EP Infrastructure, a.s.

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

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Independent Auditors' Report on Review of Interim Financial Information

To: 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 2019, 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 2019 is not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting'.

Prague
9 September 2019

KPMG Česká republika Audit

KPMG Česká republika Audit, s.r.o.
Karel Charvát
Partner

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Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2019
In millions of EUR ("MEUR")

	Note	2019 (six months)	2018 (six months)
Sales: Energy	7	1,772	1,564
of which: Gas		*804*	*736*
Electricity		*728*	*625*
Heat		*226*	*193*
Coal		*14*	*10*
Sales: Other	7	14	10
Gain (loss) from commodity derivatives for trading with electricity and gas, net	7	2	(5)
Total sales		**1,788**	**1,569**
Cost of sales: Energy	8	(757)	(661)
Cost of sales: Other	8	(11)	(11)
Total cost of sales		**(768)**	**(672)**
Subtotal		**1,020**	**897**
Personnel expenses	9	(111)	(99)
Depreciation and amortisation	15, 16	(197)	(164)
Repairs and maintenance		(10)	(6)
Emission rights, net	10	(21)	(9)
Taxes and charges		(6)	(4)
Other operating income	11	30	15
Other operating expenses	12	(53)	(64)
Own work, capitalized		13	12
Profit (loss) from operations		**665**	**578**
Finance income	13	17	2
Finance expense	13	(69)	(105)
Profit (loss) from financial instruments	13	2	(4)
Net finance income (expense)		**(50)**	**(107)**
Share of profit (loss) of equity accounted investees, net of tax	17	-	-
Profit (loss) before income tax		**615**	**471**
Income tax expenses	14	(163)	(130)
Profit (loss) for the period		**452**	**341**
Items that are not reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	15	1,337	-
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		(33)	23
Foreign currency translation differences from presentation currency		26	(26)
Effective portion of changes in fair value of cash flow hedges, net of tax		(57)	(38)
Other comprehensive income for the period, net of tax		**1,273**	**(41)**
Total comprehensive income for the period		**1,725**	**300**
Profit (loss) attributable to:			
Owners of the Company		241	158
Non-controlling interest		211	183
Profit (loss) for the period		**452**	**341**
Total comprehensive income attributable to:			
Owners of the Company		824	135
Non-controlling interest	25	901	165
Total comprehensive income for the period		**1,725**	**300**
Basic and diluted earnings per share in EUR	24	**0.75**	**0.49**

The notes presented on pages 9 to 62 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As of 30 June 2019
In millions of EUR ("MEUR")

	Note	30 June 2019	31 December 2018
Assets			
Property, plant and equipment – cost model	15	8,512	6,748
Intangible assets	16	88	120
Goodwill	16	102	101
Equity accounted investees	17	2	1
Restricted Cash		-	1
Financial instruments and other financial assets	29	16	18
Trade receivables and other assets	19	40	47
Prepayments and other deferrals		2	1
Deferred tax assets	22	16	5
Total non-current assets		**8,778**	**7,042**
Inventories	18	196	200
Trade receivables and other assets	19	360	367
Financial instruments and other financial assets	29	179	39
Contract assets	7	61	37
Prepayments and other deferrals		11	11
Tax receivables	21	7	28
Cash and cash equivalents	20	720	416
Restricted cash		5	4
Total current assets		**1,539**	**1,102**
Total assets		**10,317**	**8,144**
Equity			
Share capital	23	2,988	2,988
Share premium		8	8
Reserves		(3,356)	(3,932)
Retained earnings		565	675
Total equity attributable to equity holders		**205**	**(261)**
Non-controlling interest	25	2,382	1,495
Total equity		**2,587**	**1,234**
Liabilities			
Loans and borrowings	26	4,457	4,022
Financial instruments and financial liabilities	29	176	80
Provisions	27	244	240
Deferred income	28	107	112
Contract liabilities	7, 30	98	94
Deferred tax liabilities	22	1,411	972
Trade payables and other liabilities	30	-	12
Total non-current liabilities		**6,493**	**5,532**
Trade payables and other liabilities	30	313	363
Contract liabilities	7, 30	103	74
Loans and borrowings	26	613	797
Financial instruments and financial liabilities	29	37	53
Provisions	27	52	65
Deferred income	28	21	10
Current income tax liability		98	16
Total current liabilities		**1,237**	**1,378**
Total liabilities		**7,730**	**6,910**
Total equity and liabilities		**10,317**	**8,144**

The notes presented on pages 9 to 62 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity

For the six-month period ended 30 June 2019

						Attributable to owners of the Company					
In millions of EUR ("MEUR")	**Share capital**	**Share premium**	**Non-distributable reserves**	**Translation reserve**	**Revaluation reserve**	**Hedging reserve**	**Other capital reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 31 December 2018	**2,988**	**8**	**1**	**(77)**	**(1)**	**(41)**	**(3,814)**	**675**	**(261)**	**1,495**	**1,234**
Adjustment on initial application of IFRS 16 (net of tax)	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2019 (A)	**2,988**	**8**	**1**	**(77)**	**(1)**	**(41)**	**(3,814)**	**675**	**(261)**	**1,495**	**1,234**
Total comprehensive income for the period:											
Profit or loss (B)	-	-	-	-	-	-	-	**241**	**241**	**211**	**452**
Other comprehensive income:											
Foreign currency translation differences for foreign operations	-	-	-	(10)	-	-	-	-	**(10)**	(23)	**(33)**
Foreign currency translation differences for presentation currency	-	-	-	1		-	-	-	**1**	25	**26**
Revaluation reserve included in other comprehensive income, net of tax	-	-	-	-	655	-	-	-	**655**	682	**1,337**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	(63)	-	-	**(63)**	6	**(57)**
Total other comprehensive income (C)	**-**	**-**	**-**	**(9)**	**655**	**(63)**	**-**	**-**	**583**	**690**	**1,273**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**(9)**	**655**	**(63)**	**-**	**241**	**824**	**901**	**1,725**
Contributions by and distributions to owners:											
Transfer from non-distributable reserves	-	-	-	-	(7)	-	-	7	**-**	-	**-**
Dividends to equity holders	-	-	-	-	-	-	-	(358)	**(358)**	(14)	**(372)**
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**(7)**	**-**	**-**	**(351)**	**(358)**	**(14)**	**(372)**
Balance at 30 June 2019 (F) = (A + D + E)	**2,988**	**8**	**1**	**(86)**	**647**	**(104)**	**(3,814)**	**565**	**205**	**2,382**	**2,587**

The notes presented on pages 9 to 62 form an integral part of these condensed consolidated interim financial statements.

For the six-month period ended 30 June 2018

	Attributable to owners of the Company										
In millions of EUR ("MEUR")	**Share capital**	**Share premium**	**Non-distributable reserves**	**Translation reserve**	**Fair value reserve**	**Hedging reserve**	**Other capital reserves**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total Equity**
Balance at 31 December 2017	**2,988**	**8**	**1**	**(59)**	**(1)**	**(19)**	**(3,814)**	**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**	**1**	**(59)**	**(1)**	**(19)**	**(3,814)**	**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 (F) = (A + D + E)	**2,988**	**8**	**1**	**(72)**	**(1)**	**(29)**	**(3,814)**	**642**	**(277)**	**1,656**	**1,379**

The notes presented on pages 9 to 62 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 2019

In millions of EUR ("MEUR")	**Note**	**30 June 2019 (six months)**	**30 June 2018 (six months)**
OPERATING ACTIVITIES			
Profit (loss) for the period		452	341
Adjustments for:			
Income taxes	14	163	130
Depreciation and amortisation	15, 16	197	164
Dividend income	13	(1)	(2)
Impairment losses on property, plant and equipment and intangible assets	15, 16	1	10
Non-cash (gain) loss from commodity derivatives for trading with electricity and gas, net		(2)	5
Gain (loss) on disposal of property, plant and equipment, investment property and intangible assets	11	-	(1)
Emission rights	10	21	9
Gain (loss) on financial instruments	13	(2)	4
Net interest expense	13	66	88
Change in allowance for impairment to trade receivables and other assets, write-offs		1	-
Change in provisions		(4)	(5)
Other finance fees, net		2	6
Other non-cash transactions		1	-
Unrealised foreign exchange (gains)/losses, net		(11)	7
Operating profit before changes in working capital		**884**	**756**
Change in trade receivables, other assets, prepayment and other deferrals and contract assets		(8)	63
Change in inventories		4	23
Change in trade payables and other liabilities, deferred income and contract liabilities		(16)	(39)
Change in restricted cash		-	(90)
Cash generated from (used in) operations		**864**	**713**
Interest paid		(71)	(76)
Income taxes paid		(78)	(142)
Cash flows generated from (used in) operating activities		**715**	**495**
INVESTING ACTIVITIES			
Received dividends		-	2
Loans provided to non-controlling shareholders as a prepayment for a dividend		(124)	(44)
Loans provided to the other entities		(1)	-
Proceeds (outflows) from sale (settlement) of financial instruments		1	(2)
Acquisition of property, plant and equipment and intangible assets	15, 16	(67)	(55)
Purchase of emission rights	16	(2)	(2)
Proceeds from sale of emission rights		2	-
Acquisition of subsidiaries and special purpose entities, net of cash acquired	6	-	(3)
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		-	6
Cash flows from (used in) investing activities		**(191)**	**(98)**

In millions of EUR ("MEUR")	**Note**	**30 June 2019 (six months)**	**30 June 2018 (six months)**
FINANCING ACTIVITIES			
Proceeds from loans received		391	250
Repayment of borrowings		(280)	(751)
Proceeds from bonds issued		70	750
Repayments of bonds issued		(3)	(598)
Finance fees paid from repayment of borrowings		(2)	(6)
Payment of lease liability		(8)	-
Dividends paid		(388)	(100)
Cash flows from (used in) financing activities		**(220)**	**(455)**
Net increase (decrease) in cash and cash equivalents		304	(58)
Cash and cash equivalents at beginning of the period		**416**	**584**
Effect of exchange rate fluctuations on cash held		-	(3)
Cash and cash equivalents at end of the period		**720**	**523**

The notes presented on pages 9 to 62 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 electricity distribution and supply, gas storage and heat production and distribution.

The consolidated financial statements of the Company for the six-month period ended 30 June 2019 include the statements of the Parent Company and its subsidiaries and the Group's interests in associates and joint-ventures (together referred to as the "Group" or the "EPIF Group"). The Group entities are listed in Note 33 – Group entities.

The shareholders of the Company as at 30 June 2019 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 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 members of the Board of Directors as at 30 June 2019 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.

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 2018.

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

These condensed consolidated interim financial statements were approved by the Board of Directors on 9 September 2019.

(b) Critical accounting estimates and assumptions

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

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2018, except for new significant judgements and key sources of estimation uncertainty related to the application of revaluation model according to IAS 16 Property, plant and equipment that the Group applies for the first time for selected assets in the accounting period beginning 1 January 2019 (refer to Note 2(c) – Changes in accounting policies).

(c) Changes in accounting policies

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

The Group has adopted IFRS 16 Leases from 1 January 2019 and changed its accounting policy for measurement of selected property, plant and equipment according to IAS 16. A number of other new standards are effective from 1 January 2019, but they do not have a material effect on the Group's financial statements.

IFRS 16 Leases

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

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

Definition of a lease

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

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

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

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

Lessor accounting

Lessor classifies leasing as either financial or operating.

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

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

Lessee accounting

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

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

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

In millions of EUR	**Land and buildings**	**Technical equipment, plant and machinery**
Balance at 1 January 2019	42	40
Balance at 30 June 2019	40	36

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

Service part of a lease payment

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

Lease term

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

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

Lease of land or lease of land and building

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

Subleasing

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

Sale and lease back

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

Renewal options

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

Transition

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

In millions of EUR	**1 January 2019**
Right-of-use assets presented in property, plant and equipment	82
Deferred tax asset	-
Lease liabilities presented in Loans and borrowings	82
Retained earnings	-

Revaluation model for property, plant and equipment

The Group decided to change its accounting policy relating to reporting of gas transmission pipelines of eustream, a.s. starting 1 January 2019. Per the new accounting policy, the gas transmission pipelines shall be following the IAS 16 Revaluation model where the relevant fixed assets are carried at a revalued amount, being its fair value at the date of revaluation less subsequent depreciation and impairment. Under the old accounting policy, the gas transmission pipelines were reported using the IAS 16 Cost model where the relevant fixed assets were carried at cost less accumulated depreciation and impairment. The Group has decided to change its accounting policy because it believes that it will result in consolidated financial statements providing reliable and more relevant information about the gas transmission pipelines, which is one of the major fixed asset groups in the EPIF Group. The gas transmission pipeline generates revenue by charging tariffs for the transmission of gas through its pipelines and by the sale of gas in-kind which it receives from shippers and which remains in the network of eustream after serving the network´s technological needs. Transmission tariffs in the Slovak Republic, for the current regulatory period (2017-2021), are based purely on direct comparison of tariffs (also known as benchmarking) with other transmission system operators, primarily competitors across Europe and are directly set by the regulator and are not directly impacted by natural gas prices. However, from the beginning of the next regulatory period in 2022, benchmarking of tariffs will be used only as the secondary adjustment of the reference prices calculated on the cost base principles. As such, fair value of eustream´s gas transmission assets will be of a primary importance in order to assess recoverability of costs, therefore we believe that presentation of fair value of these assets is more relevant than reporting these assets at amortized costs.

Gas transmission pipelines create a separate class of assets with distinct characteristics which differentiate the transmission network from other gas networks (such as gas distribution network) the Group operates. These characteristics among others are:

- Transmission pipelines are all made of steel and operate under high pressure whereas the gas distribution network pipelines are made of combination of steel and polyethylene while the vast majority of the gas networks runs under low pressure;
- Eustream's transmission pipeline system mainly consists of four to five parallel pipelines mostly 1200 or 1400 mm in diameter with an operating pressure of 7.35 MPa. The total length of the pipeline is app. 2,332 kilometres. In comparison, SPP Distribúcia, a.s. ("SPPD") owns over 33 thousand kilometres of gas distribution network. The difference is also in the number of pressure regulation stations – eustream operates just 5 while SPPD needs 1,732 to keep the gas distribution network functioning;

- The gas transmission pipeline is circumscribed by entry and exit points which are as follows:
  - Veľké Kapušany (entry/exit point to/from the gas transmission system in Ukraine);
  - Baumgarten (entry/exit point to/from the gas transmission system in Austria);
  - Lanžhot (entry/exit point to/from the gas transmission system in Czech Republic);
  - Budince (entry/exit point to/from the gas transmission system in Ukraine);
  - Veľké Zlievce (entry/exit point to/from the gas transmission system in Hungary);
  - Domestic point (entry/exit point to/from the distribution systems and storage facilities in Slovakia).
- Due to its nature of operations eustream's gas transmission network is primarily characterized by high volume of gas transmitted. Whereas in 2018 eustream transmitted nearly 60 bcm of gas, SPPD distributed less than 10% of that volume, i.e. app.4.8 bcm;
- On the other hand, SPPD provides gas distribution to end-consumers under standard framework distribution agreements (with tariffs established by the regulator based on standard RAB based regulatory formula) entered into with natural gas suppliers. As of the end of June 2019, SPPD has standard framework distribution agreements in place with 28 natural gas suppliers with five major suppliers (SPP, innogy, ZSE energia, ČEZ Slovensko and Slovakia Energy) holding over 86 per cent. of the market share and contributing 86 per cent. of SPPD´s annual total revenue in 2018.

It is to note that the gas transmission assets have already been reported in the local statutory accounts of eustream using the IAS 16 Revaluation model. The other fixed assets of the EPIF Group (incl. eustream's fixed assets other than transmission pipeline assets) will be still reported using IAS 16 Cost model, but the Group cannot exclude that it will in the future change the accounting policy for other critical fixed assets as well.

As of 1 January 2019, eustream's transmission pipeline system had a carrying value of EUR 1,686 million under the Cost model and EUR 3,477 million under the Revaluation model. Revaluation of assets was recorded without effect on prior periods. The difference of EUR 1,791 million with a corresponding deferred tax impact of EUR 454 million was recognized as a current period revaluation under IAS 16 and reported in other comprehensive income for the period. In subsequent revaluation, the changes will be recognised as follows:

- An increase in revalued amount is recognised in other comprehensive income. The increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss.
- A decrease in revalued amount primarily decreases amount accumulated as revaluation surplus in equity; eventual remaining part of decrease in revalued amount is recognised in profit or loss.
- accumulated depreciation is eliminated against gross carrying amount of the asset.

Deferred tax asset or liability is recognised from the difference between revalued amount and tax base of an asset. Deferred tax is recognized in equity or in profit or loss, in the same manner as the revaluation itself.

Revalued asset is depreciated on a straight-line basis, revaluation surplus is released to retained earnings as the asset is depreciated. If the revalued asset is derecognised or sold, the revaluation surplus as a whole is transferred to retained earnings. These transfers are made directly in equity and do not affect other comprehensive income.

(d) Standards issued but not yet effective

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Recently issued accounting standards

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The amendments affect the following standards: IFRS 3 and IFRS 11 (clarified that when obtaining control of a business that is joint operation, previously held interest in that business is remeasured; when obtaining joint control of a business that is joint operation, previously held interest is not remeasured), IAS 12 (clarified how tax consequences of dividends are treated) and IAS 23 (clarified that is specific borrowing remains outstanding after the related asset is ready for use or sale, that borrowing becomes part of the funds that are generally borrowed when calculating the capitalisation rate on general borrowings).

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

(f) Basis of preparation

The condensed consolidated interim financial statements have been prepared on the basis of the historical cost convention, except for the following assets and liabilities which are stated at their fair value: transmission gas pipelines at revalued amounts, 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 2019	25.445	25.684
31 December 2018	25.725	25.643
30 June 2018	26.020	25.500

3. Seasonality of operations

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

For the 12 months ended 30 June 2019, the Group reported revenue of EUR 3,325 million (for year ended 31 December 2018: EUR 3,106 million) and Profit from operations of EUR 1,186 million (for year ended 31 December 2018: EUR 1,099 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.

Selected items of property, plant and equipment – pipeline for natural gas transmission by eustream, a.s. – are recognized in revalued amount in accordance with IAS 16. The revalued amount represents the fair value as at the date of revaluation, net of any subsequent accumulated depreciation and subsequent accumulated impairment. The revaluation was prepared as at 1 January 2016 by an independent expert and will be carried out regularly (at least every five years), so that the carrying amount does not differ materially from the amount recognised on the balance sheet date using fair values.

Revaluation was conducted by an independent expert who used mainly the cost approach supported by the market approach for some types of asset. In general, the replacement cost method was used and the indexed historical cost method for assets where reproductive rates were not available. By determining the fair value of individual assets with the cost approach, physical deterioration, plus technological and economic obsolescence of assets was acknowledged.

The assumptions used in the revaluation model are based on the reports of the independent appraisers. The resulting reported amounts of these assets and the related revaluation surplus of assets do not necessarily represent the value in which these assets could or will be sold. There are uncertainties about future economic conditions, changes in technology and the competitive environment within the industry, which could potentially result in future adjustments to estimated revaluations and useful lives of assets that can significantly modify the reported financial position and profit. For further information, refer to Note 15 – Property, plant and equipment.

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

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

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

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

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 Asian 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 IFRS 16, 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 regulatory framework where 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., POZAGAS a.s. and NAFTA Germany GmbH and its subsidiaries which store natural gas under long-term contracts in underground storage facilities located in the Czech Republic, Slovakia and Germany.

The Group stores natural gas in two locations in the Czech Republic and Slovakia and three locations in Germany. 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 mainly operated in highly efficient co-generation mode and represented primarily by: Elektrárny Opatovice, a.s., United Energy, a.s., Plzeňská teplárenská, 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.

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 2019

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	411	985	119	361	1,876	3	-	(107)	1,772
external revenues	*385*	*975*	*103*	*306*	*1,769*	*3*	-	-	*1,772*
of which: Gas	*385*	*316*	*103*	-	*804*	-	-	-	*804*
Electricity	-	*659*	-	*66*	*725*	*3*	-	-	*728*
Heat	-	-	-	*226*	*226*	-	-	-	*226*
Coal	-	-	-	*14*	*14*	-	-	-	*14*
inter-segment revenues	*26*	*10*	*16*	*55*	*107*	-	-	*(107)*	-
Sales: Other	-	3	-	9	12	2	-	-	14
external revenues	-	*3*	-	*9*	*12*	*2*	-	-	*14*
inter-segment revenues	-	-	-	-	-	-	-	-	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	2	-	-	2	-	-	-	2
Total sales	**411**	**990**	**119**	**370**	**1,890**	**5**	**-**	**(107)**	**1,788**
Cost of sales: Energy	(27)	(636)	(9)	(192)	(864)	-	-	107	(757)
external cost of sales	*(26)*	*(539)*	*(8)*	*(184)*	*(757)*	-	-	-	*(757)*
inter-segment cost of sales	*(1)*	*(97)*	*(1)*	*(8)*	*(107)*	-	-	*107*	-
Cost of sales: Other	-	(1)	1	(10)	(10)	(1)	-	-	(11)
external cost of sales	-	*(1)*	*1*	*(10)*	*(10)*	*(1)*	-	-	*(11)*
inter-segment cost of sales	-	-	-	-	-	-	-	-	-
Personnel expenses	(15)	(46)	(15)	(32)	(108)	-	(3)	-	(111)
Depreciation and amortisation	(63)	(77)	(14)	(42)	(196)	(1)	-	-	(197)
Repairs and maintenance	(1)	(1)	-	(8)	(10)	-	-	-	(10)
Emission rights, net	-	-	-	(21)	(21)	-	-	-	(21)
Taxes and charges	-	(1)	(3)	(2)	(6)	-	-	-	(6)
Other operating income	2	8	1	19	30	-	-	-	30
Other operating expenses	(8)	(23)	(8)	(11)	(50)	(2)	(1)	-	(53)
Own work, capitalized	2	9	-	2	13	-	-	-	13
Operating profit	**301**	**222**	**72**	**73**	**668**	**1**	**(4)**	**-**	**665**

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	(1)	2	6	8	-	*263	*(254)	17
external finance revenues	*3*	*1*	*1*	*4*	*9*	-	*8*	-	*17*
inter-segment finance revenues	*(2)*	*(2)*	*1*	*2*	*(1)*	-	**255*	**(254)*	-
Finance expense	(22)	(9)	(4)	(8)	(43)	(1)	(59)	34	(69)
Profit (loss) from derivative financial instruments	3	(1)	(1)	1	2	-	-	-	2
Profit (loss) before income tax	**283**	**211**	**69**	**72**	**635**	**-**	***200**	***(220)**	**615**
Income tax expenses	(77)	(53)	(17)	(14)	(161)	-	(2)	-	(163)
Profit (loss) for the period	**206**	**158**	**52**	**58**	**474**	**-**	***198**	***(220)**	**452**

* *EUR 220 million is attributable to intra-group dividends primarily recognised by SPP Infrastructure, a.s. and EP Energy, a.s.*

Other financial information:									
EBITDA[1]	364	299	86	115	864	2	(4)	-	862

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 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	(10)	(27)	(5)	(21)	(63)	(1)	(1)	1	(64)
Own work, capitalized	1	9	-	2	12	-	-	-	12
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 (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.*

EBITDA reconciliation to the closest IFRS indicator

It must be noted that EBITDA is not indicator that is defined under IFRS. The indicator is construed as determined by the Board of Directors and is presented to disclose additional information to measure the economic performance of the Group's business activities. This term should not be used as a substitute to net income, revenues or operating cash flows or any other indicator as derived in accordance with IFRS. This non-IFRS indicator should not be used in isolation. This indicator may not be comparable to similarly titled indicators used by other companies.

For the period ended 30 June 2019

In millions of EUR	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	**301**	**222**	**72**	**73**	**668**	**1**	**(4)**	**-**	**665**
Depreciation and amortisation	63	77	14	42	196	1	-	-	197
EBITDA	**364**	**299**	**86**	**115**	**864**	**2**	**(4)**	**-**	**862**

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**

Non-current assets and liabilities

As of and for the period ended 30 June 2019

In millions of EUR	Gas trans-mission	Gas and power distribution	Gas storage	Heat Infra	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated financial information
Reportable segment assets	4,573	4,143	973	1,305	10,994	35	2,188	(2,900)	10,317
Reportable segment liabilities	(2,515)	(1,533)	(643)	(674)	(5,365)	(39)	(5,226)	2,900	(7,730)
Additions to tangible and intangible assets(1)	28	28	3	32	91	-	-	-	91
Additions to tangible and intangible assets (excl. emission rights and goodwill)	25	28	2	15	70	-	-	-	70
Equity accounted investees	-	2	-		2	-	-	-	2

1) This balance includes additions to emission rights and goodwill

For the year ended 31 December 2018

In millions of EUR	Gas trans-mission	Gas and power distribution	Gas storage	Heat Infra	Total reportable segments	Other	Holding entities	Inter-segment eliminations	Consolidated financial information
Reportable segment assets	2,418	3,963	979	1,263	8,623	37	1,824	(2,340)	8,144
Reportable segment liabilities	(1,915)	(1,492)	(625)	(548)	(4,580)	(39)	(4,631)	2,340	(6,910)
Additions to tangible and intangible assets(1)	53	81	6	90	230	1	-	-	231
Additions to tangible and intangible assets (excl. emission rights and goodwill)	51	81	6	53	191	1	-	-	192
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 2019

In millions of EUR	**Czech Republic**	**Slovakia**	**Other**	**Total segments**
Property, plant and equipment	885	7,409	218	8,512
Intangible assets	126	57	7	190
Total	**1,011**	**7,466**	**225**	**8,702**

For the period ended 30 June 2019

In millions of EUR	**Czech Republic**	**Slovakia**	**Other**	**Total segments**
Sales: Gas	111	509	184	804
Sales: Electricity	190	470	68	728
Sales: Heat	182	-	44	226
Sales: Coal	8	1	5	14
Sales: Other	11	3	-	14
Gain (loss) from commodity derivatives for trading with electricity and gas, net	2	-	-	2
Total	**504**	**983**	**301**	**1,788**

The geographical area Other comprises income items primarily from Hungary, United Kingdom and Switzerland

For the year ended 31 December 2018

In millions of EUR	**Czech Republic**	**Slovakia**	**Other**	**Total segments**
Property, plant and equipment	859	5,666	223	6,748
Intangible assets	146	67	8	221
Total	**1,005**	**5,733**	**231**	**6,969**

For the period ended 30 June 2018

In millions of EUR	**Czech Republic**	**Slovakia**	**Other**	**Total segments**
Sales: Gas	100	463	173	736
Sales: Electricity	163	408	54	625
Sales: Heat	160	-	33	193
Sales: Coal	6	1	3	10
Sales: Other	7	3	-	10
Gain (loss) from commodity derivatives for trading with electricity and gas, net	(5)	-	-	(5)
Total	**431**	**875**	**263**	**1,569**

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

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 EP Energy, a.s. ("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 2019

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

ii. 31 December 2018

In millions of EUR	**Date of acquisition**	**Consideration transferred**	**Cash paid**	**Other consideration**	**Equity interest acquired %**	**Equity interest after acquisition %**
New subsidiaries						
Plzeňská teplárenská, a.s.	31/10/2018	43	-	(1)43	(4)35	35
NAFTA Germany GmbH and its subsidiaries	31/12/2018	113	118	(2)(5)	100	(3)100
		156	**118**	**38**	**-**	**-**

(1) The amount EUR 43 million represents 65% of NAV of Plzeňská energetika a.s. as at the date of merger. This amount represents the consideration transferred
(2) Transfer tax from acquisition paid by previous owner
(3) Effective ownership of EPIF group is 69%
(4) Including management control

On 31 October 2018, the Group has completed merger of Plzeňská energetika, a.s. (PE) and Plzeňská teplárenská, a.s. (PLTEP), the sole owner of which was the City of Pilsen, resulting in PLTEP as successor company in which the Group would have a 35% interest and management control. Prior to the merger, the Group made a cash contribution of EUR 23 million (CZK 604 million) to the entity PE, as a result the NAV of PE amounted to EUR 66 million as at the date of the merger. The Group subsequently contributed 100% of shares of PE and the City of Pilsen contributed 100% of shares in PLTEP to PLTEP as the successor company. The consideration transferred is therefore calculated as 65% of NAV of PE which amounted to EUR 43 million as at the date of merger.

On 31 December 2018, the EPIF Group through NAFTA Germany GmbH, a subsidiary of NAFTA a.s. has completed acquisition of underground gas storage facilities Inzenham – West, Wolfersberg and 80.3% share in Breitbrunn/Eggstätt in the German state of Bavaria from DEA Deutsche Erdoel. As part of the transaction NAFTA has also acquired ownership of 19.7% participation interest in Breitbrunn/Eggstätt from Storengy Deutschland GmbH and became 100% owner of Inzenham – West, Wolfersberg and Breitbrunn/Eggstätt underground storage facilities, with a storage capacity of 1.8 billion cubic meters.

Acquisition of non-controlling interest

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

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

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

On 12 October 2018 the Group acquired remaining 2% shares in Pražská teplárenská, a.s. as part of squeeze out approved by the Shareholders´ meeting of Pražská teplárenská, a.s. in September 2018. The total squeeze out costs were EUR 9 million.

All these transactions resulted in derecognition of non-controlling interest in total amount of EUR 4 million.

(b) Effect of acquisitions

i. 30 June 2019

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

ii. 31 December 2018

The fair value of the consideration transferred, and the amounts recognised for assets acquired and liabilities assumed as at the acquisition date of Plzeňská teplárenská, a.s. and NAFTA Germany GmbH and its subsidiaries are provided in the following table.

In millions of EUR	**Carrying amount(1)**	**Fair value adjustment**	**2018 Total(1)**
Property, plant, equipment, land, buildings	303	13	316
Intangible assets	3	1	4
Deferred tax assets	6	6	12
Inventories	3	-	3
Trade receivables and other assets	13	-	13
Financial instruments - assets	2	2	4
Cash and cash equivalents	75	-	75
Provisions	(87)	(22)	(109)
Deferred tax liabilities	(10)	(10)	(20)
Loans and borrowings	(33)	-	(33)
Trade payables and other liabilities	(25)	-	(25)
Net identifiable assets and liabilities	**250**	**(10)**	**240**
Non-controlling interest			(79)
Goodwill on acquisitions of a subsidiary			-
Negative goodwill on acquisition of new subsidiaries			(5)
Cost of acquisition			**156**
Consideration paid, satisfied in cash (A)			118
Consideration, other			38
Total consideration transferred			**156**
Less: Cash acquired (B)			75
Net cash inflow (outflow) (C) = (B – A)			**(43)**

(1) Represents values at 100% share.
(2) Consideration other is presented mainly by the 65% of net book value of previously recognized share in Plzeňská energetika a.s.

As at the date of publication of the consolidated financial statements, the purchase price allocation process for NAFTA Germany GmbH has not been completed. It is therefore possible that adjustments will be made in the allocation of the purchase price to the individual assets and liabilities and recognition of negative goodwill after the balance sheet date.

(c) Disposal of investments in 2019 and 2018

i. 30 June 2019

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

ii. 31 December 2018

During the year 2018 the Group didn't dispose any of its investment.

7. Sales

In millions of EUR	**30 June 2019 (six months)**	**30 June 2018 (six months)**
Sales: Energy		
Gas	804	736
Electricity	728	625
Heat	226	193
Coal	14	10
Total Energy	**1,772**	**1,564**
Sales: Other	**14**	**10**
Total revenues from customers	**1,786**	**1,574**
Gain (loss) from commodity derivatives for trading with electricity and gas, net	**2**	**(5)**
Total	**1,788**	**1,569**

The amount of EUR 228 million (30 June 2018: EUR 214 million) from Sales: Energy (gas) relates to distribution of gas. The amount of EUR 181 million (30 June 2018: EUR 138 million) from Sales: Energy (electricity) relates to distribution of electricity.

For disaggregation of revenue based on type of service and based on geographical area refer to Note 5 – Operating segments.

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 2019**	**31 December 2018**
Contract assets	61	37
Current	*61*	*37*
Contract liabilities	201	168
Current	*103*	*74*
Non-current	*98*	*94*

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

The amount of EUR 64 million recognised in current contract liabilities at the beginning of the period has been recognised as revenue in the period for the six months ended 30 June 2019. Remaining part of EUR 10 million will be recognised till the end of 2019.

8. Cost of sales

In millions of EUR	30 June 2019 (six months)	30 June 2018 (six months)
Cost of Sales: Energy		
Cost of sold electricity	471	430
Consumption of energy	163	126
Consumption of coal and other material	62	49
Cost of sold gas and other energy products	55	52
Other cost of sales	6	4
Total Energy	**757**	**661**
Cost of Sales: Other		
Other cost of goods sold	5	4
Changes in WIP, semi-finished products and finished goods	(1)	-
Consumption of material	3	4
Consumption of energy	2	2
Other cost of sales	2	1
Total Other	**11**	**11**
Total	**768**	**672**

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 2019 (six months)	30 June 2018 (six months)
Wages and salaries	74	66
Compulsory social security contributions	26	24
Board members' remuneration (including boards of subsidiaries)	3	3
Expenses related to employee benefits (IAS 19)	2	1
Other social expenses	6	5
Total	**111**	**99**

The average number of employees in the six-month period ended 30 June 2019 was 6,454 (30 June 2018: 6,323), of which 129 (30 June 2018: 118) were executives.

10. Emission rights

In millions of EUR	30 June 2019 (six months)	30 June 2018 (six months)
Profit from sale of emission rights for trading	2	-
Deferred income (grant) released to profit and loss	10	7
Creation of provision for emission rights	(33)	(16)
Use of provision for emission rights	40	28
Consumption of emission rights	(40)	(28)
Total	**(21)**	**(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 teplárenská a.s., Pražská teplárenská a.s., Elektrárny Opatovice, a.s., Stredoslovenská energetika Holding, 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 2019 (six months)**	**30 June 2018 (six months)**
Green bonus	7	-
Property acquired free-of-charge and fees from customers	3	2
Rental income	3	3
Consulting fees	3	2
Compensation from insurance and other companies	2	3
Contractual penalties	2	-
Profit from sale of material	1	1
Profit from disposal of tangible and intangible assets	-	1
Other	9	3
Total	**30**	**15**

12. Other operating expenses

In millions of EUR	**30 June 2019 (six months)**	**30 June 2018 (six months)**
Outsourcing and other administration fees	14	9
Information technology costs	7	6
Office equipment and other material	4	4
Consulting expenses	4	4
Rent expenses	3	12
Transport expenses	3	2
Insurance expenses	2	2
Impairment losses, net	1	(1)11
Impairment from receivables and contract assets with customers	1	1
Advertising expenses	1	1
Gift and sponsorship	1	1
Security expenses	1	1
Communication expenses	-	-
Change in provisions, net	(1)	(1)
Other	12	11
Total	**53**	**64**

(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 six-month period ended 30 June 2019 and 30 June 2018.

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

Recognised in profit or loss

In millions of EUR	**30 June 2019 (six months)**	**30 June 2018 (six months)**
Interest income	1	-
Dividend income	1	2
Net foreign exchange profit	15	-
Finance income	**17**	**2**
Interest expense	(65)	(87)
Interest expense from unwind of provision discounting	(2)	(1)
Fees and commissions expense for other services, other	(2)	(5)
Net foreign exchange loss	-	(12)
Finance costs	**(69)**	**(105)**
Profit (loss) profit from interest rate derivatives for trading	-	(1)
Profit (loss) from cash flows hedge	2	(1)
Profit (loss) from currency derivatives for trading	1	(2)
Impairment losses from financial assets	(1)	-
Profit (loss) from financial instruments	**2**	**(4)**
Net finance expense recognised in profit or loss	**(50)**	**(107)**

14. Income tax expenses

Income taxes recognised in profit or loss

In millions of EUR	**30 June 2019 (six months)**	**30 June 2018 (six months)**
Current taxes:		
Current period	(179)	(140)
Adjustment for prior periods	1	
Total current taxes	**(178)**	**(140)**
Deferred taxes:		
Origination and reversal of temporary differences	15	10
Total deferred taxes	**15**	**10**
Total income taxes (expense)/benefit recognised in profit or loss	**(163)**	**(130)**

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

Deferred taxes are calculated using currently enacted tax rates expected to apply when the asset is realised, or the liability settled. According to Czech legislation, the corporate income tax rate is 19% for fiscal years 2019 and 2018. The Slovak corporate income tax rate is 21% for fiscal year 2019 and 2018. The Hungarian corporate income tax rate is 9% for fiscal year 2019 and 2018. Current year income tax includes also impact of special sector tax effective in Slovakia and Hungary.

Income tax recognised in other comprehensive income

In millions of EUR		30 June 2019 (six months)	
	Gross	**Income tax**	**Net of income tax**
Items that are not reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	1,791	(454)	1,337
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	(33)	-	(33)
Foreign currency translation differences from presentation currency	26	-	26
Effective portion of changes in fair value of cash-flow hedges	(72)	15	(57)
Total	**1,712**	**(439)**	**1,273**

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)
Total	**(51)**	**10**	**(41)**

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[1]	Gas pipelines – fair value model	Gas pipelines – cost model	Technical equipment, plant and machinery[1]	Other equipment, fixtures and fittings	Under construction	Total
Cost or revaluation							
Balance at 31 December 2018	**2,329**	**-**	**4,568**	**1,796**	**11**	**172**	**8,876**
Adjustment for change in accounting policy (IFRS 16)	42	-	-	40	-	-	82
Balance at 1 January 2019	**2,371**	**-**	**4,568**	**1,836**	**11**	**172**	**8,958**
Effect of movements in foreign exchange	10	-	3	4	-	-	**17**
Reclassification	-	1,686	(1,978)	-	-	-	**(292)**
Revaluation	-	1,791	-	-	-	-	**1,791**
Additions	6	-	1	4	1	57	**69**
Disposals	(2)	-	(2)	(2)	-	-	**(6)**
Transfers	5	-	4	10	34	(53)	**-**
Balance at 30 June 2019	**2,390**	**3,477**	**2,596**	**1,852**	**46**	**176**	**10,537**
Depreciation and impairment losses							
Balance at 1 January 2019	**(650)**	**-**	**(738)**	**(733)**	**(3)**	**(4)**	**(2,128)**
Effect of movements in foreign exchange	(5)	-	-	(5)	-	-	**(10)**
Reclassification (eliminated against cost)	-	-	292	-	-	-	**292**
Depreciation charge for the period	(50)	(41)	(33)	(59)	(1)	-	**(184)**
Disposals	1	-	2	3	-	-	**6**
Impairment losses recognized in profit or loss	-	-	-	(1)	-	-	**(1)**
Balance at 30 June 2019	**(704)**	**(41)**	**(477)**	**(795)**	**(4)**	**(4)**	**(2,025)**
Carrying amounts							
At 1 January 2019	**1,721**	**-**	**3,830**	**1,103**	**8**	**168**	**6,830**
At 30 June 2019	**1,686**	**3,436**	**2,119**	**1,057**	**42**	**172**	**8,512**

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

In millions of EUR	Land and buildings	Gas pipelines	Technical equipment, plant and machinery	Other equipment, fixtures and fittings	Under construction	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**

Revaluation of gas pipeline

Gas pipeline for natural gas transmission by eustream a.s. is recognised at revalued amount, primarily using the cost approach, especially the replacement cost method. Replacement costs are based on the acquisition cost of equivalent assets (EA) and are the estimated net book value of the assets from the acquisition cost of EA, useful lives and age of existing assets (replacement cost less depreciation methodology). For more details on revaluation, refer to Note 2 (c) and Note 4 (a).

If the pipeline was accounted for using the cost model, the net book value of the asset as at 30 June 2019 would be EUR 1,667 million.

Security

As of 30 June 2019, property, plant and equipment with a carrying value of EUR 378 million (31 December 2018: EUR 379 million) is subject to pledges to secure 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 2019	**112**	**68**	**48**	**168**	**11**	**407**
Effect of movements in foreign exchange	1	-	-	-	-	**1**
Additions	-	-	21	-	1	**22**
Disposals	-	(1)	(40)	-	(2)	**(43)**
Transfers	-	1	-	-	(1)	**-**
Balance at 30 June 2019	**113**	**68**	**29**	**168**	**9**	**387**
Balance at 1 January 2019	**(11)**	**(41)**	**-**	**(129)**	**(5)**	**(186)**
Effect of movement in foreign exchange	-	-	-	-	-	**-**
Amortisation for the period	-	(5)	-	(8)	-	**(13)**
Disposals	-	-	-	-	2	**2**
Balance at 30 June 2019	**(11)**	**(46)**	**-**	**(137)**	**(3)**	**(197)**
Carrying amount						
At 1 January 2019	**101**	**27**	**48**	**39**	**6**	**221**
At 30 June 2019	**102**	**22**	**29**	**31**	**6**	**190**

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 movements 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**

As of 30 June 2019, the EPIF Group purchased emission allowances of EUR 2 million (31 December 2018: EUR 26 million). The remaining part of EUR 19 million (31 December 2018: EUR 13 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 and intangible assets under construction.

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 2019**	**31 December 2018**
Elektrárny Opatovice, a.s.	91	90
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.(1)	5	5
SPV100, s.r.o.	1	1
Total goodwill	**102**	**101**

(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*

Goodwill and impairment testing

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

The calculation of the recoverable amounts as at 31 December 2018 was based on the following key assumptions:

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

The discount rates used in estimating value in use were estimated based on the principle of an average market participant using peer companies (i.e. companies operating in a comparable industry and listed on world markets) as a standard for observing respective betas, debt to equity ratios and size adjustment parameters used for calculation. The resulting pre-tax discount rates ranged from 5.43% to 7.65%. Changes in used discount rates compared to prior year reflect recent market development, namely decrease in risk-free rates and cost of debt used for calculation.

There were no impairment indicators as of 30 June 2019.

Additional information on CGU with significant goodwill assigned:

As at 30 June 2019, 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 2019 unless impairment trigger is identified earlier.

For the purposes of impairment testing as at 31 December 2018, 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. Value in use in 2018 was determined in a similar manner as in 2017. Management estimated that the recoverable amount for Elektrárny Opatovice, a.s. exceeded its carrying amount (including goodwill) by EUR 254 million as of 31 December 2018. 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 2018
Discount rate	6.10%
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 taking into account past experience. In particular, we have reflected the following:

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

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

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

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

The Group did not identify any CGU for which reasonably possible change in key management assumptions (EBITDA, terminal growth, 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 2019	Carrying amount 30 June 2019
Associates	**Country**	**%**	
Energotel, a.s	Slovakia	20.00	1
Greeninvest Energy, a.s. (1)	Czech Republic	41.70	1
Total			**2**

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

In millions of EUR		Ownership 31 December 2018	Carrying amount 31 December 2018
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 2019 and 30 June 2018.

Summary financial information for standalone associates presented at 100% as of and for the six-month period ended 30 June 2019:

In millions of EUR

Associates	Revenue	Profit (loss)	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
Energotel, a.s.	5	1	-	1	13	7	6
Greeninvest Energy, a.s. (1)	2	1	-	1	22	12	10
	7	**2**	**-**	**2**	**35**	**19**	**16**

In millions of EUR

Associates	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Energotel, a.s.	5	8	-	7
Greeninvest Energy, a.s.(1)	15	7	11	1
	20	**15**	**11**	**8**

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

Summary financial information for standalone associates, presented at 100% as at 31 December 2018 and for the year then ended.

In millions of EUR

Associates	Revenue	Profit (loss)	Other compre-hensive income	Total compre-hensive income	Assets	Liabilities	Equity
Energotel, a.s.	12	1	-	1	12	5	7
	12	**1**	**-**	**1**	**12**	**5**	**7**

In millions of EUR

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

18. Inventories

In millions of EUR	**30 June 2019**	**31 December 2018**
Natural gas	146	149
Fossil fuel	20	20
Raw material and supplies	15	17
Spare parts	13	13
Work in progress	2	1
Total	**196**	**200**

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

19. Trade receivables and other assets

In millions of EUR	**30 June 2019**	**31 December 2018**
Trade receivables	196	242
Accrued income	118	98
Estimated receivables	2	1
Advance payments	47	37
Other receivables and assets	56	61
Allowance for bad debts	(19)	(25)
Total	**400**	**414**
Non-current	40	47
Current	360	367
Total	**400**	**414**

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

20. Cash and cash equivalents

In millions of EUR	**30 June 2019**	**31 December 2018**
Current accounts with banks	720	397
Term deposits	-	19
Total	**720**	**416**

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

As of 30 June 2019, cash equivalents of EUR 84 million are subject to pledges (31 December 2018: EUR 64 million). According to the EPE bond documentation cash balances at specific entities are pledged in favour 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.

21. Tax receivables

In millions of EUR	**30 June 2019**	**31 December 2018**
Current income tax receivables	4	21
Value added tax receivables	3	6
Energy tax	-	1
Total	**7**	**28**

22. Deferred tax assets and liabilities

As of 30 June 2019, the net deferred tax liability amounts to EUR 1,395 million (31 December 2018: EUR 967 million). The increase of deferred tax liability is caused by change of Group accounting policy relating to reporting of gas transmission pipelines of eustream, a.s. starting 1 January 2019 (for more details please refer to Note 2 (c) – Change in accounting policy).

23. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 30 June 2019 consisted of 222,870,000 ordinary shares with a par value of CZK 250 each (2018: 222,870,000 ordinary shares) ("Shares A") and 100,130,000 shares (with which special rights relating to profit distribution are connected as specified in the Articles of Incorporation) with a par value of CZK 250 each (2018: 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 2019 *In thousands of pieces*	**Number of shares 250 CZK**		**Ownership %**	**Voting rights %**
	Shares A	**Shares B**		
EPIF Investments 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 2018 *In thousands of pieces*	**Number of shares 250 CZK**		**Ownership %**	**Voting rights %**
	Shares A	**Shares B**		
EPIF Investments 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 2019**	**31 December 2018**
Non-distributable reserves	1	1
Fair value reserve	647	(1)
Hedging reserve	(104)	(41)
Translation reserve	(86)	(77)
Other capital reserves	(3,814)	(3,814)
Total	**(3,356)**	**(3,932)**

Other capital reserves

As stated in Consolidated financial statement as of 31 December 2018 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.

Fair value reserve

For more details on revaluation, refer to Note 2 (c) and Note 4 (a).

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 29 – Financial instruments).

During the period the Group recycled EUR 17 million as income from Hedging reserves to Profit or loss (2018: EUR 25 million as expense).

24. Earnings per share

Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 250 (30 June 2018: in EUR per 1 share of CZK 250) nominal value equal 0.75 (30 June 2018: 0.49).

The calculation of basic earnings per share as at 30 June 2019 was based on profit attributable to ordinary shareholders of EUR 241 million (30 June 2018: EUR 158 million), and a weighted average number of ordinary shares outstanding of 323,000,000 (30 June 2018: 323,000,000).

Weighted average number of ordinary shares as at 30 June 2019

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 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**

Dilutive earnings per share

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

25. Non-controlling interest

30 June 2019 *In millions of EUR*	**Stredoslovenská energetika, a.s. and its subsidiaries**	**NAFTA a.s. and its subsidiaries**	**SPP Infrastructure, a.s. and its subsidiaries(3)**	**SPP – distribúcia, a.s. and its subsidiaries**	**eustream, a.s.**	**POZAGAS a.s.**	**Plzeňská teplárenská, a.s.**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**(6)51.00%**	**31.01%**	**(6)51.00%**	**(6)51.00%**	**(6)51.00%**	**38.02%**	**(6)65.00%**		
Business activity	Distribution of electricity	Gas storage and exploration	Distribution of gas	Distribution of gas	Distribution of gas	Gas storage and exploration	Production and distribution of heat		
Country(1)	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Slovakia	Czech Republic		
Carrying amount of NCI at 30 June 2019	**449**	**90**	**(238)**	**866**	**1,049**	**30**	**129**	**(3)**	**2,382**
Profit (loss) attributable to non-controlling interest	**34**	**12**	**-**	**47**	**105**	**2**	**8**	**4**	**211**
Dividends declared	**(5)**	**(1)**	**-**	**-**	**-**	**-**	**(8)**	**-**	**(14)**
Statement of financial position information(2)									
Total assets	1,182	941	6,587	2,842	4,573	94	252		
of which: non-current	*835*	*859*	*(4)6,208*	*2,295*	*3,983*	*29*	*181*		
current	*347*	*82*	*379*	*547*	*590*	*65*	*71*		
Total liabilities	301	651	1,970	1,144	2,515	15	54		
of which: non-current	*81*	*505*	*1,335*	*974*	*2,353*	*12*	*23*		
current	*220*	*146*	*635*	*170*	*163*	*3*	*31*		
Net assets	**881**	**290**	**4,617**	**1,698**	**2,058**	**79**	**198**	**-**	**-**
Statement of comprehensive income information(2)									
Total revenues	531	80	73	235	415	14	63		
of which: dividends received	-	-	*(5)50*	-	-	-	-		
Profit after tax	66	35	50	92	206	4	12		
Total comprehensive income for the period(2)	**66**	**35**	**50**	**92**	**206**	**4**	**12**	**-**	**-**
Net cash inflows (outflows)(2)	**49**	**(11)**	**3**	**48**	**148**	**6**	**23**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 33 – Group entities).
(2) Financial information derived from individual financial statements prepared in accordance with IFRS including fair value adjustments arising from the acquisition by the Group
(3) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s.
(4) Includes financial investments in eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI
(5) Includes dividends from eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI
(6) 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 2018 *In millions of EUR*	**Pražská teplárenská a.s. and its subsidiaries[6]**	**Stredo-slovenská energetika, a.s. and its subsidiaries**	**NAFTA a.s. and its subsidiaries**	**SPP Infrastructure, a.s. and its subsidiaries[3]**	**SPP – distribúcia, a.s. and its subsidiaries**	**eustream, a.s.**	**POZAGAS a.s.**	**Plzeňská teplárenská, a.s.**	**Other individually immaterial subsidiaries**	**Total**
Non-controlling percentage	**0.00%**	**[7]51.00%**	**31.01%**	**[7]51.00%**	**[7]51.00%**	**[7]51.00%**	**38.02%**	**[7]65.00%**		
Business activity	Production and distribution of heat	Distribution of electricity	Gas storage and exploration	Distribution of gas	Distribution of gas	Distribution of gas	Gas storage and exploration	Production and distribution of heat		
Country[1]	Czech Republic	Slovakia	Slovakia, Germany	Slovakia	Slovakia	Slovakia	Slovakia	Czech Republic		
Carrying amount of NCI at 31 December 2018	**-**	**420**	**98**	**(252)**	**820**	**256**	**28**	**127**	**(3)**	**1,495**
Profit (loss) attributable to non-controlling interest	**-**	**26**	**21**	**-**	**81**	**206**	**1**	**5**	**5**	**345**
Dividends declared	**(1)**	**(3)**	**(2)**	**(448)**	**-**	**-**	**-**	**-**	**-**	**(454)**
Statement of financial position information[2]										
Total assets	-	1,120	964	6,268	2,723	2,418	89	237		
of which: non-current	-	*711*	*720*	*[4]6,214*	*2,305*	*2,237*	*30*	*186*		
current	-	*409*	*244*	*54*	*418*	*181*	*59*	*51*		
Total liabilities	-	297	648	1,702	1,116	1,916	14	42		
of which: non-current	-	*115*	*336*	*1,228*	*1,014*	*1,765*	*12*	*22*		
current	-	*182*	*312*	*474*	*102*	*151*	*2*	*20*		
Net assets	**-**	**823**	**316**	**4,566**	**1,607**	**502**	**75**	**195**	**-**	**-**
Statement of comprehensive income information[2] 30 June 2018										
Total revenues	118	485	84	680	220	522	14	-		
of which: dividends received	-	-	-	*[5]657*	--	-	-	-		
Profit after tax	19	28	41	657	90	204	3	-		
Total comprehensive income for the period[2]	**19**	**28**	**41**	**657**	**90**	**204**	**3**	**-**	**-**	**-**
Net cash inflows (outflows)[2]	**-**	**94**	**4**	**8**	**31**	**(17)**	**(43)**	**-**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 37 – 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) Excluding NAFTA a.s. and its subsidiaries, SPP Storage, s.r.o. and SPP - distribúcia, a.s. and its subsidiaries, eustream, a.s. and POZAGAS a.s.

(4) Includes financial investments in eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI

(5) Includes dividends from eustream, a.s., SPP-distribúcia, a.s., NAFTA, a.s. and POZAGAS eliminated in calculation of NCI

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

(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

26. Loans and borrowings

In millions of EUR	**30 June 2019**	**31 December 2018**
Issued debentures	3,092	3,029
Loans payable to credit institutions	1,900	1,778
Bank overdraft	-	12
Liabilities from financial leases	78	-
Total	**5,070**	**4,819**
Non-current	4,457	4,022
Current	613	797
Total	**5,070**	**4,819**

On 8 April 2019, EP Infrastructure, a.s. ("EPIF") issued 8-Year Floating Rate Notes due 8 April 2027 in the total nominal volume of EUR 70,000,000, which have been admitted to trading on the Third Market operated by Vienna Stock Exchange (the "Issue"). Banca IMI acted as a Sole Dealer on the Issue. EPIF will use the proceeds of the Issue for general corporate purposes.

On 24 April 2019, EP Infrastructure, a.s. (the "EPIF") collected proceeds from an EUR 182,500,000 loan agreement issued under German law (so called "Schuldschein"). The transaction was launched with a volume of EUR 100 million, but given the strong demand by Schuldschein investor community, EPIF decided to increase the final size. The term of the floating rate Schuldschein loan agreements is five and seven years. COMMERZBANK AG and RAIFFEISEN BANK INTERNATIONAL AG acted as arrangers for the Schuldschein loan agreements. EPIF will use the proceeds from the Schuldschein loan agreements for its general corporate purposes.

On 21 May 2019, EP Infrastructure, a.s. ("EPIF") signed a new EUR 265 million term facilities agreement. The facilities are unsecured and rank pari passu with other financial indebtedness of EPIF and have a six and seven-year term. Bank of China (Hungary) Close Ltd., acting through Bank of China (Hungary) Close Ltd., Prague branch, odštěpný závod, Komerční banka, a.s., SMBC Bank EU AG, and UniCredit Bank Czech Republic and Slovakia, a.s. acted as mandated lead arrangers and bookrunners, with UniCredit Bank AG, London Branch acting as Agent. EPIF intends to use the proceeds of the new facilities to refinance the bonds issued by EP Energy, a.s. that mature in the fourth quarter of 2019 (the "2019 EPE Bonds").

27. Provisions

In millions of EUR	Employee benefits	Provision for emission rights	Provision for restoration and decommissioning	Provision for lawsuits and litigations	Other	Total
Balance at 1 January 2019	**36**	**40**	**195**	**11**	**23**	**305**
Provisions made during the year	1	33	-	-	1	**35**
Provisions used during the year	-	(40)	(2)	-	(1)	**(43)**
Provision released during the period	-	-	-	(3)	-	**(3)**
Unwinding of discount[1]	-	-	2	-	-	**2**
Effect of movement in foreign exchange rates	-	-	-	-	-	**-**
Balance at 30 June 2019	**37**	**33**	**195**	**8**	**23**	**296**
Non-current	**36**	**-**	**186**	**4**	**18**	**244**
Current	**1**	**33**	**9**	**4**	**5**	**52**

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

In millions of EUR	Employee benefits	Provision for emission rights	Provision for restoration and decommissioning	Provision for lawsuits and litigations	Other	Total
Balance at 1 January 2018	**26**	**30**	**120**	**4**	**11**	**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**	**4**	**5**	**171**
Non-current	**25**	**-**	**113**	**-**	**2**	**140**
Current	**1**	**16**	**7**	**4**	**3**	**31**

(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 37 million (31 December 2018: EUR 36 million) was recorded mainly by SSE Group in amount of EUR 11 million (31 December 2018: 11 million and in amount of EUR 10 million (31 December: EUR 9 million) by NAFTA Germany and its subsidiaries.

Provision for emission rights

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

Provision for restoration and decommissioning

The provision of EUR 195 million (31 December 2018: 195 million) was primarily recorded by NAFTA a.s. EUR 97 million (31 December 2018: EUR 96 million), NAFTA Germany GmbH EUR 69 million (31 December 2018: EUR 69 million), POZAGAS a.s. EUR 9 million (31 December 2018: EUR 9 million), eustream, a.s. EUR 8 million (31 December 2018: EUR 8 million) and SPP Storage, s.r.o. EUR 8 million (31 December 2018: 15 million).

28. Deferred income

In millions of EUR	**30 June 2019**	**31 December 2018**
Government grants	104	98
Other deferred income	24	24
Total	**128**	122
Non-current	107	112
Current	21	10
Total	**128**	**122**

Balance of government grants in amount of EUR 104 million (31 December 2018: EUR 98 million) is mainly represented by Elektrárny Opatovice, a.s. of EUR 25 million (31 December 2018: EUR 22 million), Alternative Energy, s.r.o. of EUR 4 million (31 December 2018: EUR 4 million), eustream, a.s. of EUR 62 million (31 December 2018: EUR 62 million) and United Energy, a.s. of EUR 7 million (31 December 2018: EUR 6 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 grants allocated by the European Commission for various business projects.

Balance of other deferred income in amount of EUR 24 million (31 December 2018: EUR 24 million) consists mainly of deferred income recognized by EP Cargo a.s. in the amount of EUR 13 million (31 December 2018: EUR 14 million), which represents compensation raised from a business partner from an unrealized business case. The compensation covers capitalized additional investment costs and expected losses from a previously concluded rent contract. Because the losses from the rent contract occur over duration of the contract and because the capitalized costs are depreciated over time, the compensation is also recognized as income over time.

29. Financial instruments

Financial instruments and other financial assets

In millions of EUR	**30 June 2019**	**31 December 2018**
Assets carried at amortised cost		
Loans to other than credit institutions(1)	132	7
of which receivables from the related parties	*7*	*6*
Total	**132**	**7**
Assets carried at fair value		
Hedging: *of which*	49	34
Commodity derivatives cash flow hedge(2)	*49*	*34*
Risk management purpose: *of which*	1	4
Commodity derivatives reported as trading	-	*4*
Currency forwards for trading	*1*	-
Equity instruments at fair value through OCI: *of which*	13	12
Shares and interim certificates at fair value through OCI	*13*	*12*
Total	**63**	**50**
Non-current	16	18
of which receivables from the related parties	*7*	*6*
Current(1)	179	39
Total	**195**	**57**

(1) As at 30 June 2019 EPIF Group reported a financial receivable against Slovenský plynárenský priemysel, a.s. ("SPP") (51% shareholder of SPP Infrastructure, a.s.) of EUR 124 million which will be settled with dividends in the second half of 2019

(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 2019**	**31 December 2018**
Liabilities carried at fair value		
Hedging: *of which*	208	125
Interest rate swaps cash flow hedge	*180*	*82*
Commodity derivatives cash flow hedge	*26*	*43*
Currency forwards cash flow hedge	*2*	-
Risk management purpose: *of which*	5	8
Interest rate swaps reported as trading	*5*	*5*
Commodity derivatives reported as trading	-	*3*
Total	**213**	**133**
Non-current	176	80
Current	37	53
Total	**213**	**133**

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

In millions of EUR	**30 June 2019 Nominal amount buy**	**30 June 2019 Nominal amount sell**	**30 June 2019 Positive fair value**	**30 June 2019 Negative fair value**
Hedging: *of which*	2,865	(2,879)	49	(208)
Interest rate swaps cash flow hedge	*2,385*	*(2,385)*	*-*	*(180)*
Commodity derivatives cash flow hedge	*433*	*(447)*	*49*	*(26)*
Currency forwards cash flow hedge	*47*	*(47)*	*-*	*(2)*
Risk management purpose: *of which*	591	(592)	1	(5)
Interest rate swaps reported as trading	*400*	*(400)*	*-*	*(5)*
Currency forwards reported as trading	*179*	*(180)*	*1*	*-*
Commodity derivatives reported as trading	*12*	*(12)*	*-*	*-*
Total	**3,456**	**(3,471)**	**50**	**(213)**

In millions of EUR	**31 December 2018 Nominal amount buy**	**31 December 2018 Nominal amount sell**	**31 December 2018 Positive fair value**	**31 December 2018 Negative fair value**
Hedging: *of which*	2,991	(2,989)	34	(125)
Interest rate swaps cash flow hedge	*2,388*	*(2,388)*	*-*	*(82)*
Commodity derivatives cash flow hedge	*564*	*(562)*	*34*	*(43)*
Currency forwards cash flow hedge	*39*	*(39)*	*-*	*-*
Risk management purpose: *of which*	605	(606)	4	(8)
Interest rate swaps reported as trading	*400*	*(400)*	*-*	*(5)*
Commodity derivatives reported as trading	*7*	*(7)*	*4*	*(3)*
Currency forwards reported as trading	*198*	*(199)*	*-*	*-*
Total	**3,596**	**(3,595)**	**38**	**(133)**

Fair value hierarchy for financial instruments carried at fair value

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

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

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

		30 June 2019		
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	49	-	**49**
Commodity derivatives cash flow hedge	-	49	-	*49*
Risk management purpose: of which	-	1	-	**1**
Commodity derivatives reported as trading	-	1	-	*1*
Equity instruments at fair value through OCI: of which	-	-	13	**13**
Shares and interim certificates at fair value through OCI	-	-	13	*13*
Total	**-**	**50**	**13**	**63**

	30 June 2019			
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	208	-	**208**
Interest rate swaps cash flow hedge	-	*180*	-	***180***
Commodity derivative cash flow hedge	-	*26*	-	***26***
Currency forwards cash flow hedge	-	2	-	**2**
Risk management purpose: *of which*	-	5	-	**5**
Interest rate swaps reported as trading	-	*5*	-	***5***
Total	**-**	**213**	**-**	**213**

	31 December 2018			
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	34	-	**34**
Commodity derivatives cash flow hedge	-	*34*	-	***34***
Interest rate swaps cash flow hedge	-	-	-	**-**
Risk management purpose: *of which*		4		**4**
Commodity derivatives reported as trading	-	*4*		***4***
Equity instruments at fair value through OCI: of which	-	-	12	**12**
Shares and interim certificates at fair value through OCI	-	-	*12*	***12***
Total	**-**	**38**	**12**	**50**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	125	-	**125**
Interest rate swaps cash flow hedge	-	*82*	-	***82***
Commodity derivatives cash flow hedge	-	*43*	-	***43***
Currency forwards cash flow hedge	-	-	-	**-**
Risk management purpose: *of which*	-	8	-	**8**
Interest rate swaps reported as trading	-	*5*	-	***5***
Commodity derivatives reported as trading	-	*3*	-	***3***
Total	**-**	**133**	**-**	**133**

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

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

In millions of EUR	**Carrying value**	**Fair value**
Financial assets	**30 June 2019**	**30 June 2019**
Loans to other than credit institutions	132	132
Financial instruments held at amortised costs	**132**	**132**
Financial liabilities		
Loans and borrowings	**5,070**	**5,139**

In millions of EUR	**Carrying value**	**Fair value**
Financial assets	**31 December 2018**	**31 December 2018**
Loans to other than credit institutions	7	7
Financial instruments held at amortised costs	**7**	**7**
Financial liabilities		
Loans and borrowings	**4,819**	**4,756**

30. Trade payables and other liabilities

In millions of EUR	**30 June 2019**	**31 December 2018**
Trade payables	121	167
Advance payments received	3	4
Liabilities to partners and associations	14	31
Estimated payables	45	56
Payroll liabilities	31	41
Other tax liabilities	19	32
Accrued expenses	5	-
Uninvoiced supplies	25	-
Other liabilities	50	44
Total	**313**	**375**
Non-current	-	12
Current	313	363
Total	**313**	**375**

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

31. Commitments and contingencies

Off balance sheet liabilities

In millions of EUR	**30 June 2019**	**31 December 2018**
Granted pledges – securities	618	611
Commitments	464	284
Other granted pledges	746	727
Total	**1,828**	**1,622**

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

Commitments

Majority of commitments is represented by contracts to purchase physical energy in following years by SSE Group in amount of EUR 292 million (31 December 2018: EUR 236 million), where physical delivery of the energy will be realised in future. Contracts for purchase of non-current assets of EUR 40 million (31 December 2018: EUR 19 million) are recognised by SSE Group, EUR 82 million recognised by eustream, a.s. and EUR 9 million recognised by SPP - distribúcia, a.s. Remaining EUR 41 million (31 December 2018: EUR 29 million) arise from different type of service contracts.

Off balance sheet assets

In millions of EUR	**30 June 2019**	**31 December 2018**
Received promises	416	357
Other received guarantees and warranties	115	105
Total	**531**	**462**

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

Regulatory contingent assets related to green energy

The SSE Group is legally bound to connect producers of green energy, if they comply with requirements set by primary legislation and to purchase the green electricity generated by them, which is used to cover network losses. The purchase tariff for green energy is set by RONI and is covered by the System Operation Tariff ("SOT"). For the six-month period ended 30 June 2019 SSE recognised a loss of EUR 47 million (for the six-months period ended 30 June 2018: a loss of EUR 76 million) as the difference between the green energy support costs and revenues from SOT in the period from 1 January 2019 to 30 June 2019. The loss includes revenues adjusted for compensation for past losses, which was recognised as an accrued income as at 31 December 2018 (for 2018 revenues as at 31 December 2017). Total effect on Profit from operations due from the aforementioned timing imbalance is a profit of EUR 22 million for the six-month period ended 30 June 2019 (a loss of EUR 27 million for the six-month period ended 30 June 2018).

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

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

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

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

Other received guarantees and warranties

Other received guarantees and warranties mainly consist of guarantees received from parent company of the customer to secure trade receivables in the amount of EUR 86 million (31 December 2018: EUR 77 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and guarantees received from banks of EUR 26 million (31 December 2018: EUR 26 million) recognised by NAFTA a.s.

32. Related parties

Identity of related parties

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

(a) The summary of outstanding balances with related parties as of 30 June 2019 and 31 December 2018 was as follows:

In millions of EUR	**Accounts receivable and other financial assets** 30 June 2019	**Accounts payable and other financial liabilities** 30 June 2019	**Accounts receivable and other financial assets** 31 December 2018	**Accounts payable and other financial liabilities** 31 December 2018
Ultimate shareholder[1]	-	-	-	-
Companies controlled by ultimate shareholder	27	33	32	47
Companies under significant influence by ultimate shareholder	2	7	4	10
Associates	7	-	6	-
Other related parties	-	-	-	-
Total	**36**	**40**	**42**	**57**

1) Daniel Křetínský represents the ultimate shareholder.

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

In millions of EUR	**Revenues** 30 June 2019	**Expenses** 30 June 2019	**Revenues** 30 June 2018	**Expenses** 30 June 2018
Ultimate shareholder[1]	-	-	-	-
Companies controlled by ultimate shareholder	47	74	41	66
Companies under significant influence by ultimate shareholder	12	45	17	44
Associates	-	-	-	-
Other related parties	-	-		
Total	**59**	**119**	**58**	**110**

1) Daniel Křetínský represents the ultimate shareholder.

Transactions with the key management personnel

For the period ended 30 June 2019 and 30 June 2018 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 Holding, a.s., SPP Infrastructure, a.s., eustream, a.s., SPP – distribúcia, a.s., NAFTA a.s., POZAGAS a.s., Elektrárny Opatovice, a.s., Pražská teplárenská a.s., United Energy, a.s., Plzeňská teplárenská 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 2019**	**30 June 2018**
Nr. of personnel	63	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.

33. Group entities

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

		30 June 2019		31 December 2018		30 June 2019	31 December 2018
	Country of incorporation	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
Pražská teplárenská a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Koncept, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
TERMONTA PRAHA a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Transit, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Teplo Neratovice, spol. s r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
Devátá energetická, s.r.o.	Czech Republic	60.5	Direct	-	-	At cost	-
PT měření, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s. *	Czech Republic	100	Direct	100	Direct	Full	Full
NPTH, a.s.*	Czech Republic	100	Direct	100	Direct	Full	Full
United Energy, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
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	Equity	IFRS 5
POWERSUN a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Triskata, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
VTE Pchery, s.r.o.	Czech Republic	64	Direct	64	Direct	Full	Full
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s.r.o. *	Slovakia	100	Direct	100	Direct	Full	Full
Alternative Energy, s.r.o.	Slovakia	90	Direct	90	Direct	Full	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	Full
NPTH, a.s. *	Czech Republic	-	-	100	Direct	-	Full
Stredoslovenská energetika Holding, a.s.	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská distribučná, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE – Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika – Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE–Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full

		30 June 2019		31 December 2018		30 June 2019	31 December 2018
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
SPV100 s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
SSE – MVE, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	At cost	Full
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Budapesti Erömü Zrt.	Hungary	95.62	Direct	95.62	Direct	Full	Full
KÖBÁNYAHÖ Kft.	Hungary	25	Direct	25	Direct	At cost	At cost
ENERGZET SERVIS a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Plzeňská teplárenská, a.s.	Czech Republic	35	Direct	35	Direct	Full	Full
Plzeňská teplárenská, AUTODOPRAVA s.r.o.	Czech Republic	100	Direct	100	Direct	At cost	At cost
Plzeňská teplárenská SERVIS IN a.s..	Czech Republic	100	Direct	100	Direct	At cost	At cost
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	-	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
EP Sophievska B.V.	Netherlands	10	Direct	-	-	At cost	-
NAFTA International B.V.*	Netherlands	100	Direct	100	Direct	Full	Full
NAFTA Germany GmbH	Germany	100	Direct	100	Direct	Full	Full
NAFTA Bavaria GmbH	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher Management GmbH	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher GmbH & Co. KG	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher Inzenham GmbH	Germany	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	At cost	At cost
Plynárenská metrológia, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
SPP – distribúcia, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
SPP – distribúcia Servis, s.r.o.	Slovakia	100	Direct	100	Direct	At cost	Full
NAFTA a.s.	Slovakia	56.15	Direct	56.15	Direct	Full	Full
Nafta Exploration s.r.o.	Slovakia	-	-	100	Direct	-	Full
Karotáž a cementace, s.r.o.	Czech Republic	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 Germany GmbH	Germany	100	Direct	100	Direct	Full	Full
NAFTA Bavaria GmbH	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher Management GmbH	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher GmbH & Co. KG	Germany	100	Direct	100	Direct	Full	Full

		30 June 2019		31 December 2018		30 June 2019	31 December 2018
	Country of incorporation	**Ownership %**	**Ownership interest**	**Ownership %**	**Ownership interest**	**Consolidation method**	**Consolidation method**
NAFTA Speicher Inzenham GmbH	Germany	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*

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

34. Litigations and claims

Elektrárny Opatovice, a.s.

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

Plzeňská teplárenská, a.s. ("PLTEP")

In August 2012, Škoda Investment a.s. (SI) filed a claim for unjust enrichment against Plzeňská energetika a.s. ("PE"; merged with Plzeňská teplárenská, a.s. effectively on 31 October 2018, until then Plzeňská energetika, a.s. is used in the paragraph) 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. The claim was further extended in 2018 to the total of ca EUR 4 million. In January 2018, another court hearing was held and the Court ruled in favor of Plzeňská energetika, a.s. SI appealed and as a result of the appeal, the legal case was returned back to the District court, the hearing is expected to take place at the end of Q3 2019. Since the legal case is still open and after considering all the circumstances Plzeňská teplárenská, a.s. reported as of 30 June 2019 an adequate provision representing its best estimate of the outcome.

Waste incineration plant project and related bank guarantee

PLTEP relationships with ČKD PRAHA DIZ, a.s., the former general supplier of the project ZEVO Plzeň (waste incineration plant, "ZEVO"), are primarily burdened by the year 2016 when PLTEP prematurely terminated a contract for work before the work itself was completed. In line with contractual documentation, PLTEP exercised a bank guarantee on completion of the work. ČKD PRAHA DIZ, a.s. has challenged this decision. ČKD PRAHA DIZ, a.s. is now in insolvency proceeding and is currently represented by an insolvency administrator. The bankruptcy was declared in May 2019. Based on an internal analysis, PLTEP recorded a provision in an appropriate amount as at 31 December 2018 to account for this fact and in 2019 PLTEP almost fully used this provision against realized payment.

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

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

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

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

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

35. Subsequent events

On 23 July 2019, EP Infrastructure successfully placed its longest international eurobond of EUR 600 million with a 7-year tenor and 1.698% coupon. EPIF used the bond proceeds to prepay EUR 600 million of EPIF bank loans due in 2022.

Beginning 1 August 2018 SPP – distribúcia, a.s. changed its accounting policy relating to reporting of its fixed assets from IAS 16 Cost model to IAS 16 Revaluation model. EPIF is currently reviewing and analysing the effect of the change on its fixed assets register and accounting policies.

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

Date:	Signature of the authorised representative	
9 September 2019	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.