the 2024 Notes will be redeemed at their principal amount on 26 April 2024.

The Group may redeem all, but not part of the 2024 Notes at a redemption price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, plus a “make whole” premium. Further, the Group may redeem all, but not part, of the 2024 Notes at a price equal to 100% of the aggregate principal amounts thereof plus accrued and unpaid interest and additional amounts, if any, upon the occurrence of certain changes in applicable tax law. Upon the occurrence of a certain change of control events, the Group may be required to offer to redeem the 2024 Notes at the principal amount redeemed, plus accrued and unpaid interest and additional amounts, if any.

The 2024 Notes contain a dividend lock-up covenant limiting certain types of distributions to issuer’s shareholders. The EPIF Group has to monitor the ratio of total amount of net debt to EBITDA (i.e. net leverage) before certain types of distributions are carried out.

The 2024 Notes are stated net of debt issue costs of EUR 5 million (at inception). These costs are allocated to the profit and loss account over the term of the 2024 Notes through the effective interest rate of 1.776%.

On 1 May 2018, EP Energy, a.s. redeemed the bonds issued in 2013 in their principal amount of EUR 598 million using combination of own resources of EUR 348 million and by bank facility F amounting to EUR 250 million raised at EPIF, subsequently refinanced in July 2018. For details refer to Note 36 – Subsequent events.

28. Provisions

In millions of EUR	**Employee benefits**	**Provision for emission rights**	**Provision for restoration and decommissioning**	**Other**	**Total**
Balance at 1 January 2018	**26**	**30**	**120**	**15**	**191**
Provisions made during the year	-	16	-	1	**17**
Provisions used during the year	-	(28)	(1)	(6)	**(35)**
Unwinding of discount[(1)]	-	-	1	-	**1**
Effect of movement in foreign exchange rates	-	(2)	-	(1)	**(3)**
Balance at 30 June 2018	**26**	**16**	**120**	**9**	**171**
Non-current	**25**	**-**	**113**	**2**	**140**
Current	**1**	**16**	**7**	**7**	**31**

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

In millions of EUR	Employee benefits	Provision for emission rights	Provision for restoration and decommissioning	Other	Total
Balance at 1 January 2017	**25**	**26**	**112**	**8**	**171**
Provisions made during the year	1	15	4	-	**20**
Provisions used during the year	-	(25)	-	-	**(25)**
Provisions reversed during the year	(1)	-	-	-	**(1)**
Unwinding of discount(1)	-	-	1	-	**1**
Effect of movement in foreign exchange rates	-	-	-	(1)	**(1)**
Balance at 30 June 2017	**25**	**16**	**117**	**7**	**165**
Non-current	**24**	**-**	**112**	**2**	**138**
Current	**1**	**16**	**5**	**5**	**27**

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

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 26 million (31 December 2017: EUR 26 million) was recorded mainly by Stredoslovenská energetika, a.s., Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.), NAFTA a.s. and SPP – distribúcia, a.s.

Provision for emission rights

Provision for emission rights is recognised regularly during the year based on the estimated number of tons 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.

Provision for restoration and decommissioning

The provision of EUR 120 million (31 December 2017: EUR 120 million) was primarily recorded by NAFTA a.s. (EUR 92 million; 31 December 2017: EUR 92 million), POZAGAS a.s. (EUR 12 million; 31 December 2017 EUR 11 million) and by the remaining entities from the SPPI Group (EUR 14 million; 31 December 2017: EUR 14 million).

29. Deferred income

In millions of EUR	**30 June 2018**	**31 December 2017**
Government grants	115	112
Free-of-charge received property	-	42
Other deferred income	22	59
Total	**137**	**213**
Non-current	116	195
Current	21	18
Total	**137**	**213**

Several items of gas and electricity equipment were obtained "free of charge" from municipal and local authorities. This equipment was recorded as property, plant, and equipment at the costs incurred (that approximate fair value of these assets) by the municipal and local authorities with a corresponding amount recorded as deferred income. This deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge and is recognised as other operating income.

Balance of government grants in amount of EUR 115 million (31 December 2017: EUR 112 million) is mainly represented by Elektrárny Opatovice, a.s. of EUR 38 million (31 December 2017: EUR 38 million), Alternative Energy, s.r.o. of EUR 4 million (31 December 2017: EUR 5 million), eustream, a.s. of EUR 65 million (31 December 2017: EUR 62 million) and United Energy, a.s. of EUR 4 million (31 December 2017: EUR 5 million). Elektrárny Opatovice, a.s. and Alternative Energy, s.r.o. were provided with government grants to reduce emission pollutions and to build biogas facility. This deferred income is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets constructed and is recognised as other operating income.

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

Balance of other deferred income in amount of EUR 22 million (31 December 2017: EUR 59 million) is represented mainly 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. and SPP – distribúcia, a.s. has been recognized as Contract liabilities on a separate line in the statement of financial position (see Note 2(e)).

30. 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[(1)]	101	276
of which receivables from the related parties	*6*	*6*
Total	**101**	**276**
Assets carried at fair value		
Hedging: *of which*	24	11
Commodity derivatives cash flow hedge[(2)]	*22*	*10*
Currency forwards cash flow hedge	*2*	-
Interest rate swaps cash flow hedge	-	*1*
Risk management purpose: *of which*	3	1
Commodity derivatives reported as trading	*3*	-
Currency forwards reported as trading	-	*1*
Equity instruments at fair value through OCI: *of which*	10	*10
Shares and interim certificates at fair value through OCI	*10*	**10*
Total	**37**	**22**

* *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*

Non-current	12	14
of which receivables from the related parties	*6*	*6*
Current	126	284
Total	**138**	**298**

(1) As at 30 June 2018 EPIF Group reported a financial receivable against Slovenský plynárenský priemysel, a.s. ("SPP") (51% shareholder of SPP Infrastructure, a.s.) of EUR 93 million which will be settled with dividends in the second half of 2018.

(2) Commodity derivatives designated as cash flow hedges primarily relate to forwards for sale/purchase of electricity which EP ENERGY TRADING, a.s. used to hedge the cash flows related to purchase/sale of electricity utilised for electricity supply to final customers. The effectiveness of the hedging relationship is typically assessed by comparison of hedged volume to actual volumes sourced or delivered.

Additionally, eustream, a.s. is active in hedging cash inflows predominantly from gas-in-kind received from shippers. eustream, a.s. regularly performs estimations of the surplus of natural gas from received gas-in-kind and enters into short and mid-term commodity swaps in order to hedge its natural gas selling prices.

Financial instruments and other financial liabilities

In millions of EUR	**30 June 2018**	**31 December 2017**
Liabilities carried at fair value		
Hedging: *of which*	109	34
Interest rate swaps cash flow hedge	*55*	*27*
Commodity derivatives cash flow hedge	*54*	*5*
Currency forwards cash flow hedge	-	*2*
Risk management purpose: *of which*	11	15
Interest rate swaps reported as trading	*8*	*8*
Commodity derivatives reported as trading	*2*	*7*
Currency forwards reported as trading	*1*	-
Total	**120**	**49**
Non-current	69	22
Current	51	27
Total	**120**	**49**

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 Positive fair value**	**30 June 2018 Negative fair value**
Hedging: *of which*	2,972	(2,887)	24	(109)
Interest rate swaps cash flow hedge	*2,389*	*(2,389)*	-	*(55)*
Commodity derivatives cash flow hedge	*466*	*(383)*	*22*	*(54)*
Currency forwards cash flow hedge	*117*	*(115)*	*2*	-
Risk management purpose: *of which*	484	(484)	3	(11)
Interest rate swaps reported as trading	*400*	*(400)*	-	*(8)*
Currency forwards reported as trading	*70*	*(70)*	-	*(1)*
Commodity derivatives reported as trading	*14*	*(14)*	*3*	*(2)*
Total	**3,456**	**(3,371)**	**27**	**(120)**

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*	2,260	(2,254)	11	(34)
Interest rate swaps cash flow hedge	*2,059*	*(2,059)*	*1*	*(27)*
Commodity derivatives cash flow hedge	*168*	*(162)*	*10*	*(5)*
Currency forwards cash flow hedge	*33*	*(33)*	-	*(2)*
Risk management purpose: *of which*	745	(746)	1	(15)
Interest rate swaps reported as trading	*432*	*(432)*	-	*(8)*
Commodity derivatives reported as trading	*58*	*(58)*	-	*(7)*
Currency forwards reported as trading	*255*	*(256)*	*1*	-
Total	**3,005**	**(3,000)**	**12**	**(49)**

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*	-	24	-	**24**
Commodity derivatives cash flow hedge	-	22	-	***22***
Currency forwards cash flow hedge	-	2	-	***2***
Risk management purpose: of which	-	3	-	**3**
Commodity derivatives reported as trading	-	3	-	***3***
Equity instruments at fair value through OCI: of which	-	-	10	**10**
Shares and interim certificates at fair value through OCI	-	-	10	***10***
Total	**-**	**27**	**10**	**37**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	109	-	**109**
Interest rate swaps cash flow hedge	-	*55*	-	***55***
Commodity derivative cash flow hedge	-	*54*	-	***54***
Risk management purpose: *of which*	-	11	-	**11**
Interest rate swaps reported as trading	-	*8*	-	***8***
Commodity derivatives reported as trading	-	*2*	-	***2***
Currency forwards reported as trading	-	*1*	-	***1***
Total	**-**	**120**	**-**	**120**

		31 December 2017 (restated)		
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	11	-	**11**
Commodity derivatives cash flow hedge	-	*10*	-	***10***
Interest rate swaps cash flow hedge	-	*1*	-	***1***
Risk management purpose: *of which*		*1*		***1***
Currency forwards reported as trading		*1*		***1***
Equity instruments at fair value through OCI: of which	-	-	10	**10**
*Shares and interim certificates at fair value through OCI**	-	-	10	***10***
Total	**-**	**12**	**10**	**22**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	34	-	**34**
Interest rate swaps cash flow hedge	-	*27*	-	***27***
Commodity derivatives cash flow hedge	-	*5*	-	***5***
Currency forwards cash flow hedge	-	*2*	-	***2***
Risk management purpose: *of which*	-	15	-	**15**
Interest rate swaps reported as trading	-	*8*	-	***8***
Commodity derivatives reported as trading	-	*7*	-	***7***
Total	**-**	**49**	**-**	**49**

* *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*

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	101	101
Financial instruments held at amortised costs	**101**	**101**
Financial liabilities		
Loans and borrowings	**4,834**	**5,110**

In millions of EUR	**Carrying value amount**	**Fair value**
Financial assets	**31 December 2017**	**31 December 2017**
Loans to other than credit institutions	276	276
Financial instruments held at amortised costs	**276**	**276**
Financial liabilities		
Loans and borrowings	**5,181**	**5,240**

31. Trade payables and other liabilities

In millions of EUR	**30 June 2018**	**31 December 2017**
Trade payables	113	158
Advance payments received	-	101
Estimated payables	55	54
Payroll liabilities	30	39
Other tax liabilities	13	26
Liabilities to NCI holders	5	222
Other liabilities	55	58
Total	**271**	**658**
Non-current	30	29
Current	241	629
Total	**271**	**658**

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

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

32. Financial commitments and contingencies

Off balance sheet liabilities

In millions of EUR	**30 June 2018**	**31 December 2017**
Granted pledges – securities	5,705	8,972
Commitments	308	255
Other granted pledges	908	1,252
Total	**6,921**	**10,479**

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 (31 December 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 36 million arise from different type of service contracts.

Other granted pledges

In millions of EUR	**30 June 2018**	**31 December 2017**
Property, plant and equipment	377	404
Loans granted[(1)]	386	411
Cash and cash equivalents [(2)]	86	366
Trade receivables	38	51
Inventories	21	20
Total	**908**	**1,252**

(1) *Total balance of pledged granted loans includes intercompany loans of EUR 380 million (2017: EUR 404 million), which are eliminated in these consolidated financial statements.*

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

Off balance sheet assets

In millions of EUR	**30 June 2018**	**31 December 2017**
Received promises	379	372
Other received guarantees and warranties	137	155
Total	**516**	**527**

Received promises

Received promises mainly comprise the contracts for the future supply of energy in amount of EUR 255 million (31 December 2017: EUR 239 million) and regulatory contingent assets related to green energy of EUR 124 million (31 December 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 TPS. Contingent asset as at 30 June 2018 comprises 6/12 of 2017 loss totaling 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 a RONI confirmation on the exact amount shall be received.

Other received guarantees and warranties

Other received guarantees and warranties mainly consist of guarantees received to secure trade receivables in the amount of EUR 78 million (31 December 2017: EUR 82 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and EUR 57 million (31 December 2017: EUR 73 million) recognised by NAFTA a.s.

33. Related parties

Identity of related parties

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

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

In millions of EUR	**Accounts receivable and other financial assets 30 June 2018**	**Accounts payable and other financial liabilities 30 June 2018**	**Accounts receivable and other financial assets 31 December 2017**	**Accounts payable and other financial liabilities 31 December 2017**
Ultimate shareholder[(1)]	-	-	-	-
Companies controlled by ultimate shareholder	16	18	14	25
Companies under significant influence by ultimate shareholder	3	6	3	9
Associates	6	-	7	-
Other related parties			-	-
Total	**25**	**24**	**24**	**34**

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 30 June 2018**	**Expenses 30 June 2018**	**Revenues 30 June 2017**	**Expenses 30 June 2017**
Ultimate shareholder[(1)]	-	-	-	-
Companies controlled by ultimate shareholder	41	66	36	39
Companies under significant influence by ultimate shareholder	17	44	16	51
Associates	-	-	14	-
Total	**58**	**110**	**66**	**90**

1) Daniel Křetínský represents the ultimate shareholder.

Transactions with the key management personnel

For the period ended 30 June 2018 and 30 June 2017 the EPIF Group´s key management personnel is represented by members of the Board of Directors of the following major entities: EP Infrastructure, a.s., EP Energy, a.s., Stredoslovenská energetika, a.s., SPP Infrastructure, a.s., eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., United Energy, a.s., Plzeňská energetika a.s., SPP Storage, s.r.o. and EP ENERGY TRADING, a.s.

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	73	73
Compensation, fees and rewards	2	2
Compulsory social security contributions	-	-
Total	**2**	**2**

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

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

34. Group entities

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

		30 June 2018		31 December 2017		30 June 2018	31 December 2017
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
EP Infrastructure, a.s. (CE Energy, a.s.) *	Czech Republic	-	-	-	-	-	-
EP Energy, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
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.(6)	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
Pražská teplárenská Trading, a.s.(5)	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.(4)	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	-	IFRS 5
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	IFRS 5	IFRS 5
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
Kardašovská Properties a.s.	Czech Republic	100	Direct	-	-	Full	-
PT měření, a.s. (6)	Czech Republic	47.42	Direct	47.42	Direct	Full	Full
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EVO – Komořany, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Severočeská teplárenská, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Moldova, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy Invest, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
GABIT spol. s r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
EP Sourcing, a.s. (former EP Coal Trading, a.s.)	Czech Republic	100	Direct	100	Direct	Full	Full
EP ENERGY TRADING, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
VTE Moldava II, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o.*	Czech Republic	100	Direct	100	Direct	Full	Full
Arisun, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Greeninvest Energy, a.s.	Czech Republic	41.70	Direct	41.70	Direct	IFRS 5	IFRS 5
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
MR TRUST s.r.o.*	Czech Republic	-	-	-	-	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
EBEH Opatovice, a.s.v likvidaci(2)	Czech Republic	-	-	-	-	-	-
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
NPTH, a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
Pražská teplárenská a.s. (6)	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
Pražská teplárenská Trading, a.s.(5)	Czech Republic	100	Direct	100	Direct	Full	Full
Termonta Praha a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Energotrans SERVIS, a.s.(4)	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. (7)	Czech Republic	50.58	Direct	50.58	Direct		Full
RPC, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Pod Juliskou, a.s.	Czech Republic	-	-	100	Direct	-	IFRS 5
Nová Invalidovna, a.s.	Czech Republic	100	Direct	100	Direct	IFRS 5	IFRS 5
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
Kardašovská Properties a.s.	Czech Republic	100	Direct	-	-	Full	-
PT měření, a.s. (6)	Czech Republic	50.58	Direct	50.58	Direct	Full	Full
Stredoslovenská energetika, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská energetika – Distribúcia, a.s.(3)	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SSE – Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika – Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE–Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full

		30 June 2018		31 December 2017		30 June 2018	31 December 2017
	Country of incorporation	Owner-ship %	Owner-ship interest	Owner-ship %	Ownership interest	Conso-lidation method	Conso-lidation method
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
SPV100 s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	Full	Full
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
EP Hungary, a.s. *(1)	Czech Republic	100	Direct	100	Direct	Full	Full
Budapesti Erömü Zrt.	Hungary	95.62	Direct	95.62	Direct	Full	Full
KÖBÁNYAHŐ Kft.	Hungary	25	Direct	25	Direct	At cost	At cost
ENERGZET SERVIS a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Plzeňská energetika a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Czech Gas Holding Investment B.V.*	Netherlands	100	Direct	100	Direct	Full	Full
NAFTA a.s.	Slovakia	40.45	Direct	40.45	Direct	Full	Full
Nafta Exploration s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Karotáž a cementace, s.r.o.	Slovakia	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	65	Direct	65	Direct	Full	Full
NAFTA Services, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
NAFTA International B.V.*	Netherlands	100	Direct	100	Direct	Full	Full
NAFTA RV	Ukraine	100	Direct	100	Direct	Full	Full
CNG Holdings Netherlands B.V.*	Netherlands	50	Direct	50	Direct	Equity	Equity
CNG LLC	Ukraine	100	Direct	100	Direct	Equity	Equity
EPH Gas Holding B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Seattle Holding B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Slovak Gas Holding B.V.	Netherlands	100	Direct	100	Direct	Full	Full
SPP Infrastructure, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
eustream, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Central European Gas HUB AG	Austria	15	Direct	15	Direct	At cost	At cost
Eastring B.V.	Netherlands	100	Direct	100	Direct	Full	Full
Plynárenská metrológia, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SPP – distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SPP – distribúcia Servis, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
NAFTA a.s.	Slovakia	56.15	Direct	56.15	Direct	Full	Full
Nafta Exploration s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Karotáž a cementace, s.r.o.	Slovakia	51	Direct	51	Direct	At cost	At cost
POZAGAS a.s.	Slovakia	65	Direct	65	Direct	Full	Full
NAFTA Services, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
NAFTA International B.V.*	Netherlands	100	Direct	100	Direct	Full	Full
NAFTA RV	Ukraine	100	Direct	100	Direct	Full	Full
CNG Holdings Netherlands B.V.*	Netherlands	50	Direct	50	Direct	Equity	Equity
CNG LLC	Ukraine	100	Direct	100	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	95.82	Direct	95.82	Direct	Full	Full
SPP Storage, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
POZAGAS a.s.	Slovakia	35	Direct	35	Direct	Full	Full
SLOVGEOTERM a.s.	Slovakia	50	Direct	50	Direct	Equity	Equity
GEOTERM KOŠICE, a.s.	Slovakia	0.08	Direct	0.08	Direct	Full	Full
GALANTATERM spol. s r.o.	Slovakia	0.50	Direct	0.50	Direct	At cost	At cost
GALANTATERM spol. s r.o.	Slovakia	17.50	Direct	17.50	Direct	At cost	At cost
SPP Infrastructure Financing B.V.	Netherlands	100	Direct	100	Direct	Full	Full

* *Holding entity*

(1) *EP Hungary, a.s. merged with EP ENERGY, a.s. as at 1 January 2017. EP ENERGY, a.s. is the successor company.*

(2) *On 4 October 2017 the process of liquidation of EBEH Opatovice, a.s. v likvidaci was terminated.*

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

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

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

(6) *In July as result of internal reorganisation the shares were transferred to EP Energy a.s. (see Note 36 - Subsequent events)*

(7) *In July as result of internal reorganisation the shares were transferred to Pražská teplárenská Holding a.s. (see Note 36 – Subsequent events)*

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

35. Litigations and claims

Elektrárny Opatovice, a.s.

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

Plzeňská energetika a.s.

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika, a.s. (PE) for approximately EUR 2 million. This unjust enrichment claim allegedly arises from the fact that Plzeňská energetika a.s. owns and operates utility distribution systems (e.g., for gas, water and heat), which lie on the property of Škoda Investment a.s., thereby illegally restricting the ownership of Škoda Investment a.s. In February 2016 both parties, i.e. PE as well as SI, received an official request from the court to settle the dispute by mediation. Following this request the hearing has been adjourned until further notice. In June 2016 SI has filed an additional claim for unjust enrichment against PE for approximately EUR 1 million. Additional claim covers period 2013 – 2014. In January 2018, another court hearing was held and the Court ruled in favor of Plzeňská energetika, a.s. Since the counterparty has appealed, the provision was not fully released. After considering all the circumstances Plzeňská energetika a.s. created an adequate provision as at 30 June 2018.

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.

36. Subsequent events

Pražská teplárenská Group squeeze-out

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. EP Energy and Pražská teplárenská Holding, currently intend to squeeze-out the remaining minority shareholders and become sole owners of the respective subsidiaries – this was then confirmed on the respective general meetings of PT měření, PT Real Estate and Pražská teplárenská, which took place on 5 September and 6 September 2018. The squeeze is expected to become effective in October 2018. The purchase price for the minority shares is expected to be app. EUR 9 million.

EPIF Facilities Agreement

EPIF is a party to a senior term and revolving facilities agreement dated 19 July 2018 with a group of financing banks (the “EPIF Facilities Agreement”), pursuant to which EPIF has been provided with term facility A in the amount of EUR 750 million due 19 July 2022, term facility B in the amount EUR 500 million due 19 July 2023 and a revolving facility C up to the amount of EUR 250 million due 19 July 2023.

The obligations of EPIF under the EPIF Facilities Agreement are general, senior unsecured obligations of EPIF and rank equally in right of payment with EPIF’s existing and future indebtedness that is not subordinated in right of payment.

The EPIF Facilities Agreement contains restrictive provisions which, among other things, limit the Group’s ability to incur additional financial indebtedness, perform acquisitions, invest in joint ventures, make distributions and certain other payments, dispose of assets, provide loans or guarantees, or create security or the EPIF’s ability to merge with other companies. These restrictions are subject to a number of exceptions and qualifications. For example, EPIF can make distributions and certain other payments and the Group can perform acquisitions if, among other things, the Group net leverage does not exceed a certain limit, and the Group can incur additional financial indebtedness if, among other things, certain net leverage limits set for various Group levels are met. In addition, under the EPIF Facilities Agreement, if the rating of the Issuer drops below a certain level, the Group will become subject to a regularly tested net leverage covenant on the Group level. The EPIF Facilities Agreement also contains change of control provisions the triggering of which may result in mandatory prepayment.

Storage assets

On 2 March 2018, NAFTA a.s. entered with DEA Deutsche Erdoel AG (“DEA”) into a share purchase agreement with the owner of German gas storage assets Inzenham, Wolfersberg and Breitbrunn located in Bavaria. The total working gas volume of these storages is approximately 1.8 bcm and around three quarters of the total capacity is contracted under long-term contracts with a price revision clause entered into with standard utility companies based in Germany. It is to note that the deal might be cancelled partly or in its entirety if one of the current main storage customers makes a competitive counter-offer and the offer will be accepted by DEA. As of the date of these financial statements, the counter-offer was placed, however the negotiations have not yet been finished, therefore it is not possible to foresee the result.

Merger of Plzeňská energetika ("PE") and Plzeňská teplárenská ("PLTEP")

In December 2017, the City of Pilsen approved the key terms and conditions of a potential future merger of PE and PLTEP, a 100 per cent. subsidiary of the City of Pilsen, resulting in PLTEP as successor company in which the Group would have a 35 per cent. interest and management control. EPIF shall be contributing 100 per cent. of shares in PE and CZK 604 million and the City of Pilsen shall be contributing 100 per cent. of shares in PLTEP to PLTEP as the successor company. EPIF shall make the cash contribution before the closing of the transaction. On 23 August 2018, the general meetings of both PE and PLTEP approved the merger. The transaction is being finalised as of the date of these financial statements and the merger is expected to become effective later in 2018, pending primarily approval of the relevant competition authority.

On 27 August 2018 the Group declared and paid a dividend of EUR 75 million to its shareholders.

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

Date:	Signature of the authorised representative	
11 September 2018	Daniel Křetínský Chairman of the Board of Directors of EP Infrastructure, a.s.	Pavel Horský Member of the Board of Directors of EP Infrastructure, a.s.