EP Infrastructure, a.s.

Condensed Consolidated Interim Financial Statements as of and for the six-month period ended 30 June 2020

Deloitte Audit s.r.o.
Churchill I
Italská 2581/67
120 00 Praha 2 – Vinohrady
Czech Republic

Tel: +420 246 042 500
Fax: +420 246 042 555
DeloitteCZ@deloitteCE.com
www.deloitte.cz

Registered by the Municipal Court
in Prague, Section C, File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

Report on Review of Interim Financial Information

To the Shareholders of
EP Infrastructure, a.s.

Having its registered office at: Pařížská 130/26, Josefov, 110 00 Praha 1

Introduction

We have reviewed the accompanying condensed consolidated interim financial statements of EP Infrastructure, a.s. (hereinafter also the "Company") and its subsidiaries (the "Group"), which comprise the condensed consolidated statement of financial position as at 30 June 2020, and the condensed consolidated statement of comprehensive income for period of 6 months ended 30 June 2020, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and notes to the condensed consolidated financial statements (hereinafter also the "Consolidated Financial Statements"). Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with 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 does not give a true and fair view of the financial position of the entity as at 30 June 2020, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard (IAS) 34, "Interim Financial Reporting" as adopted by the European Union.

In Prague on 1 September 2020

Audit firm:	Statutory auditor:
Deloitte Audit s.r.o. registration no. 079	David Batal on the basis of a power of attorney

Content

Condensed consolidated interim statement of comprehensive income

For the six-month period ended 30 June 2020

In millions of EUR ("MEUR")

	Note	2020 (six months)	2019 (six months)
Sales: Energy	7	1,623	1,767
of which: Gas		*760*	*804*
Electricity		*636*	*723*
Heat		*219*	*226*
Coal		*8*	*14*
Sales: Other	7	14	14
Gain (loss) from commodity derivatives for trading with electricity and gas, net	7	6	7
Total sales		**1,643**	**1,788**
Cost of sales: Energy	8	(639)	(757)
Cost of sales: Other	8	(14)	(11)
Total cost of sales		**(653)**	**(768)**
Subtotal		**990**	**1,020**
Personnel expenses	9	(116)	(111)
Depreciation and amortisation	15, 16	(230)	(197)
Repairs and maintenance		(9)	(10)
Emission rights, net	10	(36)	(21)
Taxes and charges		(5)	(6)
Other operating income	11	31	30
Other operating expenses	12	(52)	(53)
Own work, capitalized		14	13
Profit (loss) from operations		**587**	**665**
Finance income	13	4	17
Finance expense	13	(116)	(69)
Profit (loss) from financial instruments	13	(34)	2
Net finance income (expense)		**(146)**	**(50)**
Share of profit (loss) of equity accounted investees, net of tax		1	-
Profit (loss) before income tax		**442**	**615**
Income tax expenses	14	(128)	(163)
Profit (loss) for the period		**314**	**452**
Items that are not reclassified subsequently to profit or loss			
Revaluation of property, plant and equipment	15	1,315	1,337
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences for foreign operations		168	(33)
Foreign currency translation differences from presentation currency		(144)	26
Effective portion of changes in fair value of cash flow hedges, net of tax		(4)	(57)
Other comprehensive income for the period, net of tax		**1,335**	**1,273**
Total comprehensive income for the period		**1,649**	**1,725**
Profit (loss) attributable to:			
Owners of the Company		122	241
Non-controlling interest		192	211
Profit (loss) for the period		**314**	**452**
Total comprehensive income attributable to:			
Owners of the Company		802	824
Non-controlling interest	23	847	901
Total comprehensive income for the period		**1,649**	**1,725**
Basic and diluted earnings per share in EUR	22	**0.38**	**0.75**

The notes presented on pages 9 to 57 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position

As of 30 June 2020
In millions of EUR ("MEUR")

	Note	30 June 2020	31 December 2019
Assets			
Property, plant and equipment	15	10,368	8,791
Intangible assets	16	64	132
Goodwill	16	97	102
Equity accounted investees		4	3
Restricted Cash		1	1
Financial instruments and other financial assets	27	17	15
Trade receivables and other assets	18	27	39
Prepayments and other deferrals		2	2
Deferred tax assets	20	20	17
Total non-current assets		**10,600**	**9,102**
Inventories	17	195	202
Trade receivables and other assets	18	455	428
Financial instruments and other financial assets	28	205	70
Contract assets	7	46	59
Prepayments and other deferrals		12	10
Tax receivables		6	11
Cash and cash equivalents	19	1,473	674
Restricted cash		2	3
Total current assets		**2,394**	**1,457**
Total assets		**12,994**	**10,559**
Equity			
Share capital	21	2,988	2,988
Share premium		8	8
Reserves		(2,568)	(3,226)
Retained earnings		584	641
Total equity attributable to equity holders		**1,012**	**411**
Non-controlling interest	23	3,112	2,371
Total equity		**4,124**	**2,782**
Liabilities			
Loans and borrowings	24	4,167	4,105
Financial instruments and financial liabilities	27	222	161
Provisions	25	243	239
Deferred income	26	84	88
Contract liabilities	7, 28	95	105
Deferred tax liabilities	20	1,895	1,478
Trade payables and other liabilities	28	2	7
Total non-current liabilities		**6,708**	**6,183**
Trade payables and other liabilities	28	383	373
Contract liabilities	7, 28	100	62
Loans and borrowings	24	1,449	902
Financial instruments and financial liabilities	27	15	44
Provisions	25	53	83
Deferred income	26	29	25
Current income tax liability		133	105
Total current liabilities		**2,162**	**1,594**
Total liabilities		**8,870**	**7,777**
Total equity and liabilities		**12,994**	**10,559**

The notes presented on pages 9 to 57 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 2020

	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 1 January 2020	**2,988**	**8**	**1**	**(87)**	**774**	**(100)**	**(3,814)**	**641**	**411**	**2,371**	**2,782**
Total comprehensive income for the period:											
Profit or loss (B)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**122**	**122**	**192**	**314**
Other comprehensive income:											
Foreign currency translation differences for foreign operations	-	-	-	48	-	-	-	-	**48**	120	**168**
Foreign currency translation differences for presentation currency	-	-	-	(17)		-	-	-	**(17)**	(127)	**(144)**
Revaluation reserve included in other comprehensive income, net of tax	-	-	-	-	643	-	-	-	**643**	672	**1,315**
Effective portion of changes in fair value of cash-flow hedges, net of tax	-	-	-	-	-	6	-	-	**6**	(10)	**(4)**
Total other comprehensive income (C)	**-**	**-**	**-**	**31**	**643**	**6**	**-**	**-**	**680**	**655**	**1,335**
Total comprehensive income for the period (D) = (B + C)	**-**	**-**	**-**	**31**	**643**	**6**	**-**	**122**	**802**	**847**	**1,649**
Contributions by and distributions to owners:											
Transfer from non-distributable reserves	-	-	-	-	(22)	-	-	22	**-**	-	**-**
Dividends to equity holders	-	-	-	-	-	-	-	(200)	**(200)**	(106)	**(306)**
Total contributions by and distributions to owners (E)	**-**	**-**	**-**	**-**	**(22)**	**-**	**-**	**(178)**	**(200)**	**(106)**	**(306)**
Changes in ownership interests in subsidiaries:											
Effect of changes in shareholding on non-controlling interests	-	-	-	-	-	-	-	(1)	**(1)**	-	**(1)**
Total changes in ownership interests in subsidiaries (F)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**	**(1)**	**-**	**(1)**
Total transactions with owners (G) = (E + F)	**-**	**-**	**-**	**-**	**(22)**	**-**	**-**	**(179)**	**(201)**	**(106)**	**(307)**
Balance at 30 June 2020 (H) = (A + D + G)	**2,988**	**8**	**1**	**(56)**	**1,395**	**(94)**	**(3,814)**	**584**	**1,012**	**3,112**	**4,124**

The notes presented on pages 9 to 57 form an integral part of these condensed consolidated interim financial statements.

For the six-month period ended 30 June 2019

In millions of EUR ("MEUR")					Attributable to owners of the Company						
	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 1 January 2019 (A)	**2,988**	**8**	**1**	**(71)**	**(1)**	**(47)**	**(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**	**(80)**	**647**	**(110)**	**(3,814)**	**565**	**205**	**2,382**	**2,587**

The notes presented on pages 9 to 57 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 2020

In millions of EUR ("MEUR")	**Note**	**30 June 2020 (six months)**	**30 June 2019 (six months)**
OPERATING ACTIVITIES			
Profit (loss) for the period		314	452
Adjustments for:			
Income taxes	14	128	163
Depreciation and amortisation	15, 16	230	197
Dividend income	13	(3)	(1)
Impairment losses on property, plant and equipment and intangible assets	15, 16	(1)	1
Non-cash (gain) loss from commodity derivatives for trading with electricity and gas, net		(6)	(2)
Share of profit of equity accounted investees		(1)	-
Emission rights	10	36	21
(Gain) loss on financial instruments	13	34	(2)
Net interest expense	13	59	66
Change in allowance for impairment to trade receivables and other assets, write-offs		5	1
Change in provisions		(1)	(4)
Other finance fees, net		2	2
Other non-cash transactions		-	1
Unrealised foreign exchange (gains)/losses, net		54	(11)
Operating profit before changes in working capital		**850**	**884**
Change in trade receivables, other assets, prepayment and other deferrals and contract assets		2	(8)
Change in inventories		7	4
Change in trade payables and other liabilities, deferred income and contract liabilities		(79)	(16)
Change in restricted cash		1	-
Cash generated from (used in) operations		**781**	**864**
Interest paid		(53)	(71)
Income taxes paid		(135)	(78)
Cash flows generated from (used in) operating activities		**593**	**715**
INVESTING ACTIVITIES			
Received dividends		1	-
Loans provided to the other entities		-	(1)
Proceeds (outflows) from sale (settlement) of financial instruments		1	1
Acquisition of property, plant and equipment and intangible assets	15, 16	(69)	(67)
Purchase of emission rights	16	(1)	(2)
Proceeds from sale of emission rights		-	2
Proceeds from sale of property, plant and equipment, investment property and other intangible assets		2	-
Increase in participation in existing subsidiaries and special purpose entities		(1)	-
Cash flows from (used in) investing activities		**(67)**	**(67)**

In millions of EUR ("MEUR")	**Note**	**30 June 2020 (six months)**	**30 June 2019 (six months)**
FINANCING ACTIVITIES			
Proceeds from loans received		708	391
Repayment of borrowings		(601)	(280)
Proceeds from bonds issued		500	70
Repayments of bonds issued		-	(3)
Finance fees paid from repayment of borrowings		(3)	(2)
Payment of lease liability		(6)	(8)
Loans provided to non-controlling shareholders as a prepayment for a dividend		(122)	(124)
Dividends paid		(200)	(388)
Cash flows from (used in) financing activities		**276**	**(344)**
Net increase (decrease) in cash and cash equivalents		802	304
Cash and cash equivalents at beginning of the period		**674**	**416**
Effect of exchange rate fluctuations on cash held		(3)	-
Cash and cash equivalents at end of the period		**1,473**	**720**

The notes presented on pages 9 to 57 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 2020 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 31 – Group entities.

The shareholders of the Company as at 30 June 2020 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 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 members of the Board of Directors as at 30 June 2020 were:

- Daniel Křetínský (Chairman of the Board of Directors)
- Jiří Zrůst (Vice-chairman of the Board of Directors)
- Gary Wheatley 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 2019.

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 1 September 2020.

(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 2019, 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 2020 (in addition to assets for which revaluation model was applied for the first time 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 2019.

The Group has 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 2020, but they do not have a material effect on the Group's financial statements.

Revaluation model for property, plant and equipment

The Group decided to change its accounting policy relating to reporting of gas distribution pipelines of SPP - distribúcia, a.s. ("SPPD") starting 1 January 2020. Gas transmission pipelines are reported under revaluation model since 1 August 2019. Per the new accounting policy, the gas distribution 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 distribution 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 distribution pipelines, which is one of the major fixed asset groups in the EPIF Group.

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

- Transmission pipelines, owned and operated by eustream, a.s., are all made of steel and operate under high pressure whereas the gas distribution network pipelines, owned and operated by SPPD, are made of combination of steel and polyethylene while the vast majority of the gas networks runs under low pressure;
- 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 of them to keep the gas distribution network functioning;
- 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 2020, 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 2019.

It is to note that the gas distribution assets have already been reported in the local statutory accounts of SPPD using the IAS 16 Revaluation model. The other fixed assets of the EPIF Group (incl. SPPD's fixed assets other than distribution 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 2020, SPPD's distribution pipeline system had a carrying value of EUR 2,051 million under the Cost model and EUR 3,813 million under the Revaluation model. Revaluation of assets was recorded without effect on prior periods. The difference of EUR 1,762 million with a corresponding deferred tax impact of EUR 447 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:

IFRS 17 Insurance Contracts and Amendment to IFRS 17 (Effective for annual reporting periods beginning on or after 1 January 2023 (not adopted by EU yet)), and IFRS 4 – Extension of the Temporary Exemption from Applying IFRS 9 (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.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current (Effective for annual reporting periods beginning on or after 1 January 2022* (not adopted by EU yet))

The amendment clarifies how to classify debt and other liabilities as current or non-current and how to determine whether in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment includes clarifying the classification requirements for debt a company might settle by converting it into equity.

The Group is currently reviewing possible impact of the amendments to its financial statements.

* *The IASB has issued an exposure draft to defer the effective date to 1 January 2023.*

Amendments to IFRS – Updating a Reference to the Conceptual Framework; IAS 16 – Proceeds before Intended Use, IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract and Annual Improvements 2018-2020 (Effective for annual reporting periods beginning on or after 1 January 2022 (not adopted by EU yet))

Amendments to IFRS 3 update references to the Conceptual Framework, amendments to IAS 16 prohibit a company from deducting from the cost of property amounts received from selling items produced while the company is preparing the asset for its intended use and recognizes such sales and related cost in profit or loss and amendments to IAS 37 specify which costs a company includes when assessing whether a contract will be loss-making.

Annual Improvements affect the following standards: IFRS 1 First-time Adoption of International Financial Reporting Standards (simplified the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences), IFRS 9 Financial Instruments (clarified the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability), IAS 41 Agriculture (removed a requirement to exclude cash flow from taxation when measuring fair value) and the Illustrative Examples accompanying IFRS 16 Leases.

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

Amendment to IFRS 16 – Covid 19-Related Rent concessions (Effective for annual reporting periods beginning on or after 1 July 2020 (not adopted by EU yet))

The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

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

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

(e) Recently issued accounting standards

Following paragraphs provide summary of the additional key requirements of IFRSs that are effective for annual period beginning on or after 1 January 2020 and that have thus been applied by the Group for the first time.

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

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

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

The amendments had no 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)

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 had no 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)

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

Amendments to IFRS 9, IAS 39 and IFRS 7 – Interest Rate Benchmark Reform (Effective for annual periods beginning on or after 1 January 2020)

The amendments modify some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the IBOR reform (interest-rate benchmarks such as interbank offered rates). In addition, the amendments require companies to provide additional information to investors about their hedging relationship which are directly affected by these uncertainties.

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, gas distribution 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 2020	26.740	26.326
31 December 2019	25.410	25.672
30 June 2019	25.445	25.684

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 2020, the Group reported revenue of EUR 3,331 million (for year ended 31 December 2019: EUR 3,476 million) and Profit from operations of EUR 1,130 million (for year ended 31 December 2019: EUR 1,208 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 three different approaches which may be employed to determine the fair value:

Market approach uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. For example, valuation techniques consistent with the market approach often use market multiples derived from a set of comparables.

Income approach converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the fair value measurement reflects current market expectations about those future amounts.

Cost approach is based on the premise that a prudent investor would pay no more for an asset than its replacement or reproduction cost. The depreciated replacement cost approach involves establishing the gross current replacement cost of the asset, and then depreciating this value to reflect the anticipated effective working life of the asset from new, the age of the asset, the estimated residual value at the end of the asset's working life and the loss in service potential

IFRS 13 requires fair value measurements of assets to assume the highest and best use of the asset by market participants, provided that the use is physically possible, financially feasible and not illegal. Highest and best use might differ from the intended use by an individual acquirer. Although all three valuation approaches should be considered in the valuation analysis, the fact pattern surrounding each business combination, the purpose of valuation, the nature of the assets, and the availability of data dictate which approach or approaches including accounting oriented approaches are ultimately utilized to calculate the value of each tangible asset.

Selected items of property, plant and equipment – pipeline for natural gas transmission by eustream, a.s. and gas distribution pipelines by SPP – distribúcia, a.s. ("SPPD") – are recognized in revalued amount in accordance with IAS 16. The revalued amount represents the fair value as at the date of the most recent revaluation, net of any subsequent accumulated depreciation and subsequent accumulated impairment. The revaluation was prepared as at 1 August 2019 for eustream, a.s. and as at 1 August 2018 for SPPD 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.

Each revaluation was conducted by an independent expert who used mainly the depreciated replacement 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 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 when appropriate.

5. Operating segments

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

Operating segments have been identified primarily on the basis of internal reports used by the EPIF'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. 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 and the related shipping arrangements accounted for in accordance with IFRS 15.

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 Holding, a.s. (further "SSE"), Stredoslovenská distribučná, a.s. (further "SSD"), SPP – distribúcia, a.s. (further "SPPD"), and EP ENERGY TRADING, a.s.

The subsidiary companies SPPD 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 a wind farm, three solar power plants and a minority interest in an additional solar power plant 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 2020

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	347	857	138	336	1,678	3	-	(58)	1,623
external revenues	*344*	*854*	*122*	*300*	*1,620*	*3*	-	-	*1,623*
of which: Gas	*344*	*294*	*122*	-	*760*	-	-	-	*760*
Electricity	-	*560*	-	*73*	*633*	*3*	-	-	*636*
Heat	-	-	-	*219*	*219*	-	-	-	*219*
Coal	-	-	-	*8*	*8*	-	-	-	*8*
inter-segment revenues	*3*	*3*	*16*	*36*	*58*	-	-	*(58)*	-
Sales: Other	-	3	-	8	11	3	-	-	14
external revenues	-	*3*	-	*8*	*11*	*3*	-	-	*14*
inter-segment revenues	-	-	-	-	-	-	-	-	-
Gain (loss) from commodity derivatives from trading with electricity and gas, net	-	6	-	-	6	-	-	-	6
Total sales	**347**	**866**	**138**	**344**	**1,695**	**6**	**-**	**(58)**	**1,643**
Cost of sales: Energy	(12)	(497)	(13)	(175)	(697)	-	-	58	(639)
external cost of sales	*(11)*	*(445)*	*(10)*	*(173)*	*(639)*	-	-	-	*(639)*
inter-segment cost of sales	*(1)*	*(52)*	*(3)*	*(2)*	*(58)*	-	-	*58*	-
Cost of sales: Other	-	(1)	2	(14)	(13)	(1)	-	-	(14)
external cost of sales	-	*(1)*	*2*	*(14)*	*(13)*	*(1)*	-	-	*(14)*
inter-segment cost of sales	-	-	-	-	-	-	-	-	-
Personnel expenses	(15)	(48)	(15)	(34)	(112)	(1)	(3)	-	(116)
Depreciation and amortisation	(65)	(110)	(14)	(40)	(229)	(1)	-	-	(230)
Repairs and maintenance	-	(1)	-	(8)	(9)	-	-	-	(9)
Emission rights, net	-	-	-	(36)	(36)	-	-	-	(36)
Taxes and charges	-	(1)	(2)	(2)	(5)	-	-	-	(5)
Other operating income	2	9	-	20	31	-	-	-	31
Other operating expenses	(7)	(23)	(5)	(15)	(50)	(1)	(1)	-	(52)
Own work, capitalized	2	8	-	4	14	-	-	-	14
Operating profit	**252**	**202**	**91**	**44**	**589**	**2**	**(4)**	**-**	**587**

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	1	5	-	*212	*(213)	4
external finance revenues	*1*	*2*	-	-	*3*	-	*1*	-	*4*
inter-segment finance revenues	-	-	*1*	*1*	*2*	-	**211*	**(213)*	-
Finance expense	(23)	(8)	(3)	(5)	(39)	-	(104)	27	(116)
Profit (loss) from derivative financial instruments	-	3	-	(3)	-	-	(38)	4	(34)
Share of profit (loss) of equity accounted investees, net of tax	-	-	-	-	-	1	-	-	1
Profit (loss) before income tax	**230**	**199**	**89**	**37**	**555**	**3**	***66**	***(182)**	**442**
Income tax expenses	(58)	(49)	(22)	(8)	(137)	-	9	-	(128)
Profit (loss) for the period	**172**	**150**	**67**	**29**	**418**	**3**	***75**	***(182)**	**314**

* *EUR 182 million is attributable to intra-group dividends primarily recognised by Czech Gas Holding Invesmtent B.V., SPP Infrastructure, a.s. and EP Energy, a.s.*

Other financial information:									
EBITDA[(1)]	317	312	105	84	818	3	(4)	-	817

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 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.*

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 2020

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	**252**	**202**	**91**	**44**	**589**	**2**	**(4)**	**-**	**587**
Depreciation and amortisation	65	110	14	40	229	1	-	-	230
EBITDA	**317**	**312**	**105**	**84**	**818**	**3**	**(4)**	**-**	**817**

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**

Non-current assets and liabilities

As of and for the period ended 30 June 2020

In millions of EUR	**Gas trans-mission**	**Gas and power distribution[2]**	**Gas storage**	**Heat Infra**	**Total reportable segments**	**Other**	**Holding entities**	**Inter-segment eliminations**	**Consolidated financial information**
Reportable segment assets	5,470	5,967	981	1,161	13,579	32	1,932	(2,549)	12,994
Reportable segment liabilities	(3,179)	(2,110)	(609)	(403)	(6,301)	(18)	(5,100)	2,549	(8,870)
Additions to tangible and intangible assets[1]	22	27	5	27	81	-	-	-	81
Additions to tangible and intangible assets (excl. emission rights, right-of-use assets and goodwill)	20	27	4	18	69	-	-	-	69
Equity accounted investees	-	2	-	1	3	1	-	-	4

1) *This balance includes additions to right of use assets, emission rights and goodwill*
2) *Gas distribution pipelines held by Gas and power distribution segment (SPP – distribúcia, a.s.) were revalued to their Fair value in 2020.*

For the year ended 31 December 2019

In millions of EUR	**Gas trans-mission[2]**	**Gas and power distribution**	**Gas storage**	**Heat Infra**	**Total reportable segments**	**Other**	**Holding**	**Inter-segment eliminations**	**Consolidated financial information**
Reportable segment assets	4,736	4,155	911	1,232	11,034	35	1,616	(2,126)	10,559
Reportable segment liabilities	(2,607)	(1,576)	(530)	(465)	(5,178)	(34)	(4,691)	2,126	(7,777)
Additions to tangible and intangible assets[1]	72	87	12	127	298	-	-	-	298
Additions to tangible and intangible assets (excl. emission rights, right-of-use assets and goodwill)	69	82	11	58	220	-	-	-	220
Equity accounted investees	-	2	-	1	3	-	-	-	3

1) *This balance includes additions to right of use assets, emission rights and goodwill*
2) *Gas pipelines held by Gas transmission segment were revalued to their Fair value in 2019*

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 2020

In millions of EUR	**Czech Republic**	**Slovakia**	**Other**	**Total segments**
Property, plant and equipment	806	9,347	215	10,368
Intangible assets	121	36	4	161
Total	**927**	**9,383**	**219**	**10,529**

For the period ended 30 June 2020

In millions of EUR	**Czech Republic**	**Slovakia**	**Other**	**Total segments**
Sales: Gas	74	505	181	760
Sales: Electricity	168	409	59	636
Sales: Heat	178	-	41	219
Sales: Coal	6	-	2	8
Sales: Other	11	3	-	14
Gain (loss) from commodity derivatives for trading with electricity and gas, net	6	-	-	6
Total	**443**	**917**	**283**	**1,643**

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

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, Germany, 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 2020

There were no significant acquisitions or step-acquisitions in the period from 1 January 2020 to 30 June 2020.

ii. 31 December 2019

On 8 March 2019 the Group via its subsidiary Pražská teplárenská, a.s. acquired 60.5% share in PT Distribuční, s.r.o. (Devátá energetická, s.r.o.) for EUR 0.5 million. No goodwill or negative goodwill was recognized on the transaction. On 10 July 2019 the Group acquired additional 24.5% share and total ownership of the Group is 85%. The Group does not control the entity because it does not have management control and therefore the entity is presented as an associate.

(b) Effect of acquisitions

i. 30 June 2020

There were no significant acquisitions or step-acquisitions in the period from 1 January 2020 to 30 June 2020.

ii. 31 December 2019

There were no significant acquisitions or step-acquisitions in 2019.

(c) Disposal of investments in 2020 and 2019

i. 30 June 2020

During the period from 1 January 2020 to 30 June 2020 the Group didn't dispose any of its investment.

ii. 31 December 2019

During the year 2019 the Group didn't dispose any of its investment.

7. Sales

In millions of EUR	30 June 2020 (six months)	30 June 2019 (six months)
Sales: Energy		
Gas	760	804
Electricity	636	*723
Heat	219	226
Coal	8	14
Total Energy	**1,623**	***1,767**
Sales: Other	**14**	**14**
Total revenues from customers	**1,637**	***1,781**
Gain (loss) from commodity derivatives for trading with electricity and gas, net	**6**	***7**
Total	**1,643**	***1,788**

* For improved presentation of the effect of derivatives on revenues the comparative amounts for the period ended 30 June 2019 were adjusted by EUR 5 million (Decrease of Sales Electricity and increase of Gain (loss) from commodity derivatives for trading with electricity and gas, net).

The presentation of the effect of commodity cash flow hedge on revenues and cost of sales was adjusted in comparative amounts as at 30 June 2019.

The amount of EUR 221 million (30 June 2019: EUR 228 million) from Sales: Energy (gas) relates to distribution of gas. The amount of EUR 109 million (30 June 2019: EUR 181 million) from Sales: Energy (electricity) relates to distribution of electricity.

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

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

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.

Several items of gas equipment (typically connection terminals) were obtained "free of charge" from developers and from local authorities (this does not represent a grant, because in such cases the local authorities act in the role of a developer). This equipment was recorded as property, plant, and equipment at the costs incurred by the developers and local authorities with a corresponding amount recorded as contract liability as receipt of the free of charge property is related to obligation to connect the customers to the grid. These costs approximate the fair value of the obtained assets. This contract liability is released in the income statement on a straight-line basis in the amount of depreciation charges of non-current tangible assets acquired free of charge.

In millions of EUR	30 June 2020	31 December 2019
Contract assets	46	59
Current	*46*	*59*
Contract liabilities	195	167
Current	*100*	*62*
Non-current	*95*	*105*

The amount of EUR 48 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 2020. Remaining part of EUR 14 million will be recognised till the end of 2020.

8. Cost of sales

In millions of EUR	**30 June 2020 (six months)**	**30 June 2019 (six months)**
Cost of Sales: Energy		
Cost of sold electricity	373	471
Consumption of energy	144	163
Consumption of coal and other material	53	62
Cost of sold gas and other energy products	59	55
Other cost of sales	10	6
Total Energy	**639**	**757**
Cost of Sales: Other		
Other cost of goods sold	6	5
Changes in WIP, semi-finished products and finished goods	(2)	(1)
Consumption of material	7	3
Consumption of energy	2	2
Other cost of sales	1	2
Total Other	**14**	**11**
Total	**653**	**768**

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 2020 (six months)**	**30 June 2019 (six months)**
Wages and salaries	82	74
Compulsory social security contributions	27	26
Board members’ remuneration (including boards of subsidiaries)	-	3
Expenses related to employee benefits (IAS 19)	-	2
Other social expenses	7	6
Total	**116**	**111**

The average number of employees in the six-month period ended 30 June 2019 was 6,503 (30 June 2019: 6,454), of which 123 (30 June 2019: 129) were executives.

10. Emission rights

In millions of EUR	**30 June 2020 (six months)**	**30 June 2019 (six months)**
Profit from sale of emission rights for trading	-	2
Deferred income (grant) released to profit and loss	5	10
Creation of provision for emission rights	(41)	(33)
Use of provision for emission rights	65	40
Consumption of emission rights	(65)	(40)
Total	**(36)**	**(21)**

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 2020 (six months)**	**30 June 2019 (six months)**
Green bonus	7	7
Compensation from insurance and other companies	5	2
Rental income	3	3
Property acquired free-of-charge and fees from customers	2	3
Consulting fees	2	3
Contractual penalties	2	2
Profit from sale of material	1	1
Revenues from written off liabilities	1	-
Other	8	9
Total	**31**	**30**

12. Other operating expenses

In millions of EUR	**30 June 2020 (six months)**	**30 June 2019 (six months)**
Outsourcing and other administration fees	14	14
Information technology costs	6	7
Transport expenses	5	3
Rent expenses	4	3
Office equipment and other material	3	4
Consulting expenses	3	4
Insurance expenses	3	2
Impairment from receivables and contract assets with customers	3	1
Impairment losses, net	1	1
Advertising expenses	1	1
Security expenses	1	1
Training, courses, conferences	1	-
Gift and sponsorship	-	1
Change in provisions, net	(1)	(1)
Other	8	12
Total	**52**	**53**

No material research and development expenses were recognised in profit and loss for the six-month period ended 30 June 2020 and 30 June 2019.

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

Recognised in profit or loss

In millions of EUR	30 June 2020 (six months)	30 June 2019 (six months)
Interest income	1	1
Dividend income	3	1
Net foreign exchange profit	-	15
Finance income	**4**	**17**
Interest expense	(59)	(65)
Interest expense from unwind of provision discounting	(1)	(2)
Fees and commissions expense for other services, other	(2)	(2)
Net foreign exchange loss	(54)	-
Finance costs	**(116)**	**(69)**
Profit (loss) profit from interest rate derivatives for trading	(35)	-
Profit (loss) from cash flows hedge	5	2
Profit (loss) from currency derivatives for trading	(4)	1
Impairment losses from financial assets	-	(1)
Profit (loss) from financial instruments	**(34)**	**2**
Net finance expense recognised in profit or loss	**(146)**	**(50)**

14. Income tax expenses

Income taxes recognised in profit or loss

In millions of EUR	30 June 2020 (six months)	30 June 2019 (six months)
Current taxes:		
Current period	(165)	(179)
Adjustment for prior periods	1	1
Total current taxes	**(164)**	**(178)**
Deferred taxes:		
Origination and reversal of temporary differences	36	15
Total deferred taxes	**36**	**15**
Total income taxes (expense)/benefit recognised in profit or loss	**(128)**	**(163)**

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 2020 and 2019. The Slovak corporate income tax rate is 21% for fiscal year 2020 and 2019. The Hungarian corporate income tax rate is 9% for fiscal year 2020 and 2019. 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 2020 (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	1,762	(447)	1,315
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences for foreign operations	168	-	168
Foreign currency translation differences from presentation currency	(144)	-	(144)
Effective portion of changes in fair value of cash-flow hedges	(2)	(2)	(4)
Total	**1,784**	**(449)**	**1,335**

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**

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 1 January 2020	**2,331**	**3,803**	**2,592**	**1,987**	**18**	**211**	**10,942**
Effect of movements in foreign exchange	(26)	-	-	(37)	-	(4)	**(67)**
Reclassification	-	2,094	(2,580)	-	-	-	**(486)**
Revaluation	-	1,762	-	-	-	-	**1,762**
Additions	9	-	-	5	-	54	**68**
Disposals	(3)	-	-	(6)	-	-	**(9)**
Transfers	8	5	-	6	1	(20)	**-**
Balance at 30 June 2020	**2,319**	**7,664**	**12**	**1,955**	**19**	**241**	**12,210**
Depreciation and impairment losses							
Balance at 1 January 2020	**(739)**	**(37)**	**(525)**	**(842)**	**(3)**	**(5)**	**(2,151)**
Effect of movements in foreign exchange	-	-	-	33	-	-	**33**
Reclassification (eliminated against cost)	-	(39)	525	-	-	-	**486**
Depreciation charge for the period	(48)	(115)	-	(55)	-	-	**(218)**
Disposals	2	-	-	5	-	-	**7**
Impairment losses recognized in profit or loss	1	-	-	-	-	-	**1**
Balance at 30 June 2020	**(784)**	**(191)**	**-**	**(859)**	**(3)**	**(5)**	**(1,842)**
Carrying amounts							
At 1 January 2020	**1,592**	**3,766**	**2,067**	**1,145**	**15**	**206**	**8,791**
At 30 June 2020	**1,535**	**7,473**	**12**	**1,096**	**16**	**236**	**10,368**

(1) *Including right-of-use assets.*

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.

Revaluation of gas pipeline

Gas distribution pipeline by SPP – distribúcia, a.s. and gas transmission pipeline by eustream a.s. are 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 pipelines were accounted for using the cost model, the net book value of the asset as at 30 June 2020 would be EUR 3,687 million (net book value of eustream's assets of EUR 1,664 million and net book value of SPPD's assets of EUR 2,023 million).

Security

As of 30 June 2020, no property, plant and equipment (31 December 2019: EUR 0 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 2020	**113**	**72**	**81**	**168**	**10**	**444**
Effect of movements in foreign exchange	(5)	(1)	(3)	(1)	-	**(10)**
Additions	-	1	11	-	1	**13**
Disposals	-	(2)	(65)	-	-	**(67)**
Transfers	-	1	-	-	(1)	**-**
Balance at 30 June 2020	**108**	**71**	**24**	**167**	**10**	**380**
Balance at 1 January 2020	**(11)**	**(50)**	**-**	**(146)**	**(3)**	**(210)**
Effect of movement in foreign exchange	-	1	-	1	-	**2**
Amortisation for the period	-	(4)	-	(8)	-	**(12)**
Disposals	-	1	-	-	-	**1**
Balance at 30 June 2020	**(11)**	**(52)**	**-**	**(153)**	**(3)**	**(219)**
Carrying amount						
At 1 January 2020	**102**	**22**	**81**	**22**	**7**	**234**
At 30 June 2020	**97**	**19**	**24**	**14**	**7**	**161**

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**

As of 30 June 2020, the EPIF Group purchased emission allowances of EUR 1 million (31 December 2019: EUR 54 million). The remaining part of EUR 10 million (31 December 2019: EUR 20 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 2020	31 December 2019
Elektrárny Opatovice, a.s.	87	91
EP Cargo a.s.	5	5
EP ENERGY TRADING, a.s.(1)	4	5
SPV100, s.r.o.	1	1
Total goodwill	**97**	**102**

(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

There were no impairment indicators as of 30 June 2020.

Additional information on CGU with significant goodwill assigned:

As at 30 June 2020, 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 2020 unless impairment trigger is identified earlier.

17. Inventories

In millions of EUR	**30 June 2020**	**31 December 2019**
Natural gas	139	147
Fossil fuel	25	25
Raw material and supplies	15	13
Spare parts	14	16
Work in progress	2	1
Total	**195**	**202**

At 30 June 2020 no inventories (31 December 2019: EUR 0 million) were subject to pledges.

18. Trade receivables and other assets

In millions of EUR	**30 June 2020**	**31 December 2019**
Trade receivables	174	235
Accrued income[(1)]	180	138
Estimated receivables	2	3
Advance payments	83	56
Other receivables and assets	62	55
Allowance for bad debts	(19)	(20)
Total	**482**	**467**
Non-current	27	39
Current	455	428
Total	**482**	**467**

1) For more detail on accrued income refer to Note 29 – Commitments and contingencies

As of 30 June 2020, no receivables are subject to pledges (31 December 2019: EUR 0 million).

19. Cash and cash equivalents

In millions of EUR	**30 June 2020**	**31 December 2019**
Current accounts with banks	1,043	674
Term deposits	430	-
Total	**1,473**	**674**

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

20. Deferred tax assets and liabilities

As of 30 June 2020, the net deferred tax liability amounts to EUR 1,875 million (31 December 2019: EUR 1,461 million). The increase of deferred tax liability is caused by change of Group accounting policy relating to reporting of gas distribution pipelines of SPP – distribúcia, a.s. starting 1 January 2020 (for more details please refer to Note 2 (c) – Change in accounting policy).

21. Equity

Share capital and share premium

The authorised, issued and fully paid share capital as at 30 June 2020 consisted of 222,870,000 ordinary shares with a par value of CZK 250 each (2019: 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 (2019: 100,130,000 shares) ("Shares B").

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

30 June 2020 *In thousands of pieces*	**Number of shares 250 CZK** **Shares A**	 **Shares B**	**Ownership** **%**	**Voting rights** **%**
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 2019 *In thousands of pieces*	**Number of shares 250 CZK** **Shares A**	 **Shares B**	**Ownership** **%**	**Voting rights** **%**
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 2020**	**31 December 2019**
Non-distributable reserves	1	1
Fair value reserve	1,395	774
Hedging reserve	(94)	(100)
Translation reserve	(56)	(87)
Other capital reserves	(3,814)	(3,814)
Total	**(2,568)**	**(3,226)**

Other capital reserves

As stated in Consolidated financial statement as of 31 December 2019 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 27 – Financial instruments).

During the period the Group reclassified EUR 31 million as income from Hedging reserves to Profit or loss (2019: EUR 36 million as income).

22. Earnings per share

Basic earnings per share

Basic earnings per share in EUR per 1 share of CZK 250 (30 June 2019: in EUR per 1 share of CZK 250) nominal value equal 0.38 (30 June 2019: 0.75).

The calculation of basic earnings per share as at 30 June 2020 was based on profit attributable to ordinary shareholders of EUR 122 million (30 June 2019: EUR 241 million), and a weighted average number of ordinary shares outstanding of 323,000,000 (30 June 2019: 323,000,000).

Weighted average number of ordinary shares as at 30 June 2020

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 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**

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.

23. Non-controlling interest

30 June 2020 *In millions of EUR*	**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	**[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 2020	**425**	**96**	**(254)**	**[7]1,528**	**1,168**	**34**	**120**	**(5)**	**3,112**
Profit (loss) attributable to non-controlling interest	**41**	**16**	**-**	**35**	**88**	**2**	**5**	**5**	**192**
Dividends declared	**(96)**	**(1)**	**-**	**-**	**-**	**-**	**(8)**	**(1)**	**(106)**
Statement of financial position information[2]									
Total assets	1,302	825	6,543	4,553	5,470	107	236		
of which: non-current	*814*	*666*	*[4]5,450*	*4,026*	*4,280*	*29*	*171*		
current	*488*	*159*	*1,093*	*527*	*1,190*	*78*	*65*		
Total liabilities	469	516	1,986	1,557	3,179	19	51		
of which: non-current	*117*	*395*	*638*	*949*	*2,124*	*15*	*21*		
current	*352*	*121*	*1,348*	*608*	*1,055*	*4*	*30*		
Net assets	**833**	**309**	**4,557**	**2,996**	**2,291**	**88**	**185**	**-**	**-**
Statement of comprehensive income information[2]									
Total revenues	453	114	73	235	350	18	60		
of which: dividends received	-	-	*[5]51*	-	-	-	-		
Profit after tax	80	51	50	67	171	7	7		
Total other comprehensive income for the period, net of tax	-	-	-	1,313	(10)	-	-		
Total comprehensive income for the period[2]	**80**	**51**	**50**	**1,380**	**161**	**7**	**7**	**-**	**-**
Net cash inflows (outflows)[2]	**52**	**(15)**	**(5)**	**17**	**288**	**1**	**16**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 31 – 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.
(7) Increase of NCI on SPP – distribúcia, a.s. relates to revaluation of Property, plant and equipment of EUR 1,762 million increasing NCI by EUR 671 million.

31 December 2019 *In millions of EUR*	**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	**[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	Transmission 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 31 December 2019	**480**	**102**	**(284)**	**823**	**[7]1,086**	**31**	**130**	**3**	**2,371**
Profit (loss) attributable to non-controlling interest	**65**	**25**	**-**	**68**	**210**	**3**	**9**	**10**	**389**
Dividends declared	**(5)**	**(1)**	**(340)**	**-**	**-**	**-**	**(8)**	**-**	**(354)**
Statement of financial position information[2]									
Total assets	1,256	855	6,253	2,781	4,736	100	252		
of which: non-current	*827*	*757*	*[4]5,461*	*2,233*	*4,335*	*30*	*196*		
current	*429*	*98*	*792*	*548*	*401*	*70*	*56*		
Total liabilities	314	527	1,746	1,168	2,606	19	52		
of which: non-current	*142*	*476*	*546*	*1,018*	*1,702*	*15*	*24*		
current	*172*	*51*	*1,200*	*150*	*904*	*4*	*28*		
Net assets	**942**	**328**	**4,507**	**1,613**	**2,129**	**81**	**200**	**-**	**-**
Statement of comprehensive income information[2]									
Total revenues	1,209	217	654	440	830	30	115		
of which: dividends received	-	-	*[5]608*	-	-	-	-		
Profit after tax	127	80	608	134	412	7	13		
Total other comprehensive income for the period, net of tax	-	3	-	1	1,612	-	-		
Total comprehensive income for the year[2]	**127**	**83**	**608**	**135**	**2,024**	**7**	**13**	**-**	**-**
Net cash inflows (outflows)[2]	**86**	**(13)**	**4**	**21**	**188**	**3**	**3**		

(1) Principal place of business of subsidiaries and associates varies (for detail refer to Note 31 – 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 that provide the Group with management control. As the shareholder's agreement provides the Group with right and ability to manage subgroups activities and influence thus their performance and return on the investment.
(7) Increase of NCI on eustream, a.s. relates to revaluation of Property, plant and equipment of EUR 2,166 million increasing NCI by EUR 824 million.

24. Loans and borrowings

In millions of EUR	**30 June 2020**	**31 December 2019**
Issued debentures	4,202	3,700
Loans payable to credit institutions	1,341	1,200
Bank overdraft	-	31
Lease liabilities	73	76
Total	**5,616**	**5,007**
Non-current	4,167	4,105
Current	1,449	902
Total	**5,616**	**5,007**

EPIF facility agreement

On 14 January 2020, the Group signed a new bank financing agreement for the total amount of EUR 800 million. The funds comprise a term loan of EUR 400 million and a committed revolving credit facility of up to EUR 400 million; both are unsecured and have a five-year term. The Group used the funds to fully refinance the then existing Company's bank debt which was due in 2023 in full (EUR 500 million).

2027 Eustream bond

On 25 June 2020, eustream, a.s. issued 7-year senior unsecured bond in the total amount of EUR 500 million bearing fixed interest rate of 1.625% per annum. Coupon is payable annually in arrears on 25 June of each year. The 2027 eustream bond is reported net of debt issue costs of EUR 2 million. These costs are allocated to the profit and loss account using effective interest rate of 1.759%. Proceeds are intended be used for a repayment of the SPP Infrastructure Financing B.V. bond of EUR 750 million due in July 2020 which is guaranteed by eustream, a.s.

25. 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 2020	**40**	**68**	**182**	**1**	**31**	**322**
Provisions made during the year	1	41	3	-	-	**45**
Provisions used during the year	(1)	(65)	-	-	(2)	**(68)**
Provision released during the period	-	-	-	-	(1)	**(1)**
Unwinding of discount(1)	-	-	1	-	-	**1**
Transfer	-	-	(1)	-	1	**-**
Effect of movement in foreign exchange rates	1	(3)	(1)	-	-	**(3)**
Balance at 30 June 2020	**41**	**41**	**184**	**1**	**29**	**296**
Non-current	**40**	**-**	**180**	**1**	**22**	**243**
Current	**1**	**41**	**4**	**-**	**7**	**53**

(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 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.

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 41 million (31 December 2019: EUR 40 million) were recorded mainly by Stredoslovenská energetika, a.s., Stredoslovenská distribučná, a.s., NAFTA a.s., NAFTA Germany GmbH, SPP – distribúcia, a.s. and eustream, a.s.

The most significant provisions in amount of EUR 13 million (31 December 2019: EUR 13 million) were recorded by NAFTA Germany and its subsidiaries and in amount of EUR 10 million (31 December 2019: EUR 11 million) by Stredoslovenská energetika Holding, a.s. and Stredoslovenská distribučná, a.s. (former Stredoslovenská energetika – Distribúcia, a.s.).

Provision for emission rights

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

Provision for restoration and decommissioning

The provision of EUR 184 million (31 December 2019: 182 million) was primarily recorded by NAFTA a.s. EUR 91 million (31 December 2019: EUR 90 million), NAFTA Germany GmbH EUR 69 million (31 December 2019: EUR 66 million), POZAGAS a.s. EUR 12 million (31 December 2019: EUR 12 million), eustream, a.s. EUR 6 million (31 December 2019: EUR 6 million) and SPP Storage, s.r.o. EUR 4 million (31 December 2019: 4 million).

26. Deferred income

In millions of EUR	**30 June 2020**	**31 December 2019**
Government grants	93	91
Other deferred income	20	22
Total	**113**	**113**
Non-current	84	88
Current	29	25
Total	**113**	**113**

Balance of government grants in amount of EUR 93 million (31 December 2019: EUR 91 million) is mainly represented by eustream, a.s. of EUR 59 million (31 December 2019: EUR 59 million), Elektrárny Opatovice, a.s. of EUR 20 million (31 December 2019: EUR 21 million), United Energy, a.s. of EUR 6 million (31 December 2019: EUR 5 million) and Alternative Energy, s.r.o. of EUR 3 million (31 December 2019: EUR 3 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 20 million (31 December 2019: EUR 22 million) consists mainly of deferred income recognized by EP Cargo a.s. in the amount of EUR 12 million (31 December 2019: EUR 13 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.

27. Financial instruments

Financial instruments and other financial assets

In millions of EUR	**30 June 2020**	**31 December 2019**
Assets carried at amortised cost		
Loans to other than credit institutions[(1)]	131	9
of which receivables from the related parties	*8*	*8*
Total	**131**	**9**
Assets carried at fair value		
Hedging: *of which*	75	63
Commodity derivatives cash flow hedge[(2)]	*74*	*63*
Currency forwards cash flow hedge	*1*	-
Risk management purpose: *of which*	3	1
Commodity derivatives reported as trading	*3*	-
Currency derivatives reported as trading	-	*1*
Equity instruments at fair value through OCI: *of which*	13	12
Shares at fair value through OCI	*13*	*12*
Total	**91**	**76**
Non-current	17	15
of which receivables from the related parties	*8*	*8*
Current[(1)]	205	70
Total	**222**	**85**

(1) As at 30 June 2020 EPIF Group reported a financial receivable against Slovenský plynárenský priemysel, a.s. ("SPP") (51% shareholder of SPP Infrastructure, a.s.) of EUR 122 million which will be settled with dividends in the second half of the year

(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 2020**	**31 December 2019**
Liabilities carried at fair value		
Hedging: *of which*	149	137
Interest rate swaps cash flow hedge	*125*	*100*
Commodity derivatives cash flow hedge	*23*	*35*
Currency forwards cash flow hedge	*1*	*2*
Risk management purpose: *of which*	89	68
Interest rate swaps reported as trading	*88*	*68*
Currency forwards reported as trading	*1*	-
Total	**238**	**205**
Non-current	223	161
Current	15	44
Total	**238**	**205**

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

In millions of EUR	**30 June 2020 Nominal amount buy**	**30 June 2020 Nominal amount sell**	**30 June 2020 Positive fair value**	**30 June 2020 Negative fair value**
Hedging: *of which*	2,537	(2,417)	75	(149)
Interest rate swaps cash flow hedge	*2,080*	*(2,080)*	-	*(125)*
Commodity derivatives cash flow hedge	*363*	*(243)*	*74*	*(23)*
Currency forwards cash flow hedge	*94*	*(94)*	*1*	*(1)*
Risk management purpose: *of which*	1.835	(1.833)	3	(89)
Interest rate swaps reported as trading	*1,750*	*(1,750)*	-	*(88)*
Commodity derivatives reported as trading	*16*	*(14)*	*3*	-
Currency forwards reported as trading	*69*	*(69)*	-	*(1)*
Total	**4,372**	**(4,250)**	**78**	**(238)**

In millions of EUR	**31 December 2019 Nominal amount buy**	**31 December 2019 Nominal amount sell**	**31 December 2019 Positive fair value**	**31 December 2019 Negative fair value**
Hedging: *of which*	1,901	(1,914)	63	(137)
Interest rate swaps cash flow hedge	*1,385*	*(1,385)*	-	*(100)*
Commodity derivatives cash flow hedge	*378*	*(387)*	*63*	*(35)*
Currency forwards cash flow hedge	*138*	*(142)*	-	*(2)*
Risk management purpose: *of which*	1,082	(1,080)	1	(68)
Interest rate swaps reported as trading	*1,000*	*(1,000)*	-	*(68)*
Commodity derivatives reported as trading	*3*	*(3)*	-	-
Currency forwards reported as trading	*79*	*(77)*	*1*	-
Total	**2,983**	**(2,994)**	**64**	**(205)**

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 2020		
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	75	-	**75**
Commodity derivatives cash flow hedge	-	74	-	*74*
Currency forwards cash flow hedge		1		*1*
Risk management purpose: of which	-	3	-	**3**
Commodity derivatives reported as trading	-	3	-	*3*
Equity instruments at fair value through OCI: of which	-	-	13	**13**
Shares and interim certificates at fair value through OCI	-	-	13	*13*
Total	**-**	**78**	**13**	**91**

		30 June 2020		
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	149	-	**149**
Interest rate swaps cash flow hedge	-	*125*	-	***125***
Commodity derivative cash flow hedge	-	*23*	-	***23***
Currency forwards cash flow hedge	-	*1*	-	**1**
Risk management purpose: *of which*	-	89	-	**89**
Interest rate swaps reported as trading	-	*88*	-	***88***
Currency forwards reported as trading	-	*1*	-	***1***
Total	**-**	**238**	**-**	**238**

		31 December 2019		
In millions of EUR	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets carried at fair value:				
Hedging: *of which*	-	63	-	**63**
Commodity derivatives cash flow hedge	-	*63*	-	***63***
Risk management purpose: *of which*		1		**1**
Currency forwards reported as trading		*1*		***1***
Commodity derivatives reported as trading	-	-		***1***
Equity instruments at fair value through OCI: of which	-	-	12	**12**
Shares and interim certificates at fair value through OCI	-	-	*12*	***12***
Total	**-**	**64**	**12**	**76**
Financial liabilities carried at fair value:				
Hedging: *of which*	-	137	-	**137**
Interest rate swaps cash flow hedge	-	*100*	-	***100***
Commodity derivatives cash flow hedge	-	*35*	-	***35***
Currency forwards cash flow hedge	-	*2*	-	***2***
Risk management purpose: *of which*	-	68	-	**68**
Interest rate swaps reported as trading	-	*68*	-	***68***
Total	**-**	**205**	**-**	**205**

There were no transfers between fair value levels as of either 30 June 2020 or 31 December 2019.

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 2020**	**30 June 2020**
Loans to other than credit institutions	131	131
Financial instruments held at amortised costs	**131**	**131**
Financial liabilities		
Loans and borrowings	**5,616**	**5,666**

In millions of EUR	**Carrying value**	**Fair value**
Financial assets	**31 December 2019**	**31 December 2019**
Loans to other than credit institutions	9	9
Financial instruments held at amortised costs	**9**	**9**
Financial liabilities		
Loans and borrowings	**5,007**	**5,061**

28. Trade payables and other liabilities

In millions of EUR	**30 June 2020**	**31 December 2019**
Trade payables	94	181
Estimated payables	43	65
Payroll liabilities	35	44
Other tax liabilities	13	30
Advance payments received	8	2
Liabilities to partners and associations	106	1
Accrued expenses	1	-
Uninvoiced supplies	28	-
Other liabilities	57	57
Total	**385**	**380**
Non-current	2	7
Current	383	373
Total	**385**	**380**

As of 30 June 2020, no payables are subject to pledges (31 December 2019: EUR 0 million).

29. Commitments and contingencies

Off balance sheet liabilities

In millions of EUR	**30 June 2020**	**31 December 2019**
Commitments	471	431
Total	**471**	**431**

Commitments

Majority of commitments is represented by contracts to purchase physical energy in following years by SSE Group in amount of EUR 424 million (31 December 2019: EUR 311 million), where physical delivery of the energy will be realised in future. Contracts for purchase of non-current assets of EUR 43 million (31 December 2019: EUR 24 million) are recognised by SSE Group. Remaining EUR 4 million (31 December 2019: EUR 36 million) arise from different type of service contracts.

Off balance sheet assets

In millions of EUR	**30 June 2020**	**31 December 2019**
Received promises	1,362	1,431
Other received guarantees and warranties	166	156
Total	**1,528**	**1,587**

Received promises

Received promises mainly comprise the loan commitments received by the various companies within the Group in amount of EUR 895 million (31 December 2019: EUR 984 million). Contracts for the future sale of energy in amount of EUR 424 million (31 December 2019: EUR 359 million) and regulatory contingent assets related to green energy of EUR 43 million (31 December 2019: EUR 88 million) are recognised by SSE Group.

Regulatory contingent assets related to green energy

By the end of 2019, the SSE Group was legally bound to connect producers of green energy, if they complied with requirements set by primary legislation, to purchase the green electricity generated, which was used to cover network losses and pay bonuses. The purchase tariff for green energy was set by the Regulator and was covered by the System operation tariff (“SOT”).

In November 2018, the final version of legal act relating to SOT (amendment to the Slovak Renewable Energy Sources Act) was published in Official Journal. The legal act relating to SOT includes all major attributes that were promised on a meeting between all three Slovak distribution companies and Slovak Ministry of economy. The Act envisaged that the SOT clearing duty be transferred from the distribution companies to a state-owned body, in this case OKTE a.s., from 1 January 2020 (i.e. zero P/L impact of SOT at DSOs in 2021 and following years, in 2020 expected P/L effect is from previous years´ SOT deficit). From the accounting and cash flow perspective, EPIF expects the SOT deficit of 2019 to be recognized on SSD balance sheet in course of 2020. Settlement of the receivable is expected to occur during the course of 2020 (SOT deficit for 2018) and 2021 (SOT deficit for 2019) at the latest. Total effect on Profit from operations resulting from SOT is a profit of EUR 45 million for the six-month period ended 30 June 2020 (a profit of EUR 22 million for the six-month period ended 30 June 2019). Contingent asset as at 30 June 2020 comprises 6/12 of 2019 loss totalling EUR 88 million, i.e. EUR 44 million (contingent assets as at 31 December 2019 amounted to EUR 88 million).

Based on the RONI decision dated in December 2019 the resulting contingent asset of EUR 139 million originating in the year 2018 was recognized as accrued income in the consolidated statement of financial position as of 31 December 2019 and will be fully collected in the course of 2020 (31 December 2018: 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 was fully collected in the course of 2019).

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 99 million (31 December 2019: EUR 89 million) recognised by eustream, a.s. and SPP - distribúcia, a.s. and guarantees received from banks of EUR 65 million (31 December 2019: EUR 64 million) recognised by NAFTA a.s.

30. 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 2020 and 31 December 2019 was as follows:

In millions of EUR	**Accounts receivable and other financial assets 30 June 2020**	**Accounts payable and other financial liabilities 30 June 2020**	**Accounts receivable and other financial assets 31 December 2019**	**Accounts payable and other financial liabilities 31 December 2019**
Ultimate shareholder[(1)]	-	-	-	-
Companies controlled by ultimate shareholder	62	33	26	36
Companies under significant influence by ultimate shareholder	2	10	2	11
Associates	8	-	8	-
Other related parties	-	-	-	-
Total	**72**	**43**	**36**	**47**

1) *Daniel Křetínský represents the ultimate shareholder.*

(b) The summary of transactions with related parties during the period ended 30 June 2020 and 30 June 2019 was as follows:

In millions of EUR	**Revenues 30 June 2020**	**Expenses 30 June 2020**	**Revenues 30 June 2019**	**Expenses 30 June 2019**
Ultimate shareholder[(1)]	-	-	-	-
Companies controlled by ultimate shareholder	12	39	47	74
Companies under significant influence by ultimate shareholder	11	65	12	45
Associates	-	-	-	-
Other related parties	-	-	-	-
Total	**23**	**104**	**59**	**119**

1) *Daniel Křetínský represents the ultimate shareholder.*

Transactions with the key management personnel

For the period ended 30 June 2020 and 30 June 2019 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 2020**	**30 June 2019**
Nr. of personnel	65	63
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.

31. Group entities

The list of the Group entities as of 30 June 2020 and 31 December 2019 is set out below:

		30 June 2020		31 December 2019		30 June 2020	31 December 2019
	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
ENERGOPROJEKTA plan s.r.o.	Czech Republic	50.50	Direct	50.50	Direct	Equity	Equity
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
PT Distribuční, s.r.o. (Devátá energetická, s.r.o.)	Czech Republic	85	Direct	85	Direct	Equity	Equity
PT měření, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Střelničná reality s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Malešice Reality s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Zálesí Reality s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
EPRE Reality s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Power Reality s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
PT Holding Investment B.V. *	Netherlands	100	Direct	100	Direct	Full	Full
Pražská teplárenská Holding a.s.v likvidaci *	Czech Republic	100	Direct	100	Direct	Full	Full
NPTH, a.s. v likvidaci*	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	Equity
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	100	Direct	64	Direct	Full	Full
Alternative Energy, s.r.o.,	Slovakia	90	Direct	-	-	Full	-
CHIFFON ENTERPRISES LIMITED *	Cyprus	100	Direct	100	Direct	Full	Full
Claymore Equity, s.r.o. *	Slovakia	-	-	100	Direct	-	Full
Alternative Energy, s.r.o.	Slovakia	-	-	90	Direct	-	Full
Elektrárny Opatovice, a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
V A H O s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika Holding, a.s. (Stredoslovenská energetika a.s.)(1)	Slovakia	49	Direct	49	Direct	Full	Full
Stredoslovenská distribučná, a.s.	Slovakia	100	Direct	100	Direct	Full	Full
Elektroenergetické montáže, a.s.	Slovakia	100	Direct	100	Direct	Full	Full

		30 June 2020		31 December 2019		30 June 2020	31 December 2019
	Country of incorporation	Ownership %	Ownership interest	Ownership %	Ownership interest	Consolidation method	Consolidation method
SSE – Metrológia s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika – Projekt Development, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SSE–Solar, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
SPX, s.r.o.	Slovakia	33.33	Direct	33.33	Direct	Equity	Equity
Energotel, a.s.	Slovakia	20	Direct	20	Direct	Equity	Equity
SSE CZ, s.r.o.	Czech Republic	100	Direct	100	Direct	Full	Full
SPV100 s.r.o.	Slovakia	100	Direct	100	Direct	At cost	At cost
SSE – MVE, s.r.o.	Slovakia	100	Direct	100	Direct	Full	Full
Stredoslovenská energetika, a.s. (Stredoslovenská energetika Obchod, a.s.)(2)	Slovakia	100	Direct	100	Direct	Full	Full
EP ENERGY HR d.o.o.	Croatia	100	Direct	100	Direct	Full	Full
EP Cargo a.s.	Czech Republic	100	Direct	100	Direct	Full	Full
Budapesti Erömü Zrt.	Hungary	95.62	Direct	95.62	Direct	Full	Full
Energia-pro Zrt.	Hungary	95.62	Direct	-	-	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 SERVIS IN a.s..	Czech Republic	100	Direct	100	Direct	At cost	At cost
Plzeňské služby s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Plzeňské služby facility s.r.o.	Czech Republic	100	Direct	-	-	At cost	-
Claymore Equity, s. r. o.*	Slovakia	100	Direct	-	-	Full	-
Czech Gas Holding Investment B.V.*	Netherlands	100	Direct	100	Direct	Full	Full
NAFTA a.s.	Slovakia	40.45	Direct	40.45	Direct	Full	Full
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 Ukraine B.V. (EP Sophievska B.V.)	Netherlands	10	Direct	10	Direct	At cost	At cost
Slovakian Horizon Energy, s.r.o.	Slovakia	50	Direct	-	-	At cost	-
Nafta Exploration d.o.o.	Croatia	100	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 (DEA Speicher Management GmbH)(3)	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher GmbH & Co. KG (DEA Speicher Holding GmbH & Co. KG)(4)	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher Inzenham GmbH (DEA Speicher GmbH)(5)	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

		30 June 2020		31 December 2019		30 June 2020	31 December 2019
	Country of incorporation	**Ownership %**	**Ownership interest**	**Ownership %**	**Ownership interest**	**Consolidation method**	**Consolidation method**
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	Full	Full
NAFTA a.s.	Slovakia	56.15	Direct	56.15	Direct	Full	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.	Slovakia	100	Direct	100	Direct	Full	Full
EP Ukraine B.V. (EP Sophievska B.V.)	Netherlands	10	Direct	10	Direct	At cost	At cost
Slovakian Horizon Energy, s.r.o.	Slovakia	50	Direct	-	-	At cost	-
Nafta Exploration d.o.o.	Croatia	100	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 (DEA Speicher Management GmbH)(3)	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher GmbH & Co. KG (DEA Speicher Holding GmbH & Co. KG)(4)	Germany	100	Direct	100	Direct	Full	Full
NAFTA Speicher Inzenham GmbH (DEA Speicher GmbH)(5)	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.

32. 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 court hearing was to take place in Q2 2020, however it was postponed indefinitely. Since the legal case is still open and after considering all the circumstances Plzeňská teplárenská, a.s. considers the provision in accounting to be 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 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., which declared bankruptcy in May 2019, is in insolvency proceeding and currently represented by an insolvency administrator. Based on an internal analysis PLTEP recorded an accrual to account for the risk of the guarantee to be returned. In 2019, the accrual was almost fully used against a realized payment. PLTEP considers the obligation to ČKD PRAHA DIZ a.s. as substantially settled. However, there is additional hearing at the court of arbitration to take place in Q3 2020 which should deal with some additional payments claimed from PLTEP. Nevertheless, PLTEP considers these additional payments as wrongful and therefore believes that the current provision represents the best estimate of the potential future outcome.

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

The SSE Holding Group is a party to various legal proceedings. As at 30 June 2020 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 December 2019 ERO terminated the proceedings due to the limitation period. However, the Supreme Administrative court has not yet ruled on the matter and the proceedings might still be reopened if the Supreme Administrative Court rules against PT and cancels the decision of the regional court.

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. In September 2019, ERO issued a decision ordering PT to pay EUR 3,3 million (CZK 85,2 million) consisting of a penalty in the amount of EUR 1,65 million (CZK 42,6 million) and restitution to affected customers in the amount of EUR 1,65 million (CZK 42,6 million). PT filed an appeal against this decision, on the basis of which the ERO Council in December 2019 annulled the decision and returned the case to the first instance for a new hearing. In April 2020 PT filed a request to ERO to terminate the proceedings due to the limitation period. Taken into account ERO's stance in the previous case (prices charged in 2011) the management considers it very likely that the proceedings will be terminated. Thus no provisions were created as at 30 June 2020. In August 2020 ERO terminated the proceedings due to the limitation period. This is definitive end of the proceedings, no further charges regarding heat energy price demanded by PT in 2014 are expected.

33. Subsequent events

On 15 July 2020, the existing EUR 50 million facility provided by Komerční banka, a.s. ("KB") to EP Energy and EPET, maturing in July 2020, was successfully transferred to a new CZK 1.25 billion facility between KB and EP Energy and EPIF with maturity in July 2023.

On 15 July 2020, the Group repaid bonds issued by SPP Infrastructure Financing B.V. ("SPPIF") in 2013 in the nominal amount of EUR 750 million using combination of proceeds from 2027 bonds issued by eustream (EUR 500 million) on 25 June 2020 and own resources. Eustream acted as a guarantor on the SPPIF bond due in July 2020.

On 7 August 2020, the Company declared and paid a dividend of EUR 100 million to its shareholders.

After the balance sheet date, EP Energy, a.s. entered into a contract to dispose its share in Pražská teplárenská a.s., its subsidiaries and PT Transit, a.s. to a third party and a contract to dispose its share in Budapesti Erömü Zrt. to a third party. Both transactions are subject to an approval of competition authorities and certain technical conditions. Combined contribution of to be disposed assets to six-month 2020 consolidated EBITDA was approximately EUR 49 million and represented a significant part of Heat Infra total assets as of the balance sheet date. If the transaction completes as currently envisaged, the effect on the consolidated financial statements of the Group is expected to be positive.

COVID-19 pandemic

Outbreak of new human-to-human airborne virus ("COVID-19") was described by World Health Organization as pandemic on 11 March 2020. Few days later the state of emergency was declared by governments of the countries in which the Group operates. Government authorities introduced various measures including restrictions of cross-border movement of people, free movement of people and their gathering, closing of retailers except for those necessary to serve basic needs (as food, pharmacy, cleaning agents and similar), closing of restaurants, museums, cinemas, theatres, sport facilities, etc. Except for the restrictions introduced by Government authorities, economies have also been affected by voluntary temporary shutdowns of some factories (mainly automotive) or limitation of business operations.

During the last couple of months the restrictive measures have been loosened, however the situation may change on a daily basis based on the actual development of the new cases and the loosening might vary across the different regions in which the Group operates. The government authorities have implemented a number of countermeasures in order to support the local economies and help them to recover after the strict lockdowns, restrictive measures and general business interruption caused by COVID-19. The state budgets have been heavily hit by the various stimulus packages, therefore it is hard to predict whether such significant support would occur also in the future.

Management of the Group has been critically monitoring and evaluating the impacts while having implemented relevant measures. Main focus of the Group is guaranteeing health and safety of its employees, which remains the top priority, and safeguarding the continuity of the essential energy services in the countries where EPIF operates.

The Group has performed analysis of a range of possible risks in connection with COVID-19 and has been implementing appropriate measures to mitigate the impact on employees and on the Group´s operations. The risks are monitored regularly and taken measures are adjusted accordingly, as the situation remains unclear and volatile. Main measures implemented by management notably include:

- Special team has been set up at every critical infrastructure asset to manage the situation and being constantly in contact with the relevant authorities and public officials;
- Increased disinfection of the work space and use of protective equipment by employees at work;
- Deploying smart and distant working as a precaution, thus limiting the risks of direct contact in the offices, extended possibility of home-offices whenever possible to eliminate unnecessary traveling and creating larger groups of people;
- Significant elimination of business trips, internal and external meetings are held ideally using teleconferences, videoconferences or other virtual working sessions;
- Action plans for different situation are prepared to ensure that enough employees are available for operations of critical part of infrastructure.

Based on the information currently available, despite potential short-term volatility caused by the pandemic, the Group's performance is not expected to be significantly impaired in the medium to long-term as the majority of its operated assets remains regulated and/or long-term contracted with high quality counterparties.

However, the management cannot preclude the possibility that extended lock down periods, an escalation in the severity of measures imposed by Government authorities, or a consequential adverse impact of such measures on the economic environment where the EPIF Group operates will not have an adverse effect on the Group's financial position and operating results in the medium and longer term. The EPIF Group continues to monitor the situation closely and will respond to mitigate the impact of such events and circumstances as they occur.

Except for the matters described above and elsewhere in the Notes, the Company's management is not aware of any other subsequent events that could have a material effect on the consolidated financial statements as at 30 June 2020.

Date:	Signature of the authorised representative
1 September 2020	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.